

14 JUNE 2021

THAILAND / PETROCHEM &amp; CHEMICALS

## EASTERN POLYMER GROUP

## EPG TB

BUY

UNCHANGED

TARGET PRICE	THB15.50
CLOSE	THB11.00
UP/DOWNSIDE	+40.9%
PRIOR TP	THB15.50
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+8.5%

## ธุรกิจจนวนโตดี

## Aeroflex กำลังขยายกำลังการผลิตและตลาด

ในระหว่างการประชุมทางโทรศัพท์ ประธานเจ้าหน้าที่บริหาร ดร. ภาณุวัฒน์ วิฑูรปกรณ์ให้ 3 ประเด็นสำคัญที่ยืนยันมุมมองเชิงบวกของเราเกี่ยวกับแนวโน้มการเติบโตของกำไรสุทธิของ EPG ในปี FY22-23 ประการแรก Aeroflex (ธุรกิจจนวน) ซึ่งเป็นธุรกิจเรือธงของ EPG มาอย่างยาวนานและเป็นกลุ่มธุรกิจที่ทำกำไรมากที่สุดควรรายงานกำไรโตในอัตราที่เพิ่มขึ้นตั้งแต่ 2QFY22 (ก.ค. - ก.ย. 2021) โดยได้ปัจจัยผลักดันจากการเติบโตของกำลังการผลิตของโรงงานใหม่ขนาด 4,000tpa ในสหรัฐฯ และอัตราการใช้กำลังการผลิตที่สูงขึ้นของโรงงานขนาด 26,000tpa ในประเทศไทย ประการที่สองอัตรากำไรขั้นต้นของธุรกิจจนวนมีแนวโน้มปรับตัวดีขึ้นเป็น 43-45% โดยได้ปัจจัยผลักดันจากเทคโนโลยีอัตโนมัติใหม่ที่โรงงานในสหรัฐฯ และสายการผลิตใหม่ สายที่ 5 ขนาด 5,000tpa ในประเทศไทย ประการที่สามผู้บริหารเชื่อว่าจนวน EPDM จะทำให้บริษัทฯ ไม่เพียงแต่สามารถรายงานอัตรากำไรที่สูงขึ้นและส่งผ่านต้นทุนเงินเฟ้อจากจนวนพลาสติกที่ปรับตัวสูงขึ้นแต่ยังจะช่วยบริษัทฯ เจาะเข้าสู่ตลาดใหม่อย่างกลุ่มตู้เย็นและ Data Centre ทั่วโลก

## จนวน EPDM ที่มีคุณภาพสูงกว่าเป็นกุญแจสำคัญ

ลักษณะสำคัญของธุรกิจจนวนของ EPG ที่ช่วยให้บริษัทฯ แตกต่างจากคู่แข่งอยู่ที่วัสดุที่ดีกว่าและเทคโนโลยีที่ใช้ยาง EPDM เทียบกับยาง NBR ที่คู่แข่งส่วนมากใช้ ปัจจัยผลักดันสำคัญที่จะทำให้ปริมาณขายจนวนดีขึ้นน่าจะมาจากการขยายกำลังการผลิตของโรงงานในสหรัฐฯ อีก 4,000tpa ซึ่งทำให้กำลังการผลิตรวมของ EPG ในสหรัฐฯ เพิ่มขึ้นเท่าตัวเป็น 8,000tpa จนวน EPDM ของ EPG มีคุณภาพสูงกว่าพร้อมความสามารถในการต้านทานอุณหภูมิที่เปลี่ยนแปลงได้ในช่วงที่กว้างและปัจจัยด้านความปลอดภัยจากพิษที่สูงกว่า

