

Profit rebounds are sound and soon

- Rescue plan to turn around Fajar is sound and soon
- Net profit growth engines on cost cuts and demand recoveries
- Initiated with a BUY and a TP of THB22.7

Net profit growth roadmap is solid

We forecast net profit growth of 19% CAGR in 2024-27E, growing from THB3.7b in 2024 to THB4.7b in 2025E (+27% y-y), THB5.5b in 2026E (+17% y-y), and THB6.3b in 2027E (15% y-y). We project the demand recoveries in Vietnam and China to drive up revenue and EBITDA of SCGP's contributions from Vietnam and Indonesia (via higher export to China). The higher demand growths are likely to help boost net profits by THB0.5-THB1.5b in 2025E-27E, based on our estimates.

Fajar turnaround, demand rebounds, and cost down

We project net profit growth to turn into positive momentum in 2025E-27E, premised on 1) the piecemeal improvements in profitability of Fajar, from a breakeven turnaround within 2025 to a net profit by 4Q25; 2) improving demands in Vietnam and export market China; and 3) continued cost reduction from coal-to-biomass and higher locally-sourced RCP proportion in Indonesia, Thailand, and Vietnam.

Fajar's turnaround-to-growth visibility is under "rescue" plan

SCGP would gradually improve Fajar's profitability in 2025E-27E – turnarounds on EBITDA by mid-2025, net profit by end-2025, before growing in 2026E-27E. Key milestones on "rescue plan" are 1) THB0.6b interest expense reduction from capital increase to repay debts; 2) higher average selling price post price war and the selling price increase by the industry leader; and 3) lower cost structure by 5-10% from higher locally sourced RCP from 50-55% to 60-65% and increasing usage of biomass to partially replace coal for energy, estimated to save 2-3% of total cost.

Cost reductions underway

SCGP continues to exert its best effort to implement the cost reduction strategy to reduce the energy cost from coal-to-biomass fuel and increase the locally-sourced RCP proportion. On average, SCGP plans to increase its RCP consumption from locally sourced RCP, which is cheaper than the imported RCP by USD20-30/t, from 61% to 70-75% for Indonesia, Vietnam, Philippines, and Thailand, with Indonesia having the most upsides.

Initiated with a BUY and a TP of THB22.7

We initiated coverage on SCGP with a BUY and a TP of THB22.7, based on 2025E 7x EV/EBITDA. We think our 7x EV/EBITDA is reasonable, justified by 1) SCGP's improving net profit outlook on Fajar and demand recoveries in Vietnam, China, and Indonesia, and SCGP's cost reduction strategy that we think we position SCGP's earnings to be close to mid-cycle level.

Analyst

Suwat Sinsadok
suwat.s@globlex.co.th,
+662 687 7026

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

ESG Rating : AAA

CG Rating : ▲▲▲▲▲

BUY

Target Price 12M (THB) 22.70
VS. BB Consensus TP (%) +15.5%
Share Price (THB) 14.90
Upside/Downside +15.8%

Share Data

Market Cap (THB m)	63,964.51
Par (THB)	1.00
Free Float (%)	26.38
Issued shares (m shares)	4,293

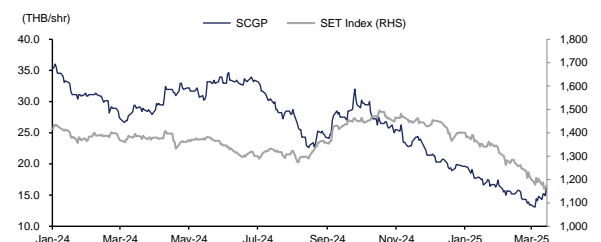
Financial forecast

YE Dec (THB m)	2024	2025E	2026E	2027E
Revenue	132,784	139,975	139,889	141,094
Net profit	3,699	4,689	5,495	6,301
Core net profit	3,876	4,689	5,495	6,301
vs Consensus (%)		14.8	9.0	14.5
Net profit growth (%)	(29.5)	26.8	17.2	14.7
Core net profit growth (%)	(24.7)	21.0	17.2	14.7
EPS (THB)	0.86	1.09	1.28	1.47
Core EPS (THB)	0.90	1.09	1.28	1.47
Chg from previous (%)		0.00	0.00	0.00
DPS (THB)	0.55	0.22	0.26	0.29
P/E (x)	22.75	13.64	11.64	10.15
P/BV (x)	1.10	0.79	0.75	0.71
ROE (%)	5.03	5.97	6.64	7.20
Dividend yield (%)	2.81	1.47	1.72	1.97

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(1.97)	(28.02)	(45.82)	(23.98)
Market	8.55	(11.13)	(33.45)	(8.21)
12M High/Low (THB)				32.25 / 12.90



Major Shareholders (%) as of 13 Feb 2025

The Siam Cement Public Company Limited	72.12
--	-------

Company Profile

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., Ltd.), which is organized into three main businesses: Integrated Packaging Business, Fibrous Business, and Recycling Business.

Source: SETSMART, SET

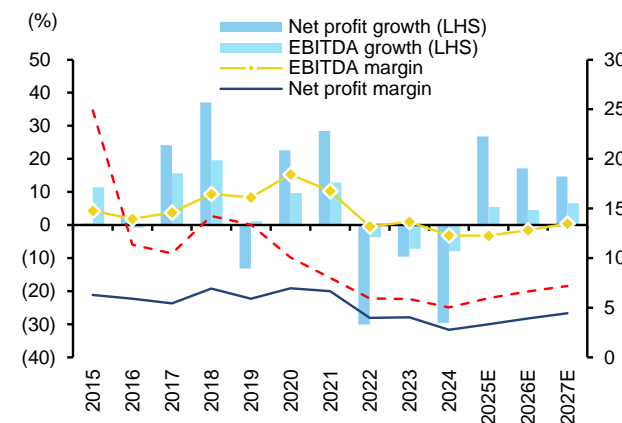
Profit rebounds are sound and soon

Fajar turnaround, demand rebounds, and cost down

SCGP's net profit has been structurally declined from its peak at THB8.3b in 2021 to THB3.7b in 2024, dragged down by the loss-making packaging paper producer Fajar in Indonesia (-THB1.0b), and weaker margins of packaging paper, and multiple one-time expenses related to the boiler shutdown for dissolving pulp plant (-THB100m) and the accounting cost adjustment for the Recycled Container Paper (RCP) at -THB260m, resulting in -THB52m net loss in 4Q24 mainly from an EBITDA loss of -THB102m from Fajar.

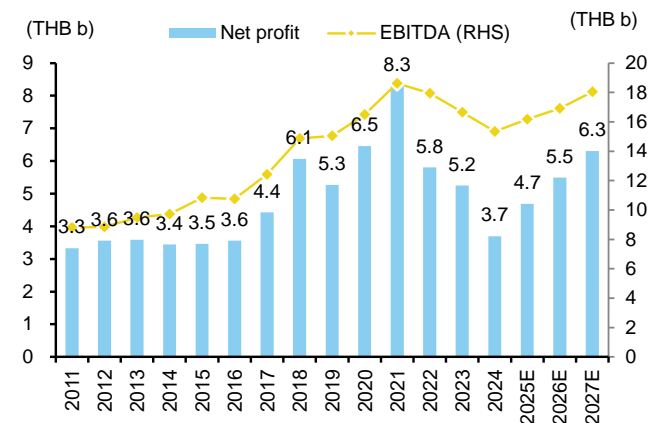
We project net profit growth to turn into positive momentum in 2025E-27E, premised on 1) the piecemeal improvements in profitability of Fajar, from a breakeven turnaround within 2025 to a net profit by 4Q25; 2) improving demands in Vietnam and export market China; and 3) continued cost reduction from coal-to-biomass and higher locally-sourced RCP proportion in Indonesia, Thailand, and Vietnam.

