

February 26, 2018

Subject Management Discussion and Analysis for the year ended December 31, 2017

To The President

The Stock Exchange of Thailand

Do 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 year ended December 31, 2017 as follows:

Management Discussion and Analysis  
For the year ended December 31, 2017

Results of Operations

Sales Revenue

Our sales revenue increased from THB 1,236.9 million in 2016 to THB 1,674.4 million in 2017 representing an increase of 35.4%. The increase in sales revenue was largely due to higher sales revenue before discount of our existing products, especially products which started selling in 2016 and had full year recognition in 2017 amounting to THB 251.4 million, and sales revenue before discount from news product launched in 2017 amounting to THB 271.9 million. The product category with highest revenue increased was facial skincare products with its revenue increased amounting to THB 254.6 million. This was mainly attributable to increase in sales quantity and the newly launched facial skincare products in 2017 while average selling prices remained relatively constant. By customer location, our overseas sales revenue increased from THB 146.2 million in 2016 to THB 512.8 million in 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 increased from THB 1,090.7 million in 2016 to THB 1,161.7 million in 2017. As a result, our domestic sales revenue contributions increase of 6.5% mainly due to increase in sales quantity and a new product launched in 2017.



Sales by product category	Consolidated financial statements			
	For the year ended December 31			
	2016		2017	
	THB mm	%	THB mm	%
<b>Sale Revenue</b>				
1. Revenue from selling product under Company's trademark				
1) Facial skincare	1,072.7	86.5	1,327.3	78.8
2) Body care	36.4	2.9	60.0	3.6
3) Facial cleansing	48.7	3.9	71.9	4.3
4) Body cleansing	9.8	0.8	134.4	8.0
5) Sunscreen	58.9	4.7	65.1	3.9
6) Giftset	63.4	5.1	54.2	3.2
7) Food supplement <sup>1</sup>	0.7	0.1	-	-
Total revenue from products under Company's trademark	1,290.6	104.0	1,712.9	101.7
<u>Deduct</u> Sales discount	(55.6)	(4.5)	(38.7)	(2.3)
Revenue from product under Company's trademark – Net	1,235.0	99.5	1,674.2	99.4
2. Sales from OEM business	1.9	0.2	0.3	0.0
<b>Total sales</b>	<b>1,236.9</b>	<b>99.7</b>	<b>1,674.5</b>	<b>99.4</b>
Other income <sup>2</sup>	3.3	0.3	9.8	0.6
<b>Total revenue</b>	<b>1,240.2</b>	<b>100.0</b>	<b>1,684.3</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 year ended December 31			
	2016		2017	
	THB mm	%	THB mm	%
<b>Sale revenue</b>				
1. Sale revenue from domestic customers	1,090.7	87.9	1,161.7	69.0
2. Sale revenue from overseas customers	146.2	11.8	512.8	30.4
<b>Total sales</b>	<b>1,236.9</b>	<b>99.7</b>	<b>1,674.5</b>	<b>99.4</b>
Other income <sup>1</sup>	3.3	0.3	9.8	0.6
<b>Total revenue</b>	<b>1,240.2</b>	<b>100.0</b>	<b>1,684.3</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 comprises 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 year ended December 31, 2016 and 2017 was THB 374.8 million and THB 534.9 million, respectively. This increase in cost of sales was mainly attributable to increase in raw material and packaging cost as a result of increase in sales.

Cost of sales	Consolidated financial statements			
	For the year ended December 31			
	2016		2017	
	THB mm	%	THB mm	%
Raw material and packaging	343.8	91.7	459.0	85.8
Labor costs	15.9	4.2	51.3	9.6
Depreciation costs	9.3	2.5	15.4	2.9
Freight expenses	0.9	0.3	1.6	0.3
Others	4.9	1.3	7.6	1.4
<b>Total cost of sales</b>	<b>374.8</b>	<b>100.0</b>	<b>534.9</b>	<b>100.0</b>
Proportion of cost of sales to sales revenue		30.3		31.9
Gross Profit Margin		69.7		68.1

**Gross Profit**

For the year ended December 31, 2016 and 2017, our gross profit was THB 862.1 million and THB 1,139.6 million, respectively. This is equivalent to gross profit margin of 69.7% and 68.1%, respectively. Our gross profit margin slightly decreased due to expanding sales of body wash product, a product in a highly competitive and Official sale promotion and advertising in 2017

**Selling expenses**

Selling expenses comprise of advertising and promotional expenses, sales employee cost, and freight expenses. For the year 2017, selling expenses increased from THB 354.5 million to THB 580.9 million while selling expenses as a percentage of sales revenue significantly increased from 28.7% in 2016 to 34.7% in 2017. 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 in 2017, in which the number of new product launches were significantly higher than last year from 19 SKUs in 2016 to 35 SKUs in 2017. Research and development expense also increased to understand and capture the customer preference alongside with the effective marketing communication to the target customers.

Selling expenses	Consolidated financial statements			
	For the year ended December 31			
	2016		2017	
	THB mm	%	THB mm	%
Advertising and promotional expenses	310.7	87.6	510.8	87.9
Sales employee cost	24.4	6.9	35.0	6.0
Freight expenses	7.2	2.0	14.0	2.4
Others <sup>1</sup>	12.2	3.5	21.1	3.7
<b>Total selling expenses</b>	<b>354.5</b>	<b>100.0</b>	<b>580.9</b>	<b>100.0</b>
<b>% to sales revenue</b>		<b>28.7</b>		<b>34.7</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. Administrative expenses increased from THB 87.1 million in 2016 to THB 143.4 million in 2017, or, as a percentage of revenue, 7.0% and 8.5% in 2016 and 2017, respectively. The increase was mainly attributable to higher administrative employee cost which was in line with increase in workload and organisation units as a result of the increase in sales revenue.

Administrative expenses	Consolidated financial statements			
	For the year ended December 31			
	2016		2017	
	THB mm	%	THB mm	%
Administrative employee cost	46.6	53.5	83.7	58.4
Miscellaneous expenses	13.4	15.4	21.4	14.9
Depreciation and amortization	7.9	9.1	10.9	7.6
Tax and other fee	11.3	12.9	15.9	11.1
Others <sup>1</sup>	7.9	9.1	11.5	8.0
<b>Total administrative expenses</b>	<b>87.1</b>	<b>100.0</b>	<b>143.4</b>	<b>100</b>
<b>% to sales revenue</b>		<b>7.0</b>		<b>8.5</b>

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

### Net Profit for the period

Net profit increased from THB 335.2 million in 2016 to THB 351.1 million in 2017 and net profit margin decreased from 27.0% in 2016 to 20.8% in 2017. This was mainly due to increase in selling expenses, especially advertising and promotional expenses together with higher administrative expenses.

## Financial Position

### Total Assets

As at December 31, 2016 and 2017, we had total assets of THB 775.5 million and THB 5,460.5 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 December 31, 2017 increased mainly due to increase in cash and cash equivalents transaction from the initial public offering (IPO) on December 26, 2017 amounting to THB 4,028 million.

### Total Liabilities


As at December 31, 2016 and 2017, we had total liabilities of THB 400.5 million and THB 674.0 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 December 31, 2017 was 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 2017, we had shareholders' equity of THB 375.0 million and THB 4,786.5 million, respectively. The increase in shareholders' equity as at December 31, 2017 was mainly due to the initial public offering (IPO) on December 26, 2017 amounting to THB 4,028 million together with increase in retained earnings of the Company.

Please be informed accordingly.

Yours Sincerely,



(Mr.Piyawat Ratchapolsitte)

Chief Financial Officer