



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the nine-month period ended 30 September 2017

Overview

In 9M/2017, the Company continues to be affected by economic slowdown and floods in many parts of Thailand, resulting in a decrease of net purchasing power which continually affects the sales of print publications in every sector.

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 20 small unprofitable branches in 9M/2017 and being more careful on opening a new branch.

In 9M/2017, the Company had no new branches of SE-ED Book Center. Total number of the active branches as of September 30, 2017 was 393 branches, included one counter service.

SE-ED's loss profit in Q3'2017 for the nine-month is THB 6.30 million.

According to consolidated financial statements in 9M/2017, net loss profit of the Company is THB 6.30 million, profit decreased by THB 27.04 million, which accounted for 130.38%. The net loss in separate financial statements is THB 8.80 million, profit decreased by THB 23.74 million, which accounted for 158.87%. The outcome statements can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 8.90% from the previous year. The total revenue from the separate financial statement decreased by 9.49% which primarily caused by the revenue from the Company's retail business declined due to floods in many parts of Thailand and closing down unprofitable branches.
However, the gross margin increased by 0.63% due to the adjustment of product mix to match the target group and appropriate trade conditions.
- **The selling and administrative expenses** decreased by 3.78% 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 9M/2017, however, the Company had designated a reserve fund as follows:

- The allowance of deteriorated goods increased due to floods in

many parts of Thailand, closing down unprofitable branches, and goods returning for improving the Company's profitability.

- The allowance for estimating the long-term benefits of its employees based on actuarial science calculation. By partly re-structuring some of the employees, the long-term benefits of the employees were much higher than the previous year.
- **Finance cost** decreased by THB 2.84 million because the Company paid the long-term loan on time.

Table 1 : Operation results for the nine-month period ended 30 September 2017 and 2016

(Unit : Million Baht)

	Consolidated financial statement			
	Q3/2017	Q3/2016	Increase (decrease)	%
Revenue from sales of goods	2,756.70	3,060.23	(303.53)	(9.92%)
Cost of sales	1,794.89	2,011.67	(216.78)	(10.78%)
Gross profit	961.81	1,048.56	(86.75)	(8.27%)
Gross profit margin	34.89%	34.26%		0.63%
EBITDA	107.85	150.52	(42.67)	(28.35%)
Equity holders of the Company	(6.30)	20.74	(27.04)	(130.38%)
Net earnings per share	(0.02)	0.05	(0.07)	(140.00%)

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

***In 9M/2017,
Margin increased
or 0.63%***

In 9M/2017, gross profit was THB 961.81 million, decreased by THB 86.75 million or 8.27% from the previous year due to a decrease in sales. Gross margin in 9M/2017 was 34.89%, increased by 0.63% 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 9M/2017, cost of
sales and services
decreased by THB
216.78 million***

Cost of sales and services according to consolidated financial statements is THB 1,794.89 million, decreased by THB 216.78 million or 10.78% in accordance with the decline of sales.

***EBITDA decreased by
THB 42.67 million or
28.35%***

EBITDA decreased by THB 42.67 million. Net profit decreased by 130.38% from an economic slowdown of overall retail business, resulting in the Company's retail business was at loss.

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

(Unit : Million Baht)

	Consolidated financial statement			
	30 September 2017	31 December 2016	Increase (decrease)	%
Current assets	695.69	834.06	(138.37)	(16.59%)
Non-current assets	1,719.95	1,754.82	(34.88)	(1.99%)
Total assets	2,415.64	2,588.88	(173.24)	(6.69%)
Current liability	1,140.27	1,244.07	(103.80)	(8.34%)
Non-current liability	322.04	383.85	(61.81)	(16.10%)
Total liability	1,462.31	1,627.91	(165.60)	(10.17%)
Total shareholder's equity	953.33	960.96	(7.63)	(0.79%)
Total liability and shareholder's equity	2,415.64	2,588.88	(173.23)	(6.69%)

Current assets

Current assets decreased by THB 138.37 million as follows:

**decreased by THB
138.37 million or
16.59%**

- Goods decreased by THB 72.30 million or 17.93% from retail selling through branches and foreign books wholesale selling to educational institutes. In addition, the Company had set allowance for deteriorating and slow moving goods for all goods that had been drowned in flood and were from defunct branches.
- Investment capital temporarily decreased by THB 71.44 million or 73.04% by selling for paying a long-term loan.
- Non-current assets held for sale increased by THB 50.43 million.
- Other current assets decreased by THB 37.95 million due to the advance monies the Company paid for the books about King Rama IX in the end of 2016.

**Non-current assets
decreased by THB**

34.87 million or 1.99%

Non-current assets decreased by THB 34.87 million because property and plant are classified as assets held for sale.

