



No. MM-SET 06/2017

August 11, 2017

Subject : Management Discussion and Analysis Quarterly Ending 30 June 2017

To : The President
The Stock Exchange of Thailand

Income Statement

Total Revenue

Mudman PCL and the subsidiaries (“MM” or the “Company”) earned THB 738 mm and THB 720 mm in 2Q/16 and 2Q/17 respectively, equaling to Y-o-Y growth of (2.4%). For the first 6-month period (Jan – Jun), the Company earned THB 1,475 mm and THB 1,457 mm in 6M/16 and 6M/17 respectively or growth of (1.2%). The key factors are the economic slowdown, especially retail sector which directly affects the consumers’ spending in food and beverage and lifestyle business.

Total Revenues Breakdown by Business

	<i>3-month period (Apr – Jun)</i>			<i>6-month period (Jan – Jun)</i>		
	2Q/16	2Q/17	Y-o-Y Change	6M/16	6M/17	Y-o-Y Change
Food & Beverage	700	682	(2.6%)	1,381	1,385	0.3%
Lifestyle	38	38	0.0%	94	72	(23.4%)
Total Revenues	738	720	(2.4%)	1,475	1,457	(1.2%)

Cost of Sales and Services

Cost of sales and services in 2Q/16 and 2Q/17 totaled THB 288 mm and THB 280 mm respectively, accounting for 39.0% and 38.9% of total revenue respectively. For the first 6-month period (Jan – Jun), the cost of sales and services recorded THB 578 mm and THB 565 mm or 39.2% and 38.8% of total revenues in 6M/16 and 6M/17 respectively. The better of %cost of sales and services in Q2/17 was primarily from 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 (S&A)

In 2Q/16 and 2Q/17, MM's selling and administrative expenses amounted to THB 447 mm and THB 454 mm, respectively, accounting for 60.7% and 63.0% of total revenue, respectively. For the first 6-month period (Jan – Jun), the S&A reported THB 881 mm and THB 903 mm or 59.7% and 62.0% of total revenues in 6M/16 and 6M/17 respectively.

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S&A Breakdown by Type

	3-month period (Apr – Jun)			6-month period (Jan – Jun)		
	2Q/16	2Q/17	Y-o-Y Change	6M/16	6M/17	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	18	17	(5.4%)	35	33	(5.7%)
Other selling expenses ⁽²⁾	353	351	(0.5%)	686	701	2.2%
Administrative expenses ⁽³⁾	77	86	11.6%	159	169	6.2%
Total selling and administrative expenses	447	454	1.4%	881	903	2.6%

Note

- (1) 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. From 2016 onward, there is no more amortization of trademarks of Greyhound group in lifestyle business (THB 4 mm a year) because MM has recorded impairment loss of such assets in 3Q/16.
- (2) The Company incurred lower personnel cost, rental and service costs in 3-month period (Apr – Jun) due to better cost control in opening new stores. However, the other selling expenses in 6-month period (Jan – Jun) incurred higher expenses because the cost control plan has been implemented in 2Q/17 onward.
- (3) Administrative expenses include remuneration of management and employees at office, administrative expenses, and other related costs.

Earning before Interest, Tax, Depreciation and Amortization (EBITDA)

The Company recorded EBITDA of THB 60 mm and THB 49 mm in 2Q/16 and 2Q/17 respectively or %EBITDA of 8.1% and 6.8% of total revenues in 2Q/16 and 2Q/17 respectively.

For the first 6-month period (Jan – Jun), the Company recorded EBITDA of THB 129 mm and THB 112 mm or %EBITDA of 8.8% and 7.7% of total revenues in 6M/16 and 6M/17 respectively.

Finance Cost

In 2Q/16 and 2Q/17, the Company incurred finance cost amounting THB 14 mm and THB 7 mm respectively. The lower finance cost is primarily due to the partial debt repayment after the initial public offering in Apr-17.

In 6M/16 and 6M/17, the Company incurred finance cost amounting THB 29 mm and THB 23 mm respectively.

Net Profit (Loss)

In 2Q/16 and 2Q/17, the Company's net profit (loss) amounted to THB (14) mm and THB (20) mm, respectively. Net profit (loss) of the Company equaled to (1.8%) and (2.8%) of total revenues respectively.

In 6M/16 and 6M/17, the Company's net profit (loss) amounted to THB (20) mm and THB (36) mm, respectively. Net profit (loss) of the Company equaled to (1.3%) and (2.5%) of total revenues respectively.



Statement of Financial Position

Total Assets

As of 31 March 2017 and 30 June 2017, the Company's assets equaled THB 3,762 mm and THB 3,872 mm, respectively. Majority of assets is non-current assets. As of 1Q/17 and 2Q/17, the Company's non-current assets accounted for 90% of total assets, while the current assets accounted for 10% of total assets, respectively.

