

# SCGP

## Management Discussion and Analysis Q4/2022 and FY2022 (Unaudited)



## Executive Summary

In 2022, ASEAN economy continued to be supported by the relaxation of preventive measures against COVID-19, which led to the recovery of domestic consumption particularly in food & beverage, daily consumer products along with export of processed food and pet food. Number of foreign tourists also gradually increased after the easing of international travel restriction. Nonetheless, the volatility of global economy and the geopolitical conflict in Europe resulted in heightened energy prices, hyperinflation and interest rate hikes in several major markets (i.e. USA and Europe) which impacted consumer purchasing power and overall economic growth. Meanwhile, Asian economy has also been affected by the prolonged lockdown in China as part of local stringent zero COVID policy. Furthermore, during H2/2022, several manufacturing factories in major cities in China have gone through temporarily closure as a result of limited mobility, which disrupted the supply chain and led to a slowdown in Chinese and regional economy.

For packaging industry during Q4/2022, domestic consumption for food & beverage in ASEAN slightly improved in preparation for holidays and from the tourism recovery momentum. Nonetheless, headwinds from high level of inflation which contracts consumer's disposable income continued to hamper the recovery of packaging demand in ASEAN and beyond, especially for non-essential products (i.e. apparel, footwear and electronic goods). With weakened demand and manufacturing activities in China from lockdown policy, regional packaging paper industry was faced with stagnated direct export sales volume with China as main destination. Meanwhile, the slowdown of domestic customers, particularly the segments that use packaging for exported products, has resulted in downturn of sales volume and price in the region. The key drops in prices were from Indonesia & Vietnam packaging paper markets with high level of excess supply from lower export volume throughout H2/2022. On cost side, freight and raw material costs have been decreasing across the industries while energy costs remained at high level. Still, packaging continues to be an essential part of supply chains which drive ASEAN economy forward.

For SCGP's 2022 performance, total revenue from sales recorded at 146,068 MB, increased 18% YoY supported by business growth through both organic expansion and Merger & Partnership (M&P) including the commercial start-up of packaging paper plant in the Philippines (UPPC 3), full-year financial consolidation of completed M&P in rigid packaging manufacturer (Duy Tan), corrugated carton producer (Intan Group), medical supplies and labware specialist (Deltalab) and partial consolidation of international packaging material recycling business (Peute and Jordan) as well as product prices adjustment to align with the rise in costs. EBITDA reported at 19,402 MB, decreased by 8% YoY with EBITDA margin 13%. Profit for the year was 5,801 MB, decreased by 30% YoY with net profit margin of 4% amidst heightened energy cost and contraction of packaging paper

sales volume in the midst of weakened global and regional demand (Net profit in Q4/2021 included the adjustment of Go-pak's earn-out provision).

For SCGP's Q4/2022 performance, total revenue from sales registered at 33,509 MB, decreased by 5% YoY, mainly due to the decline in sales volume from soft demand both in domestic and export markets, especially in packaging paper business while polymer and fiber packaging business were more resilient. Meanwhile, fibrous business was supported by YoY improvement of product prices in all categories and the increased foodservices packaging sales from additional capacity. EBITDA was recorded at 3,554 MB, decreased 34% YoY with EBITDA margin at 11%. Profit for the period reported at 450 MB, decreased 79% YoY. The declining YoY profitability was mainly attributed to the decrease in sales volume and price of packaging paper, particularly in Indonesia, including the impact of the adjustment related to M&P's earn-out provision in Q4/2021. On QoQ basis, revenue from sales and EBITDA decreased by 12% and 35% respectively. Profit for the period also shrank to 76% with the same reasons as abovementioned.

In consideration of the FY2022 financial performance, the Board of Directors has proposed for shareholder approval at the Annual General Meeting (AGM), a full year 2022 annual dividend payment of 0.60 Baht per share, of which 0.25 Baht per share was previously paid as an interim dividend on 24 August 2022. The final dividend payment of 0.35 Baht per share will be on 24 April 2023, record date of 5 April 2023, and XD-date of 4 April 2023.

