

SCG PACKAGING SCGP TB
THAILAND / PACKAGING

FSSIA ESG rating



BUY

SCGP เติบโตแกร่งทั้งในและต่างประเทศ

- กำไรผ่านจุดต่ำสุดแล้วใน 3Q23 แนวโน้ม 4Q23 ดีขึ้นแต่ยังไม่เข้าสู่ระดับปกติ
- เรคาดรายได้เติบโต 12.5% และ 6.3% ในปี 2024-25 ส่วนกำไรปกติคาดโต 26% และ 17% ตามลำดับ
- แนะนำซื้อ ราคาเป้าหมาย 48 บาท

| | |
|-----------------|----------|
| TARGET PRICE | THB48.00 |
| CLOSE | THB36.50 |
| UP/DOWNSIDE | +31.5% |
| TP vs CONSENSUS | +12.3% |

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|---------|---------|---------|---------|
| Revenue | 146,068 | 130,593 | 146,863 | 156,114 |
| Net profit | 5,801 | 5,397 | 6,800 | 7,945 |
| EPS (THB) | 1.35 | 1.26 | 1.58 | 1.85 |
| vs Consensus (%) | - | (3.4) | (0.1) | 1.4 |
| EBITDA | 19,259 | 17,981 | 19,989 | 21,502 |
| Recurring net profit | 5,658 | 5,397 | 6,800 | 7,945 |
| Core EPS (THB) | 1.32 | 1.26 | 1.58 | 1.85 |
| EPS growth (%) | (29.1) | (4.6) | 26.0 | 16.8 |
| Core P/E (x) | 27.7 | 29.0 | 23.0 | 19.7 |
| Dividend yield (%) | 0.5 | 0.4 | 0.5 | 0.5 |
| EV/EBITDA (x) | 11.3 | 12.0 | 10.9 | 10.1 |
| Price/book (x) | 1.6 | 2.0 | 1.9 | 1.8 |
| Net debt/Equity (%) | 28.7 | 31.0 | 32.8 | 29.8 |
| ROE (%) | 5.8 | 6.1 | 8.5 | 9.6 |

เติบโตอย่างแข็งแกร่งผ่านการขยายการผลิตและควบรวมกิจการ

ท่ามกลางความท้าทายในปี 2022 SCGP ยังคงเดินหน้าขยายธุรกิจทั้งต้นน้ำและปลายน้ำผ่านการควบรวมกิจการ (M&P) ขณะเดียวกันก็สามารถขยายฐานตลาดเข้าไปยังตลาดใหม่ๆ ได้ด้วย นอกเหนือจากการขยายกำลังการผลิตในกลุ่ม Flexible packaging จากความต้องการที่มีสูง ในช่วงที่ผ่านมาบริษัทได้เข้าซื้อหุ้น 100% ใน Peute เพื่อขยายเข้าสู่ธุรกิจรีไซเคิลวัสดุบรรจุภัณฑ์ในเนเธอร์แลนด์ และซื้อหุ้น 90.1% ใน Jordan Trading Inc. ซึ่งตั้งอยู่ในสหรัฐ ดำเนินธุรกิจจัดหาและจำหน่ายวัตถุดิบกระดาษรีไซเคิลเพื่อขยายฐานการจัดหาวัตถุดิบรีไซเคิลในประเทศ ดีต่อการเข้าถึงแหล่งวัตถุดิบคุณภาพสูง ตอบสนองแนวคิดเรื่องความยั่งยืน

ผลประกอบการผ่านจุดต่ำสุดใน 3Q23

กำไรปกติงวด 9M23 ที่ปรับลดลงจากการฟื้นตัวของเศรษฐกิจจีนและตลาดส่งออกของภูมิภาคอาเซียน ทำให้สินค้าประเภทกระดาษบรรจุภัณฑ์ยังมีแรงกดดันเรื่องราคาขายและยังมีการแข่งขันสูง สำหรับราคาพลังงานที่ปรับขึ้นในช่วงนี้เพราะเป็นช่วงฤดูหนาว ส่งผลกระทบต่อ SCGP เนื่องจากบริษัทมีการถือครองที่ดินที่ต้องใช้ไว้ล่วงหน้าเป็นบางส่วน ขณะเดียวกันบริษัทได้เพิ่มการใช้พลังงานทางเลือก เช่น พลังงานชีวมวลจากขี้ไม่สับ เปลือกไม้ เพื่อลดสัดส่วนการใช้พลังงานจากถ่านหิน

การควบรวมกิจการกำลังออกดอกผล

เรคาดรายได้และกำไรปกติปี 2023 ลดลง 10.6% y-y และ 4.6% y-y ตามลำดับ จากปริมาณการขายและราคาขายกระดาษบรรจุภัณฑ์ที่ลดลงเนื่องจากตลาดส่งออกที่ฟื้นตัวช้า ขณะที่ต้นทุนหลักไม่ว่าจะเป็นวัตถุดิบและค่าขนส่ง ไม่ได้เป็นปัญหามากในปีนี้อย่างไรก็ตาม ด้วยภาวะเศรษฐกิจในปี 2024 ที่ฟื้นตัวค่อยเป็นค่อยไปและการรวมกิจการต่างๆ ในช่วงที่ผ่านมา ทำให้เรคาดรายได้ในปี 2024-25 เติบโต 12.5% และ 6.3% อัตรากำไรขั้นต้นและ EBITDA margin น่าจะยังอยู่ในระดับสูงประมาณ 18.1-18.7% และ 13.6-13.8% ได้ กำไรปกติคาดว่าจะทำได้ 6.8 พันล้านบาท (+26.0% y-y) ในปี 2024 และ 7.9 พันล้านบาท (+16.8% y-y) ในปี 2025

เริ่มต้น Coverage ด้วยคำแนะนำซื้อ ราคาเป้าหมาย 48 บาท

เราเริ่ม Coverage ด้วยคำแนะนำซื้อ ราคาเป้าหมาย 48 บาท (DCF, WACC 9.8%, LTG 3.5%) ซึ่งคิดเป็น Implied EV/EBITDA ปี 2024 ที่ 15 เท่า ราคาหุ้นปัจจุบันซื้อขายที่ EV/EBITDA เพียง 9.8 เท่า (-1.5SD ของค่าเฉลี่ย 4 ปี) Market cap ของ SCGP เพิ่มขึ้นเพียง 1.4 หมื่นลบ. (+9%) ตั้งแต่เข้าตลาดฯ ปี 2020 ในขณะที่สินทรัพย์บริษัทสิ้น 3Q23 เพิ่มขึ้น 2.8 หมื่นลบ. (+16%) และ EBITDA ปีหน้าคาดว่าจะเพิ่มขึ้น 17% จากปี 2020



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|--------------------------------|---------|----------|
| Absolute (%) | 0.7 | (6.4) | (36.8) |
| Relative to country (%) | 1.8 | 5.0 | (25.3) |
| Mkt cap (USD m) | 4,396 | | |
| 3m avg. daily turnover (USD m) | 9.7 | | |
| Free float (%) | 26 | | |
| Major shareholder | The Siam Cement (SCC TB) (72%) | | |
| 12m high/low (THB) | 60.50/33.25 | | |
| Issued shares (m) | 4,292.92 | | |

Sources: Bloomberg consensus; FSSIA estimates



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

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 13 ธันวาคม 2023

Investment thesis

We expect SCGP's 2023 revenue and core profit to fall by 10.6% y-y and 4.6% y-y, respectively, owing to decreased sales volumes and average selling prices. With the company's capacity expansion and M&Ps throughout 2023, we expect SCGP's revenue to grow by 12.5% and 6.3% in 2024-25. We project its gross margin and EBITDA margin to remain healthy at around 18.1-18.7% and 13.6-13.8% in both years, respectively. Core profit is therefore estimated at THB6.8b (+26.0% y-y) in 2024 and THB7.9b (+16.8% y-y) in 2025.

SCGP has only gained THB14b (+9%) in market cap since it was first listed on the SET in 2020, while its assets at end-3Q23 rose to THB28b (+16%), and we anticipate its 2024 EBITDA to surge 17% from 2020. Its valuations are demanding. We initiate coverage with a BUY call and a TP of THB48.

