

November 12, 2014

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 3Q14 and YTD 3Q14

**Financial Performance Summary – 3Q14 and YTD 3Q14**

Beauty Community Public Co., Ltd. is pleased to announce its 3Q14 the management discussion and analysis.

- Total Revenue 3Q14 of THB 362.51 million growth 46.27% and YTD3Q14 of THB 958.59 million growth 31.66% YoY
- Gross Profit 3Q14 of THB 242.46 million growth 43.23% and YTD3Q14 of THB 635.16 million growth 25.85% YoY
- Selling expenses 3Q14 of THB 113.61 million increased 25.38% and YTD3Q14 of THB 318.71 million increased 26.43% YoY
- Administrative expenses 3Q14 of THB 33.18 million increased 33.20% and YTD3Q14 of THB 90.03 million increased 20.99% YoY
- Net Profit 3Q14 of THB 81.26 million increased 68.42% and YTD3Q14 of THB 196.42 million growth 24.61% YoY

Million Baht	Q3				YoY		Q2		QoQ		Year to Date (YTD)				YoY	
	2014	%	2013	%	+/-	%	2014	%	+/-	%	2014	%	2013	%	+/-	%
Revenue from sales	356.54	98.35%	241.22	97.33%	115.31	47.80%	308.52	97.88%	48.02	15.56%	939.33	97.99%	708.80	97.36%	230.53	32.52%
Cost of sales	114.08	31.47%	71.94	29.03%	42.14	58.57%	102.43	32.50%	11.65	11.37%	304.17	31.73%	204.10	28.03%	100.07	49.03%
<b>Gross profit (GP)</b>	<b>242.46</b>	<b>68.00%</b>	<b>169.28</b>	<b>70.18%</b>	<b>73.18</b>	<b>43.23%</b>	<b>206.08</b>	<b>66.80%</b>	<b>36.37</b>	<b>17.65%</b>	<b>635.16</b>	<b>67.62%</b>	<b>504.70</b>	<b>71.20%</b>	<b>130.46</b>	<b>25.85%</b>
Other Income	5.98	1.65%	6.61	2.67%	0.64	-9.62%	6.69	2.12%	0.71	-10.60%	19.26	2.01%	19.26	2.64%	0.00	0.02%
<b>Total Revenue</b>	<b>362.51</b>	<b>100.00%</b>	<b>247.84</b>	<b>100.00%</b>	<b>114.68</b>	<b>46.27%</b>	<b>315.20</b>	<b>100.00%</b>	<b>47.31</b>	<b>15.01%</b>	<b>958.59</b>	<b>100.00%</b>	<b>728.05</b>	<b>100.00%</b>	<b>230.53</b>	<b>31.66%</b>
Selling expenses	113.61	31.34%	90.61	36.56%	23.00	25.38%	106.26	33.71%	7.35	6.92%	318.71	33.25%	252.07	34.62%	66.63	26.43%
Administrative expenses	33.18	9.15%	24.91	10.05%	8.27	33.20%	29.43	9.34%	3.75	12.73%	90.03	9.39%	74.41	10.22%	15.62	20.99%
<b>Profit before interest &amp; tax (EBIT)</b>	<b>101.65</b>	<b>28.04%</b>	<b>60.37</b>	<b>24.36%</b>	<b>41.28</b>	<b>68.37%</b>	<b>77.08</b>	<b>24.45%</b>	<b>24.57</b>	<b>31.88%</b>	<b>245.68</b>	<b>25.63%</b>	<b>197.47</b>	<b>27.12%</b>	<b>48.21</b>	<b>24.41%</b>
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	0.21	0.03%	0.21	-100.00%
Income tax	20.39	5.63%	12.13	4.89%	8.27	68.18%	15.51	4.92%	4.88	31.48%	49.26	5.14%	39.64	5.44%	9.63	24.29%
<b>Profit for the period</b>	<b>81.26</b>	<b>22.41%</b>	<b>48.25</b>	<b>19.47%</b>	<b>33.01</b>	<b>68.42%</b>	<b>61.57</b>	<b>19.53%</b>	<b>19.69</b>	<b>31.97%</b>	<b>196.42</b>	<b>20.49%</b>	<b>157.63</b>	<b>21.65%</b>	<b>38.79</b>	<b>24.61%</b>
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	-	0.00%	-	100.00%	2.43	0.25%	-	0.00%	2.43	100.00%
<b>Total comprehensive income for the period (net)</b>	<b>81.26</b>	<b>22.41%</b>	<b>48.25</b>	<b>19.47%</b>	<b>33.01</b>	<b>68.42%</b>	<b>61.57</b>	<b>19.53%</b>	<b>19.69</b>	<b>31.97%</b>	<b>193.99</b>	<b>20.24%</b>	<b>157.63</b>	<b>21.65%</b>	<b>36.36</b>	<b>23.07%</b>
EBITDA	112.56	31.05%	68.14	27.49%	44.42	65.18%	87.29	27.69%	25.27	28.95%	276.16	28.81%	219.18	30.11%	56.98	26.00%