## **Business Expansions to fulfil Growing Consumer Demand**

SCGP proceeded on building a continuous growth with merger and partnership (M&P) which enables synergy creation with business partners along with organic expansion to increase production capacity and solution offerings to customers. Both approaches were executed in multiple countries including Vietnam, Philippines, Thailand, Netherlands and USA with details as follow;

### **Integrated Packaging Business (IPB)**

**Philippines** - Production capacity expansion of packaging paper was completed. The project has strengthen market leading position while supported long-term growing domestic demand.

**Thailand** – Organic expansion of fiber packaging operation to serve Thailand's growing demand with the latest available technology of production and printing capabilities including robotic, automation and attractive printing application. With the project location at the center of customers' production base, this expansion would support the growing purchase orders from customers while enable improvement in logistic cost competitiveness.

Additionally, SCGP has recently disclosed the expansion of its polymer packaging business under Prepack Thailand Co., Ltd. (Prepack) before the end of 2022. This expansion has been carried

out via an acquisition of flexible packaging assets from Cyberprint Group Co., Ltd. (Cyber), a multi-type printing and packaging service provider in Thailand. This project not only increases Prepack's production capacity by 12% but also enhance customer network with Cyber's fast growing customer segments in pet food and health supplements products. The additional capacity also enables SCGP to fulfill the growing needs of customers related to on-the-go urban lifestyles.

**Vietnam** – SCGP has begun its investment in a new production base in Northern Vietnam under Vina Kraft Paper Co., Ltd. (VKPC) to serve the growing domestic demand of packaging paper, export-oriented industries and rise in foreign direct investment.

### Fibrous Business (FB)

**Thailand and Vietnam** – SCGP has expanded production capacity for foodservice packaging from paper and natural pulp to meet growing regional and international customer demand as global consumers increasingly adopt more usage of delivery services and takeaway foods. This project also supports the company's strategic direction toward more sustainable packaging.

### Recycling Business (RB)

**Netherlands** – completed M&P of 100% stake in Peute Recycling B.V. (Peute), the largest independent packaging materials recycling and trading company of recovered paper and plastic in the Netherlands. This transaction allows 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 source, production, through to the integrated packaging solution.

**USA** – completed M&P of 90.1% stake in Jordan Trading Inc. (Jordan), an established RCP trader with sourcing networks that largely span from Mid to East coast of the USA, the largest exporter of high-quality RCP. Along with Peute, the addition of Jordan would enhance SCGP's sourcing capabilities from international network of recovered materials sources. This transaction also augments the company with direct access to the source of high-quality American Old Corrugated Containers (AOCC), which is the key raw material that adds premium strength to packaging paper and fiber packaging production.

Table 1 - SCGP's Consolidated Financial Statements

Unit: MB

	Q4				Jan - Dec		
	2022	2021	%y-o-y	% q-o-q	2022	2021	%y-o-y
<b>Operating Results from Consolidated Financial Statements</b>							
Revenue from sales	33,509	35,145	-5%	-12%	146,068	124,223	18%
Integrated Packaging Business	25,253	30,339	-17%	-14%	117,219	105,563	11%
Fibrous Business	6,240	4,806	30%	1%	24,273	18,660	30%
Recycling Business and Others	2,016	-	n.a.	-21%	4,576	-	n.a.
Cost of sales	28,625	29,976	-5%	-9%	121,791	101,345	20%
Gross profit	4,884	5,169	-6%	-24%	24,277	22,878	6%
<i>Gross profit margin (%)</i>	<i>15%</i>	<i>15%</i>			<i>17%</i>	<i>18%</i>	
Distribution costs and administrative expenses	3,770	3,312	14%	-8%	16,039	12,575	28%
EBITDA	3,554	5,409	-34%	-35%	19,402	21,150	-8%
<i>EBITDA Margin (%)</i>	<i>11%</i>	<i>15%</i>			<i>13%</i>	<i>17%</i>	
Profit for the period	450	2,115	-79%	-76%	5,801	8,294	-30%
<i>Net profit margin (%)</i>	<i>1%</i>	<i>6%</i>			<i>4%</i>	<i>7%</i>	
Earnings per Share (Baht)	0.10	0.49			1.35	1.93	
<b>Core Financials</b>							
Core EBITDA	3,666	4,595	-20%	-28%	19,240	20,337	-5%
Core Profit	628	1,358	-54%	-58%	5,768	7,444	-23%

