



Quarter 2, 2016
August 10, 2016

Management Discussion and Analysis
RS Public Company Limited

Overall Business Outlook

The overall business outlook for the media industry has improved slightly from the first quarter, which can be partly attributed to seasonal changes. Research results of AGB Nielsen Media Research (Thailand) pointed out that advertising expenditure for the entire industry (ADEX) during the first half of 2016 dropped by 7.9 percent, compared to the same period in 2015.

The television media business, despite the decrease in advertising expenditure in the analog, satellite cable and digital systems by 11.0, 17.4 and 9.0 percent, respectively, when compared to the first half of 2015, saw the number of nationwide television viewers at the end of June 2016 continue to increase by 3.5 percent, compared to the same period in 2015. Also, the proportion of viewers of digital television rose to 37.2 percent of all viewers, as of the end of June 2016. At the end of June 2015, the proportion was 24.4 percent.

Summary of Quarter 2/2016 Performance

The consolidated financial statements of the company for the three-month period ended June 30, 2016 (Quarter 2/2016) exhibited net loss attributable to the parent company in the amount of 85.0 million baht. This represents a decrease of 117.2 million baht or decreased by 364.4 percent from net profit of 32.1 million baht in the second quarter of 2015, meanwhile, there was a decrease of 191.9 million baht from the net profit of previous quarter amounted to 106.9 million baht, or decreased by 179.5 percent due mainly to a fall of revenue from satellite television business, music distribution business and event business as well as higher marketing expenses related to a launch of health and beauty products nationwide.

Unit: million baht	Quarter 2/2016		Quarter 2/2015		Quarter 1/2016		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue	747.5	100%	833.0	100%	1,216.7	100%	-10.3%	-38.6%
Gross margin	178.4	23.9%	225.7	27.1%	419.3	34.5%	-20.9%	-57.5%
Operating profit	(95.1)	-12.7%	19.2	2.3%	154.7	12.7%	-594.3%	-161.5%
Net profit/(loss)	(85.0)	-11.4%	32.2	3.9%	106.9	8.8%	-364.4%	-179.5%
Earnings per share	(0.0870)		0.0321		0.1063			

Revenue

Total revenue and services income for the three-month period ended June 30, 2016 in the amount of 747.5 million baht, on a net basis, decreased from that of the same quarter last year by 85.5 million baht, or decreased by 10.3 percent, meanwhile, it decreased from previous quarter by 469.2 million baht, or decreased by 38.6 percent. This can be broken down by business unit, as follows:

Unit: million baht	Quarter 2/2016		Quarter 2/2015		Quarter 1/2016		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from media business	529.0	70.8%	588.5	70.6%	423.8	34.8%	-10.1%	24.8%
Revenue from music distribution business	68.6	9.2%	86.0	10.3%	59.0	4.8%	-20.2%	16.4%
Revenue from event business	96.6	12.9%	95.2	11.4%	642.8	52.8%	1.4%	-85.0%
Revenue from health and beauty business	53.1	7.1%	39.8	4.8%	83.8	6.9%	33.6%	-36.6%
Revenue from other services	0.1	0.0%	23.5	2.8%	7.3	0.6%	-99.5%	-98.3%
Total revenue and services income	747.5	100%	833.0	100%	1,216.7	100%	-10.3%	-38.6%

Revenue from Media Business

Revenue from the media business included revenue from television and radio media. This quarter, the total revenue from the media business amounted to 529.0 million baht, a decrease of 59.5 million baht, or 10.1 percent from the revenue earned in the same quarter last year. However, this represents an increase from revenue earned in the first quarter of this year of 105.2 million baht or 24.8 percent; details are below.

Television Media Business: Revenue from the television media business resulted from the operations of terrestrial digital television in the general category with standard definition, “Channel 8”; satellite television channels i.e. “Channel 2”, and “Sabaidee TV”.

On the whole, of the revenue earned from the television business this quarter, “Channel 8” was able to sell spot time long-term contracts, thanks to the greater popularity of its programming, including sports shows such as “8 Max Muay Thai”, “The Champion Muay Thai Dat Cheurk”, “HBO Boxing”, and “Ultimate Fighting Championship (UFC)”. The channel also increased its boxing programs to include the popular “Muay Thai Battle” show during the Friday prime time viewing segment. Also, a number of popular dramas were aired on “Channel 8”, including “La Dap Tawan” and “Baap Ban Pa Gan” which were very well received by viewers both in Bangkok and the provinces. In addition, extended news programs saw a significant rise in popularity; the greater depth in news coverage and presentation helped broaden the appeal of its news program.

Moreover, “Channel 8” boosted the fun factor in its variety programming, both in terms of presentation and the upping of the excitement and spectacle surrounding stage shows. This encompassed “Siang Sawan Pichit Lan” and “The Infinity Game Mai Ru Job”. Also, the channel added new shows: “The Guest Tee Sanit Khon Dang”, “Ride with Me Kee Dam Fun”, “Sexpert Family”, “Tiew Perd Sa-kard”, and “Supta Talat Taek”, along with Korean and Chinese series. There was also a shift in the popular programs of “Channel 2”, including “Kui Plern Muang Thai” and “Krua Lan Thung”, to boost the line-up of “Channel 8”.