## ต้นทุนโพลีเมอร์ที่สูงขึ้นมีผลกระทบต่อ Aeroflex

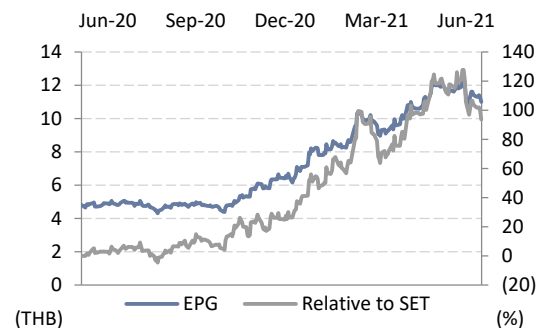
อัตรากำไรขั้นต้นที่อยู่ในระดับสูงของธุรกิจจนวนของ EPG ที่กว่า 40% ได้ปัจจัยหนุนจากความสามารถในการส่งผ่านต้นทุนให้กับลูกค้า เนื่องจากสินค้ามีคุณภาพสูงกว่าพร้อมความยืดหยุ่นของอุปสงค์ต่อราคาที่ดีกว่า แม้ว่าต้นทุนของวัตถุดิบสำคัญ กล่าวคือ EPDM จะเพิ่มขึ้นจากราคา Ethylene และ Propylene ที่สูงขึ้น โพลีเมอร์คิดเป็นเพียง 33% ของต้นทุนของ Aeroflex เทียบกับ 70-80% ของธุรกิจอื่นของ EPG เช่น Aeroklas (ธุรกิจชิ้นส่วนยานยนต์) และ EPP (ธุรกิจบรรจุภัณฑ์)

## หุ้นที่เล่นกับการเติบโตของการส่งออกของไทยและการฟื้นตัวของเศรษฐกิจ

เราคงคำแนะนำซื้อที่ราคาเป้าหมาย 15.5 บาทซึ่งคิดเป็น 21.2x ของค่า FY22E EV/EBITDA เราปรับเพิ่มประมาณการกำไรต่อหุ้นปี FY22-23 ขึ้น 2.2-2.9% เพื่อสะท้อนอัตราการใช้กำลังการผลิตและอัตรากำไรขั้นต้นที่เปลี่ยนไปตามต้นทุนวัตถุดิบที่สูงขึ้น เราคิดว่า EPG ยังเป็นการลงทุนที่น่าสนใจจากแนวโน้มการเติบโตของกำไรสุทธิที่อยู่ในระดับสูงในปี FY22-23 โดยมีปัจจัยผลักดันจากการขยายกำลังการผลิตและอัตรากำไรขั้นต้นที่สูงขึ้นของ Aeroflex และ Aeroklas

## KEY STOCK DATA

YE Mar (THB m)	2021	2022E	2023E	2024E
Revenue	9,569	13,703	14,108	15,362
Net profit	1,219	1,525	1,597	1,774
EPS (THB)	0.44	0.54	0.57	0.63
vs Consensus (%)	-	20.5	5.6	6.2
EBITDA	1,800	2,010	2,069	2,253
Core net profit	1,219	1,525	1,597	1,774
Core EPS (THB)	0.44	0.54	0.57	0.63
Chg. In EPS est. (%)	nm	2.2	2.9	nm
EPS growth (%)	21.5	25.1	4.7	11.0
Core P/E (x)	25.3	20.2	19.3	17.4
Dividend yield (%)	2.2	2.8	2.7	2.7
EV/EBITDA (x)	17.6	14.9	13.9	12.1
Price/book (x)	2.8	2.6	2.4	2.3
Net debt/Equity (%)	8.5	(7.0)	(16.9)	(26.7)
ROE (%)	11.3	13.3	13.1	13.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.2)	22.9	121.8
Relative to country (%)	(8.5)	18.3	89.3
Mkt cap (USD m)	991		
3m avg. daily turnover (USD m)	8.1		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holdings (60%)		
12m high/low (THB)	12.70/4.26		
Issued shares (m)	2,800.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 14 มิถุนายน 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.

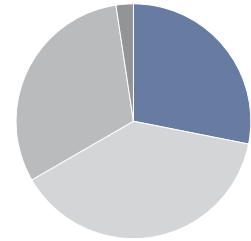
## Company profile

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, 2021)

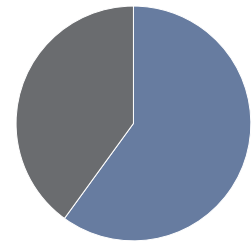
- Rubber insulation - 29.5 %
- Automotive plastics - 40.5 %
- Packaging plastics - 32.5 %
- Others - (2.5) %



