

26 MARCH 2021

THAILAND / PETROCHEM &amp; CHEMICALS

## EASTERN POLYMER GROUP

## EPG TB

**BUY**  
UNCHANGED

TARGET PRICE	THB12.00
CLOSE	THB9.60
UP/DOWNSIDE	+25.0%
PRIOR TP	THB12.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+3.0%

## รอบการเติบโตต่อไปกำลังมาถึง

คาดการณ์จากการดำเนินงาน 4QFY21 จะโตดีมาอยู่ที่ 460 ลบ.

เราคาดว่ากำไรสุทธิจากการดำเนินงานของ EPG จะอยู่ในระดับที่ดีที่ 460 ลบ. ใน 4QFY21 (ม.ค.-มี.ค. 2021) จากกำไรสุทธิที่สูงขึ้นในทุกธุรกิจ โดยธุรกิจชิ้นส่วนยานยนต์ควรรายงานปริมาณขายที่ดีพร้อมอัตราการใช้จ่ายการผลิตที่สูงขึ้น q-q ในขณะที่ธุรกิจบรรจุภัณฑ์มีแนวโน้มรายงานปริมาณขายเพิ่มขึ้นเล็กน้อย q-q จากปริมาณขายบรรจุภัณฑ์อาหารที่สูงขึ้นเป็นหลัก ตัวเลขดังกล่าวจะชดเชยยอดขายถ้วยพลาสติกที่ลดลง ธุรกิจนวนควรรายงานกำไรที่ดีต่อเนื่องใน 4QFY21 จนถึง FY22 (เม.ย. 21 ถึง มี.ค. 22) จากความต้องการที่สูงขึ้นสำหรับตู้เย็นและการก่อสร้างซึ่งเราคาดว่าจะฟื้นตัวในช่วง 2H21 หลังการฉีดวัคซีนทั่วโลก

## การฟื้นตัวของความต้องการรถกระบะเป็นปัจจัยบวกสำคัญ

เราคาดการณ์ถึงการฟื้นตัวของความต้องการสำหรับชิ้นส่วนรถกระบะในทุกผลิตภัณฑ์ของ EPG กล่าวคือ พื้นปูรถกระบะ หลังคา ฝาครอบกระบะ กันโคลเวอร์ และกันชนหลัง ความต้องการสำหรับสินค้าของ Aeroklas ส่วนมากมาจากต่างประเทศ (70%) ในขณะที่อีก 30% มาจากตลาดในประเทศ 50% ของยอดขายในประเทศมาจากความต้องการของ Ford Motor (Thailand)

## กำลังการผลิตของ Aeroflex ในสหรัฐจะเพิ่มภายใน มิ.ย. 21

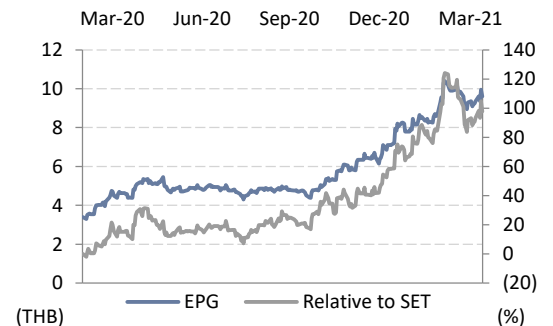
เราคาดว่ากำไรของ Aeroflex (ธุรกิจนวน) จะเพิ่ม q-q ใน 4QFY21 และ FY22 จาก 1) อัตราการใช้กำลังการผลิตที่สูงขึ้นจากความต้องการรถยนต์ที่คาดว่าจะฟื้นตัวในอัตราที่สูงขึ้นทั้งในประเทศและตลาดต่างประเทศจากธุรกิจก่อสร้างและอุตสาหกรรม; และ 2) ปริมาณที่ได้อัตราที่สูงขึ้นจากการเพิ่มกำลังการผลิตของโรงงานในสหรัฐ จาก 4,000tpa เป็น 8,000tpa ในเดือน มิ.ย. 21

