BUY (Unchanged)

Change in Numbers

TP: Bt 59.00 (From: Bt 63.00)

Upside : 10.3%

1 NOVEMBER 2022

SCG Packaging Pcl (SCGP TB)

Beneficiary of cost deflation

We reaffirm our BUY rating on SCGP but lower our TP to Bt59 from Bt63 on the back of slower sales growth. Still, with falling cost pressure, we expect margin expansion to drive 55% and 17% EPS growth in 2023-24F.

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Thanachart Securities

Worst looks to be over

We think the weakness seen in 3Q22 results marks the low point for SCGP and we expect to see an improving trend from 4Q22F onwards. First, major cost items, including OCC (a key raw material) and freight rates are on the decline. The lag effect means the P&L impact is not yet evident but it will likely be more apparent in 4Q22F and beyond. Second, we expect export demand for its products to pick up with China, in particular, likely to show the biggest improvement. Combined, we expect these to drive 55% and 17% earnings growth in 2023-24F. In terms of valuation, the stock is trading at 21x forward PE — at the lower end of its historical trading range. Sequential earnings growth and further declines in major cost items are key catalysts.

Declining OCC costs

Global OCC prices have been on a sharp downward trajectory in recent months. In the US, the price of OCC fell to just $40/tonne in October 2022 — just a quarter of where it was at the same time last year. In Asia, the OCC cost has come down to about $160/tonne now, less than half of its peak a year ago. We think that the OCC price will remain low for the foreseeable future given better collection and lower demand in the West. This is a big relief for SCGP as OCC is by far its single-biggest cost item. The fall in OCC costs is likely to lead to margin expansion despite the potential decline in ASP. We expect this to become more evident from 4Q22F onwards.

Lower freight rates

SCGP has suffered from the increase in container freight rates on both the cost (due to its high imported OCC requirement) and sales sides as it has many sales contracts on a CIF basis. Now that freight costs are coming down, we also expect SCGP to be a major beneficiary. The freight rate on major routes, as measured by the World Container Index, has fallen by about 70% from its peak last year. This should benefit SCGP likely from 4Q22F onwards. We estimate ocean freight costs may amount to as much as Bt9bn or more in 2022F, equivalent to over 6% of sales.

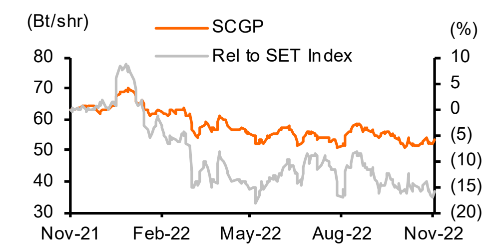
Improving demand

We expect demand for packaging paper and cardboard boxes to remain resilient in Thailand and ASEAN. In Thailand, export growth has improved from its low in July (4.3% y-y) to 7.5% and 7.8% in August/September. This is positive for packaging paper demand. We also expect direct export sales to improve, driven by accelerating economic growth in China. The country is SCGP's largest export market and directly accounts for about 8% of sales. The indirect sales (i.e., via SCGP's export customers) are likely to be considerably more.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	124,223	144,124	141,135	142,035
Net profit	8,294	7,024	10,874	12,713
Consensus NP	—	7,343	9,106	10,757
Diff frm cons (%)	—	*(4.3)*	*19.4*	*18.2*
Norm profit	7,444	7,024	10,874	12,713
Prev. Norm profit	—	7,934	11,637	13,066
Chg frm prev (%)	—	*(11.5)*	*(6.6)*	*(2.7)*
Norm EPS (Bt)	1.7	1.6	2.5	3.0
Norm EPS grw (%)	(12.5)	(5.6)	54.8	16.9
Norm PE (x)	30.9	32.7	21.1	18.1
EV/EBITDA (x)	14.6	12.6	9.5	8.4
P/BV (x)	2.4	2.3	2.1	2.0
Div yield (%)	1.2	1.5	2.4	2.8
ROE (%)	8.0	7.1	10.5	11.5
Net D/E (%)	28.1	21.4	11.3	2.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 1-Nov-22 (Bt)	53.50
Market Cap (US$ m)	6,084.0
Listed Shares (m shares)	4,292.9
Free Float (%)	26.2
Avg Daily Turnover (US$ m)	12.4
12M Price H/L (Bt)	69.75/51.00
Sector	PKG
Major Shareholder	Siam Cement Pcl. 72.12%

Sources: Bloomberg, Company data, Thanachart estimates

Worst looks to be over

We think SCG Packaging Pcl's (SCGP) quarterly earnings have reached a bottom in 3Q22 and expect an improvement form 4Q22F onwards. The first driver is falling OCC (old corrugated cardboard) costs. Another equally important driver is the sharp decline in freight rates. Lastly, demand improvement, especially from China, is likely to help with top-line growth. In this update, we have factored in lower OCC costs to reflect the sharp price decline in recent months. We now expect OCC costs in Asia to average $230/tonne in 2022F, falling further to $160/tonne in 2023-24F. This would bring about a complete normalization of OCC costs which had been upended by COVID.

