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### KEY HIGHLIGHTS

*Update*

**SCGP (SCGP TB/BUY/Bt33.50/Target: Bt38.00)**

Packaging demand continues to recover.

Page 2

### KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,300.96	(8.50)	(0.65)
SET50	806.10	(5.40)	(0.67)
Value (Btm) - SET	51,941		
<b>Top 5 Sector</b>			
BANK	351.27	(0.88)	(0.25)
PETRO	596.78	2.24	0.38
PROP	196.56	(1.33)	(0.67)
ENERG	18,234.97	(146.36)	(0.80)
ICT	155.32	(1.73)	(1.10)

Source: Bloomberg

### TOP VOLUME

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
EA	11.20	(25.33)	3,362.9
AOT	57.75	(0.86)	2,499.8
PTTEP	152.00	(0.98)	1,104.2
CPALL	55.00	(1.35)	1,210.6
ADVANC	209.00	(0.95)	736.3

### TOP GAINERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
JCKH	0.03	50.00	0.0
SDC	0.04	33.33	0.8
GGC	8.10	22.73	0.1
TURTLE	7.60	22.58	0.0
RICHY	0.57	14.00	0.2

### TOP LOSERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
KKC	0.06	(33.33)	0.2
EA	11.20	(25.33)	3,362.9
B52	0.45	(22.41)	0.0
SOLAR	0.55	(17.91)	10.0
HEALTH	1.19	(16.78)	10.0

\*ADT: Average daily turnover

### KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	85.2	5.3	0.4	12.3
Dubai crude*	84.9	1.6	(0.5)	11.0
Baltic Dry Index	2,050.0	12.9	12.6	(2.1)
Gold Spot***	2,323.9	(0.1)	3.2	12.6

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

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(71.3)	(950.2)	(3,230.9)	(5,063.9)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 36.75

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

Thai Lending Rate (%)\* - MLR = 7.10

COMPANY UPDATE

SCGP (SCGP TB)

Packaging Demand Continues To Recover

We have a positive view on business trends in 2H24, particularly due to the recovery of the packaging demand in the region. Although 2Q24 is a low season, we expect that 2Q24 core profit will remain stable qoq. The progress of the Fajar deal is on track, and our concerns about this investment have lessened following positive indications of a recovery in packaging demand in Indonesia. Maintain BUY. Target price: Bt38.00.

WHAT'S NEW

• Key takeaways from a site visit to TCRY and VEXCEL in Rayong include:

- **TCRY is a producer of corrugated packaging.** Production capacity and facilities: Thai Container Rayong (TCRY) operates production plants in Thailand, Vietnam, and Indonesia, with a total capacity of 1.46m tonnes per year, focusing on corrugated cardboard sheets and boxes. Market position: TCRY holds a significant 31% market share in the fibre packaging sector as of Mar 24, driven by demand growth from sectors like tourism, exports, and foreign investment. Revenue contribution: TCRY contributed 1.4% to SCGP's total revenue in 2023, with a stable EBITDA margin of 7-10%. Customer base: TCRY primarily serves consumer-linked industries in Thailand, accounting for approximately 81% of total revenue. Innovation: TCRY is known for its Green Carton products, emphasizing eco-friendly packaging with reduced material use and increased recyclability. It utilises internet of think (IoT) technology to enhance production efficiency.

- **Vexcel is a leader in high-barrier packaging production.**

- a) Production capacity: VEXCEL Pack (Vexcel) can manufacture 40m pieces annually, specialising in polymer-based rigid food packaging such as cups, trays, and jars.
- b) Market reach: All products are exported abroad, catering to global multinational corporations in sectors like ready-to-eat fruits, fast-moving consumer goods (FMCG), food and beverage, and animal food.
- c) Revenue contribution: Vexcel contributed 1.2% to SCGP's total revenue in 2023, achieving a robust EBITDA margin of 30%.
- d) Innovative solutions: Vexcel implements fully automated systems in production and warehousing, enhancing operational efficiency. It offers new packaging formats that withstand high heat, prevent contamination and odour leakage, and extend product shelf life without refrigeration, thus reducing waste and transportation costs.

- **The region's demand is rebounding as China resumes increasing its paper imports.** China's Purchasing Managers' Index (PMI) and imports of packaging paper are showing signs of recovery, approaching pre-COVID-19 levels of 800,000 tonnes per month. China imported 759,000 tonnes of packaging paper in May despite it being the off-peak season. This development is expected to mitigate the risk of oversupply and decrease market competition in Indonesia. Adjusting selling prices becomes more feasible under these conditions, supporting the pricing and sales of PT Fajar Surya Wisesa (Fajar) from 2Q24 onwards. Fajar saw a qoq recovery in EBITDA in 1Q24 (3Q23: -7%, 4Q23: -2%).

