

18 AUGUST 2021

THAILAND / MEDIA

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ตั้งตารอปีหน้า

การลงทุนใน Specialty Group

การควบรวมและซื้อกิจการรายการแรกสำเร็จด้วยดี RS จะลงทุน 675 ลบ. ในหุ้น 33% ของ Specialty Group (Specialty, not listed) ซึ่งประกอบธุรกิจพาณิชย์ต้นน้ำ Specialty เป็นผู้คิดค้นและผลิตสินค้าที่ทำจากสมุนไพรในกลุ่มสุขภาพ เครื่องสำอางค์ ผลิตภัณฑ์สุขภาพ และยาสมุนไพร Specialty อาจเป็นตัวต่อสำคัญที่จะเสริมธุรกิจพาณิชย์ของ RS ในอนาคตเนื่องจากบริษัท ตั้งเป้าผลิตสินค้าที่ทำจากสมุนไพรผ่าน Specialty บริษัท คาดว่ารายการดังกล่าวจะสำเร็จภายใน 3Q21 RS ตั้งเป้าจดทะเบียน Specialty ในตลาดฯ ในปลายปี 2022

ผลประกอบการ 2Q21 อ่อนแอ

RS รายงานกำไรสุทธิ 2Q21 ลดลงอย่างมีนัยสำคัญมาอยู่ที่ 54 ลบ. (-62% q-q, -51% y-y) ต่ำกว่าที่ตลาดและเราคาด ถ้าไรที่ต่ำกว่าคาดดังกล่าวเกิดจาก 1) ค่าใช้จ่ายการขายและการบริหารที่อยู่ในระดับสูงจากการเปิดตัวสินค้าใหม่ที่ต้องใช้ค่าใช้จ่ายทางการตลาดในระดับสูงเพื่อสร้างการรับรู้ตราสินค้าและค่าใช้จ่ายพิเศษจากการปรับโครงสร้างองค์กร; และ 2) ส่วนแบ่งกำไรที่ต่ำกว่าคาดจาก Chase (not listed) ซึ่งบันทึกหนี้เสียเป็นจำนวนมาก รายได้ทรงตัว q-q อยู่ที่ 992 ลบ. (+19% y-y) จากการเปิดตัวสินค้าใหม่

ปรับลดประมาณการกำไร

จากกำไรที่ต่ำกว่าคาดของ RS ใน 2Q21 ซึ่งอาจต่อเนื่องไปใน 3Q21 จากผลกระทบของโรคระบาด Covid เราได้ปรับลดประมาณการกำไรปี 2021 ลง 30% เหลือ 376 ลบ. (-29% y-y) เราเห็นว่าค่าใช้จ่ายการขายและการบริหารน่าจะทรงตัวในระดับสูงใน 3Q21 และไม่มีพัฒนาการที่ดีในด้านรายได้ ผลิตภัณฑ์ใหม่ส่วนมากจำเป็นต้องเลื่อนจากต้น 3Q21 เป็นปลาย 3Q21 หรือ 4Q21 เพื่อรอบรรยากาศตลาดที่เหมาะสม

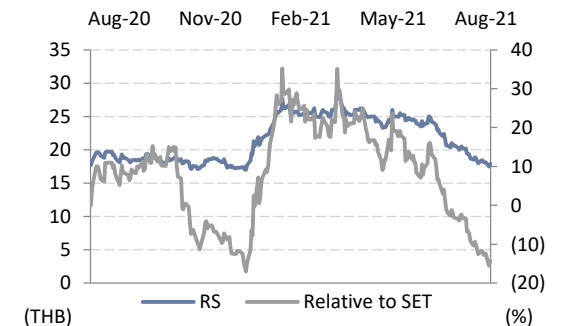
คำแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 22 บาท

เราเชื่อว่าตลาดได้มองข้ามแนวโน้มในปี 2021 ของ RS และกำลังตั้งตารอปี 2022 ในปีหน้ากำไรของ RS น่าจะฟื้นตัวอย่างมีนัยสำคัญจาก 1) การรับรู้ส่วนแบ่งกำไรของ Chase และ Specialty เต็มปี; 2) การฟื้นตัวของเศรษฐกิจไทย ความมั่นใจผู้บริโภค และกำลังซื้อหลังโรค Covid ระบาด; และ 3) ผลิตภัณฑ์ใหม่ เรากำหนดคำแนะนำซื้อหลังปรับราคาเป้าหมายไปปี 2022 ซึ่งจะลดลงมาอยู่ที่ 22 จาก 24 บาท (SoTP) ราคาเป้าหมายดังกล่าวคิดจาก 31x ของค่า 2022E P/E ตามค่า P/E เฉลี่ย 3 ปี การประเมินมูลค่าของเราได้รวม Specialty แล้วแต่ยังไม่ได้รวมมูลค่าที่อาจได้จากผลิตภัณฑ์อื่นๆ

| | |
|-----------------|----------|
| TARGET PRICE | THB22.00 |
| CLOSE | THB17.90 |
| UP/DOWNSIDE | +22.9% |
| PRIOR TP | THB24.00 |
| CHANGE IN TP | -8.3% |
| TP vs CONSENSUS | -15.6% |

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|-------|--------|--------|-------|
| Revenue | 3,774 | 3,832 | 4,362 | 5,041 |
| Net profit | 528 | 376 | 697 | 876 |
| EPS (THB) | 0.54 | 0.39 | 0.72 | 0.90 |
| vs Consensus (%) | - | (30.2) | (9.5) | (5.6) |
| EBITDA | 1,240 | 995 | 1,263 | 1,465 |
| Core net profit | 528 | 376 | 697 | 876 |
| Core EPS (THB) | 0.54 | 0.39 | 0.72 | 0.90 |
| Chg. In EPS est. (%) | - | (30.4) | (12.1) | (9.4) |
| EPS growth (%) | 45.4 | (28.8) | 85.2 | 25.7 |
| Core P/E (x) | 33.0 | 46.3 | 25.0 | 19.9 |
| Dividend yield (%) | 0.6 | 0.6 | 1.2 | 2.5 |
| EV/EBITDA (x) | 14.5 | 19.5 | 14.9 | 12.5 |
| Price/book (x) | 8.7 | 7.7 | 6.3 | 5.5 |
| Net debt/Equity (%) | 28.7 | 89.0 | 52.3 | 26.9 |
| ROE (%) | 28.4 | 17.6 | 27.8 | 29.5 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|----------------------------|---------|----------|
| Absolute (%) | (13.1) | (26.9) | 0.6 |
| Relative to country (%) | (11.4) | (25.9) | (13.4) |
| Mkt cap (USD m) | 515 | | |
| 3m avg. daily turnover (USD m) | 7.9 | | |
| Free float (%) | 60 | | |
| Major shareholder | Surachi Chetchotisak (23%) | | |
| 12m high/low (THB) | 30.00/16.70 | | |
| Issued shares (m) | 972.50 | | |

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 18 สิงหาคม 2021

Investment thesis

RS is an organisation that conducts business through “opportunity,” by focusing on market leadership, continual investment to sustain its commerce business, and expansions to its related businesses. We expect the contributions from its new businesses to increase significantly, strengthening the company’s total revenue.