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 2022 and 2021, Dividend from associates were 11 MB and 14 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	
	Q4		Q4	
	2022	2021	2022	2021
	628	1,358	3,666	4,595
<b>Key Items</b>				
1) FX Gain/Loss from Loan, Derivatives and Investment	(117)	(99)	(200)	(134)
2) Company restructurings	-	7	-	11
3) Changes to local regulations	(118)	(107)	12	-
4) Expenses related to M&Ps Transactions	(8)	(115)	(7)	(134)
5) Others	65	1,071	83	1,071
<b>Total</b>	<b>(178)</b>	<b>757</b>	<b>(112)</b>	<b>814</b>
<b>Profit for the period and EBITDA</b>	<b>450</b>	<b>2,115</b>	<b>3,554</b>	<b>5,409</b>

#### Key analysis on Core profit and Core EBITDA

In Q4/2022, SCGP's Core EBITDA amounted to 3,666 MB (-20% YoY, -28% QoQ) and Core Profit was 628 MB (-54% YoY, -58% QoQ). The above adjustment shows key non-operating items that affected SCGP's EBITDA and profit for the period with major portion in Q4/2022 from FX loss and tax expense related to change in United Kingdom's corporate Income tax rate.

## Operating Results by Key Business Segments

### Integrated Packaging Business (IPB)

For the performance of 2022, IPB revenue from sales recorded at 117,524 MB (before inter-segment elimination), increased by 11% YoY. The increase was due to full-year financial consolidation of M&Ps which were completed in 2021 (Duytan, Intan Group and Deltalab) and the ramp up of new packaging paper plant in the Philippines (UPPC 3) as well as product price adjustment amidst higher production costs. EBITDA reported at 14,729 MB, decreased by 8% YoY with EBITDA margin of 13%. Profit for the year was 4,505 MB, decreased by 24% YoY. The decrease in profitability was mainly due to lower sales volume particularly in packaging paper operation and the rise in energy costs across industries as well as the increase in depreciation and amortization expenses from commercial start-up of expansion projects during the year and M&Ps.

For the performance of Q4/2022, IPB revenue from sales reported at 25,345 MB (before inter-segment elimination), decreased by 17% YoY and decreased by 13% QoQ, both with main attribution from decrease in packaging paper sales volume and price which were hampered by sluggish demand in China and ASEAN. The contraction of China economic activities also led to high level of excess containerboard supply, especially in high-volume export countries like Vietnam and Indonesia, which faced with significant drop in market price on QoQ basis. Meanwhile, demand in durable goods and exported products to major markets such as USA and Europe softened, affected by lower consumers' disposable income from prolonged hyperinflation. Nonetheless, polymer and fiber packaging businesses were partially supported by gradual improvement in consumer-related packaging demand for F&B, FMCG which align with tourism-backed domestic consumption recovery.

EBITDA recorded at 2,668 MB with EBITDA margin of 11%. Profit for the period was 512 MB. On YoY basis, EBITDA decreased by 27% and profit for the period decreased by 46%, which was mainly affected by packaging paper sales performance. On a QoQ basis, EBITDA and profit for the period were down 32% and 61% respectively. The drop in profit was due mainly to lower sales volume and selling price of packaging paper, while the raw materials cost gradually decreased amidst longer RCP inventory turnover period from lower packaging paper production volume. Under challenging market situations, SCGP continued to move forward with continuous cost management, customer & product portfolio optimization, supply chain stabilization as well as chain integration to enhance company's competitiveness.