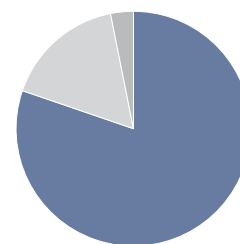
Company profile

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

www.scgpackaging.com

Principal activities (revenue, 2022)

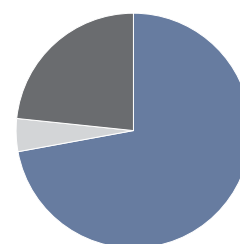
- Integrated packaging chain - 80.2 %
- Fibrous chain - 16.6 %
- Recycling business and others - 3.1 %



Source: SCG Packaging

Major shareholders

- The Siam Cement (SCC TB) - 72.1 %
- Thai NVDR - 4.5 %
- Others - 23.4 %



Source: SCG Packaging

Catalysts

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

Risks to our call

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

Event calendar

| Date | Event |
|---------------|---------------------------------|
| February 2024 | 4Q23/2023 earnings announcement |

Key assumptions

| | Unit | 2023E (THB m) | 2024E (THB m) | 2025E (THB m) |
|------------------------------|---------|------------------|------------------|------------------|
| Packaging paper sales volume | m ton | 3.77 | 3.68 | 3.86 |
| Packaging paper ASP | THB/ton | 18,764 | 19,702 | 20,884 |
| Fiber packaging sales volume | m ton | 0.93 | 1.04 | 1.05 |
| Fiber packaging ASP | THB/ton | 35,936 | 35,936 | 36,295 |
| Fibrous sales volume | m ton | 0.62 | 0.65 | 0.67 |
| Fibrous ASP | THB/ton | 40,454 | 42,477 | 43,751 |

Source: FSSIA estimates

Earnings sensitivity

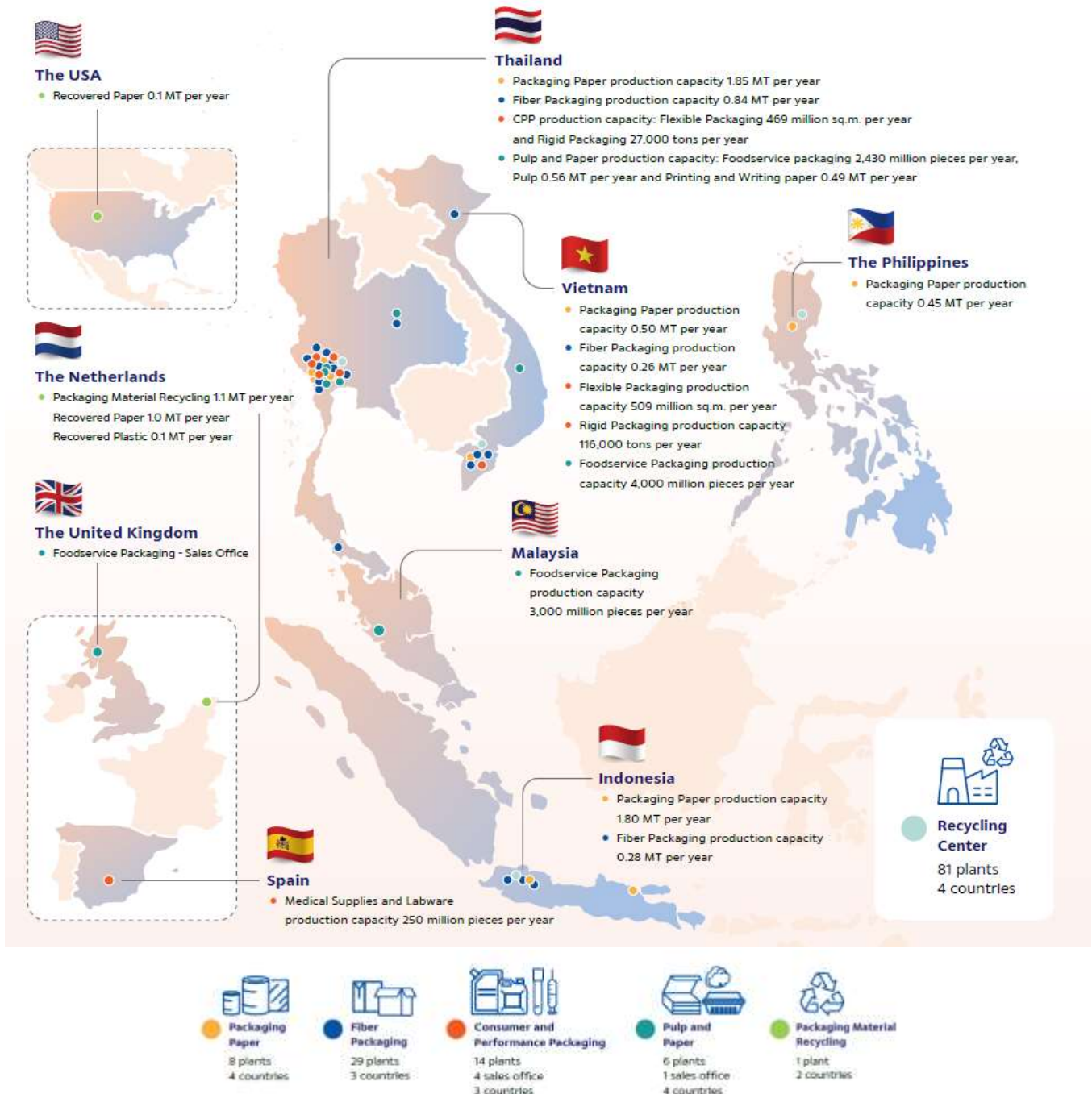
- For every 5% change in packaging paper ASP, we project SCGP's 2024 core profit to change by 2.7%, all else being equal.
- For every 5% change in fiber packaging ASP, we project SCGP's 2024 core profit to change by 1.5%, all else being equal.
- For every 0.5% change in blended gross margin, we project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

Source: FSSIA estimates

Leading regional packaging paper manufacturer

SCGP is a subsidiary of its strong parent, The Siam Cement (SCC TB) which holds a 72.1% stake, and has been in the packaging paper business since 1975. The company has continued to expand its business in both upstream and downstream levels through M&Ps while entering new growing markets. Currently, SCGP is a leading multinational consumer packaging solution provider, operating 57 production bases in nine countries: Thailand, Vietnam, Indonesia, Malaysia, the Philippines, Spain, the UK, the Netherlands, and the US.

Exhibit 1: SCGP's production facilities locations



Sources: SCGP's one report, 2022, SCGP website

SCGP's business

SCGP's operations can be classified into three segments:

- Integrated packaging business.** SCGP offers fiber-based packaging, packaging paper, and performance and polymer packaging (PPP) to serve customers' needs. The company has more than 120,000 SKUs in its integrated packaging products including corrugated containers, display packaging, and grocery and industrial bags. The PPP line, operating since 2015, produces flexible and rigid packaging which is widely used for the fast-moving consumer goods (FMCG) industry such as food and consumer products.
- Fibrous business.** SCGP offers food service products and pulp and paper products mainly consisting of writing and printing paper. SCGP is one of a few packaging manufacturers in Southeast Asia which can access the upstream supply starting from eucalyptus research and development, planting, plantation consultation and procurement.
- Recycling business and others.** SCGP recently entered the recycling business via the merger of Peute Recycling B.V., in the Netherlands, and Jordan Trading Inc., in the US, in July and September 2022, respectively.

