

# SIAM CEMENT

## SCC TB

THAILAND / MATERIALS

# BUY

UNCHANGED

## Reaching the abyss in 3Q22

- SCC's 3Q22 NP fell to THB2.4b (-75% q-q, -64% y-y) due to a net loss from the chemical unit and a sharp drop in share of profits.
- SCC plans to list its chemical unit within 2022 ahead of the completion of its new Long Son petrochemical complex in Vietnam.
- Maintain BUY; cut our SoTP-based TP from THB466 to THB374.

TARGET PRICE	THB374.00
CLOSE	THB326.00
UP/DOWNSIDE	+14.7%
PRIOR TP	THB466.00
CHANGE IN TP	-19.7%
TP vs CONSENSUS	+6.8%

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	530,112	589,887	694,763	734,954
Net profit	47,174	33,701	38,233	44,216
EPS (THB)	39.31	28.08	31.86	36.85
vs Consensus (%)	-	17.2	5.1	(3.3)
EBITDA	71,091	59,401	76,905	87,959
Core net profit	47,174	33,701	38,233	44,216
Core EPS (THB)	39.31	28.08	31.86	36.85
Chg. In EPS est. (%)	-	(3.7)	(17.5)	(14.4)
EPS growth (%)	38.2	(28.6)	13.4	15.6
Core P/E (x)	8.3	11.6	10.2	8.8
Dividend yield (%)	5.1	4.6	4.8	5.4
EV/EBITDA (x)	9.8	12.6	10.2	9.1
Price/book (x)	1.1	1.0	1.0	0.9
Net debt/Equity (%)	49.4	56.6	57.3	54.1
ROE (%)	13.7	9.0	9.8	10.7

### Sharp plunges in chemical and CBM earnings hurt 3Q22 results

SCC's 3Q22 net profit (NP) of THB2.4b (-75% q-q, -64% y-y) missed our estimate by 37% and the BBG consensus by 25% due to a net loss at its chemical unit and a sharp drop in share of profits to THB2.1b (-38% q-q, -47% y-y). Excluding a THB1.1b non-recurring inventory loss, core NPs were weak across all units y-y. The chemical unit's net loss of THB339m was due to weak product margins on poor demand amid China's lockdowns and rising supply. The cement & building material (CBM) unit saw an NP of THB530b (-69% q-q) despite higher cement demand (+6% y-y) and higher ceramics sales volumes (+21% y-y). 3Q22 packaging NP was THB1.8b (-1% q-q, +3% y-y) due to weaker margins caused by the rising raw material cost of old corrugated containers and coal.

### Chemical unit reported a net loss of THB339m in 3Q22

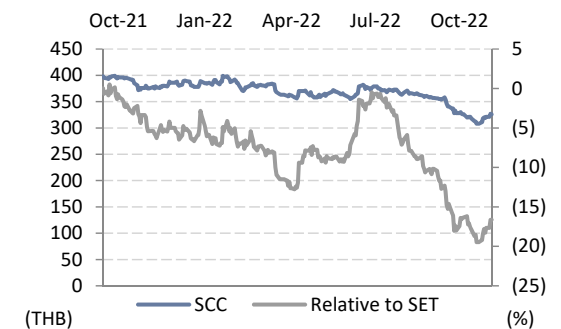
The chemical unit's 3Q22 net loss at THB339m was due to lower product margins. Sales volumes of PE and PP dipped to 422kt (-1% q-q), and PVC inched up to 198kt (+1% q-q), despite a planned shutdown. The overall chemical EBITDA margin plunged to -2% in 3Q22, dragged down by the higher feedstock cost that led to lower margins for PP-naphtha (-20% q-q), HDPE-naphtha (-17% q-q) and PVC-ethylene dichloride (-29% q-q). An inventory loss of THB1b effectively turned the chemical unit's core net profit of THB0.6b into a net loss of THB339m.

