

SCGP

SCG Packaging Public Company Limited

Management Discussion and Analysis

Q2/2022 (Reviewed)



Executive Summary

During H1/2022, ASEAN demand improved when comparing to the same period of last year particularly in the segments of Consumer product, Food and Beverage and Export business. Tourism and service sectors were recovering as a result of country's reopening and relaxation of preventive measures against COVID-19. Nonetheless, the challenges remained from the effects of lockdown in major economic cities in China and the shortage of microchip and semiconductor parts in the electronics and automotive industries. Rising global inflation has undermined overall household's purchasing power and business costs, such as energy and transportation, while also put pressure on the economic recovery.

For packaging industry during Q2/2022, regional consumer's demand has gradually improved following the easing of COVID-19 prevention measures. In addition, the export sector continued to expand specifically in frozen & canned food, pet food, clothing and footwear exports to USA and Europe markets. Nevertheless, on a QoQ basis, demand in Thailand and Indonesia was affected by national long holidays.

SCGP's H1/2022 performance, total revenue from sales was 74,616 MB (+31% YoY) from the continuous growth of all businesses including the consolidation of financial performance from M&Ps in Duy Tan, Intan Group and Deltalab, product price adjustment in alignment with rise in costs and the increase in demand of fiber packaging and foodservice packaging. EBITDA was at 10,365 MB (-4% YoY) with EBITDA margin 14%. Profit for the period was 3,514 MB (-20% YoY) and a net profit margin of 5% as a result of a global increase in raw materials and energy costs across industries.

SCGP's Q2/2022 performance, total revenue from sales registered at 37,982 MB (+27% YoY), mainly due to revenue growth of the integrated packaging business in customer segments of consumer-linked products, especially in Vietnam along with the commercial start-up of new packaging paper production line in the Philippines (UPPC 3) while the product prices were adjusted to reflect broad-based costs increase. Growth in revenue of Fibrous business was due to the surge in pulp price and the improved demand of foodservice packaging and paper. EBITDA was 5,478 MB (-2% YoY) with EBITDA margin of 14%. Profit for the period recorded at 1,856 MB (-18% YoY) with net profit margin of 5%. The YoY decrease in profit was mainly attributed to the rise in overall costs as per abovementioned and higher depreciation from the consolidation of the completed M&Ps and organic expansions in 2021. On QoQ basis, revenue from sales grew 4%, while EBITDA increased 12% and the profit for the period increased 12% in Q2/2022. The QoQ improvement was due mainly to better performance of Fibrous business across all product categories.

Interim dividend payment

On 26 July 2022, the Board of Directors of SCGP has approved a H1/2022 interim dividend payment of 0.25 Baht/Share (1,073 MB), which is payable on 24 August 2022 (XD-date on 8 August 2022, and record date on 9 August 2022).

Table 1 - SCGP's Consolidated Financial Statements

Unit: MB

	Q2				Jan - Jun		
	2022	2021	%y-o-y	% q-o-q	2022	2021	%y-o-y
Operating Results from Consolidated Financial Statements							
Revenue from sales	37,982	29,895	27%	4%	74,616	57,148	31%
Integrated Packaging Business	31,790	25,051	27%	3%	62,745	48,018	31%
Fibrous Business	6,192	4,844	28%	9%	11,871	9,130	30%
Cost of sales	31,302	23,748	32%	3%	61,648	44,952	37%
Gross profit	6,680	6,147	9%	6%	12,968	12,196	6%
<i>Gross profit margin (%)</i>	<i>18%</i>	<i>21%</i>			<i>17%</i>	<i>21%</i>	
Distribution costs and administrative expenses	4,202	2,922	44%	5%	8,191	5,892	39%
EBITDA	5,478	5,564	-2%	12%	10,365	10,831	-4%
<i>EBITDA Margin (%)</i>	<i>14%</i>	<i>19%</i>			<i>14%</i>	<i>19%</i>	
Profit for the period	1,856	2,263	-18%	12%	3,514	4,398	-20%
<i>Net profit margin (%)</i>	<i>5%</i>	<i>8%</i>			<i>5%</i>	<i>8%</i>	
Earnings per Share (Baht)	0.43	0.53			0.82	1.02	
Core Financials							
Core EBITDA	5,501	5,593	-2%	10%	10,489	11,064	-5%
Core Profit	1,906	2,287	-17%	11%	3,628	4,550	-20%