Ex 1: We Expect Lower OCC Costs

(US$/tonne)	2019	2020	2021	2022F	2023F	2024F
Actual/New	144	161	275	230	160	160
Old				270	245	220
Change				(40)	(85)	(60)

Sources: Company data, Thanachart estimates

Falling cost pressure is the key earnings growth driver in 2023F

Despite lower OCC costs, we cut our earnings estimate in 2022F by 11% to account for the disappointing 3Q22 results. The key culprits were persistently high freight costs, the lagged impact of the OCC cost decline, and relatively weak sales. While we have also lowered our estimates for 2023-24F, the magnitude of the downward revisions is less and, on the whole, we still foresee a strong earnings growth trend. Given these earnings cuts, we also lower our DCF-based 12-month TP (2023F base year) to Bt59 from Bt63.

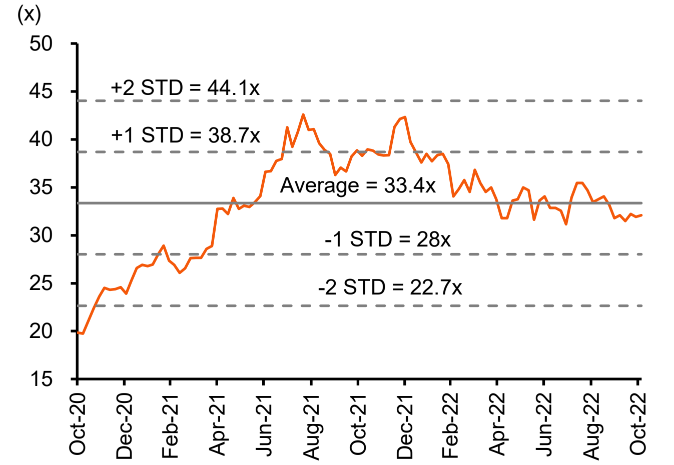
Ex 2: Normalized EPS Revisions

(Bt/shr)	2019	2020	2021	2022F	2023F	2024F
Actual/New	1.61	1.98	1.73	1.64	2.53	2.96
Old				1.85	2.71	3.04
Change (%)				*(11.5)*	*(6.6)*	*(2.7)*

Sources: Company data, Thanachart estimates

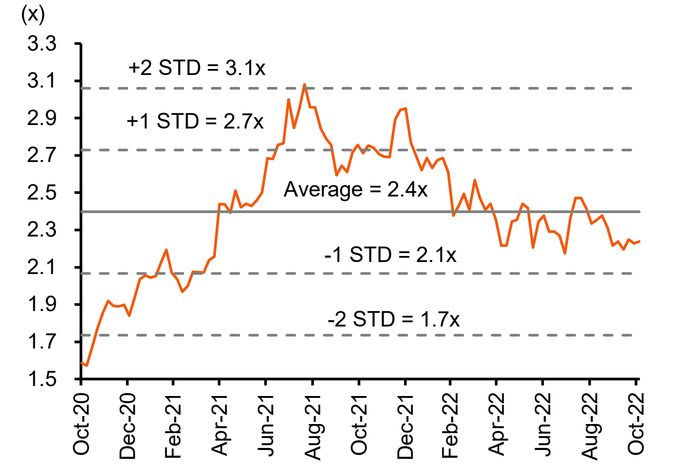
In terms of valuation, SCGP continues to trade at a steep discount to its recent PE average. We think an improving earnings outlook is the key driver for the stock.

Ex 3: Forward PE



Sources: Bloomberg, Thanachart estimates

Ex 4: Forward P/BV



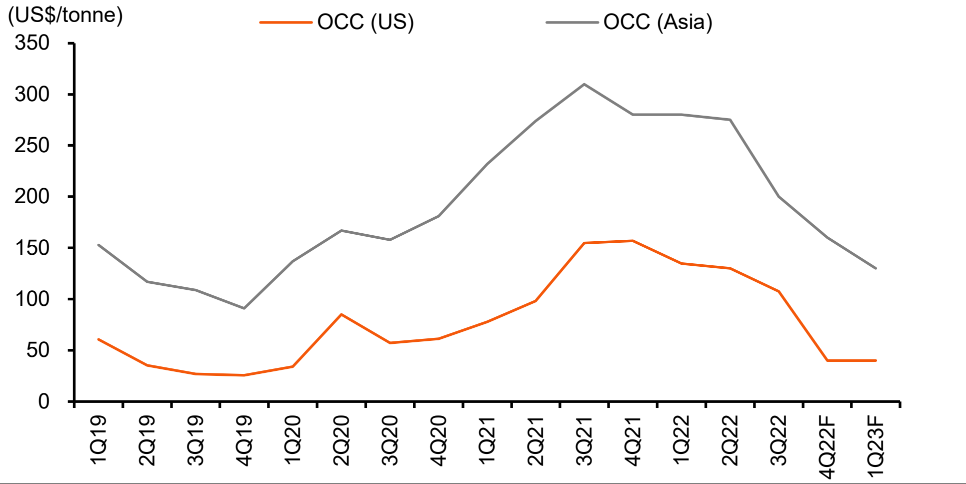
Sources: Bloomberg, Thanachart estimates

