



# Management Discussion and Analysis

Q1/2024 (Reviewed)

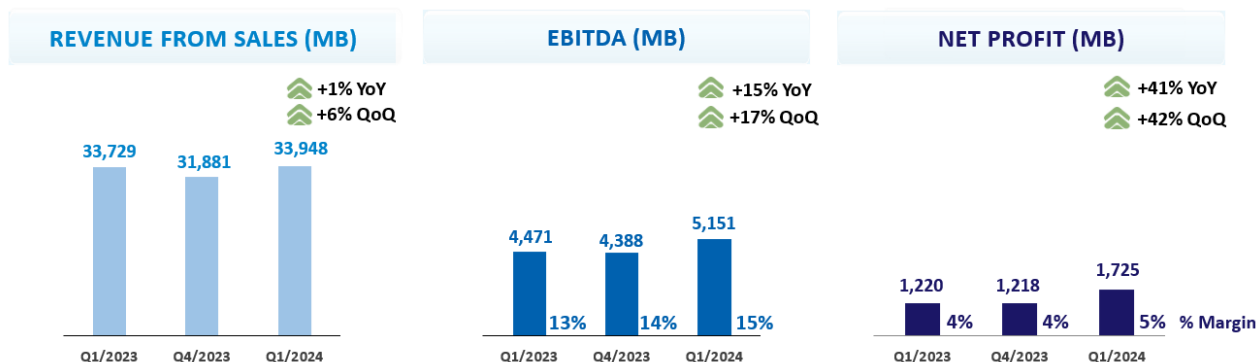


## Executive Summary

In Q1/2024, ASEAN packaging industry grew, driven by strong domestic consumption in Food & Beverage (F&B) and Fast-Moving Consumer Goods (FMCG) sectors. This growth was further attributed to enhanced tourist numbers and spending in Thailand and Vietnam along with the election activities in Indonesia, which drove the economy and consumer confidence. Additionally, favorable export performances of certain products, such as frozen & canned food, fresh fruits, garment, footwear and furniture, which were fostered by decelerating global inflation, contributed to the increase in regional packaging demand. However, there were seasonal effects from the Lunar New Year holiday in China and Vietnam, and soft demand in the automotive segment during this quarter.

On cost side, raw materials costs have been gradually increasing in line with the rise of packaging demand regionally and globally. Energy cost was moving sideways while freight cost went up at the beginning of the year amid geopolitical issues in the Middle East and started to subside in the second half of the quarter. With abovementioned factors, SCGP demonstrated resilience and adaptability while capitalized on opportunities to effectively sustain our strategic supply chains.

### SCGP's Q1/2024 performance highlights



Total revenue from sales was 33,948 MB (+1% YoY and +6% QoQ).

- YoY growth attributed to improved sales volume in both integrated packaging and fibrous business. This was supported by the recovery of domestic economic activities as well as a favorable comparison to the low base of Q1/2023. In addition, demand of non-essential goods has improved from lower global and regional inflation, in alignment with gradual pick up of consumer purchasing power.
- QoQ increase in all major business segments driven by resilient demand in consumer-linked sector supported by tourism, pre-holiday restocking, spending stimulus campaign in Thailand, and expenditure related to election in Indonesia. ASEAN export also improved particularly for food products, E&E, garment and footwear.

EBITDA reported at 5,151 MB (+15% YoY and +17% QoQ) with EBITDA margin of 15%.

Profit for the period was 1,725 MB (+41% YoY and +42% QoQ) with net profit margin of 5%

- YoY profitability improved from higher sales volume and production utilization across all major product categories, coupled with effective cost management throughout the entire value chain.
- QoQ profitability increased was driven by higher packaging paper sales volume and selling price in strategic markets, rise in global pulp price, and flexibility and resiliency in raw materials sourcing network despite the upward trend of global recovered paper (RCP).

