



Selic Corp Public Company Limited

Management Discussion & Analysis Q2/2022



Executive Summary

In the 2nd quarter of 2022, domestic demand slightly improved from the economic recovery after the relaxation in adjusting the rules for entering the country and opening of nightlife which make better money circulating in the economy especially the tourism and service sectors. However headline inflation index of Thailand remains consistently high at 7.61% in July 2022, including oil prices that remained high, and depreciation of Thai Baht where all of this may affect to the purchasing power of consumers in the next quarter. Meanwhile an oversea demand signaled a slowdown, those countries have continuously raised policy interest rates to manage their high inflation index.

Able to maintain sales growth

From the improving trend of domestic economy but the inflation index increased together with higher raw material cost as a result of high oil prices in 2nd quarter made the industrial sector unable to recover in all industries. Fluctuation of exchange rate also put the result in a slowdown of export market, however Selic sales revenue can grow 0.9% compared to previous quarter and the same quarter of previous year.

Increase of gross profit, positive results of cost management

Compared to the 1st quarter of 2022, despite there is no change of sales and in the same time raw material cost have increased because of oil price reached above 100 USD/Bbl as an impact of Russia-Ukraine conflict situation, Selic has better managed in cost management including gradually adjusting the selling price in accordance with the increase in raw material costs. Therefore Selic can grow on gross profit and GP% has improved in each quarter.

EBITDA and net profit slightly contract from preparation expenses for business expansion

As Selic has plan to expand business into the manufacture and distribution of pharmaceuticals and also has intention to list the subsidiary in the stock exchange, therefore the administrative expenses has increased for the preparation. As a result, EBITDA and net profit slightly decreased to 31.30 million baht and 10.07 million baht respectively.

Q2/2022 Financial Summary

- Total revenue was at 390.52 million baht remained at the same level as the previous quarter and the same period last year. Domestic sales slightly improved while exports slightly slowed from countries with depreciated currency which affecting purchase orders.
- Gross profit was at 86.66 million baht growing 6.4% QoQ as a result of better cost management. Consequently, GP% improved each quarter even uncontrollable external factors continue to drive high raw material and packaging cost.
- Net profit was 10.07 million baht decreased 14.1% from the previous quarter due to administrative expenses in preparation for business expansion into the manufacture and distribution of pharmaceuticals and also has intention to list the subsidiary in the stock exchange.

1H/2022 Financial Summary

- Total revenue of 779.06 million baht increased 4.0% compared to the same period last year. The growth came from both adhesive and self-adhesive label business.



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- Gross profit 168.09 million baht decreased 16.1% compared to the same period of last year. This was due to the increase of overall raw material and packaging cost by more than 50% compared to the same period last year.
- EBITDA 64.95 million baht decreased 42.5% and net profit 21.78 million baht decreased 63.1% compared to the same period of last year as a result of higher selling expenses especially the freight for export, and higher administrative expenses in preparation for business expansion into the manufacture and distribution of pharmaceuticals and also has intention to list the subsidiary in the stock exchange

Unit: Million Baht	Quarter					6 Months		
	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Total Revenue	390.52	389.71	387.63	0.2%	0.7%	779.06	749.35	4.0%
Total Sales & Services	389.97	386.64	386.52	0.9%	0.9%	776.61	744.14	4.4%
Gross Profit (excluding others)	86.66	81.43	102.19	6.4%	(15.2%)	168.09	200.42	(16.1%)
EBITDA	31.30	33.65	56.00	(7.0%)	(44.1%)	64.95	113.00	(42.5%)
Net Profit	10.07	11.72	29.03	(14.1%)	(65.3%)	21.78	59.08	(63.1%)

