

Quarter 1/2023
May 15, 2023

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

Key Highlights for 1Q23

Entertainment business experienced the recovery of music business and related activities at the end of 1Q23 while revenue-generating activities returned to normal after the COVID-19 pandemic.

Despite a 0.7% decline in revenue of the media business during the quarter from the same period of the previous year, the revenue growth was stronger than the industry. The restructuring of media sales to be under the centralized unit and the distribution of content rights to OTT platform and foreign markets accounted for the better-than-industry revenue results. Regarding revenue from activities, concerts and events, the number recovered better than the same period last year but fell from the last quarter given that most activities were scheduled to kick off from 2Q23 onward. In general, this resulted revenue from entertainment business of 418.7 million baht, declining 16.7% from the last quarter.

To accelerate growth of commerce business for both RS Mall and RS Connect through expanding channels, enhancing product diversity and creating new business models.

RS Mall focuses on diversifying its product portfolio for household and electrical appliances and dietary supplements that are not redundant with other products under the group of companies. For RS Connect, we are in active pursuit of launching new business models to promote long-term growth such as “Pinto” which is a monthly subscription of products with appealing discounts to consistently address customer needs. Note that total revenue from commerce business stood at 394.5 million baht or falling 4.0% from the previous quarter.

RS realized special profit from the sales of Chase Asia’s shares (CHASE)

Chase Asia Public Company Limited (CHASE), an affiliate under RS Group, was successfully listed on the Stock Exchange of Thailand with the first trading day on 21 February 2023. The Company sold a portion of CHASE shares and realized special profit after taxes and related expenses of approximately 92 million baht.

Overall operating performance for 1Q23 bounced back from the previous quarter despite the low season of both core businesses.

Thanks to the strategy of commerce business to diversify channels and add more business models together with media business that showed better improvement compared with the industry as well as the realized profit from the sales of CHASE shares, the Company’s overall operating performance recorded net profit of 91.9 million baht, making a turnaround from loss during the last quarter.

RS is ready to generate higher growth for 2Q23 through revenue from activities including concerts and sponsored events including other driving factors from commerce business.

For 2Q23, there are several driving factors boosting revenue of entertainment business including activities, concerts and sponsored events which are allowed to be organized at full capacity such as Cool Summer Fest festival and RS Hit Journey concert. On the other hand, commerce business is also pushed by the new strategy since the beginning of the year to implement new business models and extend sales platforms to broader customer base.

RS is expanding to related pet business through the investment in “Hato” as well as elevating content of TV media. RS further enhanced competitiveness of its commerce business through the announcement of its investment in 51% stake of Pet Medical Group Company Limited, an expert for pet care under “preventive” method, with extensive service coverage including health check-up, clinic and spa. This is considered an expansion of related pet business to capture exponential growth. At the same time, media business under entertainment business also welcomed Khun Phuttha Apiwan to help strengthen news team through program rescheduling and revamp of news content to be more interesting to attain higher ratings for Channel 8.

Summary of 1Q23 Performance

Positive factors from tourism sector helped stimulate Thai economy as number of tourists reached pre-pandemic level which eased the recovery of labor market and domestic consumption. However, risk factors remained worrisome in the global economy given that the US-China disputes still potentially impact global supply chain and Thailand’s export. Moreover, pressure also came from within the country due to the high level of household debt that constrained private consumption coupled with consumer demand that continuously stabilized throughout the past 3 months as a result of the political uncertainty from the forming of a new government after the general election that may affect the reimbursement of government budget.

Overall advertising media business during 1Q23 adjusted downward at a rate of 6% compared with the same quarter of the previous year. TV media contracted 11% from the last quarter and 11% from the same quarter last year while radio media dropped 18% from the last quarter but adjusted upward 14% from the same period of the previous year. At the same time, online media grew 1% from last quarter and 6% from the same quarter last year. TV media was still the main media accounting for the highest share of 51% while online media contributed to 26% of all media. Note that the Company’s media business managed to outpace the industry thanks to the quality improvement of all types of content including news, dramas and sports throughout the past year as well as the centralization of sales teams to be under one responsible unit.