Table 1 - SCGP's Consolidated Financial Statements

Unit: MB

	Q1		% y-o-y	% q-o-q
	2024	2023		
<b>Operating Results from Consolidated Financial Statements</b>				
Revenue from sales	33,948	33,729	1%	6%
Integrated Packaging Business	25,450	25,411	0%	6%
Fibrous Business	6,569	6,191	6%	7%
Recycling Business	1,929	2,127	-9%	7%
Cost of sales	27,146	27,780	-2%	4%
Gross profit	6,802	5,949	14%	19%
<i>Gross profit margin (%)</i>	20%	18%		
Distribution costs and administrative expenses	4,295	4,220	2%	10%
EBITDA	5,151	4,471	15%	17%
<i>EBITDA margin (%)</i>	15%	13%		
Profit for the period	1,725	1,220	41%	42%
<i>Net profit margin (%)</i>	5%	4%		
Earnings per Share (Baht)	0.40	0.28		
<b>Core Financials</b>				
Core EBITDA	5,129	4,435	16%	17%
Core Profit	1,686	1,182	43%	39%

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 Q1/2024 and Q1/2023, dividend from associates were 1 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	
	2024	2023	2024	2023
	1,686	1,182	5,129	4,435
<b>Key Items</b>				
1) FX Gain/Loss from Loan, Derivatives and Investment	48	36	33	83
2) Company restructurings	-	(15)	-	(16)
3) Changes to local regulations	-	-	-	-
4) Expenses related to M&Ps transactions	(2)	(2)	(2)	(2)
5) Others	(7)	19	(9)	(29)
<b>Total</b>	<b>39</b>	<b>38</b>	<b>22</b>	<b>36</b>
<b>Profit for the period and EBITDA</b>	<b>1,725</b>	<b>1,220</b>	<b>5,151</b>	<b>4,471</b>

**Key analysis on Core profit and Core EBITDA**

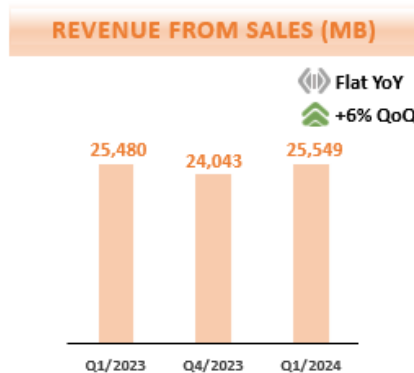
In Q1/2024, SCGP’s Core EBITDA was at 5,129 MB (+16% YoY and +17% QoQ), and Core Profit was 1,686 MB (+43% YoY and +39% QoQ). The above adjustment shows key non-operating items that affected SCGP’s EBITDA and profit for the period. Key item for Q1/2024 came mainly from FX gain/loss from loan and investment.



# Operating Results by Key Business Segments

## Integrated Packaging Business (IPB)

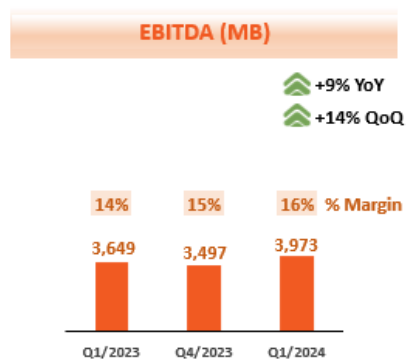
Q1/2024 performance (before inter-segment elimination)



Revenue from sales recorded at 25,549 MB.

- YoY, IPB revenue was flat with higher sales volume across all products amid improved overall demand, while regional price of packaging paper was weaker comparing to the same period of last year.
- QoQ, IPB revenue increased by 6% mainly from packaging paper and fiber packaging, driven by domestic consumption, pre-holiday preparation in Thailand and Indonesia, and tourism recovery. Customers' exports also improved in certain segments such as frozen food, canned food, electrical appliances, garment, and footwear. Consumer and performance packaging revenue decreased overall due to Tet holiday in Vietnam. Meanwhile, sales to food, beverage, personal care, and pet food portfolio in Thailand were still solid.

