

SCG PACKAGING SCGP TB

THAILAND / PACKAGING

BUY

UNCHANGED

TARGET PRICE	THB33.00
CLOSE	THB24.30
UP/DOWNSIDE	+35.8%
PRIOR TP	THB36.00
CHANGE IN TP	-8.3%
TP vs CONSENSUS	+5.2%

Heading toward a recovery

- Fajar to reach EBITDA breakeven by 2Q25, profitable by 4Q25.
- Strengthening downstream, reducing 25% of GHG emissions by 2030 and net zero by 2050.
- Trim our TP to THB33; maintain BUY call. SCGP is an attractive value play deserving a premium to peers.

Fajar to reach EBITDA breakeven by 2Q25, profitable by 4Q25

2024 is not a bright year for SCGP. While packaging paper sales volumes rose during 9M24, the higher RCP costs put pressure on profits, especially in Indonesia, where losses increased. SCGP's priority is to turn Fajar to reach EBITDA breakeven by 2Q25 and become profitable by 4Q25. This is to be done by maximizing the use of local RCP, reducing SKUs to better match costs and customer demand, incorporating AI to increase efficiency and reduce fixed-cost overhead, focusing on higher-margin products, and adjusting pricing to better align with costs.

Going downstream and achieving net zero by 2050

Another mission is to shift toward downstream, which would make SCGP more resilient to economic conditions. Due to its strong position in the Thai and Vietnamese markets in terms of high-margin polymer packaging, SCGP plans to expand into North America, the Philippines, and Indonesia. Foodservice products also need more product ranges and more markets in the US, EU, and ASEAN. The healthcare equipment business is a high-growth area, and SCGP has operated in this segment for no less than three years. The company has solid plans for more product and market penetrations.

Signs of improvement in 4Q24

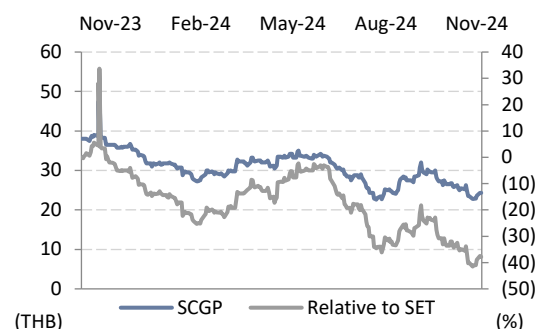
The trough has passed, we believe, and the situation in 4Q24 shows signs of improvement due to the seasonal festive period. RCP prices continue to decline, supporting the company's margins in the final quarter onward. However, we lower our core profit forecasts for 2024-26 by 12%/12%/10% to reflect: 1) lower-than-expected selling prices for packaging paper and fiber packaging; 2) higher-than-expected RCP costs in 9M24; and 3) higher interest expenses from the investment in Fajar.

Trim our TP to THB33; maintain BUY call

We maintain our BUY call but trim our TP from THB36 to THB33 (DCF, 9.0% WACC, 2.5% LTG). Our TP implies 12.1x 2025E EV/EBITDA, a premium compared to operators in other regions, reflecting that SCGP is a company that is highly committed to using resources efficiently to achieve sustainable growth and coexist harmoniously with communities, with a clear and tangible strategy in place.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	129,398	135,471	145,405	155,392
Net profit	5,248	4,817	5,544	6,730
EPS (THB)	1.22	1.12	1.29	1.57
vs Consensus (%)	-	(8.8)	(8.5)	(2.2)
EBITDA	17,689	18,800	20,569	21,941
Recurring net profit	5,169	4,817	5,544	6,730
Core EPS (THB)	1.20	1.12	1.29	1.57
Chg. In EPS est. (%)	-	(11.9)	(11.8)	(10.1)
EPS growth (%)	(8.6)	(6.8)	15.1	21.4
Core P/E (x)	20.2	21.7	18.8	15.5
Dividend yield (%)	2.3	2.1	2.4	2.9
EV/EBITDA (x)	8.9	10.2	9.4	8.7
Price/book (x)	1.3	1.3	1.2	1.2
Net debt/Equity (%)	27.5	70.4	70.0	64.7
ROE (%)	5.9	6.1	6.7	7.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.3)	3.8	(35.2)
Relative to country (%)	(6.4)	(7.3)	(37.2)
Mkt cap (USD m)	3,019		
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

SCGP reported disappointing earnings in 3Q24, which marks the lowest profit on record and has prompted us to revise down our core profit forecasts. However, we believe the trough has passed, and the situation in 4Q24 shows signs of improvement due to the seasonal festive period, with declining recovered paper (RCP) prices.

For the longer-term outlook, we believe that SCGP will become one of the key players in the regional and global packaging market. With management's efforts to address the challenges at Fajar, we expect significant improvements in 2025. Expanding the business downstream will help reduce earnings volatility, and a strong focus on ESG should enhance the quality of profits. We remain positive on SCGP and maintain our BUY call.

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.scgpacaging.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
February 2025	2024 earnings announcement
April 2025	1Q25 earnings announcement

Key assumptions

		2024E	2025E	2026E
	unit	(THB m)	(THB m)	(THB m)
Packaging paper sales volume	m ton	3.68	3.86	4.05
Packaging paper ASP	THB/ton	13,354	13,797	14,487
Fiber packaging sales volume	m ton	1.02	1.06	1.08
Fiber packaging ASP	THB/ton	32,289	33,742	35,092
Fibrous sales volume	m ton	0.66	0.67	0.70
Fibrous ASP	THB/ton	40,964	41,876	42,596

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

3Q24 profit plummeted from several pressuring factors

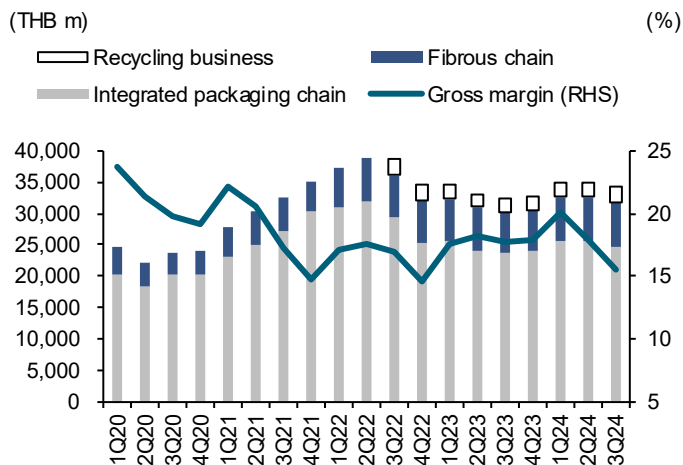
SCGP's share price has continuously declined since 2022, down by a total of 66% (as of 15 November 2024), significantly underperforming the SET50 index, which only dropped by 6% during the same period. This performance follows the peak earnings in 2021, with SCGP's core profit in 2022 falling by 22.5% y-y and continuing to decline by 10.4% y-y in 2023. Most recently, its core profit for 9M24 was flat y-y.

The packaging industry is one of the sectors that was heavily affected by the Covid-19 pandemic during 2020-21. Although the situation started to improve in 2022, China remained under lockdown, which impacted the economy in the Asian region. Consumer purchasing power has not fully recovered amidst high inflation. Additionally, geopolitical conflicts in Europe have led to higher energy costs. The interest rate hikes in several major economies have further strained consumer purchasing power.

In 9M24, packaging demand in the ASEAN region improved, particularly for consumer goods like food and beverages, driven by increased domestic consumption and the recovery of tourism. As a result, SCGP's revenue grew by 4.1% y-y to THB101.6b. However, its net profit decreased by 6.8% y-y, dropping to THB3.8b due to a significant decline in 3Q24, where the company only earned THB577.3m in net profit, the lowest in the past seven quarters. Excluding an FX loss of THB101.0m, the firm's core profit would be THB678.3m in 3Q24 (-54.8% q-q, -52.0% y-y), below our estimate and the Bloomberg consensus by 30-32%. This also marked the lowest profit on record.

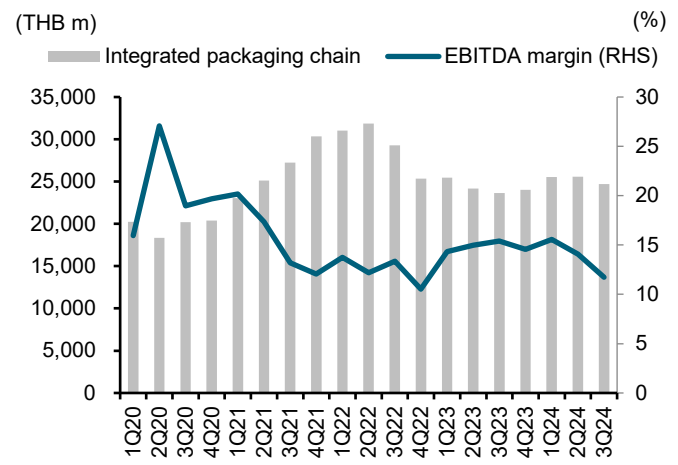
The weak core profit in the 3Q24 is mainly attributable to China's slower-than-expected economic recovery, resulting in the region's lower packaging paper export volumes and selling prices, in contrast to the rising recovered paper (RCP) costs. This directly impacts SCGP's Indonesian subsidiary, Fajar, as it relies on the Chinese market as its main export market.

