



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the year ended 31 December 2017

Overview

In 2017, the Company got affected by continual economic slowdown. As this year was a downturn of publishing business, many of magazines and newspaper needed to be out of business, which resulted in declining of book sales, though the Company expedited adapting its structure and services to align with rapid changes in customers' needs. In addition, there were floods in many parts of Thailand, resulting in a decrease of net purchasing power which continually affected 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 24 small unprofitable branches in 2017 and being more careful on opening a new branch.

In 2017, the total number of the active branches as at 31st December 2017 was 393 branches and one point of sale.

SE-ED's loss profit in 2017 is THB 25.70 million.

According to consolidated financial statements in 2017, net loss profit of the Company is THB 25.70 million, loss increased by THB 38.07 million, which accounted for 307.85%. The net loss in separate financial statements is THB 28.68 million, loss increased by THB 33.72 million, which accounted for 669.31%. The outcome statements can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 12.10% from the previous year. The total revenue from the separate financial statement decreased by 12.84% 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 0.90% due to the adjustment of product mix to match the target group and appropriate trade conditions.
- **The selling and administrative expenses** decreased by 5.26% 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 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 4.32 million because the Company paid the long-term loan on time.

Table 1 : Operation results of 2017 and 2016

(Unit : Million Baht)

	Consolidated financial statement			
	2017	2016	Increase (decrease)	%
Revenue from sales of goods	3,697.17	4,242.70	(545.52)	(12.86%)
Cost of sales	2,430.24	2,827.09	(396.85)	(14.04%)
Gross profit	1,266.93	1,415.61	(148.67)	(10.50%)
Gross profit margin	34.27%	33.37%		0.90%
EBITDA	120.18	177.49	(57.31)	(32.29%)
Profit (loss) attributable to				
Equity holders of the Company	(25.70)	12.37	(38.07)	(307.76%)
Net earnings per share	(0.07)	0.03	(0.10)	(307.76%)

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

In 2017,

***Margin increased
or 0.90%***

In 2017, gross profit was THB 1,266.93 million, decreased by THB 148.67 million or 10.50% from the previous year due to a decrease in sales. Gross margin in 2017 was 34.27%, increased by 0.90% 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 2017, cost of sales
and services
decreased by THB
396.85 million***

Cost of sales and services according to consolidated financial statements is THB 2,430.24 million, decreased by THB 396.85 million or 14.04% in accordance with the decline of sales.

***EBITDA decreased by
THB 57.31 million or
32.29%***

EBITDA decreased by THB 57.31 million. Net profit decreased by 307.76% 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 31 December 2017 and 31 December 2016

(Unit : Million Baht)

	Consolidated financial statement			
	31 December 2017	31 December 2016	Increase (decrease)	%
Current assets	670.99	834.06	(163.07)	(19.55%)
Non-current assets	2,068.64	1,754.82	313.82	17.88%
Total assets	2,739.63	2,588.88	150.75	5.82%
Current liability	1,300.27	1,244.07	56.21	4.52%
Non-current liability	195.57	383.85	(188.28)	(49.05%)
Total liability	1,495.84	1,627.91	(132.07)	(8.11%)
Total shareholder's equity	1,243.79	960.96	282.83	29.43%
Total liability and shareholder's equity	2,739.63	2,588.88	150.75	5.82%

**Current assets
decreased by THB
163.07 million or
19.55%**

Current assets decreased by THB 163.07 million as follows:

- Investment capital temporarily decreased by THB 78.92 million or 80.69% by selling for paying a long-term loan.
- Goods decreased by THB 78.50 million or 19.46% 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.
- Non-current assets held for sale increased by THB 50.43 million.
- Other current assets decreased by THB 36.78 million due to the advance monies the Company paid for the books about King Rama IX in the end of 2016.

**Non-current assets
increased by THB
313.82 million or
17.88%**

Non-current assets increased by THB 313.82 million from getting higher price in property revaluation.

**Current liability
increased by THB
56.21 million or 4.52%**

Current liability increased by THB 56.21 million as follows:

- Trade accounts payable and other Payables decreased by THB 109.01 million, aligning with the decreasing sales and paying for journals and books about King Rama IX.
- Other current liabilities decreased by THB 27.75 million which mainly resulted from a decrease of advance received of products on King Rama IX after deliveries.
- The long-term loan which is due within one year increased by THB 185.92 million. According to the bank's approval letter, the bank approved on the condition of the financial ratio and after the 31st December 2018, the Company will classify the long-term loan back into non-current liabilities on the financial statement of the first quarter of 2018.

