SCG Packaging Pcl (SCGP TB) - HOLD, Price Bt64.75, TP Bt55.00

Results Comment

Chak Reungsinpinya | Email: chak.reu@thanachartsec.co.th

Unexciting 2Q21 results, in line

- SCGP reported 2Q21 net profit of Bt2.26bn, up 19% y-y and 6% q-q. Earnings per share was Bt0.53, down by 13% y-y due to dilution impact from IPO. Excluding certain non-operating items, core profit was Bt2.29bn, up 57% y-y and 1% q-q. The result was in line with our expectation. Maintain HOLD.
- **Overview**: Revenue grew 38% y-y and 10% q-q to Bt29.9bn. This was driven by both packaging and fibrous (printing & writing paper) chains. Gross margin was 20.6%, down marginally y-y and q-q. SG&A to sales was 9.8%, down from 12.0% in 2Q20 and 10.9% in 1Q21 likely due to greater economy of scale and lower M&A-related expenses. EBITDA margin was 19%, lower than 23% in 2Q20 but unchanged q-q.
- **Integrated Packaging**: Revenue from packaging was Bt25.1bn, +37% y-y and +9% q-q due mostly to start-up of a new paper machine in Indonesia. EBITDA margin was squeezed to just 17% in 2Q21 vs 27% in 2Q20 and 20% in 1Q21. We believe it was mostly due to higher raw material costs that pushed up sales revenue. While margin in THB per ton was largely unchanged (or only slightly lower), the higher revenue base meant significant margin contraction in percentage terms. Packaging made up 84% of sales and 78% of EBITDA.
- **Fibrous chain**: Fibrous chain saw revenue growth of 43% y-y and 14% q-q. Margin also expanded significantly: EBITDA margin was 22% in 2Q21 vs just 4% and 13% in 4Q20 and 1Q21, respectively. The sales growth were driven by higher demand from food service packaging, tissue and textiles as well as increased printing and writing paper sales.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Revenue	21,635	23,287	23,596	27,253	29,895
Gross profit	**4,608**	**4,586**	**4,518**	**6,049**	**6,336**
SG&A	2,603	2,419	2,619	2,970	2,922
Operating profit	2,005	2,168	1,899	3,079	3,414
EBITDA	**3,746**	**3,979**	**3,717**	**4,979**	**5,346**
Other income	92	177	143	390	242
Other expense	0	0	0	0	0
Interest expense	(756)	579	(171)	261	307
Profit before tax	**2,853**	**1,766**	**2,213**	**3,208**	**3,349**
Income tax	459	313	457	559	620
Equity & invest. income	12	17	11	23	7
Minority interests	(582)	(99)	(187)	(436)	(450)
Extraordinary items	80	(36)	(94)	(102)	(24)
Net profit	**1,904**	**1,335**	**1,486**	**2,135**	**2,263**
Normalized profit	**1,824**	**1,371**	**1,580**	**2,236**	**2,287**
EPS (Bt)	0.44	0.31	0.35	0.50	0.53
Normalized EPS (Bt)	0.42	0.32	0.37	0.52	0.53

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	10	38	51	112,114	112,165
Gross profit	**5**	**37**	**47**	**26,222**	**28,006**
SG&A	(2)	12	47	12,438	12,449
Operating profit	11	70	47	13,783	15,556
EBITDA	**7**	**43**	**48**	**21,401**	**23,215**
Other income	(38)	164	56	1,121	1,122
Other expense			na	0	0
Interest expense	18	na	37	1,551	1,065
Profit before tax	**4**	**17**	**49**	**13,354**	**15,612**
Income tax	11	35	59	2,003	2,342
Equity & invest. income	(69)	(40)	na	0	0
Minority interests	na	na	69	(1,291)	(1,509)
Extraordinary items	na	na	na	0	0
Net profit	**6**	**19**	**44**	**10,060**	**11,762**
Normalized profit	**2**	**25**	**45**	**10,060**	**11,762**
EPS (Bt)	6	19	44	2.34	2.74
Normalized EPS (Bt)	2	25	45	2.34	2.74

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Cash & ST investment	7,174	8,518	32,886	31,171	29,862
A/C receivable	14,861	15,410	16,334	19,533	21,274
Inventory	13,716	11,982	12,760	15,493	18,069
Other current assets	1,432	1,447	939	658	624
Investment	810	819	829	848	862
Fixed assets	86,194	86,311	87,271	88,505	89,185
Other assets	20,174	20,007	21,410	26,983	27,186
Total assets	**144,360**	**144,494**	**172,429**	**183,192**	**187,061**
S-T debt	41,174	44,183	31,382	32,825	29,000
A/C payable	12,706	13,203	10,365	1,199	13,190
Other current liabilities	8,215	1,182	1,489	16,386	3,128
L-T debt	10,030	12,741	12,052	11,971	11,468
Other liabilities	6,821	6,905	7,300	9,257	14,882
Minority interest	19,850	19,444	21,103	21,707	22,244
Shareholders' equity	**45,564**	**46,836**	**88,738**	**89,846**	**93,149**
Working capital	15,871	14,189	18,729	33,827	26,152
Total debt	51,204	56,924	43,434	44,796	40,468
Net debt	**44,030**	**48,406**	**10,548**	**13,625**	**10,605**

Financial Ratios					
(%)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Sales growth	6.0	(4.7)	2.2	12.3	38.2
Operating profit growth	59.3	(6.9)	3.4	(5.0)	70.3
EBITDA growth	52.9	2.3	5.9	(1.5)	42.7
Norm profit growth	72.8	(0.6)	60.7	17.4	25.4
Norm EPS growth	72.8	(0.6)	60.7	17.4	25.4
Gross margin	21.3	19.7	19.1	22.2	21.2
Operating margin	9.3	9.3	8.0	11.3	11.4
EBITDA margin	17.3	17.1	15.8	18.3	17.9
Norm net margin	8.4	5.9	6.7	8.2	7.7
D/E (x)	0.8	0.9	0.4	0.4	0.4
Net D/E (x)	0.7	0.7	0.1	0.1	0.1
Interest coverage (x)	(5.0)	6.9	(21.7)	19.1	17.4
Interest rate	(11.8)	4.3	(1.4)	2.4	2.9
Effective tax rate	16.1	17.7	20.6	17.4	18.5
ROA	5.1	3.8	4.0	5.0	4.9
ROE	16.0	11.9	9.3	10.0	10.0

Sources: Company data, Thanachart estimates

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Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th

Chak Reungsinpinya
Energy, Petrochemical, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th