

August 10, 2017

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 2Q17 and YTD 2Q17

**Financial Performance Summary – 2Q17 and YTD 2Q17**

Beauty Community Public Co.,Ltd. is pleased to announce its 2Q17 and YTD 2Q17 the management discussion and analysis.

- Total Revenue 2Q17 of THB 887.38 million growth 50.86% and YTD 2Q17 of THB 1,574.91 million growth 40.85% YoY
- Gross Profit 2Q17 of THB 612.39 million growth 56.05% and YTD 2Q17 of THB 1,067.41 million growth 43.90% YoY
- Selling expenses 2Q17 of THB 192.24 million increased 14.16% and YTD 2Q17 of THB 352.47 million growth 11.87% YoY
- Administrative expenses 2Q17 of THB 84.47 million increased 53.94% and YTD 2Q17 of THB 1,34.31 million growth 32.48% YoY
- Net Profit 2Q17 of THB 273.18 million increased 96.93% and YTD 2Q17 of THB 472.84 million growth 76.47% YoY

Million Baht	Q1				YoY		Q4		QoQ		Year to Date (YTD)				YoY	
	2017	%	2016	%	+/-	%	2016	%	+/-	%	2017	%	2016	%	+/-	%
Revenue from sales	881.36	99.32%	583.74	99.24%	297.62	50.98%	682.56	99.28%	198.80	29.13%	1,563.92	99.30%	1,108.29	99.12%	455.63	41.11%
Cost of sales	268.97	30.31%	191.31	32.52%	77.66	40.59%	227.54	33.10%	41.43	18.21%	496.51	31.53%	366.49	32.78%	130.02	35.48%
<b>Gross profit (GP)</b>	612.39	69.48%	392.43	67.23%	219.96	56.05%	455.02	66.66%	157.37	34.58%	1,067.41	68.25%	741.80	66.93%	325.62	43.90%
Other Income	6.02	0.68%	4.48	0.76%	1.54	34.33%	4.97	0.72%	1.05	21.11%	10.99	0.70%	9.84	0.88%	1.15	11.64%
<b>Total Revenue</b>	887.38	100.00%	588.23	100.00%	299.15	50.86%	687.53	100.00%	199.85	29.07%	1,574.91	100.00%	1,118.13	100.00%	456.78	40.85%
Selling expenses	192.24	21.66%	168.39	28.63%	23.85	14.16%	160.24	23.31%	32.00	19.97%	352.47	22.38%	315.06	28.18%	37.41	11.87%
Administrative expenses	84.47	9.52%	54.87	9.33%	29.60	53.94%	49.84	7.25%	34.64	69.50%	134.31	8.53%	101.38	9.07%	32.93	32.48%
<b>Profit before interest &amp; tax (EBIT)</b>	341.70	38.51%	173.65	29.52%	168.05	96.77%	249.92	36.35%	91.78	36.72%	591.62	37.57%	335.20	29.98%	256.42	76.50%
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	68.51	7.72%	34.93	5.94%	33.59	96.17%	50.27	7.31%	18.25	36.30%	118.78	7.54%	67.25	6.01%	51.53	76.62%
<b>Profit for the period</b>	273.18	30.79%	138.72	23.58%	134.46	96.93%	199.65	29.04%	73.53	36.83%	472.84	30.02%	267.95	23.96%	204.89	76.47%
Other comprehensive income	-	0.00%	-	0.00%	-	100.00%	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	100.00%
<b>Total comprehensive income for the period (net)</b>	273.18	30.79%	138.72	23.58%	134.46	96.93%	199.65	29.04%	73.53	36.83%	472.84	30.02%	267.95	23.96%	204.89	76.47%
EBITDA	356.39	40.16%	188.47	32.04%	167.92	89.09%	264.69	38.50%	91.70	34.65%	621.07	39.44%	362.60	32.43%	258.47	71.28%

Note : 1. % GP margin calculated to sales

**Total Revenue**

Total Revenue 2Q17 were THB 887.38 million growth 50.86% YoY and increased 29.07% QoQ, and YTD 2Q16 of THB 1,574.91 million growth 40.85% YoY

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 16 shops from 358 shops on 30 June 2016 (Domestic : BEAUTY BUFFET 234 shops, BEAUTY COTTAGE 71 shops, BEAUTY MARKET 14 shops and Oversea : BEAUTY BUFFET 36 shops, BEAUTY COTTAGE 3 shops) to be 374 shops on 30 June 2017 (Domestic : BEAUTY BUFFET 249 shops, BEAUTY COTTAGE 71 shops, BEAUTY MARKET 13 shops and Oversea : BEAUTY BUFFET 38 shops, BEAUTY COTTAGE 3 shops) and increased from the Same Store Sales Growth : 2Q17 average were 20.84% (YTD2Q17 were 17.62%). 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 56.61%, Beauty Cottage 12.00%, Beauty Market 2.13%, Modern trade 7.23%, E-commerce 2.85%, Catalog and other 4.08%, Oversea 6.99%, Distributor 6.45% other sales 1.66%, Note: Oversea shops are operated by our partner which company sell in wholesales term

### **Gross Profit**

Gross Profit 2Q17 were THB 612.39 million growth 56.05 % YoY, increased 34.58% QoQ, and YTD 2Q16 of THB 1,067.41 million growth 43.90% YoY

Gross profit increased mainly came from total sales increased. However, gross profit margin 2Q17 were 69.48% increased from 2Q16 (67.23%) and slightly increased from 1Q16 (66.66%) and gross profit margin YTD 2Q17 were 68.25% increased from YTD 2Q16 (66.93%) Note due to revenue of Beauty Cottage increase (Beauty Cottage has higher margin).

