

May 14, 2020

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on 1Q20

Financial Performance Summary – 1Q20

Beauty Community Public Co., Ltd. is pleased to announce its financial and operating results for 1st Quarter 2020, as well as the management discussion and analysis regarding Financial and Operating Results.

First Quarter Fiscal 2020 Financial Highlights:

- Total Revenue in 1st Quarter 2020 was THB 270.32 million, a decreased of 50.74% from the previous year (YoY).
- Gross Profit in 1st Quarter 2020 was THB 150.27 million, representing a year-over-year decreased of 54.51%.
- Selling expenses in 1st Quarter 2020 was THB 124.82 million, a decreased of 31.38% YoY.
- Administrative expenses in 1st Quarter 2020 was THB 62.76 million decreased by 5.37% YoY.
- Net Profit 1st Quarter 2020 was THB -39.68 million, a decreased of 157.05% YoY.

Million Baht	Q1				YoY		Q4		QoQ	
	2020	%	2019	%	+ / -	%	2019	%	+ / -	%
Revenue from sales	267.27	98.87%	543.89	99.12%	(276.62)	(50.86%)	480.60	99.41%	(213.33)	(44.39%)
Cost of sales	116.99	43.28%	213.56	38.92%	(96.56)	(45.22%)	192.22	39.76%	(75.22)	(39.13%)
Gross profit (GP)	150.27	56.23%	330.33	60.74%	(180.06)	(54.51%)	288.38	60.00%	(138.11)	(47.89%)
Other Income	3.05	1.13%	4.84	0.88%	(1.79)	(36.98%)	2.85	0.59%	0.20	7.15%
Total Revenue	270.32	100.00%	548.74	100.00%	(278.42)	(50.74%)	483.45	100.00%	(213.13)	(44.09%)
Selling expenses	124.82	46.17%	181.89	33.15%	(57.07)	(31.38%)	154.29	31.91%	(29.47)	(19.10%)
Administrative expenses	62.76	23.22%	66.33	12.09%	(3.56)	(5.37%)	55.32	11.44%	7.44	13.45%
Profit before interest & tax (EBIT)	(34.25)	(12.67%)	86.96	15.85%	(121.22)	(139.39%)	81.62	16.88%	(115.88)	(141.97%)
Finance costs	5.00	1.85%	-	0.00%	5.00	0.00%	-	0.00%	5.00	0.00%
Income tax	0.43	0.16%	17.41	3.17%	(16.98)	(97.55%)	16.21	3.35%	(15.79)	(97.36%)
Profit for the period	(39.68)	(14.68%)	69.55	12.67%	(109.23)	(157.05%)	65.41	13.53%	(105.09)	(160.66%)
Other comprehensive income	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total comprehensive income for the period (net)	(39.68)	(14.68%)	69.55	12.67%	(109.23)	(157.05%)	65.41	13.53%	(105.09)	(160.66%)
EBITDA	(21.67)	(8.02%)	101.08	18.42%	(122.75)	(121.44%)	94.03	19.45%	(115.70)	(123.04%)

Note : 1. % GP margin calculated to sales

Total Revenue

Total revenues for the first quarter of 2020 were THB 270.32 million decreased by 50.74% from the same period of 2019 and decreased by 44.09% compared to 4th Quarter 2019 (QoQ). Revenue structure came mainly from the retail channels “Cosmetic Shops” including with Beauty Buffet shops were 48.33% and Beauty Cottage shops were 10.06%. The same store sales growth (SSSG) at the end of 1st Quarter 2020 declined by 42.87%. The revenue portion from Overseas distribution channels were 26.45%, the Commercial trading channels was 11.86%, the last portion of revenue was from E-commerce was 1.96%, other revenue was 1.34%

(Note: Oversea shops are operated by our partners which have been sold in a wholesale commercial conditions)

The devastating COVID-19 health crisis and corresponding deceleration of the global economy has created unprecedented uncertainty. The effects of the epidemic of the Covid-19 virus that was spread heavily in China since late of January and has significantly hit throughout many countries around the world especially our target countries in South East Asia. Covid-19 lockdowns force our stores closures more than 300 stores according to a government announcement measures on social distancing in late March while the economy heads toward a recession effected to either domestic and oversea business. Moreover, higher competition in cosmetic business market has been started with cut price promotional campaign to boost up their sales and fight for the market share. The Competition in the during economic crisis brought a negative impact on our business's capacity to generate revenue and profit.

From Strategic plan of 2019 to 2020, the company has been focusing on expanding distribution channels by developing the model of new retail stores to become more Multi-Brands retailer along with Multi-Channels strategy in order to divers consumers' needs. We also have implemented the distribution strategy via Electronic Commerce (E-Commerce) combining with the store operation as we call "O2O" (Offline to Online) strategy. Increasing more networks and channels to our target customers bring more willing and easily access in our offline or online shopping platform. Furthermore, we have also encouraged our store staffs to generate revenue by selling the products themselves through the new company online software and there has been an increase in sale by more than 250% compared to the previous 4Q2019. A newer B to C (Business to Customer) form of personal selling by store staffs can be seen in our retail stores during the COVID-19 crisis.

