



Quarter 2, 2017
August 15, 2017

Management Discussion and Analysis
RS Public Company Limited

Overall Business

In the second quarter of 2017, the Company's health and beauty business grew significantly as opposed to the current economic stagnation in Thailand. This is a result from realigning selling strategies to leverage on the Company's key strength in media business, thus creating competitive advantage. Growing customer database allows the Company to achieve higher recurring income from various promotional activities. As a result, sales in the first half of the year have increased, continuously breaking sales records in the previous period.

the Company's digital television business (Channel 8) shows improvement in TV rating performance by 30% from last year. This is attributed to the success increasing viewership in news program, sports program, foreign series and Thai drama series, resulting in a rise in average TV Rating (TVR%, Age 4+, 24 hours) from 0.48 TVR% in March to 0.64 TVR% in June.

Summary of Quarter 2/2017 Performance

The consolidated financial statements of the Company for the three-month period ended June 30, 2017 (Quarter 2/2017) shows net profit of 52.0 million baht, an increase of 137.0 and 5.0 million baht or 161.2 and 10.7 percent from the same period of 2016 and the first quarter of 2017. This is mainly due to higher revenue of health and beauty business, also an improved gross profit margin at 36.7 percent and efficient control of selling and administrative expenses.

Unit: million baht	Quarter 2/2017		Quarter 2/2016		Quarter 1/2017		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue	857.6	100.0	713.5	100.0	752.0	100.0	20.2%	14.0%
Gross margin	314.7	36.7	144.5	20.3	242.5	32.2	117.7%	29.7%
Operating profit	79.0	9.2	(95.1)	-13.3	26.5	3.5	183.1%	197.8%
Net profit/(loss)	52.0	6.1	(85.0)	-11.9	47.0	6.3	161.2%	10.7%



Earnings per share	0.0538	(0.0870)	0.0486
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Revenue

Total revenue and service income for the three-month period ended June 30, 2017, amounted to 857.6 million baht, increased from the same period of 2016 and the previous quarter by 144.1 and 105.6 million baht, or 20.2 and 14.0 percent respectively. The sources of revenue can be broken down by business units as follows:

Unit: million baht	Quarter 2/2017		Quarter 2/2016		Quarter 1/2017		%Change	
	amount	%	amount	%	amount	%	(y-y)	(q-q)
Revenue from media business	435.2	50.7	497.0	69.7	444.7	59.1	-12.4%	-2.1%
Revenue from health and beauty business	300.7	35.1	53.1	7.4	199.3	26.5	466.1%	50.9%
Revenue from music business	64.5	7.5	93.4	13.1	67.2	9.0	-31.0%	-4.1%
Revenue from event business	57.2	6.7	69.9	9.8	40.8	5.4	-18.2%	40.3%
Total revenue and services income	857.6	100	713.5	100	752.0	100	20.2%	14.0%

Revenue from Media Business

Revenue from the media business consists of revenues from television and radio. This quarter, the Company reported 435.2 million baht in total revenue from the media business, a decrease of 61.8 and 9.5 million baht, or 12.4 and 2.1 percent from the same period of 2016 and the previous quarter as a result of lower satellite television revenue as shrinkage of overall satellite television industry.

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

In this period, revenues from the television business post a decline, following a contraction in overall TV advertising expenditure. However, “Channel 8” was able to maintain its positive momentum in securing contracts for advertising time slot for 2017 thanks to higher popularity of its four core programs, i.e. news shows, sport programs, foreign series and Thai drama series

News shows, led by “Kui Kao Chong 8” (morning news) ranked number one in news program among new digital television operators and number three nationwide. Other popular news programs include “Pak Tong Dong Ru”, “Sakit Kao Det” and “Cho Praden”. Sport programs led by “8 Max Muay Thai”, “The Champion Muay Thai Dat Cheurk” show during the weekend and “Muay Thai Battle” show during the Friday prime time. Foreign series called Siya Ke Ram was phenomenal in the second quarter ranking among top programs in the country during weekday’s evening time slot, with the largest audience of over 2.9 million viewers. “Channel 8” aired two new Thai drama series namely “Plerng Rak Fai Man” and “Sai Yom Si”.

