



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the six-month period ended 30 June 2017

Overview

In 1H/2017, the Company continues to be affected by economic slowdown due to a decrease of net purchasing power, an increase in the household debt level, which 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, revised the product mix proportion to match more targeted customers, and promoted the sales rate of the products. Furthermore, the Company also continuously reduces expenses by closing 6 small unprofitable branch in 1H/17 and being more careful on opening a new branch.

In 1H/2017, the Company had no new branches of SE-ED Book Center. Total number of the active branches as of June 30, 2017 was 408 branches, included two counter services.

SE-ED's profit in Q2'2017 for the six-month is THB 25.24 million.

According to consolidated financial statements in 1H/2017, net profit of the Company is THB 25.24 million, profit decreased by THB 13.40 million, which accounted for 34.68%. The net profit in separate financial statements is THB 12.19 million, profit decreased by THB 14.88 million, which accounted for 54.97%. The outcome statements can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 8.09% from the previous year. The total revenue from the separate financial statement decreased by 8.80% which primarily caused by the revenue from the Company's retail business that slightly declined.
However, the gross margin increased by 1.28% due to the adjustment of product mix to match the target group and appropriate trade conditions.
- **The selling and administrative expenses** decreased by 1.77% due to a decrease of rental cost, service cost, public utility cost, and employee-related cost, delivery cost, and packaging cost in accordance to a decrease of active branches.

In 1H/2017, however, the Company had designated a reserve fund as follows:

- An increase in the allowance of slow-moving products and

returning products from branches to give more space to more profitable products.

- The allowance for estimating the long-term benefits of its employees based on actuarial science calculation. By partly restructuring some of the employees, the long-term benefits of the employees were much higher than the previous year.
- Finance cost decreased by THB 1.70 million because the Company paid the long-term loan on time.

Table 1 : Operation results for the six-month period ended 30 June 2017 and 30 June 2016

(Unit : Million Baht)

	Consolidated financial statement			
	Q2/2017	Q2/2016	Increase (decrease)	%
Revenue from sales of goods	2,010.33	2,188.06	(177.73)	(8.12%)
Cost of sales	1,306.40	1,449.72	(143.32)	(9.89%)
Gross profit	703.93	738.34	(34.41)	(4.66%)
Gross profit margin	35.02%	33.74%		1.28%
EBITDA	99.25	127.60	(28.35)	(22.22%)
Equity holders of the Company	18.51	32.97	(14.46)	(43.86%)
Net earnings per share	0.05	0.08	(0.03)	(37.50%)

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

In 1H/2017,

***Margin increased
or 1.28%***

In 1H/2017, gross profit was THB 703.93 million, decreased by THB 34.41 million or 4.66% from the previous year due to a decrease in sales. Gross margin in 1H/2017 was 35.02%, increased by 1.28% from the previous year due to the readjustment of the gross-profit-margin product mix to match the demand of the target customers and appropriate trade conditions.

***In H1/2017, cost of
sales and services
decreased by THB
143.32 million***

Cost of sales and services according to consolidated financial statements is THB 1,306.40 million, decreased by THB 143.32 million or 9.89% in accordance with the decline of sales.

EBITDA decreased by THB 28.35 million or 22.22% EBITDA decreased by THB 28.35 million. Net profit decreased by 34.68% from an economic slowdown of overall retail business, which caused a decline in profits.

Table2: Statement of financial position As at 30 June 2017 and 31 December 2016

(Unit : Million Baht)

Consolidated financial statement				
	30 June 2017	31 December 2016	Increase (decrease)	%
Current assets	780.35	834.06	(53.71)	(6.44%)
Non-current assets	1,780.08	1,754.82	25.26	1.44%
Total assets	2,560.43	2,588.88	(28.45)	(1.10%)
Current liability	1,242.96	1,244.07	(1.11)	0.09%
Non-current liability	335.21	383.85	(48.64)	(12.67%)
Total liability	1,578.17	1,627.92	(49.75)	(3.06%)
Total shareholder's equity	982.26	960.96	21.30	2.22%
Total liability and shareholder's equity	2,560.43	2,588.88	(28.45)	(1.10%)

**Current assets
decreased by THB
53.71 million or 6.44%**

Current assets decreased by THB 53.71 million as follows:

- Cash and current investments decreased by THB 78.68 million or 30.63% because the Company is obliged to pay a long-term loans and buy a land for its Subsidiary.
- Trade and other receivables increased by 115.05 million or 135.15% due to an increase of distribution receivables from the increasing sales as a result of the opening of the new semester.

**Non-current assets
Increased by THB
25.26 million or 1.44%**

Non-current assets increased by THB 25.26 million from the Subsidiary of the Company which had an agreement with one of the shareholders of the Subsidiary to buy a land for a school building for THB 69 million. This resulted in an increase of land, building, and equipment of THB 30.99 million.

**Current liability
decreased by THB 1.11
million or 0.09%**

Current liability decreased by THB 1.11 million as follows:

- Other current liabilities decreased by THB 45.74 million which mainly resulted from a decrease of advance received of products on King Rama IX after deliveries.

