

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 1Q19

Financial Performance Summary – 1Q19

Beauty Community Public Co., Ltd. is pleased to announce its 1Q19 the management discussion and analysis.

- Total Revenue 1Q19 of THB 548.74 million decreased 39.36%YOY
- Gross Profit 1Q19 of THB 330.33 million decreased 45.65% YOY
- Selling expenses 1Q19 of THB 181.89 million decreased 6.31% YOY
- Administrative expenses 1Q19 of THB 66.33 million decreased 12.20% YOY
- Net Profit 1Q19 of THB 69.55 million decreased 75.37% YOY

Million Baht	Q1				YoY		Q4		QoQ	
	2019	%	2018	%	+ / -	%	2018	%	+ / -	%
Revenue from sales	543.89	99.12%	898.15	99.25%	(354.26)	(39.44%)	653.30	99.42%	(109.41)	(16.75%)
Cost of sales	213.56	38.92%	290.35	32.08%	(76.79)	(26.45%)	221.53	33.71%	(7.97)	(3.60%)
Gross profit (GP)	330.33	60.74%	607.80	67.67%	(277.47)	(45.65%)	431.77	66.09%	(101.44)	(23.49%)
Other Income	4.84	0.88%	6.79	0.75%	(1.95)	(28.67%)	3.82	0.58%	1.02	26.70%
Total Revenue	548.74	100.00%	904.94	100.00%	(356.21)	(39.36%)	657.12	100.00%	(108.39)	(16.49%)
Selling expenses	181.89	33.15%	194.14	21.45%	(12.25)	(6.31%)	206.59	31.44%	(24.70)	(11.96%)
Administrative expenses	66.33	12.09%	75.54	8.35%	(9.22)	(12.20%)	72.41	11.02%	(6.08)	(8.40%)
Profit before interest & tax (EBIT)	86.96	15.85%	344.91	38.11%	(257.95)	(74.79%)	156.59	23.83%	(69.63)	(44.47%)
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	17.41	3.17%	62.50	6.91%	(45.09)	(72.14%)	32.75	4.98%	(15.34)	(46.84%)
Profit for the period	69.55	12.67%	282.41	31.21%	(212.86)	(75.37%)	123.84	18.85%	(54.29)	(43.84%)
Other comprehensive income	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total comprehensive income for the period (net)	69.55	12.67%	282.41	31.21%	(212.86)	(75.37%)	123.84	18.85%	(54.29)	(43.84%)
EBITDA	101.08	18.42%	359.75	39.75%	(258.67)	(71.90%)	171.27	26.06%	(70.19)	(40.98%)

Note : 1. % GP margin calculated to sales

Total Revenue

Total Revenue 1Q19 was THB 548.74 million decreased 39.36% YoY and decreased 16.49% QoQ.

Total Revenue mainly came from both domestically and internationally as of March 31, 2019 – a total of 357 throughout Thailand. Domestically, BEAUTY BUFFET has 266 shops; BEAUTY COTTAGE has 74 shops, and BEAUTY MARKET has 7 shops. Internationally, BEAUTY BUFFET has 10 shops. Moreover, Same Store Sales Growth in 2019 equates to -48.39%, and other sources of income are mainly from interests.

Revenue structure came mainly from selling through the retail cosmetic shops: Beauty Buffet shops were 45.75%, Beauty Cottage shops were 12.03%, Beauty Market were 1.91%, Overseas were 20.93%, Consumer Product 16.43%, E-commerce 1.12%, and other 1.84%

Note: Oversea shops are operated by our partner which was sold in a wholesales term.

The decline of revenues derived from many factors as follows:

1. Internal factors:

- a. The effects of Thai FDA: subjugation of illegal cosmetic products from other companies in 2018 causing consumers to be more prudent with their purchase, which still linger at this very moment. Positively, however, the eradication of substandard cosmetic products and manufacturers benefits Beauty Community substantially as all of our merchandies are evidently and legitimately certified.
- b. The effect from a decreased number in Chinese tourists is not significantly better from last year -- lowering this portion of this sales. In 2019, however, Chinese tourists should rise in the second half of the year.
- c. In this heavily competitive market, new comers increasingly enter the market everyday, such as celebrities involving themselves into the world of cosmetics. Fierce competition in term of promotions like buy 1 get 1 free to boost the sales – altering consumption’s habit in the way that their purchase depends entirely on the promotion(s) at time.

