

28 February 2020

**Subject** Management Discussion and Analysis for the years ended December 31, 2019

**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 years ended December 31, 2019 as follows:

**Management Discussion and Analysis**  
**For the years ended 31 December 2019**

**Summary of Performance**

**Sales Revenue**

For the years ended 31 December 2018 and 2019, the Company recorded total sales revenue of THB 1,249.63 million and THB 729.06 million respectively. This equals to a sharp decline of 41.66% year on year. Domestic sales revenue dropped 43.82% from the same period of the previous year due to an unfavorable condition of the Company's traditional trade channel as the Company appointed a large-sized distributor for the channel since the first quarter of 2018 but later terminated the contract with the distributor which is effective on 30 June 2019. During the period, the Company was unable to make any sales through traditional trade channel or assign a new distributor while the contract was still applicable. After the termination, the Company stipulated a new policy to engage in distributing products for the channel itself starting July 2019. Initially, the Company will focus on distributing its products through big wholesaler stores in most provinces and supporting smaller retailers through sales materials.

Besides the distribution disruption, negative factors affecting tourism in Thailand still emerged and caused a material fall in number of tourists especially from China which is our target customers. The number of Chinese tourists slid about 1% from the same period last year (source: International Tourist Arrivals to Thailand January-August 2019, Ministry of Tourism & Sports). The Company was fully aware of the situation and took actions by implementing new strategies and marketing plans to achieve better reach of both existing target customers and new customers.

International sales revenue also experienced a similar degree of decline by dropping 33.72% compared to last year as sales in China stagnated for 85% since the end of last year. Nevertheless, the Company's business expansion to the Philippines helps extend the customer base and diversify its revenue streams which mitigate the risk of reliance on sales in China. At present, the Company's products are well-received in the Philippines but still could not make up for the slowdown in sales in China. The Company is committed to expanding further to other potential countries and is in the process of conducting market feasibility studies in certain markets.

Apart from that, the Company was adversely affected by the compliance with the new Thai Financial Reporting Standard 15 (IFRS 15) regarding revenue from contracts with customers for the first time which is effective since 1 January 2019.

**Table 1 : Sales Revenue by Product Line for the Three Months period ended 31 December (3M YoY)**

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Period Ended 31 December					
	2018		2019		THB mm	%
	THB mm	%	THB mm	%		
<b>Sale Revenue</b>						
Revenue from selling product under Company's trademark						
1) Facial skincare	142.15	51.26	115.27	61.30	(26.88)	(18.91)
2) Body care	5.17	1.86	5.05	2.69	(0.12)	(2.32)
3) Facial cleansing	70.16	25.30	29.62	15.75	(40.54)	(57.78)
4) Body cleansing	18.29	6.60	15.00	7.98	(3.29)	(17.99)
5) Sunscreen	7.93	2.86	5.75	3.06	(2.18)	(27.49)
6) Giftset	30.38	10.95	21.46	11.41	(8.92)	(29.36)
7) Other	0.05	0.02	0.64	0.33	0.57	1140.00
Total revenue from products under Company's trademark	274.13	98.85	192.79	102.52	(81.36)	(29.68)
Deduct Sales discount	(7.86)	(2.83)	(21.06)	(11.20)	(13.20)	167.94
<b>Total sales</b>	<b>266.27</b>	<b>96.02</b>	<b>171.73</b>	<b>91.32</b>	<b>(94.54)</b>	<b>(35.51)</b>
Other income <sup>1</sup>	11.05	3.98	16.32	8.68	5.27	47.69
<b>Total revenue</b>	<b>277.32</b>	<b>100.00</b>	<b>188.05</b>	<b>100.00</b>	<b>(89.27)</b>	<b>(32.19)</b>

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

Table 2 : Sales Revenue by Product Line for the Years ended 31 December (12M YoY)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For The Years Ended 31 December					
	2018		2019		THB mm	%
	THB mm	%	THB mm	%		
<b>Sale Revenue</b>						
Revenue from selling product under Company's trademark						
1) Facial skincare	689.76	52.90	500.68	62.86	(189.08)	(7.41)
2) Body care	39.39	3.02	32.47	4.08	(6.92)	(17.57)
3) Facial cleansing	127.77	9.80	81.67	10.25	(46.10)	(36.08)
4) Body cleansing	98.49	7.55	54.09	6.79	(44.40)	(45.08)
5) Sunscreen	32.12	2.46	20.70	2.60	(11.42)	(35.55)
6) Giftset	287.08	22.02	83.18	10.44	(203.90)	(71.03)
7) Other	0.17	0.01	1.38	0.18	1.21	711.76
Total revenue from products under Company's trademark	1,274.78	97.76	774.17	97.20	(500.61)	(39.27)
Deduct Sales discount	(25.15)	(1.93)	(45.11)	(5.66)	(19.96)	79.36
<b>Total sales</b>	<b>1,249.63</b>	<b>95.83</b>	<b>729.06</b>	<b>91.54</b>	<b>(520.57)</b>	<b>(41.66)</b>
Other income <sup>1</sup>	54.35	4.17	67.38	8.46	13.03	23.97
<b>Total revenue</b>	<b>1,303.98</b>	<b>100.00</b>	<b>796.44</b>	<b>100.00</b>	<b>(507.54)</b>	<b>(38.92)</b>

