



SCG Packaging Public Company Limited
Management's Discussion and Analysis (MD&A)
Consolidated Financial Results: Q2/20 & H1/20

Consolidated Financial Performance

In Q2/20, revenue from sales decreased by 11% q-o-q to 21,636 MB primarily due to a decrease in revenue from sales generated by our integrated packaging chain business and fibrous chain business. EBITDA for the period decreased by 21% q-o-q to 3,963 MB while Profit for the period increased by 10% q-o-q to 1,904 MB primarily due to SCGP recognized FX gain from PT. Fajar Surya Wisesa Tbk ("Fajar")'s USD loan in Q2/20 compared to FX loss in Q1/20.

In H1/20, revenue from sales increased by 11% y-o-y to 45,903 MB primarily due to an increase in revenue from sales generated by our integrated packaging chain business, while revenue from sales generated by our fibrous chain business decreased. EBITDA for the period increased by 26% y-o-y to 8,994 MB, primarily as a result of the consolidation of Fajar and Visy Packaging Thailand Limited ("Visy Packaging Thailand") operating results in H1/20. Profit for the period increased by 40% y-o-y to 3,636 MB, primarily due to the adjustment for the severance pay of employees as a result of the amendment to the Thai Labor Law, which resulted in an employee benefit expense of 527 MB in 2019

Table 1 - Consolidated financial summary

	<u>Q2/20</u>	% Change	% Change	<u>H1/20</u>	% Change
	MB	Y-o-Y	Q-o-Q	MB	Y-o-Y
Revenue from Sales	21,636	6%	-11%	45,903	11%
Profit for the Period	1,904	94%	10%	3,636	40%
EBITDA	3,963	19%	-21%	8,994	26%
EBITDA from Operation	3,963	19%	-21%	8,989	26%
Earnings per Share (Baht)	0.61	94%	10%	1.16	40%
Dividend Summary					
	<u>2020</u>	<u>2019</u>	<u>2019</u>		
	<i>Interim</i>	<i>Annual</i>	<i>Interim</i>	<i>Total</i>	
Number of share (million shares)	3,126	3,126	1,563		
Dividend per share (Baht)					
- Cash	-	0.42	0.11111111		
- Stock	-	-	1.00		
Dividend amount (MB)	-	1,313	1,737	3,050	
Payout Ratio (% of Net Profit)	0%			58%	
<i>Note :</i>	<i>EBITDA</i>	<i>= Earnings and dividends, before interest, tax, depreciation & amortization.</i>			
	<i>EBITDA from Operation</i>	<i>= Earnings before interest, tax, depreciation & amortization.</i>			
	<i>Profit for the Period</i>	<i>= Profit for the period attributable to owners of the parent.</i>			

Business Segments

Integrated packaging chain

In Q2/20, revenue from sales from our integrated packaging chain decreased by 9% q-o-q to 18,346 MB, primarily due to lower sales volume of our packaging paper and fiber-based packaging products following the implementation of COVID-19 lockdown measures in many ASEAN countries. EBITDA for the period decreased by 15% q-o-q to 3,848 MB. Profit for the period increased by 20% q-o-q to 2,166 MB, primarily due to SCGP recognized FX gain from Fajar's USD loan in Q2/20 compare to FX loss in Q1/20.

In H1/20, revenue from sales from our integrated packaging chain increased by 19% y-o-y to 38,570 MB, primarily due to the positive impact of the consolidation of Fajar's and Visy Packaging Thailand's operating results from July 1, 2019 and September 1, 2019, respectively. EBITDA for the period increased by 37% y-o-y to 8,386 MB. Profit for the period increased by 40% y-o-y to 3,965 MB.

Fibrous chain

In Q2/20, revenue from sales from our fibrous chain decreased by 18% q-o-q to 3,741 MB, primarily due to lower sales volume of our pulp and printing and writing paper products which were affected by schools and

offices closure. EBITDA for the period decreased by 67% q-o-q to 155 MB. Loss for the period decreased to 225 MB.

In H1/20, revenue from sales from our fibrous chain decreased by 19% y-o-y to 8,281 MB, primarily due to lower sales volume and lower average realized selling prices of our pulp and printing and writing paper products. EBITDA for the period decreased by 33% y-o-y to 628 MB. Loss for the period decreased to 203 MB.

