



## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report for the nine-month period ended 30 September 2015

#### Overview

In 9M/2015, the Company continues to be affected by economic slowdown continues. Due to a decrease of net purchasing power, and increasing household debt, it resulted in the decline of the Company's sales all over the country, complying with the conditions of retail business in general. Further, due to changes in technology, consumers became to spend less time reading.

To alleviate the situation, the Company has improved the performance of the branches. The Company closed the eight small unprofitable branches in 9M/2015 and 40 branches in 2014. In addition, the Company canceled the rental contract of the old warehouse, which usually raised rental fees every year. To reduce the financial burden in the long run, the Company had the new warehouse constructed. It officially opened in 2014. The Company had to made interest payment on its long term loans for construction of this warehouse. The Company's loss also was caused by Thai Baht weakening. However, the Company was able to gain higher profit because of an increase of trade discount from new books in the Company's distribution business, loss reduction from closing down unprofitable bookstore, and an increase of sales of books to educational institutions; though total net sales of the Company decreased.

In Q3/2015 the Company had opened one new branches of SE-ED Book Center. Total number of the active branches as of September 30, 2015 was 409 branches, included seven counter services.

#### ***SE-ED's profit in 9M/2015 is THB 94.51 million.***

According to consolidated financial statements in 9M/2015, net profit of the Company is THB 94.51 million, increasing THB 28.89 million, which accounted for 44.02%. And according the consolidated financial statements in 9M/2015, the Company had net profit for the major shareholders in the number of THB 87.93 million, increased by THB 26.66 million or 43.51% as follows:

- The Selling and administrative expenses decreased by 8.96% because of improving the performance of branches, resulting in a decrease of rental, service, and facilities costs. By closing the small unprofitable branches, the employee expenses had decreased in accordance with the number of the closed branches.
- Because the Company has successfully improved product proportion, gross margin had increased. It resulted in the turnover rate had improved, especially the foreign books for educational institutes.
- Loss from the decrease of amortization, due to closing down many branches in Q2/2014.
- Adding up more sales channels for selling English textbooks to educational institutes.

**Finance cost is THB 21.71 million.**

In 9M/2015, the interest expenses of the Company according to the consolidated financial statement equal THB 21.71 million, increased from the same period last year by THB 9.76 million or 81.62%. These expenses are the result of the interest paid for long-term loans from financial institutes, which are circulating capitals of the Company. The total amount of the said loans to be paid is as follows:

(Unit : Million Baht)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Obligation to be paid within one year	71.52	20.36	91.88
1-3 years	214.56	38.56	253.12
More than 3 years	136.44	7.15	143.59

**Table 1 : Operation results for the nine-month period ended 30 September 2015 and 2014**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>9M/2015</b>	<b>9M/2014</b>	<b>Increase (decrease)</b>	<b>%</b>
Revenue from sales of goods	3,478.98	3,762.42	(283.44)	-7.53%
Cost of sales	2,274.04	2,495.23	(221.19)	-8.86%
Gross profit	<b>1,204.94</b>	<b>1,267.19</b>	<b>(62.25)</b>	<b>-4.91%</b>
<b>Gross profit margin</b>	<b>34.63%</b>	<b>33.68%</b>		<b>0.95%</b>
<b>EBITDA</b>	<b>239.53</b>	<b>199.74</b>	<b>39.79</b>	<b>19.92%</b>
Equity holders of the Company	87.93	61.27	26.66	43.51%
Net earnings per share (Baht)	0.22	0.16	0.06	37.50%

Note: EBITDA is earnings before Interest and Tax, plus Depreciation & Amortization.

***Higher gross margin ratio 9M/2015***

In 9M/2015, gross profit was THB 1,204.94 million, decreased to the same period last year by THB 62.25 million or 4.91%. However, gross margin in 9M/2015 was 34.63%, increased by 0.95% from the same period last year.

- Gross profit decreased by THB 62.25 million according to the decreased sales of 7.53% from to the same period last year, due to a decrease of 10.35% in retail sales.
- However gross margin in 9M/2015 was 34.63%, increased by 0.95% from to the same period last year, due to an increase of 15.42% in foreign books sales and an increase in book distribution, especially course books for institutions.

***In 9M/2015, cost of sales and services decreased by THB 221.19 million***

Cost of sales and services according to consolidated financial statements is THB 2,274.04 million, decreased by THB 221.19 million or 8.86%, which related to a decrease of 7.53%.

***EBITDA increased by THB 39.79 million or 19.92%***

EBITDA increased by THB 39.79 million since the performance of branches had improved and the small unprofitable branches were closed, selling and administrative expenses to a decrease by THB 108.81 million. And, the sales of the products with increased gross margin. Even though the Company has to repay long-term loans for the construction of the new warehouse.

**Table 2 : Statement of financial position As at 30 September 2015 and 31 December 2014**

(Unit : Million Baht)

**Consolidated financial statement**

	<b>30 September 2015</b>	<b>31 December 2014</b>	<b>Increase (decrease)</b>	<b>%</b>
Current assets	780.19	926.29	(146.10)	-15.77%
Non-current assets	1,803.23	1,875.48	(72.25)	-3.85%
<b>Total assets</b>	<b>2,583.42</b>	<b>2,801.77</b>	<b>(218.35)</b>	<b>-7.79%</b>
Current liability	1,084.47	1,264.13	(179.66)	-14.21%
Non-current liability	488.06	551.74	(63.68)	-11.54%
Total liability	1,572.53	1,815.87	(243.34)	-13.40%
Total shareholder's equity	1,010.89	985.90	24.99	2.53%
<b>Total liability and shareholder's equity</b>	<b>2,583.42</b>	<b>2,801.77</b>	<b>(218.35)</b>	<b>-7.79%</b>

**Current assets  
decreased by THB  
146.10 million or  
15.77%**

Current assets decreased by THB 146.10 million, due to an decrease of THB 146.67 million or 44.97%, because the Company had sold the current investment units of the Fund to pay long-term loans and paying dividend.

