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KEY HIGHLIGHTS

Sector

Banking

4Q23: Results miss expectations; concerns on asset quality outlook remain.

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Results

Siam Cement (SCC TB/HOLD/Bt270.00/Target: Bt308.00)

4Q23: Lower-than-expected earnings.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,381.19	24.65	1.82
SET50	846.15	15.63	1.88
Value (Btm) - SET	45,241		
Top 5 Sector			
BANK	365.22	1.67	0.46
PETRO	684.79	21.16	3.19
PROP	227.17	5.97	2.70
ENERG	20,214.20	276.60	1.39
ICT	151.66	2.90	1.95

Source: Bloomberg

TOP VOLUME

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
KBANK	122.00	0.83	3,753.0
AOT	60.25	1.69	1,820.4
JMT	22.50	6.13	942.8
CPALL	53.00	2.42	1,313.7
KTB	16.50	1.23	2,293.0

TOP GAINERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
NEWS	0.02	100.00	0.4
CMO	0.81	30.65	1.1
JKN	0.99	30.26	172.3
TRC	0.32	23.08	14.7
GREEN	1.35	12.50	31.5

TOP LOSERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
CV	0.41	(10.87)	7.2
KC	0.10	(9.09)	5.6
HEALTH	1.83	(8.50)	0.0
KWM	1.58	(5.95)	22.2
TMT	5.75	(4.96)	0.7

*ADT: Average daily turnover

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	80.0	1.6	(6.6)	3.9
Dubai crude*	79.7	0.2	(10.1)	4.2
Baltic Dry Index	1,473.0	(29.7)	(19.6)	(29.7)
Gold Spot***	2,016.1	(1.8)	1.8	(2.3)

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

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(16.0)	(673.2)	(673.2)	(12,759.4)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 35.76

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

Thai Lending Rate (%)* - MLR = 7.10

SECTOR UPDATE

Banking – Thailand

4Q23: Results Miss Expectations; Concerns On Asset Quality Outlook Remain

Banks under our coverage reported a combined net profit of Bt42.7b (+29% yoy, -15% qoq), below our and market estimates by 5.3% and 9.6% respectively. Strong NII growth was supported by NIM expansion. However, non-II weakened due to a decline in investment gains and fee income. Going forward, we anticipate a deterioration in asset quality. Despite many concerns, some banks have shown improvements in asset quality. Maintain MARKET WEIGHT. Our top picks are BBL and SCB.

WHAT'S NEW

- Results missed expectations due to weak non-II growth.** In 4Q23, banks under our coverage reported a combined net profit of Bt42.7b, up 29% yoy but down 15% qoq, below our and consensus' estimates by 5.3% and 9.6%. Net interest income (NII) grew well (+13% yoy, +3% qoq), mainly driven by net interest margin (NIM), which expanded by 20bp yoy and 6bp qoq. However, the banking sector's 4Q23 NIM should be the peak of the latest upward cycle as the policy rate has been maintained since Nov 23. Meanwhile, non-interest income (non-II) softened by 7% yoy and 3% qoq, primarily due to: a) a reduction in net gain on financial instruments measured at fair value through profit or loss (FVTPL), and b) an unfavourable capital market pressuring fee income.
- Uneven economic recovery and expected NPL inflow to pressure the banking sector.** The uneven economic recovery continues to result in a deterioration of banking asset quality. Although new non-performing loan (NPL) formation for the banking sector declined by 37bp qoq, the reduction was attributed mainly to the substantial 453bp qoq drop in new NPL formation at Bangkok Bank (BBL). Meanwhile, Kasikorn Bank (KBANK) reported a 154bp increase in new NPL formation. Looking forward, the market expects NPL inflow of around Bt130b to flood the banking system in 1Q24, mainly in the SME segment. We believe KBANK will be hit the most based on its 30% exposure to SMEs, which is the highest among peers. However, many banks have already increased their loan-loss coverage (LLC) ratio in 4Q23 to buffer against future uncertainties.
- Credit costs to remain high in 2024.** Almost all the banks under our coverage exceeded their 2023 credit cost targets. According to available data, three banks have set their 2024 credit cost targets slightly lower than the actual credit cost in 2023. The high credit cost target in 2024 is line with our forecasts. However, we expect the banking sector to see an improvement in credit cost and asset quality in 2H24 due to: a) the government spending Thailand's national budget in May 24, b) stronger exports, c) acceleration of in tourist arrivals, and d) overall economic recovery.

