

**DISCOUNTED CASH FLOW VALUATION OF  
BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**



**A THEMATIC PAPER SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR  
THE DEGREE OF MASTER OF MANAGEMENT  
COLLEGE OF MANAGEMENT  
MAHIDOL UNIVERSITY  
2018**

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Thematic paper  
entitled  
**DISCOUNTED CASH FLOW VALUATION OF BEAUTY  
COMMUNITY PUBLIC COMPANY LIMITED**

was submitted to the College of Management, Mahidol University  
for the degree of Master of Management  
on  
December 23, 2018



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## ACKNOWLEDGEMENTS

The completion of this thematic paper could not have been possible without the kind participation and assistance of many people for supporting me in order to fulfill the achievement of this thematic paper. I am sincerely thankful to all of the assistances.

Primarily, I would like to express the deepest appreciation to Aj. Simon Zaby who was my advisor, Aj. Piyapas Tharavaniij who was a chairman and Aj. Tatre Jantarakolica who was a committee member for supporting and providing guidance. Included all course instructors have taught me thorough CMMU master degree program.

I would like to thank to Beauty Community Public Company limited and also other sources of information to make my thematic paper completely done.

I feel extremely thanks to my CMMU's classmates for spending their precise time to promptly assist and my colleagues for a plenty of encouragement.

Last but not lease, my parents and my sister are the most important supporters and inspire me for my master degree at CMMU. They have always given me the highest encouragement entirely the study period until the complement of this thematic paper. I would express my gratitude to them.

Jeranit Jeraassawapong

## **DISCOUNTED CASH FLOW VALUATION OF BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

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M.M. (FINANCIAL MANAGEMENT)

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### **ABSTRACT**

This thematic paper is a valuation of the stock price in Stock Exchange of Thailand (SET). The discount cash flow valuation is one of the methods to estimate the value of the firm based on its future cash flow. According to the stock market, where investors are able to sell, buy or trade stocks in any businesses. The changing of stock price depends on internal and external factors comprising company performance, related industry, economy and also currently situation. The objective aims to assess the firm for investor's consideration in order to "BUY, HOLD or SELL" those stocks.

Beauty Community Public Company Limited (BEAUTY) is the retail cosmetic store located totally in Thailand with outstanding image and strong business growth. Regarding the past of cosmetic industry, the company encountered negative situation dramatically which impacted on company performance. The stock price started to decline as of 2018.

From this thematic paper was represented the BEAUTY's performance both historical and predicted periods. As a results, the stock price recommended to investors was issued "SELL" recommendation with 11.26% downside compared with the situation at that moment.

**KEY WORDS:** BEAUTY / Cosmetic / Valuation / Stock / Thailand

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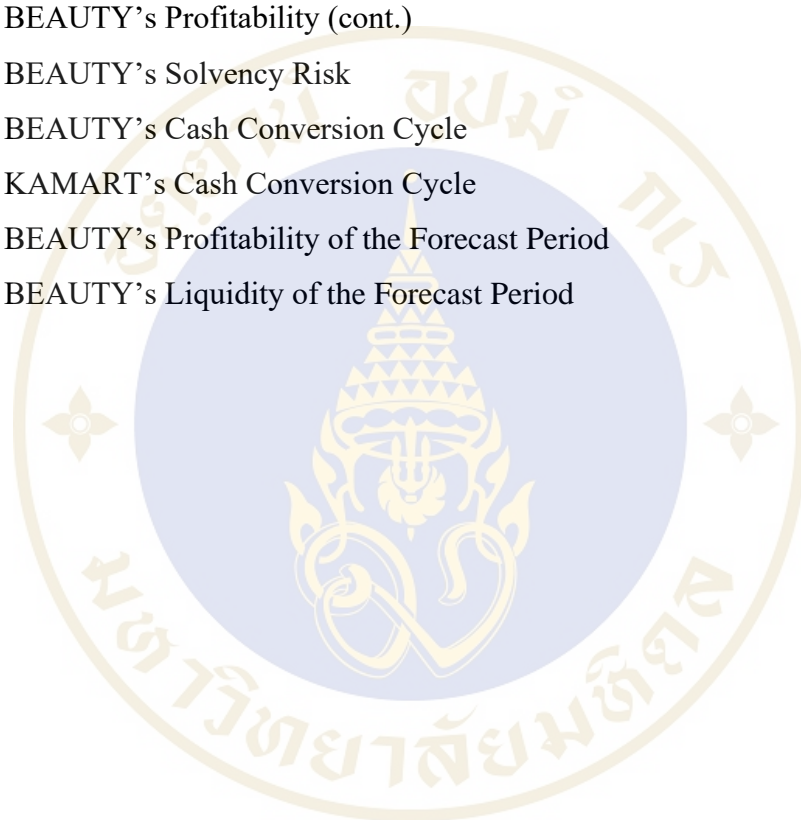


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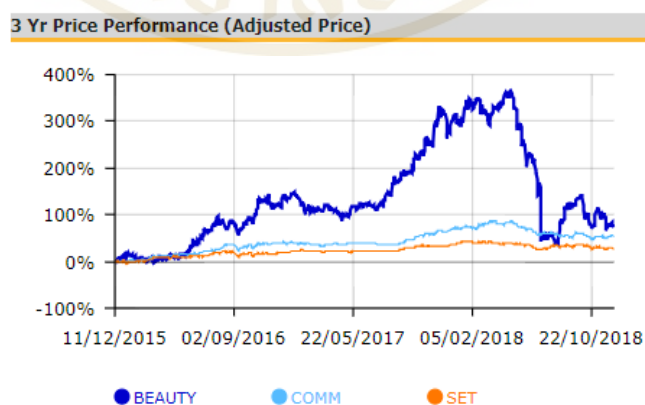
## CHAPTER I INTRODUCTION

### 1.1 Highlight

**Table 1.1: Company Performance**

<u>Market Information</u>			
Share Outstanding (M)	: 3,006.21	Date	: December 11, 2018
Free Float	: 64.56%	Ticker	: BEAUTY
Market Capitalization (MB)	: 26,304.38	Recommendation	: SELL
<u>Price Performance</u>		Price	: THB 8.75
52 weeks high/low	: 23.70/6.45	Target Price	: THB 7.76
P/E (X)	: 20.53	Downside	: 11.26%
P/BV (X)	: 21.27		

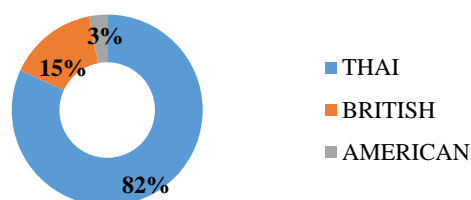
Source: SET, Own estimation



Source: SET

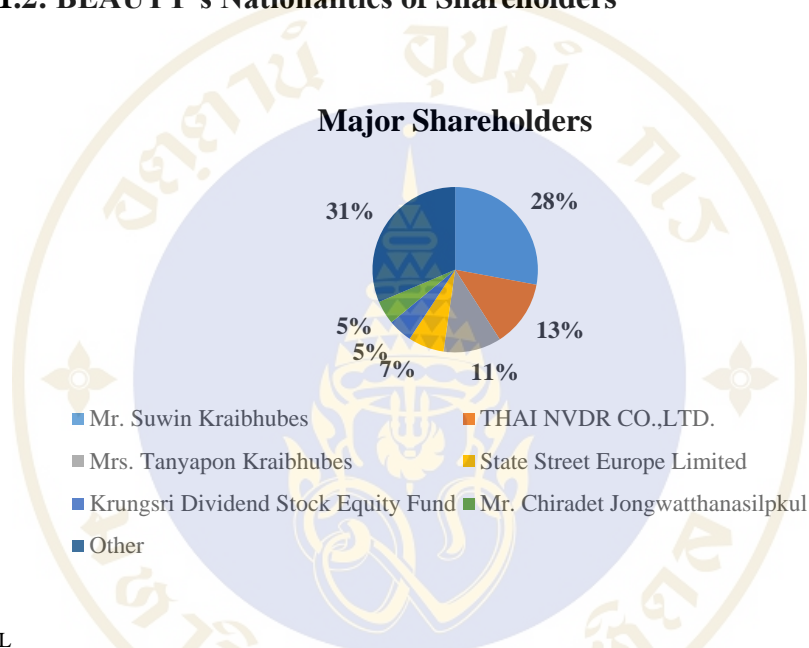
**Figure 1.1: BEAUTY's Stock Price Movement**

### Nationalities of Shareholders



Source: BOL

**Figure 1.2: BEAUTY's Nationalities of Shareholders**



Source: BOL

**Figure 1.3: BEAUTY's Major Shareholders**

A “SELL” recommendation issued on Beauty Community Public Company Limited (BEAUTY) was set the target price at 7.76 baht. As of December 11, 2018, the closing price of BEAUTY represented at 8.75 baht. Meanwhile, the target price was approximately 11% downside. The discount cash free cash flow method was utilized to assess the target price. The assumption was computed by WACC at 14.34% and terminal growth at 9% following the beauty and personal care industry based on Thailand industry after 2022. According to external factors, the company performance and stock price definitely dropped since the second-quarter of 2018.

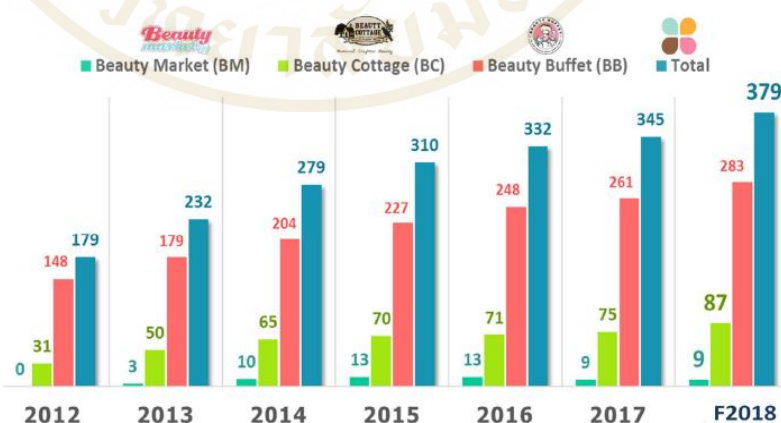


## 1.2 BEAUTY's Policies

BEAUTY has announced its 5 years roadmap which set a target on the total revenue and the market capitalization 1,000 million baht and 100,000 million baht respectively. The company intends to be the leader of cosmetic brands in Asia Pacific. Meanwhile, in 2018 the target revenue has not to grow lower than 4,290 million baht or not lower than 20%. The company will emphasize on the business strategy of “Fast & Smart” in order to expand the distribution channels both in Thailand and overseas.

## 1.3 Continuous Retail Store Expansion in Nationwide

BEAUTY plans in the roadmap to expand the number of retail store distribution channels. In Thailand, the company will launch totally 33 branches divided into 22 Beauty Buffets and 12 Beauty Cottages, while Beauty Market will remain in 9 branches. However, all of them will be focused on both offline and online channel. Moreover, it also adjusted the distribution channel to consumer product by extended the point of sales in King Power and 7-11 as well. The capital investment in retail store expansion is expected to invest in cash. In the historical year, the company's balance sheet had been represented that it would not currently be debt and also in further.



Source: Beauty Community Presentation, May 2018

**Figure 1.4: Historical Retail Store Expansion**

## 1.4 Overseas Revenue Enhancement

BEAUTY has invaded the cross broader e-commerce in order to enhance the distribution channel through overseas. China is one of the huge markets and worth a try to invest. At the mid-year of 2018, there has a serious concern in low-grade cosmetic brands which were not approved by and did not meet the standard of Thailand Food and Drug Administration. As a result, the China Food and Drug Administration more concerned about the quality of products which imported to China. China Food and Drug Administration has intensely examined the cosmetic product before selling in China. Therefore, the expected sales growth from China's cross broader e-commerce must be postponed.

## 1.5 High Gross Profit Margin and Net Profit Margin

In 2017, the gross profit margin, as well as the net profit margin of the company could generate at 67.74% and 33.04%. Incidentally, the gross profit had growth at 86% compared with 2016. The company has trusted that it could have maintained the gross profit not less than 20% in 2018.

**Table 1.2: Key Financial Indicators**

Financial Summary						
	2013	2014	2015	2016	2017	2018F
Total Revenue(MB)	1,002.66	1,385.27	1,792.03	2,558.84	3,735.37	4,013.56
EBITDA (MB)	297.02	420.77	551.51	880.59	1,594.03	1,436.95
Net profit (MB)	211.41	301.16	402.49	656.01	1,229.32	1,076.51
EPS (B)	0.70	1.00	0.13	0.22	0.41	0.36
ROA (%)	19.09%	24.84%	28.96%	40.45%	60.17%	40.52%
ROE (%)	21.25%	28.81%	36.01%	53.15%	81.27%	54.23%

Source: Beauty Community Financial statement, Own Estimation

## **1.6 More Focus on Other Distribution Channels**

Besides the company generates revenue from retail stores, the company will emphasize on other distribution channels. In terms of the consumer products, the company plans to raise the consumer products distribution channels via product shelf on grocery stores and convenient stores. The revenue of consumer product tends to be escalating in each year.

## **1.7 Consumers Uncertainty about Cosmetic Products**

Due to the controversial issues in cosmetic industry which can affect the overall cosmetic industry. The cosmetic products were completely controlled by both Thailand Food and Drug Administration still there are many cosmetic brands which were sold by without getting the Thailand Food and Drug Administration certificate. The negative issues in cosmetic products give a massive impact on the cosmetic industry. Therefore, consumers feel uncertain about local cosmetic brands selling in the country. They prefer to purchase imported cosmetic brands than local brands.

BEAUTY is one of the local cosmetic brands which directly affected on this topic despite the fact that every product of BEAUTY has passed the quality standard and also has the certificate from Thailand Food and Drug Administration to guarantee product quality.

## **CHAPTER II**

### **BUSINESS OVERVIEW**

#### **2.1 Business Description**

**Beauty Community Public Company Limited (BEAUTY)** is one of the businesses of retail cosmetics and skincare products in Thailand. Formerly the company ran the business under the name of “*Manapolitan Company Limited*” which was founded on October 19, 2000, with a registered capital at 1 million baht and become a registered company at Stock Exchange of Thailand (SET) on December 12, 2012. On February 28, 2018, the company had a total registered capital at 300,484,126.50 baht.

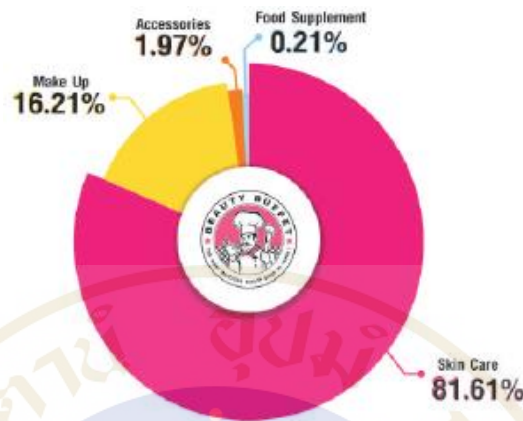
The company serves in several category products comprising makeup products, facial care products, body hygiene products, hair care products, fragrances, body drink and food supplements, beauty accessories and men’s cares. The company provides the distribution channel under 5 concepts consisting of “*Beauty Buffet, Beauty Cottage, Beauty Market, Made in Nature* as well as *Beauty Plaza*”. Particularly, each concept is distinguished in terms of products creativity and market positioning in order to response target customer needs.

#### **2.1 Product Information**

##### **2.1.1 Beauty Buffet**

An objective is a combination concept of breakfast buffet and cosmetic retail products. Beauty Buffet has first launched since 2006. The store has emphasized on easy access to products, freely to try a sample and reasonable price. In 2017, Beauty Buffet operated 261 branches various from department stores to trading areas in Thailand. There were 16 independent retail stores in overseas which were 12 branches in Vietnam and 4 branches in the Philippines. The counter sales type had 10 points of sales comprising 5 points of sales in Laos and 5 points of sales in Myanmar.

Lastly, Beauty Buffet has 131 point of sales which are 19 in Indonesia, 93 in Hong Kong and 19 in Taiwan.

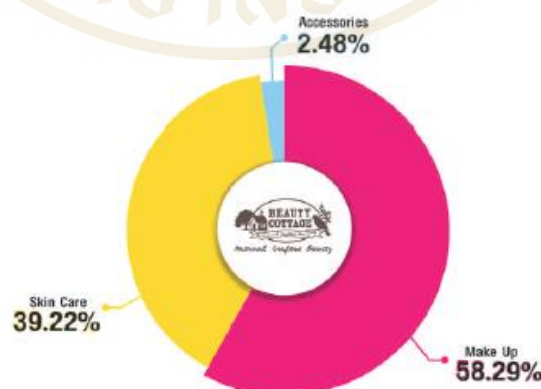


Source: Beauty Community Annual Report, December 2017

**Figure 2.1: Beauty Buffet's Sales Proportion**

### 2.1.2 Beauty Cottage

A concept is an integration between natural extract products and vintage style. Beauty Cottage is a single brand that has been sold in retail stores called Beauty Cottage since 2011. The target groups are teenagers and adults who are interested in simple yet elegant products. As of 2017, Beauty Cottage opened 75 branches nationwide.



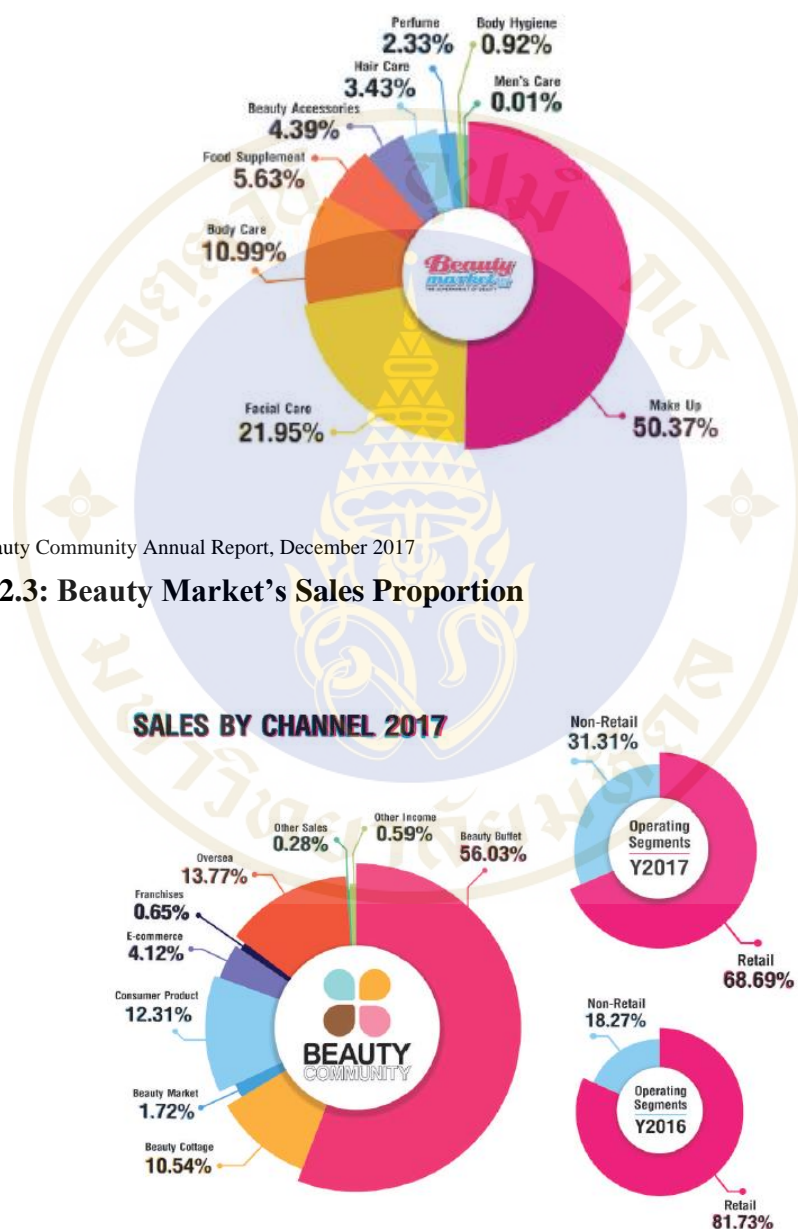
Source: Beauty Community Annual Report, December 2017

**Figure 2.2: Beauty Cottage's Sales Proportion**



### 2.1.3 Beauty Market

A concept is a combination of the vibe of a grocery store and cosmetic store. Beauty Market displays itself as a beauty special store which provides multi cosmetic brands from U.S.A, Europe, Japan, Korea, etc. It was the first launch in 2013 that located on Seacon Square Srinakarin. Beauty Market opens at 9 branches among Thailand.



Source: Beauty Community Annual Report, December 2017

**Figure 2.3: Beauty Market's Sales Proportion**

Source: Beauty Community Annual Report, December 2017

**Figure 2.4: Sales by Channel 2017**

#### **2.1.4 Made in Nature**

A concept is a natural product covered with natural color packaging. The target customer groups are men and women who take a serious concern on natural products. Made in Nature established in 2012. Moreover, it provides premium mass products. The products are distributed to various major grocery store totally 13 places and 685 points of sales such as Big C, Tesco Lotus, Tops Supermarket as well as Central Food Hall.

#### **2.1.5 Beauty Plaza**

Beauty Plaza or beautyplazaonline.com is an online distributor channel which was founded in 2015. All of the company products were mostly sold via this online website.

### **2.2 Business Strategy**

BEAUTY's marketing strategy focuses on consumer purchasing behavior. Because of their convenient purchasing, most consumers tend to shop through online. Accordingly, the online application becomes strong competitiveness in the current market. The company more concentrates on O2O strategy so that the company can reach the target customers from offline to online as well.

The overall strategy of BEAUTY as followings

- **Multi-Brands:** To meet various and different need of all target markets
- **Multi-Products:** To cover all customer's needs with a wide price range to fit different lifestyle
- **Multi-Channel:** To reach the broadcast base of customers through multiple distribution channels.



## **CHAPTER III**

### **INDUSTRY AND COMPETITOR OVERVIEW**

#### **3.1 Macro-Economic Analysis**

##### **3.1.1 GDP**

Thailand economy has been growing prosperously in 2018 and becomes the second large economy among the ASEAN region. In 2017, a real GDP gained 3.9% while in 2018 real GDP would be expected to 4.4%. The main drivers for expanding Thailand economic growth are composing of higher consumer confidence and higher household incomes. Then, the average annual growth rate of GDP has represented 3.72% since 1994. The growth of real GDP will be expected to 3% annually by 2025.

##### **3.1.2 Wide Range of Middle Age Population**

A number of Thai population will have increased in 2030 expected to reach 68.3 million or 0.4 % compared with 2015. According to the historical data, in 2015 the middle age average of Thai population was 38 years old. The trend of middle age average in the next 10 years will become higher predicted to be 44.8 years old. Meaning that young to middle age generation will be a wider range which is the main target for the cosmetic market. This decade shows that people not only middle generation but also the young generation as well as male are more intent to take care of their appearance than the past. Cosmetic products including skincare, hair cares or men's care were got attention in larger quantity.

##### **3.1.3 Middle Age Population's Income**

Regarding the middle age population, they will become to the propel income growth of Thailand. As the middle age between 30-37 years old was the highest average gross income around 5,613 USD or 200 thousand baht.

They are able to spend expenditures on luxuries goods comprising automobile, clothes, accessories or cosmetic products. That expect to expand the demand for the consumer goods as well.

### **3.1.4 Chinese Tourists Arrival to Thailand**

A total number of tourist arrival in Thailand have increased from 32.59 million persons in 2016 to 35.38 million persons in 2017. In that year, Thailand gained a total revenue around 54 billion USD or 1.8 trillion baht compared with previous year which reached around 17.4%. Most of the tourists come from China approximately 9,806 Thousand persons in 2017. Actually, Chinese tourists remain the strongest ability to generate revenues to tourism of Thailand approximately 16.3 billion USD or 524.4 billion baht. In addition, the expenditures portion came from shopping. Related to the cosmetic market, a large number of Chinese prefer Thai cosmetic products because of the price, the packaging and the quality. As the trend of Chinese tourists is continuously increasing in the coming year, revenues from the cosmetic market would be increased as well. In the long run, the company would increase in exported cosmetic products to China or enhance the distribution channels in order to serve customer needed in that country.

### **3.1.5 Easily Reach to Technology**

Nowadays, technology plays a crucial role in daily life. Social media accounts in Thailand have been growing up in each year. The expected number of users will reach approximately 38.44 million users in 2022. Generally, teenagers and working ages are always using social media via mobile phone, laptops or tablets. Exclusively technology is the main factor for consumers to easily entrance shopping.