With various sales channels via TV, online, retail, exclusive distribution networks (EDN), and direct sales, RS has an advantage in sales channels over its peers.

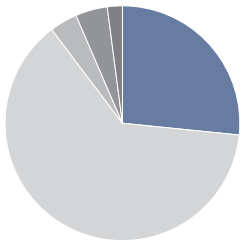
Company profile

RS operates a commerce business that provides content and powerful entertainment, as well as sells products. This includes establishing a system to analyse customer data and a telemarketing system.

www.rs.co.th

Principal activities (revenue, 2020)

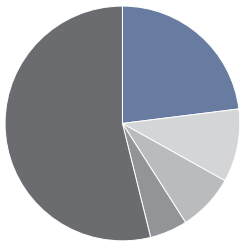
- TV - 26.6 %
- Commerce - 63.1 %
- Radio - 3.8 %
- Music - 4.4 %
- Event - 2.1 %



Source: RS

Major shareholders

- Surachi Chetchotisak - 23.0 %
- Sorat Vvanichvarakij - 10.1 %
- Thai NVDR - 7.9 %
- Bangkok Bank PCL - 5.2 %
- Others - 53.9 %



Source: RS

Catalysts

- New product lines should be able to boost its commerce revenue as well as its bottom line.
- The new ‘entertainmerce’ strategy may help the company’s revenue grow continuously.
- Growth in associate companies like Chase and Specialty.

Risks to our call

The key downside risk to our SoTP-based TP is if the company is unable to maintain the growth momentum from its commerce business if revenues from TV, radio, and music continue to decline.

Event calendar

| Date | Event |
|--------|---------------------------|
| Nov-21 | 3Q21 results announcement |

Key assumptions

| | 2020 | 2021E | 2022E | 2023E |
|----------------------|------|-------|-------|-------|
| | (%) | (%) | (%) | (%) |
| Commerce growth | 18 | 8 | 15 | 15 |
| Media revenue growth | (13) | (9) | 12 | 17 |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in commerce revenue, we project 2021 earnings to rise by 1.2%, and vice versa, all else being equal;
- For every 1% increase in commerce profit margin, we project 2021 earnings to rise by 3.2%, and vice versa, all else being equal.

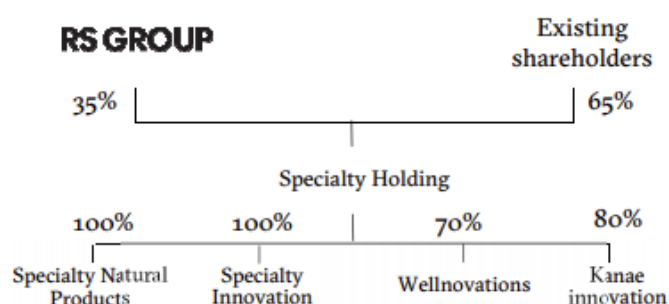
Source: FSSIA estimates

Specialty, the new growth driver

RS will invest THB675m in a 33% share of Specialty Group, an upstream commerce business. Specialty Group is a holding company investing in four businesses, consisting of:

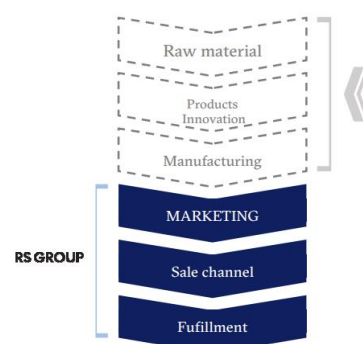
1. Specialty Natural Products: Herbal extract products for food supplements and personal care;
2. Specialty Innovation: A one-stop service OEM for personal care, food supplements and herbal medicines;
3. Kanae Innovation: Flexible packaging solutions with COSMOPACK technology;
4. Wellnovation: Developing and marketing innovative herbal value-added products.

Exhibit 1: Shareholding structure



Source: RS

Exhibit 2: Complete RS group ecosystem



Source: RS

According to RS, the company aims to have effective synergies, including:

1. Upstream expansion to secure innovations and technology for health and beauty products in order to grow RS' commerce business sustainably;
2. Improve RS' commerce margin from production facilities within its own group and gain economies of scale;
3. Acquire a hemp-related license for extraction and production through Specialty;
4. Support Wellnovation to grow its product champion with RS' entertainmerce model and marketing experience.

Exhibit 3: Specialty's group structure

| | Specialty Natural Products | Specialty Innovation | Kanae Innovation | Wellnovations |
|-----------------------|--|---|--|--|
| Establishment | September 1999 | February 2012 | November 2018 | April 2021 |
| Authorised capital | THB 148m | THB 90m | THB 35m | THB 50m |
| Type of business | Thai herbal extracts for food supplements and cosmetics | One-stop service manufacturer from farm to innovative products for wellness & beauty | Packaging manufacturer that meets international standards | Innovator in health and beauty products that enhances the value of natural ingredients |
| Products and services | Herbal extract for supplements - Anti-inflammatory, balance, blood pressure & sugar, immune system, enriching nutrition, eye treatment, joint bone, prebiotic, etc. Herbal extracts for personal care - Anti aging, anti-microbial, anti-oxidant, hair nourishment, etc. Natural oil, powder and additives services - Lab testing, customising products, gamma/UV irradiation | Cosmetics - Skin care, hair care, colour cosmetics and spa products Health supplements - skin enrichment, overall health, brain/memory, immune system, etc. Traditional medicine - Internal & external drugs | The process of filling products in moulded packaging made from raw materials that is suited to customer's products - Barrier property of flexible packaging - Manufacturing under GMP/ISO standard - Modern design - Quality control - Convenient & fresh | Research & development and marketing innovative herbal value-added products under own brands |
| Revenue in 2020 | THB 120m | THB 371m | THB 2m | .* |

*Established in April 2021 and expected to start operating by 4Q21

Source: RS

The cost should turn to profit

We like this investment by RS. Specialty should finally strengthen its commerce business and it will give RS both upstream (raw material, product innovations, and manufacturing) and downstream (marketing, sales channels, fulfilment) capabilities. The OEM cost that RS incurs to hire their OEM supplier to produce their commerce products will have a 33% return from Specialty.

