

8 FEBRUARY 2021

THAILAND / PETROCHEM &amp; CHEMICALS

## EASTERN POLYMER GROUP

## EPG TB

**BUY**  
UNCHANGED

TARGET PRICE	THB12.00
CLOSE	THB8.30
UP/DOWNSIDE	+44.6%
PRIOR TP	THB6.30
CHANGE IN TP	+90.5%
TP vs CONSENSUS	+38.8%

## สายลมแห่งการเปลี่ยนแปลงจากอุตสาหกรรมยานยนต์

## การฟื้นตัวของความต้องการรถยนต์เป็นปัจจัยบวกสำคัญ

หลังประสบปัญหาความต้องการตกต่ำใน 1QFY21 จากการปิดโรงงานผลิตรถยนต์ในประเทศ ไทย ซึ่งทำให้การผลิตยานยนต์ลดลงอย่างรุนแรงถึง 43% y-y เราคาดว่าความต้องการสำหรับ Aeroklas จะฟื้นตัวเป็น -10% จาก -15% y-y ใน 3QFY21 ดีขึ้นจาก -97% y-y ใน 1QFY21 จากข้อมูลของผู้บริหาร อัตราการไต่ขึ้นต้นสำหรับทั้งสามธุรกิจยังคงอยู่ในระดับสูงใน FY21 จากความต้องการที่กำลังเพิ่มขึ้น ซึ่งทำให้เราหันมามีมุมมองที่เป็นบวกเกี่ยวกับแนวโน้มกำไรสุทธิในปี FY21 มากยิ่งขึ้น และคาดว่ากำไรจะโตต่อเนื่องไปในปี FY22-23 เราเห็นว่าความต้องการของทั้งสามกลุ่มผลิตภัณฑ์โดยเฉพาะ Aeroklas (ผู้ผลิตชิ้นส่วนรถยนต์) ควรกลับสู่ระดับก่อน COVID-19 ในปี FY21 หลังฟื้นตัว 10-15% q-q ใน 2QFY21 (ก.ค. - ก.ย. 20) จาก 1QFY21 (เม.ย. - มิ.ย. 20)

## กำไรสุทธิมีแนวโน้มโตในอัตราสูงขึ้นใน FY22

เราคาดว่ากำไรสุทธิของ EPG จะโต 50.5% ใน FY22 (เม.ย. 21 - มี.ค. 22) จากที่เคยคาดว่าจะลดลง 1.1% y-y ใน FY21E (เม.ย. 20 - มี.ค. 21) โดยได้แรงผลักดันจากกำไรที่เพิ่มขึ้นของ Aeroflex (ผู้ผลิตฉนวน) ซึ่งอาจมีอัตราการเติบโตในแง่ปริมาณสูงขึ้นจากการขยายกำลังการผลิตสำหรับธุรกิจในประเทศ จาก 4,000tpa เป็น 8,000tpa ในกลางปี 2021 และอัตราการใช้กำลังการผลิตที่เพิ่มขึ้นจากความต้องการที่คาดว่าจะสูงขึ้นในกลุ่มก่อสร้างและอุตสาหกรรม projected higher demand from the construction and industrial sectors.

## คาดการณ์กำไรสุทธิจะเพิ่ม q-q เป็น 345 ลบ. ใน 3QFY21

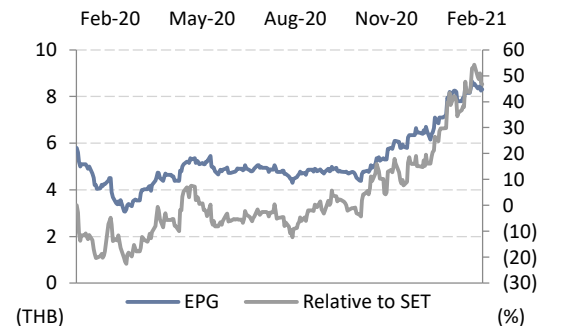
เราคาดว่ากำไรสุทธิไตรมาส 3QFY21 (ต.ค. - ธ.ค. 20) จะอยู่ในระดับที่ดีที่ 345 ลบ. เพิ่มขึ้น 12.2% q-q และ 61.7% y-y จาก 1) กำไรสุทธิของ Aeroklas ที่ฟื้นตัวจากความต้องการที่เพิ่มขึ้นอย่างมีนัยสำคัญในอุตสาหกรรมยานยนต์; 2) ความต้องการที่เพิ่มขึ้นสำหรับ Aeroflex ในประเทศไทยและจากตลาดต่างประเทศ; และ 3) ความต้องการที่ทรงตัวสำหรับ EPP ซึ่งทำให้อัตราการใช้ต้นทุนและอัตราการใช้กำลังการผลิตเพิ่มสูงขึ้น

