

## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report As of March 31, 2021

#### Overview

In the first quarter of 2021, the economy in Thailand in general continually was affected by the third wave of COVID-19 pandemic. Although there was no official lockdown announcement from the government, most consumers were so concerned about future income that they were more cautious about their spending. A tendency of Thailand's economic recovery in early 2021 was uncertain. However, the Company had adjusted itself with the current situation by continuing to control costs in all dimensions, including closing unprofitable branches and publishing quality books and ordering quality products to meet customers' needs. In addition, the Company was affected by new financial reporting standards. The impact can be itemized as follows:

- **TFRS 9: Financial Instruments** Other losses were increased by Baht 1.98 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 had closed 13 unprofitable branches. There were active 280 branches left as of March 31, 2020. By this, the Company can effectively control the cost and expenses.
- **Expense Control** By assessing the situation in advance and managing the cash flow under the COVID-19 pandemic, the Company effectively adapted itself with intention to affect its business partners and allies the least.

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 Q1'2021 is THB 12.74 million.**

In Q1'2021, the net loss according to the consolidated financial statements was THB 12.74 million, the loss decreased by THB 8.60 million or 40.30%. It was a result of the net loss according to the separate financial statements of THB 13.85 million, the loss decreased by THB 9.07 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:

- **The total revenue** from the consolidated financial statements, was THB 504.49 million, decreased by THB 98.11 million or 16.28% which according to the separate financial statements, the income decreased by 17.81%. Due to COVID-19 situations, the main income of the Company greatly declined.
- **The sales and administrative expenses** is THB 194.54 million, decreased by THB 40.57 million or 17.26% due to effective control costs and the reduction of the rental fee during COVID-19.
- **Financial expenses** were THB 5.27 million, increased by THB 1.69 million due to an increase of borrowings at the end of 2020.

**Table 1 : Operation results for the three-month period ended 31 March of 2021 and 2020**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>Q1'2021</b>	<b>Q1'2020 (Restated)</b>	<b>Increase (decrease)</b>	<b>%</b>
Revenue from sales of goods	494.45	591.91	(97.46)	(16.47%)
Cost of sales	318.49	385.69	(67.20)	(17.42%)
Gross profit	175.96	206.22	(30.26)	(14.67%)
<b>Gross profit margin</b>	<b>35.59%</b>	<b>34.84%</b>		0.75%
<b>EBITDA</b>	<b>28.64</b>	<b>18.27</b>	<b>10.37</b>	<b>56.76%</b>
<b>Profit (loss) attributable to</b>				
Equity holders of the Company	(12.74)	(21.34)	8.60	40.30%
Net earnings per share (Unit : Baht)	(0.032)	(0.054)	0.02	37.04%

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

**Margin increased  
or 0.75%**

In Q1'2021, gross profit was THB 175.96 million, decreased by THB 30.26 million or 14.67% from the previous year due to a decrease in sales. Gross margin in Q1'2021 was 35.59%, increased by 0.75% from the previous year due to promotions on tutoring books and examination books for a new semester and marketing activities for sales promotion.

**cost of sales and  
services decreased by  
THB 67.20 million**

Cost of sales and services according to consolidated financial statements is THB 318.49 million, decreased by THB 67.20 million or 17.42% in accordance with the decline of sales.

**EBITDA increased by  
THB 10.37 million or  
56.76%**

EBITDA increased by THB 10.37 million baht or 56.76% from the previous year due to a 17.26% lower sales and administrative expenses, therefore, the loss from operation decreased by THB 9.67 million.

**Table2: Statement of financial position As at 31 March 2021 and 31 December 2020**

(Unit : Million Baht)

	Consolidated financial statement			
	31 March 2021	31 December 2020 (Restated)	Increase (decrease)	%
Current assets	652.75	640.86	11.89	1.86%
Non-current assets	2,139.00	2,170.46	(31.46)	(1.45%)
<b>Total assets</b>	<b>2,791.75</b>	<b>2,811.32</b>	<b>(19.57)</b>	<b>(0.70%)</b>
Current liability	995.85	973.75	22.10	2.27%
Non-current liability	621.73	651.76	(30.03)	(4.61%)
Total liability	1,617.58	1,625.51	(7.93)	(0.49%)
Total shareholder's equity	1,174.17	1,185.81	(11.64)	(0.98%)
<b>Total liability and shareholder's equity</b>	<b>2,791.75</b>	<b>2,811.32</b>	<b>(19.57)</b>	<b>(0.70%)</b>

**Current assets  
increased by THB  
11.89 million or 1.86%**

Current assets increased by THB 11.89 million as follows:

- Trade accounts receivable and other receivables increased by THB 36.38 million or 65.27%. Most of them were receivable from educational institutes, preparing for the new semester as usual.
- Inventories decreased by THB 4.97 million or 1.56%.
- Other current financial assets decreased by THB 2.04 million or 1.72%.

