

SCG PACKAGING SCGP TB

THAILAND / PACKAGING

BUY

UNCHANGED

TARGET PRICE	THB43.00
CLOSE	THB31.25
UP/DOWNSIDE	+37.6%
PRIOR TP	THB48.00
CHANGE IN TP	-10.4%
TP vs CONSENSUS	+7.2%

ดีมานด์ที่สดใสหนุนกำไร 1Q24

- ความต้องการบรรจุภัณฑ์กระดาษที่อยู่ในระดับสูงในอาเซียนช่วยหนุนให้ผลประกอบการ 1Q24 เราคาดว่ากำไรปกติจะอยู่ที่ 1.4 พัน ลบ. (+8% q-q, +34% y-y)
- หลังปรับประมาณการกำไรลง เราคาดว่ากำไรปกติจะโต 17%/19%/8% ในปี 2024-26
- คงคำแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 43 บาท

คาดผลประกอบการ 1Q24 สดใ้จากความต้องการบรรจุภัณฑ์กระดาษที่อยู่ในระดับสูง

ความต้องการบรรจุภัณฑ์กระดาษโดยรวมยังมี Momentum ที่ดีในทุกประเทศใน 1Q24 ผลักดันจากการบริโภคในประเทศอาเซียนที่อยู่ในระดับสูงโดยเฉพาะอย่างยิ่งในกลุ่มสินค้าอุปโภคบริโภค (FMCG) อาหารและเครื่องดื่ม (F&B) E-commerce และการฟื้นตัวของกลุ่มท่องเที่ยว เราคาดว่า กำไรปกติของ SCGP จะโตถึง 8% q-q และ 34% y-y ไปแตะ 1.4 พัน ลบ. จากปริมาณขายและราคาขายที่ปรับตัวดีขึ้นในธุรกิจบรรจุภัณฑ์กระดาษและธุรกิจเยื่อกระดาษ พร้อมการบริหารต้นทุนที่มีประสิทธิภาพ ในขณะที่ EBITDA margin น่าจะปรับขึ้นเป็น 14.4% จาก 14.1% ใน 4Q23

การแข่งขันที่ลดลงทำให้ราคาในธุรกิจ IPB และ FB ปรับขึ้น

ความต้องการที่เพิ่มขึ้นได้ทำให้ราคาขายในเกือบทุกภูมิภาคปรับขึ้นซึ่งช่วยชดเชยต้นทุนวัตถุดิบและพลังงานที่สูงขึ้นโดยเฉพาะอย่างยิ่งในตลาดอินโดนีเซียซึ่งมีการฟื้นตัวขึ้นที่เร็วที่สุดโดยราคาขายในตลาดอินโดนีเซียปรับขึ้นเกือบ 10% จากจุดต่ำสุดในเดือน ต.ค. 2023 ตามความต้องการในประเทศและการส่งออกไปจีนที่ปรับขึ้น เราคาดว่า EBITDA ของ Fajar อาจพลิกเป็นบวกได้ใน 1Q24 เร็วกว่าที่คาด 1 ไตรมาสหลังรายงาน EBITDA margin ที่ -2% ใน 4Q23 ซึ่งจะช่วยหนุนธุรกิจบรรจุภัณฑ์แบบครบวงจร (IPB) (75% ของรายได้รวมในปี 2023) ในขณะที่ธุรกิจเยื่อและกระดาษ (FB) (20% ของรายได้รวมในปี 2023) รายงานราคาปรับขึ้นอย่างต่อเนื่องจากระดับสินค้าคงคลังในตลาดโลกที่อยู่ในระดับต่ำและความต้องการที่ปรับขึ้นในอาเซียน

ปรับลดประมาณการเพื่อสะท้อนสมมติฐานที่เป็นบวกมากเกินไป

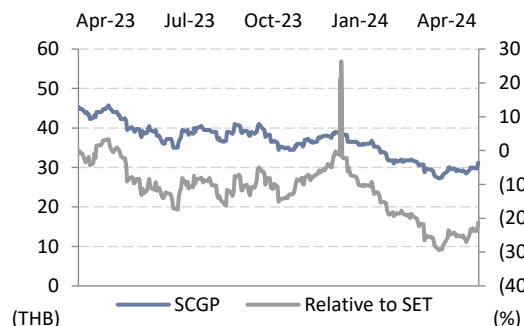
เราเชื่อว่าการดำเนินงานหลักของ SCGP ได้ผ่านจุดต่ำสุดไปแล้วใน 3Q23 และเริ่มฟื้นตัวอย่างช้า ๆ ใน 4Q23 การฟื้นตัวดังกล่าวน่าจะเร่งตัวขึ้นในปี 2024 อย่างไรก็ตามเราปรับลดประมาณการกำไรปกติปี 2024-26 ลง 11%/10%/5% จากสมมติฐานเดิมที่ค่อนข้าง aggressive โดยส่วนมากเป็นการปรับลดสมมติฐานราคาขายในธุรกิจ IPB และการเพิ่มค่าใช้จ่ายดอกเบี้ย แม้จะปรับกำไรลงแต่ยังสามารถเติบโตได้ 17%/19%/8% (หรือ 13% CAGR) ในช่วงปี 2024-26

หุ้นมี valuations ถูก คงคำแนะนำซื้อ

หลังปรับลดประมาณการ เราได้ราคาเป้าหมายใหม่ที่ 43.0 บาท (DCF, 10.7% WACC, 3.1% LTG) ลดจากก่อนหน้าที่ 48.0 บาท ราคาตั้งกล่าวคิดเป็น 13x 2024E EV/EBITDA เท่ากับค่าเฉลี่ย 4 ปีย้อนหลัง เราคงคำแนะนำซื้อจาก valuations ที่ถูก

