



Selic Corp Public Company Limited Management Discussion & Analysis Q2/2023



Executive Summary

In the 2nd quarter of 2023, Healthcare business group continues to be a growth business for Selic due to increasing of the production capacity and distributing more variety of products into the market. In addition, as a result of the increasing number of tourists in a country that support the domestic demand to remain at an appropriate level, then Selic performance is at a good level.

Selic still has challenge in term of export adhesive and sticker products due to slowdown demand from some countries which are facing economy recession, those countries continue to pursue strictly monetary policy because inflation drop slower than expected. It is expected that the recession will continue in 2nd half of 2023.

As domestic demand remains at a reasonable level then the sales proportion of Selic is moving towards the domestic market. In the same time, Selic is working on expanding into new countries to prepare for growth after recession which it is an appropriate adjustment in business model.

The fact that Selic has a diversified business group that covers both B2B and B2C including the reasonable proportion of both domestic and foreign customers, this enables appropriate adaptation in business operations under uncertain economic conditions.

Sales growth through the growth of Healthcare business

Selic continue to have a significant sales increase of healthcare business due to increasing of the production capacity and distributing more variety of products into the market. While adhesive and sticker business continue to face a significant slowdown demand from overseas markets which is affected by economy recession.

Jump gross profit as a result of diversified business model that drive to sustainability

Selic can significantly increase its gross profit in the 2nd quarter of 2023 from its healthcare business which has a high gross profit margin. While adhesive and sticker businesses were able to achieve a reasonable gross profit margin as well.

EBITDA and net profit

Selic was able to increase EBITDA and net profit in the 2nd quarter of 2023 which it is a result of good performance of healthcare business.



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Q2/2023 Financial Summary

- Total revenue was at 456.18 million baht increased 0.3% from the previous quarter and 16.8% from the same period last year mainly from revenue increase of healthcare business as increasing of the production capacity and distributing more variety of products into the market of DVK healthcare co., Ltd.
- Gross profit was at 123.97 million baht increased 21.0% from the previous quarter and 43.1% from the same period last year. Gross profit margin also increased to 27.2% due to higher sales proportion of healthcare business with high gross profit margin.
- EBITDA was 57.52 million baht increased 33.9% from the previous quarter and 83.8% from the same period last year.
- Net profit was 21.66 million baht increased 122.4% from the previous quarter and 115.1% from the same period last year.

6M/2023 Financial Summary

- Total revenue of 910.89 million baht increased 16.9% compared to the same period last year. The growth came from healthcare business with good performance and with materiality portion.
- Gross profit 226.43 million baht increased 34.7% compared to the same period of last year. Gross profit margin also increased to 25.0% due to higher sales proportion of healthcare business with high gross profit margin.
- EBITDA 100.48 million baht increased 54.7% and net profit 31.40 million baht increased 44.1% compared to the same period of last year.

Consolidated Financial Statement Q2/2023

Unit: Million Baht	Quarter					6 Months		
Consolidated Financial Statement	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Sales of goods and services	455.73	451.69	389.97	0.9%	16.9%	907.42	776.61	16.8%
Gain on exchange rate	0.00	0.00	0.00	--	--	0.00	0.31	(100.0%)
Other income	0.45	3.02	0.55	(85.2%)	(18.4%)	3.47	214	62.0%
Total Revenue	456.18	454.71	390.52	0.3%	16.8%	910.89	779.06	16.9%
Cost of sales	331.76	349.23	303.32	(5.0%)	9.4%	680.99	608.52	11.9%
Gross Profit (excluding others)	123.97	102.46	86.66	21.0%	43.1%	226.43	168.09	34.7%
Loss on exchange rate	2.75	0.36	117	656.5%	135.1%	3.11	0.00	--
Selling expenses	28.27	27.00	21.19	4.7%	33.4%	55.27	44.09	25.4%
Administrative expenses	55.93	54.62	46.93	2.4%	19.2%	110.55	88.41	25.0%
Share of profit/ (loss) of JV	(0.25)	(0.02)	0.00	935.7%	--	(0.27)	0.00	--
EBITDA	57.52	42.96	31.30	33.9%	83.8%	100.48	64.95	54.7%
Depreciation	20.30	19.48	13.38	4.2%	51.7%	39.78	26.91	47.9%
EBIT	37.22	23.48	17.91	58.5%	107.8%	60.69	38.04	59.5%
Financial cost	11.14	10.91	4.82	21%	131.2%	22.05	9.56	130.5%
EBT	26.08	12.57	13.09	107.5%	99.2%	38.65	28.48	35.7%
Income tax	4.42	2.83	3.03	56.2%	46.1%	7.25	6.69	8.3%
Net Profit	21.66	9.74	10.07	122.4%	115.1%	31.40	21.78	44.1%

