

13 November 2020

Subject Management Discussion and Analysis for the Nine months ended September 30, 2020

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 Nine months ended September 30, 2020 as follows:

Management Discussion and Analysis
For the Nine months ended September 30, 2020

Summary of Performance

Sales Revenue

For the nine months ended 30 September 2019 and 2020, the Company recorded total sales revenue of THB 557.33 million and THB 702.11 million, respectively. This is equal to an increase of 26.00 % year on year. Domestic sales revenue increased 31.59% from the same period of the previous year due to the acquisition of Kuron Company Limited since 3rd March 2020, allowing the Company to fully record the revenue of Kuron, which mostly was from domestic, since the second quarter of this year. However, despite the increase in consolidated revenue compared to the same period of last year, the company-owned products (excluding Kuron's) generated lower sales after being heavily affected by the closures and abnormal operating hours of shopping stores due to the pandemic of COVID-19. The steep decline in the number of Chinese tourists also weighed in the plunge of skincare sales. The Company has acknowledged the situation and adjusted the strategy and marketing plans accordingly to minimize the impact, by focusing in expanding the customer base and emphasizing in online channel.

International sales revenue dropped by 6.20 % compared to the last quarter, since the China and Philippines has endured more drastic impact from COVID-19, making the sales deviate from the original plan of the Company. Online channel in overseas market, meanwhile, was still going strong.

Table 1 : Sales Revenue by Product Line for the Three Months ended Jun 30, 2020 and Sep 30, 2020

(3M QoQ)

| Sales by geography | Consolidated financial statements | | | | Change Increase/(Decrease) | |
|--|-----------------------------------|---------------|-------------------|---------------|-------------------------------|----------------|
| | For Three Months Ended | | | | | |
| | 30 June 2020 | | 30 September 2020 | | THB mm | % |
| | THB mm | % | THB mm | % | | |
| Sale Revenue | | | | | | |
| Revenue from selling product under Company's trademark | | | | | | |
| 1) Skincare | 58.24 | 16.67 | 70.27 | 22.73 | 12.03 | 20.66 |
| 2) Cleansing | 24.47 | 7.00 | 30.13 | 9.74 | 5.66 | 23.13 |
| 3) Sunscreen and Cosmetic | 4.12 | 1.18 | 3.45 | 1.12 | (0.67) | (16.26) |
| 4) Personal Equipment | 85.08 | 24.35 | 119.08 | 38.51 | 34.00 | 39.96 |
| 5) Consumer goods | 63.95 | 18.30 | 62.89 | 20.34 | (1.06) | (1.66) |
| 6) Giftset | 7.53 | 2.15 | 13.64 | 4.41 | 6.11 | 81.14 |
| 7) Other | 0.24 | 0.07 | 1.69 | 0.55 | 1.45 | 604.17 |
| Total revenue from products under Company's trademark | 243.63 | 69.71 | 301.15 | 97.39 | 57.52 | 23.61 |
| Deduct Sales discount | (10.77) | (3.08) | (22.14) | (7.16) | (11.37) | 105.57 |
| Total sales | 232.86 | 66.63 | 279.01 | 90.23 | 46.15 | 19.82 |
| Other income¹ | 116.60 | 33.37 | 30.20 | 9.77 | (86.40) | (74.10) |
| Total revenue | 349.46 | 100.00 | 309.21 | 100.00 | (40.25) | (11.52) |

Notes: ¹ Other income comprises mainly of interest income and services revenue

Table 2 : Sales Revenue by Geography for the Three Months ended Jun 30, 2020 and Sep 30, 2020