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

Table 3 : Sales Revenue by Geography for the Three Months period ended Sep 30, 2019 and 31 Dec 2019 (3M QoQ)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Period Ended					
	30 September 2019		31 December 2019		THB mm	%
	THB mm	%	THB mm	%		
<b>Sale revenue</b>						
1. Sale revenue from domestic customers	134.44	70.09	117.79	62.64	(16.65)	(12.38)
2. Sale revenue from overseas customers	38.47	20.06	53.94	28.68	15.42	40.08
<b>Total sales</b>	<b>172.91</b>	<b>90.15</b>	<b>171.73</b>	<b>91.32</b>	<b>(1.23)</b>	<b>(0.71)</b>
Other income <sup>1</sup>	18.89	9.85	16.32	8.68	(2.55)	(13.50)
<b>Total revenue</b>	<b>191.80</b>	<b>100.00</b>	<b>188.05</b>	<b>100.00</b>	<b>(3.78)</b>	<b>(1.97)</b>

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

Table 4 : Sales Revenue by Geography for the Three Months period ended 31 Dec 2019 (3M YoY)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Period Ended 31 December					
	2018		2019			
	THB mm	%	THB mm	%	THB mm	%
<b>Sale revenue</b>						
1. Sale revenue from domestic customers	217.12	78.29	117.79	62.64	(99.33)	(45.75)
2. Sale revenue from overseas customers	49.15	17.72	53.94	28.68	4.79	9.75
<b>Total sales</b>	<b>266.27</b>	<b>96.02</b>	<b>171.73</b>	<b>91.32</b>	<b>(94.54)</b>	<b>(35.51)</b>
Other income <sup>1</sup>	11.05	3.98	16.32	8.68	5.27	47.69
<b>Total revenue</b>	<b>277.32</b>	<b>100.00</b>	<b>188.05</b>	<b>100.00</b>	<b>(89.27)</b>	<b>(32.19)</b>

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

Table 5 : Sales Revenue by Geography for the Years ended 31 Dec 2019 (12M YoY)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For The Years ended 31 December					
	2018		2019			
	THB mm	%	THB mm	%	THB mm	%
<b>Sale revenue</b>						
1. Sale revenue from domestic customers	982.40	75.34	551.94	69.30	(430.46)	(43.82)
2. Sale revenue from overseas customers	267.23	20.49	177.12	22.24	(90.11)	(33.72)
<b>Total sales</b>	<b>1,249.63</b>	<b>95.83</b>	<b>729.06</b>	<b>91.54</b>	<b>(520.57)</b>	<b>(41.66)</b>
Other income <sup>1</sup>	54.35	4.17	67.38	8.46	13.03	23.97
<b>Total revenue</b>	<b>1,303.98</b>	<b>100.00</b>	<b>796.44</b>	<b>100.00</b>	<b>(507.54)</b>	<b>(38.92)</b>

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

### Cost of Goods Sold

Cost of goods sold for the years ended 31 December 2018 and 2019 stood at THB 412.35 million and THB 258.25 million respectively, equivalent to a 37.37% decrease. Cost of goods sold to sales revenue ratio slightly increased from 33.00% to 35.42% because of the depreciation costs increased 23.84% and others cost from obsolete goods.

**Table 6:** Cost of Goods Sold by Type of Expenses for the Years ended 31 Dec (12M YoY)

Cost of sales	Consolidated financial statements				Change Increase/(Decrease)	
	For The Years ended 31 December					
	2018		2019		THB mm	%
	THB mm	%	THB mm	%		
Raw material and packaging	328.65	79.70	146.10	56.57	(182.55)	(55.55)
Labor costs	37.24	9.03	23.22	8.99	(14.02)	(37.65)
Depreciation costs	17.53	4.25	21.71	8.41	4.18	23.84
Freight expenses	1.94	0.47	1.89	0.73	(0.05)	(2.58)
Others <sup>1</sup>	26.99	6.55	65.33	25.30	38.34	142.05
<b>Total cost of sales</b>	<b>412.35</b>	<b>100.00</b>	<b>258.25</b>	<b>100.00</b>	<b>(154.10)</b>	<b>(37.37)</b>
Proportion of cost of sales to sales revenue (%)	33.00		35.42			
Gross Profit Margin (%)	67.00		64.58			

Note: <sup>1</sup> Other costs of goods sold mainly comprise warehouse rentals, utility charges and other expenses related to production.

### Gross Profit

Gross profit for the years ended 31 December 2018 and 2019 were THB 837.28 million and THB 470.81 million respectively or equivalent to gross profit margin of 67.00% and 64.58% respectively. The small drop in gross profit of the Company was derived from the slowdown in sales revenue during the year. In addition, gross profit margin slightly decreased as a result of the depreciation costs increased and others cost from obsolete goods.

