



Selic Corp Public Company Limited

Management Discussion & Analysis Q3/2021



Executive Summary

COVID-19 pandemic saw infected cases rise significantly in Q3 resulting in the government enforcing necessary measures to control the situation. This impacted the Thai economy a great deal. Businesses experienced declining sales as people were not going out or traveling much let alone spending their money. The export side seemed more encouraging with overseas sales starting to pick up pace. However there were still challenges along the way including shortages of shipping containers and constantly increasing logistics and raw material costs. Despite all these challenges Selic continued to maintain its business operation in terms of rethinking its sales and marketing strategy, management of costs and safety measures to keep its staff as well as stakeholders save from the pandemic.

Summary of Business Performance Q3/2021

- Total revenue in Q3/2021 was recorded at 341.37 MB (+5% YoY, -12.3% QoQ) due to impacts from the pandemic
- Revenue derived from the adhesive business accounted for 180.32 MB (-1.5% YoY, -16.7% QoQ)
- Revenue derived from the self-adhesive label business totaled at 201.90 MB (+10.3% YoY, -14% QoQ)
- EBITDA from the three months stood at 33.60 MB (-41.7% YoY, -40% QoQ)
- Net profits were 11.1 MB (-59.7% YoY, -61.8% QoQ)

Business Performance from January – September 2021

- Overall, profits achieved in the first 9 months of 2021 were higher than 2020 with total income of 1,090.71 MB (+16.3% YoY) with net profits of 70.18 MB (+5.6% YoY)
 - Income from the adhesive business was recorded at 785.91 MB (+43.9% YoY). Partly from dividends received from PMCL
 - Income from the self-adhesive label business was recorded at 646.59 MB (+16.8% YoY)

QUARTER 3/2021	3 MONTHS					9 MONTHS		
UNIT: MILLION BAHT	Q3/2021	Q2/2021	Q3/2020	%QoQ	%YoY	9M 2021	9M 2020	(+/-)%
Total Revenue	341.37	389.37	325.16	(12.3%)	5.0%	1,090.71	937.51	16.3%
Total Sales	340.09	386.52	323.00	(12.0%)	5.3%	1,084.23	926.60	17.0%
Gross Profit	79.75	100.45	85.92	(20.6%)	(7.2%)	280.16	236.34	18.5%
EBITDA	33.60	56.00	57.59	(40.0%)	(41.7%)	146.60	149.53	(2.0%)
Net Profit	11.10	29.03	27.57	(61.8%)	(59.7%)	70.18	66.43	5.6%

Financial Performance

Revenue

The overall income from Q3 totaled at 341.34 MB (+5% YoY, - 12.3% QoQ). Of this, 340.09 MB came from sales (+5.3% YoY, -12.0% QoQ) due to impacts from the pandemic where demands for stickers were falling as well as, generally, declining manufacturing productivity.



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Revenue Structure: Sales

Selic's income is generated by two businesses including adhesive (43%) and self-adhesive labels (57%).



Adhesive Segment

In Q3, the total income was recorded at 180.32 MB (-1.5% YoY, -16.7% QoQ). But the income from the first nine months of 2021 was recorded at 785.91 MB (+43.9% YoY).

**partly from dividends paid out by PMCL*

Sales income for the quarter was 169.20 MB (-2.2% YoY, -18.5% QoQ)

Sales income for the first nine months of 2021 came to 553.86 MB (+18.8% YoY)

Hotmelt product sales accounted for 69.75% of all products sold (+10.4% YoY, +4.1% QoQ) whereas sales of solvent based and water based products declined during the height of the pandemic.

Income by Product Category (MB)	Q3/2021	Q2/2021	Q3/2020	%QoQ	%YoY
Solvent	60.91	73.44	65.36	(17.1%)	(6.8%)
Hot Melt	69.75	67.01	63.16	4.1%	10.4%
Waterbased	35.65	64.41	40.15	(44.7%)	(11.2%)
Others	2.89	2.75	4.30	5.2%	(32.7%)
Total Income	169.20	207.61	172.97	(18.5%)	(2.2%)

Domestic sales income dropped 31.3% QoQ or 14.3% YoY mainly caused by the lockdown measures in major cities. On the other hand overseas sales income rose 4.9% QoQ or 17.8% YoY.

