



Selic Corp Public Company Limited

Management Discussion & Analysis Q2/2021



OVERALL SUMMARY

Due to the increasing of severity of the COVID-19 pandemic situation causing the government to enforce more stringent control which has affected Thai economy. Although exports are likely to recover, there are still negative risk factors such as shortage of shipping containers, higher freight rates and rising raw material prices. Selic intends to grow sustainability in the midst of external challenges. In Q2/2021, Selic demonstrated growth in both revenue and profits thanks to its customer-centric approach to penetrating and serving growing industries during the crisis.

SUMMARY OF BUSINESS PERFORMANCE

Performance for 3-month period

- In Q2/2021, Selic has been affected by the COVID-19 pandemic situation, has still been able to generate more revenue from sales. Total revenue for Q2 was THB 389.37M rose 7.6% QoQ and 37.4% YoY
 - Revenue from the adhesive business was THB 216.48M decreased 44.4% QoQ* while increased 43.1% YoY
 - Revenue from the self-adhesive business was THB 234.66M rose 11.3% QoQ and 30.1% YoY
- EBITDA at THB 56M decreased 1.7% QoQ while increased 31.8% YoY
- For the period of 3 months, net profit was THB 29.03M, decreased 3.4% QoQ but rose 77.0% YoY.

**decreasing as gaining from dividends paid by subsidiary company in Q1/2021*

Performance for 6-month period

- Total revenue for 6-month period was 749.35M increased 22.4% from the same period as prior year
 - Revenue from the adhesive business was THB 605.59M rose 66.8% from the same period as prior year including receiving dividend from subsidiary company
 - Revenue from the self-adhesive business was THB 445.15M rose 20.2% from the same period as prior year
- EBITDA was THB 113 increased 22.9% from the same period as prior year
- For the period of 6 months, net profit was THB 59.08M, increased 52.0% from the same period as prior year

(Q2/2021)	(3-month)					(6-month)		
Unit: million Baht	Q2/2021	Q1/2021	Q2/2020	%QoQ	%YoY	H1 2021	H1 2020	(+/-)%
Total Revenue	389.37	361.71	283.48	7.6%	37.4%	749.35	612.35	22.4%
Sales Revenue	386.52	357.61	275.93	8.1%	40.1%	744.14	603.61	23.3%
Gross Profit	100.45	98.23	67.08	2.3%	49.7%	200.42	150.42	33.2%
EBITDA	56.00	57.00	42.50	(1.7%)	31.8%	113.00	91.93	22.9%
Net Profit	29.03	30.05	16.40	(3.4%)	77.0%	59.08	38.86	52.0%

FINANCIAL PERFORMANCE

Revenue

In Q2/2021, total revenue was THB 389.37M, increased 7.6% from the previous quarter and 37.4% from the same period as prior year.

Sales revenue was THB 386.52M, increased 8.1% from the previous quarter and 40.1% from the same period as prior year due to growth in both self-adhesive and adhesive sales.



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Income Structure: Sales

Selic's sales is generated by two business namely adhesive (41%) and self-adhesive label (59%).



Adhesive Business

In Q2/2021, the adhesive business reported an income of THB 216.48M decreased 44.4%* from the previous quarter but increased 43.1% from the same period as prior year.

**decreasing as gaining from dividends paid by subsidiary company in Q1/2021*

The total sales income from Q2 was THB 207.61M, a 17.3% increase from the previous quarter and 50.9% increase from the same period as prior year. This surge was driven by sales activities of two adhesive types including Water Based (+84.2%) and Solvent Based (+13.9%). In term of proportion, the income by adhesive types comprised of 37% Solvent Based, 32% Hotmelt and 31% Water Based products.

By Product Group (million Baht)	Q2/2021	Q1/2021	Q2/2020	%QoQ	%YoY
Solvent	73.44	64.50	40.84	13.9%	79.8%
Hot Melt	67.01	73.83	49.77	(9.2%)	34.6%
Water Based	64.41	34.96	44.15	84.2%	45.9%
Others	2.75	3.75	2.80	(26.6%)	(1.8%)
Total Sales	207.61	177.04	137.56	17.3%	50.9%

The income from domestic sales increased 25.9% from the previous quarter and 43.6% from the same period as prior year while overseas sales increased 4.1% from the previous quarter and 66.47% from the same period as prior year.

