

RS: Stream of new products launch in 2021



Update

We maintain HOLD rating with 2022E target price at Bt24.00, derived from 30x PER, which is +1SD of its 3-year trading average of forward PE.

- RS delivered 47% earnings growth in 2020, thanks to historical high revenue in multi-platform commerce business.
- In 2021E, RS would still focus in commerce business. It will expand the product lines and also introduce new product categories, which would be mainly distributed via new sale channels.
- RS will introduce new innovative food supplement under brand “well u”, which will be distributed through Exclusive Distribution Network (EDN), its new distribution model.
- RS is studying and preparing to produce hemp-derived products, such as beauty & skincare products, beverages, and dog treats.

We like RS because of its growth potential from new product development ability and marketing skill. However, the stock is trading quite premium at beyond +1SD of its historical average.

Valuation table

Year end Dec	18A	19A	20A	21E	22E
PE (x)	52.0	71.4	48.5	36.3	32.4
Recurring net profit growth (%)	55.0	(29.5)	43.4	31.5	12.1
Recurring EPS (Bt)	0.5	0.4	0.5	0.7	0.8
Recurring EPS growth (%)	47.9	(27.2)	47.2	33.6	12.1
PBV (x)	14.8	14.4	12.6	10.6	9.1
BVPS (Bt)	1.8	1.8	2.1	2.4	2.8
ROE (%)	33.6	21.4	28.4	31.6	30.4
DPS (Bt)	0.5	0.3	-	0.4	0.4
Dividend yield (%)	1.8	1.2	na	1.4	1.5
Enterprise value (Bt m)	25,209.0	25,341.9	25,398.1	26,093.4	25,825.3
EV-to-EBITDA (x)	19.6	23.8	20.7	8.3	5.1

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Recommendation: HOLD

Current price*: 26.00

Target price 2022E: 24.00

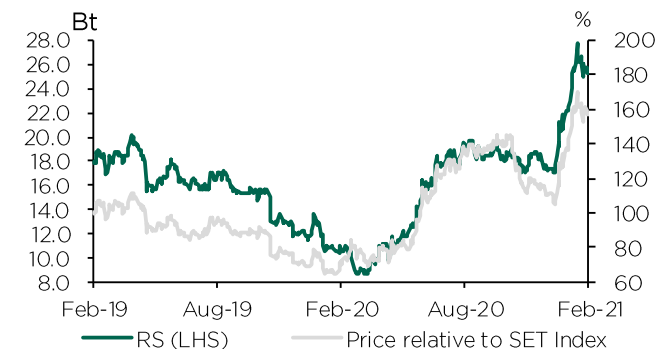
Up/(downside): (8%)

IOD: 5/5

CAC: N/A

Stock data

RIC code	RS.BK
Index	.SETI
SET Index (26 February 2021)	1,496.78
Market cap (Bt m)	24,895
Shares outstanding (million)	957
Par (Bt)	1.02



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New products and categories expansion and explore new distribution models

On March 3th, 2021, RS held an analyst conference call to summary 2020 performance and share 2021 business plan. There were new updated information as followed;

- i) RS delivered 47% earnings growth in 2020, thanks to historical high revenue in multi-platform commerce business.
- ii) In 2021E, RS would still focus in commerce business. It will expand the product lines and also introduce new product categories, which would be mainly distributed via new sale channels.
- iii) The new products for RS Mall, its existing key channel, are 1) Food supplement under brand S.O.M., 2) Herbal extract products under brand vitanature+, and, 3) Traditional herbal medicine under brand “ทองเอก” (Thong-ek).
- iv) Meanwhile, there were three main product categories for new distribution models.
- v) Firstly, innovative food supplement under brand “well u”. The products will be distributed through Exclusive Distribution Network (EDN), which is opening for partnership application. RS would allocate Bt300m marketing budget for brand introduction. We believe a stocking of the product in early phase would help offsetting the expenses.
- vi) Secondly, functional drinks, which will mainly distribute through modern trade.
- vii) Lastly, dry pet food products. It will be sold through pet care channel and distributed via traditional trade.
- viii) Management also disclosed RS’s direction toward hemp-derived products. It is negotiating with a few CBD manufacturers to study & prepare to produce at least 4 SKU of products, covering beauty & skincare products, beverages, gummies, capsules and dog treats.
- ix) For M&A activities, an acquisition of Chase is well on process, while a potential new deal might be occur in the middle of the year.
- x) The company targeted to grow its revenue by 51%YoY to Bt5.7bn in 2021, driven by on-going growth in existing products and new products launch. Meanwhile, we conservatively forecasted 2021E revenue growth at 6% YoY, left new distribution model to be an upside.
- xi) We like RS because of its growth potential from new product development ability and marketing skill. However, the stock is trading quite premium at beyond +1SD of its historical average.