## ปรับเพิ่มสมมติฐานกำไรต่อหุ้นและราคาเป้าหมายเป็น 12 บาท

เราปรับเพิ่มประมาณการกำไรต่อหุ้นในปี FY21-23 ขึ้น 6.3-28.9% เพื่อสะท้อน 1) อัตราการใช้กำลังการผลิตที่เพิ่มขึ้น 7-19% สำหรับ Aeroklas จากการฟื้นตัวของความต้องการในอุตสาหกรรมยานยนต์และสำหรับ EPP; และ 2) สมมติฐานอัตราการใช้ต้นทุนที่สูงขึ้น 4-14% สำหรับทั้งสามกลุ่มผลิตภัณฑ์จากอัตราการใช้กำลังการผลิตที่สูงขึ้นและต้นทุนวัตถุดิบที่ลดลง เราปรับเพิ่มราคาเป้าหมายของเราจาก 6.3 บาท (FY21E EV/EBITDA ที่ 12.5x) เป็น 12 บาท (FY22E EV/EBITDA ที่ 16.1x) เพื่อสะท้อนความต้องการและอัตราการใช้กำลังการผลิตที่สูงขึ้นตามการปรับการประเมินมูลค่าไปในปี FY22 เราเห็นว่า EPG ยังเป็นหุ้นปีโตรเคมีที่น่าสนใจ เนื่องจากบริษัท ควรได้ประโยชน์จากความต้องการที่กำลังฟื้นตัวและต้นทุนวัตถุดิบที่ลดลง

## KEY STOCK DATA

YE Mar (THB m)	2020	2021E	2022E	2023E
Revenue	10,217	9,973	12,733	13,113
Net profit	1,003	991	1,492	1,553
EPS (THB)	0.36	0.35	0.53	0.55
vs Consensus (%)	-	1.2	28.3	22.2
EBITDA	1,549	1,468	2,001	2,061
Core net profit	1,003	991	1,492	1,553
Core EPS (THB)	0.36	0.35	0.53	0.55
Chg. In EPS est. (%)	-	6.3	25.9	28.9
EPS growth (%)	10.9	(1.1)	50.5	4.1
Core P/E (x)	23.2	23.4	15.6	15.0
Dividend yield (%)	2.9	2.9	3.7	3.6
EV/EBITDA (x)	15.6	15.7	10.9	10.0
Price/book (x)	2.2	2.1	2.0	1.9
Net debt/Equity (%)	8.9	(2.5)	(12.0)	(21.2)
ROE (%)	9.6	9.3	13.2	12.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.4	53.7	43.1
Relative to country (%)	5.1	29.8	46.7
Mkt cap (USD m)	773		
3m avg. daily turnover (USD m)	2.7		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holdings (60%)		
12m high/low (THB)	8.85/3.04		
Issued shares (m)	2,800.00		

Sources: Bloomberg consensus; FSSIA estimates



Suwat Sinsadok

suwat.sin@fssia.com  
+66 2611 3558

Siriluck Pinthusoonthorn

siriluck.pin@fssia.com  
+66 2611 3562

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 8 กุมภาพันธ์ 2021

## Investment thesis

EPG is an innovator and manufacturer of plastic products, with a product portfolio that includes insulators, automotive parts, and accessories and packaging. The company's strengths lie in 1) its highly innovative insulator products using ethylene propylene diene monomer (EPDM) material, the world's only producer of these kinds of insulators; 2) it being an ODM and OEM for car accessories like bed liners, deck covers, canopies, and side steps; and 3) its range of plastic packaging products – from ice-cream cups to microwavable food packaging for ready-to-eat meals.

EPG has six production plants for rubber insulation in Thailand, China, India and the US. Three of its six plants are wholly owned and the other three are joint ventures with local partners. For automotive parts, EPG has two plants in Thailand and Tennessee, USA, and two distribution centres in the US and Australia. For packaging, EPG has one facility in Thailand.

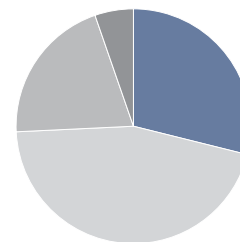
## Company profile

EPG is a leading producer of polymers and a plastics converter with its own brands created by its successful innovation. EPG has three main businesses of insulators, automobile parts, and plastics packaging.

[www.epg.co.th](http://www.epg.co.th)

## Principal activities (revenue, 2020)

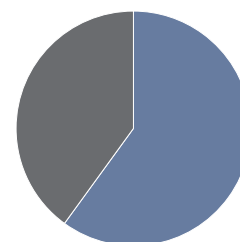
- Rubber insulation - 28.9 %
- Automotive plastics - 45.4 %
- Packaging plastics - 20.4 %
- Others - 5.3 %



Source: Eastern Polymer Group

## Major shareholders

- Vitoorapakorn Holdings - 60.0 %
- Others - 40.0 %



Source: Eastern Polymer Group

## Catalyst

Lower material costs and higher demand for insulators, automotive parts and packaging are key potential earnings growth drivers.

## Risk to our call

Downside risks to our EV/EBITDA-based target price include 1) a sharp rise in feedstock prices, driven mostly by a higher oil price; and 2) lower-than-expected demand for plastics used for insulators and the automobile and packaging industries.

## Event calendar

Date	Event
Feb 2021	4Q20/2021 results announcement

## Key assumptions

Year to Mar	FY21E (%)	FY22E (%)	FY23E (%)
Aeroflex utilisation rate	50	60	60
Aeroklas utilisation rate	60	76	80
EPP utilisation rate	55	60	65
Gross margin – Aeroflex	44.5	44.8	44.8
Gross margin – Aeroklas	27.7	28.7	27.6
Gross margin - EPP	16.8	17.4	17.9

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in plant utilisation rate, we project FY21 earnings would rise by 2.5%, and vice versa, all else being equal.
- For every 1% increase in HDPE price, we estimate FY21 earnings would decline by 1.3%, and vice versa, all else being equal.
- Stability in crude palm oil price and a rising ME-CPO and FA-PFAD margin are key to earnings growth.

