

November 11, 2016

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 3Q16 and YTD 3Q16

**Financial Performance Summary – 3Q16 and YTD 3Q16**

Beauty Community Public Co.,Ltd. is pleased to announce its 3Q16 and YTD 3Q16 the management discussion and analysis.

- Total Revenue 3Q16 of THB 739.90million growth65.07% and YTD3Q16 of THB1,857.03 million growth 52.46% YoY
- Gross Profit 3Q16 of THB495.07million growth 67.89% and YTD3Q16 of THB1,236.87 million growth52.72% YoY
- Selling expenses 3Q16 of THB170.74 million increased 19.96%and YTD 3Q16 of THB485.80 million growth23.92% YoY
- Administrative expenses 3Q16 of THB65.35million increased124.08% and YTD 3Q16 of THB 166.73 million growth76.33% YoY
- Net Profit 3Q16 of THB 210.25 million increased 106.32% and YTD 3Q16 of THB 478.20 million growth76.12% YoY

Million Baht	Q3				YoY		Q2		QoQ		Year to Date (YTD)				YoY	
	2016	%	2015	%	+/-	%	2016	%	+/-	%	2016	%	2015	%	+/-	%
Revenue from sales	734.29	99.38%	443.83	99.15%	290.46	65.45%	583.74	99.24%	150.54	25.79%	1,842.58	99.22%	1,202.26	98.71%	640.32	53.26%
Cost of sales	239.22	32.37%	148.94	33.27%	90.28	60.61%	191.31	32.52%	47.90	25.04%	605.71	32.62%	392.37	32.21%	213.34	54.37%
<b>Gross profit (GP)</b>	<b>495.07</b>	<b>67.42%</b>	<b>294.89</b>	<b>66.44%</b>	<b>200.19</b>	<b>67.89%</b>	<b>392.43</b>	<b>67.23%</b>	<b>102.64</b>	<b>26.16%</b>	<b>1,236.87</b>	<b>67.13%</b>	<b>809.89</b>	<b>67.36%</b>	<b>426.98</b>	<b>52.72%</b>
Other Income	4.61	0.62%	3.80	0.85%	0.81	21.23%	4.48	0.76%	0.13	2.82%	14.45	0.78%	15.76	1.29%	(1.31)	(8.31%)
<b>Total Revenue</b>	<b>738.90</b>	<b>100.00%</b>	<b>447.63</b>	<b>100.00%</b>	<b>291.27</b>	<b>65.07%</b>	<b>588.23</b>	<b>100.00%</b>	<b>150.67</b>	<b>25.61%</b>	<b>1,857.03</b>	<b>100.00%</b>	<b>1,218.02</b>	<b>100.00%</b>	<b>639.01</b>	<b>52.46%</b>
Selling expenses	170.74	23.11%	142.33	31.80%	28.42	19.96%	168.39	28.63%	2.35	1.40%	485.80	26.16%	392.02	32.18%	93.78	23.92%
Administrative expenses	65.35	8.84%	29.16	6.52%	36.18	124.08%	54.87	9.33%	10.48	19.09%	166.73	8.98%	94.55	7.76%	72.17	76.33%
<b>Profit before interest &amp; tax (EBIT)</b>	<b>263.59</b>	<b>35.67%</b>	<b>127.20</b>	<b>28.42%</b>	<b>136.39</b>	<b>107.23%</b>	<b>173.65</b>	<b>29.52%</b>	<b>89.94</b>	<b>51.79%</b>	<b>598.79</b>	<b>32.24%</b>	<b>339.08</b>	<b>27.84%</b>	<b>259.71</b>	<b>76.59%</b>
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	53.34	7.22%	25.29	5.65%	28.04	110.87%	34.93	5.94%	18.41	52.72%	120.59	6.49%	67.55	5.55%	53.04	78.51%
<b>Profit for the period</b>	<b>210.25</b>	<b>28.45%</b>	<b>101.90</b>	<b>22.77%</b>	<b>108.35</b>	<b>106.32%</b>	<b>138.72</b>	<b>23.58%</b>	<b>71.53</b>	<b>51.56%</b>	<b>478.20</b>	<b>25.75%</b>	<b>271.52</b>	<b>22.29%</b>	<b>206.68</b>	<b>76.12%</b>
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	-	0.00%	-	100.00%	0.51	0.03%	-	0.00%	0.51	100.00%
<b>Total comprehensive income for the period (net)</b>	<b>210.25</b>	<b>28.45%</b>	<b>101.90</b>	<b>22.77%</b>	<b>108.35</b>	<b>106.32%</b>	<b>138.72</b>	<b>23.58%</b>	<b>71.53</b>	<b>51.56%</b>	<b>478.71</b>	<b>25.78%</b>	<b>271.52</b>	<b>22.29%</b>	<b>207.19</b>	<b>76.31%</b>
EBITDA	278.89	37.74%	139.04	31.06%	139.84	100.57%	188.47	32.04%	90.41	47.97%	641.49	34.54%	374.23	30.72%	267.25	71.41%

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

**Total Revenue**

Total Revenue 3Q16 were THB 738.90 million growth65.07% YoY and increased 25.61% QoQ,

