



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

## **Management Discussion and Analysis**

*As of March 31, 2009*

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## Management Discussion and Analysis: SE-ED

### 1. OVERVIEW

In Q1 of 2009 of the company revenue grew a little bit but to the continuously slow down economy and the chaos from politics protest in the beginning of the year lead to more awareness in consumption of consumers with more save deposit along with the more competitive in retail business caused to the obviously slow down growth.

Due to the negative effect mentioned above, the same store revenue slightly decreased and the revenue from the book distribution business, and the wholesales of books to other bookstores, schools and universities decreased to 6.51% from the same period of last year. This is the result from the decreased of sales volumes of ELT books from Oxford University Press which partly effected from the government policy of “15 year free learning”. However, with the preparation and immunity to cope with such situation, the Company was able to have a steady performance and maintain its growth rate.

As the company has firmly believed in the potential of the book business, it continuously opened new branches of its bookstore both in shopping malls and in various forms of modern trade businesses, of which branches increased in number in order to support the business's future growth as well. Therefore, in Q1 of 2009 sales increased from the effect of opening 52 new bookstore branches in the year 2007 and the 49 new branches in the year 2008.

The main operation for Q1 of 2009 were as follow:

- The Company's total revenue for the first quarter as of March 31, 2009 is worth THB 1,088.44 million or increased from the same period of the previous year by 2.91%. The sales revenue is accounted for THB 1,075.61 million from the total revenue or increased by 2.96%.
- The Company's net profit for the first quarter as of March 31, 2009 is worth THB 50.67 million, which decreased from the same period of the previous year by 4.38%.
- For the first quarter as of March 31, 2009 the Company opened 3 new branches of SE-ED Book Center, which results in, as of March 31, 2009, the total number of 306 operating branches and 37 operating selling units.

To approve the interim dividend payment for operating performance of quarter 1/2009 from January 1, 2009 to March 31, 2009. 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 for the right to receive the interim dividend is scheduled on May 27, 2009 and the closing date of shareholders register book will be May 28, 2009. The payment of interim dividend will be made on June 9, 2009.

## **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, 3 branches were opened in Central Festival Pattaya Beach, HomePro Village Phuket and Lotus Petchaburi Total bookstores branches now becomes 330 branches with 306 branches are still in operation including 7 branches of franchisees and 37 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 play a major role as the largest books distributor in distributing books for both Thai and foreign local publishers such as MIS Publishing Co.,Ltd., Nation International Edutainment Public Company Limited, Provision Co.,Ltd., Education Mind Line Multimedia Co., Ltd., MIS Softtech Co.,Ltd, and Oxford University Press (English Language Teaching Division) for which the company has been exclusive distributor in Thailand since 2007 until now, etc. The books from various publishers are supplied to the branches of SE-ED Book Center and Book Variety, other bookshops in distributing network and educational institutions. Moreover, the company has still develops distribution system to maximize efficiency which supports 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

**Operating performance for Q1 of 2009 over the same period last year (from the financial statement which the equity method)**

*Table 1: Operating performance for Q1 of 2009 over the same period last year.*

	(Unit: Million Baht)			
	Q1		Change	
	<u>2009</u>	<u>2008</u>	<u>Amount</u>	<u>(%)</u>
Revenues from sales	1,075.61	1,044.71	30.90	2.96
Cost of sales	731.54	712.78	18.76	2.63
Gross Margin	344.07	331.93	12.14	3.66
Other income	9.44	8.84	0.60	6.79
Interest and dividend income	3.39	4.11	(0.72)	(17.52)
Total Revenue	1,088.44	1,057.66	30.78	2.91
Selling expenses	104.47	92.10	12.37	13.43
Administrative expenses	169.13	161.82	7.31	4.52
Managements' and directors' remuneration	12.66	14.81	(2.15)	(14.52)
Participating loss from investment in associated companies	1.58	3.12	(1.54)	(49.36)
Gross Margin (%)	31.99	31.77	0.22	0.69
EBITDA	96.56	97.86	(1.30)	(1.33)
Profit from operation accordance with Cash Flow Statement	100.76	95.37	5.39	5.65
NET PROFIT	50.67	52.99	(2.32)	(4.38)
EPS (Baht)	0.16	0.16	-	-

**Total revenue** for the first quarter as of March 31, 2009 is worth THB 1,088.44 million or increased from the same period of the previous year by 2.91%. The sales revenue is accounted for THB 1,075.61 million from the total revenue or increased by 2.96%.

