

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for nine-month period ended 30 September, 2024

Overview

In the 9-month period 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 22 unprofitable branches, allowing the Company to control expenses more efficiently. The Company recently had 204 branches that are still in operation as of September 30, 2024.
- **Opening new branches** The Company opened Nine new branches In 9M'2024 as follows:
 1. Phatthalung, Ramesuan Road
 2. The Mall Bangkhuae (Relocate)
 3. Central Nakhon Pathom
 4. Trat (New road)
 5. Big C Yala
 6. Big C Pattani

However, revenue from the wholesale business group increased by 8.8% from the customer group that is an educational institution, 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 English language skills in 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 9M'2024 is THB 5.70
million.

For the 9-month period of 2024, the Company had a net profit according to the consolidated financial statements of THB 5.70 million, a decrease of THB 25.93 million or 81.98%, resulting from a net profit according to the separate financial statements of THB 1.43 million, a decrease of THB 21.30 million or 93.71%, 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 the fluctuation of foreign exchange rates exchange rates compared to the previous year by approximately 2.7%.

The summary of key performance results was as follows:

- **The total revenue** Total revenue according to the consolidated financial statements was THB 1,588.06 million, decreased by THB 83.27 million or 4.98% which according to the separate financial statements, the income decreased by 6.30%.
- **Selling and administrative expenses** were THB 537.03 million, an decrease of THB 8.25 million or 1.51%. 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 17.04 million, increased by THB 0.85 million with a increase of the principal burden.

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

(Unit : Million Baht)

	Consolidated financial statement			
	9M'2024	9M'2023	Increase (decrease)	%
Revenue from sales of goods	1,559.62	1,640.95	(81.33)	-4.96%
Cost of sales	1,015.75	1,059.90	(44.15)	-4.17%
Gross profit	543.87	581.05	(37.18)	-6.40%
Gross profit margin	34.87%	35.41%		-0.54%
EBITDA	79.60	106.32	(26.72)	-25.13%
Profit (loss) attributable to				
Equity holders of the Company	5.70	31.63	(25.93)	-81.98%
Net earnings per share (Unit : Baht)	0.015	0.081	(0.066)	-81.48%

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

**Margin decreased
or 0.54%**

For the 9-month period of 2024, gross profit was THB 543.87 million, down THB 37.18 million or 6.40% from the previous year. The gross profit margin was 34.87%, decreased by 0.54% from the previous year. The gross profit margin of the separate financial statements was 35.86%, decreased by 0.31% 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 44.15 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 1,015.75 million, decreased by THB 44.15 million or 4.17%, which related to an decrease in sales.

**EBITDA decreased by
THB 26.72 million or
25.13%**

EBITDA was THB 79.60 million, decreased by THB 26.72 million or 25.13%, according to the decreased operating results.

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

(Unit : Million Baht)

	Consolidated financial statement			
	30 September 2024	31 December 2023	Increase (decrease)	%
Current assets	366.00	428.14	(62.14)	-14.51%
Non-current assets	2,188.19	2,188.41	(0.22)	-0.01%
Total assets	2,554.19	2,616.55	(62.36)	-2.38%
Current liability	725.89	888.43	(162.54)	-18.30%
Non-current liability	472.59	381.97	90.62	23.72%
Total liability	1,198.48	1,270.40	(71.92)	-5.66%
Total shareholder's equity	1,355.71	1,346.15	9.56	0.71%
Total liability and shareholder's equity	2,554.19	2,616.55	(62.36)	-2.38%

Current assets

Current assets decreased by THB 62.14 million as follows:

decreased by THB
62.14 million or 14.51%

- Cash and cash equivalents decreased by THB 66.16 million or 55.72%.
- Inventories decreased by THB 22.40 million or 9.87% from orders for the new semester.
- Other current financial assets increased by THB 17.01 million from the loans to use as working capital.
- Trade accounts receivable and other receivables increased by THB 6.30 million or 10.77%. Most of them were receivable from educational institutes, preparing for the new semester as usual.

Non-current assets

Non-current assets decreased by THB 0.22 million due to

decreased by THB 0.22
million or 0.01%

- Property, plant, and equipment decreased by THB 6.68 million or 0.38% from periodic depreciation by THB 43.22 million. The cost of assets increased from the upper primary level school's expansion and the improvement of the subsidiary's library, which is under construction.
- Withholding tax awaiting refund from the Revenue Department decreased by THB 6.65 million or 35.72%.
- Prepaid book copyright and translation fee decreased by THB 2.09 million or 8.62%
- Intangible assets increased by THB 10.92 million or 135.82% from the working-in-progress development of program systems and websites which aimed to increase work efficiency and better services.
- Other non-current assets increased by THB 4.29 million or 46.03% from the subsidiary's insurance and deposits.

