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KEY HIGHLIGHTS

Results

Krungthai Card (KTC TB/SELL/Bt55.75/Target: Bt45.00)

Page 2

3Q21: Results were below expectations on lower-than-expected fee incomes.

Update

Diamond Building Products (DRT TB/HOLD/Bt7.40/Target: Bt7.00)

Page 5

Expect decent earnings growth over the next two years. Good news has been priced in. Maintain HOLD.

Asian Gems Corporate Highlights

SCG Packaging (SCGP TB/BUY/ Bt60.75/Target: Bt69.00)

Page 8

Short-term earnings hiccups, long-term story intact.

KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,638.34	(2.63)	(0.16)
SET50	987.44	0.16	0.02
Value (Btm) - SET	75,648		
Top 5 Sector			
BANK	393.60	1.33	0.34
PETRO	1,182.79	(10.30)	(0.86)
PROP	235.84	(0.81)	(0.34)
ENERG	24,579.98	(149.13)	(0.60)
ICT	163.52	(0.40)	(0.24)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
KBANK	142.50	1.42	34,578.8
BANPU	13.10	(2.24)	204,488.0
U	1.82	(6.67)	1,268,252.0
PTT	39.25	(0.63)	51,076.7
IRPC	4.64	(0.85)	431,765.4

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
CI	1.32	14.78	313,160.2
AF	1.37	14.17	167,009.2
STAR	1.20	13.21	14,814.1
CHO	1.00	11.11	439,539.4
ITD	2.62	8.26	528,673.1

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
UREKA	3.00	(23.86)	79,543.8
NEWS	0.05	(16.67)	216,937.9
PAF	2.56	(9.86)	56,179.9
TTA	11.50	(8.73)	68,985.7
SAWANG	9.50	(8.65)	0.1

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	85.7	15.0	19.6	68.9
Dubai crude*	82.7	14.9	12.7	64.6
Baltic Dry Index	4,854.0	13.5	59.7	255.3
Gold Spot***	1,769.9	0.9	(2.3)	(6.8)

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
102.5	418.3	(2,058.9)	9,035.0

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 33.43

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25

COMPANY RESULTS

Krungthai Card (KTC TB)

3Q21: Results Below Expectations On Lower-Than-Expected Fee Incomes

KTC posted a 3Q21 net profit of Bt1,317m, up 8% yoy but down 22% qoq. The results were below our forecast by 8% and consensus by 20%. The key miss for our 3Q21 earnings forecast was mainly due to lower-than-expected fee incomes. While KTC's share price has fallen by 20% in our previous SELL recommendation, we believe KTC's valuation remains expensive. Maintain SELL. Target price: Bt45.00.

3Q21 RESULTS

Year to 31 Dec (Btm)	3Q21	2Q21	3Q20	qoq chg (%)	yoy chg (%)
Total gross loan	87,030	89,443	84,347	(2.7)	3.2
Net interest income	3,046	3,071	3,112	(0.8)	(2.1)
Non-interest income	1,763	1,976	1,914	(10.8)	(7.9)
Loan loss provision	1,293	1,144	1,703	13.0	(24.1)
SG&A	1,847	1,775	1,793	4.1	3.0
Net income	1,317	1,680	1,221	(21.6)	7.9
EPS (Bt)	0.51	0.65	0.47	(21.6)	7.4
Ratio (%)					
Net interest margin (NIM %)	13.8	13.9	14.8		
Credit cost (bp)	586	519	812		
Cost to income (%)	38.6	35.2	35.7		

Source: KTC, UOB Kay Hian

RESULTS

- **Non-II is the key earnings drag in 3Q21.** KTC's Non-interest income (Non-II) in 3Q21 declined 8% yoy and 11% qoq. This is because of the second round of the lockdown measures from 12 Jun 21 to 31 Aug 21, which caused KTC's customer credit card spending to drop 12% yoy in 3Q21. As a result, fee income from credit card transactions also dropped proportionally. Also, the second lockdown limited debt collection activities, which caused bad debt recovery income to drop 12% yoy and 5% qoq.
- **Slow loan growth in 3Q21.** KTC's total loans in 3Q21 was around Bt87b, up 3% yoy but down 3% qoq. However, excluding the acquisition of KTBL's leasing receivables worth Bt3.3b, KTC's total adjusted loans would be flat yoy. This is in line with KTC's management guidance that KTC would prioritise asset quality rather than loan growth during the NPL rising trend from the COVID-19 pandemic.

