

February 25, 2020

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 4Q19 and Y2019

Financial Performance Summary – 4Q19 and Y2019

Beauty Community Public Co., Ltd. is pleased to announce its 4Q19 and Y2019 the management discussion and analysis.

- Total Revenue 4Q19 of THB 483.45 million decreased 26.43% and Year 2019 of THB 2,020.77 million decreased 42.28% YoY
- Gross Profit 4Q19 of THB 288.38 million decreased 33.21% and Year 2019 of THB 1,213.07 million decreased 46.44% YoY
- Selling expenses 4Q19 of THB 154.29 million decreased 25.32% and Year 2019 of THB 701.75 million decreased 12.37% YoY
- Administrative expenses 4Q19 of THB 55.32 million decreased 23.59% and Year 2019 of THB 234.11 million decreased 11.97% YoY
- Net Profit 4Q19 of THB 65.41 million decreased 47.18% and Year 2019 of THB 232.58 million decreased 76.55% YoY

Million Baht	Q4				YoY		Q3		QoQ		Year to Date (YTD)				YoY	
	2019	%	2018	%	+/-	%	2019	%	+/-	%	2019	%	2018	%	+/-	%
Revenue from sales	480.60	99.41%	653.30	99.42%	(172.70)	(26.43%)	454.43	99.44%	26.17	5.76%	2,007.21	99.33%	3,466.61	99.01%	(1,459.40)	(42.10%)
Cost of sales	192.22	39.76%	221.53	33.71%	(29.31)	(13.23%)	177.90	38.93%	14.32	8.05%	794.14	39.30%	1,201.65	34.32%	(407.51)	(33.91%)
Gross profit (GP)	288.38	60.00%	431.77	66.09%	(143.39)	(33.21%)	276.53	60.85%	11.86	4.29%	1,213.07	60.44%	2,264.96	65.34%	(1,051.89)	(46.44%)
Other Income	2.85	0.59%	3.82	0.58%	(0.97)	(25.48%)	2.55	0.56%	0.30	11.82%	13.56	0.67%	34.63	0.99%	(21.07)	(60.85%)
Total Revenue	483.45	100.00%	657.12	100.00%	(173.67)	(26.43%)	456.98	100.00%	26.48	5.79%	2,020.77	100.00%	3,501.24	100.00%	(1,480.48)	(42.28%)
Selling expenses	154.29	31.91%	206.59	31.44%	(52.31)	(25.32%)	165.36	36.19%	(11.07)	(6.70%)	701.75	34.73%	800.83	22.87%	(99.08)	(12.37%)
Administrative expenses	55.32	11.44%	72.41	11.02%	(17.08)	(23.59%)	50.30	11.01%	5.02	9.98%	234.11	11.59%	265.95	7.60%	(31.85)	(11.97%)
Profit before interest & tax (EBIT)	81.62	16.88%	156.59	23.83%	(74.97)	(47.87%)	63.41	13.88%	18.21	28.71%	290.77	14.39%	1,232.80	35.21%	(942.03)	(76.41%)
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	16.21	3.35%	32.75	4.98%	(16.54)	(50.50%)	12.57	2.75%	3.65	29.02%	58.19	2.88%	241.21	6.89%	(183.02)	(75.87%)
Profit for the period	65.41	13.53%	123.84	18.85%	(58.43)	(47.18%)	50.85	11.13%	14.56	28.64%	232.58	11.51%	991.59	28.32%	(759.02)	(76.55%)
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)	65.41	13.53%	123.84	18.85%	(58.43)	(47.18%)	50.85	11.13%	14.56	28.64%	232.58	11.51%	991.59	28.32%	(759.02)	(76.55%)
EBITDA	94.03	19.45%	171.27	26.06%	(77.23)	(45.10%)	76.29	16.69%	17.75	23.27%	343.27	16.99%	1,292.73	36.92%	(949.46)	(73.45%)

Note : 1. % GP margin calculated to sales

Total Revenue

Total Revenue 4Q19 were THB 483.45 million decreased 26.43% YoY and increased 5.79% QoQ. Total Revenue Y2019 were THB 2,020.7 million decreased 42.28% YoY. And Same Store Sales Growth (SSSG) Y2019 were -45.04% (4Q19 were -33.40%). The SSSG decline is mainly due to the decrease in store sales in wholesale term.

