

13 February 2020

**Subject** Management Discussion and Analysis for the three months ended March 31, 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 three months ended March 31, 2020 as follows:

**Management Discussion and Analysis**  
**For the three months ended March 31, 2020**

**Summary of Performance**

**Sales Revenue**

For the three months ended 31 March 2019 and 2020, the Company recorded total sales revenue of THB 202.23 million and THB 190.24 million, respectively. This is equal to a decline of 5.93% year on year. Domestic sales revenue dropped 15.94% from the same period of the previous year due to an unfavorable condition of the Company's traditional trade channel because of the terminated contract with the distributor, which was effective since 30 June 2019. Further in this year, the period pandemic of COVID-19 followed by the government's order of a temporary business shutdown to limit the spread of COVID-19 applying from 22 March 2020 until the present affects our partners and customers.

Apart from the distribution disruption, negative factors affecting tourism in Thailand still emerged and caused a material fall in the number of tourists, especially from China, which is our target customers. The number of daily foreign tourist arrivals through 5 major airports decline by dropping 63% from the same period last year. (source: International Tourist Arrivals to Thailand January-March 2020, Ministry of Tourism & Sports). Additionally, The Chinese government announced a ban on outbound group tours since 24 January 2020. The Company was fully aware of the situation and took actions by implementing new strategies and marketing plans to achieve a better reach of both existing target customers and new customers. Nonetheless, the Company is putting measures in place to ensure we continue to serve customers' demand through online channels. Marketing strategy has become more focused on e-commerce websites and social media platforms.

International sales revenue increased to 48.58% compared to the last previous period. The Company's products are well-received in the Philippines. Nevertheless, China export continues to dropping since last year. The Company plans to improve sale channel in China this year and expect the improvement after the pandemic of COVID-19 ends.

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

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Ended 31 March					
	2019		2020		THB mm	%
	THB mm	%	THB mm	%		
<b>Sale Revenue</b>						
Revenue from selling product under Company's trademark						
1) Skincare	163.28	75.09	92.33	43.39	(70.95)	(43.45)
2) Cleansing	18.57	8.54	30.51	14.34	11.94	64.30
3) Sunscreen and Cosmetic	7.84	3.60	10.19	4.78	2.35	29.97
4) Personal Equipment	-	-	32.75	15.39	32.75	-
5) Consumer goods	-	-	23.09	10.85	23.09	-
6) Giftset	25.88	11.90	10.01	4.70	(15.87)	(61.32)
7) Other	-	-	0.11	0.05	0.11	-
Total revenue from products under Company's trademark	215.57	99.13	198.99	93.50	(16.58)	(7.69)
Deduct Sales discount	(13.34)	(6.13)	(8.75)	(4.11)	4.59	(34.41)
<b>Total sales</b>	<b>202.23</b>	<b>93.00</b>	<b>190.24</b>	<b>89.39</b>	<b>(11.99)</b>	<b>(5.93)</b>
<b>Other income<sup>1/</sup></b>	<b>15.23</b>	<b>7.00</b>	<b>22.57</b>	<b>10.61</b>	<b>7.34</b>	<b>48.19</b>
<b>Total revenue</b>	<b>217.46</b>	<b>100.00</b>	<b>212.81</b>	<b>100.00</b>	<b>(4.65)</b>	<b>(2.14)</b>

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

Table 2 : Sales Revenue by Product Line for the Three Months ended Dec 31, 2019 and 31 Mar 2020

(3M QoQ)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Ended					
	31 December 2019		31 March 2020		THB mm	%
	THB mm	%	THB mm	%		
<b>Sale Revenue</b>						
Revenue from selling product under Company's trademark						
1) Skincare	120.32	63.98	92.33	43.39	(27.99)	(17.14)
2) Cleansing	44.62	23.73	30.51	14.34	(14.11)	(75.98)
3) Sunscreen and Cosmetic	5.76	3.06	10.19	4.78	4.43	56.51
4) Personal Equipment	-	0.00	32.75	15.39	32.75	-
5) Consumer goods	-	0.00	23.09	10.85	23.09	-
6) Giftset	21.46	11.41	10.01	4.70	(11.45)	(44.24)
7) Other	0.63	0.34	0.11	0.05	(0.52)	-
Total revenue from products under Company's trademark	192.79	102.52	198.99	93.50	6.20	2.88
Deduct Sales discount	(21.06)	(11.20)	(8.75)	(4.11)	12.23	(91.68)
<b>Total sales</b>	<b>171.73</b>	<b>91.32</b>	<b>190.24</b>	<b>89.39</b>	<b>18.43</b>	<b>9.11</b>
<b>Other income<sup>1</sup></b>	<b>16.32</b>	<b>8.68</b>	<b>22.57</b>	<b>10.61</b>	<b>6.25</b>	<b>41.04</b>
<b>Total revenue</b>	<b>188.05</b>	<b>100.00</b>	<b>212.81</b>	<b>100.00</b>	<b>24.68</b>	<b>11.35</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 ended Dec 31, 2019 and 31 Mar 2020

