

## Key Highlights for 1Q24

**Challenges during the low season have put pressure on the commerce and entertainment sectors, resulting in a total revenue of 702.9 million baht, a decrease of 17.7% from the previous quarter.**

Revenue from commerce sector remained stable despite the low season, with a slight decrease of 1.2% from the previous quarter due to the expansion of distribution channels. Meanwhile, the entertainment sector faced pressure from media slowdown, which typically occurs in the first quarter of each year. Additionally, the entertainment sector's revenue was affected by the underperformance of content licensing sales, leading to a 28.2% decrease in entertainment revenue from the previous quarter.

**Despite the commerce sector's revenue remaining stable from the previous quarter, it demonstrates improved business potential due to the expanding business ecosystem and readiness for growth.**

The expansion of distribution channels aligned with consumer trends, particularly with online revenue growing by 76.7% compared to the same period last year. The proportion of online revenue to total commerce revenue increased from 6.7% to 14.4%. Additionally, exports to the Philippine market have commenced through foreign distributors who specialize in marketing products from Thailand.

**The entertainment business has been impacted by content licensing revenue not meeting targets, weakened advertising media, and reduced sponsorship income due to fewer activities. Meanwhile, most costs are fixed costs.**

The nature of the entertainment business, which has a high proportion of fixed costs, it is challenging to adjust costs and expenses to align with revenue during the low season. Specifically, approximately 80.0 million baht of content licensing revenue could not be recognized in the first quarter and was deferred to Q2 and Q3. This deferred revenue has a high-profit margin.

**The gross profit margin of the commerce business increased due to a higher proportion of in-house brands in the product mix.**

The cost of goods sold and services is 409.4 million baht, a decrease of 22.8% from the previous quarter, which resulted from reduced product costs aligning with sales volume and decreased service costs due to fewer activities. Consequently, the gross profit margin of the commerce business increased from 58.9% in the previous quarter to 67.9%, driven by the increased proportion of in-house brands in the product mix. Selling and administrative expenses decreased by 4.2% due to cost-saving measures during the low season. However, due to the weakened gross profit in this quarter, these savings were not sufficient to cover expenses, resulting in a net profit of -130.2 million baht. Excluding the impact of one-time expenses such as impairment costs for discontinued products and expenses related to Popcoin, the normalized net profit from regular business operations amounted to -114.0 million baht.

**To revive performance in the quarter 2/2024, the focus will be on boosting sales in the entertainment business.**

Efforts will be accelerated to generate content licensing revenue from both international clients and OTT platforms (VIU, IQiYi, TRUE ID), with a target of 80-100 million baht per quarter to achieve a breakeven point in the entertainment business. Additionally, new revenue-generating activities such as music festivals and sponsorship activities will be emphasized.

Meanwhile, the commerce business aims to build a strong revenue base through Social Commerce, leveraging Influencer Commerce, Affiliate Commerce, and Star Collaboration brands. It will also focus on developing a diverse range of products to align with consumer behavior trends, such as food and cosmetic products, to capture the younger demographic on social media platforms.

## Summary of 1Q24 Performance

In the first quarter of this year, the overall economy improved from the previous quarter, although the growth rate remained low compared to the previous year. The primary factor for this improvement was the recovery in the tourism sector due to the increase in tourist numbers during the peak tourist season, which led to a corresponding recovery in tourism-related services. However, some industries continued to face pressure from the slow recovery of global trade and certain structural factors. As a result, the overall Thai economy in this quarter continued to adjust gradually.\*

In the first quarter of 2024, the media and advertising industry had a total value of 27,721 million baht, increasing by 6% compared to the same quarter of the previous year but decreasing by 11% from the previous quarter. Television advertising remains the primary medium, with a total value of 13,763 million baht, accounting for 50% of the overall advertising budget. Online advertising had a total value of 7,890 million baht, representing 28% of the overall advertising budget. The company's diverse media business includes TV, television advertising, online advertising, radio advertising, and various event-based marketing media. The company has reorganized its sales teams for all media types under a single unit and restructured the organization under RS Multimedia. This reorganization aims to enhance business flexibility, improve collaboration with partners and clients, and focus on creating content for online platforms in line with growth trends.