## ยังเป็นหุ้นบรรจุภัณฑ์และยานยนต์ที่น่าสนใจ

เราปรับเพิ่มประมาณการกำไรต่อหุ้นในปี FY21 อีก 22.6% เพื่อสะท้อน 1) สมมติฐานอัตราการใช้จ่ายการผลิตที่สูงขึ้น 3% สำหรับ Aeroklas จากความต้องการที่ฟื้นตัวในระดับสูงในอุตสาหกรรมยานยนต์และ Eastern Polypack (EPP); และ 2) สมมติฐานอัตรากำไรขั้นต้นที่เพิ่มขึ้น 3% สำหรับสินค้าของ Aeroflex จากปริมาณขายที่สูงขึ้นตามกำลังการผลิตที่เพิ่มขึ้นอีก 4,000 ตัน เราคงราคาเป้าหมายที่ 12 บาทจากค่า FY22E EV/EBITDA ที่ 16x เพื่อสะท้อนความต้องการและอัตราการใช้จ่ายการผลิตที่สูงขึ้น พร้อมปรับการประเมินมูลค่าของเราไปในปี FY22 เรามองว่า EPG ยังเป็นหุ้นปิโตรเคมีที่น่าสนใจ เนื่องจากบริษัท ควรได้ประโยชน์จากความต้องการที่กำลังฟื้นตัวและต้นทุนวัตถุดิบที่ลดลง

## KEY STOCK DATA

YE Mar (THB m)	2020	2021E	2022E	2023E
Revenue	10,217	11,874	12,733	13,113
Net profit	1,003	1,285	1,492	1,553
EPS (THB)	0.36	0.46	0.53	0.55
vs Consensus (%)	-	12.5	8.2	(2.8)
EBITDA	1,549	1,783	2,001	2,061
Core net profit	1,003	1,285	1,492	1,553
Core EPS (THB)	0.36	0.46	0.53	0.55
Chg. In EPS est. (%)	-	29.6	-	-
EPS growth (%)	10.9	28.1	16.1	4.1
Core P/E (x)	26.8	20.9	18.0	17.3
Dividend yield (%)	2.5	2.9	3.2	3.1
EV/EBITDA (x)	18.0	14.9	12.6	11.7
Price/book (x)	2.5	2.4	2.3	2.1
Net debt/Equity (%)	8.9	(3.4)	(13.4)	(22.4)
ROE (%)	9.6	11.8	12.9	12.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.0)	35.2	203.8
Relative to country (%)	(7.6)	27.9	108.8
Mkt cap (USD m)	865		
3m avg. daily turnover (USD m)	5.7		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holdings (60%)		
12m high/low (THB)	10.50/3.10		
Issued shares (m)	2,800.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 26 มีนาคม 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.

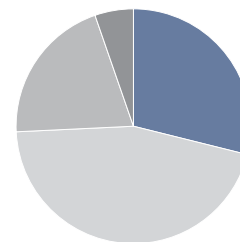
## Company profile

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)

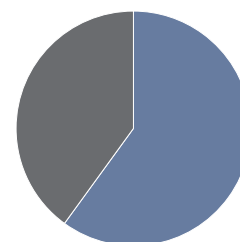
- Rubber insulation - 28.9 %
- Automotive plastics - 45.4 %
- Packaging plastics - 20.4 %
- Others - 5.3 %



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
May 2021	4QFY21/FY21 results announcement

## Key assumptions

Year to Mar	FY21E	FY22E	FY23E
	(%)	(%)	(%)
Aeroflex utilisation rate	65	60	60
Aeroklas utilisation rate	64	76	80
EPP utilisation rate	60	60	65
Gross margin – Aeroflex	47.6	44.8	44.8
Gross margin – Aeroklas	28.2	28.7	27.6
Gross margin - EPP	17.3	17.4	17.9

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in plant utilisation rate, we project FY22 earnings would rise by 2.5%, and vice versa, all else being equal.
- For every 1% increase in HDPE price, we estimate FY22 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.