KEY FINANCIALS

Year to 31 Dec (Btm)	2019	2020	2021F	2022F	2023F
Net interest income	7,902	8,821	9,259	9,792	11,321
Non-interest income	13,157	11,700	11,311	12,390	13,553
Net profit (rep./act.)	5,524	5,331	6,173	6,695	6,929
Net profit (adj.)	5,524	5,331	6,173	6,695	6,929
EPS (Bt)	2.1	2.1	2.4	2.6	2.7
PE (x)	26.0	27.0	23.3	21.5	20.8
P/B (x)	7.3	6.3	5.3	4.6	4.1
Dividend yield (%)	1.5	1.6	1.6	1.8	2.0
Net int margin (%)	14.7	14.4	13.2	13.0	13.2
Cost/income (%)	36.7	35.4	35.9	35.6	35.7
Loan loss cover (%)	620.1	460.3	235.0	225.0	215.0
Consensus net profit	-	-	6,372	7,244	7,890
UOBKH/Consensus (x)	-	-	0.97	0.92	0.88

Source: KTC, Bloomberg, UOB Kay Hian

SELL

(Maintained)

Share Price	Bt55.75
Target Price	Bt45.00
Upside	-19.3%

COMPANY DESCRIPTION

The company provides unsecured financial products, credit card products and services, and personal loans to consumers in Thailand.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	KTC TB
Shares issued (m):	2,578.3
Market cap (Btm):	143,742.1
Market cap (US\$m):	4,317.5
3-mth avg daily t'over (US\$m):	18.5

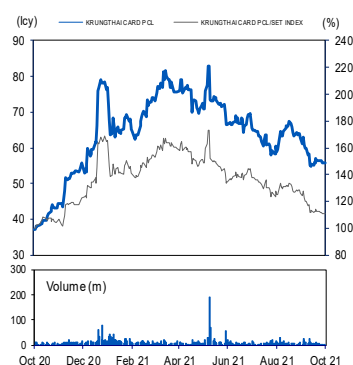
Price Performance (%)

52-week high/low	Bt83.00/Bt37.00			
1mth	3mth	6mth	1yr	YTD
(12.9)	(19.2)	(26.4)	48.7	(6.3)

Major Shareholders

Krungthai Bank Pcl	49.29
Mongkol Prakitchaiwattana	10.45
Thai NVDR	7.65
FY21 NAV/Share (Bt)	10.47

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Asset quality improved qoq.** The company's asset quality in 3Q21 improved qoq with an NPL ratio of 3.8% (2Q21: 4.4%) and loan loss coverage (LLC) ratio of 275% (2Q21: 248%). Aside from KTC's more stringent credit approval rate, KTC has written off KTBL's leasing loan amounting to Bt846m in 3Q21.

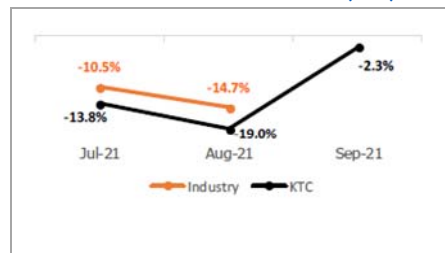
- NIM fell 100bp yoy but should stabilise in 4Q21.** KTC's net interest margin (NIM) dropped 100bp yoy and 10bp qoq to 13.8% because Bank of Thailand (BOT) has cut interest ceiling rates for credit card loans from 18% to 16% and personal loans from 28% to 25%, which have been effective since 1 Aug 20. The impacts from BOT's rate cuts on KTC's NIM should have fully shown in 3Q21, and we expect KTC's NIM to stabilise from 4Q21 onwards.

CREDIT CARD SPENDING GROWTH (YOY)



Source: KTC

MONTHLY CREDIT CARD SPENDING (YOY)



Source: KTC

KTC'S ASSET QUALITY

	3Q21	% of total loans	2Q21	% of total loans	qoq % chg
Stage 1	70,813	81.9	72,550	81.6	-2.4
Stage 2	10,618	12.3	10,455	11.8	1.6
Stage 3	1,770	2.0	1,678	1.9	5.5
Financial assets applied simplified approach	3,306	3.8	4,255	4.8	-22.3
Total loan	86,507	100.0	88,938	100	-2.7

Source: KTC, UOB Kay Hian

STOCK IMPACT

- Better customer credit card spending outlook in 4Q21 but unlikely to achieve its 2021 targets.** We believe KTC's earnings will pick up in 4Q21 as the government has lifted the lockdown measures on 1 Sep 21 and will allow travelers from 10 countries with low COVID-19 infection rates to enter Thailand without quarantine. However, given KTC's 9M21 customer credit card spending of -1.5% yoy, we believe it is close to impossible for KTC to achieve its customer credit card spending growth of 8% yoy in 2021.

EARNINGS REVISION/RISK

- No earnings revision.

VALUATION/RECOMMENDATION

- Reiterate SELL.** While KTC's share price has fallen by 20% in our previous SELL recommendation, we believe KTC's valuation remains expensive and has a high downside risk from its current share price. Therefore, we maintain our SELL recommendation with an unchanged target price of Bt45.00, using GGM (cost of equity: 10%, long-term growth rate: 3.0%). Our target price implies 17.4x 2022F PE, which is slightly above its 5-year PE mean.

SHARE PRICE CATALYST

- None.