Exhibit 1: Growths and margins (net profit & EBITDA)



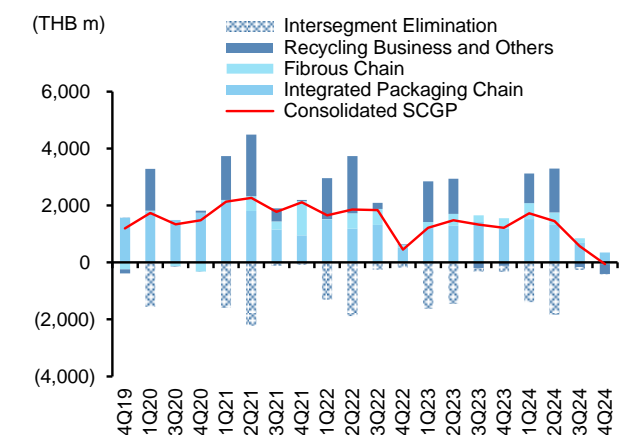
Sources: SCGP; Globlex Research

Exhibit 2: Net profit vs EBITDA



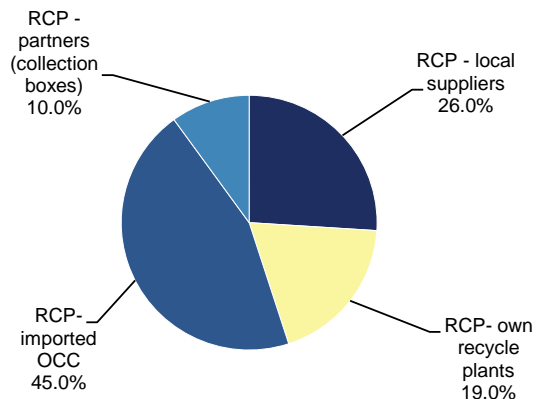
Sources: SCGP; Globlex Research

Exhibit 3: Quarterly net profit breakdown by segment



Sources: SCGP; Globlex Research

Exhibit 4: RCP raw material breakdown by sources



Sources: SCGP; Globlex Research

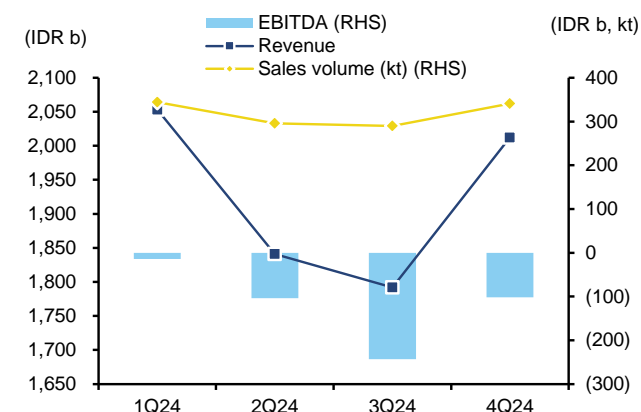
Fajar – from a pain point to a main staple growth

After SCGP's complete USD652.4m acquisition of additional 44.48% share in PT Fajar Surya Wisesa Tbk in 2024, bringing total stakes to 99.72%, SCGP has unfortunately needed to take additional loss from Fajar as competition in Indonesia's packaging paper has significantly intensifying in the past two years.

We project SCGP to gradually improve Fajar's profitability in 2025E-27E, starting with an EBITDA turnaround by mid-2025, net profit turnaround by end-2025, and before growing in 2026E-27E. Key milestones to watch for the progress of the "rescue plan" for Fajar include

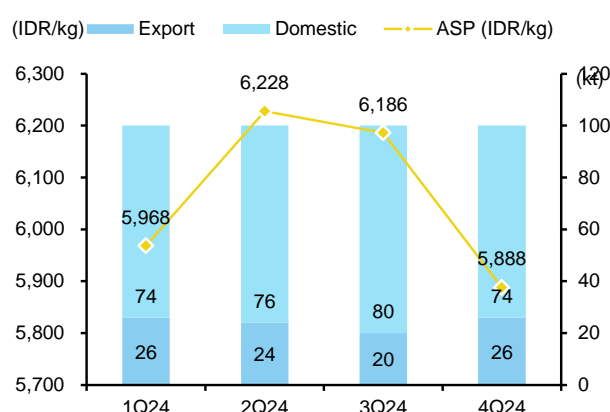
THB0.6b interest expense reduction from the capital increase to repay half of current debt outstanding of THB17b (-THB8b and 7% p.a. interest rate). Fajar plans to issue Right Offering (RO) of 1b new shares at IDR500 to be completed within 2025.

Exhibit 5: Fajar's financial performance



Sources: Fajar

Exhibit 6: Fajar's ASP and sales volume



Sources: Fajar

Higher average selling price. In the past one year, there was a price war among major competitors in Indonesia's packaging paper industry, led by PT Industri Pembungkus International (IPI), the largest producer. As a result, the selling price of packaging paper in domestic market had plunged from USD400/t to USD350/t, far lower than regional price of USD380/t and Thailand's USD450-USD500/t.

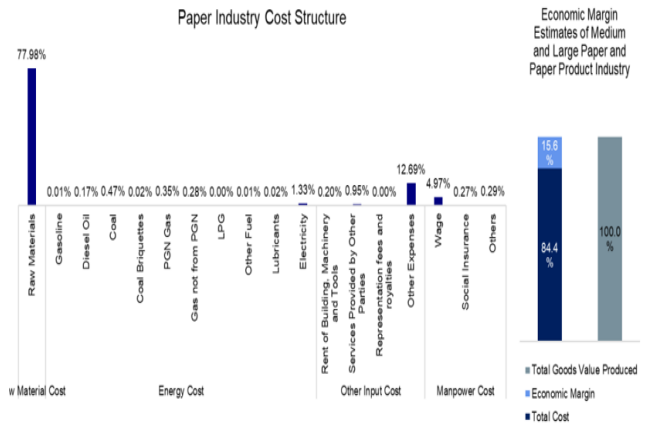
As of mid-March 2025, the selling price of packaging paper in Indonesia has already rebounded by 7-10% to USD380/t and likely rise further towards USD400/t given IPI is scheduled to complete its expansion plan and hence is now attempting to raise price at least to the breakeven level, which we estimate to be USD380/t.

Exhibit 7: Indonesia's packaging paper players

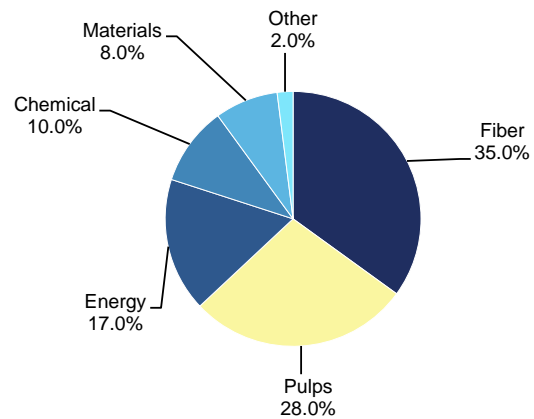
		Unit	
Number of companies (2023)	112	company	Pulp and paper
Capacity- pulp	11.45	mt	
Capacity- paper	20.65	mt	

Sources: International Trade Administration

Cost reduction by 5-10%. We expect Fajar to gradually cut its cost structure by 5-10% in the next 24 months, coming from 1) the increase in locally sourced RCP from 50-55% to 60-65%, estimated to save cost up to 1-2%; 2) increase usage of biomass to partially replace coal for energy, estimated to save 2-3% of total cost.

Exhibit 8: Indonesia's Paper Industry Cost Structure

Sources: Statistics Indonesia, Bloomberg; Permata Institute for Economic Research

Exhibit 9: Cost structure of Indonesia's packaging paper

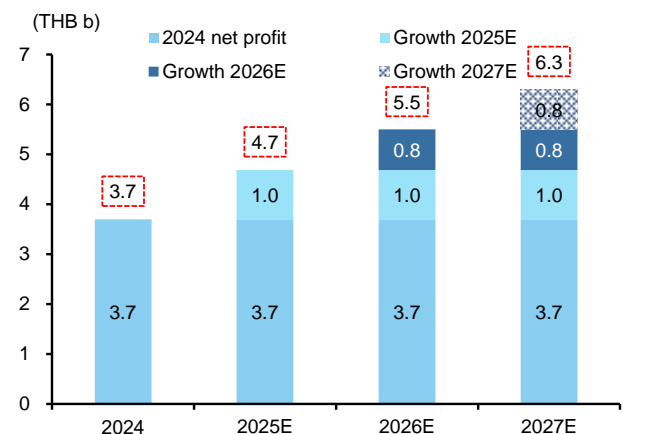
Sources: International Trade Administration

Net profit growth roadmap. We summarize our net profit growth of 19% CAGR in 2024-27E, growing from THB3.7b in 2024 to THB4.7b in 2025E (+27% y-y), THB5.5b in 2026E (+17% y-y), and THB6.3b in 2027E (15% y-y).

