

# SCGP

**SCG Packaging Public Company Limited and Subsidiaries (“SCGP”)**

**Management Discussion and Analysis**

**9M/2021 and Q3/2021 (Reviewed)**

## Executive Summary

### SCGP's 9M/2021 and Q3/2021 performance

During Q3/2021, COVID-19 outbreaks have resurged in many countries especially in ASEAN nations. This led to the governments' strict lockdowns and preventive protocols, such as travel restrictions, closures of public places (e.g., shopping malls, meeting rooms, exhibition centers and schools) along with work from home policy and "Bubble and Seal" measure for industrial sectors. Supply chain disruptions and slow recovery of the economy were followed while issues related to global logistics, elevated sea freight and container shortage, still remained. Overall cost of industry has continued to be heightened including raw materials and energy costs.

**For SCGP's 9M/2021 performance**, total revenue from sales was 89,078 MB, an increase of 29% y-o-y as the demand of consumer goods, F&B and hygienic-care products continued to expand amidst the surge in COVID-19 cases. Moreover, organic expansion projects and consolidation of merger & partnership (M&P) companies also supported revenue growth. Meanwhile, SCGP's effort related to product rationalization from multi-countries and the diversified operations and customers portfolio supported the alleviation of supply chain disruptions. EBITDA for the same period was at 15,741 MB, increased 24% y-o-y, while EBITDA margin registered at 18%. This was mainly due to the proactive management of cost uptrends and the competitive advantage from the focus on operation excellence. Profit for the period was 6,179 MB, increased 24% y-o-y, with net profit margin of 7%.

**For SCGP's Q3/2021 performance**, total revenue from sales registered at 31,930 MB, an increase of 37% y-o-y and increased 7% q-o-q, mainly due to the business expansion from M&P (SOVI, Go-Pak, Duy Tan and Intan Group) and the easing of strict lockdown measures in Indonesia which resulted in higher demand in consumer's products and electrical and electronic appliances. EBITDA for the same period was 4,910 MB, an increase of 27% y-o-y and decreased 12% q-o-q, with an EBITDA margin of 15%. Profit for the period registered at 1,781 MB, an increase of 33% y-o-y and decreased 21% q-o-q, with net profit margin of 6%. The decrease q-o-q in EBITDA and net profit were mainly due to the spike in global freight rate and raw material costs. Nevertheless, SCGP has actively managed this rise in cost through the diversified global sourcing model including sources from US, Europe, Japan and Oceania, while enhanced the domestic portion with increase of drop points at primary sources across the country.

SCGP has been continuously expanding the business with its experience, expertise and collaboration with partners in strategic countries to be the leading packaging solution providers in ASEAN.

### **Organic expansion and strengthening of T-Model across ASEAN**

For organic expansion, SCGP disclosed, via the SET, the investment in new production base in North Vietnam with the investment cost of 8,133 billion VND (approximately 11,793 MB). The investment budget included land, infrastructures, civil work, financial cost, and working capital for the capacity of 370,000 tons per year which will increase capacity of 70% from the existing operation in South Vietnam. Commercial start up is expected to be in early 2024. The state-of-the-art packaging paper production technology includes premium grade products (e.g., lightweight paper). This investment will be the foundation for future business expansions while effectively enhance competitiveness and internal integration with downstream operations.

### **Inorganic expansion by mergers and partnership (M&P)**

During Q3/2021, SCGP has announced the completion of the 75% share acquisition of “Intan Group” in Indonesia. Payment for the 75% M&P stake is the immediate 822 billion rupiah (approximately 1,997 MB), followed by the second payment which will be based on Intan Group’s incremental financial performance for FY2022 and FY2023, and when combined with the first payment will be no more than the total of 859 billion rupiah (approximately 2,088 MB). Intan Group is one of Indonesia’s leading corrugated container producers. Their clients are mainly multinational companies and local brand owners in the food, beverage and consumer segments. The acquisition is to expand SCGP’s downstream fiber-based packaging across Indonesia, enhancing SCGP’s capability to serve customers, and reaffirms SCGP’s commitment and belief in Indonesia’s strong economic growth prospects.