PE BAND



Source: KTC, UOB Kay Hian

P/B BAND



Source: KTC, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Interest income	10,355	10,694	11,247	12,995
Interest expense	(1,534)	(1,435)	(1,455)	(1,675)
Net interest income	8,821	9,259	9,792	11,321
Fees & commissions	8,290	7,740	8,628	9,704
Other income	3,411	3,571	3,762	3,849
Non-interest income	11,700	11,311	12,390	13,553
Total income	20,521	20,570	22,182	24,873
Staff costs	(7,050)	(7,144)	(7,685)	(8,620)
Other operating expense	(210)	(240)	(222)	(249)
Pre-provision profit	13,261	13,186	14,276	16,004
Loan loss provision	(6,605)	(5,512)	(5,907)	(7,343)
Pre-tax profit	6,656	7,673	8,369	8,662
Tax	(1,325)	(1,500)	(1,674)	(1,732)
Net profit	5,331	6,173	6,695	6,929
Net profit (adj.)	5,331	6,173	6,695	6,929

OPERATING RATIOS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Capital Adequacy				
Total assets/equity (x)	3.9	3.3	3.2	3.3
Tangible assets/tangible common equity (x)	3.9	3.4	3.3	3.4
Asset Quality				
NPL ratio	1.8	4.3	3.7	3.3
Loan loss coverage	460.3	235.0	225.0	215.0
Loan loss reserve/gross loans	8.2	10.1	8.3	7.1
Increase in NPLs	75.4	154.9	(5.3)	3.8
Credit cost (bp)	750.7	596.4	593.9	651.2
Liquidity				
Loan/deposit ratio	155.7	168.6	169.0	163.7
Liquid assets/short-term liabilities	13.3	15.8	10.3	7.6
Liquid assets/total assets	2.2	1.4	0.9	0.8

BALANCE SHEET

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Cash with central bank	1,914	1,285	874	929
Govt treasury bills & securities	5	2	2	2
Customer loans	82,794	85,148	95,540	112,687
Investment securities	0	0	0	0
Fixed assets (incl. prop.)	481	521	524	563
Other assets	3,209	3,309	3,597	4,115
Total assets	88,403	90,265	100,538	118,297
Customer deposits	13,959	7,710	8,038	11,671
Debt equivalents	43,480	48,050	53,161	61,904
Other liabilities	8,114	7,062	7,757	9,024
Total liabilities	65,553	62,822	68,955	82,600
Shareholders' funds	22,799	27,066	31,206	35,321
Minority interest - accumulated	51	376	376	376
Total equity & liabilities	88,403	90,265	100,538	118,297

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Growth				
Net interest income, yoy chg	11.6	5.0	5.8	15.6
Fees & commissions, yoy chg	(9.6)	(6.6)	11.5	12.5
Pre-provision profit, yoy chg	(0.6)	(0.6)	8.3	12.1
Net profit, yoy chg	(3.5)	15.8	8.5	3.5
Net profit (adj.), yoy chg	(3.5)	15.8	8.5	3.5
Customer loans, yoy chg	3.3	2.8	12.2	17.9
Customer deposits, yoy chg	22.7	(44.8)	4.3	45.2
Profitability				
Net interest margin	14.4	13.2	13.0	n.a.
Cost/income ratio	35.4	35.9	35.6	35.7
Adjusted ROA	6.1	6.9	7.0	6.3
Reported ROE	25.1	24.8	23.0	20.8
Adjusted ROE	25.1	24.8	23.0	20.8
Valuation				
P/BV (x)	6.3	5.3	4.6	4.1
P/NTA (x)	6.4	5.4	4.7	4.1
Adjusted P/E (x)	27.0	23.3	21.5	20.8
Dividend Yield	1.6	1.6	1.8	2.0
Payout ratio	42.6	36.8	38.2	40.6

COMPANY UPDATE

Diamond Building Products (DRT TB)

Earnings Growth Continues, Good News Priced In

Although the COVID-19 pandemic seems to have limited impact on DRT's performance, rising raw material costs may put pressure on margins. However, DRT's ability to increase economies of scales via growing sales would enable it to deliver decent earnings growth over the next two years. However, the good news has been priced in. **Maintain HOLD. Target price: Bt7.00.**

WHAT'S NEW

- Revenue continues to grow.** The closure of all construction sites in Greater Bangkok for one month in Jul 21, followed by the lockdown of Bangkok and some other provinces in 3Q21 to prevent the spread of COVID-19, is expected to have negative impact only to Diamond Building Products' (DRT) small sales channels, ie project (12% of total sales) and modern trade sales (16%). However, DRT's major revenue from agents and export sales, which are expected to account for 57% and 15% of its total revenue respectively, has not been impacted. We therefore expect DRT's 2021 revenue to continue growing by 8% yoy. We believe that the gradual easing of pandemic restrictions from 4Q21 and a better economy next year would enable DRT's 2022 revenue to grow further by 4% yoy.
- Margins to be maintained despite rising raw material costs.** Starting this year, prices of several raw materials used by DRT have increased. Paper pulp price (accounting for 10% of DRT's raw material cost) has increased by 30% yoy from 3Q21. This has forced DRT to switch from Russian paper pulp to the cheaper Japanese paper pulp. Cement price (30-40% of material cost) has also increased but DRT has still enjoyed the same price due to a one-year contract agreed in 2020. Currently, DRT is in negotiations with cement producers to fix cement prices for next year's contract. With a product mix strategy and utilisation rate at close to 90%, we expect DRT's gross margins could be maintained at 29% in 2021/22. While 2021 EBITDA margin is revised down from 23% to 22% to factor in a one-time former tax charge in 2Q21, 2023 EBITDA margin is forecasted to be at 23%.
- More selling channels.** In order to enhance sales, DRT has decided to open an outlet in Dynasty Ceramic's Construction mall in Angthong province in 4Q21. This is an area where there are a few modern trade branches. Meanwhile, DRT has entered the business of selling a completely built café, using all of DRT's products. These new businesses may take a few years to have an impact on DRT's total revenue.

