

## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report for the Year period ended 31 December, 2021

#### Overview

For 2021, the overall economy continued to weaken due to the impact of the COVID-19 pandemic since the second quarter to present. The government's lockdown was announced from July to August. Though this measure was lifted in early September and shopping centers allowed to operate normally, purchasing power of the consumer still declined. However, the Company had been adapting to the current situation and controlling its costs in all dimensions, including closing unprofitable branches. The Company received a rental discount from the landlords in shopping malls, reducing some renting cost in 2020. However, the overall revenue was still affected by the COVID-19 pandemic and a great decline of purchasing power. Although in 2021 there was a release of lockdown and the Company can open its branches, rental expenses were still running and customers traffic and purchasing power had not returned to normal. Therefore, the Company not only adjusted in cost control, but it also improved the selection of books and ordering products that are quality and meet the needs of customers. The Company was also affected by financial reporting standards. The results can be itemized as follows:

- **TFRS 9: Financial Instruments** Other losses were increased by Baht 2.42 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.
- **Opening and closing branches** Three new branches were opened, which were Big C Narathiwat, Big C Bo-Win Rayong, and Central Ayutthaya. With 35 unprofitable branches were closed, allowing the company to control expenses more efficiently. As of December 31, 2021, the Company has 261 branches that are still in operation.
- **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 2021 is THB 57.08  
million.**

In 2021, the Company's net loss according to the consolidated financial statements was THB 57.08 million or 70.73% loss, increased by THB 23.65 million, due to a net loss according to the separate financial statements of THB 60.55 million, increased by THB 17.09 million due to lower sales under COVID-19 epidemic. This is a continuation from 2020. Though epidemic control measures were relaxed in the second half of the year, the economic slowdown took longer than expected to recover. The Company also was affected by higher interest expenses on current borrowings during the COVID-19 pandemic.

The summary of key performance results was as follows:

- **The total revenue** according to the consolidated financial statements was THB 1,816.66 million, decreased by THB 304.49 million or 14.36% due to the impact of the COVID-19 measures in the second half of the year and from the closure of branches.
- **The sales and administrative expenses** is THB 703.99 million, decreased by THB 90.60 million or 11.40% due to effective control costs and the reduction of the rental fee during COVID-19.
- **Financial expenses** were THB 22.37 million, increased by THB 5.77 million due to an increase of borrowings at the end of 2020.

**Table 1 : Operation results of 2021 and 2020**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>2021</b>	<b>2020</b>	<b>Increase</b>	<b>%</b>
		<b>(Restated)</b>	<b>(decrease)</b>	
Revenue from sales of goods	1,772.65	2,069.47	(296.82)	(14.34%)
Cost of sales	1,140.21	1,329.04	(188.83)	(14.21%)
Gross profit	632.44	740.43	(107.99)	(14.58%)
<b>Gross profit margin</b>	<b>35.68%</b>	<b>35.78%</b>		(0.10%)
<b>EBITDA</b>	<b>67.55</b>	<b>103.03</b>	<b>(35.48)</b>	<b>(34.44%)</b>
<b>Profit (loss) attributable to</b>				
Equity holders of the Company	(57.08)	(33.43)	(23.65)	(70.74%)
Net earnings per share (Unit : Baht)	(0.146)	(0.085)	(0.061)	(71.76%)

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

**Margin decreased  
or 0.10%**

In 2021, the gross profit was THB 632.44 million, decreased by THB 107.99 million or 14.58%, from the previous year. The gross profit margin was 35.68%, decreased by 0.10% when compared to the previous year. Due to the 3<sup>rd</sup> quarter of 2021, the subsidiary had given a discount on tuition fees and other expenses to parents who were affected by the COVID-19 pandemic. Consequently, the gross profit margin of the subsidiaries decreased by 3.5%. However, the gross profit margin of the core business was 36.66%, increased by 0.45% when compared to the previous year, from efficient adjustment of the Product Mix.

**cost of sales and  
services decreased by  
THB 188.83 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 1,140.21 million, decreased by THB 188.83 million or 14.21%, in accordance with the decline of sales.

**EBITDA decreased by  
THB 35.48 million or  
34.44%**

EBITDA was THB 67.55 million, decreased by THB 35.48 million or 34.44% from the previous year due to a decrease in operating results. Although the cost of sales and administration was decreased by 11.40%, but the main income decreased by 14.34% due to the impact of the COVID-19 pandemic.

