

**Management Discussion and Analysis**  
**Q1/2023 (Reviewed)**

**SCGP**



## Executive Summary

In Q1/2023, demands for food, beverages and consumer goods in ASEAN, particularly the portions that related to domestic consumptions, improved in the midst of recovery in service sector, travelling and tourism activities. Regional economy was also supported by the reopening and resumption of demand in China which help alleviate bottleneck and shortage of intermediate raw materials in industrial supply chain. Nonetheless, high inflation and surging interest rates remained the key factors that restrained consumers' disposable incomes. As a result, demands for non-essential products such as apparel, footwear and electronic goods were suppressed regionally and globally which also led to lower export activities from ASEAN to Europe and North America.

Specific to packaging paper industry, export from ASEAN to main destination increased with the gradual recovery of manufacturing activity in China. Nonetheless, price pressure in certain part of the region still persists as producers tried to ramping up production rate while overall demand is yet to be normalized. Further along packaging's supply chain, overall demand for primary and secondary packaging was more resilient with Food and Beverage as leading performer while durable products export underperformed.

On cost side, freight and raw materials costs have been gradually declining since the middle of 2022 while energy cost started to subside at the end of winter season onward. With abovementioned factors, packaging still remains an important part in regional and global supply chains that support the economic recovery and future growth.

For SCGP's Q1/2023 performance, total revenue from sales amounted to 33,729 MB (-8% YoY and +1% QoQ). YoY decline was due mainly to (1) lingering effect from China's lockdown which affected overall demand of packaging paper along with sales volume and product prices (2) high inflation and interest rates that reduced consumers' spending especially on non-essential goods. On a QoQ basis, revenue improvement came mainly from the increase in sales volume in both integrated packaging and fibrous business in the midst of country's reopening and resumption of domestic economic activities, including the increased packaging paper exports after China's reopening.

EBITDA recorded at 4,471 MB (-9% YoY and +26% QoQ) with EBITDA margin of 13%. Profit for the period was 1,220 MB (-26% YoY and +171% QoQ) with net profit margin of 4%. The YoY decrease in profitability was mainly from the reduction in sales volume and product prices of packaging paper amidst weak regional demand while QoQ increase in profitability was driven by improvement in cost elements, especially on raw materials and freight, along with recovery of packaging paper sales volume in strategic domestic markets and export.

Table 1 - SCGP's Consolidated Financial Statements

Unit: MB

	Q1		% y-o-y	% q-o-q
	2023	2022		
<b>Operating Results from Consolidated Financial Statements</b>				
Revenue from sales	33,729	36,634	-8%	1%
Integrated Packaging Business	25,411	30,955	-18%	1%
Fibrous Business	6,191	5,679	9%	-1%
Recycling Business and Others	2,127	-	n.a.	6%
Cost of sales	27,780	30,346	-8%	-3%
Gross profit	5,949	6,288	-5%	22%
<i>Gross profit margin (%)</i>	<i>18%</i>	<i>17%</i>		
Distribution costs and administrative expenses	4,220	3,989	6%	12%
EBITDA	4,471	4,887	-9%	26%
<i>EBITDA Margin (%)</i>	<i>13%</i>	<i>13%</i>		
Profit for the period	1,220	1,658	-26%	171%
<i>Net profit margin (%)</i>	<i>4%</i>	<i>5%</i>		
Earnings per Share (Baht)	0.28	0.39		
<b>Core Financials</b>				
Core EBITDA	4,435	4,988	-11%	21%
Core Profit	1,182	1,722	-31%	88%

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 Q1/2023 and 2022, Dividend from associates were 3 MB and 3 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	
	Q1		Q1	
	2023	2022	2023	2022
	1,182	1,722	4,435	4,988
<b>Key Items</b>				
1) FX Gain/Loss from Loan, Derivatives and Investment	36	22	83	(38)
2) Company restructurings	(15)	(95)	(16)	(75)
3) Changes to local regulations	-	-	-	-
4) Expenses related to M&Ps Transactions	(2)	9	(2)	12
5) Others	19	-	(29)	-
<b>Total</b>	<b>38</b>	<b>(64)</b>	<b>36</b>	<b>(101)</b>
<b>Profit for the period and EBITDA</b>	<b>1,220</b>	<b>1,658</b>	<b>4,471</b>	<b>4,887</b>