KEY FINANCIALS

Year to 31 Dec (Btm)	2019	2020	2021F	2022F	2023F
Net turnover	4,748	4,381	4,711	4,900	5,252
EBITDA	895	922	1,046	1,128	1,219
Operating profit	656	650	730	798	876
Net profit (rep./act.)	572	557	600	659	723
Net profit (adj.)	546	547	600	659	723
EPS (Bt)	0.6	0.6	0.6	0.7	0.8
PE (x)	12.8	12.8	11.7	10.6	9.7
P/B (x)	3.1	3.6	2.5	2.4	2.2
EV/EBITDA (x)	7.3	7.1	6.2	5.8	5.4
Dividend yield (%)	4.1	5.7	7.6	8.3	9.1
Net margin (%)	12.0	12.7	12.7	13.5	13.8
Net debt/(cash) to equity (%)	19.0	48.3	8.2	5.1	2.9
Interest cover (x)	149.2	106.8	137.2	406.6	586.0
ROE (%)	26.4	26.5	27.0	25.4	25.9
Consensus net profit	-	-	600	659	723
UOBKH/Consensus (x)	-	-	1.00	1.00	1.00

Source: DRT, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt7.40
Target Price	Bt7.00
Upside	-5.4%

COMPANY DESCRIPTION

DRT is the country's third largest producer of roof tiles, ceiling & siding boards and accessories. It also provides roof design and installation services.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	DRT TB
Shares issued (m):	855.0
Market cap (Btm):	6,327.2
Market cap (US\$m):	190.0
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

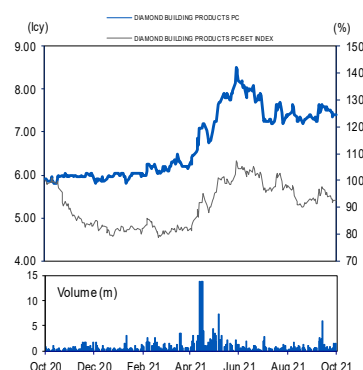
52-week high/low	Bt8.50/Bt5.80				
1mth	3mth	6mth	1yr	YTD	
0.0	(6.3)	19.4	20.3	26.5	

Major Shareholders

	%
Srivikorn and Pradipasen families & management	59.5
Bualuang Open-ended Funds	6.7
Thai NVDR	2.0

FY21 NAV/Share (Bt)	2.94
FY21 Net Debt/Share (Bt)	0.24

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

• **3Q21 net profit growth to be moderate.** The closure of construction sites and the lockdown of some provinces are expected to impact small selling channels but not the large selling channels. We expect DRT's 3Q21 revenue to grow by 8% yoy to Bt1.1b. However, 3Q21 revenue is expected to come down qoq. While 3Q21 gross margin is expected to come down to 27% (3Q20: 29%) from lower utilisation rate, its 3Q21 EBITDA margin is well maintained at 21% (same as in 3Q21) due to good cost control measures. Hence, 3Q21 net profit is expected to come in at Bt118m, up 6% yoy. 3Q21 net profit is expected to decrease qoq on seasonality.

EARNINGS REVISION/RISK

- **Fine tune 2021 sales forecasts.** We have raised 2021 revenue forecast slightly due to the positive impact from the easing of COVID-19 restrictions in 4Q21, and factored in a one-time tax expense in 2Q21. There are no changes to the other forecasts.
- **Core profits to continue growing.** The closure of construction sites and the lockdown have a small impact on DRT's sales while the easing restrictions would benefit DRT's sales. We expect DRT's 2021/22 revenue to grow by 8% and 4% yoy respectively. DRT's stable gross and improved EBITDA margins from efficient cost management, economies of scale, product mix and tight cost control would enable its 2021/22 core profits to grow by 10% each to Bt600m and Bt659m respectively.

VALUATION/RECOMMENDATION

• **Maintain HOLD.** While there is a small impact from the recent increase in COVID-19 infections, DRT faces rising raw material costs in 2021 and 2022. Despite this, DRT is still able to deliver a good core profit growth of 10% in the next two years. Even with an attractive 8% annual yield, we believe the recent increase in share price has already priced in all the good news. Maintain HOLD.