Note:

Revenue from sales by business = Revenue from sales after inter-segment elimination basis

EBITDA = Earnings before finance cost, tax, depreciation and amortization
(excluded dividend from associates and included FX gain/loss from loans)

In Jan-Jun 2022 and 2021, Dividend from associates were 3 MB and 6 MB, respectively.

Profit for the period = Profit for the period attributable to owners of the company

Table 2 – Non-operating Items Adjustment for Core Profit and Core EBITDA

Unit: MB

	Core Profit		Core EBITDA	
	Q2		Q2	
	2022	2021	2022	2021
	1,906	2,287	5,501	5,593
Key Items				
1) FX Gain/Loss from Loan, Derivatives and Investment	346	111	378	116
2) Company restructurings	-	-	-	-
3) Changes to local regulations	-	-	-	-
4) Expenses related to M&Ps Transactions	(10)	(137)	(14)	(145)
5) Others	(386)	2	(387)	-
Total	(50)	(24)	(23)	(29)
Profit for the period and EBITDA	1,856	2,263	5,478	5,564

Key analysis on Core profit and Core EBITDA

In Q2/2022, SCGP's Core EBITDA amounted to 5,501 MB (-2% YoY, +10% QoQ) and Core profit was 1,906 MB (-17% YoY, +11% QoQ). The adjustment above showed key non-operating items that affected SCGP's profit for the period and EBITDA which mainly from FX gain/loss from loans, derivatives and investment related to M&Ps, and special items from the adjustment of Duy Tan's earn-out provision in accordance with the share purchase agreement.

Operating Results by Key Business Segments

Integrated Packaging Business (IPB)

For the performance of H1/2022, IPB revenue from sales recorded at 62,884 MB (before inter-segment elimination), increased by 31% YoY owing to product price adjustment in all categories, financial consolidation of completed M&Ps of rigid plastic packaging manufacturer (Duy Tan), corrugated carton producer (Intan Group), and medical supplies and labware specialist (Deltalab) and commercial start-up of packaging paper plant in the Philippines. EBITDA reported at 8,148 MB, decreased by 8% YoY with EBITDA margin of 13%. Profit for the period was 2,679 MB, decreased by 30% YoY mainly due to the rise in raw materials, energy and freight costs across industries as well as a non-recurring adjustment related to Duy Tun's earn-out provision.

For the performance of Q2/2022, IPB revenue from sales reported at 31,862 MB (before inter-segment elimination), increased by 27% YoY, mainly from the product price adjustment, the consolidation of the successful M&P and organic expansion projects. On QoQ basis, IPB revenue from sales increased by 3%, supported by the improved demand for F&B and pet food and commercial start-up of new packaging paper machine in the Philippines.

EBITDA recorded at 3,879 MB, decreased by 9% both YoY and QoQ with EBITDA margin of 12%. Profit for the period was 1,184 MB, dropped by 33% YoY mainly caused by a broad-based increase in raw materials and freight costs across the industries. On a QoQ basis, profit for the period decreased by 21% as a result of the higher energy costs and the adjustment related to earn-out provision mentioned earlier. Nevertheless, SCGP was able to maintain the core EBITDA through active cost management and the adjustment of product prices across the board.

Fibrous Business (FB)

For the performance of H1/2022, FB revenue from sales recorded at 13,224 MB (before inter-segment elimination), increased by 31% YoY attributed to the augmented demand of foodservice packaging which aligns with the recovery of global economic activities, and the overall increase in products price especially, pulp. Additionally, the revenue growth was also driven by commercial start-up of pressboard foodservice packaging in Thailand and Vietnam. EBITDA recorded at 1,883 MB, increased by 7% YoY with EBITDA margin of 14%. Profit for the period was 570 MB, decreased by 3% YoY.

