

SCG PACKAGING

SCGP TB

THAILAND / PACKAGING

BUY

UNCHANGED

TARGET PRICE	THB36.00
CLOSE	THB28.25
UP/DOWNSIDE	+27.4%
PRIOR TP	THB39.00
CHANGE IN TP	-7.7%
TP vs CONSENSUS	+2.1%

ความท้าทายเพิ่มขึ้น การฟื้นตัวล่าช้าออกไป

- คาดกำไรปกติ 1.1 พันล้านบาทใน 3Q24 (-30.0% q-q, -25.7% y-y) อ่อนแอกว่าที่เคยประเมิน
- ปรับลดประมาณการอีกครั้ง เราปรับลดกำไรปี 2024-25 ลง 9%/7% แต่คงประมาณการปี 2026
- ปรับลดราคาเป้าหมายลงเป็น 36 บาท ภาพรวมระยะยาวยังมองดี

แนวโน้มกำไร 3Q24 ต่ำกว่าที่เคยประเมิน สถานการณ์โดยรวมค่อนข้างเป็นลบ

แนวโน้มกำไร 3Q24 ต่ำกว่าที่เคยประเมิน จาก 1) เศรษฐกิจโลกในเดือน ก.ย. ชะลอตัวอย่างชัดเจน เห็นได้จาก Global PMI ภาคการผลิตที่ถดถอยลงตลอดทั้งไตรมาส 2) เศรษฐกิจจีนอ่อนแอกว่าที่คาดมาก ส่งผลกระทบโดยตรงต่อ Fajar ซึ่งมีสัดส่วนการส่งออกราว 30% ของรายได้ และส่วนใหญ่พึ่งพาตลาดจีนเป็นหลัก ในขณะที่ SCGP ต้องรวมงบการเงินของ Fajar เข้ามา 1 เดือนใน 3Q24 3) มีภาระดอกเบี้ยที่เกิดจากเงินกู้ที่เพิ่มขึ้นเพื่อเข้าลงทุนใน Fajar 4) ต้นทุนกระดาษรีไซเคิล (RCP) เพิ่มขึ้นไม่สามารถปรับราคาขายขึ้นได้เพราะอุปสงค์ที่อ่อนแอ และ 5) เงินบาทที่แข็งค่ากระทบการส่งออก เราคาดว่ารายได้ 3Q24 -0.5% q-q เป็น 3.4 หมื่นล้านบาท การเติบโตมาจากผลิตภัณฑ์ปลายน้ำ เช่น บรรจุภัณฑ์อาหารและเครื่องดื่ม บรรจุภัณฑ์สินค้าอุปโภคบริโภคประจำวัน แต่ไม่สามารถชดเชยผลิตภัณฑ์ต้นน้ำซึ่งถูกกระทบจากราคาขายที่ปรับลงได้ ทำให้ EBITDA -6.8% q-q เหลือ 4.4 พันล้านบาท EBITDA margin ลดเหลือ 12.8% (-83 bps q-q และ y-y) คาดกำไรปกติที่ 1.1 พันล้านบาท (-30.0% q-q, -25.7% y-y)

ภาพรวมดีขึ้นใน 4Q24 แต่ยังลุ้นกับการรวมงบ Fajar เต็มไตรมาส

สถานการณ์ 4Q24 มีทิศทางที่ดีขึ้นจากฤดูกาลช่วงเทศกาลจับจ่ายใช้สอย มาตรการกระตุ้นชุดใหญ่ของจีนที่ออกมาตั้งแต่เดือน ก.ย. ควรจะจำกัดความเสี่ยงของเศรษฐกิจจีนได้ แต่ก็ยังเป็นประเด็นที่ยังต้องติดตาม ขณะเดียวกัน ราคา RCP ที่ปรับลงใน 3Q24 (-6.3% q-q เป็น USD210/ตัน จาก USD224/ตันใน 2Q24) จะเป็นต้นทุนใน 4Q24 ช่วยหนุนอัตรากำไรในไตรมาสสุดท้าย กำไรที่ฟื้นตัวใน 4Q24 ยังไม่โดดเด่นนักเพราะรับรู้ผลขาดทุนของ Fajar และดอกเบี้ยจ่ายจากการลงทุนซื้อ Fajar เต็มไตรมาส