Exhibit 2: Nature of SCGP's business



Sources: SCGP's one report, 2022

Exhibit 3: SCGP's integrated packaging products



Sources: SCGP, FSSIA's compilation

Exhibit 4: SCGP's fibrous chain products



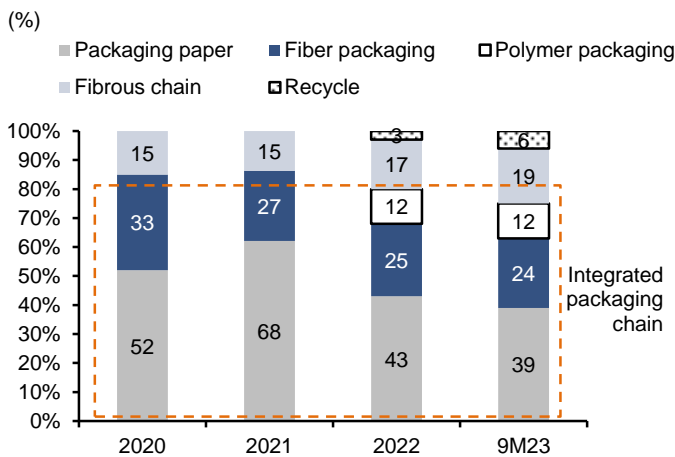
Sources: SCGP, FSSIA's compilation

The integrated packaging business has been SCGP’s major source of revenue, contributing 80-95% during 2020-22 and 75% in 9M23, while the fibrous business accounted for 15-17% during 2020-22 and 19% in 9M23. The recycling business, which the company recently entered in 2022, accounted for only 6% of total revenue in 9M23.

In the integrated packaging business unit, the packaging paper available in a roll form plays a key part, with 52-68% of total revenue in 2020-21. The company successfully reduced the proportion of its packaging paper to 39% of total revenue in 9M23 by expanding the downstream products such as corrugated containers, display packaging and polymer packaging (rigid and flexible packaging).

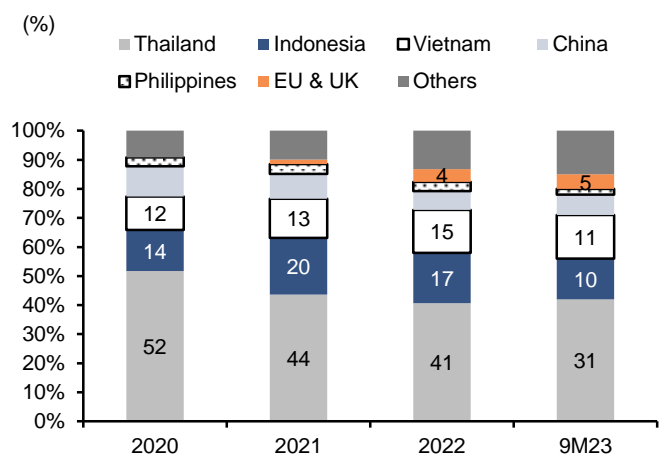
SCGP’s major customers are multinational companies and brand owners mostly in the ASEAN region, including Thailand, Indonesia, Vietnam, and the Philippines, as well as China, Europe, and the UK.

Exhibit 5: Revenue breakdown by business unit



Sources: SCGP, FSSIA's compilation

Exhibit 6: Revenue breakdown by market



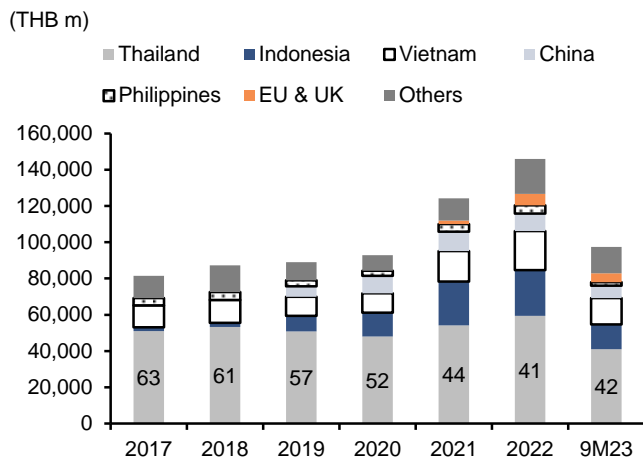
Sources: SCGP, FSSIA's compilation

Thailand – the most resilient market

During the past several years, SCGP’s sales revenue scaled from THB71b in 2015 to THB146b in 2022, or 11% CAGR, through capacity and market expansion. The company’s production facilities are located in nine countries with a combined population of 1,063 billion people and USD34t in consolidated GDP, or a 34% share of global GDP. Three main contributors, geographically, of SCGP’s revenue are Thailand, Indonesia, and Vietnam, making up a combined 71% of total revenue in 9M23. In Thailand, the company has the largest market share in packaging paper at 45% and a 34% share in the fiber packaging market. Thailand proves to be a resilient market for SCGP.

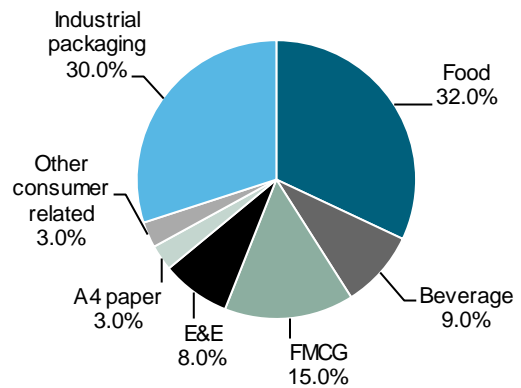
In 9M23, 70% of SCGP’s revenue came from consumer-related packaging products such as food and beverages (F&B), FMCG, e-commerce, and consumer healthcare.

Exhibit 7: Revenue breakdown by destination



Sources: SCGP, FSSIA’s compilation

Exhibit 8: Revenue breakdown by application (9M23)



Sources: SCGP, FSSIA’s compilation

Indonesia remains a key asset for SCGP

SCGP first entered the Indonesian market through acquiring stakes in PTPM in 2013. The Indonesian market has been the second largest contributor of sales revenue following Thailand since 2020 after SCGP acquired a 55.2% stake in PT Fajar Surya Wisesa Tbk. (FASW IJ) in July 2019. Fajar is a leader in packaging paper in Indonesia, holding a market share of about 30% in the Indonesian containerboard industry. With an installed capacity over 1.5m tons per year, Fajar’s products include Kraft Liner Board (KLB), Corrugated Medium Paper (CMP) for carton-box packaging, and Coated Duplex Board (CDB) for display packaging.

Currently, SCGP has six corrugated container facilities, one corrugated container printing facility, two packaging paper facilities, and 12 recycling center facilities in Indonesia. With 270 million people and a growing middle class, Indonesia is an essential potential market in the Asia region and is one of the key assets for SCGP’s business.

Exhibit 9: Products from Fajar



Sources: PT Fajar Surya Wisesa Tbk. website

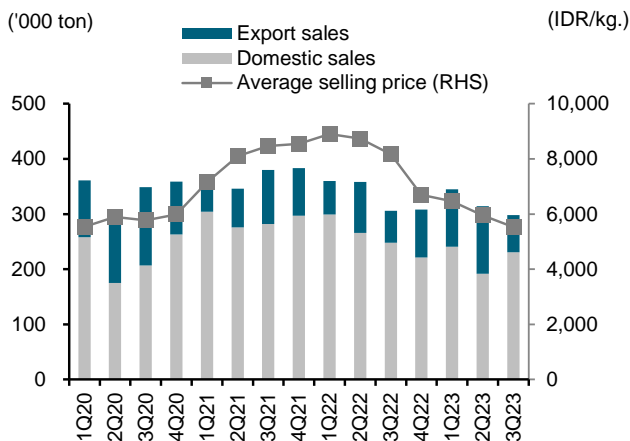
Exhibit 10: Revenue from Indonesia and % to total sales



Sources: SCGP, FSSIA's compilation

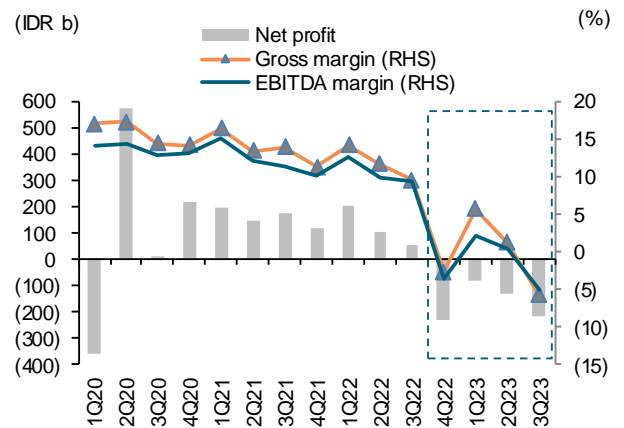
Revenue from Indonesia rose from THB8.6b in 2019 (10% of SCGP’s total revenue) to THB24.3b in 2021 (20% of total revenue). However, sales started to face a slowdown in 2022 in line with the packaging paper market in Indonesia, mainly attributable to the decreasing domestic selling prices. The weak demand in exports, together with the soft domestic purchasing power contributed to an oversupply of packaging paper products in Indonesia, causing the falling selling prices. The continued cost pressure from raw materials and energy led Fajar to experience a declining gross margin, and it has undergone losses since 4Q22.