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	129,398	140,285	150,010	157,174
Net profit	5,248	6,043	7,161	7,753
EPS (THB)	1.22	1.41	1.67	1.81
vs Consensus (%)	-	(4.2)	(1.0)	(3.7)
EBITDA	17,689	20,495	22,393	23,721
Recurring net profit	5,169	6,043	7,161	7,753
Core EPS (THB)	1.20	1.41	1.67	1.81
Chg. In EPS est. (%)	-	(11.1)	(9.6)	(10.9)
EPS growth (%)	(8.6)	16.9	18.5	8.3
Core P/E (x)	26.0	22.2	18.7	17.3
Dividend yield (%)	1.8	2.0	2.4	2.6
EV/EBITDA (x)	10.6	9.1	8.3	7.9
Price/book (x)	1.7	1.6	1.6	1.5
Net debt/Equity (%)	27.5	25.8	24.3	23.7
ROE (%)	5.9	7.6	8.5	8.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	10.6	(10.7)	(30.9)
Relative to country (%)	9.5	(9.6)	(22.3)
Mkt cap (USD m)	3,690		
3m avg. daily turnover (USD m)	7.8		
Free float (%)	26		
Major shareholder	The Siam Cement (SCC TB) (72%)		
12m high/low (THB)	46.00/26.50		
Issued shares (m)	4,292.92		

Sources: Bloomberg consensus; FSSIA estimates

**Jitra Amorntum**Fundamental Investment Analyst on Securities; License no. 014530
jitra.a@fssia.com, +66 2646 9966

Investment thesis

We expect SCGP to register a solid core profit of THB1.4b in 1Q24, +8% q-q and +34% y-y. The overall packaging demand continued its strong momentum in every economy during 1Q24, driven by the solid domestic consumption in ASEAN, particularly in FMCG, the F&B segment, e-commerce activities, and the recovery of the tourism sector. The improved demand has allowed for increased selling prices in almost every region, compensating for the higher raw material and energy costs, especially in the Indonesian market where the recovery was the slowest.

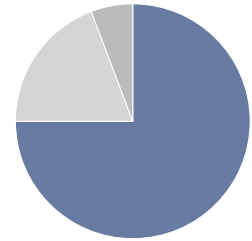
Company profile

SCGP is a leading multinational consumer packaging solutions provider in ASEAN providing fiber-based packaging, polymer packaging, food service products, design, printing, and other solutions for customers. The company's major businesses include: integrated packaging chain, fibrous chain, and recycling.

www.scgpackaging.com

Principal activities (revenue, 2023)

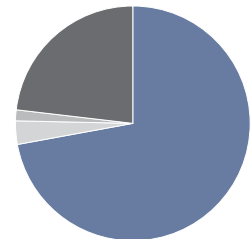
- Integrated packaging chain - 75.0 %
- Fibrous chain - 19.2 %
- Recycling business and others - 5.8 %



Source: SCG Packaging

Major shareholders

- The Siam Cement (SCC TB) - 72.1 %
- Thai NVDR - 3.2 %
- CPB Equity Co., Ltd. - 1.5 %
- Others - 23.2 %



Source: SCG Packaging

Catalysts

Key potential catalysts include 1) the strong recovery of China's economy; 2) lower costs of RCP and energy; and 3) more M&Ps.

Risks to our call

Downside risks to our DCF-based TP include 1) the slow demand for packaging; 2) the rising cost of recycled paper, other raw material, and energy; 3) the rising cost of funds; and 4) the fluctuation in foreign exchange currencies.

Event calendar

Date	Event
23 April 2024	1Q24 earnings announcement

Key assumptions

	unit	2024E (THB m)	2025E (THB m)	2026E (THB m)
Packaging paper sales volume	m ton	3.96	4.09	4.19
Packaging paper ASP	THB/ton	13,322	13,765	14,315
Fiber packaging sales volume	m ton	1.02	1.06	1.08
Fiber packaging ASP	THB/ton	32,536	34,274	34,648
Integrated packaging revenue	THB m	104,419	112,193	117,618
Fibrous sales volume	m ton	0.67	0.70	0.72
Fibrous ASP	THB/ton	40,964	41,876	42,596
Fibrous business revenue	THB m	27,610	29,313	30,797

Source: FSSIA estimates

Earnings sensitivity

- For every 5% change in packaging paper ASP, we project SCGP's 2024 core profit to change by 2.7%, all else being equal.
- For every 5% change in fiber packaging ASP, we project SCGP's 2024 core profit to change by 1.5%, all else being equal.
- For every 0.5% change in blended gross margin, we project SCGP's 2024 core profit to change by 8%, all else being equal.