### **Selling expenses**

Selling expenses for 2Q17 were THB 192.24 million increased 14.16% YoY, increased 19.97% QoQ. YTD 2Q17 of THB 352.47 million growth 11.87% YoY. 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 2Q17 were THB 84.47 million increased 53.94% YoY, increased 69.50% QoQ, and YTD 2Q17 of THB 134.31 million increased 32.48% YoY. Administrative expenses increased mainly came from staff cost that have to increase headcount and fixed asset increased to support the expansion .

However, 2Q17 total SG&A : percent to total revenue were 31.18% decreased from 37.96% YoY and slightly increased from 30.55% QoQ. This meant we can control the expenses quite well and some expense are fixed cost, so if th revenue increase, the percent to sales of SG&A decrease.

### **Net Profit**

Net profit for 2Q17 were THB 273.18 million increased 96.93% YoY, and increased 36.83% QoQ, and net profit for period YTD 2Q17 of THB 472.84 million growth 76.47% YoY. Net profit increased mainly came from sales and gross profit increased and cost control.

### **Statement of Financial Position**

Total assets as at June 30, 2017 were THB 2,017.67 million increased THB 267.07 million or 15.26% from 31 December 2016 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 479.58 million, temporary investments were THB 600.00 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 99.52 million without doubtful debt, inventory were THB 410.04 million, property, plant and equipment were THB 290.42 million.

Total liabilities were THB 630.48 million increased THB 200.22 million or 46.53% from 31 December 2016,liabilities mainly came from trade account payable THB 485.47 million, accrued expenses THB 156.17 million, and assets payables THB 8.97 million. Total shareholders' equity were THB 1,387.14 million increased THB 66.85 million or 5.06% 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**

<b>Financial Ratio</b>	<b>30/6/2017</b>	<b>31/12/2016</b>	<b>31/12/2015</b>	<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2012</b>
Current ratio	2.59	3.17	3.20	4.60	6.84	10.75
Finished goods days	108	110	137	141	132	113
Total inventory days	142	143	178	188	187	176
Return on equity	69.86%	53.15%	36.01%	28.87%	21.25%	28.63%
Return on assets	50.19%	40.45%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.45	0.33	0.30	0.18	0.13	0.09

For this period, current ratio was 2.59 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 108 days improved from last year.

Return on equity was 69.86% better than last year. It means that better profitability.

Return on assets was 50.19% better than last year. It means that operation efficiency had improved.

Debt to equity ratio was 0.45 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.

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

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.

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.

### **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 2Q17
2. A total of 71 Beauty Cottage shops as of 2Q17
3. A total of 13 Beauty Market shops as of 2Q17
4. Total 40 Oversea Retail Stores as of 2Q17:
  - 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 29 retail stores (29 for Beauty Buffet)
  - Philippine a total of 1 retail stores (1 for Beauty Buffet)

### **2.Consumer Product Channel Expansion**

- 2.1 Modern trade, convenient store and supermarket total 23 locations 532 shops. Such as Big-C supercenter 125 shops, Tesco Lotus 172 shops and Tops Supermarket 125 shops, King power 7 shops,etc.
- 2.2 Traditional trade: 400 stores 33 SKUs.
- 2.3 Catalog : 4 catalogs ; Friday catalog, 24 shopping, Catalog by TV direct and D catalog.
- 2.4 E-Commerce : 22 third parties websites ; Zalora, Shop at 7, Konvy, Lazada, etc. and BEAUTY websites : Beautyplaza Website , Facebook , Line@, Wechat, Alibaba, Craza and Amazon.

### **3.Product roadshow**

- 3.1 AseanBeauty at Bangkok, Thailand on 27-29 Apr 2017
- 3.2 BeautyWorld Dubai at Dubai,UAE on 14-16 May 2017

### **4.Corporate roadshow**

- 4.1 Meeting with analyst and investors of Kasikorn Asset Management at the Head office of Kasikorn Asset Management On 9 February 2017
- 4.2 meet with Capital,a Big Fund of United States of America at Grand Hyatt Erawan Hote on 9 February 2017
- 4.3 CEO's Day at The St.Regis Bangkok meet with analyst and investors of Phatra on 3 March 2017
- 4.4 Opportunity Day at The Stock Exchange of Thailand on 14 March 2017
- 4.5 Road to the Star with KTB Wealth Management On 31 May 31, 2017 atNovotel,Ploenchit.
- 4.6 Roadshow at Singapore with PHATRA SECURITIES PUBLIC COMPANY LIMITED on 1-2 March 2017
- 4.7 Roadshow at Korea "Set Korea Roadshow 2017 at Conrad, Seoul by SET and KTB Securities (Thailand) on 30-31 March 2017
- 4.8 Roadshow's European such as Scotland, England and Netherlands, with Phillip Securities (Thailand) Public Company Limited on 15-19 May 2017.
- 4.9 Thailand Corporate Day in Singapore Office On 27 June 2017 with BLS.

Your faithfully,

**Beauty Community Public Company Limited**

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**(Mr.Surapon Phetklueng)**

**Finance Director**