



Selic Corp Public Company Limited

Management Discussion & Analysis Q3/2022



Executive Summary

In the 3rd quarter of 2022, Selic expands its business to healthcare sector through the acquisition of shares in Devakam Apothecary Hall Co., Ltd. and began consolidating financial performance of healthcare business segment in September 2022. In addition, the overall domestic demand continued to improve from the economic recovery while oversea demand continues to show a slowdown signaled, those countries have continuously raised policy interest rates to manage their high inflation index. As for raw material prices, although oil prices have dropped to 80 – 100 USD/Bbl but the baht depreciating 5% – 8% therefore raw material prices remain high

Sales growth through the expansion of business in Consumer Healthcare

Adhesive and self-adhesive label business are able to maintain sales revenue at a good level and grow compared to previous year. Moreover, Selic began to recognize revenue in the healthcare business segment in September 2022 therefore in the 3rd quarter of 2022 Selic sales revenue is growing 3.9% and 19.1% compared to previous quarter and the same quarter of the previous year.

Increase of gross profit, positive results of cost management

Selic has put priority in cost management including gradually adjusting the selling price in accordance with the increase in raw material costs. As a result, Selic was able to grow its gross profit continuously quarter by quarter.

Better EBITDA and net profit

In the 3rd quarter of 2022 higher GP% and lower operating expense per revenue incurred increased of EBITDA and net profit by 21.3% and 40.2% respectively compared to previous quarter while also increased 13.0% and 27.2% respectively compared to the same quarter last year.

Q3/2022 Financial Summary

- Total revenue was at 405.65 million baht increased from the previous quarter and the same period last year as a result of both adhesive and self-adhesive label business. Together with the consolidating of healthcare business segment financial performance in September 2022.
- Gross profit was at 96.70 million baht growing 11.6% QoQ and 21.3% the same quarter last year as a result of better cost management form both adhesive and self-adhesive label business. Consequently, GP% improved each quarter together with consolidating gross profit of healthcare business segment.
- Net profit was 14.12 million baht increased 40.2% from the previous quarter as a result of higher GP% and lower operating expense per revenue.

9M/2022 Financial Summary

- Total revenue of 1,184.40 million baht increased 8.6% compared to the same period last year. The growth came from both adhesive and self-adhesive label business together with recognize revenue in the healthcare business segment in September 2022.
- Gross profit 264.78 million baht slightly decreased 5.5% 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 while Selic had better managed in cost management including gradually adjust the selling price in accordance with the increase in raw material costs.



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- EBITDA 102.90 million baht decreased 29.8% and net profit 35.90 million baht decreased 48.8% compared to the same period of last year. Not only higher cost of raw material and packaging but also 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					9 Months		
	Q3/2022	Q2/ 2022	Q3/2021	% QoQ	% YoY	9M 2022	9M 2021	% YoY
Total Revenue	405.65	390.52	341.37	3.9%	18.8%	1,184.40	1,090.71	8.6%
Total Sales & Services	405.18	389.97	340.09	3.9%	19.1%	1,181.79	1,084.23	9.0%
Gross Profit (excluding others)	96.70	86.66	79.75	11.6%	21.3%	264.78	280.16	(5.5%)
EBITDA	37.95	31.30	33.60	21.3%	13.0%	102.90	146.60	(29.8%)
Net Profit	14.12	10.07	11.10	40.2%	27.2%	35.90	70.18	(48.8%)

