SCG Packaging (SCGP TB)

1Q26 Earnings To Be Resilient – Net Profit Expected To Hold qoq Despite Absence Of Extra Gains

BUY (Maintained)	
Share Price	Bt20.80
Target Price	Bt26.00
Upside	25.00%

Analyst(s)
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Highlights

- We expect SCGP's 1Q26 net profit to remain flat qoq, despite the lack of significant extra gains. Our 1Q26 estimate represents 23% of the full-year 2026 forecast.
- For 2Q26, we anticipate net profit to decline qoq due to the low season in Thailand, but still increase yoy. However, Thailand's economic stimulus measures could provide upside to our projections.
- We maintain our 2026 net profit forecast. Maintain BUY. Target price: Bt26.00.

1Q26 Results Preview

Year to 31 Dec (Btm)	1Q25	4Q25	1Q26F	%Chg yoy	%Chg qoq	2024	2025	%Chg yoy
Revenue	32,209	30,170	29,703	-8%	-2%	124,374	131,334	6%
EBITDA	4,133	3,092	3,856	-7%	25%	17,210	18,020	5%
Interest expenses	645	504	462	-28%	-8%	2,347	2,018	-14%
Core Profit	916	821	1,206	32%	47%	3,728	5,243	41%
Net Income	900	1,207	1,206	34%	0%	4,069	5,243	29%
EPS	0.21	0.28	0.28	34%	0%	0.95	1.22	29%
Financial ratio (%)								
Gross Profit Margin	13.8%	18.0%	17.4%			17.9%	16.3%	
EBITDA Margin	9.0%	13.0%	10.2%			13.8%	13.7%	
Net profit margin	-0.2%	3.1%	4.0%			3.3%	4.0%	

Source: SCGP, UOB Kay Hian

Analysis

- **1Q26 earnings to be stable qoq.** We expect SCG Packaging's (SCGP) 1Q26 net profit to come in at Bt1.21b, flat qoq but up 34% yoy, despite the absence of significant extra gains. The strong performance is driven by: a) higher selling prices, particularly in Indonesia, supported by import restrictions on recycle paper (RCP) implemented since late 2026; and b) lower overall production costs, especially declining RCP costs (which account for ~35% of total cost) over the past two quarters, notably in Indonesia. This has been sufficient to offset higher energy costs in line with rising coal prices (energy cost accounts for ~15% of total costs, with coal representing ~50% of energy costs), as well as a 3% qoq decline in total sales. While sales in Thailand (45% of total) remained strong due to pre-Songkran demand, this was partly offset by weaker sales in Vietnam and Indonesia due to long holidays (Tet and Hari Raya). As a result, gross margin improved to 17.4% in 1Q26 (vs 13.8% in 1Q25 and 16.5% in 4Q25).

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	18,020	18,917	19,929
Operating profit	7,079	7,901	9,650	10,140	11,323
Net profit (rep./act.)	3,699	4,069	5,243	5,529	6,380
Net profit (adj.)	3,910	3,728	5,243	5,529	6,380
EPS	0.91	0.87	1.22	1.29	1.49
PE	22.84	23.95	17.03	16.15	14.00
P/B	1.40	1.37	1.31	1.26	1.20
EV/EBITDA	6.77	6.50	5.58	5.27	4.90
Dividend yield	2.64	2.88	3.13	3.13	3.61
Net margin	2.79	3.27	3.99	3.82	4.02
Net debt/(cash) to equity	33.47	34.61	16.46	14.60	11.32
Interest cover	6.73	7.33	8.93	9.24	9.66
Consensus net profit	n.a.	n.a.	4,704	5,170	5,697
UOBKH/Consensus (x)	n.a.	n.a.	1.11	1.07	1.12

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

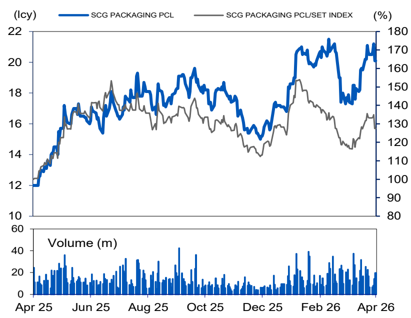
Price Performance (%)

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.

