



## Selic Corp Public Company Limited

### Management Discussion & Analysis Q1/2022

#### Executive Summary

In Q1/2022, Thailand's economic recovery remain facing challenge due to concerns over Omicron outbreak travel sector was unable to fully recovery. In addition, the Russia-Ukraine doesn't seem to subside very soon driving the surge of oil price and raw materials in various industry sectors. The challenge continue as a results of those events mentioned, such as rising inflation and exchange rate fluctuation.

#### Stable revenue growth

Despite overall economic slowdown, growth can be observed in many industry sectors. The demand for industrial adhesive and self-adhesive label was also on the rise. Selic continue its decent performance on sales revenue amidst a challenging and competitive environment with total sales revenue 386.64 million Baht increase 8.1%YoY. Growth sectors are Food & Beverage, e-commerce, Leather & Footwear and Furniture.

#### Increase of gross profit, results of cost management

Comparing to Q4/2022 which similar market environment, results of efforts and heavy cost management can be observed. Gross profit in this quarter increased by 13.3% compared to last quarter whereas cost of goods sold increased by 2.2% only in comparison to increase of sales at 4.4%.

#### EBITDA slightly contract, increase of net profit

Selic continued to enhance operating efficiency together with market expansion and product innovation contributed in slight increase of SG&A. Another factor was price adjustment still in progress to catch up with the raw material costs resulting in decrease of EBITDA by 2.1% to 33.65 million Baht. However, Net Profit increase by 3.3% from last quarter to 11.72 million Baht.

#### Q1/2022 Financial Summary

- Total revenue reached 389.71 million Baht or 3.8% growth (QoQ) and 7.7% growth (YoY) with good expansion in overseas market.
- Gross Profit record at 81.43 million Baht or 13.3% growth (QoQ) as Selic performed better in managing costs even external factor had pushed higher raw material and packaging cost in the market.
- Net profit reported at 11.72 million Baht increased 3.3% (QoQ)

| Unit: Million Baht              | Quarter |          |         |        |         |
|---------------------------------|---------|----------|---------|--------|---------|
|                                 | Q1/2022 | Q4/ 2021 | Q1/2021 | % QoQ  | % YoY   |
| Total Revenue                   | 389.71  | 375.32   | 361.71  | 3.8%   | 7.7%    |
| Total Sales & Services          | 386.64  | 370.42   | 357.61  | 4.4%   | 8.1%    |
| Gross Profit (excluding others) | 81.43   | 71.86    | 98.23   | 13.3%  | (17.1%) |
| EBITDA                          | 33.65   | 34.38    | 57.00   | (2.1%) | (41.0%) |
| Net Profit                      | 11.72   | 11.35    | 30.05   | 3.3%   | (61.0%) |



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### Financial Performance

#### Revenue

Selic generated sales revenue of 386.64 million Baht increased 4.4% (QoQ) as a result of growth from self-adhesive business segment and increased 8.1% (YoY) from adhesive and self-adhesive business segment with strong growth of export market.

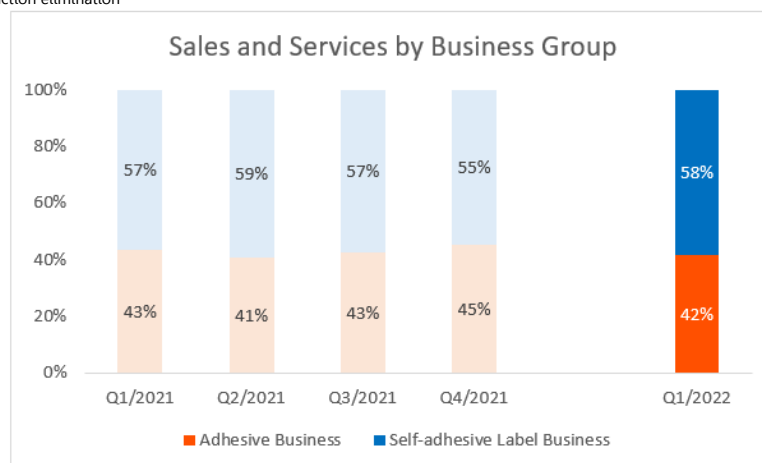
#### Sales & services revenue structure

Selic's sales and services is generated by two businesses including adhesive and self-adhesive label which sell to both domestic and overseas market.

