



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the Year period ended 31 December , 2018

Overview

In the year of 2018, the Company was getting well adapted in every aspect, especially in the following aspects:

- Better product management to have a more effective turnover rate, yielding a decrease of expenses from reserving for the slow-turnover goods
- Better product ratio in the bookstores which meet the needs of main targeted customers of each branch, resulting in better profitability
- Better creative marketing promotions regarding the Government's national policy on shopping which was one of the factors that improved the Company's operational performance. Also, shutting unprofitable 37 branches and continuously financial cutbacks make better expense control for the Company. As of 31 December, 2018 the 355 branches are active.
- The new market penetration like the institute market, and the products for improving students' potential received clearly better response than in 2017. It allows the Company to meet the institutes' needs more precisely. The mentioned products are the course books from Oxford University Press with its curriculum in improving English teachers and criteria for evaluating 4 skills of CEFR (Cambridge Assessment), including the digital self-learning media for improving English proficiency which are available anywhere and anytime.

SE-ED's profit in 2018 is THB 14.61 million.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 10.26% from the previous year. The total revenue from the separate financial statement decreased by 11.28% 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

- **The selling and administrative expenses** decreased by 12.54% due to better stock management, improved working performance, and well costs and expenses control.
- **Finance cost** decreased by THB 4.59 million because the Company paid the long-term loan on time.

Table 1 : Operation results of 2018 and 2017

(Unit : Million Baht)

	Consolidated financial statement			
	2018	2017	Increase (decrease)	%
Revenue from sales of goods	3,304.68	3,697.17	(392.49)	(10.62%)
Cost of sales	2,172.51	2,430.24	(257.73)	(10.61%)
Gross profit	1,132.17	1,266.93	(134.76)	(10.64%)
Gross profit margin	34.26%	34.27%		(0.01%)
EBITDA	147.71	120.18	27.53	22.91%
Profit (loss) attributable to				
Equity holders of the Company	14.61	(25.70)	40.31	156.85%
Net earnings per share	0.04	(0.07)	0.11	157.14%

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

***Margin decreased
or 0.01%***

In 2018, gross profit was THB 1,132.17 million, decreased by THB 134.76 million or 10.64% from the previous year due to a decrease in sales. Gross margin in 2018 was 34.26%, decreased by 0.01% from the previous year due to marketing promotions to draw in customers.

***cost of sales and
services decreased by
THB 257.73 million***

Cost of sales and services according to consolidated financial statements is THB 2,172.51 million, decreased by THB 257.73 million or 10.61% in accordance with the decline of sales.

***EBITDA increased by
THB 27.53 million or
22.91%***

EBITDA increased by THB 27.53 million as a result of net profit increased by THB 40.31 million, due to improved inventory management and a decrease of long-term benefits for employees since the branches were closed in the past three years. Also, the Company gained profit from selling the Company's previous land and property.

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

(Unit : Million Baht)

	Consolidated financial statement			
	31 December 2018	31 December 2017	Increase (decrease)	%
Current assets	591.84	670.99	(79.15)	(11.80%)
Non-current assets	1,982.31	2,068.64	(86.33)	(4.17%)
Total assets	2,574.15	2,739.63	(165.48)	(6.04%)
Current liability	979.36	1,300.27	(320.91)	(24.68%)
Non-current liability	329.15	195.57	133.58	68.30%
Total liability	1,308.51	1,495.84	(187.33)	(12.52%)
Total shareholder's equity	1,265.64	1,243.79	21.85	1.76%
Total liability and shareholder's equity	2,574.15	2,739.63	(165.48)	(6.04%)

Current assets

Current assets decreased by THB 79.15 million as follows:

**decreased by THB
79.15 million or 11.80%**

- 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 86.33 million from accounting depreciation of lands, buildings, and equipment in 2018.

**decreased by THB
86.33 million or 4.17%****Current liability**

Current liability decreased by THB 320.91 million incurred from long term loans re-classification.

**decreased by THB
320.91 million or
24.68%****Non-current liability**

Non-current liabilities increased by THB 133.58 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
133.58 million or
68.30%****Shareholder's equity**

Shareholder's equity increased by THB 21.85 million due to the profits.

**increased by THB
21.85 million or 1.76%**

Table 3 : Statement of cash flows of 31 December 2018 and 2017

(Unit : Million Baht)

	Consolidated financial statement			%
	2018	2017	Increase (decrease)	
Cash flows from (used) operation activities	45.07	106.95	(61.88)	(57.86%)
Cash flows from (used) investing activities	26.82	(36.92)	63.74	(172.64%)
Cash flows from (used) financing activities	(78.29)	(83.22)	4.93	5.92%
Cash flows (decreased)	(6.40)	(13.19)	6.79	51.48%

Cash flows from operation activities in 2018 was THB 45.07 million

The net cash flows from operation in the amount of THB 45.07 million came from:

- Profit in the form of cash from operation was THB 137.29 million.
- Operational assets decreased THB 13.68 million due to payment received from educational receivables.
- Operational liabilities decreased by THB 91.09 million due to a decrease of trade payables, which aligned with a decline of sales.
- Cash decreased by THB 14.91 million from paying an interest of the long-term loans.

Cash flows from investing activities in 2018 was THB 26.82 million.

- Cash increased by THB 44 million from selling the Company's previous land and property.
- Cash increased by THB 19.72 million from selling short-term investments.
- Cash decreased by THB 41.04 million from purchasing equipment: book shelves, computer tools, and electrical tools.
- Provident fund gained from the associate company M&E in the amount of THB 1 million.

Cash flows used in financing activities in 2018 was THB (78.29) million

- Cash decreased from repaying to financial institutions by THB 70.51 million.
- Cash decreased from paying dividend in the amount of THB 7.78 million due to the operation of Plearn Patt Co., Ltd. the Company's subsidiary company.

Table 4 : Financial ratio of 2018 and 2017

		Consolidated financial statement	
Financial ratios		2018	2017
Return On Equity (ROE)	%	1.25	(2.52)
Return on Asset (ROA)	%	1.37	(0.11)
Debt to Equity Ratio	times	1.03	1.29
Interest Coverage Ratio	times	10.67	10.78

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 1.25% increased by 3.77% while ROA was 1.37% increased by 1.48 %

Return on Equity (ROE) was 1.25% increased by 3.77% while Return on Assets (ROA) was 1.37% increased by 1.48%, aligning with improving operating performance.

Debt to Equity Ratio was 1.03 times, decreased by 0.26 times

Debt to Equity Ratio of the shareholder which decreased by 0.26 times due to paying long-term liabilities which was due.

Interest Coverage Ratio was 10.67 times, decreased by 0.11 times

Interest Coverage Ratio decreased by 0.11 times due to a decrease of cash from operational margin and a decrease of interest in accordance with the principle portion.

Signature.....

(Mr. Viboolsak Udomvanich)

Deputy Managing Director and Secretary Company

INVESTOR RELATION

<http://www.se-ed.com>

<http://corporate.se-ed.com>

IR@SE-ED.COM 0-2826-8000# 8