- Current portion of long-term loans increased by THB 29.59 million from Subsidiary's loan which had reached the payment due.
- Trade accounts payable and other Payables increased by THB 9.85 million mainly from the accounts payable that was responsible for importing foreign books which were distributed at the start of a new semester.

Non-current liability decreased by THB 48.64 million or 12.67%

Non-current liability decreased by THB 48.64 million from

- Long-term loans decreased by THB 68.90 million due to the loan repayment.
- Income received in advance increased by THB 18.31 million from receiving tuition fee payment of the 2017 academic year.

Shareholder's equity increased by THB 21.30 million or 2.22%

Shareholder's equity increased by THB 21.30 million due to the Company's operational performance in 1H/17.

Table 3 : Statement of cash flows for the six-month period ended 30 June 2017 and 2016

(Unit : Million Baht)

	Consolidated financial statement			
	Q2/2017	Q2/2016	Increase (decrease)	%
Cash flows from (used) operation activities	54.36	16.08	38.28	238.06%
Cash flows from (used) investing activities	(54.56)	22.88	(77.44)	(338.46%)
Cash flows from (used) financing activities	(43.23)	(89.19)	45.97	51.54%
Cash flows (decreased)	(43.43)	(50.23)	6.81	13.56%

Cash flows from operation activities in H1/2017 was THB 54.36 million

- Profit from operations that was cash equaled THB 149.43 million as follows:
 - Net profit before income tax in H1/2017 was THB 25.96 million.
 - Adjustments to reconcile profit before tax totals THB 123.47 million, including depreciation and amortization of THB 56.90 million; Allowance for loss of inventories, dilapidated and slow moving of THB 16.04 million; Allowance for doubtful accounts and estimated goods return of THB 11.67 million; Interest expenses of THB 10.52 million; Loss from stock destruction of THB 9.12 million; Provision for long-term employee benefits of THB 9.07 million; Expense from loss of inventories of THB 5.98 million; Amortization leasehold right on land and buildings of THB 5.87 million; Expense from donating products and equipment of THB 3.59 million; Adjustment from clearing long outstanding payable of THB (5.51) million.

- Cash decreased by THB 126.67 million from an increase of trade and other receivables. Most of them came from the annual distribution of the coming semester.
- Cash from other current liabilities decreased by THB 38.39 million from a decrease of advance received of books after deliveries.
- Cash increased from decreasing current assets by THB 36.76 million and decreasing advance payment for King Rama IX after book deliveries
- Cash increased from a decrease of inventories by THB 18.66 million, which mostly consisted of foreign books that were distributed at the start of a new semester.
- Cash increased from income received in advance increased by THB 18.02 million from receiving the annual advance payment of educational support fee from new students.
- Cash increased from trade and other payables by THB 13.51 million with the increase of payables from imported books.
- Cash decreased from paying employees' long-term benefits for THB 8.24 million in the form of the honor rewards program for employees and early retire program.

Cash flows used in investing activities in H1/2017 was THB (54.56) million.

- Cash decreased from purchasing lands and equipment by THB 92.23 million. Included in the expenses are a new land for the Subsidiary, total of THB 69 million; energy efficient electrical devices increased by THB 4.71 million; renovation fee of current branches increased by THB 4.52 million; computer accessories of THB 2.34 million; renovation fee for Subsidiary's school building of THB 1.35 million.
- Cash increased by THB 35.86 million from selling current investments in order to pay the long-term loan.

Cash flows from financing activities in H1/2017 was THB (43.23) million

- Cash decreased from repaying financial institutions and external party by THB 49.86 million.
- Cash increased because the Subsidiary's the long-term loans of THB 10.55 million for buying a land.

Table 4 : Financial ratio of Q2/2017 and Q2/2016

		Consolidated financial statement	
Financial ratios		Q2/2017	Q2/2016
Return On Equity (ROE)	%	2.08	3.62
Return on Asset (ROA)	%	1.42	2.80
Debt to Equity Ratio	times	1.61	1.59
Interest Coverage Ratio	times	15.80	12.39

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 Ratio = Profit from operating activities before changes in operating assets and liabilities + interest + income tax expenses divided by interest from operation and investment

ROE was 2.08% decreased by 1.54% while ROA was 1.42% decreased by 1.38%

Return on Equity (ROE) was 2.08%, decreased by 1.54% while return on Assets (ROA) was 1.42%, decreased by 1.38% Since lower operational performance of the retail business.

Debt to Equity Ratio was 1.61 times, Increased by 0.02 times

Debt to Equity Ratio of the shareholder increased by 0.02 times from an increase of short-term loans from external parties.

Interest Coverage Ratio was 15.80 times, decreased by 3.41 times

Interest Coverage Ratio increased by 3.41 times due to a decrease in interest in accordance with the principle portion.

Signature.....

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Deputy Managing Director and Secretary Company

INVESTOR RELATION

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