Income by Market Type (MB)	Q3/2021	Q2/2021	Q3/2020	%QoQ	%YoY
Domestic	92.25	134.24	107.64	-31.3%	-14.30%
Overseas	76.95	73.37	65.33	4.9%	17.79%

The main factor affecting the sales of adhesive segment includes rising costs of raw materials and logistics resulting in gross profits of 22.1% as opposed to 25.3% from the previous quarter or 29% from 2020.

EBITDA stood at 22.02 MB (-45.7% YoY) with net profits of 7.79 MB (-63.4% YoY, -58.6% QoQ).

For the first nine months of 2021, EBITDA stood at 294.19 MB (+104.6% YoY) with net profits of 245.49 MB (+174.7%).



Self-adhesive Labels Segment

The total income of this business was recorded at 201.90 MB (+10.3% YoY, -14% QoQ) with total sales income at 196.86 MB (+11.3% YoY, - 14% QoQ). In terms of proportions, income from paper labels accounted for 125.31 MB, 68.62 MB from film labels and 2.93 MB from other types of labels.

For the first nine months of 2021 the sales income came to 646.59 MB (+16.8% YoY) with sales income of 630.48 MB (+18.6% YoY).

Income by Product Category (MB)	Q3/2021	Q2/2021	Q3/2020	%QoQ	%YoY
Paper	125.31	165.21	126.23	-24%	-1%
Film	68.62	62.61	49.22	9.6%	39%
Others	2.93	1.13	1.40	159%	110%
Total Income	196.86	228.95	176.85	-14%	11%

Cost of Sales

The overall cost of sales was recorded at 260.35 MB (-9% QoQ, -9.8% YoY) with proportion to sales at 76.55% from total sales income. Although the costs of sales from this quarter seemed higher due to increasing raw material costs compared to the previous quarter (74.01%) and 2020 (73.4%), Selic continues to control fluctuating costs in order to maintain its minimal sales costs.

Operational Expenditure

Sales related expenses were 14.84 MB (+3.6% QoQ, +91.7% YoY) from increased sales activities and increased logistics costs. Management spending totaled at 46.38 MB (-1.2% QoQ, +20.6% YoY).

EBITDA & Net Profits

EBITDA from Q3 was recorded at 33.6 MB (-40% QoQ, -41.7% YoY) with net profits totaled at 11.10 MB (-61.8% QoQ, -59.7% YoY).

For the 9 month period, EBITDA recorded at 146.6 MB (-2%) with net profits totaled at 70.18 MB (+5.6%) compared to last year.



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UNIT: MILLION BAHT	Q3/2021	Q2/2021	Q3/2020	%QoQ	%YoY	9M 2021	9M 2020	(+/-)%
Sales	340.09	386.52	323.00	(12.0%)	5.3%	1,084.23	926.60	17.0%
Other income	1.28	2.84	2.16	(55.1%)	(41.0%)	6.49	10.91	(40.5%)
Total Revenue	341.37	389.37	325.16	(12.3%)	5.0%	1,090.71	937.51	16.3%
Cost of Sales	260.35	286.07	237.08	(9.0%)	9.8%	804.06	690.26	16.5%
Gross Profit	79.75	100.45	85.92	(20.6%)	(7.2%)	280.16	236.34	18.5%
Selling Expenses	14.84	14.32	7.74	3.6%	91.7%	181.51	140.80	28.9%
Administrative Expense	46.38	46.93	38.45	(1.2%)	20.6%			
EBITDA	33.60	56.00	57.59	(40.0%)	(41.7%)	146.60	149.53	(2.0%)
Depreciation	13.79	13.97	15.70	(1.3%)	(12.2%)	41.46	43.08	(3.8%)
EBIT	19.81	42.04	41.89	(52.9%)	(52.7%)	105.14	106.45	(1.2%)
Financial Cost	5.25	5.37	7.25	(2.1%)	(27.5%)	16.21	24.86	(34.8%)
EBT	14.55	36.67	34.64	(60.3%)	(58.0%)	88.93	81.59	9.0%
Tax	3.45	7.64	7.07	(54.8%)	(51.1%)	18.75	15.16	23.7%
Net Profit	11.10	29.03	27.57	(61.8%)	(59.7%)	70.18	66.43	5.6%

The Business Perspective in 2021

Overall Q3 Performance

The pandemic has impacted us all quite severely during Q3. With major lockdowns and safety measures enforced in major cities, the economy and people's spending declined at the same time. These factors had detrimental effects on our business especially on the domestic front. However, overseas sales continued to grow despite all the challenges including the rising production costs, which hit our gross profits for the quarter significantly. Looking at the bigger picture, Selic's performance in the first nine months of 2021 clearly shows and improvement of sales income and net profits compared to 2020.