ACTION

- Maintain MARKET WEIGHT.** The rate hike cycle is over. The banking sector's asset quality remains the key concern after the deterioration in asset quality in 2023. Some banks have continued to see an increase in new NPL formation. Many banks have stated that they will stick to prudent and selective growth. We expect a high credit cost and slow growth outlook in 2024, especially in 1H24. However, amid these challenges, some banks have shown improvement in asset quality. Our top picks are BBL and SCB X (SCB).

PEER COMPARISON

Company	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit		PE		Net EPS Growth 2023(%)	P/B 2023 (x)	Yield 2023 (%)	ROE 2023 (%)
						2023 (Btm)	2024F (Bt m)	2023 (x)	2024F (x)				
BBL TB	BUY	145.00	176.00	21.4	7,682	41,636	44,112	6.6	6.3	42.1	0.5	3.4	8.1
KBANK TB	HOLD	121.00	138.00	14.0	7,957	42,405	43,277	6.8	6.6	18.6	0.5	3.3	8.2
KKP TB	HOLD	47.00	50.00	6.4	1,105	5,443	5,554	7.3	7.2	(28.4)	0.7	5.9	9.2
KTB TB	HOLD	16.30	20.00	22.7	6,323	36,616	37,601	6.2	6.1	8.7	0.6	4.2	9.4
SCB TB	BUY	104.00	125.00	20.2	9,719	43,521	44,809	8.0	7.8	16.6	0.7	7.4	9.3
TISCO TB	HOLD	97.00	94.00	(3.1)	2,155	7,303	7,169	10.6	10.8	1.1	1.8	10.1	17.1
TTB TB	HOLD	1.79	1.75	(2.2)	4,824	18,462	19,427	9.4	8.9	30.1	0.8	3.0	8.2
Banking					39,765	195,386	201,949	7.3	7.1	18.1	0.7	4.9	9.1

Source: Bloomberg, UOB Kay Hian

MARKET WEIGHT

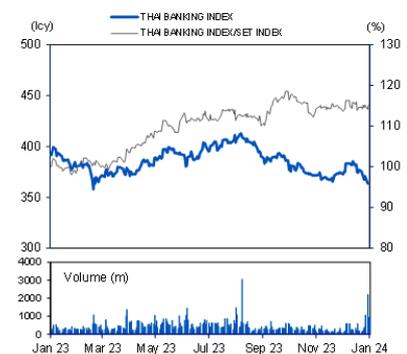
(Maintained)

SECTOR PICKS

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Bangkok Bank	BBL	BUY	145.00	176.00
SCB X	SCB	BUY	104.00	125.00

Source: UOB Kay Hian

RETURN: BANK VS SET



Source: UOB Kay Hian

ANALYST(S)

Tanaporn Visaruthaphong
+662 659 8305
tanaporn@uobkayhian.co.th

ASSISTANT ANALYST(S)

