

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the six-month period ended 30 June, 2022

Overview

In the first half of 2022, Thailand's economy continued to improve from the previous quarter in terms of consumption, private investment, and exportation. In addition, tourism and service sectors were recovering where the number of foreign tourists increased by easing of pandemic control measures and international travel restrictions. As a result, the trade and service sectors improved in line with the economic recovery. Even though the Thai economy had expanded, it still was under the pressure of inflation that directly affected the household sector. This resulted in restrictions on consumer spending. However, the Company had adapted itself to be more in line with the current situation and continued to control costs in all dimensions, such as closing unprofitable branches. The Company also had received a rental discount from the shopping malls, which helped cutting some cost from renting.

- **Branch Closing** The Company closed nine unprofitable branches, allowing the Company to control expenses more efficiently. The Company recently had 252 branches that are still in operation as of June 30, 2022.

However, the income from the wholesale business raised a growth rate of approximately 9.7% from the previous year due to the government's policy to study on-site (teaching and learning at schools). The online sales also grew more than 7% from the previous year. Apart from adapting itself, the Company had also been an adjusted in terms of cost control and improving books and products selection to meet the needs of customers.

In addition, 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 1H2022 is THB
15.22 million.

For 1H2022, the Company had a net profit according to the consolidated financial statements of THB 15.22 million, increased by THB 3.48 million or 29.64% while a net profit according to the separate financial statements was THB 8.17 million, increased by THB 3.97 million. The main income from wholesale business increased 9.7% due to selling to educational institutions in preparation for the new semester. The Company also received a dividend from a subsidiary for THB 3.92 million. However, the Company was affected by the land and building tax that has been announced to back to a normal rate according to the Act. In the previous year, the tax rate was a 90% discount. The Company also was paying contributions to the provident fund at the normal rate. In the previous year, due to the COVID-19 situation the Company did not have to pay these contributions. Nevertheless, the Company realized the importance and morale of the employees, therefore the Company returned to pay contributions to the provident fund at the same rate. This results in a slight increase in profits.

The summary of key performance results was as follows:

- **The total revenue** Total revenue according to the consolidated financial statements was THB 1,097.88 million, increased by THB 18.43 million or 1.71% which according to the separate financial statements, the income increased by 0.71%.
- **The sales and administrative expenses** is THB 371.41 million, decreased by THB 10.83 million or 2.83% due to effective control costs and the reduction of the rental fee during COVID-19.
- **Financial expenses** were THB 11.97 million, increased by THB 1.06 million due an increase of borrowings at the end of 2020.

Table 1 : Operation results for the six-month period ended 30 June of 2022 and 2021

(Unit : Million Baht)				
Consolidated financial statement				
	1H2022	1H2021	Increase (decrease)	%
Revenue from sales of goods	1,076.90	1,057.77	19.13	1.81%
Cost of sales	691.22	665.65	25.57	3.84%
Gross profit	385.68	392.12	(6.44)	(1.64%)
Gross profit margin	35.81%	37.07%		(1.26%)
EBITDA	81.90	94.81	(12.91)	(13.62%)
Profit (loss) attributable to				
Equity holders of the Company	15.22	11.74	3.48	29.64%
Net earnings per share (Unit : Baht)	0.039	0.030	0.009	30.00%
Note: EBITDA is earnings before Interest and Tax, plus Depreciation& Amortization and Allowance for loss of inventories, dilapidated and slow moving.				

**Margin decreased
or 1.26%**

For the first half of 2022, gross profit was THB 385.68 million, decreased by THB 6.44 million or 1.64% from the previous year. A gross profit margin of 35.81%, decreased by 1.26% compared to the previous year. This was because the cost of imported goods from abroad increased due to the fluctuation of the British pound currency exchange rate and increasing discounts on textbooks - exam guides products to clearing the stock because the format of the aptitude test and academic knowledge for the university admissions system (TCAS) was changed.

**cost of sales and
services increased by
THB 25.57 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 691.22 million, increased by THB 25.57 million or 3.84%, which related to an increase in sales.

**EBITDA decreased by
THB 12.91 million or
13.62%**

EBITDA was THB 81.90 million, decreased by THB 12.91 million or 13.62% from the previous year due to lower expenses from allocation and depreciation, resulting in a decrease in EBITDA. However, the Company had an operating profit of THB 35.25 million, increased by THB 3.70 million or 11.73%.

