

SCG Packaging (SCGP TB)

New M&A Boosts SCGP's Indonesian Business

Highlights

- We are positive on SCGP's newly announced M&A, given its strong synergy with SCGP's packaging operations in Indonesia, particularly Fajar. The transaction is expected to be finalised within 4Q25.
- 4Q25 net profit is expected to recover both qoq and yoy.
- SCGP remains one of our top picks. Maintain BUY. Target price is Bt26.00.

Analysis

- The tone at SCG Packaging's (SCGP) analyst meeting was positive.
- Update on M&A. SCGP announced the signing of a conditional share purchase agreement (CSPA) to acquire a 100% stake in PT Prokemas Adhikari Kreasi (MYPAK). Under the transaction, two SCGP subsidiaries: a) TCG Solutions Pte. Ltd. (TCGS), 70%-owned by SCGP, and b) Siam Kraft Industry Co., Ltd. (SKIC), a wholly owned subsidiary, will acquire 60% and 40% stakes in MYPAK, respectively. Upon completion, SCGP's direct and indirect ownership in MYPAK will total 82%. The deal is expected to be finalised by 4Q25.
- MYPAK has synergy with SCGP's business in Indonesia. MYPAK is a fibre packaging manufacturer in Indonesia with an annual production capacity of 144,000 tonnes, serving customers mainly in the food, beverage, and consumer goods sectors. MYPAK currently operates with a single-digit EBITDA margin. We deem this acquisition as synergistic with SCGP's operations in Indonesia, as it supports Fajar's anticipated domestic sales growth. SCGP expects this deal to expand its market share in Indonesia from 7% to 10%, and enhance value chain integration for its packaging paper business from 18% to 26%.
- 4Q25 net profit expected to improve qoq and yoy. Positive factors include: a) seasonal increases in ASPs and sales, particularly during the peak season in Thailand, Vietnam, and Indonesia, and b) lower production and energy costs, supported by a qoq decline in recycled paper (RCP) prices and sustained low coal prices. As a result, we expect SCGP to sustain strong profitability in 4Q25.

Key Financials

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	129,398	132,784	149,671	161,941	174,897
EBITDA	17,689	16,338	18,834	20,667	20,367
Operating profit	8,483	7,079	7,702	9,659	10,580
Net profit (rep./act.)	5,248	3,699	3,903	5,243	5,529
Net profit (adj.)	5,169	3,910	3,903	5,243	5,529
EPS	1.20	0.91	0.91	1.22	1.29
PE	15.78	20.86	20.90	15.56	14.75
P/B	1.31	1.28	1.25	1.20	1.14
EV/EBITDA	5.24	6.30	5.45	4.94	4.78
Dividend yield	2.89	2.89	2.89	2.89	2.89
Net margin	4.06	2.79	2.61	3.24	3.16
Net debt/(cash) to equity	17.76	33.47	32.47	30.14	22.09
Interest cover	8.76	6.73	6.37	6.30	5.28
Consensus net profit	n.a.	n.a.	3,750	4,485	5,177
UOBKH/Consensus (x)	n.a.	n.a.	1.0	1.2	1.1

Source: Bloomberg, SCGP, UOB Kay Hian

BUY (Maintained)

Share Price	Bt18.30
Target Price	Bt26.00
Upside	42.08%

Analyst(s)

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Stock Data

GICS Sector	Industrials / Packaging
Bloomberg ticker	n.a
Shares issued (m)	4,292.9
Market cap (Btm)	80,277.6
Market cap (US\$m)	2,479.2
3-mth avg daily t'over (US\$m)	8.9

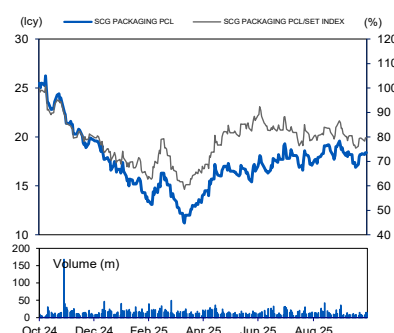
Price Performance (%)

52-week high/low			CurrBt26.75/Bt10.70	
1mth	3mth	6mth	1yr	YTD
6.2	7.5	46.1	(38.2)	(4.6)

Major Shareholders

	%
SCC	72.12%
Tunladawan Company Limited	1.92%
Social Security Office	1.81%

Price Chart



Source: Bloomberg

Company Description

SCGP is a holding company and an integrated packaging solutions provider which is organised into three main businesses: integrated packaging, fibrous, and recycling.