ปรับลดประมาณการจากความท้าทายที่เพิ่มขึ้นมาก

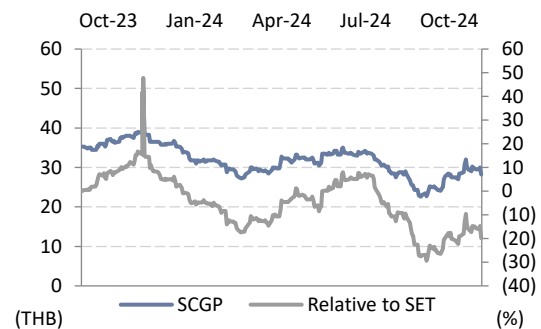
อย่างไรก็ตาม จากสถานการณ์ที่ท้าทายมากขึ้นใน 2H24 ทำให้เราปรับลดประมาณการอีกครั้ง เราปรับลดกำไรปี 2024-25 ลง 9%/7% ตามลำดับ และคงประมาณการกำไรปี 2026 หลักๆ มาจากการปรับลดราคาขายและ EBITDA margin ของธุรกิจ Packaging paper และปรับเพิ่มค่าใช้จ่ายด้านดอกเบี้ยละ 450 ล้านบาทต่อปีจากเงินกู้ยืมเพื่อลงทุนเพิ่มเติมใน Fajar ส่งผลให้กำไรปี 2024-26 เติบโต 6%/15%/19% ตามลำดับ

ปรับลดราคาเป้าหมายลงเป็น 36 บาท ภาพรวมระยะยาวยังมองดี

เราปรับลดราคาเป้าหมายลงจาก 39 บาทเป็น 36 บาท (DCF, 12.3% WACC, 2.0% LTG) ยังคงแนะนำซื้อ จากการเติบโตในระยะยาวที่ยังดี ราคาหุ้นปัจจุบันมี Valuations ที่ต่ำมาก โดยเทรดที่ 2024E EV/EBITDA 10.3 เท่า ต่ำกว่าค่าเฉลี่ยที่ 12.6 เท่า

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	129,398	137,699	147,400	156,474
Net profit	5,248	5,469	6,289	7,485
EPS (THB)	1.22	1.27	1.46	1.74
vs Consensus (%)	-	(8.3)	(5.2)	3.3
EBITDA	17,689	19,854	21,617	22,944
Recurring net profit	5,169	5,469	6,289	7,485
Core EPS (THB)	1.20	1.27	1.46	1.74
Chg. In EPS est. (%)	-	(9.0)	(6.9)	0.3
EPS growth (%)	(8.6)	5.8	15.0	19.0
Core P/E (x)	23.5	22.2	19.3	16.2
Dividend yield (%)	1.9	2.0	2.3	2.8
EV/EBITDA (x)	9.9	10.3	9.4	8.7
Price/book (x)	1.6	1.5	1.4	1.4
Net debt/Equity (%)	27.5	62.2	58.4	54.1
ROE (%)	5.9	6.9	7.6	8.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(0.9)	(8.9)	(22.1)
Relative to country (%)	(2.6)	(17.4)	(23.4)
Mkt cap (USD m)	3,628		
3m avg. daily turnover (USD m)	9.9		
Free float (%)	26		
Major shareholder	The Siam Cement (SCC TB) (72%)		
12m high/low (THB)	39.75/22.30		
Issued shares (m)	4,292.92		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

The profit outlook for 3Q24 is worse than previously estimated, mainly due to: 1) the global economy clearly slowed down in September; 2) the Chinese economy is much weaker than expected; 3) there is an interest burden from increased loans taken to invest in Fajar for one month; 4) the cost of recycled paper (RCP) has increased, but prices cannot be raised due to weak demand; and 5) the Thai baht has strengthened.

We have cut our estimates once again. We have reduced our profit projections for 2024-25 by 9% and 7%, respectively. We have revised our TP down from THB39 to THB36 (DCF, 12.3% WACC, 2.0% LTG). We maintain our BUY rating for SCGP's long-term growth outlook.

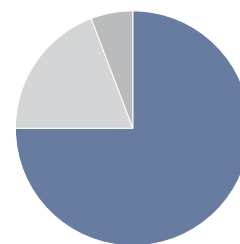
Company profile

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, 2023)

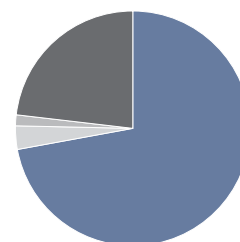
- Integrated packaging chain - 75.0 %
- Fibrous chain - 19.2 %
- Recycling business and others - 5.8 %



Source: SCG Packaging

Major shareholders

- The Siam Cement (SCC TB) - 72.1 %
- Thai NVDR - 3.2 %
- CPB Equity Co., Ltd. - 1.5 %
- Others - 23.2 %



Source: SCG Packaging

Catalysts

Key potential catalysts include 1) the 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
29 October 2024	3Q24 earnings announcement

Key assumptions

	unit	2024E (THB m)	2025E (THB m)	2026E (THB m)
Packaging paper sales volume	m ton	3.70	3.86	4.05
Packaging paper ASP	THB/ton	13,534	13,983	14,683
Fiber packaging sales volume	m ton	1.02	1.06	1.08
Fiber packaging ASP	THB/ton	32,536	34,001	35,361
Integrated packaging business	THB m	101,833	109,583	117,898
Fibrous sales volume	m ton	0.66	0.67	0.70
Fibrous ASP	THB/ton	40,964	41,876	42,596
Fibrous business	THB m	27,610	29,313	29,817

