

SCG PACKAGING SCGP TB

THAILAND / INDUSTRIAL

BUY

UNCHANGED

หุ้นบรรจุภัณฑ์ที่คล่องแคล่วและยืดหยุ่น

- เราเชื่อว่าอัตรากำไรและกำไรสุทธิของ SCGP ใน 2Q-4Q22 จะยังแข็งแกร่งต่อเนื่องจาก EBITDA margin ที่ค่อนข้างทรงตัว
- เราคิดว่า SCGP อยู่ในตำแหน่งที่ดีที่จะรอดพ้นจากสภาวะเศรษฐกิจตกต่ำที่อาจเกิดขึ้นทั่วโลก ต้นทุนพลังงานที่ปรับตัวขึ้น และคุณภาพการนำเข้า
- เราคงแนะนำซื้อหลังปรับลดราคาเป้าหมายเป็น 67 บาท

TARGET PRICE	THB67.00
CLOSE	THB53.00
UP/DOWNSIDE	+26.4%
PRIOR TP	THB70.00
CHANGE IN TP	-4.3%
TP vs CONSENSUS	+3.3%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	124,223	163,136	164,544	162,548
Net profit	8,294	8,161	9,904	12,467
EPS (THB)	1.93	1.90	2.31	2.90
vs Consensus (%)	-	(4.6)	(0.5)	4.4
EBITDA	18,619	19,083	21,678	25,739
Core net profit	7,444	8,161	9,904	12,467
Core EPS (THB)	1.73	1.90	2.31	2.90
Chg. In EPS est. (%)	0.0	(21.8)	(16.3)	8.2
EPS growth (%)	12.1	9.6	21.3	25.9
Core P/E (x)	30.6	27.9	23.0	18.3
Dividend yield (%)	1.2	1.9	2.3	2.5
EV/EBITDA (x)	15.1	15.1	13.3	11.0
Price/book (x)	2.3	2.2	2.1	1.9
Net debt/Equity (%)	23.6	27.2	23.9	18.5
ROE (%)	8.0	8.2	9.4	11.1

อัตรากำไรที่ยืดหยุ่นเป็นหัวใจสำคัญ

เราเชื่อว่าอัตรากำไรและกำไรสุทธิของ SCGP ใน 2Q-4Q22 จะยังแข็งแกร่งต่อเนื่องและน่าจะค่อนข้างทรงตัว q-q ใน 3Q22 จาก EBITDA margin ที่ค่อนข้างทรงตัวในทุกผลิตภัณฑ์ ราคาขายที่ลดลงน่าจะถูกชดเชยได้จากราคากระดาษลูกฟูกเก่า (OCC) ที่ลดลง q-q, EBITDA margin ที่สูงขึ้นของธุรกิจเยื่อกระดาษจากความต้องการที่สูงขึ้นหลังอุปทานที่ขาดแคลนจากรัสเซีย, ของธุรกิจบรรจุภัณฑ์สำหรับการให้บริการอาหาร, และของธุรกิจบรรจุภัณฑ์โพลีเมอร์ผ่านการซื้อและควบรวมกิจการและความต้องการที่อยู่ในระดับสูง

เสริมต้นทุนในธุรกิจกระดาษใช้แล้วให้ดียิ่งขึ้นผ่านการซื้อ Peute

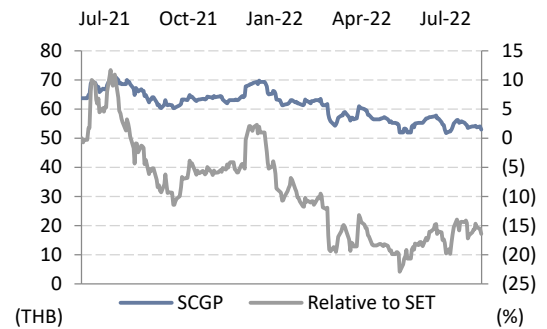
เมื่อวันที่ 18 ก.ค. 22 SCGP ประกาศซื้อหุ้น 100% ใน Peute Recycling B.V. (Peute) ในประเทศเนเธอร์แลนด์ ซึ่งเป็นบริษัทรีไซเคิลวัสดุบรรจุภัณฑ์อันรวมถึงกระดาษใช้แล้ว (RCP) และพลาสติกที่มีความสามารถในการรีไซเคิล RCP ปัจจุบันอยู่ที่ 1mtpa การซื้อดังกล่าวมีมูลค่า €78.19 ล้าน (2.8 พัน ลบ.) SCGP จะเริ่มควบรวม Peute ตั้งแต่วันที่ 1 ก.ค. 22 เป็นต้นไป ในปี 2021 Peute มีรายได้ €249 ล้าน (9.2 พัน ลบ.) กำไรสุทธิ €3.2 ล้าน (120 ลบ.) และสินทรัพย์ €52 ล้าน (1.9 พัน ลบ.) ณ สิ้นปี 2021 เราเห็นเหตุผล 4 ประการว่าทำไม SCGP อาจได้ประโยชน์จากการซื้อ Peute ประกอบด้วย การประหยัดต้นทุน RCP, ความเสี่ยงในการหาแหล่ง RCP ที่ลดลง, ความสามารถในการรีไซเคิล RCP ที่เพิ่มขึ้น, และต้นทุนการซื้อที่สมเหตุสมผล โดยเราคาดว่าจะอยู่ที่ 7x ของค่า EV/EBITDA หลังความสามารถในการรีไซเคิลเพิ่มขึ้นอีก 2x ภายใน 4Q23 ที่ต้นทุนการซื้อที่ €78.19 ล้านและ EBITDA ที่ €6.5 ล้านในปี 2021