Source: Eastern Polymer Group

## Major shareholders

- Vitoorapakorn Holdings - 60.0 %
- Others - 40.0 %



Source: Eastern Polymer Group

## Catalysts

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

## Risks 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
Aug 2021	1QFY22 results announcement

## Key assumptions

Year to Mar	FY22E	FY23E	FY24E
	(%)	(%)	(%)
Aeroflex utilisation rate	62	60	75
Aeroklas utilisation rate	79	76	75
EPP utilisation rate	60	65	65
Gross margin – Aeroflex	44.7	44.6	45.7
Gross margin – Aeroklas	28.3	27.3	27.2
Gross margin – EPP	17.2	17.7	17.7

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



## Glittering insulator growth ahead

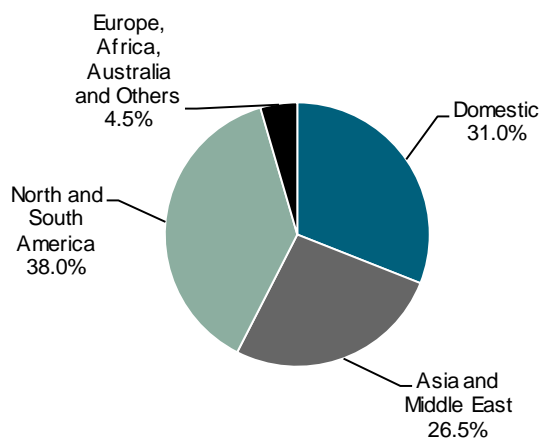
During our FSSIA conference call, CEO Dr. Pawat Vitoorapakorn delivered three key points that confirm our positive view on EPG's net profit growth outlook in FY22-23.

First, Aeroflex, EPG's long-time flagship and most lucrative product group, should see its earnings accelerate starting in 2QFY22 (Jul-Sep 2021) driven by both capacity growth from its new 4,000tpa plant in the US and higher utilisation rates for its 26,000tpa plant in Thailand.

Second, the gross margin of its insulators is likely to improve to 43-45%, driven by the new automatic technology in the US plant and the new 5,000tpa line #5 in Thailand.

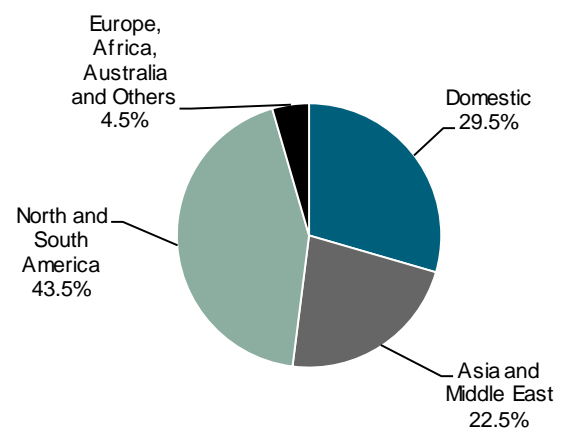
Third, management believes that its EPDM insulators will allow the company to not only command a high gross margin and pass through the cost inflation from the rising plastic prices, but also penetrate into new refrigeration and data centre market segments globally.

**Exhibit 1: Aeroflex's revenue breakdown as of FY20 (%)**



Source: EPG

**Exhibit 2: Aeroflex's revenue breakdown as of FY21 (%)**



Source: EPG

## Aeroflex could be EPG's key growth driver in FY22-23

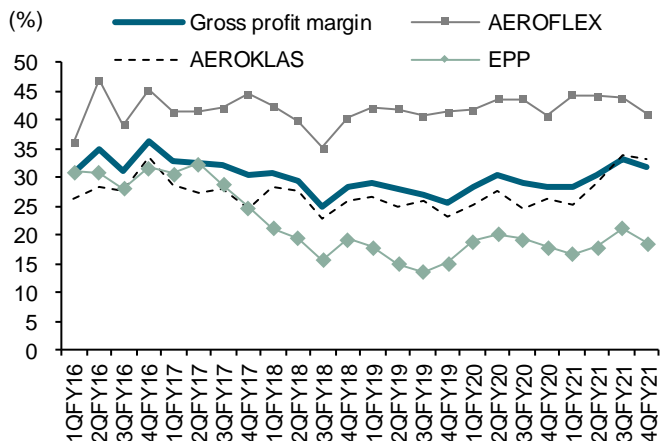
After suffering from weak demand for insulators in 4QFY20-FY21 (Jan-20 to Mar-21) due to the impact of the Covid-19 pandemic that significantly stalled the demand for the construction of buildings, plants, and residential projects, we project EPG to see substantial sales volume growth from its insulator products in FY22-23 (Apr-21 to Mar-23).