Background: RS Public Company Limited (RS) was founded in 1976. The company and its subsidiaries are involved in the media, music distribution, event, and health & beauty businesses in Thailand. Moreover, RS operates a digital television channel and 4 satellite T.V. channels, which are its main sales and advertising channels. Also, the company is engaged in the radio media business through the radio frequency system. RS also sells music in various formats including digital content, mobile music, and online streaming.

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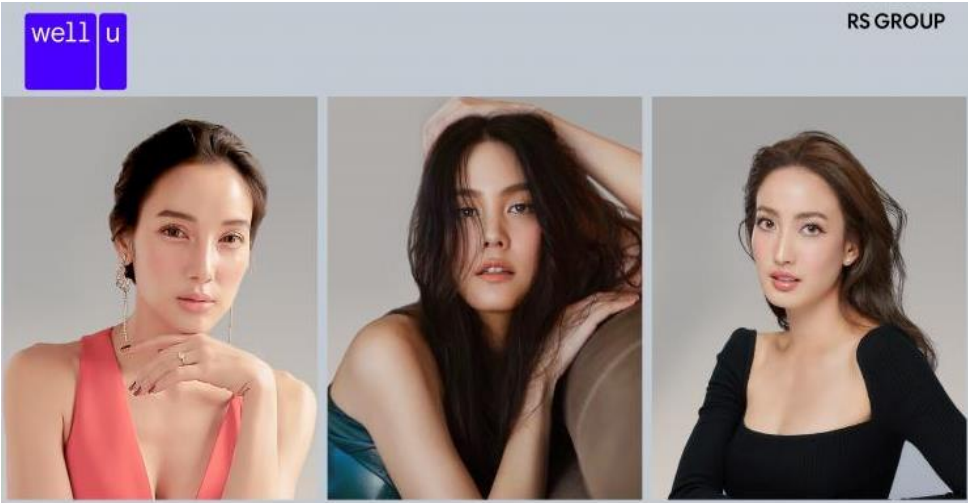
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New products launch and distributions plan

Brand & Type	 Scientific food supplement	 Herbal extract	 Traditional herbal medicine	 Innovative food supplement	Functional drink	Dry pet food
1H20 Product launch						
Distribution channel	 90%		EDN (RS' s network) 80%		Modern trade 70%	Pet care channel & Traditional trade 70%
E-Commerce						

Presenters for well u introduction



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RS 2021 Target

2021 Estimated Performance		THB mn
Revenue		5,700
Commerce		4,000
▪ Existing channel (RS Mall & Coolanything)		3,000
▪ New product lines & New channels		1,000
Media & Entertainment		1,700
▪ Digital TV (CH8)		1,000
▪ Radio (Coolism)		200
▪ Music (Rose Sound, Kamikaze & RSiam)		300
▪ Concert & Event		200
GPM (%)		50-52%
NPM (%)		12-14%
CAPEX (THB mn)		56

CGS 2021-22E projections

Revenue breakdown by segment				
Value (Btm)	19A	20A	21E	22E
MPC	2,012	2,382	2,721	2,884
Media	1,069	1,148	965	917
Music & others	530	244	320	300
Total revenue	3,611	3,774	4,006	4,101
Revenue breakdown by segment				
Growth (% YoY)	19A	20A	21E	22E
MPC	(5.4)	18.4	14.2	6.0
Media	(20.5)	7.4	(16.0)	(5.0)
Music & others	49.1	(53.9)	31.0	(6.3)
Total revenue	(5.6)	4.5	6.1	2.4
Sales, Gross margin, SG&A				
Percent (%)	19A	20A	21E	22E
Revenue (Growth YoY)	(5.6)	4.5	6.1	2.4
Gross profit margin	44.1	46.7	49.3	50.7
SG&A to sales	30.5	29.5	29.5	30.2

RS: Revenue breakdown

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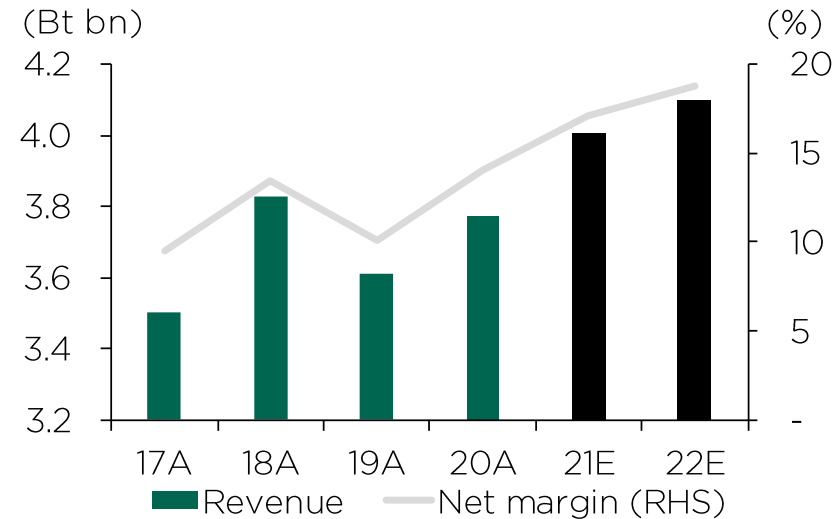
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Through its multi-platform commerce (MPC) model, the company offers a wide range of products including health, beauty, home & lifestyle goods under the Magique, Revive and S.O.M. brands. RS also generates revenue from selling its partners' products. Over 100 different product items are sold through the company's various channels, which include digital television, satellite television, radio media, and online media. Sales are also conducted through single-level direct sales agents (telesales). MPC contributed 63% of total revenue in 2020.

