

**BUY** (From: SELL)  
Change in Recommendation

**TP: Bt 35.00** (From: Bt 32.00)  
**Upside : 10.2%**

**18 APRIL 2024**

# SCG Packaging Pcl (SCGP TB)

## Earnings reversal

We upgrade SCGP to BUY with a higher TP of Bt35 based on its earnings turnaround story after 3 consecutive years of contraction. Also, its share price has already fallen by 56% from its peak in 2021, which we believe has reflected most of the negative news.



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### Upgrade to BUY

We upgrade SCGP to BUY from Sell and raise our DCF-based (2024F base year) 12-month TP to Bt35 from Bt32. **First**, packaging paper demand is improving, and paper prices are recovering from their low in 3Q23. The packaging paper utilisation rate was >90% in 1Q24F vs. 83% in 2023. **Second**, Fajar in Indonesia is expected to reach EBITDA breakeven in 1Q24F and turn EBITDA positive from 2H24F. **Third**, we forecast an earnings turnaround of 26/24/16% in 2024-26F after 3 consecutive years of earnings contraction. Note that we cut our earnings forecast for 2024 by 9% to reflect higher interest expenses from acquisition of the remaining 45% stake in Fajar Surya Wisesa (Fajar) in June 2024 but raise them by 1%-8% in 2025-26F on our more bullish view on demand recovery. **Lastly**, having fallen by 56% in value from its peak in 2021, we believe the stock has reflected most of the negative news.

### Higher visibility on demand recovery

SCGP's sales fell in the past 2 years due to the lockdown in China, its weak turnaround post-lockdown and weak regional demand. SCGP saw its packaging paper utilisation rate rise to >90% in 1Q24F from 85% in 4Q23 and the low of 81% in 3Q23. Note that the 5-year (2019-23) average was 96%. The improvement has occurred due to domestic demand and Chinese import demand, which has returned to pre-COVID levels since 1Q24. The demand recovery has led to a higher packaging paper testliner price of US\$410/tonne in March 2024, which was 7% above the 3Q23 low.

### Fajar EBITDA is breaking even

SCGP owns 55% in Fajar Surya Wisesa (FASW IJ, not rated) in Indonesia, and its stake will rise to 99.7% in June 2024 with a Bt23bn acquisition price. Fajar accounts for 35% of SCGP's capacity, which will rise to 39% after the stake increase. Fajar has been a key concern to the market given its poor operations since 4Q22 due to strong competition in Indonesia and weak export to China. Fajar recorded negative EBITDA of Bt0.2bn and an earnings loss of Bt1.4bn in 2023. However, SCGP now expects Fajar's EBITDA to break even in 1Q24 on improving volume and selling price, which has risen by 7-8% from October 2023.

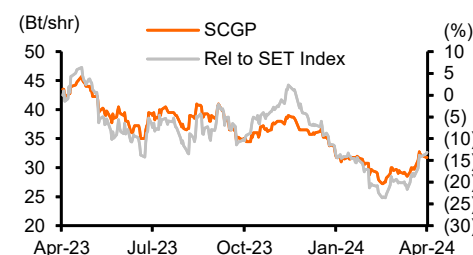
### Tailwinds from strong pulp price

SCGP's 22% of EBITDA in 2023 was from its fibrous business. Due to demand recovery in the textile industry and low inventory levels in the key production countries in South America, short fiber pulp prices have recovered by 5% q-q to US\$654/tonne in 1Q24, and we expect it to rise further by 9% to US\$715/t in April 2024, reaching over a year high.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	129,398	136,377	146,283	151,710
Net profit	5,248	6,517	8,070	9,357
Consensus NP	—	6,180	6,957	7,668
Diff frm cons (%)	—	5.4	16.0	22.0
Norm profit	5,169	6,517	8,070	9,357
Prev. Norm profit	—	7,153	8,001	8,664
Chg frm prev (%)	—	(8.9)	0.9	8.0
Norm EPS (Bt)	1.2	1.5	1.9	2.2
Norm EPS grw (%)	(10.4)	26.1	23.8	15.9
Norm PE (x)	26.4	20.9	16.9	14.6
EV/EBITDA (x)	9.9	10.1	7.6	6.9
P/BV (x)	1.8	1.7	1.6	1.5
Div yield (%)	1.7	1.9	2.4	2.7
ROE (%)	5.9	8.2	9.6	10.5
Net D/E (%)	27.5	57.9	34.7	27.2

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 18-Apr-24 (Bt)	31.75
Market Cap (US\$ m)	3,702.8
Listed Shares (m shares)	4,292.9
Free Float (%)	26.4
Avg Daily Turnover (US\$ m)	8.0
12M Price H/L (Bt)	45.75/27.25
Sector	PKG
Major Shareholder	Siam Cement Pcl. 72.12%