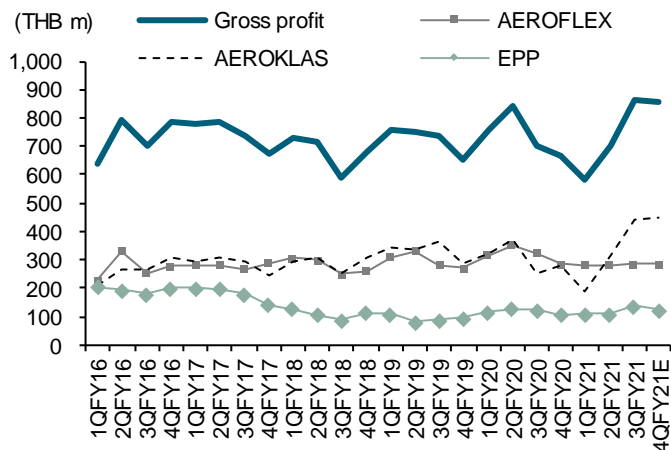
Source: FSSIA estimates



## Solid net profit growth momentum to continue

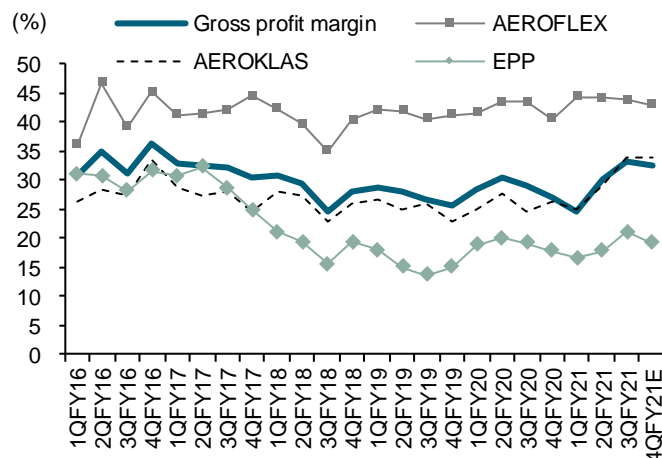
We project EPG's core net profit to be strong at THB460m in 4QFY21 (Jan-Mar 2021), driven by higher net profits across the board. The auto parts unit (Aeroklas) should continue to post a strong sales volume with a higher q-q utilisation rate, while the packaging business (EPP) is likely to see a slightly higher sales volume q-q, mainly driven by a higher sales volume from food packaging to offset the weaker sales of plastic cups. The insulator unit (Aeroflex) should see its strong earnings continue in 4QFY21 into FY22 (Apr-21 to Mar-22) thanks to a higher demand for refrigerators and construction that we project to recover by 2H21 after the gradual rollout of vaccinations globally.

Exhibit 1: Quarterly gross profit by segment



Sources: EPG; FSSIA estimates

Exhibit 2: Quarterly gross margin by segment

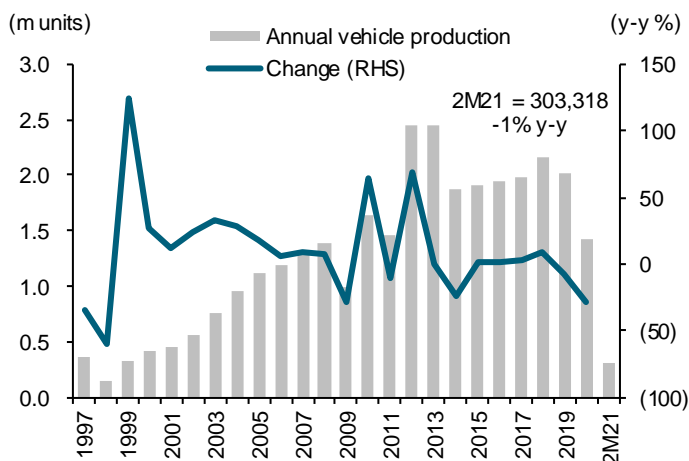


Sources: EPG; FSSIA estimates

**Auto parts business (Aeroklas):** We project Aeroklas' GM to be flat q-q at 34% in 4QFY21. After suffering from depressed demand in 1QFY21 due to the automotive manufacturing plant shutdowns in Thailand – vehicle production has now risen to nearly pre-COVID levels from 306,870 cars in 2M20 to 303,318 cars in 2M21 – we expect the improving demand for Aeroklas to continue in 2021, driving up its utilisation rate from 60% in 3QFY21 to 70% in 4QFY21.

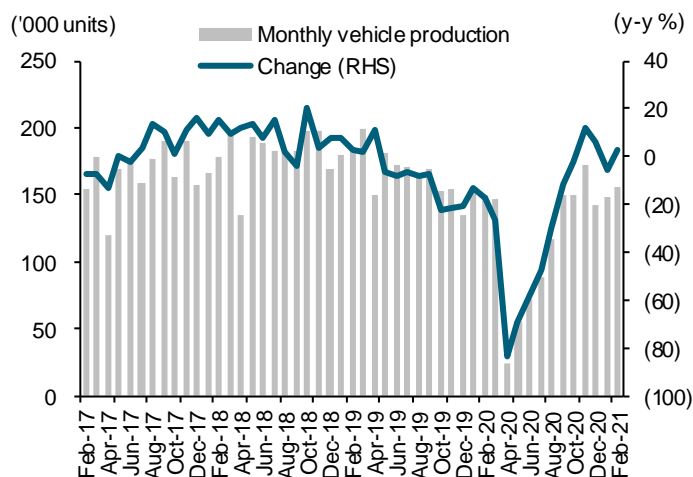
We anticipate a demand recovery for pickup truck parts across the board for EPG's products – bed liners, canopies, deck covers, side steps, and rear bumpers. Aeroklas' demand mostly comes from overseas (comprising 70%) with 30% of its demand coming from the domestic market. 50% of domestic sales are from the demand originating from Ford Motor (Thailand).