For the performance of Q2/2022, FB revenue from sales reported at 7,016 MB (before inter-segment elimination), increased by 31% YoY mainly due to the rise in demand of all products especially, food service packaging, printing & writing paper from school and workplace reopening as well as the increase in demand for specialty grade paper (i.e. Food grade). Meanwhile,

on QoQ basis, FB revenue from sales increased by 13% from significant increase in sale volume of foodservice packaging (pressboard), and the surge in regional pulp price. Furthermore, SCGP was able to optimize product portfolio to match with the evolving market situation.

EBITDA recorded at 1,246 MB, increased by 8% YoY and increased by 96% QoQ with EBITDA margin of 18%. Profit for the period was 538 MB, increased by 4% YoY mainly due to the increase of regional pulp price. On a QoQ basis, profit for the period importantly increased supported by increased profit of printing & writing paper and pulp businesses as well as the improvement in freight costs.

Table 3 - Operating Results by Business Segment

Unit: MB

	Q2				Jan - Jun		
	2022	2021	% y-o-y	% q-o-q	2022	2021	%y-o-y
Revenue from Sales							
Consolidated SCGP	37,982	29,895	27%	4%	74,616	57,148	31%
Integrated Packaging Business	31,862	25,119	27%	3%	62,884	48,156	31%
Fibrous Business	7,016	5,367	31%	13%	13,224	10,080	31%
Intersegment Elimination	(896)	(591)	-52%	-50%	(1,492)	(1,088)	-37%

	Q2				Jan - Jun		
	2022	2021	% y-o-y	% q-o-q	2022	2021	%y-o-y
EBITDA							
Consolidated SCGP	5,478	5,564	-2%	12%	10,365	10,831	-4%
Integrated Packaging Business	3,879	4,282	-9%	-9%	8,148	8,824	-8%
Fibrous Business	1,246	1,155	8%	96%	1,883	1,766	7%
Others	2,214	2,405	-8%	58%	3,618	4,191	-14%
Intersegment Elimination	(1,861)	(2,278)	18%	-31%	(3,284)	(3,950)	17%

	Q2		Jan - Jun	
	2022	2021	2022	2021
EBITDA Margin (%)				
Consolidated SCGP	14%	19%	14%	19%
Integrated Packaging Business	12%	17%	13%	18%
Fibrous Business	18%	22%	14%	18%

	Q2				Jan - Jun		
	2022	2021	% y-o-y	% q-o-q	2022	2021	%y-o-y
Profit for the period							
Consolidated SCGP	1,856	2,263	-18%	12%	3,514	4,398	-20%
Integrated Packaging Business	1,184	1,757	-33%	-21%	2,679	3,810	-30%
Fibrous Business	538	519	4%	n.a.	570	587	-3%
Others	2,015	2,211	-9%	40%	3,450	3,827	-10%
Intersegment Elimination	(1,881)	(2,224)	15%	-44%	(3,185)	(3,826)	17%

Note:

EBITDA = Earnings before finance cost, tax, depreciation and amortization
(excluded dividend from associates and included FX gain/loss from loans)

EBITDA Margin = EBITDA / Revenue from Sales

Profit for the Period = Profit for the period attributable to owners of the company

Consolidated SCGP's financial statement is presented after the intersegment elimination.

Cost of Sales

In H1/2022, SCGP's cost of sales was 61,648 MB (+37% YoY) mainly from the consolidation of new M&P companies, the completion of organic expansions and rise in energy, freight and raw material prices. Meanwhile, QoQ cost of sales was slightly increased +3%.

