

SE-EDUCATION PUBLIC COMPANY LIMITED

And its subsidiaries

Management Discussion and Analysis

Performance Report for six-month period ended 30 June, 2023

Overview

In the first half 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.

- Opening new branches The Company opened two new branches in the first half of 2023 as follows:
 1. ICONSIAM (21 March 2023)
 2. Nong Khai, Mittraphap Road (16 June 2023)
- Branch Closing The Company closed 13 unprofitable branches, allowing the Company to control expenses more efficiently. The Company recently had 229 branches that are still in operation as of June 30, 2023.

However, the income from the wholesale business raised a growth rate of approximately 7.7% from the previous year and due to an increase of 9.4% 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 1H'2023 is THB
39.13 million.**

For 1H2023, the Company's net profit according to the consolidated financial statements was THB 39.13 million, an increase of THB 23.91 million or 157.10%, resulting from a net profit according to the separate financial statements of THB 33.13 million, an increase of THB 24.96 million due to main income from a wholesale business group increased by 9.4%, resulting of sales to educational institutions during the preparation for the start of the new semester and selling high-margin products, especially the non-book products. These resulted in better profitability of the retail business group.

The summary of key performance results was as follows:

- The total revenue Total revenue according to the consolidated financial statements was THB 1,180.53 million, increased by THB 82.65 million or 7.53% which according to the separate financial statements, the income increased by 7.20%.
- Selling and administrative expenses were THB 372.54 million, an increase of THB 1.13 million or 0.30% from employee compensation that could boost sales growth. In addition, during the second quarter of last year, the social security contribution rate was reduced from the full rate to only 1%.
- Financial expenses were THB 11 million, decreased by THB 0.97 million in with a decrease of the principal burden.

Table 1 : Operation results for six month period ended 30 June of 2023 and 2022

	(Unit : Million Baht)			
	Consolidated financial statement			
	1H2023	1H2022	Increase (decrease)	%
Revenue from sales of goods	1,159.36	1,076.90	82.46	7.66%
Cost of sales	744.86	691.22	53.64	7.76%
Gross profit	414.50	385.68	28.82	7.47%
Gross profit margin	35.75%	35.81%		(0.06%)
EBITDA	98.90	82.21	16.69	20.30%
Profit (loss) attributable to				
Equity holders of the Company	39.13	15.22	23.91	157.10%
Net earnings per share (Unit : Baht)	0.099	0.039	0.060	153.85%

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

**Margin decreased
or 0.06%**

For 1H2023, gross profit amounted to THB 414.50 million, an increase of THB 28.82 million from the previous year or 7.47%, with a gross profit margin of 35.75%, decreased by 0.06% compared to the previous year. The subsidiary's gross profit margin decreased by 2.2% due to the start of depreciation of the completed primary school building to support the increasing number of students. The gross profit margin of the separate financial statements was 36.2%, increased by 0.25% from the previous year due to the adjustment of product mix, especially non-book products.

**cost of sales and
services increased by
THB 53.64 million**

Cost of sales of goods and services according to the consolidated financial statements was THB 744.86 million, increased by THB 53.64 million or 7.76%, which related to an increase in sales.

**EBITDA increased by
THB 16.69 million or
20.66%**

EBITDA was THB 98.90 million, increased by THB 16.69 million or 20.30% according to the improved performance.

Table2: Statement of financial position As at 30 June 2023 and 31 December 2022

(Unit : Million Baht)				
Consolidated financial statement				
	30 June 2023	31 December 2022	Increase (decrease)	%
Current assets	515.84	403.54	112.30	27.83%
Non-current assets	1,977.73	2,027.71	(49.98)	(2.46%)
Total assets	2,493.57	2,431.25	62.32	2.56%
Current liability	909.65	803.91	105.74	13.15%
Non-current liability	377.29	466.74	(89.45)	(19.16%)
Total liability	1,286.94	1,270.65	16.29	1.28%
Total shareholder's equity	1,206.63	1,160.60	46.03	3.97%
Total liability and shareholder's equity	2,493.57	2,431.25	62.32	2.56%

**Current assets
increased by THB
112.30 million or
27.83%**

Current assets increased by THB 112.30 million as follows:

- Trade accounts receivable and other receivables increased by THB 127.41 million or 269.59%. Most of them were receivable from educational institutes, preparing for the new semester as usual.
- Inventories decreased by THB 7.48 million or 3.40% from sales to educational institutes in preparation for the new semester.

