

**For the Year 2022**  
**28 February 2023**

**Management Discussion and Analysis**  
**RS Public Company Limited**  
**Industry/Sector: Services/Commerce**

**2022 Highlights**

**Focusing on expanding the ecosystem of commerce business through adding distribution channels and developing new products to better reach new groups of customers**

RS acquired a direct sales business “ULife” from Unilever Thailand to gain the shortcut to access over 150,000 sales agents and capabilities in producing premium products with international standards. Moreover, RS also founded RS Pet All Co., Ltd. to offer a full range of products and services for pets while moving forward to develop health products of over 70 SKUs under 4 major brands.

**Promptly and actively boosting revenue from activities and concerts after the removal of the COVID-19 control measures**

Entertainment business resumed to generate revenue for RS as normal since the second half of 2022 from on-ground activities such as events and concerts. During the 4<sup>th</sup> quarter, RS organized 2 big concerts “Kamikaze Party 2022” and “RS MEETING CONCERT 2022” that received overwhelming feedback and will continue the course in 2023.

**Promoting the expansion of entertainment business through activities during the second half of 2022 to offset the revenue slowdown of commerce business due to economic challenges.**

Total revenue for 2022 mildly decreased 1.1% from the previous year to 3,532.8 million baht. The Company remains focused on expanding the ecosystem for both commerce business and entertainment business to recover revenue in the future to support new business opportunities.

**Enjoying higher net profit thanks to the recovery of entertainment business and efficiency in marketing expense management**

Net profit grew 137.1 million baht or rising 7.6% from last year from the rise in content licensing revenue and the decrease in marketing expenses of commerce business.

RS has announced stock dividend payment at a rate of 10 existing stocks to 1 new stock to be offered to the list of shareholders for the book closing date of 19 April 2023.

\*Note that the stock dividend payment is subject to the approval of the Annual General Meeting of Shareholders on 10 April 2023.

**Reaching 5,500 million revenue target in 2023 driven by both commerce business and entertainment business**

Through “Mass-Accessible” strategy, the business transformation of RS aims to drive RS toward “Life Enriching” aspiration to elevate all dimensions of living of customers and pets through various businesses under RS Group. For commerce business, we planned to launch more than 40 SKUs under existing brands and extend our market footprint through new channels and business partners to tap into broader market. Moreover, RS Pet All, our new business, will provide end-to-end services for pets. For entertainment business, we intend to reinvest in music business and collaborate with high potential partners to enhance revenue from existing music assets and expanded new music assets. Plus, we will be able to generate more revenue from organizing events and concerts at full capacity across the year.

**Chase Asia Public Company Limited , an associate company, was successfully listed on the stock exchange on 21 Feb 2023.**

The Company received cash of 421 million baht from selling shares of Chase Asia and immediately realized special profit of over 100 million baht during the 1<sup>st</sup> quarter of 2023. Nevertheless, the Company maintains the shareholding of Chase Asia of 20.3% as a strategic shareholder to mutually expand the business through entertainmerce model.

## 2022 Operating Performance

The economic conditions in 2022 were marked by challenges from the war in foreign countries that affected prices of energy and consumer goods as well as China's border closing that caused supply chain disruptions. These factors drove inflation rates in Thailand to be the first half of the year. Nevertheless, the situation improved during the latter half of the year as travel restriction measures were gradually removed across the world and the wa-19 was no longer considered as a pandemic according to the Thai officials in October 2022. Therefore, economic activities have resumed to a normal state and started to bounce back. Overall Thai economy in 2022 is expected to grow at a rate of 3.2% and the economic outlook is brighter for 2023 as the recovery is likely to be stronger driven by improved tourism sector and government stimulus packages and all kinds of activities that will return at full capacity.