Table2: Statement of financial position As at 30 June 2022 and 31 December 2021

(Unit : Million Baht)

	Consolidated financial statement			
	30 June 2022	31 December 2021	Increase (decrease)	%
Current assets	548.03	488.83	59.20	12.11%
Non-current assets	2,021.30	2,058.39	(37.09)	(1.80%)
Total assets	2,569.33	2,547.22	22.11	0.87%
Current liability	924.15	849.13	75.02	8.83%
Non-current liability	494.88	571.05	(76.17)	(13.34%)
Total liability	1,419.03	1,420.18	(1.15)	(0.08%)
Total shareholder's equity	1,150.30	1,127.04	23.26	2.06%
Total liability and shareholder's equity	2,569.33	2,547.22	22.11	0.87%

Current assets

**increased by THB
59.20 million or 12.11%**

Current assets increased by THB 59.20 million as follows:

- Trade accounts receivable and other receivables increased by THB 127.36 million or 253%. Most of them were receivable from educational institutes, preparing for the new semester as usual.
- Inventories decreased by THB 30.73 million or 13.74% from sales to educational institutes in preparation for the new semester.
- Other current financial assets decreased by THB 18.70 million or 33% due to the sale of temporary investments to use as working capitals and repayment of long-term loans.

Non-current assets

**decreased by THB
37.09 million or 1.80%**

Non-current assets decreased by THB 37.09 million due to:

- The right-of-use assets lease agreements decreased by THB 37.12 million due to amortization over the lease period and from the reduction of the head office area by 33% at the end of the first quarter of 2022.

Current liability

**increased by THB
75.02 million or 8.83%**

Current liability increased by THB 75.02 million as follows:

- Trade accounts payable and other payables increased by THB 74.70 million due to purchasing goods for a new semester.

- Non-current liability decreased by THB 76.17 million or 13.34%**
- Non-current liabilities decreased by THB 76.17 million due to:
- Non-current lease liabilities decreased by THB 18.35 million due to the due rental payment of bookstores under the lease agreement.
 - Long-term loans decreased by THB 52.04 million due to loan repayment under the contract.
- Shareholder's equity increased by THB 23.26 million or 2.60%**
- Shareholder's equity increased by THB 23.26 million due to the increase in operating results.

Table 3 : Statement of cash flows for the six-month period 30 June 2022 and 2021 (Unit : Million Baht)

	Consolidated financial statement			
	1H2022	1H2021	Increase (decrease)	%
Cash flows from (used) operation activities	67.88	27.35	40.53	148.19%
Cash flows from (used) investing activities	(16.58)	0.84	(17.42)	(2,073.81%)
Cash flows from (used) financing activities	(75.01)	(62.12)	(12.89)	(20.75%)
Net Cash flows (decreased)	(23.71)	(33.93)	10.22	30.12%

- Cash flows from operation activities in 1H2022 was THB 67.88 million.**
- The net cash flows from operation in the amount of THB 67.88 million came from:
- Profit in the form of cash from operation was THB 122.96 million.
 - Operating assets increased by THB 108.91 million, mainly from sales to the payables, institutional and schools, during the beginning of each academic year.
 - Operational liabilities increased by THB 68.67 million from trade payables ordered products for selling to educational institutes that prepared for the new semester.
 - Cash decreased by THB 2.36 million from reconditioning of closed branches and renovating branches.
 - Cash decreased by THB 11.93 million from paying an interest of the long-term loans.
- Cash flows used in investing activities in 1H2022 was THB (16.58) million.**
- Cash increased from selling the investment capitals of THB 19.27 million to be used as working capitals.
 - Cash decreased by THB 34.09 million from expanding school building and purchasing the school supplies of the subsidiary company.

- Cash flows used in financing activities in 1H2022 was THB (75.01) million.**
- Cash decreased from the subsidiary company paying due long-term loans of THB 35.57 million.
 - Cash decreased by THB 35.98 million due to paying liabilities under lease agreements.
 - Cash decreased from subsidiary companies' dividend payment of THB 3.46 million.

Table 4 : Financial ratio of 1H'2022 and 1H'2021

Financial ratios		Consolidated financial statement	
		1H2022	1H2021
Return On Equity (ROE)	%	(5.00)	(0.33)
Return on Asset (ROA)	%	(0.90)	1.24
Debt to Equity Ratio	times	1.23	1.27
Interest Coverage Ratio	times	11.36	13.63

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%) decreased by 4.67% while ROA was (0.90%) decreased by 2.14%

Return on Equity (ROE) was (5%) decreased by 4.67% and Return on Assets (ROA) was (0.90%) decreased by 2.14% due to calculating the second half of last year's performance together with the first half of the present year, which was affected by the government's lockdown measures for the period July-August 2021.

Debt to Equity Ratio was 1.23 times, decreased by 0.04 times

Debt to Equity Ratio decreased by 0.04 times due to loan repayment.

**Interest Coverage
Ratio was 11.36 times,
decreased by 2.27
times**

Interest Coverage Ratio decreased 2.27 times in line with the increased principal burden.

Signature.....

(Mr. Rungkan Paisitpanichtrakul)

Managing Director