Customer and performance packaging revenue decreased overall due to Tet holiday in Vietnam. Meanwhile, sales to food, beverage, personal care, and pet food portfolio in Thailand were still solid.



EBITDA recorded at 3,973 MB with EBITDA margin of 16%. Profit for the period was 1,523 MB.

- YoY, EBITDA increased by 9% and profit for the period increased by 26% enhanced by sales volume and continuous cost improvement throughout the value chain.
- QoQ, EBITDA and profit for the period were up 14% and 29% respectively with major factor from increase in sales volume and

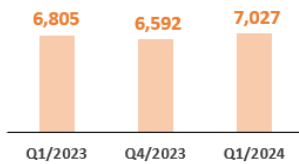
utilization in packaging paper operation. Improvement in profitability was also supported by effective management and capability in raw materials sourcing that emphasize primary source collection and flexibility between import and domestic sources amid the upward trend of global recovered paper (RCP) prices.

## Fibrous Business (FB)

Q1/2024 performance (before inter-segment elimination)

### REVENUE FROM SALES (MB)

+3% YoY  
+7% QoQ



Revenue from sales recorded at 7,027 MB.

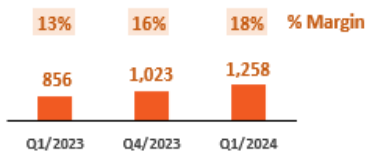
- YoY, increased by 3% primarily from higher revenue of dissolving pulp, foodservice packaging and paper.

- QoQ, increased by 7%. Foodservice packaging slightly decreased in quick-service restaurant (QSR) in Malaysia while there was improvement in retail sector and promotional packaging, especially for Japan market. In addition, revenue from

paper was driven by an increase in export volume of specialty paper to India with higher sales of fine paper for educational materials and book fair. Revenue from pulp improved due to a rise of dissolving pulp sales volume and prices in the midst of demand recovery in apparel and textile industries.

### EBITDA (MB)

+47% YoY  
+23% QoQ



EBITDA recorded at 1,258 MB with EBITDA margin of 18%. Profit for the period was 555 MB.

- YoY, EBITDA and profit for the period were up 47% and 157% respectively driven by healthier margins of dissolving pulp and fine paper.

- QoQ, EBITDA and profit for the period increased by 23% and 52% respectively as a result of rising dissolving pulp market prices and higher paper sales volume.

Table 3 - Operating Results by Business Segment

Unit: MB

Revenue from Sales	Q1		% y-o-y	% q-o-q
	2024	2023		
<b>Consolidated SCGP</b>	<b>33,948</b>	<b>33,729</b>	<b>1%</b>	<b>6%</b>
Integrated Packaging Business	25,549	25,480	0%	6%
Fibrous Business	7,027	6,805	3%	7%
Recycling Business	2,191	2,432	-10%	3%
Intersegment Elimination	(819)	(988)	17%	8%

EBITDA	Q1		% y-o-y	% q-o-q
	2024	2023		
<b>Consolidated SCGP</b>	<b>5,151</b>	<b>4,471</b>	<b>15%</b>	<b>17%</b>
Integrated Packaging Business	3,973	3,649	9%	14%
Fibrous Business	1,258	856	47%	23%
Recycling Business and Others	1,302	1,697	-23%	894%
Intersegment Elimination	(1,382)	(1,731)	20%	-425%

EBITDA margin (%)	Q1	
	2024	2023
<b>Consolidated SCGP</b>	<b>15%</b>	<b>13%</b>
Integrated Packaging Business	16%	14%
Fibrous Business	18%	13%

