

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 1Q17 and Y2017

Financial Performance Summary – 1Q17 and Y2017

Beauty Community Public Co.,Ltd. is pleased to announce its 1Q17 the management discussion and analysis.

- Total Revenue 1Q17 of THB 678.53 million growth 29.75%
- Gross Profit 1Q17 of THB 455.02 million growth 30.24%
- Selling expenses 1Q17 of THB 160.24 million increased 9.25%
- Administrative expenses 1Q17 of THB 49.84 million increased 7.16%
- Net Profit 1Q17 of THB 199.65 million increased 54.50%

Million Baht	Q1				YoY		Q4		QoQ	
	2017	%	2016	%	+ / -	%	2016	%	+ / -	%
Revenue from sales	682.56	99.28%	524.54	98.99%	158.02	30.12%	696.87	99.30%	(14.31)	(2.05%)
Cost of sales	227.54	33.10%	175.18	33.06%	52.36	29.89%	227.40	32.40%	0.14	0.06%
Gross profit (GP)	455.02	66.66%	349.36	66.60%	105.66	30.24%	469.47	67.37%	(14.45)	(3.08%)
Other Income	4.97	0.72%	5.36	1.01%	(0.39)	(7.32%)	4.94	0.70%	0.03	0.57%
Total Revenue	687.53	100.00%	529.91	100.00%	157.62	29.75%	701.81	100.00%	(14.28)	(2.04%)
Selling expenses	160.24	23.31%	146.67	27.68%	13.57	9.25%	188.68	26.88%	(28.44)	(15.07%)
Administrative expenses	49.84	7.25%	46.51	8.78%	3.33	7.16%	63.34	9.03%	(13.50)	(21.32%)
Profit before interest & tax (EBIT)	249.92	36.35%	161.55	30.49%	88.37	54.70%	222.39	31.69%	27.53	12.38%
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	50.27	7.31%	32.33	6.10%	17.94	55.50%	44.58	6.35%	5.68	12.75%
Profit for the period	199.65	29.04%	129.22	24.39%	70.43	54.50%	177.81	25.34%	21.84	12.28%
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	-	0.00%	-	100.00%
Total comprehensive income for the period (net)	199.65	29.04%	129.22	24.39%	70.43	54.50%	177.81	25.34%	21.84	12.28%
EBITDA	264.69	38.50%	174.13	32.86%	90.56	52.01%	237.73	33.87%	26.96	11.34%

Note : 1. % GP margin calculated to sales

Total Revenue

Total Revenue 1Q17 were THB 687.53 million growth 29.75% YoY and decreased 2.04% QoQ.

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 23 shops from 349 shops on 31 March 2016 (Domestic : BEAUTY BUFFET 230 shops, BEAUTY COTTAGE 72 shops, BEAUTY MARKET 14 shops and Oversea : BEAUTY BUFFET 30 shops, BEAUTY COTTAGE 3 shops) to be 372 shops on 31 March 2017 (Domestic : BEAUTY BUFFET 248 shops, BEAUTY COTTAGE 71 shops, BEAUTY MARKET 13 shops and Oversea : BEAUTY BUFFET 37 shops, BEAUTY COTTAGE 3 shops) and increased from the Same Store Sales Growth : 1Q17 average were 14.38%. 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 61.53%, Beauty Cottage 11.34%, Beauty Market 2.39%, Franchises 0.81%, Modern trade 6.77%, Catalog 4.56%, Traditional trade 0.39%, E-commerce 2.53%, Oversea 8.77%, and other 0.92%. Note: Oversea shops are operated by our partner which company sell in wholesales term.

Gross Profit

Gross Profit 1Q17 were THB 455.02 million growth 30.24 % YoY, decreased 3.08% QoQ.

Gross profit increased mainly came from total sales increased. However, gross profit margin 1Q17 were 66.66% increased from 1Q16 (66.60%) and slightly decreased from 4Q16 (67.37%).

Selling expenses

Selling expenses for 1Q17 were THB 160.24 million increased 9.25% YoY, increased 15.07% QoQ. Selling expenses increased mainly came from shop rental and staff cost due to more shop expansion and number of staff increased to serve shop expansion.

