

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report As of March 31, 2022

Overview

For the first quarter of 2022, the overall Thai economy had been affected by the COVID-19 situation. The government had measures to support purchasing power and exporting, which were expected to increase in line with continuously recovering world demand. However, the Company had continued to adjust itself to the current situation and control costs in all dimensions, including closing unprofitable branches. The Company also received a rental discount from the tenants of space in shopping malls that helped the Company to reduce renting cost. Anyway, in overall retail business revenue continually was affected by COVID-19 pandemic and a contraction in purchasing power while the labor market had not fully recovered. As a result, they were clearly limiting consumer spending. However, the income from the wholesale business with a growth rate of about 5% from the previous year, according to the government's policy to open on-site courses (teaching management at schools), including online sales that grew more than 27% from the previous year. In addition to the adjustment in cost control, it had also improved the selection of books and ordering products that are quality and meet the needs of customers. Still, the Company also was affected by financial reporting standards as follows:

- **Branch Closing** The Company closed four unprofitable branches, allowing the Company to control expenses more efficiently. The Company recently had 257 branches that are still in operation as of March 31, 2022.
- **TFRS 9: Financial Instruments** Other losses were increased by Baht 1.63 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.
- **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 Q1'2022 is THB 9.34 million.

For the first quarter of 2022, the Company's net loss according to the consolidated financial statements was THB 9.34 million, decreased by THB 3.40 million or 26.67%, resulting from a net loss according to the separate financial statements of THB 11.82 million, decreased by THB 2.02 million in accordance with business sales. Retail sales declined by 11.7% while sales in the wholesale business increased by 4.8% and the Company received a lesser discount on shopping centers rent than last year.

The summary of key performance results was as follows:

- **The total revenue** Total revenue according to the consolidated financial statements was THB 486.12 million, decreased by THB 18.38 million or 3.64%, due to a decrease in revenue from the separate financial statements of THB 25.64 million or 5.65% due to retail businesses were affected by the COVID-19 situation.
- **The sales and administrative expenses** is THB 177.61 million, decreased by THB 16.93 million or 8.70% due to effective control costs and the reduction of the rental fee during COVID-19.
- **Financial expenses** were THB 5.73 million, increased by THB 0.46 million due to an increase of borrowings at the end of 2020.

Table 1 : Operation results for the three-month period ended 31 March of 2022 and 2021

(Unit : Million Baht)

	Consolidated financial statement			
	Q1'2022	Q1'2021	Increase (decrease)	%
Revenue from sales of goods	474.81	494.46	(19.65)	(3.97%)
Cost of sales	309.79	318.48	(8.69)	(2.73%)
Gross profit	165.02	175.98	(10.96)	(6.23%)
Gross profit margin	34.75%	35.59%		(0.84%)
EBITDA	16.35	28.22	(11.87)	(42.06%)
Profit (loss) attributable to				
Equity holders of the Company	(9.34)	(12.74)	3.40	26.69%
Net earnings per share (Unit : Baht)	(0.024)	(0.032)	0.008	25.00%

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

**Margin decreased
or 0.84%**

For the first quarter of 2022, gross profit was THB 165.02 million, decreased by THB 10.96 million or 6.23% from the previous year. A gross profit margin of 34.75%, decreased by 0.84% 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 decreased by
THB 8.69 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 309.79 million, decreased by THB 8.69 million or 2.73%, in accordance with the decline of sales.

**EBITDA decreased by
THB 11.87 million or
42.06%**

EBITDA was THB 16.35 million, decreased by THB 11.87 million or 42.06% from the previous year due to a decrease in operating results. Although the cost of sales and administration was decreased by 8.70%, but the main income decreased by 3.97% due to the impact of the COVID-19 pandemic.

