

**SCG Packaging Pcl (SCGP TB) - BUY, Price Bt33.25, TP Bt35.00****Results Comment**

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**1Q24 – Big beat on volume**

- SCGP reported 1Q24 profit of Bt1.7bn (+41% y-y and +42% q-q) which is highest since 2Q22. The profit is 19% ahead our estimate and 15% above BBG consensus due to better than expected sale volume.
- Strong core EBITDA improvement.** We estimate core EBITDA of Bt5.15bn, up by 17% q-q and 15% y-y. Q-Q improvement is driven by both fibrous and packaging businesses. Overall EBITDA margin also improve to 15% from 14% in 4Q23 vs 13% in 1Q23.
- Integrated packaging business (IPB) EBITDA rose** 14% q-q and 19% y-y. This is driven sale volume and cost improvement from material sourcing. Sales volume rose 7% QoQ mainly from domestic & strategic exports markets in South Asia, with avg utilization recovered to above 90% vs. 5-year average of 96%. Selling prices were improved particularly in Indonesia market (+8% QoQ). IPB EBITDA margin registered at 16%, highest level since 2Q21.
- Fibrous chain EBITDA rose** to Bt1.26bn in 1Q24, improved by 25% q-q and 45% y-y. This is following surge in dissolving pulp price as global producers tapped low level of inventory. EBITDA margin rose to 18% and 16% in 4Q23 and 14% in 1Q23.
- Outlook.** We expect 2Q24F profit to trend seasonal softer due to more holidays as well as delay turnaround of its fibrous plants from 1Q24 to 2Q24. However, we maintain BUY and we see strong 1Q24 as another confirmation of demand recovery.

Income Statement						Income Statement					
(consolidated)						3M as					
Yr-end Dec (Bt m)	1Q23	2Q23	3Q23	4Q23	1Q24	(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F
Revenue	33,729	32,216	31,573	31,881	33,948	Revenue	6	1	25	136,377	146,283
<b>Gross profit</b>	<b>5,948</b>	<b>5,866</b>	<b>5,608</b>	<b>5,702</b>	<b>6,802</b>	<b>Gross profit</b>	<b>19</b>	<b>14</b>	<b>25</b>	<b>26,766</b>	<b>30,431</b>
SG&A	4,220	3,754	3,824	3,886	4,294	SG&A	11	2	25	17,047	18,285
Operating profit	1,729	2,112	1,784	1,816	2,507	Operating profit	38	45	26	9,719	12,146
<b>EBITDA</b>	<b>4,085</b>	<b>4,405</b>	<b>3,994</b>	<b>4,162</b>	<b>4,835</b>	<b>EBITDA</b>	<b>16</b>	<b>18</b>	<b>25</b>	<b>19,655</b>	<b>22,924</b>
Other income	347	230	221	245	263	Other income	7	(24)	25	1,043	1,043
Other expense	0	0	0	0	0	Other expense					
Interest expense	497	510	496	516	523	Interest expense	1	5	21	2,539	3,007
<b>Profit before tax</b>	<b>1,579</b>	<b>1,831</b>	<b>1,508</b>	<b>1,545</b>	<b>2,247</b>	<b>Profit before tax</b>	<b>45</b>	<b>42</b>	<b>27</b>	<b>8,223</b>	<b>10,182</b>
Income tax	296	305	228	325	483	Income tax	49	63	33	1,480	1,833
Equity & invest. income	(17)	6	14	35	27	Equity & invest. income	(25)	na	na	0	0
Minority interests	(84)	(94)	15	(18)	(119)	Minority interests	na	na	53	(226)	(280)
Extraordinary items	38	46	15	(19)	54	Extraordinary items	na	41	na	0	0
<b>Net profit</b>	<b>1,220</b>	<b>1,485</b>	<b>1,324</b>	<b>1,219</b>	<b>1,725</b>	<b>Net profit</b>	<b>42</b>	<b>41</b>	<b>26</b>	<b>6,517</b>	<b>8,070</b>
<b>Normalized profit</b>	<b>1,182</b>	<b>1,439</b>	<b>1,309</b>	<b>1,238</b>	<b>1,671</b>	<b>Normalized profit</b>	<b>35</b>	<b>41</b>	<b>26</b>	<b>6,517</b>	<b>8,070</b>
EPS (Bt)	0.28	0.35	0.31	0.28	0.40	EPS (Bt)	42	41	26	1.52	1.88
Normalized EPS (Bt)	0.28	0.34	0.30	0.29	0.39	Normalized EPS (Bt)	35	41	26	1.52	1.88

  

Balance Sheet						Financial Ratios					
(consolidated)						3M as					
Yr-end Dec (Bt m)	1Q23	2Q23	3Q23	4Q23	1Q24	(%)	1Q23	2Q23	3Q23	4Q23	1Q24
Cash & ST investment	13,348	13,506	15,543	17,181	18,693	Sales growth	(7.9)	(15.2)	(16.8)	(4.9)	0.6
A/C receivable	23,618	23,948	23,402	22,648	25,495	Operating profit growth	(26.6)	(26.1)	(21.0)	106.6	45.0
Inventory	22,470	21,561	19,917	19,253	19,951	EBITDA growth	(12.2)	(16.4)	(15.7)	22.8	18.3
Other current assets	1,406	1,604	1,155	1,191	388	Norm profit growth	(31.3)	(24.5)	(13.4)	97.1	41.3
Investment	1,014	1,019	1,028	1,063	1,089	Norm EPS growth	(31.3)	(24.5)	(13.4)	97.1	41.3
Fixed assets	94,718	95,655	95,976	94,279	97,016	Gross margin	17.6	18.2	17.8	17.9	20.0
Other assets	41,933	43,705	43,588	42,947	43,687	Operating margin	5.1	6.6	5.6	5.7	7.4
<b>Total assets</b>	<b>198,506</b>	<b>200,998</b>	<b>200,608</b>	<b>198,561</b>	<b>206,320</b>	EBITDA margin	12.1	13.7	12.6	13.1	14.2
S-T debt	16,790	16,574	21,433	27,328	26,312	Norm net margin	3.5	4.5	4.1	3.9	4.9
A/C payable	14,241	14,471	14,566	14,808	15,695	D/E (x)	0.4	0.4	0.4	0.4	0.4
Other current liabilities	3,883	25,018	25,739	24,254	27,893	Net D/E (x)	0.3	0.3	0.3	0.3	0.3
L-T debt	29,562	29,302	24,017	18,027	20,221	Interest coverage (x)	8.2	8.6	8.0	8.1	9.2
Other liabilities	10,938	11,247	11,115	11,694	11,798	Interest rate	4.2	4.4	4.3	4.5	4.6
Minority interest	25,517	26,092	26,000	25,127	25,572	Effective tax rate	18.7	16.6	15.1	21.0	21.5
<b>Shareholders' equity</b>	<b>97,575</b>	<b>78,295</b>	<b>77,738</b>	<b>77,322</b>	<b>78,829</b>	ROA	2.4	2.9	2.6	2.5	3.3
Working capital	31,847	31,038	28,753	27,092	29,752	ROE	4.9	6.5	6.7	6.4	8.6
Total debt	46,352	45,876	45,450	45,355	46,533						
<b>Net debt</b>	<b>33,003</b>	<b>32,370</b>	<b>29,907</b>	<b>28,174</b>	<b>27,840</b>						

Sources: Company data, Thanachart estimates

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