



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the six-month period ended 30 June, 2018

Overview

For 1H'2018, the Company has been continuously adjusting itself to meet the customers' requirements and to compete with competitors in the era of rapid and complicated changes of market and 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 20 small unprofitable branches in 1H'2018 and being more careful on opening a new branch.

In 1H'2018, the total number of the active branches as of June 30, 2018 was 371 branches.

SE-ED's profit in Q2'2018 for the six-month is THB 53.34 million.

According to consolidated financial statements in 1H'2018, net profit of the Company is THB 53.34 million, profit increased by THB 28.10 million, which accounted for 111.31%. The net profit in separate financial statements is THB 39.24 million, profit increased by THB 27.05 million, which accounted for 221.82%. The outcome statements can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 11.75% from the previous year. The total revenue from the separate financial statement decreased by 12.62% which primarily caused by the revenue from the Company's retail business declined due to customer traffic lessened and customers spent more time on social media for information, negatively affected retail business in overall. Also, this decrease of sales was affected by closing down unprofitable branches

However, the gross margin increased by 1% caused by the adjustment of the product mix within the stores. This is focused on improving profitability as well as negotiating on commercial provisions to be more suitable.

- **The selling and administrative expenses** decreased by 13.05% due to better stock management, improved working performance, and well costs and expenses control.
- **Finance cost** decreased by THB 2.56 million because the Company paid the long-term loan on time.

Table 1 : Operation results for the six-month period ended 30 June of 2018 and 2017

(Unit : Million Baht)

	Consolidated financial statement			
	Q2'2018	Q2'2017	Increase (decrease)	%
Revenue from sales of goods	1,767.95	2,010.33	(242.39)	(12.06%)
Cost of sales	1,131.28	1,306.40	(175.12)	(13.40%)
Gross profit	636.67	703.93	(67.27)	(9.56%)
Gross profit margin	36.01%	35.02%		1.00%
EBITDA	119.86	99.25	20.61	20.77%
Profit (loss) attributable to				
Equity holders of the Company	46.22	18.51	27.71	149.70%
Net earnings per share	0.12	0.05	0.07	140.00%

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

**Margin increased
or 1%**

In Q2'2018, gross profit was THB 636.67 million, decreased by THB 67.27 million or 9.56% from the previous year due to a decrease in sales. Gross margin in Q2'2018 was 36.01%, increased by 1% from the previous year due to better product mix management to improve profitability.

**cost of sales and
services decreased by
THB 175.12 million**

Cost of sales and services according to consolidated financial statements is THB 1,131.28 million, decreased by THB 175.12 million or 13.40% in accordance with the decline of sales.

**EBITDA increased by
THB 20.61 million or
20.77%**

EBITDA increased by THB 20.61 million. Net profit increased by THB 27.71 million from better product management.

Table2: Statement of financial position As at 30 June 2018 and 31 December 2017

(Unit : Million Baht)

	Consolidated financial statement			
	30 June 2018	31 December 2017	Increase (decrease)	%
Current assets	792.30	670.99	121.31	18.08%
Non-current assets	2,023.51	2,068.64	(45.13)	(2.18%)
Total assets	2,815.81	2,739.63	76.18	2.78%
Current liability	1,142.28	1,300.27	(157.99)	(12.15%)
Non-current liability	376.40	195.57	180.83	92.46%
Total liability	1,518.68	1,495.84	22.84	1.53%
Total shareholder's equity	1,297.13	1,243.79	53.34	4.29%
Total liability and shareholder's equity	2,815.81	2,739.63	76.18	2.78%

Current assets

**increased by THB
121.31 million or
18.08%**

Current assets increased by THB 121.31 million as follows:

- Trade receivables and other receivables increased by THB 125.67 Million or accounted for 159.02% which was resulted from coming-back semester of most educational institutes.
- Temporary Investment increased by THB 16.94 Million or 89.70%.

Non-current assets

**decreased by THB
45.13 million or 2.18%**

Non-current assets decreased by THB 45.13 million from accounting depreciation of lands, buildings, and equipment in 1H'2018.

Current liability

**decreased by THB
157.99 million or
12.15%**

Current liability decreased by THB 157.99 million incurred from long term loans re-classification.

Non-current liability

**increased by THB
180.83 million or
92.46%**

Non-current liability increased by THB 180.83 million from reclassifying to a long term loan class, resulting from receiving the letter of indulgence regarding terms and conditions in retaining financial ratio in the last quarter.

Shareholder's equity increased by THB 53.34 million or 4.29% Shareholder's equity increased by THB 53.34 million due to the profits from operating performance.

Table 3 : Statement of cash flows for the six-month period ended 30 June 2018 and 2017

(Unit : Million Baht)

	Consolidated financial statement			%
	Q2'2018	Q2'2017	Increase (decrease)	
Cash flows from (used) operation activities	32.65	54.36	(21.71)	(39.94%)
Cash flows from (used) investing activities	(18.72)	(54.55)	35.83	65.68%
Cash flows from (used) financing activities	(40.00)	(43.23)	3.23	7.47%
Cash flows (decreased)	(26.07)	(43.42)	17.35	39.96%

Cash flows from operation activities in 1H'2018 was THB 32.65 million

The net cash flows from operation in the amount of THB 32.65 Million came from:

- Profit in the form of cash from operation was THB 144.15 Million.
- An increase of operation assets of THB 144.78 Million, which were trade receivables in educational institutes and schools at the beginning of a new semester.
- An increase of operation liability of THB 35.63 Million due to increasing trade payables from buying products for the new semester.

Cash flows used in investing activities in 1H'2018 was THB (18.72) million.

- Cash increased from a deposit of the former land and building in the amount of THB 20 million.
- Cash decreased by THB 16.50 million from purchasing short-term investment capitals.
- Cash was decreased from increasing equipment payment by THB 22.91 Million. This equipment was occurred from purchasing book shelves, computer tools, branches decoration, and subsidiary company's school building construction of THB 6.19 Million.

Cash flows used in financing activities in 1H'2018 was THB (40.00) million - Cash decreased from repaying to financial institutions by THB 40.30 million.

Table 4 : Financial ratio of Q2'2018 and Q2'2017

Financial ratios		Consolidated financial statement	
		Q2'2018	Q2'2017
Return On Equity (ROE)	%	0.19	(0.23)
Return on Asset (ROA)	%	0.88	0.81
Debt to Equity Ratio	times	1.17	1.61
Interest Coverage Ratio	times	19.14	15.31

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 0.19% increased by 0.42% while ROA was 0.88% increased by 0.07 % Return on Equity (ROE) was 0.19%, increased by 0.42% while Return on Assets (ROA) was 0.88% , increased by 0.07% as the improvement of the first half operating performance.

Debt to Equity Ratio was 1.17 times, decreased by 0.44 times Debt to Equity Ratio of the shareholder which decreased by 0.44 times due to the shareholder's Equity increased from new assets revaluation at the end of the year 2017.

Interest Coverage Interest Coverage Ratio increased by 3.83 times due to a decrease in interest in accordance
Ratio was 19.14 times, with the principle portion.
increased by 3.83
times

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Secretary Company

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