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

3Q24E profit weaker than previously estimated

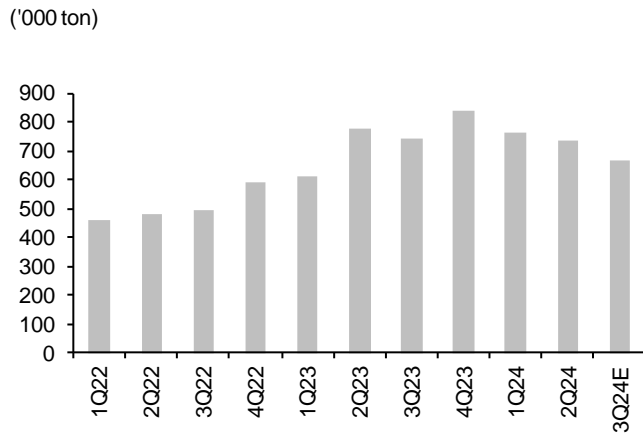
The profit outlook for 3Q24 is worse than previously estimated, mainly due to: 1) the global economy clearly slowed down in September, as seen from the declining global manufacturing PMI throughout the quarter; 2) the Chinese economy is much weaker than expected, directly impacting SCGP's Indonesian subsidiary, Fajar, of which about 30% of its revenue comes from exports and is largely reliant on the Chinese market, while SCGP has to consolidate Fajar's financial performance for one month in 3Q24; 3) there is an interest burden from increased loans taken to invest in Fajar for one month; 4) the cost of RCP has increased, but prices cannot be raised due to weak demand; and 5) the Thai baht has strengthened by THB4 per USD, impacting SCGP's exports, which account for about 20% of its sales revenue.

We expect sales revenue in 3Q24 to decrease by 0.5% q-q to THB34.1b. The growth will come from downstream products, such as food service packaging and consumer staple packaging. However, this cannot compensate for the upstream products (packaging paper), which have been impacted by declining selling prices, in contrast to RCP prices that have increased. This should lead to an EBITDA decline of 6.8% q-q to THB4.4b in 3Q24, with the EBITDA margin decreasing to 12.8% (-83 bps both q-q and y-y). We expect the 3Q24 core profit to be THB1.1b (-30.0% q-q, -25.7% y-y).

