

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the nine-month period ended 30 September, 2021

Overview

In the 9-month period of 2021, the overall economy had continued to weaken due to the cumulative impact of the COVID-19 pandemic from the second quarter until the present and the lockdown measure by the government in July to August. Even though the government announced to lift up the lockdown measure by unlocking the shopping malls for relieving in early September, the purchasing power of the consumers continued to decline. However, the Company continuously has adapted to the current situation, controlled its costs in all dimensions more strictly by closing unprofitable branches, choosing the manuscript carefully, and purchasing only quality products that meet the needs of customers. The Company still was financially affected in the following aspects as follows:

- **IFRS 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 24 unprofitable branches. There were active 269 branches left as of September 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 was at loss in the 9-month period of 2021 in the amount of THB 28 million.

In the 9-month period of 2021, the Company's net loss according to the consolidated financial statements was THB 28 million, increased by THB 22.62 million or 420.20%. A net loss according to the separate financial statements was THB 29.93 million, increased by THB 14.23 million, resulting from a decline of sales during the 9 months of 2021 which decreased by THB 240.04 million or 15.01% when compared to the previous year due to the continual impact of the COVID-19 situations and increasing interest from current loans used during COVID-19 pandemic.

The summary of key performance results was as follows:

- **The total revenue** according to the consolidated financial statements was THB 1,391.33 million, decreased by THB 249.46 million or 15.20% due to the impact of temporary closing of branches due to the COVID-19 situations from July to August 2021.
- **The sales and administrative expenses** is THB 530.03 million, decreased by THB 73.66 million or 12.20% due to effective control costs and the reduction of the rental fee during COVID-19.
- **Financial expenses** were THB 16.58 million, increased by THB 4.87 million due an increase of borrowings at the end of 2020.

Table 1 : Operation results for the nine-month period ended 30 September of 2021 and 2020

(Unit : Million Baht)

	Consolidated financial statement			
	9M'2021	9M'2020 (Restated)	Increase (decrease)	%
Revenue from sales of goods	1,358.92	1,598.96	(240.04)	(15.01%)
Cost of sales	869.84	1,017.75	(147.91)	(14.53%)
Gross profit	489.08	581.21	(92.13)	(15.85%)
Gross profit margin	35.99%	36.35%		(0.36%)
EBITDA	70.43	112.45	(42.02)	(37.37%)
Profit (loss) attributable to				
Equity holders of the Company	(28.00)	(5.38)	(22.62)	(420.20%)
Net earnings per share (Unit : Baht)	(0.071)	(0.014)	(0.057)	(407.14%)

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

**Margin decreased
or 0.36%**

For the 9-month period of 2021, the gross profit was THB 489.08 million, decreased by THB 92.13 million or 15.85% from the previous year. The gross profit margin was 35.99%, decreased by 0.36% when compared to the previous year due to the Company's subsidiary had given discounts on tuition fees and other expenses to parents who are affected by the COVID-19 situation in the 3rd quarter of 2021. As a result, the gross profit margin of the subsidiary decreased by 6%.

**cost of sales and
services decreased by
THB 147.91 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 869.84 million, decreased by THB 147.91 million or 14.53%, in accordance with the decline of sales.

**EBITDA decreased by
THB 42.02 million or
37.37%**

EBITDA decreased by THB 42.02 million or 37.37% from the previous year due to lower operating performance. Although the Company had controlled and cut down 12.20% cost of sales and administration, but the impact of the COVID-19 situations caused the main income decreased by 15%.

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

(Unit : Million Baht)

	Consolidated financial statement			
	30 September 2021	31 December 2020 (Restated)	Increase (decrease)	%
Current assets	469.67	640.86	(171.19)	(26.71%)
Non-current assets	2,070.28	2,167.04	(96.76)	(4.47%)
Total assets	2,539.95	2,807.90	(267.95)	(9.54%)
Current liability	797.07	973.75	(176.68)	(18.14%)
Non-current liability	592.12	651.76	(59.64)	(9.15%)
Total liability	1,389.19	1,625.51	(236.32)	(14.54%)
Total shareholder's equity	1,150.76	1,182.39	(31.63)	(2.68%)
Total liability and shareholder's equity	2,539.95	2,807.90	(267.95)	(9.54%)

**Current assets
decreased by THB
171.19 million or
26.71%**

Current assets decreased by THB 171.19 million as follows:

- Trade accounts receivable and other receivables increased by THB 38.37 million or 68.84%, most of them were receivables from educational institutions to support the opening of the new semester as usual every year.
- Inventories decreased by THB 97.17 million or 30.57% from heavy promotion campaigns on the textbook products.
- Other current financial assets decreased by THB 90.07 million or 76.11% from selling investment capitals to use.

