

Management Discussion and Analysis for the Year 2022

2022 business overview

- The Company's total revenue was THB 5,319.7 million, an increase of THB 1,104.3 million or 26.2% from the previous year, while operating income was THB 5,221.6 million, an increase of THB 1,386.2 million or 36.1%. The positive result was driven mainly from the ease of Covid-19 control measures, the rebounding of tourism as the country reopened, the recovery of consumption indicators, and the bounce back of economic activities. The increase in music business revenue was led by artist management business and showbiz business. As for the digital music business, it continues to be a consistently growing revenue stream for the Company.
- Total gross profit was at THB 2,041.8 million, an increase of THB 382.5 million or 23.1% from the previous year, while gross profit margin dropped from 43.3% to 39.1%
- In 2022, the Company has THB 166.4 million of profit attributable to equity holders of the Company. The profit decreased from the previous year by THB 330.7 million or 66.5%. This is mainly due to last year. There was an extraordinary profit from the reduction of investment in a joint venture amounting to THB 234.9 million, which was not a typical business transaction. Including fair value loss on other financial assets amount of THB 119.9 million from the investment in Rojukiss International PCL or ("KISS") shares while last year was a fair value gain of THB 89.6 million.
- The music industry has changed, with increased focus on using online platforms to present music and music-related content. This marks an era of digital music, and music companies all over the world adopts similar business practices. This entails the Company's management's discretion to review the accounting for a cost of audio masters and video masters. Previously, it was recognised as production cost in the income statement since it was considered the production of content where probability that the Company would receive economic useful life in the future could not be assessed. However, the Company switched to recognise such production cost as intangible assets with definite useful life in the category of copyrights to audio masters and video masters because of continued income generated through online platforms. The change in accounting treatment was in accordance with requirements for recognition of intangible assets under the Thai Accounting Standard No. 38 "Intangible Assets", which stipulates that the economic useful life of such assets last 40 years. The Company commenced recording such intangible assets as of 2022 and therefore recorded the increase of THB 334 million in copyrights to audio masters and video masters in 2022 in the statement of financial position and the amortisation of THB 4 million of such assets as expenses in the income statement.

2022 OPERATING RESULTS

Consolidated PL (Unit:THB mn)	4Q2022	4Q2021	YoY%	Y2022	Y2021	YoY%
Total operating revenues	1,777.8	973.4	82.6%	5,221.6	3,835.4	36.1%
Dividend income	0.0	0.0	0.0%	9.6	3.3	191.0%
Fair value gain on other financial assets	0.0	0.0	0.0%	0.0	89.6	-100.0%
Gain on deemed disposal of investment in joint venture	0.0	234.9	-100%	0.0	234.9	-100.0%
Other income	11.9	19.8	-39.9%	88.6	52.2	69.7%
Total revenues	1,789.7	1,228.1	45.7%	5,319.7	4,215.4	26.2%
Cost of sales and services	893.5	663.5	34.7%	3,179.7	2,176.1	46.1%
SG&A	557.2	450.6	23.7%	1,923.5	1,732.1	11.0%
Fair value loss on other financial assets	12.0	89.9	-86.7%	119.9	0.0	100.0%
Total expenses	1,462.8	1,204	21.5%	5,223.1	3,908.2	33.6%
Profit (loss) from operating activities	326.9	24.1	1257.5%	96.6	307.3	-68.5%
Share of profits from JVs and associates	33.9	63.9	-47.0%	175.1	270.8	-35.3%
Finance income (cost)	-20.2	-15.4	-31.6%	-71.7	-58.1	-23.4%
Profit (loss) before income tax income (expenses)	340.5	72.6	369%	200.0	520.0	-61.5%
Income tax income (expenses)	-81.9	34.8	-335.7%	-17.7	-4.5	293.3%
Profit (loss) for the period	258.6	107.4	140.8%	182.3	515.4	-64.6%
Profit (loss) attributable to non-controlling interests of the subsidiaries	10.4	6.9	51.2%	15.9	18.3	-13.0%
Profit (loss) attributable to equity holders of the Company	248.2	100.5	146.9%	166.4	497.1	-66.5%
Earnings per share	0.30	0.12		0.20	0.61	
Gross profit margin (%)	49.7%	31.8%		39.1%	43.3%	
SG&A to revenue (%)	31.1%	36.7%		36.2%	41.1%	
Net profit margin (%)	13.9%	8.2%		3.1%	11.8%	

Revenue Breakdown	4Q2022		4Q2021		YoY %	YE2022		YE2021		YoY %
	THB mn	%	THB mn	%		THB mn	%	THB mn	%	
Music	1,207.6	67.9%	503.2	51.7%	140.0%	3,043.1	58.3%	1,816.1	47.4%	67.6%
Home Shopping	356.4	20.0%	297.0	30.5%	20.0%	1,364.6	26.1%	1,316.6	34.3%	3.6%
Movie	142.0	8.0%	81.6	8.4%	73.9%	446.1	8.5%	239.1	6.2%	86.5%
Set-top-box and Broadcasting	48.0	2.7%	67.1	6.9%	-28.5%	198.1	3.8%	273.1	7.1%	-27.5%
Other	23.9	1.3%	24.3	2.5%	-1.6%	169.6	3.2%	190.5	5.0%	-11.0%
Total Operating Revenue	1,777.8	100.0%	973.4	100.0%	82.7%	5,221.6	100.0%	3,835.4	100.0%	36.1%

Operating Revenue

In 2022, the Company had operating revenue of THB 5,221.6 million, an increase of THB 1,386.2 million or 36.1% from the previous year. The increase was led by music business, movie business, and home shopping business. The operating revenue can be divided into revenue structure according to the Company's business as follows:

1.1 Music Business comprises the sales of digital music and right management, artist management, showbiz, physical music and artist products, and other businesses.

