



## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report As of March 31, 2018

#### Overview

In Q1'2018, the Company got affected by continual economic slowdown, though the Company expedited adapting its structure and services to align with changes in customers' needs while competed with marketing competitor and rapid changes in technology.

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 13 small unprofitable branches in Q1'2018 and being more careful on opening a new branch.

In Q1'2018, the total number of the active branches as of March 31, 2018 was 379 branches and one point of sale.

#### ***SE-ED's loss profit in Q1'2018 is THB 3.59 million.***

According to consolidated financial statements in Q1'2018, net loss profit of the Company is THB 3.59 million, loss increased by THB 1.99 million, which accounted for 124.38%. The net loss in separate financial statements is THB 4.40 million, loss increased by THB 2.77 million, which accounted for 170.29%. The outcome statements can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 12.68% from the previous year. The total revenue from the separate financial statement decreased by 13.46% which primarily caused by the revenue from the Company's retail business declined due to customer traffic lessened and customers preferred social media as a tool for information and knowledge, negatively affected retail business in overall. Also, this decrease of revenue was affected by closing down unprofitable branches

However, the gross margin decreased by 0.38% due to marketing activities for sales promotions.

- **The selling and administrative expenses** decreased by 12.78% 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. Also, electricity charge decreased because of using energy-saving appliances.
- **Finance cost** decreased by THB 1.02 million because the Company paid the long-term loan on time.

**Table 1 : Operation results for the three-month period ended 31 March of 2018 and 2017**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>Q1'2018</b>	<b>Q1'2017</b>	<b>Increase (decrease)</b>	<b>%</b>
Revenue from sales of goods	843.43	965.91	(122.48)	(12.68%)
Cost of sales	560.90	638.70	(77.80)	(12.18%)
Gross profit	282.53	327.21	(44.68)	(13.65%)
<b>Gross profit margin</b>	<b>33.50%</b>	<b>33.88%</b>		<b>(0.38%)</b>
<b>EBITDA</b>	<b>29.04</b>	<b>32.39</b>	<b>(3.35)</b>	<b>(10.34%)</b>
<b>Profit (loss) attributable to</b>				
Equity holders of the Company	(3.59)	(1.60)	(1.99)	124.38%
Net earnings per share	(0.009)	(0.004)	(0.01)	125.00%

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

***In Q1'2018,  
Margin decreased  
or 0.38%***

In Q1'2018, gross profit was THB 282.53 million, decreased by THB 44.68 million or 13.65% from the previous year due to a decrease in sales. Gross margin in Q1'2018 was 33.50%, decreased by 0.38% from the previous year due to marketing activities in order to promote retail sales to serve the demand of target customers.

***In Q1'2018, cost of  
sales and services  
decreased by THB  
77.80 million***

Cost of sales and services according to consolidated financial statements is THB 560.90 million, decreased by THB 77.80 million or 12.18% in accordance with the decline of sales.

***EBITDA decreased by  
THB 3.35 million or  
10.34%***

EBITDA decreased by THB 3.35 million. Net profit decreased by THB 1.99 million, 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 March 2018 and 31 December 2017**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>Increase (decrease)</b>	<b>%</b>
Current assets	756.48	670.99	85.49	12.74%
Non-current assets	2,044.37	2,068.64	(24.27)	(1.17%)
<b>Total assets</b>	<b>2,800.85</b>	<b>2,739.63</b>	<b>61.22</b>	<b>2.23%</b>
Current liability	1,170.52	1,300.27	(129.75)	(9.98%)
Non-current liability	389.33	195.57	193.76	99.07%
Total liability	1,559.85	1,495.84	64.01	4.28%
Total shareholder's equity	1,241.00	1,243.79	(2.79)	(0.22%)
<b>Total liability and shareholder's equity</b>	<b>2,800.85</b>	<b>2,739.63</b>	<b>61.22</b>	<b>2.23%</b>

**Current assets**

Current assets increased by THB 85.49 million as follows:

**increased by THB  
85.49 million or 12.74%**

- Trade receivables and other receivables increased by THB 54.28 Million or accounted for 68.69% which was resulted from coming-back semester of most educational institutes.
- Goods increased by THB 31.52 million or 9.70%. This was due to ordered foreign books prepared for accommodating new semester.

**Non-current assets**

Non-current assets decreased by THB 24.27 million from amortization of 13 closed down branches' decorating costs in Q1'2018.

