

February 27, 2016

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 4Q16 and Y2016

### Financial Performance Summary – 4Q16 and Y2016

Beauty Community Public Co.,Ltd. is pleased to announce its 4Q16 and Y2016 the management discussion and analysis.

- Total Revenue 4Q16 of THB 701.81 million growth 22.26% and Year 2016 of THB 2,558.84 million growth 42.79 YoY
- Gross Profit 4Q16 of THB 469.47 million growth 24.62% and Year 2016 of THB 1,706.34 million growth 43.80% YoY
- Selling expenses 4Q16 of THB 188.68 million increased 17.77% and Year 2016 of THB 647.48 million growth 24.09% YoY
- Administrative expenses 4Q16 of THB 63.34 million increased 13.07% and Year 2016 of THB 230.07 million growth 44.49% YoY
- Net Profit 4Q16 of THB 177.81 million increased 35.76% and Year 2016 of THB 656.01 million growth 62.99% YoY

Million Baht	Q4		YoY		Q3		QoQ		Year to Date (YTD)				YoY			
	2016	%	2015	%	+/-	%	2016	%	+/-	%	2016	%	2015	%	+/-	%
Revenue from sales	696.87	99.30%	570.77	99.43%	126.11	22.09%	734.29	99.38%	(37.42)	(5.10%)	2,539.45	99.24%	1,773.02	98.94%	766.43	43.23%
Cost of sales	227.40	32.40%	194.05	33.81%	33.35	17.19%	239.22	32.37%	(11.81)	(4.94%)	833.11	32.56%	586.42	32.72%	246.69	42.07%
<b>Gross profit (GP)</b>	<b>469.47</b>	<b>67.37%</b>	<b>376.71</b>	<b>66.00%</b>	<b>92.76</b>	<b>24.62%</b>	<b>495.07</b>	<b>67.42%</b>	<b>(25.60)</b>	<b>(5.17%)</b>	<b>1,706.34</b>	<b>67.19%</b>	<b>1,186.60</b>	<b>66.93%</b>	<b>519.74</b>	<b>43.80%</b>
Other Income	4.94	0.70%	3.25	0.57%	1.69	52.11%	4.61	0.62%	0.33	7.26%	19.39	0.76%	19.01	1.06%	0.38	2.02%
<b>Total Revenue</b>	<b>701.81</b>	<b>100.00%</b>	<b>574.01</b>	<b>100.00%</b>	<b>127.80</b>	<b>22.26%</b>	<b>738.90</b>	<b>100.00%</b>	<b>(37.08)</b>	<b>(5.02%)</b>	<b>2,558.84</b>	<b>100.00%</b>	<b>1,792.03</b>	<b>100.00%</b>	<b>766.81</b>	<b>42.79%</b>
Selling expenses	188.68	26.88%	160.20	27.91%	28.48	17.77%	170.74	23.11%	17.93	10.50%	674.48	26.36%	543.56	30.33%	130.92	24.09%
Administrative expenses	63.34	9.03%	56.02	9.76%	7.32	13.07%	65.35	8.84%	(2.01)	(3.07%)	230.07	8.99%	159.23	8.89%	70.84	44.49%
<b>Profit before interest &amp; tax (EBIT)</b>	<b>222.39</b>	<b>31.69%</b>	<b>163.74</b>	<b>28.53%</b>	<b>58.65</b>	<b>35.82%</b>	<b>263.59</b>	<b>35.67%</b>	<b>(41.20)</b>	<b>(15.63%)</b>	<b>821.18</b>	<b>32.09%</b>	<b>502.82</b>	<b>28.06%</b>	<b>318.36</b>	<b>63.32%</b>
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	#DIV/0!
Income tax	44.58	6.35%	32.77	5.71%	11.81	36.05%	53.34	7.22%	(8.75)	(16.41%)	165.18	6.46%	100.32	5.60%	64.85	64.64%
<b>Profit for the period</b>	<b>177.81</b>	<b>25.34%</b>	<b>130.97</b>	<b>22.82%</b>	<b>46.84</b>	<b>35.76%</b>	<b>210.25</b>	<b>28.45%</b>	<b>(32.44)</b>	<b>(15.43%)</b>	<b>656.01</b>	<b>25.64%</b>	<b>402.49</b>	<b>22.46%</b>	<b>253.51</b>	<b>62.99%</b>
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	-	0.00%	-	100.00%	0.51	0.02%	-	0.00%	0.51	100.00%
<b>Total comprehensive income for the period (net)</b>	<b>177.81</b>	<b>25.34%</b>	<b>130.97</b>	<b>22.82%</b>	<b>46.84</b>	<b>35.76%</b>	<b>210.25</b>	<b>28.45%</b>	<b>(32.44)</b>	<b>(15.43%)</b>	<b>656.52</b>	<b>25.66%</b>	<b>402.49</b>	<b>22.46%</b>	<b>254.02</b>	<b>63.11%</b>
EBITDA	237.73	33.87%	180.77	31.49%	56.96	31.51%	278.89	37.74%	(41.16)	(14.76%)	879.21	34.36%	555.00	30.97%	324.21	58.42%