Thanawat Thangchadakorn

ESSENTIALS

- BBL: Results in line; healthier asset quality outlook.** Bangkok Bank (BBL) posted a 4Q23 net profit of Bt8.8b, up 17% yoy but down 22% qoq. The results are in line with our forecasts but below consensus' expectations by 19%. The negative earnings surprise was mainly due to lower-than-expected non-II, with a net loss from investment. BBL's asset quality outlook is healthier. We upgrade to BUY with a higher target price of Bt176.00.
- KBANK: Results below market expectation; concerns on asset quality remain.** KBANK announced a net profit of Bt9.4b, surging 194% yoy but declining 17% qoq. The results are in line with our estimate but below consensus' expectation by 9%. The key contributors to KBANK's softening performance were: a) a 17% yoy and 24% qoq increase in non-interest expenses due to one-time expenses from the impairment loss on information technology (IT) and setting aside some funds for incentive bonuses, and b) a 6% qoq increase in provision expenses.
- KKP: Weak results; concerns on high credit cost and slow growth outlook.** Kiatnakin Phatra Bank (KKP) reported a net profit of Bt670m, decreasing substantially by 53% yoy and 48% qoq. The results are significantly below our and consensus' expectations by 46% and 38%, respectively. The significant yoy and qoq decrease in the bank's 4Q23 results can be largely attributed to losses on the sale of foreclosed assets and a weakening non-II. KKP had set an additional provision for one specific loan customer in 4Q23. We are more cautious and concerned about the high credit cost and slow growth outlook. We downgrade to HOLD with a lower target price of Bt50.00.
- KTB: Negative results surprise, more concerns on asset quality outlook.** Krungthai Bank (KTB) reported a 4Q23 net profit of Bt6.1b, down 25% yoy and 41% qoq. The results are significantly below our and consensus' estimates by 34% and 36%, respectively. This negative surprise was due to a 74% yoy and 60% qoq surge in provision expenses. The bank set aside a provision expense for one corporate client and related companies as it expects a possibility of credit deterioration. Apart from cushioning, written-off bad debts spiked to Bt11.1b. We are more concerned on KTB's asset quality. We downgrade to HOLD with a lower target price of Bt20.00.
- SCB: Results surprise from lower-than-expected provision expenses.** SCB X (SCB) reported a 4Q23 net profit of Bt11b, up 54% yoy and 14% qoq. The results are above both our and market expectations by 21%. The key earnings surprise was provision expenses declining 24% qoq. Management revealed that the credit card issues have been resolved and stabilised. SCB remains prudent and will be prioritising good asset quality through selective growth in 2024.
- TISCO: No exciting growth ahead.** TISCO Financial Group (TISCO) reported a net profit of Bt1,782m, down 1% yoy and 5% qoq. TISCO has set aside provision expenses of around Bt278m (+90% qoq), resulting in a credit cost of 48bp. Management reiterated the normalisation of LLC ratio to pre-COVID-19 levels.
- TTB: Decent results; sets aside special provision to buffer against uncertainties.** TMB Thanachart Bank (TTB) announced a decent 4Q23 net profit of Bt4.9b, up 27% yoy and 3% qoq. The results exceeded both our and consensus' estimates by 9%. Despite TTB setting aside special provisions to cushion against future uncertainties, the bank still reported a positive earnings surprise due to a tax benefit from its subsidiary company.

4Q23 RESULTS ACTUAL VS FORECAST

	4Q23 Net profit (Btm)			Actual vs Forecast	
	Actual	UOBKH	Consensus	UOBKH	Consensus
BBL	8,863	9,302	10,880	In-line	Below
KBANK	9,388	9,822	10,325	In-line	Below
KKP	670	1,229	1,077	Below	Below
KTB	6,111	9,301	9,530	Below	Below
SCB	10,995	9,057	9,077	Above	Above
TISCO	1,782	1,915	1,854	Below	In-line
TTB	4,866	4,449	4,461	Above	Above
Total	42,674	45,075	47,204	Below	Below

Source: Bloomberg, UOB Kay Hian

NEW NPL FORMATION

	3Q23	4Q23	chg (bp) qoq
BBL	193	(261)	(453)
KBANK	80	234	154
KKP	159	(16)	(176)
KTB	84	204	120
SCB	221	282	61
TISCO	161	192	31
TTB	138	137	(2)
Average	145	108	(37)

Source: Respective companies, UOB Kay Hian

CREDIT COST TARGET

	2023 Target	2023 Actual	2024 Target
BBL	-100 bp	125 bp	N/A
KBANK	175 - 200 bp	208 bp	N/A
KKP*	260 - 280 bp	301 bp	250 - 270 bp
KTB	-170%**	181.2%**	N/A
SCB	120 - 140 bp	182 bp	160 - 180 bp
TISCO	N/A	30 bp	N/A
TTB	125 - 135 bp	128*** / 164	125 - 135 bp

Source: Respective companies, UOB Kay Hian,

*Include loss from sale of repossession cars.

