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### KEY HIGHLIGHTS

#### Results

**Siam Cement (SCC TB/HOLD/Bt287.00/Target: Bt322.00)**

3Q23: Reported net profit below our expectation.

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### KEY INDICES

| Symbol            | Close     | Chg      | %Chg   |
|-------------------|-----------|----------|--------|
| SET               | 1,371.22  | (30.48)  | (2.17) |
| SET50             | 846.89    | (18.15)  | (2.10) |
| Value (Btm) - SET | 42,990    |          |        |
| Top 5 Sector      |           |          |        |
| BANK              | 375.33    | (6.24)   | (1.64) |
| PETRO             | 678.21    | (8.98)   | (1.31) |
| PROP              | 218.99    | (3.40)   | (1.53) |
| ENERG             | 20,014.34 | (186.15) | (0.92) |
| ICT               | 148.96    | (2.64)   | (1.74) |

Source: Bloomberg

### TOP VOLUME

| Symbol | Close (Baht) | +/- (% Chg) | 5-day ADT (BTm) |
|--------|--------------|-------------|-----------------|
| SCB    | 97.25        | (1.02)      | 3,049.2         |
| KBANK  | 129.50       | (2.63)      | 2,704.3         |
| DELTA  | 72.25        | (10.53)     | 1,091.9         |
| PTT    | 32.75        | 0.00        | 1,417.7         |
| BBL    | 158.00       | (2.17)      | 1,686.0         |

### TOP GAINERS

| Symbol | Close (Baht) | +/- (% Chg) | 5-day ADT (BTm) |
|--------|--------------|-------------|-----------------|
| BTW    | 0.40         | 8.11        | 1.4             |
| SSC    | 33.00        | 6.45        | 0.1             |
| SSP    | 6.25         | 5.93        | 13.9            |
| GTV    | 0.18         | 5.88        | 2.7             |
| KUMWEL | 1.85         | 4.52        | 0.1             |

### TOP LOSERS

| Symbol | Close (Baht) | +/- (% Chg) | 5-day ADT (BTm) |
|--------|--------------|-------------|-----------------|
| OLT    | 2.06         | (29.93)     | 19.8            |
| MIPF   | 10.00        | (28.06)     | 0.0             |
| JCKH   | 0.03         | (25.00)     | 5.4             |
| UMS    | 0.65         | (17.72)     | 0.0             |
| CMO    | 1.19         | (16.78)     | 4.7             |

\*ADT: Average daily turnover

### KEY STATISTICS

| Commodity        | Current Price | %Chg  |      |      |
|------------------|---------------|-------|------|------|
|                  |               | 1m    | 3M   | YTD  |
| Brent crude*     | 88.4          | (6.3) | 6.7  | 8.3  |
| Dubai crude*     | 89.8          | (1.7) | 7.0  | 14.2 |
| Baltic Dry Index | 1,832.0       | 4.6   | 67.0 | 20.9 |
| Gold Spot***     | 1,983.1       | 5.8   | 1.9  | 8.7  |

\*(US\$/bbl), \*\*\* (US\$/toz)

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

| Day (Mil US\$) | MTD Net (Mil US\$) | YTD Net (Mil US\$) | YTD Net YoY% |
|----------------|--------------------|--------------------|--------------|
| (42.9)         | (382.0)            | (4,908.6)          | (8,346.9)    |

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 36.21

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%) - MLR = 7.10

## COMPANY RESULTS

### Siam Cement (SCC TB)

3Q23: Reported Net Profit Below Our Expectations

SCC's reported net profit for 3Q23 is 24% lower than both our and consensus estimates. This was primarily due to weaker-than-expected profits of the petrochemical business and losses from impairment of assets. Looking ahead, the outlook for 4Q23 core profit appears weak, mainly due to lower petrochemical spreads. Thus, we have adjusted our core profit forecasts for 2023-24. Maintain HOLD. Target price: Bt322.00.