According to the government policy, known as the digital Thailand 4.0 program, it was launched since 2016 creating more opportunity for online purchasing in Thailand. Accordingly, Thailand e-commerce market was valued at 2.8 trillion baht in 2017 and generated growth at 8.76% while B2C e-commerce categories was values at 8 hundred million and growth at 28.89%. Moreover, the expected annual growth trend will be 11.2% CAGR during 2018-2023.

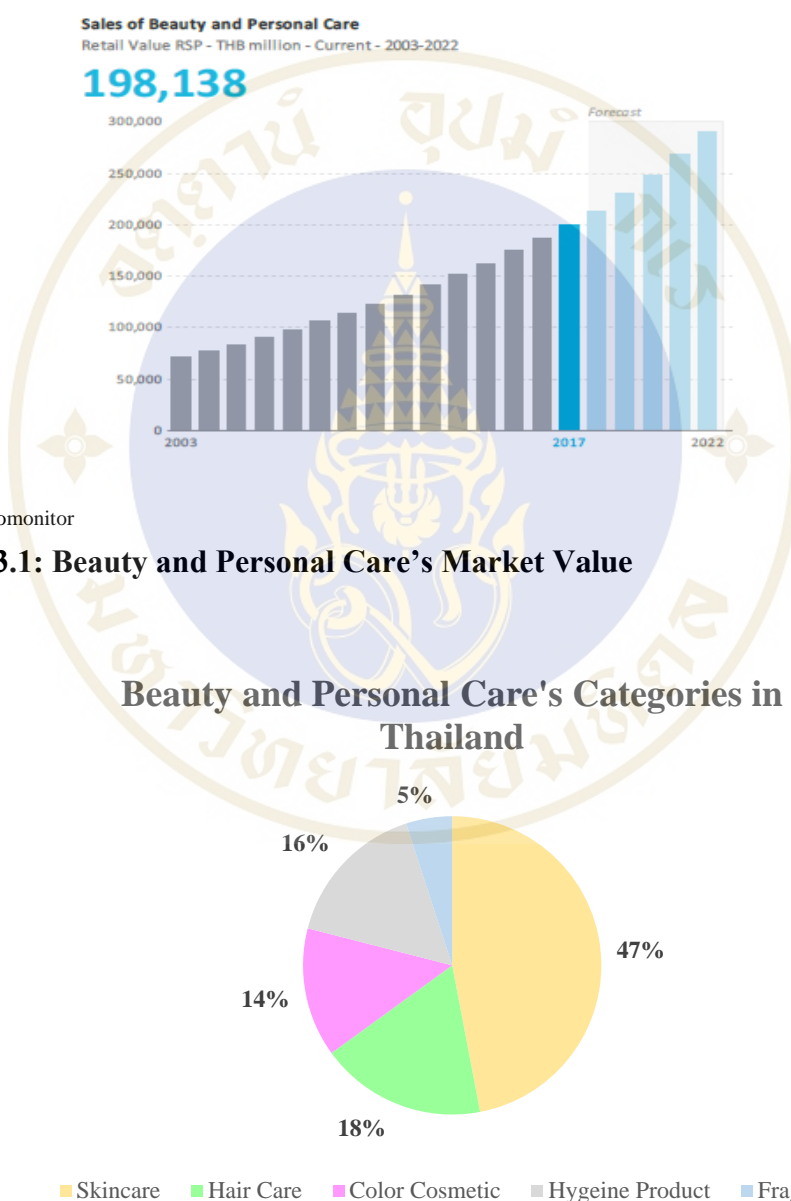
Particularly, cosmetic category receives the benefits from the social network for instant when beauty bloggers review the products, their reviews influence consumers to easily make a decision to order cosmetic products.

### **3.1.6 Negative Cosmetic Issues**

Under the law of Thailand, the Food and Drug Administration must approve the cosmetics before selling. However, there are some cosmetic brands do not follow the rule by selling unapproved cosmetics through the market. In the beginning of 2018, Thailand cosmetic market was encountered a big issue about Magic Skin products under the company name of “*Magic Skin Company Limited*”, which are cosmetics and supplements distributor, was accused of illegally selling its products without a license and exaggerate advertising. This topic results in cosmetic brand must more realize the quality including product advertising. In general, negatives issues are not only influencing on products of the company but also customers who feel uncertainty on goods in the market. Furthermore, revenues of related cosmetic companies suddenly drop because of unfavorable issues.

### 3.2 Industry Analysis

Beauty and personal care of Thailand has a total value of 198 billion baht and growth at 6.8% in 2017. Additionally, in 2018 the expected value grew up to 20 billion baht or 7.8 %. The average growth per annual indicated around 7.6 %. To divide beauty and personal care, there are separated into 5 major categories consisting of skincare, hair care, color cosmetic, hygiene product, and fragrance.



Source: Euromonitor

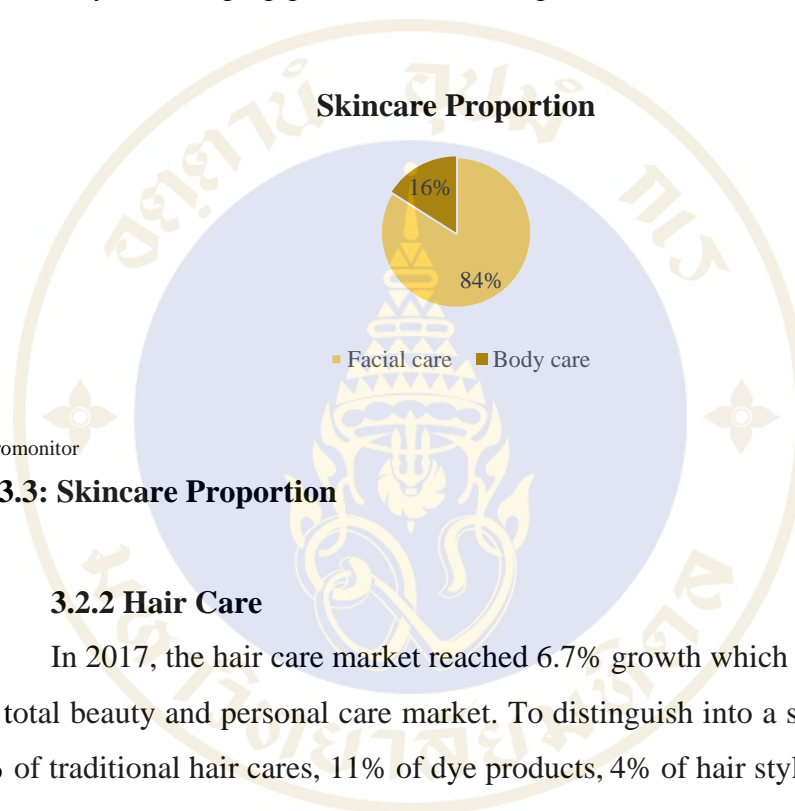
**Figure 3.1: Beauty and Personal Care's Market Value**

Source: Euromonitor

**Figure 3.2: Beauty and Personal Care's Categories in Thailand**

### 3.2.1 Skincare

Skincare has been the largest market among beauty and personal care. It took 47% of the total market in 2017. Moreover, skincare expanded its growth at 8.7%. Specifically, skincare can be allocated into 2 major parts, facial care, and body care. Shown in figure 3.3, facial care took 84% while body care took 16%. Currently, Thai consumers are more caring in their appearances, the demand for skincare became larger which were driven the expansion of the skincare market. The skincare products have extended from youth to aging generation including either male or female as well.



Source: Euromonitor

**Figure 3.3: Skincare Proportion**

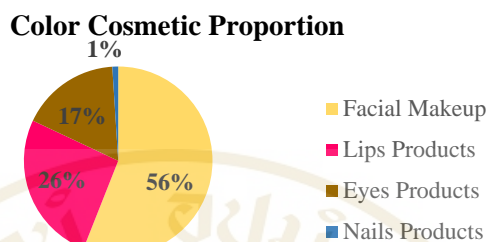
### 3.2.2 Hair Care

In 2017, the hair care market reached 6.7% growth which was computed as 18% of total beauty and personal care market. To distinguish into a subdivision, there are 83% of traditional hair cares, 11% of dye products, 4% of hair styling products and 1% of others. Indeed, Thai consumers are more interested in shiny, healthy and wellness.

### 3.2.3 Color Cosmetic

Color cosmetic market was proportional by 14% out of total beauty and personal care. It increased growth at 9% compared with 2016. The large portion was 56% of facial makeup consisting of foundation, BB cream, CC cream or cushion, etc. Lips products were 26% such as lips balm, lip gloss, and lipsticks. Eye products were 17% which are an eyebrow, eye shadow, eyeliner, etc. Lastly, nail products in a proportion of 1% of the total colored cosmetic categories. The color cosmetic is forecasted to record 6% CAGR and reaching 31.6 billion baht in 2022.

At this moment, the beauty trend in Thailand is focused on a natural look. Thai consumers will spend more cosmetic products specified as foundation, BB and CC cream which can be created to the flawless skin. Consequently, a lot of cosmetic brands have launched products giving a healthy and natural appearance.



Source: Euromonitor

**Figure 3.4: Color Cosmetic Proportion**

### 3.2.4 Hygiene Product

As hygiene products comprise of soap, deodorant, dental products, etc. This category represents about routines products. There were 16% out of the total beauty and personal care market.

### 3.2.5 Fragrance

The last 5% of the total beauty and personal care represented by fragrance products.

### 3.2.6 Multi Brand Stores and Online Channel Trend

Nowadays, there are more consumers likely to purchase beauty products through multi-brand stores which contributed a variety of products ranged from high to low price in one store. The customers can select beauty and personal care products in one place causing customer easy to consume and compare goods from brand to brand. Moreover, online channels are the most popular in this era. Currently, every brand does not provide only one distribution channel. They diversify their products widespread online channels. As a result, the more distribution channels, the more competitive among the brands.



### **3.2.7 Opportunity in Thailand**

In terms of beauty and personal care market in Thailand has continuously grown and expanded in every year. All of the age ranges and genders were more interested in their appearances. They are willing to pay for products which make their better appearances. The consumption of skincare and cosmetic have been increasing following aged as well as genders. As customer target has been changed in lower-middle level or teenager to elder level. Therefore, skincare and cosmetic products obtain the most opportunity growth in this industry. To entrance in this industry, the brand products should be developed all the time because of consumer trend changing easily. Furthermore, the marketing strategy must be strong enough to convince customers such as sales promotion, public relation through every channel, or beauty influencers which can stimulate the consumer demand in this industry.

### **3.2.8 Opportunity in Overseas**

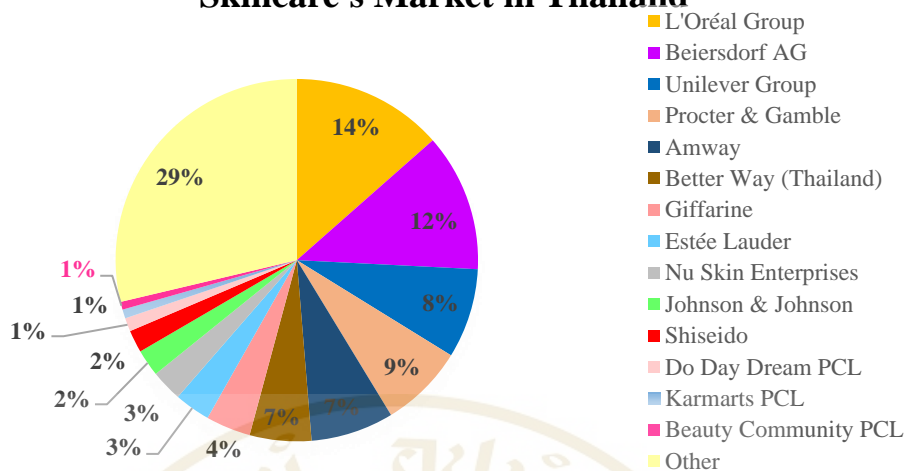
There are Thai and foreign manufacturers ran a business in Thailand where was the strong exporter in cosmetic products. In 2017, Thailand cosmetic export was valued 250 billion baht and growth in 4.5%. The expected market value in 2018 will reach to 300 billion baht separated as 121 billion baht in export. So, there are many opportunities for Thai cosmetic products to increasingly receive revenue from overseas.

## **3.3 Competitor Analysis**

The beauty and personal care are one of the explosively generated revenue to the country. The growth tends to increase continuously. In addition, this business is obviously high competition in the market. The competitors compose of local cosmetic brands and imported cosmetic brand. Compared with BEAUTY, the competitors can classify into indirect and direct competitors.



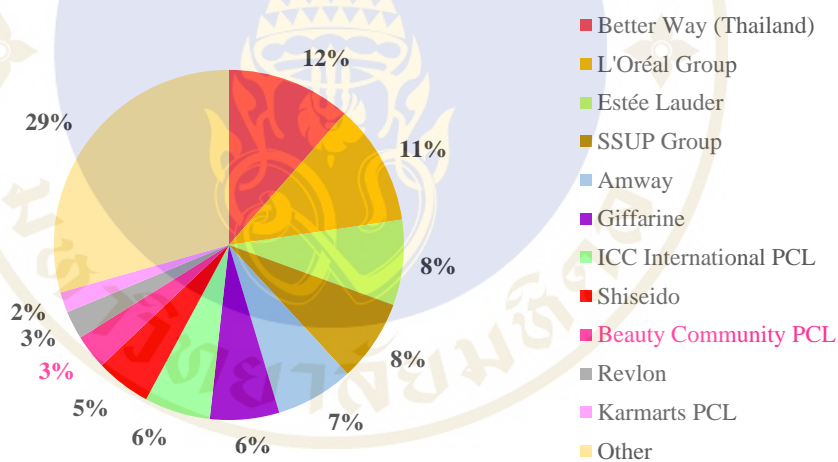
### Skincare's Market in Thailand



Source: Euromonitor

**Figure 3.5: Skincare's Market in Thailand**

### Color Cosmetic's Market Share in Thailand



Source: Euromonitor

**Figure 3.6: Color Cosmetic's Market Share in Thailand**

### **3.3.1 Indirect Competitor**

BEAUTY had a market share in the beauty and personal cares in small portion, 0.7%, compared with the total market. A large number of products selling were skincare and color cosmetic products. To focus on the major products of the company, the market share of skincare category was 0.7% and color cosmetic market share was 3.2%. While the largest color cosmetic market share is Better Way (Thailand) Company Limited holding at 11.5 % and L'Oréal Thailand Company Limited holding at 10.9%.

#### **Better Way (Thailand) Company Limited, the strongest local brand in terms of the color cosmetic market.**

Better Way (Thailand) known as “*Mistine*” is a leader company among color cosmetic market which held the value of market shares at 12% in 2017. Furthermore, Better Way was still settled as a mass market which target customers were widespread whole region. The message strategy used Thai celebrities to attract consumers. The distribution channels for *Mistine* is direct sales via Yupin application. The company can operate the revenue each year soaring to 10 thousand million baht that is higher revenue than the listed company in the SET index.

#### **L'Oréal Thailand Company Limited, one of the competitive imported brand.**

L'Oréal is a centralized cosmetic brand. The company took the acquisition of various brands including “*Garnier, Lancôme, Maybelline New York, NYX, Diesel, Giorgio Armani, Kiel's, etc.*” L'Oréal business has widespread among global, each product is adjusted depending on customer behavior in every region. Moreover, L'Oréal Thailand got the highest 13.5 % of skincare's market share and 11.2% of color cosmetic's market share. Moreover, the company will further invade in the e-commerce market in order to expand the main business.

**Do Day Dream Public Company Limited (DDD), the newest registered in the SET index.**

DDD has become a public company limited since 2012 which is a newcomer in the beauty industry. Besides, the company successfully operated the business by generating revenues in 2017 at 1,674 million baht divided by 1,161 million baht in national and 513 million baht in overseas. At the beginning, the company has launched products called “*Snail White*” in 2013 via only the online channel. Then, the company extended distribution channel into the modern trade channel by placed product in a convenient store. The company has market shares at 1.2 % of the skincare category.

**3.3.2 Direct Competitor**

To classify directly retail cosmetic competitors, the direct competitors are skincare and cosmetic products sellers who sell through their own retail store among nationwide. There are strong competitors comprising SSUP Bangkok 1991 Company Limited, O.P Natural Products Company Limited, Karmart Public Company limited.

**SSUP Bangkok 1991 Company Limited, the strong competitors.**

SSUP Bangkok 1991 known as “*Cute Press*” has established since 1976. The product categories consist of skincare, color cosmetic, and other personal cares. In the beginning, products were sold via distributors. Then, the company opened its own stores at 281 branches through Thailand. The company got the proportion of color cosmetic market share at 7.6% in 2017.

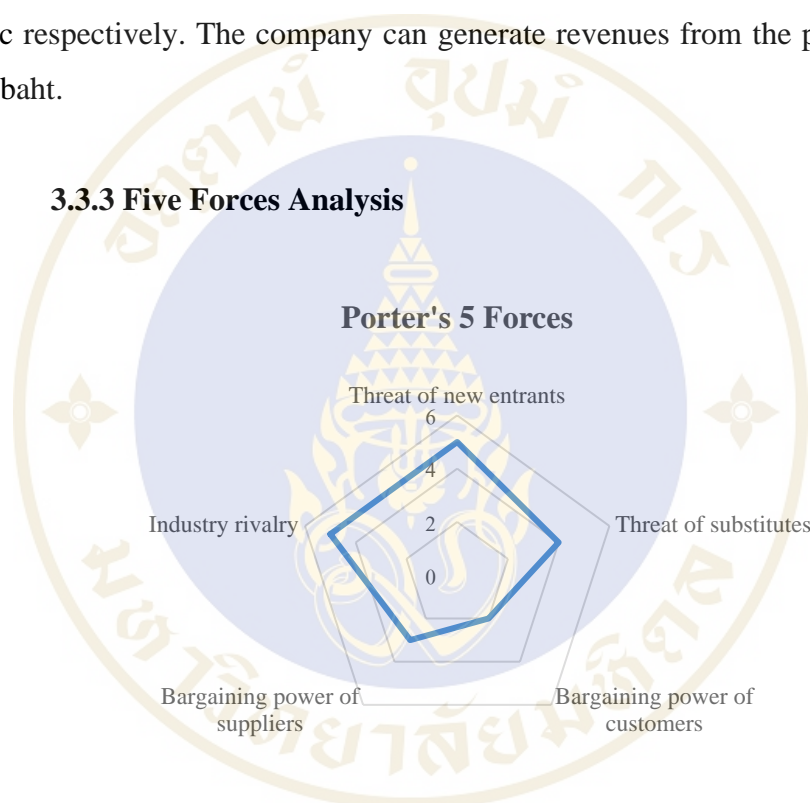
**O.P Natural Products Company Limited, the leader in herbs and natural extracts cosmetic product.**

O.P Natural Products is a manufacturer and distributors on its retail store channel called “*Oriental Princess*”. The company is a subsidiary of SSUP group. The company has operated since 1985 as a leader in beauty product made from natural raw material. Moreover, the company was the first one in Thailand producing cosmetic products using ingredient freshly extracted from nature. The packaging is featured on a unique and elegant style. Currently, the company has launched approximately 340 branches at the department stores in Tesco Lotus, Big C, etc.

**Karmart Public Company Limited (KAMART), the beauty provider of in trend products.**

KAMART firstly ran the business by imported and distributed products of cosmetics including skincare. At present, the products are composed of “*Cathy Doll, Cathy Choo, Reunrom, Crayon and Oppa style*”. The company focused on 5 distribution channels in sales and marketing via modern trade, independent shop, traditional dealer, export, and the online channel. Currently, a total of 65 stores existed in the department stores. In 2017, the company had market share 0.8% and 1.9% of skincare and color cosmetic respectively. The company can generate revenues from the product at 1,493 million baht.

### 3.3.3 Five Forces Analysis



Source: Own Analysis

**Figure 3.7: Five Forces Analysis**

### **A Threat of New Entrance: Very High**

The retail of the cosmetic industry is dramatically competitive. The new competitors whether it be local or foreign companies are easy to entrance in this industry. Nowadays, the manufacturing process has been developed. There are emerged original equipment manufacturer (OEM) to responsible for the whole process of production so the companies who need to sell the products do not necessary to invest in machines or factory. Therefore, SME or large company uses this method and easily to come in the market because of the low barrier to entry.

### **A Threat of New Substitutes: High**

In Thailand cosmetic market, there are related products merging in the market. The substituted products come from both local and imported brands. The customers can select products that are a high quality, easy to purchase or more reasonable price. The substituted products have a high possibility for the customer in terms of changing the product brands. Moreover, the technology on cosmetic products has been innovation such as laser, Botox or lifting which gain a faster result. The customer may change their behavior into new technology instead.

### **A Threat of Bargaining Power of Customers: Low**

In the aspect of customers in retail cosmetic business, customers have less ability to bargain the price. Although customers purchase in a larger amount, they would pay a fixed price of a retail rate. Therefore, customers have low bargaining power to get a discount price.

### **A Threat of Bargaining Power of Suppliers: Medium**

Regarding company production, the company uses a method of hiring the OEM to produce its products. The manufacturer provides all ingredients and production which every factory had qualified standard. Even the company orders the production in large quantity, the company will get a lower cost of production or the economy of scales. Therefore, the company has the ability to bargaining with suppliers.

### A Threat of Industry Rivalry: Very High

According to the intensively competitive industry, many cosmetic brands must create a promotion in order to attract customer purchasing. The same category of products must confront the high competition to bring about the price war. The ways to accomplish in this market would be strong advertising and also create brand loyalty for good brand image. By the way, new products should be invented and developed all the time following the trend of customer behavior. The distribution channels should be various and easily reach to customer needs.

### 3.3.4 SWOT Analysis

Table 3.1: SWOT

Strengths	Weakness	Opportunities	Treats
<ul style="list-style-type: none"> <li>•Rapid business growth</li> <li>•Variety categories in product line</li> <li>•Multi product brands</li> <li>•High quality of products were produced by OEM manufacturer</li> </ul>	<ul style="list-style-type: none"> <li>•Market Penetration : focus on large customer target group</li> <li>•Easily effected on external factor : cosmetic issues, market trend</li> </ul>	<ul style="list-style-type: none"> <li>•Increase sales from oversea market : China, Philippines, Vietnam, Russia and India</li> <li>•Expand several sales channel : e-commerce, modern trade</li> <li>•Change in customer trend : Organic products</li> </ul>	<ul style="list-style-type: none"> <li>•Intense competition both local and imported brand</li> <li>•High regulation for cosmetic products by Food and Drug Administration</li> <li>•Prohibit animal testing</li> <li>•Price war</li> </ul>

Source: Own Analysis



## CHAPTER IV

### VALUATION

#### 4.1 Investment Summary

In brief of the Beauty Community investment, a “SELL” recommendation would be assigned with the target price at 7.76 baht. As of December 11, 2018, the closing price of BEAUTY represented as 8.75 baht. Meanwhile, the target price was approximately 11% downside. The discount cash free cash flow method was utilized to assess the target price. The assumption was computed WACC at 14.34% and terminal growth at 9% following the beauty and personal cares industry based on Thailand industry after the year 2022. According to external factors, the company performance and stock price surprisingly declined since the second-quarter of 2018. Firstly the company operated in a retail store. After that, the company enhances its business through overseas likely ASEAN region as well as the Asia Pacific such as China, India, and Russia.

As of 2018, the company has encountered many issues that impact on the company's performance including the stock price.

##### 4.1.1 Same Store Sales Declined

In 2017, the former same-store sales could be generated at 20.52% whereas the half year of 2018, the company was able to generate same-store sales only 1.73%. Since the company tried to expand the retail store, the retail store where located too close to each store may be divided the former store sales. Similarly, mostly customers receded purchasing in the cosmetic category. In the previous year, the company launched the No.9 lipstick products under a brand called Beauty Cottage which was got attention from Thai and Chinese consumers as seen in social web page or beauty blogger reviewing the products that caused consumers more interested. Meanwhile, in 2018 the popularity in those lipstick products have been lost sales from this point because of the poor advertising.



#### **4.1.2 Negative Industry Issues Effect Company Performance**

The company was directly and dramatically affected on the negative topics about under quality of cosmetic products. As the above mention, at the beginning of 2018, Thailand Food and Drug Administration was strictly controlling all cosmetic products that must be passed the qualification. There is a trigger of customer uncertainty about cosmetic products. That is a huge impacted on company performance. The revenue has dropped compared with the same range as the previous year. In this reason, it is not only effect on BEAUTY but also other competitors in the cosmetic industry who had faced the same trouble.