### Challenging outlook for the listing of SCG Chemicals

SCC has postponed the listing of its chemical unit to within 2023, ahead of the completion of its new Long Son petrochemical complex in Vietnam, which could transform SCC from a pure naphtha-based producer into a much more flexible feedstock producer with a source of both gas and naphtha feedstocks. However, it could be challenging for the chemical unit to pursue its initial public offering amid the highly volatile and depressed industry margin outlook for PE and PP in 2022-23, in our view.

### TP cut to THB374; risk-reward is now more attractive

Maintain BUY but cut our SoTP-TP from THB466 to THB374 to reflect our lower margin projections in 2022-24 for HDPE-naphtha and PP-naphtha by 29-36% and 33-41%, respectively. We think SCC's downside is limited; its share price should bounce back as chemical NP recovers.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.6)	(11.9)	(17.3)
Relative to country (%)	0.9	(14.3)	(15.2)
Mkt cap (USD m)			10,363
3m avg. daily turnover (USD m)			28.8
Free float (%)			67
Major shareholder	H.M. King Maha Vajiralongkorn (34%)		
12m high/low (THB)	402.00/307.00		
Issued shares (m)	1,200.00		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

We believe SCC's unique asset portfolio – consisting of cyclical chemical production, cement and building materials (CBM), and its more sustainable packaging business – could position it as one of Thailand's leading growth plays. SCC's net profit growth from its packaging business should further strengthen net profit growth from its chemical unit, mainly from the start-up of the new LSP complex in Vietnam in 2023. The CBM units should continue to be SCC's cash cow with low capex and high depreciation expenses to generate cash flows in 2022-23.

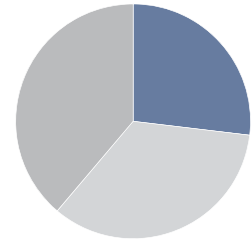
## Company profile

SCC is 30% owned by the Crown Property Bureau and is the third largest company on the Thailand Stock Exchange by market capitalisation. Established in 1913 as a cement company, SCC was a means to reduce Thailand's reliance on cement imports and to take fuller advantage of the natural resources available in the country.

[www.scg.com](http://www.scg.com)

## Principal activities (revenue, 2021)

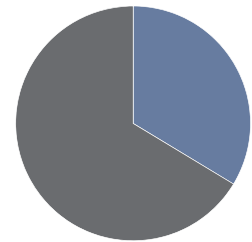
- Cement & Building Material - 26.9 %
- Chemicals - 34.3 %
- Packaging - 38.8 %



Source: Siam Cement

## Major shareholders

- H.M. King Maha Vajiralongkorn - 33.6 %
- Others - 66.4 %



Source: Siam Cement

## Catalysts

Key potential catalysts for SCC include: 1) capacity expansions of its chemical and packaging businesses; 2) the rising demand for chemicals and paper packaging that should more than offset the weak demand for CBM; and 3) improving margins for its CBM unit on the back of higher HVA revenue.

## Risks to our call

Downside risks to our SOTP based TP include 1) a lower-than-expected demand for chemicals, CBM, and packaging; 2) rising coal costs for its cement and packaging units; and 3) weaker demand from the automobile industry that could erode the demand for SCC's chemical unit and its dividend contributions.

## Event calendar

Date	Event
Feb 2023	4Q22 results announcement

## Key assumptions

	2022E	2023E	2024E
Cement demand growth (%)	0.00	4.00	4.00
Petrochemical utilisation (%)	90	92	92
Olefins capacity (m tonnes)	2,050	3,550	3,550
HDPE-naphtha (USD/tonne)	360	335	479
PP-naphtha (USD/tonne)	310	335	479

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% change in Dubai oil price, we estimate a 0.7% change in 2023 EPS, all else being equal.
- For every 1% increase in PP-naphtha margin, we estimate 2023 EPS would rise 1%, and vice versa, all else being equal.
- For every 1% increase in utilisation rate, we estimate 2023 EPS would rise 1.5%, and vice versa, all else being equal.