Exhibit 1: Revenue breakdown and gross margin

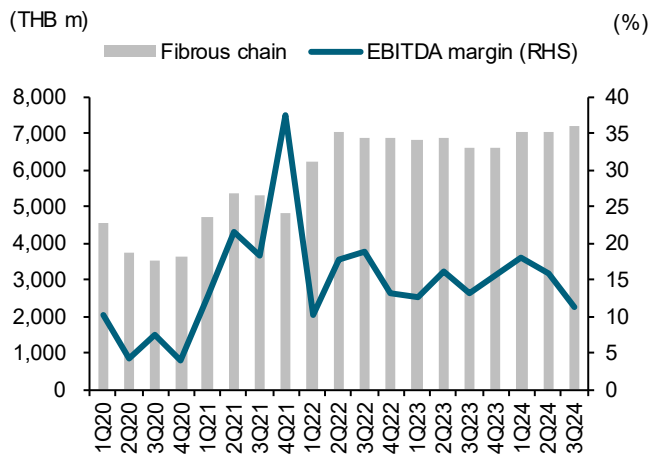


Sources: SCGP, FSSIA's compilation

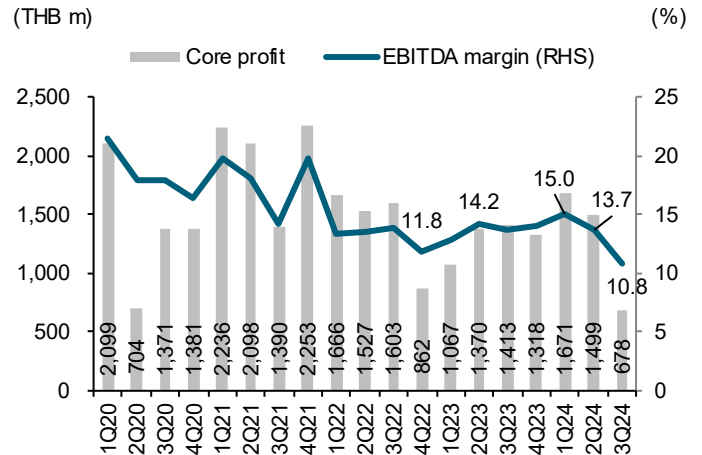
Exhibit 2: Integrated packaging revenue and EBITDA margin



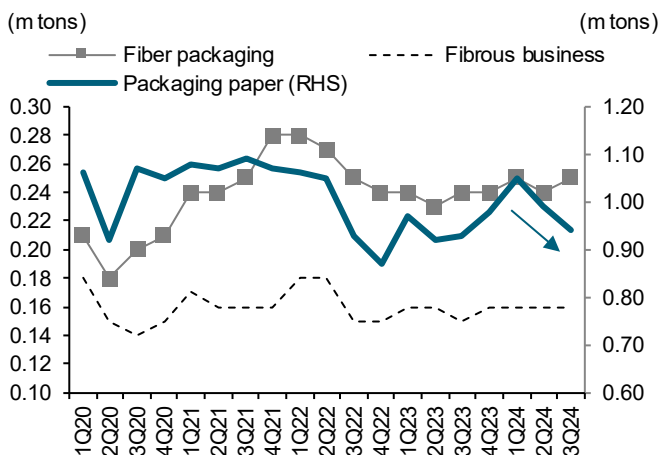
Sources: SCGP, FSSIA's compilation

Exhibit 3: Fibrous chain revenue and EBITDA margin

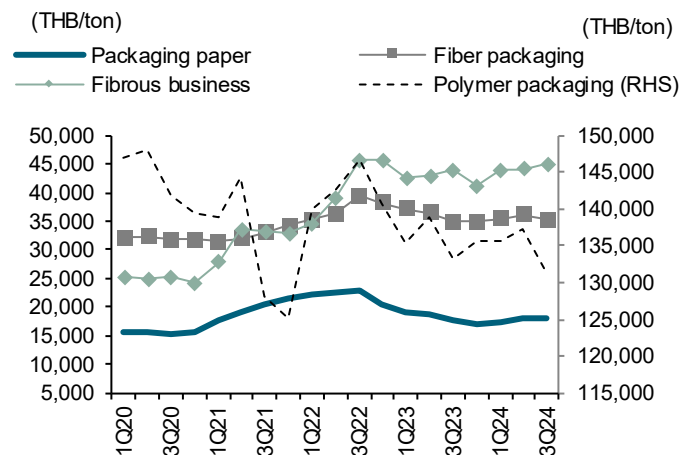
Sources: SCGP, FSSIA's compilation

Exhibit 4: EBITDA margin and core profit

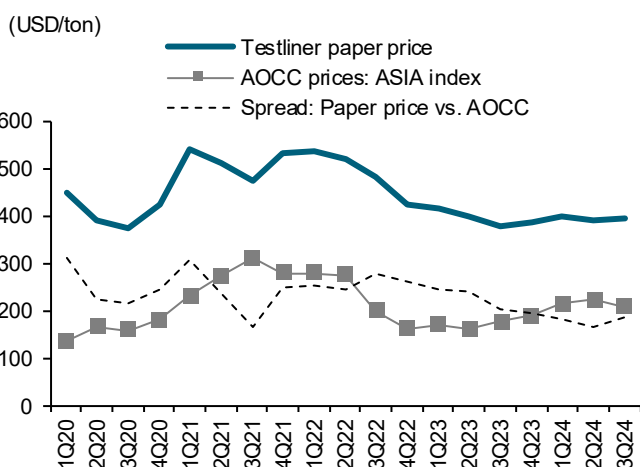
Sources: SCGP, FSSIA's compilation

Exhibit 5: Sales volume by product

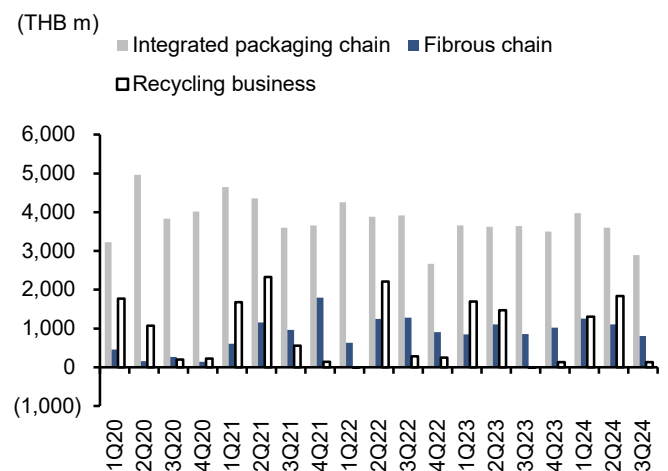
Sources: SCGP, FSSIA's compilation

Exhibit 6: Average selling prices by product

Sources: SCGP, FSSIA's calculation

Exhibit 7: Paper price vs AOCC price

Sources: SCGP, FSSIA's compilation

Exhibit 8: EBITDA by business

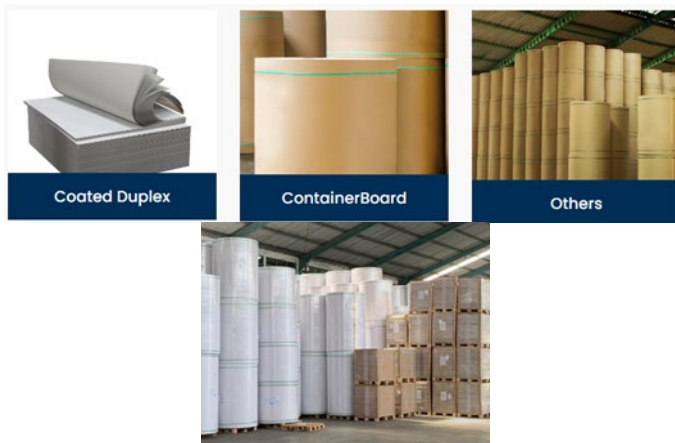
Sources: SCGP, FSSIA's compilation

Mission #1: Saving the Indonesian operation

SCGP made its first investment of 55.2% in PT Fajar Surya Wisesa Tbk (Fajar), one of the largest packaging paper manufacturers in Indonesia, in 2019 with an initial investment of over THB21b. This was aimed at tapping into a market with a population of 280m people – the fourth most populous country in the world – and a continuously growing packaging market. The demand for paper packaging in Indonesia is 29 kilograms per person per year, which is still lower than in Thailand and Vietnam, indicating significant growth potential.

Who is Fajar? Fajar is a leading packaging paper business in Indonesia, with a production capacity of 1.8m tons per year. Its product range includes corrugated medium, linerboard, duplex board, and coreboard. Fajar holds a 29% market share, the second-largest in Indonesia.

Exhibit 9: Products from Fajar



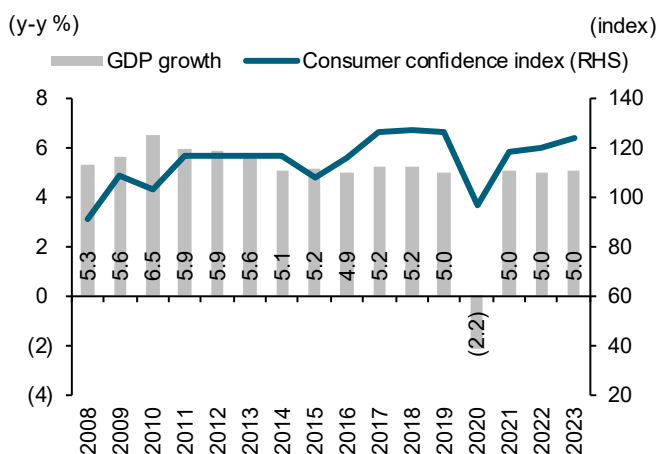
Source: PT Fajar Surya Wisesa Tbk website

Exhibit 10: Revenue from Indonesia and % to total sales



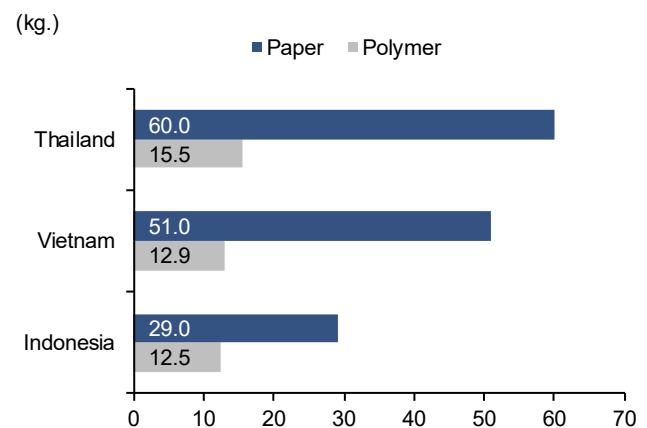
Sources: SCGP, FSSIA's compilation

Exhibit 11: Indonesia GDP growth and consumer confidence



Sources: Bloomberg, FSSIA's compilation

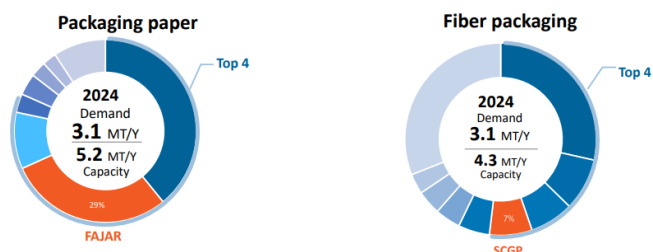
Exhibit 12: Packaging consumption per capita



