Siam Cement (SCC TB)

CBM Margin Recovery Provides Earnings Upside

Highlights

- CBM EBITDA margin has improved significantly, driven by higher selling prices and effective cost optimisation, providing upside to our earnings forecasts.
- Its financial position has strengthened after using proceeds from the partial divestment of its CAP stake to repay debt, bringing both net debt-to-equity and net debt-to-EBITDA ratios back to healthy levels.
- Maintain BUY. Target price: Bt330.00 (previously Bt320.00).

Analysis

- **The tone during our meeting with Siam Cement (SCC) was positive.**
- **CBM EBITDA margin improved significantly.** We remain positive on the cement building material (CBM) business as its earnings recovery is being driven by both pricing and structural cost improvements. Besides gradual domestic price increases, CBM has benefitted from an organisational transformation implemented in mid-2Q26 to improve operational efficiency through centralisation of support functions, elimination of overlapping operations, and the introduction of a "One Face to Customer" strategy offering integrated housing and building solutions. As a result, CBM's EBITDA margin increased to 14% in 2Q26 (vs 10% in 1Q26 and 8% in 2Q25).
- Management expects the transformation to generate approximately Bt1.00b of fixed cost savings in 2H26 and increase EBITDA by around Bt3.0b by 2028. The restructuring is appropriate given the still-muted cement demand environment. Thailand's cement demand was broadly flat yoy in 2Q26, supported mainly by public infrastructure projects (40% of domestic sales), while the residential property sector remained weak. In contrast, overseas markets continued to outperform, with Indonesia's cement demand rising 15% yoy, supported by government stimulus measures and the property sector, while Vietnam grew 4% yoy, driven by strong foreign direct investment (FDI) inflows.
- **Low-carbon cement and cost optimisation remain key growth drivers.** SCC continues to focus on expanding the production and sales of low-carbon cement in Thailand while accelerating exports from its Vietnam operations to premium overseas markets with stricter environmental standards, where both selling prices and profitability are more attractive. The company is also increasing the use of alternative fuels, including RDF and biomass, to reduce coal dependency. Investments in Chloride Bypass and External Combustion System technologies allow cement kilns to utilise a higher proportion of alternative fuels without compromising product quality. SCC targets an alternative fuel utilisation rate of more than 50% by 2027, up from around 40% currently.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	511,172	496,925	708,881	706,504	605,398
EBITDA	41,721	36,386	59,565	42,626	42,616
Operating profit	-1,475	-9,785	16,795	2,172	4,734
Net profit (rep./act.)	6,342	14,075	24,792	8,390	9,003
Net profit (adj.)	3,798	4,962	20,000	8,390	9,003
EPS	5.28	11.73	20.66	6.99	7.50
PE	48.63	21.91	12.44	36.76	34.25
P/B	0.87	0.91	0.87	0.86	0.85
EV/EBITDA	24.91	31.35	14.45	21.13	19.75
Dividend yield	1.95	1.95	1.95	1.95	1.95
Net margin	0.74	1.00	2.82	1.19	1.49
Net debt/(cash) to equity	58.21	55.32	35.35	28.31	18.97
Interest cover	3.63	3.39	5.89	4.72	4.41
Consensus net profit	n.a.	n.a.	20,521	17,005	21,848
UOBKH/Consensus (x)	n.a.	n.a.	1.21	0.49	0.41

Source: SCC, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	Bt257.00
Target Price	Bt330.00
Upside	+28.40%
Previously TP	Bt320.00

Analyst(s)
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Stock Data

GICS Sector	Property & Construction / Construction Materials
Bloomberg ticker	SCC TB
Shares issued (m)	1,200.0
Market cap (Btm)	273,600.0
Market cap (US$m)	8,606.8
3-mth avg daily t'over (US$m)	24.1

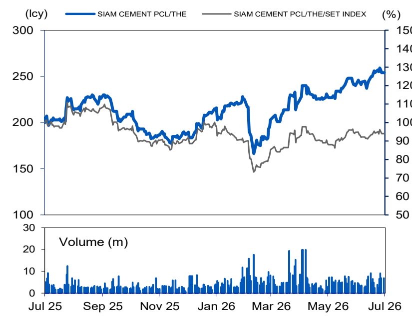
Price Performance (%)

52-week high/low				Bt231.00/Bt124.50
1mth	3mth	6mth	1yr	YTD
11.2	36.1	37.8	(4.6)	35.7

Major Shareholders

Major Shareholders	(%)
Maha Vajiralongkorn	33.64
Thai NVDR Company Limited	7.85
SOCIAL SECURITY OFFICE	5.54

Price Chart



Source: Bloomberg

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.