Source: FSSIA estimates

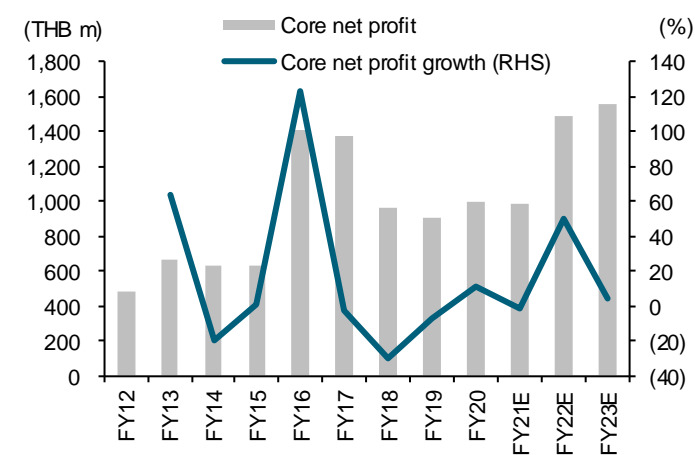


## Winds of change from the automotive industry

We expect EPG to post a strong quarterly net profit in 3QFY21 (Oct to Dec-20), driven by higher utilisation rates for all three products (insulators, automotive parts and packaging), particularly its Aeroklas unit (automotive parts). We see the key drivers coming from the demand recoveries for automotive parts, insulators, and packaging, and the sustainably low cost of plastic feedstocks, including polyethylene (PE), polypropylene (PP), high density PE (HDPE), polystyrene (PS), polyethylene terephthalate (PET), and acrylonitrile butadiene styrene (ABS).

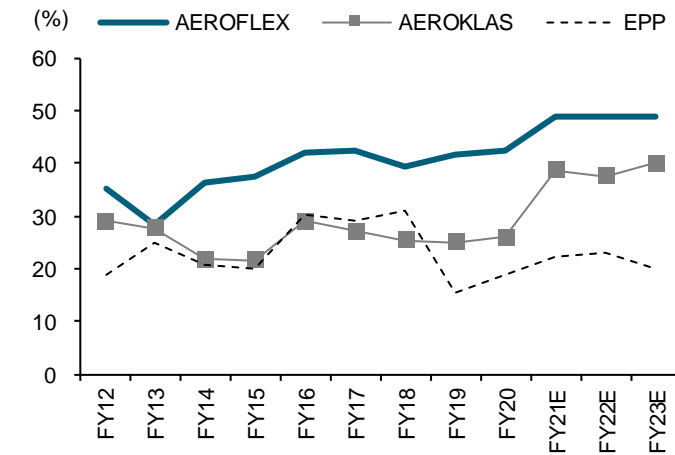
We project EPG's net profit growth in FY22 (Apr-21 to Mar-22) to be 50.5%, up from a 1.1% y-y decline in FY21E (Apr-20 to Mar-21), driven by stronger earnings from its Aeroflex (insulator) unit which could see higher volume growth from the capacity expansion for its US division from 4,000tpa to 8,000tpa in mid-2021 and higher utilisation rates from the projected higher demand from the construction and industrial sectors.

Exhibit 1: Core net profit and core net profit growth



Sources: EPG; FSSIA estimates

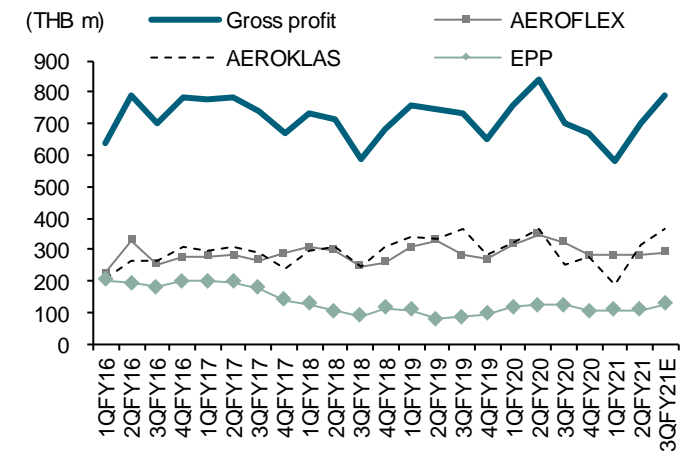
Exhibit 2: Annual gross margins by segment



Sources: EPG; FSSIA estimates

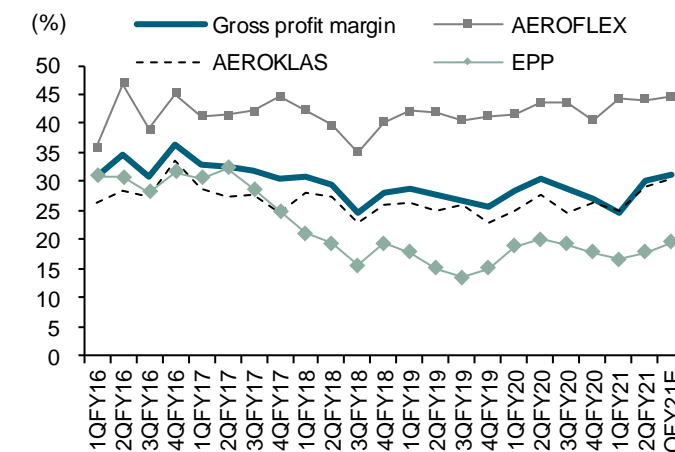
According to management, the gross margins for all three units should remain high in FY21 due to rising demand, prompting us to turn more bullish on EPG's net profit outlook in FY21 and expecting its earnings growth to continue into FY22-23. We think that the demand for all three product groups, particularly Aeroklas (automotive parts), should return to pre-COVID-19 levels in FY21 after rebounding by 10-15% q-q in 2QFY21 (Jul to Sep-20) from 1QFY21 (Apr to Jun-20).