Proportion of sales and services by business is at 42% adhesive and 58% self-adhesive label as of Q1/2022.

| Unit: Million Baht                 | Quarter       |               |               |             |             |
|------------------------------------|---------------|---------------|---------------|-------------|-------------|
| Sales & Services by Business Group | Q1/2022       | Q4/ 2021      | Q1/2021       | % QoQ       | % YoY       |
| Adhesive Business                  | 161.56        | 167.24        | 155.54        | (3.4%)      | 3.9%        |
| Self-adhesive Label Business       | 225.07        | 203.18        | 202.07        | 10.8%       | 11.4%       |
| <b>Total</b>                       | <b>386.64</b> | <b>370.42</b> | <b>357.61</b> | <b>4.4%</b> | <b>8.1%</b> |

Remark: Intercompany transaction elimination



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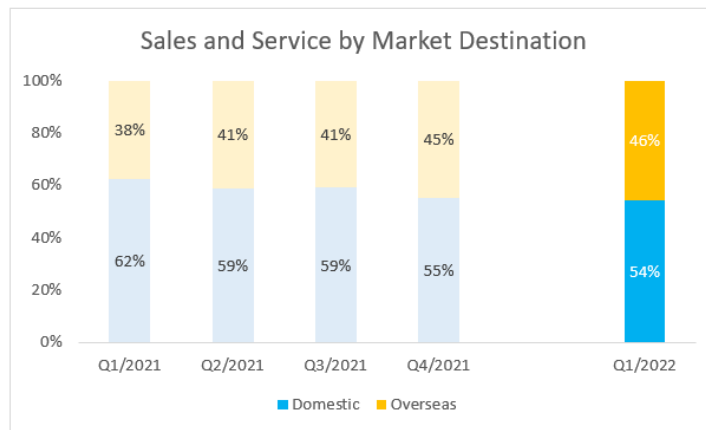
Sales and services by destination has proportion of 54% domestic and 46% export market as of Q1/2022. Export had continuously growth at 6.4% (QoQ) and strong growth at 31.1% (YoY) where domestic had slightly growth at 2.7% (QoQ) due to Thailand economic had no materiality change from Q4/2021.

| Unit: Million Baht                     | Quarter       |               |               |             |             |
|----------------------------------------|---------------|---------------|---------------|-------------|-------------|
| Sales & Services by Market Destination | Q1/2022       | Q4/ 2021      | Q1/2021       | % QoQ       | % YoY       |
| Domestic                               | 210.55        | 204.97        | 223.30        | 2.7%        | (5.7%)      |
| Overseas                               | 176.08        | 165.45        | 134.31        | 6.4%        | 31.1%       |
| <b>Total</b>                           | <b>386.64</b> | <b>370.42</b> | <b>357.61</b> | <b>4.4%</b> | <b>8.1%</b> |

Remark: Intercompany transaction elimination

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Remark: Intercompany transaction elimination

#### Cost of goods sold

Cost of goods sold was 305.21 million Baht increased 2.2% (QoQ) which Selic performed better in managing costs even external factor had pushed higher raw material and packaging cost in the market therefore gross profit increased by 13.3% (QoQ)

#### Operational expenditure

Total operational expenditure was 64.37 million Baht increased 14.4% (QoQ) where freight cost for export was at high level as the Russia-Ukraine doesn't seem to subside very soon together with incorporated of future growth spending, selling expenses was 16.76 million Baht while administrative expenses was 47.61 million Baht.

#### EBITDA and net profit

EBITDA and net profit was 33.65 million Baht and 11.72 million Baht respectively, had no materiality change (QoQ).



