

21 SEPTEMBER 2021

THAILAND / INDUSTRIAL

SCG PACKAGING SCGP TB

BUY

UNCHANGED

TARGET PRICE	THB82.00
CLOSE	THB62.25
UP/DOWNSIDE	+31.7%
PRIOR TP	THB82.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+17.4%

M&A growth to offset AOCC price hike

Share price correction presents a good buying opportunity

In the past three weeks, SCGP's share price has declined by 10% from its peak of THB71.5 due to investors' concerns over its potentially weak 3Q21 net profit caused by the rising American old corrugated container (AOCC) price, higher energy costs, and weaker demand. Demand has been particularly weak in Vietnam where a complete lockdown has been in effect for the past three months. While we agree with the soft short-term earnings outlook for SCGP in 3Q21, we think the share price correction has already priced in the weak 3Q21 margin, and we expect its 4Q21 net profit to rebound q-q as a result of improving demand in Vietnam and Thailand after their economic reopenings and a softening AOCC price due to improvements in the global shipping industry.

A greenfield expansion in Northern Vietnam

On 20 September 2021, SCGP announced a VND8.13b (THB11.8b) investment to build a new greenfield 0.37mtpa upstream packaging paper plant under its subsidiary Vina Kraft Paper Company (VKPC), which includes premium grade products (lightweight paper). VKPC is a JV owned 70% by Siam Kraft Industry, a 100% subsidiary of SCGP, and Rengo Company (Japan). VKPC currently operates a packaging paper capacity of 0.5mtpa, and the North Vietnam expansion will raise its total capacity to 0.87mtpa.

Organic growth and M&A underscore growth in 4Q21 onward

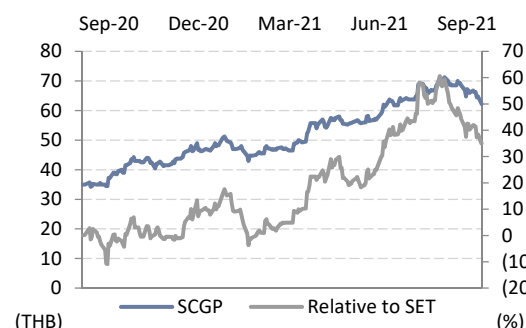
While SCGP could face a weak 3Q21 net profit due mainly to the AOCC price hike caused by the freight hike and the poor demand on the lockdowns, we think that starting in 4Q21, SCGP should see y-y and q-q net profit growth again. We expect it to be driven by organic expansions to grow SCGP's net profit by THB1b in 4Q21 and from M&A with a combined net profit of THB1.0b-1.3b annually.

Attractive play on reopening and consumer megatrends

We maintain our target price of THB82, based on 16x 2022E EV/EBITDA – a valuation premium to its peers due to SCGP's superior market presence, strong net profit growth outlook from M&P and organic growth, and the margin expansion from its cost reduction strategy.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	92,786	120,789	127,572	130,468
Net profit	6,457	10,099	13,027	15,070
EPS (THB)	1.50	2.35	3.03	3.51
vs Consensus (%)	-	9.6	16.8	25.7
EBITDA	16,496	20,312	24,191	27,184
Core net profit	6,638	10,099	13,027	15,070
Core EPS (THB)	1.55	2.35	3.03	3.51
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(13.3)	52.1	29.0	15.7
Core P/E (x)	40.3	26.5	20.5	17.7
Dividend yield (%)	1.0	1.2	1.4	1.4
EV/EBITDA (x)	18.1	14.8	12.5	11.1
Price/book (x)	3.0	2.8	2.5	2.3
Net debt/Equity (%)	9.6	9.3	10.0	8.6
ROE (%)	10.1	11.0	13.0	13.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(12.6)	10.2	n/a
Relative to country (%)	(15.4)	10.9	n/a
Mkt cap (USD m)	8,013		
3m avg. daily turnover (USD m)	32.0		
Free float (%)	30		
Major shareholder	Siam Cement (69%)		
12m high/low (THB)	71.50/32.75		
Issued shares (m)	4,292.92		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We project SCGP to have net profit growth of 28% CAGR from 2019-22. We think this will be driven by the company's capacity growth, margin expansion, and mergers and partnerships (M&P) strategy that should allow it to not only grow its net profit and market presence, but also enhance its long-term value creation for shareholders via its solid brand recognition, superior cost control, and operational excellence.

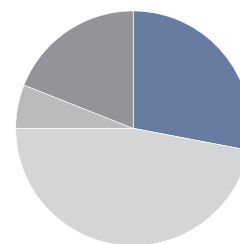
Company profile

SCG Packaging is the largest packaging producer in ASEAN, commanding a 36% market share as of 2020, according to Frost and Sullivan. SCGP's 68.8% stake is owned by Siam Cement. The company grows its business, mostly via acquisitions, in many countries.

www.scgpackaging.com

Principal activities (revenue, 2020)

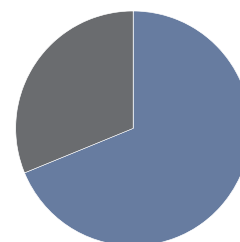
- Fibrous chain - 28.0 %
- Performance and Polymer packaging - 47.0 %
- Packaging paper - 6.0 %
- Fibre-based packaging - 19.0 %



Source: SCG Packaging

Major shareholders

- Siam Cement - 68.8 %
- Others - 31.2 %



Source: SCG Packaging

Catalysts

We see three key drivers for SCGP: 1) a potential margin expansion on lower raw material costs and improving production efficiency; 2) organic and inorganic capacity growth; and 3) market expansion in ASEAN countries and its entrance into new consumer packaging markets via M&P.

Risks to our call

Downside risks to our EV/EBITDA-based TP include a lower-than-expected demand for packaging, rising raw material costs of recycled paper and higher energy costs.

