



Always Thinking Beyond

ซีลิคคิด เพื่ออนาคต เพื่อคุณ

Management Discussion and Analysis

**For the 4th Quarter and the year ended December
31th, 2017**

February 28th, 2018



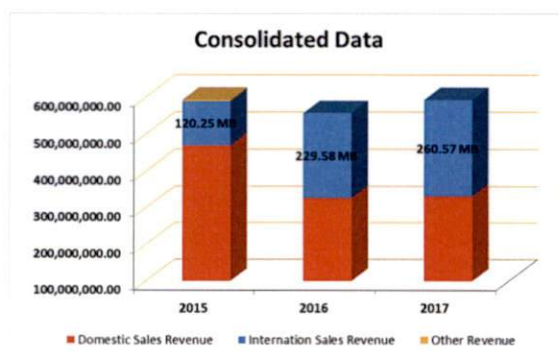
Executive Summary

The Asia Pacific Region's economy has strengthened dramatically over the past years, the strong growing economy has outperformed other regions; leading to robust growth for adhesives and sealants in the near term. Economic growth in Thailand is also gaining momentum, with growth in the Asia Pacific Region reaching 3.9% in 2017, according to the National Economic and Social Development Board (NESDB).

Rising demand for adhesives and sealants in Asia is mainly driven by automotive, packaging, construction, infrastructure and other end user industries. The company's mission is to focus on the growing industries and expanding our core business into each of them. In 2016, the company invested in the newly created department, Business Development department, which helps the company in identifying new businesses and market segments, and developing future strategic plans. Not only the new department that helps drive the business, but Selic also invested in many new areas in order to add value for our customer and ensure to provide the best products in the market.

On the financial perspective, Selic Corp Public Company Limited grew 6.44% in 2017, generating a revenue increase of Baht 35.84 million from 2016, with a closing revenue of Baht 592.03 Million. This is mainly contributed from an increase in international sales volume as a result of our teams effort to penetrate oversea markets.

Statement of Comprehensive Income	Consolidated					
	2017	%	2016	%	2015	%
Revenues from Sales	592.03	99.50%	556.20	99.18%	589.09	99.29%
Other income	2.96	0.50%	4.59	0.82%	4.19	0.71%
Total Revenues	595.00	100.00%	560.79	100.00%	593.28	100.00%
Cost of sales	439.03	74.16%	391.21	70.34%	437.76	74.31%
Gross Profit (Excluding Other Revenue)	153.01	25.84%	164.99	29.66%	151.33	25.69%
Selling Expenses	15.73	2.64%	14.27	2.54%	11.74	1.98%
Administration Expenses	116.47	19.58%	106.24	18.94%	86.48	14.58%
Profit before Income Tax Expense	23.77	4.00%	49.07	8.75%	57.30	9.66%
Financial Cost	0.39	0.07%	3.93	0.70%	7.83	1.32%
Income Tax	4.54	0.76%	6.10	1.09%	10.07	1.70%
Net Profit for the Year	18.85	3.17%	39.04	6.96%	39.39	6.64%





Although there are concerns about the significant rise in the prices of raw material in 2017, newly implemented long-term fixed price contracts and rebate programs with our suppliers will mitigate these effects in 2018, in conjunction with new product formulations utilizing more economic formulas that will yield higher margins without sacrificing product quality.

Summary of Consolidated Operating performance

Q4 – Snapshot

In Q4/2017, the company's sales revenue was Baht 157.71 million, increased from Q4/2016 by 13.6% YoY, and Q3/2017 by 2.9% as a result of an expansion into international market sales. For international business, the company closed Q4/2017 with international sale revenue of Baht 74.56 million, an increase of 13.6% YoY from Q4/2016, mainly from the company's growth in sale of Hot Melt and Water based Adhesives following the ongoing global shift from Solvent based Adhesives to Water Based Adhesives.

Unit : Million Baht	FY2017	FY2016	YoY	Q4/2017	Q4/2016	YoY
Sales - Net	592.03	556.20	6.4%	157.71	138.77	13.6%
Other income	2.96	4.59	(35.4%)	0.58	1.74	(66.7%)
Total Revenue	595.00	560.79	6.1%	158.29	140.51	12.7%
Cost of Sales	439.03	391.21	12.2%	120.93	98.73	22.5%
Gross Profit (Excluding Other Revenue)	153.00	164.99	(7.3%)	36.78	40.04	(8.1%)
Selling Expenses	15.73	14.27	10.2%	3.32	3.13	5.9%
Administration Expenses	116.47	106.24	9.6%	29.33	28.31	3.6%
EBITDA	47.02	70.98	(33.8%)	10.83	16.19	(33.1%)
Depreciation	23.25	21.91	6.1%	6.12	5.85	4.7%
EBIT	23.77	49.07	(51.6%)	4.71	10.34	(54.5%)
Financial Cost	0.39	3.93	(90.1%)	0.06	0.33	(81.6%)
EBT	23.38	45.14	(48.2%)	4.65	10.01	(53.6%)
Tax	4.54	6.10	(25.6%)	1.17	(1.06)	(210.4%)
Net Profit for the Year	18.84	39.04	(51.7%)	3.48	11.07	(68.6%)
Other Comprehensive Income	0.12	1.92	(93.9%)	-	-	0.0%
Total Comprehensive Income for the Year	18.72	41.09	(54.4%)	3.48	11.07	(68.6%)