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## Consolidated Financial Statement Q1/2022

| Unit: Million Baht                     | Quarter       |               |               |               |                |
|----------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Consolidated Financial Statement       | Q1/2022       | Q4/ 2021      | Q1/2021       | % QoQ         | % YoY          |
| Sales of goods and services            | 386.64        | 370.42        | 357.61        | 4.4%          | 8.1%           |
| Net foreign exchange gain (loss)       | 1.48          | 1.49          | 0.79          | (0.5%)        | 86.5%          |
| Other income                           | 1.59          | 3.41          | 3.31          | (53.3%)       | (51.8%)        |
| <b>Total Revenue</b>                   | <b>389.71</b> | <b>375.32</b> | <b>361.71</b> | <b>3.8%</b>   | <b>7.7%</b>    |
| Cost of sales                          | 305.21        | 298.56        | 259.38        | 2.2%          | 17.7%          |
| <b>Gross Profit (excluding others)</b> | <b>81.43</b>  | <b>71.86</b>  | <b>98.23</b>  | <b>13.3%</b>  | <b>(17.1%)</b> |
| Selling expenses                       | 16.76         | 16.34         | 13.81         | 2.6%          | 21.4%          |
| Administrative expenses                | 47.61         | 39.95         | 45.23         | 19.2%         | 5.3%           |
| <b>EBITDA</b>                          | <b>33.65</b>  | <b>34.38</b>  | <b>57.00</b>  | <b>(2.1%)</b> | <b>(41.0%)</b> |
| Depreciation                           | 13.52         | 13.91         | 13.71         | (2.8%)        | (1.3%)         |
| <b>EBIT</b>                            | <b>20.13</b>  | <b>20.47</b>  | <b>43.30</b>  | <b>(1.6%)</b> | <b>(53.5%)</b> |
| Financial cost                         | 4.75          | 5.08          | 5.59          | (6.6%)        | (15.1%)        |
| <b>EBT</b>                             | <b>15.39</b>  | <b>15.39</b>  | <b>37.70</b>  | <b>(0.0%)</b> | <b>(59.2%)</b> |
| Income tax                             | 3.67          | 4.04          | 7.65          | (9.2%)        | (52.1%)        |
| <b>Net Profit</b>                      | <b>11.72</b>  | <b>11.35</b>  | <b>30.05</b>  | <b>3.3%</b>   | <b>(61.0%)</b> |

## Segment Reporting

### Adhesive Business

For Q1/2022, adhesive segment reported sales and services revenue at 199.20 million Baht increased 11.4% (QoQ) and 12.5% (YoY) mainly from the growth of water based in both domestic and overseas market.

#### Adhesive business: Sales and services revenue by product group

| Unit: Million Baht                  | Quarter       |               |               |              |              |
|-------------------------------------|---------------|---------------|---------------|--------------|--------------|
| Sales and Services by Product Group | Q1/2022       | Q4/ 2021      | Q1/2021       | %QoQ         | %YoY         |
| Solvent                             | 69.26         | 80.02         | 64.50         | (13.4%)      | 7.4%         |
| Hot Melt                            | 69.57         | 68.71         | 73.55         | 1.3%         | (5.4%)       |
| Water based                         | 56.81         | 24.29         | 34.96         | 133.9%       | 62.5%        |
| Others                              | 3.55          | 5.82          | 4.03          | (38.9%)      | (12.0%)      |
| <b>Total Sales and Services</b>     | <b>199.20</b> | <b>178.83</b> | <b>177.04</b> | <b>11.4%</b> | <b>12.5%</b> |

**Solvent Product:** declined 13.4% (QoQ) and increased 7.4% (YoY)

**Hot Melt Product:** slightly increased 1.3% compared to previous quarter (QoQ) where increased of domestic sales can cover declined of overseas sales, declined 5.4% (YoY) mainly from decreased of overseas sales.