Exhibit 3: Quarterly gross profit by segment



Sources: EPG; FSSIA estimates

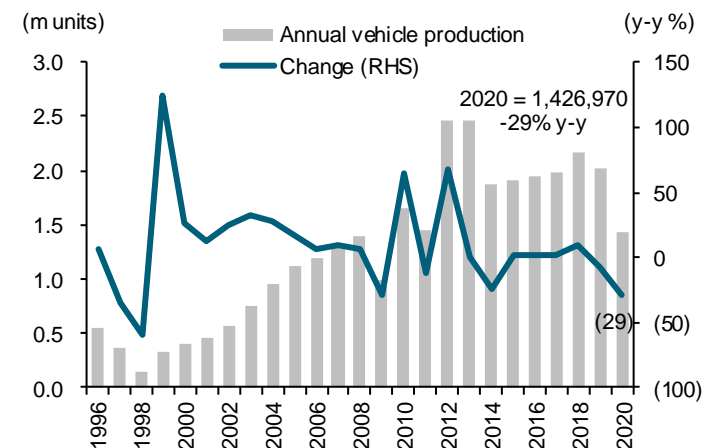
Exhibit 4: Quarterly gross margin by segment



Sources: EPG; FSSIA estimates

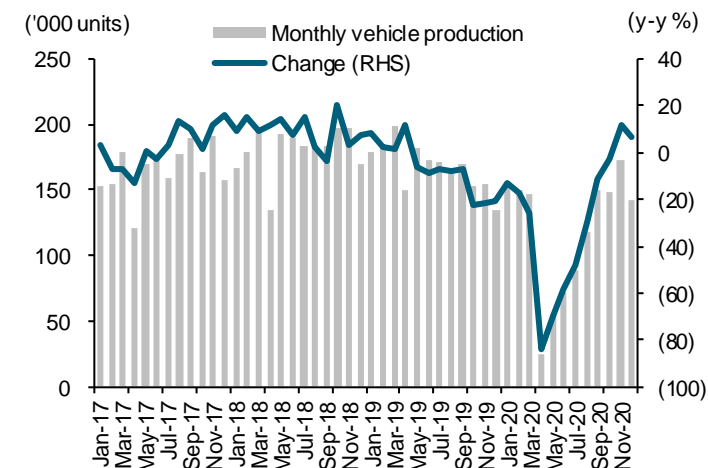
**Auto parts business, Aeroklas, emerges to be a key driver.** After suffering from depressed demand in 1QFY21 due to the automotive manufacturing plant shutdowns in Thailand, which saw a sharp 43% y-y drop in vehicle production, we project the demand for Aeroklas to recover to -10% from -15% y-y in 3QFY21, improving from -97% y-y in 1QFY21. We anticipate the demand recoveries to occur across the board – including for bed liners, canopies, deck covers, side steps, and rear bumpers – and mainly come from automakers in Thailand, driving up Aeroklas' revenue and GM.

**Exhibit 5: Thailand's annual vehicle production**



Source: The Federation of Thai Industries

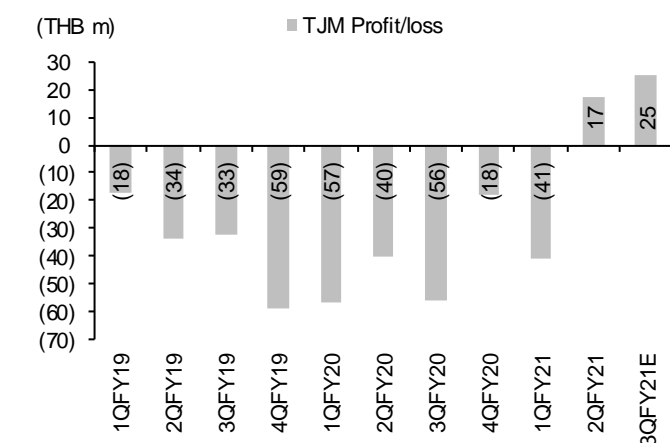
**Exhibit 6: Thailand's monthly vehicle production**