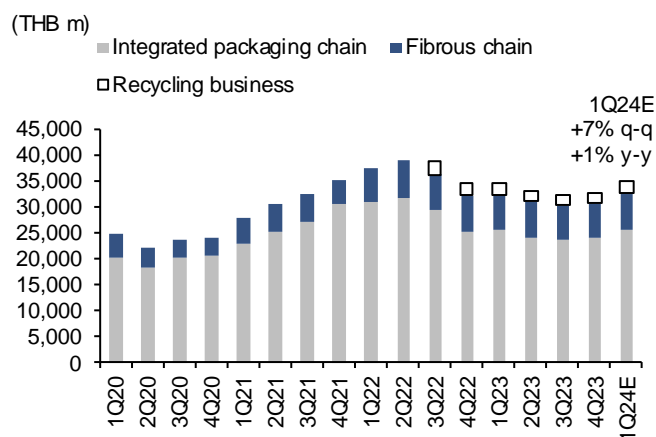
Source: FSSIA estimates

Exhibit 1: SCGP – 1Q24 earnings preview

Year to Dec 31	1Q23	2Q23	3Q23	4Q23	1Q24E	----- Change -----		2023	2024E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	2024E
Sales revenue	33,729	32,216	31,573	31,881	34,120	7.0	1.2	129,398	140,285	8.4	24.3
Cost of sales	(27,780)	(26,350)	(25,965)	(26,179)	(27,978)	6.9	0.7	(106,274)	(114,753)	8.0	24.4
Gross profit	5,948	5,866	5,608	5,702	6,142	7.7	3.2	23,124	25,532	10.4	24.1
Operating costs	(4,220)	(3,754)	(3,824)	(3,886)	(4,128)	6.2	(2.2)	(15,684)	(16,624)	6.0	24.8
Operating profit	1,729	2,112	1,784	1,816	2,013	10.8	16.4	7,440	8,908	19.7	22.6
Operating EBITDA	4,318	4,566	4,319	4,487	4,672	4.1	8.2	17,689	20,495	15.9	22.8
Other income	232	161	325	325	300	(7.7)	29.2	1,043	989	(5.2)	30.3
Interest expense	(497)	(510)	(496)	(516)	(518)	0.3	4.3	(2,020)	(2,086)	3.3	24.8
Profit before tax	1,464	1,762	1,612	1,625	1,795	10.5	22.6	6,464	7,811	20.8	23.0
Net profit	1,220	1,485	1,324	1,219	1,429	17.3	17.1	5,248	6,043	15.1	23.6
Core profit	1,067	1,370	1,413	1,318	1,429	8.4	33.9	5,169	6,043	16.9	23.6
Reported EPS (THB)	0.28	0.35	0.31	0.28	0.33	17.3	17.1	1.22	1.41	15.1	23.6
Core EPS (THB)	0.25	0.32	0.33	0.31	0.33	8.4	33.9	1.20	1.41	17.5	23.6
Key ratios (%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)	
Gross margin	17.6	18.2	17.8	17.9	18.0	0.1	0.4	17.9	18.2	0.3	
Operating margin	5.8	7.1	6.7	6.7	6.8	0.1	1.0	6.6	7.1	0.5	
EBITDA margin	12.8	14.2	13.7	14.1	14.4	0.3	1.6	13.7	14.6	0.9	
Core profit margin	3.2	4.3	4.5	4.1	4.2	0.1	1.0	4.3	4.8	0.5	
SG&A / Sales	12.5	11.7	12.1	12.2	12.1	(0.1)	(0.4)	12.1	11.9	(0.3)	
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	(%)
Integrated packaging chain	25,480	24,185	23,655	24,043	25,607	1.6	(5.1)	97,044	104,419	7.6	24.5
Fibrous chain	6,805	6,847	6,591	6,592	6,873	0.0	(3.8)	24,894	27,610	10.9	24.9
Recycling business	1,444	1,184	1,326	1,246	1,639	(6.0)	(5.0)	7,460	8,256	10.7	19.9

