

SCG PACKAGING SCGP TB

THAILAND / INDUSTRIAL

BUY

UNCHANGED

Cost: OCC upside vs coal downside

- We believe SCGP's net profit growth in 2022-24 will remain resilient, with projected net profit growth of 26% y-y in 2022.
- Key drivers are the y-y weaker OCC price due to higher supplies and a limited impact from the coal price spike.
- Maintain BUY and trim our TP from THB77 to THB70.

TARGET PRICE	THB70.00
CLOSE	THB56.00
UP/DOWNSIDE	+25.0%
PRIOR TP	THB77.00
CHANGE IN TP	-9.1%
TP vs CONSENSUS	+2.0%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	124,223	130,818	133,715	133,746
Net profit	8,294	10,442	11,828	11,519
EPS (THB)	1.93	2.43	2.76	2.68
vs Consensus (%)	-	4.2	4.2	(9.0)
EBITDA	18,619	22,036	24,143	24,345
Core net profit	7,444	10,442	11,828	11,519
Core EPS (THB)	1.73	2.43	2.76	2.68
Chg. In EPS est. (%)	-	(4.6)	(5.5)	(5.3)
EPS growth (%)	12.1	40.3	13.3	(2.6)
Core P/E (x)	32.3	23.0	20.3	20.9
Dividend yield (%)	1.2	1.8	2.1	2.3
EV/EBITDA (x)	15.8	13.4	12.0	11.7
Price/book (x)	2.5	2.3	2.1	2.0
Net debt/Equity (%)	23.6	21.6	15.4	10.5
ROE (%)	8.0	10.4	10.9	9.9

Weaker OCC price to timely offset the rising energy cost

We believe SCGP's net profit growth in 2022-24 will remain resilient and project net profit growth of 26% y-y in 2022, despite the higher cost of old corrugated containers (OCC) and coal, which are expected to cap its EBITDA margin in 2022. The key drivers are the y-y weaker OCC price due to higher supplies and a limited impact from the coal price spike as coal accounts for only 5% of SCGP's total costs.

M&P growth strategy to alleviate the cost hike impact

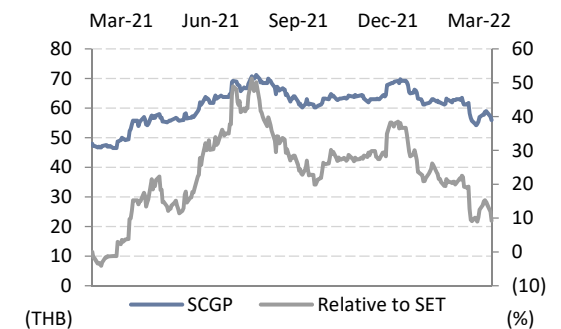
We think the key success factor for SCGP that differentiates it from most of its competitors is its proven track record of success in its mergers and partnerships (M&P) strategy, which focuses on growth not only in terms of capacity but also quality, market presence, and the products of its growth assets. In our view, the result should be expansion in three dimensions for its margins, markets, and products to enhance SCGP's net profit growth and sustainability amid cyclical in the prices of OCC and energy, SCGP's two main cost components.

Limited downside from the coal price hike

We believe the softening OCC cost should more than offset the rising energy cost, resulting in an improving EBITDA margin in 2022. Since the Oct-21 peak, the price of AOCC has declined by 10-15% due to the rising supply despite continued strong demand and high freight costs. We think the impact of the coal price hike will be limited and erode its EBITDA margin by 1-3% pts, given: 1) SCGP has locked in the price for 30% of its coal consumption volume of 2mt in 2022 at USD140/t since 2H21, based on our estimate; and 2) the remaining 70% coal consumption volume will be price linked mostly to the ICI4 coal price index, which we think will see less of a rise than the Newcastle coal price index.

Less bullish but still sanguine

We maintain BUY and trim our TP from THB77, based on 17.5x 2022E EV/EBITDA, to THB70, now based on 16.1x 2022E EV/EBITDA, to reflect the weaker earnings outlook due to high energy costs, the high price of OCC, and our lower EPS forecasts for 2022-24 by 4.6-5.5%. This reflects: 1) our higher price projection for recycled paper (OCC); 2) our higher coal price assumption of USD200/t for the Newcastle index and ICI4 to USD100/t in 2022; and 3) higher pulp prices as a result of the tight supply and stronger-than-expected demand outlook.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.8)	(18.2)	23.1
Relative to country (%)	(10.1)	(20.7)	14.9
Mkt cap (USD m)	7,172		
3m avg. daily turnover (USD m)	24.7		
Free float (%)	30		
Major shareholder	Siam Cement (69%)		
12m high/low (THB)	71.50/44.75		
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 in 2022-24. 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.

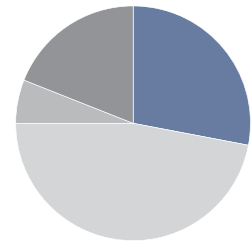
Company profile

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, 2021)

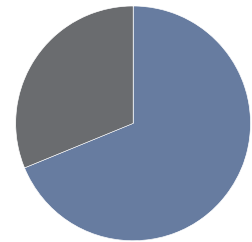
- Fibrous chain - 28.0 %
- Performance and Polymer packaging - 47.0 %
- Packaging paper - 6.0 %
- Fibre-based packaging - 19.0 %



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
April 2022	1Q22 results announcement

Key assumptions

	2022E	2023E	2024E
Packaging paper ASP (THB/tonne)	16,523	16,523	16,523
Fibre-based packaging ASP (THB/tonne)	23,005	23,005	23,005
Packaging sales volume (mtpa)	4.6	4.8	4.8
Fibrous sales volume (mtpa)	1.1	1.1	1.1
Recycled paper price (USD/tonne)	250	250	220
Pulp price (USD/tonne)	480	476	421

