

Quarter 2/2023
August 15, 2023

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

Key Highlights for 2Q23

Entertainment business continued to recover in 2Q23 from both advertising media and events & activities that resumed.

Revenue from media business rose from 3 main factors, namely the content elevation of news programs under Puttha Apiwan, centralization of sales of all media to be under one unit and higher revenue from sales of content rights. Similarly, revenue from activities grew as concerts and events were allowed to be organized as normal. As a result, total revenue from entertainment business reached 630 million baht, growing 50.5% from the previous quarter.

Commerce business decelerated due to the change in business model of RS Connect to build customer base through subscription model to ensure stable revenue growth in the long run while RS Mall expedited the expansion of online sales channels to diversify customer base.

RS Connect adjusted its business model to subscription-based to generate recurring revenue in the long term as the proportion of subscription revenue recorded high growth and became the major revenue contribution of RS Connect. On the other hand, RS Mall is active in diversifying types of products as well as expanding its customer base to new groups of customers and extending its channels to online which is highly effective. Note that revenue from commerce business stood at 334.5 million baht, decreasing 15.2% from the last quarter.

For overall business performance for 2Q23, net profit was recorded at 92.6 million baht, growing from the previous quarter from improved entertainment business and effective cost control.

Media business evidently bounced back from the last quarter thanks to the improvement of news programs, restructuring of

sales team and rising content rights sales revenue together with growing revenue from various activities under entertainment business that were back to normal during the quarter. Besides, selling costs increased according to higher number of activities while SG&A expenses dropped given the lower selling expenses and special expenses during 1Q23.

Business structure was reorganized to enhance management effectiveness and unlock business values for sustainable long-term growth as well as improving flexibility and creating opportunities to form partnerships with alliances.

RS Group has restructured the business under Entertainment Model to focus on entertainment business comprising RS Music and RS Multimedia and commerce business comprising RS Livewell and RS Pet All. This is to ensure that each business is managed independently with less difficulty in setting directions for long-term growth, as well as promoting higher flexibility to welcome collaborations from business partners to strengthen each business. The objective is to attain sustainable growth in the long run and reduce dependency on any particular executive.

Music business is elevated and strengthened through a collaboration with a leading global partner, Universal Music Group (UMG).

RS joined forces with a top global record company through a joint venture for a strategic partnership to create more opportunities to add value to music rights of old songs of RS with over 13,000 songs including opportunities to build on the music business to extend to other businesses or projects together in the future.

Total revenue forecast was revised down 20% with 25% recovery of media business during the first half of 2023 growth from the previous year expected for total revenue. supported by revenue from events and activities. On the other hand, revenue estimate for commerce business is revised down to 1,750 million baht given the transition to new business model which may cause lower revenue than expected in the short run.

Total revenue for 2023 is expected to be 4,400 million baht, adjusting downward 20% from the previous forecast while the new total revenue growth will be 25% from last year. As the forecast is revised to 2,650 million baht thanks to the solid

Summary of 2Q23 Performance

For the overall media industry during 2Q23, total market value adjusted upward 3.9% from the same quarter last year to reach 29,245 million baht or increasing 11.3% compared to the previous quarter. TV media remained number 1 for advertising channel with the market share of around 54% while online media ranked 2nd with 24% market share. Media spending for TV media rose 17.9% from 1Q23 but declined 4.4% from 2Q22. At the same time, online media improved 7.4% from the previous quarter and 9.3% from the same quarter of the previous year while out-of-home media grew 9.9% from the previous quarter and 26% from the same quarter last year. Note that the Company's media business registered significant growth of 44.8%, outpacing the industry thanks to adjustment in TV programs for dramas and news that boosted ratings for advertisement. Additionally, centralization of sales team for all types of media also made positive impact and revenue from events and concerts also rose as busy season started.