Amidst the rise in costs, SCGP continued to operate production facilities and the supply chain while fulfilled the customers' needs and requirements. The company proactively managed costs through a diversified sourcing model of key raw materials (RCP), which include own recycling stations with current total of 82 stations across Thailand, Vietnam, the Philippines and Indonesia, direct collection from primary sources and local suppliers as well as various import sources from the USA, Europe, Japan and Oceania. The recent entrance into international packaging materials recycling business would strengthen all levels of packaging operations from raw material sources, upstream and downstream production through to the integrated packaging solutions.

Table 4 - Cost of Sales by Business Segment

Unit: MB

	Q2				Jan - Jun		
	2022	%	% y-o-y	% q-o-q	2022	%	%y-o-y
Integrated Packaging Business	26,433	84%	31%	3%	51,993	84%	37%
Fibrous Business	5,766	18%	35%	5%	11,239	18%	37%
Intersegment Elimination	(897)	-2%	33%	31%	(1,584)	-2%	25%
Consolidated SCGP	31,302	100%	32%	3%	61,648	100%	37%

Summary of Financial Positions as of 30 June 2022

Total assets were equal to 202,566 MB or a decrease of 4,258 MB (-2% from December 2021) which was mainly due to

1. The decrease in Investments in short-term debt instruments of 11,815 MB, which was due mainly from the retirement of short-term investments for the repayment of short-term bank loan, while Cash and cash equivalents increased 2,588 MB resulting to a net decrease of 9,227 MB.
2. Trade account receivables and other current receivables increased by 2,556 MB as a result of higher sales and Inventories increased 1,425 MB.

Total liabilities were equal to 77,422 MB or a decrease of 7,102 MB (-8% from December 2021) due to the decrease in net total borrowings of 9,413 MB mainly from the repayment of short-term bank loan.

Total shareholders' equity reported at 125,144 MB or an increase of 2,844 MB (+2% from December 2021). The change was primarily due to the profit for the period of 4,228 MB, non-controlling interests from capital increase of joint venture company of 588 MB, along with 417 MB of foreign exchange differences from translation of financial statement, while the decrease was from dividend payment of 2,467 MB.

Capital Structure

In Q2/2022, total debt to equity ratio was at 0.6 times similar to Q2/2021. Net debt to EBITDA was at 1.8 times which was higher than 0.9 times in Q2/2021 mainly from investment activities. Interest-bearing debt to equity ratio was at 0.4 times with no change from Q2/2021.

Table 5 - Summary of SCGP's Consolidated Statement of Financial Position

Unit: MB

	June	December	Change	
	2022	2021	MB	%
Total Assets	202,566	206,824	(4,258)	-2%
Current Assets	64,152	69,186	(5,034)	-7%
Cash and cash equivalents	9,898	7,310	2,588	35%
Investments in short-term debt instruments	1,097	12,912	(11,815)	-92%
Trade and other current receivables	27,466	24,910	2,556	10%
Inventories	24,733	23,308	1,425	6%
Investments in associates	900	873	27	3%
Property, plant and equipment	97,111	97,181	(70)	0%
Goodwill	28,202	29,483	(1,281)	-4%
Other intangible assets	9,559	7,750	1,809	23%
Total Liabilities	77,422	84,524	(7,102)	-8%
Trade and other current payables	19,766	15,261	4,505	30%
Loans	47,358	56,771	(9,413)	-17%
Total Shareholders' Equity	125,144	122,300	2,844	2%
Total equity attributable to owners of the company	98,745	96,837	1,908	2%
Non-controlling interests	26,399	25,463	936	4%

Table 6 - SCGP's Net Debt

	Unit: MB	
	June 2022	December 2021
Short-term Loans	22,467	30,547
Foreign	15,802	12,711
Baht	6,665	17,836
% of Total Loans	47%	54%
Long-term Loans	24,891	26,224
Foreign	8,373	9,706
Baht	16,518	16,518
% of Total Loans	53%	46%
Average cost of debt (%)	2.30%	2.30%
Total Loans	47,358	56,771
Cash and Cash Under Management	11,015	20,242
Cash and cash equivalents	9,898	7,310
Investments in debt instruments	1,117	12,932
Net Debt	36,343	36,529



