



## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report For the year ended 31 December 2016

#### Overview

In 2016, the Company continues to be affected by economic slowdown continues. Due to a decrease of net purchasing power, and rising household debt, also affected the sales of print publications in every sector, aligning with the decline in the general retail business.

To rectify the situation, the Company has improved profit efficiency of its branches and closed 17 small unprofitable branches in 2016. Further, the Company has revised the product mix proportion to match more targeted customers. The Company encouraged more promotions while continuously reduced its expenses, including canceling 25% rental space from previous last year.

#### ***SE-ED's profit in 2016 is THB 12.37 million.***

According to consolidated financial statements in 2016, net profit of the Company is THB 12.37 million, decreased THB 58.51 million, which accounted for 82.55%. The net profit in separate financial statements is THB 5.04 million, decreased THB 58.51 million, which accounted for 92.07%, can be summarized as follows:

- The total revenue from the consolidated financial statement decreased by 5.61% from the previous year. The total revenue from the separate financial statement decreased by 6.07%. And the revenue from the Company's retail business slightly declined.
- The Selling and administrative expenses decreased by 3.47% due to improvement on profit efficiency of the branches and close down of the unprofitable branches. This resulted in the decrease of rental cost, service cost, public utility cost, and employee-related cost according to the decrease of active branches.

In 2016, however, the Company had acknowledged the loss by estimating the long-term benefits of its employees based on actuarial science calculation.

- Income tax expenses decreased of THB 14.26 million according to an overall situation of the Company.
- Finance cost decreased of THB 3.70 million because the Company paid the long-term loan on time to decrease the loan.

**Dividend of 2016 at rate of THB 0.01 per share**

Approved and agreed to propose in the AGM to approve the dividend payments for the operation result of the 2016 fiscal year by the rate of THB 0.01 per share or THB 3.92 million in total.

The list of shareholders listed to receive dividend is to be announced on May 3, 2017 and, by the section 225 in Securities and Exchange Act, the names of shareholders will be compiled by closing the shareholders register book on May 4, 2017. The cash dividend shall be paid on May 18, 2017.

**Table 1 : Operation results of 2016 and 2015**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>2016</b>	<b>2015</b>	<b>Increase (decrease)</b>	<b>%</b>
Revenue from sales of goods	4,242.70	4,496.54	(253.84)	(5.65%)
Cost of sales	2,827.09	2,954.87	(127.78)	(4.32%)
Gross profit	1,415.61	1,541.67	(126.06)	(8.18%)
<b>Gross profit margin</b>	<b>33.37%</b>	<b>34.29%</b>		<b>(0.92%)</b>
<b>EBITDA</b>	<b>177.49</b>	<b>257.29</b>	<b>(79.80)</b>	<b>(31.02%)</b>
Equity holders of the Company	12.37	70.88	(58.51)	(82.55%)
Net earnings per share	0.03	0.18	(0.15)	(82.55%)

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

**In 2016 Margin decreased or 0.92%**

In 2016, gross profit was THB 1,415.61 million, decreased to the same period last year by THB 126.06 million or 8.18%. And gross margin in 2016 was 33.37%, decreased by 0.92% from the previous year, mainly due to market competition. To attract customers in the retail business to purchase it. And the promotion of its wholesale business to inventories turnover rate improved.

**In 2016, cost of sales and services decreased by THB 127.78 million**

Cost of sales and services according to consolidated financial statements is THB 2,827.09 million, decreased by THB 127.78 million or 4.32% in accordance with the decline of sales. in sales.

**EBITDA decreased by THB 79.80 million or 31.02%** EBITDA decreased by THB 79.80 million due to the decrease of net profit by 82.55% from the slowdowns in general retailing business, resulted in a decrease of profitability.

**Table 2 : Statement of financial position As at 31 December 2016 and 31 December 2015**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>Increase (decrease)</b>	<b>%</b>
Current assets	834.06	800.93	33.12	4.14%
Non-current assets	1,754.82	1,787.90	(33.08)	(1.85%)
<b>Total assets</b>	<b>2,588.88</b>	<b>2,588.84</b>	<b>0.04</b>	<b>0.00%</b>
Current liability	1,244.06	1,129.76	114.30	10.12%
Non-current liability	383.85	465.45	(81.60)	(17.53%)
Total liability	1,627.91	1,595.20	32.71	2.05%
Total shareholder's equity	960.96	993.64	(32.67)	(3.29%)
<b>Total liability and shareholder's equity</b>	<b>2,588.88</b>	<b>2,588.84</b>	<b>0.04</b>	<b>0.00%</b>

**Current assets  
decreased by THB  
33.12 million or 4.14%**

Current assets decreased by THB 33.12 million as follows:

- Cash and Current investments decrease of THB 64.11 million or 19.97%, because the Company has to pay long-term loans.
- A increase of inventories by THB 34.82 million or 9.45% from the increase of foreign books and non-book products.
- Trade and other receivables increased 14.71 million or 20.88% due to an increase of distribution receivables from the increasing sales.
- Other current assets increased 47.71 million or 116.28%, mainly from books advance payment in total of THB 37.40 million.

