

November 12, 2018

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 3Q18 and YTD 3Q18

**Financial Performance Summary – 3Q18 and and YTD 3Q18**

Beauty Community Public Co.,Ltd. is pleased to announce its 3Q18 and YTD 3Q18 the management discussion and analysis.

- Total Revenue 3Q18 of THB 1,081.65 million increased 1.61% and YTD 3Q18 of THB 2,844.12 million growth 7.75% YoY
- Gross Profit 3Q18 of THB 676.05 million decreased 5.13% and YTD 3Q18 of THB 1,833.19 million growth 2.99% YoY
- Selling expenses 3Q18 of THB 208.65 million increased 3.72% and YTD 3Q18 of THB 594.24 million growth 7.33% YoY
- Administrative expenses 3Q18 of THB 60.64 million decreased 29.34% and YTD 3Q18 of THB 193.55 million decreased 12.07% YoY
- Net Profit 3Q18 of THB 328.99 million decreased 5.52% and YTD 3Q18 of THB 867.75 million growth 5.69% YoY

Million Baht	Q3				YoY		Q2		QoQ		Year to Date (YTD)				YoY	
	2018	%	2017	%	+/-	%	2018	%	+/-	%	2018	%	2017	%	+/-	%
Revenue from sales	1,077.92	99.65%	1,058.94	99.47%	18.98	1.79%	837.24	97.63%	240.68	28.75%	2,813.31	98.92%	2,622.86	99.37%	190.45	7.26%
Cost of sales	401.87	37.15%	346.36	32.54%	55.51	16.03%	287.90	33.57%	113.97	39.59%	980.12	34.46%	842.87	31.93%	137.25	16.28%
<b>Gross profit (GP)</b>	<b>676.05</b>	<b>62.72%</b>	<b>712.58</b>	<b>67.29%</b>	<b>(36.53)</b>	<b>(5.13%)</b>	<b>549.34</b>	<b>65.61%</b>	<b>126.71</b>	<b>23.07%</b>	<b>1,833.19</b>	<b>65.16%</b>	<b>1,779.99</b>	<b>67.86%</b>	<b>53.20</b>	<b>2.99%</b>
Other Income	3.74	0.35%	5.61	0.53%	(1.87)	(33.35%)	20.28	2.37%	(16.54)	(81.57%)	30.81	1.08%	16.60	0.63%	14.21	85.63%
<b>Total Revenue</b>	<b>1,081.65</b>	<b>100.00%</b>	<b>1,064.55</b>	<b>100.00%</b>	<b>17.11</b>	<b>1.61%</b>	<b>857.52</b>	<b>100.00%</b>	<b>224.13</b>	<b>26.14%</b>	<b>2,844.12</b>	<b>100.00%</b>	<b>2,639.46</b>	<b>100.00%</b>	<b>204.66</b>	<b>7.75%</b>
Selling expenses	208.65	19.29%	201.16	18.90%	7.49	3.72%	191.45	22.33%	17.20	8.98%	594.24	20.89%	553.63	20.98%	40.60	7.33%
Administrative expenses	60.64	5.61%	85.82	8.06%	(25.18)	(29.34%)	57.37	6.69%	3.27	5.70%	193.55	6.81%	220.13	8.34%	26.58	-12.07%
<b>Profit before interest &amp; tax (EBIT)</b>	<b>410.50</b>	<b>37.95%</b>	<b>431.21</b>	<b>40.51%</b>	<b>(20.71)</b>	<b>(4.80%)</b>	<b>320.80</b>	<b>37.41%</b>	<b>89.70</b>	<b>27.96%</b>	<b>1,076.21</b>	<b>37.84%</b>	<b>1,022.83</b>	<b>38.75%</b>	<b>53.38</b>	<b>5.22%</b>
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	81.51	7.54%	83.02	7.80%	(1.50)	(1.81%)	64.45	7.52%	17.06	26.48%	208.46	7.33%	201.80	7.65%	6.66	3.30%
<b>Profit for the period</b>	<b>328.99</b>	<b>30.42%</b>	<b>348.20</b>	<b>32.71%</b>	<b>(19.21)</b>	<b>(5.52%)</b>	<b>256.35</b>	<b>29.89%</b>	<b>72.63</b>	<b>28.33%</b>	<b>867.75</b>	<b>30.51%</b>	<b>821.03</b>	<b>31.11%</b>	<b>46.72</b>	<b>5.69%</b>
Other comprehensive income	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
<b>Total comprehensive income for the period (net)</b>	<b>328.99</b>	<b>30.42%</b>	<b>348.20</b>	<b>32.71%</b>	<b>(19.21)</b>	<b>(5.52%)</b>	<b>256.35</b>	<b>29.89%</b>	<b>72.63</b>	<b>28.33%</b>	<b>867.75</b>	<b>30.51%</b>	<b>821.03</b>	<b>31.11%</b>	<b>46.72</b>	<b>5.69%</b>
EBITDA	425.85	39.37%	446.17	41.91%	(20.32)	(4.55%)	335.86	39.17%	89.99	26.79%	1,121.46	39.43%	1,067.25	40.43%	54.21	5.08%