SHARE PRICE CATALYST

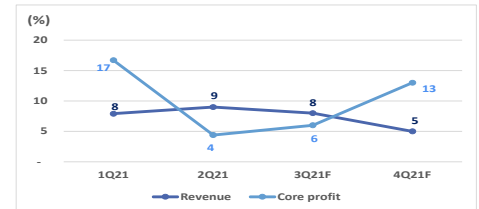
- Fast dispensation of COVID-19 vaccines.
- Prices of cement coming down.

3Q21 RESULTS PREVIEW

Year to 31 Dec (Btm)	3Q21F	yoy % chg	qoq % chg	9M21F	yoy % chg
Revenue	1,080	8.1	(17.0)	3,711	8.3
Gross Profit	295	3.1	(27.2)	1,101	7.8
EBITDA	225	9.2	(25.0)	846	11.8
Pre-tax Profit	147	5.8	(34.7)	616	8.8
Tax	(29)	3.4	(37.0)	(123)	7.9
Net Profit	118	6.3	(34.1)	493	6.7
Net Profit (Ex EI)	118	6.3	(34.1)	493	9.1
EPS (Bt)	0.14	6.2	(34.3)	0.58	13.3
Gross margin (%)	27.3			29.7	
EBITDA margin (%)	20.8			22.8	
Net margin (%)	10.9			13.3	

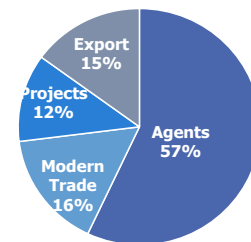
Source: UOB Kay Hian

QUARTERLY REVENUE & CORE PROFIT GROWTH YOY



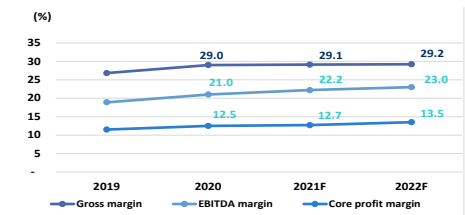
Source: DRT, uob Kay Hian

DISTRIBUTION CHANNELS



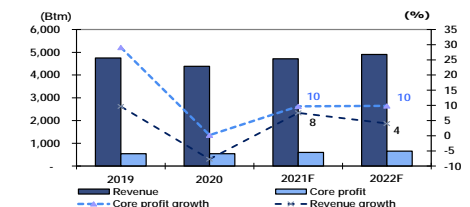
Source: UOB Kay Hian

MARGINS



Source: DRT, UOB Kay Hian

REVENUE AND CORE PROFIT GROWTH YOY



Source: DRT, UOB Kay Hian

PE AND SD



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Net turnover	4,381	4,711	4,900	5,252
EBITDA	922	1,046	1,128	1,219
Deprec. & amort.	272	316	329	343
EBIT	650	730	798	876
Total other non-operating income	18	18	18	19
Associate contributions	0	0	0	0
Net interest income/(expense)	(9)	(8)	(3)	(2)
Pre-tax profit	669	741	814	892
Tax	(113)	(141)	(155)	(170)
Minorities	0	0	0	0
Net profit	557	600	659	723
Net profit (adj.)	547	600	659	723

CASH FLOW

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Operating	744	1,497	790	833
Pre-tax profit	669	741	814	892
Tax	(113)	(141)	(155)	(170)
Deprec. & amort.	272	316	329	343
Working capital changes	(75)	581	(199)	(233)
Non-cash items	(10)	0	0	0
Other operating cashflows	0	0	0	0
Investing	(396)	(234)	(243)	(253)
Capex (growth)	(396)	(234)	(243)	(253)
Financing	(357)	(1,240)	(481)	(629)
Dividend payments	(361)	(445)	(480)	(527)
Issue of shares	0	(93)	0	0
Proceeds from borrowings	516	0	0	0
Loan repayment	0	(702)	(1)	(101)
Others/interest paid	(512)	0	0	0
Net cash inflow (outflow)	(9)	24	65	(48)
Beginning cash & cash equivalent	31	22	46	111
Ending cash & cash equivalent	22	46	111	63

BALANCE SHEET

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Fixed assets	2,037	2,002	2,082	2,164
Other LT assets	143	143	143	144
Cash/ST investment	22	46	111	63
Other current assets	1,217	1,372	1,427	1,526
Total assets	3,419	3,564	3,763	3,897
ST debt	921	219	217	115
Other current liabilities	299	571	593	632
LT debt	36	34	32	31
Other LT liabilities	226	228	231	233
Shareholders' equity	1,937	2,511	2,690	2,886
Total liabilities & equity	3,419	3,564	3,763	3,897