#### **4.1.3 Huge Impacted from China**

In historical, BEAUTY's products were popular in Chinese customers. The sales have a high portion with Chinese tourist coming to Thailand and spending Beauty's products at high volume. Generally, the company had management policy that they need to extend overseas market especially in China, on the other hands, the company has encountered about a number of declined in Chinese tourists because of shipwrecked in Phuket on July 2018. The company has missed the income from Chinese customers group. Another reason was Thailand cosmetic brand was arrested by the products which were not good quality. As a result, the China Food and Drug Administration (CFDA) concerned the quality and intensely examined the cosmetic products from Thailand exported to China. According to the company roadmap, the company will focus on e-commerce cross broader into China market. In the end, the company has to postpone this expansion strategy and get lost in e-commerce broader revenue.

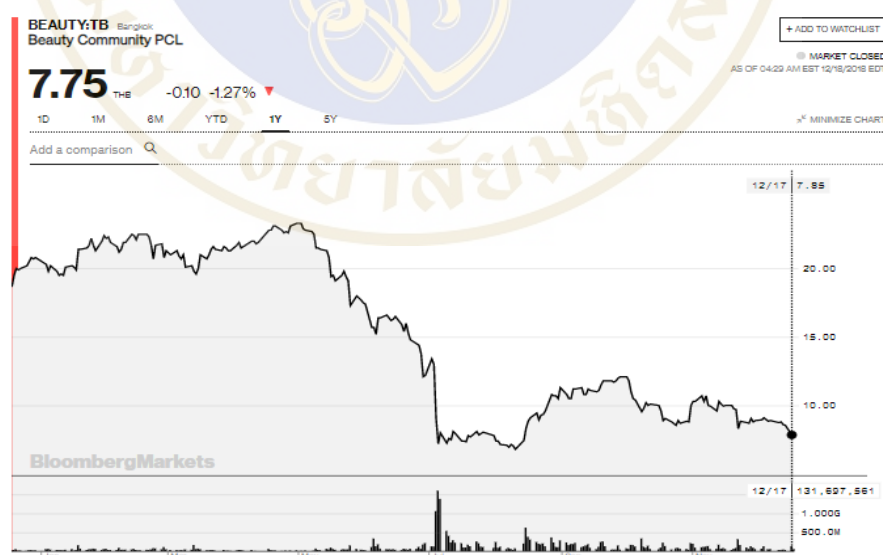
#### **4.1.4 Last Quarter Expects to Be Better Performance**

At the fourth-quarter of every year is a high season period. Because at the end of the year people mostly dispenses for the national holiday which results the overall economy has been better. In 2017, the average revenue in pass 3 quarters approximately 880 million baht. Meanwhile, in the last quarter, the company generated 1,100 million baht and growth at 24.56% compared with the third quarter of 2017.

Therefore, especially this year must focus on the last quarter which can improve the company performance in order to reach the company target revenue policies.

#### 4.1.5 Stock Price Dramatically Drop

At the beginning of 2018, the company's stock performance could reach the highest 23.7 baht in April. After that, the stock's performance has been declined dramatically until the lowest dropped to 6.45 baht in May. The reasons came from the Chinese customers who were the large portion of BEAUTY's customer that decrease the purchase of the company products. Another reason is the negative issues about the cosmetic products restriction in Thailand which influenced customer uncertainty in cosmetic products. Both reasons directly affected on the company stock price. The stock price had no sign to be back to the foremost position as previously. Furthermore, the competitor also faced the same situation. KAMART is the main competitor which the stock price, as well as company performance, has been worsened during the middle of 2018. Therefore, last quarter the investors would keep an eye on stock price will be better or not.



Source: Bloomberg

**Figure 4.1: BEAUTY's Stock Performance as of December 18, 2018**



Source: Bloomberg

**Figure 4.2: KAMART's Stock Performance as of December 18, 2018**

## 4.2 Revenue Structure Projection

The valuation methods are to assess the reasonable stock price. “Discount Free Cash Flow to Firm” (FCFF) is one of the methods to evaluate the value of BEAUTY's stock price. This method is appropriated to efficiently estimate the value of the firm.

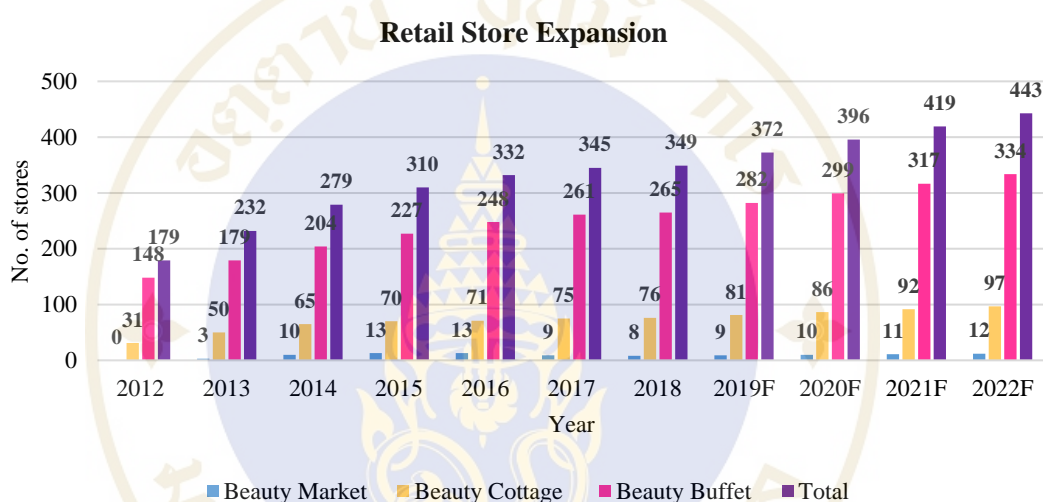
In order to assess the company value, the forecast revenue must be predicted following revenue structure which is composed of sales from retail stores such as Beauty Buffet, Beauty Cottage, and Beauty Market and sales from other comprising franchises, oversea, consumer product, e-commerce, and other sales. Especially sales from retail store got the large portion at 68.27% to total revenue in 2017. To forecast the revenue in 2018-2022, the key assumptions can be concluded as followings:

### 4.2.1 Retail Store Expansion

**Table 4.1: Retail Store Assumption**

Retail Store Assumption	
Beauty Buffet	: 17 branches
Beauty Cottage	: 5 branches
Beauty Market	: 1 branch

Source: Beauty Community Annual report 2017, Own Estimation



Source: Beauty Community Annual report 2017, Own Estimation

**Figure 4.3: Retail Store Expansion**

The core revenue for BEAUTY came from operating in the retail store. In 2017, the company opened totally 345 branches comprising 261 Beauty Buffets, 75 Beauty Cottages and 9 Beauty Markets among Thailand. While 2018 the company had the policy to open in a number of 379 branches as of 283 Beauty Buffets and 87 Beauty Cottages. In contrast, at the third-quarter of 2018, the company was able to open only 5 branches including 4 Beauty Buffets, 1 Beauty Cottage and closed 1 branch of Beauty Market. In terms of defining the retail store expansion, the assumption was computed by weight average historical of 5 years branch opening. During the forecast period 2019-2022, the total retail stores will be opened in 23 branches. As 17 branches of Beauty Buffet, 5 branches of Beauty Cottage and 1 branch of Beauty Market.

### 4.2.2 Sales of Retail Store and Projection



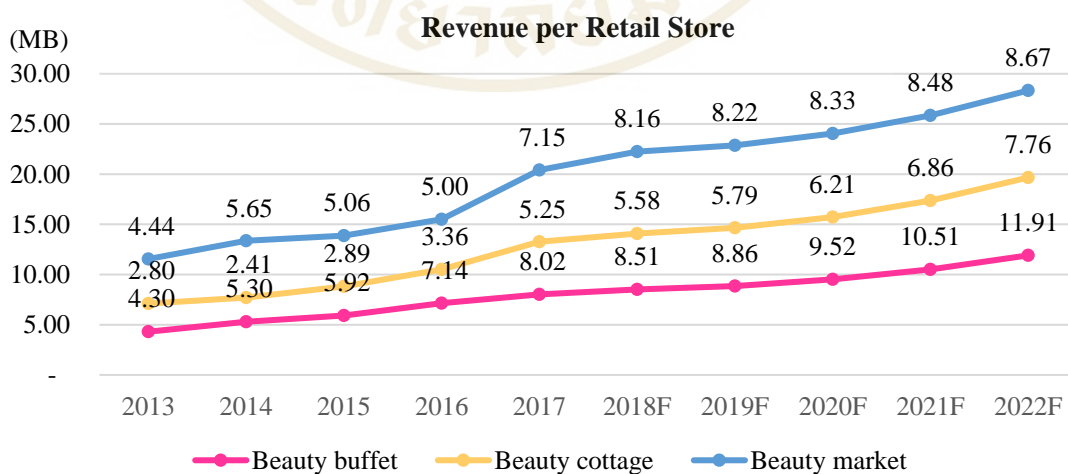
Source: Beauty Community Presentation October 2018

**Figure 4.4: %SSS Historical Performance**

**Table 4.2: %SSSG Assumption at the Forecast Period**

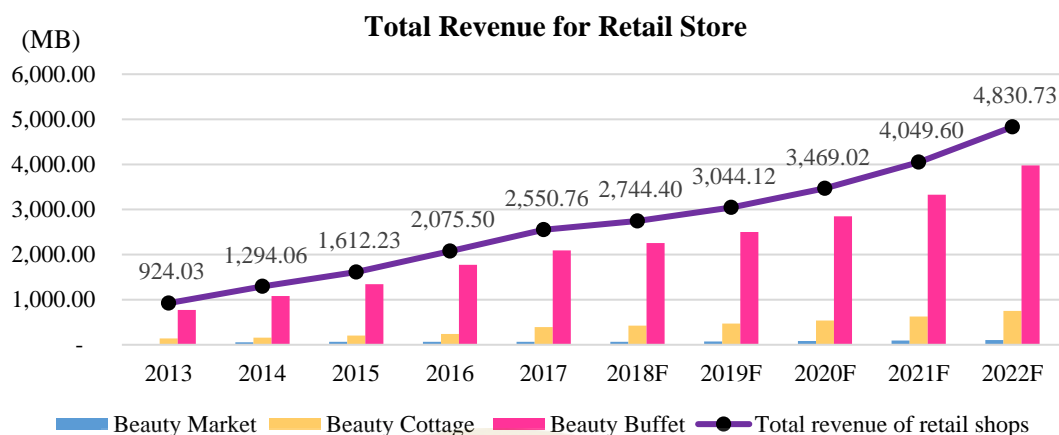
% SSSG	
%SSS @ 1H2018	2%
GDP	3%
Inflation rate	2%
<b>Total</b>	<b>7%</b>

Source: Beauty Community Presentation October 2018, Own Estimation



Source: Beauty Community Presentation October 2018, Own Estimation

**Figure 4.5: Revenue per Retail Store**



Source: Beauty Community Presentation October 2018, Own Estimation

**Figure 4.6: Total Revenue for Retail Store**

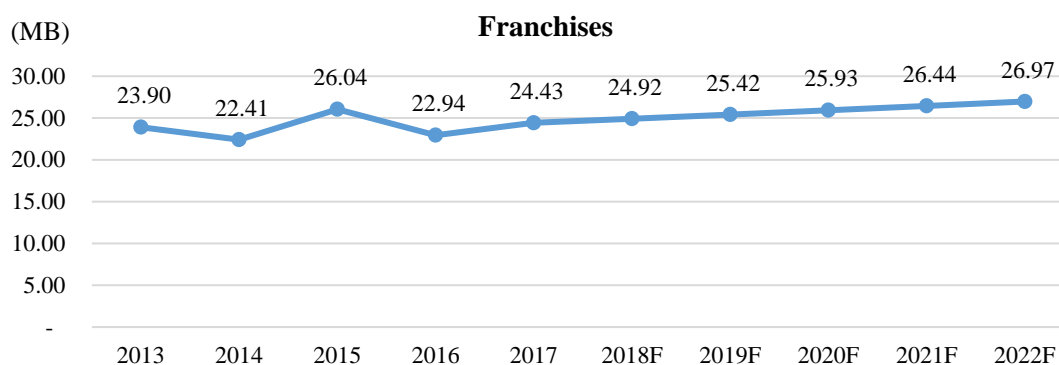
As the historical data in BEAUTY's annual report, there are the total sales of Beauty Buffet, Beauty Cottage and also Beauty Market. Accordingly, revenue per store can be estimated. In terms of forecast the revenue, the company can operate same-store sales by around 2 % in the semi year of 2018. The GDP growth was adjusted to be 3% as well as inflation rate 2% which has effected on the %SSSG assumption at the forecast period. Therefore, the same store's sales will be 7%. In addition, only half of the sales generated by the former stores will be used to evaluate the value of the latter branches because the newly launched branches have opened at various periods of the year. So that both former branches and newly launched branches were combined in order to project the sales during 2018-2022.

### 4.2.3 Other Distribution Channels

#### Franchises

In the past, the company used the policy in order to expand Beauty Buffets by selling franchises to interested parties. The company canceled selling franchises in Thailand. By the way, the company further continues the contact by making franchises agreement of existing franchises. To forecast the revenue, it was assumed equally increasing in the inflation rate approximately 2% in 2018-2022.





Source: Own Estimation

**Figure 4.7: Franchises Revenue**

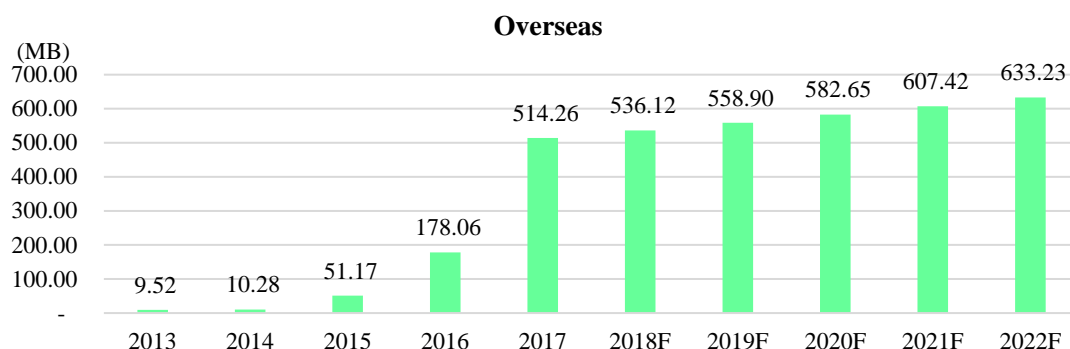
### Overseas

The company has begun to distribute its products since 2012 through the first country in Cambodia. The company plans to expand the overseas distributors in order to increase the overseas revenue through ASEAN and Asia Pacific countries as well. The overseas assumption was assumed that the company distributed 2 main categories comprising 50% of the skincare as well as 50% of cosmetic products. According to the data from the Euromonitor, the growth of the skincare category during the forecast period will be approximately 4% while the cosmetic category growth will be 4.5%. Therefore, the total average growth of overseas channels will be 4.25% per year.

**Table 4.3: Overseas Growth Assumption**

Average Growth		
Categories	% Weight	% Growth
Skincare	50%	4.0%
Color Cosmetic	50%	4.5%
<b>Total</b>		<b>4.25%</b>

Source: Own Estimation



Source: Own Estimation

**Figure 4.8: Overseas Revenue**

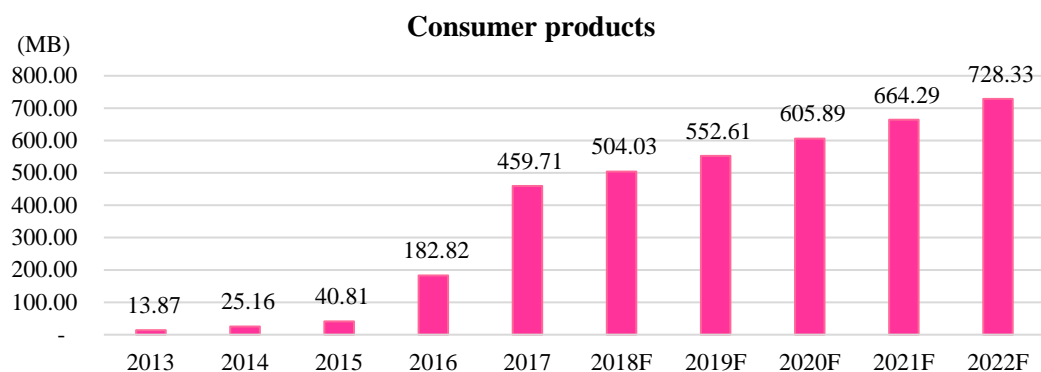
### Consumer products

The consumer products sell on shelves at the department stores including the convenient stores such as Big C, Tesco Lotus, Villa Market, Tops Supermarket and 7-11, etc. To estimate the forecast revenue of consumer products, the weight product category was assumed into 60% of skincare and 40% of color cosmetic. The average growth in the forecast period will be at 9.64%.

**Table 4.4: Consumer Products Growth Assumption**

Average Growth		
Categories	% Weight	% Growth
Skincare	60%	9.8%
Color Cosmetic	40%	9.4%
<b>Total</b>		<b>9.64%</b>

Source: Own Estimation

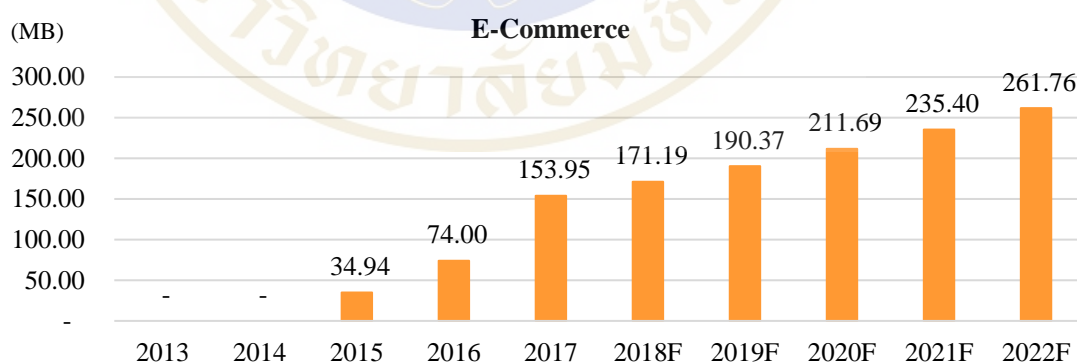


Source: Own Estimation

**Figure 4.9: Consumer Products Revenue**

### E-Commerce

BEAUTY has launched selling products via online channel representing as Beauty Plaza since 2015. Then, there are S-commerce such as Facebook, Instagram, Line@ and WeChat applications. Besides, the company provided the third parties website for instant Lazada, Shopee, Konvy, etc. The company always responses the customer needs in order that customers can be more convenient for shopping. Regarding the trend of Thai people shopping via e-commerce, the growth rate to predict the revenue will be increasing by 11.2% until 2023.

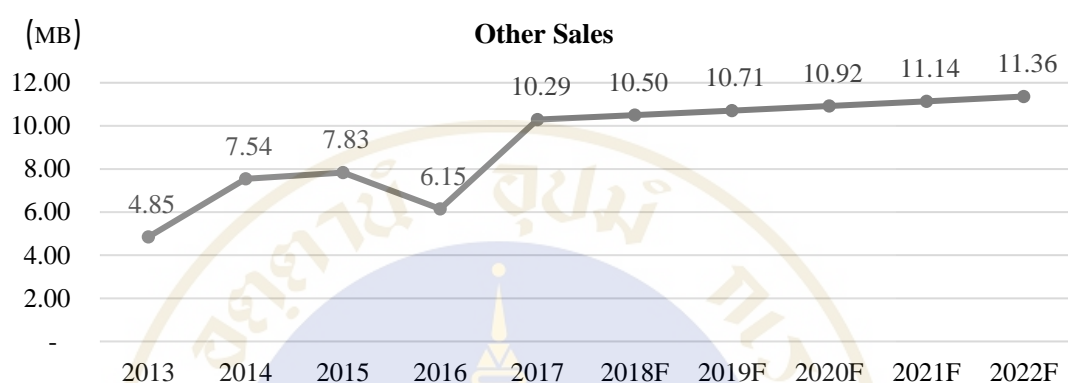


Source: Own Estimation

**Figure 4.10: E-Commerce Revenue**

### Other Sales

BEAUTY's other sales came from selling their products at the employee discount prices. In addition, the other sales are included the company to open house that provides the special events for a discount of product prices. The revenue from other sales will be increasing along with the inflation rate at 2% in the following year.



Source: Own Estimation

**Figure 4.11: Other Sales**

**Table 4.5: Total Sales of Other Distribution Channel Projection**

Others (Million)	2013	2014	2015	2016	2017	2018F	2019F	2020F	2021F	2022F
Franchises	23.90	22.41	26.04	22.94	24.43	24.92	25.42	25.93	26.44	26.97
Oversea	9.52	10.28	51.17	178.06	514.26	536.12	558.90	582.65	607.42	633.23
Consumer product	13.87	25.16	40.81	182.82	459.71	504.03	552.61	605.89	664.29	728.33
E-commerce	-	-	34.94	74.00	153.95	171.19	190.37	211.69	235.40	261.76
Other sales	4.85	7.54	7.83	6.15	10.29	10.50	10.71	10.92	11.14	11.36
<b>Total Other Sales</b>	<b>52.14</b>	<b>65.39</b>	<b>160.79</b>	<b>463.97</b>	<b>1,162.64</b>	<b>1,246.75</b>	<b>1,338.00</b>	<b>1,437.07</b>	<b>1,544.69</b>	<b>1,661.66</b>

Source: Own Estimation

## 4.3 Valuation by Discount Cash Flow Model

### 4.3.1 Weight Average Cost of Capital (WACC)

In general, weight average cost of capital is a calculation of a source of funds. The WACC calculated from the weight average of the market value between debt and equity.

The formula of WACC is shown as following:

$$WACC = Wd \times Kd + We \times Ke$$

**Table 4.6: Weight Average Cost of Capital Assumption**

Weight Average Cost of Capital		Note
Cost of debt	0	BEAUTY has no debt
Cost of equity	14.34%	
rf	2.65%	@ 11/12/2018, Thai BMA, 10 yr. government bond
MRP	6.92%	Damodaran Equity risk premium, January 2018
Beta	1.69	@ 11/12/2018,adjusted
We	100.0%	
Wd	0.0%	
<b>WACC</b>	<b>14.34%</b>	

Source: Own Estimation

Particularly, in historical BEAUTY's capital structure normally used only the equity which is 100% of the weight average market value of the equity. Accordingly, the company capital structure has not had a debt. The cost of capital is actually equal to the cost of equity. To identify the cost of equity, the risk-free rate is 2.65% for 10 years Thailand government bond which sourced from Thai BMA. The raw beta from the SET index as of December 11, 2018, represented at 2.04 while adjusted data was 1.69. The market risk premium of Thailand existed was 6.92% from Damodaran in January 2018. In summary, the WACC is estimated at 14.34% in order to be using as the discount rate for FCFF in DCF valuation model.

### **4.3.2 Net Capital Expenditure (CAPX)**

The net capital expenditure defines the difference between capital expenditure and depreciation. Since the company retail store expansion, the company would definitely more invest in plant, property and equipment for successful in target revenue. To launch a new store, the company will pay for land, building and improvement, furniture, office equipment, computer, etc. for each branch operation. In addition, the leasehold right was used for the building of the company operation, rental parking and the warehouse. Other intangible assets including computer software and POS system were assumed to be the net capital expenditures. In the historical, the company slightly increased in the net capital expenditure. When the company opens the new store, the company must lose more depreciation and amortization. In the calculation part, the assumption was defined as 12.08% of sales for plant, property and equipment. Meanwhile, the average of leasehold right to the total assets was 0.42% and the average of other intangible assets to the total assets was 0.93%.

### **4.3.3 Net Operating Working Capital (NOWC)**

The net operating working capital is to measure the company operating liquidity. It is the difference between current assets and current liabilities. During 5 years period, there are 3 main factors that can define comprising trade and other account receivables, inventories as well as trade and other account payables. At the historical data, the company increased the net operating working capital every year. Accordingly, the average trade and account receivables, the inventories and trade and other account payables to total sales were shown as 2.63%, 14.04%, and 13.17% respectively to forecast the net operating working capital.

### **4.3.4 Terminal Value**

In terms of terminal value, the constant growth is derived from the beauty and personal care in Thailand which represented approximately 9% after 2022. This industry is rapid growth in each year. Until it becomes saturation, the growth tends to be stable afterward. As shown in table 4.8, the terminal value occurred at 35,548 million baht in 2023.