Sources: SCGP, FSSIA's compilation

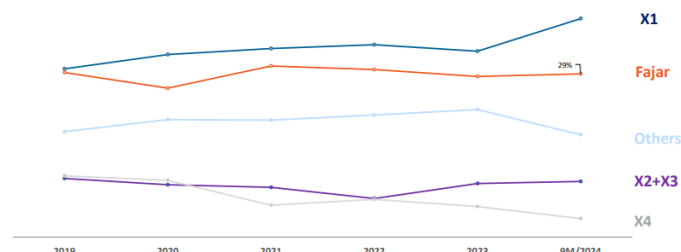
Exhibit 13: Indonesia packaging industry

Unit: Market share (%)



Sources: SCGP, FSSIA's compilation

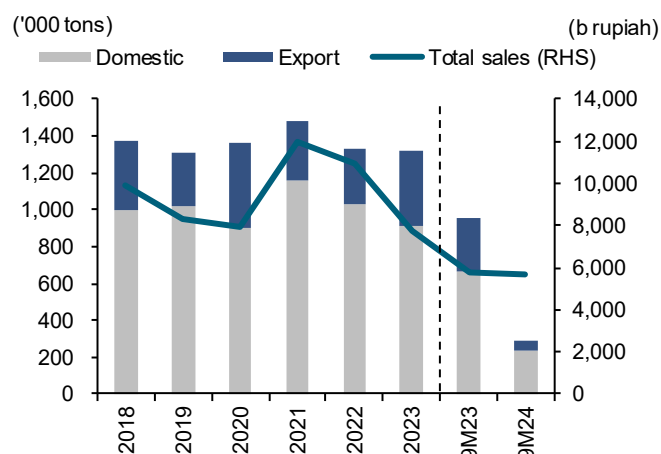
Exhibit 14: Market share by players in Indonesia market



Sources: SCGP, FSSIA's compilation

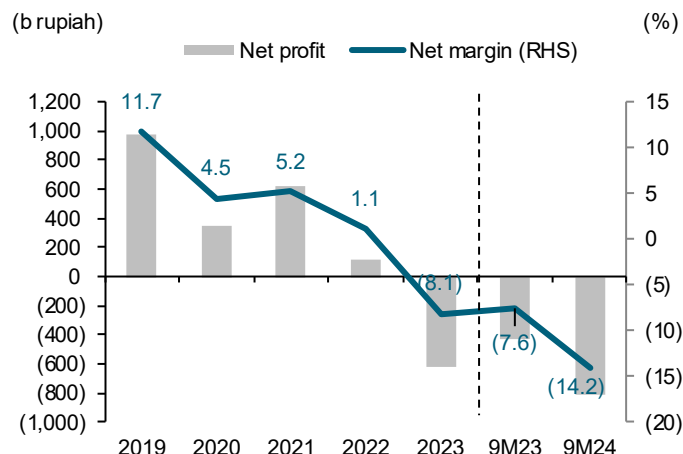
However, Indonesia is a highly competitive market, with about 30% of packaging exported to China. When China's economy slowed down, paper packaging imports decreased, leading to an oversupply of packaging paper in the domestic market and intense price competition. As a result, Fajar's financial performance declined and it began incurring losses in 2023, reaching up to THB1.4b (SCGP recognized a loss of THB789m in proportion to its stake). In 9M24, Fajar's revenue decreased by 1% y-y, but the company posted a net loss of THB1.8b, a deeper loss compared to the THB1.0b net loss in 9M23.

Exhibit 15: Fajar – sales volumes and sales revenue



Sources: Fajar's website, FSSIA's compilation

Exhibit 16: Fajar – net profit and net margin



Sources: Fajar's website, FSSIA's compilation

In September 2024, SCGP increased its stake in Fajar by an additional 44.5%, bringing its total ownership to 99.7%. SCGP's management has set a target for Fajar to achieve EBITDA breakeven by 2Q25 and to turn a profit by 4Q25 via the following plans:

1. Operational improvement

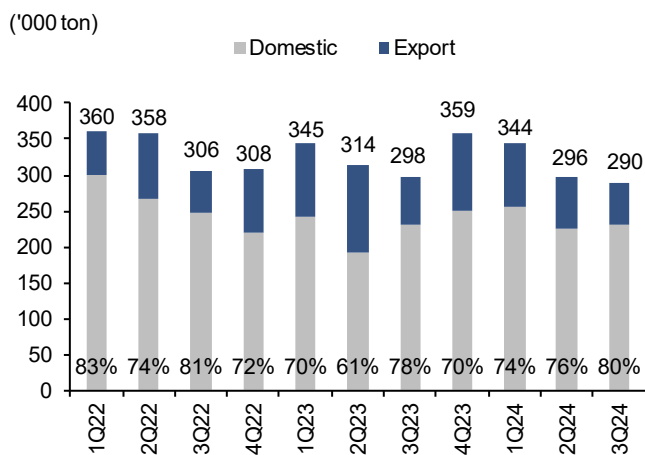
- **Cost reduction.** SCGP plans to optimize raw material costs by maximizing the use of local RCP. For the imports that need to be sourced from abroad, SCGP will leverage its network from Peute Recycling BV in the Netherlands to secure the best prices. Regarding the energy mix, the company will balance the use of natural gas and coal to optimize costs.
- **Quality rationalization.** SCGP manages specifications to align with customer requirements. The company reduces SKUs to better match costs and customer demand. Additionally, AI is being implemented to reduce fixed cost overhead.

2. **Improve workforce capabilities.** The company plans to enhance workforce capabilities by incorporating AI to increase efficiency and reduce fixed cost overhead.
3. **Increase sales volumes.** Currently, about 80% of the paper produced by the company is sent to downstream corrugated box plants. The company plans to expand downstream to increase the level of integration, as well as focus on higher-margin products and adjust pricing to better align with costs.

We believe that these efforts will help SCGP turn Fajar around and achieve profitability within 2025. Looking at Fajar's performance on a quarterly basis, despite a decline in sales volumes for three consecutive quarters, which has significantly impacted EBITDA due to the slowdown in China's economy, Fajar's average product selling prices have been rising since the end of 3Q23.

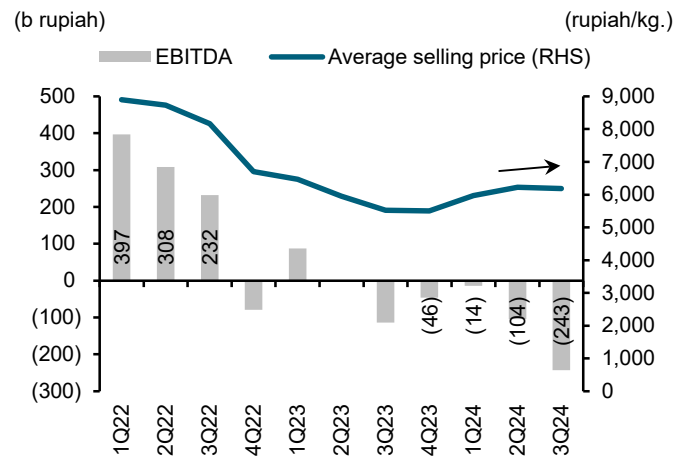
We believe that the packaging industry situation in Indonesia will gradually improve. Over the past two years, there has been industry consolidation with no new supply increases. Once the supply-demand balance is restored, operators are likely to focus on quality-based competition, where SCGP is well-positioned to compete effectively.

Exhibit 17: Fajar – sales volumes, quarterly



Sources: SCGP, FSSIA's compilation

Exhibit 18: Fajar – selling prices and EBITDA, quarterly



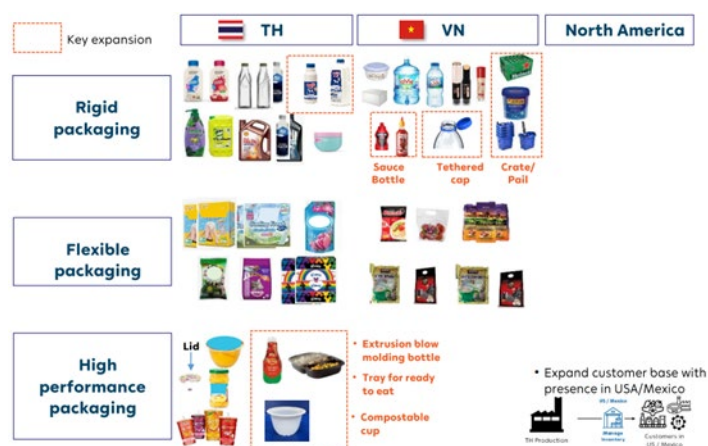
Sources: SCGP, FSSIA's compilation

Mission #2: Strengthening downstream

Currently, SCGP offers a wide range of over 150,000 SKUs, with approximately 36% of these being solution-based products to serve more than 7,000 customers. The company produces 20m packaging units per day, and 2.5b units per year for foodservice packaging.

In the polymer packaging segment, the company is a leader in rigid packaging, flexible packaging, and high-performance packaging in the Thai and Vietnamese markets. SCGP plans to expand into North America, the Philippines, and Indonesia. In the foodservice segment, the company offers two product categories: quick service restaurant (QSR) packaging and retail products. SCGP aims to expand its product range, including the beverage segment, and expand its market reach to the US, EU, UK, ASEAN, and Australia.