The e-commerce market is projected to have a value of 694 million baht in 2024, growing at an average annual rate of 6% due to changing consumer behaviors. This aligns with the company's strategy in the commerce business, focusing on innovative products and expanding distribution channels through online platforms such as marketplaces. Additionally, the company is adjusting its business model towards Influencer Commerce to reach a diverse range of consumers more effectively and efficiently.

\*Source: Bank of Thailand, <https://www.marketthink.co>, <https://www.bangkokbiznews.com>

Unit: Million baht	1Q23		4Q23		1Q24		Change	
	Amount	%	Amount	%	Amount	%	%( y-y)	%( q-q)
<b>Revenue from sales and services</b>	812.7	100.0	853.5	100.0	<b>702.9</b>	<b>100.0</b>	-14.0	-18.0
Commerce business	394.5	48.5	333.3	39.0	<b>329.4</b>	<b>46.9</b>	-16.5	-1.2
- RS Consumer	375.9	46.3	286.5	33.6	<b>274.6</b>	<b>39.1</b>	-27.0	-4.2
- RS Pet All	18.6	2.3	46.8	5.5	<b>54.8</b>	<b>7.8</b>	195.5	17.3
Entertainment business	418.2	51.5	520.2	61.0	<b>373.5</b>	<b>53.1</b>	-10.7	-28.2
- RS Multimedia	351.2	43.2	342.8	40.2	<b>285.1</b>	<b>40.6</b>	-18.8	-16.8
- RS Music	67.0	8.2	177.4	20.8	<b>88.4</b>	<b>12.6</b>	31.9	-50.2
<b>Cost of sales and services</b>	381.0	46.9	530.4	62.1	<b>409.4</b>	<b>58.2</b>	7.5	-22.8
<b>Gross profit</b>	432.2	53.2	323.2	37.9	<b>293.5</b>	<b>41.8</b>	-32.1	-9.2
<b>SG&amp;A</b>	419.2	51.6	445.9	52.2	<b>427.3</b>	<b>60.8</b>	1.9	-4.2
<b>Operating profit</b>	13.0	1.6	-122.7	-14.4	<b>-133.8</b>	<b>-19.0</b>	-1127.5	9.0
Financial cost	37.8	4.7	46.8	5.5	<b>48.7</b>	<b>6.9</b>	28.9	4.1
<b>Net profit (loss)</b>	91.9	11.3	28.3	3.3	<b>-130.2</b>	<b>-19.0</b>	-247.9	-581.0
<b>Net profit (loss) exc. special expenses</b>					<b>-114.0</b>	<b>-16.2</b>		

## Revenue

Total revenue from sales and services for Q1 2024 amounted to 702.9 million baht, a decrease of 17.7% from the previous quarter. This decline was primarily due to the seasonal factors affecting the entertainment business, such as events and concerts. Meanwhile, the revenue from the commerce business remained at a level similar to the previous 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 Co., Ltd. ("RS LiveWell") which plans to expand its business model towards Influencer Commerce, leveraging the strengths of RS's ecosystem to enhance marketing efforts and create opportunities for elevating its commerce business.

**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 revenue from the commerce business for Q1 2024 amounted to 329.4 million baht, experiencing a slight decrease of 1.2% compared to the previous quarter. This decline can be attributed to seasonal factors, as Q1 is typically the low season. However, the pet-related products and services business continued to grow steadily, driven by the increasing demand for pet-related products and services, showcasing consistent expansion.

