



## SE-EDUCATION PUBLIC COMPANY LIMITED

### And its subsidiaries

### Management Discussion and Analysis

### Performance Report for the nine-month period ended 30 September, 2020

#### Overview

For the nine-month period of 2020, the Company was severely affected from the coronavirus pandemic (COVID-19). As a result, the overall economy in Thailand and the world had been slowed down from the shutdown measure. Almost all SE-ED Book Center branches had to be closed from 22 March to 16 May, resulting in a significant loss of the Company's main income. Even though the government sector has allowed reopening the shopping malls and educational institutes, purchasing power still hadn't recovered yet because the customers were affected by a business sector. In addition, the Company was also affected by the introduction of the new financial reporting standard for the first time. The impact are itemized as follows:

- There was a temporary shutdown in every area in the kingdom due to the state of emergency declaration. Most of SE-ED Book Center branches were in those areas. Therefore these branches were unable to open normally since mid of March. The Company's 289 bookstores were closed and only 23 branches were opened. This declaration also affected the educational institutions across the country which was another important source of income for the Company. Some educational institutions chose to change their courses to be online, especially in a higher education level. The whole book industry was impacted by this declaration as well. The publishers closely monitored the situation and slowed down their production of new books that normally planned be released during the National Book Expo. The expo also shifted to online sales model on the website as "Thai Book Fair." The Company had organized online promotional activities in the same format as book fair, for example, Writers Meet & Greet activities and live product introductions.
- The right of use increased by THB 338 million, including the leasehold right of land and buildings of THB 30 million. Liabilities under lease agreements increased by THB 307.7 million. Both of them were one-time items from applying TFRS#16 Leases, which was effective in 2020 onward.
- Other losses were increased by THB 5.22 million in line with Financial Reporting Standards TFRS#9 Financial Instrument regarding fair value hedge of interest rate

swap transaction and foreign exchange contracts. By these standards, adjusting the fair value of long-term interest rate swaps will be considered as profit or loss from exchange rate.

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 Q3'2020 for the nine-month is THB 4.19 million.***

In consolidated financial statements of Q3'2020, net loss of the Company was THB 4.19 million and loss increased by THB 19.74 million or 126.95%. The net loss in separate financial statements was THB 14.81 million, loss increased by THB 21.66 million or 316.20% due to a sales decline from lockdown effect and retail recession in overall. This was in accordance with a decline of purchasing powers of the lower-middle class whose incomes come from agricultural products that needed a commercially encouragement from the government sector. Further, the household debts were not seemingly to be lightened, directly affecting the purchasing power. This also caused economic recessions widely and took a long time to recover.

The Company's performances can be summarized as follows:

- **The total revenue** from the consolidated financial statement decreased by 30.81%, this was separate financial statement revenue which decreased by 33.20% due to the impact of the COVID-19 situation.
- **The sales and administrative expenses** decreased by 27.48% due to the reduction of the rental fee during COVID-19 and effective control costs.
- **Financing cost** increased by THB 2.16 million from an increase of loans.

**Table 1 : Operation results for the nine-month period ended 30 September of 2020 and 2019**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>Q3'2020</b>	<b>Q3'2019</b>	<b>Increase (decrease)</b>	<b>%</b>
Revenue from sales of goods	1,598.96	2,319.76	(720.80)	(31.07%)
Cost of sales	1,017.76	1,501.80	(484.04)	(32.23%)
Gross profit	581.20	817.96	(236.76)	(28.95%)
<b>Gross profit margin</b>	<b>36.35%</b>	<b>35.26%</b>		<b>1.09%</b>
<b>EBITDA</b>	<b>118.98</b>	<b>137.54</b>	<b>(18.56)</b>	<b>(13.49%)</b>
<b>Profit (loss) attributable to</b>				
Equity holders of the Company	(4.19)	15.55	(19.74)	(126.95%)
Net earnings per share (Unit : Baht)	(0.01)	0.04	(0.05)	(125.00%)

Note: EBITDA is earnings before Interest and Tax, plus Depreciation & Amortization.

**% Margin increased or 1.09%** In Q3'2020, gross profit was THB 581.20 million, decreased by THB 236.76 million or 28.95% from the previous year due to a decrease in sales. Gross margin in Q3'2020 was 36.35%, increased by 1.09% from the previous year due to more focusing and pushing on digital learning products and more effective marketing management for sales promoting.

**cost of sales and services decreased by THB 484.04 million** Cost of sales and services according to consolidated financial statements is THB 1,017.76 million, decreased by THB 484.04 million or 32.23% in accordance with the decline of sales.

**EBITDA decreased by THB 18.56 million or 13.49%** EBITDA decreased by THB 18.56 million following the lower operating results.

**Table2: Statement of financial position As at 30 September 2020 and 31 December 2019**

(Unit : Million Baht)

	<b>Consolidated financial statement</b>			
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>Increase (decrease)</b>	<b>%</b>
Current assets	727.65	563.16	164.49	29.21%
Non-current assets	2,176.03	1,909.62	266.41	13.95%
<b>Total assets</b>	<b>2,903.68</b>	<b>2,472.78</b>	<b>430.90</b>	<b>17.43%</b>
Current liability	1,047.00	917.70	129.30	14.09%
Non-current liability	607.90	311.11	296.79	95.40%
Total liability	1,654.90	1,228.81	426.09	34.68%
Total shareholder's equity	1,248.78	1,243.97	4.81	0.39%
<b>Total liability and shareholder's equity</b>	<b>2,903.68</b>	<b>2,472.78</b>	<b>430.90</b>	<b>17.43%</b>

**Current assets**

**increased by THB  
164.49 million or  
29.21%**

Current assets increased by THB 164.49 million as follows:

- Trade receivables and other receivables increased by THB 62.31 Million or accounted for 107.82% which was resulted from coming-back semester of most educational institutes.
- Other current financial assets increased by THB 135.46 million from investment in available-for-sale.

