

February 25, 2019

The President

The Stock Exchange of Thailand

Re : Management Discussion and Analysis on 4Q18 and Y2018

Financial Performance Summary – 4Q18 and Y2018

Beauty Community Public Co., Ltd. is pleased to announce its 4Q18 and Y2018 the management discussion and analysis.

- Total Revenue 4Q18 of THB 657.12 million decreased 40.04% and Year 2018 of THB 3,501.24 million decreased 6.27% YoY
- Gross Profit 4Q18 of THB 431.77 million decreased 41.29% and Year 2018 of THB 2,264.96 million decreased 9.96% YoY
- Selling expenses 4Q18 of THB 206.59 million increased 21.34% and Year 2018 of THB 800.83 million growth 10.63% YoY
- Administrative expenses 4Q18 of THB 72.41 million increased 120.76% and Year 2018 of THB 265.95 million decreased 5.05% YoY
- Net Profit 4Q18 of THB 123.84 million decreased 69.67% and Year 2018 of THB 991.59 million decreased 19.34% YoY

Million Baht	Q4				YoY		Q3		QoQ		Year to Date (YTD)				YoY	
	2018	%	2017	%	+/-	%	2018	%	+/-	%	2018	%	2017	%	+/-	%
Revenue from sales	653.30	99.42%	1,090.54	99.51%	(437.23)	(40.09%)	1,077.92	99.65%	(424.61)	(39.39%)	3,466.61	99.01%	3,713.40	99.41%	(246.79)	(6.65%)
Cost of sales	221.53	33.71%	355.09	32.40%	(133.55)	(37.61%)	401.87	37.15%	(180.34)	(44.87%)	1,201.65	34.32%	1,197.96	32.07%	3.70	0.31%
Gross profit (GP)	431.77	66.09%	735.45	67.44%	(303.68)	(41.29%)	676.05	62.72%	(244.28)	(36.13%)	2,264.96	65.34%	2,515.44	67.74%	(250.49)	(9.96%)
Other Income	3.82	0.58%	5.37	0.49%	(1.55)	(28.83%)	3.74	0.35%	0.08	2.24%	34.63	0.99%	21.97	0.59%	12.66	57.65%
Total Revenue	657.12	100.00%	1,095.91	100.00%	(438.78)	(40.04%)	1,081.65	100.00%	(424.53)	(39.25%)	3,501.24	100.00%	3,735.37	100.00%	(234.12)	(6.27%)
Selling expenses	206.59	31.44%	170.27	15.54%	36.33	21.34%	208.65	19.29%	(2.05)	(0.98%)	800.83	22.87%	723.90	19.38%	76.93	10.63%
Administrative expenses	72.41	11.02%	59.96	5.47%	12.45	20.76%	60.64	5.61%	11.77	19.41%	265.95	7.60%	280.09	7.50%	(14.13)	(5.05%)
Profit before interest & tax (EBIT)	156.59	23.83%	510.60	46.59%	(354.00)	(69.33%)	410.50	37.95%	(253.91)	(61.85%)	1,232.80	35.21%	1,533.43	41.05%	(300.62)	(19.60%)
Finance costs	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Income tax	32.75	4.98%	102.31	9.34%	(69.56)	(67.99%)	81.51	7.54%	(48.76)	(59.82%)	241.21	6.89%	304.11	8.14%	(62.90)	(20.68%)
Profit for the period	123.84	18.85%	408.29	37.26%	(284.44)	(69.67%)	328.99	30.42%	(205.15)	(62.36%)	991.59	28.32%	1,229.32	32.91%	(237.72)	(19.34%)
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)	123.84	18.85%	408.29	37.26%	(284.44)	(69.67%)	328.99	30.42%	(205.15)	(62.36%)	991.59	28.32%	1,229.32	32.91%	(237.72)	(19.34%)
EBITDA	171.27	26.06%	525.58	47.96%	(354.31)	(67.41%)	425.85	39.37%	(254.58)	(59.78%)	1,292.73	36.92%	1,592.82	42.64%	(300.10)	(18.84%)

Note : 1. % GP margin calculated to sales

Total Revenue

Total Revenue 4Q18 were THB 657.12 million decreased 40.04% YoY and decreased 39.25% QoQ. Total Revenue Y2018 were THB 3,501.24 million decreased 6.27% YoY.