Exhibit 11: Fajar’s sales volume and average selling price



Sources: SCGP, FSSIA's compilation

Exhibit 12: Fajar’s margins and net profit

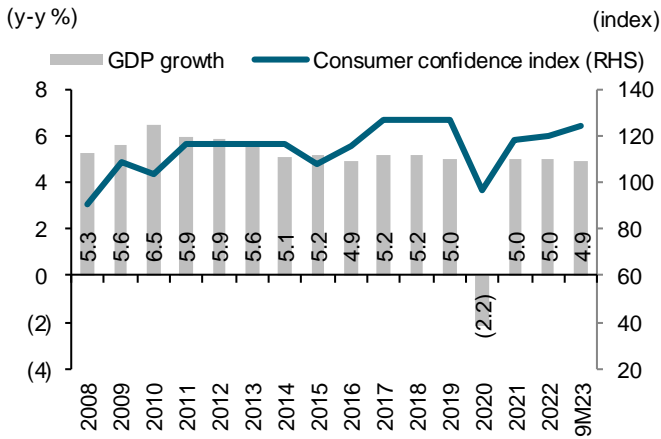


Sources: Bloomberg, FSSIA's compilation

Indonesia investment set to improve in 2024

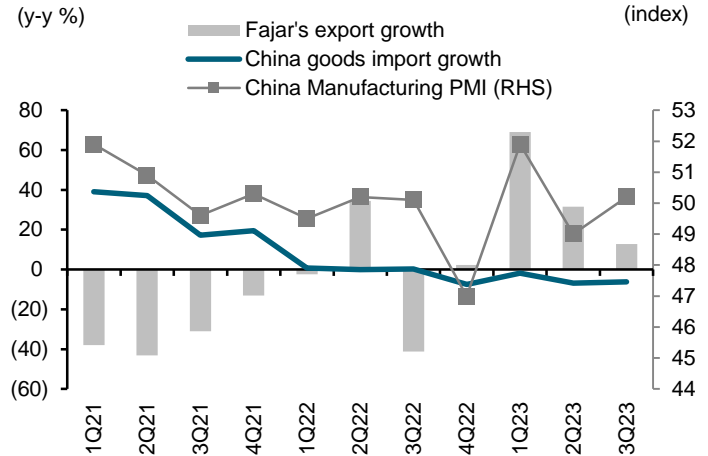
In 3Q23, Fajar continued its net loss of IDR220b, primarily due to the continued decreased in average selling prices and sales volume. We believe that Fajar's loss will be gradually reduced in 4Q23, with EBITDA turning positive in mid-2024 as China looks to shore up its economy. Although export sales contributed about 30% of Fajar's revenue, China is one of Fajar's key export markets. Moreover, the Indonesian general election in 2024 should push domestic consumption up, as well as the overall economy.

Exhibit 13: Indonesia's GDP growth and consumer confidence



Source: Bloomberg

Exhibit 14: Fajar's export vs China's economic data

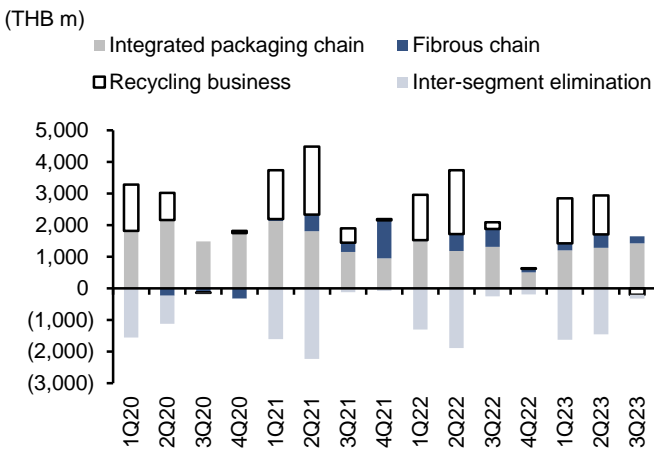


Sources: SCGP, PT Fajar Surya Wisesa Tbk. website, Bloomberg

3Q23 should mark the bottom of the earnings cycle

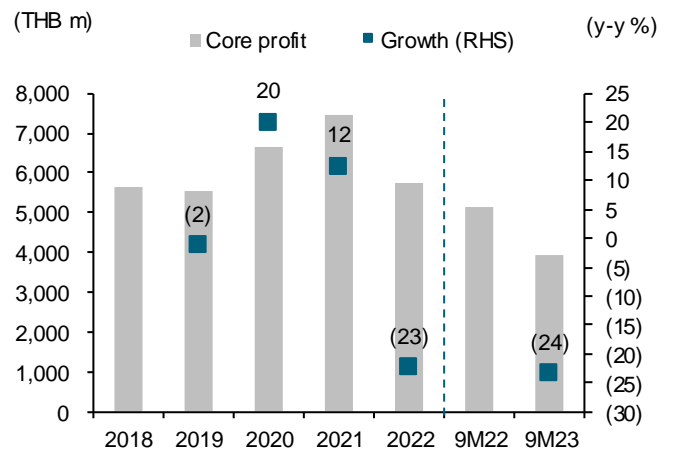
In 3Q23, SCGP delivered a core profit of THB1.3b (-9% q-q, -13% y-y), marking a 24% y-y decline in 9M23 core profit, weighed down by the slower-than-expected recovery in China and other ASEAN export markets, mainly Europe. The pressure on export prices and intense competition remained for packaging paper. Favorable factors, nevertheless, were the solid packaging demand in some products, namely foods, beverages, and consumer goods, and the decline in raw material, energy and logistic costs.

Exhibit 15: Net profit by business unit, quarterly



Sources: SCGP, FSSIA's compilation

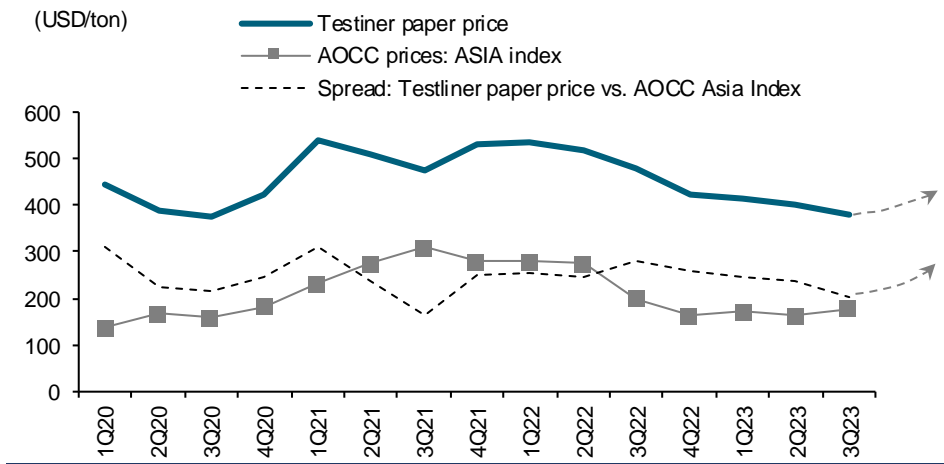
Exhibit 16: Core profit, yearly



Sources: SCGP, FSSIA's compilation

We expect SCGP's core profit to improve in 4Q23 because of the continued rise in tourism-related spending, especially on F&B and FMCG. Although some energy costs are currently rising during the winter season, it should have a limited impact on the company because it locked in some of its coal consumption and successfully increased its usage of alternative fuels such as biomass, biogas, and woodchips to reduce the proportion of coal consumption. Moreover, the price competition situation in the Indonesian packaging paper industry looks set to improve.