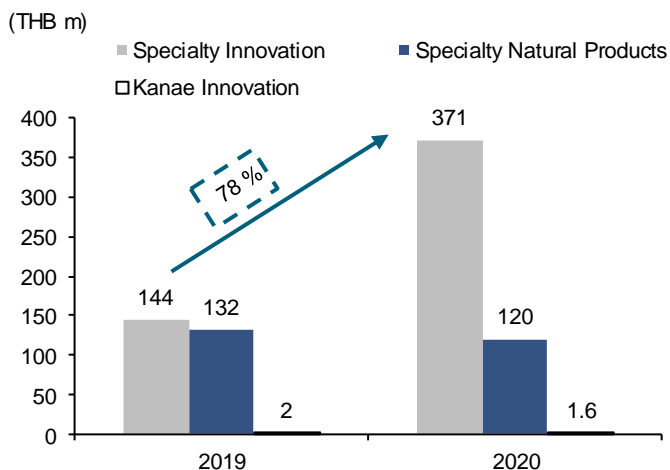
In 2020, RS hired Specialty to produce its commerce products at around THB30m-40m from its total OEM cost of THB300m-400m. This year, the company expects to hire Specialty to produce more products for THB70m-100m from its THB400m-500m cost. Lastly, after the transaction is completed, RS expects to shift most of its OEM products from other suppliers to Specialty, which will increase, with OEM orders for Specialty expected to rise to THB400m, according to management. This would make Specialty's revenue in 2021 jump significantly and give RS a return in terms of share of profits from associates.

RS projects Specialty's net profit in 2022 at THB275m (+32% y-y). We forecast Specialty to have a net profit of THB248m, a 10% discount to RS' forecast. This would result in an additional share of profits of over THB82m to RS next year. After the reduction of interest expenses for this investment, RS would recognise a gain from this investment of around THB64m, almost 10% of our earnings forecast for RS in 2022.

Hemp will be the future key product

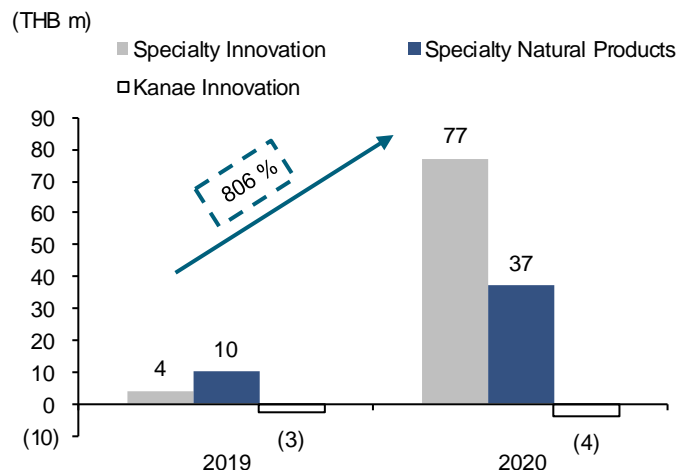
The key product for RS next year is looking to be hemp products, including cosmetics, food supplements, and foods and beverages. The company plans to hire Specialty to be the key OEM for hemp products, as Specialty has already received a license to produce hemp products using the seeds, and is expected to get approval for hemp flowers within this year. The first hemp product is planned to be a hemp seed oil used for skincare. The company expects to launch this product within 4Q20.

Exhibit 4: Specialty's revenue



Source: RS

Exhibit 5: Specialty's net profit



Source: RS

Exhibit 6: Specialty's net profit forecast by RS

| Specialty Group | 2021E | 2022E | 2023E | 2024E | 2025E |
|------------------------------------|---------|---------|---------|---------|---------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) |
| Revenue | 809 | 1,190 | 1,380 | 1,545 | 1,713 |
| % Growth (%) | 66 | 47 | 16 | 12 | 11 |
| Net profit/(loss) | 209 | 275 | 314 | 348 | 379 |
| % NPM (%) | 26 | 23 | 23 | 22 | 22 |
| 33% to RS Group | | | | | |
| Profit gained from Specialty Group | 12 | 91 | 104 | 115 | 125 |

Source: RS

High marketing cost

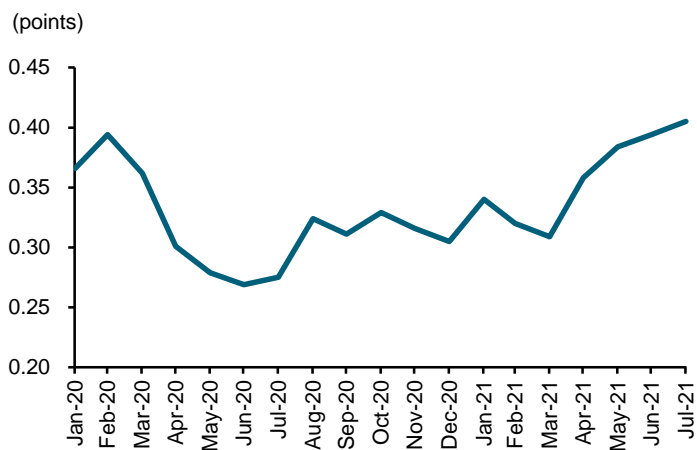
The company admits that its latest two products, Camu C, the functional drink, and Well U, premium collagen, launched at the wrong time. These two products launched in the early stage of the new wave of Covid in Apr-21. The revenue from these products was a lot softer than the company expected, despite a huge investment in marketing expenses. This was because Camu C was RS' first product in the mass market that was mainly sold via the convenience store channel. This channel requires a huge marketing expense in order to create brand awareness. RS stated that the marketing cost of these products was about THB70m in 2Q21, compared to revenue of THB70m-80m. This means that these two products were loss-making in 2Q21. This is the key reason why the company had a sluggish net profit in 2Q21. Moreover, the company anticipates that the high marketing cost may continue into 3Q21, as most of its marketing expenses are part of a long-term plan that the company already agreed to with the media advertising platform.