Source: FSSIA estimates

Earnings sensitivity

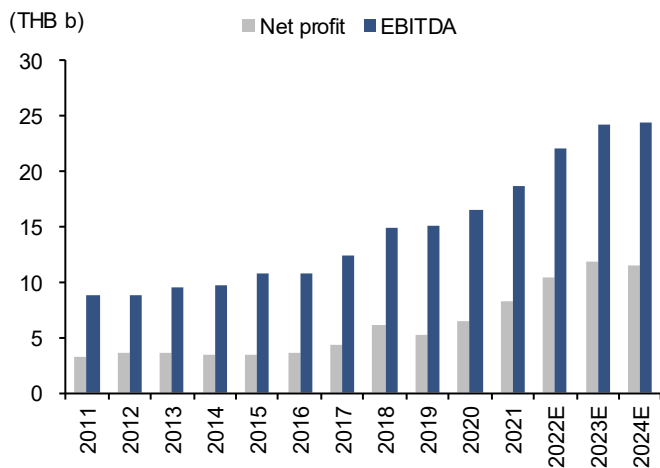
- For every 1% change in recycled paper price, we estimate a 0.7% change in 2022 EPS, all else being equal.
- For every 1% change in packaging paper price, we estimate a 1.5% change in 2022 EPS, all else being equal.
- For every 1% change in pulp price, we estimate a 0.1% change in 2022 EPS, all else being equal.

Source: FSSIA estimates

OCC cost upside vs coal price downside

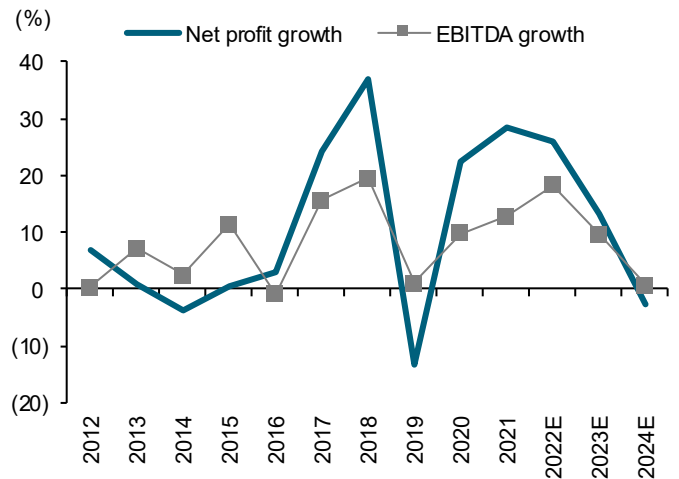
We believe SCGP's net profit growth in 2022-24 will remain resilient and project net profit growth of 26% y-y in 2022 despite the higher cost of OCC and coal, which are expected to cap its EBITDA margin in 2022. The key drivers are the y-y weaker OCC price due to higher supplies and a limited impact from the coal price spike as coal accounts for only 5% of SCGP's total costs.

Exhibit 1: Net profit and EBITDA



Sources: SCGP; FSSIA estimates

Exhibit 2: Net profit growth and EBITDA growth

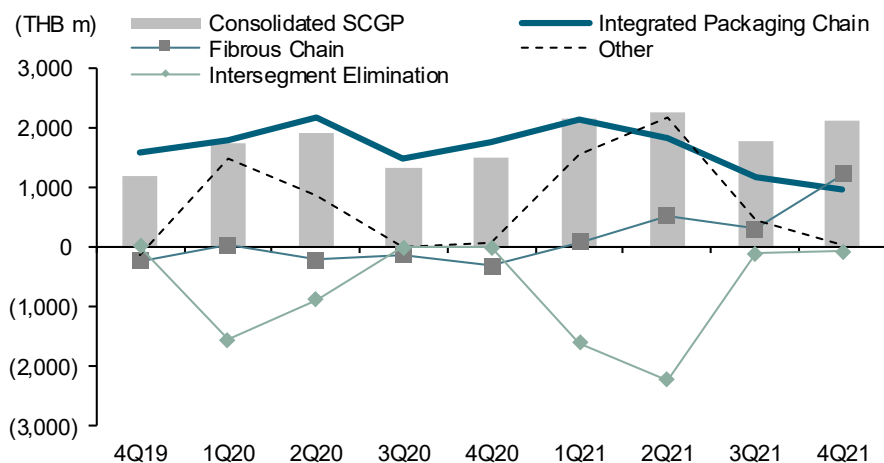


Sources: SCGP; FSSIA estimates

In the past four quarters, the net profits for the integrated packaging chain (IPC) have continued to decline as a result of the rising cost of OCC, which more than doubled within the four quarters since 1Q21 due to the freight rate hike and the tight supply.

In contrast, SCGP's net profit from its fibrous chain (FC) has continued to improve. After the net losses in 2020, it resumed profitability in 1Q21 and has since grown from THB68m in 1Q21 to THB1.2b in 4Q21. The main reasons for the FC's rising net profit are the sharp rise in the price of pulp driven by strong demand and the increasing sales volumes of its high-margin food packaging, which more than offset the weaker demand for its printing and writing paper.

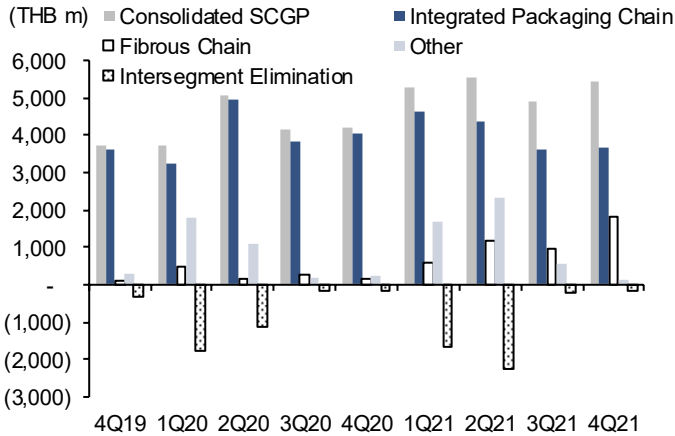
Exhibit 3: Net profit breakdown by segment



Source: SCGP

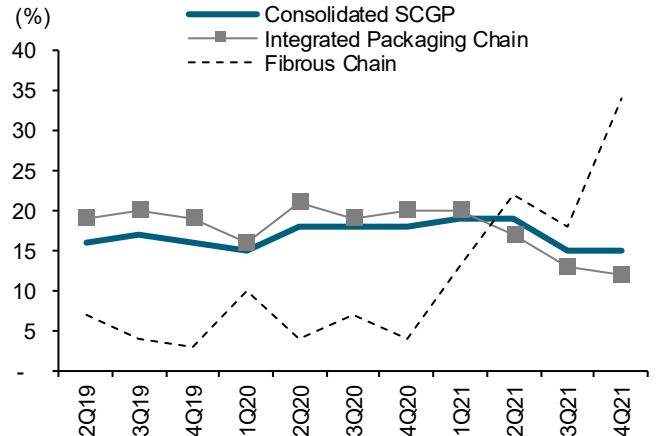
Looking into 2022-24, we expect the margin pressures from the higher cost of coal and OCC to continue given the high demand for coal as a substitute fuel for gas and oil, whose price spike was caused by supply risks from the ongoing Russia-Ukraine war.