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	21.0	22.2	23.0	23.2
Pre-tax margin	15.3	15.7	16.6	17.0
Net margin	12.7	12.7	13.5	13.8
ROA	16.5	17.2	18.0	18.9
ROE	26.5	27.0	25.4	25.9
Growth				
Turnover	(7.7)	7.5	4.0	7.2
EBITDA	3.0	13.5	7.8	8.1
Pre-tax profit	(3.0)	10.7	9.9	9.6
Net profit	(2.7)	7.8	9.9	9.6
Net profit (adj.)	0.1	9.8	9.9	9.6
EPS	0.1	9.8	9.9	9.6
Leverage				
Debt to total capital	33.1	9.2	8.5	4.8
Debt to equity	49.4	10.1	9.3	5.1
Net debt/(cash) to equity	48.3	8.2	5.1	2.9
Interest cover (x)	106.8	137.2	406.6	586.0

ASIAN GEMS CORPORATE HIGHLIGHTS

SCG Packaging (SCGP TB)

Short-term Earnings Hiccups, Long-term Story Intact

We expect SCGP to be negatively impacted by the new wave of COVID-19 infections in the region for 3Q21 but expect a recovery in 4Q21. We remain positive about SCGP's long-term strategies on M&P and the execution of its investment portfolios. We revised down our 2021-22 core earnings forecasts by 12% and 5% to reflect the impact of the lockdown and higher raw material (AOCC) cost. The decline in share price should have priced in the negatives. Maintain BUY. Target price: Bt69.00.

WHAT'S NEW

- We remain positive about SCGP's long-term strategies on M&P acquisitions and the execution of its investment portfolios. SCG Packaging's (SCGP) strategy is to focus on the execution of its investment portfolios for both organic and inorganic projects including: a) the 70% share acquisition of Duy Tan, a rigid plastic packaging business in Vietnam completed in Aug 21, b) the 75% share acquisition of Intan Group, a corrugated container producer in Indonesia completed in Aug 21, and c) making inroads into healthcare and medical packing in Spain, with the Deltalab deal likely to be completed by end-4Q21. SCGP also has to extract the synergies and expand the market upstream and downstream with its T-model (with horizontal offerings and deep vertical integration) via Merger & Partnership (M&P) acquisitions.
- Short-term earnings performance to be impacted by new wave of COVID-19 infections. ASEAN packaging demand was impacted by the COVID-19 lockdowns during 3Q21 particularly the lockdown in Vietnam (13% of total 1H21 revenue) and the lockdown in Thailand (47% of total 1H21 revenue). There was also the increase in average price of recovered paper (AOCC) due to higher freight rates and low recovered paper collection rate. These factors pressured SCG Packaging's (SCGP) gross margin in 3Q21. However, SCGP's management expects this impact to be manageable as SCGP provides solution services to its customers and will be able to pass on some of the raw material costs. Note that the overall packaging cost normally accounts for only 3-4% of the customers' total cost of sales.

KEY FINANCIALS

Year to 31 Dec (Btm)	2019	2020	2021F	2022F	2023F
Net turnover	89,070	92,786	110,211	120,991	134,071
EBITDA	14,370	17,098	19,979	22,650	25,400
Operating profit	8,379	9,915	12,756	14,924	17,000
Net profit (rep./act.)	5,269	6,457	7,991	9,734	11,147
Net profit (adj.)	5,588	6,635	7,940	9,734	11,147
EPS (Bt)	1.3	1.5	1.8	2.3	2.6
PE (x)	46.7	39.3	32.8	26.8	23.4
P/B (x)	6.1	2.9	2.8	2.6	2.4
EV/EBITDA (x)	20.7	17.4	14.9	13.1	11.7
Dividend yield (%)	0.8	0.7	0.9	1.1	1.3
Net margin (%)	5.9	7.0	7.3	8.0	8.3
Net debt/(cash) to equity (%)	128.5	15.4	14.7	13.4	13.2
Interest cover (x)	8.9	11.8	16.7	18.6	19.4
ROE (%)	12.6	9.8	8.7	9.9	10.5
Consensus net profit	-	-	8,945	10,711	12,339
UOBKH/Consensus (x)	-	-	0.89	0.91	0.90

Source: SGC Packaging, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt60.75
Target Price	Bt69.00
Upside	+13.6%
(Previous TP)	Bt70.00

COMPANY DESCRIPTION

SCGP is one of the largest packaging paper producers across ASEAN and is the biggest market share holder for packaging paper and corrugated containers.

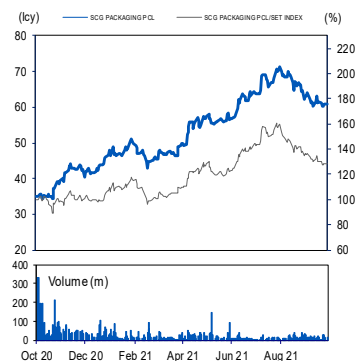
STOCK DATA

GICS sector	Materials
Bloomberg ticker:	SCGP TB
Shares issued (m):	4,292.9
Market cap (Btm):	260,794.9
Market cap (US\$m):	7,833.3
3-mth avg daily t'over (US\$m):	30.8

Price Performance (%)