(3M QoQ)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Ended					
	31 December 2019		31 March 2020			
	THB mm	%	THB mm	%	THB mm	%
<b>Sale revenue</b>						
1. Sale revenue from domestic customers	117.79	62.64	143.63	67.49	25.84	21.94
2. Sale revenue from overseas customers	53.94	28.68	46.61	21.90	(7.33)	(13.59)
<b>Total sales</b>	<b>171.73</b>	<b>91.32</b>	<b>190.24</b>	<b>89.39</b>	<b>18.51</b>	<b>10.78</b>
<b>Other income<sup>/1</sup></b>	<b>16.32</b>	<b>8.68</b>	<b>22.57</b>	<b>10.61</b>	<b>6.25</b>	<b>38.30</b>
<b>Total revenue</b>	<b>188.05</b>	<b>100.00</b>	<b>212.81</b>	<b>100.00</b>	<b>24.76</b>	<b>13.17</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 ended 31 Mar 2020 (3M YoY)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Ended 31 March					
	2019		2020			
	THB mm	%	THB mm	%	THB mm	%
<b>Sale revenue</b>						
1. Sale revenue from domestic customers	170.86	78.57	143.63	67.49	(27.23)	(15.94)
2. Sale revenue from overseas customers	31.37	14.43	46.61	21.90	15.24	48.58
<b>Total sales</b>	<b>202.23</b>	<b>93.00</b>	<b>190.24</b>	<b>89.39</b>	<b>(11.99)</b>	<b>(5.93)</b>
<b>Other income<sup>/1</sup></b>	<b>15.23</b>	<b>7.00</b>	<b>22.57</b>	<b>10.61</b>	<b>7.34</b>	<b>48.19</b>
<b>Total revenue</b>	<b>217.46</b>	<b>100.00</b>	<b>212.81</b>	<b>100.00</b>	<b>(4.65)</b>	<b>(2.14)</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 three months ended 31 March 2019 and 2020 stood at THB 54.04 million and THB 84.21 million, respectively, equivalent to a 55.85% increase. Cost of goods sold to sales revenue ratio increased from 26.72% to 44.27% because of the raw material and packaging increased 81.98%. and change in product sales mix since we invested in the new Company, KURON Co., Ltd on 3 March 2020. The proportion of raw material and packaging to the total cost of goods sold increased from 62.84% to 73.38%

**Table 5: Cost of Goods Sold by Type of Expenses for the Three Months ended 31 Mar 2020 (3M YoY)**

Cost of sales	Consolidated financial statements				Change Increase/(Decrease)	
	For the three months ended 31 March					
	2019		2020			
	THB mm	%	THB mm	%	THB mm	%
Raw material and packaging	33.96	62.84	61.80	73.38	27.84	81.98
Labor costs	5.69	10.53	6.41	7.61	0.72	12.65
Depreciation costs	4.91	9.08	5.58	6.63	0.67	13.65
Freight expenses	0.22	0.41	0.60	0.71	0.38	172.73
Others <sup>1</sup>	9.26	17.14	9.82	11.67	0.56	6.05
<b>Total cost of sales</b>	<b>54.04</b>	<b>100.00</b>	<b>84.21</b>	<b>100.00</b>	<b>30.17</b>	<b>55.83</b>
Proportion of cost of sales to sales revenue (%)	26.72		44.27			
Gross Profit Margin (%)	73.28		55.73			

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 three months ended 31 March 2019 and 2020 were THB 148.19 million and THB 106.03 million, respectively, or equivalent to a gross profit margin of 73.28 and 55.73, 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, Stock write-off and Stock revaluation.

