# SCG Packaging (SCGP TB)

## Strong 2Q26 Earnings Expected

## Highlights

- We expect a strong 2Q26 net profit of Bt2.06b, up both qoq and yoy, driven by a robust operating performance and Fajar's return to profitability.
- We revised up our 2026-27 earnings forecasts, reflecting stronger earnings quality and a better-than-expected margin improvement.
- Maintain BUY. Target price: Bt39.00 (previously Bt31.00).

| | |
|---|---|
| **BUY** (Maintained) | |
| Share Price | Bt29.25 |
| Target Price | Bt39.00 |
| Upside | +33.33% |
| Previous TP | Bt31.00 |

**Analyst(s)**
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### 2Q26 Results Preview

| Year to 31 Dec (Btm) | 2Q25 | 1Q26 | 2Q26F | %Chg yoy | %Chg qoq | 6M25 | 6M26F | %Chg yoy |
|---|---|---|---|---|---|---|---|---|
| Revenue | 31,557 | 29,295 | 32,157 | 2% | 10% | 63,766 | 61,452 | -4% |
| EBITDA | 3,895 | 4,383 | 4,921 | 26% | 12% | 8,028 | 9,304 | 16% |
| Interest expenses | 654 | 482 | 462 | -29% | -4% | 1,299 | 944 | -27% |
| Core Profit | 993 | 1,494 | 2,059 | 107% | 38% | 1,909 | 3,553 | 86% |
| Net Income | 1,010 | 1,569 | 2,059 | 104% | 31% | 1,910 | 3,628 | 90% |
| EPS | 0.24 | 0.37 | 0.48 | 104% | 31% | 0.44 | 0.85 | 90% |
| Financial ratio (%) | | | | | | | | |
| Gross Profit Margin | 18.2% | 21.0% | 21.4% | | | 18.1% | 21.2% | |
| EBITDA Margin | 12.3% | 15.0% | 15.3% | | | 12.6% | 15.1% | |
| Net profit margin | 3.2% | 5.4% | 6.4% | | | 3.0% | 5.9% | |

*Source: SCGP, UOB Kay Hian*

## Analysis

- **Strong 2Q26 earnings expected.** We expect SCG Packaging's (SCGP) 2Q26 net profit to come in at Bt2.06b, up 31% qoq and 104% yoy, driven by three key factors.
  - First, selling prices continued to improve, with testliner prices rising 6% qoq, while short fibre and dissolving pulp prices increased 4% qoq and 9% qoq, respectively.
  - Second, we expect recycle paper (RCP) costs to remain broadly flat qoq at US$142/ton, primarily due to a 1-2-month lag effect, meaning the sharp increase in RCP prices during May and June has yet to be fully reflected in production costs.
  - Third, sales volume is expected to increase 6% both qoq and yoy, supported by stronger demand in Indonesia and Vietnam following the absence of extended holidays seen in 1Q26. Meanwhile, sales in Thailand are expected to remain broadly stable qoq, with no meaningful impact from the Songkran holiday.

### Key Financials

| Year to 31 Dec (Btm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 132,784 | 124,374 | 131,334 | 144,824 | 158,888 |
| EBITDA | 16,338 | 17,210 | 20,170 | 21,474 | 21,818 |
| Operating profit | 7,079 | 7,901 | 11,800 | 12,697 | 13,212 |
| Net profit (rep./act.) | 3,699 | 4,069 | 6,901 | 7,501 | 7,836 |
| Net profit (adj.) | 3,910 | 3,728 | 6,901 | 7,501 | 7,836 |
| EPS | 0.91 | 0.87 | 1.61 | 1.75 | 1.83 |
| PE | 31.56 | 33.10 | 17.89 | 16.45 | 15.75 |
| P/B | 1.94 | 1.89 | 1.77 | 1.67 | 1.59 |
| EV/EBITDA | 8.86 | 8.49 | 6.59 | 6.09 | 5.88 |
| Dividend yield | 1.91 | 2.09 | 2.78 | 3.13 | 3.13 |
| Net margin | 2.79 | 3.27 | 5.25 | 5.18 | 4.93 |
| Net debt/(cash) to equity | 33.47 | 34.61 | 13.56 | 9.88 | 6.31 |
| Interest cover | 6.73 | 7.33 | 10.00 | 10.49 | 10.58 |
| Consensus net profit | n.a. | n.a. | 5,624 | 6,050 | 6,730 |
| UOBKH/Consensus (x) | n.a. | n.a. | 1.23 | 1.24 | 1.16 |