Financial Performance

Revenue

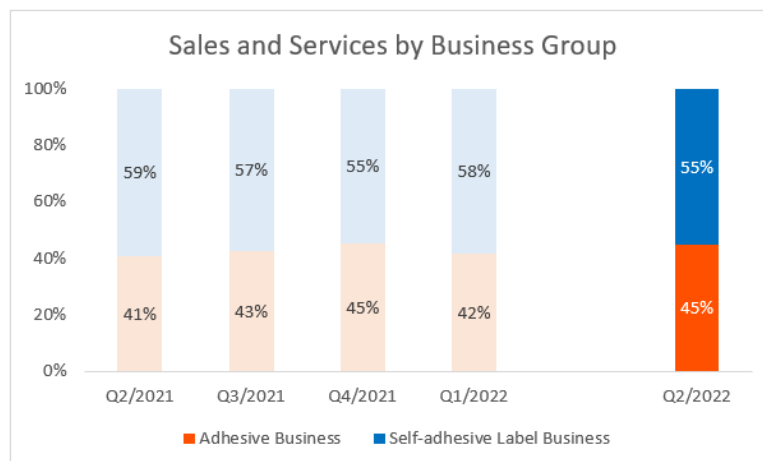
Revenue from sales and services 389.97 million baht, the growth of 0.9% (QoQ) and from the same period last year (YoY) from adhesive business but there was a slowdown in sales from self-adhesive label business. In the past 6 months, revenue from sales and services was 776.61 million bath, 4.4% increase from the previous year due to the growth of both businesses.

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 45% adhesive and 55% self-adhesive label as of Q2/2022.

Unit: Million Baht	Quarter					6 Months		
	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Sales & Services by Business Group								
Adhesive Business	175.55	161.56	156.98	8.7%	11.8%	337.11	312.52	7.9%
Self-adhesive Label Business	214.42	225.07	229.55	(4.7%)	(6.6%)	439.49	431.62	1.8%
Total	389.97	386.64	386.52	0.9%	0.9%	776.61	744.14	4.4%

Remark: Intercompany transaction elimination



Remark: Intercompany transaction elimination

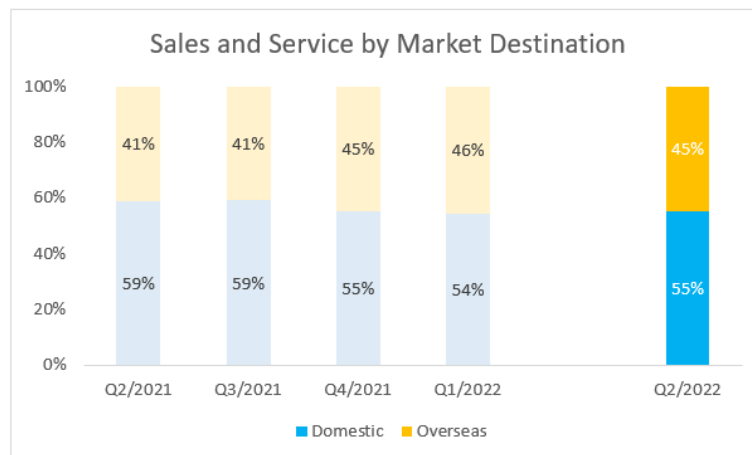
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Sales and services by destination has proportion of 55% domestic and 45% export market as of Q2/2022.

Unit: Million Baht	Quarter					6 Months		
Sales & Services by Market Destination	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Domestic	214.69	210.55	226.90	2.0%	(5.4%)	425.25	450.20	(5.5%)
Overseas	175.28	176.08	159.63	(0.5%)	9.8%	351.36	293.93	19.5%
Total	389.97	386.64	386.52	0.9%	0.9%	776.61	744.14	4.4%

Remark: Intercompany transaction elimination



Remark: Intercompany transaction elimination

Cost of goods sold

Cost of sales was 303.32 million baht decreased 0.6% QoQ while sales increased therefore gross profit rose 6.4% compared to previous quarter. GP% has improved in each quarter as a result of better cost management even though uncontrollable external factors continue to drive high raw material and packaging cost.

