

December 25, 2017

Subject: Management Discussion and Analysis for the nine months period ended September 30, 2017

To The President

The Stock Exchange of Thailand

Day Dream Public Company Limited (the "Company" or "we" or "our" or "us") would like to inform management discussion and analysis for its results of operations from the consolidated financial statements for the nine months period ended September 30, 2017 as follows:

Management Discussion and Analysis  
For the nine months period ended September 30, 2017

Results of Operations

Sales Revenue

For the nine months period ended September 30, 2016 and 2017, our sales revenue increased from THB985.0 million and THB1,256.4 million, respectively, which represent an increase of 27.6%. By product category, sales revenue from almost all product categories increased from the same period last year, especially facial skincare products, body care products, and facial cleansing products. This was mainly attributable to eight new products launched in the nine months period ended September 30, 2017 as well as products launched during the second half of 2016. By customer location, sales revenue from oversea customers increased significantly from THB115.9 million in the nine months period ended September 30, 2016 to THB457.6 million in the nine months period ended September 30, 2017. This was mainly attributable to expansion of distribution channel by our distribution partner in China, and the introduction of Chinese exclusive products, both of which incentivized our Chinese tourist customers to purchase our products in China. However, our sales revenue from domestic customers decreased from THB907.9 million for the nine months period ended September 30, 2016 to THB824.5 million for the nine months period ended September 30, 2017. This was mainly due to lower number of tourist from China as a result of stricter measures implemented by the government to limit zero-dollar tour and the expansion of our distribution channels in China which incentivized Chinese customers to purchase our products in their country.





Sales by product category	Consolidated financial statements			
	For the nine months ended September 30			
	2016		2017	
	THB mm	%	THB mm	%
<b>Sale Revenue</b>				
1. Revenue from selling product under Company's trademark				
1) Facial skincare	872.1	88.4	996.4	78.8
2) Body care	22.9	2.3	41.6	3.3
3) Facial cleansing	29.8	3.0	60.3	4.8
4) Body cleansing	2.1	0.2	94.4	7.5
5) Sunscreen	49.9	5.1	50.0	4.0
6) Giftset	45.5	4.6	39.7	3.1
7) Food supplement <sup>1</sup>	1.5	0.2	-	-
Total revenue from products under Company's trademark	1,023.8	103.8	1,282.4	101.5
Deduct Sales discount	(40.7)	(4.1)	(26.2)	(2.1)
Revenue from product under Company's trademark – Net	983.1	99.7	1,256.2	99.4
2. Sales from OEM business	2.0	0.2	0.2	0.0
<b>Total sales</b>	<b>985.1</b>	<b>99.9</b>	<b>1,256.4</b>	<b>99.4</b>
Other income <sup>2</sup>	1.3	0.1	7.2	0.6
<b>Total revenue</b>	<b>986.4</b>	<b>100.0</b>	<b>1,263.6</b>	<b>100.0</b>

Notes: <sup>1</sup> The Company discontinued distribution of food supplement products since the beginning of 2016

<sup>2</sup> Other income comprises mainly of interest income and services revenue

Sales by geography	Consolidated financial statements			
	For the nine months ended September 30			
	2016		2017	
	THB mm	%	THB mm	%
<b>Sale revenue</b>				
1. Sale revenue from domestic customers	869.1	88.1	798.5	63.2
2. Sale revenue from overseas customers	115.9	11.8	457.9	36.2
<b>Total sales</b>	<b>985.1</b>	<b>99.9</b>	<b>1,256.4</b>	<b>99.4</b>
Other income <sup>1</sup>	1.3	0.1	7.2	0.6
<b>Total revenue</b>	<b>986.4</b>	<b>100.0</b>	<b>1,263.6</b>	<b>100.0</b>

Notes: <sup>1</sup> Other income comprises mainly of interest income and services revenue

**Cost of sales**

Our cost of sales comprise of raw material and packaging cost, labor cost, depreciation of our plant and machinery, freight expenses and others cost of sales. Our cost of sales for the nine months ended September 30, 2016 and 2017 was THB297.7 million and 397.6 million, respectively, representing an increase of 33.5% which is in the same direction as the increase sales revenue. This increase in cost of sales was mainly attributable to increase in raw material and packaging cost as a result of increase in sales, labor costs as a result of increase in number of personnel and depreciation costs as a result of additional plant and machinery at the new production plant at Rojana Industrial Park.

