

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

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Weaker 3Q21 on cost pressure

- SCGP reported 3Q21 net profit of Bt1.78bn, down 21% q-q but up 33% y-y (EPS Bt0.41/sh, -3% q-q due to dilution impact). The weaker q-q result was due to rising OCC and coal costs. We see potential downside risks to our full-year forecasts. HOLD.
- Overview: Sales revenue grew 37% y-y and 7% q-q to Bt31.9bn. IP made up 85% of total sales whereas fibrous chain (printing and writing paper) made up the rest. Part of this revenue growth reflected impact of M&A in prior quarters. However, gross margin compressed to 17% compared to 21% in 2Q21 and 20% in 3Q20. The company attributed lower margins to spike in global freight rates and higher raw material costs (likely OCC and coal).
- Integrated packaging: IP revenue grew 35% y-y and 9% q-q to Bt27.3bn. EBITDA from IP chain, however, contracted 16% q-q and grew only 1% y-y. EBITDA margin contracted to 13% in 3Q21 vs 18/19% in 3Q20/2Q21, likely reflecting cost pressure.
- Fibrous chain: Fibrous chain revenue was Bt5.3bn, increasing by 50% y-y but flat q-q. EBITDA grew strongly y-y (+253%) but declined 16% q-q. EBITDA margin was 18% compared to 8% and 22% in 3Q20 and 2Q21, respectively.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	23,287	23,596	27,253	29,895	31,930	Revenue	7	37	79	112,114	112,165
Gross profit	4,586	4,518	6,049	6,336	5,514	Gross profit	(13)	20	68	26,222	28,006
SG&A	2,419	2,619	2,970	2,922	3,372	SG&A	15	39	74	12,438	12,449
Operating profit	2,168	1,899	3,079	3,414	2,142	Operating profit	(37)	(1)	63	13,783	15,556
EBITDA	3,979	3,717	4,979	5,346	4,326	EBITDA	(19)	9	68	21,401	23,215
Other income	177	143	390	242	192	Other income	(21)	8	74	1,121	1,122
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	579	(171)	261	307	283	Interest expense	(8)	(51)	55	1,551	1,065
Profit before tax	1,766	2,213	3,208	3,349	2,051	Profit before tax	(39)	16	64	13,354	15,612
Income tax	313	457	559	620	407	Income tax	(34)	30	79	2,003	2,342
Equity & invest. income	17	11	23	7	18	Equity & invest. income	149	2	na	0	0
Minority interests	(99)	(187)	(436)	(450)	(272)	Minority interests	na	na	90	(1,291)	(1,509)
Extraordinary items	(36)	(94)	(102)	(24)	391	Extraordinary items	na	na	na	0	0
Net profit	1,335	1,486	2,135	2,263	1,781	Net profit	(21)	33	61	10,060	11,762
Normalized profit	1,371	1,580	2,236	2,287	1,390	Normalized profit	(39)	1	59	10,060	11,762
EPS (Bt)	0.31	0.35	0.50	0.53	0.41	EPS (Bt)	(21)	33	61	2.34	2.74
Normalized EPS (Bt)	0.32	0.37	0.52	0.53	0.32	Normalized EPS (Bt)	(39)	1	59	2.34	2.74

Balance Sheet (consolidated)						Financial Ratios					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	8,518	32,886	31,171	29,862	19,310	Sales grow th	(4.7)	2.2	12.3	38.2	37.1
A/C receivable	15,410	16,334	19,533	21,274	23,706	Operating profit grow th	(6.9)	3.4	(5.0)	70.3	(1.2)
Inventory	11,982	12,760	15,493	18,069	23,097	EBITDA grow th	2.3	5.9	(1.5)	42.7	8.7
Other current assets	1,447	939	658	624	956	Norm profit grow th	(0.6)	60.7	17.4	25.4	1.3
Investment	819	829	848	862	863	Norm EPS grow th	(0.6)	60.7	17.4	25.4	1.3
Fixed assets	86,311	87,271	88,505	89,185	97,349	Gross margin	19.7	19.1	22.2	21.2	17.3
Other assets	20,007	21,410	26,983	27,186	36,902	Operating margin	9.3	8.0	11.3	11.4	6.7
Total assets	144,494	172,429	183,192	187,061	202,183	EBITDA margin	17.1	15.8	18.3	17.9	13.5
S-T debt	44,183	31,382	32,825	29,000	26,772	Norm net margin	5.9	6.7	8.2	7.7	4.4
A/C payable	13,203	10,365	1,199	13,190	16,115	D/E (x)	0.9	0.4	0.4	0.4	0.4
Other current liabilities	1,182	1,489	16,386	3,128	5,593	Net D/E (x)	0.7	0.1	0.1	0.1	0.3
L-T debt	12,741	12,052	11,971	11,468	22,724	Interest coverage (x)	6.9	(21.7)	19.1	17.4	15.3
Other liabilities	6,905	7,300	9,257	14,882	10,325	Interest rate	4.3	(1.4)	2.4	2.9	2.5
Minority interest	19,444	21,103	21,707	22,244	25,405	Effective tax rate	17.7	20.6	17.4	18.5	19.8
Shareholders' equity	46,836	88,738	89,846	93,149	95,248	ROA	3.8	4.0	5.0	4.9	2.9
Working capital	14,189	18,729	33,827	26,152	30,688	ROE	11.9	9.3	10.0	10.0	5.9
Total debt	56,924	43,434	44,796	40,468	49,496						
Net debt	48,406	10,548	13,625	10,605	30,186						

Sources: Company data, Thanachart estimates

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