Note : % GP margin calculated to sales

**Total Revenue**

Total Revenue 3Q14 were THB 362.51 million growth 46.27% YoY and growth 15.01% QoQ and YTD3Q14 of THB 958.59 million growth 31.66% YoY. Total Revenue were mainly increased from the shop expansion that increased 60 shops from 214 shops on 30 September 2013 (BEAUTY BUFFET 166 shops, BEAUTY COTTAGE 44 shops, BEAUTY MARKET 1 shop, and Oversea BEAUTY BUFFET 2 shop, and BEAUTY COTTAGE 1 shop) to be 274 shops on 30 September 2014 (BEAUTY BUFFET 195 shops, BEAUTY COTTAGE 60 shops, BEAUTY MARKET 9 shops, and Oversea BEAUTY BUFFET 6 shops, BEAUTY COTTAGE 4 shops). 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 77.95%, Beauty Cottage 11.66%, Beauty Market 4.05%, Franchises 1.44%, Modern Trade 1.74%, Wholesales, oversea and other 3.16%.

#### **Gross Profit**

Gross Profit 3Q14 were THB 242.46 million growth 43.23% YoY and 17.65% QoQ and YTD3Q14 of THB 635.16 million growth 25.85% YoY

Gross profit increased mainly came from total sales increased. Gross profit margin 3Q14 were 68.00% decreased from 3Q13 (70.18%) and slightly increased from 2Q14 (66.80%) due to we've opened new concept shop : Beauty Market on July 19, 2013 that gross margin lower than Beauty Buffet and Beauty Cottage, however the total gross profit volume increased and we've more promotion during the period to increase sales.

#### **Selling expenses**

Selling expenses for 3Q14 were THB 113.61 million increased 25.38% YoY, increased 6.92% QoQ, and YTD3Q14 of THB 318.71 million increased 26.43% 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 to support the new shop concept and also salary base increased.

#### **Administrative expenses**

Administrative expenses 3Q14 were THB 33.18 million increased 33.20% YoY, increased 12.73% QoQ and YTD3Q14 of THB 90.03 million increased 20.99% YoY. Administrative expenses increased mainly came from staff cost that have to increase headcount to support the expansion.

However, 3Q14 total SG&A : percent to total revenue were 40.49% decreased from 46.61% on 3Q13 YoY and decreased from 43.05% on 2Q14 QoQ. This meant that we can control the expenses better and some of them are fix cost that percent to total revenue were decreased when sales volume increased.

#### **Net Profit**

Net profit for 3Q14 were THB 81.26 million increased 68.42% YoY, increased 31.97% QoQ and net profit for period YTD 3Q14 of THB 196.42 million growth 24.61% YoY. Net profit increased mainly came from sales and gross profit increased. (However, on 1Q14 we've to book the recalculation of the employee benefit for the last period by the actuary amount THB 3.04 million, Net from income tax amount = THB 2.43 million).

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

Total assets as at September 30, 2014 were THB 1,186.22 million increased THB 48.16 million or 4.23% from 31 December 2013 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 153.66 million, temporary investments were THB 380.00 million (Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions), long term investments THB 100.00 million (Long term investments consist of long-term deposit with financial institution due over 1 year and without withdrawal restrictions), account receivable were THB 6.07 million without doubtful debt, inventory were THB 251.49 million, property, plant and equipment were THB 182.30 million.

Total liabilities were THB 199.01 million increased THB 64.17 million or 47.59% from 31 December 2013, liabilities mainly came from trade account payable THB 98.30 million, accrued expenses THB 39.54 million, and assets payables THB 12.44 million. Total shareholders' equity were THB 987.21 million decreased THB 16.01 million or 1.60% from December 31, 2013 mainly increased came from net profit for the period but decreased from dividend payment.

### Statement of Cash Flows

For the 9 month periods ended September 30,2014, the company had net cash inflows by operating activities of THB 203.53 million, used in investing activities THB 32.01 million, used in for purchased of fixed assets of THB 52.20 million, invested in long term investments THB 100.00 million (Long term investments consist of long-term deposit with financial institution due over 1 year and without withdrawal restrictions), dividend paid THB 210.00 million, then cash and cash equivalents as at the end of period of THB 153.66 million.

