



No. MM-SET 02/2017

April 10, 2017

Subject : Management Discussion and Analysis Yearly Ending 31 December 2016

To : The President  
The Stock Exchange of Thailand

#### Income Statement

##### **Total Revenue**

MM and the subsidiaries earned THB 2,889 mm and THB 2,992 mm in 2015 – 2016, respectively, equaling to y-o-y growth of 3.6%.

Changes of revenue of each subsidiary can be summarized as below.

Subsidiary	Revenue (THB mm)		Y-o-y Change Increase / (Decrease)	Note
	2015	2016		
Dunkin' Donuts	1,169	1,184	1.3	Increased number of branches and higher average ticket size
Au bon pain	699	731	4.6	Increased number of branches and growth of beverage sales
Baskin Robbins	101	105	4.0	Increased number of branches, change in menu, and consistent market campaign
Greyhound Café	654	765	17.0	Increased sales per branch and revenue from oversea franchisees
Greyhound	241	182	(24.5)	Economic downturn, intense competition, and constantly changing consumer behavior
M Kitchen	25	25	0.0	Only 1 branch
<b>Total Revenue</b>	<b>2,889</b>	<b>2,992</b>	<b>3.6</b>	

##### **Cost of Sales and Services**

Cost of sales and services in 2015 – 2016 totaled THB 1,116 mm and 1,175 mm, respectively, accounting for 38.6% and 39.3% of total revenue. The lift of cost of sales and services in 2016 was attributable to reasons as follows.

- Higher cost of raw materials
- Effect of exchange rate to import of Baskin Robbins ice-cream and raw materials
- Marketing promotion of Dunkin Donuts, e.g. Super value pack, which received wide customer acceptance
- Change of store display of Au Bon Pain by filling more products to gain customer attraction, and execute various promotions

#### **Mudman Public Company Limited**

209/1 KKP Tower B, 25th Floor, Sukhumvit 21 Road (Asoke), Klongtoey Nua, Wattana, Bangkok 10110 Thailand

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Notwithstanding negative effect on cost of sales and services of MM, the Company manages to stabilize the profitability in a satisfactory level, equaling to 61.4% and 60.7% of total revenue in 2015 – 2016, respectively. Profitability was well-stabilized under the effective collaboration between purchasing department, logistics department, marketing department, and branch employees through the application of effective procurement and inventory management systems.

#### Selling and Administrative Expenses

In 2015 – 2016, MM's selling and administrative expenses amounted to THB 1,742 mm and THB 1,793 mm, respectively, accounting for 60.3% and 59.5% of total revenue, respectively. Summary of selling and administrative expenses are as follows.

Expense	Selling and Administrative Expenses (THB mm)		Y-o-y Change Increase / (Decrease)	Note
	2015	2016		
Amortization of intangible assets from business acquisitions	71	70	(1.4)	Non-cash items from business acquisitions are divided into amortization of Dunkin' Donut, Au Bon Pain, Greyhound Café franchises totaling THB 25 mm, THB 7 mm, and THB 29 mm every year, respectively and amortization of trademarks of Greyhound group in lifestyle business THB 4 mm a year.
Other selling expenses	1,375	1,418	3.1	The Company incurred higher personnel cost, rental and service costs every year, due to increased number of branches and opening of new branches which concurrently expanded number of employees. Meanwhile, rental and service costs increased along with larger selling area.
Administrative expenses	296	305	3.0	Administrative expenses include remuneration of management and employees, management cost, and other related costs.
<b>Total selling and administrative expenses</b>	<b>1,742</b>	<b>1,793</b>	<b>2.9</b>	Proportion of selling and administrative expenses to total revenue in 2015 – 2016 totaled 60.3% and 59.9% of total revenue, respectively. A slight reduction of selling and administrative expenses was as a result of stringent cost control.

#### Loss on Impairment of Assets

In 2016, MM conducted replacement cost valuation of cash-generating assets based on asset utilization; under the method of estimated cash flow from Greyhound (lifestyle business) in order evaluate impairment of assets. The assets in consideration include

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intangible assets (trademarks) and other assets. The Company recorded impairment loss of assets totaling THB 155 mm in the consolidated financial statements.

#### Financing Cost

In 2015 – 2016, MM incurred finance cost amounting THB 63 mm and THB 56 mm, respectively. Finance cost decreased as the Company made constant repayment of long-term debt which has been borrowed since 2014 to fund the acquisition of Greyhound group. Majority of debt is long-term debt with MLR as reference interest rate. The Company encompassed long-term debt totaling 1,169 mm and 1,045 mm in 2015 – 2016, respectively.

#### Net profit (Loss)

In 2015 – 2016, MM's net profit (loss) amounted to THB (42.9) mm and THB (168.3) mm, respectively. Net profit (loss) of the Company equaled to (1.5)% and (5.6)% of total revenue, respectively. Reduction of net profit (loss) of the Company in 2016 was led by loss on impairment of assets totaling THB 154.9 mm, representing (5.2)% of total revenue. Nevertheless, such item occurred specifically in 2016. Without such item, the Company's operating result would be THB (13.4) mm or (0.5)% of total revenue, and the loss would decrease from that of 2015.