Profit for the period	Q1		% y-o-y	% q-o-q
	2024	2023		
<b>Consolidated SCGP</b>	<b>1,725</b>	<b>1,220</b>	<b>41%</b>	<b>42%</b>
Integrated Packaging Business	1,523	1,206	26%	29%
Fibrous Business	555	216	157%	52%
Recycling Business and Others	1,041	1,425	-27%	982%
Intersegment Elimination	(1,394)	(1,627)	14%	-554%

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 Q1/2024, SCGP's cost of sales was 27,146 MB (-2% YoY, +4% QoQ). This cost of sales can be broken down into three components: integrated packaging business (IPB) accounted for 20,790 MB, fibrous business (FB) accounted for 5,600 MB, and recycling business accounted for 1,669 MB. Despite the rise in raw material costs, SCGP has successfully managed the sourcing network and enhanced its competitive advantage through several strategies. (1) The distinctive supply chain networks of recovered paper (RCP) which ensure supply security and maintain competitive cost position, the expansion of recycling infrastructure (Total of 155 recycling stations and recycling partners) across ASEAN. Additionally, with primary source collection, SCGP gains access to RCP, while also allowing for flexibility to switch between imported and locally sourced materials, enhancing efficiency in response to market volatilities. (2) The company has been increasingly adopting alternative fuels, such as biomass from agricultural waste and wood, to reduce usage of coal, while also improve production costs. This has resulted in an increase in the proportion of alternative fuels to 37.8% of total energy sources in Q1/2024, compared to 35.9% at the end of 2023. Moreover, the company was able to improve production efficiency due to the higher capacity utilization rate, which has resulted in economies of scale in production, especially in packaging paper.

Table 4 - Cost of Sales by Business Segment

Unit: MB

	Q1		Q1		% y-o-y	% q-o-q
	2024	%	2023	%		
Integrated Packaging Business	20,790	77%	21,252	77%	-2%	4%
Fibrous Business	5,600	21%	5,908	21%	-5%	2%
Recycling Business	1,669	6%	1,683	6%	-1%	-4%
Intersegment Elimination	(913)	-4%	(1,063)	-4%	-14%	-6%
<b>Consolidated SCGP</b>	<b>27,146</b>	<b>100%</b>	<b>27,780</b>	<b>100%</b>	<b>-2%</b>	<b>4%</b>



## Summary of Financial Positions as of 31 March 2024

Total assets were equal to 206,320 MB or an increase of 7,759 MB (+4% from December 2023) which was mainly due to

1. The increase in foreign exchange translation of 4,653 MB from Thai baht depreciation.
2. Net increase in cash and short-term investments of 1,146 MB, mainly due to cash from operation.
3. The increase in trade account receivables and other current receivables 1,670 MB as a result of higher revenue from sales.

Total liabilities were equal to 101,919 MB or an increase of 5,807 MB (+6% from December 2023). This was primary due to foreign exchange differences of 2,898 MB from Thai baht depreciation and accrued dividends of 1,645 MB.

Total shareholders' equity reported at 104,401 MB or an increase of 1,952 MB (+2% from December 2023). The change was mainly attributed to 1,755 MB of foreign exchange translation, along with profit for the period of 1,844 MB, while the decrease was from dividends of 1,645 MB.

## Capital Structure

In Q1/2024, total debt to equity ratio was at 0.98 times which was higher than 0.6 times in Q1/2023 due to the recording of liabilities in Q2/2023 related to potential additional share acquisition in Fajar. Net debt to EBITDA was at 1.7 times which was lower than 1.9 times in Q1/2023. Interest-bearing debt to equity ratio was at 0.5 times which was higher than 0.4 times in Q1/2023.