**Coverage Ratio

***Normal provision, excluding special provision

LOAN EXPOSURE IN 4Q23

	Corporate	SME	Retail	Others
BBL*	44%	19%	12%	25%
KBANK*	36%	30%	28%	7%
KKP	14%	8%	67%	11%
KTB	29%	11%	45%	15%
SCB	35%	17%	48%	N/A
TISCO	25%	6%	67%	2%
TTB	29%	8%	63%	N/A

Source: Respective companies, UOB Kay Hian,

*Data in 3Q23, 4Q23 data wait for announcement.

CURRENT PRICE VS PRE-PANDEMIC



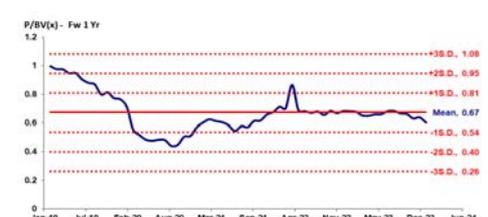
Source: Bloomberg, UOB Kay Hian

BANKING PERFORMANCE YTD 2024



Source: Bloomberg, UOB Kay Hian

SECTOR P/B BAND



Source: UOB Kay Hian

SECTOR PE BAND

4Q23 RESULTS WRAP-UP

	4Q23	3Q23	4Q22	qoq (%)	yoy (%)	2023	2022	yoy (%)
Net profit (Btm)								
BBL	8,863	11,350	7,569	(21.9)	17.1	41,636	29,306	42.1
KBANK	9,388	11,282	3,191	(16.8)	194.2	42,405	35,769	18.6
KKP	670	1,281	1,430	(47.7)	(53.2)	5,443	7,602	(28.4)
KTB	6,111	10,282	8,109	(40.6)	(24.6)	36,616	33,698	8.7
SCB	10,995	9,663	7,143	13.8	53.9	43,521	37,695	15.5
TISCO	1,782	1,874	1,806	(5.0)	(1.4)	7,303	7,222	1.1
TTB	4,866	4,735	3,847	2.8	26.5	18,462	14,195	30.1
Total	42,674	50,467	33,096	(15.4)	28.9	195,386	165,487	18.1
Pre-provision operating profit (Btm)								
BBL	18,572	23,365	17,815	(20.5)	4.2	85,712	69,876	22.7
KBANK	26,387	27,294	28,358	(3.3)	(6.9)	107,685	98,505	9.3
KKP	2,371	3,163	3,851	(25.0)	(38.4)	12,869	14,526	(11.4)
KTB	21,845	22,155	18,956	(1.4)	15.2	87,309	70,620	23.6
SCB	23,026	24,854	17,403	(7.4)	32.3	99,323	84,695	17.3
TISCO	2,503	2,478	2,629	1.0	(4.8)	9,705	9,711	(0.1)
TTB	9,996	10,222	9,584	(2.2)	4.3	39,682	35,900	10.5
Total	104,699	113,532	98,595	(7.8)	6.2	442,284	383,834	15.2
Total loans (Btb)								
BBL	2,696	2,734	2,693	(1.4)	0.1	2,696	2,693	0.1
KBANK	2,505	2,452	2,511	2.2	(0.2)	2,505	2,511	(0.2)
KKP	405	408	384	(0.5)	5.6	405	384	5.6
KTB	2,599	2,652	2,618	(2.0)	(0.7)	2,599	2,618	(0.7)
SCB	2,450	2,478	2,397	(1.1)	2.2	2,450	2,397	2.2
TISCO	235	232	219	1.3	7.2	235	219	7.2
TTB	1,337	1,371	1,384	(2.5)	(3.4)	1,337	1,384	(3.4)
Total	12,228	12,327	12,206	(0.8)	0.2	12,228	12,206	0.2
NIM (%)								
BBL	3.2	3.1	2.8	8bp	35bp	3.0	2.4	59bp
KBANK	4.0	4.0	3.8	3bp	21bp	3.7	3.4	32bp
KKP	4.4	4.4	4.8	4bp	-44bp	4.6	4.5	12bp
KTB	3.4	3.4	2.8	4bp	61bp	3.2	2.6	62bp
SCB	4.1	3.8	3.7	23bp	37bp	3.8	3.4	44bp
TISCO	5.2	5.2	5.2	-9bp	-2bp	5.0	5.0	-2bp
TTB	3.4	3.3	3.1	6bp	29bp	3.2	2.9	26bp
Average	4.0	3.9	3.8	6bp	20bp	3.8	3.5	33bp
Credit cost (bp)								
BBL	108	132	115	-24bp	-7bp	125	123	1bp
KBANK	219	208	365	11bp	-146bp	207	210	-3bp
KKP	141	165	220	-24bp	-79bp	154	144	10bp
KTB	199	124	115	75bp	84bp	142	92	50bp
SCB	151	199	119	-47bp	33bp	180	144	36bp
TISCO	48	25	70	22bp	-22bp	27	34	-7bp
TTB	276	127	138	149bp	138bp	163	133	30bp
Average	163	140	163	23bp	0bp	143	126	17bp