*Source: Bloomberg, SCGP, UOB Kay Hian*

### 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 (%)

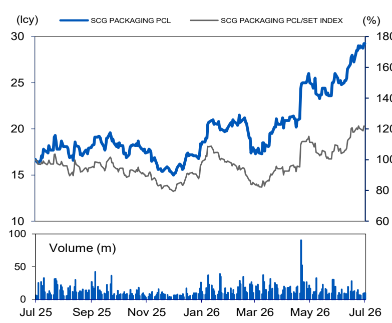
52-week high/low CurrBt10.70/21.90

| 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.

As a result, we expect SCGP's gross profit margin to improve to 21.4% in 2Q26 (vs 21.0% in 1Q26 and 18.2% in 2Q25), reflecting stronger pricing power and stable input costs. SCGP is scheduled to report its 2Q26 results on 21 July.

- **Fajar returns to profitability as planned.** We expect Fajar to post a 2Q26 net profit of Bt175m, reversing from a Bt40m net loss in 1Q26, in line with SCGP's turnaround strategy. The earnings recovery is expected to be driven by the following: a) A 7.6% qoq increase in selling prices in the Indonesian market. The continued price recovery reflects the narrowing discount to market prices, while pricing competition has eased significantly; and b) Sales volume is expected to increase 11.5% qoq, supported by the absence of the extended Hari Raya holidays that weighed on demand in 1Q26. In addition, Fajar continues to strengthen its competitive position by expanding its market share to approximately 33%, solidifying its status as the second-largest packaging producer in Indonesia and supporting a sustainable earnings recovery.
- **Reduced concerns over 2H26 earnings outlook; core profit expected to improve yoy.** We have become more constructive on SCGP's 2H26 earnings outlook, supported by the company's ongoing business model transformation. SCGP has increasingly shifted its focus toward the domestic market, reducing its reliance on exports to China, while also increasing the proportion of locally sourced RCP to 55-60%, enhancing cost efficiency and supply stability. Although 3Q26 earnings are likely to face near-term pressure from higher RCP costs, we believe SCGP is now able to pass through raw material cost inflation more quickly than in the past through timely selling price adjustments. As a result, we expect core profit in 2H26 to increase yoy, reflecting stronger pricing power and a more resilient earnings profile.

## Valuation/Recommendation

- **Maintain BUY with a higher target price of Bt39.00 (previously Bt31.00),** based on regional forward PE at -1SD of 24.3x (previous regional forward PE at -1SD of 25x).

## Earnings Revision/Risk

- **Raising 2026-27 core earnings forecasts.** We raise our 2026-27 core profit forecasts by 32% and 36%, respectively, reflecting higher EBITDA margin assumptions driven by SCGP's stronger cost control and Fajar's faster-than-expected turnaround.

  We now forecast 2026 core profits at Bt6.90b, up 85% yoy, supported by margin expansion and improving operating performance across key business segments. Our estimated 1H26 core profit accounts for approximately 53% of our full-year 2026 forecast, providing good earnings visibility for the remainder of the year. Looking ahead, we expect 2027 core profit to increase a further 9% yoy to Bt7.50b, underpinned by continued pricing discipline, operational efficiency improvements, and sustained recovery at Fajar.