Source: The Federation of Thai Industries

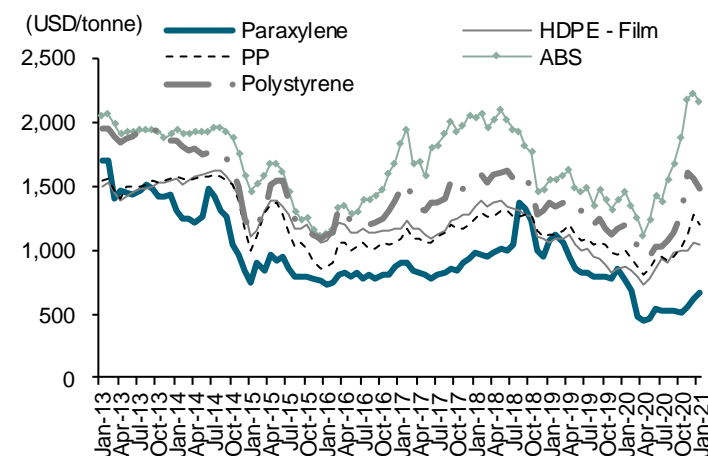
Thailand's vehicle production has risen to near pre-COVID production levels from 24,711 cars in Apr-20 to 142,969 cars in Dec-20, driving Aeroklas' utilisation rate up from 60% in 2QFY21 to 90% in 3QFY21, based on our estimate. We project Aeroklas' GM to hit 30.5% in 3QFY21, up from 29.1% in 2QFY21. In addition, TJM, an Australian-based auto parts distributor and subsidiary of EPG, should see a net profit turnaround in 3QFY21 which we estimate at THB25m, up from a net loss of THB56m in 3QFY20 and a net profit of THB17m in 2QFY21, thanks to cost reduction measures and improving sales.

**Exhibit 7: TJM profit and loss**



Sources: EPG; FSSIA estimates

**Exhibit 8: Key feedstock prices**

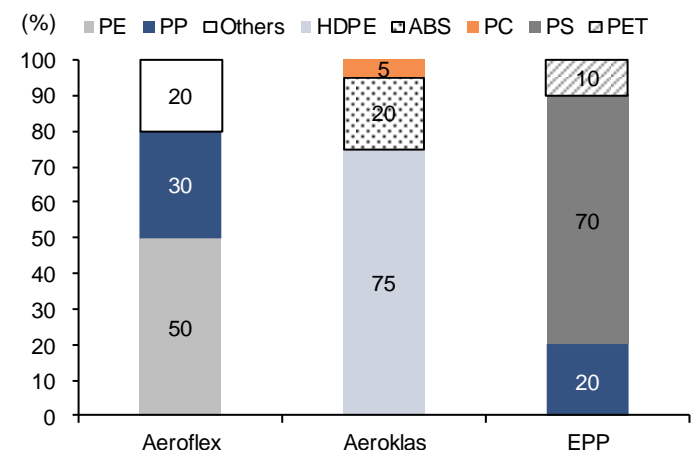


Source: Bloomberg

**The next driver could come from Aeroflex.** Aeroflex, EPG's most profitable unit with a 44.1% GM in 2QFY21, could see stronger net profits from a higher utilisation rate due to the demand recovery for insulators in Thailand and international markets. While we expect the Aeroflex unit in Thailand – with a total capacity of 26,000tpa, including the new 6,000tpa capacity line 5 that already started up in Mar-20 – to see a low utilisation rate of 60% in 3QFY21 due to the weak demand in Thailand, we think EPG's 4,000tpa Aeroflex unit in the US should help offset the weak domestic demand.

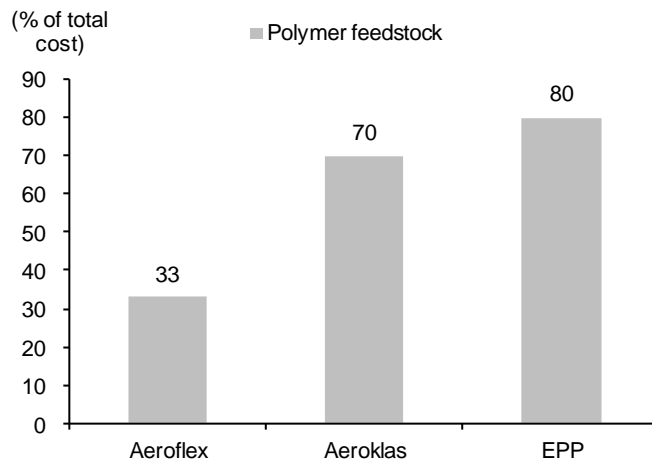
Meanwhile, EPG's packaging unit (EPP) is likely to see a flat q-q GM at 17-18% in 3QFY21 due to the weak demand for single-use and reusable plastic cups, forks, and plates, though that could be offset by the stronger demand for food packaging plastics, in our view.

**Exhibit 9: Feedstock breakdown by product for EPG's units**



Sources: EPG; FSSIA estimates

**Exhibit 10: Polymer feedstock as % of total cost**



Sources: EPG; FSSIA estimates

**Tailwinds from feedstock cost.** According to management, EPG has successfully streamlined its cost structure by reducing redundant, inefficient, and unnecessary fixed cost components, resulting in a 2-3 ppt higher GM across the three divisions. Given the continued low raw material costs of polymer feedstock, which account for 33% of Aeroflex's, 70% of Aeroklas' and 80% of EPP's total costs, we expect EPG's GM to remain high for all operating plants.

We think the weak feedstock prices of PE, PP, PET, and PS will have enhanced EPG's product margins from Jul-20 onward to reflect the lower feedstock prices in Jul-Sep, as EPG keeps its feedstock for 3-4 months. Hence, the cheaper feedstock from Jul would have started to be consumed in Oct-20, based on our estimate.

### 3QFY21E results preview

We project a strong 3QFY21 (Oct to Dec-20) net profit of THB345m, up 12.2% q-q and 61.7% y-y, driven by 1) a sharp net profit recovery for Aeroklas due to the significantly improving demand from the automotive industry; 2) higher demand for Aeroflex in Thailand and from international markets; and 3) stable demand for EPP, resulting in a higher GM and utilisation rate.