For the International Market, since 3Q19 the company distributors assignment has been completed more than 10 countries meanwhile we have more focused on Chinese market growth. This Strategic plan has been implemented to increase positive growth and this would reduce the risk of relying on one specific market for long term business expansion.

Gross Profit

Gross Profit for the 1st Quarter 2020 was THB 150.27 million which are decreased 54.51% YoY, decreased by 47.89% QoQ. Gross profit margin 1st Quarter 2020 were 56.23%, a decreased from the same period in 2019 (60.74%) and slightly decreased during the crisis in comparison to 4th Quarter 2019 (60.00%)

The reasons for the decline of GP still has been in our expansion planning and the GP percentage results was accepted as a decrease of the new business models implications for cross countries market and mass consumer market to increases market share both in home and international markets and gain more market size and volume of sale. It also had an effect in result of a change in customer's behaviors and high competition in cosmetic industry.

Selling expenses

Selling expenses for 1st Quarter 2020 were THB 124.82 million which was decreased 31.38% YoY, and decreased by 19.10% QoQ. The selling expenses decreased mainly came from the adjustment of the company's cost control on every operational process. Cut down an advertising and promotion expenses, managing employee expenses and reducing fixed and variable costs by closing, relocating unviable branches where possible in an attempt to control all costs responded to the new normal of new uncertain business environment in the next period.

Administrative expenses

Administrative expenses 1Q20 were THB 62.76 million decreased by 5.37% YoY, increased by 13.45% QoQ. Administrative expenses decreased mainly came from the company has been continuing to remain prudent in our cost control by managing all expenses effectively according to the company cost saving program since September 2019. During the three-month period from February to April 2020 the company was facing a period of unprecedented uncertainty in our business outlook then we launched program of HQ support staff overhead cost deduction with others included voluntary salary reduction, work from home, leave without pay prepared for the next future with saving company cost structure due to uncertain circumstances.

Net Profit

Net profit for 1st Quarter 2020 were THB -39.68 million decreased by 157.05% compared to the same period 2019(YoY), and decreased by 160.66% compared to 4th Quarter 2019 (QoQ). Net profit declined mainly came from income decreased steadily, including a precipitous decline in sales on the retail store sector caused by temporary closing shops under a Government announcement measures while the company

operation had to be continued. The impact of economic and virus crisis effected to the higher cost of operation with a significant lower generate income, the company outcome had to be a negative gross profit margin.

The expenses related to business restructuring

In the 1Q20, the Company adopted the number of strategies to restructure its organization to be more dynamic, improve its competency and focus on cost saving on a long run. As a result of such strategies, the related non-routine expenses amounting of THB 18.46 million was recognized under the cost of distribution and administrative expenses for the three-month period ended 31 March 2020 which can be breakdown as follow;

- Employee retirement compensation expenses under voluntary retirement scheme with amount of THB 12.71 million recognized in the statement of income. The payment was made as the company’s policy to optimize manpower and reduction of its staff cost.
- Expenses related to retail store write-off and impairment amounting of THB 5.75 million under the Company’s policy to liquidate its low recovery stores and reduce the effect from the closure of department store during Covid-19 outbreak.

Under the policies adopted, the Company believed the performance and profitability will significantly improve in a near future.

Statement of Financial Position

Total assets as at March 31, 2020 were THB 1,391.37 million increased THB 75.59 million or 5.75% from 31 December 2019 and Cash and cash equivalents were THB 150.83 million, temporary investments were THB 270 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 64.93 million without doubtful debt, inventory were THB 342.97 million, property, plant and equipment were THB 218.44 million.

Total liabilities were THB 481.73 million increased THB 242.29 million or 101.19% from 31 December 2019, liabilities mainly came from trade account payable THB 63.48 million, accrued expenses THB 140.04 million, and assets payables THB 8.15 million, liabilities under leases 51.99 million baht (revised according to TFRS16 standards regarding leases) Total shareholders’ equity were THB 909.64 million decreased THB 166.84 million or 15.50% from December 31, 2019.

Statement of Cash Flows

For the Year 2020, the company had net cash inflows by operating activities of THB 14.91 million, net cash inflows investing activities THB 24.03 million, used in for purchased of fixed assets of THB 2.04 million, purchased of intangible assets of 4.05 million, temporary investments decreased THB 30.00 million. Then cash and cash equivalents as at the end of period of THB 150.83 million

Financial Ratio

Financial Ratio	31/3/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Current ratio	2.07	4.35	3.49	3.04	3.17
Finished goods days	205	170	116	89	110
Total inventory days	268	218	150	118	143
Return on equity	-15.98%	19.35%	64.78%	81.27%	53.15%
Return on assets	-11.73%	15.22%	48.23%	60.17%	40.45%
Debt to equity	0.53	0.22	0.31	0.37	0.33

Your faithfully,

Beauty Community Public Company Limited

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(Mr. Thitiphat Wongsriphuak)

Finance and Accounting Director