3Q25 Results

Year to 31 Dec (Btm)	3Q24	2Q25	3Q25	%yoy	%qoq	9M24	9M25	%yoy
Revenue	33,370	31,557	30,438	-9%	-4%	101,553	94,204	-7%
Gross profit	5,184	5,737	5,470	6%	-5%	18,106	17,005	-6%
EBITDA	3,367	3,895	3,971	18%	2%	12,534	11,999	-4%
Interest expenses	628	654	544	-13%	-17%	1,762	1,843	5%
EBT	657	1,370	1,422	116%	4%	4,703	4,169	-11%
Core Profit	677	993	998	47%	1%	3,843	2,907	-24%
Net Income	578	1,010	953	65%	-6%	3,757	2,863	-24%
EPS	0.13	0.24	0.22	65%	-6%	0.88	0.67	-24%
Financial ratio (%)								
Gross Profit Margin	15.5%	18.2%	18.0%			17.8%	18.1%	
EBITDA Margin	10.1%	12.3%	13.0%			12.3%	12.7%	
Net profit margin	1.7%	3.2%	3.1%			3.7%	3.0%	

Source: SCGP, UOB Kay Hian

- **3Q25 net profit in line with our expectation.** SCGP reported a net profit of Bt953m for 3Q25, down 6% qoq but up 65% yoy, in line with our expectation and 6% above consensus forecast. The qoq decline in net profit was mainly driven by a 1% decrease in ASP due to seasonality as well as additional supply in Indonesia. However, this was partially offset by: a) a 3.8% yoy increase in total sales volume following the consolidation of Duy Tan in Vietnam, b) lower costs from reduced RCP and coal prices supporting profitability, as reflected by a strong EBITDA margin of 14% in 3Q25 (vs 12.3% in 2Q25) and c) lower interest expenses qoq, as Fajar's debt restructuring led to a Bt110m reduction in total interest costs in 3Q25, exceeding our expectation of Bt80m.
- **9M25 net profit expected to account for 73% of 2025 estimate.** 9M25 net profit will be Bt2.9b, down 24% yoy, accounting for 73% of our 2025 full-year net profit estimate of Bt3.9b, up 5.5% yoy.
- **Fajar's interest expenses are expected to decline significantly in 4Q25.** Following the completion of Fajar's debt restructuring in mid-Jul 25, interest expenses are expected to decrease by Bt500m per year. In addition, SCGP's interest expenses are expected to decline by Bt180m in 2H25.

Valuation/Recommendation

- **Maintain BUY with a 2026 target price of Bt26.00**, based on regional forward PE at -1SD of 23.1x. In the oil & gas sector, we prefer PTT Oil and Retail (OR TB/BUY/Target: Bt21.00) SCG Packaging (SCGP TB/BUY/Target: Bt26.00) and Indorama Ventures (IVL TB/BUY/Target: Bt27.00).

Earnings Revision/Risk

- None.

Environment, Social, Governance (ESG) Updates

Environmental

- **Sustainable packaging solutions:** SCGP focuses on developing eco-friendly packaging solutions to minimise environmental impact. This includes using recyclable materials and reducing packaging waste. **Energy efficiency:** The company implements energy-efficient practices in its manufacturing processes and facilities to reduce carbon emissions and energy consumption.

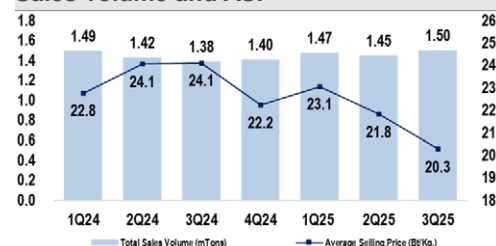
Social

- **Employee welfare:** SCGP invests in staff wellbeing and development of its employees through training programmes, safety initiatives, and fostering of a positive workplace culture.

Governance

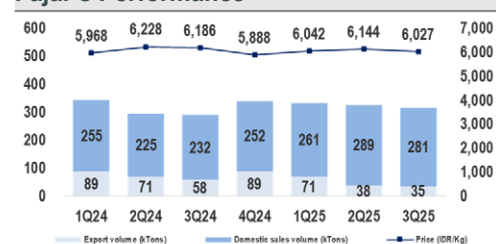
- **Board oversight:** The Board of Directors provides governance oversight, with committees focusing on audit, risk management and sustainability. **Compliance and ethics:** SCGP adheres to legal and regulatory requirements in all jurisdictions where it operates, promoting a culture of integrity and ethical behaviour.