Event calendar

Date	Event
Nov 2021	3Q21 results announcement

Key assumptions

	2021E	2022E	2023E
Packaging paper ASP (THB/tonne)	15,201	16,523	16,523
Fibre-based packaging ASP (THB/tonne)	23,005	23,005	23,005
Packaging sales volume (mtpa)	4.6	4.6	4.8
Fibrous sales volume (mtpa)	1.1	1.1	1.1
Recycled paper price (USD/tonne)	185	185	185
Pulp price (USD/tonne)	439	434	430

Source: FSSIA estimates

Earnings sensitivity

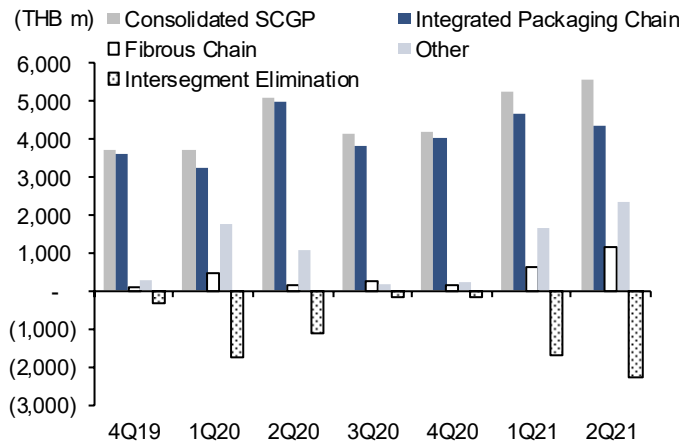
- For every 1% change in recycled paper price, we estimate a 0.7% change in 2021 EPS, all else being equal.
- For every 1% change in packaging paper price, we estimate a 1.5% change in 2021 EPS, all else being equal.
- For every 1% change in pulp price, we estimate a 0.1% change in 2021 EPS, all else being equal.

Source: FSSIA estimates

Share price correction presents a good buying opportunity

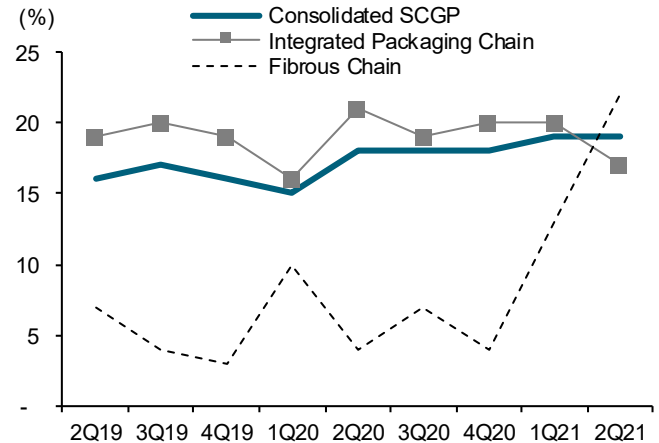
In the past three weeks, SCGP's share price has declined by 10% from its peak of THB71.5 due to investors' concerns over its potentially weak 3Q21 net profit caused by the rising AOCC price, higher energy costs, and weaker demand. Demand has been particularly weak in Vietnam where a complete lockdown has been in effect for the past three months.

Exhibit 1: Quarterly EBITDA breakdown



Source: SCGP

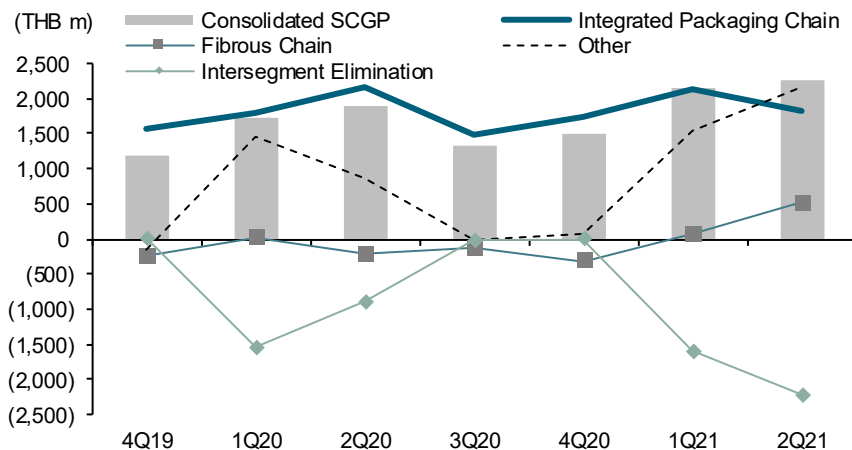
Exhibit 2: Quarterly EBITDA margin (%)



Source: SCGP

While we agree with the soft short-term earnings outlook for SCGP in 3Q21, we think the share price correction has already priced in the weak 3Q21 margin, and we expect its 4Q21 net profit to rebound q-q as a result of improving demand in Vietnam and Thailand after their economic reopenings and a softening AOCC price due to improvements in the global shipping industry.

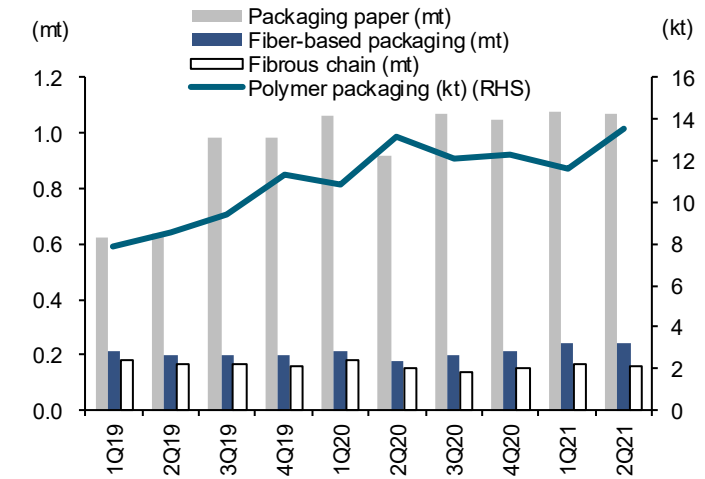
Exhibit 3: Quarterly net profit breakdown