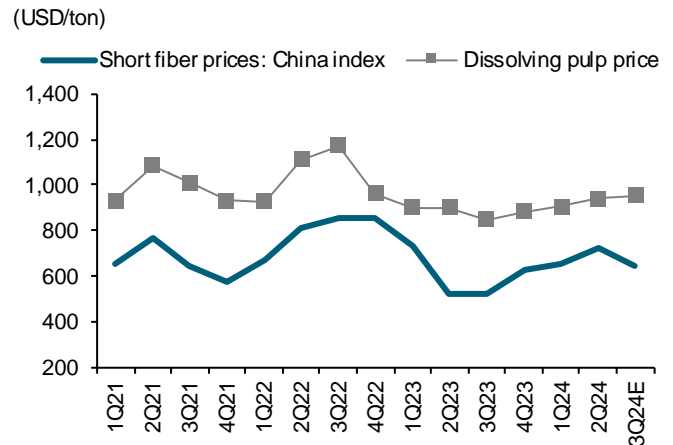
Exhibit 1: SCGP – 3Q24 earnings preview

Year to Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24E	----- Change -----		9M23	9M24E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	2024E
Sales revenue	31,573	31,881	33,948	34,235	34,068	(0.5)	7.9	97,517	102,251	4.9	74.3
Cost of sales	(25,965)	(26,179)	(27,146)	(28,114)	(28,436)	1.1	9.5	(80,095)	(83,696)	4.5	74.0
Gross profit	5,608	5,702	6,802	6,121	5,632	(8.0)	0.4	17,422	18,554	6.5	75.4
Operating costs	(3,824)	(3,886)	(4,294)	(4,120)	(4,023)	(2.3)	5.2	(11,798)	(12,438)	5.4	74.8
Operating profit	1,784	1,816	2,507	2,001	1,609	(19.6)	(9.8)	5,624	6,116	8.8	76.7
Operating EBITDA	4,319	4,487	5,097	4,680	4,363	(6.8)	1.0	13,202	14,140	7.1	71.2
Other income	325	325	263	349	334	(4.3)	2.8	718	946	31.7	73.8
Interest expense	(496)	(516)	(523)	(611)	(636)	4.1	28.2	(1,503)	(1,770)	17.7	71.6
FX gain/loss & others	(89)	(100)	54	(46)	(50)	9.3	(43.8)	1,490	(42)	(102.8)	nm
Net profit	1,324	1,219	1,725	1,454	1,000	(31.2)	(24.5)	4,030	4,179	3.7	76.4
Core profit	1,413	1,318	1,671	1,499	1,050	(30.0)	(25.7)	3,850	4,221	9.6	77.2
Reported EPS (THB)	0.31	0.28	0.40	0.34	0.23	(31.2)	(24.5)	0.94	0.97	3.7	76.4
Core EPS (THB)	0.33	0.31	0.39	0.35	0.24	(30.0)	(25.7)	0.90	0.98	9.6	77.2
Key ratios	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)	
Gross margin	17.8	17.9	20.0	17.9	16.5	(1.3)	(1.2)	17.9	18.1	0.3	
Operating margin	6.7	6.7	8.2	6.9	5.7	(1.2)	(1.0)	6.4	7.5	1.1	
EBITDA margin	13.7	14.1	15.0	13.7	12.8	(0.8)	(0.8)	13.5	13.8	0.3	
Core profit margin	4.5	4.1	4.9	4.4	3.1	(1.3)	(1.4)	3.9	4.1	0.2	
SG&A / Sales	12.1	12.2	12.7	12.0	11.8	(0.2)	(0.3)	12.1	12.2	0.1	
Revenue breakdown	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	
Integrated packaging chain	23,655	24,043	25,549	25,586	25,898	1.2	9.5	49,665	51,135	3.0	
Fibrous chain	6,591	6,592	7,027	7,058	6,557	(7.1)	(0.5)	13,652	14,085	3.2	
Recycling business	1,326	1,246	1,372	1,590	1,613	1.5	21.7	2,628	2,962	12.7	
EBITDA margin	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)	
Integrated packaging chain	15.4	14.5	15.6	14.1	12.0	(2.1)	(3.4)	14.7	14.8	0.1	
Fibrous chain	13.0	15.5	17.9	15.7	12.0	(3.7)	(1.0)	14.3	16.8	2.5	