Financial Performance

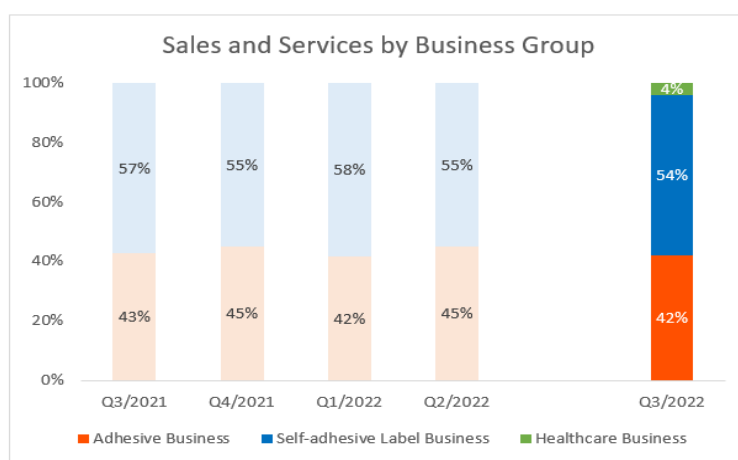
Revenue

Revenue from sales and services 405.18 million baht, the growth of 3.9% (QoQ) compared to the previous quarter due to the start of the performance consolidation of Devakam Apothecary Hall Co., Ltd., a subsidiary in September 2022. In addition, grew 19.1% from the same period last year (YoY) from the growth of both adhesive and self-adhesive label business. In the past 9 months, revenue from sales and services 1,181.79 million baht, 9.0% increase from the previous year due to the growth of both businesses.

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 42% adhesive, 54% self-adhesive label, and 4% healthcare as of Q3/2022. However it will material change in Q4/2022 after consolidating full quarter performance of healthcare business



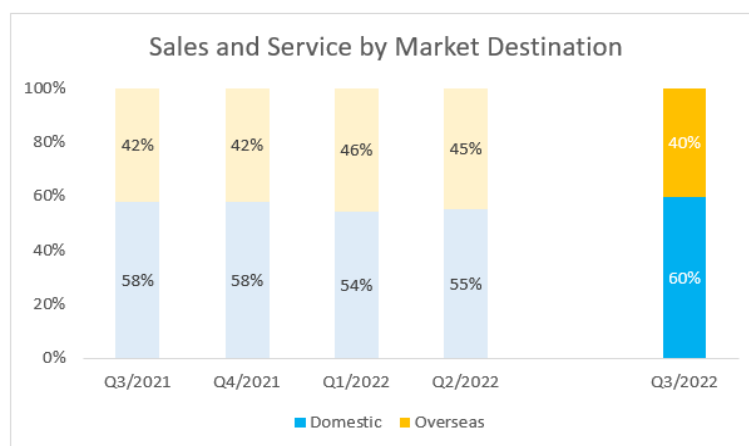
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Sales and services by destination has proportion of 60% domestic and 40% export market as of Q3/2022.

Unit: Million Baht	Quarter					9 Months		
Sales & Services by Market Destination	Q3/2022	Q2/ 2022	Q3/2021	% QoQ	% YoY	9M 2022	9M 2021	% YoY
Domestic	241.60	214.69	196.62	12.5%	22.9%	666.84	642.53	3.8%
Overseas	163.59	175.28	143.47	(6.7%)	14.0%	514.95	441.69	16.6%
Total	405.18	389.97	340.09	3.9%	19.1%	1,181.79	1,084.23	9.0%

Remark: Intercompany transaction elimination



Remark: Intercompany transaction elimination

Cost of goods sold

Cost of sales was 308.49 million baht increased 1.7% from previous quarter (QoQ) while sales increased more than cost of sales therefore gross profit rose 11.6% compared to previous quarter. GP% has improved in each quarter as a result of better cost management from both adhesive and self-adhesive label business together with consolidating gross profit of healthcare business segment.

Operational expenditure

Total operating expenses were at 69.47 million baht increased 2.0% from the previous quarter with consolidating operational expenses of healthcare business segment, divided into selling expenses of 24.94 million baht and administrative expenses of 44.52 million baht. The selling expense to sales increased because ratio of healthcare is higher than another two businesses as difference business model. In the meanwhile the administrative expense to sales slightly decreased.