Revenue structure came mainly from selling through the retail cosmetic shops: Beauty Buffet shops were 42.56%, Beauty Cottage shops were 11.55%, Beauty Market were 0.85%, Overseas were 27.57%, Consumer Product 14.99%, E-commerce 1.27%, and other 1.20%

Total Revenue were decreased by many channels, such as The effect from a decreased number in Chinese tourists, The effect from new implemented laws in China on the main market in early 2019 and Yuan currency falling relative to Thai Baht with the current economic slowdown Domestic consumption has not recovered. Consumers have lower purchasing power and heavily competitive in cosmetic business market. In the matter of organizing promotions to boost sales, to compete for market share from the existing competition and new competitor that are increasing.

The company also focus on the development of effective distribution channels In order to reach customers both domestic and overseas by developing the model of new retail stores to become more multi-brands. As well as driving more growth into Modern Trade and E-Commerce channels. The company adjusted the strategy by adding new channels in the Chinese market And expanding to International market more than 10 other countries to reduce the risk of relying on one market. Which has been changed and signed since 3Q19. Which started to see the results from revenue increased in the 4Q19 and expected to gradually increase in the future.

Gross Profit

Gross Profit 4Q19 were THB 288.38 million decreased 33.21% YoY, increased 4.29% QoQ and Year 2018 of THB 1,213.07 million decreased 46.44% YoY

Gross profit margin 4Q19 were 60.00% decreased from 4Q18(66.09%) and slightly decreased from 3Q19 (60.85%) and gross profit Year 2019 (60.44%) decreased from gross profit Year 2018 (65.34%) The decline in GP mainly came from promotions to boost the sales In order to increase the potential of the competition, including more discounts to open up new sales channels in the international market routes.

Selling expenses

Selling expenses for 4Q19 were THB 154.29 million decreased 25.32% YoY, decreased 6.70% QoQ, Year 2019 of THB 701.75 million decreased 12.37% YoY. Selling expenses decreased mainly came from the adjustment of the company's strategy and operational plans. Which focuses on managing expenses control. According to the cost saving program. Such as advertising and promotion expenses fixed costs by closing branches that do not have a profitability In order to reduce expenses that are not generating income. And another part decreased from staff cost such as commissions as it fluctuate upon the sales.

Administrative expenses

Administrative expenses 4Q19 were THB 55.32 million decreased 23.59% YoY, increased 9.98% QoQ and Year 2019 of THB 234.11 million decreased 11.97% YoY. Administrative expenses decreased mainly came from because Beauty controlled the costs by initiating Cost Saving Program to increase the effectiveness of cost control.

However, 4Q19 total SG&A: percent to total revenue were 43.36% increased 42.46% YoY and decreased 47.19% QoQ. Overall expenses volume increased because there is a fixed cost component, which when revenue decreases, will increase the proportion of expenses to sales.

Net Profit

Net profit for 4Q19 were THB 65.41 million decreased 47.18% YoY, and increased 28.64% QoQ and net profit for period Year 2019 of THB 232.58 million decreased 76.55% 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

Statement of Financial Position

Total assets as at December 31, 2019 were THB 1,315.92 million decreased THB 460.22 million or 25.91% from 31 December 2018 and Cash and cash equivalents were THB 154.66 million, temporary investments were THB 300 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 91.59 million without doubtful debt, inventory were THB 354.87 million, property, plant and equipment were THB 230.52 million.

Total liabilities were THB 239.44 million decreased THB 180.46 million or 42.98% from 31 December 2018, liabilities mainly came from trade account payable THB 81.81 million, accrued expenses THB 46.79 million, and assets payables THB 12.87 million. Total shareholders' equity were THB 1,076.48 million decreased THB 279.74 million or 20.63% from December 31, 2018.

Statement of Cash Flows

For the Year 2019, the company had net cash inflows by operating activities of THB 343.96 million, net cash inflows investing activities THB 92.46 million, used in for purchased of fixed assets of THB 15.11 million, temporary investments decreased THB 160.00 million. Long term investment increased THB 50.00 million.

Dividend was paid in May 2019 THB 413.20 million, and interim dividend payment 2019 was paid in September 2019 THB 104.80 million, then cash and cash equivalents as at the end of period of THB 154.66 million

Financial Ratio

Financial Ratio	31/12/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Current ratio	4.38	3.49	3.04	3.17	3.20	4.60
Finished goods days	168	116	89	110	137	141
Return on equity	19.12%	64.78%	81.27%	53.15%	36.01%	28.87%
Return on assets	15.04%	48.23%	60.17%	40.45%	28.96%	24.83%
Debt to equity	0.22	0.31	0.37	0.33	0.30	0.18

For this period, current ratio was 4.38 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 168 days. Considered very high relative to the company performance as the sales didn't reach the target

Return on equity was 19.12% lower from the end of last year but 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 was 15.04% 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 ratio was 0.22 times, which is still good. Which the company does not have any debt

Dividend payment

On January 16, 2019 the ESOP Warrant-1 (1/2019) 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, 2019. The total of the ordinary shares is 3,006.21 million shares.