Current liability decreased by THB 162.54 million or 18.30%

Current liability increased by THB 162.54 million as follows:

- The unearned income waiting to be recognized as income within one year of the subsidiary decreased by THB 36.68 million or 46.95%.
- Current portion of long-term loans decreased by THB 61.16 million from the subsidiary's promissory note extension.
- Overdraft and short-term loan from financial institution decreased by THB 50.88 million.
- Trade accounts payable and other payables decreased by THB 13.02 million from paying and reducing the order quantity according to the sales.

Non-current liability increased by THB 90.62 million or 23.72%

Non-current liabilities increased by THB 90.62 million due to:

- Long-term loans increased by THB 86.41 million from the Company's financial institutions loans by THB 34.36 million, to adjust the short-term liability structure, while the subsidiary borrowed from external parties THB 51.05 million to construct additional primary school buildings, according to the classification from the Current portion of long-term loans.

Shareholder's equity increased by THB 9.56 million or 0.71%

Shareholders' equity increased by THB 9.56 million from operating profit.

Table 3 : Statement of cash flows the nine-month period 30 September 2024 and 2023

(Unit : Million Baht)

	Consolidated financial statement			
	9M/2024	9M/2023	Increase (decrease)	%
Cash flows from (used) operation activities	79.56	88.50	(8.94)	-10.10%
Cash flows from (used) investing activities	(84.72)	(20.09)	(64.63)	-321.70%
Cash flows from (used) financing activities	(61.00)	(109.97)	48.97	44.53%
Net Cash flows (decreased)	(66.16)	(41.56)	(24.60)	-59.19%

Cash flows from operation activities in 9M/2024 was THB 79.56 million.

The net cash flows from operation in the amount of THB 79.56 million came from:

Profit in the form of cash from operation was THB 121.05 million.

- From changes in operating assets decreased by THB 26 million, most of them are inventories that are reduced from sales to institutional and school debtors during the opening of the semester every year.
- Operating liabilities decreased by THB 53.30 million due to payment of trade accounts payable and recognized advance income from subsidiary companies.

Cash flows use in investing activities in 9M/2024 was THB (84.72) million.

- Cash decreased by THB 1.97 million from reconditioning of closed branches and renovating branches.
- Cash decreased by THB 16.88 million from paying an interest of the long-term loans.
- Cash decreased by THB 55.41 million from expanding school building and purchasing the school supplies of the subsidiary company.
- Cash decreased by investing THB 16.87 million in the open fund.
- Cash decreased by THB 11.49 million, from the purchase of intangible assets to develop new businesses related to digital and online sales channels.

Cash flows used in financing activities in 9M/2024 was THB (61.00) million.

- Cash decreased from due short-term loans and long-term loans of THB 154.75 million.
- Cash decreased by THB 29.31 million due to paying liabilities under lease agreements.
- Cash decreased by THB 10.88 million from bank overdraft.
- Cash decrease from the subsidiary companies' dividend payment of THB 6.05 million.
- Cash increased from short-term loans and long-term loans from financial institutions of THB 140 million.

Table 4 : Financial ratio of 9M/2024 and 9M/2023

Financial ratios		Consolidated financial statement	
		9M/2024	9M/2023
Return On Equity (ROE)	%	0.88	2.44
Return on Asset (ROA)	%	2.28	2.83
Debt to Equity Ratio	times	0.88	0.96
Interest Coverage Ratio	times	8.26	10.76

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 0.88% decreased by 1.56% while ROA was 2.28% decreased by 0.55%

Return on Equity (ROE) was 0.88%, decreased by 1.56%, and Return on Assets (ROA) was 2.28%, decreased by 0.55%, following the lower operating performance.

Debt to Equity Ratio
was 0.88 times,
decreased by 0.08
times

Debt to Equity Ratio decreased by 0.08 times due to loan repayment.

Interest Coverage
Ratio was 8.26 times,
decreased by 2.50
times

Interest Coverage Ratio decreased 2.50 times due to lower cash operating profit.

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(Mr. Rungkan Paisitpanichtrakul)

Managing Director