## Sales Expenses

Considering sales expenses, the Company posted sales expenses for the years ended 31 December 2018 and 2019 of THB 510.49 million and THB 431.91 million respectively. This is equivalent to a significant decline of 15.39 % compared to the last year. This shows that the Company managed to properly slash sales expenses from the previous year to be in parallel with the plunge in sales revenue. Nevertheless, some of the sales expenses did not adjust promptly and did not fully mirror the slowdown in revenue as there is a lead time for certain expenses that the Company must plan in advance such as advertising expenses spent on various media. Furthermore, the Company introduced its new products in this year as below:

1. SNAILWHITE GOLD TRIPPLE LIFT SERUM
2. SOS HYALURON X3 CONCENTRATE SERUM
3. SOS HYALURON & COLLAGEN FREEZE-DRIED MASK
4. OXE'CURE ACNE CLEAR POTION
5. OXE'CURE ACNE CLEAR POWDER MUD
6. OXE'CURE ACNE CLEAR POWDER LOTION
7. PRETTIIFACE OASIS MOISTURIZING SERUM
8. PRETTIIFACE PORE-FECTING SERUM
9. PRETTIIFACE WINK BRIGHT WHITENING SERUM
10. PRETTIIFACE YOUTH-IFUL SERUM

Marketing communication was conducted nationwide for these new products. Additionally, marketing efforts were put continuously in the Philippines. Consequently, sales expenses to sales revenue ratio escalated moderately from 40.85% to 59.24% as the Company incurred additional expenses from its marketing.

**Table 7: Sales Expenses by Type of Expenses for the years ended 31 Dec (12M YoY)**

Selling expenses	Consolidated financial statements				Change Increase/(Decrease)	
	For Years ended 31 December					
	2018		2019		THB mm	%
	THB mm	%	THB mm	%		
Advertising and promotional expenses	455.66	89.26	372.26	86.19	(83.40)	(18.30)
Sales employee cost	22.99	4.50	34.63	8.02	11.64	50.63
Freight expenses	6.46	1.27	6.06	1.40	(0.40)	(6.19)
Others <sup>1</sup>	25.38	4.97	18.96	4.39	(6.42)	(25.30)
<b>Total selling expenses</b>	<b>510.49</b>	<b>100.00</b>	<b>431.91</b>	<b>100.00</b>	<b>(78.58)</b>	<b>(15.39)</b>
% to sales revenue	40.85		59.24			

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

#### Administrative Expenses

The Company's administrative expenses for the years ended 31 December 2018 and 2019 were THB 158.73 million and THB 166.65 million respectively. This jump in administrative expenses of 4.99% year on year was derived from impairment of assets loss.

**Table 8: Administrative Expenses by Type of Expenses the Years ended 31 December (12M YoY)**

Administrative expenses	Consolidated financial statements				Change Increase/(Decrease)	
	For Years ended 31 December					
	2018		2019		THB mm	%
	THB mm	%	THB mm	%		
Administrative employee cost	100.08	63.05	101.49	60.90	1.41	1.41
Miscellaneous expenses	23.13	14.57	17.48	10.49	(5.65)	(24.43)
Depreciation and amortization	14.60	9.20	11.99	7.19	(2.61)	(17.88)
Tax and other fee	13.02	8.20	14.79	8.87	1.77	13.59
Others <sup>1</sup>	7.90	4.98	20.90	12.55	13.00	164.56
<b>Total administrative expenses</b>	<b>158.73</b>	<b>100.00</b>	<b>166.65</b>	<b>100.00</b>	<b>7.92</b>	<b>4.99</b>
% to sales revenue	12.17%		20.92%			

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

### Net Profit(Loss)

The Company posted net profit(loss) of THB 184.49 million and THB (53.22) million for the years ended 31 December 2018 and 2019 respectively, equivalent to a huge drop of 128.85%. Net profit margin also plummeted from 14.15% to (6.68%). The fall in net profit margin was from the deceleration in sales revenue and the higher sales and administrative expenses mentioned earlier.

### Financial Position

#### Total Assets

As of 31 December 2019, the Company's total assets stood at THB 4,956.71 million, shrinking 5.55% from the end of last year. The majority of total assets consists of cash and equivalents, short-term investments, trade receivables and other receivables and inventories and property, plant and equipment. Cash spent and repayments of loans from financial institutions.

#### Total Liabilities

As of 31 December 2019, the Company held total liabilities of THB 194.12 million, falling at a rate of 26.88 % from the end of last year. Total liabilities declined as a result of the decrease in loans from financial institutions.

#### Shareholders' Equity

As of 31 December 2019, shareholders' equity of the Company was recorded at THB 4,762.58 million. The minor drop in shareholders' equity of 4.42 % was mainly due to declining retained earnings as a result of the recent dividend payment in May.

### Financial Ratio

Financial Ratio	As of December 31, 2019	As of December 31, 2019
Liquidity Ratio (times)	24.87	23.97
Debt to Equity Ratio (times)	0.05	0.04
Return on Equity - ROE (%)	3.79	(1.10)
Return on Assets - ROA (%)	4.15	(1.18)
Net Profit Margin (%)	14.15	(6.68)

Please be informed accordingly.

Yours Sincerely,

Mr. Piyawat Ratchapolsitte

Chief Financial Officer