Exhibit 3: Thailand's annual vehicle production



Source: The Federation of Thai Industries

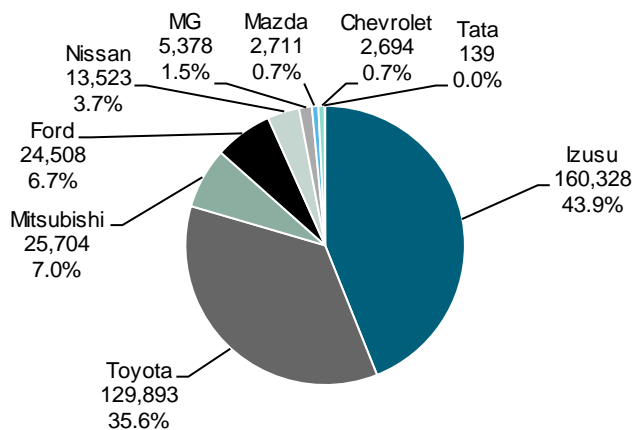
Exhibit 4: Thailand's monthly vehicle production



Source: The Federation of Thai Industries

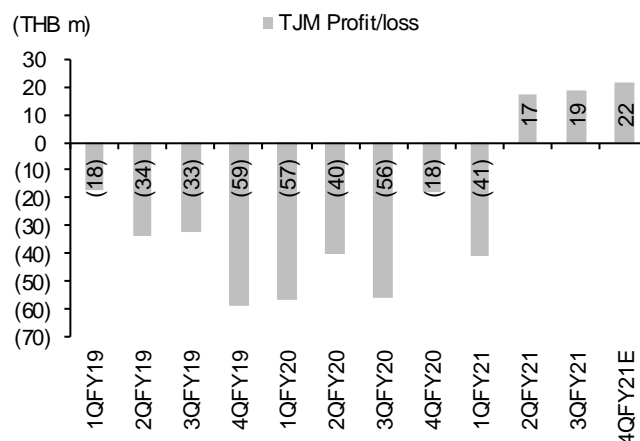
In addition, TJM, a premium off-road product brand in Australia owned 100% by EPG, should continue to improve its net profit outlook. We project that it will post a net profit of THB22m in 4QFY21 after seeing a core net profit turnaround of THB10m in 3QFY21 (Oct-Dec 2020) as EPG has successfully cut costs, optimised its branch expansion strategy, and improved operational efficiency. We project TJM to post a series of higher net profits starting from THB22m in 4QFY21 to THB50m by 4QFY22, further strengthening EPG's net profit after a multi-year net loss since 2018.

**Exhibit 5: Sale of one-ton pickup trucks in Thailand – breakdown by brand as of 2020**



Sources: EPG; FSSIA estimates

**Exhibit 6: TJM profit and loss**

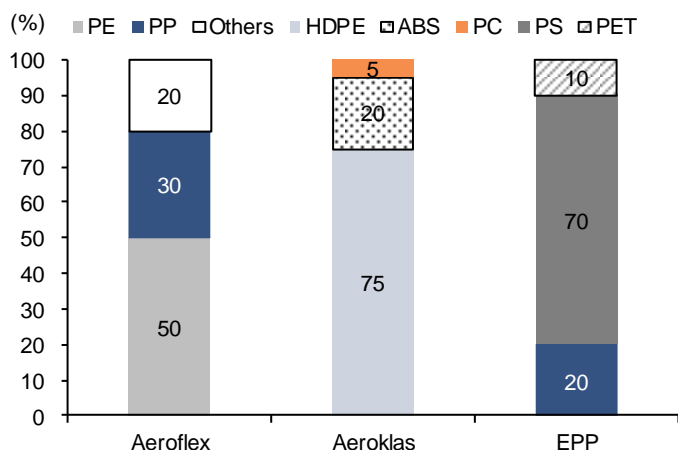


Note: In 2Q-3QFY21 TGM received a subsidy from Australia  
Sources: EPG; FSSIA estimates

**Insulator business (Aeroflex):** We expect to see stronger q-q earnings from Aeroflex (insulators) in 4QFY21 and FY22, driven by 1) higher utilisation rates from the projected higher demand recovery for insulators in Thailand and international markets from the construction and industrial sectors; and 2) higher volume growth from the capacity expansion for its US division from 4,000tpa to 8,000tpa in Jun-21.