Exhibit 4: Quarterly EBITDA breakdown by segment



Source: SCGP

Exhibit 5: Quarterly EBITDA margin by segment



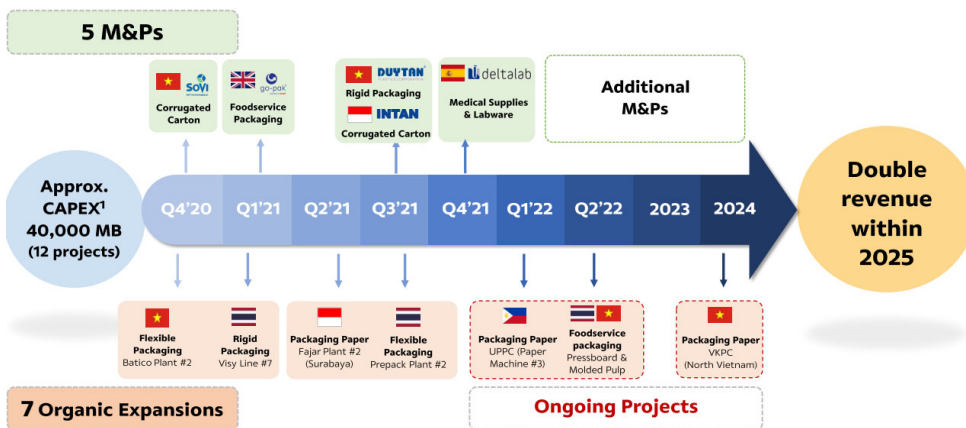
Source: SCGP

Acquisitions underpin resilient EBITDA, allowing packaging unit to offset the high OCC cost. We expect the EBITDA margin for IPC to remain weak at sub-15% due to the high OCC price, which accounts for over 50% of total costs. At the same time, EBITDA from IPC should remain resilient at over THB3.5b a quarter, supported by higher sales volumes mainly from inorganic growth, which should enhance SCGP's IPC EBITDA margin and sales volumes.

In 2020-21, SCGP successfully acquired several downstream specialty assets, adding over THB6b in net profit on cTHB43b in revenue using an estimated investment of THB50b to boost SCGP's net profit growth in 2020-21.

SCGP plans to double its revenue by 2024 via further capacity expansions at its existing assets and the continued M&P strategy of acquiring more downstream specialty assets overseas to further strengthen its product portfolio and market presence.

Exhibit 6: Growth strategy in 2020-21 and future growth projects in 2022-24



Source: SCGP

Among the eight assets grown via its M&P strategy in 2019-21, we believe only Fajar, which is an upstream producer of packaging paper, is unlikely to strengthen SCGP. The rest, in our view, will serve as financial and strategic muscles growing its market presence and customer base beyond ASEAN countries where SCC group, including SCGP, has dominated a range of industries (cement, building materials, ceramics, chemicals, and packaging).

Exhibit 7: SCGP’s key acquisitions since 2019

No	Closing Date	Company Name	Country	Equity % Bought	Max Investment Cost (MB)	Assets ¹ (MB)	Revenue ¹ (MB)	Net Profit ¹ (MB)	Competitive Position	Products / Solutions	Announced Capacity ¹	Annual Capacity ²
1	30 Aug 2019	Visy Packaging (Thailand) Limited ("Visy")	Thailand	80.0%	4,341	2,010	1,777	N/A	Leading food packaging provider with world class technology	High-quality of Rigid packaging	2,097 million pieces	2,997 million pieces
2	12 Sep 2019	PT. Fajar Surya Wisesa Tbk. ("Fajar")	Indonesia	55.0%	21,150	24,100	21,900	3,100	Leader in packaging paper in Indonesia	Packaging Paper	1.4 MT	1.8 MT
3	18 Dec 2020	Bien Hoa Packaging Joint Stock Company ("SOVI")	Vietnam	94.1%	2,700	1,380	2,100	200	Top box company in Vietnam with consumer-linked portfolio	Corrugated Carton	0.1 MT	0.1 MT
4	13 Jan 2021	GO-Pak UK Limited ("Go-Pak")	UK	100.0%	5,480	1,650	2,800	450	Leader in foodservice packaging in UK with global customer network	Foodservice packaging	4 billion pieces	4 billion pieces
5	23 July 2021	Duy Tan Plastics Manufacturing Corporation ("Duy Tan")	Vietnam	70.0%	9,120	7,130	7,170	930	No.1 rigid packaging producer in Vietnam	Rigid Polymer Packaging & Plastic Housewares	0.116 MT	0.116 MT
6	13 Aug 2021	PT Indonesia Dirlajaya Aneka Industri Box, PT Bahana Buana Box and PT Rapipack Asritama (collectively, "Intan Group")	Indonesia	75.0%	2,088	1,836	3,231	158	Top box company in Indonesia with consumer-linked portfolio	Corrugated Carton	0.21 MT	0.21 MT
7	31 Aug 2021	Visy Packaging (Thailand) Limited ("Visy") (Acquisition of additional 20% shares)	Thailand	20.0%	1,373	N/A	N/A	N/A	Leading food packaging provider with world class technology	High-quality of Rigid packaging	N/A	2,997 million pieces
8	9 Dec 2021	Detalab, S.L. ("Detalab")	Spain	85.0%	3,270	1,720	3,245	740	A recognized European manufacturers and distributor of high quality medical supplies & labware	High Quality Medical Supplies & Labware	15,000 SKUs and annual output of 250 million pieces	15,000 SKUs and annual output of 250 million pieces

Note (For data in the table): ¹ As of announcement date
² As of Dec 2021 / Full year basis without pro-rate from consolidation / start-up date

Source: SCGP

Three key strategic expansions via M&P: products, margins, and markets

We think the key success factor for SCGP that differentiates it from most of its competitors is its proven track record of success via its M&P strategy, which focuses on growth not only in capacity but also in the quality, market presence, and the products of its growth assets.