Declining OCC costs

OCC cost in Asia has fallen by half from its peak a year ago

The price of OCC, which is the key raw material for producing packaging paper, has been falling sharply over the past few months. In the US, which is the primary source of OCC imports for Asia, the price has fallen to just $40/tonne in October 2022, down from about $160/tonne at this time last year. We attribute the sharp decline to improved generation (collection of waste) as well as lower demand in the US itself. In Asia, the cost of OCC has come down to about $160/tonne in 4Q22F compared to its peak of over $300/tonne in 3Q21 and $280/tonne as recently as 2Q22. The Asian OCC price is likely to fall further in 1Q23F due to a sharply lower freight rate (see more below).

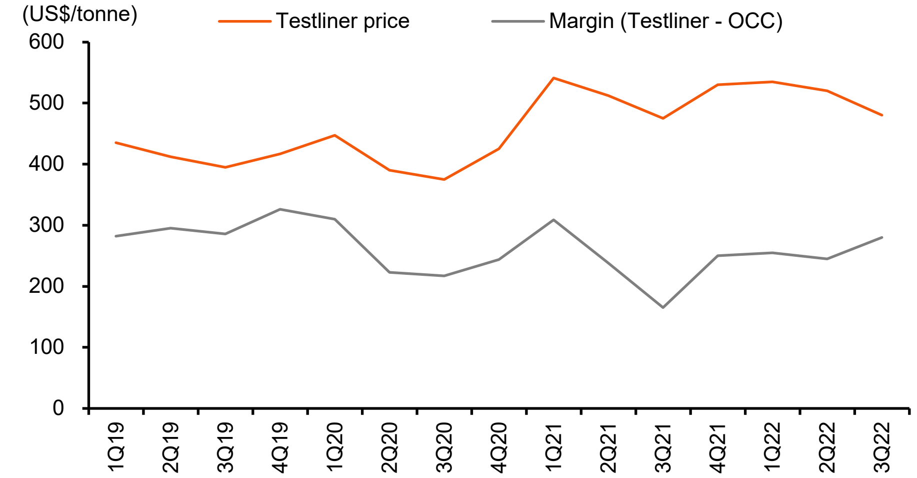
Ex 5: OCC Prices Have Been Falling Sharply In The US And Asia



Sources: Company data, Thanachart estimates

For SCGP, the fall in the OCC cost is one of the most powerful drivers as OCC is by far the largest cost item, accounting for as much as 30% of total COGS in 2022F, on our estimate. While we could see the ASP of finished paper declining as well, we still expect to see margin expansion. In fact, in 3Q22F, the spot margin for testliner (finished packaging paper) in Asia has already expanded to $280/tonne compared to $245/tonne in 2Q22. Due to the lag effect (inventory), we expect to see SCGP's margin expansion beginning in 4Q22F and into 2023F.

Ex 6: We Are Starting To See Margin Expansion Due To Falling OCC Costs



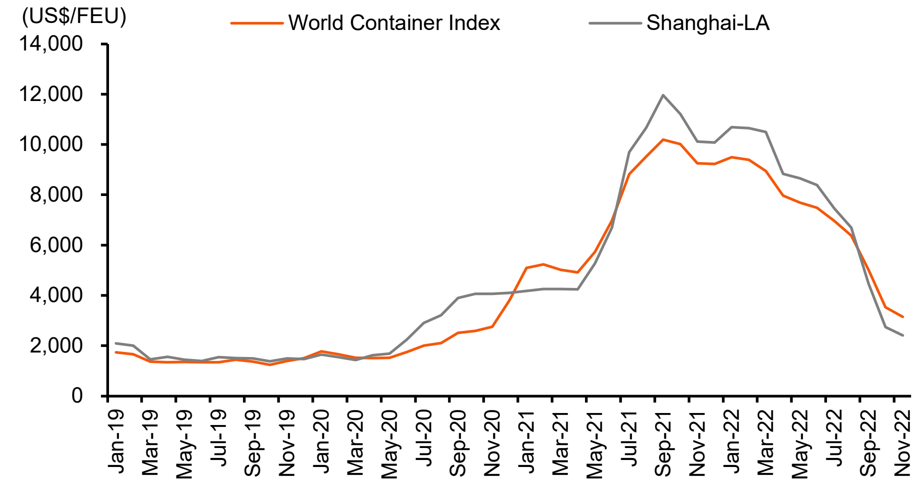
Sources: Company data, Thanachart estimates

Lower freight rates

SCGP to benefit from lower freight rate on both import of raw material and export sales

The containerized freight rate, as measured by the World Container Index, has fallen by about 70% from its peak in late 2021. Now, the index is trading at roughly $3,100/FEU (forty-foot equivalent unit) compared to over $10,000/FEU in September 2021. The sharp drop is being driven by easing congestion at ports, increased shipping capacity, and slower demand growth. Still, the current index level is still at double its pre-COVID level, and there could be scope for further declines. The rate on the key Shanghai-LA route has fallen even more steeply. Now, the route is trading at just $2,400/FEU, barely a fifth of its peak in September last year. Again, this is about 50% higher than the pre-COVID level and a further decline could be forthcoming.