Source: FSSIA estimates

## Exhibit 1: Summary of 3Q22/9M22 operations

	3Q21	2Q22	3Q22		9M21	9M22	Change	2022E	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)
<b>Revenue</b>	<b>131,825</b>	<b>152,534</b>	<b>142,392</b>	<b>(6.6)</b>	<b>8.0</b>	<b>387,446</b>	<b>447,419</b>	<b>15.5</b>	<b>589,887</b>
Operating costs	(120,974)	(131,037)	(135,134)	3.1	11.7	(332,284)	(404,462)	21.7	(530,486)
<b>EBITDA</b>	<b>10,851</b>	<b>21,497</b>	<b>7,258</b>	<b>(66.2)</b>	<b>(33.1)</b>	<b>55,162</b>	<b>42,958</b>	<b>(22.1)</b>	<b>59,401</b>
EBITDA margin (%)	8.2	14.1	5.1	(63.8)	(38.1)	14.2	9.6	(32.6)	10.1
Depn & amort.	(7,451)	(7,273)	(7,487)	3.0	0.5	(21,418)	(21,889)	2.2	(30,149)
<b>EBIT</b>	<b>3,990</b>	<b>4,579</b>	<b>(466)</b>	<b>nm</b>	<b>nm</b>	<b>35,471</b>	<b>10,669</b>	<b>(69.9)</b>	<b>29,252</b>
Interest expense	(1,681)	(1,715)	(1,899)	10.7	13.0	(5,067)	(5,261)	3.8	(7,518)
Interest & invt inc	3,229	5,307	2,101	(60.4)	(34.9)	7,652	10,094	31.9	11,124
Associates' contrib	3,890	3,349	2,064	(38.4)	(46.9)	15,295	8,832	(42.3)	12,005
Exceptionals	0	0	0	nm	nm	0	0	nm	0
<b>Pretax profit</b>	<b>9,427</b>	<b>11,520</b>	<b>1,800</b>	<b>(84.4)</b>	<b>(80.9)</b>	<b>53,352</b>	<b>24,334</b>	<b>(54.4)</b>	<b>44,863</b>
Tax	(1,893)	(1,946)	(1,154)	(40.7)	(39.0)	(7,142)	(4,725)	(33.8)	(4,929)
Tax rate (%)	20.1	16.9	64.1	279.3	219.2	13.4	19.4	45.1	11.0
Minority interests	(717)	364	1,798	393.3	350.7	(7,341)	1,616	122.0	(6,234)
<b>Net profit</b>	<b>6,817</b>	<b>9,938</b>	<b>2,444</b>	<b>(75.4)</b>	<b>(64.1)</b>	<b>38,868</b>	<b>21,225</b>	<b>(45.4)</b>	<b>33,701</b>
Non - recurring	(2,249)	(60)	(740)	1,133.3	(67.1)	(2,249)	138	106.1	0
<b>Core profit</b>	<b>9,066</b>	<b>9,998</b>	<b>3,184</b>	<b>(68.2)</b>	<b>(64.9)</b>	<b>41,117</b>	<b>21,087</b>	<b>(48.7)</b>	<b>33,701</b>
EPS (THB)	5.68	8.28	2.04	(75.4)	(64.1)	32.39	17.69	(45.4)	28.08
Core EPS (THB)	7.56	8.33	2.65	(68.2)	(64.9)	34.26	17.57	(48.7)	28.08

