

May 11, 2018

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 1Q18

Financial Performance Summary – 1Q18

Beauty Community Public Co.,Ltd. is pleased to announce its 1Q18 the management discussion and analysis.

- Total Revenue 1Q18 of THB 904.94 million growth 31.62%
- Gross Profit 1Q18 of THB 607.80 million growth 33.58%
- Selling expenses 1Q18 of THB 194.14 million increased 21.16%
- Administrative expenses 1Q18 of THB 75.54 million increased 51.58%
- Net Profit 1Q18 of THB 282.41 million increased 41.45%

Million Baht	Q1		YoY		Q4		QoQ			
	2018	%	2017	%	+ / -	%	2016	%	+ / -	%
Revenue from sales	898.15	99.25%	682.56	99.28%	215.59	31.59%	1,090.54	99.51%	(192.38)	(17.64%)
Cost of sales	290.35	32.08%	227.54	33.10%	62.81	27.60%	355.09	32.40%	(64.74)	(18.23%)
Gross profit (GP)	607.80	67.67%	455.02	66.66%	152.78	33.58%	735.45	67.44%	(127.65)	(17.36%)
Other Income	6.79	0.75%	4.97	0.72%	1.82	36.62%	5.37	0.49%	1.42	26.41%
Total Revenue	904.94	100.00%	687.53	100.00%	217.41	31.62%	1,095.91	100.00%	(190.97)	(17.43%)
Selling expenses	194.14	21.45%	160.24	23.31%	33.91	21.16%	170.27	15.54%	23.88	14.02%
Administrative expenses	75.54	8.35%	49.84	7.25%	25.71	51.58%	59.96	5.47%	15.58	25.99%
Profit before interest & tax (EBIT)	344.91	38.11%	249.92	36.35%	94.99	38.01%	510.60	46.59%	(165.69)	(32.45%)
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	62.50	6.91%	50.27	7.31%	12.23	24.33%	102.31	9.34%	(39.81)	(38.92%)
Profit for the period	282.41	31.21%	199.65	29.04%	82.76	41.45%	408.29	37.26%	(125.87)	(30.83%)
Other comprehensive income	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Total comprehensive income for the period (net)	282.41	31.21%	199.65	29.04%	82.76	41.45%	408.29	37.26%	(125.87)	(30.83%)
EBITDA	359.75	39.75%	264.69	38.50%	95.06	35.92%	525.58	47.96%	(165.83)	(31.55%)

Note : 1. % GP margin calculated to sales

Total Revenue

Total Revenue 1Q18 were THB 904.94 million growth 31.62% YoY and decreased 17.43%

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 13 shops from 329 shops on 31 March 2017/ (Domestic : BEAUTY BUFFET 246 shops, BEAUTY COTTAGE 70 shops, BEAUTY MARKET 13) shops to be 364 shops on 31 March 2018 (Domestic : BEAUTY BUFFET 264 shops, BEAUTY COTTAGE 75 shops, BEAUTY MARKET 9 shops and Oversea from 40 shops on 31 March 2017 : BEAUTY BUFFET 37 shops, BEAUTY COTTAGE 3 shops) to be 16 shops on 31 March 2018 due to in process of improvement and relocate and increased from the Same Store Sales Growth : 1Q18 average were 18.43%. 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 57.40% , Beauty Cottage 8.80%, Beauty Market 1.56%, Franchise 0.60%, consumer product 15.75%, E-commerce 2.10%, Oversea 12.91%, and other 0.88%
Note: Oversea shops are operated by our partner which company sell in wholesales term

Gross Profit

Gross Profit 1Q18 were THB 607.80 million growth 33.58 % YoY, decreased 17.36% QoQ.

Gross profit increased mainly came from total sales increased. However, gross profit margin 1Q18 were 67.67% increased from 1Q17 (66.66%) and slightly decreased from 4Q17 (67.44%)

Selling expenses

Selling expenses for 1Q18 were THB 194.14 million increased 21.16% YoY, increased 14.02% QoQ. Selling expenses increased mainly came from staff cost and shop rental due to more shop expansion and number of staff increased to serve shop expansion.

Administrative expenses

Administrative expenses 1Q18 were THB 75.54 million increased 51.58% YoY, increased 25.99% QoQ. Administrative expenses increased mainly came from staff cost that have to increase headcount to support the expansion. However, 1Q18 total SG&A : percent to total revenue were 29.80% decreased from 30.55% YoY and increased from 21.01% QoQ.

Net Profit

Net profit for 1Q18 were THB 282.41 million increased 41.45% YoY, and decreased 30.83% 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, 2018 were THB 2,697.56 million increased THB 362.07 million or 15.50% from 31 December 2017 mainly came from net cash provided by operating activities. Cash and cash equivalents were THB 1,241.43 million, temporary investments were THB 350.00 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 176.73 million without doubtful debt, inventory were THB 457.51 million, property, plant and equipment were THB 284.72 million.

Total liabilities were THB 701.43 million increased THB 71.10 million or 11.28% from 31 December 2017, liabilities mainly came from trade account payable THB 206.92 million, accrued expenses THB 112.33 million, and assets payables THB 14.52 million. Total shareholders' equity were THB 1,996.13 million increased THB 290.97 million or 17.06% from December 31, 2017.

Statement of Cash Flows

For the 1Q18, the company had net cash inflows by operating activities of THB 278.48 million, net cash inflows investing activities THB 446.56 million, used in for purchased of fixed assets of THB 4.56 million, temporary investments decreased THB 450.00 million.

Financial Ratio

Financial Ratio	31/3/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Current ratio	3.28	3.04	3.17	3.20	4.60
Finished goods days	100	89	110	137	141
Total inventory days	134	118	143	178	188
Return on equity	61.04%	81.27%	53.15%	36.01%	28.87%
Return on assets	44.89%	60.17%	40.45%	28.96%	24.83%
Debt to equity	0.35	0.37	0.33	0.30	0.18

For this period, current ratio was 3.28 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 100 days .

Return on equity was 61.04%

Return on assets was 44.89%

Debt to equity ratio was 0.35 time close to last year.

Dividend payment

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 was paid on 8 September 2017.

On July 17, 2017 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.

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

- 1.1 A total of 264 Beauty Buffet retail shops as of 1Q18
- 1.2 A total of 75 Beauty Cottage shops as of 1Q18
- 1.3 A total of 9 Beauty Market shops as of 1Q18
- 1.4 Total 16 Oversea Retail Stores as of 1Q18
 - Vietnam, a total of 12 retail stores (12 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 totally 36 supermarket such as Big-C supercenter, Tesco Lotus and Tops Supermarket.
- 2.2 Traditional trade: 448 stores.
- 2.3 Catalog: 2 catalogs; Friday catalog, 24 shopping.
- 2.4 E-Commerce: 14 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 On 14 Feb 2018 Top Thai Brands Cambodia at Cambodia

4. Corporate roadshow

- 4.1. 17 January 2018, CEO Day with with Phatra securities public company limited at Anantara hotel bangkok
- 4.2. 19 January 2018, Thai Corporate Day with Bualuang securities public company limited at conrad bangkok hotel
- 4.3. 14 March 2018, Opportunity Day at The Stock Exchange of Thailand.
- 4.4. 15-16 March 2018, Thailand Corporate Day with Phillip Securities (Thailand) Public Company Limited.

our faithfully,

Beauty Community Public Company Limited

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(Mr.Surapon Phetklung)

Finance Director