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

Unit: MB

	March	December	Change	
	2024	2023	MB	%
<b>Total Assets</b>	<b>206,320</b>	<b>198,561</b>	<b>7,759</b>	<b>4%</b>
Current Assets	64,528	60,272	4,256	7%
Cash and cash equivalents	15,232	9,889	5,343	54%
Short-term investments	3,462	7,292	(3,830)	-53%
Trade and other current receivables	25,495	23,331	2,164	9%
Inventories	19,951	19,253	698	4%
Investments in associates	1,089	1,063	26	2%
Property, plant and equipment	97,016	94,279	2,737	3%
Goodwill	30,408	29,374	1,034	4%
Other intangible assets	10,304	10,051	253	3%
<b>Total Liabilities</b>	<b>101,919</b>	<b>96,112</b>	<b>5,807</b>	<b>6%</b>
Trade and other current payables	17,340	14,808	2,532	17%
Loans	50,287	49,113	1,174	2%
Liabilities related to put options	23,775	22,313	1,462	7%
<b>Total Shareholders' Equity</b>	<b>104,401</b>	<b>102,449</b>	<b>1,952</b>	<b>2%</b>
Total equity attributable to owners of the Company	78,829	77,322	1,507	2%
Non-controlling interests	25,572	25,127	445	2%

Table 6 - SCGP's Net Debt

	Unit: MB	
	March 2024	December 2023
<b>Short-term Loans</b>	<b>14,251</b>	<b>15,337</b>
Foreign	13,969	15,067
Baht	282	270
% of Total Loans	28%	31%
<b>Long-term Loans</b>	<b>36,036</b>	<b>33,776</b>
Foreign	8,936	6,768
Baht	27,100	27,008
% of Total Loans	72%	69%
<b>Total Loans</b>	<b>50,287</b>	<b>49,113</b>
<b>Average cost of debt (%)</b>	<b>4.2%</b>	<b>4.1%</b>
<b>Cash and Cash Under Management</b>	<b>18,692</b>	<b>17,180</b>
Cash and cash equivalents	15,232	9,889
Investments in debt instruments	3,460	7,291
<b>Net Debt</b>	<b>31,595</b>	<b>31,933</b>



Table 7 - Key Financial Ratio

			Q1	
			2024	2023
<b>Profitability Ratio</b>				
1	Gross Profit Margin	(%)	20.0	17.6
2	EBITDA Margin	(%)	15.2	13.3
3	Net Profit Margin	(%)	5.1	3.6
4	Core EBITDA Margin	(%)	15.1	13.1
5	Core Profit Margin	(%)	5.0	3.5
6	Return on Assets	(%)	2.9	3.0
7	Return on Equity	(%)	6.5	5.5
8	Return on Invested Capital	(%)	5.4	4.9
<b>Liquidity Ratio</b>				
9	Current Ratio	(times)	0.9	1.7
10	Quick Ratio	(times)	0.6	1.0
<b>Activity Ratio</b>				
11	Account Receivable Turnover	(times)	6.0	6.4
12	Account Payable Turnover	(times)	9.2	10.8
13	Cash Cycle	(days)	94	93
14	Total Asset Turnover	(times)	0.6	0.7
15	Inventory Turnover	(times)	5.0	5.2
<b>Leverage Ratio</b>				
16	Net Debt to EBITDA	(times)	1.7	1.9
17	Net Debt to Equity	(times)	0.3	0.3
18	Debt to Equity	(times)	1.0	0.6
19	Interest-bearing Debt to Equity	(times)	0.5	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 2024

In Q1/2024, SCGP's net cash flows provided by operating activities amounted to 3,053 MB including the operating cash flows of 3,402 MB and tax payment of 349 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 2,547 MB with mainly contributions from net proceeds from short-term investments of 3,967 MB, while there was capital expenditure of 1,491 MB.

Net cash flows used in financing activities amounted to 507 MB from interest payment and other finance costs amounted to 581 MB while there was an increase in net borrowings of 74 MB.