**Source: SCB’s Economic Intelligence Center, Thai Retailer Association*

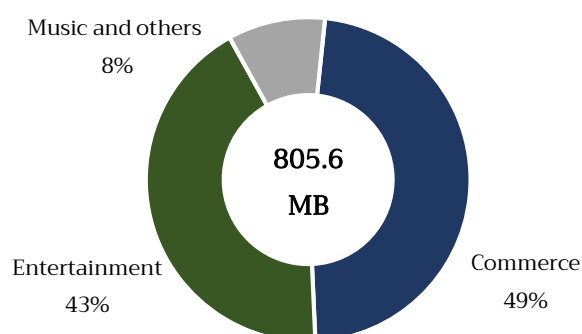
Unit : Million Baht	1Q22		4Q22		1Q23		Change	
	Amount	%	Amount	%	Amount	%	(y-y)	(q-q)
Revenue from sales and services	844.5	100%	914.0	100%	813.2	100%	-3.7%	-11.0%
Commerce business	426.9	50.5%	411.1	45.0%	394.5	48.5%	-7.6%	-4.0%
Entertainment business	417.7	49.5%	502.9	55.0%	418.7	51.5%	0.2%	-16.7%
- Media	352.1	41.7%	355.2	38.9%	349.6	43.0%	-0.7%	-1.6%
- Music & Others	65.6	7.8%	147.7	16.2%	69.1	8.5%	5.3%	-53.3%
Cost of sales and services	442.6	52.4%	485.8	53.1%	381.0	46.8%	-13.9%	-21.6%
Gross profit	402.0	47.6%	428.2	46.9%	432.2	53.2%	7.5%	0.9%
Selling, general and administrative expenses	339.7	40.2%	418.1	45.7%	419.2	51.5%	23.4%	0.3%
Operating profit	62.3	7.4%	10.1	1.1%	13.0	1.6%	-79.1%	28.8%
Financial costs	16.2	1.9%	32.0	3.5%	37.8	4.6%	132.8%	17.9%
Net profit (loss)	55.0	6.5%	(12.7)	-1.4%	91.9	11.3%	67.3%	-826%

* Special profit for 1Q23 from the sales of Chase Asia's shares after IPO of 145 million shares at 92 million baht (after taxes and fee). After sales, the Company's remaining shares are at 20.3%

Revenue

Total revenue from sales and services for 1Q23 stood at 813.2 million, dropping 11.0% from the previous quarter due mainly to the low season of entertainment business for most activities such as concerts and sponsored events

Revenue Structure



Commerce Business

Revenue from commerce business consists of product sales from 2 main platforms which are (1) RS Mall which distributes products through multi-platforms for both in-house brands and partners' products and (2) RS Connect which engages in direct sales business that the Company focuses on product development and sourcing of a diversity of new products to better address needs of consumers. Note that the Company's commerce business recently reformulated business plans and strategies to be consistent with market conditions and competition including.

- RS Mall: Extending sales channels for home shopping to other digital TV channels to expand target customer base as well as promoting product diversification through adding partners' products in RS Mall starting from the end of 1Q23.

- RS Connect: Developing new business models to respond to market needs to be able to reach new target customer groups including new generations of consumers such as the development of online sales channels by adopting single level marketing (SLM) under the brand deBeste.

Revenue from commerce business for 1Q23 was 394.5 million baht, falling at a rate of 3.7% from the previous quarter due to business seasonality as the 1st quarter is the low season of the year.

Entertainment Business

Media Business delivered 349.6 million baht in revenue for 1Q23, decreasing 1.6 % from the previous quarter and decreasing 0.7% from the same period of the previous year. This is a result of the lower media revenue compensated by the higher revenue from sales of content rights. Nevertheless, the Company integrated advertising sales team under Media Sales & Marketing (MSM) to manage and sell all types of advertising media under RS Group aiming to enhance sales capabilities.

Music and other businesses delivered 69.1 million baht for 1Q23, declining 53.3% from the previous quarter as there were 2 big concerts during 4Q22. However, compared with the same period of the previous year, revenue rose 5.3% thanks to the sponsored events that were back to normal this year after COVID-19 pandemic.

Cost of Sales and Services

Cost of sales and services for 1Q23 stood at 381.0 million baht, dropping 21.6% from the previous quarter as a result of falling costs of organizing activities from less number of activities during the low season and better control of content cost for entertainment business, Note that cost of sales and services decreased 13.9% year-on-year as overall sales for commerce business declined.

Gross Profit¹

The Company's gross profit was 423.2 million baht, falling 0.9% from the previous quarter and rising 7.5% from the previous year thanks to the revenue realization from RS Connect's direct sales business since 2Q22 coupled with revenue from sales of content rights with high gross profit margin and effective cost control for media content.

Commerce business delivered 268.77 million baht of gross profit, dropping 4.4% from last quarter from the slowdown in sales but increasing 10.9% from last year thanks to revenue realization of RS Connect's direct sales business with high gross profit margin.