Source: SCGP

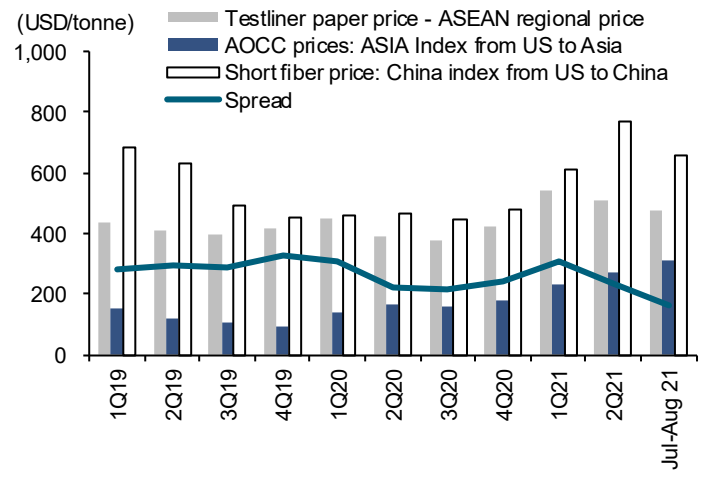
In 3Q21, we project SCGP's net profit to weaken to THB1.5b-1.7b, down from THB2.2b in 2Q21, due to the lower margin for its integrated packaging paper (IPC) group as a result of the higher raw material cost of AOCC, driven by the higher freight cost that has more than doubled YTD. As a result, the testliner paper price (the benchmark price for SCGP's IPC products) margin over AOCC has plunged from over USD300/t in 1Q21 to below USD200/t in Jul-Aug 2021.

Exhibit 4: Sales volume breakdown by business



Source: SCGP

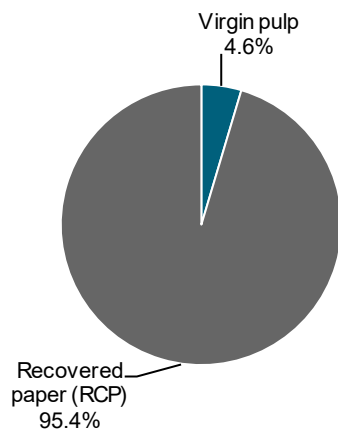
Exhibit 5: SCGP's product margin



Source: SCGP

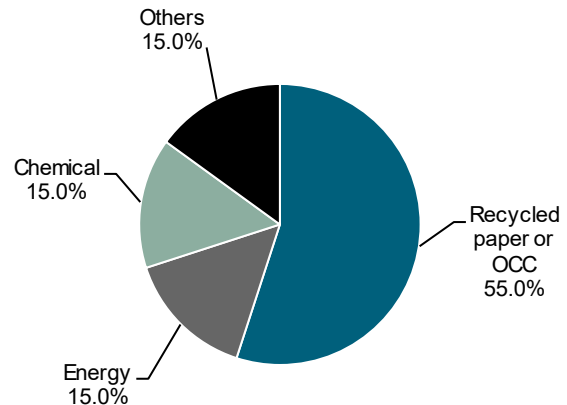
Limited impact from AOCC price hike. However, we think the impact from the margin decline for SCGP's IPC will be limited in the short term. We expect it to drop from a 17% EBITDA margin in 2Q21 to 15-16% in 3Q21, thanks to the high proportion of high value-added (HVA) products in the IPC group that should help offset the impact of the rising AOCC cost.

Exhibit 6: IPC's raw material cost breakdown (2020)



Source: SCGP

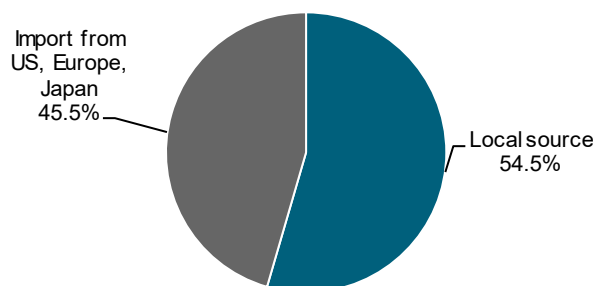
Exhibit 7: SCGP's cost structure (2020)



Source: SCGP

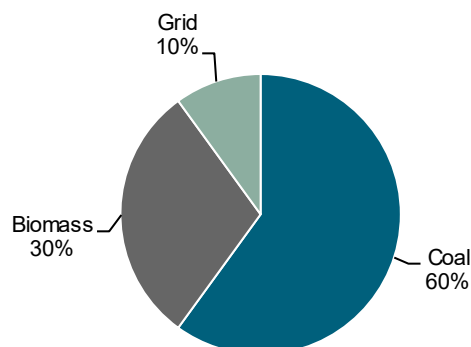
SCGP consumed over 95% of its total raw material for the production of IPC products from recycled paper in 2020. Of this, it procured up to 54.5% of its total recycled raw materials from local sources in Thailand and ASEAN countries where SCGP's production plants are located. The remaining 45.5% of raw material is imported from Europe, Japan, and the US, with the prices of imported fibre being linked with the AOCC price. Hence, we think the impact from the rising AOCC price will be limited for SCGP, given that AOCC accounts for 45.5% of SCGP's raw material cost, which in turn accounts for 55% of SCGP's total IPC cost.

Exhibit 8: Recycled paper raw material sources (2020)



Source: SCGP

Exhibit 9: Electricity source breakdown (2020)



Source: SCGP

AOCC price is now hitting the demand-rationing level. The average price for OCC in August increased by USD30/t m-m to USD159/t and rose 174% y-y. The premiums for OCC have nearly doubled m-m to USD60-70/t, with USD100 spot premiums on top of the listed price as well. This is dramatically above what have typically been USD10-20 premiums in the domestic North American market over the past 10-15 years.