Ex 7: Containerized Freight Rates Have Been Falling Steeply



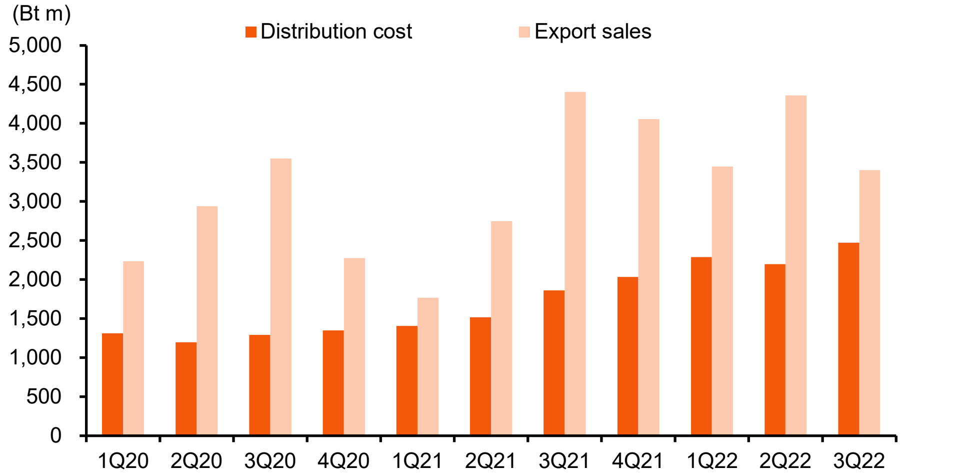
Source: Bloomberg

For SCGP, the fall in freight rates benefit it via two key items: the cost of OCC imports and export sales to Europe and the US. Firstly, the cost of OCC imports tends to follow freight rate downward as the freight component could be as much as 50% or more of the OCC landed cost in Asia. Management commented that the shipping cost to import OCC from the US West Coast has fallen to about $50/tonne now compared to over $100/tonne at its peak. We estimate that the cost of ocean freight embedded in SCGP's OCC import cost amounts to as much as Bt6bn or more in 2022F.

On the export front, SCGP has been selling many products to Europe and the US on a CIF basis. This means the company is responsible for paying the freight cost. When shipping costs were low and stable pre-COVID, this arrangement served the company well. However, with more expansion overseas (which has higher export sales) and the rise in the freight rate, SG&A ballooned in late 2021-22 YTD. For example, the distribution cost increased by 33% in 3Q22 from 3Q21, which itself was a 44% increase from the 3Q20 level. This far surpassed export sales growth or even total sales growth. Going forward, we expect to see the distribution cost fall from 4Q22F onwards. The pace of decline is likely to accelerate as we estimate there is a lag of one to two quarters between changes in freight rates and the P&L impacts.

Distribution costs likely to come down from 4Q22F on lower freight rates

Ex 8: SCGP's Distribution Cost Vs. Export Sales

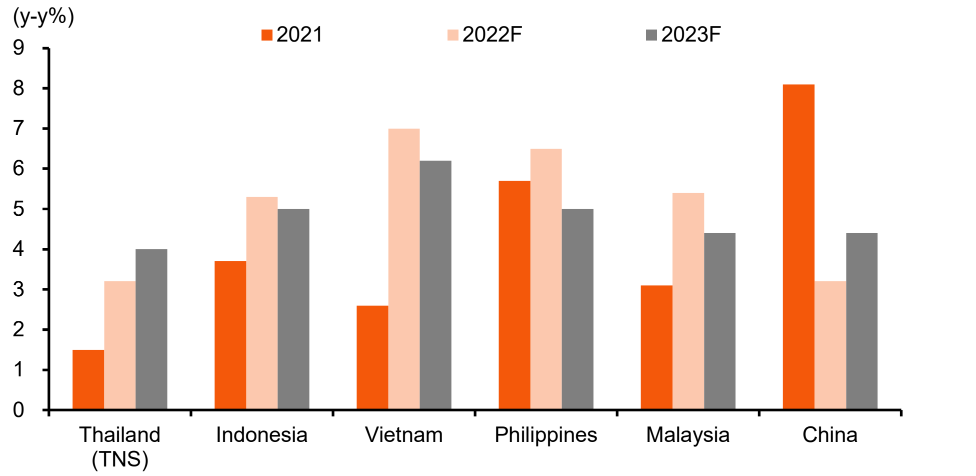


Sources: Company data, Thanachart

Improving demand

We expect sales for SCGP to improve, driven by resilient demand in Thailand/ASEAN, a recovery in China demand, and business acquisitions. Based on the IMF's estimate, ASEAN-5 economic growth is expected to accelerate from 3.4% in 2021 to 5.3% in 2022. Growth is forecasted to remain relatively high at 4.9% in 2023. For Thailand, we expect GDP growth to accelerate to 4% next year vs. 3.2% this year. We think this offers a supportive backdrop for packaging demand in the region.