#### Exhibit 11: Summary of 3QFY21E/9MFY21E operations

FY ending - Mar	3QFY20	2QFY21	3QFY21E			9MFY20	9MFY21E	chg.	FY21E	Comments
	Dec-19	Sep-20	Dec-20	Chg.						
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)	
Revenue	2,430	2,333	2,560	9.7	5.4	7,869	6,848	(13.0)	9,973	Higher due to higher prices
Operating costs	(2,079)	(1,902)	(2,091)	9.9	0.6	(6,638)	(5,621)	(15.3)	(6,319)	Higher due to higher production
EBITDA	350	430	469	9.0	33.9	1,232	1,227	(0.4)	1,468	Higher due to lower raw material costs
EBITDA margin (%)	14.4	18.5	18.3	na	na	15.6	17.9	na	14.7	
Depn & amort.	(168)	(202)	(205)	1.5	22.1	(509)	(607)	19.2	(660)	
EBIT	182	228	264	15.6	44.7	722	620	(14.2)	808	Higher due to higher production
Interest expense	(7)	(20)	(20)	(1.7)	186.5	(12)	(55)	339.8	(37)	
Interest & invt inc	4	44	45	3.0	1,040.3	37	99	169.9	44	
Associates' contrib	43	21	28	32.4	(35.1)	122	28	(76.6)	232	
Exceptionals	2	39	38	(2.5)	1,579.7	(49)	51	nm	0	
Pretax profit	225	312	355	13.8	57.9	820	743	(9.3)	1,048	Higher due to higher production
Tax	(11)	(4)	(10)	126.5	(12.9)	(69)	(16)	(76.3)	(57)	Higher q-q due to higher sales
Tax rate (%)	5.1	1.4	3	na	na	8.4	2.2	na	5.4	
Minority interests	0	0	0	nm	nm	0.0	0.0	nm	0	
Net profit	213	307	345	12.2	61.7	751	727	(3.2)	991	
Non-recurring	2	38	0	nm	nm	(43)	13	nm	0	
Core net profit	211	269	308	14.5	45.8	795	677	(14.8)	991	
EPS (THB)	0.08	0.11	0.12	12.2	61.7	0.27	0.26	(3.2)	0.35	
Core EPS (THB)	0.08	0.10	0.11	14.5	45.8	0.28	0.24	(14.8)	0.35	

Sources: EPG; FSSIA estimates

### EPS and TP revisions

We revise up our EPS forecasts for FY21-23 by 6.3-28.9% to reflect 1) 7-19% higher utilisation rates for Aeroklas due to the strong demand recovery for the automotive industry and EPP; and 2) 4-14% higher GM assumptions for all three products due to the higher utilisation rates and lower feedstock costs. We raise our TP from THB6.3, based on 12.5x FY21E EV/EBITDA, to THB12, now based on 16.1x FY22E EV/EBITDA, to reflect the higher demand and utilisation rates along with our valuation rollover. We think EPG remains an attractive petrochemical play, as it should benefit from the recovering demand and lower feedstock costs.

#### Exhibit 12: Key changes in assumptions and EPS

(THB m)	Current			Previous			Change (%)		
	FY2021E	FY2022E	FY2023E	FY2021E	FY2022E	FY2023E	FY2021E	FY2022E	FY2023E
Revenue	9,973	12,733	13,113	9,597	10,522	10,832	3.9	21.0	21.1
Gross profit	3,654	4,665	4,804	3,322	3,773	3,850	10.0	23.6	24.8
Operating profit	808	1,336	1,391	745	1,007	1,017	8.4	32.7	36.8
Net profit	991	1,492	1,553	933	1,185	1,205	6.3	25.9	28.9
EPS (THB/shr)	0.4	0.5	0.6	0.3	0.4	0.4	6.3	25.9	28.9
<b>Key assumptions</b>									
Aeroflex utilisation rate (%)	50	60	60	50	60	60	0	0	0
Aeroklas utilisation rate (%)	60	76	80	53	57	63	7	19	17
EPP utilisation rate (%)	55	60	65	55	60	60	0	0	5
Gross margin - Aeroflex (%)	44.5	44.8	44.8	37.8	41.0	40.9	7	4	4
Gross margin - Aeroklas (%)	27.7	28.7	27.6	13.8	18.5	17.7	14	10	10
Gross margin - EPP (%)	16.8	17.4	17.9	12.8	13.4	14.3	4	4	4