Sales volume and ASP



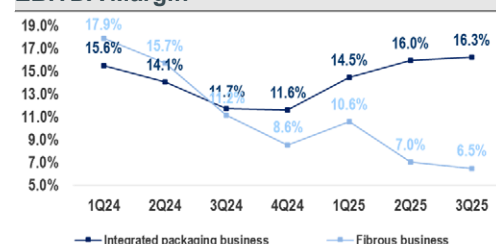
Source: SCGP, UOB Kay Hian

Fajar's Performance



Source: SCGP, UOB Kay Hian

EBITDA Margin



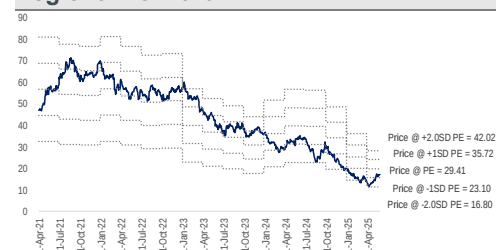
Source: SCGP, UOB Kay Hian

New M&A in Indonesia



Source: SCGP, UOB Kay Hian

Regional Forward PE



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	132,784	149,671	161,941	174,897
EBITDA	16,338	18,834	20,667	20,367
Deprec. & amort.	9,259	11,132	11,008	9,787
EBIT	7,079	7,702	9,659	10,580
Associate contributions	113	50	50	51
Net interest income/(expense)	(2,429)	(2,958)	(3,281)	(3,854)
Pre-tax profit	4,552	4,794	6,428	6,777
Tax	4,552	4,794	6,428	6,777
Minorities	(825)	(863)	(1,157)	(1,220)
Net profit	(28)	(28)	(28)	(28)
Net profit (adj.)	3,699	3,903	5,243	5,529

Balance Sheet

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	91,014	81,638	72,387	64,356
Other LT assets	39,840	44,907	48,589	52,476
Cash/ST investment	35,834	30,495	29,849	33,300
Other current assets	443	499	540	584
Total assets	188,580	180,508	174,769	174,643
ST debt	7,140	2,000	2,000	2,000
Other current liabilities	9,292	10,474	11,333	12,239
LT debt	26,443	24,443	22,443	20,443
Other LT liabilities	36,690	35,993	34,941	33,942
Shareholders' equity	63,647	65,189	68,070	71,238
Total liabilities & equity	188,580	180,508	174,770	174,645

Cash Flow

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	13,754	14,941	17,504	16,780
Pre-tax profit	4,552	4,794	6,428	6,777
Tax	(825)	(863)	(1,157)	(1,220)
Deprec. & amort.	9,259	11,132	11,008	9,787
Working capital changes	(517)	(122)	1,225	1,436
Other operating cashflows	1,285	0	0	0
Investing	(510)	(5,521)	(4,492)	(4,643)
Investments	(1,768)	(1,757)	(1,757)	(1,756)
Others	1,257	(3,764)	(2,735)	(2,887)
Financing	(13,181)	(13,994)	(14,361)	(9,361)
Dividend payments	(2,361)	(2,361)	(2,361)	(2,361)
Issue of shares	(10,820)	(11,633)	(12,000)	(7,000)
Proceeds from borrowings	62	(4,573)	(1,349)	2,776
Net cash inflow (outflow)	9,889	9,849	5,276	3,927
Beginning cash & cash equivalent	(102)	0	0	0
Changes due to forex impact	9,849	5,276	3,927	6,702
Ending cash & cash equivalent	13,754	14,941	17,504	16,780

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	13.67	12.30	12.58	12.76
Pre-tax margin	5.09	3.43	3.20	3.97
Net margin	4.06	2.79	2.61	3.24
ROA	1.96	2.16	3.00	3.17
ROE	5.81	5.99	7.70	7.76
Growth				
Turnover	2.62	12.72	8.20	8.00
EBITDA	(7.64)	15.28	9.73	(1.45)
Pre-tax profit	(30.84)	5.30	34.09	5.44
Net profit	(29.52)	5.50	34.33	5.46
Net profit (adj.)	(24.35)	(0.19)	34.33	5.46
EPS	(24.35)	(0.19)	34.33	5.46
Leverage				
Debt to total capital	27.60	35.24	27.30	24.50
Debt to equity	45.25	52.76	40.56	35.91
Net debt/(cash) to equity	17.76	33.47	32.47	30.14
Interest cover (x)	8.76	6.73	6.37	6.30

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