Additionally, SCGP has announced the completion of the 70% share acquisition of “Duy Tan” in Vietnam. Payment for the 70% M&P stake is the immediate 3,630 billion VND (approximately 5,170 MB), followed by the second payment which will be based on Duy Tan’s incremental financial performance for FY2020 and FY2021, and when combined with the first payment will be no more than the total of 6,400 billion VND (approximately 9,120 MB). Duy Tan is Vietnam’s leading producer of rigid plastic packaging products whose clients are mainly high growth consumer brands that are multinational companies and local brand owners of consumer/FMCG products. The company also manufactures branded home products, such as food wares and containers. This expansion via Merger and Partnership will enlarge SCGP’s customer base while reinforce synergies through cross-selling, leveraging operational strength and resource pooling across operations.

**Table 1 - Consolidated financial summary of SCGP**

Unit : MB	Q3/2021	Q3/2020	%y-o-y	%q-o-q	9M/2021	9M/2020	%y-o-y
<b>Reported Financials</b>							
<b>Revenue from sales</b>	<b>31,930</b>	<b>23,287</b>	<b>37%</b>	<b>7%</b>	<b>89,078</b>	<b>69,190</b>	<b>29%</b>
Integrated packaging chain	27,206	20,135	35%	9%	75,224	58,569	28%
Fibrous chain	4,724	3,152	50%	-2%	13,854	10,621	30%
<b>Cost of sales</b>	<b>26,417</b>	<b>18,701</b>	<b>41%</b>	<b>11%</b>	<b>71,369</b>	<b>54,255</b>	<b>32%</b>
<b>Gross profit</b>	<b>5,513</b>	<b>4,586</b>	<b>20%</b>	<b>-10%</b>	<b>17,709</b>	<b>14,935</b>	<b>19%</b>
<i>Gross profit margin (%)</i>	<i>17%</i>	<i>20%</i>			<i>20%</i>	<i>22%</i>	
<b>SG&amp;A</b>	<b>3,371</b>	<b>2,419</b>	<b>39%</b>	<b>15%</b>	<b>9,263</b>	<b>7,522</b>	<b>23%</b>
<b>EBITDA</b>	<b>4,910</b>	<b>3,874</b>	<b>27%</b>	<b>-12%</b>	<b>15,741</b>	<b>12,665</b>	<b>24%</b>
<i>EBITDA margin (%)</i>	<i>15%</i>	<i>17%</i>			<i>18%</i>	<i>18%</i>	
<b>Profit for the period</b>	<b>1,781</b>	<b>1,335</b>	<b>33%</b>	<b>-21%</b>	<b>6,179</b>	<b>4,971</b>	<b>24%</b>
<i>Net profit margin (%)</i>	<i>6%</i>	<i>6%</i>			<i>7%</i>	<i>7%</i>	
<b>Earnings per Share (Baht)</b>	<b>0.41</b>	<b>0.43</b>			<b>1.44</b>	<b>1.59</b>	
<b>Core Financials</b>							
<b>Core EBITDA</b>	<b>4,678</b>	<b>4,133</b>	<b>13%</b>	<b>-16%</b>	<b>15,742</b>	<b>13,222</b>	<b>19%</b>
<b>Core profit</b>	<b>1,536</b>	<b>1,448</b>	<b>6%</b>	<b>-33%</b>	<b>6,086</b>	<b>5,008</b>	<b>22%</b>
Note :	Revenue from sales by chain = Revenue from sales after inter-segment elimination basis						
	EBITDA = Earnings before finance cost, tax, depreciation & amortization (excluded dividend from associates and included FX gain/loss from loans) In 9M/2021 and 9M/2020, Dividend from associates were 14 MB and 8 MB, respectively.						
	Profit for the period = Profit for the period attributable to owners of the parent						