**decreased by THB  
24.27 million or 1.17%****Current liability**

Current liability decreased by THB 129.75 million incurred from long term loans re-classification.

**decreased by THB  
129.75 million or 9.98%****Non-current liability**

Non-current liability increased by THB 193.76 million from reclassifying back to a long term loan class, resulting from receiving the letter of indulgence regarding terms and conditions in retaining financial ratio in this quarter.

**increased by THB  
193.76 million or  
99.07%**

**Shareholder's equity** Shareholder's equity decreased by THB 2.79 million Because the Company's lower  
**decreased by THB 2.79** operational performance.  
**million or 0.22%**

**Table 3 : Statement of cash flows for the three-month period ended 31 March 2018 and 2017**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>Q1'2018</b>	<b>Q1'2017</b>	<b>Increase (decrease)</b>	<b>%</b>
Cash flows from (used) operation activities	(20.53)	(89.02)	68.49	(76.94%)
Cash flows from (used) investing activities	(7.45)	(22.41)	14.96	(66.76%)
Cash flows from (used) financing activities	4.90	41.37	(36.47)	(88.16%)
<b>Cash flows (decreased)</b>	<b>(23.08)</b>	<b>(70.06)</b>	<b>46.98</b>	<b>(67.06%)</b>

**Cash flows used in  
operation activities in  
Q1'2018 was THB  
(20.53) million**

- Profit from operations that was cash equaled THB 44.87 million as follows:
  - Loss before income tax in Q1/2018 was THB 3.77 million.
  - Adjustments to reconcile profit before tax totals THB 48.64 million; including depreciation and amortization of THB 25.96 million; Allowance for doubtful accounts and estimated goods return of THB 4.84 million; Provision for long-term employee benefits of THB 4.69 million; Interest expenses of THB 4.13 million; Expense from loss of inventories of THB 3.10 million; Amortization leasehold right on land and buildings of THB 2.72 million; Loss on sales and written-off equipment of THB 2.15 million.
- Cash was decreased by trade receivables and other receivables which were increased by THB 59.12 Million. This gaining was from sales to educational institutes for a new semester.
- Cash increased from trade and other payables by THB 47.60 million from purchasing to accommodate a new semester.
- Cash decreased because inventories increased by THB 37.42 million, from which are the foreign books stocked up for a new semester.
- Cash decreased from deferred advance income decreased by THB 12.18 million because of revenue recognition from tuition fee in this period.
- Cash decreased from increasing current assets by THB 5.34 Million. This emerged from an up-front payment for insurance charge of the Company and its Subsidiaries.
- Cash decreased from paying employees' long-term benefits for THB 3.79 million in the form of the honor rewards program for employees.

- Cash flows used in investing activities in Q1'2018 was THB (7.45) million.**
- Cash increased from a deposit of the former land and building in the amount of THB 20.00 million.
  - Cash decreased by THB 16.32 million from purchasing short-term investment capitals.
  - Cash was decreased from increasing equipment payment by THB 11.36 Million. This equipment was occurred from purchasing book shelves and computer tools.
- Cash flows from financing activities in Q1'2018 was THB 4.90 million**
- Cash increased from a short-term loan of THB 30 million as working capital which borrowed from a financial institution.
  - Cash decreased from repaying to financial institutions by THB 25.10 million.

**Table 4 : Financial ratio of Q1'2018 and Q1'2017**

		<b>Consolidated financial statement</b>	
<b>Financial ratios</b>		<b>Q1'2018</b>	<b>Q1'2017</b>
Return On Equity (ROE)	%	(2.82)	2.50
Return on Asset (ROA)	%	(0.13)	2.06
Debt to Equity Ratio	times	1.26	1.68
Interest Coverage Ratio	times	11.94	13.56

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 (2.82%) decreased by 5.32% while ROA was (0.13%) decreased by 2.19 %**

Return on Equity (ROE) was (2.82%), decreased by 5.32% while return on Assets (ROA) was (0.13%), decreased by 2.19% Since lower operational performance of the retail business.

**Debt to Equity Ratio**  
**was 1.26 times,**  
**decreased by 0.42**  
**times**

Debt to Equity Ratio of the shareholder which decreased by 0.42 times because the shareholder's Equity increased from getting higher price in property revaluation.

**Interest Coverage**  
**Ratio was 11.94 times,**  
**decreased by 1.62**  
**times**

Interest Coverage Ratio decreased by 1.62 times due to a decrease in interest in accordance with the principle portion.

Signature.....

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Deputy Managing Director and Secretary Company

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