(3M QoQ)

| Sales by geography | Consolidated financial statements | | | | Change Increase/(Decrease) | |
|---|-----------------------------------|---------------|-------------------|---------------|-------------------------------|----------------|
| | For Three Months Ended | | | | | |
| | 30 June 2020 | | 30 September 2020 | | THB mm | % |
| | THB mm | % | THB mm | % | | |
| Sale revenue | | | | | | |
| 1. Sale revenue from domestic customers | 199.24 | 57.01 | 228.46 | 73.89 | 29.22 | 14.67 |
| 2. Sale revenue from overseas customers | 33.62 | 9.62 | 50.55 | 16.35 | 16.93 | 50.36 |
| Total sales | 232.86 | 66.63 | 279.01 | 90.23 | 46.15 | 19.82 |
| Other income¹ | 116.60 | 33.37 | 30.2 | 9.77 | (86.40) | (74.10) |
| Total revenue | 349.46 | 100.00 | 309.21 | 100.00 | (40.25) | (11.52) |

Notes: ¹ Other income comprises mainly of interest income and services revenue

Table 3 : Sales Revenue by Product Line for the Nine Months ended 30 September 2020 (9M YoY)

| Sales by geography | Consolidated financial statements | | | | Change Increase/(Decrease) | |
|--|------------------------------------|---------------|---------------|---------------|-------------------------------|--------------|
| | For Nine Months Ended 30 September | | | | | |
| | 2019 | | 2020 | | THB mm | % |
| | THB mm | % | THB mm | % | | |
| Sale Revenue | | | | | | |
| Revenue from selling product under Company's trademark | | | | | | |
| 1) Skincare | 412.89 | 67.88 | 220.84 | 27.61 | (192.05) | (46.51) |
| 2) Cleansing | 91.15 | 14.98 | 85.11 | 10.64 | (6.04) | (6.63) |
| 3) Sunscreen and Cosmetic | 14.95 | 2.46 | 17.76 | 2.22 | 2.81 | 18.80 |
| 4) Personal Equipment | - | 0.00 | 236.91 | 29.62 | 236.91 | 0.00 |
| 5) Consumer goods | - | 0.00 | 149.93 | 18.74 | 149.93 | 0.00 |
| 6) Giftset | 61.72 | 10.15 | 31.18 | 3.90 | (30.54) | (49.48) |
| 7) Other | 0.76 | 0.12 | 2.04 | 0.26 | 1.28 | 168.42 |
| Total revenue from products under Company's trademark | 581.47 | 95.59 | 743.77 | 92.99 | 162.30 | 27.91 |
| Deduct Sales discount | (24.23) | (3.98) | (41.66) | (5.21) | (17.43) | 71.94 |
| Total sales | 557.24 | 91.61 | 702.11 | 87.78 | 144.87 | 26.00 |
| Other income ¹ | 51.06 | 8.39 | 97.74 | 12.22 | 46.68 | 91.42 |
| Total revenue | 608.30 | 100.00 | 799.85 | 100.00 | 191.55 | 31.49 |

Notes: ¹ Other income comprises mainly of interest income and services revenue

Table 4 : Sales Revenue by Geography for the Nine Months ended 30 September 2020 (9M YoY)

| Sales by geography | Consolidated financial statements | | | | Change Increase/(Decrease) | |
|---|------------------------------------|---------------|---------------|---------------|-------------------------------|--------------|
| | For Nine Months Ended 30 September | | | | | |
| | 2019 | | 2020 | | THB mm | % |
| | THB mm | % | THB mm | % | | |
| Sale revenue | | | | | | |
| 1. Sale revenue from domestic customers | 434.16 | 71.36 | 571.30 | 71.43 | 137.14 | 31.59 |
| 2. Sale revenue from overseas customers | 123.17 | 20.24 | 130.81 | 16.35 | 7.64 | 6.20 |
| Total sales | 557.33 | 91.61 | 702.11 | 87.78 | 144.78 | 26.00 |
| Other income ¹ | 51.07 | 8.39 | 97.74 | 12.22 | 46.67 | 91.42 |
| Total revenue | 608.40 | 100.00 | 799.85 | 100.00 | 191.45 | 31.49 |

Notes: ¹ Other income comprises mainly of interest income and services revenue

Cost of Goods Sold

Cost of goods sold for the nine months ended 30 September 2019 and 2020 stood at THB 180.38 million and THB 317.09 million, respectively, equivalent to a 75.79 % increase. Cost of goods sold to sales revenue ratio increased from 32.36 % to 45.16% because of the raw material and packaging increased 115 % and change in product sales mix since we invested in the new Company, KURON Co., Ltd on 3 March 2020. And DDD capacity variance loss increased from unused capacity.

