



**บริษัท ซีเ็ดยูเคชั่น จำกัด (มหาชน)**  
**SE-EDUCATION PUBLIC COMPANY LIMITED**

## Management Discussion and Analysis

*As of March 31 ,2008*



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## Management Discussion and Analysis: SE-ED

### 1. OVERVIEW

The overall economic situation in Q1 of 2008 of Thailand has got effects from the higher inflation rate compared to the same period last year, the trend of higher petroleum price in world market, and the continuously increasing price of consumer products including the expectation of continual slow down world economy due to the American sub-prime problem. These effected to the decreasing confident index of consumers and investors, which effected to overall people expenditure.

However the overall retail business was increased in the first two months compared to the same period last year but has begun to slow down after February due to the more tense of politics situation and continuously slow down of overall economy.

The company still believed in the growth of books business, so the company still opened new bookstore branches continuously in the shopping malls and various models of modern trades which were also it the period of rapidly expansion to support the future growth. Therefore the first quarter sales volume grew from the same stoers growth sales and from the sales of new branches opened in last year and beginning of this year including the sales growth of distribution business unit at the satisfy rate

The main operation for Q1 of 2008 were as follow:

- The net profit for the first quarter as of March 31, 2008 was THB 52.99 million or growth 62.08% from the same period of previous year.
- The company's total revenue of the year rose by THB 1,057.66 million or growth 20.69% from the same period of previous year. The sales revenue accounted for THB 1,044.71 million or up 20.37%.
- For the first quarter as of March 31, 2008, the company has opened more 13 new branches. Total bookstores branches now becomes 280 branches and selling point now become 94 selling points.

To approve the interim dividend payment for operating performance of quarter 1/2008 from January 1, 2008 to March 31, 2008. As the company has been continual profitability and high liquidity, the board of directors has agreed to pay dividend at THB 0.10 per share, to the amount of 323,921,130 shares from net profit portion from the financial statement which the equity method calculated by which is not exempt from corporate income tax. The record date will be on May 27, 2008 at 12:00 a.m., and dividend payment date will be on June 6, 2008.

## **2. BUSINESS SUMMARY**

### **Book Store Business**

The company has still expanded bookstore branches continuously to keep the record of being the largest bookstores chain with highest revenue of the country. In the first quarter, 13 branches were opened in Lotus Chiang Kham, Lotus Kamphaeng Saen, Lotus central Pattaya , Lotus Salaya, Khao Yai Market Village, STC central Pattaya, Lotus Ban Chang, Center Square Lopburi, Big C Ayutthaya, Lotus That Phanom, Lotus Ban Phue, Network Lotus Lam Plai Mas and Carrefour Nong Chok Total bookstores branches now becomes 291 branches with 280 branches are still in operation including 9 branches of franchisees and 94 points of sales currently in operation. Besides, the company has renovated the existing branches to be modernized for continuously sales growth and profit drive.

### **Distribution Business**

The company takes the role of Thailand largest books distributor who distributed both the Thai and foreign publishers such as Rak-look Family Group Co.,Ltd, Nation books International Co.,Ltd, WorkPoint Publishing Co.,Ltd and Oxford University Press which the company has been the distributor of English learning text books (ELT) in Thailand this year etc. to SE-ED Book Center and Book Variety, other bookshops and academic institutes. Moreover, the company has still developed distribution system for better efficiency to support for the future growth.

### **Publishing Business**

The company thinks highly of setting books production course to meet the market demand by focusing in printing books for long sales life in a sufficient market size, not concentrated in the titles quantity produced in each year. The company put emphasis on producing reference books, and the books in area need for people and country development. In the end of 2007 the company would begin the project of production English outside reading books which gave both substantial and entertainment to promote more English reading skill for the youths and general people.

Besides, the company has recognized the importance of develop and install communication tools for increasing public relation channel in order to distribute products to target customers more efficiently. This will be the key factor for success of the company own produced goods.

### 3. PERATING RESULTS

#### 3.1 Operating performance for Q1 of 2008 over the same period last year (from the financial statement which the equity method)

Table 1: Operating performance for Q1 of 2008 over the same period last year.

Description	(Unit: Million Baht)			
	Q1 2008	Q1 2007	Change	
			Amount	(%)
Sales	1,044.71	867.89	176.82	20.37
Cost of sales	712.78	594.82	117.96	19.83
Gross Profit	331.93	273.07	58.86	21.55
Other revenue	12.96	8.47	4.49	53.01
Total Revenue	1,057.67	876.36	181.31	20.69
SG&A expenses	263.68	225.32	38.36	17.02
Participating loss in the associated companies	3.12	3.48	(0.36)	(10.34)
Gross Margin (%)	31.77	31.46	0.31	0.99
EBITDA	97.86	74.69	23.17	31.02
Profit from operation accordance with Cash Flow Statement	92.64	87.49	5.15	5.89
NET PROFIT	52.99	32.69	20.30	62.10
EPS (Baht)	0.16	0.10	0.06	60.00