Operational expenditure

Total operating expenses were at 68.12 million baht increased 5.8% from the previous quarter, divided into selling expenses of 14.63 million baht and administrative expenses of 53.50 million baht. The selling expense to sales slightly dropped because the export freight rate tends to decline but still not back to the same level as before the covid situation. In the meanwhile the administrative expense to sales slightly increased due to preparation expenses for business expansion into the manufacture and distribution of pharmaceuticals and also has intention to list the subsidiary in the stock exchange.

EBITDA and net profit

EBITDA and net profit were 31.30 million baht and 10.07 million baht, a decrease of 7.0% and 14.1% respectively due to continued high raw material cost. Although gross profit increased, however net profit cannot be adjusted as high as before the Russia-Ukraine conflict situation and the administrative expense increased due to preparation expenses for business expansion into the manufacture and distribution of pharmaceuticals and also has intention to list the subsidiary in the stock exchange.



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Consolidated Financial Statement Q2/2022

Unit: Million Baht	Quarter					6 Months		
Consolidated Financial Statement	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Sales of goods and services	389.97	386.64	386.52	0.9%	0.9%	776.61	744.14	4.4%
Net foreign exchange gain	0.00	1.48	2.03	(100.0%)	(100.0%)	0.31	2.82	(89.0%)
Other income	0.55	1.59	(0.92)	(65.5%)	(159.6%)	2.14	2.39	(10.2%)
Total Revenue	390.52	389.71	387.63	0.2%	0.7%	779.06	749.35	4.0%
Cost of sales	303.32	305.21	284.34	(0.6%)	6.7%	608.52	543.72	11.9%
Gross Profit (excluding others)	86.66	81.43	102.19	6.4%	(15.2%)	168.09	200.42	(16.1%)
Selling expenses	14.63	16.76	14.32	(12.7%)	2.1%	31.39	28.13	11.6%
Administrative expenses	53.50	47.61	46.93	12.4%	14.0%	101.11	92.17	9.7%
Net foreign exchange loss	1.17	0.00	0.00	/0	/0	0.00	0.00	/0
EBITDA	31.30	33.65	56.00	(7.0%)	(44.1%)	64.95	113.00	(42.5%)
Depreciation	13.38	13.52	13.97	(1.0%)	(4.2%)	26.91	27.67	(2.8%)
EBIT	17.91	20.13	42.04	(11.0%)	(57.4%)	38.04	85.33	(55.4%)
Financial cost	4.82	4.75	5.37	1.5%	(10.2%)	9.56	10.96	(12.7%)
EBT	13.09	15.39	36.67	(14.9%)	(64.3%)	28.48	74.37	(61.7%)
Income tax	3.03	3.67	7.64	(17.5%)	(60.4%)	6.69	15.29	(56.2%)
Net Profit	10.07	11.72	29.0	(14.1%)	(65.3%)	21.78	59.08	(63.1%)

Segment Reporting

Adhesive Business

Adhesive business recorded total sales and service of 175.55 million baht, decrease of 11.9% QoQ and 15.4% decrease from the same period last year (YoY) due to a decrease sales in water based for affiliate.

Adhesive business: Sales and services revenue by product group

Unit: Million Baht	Quarter					6 Months		
Sales and Services by Product Group	Q2/2022	Q1/ 2022	Q2/2021	%QoQ	%YoY	6M 2022	6M 2021	% YoY
Solvent	81.55	69.26	73.44	17.7%	11.0%	150.82	137.94	9.3%
Hot Melt	65.58	69.57	66.89	(5.7%)	(2.0%)	135.14	140.44	(3.8%)
Water based	23.37	56.81	64.41	(58.9%)	(63.7%)	80.18	99.38	(19.3%)
Others	5.05	3.55	2.87	42.2%	76.1%	8.60	6.90	24.6%
Total Sales and Services	175.55	199.20	207.61	(11.9%)	(15.4%)	374.75	384.66	(2.6%)

Remark: Intercompany transaction included

Solvent Product: Sales of 81.55 million baht, a good growth of 17.7% compared to the previous quarter and a growth of 11.0% compared to the previous year during the same period from growth of overseas markets.