Remark: reclassified reporting between selling expenses and administrative expenses to align with accounting standards and definitions of the department of business development

Financial Performance

Revenue

Revenue from sales and services 455.73 million baht with growth of 0.9% from the previous quarter and 16.9% from the same period last year mainly from revenue increase of healthcare business as increasing of the production capacity and distributing more variety of products into the market of DVK healthcare co., Ltd.



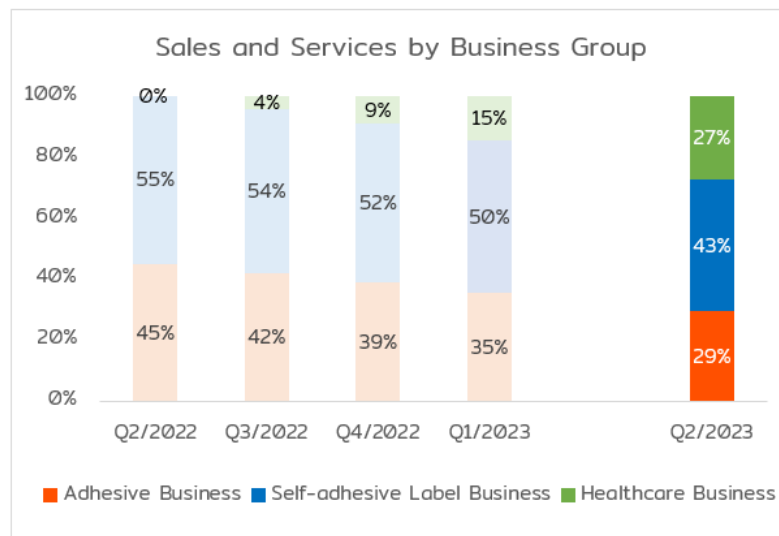
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In the past 6 months, revenue from sales and services 907.42 million baht, 16.8% increase from the previous year mainly from good performance of healthcare business with materiality portion.

Sales & services revenue structure

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

Proportion of sales and services by business is at 29% adhesive, 43% self-adhesive label, and 27% healthcare as of Q2/2023. We expect that proportion of healthcare business will have small increase in Q3/2023 due to increase production capacity of DVK healthcare co., ltd

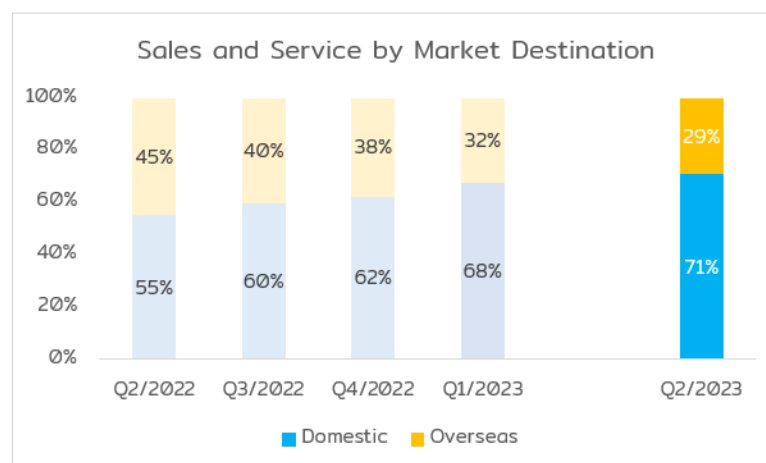


Remark: Intercompany transaction elimination

Sales and services by destination has proportion of 71% domestic and 29% export market as of Q2/2023. We expect that domestic sales proportion will increase align with higher sales proportion of healthcare business where its main market is domestic and slowdown oversea demands of adhesive and sticker businesses.