- **Indonesia and Vietnam to drive long-term growth.** CBM has demonstrated strong margin resilience despite weak domestic property demand through effective energy cost management. In addition, the Bt1.0b cost savings from the transformation programme should become more visible from 2H26 onward. Looking ahead, strong demand growth in Indonesia and Vietnam is expected to become the key growth engine, helping diversify earnings and support the long-term recovery of the cement business.
- **Polyolefins demand expected to remain strong in 2H26.** While SCG Chemical (SCGC) will continue to face volatility in crude oil and naphtha prices, industry fundamentals remain supportive. Global polyethylene demand is expected to increase by 4.00-5.00m tonnes in 2026, exceeding net capacity additions of around 1.60m tonnes. SCGC has also strengthened its feedstock procurement strategy by increasing non-Hormuz sourcing to mitigate geopolitical risks.
- SCC plans to restart its Rayong olefins (ROC) plant in late-3Q26, which will enable higher sales of high-value-added (HVA) products as demand improves. Meanwhile, attention remains on the proposed new JV between PTTGC and SCGC for the polyolefins business, with the study expected to be completed by 3Q26. This represents another key strategic initiative that should enhance feedstock integration, create operating synergies, and strengthen the long-term competitiveness of the polyolefins business.
- **Strong financial position supports shareholder returns.** As at end-2Q26, SCC held Bt76.78b in cash and cash under management, supported in part by approximately Bt24.90b of proceeds from the disposal of its investment in Chandra Asri (CAP). This strong liquidity position provides sufficient financial flexibility to fund an estimated interim dividend of Bt3.50/share (around Bt4.2b, implying a 1.4% simple yield) while comfortably covering the remaining 2H26 capex of Bt18.94b. Total 2026 capex remains at Bt30.0b, of which Bt11.06b had already been invested in 1H26.
- **Continued deleveraging enhances balance sheet strength.** SCC's strong cash flow profile confirms that both interim dividend payments and planned capital expenditure can be comfortably funded without placing pressure on the balance sheet. SCC continues to execute its deleveraging strategy effectively, with net debt-to-EBITDA declining to 3.7x from 5.0x in 1Q26, while net debt-to-equity improved to 0.6x from 0.7x. Capital spending remains focused on high-return projects, particularly the LSPE project in Vietnam and energy-efficiency investments within the CBM business.

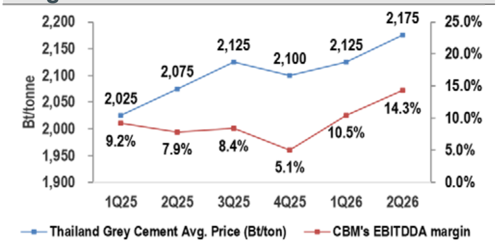
Valuation/Recommendation

- **Maintain BUY with a higher SOTP-based 2026 target price of Bt330.00 (from Bt320.00),** with the chemical business valued on P/B at mean of 0.58x, the cement business at 12x forward PE, and SCGP at 24.3x forward PE. Although 2H26 earnings are likely to soften from the strong 1H26, we maintain BUY as the stock remains attractive, trading P/B at 0.87x. In addition, the planned JV with PTTGC remains a key investment catalyst, as it is expected to strengthen SCC's feedstock security and improve the long-term competitiveness of its petrochemical business. In the oil & gas sector, we prefer Indorama Ventures (IVL TB/BUY/Target: Bt27.00), PTT Global Chemical (PTTGCTB/BUY/Target Bt46.00), and Siam Cement (SCC TB/BUY/Target: Bt330.00).

Earnings Revision/Risk

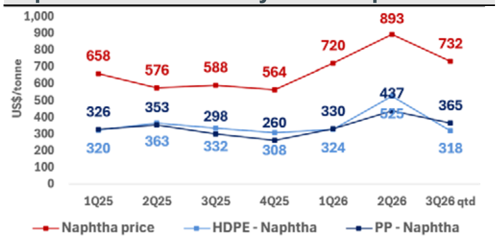
- **Revise up 2026 net profit forecast.** We raise our 2026 net profit forecast by 22% to Bt24.79b, up 76% yoy, with core profit expected at Bt20.0b, up 303% yoy. The revision reflects the stronger-than-expected CBM EBITDA margin in 2Q26 and our higher EBITDA margin assumption for the CBM business to 13% (from 9%), driven by effective cost optimisation initiatives. Our 1H26 core profit accounts for 61% of our full-year 2026 forecast.

