



No. MM-SET 11/2018

May 15, 2018

Subject : Management Discussion and Analysis Quarterly Ending 31 March 2018

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 808 mm in 1Q/17 and 1Q/18 respectively, equaling to Y-o-Y growth of 9.6%. The key factor is mainly from revenue recognition of the new restaurants, Le Grand Vefour in Paris, France and Greyhound Café in London, England.

Cost of Sales and Services

Cost of sales and services in 1Q/17 and 1Q/18 totaled THB 285 mm and THB 310 mm respectively, accounting for 38.7% and 38.4% of total revenue respectively. The better of % cost of sales and services 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 1Q/17 and 1Q/18, MM’s selling and administrative expenses amounted to THB 450 mm and THB 494 mm, respectively, accounting for 61.0% and 61.1% of total revenue, respectively.

S&A Breakdown by Type

	<i>3-month period (Jan – Mar)</i>		
	1Q/17	1Q/18	Y-o-Y Change
Amortization of intangible assets from business acquisitions ⁽¹⁾	17	12	(28.5%)
Other selling expenses ⁽²⁾	350	362	3.4%
Administrative expenses ⁽³⁾	83	120	45.0%
Total selling and administrative expenses	450	494	9.9%

Note

(1) Non-cash items from business acquisitions are divided into amortization of Dunkin’ Donut, Au Bon Pain, and Greyhound Café franchises totaling THB 6 mm, THB 2 mm, and THB 4 mm in 1Q18. The Company has reviewed the economic useful lives of certain franchises and considered changing the estimated economic useful lives of the franchises from 10 years to 20 years to reflect the current usage condition and the future economic benefits.

(2) The Company incurred higher personnel cost, rental and service costs in 1Q/18 due to the performance recognition of Le Grand Vefour in Paris, France and Greyhound Café in London, England

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(3) Administrative expenses include remuneration of management and employees at office, administrative expenses, and other related costs. The increase was primarily from extra expenses such as media/advertising expenses of Le Grand Vefour in Paris, France and Greyhound Café in London, England

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

The Company recorded EBITDA of THB 63 mm and THB 61 mm in 1Q/17 and 1Q/18 respectively or %EBITDA of 8.6% and 7.6% of total revenues respectively. The decrease of EBITDA margin was mainly from the extra expenses such as media/advertising expenses of Le Grand Vefour in Paris, France and Greyhound Café in London, England.

Finance Cost

In 1Q/17 and 1Q/18, the Company incurred finance cost amounting THB 16 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. However, the Company has financed the acquisition of Le Grand Vefour (Paris, France) in 4Q/17 with bank loan of approx. THB 338 mm.

Net Profit (Loss)

In 1Q/17 and 1Q/18, the Company's net profit (loss) amounted to THB (16) mm and THB (8) mm, respectively. Net profit (loss) of the Company equaled to (2.1%) and (1.0%) of total revenues respectively.



Statement of Financial Position

Total Assets

As of 31 December 2017 and 31 March 2018, the Company's assets equaled THB 4,311 mm and THB 4,236 mm, respectively.

Majority of assets is non-current assets. As of 1Q/17 and 1Q/18, 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 December 2017 (4Q/17)		31 March 2018 (1Q/18)	
	THB mm	%	THB mm	%
Current assets	516	12.0	456	10.8
Non-current assets	3,796	88.0	3,780	89.2
Total assets	4,311	100.0	4,236	100.0

1. Current Assets

The Company's current assets totaled THB 516 mm and THB 456 mm at 4Q/17 and 1Q/18 accounting for 12.0% and 10.8% of total assets respectively. The Company recorded cash and cash equivalent of THB 195 mm and THB 155 mm in 4Q/17 and 1Q/18 respectively. Account receivables were THB 103 mm and THB 105 mm at 4Q/17 and 1Q/18, respectively. Inventories were THB 193 mm and THB 176 mm accounting for 4.5% and 4.2% of total assets at 4Q/17 and 1Q/18, respectively. The majority of inventories are finished products of Lifestyle business (i.e. apparel).

2. Non-Current Assets

As of 4Q/17 and 1Q/18, MM's non-current assets totaled THB 3,796 mm and THB 3,780 mm, accounting for 88.0% and 89.2% 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 554 mm and THB 549 mm or 12.8% and 13.0% of total assets, respectively. Goodwill from business acquisition was stable at THB 1,896 mm at 4Q/17 and 1Q/18. 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 4Q/17 and 1Q/18, other intangible assets amounted to THB 900 mm and THB 885 mm or 20.9% and 20.9% of total assets, respectively.

Total Liabilities

Total Liabilities	31 December 2017 (4Q/17)		31 March 2018 (1Q/18)	
	THB mm	%	THB mm	%
Current Liabilities	978	66.7	935	66.8
Non-Current Liabilities	488	33.3	465	33.2
Total Liabilities	1,466	100.0	1,399	100.0



1. Current Liabilities

As of 4Q/17 and 1Q/18, the Company's current liabilities totaled THB 978 mm and THB 935 mm, respectively, accounting for 66.7% and 66.8% of total liabilities. As of 4Q/17 and 1Q/18, the Company had short-term loan from financial institution of THB 358 mm and THB 390 mm or 24.4% and 27.8% of total liabilities respectively. The loan was mostly for the acquisition of Le Grand Véfour (Paris, France) in 4Q/17.

2. Non-Current Liabilities

As of 4Q/17 and 1Q/18, non-current liabilities totaled THB 488 mm and THB 465 mm, representing 33.3% and 33.2% 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 238 mm and THB 216 mm, respectively, accounting for 16.2% and 15.4% of total liabilities, respectively.

Shareholders' Equity

As of 4Q/17 and 1Q/18, the Company's shareholders' equity stood at THB 2,845 mm and THB 2,837 mm respectively.

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, M-Kitchen, and Le Grand Vefour) 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, Singapore, and Indonesia). In total, MM has more than 430 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, ice-cream cake in various formats, 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 to build the brand awareness of Greyhound Café in Europe. 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, 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.
- **Inorganic Growth:** The Company not only focuses on the organic growth of the existing business, but also eyes on the optimal new business opportunities to create inorganic growth. In 4Q/17, MM acquired the ordinary shares of SLVH which operates food and beverage business under the trademark of Le Gand Vefour, a historic restaurant (since 1784) with more than 230 years of operation. SLVH has only one restaurant located in the area of The Palais Royal's Gardens in Paris, France with two Michelin stars.

Yours Sincerely

(Miss Hansa Semsri)

Chief Finance Officer