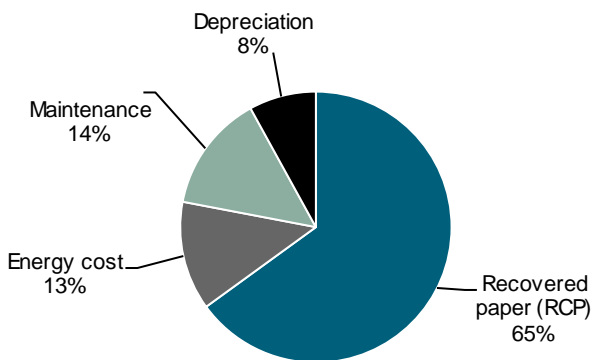
Exhibit 17: Packaging paper prices



Sources: SCGP, FSSIA estimates

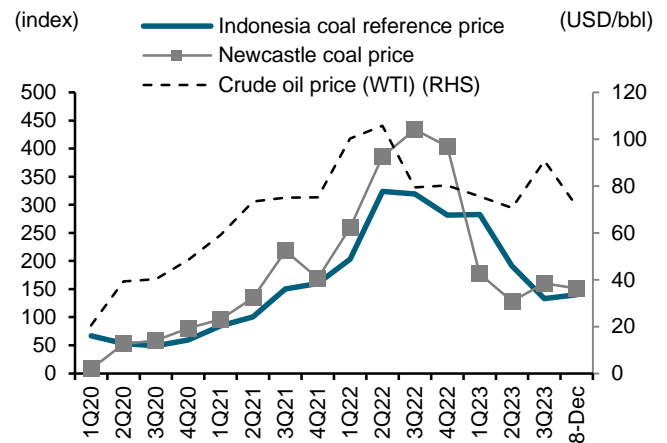
Recovered paper (RCP), the main source used in packaging paper production, accounted for 97% of the pulp needed in packaging paper production in 2022. 59% of SCGP's RCP intake is sourced from the company's recycling centers in the Asian region, while the balance is imported from the US, Europe, and Japan. The acquisition of Dutch packaging material recycling business Peute and the US waste material trader Jordan will strengthen SCGP's raw material sourcing going forward.

Exhibit 18: Cost breakdown in 2022



Sources: SCGP, FSSIA's compilation

Exhibit 19: Indonesian coal reference price



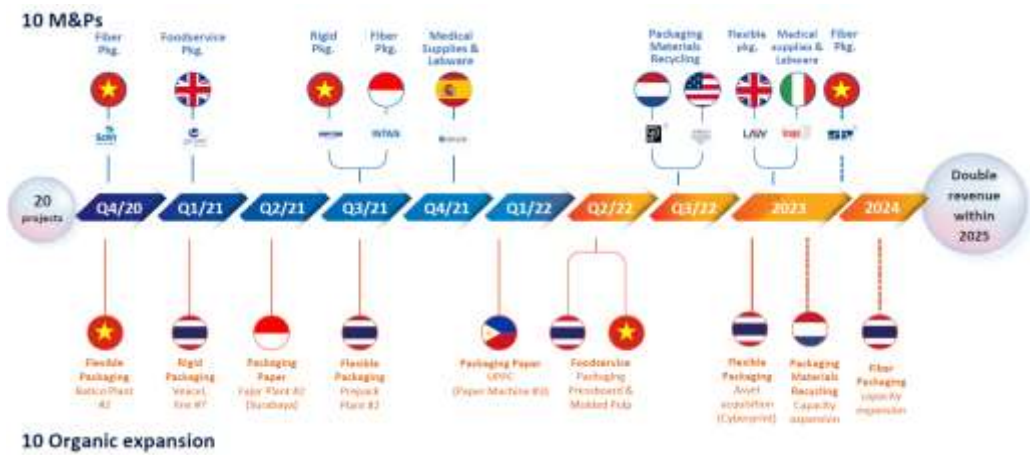
Sources: Bloomberg

Gradual recovery

The IMF forecasts the global recovery to remain slow from 3.0% in 2023 to 2.9% in 2024. Core inflation is also forecast to decline gradually, supporting consumption. Despite the headwinds, packaging demand has sequentially recovered since 2023, especially consumer-related segments. The significant increase in e-commerce led to a surge in packaging demand. Most raw material and energy prices, after an extraordinary spike in 2022, are expected to stabilize in the medium term. The energy transition should eventually affect the coal consumption demand and prices.

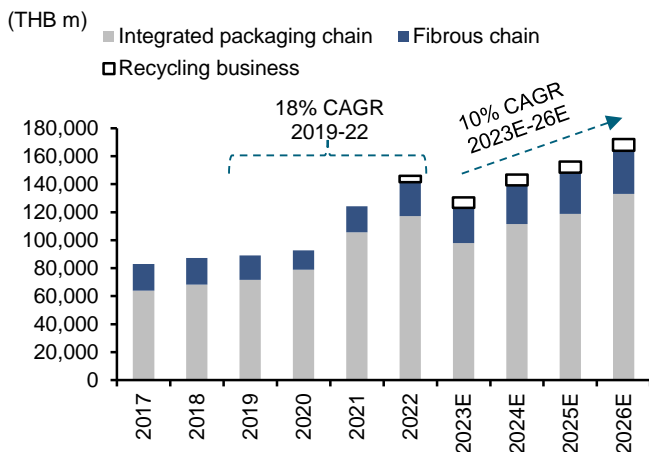
We expect SCGP's 2023 revenue and core profit to fall by 10.6% y-y and 4.6% y-y, respectively, owing to decreased sales volumes and average selling prices. With the company's capacity expansion and M&Ps throughout 2023, we expect SCGP's revenue to grow by 12.5% and 6.3% in 2024-25. We project its gross margin and EBITDA margin to remain healthy at around 18.1-18.7% and 13.6-13.8% in both years, respectively. Core profit is therefore estimated at THB6.8b (+26.0% y-y) in 2024 and THB7.9b (+16.8% y-y) in 2025.

Exhibit 20: SCGP's M&Ps and organic expansions



Sources: SCGP Presentation, December 2023

Exhibit 21: Revenue forecast



Sources: SCGP, FSSIA estimates

Exhibit 22: Recent projects

Organic expansion

- 1 Flexible packaging (Commence operation in Q3/2023)
- 1 Fiber packaging (Expected COD² in Q1/2024)
- 3 1 Packaging materials recycling business (COD in Nov/2023)

Remark: Packaging paper new plant in Northern VN is under review

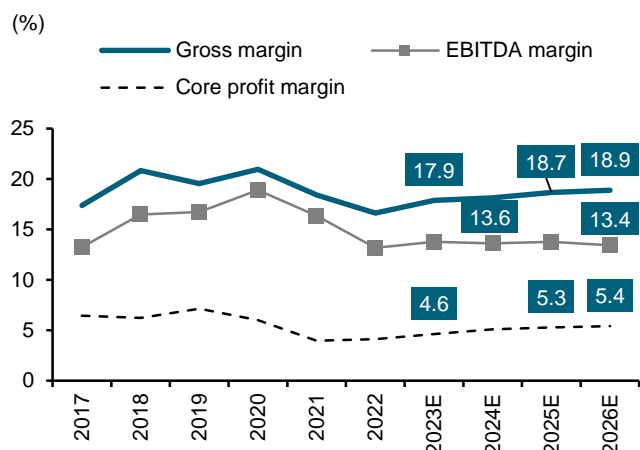
M&Ps

- 1 2 3 Starprint VN Fiber packaging: folding carton & rigid box (Expected completion in Q4/2023)
- 1 LAW Enlarging global sales network of polymer packaging
- 2 bicappa Enhancing consumer solutions in medical supplies & labware