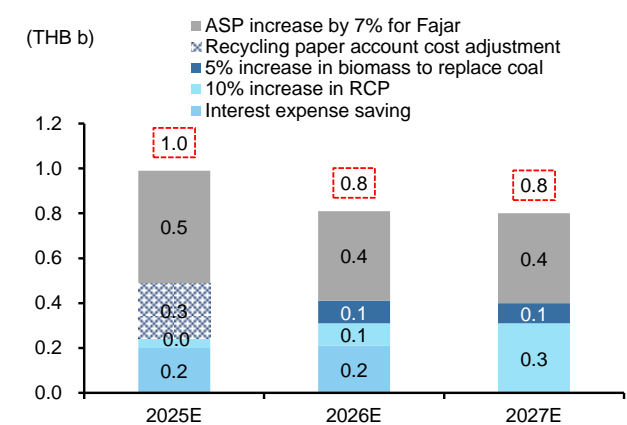
Exhibit 10: SCGP's growth driver analysis

	2024	2025E	2026E	2027E
Interest expense saving		0.2	0.2	0.0
10% increase in RCP		0.0	0.1	0.3
5% increase in biomass to replace coal		0.0	0.1	0.1
Recycling paper account cost adjustment		0.3	0.0	0.0
ASP increase by 7% for Fajar		0.5	0.4	0.4
Growth drivers		1.0	0.8	0.8
Net profit forecasts	3.7	4.7	5.5	6.3

Sources: SCGP; Globlex Research

Exhibit 11: Net profit and growth drivers

Sources: SCGP; Globlex Research

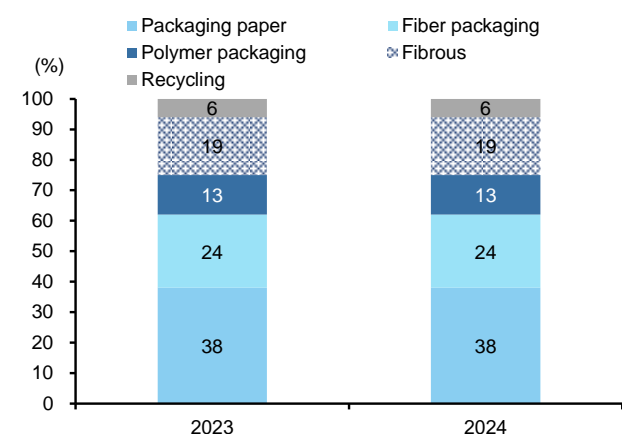
Exhibit 12: Growth drivers

Sources: SCGP; Globlex Research

Improving demands in Vietnam and China

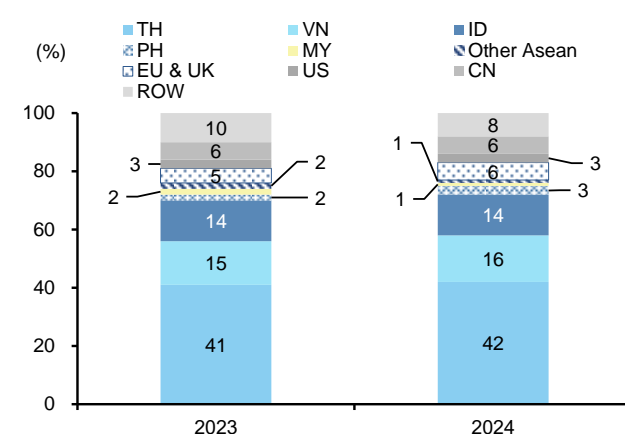
SCGP has seen weak demands for its overseas markets, including Vietnam, Indonesia, and China, the market that SCGP exports packaging paper from Indonesia to China. In 2024, Revenue generated from Vietnam and Indonesia markets account for 16% and 14% of SCGP's revenue, respectively but the net profit contributions will be much higher from Vietnam (>20%) than from Indonesia (loss) due to Fajar and the lower EBITDA margin in Indonesia and Vietnam markets.

Exhibit 13: Revenue by segment (%)



Sources: SCGP

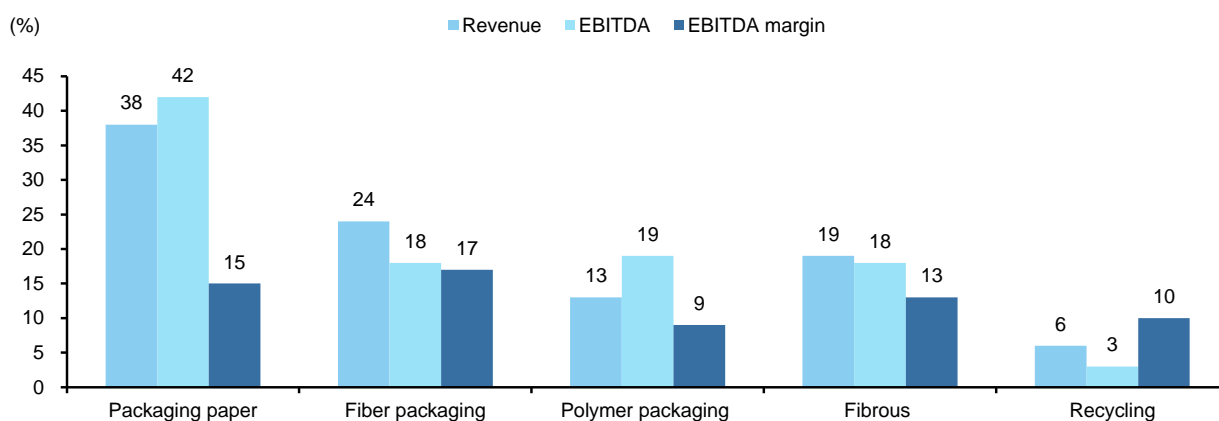
Exhibit 14: Revenue by region (%)



Sources: SCGP

We project the demand recoveries in Vietnam and China to drive up revenue and EBITDA of SCGP's contributions from Vietnam and Indonesia (via higher export to China). The higher demand growths are likely to help boost net profits by THB0.5-THB1.5b in 2025E-27E, based on our estimates.

Exhibit 15: Revenue, EBITDA, and EBITDA margin by segment

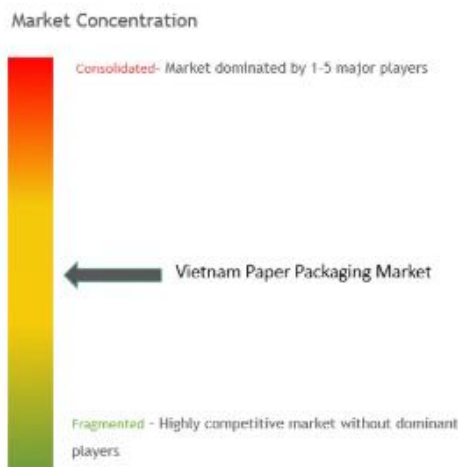


Sources: SCGP; Globlex Research

Vietnam packaging market – strong growth ahead

Vietnam's packaging paper industry is experiencing rapid growth, fueled by increasing domestic demand, expanding e-commerce, and rising foreign investment. The market is projected to continue its upward trajectory, driven by sustainability trends and the country's role as a key manufacturing hub in Southeast Asia. However, challenges such as raw material dependency, environmental concerns, and the need for technological advancements must be addressed to ensure long-term sustainability and competitiveness.

Exhibit 16: Vietnam's packaging industry market concentration



Sources: Mordor Intelligence

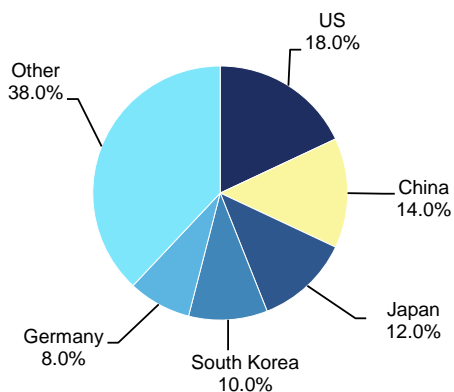
Exhibit 17: Vietnam paper packaging market leaders

- 1 Song Lam Trading & Packaging Production Co. Ltd
- 2 Oji Interpack Vietnam Co. Ltd
- 3 Minh Viet Packaging One Member Co. Ltd (Dongwon Systems)
- 4 SCG Vietnam Co. Ltd (SCG Packaging)
- 5 Khang Thanh Co. Ltd.