2H21 outlook

Improvement on its TV ratings

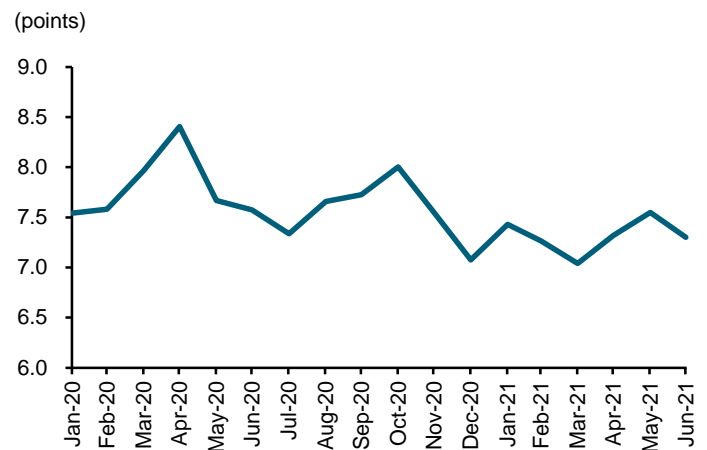
Although the company's outlook may seem sluggish due to Covid impact, we still see some positive signs for RS. Its TV ratings have kept increasing after it changed its news reporting team. Channel 8 had a TV rating of 0.405 in Jul-21, compared to 0.34 at the beginning of the year. Its eyeball market share increase to 6% vs 4%. This should help the company maintain its advertising rate and should have the potential to gain higher revenue from its TV business once the Covid situation gets better.

Exhibit 7: Channel 8 TV ratings



Sources: TV Digital Watch; Nielsen

Exhibit 8: Total TV ratings



Sources: TV Digital Watch; Nielsen

New products in 2H21

In 2H21, the company expects to launch its first hemp product in 4Q21, as well as another functional drink and beauty product under the Camu C and Well U brands in 3Q21. Lastly, its pet food should also launch in 3Q21. However, these new products' timelines are subject to change depending on the economic situation. The company has learned the hard way that launching new products at the wrong time could hurt significantly hurt its overall performance.

New target guidance in 2021

RS has finally revised down its target guidance for 2021. The company expects its revenue in 2021 to be at THB4b-4.4b, a decline from its previous target of THB5.7b. This is mainly due to the impact of Covid that has pressured consumer purchasing power. The key reduction was from the commerce business, especially on its new products that were cut from THB1b to THB200m-300m.

Exhibit 9: Our estimates vs RS' target in 2021

| | FSSIA estimates | RS' target | % difference between FSSIA and RS |
|---------------------------|-----------------|--------------------|-----------------------------------|
| | (THB m) | (THB m) | (%) |
| Media | 1,272 | 1,200-1,400 | 6-(9) |
| Existing channels | 2,360 | 2,500-2,700 | (7)-(13) |
| New products and channels | 200 | 250-300 | (20)-(33) |
| Commerce | 2,560 | 2,800-3,000 | (7)-(15) |
| Total revenue | 3,832 | 4,000-4,400 | (4)-(13) |
| Gross profit | 1,893 | 2000-2288 | (5)-(17) |
| GPM (%) | 49% | 50-52% | |
| Net profit | 376 | 400-528 | (6)-(29) |
| NPM (%) | 10% | 10-12% | |

Sources: RS; FSSIA estimates

This has prompted us to also revise down our earnings forecasts in both 2021 and 2022. We revise down our revenue estimate on RS by 11% in 2021 and 12% in 2022. We also increase our SG&A expense assumptions in order to reflect the higher-than-expect marketing expenses on its new products. Lastly, we include the share of profits and interest expenses that should increase in both 2021 and 2022 due to the investment in Specialty. As a result, we expect the company's net profit in 2021 to drop by 29% y-y.

Exhibit 10: Assumption and forecast changes

| | ----- New ----- | | ----- Previous ----- | | ----- Change ----- | |
|-----------------|-----------------|------------|----------------------|------------|--------------------|--------------|
| | 2021E | 2022E | 2021E | 2022E | 2021E | 2022E |
| | (THB m) | (THB m) | (THB m) | (THB m) | (%) | (%) |
| Revenue | 3,832 | 4,362 | 4,307 | 4,966 | (11) | (12) |
| Gross profit | 1,893 | 2,209 | 2,142 | 2,522 | (12) | (12) |
| EBIT | 530 | 944 | 731 | 1,046 | (27) | (10) |
| Core net profit | 376 | 697 | 540 | 792 | (30) | (12) |
| Margin | (%) | (%) | (%) | (%) | (ppt) | (ppt) |
| GPM | 49.4 | 50.6 | 49.7 | 50.8 | (0.32) | (0.15) |
| NPM | 9.8 | 16.0 | 12.5 | 15.9 | (2.72) | 0.02 |

Source: FSSIA estimates

Exhibit 11: SOTP valuation

| | (%) | (THB m) | (THB/share) |
|--------------------------------------|-----|---------|--------------|
| Discount rate (WACC) | 7.7 | | |
| Terminal growth | 1.5 | | |
| NPV | | 6,600 | |
| Add: terminal value | | 10,940 | |
| Sum of PV | | 17,540 | |
| Add: cash | | 579 | |
| Less: debt | | (2,020) | |
| Less: minorities | | (2) | |
| Residual ordinary equity | | 16,097 | 16.55 |
| Add: 35% in Chase (25x PE) | | 3,666 | 3.77 |
| Add: 33% in Specialty group (20x PE) | | 1,634 | 1.68 |
| No. of shares (m) | | 972 | |
| SOTP target price | | | 22.00 |

Sources: RS; FSSIA estimates

Exhibit 12: Chase's 2022E P/E

| Net profit (THB m) | PE | | | | |
|-----------------------|-------|-------|-------|-------|-------|
| | 15 | 20 | 25 | 30 | 35 |
| | (x) | (x) | (x) | (x) | (x) |
| 335 | 1,760 | 2,346 | 2,933 | 3,520 | 4,106 |
| 377 | 1,980 | 2,640 | 3,300 | 3,960 | 4,619 |
| 419 | 2,200 | 2,933 | 3,666 | 4,400 | 5,133 |
| 461 | 2,420 | 3,226 | 4,033 | 4,839 | 5,646 |
| 503 | 2,640 | 3,520 | 4,400 | 5,279 | 6,159 |

Source: FSSIA estimates

Exhibit 13: Specialty Group's 2022E P/E

| Net profit (THB m) | PE | | | | |
|-----------------------|-----|-------|-------|-------|-------|
| | 10 | 15 | 20 | 25 | 30 |
| | (x) | (x) | (x) | (x) | (x) |
| 198 | 653 | 980 | 1,307 | 3,341 | 4,010 |
| 223 | 735 | 1,103 | 1,470 | 3,759 | 4,511 |
| 248 | 817 | 1,225 | 1,634 | 2,042 | 2,450 |
| 272 | 898 | 1,348 | 1,797 | 2,246 | 2,695 |
| 297 | 980 | 1,470 | 1,960 | 2,450 | 2,940 |