**Table 4.7: Terminal Value Assumption**

Terminal value		Assumption
FCFF	1,898,581,643.85	Year 6
Constant Growth Rate	9%	Beauty and Personal Care
WACC	14.34%	Growth in 2022
<b>Terminal value</b>	<b>35,548,637,729.44</b>	

Source: Own Estimation

### 4.3.5 Value of Non-Operating Assets

At the third-quarter of 2018, the non-operating assets consisted of 623 million baht of cash and 100 million baht of temporary investment. Therefore, the total non-operating assets represented at 723 million baht.

### 4.3.6 Valuation Summary

**Table 4.8: FCFF Projection and Valuation Summary**

YEAR	0	1	2	3	4	5
	2017	2018	2019	2020	2021	2022
Sales from goods	3,713,397,590.60	3,991,146,085.57	4,382,122,274.34	4,906,096,043.21	5,594,284,146.28	6,492,385,035.45
Other income	21,969,078	22,409,400.00	22,857,588.00	23,314,739.76	23,781,034.56	24,256,655.25
<b>Total revenues</b>	<b>3,735,366,668.10</b>	<b>4,013,555,485.57</b>	<b>4,404,979,862.34</b>	<b>4,929,410,782.97</b>	<b>5,618,065,180.83</b>	<b>6,516,641,690.70</b>
Cost of goods sold	1,197,955,397.65	1,305,663,775.46	1,433,567,749.85	1,604,980,560.77	1,830,114,459.05	2,123,919,239.07
Selling expenses	723,899,352.16	1,020,555,018.11	1,120,529,487.31	1,254,512,069.69	1,430,485,037.58	1,660,133,702.29
Administrative expenses	280,085,833.09	342,263,733.98	375,643,207.43	420,365,072.06	479,091,412.46	555,719,268.39
<b>Total expenses</b>	<b>- 2,201,940,582.90</b>	<b>2,668,482,527.55</b>	<b>2,929,740,444.60</b>	<b>3,279,857,702.51</b>	<b>3,739,690,909.10</b>	<b>4,339,772,209.76</b>
<b>EBIT</b>	<b>1,533,426,085.20</b>	<b>1,345,072,958.02</b>	<b>1,475,239,417.74</b>	<b>1,649,553,080.45</b>	<b>1,878,374,271.74</b>	<b>2,176,869,480.94</b>
<b>NOPAT</b>	<b>1,226,740,868.16</b>	<b>1,076,058,366.42</b>	<b>1,180,191,534.20</b>	<b>1,319,642,464.36</b>	<b>1,502,699,417.39</b>	<b>1,741,495,584.75</b>
Plus: Depreciation and amortization	60,606,994.48	91,880,796.53	101,340,559.90	113,898,758.44	130,283,956.50	151,326,686.88
Less: CAPEX	-	206,679,686.02	53,776,424.09	71,390,264.71	93,145,814.07	119,622,737.81
Less: Net Operating Working Capital	-	17,990,441.91	13,661,520.75	18,308,732.66	24,046,722.85	31,381,511.94
<b>FCFF</b>		<b>943,269,035.02</b>	<b>1,214,094,149.25</b>	<b>1,343,842,225.44</b>	<b>1,515,790,836.97</b>	<b>1,741,818,021.88</b>
<b>Terminal value</b>						<b>35,548,637,729.44</b>
<b>PV of FCFF</b>		824,962,773.58	928,645,403.10	898,968,767.87	886,817,738.49	19,080,579,418.93
<b>Enterprise value</b>		<b>22,619,974,101.98</b>				
Plus : Non-operating asset	723,182,657.52					
Less: Value of debt	-					
Less: Value of non-controlling interest	-					
<b>Value of equity</b>	23,343,156,759.50					
Number of shares	3,006,214,855					
Share price	7.76	Baht				
Current share price	8.75	Baht				

Source: Own Estimation

The valuation of the discount cash flow method is an essential method to evaluate company performance as well as the stock price. It is composed of net operating profit after tax, net capital expenditures, depreciation, and amortization as well as the terminal value which were combined to obtain free cash flow to the firm by WACC discounted for estimation of the net present value. Regarding the nature of the company investment, the company does not have the policy to loan debt. Then, the interest-bearing debt will not occur at the financial statement. Moreover, WACC will be equal to the cost of equity and will not have the value of debt to define the enterprise value. To derive the enterprise value, the formula existed as following:

$$\begin{aligned} \text{Enterprise Value} + \text{Non - Operating Assets} \\ = \\ \text{Value of Debt} + \text{Value of Equity} \end{aligned}$$

After computed the net present value, the result of enterprise value was 2,261 million baht. To plug in the enterprise value and the non-operating assets into the formula, the value of equity was 2,334 million baht by the neglected value of debt. At this moment, the company has a total number of shareholders at 3,006 million shares. As a result, the company's stock price by using discount cash flow referred to 7.76 baht per share. In conclusion, the recommendation is issued to "SELL" the stock.

#### 4.3.7 Rating Criteria

**Table 4.9: Rating Criteria**

Rating Criteria		
Target Price		7.76 Baht
Current Price		8.75 Baht
Price	Drop	-0.99
Result	Downside	-11.26%
Recommendation	<b>SELL</b>	

Source: Own Estimation

In terms of specifying the recommendation of the stock price, there are 3 main criteria. First, even the stock price shown as more than 10% upside the recommendation will be assigned a “BUY” to the stock. Second, even the target price is exhibited as upside in range of -10% to 10%, the “HOLD” recommendation will be assigned. Lastly, even if the target price compared with the current price existed at 10% downside, the “SELL” recommendation will be assigned to the stock price as well. According to the target price at 7.76 baht, it represented as 11.26% downside. Therefore, a SELL recommendation would be issued for the BEAUTY’s stock price.

#### 4.4 Sensitivity Analysis

**Table 4.10: Sensitivity Analysis**

Sensitivity Analysis						
Stock Price	7.76	WACC				
		13.00%	14.00%	14.34%	15.00%	16.00%
CONSTANT GROWTH	6%	6.20	5.64	5.48	5.21	4.86
	7%	7.00	6.25	6.04	5.68	5.24
	8%	8.12	7.05	6.76	6.29	5.72
	9%	9.79	8.18	7.76	7.10	6.33
	10%	12.58	9.87	9.23	8.24	7.15
	11%	18.17	12.68	11.56	9.94	8.30

Source: Own Estimation

Sensitivity analysis is a simulation analysis in order to predict the outcome by creating the 2 variables. The purpose is to determine how adjusted variables effect on the outcome. Referring to the target stock price at 7.76 baht, the weight average cost of capital (WACC) computed at 14.34%. Meanwhile, the constant growth assumed at 9% which basically focused on Thailand beauty and personal care. As a result, whether the WACC increasing the stock price will be decreasing. On the other hands, the stock price will be increasing even if the constant growth rate of the beauty and personal cares increasing as well. In the long run, the growth will be constant approximately 9% after 2022. This industry had strong growth in each year. Even beauty and personal cares industry becomes saturation, the growth rate might be higher than other industry.

## 4.5 Financial Analysis

A financial analysis part is provided the historical statement of the past 5 years by compared with the direct competitors “KAMART”.

### 4.5.1 Income Statement

**Table 4.11: BEAUTY’s Income Statement**

BEAUTY	2017	2016	2015	2014	2013
ITEM	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
<b>Income Statement</b>					
Revenue from sales of goods and rendering of service	3,713,397.59	2,539,450.02	1,773,023.25	1,359,449.00	976,247.00
Revenue from sales of goods	3,713,397.59	2,539,450.02	1,773,023.25	1,359,449.00	976,247.00
Other income	21,969.08	19,391.17	19,007.91	25,819.00	26,415.00
<b>Total revenue</b>	<b>3,735,366.67</b>	<b>2,558,841.19</b>	<b>1,792,031.15</b>	<b>1,385,268.00</b>	<b>1,002,662.00</b>
Cost of sales of goods and rendering of service	1,197,955.40	833,112.77	586,424.61	444,578.00	287,875.00
Cost of goods sold	1,197,955.40	833,112.77	586,424.61	444,578.00	287,875.00
Selling and administrative expenses	1,003,985.19	904,546.63	702,788.97	563,898.00	449,931.00
Profit (loss) before finance costs and income tax expenses	1,533,426.09	821,181.80	502,817.58	376,792.00	264,856.00
Finance costs	-	-	-	-	207
Income tax expenses	304,107.92	165,175.34	100,324.40	75,632.00	53,240.00
<b>Net profit (loss)</b>	<b>1,229,318.16</b>	<b>656,006.45</b>	<b>402,493.18</b>	<b>301,160.00</b>	<b>211,409.00</b>

Source: Beauty Community Financial Statement

**Table 4.12: KAMART's Income Statement**

KAMART	2017	2016	2015	2014	2013	2012
ITEM	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
<b>Income Statement</b>						
Revenue from sales of goods and rendering of service	1,511,615.61	1,429,396.51	1,182,895.98	970,378.00	856,940.00	663,437.00
Revenue from sales of goods	1,490,859.03	1,409,870.47	1,163,831.19	970,378.00	830,128.00	636,497.00
Revenue from rendering of services	20,756.58	19,526.04	19,064.80	-	26,812.00	26,940.00
Other income	39,370.90	24,620.82	19,587.59	47,876.00	11,820.00	11,969.00
<b>Total revenue</b>	<b>1,550,986.51</b>	<b>1,454,017.33</b>	<b>1,202,483.57</b>	<b>1,018,254.00</b>	<b>868,760.00</b>	<b>675,406.00</b>
Cost of sales of goods and rendering of services	676,302.11	628,679.53	530,304.27	572,646.00	425,835.00	329,065.00
Cost of goods sold	675,881.72	628,149.89	529,416.01	568,380.00	421,905.00	325,587.00
Cost of rendering of services	420.39	529.64	888.26	4,266.00	3,930.00	3,478.00
Selling and administrative expenses	504,164.06	486,347.25	408,682.35	306,146.00	202,129.00	136,932.00
Selling expenses	386,138.42	381,021.86	266,198.67	186,230.00	123,960.00	84,019.00
Administrative expenses	118,025.64	105,325.39	142,483.68	119,916.00	78,169.00	52,913.00
Other expenses	1,000.00	-	-	-	15,888.00	675
<b>Total expense</b>	<b>1,181,466.17</b>	<b>1,115,026.78</b>	<b>938,986.61</b>	<b>878,792.00</b>	<b>643,852.00</b>	<b>466,672.00</b>
Profit (loss) before finance costs and income tax expenses	369,520.34	338,990.55	263,496.96	139,462.00	224,908.00	208,734.00
Finance costs	10,105.48	12,443.09	10,882.94	10,515.00	11,414.00	12,144.00
Income tax expenses	70,811.74	56,957.28	46,759.87	29,606.00	44,941.00	-
<b>Net profit (loss)</b>	<b>288,603.12</b>	<b>269,590.18</b>	<b>205,854.16</b>	<b>99,341.00</b>	<b>168,553.00</b>	<b>196,590.00</b>

Source: Karmart Financial Statement

To examine BEAUTY's income statement with its key competitor, BEAUTY's revenue from sales of goods was higher than KAMART over 5 years. In 2017, BEAUTY could generate revenue from goods at 3.7 billion baht while KAMART could generate 1.49 billion baht from goods and 20 million baht in the rendering of services. The BEAUTY's revenue in 2017 grew at 46% compared with the previous year due to the retail store expansion among nationwide and overseas. In terms of the cost expenses, BEAUTY's cost of goods sold was 1.2 billion baht while KAMART's cost of goods sold was only 675 million baht. The huge range for both companies came from the distribution channels which were the main portion of the revenue part. Meanwhile, selling and administrative expenses of BEAUTY was more than almost double of KAMART as well.

## 4.5.2 Balance Sheet

**Table 4.13: BEAUTY's Balance Sheet Statement**

BEAUTY	2017	2016	2015	2014	2013
ITEM	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
<b>Current assets</b>					
Cash and deposits at financial institutions	505,856.61	216,869.71	119,014.14	174,562.00	192,137.00
Short term investment	800,000.00	680,000.00	620,000.00	390,000.00	500,000.00
Trade accounts and other receivable	145,650.46	41,768.53	40,926.53	22,262.00	25,845.00
Inventories	409,735.40	373,892.19	290,105.34	288,488.00	175,773.00
<b>Total current assets</b>	<b>1,861,242.47</b>	<b>1,312,530.43</b>	<b>1,070,046.01</b>	<b>875,312.00</b>	<b>893,755.00</b>
<b>Non-Current assets</b>					
Investment account for using cost method	50,000.00	10,000.00	10,000.00	100,000.00	-
Property, plant and equipment	288,565.80	303,795.35	292,526.80	198,433.00	157,014.00
Leasehold right	6,113.95	7,323.31	8,697.38	10,601.00	11,100.00
Intangible assets	20,960.26	15,971.84	14,775.17	20,075.00	10,764.00
Deferred tax assets	10,723.23	9,211.49	8,219.87	3,544.00	409
Other non-current assets	97,888.64	91,714.31	88,651.60	78,986.00	65,015.00
<b>Total non-current assets</b>	<b>474,251.87</b>	<b>438,016.30</b>	<b>422,870.82</b>	<b>411,639.00</b>	<b>244,302.00</b>
<b>Total assets</b>	<b>2,335,494.34</b>	<b>1,750,546.73</b>	<b>1,492,916.82</b>	<b>1,286,951.00</b>	<b>1,138,057.00</b>
<b>Current Liabilities</b>					
Trade accounts and other payable	433,917.36	315,706.36	272,956.98	142,691.00	105,208.00
Corporate income tax payable	177,839.47	97,775.10	61,595.54	47,690.00	25,483.00
<b>Total current liabilities</b>	<b>611,756.83</b>	<b>413,481.46</b>	<b>334,552.52</b>	<b>190,381.00</b>	<b>130,691.00</b>
<b>Non-Current Liabilities</b>					
Net of the current portion of long term liabilities	-	-	-	-	-
Long term provision	5,103.35	5,103.35	-	-	-
Net of the current portion of post employee benefit obligations	9,332.87	7,775.22	6,899.87	5,724.00	1,599.00
Other non-current liabilities	4,136.57	3,899.05	3,462.79	3,337.00	2,546.00
<b>Total Non-current liabilities</b>	<b>18,572.80</b>	<b>16,777.62</b>	<b>10,362.66</b>	<b>9,061.00</b>	<b>4,145.00</b>
<b>Total liabilities</b>	<b>630,329.63</b>	<b>430,259.08</b>	<b>344,915.18</b>	<b>199,442.00</b>	<b>134,836.00</b>
<b>Shareholder's Equities</b>					
Authorized share capital	302,261.00	302,261.00	300,000.00	300,000.00	300,000.00
Issue and fully paid capital	300,273.46	300,000.00	300,000.00	300,000.00	300,000.00
Premium (discount) on share capital	570,726.07	556,439.63	556,439.63	556,440.00	556,439.00
Retain earnings (deficit)	823,853.88	459,079.16	291,562.01	231,069.00	146,782.00
Retain earning - Appropriate	30,226.10	30,000.00	30,000.00	30,000.00	27,859.00
Legal and statutory reserves	30,226.10	30,000.00	30,000.00	30,000.00	27,859.00
Retain earnings (deficit)-unappropriated	793,627.78	429,079.16	261,562.01	201,069.00	118,923.00
Other component of equity	10,311.30	4,768.87	-	-	-
<b>Total equities</b>	<b>1,705,164.71</b>	<b>1,320,287.65</b>	<b>1,148,001.64</b>	<b>1,087,509.00</b>	<b>1,003,221.00</b>
<b>Total liabilities and equities</b>	<b>2,335,494.34</b>	<b>1,750,546.73</b>	<b>1,492,916.82</b>	<b>1,286,951.00</b>	<b>1,138,057.00</b>

Source: Beauty Community Financial Statement



**Table 4.14: KAMART's Balance Sheet Statement**

KARMART	2017	2016	2015	2014	2013
ITEM	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
<b>Current Assets</b>					
Cash and cash equivalents	5,945.90	9,333.65	10,410.30	54,568.00	68,525.00
Short term investment	360.68	325.64	76,500.00	-	95,917.00
Investment in trading securities	-	-	-	-	-
Trade and other receivables	344,417.30	276,464.32	222,649.96	207,492.00	130,309.00
Advances and short term loan	73,874.63	85,422.77	10,472.75	60,968.00	23,780.00
Current portion of long-term loans	9,600.00	-	771.62	3,369.00	-
Current portion of finance lease receivables	363.1	33.84	39.89	-	1,200.00
Inventories	303,898.25	315,524.54	198,701.91	202,571.00	297,191.00
Other current assets	51,660.64	27,926.19	21,769.10	24,710.00	13,349.00
<b>Total current asset</b>	<b>790,120.49</b>	<b>715,030.94</b>	<b>541,315.52</b>	<b>553,678.00</b>	<b>630,271.00</b>
<b>Non-Current Assets</b>					
Restricted bank deposit	-	-	-	-	477
Investment account for using cost method	78,593.27	77,093.27	73,529.99	73,530.00	1,000.00
Investment property	126,284.00	119,000.00	115,000.00	168,000.00	164,000.00
Net current portion of long term loan	28,674.82	25,000.00	983.77	-	-
Net current portion of long term receivables	903.56	378.38	430.08	-	2,969.00
Real estate development cost	-	8,284.00	-	-	-
Property, plant and equipment	292,572.51	254,743.51	221,712.98	95,885.00	82,770.00
Intangible assets	10,090.34	9,985.34	8,058.82	1,070.00	1,367.00
Deferred tax assets	8,457.96	7,892.31	11,364.18	20,489.00	16,858.00
Other non-current assets	20,147.73	22,706.55	24,837.80	4,572.00	4,857.00
<b>Total non-current assets</b>	<b>565,724.19</b>	<b>525,083.36</b>	<b>455,917.63</b>	<b>363,546.00</b>	<b>274,298.00</b>
<b>Total assets</b>	<b>1,355,844.67</b>	<b>1,240,114.30</b>	<b>997,233.15</b>	<b>917,224.00</b>	<b>904,569.00</b>
<b>Current Liabilities</b>					
Bank overdrafts and short-term loans from banks	175,276.35	260,676.47	133,948.12	159,715.00	130,654.00
Trade and other payables	102,734.90	85,723.26	55,438.18	53,654.00	84,707.00
Other short term account payable	-	-	-	10,000.00	-
Current portion of long term liabilities	21,872.26	4,814.61	2,702.47	2,984.00	2,948.00
Corporate income tax payable	50,764.25	27,077.33	31,006.51	12,870.00	29,953.00
<b>Total current liabilities</b>	<b>350,647.77</b>	<b>378,291.67</b>	<b>223,095.28</b>	<b>239,223.00</b>	<b>248,262.00</b>
<b>Non-Current Liabilities</b>					
Net of current portion of long term liabilities	69,001.41	4,252.76	5,745.61	4,142.00	5,896.00
Net of current portion of post employee benefit obligations	16,052.17	13,042.72	11,132.15	9,437.00	7,464.00
Deferred tax assets	41,116.44	43,074.51	40,719.26	29,571.00	22,112.00
<b>Total non-current liabilities</b>	<b>126,170.02</b>	<b>60,369.99</b>	<b>57,597.02</b>	<b>43,150.00</b>	<b>35,472.00</b>
<b>Total liabilities</b>	<b>476,817.79</b>	<b>438,661.65</b>	<b>280,692.30</b>	<b>282,373.00</b>	<b>283,734.00</b>

**Table 4.14: KAMART's Balance Sheet Statement (cont.)**

KARMART	2017	2016	2015	2014	2013
ITEM	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
<b>Shareholder's equities</b>					
Authorized share capital	528,000.00	396,000.00	396,000.00	396,000.00	396,000.00
Issue and fully paid capital	527,998.81	395,741.29	395,741.29	395,741.00	374,119.00
Premium (discount) on share capital	88,396.71	83,396.33	83,396.33	83,396.00	32,945.00
Retain earnings (deficit)	205,857.50	265,541.17	180,629.37	133,069.00	191,125.00
Retain earning - Appropriate	52,799.88	39,574.13	33,588.31	23,296.00	18,257.00
Legal and statutory reserves	52,799.88	39,574.13	33,588.31	23,296.00	18,257.00
Retain earnings (deficit)-unappropriated	153,057.62	225,967.04	147,041.06	109,773.00	172,868.00
Other component of equity	56,773.86	56,773.86	56,773.86	22,645.00	22,646.00
<b>Total equities</b>	<b>879,026.89</b>	<b>801,452.65</b>	<b>716,540.85</b>	<b>634,851.00</b>	<b>620,835.00</b>
<b>Total liabilities and equities</b>	<b>1,355,844.68</b>	<b>1,240,114.30</b>	<b>997,233.15</b>	<b>917,224.00</b>	<b>904,569.00</b>

Source: Karmart Financial Statement

To deeply consider the balance sheet between BEAUTY and KAMART, BEAUTY's performance had been larger the total assets than KAMART. As of 2017, BEAUTY's total assets was 2.3 billion baht consisting of 1.8 billion baht of the current assets and other 474 million baht of the non-current assets. Meanwhile, KAMART had total assets at 1.3 billion baht comprising the current assets at 790 million baht and non-current assets at 565 million baht. In terms of liabilities, BEAUTY had total liabilities around 630 million baht. The current liabilities was 611 million baht which came from the trade account and other payables at 433 million baht and the non-current liabilities was only 18 million baht.

The total liabilities of KAMART was 476 million baht. For the current liabilities was 350 million baht and the non-current liabilities was 126 million baht. BEAUTY had excellent management on liabilities. Particularly, the interest-bearing debt did not exist in its operation. Controversy KAMART invested in long term liabilities to be a source of fund. As the shareholder's equity, in 2017 BEAUTY had 1.7 billion baht while KAMART had only 879 million baht. Furthermore, BEAUTY had the paid-up capital less than KARMART. The company's fully paid-up capital share was 300 million baht but KAMART was only 528 million baht. Particularly, BEAUTY received a high amount of retained earnings. The major amount was from unappropriated profit at 793 million baht.

### 4.5.3 Common Size Analysis

**Table 4.15: BEAUTY's Common Size of Income Statement**

BEAUTY	COMMON SIZE					
ITEM	2017	2016	2015	2014	2013	KAMART 2017
<b>Income Statement</b>						
Revenue from sales of goods and rendering of service	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Revenue from sales of goods	100.00%	100.00%	100.00%	100.00%	100.00%	98.63%
Other income	0.59%	0.76%	1.07%	1.90%	2.71%	2.60%
<b>Total revenue</b>	<b>100.59%</b>	<b>100.76%</b>	<b>101.07%</b>	<b>101.90%</b>	<b>102.71%</b>	<b>102.60%</b>
Cost of sales of goods and rendering of service	32.26%	32.81%	33.07%	32.70%	29.49%	44.74%
Selling and administrative expenses	27.04%	35.62%	39.64%	41.48%	46.09%	33.35%
Profit (loss) before finance costs and income tax expenses	41.29%	32.34%	28.36%	27.72%	27.13%	24.45%
Finance costs	-	-	-	-	0.02%	0.67%
Income tax expense	8.19%	6.50%	5.66%	5.56%	5.45%	4.68%
<b>Net profit (loss)</b>	<b>33.10%</b>	<b>25.83%</b>	<b>22.70%</b>	<b>22.15%</b>	<b>21.66%</b>	<b>19.09%</b>

Source: Own Estimation

Regarding the common size of the income statement, the main revenue of BEAUTY totally came from the sales of goods. In contrast, KAMART's revenue both came from 98.63% of sales of goods and other 1.37% of rendering services. In the perspective of the cost expenses, BEAUTY operated likely more efficient than KAMART because of less total expenses to sales percentage. As the selling and administrative expenses of BEAUTY and KAMART were 27.04% and 33.35% respectively. Moreover, the net profit margin to total sales of BEAUTY represented at 33.1% which was higher than KAMART represented at 19.09%. Therefore, BEAUTY had well management in operation cost either the cost of goods sold or selling and administrative expenses. In addition, BEAUTY also had a larger size of revenue from sales which affected on higher revenue as well as lower operating cost. Accordingly, the net profit margin to sales was higher than its key competitor.