Note : 1. % GP margin calculated to sales

**Total Revenue**

Total Revenue 3Q18 were THB 1,081.65 million increased 1.61% YoY and increased 26.14% QoQ, and YTD 3Q17 of THB 2,844.12 million growth 7.75% YoY

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 13 shops from 336 shops on 30 September 2017 ( Domestic : BEAUTY BUFFET 255 shops, BEAUTY COTTAGE 72 shops, BEAUTY MARKET 9 shops to be 349 shops on 30 September 2018 ( Domestic : BEAUTY BUFFET 265 shops, BEAUTY COTTAGE 76 shops, BEAUTY MARKET 8 shops and Oversea from 19 shops on 30 September 2017 : BEAUTY BUFFET 19 shops) to be 17 shops on 30 September 2018 and Same Store Sales Growth : 3Q18 average were -0.57% (3Q18 were -3.59%) 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 54.93%, Beauty Cottage 7.99%, Beauty Market 1.52%, Consumer product 13.94%, E-commerce 1.60%, Oversea 18.39%, other sales 1.62%.

### **Gross Profit**

Gross Profit 3Q18 were THB 676.05 million decreased 5.13 % YoY, increased 23.07% QoQ, and YTD 3Q18 of THB 1,833.19 million growth 2.99% YoY

Gross profit margin 3Q18 were 62.72% decreased from 3Q17 ( 67.29%) and slightly decreased from 2Q18 (65.61%) and gross profit YTD 3Q18 (65.16%) decreased from 2Q17 (67.86%) due to revenue of Beauty Cottage decrease (Beauty Cottage has higher margin) and high promotion and OS and CP channel sales promotion were increase ( OS and CP channel gross margin are lower than own store).

### **Selling expenses**

Selling expenses for 3Q18 were THB 208.65 million increased 3.72% YoY, increased 8.98% QoQ, YTD 3Q18 of THB 594.24 million growth 7.33% YoY. Selling expenses increased mainly came from Advertising and promotion for the new products launching and to boost sales volume.

### **Administrative expenses**

Administrative expenses 3Q18 were THB 60.64 million decreased 29.34% YoY, increased 5.70% QoQ, and YTD 3Q18 of THB 193.55 million decreased 12.07% YoY. Administrative expenses decreased mainly came from we can control the expenses quite well.

However, 3Q18 total SG&A : percent to total revenue were 24.90% decreased from 26.96% YoY and slightly decreased from 29.02% QoQ. This meant we can control the expenses quite well.

### **Net Profit**

Net profit for 3Q18 were THB 328.99 million decreased 5.52% YoY, and increased 28.33% QoQ, and net profit for period YTD 3Q18 of THB 867.75 million growth 5.69% YoY. Net profit decreased mainly came from sales and gross profit decreased and cost of sales increased but the company has the ability to control costs quite well.

Therefore, Revenue and Net Profit increased significantly from 2Q18 due to revenue recover from 2Q18 (illegally FDA)

### **Statement of Financial Position**

Total assets as at June 30, 2018 were THB 1,776.46 million decreased THB 559.03 million or 23.94% from 31 December 2017 mainly came from dividend payment from 2017 earnings, 2018 interim dividend share repurchase and Cash and cash equivalents were THB 623.18 million, temporary investments were THB 100 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 111.62 million without doubtful debt, inventory were THB 476.87 million, property, plant and equipment were THB 273.16 million.

Total liabilities were THB 545.10 million decreased THB 85.23 million or 13.52% from 31 December 2017, liabilities mainly came from trade account payable THB 218.85 million, accrued expenses THB 95.30 million, and assets payables THB 6.89 million. Total shareholders' equity were THB 1,231.36 million decreased THB 473.80 million or 27.79% from December 31, 2017.

### **Statement of Cash Flows**

For the 3Q18, the company had net cash inflows by operating activities of THB 787.02 million, net cash inflows investing activities THB 672.00 million, used in for purchased of fixed assets of THB 25.74 million, temporary investments decreased THB 700.00 million.

Dividend was paid in May 2018 THB 775.17 million, and interim dividend payment 2018 was paid in September 2017 THB 484.50 million Including cash paid to repurchase shares THB 99.43 million, then cash and cash equivalents as at the end of period of THB 263.27 million.