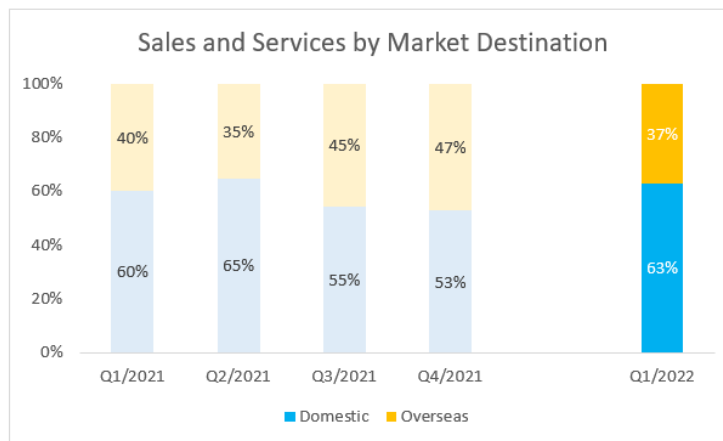
**Water based Product:** Significantly increased compared to previous quarter (QoQ) which contributed from both domestic and overseas market.

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#### Adhesive business: Sales and services revenue by market destination

| Unit: Million Baht                       | Quarter       |               |               |              |              |
|------------------------------------------|---------------|---------------|---------------|--------------|--------------|
| Sales and Services by Market Destination | Q1/2022       | Q4/ 2021      | Q1/2021       | % QoQ        | % YoY        |
| Domestic                                 | 125.37        | 94.29         | 106.60        | 33.0%        | 17.6%        |
| Overseas                                 | 73.83         | 84.53         | 70.45         | (12.7%)      | 4.8%         |
| <b>Total Sales and Services</b>          | <b>199.20</b> | <b>178.83</b> | <b>177.04</b> | <b>11.4%</b> | <b>12.5%</b> |



**Domestic Market:** domestic sales increased from higher demand of water based and hot melt.

**Overseas Market:** export sales decreased from slower down demand of solvent and hot melt while demand of water based was increasing.

Breaking down by market for adhesive as of Q1/2022, domestic sales was 63% whereas overseas sales was 37%

Adhesive business reported gross profit at 41.88 million Baht in Q1/2022 improved by 6.0% from previous quarter but decline 15.2% from same period in previous year. There was mainly caused by constant increase of raw material costs as the Russia-Ukraine doesn't seem to subside very soon. However, selling price adjustment to reduce the high cost had been on going resulting gross profit margin can be maintained at 21%. EBITDA for Q1/2022 was 17.02 million Baht and net profit reported at 6.75 million Baht.

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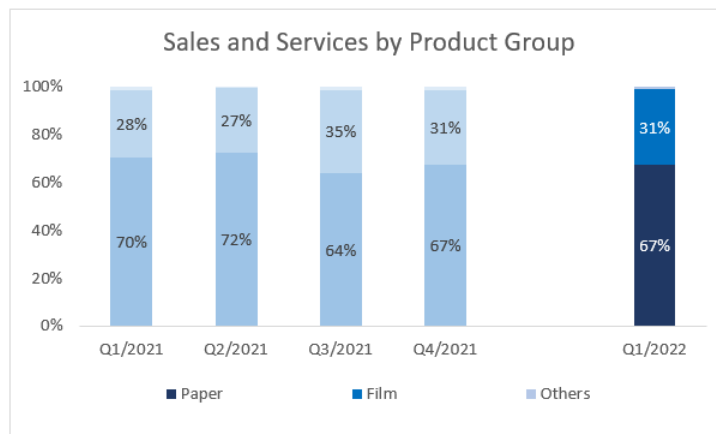
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#### Self-adhesive Label Business

Self-adhesive label business recorded 224.78 million Baht of total sales, 10.2% increase compared to previous quarter (QoQ) and 9.8% increase from the same period of last year (YoY) due to growth in both paper and film labels with good expansion in overseas.

#### Self-adhesive label business: sales revenue by product groups

| Unit: Million Baht                  | Quarter       |               |               |              |             |
|-------------------------------------|---------------|---------------|---------------|--------------|-------------|
| Sales and Services by Product Group | Q1/2022       | Q4/ 2021      | Q1/2021       | % QoQ        | % YoY       |
| Paper                               | 151.30        | 137.28        | 144.13        | 10.2%        | 5.0%        |
| Film                                | 70.27         | 62.74         | 57.19         | 12.0%        | 22.9%       |
| Others                              | 3.20          | 3.92          | 3.35          | (18.2%)      | (4.2%)      |
| <b>Total Sales</b>                  | <b>224.78</b> | <b>203.94</b> | <b>204.67</b> | <b>10.2%</b> | <b>9.8%</b> |



**Paper Label:** continuous growth at 10.2% increase compared to previous quarter (QoQ) which mainly come from overseas market, domestic market remain stagnant.

