

For the Year 2023
29 February 2024

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

Key Highlights for 2023

RS elevated music business through the collaboration with a global partner Universal Music Group with a goal for RS Music to be listed in the stock exchange in 2025.

RS established RS UMG Co., Ltd (“RS UMG”) with 30% of shareholding to jointly manage music rights online with the partner to expand business opportunities to regional markets leveraging experience and technology of Universal Music Group (“UMG”).

Entertainment business grow 22% thanks to revenue from concerts and advertising media that were generated for the full year as the COVID-19 situation resolved.

Entertainment business resumed to its normal operations in 2023, delivering growth both from enhancing content across all media channels and various on-ground activities that were carried out normally throughout the year. In addition, concerts from both RS and the collaboration under GRAMMY-RS were successful with good feedback proven by an average ticket sales rate of higher than 80%, resulting in entertainment business revenue growth of 22.0% from the previous year to top 2,218.6 million baht.

Commerce business has expanded and further completed the business ecosystem with ULife subscription model and the foundation of the pet business.

Regarding consumer products, ULife has adjusted its business model to a full subscription model, accelerating the growth in the number of customers and expanding the revenue base. For pet products, RS acquired the business of Pet Medical Group Co., Ltd. (“Pet Medical group”) in the 3rd quarter of 2023 and commenced the pet product retail business by opening the first Pet All My Love branch. Note that a slowdown in revenue from consumer products contributed to the 16.5% decline in revenue from commerce business compared to the previous year to 1,431.8 million baht.

Overall revenue in 2023 amounted to 3,650.4 million baht, growing 3.3% from last year as a result of high growth of the entertainment business.

Meanwhile, service costs increased according to higher number of activities which were offset by a decrease in product costs in line with sales, resulting in an increase in the cost of goods and services by 3.7%. SG&A increased by 11.0% due to the business expansion into new businesses and the investments in marketing expenses to build the brands in the long term including the higher revenue-generating events and activities of the entertainment business increased by 7.6% from previous year

RS realized an extra profit related to music copyright management through RS UMG in the amount of 1,637.9 million baht.

This is from the collaboration with Universal Music Group to jointly establish RS UMG Co., Ltd. (“RS UMG”). Resulting in a net profit in 2023 of 1,395.4 growing 918%.

For the year 2024, growth will be driven by both commerce business and entertainment business to achieve the revenue target of 4,400 million baht.

Commerce business has created a solid revenue base with social commerce and the potential of the Company's ecosystem to develop content and attract consumers. At the same time, entertainment business was restructured to push the limits of digital TV by expanding into other businesses including digital media, events and content through various business units including RS DG which is in charge of media and digital channels, RS Multi which leverages its creative strength to organize unique events, and Rose Studio which creates opportunities from a variety of new content to be introduced to global market through OTT platforms.

Summary of 2023 Performance

The overall Thai economy in 2023 is expected to grow at a rate of 1.8%, slightly decreased from the previous year. Key factors behind the slowdown included the contraction of the industrial sector and the tourism sector that weakened worse than expected. These are main factors that affected the purchasing power of consumers that was still weak which posed challenges to both commerce business and entertainment business the Company was facing.

Nevertheless, the dietary supplement industry in Thailand continued to expand and it is expected to be worth more than 87,000 million baht in 2023 with an average expense of approximately 1,036 baht per month per person. Moreover, the market for dietary supplement is likely to grow 6-8% over the next 4-5 years from the current trend of consumers having demand for dietary supplements and products to take care of their own and their families' health. Therefore, commerce business has focused on the expansion that is in line with this growth trend including extending new products that are in demand by consumers using various innovations as well as emphasizing the expansion of distribution channels to online platforms such as various marketplaces to capitalize the growth of the e-commerce market while developing content to communicate with consumers through multiple media.

As for the advertising media industry, growth was limited in 2023 with around 4.4% expansion from the previous year to reach the total market value of 84,500 million baht*. This is a result of uncertainty in both the overall economic situation and lower demand of TV media which contributed the highest proportion of advertising spend at approximately 42% of the overall advertising budget. Currently the spending on TV media was approximately 36,000 million baht while online advertising media accounted for around 34% of the overall advertising budget. The Company's diversified media business covering TV media, online media, and radio media including activity-based marketing have been strengthened from the business restructuring to combine all types of media sales teams to be under one unit. This includes the organizational restructuring under RS Multimedia that allows businesses to attain higher operational flexibility to be able to work more efficiently with partners and customers.