Ex 9: Real GDP Growth Forecasts *



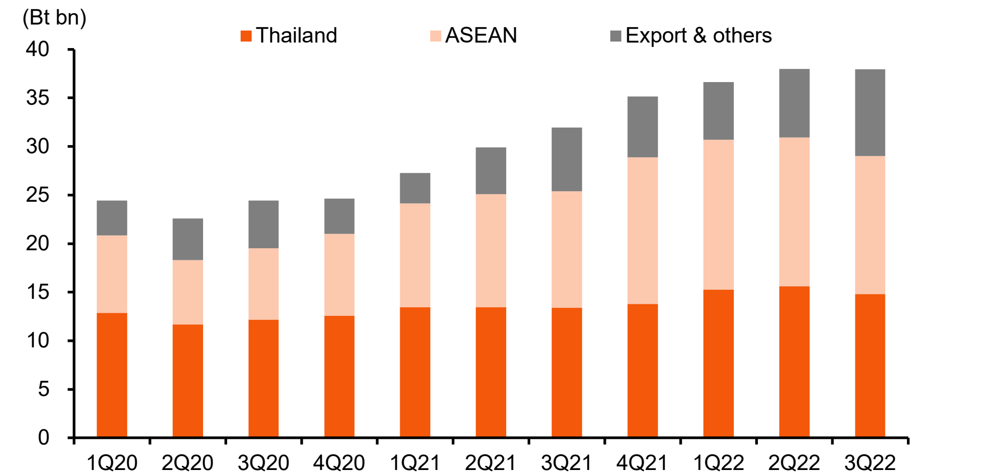
Sources: IMF, Thanachart estimates

Note: All GDP growth forecasts are by the IMF except for Thailand's which are Thanachart forecasts

Meanwhile, we believe demand in China will continue to recover. Demand weakness in China was likely the major culprit for the sales growth disappointment over the past few quarters. However, based on recent economic data, we think China's economic momentum will continue to improve going forward. For instance, China's GDP growth has already improved to 3.9% y-y in 3Q22 compared to 0.4% in 2Q22 and the IMF expects Chinese GDP growth to accelerate to 4.4% in 2023F compared to 3.2% growth this year.

Sales impacted by China slowdown but likely to improve as Asian growth accelerates in 2023F

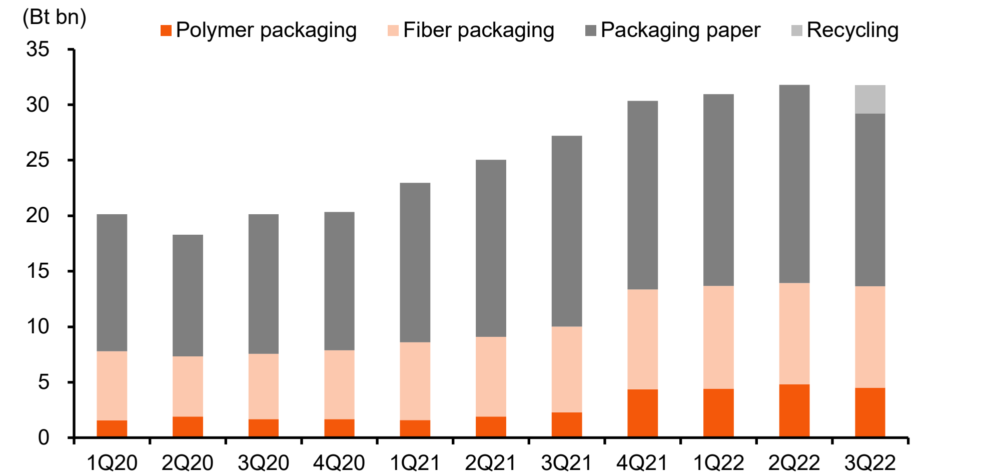
Ex 10: SCGP Sales Breakdown By Geography



Sources: Company data, Thanachart

Lastly, we expect growth from new business acquisitions. Chief among these is the new recycling business that SCGP has just acquired in the Netherlands. As of 3Q22, this business had already contributed about 8% of sales. It should also help with SCGP's raw material procurement and potentially lower the imported cost of OCC.

