

May 14, 2018

**Subject** Management Discussion and Analysis for the three months period ended March 31, 2018

**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 three months period ended March 31, 2018 as follows:

### Management Discussion and Analysis

#### For the three months period ended March 31, 2018

#### Results of Operations

##### **Sales Revenue**

For the three months period ended March 31, 2017 and 2018. Our sales revenue increased from THB 355.2 million to THB 374.3 million, respectively, representing an increase of 5.4%. The increase in sales revenue mainly due to higher sales revenue of our existing products, especially products which started selling in 2017 and had full recognition in 2018. The product category with highest revenue increased was facial skincare products with its revenue increased amounting to THB 11.7 million. This was mainly attributable to increase in sales quantity and the facial skincare products which are launched in 2017, especially the sales revenue from product giftset increased more than 2 times, representing an increase of 120%. By customer location, our domestic sales revenue increased from THB 262.3 million from the three months period ended March 31, 2017 to THB 299.1 million from the three months period ended March 31, 2018, representing an increase of 14%. For our overseas sales revenue, it decreased from THB 92.89 million from the three months period ended March 31, 2017 to THB 75.27 million from the three months period ended March 31, 2018. This was mainly due to the deferred product delivery from the package adjustment to match with the requirements of China Food and Drug Administration (CFDA), which took around 2 months, that we have got CFDA in early 2018.

Sales by product category	Consolidated financial statements			
	For the three months period ended March 31			
	2017		2018	
	THB mm	%	THB mm	%
<u>Sale Revenue</u>				
1. Revenue from selling product under Company's trademark				
1) Facial skincare	296.9	82.7	308.6	79.8
2) Body care	3.8	1.1	1.4	0.4
3) Facial cleansing	21.6	6.0	12.4	3.2
4) Body cleansing	18.5	5.1	22.2	5.7
5) Sunscreen	13.2	3.7	8.9	2.3
6) Giftset	13.2	3.7	29.0	7.5
Total revenue from products under Company's trademark	367.2	102.3	382.5	98.9
<u>Deduct Sales discount</u>	(12.0)	(3.3)	(8.2)	(2.1)
Revenue from product under Company's trademark – Net	<b>355.2</b>	<b>99.0</b>	<b>374.3</b>	<b>96.8</b>
2. Sales from OEM business	0.0	0.0	0.0	0.0
<b>Total sales</b>	<b>355.2</b>	<b>99.0</b>	<b>374.3</b>	<b>96.8</b>
Other income <sup>/1</sup>	3.7	1.0	12.3	3.2
<b>Total revenue</b>	<b>358.9</b>	<b>100.0</b>	<b>386.6</b>	<b>100.0</b>

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

Sales by geography	Consolidated financial statements			
	For the three months period ended March 31			
	2017		2018	
	THB mm	%	THB mm	%
<u>Sale revenue</u>				
1. Sale revenue from domestic customers	262.3	73.1	299.1	77.3
2. Sale revenue from overseas customers	92.9	25.9	75.22	19.5
<b>Total sales</b>	<b>355.2</b>	<b>99.0</b>	<b>374.3</b>	<b>96.8</b>
Other income <sup>/1</sup>	3.7	1.0	12.3	3.2
<b>Total revenue</b>	<b>358.9</b>	<b>100.0</b>	<b>386.6</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 three months period ended March 31, 2017 and 2018 was THB 110.5 million and THB 101.0 million, respectively, representing a decrease of 8.6%. This decrease in cost of sales was mainly attributable to decrease in raw material and packaging cost. Due to the company launch a new product and decreased a proportion of imported packaging.

Cost of sales	Consolidated financial statements			
	For the three months period ended March 31			
	2017		2018	
	THB mm	%	THB mm	%
Raw material and packaging	94.3	85.3	81.6	80.8
Labor costs	10.7	9.7	12.3	12.2
Depreciation costs	3.7	3.3	4.2	4.2
Freight expenses	0.6	0.5	0.7	0.7
Others	1.2	1.1	2.2	2.2
<b>Total cost of sales</b>	<b>110.5</b>	<b>100.0</b>	<b>101.0</b>	<b>100.0</b>
<b>Proportion of cost of sales to sales revenue</b>	31.1		27.0	
<b>Gross Profit Margin</b>	68.9		73.0	

### Gross Profit

For the three months period ended March 31, 2017 and 2018, our gross profit was THB 244.7 million and THB 273.3 million, respectively. This is equivalent to gross profit margin of 68.9% and 73.0%, respectively. Our gross profit margin slightly increased due to the company launch a new product in facial skincare which has average gross profit margin more than other products. Furthermore, this decrease in cost of sales was mainly attributable to decrease in raw material and packaging cost as a result of increase in gross profit margin.

### Selling expenses

Selling expenses comprise of advertising and promotional expenses, sales employee cost, and freight expenses. For the three months period ended March 31, 2017 and 2018, Our selling expense was THB 146.2 million and THB 119.6 million, respectively. The decreasing in selling expenses, as a result of the 1<sup>st</sup> quarter, 2017, the advertising expenses was higher comparing with the same period from the previous year due to the unexpected situation in Q4/2016.

Furthermore, the new products launched in 1Q/2018 were in the sachet format which advertising expenses were far less than those of totally new product launched.

Selling expenses	Consolidated financial statements			
	For the three months period ended March 31			
	2017		2018	
	THB mm	%	THB mm	%
Advertising and promotional expenses	129.6	88.6	105.7	88.4
Sales employee cost	5.8	4.0	7.9	6.6
Freight expenses	6.0	4.1	1.4	1.2
Others <sup>1</sup>	4.8	3.3	4.6	3.8
<b>Total selling expenses</b>	<b>146.2</b>	<b>100.0</b>	<b>119.6</b>	<b>100.0</b>
<b>% to sales revenue</b>		<b>40.7</b>		<b>30.9</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 three months period ended March 31, 2017 and 2018, Our administrative expense was THB 23.8 million and THB 34.1 million, respectively. The increase was mainly attributable to higher administrative employee cost which was in line with increase in workload and organization units as a result of the increase in sales revenue.

Administrative expenses	Consolidated financial statements			
	For the three months period ended March 31			
	2017		2018	
	THB mm	%	THB mm	%
Administrative employee cost	13.1	55.0	20.1	58.9
Miscellaneous expenses	4.0	16.8	6.8	19.9
Depreciation and amortization	2.1	8.8	3.5	10.3
Tax and other fee	3.2	13.4	3.5	10.3
Others <sup>1</sup>	1.4	5.9	0.2	0.6
<b>Total administrative expenses</b>	<b>23.8</b>	<b>100.0</b>	<b>34.1</b>	<b>100.0</b>
<b>% to sales revenue</b>		<b>6.6</b>		<b>8.8</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 three months period ended March 31, 2017, was THB 62.4 million and THB 112.1 million, respectively, representing an increase of 79.6%, while our net profit margin increased from 17.4% in the three months period ended March 31, 2017 to 29.0 % in the three months period ended March 31, 2018 This was mainly due to decrease in cost of sales and selling expenses, especially advertising and promotional expenses.

### **Financial Position**

#### **Total Assets**

As at March 31, 2017 and 2018, we had total assets of THB 949.0 million and THB 5,550.7 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 March 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 March 31, 2017 and 2018, we had total liabilities of THB 536.4 million and THB 651.6 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 March 31, 2018 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 March 31, 2017 and 2018, we had shareholders' equity of THB 412.6 million and THB 4,899.1 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