The key driver for a stronger insulator sales volume will likely come from the US plant's capacity expansion by 4,000tpa, doubling EPG's total capacity in the US to 8,000tpa. According to management, EPG's Aeroflex US plant has long run at its full utilisation rate of over 80% and has even had to ration its production to serve the demand from US customers, thanks to its superior product quality using ethylene propylene diene monomer (EPDM) rubber, which has a better product quality than the competing and cheaper nitrile butadiene rubber (NBR)-based insulators.

In FY21 (Apr-20 to Mar-21), EPG's US insulator plant generated 43.5% of Aeroflex's total revenue, up from 38% in FY20 (Apr-19 to Mar-20), despite accounting for only 13% of the total 30,000tpa capacity (26,000tpa in Thailand and 4,000tpa in the US). This is due to the much higher utilisation rate (85% in the US vs 60% in Thailand) and the higher product price by 20%, based on our estimate.

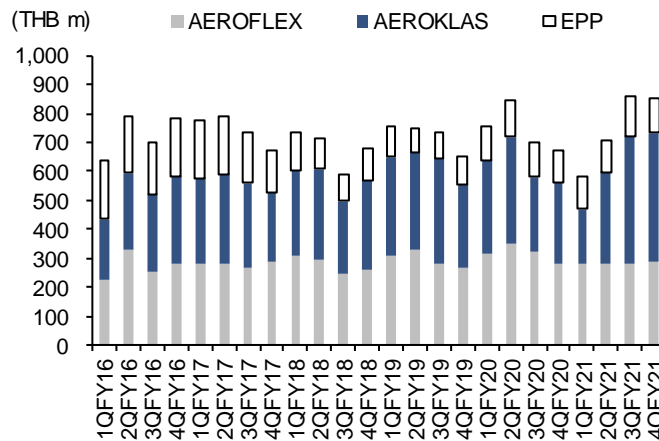
We project Aeroflex's gross margin to rise from 42% in FY21 to 43-45% in FY22-23, driven by the rising proportion of sales volumes from its high-margin US-based plant due to its capacity expansion and a higher utilisation rate of its 26,000tpa insulator plant in Thailand. We think EPG should gradually increase its export sales volume to Japan (15% of total sales volume in FY21), South Korea, and Europe, once economic activities have recovered following the successful Covid vaccination rollouts in these markets.

**Exhibit 3: Gross profit margin breakdown**



Source: EPG

**Exhibit 4: Gross profit breakdown**



Source: EPG

**What makes EPG’s EPDM insulators stand out?**

According to management, the key character of EPG’s insulators that differentiate them from its competitors are the superior material and technology processes using EPDM rubber vs NBR that most competitors use.

NBR and EPDM are two types of rubber materials. The key difference between NBR and EPDM is that NBR is a non-aromatic polymer compound, whereas EPDM is an aromatic polymer. Moreover, NBR is made using acrylonitrile and butadiene monomers, while EPDM is made using ethylene, propylene and a diene comonomer.

**What is EPDM?** The term EPDM stands for ethylene propylene diene monomer. It is a type of synthetic rubber that comes under the group of elastomers, and there are saturated chains of polyethylene. EPDM is an aromatic compound. The monomers used in the production of this polymer material are ethylene, propylene and a diene comonomer. Its structure enables crosslinking via sulphur vulcanization.

Due to the presence of a saturated backbone, EPDM has much better resistance to heat, light and ozone when compared to the other unsaturated rubber materials such as natural rubber, styrene butadiene rubber (SBR) and neoprene. Moreover, EPDM can be formulated in a temperature-resistant form of polymer that can withstand temperatures of about 150 degrees Celsius. It can be used outdoors for many years without degradation. This material also has good low-temperature properties, such as elasticity.