**Non-current assets
decreased by THB
96.76 million or 4.47%**

Non-current assets decreased by THB 96.76 million due to:

- The right-of-use assets under lease agreements decreased by THB 76.25 million due to an amortization according to the lease term.

**Current liability
decreased by THB
176.68 million or
18.14%**

Current liability decreased by THB 176.68 million as follows:

- Trade accounts payable and other payables decreased by THB 131.06 million from paying and reducing the order quantity according to the sales.

**Non-current liability
decreased by THB
59.64 million or 9.15%**

Non-current liabilities decreased by THB 59.64 million due to:

- Non-current lease liabilities decreased by THB 64.03 million due to the due rental payment of bookstores under the lease agreement.
- Long-term borrowings increased by THB 12.32 million from external borrowings of the Company's subsidiaries.

**Shareholder's equity
decreased by THB
31.63 million or 2.68%**

Shareholder's equity decreased by THB 31.63 million due to the decrease in operating results.

Table 3 : Statement of cash flows for the nine-month period ended 30 September 2021 and 2020 (Unit : Million Baht)

	Consolidated financial statement			
	9M'2021	9M'2020	Increase	
		(Restated)	(decrease)	%
Cash flows from (used) operation activities	(26.53)	7.30	(33.83)	(463.42%)
Cash flows from (used) investing activities	62.15	(159.88)	222.03	138.87%
Cash flows from (used) financing activities	(54.99)	147.94	(202.93)	(137.17%)
Net Cash flows (decreased)	(19.37)	(4.64)	(14.73)	(317.46%)

Cash flows used in operation activities in 9M'2021 was THB (26.53) million.

The net cash flows used in operation in the amount of THB 26.53 million came from:

- Profit in the form of cash from operation was THB 130.33 million.
- Operational assets decreased by THB 32.63 million. Most of them were products from sold to institutional and school receivables during the beginning of each academic year.
- Operational liabilities decreased by THB 161.68 million from paying the due payment to the accounts payable.
- Cash decreased from employees' long-term benefits payment of THB 6.83 million in the forms of the retirement pays and honor rewards program for employees every year.
- Cash decreased by THB 3.24 million from reconditioning of closed branches and returning the old warehouse where the lease had expired.
- Cash decreased by THB 16.52 million from paying an interest of the long-term loans.

Cash flows from investing activities in 9M'2021 was THB 62.15 million.

- Cash increased from selling the investment capitals of THB 90.18 million to be used in the business.
- Cash decreased by THB 29.85 million from expanding school building and purchasing the school supplies of the subsidiary company.

Cash flows used in financing activities in 9M'2021 was THB (54.99) million.

- Cash received from long-term loans from third parties for THB 36.30 million.
- Cash decreased from the subsidiary company paying due long-term loans of THB 38.54 million.
- Cash decreased by THB 48.88 million due to paying liabilities under lease agreements.
- Cash decreased from subsidiary companies' dividend payment of THB 4.32 million.

Table 4 : Financial ratio for the nine-month period 2021 and 2020

Financial ratios		Consolidated financial statement	
		9M'2021	9M'2020 (Restated)
Return On Equity (ROE)	%	(5.04)	(0.69)
Return on Asset (ROA)	%	(1.15)	0.70
Debt to Equity Ratio	times	1.21	1.33
Interest Coverage Ratio	times	9.00	17.25

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 (5.04%) decreased by 4.35% while ROA was (1.15%) decreased by 1.85%

Return on Equity (ROE) was (5.04%), decreased by 4.35%, and Return on Assets (ROA) was (1.15%) decreased by 1.85% following the lower operating performance.

Debt to Equity Ratio was 1.21 times, decreased by 0.12 times

Debt to Equity Ratio decreased by 0.12 times due to loan repayment.

Interest Coverage Ratio was 9 times, decreased by 8.25 times

Interest Coverage Ratio decreased 8.25 times because of lower operating performance and higher principal burden after the end of extending period for repayment during the COVID-19.

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(Mr. Rungkan Paisitpanichtrakul)

Managing Director