Table 7 - Key Financial Ratio

		Q2		
			2022	2021
Profitability Ratio				
1	Gross Profit Margin	(%)	17.6	20.6
2	EBITDA Margin	(%)	14.4	18.6
3	Net Profit Margin	(%)	4.9	7.6
4	Core EBITDA Margin	(%)	14.5	18.7
5	Core Profit Margin	(%)	5.0	7.7
6	Return on Assets	(%)	4.4	5.1
7	Return on Equity	(%)	7.7	10.4
8	Return on Invested Capital	(%)	6.6	7.6
Liquidity Ratio				
9	Current Ratio	(times)	1.4	1.5
10	Quick Ratio	(times)	0.8	1.1
Activity Ratio				
11	Account Receivable Turnover	(times)	6.4	6.4
12	Account Payable Turnover	(times)	11	10
13	Cash Cycle	(days)	90	90
14	Total Asset Turnover	(times)	0.7	0.6
15	Inventory Turnover	(times)	5.5	5.2
Leverage Ratio				
16	Net Debt to EBITDA	(times)	1.8	0.9
17	Net Debt to Equity	(times)	0.3	0.2
18	Debt to Equity	(times)	0.6	0.6
19	Interest-bearing Debt to Equity	(times)	0.4	0.4

Note:

- 1) Gross Profit Margin is calculated by Gross profit divided by revenue from sales
- 2) EBITDA Margin is calculated by EBITDA divided by revenue from sales
- 3) Net Profit Margin is calculated by Profit for the period attributable to owners of the company divided by revenue from sales
- 4) Core EBITDA Margin is calculated by Core EBITDA divided by revenue from sales
- 5) Core Profit Margin is calculated by Core Profit divided by revenue from sales
- 6) Return on Assets is calculated by Profit for the period (LTM) divided by average total assets
- 7) Return on Equity is calculated by Profit for the period attributable to owners of the company (LTM) divided by average shareholders' equity attributable to owners of the company
- 8) Return on Invested Capital is calculated by Profit from operations minus tax expense, divided by the sum of net debt and shareholders' equity
Net Debt is calculated by Total interest-bearing debt less cash and cash under management
- 9) Current Ratio is calculated by Current assets divided by current liabilities.
- 10) Quick Ratio is calculated by Sum of cash and cash equivalents plus short-term investment and trade and other receivables, divided by current liabilities
- 11) Account Receivable Turnover is calculated by Revenue from sales divided by average trade receivables
- 12) Account Payable Turnover is calculated by Cost of sales divided by average trade payables
- 13) Cash Cycle is calculated by adding collection period and inventory turnover period minus payment period
- 14) Total Asset Turnover is calculated by Revenue from sales divided by average total assets
- 15) Inventory Turnover is calculated by Cost of sales divided by average inventory
- 16) Net Debt to EBITDA is calculated by Net debt divided by EBITDA (LTM)
- 17) Net Debt to Equity is calculated by Net debt divided by total equity
- 18) Debt to Equity is calculated by Total debt divided by total equity
- 19) Interest-bearing Debt to Equity is calculated by Interest-bearing debt divided by total equity



Summary of Cash Flows Statement Ended 30 June 2022

In H1/2022, SCGP's net cash flows provided by operating activities amounted to 6,351 MB including the operating cash flows of 7,280 MB and tax payment of 929 MB. Cash flows generated from operations were comprised of profit for the period adjusted by items such as depreciation and amortization, tax expense, and change in operating assets and liabilities.

Net cash flows provided by investing activities amounted to 8,760 MB which was mainly the proceeds of the retirement of short-term investments of 11,748 MB, and the capital expenditure of 3,091 MB.

Net cash flows used in financing activities amounted to 12,715 MB from a decrease in net borrowings of 10,223 MB, dividend payment 2,467 MB and interest and other finance costs payment amounted to 613 MB while proceeds from joint venture company for capital increase in subsidiary of 588 MB.