Hot Melt Product: Sales of 65.58 million baht, a slight decrease of 5.7% and 2.0% compared to the previous quarter and the previous year in the same period respectively. The slight increase in domestic demand cannot replace the continued declined demand in overseas markets

Water Based Product: Sales of 23.37 million baht, a decrease of 58.9% and 63.7% compared to the previous quarter and the previous year in the same period (YoY) mainly from decrease in selling product to affiliate.

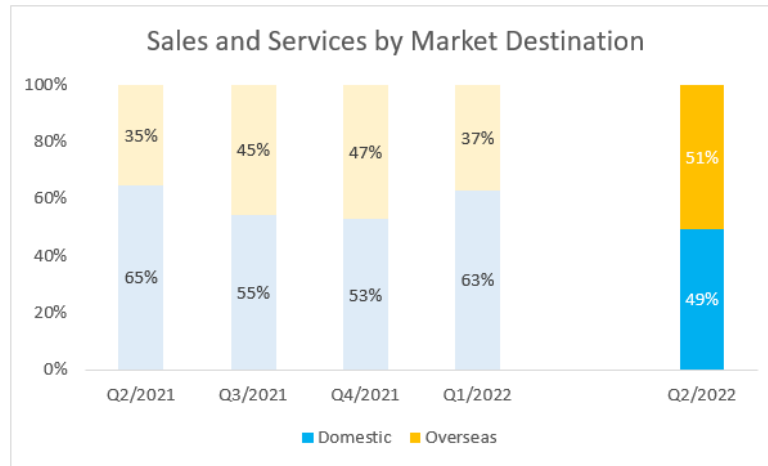
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Adhesive business: Sales and services revenue by market destination

Unit: Million Baht	Quarter					6 Months		
Sales and Services by Market Destination	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Domestic	86.86	125.37	134.27	(30.7%)	(35.3%)	212.23	240.86	(11.9%)
Overseas	88.69	73.83	73.35	20.1%	20.9%	162.52	143.79	13.0%
Total Sales and Services	175.55	199.20	207.61	(11.9%)	(15.4%)	374.75	384.66	(2.6%)

Remark: Intercompany transaction included



Remark: Intercompany transaction included

Domestic Market: Sales were 86.86 million baht, a decrease of 30.7% and 35.3% compared to the previous quarter and the previous year in the same period respectively. The decrease is mainly from water based product.

Oversea Market: Sales were 88.69 million baht, a growth of 20.1% and 20.9% compared to the previous quarter and the previous year in the same period respectively. The increase is mainly from solvent product.

Breaking down by market for adhesive as of Q2/2022, domestic sales was 49% whereas overseas sales was 51%

Adhesive business had gross profit in Q2/2022 was 44.26 million baht, an increase of 5.7% QoQ but decrease by 15.6% from the quarter of previous year. GP% improved even raw material cost have increased because of oil price reached above 100 USD/Bbl as an impact of Russia-Ukraine conflict situation however Selic has better managed in cost management including gradually adjusting the selling price in accordance with the increase in raw material costs.

Unit: Million Baht	Quarter					6 Months		
	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Revenue from goods and services	175.55	199.20	207.61	(11.9%)	(15.4%)	374.75	384.66	(2.6%)
Cost of Sales	131.29	157.32	155.17	(16.5%)	(15.4%)	288.61	282.85	2.0%
Gross Profit (excluding others)	44.26	41.88	52.44	5.7%	(15.6%)	86.13	101.80	(15.4%)
Gross Profit %	25.2%	21.0%	25.3%	19.9%	(0.2%)	23.0%	26.5%	(13.2%)

Remark: Intercompany transaction included



Self-adhesive Label Business

Self-adhesive label business recorded total sales and services of 210.66 million baht, a decrease of 6.3% QoQ and decrease of 8.0% YoY. Although the domestic demand has slightly improved however it still cannot replace the declining sales from overseas markets.