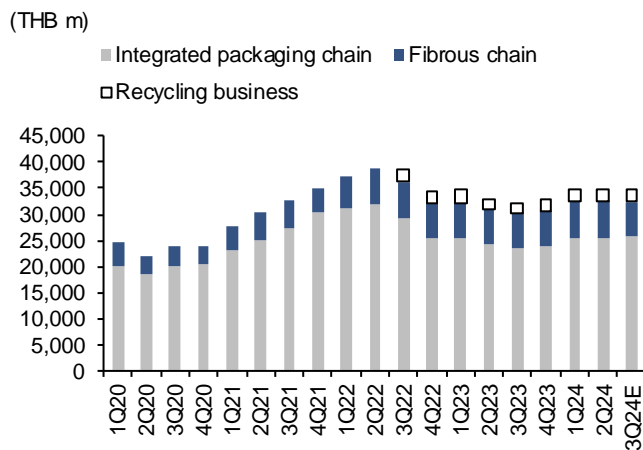
Sources: SCGP, FSSIA estimates

Exhibit 2: China's import volume of containerboard

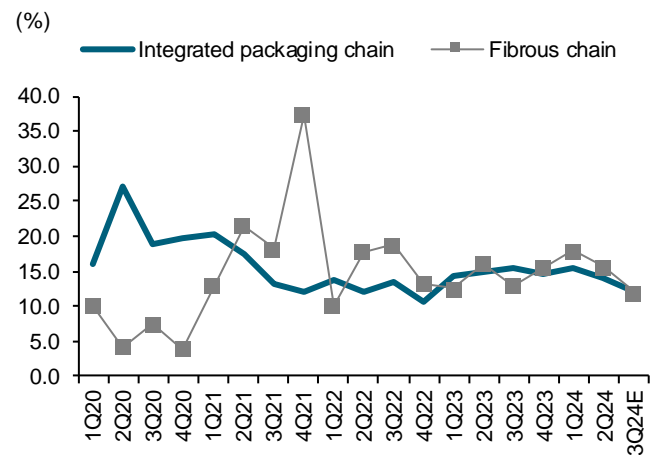
Sources: SCGP, FSSIA estimates

Exhibit 3: China short fiber and dissolving pulp price index

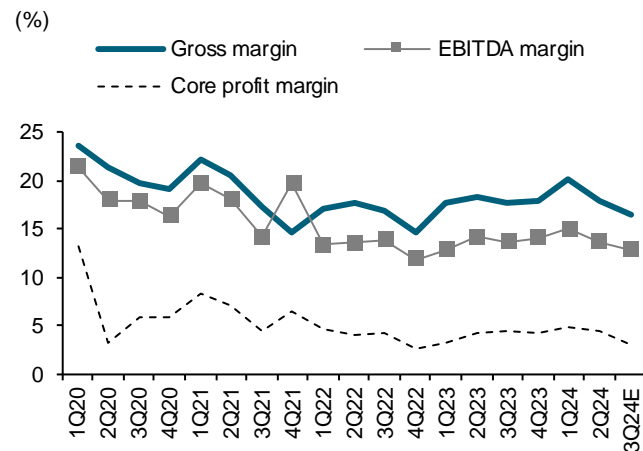
Sources: SCGP, FSSIA estimates

Exhibit 4: Revenue breakdown

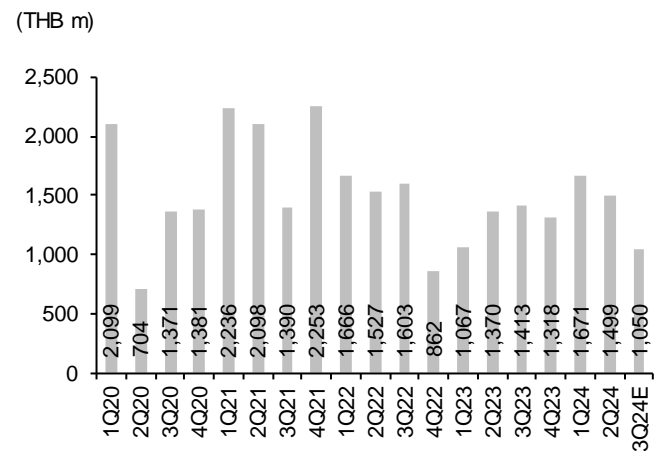
Sources: SCGP, FSSIA estimates

Exhibit 5: Gross margins by business unit

Sources: SCGP, FSSIA estimates

Exhibit 6: Margins

Sources: SCGP, FSSIA estimates

Exhibit 7: Core profit

Sources: SCGP, FSSIA estimates

Revised estimates due to increased challenges

The situation in 4Q24 shows signs of improvement due to the seasonal festive period. Demand for packaging paper is expected to increase, and China's bazooka stimulus, introduced since late September 2024, should help mitigate the downside risks of the Chinese economy, although this remains a factor to watch. Meanwhile, the decline in RCP prices in 3Q24 (-6.3% q-q to USD210/ton from USD224/ton in 2Q24) will mitigate the costs of packaging paper production in 4Q24, supporting the company's margins in the final quarter. However, the recovery in 4Q24 profit should not be significant due to the recognition of Fajar's losses and interest expenses from the investment in Fajar for the entire quarter. We initially estimate a core profit of around THB1.2b in 4Q24, lower than the average core profit of THB1.6b per quarter during 1H24.

However, due to the increasingly challenging situation in 2H24, we have revised our estimates downward once again. We have cut our profit projections for 2024-25 by 9% and 7%, respectively, while keeping the profit estimate for 2026 largely unchanged. This adjustment is primarily due to the decrease in selling prices and EBITDA margins in the packaging paper business, as well as an increase in interest expenses of THB450m per year from loans taken to invest further in Fajar. As a result, we estimate SCGP's profits for 2024-26 to grow by 6%/15%/19%, respectively. Management aims for Fajar to achieve positive EBITDA by the end of 2024.

Exhibit 8: Key changes in assumptions

	Current			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Total revenue	137,699	147,400	156,474	140,285	150,010	157,174	(1.8)	(1.7)	(0.4)
Integrated packaging chain	101,833	109,583	117,898	104,419	112,193	117,618	(2.5)	(2.3)	0.2
Fibrous chain	27,610	29,313	29,817	27,610	29,313	30,797	0.0	0.0	(3.2)
Recycling business and others	8,256	8,504	8,759	8,256	8,504	8,759	0.0	0.0	0.0
Cost of goods sold	(113,096)	(120,532)	(127,698)	(114,753)	(122,151)	(127,481)	(1.4)	(1.3)	0.2
Gross profit	24,603	26,868	28,776	25,532	27,860	29,693	(3.6)	(3.6)	(3.1)
SG&A	(16,627)	(17,467)	(18,151)	(16,624)	(17,626)	(18,547)	0.0	(0.9)	(2.1)
EBITDA	19,854	21,617	22,944	20,699	22,212	23,286	(4.1)	(2.7)	(1.5)
Interest expense	2,471	2,890	2,678	2,333	2,474	2,393	5.9	16.8	11.9
Core profit	5,469	6,289	7,485	6,010	6,758	7,466	(9.0)	(6.9)	0.3
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Blended gross margin	17.9	18.2	18.4	18.2	18.6	18.9	(0.3)	(0.3)	(0.5)
Integrated packaging chain	18.3	18.0	19.0	19.4	19.5	19.7	(1.1)	(1.5)	(0.7)
Fibrous chain	15.3	18.0	14.9	13.3	14.3	14.9	2.1	3.7	0.0
Recycling business and others	21.0	22.0	22.0	20.0	21.0	22.0	1.0	1.0	0.0
SG&A to sales	12.1	11.9	11.6	11.9	11.8	11.8	0.2	0.1	(0.2)
EBITDA margin	14.4	14.7	14.7	14.8	14.8	14.8	(0.3)	(0.1)	(0.2)
Core profit margin	4.3	4.8	4.9	4.5	4.7	4.8	(0.2)	0.0	0.1
Sales volume	(m ton)	(m ton)	(m ton)	(m ton)	(m ton)	(m ton)	(%)	(%)	(%)
Packaging paper	3.70	3.86	4.05	3.96	4.09	4.19	(6.4)	(5.6)	(3.3)
Fiber packaging	1.02	1.06	1.08	1.02	1.06	1.08	0.0	0.0	0.0
Fibrous	0.66	0.67	0.70	0.67	0.70	0.72	(2.4)	(4.3)	(3.2)
Average selling price	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(%)	(%)	(%)
Packaging paper	13,534	13,983	14,683	13,322	13,765	14,315	1.6	1.6	2.6
Fiber packaging	32,536	34,001	35,361	32,536	34,274	34,648	0.0	(0.8)	2.1
Fibrous	40,964	41,876	42,596	40,964	41,876	42,596	0.0	0.0	0.0