Radio Media Business: Revenue derived from the radio media business came from the operation of “COOL Fahrenheit 93”. The overall performance of the radio media business this quarter decreased from that of last year, as a result of a decrease of overall advertising expenditure due to the economic slowdown as well as the trend of a growing number of listeners who access such media via online channels. At any rate, revenue increased when compared to the first quarter of 2016. AGB Nielsen Media Research (Thailand) found that “COOL Fahrenheit 93” remains a popular station, retaining the number one spot in the Easy Listening category as well the number two rank in the country. This quarter, there were a

number of activities including “Ink Eat All Around”, “Cool Fahrenheit 93 Outing” and “Cool Fahrenheit Music Fest Once Upon a Teen”.

Revenue from Music Distribution Business

Revenue from the music distribution business largely included revenue from the digital segment and copyright collection. According to the Company long-term plan from many years ago, it ceased its physical record production and distribution activities, which aligns with the changing behavior of music consumers and streamlined operations this quarter. The Company earned 68.6 million baht from the music distribution business, a decrease of 17.4 million baht, or 20.2 percent, from the same quarter last year. While the revenue from music streaming and YouTube increased, it was not enough to offset the decrease in revenue from other channels. Nonetheless, after an adjustment in business structure, cutting costs that do not result in income, the overall music distribution business still has potential for profit.

Revenue from Event Business

Revenue from the event business consisted of revenue from concert organization and marketing activities, artists’ management and contract productions. This quarter, revenue from the event business amounted to 96.6 million baht, an increase of 1.4 million baht from that of the same quarter last year, or increased by 1.4 percent. While there was a decrease compared to previous quarter due to one-time large-scale productions in the first quarter of 2016. However, the Company continues to organize concerts and activities such as “Sabaidee Sunjorn Year 7”, “Channel 8 Pob Puen”, and “Sabaidee Freeday 3”.

Revenue from Health and Beauty Business

Revenue from the health and beauty business comprised revenue from the facial care products group, the hair and scalp care group and the food supplements group. This quarter, the Company earned 53.1 million baht, an increase of 13.3 million baht or 33.6 percent from last year, reflecting the increase in popularity of its products as well as the heightened marketing and brand awareness activities. The latter especially applied to the brand “Magique”, whose products used to only be sold via telephone at

the number 1781. At present, the Company has added an online sales channel as well as expanded the distribution to retail channels in the traditional trade of large cities throughout the country and the modern trade such as EVEANDBOY and Watsons. Also, the Company is in the middle of expanding distribution to leading stores throughout the nation. When comparing the revenue to that of the first quarter this year, however, the revenue dropped by 30.7 million baht or 36.6 percent. This was due to the adjustment in the pricing of products in all channels to be more competitive in the retail segment, which caused some consumers to slow down their purchasing activities.

Cost of Sales and Services

Sales and services expenses amounted to 569.1 million baht, a decrease of 38.3 million baht from that of the same quarter last year, or 6.3 percent. This was mostly due to the increase in the cost of productions and the spending on improved activities. The cost for “Channel 8” digital television operations increased, which reflected the investment in content and programming, as well as in various equipment that will help increase efficiency and strengthen the Company’s competitive positioning in the television industry. The cost of the health and beauty business increased, as planned, due to the increase in selling activities of a larger product base, which are distributed on a broader nationwide level. The cost of product stock management also increased. Compared to the first quarter of 2016, however, the overall cost decreased by 228.4 million baht or 28.6 percent, due to ending of large-scale contract productions.

Selling and Administrative Expenses, Other Expenses and Finance Costs

Selling and administrative expenses and other expenses amounted to 273.1 million baht, an increase of 68.4 and 6.9 million baht from that of the same quarter last year and the first quarter of 2016, or 33.4 and 2.6 percent, respectively. This was mainly due to the increase in the selling and marketing expenses for a grand opening of health and beauty products to gain brand awareness throughout the nation. Finance costs were 18.1 million baht, a decrease of 2.9 million baht from the same quarter last year, or decreased by 13.9 percent as a result of lower deferred interest of DTT license from last year.

Plans and Future Outlook

On July 6, 2016, “Channel 8” unveiled its new logo under the concept of “Intense Story, Full Emotion”, along with an adjustment in plan and increase in new programming to expand its urban television viewership base. There was also a launch of a new prime time segment “The 8PISODE” at 10pm. with a Korean series that can be seen live or on-demand at www.thaich8.com and via the CH8 application.

As for the health and beauty business, the Company will continue to expand its wholesale and retail sales channels. It will also add keep introducing new products to the market.

(Darm Nana)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company