

February 22, 2018

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 4Q17and Y2017

Financial Performance Summary – 4Q17 and Y2017

Beauty Community Public Co., Ltd. is pleased to announce its 4Q17 and Y2017 the management discussion and analysis.

- Total Revenue 4Q17 of THB 1,095.91 million growth 56.15% and Year 2017 of THB 3,735.37 million growth 45.98% YoY
- Gross Profit 4Q17 of THB 735.45 million growth 56.66% and Year 2017 of THB 2,515.44 million growth 47.42% YoY
- Selling expenses 4Q17 of THB 170.27 million decreased 9.76% and Year 2017 of THB 723.90 million growth 7.33% YoY
- Administrative expenses 4Q17 of THB 59.96 million decreased 1 5.34% and Year 2017 of THB 280.09 million growth 21.74% YoY
- Net Profit 4Q17 of THB 408.29 million increased 129.62% and Year 2017 of THB 1,229.32 million growth 87.39% YoY

Million Baht	Q4				YoY		Q3		QoQ		Year to Date (YTD)				YoY	
	2017	%	2016	%	+/-	%	2016	%	+/-	%	2017	%	2016	%	+/-	%
Revenue from sales	1,090.54	99.51%	696.87	99.30%	393.66	56.49%	1,058.94	99.47%	31.60	2.98%	3,713.40	99.41%	2,539.45	99.24%	1,173.95	46.23%
Cost of sales	355.09	32.40%	227.40	32.40%	127.68	56.15%	346.36	32.54%	8.73	2.52%	1,197.96	32.07%	833.11	32.56%	364.84	43.79%
Gross profit (GP)	735.45	67.44%	469.47	67.37%	265.98	56.66%	712.58	67.29%	22.87	3.21%	2,515.44	67.74%	1,706.34	67.19%	809.10	47.42%
Other Income	5.37	0.49%	4.94	0.70%	0.43	8.70%	5.61	0.53%	(0.24)	(4.25%)	21.97	0.59%	19.39	0.76%	2.58	13.29%
Total Revenue	1,095.91	100.00%	701.81	100.00%	394.09	56.15%	1,064.55	100.00%	31.36	2.95%	3,735.37	100.00%	2,558.84	100.00%	1,176.53	45.98%
Selling expenses	170.27	15.54%	188.68	26.88%	(18.41)	(9.76%)	201.16	18.90%	(30.90)	(15.36%)	723.90	19.38%	674.48	26.36%	49.42	7.33%
Administrative expenses	59.96	5.47%	63.34	9.03%	(3.38)	(5.34%)	85.82	8.06%	(25.86)	(30.13%)	280.09	7.50%	230.07	8.99%	50.02	21.74%
Profit before interest & tax (EBIT)	510.60	46.59%	222.39	31.69%	288.20	129.59%	431.21	40.51%	79.38	18.41%	1,533.43	41.05%	821.18	32.09%	712.24	86.73%
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	102.31	9.34%	44.58	6.35%	57.73	129.48%	83.02	7.80%	19.30	23.24%	304.11	8.14%	165.18	6.46%	138.93	84.11%
Profit for the period	408.29	37.26%	177.81	25.34%	230.48	129.62%	348.20	32.71%	60.09	17.26%	1,229.32	32.91%	656.01	25.64%	573.31	87.39%
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)	408.29	37.26%	177.81	25.34%	230.48	129.62%	348.20	32.71%	60.09	17.26%	1,229.32	32.91%	656.01	25.64%	573.31	87.39%
EBITDA	525.58	47.96%	237.73	33.87%	287.85	121.08%	446.17	41.91%	79.41	17.80%	1,592.82	42.64%	879.21	34.36%	713.61	81.16%

Note : 1. % GP margin calculated to sales

Total Revenue

Total Revenue 4Q17 were THB 1,095.91 million growth 56.15% YoY and increased 2.95% QoQ, Total Revenue Y2017 were THB 3,735.37 million Growth 45.98% YoY.

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 13 shops from 332 shops on 31 December 2016 (Domestic : BEAUTY BUFFET 248 shops, BEAUTY COTTAGE 71 shops, BEAUTY MARKET 13 shops to be 345 shops on 31 December 2017 (Domestic : BEAUTY BUFFET 261 shops, BEAUTY COTTAGE 75 shops, BEAUTY MARKET 9 shops and Oversea from 40 shops on 31 December 2016 : BEAUTY BUFFET 37 shops, BEAUTY COTTAGE 3 shops) to be 16 shops on on 31 December 2017 due to in process of improvement and relocate and increased from the Same Store Sales Growth : 4Q17 average were 25.89% (YTD17 were 20.52 %). 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 56.03%, Beauty Cottage 10.54%, Beauty Market 1.72%, Franchises 0.65%, CP 12.31%, E-commerce 4.12% Oversea 13.77%, and other 0.87%. Note: Oversea shops are operated by our partner which company sell in wholesales term.