Unit: Million Baht	Quarter					6 Months		
Sales & Services by Market Destination	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Domestic	322.64	304.94	214.69	5.8%	50.3%	627.58	425.25	47.6%
Overseas	133.09	146.75	175.28	(9.3%)	(24.1%)	279.84	351.36	(20.4%)
Total	455.73	451.69	389.97	0.9%	16.9%	907.42	776.61	16.8%

Remark: Intercompany transaction elimination



Remark: Intercompany transaction elimination



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Cost of goods sold and Gross Profit

Cost of sales in Q2/2023 was 331.76 million baht decreased 5.0% from the previous quarter but increased 9.4% from the same period last year while gross profit was 123.97 million baht increased 21.0% from the previous quarter and 43.1% from the same period last year. Key driver for higher gross profit is healthcare business with good sales and high gross profit margin, it support good growth for Selic.

Operational expenditure

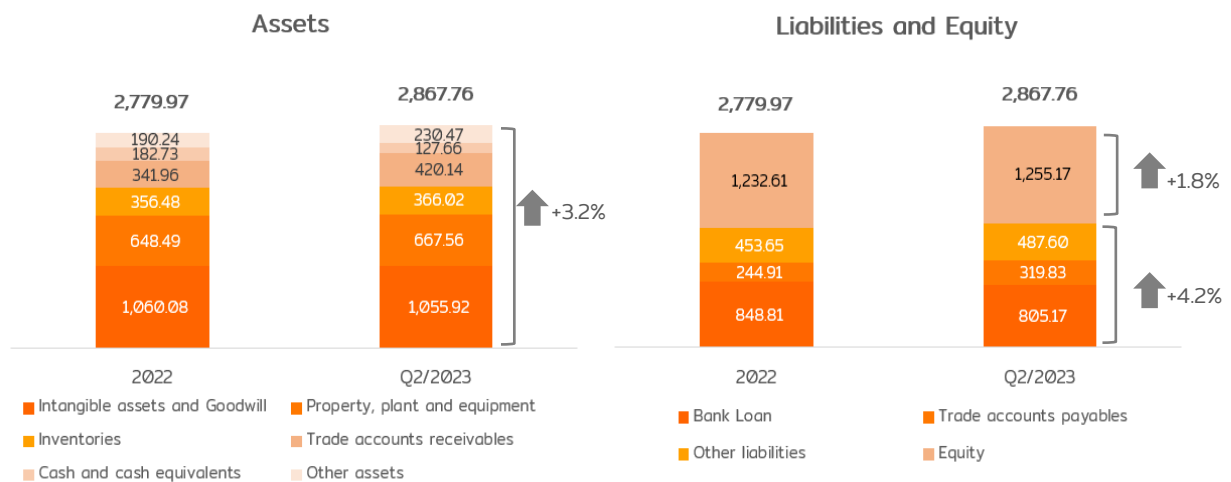
Total operating expenses in Q2/2023 was at 84.21 million baht increased 3.2% from the previous quarter and 23.6% from the same period last year, divided into selling expenses of 28.27 million baht and administrative expenses of 55.93 million baht. The operational expense to sales ratio slightly increased from previous quarter and significant increased from the same period last year due to consolidate performance of healthcare business.

EBITDA and net profit

EBITDA 57.52 million baht increased 33.9% from the previous quarter and 83.8% from the same period last year while net profit 21.66 million baht increased 122.4% from the previous quarter and 115.1% from the same period last year.

Statement of Financial Position Q2/2023

Unit: million baht



Assets

Total assets as of Q2/2023 was 2,867.76 million baht, an increase of 3.2% from 2022, mainly from an increase in trade accounts receivables and inventories of the healthcare business that is expanding together with new machinery deposits of sticker business.

Liabilities

Total liabilities as of Q2/2023 was 1,612.60 million baht, an increase of 4.2% from 2022, mainly from an increase in trade accounts payables while bank loan amount decreased.