อยู่ในตำแหน่งที่ดีที่จะหนุนแผนการเติบโต

เราคิดว่า SCGP อยู่ในตำแหน่งที่ดีที่จะรอดพ้นจากพายุที่กำลังจะเกิดขึ้นจากสภาวะเศรษฐกิจตกต่ำที่อาจเกิดขึ้นทั่วโลก, ต้นทุนพลังงานที่กำลังปรับตัวขึ้น, และคุณภาพการนำเข้าระหว่างทวีปหรือกลุ่มการเมืองในตะวันตกที่นำโดยสหรัฐฯและสหภาพยุโรปและในตะวันออกซึ่งนำโดยรัสเซียและจีน เราคิดว่าอำนาจในการตั้งราคา การควบคุมต้นทุน และฐานะของ SCGP ที่เป็นผู้เล่นในระดับภูมิภาคจะทำให้กำไรค่อย ๆ ปรับตัวดีขึ้นและยังยืนมากขึ้นในช่วง 2H22-24

แนวโน้มในปี 2023 ยังดี

เราปรับลดราคาเป้าหมายจาก 70 เป็น 67 บาท (16.1x ของค่า 2023E EV/EBITDA) เพื่อสะท้อนต้นทุน OCC และพลังงานที่เพิ่มขึ้น y-y ซึ่งน่าจะชดเชยได้บางส่วนจากราคาขายที่ค่อย ๆ เพิ่มขึ้นตามต้นทุนพลังงานจากอำนาจในการตั้งราคาของ SCGP ที่อยู่ในระดับสูง เราปรับลดประมาณการกำไรต่อหุ้นปี 2022-23 ลง 16.3-21.8% เพื่อสะท้อนราคา RCP และเยื่อกระดาษที่สูงขึ้นในปี 2022-24, ราคาขายกระดาษบรรจุภัณฑ์ที่สูงขึ้น และยอดขายที่สูงขึ้น



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.4	(6.6)	(17.5)
Relative to country (%)	4.1	2.3	(17.2)
Mkt cap (USD m)	6,215		
3m avg. daily turnover (USD m)	11.9		
Free float (%)	30		
Major shareholder	Siam Cement (69%)		
12m high/low (THB)	71.50/50.75		
Issued shares (m)	4,292.92		

Sources: Bloomberg consensus; FSSIA estimates



Suwat Sinsadok, CFA, FRM, ERP

suwat.sin@fssia.com
+66 2611 3558

Siriluck Ponthusoonthorn

siriluck.pin@fssia.com
+66 2611 3562

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 20 กรกฎาคม 2022

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.

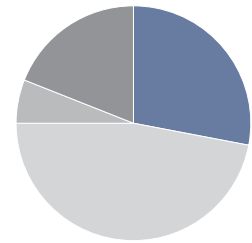
Company profile

SCGP is the leader in the fully-integrated packaging chain in Southeast Asia. The company provides products that include fibre-based packaging, performance and polymer packaging (PPP), and food service products as well as designing and printing services and other diverse solutions to meet customers’ demands.

www.scgpackaging.com

Principal activities (revenue, 2021)

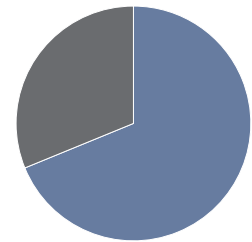
- Fibrous chain - 28.0 %
- Performance and Polymer packaging - 47.0 %
- Packaging paper - 6.0 %
- Fibre-based packaging - 19.0 %



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
August 2022	2Q22 results announcement

Key assumptions

	2022E	2023E	2024E
Packaging paper ASP (THB/tonne)	21,636	21,203	20,779
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)	1.4	1.4	1.4
Recycled paper price (USD/tonne)	257	250	240
Pulp price (USD/tonne)	540	491	447

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

Strengthening the RCP cost value chain via Peute acquisition

On 18 Jul-22, SCGP announced the acquisition of a 100% stake in Peute Recycling B.V. (Peute), a packaging materials recycling company covering both RCP and plastics, based in Dordrecht, the Netherlands. The acquisition is worth €78.19m (THB2,875m) and SCGP will start to consolidate Peute in Jul-22 onward.

