



Always Thinking Beyond
ซีลิกคิด เพื่ออนาคต เพื่อคุณ

Management Discussion and Analysis

For the 4th Quarter and the year ended December 31th, 2018

February 27th, 2019



Executive Summary

The overall Thailand economy in 2018 has slightly expanded from the year 2017 as a result of ongoing global trade tensions, especially between the U.S. and China which could intensify again after the current cessation ends in early March according to the Thailand Economic outlook article of FocusEconomics dated January 22nd, 2019. Additionally, Thailand is scheduled to hold election on 24 March after countless postponements; this has elevated political risk domestically, which could put pressure on consumer and business sentiment as well as investment activity.

On the economic and market perspective, FY2018 had been a moderate year for the adhesive and sealants industry, according to the new report from Research and Markets. As industrial sectors and the retail market showed moderate growth, resulted in slightly slow down in demand for adhesives growth of the company's sales revenue, couple with a surge in Thai Baht, the company's management is facing another challenge as exports decline. As a result, Selic Corp Public Company Limited only reported 0.5% growth of sales revenues from the prior year.

To promote sustainable business growth and bottom line profit, the company focused on lowering cost, maintaining existing customers, expand domestic and international market, and growing business through M&A. In 2018, the company announced the successful acquisition of "PMC Lable Mateials Company Limited" in both Thailand and Singapore. This is one of our key strategy, together with the synergy to be gained by our group of companies, we will achieve a record sale & profit in the future. The deal was closed successfully on January 4th, 2019, and the revenue of PMC will start to be consolidated to the company financial statement in Q1 of 2019 onward.

On the financial perspective, Selic Corp Public Company Limited reported the total revenue for the FY2018 at Baht 599.77 million, a slightly increase from the prior year with the total net losses of Baht 10.93 due to the Non-Recurring transaction cost of acquiring both PMC-Thailand and PMC-Singapore. These transaction cost was cosisted of, but not limited to the legal and financial advisory cost, due diligence cost, and internal audit cost. The amount of these trasaction cost was account for about 20.5MB.

Although our financial are disappointing in 2018 but we are confident that our future is bright and next year result will be much improved.

Statement of Comprehensive Income	Consolidated					
	2018	%	2017	%	2016	%
Revenues from Sales	595.15	99.23%	592.03	99.50%	556.20	99.18%
Other income	4.62	0.77%	2.96	0.50%	4.59	0.82%
Total Revenues	599.77	100.00%	595.00	100.00%	560.79	100.00%
Cost of sales	457.54	76.88%	439.03	74.16%	391.21	70.34%
Gross Profit (Excluding Other Revenue)	137.61	23.12%	153.01	25.84%	164.99	29.66%
Selling Expenses	14.17	2.36%	15.73	2.64%	14.27	2.54%
Administration Expenses	139.45	23.25%	116.47	19.58%	106.24	18.94%
Profit before Income Tax Expense	(11.39)	-1.90%	23.77	4.00%	49.07	8.75%
Financial Cost	0.27	0.05%	0.39	0.07%	3.93	0.70%
Income Tax	(0.74)	-0.12%	4.54	0.76%	6.10	1.09%
Net Profit for the Year	(10.93)	-1.82%	18.846	3.17%	39.04	6.96%



Summary of Consolidated Operating performance

Q4 – Snapshot

Amidst trade tension in Q4/2018, Selic Corp Public Company Limited generated sales revenue of Baht 148.95 million, decreased from Q4/2017 by 5.6% YoY, and Q3/2018 by 1.2% QoQ. International sale decrease from Q4/2017 by 19.34% YoY and decreased from Q3/2018 by 4.13% QoQ. The company closed its domestic sale revenue with a growth of 0.85% QoQ and 6.8% YoY as part of the company attempt to compensate the drop of international revenue during this trade war and currency tension period.