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 34 shops from 323 shops on 30 September 2015 ( Domestic : BEAUTY BUFFET 216 shops, BEATY COTTAGE 70 shops, BEAUTY MARKET 13 shops and Oversea : BEAUTY BUFFET 26 shops, BEATY COTTAGE 3shops) to be 362 shops on 30 September2016 (Domestic : BEAUTY BUFFET 241 shops, BEATY COTTAGE 69 shops, BEAUTY MARKET 13 shops and Oversea : BEAUTY BUFFET 36 shops, BEATY COTTAGE 3 shops) and increased from the Same Store Sales Growth : 3Q16 average were34.15% (YTD 28.37%). 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 69.55%, Beauty Cottage 9.31%, Beauty Market 2.61%, Franchises 0.97%, CP 7.63%,E-commerce 2.88% Wholesales, oversea and other 7.05%. Note: Oversea shopsare operated by our partner which company sell in wholesales term.

### **Gross Profit**

Gross Profit 3Q16 were THB 495.07 million growth 67.89% YoY increased 26.16% QoQ and YTD 3Q16 of THB 1,236.87 million growth 52.72% YoY

Gross profit increased mainly came from total sales increased. However, gross profit margin 3Q16 were 67.42% slightly increased from 3Q15 (66.44%) and slightly increased from 2Q16 (67.23%) and gross profit margin YTD 3Q16 were 67.13% slightly decreased from YTD 3Q15 (67.36%)

### **Selling expenses**

Selling expenses for 3Q16 were THB 170.74 million increased 19.96% YoY, increased 1.40% QoQ, YTD 3Q16 of THB 485.80 million growth 23.92% 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.

### **Administrative expenses**

Administrative expenses 3Q16 were THB 65.35 million increased 124.08% YoY, increased 19.09% QoQ and YTD 3Q16 of THB 166.73 million increased 76.33% 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, 3Q16 total SG&A : percent to total revenue were 31.95% decreased from 38.32% YoY and decreased from 37.96% QoQ.

### **Net Profit**

Net profit for 3Q16 were THB 210.25 million increased 106.32% YoY, and increased 51.56% QoQ and net profit for period YTD 3Q16 of THB 478.20 million growth 76.12% YoY. Net profit increased mainly came from sales and gross profit increased and cost control.

### **Statement of Financial Position**

Total assets as at September 30, 2016 were THB 1,632.72 million increased THB 139.80 million or 9.36% from 31 December 2015 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 323.72 million, temporary investments were THB 430.00 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 49.66 million without doubtful debt, inventory were THB 397.45 million, property, plant and equipment were THB 297.15 million.

Total liabilities were THB 491.98 million increased THB 147.06 million or 42.64% from 31 December 2015, liabilities mainly came from trade account payable THB 202.04 million, accrued expenses THB 127.01 million, and assets payables THB 10.74 million. Total shareholders' equity were THB 1,140.74 million decreased THB 7.26 million or 0.63% from December 31, 2015.

### **Statement of Cash Flows**

For the 3Q16, the company had net cash inflows by operating activities of THB 546.14 million, net cash inflows investing activities THB 147.46 million, used in for purchased of fixed assets of THB 41.57 million, temporary investments decreased THB 190.00 million. Dividend paid THB 489.00 million, then cash and cash equivalents as at the end of period of THB 323.72 million.

### **Financial Ratio**

<b>Financial Ratio</b>	<b>30/9/2016</b>	<b>30/6/2016</b>	<b>30/3/2016</b>	<b>31/12/2015</b>	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Current ratio	2.50	3.01	3.72	3.20	4.60	6.84	10.75
Finished goods days	118	111	115	137	141	132	113
Total inventory days	153	145	149	178	188	187	176
Return on equity	55.72%	46.26%	42.62%	36.01%	28.87%	21.25%	28.63%
Return on assets	40.80%	35.23%	33.42%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.43	0.33	0.25	0.30	0.18	0.13	0.09

For this period, current ratio was 2.50 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 118 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 55.72% better than last year and better than last quarter, it mean that better profitability.

Return on assets was 40.80% better than last year and better than last quarter, it mean that operation efficiency had improvement.

Debt to equity ratio was 0.43 time close to last year and last quarter.

### **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.

### **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.Shop brands expansion**

1. A total of 241 Beauty Buffet retail shops as of September 30, 2016
2. A total of 69 Beauty Cottage shops as of September 30, 2016
3. A total of 13 Beauty Market shops as of September 30, 2016
4. Total 38 Oversea Retail Stores as of September 30, 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 (28 for Beauty Buffet)

**2.Consumer Product Channel Expansion**

2.1 Modern trade, convenient store and supermarket totally 15 supermarket such as Big-C supercenter, Tesco Lotus and Tops Supermarket.

2.2 Traditional trade: On November 2014, we have signed distribution agreement with CP Consumer Product to distribute our product and were distributed on February 2015.

2.3 Catalog : 4 catalogs ; Friday catalog, 7-11 catalog, Sarah catalog by TV direct and D catalog

2.4 E-Commerce : 16 websites ; 11 third parties websites and BEAUTY websites : Beautyplaza5channel Website ,Facebook ,Line , Wechat and Alibaba

Your faithfully,

**Beauty Community Public Company Limited**

.....

**(Mr.SuraponPhetklueng)**

**Director of Financial and Accounting**