New M&Ps

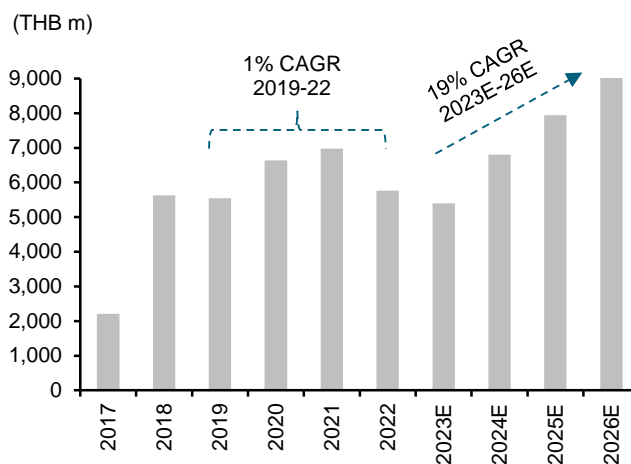
Sources: SCGP, FSSIA estimates

Exhibit 23: Margins



Sources: SCGP, FSSIA estimates

Exhibit 24: Core profit



Sources: SCGP, FSSIA estimates

Valuation

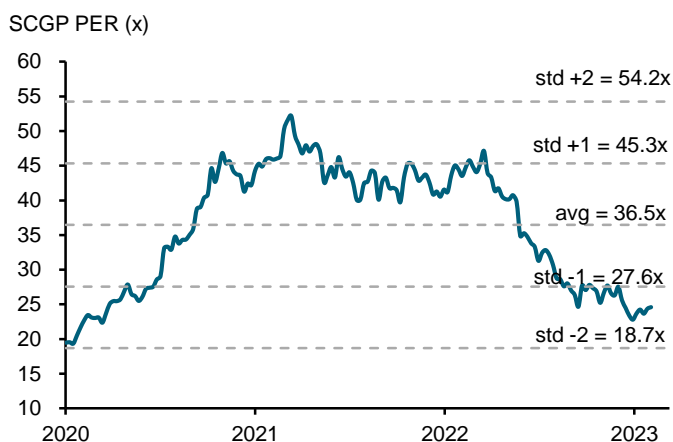
We derive a DCF-based TP of THB48.0 (9.8% WACC, 3.5% LTG), which implies 15x 2024E EV/EBITDA. SCGP’s share price is trading at only 9.8x 2023E EV/EBITDA, - 1.5 SD of its four-year average. SCGP has only gained THB14b (+9%) in market cap since it was first listed on the SET in 2020, while its assets at end-3Q23 rose to THB28b (+16%), and we anticipate its 2024 EBITDA to surge 17% from 2020. We initiate our coverage of SCGP with a BUY call.

Exhibit 25: DCF-based valuation

| Cost of equity assumption | (%) | Cost of debt assumption | (%) |
|-------------------------------------|----------------|-------------------------|------|
| Risk free rate | 3.0 | Pre-tax cost of debt | 4.0 |
| Market risk premium | 12.0 | Tax rate | 20.0 |
| Stock beta | 0.9 | | |
| Cost of equity, Ke | 10.7 | Cost of debt, Kd | 4.0 |
| Weight applied | 65.6 | Weight applied | 34.4 |
| WACC | 9.8 | | |
| Terminal growth | 3.5 | | |
| | (THB m) | | |
| Sum of PV of FCF | 80,432 | | |
| PV of Terminal value | 86,499 | | |
| Enterprise value | 166,931 | | |
| Net debt | 38,939 | | |
| Equity value | 205,870 | | |
| No. of shares | 4,293 | | |
| Equity value per share (THB) | 48.0 | | |

Sources: SCGP, FSSIA estimates

Exhibit 26: Rolling one-year forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 27: Rolling one-year forward EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

Exhibit 28: Peers comparison as of 12 Dec 2023

| Company | BBG | Rec | Share price | | | Market Cap (USD m) | PE | | ROE | | PBV | | EV/EBITDA | |
|-----------------------------|-----------|-----|---------------|--------------|------------|--------------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|
| | | | Current (LCY) | Target (LCY) | Upside (%) | | 23E (x) | 24E (x) | 23E (%) | 24E (%) | 23E (x) | 24E (x) | 23E (x) | 24E (x) |
| Thailand | | | | | | | | | | | | | | |
| SCG packaging | SCGP TB | BUY | 36.50 | 48.00 | 32 | 4,396 | 29.0 | 23.0 | 6.1 | 8.5 | 2.0 | 1.9 | 12.0 | 10.9 |
| Starflex | SFLEX TB | BUY | 3.52 | 5.60 | 59 | 78 | 16.0 | 12.6 | 17.7 | 20.9 | 2.7 | 2.6 | 10.7 | 10.5 |
| Eastern Polymer Group | EPG TB | n/a | 7.10 | n/a | n/a | 556 | 16.2 | 14.3 | 10.5 | 11.3 | 1.6 | 1.6 | 10.7 | 10.1 |
| Thailand average | | | | | | 5,030 | 20.4 | 16.7 | 11.4 | 13.6 | 2.1 | 2.0 | 11.1 | 10.5 |
| Regional | | | | | | | | | | | | | | |
| Packagin Corp | PKG US | n/a | 161.74 | n/a | n/a | 14,496 | 19.3 | 19.4 | 19.6 | 19.0 | 3.7 | 3.7 | 10.4 | 10.4 |
| Amcor | AMCR US | n/a | 9.44 | n/a | n/a | 13,644 | 13.0 | 13.7 | 26.6 | 24.2 | 3.4 | 3.3 | 10.3 | 10.4 |
| Smurfit kappa | SKG LN | n/a | 3,012.00 | n/a | n/a | 9,838 | 10.0 | 10.7 | 16.7 | 14.3 | 1.6 | 1.5 | 6.0 | 6.2 |
| Mondi | MNDI LN | n/a | 1,466.50 | n/a | n/a | 8,933 | 16.7 | 16.4 | 8.2 | 9.2 | 1.4 | 1.4 | 8.4 | 8.1 |
| Graphic packaging | GPK US | n/a | 22.91 | n/a | n/a | 7,012 | 8.0 | 8.4 | 36.1 | 25.1 | 2.6 | 2.2 | 6.6 | 6.7 |
| Sonoco products | SON US | n/a | 53.77 | n/a | n/a | 5,267 | 10.3 | 10.2 | 23.6 | 21.3 | 2.2 | 2.2 | 7.8 | 7.6 |
| DS dmith | SMDS LN | n/a | 295.40 | n/a | n/a | 5,105 | 6.9 | 8.8 | 13.5 | 10.8 | 0.9 | 1.0 | 5.3 | 5.9 |
| Sealed Air | SEE US | n/a | 33.05 | n/a | n/a | 4,774 | 11.3 | 10.9 | 93.7 | 72.7 | 10.2 | 6.3 | 8.5 | 8.2 |
| Silgan holdings | SLGN US | n/a | 41.87 | n/a | n/a | 4,459 | 12.6 | 11.5 | 20.0 | 19.9 | 2.5 | 2.3 | 9.3 | 8.9 |
| Huhtamaki | HUH1V FH | n/a | 35.20 | n/a | n/a | 4,092 | 16.4 | 14.3 | 9.8 | 12.6 | 1.9 | 1.8 | 9.0 | 8.3 |
| Nine dragons | 2689 HK | n/a | 3.62 | n/a | n/a | 2,139 | n/a | 32.1 | (4.3) | 1.6 | 0.3 | 0.3 | 17.9 | 10.8 |
| Henan mingtai industrial | 601677 CH | n/a | 11.23 | n/a | n/a | 1,858 | 7.0 | 6.5 | 11.4 | 11.9 | 0.9 | 0.8 | 5.7 | 5.0 |
| Winpak | WPK CT | n/a | 38.30 | n/a | n/a | 1,829 | 12.2 | 11.9 | 11.2 | 10.2 | 1.4 | 1.2 | 5.8 | 5.6 |
| Shenzhen leaguer | 002243 CH | n/a | 8.29 | n/a | n/a | 1,402 | 18.7 | 15.5 | 7.4 | 8.1 | 1.4 | 1.3 | n/a | n/a |
| Xiamen jihong technology | 002803 CH | n/a | 23.33 | n/a | n/a | 1,204 | 20.1 | 16.1 | 17.2 | 18.1 | 3.5 | 2.9 | 12.9 | 10.8 |
| Shanghai baosteel packaging | 601968 CH | n/a | 5.31 | n/a | n/a | 840 | 21.3 | 19.7 | 7.1 | 7.2 | 1.5 | 1.4 | 11.0 | 9.9 |
| Sunrise group | 002752 CH | n/a | 5.34 | n/a | n/a | 727 | 15.3 | 12.9 | 11.4 | 12.2 | 1.7 | 1.5 | 8.4 | 7.3 |
| Ningbo homelink | 301193 CH | n/a | 18.78 | n/a | n/a | 497 | 31.9 | 24.3 | 7.3 | 8.8 | 2.2 | 2.1 | 13.8 | 11.4 |
| Time technoplast | TIME IN | n/a | 179.35 | n/a | n/a | 488 | 17.2 | n/a | 10.9 | n/a | 1.9 | n/a | 8.4 | n/a |
| Regional average | | | | | | 88,602 | 14.9 | 14.6 | 18.3 | 17.1 | 2.4 | 2.1 | 9.2 | 8.3 |
| Overall average | | | | | | 93,632 | 15.7 | 14.9 | 17.3 | 16.6 | 2.4 | 2.1 | 9.5 | 8.7 |

