

August 10, 2018

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 2Q18 and YTD 2Q18

Financial Performance Summary – 2Q18 and YTD 2Q18

Beauty Community Public Co.,Ltd. is pleased to announce its 2Q18 and YTD 2Q18 the management discussion and analysis.

- Total Revenue 2Q18 of THB 857.52 million decreased 3.36% and YTD 2Q18 of THB 1,762.46 million growth 11.91% YoY
- Gross Profit 2Q18 of THB 549.34 million decreased 10.30% and YTD 2Q18 of THB 1,157.14 million growth 8.41% YoY
- Selling expenses 2Q18 of THB 191.45 million decreased 0.41% and YTD 2Q18 of THB 385.59 million growth 9.40% YoY
- Administrative expenses 2Q18 of THB 57.37 million decreased 32.09% and YTD 2Q18 of THB 132.91 million decreased 1.04% YoY
- Net Profit 2Q18 of THB 256.35 million decreased 6.16% and YTD 2Q18 of THB 538.77 million growth 13.94% YoY

Million Baht	Q2				YoY		Q1		QoQ		Year to Date (YTD)				YoY	
	2018	%	2017	%	+/-	%	2018	%	+/-	%	2018	%	2017	%	+/-	%
Revenue from sales	837.24	97.63%	881.36	99.32%	(44.12)	(5.01%)	898.15	99.25%	(60.91)	(6.78%)	1,735.39	98.46%	1,563.92	99.30%	171.47	10.96%
Cost of sales	287.90	33.57%	268.97	30.31%	18.93	7.04%	290.35	32.08%	(2.45)	(0.84%)	578.25	32.81%	496.51	31.53%	81.74	16.46%
Gross profit (GP)	549.34	65.61%	612.39	69.48%	(63.05)	(10.30%)	607.80	67.67%	(58.47)	(9.62%)	1,157.14	66.68%	1,067.41	68.25%	89.73	8.41%
Other Income	20.28	2.37%	6.02	0.68%	14.26	236.99%	6.79	0.75%	13.49	198.73%	27.07	1.54%	10.99	0.70%	16.08	146.37%
Total Revenue	857.52	100.00%	887.38	100.00%	(29.86)	(3.36%)	904.94	100.00%	(47.42)	(5.24%)	1,762.46	100.00%	1,574.91	100.00%	187.55	11.91%
Selling expenses	191.45	22.33%	192.24	21.66%	(0.79)	(0.41%)	194.14	21.45%	(2.69)	(1.39%)	385.59	21.88%	352.47	22.38%	33.12	9.40%
Administrative expenses	57.37	6.69%	84.47	9.52%	(27.11)	(32.09%)	75.54	8.35%	(18.18)	(24.06%)	132.91	7.54%	134.31	8.53%	(1.40)	(1.04%)
Profit before interest & tax (EBIT)	320.80	37.41%	341.70	38.51%	(20.90)	(6.12%)	344.91	38.11%	(24.11)	(6.99%)	665.71	37.77%	591.62	37.57%	74.09	12.52%
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	64.45	7.52%	68.51	7.72%	(4.06)	(5.93%)	62.50	6.91%	1.95	3.13%	126.95	7.20%	118.78	7.54%	8.17	6.87%
Profit for the period	256.35	29.89%	273.18	30.79%	(16.83)	(6.16%)	282.41	31.21%	(26.06)	(9.23%)	538.77	30.57%	472.84	30.02%	65.93	13.94%
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)	256.35	29.89%	273.18	30.79%	(16.83)	(6.16%)	282.41	31.21%	(26.06)	(9.23%)	538.77	30.57%	472.84	30.02%	65.93	13.94%
EBITDA	335.86	39.17%	356.39	40.16%	(20.53)	(5.76%)	359.75	39.75%	(23.89)	(6.64%)	695.61	39.47%	621.07	39.44%	74.53	12.00%

Note : 1. % GP margin calculated to sales

Total Revenue

Total Revenue 2Q18 were THB 857.52 million decreased 3.36% YoY and decreased 5.24% QoQ, and YTD 2Q18 of THB 1,762.46 million growth 11.91% YoY

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 15 shops (Domestic) from 333 shops on 30 June 2017 (BEAUTY BUFFET 249 shops, BEAUTY COTTAGE 71 shops, BEAUTY MARKET 13 shops) and Oversea : BEAUTY BUFFET 38 shops, BEAUTY COTTAGE 3 shops) to be 348 shops on 30 June 2018 (Domestic : BEAUTY BUFFET 265 shops, BEAUTY COTTAGE 75 shops, BEAUTY MARKET 8 shops) and decreased 24 shops (Oversea) from 41 shops on 30 June 2018 (BEAUTY BUFFET 38 shops, BEAUTY COTTAGE 3 shops) decreased to be 17 shops on 30 June 2018 (BEAUTY BUFFET 17 shops) and Oversea : BEAUTY BUFFET 17) and the Same Store Sales Growth :YTD2018 average were 1.73% The other income were mainly came from interest income.