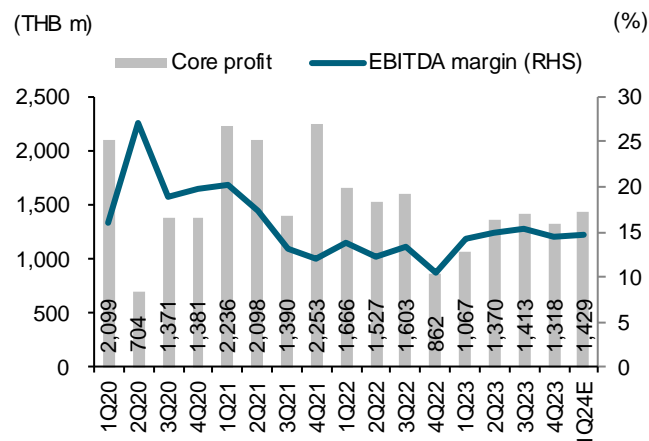
Sources: SCGP, FSSIA estimates

Exhibit 2: Revenue by product type



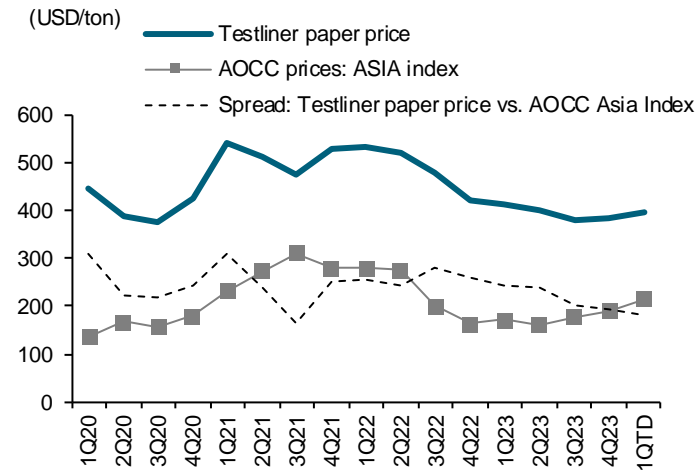
Sources: SCGP, FSSIA estimates

Exhibit 3: EBITDA margin and core profit



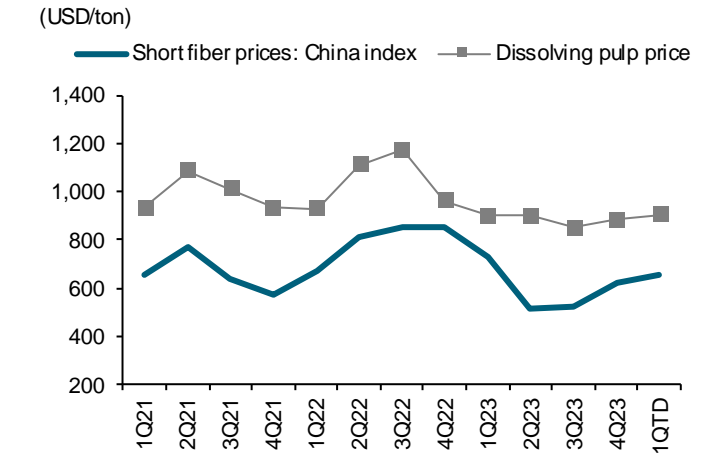
Sources: SCGP, FSSIA estimates

Exhibit 4: Packaging paper prices and spread



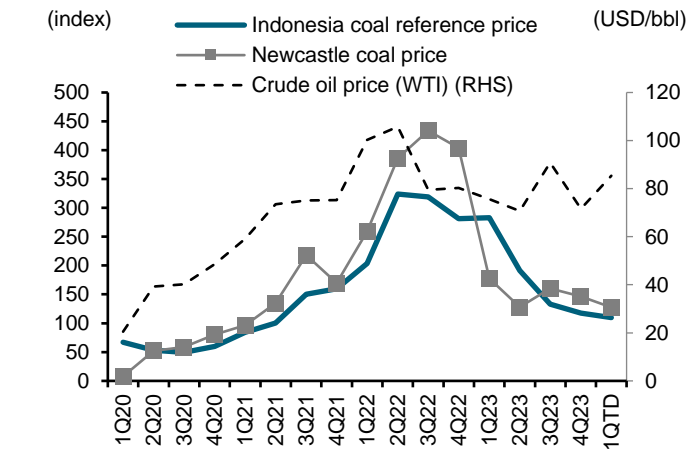
Sources: SCGP, FSSIA's compilation

Exhibit 5: Short fiber prices and dissolving pulp prices



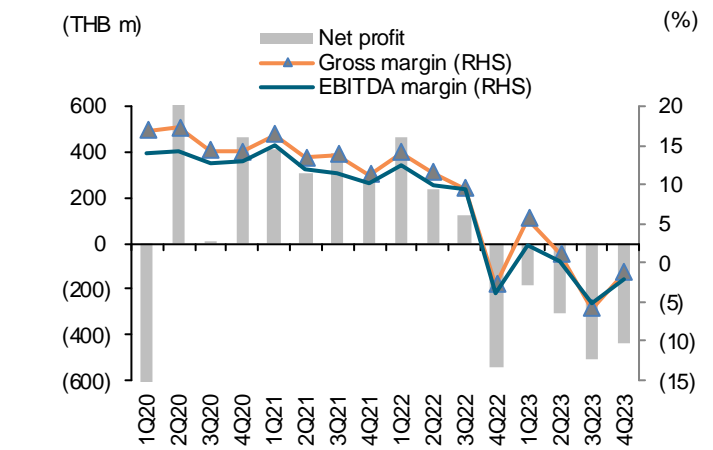
Sources: SCGP, FSSIA's compilation

Exhibit 6: Indonesia coal prices



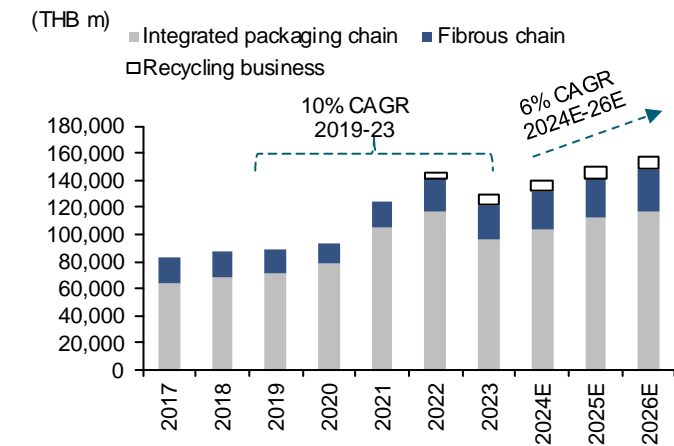
Sources: SCGP, FSSIA's compilation

Exhibit 7: Fajar's margins and net profit



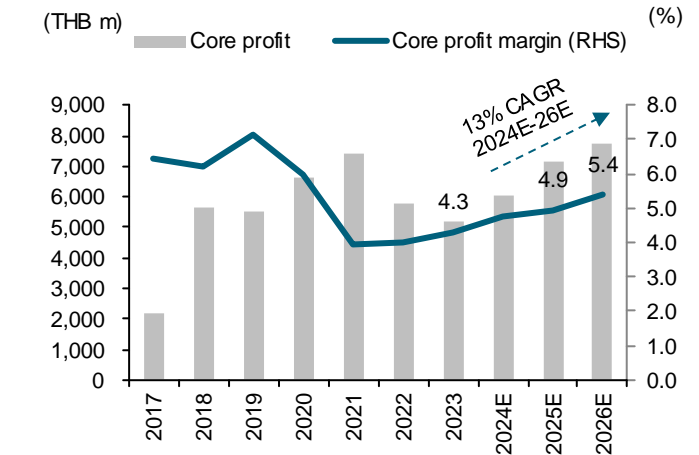
Sources: Bloomberg, FSSIA's compilation

Exhibit 8: Revenue forecast



Sources: SCGP, FSSIA estimates

Exhibit 9: Core profit forecast and core profit margin



Sources: SCGP, FSSIA estimates

Exhibit 10: Key changes in assumptions

	Current			Previous			Change		
	24E (THB m)	25E (THB m)	26E (THB m)	24E (THB m)	25E (THB m)	26E (THB m)	24E (%)	25E (%)	26E (%)
Total revenue	140,285	150,010	157,174	146,863	156,114	160,232	(4.5)	(3.9)	(1.9)
Integrated packaging chain	104,419	112,193	117,618	111,523	118,839	120,234	(6.4)	(5.6)	(2.2)
Fibrous chain	27,610	29,313	30,797	27,610	29,313	30,797	(0.0)	(0.0)	(0.0)
Recycling business and others	8,256	8,504	8,759	7,731	7,963	9,201	6.8	6.8	(4.8)
Cost of goods sold	(114,753)	(122,151)	(127,481)	(120,244)	(126,941)	(130,065)	(4.6)	(3.8)	(2.0)
Gross profit	25,532	27,860	29,693	26,619	29,173	30,168	(4.1)	(4.5)	(1.6)
SG&A	(16,624)	(17,476)	(18,389)	(17,110)	(18,422)	(18,468)	(2.8)	(5.1)	(0.4)
EBITDA	20,495	22,393	23,721	19,989	21,502	21,814	2.5	4.1	8.7
Interest expense	2,086	2,050	2,123	2,005	1,885	1,803	4.0	8.8	17.7
Core profit	6,043	7,161	7,753	6,794	7,918	8,118	(11.1)	(9.6)	(4.5)
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Blended gross margin	18.2	18.6	18.9	18.1	18.7	18.8	0.1	(0.1)	0.1
Integrated packaging chain	19.4	19.5	19.7	19.4	19.7	19.9	(0.0)	(0.2)	(0.2)
Fibrous chain	13.3	14.3	14.9	11.7	13.4	14.3	1.6	0.9	0.7
Recycling business and others	20.0	21.0	22.0	22.7	23.0	23.3	(2.7)	(2.0)	(1.3)
SG&A to sales	11.9	11.7	11.7	11.7	11.8	11.8	0.2	(0.2)	(0.1)
EBITDA margin	14.6	14.9	15.1	13.6	13.8	13.6	1.0	1.2	1.5
Core profit margin	4.8	4.9	5.4	5.1	5.2	5.4	(0.3)	(0.3)	(0.0)
Sales volume	(m ton)	(m ton)	(m ton)	(m ton)	(m ton)	(m ton)	(%)	(%)	(%)
Packaging paper	3.96	4.09	4.19	3.68	3.86	4.00	7.5	6.0	4.6
Fiber packaging	1.02	1.06	1.08	1.04	1.05	1.06	(1.3)	1.3	1.3
Fibrous	0.67	0.70	0.72	0.65	0.67	0.69	3.7	4.5	4.8
Average selling price	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(%)	(%)	(%)
Packaging paper	13,322	13,765	14,315	19,702	20,884	22,137	(32.4)	(34.1)	(35.3)
Fiber packaging	32,536	34,274	34,648	35,936	36,295	36,658	(9.5)	(5.6)	(5.5)
Fibrous	40,964	41,876	42,596	42,477	43,751	44,626	(3.6)	(4.3)	(4.6)