Table 8 - Summary of Cash Flows Statement

	Unit: MB		
	Jan - Jun		
	2022	2021	Change
Cash flows from operating activities	6,351	3,352	2,999
Cash flows from investing activities	8,760	(19,130)	27,890
Cash flows from financing activities	(12,715)	(1,467)	(11,248)
Net increase (decrease) in cash and cash equivalents	2,396	(17,245)	19,641
Free cash flows	3,260	456	2,804

Business Expansions to Capture Growing Consumer Demand

SCGP proceeded on building a strong growth with merger and partnership (M&P) which focus on mutual synergy creation with business partners and organic growth via production capacity expansion. The company announced 2 new projects in Q2/2022 and July 2022 with details as follow;

1. Thailand (Fiber packaging, Samutprakan and Samutsakorn) - Organic expansion of corrugated cartons to serve Thailand's growing demand with the latest available technology of production and printing capabilities. With the project location that is in the center of customer's production bases, this expansion would support the growing purchase orders from customers along with improvement in logistics cost competitiveness. The project will add 75,000 tons per year of

production capacity which equal to 5% of total capacity in Thailand with investment size of 2,450 MB and expected to commercial start-up in 2023.

2. The Netherlands (Packaging materials recycling, Dordrecht) - the signing of share purchase agreement and completion of M&P of 100% stake in Peute Recycling B.V. (“Peute”) with the investment size of approximately 2,875 MB. Peute is the largest independent packaging materials recycling and trading company of recovered paper and plastic in the Netherlands. This transaction would enable SCGP to expand into the rapidly growing international packaging materials recycling business while also be an important pillar for SCGP’s long-term strategic direction to strengthen all levels of packaging business from strategic raw material sources, upstream and downstream production through to the integrated packaging solutions. Peute currently poses the ability to competitively source 1.0 million tons per year of recovered paper (RCP) and 0.1 million tons per year of recovered plastics at their facility in Dordrecht with ongoing project to relocate the facility to Alblisserdam, nearby Rotterdam port, in order to double the sourcing capacity and improve cost efficiency.

Business Development - Key Project Progress

At the end of Q2/2022, SCGP has 2 ongoing organic expansion projects with details as follows;

1. Thailand (Foodservice packaging, Kanchanaburi) - This expansion would increase foodservices packaging capacity of molded pulp of 223 million pieces per year at Kanchanaburi plant, Thailand. This project was commissioned in Q2/2022.

2. Vietnam (Packaging paper, North Vietnam) - A new production base in the northern region of Vietnam under Vina Kraft Paper Company Limited (VKPC) will support the packaging market growth which driven by rising demand of national industrial & export sectors, and surge in FDI as a result of investment promotion policy. This project will add packaging paper capacity of 370,000 tons per year or an increase of 75% from existing capacity with capital expenditures amounted to 11,793 MB. Commercial start-up is expected to be within 2024.

SCGP is committed to sustainable development and ESG principles

SCGP has been incorporating its business practices with the concepts of good governance, social responsibility and environment (ESG) throughout all operations. The company constantly aims to deliver transparency, accountability, and fairness to all stakeholders. As part of ESG commitment, SCGP has set long-term target in greenhouse gas emission from company’s operation to be net zero by 2050. For the continuous effort to achieve the target, SCGP has been expanding renewable energy sources (such as biomass fuel, biogas and etc.) from 21.1% at the end of 2021

to 22.4% in H1/2022. The ongoing expansions of solar power generation capacity would increase the output from 11.8 MW at the end of 2021 to 21.8 MW in 2022. Meanwhile, the carbon offset strategy through natural climate solutions was aligned with our plan in the expansion of reforestation activities, with additional 21,800 planted trees in H1/2022 (an increase of 40% from 2021). Another key ESG effort is the successful expansion of the zero waste community (i.e. Banpong community model) with an additional 19 communities (during 2021-H1/2022). In summary, the total number of participated communities is 60 with aim to triple in number within 2023.