- **Fajar continued to improve in 1Q26.** We expect Fajar's losses in 1Q26 to narrow both qoq and yoy, supported by higher selling prices and volumes, along with lower RCP costs. This is partly driven by China's stricter RCP import controls since Oct 25 over concerns about heavy metal contamination, which has led to a decline in RCP prices. Meanwhile, China has shifted toward higher containerboard imports, driving a significant increase in testliner prices. We believe these trends will benefit both Fajar and SCGP going forward.
- **Fajar turnaround on track.** SCGP targets Fajar to break even by 2026, which we see as achievable. In 2026, Fajar should benefit from: a) higher sales from post-PT Multi Prima Packaging (MYPAK) synergies and exports to new markets like India, b) cost and financial restructuring in Indonesia starting to show clear results from 1Q26, c) a recovery in selling prices, with the trough likely in Oct 25, and d) gas contract revisions delivering cost savings of about Bt35m per month. This should support a bottom line breakeven by mid-2Q26.
- **2Q26 outlook.** We expect 2Q26 net profit to decline qoq but increase yoy. The qoq decline will be mainly due to the long holidays during the Songkran festival. However, we anticipate additional economic stimulus measures from the government following the completion of the new administration, particularly the "Half-Half Plus" (Phase 2, 2026). Registration is expected to open in late-Apr 26, with spending to begin in May 26. This could provide upside to our 2Q26 and full-year 2026 net profit forecasts.
- **2026 earnings outlook.** Our 1Q26 net profit forecast accounts for 23% of our full-year 2026 estimate, which we expect to grow by 29% yoy. The key drivers include: a) stronger regional demand and expansion into new markets such as India, b) increased sales contributions from 2025 investments, particularly MYPAK in Indonesia and a higher stake in Duy Tan Plastics Manufacturing Corporation (Duy Tan) in Vietnam, c) lower RCP costs, especially in 1H26, d) annual interest savings of Bt180m following Fajar's debt restructuring in mid-Jul 25, and e) a turnaround at Fajar, with losses expected to narrow to Bt550m from Bt2.26b in 2025.
- **Sensitivity analysis.** Every Bt1 appreciation against the US dollar is expected to reduce annual net profit by approximately Bt180m.

Valuation/Recommendation

- **Maintain BUY with a 2026 target price of Bt26.00,** based on regional forward PE at -1SD of 23.1x.

Earnings Revision/Risk

- **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.

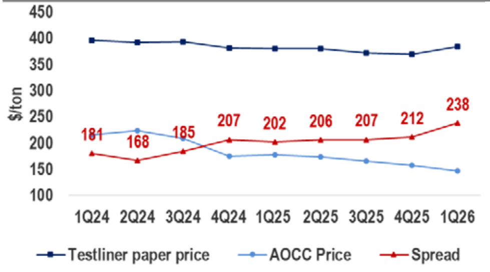
Social

- **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

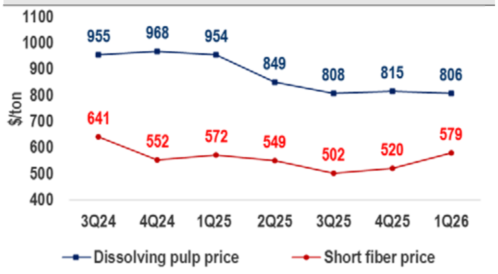
- **Board oversight.** The Board of Directors provides governance oversight, with committees focusing on audit, risk management and sustainability.

