



## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report for the nine-month period ended 30 September, 2018

#### Overview

In 9M/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 26 small unprofitable branches in 9M/2018 and being more careful on opening a new branch.

In 9M/2018, the Company launched a SE-ED Book Center for Lotus Panatnikom branch (Hypermarket). As a result, the total number of the active branches was 366 branches as of September 30, 2018.

#### ***SE-ED's profit in Q3'2018 for the nine-month is THB 14.07 million.***

In consolidated financial statements of 9M/2018, net profit of the Company was THB 14.07 million and profit increased by THB 20.37 million or 323.33%. The net profit in separate financial statements is THB 6.50 million, profit increased by THB 15.29 million or 173.85% in separate financial statements. This was a result of improved inventory management with better turnover rate and profit from selling the Company's previous land and property.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 11.54% from the previous year. The total revenue from the separate financial statement decreased by 12.76% 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 0.05% 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 12.27% due to better stock management, improved working performance, and well costs and expenses control.
- **Finance cost** decreased by THB 3.60 million because the Company paid the long-term loan on time.

**Table 1 : Operation results for the nine-month period ended 30 September of 2018 and 2017**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>Q3'2018</b>	<b>Q3'2017</b>	<b>Increase (decrease)</b>	<b>%</b>
Revenue from sales of goods	2,555.43	2,888.81	(333.39)	(11.54%)
Cost of sales	1,674.04	1,893.94	(219.90)	(11.61%)
Gross profit	881.39	994.87	(113.49)	(11.41%)
<b>Gross profit margin</b>	<b>34.49%</b>	<b>34.44%</b>		<b>0.05%</b>
<b>EBITDA</b>	<b>122.15</b>	<b>107.85</b>	<b>14.30</b>	<b>13.26%</b>
<b>Profit (loss) attributable to</b>				
Equity holders of the Company	14.07	(6.30)	20.37	323.33%
Net earnings per share	0.04	(0.02)	0.06	300.00%

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

**Margin increased  
or 0.05%**

In 9M/2018, gross profit was THB 881.39 million, decreased by THB 113.49 million or 11.41% from the previous year due to a decrease in sales. Gross margin in 9M/2018 was 34.49%, increased by 0.05% from the previous year due to better product mix management to improve profitability.

**cost of sales and  
services decreased by  
THB 219.90 million**

Cost of sales and services according to consolidated financial statements is THB 1,674.04 million, decreased by THB 219.90 million or 11.61% in accordance with the decline of sales.

**EBITDA increased by  
THB 14.30 million or  
13.26%**

EBITDA increased by THB 14.30 million as a result of net profit increased by THB 20.37 million, due to improved inventory management and profit from selling the Company's previous land and property.

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

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>30 September 2018</b>	<b>31 December 2017</b>	<b>Increase (decrease)</b>	<b>%</b>
Current assets	591.13	670.99	(79.86)	(11.90%)
Non-current assets	2,003.56	2,068.64	(65.08)	(3.15%)
<b>Total assets</b>	<b>2,594.69</b>	<b>2,739.63</b>	<b>(144.94)</b>	<b>(5.29%)</b>
Current liability	974.44	1,300.27	(325.83)	(25.06%)
Non-current liability	354.78	195.57	(159.21)	81.41%
Total liability	1,329.22	1,495.84	(166.62)	(11.14%)
Total shareholder's equity	1,265.47	1,243.79	21.68	1.74%
<b>Total liability and shareholder's equity</b>	<b>2,594.69</b>	<b>2,739.63</b>	<b>(144.94)</b>	<b>(5.29%)</b>

**Current assets**

Current assets decreased by THB 79.86 million as follows:

**decreased by THB  
79.86 million or 11.90%**

- Non-current assets held for sale decreased by THB 50.43 million from selling the Company's previous land and property.
- Temporary investments decreased by THB 18.88 Million or 100% by selling for paying long-term loans.

**Non-current assets**

Non-current assets decreased by THB 65.08 million from accounting depreciation of lands, buildings, and equipment in 9M/2018.

**decreased by THB  
65.08 million or 3.15%****Current liability**

Current liability decreased by THB 325.83 million incurred from long term loans re-classification.

**decreased by THB  
325.83 million or  
25.06%****Non-current liability**

Non-current liabilities increased by THB 159.21 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.

**increased by THB  
159.21 million or  
81.41%**

**Shareholder's equity** Shareholder's equity increased by THB 21.68 million due to the profits.  
**increased by THB**  
**21.68 million or 1.74%**

**Table 3 : Statement of cash flows for the nine-month period ended 30 September 2018 and 2017**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>Q3'2018</b>	<b>Q3'2017</b>	<b>Increase (decrease)</b>	<b>%</b>
Cash flows from (used) operation activities	(25.31)	62.82	(88.13)	(140.29%)
Cash flows from (used) investing activities	32.92	(28.59)	61.51	215.15%
Cash flows from (used) financing activities	(55.41)	(64.40)	8.99	13.96%
<b>Cash flows (decreased)</b>	<b>(47.80)</b>	<b>(30.17)</b>	<b>(17.63)</b>	<b>(58.43%)</b>

**Cash flows used in operation activities in 9M/2018 was THB (25.31) million**

The net cash flows from operation in the amount of THB (25.31) Million came from:

- Profit in the form of cash from operation was THB 133.79 Million.
- An increase of operation assets of THB 51.89 Million, which were trade receivables in educational institutes and schools at the beginning of a new semester.
- Operational liabilities decreased by THB 97.34 Million due to a decrease of trade payables, which aligned with a decline of sales.
- Cash decreased by THB 11.56 million from paying an interest of the long-term loans.

**Cash flows from investing activities in 9M/2018 was THB 32.92 million.**

- Cash increased by THB 44 million from selling the Company's previous land and property.
- Cash increased by THB 19.60 million from selling short-term investments.
- Cash decreased by THB 32.88 Million from purchasing equipment: book shelves, computer tools, and electrical tools.

**Cash flows used in financing activities in 9M/2018 was THB (55.41) million**

- Cash decreased from repaying to financial institutions by THB 55.41 million.

**Table 4 : Financial ratio of Q3'2018 and Q2'2017**

		<b>Consolidated financial statement</b>	
<b>Financial ratios</b>		<b>Q3'2018</b>	<b>Q3'2017</b>
Return On Equity (ROE)	%	(0.52)	(1.67)
Return on Asset (ROA)	%	0.82	0.36
Debt to Equity Ratio	times	1.06	1.53
Interest Coverage Ratio	times	13.03	12.51

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 (0.52%) increased by 1.66% while ROA was 0.82% increased by 0.35 %**

Return on Equity (ROE) was (0.52%) increased by 1.66% while Return on Assets (ROA) was 0.82% increased by 0.35%, aligning with improving operating performance.

**Debt to Equity Ratio was 1.05 times, decreased by 0.48 times**

Debt to Equity Ratio of the shareholder which decreased by 0.48 times due to paying long-term liabilities which was due.

**Interest Coverage Ratio was 13.03 times, increased by 0.53 times**

Interest Coverage Ratio increased by 0.53 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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