The net profit portion from the financial statement which the equity method as of March 31, 2008 was THB 52.99 million, representing 5.01% of total revenue or THB 0.16 EPS. (For 2007 the company's Q1, the net profit was THB 32.69 million, representing 3.73% of total revenue or THB 0.10 EPS). The profit of this quarter increased from same period last year was THB 20.30 million, or up 62.08% due to the increasing sales volume from the same period last year as there were so many new branches of up to 52 branches of SE-ED Book Center opened in 2007 the maximum statistics of new branches opening per year

**The revenue for first quarter** was THB 1,057.67 million, increased from same period last year was THB 181.31 million or growth 20.69% due to:

- Sales revenue for first quarter rose by THB 1,044.71 million, increase from period last year was THB 176.82 million or up 20.37% even though in the beginning period of 2008 the company has been affected from the uncertainty and disturbance of economy and politics including the risk factor of continuously higher of petroleum price and higher inflation trend. But the main driver of increasing satisfactory revenue was from the new bookstores of up to 52 branches opening in 2007 which was the highest new stores rate since beginning of this business and also from the new 13 branches in this quarter which caused to increase the sales volume from the same period of previous year.

Including the growth of same stores sales due to the increasing sales of newspapers and magazines. The English learning text of Oxford University Press and books which the company has been exclusively been distributor have sales volume much better than the same period last year, so the revenue of SE-ED Book Center and network was increased up to 18.86 %.

Otherwise the company sales from wholesales business unit was 35.51% higher than same period of previous year as the company has been distributor of ELT books of Oxford University Press with 86.98% increased and has been trusted continuously to be distributors for other popular books publishers.

- Other revenue for first quarter of 2008 rose by THB 12.96 million, increase THB 4.49 million or growth 53.01% due to the revenue increased from goods reservation service and other services via front counter of SE-ED Book Center and Book Variety.

### 3.2 Dividend payment policy

The company declared a policy to pay dividend no less than 50% of the net profit after the deduction of corporate income tax which the equity method. The payment will be made in the annual general meeting of the year immediately following the operating year. For three month of 2008, the company have dividend payout ration was 61.13% of the net profit.

Table 2: The dividend payment of 2008, 2007 and 2006 as follow:

<b>Year 2008 operating result</b>					
	Resolutions of the Company's Board meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2008	09/05/2008	06/06/2008	0.10	32.39
<b>Year 2007 operating result</b>					
	Resolutions of the Company's Board/ Shareholder meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2007	10/05/2007	08/06/2007	0.10	32.36
Quarter 2	3/2007	09/08/2007	06/09/2007	0.10	32.37
Quarter 3	5/2007	13/11/2007	11/12/2007	0.10	32.38
Quarter 4	1/2008	29/04/2008	28/05/2008	0.26	84.22
<b>Total</b>				<b>0.56</b>	<b>181.33</b>
<b>Year 2006 operating result</b>					
	Resolutions of the Company's Board/ Shareholder meeting	Meeting date	Dividends payment date	Dividends Per share (Baht)	Dividend Paid Totaling (Million Baht)
Quarter 1	2/2006	10/05/2006	09/06/2006	0.10	31.13
Quarter 2	3/2006	11/08/2006	11/09/2006	0.10	31.16
Quarter 3	4/2006	10/11/2006	08/12/2006	0.10	31.19
Quarter 4	1/2007	25/04/2007	23/05/2007	0.30	97.07
<b>Total</b>				<b>0.60</b>	<b>190.55</b>

#### 4. FINANCIAL POSITION

##### 4.1 Asset Component (from the financial statement which the equity method)

Table 3: Asset Component

Description	March 31, 2008		December 31, 2007		Change	
	Amount	% to	Amount	% to	Amount	%
	<u>Million</u>	<u>Baht</u>	<u>Million</u>	<u>Baht</u>	<u>Million</u>	
	<u>Baht</u>	<u>Total</u>	<u>Baht</u>	<u>Total</u>	<u>Baht</u>	
		<u>Assets</u>	<u>Assets</u>			
Cash and cash equivalent items	371.69	20.49	298.78	17.17	72.91	24.40
Short-term investment-net	208.31	11.49	208.16	11.96	0.15	0.07
Account and note receivable-net	96.48	5.32	92.21	5.30	4.27	4.63
Inventories-net	443.66	24.46	446.50	25.66	(2.84)	(0.64)
Prepaid expenses	22.91	1.26	26.45	1.52	(3.45)	(13.38)
Other current assets	20.74	1.14	20.51	1.18	0.23	1.12
Total Current Assets	1,168.79	64.45	1,092.61	62.78	76.18	6.97
Investment in subsidiary and Associated Companies	82.17	4.53	85.28	4.90	(3.11)	(3.65)
Property, plant and equipment-net	275.37	15.18	271.55	15.60	3.82	1.41
Leasehold on buildings-net	138.59	7.64	141.73	8.14	(3.14)	(2.22)
Other non-current assets	56.54	3.12	55.63	3.20	0.91	1.64
Total Assets	1,813.58	100	1,740.30	100	73.28	4.21