Cost of sales	Consolidated financial statements			
	For the nine months ended September 30			
	2016		2017	
	THB mm	%	THB mm	%
Raw material and packaging	264.2	88.8	341.9	86.0
Labor costs	24.8	8.3	37.4	9.4
Depreciation costs	5.3	1.8	11.4	2.9
Freight expenses	0.0	0.0	1.2	0.3
Others	3.4	1.1	5.7	1.4
<b>Total cost of sales</b>	<b>297.7</b>	<b>100.0</b>	<b>397.6</b>	<b>100.0</b>
Proportion of cost of sales to sales revenue		30.2		31.6
Gross Profit Margin		69.8		68.4

**Gross Profit**

For the nine months ended September 30, 2016 and 2017, our gross profit was THB858.9 million and THB687.3 million, respectively. This is equivalent to gross profit margin of 69.8% and 68.4%, respectively. Our gross profit margin slightly decreased due to expanding sales of body wash product, a product in a highly competitive segment with lower gross profit margin.

**Selling expenses**

Selling expenses comprise of advertising and promotional expenses, sales employee cost, and freight expenses. For the nine months ended September 30, 2016 and 2017, our selling expenses was THB275.1 million and THB440.3 million, respectively. The increase in selling expenses was mainly due to increase in advertising and promotional expenses to encourage customers who were already familiar with our brand to purchase our products. In addition, the increase was to promote new product launched during nine months of this year, in which the number of new product launches were significantly higher than last year.



Selling expenses	Consolidated financial statements			
	For the nine months ended September 30			
	2016		2017	
	THB mm	%	THB mm	%
Advertising and promotional expenses	245.5 <sup>1</sup>	89.2	386.8 <sup>1</sup>	87.8
Sales employee cost	16.4	6.0	27.1	6.2
Freight expenses	4.5	1.6	11.6	2.6
Others <sup>1</sup>	8.7	3.2	14.8	3.4
<b>Total selling expenses</b>	<b>275.1</b>	<b>100.0</b>	<b>440.3</b>	<b>100.0</b>
<b>% to sales revenue</b>		<b>27.9</b>		<b>35.0</b>

Notes: <sup>1</sup> Other selling expenses mainly comprise market survey expenses and rental expenses for Namu Life Shop

**Administrative expenses**

Administrative expenses mainly comprise administrative employee cost at our head office and Rojana plant. For the nine months ended September 30, 2016 and 2017, our administrative expenses was THB59.4 million and THB104.9 million, respectively. This increase in administrative expenses was mainly due to increase compensation for our executives both from increasing number of executives and compensation per executives together with increasing administrative employees at our head office and Rojana plant to accommodate the increase in workload and organisation units as a result of the increase in sales revenue.

Administrative expenses	Consolidated financial statements			
	For the year ended 31 December			
	2016		2017	
	THB mm	%	THB mm	%
Administrative employee cost	32.9	55.4	60.9	58.0
Miscellaneous expenses	5.6	9.4	17.3	16.5
Depreciation and amortization	9.1	15.3	7.5	7.2
Tax and other fee	6.7	11.3	11.1	10.6
Others <sup>1</sup>	5.1	8.6	8.1	7.7
<b>Total administrative expenses</b>	<b>59.4</b>	<b>100.0</b>	<b>104.9</b>	<b>100.0</b>
<b>% to sales revenue</b>	<b>6.0</b>	<b>8.3</b>		

Notes: <sup>1</sup> Other administrative expenses mainly comprises of impairment of deteriorate products and allowance for doubtful account

**Net Profit for the period**

Net profit for the nine months ended September 30, 2016 and 2017, was THB278.8 million and THB253.5 million, respectively, representing a decrease of 9.7%, while our net profit margin decreased from 28.3% in the nine months ended September 30, 2016 to 20.1% the nine months ended September 30, 2017. This was mainly due to increase in selling expenses, especially advertising and promotional expenses together with higher administrative expenses.

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### Financial Position

#### Total Assets

As at December 31, 2016 and September 30, 2017, we had total assets of THB775.5 million and THB1,441.1 million, respectively. Our assets were mainly consisting of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment. Our assets as at September 30, 2017 increased mainly due to increase trade and other receivables from operation and increase in cash and cash equivalents.

#### Total Liabilities

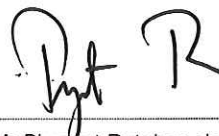
As at December 31, 2016 and September 30, 2017, we had total liabilities of THB400.5 million and THB599.3 million, respectively. Our liabilities were mainly consisting of short-term loans from financial institutions, trade and other payables and long-term loans from financial institutions. The increase in our total liabilities as at September 30, 2017 mainly attributable to increase in loans from financial institutions and trade and other payables which was in accordance with the Company sales performance.

#### Shareholders' Equity

As at December 31, 2016 and September 30, 2017, we had shareholders' equity of THB375.0 million and THB841.8 million, respectively. The increase in shareholders' equity as at September 30, 2017 was mainly due to our share offering of 15 million shares to NHTPEC together with increase in retained earnings of the Company, partially offset by interim dividend payment of THB234.8 million.

Please be informed accordingly.

Yours Sincerely,



(Mr.Piyawat Ratchapolsitte)

Chief Financial Officer