



Selic Corp Public Company Limited

Management Discussion & Analysis Quarter1/2563

Executive Summary

The COVID-19 pandemic has caused major disruptions around the world since the beginning of this year. In Thailand, tourism and export industries were among the first to feel the effects in February. The lockdown in March had negative effects to most businesses and the country's economy vastly.

Selic's Q1 revenue too has been affected by COVID-19. With many shutdowns in key markets our export activities stalled. The consumers' behavior also changed as market demand for certain products slowed down but products deemed necessary for survival (food, drinks, medicines, household goods) rose with high demand.

Performance Snapshot

- The total consolidated revenue grew 3.8% from the previous quarter but declined 8.3% compared to the same period last year.
- The sales revenue from adhesive business grew 18.2% QoQ, and 31.0% YoY
- The sales revenue from self-adhesive label business grew 10.9% QoQ, but declined 10.7% YOY
- EBITDA increased 26.6% QoQ, but declined 3.6% YoY, thanks to better cost management compared to Q4 in 2019.
- The total net profit of Q1/2020 reported 22.46 Million Baht, increased 65.3% QoQ with slightly declined at 6.1% YoY.

Unit : Million Baht	Q1/2020	Q4/2019	Q1/2019	%QoQ	%YoY
Total Revenue	329.63	317.66	359.33	3.8%	(8.3%)
Sales Revenue	327.68	315.53	357.41	3.8%	(8.3%)
Gross Profit (excluding others)	83.34	74.42	88.42	12.0%	(5.7%)
EBITDA	49.44	39.05	51.29	26.6%	(3.6%)
Net Profit	22.46	13.59	23.92	65.3%	(6.1%)

Operational & Financial Summary

Revenue

Q1/2020 witnessed the total revenue of THB 329.63 M, increase of 3.8% QoQ, due to more sales of self-adhesive labels. But this figure was 8.3% down compared to the same period last year.

Revenue from Sales reported at THB 327.68 M, 3.8% increase compared to previous quarter but decline at 8.3% from same period last year.

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Revenue Structure

Revenue structure of the group generated by two businesses segment including adhesive (44%). and self-adhesive label (56%).



Adhesive Business

The total revenue of the adhesive business in Q1/2020 accounted for THB 212.49 M, +31.0% YoY or +18.2% QoQ. This comprised of dividends paid by PMC Label Materials Co.,Ltd. Revenue from product sales reported at THB 155.61 M (+2.5% YoY but -8.5% QoQ). The YoY increase came from the growth of Hot Melt and Water Based adhesive at 10% and 103% respectively. Whereas Solvent Based adhesive dropped by 19% YoY and 8% QoQ.

Sales by Product Group (Million Baht)	Q1/2020	Q4/2019	Q1/2019	%QoQ	%YoY
Solvent Based adhesive	65.42	71.48	80.37	-8%	-19%
Hot Melt adhesive	62.21	62.39	56.72	-0.3%	10%
Water Based adhesive	25.08	33.49	12.35	-25%	103%
Other products	2.91	2.66	2.35	9%	24%

The domestic sales revenue increased 6.55% YoY while export sales decreased by 4.07%. However in comparison to the previous quarter, both domestic and overseas sales decreased 3.5% and 22.4% respectively. The drop in overseas sales has been directly affected by shutdowns in some certain overseas markets due to COVID-19, in March.

Sales by region (Million Baht)	Q1/2020	Q4/2019	Q1/2019	%QoQ	%YoY
Domestic sales	100.25	103.83	94.08	-3.5%	6.55%
Export sales	55.37	71.39	57.71	-22.4%	-4.07%

For adhesive segment, better cost management in Q1/2020 has resulted in gross profit of THB 43.17 M +16.2% YoY or 6.9% QoQ. EBITDA reported at THB 77.20 M, +215.2% YoY or +201.6% QoQ, and net profit of THB 58.91 M, +793.5% compared to Q1/2019 and +699.8% compared to Q4/2019. Dividends paid from PMC Labeling Materials largely contributed to this and was the one time event for this year.