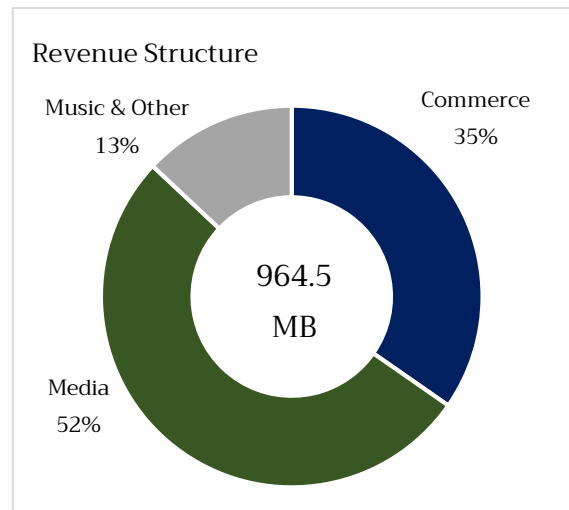
*Source: SCB's Economic Intelligence Center, Thai Retailer Association

Unit: Million baht	1Q22		1Q23		2Q23		Change	
	Amount	%	Amount	%	Amount	%	(y-y)	(q-q)
Revenue from sales and services	827.7	100%	813.2	100%	964.5	100%	16.5%	18.6%
Commerce business	399.2	48.2%	394.5	48.5%	334.5	34.7%	-16.2%	-15.2%
Entertainment business	428.6	51.8%	418.7	51.5%	630.0	65.3%	47.0%	50.5%
- Media	346.7	41.9%	349.6	43.0%	506.1	52.5%	46.0%	44.8%
- Music & Others	81.8	9.9%	69.1	8.5%	123.9	12.8%	51.4%	79.4%
Cost of sales and services	427.8	51.7%	381.0	46.8%	427.7	44.3%	0.0%	12.3%
Gross profit (after reclassification)	399.9	48.3%	432.2	53.2%	536.8	55.7%	34.2%	24.2%
SG&A	380.2	45.9%	419.2	51.5%	395.1	41.0%	3.9%	-5.7%
Operating profit	19.7	2.4%	13.0	1.6%	141.7	14.7%	619.5%	987.9%
Financial costs	23.3	2.8%	37.8	4.6%	42.5	4.4%	82.3%	12.4%
Net profit (loss)	13.1	1.4%	91.9	11.3%	92.6	9.6%	608.6%	1%
Net profit (loss) (Excluding Chase's transactions)	13.1	1.4%	9.7	11.3%	92.6	9.6%	608.6%	855%

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

Revenue

Total revenue from sales and services for 2Q23 stood at 964.5 million baht, rising 18.6% from the previous quarter mainly due to revenue from entertainment business as big concerts and sponsored events were hosted as well as the recovery of media business thanks to content development of news programs and centralized advertising media sales. (MSM: Media Sales & Marketing)



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 reviewed its business plans and strategies to be consistent with market and competition conditions 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 and expanding sales channels to online platforms.
- RS Connect: Developing and transitioning to subscription model to promote sales and build revenue base for sustainable growth in the future.

Revenue from commerce business for 2Q23 was 334.5 million baht, falling at a rate of 15.2% from the previous quarter due to the slowdown of telesales channels of RS Mall platform as RS Mall recently transitioned to online channels and other alternative channels to target new customers during the 2nd half of the year. At the same time, RS Connect also stabilized given the adjustment to the new subscription model to create continuous and stable revenue streams as well as cutting marketing expenses for acquiring new customers in the long run.

Entertainment Business

Media Business delivered 506.1 million baht in revenue for 2Q23, increasing 44.8% from the previous quarter and increasing 46.0% from the same period of the previous year. The significant growth of media was a result of content development of news programs and the centralization of media sales (MSM: Media Sales & Marketing) to handle sales of all types of media under RS Group at one place which led to higher advertising revenue as well as higher sales of content rights.

Music and others delivered 123.9 million baht for 2Q23, rising 79.4% from the previous quarter as there was 1 big concert “RS Hit Journey” during the period. Compared to the previous year, revenue growth stood at 51.4% thanks to the fact that sponsored events fully resumed this year.

Cost of Sales and Services

Cost of sales and services for 2Q23 stood at 427.6 million baht, increasing 12.3% from the previous quarter as a result of rising costs of organizing activities from higher number of events and concerts while commercial costs declined according to lower sales. Note that cost of sales and services remained unchanged when compared to the same period of the previous year.

Gross Profit

The Company’s gross profit was 536.8 million baht, growing 24.2% from the previous quarter and rising 34.2% from the previous year thanks to the revenue realization from entertainment business coupled with revenue from sales of content rights with high gross profit margin and effective cost control for media content.

Commerce business delivered 216.2 million baht of gross profit, dropping 19.5% from last quarter and dropping 18.0% from previous year as a result of the slowdown in sales.

