

## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report for the six-month period ended 30 June, 2021

#### Overview

In the first half 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 3.1 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 18 unprofitable branches. There were active 275 branches left as of June 30, 2021. 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 profit for the six-month is THB 11.74 million.** In the first half of 2021, the Company had a net profit according to the consolidated financial statements of THB 11.74 million. A profit increased by THB 29.74 million or 165.22%, resulting from a net profit of THB 4.20 million according to the separate financial statements. A profit increased by THB 33.15 million came from improving performance of Pleampattana School, increasing wholesale sales of educational institutions, increasing sales from temporarily closed branches during lockdown measures in the previous year, and receiving dividends from the subsidiary company.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statements, was THB 1,079.45 million, increased by THB 22.01 million or 2.08% which according to the separate financial statements, the income increased by 1.82%.
- **The sales and administrative expenses** is THB 382.24 million, decreased by THB 26.72 million or 6.53% due to effective control costs and the reduction of the rental fee during COVID-19.
- **Financial expenses** were THB 10.91 million, increased by THB 3.46 million due to an increase of borrowings at the end of 2020.

**Table 1 : Operation results for the six-month period ended 30 June of 2021 and 2020**

(Unit : Million Baht)

	Consolidated financial statement			
	1H'2021	1H'2020 (Restated)	Increase (decrease)	%
Revenue from sales of goods	1,057.77	1,035.39	22.38	2.16%
Cost of sales	665.65	654.06	11.59	1.77%
Gross profit	392.12	381.33	10.79	2.83%
<b>Gross profit margin</b>	<b>37.07%</b>	<b>36.83%</b>		0.24%
<b>EBITDA</b>	<b>95.83</b>	<b>80.37</b>	<b>15.46</b>	<b>19.24%</b>
<b>Profit (loss) attributable to</b>				
Equity holders of the Company	11.74	(18.00)	29.74	165.22%
Net earnings per share (Unit : Baht)	0.030	(0.046)	0.076	165.22%

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

**Margin increased or 0.24%** In the first six month of 2021, the gross profit amount was THB 392.12 million, increasing by THB 10.79 million or 2.83% from the previous year. The gross profit margin was 37.07%, increasing of 0.24% from the previous year, due to the heavy promoting campaign on tutoring and test-prep products during preparation for the start of the new semester and effective marketing activities to promote sales.

**cost of sales and services increased by THB 11.59 million** Cost of sales of goods and services according to the consolidated financial statements was THB 665.65 million, increased by THB 11.59 million or 1.77%, which related to an increase in sales.

**EBITDA increased by THB 15.46 million or 19.24%** EBITDA increased by THB 15.46 million baht or 19.24% according to the improved performance.

**Table2: Statement of financial position As at 30 June 2021 and 31 December 2020**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>30 June 2021</b>	<b>31 December 2020 (Restated)</b>	<b>Increase (decrease)</b>	<b>%</b>
Current assets	611.44	640.86	(29.42)	(4.59%)
Non-current assets	2,107.13	2,167.04	(59.91)	(2.76%)
<b>Total assets</b>	<b>2,718.57</b>	<b>2,807.90</b>	<b>(89.33)</b>	<b>(3.18%)</b>
Current liability	949.47	973.75	(24.28)	(2.49%)
Non-current liability	572.75	651.76	(79.01)	(12.12%)
Total liability	1,522.22	1,625.51	(103.29)	(6.35%)
Total shareholder's equity	1,196.35	1,182.39	13.96	1.18%
<b>Total liability and shareholder's equity</b>	<b>2,718.57</b>	<b>2,807.90</b>	<b>(89.33)</b>	<b>(3.18%)</b>

**Current assets decreased by THB 29.42 million or 4.59%** Current assets decreased by THB 29.42 million as follows:

- Trade accounts receivable and other receivables increased by THB 109.28 million or 196.05%. Most of them were receivable from educational institutes, preparing for the new semester as usual.
- Inventories decreased by THB 79.60 million or 25.05% from heavy promotion campaigns on the textbook products.