Integrated Packaging Business



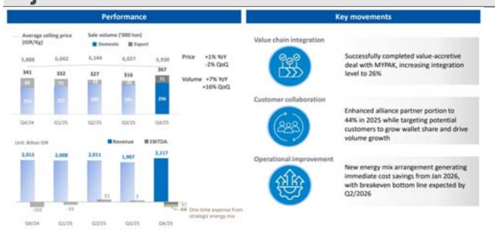
Source: SCGP, UOB Kay Hian

Fibrous Business



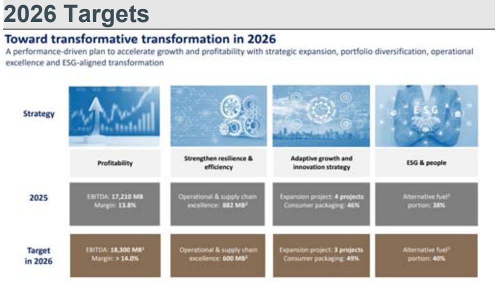
Source: SCGP, UOB Kay Hian

Fajar Performance



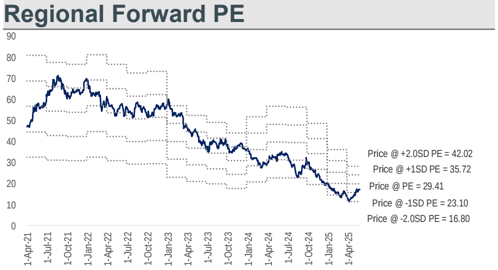
Source: SCGP, UOB Kay Hian

2026 Targets



Source: SCGP, UOB Kay Hian

Regional Forward PE



Source: Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	124,374	131,334	144,824	158,888
EBITDA	17,210	18,020	18,917	19,929
Deprec. & amort.	9,309	8,370	8,777	8,606
EBIT	7,901	9,650	10,140	11,323
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	7,682	8,144	9,313
Pre-tax profit	5,996	7,682	8,144	9,313
Tax	(1,373)	(1,759)	(1,865)	(2,133)
Minorities	(553)	(680)	(750)	(800)
Net profit	4,069	5,243	5,529	6,380
Net profit (adj.)	3,728	5,243	5,529	6,380

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	42,543	42,457	43,350
Other current assets	354	373	412	452
Total assets	176,531	188,866	193,644	199,446
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	68,007	70,746	74,335
Total liabilities & equity	176,532	188,868	193,647	199,450

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	15,538	14,038	16,971	18,165
Pre-tax profit	5,996	7,682	8,144	9,313
Tax	(1,373)	(1,759)	(1,865)	(2,133)
Deprec. & amort.	9,309	8,370	8,777	8,606
Working capital changes	1,041	(1,568)	467	790
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	(4,796)	(4,796)
Dividend payments	(2,361)	(2,576)	(2,790)	(2,790)
Issue of shares	(7,879)	9,607	(2,005)	(2,005)
Proceeds from borrowings	(2,812)	9,357	(1,143)	(91)
Net cash inflow (outflow)	9,849	6,464	15,821	14,678
Beginning cash & cash equivalent	(573)	0	0	0
Changes due to forex impact	6,464	15,821	14,678	14,588
Ending cash & cash equivalent	15,538	14,038	16,971	18,165

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.30	13.84	13.72	13.06
Pre-tax margin	3.43	4.82	5.85	5.62
Net margin	2.79	3.27	3.99	3.82
ROA	2.31	2.78	2.86	3.20
ROE	6.23	7.71	7.82	8.58
Growth				
Turnover	(6.33)	5.60	10.27	9.71
EBITDA	5.34	4.70	4.98	5.35
Pre-tax profit	31.70	28.12	6.02	14.34
Net profit	10.01	28.83	5.46	15.39
Net profit (adj.)	(4.65)	40.61	5.46	15.39
EPS	(4.65)	40.61	5.46	15.39
Leverage				
Debt to total capital	35.24	37.19	33.72	30.43
Debt to equity	52.76	51.30	46.34	41.71
Net debt/(cash) to equity	33.47	34.61	16.46	14.60
Interest cover (x)	6.73	7.33	8.93	9.24

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