

Subject: Performance discussion and analysis for the 4th Quarter of 2021 and for year 2021

To: Director and manager of the Stock Exchange of Thailand

Financial Performance Summary – 4th Quarter and year 2021

Beauty Community Public Co., Ltd. is pleased to announce its financial and operating results for 4th Quarter of 2021 and year 2021 to compare with the operating results in the 4th Quarter and the year 2020 as follows:

- Total Revenue in 4th Quarter 2021 was THB 117.30 million, a decreased of 39.57% and the year 2021 was THB 411.82 million, a decreased of 44.66%.
- Gross Profit in 4th Quarter 2021 was THB 43.16 million, a decreased of 57.78% and the year 2021 was THB 164.62 million, a decreased of 60.43%.
- Selling expenses in 4th Quarter 2021 was THB 35.18 million, a decreased of 53.60% and the year 2021 was THB 177.41 million, a decreased of 54.86%.
- Administrative expenses in 4th Quarter 2021 was THB 21.80 million, a decreased of 30.74% and the year 2021 was THB 105.77 million, a decreased of 34.08%.
- Net Profit (loss) in 4th Quarter 2021 was THB (8.44) million, a increased of 144.63% and the year 2021 was THB (80.77) million, a decreased of 22.99%.

Million Baht	Q4				YoY		Q3		QoQ		Year to Date (YTD)				YoY	
	2021	%	2020	%	+/-	%	2021	%	+/-	%	2021	%	2020	%	+/-	%
Revenue from sales	112.49	95.90%	190.83	98.31%	(78.34)	(41.05%)	70.40	93.41%	42.08	59.78%	387.63	94.13%	769.30	97.77%	(381.67)	(49.61%)
Cost of sales	69.33	59.10%	88.61	45.65%	(19.28)	(21.76%)	39.78	52.79%	29.54	74.26%	223.02	54.15%	353.28	44.90%	(130.26)	(36.87%)
Gross profit (GP)	43.16	38.37%	102.22	53.57%	(59.06)	(57.78%)	30.62	43.49%	12.54	40.96%	164.62	42.47%	416.02	54.08%	(251.40)	(60.43%)
Other Income	4.81	4.10%	3.27	1.69%	1.54	47.00%	4.97	6.59%	(0.15)	(3.12%)	24.19	5.87%	17.54	2.23%	6.65	37.92%
Total Revenue	117.30	100.00%	194.10	100.00%	(76.81)	(39.57%)	75.37	100.00%	41.93	55.63%	411.82	100.00%	786.83	100.00%	(375.01)	(47.66%)
Selling expenses	35.18	30.00%	75.83	39.07%	(40.65)	(53.60%)	35.97	47.72%	(0.79)	(2.18%)	177.41	43.08%	393.05	49.95%	(215.64)	(54.86%)
Administrative expenses	21.80	18.58%	31.48	16.22%	(9.68)	(30.74%)	25.64	34.01%	(3.84)	(14.97%)	105.77	25.68%	160.44	20.39%	(54.67)	(34.08%)
Profit before interest & tax (EBIT)	(9.01)	(7.68%)	(1.81)	(0.93%)	(7.20)	(397.04%)	(26.02)	(34.53%)	17.01	65.36%	(94.37)	(22.92%)	(119.93)	(15.24%)	25.56	21.31%
Finance costs	1.63	1.39%	2.09	1.07%	(0.45)	(21.64%)	1.60	2.12%	0.04	2.41%	6.66	1.62%	10.91	1.39%	(4.25)	(38.93%)
Income tax	(2.21)	(1.88%)	(22.81)	(11.75%)	20.60	90.32%	(5.60)	(7.43%)	3.39	60.57%	(20.27)	(4.92%)	(25.96)	(3.30%)	5.69	21.92%
Profit for the period	(8.44)	(7.20%)	18.91	9.74%	(27.35)	(144.63%)	(22.02)	(29.21%)	13.58	61.67%	(80.77)	(19.61%)	(104.88)	(13.33%)	24.11	22.99%
Other comprehensive income	6.47	5.52%	3.46	1.79%	3.01	86.84%	-	0.00%	6.47	100.00%	6.47	1.57%	3.46	0.44%	3.01	86.84%
Total comprehensive income for the period (net)	(1.97)	(1.68%)	22.38	11.53%	(24.34)	(108.79%)	(22.02)	(29.21%)	20.05	91.07%	(74.29)	(18.04%)	(101.42)	(12.89%)	27.12	26.74%
EBITDA	(3.43)	(2.93%)	6.27	3.23%	(9.70)	(154.72%)	(20.20)	(26.80%)	16.77	83.01%	(69.83)	(16.96%)	(79.58)	(10.11%)	9.75	12.25%