### Key analysis of Core profit and Core EBITDA

In Q3/2021, SCGP's Core profit amounted to 1,536 MB, an increase of 6% y-o-y and decreased 33% q-o-q. Core EBITDA was 4,678 MB, an increase of 13% y-o-y and decreased 16% q-o-q. The adjustments below showed key non-operating items that effected SCGP's profit for the period and EBITDA with key items derived from FX gain related to M&P investment of 280 MB and cost related to the M&P transactions mainly from Deltalab - manufacturer and distributor of high-quality medical supplies and labware.

**Table 2 - Non-operating items adjustment for Core profit and Core EBITDA**

Unit : MB	Core profit <sup>1</sup>		Core EBITDA <sup>2</sup>	
	Q3/21	Q3/20	Q3/21	Q3/20
	1,536	1,448	4,678	4,133
<b>Key Items</b>				
1) FX Gain/Loss from Loan, Derivatives and Investment	280	(111)	269	(258)
2) Company restructurings	-	-	-	-
3) Changes to local regulations	-	-	-	-
4) Expenses related to M&Ps Transactions	(35)	-	(37)	-
5) Impairments and Others	-	(2)	-	(1)
<b>Total</b>	245	(113)	232	(259)
<b>Profit for the period and EBITDA</b>	<b>1,781</b>	<b>1,335</b>	<b>4,910</b>	<b>3,874</b>

Remarks : <sup>1</sup> After tax and non-controlling interests <sup>2</sup> Before tax and non-controlling interests

## Revenue from sales by business segments

### Integrated Packaging Chain<sup>1</sup> (IPC)

**In 9M/2021**, IPC Revenue from sales amounted to 75,412 MB (before inter-segment elimination), an increase of 28% y-o-y primarily due to the improvement of consumer goods demand and personal hygienic care products, the commercial start-up of containerboard and duplex paper in Surabaya, Indonesia along with the consolidation of SOVI, Duy Tan and Intan Group. EBITDA in the same period was 12,421 MB, an increase of 6% y-o-y with EBITDA margin of 16%. Profit for the period was 4,963 MB, a decrease of 9% y-o-y primarily due to the government restriction policy to cope with the pandemic during Q3/2021 in Thailand, Vietnam and Philippines.

**In Q3/2021**, IPC Revenue from sales amounted to 27,256 MB (before inter-segment elimination), an increase of 35% y-o-y and increased 9% q-o-q, with main effect from the consolidation of Duy Tan and Intan Group while the extensive customer network of SCGP enabled the company to export more packaging paper during the soft domestic demand amid the pandemic. EBITDA in the same period was 3,597 MB, an increase of 1% y-o-y and decreased 16% q-o-q. The EBITDA margin was at 13%. Profit for the period was 1,153 MB, a decrease of 23% y-o-y and decreased 34% q-o-q. The decrease was mainly due to the spike in freight and raw material costs, while COVID-19 disruption on workforce mobility in Vietnam led to lower capacity utilization rate of the customers and downstream packaging operations in the country.

Note : <sup>1</sup> Adjustment of FX gain/loss on M&P investment from business segment to holding company (reconcile Q1 & Q2/2021)

## **Fibrous Chain (FC)**

**In 9M/2021**, FC Revenue from sales registered at 15,395 MB (before inter-segment elimination), an increase of 30% y-o-y primarily due to the revenue increase of foodservice packaging in Thailand and Malaysia, the consolidation of Go-Pak and the heightened dissolving pulp price which is used in textile industry. EBITDA was 2,731 MB, an increase of 208% y-o-y with EBITDA margin of 18%. Profit for the period was 879 MB, an increase of 362% y-o-y.

