SCG Packaging (SCGP TB)

Transforming Into A Packaging Solutions Provider To Drive Long-term Margin Expansion

Highlights

- SCGP is accelerating its shift towards integrated packaging solutions to enhance value creation and profitability, with AI & automation delivering Bt642m in cost savings in 9M26, exceeding the full-year target.
- The company is planning Bt65.0b in capex during 2027-32, focusing on organic expansion and M&P to expand its business and strengthen market share overseas.
- Targeting high single-digit revenue growth in 2027, in line with our estimates, and EBITDA of Bt32.0b-34.0b, with international revenue contribution exceeding 60% by 2032.
- Maintain BUY. Target price: Bt43.00.

Analysis

- **The tone during the meeting with SCG Packaging (SCGP) was positive.**
- **Transforming into an integrated packaging solutions provider.** SCGP is accelerating its transformation from a traditional packaging manufacturer into an integrated packaging solutions provider, offering a broader range of value-added solutions beyond conventional packaging products, including packaging automation & service solutions. This strategy aims to reduce customers' total cost of ownership, strengthen long-term customer relationships, and create opportunities for margin enhancement. In parallel, SCGP will pursue both organic growth and mergers & partnerships (M&P) to expand its ASEAN market share and capture cross-business unit synergies across procurement, manufacturing, and sales. The company also continues to prioritise sustainability and the circular economy to enhance resource efficiency and strengthen its long-term competitive advantage.
- **AI and automation deliver tangible cost savings, exceeding target.** SCGP has been progressively adopting artificial intelligence (AI), automation, and digitalisation since 2020, evolving from predictive analytics towards agentic AI to improve production efficiency, reduce energy costs, and enhance asset utilisation. These initiatives have delivered tangible operational benefits, with cost savings and efficiency gains reaching Bt642m in 9M26, already exceeding the full-year 2026 target of Bt600m. Notably, Bt436m was generated through AI applications, highlighting the successful integration of technology into day-to-day operations. We believe these initiatives will be a key driver in supporting SCGP's target EBITDA margin of 16-17% by 2032.

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)	32.11	33.68	16.27	15.27	13.45
P/B (x)	1.97	1.92	1.78	1.68	1.57
EV/EBITDA (x)	8.99	8.61	6.38	5.70	5.18
Dividend yield (%)	1.88	2.05	2.74	3.08	3.08
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.	7,374	7,667	8,434
UOBKH/Consensus (x)	n.a.	n.a.	1.05	1.07	1.11

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

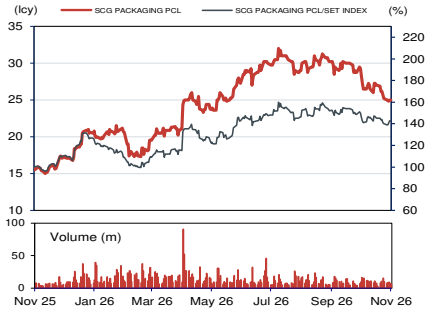
Major Shareholders (%)

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.

- **Bt65b capex plan for 2027-32, with focus on business expansion and M&P.** SCGP plans to invest approximately Bt65b during 2027-32, and its capex spending will be focused on expanding its consumer packaging business and upgrading its portfolio towards higher value-added (HVA) products. The capex budget will be allocated as follows: 38% for organic expansion, 22% for M&P, 22% for maintenance, and 18% for cost optimisation, environmental, social, and governance (ESG) initiatives, and research and development (R&D).
- Notably, the 22% allocation for M&P reflects SCGP's intention to explore expansion opportunities in new markets, particularly China and India, where packaging demand is expected to grow strongly. Nevertheless, management remains committed to disciplined capital allocation, assessing investment returns and potential synergies alongside cash flow generation to maintain debt at an appropriate level.
- **2027 revenue and EBITDA margin targets in line with our estimates.** SCGP targets high single-digit revenue growth in 2027 and an EBITDA margin of at least 15%, broadly in line with our estimates of 8% yoy revenue growth and a 15.9% EBITDA margin. Key growth drivers include the expansion of consumer packaging and a higher contribution from HVA products and packaging solutions. Meanwhile, the Indonesian market is showing signs of recovery as price competition eases, reflected in Fajar's turnaround to a net profit of Bt435m in 9M26 from a net loss of Bt1.48b in 9M25. This improvement was partly supported by a 17.2% yoy increase in ASPs and a shift towards higher value-added products. SCGP aims to maintain its net debt/EBITDA ratio within 2.5-3.0x to support business growth and its long-term investment plan.
- **2032 targets focus on international expansion and long-term profitability improvement.** Over the longer term, SCGP targets revenue growth of 5-6% CAGR and aims to transform its business towards packaging solutions. The company plans to increase the contribution from international markets to over 60% of revenue by 2032, from 56% in 9M26, with a particular focus on expanding in China and India. These two markets currently account for only around 5% of total revenue but offer significant growth opportunities amid rising packaging demand. Under this strategy, SCGP targets EBITDA of Bt32.0–34.0b by 2032, up from approximately Bt22b in 2026, while improving its EBITDA margin to 16-17% and increasing the revenue contribution from packaging solutions to over 50%. The company also remains committed to financial discipline, targeting net debt/EBITDA below 3.0x and D/E below 1.0x.

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.

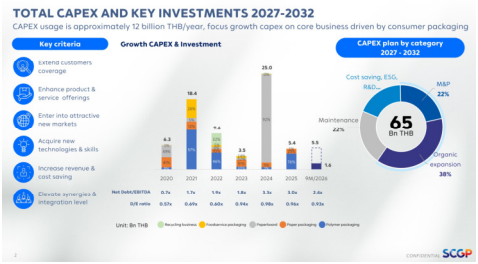
Social

- **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.

Capex Plan For 2027-32



Source: SCGP

2027 Guidance And Long-Term Target



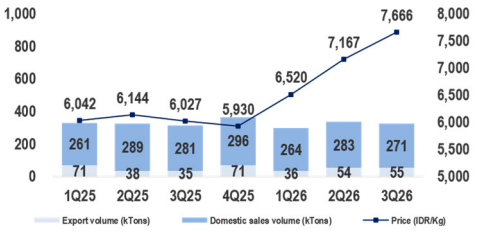
Source: SCGP

Key Strategies



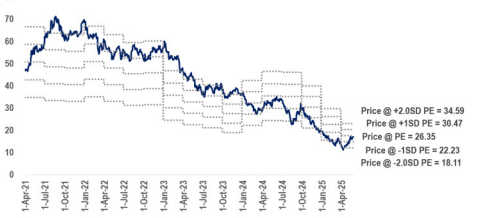
Source: SCGP

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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