Source: FSSIA estimates

Exhibit 14: 2Q21 results review

| | 2Q20 | 1Q21 | 2Q21 | Change | | 1H20 | 1H21 | chg. | 2021E |
|-------------------|---------|---------|---------|--------|---------|---------|---------|--------|---------|
| | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (THB m) | (y-y%) | (THB m) |
| Revenue | 833 | 992 | 992 | 0 | 19 | 1,818 | 1,985 | 9 | 3,832 |
| Operating costs | (394) | (432) | (459) | 6 | 16 | (832) | (891) | 7 | (1,938) |
| Gross profit | 439 | 560 | 534 | (5) | 22 | 986 | 1,094 | 11 | 1,893 |
| SG&A expenses | (293) | (387) | (469) | 21 | 60 | (602) | (856) | 42 | (1,456) |
| EBIT | 146 | 173 | 65 | (63) | (56) | 383 | 238 | (38) | 437 |
| Depn & amort. | 124 | 134 | 150 | 12 | 21 | 244 | 284 | 16 | 542 |
| EBITDA | 270 | 307 | 215 | (30) | (20) | 628 | 522 | (17) | 979 |
| EBITDA margin (%) | 32.4 | 30.9 | 21.7 | (9.24) | (10.76) | 34.5 | 26.3 | (8.24) | 25.6 |
| Interest expense | (10) | (11) | (16) | 42 | 67 | (18) | (27) | 48 | (60) |
| Other income | 0 | 3 | 2 | (33) | n.a. | 4 | 4 | 19 | 13 |
| Associates | 0 | 9 | 10 | n.a. | n.a. | 0 | 20 | n.a. | 80 |
| Pretax profit | 137 | 174 | 61 | (65) | (55) | 369 | 235 | (36) | 470 |
| Tax | (28) | (34) | (8) | (77) | (73) | (74) | (41) | (44) | (94) |
| Tax rate (%) | (20.5) | (19.3) | (12.4) | 6.95 | 8.10 | (20.0) | (17.5) | 2.52 | (20) |
| Net profit | 109 | 140 | 54 | (62) | (51) | 295 | 194 | (34) | 376 |
| Core net profit | 109 | 140 | 54 | (62) | (51) | 295 | 194 | (34) | 376 |
| EPS (THB) | 0.11 | 0.14 | 0.06 | (62) | (51) | 0.30 | 0.20 | (34) | 0.39 |
| Core EPS (THB) | 0.11 | 0.14 | 0.06 | (62) | (51) | 0.30 | 0.20 | (34) | 0.39 |

Sources: RS; FSSIA estimates

Financial Statements

RS

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3,611 | 3,774 | 3,832 | 4,362 | 5,041 |
| Cost of goods sold | (1,451) | (1,235) | (1,396) | (1,611) | (1,933) |
| Gross profit | 2,160 | 2,540 | 2,435 | 2,751 | 3,108 |
| Other operating income | 11 | 17 | 15 | 17 | 21 |
| Operating costs | (1,100) | (1,317) | (1,456) | (1,505) | (1,663) |
| Operating EBITDA | 1,071 | 1,240 | 995 | 1,263 | 1,465 |
| Depreciation | (569) | (534) | (542) | (542) | (540) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 502 | 706 | 453 | 721 | 925 |
| Net financing costs | (35) | (36) | (60) | (73) | (87) |
| Associates | 0 | 0 | 80 | 229 | 262 |
| Recurring non-operating income | (6) | (4) | 78 | 223 | 256 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 462 | 666 | 470 | 871 | 1,095 |
| Tax | (97) | (137) | (94) | (174) | (219) |
| Profit after tax | 364 | 528 | 376 | 697 | 876 |
| Minority interests | (1) | 0 | 0 | 0 | 0 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | - | - | - | - | - |
| Reported net profit | 363 | 528 | 376 | 697 | 876 |
| Non-recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 363 | 528 | 376 | 697 | 876 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.37 | 0.54 | 0.39 | 0.72 | 0.90 |
| Reported EPS | 0.37 | 0.54 | 0.39 | 0.72 | 0.90 |
| DPS | 0.40 | 0.10 | 0.12 | 0.21 | 0.45 |
| Diluted shares (used to calculate per share data) | 972 | 972 | 972 | 972 | 972 |
| Growth | | | | | |
| Revenue (%) | (5.6) | 4.5 | 1.5 | 13.8 | 15.6 |
| Operating EBITDA (%) | (10.2) | 15.8 | (19.8) | 26.9 | 16.0 |
| Operating EBIT (%) | (16.4) | 40.6 | (35.9) | 59.2 | 28.3 |
| Recurring EPS (%) | (10.4) | 45.4 | (28.8) | 85.2 | 25.7 |
| Reported EPS (%) | (26.9) | 45.4 | (28.8) | 85.2 | 25.7 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 44.1 | 53.1 | 49.4 | 50.6 | 50.9 |
| Gross margin of key business (%) | - | - | - | - | - |
| Operating EBITDA margin (%) | 29.7 | 32.9 | 26.0 | 28.9 | 29.1 |
| Operating EBIT margin (%) | 13.9 | 18.7 | 11.8 | 16.5 | 18.3 |
| Net margin (%) | 10.1 | 14.0 | 9.8 | 16.0 | 17.4 |
| Effective tax rate (%) | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 106.8 | 18.1 | 30.0 | 30.0 | 50.0 |
| Interest cover (X) | 14.3 | 19.4 | 8.9 | 12.9 | 13.6 |
| Inventory days | 68.4 | 72.1 | 62.5 | 59.7 | 56.3 |
| Debtor days | 55.5 | 60.7 | 61.9 | 54.6 | 56.7 |
| Creditor days | 174.1 | 246.5 | 236.6 | 196.2 | 199.0 |
| Operating ROIC (%) | 85.7 | 112.2 | 63.4 | 80.8 | 111.0 |
| ROIC (%) | 15.1 | 20.5 | 10.7 | 15.8 | 20.2 |
| ROE (%) | 21.4 | 28.4 | 17.6 | 27.8 | 29.5 |
| ROA (%) | 10.5 | 14.1 | 8.2 | 12.4 | 14.3 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| TV | 803 | 1,004 | 979 | 1,008 | 1,038 |
| Commerce | 2,012 | 2,382 | 2,560 | 2,944 | 3,386 |
| Radio | 266 | 144 | 138 | 156 | 167 |
| Music | 289 | 166 | 145 | 174 | 200 |