Administrative expenses

Administrative expenses 1Q17 were THB 49.84 million increased 7.16% YoY, decreased 21.32% QoQ. Administrative expenses increased mainly came from staff cost that have to increase headcount and fixed asset increased to support the expansion .

However, 1Q17 total SG&A : percent to total revenue were 30.55% decreased from 36.45% YoY and decreased from 35.91% QoQ.

Net Profit

Net profit for 1Q17 were THB 199.65 million increased 54.50% YoY, and increased 12.28% QoQ. Net profit increased mainly came from sales and gross profit increased and cost control.

Statement of Financial Position

Total assets as at March 31, 2017 were THB 1,994.58 million increased THB 244.04 million or 13.94% from 31 December 2016 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 677.72 million, temporary investments were THB 500.00 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 83.45 million without doubtful debt, inventory were THB 305.98 million, property, plant and equipment were THB 296.80 million.

Total liabilities were THB 468.16 million increased THB 37.90 million or 8.81% from 31 December 2016, liabilities mainly came from trade account payable THB 300.31 million, accrued expenses THB 92.59 million, and assets payables THB 8.04 million. Total shareholders' equity were THB 1,526.42 million increased THB 206.14 million or 15.61% from December 31, 2016.

Statement of Cash Flows

For the 1Q17, the company had net cash inflows by operating activities of THB 272.70 million, net cash inflows investing activities THB 183.33 million, used in for purchased of fixed assets of THB 6.43 million, temporary investments decreased THB 180.00 million.

Financial Ratio

Financial Ratio	31/3/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Current ratio	3.47	3.17	3.20	4.60	6.84	10.75
Finished goods days	99	110	137	141	132	113
Total inventory days	134	143	178	188	187	176
Return on equity	56.11%	53.15%	36.01%	28.87%	21.25%	28.63%
Return on assets	42.65%	40.45%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.31	0.33	0.30	0.18	0.13	0.09

For this period, current ratio was 3.47 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 99 days improved from last year.

Return on equity was 56.11% better than last year. It means that better profitability.

Return on assets was 42.65% better than last year. It means that operation efficiency had improved.

Debt to equity ratio was 0.31 time close to last year.

Dividend payment

On 25 February 2016, the Board of Directors Meeting approved the 2015 dividend payment be paid to the shareholders of 3,000 million shares at the rate of THB 0.133 per share, amount of Baht 399 million, for which the interim dividend was paid on 11 September 2015 at Baht 0.05 per share, amount of Baht 150 million, the remaining dividend to be paid at Baht 0.083 per share, amount of Baht 249 million which was paid on 19 May 2016 and this payment were already approved by the general shareholders' meeting on 25 April 2016.

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.

Moreover, 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 will be paid on 19 May 2017 and this payment were already approved by the general shareholders' meeting on 25 April 2017.

Therefore, 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.

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 248 Beauty Buffet retail shops as of 1Q17
2. A total of 71 Beauty Cottage shops as of 1Q17
3. A total of 13 Beauty Market shops as of 1Q17
4. Total 40 Oversea Retail Stores as of 1Q17:
 - Cambodia, a total of 7 retail stores (6 for Beauty Buffet and 1 for Beauty Cottage)
 - Laos, a total of 2 retail stores (1 for Beauty Buffet and 1 for Beauty Cottage)
 - Myanmar, a total of 2 retail stores (1 for Beauty Buffet and 1 for Beauty Cottage)
 - Vietnam, a total of 28 retail stores (29 for Beauty Buffet)

2.Consumer Product Channel Expansion

2.1 Modern trade, convenient store and supermarket total 12 locations such as Big-C supercenter, Tesco Lotus and Tops Supermarket.

2.2 Traditional trade: 417 stores.

2.3 Catalog : 4 catalogs ; Friday catalog, 24 shopping, Catalog by TV direct and D catalog

2.4 E-Commerce : 20 third parties websites ; Zalora, Shop at 7, Konvy, Lazada, etc. and BEAUTY websites : Beautyplaza Website ,Facebook , Line@, Wechat, Alibaba

Your faithfully,

Beauty Community Public Company Limited

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(Mr.Surapon Phetklueng)

Finance Director