Sources: Bloomberg, Company data, Thanachart estimates

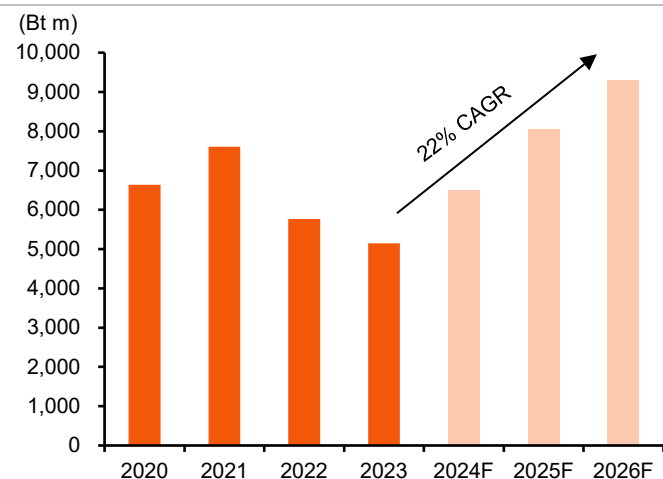
ESG Summary Report ..... P9

## Earnings reversal

**Expect profit growth to turn positive for the first time in 3 years.**

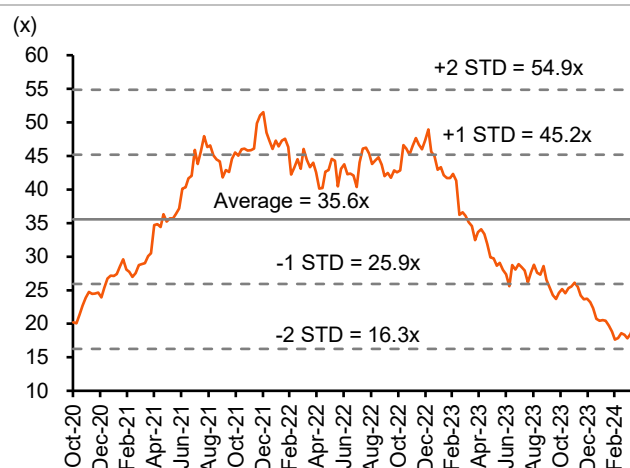
We upgrade SCGP Packaging Pcl (SCGP) to BUY from SELL and raise our DCF-based TP to Bt35 from Bt32 on our more optimistic outlook on profit recovery. We expect 2024F profit growth to turn positive after falling for 3 consecutive years. Meanwhile, we believe that the share price presents an attractive entry point, having fallen by 56% from its peak in 2021. Despite still trading at 21x 2024F P/E, we consider this justified on its profit CAGR of 22% over 2024-26F.

**Ex 1: Profit Growth to Turn Positive in 2024F**



Sources: Company data, Thanachart estimates

**Ex 2: PE Already Reflects Bad News**



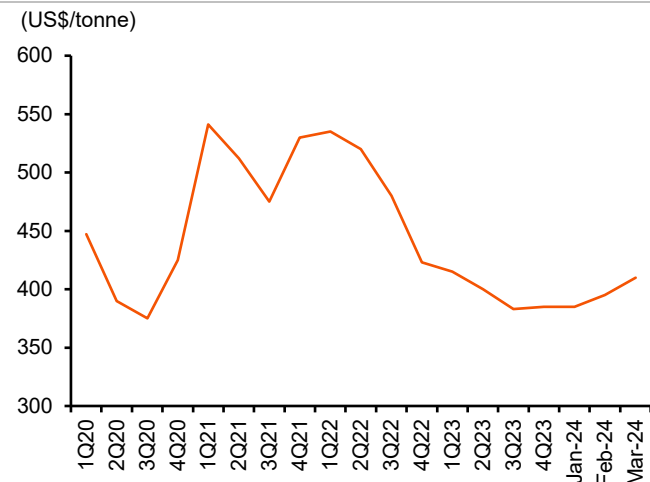
Sources: Bloomberg, Thanachart estimates

## Higher visibility on demand recovery

**Utilisation rate has already returned to >90% in 1Q24F**

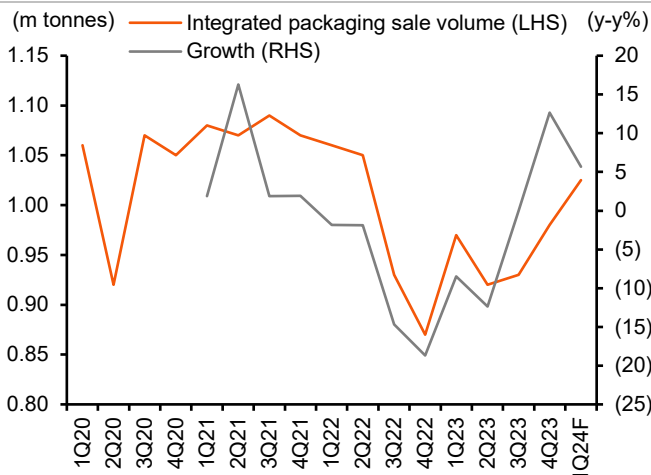
To recap, SCGP's revenue has been falling since 2022 due to impact from the lockdown in China and limited recovery post-reopening in 2023. According to SCGP, the packaging paper utilisation rate has already returned to >90% in 1Q24F vs. 85% in 4Q23 and 81% in 3Q23, while the past 5-year average was 96%. This is primarily driven by domestic demand recovery and a pickup in Chinese import demand, which has already returned to the pre-COVID levels. We see that 1Q24F confirms that 3Q23 is already at the bottom and the demand pickup should come with higher pricing. The industry's Testliner paper prices have recovered to US\$410/tonne in March 2024, which is up by 7% from the low in 3Q23.