## Fibrous Business (FB)

For the performance of 2022, FB revenue from sales recorded at 26,928 MB (before inter-segment elimination), increased by 30% YoY attributed to the improved demand for printing & writing paper and foodservice packaging in line with the recovery of economic activities from the improved COVID-19 pandemic situation. Revenue growth was also driven by capacity expansion of pressboard foodservice packaging in Thailand & Vietnam as well as the increase in product price in all categories especially pulp price. EBITDA was recorded at 4,066 MB, decreased by 10% YoY with EBITDA margin of 15%. Profit for the year was 1,245 MB, decreased by 40% YoY from last year as EBITDA and profit in Q4/2021 were inclusive of non-operating item adjustment related to Go-pak's earn-out provision. Without this earn-out adjustment in Q4/21, EBITDA of FB would increase by 22% YoY with main support from foodservice packaging expansion and improved paper price.

For the performance of Q4/2022, FB revenue from sales reported at 6,852 MB (before inter-segment elimination), increased by 30% YoY mainly due to the improvement in demand and capacity expansion of foodservice packaging in Thailand and Vietnam, and heightened market price of pulp and printing & writing paper. Meanwhile on QoQ basis, FB revenue from sales was stable with improved sales volume and price for foodservice packaging amidst rebound in tourism that supported the demand for Quick Service Restaurant (QSR). Nonetheless, dissolving pulp demand and sales were decreased from weaker demand in China's textile and garment industries. Printing and writing operation also improved with support from resumption of school and office reopening.

EBITDA recorded at 905 MB with EBITDA margin of 13%. Profit for the period was 107 MB. On YoY basis, EBITDA decreased by 50%. Profit for the period decreased by 91%, as Q4/2021 performance was inclusive of the adjustment of Go-Pak's earn-out provision. Excluding the aforementioned adjustment, EBITDA would increase 48% YoY mainly from higher pulp and paper price. QoQ EBITDA and profit for the period were down 29% and 81% accordingly with main attribution from decrease in sales volume especially of dissolving pulp export to China and major maintenance activities in Q4/2022 along with the tax expense adjustment related to change in United Kingdom's corporate income tax rate.



**Table 3 - Operating Results by Business Segment**

Unit: MB

	Q4				Jan - Dec		
	2022	2021	% y-o-y	% q-o-q	2022	2021	%y-o-y
<b>Revenue from Sales</b>							
<b>Consolidated SCGP</b>	<b>33,509</b>	<b>35,145</b>	<b>-5%</b>	<b>-12%</b>	<b>146,068</b>	<b>124,223</b>	<b>18%</b>
Integrated Packaging Business	25,345	30,422	-17%	-13%	117,524	105,834	11%
Fibrous Business	6,852	5,261	30%	0%	26,928	20,656	30%
Recycling Business and Others	2,254	-	n.a.	-12%	4,814	-	n.a.
Intersegment Elimination	(942)	(538)	-75%	-23%	(3,198)	(2,267)	-41%

	Q4				Jan - Dec		
	2022	2021	% y-o-y	% q-o-q	2022	2021	%y-o-y
<b>EBITDA</b>							
<b>Consolidated SCGP</b>	<b>3,554</b>	<b>5,409</b>	<b>-34%</b>	<b>-35%</b>	<b>19,402</b>	<b>21,150</b>	<b>-8%</b>
Integrated Packaging Business	2,668	3,657	-27%	-32%	14,729	16,078	-8%
Fibrous Business	905	1,795	-50%	-29%	4,066	4,526	-10%
Recycling Business and Others	248	144	72%	-52%	4,386	4,897	-10%
Intersegment Elimination	(267)	(187)	-43%	-17%	(3,779)	(4,351)	13%

	Q4		Jan - Dec	
	2022	2021	2022	2021
<b>EBITDA Margin (%)</b>				
<b>Consolidated SCGP</b>	<b>11%</b>	<b>15%</b>	<b>13%</b>	<b>17%</b>
Integrated Packaging Business	11%	12%	13%	15%
Fibrous Business	13%	34%	15%	22%