EBITDA and net profit

EBITDA and net profit were 37.95 million baht and 14.12 million baht, increase 21.3% and 40.2% respectively from the previous quarter due to higher GP% and lower operating expense per revenue. EBITDA also increase 13.0% and net profit increase 27.2% compare to the same period of last year.



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Consolidated Financial Statement Q3/2022

Unit: Million Baht	Quarter					9 Months		
Consolidated Financial Statement	Q3/2022	Q2/ 2022	Q3/2021	% QoQ	% YoY	9M 2022	9M 2021	% YoY
Sales of goods and services	405.18	389.97	340.09	3.9%	19.1%	1,181.79	1,084.23	9.0%
Gain on exchange rate	0.00	0.00	0.90	--	(100.0%)	0.00	4.21	(100.0%)
Other income	0.47	0.55	0.38	(14.1%)	25.4%	2.62	2.28	15.0%
Total Revenue	405.65	390.52	341.37	3.9%	18.8%	1,184.40	1,090.71	8.6%
Cost of sales	308.49	303.32	260.35	1.7%	18.5%	917.01	804.06	14.0%
Gross Profit (excluding others)	96.70	86.66	79.75	11.6%	21.3%	264.78	280.16	(5.5%)
Loss on exchange rate	4.37	1.17	0.00	273.9%	--	4.06	0.00	--
Selling expenses	24.94	21.19	21.26	17.7%	17.3%	69.03	61.35	12.5%
Administrative expenses	44.52	46.93	39.95	(5.1%)	11.4%	132.93	120.16	10.6%
EBITDA	37.95	31.30	33.60	21.3%	13.0%	102.90	146.60	(29.8%)
Depreciation	14.62	13.38	13.79	9.3%	6.1%	41.53	41.46	0.2%
EBIT	23.33	17.91	19.81	30.2%	17.8%	61.37	105.14	(41.6%)
Financial cost	5.32	4.82	5.25	10.5%	1.3%	14.89	16.21	(8.2%)
EBT	18.01	13.09	14.55	37.5%	23.7%	46.48	88.93	(47.7%)
Income tax	3.89	3.03	3.45	28.5%	12.5%	10.58	18.75	(43.5%)
Net Profit	14.12	10.07	11.1	40.2%	27.2%	35.90	70.18	(48.8%)

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

Segment Reporting

Adhesive Business

Adhesive business recorded total sales and service of 170.75 million baht, slightly decrease 2.7% QoQ from decrease sales in solvent and water based.

For the past 9 months, total sales and service of 545.50 million baht, slightly decrease 1.5% QoQ

Adhesive business: Sales and services revenue by product group

Unit: Million Baht	Quarter					9 Months		
Sales and Services by Product Group	Q3/2022	Q2/ 2022	Q3/2021	%QoQ	%YoY	9M 2022	9M 2021	% YoY
Solvent	77.43	81.55	60.91	(5.1%)	27.1%	228.24	198.85	14.8%
Hot Melt	70.48	65.58	69.52	7.5%	1.4%	205.62	209.96	(2.1%)
Water based	18.13	23.37	35.65	(22.4%)	(49.1%)	98.32	135.02	(27.2%)
Others	4.71	5.05	3.12	(6.7%)	50.9%	13.31	10.03	32.8%
Total Sales and Services	170.75	175.55	169.20	(2.7%)	0.9%	545.50	553.86	(1.5%)

Remark: Intercompany transaction included

Solvent Product: Sales of 77.43 million baht, a decrease of 5.1% compared to the previous quarter from lower oversea sales. However for the past 9 months, growth of 14.8% compared to the previous year from growth of oversea sales

Hot Melt Product: Sales of 70.48 million baht, an increase of 7.5% compared to the previous quarter from higher oversea sales. However for the past 9 months, sales slightly decrease 2.1% from both domestic and oversea sales

Water Based Product: Sales of 18.13 million baht, a decrease of 22.4% compared to the previous quarter from lower oversea sales. In addition for the past 9 months, a decrease of 27.2% compared to the previous year in the same period (YoY) mainly from decrease in selling product to affiliate.