Who is Peute? Having operated its business for over 60 years, Peute is the largest independent packaging materials recycling and trading company of both paper and plastics in the Netherlands. Peute has a current capacity of 1mtpa of RCP, SCGP's key raw material which accounted for over 95% of SCGP's total raw material cost in 2021.

Financial performance: In 2021, Peute generated revenue of €249m (THB9.2b), a net profit of €3.2m (THB120m), and had an asset size of €52m (THB1.9b) at the end of 2021.

Why is SCGP acquiring Peute? We see four reasons why SCGP could benefit from the acquisition of Peute.

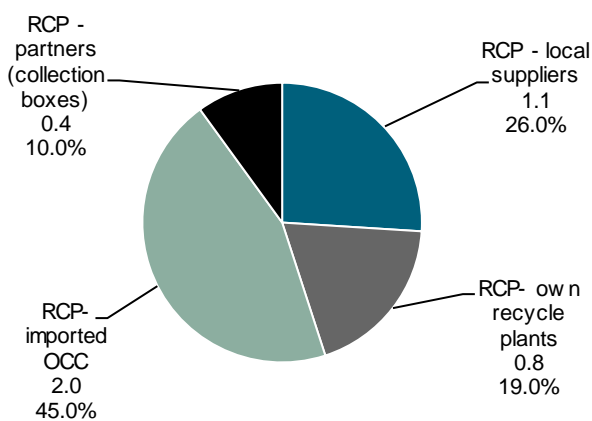
First, economically, SCGP could save on the raw material cost of RCP, which SCGP consumes at a rate of 4.4mtpa, and is projected to increase further in line with its capacity expansion. After the acquisition of Peute, we believe SCGP will significantly reduce the raw material risk for RCP, particularly for imported RCP which accounted for 45% or 2mtpa of its total RCP consumption in 2021.

Second, Peute's acquisition will strategically improve SCGP's RCP sourcing network through its expanded network of recycling stations, which has embraced primary sources and local suppliers. SCGP currently imports its RCP (45% of total 4.4mtpa of RCP) from over 110 countries, and the acquisition of Peute will effectively diversify SCGP's RCP sourcing to Europe, expanding its RCP sources from Asia and North America.

Third, SCGP could see a lower RCP cost after Peute completes its plans to relocate its facility to Alblaserdam, near the Rotterdam port, in order to double the sourcing capacity to 2mtpa and improve cost efficiency.

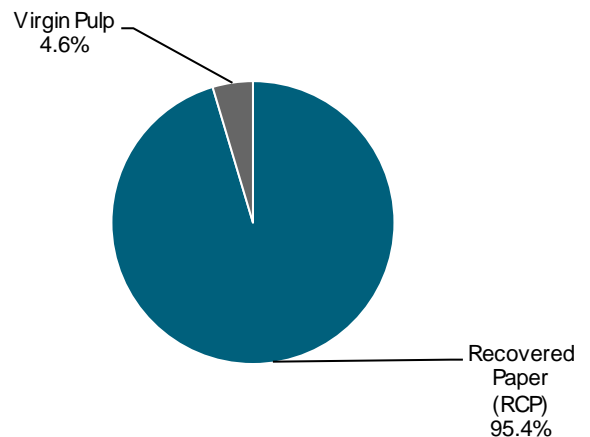
Fourth, we estimate the acquisition cost to be at 7x EV/EBITDA post the 2x capacity expansion by 4Q23 at the acquisition cost of €78.19m and EBITDA at €6.5m in 2021.

Exhibit 1: RCP cost breakdown by source (2021)



Sources: SCGP; FSSIA estimates

Exhibit 2: Raw material cost breakdown by type (2021)