Sources: Mordor Intelligence

Vietnam's packaging paper market has experienced significant expansion over the past decade. In 2024, the market was valued at approximately USD2.6b and is projected to reach USD4.14b by 2029, growing at a compound annual growth rate (CAGR) of 9.73%. This growth is largely fueled by the increasing demand for sustainable packaging materials and Vietnam's emergence as a major exporter of paper-based packaging products. The primary export products include carton boxes, kraft paper, paper bags, and paper boxes, which are highly sought after in international markets.

Exhibit 18: Vietnam's packaging export markets



Sources: Research Institute of Pulp and Paper Industry

Exhibit 19: Major players in Vietnam's packaging industry



Sources: Mordor Intelligence

US remains the largest importer of Vietnamese packaging paper, with a turnover of USD0.4b in 2024. Other major export destinations include China, Japan, South Korea and Germany. The steady demand from these markets underscores Vietnam's growing prominence in the global packaging industry.

Exhibit 20: Foreign players in Vietnam's packaging industry

Company Name	Establishment	Website	Main business activities	Key Investment in Vietnam
Kraft of Asia - Investment from Marubeni Corporation (Japan)	2018	https://kraftofasia.com/	Manufacture containerboard paper	Expanding production capacity to 400,000 tons/year, sourcing 450,000 tons of scrap paper annually
Tetra Pak (Sweden/Switzerland)	2008	https://www.tetrapak.com/en-vn/	Manufacture food& beverages packaging	Expanding eco-friendly packaging production in Binh Duong province with €217 million total investment, €97 million added in 2024
Vina Kraft Paper - Investment from SCG Packaging Plc (Thailand)	2009	https://vn.scgpackaging.com/	Manufacture various types of packaging products	Investing 352.9 million USD to build a factory in Vinh Phuc with a capacity of 370,000 tons/year, going into operation in 2024

Sources: Research Institute of Pulp and Paper Industry

Key Growth Drivers of the Vietnam Packaging Paper Market

Vietnam's packaging paper market is expanding rapidly, supported by various economic and industrial factors. The increasing demand for sustainable packaging, the rapid growth of e-commerce, and the country's emergence as a major manufacturing hub are driving the market forward.

E-Commerce Expansion. Vietnam's e-commerce sector has witnessed exponential growth in recent years, significantly impacting the demand for packaging materials. Between 2020 and 2024, the industry grew by 16–30% annually. In 2024, the Gross Merchandise Value (GMV) from the top major e-commerce platforms reached approximately USD12.6b, a 37.3% rise from 2023.

The booming e-commerce industry has led to increased demand for sturdy, lightweight, and cost-effective packaging materials. Paper-based packaging solutions, particularly corrugated boxes and paper bags are preferred due to their recyclability and eco-friendly nature. As more Vietnamese consumers shift to online shopping, the demand for high-quality packaging paper is expected to grow further.

Sustainability Trends and Regulations. The global shift toward sustainability has influenced Vietnam's packaging paper industry to adopt eco-friendly practices. With stricter regulations on plastic usage, many companies are seeking sustainable alternatives, such as biodegradable and recyclable paper packaging.

The Vietnamese government has introduced several policies to promote sustainable packaging solutions and curb plastic waste. Among them, Decree No. 08/2022/NĐ-CP sets a clear roadmap for restricting the production and import of single-use plastics, non-biodegradable packaging, and microplastic-containing products. Under this regulation, beginning 1 January, 2026, Vietnam will ban the production and import of non-biodegradable plastic bags smaller than 50cm x 50cm. Furthermore, from January 1, 2031, a complete nationwide ban will take effect on the production and import of single-use plastics, non-biodegradable plastic packaging, and products containing microplastics.

Growth in Manufacturing and Retail Sectors. Vietnam has positioned itself as a key manufacturing hub in Southeast Asia, attracting multinational companies in sectors such as electronics, textiles, and consumer goods. These industries require high-quality packaging materials for their products, leading to increased demand for paper-based solutions.

Cost reduction via higher RCP

SCGP continues to exert its best effort to implement the cost reduction strategy to reduce the energy cost from coal-to-biomass fuel and increase the locally-sourced RCP proportion in Indonesia, Thailand, and Vietnam.

On average, SCGP currently procures 61% of its RCP consumption from locally sourced RCP, which is cheaper than the imported RCP by USD20-30/t. SCGP plans to increase the local RCP by 5-10% pts for Indonesia, Vietnam, Philippines, and Thailand, with Indonesia having the most upsides due to its currently low portion of 50%.

For Indonesia packaging paper plants under Fajar's 1.8mt, SCGP plans to raise the consumption of biomass fuel to replace coal by 5-10% in 2025E-26E, likely leading to cost saving of 2-3%, based on our estimate.

Exhibit 21: SCGP's capacity vs RCP consumption by country

	Thailand	Indonesia	Vietnam	Philippines	Total
% locally sourced RCP	60	55	50	100	61
Capacity					
Packaging paper (mt)	1.85	1.80	0.50	0.45	4.60
% total	40	39	11	10	100
Fiber packaging (containerboard) (mt)	0.92	0.28	0.26		1.46
Integration level (%)	49	16	52		32

Sources: SCGP; Globlex Research

Indonesia's packaging paper industry landscape

The market for corrugated paper products in Indonesia is currently fragmented, featuring both international companies and local suppliers. According to CRI, prominent local players include Asia Pulp & Paper (APP), Industri Pembungkus Internasional Pt, and PT. Fajar Surya Wisesa Tbk (Fajar Paper), alongside foreign entities like Rengo Co. Ltd, which operate as JVs or foreign investments.

Exhibit 22: Key players in Indonesia's packaging paper industry

Key players in Indonesia's paper packaging

PT Industri Pembungkus International

PT Fajar Surya Wisesa Tbk

PT Metaform (Kompas Gramedia)

AR Packaging Group

Rengo

Asia Pulp & Paper

PT Babrik Kertas Indonesia (PT Pakerin)

International Paper

SIG Group AG

Teguh Group

PT Pura Barutama

Sources: International Trade Administration

Exhibit 23: Five largest players in Indonesia's packaging paper industry

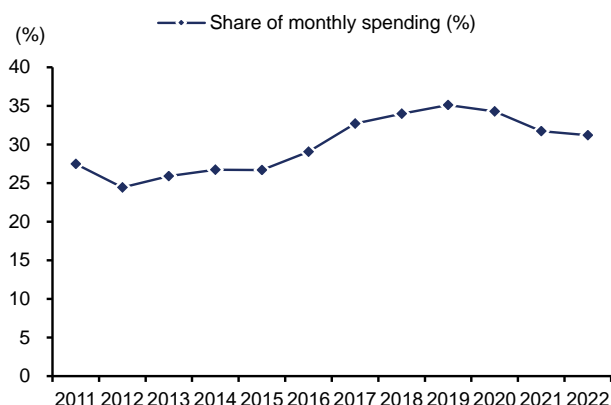


Sources: International Trade Administration

With a growing population and expanding manufacturing and logistics industries, the corrugated packaging sector in Indonesia is poised for continued growth. According to CRI estimates, the market size for Indonesia's corrugated packaging is expected to reach USD3.41b by 2033E, with a CAGR of 9.4% in 2024-2033E.

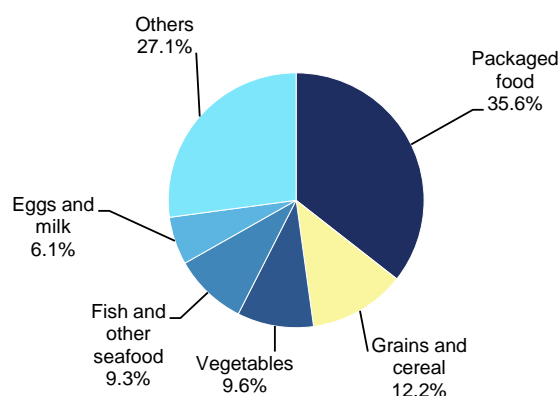
The development of e-commerce and food delivery in Indonesia have become some of the main drivers for paper packaging consumption. According to Google, Temasek, and Bain's e-Economy SEA 2023 report, Indonesian e-commerce Gross Merchandise Value (GMV) is estimated to reach USD62b, or grow 7% from 2022. The GMV for transport and food services in 2023, valued at USD7b, contracted - 8 % after reaching USD8b in 2022.