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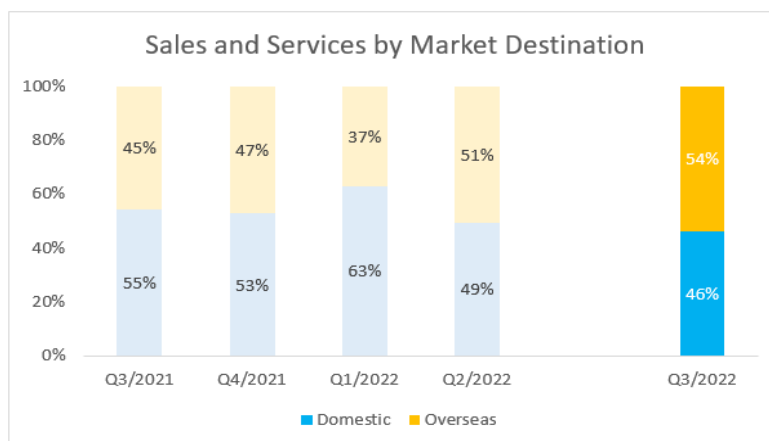
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Adhesive business: Sales and services revenue by market destination

Unit: Million Baht	Quarter					9 Months		
Sales and Services by Market Destination	Q3/2022	Q2/ 2022	Q3/2021	% QoQ	% YoY	9M 2022	9M 2021	% YoY
Domestic	79.06	86.86	92.25	(9.0%)	(14.3%)	291.29	333.11	(12.6%)
Overseas	91.69	88.69	76.95	3.4%	19.2%	254.21	220.74	15.2%
Total Sales and Services	170.75	175.55	169.20	(2.7%)	0.9%	545.50	553.86	(1.5%)

Remark: Intercompany transaction included



Remark: Intercompany transaction included

Domestic Market: Sales were 79.06 million baht, a decrease of 9.0% compared to the previous quarter from lower sales of hot melt and water based product. For the past 9 months, a decreased of 12.6% mainly from decrease in selling product to affiliate.

Oversea Market: Sales were 91.69 million baht, a growth of 3.4% compared to the previous quarter from higher sales of hot melt. For the past 9 months, a growth of 15.2% from higher sales of solvent and water based.

Breaking down by market for adhesive as of Q3/2022, domestic sales was 46% whereas overseas sales was 54%

Adhesive business had gross profit in Q3/2022 was 43.16 million baht, decrease 2.5% from previous quarter but increase 15.6% from the same quarter of previous year where GP% had improved in each quarter.

Unit: Million Baht	Q3/2022					9M 2022		
	Q3/2022	Q2/ 2022	Q3/2021	% QoQ	% YoY	9M 2022	9M 2021	% YoY
Revenue from goods and services	170.75	175.55	169.20	(2.7%)	0.9%	545.50	553.86	(1.5%)
Cost of Sales	127.60	131.29	131.87	(2.8%)	(3.2%)	416.21	414.72	0.4%
Gross Profit (excluding others)	43.16	44.26	37.33	(2.5%)	15.6%	129.29	139.14	(7.1%)
Gross Profit %	25.3%	25.2%	22.1%	0.3%	14.5%	23.7%	25.1%	(5.7%)

Remark: Intercompany transaction included



Self-adhesive Label Business

Self-adhesive label business recorded total sales and services of 215.77 million baht, an increase of 2.4% and 9.6% from previous quarter and the same quarter of previous year. Domestic demand has improved especially on film product.

For the past 9 months, an increase of 3.3% where domestic sales grow in film product and overseas sales grow in paper product.

