

November 12, 2020

Subject: Performance discussion and analysis for the 3rd Quarter of 2020 and for the first 9 months of 2020

To: Director and manager of the Stock Exchange of Thailand

Financial Performance Summary - 3rd Quarter and the first 9 months of 2020

Beauty Community Public Co., Ltd. is pleased to announce its financial and operating results for 3rd Quarter and the first 9 months of 2020 to compare with the operating results in the 3rd Quarter and the first 9 months of 2019 as follows:

- Total Revenue in 3rd Quarter 2020 was THB 193.48 million, a decreased of 57.66% and the first 9 months was THB 592.73 million, a decreased of 61.44%.
- Gross Profit in 3rd Quarter 2020 was THB 98.22 million, a decreased of 64.48% and the first 9 months was THB 313.80 million, a decreased of 66.06%.
- Selling expenses in 3rd Quarter 2020 was THB 88.74 million, a decreased of 46.34% and the first 9 months was THB 317.21 million, a decreased of 42.06%.
- Administrative expenses in 3rd Quarter 2020 was THB 32.29 million, a decreased of 35.81% and the first 9 months was THB 128.97 million, a decreased of 27.86%.
- Net Profit in 3rd Quarter 2020 was THB -22.75 million, a decreased of 144.75% and the first 9 months was THB -123.79 million, a decreased of 174.05%.

Million Baht	Q3				YoY		Q2		QoQ		Year to Date (YTD)				YoY	
	2020	%	2019	%	+/-	%	2020	%	+/-	%	2020	%	2019	%	+/-	%
Revenue from sales	185.73	96.00%	454.43	99.44%	(268.69)	(59.13%)	125.47	97.31%	60.27	48.04%	578.47	97.59%	1,526.61	99.30%	(948.14)	(62.11%)
Cost of sales	87.51	45.23%	177.90	38.93%	(90.39)	(50.81%)	60.16	46.66%	27.35	45.46%	264.67	44.65%	601.92	39.15%	(337.25)	(56.03%)
Gross profit (GP)	98.22	52.88%	276.53	60.85%	(178.30)	(64.48%)	65.30	52.05%	32.92	50.41%	313.80	54.25%	924.69	60.57%	(610.88)	(66.06%)
Other Income	7.74	4.00%	2.55	0.56%	5.20	203.98%	3.47	2.69%	4.28	123.31%	14.26	2.41%	10.71	0.70%	3.55	33.17%
Total Revenue	193.48	100.00%	456.98	100.00%	(263.50)	(57.66%)	128.93	100.00%	64.55	50.06%	592.73	100.00%	1,537.32	100.00%	(944.59)	(61.44%)
Selling expenses	88.74	45.86%	165.36	36.19%	(76.62)	(46.34%)	103.66	80.40%	(14.93)	(14.40%)	317.21	53.52%	547.46	35.61%	(230.25)	(42.06%)
Administrative expenses	32.29	16.69%	50.30	11.01%	(18.01)	(35.81%)	33.91	26.30%	(1.62)	(4.78%)	128.97	21.76%	178.78	11.63%	(49.82)	(27.86%)
Profit before interest & tax (EBIT)	(15.06)	(7.78%)	63.41	13.88%	(78.48)	(123.75%)	(68.80)	(53.36%)	53.74	(78.11%)	- 118.12	(19.93%)	209.15	13.60%	(327.27)	(156.48%)
Finance costs	3.06	1.58%	-	0.00%	3.06	0.00%	0.77	0.60%	2.29	0.00%	8.82	1.49%	-	0.00%	8.82	0.00%
Income tax	4.64	2.40%	12.57	2.75%	(7.93)	(63.10%)	(8.21)	(6.37%)	12.85	(156.47%)	- 3.15	(0.53%)	41.98	2.73%	(45.13)	(107.49%)
Profit for the period	(22.75)	(11.76%)	50.85	11.13%	(73.60)	(144.75%)	(61.36)	(47.59%)	38.61	(62.92%)	- 123.79	(20.89%)	167.17	10.87%	(290.96)	(174.05%)
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)	(22.75)	(11.76%)	50.85	11.13%	(73.60)	(144.75%)	(61.36)	(47.59%)	38.61	(62.92%)	- 123.79	(20.89%)	167.17	10.87%	(290.96)	(174.05%)
EBITDA	(18.97)	(9.80%)	76.29	16.69%	(95.25)	(124.86%)	(37.90)	(29.40%)	18.93	(49.96%)	- 59.57	(10.05%)	59.57	(3.87%)	-	0.00%

Note : 1. % GP margin calculated to sales

Total Revenue

Total revenues for the 3rd Quarter of 2020 were THB 193.48 million decreased by 57.66% from the same period last year and increased by 50.06% compared to 2nd Quarter 2020 (QoQ). The first 9 month of 2020 was THB 592.73 million decreased by 61.44% from the same period last year. Revenue structure came mainly from the Retail shop 54.36%. Oversea 31.98%, Consumer Product 7.04%, E-commerce 4.23%, Other revenue 2.41% The same store sales growth (SSSG) for the first 9 months of 2020 declined by -48.05%. (3rd Quarter 2020 was declined by -49.02%)

During the first half of this year, the global Covid-19 crisis was a major contributing factor to loss in sale revenue not just locally but also internationally. It is still hard to predict when the pandemic will end. Fierce market competition from both existing competitors and newcomers which launched heavy sale promotion also causes loss of market share and decreased brand loyalty.

