

May 11, 2016

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 1Q16

**Financial Performance Summary – 1Q16 and**

Beauty Community Public Co.,Ltd. is pleased to announce its 1Q16 the management discussion and analysis.

- Total Revenue 1Q16 of THB 529.91million growth45.39%
- Gross Profit 1Q16 of THB349.36million growth 43.67%
- Selling expenses 1Q16 of THB146.67million increased21.72%
- Administrative expenses 1Q16 of THB46.51million increased 35.30
- Net Profit 1Q16 of THB129.22million increased 70.02%

Million Baht	Q1				YoY		Q4		QoQ	
	2016	%	2015	%	+/-	%	2015	%	+/-	%
Revenue from sales	524.54	98.99%	357.93	98.21%	166.62	46.55%	570.77	99.43%	(46.22)	(8.10%)
Cost of sales	175.18	33.06%	114.75	31.48%	60.43	52.66%	194.05	33.81%	(18.87)	(9.73%)
<b>Gross profit (GP)</b>	<b>349.36</b>	<b>66.60%</b>	<b>243.18</b>	<b>67.94%</b>	<b>106.19</b>	<b>43.67%</b>	<b>376.71</b>	<b>66.00%</b>	<b>(27.35)</b>	<b>(7.26%)</b>
Other Income	5.36	1.01%	6.54	1.79%	(1.18)	(18.03%)	3.25	0.57%	2.11	65.10%
<b>Total Revenue</b>	<b>529.91</b>	<b>100.00%</b>	<b>364.47</b>	<b>100.00%</b>	<b>165.44</b>	<b>45.39%</b>	<b>574.01</b>	<b>100.00%</b>	<b>(44.11)</b>	<b>(7.68%)</b>
Selling expenses	146.67	27.68%	120.50	33.06%	26.17	21.72%	157.05	27.36%	(10.38)	(6.61%)
Administrative expenses	46.51	8.78%	34.37	9.43%	12.13	35.30%	59.17	10.31%	(12.66)	(21.39%)
<b>Profit before interest &amp; tax (EBIT)</b>	<b>161.55</b>	<b>30.49%</b>	<b>94.85</b>	<b>26.02%</b>	<b>66.70</b>	<b>70.32%</b>	<b>163.74</b>	<b>28.53%</b>	<b>(2.19)</b>	<b>(1.34%)</b>
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	32.33	6.10%	18.85	5.17%	13.48	71.53%	32.77	5.71%	(0.44)	(1.35%)
<b>Profit for the period</b>	<b>129.22</b>	<b>24.39%</b>	<b>76.00</b>	<b>20.85%</b>	<b>53.22</b>	<b>70.02%</b>	<b>130.97</b>	<b>22.82%</b>	<b>(1.75)</b>	<b>(1.34%)</b>
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	-	0.00%	-	100.00%
<b>Total comprehensive income for the period (net)</b>	<b>129.22</b>	<b>24.39%</b>	<b>76.00</b>	<b>20.85%</b>	<b>53.22</b>	<b>70.02%</b>	<b>130.97</b>	<b>22.82%</b>	<b>(1.75)</b>	<b>(1.34%)</b>
EBITDA	174.13	32.86%	106.57	29.24%	67.56	63.40%	180.77	31.49%	(6.64)	(3.67%)

Note : 1. % GP margin calculated to sales 2. Financial statement for year 2015 were adjusted.

**Total Revenue**

Total Revenue 1Q16 were THB 529.91million growth 45.39% YoY and decreased 7.68% QoQ,

Total Revenue were mainly increased from the shop expansion that increased 44 shops from 304 shops on 31March 2015 ( Domestic : BEAUTY BUFFET 205 shops, BEAUTY COTTAGE 67shops, BEAUTY MARKET 10shops and Oversea : BEAUTY BUFFET 19 shops, BEAUTY COTTAGE 3 shops) to be 348 shops on 31March2016 (Domestic : BEAUTY BUFFET 230 shops, BEAUTY COTTAGE 72 shops, BEAUTY MARKET 14 shops and Oversea : BEAUTY BUFFET 29 shops, BEAUTY COTTAGE 3shops) and increased from the Same Store Sales Growth : 1Q16 average were26.35%. The other income were mainly came from interest income. Revenue structure were mainly came from selling through the retail cosmetic shop : Beauty Buffet shops were 71.94%, Beauty Cottage 9.93%, Beauty Market 2.96%, Franchises 0.98%, CP 8.73%, Wholesales, oversea and other 5.46%. Total revenue slightly decreased from 4Q15 (QoQ) due to 4Q was the business high season.

#### **Gross Profit**

Gross Profit 1Q16 were THB 349.36 million growth 43.67% YoY but decreased 7.26% QoQ.

Gross profit increased mainly came from total sales increased. However, gross profit margin 4Q15 were 66.60% slightly decreased from 1Q15 (67.94%) and slightly increased from 4Q15 (66.00%)

#### **Selling expenses**

Selling expenses for 1Q16 were THB 146.67 million increased 21.72% YoY, decreased 6.61% QoQ. Selling expenses increased mainly came from shop rental and staff cost due to more shop expansion and number of staff increased to serve shop expansion and to support the new shop concept and also salary base increased.

#### **Administrative expenses**

Administrative expenses 1Q16 were THB 46.51 million increased 35.30% YoY, decreased 21.39% QoQ. Administrative expenses increased mainly came from staff cost that have to increase headcount to support the expansion.