Exhibit 10: US recovered paper (RCP) price average in Jun-Aug 2021

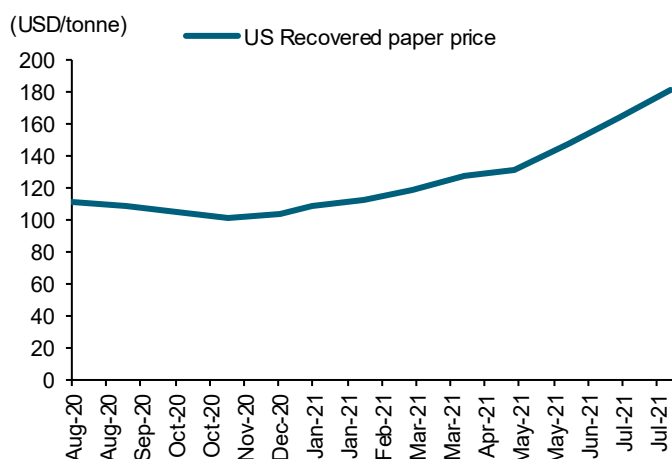
Source: [PPI Pulp & Paperwork](#)

Exhibit 11: US recovered paper national averages (Jun-Aug 2021)

US average	Jun-21 (USD)	Jul-21 (USD)	Aug-21 (USD)	Aug-21 (y-y%)
Mixed paper	56	75	94	623.1
Boxboard cuts OBM	86	105	35	0
OCC OBM	109	129	159	174.1
DLK OBM	119	139	174	155.9
SRPN	74	93	110	254.8
OMG	110	120	134	32.7
CGS	107	117	131	31
SCN	155	165	175	34.6
WBN	233	243	255	14.9
Unprinted SBS	298	308	318	27.2
HWS	315	325	355	25.9
HWEC	337	347	357	23.5
SOP	127	143	156	48.6
CBS	126	141	154	48.1
Heavy print SBS	151	166	180	33.3
SWL	180	196	210	23.5
MWL	188	203	218	19.8
Light print SBS	187	205	220	23.6

Source: [PPI Pulp & Paperwork](#)

All recovered fibre pricing increased on the export side as India held off on some buying from the US in August, while buyers in Southeast Asia, Europe, Mexico, Canada, and Central America continued to import OCC.

India has become the pricing leader in 2021 since China's ban on global recovered fibre took effect in January 2020, accounting for over one-third of US OCC exports YTD, according to [Resource-Recycling.com](https://www.resource-recycling.com). However, the recent price spike for AOCC has led to many Indian buyers purposefully avoided buying US tonnes at the start of this month to avoid additional pricing hikes.

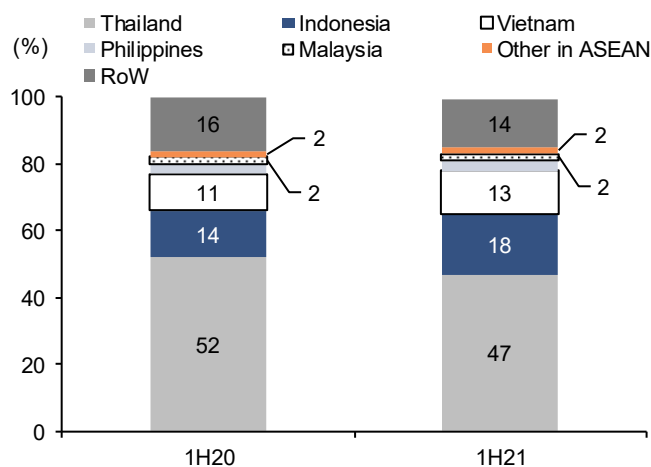
According to [Fastmarkets](https://www.fastmarkets.com), Indian mills are having a hard time justifying buying at current levels and are now resisting current prices and waiting for signs if the OCC market prices may have peaked.

Demand recovery for Vietnam and Thailand in 4Q21. In 3Q21, we think the demand for IPC and the fibrous chain group (FC) will weaken, dropping by 10-20% q-q due to the lockdown impacts in Thailand, Indonesia, and Vietnam – the three markets which accounted for 47%, 18%, and 13% of SCGP's total revenue in 1H21, respectively.

However, the economic reopenings, although at a gradual pace, should drive the demand up in 4Q21 for it to likely return to the pre-lockdown level in 1Q22, on par with the demand level seen in 1H21, according to management.

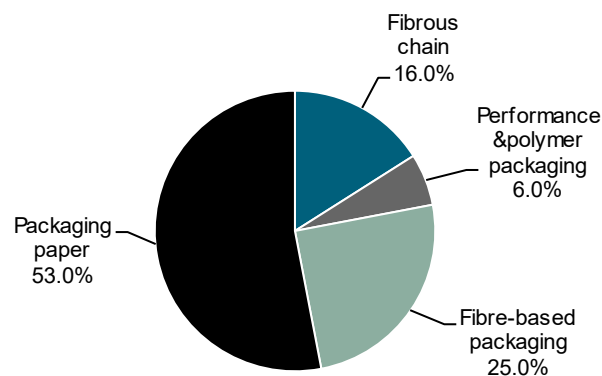
In addition, we think the impact of the weak IPC margin should be partly offset by the continued strong margin of FC products, for which we expect to see an 18-20% EBITDA margin vs 22% in 2Q21, thanks to the resilient demand for food packaging developed by SCGP in the past five years. Its food packaging should gradually replace the loss-making writing and printing papers which have seen a structural demand downtrend due to the increasingly paperless consumer behaviour trends.