2. External factors:

- a. The news on Thai FDA influenced Chinese custom to strictly investigate Thai exported products causing the delay in transportation in general.
- b. The effect from new implemented laws in China on the main market, such as collecting tax online – began at the beginning of 2019 – discouraged wholesalers from purchasing. More importantly, the laws imposed on CFDA and Trademark are also play influential roles.
- c. Yuan currency falling relative to Thai Baht from 5 Baht per 1 Yuan fell to 4.7 to 4.8 per 1 Yuan. Prices are higher for Chinese buyers as a result. Causing Chinese customers to feel that the price of Thai products is more expensive.
- d. The impact of trade wars may affect sales at this period.

Nonetheless, Beauty will continue to consistently develop new products for our customers to strengthen our brand even further whether in the domestic or international levels. More importantly, new products are developed to support the increasing number of Chinese tourists in 2019 and to also prepare for international expansions, such as CBEC and General Trade (Online & Offline). These changes have been in effect since the end of last year. The countermeasures should be in fruition in the second half of this year. More importantly, we, Beauty will no longer rely on a single market, such as Malaysia, Singapore, Philippines, Indonesia, Myanmar, Vietnam, Laos, and India -- has recently been appointed. Although the overseas portion is not a large proportion but will imminently be better.

Gross Profit

Gross Profit 1Q19 were THB 330.33 million decreased 45.65 % YoY, decreased 23.49% QoQ. However, gross profit margin 1Q19 were 60.74% decreased from 1Q18 (67.67%) and decreased from 4Q18 (66.09%).

The decline in GP mainly came from promotions to boost the sales and discounts to open new international market routes.

Selling expenses

Selling expenses for 1Q19 were THB 181.89 million decreased 6.31% YoY, decreased 11.96% QoQ. Selling expenses decreased mainly came from staff cost, such as commission as it fluctuate upon the sales. Well-controlled A&P demonstrates the competency in costs management under highly competitive environment.

Administrative expenses

Administrative expenses 1Q19 were THB 66.33 million decreased 12.20% YoY, decreased 8.40% QoQ. Administrative expenses decreased because Beauty controlled the costs by initiating Cost Saving Program to increase the effectiveness of cost control.

However, 1Q19 total SG&A : percent to total revenue were 45.24% increased from 29.80% YoY and increased from 42.46% QoQ. Overall expenses volume decreased because Beauty controlled the costs by initiating Cost Saving Program to increase the effectiveness of cost control.

However, the proportion of overall expenses per sales increased from the fixed costs -- fluctuating directly upon the sales

Net Profit

Net profit for 1Q19 were THB 69.55 million decreased 75.37% YoY, and decreased 43.84% QoQ. Net profit decreased mainly from the falls in both revenue and gross margin, but Beauty can effectively control the costs, and we are still on the Cost Saving Program policy strictly in order to maintain the company overall efficiency.

Statement of Financial Position

Total assets as at March 31, 2019 were THB 1,819.11 million increased THB 42.96 million or 2.42% from 31 December 2018 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 297.93 million, temporary investments were THB 460.00 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 88.69 million without doubtful debt, inventory were THB 576.03 million, property, plant and equipment were THB 257.86 million.

Total liabilities were THB 388.86 million decreased THB 31.06 million or 7.40% from 31 December 2018, liabilities mainly came from trade account payable THB 109.89 million, accrued expenses THB 64.80 million, and assets payables THB 7.86 million. Total shareholders' equity were THB 1,430.24 million increased THB 74.02 million or 5.46% from December 31, 2018.

Statement of Cash Flows

For the 1Q19, the company had net cash inflows by operating activities of THB 65.60 million, net cash inflows investing activities THB 3.75 million, used in for purchased of fixed assets of THB 2.63 million.