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	146,068	129,398	142,903	156,459	164,201
EBITDA	19,259	17,689	19,746	19,575	19,140
Operating profit	9,560	8,483	9,114	9,810	10,157
Net profit (rep./act.)	5,801	5,248	5,715	6,187	6,638
Net profit (adj.)	5,658	5,169	5,715	6,187	6,638
EPS (Bt)	1.3	1.2	1.3	1.4	1.5
PE (x)	25.4	27.8	25.2	23.2	21.7
P/B (x)	2.4	2.3	2.2	2.1	2.0
EV/EBITDA (x)	8.1	8.8	7.9	8.0	8.2
Dividend yield (%)	1.8	1.6	1.8	1.9	2.1
Net margin (%)	4.0	4.1	4.0	4.0	4.0
Net debt/(cash) to equity (%)	40.2	17.8	19.0	13.3	9.4
Interest cover (x)	13.1	8.8	9.8	9.5	10.4
Consensus net profit	-	-	6,201	7,280	7,937
UOBKH/Consensus (x)	-	-	0.92	0.85	0.84

Source: SCGP, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt33.50
Target Price	Bt38.00
Upside	+13.4%

COMPANY DESCRIPTION

SCGP is Holding Company, operating core business as an integrated packaging solutions provider, which is organized into three main businesses: Integrated Packaging Business, Fibrous Business, and Recycling Business.

STOCK DATA

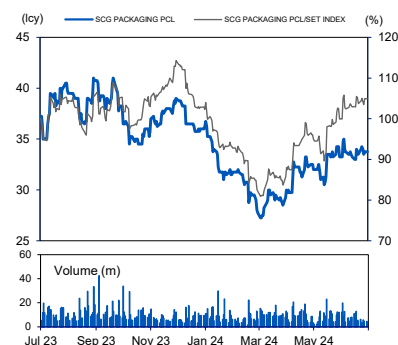
GICS sector	Materials
Bloomberg ticker:	SCGP TB
Shares issued (m):	4,292.9
Market cap (Btm):	143,812.8
Market cap (US\$m):	3,911.8
3-mth avg daily t'over (US\$m):	7.8
<b>Price Performance (%)</b>	

52-week high/low Bt41.00/Bt27.25

<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(2.2)	16.5	(6.9)	(6.9)	(6.9)

<b>Major Shareholders</b>	<b>%</b>
-	-
-	-
-	-
FY24 NAV/Share (Bt)	15.34
FY24 Net Debt/Share (Bt)	2.91

PRICE CHART



Source: Bloomberg

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- **The Fajar deal is expected to proceed as scheduled.** SCGP's acquisition of an additional 44.48% stake in Fajar, a publicly listed company in Indonesia, will increase its ownership to 99.7%, up from the current 55.23% shareholding. The process of exercising the option to purchase Fajar shares will commence on 28 Jun 24, with a payment period extending over 60 days and expected completion by 27 Aug 24. Furthermore, SCGP is currently in negotiations with 2-3 potential partners to form joint ventures involving Fajar.

### STOCK IMPACT

• **Expect core profit in 2Q24 to be stable qoq even though it is a low season.** Based on SCGP's June data, we anticipate that the core profit for 2Q24 will reach Bt1.7b, stable qoq despite it being a low season, and up 14% yoy. Prices for short fibre and dissolving pulp in the fibrous business group are notably higher qtd, up 4% qoq and 10% qoq respectively. This segment represents 20% of total revenue and benefits from recovering demand in the clothing and fibre industries. Demand in the food, FMCG, and electrical appliances industries is rebounding, which supports both the fibre and polymer packaging businesses (making up 35% of total revenue). This recovery is expected to boost capacity utilisation rates qoq and yoy. The fibre packaging business has enhanced its production capacity with a new factory that commenced operations in Mar 24, contributing to increased output and operational efficiency.

### EARNINGS REVISION/RISK

• **Earnings revision:** None.

### VALUATION/RECOMMENDATION

• **Maintain BUY with a target price of Bt38.00,** based on regional forward PE at -1.0SD of 28.3x. Short-term catalysts for SCGP include robust economic revival in China, increased demand for packaged goods in Thailand, Indonesia, and the Philippines, and improved operational performance. We believe that SCGP's stock price is a laggard. Despite the earnings trend showing signs of recovery in 2024, the share price ytd dropped by more than 8% and is currently trading at nearly -2SD below the mean. This indicates that the share price has limited downside and that it has yet to fully reflect the positive turnaround.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<b>CG Report: 5</b>
<b>SET ESG Rating: AAA</b>
<ul style="list-style-type: none"> <li><b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Sustainable packaging solutions:</b> SCGP focuses on developing eco-friendly packaging solutions to minimise environmental impact. This includes using recyclable materials and reducing packaging waste.</li> <li>- <b>Energy efficiency:</b> The company implements energy-efficient practices in its manufacturing processes and facilities to reduce carbon emissions and energy consumption.</li> </ul> </li> <li><b>Social</b> <ul style="list-style-type: none"> <li>- <b>Employee welfare:</b> SCGP invests in the well-being and development of its employees through training programs, safety initiatives, and fostering a positive workplace culture.</li> <li>- <b>Community engagement:</b> The company engages with local communities through various social responsibility initiatives, supporting education, healthcare, and community development.</li> </ul> </li> <li><b>Governance</b> <ul style="list-style-type: none"> <li>- <b>Board oversight:</b> The Board of Directors provides governance oversight, with committees focusing on audit, risk management and sustainability.</li> <li>- <b>Compliance and ethics:</b> SCGP adheres to legal and regulatory requirements in all jurisdictions where it operates, promoting a culture of integrity and ethical behavior.</li> </ul> </li> </ul>

