



Quarter 3, 2017
November 14, 2017

Management Discussion and Analysis
RS Public Company Limited

Overall Business

In the third quarter in 2017, revenue and profit from health and beauty business has outgrown the previous quarter for three consecutive periods, in contrary with the lingering economic weakening. The Company exercises its key competitive advantages in distribution channels, i.e. TV channels, radio station and online shop. This results in growing customer database which is in turn being managed in a systematic manner. The expansion in numbers of the Company's own products and partner's products together with precise marketing campaigns and sales and promotion strategy have resulted in continuously growing revenues for the past nine months.

Overall television industry in the third quarter experienced yet another contraction when compared to the same period last year and to the previous quarter as well, with exception of Digital TV sub-segment which saw a slight growth. If considering advertising expenditures (ADEX) through new digital TVs, according to the survey conducted by Nielsen Media Research (Thailand), the amount of expense for advertisement used in the third quarter in 2017 compared with those in the third quarter in 2016 decreased by 1,043 million baht or 14.7 percent. However, it increased by 341 million baht or 6.0 percent as consistent with shares of viewers of new digital TVs which increased to 45.6 percent in September 2017 compared with 40.0 percent in September 2016. The Company's digital TV or "Channel 8" has improved from the same quarter of the previous year and from the previous quarter due to its high viewership rating from news programs, sports programs, international series programs, and drama series. The rating in September increased to 0.61 up from 0.53 in September 2016 (viewers aged 4+ in 24 hours' period), resulting in higher advertisement booking in Channel 8.

Third quarter performance summary in 2017

The consolidated financial statements of the Company for the three-month period ended September 30, 2017 (the third quarter in 2017) show net profit attributable to the parent company in the amount of 123.8 million baht or increase in 184.8 and 71.8 million baht or increase in 303.0 percent and 137.9 percent from the same quarter in the previous year and from the previous quarter due to the increase in 2 main businesses, including revenue from Channel 8 and from health and beauty business. Gross profit rate increased by 42.5 percent due to the efficient cost management of Channel 8. Gross profit rate of health and beauty business is in the high level. Cost-to-sales ratio decreased due to the efficient cost management of the business.

Unit: million baht	Quarter 3/2017		Quarter 3/2016		Quarter 2/2017		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue	995.7	100.0	678.2	100.0	857.6	100.0	46.8%	16.1%
Gross margin	423.3	42.5	145.3	21.4	314.7	36.7	191.3%	34.5%
Operating profit	171.7	17.2	(54.0)	-8.0	79.0	9.2	417.5%	117.3%
Net profit/(loss)	123.8	12.4	(61.0)	-9.0	52.0	6.1	303.0%	137.9%
Earnings per share	0.1281		(0.0631)		0.0538			

Revenue

Revenue from sales and services in the third quarter in 2017 in the amount of 995.7 million baht on a net basis which increased from the same quarter in the previous year and from the previous quarter by 317.5 and 138.1 million baht or 46.8 percent and 16.1 percent respectively. This can be explained according to the following business segments.

Unit: million baht	Quarter 3/2017		Quarter 3/2016		Quarter 2/2017		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from media business	470.2	47.2	498.4	73.5	435.2	50.7	-5.7%	8.1%
Revenue from health and beauty business	422.8	42.5	49.5	7.3	300.7	35.1	754.8%	40.6%
Revenue from music business	62.1	6.2	77.7	11.5	64.5	7.5	-20.0%	-3.6%
Revenue from event business	40.6	4.1	52.6	7.8	57.2	6.7	-22.8%	-29.0%
Total revenue and services income	995.7	100	678.2	100	857.6	100	46.8%	16.1%

Revenue from Media Business

Revenue from the media business consisted of revenues from television and radio businesses. In the third quarter in 2017, the Company earned 470.2 million baht from the overall media business which decreased to 28.2 million baht or 5.7 percent from the same quarter in the previous year. However, it increased to 35.0 million baht or 8.1 percent respectively from the previous quarter. The revenue from Channel 8 increased from the same quarter in the previous year and from the previous quarter. However, the revenue from satellite TV and radio decreased when compared with the previous year due to the decrease in overall industry.

Television Media Business: The revenue from television business consisted of revenue from Digital Terrestrial Television (DTT) channel in Standard Definition Category including “Channel 8” and from satellite television channels, namely, “Channel 2” and “Sabaidee TV.

