



Selic Corp Public Company Limited

Management Discussion & Analysis Q1/2023



Executive Summary

In the 1st quarter of 2023, Healthcare business group successfully started manufacturing and distributing products under the brand “Neoplast” and “Neobun” ahead of planned schedule which Selic invested in this business group in the second half of year 2022. In addition, Healthcare business was able to perform well in gross profit margin ratio and net profit ratio as well together with increasing number of tourists in a country, it has a positive effect on the sales of healthcare products.

Selic still has challenge in term of export adhesive and sticker products due to demand in some countries did drop from economy recession according to the monetary policy to bring down inflation. However domestic demand remains at a good level then sales proportion to domestic market will be more portion 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 has a significant sales increase of healthcare business because it can start producing and distributing products under the brand “Neoplast” and “Neobun”. It is expected to increase further in the 2nd quarter of 2023 from the increase of production capacity. While adhesive and sticker business are able to maintain sales at an acceptable level despite facing export demand pressure due to economic conditions that began to recession.

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

Selic can significantly increase its gross profit in the 1st quarter of 2023 from its healthcare business which has a high gross profit margin. While adhesive business was able to achieve a reasonable gross profit margin as well.

EBITDA and net profit

EBITDA increased 31.3% from the previous quarter and 27.6% from the same period last year while net profit increased 156.6% from the previous quarter but decreased 16.9% from the same period last year.

Q1/2023 Financial Summary

- Total revenue was at 454.71 million baht increased 3.3% from the previous quarter and 16.7% from the same period last year mainly from revenue increase of healthcare business as it successfully started manufacturing and distributing products of DVK healthcare co., Ltd.
- Gross profit was at 102.46 million baht increased 12.1% from the previous quarter and 25.8% from the same period last year. Gross profit margin also increased to 22.7% due to higher sales proportion of healthcare business with high gross profit margin.
- EBITDA was 42.96 million baht increased 31.3% from the previous quarter and 27.6% from the same period last year.
- Net profit was 9.74 million baht increased 156.6% from the previous quarter but decreased 16.9% from the same period last year.



Selic Corp Public Company Limited

Management Discussion & Analysis Q1/2023



Consolidated Financial Statement Q1/2023

Unit: Million Baht	Quarter					3 Months		
Consolidated Financial Statement	Q1/2023	Q4/2022	Q1/2022	% QoQ	% YoY	3M 2023	3M 2022	% YoY
Sales of goods and services	451.69	437.26	386.64	3.3%	16.8%	451.69	386.64	16.8%
Gain on exchange rate	0.00	0.00	1.48	--	(100.0%)	0.00	1.48	(100.0%)
Other income	3.02	3.03	1.59	(0.3%)	89.7%	3.02	1.59	89.7%
Total Revenue	454.71	440.30	389.71	3.3%	16.7%	454.71	389.71	16.7%
Cost of sales	349.23	345.85	305.21	1.0%	14.4%	349.23	305.21	14.4%
Gross Profit (excluding others)	102.46	91.41	81.43	12.1%	25.8%	102.46	81.43	25.8%
Loss on exchange rate	0.36	1.93	0.00	(811%)	--	0.36	0.00	--
Selling expenses	27.00	25.83	22.90	4.5%	17.9%	27.00	22.90	17.9%
Administrative expenses	54.62	52.72	41.48	3.6%	31.7%	54.62	41.48	31.7%
Share of profit/ (loss) of JV	(0.02)	(0.01)	0.00	300.1%	--	(0.02)	0.00	--
EBITDA	42.96	32.73	33.65	31.3%	27.6%	42.96	33.65	27.6%
Depreciation	19.48	18.77	13.52	3.8%	44.1%	19.48	13.52	44.1%
EBIT	23.48	13.96	20.13	68.2%	16.6%	23.48	20.13	16.6%
Financial cost	10.91	9.13	4.75	19.5%	129.9%	10.91	4.75	129.9%
EBT	12.57	4.83	15.39	160.4%	(18.3%)	12.57	15.39	(18.3%)
Income tax	2.83	1.03	3.67	174.5%	(22.9%)	2.83	3.67	(22.9%)
Net Profit	9.74	3.79	11.72	156.6%	(16.9%)	9.74	11.72	(16.9%)