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

In Q1/2023, SCGP's Core EBITDA was at 4,435 MB (-11% YoY and +21% QoQ), and Core Profit was 1,182 MB (-31% YoY and +88% QoQ). The above adjustment shows key non-operating items that affected SCGP's EBITDA and profit for the period. Key item for Q1/2023 come mainly from FX gain from loan.

## Operating Results by Key Business Segments

### Integrated Packaging Business (IPB)

For the performance of Q1/2023, IPB revenue from sales reported at 25,480 MB (before inter-segment elimination), decreased by 18% YoY. This was mainly due to lower sales volume and product price particularly in packaging paper business in alignment with previous section. On QoQ basis, IPB revenue from sales increased by 1%, supported by an increase in sales volume of packaging paper in both domestic and export markets especially after China's reopening. Meanwhile, revenue from consumer packaging which include both fiber and polymer packaging was supported by the improved domestic consumption in ASEAN, while exporting sector to Europe and US markets receded.

EBITDA recorded at 3,649 MB with EBITDA margin of 14%. Profit for the period was 1,206 MB. On YoY basis, EBITDA decreased by 15% and profit for the period decreased by 19% respectively as a result of soften performance of packaging paper business as mentioned. On QoQ basis, EBITDA and profit for the period were up 37% and 136% respectively. The QoQ improvement was mainly from lower costs, especially recovered paper, and the recovery of package paper sale volume.

### Fibrous Business (FB)

For the performance of Q1/2023, FB revenue from sales reported at 6,805 MB (before inter-segment elimination), increased by 10% YoY from the increase in pulp and paper product prices and the incremental revenue from expansion of production capacity of pressboard foodservice packaging in Thailand and Vietnam. On QoQ basis, FB revenue from sales decreased by 1% mainly from weaker demand for foodservice packaging in food delivery segment, lower sales in Europe and USA market with less outdoor activities during winter season while demand for Quick Service Restaurant (QSR) continued to grow in line with the resumption of other service businesses in ASEAN. Still, sales volume for pulp and printing & writing paper increased after major maintenance activity in Q4/2022.

EBITDA recorded at 856 MB with EBITDA margin of 13%. Profit for the period was 216 MB. On YoY basis, EBITDA and profit for the period were up 34% and 575% respectively mainly due to product price improvement as mentioned earlier. On QoQ basis, EBITDA decreased by 5% mainly from a decrease in pulp market prices amidst stagnated global demand for textile and garment industry while profit for the period was up 102% as the profit in Q4/2022 was inclusive of tax expense adjustment related to change in United Kingdom's corporate income tax rate.

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

Unit: MB

Revenue from Sales	Q1		% y-o-y	% q-o-q
	2023	2022		
<b>Consolidated SCGP</b>	<b>33,729</b>	<b>36,634</b>	<b>-8%</b>	<b>1%</b>
Integrated Packaging Business	25,480	31,022	-18%	1%
Fibrous Business	6,805	6,208	10%	-1%
Recycling Business and Others	2,432	-	n.a.	8%
Intersegment Elimination	(988)	(596)	-66%	-5%

EBITDA	Q1		% y-o-y	% q-o-q
	2023	2022		
<b>Consolidated SCGP</b>	<b>4,471</b>	<b>4,887</b>	<b>-9%</b>	<b>26%</b>
Integrated Packaging Business	3,649	4,269	-15%	37%
Fibrous Business	856	637	34%	-5%
Recycling Business and Others	1,697	1,404	21%	584%
Intersegment Elimination	(1,731)	(1,423)	-22%	-548%