**In Q3/2021**, FC Revenue from sales registered at 5,315 MB (before inter-segment elimination), an increase of 50% y-o-y and slightly decrease of 1% q-o-q with the same reason as above. EBITDA was 965 MB, increased 253% y-o-y and decreased 16% q-o-q with EBITDA margin of 18%. Profit for the period was 292 MB, an increase of 320% y-o-y and decreased of 44% q-o-q, primarily due to the decrease in demand of printing and writing paper from work from home policy along with the lower utilization rate of foodservice packaging in Vietnam from supply chain disruption.

Revenue from foodservice packaging in Q3/2021 registered at 1,127 MB, increased 265% y-o-y and increased 11% q-o-q which was in line with Fibrous Chain's transformation plan to increase proportion of foodservice packaging. As a result, revenue proportion of foodservice packaging was at 24% of total revenue from sales of FC in Q3/2021 up from 10% in the same period of last year.

**Table 3 - Business Segments of SCGP**

Unit : MB							
Revenue from Sales	Q3/2021	Q3/2020	%y-o-y	%q-o-q	9M/2021	9M/2020	%y-o-y
<b>Consolidated SCGP</b>	<b>31,930</b>	<b>23,287</b>	<b>37%</b>	<b>7%</b>	<b>89,078</b>	<b>69,190</b>	<b>29%</b>
Integrated Packaging Chain	27,256	20,209	35%	9%	75,412	58,779	28%
Fibrous Chain	5,315	3,536	50%	-1%	15,395	11,817	30%
Intersegment Elimination	(641)	(458)	-40%	-8%	(1,729)	(1,406)	-23%
EBITDA	Q3/2021	Q3/2020	%y-o-y	%q-o-q	9M/2021	9M/2020	%y-o-y
<b>Consolidated SCGP</b>	<b>4,910</b>	<b>3,874</b>	<b>27%</b>	<b>-12%</b>	<b>15,741</b>	<b>12,665</b>	<b>24%</b>
Integrated Packaging Chain	3,597	3,575	1%	-16%	12,421	11,771	6%
Fibrous Chain	965	273	253%	-16%	2,731	887	208%
Other	562	201	180%	-77%	4,753	3,042	56%
Intersegment Elimination	(214)	(175)	-22%	91%	(4,164)	(3,035)	-37%
EBITDA Margins (%)	Q3/2021	Q3/2020			9M/2021	9M/2020	
<b>Consolidated SCGP</b>	<b>15%</b>	<b>17%</b>			<b>18%</b>	<b>18%</b>	
Integrated Packaging Chain	13%	18%			16%	20%	
Fibrous Chain	18%	8%			18%	8%	
Profit (loss) for the period	Q3/2021	Q3/2020	%y-o-y	%q-o-q	9M/2021	9M/2020	%y-o-y
<b>Consolidated SCGP</b>	<b>1,781</b>	<b>1,335</b>	<b>33%</b>	<b>-21%</b>	<b>6,179</b>	<b>4,971</b>	<b>24%</b>
Integrated Packaging Chain	1,153	1,488	-23%	-34%	4,963	5,453	-9%
Fibrous Chain	292	(133)	320%	-44%	879	(336)	362%
Other	453	(1)	n.a.	-80%	4,280	2,320	84%
Intersegment Elimination	(117)	(19)	-516%	95%	(3,943)	(2,466)	-60%
Note: EBITDA	= Earnings before finance cost, tax, depreciation & amortization (excluded dividend from associates and included FX gain/loss from loans)						
EBITDA Margins	= EBITDA / Revenue from Sales						
Profit (loss) for the period	= Profit (loss) for the period attributable to owners of the parent						
Consolidated SCGP's financial statement is presented after the intersegment elimination.							

### Cost of sales

In 9M/2021, SCGP's cost of sales was 71,369 MB, increased of 32% y-o-y. Heightened sea freight and limited supply of recovered paper due to COVID-19 led to an increase in cost of raw materials. Nevertheless, SCGP has been actively managing cost through a diversified sourcing model of raw materials including owned recycling stations along with the extensive local and import network coverage which can secure raw material and maintain the normal utilization rate of packaging paper operations.