	Q4				Jan - Dec		
	2022	2021	% y-o-y	% q-o-q	2022	2021	%y-o-y
<b>Profit for the period</b>							
<b>Consolidated SCGP</b>	<b>450</b>	<b>2,115</b>	<b>-79%</b>	<b>-76%</b>	<b>5,801</b>	<b>8,294</b>	<b>-30%</b>
Integrated Packaging Business	512	950	-46%	-61%	4,505	5,913	-24%
Fibrous Business	107	1,205	-91%	-81%	1,245	2,084	-40%
Recycling Business and Others	16	38	-58%	-92%	3,674	4,318	-15%
Intersegment Elimination	(185)	(78)	-137%	27%	(3,623)	(4,021)	10%

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 2022, SCGP's cost of sales was 121,791 MB (+20% YoY) comprising of integrated packaging business (IPB) of 98,865 MB (+14% YoY), fibrous business (FB) of 22,671 MB (+32% YoY) and recycling business & others of 3,622 MB. The increase in cost of sales was mainly from the consolidation of new M&P companies, the completion of organic expansions and the rise in energy costs. Nonetheless, raw material prices and freight costs continued to improve since Q2/2022.

In the midst of YoY rise in costs, SCGP proactively managed cost to cope with various uncertainty and continued to deliver products and services to customers. Meanwhile, the company enhance supply chain stability to fulfill customers' needs and requirements through a diversified sourcing model of key raw materials (RCP), which include 82 recycling 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. In addition, the entrance into packaging materials recycling business would strengthen company's value chain from raw material sources to the integrated packaging solutions. Importantly, SCGP has a clear roadmap to increase alternative energy (AF)'s portion (i.e. biomass, biogas) for sustainable business growth with current AF portion at 30.6% of total energy sources, from 27.3% at the end of 2021.

**Table 4 - Cost of Sales by Business Segment**

Unit: MB

	Q4			Jan - Dec			
	2022	%	% y-o-y	% q-o-q	2022	%	%y-o-y
Integrated Packaging Business	22,175	77%	-14%	-10%	98,865	81%	14%
Fibrous Business	5,856	20%	26%	5%	22,671	19%	32%
Recycling Business and Others	1,552	5%	n.a.	-25%	3,622	3%	n.a.
Intersegment Elimination	(958)	-2%	85%	16%	(3,367)	-3%	33%
<b>Consolidated SCGP</b>	<b>28,625</b>	<b>100%</b>	<b>-5%</b>	<b>-9%</b>	<b>121,791</b>	<b>100%</b>	<b>20%</b>

## Summary of Financial Positions as of 31 December 2022

Total assets were equal to 197,280 MB or a decrease of 9,544 MB (-5% from December 2021) which was mainly due to

1. The decrease of cash and cash equivalents and investments in short-term debt instruments of 7,877 MB which mainly due to the retirement of short-term investments to repay short-term bank loan and invest in M&P projects.
2. The decrease in other key items, which included account receivable 1,656 MB from lower sales volume, and foreign exchange differences approximately 4,000 MB mainly from Property, Plant and Equipment and Goodwill.
3. The incremental of assets was mainly attributed to M&Ps of Peute and Jordan which led to the increase in fair value and Goodwill approximately 2,784 MB.

Total liabilities were equal to 74,313 MB or a decrease of 10,211 MB (-12% from December 2021), primary due to

1. Net decrease in borrowings amount of 6,602 MB resulting from repayment of loans from banks of 16,600 MB, while there was an increase in borrowing from debentures issuance 10,000 MB (No.1/2022, 5,000 MB and No.2/2022, 5,000 MB).
2. The decrease in other liabilities mainly from the payment of Duy Tan's earn-out provision of 3,527 MB.

Total shareholders' equity reported at 122,967 MB or an increase of 667 MB (+1% from December 2021). The change was mainly attributed to profit for the year of 6,739 MB, while the decrease was from dividend payment of 3,612 MB, along with 2,803 MB of foreign exchange differences.