Exhibit 24: Share of Indonesian's monthly spending for packaged food



Sources: International Trade Administration

Exhibit 25: Share of monthly household consumption for food in Indonesia, 2022, in %, by category



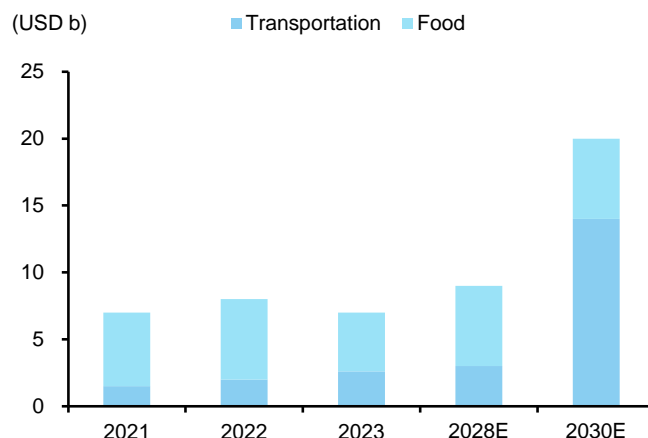
Sources: International Trade Administration

Nevertheless, the GDP of restaurant activities in 2025 is projected to grow by 9.43%, higher than 8.23% in 2024, signaling that restaurant activities are still accelerating. Moving forward, both e-commerce and food delivery services are predicted to continue growing significantly, in line with the digitalization trend in Indonesia. In 2025, the GMV of e-commerce is projected to be USD82b, while transport and food service reached USD9b, which could spur demand for paper packaging.

Exhibit 26: Indonesia's packaged food by products

Type of packaged food	Retail sales value (USD m)
Rice	8,275
Cooking ingredients and meals	4,258
Dairy	4,199
Noodles	3,029
Baby food	2,880
Baked goods	2,399
Biscuit, snack and fruit snacks	1,980

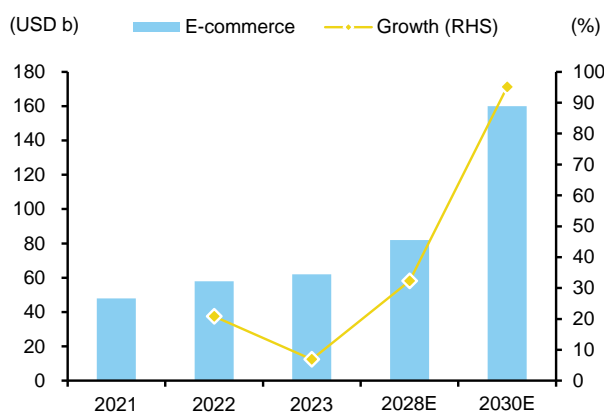
Sources: Statista

Exhibit 27: Indonesia paper packaging by industry

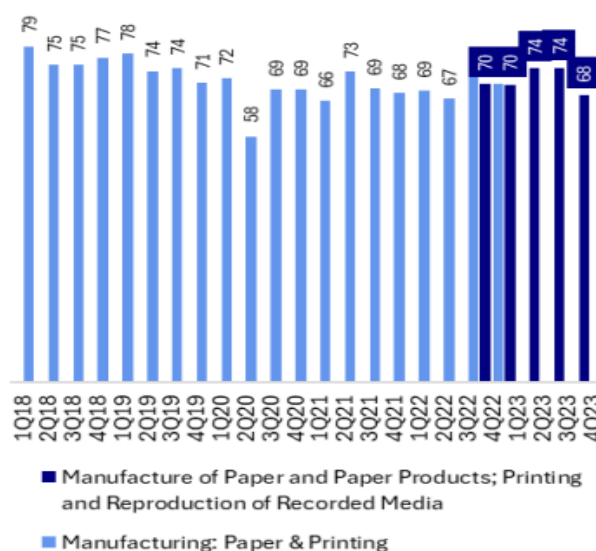
Sources: Permata Bank

Increased Urbanization and eCommerce Growth: Indonesia's urbanization rate stands at 57.27% in 2024, contributing to the rapid expansion of the eCommerce industry. According to World Bank data, Indonesia's internet penetration rate is at 76% as of 2024, supporting online shopping growth.

This eCommerce boom has directly increased the demand for paper packaging due to its convenience, recyclability, and compatibility with consumer preferences for eco-friendly solutions. The rise in logistics and packaging for online deliveries has bolstered the paper packaging market across various sectors, from consumer goods to electronics.

Exhibit 28: Indonesia's e-commerce market and growth

Sources: Permata Bank

Exhibit 29: Capacity utilization rate (%)

Sources: Bank Indonesia, Permata Institute for Economic Research

Export markets also provide further opportunities for Indonesia's paper and paper products to grow, as Indonesia's paper exports are still below its potential level. According to Intracen, Indonesian paper product export still has the potential to increase in many countries, including China, US, India, and Vietnam.

Currently, Indonesia has successfully expanded its export market share for Pulp over the last 20 years, from 3.6% in 2022 to 6.3% in 2024. On the other hand, Indonesian paper products' share has remained relatively stagnant as China's dominance in the global paper products market increased. Nevertheless, as Indonesia's export value is still below its potential level, the opportunity for Indonesian paper products export to increase remains open.

Exhibit 30: Indonesia's export markets for packaging paper



Sources: Trademap

Dominant regions in Indonesia's paper packaging market include Java and Sumatra, with Java accounting for a substantial share due to its dense population, high industrialization, and strong presence of manufacturing sectors. These regions have established eCommerce and retail sectors, which significantly contribute to the demand for paper packaging. Moreover, Java houses several key manufacturers and industrial hubs, giving it an edge in production and distribution. Sumatra, on the other hand, benefits from its strategic location and growing industrial base.

Rising Environmental Regulations: Indonesia's stringent environmental regulations have been instrumental in driving the demand for paper packaging. The Ministry of Environment and Forestry has implemented waste reduction goals targeting 30% waste reduction by 2029, pushing businesses towards eco-friendly alternatives like paper packaging.

The 2023 enforcement of bans on certain single-use plastics in regions like Bali has spurred an increase in demand for paper alternatives. These regulations are reinforced by international agreements such as the Basel Convention, which limits the transboundary movement of hazardous wastes, further promoting sustainable packaging solutions.

Shift from Plastic to Paper Packaging: The shift from plastic to paper packaging is largely driven by sustainability initiatives, especially in Indonesia, where the government is actively promoting a reduction in plastic waste. In 2024, Indonesia is projected to generate 67mt of solid waste annually, of which plastic contributes significantly. As part of the country's National Plastic Action Plan, there is a 70% reduction target for ocean plastic leakage by 2025. This has motivated industries to switch to paper packaging to meet sustainability goals, particularly in sectors like FMCG and retail.

Market Challenges

Price Volatility of Raw Materials: The cost of pulp, a critical raw material for paper packaging, remains volatile due to fluctuating global supply chains and demand. In 2024, Indonesia faced a 12% increase in pulp prices due to global shortages and rising transportation costs. The pulp and paper industry in Indonesia is highly susceptible to such price changes, leading to inconsistent production costs for manufacturers. Additionally, Indonesia's dependence on imported raw materials adds to the volatility, impacting the pricing structure across the entire paper packaging supply chain.

High Production Costs Compared to Plastic: While paper packaging is environmentally friendly, its production costs are generally higher than plastic. In 2024, it was reported that the cost of producing paper packaging materials in Indonesia is approximately 15-20% higher than traditional plastic due to energy and resource-intensive processes involved in paper manufacturing. This price disparity is a challenge for businesses attempting to adopt paper packaging solutions, particularly in highly competitive industries where cost efficiency is critical.