**Non-current assets
decreased by THB
49.98 million or 2.46%**

Non-current assets decreased by THB 49.98 million due to:

- The right-of-use assets lease agreements decreased by THB 27.57 million due to amortization over the lease period and closed branches.
- Property, plant, and equipment decreased by 17.21 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
105.74 million or
13.15%**

Current liability increased by THB 105.74 million as follows:

- Trade accounts payable and other payables increased by THB 91.80 million due to purchasing goods for a new semester.

- Non-current liability decreased by THB 89.45 million or 19.16%**
- Non-current liabilities decreased by THB 89.45 million due to:
- Non-current lease liabilities decreased by THB 11.99 million due to the due rental payment of bookstores under the lease agreement and from the decrease in the number of branches.
 - Long-term loans decreased by THB 68.84 million due to loan repayment under the contract.
- Shareholder's equity increased by THB 46.03 million or 3.97%**
- Shareholder's equity increased by THB 46.03 million due to the increase in operating results.

Table 3 : Statement of cash flows for the six-month period 30 June 2023 and 2022 (Unit : Million Baht)

	Consolidated financial statement			
	1H2023	1H2022	Increase (decrease)	%
Cash flows from (used) operation activities	78.44	65.75	12.69	19.30%
Cash flows from (used) investing activities	(13.47)	(14.44)	0.97	6.71%
Cash flows from (used) financing activities	(78.12)	(75.01)	(3.11)	(4.15%)
Net Cash flows (decreased)	(13.15)	(23.70)	10.55	44.51%

- Cash flows from operation activities in 1H2023 was THB 78.44 million.**
- The net cash flows from operation in the amount of THB 78.44 million came from:
- Profit in the form of cash from operation was THB 138.37 million.
 - From changes in operating assets increased by THB 126.66 million from trade accounts receivable THB 136.12 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 81.22 million from trade payables ordered products for selling to educational institutes that prepared for the new semester.
 - Cash decreased by THB 2.48 million from reconditioning of closed branches and renovating branches.
 - Cash decreased by THB 10.99 million from paying an interest of the long-term loans.
- Cash flows use in investing activities in 1H2023 was THB (13.47) million.**
- Cash decreased by THB 13.59 million from expanding school building and purchasing the school supplies of the subsidiary company.
 - Cash decreased by THB 4.36 million from the payment of leasehold rights.

Cash flows used in financing activities in 1H2023 was THB (78.12) million.

- Cash decreased from due long-term loans of THB 54.04 million.
- Cash decreased by THB 30.77 million due to paying liabilities under lease agreements.
- Cash increased from short-term loans from financial institutions of THB 10 million.
- Cash decrease from the subsidiary companies' dividend payment of THB 4.32 million.

Table 4 : Financial ratio of 1H2023 and 1H2022

Financial ratios		Consolidated financial statement	
		1H2023	1H2022
Return On Equity (ROE)	%	1.97	(5.00)
Return on Asset (ROA)	%	2.44	(0.90)
Debt to Equity Ratio	times	1.07	1.10
Interest Coverage Ratio	times	13.65	11.36

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 1.97% increased by 6.97% while ROA was 2.44% increased by 3.34%

Return on Equity (ROE) was 1.97% increased by 6.97% and Return on Assets (ROA) was 2.44% increased by 3.34% according to the improving performance comparing.

Debt to Equity Ratio was 1.07 times, decreased by 0.03 times

Debt to Equity Ratio decreased by 0.03 times due to loan repayment.

Interest Coverage Ratio was 13.65 times, increased by 2.29 times Interest Coverage Ratio increased 2.29 times in line with the decreased principal burden.

Signature.....

(Mr. Rungkan Paisitpanichtrakul)

Managing Director