In 2022, the Company had revenue from music business amounted to THB 3,043.1 million which accounts for 58.3% of the operating revenue, an increase of THB 1,227.0 million or 67.6% YoY. This is mainly from the artist management and showbiz business which grew 247% YoY. This year, the revenue from concerts was contributed by total of 12 events. The Company's music business Group showed clear recovery and has rebounded to near-normal operations. In addition, the digital music business showed continued growth and is the largest contributor of music business income.

1.2 Home Shopping Business In 2022, Home shopping business reported revenue of THB 1,364.6 million, accounting for 26.1% of the operating revenue. Home shopping business increased by THB 48.0 million or 3.6%YoY. High competition level in Home shopping and E-commerce sector still continues and is somewhat intensified by the lower purchasing power as an impact from Covid-19. However, the Company can still maintain its customer base and can continuously expand distribution channels This results in slight increases in this year's income.

1.3 Movie Business revenue in 2022 amounted to THB 446.1 million, accounting for 8.5% of the operating revenue, an increase of THB 206.9 million or 86.5%YoY, from all 3 movies released. The key driver was the revenue of the movie "Love Destiny 2" with revenue of THB 392.7 million from screenings in cinemas across Thailand from the Thailand Box Office website report. This is the highest-grossing Thai film of the year 2022 as well.

1.4 Set-top-box and Broadcasting Business revenue in 2022 was THB 198.1 million, accounting for 3.8% of the operating revenue, a decrease of THB 75.0 million or 27.5%YoY.

1.5 Media Business is comprised of revenue sharing from advertising of the digital TV business on GMM 25 channel, and royalties from various digital platforms. In 2022, the Company had revenue from Media business amounted to THB 169.6 million, accounting for 3.2% of the operating revenue, decreased of THB 20.9 million or 11.0%YoY.

Cost of Sales and Services In 2022 was THB 3,179.7 million, an increase of THB 1,003.6 million 46.1% YoY.

Net Profit from the operating results of the year 2022. The Company had a net profit attributable to the Company's shareholders of THB 166.4 million, a decrease of THB 330.7 million or 66.5% YoY. Most of the losses incurred was from the changes in extraordinary items. There was a one-time profit from the reduction of investment in a joint venture amounting to THB 234.9 million. Fair value loss on other financial assets amounted to THB 119.9 million compared to last year was a fair value gain of THB 89.6 million.

FINANCIAL POSITION OF THE COMPANY

Financial Position	30-Dec-22	%	31-Dec-21	%
Cash and cash equivalents	764.2	12.4%	563.3	11.1%
Other current assets	2,087.9	33.8%	1,795.4	35.5%
Non-current assets	3,318.7	53.8%	2,700.2	53.4%
Total assets	6,170.8	100.0%	5,058.8	100.0%
Current liabilities	2,812.3	45.6%	2,809.6	55.5%
Non-current liabilities	1,720.4	27.9%	766.9	15.2%
Total liabilities	4,532.7	73.5%	3,576.5	70.7%
Shareholders' equity	1,638.1	26.5%	1,482.4	29.3%
Total liabilities and shareholders' equity	6,170.8	100.0%	5,058.8	100.0%
Net interest-bearing debt to equity ratio (x)	1.33		1.19	

Total Assets at the end of 2022 amounted to THB 6,170.8 million, an increase from the previous year of THB 1,112 million or 22.0%. Significant items included an increase in trade and other receivables of THB 287.6 million and an increase in cash or equivalents of THB 200.9 million. And because the Company switched to recognizing such production costs as intangible assets. As a result, the Company commenced recording such intangible assets as of 2022 and therefore recorded an increase of THB 334 million in copyrights to audio masters and video masters in 2022.

Total Liabilities at the end of 2022 amounted to THB 4,532.7 million, an increase from the previous year of THB 956.2 million or 26.7%. The interest-bearing debt was THB 2,183.0 million, an increase from the previous year of THB 418.1 million.

Total Shareholders' equity at the end of 2022 amounted to THB 1,638.1 million, an increase from the previous year of THB 155.7 million or 10.5% as the Company has profit during the year. Net interest-bearing debt to equity ratio (IBD/E) was 1.33x, an increase from 1.19x in the previous year as interest-bearing liabilities increased by THB 418.1 million to THB 2,183.0 million.

Cash Flow for the year 2022. The Company had net cash flow from operating amounted to THB 153.3 million, while net cash flow from investing activities amounted to THB 46.2 million, and net cash flow from financing activities amounted to THB 2.2 million. As a result, net cash flow in this year increased by THB 200.9 million, and cash and equivalents amounted to THB 764.2 million.

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