#### 3Q23 RESULTS

| Year to 31 Dec      | 3Q22    | 2Q23    | 3Q23    | %chg. yoy | %chg qoq | 9M22    | 9M23    | %chg. yoy |
|---------------------|---------|---------|---------|-----------|----------|---------|---------|-----------|
| Revenue             | 142,392 | 124,631 | 125,649 | -12%      | 1%       | 447,419 | 379,064 | -15%      |
| EBITDA              | 7,099   | 10,396  | 10,126  | 43%       | -3%      | 33,287  | 30,758  | -8%       |
| EBT                 | 2,546   | 8,246   | 3,110   | 22%       | -62%     | 25,309  | 19,711  | -22%      |
| Norm. Income        | 3,190   | 7,057   | 2,321   | -27%      | -67%     | 22,200  | 13,930  | -37%      |
| Net Income          | 2,444   | 8,082   | 2,441   | 0%        | -70%     | 21,225  | 27,085  | 28%       |
| EPS                 | 2.04    | 6.74    | 2.03    |           |          | 17.69   | 22.57   | 28%       |
| Financial ratio (%) |         |         |         |           |          |         |         |           |
| Gross Profit Margin | 8.9%    | 8.9%    | 9.0%    |           |          | 8.2%    | 8.9%    |           |
| EBITDA Margin       | 8.2%    | 7.9%    | 8.3%    |           |          | 7.4%    | 8.1%    |           |
| SG&A Exp. / Sales   | 5.5%    | 6.5%    | 6.5%    |           |          | 5.7%    | 6.5%    |           |

Source: Siam Cement, UOB Kay Hian

#### RESULTS

- **3Q23 net profit records a significant decline.** In 3Q23, Siam Cement Group (SCC) reported a net profit of Bt2.4b, plunging 70% qoq. This figure is 24% lower than both our and consensus' estimates. The decline was primarily attributed to lower-than-expected profits in the petrochemical business. The significant drop in 3Q23 net profit can be mainly attributed to the one-time gain from fair value adjustment and seasonal dividend in the previous quarter and compounded by the regional cement asset impairment.
- **Cement-building materials business (CBM).** CBM posted a net operating loss of Bt176m for 3Q23, vs 3Q22's net profit of Bt530m and 2Q23's net profit of Bt1.25b. The loss was primarily due to weakened demand during the rainy season, which impacted both domestic and ASEAN markets, as well as a slowdown in government project investments during a period of government transition. Furthermore, in 3Q23, the CBM business suffered a loss of Bt578m due to the impairment of assets related to cement factories in the region.

#### KEY FINANCIALS

| Year to 31 Dec (Btm)          | 2021    | 2022    | 2023F   | 2024F   | 2025F   |
|-------------------------------|---------|---------|---------|---------|---------|
| Net turnover                  | 530,112 | 569,609 | 515,135 | 534,296 | 556,505 |
| EBITDA                        | 81,685  | 48,656  | 37,740  | 47,359  | 48,427  |
| Operating profit              | 52,851  | 19,195  | 8,732   | 17,679  | 18,097  |
| Net profit (rep./act.)        | 47,491  | 21,382  | 28,118  | 26,150  | 27,360  |
| Net profit (adj.)             | 47,174  | 21,382  | 16,108  | 26,150  | 27,360  |
| EPS (Bt)                      | 39.3    | 17.8    | 13.4    | 21.8    | 22.8    |
| PE (x)                        | 7.3     | 16.1    | 21.4    | 13.2    | 12.6    |
| P/B (x)                       | 1.0     | 1.0     | 0.9     | 0.9     | 0.8     |
| EV/EBITDA (x)                 | 6.7     | 11.2    | 14.5    | 11.6    | 11.3    |
| Dividend yield (%)            | 6.4     | 2.8     | 2.1     | 3.5     | 4.2     |
| Net margin (%)                | 9.0     | 3.8     | 5.5     | 4.9     | 4.9     |
| Net debt/(cash) to equity (%) | 63.8    | 75.0    | 54.4    | 50.8    | 49.1    |
| Interest cover (x)            | 12.1    | 6.5     | 5.8     | 6.8     | 6.9     |
| Consensus net profit          | -       | -       | 27,400  | 31,186  | 38,401  |
| UOBKH/Consensus (x)           | -       | -       | 0.59    | 0.84    | 0.71    |

Source: Siam Cement, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

|               |           |
|---------------|-----------|
| Share Price   | Bt287.00  |
| Target Price  | Bt322.00  |
| Upside        | +12.2%    |
| (Previous TP) | Bt366.00) |

#### COMPANY DESCRIPTION

SCC operates as a holding company which is engaged in the industrial supplies and construction industries. The company operates six core businesses - chemical, paper, cement, building materials, distribution and investment.

