SCG Packaging (SCGP TB)

Focus On Selling Price Increases To Mitigate Cost Pressures

Highlights

- Demand is expected to recover following the floods in Thailand and inventory build-up ahead of the New Year festive season in Thailand, Vietnam and Indonesia. Continued selling price increases should help mitigate the impact of higher production costs.
- SCGP reported a net profit of Bt2.03b, down 12% qoq but up 113% yoy, in line with both our and consensus estimates.
- Fajar continues to deliver strong earnings, supporting our unchanged 2026 forecast for SCGP to return to profitability for the first time in four years.
- Maintain BUY. Target price: Bt43.00.

Analysis

- **The tone at the meeting with SCG Packaging (SCGP) was positive.**
- **Demand recovery to support earnings, while higher costs remain a key risk.** We expect SCGP's 4Q26 earnings to benefit from recovering demand following the floods in Thailand, year-end consumption, and inventory restocking ahead of the New Year festive season. Demand should also be supported by preparations for Tet in Vietnam and Hari Raya in Indonesia, with these seasonal tailwinds extending into 1Q27. However, higher raw material costs, particularly recycled containerboard (RCP), and rising energy costs since 2Q26 are expected to limit earnings upside. We forecast 4Q26 net profit of Bt1.8b, down qoq but significantly higher yoy from Bt1.21b in 4Q25, supported by continued selling price increases throughout 2026 and greater use of locally sourced RCP and biomass to reduce production costs.
- **Fajar to sustain profitability.** We expect Fajar to remain profitable in 4Q26, supported by year-end festivities that stimulate demand for F&B packaging. Fajar will continue to focus on the domestic Indonesian market while exploring new regional markets with strong demand, particularly India and other South Asian markets. Cost-saving initiatives include sourcing RCP locally and improving energy management. Fajar is also studying upgrades to its duplex paper production machinery and pursuing mergers and partnerships with packaging box manufacturers to increase the integrated-chain contribution from Fajar and MYPAK to above 26%. These initiatives should strengthen competitiveness and support sustained margin expansion. Fajar recorded 9M26 net profit of Bt435m, reversing a net loss of Bt1.48b in 9M25. We therefore maintain our 2026 net profit forecast of Bt685m, vs a net loss of Bt2.26b in 2025, marking Fajar's return to profitability for the first time in four years.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	132,784	124,374	135,860	146,729	158,467
EBITDA	16,338	17,210	21,005	22,569	23,660
Operating profit	7,079	7,901	12,635	13,792	15,054
Net profit (rep./act.)	3,699	4,069	7,719	8,223	9,335
Net profit (adj.)	3,910	3,728	7,719	8,223	9,335
EPS (x)	0.91	0.87	1.80	1.92	2.17
PE (x)	33.21	34.83	16.82	15.79	13.91
P/B (x)	2.04	1.99	1.84	1.74	1.62
EV/EBITDA (x)	9.25	8.86	6.58	5.89	5.36
Dividend yield (%)	1.82	1.98	2.64	2.98	2.98
Net margin (%)	2.79	3.27	5.68	5.60	5.89
Net debt/(cash) to equity (%)	33.47	34.61	11.97	3.97	3.55
Consensus net profit	n.a.	n.a.	7,229	7,579	8,330
UOBKH/Consensus (x)	n.a.	n.a.	1.07	1.08	1.12

Source: SCGP, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Bt29.25
Target Price	Bt43.00
Upside	+47.01%

Stock Data

Sector	Industrials / Packaging
Bloomberg ticker	SCGP TB
Shares issued (m)	4,292.9
Market cap (Btm)	125,568
Market cap (US$m)	3,748
3-mth avg daily t'over (US$m)	8.9

Price Performance (%)

52-week high/low				Bt32.25 / Bt14.90
1mth	3mth	6mth	1yr	YTD
-0.01	0.00	41.3	59.0	71.1

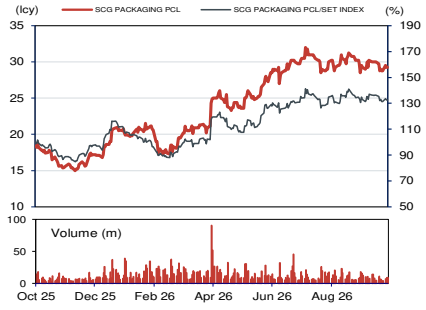
Major Shareholders (%)

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

Balance Sheet Metrics

FY26 NAV/Share (Bt)	Bt18.34
FY26 Net Debt/Share (Bt)	Bt15.73

Price Chart



Source: Bloomberg

Company Description

The company generates revenue from holding shares in other companies (holding company), operating core business as an integrated packaging solutions provider (The key subsidiary engaging in the core business is Siam Kraft Industry Co), which is organised into three main businesses: integrated packaging business, fibrous business, and recycling business.