**Table 4.16: BEAUTY's Common size of Balance Sheet**

BEAUTY	COMMON SIZE					
ITEM	2017	2016	2015	2014	2013	KAMART 2017
<b>Current assets</b>						
Cash and deposits at financial institutions	21.66%	12.39%	7.97%	13.56%	16.88%	0.44%
Short term investment	34.25%	38.85%	41.53%	30.30%	43.93%	0.03%
Trade accounts and other receivables	6.24%	2.39%	2.74%	1.73%	2.27%	25.40%
Inventories	17.54%	21.36%	19.43%	22.42%	15.45%	22.41%
<b>Total current assets</b>	<b>79.69%</b>	<b>74.98%</b>	<b>71.67%</b>	<b>68.01%</b>	<b>78.53%</b>	<b>58.28%</b>
<b>Non-Current assets</b>						
Investment account for using cost method	2.14%	0.57%	0.67%	7.77%	-	5.80%
Property, plant and equipment	12.36%	17.35%	19.59%	15.42%	13.80%	21.58%
Leasehold right	0.26%	0.42%	0.58%	0.82%	0.98%	
Intangible assets	0.90%	0.91%	0.99%	1.56%	0.95%	0.74%
Deferred tax assets	0.46%	0.53%	0.55%	0.28%	0.04%	0.62%
Other non-current assets	4.19%	5.24%	5.94%	6.14%	5.71%	1.49%
<b>Total non-current assets</b>	<b>20.31%</b>	<b>25.02%</b>	<b>28.33%</b>	<b>31.99%</b>	<b>21.47%</b>	<b>41.72%</b>
<b>Total assets</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Current Liabilities</b>						
Trade accounts and other payables	18.58%	18.03%	18.28%	11.09%	9.24%	7.58%
Corporate income tax payable	7.61%	5.59%	4.13%	3.71%	2.24%	3.74%
<b>Total current liabilities</b>	<b>26.19%</b>	<b>23.62%</b>	<b>22.41%</b>	<b>14.79%</b>	<b>11.48%</b>	<b>25.86%</b>
<b>Non-Current Liabilities</b>						
Net of the current portion of long term liabilities	-	-	-	-	-	
Long term provision	0.22%	0.29%	-	-	-	
Net of current portion of post employee benefit obligations	0.40%	0.44%	0.46%	0.44%	0.14%	1.18%
Other non-current liabilities	0.18%	0.22%	0.23%	0.26%	0.22%	-
<b>Total non-current liabilities</b>	<b>0.80%</b>	<b>0.96%</b>	<b>0.69%</b>	<b>0.70%</b>	<b>0.36%</b>	<b>9.31%</b>
<b>Total liabilities</b>	<b>26.99%</b>	<b>24.58%</b>	<b>23.10%</b>	<b>15.50%</b>	<b>11.85%</b>	<b>35.17%</b>
<b>Shareholder's Equities</b>						
Authorized share capital	12.94%	17.27%	20.09%	23.31%	26.36%	38.94%
Issue and fully paid capital	12.86%	17.14%	20.09%	23.31%	26.36%	38.94%
Premium (discount) on share capital	24.44%	31.79%	37.27%	43.24%	48.89%	6.52%
Retain earnings (deficit)	35.28%	26.22%	19.53%	17.95%	12.90%	15.18%
Retain earning - Appropriate	1.29%	1.71%	2.01%	2.33%	2.45%	3.89%
Legal and statutory reserves	1.29%	1.71%	1.28%	1.28%	1.19%	
Retain earnings (deficit)-unappropriated	33.98%	24.51%	17.52%	15.62%	10.45%	11.29%
Other components of equity	0.44%	0.27%	-	-	-	4.19%
<b>Total equities</b>	<b>73.01%</b>	<b>75.42%</b>	<b>76.90%</b>	<b>84.50%</b>	<b>88.15%</b>	<b>64.83%</b>
<b>Total liabilities and equities</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Own Estimation

As a common size of balance sheet, all item in the balance sheet was displayed to the percentage of the total assets. In 2017, the current assets presented at 79.69% to the total assets of BEAUTY while the non-current assets presented at 20.31%. The main proportion of the total assets was comprising 21.66% of cash and cash equivalents, 34.25% of short term investment, 17.52% of inventories and 12.36% of property, plant and equipment. To compare with KAMART, the current assets indicated at 58.28% of the total assets which the trade account and receivable and inventories were a major part at 25.40% and 22.41% respectively. For the non-current assets occurred at 41.72% of the total assets comprising 21.58% of property, plant and equipment.

#### 4.5.4 Trend Analysis

**Table 4.17: BEAUTY's Trend of Income Statement**

BEAUTY ITEM	TREND ANALYSIS					
	2017	2016	2015	2014	2013	CAGR
<b>Income Statement</b>						
Revenue from sales of goods and rendering of service	380.37%	260.12%	181.62%	139.25%	100.00%	30.63%
Revenue from sales of goods	380.37%	260.12%	181.62%	139.25%	100.00%	30.63%
Other income	83.17%	73.41%	71.96%	97.74%	100.00%	-3.62%
<b>Total revenue</b>	<b>372.54%</b>	<b>255.20%</b>	<b>178.73%</b>	<b>138.16%</b>	<b>100.00%</b>	<b>30.09%</b>
Cost of sales of goods and rendering of service	416.14%	289.40%	203.71%	154.43%	100.00%	33.00%
Selling and administrative expenses	223.14%	201.04%	156.20%	125.33%	100.00%	17.41%
Profit (loss) before finance costs and income tax expenses	578.97%	310.05%	189.85%	142.26%	100.00%	42.08%
Finance costs	-	-	-	-	100.00%	
Income tax expense	571.20%	310.25%	188.44%	142.06%	100.00%	41.70%
<b>Net profit (loss)</b>	<b>581.49%</b>	<b>310.30%</b>	<b>190.39%</b>	<b>142.45%</b>	<b>100.00%</b>	<b>42.20%</b>

Source: Own Estimation

Trend analysis is a method to evaluate the financials of the company over a period of time. BEAUTY's sales of goods grew at a higher rate than KAMART which were 30.63% and 12.42% respectively during the past 5 years. To compare with 2013 as a base year, BEAUTY had dramatically grown at 380.37%. The cost of goods sold was increasing at an average of 33% annually while the growth increased by 416.14% from 2013. Therefore, it was a parallel when the company was able to sell larger volumes, the cost would be directly to increase.



Considering the net profit of BEAUTY, the compound annual growth rate was 42.4% over the past 5 years or 581.49% to 2013. Hence, the expansion of distribution channels and retail stores were a huge portion of the total revenue. Even more branches launched, the company could generate more revenue as well.

**Table 4.18: KAMART's Trend of Income Statement**

KARMART	TREND ANALYSIS					
ITEM	2017	2016	2015	2014	2013	CAGR
<b>Income Statement</b>						
Revenue from sales of goods and rendering of service	176.40%	166.80%	138.04%	113.24%	100.00%	12.02%
Revenue from sales of goods	179.59%	169.84%	140.20%	116.89%	100.00%	12.42%
Revenue from rendering of services	77.42%	72.83%	71.11%	-	100.00%	-4.99%
Other income	333.09%	208.30%	165.72%	405.04%	100.00%	27.21%
<b>Total revenue</b>	<b>178.53%</b>	<b>167.37%</b>	<b>138.41%</b>	<b>117.21%</b>	<b>100.00%</b>	<b>12.29%</b>
Cost of sales of goods and rendering of services	158.82%	147.63%	124.53%	134.48%	100.00%	9.69%
Cost of goods sold	160.20%	148.88%	125.48%	134.72%	100.00%	9.88%
Cost of rendering of services	10.70%	13.48%	22.60%	108.55%	100.00%	-36.05%
Selling and administrative expenses	249.43%	240.61%	202.19%	151.46%	100.00%	20.06%
Selling expenses	311.50%	307.37%	214.75%	150.23%	100.00%	25.51%
Administrative expenses	150.99%	134.74%	182.28%	153.41%	100.00%	8.59%
Other expenses	6.29%	-	-	-	100.00%	-42.48%
<b>Total expense</b>	<b>183.50%</b>	<b>173.18%</b>	<b>145.84%</b>	<b>136.49%</b>	<b>100.00%</b>	<b>12.91%</b>
Profit (loss) before finance costs and income tax expense	164.30%	150.72%	117.16%	62.01%	100.00%	10.44%
Finance costs	88.54%	109.02%	95.35%	92.12%	100.00%	-2.41%
Income tax expense	157.57%	126.74%	104.05%	65.88%	100.00%	9.52%
<b>Net profit (loss)</b>	<b>171.22%</b>	<b>159.94%</b>	<b>122.13%</b>	<b>58.94%</b>	<b>100.00%</b>	<b>11.36%</b>

Source: Own Estimation

In the aspect of its key competitor, the revenue of KAMART was slightly increased among 5 years around 13%. In 2017 the company could operate the revenue growth at 178.53% compared with 2013. Nevertheless, KAMART prominently generated revenue lower than BEAUTY. The cost of goods sold displayed the average growth approximately 10% per year while the cost of rendering of product declined at 36%.

To point out the selling expenses and administrative expenses of KAMART, it rose around 20% per year. As shown in the table, the expenses increased at 183.50% which was higher than the growth of the company revenue. Therefore, the net profit represented the growth at 11.36% increasing or 171.22% compared with 2013



**Table 4.19: BEAUTY's Trend of Balance Sheet**

BEAUTY	TREND ANALYSIS					
ITEM	2017	2016	2015	2014	2013	CAGR
<b>Current assets</b>						
Cash and deposits at financial institutions	263.28%	112.87%	61.94%	90.85%	100.00%	11.14%
Short term investment	160.00%	136.00%	124.00%	78.00%	100.00%	11.70%
Trade accounts and other receivables	563.55%	161.61%	158.35%	86.14%	100.00%	65.41%
Inventories	233.10%	212.71%	165.05%	164.13%	100.00%	27.09%
<b>Total current assets</b>	<b>208.25%</b>	<b>146.86%</b>	<b>119.72%</b>	<b>97.94%</b>	<b>100.00%</b>	<b>15.81%</b>
<b>Non-Current assets</b>						
Investment account for using the cost method	-	-	-	-	-	-
Property, plant and equipment	183.78%	193.48%	186.31%	126.38%	100.00%	18.77%
Leasehold right	55.08%	65.98%	78.35%	95.50%	100.00%	-12.67%
Intangible assets	194.73%	148.38%	137.26%	186.50%	100.00%	62.53%
Deferred tax assets	2621.82%	2252.20%	2009.75%	866.50%	100.00%	126.28%
Other non-current assets	150.56%	141.07%	136.36%	121.49%	100.00%	14.88%
<b>Total non-current assets</b>	<b>194.13%</b>	<b>179.29%</b>	<b>173.09%</b>	<b>168.50%</b>	<b>100.00%</b>	<b>20.73%</b>
<b>Total assets</b>	<b>205.22%</b>	<b>153.82%</b>	<b>131.18%</b>	<b>113.08%</b>	<b>100.00%</b>	<b>16.71%</b>
<b>Current Liabilities</b>						
Trade accounts and other payables	412.44%	300.08%	259.45%	135.63%	100.00%	43.97%
Corporate income tax payable	697.87%	383.69%	241.71%	187.14%	100.00%	68.87%
<b>Total current liabilities</b>	<b>468.09%</b>	<b>316.38%</b>	<b>255.99%</b>	<b>145.67%</b>	<b>100.00%</b>	<b>49.07%</b>
<b>Non-Current Liabilities</b>						
Long term provision	-	-	-	-	-	-
Net of the current portion of post employee benefit obligations	583.67%	486.26%	431.51%	357.97%	100.00%	48.75%
Other non-current liabilities	162.47%	153.14%	136.01%	131.07%	100.00%	13.33%
<b>Total non-current liabilities</b>	<b>448.08%</b>	<b>404.77%</b>	<b>250.00%</b>	<b>218.60%</b>	<b>100.00%</b>	<b>15.66%</b>
<b>Total liabilities</b>	<b>467.48%</b>	<b>319.10%</b>	<b>255.80%</b>	<b>147.91%</b>	<b>100.00%</b>	<b>46.92%</b>
<b>Shareholder's Equities</b>						
Authorized share capital	100.75%	100.75%	100.00%	100.00%	100.00%	0.15%
Issue and fully paid capital	100.09%	100.00%	100.00%	100.00%	100.00%	0.02%
Premium (discount) on share capital	102.57%	100.00%	100.00%	100.00%	100.00%	0.51%
Retain earnings (deficit)	561.28%	312.76%	198.64%	157.42%	100.00%	44.67%
Retain earning - Appropriate	108.50%	107.69%	107.69%	107.69%	100.00%	22.88%
Legal and statutory reserves	108.50%	107.69%	107.69%	107.69%	100.00%	22.88%
Retain earnings (deficit)-unappropriated	667.35%	360.80%	219.94%	169.07%	100.00%	46.10%
Other components of equity	-	-	-	-	-	-
<b>Total equities</b>	<b>169.97%</b>	<b>131.60%</b>	<b>114.43%</b>	<b>108.40%</b>	<b>100.00%</b>	<b>11.57%</b>
<b>Total liabilities and equities</b>	<b>232.80%</b>	<b>174.49%</b>	<b>148.81%</b>	<b>128.28%</b>	<b>113.44%</b>	<b>16.71%</b>

Source: Own Estimation

**Table 4.20: KAMART's Trend of Balance Sheet**

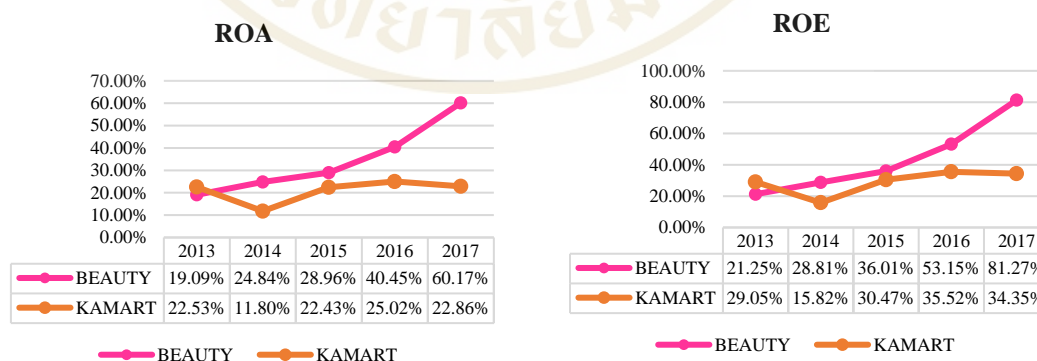
KARMART	TREND ANALYSIS					
ITEM	2017	2016	2015	2014	2013	CAGR
<b>Current Assets</b>						
Cash and cash equivalents	8.68%	13.62%	15.19%	79.63%	100.00%	22.02%
Short term investment	0.38%	0.34%	79.76%	-	100.00%	-
Investment in trading securities	-	-	-	-	-	-
Trade and other receivables	264.31%	212.16%	170.86%	159.23%	100.00%	20.81%
Advances and short term loan	310.66%	359.22%	44.04%	256.38%	100.00%	-
Current portion of long-term loans	-	-	-	-	-	-
Current portion of finance lease receivables	30.26%	2.82%	3.32%	-	100.00%	-11.10%
Inventories	102.26%	106.17%	66.86%	68.16%	100.00%	1.87%
Other current assets	387.00%	209.20%	163.08%	185.11%	100.00%	37.21%
<b>Total current asset</b>	<b>125.36%</b>	<b>113.45%</b>	<b>85.89%</b>	<b>87.85%</b>	<b>100.00%</b>	<b>13.01%</b>
<b>Non-Current Assets</b>						
Restricted bank deposit	-	-	-	-	100.00%	-
Investment account for using the cost method	7859.33%	7709.33%	7353.00%	7353.00%	100.00%	-
Investment property	77.00%	72.56%	70.12%	102.44%	100.00%	-4.86%
Net current portion of long term loan	-	-	-	-	-	-
Net current portion of long term receivables	30.43%	12.74%	14.49%	-	100.00%	-27.45%
Real estate development cost	-	-	-	-	-	-
Property, plant and equipment	353.48%	307.77%	267.87%	115.85%	100.00%	31.67%
Intangible assets	738.14%	730.46%	589.53%	78.27%	100.00%	86.19%
Deferred tax assets	50.17%	46.82%	67.41%	121.54%	100.00%	-
Other non-current assets	414.82%	467.50%	511.38%	94.13%	100.00%	65.21%
<b>Total non-current assets</b>	<b>206.24%</b>	<b>191.43%</b>	<b>166.21%</b>	<b>132.54%</b>	<b>100.00%</b>	<b>18.42%</b>
<b>Total assets</b>	<b>149.89%</b>	<b>137.09%</b>	<b>110.24%</b>	<b>101.40%</b>	<b>100.00%</b>	<b>15.09%</b>
<b>Current Liabilities</b>						
Bank overdrafts and short-term loans from banks	134.15%	199.52%	102.52%	122.24%	100.00%	27.92%
Trade and other payables	121.28%	101.20%	65.45%	63.34%	100.00%	32.13%
Other short term account payable	-	-	-	-	-	-
Current portion of long term liabilities	741.94%	163.32%	91.67%	101.22%	100.00%	2.86%
Corporate income tax payable	169.48%	90.40%	103.52%	42.97%	100.00%	52.75%
<b>Total current liabilities</b>	<b>141.24%</b>	<b>152.38%</b>	<b>89.86%</b>	<b>96.36%</b>	<b>100.00%</b>	<b>28.07%</b>
<b>Non-Current Liabilities</b>						
Net of the current portion of long term liabilities	1170.31%	72.13%	97.45%	70.25%	100.00%	24.13%
Net of the current portion of post employee benefit obligations	215.06%	174.74%	149.14%	126.43%	100.00%	18.58%
Deferred tax assets	185.95%	194.80%	184.15%	133.73%	100.00%	-
<b>Total non-current liabilities</b>	<b>355.69%</b>	<b>170.19%</b>	<b>162.37%</b>	<b>121.65%</b>	<b>100.00%</b>	<b>33.05%</b>
<b>Total liabilities</b>	<b>168.05%</b>	<b>154.60%</b>	<b>98.93%</b>	<b>99.52%</b>	<b>100.00%</b>	<b>29.28%</b>
<b>Shareholder's equity</b>						
Authorized share capital	133.33%	100.00%	100.00%	100.00%	100.00%	7.96%
Issue and fully paid capital	141.13%	105.78%	105.78%	105.78%	100.00%	7.96%
Premium (discount) on share capital	268.32%	253.14%	253.14%	253.14%	100.00%	-
Retain earnings (deficit)	107.71%	138.94%	94.51%	69.62%	100.00%	5.84%
Retain earning - Appropriate	289.20%	216.76%	183.97%	127.60%	100.00%	39.97%
Legal and statutory reserves	289.20%	216.76%	183.97%	127.60%	100.00%	39.97%
Retain earnings (deficit)-unappropriated	88.54%	130.72%	85.06%	63.50%	100.00%	1.06%
Other components of equity	250.70%	250.70%	250.70%	100.00%	100.00%	18.31%
<b>Total equities</b>	<b>141.59%</b>	<b>129.09%</b>	<b>115.42%</b>	<b>102.26%</b>	<b>100.00%</b>	<b>10.26%</b>
<b>Total liabilities and equities</b>	<b>149.89%</b>	<b>137.09%</b>	<b>110.24%</b>	<b>101.40%</b>	<b>100.00%</b>	<b>15.09%</b>

Source: Own Estimation

As the trend of the balance sheet, the trend of the total assets occurred the average growth at 16.71% per annually. Owing to increasing the number of branches and a better operating system, the company could generate more cash, trade account and other receivables and inventories for 5 years. Meanwhile, KAMART's total assets moved toward in historical year at 5.09% compound annual growth. KAMART had decreased the percentage of cash and cash equivalent of a base year. As the liabilities and equities, BEAUTY's trade account and other payables had grown approximately 44%. Moreover, the company had not used the capital loan to be a source of fund. For the equities, BEAUTY has increased the share capital from 300 million baht to 302 million baht since 2016. Consequently, the trend of the total equities increased by 141.59% of the base year. To compare with KAMART, the company invested in the long term liabilities at 2.86%. In 2017, the long term liabilities had grown around 742 % of the base year. In the same period of 2016, KAMART has increased the authorized share capital from 396 million baht to 528 million baht.

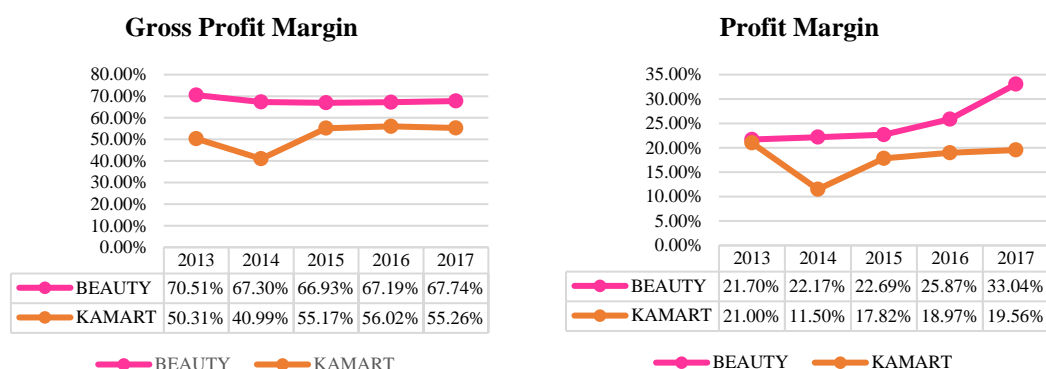
## 4.6 Financial Ratio

### 4.6.1 Profitability Ratio



Source: Own Estimation

**Figure 4.12: BEAUTY's Profitability**



Source: Own Estimation

**Figure 4.12: BEAUTY's Profitability (cont.)**

As of 2017, BEAUTY generated gross profit at 67.74% which was higher than KAMART generated at 55.6%. BEAUTY's gross profit margin dropped in 2014 and then similar slightly increasing until 2017. According to rise in sales, the revenue and cost of goods sold also increased. The company could higher operate the revenue from overseas, modern trade and beginning in e-commerce in 2015.

BEAUTY's profit margin slightly improves every year. In 2017, the profit margin was 33.04%. It meant that if the firm had no debt and pay taxes at its statutory tax rate of the latest year, so out of 100 baht, the company could generate net income at 33 baht. The company had better cost management by production in high volume which the company could become the economy of scales. Meanwhile, KAMART's net profit margin dropped in 2014 then slightly increased and could generate a profit margin at 19.56%

In terms of return on assets (ROA), if the company has no debt and still pay taxes at the effective tax rate, every baht of the total assets, the company could generate net income of 60.17 baht which was higher than its main competitor. In 2017, KAMART could generate ROA only at 22.86% which was lower than BEAUTY almost 3 times. Therefore, BEAUTY had a better performance by without impacted on capital structure.

For the return on equity (ROE), KAMART could operate ROE higher than BEAUTY in 2013. Since 2014, BEAUTY has been able to generate ROE higher toward. It meant that out of 100 baht in equity investment, shareholders would get 81.27 baht back as net income. ROE of KAMART represented only 34.35% in 2017. Thus, BEAUTY was better to operate return to equity.

#### 4.6.2 DuPont's ROA

**Table 4.21: DuPont's ROA of BEAUTY**

BEAUTY: DuPont's ROA	2013	2014	2015	2016	2017
Return On Assets	19.09%	24.84%	28.96%	40.45%	60.17%
Profit Margin	21.70%	22.17%	22.69%	25.87%	33.04%
Tax Change	1	1	1	1	1
Tax Management	0.9985	0.9991	1.0006	0.9986	1.0021
Total Asset Turnover	0.88	1.12	1.28	1.57	1.82

Source: Own Estimation

**Table 4.22: DuPont's ROA of KAMART**

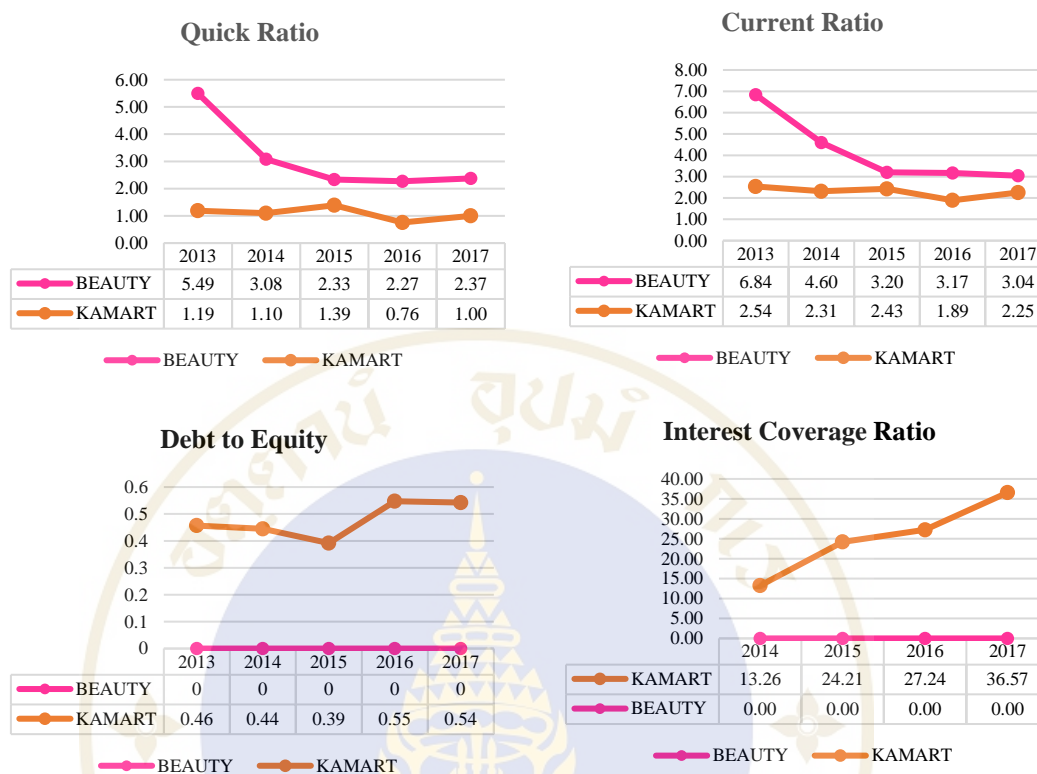
KAMART: DuPont's ROA	2013	2014	2015	2016	2017
Return On Assets	22.53%	11.80%	22.43%	25.02%	22.86%
Profit Margin	21.00%	11.50%	17.82%	18.97%	19.56%
Tax Change	1	1	1	1	1
Tax Management	0.9869	0.9630	1.0186	1.0320	1.0037
Total Asset Turnover	1.09	1.07	1.24	1.28	1.16

Source: Own Estimation

To analyze DuPont's ROA, BEAUTY could generate profit margin better in every year. Generally, Thailand's corporate tax was 20% so the tax change would be constant. The tax management both BEAUTY and KAMART were close to 1. For the total asset turnover, both companies were increasing while BEAUTY was better performance than KAMART by generating in higher value except in 2013. Therefore, BEAUTY was more productive in the operating of the assets.



