

## SCG Packaging (SCGP TB)

3Q26 Earnings Remain Strong Despite Higher RCP Costs

### Highlights

- We expect 3Q26 net profit of Bt2.10b, down qoq due to higher RCP costs, but up 120% yoy.
- Fajar continues to deliver a strong earnings performance, supported by selling price adjustments and effective cost management.
- Maintain BUY. Target price: Bt43.00 (previously Bt39.00).

### 3Q26 Earnings Preview

| Year to 31 Dec (Btm)       | 3Q25   | 2Q26   | 3Q26F  | %Chg yoy | %Chg qoq | 9M25   | 9M26F  | %Chg yoy |
|----------------------------|--------|--------|--------|----------|----------|--------|--------|----------|
| Revenue                    | 30,438 | 32,454 | 35,218 | 16%      | 9%       | 94,204 | 96,967 | 3%       |
| EBITDA                     | 3,971  | 5,659  | 5,281  | 33%      | -7%      | 11,999 | 15,323 | 28%      |
| Interest expenses          | 544    | 507    | 462    | -15%     | -9%      | 1,843  | 1,451  | -21%     |
| Core Profit                | 998    | 2,341  | 2,097  | 110%     | -10%     | 2,907  | 5,933  | 104%     |
| Net Income                 | 953    | 2,304  | 2,097  | 120%     | -9%      | 2,863  | 5,970  | 109%     |
| EPS                        | 0.22   | 0.54   | 0.49   | 120%     | -9%      | 0.67   | 1.39   | 109%     |
| <b>Financial ratio (%)</b> |        |        |        |          |          |        |        |          |
| Gross Profit Margin        | 18.0%  | 23.7%  | 22.7%  |          |          | 18.1%  | 22.5%  |          |
| EBITDA Margin              | 13.0%  | 17.4%  | 15.0%  |          |          | 12.7%  | 15.8%  |          |
| Net profit margin          | 3.1%   | 7.1%   | 6.0%   |          |          | 3.0%   | 6.2%   |          |

Source: SCGP, UOB Kay Hian

### Analysis

- 3Q26 net profit to decline qoq but remain strong.** We expect SCG Packaging (SCGP) to report a 3Q26 net profit of Bt2.10b, down 9% qoq but up 120% yoy. The qoq decline is mainly attributable to higher recycled paper (RCP) costs, as the 14% qoq increase in RCP prices in 2Q26 is expected to feed through to SCGP's raw material costs in 3Q26, weighing on both the integrated packaging business (IPB) and fibrous business (PB). We forecast EBITDA margins for IPB and PB at 19.5% and 8.2%, respectively, down from 20.4% and 9.5% in 2Q26.

Nevertheless, earnings should remain strong, supported by selling price increases implemented progressively since 2Q26. Sales volumes is also likely to remain stable qoq despite Thailand's seasonal low season. Higher sales from Vietnam and Indonesia should offset the seasonal weakness in Thailand, driven by an acceleration in customer orders across all segments as customers build inventory to meet demand during the extended holiday period from late-26 to early-27.

### 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.    | 6,100   | 6,593   | 7,211   |
| UOBKH/Consensus (x)           | n.a.    | n.a.    | 1.27    | 1.25    | 1.29    |

Source: SCGP, Bloomberg, UOB Kay Hian

### Analyst(s)

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### BUY (Maintained)

|              |         |
|--------------|---------|
| Share Price  | Bt30.25 |
| Target Price | Bt43.00 |
| Upside       | +42.15% |
| Previous TP  | Bt39.00 |

### 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 |

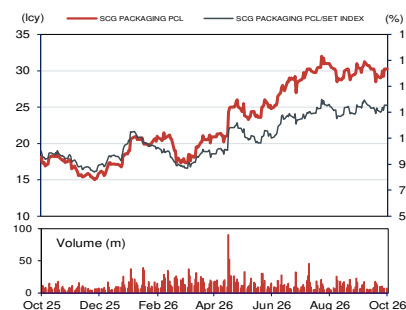
### Major Shareholders (%)

|                            |        |
|----------------------------|--------|
| 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.

Monday, 12 October 2026

In addition, Fajar is expected to contribute stronger earnings, with 3Q26 net profit forecast at Bt250m, up 17% qoq, supported by higher selling prices and sales volumes, together with effective raw material cost management.