Ex 11: SCGP's Sales Breakdown By Product



Sources: Company data, Thanachart

Ex 12: 12-month DCF-based Valuation, Using a Base Year Of 2023F

(Bt m)		2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA		25,861	27,803	29,603	29,409	29,206	28,993	28,769	28,535	28,291	28,035	27,768	
Free cash flow		17,727	19,188	20,582	20,525	20,639	20,766	20,910	21,072	21,252	21,454	21,679	331,775
PV of free cash flow		17,727	17,810	17,580	16,204	15,060	14,003	13,032	12,139	10,927	10,149	9,437	144,428
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	0.0												
Terminal growth (%)	2.0												
Enterprise value - add investments	298,495												
Net debt / (cash)	15,287												
Minority interest	28,740												
Equity value	**254,467**												
# of shares (m)	4,293												
Equity value/share (Bt)	**59.0**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 13: Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Intl Paper Co	IP US	USA	(1.3)	(12.0)	8.4	9.6	1.3	1.3	5.8	6.0	5.5	5.5
Westrock Co	WRK US	USA	45.6	0.8	7.1	7.0	0.7	0.7	4.7	4.7	2.9	3.1
Packaging Corp	PKG US	USA	26.6	(11.9)	10.9	12.4	2.8	2.6	6.8	7.7	4.0	3.8
Graphic Packaging	GPK US	USA	99.6	10.9	10.2	9.2	3.4	2.5	7.8	7.2	1.4	1.6
Mondi Plc	MNDI LN	Europe	37.2	(15.2)	7.5	8.8	1.4	1.3	5.5	6.1	5.4	5.4
Stora Enso Oyj-R	STERV FH	Europe	29.4	(28.6)	7.8	11.0	0.9	0.9	5.3	6.5	4.6	4.5
Smurfit Kappa Gr	SKG LN	Europe	47.0	(7.7)	7.5	8.1	1.4	1.3	5.4	5.6	4.6	5.1
Ds Smith Plc	SMDS LN	Europe	26.8	20.5	9.9	8.2	1.1	0.9	6.0	5.4	5.0	5.7
Billerudkorsnas	BILL SS	Europe	189.9	(29.0)	6.7	9.5	1.3	1.2	4.6	5.3	6.0	5.2
Holmen Ab-B Shs	HOLMB SS	Europe	74.9	(36.0)	12.6	19.6	1.3	1.2	8.4	12.3	2.5	2.4
Reno De Medici Spa	RM IM	Europe	25.4	16.6	na	na	na	na	na	na	na	na
Mayr-Melnhof Karton Ag	MMK AV	Europe	70.5	(14.4)	8.5	9.9	1.5	1.4	6.1	6.5	3.1	3.2
Oji Holdings Cor	3861 JP	Japan	0.5	1.9	6.7	6.6	0.6	0.5	6.6	6.2	3.1	3.1
Nippon Paper Ind	3863 JP	Japan	na	na	na	26.2	0.2	0.2	19.1	12.0	0.0	2.3
Hokuetsu Corp	3865 JP	Japan	na	(1.5)	9.7	9.9	0.6	0.6	8.2	8.1	2.3	2.3
Rengo Co Ltd	3941 JP	Japan	(1.2)	29.1	7.4	5.7	0.6	0.5	6.7	5.7	3.1	3.2
Nine Dragons Paper	2689 HK	Hong Kong	(27.1)	(43.0)	4.3	7.5	0.5	0.4	6.7	7.9	5.0	2.2
Lee & Man Paper	2314 HK	Hong Kong	(56.1)	25.4	5.8	4.6	0.3	0.3	6.4	5.4	6.6	8.2
Shandong Chen - A	000488 CH	China	(48.8)	9.9	10.1	9.2	0.7	0.7	9.4	9.4	1.4	1.9
Shandong Sun - A	002078 CH	China	(2.4)	9.6	8.9	8.1	1.3	1.1	7.3	6.6	1.4	1.4
Shanying Intl – A	600567 CH	China	(58.2)	103.6	14.0	6.9	0.6	0.6	14.0	10.2	1.6	2.8
SCG Packaging Pcl	SCGP TB *	Thailand	(5.6)	54.8	32.7	21.1	2.3	2.1	12.6	9.5	1.5	2.4
United Paper Pcl	UTP TB*	Thailand	23.5	21.4	9.5	7.8	2.4	2.2	6.7	5.5	6.9	8.3
Average			**23.6**	**4.8**	**9.8**	**10.3**	**1.2**	**1.1**	**7.7**	**7.3**	**3.5**	**3.8**

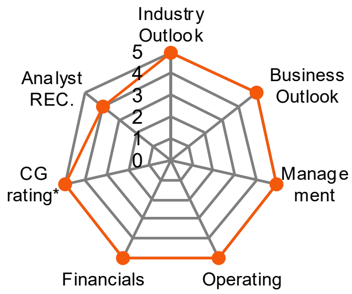
Source: Bloomberg
Note: * Thanachart estimates, using Thanachart normalized EPS
Based on 1 November 2022 closing prices

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 rest coming from exports to the rest of the world.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

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.

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 other ASEAN countries such as Indonesia and Vietnam.