Exhibit 12: SCGP's revenue breakdown (1H20 vs 1H21)



Source: SCGP

Exhibit 13: SCGP's revenue breakdown by segment (1H21)



Source: SCGP

Growth from expansions underscore medium to long-term growth

While SCGP could face a weak 3Q21 net profit due mainly to the AOCC price hike caused by the freight hike and the poor demand on the lockdowns, we think that starting in 4Q21 SCGP should see y-y and q-q net profit growth again, driven by:

- Five organic expansions to increase its 4Q21 revenue by THB11b and combined net profit growth to over THB1b, based on our estimate;
- Inorganic growth from a number of SCGP's M&A via its mergers & partnerships (M&P) strategy, including Intan in Indonesia, Go-Pak, Sovi, and Duy Tan in Vietnam, and Visy in Thailand. We estimate that the combined net profit from its M&A will be THB1.0b-1.3b annually, thanks to the higher EBITDA margins of over 15% for most of the acquired assets.

Exhibit 14: Organic expansions

	Country	Products	Capacity expansion	Additional Capacity	Final completion
1	Thailand & Vietnam	Foodservice packaging	Pressboard & Molded pulp, TH & VN (1,838 million pieces/year)	+25%	<ul style="list-style-type: none"> Pressboard: Q3/2021 (TH& VN) Molded pulp : Q2/2022 (TH)
2	Thailand	Flexible packaging	Prepack plant#2 (53 million m ² /year)	+15%	Q4/2021
3	Philippines	Packaging paper	UPPC-Paper machine#3 (220,000 Ton/year)	+90%	Q4/2021
4	Indonesia	Packaging paper	FAJAR Plant#2, Surabaya (400,000 Ton/year)	+30%	Commercially started in Apr 2021
5	Thailand	Rigid packaging	Visy Line#7 (347 million pieces/year)	+15-20%	Commercially started in Mar 2021. Automated warehouse end of 2021

Source: SCGP

Exhibit 15: Inorganic expansions via M&P strategy

M&P consolidated		On progress of closing...
Intan ID's leading box player & enhance integration synergies • Revenue approx. 3,231 MB ² • SCGP 75% stake at max. 2,088 MB	Duy Tan Fullfill VN's T-Model with leader in rigid packaging • Revenue approx. 7,170 MB ³ • SCGP 70% stake at max. 9,120 MB	Deltalab New entry to healthcare & medical supply segments • Revenue approx. 2,800 MB ² • SCGP 85% stake (To be completed)
Go-Pak Fibrous chain's Transformation to foodservice packaging • Revenue approx. 2,800 MB ³ • SCGP 100% stake at approx. 4,400-5,500MB	SOVI Top box player in VN with high consumers growth • Revenue approx. 2,100 MB ³ • SCGP 94.1% stake at approx. 2,700MB	

Source: SCGP

Announcement of a greenfield upstream packaging paper plant in North Vietnam.

On 20 September 2021, SCGP announced a VND8.13b (THB11.8b) investment to build a new greenfield 0.37mtpa upstream packaging paper plant under its subsidiary VKPC, which includes premium grade products (lightweight paper). VKPC is a JV owned 70% by Siam Kraft Industry, a 100% subsidiary of SCGP, and Rengo Company (Japan). VKPC currently operates a packaging paper capacity of 0.5mtpa, and the North Vietnam expansion will raise its total capacity to 0.87mtpa.

We believe SCGP's investment in the new upstream packaging paper plant in North Vietnam is the right direction for the company. This will expand VKPC's capacity and presence in North Vietnam to serve the high demand growth of the electronics and electrical manufacturers located there for the export market. We estimate that the investment for VKPC3 is reasonable at USD996 per tonne capacity, given that the investment cost is lower than the investment for SCGP's Fajar in Indonesia at USD1,100 per tonne capacity. VKPC3 also includes the infrastructure costs for the land and other infrastructure for future expansions in both upstream and downstream packaging paper, according to management.

Exhibit 16: Estimated investment cost per tonne capacity for VKPC

Plant	COD	Capacity (ktpa)	Investment (USD/tonne capacity)
VKPC1	2009	250	150
VKPC2	2016	250	600
VKPC3	2023E	370	996

Sources: SCGP; FSSIA estimates

Expect weak 3Q21 results, mainly due to the lockdown impact in Vietnam

In 3Q21, we project SCGP's net profit to weaken to THB1.5b-1.7b, down from THB2.3b in 2Q21, due to the lower margin for its IPC group as a result of the higher raw material cost of AOCC, driven by the higher freight cost that has more than doubled YTD.

As a result, the testliner paper price (benchmark price for SCGP's IPC products) margin over AOCC has plunged from over USD300/t in 1Q21 to below USD200/t in Jul-Aug 2021. However, we think the impact from the margin decline for SCGP's IPC will be limited in the short term. We expect it to drop from a 17% EBITDA margin in 2Q21 to 15-16% in 3Q21, thanks to the high proportion of HVA products in the IPC group that should help offset the impact of the rising AOCC cost.

Exhibit 17: 3Q21/9M21 net profit forecasts

	3Q20	2Q21	----- 3Q21E -----			9M20	9M21E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Revenue	23,287	29,895	26,531	(11.3)	13.9	69,190	83,679	20.9
Operating costs	(19,308)	(24,738)	(22,345)	(9.7)	15.7	(56,412)	(69,357)	22.9
EBITDA	3,979	5,157	4,186	(18.8)	5.2	12,779	14,322	12.1
<i>EBITDA margin (%)</i>	<i>17.1</i>	<i>17.3</i>	<i>15.8</i>	<i>nm</i>	<i>nm</i>	<i>18.5</i>	<i>17.1</i>	<i>nm</i>
Depn & amort.	(1,812)	(1,932)	(1,939)	0.4	7.0	(5,365)	(5,771)	7.6
EBIT	2,168	3,225	2,247	(30.3)	3.7	7,414	8,551	15.3
Interest expense	(579)	(307)	(253)	(17.6)	(56.3)	(2,743)	(821)	(70.1)
Interest & invt inc	-	-	-	nm	nm	-	-	nm
Other income	177	242	290	19.8	63.5	460	922	100.6
Associates' contrib	17	7	-	(100.0)	(100.0)	55	30	(45.6)
Exceptionals	(36)	165	150	(9.1)	(516.9)	992	214	(78.5)
Pretax profit	1,747	3,332	2,434	(27.0)	39.3	6,177	8,896	44.0
Tax	(313)	(620)	(352)	(43.2)	12.5	(545)	(1,530)	180.9
<i>Tax rate (%)</i>	<i>17.9</i>	<i>18.6</i>	<i>14.5</i>	<i>nm</i>	<i>nm</i>	<i>8.8</i>	<i>17.2</i>	<i>nm</i>
Minority interests	(99)	(450)	(449)	(0.2)	352.9	(661)	(1,335)	101.9
Net profit	1,335	2,263	1,633	(27.8)	22.3	4,971	6,031	21.3
Non-recurring	(113)	(24)	94	(497.2)	(183.6)	(37)	(58)	58.0
Core net profit	1,448	2,287	1,539	(32.7)	6.3	5,008	6,089	21.6
EPS (THB)	0.43	0.72	0.52	(27.8)	22.3	1.42	1.93	35.4
Core EPS (THB)	0.46	0.73	0.49	(32.7)	6.3	1.48	1.95	32.1