Sources: SCC; FSSIA estimates

## Exhibit 2: 3Q22/9M22 key performance broken down by sector

	3Q21	2Q22	3Q22	Change		9M21	9M22	Change
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
<b>EBITDA breakdown</b>								
<b>SCC consolidated</b>	<b>14,741</b>	<b>24,846</b>	<b>9,322</b>	<b>(62.5)</b>	<b>(36.8)</b>	<b>70,457</b>	<b>51,790</b>	<b>(26.5)</b>
Cement & building materials	1,035	5,668	4,014	(29.2)	287.8	14,162	15,575	10.0
Chemicals	6,271	9,973	(954)	nm	nm	32,811	14,921	(54.5)
Packaging	4,918	5,478	5,491	0.2	11.7	15,755	15,859	0.7
Others	2,621	5,138	967	(81.2)	(63.1)	8,030	7,164	(10.8)
<b>Net profit breakdown</b>								
<b>SCC consolidated</b>	<b>6,817</b>	<b>9,937</b>	<b>2,444</b>	<b>(75.4)</b>	<b>(64.1)</b>	<b>38,867</b>	<b>21,225</b>	<b>(45.4)</b>
Cement & building materials	(2,400)	1,688	530	(68.6)	122.1	2,877	4,526	57.3
Chemicals	5,210	3,704	(339)	nm	nm	24,431	6,953	(71.5)
Packaging	1,781	1,856	1,837	(1.0)	3.1	6,179	5,351	(13.4)
Others	2,738	4,306	1,034	(76.0)	(62.2)	7,156	7,124	(0.4)
<b>EBITDA margin</b>								
<b>SCC consolidated</b>	<b>11</b>	<b>11</b>	<b>6</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>17</b>	<b>10</b>	<b>(7.0)</b>
Cement & building materials	2	10	8	(2.0)	6.0	10	10	-
Chemicals	10	7	(2)	nm	nm	17	4	(13.0)
Packaging	15	14	14	-	(1.0)	18	14	(4.0)

Sources: SCC; FSSIA's compilation

**Exhibit 3: Key changes in assumptions**

	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	589,887	694,763	734,954	608,488	726,219	761,491	(3.1)	(4.3)	(3.5)
Gross profit	147,885	176,951	205,552	152,742	193,563	221,315	(3.2)	(8.6)	(7.1)
Operating profit	29,252	42,589	50,657	31,319	54,671	62,175	(6.6)	(22.1)	(18.5)
Net profit	33,701	38,233	44,216	35,011	46,340	51,632	(3.7)	(17.5)	(14.4)
EPS (THB/shr)	28.1	31.9	36.8	29.2	39	43	(3.7)	(17.5)	(14.4)
<b>Key assumptions</b>									
Dubai oil price (USD/bbl)	100	90	90	120	110	110	(20.0)	(20.0)	(20.0)
Cement demand growth (%)*	0.00	4.00	4.00	3.00	6.00	6.00	(3.0)	(2.0)	(2.0)
Petrochemical utilisation (%)*	90	92	92	95	95	95	(5.0)	(3.0)	(3.0)
Olefins capacity (m tonnes)	2,050	3,550	3,550	2,050	3,550	3,550	0.0	0.0	0.0
HDPE-naphtha (USD/tonne)	360	335	479	508	520	713	(29.1)	(35.6)	(32.8)
PP-naphtha (USD/tonne)	310	335	479	508	570	713	(39.0)	(41.2)	(32.8)

Note: \*Change of items in percentage terms are represented in ppt change

Sources: FSSIA estimates

**Exhibit 4: SoTP valuation**

SoTP valuation	End-2023E		% total (%)	Valuation basis
	(THB m)	(THB/shr)		
Cement & building materials	179,924	150	32	8x FY23E EV/EBITDA
Petrochemical	203,457	170	36	7x FY23E EV/EBITDA
Packaging	375,148	313	67	10x FY23E EV/EBITDA
<b>Total core</b>	<b>758,529</b>	<b>632</b>	<b>135</b>	
Investment (P/B)	192,757	161	34	1.4x FY23E P/BV
<b>Gross SoTP</b>	<b>951,287</b>	<b>793</b>	<b>170</b>	
Net debt	(288,198)	(240)	(51)	Net debt at end-FY23E
Minority	(102,255)	(85)	(18)	
<b>Net SoTP value</b>	<b>560,833</b>	<b>467</b>	<b>100</b>	
20% holding discount	(112,167)	(93)		
<b>SoTP target price</b>	<b>448,667</b>	<b>374</b>		