Entertainment business delivered 320.6 million baht in gross profit, surging 96.2% from the previous quarter and growing 135.3% compared to the previous year thanks to higher revenue from sales of content rights with high gross profit margin and more effective content cost management for media business.

Selling, general and administrative expenses and financial cost

The Company’s selling, general and administrative expenses (SG&A) for 2Q23 stood at 395.1 million, dropping 5.7 % from last quarter as there were financial advisor’s fees for the sales of Chase’s shares of around 10 million baht while the number increased 3.9% from the same period of the previous year mainly from SG&A of RS Connect that was merged into the Company since May 2022.

Financial cost for 2Q23 stood at 42.5 million, increasing 12.4% from last quarter given higher interest rates on loans and climbing 82.3% 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 2Q23, the Company generated net profit for parent company of 92.6 million baht – remaining at the similar level from the previous quarter. Note that when special profit from the sales of Chase’s shares is not included, net profit from normal business operations for 1Q22 would be 9.7 million baht and the net profit of 2Q23 would record 855% growth rate from the previous quarter. In addition, the Company recognized the profit under equity method from the investment in Chase Asia PCL. in 2Q23 at the amount of 8.8 million baht.

2023 Revenue Forecast (Revised)

02	Forecast (revised)	% Growth from 2022
Total revenue	4,400	25%
Commerce business	1,750	2%
- RS Mall + RS Livewell	1,200	-11%
- RS Connect	450	22%
- RS Pet All	100	100%
Entertainment business	2,650	46%
- Media and radio	1,900	34%
- Music	200	-4%
- Concert and event	550	92%
GPM	48-50%	
NPM (excluding special transactions)	9-11%	

Revising the revenue forecast down 20% with 25% total revenue growth from the previous year

Entertainment business – being a key driver of revenue growth through the recovery of media and events

- **TV and radio media** generating higher growth than the industry average because of the elevation of content in all dimensions including news, sports and drama programs.
- **Concert and event** – earning revenue from concerts as activities were fully back with concerts being planned throughout the latter half of the year both from RS and from the business collaboration with GMM Grammy. At the same time, revenue from sponsorships is expected to grow further thanks to the bundled sales with media.
- **Music business** – accelerating growth of music business from production of new songs to deliver revenue from diversified channels including online, offline and brand engagement as well as stimulating growth from collaborations with partners both locally and globally. For example, RS teamed up with Universal Music Group through a new joint venture to manage rights of over 13,000 old songs of RS and leverage the Company's expertise and technology to manage rights of new songs through online channels to build further collaborations in the future.

In addition, media management team was restructured to be able to handle all types of media including TV, radio, concerts and events, enhancing flexibility of media sales and adjusting sales formats to better address customer needs.

Commerce business – actively extending and developing sales channels for all platforms.

- **RS Livewell** – promoting export to regional markets through collaborations with sales representatives with expertise in distribution and export of Thai products to other countries in the region. For RS Mall platform, expansion of online

channels is accelerated to tap into new groups of customers via various channels such as digital TV channels of business partners.

- **RS Connect** – focusing on sales channels to be aligned with subscription model to build a strong fundamental for long-term growth while developing new products in a continuous manner to expand market and cash in on new consumer trends.
- **RS Pet All** – Capitalizing the trend of pet business which has been enjoying consistent high growth through engaging in an end-to-end business for pets from upstream to downstream. Therefore, RS acquired 51% of Hato Pet Wellness Center Co., Ltd., an expert in preventive programs for pets, and expected the completion of the deal and realization of revenue in 3Q23. Moreover, RS Pet All has a plan to open “Pet All My Love” as full-service retail shops to provide all pet-related products and services and to be staffed with veterinarians to give initial diagnoses and advice at the pet drugstore zone.

Note that the Company is in active pursuit of searching for business partners through M&A and JV to focus on strengthening Entertainmerce business model further to enhance the ecosystem of RS Group from upstream to downstream so that all related parties can work together smoothly at highest efficiency.

Unlock the value through new entertainment and commerce business structure

RS is committed to conducting our business under Entertainmerce model and we revised our business structure to ensure that our strategies are formulated with precision and agility as well as enhancing flexibility to be more open for business partners. Our business consists of 2 lines of businesses as follows.

1. Entertainment business, which is composed of

1.1 RS Music

Operates in businesses related to music with 5 main sources of revenue per following

- Digital Monetization: revenue will be generated through online channels.
- Copyright management: revenue will be generated through offline channels via copyright fees from music collected by TCC (a subsidiary of RS).
- Marketing & Brand Engagement: Music will be used as a part of marketing campaigns.
- Showbiz & Concerts: revenue will be generated through concert and entertainment.
- Talent Management: Management of artists both existing and new artists.

