

Quarter 3/2023
November 14, 2023

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

Key Highlights for 3Q23

Overall revenue for 3Q23 hit a record high in 5 years with 5.7% increase QoQ thanks to growth in both core businesses.

Total revenue for 3Q23 stood at 1,019.2 million baht, growing 5.7% from the previous quarter as a result of entertainment business that recorded higher revenue from events and concerts post COVID-19 as well as commerce business that recovered due to recent business model transformation.

Entertainment business was on the rise supported by revenue from activities.

Revenue for entertainment business continued to grow from the high season of events and concerts while revenue from media business stabilized given the declining advertising spend of the industry. Despite the media slowdown, entertainment business managed to expand 3.1% from last quarter to reach 649.7 million baht.

Commerce business expanded thanks to the success of subscription model and the recovery of RS Mall from the acceleration in client base diversification and online channel expansion.

ULife, a direct sales business, reinvented its business model to subscription model in full force to speed up the client base expansion to support long-term growth. In addition, RS Mall also bounced back because of online channel extension and diversification of client base through business partners' networks. For pet product business, Lifemate also experienced growth thanks to new formulas and new packaging including revenue recognition from the acquisition of Pet Medical Group Co., Ltd. for the first time during the quarter. Total revenue for commerce business was 369.5 million baht, 10.5% increase from the previous quarter.

RS Group realized special profit of 1,446 million baht from the music copyrights management of RS UMG

Due to the collaboration with Universal Music Group to set up RS UMG Co., Ltd. to engage in joint management of music copyrights with RS holding 30%, resulted in 1,446 million baht realization of special profit after expenses and tax for the transaction. The Company realized special profit from this transaction of 1,112 million during 3Q23 and will realize the remaining special profit of 190 million baht (before income tax) in 4Q23.

For overall 3Q23 business performance, net profit topped 1,182.4 million baht, surging 1,177% from the previous quarter thanks to special profit from RS UMG transaction. Net profit excluding special transactions stood at 70.4 million baht.

Without revenue from transactions related to RS UMG, the Company's revenue rose from the expansion of core businesses while cost and expenses also increased in line with the higher revenue. The Company recorded net profit from business as usual for 3Q23 of 70.4 million, dropping 24.0% from last quarter. Note that the lower net profit was a result of the expansion of new business which the Company planned to enhance profitability for the next quarters to drive net profit in the long term.

RS Group promoted the expansion of health and spa business through the investment of 60% shares in Erb Asia Co., Ltd.

This investment of less than 72 million baht to be completed during 1Q24 will help enrich the Company's business ecosystem including the diversity of products and sales channels.

EGM No.1/2023 approved the issuance of warrant "RS-W5" to existing shareholders without cost at a rate of 10 shares : 1 warrant.

Exercised price of RS-W5 is 6 baht per share. The XW date is on 4 January 2024

Summary of 3Q23 Performance

Overall Thai economy for 3Q23 showed signs of recovery despite potential risks from politics as the election was concluded with some delay in forming the government. Nevertheless, GDP growth was supported by private consumption and tourism during 3Q23 to expand at a rate of 4.5% compared to 2Q23 of 1.8%. This is the key factor that drove the growth of Company's commerce business. However, political instability during 3Q23 caused brands to postpone their marketing activities and this resulted in a decrease in advertising spend especially for TV media and print media that contracted during the quarter.

Nevertheless, advertising spend is likely to improve during the last quarter of the year due to the high season of tourism including various festivals that will take place during the period which help attract advertising spend and boost domestic demand. Media business of RS Group was strengthened recently from the consolidation of sales team for all types of media to be under the same unit and the organization restructuring of RS Multimedia to attain higher agility to work with partners and customers in a more efficient manner. *Source: Office of the National Economic and Social Development Council, SCB's Economic Intelligence Center, MI Group

