



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the nine-month period ended 30 September, 2019

Overview

For 9M'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 36 branches, to make better expense control for the Company. As of 30 September, 2019 the 319 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) 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 profit in Q3'2019 for the nine-month is THB 15.55 million.

In consolidated financial statements of 9M'2019, net profit of the Company was THB 15.55 million and profit increased by THB 2.87 million or 22.63%. The net profit in separate financial statements is THB 6.85 million, profit increased by THB 0.35 million or

5.38% in separate financial statements due to adjusting marketing activities to align with the profitability framework.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 9.14% from the previous year. The total revenue from the separate financial statement decreased by 10.03% 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 7.83% due to better stock management, improved working performance, and well costs and expenses control.
- **Finance cost** decreased by THB 2.04 million because the Company paid the long-term loan on time.

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

(Unit : Million Baht)

	Consolidated financial statement			
	Q3'2019	Q3'2018	Increase (decrease)	%
Revenue from sales of goods	2,319.76	2,552.60	(232.84)	(9.12%)
Cost of sales	1,501.80	1,674.04	(172.24)	(10.29%)
Gross profit	817.96	878.56	(60.60)	(6.90%)
Gross profit margin	35.26%	34.42%		0.84%
EBITDA	113.23	118.30	(5.07)	(4.29%)
Profit (loss) attributable to				
Equity holders of the Company	15.55	12.68	2.87	22.63%
Net earnings per share (Unit : Baht)	0.04	0.03	0.01	33.33%

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

**% Margin increased
or 0.84%**

In 9M'2019, gross profit was THB 817.96 million, decreased by THB 60.60 million or 6.90% from the previous year due to a decrease in sales. Gross margin in 9M'2019 was 35.26%, increased by 0.84% from the previous year due to more effective marketing management for sales promoting.

cost of sales and services decreased by THB 172.24 million Cost of sales and services according to consolidated financial statements is THB 1,501.80 million, decreased by THB 172.24 million or 10.29% in accordance with the decline of sales.

EBITDA decreased by THB 5.07 million or 4.29% EBITDA decreased by THB 5.07 million due to a decrease of depreciation from closing down book store branches and the learning center.

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

(Unit : Million Baht)

	Consolidated financial statement			
	30 September 2019	31 December 2018	Increase (decrease)	%
Current assets	529.26	591.84	(62.58)	(10.57%)
Non-current assets	1,932.83	1,982.31	(49.48)	(2.50%)
Total assets	2,462.09	2,574.15	(112.06)	(4.35%)
Current liability	893.93	986.11	(92.18)	(9.35%)
Non-current liability	310.19	355.52	(45.33)	(12.75%)
Total liability	1,204.12	1,341.63	(137.51)	(10.25%)
Total shareholder's equity	1,257.97	1,232.52	25.45	2.06%
Total liability and shareholder's equity	2,462.09	2,574.15	(112.06)	(4.35%)

Current assets decreased by THB 62.58 million or 10.57%

Current assets decreased by THB 62.58 million as follows:

- Cash and cash equivalents decreased by THB 79.64 million or 57.10% resulted from paying off the loans and paying to retail payables whose terms and conditions were changed in order to maintain the Company's maximum benefit.
- Trade receivables and other receivables increased by THB 30.09 Million or accounted for 47.80% which was resulted mostly from educational institutes' receivables from coming-back semester.
- Inventories decreased by THB 25.49 million or 7.61% affected by selling to the educational institutes receivables during coming-back semester and closing-down 36 branches in 9M'2019.
- Current investments increased by THB 6 million from investing in a fixed deposit account for seven months of its subsidiary company.

Non-current assets decreased by THB 49.48 million or 2.50% - Non-current assets decreased by THB 49.48 million due to periodic depreciation of building and equipment.

Current liability decreased by THB 92.18 million or 9.35% Current liability decreased by THB 92.18 million as follows:
 - Trade account payables and other payables decreased by THB 80.90 million due to paying to retail account payables.

Non-current liability decreased by THB 45.33 million or 12.75%
 - Long-term loans decreased by THB 55.76 million from paying off the due loan.
 - Retirement money reservation of the employees increased THB 9.18 million due to the new employment act.

Shareholder's equity increased by THB 25.45 million or 2.06% Shareholder's equity increased by THB 25.45 million due to an increase of net profit.

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

(Unit : Million Baht)

	Consolidated financial statement			
	Q3'2019	Q3'2018	Increase (decrease)	%
Cash flows from (used) operation activities	(14.01)	(24.88)	10.87	43.69%
Cash flows from (used) investing activities	(35.60)	32.50	(68.10)	(209.54%)
Cash flows from (used) financing activities	(30.03)	(55.41)	25.38	45.80%
Net Cash flows (decreased)	(79.64)	(47.79)	(31.85)	(66.65%)

Cash flows used in operation activities in 9M'2019 was THB (14.01) million The net cash flows from operation in the amount of THB (14.01) million came from:

- Profit in the form of cash from operation was THB 132.85 million.
- Operational assets increased THB 18.34 million, which were trade receivables in educational institutes and schools at the beginning of a new semester.
- Operational liabilities decreased by THB 105.22 million because of paying off the retail payables to renegotiate for the new terms and conditions in order to maintain the Company's maximum benefit.
- Cash decreased from paying employees' long-term benefits for THB 6.38 million in the form of the honor rewards program for employees and the remuneration for retired employees.

- Cash decreased by THB 9.46 million from paying an interest of the long-term loans.

Cash flows used in investing activities in 9M'2019 was THB (35.60) million.

- Cash decreased by THB 33.63 million from purchasing computers and equipment for the warehouse.

Cash flows used in financing activities in 9M'2019 was THB (30.03) million

- Cash decreased from repaying a long-term loan to financial institutes by THB 45.51 million.

Table 4 : Financial ratio of Q3'2019 and Q3'2018

Financial ratios		Consolidated financial statement	
		Q3'2019	Q3'2018
Return On Equity (ROE)	%	1.49	(0.66)
Return on Asset (ROA)	%	1.61	0.66
Debt to Equity Ratio	times	1.02	1.05
Interest Coverage Ratio	times	15.83	12.79

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 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 1.49% increased by 2.15% while ROA was 1.61% increased by 0.95%

Return on Equity (ROE) was 1.49% increased by 2.15% while Return on Assets (ROA) was 1.61% increased by 0.95% aligning with improving operating performance.

Debt to Equity Ratio was 1.02 times, decreased by 0.03 times

Debt to Equity Ratio of the shareholder which decreased by 0.03 times due to paying long-term liabilities which was due.

Interest Coverage Ratio was 15.83 times, increased by 3.04 times

Interest Coverage Ratio increased by 3.04 times due to a decrease in interest in accordance with the principle portion.

Signature.....

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