**Ex 3: Industry's Testliner Prices**

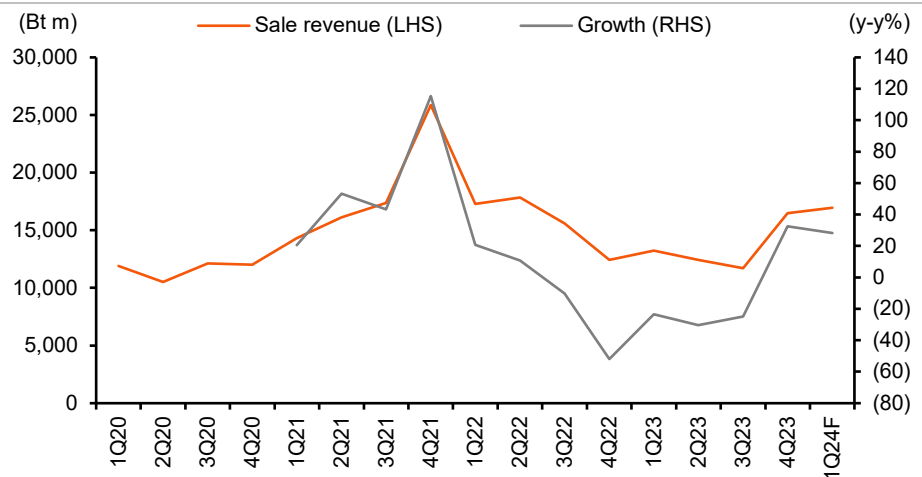


Sources: Company data

**Ex 4: Sale Volume Vs. Y-Y Growth**



Sources: Company data, Thanachart estimates

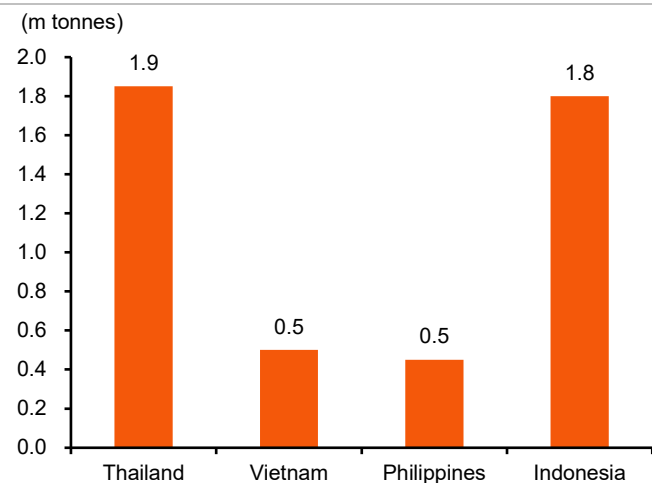
**Ex 5: Integrated Packaging Paper Revenue**

Sources: Company data, Thanachart estimates

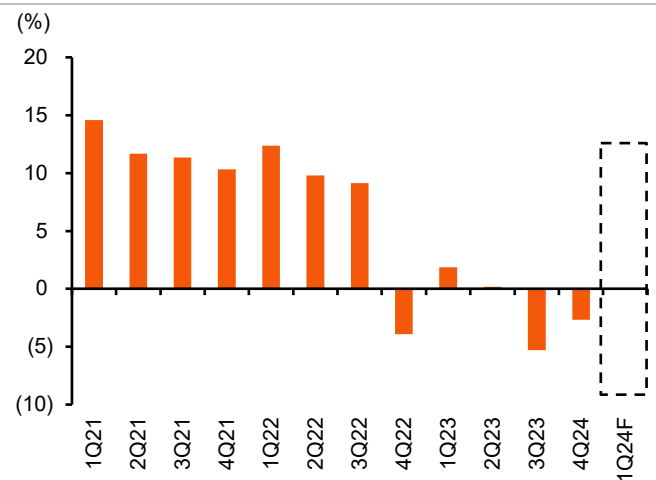
## Fajar EBITDA to turn breakeven in 2024F

*Fajar has been a key drag on earnings*

Fajar operation (35% of SCGP's packaging paper capacity) in Indonesia has been a key concern for investors given its poor performance since 4Q22 due to intense competition in the overseas and domestic markets. Moreover, SCGP will have to raise an additional stake of 45% by June 2024 at a hefty price of Bt23bn. This is due to the preliminary deal that the company agreed with the previous owner. However, we expect EBITDA to turn breakeven in 1Q24F, after bottoming out in 3Q23 (vs. -2.3% in 4Q23 and -6.9% in 3Q23). According to SCGP, its business in the Indonesian market has shown biggest improvement across its key markets. Selling price could rise 7-8% from October 2023's level, while sales volumes should be healthy spurred by domestic consumption, according to the company. Apart from strong domestic demand, we also expect improving export market to help Fajar's sale volume. Note that Fajar's key export country is China, which accounts for around 90% of its total exports.

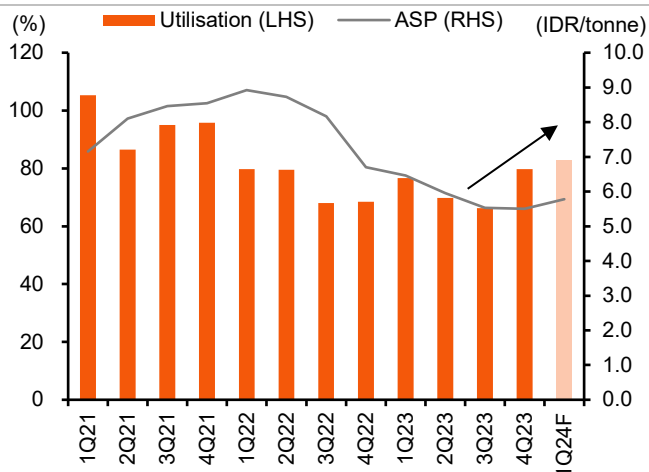
**Ex 6: SCGP's Packaging Capacity**

Sources: Company data

**Ex 7: Fajar's EBITDA Margin**

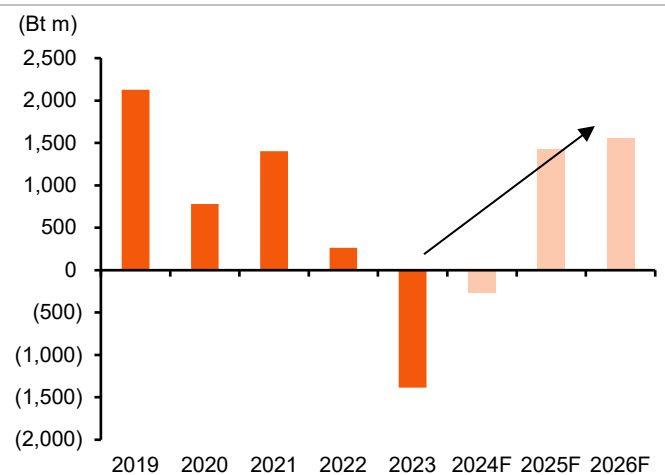
Sources: Company data, Thanachart estimates