O — Opportunity

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

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
Target price (Bt)	61.07	59.00	-3%
Net profit 22F (Bt m)	7,343	7,024	-4%
Net profit 23F (Bt m)	9,106	10,874	19%
Consensus REC	**BUY: 18**	**HOLD: 5**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profit is slightly below consensus in 2022F but much higher in 2023F due to our lower cost assumption.
- Our TP is in line slightly lower than consensus as we expect margin expansion in 2023-24F to normalize longer term

Sources: Bloomberg consensus, Thanachart estimates

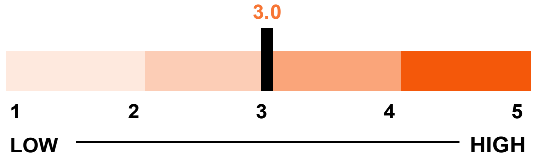
RISKS TO OUR INVESTMENT CASE

- A weaker-than-expected rise in ASP and/or higher OCC costs represent the key downside risks to our call.
- Increased competition in Indonesia and Vietnam could bring down the ASPs in those countries, which would represent the other downside risks to our call.

Source: Thanachart

SCGP is the largest packaging company in ASEAN, producing both 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



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SCGP	YES	YES	-	BBB	55.71	69.16	86.27	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, 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

We forecast strong earnings growths in 2023-24F

Balance sheet remains strong as M&A activities slow down

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	92,786	124,223	144,124	141,135	142,035
Cost of sales	73,375	101,878	117,603	110,661	110,061
Gross profit	**19,411**	**22,345**	**26,521**	**30,474**	**31,974**
% gross margin	20.9%	18.0%	18.4%	21.6%	22.5%
Selling & administration expenses	10,141	12,575	15,950	14,483	14,092
Operating profit	**9,271**	**9,771**	**10,571**	**15,991**	**17,882**
% operating margin	10.0%	7.9%	7.3%	11.3%	12.6%
Depreciation & amortization	7,183	8,315	9,818	9,869	9,921
EBITDA	**16,454**	**18,086**	**20,389**	**25,861**	**27,803**
% EBITDA margin	17.7%	14.6%	14.1%	18.3%	19.6%
Non-operating income	602	2,214	1,153	1,129	1,136
Non-operating expenses	0	0	0	0	0
Interest expense	(1,452)	(1,180)	(1,711)	(1,621)	(897)
Pre-tax profit	**8,421**	**10,805**	**10,012**	**15,500**	**18,121**
Income tax	1,002	2,065	1,702	2,635	3,081
After-tax profit	**7,420**	**8,740**	**8,310**	**12,865**	**15,040**
% net margin	8.0%	7.0%	5.8%	9.1%	10.6%
Shares in affiliates' Earnings	66	57	0	0	0
Minority interests	(848)	(1,353)	(1,286)	(1,991)	(2,328)
Extraordinary items	(180)	850	0	0	0
NET PROFIT	**6,457**	**8,294**	**7,024**	**10,874**	**12,713**
Normalized profit	**6,638**	**7,444**	**7,024**	**10,874**	**12,713**
EPS (Bt)	1.9	1.9	1.6	2.5	3.0
Normalized EPS (Bt)	2.0	1.7	1.6	2.5	3.0

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	62,919	69,186	86,673	74,467	64,515
Cash & cash equivalent	32,886	20,222	30,000	20,000	10,000
Account receivables	16,334	24,910	28,901	28,302	28,482
Inventories	12,760	23,308	26,906	25,317	25,180
Others	939	746	866	848	853
Investments & loans	829	873	873	873	873
Net fixed assets	87,271	97,181	96,109	93,929	90,583
Other assets	21,410	39,583	31,833	31,833	31,833
Total assets	**172,429**	**206,824**	**215,488**	**201,102**	**187,804**
LIABILITIES:					
Current liabilities:	43,237	51,977	55,048	41,293	27,623
Account payables	10,365	15,261	17,617	16,577	16,487
Bank overdraft & ST loans	15,080	30,547	28,660	17,644	6,600
Current LT debt	16,302	1,865	5,732	3,529	1,320
Others current liabilities	1,489	4,303	3,040	3,543	3,215
Total LT debt	**12,052**	**22,164**	**22,928**	**14,115**	**5,280**
Others LT liabilities	7,300	10,383	10,053	9,845	9,907
Total liabilities	**62,588**	**84,524**	**88,029**	**65,253**	**42,811**
Minority interest	21,103	25,463	26,749	28,740	31,068
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	(3,592)	(875)	(875)	(875)	(875)
Retained earnings	**47,177**	**52,559**	**56,432**	**62,832**	**69,648**
Shareholders' equity	88,738	96,837	100,710	107,109	113,926
Liabilities & equity	**172,429**	**206,824**	**215,488**	**201,102**	**187,804**