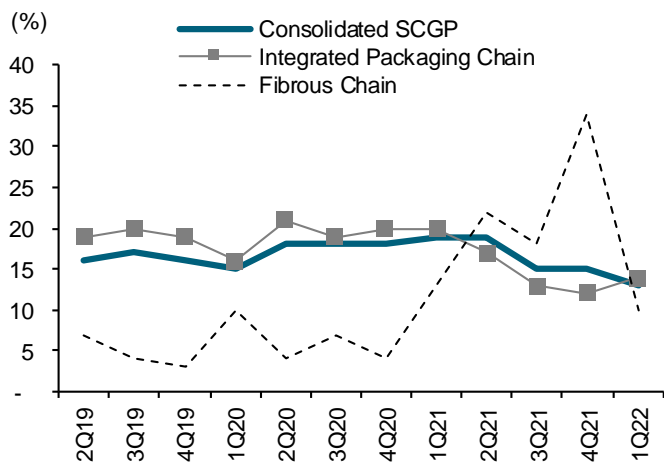


Source: SCGP

Net profit outlook remains resilient in 2Q-4Q22

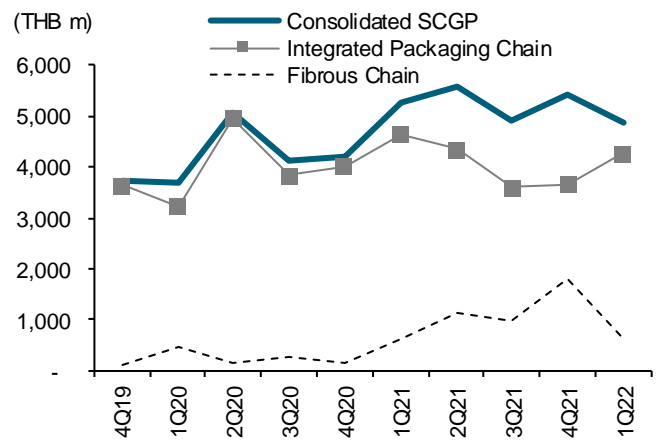
We believe SCGP’s margins and net profits in 2Q-4Q22 will remain highly resilient and should be relatively stable q-q in 3Q22, backed by relatively stable EBITDA margins across the board. Lower selling prices should be offset by a q-q lower price of OCC.

Exhibit 3: EBITDA margin breakdown by segment



Source: SCGP

Exhibit 4: EBITDA by segment



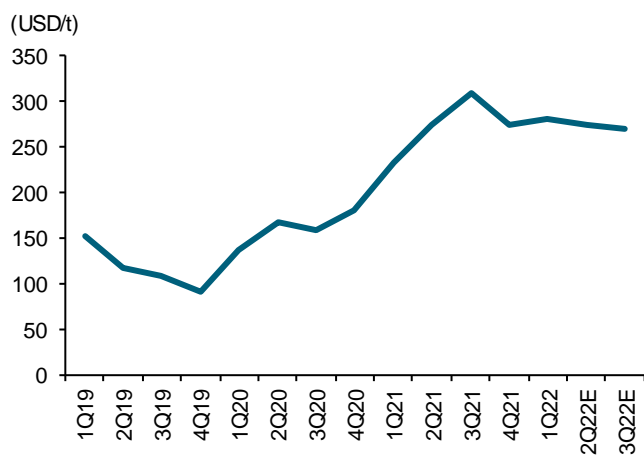
Source: SCGP

According to SCGP, the price of American OCC (AOCC), the benchmark of the OCC price, has declined slightly q-q to USD275/t in 2Q22, down from USD280/t in 1Q22 and flat y-y, as a result of the higher supply in the US after the lockdowns in 2021. However, the AOCC price has dropped only marginally due to the continued high logistics cost in the domestic US market caused by higher energy prices and rising wages.

However, the selling price of testliner paper, the key benchmark for SCGP’s export price, has also weakened in 2Q22 due to the impact of China’s lockdown that led to lower imports of packaging paper, particularly from Vietnam, resulting in an oversupply in Asia and a lower selling price for testliner.

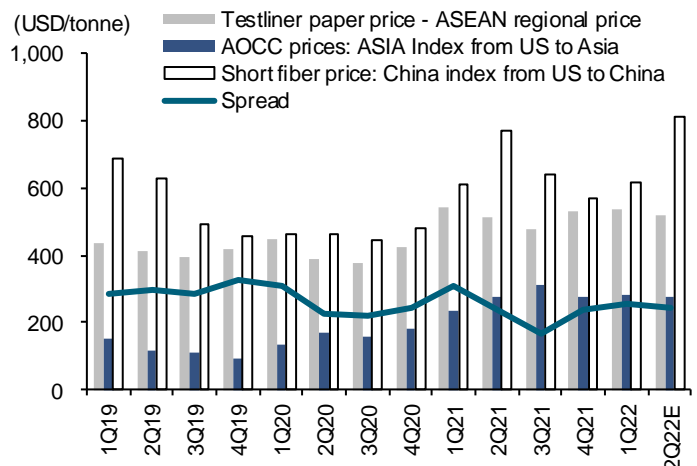
However, we expect SCGP to benefit from the higher export price of short fibre in 2Q-4Q22. The price of short fibre has jumped markedly due to the global restocking in response to the supply shortfall of long fibre from Russia, which accounts for 5% of the global supply, after sanctions were placed on Russia for its invasion of Ukraine.

Exhibit 5: AOCC price



Sources: SCGP; FSSIA estimates

Exhibit 6: Margin of testliner-AOCC has remained stable as the q-q lower selling price is offset by the lower AOCC price



Sources: SCGP; FSSIA estimates

SCGP's competitiveness under the current trend of de-globalisation

Under the higher prices of energy, commodities, and import parity due to the sanctions against Russia, we have assessed SCGP's competitiveness to project its EBITDA margin in the next 12 months and found that SCGP's overall EBITDA margin is likely to be positive amidst the impacts resulting from the global political tensions and sanctions.