EBITDA Margin (%)	Q1	
	2023	2022
<b>Consolidated SCGP</b>	<b>13%</b>	<b>13%</b>
Integrated Packaging Business	14%	14%
Fibrous Business	13%	10%

Profit for the period	Q1		% y-o-y	% q-o-q
	2023	2022		
<b>Consolidated SCGP</b>	<b>1,220</b>	<b>1,658</b>	<b>-26%</b>	<b>171%</b>
Integrated Packaging Business	1,206	1,495	-19%	136%
Fibrous Business	216	32	575%	102%
Recycling Business and Others	1,425	1,435	-1%	n.a.
Intersegment Elimination	(1,627)	(1,304)	-25%	-779%

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 Q1/2023, SCGP's cost of sales was 27,780 MB (-8% YoY, -3% QoQ) comprising of integrated packaging business (IPB) of 21,252 MB, fibrous business (FB) of 5,908 MB and recycling business & others of 1,683 MB. The decrease in cost of sales was mainly attributed to the improvement in raw material prices and freight costs since Q2/2022.

SCGP operates production facilities with end-to-end supply chain data analytics to fulfill customers' needs and requirements. The company proactively managed costs through a diversification of key raw materials sources. Moreover, SCGP has been expanding own recycling stations, with current total of 81 own recycling stations across ASEAN (Thailand, Vietnam, the Philippines and Indonesia) and enhancing raw material collection rate by collaboration with multiple recycling partners in both commercial and government level. In Thailand, SCGP set up drop points under SCGP Recycle brand for direct collection from primary sources and local suppliers. In addition, the company solidifies its value chain from raw materials to integrated packaging solutions with various imported sources mainly from the USA, Europe, Japan and Oceania along with strategic investment in packaging materials recycling business. Importantly, SCGP has committed to develop environmental-friendly innovation, optimize resource efficiency under the circular economy guidelines to meet the needs of businesses and consumers who care for the environment, and enhance alternative energy (AF)'s portion which currently increase to 34.6% of total energy sources in Q1/2023, from 30.6% at the end of 2022.

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

Unit: MB

	Q1					
	2023	%	2022	%	% y-o-y	% q-o-q
Integrated Packaging Business	21,252	77%	25,560	84%	-17%	-4%
Fibrous Business	5,908	21%	5,473	18%	8%	1%
Recycling Business and Others	1,683	6%	-	0%	n.a.	8%
Intersegment Elimination	(1,063)	-4%	(687)	-2%	55%	11%
<b>Consolidated SCGP</b>	<b>27,780</b>	<b>100%</b>	<b>30,346</b>	<b>100%</b>	<b>-8%</b>	<b>-3%</b>

## Summary of Financial Positions as of 31 March 2023

Total assets were equal to 198,506 MB or an increase of 1,226 MB (+1% from December 2022) which was mainly due to

1. Net increase in Cash, cash equivalents and short-term investments of 1,004 MB, mainly due to cash from operation.
2. The increase in Trade account receivables and other current receivables 364 MB, while Inventories decreased to 811 MB as a result of higher sales.

Total liabilities were equal to 75,414 MB or an increase of 1,101 MB (+1% from December 2022). This was primary due to Accrued dividends of 2,021 MB. Meanwhile, the decrease in net total borrowing of 1,299 MB was mainly from the repayment of short-term bank loans in amount of 1,070 MB.

Total shareholders' equity reported at 123,092 MB or an increase of 125 MB from December 2022. The change was mainly attributed to profit for the period of 1,304 MB, along with 840 MB of foreign exchange differences, while the decrease was from dividend payment of 2,021 MB.

## Capital Structure

In Q1/2023, total debt to equity ratio was at 0.6 times with no change from Q1/2022. Net debt to EBITDA was at 1.9 times which was higher than 1.7 times in Q1/2022. Interest-bearing debt to equity ratio was at 0.4 times with no change from Q1/2022.