Source: Respective companies, UOB Kay Hian

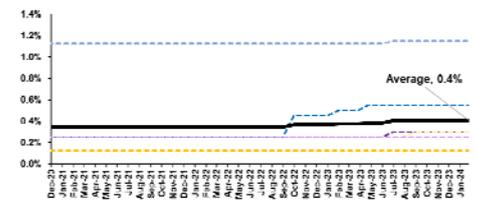
EARNINGS REVISION

- No earnings revision.



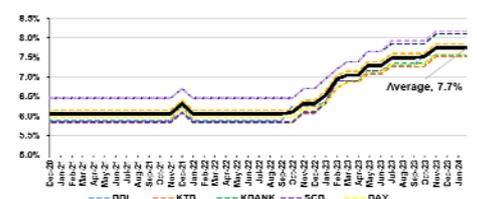
Source: UOB Kay Hian

DEPOSIT: SAVING INTEREST RATES



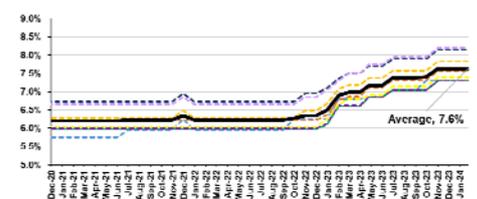
Source: BOT, UOB Kay Hian

MINIMUM OVERDRAFT RATES (MOR)



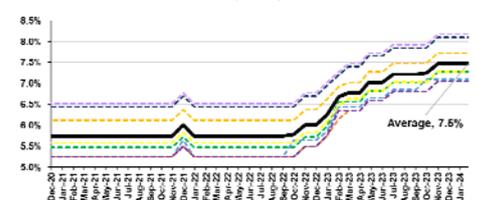
Source: BOT, UOB Kay Hian

MINIMUM RETAIL RATES (MRR)



Source: BOT, UOB Kay Hian

MINIMUM LOAN RATES (MLR)



Source: BOT, UOB Kay Hian

COMPANY RESULTS

Siam Cement (SCC TB)

4Q23: Lower-than-expected Earnings

SCC reported a loss of Bt1.6b, down qoq and yoy on impairment assets at a factory in Myanmar, with the CBM and SCGC businesses reporting a net loss on a slowdown in purchasing power and weak petrochemical spreads. However, we maintain our negative outlook on the petrochemical business as the large increase in new production capacity is a factor pressuring spreads. Maintain HOLD. Target price: Bt308.00.

4Q23 RESULTS

Year to 31 Dec	4Q22	3Q23	4Q23	% chg. yoy	% chg qoq	2022	2023	% chg. yoy
Revenue	122,189	125,649	120,582	-1%	-4%	569,609	499,646	-12%
EBITDA	4,670	10,126	7,238	55%	-29%	37,958	37,997	0%
EBT	-1,046	3,110	1,424	n.a.	-54%	24,263	21,135	-13%
Core Profit	1,070	2,321	502	-53%	-78%	23,270	14,895	-36%
Net Profit	157	2,441	-1,633	n.a.	n.a.	21,382	25,915	21%
EPS	0.13	2.03	-0.98			17.82	21.60	21%
Financial ratio (%)								
Gross Profit Margin	8.9%	8.9%	9.0%			7.4%	8.3%	
EBITDA Margin	8.2%	7.9%	8.3%			6.7%	7.6%	
SG&A Exp. / Sales	5.5%	6.5%	6.5%			5.9%	6.7%	