Note : 1. % GP margin calculated to sales

Total Revenue

Total revenues for the 4th Quarter of 2021 were THB 117.30 million decreased by 39.57% from the same period last year (YoY) and increased by 55.63% compared to 3rd Quarter 2021 (QoQ). The year 2021 was THB 411.82 million decreased by 44.66% from the same period last year (YoY). Revenue structure came mainly from the Retail shop 40.50%, Oversea 38.78%, E-commerce 10.89%, Modern Trade 4.01%, General Trade 2.33% and Other revenue 3.48% (Note: Oversea shops are operated by our partners which have been sold in a wholesale commercial conditions). The same store sales growth (SSSG) for the year 2021 declined by -4.90%.

The decrease in company's revenue is the direct impact of the prolonged global COVID-19 pandemic over the last two years. The crisis has virtually put a stop to worldwide economic activities including Thailand. The severity of the crisis was apparent during the so-called 3rd and 4th

waves that resulted in the Thai government's imposition of a lock down in 29 provinces in the 3rd quarter of last year. The situation resulted in the close down of the company's 31 retail branches. The lockdown also hindered many business dealing and negotiating process. Although the government continues to introduce many monetary measures to help boost the economy, the overall market sentiment was very negative as consumer's spending power was deteriorating, coupled with the rising cost of living. However, there was signs of improvement during the 4th quarter as the country gradually opened up for tourists and the fact that consumers still care about beauty.

As for the China's market, consumers in general now buy more locally made Chinese goods online as in response to the Chinese government policy. More over the government also imposes more restrictions on imported goods. With the ongoing travel restriction, Chinese consumer's exposure and response to foreign branded goods are greatly reduced prompting our agent having to reposition their marketing strategies. For the overseas market, the company has adopted new "Product License" sale model to ease new product development and business management within China. The company expects the new model to generate more growth in 2022. With the new model, new products can be launched faster, business process improved, import-export related expenses cut down, as well as getting the right products to the right target customers.

The company continues to monitor the situation closely and has implemented crisis management plan to ensure sustainable growth by focusing on three areas: 1) Development of new business models (Re-model) 2) Brand image improvement (Refresh Branding) 3) Management restructuring to improved business efficiency. The company will focus on sale channels that have high growth potential and can reach larger customer base that goes beyond the traditional retail shop channel. The company will refresh its brand image to be more modern and appeal to a wider range of market segments. The company will employ the O2O strategy using various kinds of presenters in order to appeal more to the local market and boost the ratio of the local market revenue and therefore ensure a long term market coverage. The company hopes that once the COVID situation improves, these new business models will generate positive result in sale distribution and improvement in management process, cost reduction and over all business performance.

Gross Profit

Gross Profit for the 4th Quarter 2021 was THB 43.16 million which are decreased 57.78% from the same period last year (YoY), increased by 40.96% compared to 3rd Quarter 2021 (QoQ). The year 2021 was THB 164.62 million decreased by 60.43% from the same period last year (YoY).