#### STOCK DATA

|                                 |           |
|---------------------------------|-----------|
| GICS sector                     | Materials |
| Bloomberg ticker:               | SCC TB    |
| Shares issued (m):              | 1,200.0   |
| Market cap (Btm):               | 344,400.0 |
| Market cap (US\$m):             | 9,502.5   |
| 3-mth avg daily t'over (US\$m): | 14.6      |

#### Price Performance (%)

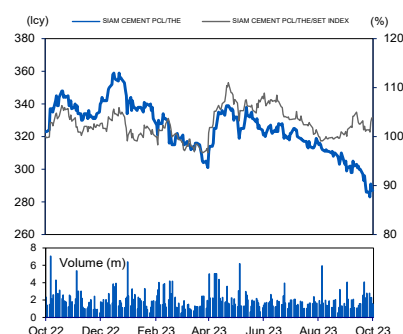
|                  |       |       |                   |        |
|------------------|-------|-------|-------------------|--------|
| 52-week high/low |       |       | Bt359.00/Bt283.00 |        |
| 1mth             | 3mth  | 6mth  | 1yr               | YTD    |
| (5.3)            | (9.7) | (4.7) | (12.0)            | (16.1) |

#### Major Shareholders

|                            |      |
|----------------------------|------|
|                            | %    |
| Maha Vajiralongkorn        | 33.3 |
| Stock Exchange of Thailand | 10.0 |
| STATE STREET Corp          | 4.3  |

|                          |        |
|--------------------------|--------|
| FY23 NAV/Share (Bt)      | 310.78 |
| FY23 Net Debt/Share (Bt) | 169.03 |

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**Tanaporn Visaruthaphong**  
+662 659 8305  
tanaporn@uobkayhian.co.th

**Benjaphol Suthwanish**  
+662 659 8301  
benjaphol@uobkayhian.co.th

### SCC: BUSINESS SEGMENT

|                                    | 3Q22  | 2Q23  | 3Q23  | %chg.<br>qoq | %chg.<br>yoy | 9M22   | 9M23   | %yoy |
|------------------------------------|-------|-------|-------|--------------|--------------|--------|--------|------|
| Net Profit (Btm)                   |       |       |       |              |              |        |        |      |
| Consolidated SCG                   | 2,444 | 8,082 | 2,441 | -70%         | 0%           | 21,225 | 27,049 | 27%  |
| Cement-Building Materials Business | 530   | 1,250 | -176  | n.a.         | n.a.         | 4,506  | 14,537 | 223% |
| Chemical Business                  | -339  | 741   | 1,052 | 42%          | n.a.         | 6,953  | 3,149  | -55% |
| Packaging Business                 | 1,837 | 1,485 | 1,325 | -11%         | -28%         | 5,351  | 4,030  | -25% |
| Others                             | 1,034 | 5,091 | 676   | -87%         | -35%         | 7,124  | 6,609  | -7%  |

Source: Siam Cement, UOB Kay Hian

- Chemical business (SCGC).** In 3Q23, SCG Chemical (SCGC) reported a net profit of Bt1.05b, up 42% qoq. This increase was primarily attributed to the recognition of a stock gain totalling Bt698m. Nevertheless, the core profit of the petrochemical business remained weak. Despite an increase in sales volume, the impact on profitability was mitigated by the declining spread margins of polyethylene (PE) and polypropylene (PP), which decreased by 12% qoq and 19% qoq respectively.
- Packaging business (SCGP).** SCG Packaging (SCGP) reported a 3Q23 net profit of Bt1.3b, down 11% qoq and 28% yoy. This drop can be attributed to reduced sales revenue and higher expenses associated with the annual maintenance of machinery in the pulp and paper sector (about Bt110m). Nevertheless, SCGP managed to reduce its production costs by 1% qoq and 18% yoy. This cost reduction strategy enabled the company to maintain a healthy gross profit margin of 17.9%.

### STOCK IMPACT

- 4Q23 core profit expected to remain weak.** Factors contributing to the challenges and difficulties in 4Q23 are: a) petrochemical spreads for 4Q23 qtd have shown a lack of strength, with spread polyethylene (PE) at US\$459/tonne, down 0.7% qoq, and spread polypropylene (PP) at US\$340/tonne, down 0.5% qoq. This can be attributed to the ongoing increase in production capacity in the region, and b) the overall production capacity has actually decreased. However, in 4Q23, SCG is planning a 45-day maintenance of its Rayong Olefins (ROC) plant. Despite our belief that there will be qoq profit increases in the cement business group and the packaging sector due to seasonal factors, these gains are unlikely to fully offset the negative impact resulting from the challenges faced in the weak petrochemical business.
- Still cautious on petrochemical outlook.** Our negative outlook on the petrochemical business over the next couple quarters is based on several factors: a) delayed growth in demand. The anticipated growth in demand for petrochemical products has been slower than expected, b) naphtha price linkage. Naphtha prices have been adjusting in line with crude oil prices, affecting the cost structure of the petrochemical business, and c) a substantial increase in supply is expected in 2H23, particularly in PE and PP with production capacities of 1.9 m tonnes and 4.5 m tonnes, respectively. In 2024, there will be an additional 5m-6m tonnes of PP production capacity. These factors are putting pressure on spread margins in the petrochemical business, contributing to our pessimistic view for the next couple of quarters.

