

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for six-month period ended 30 June, 2024

Overview

For the first half of 2024, the overall Thai economy continued to slow down from the previous quarter. The core inflation rate was close to the previous quarter, while the labor market continued to improve in both the service and manufacturing sectors. Even though private consumption remained stable and consumer confidence continued to decline due to concerns about rising living costs and the slow recovery of the Thai economy. However, the Company had adjusted itself to be more in line with the current situation by pushing for a higher proportion of products with high gross profit margins, especially self-produced products and imported products. In addition, it had also more efficiently controlled branch-related expenses, rent, and employee compensation, including closing unprofitable branches.

- **Branch Closing** The Company closed 17 unprofitable branches, allowing the Company to control expenses more efficiently. The Company recently had 207 branches that are still in operation as of June 30, 2024.

- **Opening new branches** The Company opened Four new branches In 1H'2024 as follows:

1. Phatthalung, Ramesuan Road
2. The Mall Bangkhuae (Relocate)
3. Central Nakhon Pathom
4. Trat (New road)

However, revenue from the wholesale business group increased by 14% compared to the previous year. The company has broadened its customer base to include new clients, particularly private school groups, through initiatives such as teacher training programs aimed at aligning Thai education curriculum with international standards. Consequently, both the Book and Digital Product groups have continued to grow as projected.

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 1H'2024 is THB
30.36 million.**

For the first half of 2024, the Company had a net profit according to the consolidated financial statements of THB 30.36 million, a decrease of THB 8.77 million or 22.42%, resulting from a net profit according to the separate financial statements of THB 27.19 million, a decrease of THB 5.93 million or 17.91%, due to a decrease in retail business revenue in line with consumer behavior that had shifted to online shopping more due to discounts from each platform that uses fiercely competitive pricing strategies.

In addition, the cost of imported goods increased due to foreign exchange rates compared to the previous year by approximately 8.7%.

The summary of key performance results was as follows:

- **The total revenue** Total revenue according to the consolidated financial statements was THB 1,151.25 million, decreased by THB 29.28 million or 2.48% which according to the separate financial statements, the income decreased by 3.33%.
- **Selling and administrative expenses** were THB 365.18 million, an decrease of THB 7.36 million or 1.98%. This was due to more efficient cost control, especially the reduction of expenses from branches that were closed due to non-profits and better product turnover management.
- **Financial expenses** were THB 11.57 million, increased by THB 0.57 million in with a increase of the principal burden.

Table 1 : Operation results for the six-month period ended 30 June of 2024 and 2023

(Unit : Million Baht)

	Consolidated financial statement			
	1H'2024	1H'2023	Increase (decrease)	%
Revenue from sales of goods	1,132.81	1,159.37	(26.56)	-2.29%
Cost of sales	733.71	744.86	(11.15)	-1.50%
Gross profit	399.10	414.51	(15.41)	-3.72%
Gross profit margin	35.23%	35.75%	-0.52%	
EBITDA	86.96	98.89	(11.93)	-12.06%
Profit (loss) attributable to				
Equity holders of the Company	30.36	39.13	(8.77)	-22.41%
Net earnings per share (Unit : Baht)	0.077	0.099	(0.022)	-22.22%

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

**Margin decreased
or 0.52%**

For the first half of 2024, gross profit was THB 399.10 million, down THB 15.41 million or 3.72% from the previous year. The gross profit margin was 35.23%, decreased by 0.52% from the previous year. The gross profit margin of the separate financial statements was 35.59%, decreased by 0.59% from the previous year due to promotions to attract customers and increased costs of imported goods from abroad, which were affected by the weakening of the baht.

**cost of sales and
services decreased by
THB 11.15 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 733.71 million, decreased by THB 11.15 million or 1.50%, which related to an decrease in sales.

**EBITDA decreased by
THB 11.93 million or
12.06%**

EBITDA was THB 86.96 million, decreased by THB 11.93 million or 12.06%, according to the decreased operating results.

Table2: Statement of financial position As at 30 June 2024 and 31 December 2023

(Unit : Million Baht)

	Consolidated financial statement			
	30 June 2024	31 December 2023	Increase (decrease)	%
Current assets	534.21	428.14	106.07	24.77%
Non-current assets	2,184.76	2,188.41	(3.65)	-0.17%
Total assets	2,718.97	2,616.55	102.42	3.91%
Current liability	976.26	888.43	87.83	9.89%
Non-current liability	363.53	381.97	(18.44)	-4.83%
Total liability	1,339.79	1,270.40	69.39	5.46%
Total shareholder's equity	1,379.18	1,346.15	33.03	2.45%
Total liability and shareholder's equity	2,718.97	2,616.55	102.42	3.91%

**Current assets
increased by THB
106.07 million or
24.77%**

Current assets increased by THB 106.07 million as follows:

- Trade accounts receivable and other receivables increased by THB 147.21 million or 251.78%. Most of them were receivable from educational institutes, preparing for the new semester as usual.