**Net profit** for the first quarter as of March 31, 2009 is worth THB 50.67 million, which decreased from the same period of last year by 4.38%. The main drivers were:

- The sales and administrative expenses increased from the same period of last year by THB 19.68 million or 7.75%, which is higher than the sales growth rate. This is the result from the following:
  - The amount of time for the expansion of SE-ED Book Center to yield satisfactory sales growth. The same-store sales growth that is lower than the increasing expenses, which is the consequence of the economic and political problems stated above.
  - The rental fee, service expenses employees' salaries and transportation fee increased according to the increasing new branches caused to the slightly increasing of sales and administrative expense from last year.

However the company could maintained reasonable profit situation from the gross margin rate slightly increased due to the sales growth of high profit products, which were SE-ED published books in SE-ED Book Center and its network stores.

#### 4. 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 from the financial statement which the equity method. The payment will be made in the annual general meeting of the year immediately following the operating year.

*Table 2: The dividend payment of 2009, 2008 and 2007 as follow:*

<b>Year 2009 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	3/2009	11/05/2009	9/06/2009	0.10	32.39
<b>Total</b>				<b>0.10</b>	<b>32.39</b>
<b>Year 2008 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	2/2008	09/05/2008	06/06/2008	0.10	32.39
Quarter 2	3/2008	08/08/2008	05/09/2008	0.10	32.39
Quarter 3	4/2008	12/11/2008	11/12/2008	0.10	32.39
Quarter 4	1/2009	29/04/2009	28/05/2009	0.29	93.94
<b>Total</b>				<b>0.59</b>	<b>191.11</b>
<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>

## 5. FINANCIAL POSITION

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

Table 3 : Asset Component

(Unit: Million Baht)

Description	March 31, 2009		December 31, 2008		Change	
	Amount	% to	Amount	% to	Amount	%
	<u>Million</u>	<u>Total</u>	<u>Million</u>	<u>Total</u>	<u>Million</u>	
	<u>Baht</u>	<u>Assets</u>	<u>Baht</u>	<u>Assets</u>	<u>Baht</u>	
Cash and cash equivalent items	399.62	21.39	336.68	18.43	62.94	18.69
Short-term investment-net	168.64	9.03	167.93	9.19	0.71	0.42
Trade accounts and notes receivable-net	91.81	4.91	81.12	4.44	10.69	13.18
Loan due from associated company	-	-	11.00	0.60	(11.00)	(100)
Inventories-net	468.81	25.10	498.63	27.30	(29.82)	(5.98)
Prepaid expenses	30.95	1.66	23.71	1.30	7.24	30.54
Other current assets	18.78	1.01	14.43	0.79	4.35	30.15
Total Current Assets	1,178.61	63.09	1,133.49	62.06	45.12	3.98
Investment in subsidiary and Associated Companies	74.01	3.96	75.60	4.14	(1.59)	(2.10)
Property, plant and equipment-net	343.67	18.40	345.22	18.90	(1.55)	(0.45)
Leasehold on buildings-net	126.03	6.75	129.13	7.07	(3.10)	(2.40)
Guarantee for rental and deposit	64.67	3.46	63.68	3.49	0.99	1.55
Total Assets	1,868.03	100	1,826.49	100	41.54	2.27

**Total Asset** As of March 31, 2009 the Company had a total asset of THB 1,868.03 million, an increase of THB 41.54 million. Causes of changing of total assets:

- Cash and cash equivalent items as of March 31, 2009 for THB 399.62 million increased of THB 62.94 million from the increasing investment in government bond (age not more than 3 months).
- Trade accounts and notes receivable-net increased THB 10.69 million due to the increasing of books supplying to debtors of the wholesales and distribution business unit in Q1 of 2009.