Gross profit margin 4th Quarter 2021 were 38.37%, decreased from the same period last year (53.57%) and decreased from the 3rd Quarter 2021 (43.49%). The year 2021 was 42.47%, decreased from the same period last year (54.08%)

The decline in Gross Profit is the result of increased budget for sale promotion to compete with other brands. This includes the clearance sale promotion in order to clear near expiring stock. The company has recognized allowance for devaluation of inventories in order to maintain product's quality. If we exclude the amount of the allowance for devaluation of inventories, the gross profit margin is aligned with the budget at 54.19%.

Selling expenses

Selling expenses for 4th Quarter 2021 was THB 35.15 million, decreased by 53.60% from the same period last year (YoY), and decreased by 2.18% compared to 3rd Quarter 2021 (QoQ). The year 2021 was THB 177.41 million decreased by 54.86% from the same period last year (YoY). The selling expenses decreased mainly came from the adjustment of the company's cost control on every operational process. Focusing on management and cost control according to the (Cost Saving Program), such as expenses related to advertising, promotion, fixed costs (by closing nonperforming branches).

Administrative expenses

Administrative expenses 4th Quarter 2021 was THB 21.80 million decreased by 30.74% from the same period last year (YoY), and decreased by 14.97% compared to 3rd Quarter 2021 (QoQ). The year 2021 was THB 105.77 million decreased by 34.08% from the same period last year (YoY). Administrative expenses decreased mainly from the company having a business restructuring in order to increase competitiveness and reduce the future cost. Including there was expenses control in accordance with Cost Saving Program to achieve the highest efficiency. This includes management restructuring to suit the current business model and economic situation.

Net Profit (loss)

Net profit (loss) for 4th Quarter 2021 was THB (8.44) million increased by 144.63% from the same period last year (YoY), and decreased by 61.67% compared to 3rd Quarter 2021 (QoQ). The year 2021 was THB (80.77) million decreased by 22.99% from the same period last year (YoY). Net profit (loss) declined mainly from business restructuring and cost saving program.

The expenses related to business restructuring

The company foresees the long-term impact from this situation and has implemented varying strategies to minimize future risk. The objectives are to improve organizational agility, increase market competitiveness and reduce expense burden in the future. As a result, in year 2021, the company invested a total of THB 21.49 million for business restructuring, which is considered as non-routine expenses. These are expenses from closing down non-performing branches, namely fixed assets write-off and impairment, staff severance pay and the compensation offer for voluntary resignation.

Statement of Financial Position

Total assets as at December 31, 2021 were THB 974.10 million decreased THB 108.15 million or 9.99% from 31 December 2020 and Cash and cash equivalents were THB 57.98 million, temporary investments were THB 370.12 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 35.39 million without doubtful debt, inventory were THB 138.25 million, property, plant and equipment were THB 145.39 million.

Total liabilities were THB 200.49 million decreased THB 33.86 million or 14.45% from 31 December 2020, liabilities mainly came from liabilities under leases THB 115.42 million (revised according to TFRS16 standards regarding leases) including current portion of leases liabilities THB 45.47 million, trade account payable THB 38.90 million, accrued expenses THB 24.47 million. Total shareholders' equity was THB 773.61 million decreased THB 74.29 million or 8.76% from December 31, 2020.

Statement of Cash Flows

For the year end of December 31, 2021, the company had net cash inflows by operating activities of THB 76.67 million, net cash inflows investing activities THB 130.02 million. Then cash and cash equivalents as at the end of period of THB 57.98 million.

Financial Ratio

Financial Ratio	31/12/2021	31/12/2020	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Current ratio	5.12	4.30	4.38	3.49	3.04	3.17
Finished goods days	204	217	168	116	89	110
Total inventory days	280	287	215	150	118	143
Return on equity	-9.96%	-10.90%	19.12%	64.78%	81.27%	53.15%
Return on assets	-7.86%	-8.75%	15.04%	48.23%	60.17%	40.45%
Debt to equity	0.26	0.28	0.22	0.31	0.37	0.33

Your faithfully,

Beauty Community Public Company Limited

(Miss Netnapha Saelim)

Finance and Accounting Director