



SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the six-month period ended 30 June, 2020

Overview

For the six-month period of 2020, the Company was severely affected from the coronavirus pandemic (COVID-19). As a result, the overall economy in Thailand and the world has been slowed down from the shutdown measure. Almost all SE-ED Book Center branches had to be closed from 22 March to 16 May, resulting in a significant loss of the Company's main income. In addition, the Company was also affected by the introduction of the new financial reporting standard for the first time. The impact are itemized as follows:

- There was a temporary shutdown in every area in the kingdom due to the state of emergency declaration. Most of SE-ED Book Center branches were in those areas. Therefore these branches were unable to open normally since mid of March. The Company's 289 bookstores was closed and only 23 branches were opened. This declaration also affected the educational institutions across the country which was another important source of income for the Company. The whole book industry was impacted by this declaration as well. The publishers closely monitored the situation and slowed down their production of new books that normally planned be released during the National Book Expo. The expo also shifted to online sales model on the website as "Thai Book Fair." The Company had organized online promotional activities in the same format as book fair, for example, Writers Meet & Greet activities and live product introductions.
- The Right of Use increased by THB 363 million and liabilities under lease agreements increased by THB 330 million. Both of them were one-time items from applying TFRS#16 Leases, which firstly introduced in 2020.
- Other losses were increased by THB 5.95 million in line with Financial Reporting Standards TFRS#9 Financial Instrument - regarding fair value hedge of interest rate and foreign currency. By these standards, adjusting the fair value of the foreign currency forward contracts will be considered fair value through profit or loss.

However, the Company was improving its online channels to be more convenient and faster to facilitate the changes of customer behavior which tended to shop online more. The Company structure had been revised to increase efficiency, reduce costs, and generate

new sources of income. The Company also attached great importance to new digital businesses. Currently, the Company was under products & services development with collaboration from alliances specialized in education, content providers, and international technology leaders in order to strengthen and maintain its premier position in book industry and the greatest book store chain store of Thailand. This would embark a new era of learning centers on online and offline platforms.

SE-ED's loss in Q2'2020 for the six-month is THB 17.30 million.

In consolidated financial statements of Q2'2020, net loss of the Company was THB 17.30 million and loss increased by THB 38.61 million or 181.18%. The net loss in separate financial statements was THB 28.55 million, loss increased by THB 43.47 million or 291.35% due to a sales decline from lockdown effect and 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.

The Company's performances can be summarized as follows:

- The total revenue from the consolidated financial statement decreased by 36.97%, this was separate financial statement revenue which decreased by 39.88% due to the impact of the COVID-19 situation.
- The sales and administrative expenses decreased by 28.82% due to the reduction of the rental fee during COVID-19 and effective control costs.
- Financing cost increased by THB 0.80 million because an increase of the short-term loan.

Table 1 : Operation results for the six-month period ended 30 June of 2020 and 2019

(Unit : Million Baht)

	Consolidated financial statement			
	Q2'2020	Q2'2019	Increase (decrease)	%
Revenue from sales of goods	1,035.39	1,643.65	(608.26)	(37.01)
Cost of sales	654.06	1,064.49	(410.43)	(38.56)
Gross profit	381.33	579.16	(197.83)	(34.16)
Gross profit margin	36.83%	35.24%		1.59
EBITDA	80.71	125.37	(44.66)	(35.62)
Profit (loss) attributable to				
Equity holders of the Company	(17.30)	21.31	(38.61)	(181.18)
Net earnings per share (Unit : Baht)	(0.044)	0.054	(0.10)	(181.48)

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

% Margin increased or 1.59% In Q2'2020, gross profit was THB 381.33 million, decreased by THB 197.83 million or 34.16% from the previous year due to a decrease in sales. Gross margin in Q2'2020 was 36.83%, increased by 1.59% from the previous year due to more effective marketing management for sales promoting.

cost of sales and services decreased by THB 410.43 million Cost of sales and services according to consolidated financial statements is THB 654.06 million, decreased by THB 410.43 million or 38.56% in accordance with the decline of sales.

EBITDA decreased by THB 44.66 million or 35.62% EBITDA decreased by THB 44.66 million following the lower operating results.