- Inventories-net THB 468.81 million decreased THB 29.82 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 126.03 decreased THB 3.10 million from the amortized leasehold.

**Total liabilities** As of March 31, 2009 the Company had a total liability of THB 1,162.94 million, an decrease of THB 9.60 million. Causes of changing of total liabilities:

- Account payable and note payable THB 985.74 million, was increased THB 13.63 million. Most of them was wholesales creditors of SE-ED Book Center.
- Accrued expenses amount THB 72.13 million, decreased THB 25.32 million mainly cause from accrued expense for bonus which would be paid in March.
- Accrued corporate income tax THB 39.54 million, increased THB 17.44 million due to the increasing Q1 of year 2009 profit which lead to the increasing of Accrued corporate income tax.
- Other accounts and notes payable THB 18.09 million, was decreased THB 18.58 million. Most of them was the decreased of accrued cheque payment for rental and service of SE-ED book center

**Shareholders' equity** As of March 31, 2009 amount THB 705.08 million, an increase of THB 51.13 million represent 7.82% due to:

- Net profit from operation result Q1 of 2009 amount 50.67 million.
- Unrealized loss-securities available for sale decreased THB 0.71 million due to the increasing market price of Asset Plus fund.

## 5.2 Cash flow

Table 4: Cash flow for Q1 of 2009 over the same period last year

Description	Jan. - Mar.		(Unit: Million Baht)	
			Change	
	2009	2008	Amount	(%)
Cash flow received (used) from operation activities	70.65	93.29	(22.64)	(24.27)
Cash flow received (used) from investing activities	(5.59)	(18.36)	12.77	69.55
Cash flow received (used) from financing activities	(2.12)	(2.02)	(0.10)	(4.95)
Cash flow increase (decrease)	62.94	72.91	(9.97)	(13.67)

**Cash Flow Received from operation activities for Q1 of 2009** was THB 70.65 million as listed below:

1. Cash flow from operation increased in the amount of THB 100.76 million:
  - The Net profit before corporate income tax Q1 of 2009 in the amount of THB 68.92 million.
  - Non-monitory expenses in the amount of THB 31.84 million (Depreciation and Leasehold written-off in the amount of THB 26.74 million, loss from lost goods as THB 6.47 million, and loss from investment in Plearn Patt Co.,Ltd as THB 1.58 million.)
2. Cash flow decreased amount THB 11.85 million from Trade accounts and notes receivable.
3. Cash flow increased from decreasing of Inventories THB 23.08 million mainly caused from the decreasing of foreign books of Oxford University Press text which have been sold in end of March for reusing in the beginning of academic opening term.
4. Cash flow decreased amount THB 18.58 million from payable and note payable.
5. Cash flow decreased from accrued expenses THB 25.31 million mainly cause from accrued expense for bonus of 2008 which would be paid in March.

**Cash Flow Used from Investment Activities for Q1 of 2009** in the amount of THB 5.59 million as listed below:

1. Cash flow increased from cash received from associated companies (Plearn Patt Co.,Ltd.) as THB 11 million.
2. Cash flow decreased from Purchase of assets as THB 20.05 million.

**Cash Flow Used from Financial Activities for Q1 of 2009** as THB 2.12 million for payment to the creditor for asset.

### 5.3 Financial Ratios

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

<b>LIQUIDITY RATIOS</b>		<b>1Q'09</b>	<b>1Q'08</b>
Current Ratio	Time	1.02	1.08
Quick Ratio	Time	0.57	0.62
<b>PROFITABILITY RATIOS</b>		<b>1Q'09</b>	<b>1Q'08</b>
Gross Profit Margin	%	31.99	31.77
Net Profit Margin	%	4.65	5.01
Return on Equity*	%	26.95	28.54
Return on Asset*	%	13.52	17.64

**FINANCIAL POLICY RATIO**

		<b>1Q'09</b>	<b>1Q'08</b>
Total Debt to Equity Ratio	Time	1.65	1.51
Interest Coverage Ratio	Time	645.25	985.61

\* Calculated from net profit adjusted to full year.

Signature.....

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