Entertainment business delivered 163.42 million baht in gross profit, increasing 11.2% from the previous quarter and remaining at the same level as the previous year thanks to effective cost control and higher revenue from sales of content rights with high gross profit margin.

Selling, general and administrative expenses and financial cost

The Company's selling, general and administrative expenses (SG&A) for 1Q23 stood at 419.2 million, increasing 0.3% from last quarter or surging 23.4% from the same quarter of previous year due to the higher SG&A expenses from RS Connect which was consolidated since 2Q22. When excluding fees for financial advisors for the transactions related to sales of CHASE's shares with an amount of THB10mil., SG&A dropped 2.1% from last quarter because of the effective control of sales and marketing expenses and lower personnel expense

Financial cost for 1Q23 stood at 37.8 million, increasing 17.9% from last quarter given higher interest rates on loans and jumping 132.9% from the same period of the previous year as paid interest increased from higher bank loans to invest in RS Connect's acquisition.

Net Profit

For 1Q23, the Company generated net profit for parent company of 91.9 million baht – a turnaround from loss during the previous quarter thanks to the realization of special profit from sales of shares of Chase Asia Public Company Limited. Excluding one-time gain from sales of shares of CHASE, its financial performance was break even, which had improved from net loss of 12.7 million baht in previous quarter.

Business Outlook

RS is firmly committed to operating business under entertainmerce model to strengthen both commerce and entertainment businesses as well as expanding business of the group through business partnerships.

- For commerce business, RS Pet All Co., Ltd. announced its 51% acquisition of Pet Medical Group Co., Ltd., a development center to enhance quality of life of pets under the brand "Hato" and an expert in preventive program. Through combined experience and expertise of RS Group, this will further help promote Hato to gain popularity and reach broader target customers. This will also further enhance "Pet Wellness" under Pet Medical Group to cover end-to-end services to attain fast and exponential growth.
- For the second quarter, concerts, events and activities are likely to resume for the whole quarter as COVID-19 control measures were eased and low season ended. The Company planned for main activities that include Cool Summer Fest festival and RS Hit Journey concert as well as on-ground events of Channel 8 that allow brands to join their customers in various activities.
- Khun Phutta Apiwan Ongphabamee, a reknowned news anchor, recently joined the Company as executive director for News Department and news presenter of Channel 8 while news format and news content were adjusted to fit the new slogan "Channel 8 Tee Ni Khong Jing (Here is the Real Deal)" aiming to boost TV rating for the whole day. Note that the "Lui Chon Khao" premiered on 19 April 2023.
- Moreover, the general election is scheduled to be on 14 May 2023 during the 2nd quarter which potentially draws money to the industry and drives revenue for media business.

Sustainable Development or ESG as a Key Driving Force of RS Group

RS Group adopted ESG principles to our business conduct to ensure that proper policies and guidelines in resource management are in place to promote environmental friendliness such as paper use reduction and energy saving for water and electricity which in turn help save the Company's expenses. In addition, the Company ensures quality and transparent internal control and management to promote employee welfare, reduce turnover rate of employees and cut training cost for new employees as these efforts contribute to profitability and the Company's value. RS prepared progress report for the interim performance as a part of the quarterly Management Discussion and Analysis. This report covers the Company's development from 1 January to 31 March 2023.

"Paper Mache... Yak Lak Rak" (Separate, Exchange and Conserve) Year 4 encourages people to sort paper from the start so that people realize the value of used resources through sorting paper from other wastes to enhance the rate and quality of paper recycling of the country. The project commenced since October 2020 and as of 31 March 2023, cumulative volume of paper sent to recycling process stood at 20,980 kilograms.

"Think Then Trash Plastic" promotes plastic waste sorting from the start by separating PETE plastic from other wastes to enhance the rate and quality of plastic recycling of the country. The project commenced since May 2022 and as of 31 March 2023, cumulative volume of plastic sent to recycling process stood at 360 kilograms. Additionally, the Company also built on this project to initiate other social and environmental projects later on.

"Music Festival (Low Carbon Event)" The Company is well-aware of the greenhouse gas emission problem which can cause major climate change including air pollution, depletion of the Earth's ozone layer and global warming which increases the average temperature. As a result, RS is on the journey to find solutions to the problem starting from setting low carbon events to reduce carbon dioxide emissions in music festival events. Plus, the Company began to collect and record greenhouse gas emission volume for all events in the long run so that we can be on track of our net zero target in the future. At the same time, the Company requires COOLive to organize concerts that are environmentally friendly including "COOL Summer Fest 2023" to be hosted in April 2023.

(Mr. Wittawat Wetchabutsakorn)

Direct and Chief Financial Officer

Authorized person to disclose information