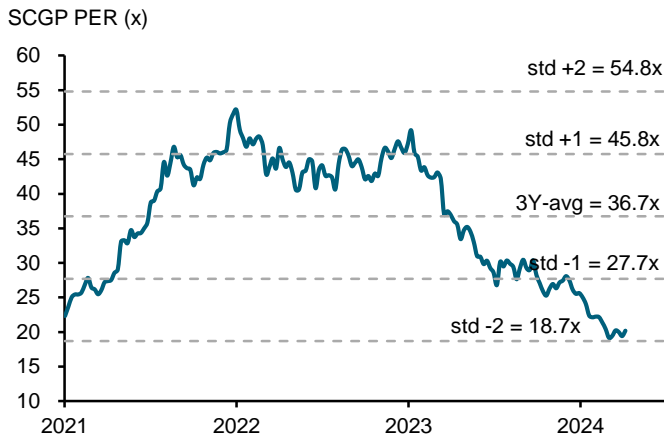
Source: FSSIA estimates

Exhibit 11: DCF valuation

Cost of equity assumption	(%)	Cost of debt assumption	(%)
Risk-free rate	3.0	Pre-tax cost of debt	4.2
Market risk premium	10.0	Tax rate	20.0
Stock beta	1.1		
Cost of equity, Ke	10.8	Cost of debt, Kd	4.2
Weight applied	67.6	Weight applied	32.4
WACC	10.7		
Terminal growth	3.10		
Sum of PV of FCF			
	89,411		
PV of terminal value			
	70,741		
Enterprise value			
	160,152		
Net debt			
	24,292		
Equity value			
	184,444		
No. of shares			
	4,293		
Equity value per share			
	42.96		

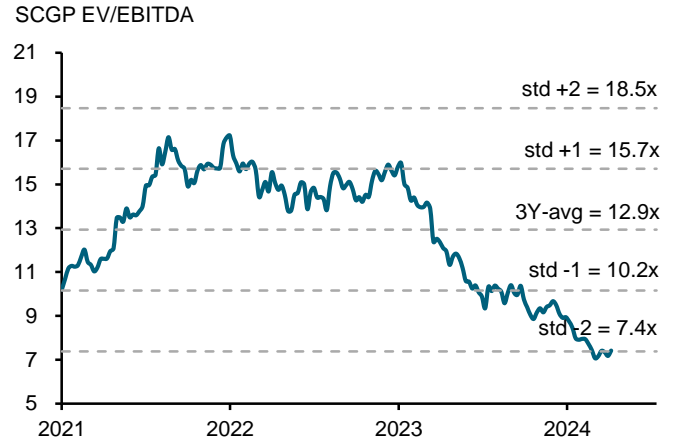
Sources: FSSIA estimates

Exhibit 12: Rolling one-year forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 13: Rolling one-year forward EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

Exhibit 14: Peers comparison as of 9 April 2024

Company	BBG	Market Cap (USD m)	PE		ROE		PBV		EV/EBITDA	
			24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)	24E (x)	25E (x)
Thailand										
SCG Packaging*	SCGP TB	3,690	22.2	18.7	7.6	8.5	1.6	1.6	9.1	8.3
Eastern Polymer Group*	EPG TB	520	12.7	12.0	12.2	12.3	1.5	1.4	9.9	9.1
Starflex*	SFLEX TB	69	11.7	10.5	22.1	24.2	2.6	2.5	10.4	9.6
Thailand average		4,279	15.5	13.7	14.0	15.0	1.9	1.9	9.8	9.0
Regional										
Packaging Corp	PKG US	17,041	21.6	18.8	19.3	20.5	4.1	3.8	11.5	10.5
Amcor	AMCR US	13,557	13.7	12.8	24.1	25.3	3.3	3.2	10.6	10.1
Smurfit Kappa	SKG LN	12,042	13.6	12.1	14.2	14.8	1.8	1.7	7.1	6.5
Mondi	MNDI LN	7,969	15.5	11.8	8.2	12.3	1.5	1.4	7.1	5.9
Graphic Packaging	GPK US	9,034	10.9	10.1	26.1	22.9	2.7	2.3	7.6	7.3
Sonoco Products	SON US	5,724	11.2	10.6	19.9	19.9	2.3	2.2	8.0	7.7
DS Smith	SMDS LN	7,162	12.5	12.2	10.7	10.8	1.4	1.3	7.5	7.3
Sealed Air	SEE US	4,933	11.9	10.4	63.7	53.9	6.0	4.3	8.4	7.9
Silgan Holdings	SLGN US	5,233	13.4	12.3	18.8	18.1	2.6	2.4	8.7	8.3
Huhtamaki	HUH1V FH	4,407	14.8	13.6	13.3	13.5	2.0	1.8	8.6	8.1
Nine Dragons	2689 HK	2,085	18.5	6.6	1.7	5.6	0.3	0.3	11.5	8.6
Henan Mingtai Industrial	601677 CH	2,012	8.5	7.2	11.5	11.8	0.9	0.8	5.4	4.8
Winpak	WPK CT	1,889	12.5	11.8	10.6	10.27	1.3	1.1	6.1	5.6
Xiamen Jihong Technology	002803 CH	812	13.3	10.8	16.6	17.1	2.2	1.9	8.3	6.9
Shanghai Baosteel Packaging	601968 CH	829	19.6	17.6	7.2	7.5	1.4	1.3	n/a	n/a
Sunrise Group	002752 CH	690	12.3	10.4	12.1	13.0	1.5	1.3	6.9	6.3
Ningbo Homelink	301193 CH	500	25.1	19.6	8.8	10.4	2.1	2.0	12.3	10.5
Regional average		97,025	14.6	12.3	16.9	16.9	2.2	2.0	8.5	7.6
Overall average		101,304	14.8	12.5	16.4	16.6	2.2	1.9	8.7	7.9

