

May 12, 2022

 Subject: Performance discussion and analysis for the 1<sup>st</sup> Quarter of 2022

To: Director and manager of the Stock Exchange of Thailand

**Financial Performance Summary – 1<sup>st</sup> Quarter of 2022**

Beauty Community Public Co., Ltd. is pleased to announce its financial and operating results for 1<sup>st</sup> Quarter of 2022 to compare with the operating results in the 1<sup>st</sup> Quarter of 2021 as follows:

- Total Revenue in 1<sup>st</sup> Quarter 2022 was THB 112.71 million, a decreased of 17.98% from the same period last year (YoY).
- Gross Profit in 1<sup>st</sup> Quarter 2022 was THB 54.54 million, a decreased of 20.88% from the same period last year (YoY).
- Selling expenses in 1<sup>st</sup> Quarter 2022 was THB 37.69 million, a decreased of 37.98% from the same period last year (YoY).
- Administrative expenses in 1<sup>st</sup> Quarter 2022 was THB 23.80 million, a decreased of 19.82% from the same period last year (YoY).
- Net Profit (loss) in 1<sup>st</sup> Quarter 2022 was THB (2.92) million, a decreased of 80.70% from the same period last year (YoY).

| Million Baht   | Q1     |         |         |          | YoY     |          | Q4     |         | QoQ     |          |
|--|--------|---------|---------|----------|---------|----------|--------|---------|---------|----------|
|  | 2022   | %       | 2021    | %        | + / -   | %        | 2021   | %       | + / -   | %        |
| Revenue from sales                                     | 107.70 | 95.56%  | 132.95  | 96.75%   | (25.24) | (18.99%) | 114.20 | 97.36%  | (6.50)  | (5.69%)  |
| Cost of sales  | 53.17  | 47.17%  | 64.01   | 46.58%   | (10.85) | (16.94%) | 69.33  | 59.10%  | (16.16) | (23.31%) |
| <b>Gross profit (GP)</b>                               | 54.54  | 50.64%  | 68.94   | 51.85%   | (14.40) | (20.88%) | 44.88  | 39.30%  | 9.66    | 21.53%   |
| Other Income   | 5.00   | 4.44%   | 4.47    | 3.25%    | 0.54    | 12.01%   | 3.09   | 2.64%   | 1.91    | 61.78%   |
| <b>Total Revenue</b>                                   | 112.71 | 100.00% | 137.41  | 100.00%  | (24.71) | (17.98%) | 117.30 | 100.00% | (4.59)  | (3.91%)  |
| Selling expenses                                       | 37.69  | 33.44%  | 60.77   | 44.22%   | (23.08) | (37.98%) | 35.18  | 30.00%  | 2.50    | 7.11%    |
| Administrative expenses                                | 23.80  | 21.12%  | 29.69   | 21.60%   | (5.88)  | (19.82%) | 21.80  | 18.58%  | 2.00    | 9.19%    |
| <b>Profit before interest &amp; tax (EBIT)</b>         | (1.94) | (1.72%) | (17.05) | (12.41%) | 15.10   | 88.60%   | (9.01) | (7.68%) | 7.07    | 78.43%   |
| Finance costs  | 1.63   | 1.45%   | 1.81    | 1.32%    | (0.18)  | (9.98%)  | 1.63   | 1.39%   | (0.00)  | (0.08%)  |
| Income tax   | (0.66) | (0.58%) | (3.73)  | (2.72%)  | 3.07    | 82.39%   | (2.21) | (1.88%) | 1.55    | 70.24%   |
| <b>Profit for the period</b>                           | (2.92) | (2.59%) | (15.13) | (11.01%) | 12.21   | 80.70%   | (8.44) | (7.20%) | 5.52    | 65.40%   |
| Other comprehensive income                             | -      | 0.00%   | -       | 0.00%    | -       | 0.00%    | -      | 0.00%   | -       | 0.00%    |
| <b>Total comprehensive income for the period (net)</b> | (2.92) | (2.59%) | (15.13) | (11.01%) | 12.21   | 80.70%   | (8.44) | (7.20%) | 5.52    | 65.40%   |
| EBITDA   | 3.57   | 3.16%   | (10.02) | (7.29%)  | 13.59   | 135.58%  | (3.43) | (2.93%) | 7.00    | 203.90%  |

Note : 1. % GP margin calculated to sales

**Total Revenue**

Total revenues for the 1<sup>st</sup> Quarter of 2022 was THB 112.71 million decreased by 17.98% from the same period last year (YoY) and decreased by 3.91% compared to 4<sup>th</sup> Quarter 2021 (QoQ). Revenue structure came mainly from Oversea 46.04%, the Retail shop 33.70%, E-commerce 7.24%, General Trade 5.22% , Modern Trade 3.37% and Other revenue 4.44% (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 1<sup>st</sup> Quarter of 2022 declined by 1.35%.