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

### Total Revenue

Total Revenue 4Q16 were THB 701.81 million growth 22.26% YoY and decreased 5.02% QoQ. Total Revenue Y2016 were THB 2,558.84 million growth 42.79% YoY.

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 30 shops from 342 shops on 31 December 2015 (Domestic : BEAUTY BUFFET 227 shops, BEAUTY COTTAGE 70 shops, BEAUTY MARKET 13 shops and Oversea : BEAUTY BUFFET 29 shops, BEAUTY COTTAGE 3 shops) to be 372 shops on 31 December 2016 (Domestic : BEAUTY BUFFET 248 shops, BEAUTY COTTAGE 71 shops, BEAUTY MARKET 13 shops and Oversea : BEAUTY BUFFET 37 shops, BEAUTY COTTAGE 3 shops) and increased from the Same Store Sales Growth : 4Q16 average were 9.19% (Avr.Y2016=22.59%). 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 69.24%, Beauty Cottage 9.34%, Beauty Market 2.54%, Franchises 0.90%, CP 7.14%, E-commerce 2.89% Oversea 6.96%, and other 1.00%. Note: Oversea shops are operated by our partner which company sell in wholesales term.

### **Gross Profit**

Gross Profit 4Q16 were THB 469.47 million growth 24.62% YoY , decreased 5.17% QoQ and Year 2016 of THB 1,706.34 million growth 43.80% YoY

Gross profit increased mainly came from total sales increased. However, gross profit margin 4Q16 were 67.37% increased from 4Q15 (66.00%) and slightly decreased from 3Q16 (67.42%) and gross profit margin Year 2016 were 67.19 % increased from Year 2015 (66.93%).

### **Selling expenses**

Selling expenses for 4Q16 were THB 188.68 million increased 17.77% YoY, increased 10.50% QoQ, Year 2016 of THB 674.48 million growth 24.09% YoY. 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 A&P expenses : Beauty Buffet 10 years anniversary.

### **Administrative expenses**

Administrative expenses 4Q16 were THB 63.34 million increased 13.07% YoY, decreased 3.07% QoQ and Year 2016 of THB 230.07 million increased 44.49% YoY. Administrative expenses increased mainly came from staff cost that have to increase headcount and fixed asset increased to support the expansion : new warehouse and new training center included.

However, 4Q16 total SG&A : percent to total revenue were 35.91% decreased from 37.67% YoY and increased from 31.95% QoQ.

### **Net Profit**

Net profit for 4Q16 were THB 177.81 million increased 35.76% YoY, and decreased 15.43% QoQ and net profit for period Y2016 of THB 656.01 million growth 62.99% YoY. Net profit increased mainly came from sales and gross profit increased and cost control.

### **Statement of Financial Position**

Total assets as at December 31, 2016 were THB 1,750.55 million increased THB 257.63 million or 17.26% from 31 December 2015 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 216.87 million, temporary investments were THB 680.00 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 41.77 million without doubtful debt, inventory were THB 373.90 million, property, plant and equipment were THB 303.90 million.

Total liabilities were THB 430.26 million increased THB 85.34 million or 24.74% from 31 December 2015, liabilities mainly came from trade account payable THB 115.49 million, accrued expenses THB 133.59 million, and assets payables THB 15.67 million. Total shareholders' equity were THB 1,320.29 million increased THB 172.29 million or 15.01% from December 31, 2015.