Sources: Company data, Thanachart estimates

FCF to improve on lower capex, M&A

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	8,421	10,805	10,012	15,500	18,121
Tax paid	(719)	(2,343)	(1,269)	(2,821)	(2,992)
Depreciation & amortization	7,183	8,315	9,818	9,869	9,921
Chg In w orking capital	(313)	(14,228)	(5,233)	1,148	(133)
Chg In other CA & CL / minorities	3,308	7,529	(1,816)	708	(422)
Cash flow from operations	**17,881**	**10,078**	**11,513**	**24,404**	**24,495**
Capex	(11,591)	(18,225)	(8,746)	(7,689)	(6,575)
Right of use	0	0	0	0	0
ST loans & investments	5	0	0	0	0
LT loans & investments	(42)	(44)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,405)	(15,737)	7,420	(208)	63
Cash flow from investments	**(13,034)**	**(34,006)**	**(1,327)**	**(7,897)**	**(6,512)**
Debt financing	(16,249)	11,460	2,743	(22,032)	(22,086)
Capital increase	40,092	0	0	0	0
Dividends paid	(1,979)	(3,522)	(3,151)	(4,475)	(5,897)
Warrants & other surplus	1,216	3,327	0	0	0
Cash flow from financing	**23,079**	**11,265**	**(408)**	**(26,506)**	**(27,983)**
Free cash flow	**6,290**	**(8,147)**	**2,767**	**16,715**	**17,920**

SCGP is trading at a steep discount to its historical PE average

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	27.0	30.9	32.7	21.1	18.1
Normalized PE - at target price (x)	29.8	34.0	36.1	23.3	19.9
PE (x)	27.8	27.7	32.7	21.1	18.1
PE - at target price (x)	30.6	30.5	36.1	23.3	19.9
EV/EBITDA (x)	11.5	14.6	12.6	9.5	8.4
EV/EBITDA - at target price (x)	12.7	15.9	13.8	10.4	9.2
P/BV (x)	2.6	2.4	2.3	2.1	2.0
P/BV - at target price (x)	2.9	2.6	2.5	2.4	2.2
P/CFO (x)	10.0	22.8	19.9	9.4	9.4
Price/sales (x)	2.5	1.8	1.6	1.6	1.6
Dividend yield (%)	0.8	1.2	1.5	2.4	2.8
FCF Yield (%)	3.5	(3.5)	1.2	7.3	7.8
(Bt)					
Normalized EPS	2.0	1.7	1.6	2.5	3.0
EPS	1.9	1.9	1.6	2.5	3.0
DPS	0.5	0.7	0.8	1.3	1.5
BV/share	20.7	22.6	23.5	25.0	26.5
CFO/share	5.3	2.3	2.7	5.7	5.7
FCF/share	1.9	(1.9)	0.6	3.9	4.2

Sources: Company data, Thanachart estimates

Margin improvement in 2023-24F driven by lower costs

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	4.2	33.9	16.0	(2.1)	0.6
Net profit (%)	22.6	28.4	(15.3)	54.8	16.9
EPS (%)	14.4	0.2	(15.3)	54.8	16.9
Normalized profit (%)	32.3	12.1	(5.6)	54.8	16.9
Normalized EPS (%)	23.4	(12.5)	(5.6)	54.8	16.9
Dividend payout ratio (%)	29.9	33.6	50.0	50.0	50.0
Operating performance					
Gross margin (%)	20.9	18.0	18.4	21.6	22.5
Operating margin (%)	10.0	7.9	7.3	11.3	12.6
EBITDA margin (%)	17.7	14.6	14.1	18.3	19.6
Net margin (%)	8.0	7.0	5.8	9.1	10.6
D/E (incl. minor) (x)	0.4	0.4	0.4	0.3	0.1
Net D/E (incl. minor) (x)	0.1	0.3	0.2	0.1	0.0
Interest coverage - EBIT (x)	6.4	8.3	6.2	9.9	19.9
Interest coverage - EBITDA (x)	11.3	15.3	11.9	16.0	31.0
ROA - using norm profit (%)	4.3	3.9	3.3	5.2	6.5
ROE - using norm profit (%)	10.1	8.0	7.1	10.5	11.5
DuPont					
ROE - using after tax profit (%)	11.3	9.4	8.4	12.4	13.6
- asset turnover (x)	0.6	0.7	0.7	0.7	0.7
- operating margin (%)	10.6	9.6	8.1	12.1	13.4
- leverage (x)	2.4	2.0	2.1	2.0	1.8
- interest burden (%)	85.3	90.2	85.4	90.5	95.3
- tax burden (%)	88.1	80.9	83.0	83.0	83.0
WACC (%)	7.7	7.7	7.7	7.7	7.7
ROIC (%)	8.4	8.0	6.7	10.4	12.1
NOPAT (Bt m)	8,168	7,903	8,774	13,273	14,842
invested capital (Bt m)	99,286	131,191	128,029	122,397	117,127

Sources: Company data, Thanachart estimates

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0 to 25	First Quartile	Scores within this range indicates poor relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly.
> 25 to 50	Second Quartile	Scores within this range indicates satisfactory relative ESG performance and moderate degree of transparency in reporting material ESG data publicly.
> 50 to 75	Third Quartile	Scores within this range indicates good relative ESG performance and above average degree of transparency in reporting material ESG data publicly.
> 75 to 100	Fourth Quartile	Score within this range indicates excellent relative ESG performance and high degree of transparency in reporting material ESG data publicly.

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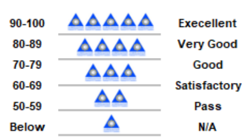

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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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