52-week high/low	Bt71.25/Bt34.25				
1mth	3mth	6mth	1yr	YTD	
(8.3)	(4.0)	30.6	n.a.	46.4	
Major Shareholders					%
SCG					72.1
Ladawan Capital					1.7
NVDR					1.4
FY21 NAV/Share (Bt)					22.07
FY21 Net Debt/Share (Bt)					3.25

PRICE CHART



Source: Bloomberg

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• **Concern over higher cost of coal.** Although SCGP has already locked the coal price and coal volume used until end of this year (no impact from the high coal price to its earnings performance in 2H21), it has not locked the coal price for 2022 as it believes the high coal price is a temporary issue. Moreover, the high coal price issue is also a problem for the whole packaging industry, so SCGP can adjust the selling price of its packaging paper to compensate for this impact.

• **SCGP has cost advantages over its peers.** SCGP as the leading integrated packaging producer in ASEAN has cost advantages over the peers with: a) deep vertical integration at the pulp production stage, paper production stage and conversion phase for corrugated containers, and b) its ability to leverage on its supply chain network and advanced manufacturing technologies to provide raw materials to its plants. Thus, we expect SCGP's EBITDA margin to sustain at around 18-19% over the next few years.

STOCK IMPACT

• **We expect 3Q21 core earnings to decline qoq but increase yoy.** We expect SCGP to post a net profit of Bt1.6b in 3Q21, down 28.7% qoq but up 20.9% yoy. The qoq decline in earnings is mainly due to the impact of the COVID-19 lockdowns during 3Q21 and the increase in AOCC. The negative factors will be partially offset by the contributions of the Duy Tan and Intan acquisitions from Aug 21.

3Q21 RESULTS PREVIEWS

Year to 31 Dec	3Q20 (Btm)	2Q21 (Btm)	3Q21F (Btm)	yoy % change	qoq % change
Revenue	23,287	29,895	26,905	15.5	(10.0)
COGS	-18,701	-23,748	-21,659	15.8	(8.8)
SG&A	-2,419	-2,922	-2,630	8.7	(10.0)
EBITDA	3,874	5,532	0	(100.0)	(100.0)
Interest expenses	-579	-307	-306	(47.2)	(0.3)
Net income	1,335	2,263	1,615	20.9	(28.7)
EPS (Bt)	0.3	0.5	0.4	20.9	(28.7)
Other non-recurring items	-113	-24	0	100.0	100.0
Recurring Income	1,448	2,287	1,615	11.5	(29.4)
SG&A/Sales (%)	10.4%	9.8%	9.8%		
EBITDA margin (%)	16.6%	18.5%	0.0%		
Net profit margin (%)	5.7%	7.6%	6.0%		

Source: SCGP, UOB Kay Hian

• **Expect 4Q21 core earnings to gradually improve qoq.** With the relaxation of social restrictions for several countries in the region, we expect SCGP's revenue to gradually improve in 4Q21. We also expect SCGP that can manage its raw material cost as it can adjust its product prices to cope with the higher raw material costs.

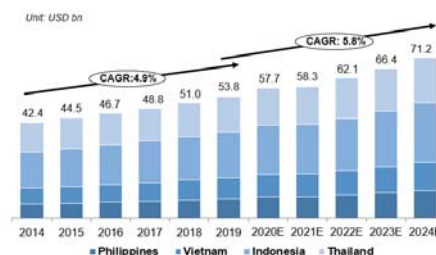
EARNINGS REVISION/RISK

• We revised down our 2021-22 core earnings forecasts by 11.8% and 4.6% respectively to reflect the impact of the lockdown in the Thailand and Vietnam market and higher AOCC. We lower sale growth assumption from 19.8% to 18.8% and gross margin assumption from 21.1% to 20.9% in 2021.

VALUATION/RECOMMENDATION

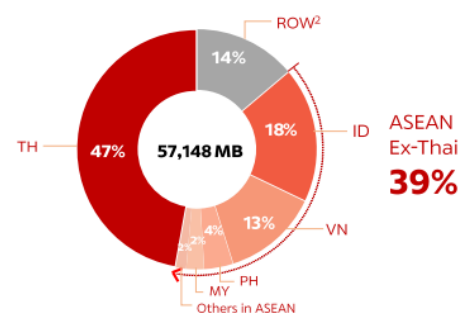
• **Maintain BUY with a new target price of Bt69.00 (from Bt70.00 previously), based on SOTP valuation (please see earnings revision table).** We have rolled over our target price to 2022. We expect that SCGP's share price decline of 15% from its peak on 23 Sep 21 should have priced in the negative factors. We expect earnings momentum to recover from the relaxation of social restrictions for several countries in the region and that the high raw material and energy cost should be manageable. We expect the strong earnings momentum in the medium to long term brought about by organic and inorganic growth to continue in 2022-23 and boost positive sentiment for SCGP going forward.

