



Quarter 1, 2017

May 15, 2017

Management Discussion and Analysis

RS Public Company Limited

Overall Business

In the first quarter of 2017, there was revenue and profit growth of the Company's health and beauty business, as opposed to the state of the overall economy which continues to slow. This is attributed to the Company's focus on sales by maximizing cost and time more effectiveness through its various media channels than the previous year. It is foreseen that this reflects the Company's strengths and core competencies, to develop a competitive edge in the market along with increasing its sales channels and increasingly distributing its products to garner greater consumer attention. As a result, sales in the past 4 to 5 months have increased, continuously breaking previous sales records.

The television media industry saw a decline in the first quarter of 2017, compared to the same period last year, but not including digital television which showed better performance. According to research results of AGB Nielsen Media Research (Thailand) points out advertising expenditure for the television media industry (ADEX) for the first quarter of 2017 dropped by 1,179 million baht compared to the same period in 2016 whereas the advertising expenditure for digital television rose by 357 million baht or 7.0 percent. However, ad spending began to return to normal in accordance with the rise in the average number of television viewers compared to the end of 2016; in March 2017, there was an increase of 4.7 percent in the number of nationwide television viewers, especially digital TV viewers which saw an increase to 44.2 percent of overall viewers in March 2017, compared with 43.7 percent in December 2016 and 31.8 percent in March 2016. For the Company's digital television business or its "Channel 8" reported the greater performance from the first quarter last year as a result of higher rating bringing an increase in advertising rates.

Summary of Quarter 1/2017 Performance

The consolidated financial statements of the Company for the three-month period ended March 31, 2017 (Quarter 1/2017) shows net profit of 47.0 million baht, a decrease by 59.9 million baht or 56.0 percent from a net profit of 106.9 million baht in the first quarter of 2016. This is mainly due to one-off tailor made events generated only in the first quarter of 2016. Nevertheless, the main businesses which are media business and health and beauty business reported an increase in revenue as compared to the same period last year. There also was an improved gross profit margin at 32.3 percent while a decrease of selling and administrative expenses was due to the contraction in revenue from event business.

Unit: million baht	Quarter 1/2017		Quarter 1/2016		Quarter 4/2016		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue	752.0	100.0	1,188.4	100.0	443.4	100.0	-36.7%	69.6%
Gross margin	242.5	32.3	393.3	33.1	9.3	2.1	-38.3%	2,500.9%
Operating profit	26.5	3.5	154.5	13.0	(170.2)	-38.4	-82.8%	115.6%
Net profit/(loss)	47.0	6.3	106.9	9.0	(63.1)	-14.2	-56.0%	174.5%
Earnings per share	0.0486		0.1063		(0.0653)			

Revenue

Total revenue and service income for the three-month period ended March 31, 2017, amounted to 752.0 million baht, decreased from the same period in 2016 by 436.4 million baht, or 36.7 percent. The sources of revenue can be broken down by business units, as follows:

Unit: million baht	Quarter 1/2017		Quarter 1/2016		Quarter 4/2016		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from media business	444.7	59.1	397.4	33.4	326.6	73.7	11.9%	36.2%
Revenue from health and beauty business	199.3	26.5	83.8	7.1	41.5	9.4	137.9%	380.1%
Revenue from music business	67.2	9.0	90.1	7.6	58.7	13.2	-25.4%	14.4%
Revenue from event business	40.8	5.4	609.7	51.3	16.5	3.7	-93.3%	146.8%
Revenue from other services	-	0.0	7.3	0.6	0.1	0.0	-100.0%	-100.0%
Total revenue and services income	752.0	100.0	1,188.4	100.0	443.4	100.0	-36.7%	69.6%

Revenue from Media Business

Revenue from the media business consists of revenue from television and radio. This quarter, the Company reported 444.7 million baht in total revenue from the media business, an increase of 47.3 million baht, or 11.9 percent from the same period in 2016 as a result of the followings:

Television Media Business: consists of revenue from “Channel 8” which operates under Digital Terrestrial Television license in SD Variety category, and revenue from “Channel 2”, and “Sabaidee TV” which are satellite television channels.

On the whole, there was an increase in revenue earned from the television business this quarter, despite a fall of advertising expenditure for the entire industry. “Channel 8” was able to double the advertising rate on the back of the greater popularity of its programming, including sports shows, particularly, “8 Max Muay Thai”, “The Champion Muay Thai Dat Cheurk” show during the weekend and “Muay Thai Battle” show during the Friday prime time. Along with, news category “Kui Kao Chong 8” (morning news) ranks number one in news program among new digital television operators and number three nationwide, and added a variety-type news show, called “Sadut Kao Det” and “Pak Tong Dong Ru”. In addition, “Channel 8” aired four new drama series, including “Rabam Fai”, “Chaloei Suek”, “Ngao Saneha” and “Game Payabaht”, adapted to have rich content with the ability to expand the television audience base. Also, there was a broadcast of the popular Indian series titled “Siya Ke Ram” during weekday prime time before the early evening drama series. This experienced spectacular success, with the largest audience of over 1 million viewers. This was augmented by the broadcast of Chinese series “Zhen Ming Tian Zi - Son of Heaven” on the weekends.

