



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of March 31 , 2019

Overview

In Q1'2019, the Company was getting well adapted in every aspect as follows:

- Continuous financial cutbacks in every dimension, especially reorganizing the employee structure in order to achieve effectiveness, and shutting unprofitable 9 branches, to make better expense control for the Company. As of 31 March, 2019 the 346 branches are active.
- The new market penetration like the institute market had clearly been well welcomed along with products for improving English proficiency of the educational officers and students. It allows the Company to meet the institutes' needs more precisely and aligned with national policies on education. For example, 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.
- Better product mix ratio that served the right targets of each branch. The Company also launched new imprints to reach the new audience, which are 1) Change+ for self-development books 2) Fukuro for tutoring and examination in a secondary level 3) Wisdom World for tutoring and entrance examination in a university level 4) Life+ for health, food, and lifestyle 5) Unicorn Books for fiction. They helped improving profitability of the Company.
- Better creative marketing promotions regarding the Government's national policy on shopping which was one of the factors that helped thriving book business.

SE-ED's loss profit in Q1'2019 is THB 12.39 million.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 9.04% from the previous year. The total revenue from the separate financial statement decreased by 10.12% 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 6.87% due to better stock management, improved working performance, and well costs and expenses control.
- **Finance cost** decreased by THB 0.86 million because the Company paid the long-term loan on time.

Table 1 : Operation results for the three-month period ended 31 March of 2019 and 2018

(Unit : Million Baht)

	Consolidated financial statement			
	Q1'2019	Q1'2018	Increase (decrease)	%
Revenue from sales of goods	773.67	843.43	(69.76)	(8.27%)
Cost of sales	513.78	560.90	(47.12)	(8.40%)
Gross profit	259.89	282.53	(22.64)	(8.01%)
Gross profit margin	33.59%	33.50%		0.09%
EBITDA	15.85	29.04	(13.19)	(45.42%)
Profit (loss) attributable to				
Equity holders of the Company	(12.39)	(3.59)	(8.80)	(245.13%)
Net earnings per share	(0.032)	(0.009)	(0.023)	(255.56%)

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

***% Margin increased
or 0.09%***

In Q1'2019, gross profit was THB 259.89 million, decreased by THB 22.64 million or 8.01% from the previous year due to a decrease in sales. Gross margin in Q1'2019 was 33.59%, increased by 0.09% from the previous year due to effective cost control in imported products and continuous marketing promotions.

***cost of sales and
services decreased by
THB 47.12 million***

Cost of sales and services according to consolidated financial statements is THB 513.78 million, decreased by THB 47.12 million or 8.40% in accordance with the decline of sales.

***EBITDA decreased by
THB 13.19 million or
45.42%***

EBITDA decreased by THB 13.19 million due to a decrease of gross profit.

Table2: Statement of financial position As at 31 March 2019 and 31 December 2018

(Unit : Million Baht)

Consolidated financial statement				
	31 March 2019	31 December 2018	Increase (decrease)	%
Current assets	658.55	591.84	66.71	11.27%
Non-current assets	1,958.60	1,982.31	(23.71)	(1.20%)
Total assets	2,617.15	2,574.15	43.00	1.67%
Current liability	1,067.71	986.11	81.60	8.27%
Non-current liability	327.95	355.52	(27.57)	(7.75%)
Total liability	1,395.66	1,341.63	54.03	4.03%
Total shareholder's equity	1,221.49	1,232.52	(11.03)	(0.89%)
Total liability and shareholder's equity	2,617.15	2,574.15	43.00	1.67%

Current assets

Current assets increased by THB 66.71 million as follows:

**increased by THB
66.71 million or 11.27%**

- Trade receivables and other receivables increased by THB 59.53 Million or accounted for 94.56% which was resulted from coming-back semester of most educational institutes.
- Inventories increased by THB 24.22 million. This was due to ordered foreign books prepared for accommodating new semester.

Non-current assets**decreased by THB****23.71 million or 1.20%**

- Non-current assets decreased by THB 23.71 million due to periodic depreciation of building and equipment.

Current liability

Current liability increased by THB 81.60 million as follows:

**increased by THB
81.60 million or 8.27%**

- The short-term loans increased by THB 50 million from loan from a financial institution.
- Trade accounts payable and other payables increased by THB 38.91 million due to purchasing for a new semester.

Non-current liability**decreased by THB****27.57 million or 7.75%**

Non-current liabilities decreased by THB 27.57 million due to payments for a long-term loan.

Shareholder's equity decreased by THB 11.03 million or 0.89% Shareholder's equity decreased by THB 11.03 million because of adjustment decreased retained earnings from realizing the entrance fee of Pleam Pattana School, the Company subsidiary.

Table 3 : Statement of cash flows for the three-month period ended 31 March 2019 and 2018

(Unit : Million Baht)

	Consolidated financial statement			
	Q1'2019	Q1'2018	Increase (decrease)	%
Cash flows from (used) operation activities	(47.31)	(20.53)	(26.78)	(130.44%)
Cash flows from (used) investing activities	(6.64)	(7.45)	0.81	10.87%
Cash flows from (used) financing activities	34.90	4.90	30.00	612.24%
Net Cash flows (decreased)	(19.05)	(23.08)	4.03	17.46%

Cash flows used in operation activities in Q1'2019 was THB (47.31) million

The net cash flows from operation in the amount of THB (47.31) million came from:

- Profit in the form of cash from operation was THB 33.31 million.
- Operational assets increased THB 97.92 million due to an increase of goods and trade receivables during a summer semester.
- Operational liabilities increased by THB 26.80 million because foreign payables purchased for the new semester.
- Cash decreased from paying employees' long-term benefits for THB 5.60 million in the form of the honor rewards program for employees.
- Cash decreased by THB 3.28 million from paying an interest of the long-term loans.

Cash flows used in investing activities in Q1'2019 was THB (6.64) million.

- Cash decreased by THB 3.93 million from renovating the building of its subsidiary company.
- Cash decreased by THB 3.36 million from purchasing equipment for the warehouse.

Cash flows from financing activities in Q1'2019 was THB 34.90 million

- Cash increased from a short-term loan of THB 50 million as working capital which borrowed from a financial institution.
- Cash decreased from repaying to financial institutions by THB 15.10 million.

Table 4 : Financial ratio of Q1'2019 and Q1'2018

		Consolidated financial statement	
Financial ratios		Q1'2019	Q1'2018
Return On Equity (ROE)	%	0.51	(2.72)
Return on Asset (ROA)	%	0.97	(0.13)
Debt to Equity Ratio	times	1.14	1.26
Interest Coverage Ratio	times	11.34	11.94

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 0.51% increased by 3.23% while ROA was 0.97% increased by 1.10 %

Return on Equity (ROE) was 0.51% increased by 3.23% while Return on Assets (ROA) was 0.97% increased by 1.10% because realization of profit from selling land and old office building.

Debt to Equity Ratio was 1.14 times, decreased by 0.12 times

Debt to Equity Ratio of the shareholder which decreased by 0.12 times due to paying long-term liabilities which was due.

Interest Coverage Ratio was 11.34 times, decreased by 0.60 times

Interest Coverage Ratio decreased by 0.60 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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