Financial Ratio

Financial Ratio	31/3/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Current ratio	3.95	3.49	3.04	3.17	3.20	4.60
Finished goods days	195	116	89	110	137	141
Total inventory days	246	150	118	143	178	188
Return on equity	19.97%	64.78%	81.27%	53.15%	36.01%	28.87%
Return on assets	15.48%	48.23%	60.17%	40.45%	28.96%	24.83%
Debt to equity	0.27	0.31	0.37	0.33	0.30	0.18

For this period, current ratio was 3.95 time show that company still has more capability to repay short term liabilities Inventory days (Finished goods) was 195 days. Considered very high relative to the company performance as the sales didnt reach the target and There are new products launched in this quarter which need to be stock up for sale as well.

Return on equity is 19.97% lower from the end of last year. However, Beauty is still very efficient when compare to the rest of competitors. This number still shows a good returning capacity of the company

Return on assets is 15.48%, lower from the end of last year. However, Beauty is still very efficient when compare to the rest of competitors. This number shows that Beauty can manage assets to effectively generate sufficient profits

Debt to equity is 0.27 time, which is similar to the end of last year . The number is still in good shape as the company entails no debt.

Dividend payment

On January 16, 2018 the ESOP Warrant-1 (1/2018) 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 July16, 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.

On January 16, 2018 the ESOP Warrant-1 (1/2018) were exercised to be ordinary shares 0.65 million shares and the Company has registered these shares with the Ministry of Commerce on January 24, 2018. The total of the ordinary shares is 3,006.87 million shares.

Therefore, on 25 February 2019, the Board of Directors Meeting approved the 2018 dividend payment be paid to the shareholders of 3,004.84 million shares at the rate of THB 0.300 per share, amount of Baht 898.15 million or 90.58% of NPAT, for which the interim dividend was paid on 7 September 2018 at Baht 0.162 per share, amount of Baht 484.95 million, the remaining dividend to be paid at Baht 0.138 per share, amount of Baht 413.20 million which will be paid on 21 May 2019. Which has been approved by the Annual General Meeting of Shareholders for the year 2018 on 25 April 2019 already

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, Catalog 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 266 Beauty Buffet retail shops as of 1Q19
- 1.2 A total of 74 Beauty Cottage shops as of 1Q19
- 1.3 A total of 7 Beauty Market shops as of 1Q19
- 1.4 Total 10 Oversea Retail Stores as of 1Q19
 - Vietnam, a total of 6 retail stores (6 for Beauty Buffet)
 - Philippine, a total of 4 retail stores (4 for Beauty Buffet)

2. Consumer Product Channel Expansion

- 2.1 Modern trade, convenience store and supermarket totally 39 supermarket and 1,006 point of sales such as Boots 280 shops, Tops Supermarket 193 shops, Tesco Lotus 172 branches, Big-C supercenter 157 branches and king power 22 branches.
- 2.2 Traditional trade: 448 stores.
- 2.3 Catalog: 2 catalogs; Friday catalog, 24 shopping.
- 2.4 E-Commerce: 19 platform, 18 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 31 January- 3 February 2019 Top Thai Brands 2019 , Phnom Penh At KOH PICH EXHIBITION CENTER, PHNUM PENH, CAMBODIA
- 3.2 31 January- 3 February 2019 Top Thai Brands 2019, Yangon Myanmar At Tatmadaw Hall ,Yangon Myanmar
- 3.3 26-28 February 2562 China International Beauty Expo Beijing, At China National Convention Center (CNCC) Beijing
- 3.4 6-10 March 2562 Top Thai Brands 2019, Vientiane Laos At Lao Itecc, Vientiane
- 3.5 China International Beauty Expo 2019 Guangzhou At China Import and Export Fair (Canton Fair Complex), Guangzhou China

4. Corporate roadshow

- 4.1 11 January 2019 Thai Corporate Day in Bangkok at Conrad Bangkok Hotel with Bualuang securities
- 4.2 16 March 2019 BEAUTY Analyst Meeting & Presentation" AT Beauty community Head Office
- 4.3 21 March 2019 Narrating plan and business trend with Asia Plus Sathorn City Tower

BEAUTY KEY DRIVERS 2019

The company's operations plan in 2019 is a strategy to improve the structure and form of the company in the long term. To enhance the brand of products under the company's sales into a brand of beauty and health that has been internationally recognized Which will lead to sustainable growth of the company.