**Non-current assets  
decreased by THB  
33.08 million or 1.85%**

Non-current assets decreased by THB 33.08 million, mainly because the fixed asset decreased by THB 38.22 million from depreciation of the year.

**Current liability  
Increased by THB  
114.30 million or  
10.12%**

Current liability decreased by THB 114.30 million as follows:

- Current portion of long-term loans Increased by THB 5.17 million due to an increase of the due loans of the Company's subsidiaries.
- Trade accounts payable and other Payables Increased by THB 54.73 million due to importing foreign books

- Current portion of provision for long-term employee benefits increased by THB 5.20 million according to the number of retired employees.
- Other current liabilities increased by THB 46.31 million by advance received for purchasing books.

**Non-current liability decreased by THB 81.60 million or 17.53%**

Non-current liability decreased by THB 81.60 million from paying back the long-term loans.

**Shareholder's equity decreased by THB 32.67 million or 3.29%**

Shareholder's equity decreased by THB 32.67 million because the Company's paying dividend of 2015 and decreased net profit in 2016.

**Table 3 : Statement of cash flows of 2016 and 2015**

(Unit : Million Baht)

	Consolidated financial statement			
	2016	2015	Increase (decrease)	%
Cash flows from (used) operation activities	156.88	100.21	56.67	56.55%
Cash flows from (used) investing activities	6.01	80.81	- 74.80	-92.56%
Cash flows from (used) financing activities	-135.50	- 151.98	16.48	-10.84%
<b>Cash flows (decreased)</b>	<b>27.39</b>	<b>29.04</b>	<b>- 1.65</b>	<b>-5.68%</b>

**Cash flows used operation activities in 2016 was THB 156.88 million**

- Profit from operation that was cash equaled THB 216.90 million as follows:
  - Net profit before income tax in 2016 was THB 21.46 million.
  - Adjustments to reconcile profit before tax totals THB 195.44 million including depreciation and amortization of THB 120.69 million; interest expenses of THB 23.77 million; Loss from stock destruction of THB 10.02 million; amortization leasehold right on land and buildings of THB 11.56 million; Expense from loss of inventories THB 11.09 million; expense for donation of goods and equipment of THB 8.80 million; Provision for long-term employee benefits of THB 19.71 million; and Gain on disposal of current investments of THB (4.64) million;

- Cash decreased by THB 10.37 million from an increase of trade and other receivables, Most of them were from distribution from the coming semester.
- Cash decreased by THB 67.08 million due to an increase of the sales of foreign books and non-book products.
- Cash from books advance payments decreased by THB 37.40 million because of advance paying for books about King Rama IX.
- Cash decreased from increasing current assets by THB 8.99 million.
- Cash increased from payables and other payables by THB 50.60 million from notes payable from payments for books.
- Cash increased by THB 44.23 million from advance received for purchasing books.

***Cash flows from in investing activities in 2016 was THB 6.01 million.***

- Cash decreased by THB 93.06 million from selling current investments in order to pay the long-term loan.
- Cash decreased by THB 81.27 million from opening the new branches.
- Cash decreased by THB 10.02 million from increase in leasehold rights on buildings.

***Cash flows used financing activities in 2016 was THB (135.50) million***

- Cash decreased from repaying to financial institutions by THB 88.47 million.
- Cash decreased by THB 47.03 million from paying dividend of 2015 in May 2016.

**Table 4 : Financial ratio of 2016 and 2015**

Financial ratios		Consolidated financial statement	
		2016	2015
Return On Equity (ROE)	%	1.37	7.69
Return on Asset (ROA)	%	1.68	4.51
Debt to Equity Ratio	times	1.69	1.61
Interest Coverage Ratio	times	10.29	12.00

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 1.37% decreased by 6.32% while ROA was 1.68% decreased by 2.83%**

Return on Equity (ROE) was 1.37%, decreased by 6.32% while Return on Assets (ROA) was 1.68%, decreased by 2.83% Since lower operational performance of the retail business.

**Debt to Equity Ratio was 1.69 times, Increased by 0.08 times**

Debt to Equity Ratio of the shareholder increased by 0.08 times from increasing current liabilities in advance received for purchasing books.

**Interest Coverage Ratio was 10.29 times, decreased by 1.71 times**

Interest Coverage Ratio decreased by 1.71 times According to lower operational performance.

**Corporate Governance  
Report of Thai Listed  
Companies**

In operation and management, the Company emphasized on good governance policies together with social and environmental responsibilities. Since the Company was the exemplar in many aspects, The IOD has appraised SE-ED to be excellent (5 stars) level in Corporate Governance Report of Thai Listed Companies 2016 appraisal for 9 consecutive years.

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Company Secretary

INVESTOR RELATION

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