**Financial Ratio**

Financial Ratio	30/9/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Current ratio	2.52	3.04	3.17	3.20	4.60	6.84	10.75
Finished goods days	97	89	110	137	141	132	113
Total inventory days	122	118	143	178	188	187	176
Return on equity	78.80%	81.27%	53.15%	36.01%	28.87%	21.25%	28.63%
Return on assets	56.28%	60.17%	40.45%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.44	0.37	0.33	0.30	0.18	0.13	0.09

For this period, current ratio was 2.52 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 97 days.

Return on equity was 78.80%. Which is at high rates. This represents the efficiency of the capital gain on the equity of the company.

Return on assets was 56.28%. Which is at high rates. The company is also able to manage assets to generate revenue and profit efficiency

Debt to equity ratio was 0.44 time which higher than last year and slightly increased from last year because of equity decreased from year end

2017 dividend payment and interim 2018 dividend payment and treasury stock.

**Dividend payment**

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 be paid on 8 September 2017.

Therefore, on July 17, 2017 the General Meeting shareholders of the Company, 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. Which the Annual General Meeting shareholders approved on 25 April 2018.

On 9 July 2018, the Board of Directors Meeting approved of Share Repurchase Program for Financial Management The maximum amount to be used for share repurchase is not more than 950 million baht. The number of shares to be repurchased is not over 64 million shares with a par value of 0.10 baht. The treasury shares will be 2.13% of the total shares sold. All have a 6-month project period from 24 July 2018 to 23 January 2019.

On July 16, 2018 the ESOP Warrant-1 (2/2018) were exercised to be ordinary shares 1.37 million shares and the Company has registered these shares with the Ministry of Commerce on July 24, 2018. The total of the ordinary shares is 3,006.21 million shares.

On 10 August 2018, the Board of Directors Meeting approved the 2018 interim dividend payment at the rate of THB 0.162 share, totally THB 484.95 million or 90.01% to net profit , which be paid on 7 September 2018

On July - August 2018, the Company repurchased totally 12.68 million shares at average price of Baht 7.84 per share, totally Baht 99.43 million.

## **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. A total of 265 Beauty Buffet retail shops as of 3Q18
2. A total of 76 Beauty Cottage shops as of 3Q18
3. A total of 8 Beauty Market shops as of 3Q18
4. Total 17 Oversea Retail Stores as of 3Q18:
  - Vietnam, a total of 13 retail stores (13 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 total 33 locations 879 shops. Such as Boots 280 shops, Big-C supercenter 157 shops, Tesco Lotus 172 shops and Tops Supermarket 142 shops, King power 22 shops,etc.
- 2.2 Traditional trade: 448 stores 28 SKUs.
- 2.3 Catalog : 2 catalogs ; Friday catalog, 24 shopping, 7-11 650shops 15 SKUs
- 2.4 E-Commerce : 18 third parties websites and BEAUTY websites : Beautyplaza Website , Facebook , Line@, Wechat, Alibaba, and Amazon.

### **3.Product roadshow**

- 3.1 Top Thai Brands 2018 , Phnom Penh on 1-4 Feb 2018 at KOH PICH EXHIBITION CENTER, PHNUM PENH, CAMBODIA.
- 3.2 ASEAN Beauty 2018 on 3-5 May 2018 at BITEC, Bangkok, Thailand.
- 3.3 Beautyworld Middle East 2018 on 8-10 May 2018 at Dubai International Convention and Exhibition Centre, Dubai, UAE.
- 3.4 CHINA INTERNATIONAL BEAUTY EXPO on 22-24 May 2018 at National Exhibition & Convention Center Shanghai Hongqiao.
- 3.5 BEAUTY & SPA EXPO INDIA 2018 on 28-29 May 2018 at Pragati Maidan Convention center, New Delhi.
- 3.6 BEYOND BEAUTY ASEAN BANGKOK On 20-22 September 2018 at Impact Muang Thong Thani

### **4.Corporate roadshow**

- 4.1 CEO Day with PHATRA SECURITIES PUBLIC COMPANY LIMITED 17January 2018 at Anantara Siam Bangkok Hotel
- 4.2 Thai Corporate Day with BLS on 19January 2018 at Conrad Bangkok Hotel.
- 4.3 Opportunity Day on 14 March 2018 at The Stock Exchange of Thailand.
- 4.4 Thailand Corporate Day with Thanachart securities public company limited in Singapore on 16-5March 2018.
- 4.5 Beauty Press Conference & Analyst Meeting on 4 July 2018 at Beauty head office.
- 4.6 Thailand focus 2018 on 29 August 2018 at Grand Hyatt Erawan Bangkok.

Your faithfully,

**Beauty Community Public Company Limited**

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**(Mr.Surapon Phetklung)**

**Chief Financial Officer**