## Capital Structure

In 2022, total debt to equity ratio was at 0.6 times which was lower than 0.7 times in 2021. Net debt to EBITDA was at 1.9 times which was higher than 1.7 times in 2021 mainly from investment activities. Interest-bearing debt to equity ratio was at 0.4 times which was slightly lower than 0.5 in 2021 due mainly to the repayment of short-term bank loans.

The company has been enhancing its debt structure by the issuance of debenture 10,000 MB including No.1/2022 5,000 MB with maturity of 2 years 10 months, fixed at 2.8% per annum and No.2/2022 5,000 MB with maturity of 4 years, fixed at 3.5% per annum to reduce interest rate volatility.

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

Unit: MB

	2022	2021	Change	
			MB	%
<b>Total Assets</b>	<b>197,280</b>	<b>206,824</b>	<b>(9,544)</b>	<b>-5%</b>
Current Assets	60,154	69,186	(9,032)	-13%
Cash and cash equivalents	9,966	7,310	2,656	36%
Investments in short-term debt instruments	2,378	12,912	(10,534)	-82%
Trade and other current receivables	23,254	24,910	(1,656)	-7%
Inventories	23,281	23,308	(27)	0%
Investments in associates	1,034	873	161	18%
Property, plant and equipment	94,585	97,181	(2,596)	-3%
Goodwill	28,233	29,483	(1,250)	-4%
Other intangible assets	10,574	7,750	2,824	36%
<b>Total Liabilities</b>	<b>74,313</b>	<b>84,524</b>	<b>(10,211)</b>	<b>-12%</b>
Trade and other current payables	14,282	15,261	(979)	-6%
Loans	50,169	56,771	(6,602)	-12%
<b>Total Shareholders' Equity</b>	<b>122,967</b>	<b>122,300</b>	<b>667</b>	<b>1%</b>
Total equity attributable to owners of the Company	97,201	96,837	364	0%
Non-controlling interests	25,766	25,463	303	1%

Table 6 - SCGP's Net Debt

	Unit: MB	
	2022	2021
<b>Short-term Loans</b>	<b>16,155</b>	<b>30,547</b>
Foreign	12,988	12,711
Baht	3,167	17,836
% of Total Loans	32%	54%
<b>Long-term Loans</b>	<b>34,014</b>	<b>26,224</b>
Foreign	7,407	9,706
Baht	26,607	16,518
% of Total Loans	68%	46%
<b>Average cost of debt (%)</b>	<b>2.7%</b>	<b>2.3%</b>
<b>Total Loans</b>	<b>50,169</b>	<b>56,771</b>
<b>Cash and Cash Under Management</b>	<b>12,347</b>	<b>20,242</b>
Cash and cash equivalents	9,966	7,310
Investments in debt instruments	2,381	12,932
<b>Net Debt</b>	<b>37,822</b>	<b>36,529</b>



Table 7 - Key Financial Ratio

			2022	2021
<b>Profitability Ratio</b>				
1	Gross Profit Margin	(%)	16.6	18.4
2	EBITDA Margin	(%)	13.3	17.0
3	Net Profit Margin	(%)	4.0	6.7
4	Core EBITDA Margin	(%)	13.2	16.4
5	Core Profit Margin	(%)	3.9	6.0
6	Return on Assets	(%)	3.3	5.1
7	Return on Equity	(%)	6.0	8.9
8	Return on Invested Capital	(%)	5.1	7.7
<b>Liquidity Ratio</b>				
9	Current Ratio	(times)	1.8	1.3
10	Quick Ratio	(times)	1.0	0.8
<b>Activity Ratio</b>				
11	Account Receivable Turnover	(times)	6.8	6.7
12	Account Payable Turnover	(times)	10.8	10.5
13	Cash Cycle	(days)	90	85
14	Total Asset Turnover	(times)	0.7	0.7
15	Inventory Turnover	(times)	5.2	5.6
<b>Leverage Ratio</b>				
16	Net Debt to EBITDA	(times)	1.9	1.7
17	Net Debt to Equity	(times)	0.3	0.3
18	Debt to Equity	(times)	0.6	0.7
19	Interest-bearing Debt to Equity	(times)	0.4	0.5

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 31 December 2022

In 2022, SCGP's net cash flows provided by operating activities amounted to 17,234 MB including the operating cash flows of 18,996 MB and tax payment of 1,762 MB. Cash flows generated from operations were comprised of profit for the year adjusted by items such as depreciation and amortization, tax expense, and change in operating assets and liabilities.