Equity

Shareholders' equity as of Q2/2023 was 1,255.17 million baht, an increase of 1.8% from 2022



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Segment Reporting

Adhesive Business

Adhesive business recorded total sales and service in Q2/2023 at 133.83 million baht decreased 16.2% from the previous quarter and 23.8% from the same period last year due to demand in some countries that are facing economy recession continue to slowdown. In addition, the slowdown of customers in industrial group who produce to export as well

Adhesive business: Sales and services revenue by product group

Unit: Million Baht	Quarter					6 Months		
Sales and Services by Product Group	Q2/2023	Q1/2023	Q2/2022	%QoQ	%YoY	6M 2023	6M 2022	% YoY
Solvent	72.78	78.67	81.55	(7.5%)	(10.8%)	151.45	150.82	0.4%
Hot Melt	43.97	57.79	65.58	(23.9%)	(33.0%)	101.75	135.14	(24.7%)
Water based	14.19	19.49	23.37	(27.2%)	(39.3%)	33.69	80.18	(58.0%)
Others	2.89	3.81	5.05	(24.2%)	(42.7%)	6.70	8.60	(22.1%)
Total Sales and Services	133.83	159.76	175.55	(16.2%)	(23.8%)	293.59	374.75	(21.7%)

Remark: Intercompany transaction included

Solvent Product: sales was 72.28 million baht decreased 7.5% from the previous quarter and 10.8% from the same period last year. It was affected by the slowdown of oversea market while slightly growth in domestic market.

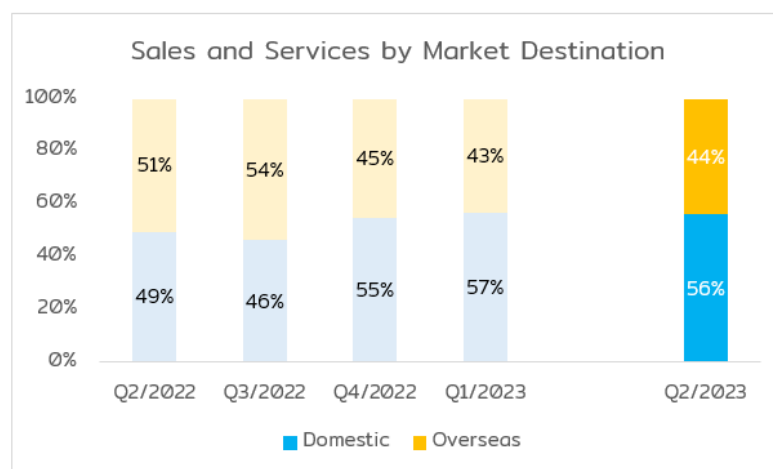
Hot Melt Product: sales was 43.97 million baht decreased 23.9% from the previous quarter and 33.0% from the same period last year. It was affected by the slowdown of oversea market and also the slowdown of customers in industrial group who produce to export.

Water Based Product: sales was 14.19 million baht decreased 27.2% from the previous quarter and 39.3% from the same period last year. It was affected by the slowdown of oversea market and also the slowdown of customers in industrial group who produce to export.

Adhesive business: Sales and services revenue by market destination

Unit: Million Baht	Quarter					6 Months		
Sales and Services by Market Destination	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Domestic	75.02	90.91	86.86	(17.5%)	(13.6%)	165.93	212.23	(21.8%)
Overseas	58.81	68.85	88.69	(14.6%)	(33.7%)	127.66	162.52	(21.4%)
Total Sales and Services	133.83	159.76	175.55	(16.2%)	(23.8%)	293.59	374.75	(21.7%)

Remark: Intercompany transaction included



Remark: Intercompany transaction included



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Domestic Market: sales was 75.02 million baht decreased 17.5% from the previous quarter and 13.6% from the same period last year as sales drop from Hot Melt and Water Based product

Oversea Market: sales was 58.81 million baht decreased 14.6% from the previous quarter and 33.7% from the same period last year mainly as sales drop from all products

Breaking down by market for adhesive as of Q2/2023, domestic sales was 56% whereas overseas sales was 44%

Adhesive business had gross profit in Q2/2023 at 31.54 million baht, decreased 17.5% from the previous quarter and 28.7% from the same period last year as a result of sales decreased. GP% can retain at the similar level at 23.6%. EBITDA was 11.67 million baht while net profit was 4.14 million baht.