The result should be expansion in the three dimensions of margins, markets, and products to enhance SCGP’s net profit growth and sustainability amid cyclicity in the price of OCC and energy, SCGP’s two main cost components.

Product expansion: SCGP’s growth strategy has a proven track record of enhancing its product portfolio, extending its product coverage from commodity upstream pulp and paper and downstream packaging to include downstream specialty packaging, both paper and polymer-based.

Exhibit 8: Customer and product portfolio

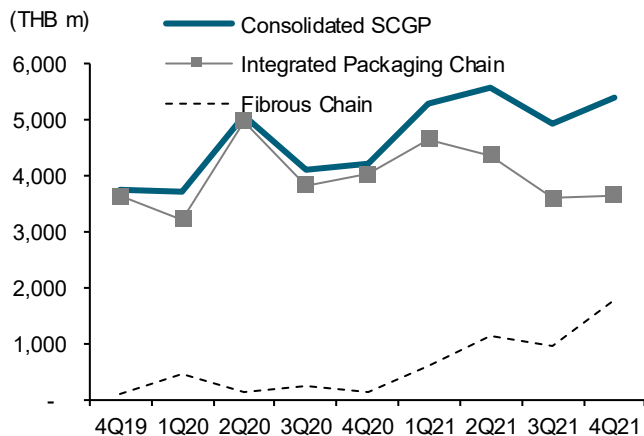
Potential Segments	Tertiary Packaging	Secondary Packaging	Primary Packaging
 <p>Medical Supplies & Consumer Healthcare</p>	 <p>Corrugated Box</p>	 <p>Folding Carton</p>	 <p>Polymer Packaging</p>
 <p>Pharmaceutical</p>	 <p>Corrugated Box</p>	 <p>Folding Carton</p>	 <p>Polymer Packaging</p>
 <p>Food & Beverage</p>	 <p>Corrugated Box</p>	 <p>Folding Carton</p>	 <p>Foodservice Packaging Polymer Packaging</p>

Source: SCGP

While the acquisitions of Duy Tan, SOVI, and Intan have strengthened SCGP's downstream commodity product portfolio and increased its business integration, the acquisitions of Visy, Go-Pak, and Deltalab have resulted in significantly improving positions in polymer-based packaging, which command much more sustainable and higher margins than paper-based packaging.

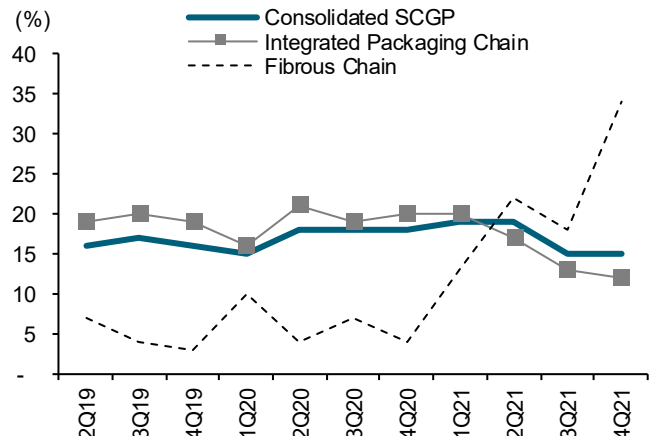
In addition, the acquisitions have positioned SCGP well for more complete packaging value chains, raising its backward integration to include primary packaging in medical supplies and the consumer healthcare industry (Deltalab, Duy Tan) and food & beverages (Visy). We believe SCGP's strategic acquisitions should allow the company to grow its EBITDA in many dimensions concurrently, expanding its product categories and industry exposure to diversify its business portfolio.

Exhibit 9: Quarterly EBITDA has risen, boosted by M&P strategy



Source: SCGP

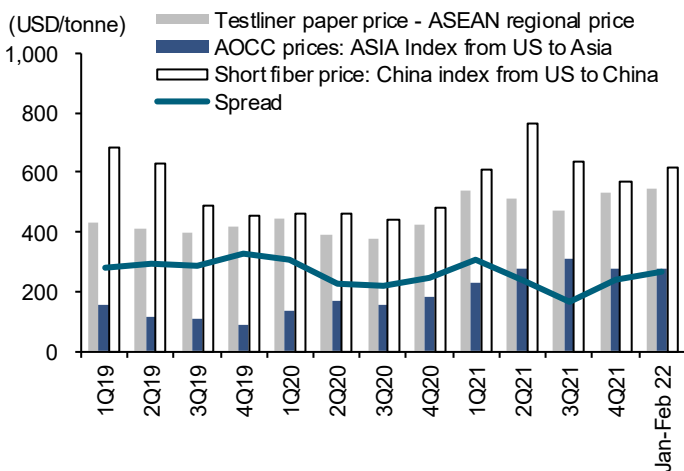
Exhibit 10: EBITDA margin remains healthy for IPC despite the higher costs of OCC and coal



Source: SCGP

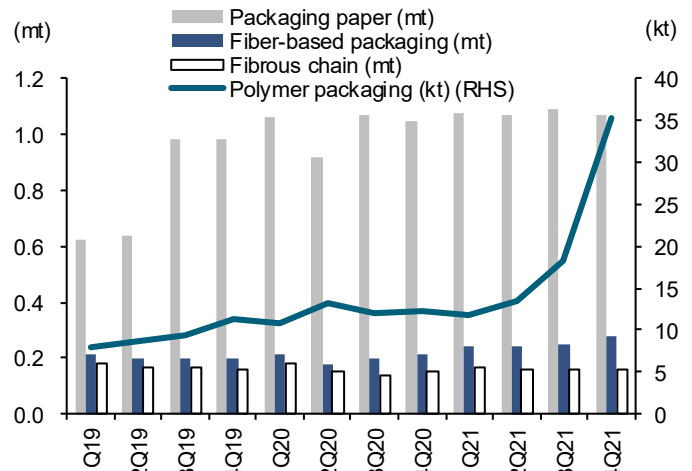
Margin expansion: Within its IPC unit, SCGP generated an EBITDA margin in the range of 16-20% in 2019-21, but this has since declined to 12% in 2H21 as a result of the OCC cost hike. However, we think SCGP should be able to maintain its EBITDA margin above 14% in 2022, thanks to the consolidation of its high-margin Deltalab acquisition since Dec-21.