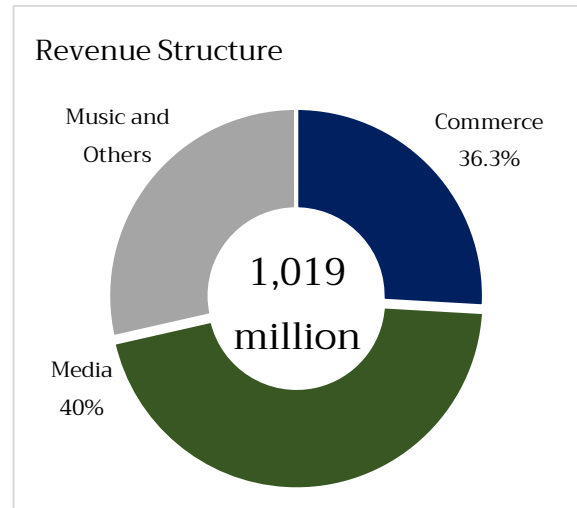
Unit: Million baht	3Q22		2Q23		3Q23		Change	
	Amount	%	Amount	%	Amount	%	(y-y)	(q-q)
Revenue from sales and services	946.5	100%	964.5	100%	1,019.2	100%	7.7%	5.7%
Commerce business	477.4	50.4%	334.5	34.7%	369.5	36.3%	-22.6%	10.5%
Entertainment business	469.1	49.6%	630.0	65.3%	649.7	63.7%	38.5%	3.1%
- Media	367.8	38.9%	506.1	52.5%	407.2	40.0%	10.7%	-19.5%
- Music and others	101.3	10.7%	123.9	12.8%	242.5	23.8%	139.4%	95.8%
Cost of sales and services	432.4	45.7%	427.7	44.3%	516.0	50.6%	19.3%	20.7%
- Cost of sales and services	432.4	45.7%	427.7	44.3%	495.4	48.6%	14.6%	15.8%
- Cost of services from special transaction	-	-	-	-	20.7	2.0%	n/a	n/a
Gross profit	514.1	54.3%	536.8	55.7%	503.17	49.4%	-2.1%	-6.3%
SG&A	401.1	42.4%	395.1	41.0%	447.6	43.9%	11.6%	13.3%
- SG&A	401.1	42.4%	395.1	41.0%	415.0	40.7%	3.5%	5.0%
- SG&A from special transaction	-	-	-	-	32.6	3.2%	n/a	n/a
Operating profit	113.0	11.9%	141.7	14.7%	55.6	5.5%	-50.8%	-60.8%
Other revenue	4.7	0.5%	5.2	0.5%	4.4	0.4%	-8.2%	-15.5%
Special profit	-	-	-	-	1,446.7	141.9%	n/a	n/a
Profit (loss) sharing from joint ventures	5.6	0.6%	8.9	0.9%	9.4	0.9%	69.8%	6.2%
Financial cost	27.9	2.9%	42.5	4.4%	51.4	5.0%	84.4%	21.1%
- Financial cost	27.9	2.9%	42.5	4.4%	47.2	4.6%	69.4%	11.2%
- Financial cost from special transaction	-	-	-	-	4.2	0.4%	n/a	n/a
Tax	17.1	1.8%	20.9	2.2%	292.3	28.7%	1612.4%	1295.9%
Net profit (loss)	81.7	8.6%	92.6	9.6%	1,182.4	116.0%	1347.3%	1177%
Net profit (loss) excluding RS UMG transaction	81.7	8.6%	92.6	9.6%	70.4	6.9%	-13.8%	-24.0%

The Company recognized special profit from RS UMG transaction in 2 quarters

For 3Q23, the Company recognized special profit of 1,446.7 million baht and will recognize another 190 million baht of special profit during 4Q23

Revenue

Total revenue from sales and services for 3Q23 stood at 1,019.2 million baht, rising 5.7% from the previous quarter to reach the highest revenue per quarter in 5 years thanks to growth in both commerce business and entertainment business driven by events and concerts organized during the quarter.



Commerce Business

Commerce business can be categorized into 2 business lines which are consumer products and services operated by RS LiveWell and pet-related products and services operated by RS Pet All.

Consumer products and services are operated under RS LiveWell to manufacture and distribute diverse health products such as Well u, Vitanature+ and Daring&Co. RS Group also owns sales channels per following.

- RS Mall: operated by RS Mall Co., Ltd. (“RS Mall”) to introduce in-house brands and partner brands to the market through multi-platform model with continuous expansion of sales channels to digital TVs and online platforms to be able to reach broader groups of customers.
- ULife: operated through a network of ULife business partners which recently changed the business model into subscription-based model to offer products on a monthly basis so that customers gain more benefits from their continuous purchasing. This also ensures that the Company has a recurring revenue base to grow consistently and sustainably.

Pet-related products & services are operated under RS Pet All Co., Ltd., a subsidiary, to manufacture products and provide services for pets.

- Pet All My Love: retail shops offering products for pets with the premier shop to be opened during 4Q23.
- Pet Medical Group: operated under Pet Medical Group Co., Ltd. (“PMG”) as an integrated wellness center to enhance quality of life for pets under the concept “Preventive Medicine” focusing on promoting health for pets and offering pet-related services such as grooming, daycare and medical services. The Company will begin to consolidate financial statements of Pet Medical Group subsidiary from the third quarter onwards.

Revenue from commerce business for 3Q23 stood at 369.5 million or increased 10.5% from the previous quarter thanks to the successful transition to subscription model of its direct sale business, ULife, and the recovery of RS Mall from extending to more diverse sales channels both online and through other channels owned by business partners.

Entertainment Business

Media business for 3Q23 reported total revenue of 407.2 million baht, falling 19.5% from last quarter due to the contraction of advertising spend of the industry. However, total revenue increased 10.7% from last year as media business recovered after the COVID-19 situation improved.