\*Source: Krungsri Research

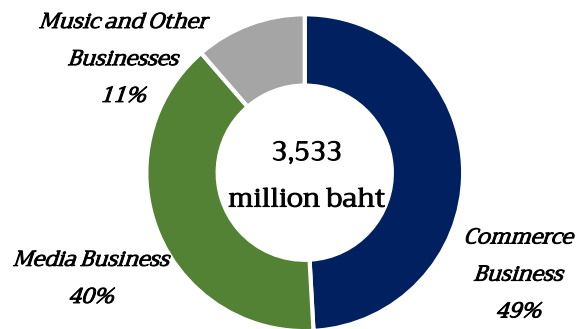
Unit : million baht	Year 2021		Year 2022		Change	
	amount	%	amount	%	amount	(y-y)
Revenue from sales and service	3,572.8	100%	<b>3,532.8</b>	<b>100%</b>	-40.0	-1.1%
Commerce business	2,263.4	63.4%	<b>1,714.5</b>	<b>48.5%</b>	-548.9	-24.3%
Entertainment business	1,309.4	36.6%	<b>1,818.2</b>	<b>51.5%</b>	508.8	38.9%
- Media	1,078.7	30.2%	<b>1,421.9</b>	<b>40.2%</b>	343.2	31.8%
- Music&Others	230.7	6.5%	<b>396.4</b>	<b>11.2%</b>	165.7	71.8%
Cost of sales and services*	1,804.2	0.0%	<b>0.0</b>	<b>0.0%</b>	0.0%	0.0%
Cost of sales and services (after reclassification)	1,850.6	51.8%	<b>1,788.5</b>	<b>50.6%</b>	-62.1	-3.4%
Gross profit	1,722.2	48.2%	<b>1,744.2</b>	<b>49.4%</b>	22.0	1.3%
Selling and administrative expenses*	1,676.5	0.0%	<b>0.0</b>	<b>0.0%</b>	0.0	0.0%
Selling and administrative expenses (after reclassification)	1,632.1	45.7%	<b>1,535.4</b>	<b>43.5%</b>	-96.8	-5.9%
Operating profit	90.1	2.5%	<b>208.8</b>	<b>5.9%</b>	118.8	131.9%
Finance costs	58.8	1.6%	<b>99.5</b>	<b>2.8%</b>	40.6	69.1%
Net profit/(loss)	127.4	3.6%	<b>137.1</b>	<b>3.9%</b>	9.7	7.6%

\*In 2Q22, research and development expenses and supply chain related expense were reclassified from SG&A to cost of sales and services. This reclassification was adjusted in P&L from the period of 1Q2021.

## Revenue

Total revenue from sales and services for 2022 stood at 3,532.75 million baht, decreasing 1.1% from the previous year as the revenue from commerce business contracted due to lower consumer demand from more careful spending behavior.

## Revenue Structure



## Commerce Business

Revenue from commerce business comprises revenue from product distribution from 2 main platforms which are RS Mall that distributes products through multi-platforms for products under the Company's in-house brands as well as products of our business partner ULife who operates a direct sales business. RS is committed to developing products and offering a variety of new products to better address consumer needs. During 2022, the Company has diversified types of products and extended to new markets with high growth potential while expanding our distribution to online channels to enhance revenue growth potential in the long term. For example,

- Entered direct sales business through the acquisition of ULife with over 20 years of experience in direct sales business to obtain experienced executives in direct sales business, partners (sales agents) and brands including aviance, Beyonde and i-Fresh as well as product development team with international expertise. "RS Connect" was then established to engage in direct sales business after the integration of ULife into RS Group,
- Developed and diversified products for pets under the brand "Lifemate" to distribute pet food for both dry and wet food as well as other pet care products such as shampoo. Over 40 SKUs of new products for pets were developed and introduced during the year.
- Founded RS Pet All Co., Ltd. with the goal to become an integrated service provider for pets to capitalize opportunities in operating pet-related business and fulfill the ecosystem of pet business of RS Group.
- Elevated services for the first 7,000 VIP customers of RS Mall with the highest spending by analyzing in-depth information to enhance our ability to introduce products that meet the needs of customers as well as launching effective sales promotional campaigns to boost revenue per customer. This can lead to higher revenue even under the situation with lower purchasing power of consumers.

Revenue from commerce business for 2022 stood at 1,714.5 million baht or declined 24.3% from 2021 given the economic slowdown that caused consumers to be more prudent in their spending. The Company put efforts in mitigating the impact through new product development and expansion of sales channels to maintain revenue from commerce business amidst challenging circumstances.

## **Entertainment Business**

Media Business For 2022, total revenue from media business was 1,421.9 million baht, increasing 31.8% from the previous year. Overall media spending for 2022 showed signs of recovery thanks to the ease of COVID-19 control measures that encouraged brand owners to launch new products that required higher marketing budget to compete in the market and boost sales. This had positive impact on both TV and radio businesses.

During 2022, the Company consistently developed core content on TV for all 3 types which are sports, dramas and news as well as bringing popular content from foreign countries to be aired on Channel 8. Apart from offline channels, RS strives to proactively expand customer base through online channels and we sold the content rights of Channel 8 to Over-The-Top (OTT) platforms of business partners both locally and internationally such as True ID, AIS Play, WeTV and iQIYI, etc. for TV media. Regarding radio media, we extended our reach to new generations through streaming applications of business partners including JOOX, Apple Music and Google Assistant.

Music and Other Businesses For 2022, the Company recorded 396.4 million baht in revenue from music and other businesses, increasing 71.8% from the previous year as the COVID-19 was declared an endemic which allowed the Company to be able to organize activities in full capacity and efficiency. This helped boost revenue from organizing events and concerts compared to 2021. Note that during 2022, RS successfully organized 2 grand concerts “Kamikaze Party 2022” and “RS MEETING CONCERT 2022” with positive responses while all tickets were sold out in short time.