Sources: SCGP, FSSIA estimates

Lower TP; maintain our BUY rating for long-term growth outlook

The profit that we expect to grow by 15% y-y in 2025 is a recovery from a low base and is based on the assumption that SCGP will be able to return Fajar to profitability in 2H25. With SCGP fully managing Fajar, we believe this will enhance the efficiency of Fajar's operations and production, focusing on high-margin products by shifting towards downstream products.

We have revised our TP down from THB39 to THB36 (DCF, 12.3% WACC, 2.0% LTG). We maintain our BUY rating for SCGP's long-term growth outlook. The current stock price has cheap valuations, trading at a 2024E EV/EBITDA of 10.3x, below its four-year average of 12.6x.

Exhibit 9: DCF-derived TP

Cost of equity assumption	(%)	Cost of debt assumption	(%)
Risk free rate	3.0	Pre-tax cost of debt	4.5
Market risk premium	8.5	Tax rate	20.0
Stock beta	1.8		
Cost of equity, Ke	12.9	Cost of debt, Kd	4.5
Weight applied	59.4	Weight applied	40.6
WACC	12.3		
Terminal growth	2.00		
(THB m)			
Sum of PV of FCF	35,833		
PV of Terminal value	62,223		
Enterprise value	98,056		
Interest-bearing debt	68,421	At end-2024E	
Cash	(8,887)	At end-2024E	
Minorities	(100)	At end-2024E	
Equity value	157,490		
No. of shares	4,293		
Equity value per share (THB)	36		

Sources: FSSIA estimates

Exhibit 10: One-year rolling forward P/E band

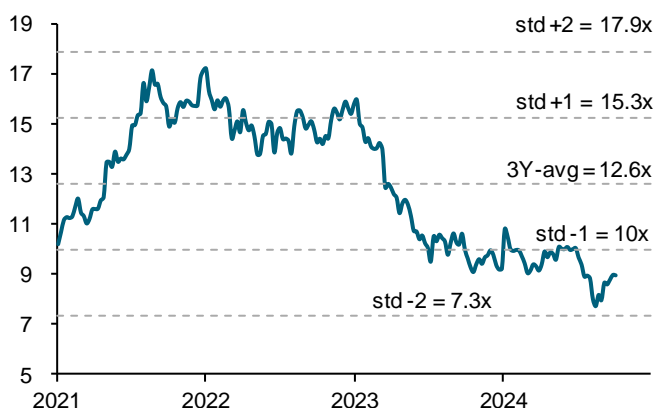
SCGP PER (x)