Sources: Bloomberg; FSSIA estimates

Financial Statements

SCG Packaging

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenue | 124,223 | 146,068 | 130,593 | 146,863 | 156,114 |
| Cost of goods sold | (101,345) | (121,791) | (107,249) | (120,244) | (126,941) |
| Gross profit | 22,878 | 24,277 | 23,343 | 26,619 | 29,173 |
| Other operating income | 2,214 | 1,322 | 1,182 | 1,182 | 1,256 |
| Operating costs | (12,575) | (16,039) | (15,645) | (17,110) | (18,422) |
| Operating EBITDA | 20,833 | 19,259 | 17,981 | 19,989 | 21,502 |
| Depreciation | (8,315) | (9,699) | (9,101) | (9,298) | (9,494) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 12,518 | 9,560 | 8,880 | 10,691 | 12,008 |
| Net financing costs | (1,180) | (1,468) | (1,995) | (1,998) | (1,851) |
| Associates | 57 | 55 | 13 | 19 | 22 |
| Recurring non-operating income | 57 | 55 | 13 | 19 | 22 |
| Non-recurring items | 317 | 143 | 0 | 0 | 0 |
| Profit before tax | 11,712 | 8,289 | 6,898 | 8,713 | 10,179 |
| Tax | (2,065) | (1,550) | (1,342) | (1,695) | (1,981) |
| Profit after tax | 9,647 | 6,739 | 5,555 | 7,018 | 8,199 |
| Minority interests | (1,353) | (939) | (158) | (217) | (254) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 8,294 | 5,801 | 5,397 | 6,800 | 7,945 |
| Non-recurring items & goodwill (net) | (317) | (143) | 0 | 0 | 0 |
| Recurring net profit | 7,977 | 5,658 | 5,397 | 6,800 | 7,945 |
| Per share (THB) | | | | | |
| Recurring EPS * | 1.86 | 1.32 | 1.26 | 1.58 | 1.85 |
| Reported EPS | 1.93 | 1.35 | 1.26 | 1.58 | 1.85 |
| DPS | 0.17 | 0.17 | 0.16 | 0.19 | 0.20 |
| Diluted shares (used to calculate per share data) | 4,293 | 4,293 | 4,293 | 4,293 | 4,293 |
| Growth | | | | | |
| Revenue (%) | 33.9 | 17.6 | (10.6) | 12.5 | 6.3 |
| Operating EBITDA (%) | 21.8 | (7.6) | (6.6) | 11.2 | 7.6 |
| Operating EBIT (%) | 26.2 | (23.6) | (7.1) | 20.4 | 12.3 |
| Recurring EPS (%) | 19.4 | (29.1) | (4.6) | 26.0 | 16.8 |
| Reported EPS (%) | 28.4 | (30.1) | (7.0) | 26.0 | 16.8 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 18.4 | 16.6 | 17.9 | 18.1 | 18.7 |
| Gross margin exc. depreciation (%) | 25.1 | 23.3 | 24.8 | 24.5 | 24.8 |
| Operating EBITDA margin (%) | 16.8 | 13.2 | 13.8 | 13.6 | 13.8 |
| Operating EBIT margin (%) | 10.1 | 6.5 | 6.8 | 7.3 | 7.7 |
| Net margin (%) | 6.4 | 3.9 | 4.1 | 4.6 | 5.1 |
| Effective tax rate (%) | 17.6 | 18.7 | 19.5 | 19.5 | 19.5 |
| Dividend payout on recurring profit (%) | 9.4 | 13.1 | 12.6 | 11.7 | 10.8 |
| Interest cover (X) | 10.7 | 6.5 | 4.5 | 5.4 | 6.5 |
| Inventory days | 70.8 | 75.9 | 81.5 | 69.1 | 67.3 |
| Debtor days | 60.6 | 60.2 | 65.0 | 59.9 | 56.2 |
| Creditor days | 50.3 | 48.1 | 53.3 | 48.1 | 47.4 |
| Operating ROIC (%) | 8.6 | 6.0 | 6.2 | 8.0 | 8.7 |
| ROIC (%) | 6.8 | 4.6 | 4.5 | 5.7 | 6.2 |
| ROE (%) | 8.6 | 5.8 | 6.1 | 8.5 | 9.6 |
| ROA (%) | 5.4 | 3.8 | 3.6 | 4.3 | 4.8 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Integrated packaging chain | 105,562 | 117,219 | 98,005 | 111,523 | 118,839 |
| Fibrous chain | 18,660 | 24,273 | 25,082 | 27,610 | 29,313 |
| Recycling business and others | 0 | 4,576 | 7,505 | 7,731 | 7,963 |