## **Cost of Sales and Services**

Cost of sales and services for 2022 reached 1,788.5 million baht or moderately dropped at a rate of 3.4% from the previous year due to the decrease in revenue of commerce business that was coupled with the cost of entertainment business that adjusted upward to support more activities and concerts.

## **Gross Profit<sup>1</sup>**

The Company registered gross profit of 1,744.2 million baht or increased 1.3% from last year given the recovery of entertainment business and revenue from the sales of content rights with high gross profit margin. Overall gross profit margin was 49.4% increasing from 48.2% in the previous year.

Commerce business registered gross profit of 1,122.2 million baht or declined 16.8% from last year due to lower revenue from commerce business in general. Gross profit margin stood at 65.5%, comparing to 59.6% in 2021 thanks to the revenue realization from the direct sales business of RS Connect with high gross profit margin as well as gross profit margin from RS LiveWell and RS Mall that adjusted upward modestly from the strategy to increase the proportion of in-house products during 2022.

For entertainment business, net profit amounted to 621.97 million baht or surged 66.7% from the previous year as events and concerts resumed in full capacity since the end of the year. Gross profit margin stood at 34.2%, comparing to 28.5% from last

year thanks to the realization of revenue from the sales of content rights with high gross profit margin as well as higher revenue from organizing events and concerts.

### **Selling, General and Administration Expenses and Financial Cost**

The Company's selling, general and administrative expenses (SGA) for 2022 was 1,539.1 million baht, decreasing 5.7% from 2021 mainly driven by commerce business that managed to control marketing expenses to be in line with sales revenue together with marketing efforts for online channels and new SKUs introduced under existing brands. These factors resulted in economies of scale that led to a decrease in the ratio of selling, general and administrative expenses to sales revenue from 43.6% in 2021 to 45.7% in 2022.

Financial cost for 2022 stood at 99.5 million baht, increasing 69.1% from the previous year as a result of rising interest expenses according to higher bank loans to be invested for the acquisition of Unilever Life Co., Ltd.

### **Net Profit**

For 2022, the Company recorded net profit of 137.1 million baht or equivalent to an increase of 7.6% from 2021 due to the reopening of the country and the relaxation of COVID-19 control measures that allowed events and concerts to be organized again as normal including the ability to control cost of sales and services as well as selling, general and administrative expenses to be lower. Note that the Company also realized the profit sharing from Chase Asia Co., Ltd. for 2022 of 46.5 million baht.

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<sup>1</sup> For the above selling, general and administrative expenses, net profit and cost of sales and services, the calculations used a new baseline that product R&D cost and cost related to supply chain were reclassified into the cost of sales and services instead of selling, general and administrative expenses.

## Outlook on Performance or Financial Position and Strategy in 2023

RS will continue to emphasize our business operation on the adopted entertainmerce model that promotes growth and synergy of commerce business and entertainment business with the revenue target of 5,500 million baht in 2023 as well as executing “Mass – Accessible” strategy. Details are per following.

- Mass – Expanding through Broadened Customer Base

- **New Business Models**

- RS Connect:

- Deliver growth on the foundation of direct sales business using Multi-Level Marketing (MLM) format under ULife to leverage expertise of building sales team as well as deploying 2 business models as follows

- 1) Expansion of sales under Multi-Level Marketing MLM under ULife brand through subscription model or “Pinto” which delivers products on a monthly basis to accommodate customers who will receive quality products at the right quantity on a regular basis without the need to make an order each time when products are finished.
- 2) Introduction of Single-Level Model (SLM) under the brand “De Beste” which is the one layer sales format using online sales agents to target new generations focusing on sales and distribution through online and social commerce channels.

- **RS Pet All:**

- Expand business related to animals to offer full services from upstream to downstream including a pet food manufacturing plant, pet products, retail outlets and wellness business for pets.

- **New Products**

- Continuously develop new products under RS LiveWell and RS Connect. For 2023, RS has a plan to develop and launch new products under the brands well u, Vitanature+, CAMU C, Lifemate, aviance, Beyonde, i-Fresh and De Beste of over 40 SKUs in total to expand into new market segments without prior access.

- **New Content and New Target group**

- Create new formats of content through online channels to tap into target groups of new generations leveraging expertise from all units under entertainment business through both Channel 8 digital TV and Cool Fahrenheit radio.
- Organize various events to build on customer and audience base to connect diverse lifestyles by carrying out on-ground activities to assist brands in building consumer engagement together with a plan to organize 4 festivals and at least 4 big concerts across the year.
- Actively invest in music business through RS Music as RS spotted growth opportunities in this business under the concept “Homecoming, Newcomer” that brings together popular RS singers in the past to make new songs as well as developing new artists. RS also planned to team up with business partners who are specialized in online platforms to help maximize revenue from the Company’s intellectual property related to music.