Sources: SCC; FSSIA estimates

## Financial Statements

### Siam Cement

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	399,939	530,112	589,887	694,763	734,954
Cost of goods sold	(282,570)	(392,165)	(442,003)	(517,812)	(529,402)
<b>Gross profit</b>	<b>117,369</b>	<b>137,946</b>	<b>147,885</b>	<b>176,951</b>	<b>205,552</b>
Other operating income	-	-	-	-	-
Operating costs	(56,535)	(66,855)	(88,483)	(100,046)	(117,593)
<b>Operating EBITDA</b>	<b>60,835</b>	<b>71,091</b>	<b>59,401</b>	<b>76,905</b>	<b>87,959</b>
Depreciation	(27,377)	(28,835)	(30,149)	(34,317)	(37,302)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>33,457</b>	<b>42,256</b>	<b>29,252</b>	<b>42,589</b>	<b>50,657</b>
Net financing costs	(7,082)	(6,757)	(7,518)	(7,671)	(8,251)
Associates	9,456	17,543	12,005	10,329	14,115
Recurring non-operating income	16,734	28,137	23,129	22,009	26,380
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>43,109</b>	<b>63,636</b>	<b>44,863</b>	<b>56,927</b>	<b>68,787</b>
Tax	(5,809)	(8,900)	(4,929)	(6,990)	(8,201)
<b>Profit after tax</b>	<b>37,300</b>	<b>54,736</b>	<b>39,934</b>	<b>49,937</b>	<b>60,586</b>
Minority interests	(3,156)	(7,562)	(6,234)	(11,704)	(16,370)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>34,144</b>	<b>47,174</b>	<b>33,701</b>	<b>38,233</b>	<b>44,216</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>34,144</b>	<b>47,174</b>	<b>33,701</b>	<b>38,233</b>	<b>44,216</b>
<b>Per share (THB)</b>					
Recurring EPS *	28.45	39.31	28.08	31.86	36.85
Reported EPS	28.45	39.31	28.08	31.86	36.85
DPS	14.50	16.50	15.00	15.50	17.50
Diluted shares (used to calculate per share data)	1,200	1,200	1,200	1,200	1,200
<b>Growth</b>					
Revenue (%)	(8.7)	32.5	11.3	17.8	5.8
Operating EBITDA (%)	23.5	16.9	(16.4)	29.5	14.4
Operating EBIT (%)	32.1	26.3	(30.8)	45.6	18.9
Recurring EPS (%)	6.7	38.2	(28.6)	13.4	15.6
Reported EPS (%)	6.7	38.2	(28.6)	13.4	15.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	22.5	20.6	20.0	20.5	22.9
Gross margin of key business (%)	22.5	20.6	20.0	20.5	22.9
Operating EBITDA margin (%)	15.2	13.4	10.1	11.1	12.0
Operating EBIT margin (%)	8.4	8.0	5.0	6.1	6.9
Net margin (%)	8.5	8.9	5.7	5.5	6.0
Effective tax rate (%)	15.0	15.0	15.0	15.0	15.0
Dividend payout on recurring profit (%)	51.0	42.0	53.4	48.6	47.5
Interest cover (X)	7.1	10.4	7.0	8.4	9.3
Inventory days	71.7	64.1	62.0	51.4	54.8
Debtor days	53.4	46.1	52.5	49.5	50.3
Creditor days	78.3	65.3	54.7	43.9	46.8
Operating ROIC (%)	7.0	7.6	4.5	5.8	(1.6)
ROIC (%)	7.3	8.8	5.6	6.4	(1.8)
ROE (%)	11.4	13.7	9.0	9.8	10.7
ROA (%)	6.2	7.5	5.4	6.4	6.4
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
	2020	2021	2022E	2023E	2024E
Cement & Building Material	116,534	142,495	169,520	192,107	223,878
Chemicals	143,782	181,898	199,472	267,589	267,590
Packaging	139,624	205,719	220,896	235,067	243,486
Others					

