

## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report for the Year period ended 31 December, 2020

#### Overview

In 2020, the overall economic situations in Thailand and the world had slowed down considerably due to the new COVID-19 pandemic at the end of the year. The Company was affected immensely by the declining of consumer spending power, the change in way of life, working from home, and studying online at home. Although the government has eased in the measures, still consumers were concerned and some ceased to visit the shopping malls. As a result, the main income of the Company decreased significantly. It was also impacted by the introduction of the new financial reporting standard for the first time on January 1, 2020, as follows:

- **The impact of the COVID-19 epidemic** From Q1/2020 to Q2/2020 most SE-ED Book Center branches were closed from March 22 to May 16, closed 289 branches in total with only 23 branches open during that time. However, the Company had continued to control costs in all dimensions, including the closure of non-profitable branches and the control of publishing and merchandising only the products that have quality and meet customer's needs. Regarding educational institution customers, the Company had the new way to offer products, learning materials and services in an online format. These products consisted of media for self-learning learners to enhance skills and knowledge and media teachers to manage class to be consistent with the new way of teaching and learning which affected by the COVID-19 epidemic.
- **IFRS 16: Leases** The right-of-use asset recording increased by THB 379.01 million, including leasehold rights of land and buildings of THB 28.22 million and lease liabilities increased by THB 313.84 million, part of which was the provision of decommissioning costs of THB 45.63 million, according to lease agreement of shop areas and office building. This was considered as a correction of accounting error by reducing retained earnings of THB 34.37 million and reducing deferred tax liabilities of THB 9 million, which is considered a one-time item.
- **IFRS 9: Financial Instruments** Other losses were increased by Baht 5.01 million due to fair value hedging of interest rate hedges by adjusting the fair value of long-term interest rate swap contracts as gain (loss) on foreign exchange and a result of weakening Thai baht, which was adjusted in conjunction with other non-current financial liabilities accounts.

- **Closure of Branches** The Company closed 21 unprofitable branches with active 293 branches left as of December 31, 2020. This helped in cost effective control. As a result, the operating performance of the retail business had dropped only 15%. Although the Company was impacted by the COVID-19 pandemic , affecting sales of the retail business group down 39% from the previous year.
- **Cost control** By assessing the situation in advance and planning to manage the cash flow affected by the government's shutdown measures, the Company had effectively adjusted itself to the situation, with the notion of it partners and partners to be least affected.

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 2020 is THB 33.13 million.**

In 2020, the net loss according to the consolidated financial statements was THB 33.13 million, the loss increased by THB 46.06 million or 356.23%. It was a result of the net loss according to the separate financial statements of THB 43.47 million, the loss increased by THB 47.32 million from the decrease in sales and impact of COVID-19 pandemic. As a result, the economy has been greatly slowed down, it would take a long time to recover.

The Company's performances can be summarized as follows:

- **Consolidated income** decreased by 29.94% as revenue from separate financial statements, a decrease of 32.32% due to the impact of the COVID-19 situation, which greatly reduced the main income of the Company. Other income decreased by THB 29.59 million because in 2019, the Company received a claim for compensation from political unrest in 2010 in amount of THB 18.60 million.
- **The sales and administrative expenses** decreased by 26.44% due to effective control costs and the reduction of the rental fee during COVID-19.
- **Financing cost** increased by THB 4.28 million from an increase of loans.

**Table 1 : Operation results of 2020 and 2019**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>2020</b>	<b>2019</b>	<b>Increase</b>	<b>%</b>
		<b>(Restated)</b>	<b>(decrease)</b>	
Revenue from sales of goods	2,069.47	2,946.54	(877.07)	(29.77%)
Cost of sales	1,329.05	1,911.01	(581.96)	(30.45%)
Gross profit	740.42	1,035.53	(295.11)	(28.50%)
<b>Gross profit margin</b>	<b>35.78%</b>	<b>35.14%</b>		<b>0.64%</b>
<b>EBITDA</b>	<b>101.88</b>	<b>162.76</b>	<b>(60.88)</b>	<b>(37.40%)</b>
<b>Profit (loss) attributable to</b>				
Equity holders of the Company	(33.13)	12.93	(46.06)	(356.23%)
Net earnings per share (Unit : Baht)	(0.08)	0.03	(0.11)	(366.67%)

Note: EBITDA is earnings before Interest and Tax, plus Depreciation & Amortization and Allowance for loss of inventories, dilapidated and slow moving.

**Margin increased  
or 0.64%**

In 2020, gross profit was THB 740.42 million, decreased by THB 295.11 million or 28.50% from the previous year due to a decrease in sales. Gross margin in 2020 was 35.78%, increased by 0.64% from the previous year due to more focusing and pushing on digital learning products and more effective marketing management for sales promoting.

**cost of sales and  
services decreased by  
THB 581.96 million**

Cost of sales and services according to consolidated financial statements is THB 1,329.05 million, decreased by THB 581.96 million or 30.45% in accordance with the decline of sales.

**EBITDA decreased by  
THB 60.88 million or  
37.40%**

EBITDA decreased by THB 60.88 million baht or 37.40% compared to the previous year. This is because the main revenue from sales decreased by 29.77% and net profit (loss) decreased by THB 46.06 million.