**Table 4 - Cost of sales by segments**

Unit : MB	Q3/2021		% y-o-y		% q-o-q		9M/2021		% y-o-y	
Integrated packaging chain	22,845	86%	6,947	44%	2,687	13%	60,877	85%	15,987	36%
Fibrous chain	4,315	16%	985	30%	49	1%	12,505	18%	1,529	14%
Intersegment Elimination	(743)	-2%	(216)	41%	(67)	10%	(2,013)	-3%	(402)	25%
<b>Total SCGP's cost of sales</b>	<b>26,417</b>	<b>100%</b>	<b>7,716</b>	<b>41%</b>	<b>2,669</b>	<b>11%</b>	<b>71,369</b>	<b>100%</b>	<b>17,114</b>	<b>32%</b>

**Summary of Financial Positions as of September 30, 2021**

- Total assets were equal to 202,183 MB, an increase of 29,754 MB or 17% from December 2020 mainly due to the consolidation of M&P subsidiaries (Go-Pak, Duy Tan and Intan Group) of 27,275 MB including goodwill of 6,154 MB. A decrease in cash and cash equivalents were related to an increase in M&P investment of 11,512 MB and short-term investments of 12,000 MB. An increase in trade and other receivables of 7,372 MB and inventories of 10,338 MB, both of which were related to revenue growth and the consolidation of M&P subsidiaries.
- Total liabilities were equal to 81,530 MB, an increase of 18,942 MB or 30% from December 2020 mainly due to the consolidation of M&P subsidiaries (Go-Pak, Duy Tan and Intan Group) of 9,497 MB. An increase in trade and other payables of 5,751 MB which mainly related to the procurement of raw materials, an increase in bank loans of 2,875 MB with major portion related to working capital of overseas operations.
- Total shareholders' equity were 120,653 MB, an increase of 10,812 MB or 10% from December 2020, primarily from profit for the period of 7,337 MB. The exchange differences on translating financial statement of foreign subsidiaries from baht depreciation of 5,859 MB and dividend payment of 3,004 MB.

**Capital structure**

**As of Q3/2021**, total debt to equity ratio was 0.7 times, lower from 1.2 times in Q3/2020. Net debt to EBITDA was 1.6 times, lower from 3.0 times in Q3/2020 after IPO. Interest-bearing debt to equity ratio was at 0.4 times compared with Q3/2020's which was 0.9 times.



**Table 5 – Consolidated Statement of Financial Position of SCGP**

Unit : MB	Sep-2021	Dec-2020	Change	
			MB	%
<b>Total Assets</b>	<b>202,183</b>	<b>172,429</b>	<b>29,754</b>	<b>17%</b>
Current assets	67,069	62,919	4,150	7%
Cash and cash equivalents	6,186	31,256	(25,070)	-80%
Short-term investments	13,124	1,630	11,494	705%
Trade and other receivables	23,706	16,334	7,372	45%
Inventories	23,098	12,760	10,338	81%
Long-term investments	871	829	42	5%
Property, plant and equipment	97,349	87,271	10,078	12%
Goodwill	26,735	18,624	8,111	44%
Other intangible assets	7,878	813	7,065	869%
<b>Total Liabilities</b>	<b>81,530</b>	<b>62,588</b>	<b>18,942</b>	<b>30%</b>
Trade and other payables	16,116	10,365	5,751	55%
Loans	51,687	44,928	6,759	15%
<b>Total Shareholders' Equity</b>	<b>120,653</b>	<b>109,841</b>	<b>10,812</b>	<b>10%</b>
Total equity attributable to owners of the parent	95,248	88,738	6,510	7%
Non-controlling interests	25,405	21,103	4,302	20%