Unit : Million Baht	FY2018	FY2017	YoY	Q4/2018	Q4/2017	YoY
Sales - Net	595.15	592.03	0.5%	148.95	157.71	(5.6%)
Other income	4.62	2.96	55.8%	0.69	0.58	19.8%
Total Revenue	599.77	595.00	0.8%	149.64	158.29	(5.5%)
Cost of Sales	457.54	439.03	4.2%	117.17	120.93	(3.1%)
Gross Profit (Excluding Other Revenue)	137.61	153.01	(10.1%)	31.77	36.78	(13.6%)
Selling Expenses	14.17	15.73	(9.9%)	3.53	3.32	6.4%
Administration Expenses	139.45	116.47	19.7%	45.56	29.33	55.3%
EBITDA	11.59	47.03	(75.4%)	(10.98)	10.83	(201.4%)
Depreciation	22.98	23.26	(1.2%)	5.65	6.12	(7.6%)
EBIT	(11.39)	23.77	(147.9%)	(16.63)	4.71	(453.2%)
Financial Cost	0.27	0.39	(29.5%)	0.13	0.06	112.3%
EBT	(11.66)	23.38	(149.9%)	(16.76)	4.65	(460.7%)
Tax	(0.74)	4.54	(116.2%)	(1.04)	1.17	(188.6%)
Net Profit for the Year	(10.93)	18.85	(158.0%)	(15.72)	3.48	(552.3%)
Other Comprehensive Income	2.45	(0.13)	(2018.9%)	2.45	-	0.0%
Total Comprehensive Income for the Year	(8.48)	18.72	(145.3%)	(13.28)	3.48	(481.9%)

Revenue by Market	Consolidated				
	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017
Domestic Sales	88.81	88.06	89.67	89.31	83.16
International Sales	60.13	62.72	63.42	53.02	74.56
Total Revenue from Sale	148.95	150.78	153.10	142.32	157.71

Performance Summary by Product	2018	%	2017	%	2016	%
Solvent Adhesive	313.16	52.62%	341.82	57.74%	341.81	61.45%
Hot Melt Adhesive	217.20	36.50%	193.89	32.75%	154.37	27.75%
Waterbased Adhesive	50.26	8.45%	41.19	6.96%	30.47	5.48%
Other	14.52	2.44%	15.14	2.56%	29.55	5.31%
Total Revenue from Sale	595.15	100.00%	592.03	100.00%	556.20	100.00%

Cost of Sales was Baht 117.17 million, a decrease of 3.1% YoY, primarily due to the decrease in top line revenue for the quarter. The company closed Q4 with net loss from operation of Baht 10.93 million, a decrease of 158% YoY because of the non-recurring acquisition cost booked in Q4 of 2018 for the amount of Baht 14.7 million

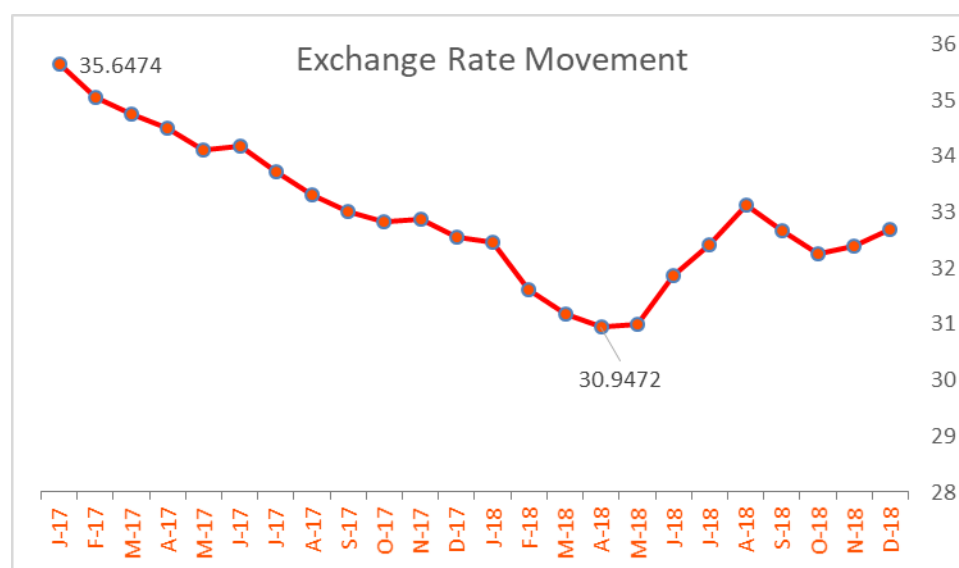
FY 2018



In 2018, the company and its subsidiaries have the total sales revenue of Baht 595.15 million consisted of revenue from Solvent based Adhesive, Hot Melt Adhesive, Waterbased Adhesive and other income. The company and its subsidiaries focused on continuing its expansion into Hot Melt Adhesive and Waterbased Adhesive, as Sale revenue of Hotmelt adhesive grew 12.02% YoY when compare to the proir year. In addition,the watebased adhesive contributed another 22.03% growth to the top line revenue for the company from the previous year. Restructuring the sale force for better sales performance was part of the company strategy, the company has continued its effort in penetrate new business both domestic and international. As evidenced from the stronger domestic sales revenue, the company was able to increase domestic sales of Baht 24.4 million or 6.8% growth YoY.