### EARNINGS REVISION/RISK

- Revise our core profit projections for 2023-24.** We have revised down our core profit estimates for 2023-24 by 4% and 15% respectively. We have made adjustments to petrochemical spread margin assumptions and also made adjustments for its packaging business's profit (SCGP). Consequently, we expect 2023 core profit of Bt16.1b, and 2024 net profit of Bt26.0b. In 9M23, core profit was Bt14.1b, accounting for 87% of our full-year core profit estimate.

### VALUATION/RECOMMENDATION

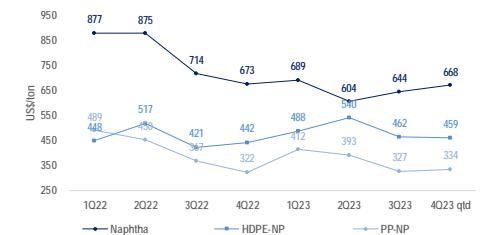
- We maintain HOLD with a new SOTP-based target price of Bt322.00 (previously: Bt366.00).** The chemicals business valuation is based on a P/B ratio of -1.0 SD, which stands at 0.6x. In contrast, the CBM Business and the packaging business are valued using a forward PE ratio at 12x and 33x respectively. Despite these valuations, our outlook on the petrochemical business remains negative.

### KEY ASSUMPTION 2023-24

|                         | --- 2023 --- |        |       | --- 2024 --- |        |      |
|-------------------------|--------------|--------|-------|--------------|--------|------|
|                         | Old          | New    | %Chg. | Old          | New    | New  |
| PE Spread (US\$/ton)    | 390          | 390    | 0%    | 450          | 420    | -7%  |
| PP Spread (US\$/ton)    | 360          | 360    | 0%    | 430          | 400    | -7%  |
| PE Sales Volume (Ktons) | 1,100        | 1,100  | 0%    | 1,500        | 1,500  | 0%   |
| PP Sales Volume (Ktons) | 882          | 882    | 0%    | 1,000        | 1,000  | 0%   |
| NP from SCGP (MB)       | 6,448        | 5,546  | -14%  | 7,669        | 6,504  | -15% |
| Fx (Bt/US\$)            | 34           | 34     | 0%    | 34           | 34     | 0%   |
| Core Profit (MB)        | 16,789       | 16,108 | -4%   | 30,942       | 26,150 | -15% |
| Net Profit (MB)         | 28,799       | 28,118 | -2%   | 30,942       | 26,150 | -15% |

Source: Siam Cement, UOB Kay Hian

### MARKET INFORMATION



Source: Siam Cement, Bloomberg and UOB Kay Hian

### WORLD POLYETHYLENE ADDITIONAL SUPPLY/DEMAND BY REGION 2017-2027



Source: PTT Global Chemical

### WORLD POLYPROPYLENE ADDITIONAL SUPPLY/DEMAND BY REGION 2017-2027



Source: PTT Global Chemical

### SOTP-BASED VALUATION

|              | Equity Value   | Bt/share   | Methodology |
|--------------|----------------|------------|-------------|
| Chemical     | 267,671        | 223        | 0.6x PBV    |
| Cement       | 130,850        | 109        | 12x PE      |
| Packaging    | 214,650        | 179        | 33x PE      |
| Others       | 9,515          | 8          | 12x PE      |
| Net Debt     | -236,286       | -197       |             |
| <b>Total</b> | <b>386,400</b> | <b>322</b> |             |

