

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of March 31,2023

Overview

For the first quarter of 2023, the Thai economy continued to improve due to the recovery of tourism in a certain extent. Further, the domestic consumption, private investment, and exports continued to expand. As a result, the trade and service sectors had improved in line with the economic recovery. In term of publishing business, the market showed a sign of recovery and publishers were increasing the power of producing new books getting for both non-fiction and fiction and gaining more feedback from the readers. Not only the growth of books was showing, other product groups that promote learning or enhancing skills for children, and product groups of teenagers, students, and working people's lifestyles also began to show the recovery signs too. However, it was not the same level as before the outbreak of COVID-19. The Thai economy had expanded; yet it was under pressure from inflation that affects the household sector and yielded a limitation on consumer spending. In addition, the service businesses had been affected by an increase of minimum wage rate, which has increased by more than 5.02%, and the rise of financial costs from interest rates that steadily increased. However, the Company had adapted itself to be more in line with the current situation. It continued to control expenses in every dimension, including closing branches that were not profitable, although the Company received a rental discount from shopping malls, which helped the Company cut some expense.

- Branch Expansion The Company had opened a new branch in March (CONSIAM Branch)
- Branch Closing The Company closed 10 unprofitable branches, allowing the Company to control expenses more efficiently. The Company recently had 231 branches that are still in operation as of March 31, 2023.

However, the income from the wholesale business raised a growth rate of approximately 10.1% from the previous year and due to an increase of 27.2% from the retail business group. 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**In Q1'2023 is THB 7.59 million.**

For the first quarter of 2023, the Company's net profit according to the consolidated financial statements was THB 7.59 million, an increase of THB 16.93 million or 181.26%, resulting from a net profit according to the separate financial statements of THB 6.52 million, an increase of THB 18.34 million due to main income from a wholesale business group increased by 27.2%, resulting of sales to educational institutions during the preparation for the start of the new semester.

The summary of key performance results was as follows:

- The total revenue Total revenue according to the consolidated financial statements was THB 554.08 million, increased by THB 67.96 million or 13.98% which according to the separate financial statements, the income increased by 14.31%.
- The sales and administrative expenses is THB 180.66 million, increased by THB 3.04 million or 1.71% from the incentives for employees to boost the sales.
- Financial expenses were THB 5.51 million, decreased by THB 0.22 million in with a decrease of the principal burden.

Table 1 : Operation results for the three-month period ended 31 March of 2023 and 2022

	(Unit : Million Baht)			
	Consolidated financial statement			
	Q1'2023	Q1'2022	Increase (decrease)	%
Revenue from sales of goods	545.34	474.81	70.53	14.85%
Cost of sales	358.70	309.80	48.90	15.78%
Gross profit	186.64	165.01	21.63	13.11%
Gross profit margin	34.22%	34.75%		(0.53%)
EBITDA	31.43	16.35	15.08	92.20%
Profit (loss) attributable to				
Equity holders of the Company	7.59	(9.34)	16.93	181.26%
Net earnings per share (Unit : Baht)	0.019	(0.024)	0.043	179.17%

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

**Margin decreased
or 0.53%**

For the first quarter of 2023, the gross profit was THB 186.64 million from the previous year, an increase of THB 21.63 million or 13.11%, with a gross profit margin of 34.22%, decreased by 0.53%, compared to the previous year from promotional sales to marketing of a wholesale business group.

**cost of sales and
services increased by
THB 48.90 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 358.70 million, increased by THB 48.90 million or 15.78%, which related to an increase in sales.

**EBITDA increased by
THB 15.08 million or
92.20%**

EBITDA was THB 31.43 million, increased by THB 15.08 million or 92.20% according to the improved performance.

Table2: Statement of financial position As at 31 March 2023 and 31 December 2022

(Unit : Million Baht)				
Consolidated financial statement				
	31 March 2023	31 December 2022	Increase (decrease)	%
Current assets	496.31	403.54	92.77	22.99%
Non-current assets	2,000.83	2,027.71	(26.88)	(1.33%)
Total assets	2,497.14	2,431.25	65.89	2.71%
Current liability	876.55	803.91	72.64	9.04%
Non-current liability	451.27	466.74	(15.47)	(3.31%)
Total liability	1,327.82	1,270.65	57.17	4.50%
Total shareholder's equity	1,169.32	1,160.60	8.72	0.75%
Total liability and shareholder's equity	2,497.14	2,431.25	65.89	2.71%

Current assets

**increased by THB
92.77 million or 22.99%**

Current assets increased by THB 92.77 million as follows:

- Trade accounts receivable and other receivables increased by THB 72.76 million or 153.96%. Most of them were receivable from educational institutes, preparing for the new semester as usual.
- Inventories increased by THB 34.23 million or 15.55% from orders for the new semester.
- Other current financial assets decreased by THB 0.34 million or 2.60% due to the sale of temporary investments to use as working capitals and repayment of long-term loans.