Ex 8: Fajar's Utilisation Rate Vs. ASP



Sources: Company data, Thanachart estimates

Ex 9: Fajar's Profit



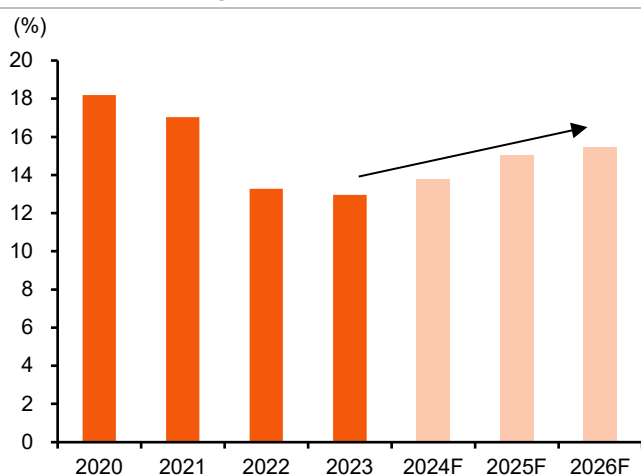
Sources: Company data, Thanachart estimates

### Rising OCC cost is not a key concern

*Higher demand drives  
higher AOCC cost.*

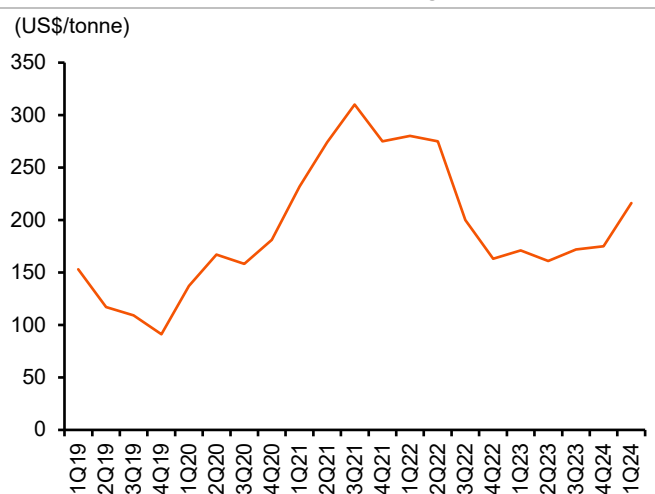
Old Corrugated Containers (OCC) costs are one of the most important cost drivers as OCC is the largest cost item, accounting for as much as 30% of total COGS in 2023F, on our estimate. American Old Corrugated Containers (AOCC) costs also recently increased by 23% to US\$216/tonne in 1QTD. However, we think this is not a key concern as it is mainly driven by higher demand, mainly from Chinese players who are preparing their plants to produce packaging papers. Additionally, SCGP said that it could mitigate higher imported OCC cost pressures by raising domestic OCC supply to 60-65% of its total requirement in 1Q24F vs. 55% in 2023. This should help mitigate the impact of higher AOCC costs as domestic OCC is cheaper than imported OCC. According to SCGP, it expects to see a higher EBITDA margin due to higher utilisation that will help cover fixed cost. Overall, we still expect EBITDA margin to return to 15% over 2024-26F.

Ex 10: EBITDA Margin Trend Still Expect to Improve

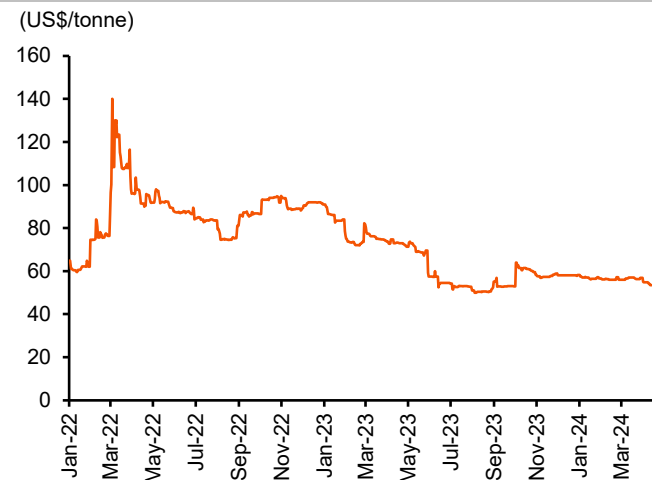


Sources: Company data, Thanachart estimates

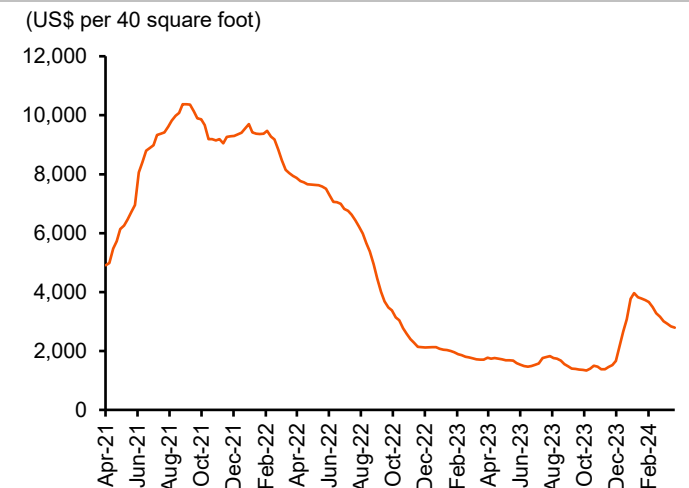
Ex 11: AOCC Cost Rose Due to Stronger Demand