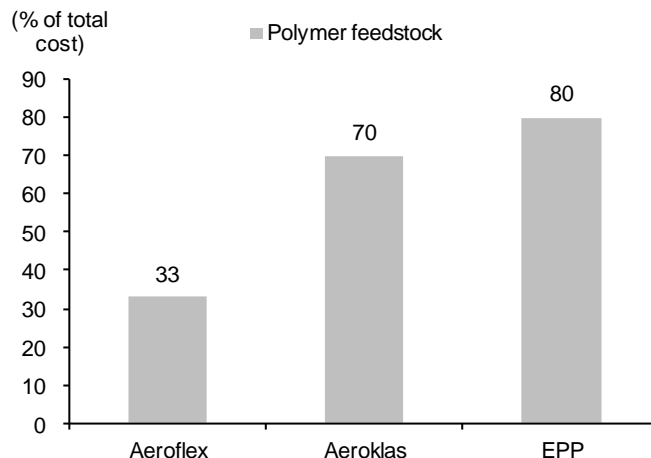
We expect the Aeroflex unit in Thailand – with a total capacity of 26,000tpa, including the new line 5 with a 6,000tpa capacity that already started up in Mar-20 – to see a higher utilisation rate of 70% in 4QFY21 due to the demand recovery in Thailand. EPG will start up a new 4,000tpa insulator plant at its US division by Jun-21, doubling the capacity to 8,000tpa and timely capturing the strong demand from the refrigerator market for food and vaccines in the US. We estimate a flat GM at 43.8% in 4QFY21, as the higher raw material cost should be offset by the higher selling price.

**Exhibit 7: Feedstock breakdown by product for EPG's units**



Sources: EPG; FSSIA estimates

**Exhibit 8: Polymer feedstock as % of total cost**



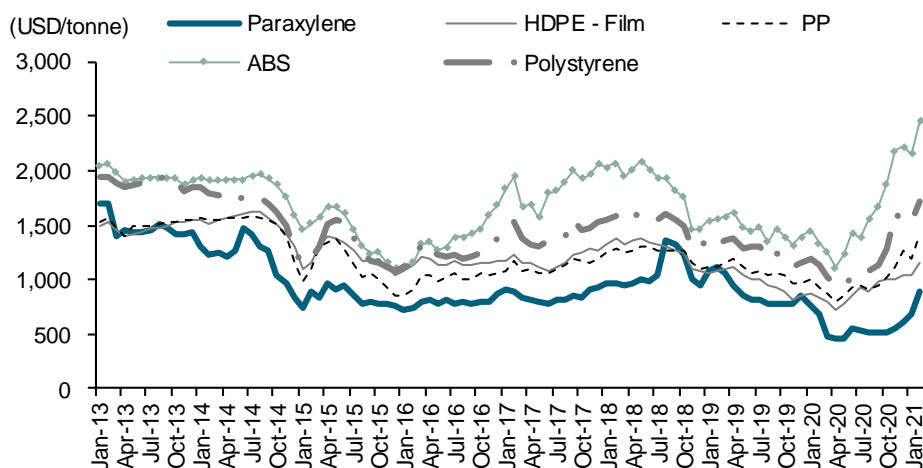
Sources: EPG; FSSIA estimates

**Packaging business (EPP):** The packaging business is likely to see a slightly higher sales volume q-q, mainly driven by a higher sales volume from food packaging to offset the weaker sales of plastic cups.

We project a flat q-q GM at 18-20% in 4QFY21 due to the weak demand for single-use and reusable plastic cups, forks, and plates, though that could be partly offset by the stronger demand for food packaging plastics.

**Stocking feedstocks.** We think the low feedstock prices for PE, PP, PET, and PS will enhance EPG's product margins until Jun-21, reflecting the lower feedstock prices in Jan- Mar, as EPG keeps its feedstocks for 5-6 months, based on our estimate.

#### Exhibit 9: Key feedstock prices



Source: Bloomberg

## 4QFY21E results preview

We project EPG's core net profit to stay strong at THB460m in 4QFY21 (Jan-Mar 2021), up 0.7% q-q and 361% y-y, supported by 1) higher utilisation rates for all three products (insulators, automotive parts and packaging); and 2) strong gross margins for all three units, particularly its Aeroflex unit (insulators). We believe this will come from the demand recoveries for automotive parts, insulators, and packaging, and we expect its earnings growth to continue into FY22-23.