**Total Asset** As of March 31, 2008 the Company had a total asset of THB 1,813.58 million, an increase of THB 73.28 million. Causes of changing of total assets:

- Cash and bank deposit for THB 371.69 million increased of THB 72.91 million from the increasing investment in government bond (age not more than 3 months).
- Trade accounts and notes receivable-net increased THB 4.27 million as there were several main debtors of the wholesales and distribution business unit in Q1 of 2008.
- Inventories-net for THB 443.66 million decreased THB 2.84 million from the foreign books of Oxford University Press text which would have a great sales volume in the beginning of academic opening term.
- Leasehold on buildings-net THB 138.59 decreased THB 3.14 million from the amortized leasehold.



**Total liabilities** As of March 31, 2008 the Company had a total liability of THB 1,091.47 million, an increase of THB 18.29 million. Causes of changing of total liabilities:

- Account payable and note payable THB 881.55 million, was increased THB 22.77 million. Most of them was wholesales creditors of SE-ED Book Center.
- Accrued corporate income tax THB 70.08 million, increased THB 18.93 million due to the increasing of year 2008 profit which lead to the increasing of Accrued corporate income tax for 2008.
- Other current liabilities amount THB 77.47 million, decreased THB 17.63 million mainly cause from accrued expense for bonus which would be paid in March.

**Shareholders' equity** As of March 31, 2008 amount THB 722.11 million, an increase of THB 55 million represent 8.24% due to:

- paid-up share capital increased THB 0.16 million from the exercised of warrant to common share the exercised of ESOP.
- Net profit from operation result Q1 of 2008 amount 52.99 million.
- Unrealized loss-securities available for sale decreased THB 2.10 million from the increasing market price of vayupak fund and SE-ED private fund.

#### 4.2 Cash flow

Table 4: Cash flow for Q1 of 2008 over the same period last year

Description	(Unit: Million Baht)			
	Jan. - Mar. 2008	Jan. - Mar. 2007	Change Amount	Change (%)
Cash flow received (used) from operation activities	96.33	42.04	54.29	129.14
Cash flow received (used) from investing activities	(23.58)	(1.07)	(22.51)	2,103.74
Cash flow received (used) from financing activities	0.16	7.63	(7.47)	(97.90)
Cash flow increase (decrease)	72.91	48.60	24.31	50.02

**Cash Flow Received from operation activities for Q1 of 2008** was THB 96.33 millions as listed below:

1. Cash flow from operation increased in the amount of THB 92.64 millions:
  - The Net profit before corporate income tax Q1 of 2008 in the amount of THB 72.93 millions.
  - Non-monitory expenses in the amount of THB 19.71 millions (Depreciation and Leasehold written-off in the amount of THB 23.86 millions, loss from lost goods as THB 2.72 millions, and loss from investment in Plearn Patt Co.,Ltd as THB 3.12 millions.)
2. Cash flow increased amount THB 22.77 million from account payable and note payable.

3. Cash flow decreased from accrued expenses THB 17.63 million mainly cause from bonus expense for from operation result of 2007 on March.
4. Cash flow decreased from other current liabilities THB 5.99 million from late due cheque.

**Cash Flow Used from Investment Activities for Q1 of 2008** in the amount of THB 23.58 millions as listed below:

1. Cash flow decreased from Loan to associated companies (Plearn Patt Co.,Ltd.) as THB 5 million.
2. Cash flow decreased from Purchase of assets as THB 24.77 millions.

**Cash Flow Used from Financial Activities for Q1 of 2008** as THB 0.16 million due to Cash received from the exercised of warrant to common share the exercised of ESOP.

#### 4.3 Financial Ratios

**Table 5: Financial ratios calculated according to the Office of the Securities and Exchange Commission's formulae**

LIQUIDITY RATIOS		1Q'08	1Q'07
Current Ratio	Time	1.08	1.11
Quick Ratio	Time	0.62	0.73
PROFITABILITY RATIOS		1Q'08	1Q'07
Gross Profit Margin	%	31.77	31.46
Net Profit Margin	%	5.01	3.73
Return on Equity**	%	7.63	4.76
Return on Asset**	%	4.11	3.45
FINANCIAL POLICY RATIO		1Q'08	1Q'07
Total Debt to Equity Ratio	Time	1.51	1.19
Interest Coverage Ratio	Time	1,012.05	391.81
Dividend Payout Ratio**	%	61.13	98.98

\*\*Calculated from net profit of three month period only

Signature.....

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