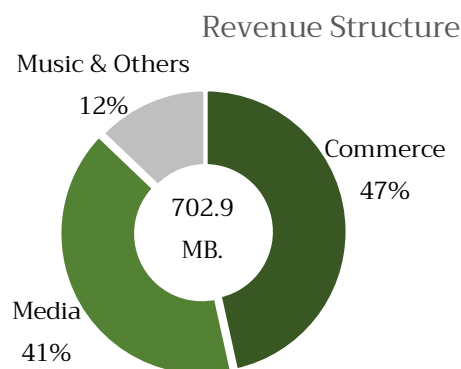
### Entertainment Business

**RS Multimedia** for 2024 reported total revenue of 285.1 million baht, decrease 16.8% from compared to the previous quarter. This decline was primarily due to adjustments in advertising spending resulting from seasonal factors affecting the business. Additionally, revenue from the sale of content rights, totaling approximately 80.0 million baht, was not recognized in Q1 which have a high profit margin.

**RS Music** the first quarter of 2024, the revenue amounted to 88.4 million baht, decrease 50.2% compared to the previous quarter. This decline can be attributed to a decrease in the number of large concerts, which decreased from 3 concert in the previous quarter to only 1 concert in this quarter

### Cost of Sales and Services

Cost of sales and services for the first quarter of 2024 stood at 409.4 million baht, decrease 22.8% compared to the previous quarter. This reduction was primarily driven by cost control measures implemented in the entertainment business, focusing on activities and concert arrangements aligned with the low season. Additionally, the cost from the commerce business decreased due to delayed sales and an increase in the proportion of in-house brand products in the product mix.



## Gross Profit

The Company's gross profit is 239.5 million baht, decrease 9.2% from the previous quarter, in line with the adjusted revenue decrease. However, the gross profit margin improved to 41.8%, up from 37.9% in the previous quarter.

- **Commerce business** delivered 223.7 million baht of gross profit, growing 13.9% from the previous quarter because of the increase in the proportion of the company's in-house brand products in the product mix. This led to a higher proportion of sales of products with higher initial profit margins.
- **Entertainment business** delivered 69.8 million baht in gross profit, falling 42.3% from the previous year due to high fixed cost structure. Consequently, the profit margin decreased during the period when sales slowed down due to reduced revenue from large-scale events during the low season, including the revenue from content licensing of approximately 80.0 million baht, which could not be recognized in quarter 1 and was deferred to quarters 2 and 3. Despite this, the sales volume during those quarters had a high profit margin.

## Selling, general and administrative expenses

For the first quarter of 2024, the company's selling and administrative expenses amounted to 427.3 million baht, reflecting a decrease of 4.2% compared to the previous quarter. This reduction correlates with the decrease in sales. The selling and administrative expenses as a percentage of sales amounted to 60.8% (compared to 52.5% in the first quarter of 2023). Excluding one-time expenses such as discontinued product costs of 12.0 million baht and Popcoin-related expenses of 4.3 million baht, the selling and administrative expenses for the first quarter of 2024 amounted to 411.0 million baht, representing a 7.8% decrease from the previous quarter. Consequently, the proportion of selling and administrative expenses to sales was 58.5%.

## Financial cost

Financial costs for the first quarter of 2024 amounted to 48.7 million baht, marking an increase of 4.1% from the previous quarter. This increase is attributed to the higher interest rates on loan.

## Net Profit

For the first quarter of 2024, the company reported a net loss attributable to the parent company of 136 million baht. This was due to the weakness in the Entertainment business and a decrease in revenue from content licensing, which resulted in an inability to cover the fixed costs of the Entertainment segment, especially during the low season. Excluding the impact of one-time expenses, the normalized net profit from normal business operations amounted to 114.0 million baht.

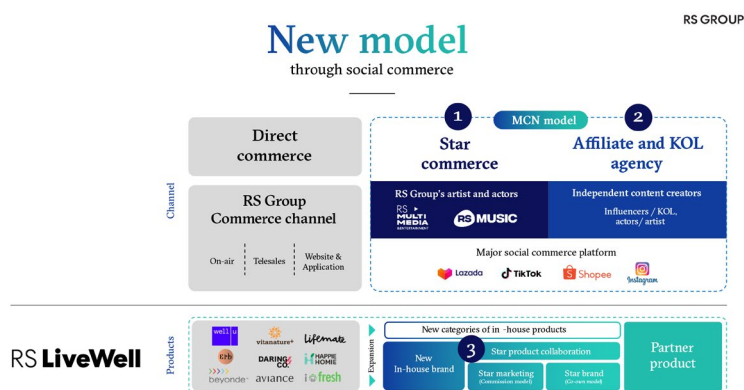
## Recovering business performance in the Q2 2024 by focusing on boosting sales in the entertainment business.