Music and other businesses for 3Q23 showed 95.8% higher revenue quarter on quarter to reach 242.5 million baht and grew 139.4% from the previous year mainly due to revenue contribution of 3 concerts (D2B and other 2 concerts under Across the Universe joint venture which are 2K Celebration and Hit 100). Furthermore, sponsored events also resumed post COVID-19 to generate additional revenue for the business.

Cost of Sales and Services

Cost of sales and services for 3Q23 stood at 516.0 million baht, increasing 20.7% from the previous quarter as a result of rising costs of organizing activities from higher number of events and concerts while commercial costs also shot up according to rising revenue. Note that there was cost related to special transactions of 20.7 million baht.

Gross Profit

The Company's gross profit was 503.2 million baht, contracting 6.3% from the previous quarter and dropping 2.1% from the previous year due to lower sales of content rights coupled with decelerating advertising revenue, offsetting with higher gross profit of commerce business.

Commerce business delivered 228.6 million baht of gross profit, surging 5.7% from last quarter as a result of higher sales from all sales channels but declining 31.8% from the previous year.

Entertainment business delivered 274.5 million baht in gross profit, declining 14.4% from the previous quarter as a result of decreasing sales of content rights with high gross profit margin given the slowdown in revenue from media business. However, the gross profit climbed 53.4% compared to the previous year thanks to the broad-based recovery after the COVID-19 pandemic.

Selling, general and administrative expenses and financial cost

The Company's selling, general and administrative expenses (SG&A) for 3Q23 stood at 447.6 million with expenses related to special transactions of 32.6 million baht. SG&A for business as usual was 415.0 million baht, growing 5.0% from the previous quarter and 3.5% from last year due to the higher marketing expenses to build brands and the consolidation of RS Pet All's financial statements for the first time during the quarter.

Financial cost for 3Q23 stood at 51.4 million with financial cost related to special transactions of 4.2 million baht. Financial cost excluding special transactions stood at 47.2 million baht, increasing 11.2% from last quarter and rising 69.4% from the same period of the previous year as paid interest from loans increased.

Net Profit

For 3Q23, the Company generated net profit for parent company of 1,182.4 million baht or rising 1,177% from the previous quarter. Note that when special profit from RS UMG transaction is not included, net profit from normal business operations for 3Q23 would be 70.4 million baht or decreasing 24.0% from the previous quarter. Note that during 3Q23 the Company realized the profit sharing from Chase Asia Public Company Limited of 9.4 million baht.

RS Group Committing to ESG Principles to Drive Business Toward Sustainable Development

RS Group, operated under entertainmerce business model to enhance quality of life of people and pets, was selected by the Stock Exchange of Thailand to be among “SET ESG Ratings” for 2023 (formerly Thailand Sustainability Investment) with AA rating. This is a proof that the Company places highest priority on sustainable business conduct by properly operating its business and preparing reports under ESG (Environmental, Social, and Governance) framework in all aspects. For this year, there were only a total of 193 listed companies selected.

In addition, RS Group was rated “Excellent” or received 5-star rating for 2023 CGR Checklist from the Institute of Directors (IOD) as well as obtaining full score or 5-star rating or 2023 AGM Checklist from Thai Investors Association. This reflects the Company’s corporate governance related to shareholder rights and equitable treatment of shareholders before, during and after the shareholders’ meeting including stakeholder engagement, sustainable development for business, information disclosure and transparency and director’s accountability. The Company continued to perform at the excellent level for 4 consecutive years. ESG and sustainability practices are considered key information for investors, analysts and interested people to make informed investment decisions and also help promote trust in the Company. Besides, the Company regularly reports interim progress as a part of its Management Discussion and Analysis and quarterly performance reports. The report shows developments from 1 January to 30 September 2023 with the following highlights.

“**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 September 2023, cumulative volume of paper sent to recycling process stood at 30,470 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 September 2023, cumulative volume of plastic sent to recycling process stood at 440 kilograms. Additionally, the Company also built on this project to initiate “**RS Net Zero x Kamikaze**” to produce bags from 100% recycled plastic fibers that are upcycled from PET bottles collected and sorted across the year by RS Group people. One bag is made of around 9 plastic bottles and revenue from selling bags without deducting expenses will be donated to support the work of Marine Endangered Animal Rescue Center, under the supervision of Andaman Coastal Research Station for Development, Faculty of Fisheries, Kasetsart University. The project helps protect environment around Khanom district, Nakhon Si Thammarat province, one of the natural habitats of endangered marine lives such as pink dolphins or humpback dolphins.

“**RS Group sharing knowledge to the society and passing on inspiration in doing business**” Khun Pornpan Techarungchaikul, CEO of RS Music Co., Ltd. under RS Group represented the Company to share experience as a key executive to lead the transformation of RS Group from media and entertainment business to operate the business under entertainmerce model for participants who joined the training curriculum “TLCA Executive Development Program (EDP 2023 – Building Transformational Leaders)”

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized Person for Information Reporting