Average Cement Price and CBM's EBITDA Margin



Source: SCC

Naphtha Price and Polyolefins Spread



Source: SCC, PTTGC

LSPE Summary

Source: SCC, UOB Kay Hian

SOTP Valuation

	Equity Value	Bt/share	Methodology
Chemical	194,537	162	0.58x PBV
Cement	199,375	176	12.0x PE
SCGP	181,285	151	24.3x PE
SCGD	15,778	13	10.0x PE
Others	18,150	15	10.0x PE
Net Debt	-225,125	-188	
Total	384,000	330	

Source: UOB Kay Hian

Environment, Social, Governance (ESG) Updates

Environmental

- Carbon reduction: Committed to reducing greenhouse gas emissions through energy efficiency, renewable energy and carbon capture technologies.

Social

- Community engagement: Investing in education, health, and infrastructure programmes for local communities.

Governance

- Corporate governance: Maintaining transparent reporting and adhering to ethical business practices.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	496,925	708,881	706,504	605,398
EBITDA	27,273	54,773	42,626	42,616
Deprec. & amort.	33,170	32,136	31,976	31,828
EBIT	(5,897)	22,636	10,650	10,788
Associate contributions	17,866	4,500	4,500	4,500
Net interest income/(expense)	(10,738)	(10,105)	(9,038)	(9,659)
Pre-tax profit	19,457	26,615	6,112	5,629
Tax	(8,900)	(5,323)	(1,222)	(1,126)
Minorities	3,518	3,500	3,500	4,500
Net profit	14,075	24,792	8,390	9,003
Net profit (adj.)	4,962	20,000	8,390	9,003

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	398,486	396,350	394,374	392,546
Other LT assets	76,009	7,089	7,065	6,054
Cash/ST investment	99,798	109,654	101,256	98,345
Other current assets	36,441	43,390	43,306	39,768
Total assets	821,591	810,600	824,255	823,057
ST debt	52,462	27,250	27,250	27,250
Other current liabilities	11,625	7,089	7,065	6,054
LT debt	191,842	164,592	137,342	110,092
Other LT liabilities	222,713	171,681	144,407	116,146
Shareholders' equity	380,760	399,552	401,942	404,946
Total liabilities & equity	821,591	810,600	824,255	823,057

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	42,664	81,520	23,460	22,966
Pre-tax profit	19,457	26,615	6,112	5,629
Tax	(8,900)	(5,323)	(1,222)	(1,126)
Deprec. & amort.	33,170	32,136	31,976	31,828
Working capital changes	4,399	28,091	(13,406)	(13,365)
Other operating cashflows	(5,462)	0	0	0
Investing	(8,852)	15,139	(30,000)	(30,000)
Investments	(37,913)	(30,000)	(30,000)	(30,000)
Others	29,061	45,139	0	0
Financing	(35,233)	(79,757)	6,750	16,750
Dividend payments	(8,637)	(6,000)	(6,000)	(6,000)
Issue of shares				
Proceeds from borrowings	(26,595)	(73,757)	12,750	22,750
Net cash inflow (outflow)	(1,420)	16,902	210	9,716
Beginning cash & cash equivalent	36,492	33,679	50,581	50,791
Changes due to forex impact	(1,393)	0	0	0
Ending cash & cash equivalent	33,679	50,581	50,791	60,508

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.16	7.32	8.40	6.03
Pre-tax margin	1.51	3.92	3.75	0.87
Net margin	1.24	2.83	3.50	1.19
ROA	1.71	3.06	1.02	1.09
ROE	3.70	6.20	2.09	2.22
Growth				
Turnover	(2.79)	42.65	(0.34)	(14.31)
EBITDA	(30.39)	100.83	(22.18)	(0.02)
Pre-tax profit	152.56	36.79	(77.03)	(7.91)
Net profit	121.95	76.14	(66.16)	7.31
Net profit (adj.)	30.66	303.06	(58.05)	7.31
EPS	121.95	76.14	(66.16)	7.31
Leverage				
Debt to total capital	61.56	46.55	40.04	33.54
Debt to equity	64.16	48.01	40.95	33.92
Net debt/(cash) to equity	55.32	35.35	28.31	18.97
Interest cover (x)	3.39	5.89	4.72	4.41