The revenue decreased mainly came from the impact of Suppression of illegal products of other company (FDA) from March to April 2018 makes customer more cautious in buying cosmetics. But it only affected the short term. In addition, the current news of the FDA has resulted in the export of products to China. It has been more stringent inspection products. Therefore, it take a longer time for wholesaler to import products.

Revenue structure were mainly came from selling through the retail cosmetic shop : Beauty Buffet shops were 55.18%, Beauty Cottage 8.34%, Beauty Market 1.66%, Consumer product 16.12%, E-commerce 2.20%, Oversea 14.33%, other sales 2.17%, Note: Oversea shops are operated by our partner which company sell in wholesales term

Gross Profit

Gross Profit 2Q18 were THB 549.34 million decreased 10.30 % YoY, decreased 9.62% QoQ, and YTD 2Q18 of THB 1,157.14 million growth 8.141% YoY

Gross profit decreased mainly came from total sales decreased. However, gross profit margin 2Q18 were 65.61% decreased from 2Q17 69.48% and slightly decreased from 1Q18 67.67% and gross profit margin YTD 2Q18 were 66.68% increased from YTD 2Q17 68.25% due to revenue of Beauty Cottage decrease (Beauty Cottage has higher margin) and mid year promotion.

Selling expenses

Selling expenses for 2Q18 were THB 191.45 million decreased 0.41% YoY, decreased 1.39% QoQ. YTD 2Q18 of THB 385.59 million growth 9.40% YoY. Selling expenses decreased mainly came from some variable expenses such as commission expenses was decreased.

Administrative expenses

Administrative expenses 2Q18 were THB 57.37 million decreased 32.09% YoY, decreased 24.06% QoQ, and YTD 2Q18 of THB 132.91 million decreased 1.04% YoY. Administrative expenses increased mainly came from we can control the expenses quite well.

However, 2Q18 total SG&A : percent to total revenue were 29.02% decreased from 31.18% YoY and slightly decreased from 29.80% QoQ. This meant we can control the expenses quite well and some expense are variable cost, so if the revenue increase, the percent to sales of SG&A decrease.

Net Profit

Net profit for 2Q18 were THB 256.35 million decreased 6.16% YoY, and increased 9.23% QoQ, and net profit for period YTD 2Q18 of THB 538.77 million growth 13.94% YoY. Net profit decreased mainly came from sales and gross profit increased and The company has the ability to control costs quite well.

Statement of Financial Position

Total assets as at June 30, 2018 were THB 1,966.89 million decreased THB 368.60 million or 15.78% from 31 December 2017 mainly came from dividend payment from 2018 earnings. Cash and cash equivalents were THB 410.90 million, temporary investments were THB 410.00 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 142.93 million without doubtful debt, inventory were THB 530.39 million, property, plant and equipment were THB 278.96 million.

Total liabilities were THB 488.29 million decreased THB 142.04 million or 22.53% from 31 December 2017, liabilities mainly came from trade account payable THB 191.58 million, accrued expenses THB 78.27 million, and assets payables THB 11.10 million. Total shareholders' equity were THB 1,478.60 million decreased THB 226.56 million or 13.29% from December 31, 2017.

Statement of Cash Flows

For the 2Q18, the company had net cash inflows by operating activities of THB 298.34 million, net cash inflows investing activities THB 371.34 million, used in for purchased of fixed assets of THB 17.81 million, temporary investments decreased THB 390.00 million.

Financial Ratio

Financial Ratio	30/6/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Current ratio	3.22	3.04	3.17	3.20	4.60	6.84	10.75
Finished goods days	107	89	110	137	141	132	113
Total inventory days	146	118	143	178	188	187	176
Return on equity	67.69%	81.27%	53.15%	36.01%	28.87%	21.25%	28.63%
Return on assets	50.09%	60.17%	40.45%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.33	0.37	0.33	0.30	0.18	0.13	0.09

For this period, current ratio was 3.22 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 107 days.

Return on equity was 67.69%. Which is at high rates. This represents the efficiency of the capital gain on the equity of the company.

Return on assets was 50.09%. Which is at high rates. The company is also able to manage assets to generate revenue and profit efficiency

Debt to equity ratio was 0.33 time close to last year. Which is close to the end of last year. This shows that the company has less debt than capital.

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 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

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 2Q18
2. A total of 75 Beauty Cottage shops as of 2Q18
3. A total of 8 Beauty Market shops as of 2Q18
4. Total 17 Oversea Retail Stores as of 2Q18:
 - 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 35 locations 849 shops. Such as Big-C supercenter 155 shops, Tesco Lotus 172 shops and Tops Supermarket 113 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 : 14 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.

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.

Your faithfully,

Beauty Community Public Company Limited

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(Mr.Surapon Phetklueng)

Chief Financial Officer