Sources: Siam Cement; FSSIA estimates

## Financial Statements

### Siam Cement

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	34,144	47,174	33,701	38,233	44,216
Depreciation	27,377	28,835	30,149	34,317	37,302
Associates & minorities	9,456	17,543	12,005	10,329	14,115
Other non-cash items	-	-	-	-	-
Change in working capital	18,594	(43,259)	(13,657)	(8,971)	(7,740)
<b>Cash flow from operations</b>	<b>89,571</b>	<b>50,293</b>	<b>62,197</b>	<b>73,907</b>	<b>87,893</b>
Capex - maintenance	(25,695)	(28,913)	(31,958)	(35,003)	(38,048)
Capex - new investment	(54,360)	(41,460)	(38,679)	(35,786)	(32,742)
Net acquisitions & disposals	(20,205)	(22,794)	0	0	0
Other investments (net)	26,143	(18,624)	0	0	0
<b>Cash flow from investing</b>	<b>(74,117)</b>	<b>(111,792)</b>	<b>(70,637)</b>	<b>(70,789)</b>	<b>(70,789)</b>
Dividends paid	(17,400)	(18,600)	(17,400)	(19,800)	(19,800)
Equity finance	0	0	0	0	0
Debt finance	21,703	41,458	(20,000)	20,000	5,000
Other financing cash flows	39,002	3,270	(19,234)	(3,949)	(3,069)
<b>Cash flow from financing</b>	<b>43,305</b>	<b>26,128</b>	<b>(56,634)</b>	<b>(3,749)</b>	<b>(17,869)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>58,759</b>	<b>(35,371)</b>	<b>(65,074)</b>	<b>(631)</b>	<b>(765)</b>
Free cash flow to firm (FCFF)	22,536.69	(54,741.42)	(921.40)	10,788.18	25,354.78
Free cash flow to equity (FCFE)	76,159.26	(16,771.03)	(47,674.06)	19,168.74	19,035.28

#### Per share (THB)

FCFF per share	18.78	(45.62)	(0.77)	8.99	21.13
FCFE per share	63.47	(13.98)	(39.73)	15.97	15.86
Recurring cash flow per share	59.15	77.96	63.21	69.06	79.69

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	621,946	669,229	745,346	821,463	897,581
Less: Accumulated depreciation	(258,521)	(258,521)	(288,670)	(322,987)	(360,288)
<b>Tangible fixed assets (net)</b>	<b>363,425</b>	<b>410,708</b>	<b>456,676</b>	<b>498,477</b>	<b>537,293</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	114,890	137,684	137,684	137,684	137,684
Cash & equivalents	102,981	67,610	2,536	1,905	1,141
A/C receivable	54,842	78,951	90,749	97,697	105,046
Inventories	54,654	83,121	67,115	78,626	80,386
Other current assets	1,540	3,334	8,629	10,160	10,743
<b>Current assets</b>	<b>214,017</b>	<b>233,016</b>	<b>169,029</b>	<b>188,388</b>	<b>197,316</b>
Other assets	57,049	79,694	79,694	79,694	79,694
<b>Total assets</b>	<b>749,381</b>	<b>861,101</b>	<b>843,083</b>	<b>904,242</b>	<b>951,986</b>
Common equity	320,972	365,691	381,991	400,424	424,840
Minorities etc.	75,154	84,318	90,551	102,255	118,625
<b>Total shareholders' equity</b>	<b>396,126</b>	<b>450,008</b>	<b>472,542</b>	<b>502,680</b>	<b>543,466</b>
Long term debt	160,553	206,291	206,291	226,291	231,291
Other long-term liabilities	31,281	36,415	36,415	36,415	36,415
<b>Long-term liabilities</b>	<b>191,834</b>	<b>242,706</b>	<b>242,706</b>	<b>262,706</b>	<b>267,706</b>
A/C payable	65,273	75,026	57,360	67,198	68,702
Short term debt	88,092	83,812	63,812	63,812	63,812
Other current liabilities	8,055	9,549	6,662	7,846	8,300
<b>Current liabilities</b>	<b>161,420</b>	<b>168,386</b>	<b>127,834</b>	<b>138,856</b>	<b>140,814</b>
<b>Total liabilities and shareholders' equity</b>	<b>749,381</b>	<b>861,101</b>	<b>843,083</b>	<b>904,242</b>	<b>951,986</b>
Net working capital	37,708	80,831	102,471	111,439	119,173
Invested capital	573,072	708,916	776,525	827,293	873,843