**Non-current assets  
decreased by THB  
72.25 million or 3.85%.**

Non-current assets decreased by THB 72.25 million, mainly because the fixed asset decreased by THB 58.22 million from depreciation of the new warehouse. And after the termination of the branch long-term rental contract.

**Current liability  
decreased by THB  
179.66 million or  
14.21%**

Current liability decreased by THB 179.66 million as follows:

- Trade accounts payable and other Payables decreased by THB 128.70 million, which related to a decrease of sales and the settlement that was due.
- Other current liabilities decreased by THB 11.16 million due to reimbursement of the construction insurance of the new warehouse.

**Non-current liability decreased by THB 63.68 million or 11.54%**

Non-current liability decreased by THB 63.68 million as follows:

- Provision for long term loans, net of current portion, decreased by THB 60.04 million. from the repayment to the financial institutions.
- Deferred income decreased by THB 1.83 million.

**Shareholder's equity increased by THB 24.99 million or 2.53%**

Shareholder's equity increased by THB 24.99 million because the Company's profit increased.

**table 3 : Statement of cash flows for the nine-month period ended 30 September 2015 and 2014**

	Consolidated financial statement			
	9M/2015	9M/2014	Increase (decrease)	%
Cash flows from (used in) operation activities	9.29	(1.26)	10.55	837.30%
Cash flows from (used in) investing activities	109.44	(152.79)	262.23	171.63%
Cash flows from (used in) financing activities	(131.45)	79.31	(210.76)	-265.74%
<b>Cash flows increase (decreased)</b>	<b>(12.72)</b>	<b>(74.74)</b>	<b>62.02</b>	<b>82.98%</b>

**Cash flows from operation activities in 9M/2015 was THB 9.29 million**

- Profit from operation that was cash equaled THB 249.83 million as follows:
  - Net profit before income tax in 9M/2015 was THB 116.18 million.
  - Adjustments to reconcile profit before tax totals THB 133.66 million including depreciation and amortization of THB 92.88 million; interest payment of THB 21.71 million; amortization for land leasehold right of THB 8.77 million; Allowance for doubtful accounts and estimated goods return of THB 5.10 million; expense from lost of goods of THB 4.84 million; allowance of dilapidated slow moving and lost of inventories THB 4.41 million; expense for donation of goods and equipment of THB 3.49 million; adjustment from un-utilized coupon payable of THB (7.74) million
- Cash decreased by THB 118.15 million from a decrease of trade payable, corresponding to the decreased sales and from the payment to the major account payables.
- Cash decreased by THB 21.59 million, from a increased of trade and other receivables, resulted from selling books to educational institutes and book centers located in universities.

- Cash decreased by THB 7.73 million from mostly they are the distributed products.
- Cash from unearned revenue decreased by THB 29.92 million from receiving the decreasing education service fee.
- Cash decreased by THB 3.58 million from current assets increase from prepaid expenses insurance premiums.
- Cash decreased by THB 4.62 million from provision of employee long term benefits, cash awards.
- Cash decreased from the decrease of the other current liabilities by THB 3.42 million.
- Cash decreased by THB 21.79 million from interest paid from long term loans.
- Cash decreased from paying THB 33.44 million of the income tax according to operation results of the Company.

***Cash flows from in investing activities in 9M/2015 was THB 109.44 million.***

- Cash from selling capitals increased by THB 150.56 million from sales of investment funds.
- Cash decreased by THB 43.67 million from opening new branches and renovating the existing branches and buying equipment for the warehouse.

***Cash flows used financing activities in 9M/2015 was THB (131.45) million***

- Cash decreased from repaying to financial institutions by THB 60.90 million.
- Cash decreased from paying dividend income in 2014 which was paid in May, 2015 by THB 70.55 million.

**table 4 : Financial ratio for the Nine-month of Q3/2015 and Q3/2014**

Financial ratios		Consolidated financial statement	
		9M/2015	9M/2014
Return On Equity (ROE)	%	11.74	7.62
Return on Asset (ROA)	%	6.73	4.07
Debt to Equity Ratio	times	1.56	1.60
Interest Coverage Ratio	times	13.46	23.14

Note:

- ROE (Return on Equity) = Net profit (Parent Company only) divided by shareholder's equity (averaged) from Parent Company only
- ROA (Return on Assets) = Net profit before financial and tax expenses divided by total assets (averaged)
- Debt to Equity ratio = total debts divided by shareholder's equity (minor shareholder's equity included)
- Debt service Coverage Ration = Profit from operating activities before changes in operating assets and liabilities + interest + income tax expenses divided by interest from operation and investment
- Return On Equity = Net profit (Parent Company only) divided by shareholder's equity (averaged) from Parent Company only

**ROE was 11.74% increased by 4.12% while ROA was 6.73% increased by 2.66%**

Return on Equity (ROE) was 11.74%, increased by 4.12% while Return on Assets (ROA) was 6.73%, increased by 2.66% according to better operation results.

**Debt to Equity Ratio was 1.56 times, decreased by 0.04 times**

Debt to Equity Ratio decreased by 0.04 times, due to repayment of long term loans from financial institutions due by Period according to the due payment.

**Interest Coverage  
Ratio was 13.46 times,  
decreased by 9.68  
times**

Interest Coverage Ratio decreased by 9.68 times because the Company according to terms and conditions in the contract. This had resulted in higher interest charges.

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

INVESTOR RELATION

<http://www.se-ed.com>

<http://corporate.se-ed.com>

IR@SE-ED.COM

0-2739-8000 # 8