Integrated packaging: EBITDA margin outlook remains promising. We project the EBITDA margin for SCGP's integrated packaging unit, which includes packaging paper and corrugated boxes, to improve q-q due to the impact of China's lockdown (lower selling price of testliner), which should be more than offset by the lower AOCC price and most importantly the q-q higher EBITDA margin of the corrugated box segment thanks to the strong demand and high pricing power.

Polymers: EBITDA margin should rise further. In 2Q22 onward, we remain positive on SCGP's polymer unit, which is currently classified as one of three units in the integrated packaging segment by SCGP (packaging paper, fibre-based packaging (corrugated boxes), and performance polymers), thanks to its superior value-added quality and functionality to meet the strong industry demand for food & beverages (F&B). The specialty polymer packaging under SCGP, particularly from Deltalab acquired in 2021, should significantly enhance SCGP's EBITDA margin for polymers.

Fibrous chain: A surprising white knight in 2Q-4Q22. We believe SCGP's overall net profit should remain healthy as its fibrous chain is reaping a windfall benefit from the rising prices of wood fibre, both short fibre and long fibre, as a result of the shortage of the long fibre supply from Russia, one of the global producers accounting for 5% of supply. The sanctions against Russia led to the supply disruption of global long fibre (from plantations), a key raw material for pulp and papers.

To compensate for the long fibre supply shortage, many users instead have chosen to restock short fibre (also from plantations), a key substitute raw material for long fibre. This has led to a sharp rise in the price of short fibre from USD615/t in 1Q22 and USD768/t in 2Q22 to USD813/t quarter to date, despite the low pricing power thanks to the strong demand and lower freight cost globally.

SCGP sells 0.3mtpa of pulp and exports to markets in Asia and Europe, consisting of short fibre to domestic buyers, mostly the producers of tissue, and dissolving pulp exported mostly to China. The global spike in the short fibre price has greatly benefited SCGP's pulp margin and sales volume and should boost its net profit by up to THB1b-2b in 2022, based on our estimate.

Exhibit 7: SCGP's EBITDA margin outlook in 2Q-4Q22

Value chain	Business segment	Capacity		EBITDA margin (q-q)	Key drivers	Countries impacting	Key companies under SCGP group
Integrated packaging	Packaging paper	3.22	mtpa	(+)	Lower testliner price despite lower AOCC price	China, US	Siam Craft, Thai Cane Paper (Thailand), VinaCraft (Vietnam), United Pulp & Paper (Philippines), Fajar (Indonesia)
	Corrugated box	1.38	mtpa	(+)	Higher price	Vietnam	Thai Containers Group
	Total	4.60	mtpa	(+)			
Polymers	Flexible packaging	952	m m2/yr	(+)	Higher price		Prepack (Thailand), Batico (Vietnam)
	Rigid packaging	143	ktpa	(+)			Visy (Thailand), Conimex (Thailand), Duyton (Vietnam)
	Medical supplies & lab ware	250	m pieces /year	(+)			Deltalab (Spain)
Fibrous chain	Pulp	0.3	mt	(+)	Lower freight	Higher demand	Phoenix Paper, Thai Paper (Thailand)
	Printing & writing	0.4	mt	(-)	WFH to WFO		Phoenix Paper, Thai Paper (Thailand)
	Food service packaging	0.05	mt	(+)	Higher demand for F&B		Go-Pak (UK), Interpress Printers (Malaysia),
	Total	0.75	mt	(+)			

Sources: SCGP; FSSIA estimates

SCGP's drivers for resilient growth

We think SCGP is positioned well to survive the coming storm of potential global recessions, rising costs of energy and “import parity” among continents or political blocs of the West, led by the US and the EU, and the East, led by the Russo-Sino twin.

We have identified three characters – pricing power, cost control, and SCGP's position as a regional player – as the critical drivers for SCGP's resilience and growth in 2022-23.

Pricing power: SCGP has strong pricing power for integrated packaging and polymer packaging, which accounted for 86% of total revenue in 1Q22.

SCGP has solid pricing power for its packaging paper to pass through up to 90-95% of the cost increase to its buyers in the last 1-3 quarters, thanks to the industry leading position of SCGP and the high demand growth for the packaging of e-commerce and consumer products as a secondary packaging. The pricing power of corrugated boxes is deemed as “medium” as the cost pass-through ability is limited but sufficiently high to maintain a healthy EBITDA margin at 12% due to the high switching cost for the customers, according to management.

The pricing power of polymer packaging is the highest among all of SCGP's product segments, due to its superior functionality, specialty nature, and the highly customer-driven value-added benefit that SCGP provides to the customers.

Fibrous chain products have low pricing power due to their commodity nature and high competition with little product differentiation. However, the supply shortage of long fibre from Russia has triggered the spike in the price of short fibre, SCGP's key export product in the fibrous chain.