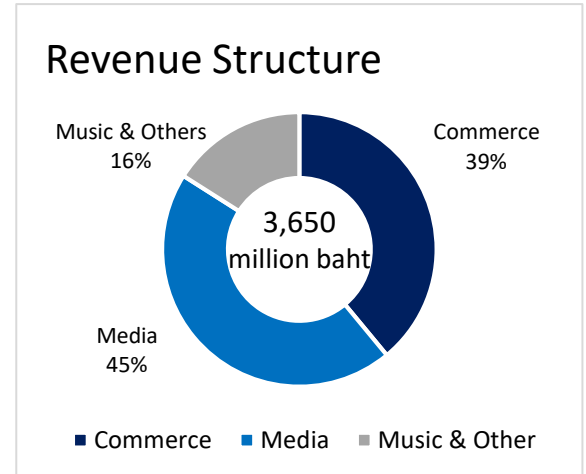
*Source: Minister of Finance, <https://www.bangkokbiznews.com>

Unit: Million baht	2022		2023		Change	
	Amount	%	Amount	%	Amount	(y-y)
Revenue from sales and services	3,532.8	100%	3,650.4	100%	117.6	3.3%
Commerce business	1,714.5	48.5%	1,431.8	39.2%	-282.7	-16.5%
Entertainment business	1,818.2	51.5%	2,218.6	60.8%	400.4	22.0%
- Media	1,421.9	40.2%	1,647.7	45.1%	225.8	15.9%
- Music and others	396.4	11.2%	570.9	15.6%	174.5	44.0%
Cost of sales and services	1,788.5	50.6%	1,885.0	51.8%	66.5	3.7%
Gross profit	1,744.2	49.4%	1,795.4	49.2%	51.1	2.9%
SG&A	1,535.4	43.5%	1,707.9	46.8%	172.5	11.2%
Operating profit	208.8	5.9%	87.5	2.4%	-121.3	-58.1%
Financial cost	99.5	2.8%	178.5	4.9%	79.0	79.5%
Net profit (loss)	137.1	3.9%	1,395.4	38.2%	1,258.3	918.0%

The Company recognized special profit before deduct expense from transaction of UMG for the year 2023 amount 1,637.9 million baht

Revenue

Total revenue from sales and services for 2023 stood at 3,650.4 million baht, surging 3.3% from the previous year thanks to growth in entertainment business driven by the recovery of business lines including media, music, activities and concerts.



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 Co., Ltd. ("RS LiveWell") which manufactures and distributes diverse health products such as Well u, Vitanature+ and Daring & co., etc. 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 a multi-platform model with continuous expansion of sales channels to other digital TV channels 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 a 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 of the Company, which manufactures and distributes pet products as well as providing services for pets.

- Pet All My Love: retail shops offering products for pets with the premier shop 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 2024 stood at 1,431.8 million or dropped 16.5% from the previous quarter given the slowdown from RS Mall affected by the decline in popularity of home shopping after the COVID-19 situation resolved. However, this is compensated by the growth of the ULife channel, which has recognized revenue for the full year as well as the growth of products and services for pets that successfully extended product categories to cover needs in main categories, including wet food, dry food, and pet care products. In addition, the Company started to recognize revenue from the acquisition of Pet Medical Group, which offers pet wellness services under Hato brand from September 2023.

Entertainment Business

Media business for 2023 reported total revenue of 1,647.7 million baht, rising 15.9% from last year thanks to the recovery of advertising spend after the COVID-19 situation improved including the enhancement of all types of content especially news content which is managed under the leadership of Mr. Phuttha Apiwan as a news director and a news anchor who has a unique style. This helped promote the news programs of Channel 8 as well as other programs to have more viewers and followers.