Non-current assets

**decreased by THB
26.88 million or 1.33%**

Non-current assets decreased by THB 26.88 million due to:

- The right-of-use assets lease agreements decreased by THB 16.87 million due to amortization over the lease period
- Property, plant, and equipment decreased by 9.84 million baht from periodic depreciation. However, there was an increase in land appraisal of the subsidiary by THB 33.16 million and the new building for primary students.

Current liability increased by THB 72.64 million or 9.04%	Current liability increased by THB 72.64 million as follows: <ul style="list-style-type: none"> - Trade accounts payable and other payables increased by THB 97.17 million due to purchasing goods for a new semester.
Non-current liability decreased by THB 15.47 million or 3.31%	Non-current liabilities decreased by THB 15.47 million due to: <ul style="list-style-type: none"> - Non-current lease liabilities decreased by THB 8.08 million due to the due rental payment of bookstores under the lease agreement. - Long-term loans decreased by THB 54.77 million due to loan repayment under the contract.
Shareholder's equity increased by THB 8.72 million or 0.75%	Shareholder's equity increased by THB 8.72 million due to the increase in operating results.

Table 3 : Statement of cash flows for the three-month period 31 March 2023 and 2022

(Unit : Million Baht)

	Consolidated financial statement			
	Q1'2023	Q1'2022	Increase (decrease)	%
Cash flows from (used) operation activities	5.78	4.90	0.88	17.96%
Cash flows from (used) investing activities	(6.04)	23.52	(29.56)	(125.68%)
Cash flows from (used) financing activities	(20.20)	(52.96)	32.76	61.86%
Net Cash flows (decreased)	(20.46)	(24.54)	4.08	16.63%

Cash flows from operation activities in Q1'2023 was THB 5.78 million.	The net cash flows from operation in the amount of THB 5.78 million came from: <ul style="list-style-type: none"> ○ Profit in the form of cash from operation was THB 50.05 million. ○ From changes in operating assets increased by THB 112.63 million from trade accounts receivable THB 76.58 million, most of which were products sold to institutional and school debtors during the opening of the semester every year. ○ Operational liabilities increased by THB 76.81 million from trade payables ordered products for selling to educational institutes that prepared for the new semester. ○ Cash decreased by THB 2.09 million from reconditioning of closed branches and renovating branches. ○ Cash decreased by THB 5.51 million from paying an interest of the long-term loans.
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Cash flows use in investing activities in Q1'2023 was THB (6.04) million.

- Cash decreased by THB 3.83 million from expanding school building and purchasing the school supplies of the subsidiary company.
- Cash decreased by THB 3.15 million from the payment of leasehold rights.

Cash flows used in financing activities in Q1'2023 was THB (20.20) million.

- Cash decreased from the subsidiary company paying due long-term loans of THB 23.17 million.
- Cash decreased by THB 16.28 million due to paying liabilities under lease agreements.
- Cash increased from short-term loans from financial institutions of THB 20 million.

Table 4 : Financial ratio of Q1'2023 and Q1'2022

Financial ratios		Consolidated financial statement	
		Q1'2023	Q1'2022
Return On Equity (ROE)	%	1.35	(5.11)
Return on Asset (ROA)	%	1.98	(0.76)
Debt to Equity Ratio	times	1.14	1.28
Interest Coverage Ratio	times	10.13	7.64

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 1.35% increased by 6.46% while ROA was 1.98% increased by 2.74%

Return on Equity (ROE) was 1.35% increased by 6.46% and Return on Assets (ROA) was 1.98% increased by 2.74% according to the improving performance comparing.

Debt to Equity Ratio was 1.14 times, decreased by 0.14 times

Debt to Equity Ratio decreased by 0.14 times due to loan repayment.

Interest Coverage Ratio was 10.13 times, increased by 2.49 times Interest Coverage Ratio increased 2.49 times in line with the increased principal burden.

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(Mr. Rungkan Paisitpanichtrakul)

Managing Director