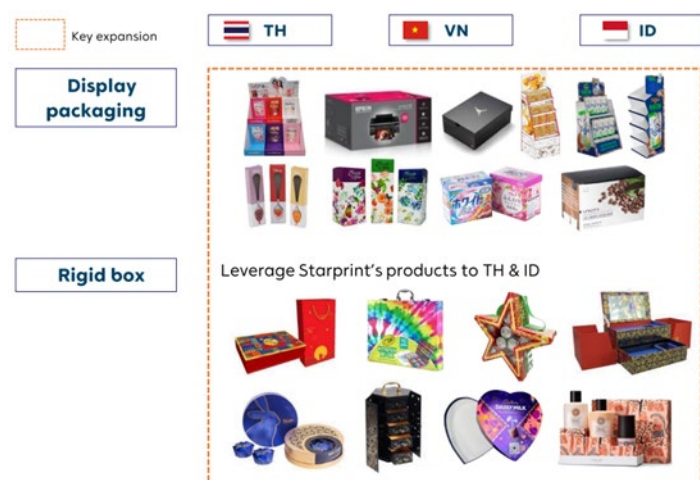
Exhibit 19: Primary packaging: polymer packaging



Sources: SCGP, FSSIA's compilation

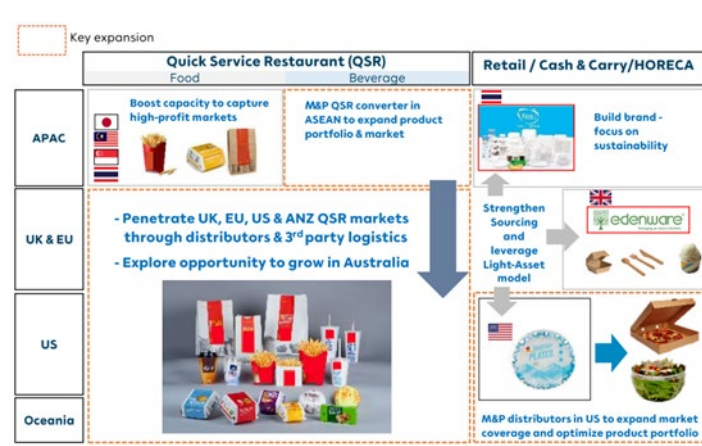
In the fiber packaging market, the company offers display packaging and rigid boxes, which are fast-growing products. SCGP has a strong market presence in Vietnam via Starprint and four other factories and plans to expand into Thailand and Indonesia. For the tertiary packaging (logistics packaging) segment, SCGP is the largest producer in Thailand, with production bases in three countries: Thailand, Vietnam, and Indonesia. The next move is to expand into high-growth markets such as Indonesia, seek M&P opportunities in the Philippines and India, and enhance chain integration between boxes and paper.

Exhibit 21: Secondary packaging: fiber packaging



Sources: SCGP, FSSIA's compilation

Exhibit 20: Primary packaging: foodservice packaging



Sources: SCGP, FSSIA's compilation

Exhibit 22: Tertiary packaging: fiber packaging



Sources: SCGP, FSSIA's compilation

Healthcare packaging... another rising star in the portfolio

SCGP has been operating in the healthcare equipment business for no less than three years through mergers and acquisitions of three companies, including Deltalab, SL in Spain (SCGP holds an 85% stake), VEM-TH (SCGP holds a 90% stake), and Bicappa Lab Srl in Italy (SCGP holds an 85% stake).

Deltalab specializes in the production and distribution of high-quality medical supplies in Europe, with over 15,000 product units and a production volume of 250 million units a year. Deltalab's standout products include liquid collection containers and vacuum tubes for sample transfer, blood collection tubes, microtubes and flexible plates for genetic analysis (real-time PCR), and various types of pipettes for liquid handling, among others. The company exports several products to 125 countries worldwide.

VEM Thailand is a part of VEM Group, a global provider of high-quality medical mold tooling and cleanroom injection molding. VEM Thailand is specialized in polymer injection molding with a focus on the automotive, aircraft, and medical industries. Its operation is ISO 13485 facility standard and has ISO class 8 and class 7 cleanrooms for medical devices. VEM Thailand has a capacity of 30 production lines, manufacturing over 59m pieces of high-quality products a year.

Bicappa is a manufacturer of medical equipment and laboratory tools, as well as a specialist in the production of scientific equipment such as 'pipette tips' in Roletto, Italy. It is one of the leading suppliers in Europe.

In the next 4-5 years, the company plans to enter the packaging market for healthcare and integrated pharmaceuticals, such as packaging for artificial tear bottles and infusion bags for kidney dialysis.

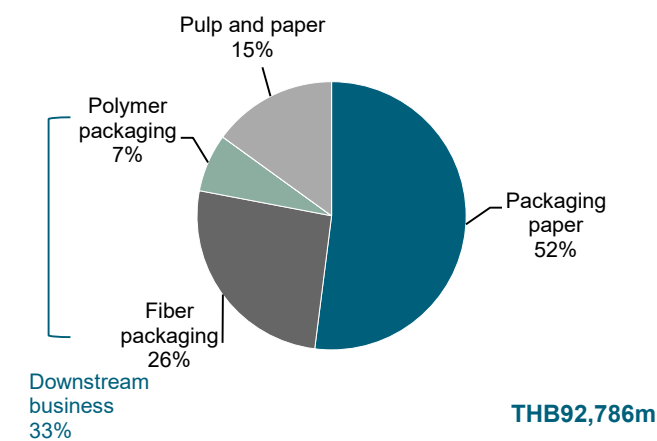
Exhibit 23: Current portfolio and potential products in healthcare packaging and equipment & supplies



In 2020, SCGP had sales revenue of THB9.3b and operated in only four business segments, with the downstream business accounting for 33% of the total. In 9M24, SCGP expanded its business to seven segments, with the downstream business increasing to 43% (with healthcare supplies contributing 2% of the revenue).

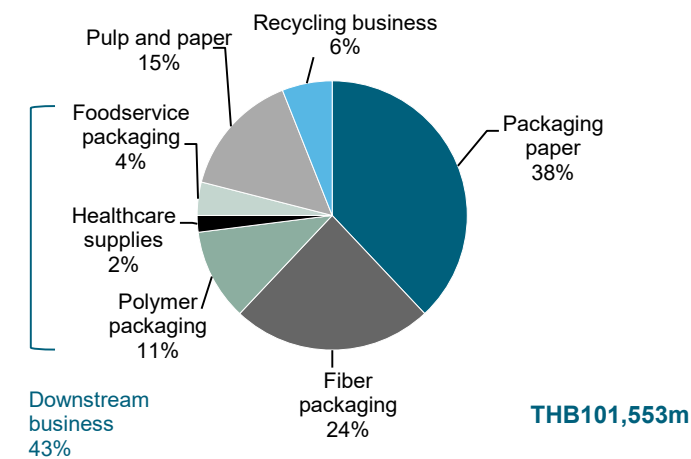
This should bolster SCGP’s performance and make it more resilient to economic conditions. However, its EBITDA margin decreased from 18.9% in 2020 to 13.2% in 9M24 due to a more severe-than-expected slowdown in the Chinese economy. Nevertheless, the larger contribution from downstream businesses should help reduce earnings volatility and expand margins as planned.

Exhibit 24: Revenue by operation in 2020



Sources: SCGP, FSSIA's compilation

Exhibit 25: Revenue by operation in 9M24



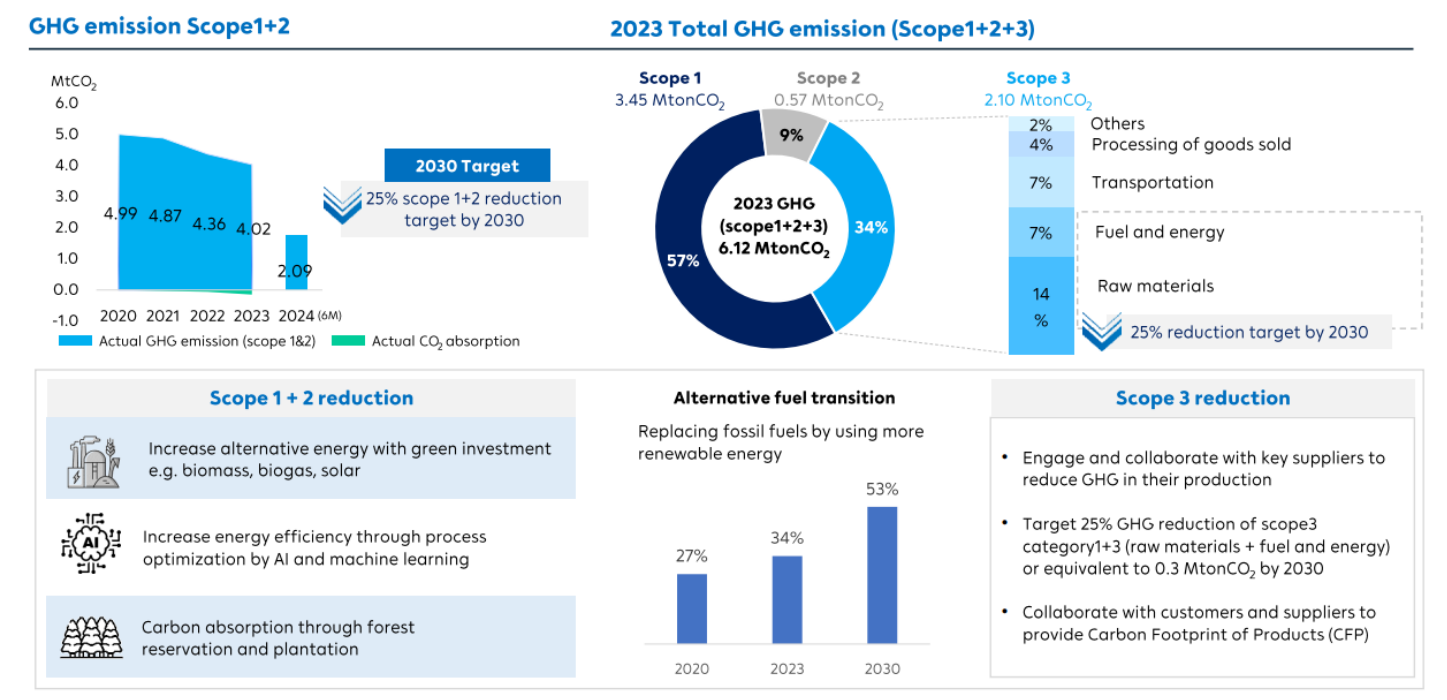
Sources: SCGP, FSSIA's compilation

Mission #3: Transition to sustainability

SCGP is highly committed to using resources efficiently to achieve sustainable growth and coexist harmoniously with communities. The company also has a clear and tangible strategy in place to achieve this goal. We believe this will enable SCGP to remain competitive in the long term. As such, SCGP’s stock should trade at premium valuations, in our view.

SCGP aims to reduce greenhouse gas (GHG) emissions by 25% by 2030 and achieve net zero by 2050. In 2023, the company reduced its GHG emissions to 4.02m tons, down from 4.99m tons in 2020. To meet its 25% reduction target by 2030, the company needs to further reduce emissions to 3.75m tons. In order to achieve this target, the company has increased the share of renewable energy to 34% in 2023, up from 27% in 2020. SCGP plans to use AI and machine learning to further increase the share of renewable energy to 53% by 2030. It has also increased the usage of recycled resin and recycled PET as part of the raw materials for polymer packaging to reduce the usage of virgin resin.

Exhibit 26: Greenhouse gas reduction roadmap



Sources: SCGP, FSSIA's compilation

In addition, SCGP has sought certification for its products. Currently, the company has 161 certified products, consisting of 19 B2C products that are certified from raw materials through to the end of life of the product (cradle-to-grave assessment). Another 126 products are cradle-to-gate certified, covering raw materials to the manufacturing process, up to the point they are delivered to customers for further use in products distributed to consumers worldwide. To speed up the certification process, the company has obtained certification for the manufacturing process itself, reducing the time needed to certify each SKU by 50%.