However, the company has re-aligned its Business Re-engineering strategies to improve the management and the efficiency of the entire business process in accordance with the changed consumer's behavior as impacted by the Covid-19 pandemic. As a result, we have begun to see improved sale revenue both locally and internationally. Although, the improvement is not big enough to off-set the loss sale from the first half of the year, but this has been a positive signal since the government gradually eased the lock down measure.

The main object of the Business Re-engineering plan is to improve the efficiency of the entire business process, including the production cost and management expenses control and the following marketing strategies:

For local Thai market, the strategy is to expand sale channel that has high potential in market growth such as E-commerce, Consumer Product channel as well as focusing on wholesaler market in key provinces (FMCG). The plan also includes the development of new sale model, “Online Beauty Shop”, for repeat retail customers to shop online conveniently. All branches will therefore be able to offer customers this dual model of shopping experience through both offline & online channel simultaneously.

For retail channel, the company has restructured to improve organizational agility, increase competitiveness and lower expenses by closing down branches that cannot deliver margin and compensate it with online sale channel, which will also reach a wider target market without much restraint. The company believes that these strategies will help cut down cost in long term and improve future margin.

For international market, the company focuses on launching new products with higher profit margin to compensate for overall loss in sale and has already worked with sale representative in China to develop new products for launch in the Q3 of this year.

The company also focuses on market in countries that have eased their lock-down measure, particularly those in Southeast Asia – Cambodia, Vietnam, Myanmar and Malaysia. The company still receives purchasing orders from these countries, but often faces with transporting issues such as border check point closing. The company expects this to be only a short-term problem as Thai beauty products are still in high demand in these markets. The company will work closely with sale representatives in providing all necessary marketing and product supports based on changing situation.

Gross Profit

Gross Profit for the 3rd Quarter 2020 was THB 98.22 million which are decreased 64.48% YoY, increased by 50.41% QoQ, and for the first 9 month of 2020 was THB 313.80 million, decreased by 66.06% (YoY).

Gross profit margin 3rd Quarter 2020 were 52.88%, decreased from the same period in 2019 (60.85%) and increased from the 2nd Quarter 2019 (52.05%) and for the first 9 months 2020 was 54.25%, decreased from the same period last year (60.57%)

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

Selling expenses

Selling expenses for 3rd Quarter 2020 were THB 88.74 million, decreased by 46.34% (YoY), and decreased by 14.40% (QoQ) and for the first 9 months 2020 were THB 317.21 million, decreased by 42.06% (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 3rd Quarter 2020 were THB 32.29 million decreased by 35.81% YoY, also decreased by 4.78% QoQ and the first 9 months 2020 were THB 128.97 million, decreased by 27.86% (YoY). Administrative expenses decreased mainly from the company having a business restructuring in order to increase competitiveness and reduce the future cost. Including there was expenses control in accordance with Cost Saving Program to achieve the highest efficiency.

Net Profit

Net profit for 3rd Quarter 2020 was THB -22.75 million ,continuing to decrease by 144.75% compared to the same period last year (YoY), and decreased by 62.92% compared to 2nd Quarter 2020 (QoQ) and the first 9 months 2020 was THB 123.79 million ,decreased by 174.05% from the last year (YoY). Net profit declined mainly came from lower revenue and Gross Profit.

Statement of Financial Position

Total assets as at September 30, 2020 were THB 1,138.91 million decreased THB 177.01 million or 13.45% from 31 December 2019 and Cash and cash equivalents were THB 197.30 million, temporary investments were THB 149.93 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 42.06 million without doubtful debt, inventory were THB 254.55 million, property, plant and equipment were THB 177.99 million.

Total liabilities were THB 313.38 million increased THB 73.94 million or 30.88% from 31 December 2019, liabilities mainly came from liabilities under leases THB 186.19 million (revised according to TFRS16 standards regarding leases) including current portion of leases liabilities THB 124.53 million, trade account payable THB 29.05 million, accrued expenses THB 39.57 million. Total shareholders' equity were THB 825.53 million decreased THB 250.95 million or 23.31% from December 31, 2019.

Statement of Cash Flows

For the 3rd Quarter at the end of 30th September 2020, the company had net cash inflows by operating activities of THB 95.43 million, net cash inflows investment activities THB 144.65 million, used in for purchased of fixed assets of THB 5.84 million, purchased of intangible assets of 4.05 million, temporary investments increased THB 150.00 million. A dividend payment from 2019 operating results paid in April 2020 was THB 107.48 million. Then cash and cash equivalents as at the end of period of THB 197.30 million

Financial Ratio

Financial Ratio	30/9/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Current ratio	2.87	4.35	3.49	3.04	3.17	3.20
Finished goods days	239	170	116	89	110	137
Total inventory days	311	218	150	118	143	178
Return on equity	-17.36%	19.35%	64.78%	81.27%	53.15%	36.01%
Return on assets	-13.45%	15.22%	48.23%	60.17%	40.45%	28.96%
Debt to equity	0.38	0.22	0.31	0.37	0.33	0.30

Your faithfully,

Beauty Community Public Company Limited

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(Mr. Thitiphat Wongsriphuak)

Finance and Accounting Director