Sources: SCG Packaging; FSSIA estimates

Financial Statements

SCG Packaging

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Recurring net profit | 7,977 | 5,658 | 5,397 | 6,800 | 7,945 |
| Depreciation | 8,315 | 9,699 | 9,101 | 9,298 | 9,494 |
| Associates & minorities | (57) | (55) | (13) | (19) | (22) |
| Other non-cash items | 3,637 | 4,021 | 26 | (2,234) | (1,363) |
| Change in working capital | (12,371) | (2,089) | 3,228 | (1,648) | 2,995 |
| Cash flow from operations | 7,501 | 17,234 | 17,738 | 12,197 | 19,049 |
| Capex - maintenance | 0 | 0 | 0 | 0 | 0 |
| Capex - new investment | (20,194) | (14,212) | (4,876) | (5,342) | (5,345) |
| Net acquisitions & disposals | (11,018) | 10,886 | (5,706) | (5,000) | (5,700) |
| Other investments (net) | 216 | 206 | (258) | 229 | (56) |
| Cash flow from investing | (30,995) | (3,119) | (10,840) | (10,113) | (11,101) |
| Dividends paid | (3,522) | (3,612) | (2,159) | (2,720) | (3,178) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | 5,070 | (7,253) | (6,246) | 1,397 | (4,418) |
| Other financing cash flows | (2,591) | (737) | (1,995) | (1,998) | (1,851) |
| Cash flow from financing | (1,042) | (11,602) | (10,401) | (3,321) | (9,447) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 11,873 | 0 | 5,000 | 0 | 0 |
| Net other adjustments | 11,873 | (10,390) | 5,000 | (5,300) | (1,000) |
| Movement in cash | (12,664) | (7,877) | 1,498 | (6,537) | (2,499) |
| Free cash flow to firm (FCFF) | (22,314.42) | 15,582.69 | 8,893.93 | 4,081.29 | 9,799.08 |
| Free cash flow to equity (FCFE) | (9,142.19) | (4,265.73) | 3,656.78 | (3,816.87) | 678.73 |
| Per share (THB) | | | | | |
| FCFF per share | (5.20) | 3.63 | 2.07 | 0.95 | 2.28 |
| FCFE per share | (2.13) | (0.99) | 0.85 | (0.89) | 0.16 |
| Recurring cash flow per share | 4.63 | 4.50 | 3.38 | 3.22 | 3.74 |
| Balance Sheet (THB m) Year Ending Dec | | | | | |
| | 2021 | 2022 | 2023E | 2024E | 2025E |
| Tangible fixed assets (gross) | 210,592 | 211,928 | 219,791 | 227,655 | 235,519 |
| Less: Accumulated depreciation | (113,410) | (117,342) | (121,274) | (125,206) | (129,138) |
| Tangible fixed assets (net) | 97,181 | 94,585 | 98,517 | 102,449 | 106,381 |
| Intangible fixed assets (net) | 37,233 | 38,807 | 39,747 | 41,147 | 42,547 |
| Long-term financial assets | 879 | 883 | 1,072 | 1,140 | 1,066 |
| Invest. in associates & subsidiaries | 873 | 1,034 | 1,039 | 1,049 | 1,063 |
| Cash & equivalents | 20,222 | 12,344 | 13,842 | 7,305 | 4,806 |
| A/C receivable | 24,910 | 23,254 | 23,256 | 24,947 | 23,096 |
| Inventories | 23,308 | 23,281 | 20,568 | 21,413 | 21,910 |
| Other current assets | 746 | 1,275 | 1,131 | 1,272 | 1,352 |
| Current assets | 69,186 | 60,154 | 58,798 | 54,938 | 51,165 |
| Other assets | 1,471 | 1,815 | 1,971 | 1,850 | 1,810 |
| Total assets | 206,824 | 197,280 | 201,145 | 202,572 | 204,032 |
| Common equity | 96,837 | 97,200 | 78,520 | 81,400 | 84,967 |
| Minorities etc. | 25,463 | 25,766 | 25,925 | 26,142 | 26,396 |
| Total shareholders' equity | 122,300 | 122,967 | 104,445 | 107,542 | 111,363 |
| Long term debt | 22,164 | 29,935 | 24,626 | 25,421 | 20,611 |
| Other long-term liabilities | 10,383 | 10,899 | 10,798 | 12,182 | 13,407 |
| Long-term liabilities | 32,547 | 40,834 | 35,424 | 37,603 | 34,019 |
| A/C payable | 15,261 | 14,282 | 14,398 | 14,825 | 15,650 |
| Short term debt | 32,412 | 17,726 | 21,618 | 17,117 | 17,329 |
| Other current liabilities | 4,303 | 1,471 | 25,259 | 25,486 | 25,671 |
| Current liabilities | 51,977 | 33,479 | 61,275 | 57,427 | 58,650 |
| Total liabilities and shareholders' equity | 206,824 | 197,280 | 201,145 | 202,572 | 204,032 |
| Net working capital | 29,400 | 32,057 | 5,299 | 7,322 | 5,038 |
| Invested capital | 167,038 | 169,182 | 147,645 | 154,956 | 157,904 |
| * Includes convertibles and preferred stock which is being treated as debt | | | | | |
| Per share (THB) | | | | | |
| Book value per share | 22.56 | 22.64 | 18.29 | 18.96 | 19.79 |
| Tangible book value per share | 13.88 | 13.60 | 9.03 | 9.38 | 9.88 |
| Financial strength | | | | | |
| Net debt/equity (%) | 28.1 | 28.7 | 31.0 | 32.8 | 29.8 |
| Net debt/total assets (%) | 16.6 | 17.9 | 16.1 | 17.4 | 16.2 |
| Current ratio (x) | 1.3 | 1.8 | 1.0 | 1.0 | 0.9 |
| CF interest cover (x) | 10.4 | 7.8 | 5.3 | 1.8 | 4.3 |
| Valuation | | | | | |
| | 2021 | 2022 | 2023E | 2024E | 2025E |
| Recurring P/E (x) * | 19.6 | 27.7 | 29.0 | 23.0 | 19.7 |
| Recurring P/E @ target price (x) * | 25.8 | 36.4 | 38.2 | 30.3 | 25.9 |
| Reported P/E (x) | 18.9 | 27.0 | 29.0 | 23.0 | 19.7 |
| Dividend yield (%) | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 |
| Price/book (x) | 1.6 | 1.6 | 2.0 | 1.9 | 1.8 |
| Price/tangible book (x) | 2.6 | 2.7 | 4.0 | 3.9 | 3.7 |
| EV/EBITDA (x) ** | 10.4 | 11.3 | 12.0 | 10.9 | 10.1 |
| EV/EBITDA @ target price (x) ** | 12.8 | 13.9 | 14.7 | 13.4 | 12.4 |
| EV/invested capital (x) | 1.3 | 1.3 | 1.5 | 1.4 | 1.4 |
| * Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income | | | | | |

Sources: SCG Packaging; FSSIA estimates

SCG Packaging PCL (SCGP TB)

FSSIA ESG rating

★★★★★

81.93 /100

Exhibit 29: FSSIA ESG score implication

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

Source: FSSIA estimates

Exhibit 30: ESG – peer comparison

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

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 31: ESG score by Bloomberg

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

Sources: Bloomberg; FSSIA's compilation

Exhibit 32: ESG score by Bloomberg (cont.)

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

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

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

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

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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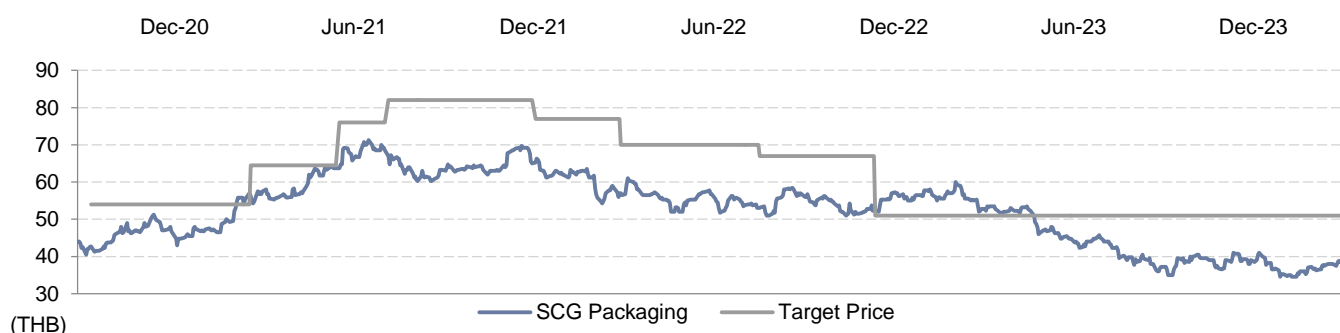
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History of change in investment rating and/or target price

SCG Packaging (SCGP TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 24-Dec-2020 | BUY | 54.00 | 03-Sep-2021 | BUY | 82.00 | 20-Jul-2022 | BUY | 67.00 |
| 10-May-2021 | BUY | 64.50 | 07-Jan-2022 | BUY | 77.00 | 27-Oct-2022 | HOLD | 51.00 |
| 23-Jul-2021 | BUY | 76.00 | 23-Mar-2022 | BUY | 70.00 | | | |

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

Price and TP are in local currency

Source: FSSIA estimates

Starflex (SFLEX TB)



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

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

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------------|----------|-----------|--------|--|
| SCG Packaging | SCGP TB | THB 36.50 | BUY | Downside risks to our DCF-based TP include 1) the slow demand for packaging; 2) the rising cost of recycled paper, other raw material, and energy; 3) the rising cost of funds; and 4) the fluctuation in foreign exchange currencies. |
| Starflex | SFLEX TB | THB 3.52 | BUY | Downside risks to our P/E-based TP include 1) a sharp rise in crude oil prices; 2) rising inflation pressuring consumers' purchasing power; and 3) baht depreciation. |

Source: FSSIA estimates

Additional Disclosures

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

All share prices are as at market close on 12-Dec-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

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

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

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

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

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

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

Industry Recommendations

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

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

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

Country (Strategy) Recommendations

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

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

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