Total Assets	31 March 2017 (1Q/17)		30 June 2017 (2Q/17)	
	THB mm	%	THB mm	%
Current assets	345	9.2	446	11.5
Non-current assets	3,417	90.8	3,426	88.5
Total assets	3,762	100.0	3,872	100.0

1. Current Assets

The Company's current assets totaled THB 345 mm and THB 446 mm at 1Q/17 and 2Q/17 accounting for 9.2% and 11.5% of total assets respectively. The Company recorded cash and cash equivalent of THB 73 mm and THB 180 mm in 2Q/16 and 2Q/17 respectively, mainly due to the IPO in Apr-16. Account receivables were THB 48 mm and THB 51 mm at 1Q/17 and 2Q/17, respectively. Inventories were THB 196 mm and THB 182 mm accounting for 5.2% and 4.7% of total assets at 1Q/17 and 2Q/17, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 1Q/17 and 2Q/17, MM's non-current assets totaled THB 3,417 mm and THB 3,426 mm, accounting for 90.8% and 88.5% of total assets, respectively. The main item in non-current assets were building improvement and equipment, goodwill and intangible assets. Building improvement and equipment totaled THB 488 mm and THB 493 mm or 13.0% and 12.7% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,896 mm at 1Q/17 and 2Q/17. Goodwill was comprised of goodwill from Donut business at THB 484 mm, goodwill from bakery business at THB 298 mm, and goodwill from restaurants at THB 1,114 mm based on the business acquisition of Greyhound group since 2014. At 1Q/17 and 2Q/17, intangible assets amounted to THB 867 mm and THB 850 mm or 23.1% and 22.0% of total assets, respectively.

Total Liabilities

Total Liabilities	31 March 2017 (1Q/17)		30 June 2017 (2Q/17)	
	THB mm	%	THB mm	%
Current Liabilities	873	44.5	478	46.5
Non-Current Liabilities	1,089	55.5	550	53.5
Total Liabilities	1,962	100.0	1,028	100.0



1. Current Liabilities

As of 1Q/16 and 2Q/17, the Company's current liabilities totaled THB 873 mm and THB 478 mm, respectively, accounting for 44.5% and 46.5% of total liabilities. The decrease of current liabilities was from partial debt repayment in Apr-17 after the IPO.

2. Non-Current Liabilities

As of 1Q/17 and 2Q/17, non-current liabilities totaled THB 1,089 mm and THB 550 mm, representing 55.5% and 53.5% of total liabilities, respectively. Majority of non-current liabilities were long-term debt from financial institution in which long-term debt, net of current portion, equaled to THB 822 mm and THB 281 mm, respectively, accounting for 41.9% and 27.4% of total liabilities, respectively. The lower of long-term debt in 2Q/17 was as a result of partial debt repayment in Apr-17 after the IPO.

Shareholders' Equity

As of 1Q/17 and 2Q/17, the Company's shareholders' equity stood at THB 1,799 mm and THB 2,845 mm respectively. Shareholders' equity increased by THB 1,045 mm, mainly due to the IPO.

Management Outlook

The Company is a leading company in food & beverage and lifestyle business under its own brands (Greyhound Café, Another Hound Café, Greyhound Original, and M-Kitchen) and its exclusive franchisee in Thailand of global brands (Dunkin's Donuts, Au Bon Pain, and Baskin Robbins). In addition, MM is master franchisor of Greyhound Café in various cities/counties (i.e. Hong Kong, Shanghai, Beijing, Malaysia, and Singapore). In total, MM has more than 400 stores under strong and experienced management team. MM is promised to deliver the best-quality products, excellence services, and sustainable growth.

The Company has key strategies to create sustainable growth as followed

- **Continuing Innovation & Creativity:** The experienced team has been developing and innovating products and services to meet the rapid changes of consumers' behavior and needs. For example, strengthen "Value for Money" concepts, product innovation (i.e. festive menus, trendy menu such as durian donuts, Spiderman ice-cream cake, and special menu for Mother's Day).
- **Store Expansion in Strategic Locations:** Since store expansion is a key factor to create sustainable growth, the Company has determined to continuously develop and expand stores of both owned- and franchised-brand in strategic locations to create sustainable growth and meet consumers' needs. In addition, the Company has the experienced team who understands the market situation and competition. Moreover, the Company has been strengthening good relationships with the existing landlords and at the same time developing new relationship with potential landlords.



- **International Growth:** The Company has determined and realized the opportunities in presenting unique Thai cuisine to the global market. Therefore, the Company has been aggressively expanded “Greyhound Café” to not only Asian market in which there are exceptional success, but also the first flagship store in Europe (London, England) in 4Q/17. In addition, the Company has been granted the territory expansion of Au Bon Pain into CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). The Company is on the study and partner selection process.
- **Competitive Advantages of Costs and Expenses:** The Company is aiming not only to establish sustainable revenue growth, but also to create competitive advantage of costs and expenses. The Company has been developing centralized unit in order to support each brand (owned and franchised brands) in the areas of accounting and finance, information technology, supply chain management, human resource, business development, and etc. With the centralized support unit, each brand is able to concentrate on consumer and to efficiently control costs and expenses i.e. big order for all brands.

Yours Sincerely

(Miss Hansa Sermsri)

Chief Finance Officer

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