Revenue by Market	Consolidated				
	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016
Domestic Sales	83.16	85.16	77.40	85.74	78.77
International Sales	74.56	68.14	66.00	51.88	60.00
Total Revenue from Sale	157.71	153.29	143.40	137.62	138.78

Performance Summary by Product	2017	%	2016	%
Solvent Adhesive	341.82	57.74%	341.81	61.45%
Hot Melt Adhesive	193.89	32.75%	154.37	5.48%
Waterbased Adhesive	41.19	6.96%	30.47	27.75%
Other	15.14	2.56%	29.55	5.31%
Total Revenue from Sale	592.03	100.00%	556.20	100.00%

Cost of Sales (excluding other revenue) was Baht 120.93 million, an increase of 22.5% YoY, primarily due to the substantial increase in prices of raw materials. Additionally, the currency



fluctuation in Q4 of 2017 was also the main reason for the drop in our Net Profit, the company closed Q4 with net profit of Baht 3.48 million, a decrease of 68.6% from Q4/2016.

FY 2017

In 2017, the company also expanded more into CLMV's area. We started to have some activities in Cambodia. We also expanded our business in Vietnam. The company is looking into creating more business in the oversea market despite the fact of the currency fluctuation, as the company believes in sustainability in the long term. The expansion into new markets is one of our strategies to sustain our long term growth. The company closed the year of 2017 with Baht 592.03 in sales revenue, an increase of 6.4% from 2016.

As for International Sales revenue, the company generated Baht 260.57 million in 2017, an increase of 13.49% from the previous year.

As for the domestic sales revenue, the company has not stopped our effort in expanding into new businesses, while maintaining our current customer base.

Revenue by Market	Consolidated					
	2017	%	2016	%	2015	%
Domestic Sales	331.46	55.99%	326.62	58.72%	468.84	79.59%
International Sales	260.57	44.01%	229.58	41.28%	120.25	20.41%
Total Revenue from Sale	592.03	100.00%	556.20	100.00%	589.09	100.00%

Cost of Sale

In July of 2017, the company changed the inventory system from periodic to perpetual inventory system, which should be more accurate. The periodic system relies upon an occasional physical count of the inventory, while the perpetual system keeps continual track of inventory balances using computerized system. The company discovered that the expired raw materials, and thus needed to reflect this Baht 2.6 million into this year's income statement, which has caused the non-reduction in cost of goods sold in the 4th quarter.

Cost of sales has gone up with the increase of 12.2% from Baht 391.21 million to Baht 439.03 million in 2017. This is mainly impacted from a strong increase in prices of raw materials. As a result, the company has started to deal with many different suppliers for new sources, and we should be able to finalise the negotiation process with most of our suppliers in Q2 of 2018 in order to reduce costs.

Selling expenses and Administrative expenses

Selling and Administrative expenses were Baht 132.2 million, an increase of 9.7% from the prior year. The expenses not only include the sales' salary and commission, sales promotion, cost of freight, insurance, including marketing fees, but also the advisory fees for analysing and studying both the market and investment projects. The increase in these expenses is due to the increase in cost of freight and exporting fees, as a result of international market expansion. Another cause for



the increase company's brand and communication strategy to build higher brand awareness and visibility in the market. The company has participated in exhibitions around the world and Asia, such as Interpack 2017 at Dusseldorf Process and Packaging Asia 2017, and the latest Pack and Print 2017. Those such activities have helped build company visibility, not only in terms of brand awareness but additionally, the company's brand image both domestically and internationally. In addition, the company also invested in the new ERP system, SAP, in order to support the future growth and expansion.

Unit : Million Baht	FY2017	FY2016	YoY	Q4/2017	Q3/2017	QoQ
Selling And Administrative Expenses	132.20	120.51	9.7%	32.65	35.12	(7.0%)

2018 outlook and strategy

Growth in Asia Pacific has continuously created strong market growth and lead the market for adhesives and sealants. The food and beverage industry, as well as the packaging industry have propelled growth in the demand for adhesive and sealants, in which the company owns significant share in. As for the strategy for 2018, the company is focusing on improving the market shares in packaging industry, food and beverage, as well as leather and footwear. The company will also be expanding into other industries such as furniture and fixtures, electronic assemblies, and construction. The main strategy also includes a continuous development of the company's structure and organization, in order to grow steadily and stably in the future.



Ek Suwatthanaphim

(Chief Executive Officer)
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