Sources: Company data

**Ex 12: Coal Cost in Indonesia**

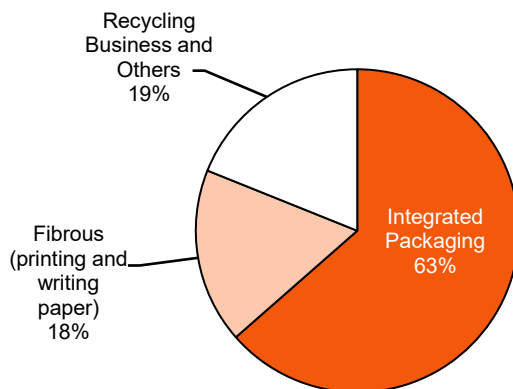
Sources: Bloomberg

**Ex 13: Freight Cost**

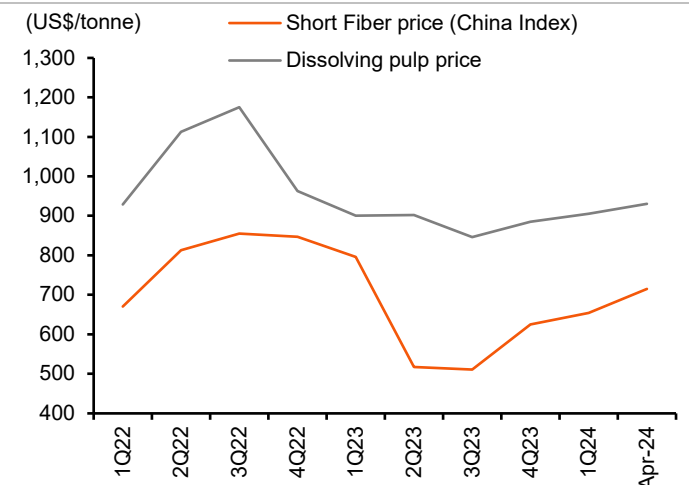
Sources: Bloomberg

## Tailwinds from strong pulp price

The fibrous business (22% of SCGP's 2023 EBITDA) will be supported by sale prices that have recently increased strongly due to demand recovery in textile industry and low inventory level at a key producer in South America. Short fiber sold for US\$654/tonne (+5% QoQ) and dissolving pulp for US\$905/tonne (+2% QoQ).

**Ex 14: EBITDA Breakdown (2023)**

Sources: Company data

**Ex 15: Strong Rise in Pulp Price**

Sources: Company data

## Earning Revision

Despite our cut to 2024F profit by 9% due to higher interest expenses that will be incurred from the acquisition of the remaining 45% stake in Fajar Surya Wisesa (Fajar), we raise our 2025-26F profit by 1-8% on our more optimistic view on the packaging paper demand recovery. We raise our estimates for the average selling price and utilisation rate of packaging paper plants.

**Ex 16: Earning Revision**

	2020	2021	2022	2023	2024F	2025F	2026F
<b>Reported profit (Bt m)</b>							
- New	6,457	8,294	5,801	5,248	6,517	8,070	9,357
- Old					7,153	8,001	8,664
- Change (%)					(8.9)	0.9	8.0
<b>Core profit (Bt m)</b>							
- New	6,638	7,444	5,768	5,169	6,517	8,070	9,357
- Old					7,153	8,001	8,664
- Change (%)					(8.9)	0.9	8.0
<b>Testliner ASP (US\$/tonne)</b>							
- New	415	409	515	396	430	460	470
- Old					450	455	460
- Change (%)					(4.4)	1.1	2.2
<b>Short Fiber price (US\$/tonne)</b>							
- New	463	659	796	612	600	580	570
- Old					550	550	550
- Change (%)					9.1	5.5	3.6
<b>EBITDA margin (%)</b>							
- New	18.2	17.0	13.3	13.0	13.8	15.0	15.4
- Old					14.0	14.3	14.4
- Change					(1.5)	5.2	7.5
<b>Packaging paper utilisation (%)</b>							
- New	103	109	99	87	92	97	100
- Old					90	94	96
- Change					2.2	3.2	4.2

Sources: Company data, Thanachart estimates

**Ex 17: 12-month DCF-based Valuation, Using a Base Year Of 2024F**

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	19,655	22,924	24,378	24,929	26,341	27,369	29,102	30,258	32,434	34,770	35,639	36,533	
Free cash flow	(14,515)	20,910	14,823	15,474	16,481	17,460	18,766	19,894	21,492	23,419	24,510	25,283	369,301
PV of free cash flow	(14,515)	17,756	11,599	11,158	10,949	10,689	10,587	9,994	9,905	9,903	9,510	9,001	131,483
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.9												
WACC (%)	8.1												
Terminal growth (%)	2.0												
Enterprise value - add investments	238,020												
Net debt / (cash)	61,802												
Minority interest	25,353												
Equity value	150,866												
# of shares (m)	4,293												
<b>Equity value/share (Bt)</b>	<b>35</b>												