However, 1Q16 total SG&A : percent to total revenue were 36.45% decreased from 42.49%YoY and decreased from 37.67% QoQ. This meant we can control the expenses better.

#### **Net Profit**

Net profit for 1Q16 were THB 129.22 million increased 70.02% YoY, but decreased 1.34% QoQ. Net profit increased mainly came from sales and gross profit increased and cost control.

#### **Statement of Financial Position**

Total assets as at March 31, 2016 were THB 1,600.69 million increased THB 107.77 million or 7.22% from 31 December 2015 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 287.91 million, temporary investments were THB 540.00 million(Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions), account receivable were THB 46.11 million without doubtful debt, inventory were THB 289.93 million, property, plant and equipment were THB 306.41 million.

Total liabilities were THB 312.64 million decreased THB 21.92 million or 6.55% from 31 December 2015, liabilities mainly came from trade account payable THB 97.59 million, accrued expenses THB 51.72 million, and assets payables THB 28.93 million. Total shareholders' equity were THB 1,277.74 million increased THB 129.73million or 11.30% from December 31, 2015 mainly increased came from net profit for the period.

#### **Statement of Cash Flows**

For the 1Q16, the company had net cash inflows by operating activities of THB 101.78 million, net cash used investing activities THB 37.12 million, used in for purchased of fixed assets of THB 12.89 million, temporary investments decreased THB 80.00 million.

### Financial Ratio

Financial Ratio	30/3/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Current ratio	3.66	3.20	4.60	6.84	10.75
Finished goods days	115	137	141	132	113
Total inventory days	149	178	188	187	176
Return on equity	40.24%	36.01%	28.87%	21.25%	28.63%
Return on assets	31.48%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.26	0.30	0.18	0.13	0.09

For this period, current ratio was 3.66 time show that company still has more capability to repay short term liabilities ,slightly increased from last year.

Inventory days (Finished goods) was 115 days that better to our operation, decreased from last year though we have to stock inventory for shop expansion and new shop concept Beauty Market.

Return on equity was 40.24% better than last year, it mean that better profitability.

Return on assets was 31.48% better than last year, it mean that operation efficiency had improvement.

Debt to equity ratio was 0.26 time decreased from last year.

### Dividend payment

On 25 February 2015, the Board of Directors Meeting approved the 2014 dividend payment be paid to the shareholders of 300 million shares at the rate of THB 0.99 per share, amount of Baht 297 million, for which the interim dividend was paid on 12 September 2014 at Baht 0.35 per share, amount of Baht 105 million, the remaining dividend to be paid at Baht 0.64 per share, amount of Baht 192 million which be paid on 22 May 2015 and were approved by the general shareholders' meeting on 24 April 2015 already.

On 13 August 2015, the Board of Directors Meeting approved the 2015 interim dividend payment at the rate of THB 0.05 per share, totally THB 150.00 million or 88.44% to net profit , which be paid on 11 September 2015. Therefore, dividend per share decreased due to change in par value of share capital from Baht 1.00 each for 300,000,000 shares to Baht 0.10 each for 3,000,000,000 shares amounting to Baht 300 million that were approved by AGM held on April 24,2015 and the company has registered the changes in par value of share capital with the Ministry of Commerce on May 8, 2015.

On 25 February 2016, the Board of Directors Meeting approved the 2015 dividend payment be paid to the shareholders of 3,000 million shares at the rate of THB 0.133 per share, amount of Baht 399 million, for which the interim dividend was paid on 11 September 2015 at Baht 0.05 per share, amount of Baht 150 million, the remaining dividend to be paid at Baht 0.083 per share, amount of Baht 249 million which be paid on 19 May 2016 and this payment were already approved by the general shareholders' meeting on 25 April 2016.

### Management outlook

- Where the sales growth came from and how long will it continue?
- Why gaining high profit growth?

The above are the frequently ask questions during this period of time. Even the economic slowdown both domestically and abroad, including drought crisis in Thailand, BEAUTY can still maintain the increase in total revenue has reached at over 45%, increase the Same Store Sales Growth average at 26% and the profit for this quarter increase at 70% compare to the same period last year. However, The profit for this quarter less than the profit in the 4th quarter last year, due to the 4th quarter is the business high season.

The reason of this growth come from many factors such as branch expansion, as at March 31, 2016, BEAUTY has the total number of stores at 316, to meet the needs of customers due to the urbanization in Thailand and more over, these days, consumers pay more attention to their personal

appearance which lead to an increase in beauty product consumption. Thailand has a hot climate throughout the year, Thai consumers prefer to shop in air-conditioned malls and most of BEAUTY's retail stores are located in these shopping malls, such as Tesco Lotus, BigC, Central, Robinson, etc.

Other reasons, including the utilization of Customer Relation Management Program (CRM), to draw more member customers. The CRM provides privileges and benefits such as special discount to members, which lead to increase in customer engagement. New product launching, promotions are other factor that contribute to sales growth. BEAUTY's products are also popular among Chinese, Middle East, and neighbor country tourist.

There also have a high growth in other channels, such as consumer products both in Modern Trade, Traditional Trade and Catalog. We also see a high growth in Oversea channel and e-Commerce.

Part of SG&A are fixed cost, when the sales increase, the percent of the net profit also increase. BEAUTY also deploy Cost Saving Program to continually control the Company's expenses.

From the above reasons, the company is confident that it can achieve its target.

Your faithfully,

**Beauty Community Public Company Limited**

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**(Mr.SuraponPhetklueng)**

**Director of Financial and Accounting**