<p><b>Non-current assets decreased by THB 31.46 million or 1.45%</b></p>	<p>Non-current assets increased by THB 31.46 million due to:</p> <ul style="list-style-type: none"> <li>- The right-of-use assets under lease agreements decreased by THB 25.70 million due to an amortization according to the lease term.</li> </ul>
<p><b>Current liability increased by THB 22.10 million or 2.27%</b></p>	<p>Current liability increased by THB 22.10 million as follows:</p> <ul style="list-style-type: none"> <li>- Trade accounts payable and other payables increased by THB 41.53 million due to purchasing goods for a new semester.</li> <li>- Income from the advance admission fees from the subsidiary company decreased by THB 16.40 million.</li> </ul>
<p><b>Non-current liability decreased by THB 30.03 million or 4.61%</b></p>	<p>Non-current liabilities decreased by THB 30.03 million due to:</p> <ul style="list-style-type: none"> <li>- Liabilities under lease agreements decreased by THB 21.45 million.</li> <li>- Long-term loans decreased by THB 3.40 million from the subsidiary company's payment.</li> </ul>
<p><b>Shareholder's equity decreased by THB 11.64 million or 0.98%</b></p>	<p>Shareholder's equity decreased by THB 11.64 million due to a decline of operating performance.</p>

**Table 3 : Statement of cash flows for the three-month period ended 31 March 2021 and 2020** (Unit : Million Baht)

	<b>Consolidated financial statement</b>			<b>%</b>
	<b>Q1'2021</b>	<b>Q1'2020 (Restated)</b>	<b>Increase (decrease)</b>	
Cash flows from (used) operation activities	11.88	(39.30)	51.18	130.23%
Cash flows from (used) investing activities	(5.86)	(0.10)	(5.76)	(5760.00%)
Cash flows from (used) financing activities	(23.81)	39.78	(63.59)	(159.85%)
<b>Net Cash flows (decreased)</b>	<b>(17.79)</b>	<b>0.38</b>	<b>(18.17)</b>	<b>(4781.58%)</b>

<p><b>Cash flows from operation activities in Q1'2021 was THB 11.88 million.</b></p>	<p>The net cash flows from operation in the amount of THB 11.88 million came from:</p> <ul style="list-style-type: none"> <li>○ Profit in the form of cash from operation was THB 47.31 million.</li> <li>○ Operational assets increased by THB 51.16 million. Most of them were Trade accounts receivable and products which generally increased at the new semester</li> <li>○ Operational liabilities increased by THB 28.01 million from trade payables ordered products for selling to educational institutes that prepared for the new semester.</li> <li>○ Cash decreased from paying employees' long-term benefits for THB 5.59 million in the forms of the retirement pays and honor rewards program for employees.</li> <li>○ Cash decreased by THB 5.26 million from paying an interest of the long-term loans.</li> </ul>
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**Cash flows used in investing activities in Q1'2021 was THB (5.86) million.**

- Cash increased from selling the investment capitals of THB 3.74 million.
- Cash decreased by THB 9.76 million from expanding school building and purchasing the school supplies of the subsidiary company.

**Cash flows used in financing activities in Q1'2021 was THB (23.81) million.**

- Cash decreased from the subsidiary company paying due long-term loans of THB 5 million.
- Cash decreased by THB 18.81 million due to paying liabilities under lease agreements.

**Table 4 : Financial ratio of Q1'2021 and Q1'2020**

Financial ratios		Consolidated financial statement	
		Q1'2021	Q1'2020 (Restated)
Return On Equity (ROE)	%	(2.21)	(3.68)
Return on Asset (ROA)	%	0.26	(0.38)
Debt to Equity Ratio	times	1.38	1.39
Interest Coverage Ratio	times	10.08	13.62

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 (2.21%) increased by 1.47% while ROA was 0.26% increased by 0.64%**

Return on Equity (ROE) was (2.21%), increased by 1.47% while Return on Assets (ROA) was 0.26% increased by 0.64% according to the loss in the operation result from the previous year.

**Debt to Equity Ratio was 1.38 times, decreased by 0.01 times**

Debt to Equity Ratio of the shareholder decreased by 0.01 times.

**Interest Coverage Ratio was 10.08 times, decreased by 3.54 times** Interest Coverage Ratio decreased 3.54 times in line with the increased principal burden.

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(Mr. Rungkan Paisitpanichtrakul)

Managing Director