Exhibit 8: SCGP's pricing power, cost control, and regional player assessment

Value chain	Business segment	Pricing power	Pricing formula	Cost control	Regional player	1Q22 revenue (THB b)	% revenue (1Q22) (%)	EBITDA margin (%)
Integrated packaging	Packaging paper	High due to leading market position and high demand growth as an intermediate raw material for secondary packaging		Low	Regional winner	31	70	12
	Corrugated boxes	Medium due to switching cost as a secondary packaging		Low	Domestic winner			
Polymer	Flexible packaging	High due to superior functionality, specialty, and customer-driven value-added as a primary packaging	30% is resin-linked pricing	Low	Domestic winner		14	16
	Rigid packaging		70% is mostly passed through	Low	Domestic winner			
	Medical supplies & labware			Low	Domestic winner			
Fibrous chain	Pulp	Low (price taker) due to high competition as a raw material for a packaging paper		Very low	Domestic & China winner		16	10
	Printing & writing	Low due to high competition as a commodity for primary packaging and end-user products		Low	Domestic winner			
	Food service packaging	Medium due to high switching cost		Medium	Global winner			

Sources: SCGP; FSSIA estimates

Cost control: Most of SCGP's product segments have low cost control as they are price takers for the raw materials, including OCC, energy and electricity, and polymer resin for the polymer packaging products.

However, the low cost control should be more than offset by the high pricing power to increase selling prices, thereby leading to SCGP's sustained healthy EBITDA margins across its three major units, based on our estimate.

Regional player: SCGP's packaging paper unit is the only unit that has regional power to benefit from the increasing trend of de-globalisation, thanks to its strong production presence in a number of countries that would allow SCGP to export the products within each political bloc, in our view.

SCGP's food service packaging unit has the strongest power to command good EBITDA margins for the products marketed globally, thanks to the high entry barrier of the packaging products for global food and beverage companies.

SCGP's remaining business units benefit from the domestic market concentration, given the strong demand in each market where SCGP has large production portfolios, including Vietnam, Indonesia, and Europe (Deltalab).

Exhibit 9: Energy and electricity costs

% COGS (2021)	Energy type	Energy source
5	Electricity	Buy from grid (3%); renewable (1%), biomass (1%)
5	Coal	Boilers for packaging paper

Source: SCGP

Downside from the spike in energy costs remains limited. With the projected sharp rise in the prices of coal and electricity in 2H22-23, we think SCGP's EBITDA margin may be negatively impacted as the cost of coal and electricity each accounted for 5% of SCGP's total cost of goods sold (COGS) in 2021. According to management, the doubling coal price y-y in 2022 could result in a higher coal cost as a % of COGS, rising from 5% in 2021 to 8% in 2022. We estimate that this could result in a THB3b higher COGS for SCGP in 2022.

EPS and target price revisions

We lower our EPS forecasts in 2022-23 by 16.3-21.8% to reflect our higher prices of RCP by 2.8-9.1% and 3.2-12.5% for pulp in 2022-24, the higher selling prices of packaging papers and the higher sales volume of fibre-based products, mainly from M&As. We think the earnings downsides from RCP and energy costs should be limited based on our revised coal price at USD250/t for the 5,000kcal coal quality used by SCGP and the rising prices of RCP.

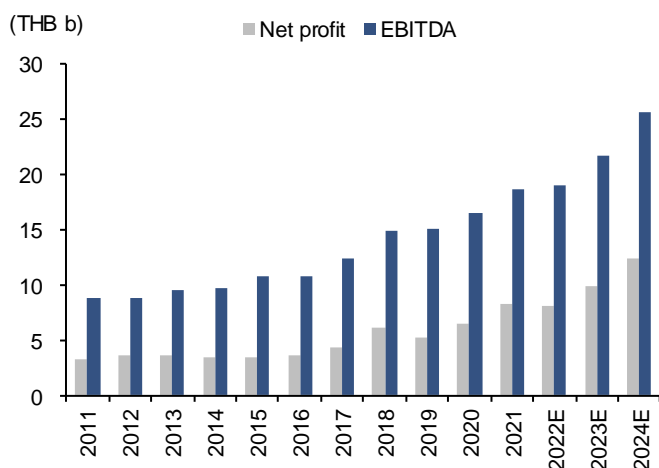
Exhibit 10: Key changes in assumptions and EPS forecasts

	Current			Previous			Change		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Revenue	163,136	164,544	162,548	130,818	133,715	133,746	24.7	23.1	21.5
Gross profit	37,681	38,133	41,994	36,949	37,515	37,720	2.0	1.6	11.3
Operating profit	10,390	12,756	16,693	13,342	15,222	15,299	(22.1)	(16.2)	9.1
Net profit	8,161	9,904	12,467	10,442	11,828	11,519	(21.8)	(16.3)	8.2
EPS (THB/share)	1.90	2.31	2.90	2.43	2.76	2.68	(21.8)	(16.3)	8.2
Key assumptions									
Packaging paper ASP (THB/tonne)	21,636	21,203	20,779	16,523	16,523	16,523	30.9	28.3	25.8
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
Fibre-based sales volume (mtpa)	1.4	1.4	1.4	1.1	1.1	1.1	29.0	29.0	29.0
Recycled paper price (USD/tonne)	257	250	240	250	250	220	2.8	0.0	9.1
Pulp price (USD/tonne)	540	491	447	480	476	421	12.5	3.2	6.0