### Exhibit 10: Summary of 4QFY21E/FY21E operations

FY ending - Mar	4QFY20	3QFY21	4QFY21E			FY20	FY21E	Chg.	Comments
	Mar-20	Dec-20	Mar-21	Chg.		Mar-20	Mar-21		
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	
<b>Revenue</b>	<b>1,955</b>	<b>2,595</b>	<b>4,990</b>	<b>92.3</b>	<b>155.2</b>	<b>10,217</b>	<b>11,874</b>	<b>16.2</b>	<b>Higher due to higher prices</b>
Operating costs	(1,628)	(2,017)	(1,976)	(2.0)	21.4	(6,627)	(7,523)	13.5	Higher y-y due to higher production
<b>EBITDA</b>	<b>327</b>	<b>578</b>	<b>447</b>	<b>(22.8)</b>	<b>36.4</b>	<b>1,549</b>	<b>1,783</b>	<b>15.1</b>	<b>Higher y-y due to lower raw material costs</b>
EBITDA margin (%)	16.7	22.3	9.0	na	na	15.2	15.0	na	
Depn & amort.	(200)	(202)	(55)	(72.5)	(72.3)	(624)	(660)	5.7	
EBIT	127	376	391	4.0	207.2	925	1,123	21.4	Higher due to higher production
Interest expense	(14)	(6)	5	(172.0)	(132.2)	(30)	(37)	21.6	
Interest & invt inc	10	57	(67)	(216.0)	(768.4)	42	44	5.0	
Associates' contrib	(21)	41	191	369.2	(1,025.9)	127	232	83.3	
Exceptionals	(26)	(24)	11	(144.4)	(140.8)	3	0	(100.0)	
<b>Pretax profit</b>	<b>76</b>	<b>444</b>	<b>531</b>	<b>19.5</b>	<b>595.2</b>	<b>1,068</b>	<b>1,364</b>	<b>27.7</b>	<b>Higher due to higher production</b>
Tax	(2)	(11)	(62)	461.5	3,319.4	(68)	(79)	15.4	Higher q-q due to higher sales
Tax rate (%)	2.4	2.5	12	na	na	6.4	5.8	na	
Minority interests	0	0	0	nm	nm	3.5	0.0	nm	
<b>Net profit</b>	<b>75</b>	<b>433</b>	<b>469</b>	<b>8.3</b>	<b>529.4</b>	<b>1,003</b>	<b>1,285</b>	<b>28.1</b>	
Non-recurring	(25)	(23)	10	(142.8)	(139.2)	0	0	nm	
<b>Core net profit</b>	<b>100</b>	<b>456</b>	<b>460</b>	<b>0.7</b>	<b>360.5</b>	<b>1,003</b>	<b>1,285</b>	<b>28.1</b>	
EPS (THB)	0.03	0.15	0.17	8.3	529.4	0.36	0.46	28.1	
Core EPS (THB)	0.04	0.16	0.16	0.7	360.5	0.36	0.46	28.1	

Sources: EPG; FSSIA estimates

## EPS and TP revisions

We revise up our EPS forecast for FY21 by 22.6% to reflect 1) our 3% higher utilisation rate assumption for Aeroklas due to the strong demand recovery for the automotive industry and EPP; and 2) our 3% higher GM assumption for Aeroflex products resulting from a higher sales volume from its 4,000-tonne capacity expansion. We maintain our TP at THB12, based on 16x FY22E EV/EBITDA, to reflect the higher demand and utilisation rates along with our valuation rollover to FY22. We think EPG remains an attractive petrochemical play, as it should benefit from the recovering demand and lower feedstock costs.

### Exhibit 11: Key changes in assumptions and EPS

(THB m)	Current			Previous			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	11,874	12,733	13,113	9,973	12,733	13,113	19.1	0.0	0.0
Gross profit	4,350	4,665	4,804	3,654	4,665	4,804	19.1	0.0	0.0
Operating profit	1,123	1,336	1,391	808	1,336	1,391	39.0	0.0	0.0
Net profit	1,285	1,492	1,553	991	1,492	1,553	29.6	0.0	0.0
EPS (THB/shr)	0.46	0.53	0.55	0.35	0.53	0.55	29.6	0.0	0.0
<b>Key assumptions</b>									
Aeroflex utilisation rate (%)	65	60	60	50	60	60	15.0	0.0	0.0
Aeroklas utilisation rate (%)	64	76	80	60	76	80	3.4	0.0	0.0
EPP utilisation rate (%)	60	60	65	55	60	65	5.0	0.0	0.0
Gross margin - Aeroflex (%)	47.6	44.8	44.8	44.5	44.8	44.8	3.1	0.0	0.0
Gross margin - Aeroklas (%)	28.2	28.7	27.6	27.7	28.7	27.6	0.5	0.0	0.0
Gross margin - EPP (%)	17.3	17.4	17.9	16.8	17.4	17.9	0.6	0.0	0.0