By Region (million Baht)	Q2/2021	Q1/2021	Q2/2020	%QoQ	%YoY
Domestic Sales	134.24	106.60	93.49	25.9%	43.60%
Export Sales	73.37	70.45	44.07	4.1%	66.47%

Adhesive business remained profitable even when raw material prices and freight costs were increasing with gross profit margin of 25.3% compared to last quarter 27.9% and last year 24.0%. Its EBITDA in Q2 at THB 35.79M increased 37.9% YoY. Net profit was THB 18.82M increased 104.4% from the same period as the prior year but decreased 91.4% from the previous quarter as receiving dividend from subsidiary company in last quarter.

Self-adhesive Business

The self-adhesive business reported an income of THB 234.66M, an 11.3% increase from the previous quarter and a 30.1% increase from the same period as prior year. The sales income was recorded at THB 228.95M, an 11.9% increase from the previous quarter and 33.8% from the same period as prior year with the majority of goods sold being paper products.



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By Product Group (million Baht)	Q2/2021	Q1/2021	Q2/2020	%QoQ	%YoY
Paper	165.21	144.13	116.50	14.6%	41.8%
Film	62.61	57.19	53.76	9.5%	16.8%
Others	1.13	3.35	0.87	(66.1%)	30.9%
Total sales	228.95	204.67	171.13	11.9%	33.8%

Cost of Sales

The costs of sales from both business in Q2 were reported at THB 286.07M, a 10.3% increase from the previous quarter and a 37.0% increase from the same period as prior year, or 74.0% of all sales, compared to 72.5% in the previous quarter and 75.7% from the same period as the prior year. Selic strives to manage costs at an optimal level.

Operational Expenditure

Selling expense from both business was THB 14.32M, a 3.7% increase from the previous quarter and a 123.7% increase from the same period as prior year as the sales increased and higher logistics costs. The management costs were THB 46.93, a 3.8% increase from the previous year and a 16.7% increase from the same period as prior year. The proportion of management costs against the total income was 12.1% against 12.6% from the previous quarter and 14.6% from the same period as prior year.

EBITDA & NET PROFITS

The EBITDA from Q2 was THB56M, a 1.7% decrease from the previous quarter but a 31.8% increase from the same period as prior year, with EBITDA margins being 14.5% compared to 15.9% in Q1/2021 and 15.4% in Q2/2020.

From Q2/2021, net profits were reported at THB 29.03M, a 3.4% decrease from the previous quarter but a 77% increase from the same period as prior year.

CONSOLIDATED FINANCIAL STATEMENT Q2/2564

(Q2/2021)	(3-month)					(6-month)		
Unit: million Baht	Q2/2021	Q1/2021	Q2/2020	%QoQ	%YoY	H1 2021	H1 2020	(+/-)%
Sales	386.52	357.61	275.93	8.1%	40.1%	744.14	603.61	23.3%
Other revenue	2.84	4.10	7.55	(30.8%)	(62.4%)	5.21	8.74	(40.4%)
Total revenue	389.37	361.71	283.48	7.6%	37.4%	749.35	612.35	22.4%
Cost of goods sold	286.07	259.38	208.85	10.3%	37.0%	543.72	453.18	20.0%
Gross profit (excluding other)	100.45	98.23	67.08	2.3%	49.7%	200.42	150.42	33.2%
Selling expense	14.32	13.81	6.40	3.7%	123.7%	120.30	94.61	27.2%
Administrative expense	46.93	45.23	40.23	3.8%	16.7%			
EBITDA	56.00	57.00	42.50	(1.7%)	31.8%	113.00	91.93	22.9%
Depreciation	13.97	13.71	14.49	1.9%	(3.6%)	27.67	27.38	1.1%
EBIT	42.04	43.30	28.00	(2.9%)	50.1%	85.33	64.56	32.2%
Financial cost	5.37	5.59	8.18	(4.0%)	(34.4%)	10.96	17.60	(37.7%)
EBT	36.67	37.70	19.82	(2.7%)	85.0%	74.37	46.95	58.4%
Tax	7.64	7.65	3.43	(0.2%)	123.0%	15.29	8.09	89.0%
Net Profit (Loss)	29.03	30.05	16.40	(3.4%)	77.0%	59.08	38.86	52.0%