Overall revenue of television business in this quarter decreased from the same quarter in the previous year yet it increased from the second quarter in the same year. The revenue was mainly from advertisements in satellite television channels of overall industry decreased. However, “Channel 8” was able to secure long-term contract sales early in the year. This was because it had high popular TV programs, namely, news programs such as “Kui Kao Chong 8” (Morning News) broadcast on weekdays and weekends. The viewership rating climbed to 1-2 nationwide. The viewership rating of “Kui Kao Yen Chong 8” (Evening News) was dramatically increased. Other news programs also reach viewers such as “Kui Kao Kham Chong 8” (Evening News), “Pak Tong Dong Ru”, “Sakit Kao Det” and “Cho Praden”. Sports programs include “8 Max Muay Thai”, “The Champion Muay Thai Dat Cheurk” broadcast on weekends and “Muay Thai Battle” broadcast on Friday primetime. The international series namely “Siya Ke Ram” and “Sankat Mochan Mahabali Hanumaan” broadcasted in the evening were overwhelmingly successful with over 2.9 million viewers. In addition, “Channel 8” had two new drama series, i.e. “Ngao Arthan” and “Jai Luang” which had received good responses from viewers.

Radio Media Business: The revenue from radio business was from “COOLfahrenheit”. The overall revenue from radio business in this quarter decreased from the same quarter in the previous year due to the decrease in radio media industry. However, the revenue still increased from the second quarter in 2017. According to the survey conducted by AGB Nielsen Media Research (Thailand), “COOLfahrenheit” still remained the number one spot in the Easy Listening category and the number two rank in the country. The station did the important rebranding to expand itself over FM93. It presented the content directly delivered to listeners through on-air and online platforms. Its target group was on online users. The station also supported growing online advertisement. In this quarter, the station organized activities for listeners such as "Ink Eat Around The World", “COOL Outing” and “COOL Music Alive”.

Revenue from Health and Beauty Business

Revenue from health and beauty business comprised the revenue from skincare products under the brand “Magique”, haircare products under the brand “Revive” and food supplement products under the brand “S.O.M.”. The revenue in this quarter is 422.8 million baht, an increase from the same quarter in the previous year and from the previous quarter by 373.3 and 122.1 million baht or 754.8 percent and 40.6 percent respectively. The Company expanded distribution channels through its own digital television and satellite television channels, the Company’s radio station and online media at www.shop1781.com and @Shop1781 (LINE SHOP). The increase in the Company’s products and of several partners through Telesales channels went as planned. The Company also offered a variety of promotional packages tailored to each product’s target groups via a number of modern trade stores nationwide. As a result, the sales volume in the past nine months had increased continuously in line with the overall plans.

Revenue from Music Business

Revenue from music business consists of digital business, copyright collection and artist management. The revenue in this quarter is 62.1 million baht which represents a decrease from the same quarter in the previous year and from the previous quarter by 15.6 and 2.4 million baht or 20.0

percent and 3.6 percent respectively. The decline was due to behavioral change of listeners which has geared toward music streaming services. Although the revenue from music streaming services including Music Streaming YouTube or Joox increased, it was not sufficient to offset the decrease in revenue from other channels. However, after the business restructuring and effective cost control, music business continued to be profitable.

Revenue from Event Business

Revenue from event business comprised the revenue from concert organization and marketing activities. The revenue from event business in this quarter was 40.6 million baht which decreased from the same quarter in the previous year and the second quarter in 2017 by 12.0 and 16.6 million baht or 22.8 percent and 29.0 percent respectively. This was because the concert “Love Laugh Cry with 9 Men” organized in the third quarter in 2016 reached the expected revenue while compared with the revenue in the second quarter in 2017 decreased due to during Songkran Festival. The main revenue in this quarter was from key events namely “Sabaidee Si Mum Mueang”, “Sabaidee Sunjorn”, “Sabaidee Saebasing Isan Taradtak” and “Channel 8 Pob Puen.”

Cost of Sales and Services

Cost of sales and services of 572.4 million baht increased from the third quarter in the previous year and from the previous quarter by 39.5 and 29.5 million baht or 7.4 percent and 5.4 percent. This was mainly due to main revenue from the increase of health and beauty business. However, gross profit rate increased to 42.5 percent due to the efficient cost management of Channel 8 and health and beauty business.

Selling and Administrative Expenses, Other Expenses and Finance Costs

Selling and administrative expenses of 251.8 million baht increased from the same quarter in 2016 and from the second quarter in 2017 by 51.7 and 14.4 million baht or 25.9 percent and 6.1 percent. This was mainly due to the increase of revenue ratio of health and beauty business. However, cost-to-sale ratio decreased due to the efficient cost management.

Financial costs of 23.4 million baht, nearly unchanged from the same period last year and the previous quarter. This was derived mainly from a long-term loan for DTT license fee payment installments and other short-term loans.

Outlook

In the third quarter, “Channel 8” became overwhelmingly successful with the average rating of 0.61 percent in September. This is mainly due to the provision of a variety of programs which attracted high popularity among viewers. In the fourth quarter, new variety programs and drama series will be added to increase viewership rating. This will enable Channel 8 to raise advertisement rate in 2018 in accordance with its recent rating growth.

For health and beauty business, the Company will continue to add new products (SKU) and to search for quality products from new business partners to serve consumers’ needs. The Company will also continue to develop online channels to serve as a major value addition to the telesales revenue.

(Darm Nana)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company