EPG’s EPDM insulators can withstand a wider range of temperatures between -200c and 125c vs only a -60c and 100c range for its competitors’ insulators. In addition, EPDM-based insulators are also a much safer product than NBR-based insulators given that EPDM insulators contain fewer toxic materials and have a higher heat resistance, making EPDM insulators safer in the case of fire incidents.

Exhibit 5: EPDM insulation



Source: EPG

Exhibit 6: EPDM insulators can withstand super high and low temperatures



Source: EPG

NBR material is unusually resistant to oil, fuel, and most chemicals. It is therefore useful in the automotive and aeronautical industries in producing fuel and oil handling hoses, seals, grommets, and fuel tanks. Moreover, NBR is useful in the nuclear industry, in the preparation of protective gloves. This material has considerably high stability in the temperature range of -40c to 108c. This makes it an ideal material for aeronautical applications. Furthermore, NBR is important in producing moulded goods, footwear, adhesives, sealants, sponges, expanded foams, and floor mats.

Exhibit 7: Differences between NBR and EPDM

NBR vs EPDM		
	More Information Online <a href="http://WWW.DIFFERENCEBETWEEN.COM">WWW.DIFFERENCEBETWEEN.COM</a>	
	NBR	EPDM
DEFINITION	NBR stands for Nitrile Butadiene Rubber	EPDM stands for Ethylene Propylene Diene Monomer Rubber
MONOMERS	Acrylonitrile and butadiene monomers	Ethylene, propylene and a diene comonomer
PREPARATION	Through emulsion polymerization	Through solution polymerization using the Ziegler-Natta catalyst
PROPERTIES	Can withstand temperatures from -40 to 108 °C, resistant to oils, fuel, and most other chemicals	Can withstand temperatures up to 150°C, outstanding resistance towards heat, ozone, steam, and weather
USES	Useful in the automotive and aeronautical industry in producing fuel and oil handling hoses, seals, grommets, and fuel tanks	For sealing and gasketing, as membranes and diaphragms, used to create weatherstripping, seals on doors for refrigerators, etc.

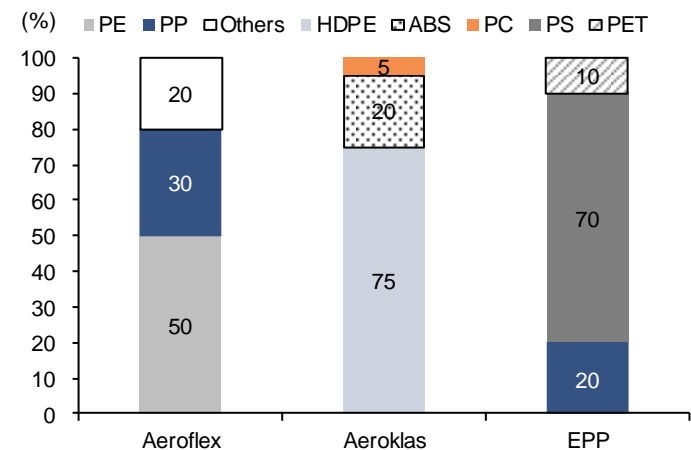
Source: [DifferenceBetween.com](http://DifferenceBetween.com)

### Cost inflation is unlikely to erode EPG's EPDM insulator gross margin

According to management, the gross margin of EPG's insulators is likely to increase from 42% in FY21 to 43-45% in FY22-23, driven by:

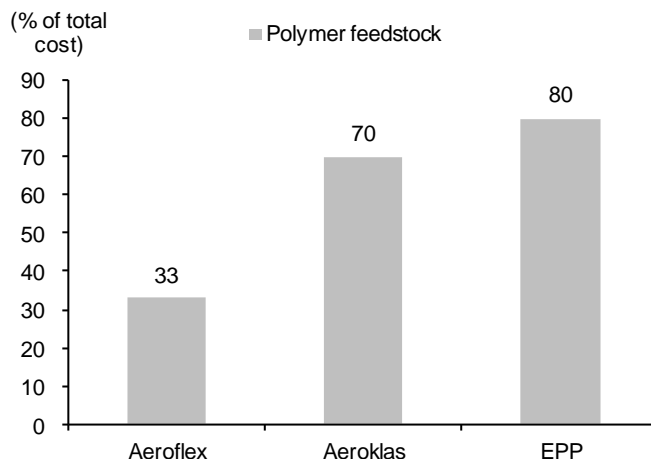
**The ability to pass the cost through to its customers**, given its superior products with low pricing elasticity, despite the cost increases of its key raw material, EPDM, which is driven by the higher prices of ethylene and propylene. However, polymers only account for 33% of Aeroflex's cost vs 70-80% for EPG's other units – Aeroklas (auto parts) and Eastern Polypack (EPP; packaging).

Exhibit 8: Feedstock breakdown by product for EPG's units



Sources: EPG; FSSIA estimates

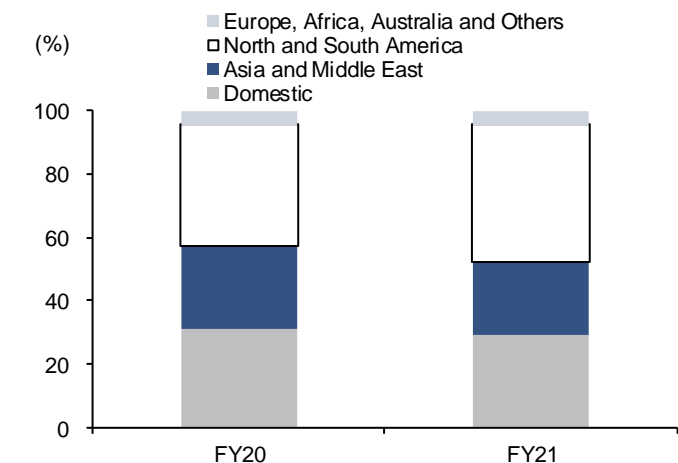
Exhibit 9: Polymer feedstock as % of total cost



Sources: EPG; FSSIA estimates

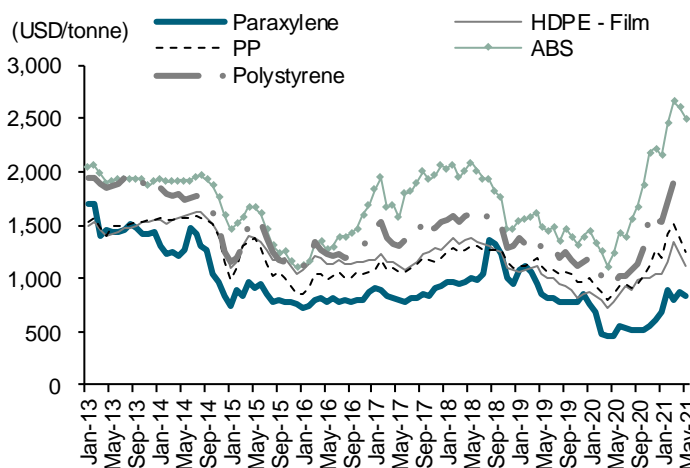
**There is a rising sales volume proportion to high-margin markets**, including the US from its capacity expansion, Europe, Japan, and South Korea from its higher utilisation rate at its 26,000tpa Aeroflex plant in Thailand. We estimate that the utilisation rate will rise from 60-65% in FY21 to 80% by end-FY22 (Mar-22), driven by a higher export sales volume to Japan, Europe, and Vietnam, based on management's guidance.

Exhibit 10: Aeroflex's revenue breakdown (%)



Source: EPG

Exhibit 11: Key feedstock prices



Source: Bloomberg

## Valuation remains attractive against its growth outlook

We maintain BUY and our TP of THB15.5, based on 21.2x FY22E EV/EBITDA. We revise up our EPS forecasts in FY22-23 by 2.2-2.9% to reflect our utilisation rate and gross margin changes on our higher raw material cost assumptions. We think EPG remains an attractive investment for its strong net profit growth outlook in FY22-23, driven by the capacity expansion and higher utilisation rates of Aeroflex and Aeroklas and the improving net profit outlook for its TJM unit.