On 25 February 2019, the Board of Directors Meeting approved the 2018 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

On 13 August 2019, the Board of Directors Meeting approved the 2019 interim dividend payment at the rate of THB 0.035 share, totally THB 104.80 million or 90.10% to net profit, which be paid on 9 September 2019

Therefore, On 25 February 2020, the Board of Directors Meeting approved the 2019 at the rate of THB 0.071 per share, amount of Baht 212.59 million or 91.41% of NPAT, for which the interim dividend was paid on 9 September 2019 at Baht 0.035 per share, amount of Baht 104.80 million, the remaining dividend to be paid at Baht 0.036 per share, amount of Baht 107.80 million which will be paid on 21 May 2020.

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 251 Beauty Buffet retail shops as of 4Q19
2. A total of 60 Beauty Cottage shops as of 4Q19
3. Total 7 Oversea Retail Stores as of 3Q19:
 - Vietnam, a total of 2 retail stores (Beauty Buffet)
 - Philippine a total of 5 retail stores (Beauty Buffet)

2.Consumer Product Channel Expansion

- 2.1 Modern trade, convenient store and supermarket total 39 locations 1,025 shops. Such as Boots 280 shops, Tops Supermarket 180 shops, Tesco Lotus 172 shops and Big-C supercenter 140 shops, King power 22 shops,etc.
- 2.2 Traditional trade: 649 stores 64 SKUs.
- 2.3 Catalog : 2 catalogs ; Friday catalog, 24 shopping, 7-11 650shops 42 SKUs
- 2.4 E-Commerce : 12 third parties websites and 1 BEAUTY websites : Beautyplaza Website , Facebook , Line and IG

3.Product roadshow

- 3.1 Top Thai Brands 2019 ,Phnom Penh on 31 Jan – 3Feb 2019
- 3.2 Top Thai Brands 2019 ,Yangon Myanmar on 21-24 Feb 2019
- 3.3 CHINA INTERNATIONAL BEAUTY EXPO BEIJING, Beijing China on 26-28 Feb 2019
- 3.4 Top Thai Brands 2019, Vientiane Laos on 6-10 Mar 2019
- 3.5 CHINA INTERNATIONAL BEAUTY EXPO GUANGZHOU, Guangzhou on 10-12 Mar 2019
- 3.6 Beauty World Middle East 2019,Dubai on 15-17 Apr 2019
- 3.7 ASEAN Beauty 2019, Bitec Bangna on 2-4 May 2019
- 3.8 Top Thai Brands 2019, Ho Chi Minh Vietnam on 9-12 May 2019
- 3.9 CHINA BEAUTY EXPO, Shanghai China on 20-22 May 2019
- 3.10 BEYOND BEAUTY 2019, Impact, Muang Thong Thani on 19-21 September 2019

4.Corporate roadshow

- 4.1 Thai Corporate Day 2019 on 11 Jan 2019 at Conrad Bangkok Hotel with Bualuang securities public company limited
- 4.2 “Kasset on 7 Mar 2019 at Kasikorn Asset Management co., LTD. Head Office.
- 4.3 “BEAUTY Analyst Meeting & Presentation ”on 18 Mar 2019 at Beauty Community .PCL Head office
- 4.4 listed company project, meet investors on 21 Mar 2019 with Asia Plus Securities Company Limited
- 4.5 “BEAUTY Analyst Meeting & Presentation ”on16 May 2019 at Beauty Community .PCL Head office
- 4.6 “BEAUTY Analyst Meeting & Presentation ”on1 5 Aug 2019 Beauty Community .PCL Head office
- 4.7 listed company project, meet investors on on 20 Nov 2019 at Phillip Investment Corporation Pte. Ltd. Head office
- 4.8 “BEAUTY Analyst Meeting & Presentation ”on 21 Nov 2019 at Beauty Community .PCL Head office

Your faithfully,

**Beauty Community Public Company
Limited**

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(Mr.Surapon Phetklueng)
Chief Financial Officer