Self-adhesive label business: sales revenue by product groups

Unit: Million Baht	Quarter					6 Months		
Sales and Services by Product Group	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Paper	150.32	151.30	165.21	(0.7%)	(9.0%)	301.62	309.34	(2.5%)
Film	59.00	70.27	62.61	(16.0%)	(5.8%)	129.27	119.80	7.9%
Others	1.34	3.20	1.13	(58.0%)	18.7%	4.55	4.48	1.6%
Total Sales	210.66	224.78	228.95	(6.3%)	(8.0%)	435.44	433.62	0.4%

Remark: Intercompany transaction included

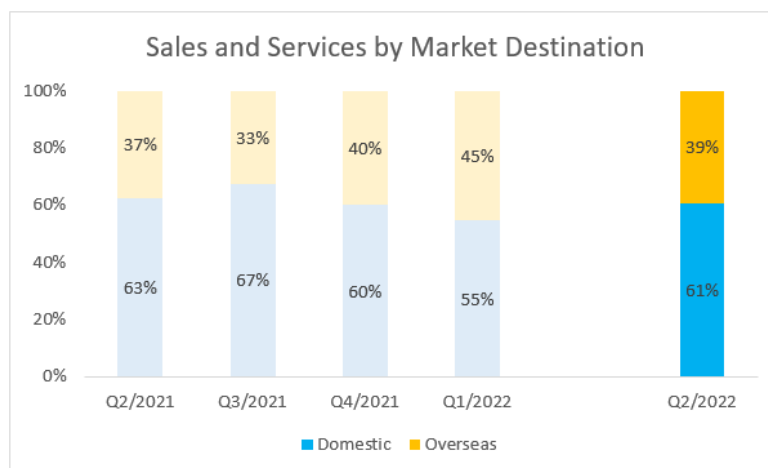
Paper Label: Sales of 150.32 million baht was at the same level as the previous quarter. The sales of the domestic market have recovered well till can cover the declining sales of overseas markets.

Film Label: Sales of 59.00 million baht, a decrease of 16.0% and 5.8% compared to the previous quarter and the same period of previous year respectively, mainly from overseas markets.

Self-adhesive label business: sales revenue by market destination

Unit: Million Baht	Quarter					6 Months		
Sales and Services by Market Destination	Q2/2022	Q1/ 2022	Q2/2021	% QoQ	% YoY	6M 2022	6M 2021	% YoY
Domestic	127.84	122.83	143.29	4.1%	(10.8%)	250.67	281.50	(11.0%)
Overseas	82.82	101.95	85.66	(18.8%)	(3.3%)	184.78	152.12	21.5%
Total Sales	210.66	224.78	228.95	(6.3%)	(8.0%)	435.44	433.62	0.4%

Remark: Intercompany transaction included



Remark: Intercompany transaction included

Domestic Market: Sales of 127.84 million baht, an improvement of 4.1% from the previous quarter, as demand for paper product began to show signs of recovery.

Oversea Market: Sales of 82.82 million baht, a decrease of 18.8% and 3.3% compared to the previous quarter and the same period last year respectively. The decrease are from both paper and film products.

Breaking down by market for self-adhesive label as of Q2/2022, domestic sales was 61% whereas overseas sales was 39%



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2022 Business Outlook

Thai economy is likely to recover in the 1st half of the year but it tends to be fragile and will slow down in the 2nd half of the year because high inflation, high energy prices, and global economic slowdown as a result of Russia-Ukraine conflict situation. These will affect the company in some industries, but Selic remains committed to adapting to the changes and challenges to create growth.

Continuous Growth on Revenue

Selic continues to focus on revenue growth from both adhesive and self-adhesive label business amid challenging economic conditions by implementing plans to expand the customer base through entering into a new market and develop products for new markets in both domestic and oversea. Selic also aim to penetrate growing industrial markets such as food and beverages, and leather shoes.

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.

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:

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

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