- **Strong financial position.** SCGP's financial position remained solid at the end of 3Q26, with net debt to EBITDA improving to 2.4x from 3.4x at end-25. Its D/E ratio stood at 0.9x, while cash on hand amounted to Bt13.53b. SCGP has set its 2026 capex budget at Bt10b, of which Bt4.08b had been spent in 9M26.

3Q26 Results

Year to 31 Dec (Btm)	3Q25	2Q26	3Q26	%Chg yoy	%Chg qoq	9M25	9M26	%Chg yoy
Revenue	**30,438**	**32,454**	**32,576**	**7%**	**0%**	**94,204**	**94,326**	**0%**
EBITDA	3,971	5,659	4,969	25%	-12%	11,999	15,012	**25%**
Interest expenses	544	507	551	1%	9%	1,843	1,540	-16%
Core Profit	998	2,341	2,031	103%	-13%	2,907	5,867	**102%**
Net Income	**953**	**2,304**	**2,026**	**113%**	**-12%**	**2,863**	**5,899**	**106%**
EPS	**0.22**	**0.54**	**0.47**	**113%**	**-12%**	**0.67**	**1.37**	**106%**
Financial ratio (%)								
Gross Profit Margin	18.0%	23.7%	21.1%			18.1%	22.0%	
EBITDA Margin	13.0%	17.4%	15.3%			12.7%	15.9%	
Net profit margin	3.1%	7.1%	6.2%			3.0%	6.3%	

Source: SCGP, UOB Kay Hian

- **3Q26 net profit in line with expectations.** SCGP reported a 3Q26 net profit of Bt2.03b, down 12% qoq but up 113% yoy. Core profit was Bt1.95b, down 17% qoq but up 95% yoy. Key earnings drivers included a strong recovery in Indonesia's packaging paper business, continued growth in consumer goods sales in Vietnam, and cost-control initiatives through AI technology and greater biomass utilisation. Biomass accounted for 37% of total energy consumption, approaching SCGP's 2026 target of 40%. However, core profit declined qoq due to higher raw material and energy costs. 9M26 net profit accounted for 76% of our 2026 earnings forecast.
- Integrated packaging business: EBITDA fell 9.8% qoq due to higher RCP prices, but increased 23% yoy, supported by continued selling price adjustments and strong FMCG demand in Vietnam and Indonesia.
- Fibrous business: Revenue and EBITDA increased both qoq and yoy, driven by elevated dissolving pulp prices amid strong demand from the textile industry and Europe's food packaging sector.
- **Fajar continues to improve profitability in line with SCGP's guidance.** Fajar reported a 3Q26 net profit of Bt266m, up 34% qoq, vs a net loss of Bt780m in 3Q25. Earnings were supported by a 7% qoq increase in selling prices to align with regional market levels, as well as lower costs from a greater reliance on locally sourced RCP, which is cheaper than imported material. Domestic sales volume declined 4.2% qoq, representing 83% of total sales, partly due to product rationalisation. Nevertheless, overall demand in Indonesia remains robust.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt43.00,** based on the regional forward PE of 22.23x at -1SD. SCGP remains one of our top picks. We maintain MARKET WEIGHT on the oil and gas sector; we prefer Thai Oil (TOP TB/BUY/Target: Bt100.00) and SCG Packaging (SCGP TB/BUY/Target: Bt43.00).

Earnings Revision/Risk

- **Earnings revision:** None.

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

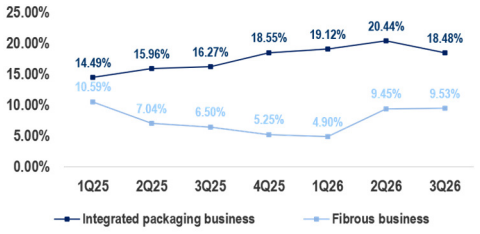
- **Board oversight.** The Board of Directors provides governance oversight, with committees focusing on audit, risk management and sustainability.

