



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the six-month period ended 30 June, 2019

Overview

For 1H'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 15 branches, to make better expense control for the Company. As of 30 June, 2019 the 330 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 based on CEFR (Common European Framework of Reference for Languages) and an assessment tool for improving English proficiency (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) Fukurou 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.
- From the operating performance of the 1H'2019, the Company's profit in the period before the remuneration adjustment due to the labor laws was THB 32.07 million, decreased by 28.47% from the same period last year. This was a result from the decline of sales in retail businesses affected by fewer customers' traffic in shopping malls and from the change of consumers' behaviors that tended to spend their time more on online. If the remuneration

SE-ED's profit in Q2'2019 for the six-month is THB 21.31 million.

adjustment was included complied with the new labor laws, it was THB 21.31 million or 52.46% from the same period.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 6.70% from the previous year. The total revenue from the separate financial statement decreased by 7.66% 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 5.52% due to better stock management, improved working performance, and well costs and expenses control.
- **Finance cost** decreased by THB 1.37 million because the Company paid the long-term loan on time.

Table 1 : Operation results for the six-month period ended 30 June of 2019 and 2018

(Unit : Million Baht)

	Consolidated financial statement			
	Q2'2019	Q2'2018	Increase (decrease)	%
Revenue from sales of goods	1,643.65	1,765.12	(121.47)	(6.88%)
Cost of sales	1,064.49	1,131.28	(66.79)	(5.90%)
Gross profit	579.16	633.84	(54.68)	(8.63%)
Gross profit margin	35.24%	35.91%		(0.67%)
EBITDA	89.33	117.03	(27.70)	(23.67%)
Profit (loss) attributable to				
Equity holders of the Company	21.31	44.83	(23.52)	(52.46%)
Net earnings per share (Unit : Baht)	0.05	0.11	(0.06)	(54.55%)

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

% Margin decreased or 0.67%

In Q2'2019, gross profit was THB 579.16 million, decreased by THB 54.68 million or 8.63% from the previous year due to a decrease in sales. Gross margin in Q2'2019 was 35.24%, decreased by 0.67% from the previous year due to the sales marketing and promotion for the Government's "shopping for the nation" policy.

cost of sales and services decreased by THB 66.79 million Cost of sales and services according to consolidated financial statements is THB 1,064.49 million, decreased by THB 66.79 million or 5.90% in accordance with the decline of sales.

EBITDA decreased by THB 27.70 million or 23.67% EBITDA decreased by THB 27.70 million due to a decrease of gross profit.

Table2: Statement of financial position As at 30 June 2019 and 31 December 2018

(Unit : Million Baht)

	Consolidated financial statement			
	30 June 2019	31 December 2018	Increase (decrease)	%
Current assets	717.19	591.84	125.35	21.18%
Non-current assets	1,944.60	1,982.31	(37.71)	(1.90%)
Total assets	2,661.79	2,574.15	87.64	3.40%
Current liability	1,078.32	986.11	92.21	9.35%
Non-current liability	321.94	355.52	(33.58)	(9.45%)
Total liability	1,400.26	1,341.63	58.63	4.37%
Total shareholder's equity	1,261.53	1,232.52	29.01	2.35%
Total liability and shareholder's equity	2,661.79	2,574.15	87.64	3.40%

Current assets

Current assets increased by THB 87.64 million as follows:

increased by THB 87.64 million or 3.40%

- Trade receivables and other receivables increased by THB 121.88 Million or accounted for 193.61% which was resulted mostly from educational institutes' receivables from coming-back semester.
- Inventories decreased by THB 16.66 million, affected by selling to the educational institutes receivables during coming-back semester and closing-down 15 branches in 1H'2019.

Non-current assets

decreased by THB

37.71 million or 1.90%

- Non-current assets decreased by THB 37.71 million due to periodic depreciation of building and equipment.

Current liability increased by THB 92.21 million or 9.35%

Current liability increased by THB 92.21 million as follows:

- The short-term loans increased by THB 30 million from loan from a financial institution.
- Trade accounts payable and other payables increased by THB 49.84 million due to purchasing for a new semester.

Non-current liability decreased by THB 33.58 million or 9.45%

Non-current liabilities decreased by THB 33.58 million due to payments for a long-term loan.

Shareholder's equity increased by THB 29.01 million or 2.35%

Shareholder's equity increased by THB 29.01 million due to the profits from operating performance.

Table 3 : Statement of cash flows for the six-month period ended 30 June 2019 and 2018

(Unit : Million Baht)

	Consolidated financial statement			
	Q2'2019	Q2'2018	Increase (decrease)	%
Cash flows from (used) operation activities	30.54	33.08	(2.54)	(7.68%)
Cash flows from (used) investing activities	(36.84)	(19.15)	(17.69)	(92.38%)
Cash flows from (used) financing activities	(0.20)	(40.00)	39.80	99.50%
Net Cash flows (decreased)	(6.50)	(26.07)	19.57	75.07%

Cash flows from operation activities in 1H'2019 was THB 30.54 million

The net cash flows from operation in the amount of THB 30.54 million came from:

- Profit in the form of cash from operation was THB 120.49 million.
- Operational assets increased THB 129.66 million, which were trade receivables in educational institutes and schools at the beginning of a new semester.
- Operational liabilities increased by THB 53.67 million because foreign payables purchased for the new semester.
- Cash decreased from paying employees' long-term benefits for THB 6.13 million in the form of the honor rewards program for employees and the remuneration for retired employees.
- Cash decreased by THB 6.61 million from paying an interest of the long-term loans.

Cash flows used in investing activities in 1H'2019 was THB (36.84) million.

- Cash decreased by THB 22.64 million from purchasing short-term investment capitals.
- Cash decreased by THB 15.26 million from purchasing computers and equipment for the warehouse.

Cash flows used in financing activities in 1H'2019 was THB (0.20) 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 a long-term loan to financial institutes by THB 30.20 million.

Table 4 : Financial ratio of Q2'2019 and Q2'2018

		Consolidated financial statement	
Financial ratios		Q2'2019	Q2'2018
Return On Equity (ROE)	%	(0.75)	0.06
Return on Asset (ROA)	%	0.56	0.77
Debt to Equity Ratio	times	1.11	1.17
Interest Coverage Ratio	times	19.41	18.79

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 (0.75%) decreased by (0.81%) while ROA was 0.56% decreased by (0.21%)

Return on Equity (ROE) was (0.75%) decreased by 0.81% while Return on Assets (ROA) was 0.56% decreased by 0.21% Since lower operational performance of the retail business.

Debt to Equity Ratio was 1.11 times, decreased by 0.06 times

Debt to Equity Ratio of the shareholder which decreased by 0.06 times due to paying long-term liabilities which was due.

Interest Coverage Ratio was 19.41 times, increased by 0.62 times

Interest Coverage Ratio increased by 0.62 times due to a decrease in interest in accordance with the principle portion.

Signature.....

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Deputy Managing Director and Secretary Company

INVESTOR RELATION

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