Unit: Million Baht	Q2/2023					6 Months		
	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Revenue from goods and services	133.83	159.76	175.55	(16.2%)	(23.8%)	293.59	374.75	(21.7%)
Cost of Sales	102.29	121.53	131.29	(15.8%)	(22.1%)	223.83	288.61	(22.4%)
Gross Profit (excluding others)	31.54	38.23	44.26	(17.5%)	(28.7%)	69.77	86.13	(19.0%)
Gross Profit %	23.6%	23.9%	25.2%	(1.5%)	(6.5%)	23.8%	23.0%	3.4%
EBITDA	11.67	14.28	67.80	(18.3%)	(82.8%)	25.95	84.82	(69.4%)
Net Profit	4.14	6.17	58.59	(32.9%)	(92.9%)	10.31	65.34	(84.2%)

Remark: Intercompany transaction included

Self-adhesive Label Business

Self-adhesive label business recorded total sales and services of 195.19 million baht decreased 13.4% from the previous quarter and 7.3% from the same period last year due to demand in some countries continue to slowdown according to expected economy recession while can keep growth in domestic market.

Self-adhesive label business: sales revenue by product groups

Unit: Million Baht	Quarter					6 Months		
	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Sales and Services by Product Group								
Paper	127.85	155.21	150.32	(17.6%)	(14.9%)	283.06	301.62	(6.2%)
Film	65.08	69.36	59.00	(6.2%)	10.3%	134.43	129.27	4.0%
Others	2.27	0.84	1.34	170.6%	68.6%	3.10	4.55	(31.7%)
Total Sales	195.19	225.41	210.66	(13.4%)	(7.3%)	420.60	435.44	(3.4%)

Remark: Intercompany transaction included

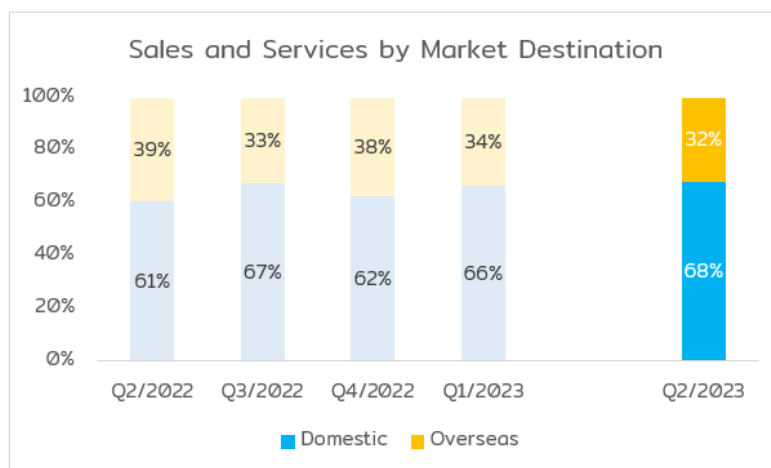
Paper Label: sales was 127.85 million baht decreased 17.6% from previous quarter and 14.9% from the same period last year which done well in domestic market but decreased in oversea market

Film Label: sales was 65.08 million baht decreased 6.2% from previous quarter but increased 10.3% from the same period last year which done well in domestic market with slightly decreased in oversea market

Self-adhesive label business: sales revenue by market destination

Unit: Million Baht	Quarter					6 Months		
	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Sales and Services by Market Destination								
Domestic	132.97	149.87	127.84	(11.3%)	4.0%	282.83	250.67	12.8%
Overseas	62.22	75.54	82.82	(17.6%)	(24.9%)	137.76	184.78	(25.4%)
Total Sales	195.19	225.41	210.66	(13.4%)	(7.3%)	420.60	435.44	(3.4%)

Remark: Intercompany transaction included



Remark: Intercompany transaction included

Domestic Market: sales was 132.97 million baht decreased 11.3% from the previous quarter but increased 4.0% from the same period last year

Oversea Market: sales was 62.22 million baht decreased 17.6% from the previous quarter and 24.9% from the same period last year

Breaking down by market for self-adhesive label as of Q2/2023, domestic sales was 68% whereas overseas sales was 32%

Healthcare Business

Healthcare business recorded total sales and service in Q2/2023 at 124.88 million baht increased 87.9% from the previous quarter and 168.7% from the same period last year due to increasing of the production capacity and distributing more variety of products into the market DVK healthcare co., ltd.