### 4.6.3 Solvency Risk

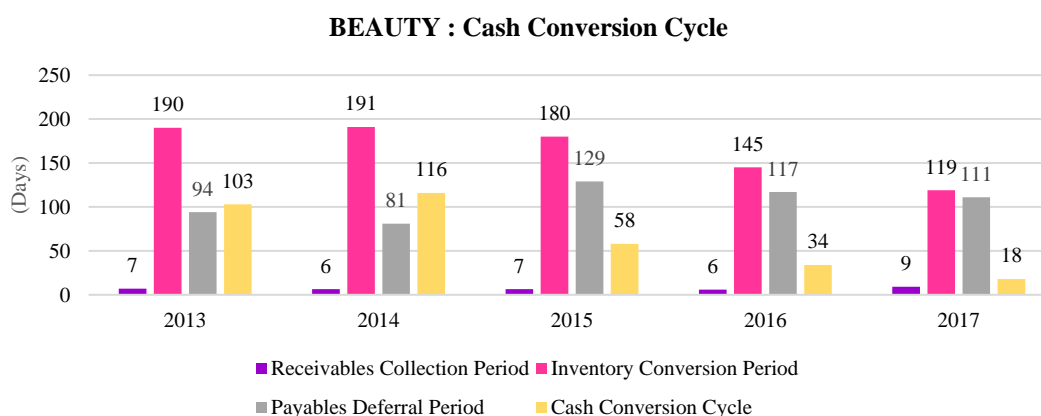


Source: Own Estimation

**Figure 4.13: BEAUTY's Solvency Risk**

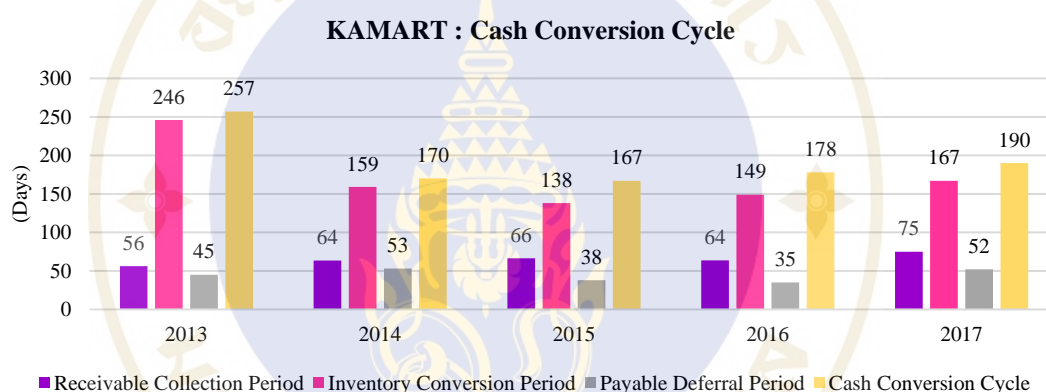
In the perspective of liquidity, BEAUTY's quick ratio and current ratio were 2.31 and 3.01 respectively in 2017. It reflected that the company had the current assets over than current liabilities. The company was able to well manage liquidity. Although the quick ratio and current ratio tend to decline, it could indicate that the company also did not have a liquidity problem. Furthermore, the company's performance was better than KAMART because of getting a higher ratio. Obviously, the debt of BEAUTY did not use to be a source of fund. Eventually, the company does not have any interest-bearing debt. The D/E ratio would compute by interest-bearing debt so it could not evaluate the D/E ratio. Likewise, the interest coverage ratio, from 2014 to 2017 the company did not have a finance cost due to no debt, the interest coverage ratio was not able to estimate as well. On the other hands, KAMART represented the D/E ratio at 0.54 in 2017 which was highly solvency risk.





Source: Own Estimation

**Figure 4.14: BEAUTY's Cash Conversion Cycle**



Source: Own Estimation

**Figure 4.15: KAMART's Cash Conversion Cycle**

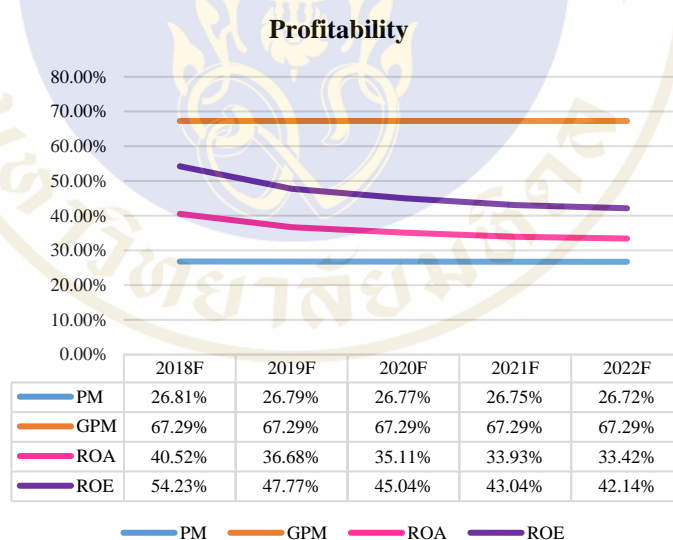
In the historical, BEAUTY's performance was better than KAMART. As of 2017, BEAUTY could collect the cash from their customers within 9 days which spend shorter time than KAMART almost 8 times. For the inventory conversion period, BEAUTY's trend slightly decreased while KAMART's trend was quite a fluctuation for 5 years. BEAUTY spent a shorter time to keep the inventory before it sold around 119 days in 2017 compared with KAMART at 167 days. In terms of the payables deferral period, BEAUTY had the ability to extend the time for paying back to suppliers at 111 days but KAMART had the average time to pay back to the suppliers at 52 days in 2017.

Lastly, cash conversion cycle of BEAUTY was shorter than KAMART. CCC's BEAUTY prominently declined until 2017 which presented only 18 days. KAMART has spent CCC reaching to 190 days for converting the investment from inventory into cash.

#### 4.6.4 Forecast Period Financial Ratio

According to the financial ratio during 2018-2022, the assumption indicated the company will not dominantly grow similar to the past 5 years. The profit margin and the gross profit margin will grow quite stable. Concerning the forecast period, the sales from each channel will increase compared with the previous year. However, the gross profit margin will remain at over 60% the same as the historical period.

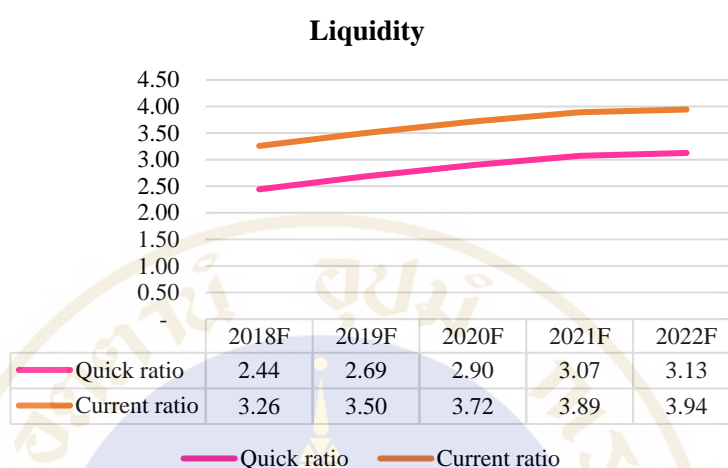
Meanwhile, ROA and ROE will decline in the forecast period because the cost of goods sold will be adjusted. Actually, the company expands retail store so that the total assets have to increase due to ROA decreasing.



Source: Own Estimation

**Figure 4.16: BEAUTY's Profitability of the Forecast Period**

In terms of the liquidity ratio, at the projection period, both the quick ratio and current ratio will be dropped compared with 2017. After 2018, the liquidity ratio has a sign to be slightly increasing at the projection period



Source: Own Estimation

**Figure 4.17: BEAUTY's Liquidity of the Forecast Period**

## 4.7 Investment Risks and Downside Possibilities

### 4.7.1 Retail Store Expansion

On the subject of retail store expansion is one of the distribution channels that the company is able to reach the target revenue. The risk is a high possibly when the company cannot open new branches at the target expansion number. Obviously, the retail stores of BEAUTY existed in widespread among nationwide. Those retail stores feasibility placed at the overlap area which each branch can receive the less expected revenue. Moreover, there are various cosmetic retail stores emerged through this business. Customers are more alternatives to purchase cosmetic products from any other brands.

At the beginning of every year, the company will announce its business plan. As of 2018, the retail store expansion policies aimed to open totally 379 branches as of 283 Beauty Buffets and 87 Beauty Cottages. Until third-quarter of 2018, the company was able to open totally only 5 branches as of 4 Beauty Buffets, 1 Beauty Cottage and closed 1 branch of Beauty Market. The company focuses not only the retail stores but also other distribution channels consisting of consumer products, oversea and online channel.

#### **4.7.2 Customer Uncertainty**

Customers are the main revenue driver of the company. Customers have the power of purchasing company products. Actually, the products of BEAUTY become popular because of a word to mouth advertising. Customers decide to buy BEAUTY's products because they need to try those products. As a result, the sales of products have increased immediately and products have been out of stock. The cosmetic news is an influential external factor, the company performance would depend on the satisfaction of customers. Even the negative issues or news related to the cosmetic market, most customers will feel panic and avoid to buy cosmetic products. In spite of every BEAUTY's product was passed Thailand Food and Drug Administration standard both the quality of its products and the quality of OEM factory.

#### **4.7.3 Beauty Buffet's Independence Store**

Beauty Buffet is one of the retail stores that could generate revenue in an enormous proportion. Incidentally, Beauty Buffets were able to gain revenue at 2,092.81 million baht or 56% of the total revenue in 2018. All of Beauty Buffet's products consist of facial products, skincare and cosmetic. At the second quarter of 2018, there are negative issues about "Magic skin" product. Beauty Buffets encountered with lower same-store sales. Meanwhile, the expenses of every branch have to be paid in each month. Accordingly, the risk can emerge at the medium risk which the company will gain more revenue at fourth-quarter.

#### **4.7.4 Imitation Product**

Owing to the company's production policy, all BEAUTY's products are produced by outsourcing manufacturers who are responsible for whole processes during supply raw material until packing the finish goods. In addition, the product's quality and formula are thorough controlled by manufacturers. The cause of imitation may come from some manufacturers were hired to produce cosmetic products by other competitors. To prevent the imitation, the company signed the contract with every manufacturer under conditions that they are not able to reveal both raw material and formula to others and sell by themselves. As the variety of company products, the company uses the strategies to diversify the risks of copying products by means of separately different products to different manufacturers. Currently, there are more than 30 manufacturers produce for BEAUTY's products. Thereby, the risk is unlikely to occur.

#### **4.7.5 Inventory Management**

The trend of skincare, as well as cosmetic products are fluctuation depending on popularity. Each product has its own life cycle expectancy. Accordingly, the company would order the goods' production sufficient quantity and enough inventory for distribution among all country. The company had a risk when the trend of customers changed that would impact on the impairment of inventories. In order to manage the inventories, the company always makes research for consumer behaviors to examine the current consumer trend. Moreover, the company invested in the IT system to collect the selling information such as selling speed rate and life expectancy. As a result, the company can manage goods production efficiently. Furthermore, the company provided the promotion by discount price when the product's life span at 8-12 months. The risk can take place at a low level because of well inventory management.

#### **4.7.6 Competition with New Competitors**

During running business among highly competitive, there are many newcomers entrance to this industry easily, owing to spending low investment cost for a start-up business. Additionally, foreign competitors such as Korean and Japanese which are the same customer targets of the company. The company has to compete for sales with many competitors. Therefore, the company has created a strategy called “FAST&SMART” to enhance online to offline synchronization and leverage sales both existing channels and expanding retail stores. Although the new competitors come into business easily, there are obstacles for creating recognized brands and enhancing sales volume. However, the company aspects the decreases in sales volume when new competitors enter this industry at high risk.

#### **4.7.7 Discontinued Lease Agreement**

The retail store of BEAUTY is the main distribution channels pushing sales volume. Most of BEAUTY’s retail store located on department stores or grocery stores like Tesco Lotus, Big C, Central Plaza, The mall, etc. The retail store’s lease agreement is a short term lease approximately 1-3 years. Unfortunately, if the landowners discontinue the retail store lease agreement, the company would be a loss in sales performance due to closing those branch. So that the risk can happen at a medium level.

#### **4.7.8 Efficient Technology System**

The company invested in the computer system called a point of sales (POS) in every branch. The inventories management system and customer information system will be connected together. Even if the system failed, the company will affect the operation. To avoid failure, the POS system is isolated in its own retail store. Moreover, the head office uses C-smile system in order to store and recover the information when the failure occurred. At the beginning of 2018, the company has launched a Microsoft Dynamic AX system that could reinforce information management. The risk of failure will be unlikely to occur because of the effectiveness of the technology system.



#### 4.7.9 Exchange Rate Risk

The company hired some manufacturers not only nationwide but also from foreign countries. Generally, the company pays the cost of products to manufacturers in the rate of US dollar while the products are sold in Thai baht. So that the company has to take a risk even Thai baht being depreciation. The value of the order was around 6-9 million per year or 2% with the total cost. The company specified that this risk is at a low-risk level. The company organizes by hedging the exchange rate risk with the forward contract on a case by case depending on the value of the order.

**Table 4.23: Risk Matrix**

	SEVERITY			
	ACCEPTABLE  LITTLE TO NO EFFECT ON EVENT	TOLERABLE  EFFECTS ARE FELT, BUT NOT CRITICAL TO OUTCOME	UNDESIRABLE  SERIOUS IMPACT TO THE COURSE OF ACTION AND OUTCOME	INTOLERABLE  COULD RESULT IN DISASTER
LIKELIHOOD				
IMPROBABLE  RISK IS UNLIKELY TO OCCUR	LOW  - Imitation Product - Inventory Management	MEDIUM  - Efficient Technology System	MEDIUM	HIGH
POSSIBLE  RISK WILL LIKELY OCCUR	LOW  - Exchange Rate Risk	MEDIUM  - Discontinued Lease Agreement	HIGH  - Retail Store Expansion - Competition with New Competitors	EXTREME
PROBABLE  RISK WILL OCCUR	MEDIUM  - Beauty Buffet's Independence Store	HIGH	HIGH  - Customer Uncertainty	EXTREME

Source: Own Estimation

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## APPENDICES

### Appendix A: Company Structure



**BEAUTY BUFFET**  
The Most Delicious Beauty Shop In Town



**BEAUTY**



The most delicious beauty shop in town

**No. of shops: 261 @ Dec 2017**  
 Shop size : Average 35 sqm.  
 Location : Super center  
 Shopping plaza  
 Hyper market  
 Local department stores

**PRIVATE LABEL**  
Brand character / Brand positioning / Brand target



**GINO McCRAY**  
professional makeup



**THE BAKERY**  
young & trendy makeup



**SCENTIO**  
natural skincare



**LANSLEY**  
functional skincare

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**BEAUTY COTTAGE**  
Natural Crafted Beauty



**BEAUTY**



Natural Crafted Beauty

**No. of shops :71 @ Dec 2017**  
 Shop size : Average 35 sqm.  
 Location : Super center  
 Shopping plaza  
 Hyper market  
 Local department stores





Skin Care



Makeup



Accessories

---



**Beauty market**



**BEAUTY**

Product Category	Product Coverage
1. Make up	- General Brands
2. Facial Care	- Alternative Brands
3. Body Hygiene	- Exclusive Brands
4. Body Care	- Private Brands
5. Hair Care	
6. Perfume	
7. Beauty Drink&Food Supplement	
8. Beauty Accessory	
9. Men's Care	



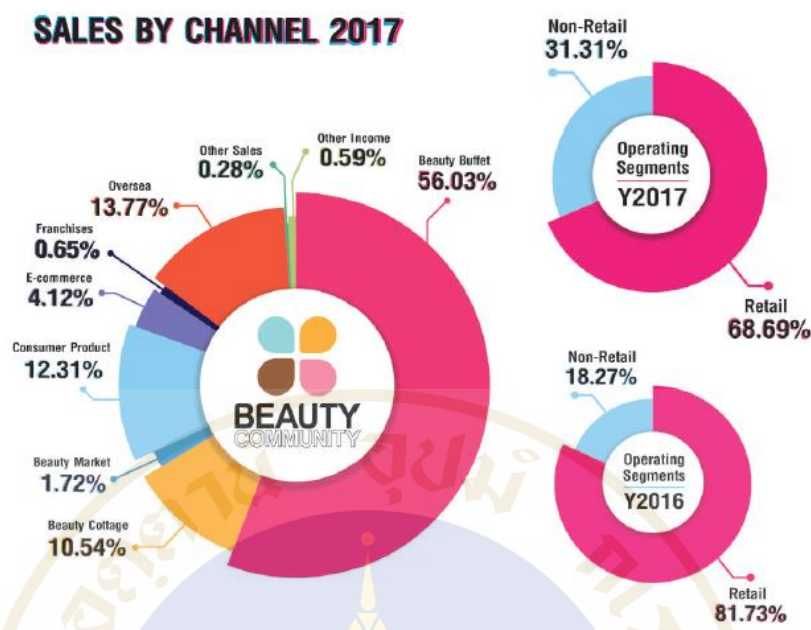
- No. of shops @ Dec 2017 : 9 Shops
- Beauty Specialty Store
- Our Largest Format Shop
- Average Area 100 Sqm.
- Almost 100 Suppliers
- More than 300 Brands
- Assortment 4,000 – 9,000 SKUs
- International Brands from Japan, Korea, USA, England, Germany, France, Thailand...etc.





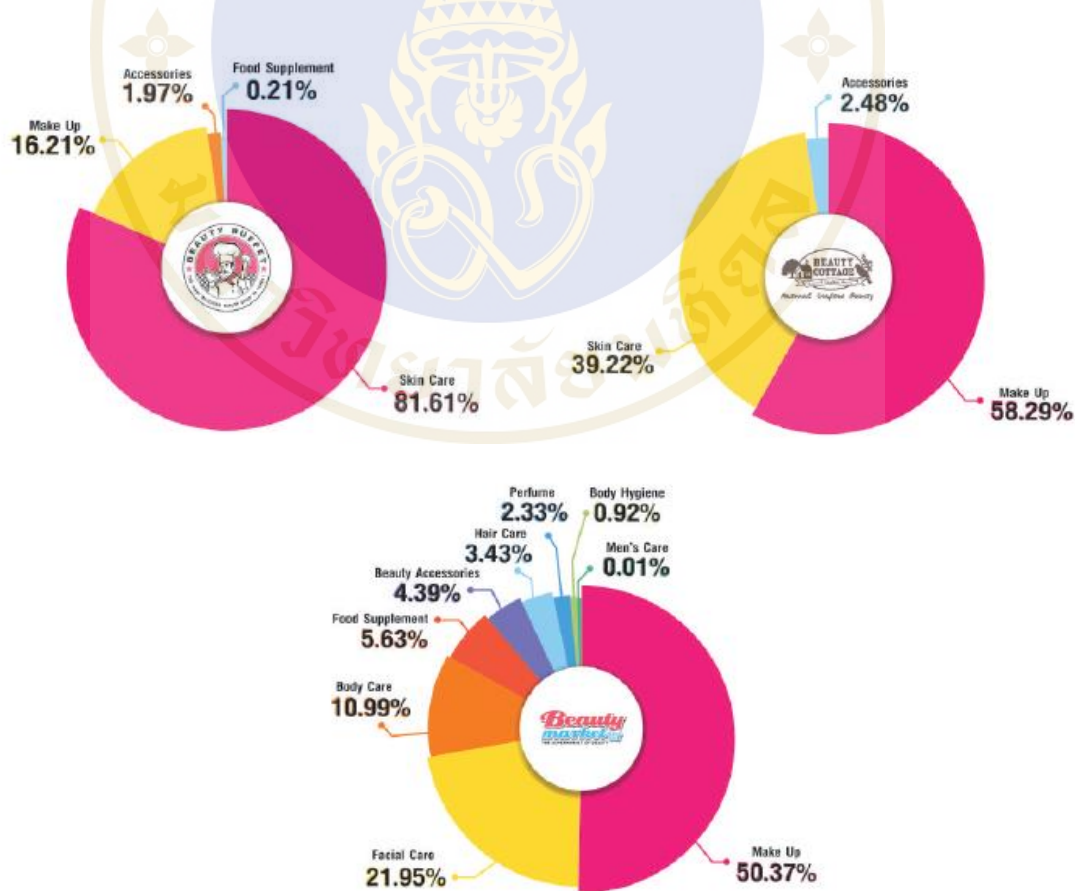


### Appendix B: Sales by Channel 2017



Source: Beauty Community Annual Report, December 2017

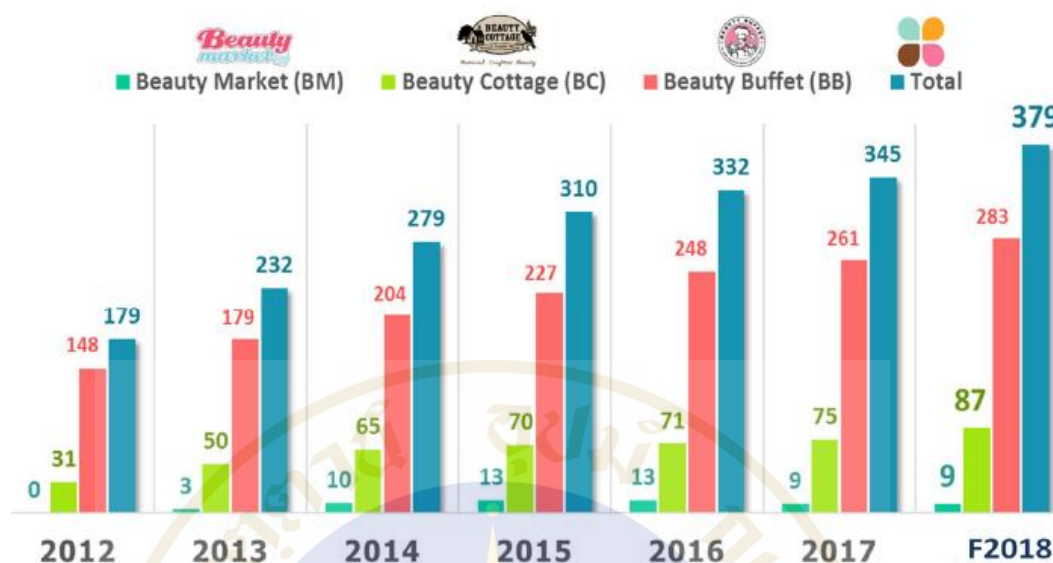
### Appendix C: Sales by Category 2017



Source: Beauty Community Annual Report, December 2017



## Appendix D: Retail Store Expansion



Source: Beauty Community Presentation, May 2018

## Appendix E: Broad of Directors

The Board of Directors of the Company constitutes 8 directors as follows.