Apart from our own music, we also joined hands with local and global partners; for example, with GMM Grammy for local partnership to jointly own Across the Universe, a joint venture with 50:50 shareholding of RS and GMM which is considered as a special project with 3-year duration to organize 3 big concerts together each year. Furthermore, RS recently formed a collaboration with Universal Music Group (UMG) to mutually hold shares in a joint venture (RS: 30%, UMG: 70%)

1.2 RS Multimedia

Previously, RS Multimedia mainly operated Channel 8 which caused certain operational limitations. Therefore, new structure was designed and put in place so that each business unit can create work independently according to market opportunities and be more open in working with partners. There are 4 business units under the new structure.

- Channel 8: broadcasting content on television.
- Eye on: operating a business on digital channels.
- Holla: engaging in event and activity organizing business.
- Rose studio: conducting a business as a studio, content producer and artist manager.

Not only the new structure promotes higher flexibility but also creates more opportunities to work with local and global partners.

2. Commerce business, which is composed of

2.1 RS Livewell

This subsidiary manages product brands to simplify product management to suit different distribution channels. Currently, brands under the management of RS Livewell include Well U, Vitanature+, Daring & Co., Beyonde, Aviance, De Beste, ifresh and Happie Homie.

RS Livewell has RS Mall as its own sales channel to distribute products both online and offline as well as RS Connect as a sales channel with people commerce format.

2.2 RS Pet All

This subsidiary operates in a commercial business related to pets, consisting of

- Hato Pet Wellness: engaging in a business related to premium pet services both wellness centers and vet hospitals.
- Pet All My Love: operating one-stop retailers for pets.

Promote and strengthen music business through a collaboration with a global partner, Universal Music Group (UMG)

RS Music is a business operated under a joint venture between RS Group and Universal Music Group (UMG) who is a leading global record company

Investment Structure

- Shareholding structure RS Music 30% : Universal Music Group 70%
- Assets and business operations of the new JV

The JV manages copyrights of old music of RS until 2022 of over 13,000 songs including other assets related to music catalogs (e.g., music videos).

Strategic Partnership Objectives

- Enhance effectiveness in generating revenue from online streaming for both copyrights of old songs and new songs
 - Increase cost per impression (CPM).
 - Gain access to audiences in various platforms enabled by UMG's technology.
- Extend distribution channels to foreign markets.
- Create opportunities for RS artists to be promoted in other markets outside Thailand

Through this collaboration, RS will receive investment from UMG of approximately 1.6 billion baht (pre-tax value).

Note that this business deal is expected to be concluded within 3Q23.

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

RS Group recently received a full score of 100% for the 3th consecutive year from Thai Investors Association for the annual “2023 AGM Checklist”. This reflects our commitment of the transparent business operations, shareholder engagement, compliance with good governance and corporate governance principles as the core in driving sustainability and ESG to achieve balanced growth for economic, social and environmental dimensions through co-creation of values between the Company and all stakeholders across business value chain. RS aims to achieve higher level of sustainable development and thus 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 30 June 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 30 June 2023, cumulative volume of paper sent to recycling process stood at 27,110 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 30 June 2023, cumulative volume of plastic sent to recycling process stood at 410 kilograms. Additionally, the Company also built on this project to initiate other social and environmental projects later on.

“COOL Summer Fest 2023 (Low Carbon Event)” The Company recently organized COOLive music festival at Cha-Am beach in Petchburi to offer not only fun experience for audiences from on-stage performances but also an activity to sort garbage before trashing under RS Net Zero campaign aiming to minimize greenhouse gas emissions. Sorting of garbage is considered the first step before sending for proper waste management. This is considered another level of music festivals to be more environmentally friendly.

Thanks to the efficient garbage sorting, we managed to collect over 0.5 ton of garbage which can be categorized into 4 types as follows.

1. Liquid, 2. Food Waste, 3. PET1 Plastics and Aluminum Cans, 4. Others. This music festival is regarded as a good example that not only attendees enjoyed the experience and concerts but also participated in taking care of the beaches and the environment to keep them clean and pristine. We are proud to make this first step to organize a quality event that also helps promote conservation of the environment.

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized person to disclose information