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

Financial Performance

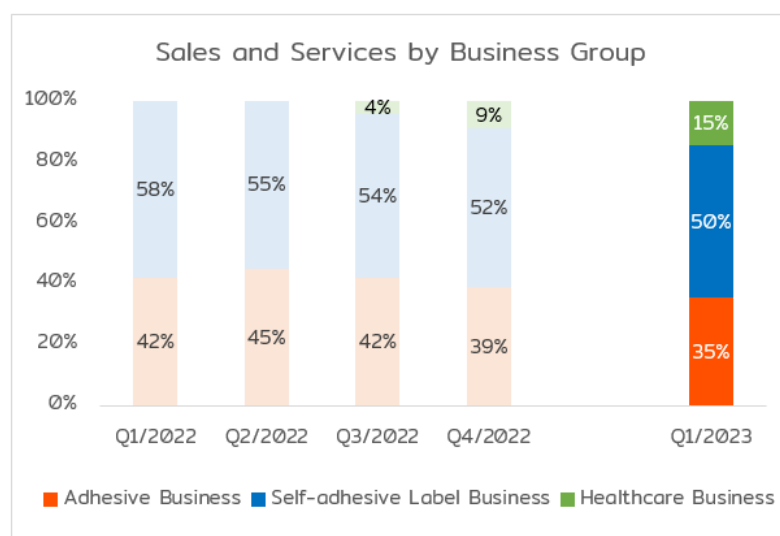
Revenue

Revenue from sales and services 451.69 million baht with growth of 3.3% from the previous quarter and 16.8% from the same period last year mainly from revenue increase of healthcare business as it successfully started manufacturing and distributing products of DVK healthcare co., ltd.

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 35% adhesive, 50% self-adhesive label, and 15% healthcare as of Q1/2023. We expect that proportion of healthcare business will increase in Q2/2023 due to increase production capacity.



Remark: Intercompany transaction elimination

Selic Corp Public Company Limited

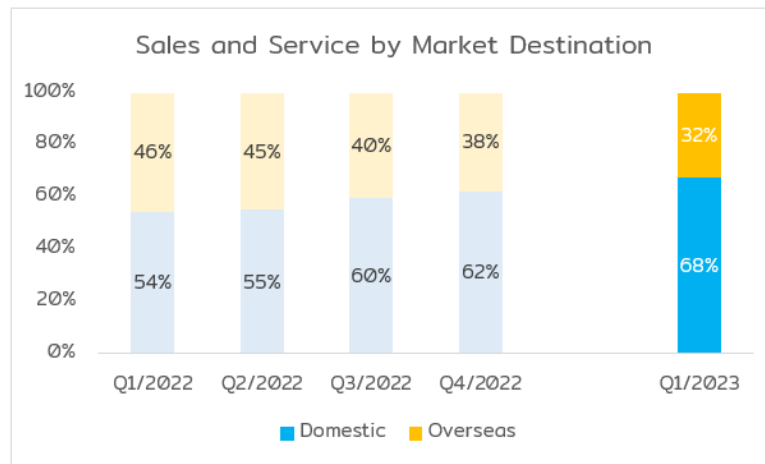
Management Discussion & Analysis Q1/2023



Sales and services by destination has proportion of 68% domestic and 32% export market as of Q1/2023. We expect that domestic sales proportion will increase in Q2/2023 to align with higher sales proportion of healthcare business due to its main market is domestic.

Unit: Million Baht	Quarter					3 Months		
Sales & Services by Market Destination	Q1/2023	Q4/2022	Q1/2022	% QoQ	% YoY	3M 2023	3M 2022	% YoY
Domestic	304.94	272.02	210.55	12.1%	44.8%	304.94	210.55	44.8%
Overseas	146.75	165.25	176.08	(11.2%)	(16.7%)	146.75	176.08	(16.7%)
Total	451.69	437.26	386.64	3.3%	16.8%	451.69	386.64	16.8%

Remark: Intercompany transaction elimination



Remark: Intercompany transaction elimination

Cost of goods sold and Gross Profit

Cost of sales in Q1/2023 was 349.23 million baht increased 1.0% from the previous quarter and 14.4% from the same period last year while gross profit was 102.46 million baht increased 12.1% from the previous quarter and 25.8% from the same period last year. Key driver for higher gross profit is healthcare sales with high gross profit margin. While adhesive business was able to achieve a reasonable gross profit margin as well.

Operational expenditure

Total operating expenses in Q1/2023 was at 81.62 million baht increased 3.9% from the previous quarter and 26.8% from the same period last year, divided into selling expenses of 27.00 million baht and administrative expenses of 54.62 million baht. The operational expense to sales ratio remain at the same level as previous quarter but higher from the same period last year due to consolidate performance of healthcare business.