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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	11,874	12,733	13,113
Cost of goods sold	(7,077)	(6,627)	(7,523)	(8,068)	(8,309)
<b>Gross profit</b>	<b>3,502</b>	<b>3,590</b>	<b>4,350</b>	<b>4,665</b>	<b>4,804</b>
Other operating income	8	10	12	13	13
Operating costs	(2,105)	(2,051)	(2,579)	(2,677)	(2,756)
<b>Operating EBITDA</b>	<b>1,405</b>	<b>1,549</b>	<b>1,783</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>1,123</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>1,364</b>	<b>1,586</b>	<b>1,652</b>
Tax	(52)	(68)	(79)	(94)	(99)
<b>Profit after tax</b>	<b>903</b>	<b>999</b>	<b>1,285</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>1,285</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>1,285</b>	<b>1,492</b>	<b>1,553</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.32	0.36	0.46	0.53	0.55
Reported EPS	0.32	0.36	0.46	0.53	0.55
DPS	0.24	0.24	0.28	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)	16.2	7.2	3.0
Operating EBITDA (%)	(1.6)	10.3	15.1	12.2	3.0
Operating EBIT (%)	(6.1)	17.4	21.4	19.0	4.1
Recurring EPS (%)	(6.6)	10.9	28.1	16.1	4.1
Reported EPS (%)	(6.6)	10.9	28.1	16.1	4.1
<b>Operating performance</b>					
Gross margin inc depreciation (%)	27.3	29.0	31.1	31.4	31.5
Gross margin of key business (%)	27.3	29.1	31.2	31.5	31.6
Operating EBITDA margin (%)	13.3	15.2	15.0	15.7	15.7
Operating EBIT margin (%)	7.5	9.1	9.5	10.5	10.6
Net margin (%)	8.5	9.8	10.8	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	61.2	57.5	54.1
Interest cover (X)	22.7	40.6	38.2	54.6	80.0
Inventory days	122.9	132.7	117.5	114.0	116.8
Debtor days	59.3	61.1	51.7	48.2	46.8
Creditor days	66.1	64.6	55.8	57.3	58.5
Operating ROIC (%)	7.5	8.6	10.7	13.7	15.2
ROIC (%)	7.0	7.5	9.8	11.9	12.9
ROE (%)	8.9	9.6	11.8	12.9	12.7
ROA (%)	7.1	7.4	9.1	10.2	10.4
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue By Division (THB m)</b>					
Rubber insulation	2,929	2,951	2,826	4,081	4,270
Automotive plastics	5,288	4,634	3,874	4,547	5,107
Packaging plastics	2,001	2,089	3,110	2,867	2,903
Others	361	543	2,065	1,238	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	1,285	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)	79	(91)	(315)
<b>Cash flow from operations</b>	<b>1,642</b>	<b>1,655</b>	<b>2,300</b>	<b>2,345</b>	<b>2,189</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(545)	(813)	(336)	(339)	(341)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(540)	(284)	1,796	539	1,313
<b>Cash flow from investing</b>	<b>(1,085)</b>	<b>(1,097)</b>	<b>1,461</b>	<b>201</b>	<b>972</b>
Dividends paid	(812)	(616)	(672)	(786)	(858)
Equity finance	0	0	0	0	0
Debt finance	(15)	560	189	(1,000)	2
Other financing cash flows	271	25	(1,764)	(552)	(1,077)
<b>Cash flow from Financing</b>	<b>(556)</b>	<b>(31)</b>	<b>(2,247)</b>	<b>(2,338)</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>1,513</b>	<b>208</b>	<b>1,227</b>
Free cash flow to firm (FCFF)	596.13	587.35	3,797.16	2,574.99	3,181.40
Free cash flow to equity (FCFE)	812.25	1,142.16	2,185.42	993.40	2,085.50

