



Selic Corp PCL

Management Discussion and Analysis Q3/2020

EXECUTIVE SUMMARY

With Thailand's well managed of the pandemic situation, the control measures and domestic lockdown were lifted and the business activities could be resumed in this quarter. However, the economic recovery remained vulnerable, due to the fact that the service and tourism sectors still unable to resume their operations normally. Apart from the effect of the pandemic domestically, the spread of COVID19 in many countries are still not under control. These factors indicate clearly the economy slowdown and the effects they have on the export sectors.

Selic has been operating with cautious and yet more agile in quarter 3 while focusing on cost effectiveness in alignment with the company cost management policy, supply chain management efficiency and profitability.

OPERATIONAL SUMMARY OF Q3/2020

- Revenue increased from previous quarter with profit hit all-time high
 - Total consolidated revenue accounted for THB 325.16M increased 14.7% from last quarter but dropped 11.9% from last year.
 - Sales Revenue was THB 323M increased 17.1% from last quarter but decreased 11.9% from same period last year.
- The decreased of revenue when compare the same period last year still largely due to COVID-19 situation which impacted to overall global economic recovery.
- Selic demonstrated our ability to achieve highest profit in history with EBITDA at THB 57.59M and net profit at THB 27.57M

9-MONTH SNAPSHOT

- For the first 9 months Selic have total revenue of THB 937.51M, declined 13.2% from last year due to lower sales activities from the adhesive and self-adhesive label businesses after the spread of Covid19 that began in quarter 1. Sales revenue of stickers business decreased 13% while adhesive sales decreased 9.3% from last year.
- Gross profit was at THB 236.34M down 10.9% when compared to same period last year.
- EBITDA decreased 4.2% and Net profit decreased 8% from last year.
- From these 3 profitability indicators, it can be derived that the contraction rate is less than the income contraction rate. This is due to the company's continual cost control and expenditure management policy

Q3/2020	(3-Month)					(9-Month)		
Unit : Million Baht	Q3/2020	Q2/2020	Q3/2019	%QoQ	%YoY	9M 2020	9M 2019	(+/-)%
Total revenue	325.16	283.48	368.99	14.7%	(11.9%)	937.51	1,080.46	(13.2%)
Sales revenue	323.00	275.93	366.77	17.1%	(11.9%)	926.60	1,073.37	(13.7%)
Gross profit (exclude others)	85.92	67.08	91.08	28.1%	(5.7%)	236.34	265.35	(10.9%)
EBITDA	57.59	42.50	54.47	35.5%	5.7%	149.53	156.12	(4.2%)
Net profit	27.57	16.40	27.01	68.1%	2.1%	66.43	72.22	(8.0%)



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OPERATIONAL & FINANCIAL SUMMARY

REVENUE

In Q3/2020, Selic reported a total revenue of THB 325.16M, increased by 14.7% QoQ but decreased 11.9%YoY. Sales revenues was THB 323 million increased 17.1% QoQ, but decrease 11.9% YoY.

The increase in these figures, compared to the previous quarter, indicates that economy is improving especially after the bans and safety measures have eased in Thailand and some other countries. However the long term impact of Covid19 still continues to linger as the service and hospitality/tourism industries still struggle without any travelers from abroad. and the outbreak in many countries that still have control policies and therefore have a negative impact on sales compared to the previous year.

Sales Revenue Structure

Selic's income is generated by two businesses including adhesive (46%) and self-adhesive label (54%).



The proportion of income in this quarter has changed as adhesive segment had rebounded and increased in this quarter.

Adhesive Business

Total revenue of the adhesive business was THB 183.12M, grew 21.1% from the last quarter but decrease 5.1% from last year.

In the first 9 months total revenue accounted for THB 546.24M increased 0.4%YoY

**This comprised of a one-time transaction of dividends pay-out by PMC Labeling Materials.*

Sales revenue in this quarter was at THB 172.97M, increased 25.7% compared with the last quarter but decrease 5.2%YoY. This impacted from the lifted of key pandemic measures in domestic and some other countries. In addition, the change of focus in sales targeting strategy toward high growth potential industries such as food and beverage and packaging industries.

In this quarter the proportion of adhesive business for domestic and international sales are at 62% and 38%. Domestic sales was THB 107.64M, increased 15.1% QoQ but decreased 8.37%YOY, while international sales was THB 65.33 million ,increased 48.2%QoQ and 0.40%YoY

By Destination (Million Baht)	Q3/2020	Q2/2020	Q3/2019	%QoQ	%YoY
Domestic sales	107.64	93.49	117.48	15.1%	(8.37%)
International sales	65.33	44.07	65.06	48.2%	0.40%



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Gross profit of adhesive business in Q3 was THB 50.47 million or 29.18% of sales revenues which is higher proportion from last quarter (GP 24%) and last year (GP 22.4%). Growth of GP observed in this quarter at 52.7%QoQ and 23.3%YoY due to operational cost control.