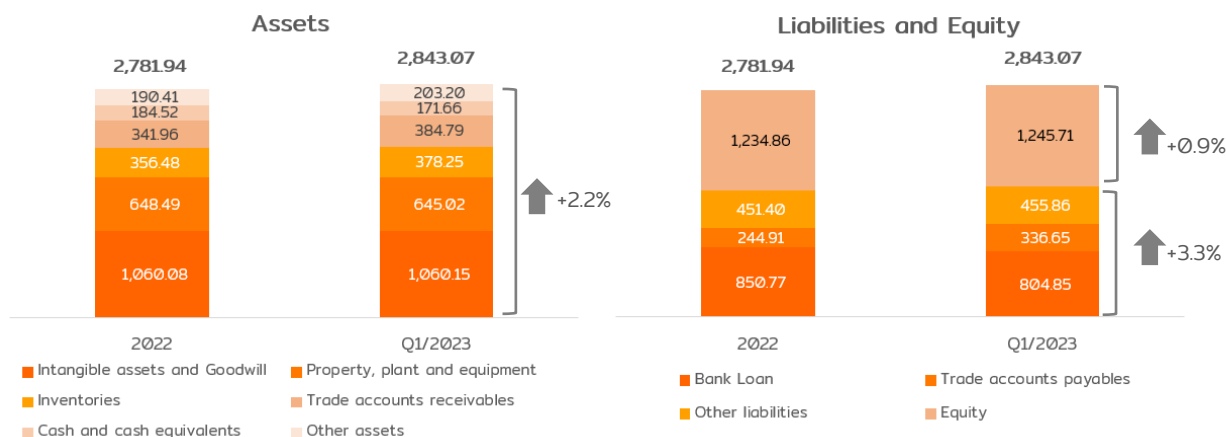
EBITDA and net profit

EBITDA 42.96 million baht increased 31.3% from the previous quarter and 27.6% from the same period last year while net profit 9.74 million baht increased 156.6% from the previous quarter but decreased 16.9% from the same period last year.



Statement of Financial Position Q1/2023

Unit: million baht



Assets

Total assets as of Q1/2023 was 2,843.07 million baht, an increase of 2.2% from 2022, mainly from an increase in trade accounts receivables and inventories of the healthcare business that is expanding.

Liabilities

Total liabilities as of Q1/2023 was 1,597.36 million baht, an increase of 3.3% from 2022, mainly from an increase in trade accounts payables while bank loan amount decreased.

Equity

Shareholders' equity as of Q1/2023 was 1,245.71 million baht, an increase of 0.9% from 2022 due to an increase in retained earnings.

Segment Reporting

Adhesive Business

Adhesive business recorded total sales and service in Q1/2023 at 159.76 million baht decreased 6.4% from the previous quarter and 19.8% from the same period last year due to demand in some countries continue to slow down according to expected economy recession in many countries.

Adhesive business: Sales and services revenue by product group

Unit: Million Baht	Quarter					3 Months		
Sales and Services by Product Group	Q1/2023	Q4/2022	Q1/2022	%QoQ	%YoY	3M 2023	3M 2022	% YoY
Solvent	78.67	84.00	69.26	(6.3%)	13.6%	78.67	69.26	13.6%
Hot Melt	57.79	69.57	69.57	(16.9%)	(16.9%)	57.79	69.57	(16.9%)
Water based	19.49	12.79	56.81	52.4%	(65.7%)	19.49	56.81	(65.7%)
Others	3.81	4.32	3.55	(11.8%)	7.3%	3.81	3.55	7.3%
Total Sales and Services	159.76	170.69	199.20	(6.4%)	(19.8%)	159.76	199.20	(19.8%)

Remark: Intercompany transaction included



Selic Corp Public Company Limited

Management Discussion & Analysis Q1/2023

Solvent Product: sales was 78.67 million baht decreased 6.3% from the previous quarter but increased 13.6% from the same period last year.