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

(Unit : Million Baht)

	Consolidated financial statement			
	31 December 2021	31 December 2020 (Restated)	Increase (decrease)	%
Current assets	488.83	640.86	(152.03)	(23.72%)
Non-current assets	2,058.39	2,167.04	(108.65)	(5.01%)
<b>Total assets</b>	<b>2,547.22</b>	<b>2,807.90</b>	<b>(260.68)</b>	<b>(9.28%)</b>
Current liability	849.13	973.26	(124.13)	(12.75%)
Non-current liability	571.05	652.25	(81.20)	(12.45%)
Total liability	1,420.18	1,625.51	(205.33)	(12.63%)
Total shareholder's equity	1,127.04	1,182.39	(55.35)	(4.68%)
<b>Total liability and shareholder's equity</b>	<b>2,547.22</b>	<b>2,807.90</b>	<b>(260.68)</b>	<b>(9.28%)</b>

**Current assets  
decreased by THB  
152.03 million or  
23.72%**

Current assets decreased by THB 152.03 million as follows:

- Trade accounts receivable and other receivables decreased by THB 5.51 million or 9.89% because last year the school semester was postponed due to the COVID-19 pandemic. As a result, the schedule for payment of debts has been postponed as well. which has been paid in early 2021.
- Inventories decreased by THB 94.23 million or 29.65% due to rising sales of textbooks, especially imported textbooks, and books produced by SE-ED Publisher in the category of finance, investment, and self-development.
- Other current financial assets decreased by THB 61.67 million or 52.12% from selling investment capitals to use.

**Non-current assets  
decreased by THB  
108.65 million or 5.01%**

Non-current assets decreased by THB 108.65 million due to:

- The right-of-use assets under lease agreements decreased by THB 80.28 million due to an amortization according to the lease term.

**Current liability  
decreased by THB  
124.13 million or  
12.75%**

Current liability decreased by THB 124.13 million as follows:

- Trade accounts payable and other payables decreased by THB 99.84 million from paying and reducing the order quantity according to the sales.

- Non-current liability decreased by THB 81.20 million or 12.45%**
- Non-current liabilities decreased by THB 81.20 million due to:
- Non-current lease liabilities decreased by THB 67.85 million due to the due rental payment of bookstores under the lease agreement.
  - Long-term loans decreased by THB 5.08 million due to loan repayment under the contract.
- Shareholder's equity decreased by THB 55.35 million or 4.68%**
- Shareholder's equity decreased by THB 55.35 million due to the decrease in operating results.

**Table 3 : Statement of cash flows 31 December 2021 and 2020**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>2021</b>	<b>2020</b>	<b>Increase</b>	
		<b>(Restated)</b>	<b>(decrease)</b>	<b>%</b>
Cash flows from (used) operation activities	85.07	60.09	24.98	41.57%
Cash flows from (used) investing activities	20.58	(168.62)	189.20	112.20%
Cash flows from (used) financing activities	(90.06)	117.15	(207.21)	(176.88%)
<b>Net Cash flows (decreased)</b>	<b>15.59</b>	<b>8.62</b>	<b>6.97</b>	<b>80.86%</b>

**Cash flows from operation activities in 2021 was THB 85.07 million.**

The net cash flows from operation in the amount of THB 85.07 million came from:

- Profit in the form of cash from operation was THB 151.58 million.
- Operational assets decreased by THB 75.55 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 103.56 million from paying the due payment to the accounts payable.
- Cash decreased from employees' long-term benefits payment of THB 10.30 million in the forms of the retirement pays and honor rewards program for employees every year.
- Cash decreased by THB 4.33 million from reconditioning of closed branches and returning the old warehouse where the lease had expired.
- Cash decreased by THB 22.27 million from paying an interest of the long-term loans.
- Cash increased from selling the investment capitals of THB 61.71 million to be used in the business.
- Cash decreased by THB 37.94 million from expanding school building and purchasing the school supplies of the subsidiary company.

**Cash flows from investing activities in 2021 was THB 20.58 million.**

**Cash flows used in financing activities in 2021 was THB (90.06) 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 55.66 million.
- Cash decreased by THB 66.38 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 2021 and 2020**

Financial ratios		Consolidated financial statement	
		2021	2020 (Restated)
Return On Equity (ROE)	%	(5.38)	(3.03)
Return on Asset (ROA)	%	(1.03)	(0.09)
Debt to Equity Ratio	times	1.26	1.37
Interest Coverage Ratio	times	7.89	13.04

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 (5.38%) decreased by 2.35% while ROA was (1.03%) decreased by 0.94%**

Return on Equity (ROE) was (5.38%), decreased by 2.35%, and Return on Assets (ROA) was (1.03%) decreased by 0.94% following the lower operating performance.

**Debt to Equity Ratio was 1.26 times, decreased by 0.11 times**

Debt to Equity Ratio decreased by 0.11 times due to loan repayment.

**Interest Coverage  
Ratio was 7.89 times,  
decreased by 5.15  
times**

Interest Coverage Ratio decreased 5.15 times because of lower operating performance and higher principal burden after the end of extending period for repayment during the COVID-19.

Signature.....

(Ms. Aree Sae-ung)

Assistant Managing Director Accounting & Financial (CFO)

Authorized Persons to Disclose Information