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

Unit: MB

	March	December	Change	
	2023	2022	MB	%
<b>Total Assets</b>	<b>198,506</b>	<b>197,280</b>	<b>1,226</b>	<b>1%</b>
Current Assets	60,842	60,154	688	1%
Cash and cash equivalents	5,454	9,966	(4,512)	-45%
Short-term investments	7,894	2,378	5,516	232%
Trade and other current receivables	23,618	23,254	364	2%
Inventories	22,470	23,281	(811)	-3%
Investments in associates	1,014	1,034	(20)	-2%
Property, plant and equipment	94,718	94,585	133	0%
Goodwill	28,637	28,233	404	1%
Other intangible assets	10,455	10,574	(119)	-1%
<b>Total Liabilities</b>	<b>75,414</b>	<b>74,313</b>	<b>1,101</b>	<b>1%</b>
Trade and other current payables	16,262	14,282	1,980	14%
Loans	48,870	50,169	(1,299)	-3%
<b>Total Shareholders' Equity</b>	<b>123,092</b>	<b>122,967</b>	<b>125</b>	<b>0%</b>
Total equity attributable to owners of the Company	97,575	97,201	374	0%
Non-controlling interests	25,517	25,766	(249)	-1%

Table 6 - SCGP's Net Debt

	Unit: MB	
	March 2023	December 2022
<b>Short-term Loans</b>	<b>15,250</b>	<b>16,155</b>
Foreign	13,196	12,988
Baht	2,054	3,167
% of Total Loans	31%	32%
<b>Long-term Loans</b>	<b>33,620</b>	<b>34,014</b>
Foreign	6,939	7,407
Baht	26,681	26,607
% of Total Loans	69%	68%
<b>Total Loans</b>	<b>48,870</b>	<b>50,169</b>
<b>Average cost of debt (%)</b>	<b>4.0%</b>	<b>2.7%</b>
<b>Cash and Cash Under Management</b>	<b>13,350</b>	<b>12,347</b>
Cash and cash equivalents	5,454	9,966
Short-term investments	7,896	2,381
<b>Net Debt</b>	<b>35,520</b>	<b>37,822</b>



Table 7 - Key Financial Ratio

		Q1		
			2023	2022
<b>Profitability Ratio</b>				
1	Gross Profit Margin	(%)	17.6	17.2
2	EBITDA Margin	(%)	13.3	13.3
3	Net Profit Margin	(%)	3.6	4.5
4	Core EBITDA Margin	(%)	13.1	13.6
5	Core Profit Margin	(%)	3.5	4.7
6	Return on Assets	(%)	3.0	4.8
7	Return on Equity	(%)	5.5	8.4
8	Return on Invested Capital	(%)	4.9	7.2
<b>Liquidity Ratio</b>				
9	Current Ratio	(times)	1.7	1.4
10	Quick Ratio	(times)	1.0	0.8
<b>Activity Ratio</b>				
11	Account Receivable Turnover	(times)	6.4	6.5
12	Account Payable Turnover	(times)	10.8	10.9
13	Cash Cycle	(days)	93	87
14	Total Asset Turnover	(times)	0.7	0.7
15	Inventory Turnover	(times)	5.2	5.7
<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	0.6
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 31 March 2023

In Q1/2023, SCGP's net cash flows provided by operating activities amounted to 5,017 MB including the operating cash flows of 5,150 MB and tax payment of 133 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 used in investing activities amounted to 7,257 MB with main contributions from regular capital expenditure of 1,751 MB and short-term investments of 5,586 MB.

Net cash flows used in financing activities amounted to 2,268 MB from a decrease in net borrowings of 1,727 MB and interest & other finance costs payment amounted to 542 MB.