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 18: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		—EV/EBITDA—		— Div yield —	
			24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
<b>Developed country focus on polymer packaging</b>												
Amcor	AMC AU	Europe	(5.9)	7.0	13.0	12.1	3.1	3.0	10.2	9.7	5.6	5.8
Huhtamaki	HUH1V FH	Europe	12.6	9.4	14.2	12.9	1.9	1.7	8.3	7.8	3.1	3.3
Aptar Group	ATR US	USA	11.7	10.1	26.6	24.2	na	na	13.1	12.4	1.2	1.3
Sonoco	SON US	USA	(4.2)	7.5	10.9	10.2	2.2	2.2	7.8	7.5	3.7	3.8
<b>Average</b>			<b>3.6</b>	<b>8.5</b>	<b>16.2</b>	<b>14.9</b>	<b>2.4</b>	<b>2.3</b>	<b>9.9</b>	<b>9.3</b>	<b>3.4</b>	<b>3.6</b>
<b>Developed country focus on paper packaging</b>												
BillerdKorsnas	BILL SS	Europe	67.5	66.6	20.0	12.0	0.9	0.8	6.3	5.2	3.1	4.6
Int. Paper	IP US	USA	1.0	39.2	16.5	11.9	1.5	1.4	7.4	6.5	5.3	5.3
PCA	PKG US	USA	3.9	15.1	20.5	17.8	3.9	3.6	10.9	10.0	2.8	2.9
Mondi	MNDI LN	Europe	(8.9)	37.5	15.2	11.1	1.4	1.3	6.7	5.5	7.6	4.8
<b>Average</b>			<b>15.9</b>	<b>39.6</b>	<b>18.1</b>	<b>13.2</b>	<b>1.9</b>	<b>1.8</b>	<b>7.8</b>	<b>6.8</b>	<b>4.7</b>	<b>4.4</b>
<b>Packaging paper in Asia</b>												
Nine Dragons Paper	2689 HK	Hong Kong	139.0	178.7	18.3	6.6	0.3	0.3	11.3	8.4	0.6	2.6
Lee & Man Paper	2314 HK	Hong Kong	28.0	14.1	7.2	6.3	0.3	0.3	8.1	7.3	5.0	5.8
SCG Packaging Pcl	SCGP TB*	Thailand	26.1	23.8	20.9	16.9	1.7	1.6	10.1	7.6	1.9	2.4
United Paper Pcl	UTP TB	Thailand	10.0	9.1	7.8	7.1	1.4	1.3	4.5	4.2	6.5	7.0
<b>Average</b>			<b>50.8</b>	<b>56.4</b>	<b>13.5</b>	<b>9.2</b>	<b>0.9</b>	<b>0.9</b>	<b>8.5</b>	<b>6.9</b>	<b>3.5</b>	<b>4.4</b>
<b>Total average</b>			<b>23.4</b>	<b>34.8</b>	<b>15.9</b>	<b>12.4</b>	<b>1.8</b>	<b>1.7</b>	<b>8.7</b>	<b>7.7</b>	<b>3.9</b>	<b>4.1</b>

Source: Bloomberg

Note: \* Thanachart estimates, using Thanachart normalised EPS

Based on 18 April 2024 closing prices

## COMPANY DESCRIPTION

SCG Packaging Pcl (SCGP), is the leading packaging company in ASEAN. The company commands nearly 50% of the packaging paper market in Thailand. It also holds 25% or more market shares in Indonesia, Vietnam and the Philippines. Its downstream corrugated cardboard operation allows for 30% integration. The company also produces printing and writing (P&W) paper. Its focus going forward is to be on performance and polymer packaging (PPP). Revenue breakdown as of 1H22 was 47% packaging paper, 25% fiber-based packaging (mostly corrugated cardboard), 16% P&W paper, and the rest plastics packaging. By geography, revenues were evenly split between Thailand (41%) and other ASEAN countries (41%), with the remaining coming from exports to the rest of the world.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Largest paper packaging company in ASEAN with a footprint across nearly all major markets in the region.
- Experienced management with a long track record of delivering growth.

### O — Opportunity

- Consumption of packaging materials (paper, plastics) in ASEAN remains well below that of developed countries'. This represents significant growth opportunities for the company.
- SCGP is likely to benefit from key mega-trends, including e-commerce.

### W — Weakness

- Heavy reliance on packaging paper for the majority of revenue and profitability.
- The bulk of revenue and profit still comes from Thailand, where the growth outlook may be weaker than for other ASEAN countries such as Indonesia and Vietnam.

### T — Threat

- Higher threat of competition amid slower demand growth.
- Threat of new entrants in fast-growing markets (such as Vietnam), especially from China-based players.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	39.99	35.00	-12%
<b>Net profit 24F (Bt m)</b>	6,180	6,517	5%
<b>Net profit 25F (Bt m)</b>	6,957	8,070	16%
<b>Consensus REC</b>	<b>BUY: 19</b>	<b>HOLD: 3</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profit forecasts are higher than the Bloomberg consensus estimates, likely as we factor in an industry recovery.
- Our TP is lower, which we attribute to lower target multiple to reflect lower normalised return.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

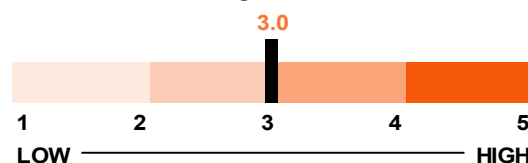
- A lower-than-expected rise in ASP and/or higher-than-expected OCC costs represent the key downside risks to our call.
- A weaker-than-expected economic recovery, especially in China, would present a secondary downside risk to our call.

Source: Thanachart



SCGP is the largest packaging company in ASEAN, producing paper-based and polymer-based packaging. The company operates across the region with its main production centers in Thailand, Indonesia and Vietnam. Our ESG score for SCGP is 3.02, slightly above average given SCGP's extensive ESG framework and focus on recycling.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SCGP	YES	AAA	YES	BBB	63.25	65.61	85.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

## Factors

## Our Comments

## ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- SCGP announced its intention to achieve net-zero GHG emissions by 2050. In the medium term, SCGP has a target to reduce emissions intensity by 5% in 2025 compared to the 2020 base year. By 2030, the company targets a reduction of 20%. The company already made solid progress in 2021 with a 2.4% reduction in GHG emissions.
- SCGP aims to reduce energy consumption by 13% by 2025 compared to business as usual (BAU) at the base year in 2007. In 2021, the company achieved a 5.8% reduction vs. the base year.
- SCGP's primary feedstock for its paper production is recycled paper. In this regard, the company is highly environmentally friendly. The company has recycling centers throughout Thailand and ASEAN and recently acquired a large recycling business in Europe to further enhance its footprint.

## SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- SCGP has an extensive social program, including community development and providing products and support to COVID aid efforts. For instance, the company started the "Ban Pong Model", which is a collaboration between the private sector, the government and the public for community development. This project won a national award in 2019 for a Zero Waste Community Project. SCGP also conducts community satisfaction surveys and achieved an 89% satisfaction index in 2021. At the height of the COVID outbreak, the company provided aid in many forms, including beds made from recycled paper to the government's field hospitals.
- SCGP incorporates circular economy principles throughout its entire value chain, including its suppliers, customers, the communities where it operates and other stakeholders.
- The company targeted and achieved zero work-related fatalities and a 0.08 lost-time injury frequency per 1 million hours worked.
- The company has a code of conduct and policies against human rights violations.

GOVERNANCE &  
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- SCGP's board of directors is made up of 12 members, eight of whom (including the chairman) are independent, while three are women.
- SCGP adopts the Corporate Governance Code (CG Code) of the SEC for listed companies. The policies address governance issues, including corruption, conflicts of interest and whistleblowing. The policies are reviewed and revised by the board of directors at least once per year.
- SCGP has implemented an enterprise risk management framework based on COSO and ISO31000. The framework comprises strategy establishment, a risk-management process and building a corporate culture for risk management. Key risk factors include raw material procurement, resource (water, energy) availability, global freight disruption and cyber security, among others.

Sources: Company data, Thanachart

## INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	146,068	129,398	136,377	146,283	151,710
Cost of sales	121,681	106,274	109,611	115,852	119,466
<b>Gross profit</b>	<b>24,387</b>	<b>23,124</b>	<b>26,766</b>	<b>30,431</b>	<b>32,244</b>
% gross margin	16.7%	17.9%	19.6%	20.8%	21.3%
Selling & administration expenses	16,039	15,684	17,047	18,285	18,964
<b>Operating profit</b>	<b>8,348</b>	<b>7,440</b>	<b>9,719</b>	<b>12,146</b>	<b>13,280</b>
% operating margin	5.7%	5.8%	7.1%	8.3%	8.8%
Depreciation & amortization	9,699	9,206	9,936	10,779	11,098
<b>EBITDA</b>	<b>18,047</b>	<b>16,646</b>	<b>19,655</b>	<b>22,924</b>	<b>24,378</b>
% EBITDA margin	12.4%	12.9%	14.4%	15.7%	16.1%
Non-operating income	1,322	1,043	1,043	1,043	1,043
Non-operating expenses	0	0	0	0	0
Interest expense	(1,468)	(2,020)	(2,539)	(3,007)	(2,517)
<b>Pre-tax profit</b>	<b>8,202</b>	<b>6,464</b>	<b>8,223</b>	<b>10,182</b>	<b>11,806</b>
Income tax	1,550	1,153	1,480	1,833	2,125
<b>After-tax profit</b>	<b>6,652</b>	<b>5,310</b>	<b>6,742</b>	<b>8,350</b>	<b>9,681</b>
% net margin	4.6%	4.1%	4.9%	5.7%	6.4%
Shares in affiliates' Earnings	55	39	0	0	0
Minority interests	(939)	(180)	(226)	(280)	(324)
Extraordinary items	33	80	0	0	0
<b>NET PROFIT</b>	<b>5,801</b>	<b>5,248</b>	<b>6,517</b>	<b>8,070</b>	<b>9,357</b>
<b>Normalized profit</b>	<b>5,768</b>	<b>5,169</b>	<b>6,517</b>	<b>8,070</b>	<b>9,357</b>
EPS (Bt)	1.4	1.2	1.5	1.9	2.2
Normalized EPS (Bt)	1.3	1.2	1.5	1.9	2.2

Expecting a turnaround to profit in 2024F after a three-year negative growth.

## BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
Current assets:	60,154	60,272	67,273	53,634	54,687
Cash & cash equivalent	12,344	17,181	22,292	27,292	27,492
Account receivables	23,254	22,648	23,869	4,008	4,156
Inventories	23,281	19,253	19,857	20,988	21,642
Others	1,275	1,191	1,255	1,346	1,396
Investments & loans	1,034	1,063	1,063	1,063	1,063
Net fixed assets	94,585	94,279	116,443	113,165	109,567
Other assets	41,506	42,947	42,947	42,947	42,947
<b>Total assets</b>	<b>197,280</b>	<b>198,561</b>	<b>227,726</b>	<b>210,808</b>	<b>208,264</b>
<b>LIABILITIES:</b>					
Current liabilities:	33,479	66,390	78,525	62,615	56,141
Account payables	14,282	14,808	15,273	3,174	3,273
Bank overdraft & ST loans	16,155	15,337	28,436	22,397	20,162
Current LT debt	1,571	11,991	22,234	17,511	15,765
Others current liabilities	1,471	24,254	12,583	19,533	16,941
<b>Total LT debt</b>	<b>29,935</b>	<b>18,027</b>	<b>33,424</b>	<b>26,325</b>	<b>23,699</b>
Others LT liabilities	10,899	11,694	9,068	9,727	10,088
<b>Total liabilities</b>	<b>74,313</b>	<b>96,111</b>	<b>121,018</b>	<b>98,668</b>	<b>89,928</b>
Minority interest	25,766	25,127	25,353	25,632	25,957
Preferreds shares	0	0	0	0	0
Paid-up capital	4,293	4,293	4,293	4,293	4,293
Share premium	40,860	40,860	40,860	40,860	40,860
Warrants	0	0	0	0	0
Surplus	(3,675)	(26,277)	(26,277)	(26,277)	(26,277)
<b>Retained earnings</b>	<b>55,722</b>	<b>58,446</b>	<b>62,478</b>	<b>67,631</b>	<b>73,503</b>
Shareholders' equity	97,200	77,322	81,355	86,508	92,379
<b>Liabilities &amp; equity</b>	<b>197,280</b>	<b>198,561</b>	<b>227,726</b>	<b>210,808</b>	<b>208,264</b>