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Self-Adhesive Label Business

The main focus on this side of the business has been placed on improving product quality, production efficiency and quality control system. All of this pose as the main foundations for future market expansion plan.

The total revenue of self-adhesive business was recorded at THB 191.51 M, +10.5% QoQ but -10.7% YoY, while the sales revenue was THB 183.47 M, +11.9% QoQ or -10.8% YoY.

Revenue by facestock (Million Baht)	Q1/2020	Q4/2019	Q1/2019	%QoQ	%YoY
Paper	126.03	115.77	138.48	9%	-9%
Film	55.76	46.75	63.93	19.3%	-13%
Others	1.68	1.39	3.21	21%	-48%
Total	183.47	163.91	205.62	12%	-11%

Cost of Sales

The cost of sales of combined business for this quarter was THB 244.33 M (+1.3% QoQ or -9.2% YoY) which accounted for 74.57% of the total revenue. Comparing the proportion of cost to revenue, it is lower in this quarter both YoY and QoQ.

Selling and Administrative Expenses

The expenses derived from sales has been recorded at THB 7.41 M, down from previous year and same period last year by 28.2% and 0.9% respectively.

The administrative expenses reported at THB 41.34 M which is slightly higher than the previous quarter but lower than the same quarter last year.

EBITDA and Net Profit

The EBITDA value in Q1/2020 was THB 49.44 M, increase by 26.6% QoQ but dropped by 3.6% YoY, with EBITDA margin being 15% which increase by 12.29% from 04/2019 and 14.27% from 01/2019.

The net profit from the consolidated financial report is THB 22.46 M, 65.3% compared to same period last year but drop by 6.1% from previous quarter.

Consolidated FS Q1/2020

Unit : ล้านบาท	Q1/2020	Q4/2019	Q1/2019	%QoQ	%YoY
Sales -Net	327.68	315.53	357.41	3.8%	(8.3%)
Other income	1.96	2.12	1.92	(7.8%)	2.1%
Total revenue	329.63	317.66	359.33	3.8%	(8.3%)
Cost of sales	244.33	241.12	268.99	1.3%	(9.2%)
Gross profit (exclude other)	83.34	74.42	88.42	12.0%	(5.7%)
Selling expense	7.41	10.32	7.47	(28.2%)	(0.9%)
Administrative expense	41.34	40.04	43.43	3.2%	(4.8%)
EBITDA	49.44	39.05	51.29	26.6%	(3.6%)
Depreciation	12.88	12.87	11.86	0.1%	8.6%
EBIT	36.56	26.18	39.43	39.6%	(7.3%)
Financial cost	9.43	9.80	10.39	(3.8%)	(9.3%)
EBT	27.13	16.38	29.04	65.7%	(6.6%)
Tax	4.67	2.79	5.12	67.3%	(8.8%)
Net profit	22.46	13.59	23.92	65.3%	(6.1%)

2020 Business Outlook

Impact of COVID-19 to Revenue

Since the beginning of the year the COVID-19 pandemic has caused major economic disruptions and uncertainties around the world. Thailand has continually adjusted its GDP growth according to the ongoing plagued situation without knowing the foreseeable timeline. This has created rippled effects extended to businesses in all industries - especially the export cluster.

In adhesive and self-adhesive businesses, we have a presence in many industries. Nearly all have been affected by COVID-19 one way or another. Some of our customers have to shut their factories temporary. Some have seen their businesses soar due to the rise in demand for essential survival goods (such as food, drinks, household products), and packaging sector thanks to the now more convenient means for online shopping and home delivery services.

There are still new challenges and disruptions coming our way in the near future. We will seek opportunities in problems we face by adapting our strategies to focus on industries with higher demand for adhesive or self-adhesive products, to minimize the sales impact.

Cost and Expense Management

Due to uncertainties of the current situation and its duration, the management team has placed great focus on the ability to sustain the business performance and to protect and grow certain revenue segment. In the meantime seeking to reduce and optimize costs and increase our operations efficiency in order to maintain a healthy cash flow and profit margins.



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