Table 8 - Summary of SCGP's Consolidated Statement of Cash Flows

	Unit: MB		
	Q1		
	2023	2022	Change
Cash flows from operating activities	5,017	2,809	2,208
Cash flows from investing activities	(7,257)	10,404	(17,661)
Cash flows from financing activities	(2,268)	(10,316)	8,048
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,508)</b>	<b>2,897</b>	<b>(7,405)</b>
<b>Free cash flows</b>	<b>3,266</b>	<b>1,167</b>	<b>2,099</b>

## Business Development - Key Project Progress

SCGP has recently announced an entrance into a Joint Development Agreement (JDA) with strategic partner to develop world-class sustainable innovation and a new Merger and Partnership (M&P) investment to enhance total packaging solutions in Vietnam with details as follow;

**1. Joint development agreement (JDA) between SCGP and Origin Materials** - The development of sustainable innovation "Bio-based Plastic" from Eucalyptus woodchip using advanced technology to convert eucalyptus woodchip, a renewable economical crop into Bio-based PTA for Bio-PET production. This partnership will utilize expertise of both companies to provide sustainable packaging solutions in various products including beverage packaging, food packaging, textile & fabrics as well as other raw materials to support applications in diverse industries, addressing sustainability concerns for the environment. The collaboration also strengthens integration along SCGP's value chain.

**2. Vietnam (Fiber packaging, Dong Nai)** – Notification of interest to invest for 70% stake in ordinary shares of Starprint Vietnam JSC (SPV) with a total enterprise value of not exceeding 1,050 billion Dong or approximately 1,534 million Baht. SPV is an eminent folding cartons packaging manufacturer in Vietnam. This transaction would enable SCGP to enhance packaging solutions with premium quality

and margin offset & rigid boxes as well as expand MNC customer base in Vietnam. SPV has a combined capacity of 16,500 tons of offset printing per year and 8 million pieces of rigid boxes per year, with two manufacturing facilities located in Long Binh (Amata) Industrial Zone, Dong Nai in southern Vietnam. This M&P will be carried out through strategic partnership with Starflex Public Company Limited (Starflex), a leading flexible packaging producer in Thailand, who plan to hold a 25% stake in SPV. This transaction is proceeding under the standard M&P procedures and expected to be completed in Q3/2023. Total size of the transaction including the shareholding structure will be further disclosed as per the rule and regulation for the acquisition and disposition of assets of the Stock Exchange of Thailand (SET).

Meanwhile, the company also poses 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 production and printing technologies. The project will add 75,000 tons per year of production capacity, which equal to 9% of total capacity in Thailand, with an investment of 2,450 MB and expected commercial start-up in the first quarter of 2024. The construction of new warehouse is completed, which new corrugator building is under construction.

**2. Thailand (Flexible packaging, Samutsakorn)** - Capacity expansion of flexible packaging to serve fast-growing segments (i.e. pet food, health supplement). This project will add approximately 26 million square meters per year or an increase of 6% over existing capacity. The capital expenditure of this investment is included in total investment of 450 MB. New facility is currently under construction while machines and equipment are on bidding process with expected commercial start-up in the fourth quarter of 2023.

**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 fourth 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. Approval of Environmental Impact Assessment (EIA) and land preparation are on process.

## ESG and sustainable development as the core of SCGP’s operation



SCGP received Gold class level in the Containers & Packaging industry from S&P Global Corporate Sustainability Assessment (CSA). The result was announced on February 7<sup>th</sup>, 2023. SCGP received a total score of 86, ranking in the Top 1% of Global and Industry Mover in Containers & Packaging sector

with outstanding achievements in 3 areas: Environmental, Social and Governance.

The progress of sustainability-related activities which demonstrates SCGP’s commitment in conducting the business with ESG principle includes (1) the increase of alternative energy portion to 34.6% of total energy sources, from 30.6% at the end of 2022, (2) human rights enhancement across business operations by conducting proactive human rights due diligence processes in all aspects, and (3) network expansion of sustainability partner via collaboration with MCOT to launch “MCOT cares: Paper-Cycle Separation, Exchange, Renew Project” to improve waste collection.

All abovementioned efforts reflect the dedication of all SCGP employees to support sustainable business growth while emphasize on value chain management with responsibility for the economy, society and environment. Lastly, sustainable operations are set in place in accordance with the principle of transparent governance as well as a long-term target of net-zero greenhouse gas emissions by 2050.