Radio Media Business: consists of revenue from “COOLfahrenheit” radio channel. In this period, it declined by 17.2 percent from last year, as a result of the impact from overall ADEX decline and the economy. Nevertheless, COOLfahrenheit’s revenue grew by 9.0 percent compared to first quarter of 2017. According to AGB Nielsen Media Research (Thailand), the channel remains number one ranking for Easy Listening category and number two nationwide. “COOLfahrenheit” has been rebranded and it will branch out from being on the radio station by presenting contents directly to its audience, both online and offline platforms. It plans to target the customers who spend more time online and to support online ad spending which is growing steadily. There were well-received events for its audience in this quarter including COOL Music Alive”, “COOL Outing” and “Ink Eat All Around Year 7”.

Revenue from Health and Beauty Business

Revenue from the health and beauty business comprised revenue from facial care products under the “Magique” group brand, haircare products under the “Revive” group brand, and food supplements products under the “S.O.M” group brand. The Company generated revenue of 300.7 million baht, a significant increase of 247.6 million baht (or 466.1 percent) from the same period last year and 101.4-million-baht increase (or 50.9 percent) quarter on quarter. The growth is due to the Company’s strategy to maximize its advantage in the media business in being the main distribution channel for the health and beauty business. Additionally, the Company has been managing its customer database

more effectively while adding variety to the product lines. These translate into the surge of sales in the first half of 2017.

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 64.5 million baht, down by 28.9 and 2.7 million baht or 31.0 and 4.1 percent from the same period last year and first quarter of 2017, as a result of changing behavior of music consumers shifting to digital music platforms increasingly. However, a rise in revenue from music streaming services, YouTube or JOOX has yet to compensate the decrease in revenue from the traditional channels. Nonetheless, after a business restructuring and efficiency of cost control, its profitability has continued to improve in every quarter.

Revenue from Event Business

Revenue from the event business consists of revenue from concerts and marketing events. In this quarter, revenue from event business was 57.2 million baht, a decrease from the second quarter of 2016 by 12.7 million baht or 18.2 percent, due to the one-time large-scale productions in that quarter. While compared to the first quarter of 2017, the revenue in this quarter was up by 16.4 million baht or 40.3 percent, which was mainly generated from its own channels' concert production including "Sabaidee Sunjorn", "Sabaidee Saebasing Isan Taradtak", and "Channel 8 Pob Puen".

Cost of Sales and Services

Cost of sales and services amounted to 542.9 million baht, a decrease of 26.1 million baht from the second quarter last year, or 4.6 percent. This was mainly due to a significant decrease of satellite television's content production since the beginning of 2017. Nevertheless, as compared to previous quarter, cost of sales and services in this quarter rose by 33.5 million baht or 6.6 percent which was in proportion to the growth in revenue from health and beauty business.



Selling and Administrative Expenses, Other Expenses and Finance Costs

Selling and administrative expenses and other expenses were 237.3 million baht, decreased by 2.4 million baht from same quarter last year or a 1.0 percent decrease. This was mainly due to higher selling and marketing expenses in the second quarter of 2016. However, the expenses rose by 21.1 million baht or 9.8 percent from the previous quarter due to an increase in selling expenses for the health and beauty business which was in proportion to the surge in its revenue.

Finance costs of 22.9 million baht increased by 4.7 million baht from second quarter of 2016 or 26.1 percent. The reason was from higher interest expenses in line with the long-term loan drawdown schedule.

Plans and Future Outlook

In the third quarter, Channel 8 will build on its success with new foreign series “Mahabali Hanuman”, three variety shows and late evening news program to continue boosting its TV rating. For the health and beauty business, the Company will add more product categories (SKU) to respond to the needs of consumers.

(Darm Nana)

Director and Chief Financial Officer

Authorized to sign on behalf of the Company