Source: Siam Cement, UOB Kay Hian

RESULTS

- Lower-than-expected 4Q23 net profit.** Siam Cement (SCC) reported 4Q23 net loss of Bt1.6b (vs. 3Q23 net profit of Bt2.4b and 4Q22 net profit of Bt157m) due to loss the from impairment of a cement factory in Myanmar at Bt1.6b (book value of cement factory in Myanmar after impairment will be Bt660m) However, this impairment asset was not included in our previous 4Q23 earnings estimates. Excluding these factors, SCC will have a core profit of Bt502m, lower than our and consensus expectations by 50% and 65% respectively, as a result of the cement building materials (CBM) performance being lower than expected due to weak cement demand.
- CBM business reported a net loss.** The CBM business reported a net loss of Bt1.1b (vs.3Q23 net loss of Bt176m and a 4Q22 net loss of Bt717m). CBM's EBITDA decreased 32% qoq as a result of domestic cement demand remaining weak from both the government sectors, including the household and private sectors. Additionally, EBITDA from other businesses in CBM decreased including for: a) SCG Smart Living which decreased by 13.2% qoq, b) SCG Distribution & Retail which dropped by 32.2% qoq, and c) SCG Décor (SCGD) which fell by 5% qoq as a result from weaker purchasing power domestically and within the region.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	569,609	499,646	534,296	556,505	579,638
EBITDA	50,544	52,754	67,562	60,027	70,227
Operating profit	21,083	23,013	28,354	29,461	40,015
Net profit (rep./act.)	21,382	25,915	23,169	19,720	24,142
Net profit (adj.)	23,270	14,895	23,169	19,720	24,142
EPS (Bt)	19.4	12.4	19.3	16.4	20.1
PE (x)	13.9	21.8	14.0	16.4	13.4
P/B (x)	0.9	0.9	0.8	0.8	0.8
EV/EBITDA (x)	10.9	10.5	8.2	9.2	7.9
Dividend yield (%)	3.0	2.2	2.4	2.6	2.6
Net margin (%)	3.8	5.2	4.3	3.5	4.2
Net debt/(cash) to equity (%)	75.0	65.8	47.5	43.1	33.1
Interest cover (x)	6.7	5.1	6.1	4.6	4.0
Consensus net profit	-	-	25,181	27,182	33,564
UOBKH/Consensus (x)	-	-	0.92	0.73	0.72

Source: Siam Cement, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt270.00
Target Price	Bt308.00
Upside	+14.1%

COMPANY DESCRIPTION

SCC operates as a holding company which is engaged in the industrial supplies and construction industries. The company operates six core businesses - chemical, paper, cement, building materials, distribution and investment.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	SCC TB
Shares issued (m):	1,200.0
Market cap (Btm):	365,495.0
Market cap (US\$m):	10,246.0
3-mth avg daily t'over (US\$m):	14.5

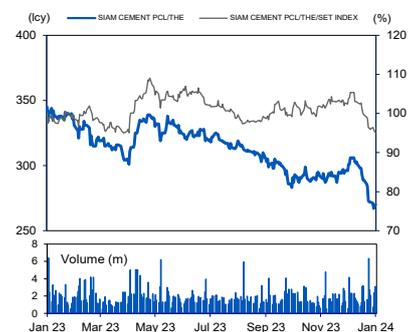
Price Performance (%)

52-week high/low	Bt345.00/Bt267.00				
1mth	3mth	6mth	1yr	YTD	
(8.8)	(4.6)	(15.4)	(22.4)	(11.8)	

Major Shareholders

	%
Maha Vajiralongkorn	33.3
Stock Exchange of Thailand	10.0
STATE STREET Corp	4.3
FY24 NAV/Share (Bt)	325.97
FY24 Net Debt/Share (Bt)	154.85

PRICE CHART



Source: Bloomberg

ANALYST(S)