In Q2/2022, SCGP was certified with CIRCULAR MARK, an environmental label for circular products, with 5 pilot products including Idea Green Copy Paper, Consumer Paper Bag, Fest Bio foodservice packaging, Laminated Mono-Material (R1) Flexible Packaging and Shampoo Bottles for Pets Made from 100% Recycled HDPE (rHDPE). This certificate would strengthen brand-value while endorse that the product and packaging are designed with Principle of Circular Economy. Moreover, Prepack Thailand Co., Ltd. has received ISCC PLUS certificate, issued by the International Sustainability and Carbon Certification or ISCC, which is a global-level sustainability certification for organizations with superior carbon and sustainability management throughout the supply chain. Prepack is the second company in SCGP after Visy Packaging (Thailand) Co., Ltd. that obtains this certification, underpinning the company's vision to operate its business in accordance with principles of circular economy.

Continuous development of innovative products and solutions to serve evolving trend of customer needs

In Q2/2022, SCGP and Kao Industrial (Thailand) Co., Ltd., a leading manufacturer of consumer and chemical products, have signed a memorandum of cooperation to introduce innovations and sustainability to consumers with an aim to reduce pollution and create a livable and sustainable products.

For the expansion of customer portfolio in Asia, Deltalab has signed the distribution agreement with Meditop Co., Ltd. and Affinitech Co., Ltd. to accelerate business growth in the region. This project aims to build collaborative development and expand healthcare business both in Thailand and Asia. Moreover, the cooperation will enable data sharing with major distributors in the country, leading to further development in healthcare and medical supply products and services, which lead to sustainable growth together.

In addition, SCGP has made strategic investment in Imprint Energy Inc. (“Imprint”) based in the USA, with the investment size of approximately 105 MB or 3.3% share. Imprint is a developer of thin-film batteries for smart label solutions which has strong growth opportunity. The investment would enable an access to specialized know-how with potential expansion to ASEAN in the future.

Technologies that are designed to revolutionize portable power for intelligent packaging include track-and-trace applications solutions in logistics, medical devices, pharmaceuticals, agriculture, and IoT wearables.

Management Outlook

ASEAN economy in H2/2022 is expected to gradually improve as the economic activities resume to normal driven by manufacturing sectors and domestic consumption amidst the resumption in international traveling.

Chinese economy starts to recover with the effort of government's stimulus policies. The economy gradually resumes after easing of strict lockdown measures which was hampered early part of Q2/2022.

Thai economy is anticipated to improve, especially with growing tourism sector after relaxation of international travel restrictions such as Thailand pass system and the suspension of health insurance requirement for foreign visitors. In addition, demand for frozen food, canned food, and pet food sector are expected to gradually increase through the rest of the year.

Nonetheless, global macroeconomic challenges still persist and need to be monitored including hyperinflation, potential economic recession, prolonged heighten in energy price, and ongoing geopolitical conflicts in Europe.

Packaging business is an essential part of the supply chain. SCGP has continuously provided a wide range of products and services both fiber and polymer packaging, which cover ASEAN and other strategic markets. Currently, SCGP poses a total of 57 production sites with more than 7,000 customers, 70% of which are in consumer-linked segments such as consumer staples, fast-moving consumer goods (FMCG) and food and beverage (F&B). The broad diversification and deep integration enable SCGP to promptly response to the consumers' requirements with innovative and sustainable packaging solutions.

Heading toward H2/2022, SCGP aims to expand customer base to strategic and high-growth markets while prudently pursues the two prongs, organic and inorganic, business expansion and operational fortification throughout the supply chain from upstream to downstream. With annual capital expenditure budget at approximately 20,000 MB, the CAPEX spending on business expansion would also lead to synergies related to M&P; i.e. cross-selling, best practices sharing and adoptions of new technology across operations.

Lastly, SCGP continues to develop innovative and sustainable products & services through collaboration with business partners, focusing on environmentally friendly recyclable products, while progressive ESG related efforts are carried out in alignment with implementation roadmap toward to Net Zero 2050.

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