**Non-current assets**

**increased by THB  
266.41 million or  
13.95%**

Non-current assets increased by THB 266.41 million due to:

- The rights of use under lease agreements increased by THB 338.10 million according to TFRS#16 Leases.

**Current liability**

**increased by THB  
129.30 million or  
14.09%**

Current liability increased by THB 129.30 million as follows:

- The short-term loans increased by THB 126.97 million from borrowing from financial institutions.
- Trade account payables and other payables decreased by THB 50.77 million due to paying to payable on due payment.
- Income received in advance, the entrance fee, decreased by THB 48.57 million from the gradual revenue recognition of every year.
- Liabilities under lease agreements increased by THB 95.31 million according to TFRS#16 Leases.

- Non-current liability increased by THB 296.79 million or 95.40%** Non-current liabilities increased by THB 296.79 million due to:
- Liabilities under lease agreements increased by THB 212.35 million according to TFRS#16 Leases which was effective in 2020.
  - Long-term loans increased by THB 82.14 million from borrowing from financial institutions To be used as working capital during COVID-19 situations
- Shareholder's equity increased by THB 4.81 million or 0.39%** Shareholder's equity increased by THB 4.81 million due to performance of the subsidiary companies.

**Table 3 : Statement of cash flows for the nine-month period ended 30 September 2020 and 2019** (Unit : Million Baht)

	<b>Consolidated financial statement</b>			<b>%</b>
	<b>Q3'2020</b>	<b>Q3'2019</b>	<b>Increase (decrease)</b>	
Cash flows from (used) operation activities	7.30	(14.01)	21.31	152.11%
Cash flows from (used) investing activities	(159.97)	(35.60)	(124.37)	(349.35%)
Cash flows from (used) financing activities	148.03	(30.03)	178.06	592.94%
<b>Net Cash flows (decreased)</b>	<b>(4.64)</b>	<b>(79.64)</b>	<b>75.00</b>	<b>94.17%</b>

- Cash flows from operation activities in 9M'2020 was THB 7.30 million** The net cash flows from operation in the amount of THB 7.30 million came from:
- Profit in the form of cash from operation was THB 186.52 million.
  - Operational assets increased by THB 74.02 million due to an increase of goods and trade receivables during a summer semester.
  - Operating liabilities decreased by THB 82.94 million due to payment of trade accounts payable and recognized advance income from subsidiary companies.
  - Cash decreased from paying employees' long-term benefits for THB 8.03 million in the forms of the retirement pays and honor rewards program for employees.
  - Cash decreased by THB 11.65 million from paying an interest of the long-term loans.
- Cash flows used in investing activities in 9M'2020 was THB (159.97) million.**
- Cash decreased by investing THB 135.16 million in the open fund.
  - Cash decreased by THB 26.12 million from purchasing equipment, renovating the kitchen and sport field of the Company's subsidiary, and purchasing equipment for students.

**Cash flows from financing activities in 9M'2020 was THB 148.03 million**

- Cash increased from short-term loans from financial institutes by THB 126.97 million.
- Cash increased from the long-term loans from financial institutions by THB 88.55 million.
- Cash decreased by THB 63.25 million due to paying liabilities under lease agreements.
- Cash decreased from subsidiary companies' dividend payment of THB 4.32 million.

**Table 4 : Financial ratio of Q3'2020 and Q3'2019**

		<b>Consolidated financial statement</b>	
<b>Financial ratios</b>		<b>Q3'2020</b>	<b>Q3'2019</b>
Return On Equity (ROE)	%	(0.66)	(0.53)
Return on Asset (ROA)	%	0.66	1.46
Debt to Equity Ratio	times	1.33	0.96
Interest Coverage Ratio	times	17.24	15.83

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 Ration = Profit from operating activities before changes in operating assets and liabilities + interest + income tax expenses divided by interest from operation and investment

**ROE was (0.66%) decreased by 0.13% while ROA was 0.66% decreased by 0.80%**

Return on Equity (ROE) was (0.66%) decreased by 0.13% while Return on Assets (ROA) was 0.66% decreased by 0.80% following the lower operating performance.

**Debt to Equity Ratio was 1.33 times, increased by 0.37 times**

Debt to Equity Ratio of the shareholder increased by 0.37 times because recording liabilities under lease agreements according to TFRS#16 Leases which was firstly effective in 2020.

**Interest Coverage  
Ratio was 17.24 times,  
increased by 1.41  
times**

Interest coverage ratio increased 1.41 times according to classification according to the financial reporting standard TFRS # 16 (lease matters) applicable for the first year.

Signature.....

(Mr. Rungkan Paisitpanichtrakul)

Deputy Managing Director and Company Secretary

INVESTOR RELATION

<http://www.se-ed.com>

<http://corporate.se-ed.com>

[IR@SE-ED.COM](mailto:IR@SE-ED.COM) 0-2826-8000# 8