Sources: RS; FSSIA estimates

Financial Statements

RS

| Cash Flow (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------------------|--------------|--------------|----------------|--------------|--------------|
| Recurring net profit | 363 | 528 | 376 | 697 | 876 |
| Depreciation | 569 | 534 | 542 | 542 | 540 |
| Associates & minorities | 1 | 0 | 0 | 0 | 0 |
| Other non-cash items | 139 | 127 | 0 | 0 | 0 |
| Change in working capital | (38) | (140) | (39) | (22) | 33 |
| Cash flow from operations | 1,033 | 1,050 | 879 | 1,216 | 1,449 |
| Capex - maintenance | (247) | (321) | (212) | (172) | (172) |
| Capex - new investment | (370) | (482) | (318) | (258) | (258) |
| Net acquisitions & disposals | 0 | 0 | 0 | 0 | 0 |
| Other investments (net) | (206) | 7 | (1,595) | 0 | 0 |
| Cash flow from investing | (823) | (797) | (2,125) | (430) | (430) |
| Dividends paid | (388) | (96) | (113) | (209) | (438) |
| Equity finance | 70 | 0 | 0 | 0 | 0 |
| Debt finance | 130 | 10 | 1,394 | (150) | (150) |
| Other financing cash flows | (34) | (296) | (83) | 0 | 0 |
| Cash flow from financing | (222) | (381) | 1,198 | (359) | (588) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | (11) | (128) | (48) | 427 | 431 |
| Free cash flow to firm (FCFF) | 244.99 | 289.34 | (1,185.93) | 859.32 | 1,105.77 |
| Free cash flow to equity (FCFE) | 306.59 | (32.41) | 64.78 | 636.27 | 869.22 |

Per share (THB)

| | | | | | |
|-------------------------------|------|--------|--------|------|------|
| FCFF per share | 0.25 | 0.30 | (1.22) | 0.88 | 1.14 |
| FCFE per share | 0.32 | (0.03) | 0.07 | 0.65 | 0.89 |
| Recurring cash flow per share | 1.10 | 1.22 | 0.94 | 1.27 | 1.46 |

| Balance Sheet (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|--------------|--------------|--------------|--------------|--------------|
| Tangible fixed assets (gross) | 1,245 | 1,479 | 1,659 | 1,739 | 1,819 |
| Less: Accumulated depreciation | (741) | (837) | (934) | (1,025) | (1,111) |
| Tangible fixed assets (net) | 504 | 642 | 725 | 714 | 708 |
| Intangible fixed assets (net) | 1,374 | 2,384 | 2,289 | 2,188 | 2,084 |
| Long-term financial assets | 0 | 0 | 0 | 0 | 0 |
| Invest. in associates & subsidiaries | 4 | 4 | 1,599 | 1,599 | 1,599 |
| Cash & equivalents | 328 | 200 | 152 | 579 | 1,011 |
| A/C receivable | 545 | 711 | 588 | 716 | 850 |
| Inventories | 259 | 229 | 250 | 277 | 319 |
| Other current assets | 13 | 33 | 34 | 34 | 34 |
| Current assets | 1,145 | 1,174 | 1,023 | 1,607 | 2,215 |
| Other assets | 380 | 313 | 222 | 247 | 290 |
| Total assets | 3,407 | 4,516 | 5,859 | 6,355 | 6,895 |
| Common equity | 1,725 | 2,002 | 2,265 | 2,753 | 3,191 |
| Minorities etc. | 2 | 2 | 2 | 2 | 2 |
| Total shareholders' equity | 1,727 | 2,004 | 2,267 | 2,755 | 3,193 |
| Long term debt | 236 | 156 | 1,720 | 1,620 | 1,520 |
| Other long-term liabilities | 178 | 543 | 545 | 546 | 546 |
| Long-term liabilities | 414 | 699 | 2,265 | 2,166 | 2,066 |
| A/C payable | 651 | 1,016 | 794 | 938 | 1,170 |
| Short term debt | 530 | 620 | 450 | 400 | 350 |
| Other current liabilities | 84 | 178 | 82 | 96 | 116 |
| Current liabilities | 1,266 | 1,814 | 1,326 | 1,434 | 1,636 |
| Total liabilities and shareholders' equity | 3,407 | 4,516 | 5,859 | 6,355 | 6,895 |
| Net working capital | 81 | (220) | (5) | (6) | (82) |
| Invested capital | 2,343 | 3,123 | 4,830 | 4,742 | 4,598 |

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

| | | | | | |
|-------------------------------|------|--------|--------|------|------|
| Book value per share | 1.77 | 2.06 | 2.33 | 2.83 | 3.28 |
| Tangible book value per share | 0.36 | (0.39) | (0.02) | 0.58 | 1.14 |

Financial strength

| | | | | | |
|---------------------------|------|------|------|------|------|
| Net debt/equity (%) | 25.3 | 28.7 | 89.0 | 52.3 | 26.9 |
| Net debt/total assets (%) | 12.8 | 12.8 | 34.4 | 22.7 | 12.5 |
| Current ratio (x) | 0.9 | 0.6 | 0.8 | 1.1 | 1.4 |
| CF interest cover (x) | 20.5 | 13.5 | 7.4 | 13.2 | 14.0 |

| Valuation | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 47.9 | 33.0 | 46.3 | 25.0 | 19.9 |
| Recurring P/E @ target price (x) * | 58.9 | 40.5 | 56.9 | 30.7 | 24.4 |
| Reported P/E (x) | 47.9 | 33.0 | 46.3 | 25.0 | 19.9 |
| Dividend yield (%) | 2.2 | 0.6 | 0.6 | 1.2 | 2.5 |
| Price/book (x) | 10.1 | 8.7 | 7.7 | 6.3 | 5.5 |
| Price/tangible book (x) | 49.5 | (45.5) | (733.0) | 30.8 | 15.7 |
| EV/EBITDA (x) ** | 16.7 | 14.5 | 19.5 | 14.9 | 12.5 |
| EV/EBITDA @ target price (x) ** | 20.4 | 17.7 | 23.5 | 18.1 | 15.2 |
| EV/invested capital (x) | 7.6 | 5.8 | 4.0 | 4.0 | 4.0 |