Sources: SCGP; FSSIA estimates

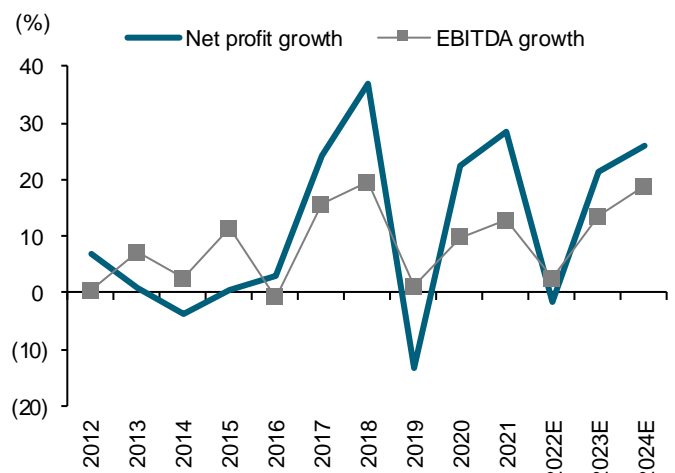
We lower our target price from THB70, previously based on 18.3x 2022E EV/EBITDA, to THB67, now based on 16.1x 2023E EV/EBITDA, to reflect the higher y-y OCC and energy costs which should be partly offset by the higher selling prices that should gradually follow the rising costs thanks to SCGP's high pricing power.

Exhibit 11: Net profit and EBITDA



Sources: SCGP; FSSIA estimates

Exhibit 12: Net profit margin and EBITDA growth



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	163,136	164,544	162,548
Cost of goods sold	(66,149)	(93,029)	(125,455)	(126,412)	(120,554)
Gross profit	26,637	31,193	37,681	38,133	41,994
Other operating income	-	-	-	-	-
Operating costs	(10,141)	(12,575)	(18,598)	(16,454)	(16,255)
Operating EBITDA	16,496	18,619	19,083	21,678	25,739
Depreciation	(7,183)	(8,315)	(8,693)	(8,922)	(9,047)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,313	10,304	10,390	12,756	16,693
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)	851	0	0	0
Profit before tax	8,308	11,712	10,984	13,351	16,796
Tax	(1,002)	(2,065)	(1,762)	(2,160)	(2,709)
Profit after tax	7,306	9,647	9,222	11,191	14,088
Minority interests	(848)	(1,353)	(1,061)	(1,287)	(1,621)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	6,457	8,294	8,161	9,904	12,467
Non-recurring items & goodwill (net)	181	(851)	0	0	0
Recurring net profit	6,638	7,444	8,161	9,904	12,467
Per share (THB)					
Recurring EPS *	1.55	1.73	1.90	2.31	2.90
Reported EPS	1.50	1.93	1.90	2.31	2.90
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	31.3	0.9	(1.2)
Operating EBITDA (%)	20.8	12.9	2.5	13.6	18.7
Operating EBIT (%)	21.5	10.6	0.8	22.8	30.9
Recurring EPS (%)	(13.3)	12.1	9.6	21.3	25.9
Reported EPS (%)	(10.7)	28.4	(1.6)	21.3	25.9
Operating performance					
Gross margin inc. depreciation (%)	21.0	18.4	17.8	17.8	20.3
Gross margin of key business (%)	21.0	18.4	17.8	17.8	20.3
Operating EBITDA margin (%)	17.8	15.0	11.7	13.2	15.8
Operating EBIT margin (%)	10.0	8.3	6.4	7.8	10.3
Net margin (%)	7.2	6.0	5.0	6.0	7.7
Effective tax rate (%)	12.2	17.7	16.0	16.2	16.1
Dividend payout on recurring profit (%)	38.8	37.5	52.6	52.0	44.8
Interest cover (X)	6.1	13.6	7.8	9.2	9.0
Inventory days	71.8	70.8	79.6	91.1	93.7
Debtor days	62.0	60.6	68.3	92.8	119.3
Creditor days	56.3	50.3	52.1	59.7	61.3
Operating ROIC (%)	7.2	(1.8)	(1.6)	(1.8)	(13.7)
ROIC (%)	6.5	(1.6)	(1.5)	(1.6)	(12.1)
ROE (%)	10.1	8.0	8.2	9.4	11.1
ROA (%)	5.7	4.5	4.2	4.9	5.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Fibrous chain	25,980	34,782	45,678	46,072	45,514
Performance and Polymer packaging	43,609	58,385	76,674	77,336	76,398
Packaging paper	5,567	7,453	9,788	9,873	9,753
Fibre-based packaging	17,629	23,602	30,996	31,263	30,884