Self-adhesive label business: sales revenue by product groups

Unit: Million Baht	Quarter					9 Months		
Sales and Services by Product Group	Q3/2022	Q2/ 2022	Q3/2021	% QoQ	% YoY	9M 2022	9M 2021	% YoY
Paper	144.58	150.32	125.31	(3.8%)	15.4%	446.20	434.66	2.7%
Film	68.09	59.00	68.62	15.4%	(0.8%)	197.37	188.41	4.8%
Others	3.10	1.34	2.93	130.7%	5.9%	7.65	7.41	3.3%
Total Sales	215.77	210.66	196.86	2.4%	9.6%	651.22	630.48	3.3%

Remark: Intercompany transaction included

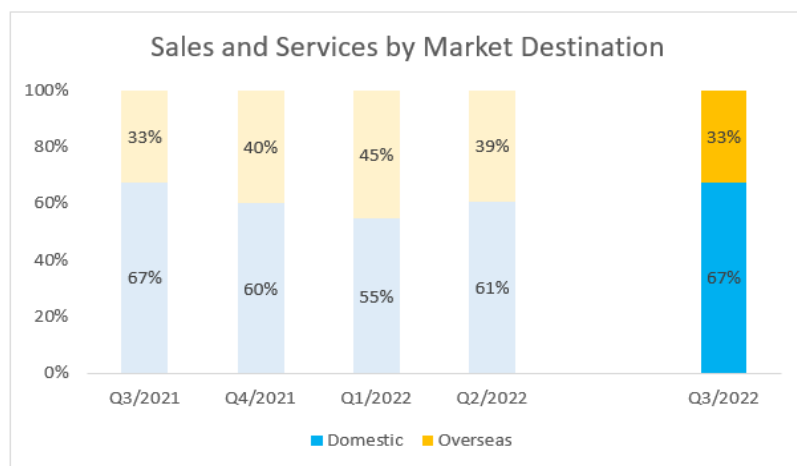
Paper Label: Sales of 144.58 million baht, slightly decrease compared to the previous quarter from overseas sales however for the past 9 months it grow 2.7%.

Film Label: Sales of 68.09 million baht, increase of 15.4% compared to the previous quarter from domestic sales and for the past 9 months it grow 4.8%.

Self-adhesive label business: sales revenue by market destination

Unit: Million Baht	Quarter					9 Months		
Sales and Services by Market Destination	Q3/2022	Q2/ 2022	Q3/2021	% QoQ	% YoY	9M 2022	9M 2021	% YoY
Domestic	145.64	127.84	132.81	13.9%	9.7%	396.30	414.31	(4.3%)
Overseas	70.14	82.82	64.05	(15.3%)	9.5%	254.91	216.17	17.9%
Total Sales	215.77	210.66	196.86	2.4%	9.6%	651.22	630.48	3.3%

Remark: Intercompany transaction included



Remark: Intercompany transaction included

Domestic Market: Sales of 145.64 million baht, increase of 13.9% compared the previous quarter from higher sales in both paper and film product however for the past 9 months, domestic sales is lower than previous year at 4.3%.

Oversea Market: Sales of 70.14 million baht, a decrease of 15.3% however for the past 9 months, overseas sales is higher than previous year at 17.9% even overseas demand has shown a slowdown signaled



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Breaking down by market for self-adhesive label as of Q3/2022, domestic sales was 67% whereas overseas sales was 33%

Healthcare Business

Healthcare products were currently grouped into Liniment and Cream where proportion of sales is at 85% liniment and 14% cream. Total sales report at 17.32 million baht in September 2022

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. Although the Thai economy outlook tends to have a positive from the improvement of tourism sector but with those conditions may affect to the company in some industries, 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 according to the plan strategy and expect to see the results from the healthcare business investment which should be clearly part of revenue growth in Q4/2022.

Cost and Expenditure Management

Oil price seem to drop but with volatility together with depreciating of Thai baht causing the company to continue in monitoring supply chain and pricing policy including leverage innovation through research and development to build a good level of gross profit.

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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