### THAILAND'S KEY ECONOMICS DRIVER



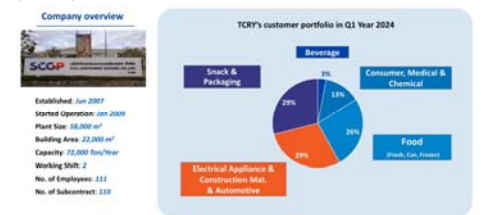
Source: SCGP and UOB Kay Hian

### GROWING PACKAGING DEMAND AND SCGP'S STRATEGIES IN THAILAND



Source: SCGP and UOB Kay Hian

### COMPANY PROFILE: THAI CONTAINERS RAYONG (TCRY)



Source: SCGP and UOB Kay Hian

### COMPANY PROFILE: VEXCEL



Source: SCGP and UOB Kay Hian

### REGIONAL FORWARD PE



Source: Bloomberg and UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>129,398</b>	<b>142,903</b>	<b>156,459</b>	<b>164,201</b>
EBITDA	17,689	19,746	19,575	19,140
Deprec. & amort.	9,206	10,632	9,765	8,983
EBIT	8,483	9,114	9,810	10,157
Associate contributions	39	50	50	50
Net interest income/(expense)	(2,020)	(2,005)	(2,061)	(1,845)
<b>Pre-tax profit</b>	<b>6,582</b>	<b>7,159</b>	<b>7,798</b>	<b>8,361</b>
Tax	(1,153)	(1,255)	(1,404)	(1,505)
Minorities	(180)	(190)	(208)	(218)
<b>Net profit</b>	<b>5,248</b>	<b>5,715</b>	<b>6,187</b>	<b>6,638</b>
Net profit (adj.)	5,169	5,715	6,187	6,638

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>21,482</b>	<b>23,625</b>	<b>18,996</b>	<b>18,815</b>
Pre-tax profit	6,582	7,159	7,798	8,361
Tax	(1,153)	(1,255)	(1,404)	(1,505)
Deprec. & amort.	9,206	10,632	9,765	8,983
Working capital changes	5,347	7,089	2,836	2,975
Other operating cashflows	1,501	0	0	0
<b>Investing</b>	<b>(13,060)</b>	<b>(18,039)</b>	<b>(5,206)</b>	<b>(3,727)</b>
Investments	(6,888)	(14,603)	(1,757)	(1,757)
Others	(6,172)	(3,436)	(3,449)	(1,970)
<b>Financing</b>	<b>(8,366)</b>	<b>(6,860)</b>	<b>(13,643)</b>	<b>(15,853)</b>
Dividend payments	(3,286)	(2,361)	(2,543)	(2,753)
Issue of shares	0	0	0	0
Proceeds from borrowings	(5,080)	(4,498)	(11,100)	(13,100)
<b>Net cash inflow (outflow)</b>	<b>56</b>	<b>(1,273)</b>	<b>146</b>	<b>(765)</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>17,258</b>	<b>9,889</b>	<b>8,615</b>	<b>8,762</b>
Changes due to forex impact	(133)	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>17,181</b>	<b>8,615</b>	<b>8,762</b>	<b>7,996</b>

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
<b>Fixed assets</b>	<b>94,279</b>	<b>98,251</b>	<b>90,243</b>	<b>83,016</b>
Other LT assets	44,010	48,344	52,694	55,179
Cash/ST investment	17,181	8,615	8,762	7,996
Other current assets	43,091	45,318	47,236	47,192
<b>Total assets</b>	<b>198,561</b>	<b>200,528</b>	<b>198,934</b>	<b>193,384</b>
ST debt	7,162	3,100	3,100	3,100
Other current liabilities	59,229	63,916	60,669	53,601
LT debt	21,117	18,017	14,917	11,817
Other LT liabilities	8,604	9,502	10,404	10,919
Shareholders' equity	62,493	65,846	69,490	73,375
<b>Total liabilities &amp; equity</b>	<b>198,561</b>	<b>200,528</b>	<b>198,934</b>	<b>193,384</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	13.7	13.8	12.5	11.7
Pre-tax margin	5.1	5.0	5.0	5.1
Net margin	4.1	4.0	4.0	4.0
Net profit (adj.)	(8.6)	10.6	8.3	7.3
<b>Leverage</b>				
Debt to total capital	21.6	16.6	14.1	11.6
Debt to equity	45.3	32.1	25.9	20.3
Net debt/(cash) to equity	17.8	19.0	13.3	9.4
Interest cover (x)	8.8	9.8	9.5	10.4

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