## Environment, Social, Governance (ESG) Updates

### Environmental

- SCGP focuses on developing eco-friendly packaging solutions to minimise environmental impact. This includes using recyclable materials and reducing packaging waste.

### 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

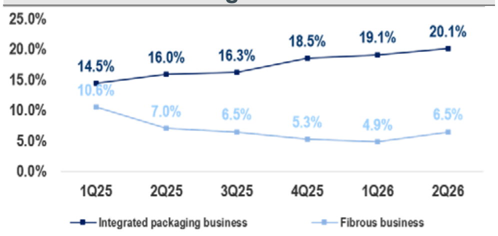
- **Board oversight.** The Board of Directors provides governance oversight, with committees focusing on audit, risk management and sustainability.

**Key Statistics**

| | 2Q25 | 1Q26 | 2Q26F | %Chg yoy | %Chg qoq |
|---|---|---|---|---|---|
| Sales Volume (m tonnes) | 1.45 | 1.46 | 1.54 | 6% | 6% |
| Testliner paper price: (US$/tonne) | 380 | 385 | 406 | 7% | 5% |
| AOCC price: (US$/tonne) | 174 | 148 | 168 | -3% | 14% |
| Dissolving pulp price (US$/tonne) | 849 | 810 | 880 | 4% | 9% |
| Short fiber price (US$/tonne) | 549 | 581 | 605 | 10% | 4% |
| Average selling Price (Bt/kg.) | 21.8 | 20.1 | 20.9 | -4% | 4% |
| Coal Price ($/ton) | 61.0 | 73.0 | 84.0 | 38% | 15% |

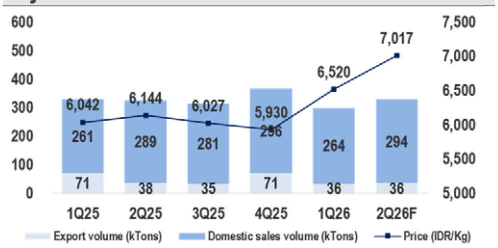
Source: SCGP

**SCGP: EBITDA Margin**



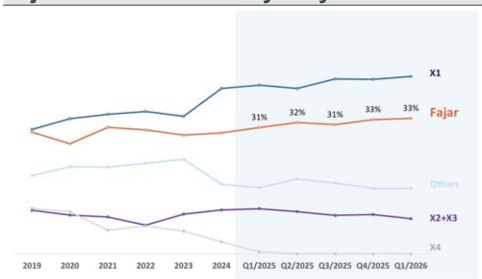

Source: SCGP

**Fajar Performance**



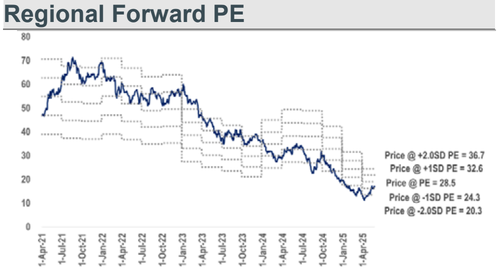

Source: SCGP

**Fajar's Market Share By Player**




Source: SCGP

**Regional Forward PE**




Source: Bloomberg

## Profit & Loss

| Year to 31 Dec (Btm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Net turnover | 124,374 | 131,334 | 144,824 | 158,888 |
| EBITDA | 17,210 | 20,170 | 21,474 | 21,818 |
| Deprec. & amort. | 9,309 | 8,370 | 8,777 | 8,606 |
| EBIT | 7,901 | 11,800 | 12,697 | 13,212 |
| Total other non-operating income | 101 | 50 | 51 | 52 |
| Associate contributions | (2,347) | (2,018) | (2,046) | (2,063) |
| Net interest income/(expense) | 5,996 | 9,833 | 10,702 | 11,202 |
| Pre-tax profit | 5,996 | 9,833 | 10,702 | 11,202 |
| Tax | (1,373) | (2,252) | (2,451) | (2,565) |
| Minorities | (553) | (680) | (750) | (800) |
| Net profit | 4,069 | 6,901 | 7,501 | 7,836 |
| Net profit (adj.) | 3,728 | 6,901 | 7,501 | 7,836 |