Sources: Bloomberg, FSSIA estimates

Exhibit 11: One-year rolling forward EV/EBITDA band

SCGP EV/EBITDA



Sources: Bloomberg, FSSIA estimates

Financial Statements

SCG Packaging

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	146,068	129,398	137,699	147,400	156,474
Cost of goods sold	(121,791)	(106,274)	(113,096)	(120,532)	(127,698)
Gross profit	24,277	23,124	24,603	26,868	28,776
Other operating income	1,322	1,043	1,281	1,253	1,283
Operating costs	(16,039)	(15,684)	(16,627)	(17,467)	(18,151)
Operating EBITDA	19,259	17,689	19,854	21,617	22,944
Depreciation	(9,699)	(9,206)	(10,598)	(10,962)	(11,035)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,560	8,483	9,257	10,654	11,909
Net financing costs	(1,468)	(2,020)	(2,471)	(2,890)	(2,678)
Associates	55	39	140	160	190
Recurring non-operating income	55	39	140	160	190
Non-recurring items	143	80	0	0	0
Profit before tax	8,289	6,582	6,925	7,925	9,420
Tax	(1,550)	(1,153)	(1,357)	(1,553)	(1,846)
Profit after tax	6,739	5,429	5,568	6,372	7,574
Minority interests	(939)	(180)	(100)	(83)	(90)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,801	5,248	5,469	6,289	7,485
Non-recurring items & goodwill (net)	(143)	(80)	0	0	0
Recurring net profit	5,658	5,169	5,469	6,289	7,485
Per share (THB)					
Recurring EPS *	1.32	1.20	1.27	1.46	1.74
Reported EPS	1.35	1.22	1.27	1.46	1.74
DPS	0.60	0.55	0.57	0.66	0.78
Diluted shares (used to calculate per share data)	4,293	4,293	4,293	4,293	4,293
Growth					
Revenue (%)	17.6	(11.4)	6.4	7.0	6.2
Operating EBITDA (%)	(7.6)	(8.1)	12.2	8.9	6.1
Operating EBIT (%)	(23.6)	(11.3)	9.1	15.1	11.8
Recurring EPS (%)	(29.1)	(8.6)	5.8	15.0	19.0
Reported EPS (%)	(30.1)	(9.5)	4.2	15.0	19.0
Operating performance					
Gross margin inc. depreciation (%)	16.6	17.9	17.9	18.2	18.4
Gross margin exc. depreciation (%)	23.3	25.0	25.6	25.7	25.4
Operating EBITDA margin (%)	13.2	13.7	14.4	14.7	14.7
Operating EBIT margin (%)	6.5	6.6	6.7	7.2	7.6
Net margin (%)	3.9	4.0	4.0	4.3	4.8
Effective tax rate (%)	18.7	17.5	19.6	19.6	19.6
Dividend payout on recurring profit (%)	45.5	45.7	45.0	45.0	45.0
Interest cover (X)	6.5	4.2	3.8	3.7	4.5
Inventory days	75.9	80.0	74.0	73.7	67.2
Debtor days	60.2	64.7	66.0	65.6	61.1
Creditor days	48.1	54.7	55.1	54.3	50.5
Operating ROIC (%)	6.0	6.0	6.4	6.4	7.1
ROIC (%)	4.6	4.4	4.7	4.9	5.4
ROE (%)	5.8	5.9	6.9	7.6	8.6
ROA (%)	3.8	3.5	3.6	4.0	4.5

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Integrated packaging chain	117,219	97,044	101,833	109,583	117,898
Fibrous chain	24,273	24,894	27,610	29,313	29,817
Recycling business and others	4,576	7,459	8,256	8,504	8,759