In 2024, SCGP was upgraded in its MSCI ESG rating to ‘A’ from ‘BBB’ and received the Climate Action Leading Organization (CALO) award for the second consecutive year.

Exhibit 27: Carbon Footprint of Products (CFP) certificates



Sources: SCGP, FSSIA's compilation

Exhibit 28: Recognition from global standard



Sources: SCGP, FSSIA's compilation

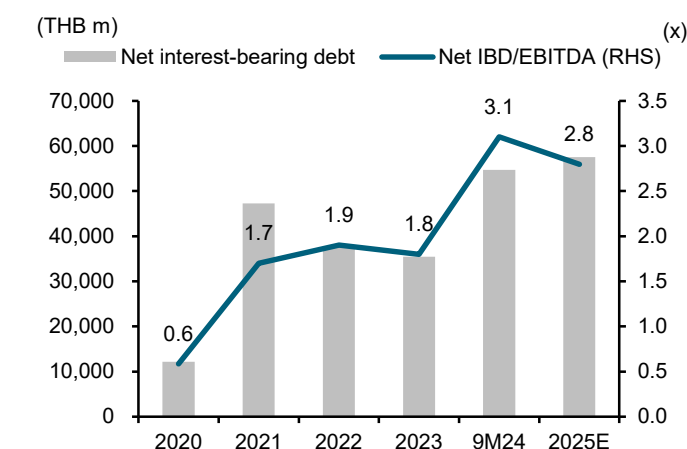
Solid financial position supporting ability to invest for growth

SCGP's financial position is strong, with a net IBD/E ratio consistently below 2x, except for 9M24, when net interest-bearing debt increased to THB55b due to additional investment in Fajar. In terms of capex, SCGP invested THB28b in 9M24, primarily in Fajar (for growth), amounting to THB23b.

SCGP should complete its CAPEX for 2024 at THB30b. For 2025, the company has set CAPEX of THB13b, with THB8b-10b allocated for growth (both organic and M&P in the downstream business), and THB3b-5b for maintenance. We expect 2025 CAPEX to account for only 9% of revenue, down from 27% in 2024, bringing it back to a more typical level for the company.

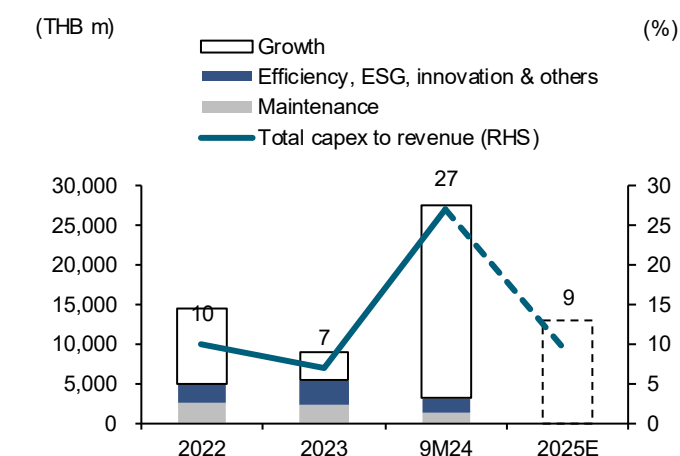
In terms of growth, SCGP's priority is to increase the integration level in various countries, especially in Indonesia, where there are still relatively few corrugated box plants (downstream) compared to the upstream capacity. This is in contrast to Thailand, where the integration level between upstream and downstream is higher, making the Thai operations more resilient and able to generate better total chain returns compared to other countries.

Exhibit 29: Strong capital structure



Sources: SCGP, FSSIA estimates

Exhibit 30: CAPEX plan



Sources: SCGP, FSSIA estimates

Toward a gradual recovery

The situation in 4Q24 shows signs of improvement due to the seasonal festive period. Demand for packaging paper is likely to increase, and China's bazooka stimulus, introduced in 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 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.

Due to the weaker-than-expected earnings in 3Q24, we revise our profit estimates downward once again. We lower our core profit forecasts for 2024-26 by 12%/12%/10% to reflect: 1) lower-than-expected selling prices for packaging paper and fiber packaging, resulting from the slower-than-anticipated recovery of the Chinese economy; 2) slower-than-expected reduction in RCP costs in 9M24, which will continue to impact production costs in subsequent quarters due to the lag time of approximately one quarter; and 3) higher interest expenses from increased investment in Fajar, which exceeded our prior expectations.

Exhibit 31: 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	135,471	145,405	155,392	137,699	147,400	156,474	(1.6)	(1.4)	(0.7)
Integrated packaging chain	100,605	108,588	116,817	101,833	109,583	117,898	(1.2)	(0.9)	(0.9)
Fibrous chain	26,610	28,313	29,817	27,610	29,313	29,817	(3.6)	(3.4)	0.0
Recycling business and others	8,256	8,504	8,759	8,256	8,504	8,759	0.0	0.0	0.0
Gross profit	23,612	25,732	28,031	24,603	26,868	28,776	(4.0)	(4.2)	(2.6)
SG&A	16,616	17,303	18,336	16,627	17,467	18,151	(0.1)	(0.9)	1.0
EBITDA	18,800	20,569	21,941	19,854	21,617	22,944	(5.3)	(4.8)	(4.4)
Interest expense	2,472	2,996	2,804	2,471	2,890	2,678	0.0	3.7	4.7
Core profit	4,817	5,544	6,730	5,469	6,289	7,485	(11.9)	(11.8)	(10.1)
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Blended gross margin	17.4	17.7	18.0	17.9	18.2	18.4	(0.4)	(0.5)	(0.4)
Integrated packaging chain	18.5	18.0	18.5	18.3	18.0	19.0	0.1	0.0	(0.5)
Fibrous chain	13.0	15.1	14.9	15.3	18.0	14.9	(2.3)	(2.9)	0.0
Recycling business and others	22.0	22.5	22.5	21.0	22.0	22.0	1.0	0.5	0.5
SG&A to sales	12.3	11.9	11.8	12.1	11.9	11.6	0.2	0.0	0.2
EBITDA margin	13.9	14.1	14.1	14.4	14.7	14.7	(0.5)	(0.5)	(0.5)
Core profit margin	3.8	4.3	4.5	4.3	4.8	4.9	(0.5)	(0.5)	(0.4)
Sales volume	(m ton)	(m ton)	(m ton)	(m ton)	(m ton)	(m ton)	(%)	(%)	(%)
Packaging paper	3.68	3.86	4.05	3.70	3.86	4.05	(0.6)	0.0	0.0
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	0.66	0.67	0.70	0.0	0.0	0.0
Average selling price	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(THB/ton)	(%)	(%)	(%)
Packaging paper	13,354	13,797	14,487	13,534	13,983	14,683	(1.3)	(1.3)	(1.3)
Fiber packaging	32,289	33,742	35,092	32,536	34,001	35,361	(0.8)	(0.8)	(0.8)
Fibrous	40,964	41,876	42,596	40,964	41,876	42,596	0.0	0.0	0.0

Sources: SCGP, FSSIA estimates

An attractive value play

After the earnings revisions, we expect the core profit for 2024 to decline by 6.8% y-y to THB4.8b, marking the third consecutive year of decline. This is primarily due to lower sales volumes of packaging paper, which is the company's main source of revenue, higher RCP costs, and an additional 44.5% recognition of losses from Fajar in the last four months of the year.

For 2025, we expect the core profit to grow by 15.1% y-y to THB5.5b, with accelerated growth of 21.4% y-y in 2026, driven by the ongoing recovery in global consumer spending, more efficient sourcing of raw materials, the increased use of alternative energy, and the company's ESG initiatives, which should improve its competitiveness, especially in terms of pricing, in the long term.

We maintain our BUY call but trim our TP from THB36 to THB33 (DCF, 9.0% WACC, 2.5% LTG). Our TP implies 12.1x 2025E EV/EBITDA, a premium compared to operators in other regions, reflecting higher growth potential. The long-term growth opportunities through mergers and acquisitions, supported by a strong financial position, a diversified production base, and a global market presence, as well as the company's long-term competitive advantage, justify this premium.

Exhibit 32: DCF-derived TP

Cost of equity assumption	(%)	Cost of debt assumption	(%)
Risk-free rate	3.0	Pre-tax cost of debt	4.6
Market risk premium	8.5	Tax rate	20.0
Stock beta	1.2		
Cost of equity, Ke	9.7	Cost of debt, Kd	4.6
Weight applied	54.7	Weight applied	45.3
WACC	9.0		
Terminal growth	2.50		
(THB m)			
Sum of PV of FCF	32,562		
PV of Terminal value	46,226		
Enterprise value	78,788		
Interest-bearing debt	67,605	At end-2025E	
Cash	(4,413)	At end-2025E	
Minorities	(119)	At end-2025E	
Equity value	141,861		
No. of shares	4,293		
Equity value per share	33		

