

In doing business in any industry, business owners and entrepreneurs must face different kinds of risks from external and internal factors. Risks that emerge from business can be different depending on types of business or environment that the business is operating in. For Plan B Media Public Company Limited, major risks in doing its business are summarized below.

**Risk from inability to renew or extend concessions, area lease contracts or other contracts with business partners.**

Location to install advertising media is critical to success in out of home media business. The Company must select best locations especially in high-traffic areas with many commuters and passersby that will enhance exposure of the Company's advertising media and thus the value of its media. This requires the Company to search for locations to install high-quality media both from private lease contracts, concessions or government lease contracts.

Besides, business partnership contracts such as being an exclusive sales and marketing partner are another source of revenue where the Company conducts business development with clients and makes money from revenue sharing through advertising sales. In 2016 and 2017, Hello Bangkok LED Co., Ltd. contributed the most to the Company in terms of revenue and generated about 18.8% and 18.1% of total revenue respectively for the Company. This contract has a 3-year term where Hello Bangkok granted the right to the Company to be the first counterpart they will consider in extending the contract for another 3 years to finish at the middle of 2021.

The Company must comply with obligations as specified in the contracts. In this case, risks can be incurred for events that the Company fails to extend or renew lease contracts with any of its contractual parties or conform to duties, conditions or obligations as stated in the contracts. This includes the case when lessors/ right grantors terminate contracts in case that their businesses or images are affected by the leases as well as when the lessors/ grantors are required to use the areas/rights for other purposes. In such cases, lessors/ right grantors must notify the Company in writing in advance given that those incidents can impact its revenue generating capability and financial position of the Company as costs were incurred in media installations as well as other expenses related to removing advertising media earlier than planned.

Nevertheless, there was no breach of contract regarding any significant clauses that severely impacted the Company in the past. Furthermore, thanks to long experience in advertising industry of its executives, all contracts with its counter parties were reviewed and deliberated thoroughly and compliance to clauses and other conditions were ensured to prevent risks from aforementioned incidents.

The Company is currently a service provider of out of home media with the most diversified portfolio in the country covering Bangkok and 52 other provinces nationwide under more than 100 lease contracts or concession contracts. None of the contract generates more than 30% of total revenue of the Company. Therefore, revenue impact from any particular cancellation of contract is not significant to the Company's overall revenue.

Additionally, the Company gave priorities to entering business partnerships with area owners such as concessionaires, department store operators and building owners. The Company co-develops advertising media through innovations and modern designs as well as introducing appealing media that create value added to the area owners. Through this advantage, provided clauses in most contracts grant first rights to the Company to renew the contracts before other parties. As a result, the Company has managed to renew all its contracts as well as extend other contracts. This verifies that Company continued to gain trusts among its business partners. For example, in 2013 the Company extended the contract with BMTA until 2027 and also renewed gateway billboard contract with the Expressway Authority of Thailand (EXAT) until 2019. The Company also signed another renewal for digital advertising media contract in Suvarnabhumi airport until 2021 and won a contract extension for public telephone media of TOT Public Company Limited until 2019.

### **Risk from obligations with contractual parties that may affect the Company's performance**

Through its strategies to continuously expand advertising media and create a strong media network to service customers in the long run, it is crucial that the Company enters into long-term lease/right granting contracts with media area owners to fend off market entries from competitors. This resulted in financial obligations that the Company has to pay in the future under those lease/right-granting contracts that the Company must realize these expenses throughout contract durations while future revenue depends on a number of external factors such as economic conditions and consumer behavior. Thus, in the case that advertising media sales revenue materially drops, it will inevitably affect Company's performance and financial position. As of 31 December 2017, the Company held a total future obligation of 5,944.9 million baht under all its lease contracts. Key obligations included a rental contract of advertising media on mass transit system for air-conditioned buses with BMTA worth 1,770.9 million baht or equivalent to 29.8% of all obligations under operating lease contracts. This contract will not be terminated until mid-2027 and the Company's business, financial position, operating performance will be significantly impacted if this revenue streams from advertising media in these air-conditioned buses are to decline meaningfully.