Table 2 - Segments

Revenue from Sales	Q2/20 MB	Change % Y-o-Y	Change % Q-o-Q	H1/20 MB	Change % Y-o-Y
Consolidated SCGP	21,636	6%	-11%	45,903	11%
Integrated Packaging Chain	18,346	14%	-9%	38,570	19%
Fibrous Chain	3,741	-23%	-18%	8,281	-19%
Other	-	-	-	-	-
Intersegment Elimination	(451)	-6%	-9%	(948)	-3%
EBITDA	Q2/20	% Y-o-Y	% Q-o-Q	H1/20	% Y-o-Y
Consolidated SCGP	3,963	19%	-21%	8,994	26%
Integrated Packaging Chain	3,848	28%	-15%	8,386	37%
Fibrous Chain	155	-51%	-67%	628	-33%
Other	1,073	-22%	-39%	2,841	47%
Intersegment Elimination	(1,113)	18%	36%	(2,861)	-52%
EBITDA from Operation	Q2/20	% Y-o-Y	% Q-o-Q	H1/20	% Y-o-Y
Consolidated SCGP	3,963	19%	-21%	8,989	26%
Integrated Packaging Chain	3,848	28%	-15%	8,386	37%
Fibrous Chain	155	-51%	-67%	623	-33%
Other	1,073	-22%	-39%	2,841	47%
Intersegment Elimination	(1,113)	18%	36%	(2,861)	-52%
EBITDA Margin (%)	Q2/20	Q2/19	Q1/20	H1/20	H1/19
Consolidated SCGP	18%	16%	21%	20%	17%
Integrated Packaging Chain	21%	19%	22%	22%	19%
Fibrous Chain	4%	7%	10%	8%	9%
Other	-	-	-	-	-
Profit for the Period	Q2/20	% Y-o-Y	% Q-o-Q	H1/20	% Y-o-Y
Consolidated SCGP	1,904	94%	10%	3,636	40%
Integrated Packaging Chain	2,166	71%	20%	3,965	40%
Fibrous Chain	(225)	-11%	-1,123%	(203)	-20,200%
Other	858	-24%	-41%	2,321	58%
Intersegment Elimination	(895)	26%	42%	(2,447)	-44%

Note: EBITDA = Earnings and dividends, before interest, tax, depreciation & amortization.
EBITDA from Operation = Earnings before interest, tax, depreciation & amortization.
EBITDA Margin = Operating EBITDA, to Revenue from Sales.
Profit for the Period = Profit for the period attributable to owners of the parent.

Table 3 - SCGP's Debt Profile (MB)

	Q2/20	Q1/20	Q4/19
Short Term	34,724	37,880	40,959
Foreign	6,163	6,737	4,985
Baht	28,561	31,143	35,974
% of Total Loan	59%	62%	69%
Long Term	24,091	23,655	18,625
Foreign	7,866	7,462	6,368
Baht	16,225	16,193	12,257
% of Total Loan	41%	38%	31%
Total Loan	58,815	61,535	59,584
Cash & Cash Under Management	7,174	9,278	4,959
Cash and cash equivalents	6,532	8,335	4,394
Investment in short-term debt securities	642	943	565
Total Loans to related parties	0.5	7	5
Total Net Debt	51,641	52,250	54,620
SCGP's Financial Ratios	Q2/20	Q1/20	Q4/19
Return on Asset (%)	5.0%	5.0%	5.1%
Current Ratio (times)	0.6	0.7	0.7
Quick Ratio (times)	0.4	0.5	0.4
Interest Coverage (times)	12.2	11.8	11.2
Interest-bearing Liabilities to EBITDA Ratio (times)	3.5	5.4	4.1
Net Debt to Equity (times)	0.8	0.8	0.9
Debt to Equity (times)	1.2	1.4	1.2
Return on Equity (%)	11.0%	9.4%	10.2%
<i>Note: Net Debt</i>	<i>= Total debt (interest bearing), less cash and cash under management</i>		
<i>EBITDA</i>	<i>= Earnings before interest, tax, depreciation & amortization, plus dividends.</i>		
<i>EBITDA on Assets</i>	<i>= Trailing-12-month EBITDA, to Total Consolidated Assets</i>		
<i>Current Ratio</i>	<i>= Current assets, to current liabilities</i>		
<i>Quick Ratio</i>	<i>= Cash + short term investments + receivable, to current liabilities</i>		
<i>Interest Coverage</i>	<i>= Interest coverage ratio is calculated as the sum of net cash from operating activities plus interest paid plus tax paid, divided by interest paid</i>		
<i>Interest-bearing Liabilities to EBITDA Ratio (times)</i>	<i>= Interest-bearing liabilities to EBITDA ratio is calculated as interest-bearing liabilities divided by EBITDA</i>		
<i>Net Debt to Equity</i>	<i>= Net Debt, to equity & non-controlling interest</i>		
<i>Debt to Equity</i>	<i>= Total Liabilities, to equity & non-controlling interest</i>		
<i>Return on Equity</i>	<i>= Return on equity is calculated as profit for the year/period divided by average shareholders' equity.</i>		

Financials

As at the end of Q2/20, SCGP has cash & cash under management of 7,174 MB, compared to the 9,278 MB in Q1/20, while Net Working Capital was 15,871 MB, an increase of 19% q-o-q or 2,505 MB.

Net debt registered 51,641 MB in Q2/20, a decrease of 609 MB from Q1/20. Interest-bearing Liabilities to EBITDA Ratio registered 3.5 times (x) in Q2/20, compared to 5.4 times (x) at Q1/20.

In H1/20, SCGP generated EBITDA of 8,994 MB compared to cash outflow of 6,930 MB (CAPEX & investments 3,870 MB, dividend payment 1,966 MB, interest payment 793 MB and corporate tax 301 MB).

Table 4 - Statement of Financial Position (MB)

	Jun/20	Dec/19
Total Assets	144,360	139,513
Current assets		
Cash, cash equivalent and		
Investments in short-term debt securities	7,174	4,959
Trade and other receivables	14,861	15,198
Inventory	13,716	13,276
Long-term investment	810	787
Property, plant and equipment	86,194	82,864
Total Liabilities	78,947	76,697
Trade and other payables	12,706	10,059
Loans	58,815	59,584
Total Shareholders' Equity	65,414	62,816
Total equity attributable to owners of the parent	45,564	42,952
Non-controlling interests	19,850	19,864