The EBITDA from adhesive segment is at THB 40.60M (+56.4% QoQ and +48.7% YoY). The EBITDA from the first 9 months is THB 143.75M, +91.2% YoY. The net profit was recorded at THB 21.25 M which is 130.8% higher than last quarter and 104.1% higher than last year, resulting from a big push to tighten control over expenses and operational costs. This is an all-time high quarterly profit for Selic.

Selic's net profit for the first 9 months is THB 89.37M.

Q3/2020 Adhesive Segment	(3-Month)					(9-Month)		
Unit : Million Baht	Q3/2020	Q2/2020	Q3/2019	%QoQ	%YoY	9M 2020	9M 2019	(+/-)%
Gross profit (exclude others)	50.47	33.06	40.93	52.7%	23.3%	126.70	117.97	7.4%
EBITDA	40.60	25.96	27.30	56.4%	48.7%	143.75	75.20	91.2%
Net profit	21.25	9.21	10.41	130.8%	104.1%	89.37	22.95	289.4%

**9M period comprised of a one-time transaction of dividends pay-out by PMC Labeling Materials*

Self-adhesive Business

In this quarter, the main focus of this segment continued to improve production efficiency and quality control system to pose as the main foundations for future market expansion plan. Total revenue of Self-adhesive Business was THB 183.05 million, increase 1.5%QoQ and decrease 16.9% YoY. Sales revenue was THB 176.85M, increased 3.3%QoQ and decreased 16.4%YoY.

COST OF SALES

The cost of sales from consolidated financial statement for this quarter was THB 237.08 million, increased 13.5%QoQ and decrease 14%YoY. The change in costs is based on the increase in sales during quarter 3 and from a drop in sales compared to last year. Other than that our cost control policy is showing signs of improvement with 73.4% cost of sales proportion compared to 75.7% last quarter.

EBITDA & NET PROFIT

The EBITDA value in Q3/2020 is THB 57.59 M, +5.7% YoY or +35.5 % QoQ, with EBITDA from total income at 17.71%. EBITDA during the first 9 months totaled at THB 149.53M (-4.2% YoY). The net profit from quarter 3 is THB 27.57 M, + 2.1% YoY and +68.1% QoQ with net profit margin of 8.48%. This is the highest quarterly net profit ever recorded at Selic. Net profit margin from the first 9 months is 66.43% (-8% YoY).



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CONSOLIDATED FS Q3/2020

Q3/2020	(รอบ 3 เดือน)					(รอบ 9 เดือน)		
Unit : Million Baht	Q3 2020	Q2 2020	Q3 2019	%QoQ	%YoY	9M 2020	9M 2019	(+/-)%
Total revenue	325.16	283.48	368.99	14.7%	(11.9%)	937.51	1,080.46	(13.2%)
Sales	323.00	275.93	366.77	17.1%	(11.9%)	926.60	1,073.37	(13.7%)
Cost of sales	237.08	208.85	275.69	13.5%	(14.0%)	690.26	808.02	(14.6%)
Gross profit (excluding others)	85.92	67.08	91.08	28.1%	(5.7%)	236.34	265.35	(10.9%)
Selling expense	7.74	6.40	8.98	20.9%	(13.8%)	140.80	153.16	(8.1%)
Administrative expense	38.45	40.23	42.59	(4.4%)	(9.7%)			
EBITDA	57.59	42.50	54.47	35.5%	5.7%	149.53	156.12	(4.2%)
Depreciation	15.70	14.49	12.74	8.4%	23.3%	43.08	36.83	17.0%
EBIT	41.89	28.00	41.74	49.6%	0.4%	106.45	119.28	(10.8%)
Financial cost	7.25	8.18	10.52	(11.3%)	(31.1%)	24.86	31.68	(21.5%)
EBT	34.64	19.82	31.22	74.7%	10.9%	81.59	87.60	(6.9%)
Tax	7.07	3.43	4.21	106.3%	67.9%	15.16	15.38	(1.4%)
Net Profit (Loss)	27.57	16.40	27.01	68.1%	2.1%	66.43	72.22	(8.0%)

2020 BUSINESS OUTLOOK

Impact of COVID-19 to revenue

Generally Selic will still be cautious and stay agile for the rest of 2020 as the pandemic remains unstable and can affect the income. Quarter 3 saw better management of disease control measures in Thailand but the situation is still severe in many countries. With the return of lockdowns in many countries and global travel restrictions still in place it is difficult to predict a more positive economic outlook before the year ends. Being fully aware of such situations, Selic opt to concentrate on being able to adapt and move fast especially on the sales and marketing front. Our bid to increase market share in target sectors such as food and drinks, consumer goods, packaging and logistics will certainly help us maintain our income level and effective supply chain..

Therefore, Selic responses to the situation is to adjust the way we operate our business. From marketing and sales point of view, we would focus in market share expansion in specific industries with positive outlook such as Food and Beverage, Consumer and Household Products, Packaging and Logistics. In addition, anticipating the market comeback for other key industries during the second half of 2020.

Continuous Management of Costs and Expenses

For the remaining of the year, Selic continue to focus on cost optimization and operation efficiency. This includes operation cost control, supply chain management and expense management. The aim of this is to stay focus in building profitability and cash flow.



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