Source: Siam Cement, UOB Kay Hian

### PROFIT & LOSS

| Year to 31 Dec (Btm)          | 2022    | 2023F   | 2024F   | 2025F   |
|-------------------------------|---------|---------|---------|---------|
| Net turnover                  | 569,609 | 515,135 | 534,296 | 556,505 |
| EBITDA                        | 48,656  | 37,740  | 47,359  | 48,427  |
| Deprec. & amort.              | 29,461  | 29,007  | 29,680  | 30,329  |
| EBIT                          | 19,195  | 8,732   | 17,679  | 18,097  |
| Associate contributions       | 10,703  | 16,535  | 17,362  | 18,230  |
| Net interest income/(expense) | (7,523) | (6,556) | (7,001) | (7,008) |
| Pre-tax profit                | 22,375  | 30,721  | 28,040  | 29,320  |
| Tax                           | (4,650) | (6,144) | (5,608) | (5,864) |
| Minorities                    | 3,658   | 3,541   | 3,718   | 3,904   |
| Net profit                    | 21,382  | 28,118  | 26,150  | 27,360  |
| Net profit (adj.)             | 21,382  | 16,108  | 26,150  | 27,360  |

### CASH FLOW

| Year to 31 Dec (Btm)             | 2022     | 2023F    | 2024F    | 2025F    |
|----------------------------------|----------|----------|----------|----------|
| Operating                        | 29,719   | 67,600   | 50,146   | 49,939   |
| Pre-tax profit                   | 22,375   | 30,721   | 28,040   | 29,320   |
| Tax                              | (4,650)  | (6,144)  | (5,608)  | (5,864)  |
| Deprec. & amort.                 | 29,461   | 29,007   | 29,680   | 30,329   |
| Working capital changes          | (7,882)  | 14,016   | (1,965)  | (3,847)  |
| Other operating cashflows        | (9,585)  | 0        | 0        | 0        |
| Investing                        | (32,947) | 41,367   | (39,088) | (39,268) |
| Investments                      | (38,065) | (42,808) | (39,854) | (40,156) |
| Others                           | 5,118    | 84,175   | 766      | 888      |
| Financing                        | 24,399   | (73,493) | (38,842) | (39,733) |
| Dividend payments                | (22,055) | (9,600)  | (7,249)  | (11,767) |
| Issue of shares                  | 0        | 0        | 0        | 0        |
| Proceeds from borrowings         | 46,454   | (63,893) | (31,593) | (27,966) |
| Net cash inflow (outflow)        | 21,171   | 35,474   | (27,783) | (29,063) |
| Beginning cash & cash equivalent | 35,993   | 57,530   | 93,004   | 65,220   |
| Changes due to forex impact      | 365      | 0        | 0        | 0        |
| Ending cash & cash equivalent    | 57,530   | 93,004   | 65,220   | 36,158   |

### BALANCE SHEET

| Year to 31 Dec (Btm)       | 2022    | 2023F   | 2024F   | 2025F   |
|----------------------------|---------|---------|---------|---------|
| Fixed assets               | 425,052 | 438,852 | 449,026 | 458,854 |
| Other LT assets            | 231,389 | 193,429 | 195,345 | 197,566 |
| Cash/ST investment         | 57,530  | 93,004  | 65,220  | 36,158  |
| Other current assets       | 192,520 | 174,043 | 184,170 | 200,122 |
| Total assets               | 906,490 | 899,328 | 893,762 | 892,699 |
| ST debt                    | 27,641  | 31,593  | 27,966  | 28,595  |
| Other current liabilities  | 104,675 | 63,963  | 72,124  | 84,229  |
| LT debt                    | 295,845 | 264,252 | 236,286 | 207,691 |
| Other LT liabilities       | 25,904  | 72,119  | 74,801  | 77,911  |
| Shareholders' equity       | 354,420 | 372,938 | 391,839 | 407,432 |
| Total liabilities & equity | 906,490 | 899,328 | 893,762 | 892,699 |

### KEY METRICS

| Year to 31 Dec (%)        | 2022   | 2023F  | 2024F | 2025F |
|---------------------------|--------|--------|-------|-------|
| Profitability             |        |        |       |       |
| EBITDA margin             | 8.5    | 7.3    | 8.9   | 8.7   |
| Pre-tax margin            | 3.9    | 6.0    | 5.2   | 5.3   |
| Net margin                | 3.8    | 5.5    | 4.9   | 4.9   |
| Net profit (adj.)         | (54.7) | (24.7) | 62.3  | 4.6   |
| Leverage                  |        |        |       |       |
| Debt to total capital     | 41.7   | 38.8   | 35.4  | 32.3  |
| Debt to equity            | 91.3   | 79.3   | 67.4  | 58.0  |
| Net debt/(cash) to equity | 75.0   | 54.4   | 50.8  | 49.1  |
| Interest cover (x)        | 6.5    | 5.8    | 6.8   | 6.9   |

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