Sources: *FSSIA estimates, Bloomberg

Financial Statements

SCG Packaging

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	146,068	129,398	140,285	150,010	157,174
Cost of goods sold	(121,791)	(106,274)	(114,753)	(122,151)	(127,481)
Gross profit	24,277	23,124	25,532	27,860	29,693
Other operating income	1,322	1,043	989	922	840
Operating costs	(16,039)	(15,684)	(16,624)	(17,476)	(18,389)
Operating EBITDA	19,259	17,689	20,495	22,393	23,721
Depreciation	(9,699)	(9,206)	(10,598)	(11,087)	(11,577)
Goodwill amortization	0	0	0	0	0
Operating EBIT	9,560	8,483	9,897	11,306	12,144
Net financing costs	(1,468)	(2,020)	(2,086)	(2,050)	(2,123)
Associates	55	39	17	20	22
Recurring non-operating income	55	39	17	20	22
Non-recurring items	143	80	0	0	0
Profit before tax	8,289	6,582	7,828	9,276	10,042
Tax	(1,550)	(1,153)	(1,562)	(1,851)	(2,004)
Profit after tax	6,739	5,429	6,266	7,425	8,038
Minority interests	(939)	(180)	(223)	(264)	(286)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,801	5,248	6,043	7,161	7,753
Non-recurring items & goodwill (net)	(143)	(80)	0	0	0
Recurring net profit	5,658	5,169	6,043	7,161	7,753
Per share (THB)					
Recurring EPS *	1.32	1.20	1.41	1.67	1.81
Reported EPS	1.35	1.22	1.41	1.67	1.81
DPS	0.60	0.55	0.63	0.75	0.81
Diluted shares (used to calculate per share data)	4,293	4,293	4,293	4,293	4,293
Growth					
Revenue (%)	17.6	(11.4)	8.4	6.9	4.8
Operating EBITDA (%)	(7.6)	(8.1)	15.9	9.3	5.9
Operating EBIT (%)	(23.6)	(11.3)	16.7	14.2	7.4
Recurring EPS (%)	(29.1)	(8.6)	16.9	18.5	8.3
Reported EPS (%)	(30.1)	(9.5)	15.1	18.5	8.3
Operating performance					
Gross margin inc. depreciation (%)	16.6	17.9	18.2	18.6	18.9
Gross margin exc. depreciation (%)	23.3	25.0	25.8	26.0	26.3
Operating EBITDA margin (%)	13.2	13.7	14.6	14.9	15.1
Operating EBIT margin (%)	6.5	6.6	7.1	7.5	7.7
Net margin (%)	3.9	4.0	4.3	4.8	4.9
Effective tax rate (%)	18.7	17.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	45.5	45.7	45.0	45.0	45.0
Interest cover (X)	6.5	4.2	4.8	5.5	5.7
Inventory days	75.9	80.0	68.4	65.0	61.3
Debtor days	60.2	64.7	59.0	54.6	52.8
Creditor days	48.1	54.7	50.7	48.0	48.5
Operating ROIC (%)	6.0	6.0	7.8	8.5	8.7
ROIC (%)	4.6	4.4	5.5	6.0	6.2
ROE (%)	5.8	5.9	7.6	8.5	8.8
ROA (%)	3.8	3.5	4.0	4.4	4.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Integrated packaging chain	117,219	97,044	104,419	112,193	117,618
Fibrous chain	24,273	24,894	27,610	29,313	30,797
Recycling business and others	4,576	7,460	8,256	8,504	8,759

Sources: SCG Packaging; FSSIA estimates

Financial Statements

SCG Packaging

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	5,658	5,169	6,043	7,161	7,753
Depreciation	9,699	9,206	10,598	11,087	11,577
Associates & minorities	(55)	(39)	(17)	(20)	(22)
Other non-cash items	4,021	3,182	(393)	(659)	(3,068)
Change in working capital	(2,089)	3,965	(750)	2,363	1,001
Cash flow from operations	17,234	21,482	15,480	19,932	17,241
Capex - maintenance	0	0	0	0	0
Capex - new investment	(14,212)	(14,271)	(6,509)	(6,400)	(6,417)
Net acquisitions & disposals	10,886	830	(5,000)	(5,700)	(5,700)
Other investments (net)	206	381	194	(58)	(43)
Cash flow from investing	(3,119)	(13,060)	(11,315)	(12,158)	(12,160)
Dividends paid	(3,612)	(3,286)	(2,719)	(3,223)	(3,489)
Equity finance	0	0	0	0	0
Debt finance	(7,253)	(3,012)	1,088	(549)	1,561
Other financing cash flows	(737)	(2,068)	(2,086)	(2,050)	(2,123)
Cash flow from financing	(11,602)	(8,366)	(3,718)	(5,822)	(4,051)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	4,780	0	0	0
Net other adjustments	(10,390)	4,780	(5,214)	(1,000)	0
Movement in cash	(7,877)	4,836	(4,767)	953	1,030
Free cash flow to firm (FCFF)	15,582.69	10,441.88	6,251.51	9,824.18	7,204.21
Free cash flow to equity (FCFE)	(4,265.73)	8,122.43	(2,047.46)	4,175.14	4,518.31

Per share (THB)

FCFF per share	3.63	2.43	1.46	2.29	1.68
FCFE per share	(0.99)	1.89	(0.48)	0.97	1.05
Recurring cash flow per share	4.50	4.08	3.78	4.09	3.78