Exhibit 11: Prices of testliner paper, AOCC, short fibre, and spread (Testliner over AOCC)



Source: SCGP

Exhibit 12: Production of packaging paper, fibre-based packaging, fibrous chain, and polymers



Source: SCGP

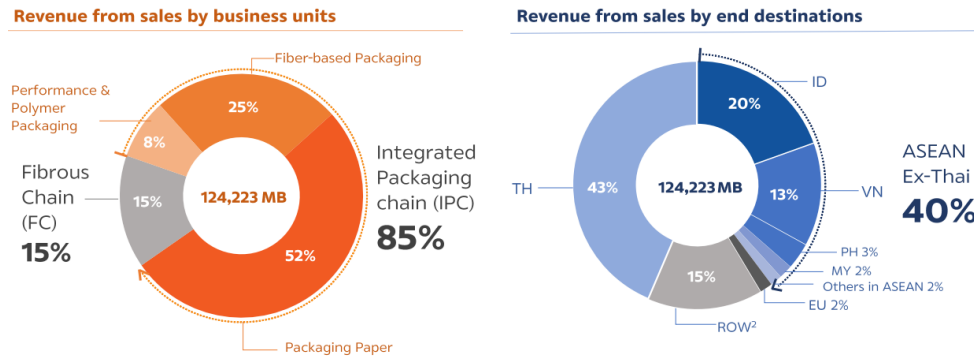
Margin-wise, we believe the acquisition of an 80% stake in Visy Packaging (Visy) in 2019 and an additional 20% stake in 2021, along with Go-Pak UK (Go-Pak), Duy Tan Plastics (Duy Tan), and Deltalab in 2021, have all enhanced SCGP's EBITDA margin, sales volumes, and market presence in Vietnam, Europe, and Thailand, as these acquired companies have generated EBITDA margins over 20-25%, above SCGP's IPC historical average EBITDA margin of 19%.

Similarly, the acquisitions of Bien Hoa Packaging (SOVI) in 2020 and Intan Group in 2021 have significantly improved SCGP's position as one of the leading packaging companies in the fast-growing markets of Vietnam and Indonesia and increased the integration of its IPC value chain to include downstream corrugated containers.

Meanwhile, EBITDA from its IPC unit has stayed high at over THB4b a quarter despite the lower EBITDA margin due to the OCC cost hike, thanks to the higher sales volumes from both organic expansion and M&P.

Market expansion: SCGP has now entered into a number of new markets via acquisitions, including Indonesia, Vietnam, and European Union countries (EU), growing its revenue in the ASEAN market from 32% in 2020 to 40% in 2021 and in the EU to 2%. We think SCGP will continue to expand its market share in other non-ASEAN markets given its stronger product portfolio that should offer higher value enhancement for its global customers.

Exhibit 13: Business portfolio in 2021



Source: SCGP

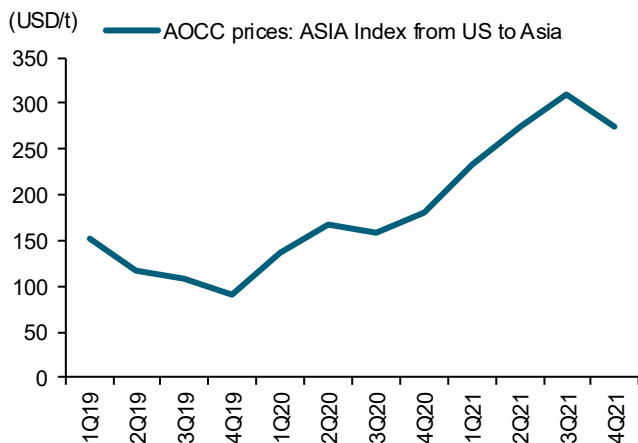
Cost risks are now subsiding in 2022

We have identified two major risks that could erode the EBITDA margin of SCGP, particularly for the IPC unit: the OCC cost and energy costs. We believe that in 2022 the softening OCC cost should more than offset the rising energy cost, resulting in an improving EBITDA margin in 2022.

OCC price risk is now subsiding. Since 4Q20, the price of OCC, represented by the US corrugated waste paper price, jumped from USD122/t in 4Q20 to peak at USD543/t in Oct-21, in line with the increase in the American OCC (AOCC) price, the key benchmark for SCGP’s OCC raw material price.

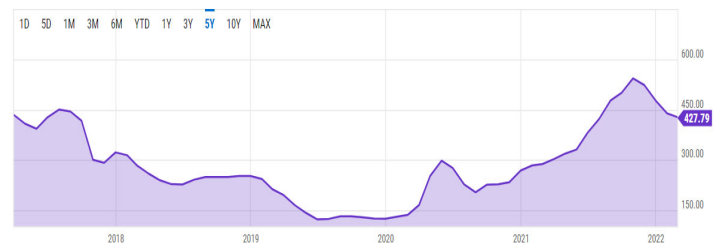
However, since the Oct-21 peak, the prices of AOCC and US corrugated waste paper have declined by 10-15% due to the rising supply despite continued strong demand and higher freight costs.