Revenue by Market	Consolidated					
	2018	%	2017	%	2016	%
Domestic Sales	355.86	59.79%	331.46	55.99%	326.62	58.72%
International Sales	239.29	40.21%	260.57	44.01%	229.58	41.28%
Total Revenue from Sale	595.15	100.00%	592.03	100.00%	556.20	100.00%

Performance Summary by Product	2018	2017	2016	2015
Solvent Adhesive	313.16	341.82	341.81	355.79
Hot Melt Adhesive	217.20	193.89	154.37	141.58
Waterbased Adhesive	50.26	41.19	30.47	20.06
Other	14.52	15.14	29.55	71.67
Total Revenue from Sale	595.15	592.03	556.20	589.09



Cost of Sale



Cost of sales has gone up with the increase of 4.2% from Baht 439.03 million to Baht 457.54 million in 2018. This is mainly impacted from the followings:

- a strong increase in prices of raw materials, especially oil price and the by product of petrochem. The company is sourcing new sources of Raw materials from new suppliers, and negotiated with existing supplier for price reduction and fixed price contract. Additionally to our strong R&D's team, the company is formulating and improvising our adhesive formula in an attempt to lower these cost.
- Oil Price Fluctuation - The 2018 proved to be another year of the oil price fluctuation . Gasoline price rose up steadily for most of the year in 2018 before dipping down in late November as feared of global oversupply and retraction in global economic growth. The company already negotiated with major supplier and continue fixed price contract.
- Major supplier in Japan closed its petrochem plant for maintenance as Japan gasoline demand fades, resulted in the shorter supply of raw materials during the year. The company has already finding new sources and in the process of testing these sources.

In summary, cost of sales of the company was influenced primarily from these rise as stated above, and as a result, the cost of sales was maintained high through out the year. Even though, the company has fixed contract for the supply of major raw materials such as oil, other major raw materials such as synthetic rubber cost has gone up through out the year as impacted by the oil price rise situation.

Selling expenses and Administrative expenses

Selling expenses includes cost of freight, commission, samples and marketing fees. In 2018, the companies and its subsidiary had selling expense of Baht 14.17 million, a decrease of 9.9% from 2017 due to the reduce of freight and marketing cost decrease from the retraction of international revenue for the year.

Administrative expenses were Baht 139.45 million, an increase of 19.7% from the prior year. The increase of these expenses came mainly from the acquisition of both PMC-Thailand and PMC-Singapore. These expenses were not part of the purchase price but the pre-acquisition expenses for the advisory in order to analysed and studied both the market and investment projects, as well as legal advisory fee for all the legal activity concerning the deals, the internal audit fee for mitigate the control risks, the financial due diligence fee for analysing accounting record of the target firm, the financial advisory fee, and the asset valuation cost. The total of this expenses paid for the year accounted for about Baht 20.5 million in 2018.

The table below showed the usual administrative expense for the year of 2018 amounted to 133.11 MB, 0.7% increase from prior year when excluding the One Time Acquisition cost of 20.51 MB.

Unit : Million Baht	FY2018	FY2017	YoY
Selling and Administrative Expenses	133.11	132.20	0.7%
Acquisition Cost (One Time)	20.51	-	0.0%
Total	153.62	132.20	16.2%



Unit : Million Baht	FY2018	FY2017	YoY	Q4/2018	Q4/2017	YoY	Q4/2018	Q3/2018	QoQ
Selling Expenses	14.17	15.73	(9.9%)	3.53	3.32	6.4%	3.53	3.12	13.4%
Administration Expenses	139.45	116.47	19.7%	45.56	29.33	55.3%	45.56	31.62	44.1%
Total	153.62	132.20	16.2%	49.10	32.65	50.4%	49.10	34.73	41.4%

2019 outlook and strategy

Asia Pacific is the largest consumer for adhesives, self-adhesive and labeling markets. As growth in Asia Pacific has continuously created strong market growth and lead the market for these industries. The food and beverage industry as well as the packaging industry boosted the demand for adhesive and labeling market, in which the company and its subsidiaries has been the major players. Not only these industries, the company continues its attempt to expand the business into other markets including furniture and fixture, construction, and automotive. As for the strategy in 2019, we will concentrate our efforts in the following area:

1. Expand sale in domestic market, especially for water based and hot melt.
2. Continue to penetrate food&beverage sector and expand more into furniture, automotive parts, packaging & label. With our acquisition of PMC group, we expect a big increase in sale of Water based Technology.
3. For international market, we will double our efforts in ASEAN, with plan to aggressively expand into Vietnam Market. we will introduce more products with a view to grab more market share in F&B and furniture industry.

In Summary, The company will continue growing its business and create more values to the our investors and shareholders.

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