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: RS; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

| EXCELLENT LEVEL | | | | | | | | | | |
|-----------------|--------|--------|-------|-------|-------|--------|--------|--------|--------|--------|
| AAV | ADVANC | AF | AIRA | AKP | AKR | ALT | AMA | AMATA | AMATAV | ANAN |
| AOT | AP | ARIP | ARROW | ASP | BAFS | BANPU | BAY | BCP | BCPG | BDMS |
| BEC | BEM | BGRIM | BIZ | BKI | BLA | BOL | BPP | BRR | BTS | BWG |
| CENTEL | CFRESH | CHEWA | CHO | CIMBT | CK | CKP | CM | CNT | COL | COMAN |
| COTTO | CPALL | CPF | CPI | CPN | CSS | DELTA | DEMCO | DRT | DTAC | DTC |
| DV8 | EA | EASTW | ECF | ECL | EGCO | EPG | ETE | FNS | FPI | FPT |
| FSMART | GBX | GC | GCAP | GEL | GFPT | GGC | GPSC | GRAMMY | GUNKUL | HANA |
| HARN | HMPRO | ICC | ICHI | III | ILINK | INTUCH | IRPC | IVL | JKN | JSP |
| JWD | K | KBANK | KCE | KKP | KSL | KTB | KTC | LANNA | LH | LHFG |
| LIT | LPN | MAKRO | MALEE | MBK | MBKET | MC | MCOT | METCO | MFEC | MINT |
| MONO | MOONG | MSC | MTC | NCH | NCL | NEP | NKI | NOBLE | NSI | NVD |
| NYT | OISHI | ORI | OTO | PAP | PCSGH | PDJ | PG | PHOL | PLANB | PLANET |
| PLAT | PORT | PPS | PR9 | PREB | PRG | PRM | PSH | PSL | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QTC | RATCH | RS | S | S & J | SAAM |
| SABINA | SAMART | SAMTEL | SAT | SC | SCB | SCC | SCCC | SCG | SCN | SDC |
| SEAFCO | SEOIL | SE-ED | SELIC | SENA | SIRI | SIS | SITHAI | SMK | SMPC | SNC |
| SONIC | SORKON | SPALI | SPI | SPRC | SPVI | SSSC | SST | STA | SUSCO | SUTHA |
| SVI | SYMC | SYNTEC | TACC | TASCO | TCAP | TFMAMA | THANA | THANI | THCOM | THG |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TK | TKT | TMB | TMILL | TNDT |
| TNL | TOA | TOP | TPBI | TQM | TRC | TSC | TSR | TSTE | TSTH | TTA |
| TTCL | TTW | TU | TVD | TVI | TVO | TWPC | U | UAC | UBIS | UV |
| VGI | VIH | WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | TRUE | | |

| VERY GOOD LEVEL | | | | | | | | | | |
|-----------------|---------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| 2S | ABM | ACE | ACG | ADB | AEC | AEONTS | AGE | AH | AHC | AIT |
| ALLA | AMANAHA | AMARIN | APCO | APCS | APURE | AQUA | ASAP | ASEFA | ASIA | ASIAN |
| ASIMAR | ASK | ASN | ATP30 | AUCT | AWC | AYUD | B | BA | BAM | BBL |
| BFIT | BGC | BJC | BJCHI | BROOK | BTW | CBG | CEN | CGH | CHARAN | CHAYO |
| CHG | CHOTI | CHOW | CI | CIG | CMC | COLOR | COM7 | CPL | CRC | CRD |
| CSC | CSP | CWT | DCC | DCON | DDD | DOD | DOHOME | EASON | EE | ERW |
| ESTAR | FE | FLOYD | FN | FORTH | FSS | FTE | FVC | GENCO | GJS | GL |
| GLAND | GLOBAL | GLOCON | GPI | GULF | GYT | HPT | HTC | ICN | IFS | ILM |
| IMH | INET | INSURE | IRC | IRCP | IT | ITD | ITEL | J | JAS | JCK |
| JCKH | JMART | JMT | KBS | KCAR | KGI | KIAT | KOOL | KTIS | KWC | KWM |
| L&E | LALIN | LDC | LHK | LOXLEY | LPH | LRH | LST | M | MACO | MAJOR |
| MBAX | MEGA | META | MFC | MGT | MILL | MITSIB | MK | MODERN | MTI | MVP |
| NETBAY | NEX | NINE | NTV | NWR | OCC | OGC | OSP | PATO | PB | PDG |
| PDI | PICO | PIMO | PJW | PL | PM | PPP | PRIN | PRINC | PSTC | PT |
| QLT | RCL | RICHY | RML | RPC | RWI | S11 | SALEE | SAMCO | SANKO | SAPPE |
| SAWAD | SCI | SCP | SE | SEG | SFP | SGF | SHR | SIAM | SINGER | SKE |
| SKR | SKY | SMIT | SMT | SNP | SPA | SPC | SPCG | SR | SRICHA | SSC |
| SSF | STANLY | STI | STPI | SUC | SUN | SYNEX | T | TAE | TAKUNI | TBSP |
| TCC | TCMC | TEAM | TEAMG | TFG | TIGER | TITLE | TKN | TKS | TM | TMC |
| TMD | TMI | TMT | TNITY | TNP | TNR | TOG | TPA | TPAC | TPCORP | TPOLY |
| TPS | TRITN | TRT | TRU | TSE | TVT | TWP | UEC | UMI | UOBKH | UP |
| UPF | UPOIC | UT | UTP | UWC | VL | VNT | VPO | WIIK | WP | XO |
| YUASA | ZEN | ZIGA | ZMICO | | | | | | | |

| GOOD LEVEL | | | | | | | | | | |
|------------|------|--------|--------|-------|--------|-------|-------|--------|--------|-------|
| 7UP | A | ABICO | AJ | ALL | ALUCON | AMC | APP | ARIN | AS | AU |
| B52 | BC | BCH | BEAUTY | BGT | BH | BIG | BKD | BLAND | BM | BR |
| BROCK | BSBM | BSM | BTNC | CAZ | CCP | CGD | CITY | CMAN | CMO | CMR |
| CPT | CPW | CRANE | CSR | D | EKH | EP | ESSO | FMT | GIFT | GREEN |
| GSC | GTB | HTECH | HUMAN | IHL | INOX | INSET | IP | JTS | JUBILE | KASET |
| KCM | KKC | KUMWEL | KUN | KWG | KYE | LEE | MATCH | MATI | M-CHAI | MCS |
| MDX | MJD | MM | MORE | NC | NDR | NER | NFC | NNCL | NPK | NUSA |
| OCEAN | PAF | PF | PK | PLE | PMTA | POST | PPM | PRAKIT | PRECHA | PRIME |
| PROUD | PTL | RBF | RCI | RJH | ROJNA | RP | RPH | RSP | SF | SFLEX |
| SGP | SISB | SKN | SLP | SMART | SOLAR | SPG | SQ | SSP | STARK | STC |
| SUPER | SVOA | TC | TCCC | THMUI | TIW | TNH | TOPP | TPCH | TIPIP | TPLAS |
| TTI | TYCN | UKEM | UMS | VCOM | VRANDA | WIN | WORK | WPH | | |