- **Accessibility**

- **One Stop Marketing Solutions**

Establish Media Sales & Marketing Department to be the center of media management for all channels of RS Group to maximize efficiency in advertisement purchasing of customers as well as enhancing marketing efficiency of RS Group as a whole.

- **New Synergy**

- Expand customer base and distribution network through collaborations with business partners to extend revenue base of commerce business. RS Mall will join forces with new partners such as financial group, hospitals and insurance companies to enlarge customer base and upgrade member privilege to promote brand loyalty and boost sales. Moreover, RS LiveWell will work closely with specialty stores and expand to duty-free shop channel to attract foreign tourists. RS also planned to distribute Lifemate products for pets overseas.
- Create opportunities to grow through investments by conducting new M&As on a regular basis. For 2023, RS expected to undertake 2-3 investment opportunities with an approximate value of 300-600 million baht per deal while concentrating on investments in businesses that can help complete the ecosystem of RS.

### **2023 Revenue Projection (Unit: Million Baht)**

<b>Total Revenue</b>	<b>5,500</b>
<b>Commerce Business</b>	3,100
<b>Entertainment Business</b>	2,400
- Digital TV Business (Channel 8) and Radio Business (COOLism)	1,450
- Music Business	400
- Concerts and Events	550
<b>Gross Profit Margin (GPM)</b>	48-50%
<b>Net Profit Margin (NPM)</b>	11-13%

## **RS Group's Commitment on Sustainable Business Conduct and ESG**

The Company was selected to be among the sustainable stocks or Thailand Sustainability Investment (THSI) for 2022 for the 2<sup>nd</sup> consecutive year as we are committed to consistently developing the organization to embrace change for both social and environmental aspects. We also place importance on stakeholder engagement through our ESG framework and practices covering all dimensions. For this year, the Thai Institute of Directors has certified the Company as a member of Thailand's Private Sector Collective Action Against Corruption (CAC). Moreover, the Company issued "No Gift Policy" and shared knowledge on corporate governance principles and policy, code of conduct, anti-corruption policy, human rights and whistleblowing channels for employees across the organization completely and inclusively. These 2 awards perfectly reflect the Company's commitment to become an efficient organization who conducts business with ethics, fairness, transparency and accountability together with responsibility for all stakeholders, society and environment in order to grow together in a balanced and sustainable manner.

During 2022, the Company supported various activities that help promote efficient energy and resource utilization with details per following.

**"Paper Merci...Separate, Exchange, Conserve Year 3"** promotes paperwaste sorting from the start to ensure that people who generate waste realize the value of used resources by separating paper from other wastes. The project was undertaken between October 2022 – 31 December 2022 with a total volume of 9,190 kilograms of paper sent to recycling process in 2022 and an accumulative volume of 18,000 kilograms from the inception of the project. This helped save approximately 306 trees and reduce greenhouse gas emissions of around 6,249 kilograms.

**"Think Then Trash Plastic"** encourages employees to sort plastic waste from the origin to separate PETE plastic waste from other wastes to enhance recycle rate and quality of plastics for Thailand. The project was carried out between May 2022 – 31 December 2022 with a total of 340 kilograms of plastic bottles sent to recycling process. This is also extended to other social and environmental initiatives.

**"RS Net Zero Bags"** were the outcome of the cooperation of employees at RS head office to sort plastic bottles and turn them into RS Net Zero bags while 1 bag is made of 100% recycled fibers from 200 units of 600ml plastic bottles. We also added a creative idea to the plastic waste by applying a design under RS MEETING CONCERT 2022 theme which promotes our grand year-end concert that gathered 15 most favorite artists of the 90s together. Therefore, the bags represent memorable moments of happiness, fun and appreciation of RS music. Revenue from selling the bags without deducting any expense was contributed towards the establishment of the Marine Endangered Animal Rescue Center, under the supervision of Andaman Coastal Research Station for Development, Faculty of Fisheries, Kasetsart University.

In addition, the Company adheres to equitable treatment of all employees given that they are the heart and soul of the organization as well as a driving force behind our success. Resonating that belief, the Company organized a Town Hall 2022 to elevate the way of work at RS to become "Life Enriching" by adopting new core values of RS Group which are "Own, Fight, Learn and Win Together" and building "Think and Act Like a Professional Owner" culture to promote understanding in our



shared goals and unite everyone at RS Group to win and succeed together. 350 people across the organization attended the event including those who joined through live streaming.

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized Person for Information Reporting