Music business and others for 2023 showed 44.0% higher revenue from the previous year to reach 570.9 million baht in total revenue. The majority of growth was derived from revenue of large concerts both organized by RS and under the collaboration with JV Across the Universe with a total of 7 concerts in 2023 together with revenue from event sponsorships which returned to normal operations after the COVID-19 outbreak.

Cost of Sales and Services

Cost of sales and services for 2023 stood at 1,855.0 million baht, increasing 3.7% from the previous year as a result of rising costs of organizing activities from higher number of events and concerts while cost of media business adjusted downward mildly from higher effectiveness in cost management of dramas and content. Commerce business costs also fell due to lower revenue.

Gross Profit

The Company's gross profit was 1,795.4 million baht, growing 2.9% from the previous year as a result of higher revenue from media business offset by lower gross profit from commerce business.

Commerce business delivered 910.1 million baht of gross profit, falling 18.9% from the previous year as a result of the slowdown of revenue from RS Mall channel.

Entertainment business delivered 885.3 million baht in gross profit, increasing 42.3% from the previous year as a result of the recovery of media business and activities that led to higher gross profit.

Selling, general and administrative expenses and financial cost

The Company's selling, general and administrative expenses (SG&A) for 2023 stood at 1,707.9 million, growing 11.2 % from the previous year due to the higher sales expenses in line with higher sales and the consolidation of RS pet all's business since September 2023. Note that in case that expenses related to special transactions are excluded (such as expenses related to the RS UMG transaction in the amount of 32 million baht, fees and consulting fees related to the sale of CHASE shares in the first quarter of 2023 in the amount of 20 million baht),

the SG&A expenses from normal operations will be 1,651.9 million baht, an increase of 7.6% from the previous year given the continued business expansion, the merger of RS Connect for full year for the first time, the consolidation of RS Pet All's financial statements since the third quarter, along with higher marketing expenses.

Financial cost for 2023 stood at 178.5 million, increasing 79.5% from last year as paid interest from loans increased and the related financial cost from RS UMG transaction.

Net Profit

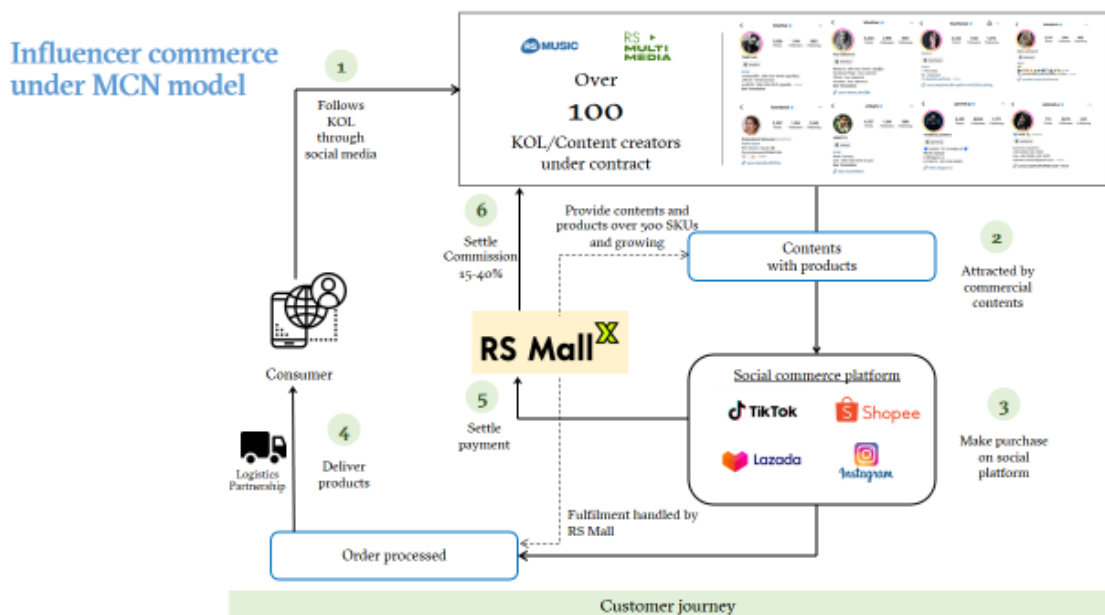
For the year 2023, the Company generated net profit for parent company of 1,395.4 million baht or rising 918% from the previous year. Note that the Company will realize the profit sharing from Chase Asia Public Company Limited of 31.6 million baht during 2023.