Non-current liability decreased by THB 188.28 million or 49.05%

Non-current liability decreased by THB 188.28 million from

- Deferred tax liability increased by THB 50.82 million due to an increase of deferred tax liability provision.
- The long-term loan decreased by THB 261.50 million after paying the due loan in the amount of THB 75.58 million. The long-term loan which was categorized into a short-term loan will be re-categorized back into a long-term loan in the first quarter of 2018.
- Income received in advance increased by THB 15.08 million from receiving tuition fee payment of the 2017 academic year.

Shareholder's equity increased by THB 282.83 million or 29.43%

Shareholder's equity increased by THB 282.83 million due to a higher price in land and building valuation revaluated by the property valuer.

Table 3 : Statement of cash flows of 2017 and 2016

	Consolidated financial statement			(Unit : Million Baht)
	2017	2016	Increase (decrease)	%
Cash flows from (used) operation activities	106.95	156.88	(49.93)	(0.32%)
Cash flows from (used) investing activities	(36.92)	6.01	(42.93)	(7.14%)
Cash flows from (used) financing activities	(83.22)	(135.50)	52.28	(0.39%)
Cash flows (decreased)	(13.19)	27.39	(40.58)	(1.48%)

Cash flows from operation activities in 2017 was THB 106.95 million

- Profit from operations that was cash equaled THB 181.12 million as follows:
 - Loss before income tax in 2017 was THB 22.49 million.
 - Adjustments to reconcile profit before tax totals THB 203.61 million; including depreciation and amortization of THB 111.64 million; Loss from stock destruction of THB 23.21 million; Interest expenses of THB 19.46 million; Provision for long-term employee benefits of THB 16.07 million; Amortization leasehold right on land and buildings of THB 11.58 million; Expense from donating products and equipment of THB 11.11 million; Allowance for loss of inventories, dilapidated and slow moving goods of THB 7.98 million; Expense from loss of inventories of THB 6.35 million; Adjustment from clearing long outstanding payable of THB (6.39) million.
- Cash decreased from trade and other payables by THB 109.28 million from paying

for journals and books about King Rama IX.

- Cash decreased from other current liabilities decreased by THB 36.16 million because the advance received of books decreased after deliveries.
- Cash increased from decreasing current assets by THB 31.50 million and decreasing advance payment for King Rama IX after book deliveries
- Cash increased by THB 13.47 million because trade receivables and other receivables decreased and the monies for the books using in educational institutes had been collected.
- Cash increased because inventories decreased by THB 29.85 million from effective selling and managing goods.
- Cash increased because income received in advance increased by THB 22.36 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 10.04 million in the form of the honor rewards program for employees and early retire program.

Cash flows used in investing activities in 2017 was THB (36.92) million.

- Cash decreased from purchasing lands and equipment by THB 132.39 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 80.21 million from selling current investment capitals in order to pay the long-term loan.
- Cash increased from a deposit of the former land and building in the amount of THB 16.00 million.

Cash flows used financing activities in 2017 was THB (83.22) million

- Cash decreased from repaying financial institutions and external party by THB 86.13 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 2017 and 2016

		Consolidated financial statement	
Financial ratios		2017	2016
Return On Equity (ROE)	%	(2.52)	1.37
Return on Asset (ROA)	%	(0.11)	1.68
Debt to Equity Ratio	times	1.23	1.69
Interest Coverage Ratio	times	(9.86)	10.29

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 (2.52%) decreased by 3.89% while ROA was (0.11)% decreased by 1.79 % Return on Equity (ROE) was (2.52%), decreased by 3.89% while return on Assets (ROA) was (0.11%), decreased by 1.79% Since lower operational performance of the retail business.

Debt to Equity Ratio was 1.23 times, decreased by 0.46 times Debt to Equity Ratio of the shareholder which decreased by 0.46 times because the shareholder's Equity increased from getting higher price in property revaluation.

Interest Coverage Ratio was (9.86) times, decreased by 20.15 times Interest Coverage Ratio decreased by 20.15 times due to a decrease in interest in accordance with the principle portion.

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Secretary Company



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