- Inventories decreased by THB 18 million or 7.93% from orders for the new semester.
- Cash and cash equivalents decreased by THB 33.99 million or 28.63%.

Non-current assets decreased by THB 3.65 million or 0.17%

Non-current assets decreased by THB 3.65 million due to

- Withholding tax awaiting refund from the Revenue Department decreased by THB 6.65 million baht or 35.72%.
- Intangible assets increased by THB 7.69 million or 95.67% from the working-in-progress development of program systems and websites which aimed to increase work efficiency and better services.
- Land, buildings, and equipment increased by THB 1.65 million or 0.09% from expanding the school building for the upper primary level and renovating the Subsidiary's library which is under construction.

Current liability increased by THB 87.83 million or 9.89%

Current liability increased by THB 87.83 million as follows:

- Trade accounts payable and other payables increased by THB 87.44 million due to purchasing goods for a new semester.
- Overdraft and short-term loan from financial institution increased by THB 38.29 million.
- Current portion of long-term loans decreased by THB 39.99 million from the subsidiary's promissory note extension.

Non-current liability decreased by THB 18.44 million or 4.83%

Non-current liabilities decreased by THB 18.44 million due to:

- Long-term loans decreased by THB 4.05 million from the repayment of loans under the contract of THB 26.85 million, while the subsidiary borrowed from external parties THB 22.80 million to construct additional primary school buildings, according to the classification from the Current portion of long-term loans.
- Unearned revenue deferred to be amortized decreased by THB 15.68 million from the gradual recognition of revenue.

Shareholder's equity increased by THB 33.03 million or 2.45%

Shareholders' equity increased by THB 33.03 million from operating profit.

Table 3 : Statement of cash flows the six-month period 30 June 2024 and 2023

(Unit : Million Baht)

	Consolidated financial statement			
	1H'2024	1H'2023	Increase (decrease)	%
Cash flows from (used) operation activities	53.70	78.44	(24.74)	-31.54%
Cash flows from (used) investing activities	(55.88)	(13.47)	(42.41)	-314.85%
Cash flows from (used) financing activities	(31.82)	(78.12)	46.30	59.27%
Net Cash flows (decreased)	(34.00)	(13.15)	(20.85)	-158.56%

Cash flows from operation activities in 1H'2024 was THB 53.70 million.

The net cash flows from operation in the amount of THB 53.70 million came from:

Profit in the form of cash from operation was THB 119.97 million.

- From changes in operating assets increased by THB 131.42 million, most of which were products sold to institutional and school debtors during the opening of the semester every year.
- Operation liabilities increased by THB 72.73 million, from trade payables ordered products for selling to educational institutes that prepared for the new semester.
- Cash decreased by THB 1.51 million from reconditioning of closed branches and renovating branches.
- Cash decreased by THB 11.46 million from paying an interest of the long-term loans.

Cash flows use in investing activities in 1H'2024 was THB (55.88) million.

- Cash decreased by THB 45.99 million from expanding school building and purchasing the school supplies of the subsidiary company.
- Cash decreased by THB 8 million, from the purchase of intangible assets.

Cash flows used in financing activities in 1H'2024 was THB (31.82) million.

- Cash decreased from due long-term loans of THB 44.04 million.
- Cash decreased by THB 20.01 million due to paying liabilities under lease agreements.
- Cash increased from short-term loans from financial institutions of THB 38.29 million.
- Cash decrease from the subsidiary companies' dividend payment of THB 6.05 million.

Table 4 : Financial ratio of 1H'2024 and 1H'2023

Financial ratios		Consolidated financial statement	
		1H'2024	1H'2023
Return On Equity (ROE)	%	2.34	1.97
Return on Asset (ROA)	%	2.92	2.44
Debt to Equity Ratio	times	0.97	1.07
Interest Coverage Ratio	times	11.54	13.65

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 2.34% increased by 0.37% while ROA was 2.92% increased by 0.48% Return on Equity (ROE) was 2.34%, increased by 0.37%, and Return on Assets (ROA) was 2.92%, increased by 0.48%, following the profit from the revaluation of investment properties at the end of the previous year.

Debt to Equity Ratio was 0.97 times, decreased by 0.10 times Debt to Equity Ratio decreased by 0.10 times due to loan repayment.

Interest Coverage Ratio was 11.54 times, decreased by 2.11 times Interest Coverage Ratio decreased 2.11 times due to lower cash operating profit.

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(Mr. Rungkan Paisitpanichtrakul)

Managing Director