However, long-term contracts with counterparts and mentioned obligations are normal business operations for providing advertising media services in mass transit systems. Moreover, long-term nature of the contracts made with its counterparties secures stable revenues for the Company and acts as an effective barrier to entry to prevent other competitors to gain rights in leasing advertising spaces. Furthermore, the Company believes that risk associated with long-term lease contract with BMTA will be considered low as air-conditioned bus will remain a major mass transit system that connects greater Bangkok areas with other mass transit systems such as MRT and BTS. Given that these air-conditioned buses have extended footprints reaching all target groups throughout Bangkok, advertising media in these buses are still gaining attention and interests from customers in the long term.

### **Risk from reliance on outdoor digital media**

Since 2013, the Company has aggressively invested in the expansion of outdoor digital media service spaces in both Bangkok and upcountry. Revenue from this media category in 2017 stood at 1,285.0 million baht or equivalent to 43.1% of total revenue. Therefore, if there is anything impacting these media in such ways that the revenue from this source declines meaningfully, this can affect the Company's performance as well as its financial position.

Nevertheless, since the inception of its digital media services in 2013, popularity of such media is building up that resulted in utilization rate that was higher than the average of overall advertising media the Company was offering. Besides, digital media was also recession-proof as they were barely affected by the economic slowdown. Thanks to lower production costs, digital media help save marketers' budget spending. Digital media also offer modern formats and allow speedy adjustments in marketing messages that is proved to fit various marketing strategies and the needs of marketer these days.

### **Risk from over-reliance on major advertising agencies**

Sales channel is another key factor directly impacting the Company's competitiveness. There are two main channels for advertising media sales which are via advertising agencies and directly with product and service owners. In 2017, proportions of revenue between the two channels were at 54.9% and 45.1% of total service revenue for advertising agencies and product and service owners respectively.

Advertising agencies play an important role in advertising media business as they act as middlemen between advertising media service providers and product and service owners. Advertising agencies assist product and service owners in their media strategy planning, advertising budget planning as well as media selection. Typically, advertising agencies will not engage in long-term contracts with advertising media service providers but will consider and implement advertising media plans based on its marketing plan as well as suitability of advertising plan of individual product and service owner at a particular time. Even though no particular advertising agency's revenue contribution exceeded 30% of total revenue, the proportions of revenue generated from top 10 advertising agencies were at 62.7% total revenue in 2017.

From the above reasons, business partnership agreements as a media distributor of advertising agencies are important to expand channels in selling advertising media and generating additional revenue for the Company. Plus, advertising agencies also affect total revenue in case that those agencies do not recommend our media to product and service owners.

The Company's strategy to provide integrated solutions of diverse advertising media across the country are considered an approach to mitigate this risk as this enables its media to effectively reach target groups leveraging on its strengths such as location coverage and media diversity. New innovative media offered by the Company are also well-liked by agencies and product and service owners and this helps gain their trust in doing business with the Company.

Apart from that, the Company actively manages its relationship with advertising agencies and takes part in advertising media co-development with those advertising agencies so that the Company has a good understanding on demand trends of the market and be able to develop advertising media that meet agencies' requirements. Last but not least, the Company's Customer Service department was set up to handle all customer cares and organize activities to strengthen relationships with customers to create lasting good impression on the Company.

### **Risk from overall Thai economic slowdown**

Advertising media business is positively correlated to overall economic situation of the country. Under growing economic trend, investments in advertising budgets of product and service owners move in tandem with higher spending of consumers and thus enhance revenues of advertising media service providers. On the other hand, economic downturn and any circumstance that erodes confidence and harms purchasing power of consumers can result in advertising budget cuts from product and service owners as consumer spending drops.