## Balance Sheet

| Year to 31 Dec (Btm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Fixed assets | 85,325 | 85,642 | 85,418 | 85,222 |
| Other LT assets | 38,062 | 40,192 | 44,320 | 48,624 |
| Cash/ST investment | 33,057 | 44,287 | 45,502 | 46,851 |
| Other current assets | 354 | 373 | 412 | 452 |
| Total assets | 176,531 | 190,264 | 196,296 | 202,671 |
| ST debt | 2,005 | 2,005 | 2,005 | 2,005 |
| Other current liabilities | 6,332 | 6,686 | 7,373 | 8,089 |
| LT debt | 31,512 | 29,507 | 27,501 | 25,496 |
| Other LT liabilities | 38,984 | 37,398 | 36,204 | 35,044 |
| Shareholders' equity | 65,340 | 69,665 | 73,716 | 77,802 |
| Total liabilities & equity | 176,532 | 190,266 | 196,299 | 202,675 |

## Cash Flow

| Year to 31 Dec (Btm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 15,538 | 15,783 | 18,931 | 19,581 |
| Pre-tax profit | 5,996 | 9,833 | 10,702 | 11,202 |
| Tax | (1,373) | (2,252) | (2,451) | (2,565) |
| Deprec. & amort. | 9,309 | 8,370 | 8,777 | 8,606 |
| Working capital changes | 1,041 | (1,481) | 455 | 750 |
| Other operating cashflows | 565 | 1,313 | 1,448 | 1,589 |
| Investing | (8,110) | (11,712) | (13,318) | (13,459) |
| Investments | (9,765) | (10,000) | (10,000) | (10,000) |
| Others | 1,655 | (1,712) | (3,318) | (3,459) |
| Financing | (10,240) | 7,031 | (5,456) | (5,756) |
| Dividend payments | (2,361) | (2,576) | (3,450) | (3,750) |
| Issue of shares | (7,879) | 9,607 | (2,005) | (2,005) |
| Proceeds from borrowings | (2,812) | 11,102 | 157 | 366 |
| Net cash inflow (outflow) | 9,849 | 6,464 | 17,566 | 17,723 |
| Beginning cash & cash equivalent | (573) | 0 | 0 | 0 |
| Changes due to forex impact | 6,464 | 17,566 | 17,723 | 18,089 |
| Ending cash & cash equivalent | 15,538 | 15,783 | 18,931 | 19,581 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 12.30 | 13.84 | 15.36 | 14.83 |
| Pre-tax margin | 3.43 | 4.82 | 7.49 | 7.39 |
| Net margin | 2.79 | 3.27 | 5.25 | 5.18 |
| ROA | 2.31 | 3.63 | 3.82 | 3.87 |
| ROE | 6.23 | 9.91 | 10.18 | 10.07 |
| Growth | | | | |
| Turnover | (6.33) | 5.60 | 10.27 | 9.71 |
| EBITDA | 5.34 | 17.20 | 6.46 | 1.60 |
| Pre-tax profit | 31.70 | 64.00 | 8.84 | 4.67 |
| Net profit | 10.01 | 69.57 | 8.70 | 4.47 |
| Net profit (adj.) | (4.65) | 85.09 | 8.70 | 4.47 |
| EPS | (4.65) | 85.09 | 8.70 | 4.47 |
| Leverage | | | | |
| Debt to total capital | 35.24 | 37.19 | 33.13 | 29.53 |
| Debt to equity | 52.76 | 51.30 | 45.23 | 40.03 |
| Net debt/(cash) to equity | 33.47 | 34.61 | 13.56 | 9.88 |
| Interest cover (x) | 6.73 | 7.33 | 10.00 | 10.49 |