PACKAGING MARKET VALUE



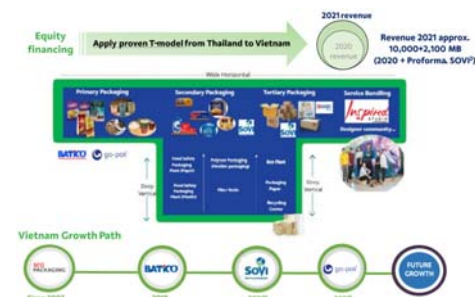
Source: Frost & Sullivan, UOB Kay Hian

REVENUE BREAKDOWN BY END DESINATIONS IN 1H21



Source: SCG Packaging

SCGP'S PORTFOLIO IN VIETNAM



Source: SCGP

EARNINGS/ASSUMPTIONS REVISION IN 2021-22

(Btm)	New		Old	
	2021F	2022F	2021F	2022F
Total net profit	7,991	9,734	9,063	10,201
Total core profit	8,143	9,734	9,063	10,201
Assumption change				
Sale growth	18.8%	9.8%	19.8%	8.9%
Gross margin	20.9%	21.2%	21.1%	21.3%

Source: SCGP, UOB Kay Hian

SOTP VALUATION

	% weight	Weighted Regional P/E (x)	Target Price (Bt)
- Consumer segment	80%	34.1	61.9
- Others packaging segment	20%	14.8	6.7
SCGP's target price			69.0

Source: SCGP, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Net turnover	92,786	110,211	120,991	134,071
EBITDA	17,098	19,979	22,650	25,400
Deprec. & amort.	7,183	7,223	7,726	8,400
EBIT	9,915	12,756	14,924	17,000
Total other non-operating income	(222)	64	0	0
Associate contributions	66	47	55	62
Net interest income/(expense)	(1,452)	(1,196)	(1,220)	(1,308)
Pre-tax profit	8,308	11,670	13,758	15,755
Tax	(1,002)	(2,147)	(2,476)	(2,836)
Minorities	(848)	(1,532)	(1,548)	(1,772)
Net profit	6,457	7,991	9,734	11,147
Net profit (adj.)	6,635	7,940	9,734	11,147

CASH FLOW

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Operating	13,822	10,652	13,736	15,382
Pre-tax profit	7,459	10,138	12,211	13,983
Tax	(1,002)	(2,147)	(2,476)	(2,836)
Deprec. & amort.	7,183	7,223	7,726	8,400
Associates	(848)	(1,532)	(1,548)	(1,772)
Working capital changes	1,030	(3,030)	(2,177)	(2,392)
Non-cash items	0	0	0	0
Other operating cashflows	0	0	0	0
Investing	(13,724)	(11,595)	(13,743)	(16,494)
Capex (growth)	(11,589)	(12,809)	(14,250)	(17,132)
Capex (maintenance)	0	0	0	0
Investments	(1,063)	211	0	0
Proceeds from sale of assets	0	0	0	0
Others	(1,072)	1,004	508	638
Financing	26,764	3,161	2,000	2,432
Dividend payments	(1,838)	(2,415)	(2,849)	(3,263)
Issue of shares	38,529	0	0	0
Proceeds from borrowings	(14,656)	2,511	1,754	2,150
Loan repayment	0	0	0	0
Others/interest paid	4,730	3,064	3,095	3,544
Net cash inflow (outflow)	26,862	2,217	1,994	1,320
Beginning cash & cash equivalent	4,394	31,256	33,473	35,466
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	31,256	33,473	35,466	36,787

BALANCE SHEET

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Fixed assets	87,271	90,909	96,340	103,883
Other LT assets	22,239	24,443	25,863	27,390
Cash/ST investment	31,256	33,473	35,466	36,787
Other current assets	31,663	36,398	39,645	43,607
Total assets	172,429	185,223	197,315	211,667
ST debt	31,809	34,252	35,928	37,972
Other current liabilities	11,428	13,133	14,202	15,772
LT debt	13,118	13,186	13,265	13,371
Other LT liabilities	6,233	7,703	8,539	9,514
Shareholders' equity	88,738	94,758	102,091	110,489
Minority interest	21,103	22,191	23,290	24,549
Total liabilities & equity	172,429	185,223	197,315	211,667

KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
Profitability				
EBITDA margin	18.4	18.1	18.7	18.9
Pre-tax margin	9.0	10.6	11.4	11.8
Net margin	7.0	7.3	8.0	8.3
ROA	4.1	4.5	5.1	5.5
ROE	9.8	8.7	9.9	10.5
Growth				
Turnover	4.2	18.8	9.8	10.8
EBITDA	19.0	16.8	13.4	12.1
Pre-tax profit	19.7	40.5	17.9	14.5
Net profit	22.6	23.7	21.8	14.5
Net profit (adj.)	18.7	19.7	22.6	14.5
EPS	18.7	19.7	22.6	14.5
Leverage				
Debt to total capital	29.0	28.9	28.2	27.5
Debt to equity	50.6	50.1	48.2	46.5
Net debt/(cash) to equity	15.4	14.7	13.4	13.2
Interest cover (x)	11.8	16.7	18.6	19.4

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