Tanaporn Visaruthaphong

+662 659 8305

tanaporn@uobkayhian.co.th

Benjaphol Suthwanish

+662 659 8301

Benjaphol@uobkayhian.co.th

KEY STATISTICS

	4Q22	3Q23	4Q23	% qoq	% yoy	2022	2023	% yoy
Net Profit (Btm)								
Consolidated SCG	157	2,441	-1,134	n.a.	n.a.	21,382	25,915	21%
Cement-Building Materials Business	-717	-176	-1,124	n.a.	n.a.	3,789	13,413	254%
Chemical Business	-1,052	1,052	-2,560	n.a.	n.a.	5,901	589	-90%
Packaging Business	450	1,325	1,218	-8%	171%	5,801	5,248	-10%
Others	1,672	676	1,728	156%	3%	8,796	8,337	-5%
EBITDA Margin (%)								
Cement-Building Materials Business	5%	7%	5%			9%	8%	
Chemical Business (SCGC)	-3%	5%	1%			3%	4%	
Packaging Business (SCGP)	11%	13%	14%			13%	14%	

Source: Siam Cement, UOB Kay Hian

- Petrochemical spreads remained weak.** The chemicals business (SCGC) reported a net loss of Bt2.6b (vs a 3Q23 net profit of Bt1.1b and a 4Q22 net loss of Bt1.1b) resulting from: a) the recognition of stock losses of Bt499m in line with lower Naphtha prices, b) spreads of high density polyethylene (HDPE), polypropylene (PP) and polyvinyl chloride (PVC) decreasing by 7.8% qoq, 6.2% qoq and 17% qoq respectively, and c) sales dropping by 23% qoq as a result of the planned shutdown of the Rayong Olefins Plant (ROC).
- Packaging business reported positive operating results.** SCG Packaging (SCGP) reported 4Q23 net profit of Bt1.2b, down 8% qoq but up 171% yoy, in line with our expectation but 13% lower than consensus forecast. 4Q23 net profit decreased qoq as a result of: a) increased production costs, particularly recycled paper (RCP) and coal costs, and b) ASP decreasing both qoq and yoy, causing the EBITDA of the integrated packaging business (IPB) to fall qoq, while the fibrous business (FB) benefitted from higher sales and ASP. However, these gains in the FB segment were insufficient to offset the adverse impact from the declining performance of the IPB business.
- SCC reported increased net profit for 2023.** SCC's reported net profit for 2023 at Bt25.9b, up 21% yoy, excluding extraordinary items, especially extra profits from fair value adjustments in SCG Logistic, totalling Bt14.8b. SCC will have a core profit of Bt14.9b, down 38% yoy as a result of profits from SCGC tumbling 90% yoy.

STOCK IMPACT

- Projected earnings for 2024 has downside.** We estimate 2024 net profit at Bt23.2b, down 10.6% yoy and below consensus expectation of 8%. However, net profit estimate in 2024 still has downside from a negative outlook in the petrochemical business in 2024. Negative factors include slow demand growth, coupled with new production capacity of PE and PP that gradually began in 2023 and will operate at full capacity in 2024, including new PP plants that will gradually begin production in 2024, an increase of 6.2m tons. We maintain our negative view on margin spread. We are still cautious on the petrochemical business.

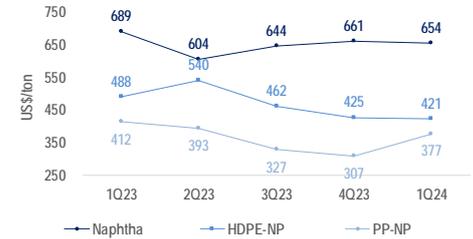
EARNINGS REVISION/RISK

- None.** SCC announced dividend payment for 2H23 based on its operating results with a rate of Bt3.5/share (ex-dividend date: 4 April. and dividend payment: 23 April). For 2023, SCC will pay a total dividend of Bt6.00/share. Looking ahead to 2024, we expect SCC will pay dividends at a rate of Bt6.50/share.

VALUATION/RECOMMENDATION

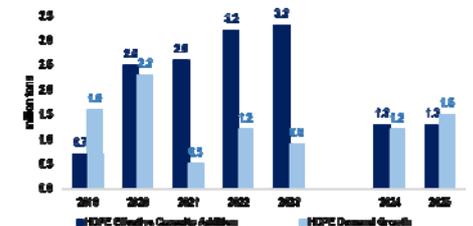
- Maintain HOLD with an SOTP-based target price of Bt308.00.** SCGP's target price of Bt308.00 is based on regional forward PE at -1.0SD of 28.3x. We value the chemicals business based on -1.0SD PE of 0.6x and the cement business based on forward PE of 12x. We still have a negative outlook on the petrochemical business.