Sources: SCGP; FSSIA estimates

Attractive play on reopening and consumer megatrends

We maintain our target price of THB82, based on 16x 2022E EV/EBITDA – a valuation premium to its peers due to SCGP's superior market presence, strong net profit growth outlook from M&P and organic growth, and the margin expansion from its cost reduction strategy.

While in short term, in 3Q21, SCGP's net profit will likely weaken due to the intense lockdowns in many countries, particularly Vietnam and Indonesia, where SCGP has a strong production and market presence, we believe the recent share price correction should have already priced in the 3Q21 net profit outlook. We recommend investors buy SCGP ahead of the stronger net profit outlook that we project starting in 4Q21 into 2022, driven by both organic and inorganic growth and improving IPC margins and demand after the economic reopening scheduled in Thailand for Oct-21.

Exhibit 18: Peer comparisons

Company	BBG code	Rec	Share Price (LCY)	Target price (LCY)	Upside (%)	Market Cap (USD m)	3Y EPS CAGR (%)	----- PE ----- 21E 22E (x) (x)	--- ROE --- 21E 22E (%) (%)	--- PBV --- 21E 22E (x) (x)	EV / EBITDA 21E 22E (x) (x)
ASIA											
SCG Packaging	SCGP TB	BUY	62.25	82	32	8,013	31.4	26.5 20.5	11.0 13.0	2.8 2.5	14.8 12.5
Eastern Polymer Group	EPG TB	BUY	11.8	15.5	31	991	16.8	27.1 21.7	11.3 13.3	3.0 2.8	18.9 16.0
Polyplex Pcl	PTL TB	NA	28	NA	NA	748	26.1	9.9 7.7	17.7 19.2	1.6 1.3	6.6 5.5
United Paper Pcl	UTP TB	NA	17.1	NA	NA	333	4.1	10.8 10.4	27.7 25.1	2.8 2.5	7.7 7.5
Lee & Man Paper Manufac	2314 HK	NA	6.72	NA	NA	3,780	nm	6.8 6.6	14.2 13.7	0.9 0.9	4.7 4.5
Nine Dragons Paper	2689 HK	NA	10.7	NA	NA	6,462	nm	5.9 6.0	15.9 14.1	0.9 0.8	4.1 3.9
ASIA avg						20,326	31.0	15.4 12.7	13.7 13.9	1.8 1.7	9.3 8.1
Europe											
Ds Smith Plc	SMDS LN	NA	430.5	NA	NA	8,082	16.0	18.3 14.3	9.5 10.9	1.6 1.6	9.5 8.4
Mondi Plc	MNDI LN	NA	1840.5	NA	NA	12,215	11.5	15.2 13.1	16.1 16.8	2.3 2.1	8.9 7.9
Smurfit Kappa Group	SKG LN	NA	3977	NA	NA	14,080	nm	17.5 14.8	17.5 18.3	2.9 2.5	8.8 7.9
Europe avg						34,377	12.0	28.5 23.8	25.6 27.1	4.0 3.7	15.2 13.5
USA											
Amcor Plc-Cdi	AMC AU	NA	16.37	NA	NA	18,276	nm	16.1 14.7	24.7 25.7	3.9 3.8	12.0 11.3
Amcor Plc	AMCR US	NA	11.78	NA	NA	18,121	13.6	15.9 14.6	24.7 25.7	3.9 3.7	11.9 11.2
Ardagh Group Sa	ARD US	NA	24.19	NA	NA	5,718	122.4	14.4 12.0	nm 89.1	nm 22.8	9.2 8.1
USA avg						76,492	36.6	32.7 29.6	44.2 71.0	7.0 13.1	24.0 22.4
Polymer packaging											
Ds Smith Plc	SMDS LN	NA	430.5	NA	NA	8,082	16.0	18.3 14.3	9.5 10.9	1.6 1.6	9.5 8.4
Polymer packaging avg						8,082	16.0	7.3 5.7	3.8 4.3	0.6 0.6	3.8 3.3
Overall average						139,277	31.8	23.2 17.7	26.7 43.7	1.0 1.4	9.7 8.1