Sources: Company data, Thanachart estimates

SCGP still has a lot of room for future M&A opportunities

## CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	8,202	6,464	8,223	10,182	11,806
Tax paid	(1,587)	(665)	(1,715)	(1,616)	(2,168)
Depreciation & amortization	9,699	9,206	9,936	10,779	11,098
Chg In working capital	704	5,161	(1,361)	6,632	(704)
Chg In other CA & CL / minorities	(2,436)	23,617	(11,501)	6,643	(2,600)
<b>Cash flow from operations</b>	<b>14,582</b>	<b>43,783</b>	<b>3,582</b>	<b>32,619</b>	<b>17,432</b>
Capex	(7,103)	(8,900)	(32,100)	(7,500)	(7,500)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(161)	(28)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2,985)	(2,666)	(2,625)	659	361
<b>Cash flow from investments</b>	<b>(10,250)</b>	<b>(11,594)</b>	<b>(34,725)</b>	<b>(6,841)</b>	<b>(7,139)</b>
Debt financing	(6,772)	(2,226)	38,739	(17,861)	(6,607)
Capital increase	0	0	0	0	0
Dividends paid	(3,612)	(3,286)	(2,484)	(2,917)	(3,485)
Warrants & other surplus	(1,826)	(21,840)	0	0	0
<b>Cash flow from financing</b>	<b>(12,210)</b>	<b>(27,353)</b>	<b>36,255</b>	<b>(20,778)</b>	<b>(10,093)</b>
<b>Free cash flow</b>	<b>7,479</b>	<b>34,883</b>	<b>(28,518)</b>	<b>25,119</b>	<b>9,932</b>

SCGP's capex focuses on organic and inorganic expansion

## VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	23.6	26.4	20.9	16.9	14.6
Normalized PE - at target price (x)	26.1	29.1	23.1	18.6	16.1
PE (x)	23.5	26.0	20.9	16.9	14.6
PE - at target price (x)	25.9	28.6	23.1	18.6	16.1
EV/EBITDA (x)	9.5	9.9	10.1	7.6	6.9
EV/EBITDA - at target price (x)	10.3	10.7	10.8	8.3	7.5
P/BV (x)	1.4	1.8	1.7	1.6	1.5
P/BV - at target price (x)	1.5	1.9	1.8	1.7	1.6
P/CFO (x)	9.3	3.1	38.1	4.2	7.8
Price/sales (x)	0.9	1.1	1.0	0.9	0.9
Dividend yield (%)	1.9	1.7	1.9	2.4	2.7
FCF Yield (%)	5.5	25.6	(20.9)	18.4	7.3
<b>(Bt)</b>					
Normalized EPS	1.3	1.2	1.5	1.9	2.2
EPS	1.4	1.2	1.5	1.9	2.2
DPS	0.6	0.6	0.6	0.8	0.9
BV/share	22.6	18.0	19.0	20.2	21.5
CFO/share	3.4	10.2	0.8	7.6	4.1
FCF/share	1.7	8.1	(6.6)	5.9	2.3

Sources: Company data, Thanachart estimates

SCGP's valuation is justified by its growth outlook, in our view.

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	17.6	(11.4)	5.4	7.3	3.7
Net profit (%)	(30.1)	(9.5)	24.2	23.8	15.9
EPS (%)	(30.1)	(9.5)	24.2	23.8	15.9
Normalized profit (%)	(22.5)	(10.4)	26.1	23.8	15.9
Normalized EPS (%)	(22.5)	(10.4)	26.1	23.8	15.9
Dividend payout ratio (%)	44.4	45.0	40.0	40.0	40.0
<b>Operating performance</b>					
Gross margin (%)	16.7	17.9	19.6	20.8	21.3
Operating margin (%)	5.7	5.8	7.1	8.3	8.8
EBITDA margin (%)	12.4	12.9	14.4	15.7	16.1
Net margin (%)	4.6	4.1	4.9	5.7	6.4
D/E (incl. minor) (x)	0.4	0.4	0.8	0.6	0.5
Net D/E (incl. minor) (x)	0.3	0.3	0.6	0.3	0.3
Interest coverage - EBIT (x)	5.7	3.7	3.8	4.0	5.3
Interest coverage - EBITDA (x)	12.3	8.2	7.7	7.6	9.7
ROA - using norm profit (%)	2.9	2.6	3.1	3.7	4.5
ROE - using norm profit (%)	5.9	5.9	8.2	9.6	10.5
<b>DuPont</b>					
ROE - using after tax profit (%)	6.9	6.1	8.5	9.9	10.8
- asset turnover (x)	0.7	0.7	0.6	0.7	0.7
- operating margin (%)	6.6	6.6	7.9	9.0	9.4
- leverage (x)	2.1	2.3	2.7	2.6	2.3
- interest burden (%)	84.8	76.2	76.4	77.2	82.4
- tax burden (%)	81.1	82.2	82.0	82.0	82.0
WACC (%)	8.1	8.1	8.1	8.5	8.5
ROIC (%)	5.2	4.6	7.6	7.0	8.7
NOPAT (Bt m)	6,771	6,113	7,970	9,960	10,890
invested capital (Bt m)	132,517	105,497	143,157	125,449	124,513

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

### Moody's ESG Solutions

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