

August 13, 2020

Subject: Performance discussion and analysis for the 2nd Quarter of 2020 and for the first 6 months of 2020

To: Director and manager of the Stock Exchange of Thailand

Financial Performance Summary – 2nd Quarter and the first 6 months of 2020

Beauty Community Public Co., Ltd. is pleased to announce its financial and operating results for 2nd Quarter and the first 6 months of 2020 to compare with the operating results in the 2nd Quarter and the first 6 months of 2019 as follows:

- Total Revenue in 2nd Quarter 2020 was THB 128.93 million, a decreased of 75.75% and the first 6 months was THB 399.25 million, a decreased of 63.04%.
- Gross Profit in 2nd Quarter 2020 was THB 65.30 million, a decreased of 79.45% and the first 6 months was THB 215.58 million, a decreased of 66.74%.
- Selling expenses in 2nd Quarter 2020 was THB 103.66 million, a decreased of 48.23% and the first 6 months was THB 228.48 million, a decreased of 40.21%.
- Administrative expenses in 2nd Quarter 2020 was THB 33.91 million, a decreased of 45.44% and the first 6 months was THB 96.68 million, a decreased of 24.75%.
- Net Profit in 2nd Quarter 2020 was THB -61.36 million, a decreased of 231.21% and the first 6 months was THB -101.04 million, a decreased of 186.87%.

Million Baht	Q2				YoY		Q1		QoQ		Year to Date (YTD)				YoY	
	2020	%	2019	%	+ / -	%	2020	%	+ / -	%	2020	%	2019	%	+ / -	%
Revenue from sales	125.47	97.31%	528.29	99.38%	(402.82)	(76.25%)	267.27	98.87%	(141.80)	(53.06%)	392.73	98.37%	1,072.18	99.24%	(679.44)	(63.37%)
Cost of sales	60.16	46.66%	210.46	39.59%	(150.30)	(71.41%)	116.99	43.28%	(56.83)	(48.58%)	177.15	44.37%	424.02	39.25%	(246.86)	(58.22%)
Gross profit (GP)	65.30	52.05%	317.83	60.16%	(252.52)	(79.45%)	150.27	56.23%	(84.97)	(56.54%)	215.58	54.89%	648.16	60.45%	(432.58)	(66.74%)
Other Income	3.47	2.69%	3.32	0.62%	0.15	4.44%	3.05	1.13%	0.42	13.61%	6.52	1.63%	8.16	0.76%	(1.64)	(20.14%)
Total Revenue	128.93	100.00%	531.61	100.00%	(402.67)	(75.75%)	270.32	100.00%	(141.39)	(52.30%)	399.25	100.00%	1,080.34	100.00%	(681.09)	(63.04%)
Selling expenses	103.66	80.40%	200.22	37.66%	(96.56)	(48.23%)	124.82	46.17%	(21.15)	(16.95%)	228.48	57.23%	382.11	35.37%	(153.63)	(40.21%)
Administrative expenses	33.91	26.30%	62.16	11.69%	(28.24)	(45.44%)	62.76	23.22%	(28.85)	(45.97%)	96.68	24.21%	128.48	11.89%	(31.80)	(24.75%)
Profit before interest & tax (EBIT)	(68.80)	(53.36%)	58.77	11.06%	(127.57)	(217.07%)	(34.25)	(12.67%)	(34.55)	100.87%	- 103.06	(25.81%)	145.73	13.49%	(248.79)	(170.72%)
Finance costs	0.77	0.60%	-	0.00%	0.77	0.00%	5.00	1.85%	(4.23)	0.00%	5.77	1.44%	-	0.00%	5.77	0.00%
Income tax	(8.21)	(6.37%)	12.01	2.26%	(20.22)	(168.38%)	0.43	0.16%	(8.64)	(2021.12%)	- 7.78	(1.95%)	29.42	2.72%	(37.20)	(126.46%)
Profit for the period	(61.36)	(47.59%)	46.77	8.80%	(108.13)	(231.21%)	(39.68)	(14.68%)	(21.68)	54.64%	- 101.04	(25.31%)	116.32	10.77%	(217.36)	(186.87%)
Other comprehensive income	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total comprehensive income for the period (net)	(61.36)	(47.59%)	46.77	8.80%	(108.13)	(231.21%)	(39.68)	(14.68%)	(21.68)	54.64%	- 101.04	(25.31%)	116.32	10.77%	(217.36)	(186.87%)
EBITDA	(37.90)	(29.40%)	71.87	13.52%	(109.77)	(152.74%)	(21.67)	(8.02%)	(16.23)	74.92%	- 59.57	(14.92%)	172.95	16.01%	(232.52)	(134.44%)