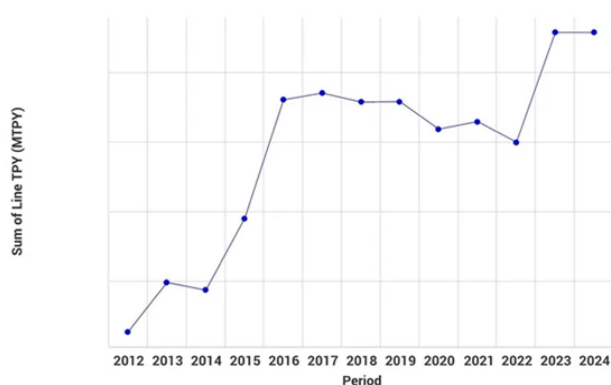
The implementation of Extended Producer Responsibility (EPR) in Indonesia has significantly impacted the paper packaging market. The EPR regulations, enforced since 2021, hold producers accountable for the end-of-life management of their packaging materials. In 2024, companies producing consumer goods were required to implement measures to ensure that at least 30% of their packaging was recyclable or biodegradable. This regulation is driving the adoption of paper packaging as businesses seek to meet EPR compliance requirements and reduce their environmental impact.

Capacity

Indonesia's pulp and paper capacity growth experienced a CAGR of 1.83% from 2014-2021 and currently has 115 operating sites. While these numbers don't necessarily compare to those of China, the United States or India, they still play an impactful role in the interconnected global structure of the P&P industry. As a dynamic market, it's important to understand the current state of Indonesia's P&P industry and the factors that are shaping its future.

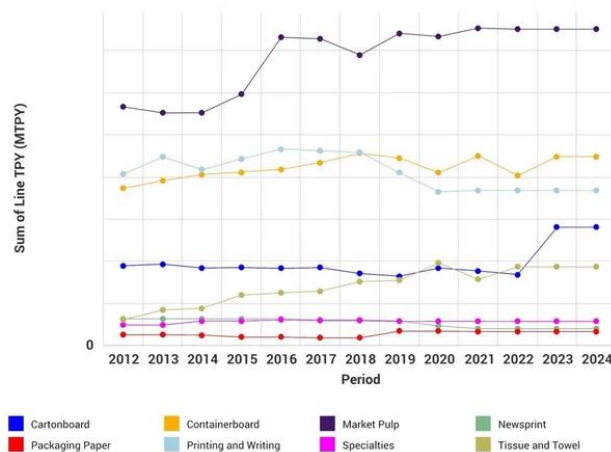
When looking at Indonesia's capacity trend over the last several years, it's interesting to note the significant increase in capacity that occurred from 2014-2016 before it began to gradually decrease from 2017-present. In fact, Indonesia is expected to end 2022 with the lowest capacity since 2015. However, according to our data from FisherSolve, production capacity is then expected to redirect its growth in 2023 with an anticipated 8% increase.

Exhibit 31: Indonesia's packaging paper capacity trend



Sources: FisherSolve

Exhibit 32: Indonesia's packaging capacity trend



Sources: FisherSolve

When we break this down by major grades, there is a trend we haven't typically seen when analyzing major grade capacity in various regions: market pulp is the clear-cut leading grade produced in Indonesia compared to the others. Within the last few years, we are used to seeing containerboard as the leading grade – however, at the end of 2022, there will be an expected 86% difference between market pulp capacity and containerboard capacity in Indonesia.

Similar to 2022, the top three leading grades in 2023 and 2024 in this region will consist of market pulp, containerboard, and printing and writing. Although, cartonboard is expected to see a significant increase in production in 2023, moving closer to the three aforementioned grades – a trend that will be crucial to keep an eye on. Most of the other grades are not expected to move as much over the next two years.

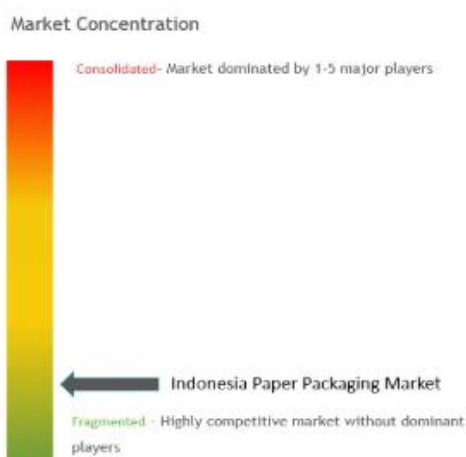
The Downfall of PT Kertas Kraft Aceh

One notable case is the bankruptcy of PT Kertas Kraft Aceh (Persero), a state-owned paper company. Established under Government Regulation No. 31/1982, the company ceased operations following a bankruptcy filing on January 3, 2024. The company struggled with supply chain disruptions, particularly a lack of pine raw materials and affordable gas, which led to operational inefficiencies.

The recent price war is now ending

The recent price war, possibly triggered by the incumbent largest PT Industri Pembungkus International in response to the new entrant SCGP via the acquisition of the second-largest player Fajar. However, the irrational response by PT Industri Pembungkus is now ending, indicated by its first move to raise the selling price by 7% and later had been followed suit by all players in the industry, including Fajar that we expect its selling price to increase by 7-10% in 1Q25 onwards.

Exhibit 33: Indonesia's packaging paper market concentration level



Sources: Mordor Intelligence

Exhibit 34: Top 5 players in Indonesia's packaging paper industry

- 1 PT Industri Pembungkus Internasional
- 2 PT Fajar Surya Wisesa Tbk
- 3 PT Metaform (Kompas Gramedia)
- 4 AR Packaging Group AB
- 5 Rengo Co. Ltd

Sources: Mordor Intelligence

Initiated with a BUY and a TP of THB

We initiated coverage on SCGP with a BUY and a TP of THB22.7, based on 2025E 7x EV/EBITDA. We think our 7x EV/EBITDA is reasonable, justified by 1) SCGP's improving net profit outlook on Fajar and demand recoveries in Vietnam, China, and Indonesia, and SCGP's cost reduction strategy that we think we position SCGP's earnings to be close to mid-cycle level.

Exhibit 35: Valuation and TP

			----- 2025E Prospective EV/EBITDA -----							
			5x	6x	7x	8x	9x	10x	11x	12x
EBITDA (THB m)	17,172	MV	85,862	103,035	120,207	137,379	154,552	171,724	188,897	206,069
Net debt (THB m)	(22,637)	EV	63,225	80,398	97,570	114,742	131,915	149,087	166,260	183,432
# shares (m shares)	4,293	Target	14.7	18.7	22.7	26.7	30.7	34.7	38.7	42.7