Key Statistics

	3Q25	2Q26	3Q26	%Chg yoy	%Chg qoq
Sales Volume (m tonnes)	1.44	1.51	1.47	2%	-3%
Testliner paper price: (US$/tonne)	373	406	410	10%	1%
AOCC price: (US$/tonne)	166	169	181	9%	7%
Dissolving pulp price (US$/tonne)	808	882	900	11%	2%
Short fibre price (US$/tonne)	502	604	573	14%	-5%
Average selling Price (Bt/kg.)	21.1	21.5	22.1	5%	3%
Coal Price (US$/tonne)	58.0	90.5	96.0	66%	6%

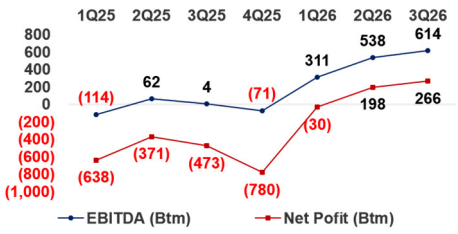
Source: SCGP

EBITDA Margin



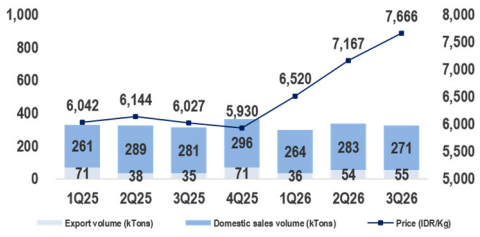
Source: SCGP

Fajar's Earnings Performance



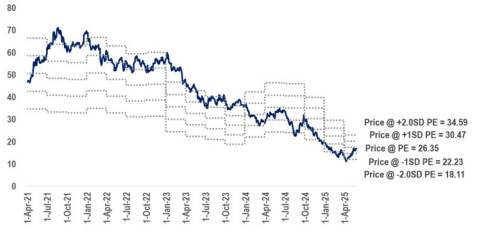
Source: SCGP

Fajar's ASP and Sales Volume



Source: SCGP

Regional Forward PE



Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	124,374	135,860	146,729	158,467
EBITDA	17,210	21,005	22,569	23,660
Deprec. & amort.	9,309	8,370	8,777	8,606
EBIT	7,901	12,635	13,792	15,054
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	10,667	11,797	13,044
Pre-tax profit	5,996	10,667	11,797	13,044
Tax	(1,373)	(2,133)	(2,359)	(2,609)
Minorities	(553)	(815)	(1,215)	(1,100)
Net profit	4,069	7,719	8,223	9,335
Net profit (adj.)	3,728	7,719	8,223	9,335

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	85,325	83,926	82,237	80,802
Other LT assets	38,062	41,577	44,903	48,496
Cash/ST investment	33,057	46,065	50,124	54,638
Other current assets	354	386	417	451
Total assets	176,531	191,706	197,862	205,005
ST debt	2,005	2,005	2,005	2,005
Other current liabilities	6,332	6,917	7,470	8,068
LT debt	31,512	29,507	27,501	25,496
Other LT liabilities	38,984	37,670	36,318	35,019
Shareholders' equity	65,340	70,483	74,847	80,071
Total liabilities & equity	176,532	191,708	197,865	205,009

Cash flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	15,538	17,908	22,000	22,905
Pre-tax profit	5,996	10,667	11,797	13,044
Tax	(1,373)	(2,133)	(2,359)	(2,609)
Deprec. & amort.	9,309	8,370	8,777	8,606
Working capital changes	1,041	(2,025)	873	1,034
Other operating cashflows	565	3,029	2,912	2,830
Investing	(8,110)	(12,825)	(12,673)	(12,887)
Investments	(9,765)	(10,000)	(10,000)	(10,000)
Others	1,655	(2,825)	(2,673)	(2,887)
Financing	(10,240)	7,031	(5,865)	(6,117)
Dividend payments	(2,361)	(2,576)	(3,859)	(4,111)
Proceeds from borrowings	(7,879)	9,607	(2,005)	(2,005)
Net cash inflow (outflow)	(2,812)	12,114	3,461	3,901
Beginning cash & cash equiv.	9,849	6,464	18,578	22,039
Changes due to forex impact	(573)	0	0	0
Ending cash & cash equiv.	6,464	18,578	22,039	25,940

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.30	13.84	15.46	15.38
Pre-tax margin	3.43	4.82	7.85	8.04
Net margin	2.79	3.27	5.68	5.60
ROA	2.31	4.03	4.16	4.55
ROE	6.23	10.95	10.99	11.66
Growth (% yoy)				
Turnover	(6.33)	9.24	8.00	8.00
EBITDA	5.34	22.05	7.45	4.83
Pre-tax profit	31.70	77.92	10.59	10.57
Net profit	10.01	89.68	6.53	13.53
Net profit (adj.)	(4.65)	107.03	6.53	13.53
EPS	(4.65)	107.03	6.53	13.53
Leverage				
Debt to total capital	35.24	37.19	32.80	29.03
Debt to equity	52.76	51.30	44.71	39.42
Net debt/(cash) to equity	33.47	34.61	11.97	3.97
Interest cover (x)	6.73	7.33	10.41	11.03

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