Gross Profit

Gross Profit 4Q17 were THB 735.45 million growth 56.66% YoY, increased 3.21% QoQ and Year 2017 of THB 2,515.44 million growth 47.42% YoY

Gross profit increased mainly came from total sales increased. However, gross profit margin 4Q17 were 67.44% increased from 4Q16 (67.37%) and slightly increased from 3Q17 (67.29%) and gross profit margin Year 2017 were 67.74 % increased from Year 2016 (67.19%).

Selling expenses

Selling expenses for 4Q17 were THB 170.27 million decreased 9.76% YoY, decreased 15.36% QoQ, Year 2017 of THB 723.90 million growth 7.33% YoY. Selling expenses increased mainly came from staff cost and shop rental due to more shop expansion and number of staff increased to serve shop expansion.

Administrative expenses

Administrative expenses 4Q1 were THB 59.96 million decreased 5.34% YoY, decreased 30.13% QoQ and Year 2017 of THB 280.09 million increased 21.74% YoY. Administrative expenses increased mainly came from staff cost that have to increase headcount to support the expansion.

However, 4Q17 total SG&A: percent to total revenue were 21.01% decreased from 35.91% YoY and decreased from 26.96% QoQ.

Net Profit

Net profit for 4Q17 were THB 408.29 million increased 129.62% YoY, and increased 17.26% QoQ and net profit for period Year 2017 of THB 1,229.32 million growth 87.39% YoY. Net profit increased mainly came from sales and gross profit increased and cost control.

Statement of Financial Position

Total assets as at December 31, 2017 were THB 2,335.49 million increased THB 584.95 million or 33.42% from 31 December 2016 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 505.86 million, temporary investments were THB 800.00 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 145.65 million without doubtful debt, inventory were THB 409.74 million, property, plant and equipment were THB 288.57 million.

Total liabilities were THB 630.33 million increased THB 200.07 million or 46.50% from 31 December 2016, liabilities mainly came from trade account payable THB 191.03 million, accrued expenses THB 165.08 million, and assets payables THB 19.90 million. Total shareholders' equity were THB 1,705.16 million increased THB 384.88 million or 29.15% from December 31, 2016.

Statement of Cash Flows

For the Year 2017, the company had net cash inflows by operating activities of THB 1,336.53 million, net cash inflows investing activities THB 196.77 million, used in for purchased of fixed assets of THB 32.52 million, temporary investments increased THB 120.00 million. Long term investment increased THB 50.00 million and Dividend paid THB 864.54 million, then cash and cash equivalents as at the end of period of THB 505.87 million.

Financial Ratio

Financial Ratio	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Current ratio	3.04	3.17	3.20	4.60
Finished goods days	89	110	137	141
Total inventory days	118	143	178	188
Return on equity	81.27%	53.15%	36.01%	28.87%
Return on assets	60.17%	40.45%	28.96%	24.83%
Debt to equity	0.37	0.33	0.30	0.18

For this period, current ratio was 3.04 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 89 days that better to our operation, increased from last year.

Return on equity was 81.27% better than last year, it mean that better profitability.

Return on assets was 60.17% better than last year, it mean that operation efficiency had improvement.

Debt to equity ratio was 0.37 time close to last year.

Dividend payment

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.

On 24 February 2017, the Board of Directors Meeting approved the 2016 dividend payment be paid to the shareholders of 3,000.97 million shares at the rate of THB 0.218 per share, amount of Baht 654.13 million or 99.71% of NPAT, for which the interim dividend was paid on 9 September 2016 at Baht 0.080 per share, amount of Baht 240.00 million, the remaining dividend to be paid at Baht 0.138 per share, amount of Baht 414.13 million which was paid on 19 May 2017 and this payment were already approved by the general shareholders' meeting on 25 April 2017.

On April 25, 2016 the General Meeting shareholders of the Company, passed a resolution to approve the issuance and offering 22,610,000 units of warrants to purchase ordinary shares to the directors and management/employees of the Company (ESOP Warrant-1). On January 16, 2017, the ESOP Warrant-1 were exercised to be ordinary shares 0.97 million shares and the Company has registered these shares with the Ministry of Commerce on January 25, 2017. The total of the ordinary shares is 3,000.97 million shares.