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

	Unit: MB		
	Q1		
	2024	2023	Change
Cash flows from operating activities	3,053	5,017	(1,964)
Cash flows from investing activities	2,547	(7,257)	9,804
Cash flows from financing activities	(507)	(2,268)	1,761
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,093</b>	<b>(4,508)</b>	<b>9,601</b>
<b>Free cash flows</b>	<b>1,562</b>	<b>3,266</b>	<b>(1,704)</b>

## Business Development - Key Project Progress

During Q1/2024, SCGP successfully completed 1 organic expansion project in Thailand. Meanwhile, the joint development agreement (JDA) with strategic partner to develop world-class sustainable innovation is progressing with details as follows;

**Thailand (Fiber packaging, Samutsakorn and Samutprakan)** - Organic expansion of corrugated cartons operation to serve Thailand's growing demand with maximize asset utilization & elevate production efficiency with latest available technology. The project adds 75,000 tons per year of production capacity, which equal to 9% of total capacity in Thailand. This project is strategically located at the center of customers' production hub, making it pivotal factor in accommodating growing customer demand especially in food & beverage and other consumer-linked segment along with improving logistics cost competitiveness. Commercialization began in March 2024.

**The JDA between SCGP and Origin Materials** - Focuses on developing sustainable innovation in the form of "Bio-based Plastic" from Eucalyptus woodchip. This collaboration is dedicated to convert renewable crops into 2 distinct groups: Bio-PET and PEF, both are special grade for sustainable applications. The partnership aims to leverage the expertise of both

companies to offer sustainable packaging solutions for various products, including beverage packaging, food packaging, textile and fabrics, as well as other raw materials that can be applied in diverse industries. Currently, this project is in the third phase, which involves market and techno-economic studies. Moreover, potential additional partner is being explored and verified to ensure the compatibility and alignment of goals with SCGP and Origin Materials. To support these activities, R&D investment of 3 million USD has already been made.

## **Management Outlook**

**Looking further into 2024**, the global economy continues to show sign of improvement, supported by normalization of inflation. This lay down positive environment for growth across developed and emerging markets, boosting consumers' purchasing power, fostering business sentiments, and facilitating global trade. However, challenges still remain, particularly in slow-recovering economies in Europe and from volatilities related to ongoing geopolitical conflict.

In ASEAN, domestic consumption is expected to continue its momentum, serving as a key driver of the economy. Demand for essential goods and consumer products such as food & beverage, frozen & canned and pet food, are anticipated to grow, benefitting from surging in service and tourism sectors within the region. Furthermore, regional supply chain is recouping in tandem with the ongoing enhancement in consumer spending and manufacturing activities, including in durable goods segment. With the improvement in regional and global demand, raw material costs and product prices are anticipated to increase, while freight & energy costs are trending sideways. Global pulp price is expected to persist at heightened level, supported by growing demand in garment and textiles.

Amidst opportunities and challenges in macroeconomic, SCGP has been progressing toward its double-digit growth target in 2024. With a focus on enhancing chain integration and overall profitability, the company has allocated CAPEX budget of 15,000 MB with priority on programmatic M&Ps and organic expansions to strengthen value chain competitiveness, particularly for operations in Vietnam & Indonesia. SCGP also prudently explores other growth opportunities in fast-growing segments that align with the company's strategic direction, while keeps an eye on potential markets such as South Asia. Additionally, SCGP is ramping up new fiber packaging plant, while escalating the utilization of packaging paper facilities to fulfill the rising demand in the region.

SCGP dedicates effort in extending its leadership in ASEAN packaging through collaboration in Research, Development & Innovation with emphasis on sustainable packaging solutions to enhance customer experience. Moreover, the company actively pursues operational excellence with focus on automation, Artificial Intelligence optimization and energy consumption reduction. By ensuring continuous development of efficiency throughout the organization, SCGP also extends the successful cost-saving projects in Thailand to regional operations. Lastly, commitment to ESG principles remains a core focus for SCGP, aiming to expedite ESG investment and solidify sustainability practices with science-based targets across all business operations.



**SUSTAINABLE SOLUTIONS  
FOR A BRIGHTER PLANET**



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