Source: FSSIA estimates

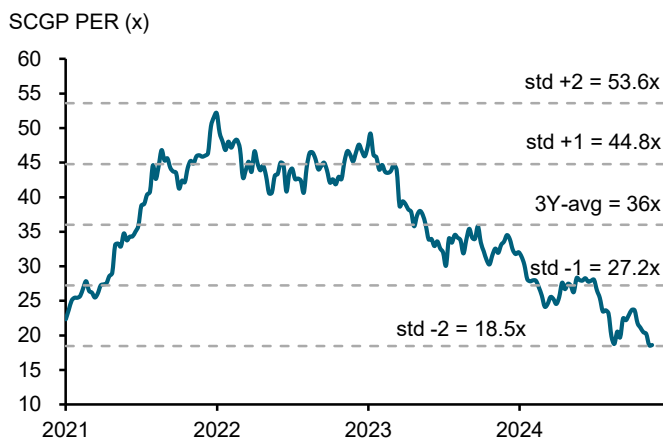
Exhibit 33: Peers comparison

Company	BBG	----- Share price -----			Mkt Cap	3Y EPS CAGR	----- PE -----		--- ROE ---		---- PBV ---		- EV/EBITDA -	
		Current	Target	Upside			24E	25E	24E	25E	24E	25E	24E	25E
		(LCY)	(LCY)	(%)			(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)
Asia														
SCG packaging*	SCGP TB	24.30	33.00	36	3,019	9.2	21.7	18.8	6.1	6.7	1.3	1.2	10.2	9.4
Eastern Polymer Group*	EPG TB	4.86	6.00	23	394	8.6	9.5	9.6	11.8	11.2	1.1	1.0	7.7	7.3
United Paper	UTP TB	9.25	n/a	n/a	174	(0.9)	9.5	8.0	13.6	15.4	1.3	1.2	5.9	5.1
Lee & Man Paper Manufacturing	2314 HK	2.31	n/a	n/a	1,275	16.7	6.6	5.8	5.2	5.9	0.4	0.3	8.8	8.1
Nine Dragons Paper Holdings	2689 HK	3.16	n/a	n/a	1,905	46.9	7.7	5.9	3.8	4.7	0.3	0.3	10.5	9.3
Asia average					6,767	17.1	11.0	9.6	8.1	8.8	0.9	0.8	8.6	7.8
Europe														
Ds Smith	SMDS LN	572.00	n/a	n/a	9,880	8.7	20.3	16.5	9.2	10.8	1.9	1.9	10.3	9.1
Mondi	MNDI LN	1,174.00	n/a	n/a	6,486	9.0	15.2	11.1	7.9	11.0	1.2	1.2	7.6	6.2
Europe average					16,366	8.9	17.8	13.8	8.6	10.9	1.6	1.5	8.9	7.6
USA														
Amcor Plc-Cdi	AMC AU	15.70	n/a	n/a	14,761	5.4	13.8	12.9	26.3	26.9	3.6	3.4	10.9	10.5
Amcor Plc	AMCR US	10.15	n/a	n/a	14,670	5.4	13.8	12.8	26.3	26.9	3.6	3.4	10.9	10.4
USA average					29,431	5.4	13.8	12.9	26.3	26.9	3.6	3.4	10.9	10.4
Overall average					52,565	7.8	13.1	11.3	12.3	13.3	1.6	1.5	9.2	8.4

Note: Share prices as of 19 November 2024

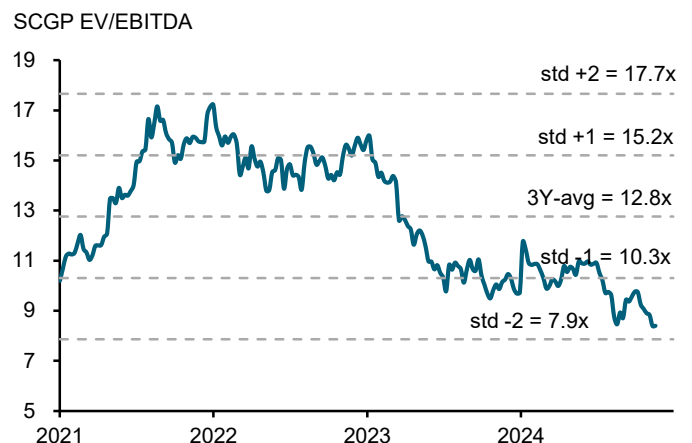
Sources: Bloomberg, *FSSIA estimates

Exhibit 34: One-year rolling forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 35: One-year rolling forward EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

Risk factors

Market demand risk

SCGP may face risks if the global economic recovery is slow, putting pressure on product demand. The increase in policy interest rates and inflation in major economies also generate risks for the company. In addition, the downturn in the real estate sector in China has led to reduced demand for products and packaging materials, resulting in slower growth. If the Chinese or global economic recovery is slow or does not meet expectations, it will pose a risk to SCGP.

Production cost risk

SCGP's production process consumes a significant amount of energy, with its primary energy costs derived from coal and biomass fuels. The main raw materials for production include RCP for packaging paper and resin for polymer packaging. Additionally, the company relies on labor in the manufacturing process. In 2023, global energy prices remained volatile due to factors such as the ongoing wars in Europe and the Middle East, which also caused fluctuations in the prices of both RCP and resin. As a result, SCGP faces risks from the volatility in production costs.

Climate change and regulatory risk

SCGP's operations in all processes and activities contribute to greenhouse gas emissions, which may contribute to climate change. Additionally, consumers and governments in various countries are increasingly focused on environmentally friendly products. Various governments worldwide have implemented regulatory measures to control climate change, such as the European Union's Carbon Border Adjustment Mechanism (CBAM). These regulations impact businesses and industries, including the demand for packaging products.

Geopolitical risk

Geopolitical risks in forms such as trade conflicts or international wars may impact both the global economy and the security of the company's assets. These risks also lead to fluctuations in energy prices and raw material costs. Furthermore, they may cause businesses in various sectors to delay investment decisions.

Interest rate risk

SCGP may be impacted by fluctuations in interest rates from its interest-bearing liabilities. As of 30 September 2024, the company had approximately 37% of its total interest-bearing debt of THB55b tied to floating interest rates. If market interest rates fluctuate in an unfavorable direction, it could adversely affect the company's profitability and cash flow.

Foreign exchange risk

SCGP operates in multiple countries, and engages in mergers and acquisitions, imports machinery and equipment, adopts various technologies, purchases raw materials, and sells products in foreign currencies. As a result, SCGP faces potential impacts from fluctuations in foreign exchange rates on its costs, revenues, and foreign-denominated borrowings.

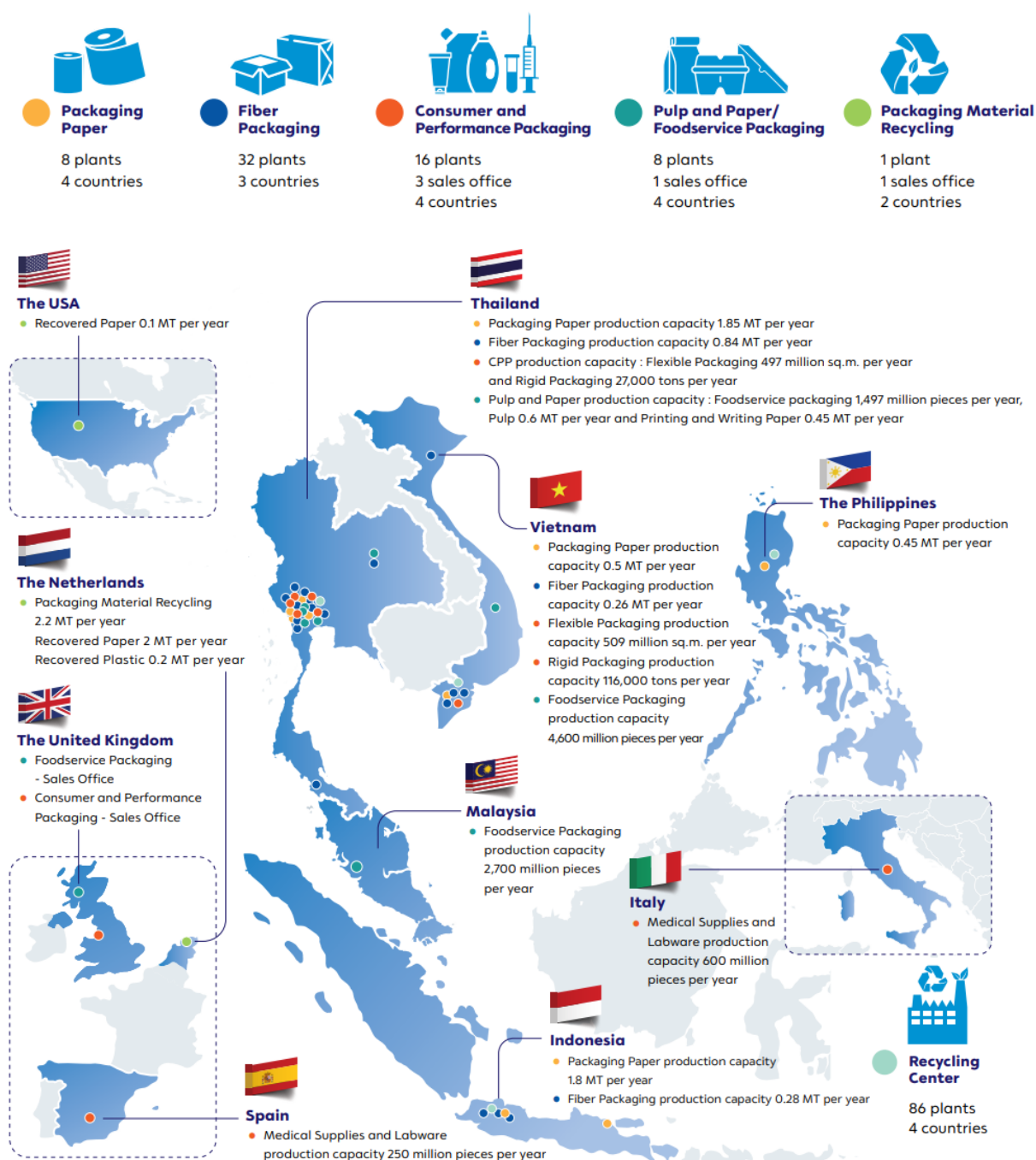
APPENDIX

SCGP's business expansion from ASEAN to the global stage

SCGP's operations cover the entire ASEAN region and have expanded into high-potential countries outside of ASEAN. The company operates 65 manufacturing plants across 10 countries, including Thailand, Vietnam, Indonesia, the Philippines, Malaysia, the United Kingdom, Spain, the Netherlands, Italy, and the United States.

The company's extensive geographic presence supports a comprehensive business model, covering everything from upstream to downstream operations. This strengthens the company's ability to leverage synergies between its subsidiaries, enhancing its competitive advantage. It also increases its ability to access growth markets in ASEAN, Europe, and North America.