Note : 1. % GP margin calculated to sales

Total Revenue

Total revenues for the 2nd Quarter of 2020 were THB 128.93 million decreased by 75.75% from the same period last year and decreased by 52.03% compared to 1st Quarter 2020 (QoQ). The first 6 month of 2020 was THB 399.25 million decreased by 63.04% from the same period last year. Revenue structure came mainly from the retail channels “Cosmetic Shops.” Beauty Buffet shops were 48.06%, and Beauty Cottage shops were 8.29%. The revenue portion from Overseas distribution channels were 28.32%, the Commercial trading channels (Consumer Product) was 9.27%, the last portion of revenue was from E-commerce was 4.21%, other revenue was 1.85% The same store sales growth (SSSG) for the first 6 months of 2020 declined by 47.61%. (2nd Quarter 2020 was declined by 56.45%)

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

Lingering setback on the company’s revenue is continually contributed to the COVID-19 crisis that spread heavily in China since late of January and the 300+ stores closure, more than 95% of total branches, upon the government announcement late March along with the economic deceleration, decreased number of tourists, and weak purchasing power in general. In addition, the fierce competition of the cosmetics business utilizes various promotion to boost sales in order to gain greater market share from the rest of the players – causing customers’ loyalty is destabilized.

However, the company expects that the business trend in the 2nd half of the year will gradually improve. After lenient regulations, the company can reopen our retail stores together with strategies adjustment – Business Re-engineering – to adjust management direction and increase business efficiency altogether. This adjustment is expect to show the initial results by the end of 3rd Quarter 2020 and clearly in 4th Quarter 2020 as follows:

Local marketing strategy adjustment plan by focusing on expanding distribution channels with high growth potential, such as E-Commerce and Consumer Product channels. Consumer Product targets large cosmetic wholesalers in major provinces (FMCG) along with the development of a new sales model called “Beauty Online Shop” to turn customers who have experience with the storefront service can order online immediately. (Every branch has a channel to order products in front of the branch (Offline Store) and through the online system in both formats) and prepare for selection of our distributors through online channels to increase the chance of selling more products.

As for retails, the company has adjusted the organization structure to be more flexible to increase competitiveness and reduce the future expenses by closing nonperforming branches and compensating with online sales channels to reach a wider range of customers with little to no restrictions. The company believes that the policy will reduce the cost in the long term and increase profitability of the company in the future.

For international market, the company has revised plans to release new products with good profit margin to compensate the decline in sales and cooperate with distributors in China to further develop new products. This is expected to complete in the 3rd Quarter 2020, and the company will also focus on distribution channels in the countries in the South East region, such as Cambodia, Vietnam, Myanmar, and Malaysia. Although some orders are currently encountering transportation issue, the company expects the situation to recover quite soon because Thai products and BEAUTY products still have demand. The company has worked closely with distributors by continuously providing marketing and merchandise support to timely adapt with the situation at hand.

Gross Profit

Gross Profit for the 2nd Quarter 2020 was THB 65.30 million which are decreased 79.45% YoY, decreased by 56.54% QoQ, and for the first 6 month of 2020 was THB 215.58 million, decreased by 66.74% (YoY).