### Financial Ratio

<b>Financial Ratio</b>	<b>30/9/2014</b>	<b>30/6/2014</b>	<b>31/3/2014</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Current ratio	4.23	5.80	6.08	6.84	10.75
Finished goods days	140	133	137	132	113
Total inventory days	190	178	184	187	176
Return on equity	25.99%	22.39%	19.89%	21.25%	28.63%
Return on assets	22.26%	19.65%	17.50%	19.07%	24.27%
Debt to equity	0.20	0.14	0.14	0.13	0.09

For this period, current ratio was 4.23 time show that company still has more capability to repay short term liabilities but decreased slightly from last year due to current assets slightly increased and current liabilities increased from trade account payable and accrued expenses.

Inventory days (Finished goods) was 140 days that better to our operation, increased from last year and last quarter due to we have to stock inventory for shop expansion and new shop concept Beauty Market and we've to stock inventory to support sales operation for this year-end.

Return on equity was 25.99% better than last year and better than last quarter, it mean that better profitability.

Return on assets was 22.26% better than last year and better than last quarter, it mean that operation efficiency had improvement.

Debt to equity ratio was 0.20 time increased from last year due to total liabilities increased but total shareholders' equity slightly increased.

### Dividend payment

The Ordinary General Meeting of Shareholders on 25 April 2013 resolved to approve the dividend payment based on the company's operation for 2012, additional payment at the rate of THB 0.35 per share of total amount of THB 105.0 million, which was paid on 22 May 2013.

On 13 August 2013, the Board of Directors Meeting approved the 2013 interim dividend payment at the rate of THB 0.30 per share, which be paid on 12 September 2013.

On 25 February 2014, the Board of Directors Meeting approved the 2013 dividend payment be paid to the shareholders of 300 million shares at the rate of THB 0.65 per share, amount of Baht 195 million, for which the interim dividend was paid on 12 September 2013 at Baht 0.30 per share, amount of Baht 90 million, the remaining dividend to be paid at Baht 0.35 per share, amount of Baht 105 million which be paid on 22 May 2014 and the general shareholders' meeting on 25 April 2014 approved this payment already.

Therefore, on 13 August 2014, the Board of Directors Meeting approved the 2014 interim dividend payment at the rate of THB 0.35 per share, which be paid on 12 September 2014.

### 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" and "Girly Girl" 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. A total of 195 Beauty Buffet retail shops as of September 30, 2014

2. A total of 60 Beauty Cottage shops as of September 30, 2014
3. A total of 9 Beauty Market shops as of September 30, 2014
4. Total 10 Oversea Retail Stores as of September 30, 2014:
  - Cambodia, a total of 4 retail stores (3 for Beauty Buffet and 1 for Beauty Cottage)
  - Vietnam, 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)
  - Laos, a total of 2 retail stores (1 for Beauty Buffet and 1 for Beauty Cottage)

Therefore, BEAUTY's performance in this period was better due to many factors : the cosmetic's consumption increased both Bangkok and up-country, CRM program were launched to provide more benefit to member then the basket size increased and percentage of member that come back to buy also increased, and this year we've re-training program to motivate our sales force, moreover we're very famous with the foreigner tourist from China, Hong kong, and middle east.

We've the operation strategy for the last quarter this year that will be high season for us. The new year gift will launch in this period to build the sales volume every brands, we expect that will be success. So, we are confident that the goal of 30% in increase of total revenue and 20% in increase of NPAT will be met.

Moreover, BEAUTY went to road show both local and oversea to provide more information with investors and the funds.

Oversea

1. SOUTHEAST ASIAN CORPORATE DAY at Le Meridien Hotel, San Francisco, USA : discussed with 14 funds on 8-9 September 2014 by Dr,Suwini Kraibhubes/CEO.
2. Met 4 funds at Chicago, USA on 11 September 2014 by Dr,Suwini Kraibhubes/CEO.

Local

1. 2Q14 Opportunity Day at SET on 27 August 2014.
- 2.Thailand Focus 2014: "Competencies & Growth Potential" at Grand Hyatt Bangkok by SET and Phatra Securities on 29 August 2014
- 3.Met the investors and the fund managers at Asia Plus Securities on 2 October 2014.
4. Met the investors and the fund managers at BLS on 28 October 2014.

Your faithfully,

**Beauty Community Public Company Limited**

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**(Mr.Surapon Phetklung)**

**Director of Financial and Accounting**