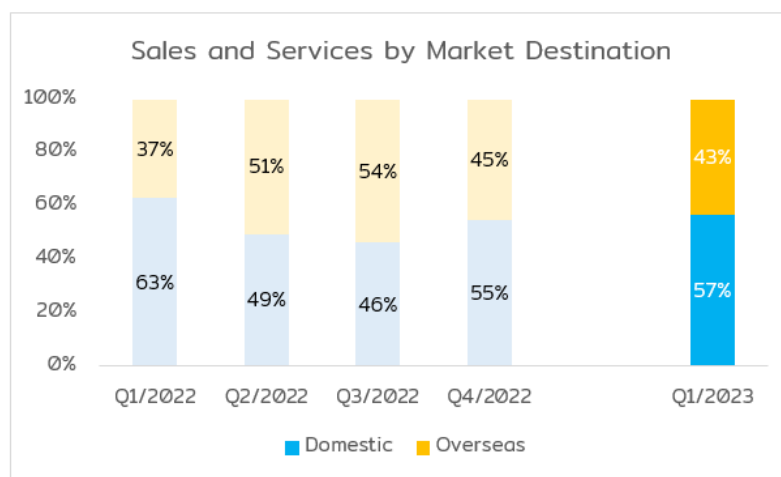
Hot Melt Product: sales was 57.79 million baht decreased 16.9% from the previous quarter and the same period last year.

Water Based Product: sales was 19.49 million baht increased 52.4% from the previous quarter but decreased 65.7% from the same period last year due to the change in selling policy to subsidiary company.

Adhesive business: Sales and services revenue by market destination

Unit: Million Baht	Quarter					3 Months		
Sales and Services by Market Destination	Q1/2023	Q4/2022	Q1/2022	% QoQ	% YoY	3M 2023	3M 2022	% YoY
Domestic	90.91	93.51	125.37	(2.8%)	(27.5%)	90.91	125.37	(27.5%)
Overseas	68.85	77.17	73.83	(10.8%)	(6.7%)	68.85	73.83	(6.7%)
Total Sales and Services	159.76	170.69	199.20	(6.4%)	(19.8%)	159.76	199.20	(19.8%)

Remark: Intercompany transaction included



Remark: Intercompany transaction included

Domestic Market: sales was 90.91 million baht slightly decreased 2.8% from the previous quarter and decreased 27.5% from the same period last year due to the change in selling policy to subsidiary company.

Oversea Market: sales was 68.85 million baht decreased 10.8% from the previous quarter and 6.7% from the same period last year mainly from sales drop in Hot Melt product.

Breaking down by market for adhesive as of Q1/2023, domestic sales was 57% whereas overseas sales was 43%

Adhesive business had gross profit in Q1/2023 at 38.23 million baht, slightly decreased 3.0% from the previous quarter and decreased 8.7% from the same period last year. However, GP% is higher to be 23.9%. EBITDA was 14.28 million baht while net profit was 6.17 million baht.

Unit: Million Baht	Q1/2023					3 Months		
	Q1/2023	Q4/2022	Q1/2022	% QoQ	% YoY	3M 2023	3M 2022	% YoY
Revenue from goods and services	159.76	170.69	199.20	(6.4%)	(19.8%)	159.76	199.20	(19.8%)
Cost of Sales	121.53	131.27	157.32	(7.4%)	(22.7%)	121.53	157.32	(22.7%)
Gross Profit (excluding others)	38.23	39.41	41.88	(3.0%)	(8.7%)	38.23	41.88	(8.7%)
Gross Profit %	23.9%	23.1%	21.0%	3.6%	13.8%	23.9%	21.0%	13.8%
EBITDA	14.28	17.22	17.02	(17.1%)	(16.1%)	14.28	17.02	(16.1%)
Net Profit	6.17	8.78	6.75	(29.8%)	(8.7%)	6.17	6.75	(8.7%)

Remark: Intercompany transaction included



Self-adhesive Label Business

Self-adhesive label business recorded total sales and services of 225.41 million baht increased 1.0% from the previous quarter and 0.3% from the same period last year which doing well in domestic market while demand in some countries slow down.

Self-adhesive label business: sales revenue by product groups

Unit: Million Baht	Quarter					3 Months		
Sales and Services by Product Group	Q1/2023	Q4/2022	Q1/2022	% QoQ	% YoY	3M 2023	3M 2022	% YoY
Paper	155.21	156.67	151.30	(0.9%)	2.6%	155.21	151.30	2.6%
Film	69.36	65.29	70.27	6.2%	(1.3%)	69.36	70.27	(1.3%)
Others	0.84	1.12	3.20	(25.1%)	(73.9%)	0.84	3.20	(73.9%)
Total Sales	225.41	223.08	224.78	1.0%	0.3%	225.41	224.78	0.3%