Gross profit margin 2nd Quarter 2020 were 52.05%, decreased from the same period in 2019 (60.16%) and decreased from the 1st Quarter 2019 (56.23%) and for the first 6 months 2020 was 54.89%, decreased from the same period last year (60.45%)

The reasons for the decline of GP still has mainly to do with increasing of promotion to boost sales and Promotion Clearance Sales in the middle of the year and to compete with other competitors in the fierce competition in the cosmetics business.

Selling expenses

Selling expenses for 2nd Quarter 2020 were THB 103.66 million, decreased by 48.23% (YoY), and decreased by 16.95% (QoQ) and for the first 6 months 2020 were THB 228.48 million, decreased by 40.21% (YoY). The selling expenses decreased mainly came from the adjustment of the company's cost control on every operational process. Focusing on management and cost control according to the (Cost Saving Program), such as expenses related to advertising, promotion, fixed costs (by closing nonperforming branches), and employees.

Administrative expenses

Administrative expenses 2nd Quarter 2020 were THB 33.91 million decreased by 45.44% YoY, also decreased by 45.97% QoQ and the first 6 months 2020 were THB 96.68 million, decreased by 24.75% (YoY). Administrative expenses decreased mainly from the company having a business restructuring in order to increase competitiveness and reduce the future cost. In the 1st Quarter 2020, there was expenses control in accordance with Cost Saving Program to achieve the highest efficiency.

Net Profit

Net profit for 2nd Quarter 2020 was THB -61.36 million, continuing to decrease by 231.21% compared to the same period last year (YoY), and decreased by 54.64% compared to 1st Quarter 2020 (QoQ) and the first 6 months 2020 was THB 101.04 million, decreased by 186.87% from the last year (YoY). Net profit declined mainly came from lower revenue and Gross Profit.

The expenses related to business restructuring

The company has implemented several strategies to restructure the organization to be flexible, to be competitive, and to reduce future expenses in the 1st and 2nd Quarter 2020 resulting in THB 32.03 million of non-routine expenses, recognized under the cost of non-routine expenses and administrative expenses. These expenses are in accordance with the method of closing nonperforming branches and affected by the policy of closing various shopping centers upon the government announcement of the COVID-19 situation.

Statement of Financial Position

Total assets as at June 30, 2020 were THB 1,217.71 million decreased THB 98.21 million or 7.46% from 31 December 2019 and Cash and cash equivalents were THB 210.80 million, temporary investments were THB 99.93 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 44.56 million without doubtful debt, inventory were THB 310.29 million, property, plant and equipment were THB 187.77 million.

Total liabilities were THB 369.43 million increased THB 129.99 million or 54.29% from 31 December 2019, liabilities mainly came from trade account payable THB 10.25 million, accrued expenses THB 48.61 million, and assets payables THB 134.36 million. Liabilities under leases THB 222.28 million (revised according to TFRS16 standards regarding leases) Total shareholders' equity were THB 848.28 million decreased THB 228.20 million or 21.20% from December 31, 2019.

Statement of Cash Flows

For the 2nd Quarter at the end of 30th June 2020, the company had net cash inflows by operating activities of THB 7.54 million, net cash inflows investing activities THB 194.50 million, used in for purchased of fixed assets of THB 4.34 million, purchased of intangible assets of 3.85 million, temporary investments increased THB 200.00 million. A dividend payment from 2019 operating results paid in April 2020 was THB 107.44 million. Then cash and cash equivalents as at the end of period of THB 210.80 million

Financial Ratio

Financial Ratio	30/6/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Current ratio	2.64	4.35	3.49	3.04	3.17	3.20
Finished goods days	258	170	116	89	110	137
Total inventory days	338	218	150	118	143	178
Return on equity	-21.00%	19.35%	64.78%	81.27%	53.15%	36.01%
Return on assets	-15.95%	15.22%	48.23%	60.17%	40.45%	28.96%
Debt to equity	0.44	0.22	0.31	0.37	0.33	0.30

Your faithfully,

Beauty Community Public Company Limited

.....
(Mr. Thitiphat Wongsriphuak)

Finance and Accounting Director