The company also airs entertainment content on its T.V channels. Currently, RS operates digital television Channel 8 and 4 satellite television channels, including Sabaidee TV, Channel 2, Series Channel and Ploen TV, which all have distinct formats. The media segment accounts for 30% of total revenue.

The music and "other" segments cover all music production activities such as the selection of artists, music production, promotion, marketing, artist management, copyright collection and the organizing of concerts and events. This segment accounts for 7% of total revenue.



Revenue by group of segment, 2020



RS: Summary financials

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Profit & loss (Bt m)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Revenue	3,827	3,611	3,774	4,006	4,101	895	985	833	938	1,018
Cost of goods sold	(2,205)	(2,020)	(1,769)	(2,030)	(2,022)	(520)	(437)	(394)	(454)	(483)
Gross profit	1,621	1,591	2,006	1,977	2,079	375	547	439	484	535
SG&A	(1,054)	(1,100)	(1,321)	(1,182)	(1,239)	(283)	(309)	(293)	(312)	(406)
Other (exp)/inc	125	5	8	38	39	(3)	3	0	2	2
Operating profit	692	496	692	833	880	90	241	146	173	132
Finance cost	(68)	(35)	(36)	(65)	(70)	(6)	(9)	(10)	(9)	(9)
Other inc/(exp)	0	0	0	(1)	(1)	(0)	0	(0)	1	(1)
Earnings before taxes	624	462	657	767	809	84	232	137	166	122
Income tax	(108)	(97)	(137)	(154)	(162)	(18)	(46)	(28)	(34)	(30)
After-tax profit	516	365	520	614	647	66	186	109	132	93
Equity income	-	-	-	72	121	-	-	-	-	-
Minorities	0	(1)	0	-	-	(0)	(0)	(0)	0	(0)
Earnings from cont. operations	516	364	520	686	769	66	186	109	132	93
Forex gain/(loss) & unusual items	(0)	(0)	9	0	0	0	0	(0)	(1)	10
Net income	516	363	528	686	769	66	186	109	131	103
Recurring EPS (Bt)	0.50	0.36	0.54	0.72	0.80	0.07	0.20	0.12	0.14	0.10
Weighted average shares (m)	1,032	998	960	957	957	982	951	958	958	957
Balance sheet (Bt m)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Assets	4,073	3,407	4,516	4,851	5,002	3,407	4,189	4,325	4,286	4,516
Liabilities	2,401	1,680	2,512	2,509	2,275	1,680	2,435	2,554	2,384	2,512
Equity	1,671	1,725	2,002	2,340	2,724	1,725	1,751	1,769	1,899	2,002
Invested capital	1,982	2,170	2,503	2,545	2,540	2,170	2,716	2,793	2,924	2,503
Growth (YoY, %)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Revenue	9.3	(5.6)	4.5	6.1	2.4	(16.0)	6.0	(7.5)	5.8	13.7
Operating income	35.5	(28.3)	39.5	20.3	5.6	(52.5)	56.4	18.5	34.2	46.8
Recurring EPS	47.9	(27.2)	47.2	33.6	12.1	(50.4)	69.6	22.3	51.1	48.4
Assets	(3.2)	(16.4)	32.6	7.4	3.1	(16.4)	4.9	34.5	35.7	32.6
Liabilities	(14.5)	(30.0)	49.6	(0.1)	(9.3)	(30.0)	11.4	78.0	59.2	49.6
Equity	19.6	3.2	16.1	16.9	16.4	3.2	(3.1)	(0.6)	14.5	16.1
Profits (%)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Gross margin	42.4	44.1	53.1	49.3	50.7	41.9	55.6	52.7	51.6	52.6
Operating margin	18.1	13.7	18.3	20.8	21.5	10.0	24.5	17.5	18.5	12.9
Net margin	13.5	10.1	14.0	17.1	18.7	7.3	18.9	13.0	13.9	10.1
ROE	33.6	21.4	28.4	31.6	30.4	15.5	42.9	24.7	28.5	21.1
ROIC	28.2	18.9	23.4	26.4	27.7	13.0	31.7	16.9	19.3	14.7

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Investment ratings

BUY:	Expected return excluding dividends of more than 10% within the next 12 months.
HOLD:	Expected return excluding dividends between -10% and 10% within the next 12 months.
SELL:	Expected return excluding dividends of less than -10% within the next 12 months.
NR:	Not Rated- Stock is not in our research coverage.

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