Current liability

Current liability decreased by THB 103.80 million as follows:

decreased by THB

103.80 million or 8.34%

- Trade accounts payable and other Payables decreased by THB 56.17 million, aligning with the decreasing sales and paying for journals and books about King Rama IX.
- Other current liabilities decreased by THB 41.53 million which mainly resulted from a decrease of advance received of products on King Rama IX after deliveries.

Non-current liability decreased by THB 61.81 million or 16.10%

Non-current liability decreased by THB 61.81 million from

- Long-term loans decreased by THB 84.00 million due to the loan repayment.
- Income received in advance increased by THB 16.70 million from receiving tuition fee payment of the 2017 academic year.

Shareholder's equity decreased by THB 7.63 million or 0.79%

Shareholder's equity decreased by THB 7.63 million due to a loss of Company's operational performance.

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

(Unit : Million Baht)

	Consolidated financial statement			
	Q3/2017	Q3/2016	Increase (decrease)	%
Cash flows from (used) operation activities	62.82	(2.70)	65.52	(24.27%)
Cash flows from (used) investing activities	(28.59)	51.88	(80.47)	(1.55%)
Cash flows from (used) financing activities	(64.40)	(57.07)	(7.33)	0.13%
Cash flows (decreased)	(30.18)	(7.89)	(22.29)	2.83%

Cash flows from operation activities in 9M/2017 was THB 62.82 million

- Profit from operations that was cash equaled THB 165.94 million as follows:
 - Loss before income tax in 9M/2017 was THB 0.71 million.
 - Adjustments to reconcile profit before tax totals THB 166.65 million, including depreciation and amortization of THB 84.67 million; Allowance for loss of inventories, dilapidated and slow moving goods of THB 20.94 million; Interest expenses of THB 15.10 million; Provision for long-term employee benefits of THB 12.61 million; Loss from stock destruction of THB 9.12 million; Amortization leasehold right on land and buildings of THB 8.80 million; Expense from loss of inventories of THB 7.90 million; Expense from donating products and equipment of THB 7.75 million; Allowance for doubtful accounts and estimated goods return of THB 5.32 million; Adjustment from clearing long outstanding payable of THB (6.39) million.
- Cash decreased from trade and other payables by THB 63.08 million from paying for journals and books about King Rama IX.
- Cash decreased from other current liabilities decreased by THB 39.70 million because the advance received of books decreased after deliveries.
- Cash increased from decreasing current assets by THB 36.06 million and

decreasing advance payment for King Rama IX after book deliveries

- Cash decreased by THB 28.34 million because trade and other receivables increased. Mainly because selling books to educational institutes.
- Cash increased because inventories increased by THB 26.60 million from effective selling and managing goods.
- Cash decreased because income received in advance decreased by THB 11.25 million from receiving the annual advance payment of educational support fees from new students in every second quarter.
- Cash decreased from paying employees' long-term benefits for THB 9.93 million in the form of the honor rewards program for employees and early retire program.

Cash flows used in investing activities in 9M/2017 was THB (28.59) million.

- Cash decreased from purchasing lands and equipment by THB 106 million which can be broken down into a new land for the Subsidiary for THB 69 million, renovation fee for a of the school building of the Subsidiary in the second quarter for THB 1.35 million, renovation and redecoration fees for the current and new branches, and purchasing computer accessories and power-saving electrical appliances.
- Cash increased by THB 72.48 million from selling current investment capitals in order to pay the long-term loan.

Cash flows from financing activities in 9M/2017 was THB (64.40) million

- Cash decreased from repaying financial institutions and external party by THB 71.03 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 Q3/2017 and Q3/2016

Financial ratios		Consolidated financial statement	
		Q3/2017	Q3/2016
Return On Equity (ROE)	%	(0.71)	0.40
Return on Asset (ROA)	%	0.58	1.34
Debt to Equity Ratio	times	1.53	1.62
Interest Coverage Ratio	times	12.23	11.13

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

**ROE was (0.71%)
decreased by 1.11%
while ROA was 0.58%
decreased by 0.76 %**

Return on Equity (ROE) was (0.71%), decreased by 1.11% while return on Assets (ROA) was 0.58%, decreased by 0.76% Since lower operational performance of the retail business.

**Debt to Equity Ratio
was 1.53 times,
Increased by 0.09
times**

Debt to Equity Ratio of the shareholder decreased by 0.09 times because the due payment for loans and trade payables of the books about King Rama IX were paid.

**Interest Coverage
Ratio was 12.23 times,
decreased by 1.10
times**

Interest Coverage Ratio increased by 1.10 times due to a decrease in interest in accordance with the principle portion.

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Secretary Company

INVESTOR RELATION

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