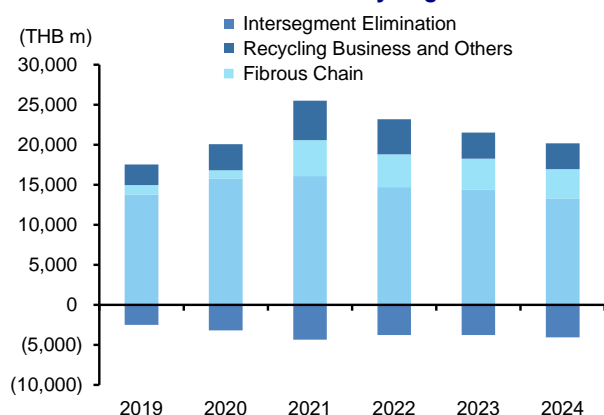
Sources: SCGP; Globlex Research

Exhibit 36: Peer comparisons

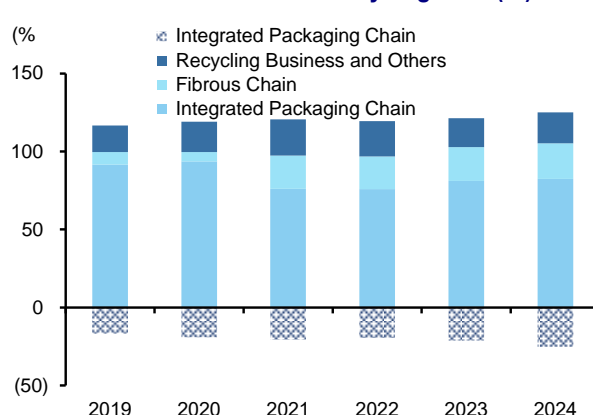
Company	Rec	Share	Target	Upside	Market	3Y EPS	----- PE -----		----- ROE -----		----- PBV -----		EV/EBITDA	
BBG		Price	price		Cap	CAGR	25E	26E	25E	26E	25E	26E	25E	26E
		(LCY)	(LCY)	(%)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
ASIA														
SCGP TB	BUY	16.30	22.70	39.3	2,080	17.6	13.6	11.6	6.0	6.6	0.8	0.8	7.4	6.7
EPG TB	BUY	3.22	4.65	44.4	268	6.9	7.6	6.4	9.3	10.2	0.7	0.6	6.1	5.9
TPAC TB	NA	8.30	NA	NA	81	NA	NA	NA	NA	NA	NA	NA	NA	NA
PTL TB	NA	10.50	NA	NA	281	NA	NA	NA	NA	NA	NA	NA	NA	NA
SFT TB	NA	2.06	NA	NA	27	NA	NA	NA	NA	NA	NA	NA	NA	NA
TPLAS TB	NA	0.99	NA	NA	8	NA	NA	NA	NA	NA	NA	NA	NA	NA
UTP TB	NA	7.95	NA	NA	154	NA	6.9	6.0	15.4	16.2	1.0	0.9	3.7	3.3
2314 HK	NA	2.36	NA	NA	1,304	NA	6.2	5.1	5.7	6.0	0.3	0.3	8.7	8.5
2689 HK	NA	3.40	NA	NA	2,053	44.8	11.6	7.7	2.6	4.1	0.3	0.3	11.8	10.1
ASIA avg					6,364	16.7	10.0	7.8	4.7	5.5	0.5	0.5	8.4	7.5
Europe														
SMDS LN	NA	#N/A	N/A	NA	NA	4.3	NA	NA	7.4	8.8	NA	NA	NA	NA
MNDI LN	NA	1,230	NA	NA	7,163	(463.7)	13.2	11.4	9.6	11.3	1.3	1.3	7.0	6.2
SKG LN	NA	#N/A	N/A	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Europe avg					7,163	NA	NA	NA	NA	NA	NA	NA	NA	NA
USA														
AMC AU	NA	15.50	NA	NA	14,159	7.2	13.3	12.1	26.6	28.0	3.2	2.9	10.5	8.2
AMCR US	NA	9.63	NA	NA	13,919	7.2	13.0	11.9	26.6	28.0	3.2	2.9	10.3	8.1
USA avg					28,077	7.2	13.1	12.0	26.6	28.0	3.2	2.9	10.4	8.1

* Price as of 14 March 2025

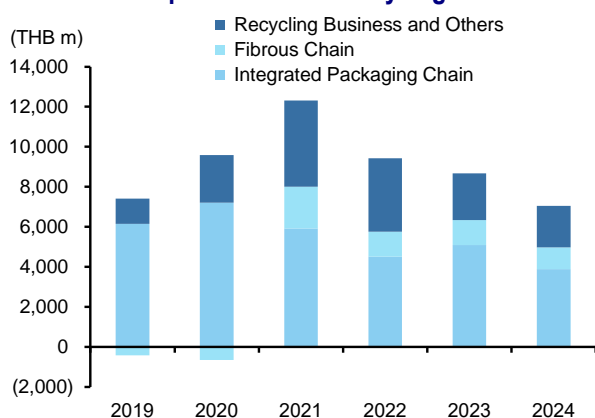
Sources: Bloomberg, Globlex REsearch

Exhibit 37: EBITDA breakdown by segment

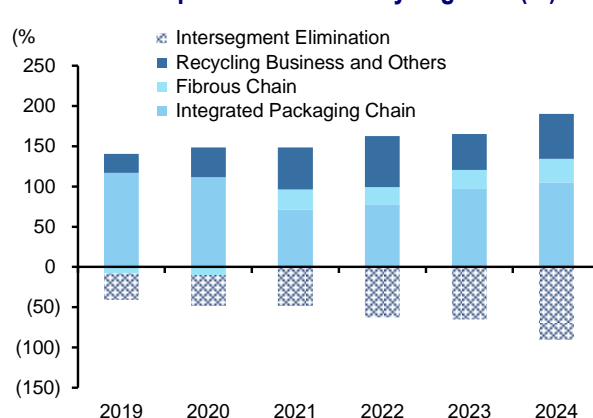
Sources: SCGP; Globlex Research

Exhibit 38: EBITDA breakdown by segment (%)

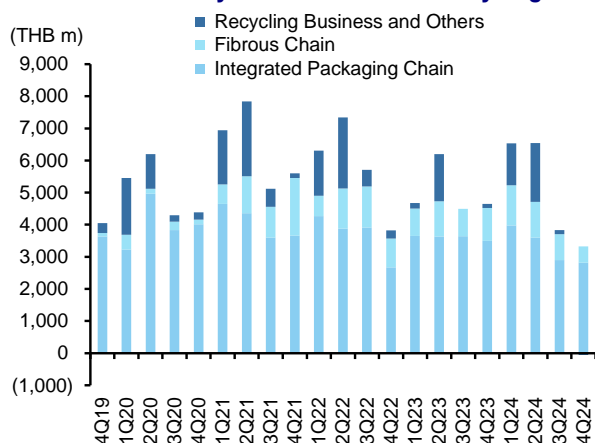
Sources: SCGP; Globlex Research

Exhibit 39: Net profit breakdown by segment

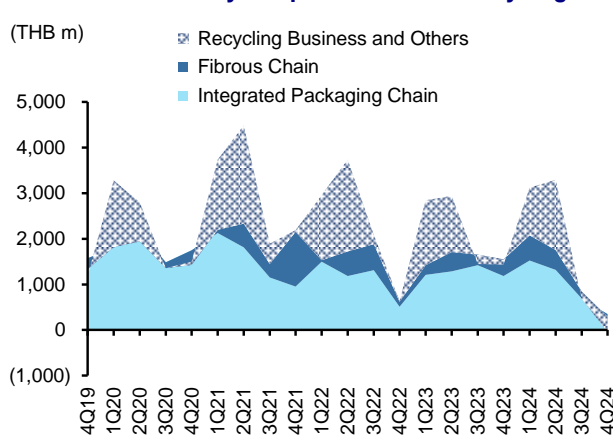
Sources: SCGP; Globlex Research

Exhibit 40: Net profit breakdown by segment (%)