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	211,928	217,496	229,244	240,992	252,741
Less: Accumulated depreciation	(117,342)	(123,216)	(129,091)	(134,965)	(140,839)
Tangible fixed assets (net)	94,585	94,279	100,153	106,027	111,902
Intangible fixed assets (net)	38,807	39,425	40,023	40,537	41,067
Long-term financial assets	883	1,534	1,563	1,532	1,599
Invest. in associates & subsidiaries	1,034	1,063	1,073	1,084	1,097
Cash & equivalents	12,344	17,181	12,414	13,367	14,396
A/C receivable	23,254	22,648	22,676	22,193	23,253
Inventories	23,281	19,253	19,807	19,745	19,209
Other current assets	1,275	1,191	1,291	1,230	1,132
Current assets	60,154	60,272	56,188	56,535	57,991
Other assets	1,815	1,988	1,803	1,778	1,706
Total assets	197,280	198,561	200,803	207,495	215,361
Common equity	97,200	77,322	82,329	86,268	90,532
Minorities etc.	25,766	25,127	25,350	25,613	25,899
Total shareholders' equity	122,967	102,449	107,679	111,881	116,431
Long term debt	29,935	18,027	18,820	17,001	17,574
Other long-term liabilities	10,899	11,694	13,223	14,336	15,443
Long-term liabilities	40,834	29,721	32,043	31,337	33,017
A/C payable	14,282	14,808	14,148	15,060	15,717
Short term debt	17,726	27,328	21,384	23,501	24,433
Other current liabilities	1,471	24,254	25,550	25,715	25,764
Current liabilities	33,479	66,390	61,081	64,276	65,913
Total liabilities and shareholders' equity	197,280	198,561	200,803	207,495	215,361
Net working capital	32,057	4,029	4,077	2,394	2,114
Invested capital	169,182	142,318	148,692	153,353	159,485

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	22.64	18.01	19.18	20.10	21.09
Tangible book value per share	13.60	8.83	9.85	10.65	11.52

Financial strength

Net debt/equity (%)	28.7	27.5	25.8	24.3	23.7
Net debt/total assets (%)	17.9	14.2	13.8	13.1	12.8
Current ratio (x)	1.8	0.9	0.9	0.9	0.9
CF interest cover (x)	7.8	12.1	3.1	6.2	6.1

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	23.7	26.0	22.2	18.7	17.3
Recurring P/E @ target price (x) *	32.6	35.7	30.5	25.8	23.8
Reported P/E (x)	23.1	25.6	22.2	18.7	17.3
Dividend yield (%)	1.9	1.8	2.0	2.4	2.6
Price/book (x)	1.4	1.7	1.6	1.6	1.5
Price/tangible book (x)	2.3	3.5	3.2	2.9	2.7
EV/EBITDA (x) **	10.1	10.6	9.1	8.3	7.9
EV/EBITDA @ target price (x) **	12.8	13.4	11.6	10.6	10.0
EV/invested capital (x)	1.2	1.3	1.3	1.2	1.2

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: SCG Packaging; FSSIA estimates

SCG Packaging PCL (SCGP TB)

FSSIA ESG rating

★ ★ ★ ★ ★

81.93 /100

Exhibit 15: FSSIA ESG score implication

Rating	Score	Implication
★ ★ ★ ★ ★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★ ★ ★ ★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★ ★ ★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★ ★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Source: FSSIA estimates

Exhibit 16: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
PSL	55.45	--	Y	Y	5.00	5.00	Certified	Medium	59.76	BB	--	--	51.00	--	--
SCGP	81.93	Y	Y	Y	5.00	5.00	Certified	Low	60.36	BBB	--	65.07	86.00	3.67	--
TTA	65.35	--	Y	Y	5.00	5.00	Certified	Medium	56.56	AA	--	50.79	25.00	3.31	56.20

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 17: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	3.56	—
BESG environmental pillar score	—	3.33	—
BESG social pillar score	—	1.90	—
BESG governance pillar score	—	4.53	—
ESG disclosure score	28.79	71.10	75.73
Environmental disclosure score	0.00	67.53	77.26
Social disclosure score	3.14	56.41	60.58
Governance disclosure score	83.02	89.28	89.28
Environmental			
Emissions reduction initiatives	No	Yes	Yes
Climate change policy	No	Yes	Yes
Climate change opportunities discussed	No	No	No
Risks of climate change discussed	No	Yes	Yes
GHG scope 1	—	4,366	3,778
GHG scope 2 location-based	—	508	632
GHG Scope 3	—	2,167	1,459
Carbon per unit of production	—	—	—
Biodiversity policy	No	Yes	Yes
Energy efficiency policy	No	Yes	Yes
Total energy consumption	—	17,964	16,961
Renewable energy use	—	3,742	4,085
Electricity used	—	738	951
Fuel used - natural gas	—	—	146,676