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

(Unit : Million Baht)

	Consolidated financial statement			
	31 March 2022	31 December 2021	Increase (decrease)	%
Current assets	507.05	488.83	18.22	3.73%
Non-current assets	2,046.41	2,058.39	(11.98)	(0.58%)
Total assets	2,553.46	2,547.22	6.24	0.24%
Current liability	880.31	849.13	31.18	3.67%
Non-current liability	552.84	571.05	(18.21)	(3.19%)
Total liability	1,433.15	1,420.18	12.97	0.91%
Total shareholder's equity	1,120.31	1,127.04	(6.73)	(0.60%)
Total liability and shareholder's equity	2,553.46	2,547.22	6.24	0.24%

Current assets

**increased by THB
18.22 million or 3.73%**

Current assets increased by THB 18.22 million as follows:

- Trade accounts receivable and other receivables increased by THB 38.18 million or 76.03%. Most of them were receivable from educational institutes, preparing for the new semester as usual.
- Inventories increased by THB 40.79 million or 18.24% from orders for the new semester.
- Other current financial assets decreased by THB 39.31 million or 69.38% due to the sale of temporary investments to use as working capitals and repayment of long-term loans.

Non-current assets

**decreased by THB
11.98 million or 0.58%**

Non-current assets decreased by THB 11.98 million due to:

- The right-of-use assets lease agreements decreased by THB 12.26 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
31.18 million or 3.67%**

Current liability increased by THB 31.18 million as follows:

- Trade accounts payable and other payables increased by THB 71.74 million due to purchasing goods for a new semester.

- Non-current liability decreased by THB 18.21 million or 3.19%** Non-current liabilities decreased by THB 18.21 million due to:
- Non-current lease liabilities decreased by THB 3.64 million due to the due rental payment of bookstores under the lease agreement.
 - Long-term loans decreased by THB 19.37 million due to loan repayment under the contract.
- Shareholder's equity decreased by THB 6.73 million or 0.60%** Shareholder's equity decreased by THB 6.73 million due to the decrease in operating results.

Table 3 : Statement of cash flows for the three-month period 31 March 2022 and 2021 (Unit : Million Baht)

	Consolidated financial statement			
	Q1'2022	Q1'2021	Increase (decrease)	%
Cash flows from (used) operation activities	4.90	11.88	(6.98)	(58.75%)
Cash flows from (used) investing activities	23.52	(5.86)	29.38	501.37%
Cash flows from (used) financing activities	(52.96)	(23.81)	(29.15)	(122.43%)
Net Cash flows (decreased)	(24.54)	(17.79)	(6.75)	(37.94%)

- Cash flows from operation activities in Q1'2022 was THB 4.90 million.** The net cash flows from operation in the amount of THB 4.90 million came from:
- Profit in the form of cash from operation was THB 37.66 million.
 - Operational assets increased by THB 82.42 million. Most of them were products from sold to institutional and school receivables during the beginning of each academic year.
 - Operational liabilities increased by THB 57.36 million from trade payables ordered products for selling to educational institutes that prepared for the new semester.
 - Cash decreased by THB 1.76 million from reconditioning of closed branches and renovating branches.
 - Cash decreased by THB 5.72 million from paying an interest of the long-term loans.
- Cash flows from in investing activities in Q1'2022 was THB 23.52 million.**
- Cash increased from selling the investment capitals of THB 39.35 million to be used as working capitals.
 - Cash decreased by THB 15.73 million from expanding school building and purchasing the school supplies of the subsidiary company.

- Cash flows used in financing activities in Q1'2022 was THB (52.96) million.**
- Cash reduced from paying short-term loans of THB 20 million.
 - Cash decreased from the subsidiary company paying due long-term loans of THB 17.11 million.
 - Cash decreased by THB 19.52 million due to paying liabilities under lease agreements.

Table 4 : Financial ratio of Q1'2022 and Q1'2021

Financial ratios		Consolidated financial statement	
		Q1'2022	Q1'2021
Return On Equity (ROE)	%	(5.11)	(2.24)
Return on Asset (ROA)	%	(0.76)	0.25
Debt to Equity Ratio	times	1.28	1.38
Interest Coverage Ratio	times	7.64	10.08

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 (5.11%) decreased by 2.87% while ROA was (0.76%) decreased by 1.01%

Return on Equity (ROE) was (5.11%), decreased by 2.87%, and Return on Assets (ROA) was (0.76%) decreased by 1.01% following the lower operating performance.

Debt to Equity Ratio was 1.28 times, decreased by 0.10 times

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

**Interest Coverage
Ratio was 7.64 times,
decreased by 2.44
times**

Interest Coverage Ratio decreased by 2.44 times in line with lower operating performance and higher principal burden.

Signature.....

(Mr. Rungkan Paisitpanichtrakul)

Managing Director