Exhibit 36: SCGP's operations by geography



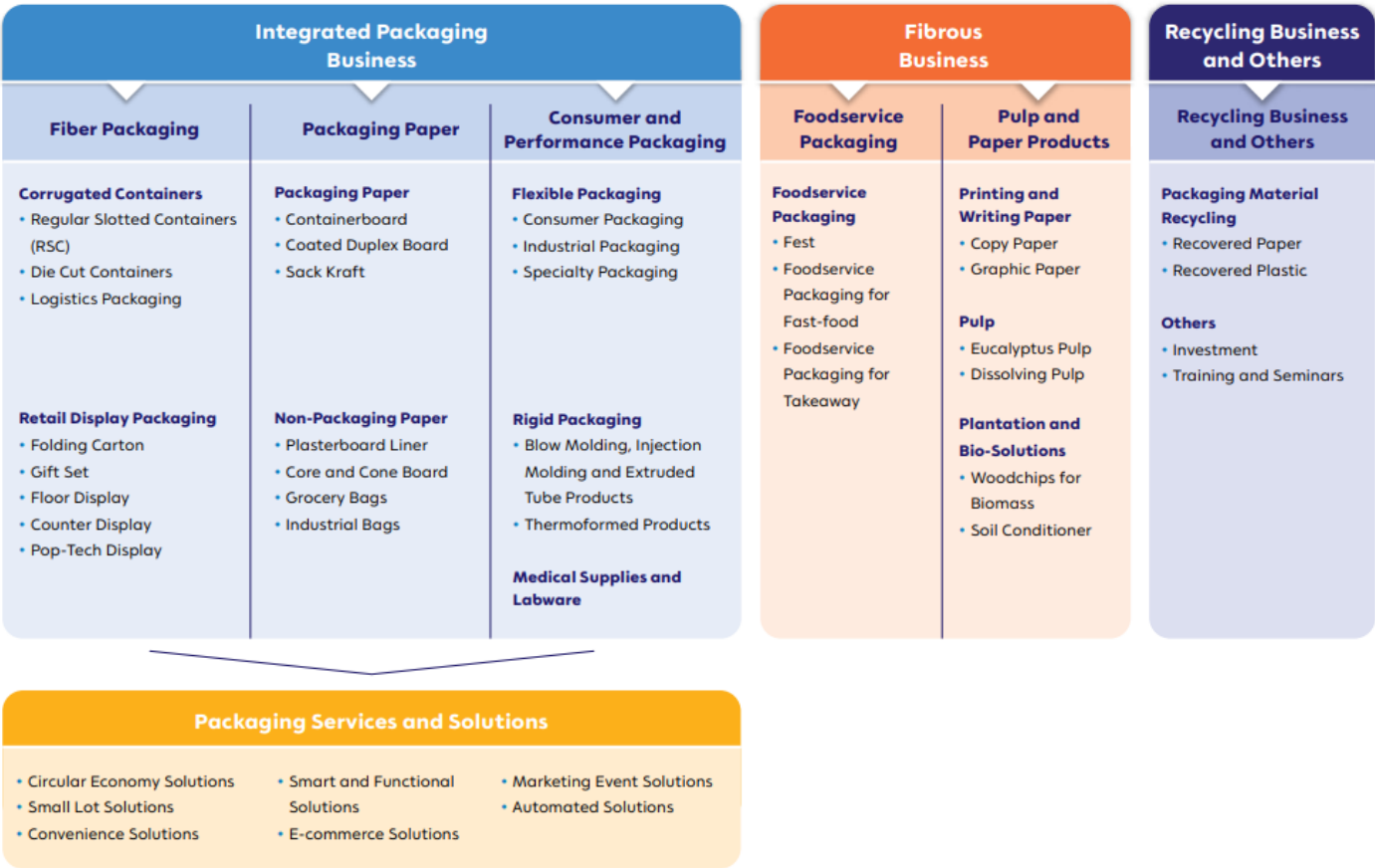
Sources: SCGP, FSSIA's compilation

Nature of business

The company’s operations are divided into three business segments:

- **Integrated packaging business.** SCGP manufactures and distributes a wide range of fiber and paper-based packaging products, including corrugated containers, printed color boxes for product display, and various packaging solutions. The majority of the revenue from the fiber and paper packaging business comes from corrugated containers.
- **Fibrous business.** SCGP provides foodservice packaging products and pulp and paper products, which primarily consist of printing and writing paper, paperboard, and a fully integrated wood business. SCGP manufactures under its own brands, Fest and Edenware, with a customer base that includes major restaurant chains and fast-food companies across Asia, such as in Japan, Singapore, and Thailand.
- **Recycling business and others.** SCGP operates in the procurement and distribution of recycled paper and plastic materials in Europe and North America. This enables the company to access raw material sources directly, expanding SCGP’s supply chain network. This also strengthens the packaging business by securing raw material sources, manufacturing processes (both upstream and downstream), and providing integrated packaging solutions.

Exhibit 37: Nature of business



Sources: SCGP’s annual report, SCGP’s compilation

Exhibit 38: SCGP’s operations

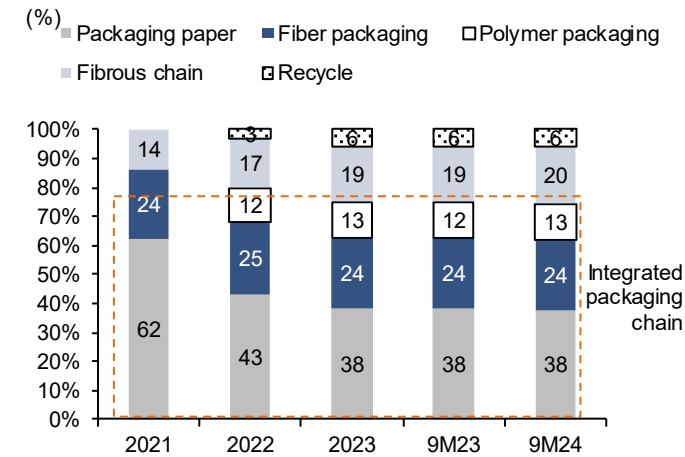


Sources: SCGP, FSSIA's compilation

Revenue structure

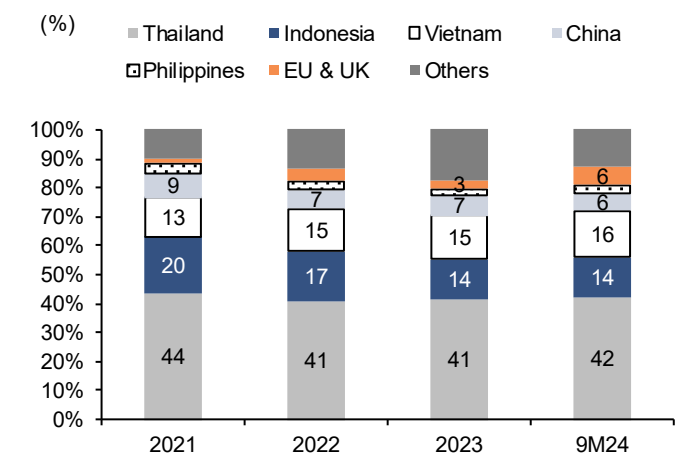
The integrated packaging business has been SCGP’s major source of revenue, contributing 75-86% during 2021-23 and 74% in 9M24, while the fibrous business accounted for 14-19% during 2021-23 and 19% in 9M24. The recycling business, which the company recently entered in 2022, accounted for only 6% of total revenue in 9M24. In the integrated packaging business unit, the packaging paper available in a roll form plays a key part, with 62% of total revenue in 2021. The company successfully reduced the proportion of its packaging paper to 38% of total revenue in 2023-9M24 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 39: Revenue structure by business



Sources: SCGP, FSSIA's compilation

Exhibit 40: Revenue breakdown by market



Sources: SCGP, FSSIA's compilation

Financial Statements

SCG Packaging

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	146,068	129,398	135,471	145,405	155,392
Cost of goods sold	(121,791)	(106,274)	(111,859)	(119,673)	(127,362)
Gross profit	24,277	23,124	23,612	25,732	28,031
Other operating income	1,322	1,043	1,206	1,178	1,212
Operating costs	(16,039)	(15,684)	(16,616)	(17,303)	(18,336)
Operating EBITDA	19,259	17,689	18,800	20,569	21,941
Depreciation	(9,699)	(9,206)	(10,598)	(10,962)	(11,035)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	9,560	8,483	8,202	9,606	10,906
Net financing costs	(1,468)	(2,020)	(2,472)	(2,996)	(2,804)
Associates	55	39	118	136	135
Recurring non-operating income	55	39	118	136	135
Non-recurring items	143	80	0	0	0
Profit before tax	8,289	6,582	5,848	6,747	8,237
Tax	(1,550)	(1,153)	(1,146)	(1,322)	(1,620)
Profit after tax	6,739	5,429	4,702	5,425	6,616
Minority interests	(939)	(180)	115	119	113
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,801	5,248	4,817	5,544	6,730
Non-recurring items & goodwill (net)	(143)	(80)	0	0	0
Recurring net profit	5,658	5,169	4,817	5,544	6,730
Per share (THB)					
Recurring EPS *	1.32	1.20	1.12	1.29	1.57
Reported EPS	1.35	1.22	1.12	1.29	1.57
DPS	0.60	0.55	0.50	0.58	0.71
Diluted shares (used to calculate per share data)	4,293	4,293	4,293	4,293	4,293
Growth					
Revenue (%)	17.6	(11.4)	4.7	7.3	6.9
Operating EBITDA (%)	(7.6)	(8.1)	6.3	9.4	6.7
Operating EBIT (%)	(23.6)	(11.3)	(3.3)	17.1	13.5
Recurring EPS (%)	(29.1)	(8.6)	(6.8)	15.1	21.4
Reported EPS (%)	(30.1)	(9.5)	(8.2)	15.1	21.4
Operating performance					
Gross margin inc. depreciation (%)	16.6	17.9	17.4	17.7	18.0
Gross margin exc. depreciation (%)	23.3	25.0	25.3	25.2	25.1
Operating EBITDA margin (%)	13.2	13.7	13.9	14.1	14.1
Operating EBIT margin (%)	6.5	6.6	6.1	6.6	7.0
Net margin (%)	3.9	4.0	3.6	3.8	4.3
Effective tax rate (%)	18.7	17.5	19.6	19.6	19.7
Dividend payout on recurring profit (%)	45.5	45.7	45.0	45.0	45.0
Interest cover (X)	6.5	4.2	3.4	3.3	3.9
Inventory days	75.9	80.0	72.3	71.3	66.8
Debtor days	60.2	64.7	63.5	62.2	58.5
Creditor days	48.1	54.7	55.4	54.8	52.0
Operating ROIC (%)	6.0	6.0	5.6	5.6	6.2
ROIC (%)	4.6	4.4	4.1	4.3	4.8
ROE (%)	5.8	5.9	6.1	6.7	7.9
ROA (%)	3.8	3.5	3.3	3.7	4.1

