

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for the nine-month period ended 30 September, 2022

Overview

In the 9-month period 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 15 unprofitable branches, allowing the Company to control expenses more efficiently. The Company recently had 246 branches that are still in operation as of September 30, 2022.

However, the income from due to an increase of 14.8% from the retail business group and the wholesale business raised a growth rate of approximately 8.6% from the previous year due to the government's policy to study on-site (teaching and learning at schools). 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 was at Profit in the 9-month period of 2022 in the amount of THB 2.94 million.

For the 9-month period of 2022, the Company had a net profit according to the consolidated financial statements of THB 2.94 million, an increase of THB 30.95 million, or 110.50%, resulting from a net loss according to the separate financial statements of THB 5.43 million. Loss decreased by THB 24.50 million due to main revenue from the separate financial statements increased by THB 129.87 million, due to an increase of 14.8% from the retail business group, an increase of 8.6% from the wholesale business, and the termination of last year's lockdown from the COVID-19 pandemic situation. As a result, the overall performance was improving. In addition, the Company also received dividends from subsidiaries 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 1,567.99 million, increased by THB 176.36 million or 12.68% which according to the separate financial statements, the income increased by 10.84%.
- **The sales and administrative expenses** is THB 548.63 million, increased by THB 18.61 million or 3.51% from a lockdown during July to August a previous year
- **Financial expenses** were THB 18.43 million, increased by THB 1.85 million due an increase of borrowings at the end of 2020.

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

(Unit : Million Baht)

	Consolidated financial statement			
	9M2022	9M2021	Increase (decrease)	%
Revenue from sales of goods	1,528.49	1,358.92	169.57	12.48%
Cost of sales	986.10	869.84	116.26	13.37%
Gross profit	542.39	489.08	53.31	10.90%
Gross profit margin	35.49%	35.99%		(0.50%)
EBITDA	80.04	70.44	9.60	13.63%
Profit (loss) attributable to				
Equity holders of the Company	2.94	(28.01)	30.95	110.50%
Net earnings per share (Unit : Baht)	0.007	(0.071)	0.078	109.86%

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

**Margin decreased
or 0.50%**

For the 9-month period of 2022, gross profit was THB 542.39 million, increased by THB 53.31 million or 10.90% from the previous year. A gross profit margin of 35.49%, decreased by 0.50% 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. However, the Company was able to remain the gross margin due to the in-house brand books, which some titles were trending and in demand. This resulted in several reprinting and helped slightly reduce gross profit margin.

**cost of sales and
services increased by
THB 116.26 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 986.10 million, increased by THB 116.26 million or 13.37%, which related to an increase in sales.

**EBITDA increased by
THB 9.60 million or
13.63%**

EBITDA was THB 80.04 million, increased by THB 9.60 million or 13.63% according to the improved performance.

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

(Unit : Million Baht)

	Consolidated financial statement			
	30 September 2022	31 December 2021	Increase (decrease)	%
Current assets	397.33	488.83	(91.50)	(18.72%)
Non-current assets	1,988.48	2,058.39	(69.91)	(3.40%)
Total assets	2,385.81	2,547.22	(161.41)	(6.34%)
Current liability	775.51	849.13	(73.62)	(8.67%)
Non-current liability	470.88	571.05	(100.17)	(17.54%)
Total liability	1,246.39	1,420.18	(173.79)	(12.24%)
Total shareholder's equity	1,139.42	1,127.04	12.38	1.10%
Total liability and shareholder's equity	2,385.81	2,547.22	(161.41)	(6.34%)

Current assets

**decreased by THB
91.50 million or 18.72%**

Current assets decreased by THB 91.50 million as follows:

- Trade accounts receivable and other receivables increased by THB 22.88 million or 45.56%. Most of them were receivable from educational institutes, preparing for the new semester as usual.
- Inventories decreased by THB 22.27 million or 9.96% from sales to educational institutes in preparation for the new semester.
- Other current financial assets decreased by THB 42.87 million or 75.66% due to the sale of temporary investments to use as working capitals and repayment of long-term loans.

Non-current assets

**decreased by THB
69.91 million or 3.40%**

Non-current assets decreased by THB 69.91 million due to:

- The right-of-use assets lease agreements decreased by THB 58.98 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

**decreased by THB
73.62 million or 8.67%**

Current liability decreased by THB 73.62 million as follows:

- Trade accounts payable and other payables decreased by THB 27.84 million from paying and reducing the order quantity according to the sales.

- Non-current liability decreased by THB 100.17 million or 17.54%** Non-current liabilities decreased by THB 100.17 million due to:
- Non-current lease liabilities decreased by THB 29.01 million due to the due rental payment of bookstores under the lease agreement.
 - Long-term loans decreased by THB 66.11 million due to loan repayment under the contract.
- Shareholder's equity increased by THB 12.38 million or 1.10%** Shareholder's equity increased by THB 12.38 million due to the increase in operating results.

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

	Consolidated financial statement			
	9M2022	9M2021	Increase (decrease)	%
Cash flows from (used) operation activities	57.86	(26.53)	84.39	318.09%
Cash flows from (used) investing activities	1.69	62.15	(60.46)	(97.28%)
Cash flows from (used) financing activities	(113.11)	(54.99)	(58.12)	(105.69%)
Net Cash flows (decreased)	(53.56)	(19.37)	(34.19)	(176.51%)

- Cash flows from operation activities in 9M2022 was THB 57.86 million.** The net cash flows from operation in the amount of THB 57.86 million came from:
- Profit in the form of cash from operation was THB 141.23 million.
 - Operating assets increased by THB 4.46 million, mainly from sales to the payables, institutional and schools, during the beginning of each academic year.
 - Operational liabilities decreased by THB 55.26 million from paying the due payment to the accounts payable.
 - Cash decreased by THB 3.30 million from reconditioning of closed branches and renovating branches.
 - Cash decreased by THB 18.35 million from paying an interest of the long-term loans.
- Cash flows from investing activities in 9M2022 was THB 1.69 million.**
- Cash increased from selling the investment capitals of THB 47.48 million to be used for internal circulation and repayment of long-term loans.
 - Cash decreased by THB 44.41 million from expanding school building and purchasing the school supplies of the subsidiary company.

Cash flows used in financing activities in 9M2022 was THB (113.11) million.

- Cash decreased from the subsidiary company paying due long-term loans of THB 48.23 million.
- Cash decreased by THB 52.36 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 9M'2022 and 9M'2021

Financial ratios		Consolidated financial statement	
		9M2022	9M2021
Return On Equity (ROE)	%	(2.50)	(5.07)
Return on Asset (ROA)	%	0.57	(1.15)
Debt to Equity Ratio	times	1.09	1.21
Interest Coverage Ratio	times	8.76	9.00

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 (2.50%) increased by 2.57% while ROA was 0.57% increased by 1.72%

Return on Equity (ROE) was (2.50%) increased by 2.57% and Return on Assets (ROA) was 0.57% increased by 1.72% according to the improving performance comparing from the same period last year.

Debt to Equity Ratio was 1.09 times, decreased by 0.12 times

Debt to Equity Ratio decreased by 0.12 times due to loan repayment.

**Interest Coverage
Ratio was 8.76 times,
decreased by 0.24
times**

Interest Coverage Ratio decreased 0.24 times in line with the increased principal burden.

Signature.....

(Mr. Rungkan Paisitpanichtrakul)

Managing Director