1. Lt. Gen. Padet	Charuchinda	Independent Director and Chairman of the Board
2. ASSOC.PROF.DR.Vichit	U-on	Independent Director and Chairman of Audit Committee
3. Col.Attapon	Srisangwam	Independent Director and Audit Committee
4. Mr. Viboon	Pojanalai	Independent Director and Audit Committee
5. Dr. Suwin	Kraibhubes	Director
6. Mrs. Tanyapon	Kraibhubes	Director
7. Ms. Monsoothatip	Malaukaranun	Director
8. Dr. Peerapong	Kittiveshpokawat	Director

Mrs. Daranee Pathetang has acted as Company Secretary.

Source: Beauty Community Annual report, December 2017

## Appendix F: Executive Board

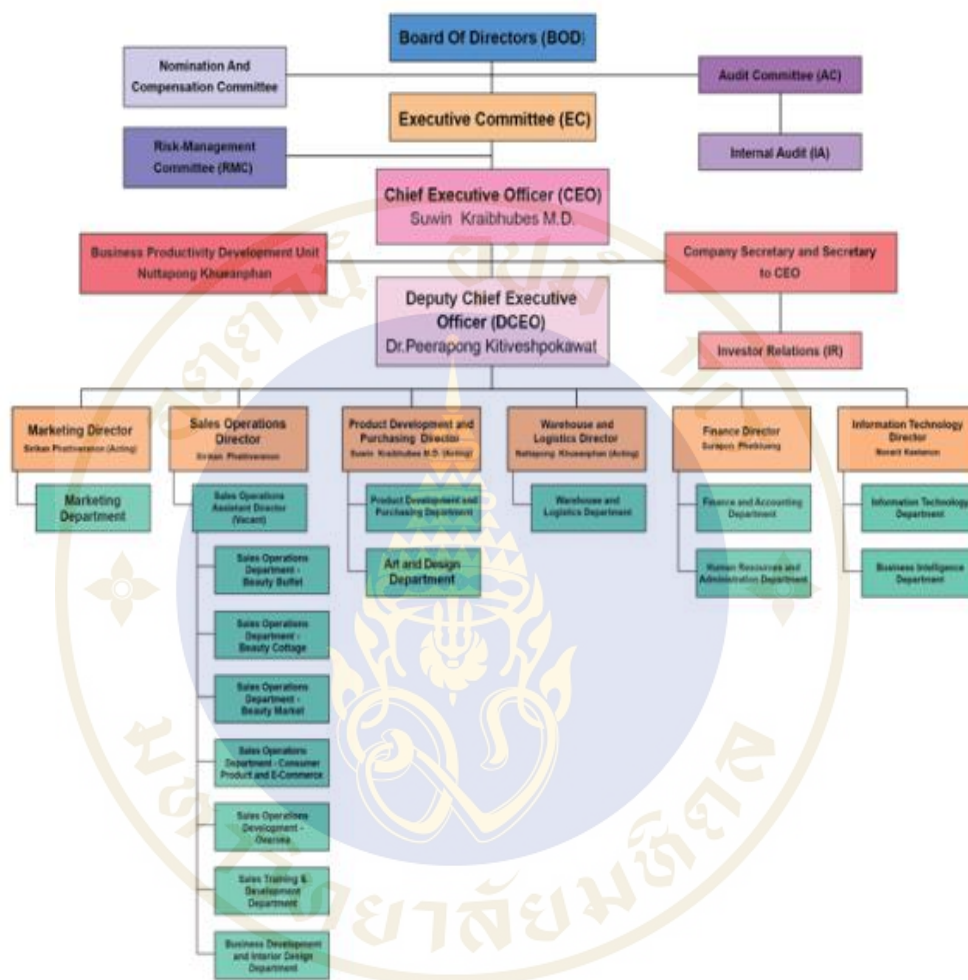
The Company's Executive Board constitutes 6 persons as follows.

1. Dr. Suwin	Kraibhubes	Chief Executive Officer
2. Dr. Peerapong	Kittiveshpokawat	Deputy Chief Executive Officer
3. Mr. Surapon	Phetklung	Executive Director
4. Ms. Sirikan	Phattiveranon	Executive Director
5. Mr. Nattapong	Khueanphan	Executive Director
6. Mr. Norarit	Keetanon	Executive Director

Source: Beauty Community Annual report, December 2017

## Appendix G: Organization Chart

### BEAUTY COMMUNITY PUBLIC COMPANY LIMITED Organization Chart



Source: Beauty Community Website

## Appendix H: Financial Statement

### ● Beauty Community's income statement

BEAUTY	HISTORICAL					
	Income statement (Baht)	2013	2014	2015	2016	2017
Revenue						
Revenues from sales	976,246,542.32	1,359,449,200.19	1,773,023,245.33	2,539,450,016.66	3,713,397,590.60	
other income	26,415,898.53	25,818,858.60	19,007,907.95	19,391,174.44	21,969,077.50	
<b>Total revenue</b>	<b><u>1,002,662,440.85</u></b>	<b><u>1,385,268,058.79</u></b>	<b><u>1,792,031,153.28</u></b>	<b><u>2,558,841,191.10</u></b>	<b><u>3,735,366,668.10</u></b>	
Expenses						
Cost of sales	-	-	-	-	-	
Selling expenses	287,874,459.53	444,577,786.82	586,424,608.59	833,112,768.47	1,197,955,397.65	
Administrative expenses	-	-	-	-	-	
	348,199,471.56	439,527,930.79	543,558,886.26	674,477,634.39	723,899,352.16	
	-	-	-	-	-	
	101,732,336.62	124,370,395.90	159,230,081.68	230,068,991.30	280,085,833.09	
<b>Total Expenses</b>	<b><u>737,806,267.71</u></b>	<b><u>1,008,476,113.51</u></b>	<b><u>1,289,213,576.53</u></b>	<b><u>1,737,659,394.16</u></b>	<b><u>2,201,940,582.90</u></b>	
<b>Profit before finance cost and interest expenses</b>	<b>264,856,173.14</b>	<b>376,791,945.28</b>	<b>502,817,576.75</b>	<b>821,181,796.94</b>	<b>1,533,426,085.20</b>	
Finance cost	-	-	-	-	-	
<b>Profit before income tax expenses</b>	<b><u>264,648,775.25</u></b>	<b><u>376,791,945.28</u></b>	<b><u>502,817,576.75</u></b>	<b><u>821,181,796.94</u></b>	<b><u>1,533,426,085.20</u></b>	
Income tax expenses	-	-	-	-	-	
	53,239,573.33	75,632,456.15	100,324,400.43	165,175,344.75	304,107,922.70	
<b>Profit for the year</b>	<b><u>211,409,201.92</u></b>	<b><u>301,159,489.13</u></b>	<b><u>402,493,176.32</u></b>	<b><u>656,006,452.19</u></b>	<b><u>1,229,318,162.50</u></b>	

Source: Financial Statement

### ● Beauty Community's income statement projection

BEAUTY	FORECAST					
	Income statement (Baht)	2018F	2019F	2020F	2021F	2022F
Revenues						
Revenues from sales	3,991,146,085.57	4,382,122,274.34	4,906,096,043.21	5,594,284,146.28	6,492,385,035.45	
other income	22,409,400.00	22,857,588.00	23,314,739.76	23,781,034.56	24,256,655.25	
<b>Total revenue</b>	<b><u>4,013,555,485.57</u></b>	<b><u>4,404,979,862.34</u></b>	<b><u>4,929,410,782.97</u></b>	<b><u>5,618,065,180.83</u></b>	<b><u>6,516,641,690.70</u></b>	
Expenses						
Cost of sales	-	-	-	-	-	
Selling expenses	1,305,663,775.46	1,433,567,749.85	1,604,980,560.77	1,830,114,459.05	2,123,919,239.07	
Administrative expenses	-	-	-	-	-	
	1,020,555,018.11	1,120,529,487.31	1,254,512,069.69	1,430,485,037.58	1,660,133,702.29	
	-	-	-	-	-	
	342,263,733.98	375,643,207.43	420,365,072.06	479,091,412.46	555,719,268.39	
<b>Total Expenses</b>	<b><u>2,668,482,527.55</u></b>	<b><u>2,929,740,444.60</u></b>	<b><u>3,279,857,702.51</u></b>	<b><u>3,739,690,909.10</u></b>	<b><u>4,339,772,209.76</u></b>	
<b>Profit before finance cost and interest expenses</b>	<b>1,345,072,958.02</b>	<b>1,475,239,417.74</b>	<b>1,649,553,080.45</b>	<b>1,878,374,271.74</b>	<b>2,176,869,480.94</b>	
Finance cost	-	-	-	-	-	
<b>Profit before income tax expenses</b>	<b><u>1,345,072,958.02</u></b>	<b><u>1,475,239,417.74</u></b>	<b><u>1,649,553,080.45</u></b>	<b><u>1,878,374,271.74</u></b>	<b><u>2,176,869,480.94</u></b>	
Income tax expenses	-	-	-	-	-	
	268,560,478.66	294,549,824.83	329,353,706.97	375,040,692.42	434,638,958.66	
<b>Profit for the year</b>	<b><u>1,076,512,479.36</u></b>	<b><u>1,180,689,592.91</u></b>	<b><u>1,320,199,373.48</u></b>	<b><u>1,503,333,579.32</u></b>	<b><u>1,742,230,522.28</u></b>	

Source: Financial Statement, Own Estimation

• Beauty Community's balance sheet

BEAUTY	HISTORICAL				
Balance Sheet (Baht)	2013	2014	2015	2016	2017
<b>Current assets</b>					
Cash and cash equivalents	192,136,883.93	174,562,208.49	119,014,136.48	216,869,708.41	505,856,612.84
Temporary investment	500,000,000.00	390,000,000.00	620,000,000.00	680,000,000.00	800,000,000.00
Trade and other current receivable	25,844,476.05	22,261,808.82	40,926,531.69	41,768,525.58	145,650,461.68
Inventories	175,773,668.59	288,487,960.00	290,105,336.84	373,892,191.11	409,735,398.05
<b>Total current assets</b>	<b>893,755,028.57</b>	<b>875,311,977.31</b>	<b>1,070,046,005.01</b>	<b>1,312,530,425.10</b>	<b>1,861,242,472.57</b>
<b>Non-current asset</b>					
Deposits at financial institutions with obligations	-	-	10,000,000.00	10,000,000.00	-
Other long term investment	-	100,000,000.00	-	-	50,000,000.00
Property, plant and equipment	157,013,575.08	198,433,365.81	292,526,796.72	303,795,350.35	288,565,795.71
Leasehold rights	11,100,410.71	10,600,580.19	8,697,380.26	7,323,308.15	6,113,950.07
Other intangible asset	10,763,824.62	20,075,443.83	14,775,170.69	15,971,843.37	20,960,259.37
Deferred tax asset	409,123.99	3,544,023.96	8,219,866.57	9,211,493.90	10,723,227.55
Other non-current asset	65,015,928.68	78,985,657.59	88,651,604.50	91,714,308.98	97,888,635.34
<b>Total non-current assets</b>	<b>244,302,863.08</b>	<b>411,639,071.38</b>	<b>422,870,818.74</b>	<b>438,016,304.75</b>	<b>474,251,868.04</b>
<b>Total assets</b>	<b>1,138,057,891.65</b>	<b>1,286,951,048.69</b>	<b>1,492,916,823.75</b>	<b>1,750,546,729.85</b>	<b>2,335,494,340.61</b>
<b>Current liabilities</b>					
Trade and other current payables	105,207,450.98	142,691,458.38	272,956,981.37	315,706,356.16	433,917,361.07
Accrued income tax	25,483,262.52	47,690,446.81	61,595,543.56	97,775,103.17	177,839,471.27
<b>Total current liabilities</b>	<b>130,690,713.50</b>	<b>190,381,905.19</b>	<b>334,552,524.93</b>	<b>413,481,459.33</b>	<b>611,756,832.34</b>
<b>Non-current liabilities</b>					
Employee benefit obligations	1,599,437.00	5,724,011.00	6,899,868.00	7,775,216.03	9,332,873.99
Provision	-	-	-	5,103,350.00	5,103,350.00
Other non-current liabilities	2,546,550.00	3,336,670.00	3,462,792.00	3,899,050.00	4,136,572.13
<b>Total non-current liabilities</b>	<b>4,145,987.00</b>	<b>9,060,681.00</b>	<b>10,362,660.00</b>	<b>16,777,616.03</b>	<b>18,572,796.12</b>
<b>Total liabilities</b>	<b>134,836,700.50</b>	<b>199,442,586.19</b>	<b>344,915,184.93</b>	<b>430,259,075.36</b>	<b>630,329,628.46</b>
<b>Shareholder's equities</b>					
Authorized share capital	300,000,000.00	300,000,000.00	300,000,000.00	302,261,000.00	302,261,000.00
Issued and paid up share capital	300,000,000.00	300,000,000.00	300,000,000.00	300,000,000.00	300,273,458.50
Premium on share	556,439,628.87	556,439,628.87	556,439,628.87	556,439,628.87	570,726,071.12
Equity-settled share-based payment	-	-	-	4,768,867.48	10,311,302.69
<b>Retain earning</b>					
Appropriate-legal reserve	27,858,528.96	30,000,000.00	30,000,000.00	30,000,000.00	30,226,100.00
Unappropriated	118,923,033.32	201,068,833.63	261,562,009.95	429,079,158.14	793,627,779.84
<b>Total shareholder's equities</b>	<b>1,003,221,191.15</b>	<b>1,087,508,462.50</b>	<b>1,148,001,638.82</b>	<b>1,320,287,654.49</b>	<b>1,705,164,712.15</b>
<b>Total liabilities and shareholder's equities</b>	<b>1,138,057,891.65</b>	<b>1,286,951,048.69</b>	<b>1,492,916,823.75</b>	<b>1,750,546,729.85</b>	<b>2,335,494,340.61</b>

Source: Financial Statement

• Beauty Community's balance sheet projection

BEAUTY	FORECAST				
Balance Sheet (Baht)	2018F	2019F	2020F	2021F	2022F
<b>Current asset</b>					
Cash and cash equivalent	650,059,212.43	850,008,377.33	1,044,664,795.95	1,218,372,787.62	1,250,290,801.67
Temporary investment	920,000,000.00	1,058,000,000.00	1,269,600,000.00	1,587,000,000.00	2,063,100,000.00
Trade and other current receivable	104,772,553.54	115,036,165.25	128,791,129.00	146,856,923.47	170,433,189.91
Inventories	560,350,439.92	615,242,862.97	688,807,930.64	785,428,424.62	911,520,333.44
<b>Total current assets</b>	<b><u>2,235,182,205.89</u></b>	<b><u>2,638,287,405.55</u></b>	<b><u>3,131,863,855.59</u></b>	<b><u>3,737,658,135.70</u></b>	<b><u>4,395,344,325.02</u></b>
<b>Non-current assets</b>					
Deposits at financial institutions with obligations	-	-	-	-	-
Other long term investment	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00	50,000,000.00
Property, plant and equipment	482,033,747.37	529,254,198.18	592,537,534.32	675,653,983.35	784,122,811.06
Leasehold rights	12,522,439.81	14,560,291.55	17,080,240.58	20,197,757.72	23,664,827.24
Other intangible asset	27,763,503.99	32,281,625.52	37,868,605.06	44,780,452.96	52,467,293.53
Deferred tax asset	15,232,154.96	17,710,974.90	20,776,212.57	24,568,325.35	28,785,629.72
Other non-current asset	152,413,578.90	177,216,754.80	207,887,650.89	245,831,689.79	288,030,213.55
<b>Total non-current assets</b>	<b><u>739,965,425.03</u></b>	<b><u>821,023,844.96</u></b>	<b><u>926,150,243.42</u></b>	<b><u>1,061,032,209.17</u></b>	<b><u>1,227,070,775.10</u></b>
<b>Total assets</b>	<b><u>2,975,147,630.92</u></b>	<b><u>3,459,311,250.51</u></b>	<b><u>4,058,014,099.01</u></b>	<b><u>4,798,690,344.87</u></b>	<b><u>5,622,415,100.12</u></b>
<b>Current liabilities</b>					
Trade and other current payables	525,664,052.89	577,158,566.89	646,169,865.66	736,809,431.25	855,096,094.58
Accrued income tax	160,306,851.18	175,820,192.04	196,595,031.22	223,866,120.45	259,441,013.83
<b>Total current liabilities</b>	<b><u>685,970,904.07</u></b>	<b><u>752,978,758.93</u></b>	<b><u>842,764,896.88</u></b>	<b><u>960,675,551.70</u></b>	<b><u>1,114,537,108.41</u></b>
<b>Non-current liabilities</b>					
Employee benefit obligations	12,951,245.57	15,058,879.44	17,665,119.06	20,889,389.29	24,475,181.63
Provision	5,103,350.00	5,103,350.00	5,103,350.00	5,103,350.00	5,103,350.00
Other non-current liabilities	6,265,650.83	7,285,297.77	8,546,163.94	10,106,025.61	11,840,787.15
<b>Total non-current liabilities</b>	<b><u>24,320,246.40</u></b>	<b><u>27,447,527.22</u></b>	<b><u>31,314,633.00</u></b>	<b><u>36,098,764.90</u></b>	<b><u>41,419,318.78</u></b>
<b>Total liabilities</b>	<b><u>710,291,150.47</u></b>	<b><u>780,426,286.15</u></b>	<b><u>874,079,529.88</u></b>	<b><u>996,774,316.60</u></b>	<b><u>1,155,956,427.20</u></b>
<b>Shareholder's equities</b>					
Authorized share capital	302,261,000.00	302,261,000.00	302,261,000.00	302,261,000.00	302,261,000.00
Issued and paid up share capital	300,621,495.50	300,621,495.50	300,621,495.50	300,621,495.50	300,621,495.50
Premium on share	588,958,813.50	588,958,813.50	588,958,813.50	588,958,813.50	588,958,813.50
Equity-settled share-based payment	13,166,051.93	13,166,051.93	13,166,051.93	13,166,051.93	13,166,051.93
<b>Retain earning</b>					
Appropriate-legal reserve	30,226,100.00	30,226,100.00	30,226,100.00	30,226,100.00	30,226,100.00
Unappropriated	1,331,884,019.52	1,745,912,503.43	2,250,962,108.20	2,868,943,567.34	3,533,486,211.99
<b>Total shareholder's equities</b>	<b><u>2,264,856,480.45</u></b>	<b><u>2,678,884,964.36</u></b>	<b><u>3,183,934,569.13</u></b>	<b><u>3,801,916,028.27</u></b>	<b><u>4,466,458,672.92</u></b>
<b>Total liabilities and shareholder's equities</b>	<b><u>2,975,147,630.91</u></b>	<b><u>3,459,311,250.51</u></b>	<b><u>4,058,014,099.01</u></b>	<b><u>4,798,690,344.87</u></b>	<b><u>5,622,415,100.12</u></b>

Source: Financial Statement, Own Estimation



• Beauty Community's statement cash flow

BEAUTY	2017	2016	2015	2014	2013	2012
Items	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
<b>Cash flow from operating activities</b>						
Profit (loss) before financial cost and/or income tax expenses	1,533,426.09	821,181.80	502,817.58	376,792.00	264,856.00	218,513.33
Depreciation and amortisation	60,606.99	59,403.90	48,695.90	43,983.00	32,161.00	22,667.57
Depreciation	-	-	-	42,117.00	31,535.00	-
Amortisation	-	-	-	1,866.00	626	-
Bad debt and doubtful accounts (reversal)	468.13	106.6	-	-	246	-
Loss on obsolescence (reversal)	-	-	-	-	-49	-
Loss on diminution in value of inventories (Reversal)	4,626.91	312.15	1,552.19	171	-	-3,489.46
Impairment loss of other assets (reversal)	-	-	4,925.13	-	-	-
(Gain) loss on disposal of fixed assets (Reversal)	-	-	-	-641	-205	-
(Gain) loss on disposal of other assets	34.26	-25.35	-23.15	-	-	-105
Loss on write-off fixed assets	-	-	-	1,225.00	1,497.00	-
Loss on write-off intangible assets	-	419.34	-	-	-	-
Loss on write-off other assets	9,101.06	5,881.70	3,104.62	-	-	404.75
Finance costs	-	-	-	-	-	456.5
Other reconciliation items	2,584.69	627.87	-5,140.84	-3,233.00	318	294.25
<b>Cash flows from used in) operations before changes in operating assets and liabilities</b>	<b>1,610,848.13</b>	<b>887,908.01</b>	<b>555,931.43</b>	<b>418,297.00</b>	<b>298,824.00</b>	<b>238,741.94</b>
<b>(Increase) decrease in operating assets</b>	<b>-155,735.50</b>	<b>-90,998.99</b>	<b>-31,036.18</b>	<b>-123,273.00</b>	<b>-82,565.00</b>	<b>-42,242.25</b>
(Increase) decrease in trade account and other receivables -other parties	-104,350.07	-948.59	-18,200.66	3,819.00	-14,023.00	-4,765.66
(Increase) decrease in trade account and other receivables -related parties	-	-	-	-236	-304	-
(Increase) decrease in inventories	-45,211.10	-86,987.70	-3,169.57	-112,886.00	-52,151.00	-27,438.63
(Increase) decrease in other non-current asset	-6,174.33	-3,062.70	-9,665.95	-13,970.00	-16,087.00	-10,037.96
<b>(Increase) decrease in operating liabilities</b>	<b>106,971.66</b>	<b>36,331.83</b>	<b>124,524.26</b>	<b>27,385.00</b>	<b>16,858.00</b>	<b>-7,790.09</b>
(Increase) decrease in trade account and other payables-other parties	106,734.14	35,895.57	124,398.14	26,517.00	16,581.00	-8,386.44
(Increase) decrease in trade account and other payables-related parties	-	-	-	78	-57	-
(Increase) decrease in other non-current liabilities	237.52	436.26	126.12	790	334	596.35
<b>Cash generate from operation</b>	<b>1,562,084.29</b>	<b>833,240.85</b>	<b>649,419.51</b>	<b>322,409.00</b>	<b>233,117.00</b>	<b>188,709.60</b>
Interest paid	-	-	-	-	-207	-456.5
Income tax paid	-225,555.29	-130,115.09	-91,095.15	-54,842.00	-40,756.00	-82,184.14
<b>Net cash provided by (used in) operation activities</b>	<b>1,336,529.00</b>	<b>703,125.76</b>	<b>558,324.36</b>	<b>267,567.00</b>	<b>192,154.00</b>	<b>106,068.96</b>

Source: Financial Statement



• Beauty Community's statement cash flow (cont.)