Note: Change of items in percentage terms are represented in ppt change

Sources: EPG; FSSIA estimates



## Financial Statements

### Eastern Polymer Group

Profit and Loss (THB m) Year Ending Mar	2019	2020	2021E	2022E	2023E
Revenue	10,579	10,217	9,973	12,733	13,113
Cost of goods sold	(7,077)	(6,627)	(6,319)	(8,068)	(8,309)
<b>Gross profit</b>	<b>3,502</b>	<b>3,590</b>	<b>3,654</b>	<b>4,665</b>	<b>4,804</b>
Other operating income	8	10	10	13	13
Operating costs	(2,105)	(2,051)	(2,196)	(2,677)	(2,756)
<b>Operating EBITDA</b>	<b>1,405</b>	<b>1,549</b>	<b>1,468</b>	<b>2,001</b>	<b>2,061</b>
Depreciation	(617)	(624)	(660)	(665)	(670)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>788</b>	<b>925</b>	<b>808</b>	<b>1,336</b>	<b>1,391</b>
Net financing costs	(44)	(27)	(37)	(30)	(21)
Associates	175	127	232	232	232
Recurring non operating income	211	169	277	279	281
Non recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>955</b>	<b>1,068</b>	<b>1,048</b>	<b>1,586</b>	<b>1,652</b>
Tax	(52)	(68)	(57)	(94)	(99)
<b>Profit after tax</b>	<b>903</b>	<b>999</b>	<b>991</b>	<b>1,492</b>	<b>1,553</b>
Minority interests	1	3	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>904</b>	<b>1,003</b>	<b>991</b>	<b>1,492</b>	<b>1,553</b>
<b>Non recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>904</b>	<b>1,003</b>	<b>991</b>	<b>1,492</b>	<b>1,553</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.32	0.36	0.35	0.53	0.55
Reported EPS	0.32	0.36	0.35	0.53	0.55
DPS	0.24	0.24	0.24	0.31	0.30
Diluted shares (used to calculate per share data)	2,800	2,800	2,800	2,800	2,800
<b>Growth</b>					
Revenue (%)	10.1	(3.4)	(2.4)	27.7	3.0
Operating EBITDA (%)	(1.6)	10.3	(5.3)	36.4	3.0
Operating EBIT (%)	(6.1)	17.4	(12.7)	65.4	4.1
Recurring EPS (%)	(6.6)	10.9	(1.1)	50.5	4.1
Reported EPS (%)	(6.6)	10.9	(1.1)	50.5	4.1
<b>Operating performance</b>					
Gross margin inc depreciation (%)	27.3	29.0	30.0	31.4	31.5
Gross margin of key business (%)	27.3	29.1	30.1	31.5	31.6
Operating EBITDA margin (%)	13.3	15.2	14.7	15.7	15.7
Operating EBIT margin (%)	7.5	9.1	8.1	10.5	10.6
Net margin (%)	8.5	9.8	9.9	11.7	11.8
Effective tax rate (%)	6.3	7.0	7.0	7.0	7.0
Dividend payout on recurring profit (%)	74.3	67.0	68.9	57.5	54.1
Interest cover (X)	22.7	40.6	29.6	54.6	80.0
Inventory days	122.9	132.7	128.6	105.2	116.8
Debtor days	59.3	61.1	61.6	48.2	46.8
Creditor days	66.1	64.6	60.8	52.9	58.5
Operating ROIC (%)	7.5	8.6	7.8	13.8	15.2
ROIC (%)	7.0	7.5	7.6	12.0	12.9
ROE (%)	8.9	9.6	9.3	13.2	12.9
ROA (%)	7.1	7.4	7.2	10.4	10.5

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue By Division (THB m)	2019	2020	2021E	2022E	2023E
Rubber insulation	2,929	2,951	2,826	2,576	4,270
Automotive plastics	5,288	4,634	3,874	4,141	5,107
Packaging plastics	2,001	2,089	3,110	2,667	2,903
Others	361	543	164	3,349	833