Total Revenue were increased by many channels, mainly came from the shop expansion that increased 3 shops from 345 shops on 31 December 2017 (Domestic : BEAUTY BUFFET 261 shops, BEAUTY COTTAGE 75 shops, BEAUTY MARKET 9 shops to be 348 shops on 31 December 2018 (Domestic : BEAUTY BUFFET 265 shops, BEAUTY COTTAGE 76 shops, BEAUTY MARKET 7 shops and Oversea from 20 shops on 31 December 2017 : BEAUTY BUFFET 20 shops,) decreased to be 10 shops on 31 December 2018 .the Same Store Sales Growth : Year 2018 average were -13.28% (4Q18 were -45.00 %). 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) makes customer more cautious in buying cosmetics. 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. Including being affected by Chinese tourists decreased.

Revenue structure were mainly came from selling through the retail cosmetic shop : Beauty Buffet shops were 54.34%, Beauty Cottage 8.37%, Beauty Market 1.53%, CP 13.73%, E-commerce 0.27% Oversea 20.22%, and other 1.54%. Note: Oversea shops are operated by our partner which company sell in wholesales term.

Gross Profit

Gross Profit 4Q18 were THB 431.77 million decreased 41.29% YoY, decreased 36.13% QoQ and Year 2018 of THB 2,264.96 million decreased 9.96% YoY

Gross profit margin 4Q18 were 66.09% decreased from 4Q17 (67.44%) and slightly increased from 3Q18 (62.72%) and gross profit Year 2018 (65.34%) decreased from Year 2017 (67.74%) due to revenue of Beauty Cottage decrease (Beauty Cottage has higher margin) and high promotion and OS and CP channel sales promotion were increase (OS and CP channel gross margin are lower than own store).

Selling expenses

Selling expenses for 4Q18 were THB 206.59 million increased 21.34% YoY, decreased 0.98% QoQ, Year 2018 of THB 800.83 million growth 10.63% YoY. Selling expenses increased mainly came from Advertising and promotion for the new products launching and to boost sales volume.

Administrative expenses

Administrative expenses 4Q18 were THB 72.41 million increased 20.76% YoY, decreased 19.41% QoQ and Year 2018 of THB 265.95 million decreased 5.05% YoY. Administrative expenses increased mainly came from staff cost that have to increase headcount to support the expansion.

However, 4Q18 total SG&A: percent to total revenue were 42.46% increased 21.01% YoY and decreased 24.90% QoQ. Which came from Advertising and promotion to boost sales volume and sales are lower than expected.

Net Profit

Net profit for 4Q18 were THB 123.84 million decreased 69.67% YoY, and decreased 62.36% QoQ and net profit for period Year 2018 of THB 991.59 million decreased 19.34% 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 June 30, 2018 were THB 1,776.14 million decreased THB 559.35 million or 23.95% from 31 December 2017 and Cash and cash equivalents were THB 232.82 million, temporary investments were THB 460 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 82.96 million without doubtful debt, inventory were THB 592.84 million, property, plant and equipment were THB 269.55 million.

Total liabilities were THB 419.92 million decreased THB 210.41 million or 13.52% from 31 December 2017, liabilities mainly came from trade account payable THB 137.67 million, accrued expenses THB 64.78 million, and assets payables THB 7.25 million. Total shareholders' equity were THB 1,356.22 million decreased THB 348.95 million or 20.46% from December 31, 2017.

Statement of Cash Flows

For the Year 2018, the company had net cash inflows by operating activities of THB 719.07 million, net cash inflows investing activities THB 350.23 million, used in for purchased of fixed assets of THB 37.03 million, temporary investments decreased THB 340.00 million. Long term investment increased THB 50.00 million.