Sources: Bloomberg; FSSIA's compilation

Exhibit 18: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No
Waste reduction policy	No	Yes	Yes
Hazardous waste	—	64	48
Total waste	—	1,553	1,515
Waste recycled	—	1,520	1,469
Waste sent to landfills	—	18	12
Environmental supply chain management	No	Yes	Yes
Water policy	No	Yes	Yes
Water consumption	—	—	—
Social			
Human rights policy	No	Yes	Yes
Policy against child labor	No	Yes	Yes
Quality assurance and recall policy	No	Yes	Yes
Consumer data protection policy	No	Yes	Yes
Equal opportunity policy	No	Yes	Yes
Gender pay gap breakout	No	Yes	Yes
Pct women in workforce	18	18	22
Pct disabled in workforce	—	0	0
Business ethics policy	No	Yes	Yes
Anti-bribery ethics policy	No	Yes	Yes
Health and safety policy	No	Yes	Yes
Lost time incident rate - employees	—	0	0
Total recordable incident rate - employees	—	0	0
Training policy	No	Yes	Yes
Fair remuneration policy	No	No	No
Number of employees – CSR	—	23,341	22,289
Employee turnover pct	—	5	6
Total hours spent by firm - employee training	—	46,682	334,335
Social supply chain management	No	Yes	Yes
Governance			
Board size	12	12	12
No. of independent directors (ID)	7	8	8
No. of women on board	2	3	3
No. of non-executive directors on board	11	11	11
Company conducts board evaluations	No	No	No
No. of board meetings for the year	10	8	9
Board meeting attendance pct	100	100	99
Board duration (years)	3	3	3
Director share ownership guidelines	No	No	No
Age of the youngest director	51	52	53
Age of the oldest director	73	69	70
No. of executives / company managers	8	7	7
No. of female executives	1	0	0
Executive share ownership guidelines	No	No	No
Size of audit committee	3	3	3
No. of ID on audit committee	3	3	3
Audit committee meetings	8	5	6
Audit meeting attendance %	100	100	100
Size of compensation committee	3	3	3
No. of ID on compensation committee	2	2	2
No. of compensation committee meetings	4	7	6
Compensation meeting attendance %	100	100	100
Size of nomination committee	3	3	3
No. of nomination committee meetings	5	6	6
Nomination meeting attendance %	100	100	100
Sustainability governance			
Verification type	No	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
NEGL	Low	Medium	High	Severe																										
0-10	10-20	20-30	30-40	40+																										
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">AAA</td> <td>8.571-10.000</td> <td style="text-align: right;">Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td style="text-align: right;">AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">BBB</td> <td>4.286-5.713</td> <td style="text-align: right;">Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td style="text-align: right;">BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">CCC</td> <td>0.000-1.428</td> <td style="text-align: right;">Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities																											
AA	7.143-8.570																													
A	5.714-7.142																													
BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers																											
BB	2.857-4.285																													
B	1.429-2.856																													
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																											
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

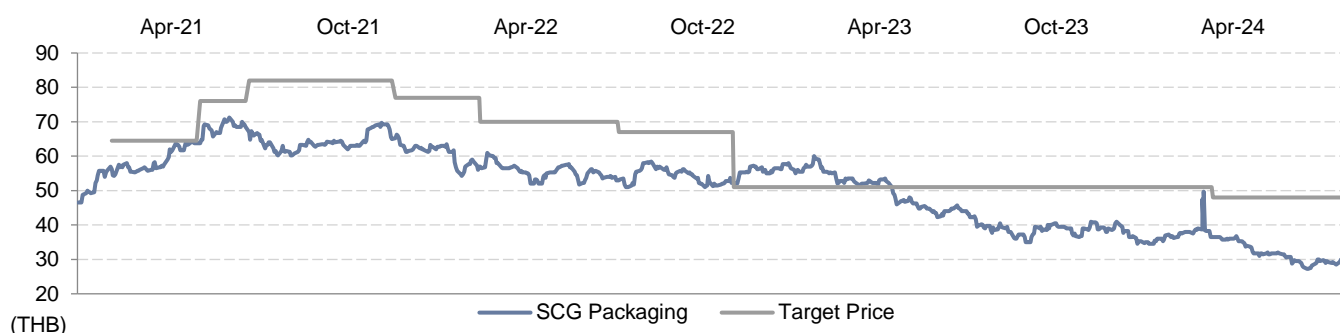
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

SCG Packaging (SCGP TB)



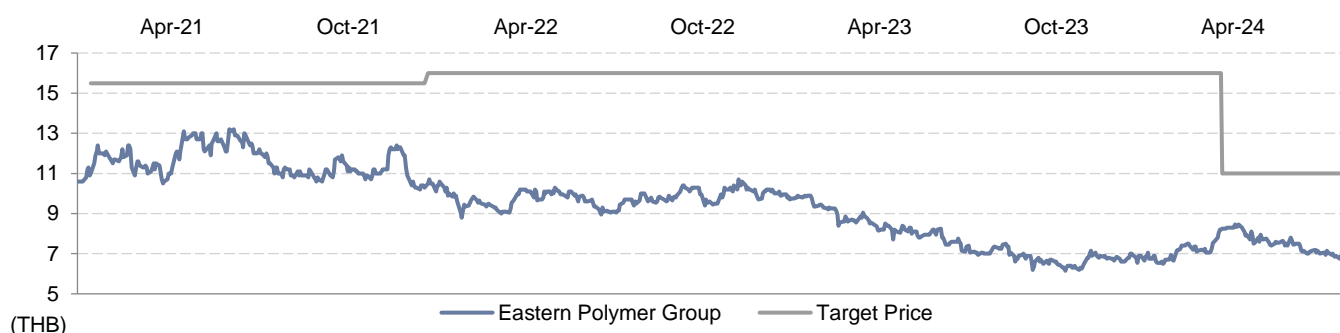
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-May-2021	BUY	64.50	07-Jan-2022	BUY	77.00	27-Oct-2022	HOLD	51.00
23-Jul-2021	BUY	76.00	23-Mar-2022	BUY	70.00	13-Dec-2023	BUY	48.00
03-Sep-2021	BUY	82.00	20-Jul-2022	BUY	67.00			

Jitra Amornthum started covering this stock from 13-Dec-2023

Price and TP are in local currency

Source: FSSIA estimates

Eastern Polymer Group (EPG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
22-Apr-2021	BUY	15.50	04-Feb-2022	BUY	16.00	21-Dec-2023	BUY	11.00

Jitra Amornthum started covering this stock from 21-Dec-2023

Price and TP are in local currency

Source: FSSIA estimates

Starflex (SFLEX TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
10-Mar-2023	BUY	4.70	12-Jun-2023	BUY	5.50	04-Dec-2023	BUY	5.60

Jitra Amornthum started covering this stock from 10-Mar-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
SCG Packaging	SCGP TB	THB 31.25	BUY	Downside risks to our DCF-based TP include 1) the slow demand for packaging; 2) the rising cost of recycled paper, other raw material, and energy; 3) the rising cost of funds; and 4) the fluctuation in foreign exchange currencies.
Eastern Polymer Group	EPG TB	THB 6.75	BUY	Downside risks to our EV/EBITDA-based TP include 1) the slow demand for pickup trucks and plastic packaging; 2) the rising cost of oil-linked raw materials; 3) the rising cost of funds; and 4) the fluctuation in foreign exchange currencies.
Starflex	SFLEX TB	THB 3.20	BUY	Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 09-Apr-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.