At present under intensified competition in any industry, businesses have to ensure that every baht spent is effective. This applies well to advertising industry where budgets must be allocated to advertising media that are effective. These media must be appealing to consumers, directly accessible by target groups and require low budget compared to other advertising media but still yield similar or higher brand awareness. The results of an Outdoor Advertising Association of America (OAAA) study that analyzes effectiveness and return on investment of out of home advertising in USA, European countries and Australia showed that out of home advertising media delivered higher return of investment (ROI) compared to print ads and TV ads. Consequently, despite the economic slowdown in 2015-2016, out of home media still maintained its media of choice status for product and service owners to promote their products and services. Even though overall advertising spend showed a downward trend but spend on out of home media still experienced growth. Nevertheless, the Company cannot guarantee that business performance and financial position will not be significantly affected in case that the economic slowdown ensues or intensifies in the future.

### **Risk from dependency on executives and personnel**

Advertising media business is a service business that requires significant manpower in conducting business to create and present works to or deal with advertising agencies or owners of products and services. Moreover, technicians are needed to look after, maintain and repair various media in timely manner. Therefore, this quality workforce including executives are considered important resources to business. These people help create varieties of advertising media on given locations to reach target groups as demanded by product and service owners. Impacts on the Company's business may not be negligible in case that the Company fails to retain valuable executives and personnel with knowledge and expertise.

Realizing the importance of human capital as key to its success, the Company thrives on developing and growing its employees together with its success in business so that the Company can retain critical talents in the organization. In addition, the Company fosters teamwork where people in the same team can take on another one's duties seamlessly if needed. Furthermore, middle level managers are encouraged to participate in planning and management. This is considered to be another step to reduce risks from dependency on personnel in conducting business. Top executives are co-founders and shareholders of the Company who have strong ties with the Company and highly committed to continuously creating and delivering quality works in the future. Finally, during 2015-2017, the Company issued an amount of 40,000,000 shares to offer to directors, executives and employees as rewards with the objective of promoting their ownership of the Company.

## **Risk related to legal provisions on billboard control and accidents from natural disasters or human actions in the future**

Changes in rules and regulations related to advertising business may affect business operations. To avoid those impacts, the Company emphasizes on legal compliance and regularly follows up on updates and amendments especially for legal provisions on billboard control so that the Company can set guidelines and formulate supporting plans to prevent any negative impact to the Company's operations due to any regulatory change.

The Company has put in place risk management related to billboards including legal provisions on billboard control and future accidents from natural disasters or human actions that may occur. Highest standards are met as required by regulators or lessors and quality works are guaranteed for the design and installation of billboards while the Company's policy mandated that only leading engineers and contractors in the country are commissioned to execute planning, design and installation. Moreover, the contractual parties who lease billboards' spaces set high standards for initial inspections as well as annual quality control ;for example, Siam Paragon, Siam Center, Siam Square, Central World, Digital Gateway, Cyber World Building, Interchange Tower and Silom Complex Building. In addition, the Company has insurance policies that protect against accidents that may happen to its properties and third parties. At present, there is no record of any litigation on violations or incompliance of related laws and regulations.

## **Management Risks**

### **Risk from controlling majority shareholders with more than 25% share ownership**

Mr. Palin Lojanagosin and his group together held a total of 41.5% of the registered and distributed capital of the Company resulting in an ability to control majority votes at the shareholders' meeting in case that the votes are cast in the same direction for a resolution. As a result, other shareholders face the risk of inability to gather the votes to provide checks and balances or review agenda items proposed by this group of majority shareholders.

Nevertheless, the Company has carefully organized its management structure filled with capable personnel. Roles and responsibilities including delegation of authorities of directors and executives were clearly and transparently defined. Moreover, related party transactions regarding its directors, majority shareholders, authorized persons as well as interested persons with conflict of interest are closely monitored. Measures to prevent such conflicts of interest are taken seriously and such persons with conflict of interest have no right to vote or approve respective transactions to ensure the Company's transparency in conducting business. Besides, the Company appointed 3 independent directors from outside among a total of 8 directors to review, deliberate and approve transactions/items before being proposed to the shareholders' meeting. This effort aimed to further promote checks and balances, transparency and efficient management of the Company's management structure.