- High domestic RCP sourcing mitigates the impact of rising imported RCP prices.** Based on our channel check with SCGP, the impact of accelerating global RCP prices in 1H26 on raw material costs in 2H26 remains manageable. This is supported by: a) higher packaging paper selling prices, as demand is projected to strengthen from late-3Q26 through 4Q26 ahead of the extended year-end holidays in late-December, with price increases already gradually emerging in 3Q26; b) a 5-10% qoq increase in Chinese packaging paper prices, driven by production cuts by major manufacturers, particularly Nine Dragons; and c) a 10% qoq decline in domestic RCP prices in 3Q26. Domestic RCP accounts for 60-70% of SCGP's total RCP consumption, helping cushion the impact of rising imported RCP prices. Furthermore, an expected recovery in demand should support higher capacity utilisation and sales volumes in 2H26.
- Higher selling prices and effective cost management sustain Fajar's strong performance.** Fajar's performance in Indonesia continues to improve, supported by a mid-single-digit qoq increase in domestic packaging paper selling prices, bringing local prices closer to regional benchmark levels. Although rising domestic RCP costs in Indonesia pose a potential risk, management remains confident in its ability to pass through cost increases to customers at a rate equal to or greater than the increase in raw material prices. This supports our view that SCGP can sustain Fajar's strong EBITDA margin going forward.
- Strong financial position.** SCGP's financial position is expected to benefit from the recovery in operating performance. As of end-2Q26, net debt/EBITDA stood at 2.6x, down from 3.0x at end-25, while interest-bearing debt/equity was 0.7x. We have limited concerns over SCGP's financial position, as EBITDA growth and free cash flow generation should be sufficient to support its investment plans and dividend payments. SCGP has set a 2026 capex target of Bt10.0b.

## Valuation/Recommendation

- Maintain BUY with a target price of Bt43.00 (previously Bt39.00),** 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: Bt88.00) and SCG Packaging (SCGP TB/BUY/Target: Bt43.00).

## Earnings Revision/Risk

- Revise earnings forecast.** We raise our 2026-27 net profit forecasts by 12% and 10%, respectively, reflecting higher EBITDA margin assumptions of 16.2% for 2026 (from 15.5%) and 15.9% for 2027 (from 15.1%), alongside higher earnings contributions from Fajar. We now expect Fajar to deliver net profit of Bt683m in 2026 (vs Bt450m previously) and Bt1.0b in 2027 (vs Bt780m previously). Consequently, we forecast SCGP's net profit at Bt7.72b in 2026, up 89.7% yoy, and Bt8.22b in 2027, up 6.5% yoy.

## 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

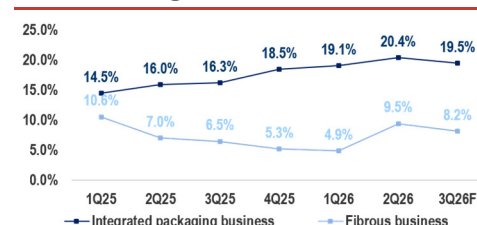
- Board oversight.** The Board of Directors provides governance oversight, with committees focusing on audit, risk management and sustainability.

## Key Statistics

|                                     | 3Q25 | 2Q26 | 3Q26F | %Chg<br>yoy | %Chg<br>qoq |
|-------------------------------------|------|------|-------|-------------|-------------|
| Sales volume (m tonnes)             | 1.44 | 1.51 | 1.50  | 4%          | -1%         |
| 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%          |

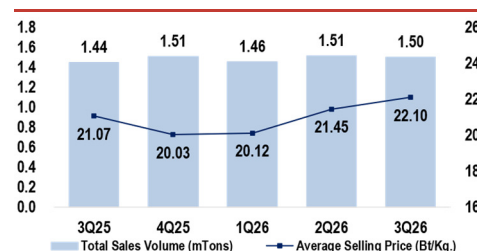
Source: SCGP

## EBITDA Margin



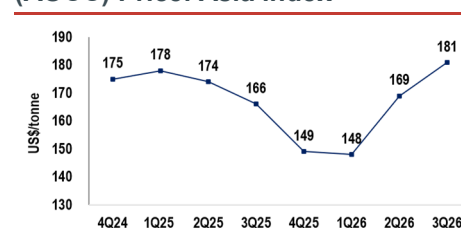
Source: SCGP

## ASP And Sales Volume



Source: SCGP

## American Old Corrugated Container (AOCC) Price: Asia index



Source: SCGP

## Regional Forward PE



Source: UOB Kay Hian

## Profit &amp; 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   |

## 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   |

## 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 |

## 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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