Dividend was paid in May 2018 THB 775.2517 million, and interim dividend payment 2018 was paid in September 2018 THB 484.95 million, then cash and cash equivalents as at the end of period of THB 232.82 million

Financial Ratio

Financial Ratio	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Current ratio	3.49	3.04	3.17	3.20	4.60	6.84	10.75
Finished goods days	116	89	110	137	141	132	113
Total inventory days	150	118	143	178	188	187	176
Return on equity	64.78%	81.27%	53.15%	36.01%	28.87%	21.25%	28.63%
Return on assets	48.23%	60.17%	40.45%	28.96%	24.83%	19.07%	24.27%
Debt to equity	0.31	0.37	0.33	0.30	0.18	0.13	0.09

For this period, current ratio was 3.49 time show that company still has more capability to repay short term liabilities

Inventory days (Finished goods) was 116 days.

Return on equity was 64.78% This represents the efficiency of the capital gain on the equity of the company.

Return on assets was 48.23% The company is also able to manage assets to generate revenue and profit efficiency

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

Dividend payment

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 July 16, 2018 the ESOP Warrant-1 (2/2018) were exercised to be ordinary shares 1.37 million shares and the Company has registered these shares with the Ministry of Commerce on July 24, 2018. The total of the ordinary shares is 3,006.21 million shares.

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

On July - August 2018, the Company repurchased totally 12.68 million shares at average price of Baht 7.84 per share, totally Baht 99.43 million.

On January 16, 2018 the ESOP Warrant-1 (1/2018) 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, 2018. The total of the ordinary shares is 3,006.87 million shares.

Therefore, on 25 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 0.300 per share, amount of Baht 898.15 million or 90.58% of NPAT, for which the interim dividend was paid on 7 September 2017 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 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 4Q18
2. A total of 76 Beauty Cottage shops as of 4Q18
3. A total of 7 Beauty Market shops as of 4Q18
4. Total 17 Oversea Retail Stores as of 3Q18:
 - Vietnam, a total of 6 retail stores (Beauty Buffet)
 - Philippine a total of 4 retail stores (Beauty Buffet)

2.Consumer Product Channel Expansion

- 2.1 Modern trade, convenient store and supermarket total 33 locations 879 shops. Such as Boots 280 shops, Big-C supercenter 157 shops, Tesco Lotus 172 shops and Tops Supermarket 142 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 : 18 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.
- 3.6 BEYOND BEAUTY ASEAN BANGKOK On 20-22 September 2018 at Impact Muang Thong Thani
- 3.7 Cosmoprof Asia On 14-16 Nov 2018 at Hong Kong Convention & Exhibition Centre (HKCEC), HONG KONG

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.
- 4.5 Beauty Press Conference & Analyst Meeting on 4 July 2018 at Beauty head office.
- 4.6 Thailand focus 2018 on 29 August 2018 at Grand Hyatt Erawan Bangkok.

5.BEAUTY VISION & KEY DRIVERS 2019

Vision: International Beauty & Health Business

Target 2019: Growth more than 20% and maintain NPAT more than 25%

Key driver 2019:

5.1 Oversea : Expand International business to 15 countries :Enhance Cross border Platforms, Online & offline Channel in Mainland China

5.2 Retail Business Models : Strengthen & Improve Business models to create and capture more customer value.

5.3 Consumer Product : Leverage sales Efficiency on Existing Channels and Expand to well-Selected with High Potential Growth Channels.

5.4 E-Commerce : Re-structured and Re-Organized E-Commerce Platform to Grow Stronger Future Revenue.

5.5 Product Driven: Deliver more Innovation Trendy and Health Concepts into New and Existing Product to Add Up Value and Drive Customer

Engagement

5.6 Marketing : Create more International Marketing Strategy and Enhance O2O Strategy (Online to Offline Synchronization) for Local Market to Boost up Strong Sales Growth.

Your faithfully,

**Beauty Community Public Company
Limited**

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(Mr.Surapon Phetklueng)

Chief Financial Officer