## Sales Expenses

The Company posted sales expenses for the three months ended 31 March 2019 and 2020 of THB 97.10 million and THB 80.39 million, respectively. This is equivalent to a significant decline of 17.21 % compared to the same period of last year. That show the Company managed to properly slash sales expenses from the previous year to be in response to decline in sales revenue and the impact from the government's order of a temporary business shutdown to limit the spread of COVID-19, applying from 22 March 2020 until the present that affects our store partner. In addition, we have focused on efficiency in cost control. Consequently, sales expenses to sales revenue ratio dropped from 48.01% to 42.26% as the Company held up the sales, sale promotion, and marketing expenses.

**Table 6:** Sales Expenses by Type of Expenses for the Three Months ended 31 Mar 2020 (3M YoY)

Selling expenses	Consolidated financial statements				Change Increase/(Decrease)	
	For the three months ended 31 March					
	2019		2020		THB mm	%
	THB mm	%	THB mm	%		
Advertising and promotional expenses	83.54	86.04	54.86	68.25	(28.68)	(34.33)
Sales employee cost	8.09	8.33	17.08	21.25	8.99	111.12
Freight expenses	1.35	1.39	2.68	3.33	1.33	98.52
Others <sup>/1</sup>	4.12	4.24	5.77	7.17	1.65	40.05
<b>Total selling expenses</b>	<b>97.10</b>	<b>100.00</b>	<b>80.39</b>	<b>100.00</b>	<b>(16.71)</b>	<b>(17.21)</b>
<b>% to sales revenue</b>	<b>48.01</b>		<b>42.26</b>			

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 three months ended 31 March 2019 and 2020 were THB 40.14 million and THB 56.25 million, respectively, equivalent to a huge rise of 40.13%. This mainly came from professional fees related to the acquisition of KURON Co., Ltd., totaling THB 9.7 mm.

**Table 7:** Administrative Expenses by Type of Expenses for the Three Months ended 31 Mar 2020 (3M YoY)

Administrative expenses	Consolidated financial statements				Change Increase/(Decrease)	
	For the three months ended 31 March					
	2019		2020		THB mm	%
	THB mm	%	THB mm	%		
Administrative employee cost	28.81	71.78	28.96	51.48	0.15	0.52
Miscellaneous expenses	3.65	9.09	6.60	11.73	2.95	80.82
Depreciation and amortization	3.47	8.64	3.57	6.35	0.10	2.88
Tax and other fee	2.97	7.40	13.56	24.11	10.59	356.57
Others <sup>1</sup>	1.24	3.09	3.57	6.33	2.32	187.10
<b>Total administrative expenses</b>	<b>40.14</b>	<b>100.00</b>	<b>56.25</b>	<b>100.00</b>	<b>16.11</b>	<b>40.13</b>
<b>% to sales revenue</b>	<b>18.46%</b>		<b>26.43%</b>			

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 19.34 million and THB (11.15) million for the three months ended 31 Mar 2019 and 2020, respectively, equivalent to a huge drop of 157.60%. The net profit margin also plummeted from 8.89% to (5.23%). The fall in net profit margin was from the deceleration in sales revenue and the higher cost of goods sold, sales and administrative expenses mentioned earlier.

## Financial Position

### Total Assets

As of 31 March 2020, the Company's total assets stood at THB 5,397.93 million, increasing 8.90% 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 31 March 2020, the Company held total liabilities of THB 521.27 million, increasing at a rate of 168.52% 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.

### Shareholders' Equity

As of 31 March 2020, shareholders' equity of the Company was recorded at THB 4,876.66 million. The small rise in shareholders' equity of 2.39% was mainly due to increasing other components of equity offset with a result of the recent dividend payment and net loss during the year.

## Financial Ratio

Financial Ratio	As of December 31, 2019	As of March 31, 2020
Liquidity Ratio (times)	23.97	12.15
Debt to Equity Ratio (times)	0.04	0.11
Return on Equity - ROE (%)	(1.10)	(0.23)
Return on Assets - ROA (%)	(1.18)	(0.16)
Net Profit Margin (%)	(6.68)	(5.23)

Please be informed accordingly.

Yours Sincerely,

Mr. Piyawat Ratchapolsitte

Chief Financial Officer