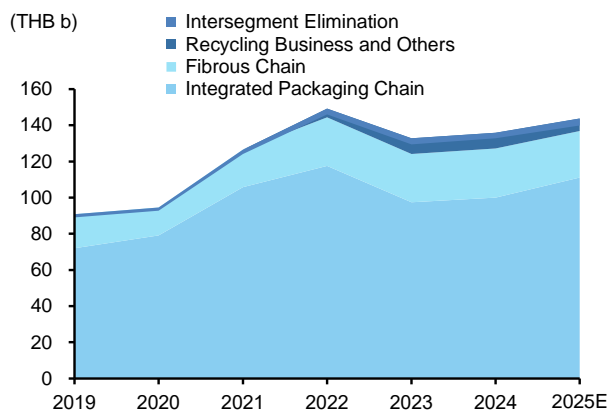
Sources: SCGP; Globlex Research

Exhibit 41: Quarterly EBITDA breakdown by segment

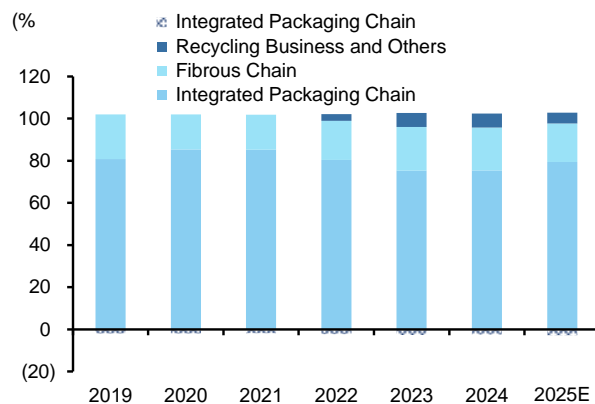
Sources: SCGP; Globlex Research

Exhibit 42: Quarterly net profit breakdown by segment

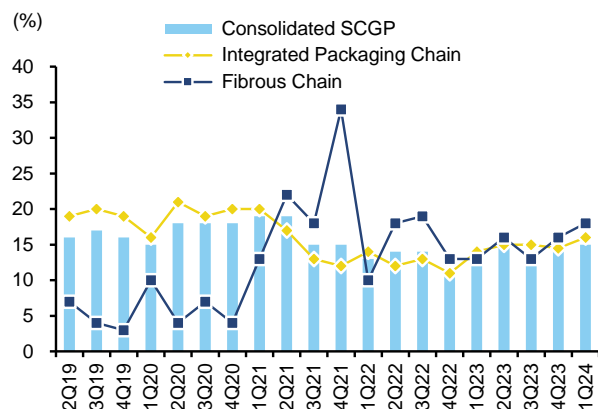
Sources: SCGP; Globlex Research

Exhibit 43: Revenue breakdown by segment

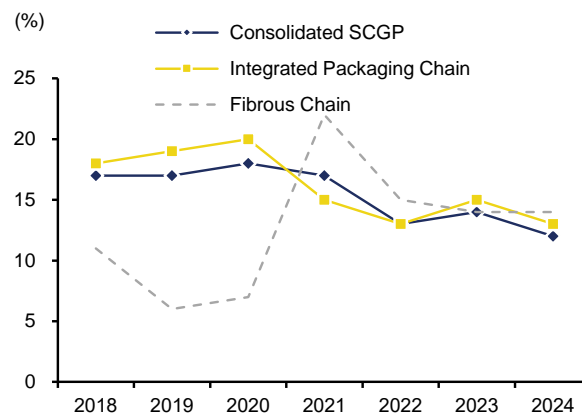
Sources: SCGP; Globlex Research

Exhibit 44: Revenue breakdown by segment (%)

Sources: SCGP; Globlex Research

Exhibit 45: Quarterly EBITDA margin by segment

Sources: SCGP; Globlex Research

Exhibit 46: EBITDA breakdown by segment

Sources: SCGP; Globlex Research

Balance sheet (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Current assets					
Cash & ST investment	9,889	9,849	7,199	10,855	10,681
Account receivable	22,648	23,551	24,503	25,455	26,415
Inventories	19,253	19,027	20,028	19,980	19,967
Others	8,483	2,877	2,901	2,900	2,904
Non-current assets					
Net fixed assets	94,279	91,014	86,522	81,821	76,910
Others	44,010	42,262	42,262	42,262	42,262
Total Assets	198,561	188,580	183,415	183,273	179,140

Current liabilities					
Account payable	14,808	15,678	16,502	16,463	16,453
ST borrowing	21,830	30,864	20,000	15,000	5,000
Others	29,752	10,061	10,606	10,599	10,691
Long-term liabilities					
Long-term debts	8,034	9,836	9,836	9,836	9,836
Others	21,687	26,854	26,854	26,854	26,854
Total liabilities	96,111	93,293	83,798	78,752	68,833
Paid-up capital	4,293	4,293	4,293	4,293	4,293
Retained earnings	58,446	59,600	63,351	67,747	72,788
Others	14,584	12,785	12,843	12,901	12,959
Minority interest	25,127	18,608	19,129	19,579	20,266
Shareholders' equity	102,449	95,287	99,617	104,520	110,306

Key ratios					
Year ending Dec	2023	2024	2025E	2026E	2027E
Growth (%YoY)					
Sales	(11.4)	2.6	5.4	(0.1)	0.9
Operating profit	(7.2)	(7.8)	5.4	4.6	6.7
EBITDA	(7.2)	(7.8)	5.4	4.6	6.7
Net profit	(9.5)	(29.5)	26.8	17.2	14.7
Core net profit	(10.8)	(24.7)	21.0	17.2	14.7
EPS	(9.5)	(29.5)	26.8	17.2	14.7
Core EPS	(10.8)	(24.7)	21.0	17.2	14.7
Profitability (%)					
Gross margin	25.0	23.8	24.0	24.1	24.8
Operation margin	12.9	11.6	11.6	12.1	12.8
EBITDA margin	12.9	11.6	11.6	12.1	12.8
Net margin	4.1	2.8	3.3	3.9	4.5
ROE	5.9	5.0	6.0	6.6	7.2
ROA	2.5	0.4	1.8	1.8	2.8
Stability					
Interest bearing debt/equity (x)	0.3	0.4	0.3	0.2	0.1
Net debt/equity (x)	0.2	0.3	0.2	0.1	0.0
Interest coverage (x)	3.7	2.5	4.4	6.1	9.5
Interest & ST debt coverage (x)	0.3	0.2	0.3	0.4	1.4
Cash flow interest coverage (x)	0.5	(0.0)	0.2	0.2	0.2
Current ratio (x)	0.9	1.0	1.2	1.4	1.9
Quick ratio (x)	0.5	0.6	0.7	0.9	1.2
Net debt (THB m)	19,976	30,851	22,637	13,982	4,155
Activity					
Asset turnover (X)	0.7	0.7	0.8	0.8	0.8
Days receivables	64.7	63.5	62.7	65.2	67.1
Days inventory	80.0	69.1	67.0	68.8	68.7
Days payable	54.7	55.0	55.2	56.7	56.6
Cash cycle days	90.0	77.6	74.4	77.3	79.2

Profit & loss (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Revenue					
Revenue	129,398	132,784	139,975	139,889	141,094
Cost of goods sold	(97,068)	(101,122)	(106,441)	(106,185)	(106,120)
Gross profit	32,330	31,661	33,535	33,703	34,973
Operating expenses	(15,684)	(16,318)	(17,357)	(16,787)	(16,931)
Operating profit	16,646	15,343	16,178	16,917	18,042
EBIT	7,440	6,085	6,686	7,215	8,131
Depreciation	(9,206)	(9,259)	(9,491)	(9,701)	(9,911)
EBITDA	16,646	15,343	16,178	16,917	18,042
Non-operating income					
Other incomes	1,043	995	995	995	995
Other non-op income	0	0	0	0	0
Non-operating expense					
Interest expense	(2,020)	(2,429)	(1,517)	(1,175)	(853)
Other non-op expense	80	(211)	0	0	0
Equity income/(loss)	39	113	0	0	0
Pre-tax Profit	6,582	4,552	6,165	7,035	8,273
Extraordinary items					
Current taxation	(1,153)	(825)	(955)	(1,090)	(1,285)
Minorities	(180)	(28)	(521)	(450)	(687)
Net Profit	5,248	3,699	4,689	5,495	6,301
Core net profit	5,146	3,876	4,689	5,495	6,301
EPS (THB)	1.22	0.86	1.09	1.28	1.47
Core EPS (THB)	1.20	0.90	1.09	1.28	1.47

Cash flow (THB m)					
Year ending Dec	2023	2024	2025E	2026E	2027E
Operating cash flow					
Net profit	5,248	3,699	4,689	5,495	6,301
Depre. & amortization	12,441	12,639	12,484	12,417	12,736
Change in working capital	33,526	(18,751)	(608)	(950)	(871)
Others	(1,557)	(1,311)	(1,258)	(1,325)	(1,455)
Investment cash flow	(10,515)	(7,936)	(4,213)	(3,940)	(3,682)
Net CAPEX	(8,900)	(5,993)	(3,000)	(3,000)	(3,000)
Change in LT investment					
Change in other assets	(1,616)	(1,943)	(1,213)	(940)	(682)
Free cash flow	39,143	(11,660)	11,094	11,696	13,029
Financing cash flow					
Change in share capital	(820)	(6,547)	58	58	58
Net change in debt	(27,436)	2,849	0	0	0
Dividend paid	(1,288)	(1,288)	(938)	(1,099)	(1,260)
Others	(7,364)	5,771	(2,000)	(2,000)	(2,000)
Net cash flow	2,234	(10,875)	8,214	8,655	9,826
Per share (THB)					
EPS	1.22	0.86	1.09	1.28	1.47
Core EPS	1.20	0.90	1.09	1.28	1.47
CFPS	3.41	3.02	3.42	3.64	3.94
BVPS	18.01	17.86	18.75	19.79	20.97
Sales/share	30.14	30.93	32.61	32.59	32.87
EBITDA/share	3.88	3.57	3.77	3.94	4.20
DPS	0.55	0.55	0.22	0.26	0.29
Valuation					
P/E (x)	29.45	22.75	13.64	11.64	10.15
P/BV (x)	2.00	1.10	0.79	0.75	0.71
Dividend yield (%)	1.53	2.81	1.47	1.72	1.97
Dividend payout ratio (%)	44.99	63.83	20.00	20.00	20.00

GENERAL DISCLAIMER

Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.