Sources: Eastern Polymer Group; FSSIA estimates

## Financial Statements

### Eastern Polymer Group

Cash Flow (THB m) Year Ending Mar	2019	2020	2021E	2022E	2023E
Recurring net profit	904	1,003	991	1,492	1,553
Depreciation	617	624	660	665	670
Associates & minorities	175	127	232	232	232
Other non-cash items	36	42	44	47	49
Change in working capital	(90)	(141)	279	(292)	(315)
<b>Cash flow from operations</b>	<b>1,642</b>	<b>1,655</b>	<b>2,207</b>	<b>2,144</b>	<b>2,189</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(545)	(813)	(336)	(339)	(341)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(540)	(284)	1,704	441	1,313
<b>Cash flow from investing</b>	<b>(1,085)</b>	<b>(1,097)</b>	<b>1,368</b>	<b>103</b>	<b>972</b>
Dividends paid	(812)	(616)	(672)	(683)	(858)
Equity finance	0	0	0	0	0
Debt finance	(15)	560	189	(1,000)	2
Other financing cash flows	271	25	(1,686)	(440)	(1,077)
<b>Cash flow from Financing</b>	<b>(556)</b>	<b>(31)</b>	<b>(2,169)</b>	<b>(2,123)</b>	<b>(1,933)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>0</b>	<b>526</b>	<b>1,406</b>	<b>124</b>	<b>1,227</b>
Free cash flow to firm (FCFF)	596.13	587.35	3,612.03	2,276.16	3,181.40
Free cash flow to equity (FCFE)	812.25	1,142.16	2,078.28	806.57	2,085.50
<b>Per share (THB)</b>					
FCFF per share	0.21	0.21	1.29	0.81	1.14
FCFE per share	0.29	0.41	0.74	0.29	0.74
Recurring cash flow per share	0.62	0.64	0.69	0.87	0.89
Balance Sheet (THB m) Year Ending Mar	2019	2020	2021E	2022E	2023E
Tangible fixed asset (gross)	9,825	10,869	10,948	11,027	11,107
Less: Accumulated depreciation	(4,208)	(5,062)	(5,722)	(6,386)	(7,056)
<b>Tangible fixed assets (Net)</b>	<b>5,617</b>	<b>5,806</b>	<b>5,226</b>	<b>4,641</b>	<b>4,051</b>
<b>Intangible fixed assets (Net)</b>	<b>291</b>	<b>258</b>	<b>258</b>	<b>258</b>	<b>258</b>
Long-term financial assets	-	-	-	-	-
Invest. In associates & subsidiaries	2,430	2,505	2,505	2,505	2,505
Cash & equivalents	545	1,071	2,477	2,601	3,828
A/C receivable	1,739	1,682	1,682	1,682	1,682
Inventories	2,408	2,412	2,043	2,608	2,709
Other current assets	-	-	-	-	-
<b>Current assets</b>	<b>4,692</b>	<b>5,165</b>	<b>6,203</b>	<b>6,892</b>	<b>8,220</b>
Other assets	364	299	299	299	299
<b>Total assets</b>	<b>13,393</b>	<b>14,032</b>	<b>14,490</b>	<b>14,593</b>	<b>15,332</b>
Common equity	10,293	10,555	10,875	11,683	12,378
Minorities etc.	23	19	19	19	19
<b>Total Shareholders' equity</b>	<b>10,315</b>	<b>10,574</b>	<b>10,894</b>	<b>11,702</b>	<b>12,397</b>
Long term debt	189	986	200	200	201
Other long-term liabilities	313	330	330	330	330
<b>Long-term liabilities</b>	<b>502</b>	<b>1,315</b>	<b>530</b>	<b>530</b>	<b>531</b>
A/C payable	1,269	1,077	1,027	1,312	1,351
Short term debt	1,262	1,026	2,000	1,000	1,001
Other current liabilities	45	40	39	49	51
<b>Current liabilities</b>	<b>2,576</b>	<b>2,143</b>	<b>3,066</b>	<b>2,361</b>	<b>2,403</b>
<b>Total liabilities and shareholders' equity</b>	<b>13,393</b>	<b>14,032</b>	<b>14,490</b>	<b>14,593</b>	<b>15,331</b>
Net working capital	2,832	2,977	2,659	2,929	2,989
Invested capital	11,534	11,844	10,946	10,631	10,102
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	3.68	3.77	3.88	4.17	4.42
Tangible book value per share	3.57	3.68	3.79	4.08	4.33
<b>Financial strength</b>					
Net debt/Equity (%)	8.8	8.9	(2.5)	(12.0)	(21.2)
Net debt/total assets (%)	6.8	6.7	(1.9)	(9.6)	(17.1)
Current ratio (x)	1.8	2.4	2.0	2.9	3.4
CF interest cover (x)	31.8	73.5	66.9	39.7	117.1
Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>25.7</b>	<b>23.2</b>	<b>23.4</b>	<b>15.6</b>	<b>15.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>37.2</b>	<b>33.5</b>	<b>33.9</b>	<b>22.5</b>	<b>21.6</b>
Reported P/E (x)	25.7	23.2	23.4	15.6	15.0
Dividend yield (%)	2.9	2.9	2.9	3.7	3.6
Price/book (x)	2.3	2.2	2.1	2.0	1.9
Price/tangible book (x)	2.3	2.3	2.2	2.0	1.9
EV/EBITDA (x) **	17.2	15.6	15.7	10.9	10.0
EV/EBITDA @ target price (x) **	24.6	22.3	22.7	16.1	15.0
EV/invested capital (x)	2.1	2.0	2.1	2.1	2.0
* Pre-exceptional & pre-goodwill are fully diluted ** EBITDA includes associate income and recurring non operating income					

Sources: Eastern Polymer Group; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

**Disclaimer:**

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

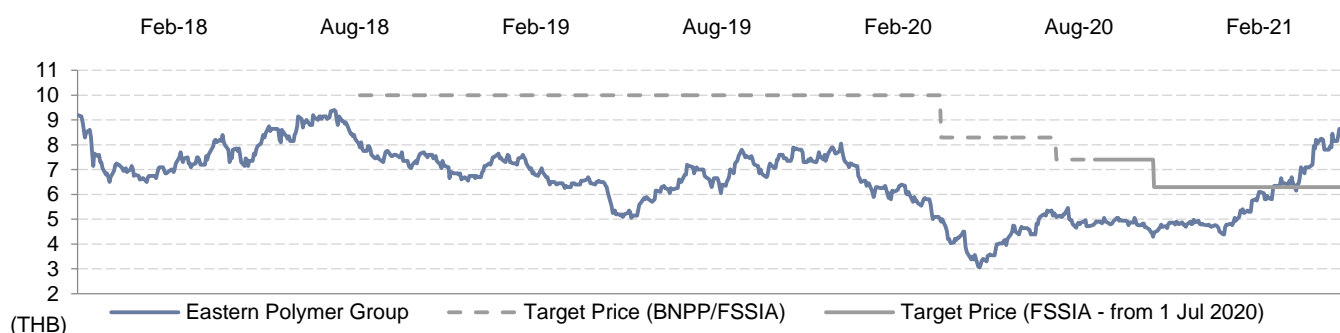
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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#### History of change in investment rating and/or target price

#### Eastern Polymer Group (EPG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Oct-2018	BUY	10.00	29-May-2020	BUY	7.40	20-Aug-2020	BUY	6.30
20-Feb-2020	BUY	8.30	29-May-2020	BUY	7.40			

Suwat Sinsadok started covering this stock from 09-Oct-2018

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Eastern Polymer Group	EPG TB	THB 8.30	BUY	Downside risks to our EV/EBITDA-based target price include 1) a sharp rise in feedstock prices, driven mostly by a higher oil price; and 2) lower-than-expected demand for plastics used for insulators and the automobile and packaging industries.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 05-Feb-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.