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

#### Per share (THB)

Book value per share	267.48	304.74	318.33	333.69	354.03
Tangible book value per share	267.48	304.74	318.33	333.69	354.03

#### Financial strength

Net debt/equity (%)	36.8	49.4	56.6	57.3	54.1
Net debt/total assets (%)	19.4	25.8	31.7	31.9	30.9
Current ratio (x)	1.3	1.4	1.3	1.4	1.4
CF interest cover (x)	19.4	4.7	(0.2)	8.2	7.3

Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>11.5</b>	<b>8.3</b>	<b>11.6</b>	<b>10.2</b>	<b>8.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>13.1</b>	<b>9.5</b>	<b>13.3</b>	<b>11.7</b>	<b>10.2</b>
Reported P/E (x)	11.5	8.3	11.6	10.2	8.8
Dividend yield (%)	4.4	5.1	4.6	4.8	5.4
Price/book (x)	1.2	1.1	1.0	1.0	0.9
Price/tangible book (x)	1.2	1.1	1.0	1.0	0.9
EV/EBITDA (x) **	10.1	9.8	12.6	10.2	9.1
EV/EBITDA @ target price (x) **	11.0	10.6	13.6	10.9	9.8
EV/invested capital (x)	1.1	1.0	1.0	0.9	0.9

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

Sources: Siam Cement; FSSIA estimates

## Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAHA	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

**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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Sources: 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

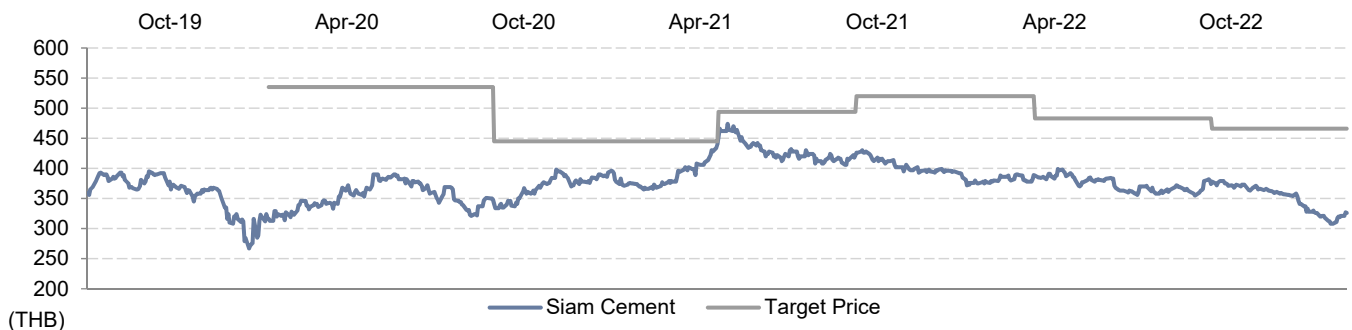
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

#### Siam Cement (SCC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Apr-2020	BUY	535.00	27-Apr-2021	BUY	494.00	27-Jan-2022	BUY	483.00
14-Oct-2020	BUY	445.00	25-Aug-2021	BUY	520.00	30-Jun-2022	BUY	466.00

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 14-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Siam Cement	SCC TB	THB 326.00	BUY	Downside risks to our SOTP based TP include 1) a lower-than-expected demand for chemicals, CBM, and packaging; 2) rising coal costs for its cement and packaging units; and 3) weaker demand from the automobile industry that could erode the demand for SCC's chemical unit and its dividend contributions.

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 26-Oct-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.