Net cash flows used in investing activities amounted to 3,119 MB with main reasons from the M&P investments of 7,026 MB and other capital expenditure of 7,186 MB while netting with the proceeds of the retirement of short-term investments of 10,764 MB.

Net cash flows used in financing activities amounted to 11,602 MB from a decrease in net borrowings of 7,253 MB, dividend payment 3,612 MB and interest & other finance costs payment amounted to 1,387 MB.

Table 8 - Summary of Cash Flows Statement

	Unit: MB		
	2022	2021	Change
Cash flows from operating activities	17,234	7,501	9,733
Cash flows from investing activities	(3,119)	(30,996)	27,877
Cash flows from financing activities	(11,602)	(1,042)	(10,560)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,513</b>	<b>(24,537)</b>	<b>27,050</b>
<b>Free cash flows</b>	<b>10,048</b>	<b>1,086</b>	<b>8,962</b>

## Business Development - Key Project Progress

At the end of Q4/2022, SCGP has 4 ongoing organic expansion projects with details as follows;

**1. Thailand (Fiber packaging, Samutprakan and Samutsakorn)** - Organic expansion of corrugated cartons operation to serve Thailand's growing demand with the latest available technology of production and printing capabilities. The project will add 75,000 tons per year of production capacity, which equal to 9% of total capacity in Thailand, with investment size of 2,450 MB and expected commercial start-up in the first quarter of 2024. The structural work of the project including piling has been completed while the construction and installation of machinery are ongoing.

**2. Thailand (Flexible packaging, Samutsakorn)** - An acquisition of customer network and flexible packaging asset from Cyberprint group (Cyber), whose customers are concentrated in fast-growing segments (i.e. pet food, health supplement). The investment will add flexible packaging capacity of 52 million square meters per year or an increase of 12% from existing capacity. Half of additional capacity comes from Cyber's existing flexible packaging capacity and can be integrated



into prepack's operation in the first quarter of 2023. Another half will be from capacity expansion project with expected commercial start-up in the fourth quarter of 2023. The capital expenditure of this investment is included in total investment of 450 MB.

**3. Netherland (Packaging materials recycling, Alblasserdam)** – A facility relocation project from Dordrecht to Alblasserdam nearby Rotterdam port. This project will help improve transportation efficiency and double the processing capacity of recovered paper to 2 million tons per year and recovered plastic to 0.2 million tons per year. Currently, structural work of the project including office building and sorting facility are ongoing with expected start-up in the 4<sup>th</sup> quarter of 2023.

**4. 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 driven by rising demand of 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 of the project is expected in 2025. Environmental Impact Assessment (EIA) approval and land preparation are on process.

## **ESG and sustainable development as the essential core of SCGP's operation**

In Q4/2022, SCGP received two SET AWARDS 2022 from The Stock Exchange of Thailand (SET). The first was Best Innovative Company Awards, under Business Excellence category, with the showcase of distinguished innovation in nanocellulose fibers for packaging industry. This innovation builds on the company's commitment to deploy more sustainable resources while enhance the quality & strength of packaging products. With our own R&D capabilities as a competitive advantage, SCGP has applied advanced technology to develop agricultural residues into nanocellulose, which could enhance the strength of packaging paper, use as virgin fibrous substitution and further develop new products with unique properties (i.e. lightweight high-strength packaging, barrier packaging).

The second was in Sustainability Excellence category, SCGP received Best Sustainability Awards for conducting business in accordance with sustainable development principles. This award recognized SCGP's continuous effort to invest in green technologies to produce environmental friendly packaging together with the company's circular economy model to improve raw material collection and the recovery rate at national level in the long run.