Views on Future Performance or Financial Status and Strategies for 2024

RS remains focused on conducting business under Entertainmerce Model by strengthening the growth of both commerce business and entertainment business with a revenue target of 4,400 million baht in 2024 through business expansion according to 3 strategies as follows:

1. **Build a strong revenue base through online channels for commercial business**

Expand commerce business with social commerce through various platforms such as Tiktok, Shopee, Lazada and Instagram by leveraging the potential of artists and actors working for RS to come together to develop content and deliver fun and happiness through various platforms. This will help attract and convert followers into buyers of various products.



2. **Unlock the hidden value of entertainment business through a new structure**

- The new structure of RS Multimedia goes beyond the limits of digital TV as it expanded into other businesses including digital media, event and content without any constraint on types of platforms or domestic markets. Moreover, it also opens for opportunities for collaborations from partners in various formats through different business units such as:
 - RS Broadcast enhancing sport content reinforcing leadership in fighting sport and increasing the variety of series content by joining with IQiYi world-class OTT playform to bring Chinese series contents to a new generation of viewers, expanding its audience base. Channel it also extends the success of the TV program to other income generating channels such as products and sales channels through influencer commerce.
 - RS DG to generate revenue on digital channels from a base of over 30 million followers in various channels to promote engagement with target groups through content specifically designed for brands through artists/KOLs.
 - RS Multi X to organize unique events through the strength of creativity with diverse revenue-generating formats, including ticket sales, booth rentals, sponsorships, and support from government agencies. RS already has a plan to present 8 different big events in 2024.
 - Rose Studio to creates opportunities for content production business by entering the global market with diverse audience groups, such as LGBTQ and regional market audiences without being limited to just Channel 8 digital TV.
- RS Music to create business opportunities from the potential of our global partner, Universal Music Group, to expand the revenue base from online channels, artist management, marketing (brand engagement) to copyright management. This is also the opportunity to leverage expertise and various technological tools of UMG to develop the capability in music development to serve customers at regional level.

2024 Revenue Forecast (Unit: Million Baht)

Total Revenue	4,400
Commerce Business	2,050
RS LiveWell	1,700
RS pet all	350
Entertainment Business	2,350
RS Multimedia	1,700
RS Music	650
GPM	52-55%

Sustainability and ESG as the heart of RS Group's Business.

In the past, RS Group has given importance to conducting business under the mission of "Life Enriching" to enhance every dimension of life and deliver happiness to people including pets along with taking care of the environment and communities. According to the Sustainable Development Goals of the United Nations, there were many interesting projects in 2023 which can be divided into 3 main areas as follows:

- **Environmental Initiatives** are driven mainly through RS Net Zero project, which helps reduce waste at music festivals and waste within the organization with the total amount of 14,468 kilograms which were managed properly to help reduce greenhouse gas emissions by up to 76,030 kilograms of carbon dioxide equivalent.
- **RS Diversity** embraces all diverse groups of people and provides learning opportunities through direct experience, with more than 1,200 youth participating in Young Blood project.
- **RS Community** offers RS Group's social media space to promote small businesses in the Chatuchak community under the RSNearBy project as well as donating more than 10,000 boxes of healthcare products from ULife worth 14 million baht to medical workers and the public, including the delivery of 400 kilograms of animal food from Lifemate brand to help stray dogs and cats.

"Paper Merci...Yak Lak Rak (Separate, Exchange, Conserve) Year 4" promotes separation of paper from the sources to make those who generate waste realize the value of used resources by sorting paper from other waste to increase the amount of recycled paper in the country. The project started in October 2020 and as of 31 December 2023, up to 36,930 kilograms of paper was sent to the recycling process.

"Think Before Trash Plastic" encourages employees to separate plastics from the sources by sorting plastic waste from other waste to increase the rate and quality of recycled plastic in the country. From May 2022 - December 31, 2023, 580 kilograms of plastic bottles were sent to the recycling process

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(Mr.Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized Person for Information Reporting