**Table 6 - Debt profile of SCGP**

Unit : MB	Sep-2021	Dec-2020
<b>Short Term</b>	<b>25,070</b>	<b>15,080</b>
Foreign	12,769	5,769
Baht	12,301	9,311
% of Total Loan	49%	32%
<b>Long Term</b>	<b>26,617</b>	<b>29,848</b>
Foreign	10,084	8,630
Baht	16,533	21,218
% of Total Loan	51%	66%
<b>Average cost of debt (%)</b>	<b>2.3%</b>	<b>2.8%</b>
<b>Total Loan</b>	<b>51,687</b>	<b>44,928</b>
<b>Cash &amp; Cash Under Management</b>	<b>19,330</b>	<b>32,886</b>
Cash and cash equivalents	6,186	31,256
Investments in debt instruments	13,144	1,630
<b>Total Net Debt</b>	<b>32,357</b>	<b>12,042</b>

**Table 7 - Key Financial Ratio**

	<u>Q3/2021</u>	<u>Q3/2020</u>
<b>Profitability ratio</b>		
Gross Profit Margin (%)	17%	20%
EBITDA margin (%)	15%	17%
Net Profit margin (%)	6%	6%
Core EBITDA margin (%)	15%	18%
Core Profit margin (%)	5%	6%
Return on Assets (%)	5%	5%
Return on Equity (%)	11%	14%
Return on Invested Capital (%)	8%	7%
<b>Liquidity ratio</b>		
Current ratio (times)	1.4	0.6
Quick ratio (times)	0.9	0.4
<b>Activity Ratios</b>		
Account Receivable Turnover (times)	5.8	6.5
Account Payable Turnover (times)	9.8	10.1
Cash cycle (days)	97	84
Total Asset Turnover (times)	0.7	0.7
Inventory Turnover (times)	5.2	5.7
<b>Leverage ratio</b>		
Net Debt to EBITDA (times)	1.6	3.0
Net Debt to Equity (times)	0.3	0.8
Debt to Equity (times)	0.7	1.2
Interest-bearing liabilities to equity ratio (times)	0.4	0.9

**Table 7 - Key Financial Ratio (Cont)**

Note: Gross Profit Margin (%)	= Gross profit divided by revenue from sales
EBITDA margin (%)	= EBITDA divided by revenue from sales
Net Profit margin (%)	= Profit for the period attributable to owners of the parent divided by revenue from sales
Core EBITDA margin (%)	= Core EBITDA divided by revenue from sales
Core Profit margin (%)	= Core Profit divided by revenue from sales
Return on Assets (%)	= Profit for the period (LTM) divided by average total assets
Return on Equity (%)	= Profit for the period (LTM) divided by average shareholders' equity attributable to owners of the parent
Return on Invested Capital (%)	= Profit from operations minus tax expense, divided by the sum of interest-bearing debt minus cash and shareholders' equity
Current ratio (times)	= Current assets divided by current liabilities.
Quick ratio (times)	= Sum of cash and cash equivalents plus short-term investment and trade and other receivables, divided by current liabilities
Account Receivable Turnover (times)	= Revenue from sales divided by average trade receivables
Account Payable Turnover (times)	= Cost of sales divided by average trade payables
Cash cycle (days)	= Sum of average collection period plus inventory days minus accounts payable day
Total Asset Turnover (times)	= Revenue from sales divided by average total assets
Inventory Turnover (times)	= Cost of sales divided by average inventory
Net Debt	= Total debt (interest bearing), less cash and cash under management
Net Debt to EBITDA (times)	= Net Debt divided by EBITDA (LTM)
Net Debt to Equity (times)	= Net Debt divided by Equity
Debt to Equity (times)	= Total debt divided by total equity
Interest-bearing liabilities to equity ratio (times)	= Interest bearing debt divided by total equity

**Summary of cash flows statement ended September 30, 2021**

**In 9M/2021, SCGP's net cash flows generated from operating activities** amounted to 5,702 MB. The operating cash flows before changes in operating assets and liabilities amounted to 16,057 MB while net operating assets and liabilities increase of 8,489 MB.