Exhibit 14: AOCC price: Asia index from US to Asia



Source: [Barchart](#)

Exhibit 15: US producer price index: pulp, paper, and allied products – corrugated waste paper

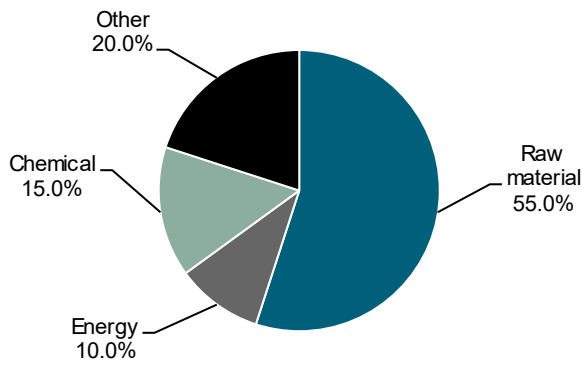


Source: [Ychart](#)

We project SCGP’s OCC cost to stay in the range of USD250-300/t and average USD270/t in 2022 as we expect the additional supply, mainly in North America, and the freight cost to soften in 2H22 due to the global loosening of supply and shipping disruptions. According to management, the freight cost now accounts for almost 25% of the total OCC import cost but that is expected to decline gradually in 2H22.

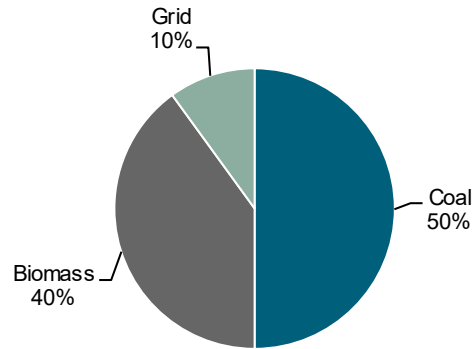
As OCC, one of the major raw materials for packaging paper, accounts for around 55% of the total cost, the 10-20% y-y OCC price drop should result in a 5-10% decline in the overall cost, which we think should timely offset the price hikes of coal and energy in 2022.

Exhibit 16: Cost structure of SCGP



Sources: SCGP; FSSIA estimates

Exhibit 17: Energy cost breakdown



Sources: SCGP; FSSIA estimates

Energy cost hike risk. The chief risk for SCGP’s EBITDA margin in 2022 will likely come from the sharp rise in the price of coal as a result of the higher supply risk caused by the Russia-Ukraine war that has driven up the global prices of oil, gas, and coal by over 50-100% in the past two months.

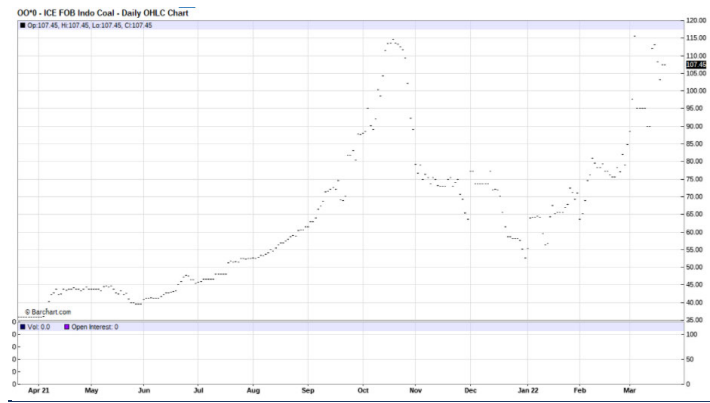
Given that coal represents 5% of total costs and around 50% of the energy cost, the spike in coal prices has increased the energy cost for SCGP in 2022. However, we think the impact of the coal price hike will be limited, and erode its EBITDA margin by 1-3% pts, given:

- 1) SCGP has locked in the price for 30% of its coal consumption volume of 2mt in 2022 at USD140/t since 2H21, based on our estimate;
- 2) The remaining 70% coal consumption volume or 1.4mt will be price linked to two major coal price indexes – the ICI4 coal price benchmark of Indonesia and the Newcastle coal price benchmark of Australia.

According to management, most of the floating coal consumption volume will be linked to the ICI4 index, which has risen from USD40/t in Jan-22 to USD110/t in Mar-22, an increase of USD70/t or almost 3x within less than three months. Meanwhile, the remaining 0.3mt coal volume will have its price linked to the Newcastle coal price index, which has jumped from USD160/t in Jan-22 to USD329/t in Mar-22.

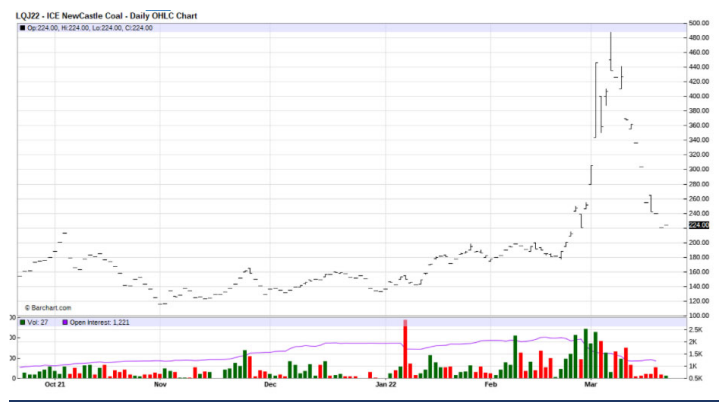
We estimate that SCGP will incur an additional cost of USD0.1-0.2b in 2022, based on the USD200/t Newcastle coal price index and the USD100/t ICI4 average assumption in 2022. However, the rising energy cost should be offset by both the lower OCC cost and the higher selling prices for packaging paper, which we expect to increase by 15-20% y-y in 2022 based on the price increases of major packaging companies in Europe and North America, according to management.

Exhibit 18: ICE FOB Indo coal Mar-22 (OOH22)



Source: [Barchart](#)

Exhibit 19: ICE Newcastle coal price futures index Apr-22 (LQ122)



Source: [Barchart](#)

EPS and target price revisions

We lower our EPS forecasts for 2022-24 by 4.6-5.5% to reflect: 1) our higher price estimates for recycled paper (OCC); 2) our higher coal price assumptions to USD200/t for the Newcastle index and ICI4 to USD100/t in 2022; and 3) higher pulp prices as a result of the tight supply and stronger-than-expected demand outlook.