Share prices as of 20 Sep 2021

Sources: Bloomberg; FSSIA estimates

Financial Statements

SCG Packaging

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	89,070	92,786	120,789	127,572	130,468
Cost of goods sold	(65,661)	(66,149)	(85,983)	(88,072)	(90,237)
Gross profit	23,409	26,637	34,806	39,500	40,231
Other operating income	-	-	-	-	-
Operating costs	(9,753)	(10,141)	(14,495)	(15,309)	(13,047)
Operating EBITDA	13,656	16,496	20,312	24,191	27,184
Depreciation	(5,991)	(7,183)	(6,291)	(6,746)	(7,278)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	7,665	9,313	14,021	17,446	19,906
Net financing costs	(1,491)	(1,674)	(1,246)	(1,058)	(1,058)
Associates	53	66	0	0	0
Recurring non-operating income	1,070	850	80	80	80
Non-recurring items	(304)	(181)	0	0	0
Profit before tax	6,940	8,308	12,855	16,468	18,928
Tax	(1,049)	(1,002)	(2,006)	(2,589)	(3,006)
Profit after tax	5,891	7,306	10,849	13,879	15,922
Minority interests	(623)	(848)	(750)	(852)	(852)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	5,269	6,457	10,099	13,027	15,070
Non-recurring items & goodwill (net)	304	181	0	0	0
Recurring net profit	5,573	6,638	10,099	13,027	15,070
Per share (THB)					
Recurring EPS *	1.78	1.55	2.35	3.03	3.51
Reported EPS	1.69	1.50	2.35	3.03	3.51
DPS	0.63	0.60	0.75	0.90	0.90
Diluted shares (used to calculate per share data)	3,126	4,293	4,293	4,293	4,293
Growth					
Revenue (%)	2.1	4.2	30.2	5.6	2.3
Operating EBITDA (%)	(2.6)	20.8	23.1	19.1	12.4
Operating EBIT (%)	(11.2)	21.5	50.6	24.4	14.1
Recurring EPS (%)	(53.1)	(13.3)	52.1	29.0	15.7
Reported EPS (%)	(56.6)	(10.7)	56.4	29.0	15.7
Operating performance					
Gross margin inc. depreciation (%)	19.6	21.0	23.6	25.7	25.3
Gross margin of key business (%)	19.6	21.0	23.6	25.7	25.3
Operating EBITDA margin (%)	15.3	17.8	16.8	19.0	20.8
Operating EBIT margin (%)	8.6	10.0	11.6	13.7	15.3
Net margin (%)	6.3	7.2	8.4	10.2	11.6
Effective tax rate (%)	15.2	12.2	15.6	15.7	15.9
Dividend payout on recurring profit (%)	35.3	38.8	31.9	29.7	25.6
Interest cover (X)	5.9	6.1	11.3	16.6	18.9
Inventory days	72.7	71.8	62.3	69.6	69.6
Debtor days	59.5	62.0	51.6	53.2	56.4
Creditor days	51.8	56.3	50.6	56.5	56.5
Operating ROIC (%)	6.9	7.2	(2.6)	(2.9)	(3.0)
ROIC (%)	6.8	6.5	(2.1)	(2.5)	(2.6)
ROE (%)	13.4	10.1	11.0	13.0	13.6
ROA (%)	6.3	5.7	6.2	7.7	8.3

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2019	2020	2021E	2022E	2023E
Fibrous chain	24,940	25,980	33,821	35,720	36,531
Performance and Polymer packaging	41,863	43,609	56,771	59,959	61,320
Packaging paper	5,344	5,567	7,247	7,654	7,828
Fibre-based packaging	16,923	17,629	22,950	24,239	24,789

Sources: SCG Packaging; FSSIA estimates

Financial Statements

SCG Packaging

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	5,573	6,638	10,099	13,027	15,070
Depreciation	5,991	7,183	6,291	6,746	7,278
Associates & minorities	41	42	(5,000)	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(1,775)	1,461	(2,031)	(1,597)	(1,659)
Cash flow from operations	9,829	15,325	9,359	18,175	20,690
Capex - maintenance	(3,180)	(3,181)	0	0	0
Capex - new investment	(27,295)	(8,409)	(7,023)	(17,023)	(17,023)
Net acquisitions & disposals	41	42	(5,000)	0	0
Other investments (net)	(13,675)	1,215	(300)	0	0
Cash flow from investing	(44,109)	(10,334)	(12,323)	(17,023)	(17,023)
Dividends paid	(1,969)	(2,576)	(3,220)	(3,864)	(3,864)
Equity finance	0	0	0	0	0
Debt finance	31,081	(16,115)	(11,382)	0	0
Other financing cash flows	7,230	41,627	5,808	910	910
Cash flow from financing	36,342	22,936	(8,794)	(2,954)	(2,954)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	2,061	27,927	(11,757)	(1,803)	712
Free cash flow to firm (FCFF)	(32,661.71)	6,442.31	(1,718.14)	2,209.24	4,724.14
Free cash flow to equity (FCFE)	4,030.63	30,502.42	(8,537.76)	2,061.07	4,575.98

Per share (THB)

FCFF per share	(7.61)	1.50	(0.40)	0.51	1.10
FCFE per share	0.94	7.11	(1.99)	0.48	1.07
Recurring cash flow per share	3.71	3.23	2.65	4.61	5.21

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	180,525	195,012	207,035	224,059	241,082
Less: Accumulated depreciation	(97,662)	(107,741)	(114,032)	(120,777)	(128,056)
Tangible fixed assets (net)	82,864	87,271	93,004	103,281	113,026
Intangible fixed assets (net)	18,426	18,624	18,624	18,624	18,624
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	787	829	829	829	829
Cash & equivalents	4,959	32,886	21,128	19,326	20,039
A/C receivable	15,198	16,334	17,813	19,375	20,972
Inventories	13,276	12,760	16,586	16,989	17,407
Other current assets	1,950	939	1,223	1,291	1,321
Current assets	35,383	62,919	56,750	56,981	59,738
Other assets	2,053	2,786	2,786	2,786	2,786
Total assets	139,513	172,429	171,992	182,501	195,003
Common equity	42,952	88,738	95,675	104,897	116,161
Minorities etc.	19,864	21,103	21,853	22,705	23,557
Total shareholders' equity	62,816	109,841	117,528	127,602	139,718
Long term debt	16,318	12,052	12,052	12,052	12,052
Other long-term liabilities	6,365	7,300	7,000	7,000	7,000
Long-term liabilities	22,683	19,351	19,052	19,052	19,052
A/C payable	10,059	10,365	13,473	13,800	14,139
Short term debt	43,230	31,382	20,000	20,000	20,000
Other current liabilities	725	1,489	1,939	2,048	2,094
Current liabilities	54,014	43,237	35,412	35,848	36,234
Total liabilities and shareholders' equity	139,513	172,429	171,992	182,501	195,003
Net working capital	19,640	18,179	20,210	21,807	23,466
Invested capital	123,770	127,689	135,452	147,327	158,731