Gross Profit

Gross profit for the nine months ended 30 September 2019 and 2020 were THB 376.95 million and THB 385.01 million, respectively, or equivalent to a gross profit margin of 67.64% and 54.84%, respectively. The significant drop in gross profit of the Company was derived from the slowdown in sales revenue compared to the same period of last year due to the change in product sales mix since we invested in the new company, KURON Co., Ltd. on 3 March 2020.

Sales Expenses

The Company posted sales expenses for the nine months ended 30 September 2019 and 2020 of THB 305.82 million and THB 324.80 million, respectively. This is equivalent to an increase of 6.21% compared to the same period of last year. Nonetheless, the Company has reduced the spending on advertisement and promotion in this period, compared to the same period last year, to reflect the slowdown in sales due to the COVID-19 pandemic which resulted in the closures of many points of sales between March and May. Some of the expenses, however, were less elastic to sales such as salary of salespeople and beauty advisors from both the Company and Kuron Company Limited. In addition, we have focused on efficiency in cost control. Consequently, sales expenses to sales revenue ratio dropped from 54.87% to 46.26% as the Company held up the sales, sale promotion, and marketing expenses.

Administrative Expenses

The Company's administrative expenses for the nine months ended 30 September 2019 and 2020 were THB 112.97 million and THB 177.16 million, respectively, equivalent to an increase of 56.82%. Administrative Expenses to sales revenue ratio increased from 18.57% to 22.15%. This is mainly due to the consolidation of Kuron's administrative expenses and from professional fees related to the acquisition totaling THB 9.7 mm.

Net Profit(Loss)

The Company posted net profit(loss) of THB 4.53 million and THB (20.25) million for the nine months ended 30 September 2019 and 2020, respectively, equivalent to a huge decrease of 547.02 %. The net profit margin also dropped from 0.74% to (2.53%) An decrease in net profit is mainly contributed by the unrealized loss from fair value assessment of financial assets during Q3/2020 at THB 71.63 million and provision of obsolete stock increased compared to the same period last year.

Financial Position

Total Assets

As of 30 September 2020, the Company's total assets stood at THB 5,056.67 million, increasing 2.02 % from the end of last year. The majority of total assets consist of cash and equivalents, short-term investments, trade receivables, and other receivables, property, plant and equipment and intangible assets because of the new investment in KURON Co., Ltd since 3 March 2020.

Total Liabilities

As of 30 September 2020, the Company held total liabilities of THB 335.37 million, increasing at a rate of 72.76 % from the end of last year. Total liabilities increased as a result of the share purchase agreement of KURON Co., Ltd. Since 3 March 2020 and deferred tax liability.

Shareholders' Equity

As of 30 September 2020, shareholders' equity of the Company was recorded at THB 4,721.30 million. The small drop in shareholders' equity of 0.87% was mainly due to increasing other components of equity offset with a result of the recent dividend payment and net profit(loss) during the year.

Financial Ratio

| Financial Ratio | As of December 31, 2019 | As of September 30, 2020 |
|------------------------------|-------------------------|--------------------------|
| Liquidity Ratio (times) | 23.97 | 20.92 |
| Debt to Equity Ratio (times) | 0.04 | 0.07 |
| Return on Equity - ROE (%) | (1.10) | (1.33) |
| Return on Assets - ROA (%) | (1.18) | (0.37) |
| Net Profit Margin (%) | (6.68) | (20.25) |

Please be informed accordingly.

Yours Sincerely,

Mr. Piyawat Ratchapolsitte

Chief Financial Officer