Sources: SCG Packaging; FSSIA estimates

Financial Statements

SCG Packaging

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	5,658	5,169	5,469	6,289	7,485
Depreciation	9,699	9,206	10,598	10,962	11,035
Associates & minorities	(55)	(39)	(140)	(160)	(190)
Other non-cash items	4,021	3,182	(12,508)	(1,429)	(1,595)
Change in working capital	(2,089)	3,965	(6,816)	2,675	(224)
Cash flow from operations	17,234	21,482	(3,398)	18,337	16,511
Capex - maintenance	0	0	0	0	0
Capex - new investment	(14,212)	(14,271)	(16,732)	(4,846)	(1,593)
Net acquisitions & disposals	10,886	830	(5,000)	(5,700)	(5,700)
Other investments (net)	206	381	210	(58)	(54)
Cash flow from investing	(3,119)	(13,060)	(21,522)	(10,605)	(7,347)
Dividends paid	(3,612)	(3,286)	(2,461)	(2,830)	(3,368)
Equity finance	0	0	0	0	0
Debt finance	(7,253)	(3,012)	28,850	(5,224)	(1,718)
Other financing cash flows	(737)	(2,068)	(2,471)	(2,890)	(2,678)
Cash flow from financing	(11,602)	(8,366)	23,919	(10,944)	(7,765)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	4,780	0	0	0
Net other adjustments	(10,390)	4,780	(5,214)	(1,000)	0
Movement in cash	(7,877)	4,836	(6,215)	(4,212)	1,399
Free cash flow to firm (FCFF)	15,582.69	10,441.88	(22,449.06)	10,622.00	11,842.13
Free cash flow to equity (FCFE)	(4,265.73)	8,122.43	(3,754.24)	(1,381.94)	4,766.95
Per share (THB)					
FCFF per share	3.63	2.43	(5.23)	2.47	2.76
FCFE per share	(0.99)	1.89	(0.87)	(0.32)	1.11
Recurring cash flow per share	4.50	4.08	0.80	3.65	3.90
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	211,928	217,496	239,244	249,492	256,241
Less: Accumulated depreciation	(117,342)	(123,216)	(129,091)	(134,965)	(140,839)
Tangible fixed assets (net)	94,585	94,279	110,153	114,527	115,402
Intangible fixed assets (net)	38,807	39,425	40,023	40,344	40,882
Long-term financial assets	883	1,534	1,844	1,761	1,807
Invest. in associates & subsidiaries	1,034	1,063	1,295	1,446	1,628
Cash & equivalents	12,344	17,181	10,966	6,754	8,153
A/C receivable	23,254	22,648	27,163	25,845	26,579
Inventories	23,281	19,253	22,309	21,960	20,991
Other current assets	1,275	1,191	1,267	1,209	1,127
Current assets	60,154	60,272	61,705	55,768	56,850
Other assets	1,815	1,988	1,770	1,747	1,698
Total assets	197,280	198,561	216,791	215,595	218,267
Common equity	97,200	77,322	81,013	84,472	88,588
Minorities etc.	25,766	25,127	20,227	20,310	20,399
Total shareholders' equity	122,967	102,449	101,240	104,782	108,988
Long term debt	29,935	18,027	39,294	35,217	36,295
Other long-term liabilities	10,899	11,694	12,053	12,771	12,738
Long-term liabilities	40,834	29,721	51,346	47,988	49,033
A/C payable	14,282	14,808	16,112	16,511	15,744
Short term debt	17,726	27,328	34,628	32,719	30,849
Other current liabilities	1,471	24,254	13,464	13,596	13,654
Current liabilities	33,479	66,390	64,204	62,826	60,246
Total liabilities and shareholders' equity	197,280	198,561	216,791	215,595	218,267
Net working capital	32,057	4,029	21,163	18,907	19,301
Invested capital	169,182	142,318	176,248	178,734	180,717
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	22.64	18.01	18.87	19.68	20.64
Tangible book value per share	13.60	8.83	9.55	10.28	11.11
Financial strength					
Net debt/equity (%)	28.7	27.5	62.2	58.4	54.1
Net debt/total assets (%)	17.9	14.2	29.0	28.4	27.0
Current ratio (x)	1.8	0.9	1.0	0.9	0.9
CF interest cover (x)	7.8	12.1	6.3	2.2	3.4
Valuation					
Recurring P/E (x) *	21.4	23.5	22.2	19.3	16.2
Recurring P/E @ target price (x) *	27.3	29.9	28.3	24.6	20.6
Reported P/E (x)	20.9	23.1	22.2	19.3	16.2
Dividend yield (%)	2.1	1.9	2.0	2.3	2.8
Price/book (x)	1.2	1.6	1.5	1.4	1.4
Price/tangible book (x)	2.1	3.2	3.0	2.7	2.5
EV/EBITDA (x) **	9.5	9.9	10.3	9.4	8.7
EV/EBITDA @ target price (x) **	11.2	11.7	12.0	10.9	10.2
EV/invested capital (x)	1.1	1.2	1.2	1.1	1.1
* 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 12: 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 13: 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	Moody'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](https://www.settrade.com); FSSIA's compilation

Exhibit 14: 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 15: 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 Sustainability	The Sustainability's 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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><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="2">Average:</td><td rowspan="2">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><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</td></tr></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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
CCC	0.000-1.428																					
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

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

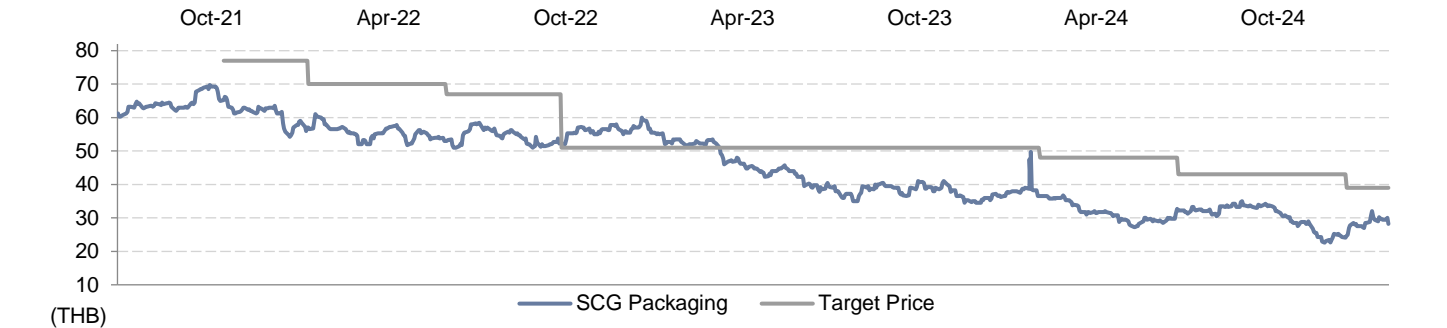
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History of change in investment rating and/or target price

SCG Packaging (SCGP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-Jan-2022	BUY	77.00	27-Oct-2022	HOLD	51.00	02-Sep-2024	BUY	39.00
23-Mar-2022	BUY	70.00	13-Dec-2023	BUY	48.00			
20-Jul-2022	BUY	67.00	10-Apr-2024	BUY	43.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
SCG Packaging	SCGP TB	THB 28.25	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.

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 09-Oct-2024 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.