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2021 Outlook

Overview Performance Q2/2021

Despite the impact of the COVID-19 pandemic affecting the overall economy, Selic strives to generate higher sales both the previous quarter and previous year. Most of the revenue in this period, both in the adhesive business and the self-adhesive business, increased from the food and beverage industry and the packaging industry. This is a result of stocking food and beverages in this situation. Most of increased revenue was export sales. Thus, there was increased in selling expenses caused by increasing in export sales volume and costs of shipping. As a result, net profit in this quarter slightly decreased from the previous quarter. For the first half of the year, Selic has net profit higher than the same period as prior year by striving to focus on cost optimization and operation efficiency continuously.

Growth Driver

Demands for industrial adhesives and self-adhesive labels*

According to Adhesive and Sealant Global Forecast (marketsandmarkets), market demands for industrial adhesives are expected to grow an average 4.6% per annum from the total market value of USD 58.9 Billion or THB 1,830 Billion, where 31.1% of market demands are in Asia-Pacific. The growth in demands from this region is expected to be 6.1% per annum which is higher than the average global growth rate. This shows a strong and continuous growth in the market especially from industries like packaging, food and beverage, construction and furniture.

The self-adhesive label market is also expected to grow at 6.0% per annum with the total market value being USD 40.5 Billion or THB 1,258 Billion. Similar to adhesives, the biggest growing market is Asia-Pacific with 34.9% market share and growth rate of 8.0%. The main industries include food and beverage, consumables and logistics.

**Adhesive and Sealant Global Forecast (marketsandmarkets)*

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

Focus on growing industries

Selic's main customer base already includes the abovementioned industries that have high demands for industrial adhesive products and self-adhesive labels. The company is expected to grow its business within these industries.

Supply chain management

The global Covid-19 pandemic has resulted in shortage of sea freight containers which also led to extraordinarily high freight costs. Relatively, important raw materials and crude oils also went up in price. Selic's closely managed supply chain allows the company to achieve on-time delivery and cost management efficiency as it continuously work closely with its business partners. In fact, Selic will keep its focus on improving its supply chain, primarily in 2021 and in the coming years, to mitigate possible effects of future obstacles and to strengthen its capability to stay profitable.

Responses to Covid-19 outbreak

Selic is particularly concerned about the health and well-being of its employees, business partners and stakeholders, especially during the current Covid-19 pandemic. Strict control and preventative measures against the coronavirus disease, following advice provided by the government and news information, are carried out throughout the company to enable us to operate our business with confidence.

As the COVID-19 pandemic situation has become more severe continuously. Lockdown policy has been announced in both Thailand and foreign countries which affects the overall economy including business and consumer segments. Selic focuses and monitors on the potential impact continuously and severely in order to mitigate negative effects. Selic aims to adapt and response to this challenging situation according to the plan.



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ข้อปฏิเสธความรับผิดชอบ

ในเอกสารฉบับนี้อาจจะมีข้อมูลบางส่วนที่เกี่ยวข้องกับการคาดการณ์ในอนาคตโดยใช้ปัจจัยที่เกี่ยวข้องในหลายด้านซึ่งจะขึ้นอยู่กับความเสี่ยงและความไม่แน่นอนต่างๆ ซึ่งข้อมูลดังกล่าวรวมถึง แผนธุรกิจ 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 ไม่อาจควบคุมหรือรับรองความเกี่ยวข้องระยะเวลาที่จะเกิดขึ้น หรือความถูกต้องของข้อมูลดังกล่าว