



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the Year period ended 31 December, 2019

Overview

For Year 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 41 branches, to make better expense control for the Company. As of 31 December, 2019 the 314 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 2019 is THB 11.99 million.

In consolidated financial statements of 2019, net profit of the Company was THB 11.99 million and profit decreased by THB 1.22 million or 9.24%. The net profit in separate financial statements was THB 2.92 million, profit decreased by THB 10.97 million or 78.98% due to a retail recession in overall. This was in accordance with a decline of purchasing powers of the lower-middle class whose incomes come from agricultural products that needed a commercially encouragement from the government sector.

Further, the household debts were not seemingly to be lightened, directly affecting the purchasing power. This also caused economic recessions widely and took a long time to recover.

Even though, the Company had received the insurance's compensation of THB 18.6 million from the politic turmoil back in 2010.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 10.40% from the previous year. The total revenue from the separate financial statement decreased by 11.58% 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 7.93% due to better stock management, improved working performance, and well costs and expenses control.
- **Finance cost** decreased by THB 2.70 million because the Company paid the long-term loan on time.

Table 1 : Operation results of 2019 and 2018

(Unit : Million Baht)				
Consolidated financial statement				
	2019	2018	Increase (decrease)	%
Revenue from sales of goods	2,946.54	3,301.80	(355.26)	(10.76%)
Cost of sales	1,911.01	2,172.51	(261.50)	(12.04%)
Gross profit	1,035.53	1,129.29	(93.76)	(8.30%)
Gross profit margin	35.14%	34.20%		0.94%
EBITDA	156.62	133.99	22.63	16.89%
Profit (loss) attributable to				
Equity holders of the Company	11.99	13.21	(1.22)	(9.24%)
Net earnings per share (Unit : Baht)	0.03	0.03		

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

% Margin increased or 0.94% In 2019, gross profit was THB 1,035.53 million, decreased by THB 93.76 million or 8.30% from the previous year due to a decrease in sales. Gross margin in 2019 was 35.14%,

increased by 0.94% from the previous year due to more effective marketing management for sales promoting.

cost of sales and services decreased by THB 261.50 million

Cost of sales and services according to consolidated financial statements is THB 1,911.01 million, decreased by THB 261.50 million or 12.04% in accordance with the decline of sales.

EBITDA increased by THB 22.63 million or 16.89%

EBITDA increased by THB 22.63 million due to expenses in accounting numbers in 2019, for example, an increase of THB 14.48 million in reserving the long-term employee benefits and pensions in accordance with the new Labor Law and an increase of THB 16.47 million of loss from product destruction.

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

(Unit : Million Baht)

	Consolidated financial statement			
	31 December 2019	31 December 2018	Increase (decrease)	%
Current assets	563.16	591.84	(28.68)	(4.85%)
Non-current assets	1,909.62	1,982.31	(72.69)	(3.67%)
Total assets	2,472.78	2,574.15	(101.37)	(3.94%)
Current liability	917.70	986.11	(68.41)	(6.94%)
Non-current liability	311.11	355.52	(44.41)	(12.49%)
Total liability	1,228.81	1,341.63	(112.82)	(8.41%)
Total shareholder's equity	1,243.97	1,232.52	11.45	0.93%
Total liability and shareholder's equity	2,472.78	2,574.15	(101.37)	(3.94%)

Current assets decreased by THB 28.68 million or 4.85%

Current assets decreased by THB 28.68 million as follows:

- Cash and cash equivalents decreased by THB 27.98 million or 20.06% 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 decreased by THB 5.16 Million or accounted for 8.20% which mainly are educational institutes' receivables.
- Inventories decreased by THB 7.50 million or 2.24% due to a decrease of sales from bookstores and from closing-down 41 branches in 2019. This resulted in a decrease of goods purchasing.

- Current investments increased by THB 6.10 million from investing in a fixed deposit account for seven months of its subsidiary company.

Non-current assets decreased by THB 72.69 million or 3.67%

- Non-current assets decreased by THB 72.69 million due to periodic depreciation of building and equipment.

Current liability decreased by THB 68.41 million or 6.94%

Current liability decreased by THB 68.41 million as follows:

- Trade account payables and other payables decreased by THB 143.62 million due to paying to retail account payables.
- Overdraft and short-term loan from financial institutes increased THB 63.03 million.

Non-current liability decreased by THB 44.41 million or 12.49%

- Long-term loans decreased by THB 70.86 million from paying off the due loan.
- Retirement money reservation of the employees increased THB 21.46 million due to the new employment act.

Shareholder's equity increased by THB 11.45 million or 0.93%

Shareholder's equity increased by THB 11.45 million because net profit increased by THB 22.26 million and decreased by THB 10.81 million from reserving the employees' benefits in accordance of the new Labor Law of THB 10.81 million.

Table 3 : Statement of cash flows of 31 December 2019 and 2018

(Unit : Million Baht)

	Consolidated financial statement			
	2019	2018	Increase (decrease)	%
Cash flows from (used) operation activities	12.62	45.07	(32.45)	(72.00%)
Cash flows from (used) investing activities	(43.02)	26.82	(69.84)	(260.40%)
Cash flows from (used) financing activities	2.42	(78.29)	80.71	103.09%
Net Cash flows (decreased)	(27.98)	(6.40)	(21.58)	(337.19%)

Cash flows from operation activities in 2019 was THB 12.62 million

The net cash flows from operation in the amount of THB 12.62 million came from:

- Profit in the form of cash from operation was THB 168.71 million.
- Operational assets decreased by THB 3.04 million due to a decrease of trade receivables in educational institutes and schools.
- Operational liabilities decreased by THB 131.78 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 7.09 million in the form of the honor rewards program for employees and the remuneration for retired employees.
- Cash decreased by THB 12.21 million from paying an interest of the long-term loans.

Cash flows used in investing activities in 2019 was THB (43.02) million.

- Cash decreased by THB 42.11 million from renovating the kitchen and sport field of the Company's subsidiary, purchasing computers, and renovating the branches.

Cash flows from financing activities in 2019 was THB 2.42 million

- Cash increased from short-term loans from financial institutes by THB 40 million.
- Cash increased from withdrawal THB 23.03 million overdrafts.
- Cash decreased from repaying a long-term loan to financial institutes by THB 60.61 million.

Table 4 : Financial ratio of 2019 and 2018

Financial ratios		Consolidated financial statement	
		2019	2018
Return On Equity (ROE)	%	1.03	1.14
Return on Asset (ROA)	%	1.42	1.26
Debt to Equity Ratio	times	0.99	1.09
Interest Coverage Ratio	times	15.48	9.56

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 1.03% decreased by 0.11% while ROA was 1.42% increased by 0.16%

Return on Equity (ROE) was 1.03% decreased by 0.11% while Return on Assets (ROA) was 1.42% increased by 0.16% because of revising profit in 2018 in accordance with the new Thai Financial Reporting Standards on acknowledging the admission fees of the Company's subsidiary. As a result, profit in 2018 decreased by THB 2.88 million.

Debt to Equity Ratio
was 0.99 times,
decreased by 0.10
times

Debt to Equity Ratio of the shareholder which decreased by 0.10 times due to paying long-term liabilities which was due.

Interest Coverage
Ratio was 15.48 times,
increased by 5.92
times

Interest Coverage Ratio increased by 5.92 times due to a decrease in interest in accordance with the principle portion.

Signature.....

(Mr. Worapote Chatchaikulsiri)

Deputy Managing Director

INVESTOR RELATION

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