MARKET INFORMATION



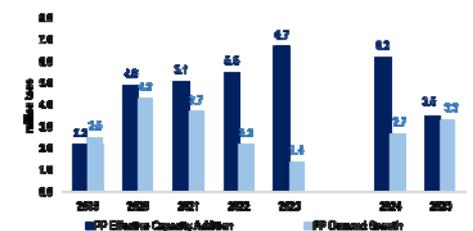
Source: Siam Cement and UOB Kay Hian

HDPE CAPACITY ADDITIONAL VS. DEMAND GROWTH



Source: Siam Cement and UOB Kay Hian

PP CAPACITY ADDITIONAL VS. DEMAND GROWTH



Source: Siam Cement and UOB Kay Hian

SOTP-BASED VALUATION

	Equity Value	Bt/share	Methodology
Chemical	267,671	223	0.6x PBV
Cement	160,008	133	12.0x PE
Packaging	163,134	136	28.3x PE
Others	15,073	13	12.0x PE
Net Debt	-236,286	-197	
Total	369,600	308	

Source: Siam Cement and UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	499,646	534,296	556,505	579,638
EBITDA	52,754	67,562	60,027	70,227
Deprec. & amort.	29,740	39,207	30,567	30,211
EBIT	23,013	28,354	29,461	40,015
Associate contributions	8,419	9,177	10,553	11,081
Net interest income/(expense)	(10,297)	(11,038)	(13,108)	(17,400)
Pre-tax profit	32,155	26,492	26,906	33,696
Tax	(8,045)	(3,974)	(4,036)	(5,054)
Minorities	1,805	650	(3,150)	(4,500)
Net profit	25,915	23,169	19,720	24,142
Net profit (adj.)	14,895	23,169	19,720	24,142

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	44,008	53,069	50,196	70,797
Pre-tax profit	32,155	26,492	26,906	33,696
Tax	(8,045)	(3,974)	(4,036)	(5,054)
Deprec. & amort.	29,740	39,207	30,567	30,211
Working capital changes	4,095	(8,656)	(3,241)	11,944
Other operating cashflows	(13,937)	0	0	0
Investing	(10,631)	10,716	(26,610)	(26,657)
Investments	(67,969)	(25,500)	(25,500)	(25,500)
Others	57,338	36,216	(1,110)	(1,157)
Financing	(46,586)	(70,948)	(37,726)	(36,528)
Dividend payments	(8,089)	(7,200)	(10,426)	(8,874)
Issue of shares	0	0	0	0
Proceeds from borrowings	(38,497)	(63,748)	(27,300)	(27,654)
Net cash inflow (outflow)	(13,209)	(7,162)	(14,140)	7,612
Beginning cash & cash equivalent	57,530	43,602	36,440	22,299
Changes due to forex impact	(719)	0	0	0
Ending cash & cash equivalent	43,602	36,440	22,299	29,911

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	424,344	410,637	405,570	400,858
Other LT assets	252,042	215,045	217,266	219,580
Cash/ST investment	43,602	36,440	22,299	29,911
Other current assets	173,613	171,361	187,470	169,079
Total assets	893,601	833,483	832,605	819,429
ST debt	68,334	27,300	27,654	27,631
Other current liabilities	133,911	127,589	140,457	134,010
LT debt	222,264	194,964	167,309	139,679
Other LT liabilities	27,495	26,715	27,825	28,982
Shareholders' equity	375,195	391,164	400,458	415,726
Total liabilities & equity	893,601	833,483	832,605	819,429

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	10.6	12.6	10.8	12.1
Pre-tax margin	6.4	5.0	4.8	5.8
Net margin	5.2	4.3	3.5	4.2
Net profit (adj.)	(36.0)	55.5	(14.9)	22.4
Leverage				
Debt to total capital	39.7	32.7	29.3	25.5
Debt to equity	77.5	56.8	48.7	40.2
Net debt/(cash) to equity	65.8	47.5	43.1	33.1
Interest cover (x)	5.1	6.1	4.6	4.0

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