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2022	2023	2024E	2025E	2026E
Integrated packaging chain	117,219	97,044	100,605	108,588	116,817
Fibrous chain	24,273	24,894	26,610	28,313	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	4,817	5,544	6,730
Depreciation	9,699	9,206	10,598	10,962	11,035
Associates & minorities	(55)	(39)	(118)	(136)	(135)
Other non-cash items	4,021	3,182	(17,823)	(2,625)	(2,161)
Change in working capital	(2,089)	3,965	(2,742)	(136)	1,166
Cash flow from operations	17,234	21,482	(5,269)	13,610	16,635
Capex - maintenance	0	0	0	0	0
Capex - new investment	(14,212)	(14,271)	(16,710)	(4,823)	(1,537)
Net acquisitions & disposals	10,886	830	(5,000)	(5,700)	(5,700)
Other investments (net)	206	381	223	(60)	(60)
Cash flow from investing	(3,119)	(13,060)	(21,487)	(10,582)	(7,297)
Dividends paid	(3,612)	(3,286)	(2,168)	(2,495)	(3,028)
Equity finance	0	0	0	0	0
Debt finance	(7,253)	(3,012)	28,983	(601)	1,842
Other financing cash flows	(737)	(2,068)	(2,472)	(2,996)	(2,804)
Cash flow from financing	(11,602)	(8,366)	24,343	(6,091)	(3,991)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	4,780	0	0	0
Net other adjustments	(10,390)	4,780	(5,214)	(1,000)	(4,000)
Movement in cash	(7,877)	4,836	(7,626)	(4,063)	1,348
Free cash flow to firm (FCFF)	15,582.69	10,441.88	(24,283.45)	6,023.09	12,142.34
Free cash flow to equity (FCFE)	(4,265.73)	8,122.43	(5,458.09)	(1,568.61)	4,376.08

Per share (THB)

FCFF per share	3.63	2.43	(5.66)	1.40	2.83
FCFE per share	(0.99)	1.89	(1.27)	(0.37)	1.02
Recurring cash flow per share	4.50	4.08	(0.59)	3.20	3.60

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
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	1,677	1,714	1,689
Invest. in associates & subsidiaries	1,034	1,063	1,273	1,401	1,526
Cash & equivalents	12,344	17,181	9,555	5,492	6,839
A/C receivable	23,254	22,648	24,496	25,097	24,692
Inventories	23,281	19,253	20,840	21,640	20,936
Other current assets	1,275	1,191	1,247	1,193	1,119
Current assets	60,154	60,272	56,138	53,421	53,587
Other assets	1,815	1,988	1,741	1,724	1,687
Total assets	197,280	198,561	211,006	213,132	214,773
Common equity	97,200	77,322	80,655	83,704	87,405
Minorities etc.	25,766	25,127	18,012	17,893	17,780
Total shareholders' equity	122,967	102,449	98,667	101,597	105,185
Long term debt	29,935	18,027	39,794	38,808	36,078
Other long-term liabilities	10,899	11,694	11,974	12,704	12,704
Long-term liabilities	40,834	29,721	51,768	51,512	48,782
A/C payable	14,282	14,808	15,936	16,721	16,400
Short term debt	17,726	27,328	39,257	37,797	38,835
Other current liabilities	1,471	24,254	5,377	5,504	5,569
Current liabilities	33,479	66,390	60,571	60,023	60,805
Total liabilities and shareholders' equity	197,280	198,561	211,006	213,132	214,773
Net working capital	32,057	4,029	25,269	25,704	24,778
Invested capital	169,182	142,318	180,137	185,415	185,964

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

Per share (THB)

Book value per share	22.64	18.01	18.79	19.50	20.36
Tangible book value per share	13.60	8.83	9.46	10.10	10.84

Financial strength

Net debt/equity (%)	28.7	27.5	70.4	70.0	64.7
Net debt/total assets (%)	17.9	14.2	32.9	33.4	31.7
Current ratio (x)	1.8	0.9	0.9	0.9	0.9
CF interest cover (x)	7.8	12.1	5.6	2.1	3.1

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	18.4	20.2	21.7	18.8	15.5
Recurring P/E @ target price (x) *	25.0	27.4	29.4	25.6	21.1
Reported P/E (x)	18.0	19.9	21.7	18.8	15.5
Dividend yield (%)	2.5	2.3	2.1	2.4	2.9
Price/book (x)	1.1	1.3	1.3	1.2	1.2
Price/tangible book (x)	1.8	2.8	2.6	2.4	2.2
EV/EBITDA (x) **	8.6	8.9	10.2	9.4	8.7
EV/EBITDA @ target price (x) **	10.5	11.0	12.2	11.2	10.4
EV/invested capital (x)	1.0	1.1	1.1	1.0	1.0

* 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


78.40 /100

Exhibit 41: 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 42: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	DJSI	SET ESG	SET ESG Rating	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	67.71	5.69	4.38	4.05	4.77	4.43	4.02	Medium	57.34	BBB	22.70	60.82	67.31	1.19	35.34
Coverage	66.17	5.16	4.33	3.94	4.81	4.43	3.83	Medium	56.41	BBB	18.92	59.20	65.82	1.38	35.46
PSL	64.43	--	Y	A	5.00	5.00	Certified	Low	67.46	BBB	--	70.85	57.00	--	--
SCGP	78.40	Y	Y	AAA	5.00	5.00	Certified	Low	64.95	BBB	--	75.23	87.00	--	--
TTA	45.11	--	Y	AA	5.00	5.00	--	Low	--	--	--	53.87	27.00	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 43: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022	FY 2023
ESG financial materiality scores - ESG score	—	3.56	6.41	—
BESG environmental pillar score	—	3.33	7.37	—
BESG social pillar score	—	1.90	8.93	—
BESG governance pillar score	—	4.53	4.53	—
ESG disclosure score	28.79	71.10	79.40	—
Environmental disclosure score	0.00	67.53	87.71	—
Social disclosure score	3.14	56.41	60.58	—
Governance disclosure score	83.02	89.28	89.86	—
Environmental				
Emissions reduction initiatives	No	Yes	Yes	Yes
Climate change policy	No	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	Yes
Risks of climate change discussed	No	Yes	Yes	Yes
GHG scope 1	—	4,366	3,778	3,448
GHG scope 2 location-based	—	508	632	586
GHG Scope 3	—	2,167	1,459	2,096
Carbon per unit of production	—	—	1	1
Biodiversity policy	No	Yes	Yes	Yes
Energy efficiency policy	No	Yes	Yes	Yes
Total energy consumption	—	17,964	16,778	16,417
Renewable energy use	—	3,742	4,083	4,667
Electricity used	—	738	0	919
Fuel used - natural gas	—	—	146,676	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 44: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2020	FY 2021	FY 2022	FY 2023
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	No	Yes	Yes	Yes
Hazardous waste	—	64	48	88
Total waste	—	1,553	1,515	1,446
Waste recycled	—	1,520	1,429	1,279
Waste sent to landfills	—	18	12	8
Environmental supply chain management	No	Yes	Yes	Yes
Water policy	No	Yes	Yes	Yes
Water consumption	—	—	—	—
Social				
Human rights policy	No	Yes	Yes	Yes
Policy against child labor	No	Yes	Yes	Yes
Quality assurance and recall policy	No	Yes	Yes	Yes
Consumer data protection policy	No	Yes	Yes	Yes
Equal opportunity policy	No	Yes	Yes	No
Gender pay gap breakout	No	Yes	Yes	Yes
Pct women in workforce	18	18	22	32
Pct disabled in workforce	—	0	0	0
Business ethics policy	No	Yes	Yes	No
Anti-bribery ethics policy	No	Yes	Yes	No
Health and safety policy	No	Yes	Yes	Yes
Lost time incident rate - employees	—	0	0	0
Total recordable incident rate - employees	—	0	0	0
Training policy	No	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	—	23,341	22,289	21,882
Employee turnover pct	—	5	6	6
Total hours spent by firm - employee training	—	46,682	334,335	306,348
Social supply chain management	No	Yes	Yes	Yes
Governance				
Board size	12	12	12	12
No. of independent directors (ID)	7	8	8	8
No. of women on board	2	3	3	3
No. of non-executive directors on board	11	11	11	11
Company conducts board evaluations	No	No	Yes	Yes
No. of board meetings for the year	10	8	9	8
Board meeting attendance pct	100	100	99	100
Board duration (years)	3	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	51	52	53	54
Age of the oldest director	73	69	70	71
No. of executives / company managers	8	7	8	8
No. of female executives	1	0	1	1
Executive share ownership guidelines	No	No	No	No
Size of audit committee	3	3	3	3
No. of ID on audit committee	3	3	3	3
Audit committee meetings	8	5	6	6
Audit meeting attendance %	100	100	100	100
Size of compensation committee	3	3	3	3
No. of ID on compensation committee	2	2	2	2
No. of compensation committee meetings	4	7	6	7
Compensation meeting attendance %	100	100	100	100
Size of nomination committee	3	3	3	3
No. of nomination committee meetings	5	6	6	4
Nomination meeting attendance %	100	100	100	92
Sustainability governance				
Verification type	No	Yes	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.																				
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 SETESG 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. SETESG Index is extended from the SET ESG Ratings 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><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="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></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
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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

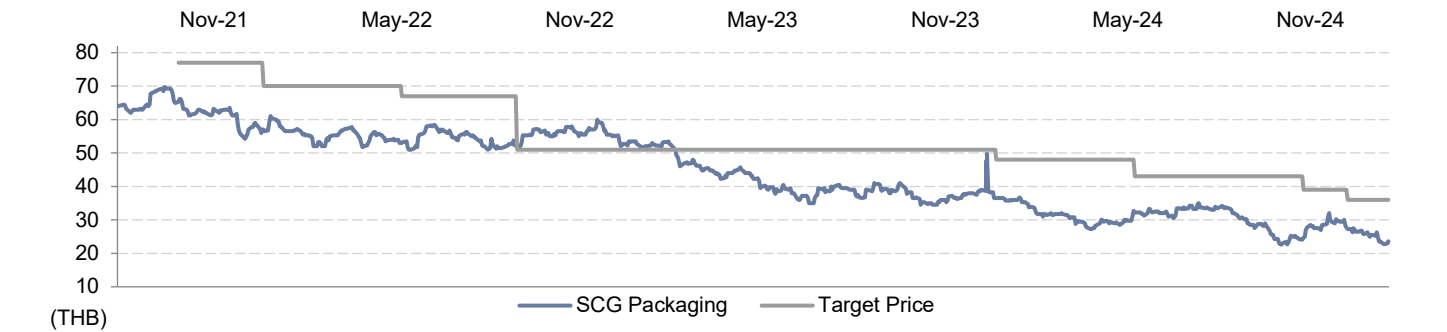
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History of change in investment rating and/or target price

SCG Packaging (SCGP TB)



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 24.30	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 19-Nov-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.