Table2: Statement of financial position As at 30 June 2020 and 31 December 2019

(Unit : Million Baht)

	Consolidated financial statement			
	30 June 2020	31 December 2019	Increase (decrease)	%
Current assets	693.03	563.16	129.87	23.06
Non-current assets	2,213.11	1,909.62	303.49	15.89
Total assets	2,906.14	2,472.78	433.36	17.53
Current liability	1,171.89	917.70	254.19	27.70
Non-current liability	497.90	311.11	186.79	60.04
Total liability	1,669.79	1,228.81	440.98	35.89
Total shareholder's equity	1,236.35	1,243.97	(7.62)	(0.61)
Total liability and shareholder's equity	2,906.14	2,472.78	433.36	17.53

Current assets increased by THB 129.87 million or 23.06%

Current assets increased by THB 129.87 million as follows:

- Trade receivables and other receivables increased by THB 99.99 Million or accounted for 173.02% which was resulted from coming-back semester of most educational institutes.
- Inventories increased by THB 6.39 million or 1.95%. This was due to ordered foreign books prepared for accommodating new semester.
- Current investments decreased by THB 6.10 million due to the Company's subsidiary.

Non-current assets increased by THB 303.49 million or 15.89%	<p>Non-current assets increased by THB 303.49 million due to:</p> <ul style="list-style-type: none"> - The rights of use under lease agreements increased by THB 363.59 million according to TFRS#16 Leases.
Current liability increased by THB 254.19 million or 27.70%	<p>Current liability increased by THB 254.19 million as follows:</p> <ul style="list-style-type: none"> - Liabilities under lease agreements increased by THB 96.07 million according to TFRS#16 Leases. - Overdraft and short-term loan from financial institutes increased THB 126.97 million.
Non-current liability increased by THB 186.79 million or 60.04%	<p>Non-current liabilities increased by THB 186.79 million due to:</p> <ul style="list-style-type: none"> - Liabilities under lease agreements increased by THB 234.65 million according to TFRS#16 Leases which was effective in 2020. - Long-term loans decreased by THB 17.40 million due to the classification of subsidiaries' loans as current liabilities.
Shareholder's equity decreased by THB 7.62 million or 0.61%	<p>Shareholder's equity decreased by THB 7.62 million due to more losses.</p>

Table 3 : Statement of cash flows for the six-month period ended 30 June 2020 and 2019 (Unit : Million Baht)

	Consolidated financial statement			%
	Q2'2020	Q2'2019	Increase (decrease)	
Cash flows from (used) operation activities	(50.29)	30.54	(80.83)	(264.67)
Cash flows from (used) investing activities	(52.14)	(36.84)	(15.30)	(41.53)
Cash flows from (used) financing activities	145.51	(0.20)	145.71	N/A
Net Cash flows (decreased)	43.08	(6.50)	49.58	762.77

Cash flows used in operation activities in Q2'2020 was THB (50.29) million	<p>The net cash flows used in operation in the amount of THB (50.29) million came from:</p> <ul style="list-style-type: none"> ○ Profit in the form of cash from operation was THB 132.40 million. ○ Operational assets increased by THB 133.95 million due to an increase of goods and trade receivables during a summer semester. ○ Operating liabilities decreased by THB 33.09 million due to payment of trade accounts payable and recognized advance income from subsidiary companies. ○ Cash decreased from paying employees' long-term benefits for THB 7.51 million in
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the form of the honor rewards program for employees.

- Cash decreased by THB 7.42 million from paying an interest of the long-term loans.

Cash flows used in investing activities in Q2'2020 was THB (52.14) million.

- Cash decreased by THB 43.55 million due to paying liabilities under lease agreements.
- Cash decreased by THB 15.38 million from purchasing equipment, renovating the kitchen and sport field of the Company's subsidiary, and purchasing equipment for students.
- Current investments decreased by THB 6 million due to the Company's subsidiary.

Cash flows from financing activities in Q2'2020 was THB 145.51 million

- Cash increased from short-term loans from financial institutes by THB 150 million.

Table 4 : Financial ratio of Q2'2020 and Q2'2019

Financial ratios		Consolidated financial statement	
		Q2'2020	Q2'2019
Return On Equity (ROE)	%	(2.29)	(0.87)
Return on Asset (ROA)	%	(0.30)	0.45
Debt to Equity Ratio	times	1.35	1.11
Interest Coverage Ratio	times	18.96	19.41

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 (2.29%) decreased by 1.43% while ROA was (0.30%) decreased by 0.75%

Return on Equity (ROE) was (2.29%) decreased by 1.43% while Return on Assets (ROA) was (0.30%) decreased by 0.75% following the lower operating performance.

Debt to Equity Ratio
was 1.35 times,
increased by 0.24
times

Debt to Equity Ratio of the shareholder increased by 0.24 times because recording liabilities under lease agreements according to TFRS#16 Leases which was firstly effective in 2020.

Interest Coverage
Ratio was 18.96 times,
decreased by 0.46
times

Interest coverage ratio decreased 0.46 times due to lower operating performance.

Signature.....

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INVESTOR RELATION

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