**Net cash flows used in investing activities** amounted to 26,130 MB, mainly from an increase of the payment paid for the M&P of subsidiaries of 10,715 MB and the short term investment of 11,274 MB.

**Net cash flows used in financing activities** amounted to 5,333 MB from dividends payment of 3,519 MB and an increase in net borrowings of 454 MB.

**Table 8 - Summary of cash flows statement**

Unit : MB	9M/2021	9M/2020	Change
Cash flows from operating	5,702	13,332	(7,630)
Cash flows from investing	(26,130)	(6,305)	(19,825)
Cash flows from financing	(5,333)	(4,526)	(807)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(25,761)</b>	<b>2,501</b>	<b>(28,262)</b>
<b>Free cash flows</b>	<b>1,379</b>	<b>7,457</b>	<b>(6,078)</b>

**Business Development - Key project progress**

As of the end of Q3/2021, SCGP has four ongoing expansion projects in Thailand, Vietnam and Philippines as follows;

1. **Vietnam, VKPC in North Vietnam** - This project added packaging paper capacity of 370,000 tons per year or an increase of 70% from existing capacity with capital expenditures amounted to 11,793 MB. Commercial start-up is expected to be in early 2024.
2. **Thailand and Vietnam, the expansion of global foodservice packaging of 1,838 million pieces per year or 25% from existing capacity to serve new customer's demand beyond ASEAN;**
  - 2.1 **Pressboard foodservice packaging expansion**, with additional capacity of 1,615 million pieces per year at Banpong plant, Thailand and at Binh Duong plant, Vietnam. Commercial start up is expected to be in Q1/2022.
  - 2.2 **Molded pulp packaging expansion**, with additional capacity of 223 million pieces per year at Wangsala plant, Thailand. Commercial start-up is expected to be in Q2/2022.
3. **Thailand, Samut Sakorn province (Prepack#2)** - Project expansion of flexible packaging - This project is expected to add capacity by 53 million m2 per year or increased 15% from existing capacity. Capital expenditures amount to 600 MB. Start of commercial run was in late Q3/2021.
4. **The Philippines, Bulacan city (UPPC#3)** - This project is expected to add packaging paper capacity of 220,000 tons per year or an increase of 90% from existing capacity. Capital expenditures is amounted to 5,388 MB and expected start-up is in early 2022.

## **Management Outlook**

Looking forward into the rest of 2021 and through to early 2022, major ASEAN economies are heading toward the recovery from the easing of strict lock-down measures in Q3/ 2021. Nonetheless, the pace of recovery will likely to be gradual especially in term of consumers' expenditure and confidence while there is ongoing normalization of supply chain efficiency for overall manufacturing sectors. In a meantime, major export destinations (US and EU) are gearing toward orders' preparation prior to year-end festivities. With respect to the cost factor, the spike in global freight and energy cost keep volatility high and continue to constrain industry's margins. Inflationary pressure and logistics bottleneck issues are the pivotal attentions of global and regional economies. Yet, packaging would still continue to be vital for the continuity of supply chain that serve the growing consumers' consumptions in ASEAN.

With abovementioned external factors, SCGP continues to actively pursue business growth through merger & partnership (M&P) and organic expansions. The closing of Deltalab M&P would enable more expansion into the growing healthcare and medical supply segments. Moreover, the ramping up of major organic expansions in Thailand and Indonesia are under way while the company continuously develops new solutions to serve evolving consumers' and customers' requirements.

As the economic situation and business environment are affected by volatility from the pandemic, SCGP continues to focus in business continuity management (BCM) to mitigate internal and external risk factors, while emphasizes on operation excellence and cost management throughout the supply chain. Furthermore, SCGP's ongoing efforts toward "Net Zero Carbon by 2050" is a quintessential ESG commitment.