Remark: Intercompany transaction included

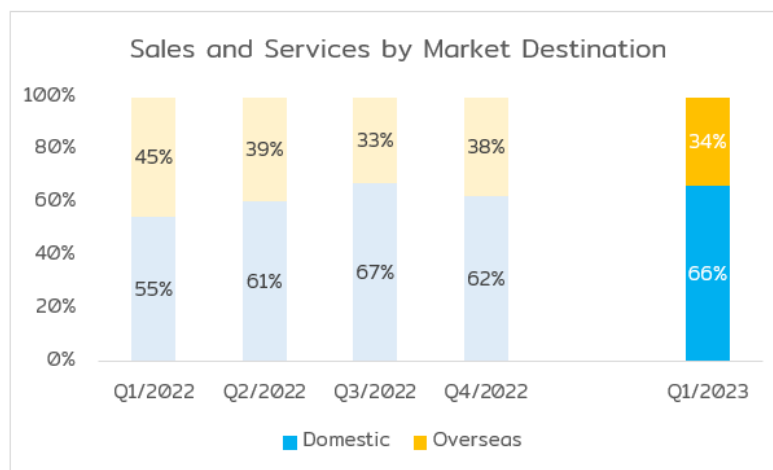
Paper Label: sales was 155.21 million baht remain same level as previous quarter and increased 2.6% from the same period last year which doing well in domestic market while demand in some countries slightly decreased.

Film Label: sales was 69.36 million baht increased 6.2% from previous quarter which contributed from domestic market but slightly decreased 1.3% from the same period last year.

Self-adhesive label business: sales revenue by market destination

Unit: Million Baht	Quarter					3 Months		
Sales and Services by Market Destination	Q1/2023	Q4/2022	Q1/2022	% QoQ	% YoY	3M 2023	3M 2022	% YoY
Domestic	149.87	139.06	122.83	7.8%	22.0%	149.87	122.83	22.0%
Overseas	75.54	84.03	101.95	(10.1%)	(25.9%)	75.54	101.95	(25.9%)
Total Sales	225.41	223.08	224.78	1.0%	0.3%	225.41	224.78	0.3%

Remark: Intercompany transaction included



Remark: Intercompany transaction included

Domestic Market: sales was 149.87 million baht increased 7.8% from the previous quarter and 22.0% from the same period last year with growth of both paper and film product.

Oversea Market: sales was 75.54 million baht decreased 10.1% from the previous quarter and 25.9% from the same period last year

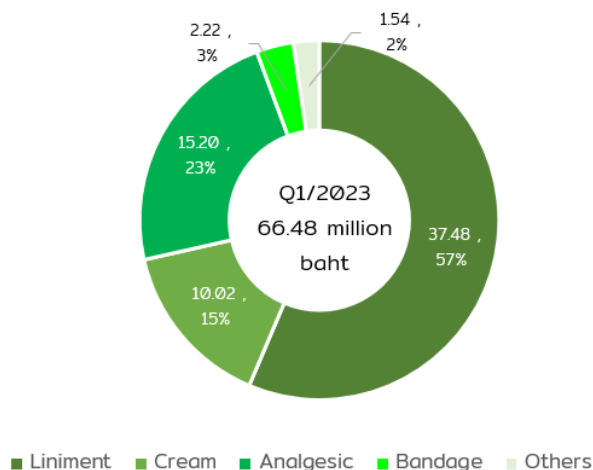
Breaking down by market for self-adhesive label as of Q1/2023, domestic sales was 66% whereas overseas sales was 34%.



Selic Corp Public Company Limited Management Discussion & Analysis Q1/2023

Healthcare Business

Sales in Q1/2023 was 66.48 million baht were currently mainly grouped into Liniment, Cream, Analgesic, Bandage where sales proportion was 57%, 15%, 23%, and 3% respectively.



Breaking down by market for healthcare business as of Q1/2023, domestic sales was 97% whereas overseas sales was 3%.

2023 Business Outlook

According to the outlook of the Ministry of Finance that 2023 Thai economy will grow by 3.8%, Selic should have a positive benefit from domestic demand. In the meanwhile it is expected that demand in most export countries will continue to slow down at the same level as 2022 from several factors such as inflation in many countries, exchange rate fluctuation that impact to Thai baht. Selic has the growth strategies by taking into account of those factors and economic trends, we will continue grow in adhesive business, self-adhesive label business, and drive "Neoplast" and "Neobun" brands to operate and realize sales to in line with the company's growth strategies.

Continuous Growth on Revenue

Selic continues to focus on revenue growth from adhesive, self-adhesive label, and healthcare business according to the plan strategy where results from the healthcare business investment shall be clearly 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.

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.

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



Selic Corp Public Company Limited

Management Discussion & Analysis Q1/2023



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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