Growth Driver

Demands for Adhesive and Self-adhesive Labels

Based on the adhesive and sealant global forecast, the demand for industrial adhesives are expected to grow 4.6% yearly from the overall market value of USD 58.9 Billion or THB 1,830 Billion with Asia Pacific being the biggest market (31.1%) growing at CAGR 6.1%. This reflects that the market is set to grow continuously particularly within the food and beverage, construction and furniture sectors.

The self-adhesive label market is reported to grow on average 6% per year with total market value of USD 40.5 Billion or THB 1,258 Billion. Similar to the adhesive market, the biggest market for self-adhesive labels is Asia Pacific (34.9%) with growth rate of 8% CAGR with the majority of users being in food and beverage, consumer/household goods and logistics sectors.

**Adhesive and Sealant Global Forecast (marketsandmarkets)*

**Self-adhesive Global Forecast 2023 (marketsandmarkets)*



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Focus on Growing Industries

According to the global forecast report, the biggest drivers of demands for adhesive and self-adhesive label markets are in packaging, food and beverage, logistics and furniture sectors. Selic's familiarity with these industries can lead to continuous business growth in both overseas and domestic markets.

Supply Chain Management

Several factors derived from the pandemic have impacted our business in various ways. Many examples include shortages of shipping containers, increasing logistic costs, oil and raw material cost fluctuations. Nevertheless, we continue to control our expenses and stay on top of our supply chain management by working closely with our suppliers in order to deliver quality products to our customers on time. We will continue to focus on this for the rest of this year to ascertain an improvement in supply chain efficiency, minimized negative impacts, and healthier profitability.

Measures Against Covid19

The health and safety of our staff, business partners and stakeholders remain our top priority and we are working hard to make sure that we minimize risks related to the spread of COVID-19. Selic is constantly monitoring the development of the situation around the pandemic of the novel coronavirus disease (COVID-19) and is following applicable national health services regulations and WHO guidance to contain the spread of the novel coronavirus.

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ข้อปฏิบัติในการรับข้อมูล

ในเอกสารฉบับนี้อาจจะมีข้อมูลบางส่วนที่เกี่ยวข้องกับการคาดการณ์ในอนาคตโดยอิงจากปัจจัยที่เกี่ยวข้องในหลายด้านซึ่งจะขึ้นอยู่กับความเสี่ยงและความไม่แน่นอนต่างๆ ซึ่งข้อมูลดังกล่าวรวมถึงแผนธุรกิจ กลยุทธ์ และความเชื่อของบริษัทฯ รวมทั้งข้อมูลอื่นที่ไม่ใช่ข้อมูลที่เกิดขึ้นในอดีต ตัวอย่างของคำที่ใช้ในการคาดการณ์ในอนาคต เช่น “อาจจะ”, “จะ”, “คาดว่า”, “ตั้งใจว่า”, “ประมาณ”, “เชื่อว่า”, “ยังคง”, “วางแผนว่า” หรือคำใดๆ ที่มีความหมายทำนองเดียวกัน เป็นต้น แม้ว่าการคาดการณ์ดังกล่าวจะถูกจัดทำขึ้นจากสมมติฐานและความเชื่อของฝ่ายบริหาร โดยอาศัยข้อมูลที่มีอยู่ในปัจจุบันเป็นพื้นฐานก็ตาม สมมติฐานเหล่านี้ยังคงมีความเสี่ยงและความไม่แน่นอนต่างๆ ซึ่งอาจจะทำให้ผลงาน ผลการดำเนินงาน ความสำเร็จที่เกิดขึ้นจริงแตกต่างจากที่บริษัทฯ คาดการณ์ไว้ในอนาคต ดังนั้นผู้ใช้ข้อมูลดังกล่าวจึงควรระมัดระวังในการใช้ข้อมูลข้างต้น อีกทั้งบริษัท และผู้บริหาร/พนักงาน ไม่อาจควบคุมหรือรับรองความเกี่ยวข้อง ระยะเวลาที่จะเกิดขึ้น หรือความถูกต้องของข้อมูลดังกล่าว