The drop in sale revenue can be attributable to the following main factors: the prolonged COVID-19 crisis that impacted the entire global economy; the rise in the cost of living that negatively affect the overall consumer spending power; the slower than expected up-tick in the country's in-bound tourism. However, we started to see some gradual sign of recovery after the Thai government, starting from 1 April 2022, relaxed the entry measure from requiring the RT-PCR test from the country of origin.

For the overseas market, particularly the China market, the consumer trend has turned more toward buying Chinese made products due to the government's buying local policy while imposing more restrictive measures toward imported goods. As such our local distributors have had to reboot its marketing activities.

#### **Gross Profit**

Gross Profit for the 1<sup>st</sup> Quarter 2022 was THB 54.54 million decreased by 20.88% from the same period last year (YoY), increased by 21.53% compared to 4<sup>th</sup> Quarter 2021 (QoQ).

Gross profit margin 1<sup>st</sup> Quarter 2022 was 50.64%, decreased from the same period last year (51.85%) and increased from the 4<sup>th</sup> Quarter 2021 (39.30%).

The reduced profit margin can be attributable to the increased cost for promotional activities in order to compete with other brands in this fiercely competitive market. The prolonged COVID-19 situation also resulted in high level of unsellable stock nearing expiry dates. The company therefore has to carry out Promotion Clearance Sales to clear these stocks. Our operating margin for 1<sup>st</sup> Quarter 2022, if not factoring in these clearance sale products, is at the normal level of 58.03%.

#### **Selling expenses**

Selling expenses for 1<sup>st</sup> Quarter 2022 was THB 37.69 million, decreased by 37.98% from the same period last year (YoY), and increased by 7.11% compared to 4<sup>th</sup> Quarter 2021 (QoQ).

Selling expenses were down compared to the same quarter of last year as the result of our business strategies implemented in the year 2021 to shut down non-performing branches. Therefore fixed costs such as salary and rental were down during Q1 of this year. However, selling expenses during Q1 of this year, compared to Q4-2021, was up as the company invested more in marketing activities such as hiring a variety of presenters to promote the company's top selling products.

#### **Administrative expenses**

Administrative expenses 1<sup>st</sup> Quarter 2022 was THB 23.80 million decreased by 19.82% from the same period last year (YoY), and increased by 9.19% compared to 4<sup>th</sup> Quarter 2021 (QoQ).

Administrative cost this quarter compared to the same quarter last year was also down as the result of the company's restructuring policy in 2021 aiming to streamline the organization and reduce future costs. The restructuring process cost the company in Non-routine expenses such as severance pays for voluntary resignation, and therefore lowering the administrative expenses in Q1-2022.

The administrative expenses in Q1-2022 however was higher compared to Q4-2021 as the company hired more qualified staff to help improve business efficiency as well as invested in additional trade mark registration.

The company however will continue to control expenses under the Cost Saving Program aiming to control all the controllable costs in the most efficient and effective way amid the current business model and economic situation.

#### **Net Profit (loss)**

Net profit (loss) for 1<sup>st</sup> Quarter 2022 was THB (2.92) million decreased by 80.70% from the same period last year (YoY), and decreased by 65.40% compared to 4<sup>th</sup> Quarter 2021 (QoQ). Net profit (loss) declined mainly from business restructuring and cost saving program.

**Statement of Financial Position**

Total assets as at March 31, 2022 were THB 964.49 million decreased THB 9.61 million or 0.99% from 31 December 2021 and Cash and cash equivalents were THB 44.04 million, temporary investments were THB 370.00 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 49.50 million without doubtful debt, inventory were THB 132.97 million, property, plant and equipment were THB 145.60 million.

Total liabilities were THB 193.80 million decreased THB 6.69 million or 3.34% from 31 December 2021, liabilities mainly came from liabilities under leases THB 115.40 million (revised according to TFRS16 standards regarding leases) including current portion of leases liabilities THB 45.22 million, trade account payable THB 39.26 million, accrued expenses THB 18.01 million. Total shareholders' equity was THB 770.69 million decreased THB 2.92 million or 0.38% from December 31, 2021.

**Statement of Cash Flows**

For the year end of March 31, 2022, the company had net cash inflows by operating activities of THB 2.20 million., net cash inflows investing activities THB 5.59 million. Then cash and cash equivalents as at the end of period of THB 44.04 million.

**Financial Ratio**

| Financial Ratio      | 31/3/2022 | 31/12/2021 | 31/12/2020 | 31/12/2019 | 31/12/2018 |
|----------------------|-----------|------------|------------|------------|------------|
| Current ratio        | 5.42      | 5.12       | 4.30       | 4.38       | 3.49       |
| Finished goods days  | 162       | 204        | 217        | 168        | 116        |
| Total inventory days | 230       | 280        | 287        | 215        | 150        |
| Return on equity     | -1.51%    | -9.96%     | -10.90%    | 19.12%     | 64.78%     |
| Return on assets     | -1.21%    | -7.86%     | -8.75%     | 15.04%     | 48.23%     |
| Debt to equity       | 0.25      | 0.26       | 0.28       | 0.22       | 0.31       |

Your faithfully,

**Beauty Community Public Company Limited**

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**( Miss Netnapha Saelim )**

**Finance and Accounting Director**