#### Statement of Financial Position

##### Total Assets

As of 31 December 2015 and 2016, the Company's assets equaled THB 4,057 mm and THB 3,814 mm. Majority of assets of MM consisted of non-current assets. As of 31 December 2016, the Company's non-current assets accounted for 90% of total assets, while current assets accounted for 10% of total assets, respectively.

Total Assets	2015		2016	
	THB mm	%	THB mm	%
Current assets	417	10.3	389	10.2
Non-current assets	3,639	89.7	3,425	89.8
Total assets	4,057	100.0	3,814	100.0

#### 1. Current Assets

The Company's current assets totaled THB 417 mm and THB 389 mm in 2015 – 2016, respectively, accounting for 10.3% and 10.2% of total assets. Account receivables were THB 60 mm and THB 67 mm in 2015 – 2016, respectively. Account receivables were mainly generated from Greyhound group. The Company's inventory as of 31 December 2015 and 2016 totaled THB 224 mm and THB 204 mm, accounting for 5.5% and 5.4% of total assets, respectively. Majority of inventory included finished products of Greyhound Fashion (44-46% of total inventory), raw materials (38-41% of total inventory), and packaging (5-7% of total inventory). The Company recorded allowance of deteriorated, obsolete, and slow-moving products which likely affect lifestyle business of MM.

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## 2. Non-Current Assets

As of 31 December 2015 and 2016, MM's non-current assets totaled THB 3,639 mm and THB 3,425 mm, respectively, accounting for 89.7% and 89.9% of total assets, respectively. Main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totaled THB 480 mm and THB 478 mm, respectively, or 11.8% and 12.5% of total assets, respectively. Goodwill from business acquisition was stable in 2015 – 2016, totaling THB 1,896 mm in 2015 – 2016. Goodwill was comprised of goodwill from Donut business at THB 484.4 mm, goodwill from bakery business at THB 298.2 mm, and goodwill from restaurants at THB 1,113.5 mm based on the business acquisition of Greyhound group since 2014. In 2015 – 2016, intangible assets amounted to THB 1,094 mm and THB 885 mm, respectively, or 27.0% and 23.2% of total assets, respectively. Main items in intangible assets were as follows. Firstly, the Company consisted of franchise totaling THB 597 mm and THB 534 mm in 2015 – 2016, respectively, accounting for 54.6% and 60.3% of total assets. Secondly, the Company encompassed trademarks totaling THB 471 mm and THB 326 mm in 2015 – 2016, respectively, accounting for 43.0% and 36.8% of total assets, respectively. In 2016, the Company recorded allowance of impairment of assets in lifestyle business at THB 142 mm.

### Total Liabilities

Total Liabilities	2015		2016	
	THB mm	%	THB mm	%
Current Liabilities	566	29.6	855	42.8
Non-Current Liabilities	1,347	70.4	1,144	57.2
<b>Total Liabilities</b>	<b>1,913</b>	<b>100.0</b>	<b>1,999</b>	<b>100.0</b>

### 1. Current Liabilities

As of 31 December 2015 and 31 December 2016, the Company's current liabilities totaled THB 566 mm and THB 855 mm, respectively, accounting for 25.1% and 29.6% of total liabilities. Significant increase of current liabilities in 2016 was caused by dividend payable totaling THB 160.3 mm and increase of current portion of long-term debt from financial institution which rose from THB 124 mm in 2015 to THB 173 mm in 2016.

### 2. Non-Current Liabilities

As of 31 December 2015 and 2016, non-current liabilities totaled THB 1,347 mm and 1,144 mm, respectively, representing 70.4% and 57.2% of total liabilities. Majority of non-current liabilities were long-term debt from financial institution in which long-term debt, net of current portion, equaled to THB 1,045 mm and THB 872 mm, respectively, accounting for 54.6% and 43.6% of total liabilities, respectively. Decrease of long-term debt in 2016 was as a result of constant repayment of long-term debt which has been borrowed since 2014 to fund the acquisition of Greyhound group. In 2016, the Company repaid long-term debt totaling THB 123.8 mm, in accordance to debt repayment schedule.

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#### Shareholders' Equity

As of 31 December 2015 and 2016, the Company's shareholders' equity stood at THB 2,144 mm and THB 1,815 mm, respectively. Shareholders' equity reduced by THB 329 mm due to dividend payable totaling THB 160.3 mm, resulting from the resolution of the Board of Directors' meeting No. 4/2016 dated 14 December 2016, and due to impairment of assets totaling THB 154.9 mm. The two factors contributed to operational loss of MM.

Yours Sincerely

(Mr. Nadim Xavier Salhani)

Chief Executive Officer

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