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

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>31 December 2020</b>	<b>31 December 2019</b>	<b>Increase</b>	<b>%</b>
		<b>(Restated)</b>	<b>(decrease)</b>	
Current assets	640.86	563.16	77.70	13.80%
Non-current assets	2,170.46	1,910.62	259.84	13.60%
<b>Total assets</b>	<b>2,811.32</b>	<b>2,473.78</b>	<b>337.54</b>	<b>13.64%</b>
Current liability	973.75	916.18	57.57	6.28%
Non-current liability	651.76	347.72	304.04	87.44%
Total liability	1,625.51	1,263.90	361.61	28.61%
Total shareholder's equity	1,185.81	1,209.88	(24.07)	(1.99%)
<b>Total liability and shareholder's equity</b>	<b>2,811.32</b>	<b>2,473.78</b>	<b>337.54</b>	<b>13.64%</b>

**Current assets**

Current assets increased by THB 77.70 million as follows:

**increased by THB**
**77.70 million or 13.80%**

- Other current financial assets increased by THB 112.23 million from investment in available-for-sale.

**Non-current assets**

Non-current assets increased by THB 259.84 million due to:

**increased by THB**
**259.84 million or**
**13.60%**

- The rights of use under lease agreements increased by THB 379.01 million according to TFRS#16 Leases.

**Current liability**

Current liability increased by THB 57.57 million as follows:

**increased by THB**
**57.57 million or 6.28%**

- The short-term loans increased by THB 76.97 million from borrowing from financial institutions.
- Trade account payables and other payables decreased by THB 107.60 million due to paying to payable on due payment.

**Non-current liability**

Non-current liabilities increased by THB 304.04 million due to:

**increased by THB**
**304.04 million or**
**87.44%**

- Liabilities under lease agreements increased by THB 183.17 million according to TFRS#16 Leases which was effective in 2020.
- Long-term loans increased by THB 112.14 million from borrowing from financial institutions To be used as working capital during COVID-19 situations

**Shareholder's equity decreased by THB 24.07 million or 1.99%** Shareholder's equity decreased by THB 24.07 million due to performance of the subsidiary companies.

**Table 3 : Statement of cash flows 31 December 2020 and 2019**

(Unit : Million Baht)

	Consolidated financial statement			
	2020	2019 (Restated)	Increase (decrease)	%
Cash flows from (used) operation activities	60.09	12.62	47.47	376.15%
Cash flows from (used) investing activities	(168.62)	(43.02)	(125.60)	(291.96%)
Cash flows from (used) financing activities	117.15	2.42	114.73	7779.75%
<b>Net Cash flows (decreased)</b>	<b>8.62</b>	<b>(27.98)</b>	<b>36.60</b>	<b>130.81%</b>

**Cash flows from operation activities in 2020 was THB 60.09 million**

The net cash flows from operation in the amount of THB 60.09 million came from:

- Profit in the form of cash from operation was THB 195.04 million.
- Operating assets increased by THB 18.27 million, most of which was an increase in products during the opening the new semester every year.
- Operating liabilities decreased by THB 85.64 million due to payment of trade payables.
- Cash decreased from paying employees' long-term benefits for THB 8.89 million in the forms of the retirement pays and honor rewards program for employees.
- Cash decreased by THB 16.48 million from paying an interest of the long-term loans.

**Cash flows used in investing activities in 2020 was THB (168.62) million.**

- Cash decreased by investing THB 111.62 million in the open fund.
- Cash decreased by THB 54.96 million from the purchase of land to expand the school building and purchase the school supplies of the subsidiary.
- Cash decreased by THB 4.20 million from payment of development of the SE-ED Digital program.

**Cash flows from financing activities in 2020 was THB 117.15 million**

- Cash increased from short-term loans from financial institutes by THB 76.97 million.
- Cash increased from the long-term loans from financial institutions by THB 118.05 million.
- Cash decreased by THB 73.54 million due to paying liabilities under lease agreements.
- Cash decreased from subsidiary companies' dividend payment of THB 4.32 million.

**Table 4 : Financial ratio of 2020 and 2019**

Financial ratios		Consolidated financial statement	
		2020	2019 (Restated)
Return On Equity (ROE)	%	(2.99)	1.13
Return on Asset (ROA)	%	(0.09)	1.46
Debt to Equity Ratio	times	1.37	1.04
Interest Coverage Ratio	times	13.04	15.48

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 (2.99%) decreased by 4.12% while ROA was (0.09%) decreased by 1.55%**  
Return on Equity (ROE) was (2.99%) decreased by 4.12% while Return on Assets (ROA) was (0.09%) decreased by 1.55% following the lower operating performance.

**Debt to Equity Ratio was 1.37 times, increased by 0.33 times**  
Debt to Equity Ratio of the shareholder increased by 0.33 times because recording liabilities under lease agreements according to TFRS#16 Leases which was firstly effective in 2020.

**Interest Coverage Ratio was 13.04 times, decreased by 2.44 times**  
Interest coverage ratio decreased by 2.44 times in line with lower operating results and increased interest expenses following the principal burden.

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(Mr. Rungkan Paisitpanichtrakul)

Deputy Managing Director and Company Secretary