In this quarter, the Company signed an agreement to partner with “LINE Thailand”, which brings the Company’s content, including drama series, variety shows, boxing show highlights and music videos, to the “Line TV” application. Users are able to watch past programs on demand. The initiative began from 1 March onwards and the LINE Official Account was launched in April. It is believed that this helps boost revenues for the Company, and prepares the Company to

align with current consumer behavior to watch various programs on television screens as well as online.

Radio Media Business: consists of revenue from the radio media business, or its “COOL Fahrenheit 93” radio channel. On the whole, revenue from the radio media business in this quarter increased 9.3 percent from the same quarter last year. According to AGB Nielsen Media Research (Thailand), “COOL Fahrenheit 93” remains number one ranking for Easy Listening category and number two nationwide. There was well-received event for its audience in this quarter which was “Ink Eat All Around Year 7”.

Revenue from Health and Beauty Business

Revenue from the health and beauty business comprised revenue from the facial care products under the “Magique” group brand, hair care products under the “Revive” group brand, and the food supplements products under the “S.O.M” group brand. The Company generated revenue of 199.3 million baht, which is a significant increase of 115.5 million baht or 137.9 percent as compared with same period of 2016 thanks to the strengthened advertising strategy, greater sales efforts targeting various channels more appropriately, and more marketing in every channel to boost sales. At the same time, the Company expanded sales channels and embarked on promotions with modern trade throughout the country, particularly Watsons. The latter received a good response from customers; sales in the last 4 to 5 months experienced continuous and stable growth.

Revenue from Music Business

Revenue from the music business consists of revenue from the digital segment, copyright collection and artist management. The overall revenue for this quarter was 67.2 million baht, down by 22.9 million baht or 25.4 percent from the same period last year, as a result of changing behavior of music consumers which aligns with the popular trend of downloading ringtones continually subsided. The increase in revenue from music streaming services, YouTube or JOOX has yet to compensate the decrease in revenue from other channels. Nonetheless, after a business restructuring and efficiency of cost control, its profitability has continued to improve.

Revenue from Event Business

Revenue from the event business consists of revenue from concerts and marketing events organization. In this quarter, revenue from event business was 40.8 million baht, a significant decrease from the first quarter of 2016, due to the one-time large-scale productions in that quarter. This quarter, the revenue was generated from its own channels' concert production including "Siang Sawan On Tour", "Channel 8 Pob Puen", "Sabaidee Sunjorn" and "Sabaidee AEC Music Caravan".

Cost of Sales and Services

Cost of sales and services amounted to 509.4 million baht, a decrease of 285.6 million baht from the first quarter last year, or 35.9 percent. This was mainly due to a decrease in cost to align with the diminishing revenue from event business. Even though the costs associated with "Channel 8" increased, reflected the increase in the quality of the content, costs for broadcasting drama series and the new program additions - all with the ongoing aim of boosting the channel's popularity. Also, the cost of health and beauty business increased, which was in proportion to the growth in revenue.

Selling and Administrative Expenses, Other Expenses and Finance Costs

Selling and administrative expenses and other expenses were 216.4 million baht, decreased by 23.7 million baht from same quarter last year or a 9.9 percent decrease. This resulted from the decrease in expenses for the event business which was in proportion to a fall of its revenue.

Finance costs of 23.8 million baht increased by 6.3 million baht from first quarter of 2016 or 36.2 percent. The reason was from higher bank interest expenses in line with the drawn long-term loans to support the digital television concession installment. In this quarter, there was an extraordinary item booked under gain from modification of payment of license for operation right in spectrum of digital television (before tax) totaling 45.5 million baht.

Plans and Future Outlook

In 2017, "Channel 8" formulated a strategy to continue strengthening its popular programming



segments, led by sports, news, drama series and new variety programs, to boost ratings and align with the 35 percent increase in advertising rates from 2016.

For the health and beauty business, following the well-received strategy for new sales channels since mid-December of 2016, the Company plans to add more product categories (SKU) to respond to the needs of consumers and to expand its distribution channels to television media channels, online and other retail outlets. Moreover, the Company is negotiating with new partners for the introduction of additional products to sell via Telesales as well as to bring its products to the markets of neighboring countries.

(Surachai Chetchotisak)

Chairman and Chief Executive Officer

Authorized to sign on behalf of the Company