Although in this first quarter, Beauty was affected by many factors, both internal and oversea, as mentioned above. Nevertheless, Beauty has changed the strategy both at home and abroad. In the Chinese market, we have added new distribution channels, such as Cross Border E-Commerce (CBEC) & General Trade (Online & Offline), which has been modified and signed since the end of last year. All of these takes time and start to gradually deliver results, which should be more clear in the second half of this year.

And expanding to the International market more than 10 other countries to reduce the risk from relying on one market, such as Malaysia, Singapore, Philippines, Indonesia, Myanmar, Vietnam, Laos and India, which has recently signed a contract. The proportion of sales in this section currently not much, but, again, will gradually increase in the future.

The countermeasures Beauty is working on inevitably takes time. By Q2, what we have worked so hard should reveal a positive and sustainable growth, -- achievable via these 6 factors:

1. **Oversea**

Expanding into total of fifteen (15) countries. As of 2018, our qualified distributors were from different ten (10) countries – concentrating on co-marketing and increase a number of SKUs. By the end of 2019, five (5) additional countries: India, Russia, United Arab Emirates (UAE), Brunei, and Canada will be expanded primarily in forms of Product Distributor, Shop License, Shop in Shop, or Counter Sales. In addition to five (5) countries, we will continue to penetrate Chinese market because of its size and immense business opportunities. Merchandises will be distributed via Cross Border E-Commerce (CBEC) as it is a brand new premise for selling online that is legally sanctioned by the Chinese government. Online cosmetics vendors are especially granted special tax deduction.

Aside from the CBEC channel, Beauty merchandises will also be delivered to the mainstream networks known as General Trade, which consists of offline and online. Offline channels are Tradition Trade, Convenience Stores, and Modern Trade whereas online channels are countless E-Commerce platforms existing in China.

2. **Strengthen Retail Business Models**

Our expertise and experience from managing 347 retail branches across the country can tremendously and extensively bolster the retail channel. Within 2019, Beauty will, first, open new 15 branches, second, enable each store to implement its own marketing method(s) (Local Store Marketing), third, build “Multi Brand” sales model applying to Beauty Buffet, and, fourth, prototyping new store concepts to better reflect what consumers truly need.

3. **Consumer Product**

Beauty will improve the competency current sales channels by adding a number of SKUs and collaboratively working with partners. Beauty will not neglect to explore new sales routes that hold high potential, consisting of 4 major categories: first, Modern Trade, such as Tesco Lotus, Big C, Tops, and King Power. Second are Convenient Store, such as 7-11 and Family Mart (recently added) Third, Traditional Trade like mom and pop stores both in Bangkok and upcountries. Fourth, Home shopping, is coming very soon.

4. **E-Commerce channels**

Introduced to swiftly adapt to the rapid changes in consumers’ demand – possible through structural development and proper management of E-Commerce platforms together with the Online to Offline synchronization (O2O) strategy, business alliance, and infrastructure adjustment necessary to detect mobile shopping behavior. These investments are anticipated to boost the company income exceptionally and lay important groundwork for the future. S-Commerce channels are FB, IG, Line, Twitter, and Wechat. Second, Beauty own website is currently under a significant change and should be ready soon. Third, third-party websites like Lazada, Shopee, and Konvy

5. **Product Driven**

Product Driven is another highly feasible approach. Initiating new, fashionable, and innovative "Product Heroes" is to entice existing and prospective customers. This approach is aimed to respond quick shift in demands.

6. **Marketing O2O strategy**

Connecting every available online platforms for domestic and international influencers as well as all levels of staff to create conversion with broader customers coupled with the simultaneous development of regional and international markets leading to positive return for offline and online channels.

our faithfully,

Beauty Community Public Company Limited

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(Mr.Surapon Phetklung)

Chief Financial Officer