Both awards represented SCGP's commitment on ESG practices throughout the business operations as well as the company's aim to enhance competitiveness through the development of environmental friendly innovation and the optimization of resource efficiency under the circular

economy guidelines. The recognition also reflects dedication of all SCGP employees to support sustainable business growth while emphasize on value chain management with responsibility for the economy, society and environment along with business operations.

## Continuous development of innovative consumer solutions with distinguished RDI capability

With international recognition on Green- meeting displays at APEC 2022 Thailand, SCGP exhibited a continuous effort to elevate ESG practices with emphasis on incremental recycled content and product’s recyclability. In this major event, SCGP promoted resources efficiency through Reuse, Reduce and Recycle principle under ESG concept on display in the forms of environmental friendly arched entrance, backdrops, podiums, PR materials, and bins. At the end of the exhibition, such green displays can be refolded into boxes for participants to carry out of the venue. SCGP has also converted paper booths into eco-friendly bookshelves for the future use of underprivileged school.

On another front, the company continued to build on its expertise in tissue culture to develop dietary supplement under the brand 'HOLIS by SCGP IM-MU Cap'. This development is based on SCGP’s long-running experience as an integrated producer of pulp, paper and packaging. The expertise is advanced by SCGP Innovation and Product Development Centre’s effort to develop high-value plants and herbs which led to the experimental planting of Cordyceps militaris, also known as Golden Cordyceps since 2016 before being evolved into the development of HOLIS by SCGP IM-MU Cap. In 2022 this product received Best Brand of the Year Award in "Cheewajit Awards 2022" under the category of Innovation Reader's Vote.



## Management Outlook

Looking forward into 2023, ASEAN's domestic consumptions are heading toward a continued recovery supported by improved momentum in tourism, commerce, and services sectors especially after China's reopening. Demand of essential goods, such as food & beverage, is expected to grow. Supply chain disruption related to the shortage of intermediate parts, as a result of locked-down policy in China in 2022, is looking to be alleviated. Packaging would continue to be an important core of the supply chain that serve the growing consumer consumption in the region.

Nonetheless, improvement in ASEAN economies and manufacturing activities are likely to be gradual in the first half of the year with pending on & off bottlenecks in regional supply chain while clear sign of recovery should be observed from the third quarter of 2023 onward. Apart from an improved domestic consumption, exporting sector would remain under pressure amidst broad-based weakening of purchasing power and household spending, particularly on durable and non-essential goods, as a result of protracted high inflation and interest rate hikes especially in Europe and North America.

In relation to cost factor, global energy cost is expected to remain at high level in the midst of the prolonged geopolitical conflict in Europe, while freight rate has been continuously declining since the second quarter of 2022 with normalization of container's availability. Raw material costs, especially recovered paper, were in the downturn during H2/2022 with normalization of supply chain bottleneck and will be subjected to the rebalance of regional demand & supply going forward. Furthermore, the volatilities from changes in foreign exchange and interest rate are looking to be extended throughout 2023.

With abovementioned factors, SCGP continues to pursue growth with quality. The company aims to prioritize business expansion on integration-enhancing M&Ps to uplift competitive advantage throughout the value chain, while also expedite and strengthen fast growing product segments (i.e., Healthcare & Medical supply, Bio-solutions, Recycling). Relentless efforts to augment margin are carried out through synergy extractions across packaging products, value-accretive innovation & solution offerings to customers, along with the continuous pursuit of cost saving via energy optimization and automation.

Under a volatile economic and business environment, SCGP commits to a proactive business continuity management. The company has been enhancing its debt structure with the issuance of new debenture tranche and optimization of net working capital with end-to-end supply chain data analytics. Cash and CAPEX management are also prudently planned and executed. Apart from the strengthening of presence and competitiveness in ASEAN market, export networks are being enlarged to diversify portfolio to new growth destinations.

Furthermore, commitment on ESG is still a quintessential fundamental for SCGP's operation with distinguished efforts on stakeholders' engagements, incremental recycled content & packaging's recyclability along with the transition of energy sources toward renewable and alternative energies as part of Net Zero GHG emission target in 2050.

# SCGP

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