## Continuous development on operational excellence and consumer solutions with distinguished research, development & innovation

SCGP received notable design awards from global and Asian packaging design stages with total of 5 prizes including 2 from WORLD STAR AWARDS 2023 held by the World Packaging Organization (WPO) and 3 from ASIASTAR 2022 AWARDS organized by the ASIAN PACKAGING FEDERATION. These awards are the pride of SCGP that represent company’s unique capabilities which manifest creativity, value addition, sustainability as well as the readiness to support the continuous development of innovative designs in order to enhance packaging solutions and elevate the packaging industry in ASEAN.

On another front, Deltalab, a leading manufacturer and distributor of medical supplies and labware, received Best Food Science Division (FSD) Channel Partner, South Europe 2022 award from Bio-Rad Laboratories in recognition of Deltalab’s outstanding business performance in 2022. This honorable award demonstrated Deltalab’s and SCGP’s continuous growth with international presence in the medical & life-science sectors.

With the relentless efforts to provide quality products with international standard to customers, Duy Tan, a subsidiary of SCGP was award Vietnam High-Quality Goods awards 2023 from the Business Association of High Quality Vietnamese Products. This award was voted by customers across the country. Duy Tan is Vietnam's top manufacturer of rigid packaging and household products. The quality of its' products and services has been recognized as one of the most trusted brands in the mind of Vietnamese customers. Duy Tan also committed to maintain high quality standards while prioritized sustainability and regional business growth.

## Management Outlook

Looking forward to Q2/2023, domestic consumption is expected to continue a positive momentum and be a key driver of ASEAN economy. Demand of essential good that related to daily consumption, such as food & beverage, along with frozen & processed and pet food, are anticipated to grow. Other consumer products will be beneficiary of improvement in service, recreation and travelling sectors in the region, especially in Thailand. Furthermore, regional supply chain efficiency is favorably developing in alignment with the continuation of rebound in China's consumer spending and gradual improvement in manufacturing activities from the country's reopening.

Nevertheless, 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 prolonged high inflation and interest rate hike especially in North America and Europe. Meanwhile, freight & energy costs are heading toward normalization while raw material cost is on sideway trend amidst mixed regional demand outlook. Global pulp price for this year is expected to be on a downward trend with weaker demand in the end user industries such as garment and textiles.

Under the changes in macro-economic factor, SCGP continues to pursue growth with quality. The company aims to prioritize business expansion in order to uplift business chain integration and overall profitability with an annual capital expenditure budget of 18,000 MB. Value accretive M&Ps and organics expansions are prudently shortlisted and evaluated with focus on the strengthening of competitive position of overseas operations (VN & ID). The company also selectively explores opportunities in other high growth segments (i.e. Healthcare & Medical supplies, Bio-solutions and Recycling) and markets such as South Asia.

Dedicated efforts to augment margin are carried out through collaboration in Research, Development & Innovation that reinforce packaging solutions for the evolving customers' & consumers' needs with emphasis on sustainability (i.e. mono material, bio-PET). With the aim to continuously seek operational excellence, cost reduction projects were expedited with focus on automation, reduction of energy consumption and pool-purchase of raw materials. Working capital



optimization in the supply chain is being done through Artificial Intelligence and data analytics with clear cash cycle reduction target.

Lastly, commitment on ESG is still a crucial core of SCGP's organization. The company is looking to further enhance sustainability excellence with distinctive science based ESG targets throughout business operations while also aim to improve on all ESG rating scores at international level.

The logo for SCGP is prominently displayed in the center of the image. The letters 'S', 'C', and 'G' are in a dark blue color, while the 'P' is in a gradient of orange and red. The background features a stylized, wireframe cityscape with various skyscrapers and buildings, all rendered in a light blue color. The overall scene is set against a clear blue sky.

# SCGP

EVOLVE THE WAY OF LIFE



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