On 10 August 2017, the Board of Directors Meeting approved the 2017 interim dividend payment at the rate of THB 0.15 share, totally THB 450.41 million or 95.26% to net profit, which was paid on 8 September 2017.

On July 17, 2017 the ESOP Warrant-1 (2/2017) were exercised to be ordinary shares 1.77 million shares and the Company has registered these shares with the Ministry of Commerce on July 26, 2017. The total of the ordinary shares is 3,002.73 million shares.

On January 16, 2018 the ESOP Warrant-1 (3/2017) were exercised to be ordinary shares 2.11 million shares and the Company has registered these shares with the Ministry of Commerce on January 26, 2018. The total of the ordinary shares is 3,004.84 million shares.

Therefore, on 22 February 2018, the Board of Directors Meeting approved the 2017 dividend payment be paid to the shareholders of 3,004.84 million shares at the rate of THB 0.408 per share, amount of Baht 1,225.66 million or 99.70% of NPAT, for which the interim dividend was paid on 9 September 2017 at Baht 0.15 per share, amount of Baht 450.41 million, the remaining dividend to be paid at Baht 0.258 per share, amount of Baht 775.25 million which will be paid on 18 May 2018.

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” 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

1.1 A total of 261 Beauty Buffet retail shops as of December 31, 2017

1.2 A total of 75 Beauty Cottage shops as of December 31, 2017

1.3 A total of 9 Beauty Market shops as of December 31, 2017

1.4 Total 16 Oversea Retail Stores as of December 31, 2017:

- Vietnam, a total of 12 retail stores (12 for Beauty Buffet)
- Philippine, a total of 4 retail stores (4 for Beauty Buffet)

2.Consumer Product Channel Expansion

2.1 Modern trade, convenient store and supermarket totally 36 supermarket such as Big-C supercenter, Tesco Lotus and Tops Supermarket.

2.2 Traditional trade: 448 stores.

2.3 Catalog: 2 catalogs; Friday catalog, 24 shopping.

2.4 E-Commerce: 13 third parties websites; Zalara, Shop at 7, Konvy, Lazada, etc. and BEAUTY websites: Beautyplaza Website, Facebook, Line@, Wechat, Alibaba and Amazon.

3.Product roadshow

3.1 AseanBeauty at Bangkok, Thailand on 27-29 Apr 2017

3.2 BeautyWorld Dubai at Dubai,UAE on 14-16 May 2017

3.3 Top Thai Brands 2017, Hanoi Vietnam 17-20 Aug 2017

3.4 Beyond Beauty Asean Bangkok, Thailand 2017 21-23 Sept 2017

4.Corporate roadshow

4.1. 9 February 2017 Meeting with analyst and investors of Kasikorn Asset Management at the Head office of Kasikorn Asset Management

4.2. 1-2 March 2017 Roadshow at Singapore with PHATRA SECURITIES PUBLIC COMPANY LIMITED.

4.3. 3 March 2017 “CEO’s Day” at The St.Regis Bangkok meet with analyst and investors of Phatra.

4.4. 14 March 2017 “Opportunity Day” at The Stock Exchange of Thailand.

4.5. 30-31 March 2017 Roadshow at Korea “Set Korea Roadshow 2017” at Conrad, Seoul by SET and KTB Securities (Thailand).

4.6. 15-19 May 2017 Roadshow at Scotland-England-Netherland with Phillip Securities (Thailand) Public Company Limited.

4.7. 31 May 2017 “Road to the Star” with KTB Wealth Management at Novotel, Ploenchit.

4.8. 27 June 2017 “Thailand Corporate Day” in Singapore Office with Bualuang securities public company limited.

4.9. 17-18 July 2017 Road show at Hong Kong with Phillip Securities (Thailand) Public Company Limited.

4.10. 30 August 2017 “Thailand Focus” with Phatra securities public company limited at Anantara Siam Bangkok Hotel.

4.11. 31 August 2017 “Opportunity Day” at The Stock Exchange of Thailand.

4.12. 27 September 2017 “BEAUTY Analyst Meeting 2017” At beauty community public company limited head office.

4.13. 28 September 2017 “BLS Consumer Day 2017” with Bualuang securities public company limited at (Zuellig House Building).

4.14. 6 October 2017 “Thailand Major Forum 2017” with Thanachart securities public company limited at Four Seasons Hotel Bangkok.

Your faithfully,

Beauty Community Public Company Limited

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(Mr.Surapon Phetklueng)

Finance Director