### **Statement of Cash Flows**

For the Y2016, the company had net cash inflows by operating activities of THB 703.13 million, net cash inflows investing activities THB 116.30 million, used in for purchased of fixed assets of THB 53.48 million, temporary investments increased THB 60.00 million. Dividend paid THB 488.97 million, then cash and cash equivalents as at the end of period of THB 216.87 million.

### Financial Ratio

Financial Ratio	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Current ratio	3.17	3.20	4.60	6.84	10.75
Finished goods days	110	137	141	132	113
Total inventory days	143	178	188	187	176
Return on equity	53.15%	36.01%	28.87%	21.25%	28.63%
Return on assets	40.45%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.33	0.30	0.18	0.13	0.09

For this period, current ratio was 3.17 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 110 days that better to our operation, increased from last year though we have to stock inventory for shop expansion and for high season in Q4.

Return on equity was 53.15% better than last year and better than last quarter, it mean that better profitability.

Return on assets was 40.45% better than last year and better than last quarter, it mean that operation efficiency had improvement.

Debt to equity ratio was 0.33 time close to 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.

On 10 August 2016, the Board of Directors Meeting approved the 2016 interim dividend payment at the rate of THB 0.08 per share, totally THB 240.00 million or 89.57% to net profit, which paid on 9 September 2016.

Moreover, on 24 February 2017, the Board of Directors Meeting approved the 2016 dividend payment be paid to the shareholders of 3,000.97 million shares at the rate of THB 0.238 per share, amount of Baht 654.13 million or 99.71% of NPAT, for which the interim dividend was paid on 9 September 2016 at Baht 0.080 per share, amount of Baht 240.00 million, the remaining dividend to be paid at Baht 0.138 per share, amount of Baht 414.13 million which will be paid on 19 May 2017 and this payment will propose to the general shareholders' meeting on 25 April 2017.

Therefore, on April 25, 2016 the General Meeting shareholders of the Company, passed a resolution to approve the issuance and offering 22,610,000 units of warrants to purchase ordinary shares to the directors and management/employees of the Company (ESOP Warrant-1). On January 16, 2017, the ESOP Warrant-1 were exercised to be ordinary shares 0.97 million shares and the Company has registered these shares with the Ministry of Commerce on January 25, 2017. The total of the ordinary shares is 3,000.97 million shares.

### **Management outlook**

Beauty Community Public Company Limited engages in the retail distribution of cosmetics and skincare products under Beauty Buffet, Beauty Cottage and Beauty Market shop brand concepts. The company also offers its “Made In Nature” products through other distribution channels including modern trade, convenience stores and Traditional Trade. The distribution through retail shops and other distribution channels can be summarized as follow:

#### **1.Shop brands expansion**

1. A total of 248 Beauty Buffet retail shops as of December 31, 2016
2. A total of 71 Beauty Cottage shops as of December 31, 2016
3. A total of 13 Beauty Market shops as of December 31, 2016
4. Total 40 Oversea Retail Stores as of December 31, 2016:
  - Cambodia, a total of 7 retail stores (6 for Beauty Buffet and 1 for Beauty Cottage)
  - Laos, a total of 2 retail stores (1 for Beauty Buffet and 1 for Beauty Cottage)
  - Myanmar, a total of 2 retail stores (1 for Beauty Buffet and 1 for Beauty Cottage)
  - Vietnam, a total of 28 retail stores (29 for Beauty Buffet)

#### **2.Consumer Product Channel Expansion**

- 2.1 Modern trade, convenient store and supermarket totally 16 supermarket such as Big-C supercenter, Tesco Lotus and Tops Supermarket.
- 2.2 Traditional trade: 417 stores.
- 2.3 Catalog : 4 catalogs ; Friday catalog, 24 shopping, Catalog by TV direct and D catalog
- 2.4 E-Commerce : 14 third parties websites ; Zalara, Shop at 7, Konvy, Lazada, etc. and BEAUTY websites : Beautyplaza Website ,Facebook , Line@, Wechat, Alibaba

Your faithfully,

**Beauty Community Public Company Limited**

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**(Mr.Surapon Phetklueng)**

**Finance Director**