

14 August 2020

Subject Management Discussion and Analysis for the Six months ended June 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 six months ended June 30, 2020 as follows:

Management Discussion and Analysis
For the six months ended June 30, 2020

Summary of Performance

Sales Revenue

For the six months ended 30 June 2019 and 2020, the Company recorded total sales revenue of THB 384.42 million and THB 423.10 million, respectively. This is equal to an increase of 14.41% year on year. Domestic sales revenue increased 14.41% 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, in 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 5.31 % compared to the last quarter, since the 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 Mar 31, 2020 and 30 Jun 2020

(3M QoQ)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Ended					
	31 March 2020		30 June 2020		THB mm	%
	THB mm	%	THB mm	%		
Sale Revenue						
Revenue from selling product under Company's trademark						
1) Skincare	92.33	43.39	58.24	16.67	(34.09)	(36.92)
2) Cleansing	30.51	14.34	24.47	7.00	(6.04)	(19.80)
3) Sunscreen and Cosmetic	10.19	4.78	4.12	1.18	(6.07)	(59.57)
4) Personal Equipment	32.75	15.39	85.08	24.35	52.33	159.79
5) Consumer goods	23.09	10.85	63.95	18.30	40.86	176.96
6) Giftset	10.01	4.70	7.53	2.15	(2.48)	(24.78)
7) Other	0.11	0.05	0.24	0.07	0.13	118.18
Total revenue from products under Company's trademark	198.99	93.50	243.63	69.71	44.64	22.43
Deduct Sales discount	(8.75)	(4.11)	(10.77)	(3.08)	(2.02)	(23.09)
Total sales	190.24	89.39	232.86	66.63	42.62	22.40
Other income ¹	22.57	10.61	116.60	33.37	94.03	416.61
Total revenue	212.81	100.00	349.46	100.00	136.65	64.21

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

Table 2 : Sales Revenue by Geography for the Three Months ended Mar 31, 2020 and 30 Jun 2020

(3M QoQ)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Three Months Ended					
	31 March 2020		30 June 2020		THB mm	%
	THB mm	%	THB mm	%		
Sale revenue						
1. Sale revenue from domestic customers	143.63	67.49	199.24	57.01	55.61	38.72
2. Sale revenue from overseas customers	46.61	21.90	33.62	9.62	(12.99)	(27.87)
Total sales	190.24	89.39	232.86	66.63	42.62	22.40
Other income ¹	22.57	10.61	116.60	33.37	94.03	416.61
Total revenue	212.81	100.00	349.46	100.00	136.65	64.21

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

Table 3 : Sales Revenue by Product Line for the Six Months ended 30 June 2020 (6M YoY)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Six Months Ended 30 June					
	2019		2020		THB mm	%
	THB mm	%	THB mm	%		
Sale Revenue						
Revenue from selling product under Company's trademark						
1) Skincare	287.50	69.00	150.57	26.77	(136.85)	(47.61)
2) Cleansing	54.81	13.16	54.98	9.78	0.17	0.31
3) Sunscreen and Cosmetic	13.30	3.19	14.31	2.55	1.01	7.59
4) Personal Equipment	-	0.00	117.83	20.96	117.83	0.00
5) Consumer goods	-	0.00	87.04	15.48	87.04	0.00
6) Giftset	41.15	9.88	17.54	3.12	(23.61)	(57.38)
7) Other	0.70	0.17	0.35	0.06	(0.35)	(50.00)
Total revenue from products under Company's trademark	397.46	95.40	442.62	78.72	45.24	11.38
Deduct Sales discount	(13.04)	(3.13)	(19.52)	(3.47)	(6.48)	49.69
Total sales	384.42	92.27	423.10	75.25	38.76	10.08
Other income ¹	32.18	7.73	139.17	24.75	106.99	332.47
Total revenue	416.60	100.00	562.27	100.00	145.75	34.99

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

Table 4 : Sales Revenue by Geography for the Six Months ended 30 June 2020 (6M YoY)

Sales by geography	Consolidated financial statements				Change Increase/(Decrease)	
	For Six Months Ended 30 June					
	2019		2020		THB mm	%
	THB mm	%	THB mm	%		
Sale revenue						
1. Sale revenue from domestic customers	299.69	71.94	342.87	60.98	43.18	14.41
2. Sale revenue from overseas customers	84.73	20.34	80.23	14.27	(4.50)	(5.31)
Total sales	384.42	92.28	423.10	75.25	38.68	10.06
Other income ¹	32.18	7.72	139.17	24.75	106.99	332.47
Total revenue	416.60	100.00	562.27	100.00	145.67	34.97

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

Cost of Goods Sold

Cost of goods sold for the six months ended 30 June 2019 and 2020 stood at THB 117.81 million and THB 177.47 million, respectively, equivalent to a 50.64% increase. Cost of goods sold to sales revenue ratio increased from 30.65% to 41.65 % because of the raw material and packaging increased 79.34%. and change in product sales mix since we invested in the new Company, KURON Co., Ltd on 3 March 2020.

Gross Profit

Gross profit for the six months ended 30 Jun2019 and 2020 were THB 266.61 million and THB 245.62 million, respectively, or equivalent to a gross profit margin of 69.35% and 58.05%, 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 six months ended 30 Jun 2019 and 2020 of THB 200.05 million and THB 206.92 million, respectively. This is equivalent to an increase of 3.20% 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 50.45 % to 46.75% as the Company held up the sales, sale promotion, and marketing expenses.

Administrative Expenses

The Company's administrative expenses for the six months ended 30 Jun2019 and 2020 were THB 82.64 million and THB 119.44 million, respectively, equivalent to an increase of 44.53 %. 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 10.82 million and THB 42.63 million for the six months ended 30 June 2019 and 2020, respectively, equivalent to a huge increase of 293.92 %. The net profit margin also raised from 2.59 % to 7.58% An increase in net profit is mainly contributed by the unrealized gains from fair value assessment of financial assets during the year.

Financial Position

Total Assets

As of 30 June 2020, the Company's total assets stood at THB 5,269.89 million, increasing 6.32 % 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 June 2020, the Company held total liabilities of THB 384.27 million, increasing at a rate of 97.95% 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 June 2020, shareholders' equity of the Company was recorded at THB 4,885.61 million. The small rise in shareholders' equity of 2.58 % 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 June 30, 2020
Liquidity Ratio (times)	23.97	18.51
Debt to Equity Ratio (times)	0.04	0.08
Return on Equity - ROE (%)	(1.10)	1.12
Return on Assets - ROA (%)	(1.18)	1.10
Net Profit Margin (%)	(6.68)	7.58

Please be informed accordingly.

Yours Sincerely,

Mr. Piyawat Ratchapolsitte

Chief Financial Officer