Healthcare business: sales revenue by product groups

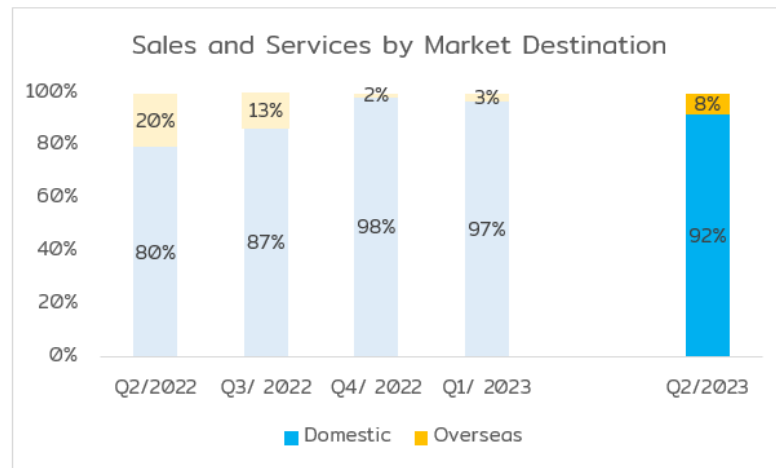
Unit: Million Baht	Quarter					6 Months		
Sales and Services by Product Group	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Liniment	35.88	37.48	33.89	(4.3%)	5.9%	73.36	64.86	13.1%
Cream	12.74	10.02	12.47	27.1%	2.2%	22.76	20.48	11.2%
Analgesic	54.09	15.20	0.00	255.8%	--	69.30	0.00	--
Bandage	6.31	2.22	0.00	184.3%	--	8.53	0.00	--
Tape	14.29	1.31	0.00	990.4%	--	15.60	0.00	--
Others	1.58	0.23	0.11	577.2%	1,310.9%	1.81	0.25	612.4%
Total Sales	124.88	66.48	46.47	87.9%	168.7%	191.36	85.59	123.6%

Revenue from sales and services were currently mainly grouped into 5 product groups which are Liniment, Cream, Analgesic, Bandage, and Tape. The sales proportion as of Q2/2023 was 29%, 10%, 43%, 5%, and 11% respectively and it may change per plan of production and distribution of new products of DVK healthcare co., ltd.



Healthcare business: sales revenue by market destination

Unit: Million Baht	Quarter					6 Months		
Sales and Services by Market Destination	Q2/2023	Q1/2023	Q2/2022	% QoQ	% YoY	6M 2023	6M 2022	% YoY
Domestic	114.77	64.40	36.98	78.2%	210.4%	179.17	71.51	150.6%
Overseas	10.11	2.08	9.49	386.1%	6.5%	12.19	14.08	(13.5%)
Total Sales	124.88	66.48	46.47	87.9%	168.7%	191.36	85.59	123.6%



Breaking down by market for healthcare business as of Q2/2023, domestic sales was 92% whereas overseas sales was 8%.

2023 Business Outlook

According to the outlook of the Ministry of Finance that 2023 Thai economy will grow by 3.5%, Selic should have a positive benefit from domestic demand. The economy recession in the countries of our key customers will affect to our export sales in 2023 however Selic will be able to grow in line with the growth strategies through healthcare business by launching a variety of products into the market under brand “Neoplast” and “Neoban”. In addition, adhesive and sticker businesses will focus to expand into the countries where economy situation still be at reasonable level.

Continuous Growth on Revenue

Selic focus on revenue growth as a results of investment project in the healthcare business, it shall be significant part of revenue growth in 2023. Including expanding market shares into growth industry sectors and also expand to countries still have good economic growth and with high purchasing power for adhesive and sticker business to reduce the impact of exports from economy recession.

Cost and Expenditure Management for better GP and Net Profit

Selic intend to continue improve on cost management for better result through efficient of supply chain process and proper risk management to manage uncontrolled fluctuating factors such as oil price or exchange rate.



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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.

Sustainability Development Journey

In 2023, 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:

<http://seliccorp.com/investor-contact.php> or email: investorrelation@seliccorp.com

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