#### Per share (THB)

FCFF per share	0.21	0.21	1.36	0.92	1.14
FCFE per share	0.29	0.41	0.78	0.35	0.74
Recurring cash flow per share	0.62	0.64	0.79	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	2,585	2,792	4,019
A/C receivable	1,739	1,682	1,682	1,682	1,682
Inventories	2,408	2,412	2,432	2,608	2,709
Other current assets	-	-	-	-	-
<b>Current assets</b>	<b>4,692</b>	<b>5,165</b>	<b>6,699</b>	<b>7,082</b>	<b>8,410</b>
Other assets	364	299	299	299	299
<b>Total assets</b>	<b>13,393</b>	<b>14,032</b>	<b>14,986</b>	<b>14,784</b>	<b>15,522</b>
Common equity	10,293	10,555	11,168	11,874	12,569
Minorities etc.	23	19	19	19	19
<b>Total Shareholders' equity</b>	<b>10,315</b>	<b>10,574</b>	<b>11,187</b>	<b>11,893</b>	<b>12,588</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	1,223	1,312	1,351
Short term debt	1,262	1,026	2,000	1,000	1,001
Other current liabilities	45	40	46	49	51
<b>Current liabilities</b>	<b>2,576</b>	<b>2,143</b>	<b>3,269</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>14,986</b>	<b>14,784</b>	<b>15,521</b>
Net working capital	2,832	2,977	2,845	2,929	2,989
Invested capital	11,534	11,844	11,132	10,631	10,102

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	3.68	3.77	3.99	4.24	4.49
Tangible book value per share	3.57	3.68	3.90	4.15	4.40

#### Financial strength

Net debt/Equity (%)	8.8	8.9	(3.4)	(13.4)	(22.4)
Net debt/total assets (%)	6.8	6.7	(2.6)	(10.8)	(18.1)
Current ratio (x)	1.8	2.4	2.0	3.0	3.5
CF interest cover (x)	31.8	73.5	69.8	46.0	117.1

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>29.7</b>	<b>26.8</b>	<b>20.9</b>	<b>18.0</b>	<b>17.3</b>
<b>Recurring P/E @ target price (x) *</b>	<b>37.2</b>	<b>33.5</b>	<b>26.2</b>	<b>22.5</b>	<b>21.6</b>
Reported P/E (x)	29.7	26.8	20.9	18.0	17.3
Dividend yield (%)	2.5	2.5	2.9	3.2	3.1
Price/book (x)	2.6	2.5	2.4	2.3	2.1
Price/tangible book (x)	2.7	2.6	2.5	2.3	2.2
EV/EBITDA (x) **	19.8	18.0	14.9	12.6	11.7
EV/EBITDA @ target price (x) **	24.6	22.3	18.6	16.0	14.9
EV/invested capital (x)	2.4	2.4	2.4	2.4	2.4

\* 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	WIJK	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)

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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

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### ANALYST(S) CERTIFICATION

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

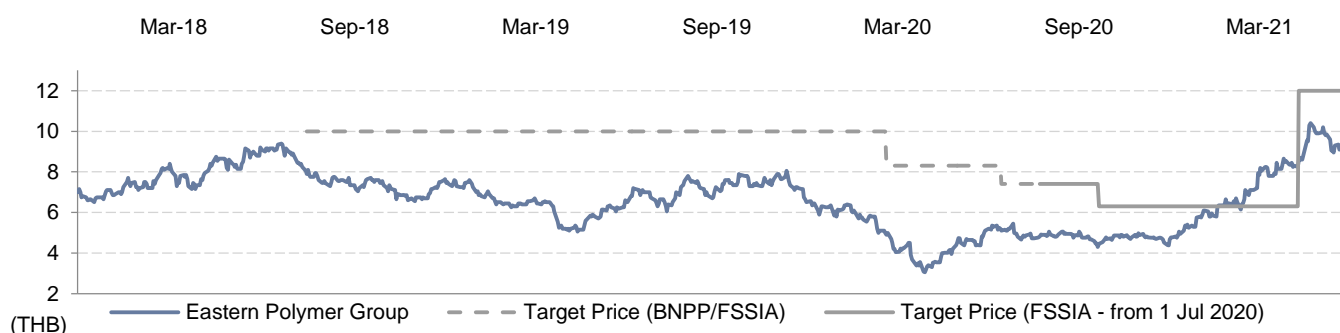
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#### History of change in investment rating and/or target price

#### 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	08-Feb-2021	BUY	12.00
20-Feb-2020	BUY	8.30	20-Aug-2020	BUY	6.30			
29-May-2020	BUY	7.40	10-Nov-2020	BUY	6.30			

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 9.60	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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 25-Mar-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.