We trim our target price from THB77, based on 17.5x 2022E EV/EBITDA, to THB70, now based on 16.1x 2022E EV/EBITDA, to reflect the weaker earnings outlook due to the higher energy cost and the longer-than-expected spike in the price of OCC due to high freight costs.

We believe SCGP will withstand the storm of higher energy prices and OCC costs in 2022 and expect to see a meaningful earnings recovery in 2H22, based on the projected weaker OCC price and higher demand that should help offset the impact of higher energy costs.

Exhibit 20: Key assumptions and EPS revisions

	Current			Previous			Change		
	2022E (THB m)	2023E (THB m)	2024E (THB m)	2022E (THB m)	2023E (THB m)	2024E (THB m)	2022E (%)	2023E (%)	2024E (%)
Revenue	130,818	133,715	133,746	130,818	133,715	133,746	0.0	0.0	0.0
Gross profit	36,949	37,515	37,720	36,949	37,515	37,720	0.0	0.0	0.0
Operating profit	13,342	15,222	15,299	13,342	15,222	15,299	0.0	0.0	0.0
Net profit	10,442	11,828	11,519	10,948	12,513	12,164	(4.6)	(5.5)	(5.3)
EPS (THB/share)	2.43	2.76	2.68	2.55	2.91	2.83	(4.6)	(5.5)	(5.3)
Key assumptions									
Packaging paper ASP (THB/tonne)	16,523	16,523	16,523	16,523	16,523	16,523	0.0	0.0	0.0
Fibre-based packaging ASP (THB/tonne)	23,005	23,005	23,005	23,005	23,005	23,005	0.0	0.0	0.0
Packaging sales volume (mtpa)	4.6	4.8	4.8	4.6	4.8	4.8	0.0	0.0	0.0
Fibrous sales volume (mtpa)	1.1	1.1	1.1	1.1	1.1	1.1	0.0	0.0	0.0
Recycled paper price (USD/tonne)	250	250	220	200	200	200	25.0	25.0	10.0
Pulp price (USD/tonne)	480	476	421	430	426	421	11.6	11.7	0.0

Sources: SCGP; FSSIA estimates

Financial Statements

SCG Packaging

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	92,786	124,223	130,818	133,715	133,746
Cost of goods sold	(66,149)	(93,029)	(93,869)	(96,200)	(96,026)
Gross profit	26,637	31,193	36,949	37,515	37,720
Other operating income	-	-	-	-	-
Operating costs	(10,141)	(12,575)	(14,913)	(13,371)	(13,375)
Operating EBITDA	16,496	18,619	22,036	24,143	24,345
Depreciation	(7,183)	(8,315)	(8,693)	(8,922)	(9,047)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,313	10,304	13,342	15,222	15,299
Net financing costs	(1,674)	(863)	(1,620)	(1,620)	(2,111)
Associates	66	57	0	0	0
Recurring non-operating income	850	1,421	2,214	2,214	2,214
Non-recurring items	(181)	850	0	0	0
Profit before tax	8,308	11,712	13,937	15,816	15,402
Tax	(1,002)	(2,065)	(2,137)	(2,451)	(2,386)
Profit after tax	7,306	9,647	11,800	13,365	13,016
Minority interests	(848)	(1,353)	(1,358)	(1,538)	(1,497)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	6,457	8,294	10,442	11,828	11,519
Non-recurring items & goodwill (net)	181	(850)	0	0	0
Recurring net profit	6,638	7,444	10,442	11,828	11,519
Per share (THB)					
Recurring EPS *	1.55	1.73	2.43	2.76	2.68
Reported EPS	1.50	1.93	2.43	2.76	2.68
DPS	0.60	0.65	1.00	1.20	1.30
Diluted shares (used to calculate per share data)	4,293	4,293	4,293	4,293	4,293
Growth					
Revenue (%)	4.2	33.9	5.3	2.2	0.0
Operating EBITDA (%)	20.8	12.9	18.4	9.6	0.8
Operating EBIT (%)	21.5	10.6	29.5	14.1	0.5
Recurring EPS (%)	(13.3)	12.1	40.3	13.3	(2.6)
Reported EPS (%)	(10.7)	28.4	25.9	13.3	(2.6)
Operating performance					
Gross margin inc. depreciation (%)	21.0	18.4	21.6	21.4	21.4
Gross margin of key business (%)	21.0	18.4	21.6	21.4	21.4
Operating EBITDA margin (%)	17.8	15.0	16.8	18.1	18.2
Operating EBIT margin (%)	10.0	8.3	10.2	11.4	11.4
Net margin (%)	7.2	6.0	8.0	8.8	8.6
Effective tax rate (%)	12.2	17.7	15.3	15.5	15.5
Dividend payout on recurring profit (%)	38.8	37.5	41.1	43.6	48.4
Interest cover (X)	6.1	13.6	9.6	10.8	8.3
Inventory days	71.8	70.8	91.0	90.3	91.5
Debtor days	62.0	60.6	82.1	105.2	130.4
Creditor days	56.3	50.3	59.6	59.2	59.9
Operating ROIC (%)	7.2	(1.8)	(2.0)	(2.2)	(13.1)
ROIC (%)	6.5	(1.6)	(1.8)	(2.0)	(11.7)
ROE (%)	10.1	8.0	10.4	10.9	9.9
ROA (%)	5.7	4.5	5.4	5.9	4.5

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2020	2021	2022E	2023E	2024E
Fibrous chain	25,980	34,782	36,629	37,440	37,449
Performance and Polymer packaging	43,609	58,385	61,485	62,846	62,860
Packaging paper	5,567	7,453	7,849	8,023	8,025
Fibre-based packaging	17,629	23,602	24,855	25,406	25,412