BEAUTY	2017	2016	2015	2014	2013	2012
Items	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht	'000 Baht
<b>Cash flow from investing activities</b>						
(Increase) decrease in short term investment	-120,000.00	-60,000.00	-240,000.00	110,000.00	-40,000.00	-460,000.00
(Increase) decrease in long term investment	-50,000.00	-	100,000.00	-100,000.00	-	-
<b>(Increase) decrease in plant, property, equipment</b>	-32,425.40	-53,390.84	-130,515.79	-72,630.00	-46,644.00	-35,279.78
proceeds from disposal of property, plant, equipment	89.67	84.38	40.57	1,616.00	1,272.00	105
purchases of plant, property, equipment	-32,515.07	-53,475.21	-130,556.36	-74,246.00	-47,916.00	-35,384.78
<b>(Increase) decrease in intangible assets</b>	-4,344.40	-2,909.15	-1,356.65	-11,145.00	-9,541.00	-1,001.24
(Increase) decrease in restricted deposits at financial institutions	10,000.00	-	-	-	-	-
Other items	-	-	-	-1,367.00	-300	-
<b>Net cash provided by (used in) investing activities</b>	<b>-196,769.80</b>	<b>-116,299.99</b>	<b>-271,872.44</b>	<b>-75,142.00</b>	<b>-96,485.00</b>	<b>-496,281.02</b>
<b>Cash flow from financing activities</b>						
(Increase) decrease in long-term borrowings from financial institutions	-	-	-	-	-5,971.00	-1,131.86
(Increase) decrease in other loans from related parties	-	-	-	-	-	-954.07
(Increase) decrease in finance lease contract liabilities	-	-	-	-	-825	-363.96
Proceeds from issuance of share capital	13,672.93	-	-	-	-	822,500.00
Dividend paid	-864,445.23	-488,970.17	-342,000.00	-210,000.00	-195,000.00	-215,750.00
Other items	-	-	-	-	-	-21,060.37
<b>Net cash provided by (used in) financing activities</b>	<b>-850,772.30</b>	<b>-488,970.17</b>	<b>-342,000.00</b>	<b>-210,000.00</b>	<b>-201,796.00</b>	<b>583,239.74</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>288,986.90</b>	<b>97,855.60</b>	<b>-55,548.08</b>	<b>-17,575.00</b>	<b>-106,127.00</b>	<b>193,027.68</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING BALANCE</b>	<b>216,869.71</b>	<b>119,014.14</b>	<b>174,562.21</b>	<b>192,137.00</b>	<b>298,264.00</b>	<b>105,236.51</b>
<b>CASH AND CASH EQUIVALENTS, ENDING BALANCE</b>	<b>505,856.61</b>	<b>216,869.74</b>	<b>119,014.13</b>	<b>174,562.00</b>	<b>192,137.00</b>	<b>298,264.19</b>

Source: Financial Statement

## Appendix I: Depreciation and Amortization Statement

### • Beauty Community's historical depreciation and amortization

BEAUTY	HISTORICAL				
ITEM (Baht)	2013	2014	2015	2016	2017
<b>Depreciation and Amortization</b>	<b>32,160,800.03</b>	<b>43,982,730.65</b>	<b>48,695,904.52</b>	<b>59,403,901.04</b>	<b>60,606,994.48</b>
- PPE	157,013,575.08	198,433,365.81	292,526,796.72	303,795,350.35	288,565,795.71
- Other intangible assets	10,763,824.62	20,075,443.83	14,775,170.69	15,971,843.37	20,960,259.37
- Lease hold right	11,100,410.71	10,600,580.19	8,697,380.26	7,323,308.15	6,113,950.07

Source: Financial Statement

### • Beauty Community's depreciation and amortization projection

BEAUTY	FORECAST				
ITEM (Baht)	2018F	2019F	2020F	2021F	2022F
<b>Depreciation and Amortization</b>	<b>91,880,796.53</b>	<b>101,340,559.90</b>	<b>113,898,758.44</b>	<b>130,283,956.50</b>	<b>151,326,686.88</b>
- PPE	482,033,747.37	529,254,198.18	592,537,534.32	675,653,983.35	784,122,811.06
- Other intangible assets	27,763,503.99	32,281,625.52	37,868,605.06	44,780,452.96	52,467,293.53
- Lease hold right	12,522,439.81	14,560,291.55	17,080,240.58	20,197,757.72	23,664,827.24

Source: Financial Statement

## Appendix J: Retail Store Assumption

Retail Store Expansion											
Channel	2012	2013	2014	2015	2016	2017	2018	2019F	2020F	2021F	2022F
Beauty Buffet	148	179	204	227	248	261	265	282	299	317	334
Beauty Cottage	31	50	65	70	71	75	76	81	86	92	97
Beauty Market	0	3	10	13	13	9	8	9	10	11	12
<b>Total</b>	<b>179</b>	<b>232</b>	<b>279</b>	<b>310</b>	<b>332</b>	<b>345</b>	<b>349</b>	<b>372</b>	<b>396</b>	<b>419</b>	<b>443</b>

Source: Beauty Community's Annual Report, Own Estimation

## Appendix K: Revenue per Retail Store

REVENUE (million) per Retail Store										
	2013	2014	2015	2016	2017	2018F	2019F	2020F	2021F	2022F
<b>Retail Store</b>										
Beauty Buffet	4.30	5.30	5.92	7.14	8.02	8.35	8.54	9.01	9.78	10.90
Beauty Cottage	2.80	2.41	2.89	3.36	5.25	5.47	5.58	5.88	6.38	7.10
Beauty Market	4.44	5.65	5.06	5.00	7.15	8.00	7.91	7.87	7.87	7.91

Source: Beauty Community's Annual Report, Own Estimation

## Appendix L: Total Revenue for Retail Store

REVENUE (million)	2012	2013	2014	2015	2016	2017	2018F	2019F	2020F	2021F	2022F
<b>Retail Store</b>											
Beauty Buffet		770.50	1,080.72	1,343.86	1,771.68	2,092.81	2,213.49	2,409.09	2,697.42	3,097.46	3,638.04
Beauty Cottage		140.21	156.83	202.60	238.88	393.57	415.87	453.35	508.31	584.39	687.10
Beauty Market		13.32	56.51	65.77	64.94	64.38	64.02	71.22	78.74	86.62	94.89
<b>Total sales from retail store</b>		<b>924.03</b>	<b>1,294.06</b>	<b>1,612.23</b>	<b>2,075.50</b>	<b>2,550.76</b>	<b>2,693.38</b>	<b>2,933.66</b>	<b>3,284.48</b>	<b>3,768.47</b>	<b>4,420.03</b>

Source: Beauty Community's Annual Report, Own Estimation

## Appendix M: Total Other Sales

TOTAL OTHER SALES (million)	2013	2014	2015	2016	2017	2018F	2019F	2020F	2021F	2022F
<b>Others</b>										
Franchises	23.90	22.41	26.04	22.94	24.43	24.92	25.42	25.93	26.44	26.97
Oversea	9.52	10.28	51.17	178.06	514.26	536.12	558.90	582.65	607.42	633.23
Consumer product	13.87	25.16	40.81	182.82	459.71	504.03	552.61	605.89	664.29	728.33
E-commerce	-	-	34.94	74.00	153.95	171.19	190.37	211.69	235.40	261.76
Other sales	4.85	7.54	7.83	6.15	10.29	10.50	10.71	10.92	11.14	11.36
<b>Total other sales</b>	<b>52.14</b>	<b>65.39</b>	<b>160.79</b>	<b>463.97</b>	<b>1,162.64</b>	<b>1,246.75</b>	<b>1,338.00</b>	<b>1,437.07</b>	<b>1,544.69</b>	<b>1,661.66</b>

Source: Beauty Community's Annual Report, Own Estimation

## Appendix N: BEAUTY's Profitability

BEAUTY: Profitability	2013	2014	2015	2016	2017
Gross Profit Margin	70.51%	67.30%	66.93%	67.19%	67.74%
Profit Margin	21.70%	22.17%	22.69%	25.87%	33.04%
Return On Assets	19.09%	24.84%	28.96%	40.45%	60.17%
Return On Equity	21.25%	28.81%	36.01%	53.15%	81.27%

Source: Beauty Community's Annual Report, Own Estimation

## Appendix O: KAMART's Profitability

KAMART : Profitability	2013	2014	2015	2016	2017
Gross Profit Margin	50.31%	40.99%	55.17%	56.02%	55.26%
Profit Margin	21.00%	11.50%	17.82%	18.97%	19.56%
Return On Assets	22.53%	11.80%	22.43%	25.02%	22.86%
Return On Equity	29.05%	15.82%	30.47%	35.52%	34.35%

Source: Karmart's Annual Report, Own Estimation

### Appendix P: BEAUTY's Solvency Risk

BEAUTY: Risk	2013	2014	2015	2016	2017
Quick Ratio (Time)	5.49	3.08	2.33	2.27	2.37
Current Ratio (Time)	6.84	4.60	3.20	3.17	3.04
Debt to Equity ratio (Time)	-	-	-	-	-
Interest Coverage Ratio (Time)	1,279.50	-	-	-	-
Account Receivable Turnover (Time)	51.92	56.52	56.12	61.42	39.63
Inventory Turnover (Time)	1.92	1.92	2.03	2.51	3.06
Account Payable Turnover (Time)	3.88	4.50	2.83	3.12	3.29
Cash Conversion Cycle (Day)	103	116	58	34	18

Source: Beauty Community's Annual Report, Own Estimation

### Appendix Q: KAMART's Solvency Risk

KAMART: Risk	2013	2014	2015	2016	2017
Quick Ratio (Time)	1.19	1.10	1.39	0.76	1.00
Current Ratio (Time)	2.54	2.31	2.43	1.89	2.25
Debt to Equity ratio (Time)	0.46	0.44	0.39	0.55	0.54
Interest Coverage Ratio (Time)	19.70	13.26	24.21	27.24	36.57
Account Receivable Turnover (Time)	4.87	5.73	5.50	5.73	4.87
Inventory Turnover (Time)	1.48	2.29	2.64	2.45	2.18
Account Payable Turnover (Time)	8.09	6.91	9.65	10.56	7.05
Cash Conversion Cycle (Day)	257	170	167	178	190

Source: Karmart's Annual Report, Own Estimation

### Appendix R: BEAUTY's Forecast Financial Ratio

	2018F	2019F	2020F	2021F	2022F
<b>Profitability</b>					
PM	26.81%	26.79%	26.77%	26.75%	26.72%
GPM	67.29%	67.29%	67.29%	67.29%	67.29%
ROA	40.52%	36.68%	35.11%	33.93%	33.42%
ROE	54.23%	47.77%	45.04%	43.04%	42.14%
	2018F	2019F	2020F	2021F	2022F
<b>Liquidity</b>					
Quick Ratio	2.44	2.69	2.90	3.07	3.13
Current Ratio	3.26	3.50	3.72	3.89	3.94

Source: Own Estimation

## Appendix S: Direct Competitor

Brand	Oriental Princess	BEAUTY	Karmarts	Cute Press	Skin Food	Yves Rocher	The Body Shop	Etude House
Distributor	O.P. Natural Products Co.,Ltd.	Beauty Community Pub Co., Ltd.	Karmarts Pub Co Ltd.	SSUP Bangkok 1991 Co., Ltd.	Malachi Co.,Ltd.	Yves Rocher Co., Ltd. (Thailand)	Earth Care Co., Ltd.	Cosmega Co., Ltd.
Established year	1985	2000	1994 <sup>(1)</sup>	1976	2005	1992	1993	2000
Operating years	33 years	18 years	24 years	42 years	13 years	26 years	25 years	18 years
Paid-in capital <sup>(2)</sup>	78	300	396	70	160	12.5	55	1
Total income <sup>(2)</sup>	2,553.32	2,558.84	1,450.02	1,235.33	629.06	579.94	345.18	10.98

Note : (1) Karmarts Public Company Limited established in 1994, but it started the cosmetic distribution business in 2011.

(2) Million-baht unit according to financial statements ended on 31st December 2016

Source: Beauty Community Annual report, December 2017

## Appendix T: Revenue by Channel

Revenue Structure by channel Unit : Million baht

Revenue Structure by channel	2017			2016			2015		
	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales	Amount	% to total revenue	% to sales
Retail shops :									
- Beauty Buffet	2,092.81	56.03%	56.36%	1,771.68	69.24%	69.77%	1,343.86	74.99%	75.79%
- Beauty Cottage	303.57	10.54%	10.60%	238.88	9.34%	9.41%	202.60	11.31%	11.43%
- Beauty Market	64.38	1.72%	1.73%	64.94	2.54%	2.56%	65.77	3.67%	3.71%
Total sales from retail shops	2,550.76	68.29%	68.69%	2,075.49	81.11%	81.73%	1,612.24	89.97%	90.93%
Franchises	24.43	0.65%	0.66%	22.94	0.90%	0.90%	26.04	1.45%	1.47%
Oversea	514.26	13.77%	13.85%	178.06	6.96%	7.01%	51.17	2.86%	2.89%
Ecommerce	459.71	12.31%	12.38%	182.82	7.14%	7.20%	40.81	2.28%	2.30%
Consumer Product	153.95	4.12%	4.15%	74.00	2.89%	2.91%	34.94	1.95%	1.97%
Other Sales	10.29	0.28%	0.28%	6.15	0.24%	0.24%	7.83	0.44%	0.44%
Total sales	3,713.40	99.41%	100.00%	2,539.45	99.24%	100.00%	1,773.02	98.94%	100.00%
Other revenue	21.97	0.59%	0.59%	19.39	0.76%		19.01	1.06%	
Total revenue	3,735.37	100.00%		2,558.84	100.00%		1,792.03	100.00%	

Source: Beauty Community Annual report, December 2017

## Appendix U: Competitive Advantage

### Competitive advantage

LOCAL BRAND	BEAUTY	IMPORTED BRAND
Less product variety- Single Brand	More products and Brand Variety - multibrand, multiconcept	Mostly Single Brand
Middle - high price	Offer best products at reasonable price	Very High Price
Products developed to suit local people skin condition	Products developed to suit local people skin color and condition	Some product base and color are not suitable for local people skin color and condition
Plain and unattractive packaging design	Appealing packaging design	Appealing packaging design
They operate their own factory and have to manage the raw material which tend to go out of style rapidly due to quick change in trend and popularity, could cause a conflict between marketing and manufacturing unit	OEM by Various leading manufacturers, flexible in production with specific expertise and potential to produce high quality product comparable to top Brands	Comparable quality with a higher price
Limited in some location especially rural small town due to price positioning	Targeting Mid-End market , accessing a large customer base. With a potential to expand retail and distribution channels and as a key account client, retail space provider gives us a very first opportunity to choose and secure the best retail space	High end price, high positioning and high target group make it difficult to expand the retail channel to the upcountry
Limited distribution channel – available only at retail shop	Available at various distribution channels	Limited distribution channel – available only at retail shop

Source: Beauty Community Annual report, December 2017

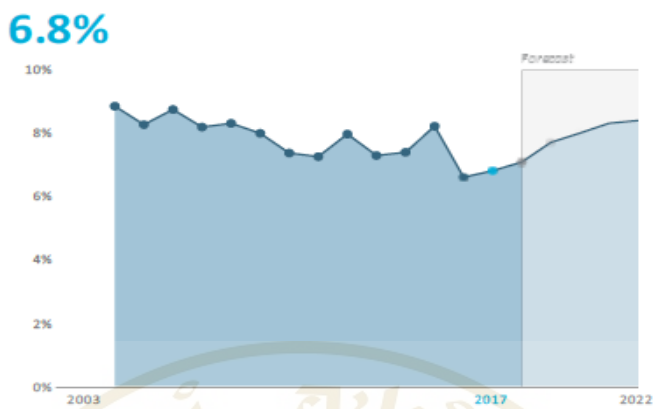
## Appendix V: E-commerce Market in Thailand



Source: Statista



### Appendix W: Beauty and Personal Cares Growth



Source: Euromonitor

### Appendix X: 10 Years Government Bond on December 11, 2018

TTM (Yrs.)	Yield (%)
9.00	2.599215
10.00	2.646338

Source: Thai BMA

### Appendix Y: Thailand Inflation Rate

Thailand: Inflation rate from 2012 to 2022 (compared to 2012)



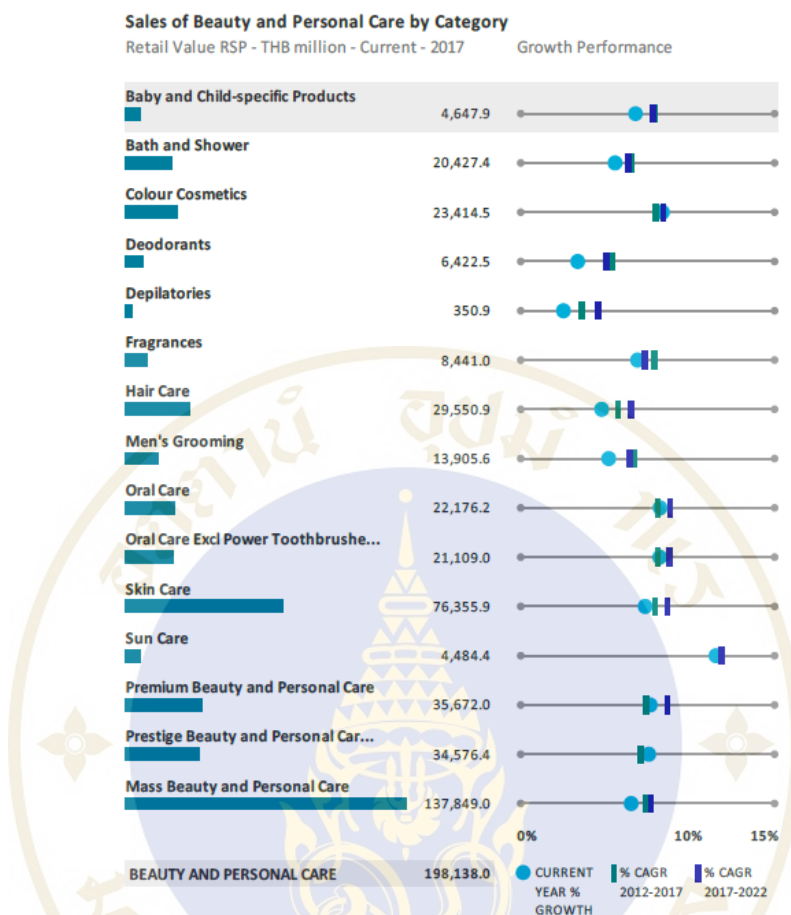
Source: Statista

## Appendix Z: Company Summary

Company Summary										SET	
BEAUTY BEAUTY COMMUNITY PUBLIC COMPANY LIMITED										Data as of 11 Dec 2018	
Services/Commerce											
SET50											
CG Report: ▲▲▲											
Price (B.)	52 Week High/Low	P/E (X)	P/BV (X)	Paid-up (MB.)	Market Cap (MB.)	EV (MB.)	EBITDA (MB.)	EV/EBITDA			
8.75	23.70 / 6.45	20.53	21.27	300.62	26,304.38	26,226.30	1,122.45	15.91			
Accumulated: Turnover Ratio, Value Trade/Day											
Top 10 Major Shareholders(@28 Aug 2018)			Share	%	Statistics			YTD	2017	2016	
								11 Dec 2018	29 Dec 2017	30 Dec 2016	
1.นาย สุวิน ไกรภูเบศ			453,974,000	15.10	Listed share (M.)			3,006.21	3,002.73	3,000.00	
2.บริษัท ไทยเอ็นวีดีอาร์ จำกัด			211,669,876	7.04	Market Cap (MB.)			26,304.38	62,456.88	35,100.00	
3.นาง ธัญญาภรณ์ ไกรภูเบศ			184,098,000	6.12	Price (B./share)			8.75	20.80	11.70	
4.STATE STREET EUROPE LIMITED			114,165,967	3.80	BVPS (B./Share)			0.41	0.43	0.38	
5.กองทุนเปิด กรุงศรีหุ้นระยะยาวปันผล			76,825,900	2.56	P/BV (X)			21.27	48.22	30.77	
6.นาย จิรเดช จงวัฒนาศิลปินกุล			75,000,000	2.49	P/E (X)			20.53	62.53	57.62	
7.SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED			54,763,745	1.82	Turnover Ratio (%)			855.83	220.73	192.09	
8.นาย สงครามต์ ชุมทวีพัฒนา			44,330,000	1.47	Value Trade/Day (MB.)			1,276.91	375.08	210.12	
9.กองทุนเปิด กรุงศรีหุ้นปันผล			39,739,100	1.32	Beta			2.04	1.31	1.02	
10.นาย พรพงษ์ พรประภา			35,900,000	1.19							
Management		Position		Rate of Return		YTD	2017	2016			
1.Lt.Gen. PADET CHARUCHINDA		CHAIRMAN OF THE BOARD OF DIRECTORS / INDEPENDENT DIRECTOR		Price Change (%)		-57.93	77.78	103.48			
2.Mr. SUWIN KRAIBHUBES		CHIEF EXECUTIVE OFFICER / DIRECTOR		Dividend Yield (%)		4.68	1.05	1.14			
3.Mrs. TANYAPON KRAIBHUBES		DIRECTOR		Payout Ratio		0.96	0.65	0.65			
4. Mrs. MONSOOTHATIP MALAUKARANUN		DIRECTOR		Dividend Policy		Not less than 50% of net profit after deduction of corporate income tax and reserves according to the law. However, the Company may pay out dividend at the rate lower than mentioned above (with additional conditions)					
5.Dr. PEERAPONG KITIVESHPOKAWAT		DIRECTOR		Dividend							
6.Col. ATTAPON SRISANGWARN		INDEPENDENT DIRECTOR / AUDIT COMMITTEE		Operation Period		Dividend/Share	Unit	Payment Date	Type		
7.Mr. VIBOON POJANALAI		INDEPENDENT DIRECTOR / AUDIT COMMITTEE		01 Jan 2018 - 30 Jun 2018		0.162 Baht		07 Sep 2018	Cash		
				01 Jan 2017 - 31 Dec 2017		0.258 Baht		18 May 2018	Cash		
				01 Jan 2017 - 30 Jun 2017		0.15 Baht		08 Sep 2017	Cash		
8.Mr. VICHIT U-ON		CHAIRMAN OF THE AUDIT COMMITTEE		01 Jan 2016 - 31 Dec 2016		0.138 Baht		19 May 2017	Cash		
				01 Jan 2016 - 30 Jun 2016		0.08 Baht		09 Sep 2016	Cash		
				01 Jan 2015 - 31 Dec 2015		0.083 Baht		19 May 2016	Cash		

Source: SET

## Appendix AA: Performance Growth of Thailand Beauty and Personal Cares In 2017



Source: Euromonitor

## Appendix AB: Color Cosmetic in Asia Pacific

### REGIONAL OVERVIEW

Market stability projected with routine habituation

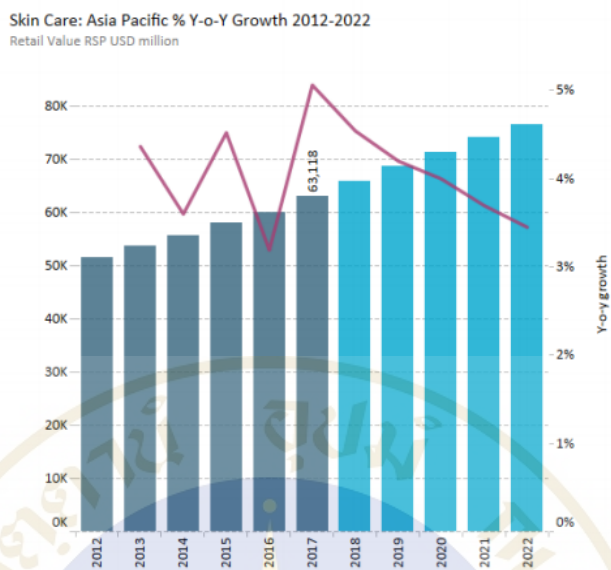
- Since the turn of the 21st century, colour cosmetics in Asia Pacific has had a turbulent ride, improving to a steadier rhythm in recent years.
- The financial crisis of 2008 hit Japan hard, as discretionary items were the first to go, fervently contradicting the existence of the lipstick effect.
- Since then, the region has managed to largely avoid any notable downturns, even in the face of renewed economic uncertainty. A lot can be said for this, in that in the immediate past and long term, colour cosmetics have become cemented as basic staple consumer goods; now just as crucial to morning routines as personal hygiene for many.

Colour Cosmetics: Asia Pacific % Y-o-Y Growth 2001-2020



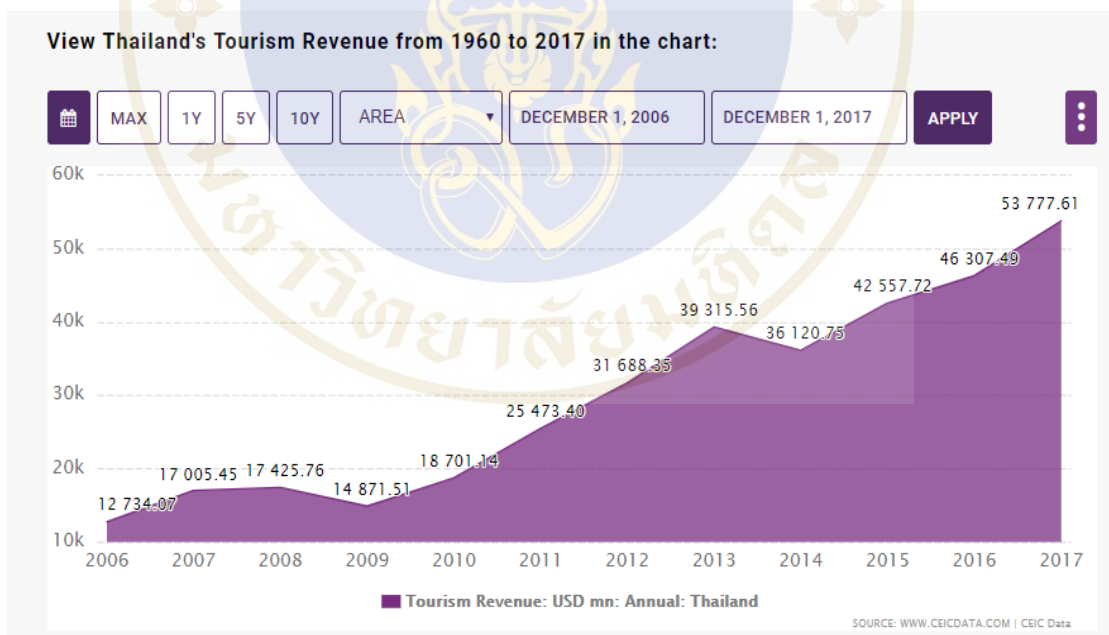
Source: Euromonitor

### Appendix AC: Skincare in Asia Pacific



Source: Euromonitor

### Appendix AD: Thailand Tourism Revenue



Source: CDCDATA