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

Per share (THB)

Book value per share	13.74	20.67	22.29	24.43	27.06
Tangible book value per share	7.85	16.33	17.95	20.10	22.72

Financial strength

Net debt/equity (%)	86.9	9.6	9.3	10.0	8.6
Net debt/total assets (%)	39.1	6.1	6.4	7.0	6.2
Current ratio (x)	0.7	1.5	1.6	1.6	1.6
CF interest cover (x)	22.0	24.2	(0.2)	19.0	21.4

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	34.9	40.3	26.5	20.5	17.7
Recurring P/E @ target price (x) *	46.0	53.0	34.9	27.0	23.4
Reported P/E (x)	36.9	41.4	26.5	20.5	17.7
Dividend yield (%)	1.0	1.0	1.2	1.4	1.4
Price/book (x)	4.5	3.0	2.8	2.5	2.3
Price/tangible book (x)	7.9	3.8	3.5	3.1	2.7
EV/EBITDA (x) **	19.7	18.1	14.8	12.5	11.1
EV/EBITDA @ target price (x) **	24.2	23.3	18.9	16.0	14.3
EV/invested capital (x)	2.2	2.3	2.2	2.1	1.9

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

Sources: SCG Packaging; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TPIPP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAH	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIIK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

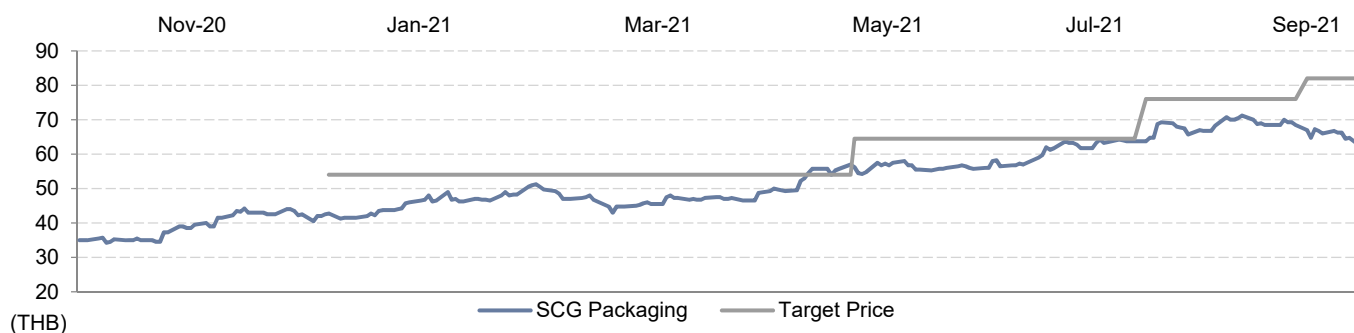
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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History of change in investment rating and/or target price

SCG Packaging (SCGP TB)



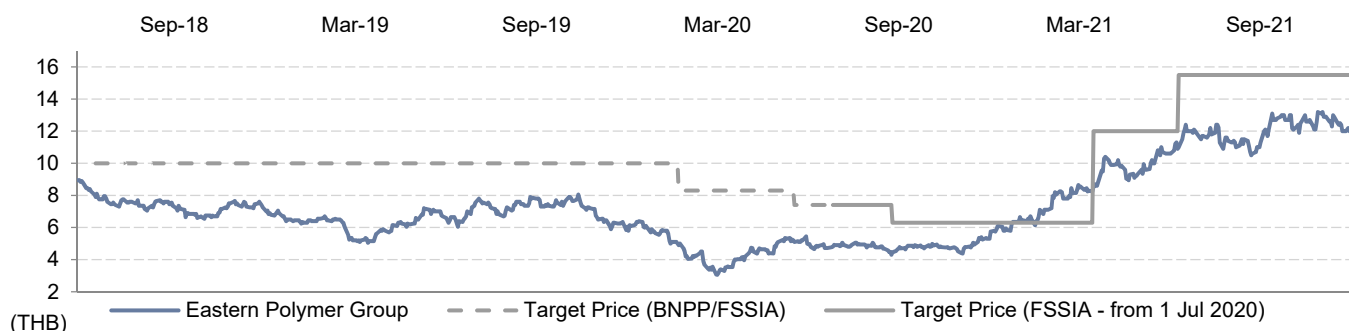
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
24-Dec-2020	BUY	54.00	30-Mar-2021	BUY	54.00	03-Sep-2021	BUY	82.00
26-Jan-2021	BUY	54.00	10-May-2021	BUY	64.50			
23-Mar-2021	BUY	54.00	23-Jul-2021	BUY	76.00			

Suwat Sinsadok started covering this stock from 24-Dec-2020

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
09-Oct-2018	BUY	10.00	29-May-2020	BUY	7.40	08-Feb-2021	BUY	12.00
20-Feb-2020	BUY	8.30	20-Aug-2020	BUY	6.30	26-Mar-2021	BUY	12.00
29-May-2020	BUY	7.40	10-Nov-2020	BUY	6.30	22-Apr-2021	BUY	15.50

Suwat Sinsadok started covering this stock from 09-Oct-2018

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
SCG Packaging	SCGP TB	THB 62.25	BUY	Downside risks to our EV/EBITDA-based TP include a lower-than-expected demand for packaging, rising raw material costs of recycled paper and higher energy costs.
Eastern Polymer Group	EPG TB	THB 11.80	BUY	Downside risks to our EV/EBITDA-based target price include 1) a sharp rise in feedstock prices, driven mostly by a higher oil price; and 2) lower-than-expected demand

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 20-Sep-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.