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2S | ADVANC | AI | AIE | AIRA | AKP | AMA | AMANA | AP | AQUA | ARROW |
| ASK | ASP | AYUD | B | BAFS | BANPU | BAY | BBL | BCH | BCP | BCPG |
| BGC | BGRIM | BJCHI | BKI | BLA | BPP | BROOK | BRR | BSBM | BTS | BWG |
| CEN | CENTEL | CFRESH | CGH | CHEWA | CHOTI | CHOW | CIG | CIMBT | CM | CMC |
| COL | COM7 | CPALL | CPF | CPI | CPN | CSC | DCC | DELTA | DEMCO | DIMET |
| DRT | DTAC | DTC | EASTW | ECL | EGCO | FE | FNS | FPI | FPT | FSS |
| FTE | GBX | GC | GCAP | GEL | GFPT | GGC | GJS | GPSC | GSTEEL | GUNKUL |
| HANA | HARN | HMPRO | HTC | ICC | ICHI | IFS | INET | INSURE | INTUCH | IRPC |
| ITEL | IVL | K | KASET | KBANK | KBS | KCAR | KCE | KGI | KKP | KSL |
| KTB | KTC | KWC | L&E | LANNA | LHFG | LHK | LPN | LRH | M | MAKRO |
| MALEE | MBAX | MBK | MBKET | MC | MCOT | MFC | MFEC | MINT | MONO | MOONG |
| MPG | MSC | MTC | MTI | NBC | NEP | NINE | NKI | NMG | NNCL | NSI |
| NWR | OCC | OCEAN | OGC | ORI | PAP | PATO | PB | PCSGH | PDG | PDI |
| PDJ | PE | PG | PHOL | PL | PLANB | PLANET | PLAT | PM | PPP | PPPM |
| PPS | PREB | PRG | PRINC | PRM | PSH | PSL | PSTC | PT | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QLT | QTC | RATCH | RML | RWI | S & J |
| SABINA | SAT | SC | SCB | SCC | SCCC | SCG | SCN | SEAOL | SE-ED | SELIC |
| SENA | SGP | SIRI | SITHAI | SMIT | SMK | SMPC | SNC | SNP | SORKON | SPACK |
| SPC | SPI | SPRC | SRICHA | SSF | SSSC | SST | STA | SUSCO | SVI | SYNTEC |
| TAE | TAKUNI | TASCO | TBSP | TCAP | TCMC | TFG | TFI | TFMAMA | THANI | THCOM |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TKT | TMB | TMD | TMILL | TMT |
| TNITY | TNL | TNP | TNR | TOG | TOP | TPA | TPCORP | TPP | TRU | TSC |
| TSTH | TTCL | TU | TVD | TVI | TVO | TWPC | U | UBIS | UEC | UKEM |
| UOBKH | UWC | VGI | VIH | VNT | WACOAL | WHA | WHAUP | WICE | WIJK | XO |
| ZEN | TRUE | | | | | | | | | |
| DECLARED | | | | | | | | | | |
| 7UP | ABICO | AF | ALT | AMARIN | AMATA | AMATAV | ANAN | APURE | B52 | BKD |
| BM | BROCK | BUI | CHO | CI | COTTO | DDD | EA | EFORL | EP | ERW |
| ESTAR | ETE | EVER | FSMART | GPI | ILINK | IRC | J | JKN | JMART | JMT |
| JSP | JTS | KWG | LDC | MAJOR | META | NCL | NOBLE | NOK | PK | PLE |
| ROJNA | SAAM | SAPPE | SCI | SE | SHANG | SINGER | SKR | SPALI | SSP | STANLY |
| SUPER | SYNEX | THAI | TKS | TOPP | TRITN | TTA | UPF | UV | WIN | ZIGA |

| Level | |
|-----------|---|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) |

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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ANALYST(S) CERTIFICATION

Naruedom Mujjalinkool FSS International Investment Advisory Securities Co., Ltd

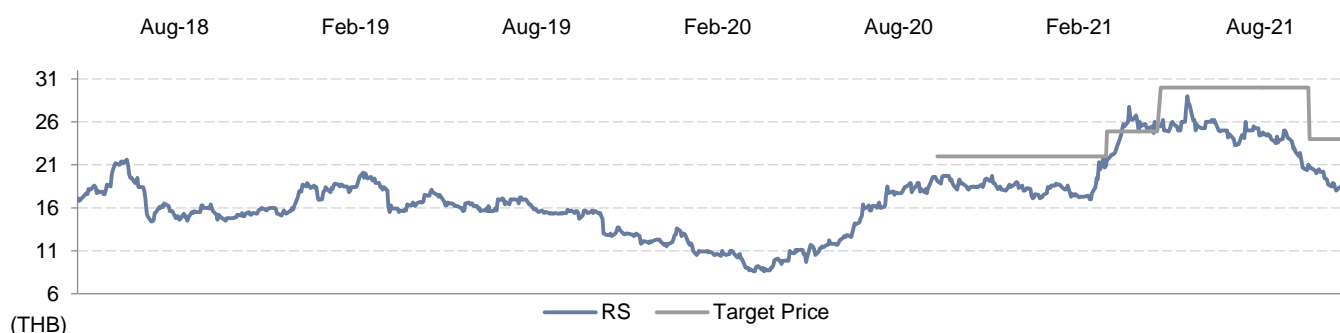
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History of change in investment rating and/or target price

RS (RS TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 27-Aug-2020 | BUY | 22.00 | 20-Jan-2021 | BUY | 24.90 | 24-May-2021 | BUY | 30.00 |
| 05-Nov-2020 | BUY | 22.00 | 05-Mar-2021 | BUY | 30.00 | 13-Jul-2021 | BUY | 24.00 |

Naruedom Mujjalinkool started covering this stock from 27-Aug-2020

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------|--------|-----------|--------|--|
| RS | RS TB | THB 17.90 | BUY | The key downside risk to our SoTP-based TP is if the company is unable to maintain the growth momentum from its commerce business if revenues from TV, radio, and music continue to decline. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 17-Aug-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.