- Other current financial assets decreased by THB 25.41 million or 21.47% from selling investment capitals to use.

**Non-current assets decreased by THB 59.91 million or 2.76%**

Non-current assets decreased by THB 59.91 million due to:

- The right-of-use assets under lease agreements decreased by THB 51.80 million due to an amortization according to the lease term.

**Current liability decreased by THB 24.28 million or 2.49%**

Current liability decreased by THB 24.28 million as follows:

- Trade accounts payable and other payables decreased by THB 24.80 million from paying and reducing the order quantity according to the sales.

**Non-current liability decreased by THB 79.01 million or 12.12%**

Non-current liabilities decreased by THB 79.01 million due to:

- Liabilities under lease agreements decreased by THB 42 million.
- Long-term loans decreased by THB 26.42 million due to loan repayment under the contract.

**Shareholder's equity increased by THB 13.96 million or 1.18%**

Shareholder's equity increased by THB 13.96 million due to an increase of operating performance.

**Table 3 : Statement of cash flows for the six-month period ended 30 June 2021 and 2020**

(Unit : Million Baht)

	Consolidated financial statement			
	1H'2021	1H'2020 (Restated)	Increase (decrease)	%
Cash flows from (used) operation activities	27.35	(50.29)	77.64	154.38%
Cash flows from (used) investing activities	0.84	(8.60)	9.44	109.77%
Cash flows from (used) financing activities	(62.12)	101.97	(164.09)	(160.92%)
<b>Net Cash flows (decreased)</b>	<b>(33.93)</b>	<b>43.08</b>	<b>(77.01)</b>	<b>(178.76%)</b>

**Cash flows from operation activities in 1H'2021 was THB 27.35 million.**

The net cash flows from operation in the amount of THB 27.35 million came from:

- Profit in the form of cash from operation was THB 136.48 million.
- Operational assets increased by THB 57.13 million. Most of them were trade accounts receivable and products from sales to institutional and school debtors during the beginning of each academic year.
- Operational liabilities decreased by THB 32.75 million from paying the due payment to the accounts payable.

**Cash flows from in investing activities in 1H'2021 was THB 0.84 million.**

- Cash decreased from paying employees' long-term benefits for THB 6.11 million in the forms of the retirement pays and honor rewards program for employees.
- Cash decreased by THB 10.87 million from paying an interest of the long-term loans.

**Cash flows used in financing activities in 1H'2021 was THB (62.12) million.**

- Cash increased from selling the investment capitals of THB 25.90 million to be used in the business.
- Cash decreased by THB 26.43 million from expanding school building and purchasing the school supplies of the subsidiary company.
- Cash decreased from the subsidiary company paying due long-term loans of THB 22.10 million.
- Cash decreased by THB 35.70 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 1H'2021 and 1H'2020**

Financial ratios		Consolidated financial statement	
		1H'2021	1H'2020 (Restated)
Return On Equity (ROE)	%	(0.30)	(6.24)
Return on Asset (ROA)	%	1.24	(1.69)
Debt to Equity Ratio	times	1.27	1.35
Interest Coverage Ratio	times	13.63	18.94

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 (0.30%) increased by 5.94% while ROA was 1.24% increased by 2.93%**

Return on Equity (ROE) was (0.30%), increased by 5.94%, and Return on Assets (ROA) was 1.24%, an increase of 2.93%, based on better performance.

**Debt to Equity Ratio** Debt to Equity Ratio decreased by 0.08 times due to loan repayment.  
**was 1.27 times,**  
**decreased by 0.08**  
**times**

**Interest Coverage** Interest Coverage Ratio decreased 5.31 times in line with the increased principal burden.  
**Ratio was 13.63 times,**  
**decreased by 5.31**  
**times**

Signature.....

(Mr. Rungkan Paisitpanichtrakul)

Managing Director