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	8,161	9,904	12,467
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)	(12,953)	(11,402)	(10,772)
Cash flow from operations	15,325	4,582	3,902	7,423	10,741
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	1,061	1,288	1,679
Cash flow from financing	22,936	11,669	(1,945)	(2,146)	(2,185)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	27,927	(12,664)	(6,043)	2,277	5,555
Free cash flow to firm (FCFF)	6,442.31	(23,153.13)	(2,478.64)	6,042.93	9,850.52
Free cash flow to equity (FCFE)	30,502.42	(10,946.45)	(3,037.87)	5,711.14	9,419.06

Per share (THB)

FCFF per share	1.50	(5.39)	(0.58)	1.41	2.29
FCFE per share	7.11	(2.55)	(0.71)	1.33	2.19
Recurring cash flow per share	3.23	3.68	3.93	4.39	5.01

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	14,179	16,455	22,010
A/C receivable	16,334	24,910	36,173	47,532	58,754
Inventories	12,760	23,308	31,432	31,672	30,204
Other current assets	939	746	980	989	977
Current assets	62,919	69,186	82,764	96,648	111,946
Other assets	2,786	10,100	10,100	10,100	10,100
Total assets	172,429	206,824	219,708	227,670	236,922
Common equity	88,738	96,837	101,993	108,462	117,124
Minorities etc.	21,103	25,463	26,524	27,811	29,432
Total shareholders' equity	109,841	122,300	128,517	136,274	146,555
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	20,581	20,738	19,777
Short term debt	31,382	32,412	32,412	32,412	32,412
Other current liabilities	1,489	4,303	5,651	5,700	5,630
Current liabilities	43,237	51,977	58,644	58,850	57,820
Total liabilities and shareholders' equity	172,429	206,824	219,708	227,670	236,922
Net working capital	18,179	29,400	42,353	53,756	64,528
Invested capital	127,689	167,038	179,298	184,778	189,505

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

Per share (THB)

Book value per share	20.67	22.56	23.76	25.27	27.28
Tangible book value per share	16.33	15.69	16.89	18.40	20.42

Financial strength

Net debt/equity (%)	9.6	23.6	27.2	23.9	18.5
Net debt/total assets (%)	6.1	14.0	15.9	14.3	11.4
Current ratio (x)	1.5	1.3	1.4	1.6	1.9
CF interest cover (x)	24.2	5.7	4.1	6.4	6.9

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	34.3	30.6	27.9	23.0	18.3
Recurring P/E @ target price (x) *	43.3	38.6	35.2	29.0	23.1
Reported P/E (x)	35.2	27.4	27.9	23.0	18.3
Dividend yield (%)	1.1	1.2	1.9	2.3	2.5
Price/book (x)	2.6	2.3	2.2	2.1	1.9
Price/tangible book (x)	3.2	3.4	3.1	2.9	2.6
EV/EBITDA (x) **	15.7	15.1	15.1	13.3	11.0
EV/EBITDA @ target price (x) **	19.4	18.4	18.3	16.1	13.4
EV/invested capital (x)	2.0	1.7	1.6	1.6	1.5

* 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	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:

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	SEAOL	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

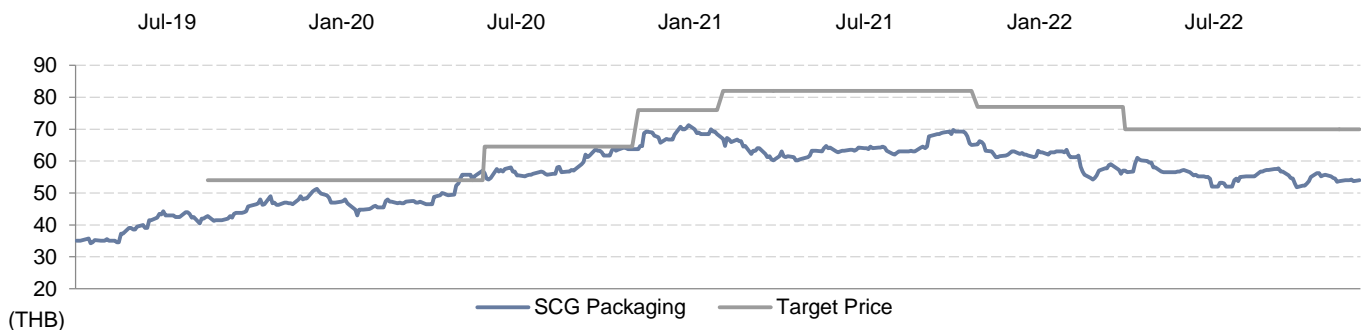
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS 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
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	23-Mar-2022	BUY	70.00

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 53.00	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

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 19-Jul-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.