### Generating revenue for the entertainment business to break-even point

1. Accelerate revenue generation from content licensing to both international clients and OTT platforms (e.g., VIU, iQiyi, TRUE ID) with a target range of 80-100 million baht per quarter.
2. Generate revenue from new activity formats such as musical festivals and sponsorship opportunities, particularly through RS Multimedia. Emphasize diverse revenue streams beyond traditional digital TV advertising, including:
  - RS DG: Generate digital revenue from a follower base of over 30 million across various platforms and enhance engagement with target audiences through artist and KOL (Key Opinion Leader) content.
  - RS Multi X: Offer unique events with revenue streams including ticket sales, booth rentals, sponsorships, and government agency support. Plan to present 8 major events throughout the year.
  - Rose Studio: Expand content creation opportunities to global markets and diverse viewer demographics, such as LGBTQ and regional markets, beyond digital TV platforms like Channel 8.
3. Enhance revenue for RS Music business leveraging the global partnership with Universal Music Group (UMG). Expand revenue streams through online channels, artist management, brand engagement, copyright management, and utilize UMG's expertise and technological tools to develop music potential at a regional level.

## Boosting the potential of the commercial business

Driving sales through online channels via Social Commerce and Marketplaces such as TikTok, Shopee, Lazada, and Instagram using a new business model called "Influencer Commerce." Leveraging the robust ecosystem of RS from the outstanding and diverse entertainment business, as well as many artists and celebrities under its management, who can create engaging content across various platforms. This includes both in-house products and those of partner brands, with three main models:



- 1) **Star Commerce Model:** Leverages the artists and celebrities within the company's RS ecosystem to create engagement with fans, promoting products and services through online channels.
- 2) **Affiliate and KOL Agency:** Collaborates with influencers to create content for selling products on online platforms, particularly utilizing TikTok's affiliate feature to attach shopping carts.
- 3) **Star Product Collaboration Model:** Partners with the company's artists and celebrities in a revenue-sharing format to develop new products under the company's in-house brand.

## RS is committed to conducting business according to sustainable development principles based on ESG

The company has consistently prioritized operating under the mission of "Life Enriching," aiming to enhance every dimension of people's lives to the fullest. This includes adding value by creating experiences, happiness, entertainment, improving quality of life, and ensuring the well-being of both people and pets, alongside environmental care across all its business operations. In the past quarter, notable projects included:

**Social Aspect:** Through the RS Community project under the RSNearby campaign, the company opened its social media platforms to promote small businesses in the Chatuchak district. Additionally, the company developed internal employee knowledge through the "RS Group Sustainability Training (through) GETHER with ESG" session to prepare for various changes with sustainable business strategies. Furthermore, an agreement was signed to develop the "Innovative Business Knowledge in Entertainment" curriculum for Chulalongkorn University students, aiming to prepare future professionals for the workforce in the AI era.

**Environmental Aspect:** The "Paper Mache Recycle for Love Year 4" project encouraged employees to recognize the value of used resources by segregating waste at the source, resulting in the recycling of up to 39,120 kilograms of used paper. Similarly, the "Think Before You Throw Plastic" project facilitated the recycling of up to 600 kilograms of plastic bottles.

The company remains committed to good corporate governance principles as a core driver of sustainable development, focusing on balanced growth in economic, social, and environmental aspects. This includes considering responsibility and creating shared value between the company and all stakeholders throughout the business chain, striving towards genuine sustainable development.

Please be informed accordingly.

Yours sincerely,

- Signed -

(Mr. Wittawat Wetchabutsakorn)

Director and Chief Financial Officer

Authorized Person for Information Reporting