Sources: SCG Packaging; FSSIA estimates

Financial Statements

SCG Packaging

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	6,638	7,444	10,442	11,828	11,519
Depreciation	7,183	8,315	8,693	8,922	9,047
Associates & minorities	42	44	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	1,461	(11,221)	(8,915)	(9,350)	(9,218)
Cash flow from operations	15,325	4,582	10,220	11,400	11,348
Capex - maintenance	(3,181)	(3,182)	0	0	0
Capex - new investment	(8,409)	(15,043)	(8,000)	(3,000)	(3,001)
Net acquisitions & disposals	42	44	0	0	0
Other investments (net)	1,215	(10,734)	0	0	0
Cash flow from investing	(10,334)	(28,915)	(8,000)	(3,000)	(3,001)
Dividends paid	(2,576)	(1,717)	(3,005)	(3,434)	(3,864)
Equity finance	0	0	0	0	0
Debt finance	(16,115)	5,649	0	0	0
Other financing cash flows	41,627	7,737	1,358	1,538	1,555
Cash flow from financing	22,936	11,669	(1,648)	(1,896)	(2,309)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	27,927	(12,663)	573	6,503	6,038
Free cash flow to firm (FCFF)	6,442.31	(23,152.98)	3,840.15	10,019.34	10,457.28
Free cash flow to equity (FCFE)	30,502.42	(10,946.30)	3,577.92	9,937.54	9,901.82

Per share (THB)	2020	2021	2022E	2023E	2024E
FCFF per share	1.50	(5.39)	0.89	2.33	2.44
FCFE per share	7.11	(2.55)	0.83	2.31	2.31
Recurring cash flow per share	3.23	3.68	4.46	4.83	4.79

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	195,012	205,210	213,210	216,210	219,211
Less: Accumulated depreciation	(107,741)	(108,029)	(116,722)	(125,644)	(134,690)
Tangible fixed assets (net)	87,271	97,181	96,488	90,566	84,521
Intangible fixed assets (net)	18,624	29,483	29,483	29,483	29,483
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	829	873	873	873	873
Cash & equivalents	32,886	20,222	20,794	27,297	33,336
A/C receivable	16,334	24,910	33,942	43,173	52,406
Inventories	12,760	23,308	23,518	24,102	24,059
Other current assets	939	746	786	803	804
Current assets	62,919	69,186	79,040	95,376	110,604
Other assets	2,786	10,100	10,100	10,100	10,100
Total assets	172,429	206,824	215,984	226,398	235,581
Common equity	88,738	96,837	104,274	112,667	120,381
Minorities etc.	21,103	25,463	26,820	28,358	29,855
Total shareholders' equity	109,841	122,300	131,094	141,025	150,236
Long term debt	12,052	16,671	16,671	16,671	16,671
Other long-term liabilities	7,300	15,876	15,876	15,876	15,876
Long-term liabilities	19,351	32,547	32,547	32,547	32,547
A/C payable	10,365	15,261	15,399	15,781	15,753
Short term debt	31,382	32,412	32,412	32,412	32,412
Other current liabilities	1,489	4,303	4,531	4,632	4,633
Current liabilities	43,237	51,977	52,343	52,825	52,798
Total liabilities and shareholders' equity	172,429	206,824	215,984	226,398	235,581
Net working capital	18,179	29,400	38,315	47,665	56,883
Invested capital	127,689	167,038	175,260	178,688	181,860

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

Per share (THB)	2020	2021	2022E	2023E	2024E
Book value per share	20.67	22.56	24.29	26.24	28.04
Tangible book value per share	16.33	15.69	17.42	19.38	21.17

Financial strength	2020	2021	2022E	2023E	2024E
Net debt/equity (%)	9.6	23.6	21.6	15.4	10.5
Net debt/total assets (%)	6.1	14.0	13.1	9.6	6.7
Current ratio (x)	1.5	1.3	1.5	1.8	2.1
CF interest cover (x)	24.2	5.7	8.1	9.0	7.1

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	36.2	32.3	23.0	20.3	20.9
Recurring P/E @ target price (x) *	45.3	40.4	28.8	25.4	26.1
Reported P/E (x)	37.2	29.0	23.0	20.3	20.9
Dividend yield (%)	1.1	1.2	1.8	2.1	2.3
Price/book (x)	2.7	2.5	2.3	2.1	2.0
Price/tangible book (x)	3.4	3.6	3.2	2.9	2.6
EV/EBITDA (x) **	16.5	15.8	13.4	12.0	11.7
EV/EBITDA @ target price (x) **	20.1	19.1	16.1	14.5	14.2
EV/invested capital (x)	2.1	1.8	1.7	1.6	1.6

* 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	ICI	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	PAP	PCSGH	PDJ	PG	PHOL	PLANB
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	SEAOIL	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	TRC	TSC	TSR	TSTE	TSTH
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	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* 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	AMANAHA	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	WIJK	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)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

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, CFA, FRM, ERP FSS International Investment Advisory Securities Co., Ltd

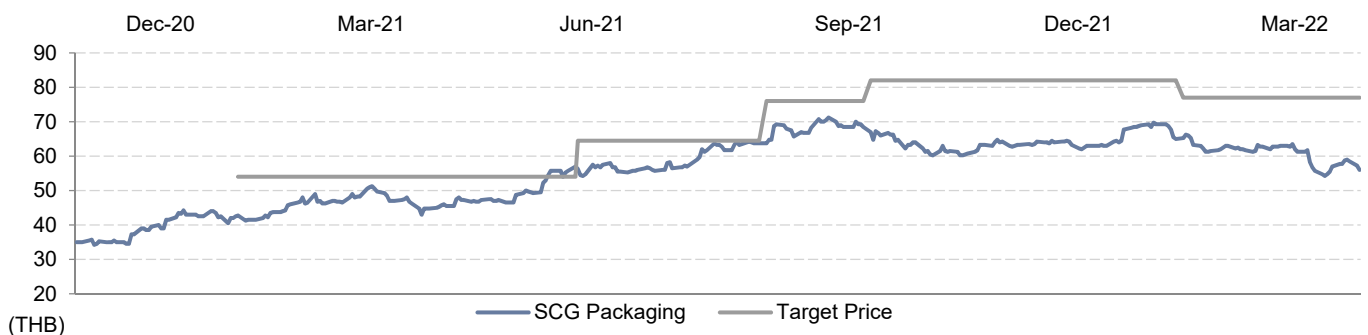
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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	23-Jul-2021	BUY	76.00	07-Jan-2022	BUY	77.00
10-May-2021	BUY	64.50	03-Sep-2021	BUY	82.00			

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 24-Dec-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
SCG Packaging	SCGP TB	THB 56.00	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.

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

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All share prices are as at market close on 22-Mar-2022 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.