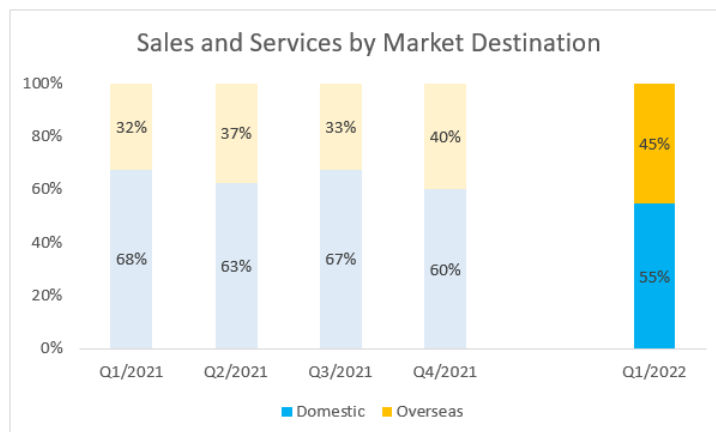
**Film Label:** sales increased from both domestic and overseas market compared to previous quarter (QoQ) and the same period of last year (YoY)

#### Self-adhesive label business: sales revenue by market destination

| Unit: Million Baht                       | Quarter       |               |               |              |             |
|------------------------------------------|---------------|---------------|---------------|--------------|-------------|
| Sales and Services by Market Destination | Q1/2022       | Q4/ 2021      | Q1/2021       | % QoQ        | % YoY       |
| Domestic                                 | 122.83        | 122.27        | 138.21        | 0.5%         | (11.1%)     |
| Overseas                                 | 101.95        | 81.66         | 66.46         | 24.8%        | 53.4%       |
| <b>Total Sales</b>                       | <b>224.78</b> | <b>203.94</b> | <b>204.67</b> | <b>10.2%</b> | <b>9.8%</b> |

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**Domestic Market:** there is no change in total sales compared to previous quarter (QoQ), film had showed rebound sign while paper remain the same

**Overseas Market:** continuous growth for both film and paper compared to previous quarter (QoQ).

Breaking down by market for self-adhesive label for the year 2021, domestic sales was 55% whereas overseas sales was 45%

## 2022 Business Outlook

### Continuous Growth on Revenue

In 2022, Thai economic is predicted to recovered and rebound as more business activities expected to take place following the economic recovery. Although, uncertainty from COVID-19 pandemic remains with the emerging of Omicron, however vaccination rate continue to rise. In addition, international markets has been recovered with the positive sign since Q4 last year and expected to continue with market demand. Selic strives to grow its core business continuously by focusing on market strategy to deliver outcomes that match our customers' needs.

- Adhesive segment expected to grow from gaining more market shares and from market extension with new product development for both domestic and overseas markets.
- Growth of self-adhesive segment expected to grow leveraging more presences of distribution centers in the South East Asia region as well as through NPD.

### Cost and Expenditure Management

The challenges from raw material cost and freight cost expected to continue. This situation has been closely monitored. We give top priority to tackle this challenge from internal operations by building efficiency operation, agile mindset and leverage innovation through research and development to counter and reduce negative impact might occurred from this challenge.

### Investment strategy for growth opportunity

One of our strategy is to search for opportunity in investment such as joint venture, M&A to drive inorganic growth. However prior to any investment project, there are certain protocol and assessment to ensure the projects will bring or be the growth mechanism for the business and shareholders. Target business could be in the same value chain of both business segment of the company, including healthcare and technology.



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#### Sustainability Development Journey

In 2022, Sustainability development policies and goals cover key 3 dimensions of Environment, Social and Governance (ESG) where we will continuously operate. This will include new product development on more “green” products to support our customers by offering sustainable materials in their supply chain. Moreover, we will continue to collaborate with external organizations for projects relating to ESG.

Contact us:

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