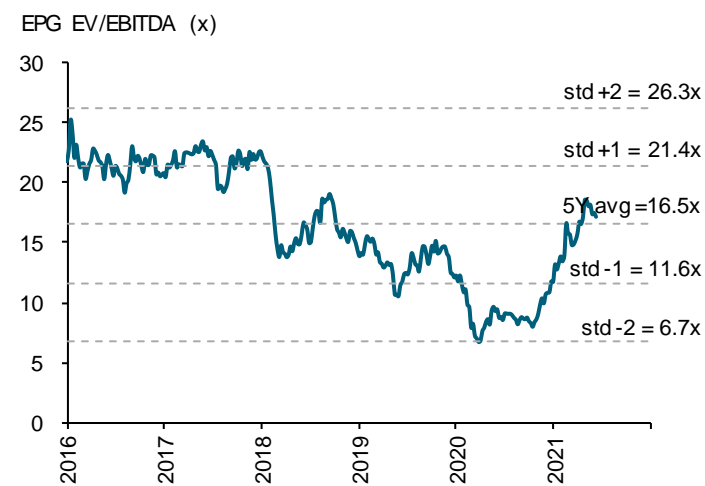
### Exhibit 12: Key changes in assumptions

(THB m)	Current			Previous			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	13,703	14,108	15,362	10,233	13,113	15,362	33.9	7.6	0.0
Gross profit	4,805	4,947	5,387	4,665	4,804	5,387	3.0	3.0	0.0
Operating profit	1,329	1,383	1,562	1,236	1,291	1,562	7.5	7.1	0.0
Net profit	1,525	1,597	1,774	1,492	1,553	1,774	2.2	2.9	0.0
EPS (THB/shr)	0.43	0.54	0.57	0.42	0.53	0.57	2.2	2.9	0.0
<b>Key assumptions</b>									
Aeroflex utilisation rate (%)	62	60	75	60	60	75	2.0	0.0	0.0
Aeroklas utilisation rate (%)	79	76	75	76	76	75	2.7	0.0	0.0
EPP utilisation rate (%)	60	65	65	60	65	65	0.0	0.0	0.0
Gross margin - Aeroflex (%)	44.7	44.6	45.7	44.8	44.8	45.7	(0.1)	(0.2)	0.0
Gross margin - Aeroklas (%)	28.3	27.3	27.2	28.7	27.6	27.2	(0.4)	(0.3)	0.0
Gross margin - EPP (%)	17.2	17.7	17.7	17.4	17.9	17.7	(0.2)	(0.2)	0.0

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

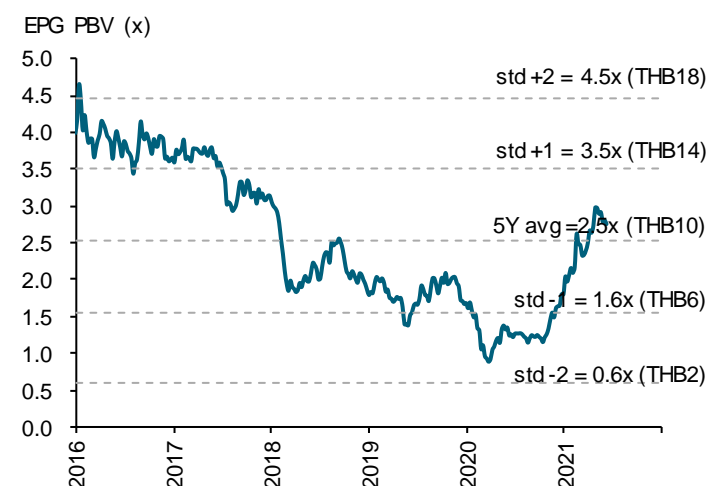
Sources: FSSIA estimates

### Exhibit 13: Rolling one-year forward EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

### Exhibit 14: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates



## Financial Statements

### Eastern Polymer Group

Profit and Loss (THB m) Year Ending Mar	2020	2021	2022E	2023E	2024E
Revenue	10,217	9,569	13,703	14,108	15,362
Cost of goods sold	(6,627)	(5,840)	(8,898)	(9,161)	(9,975)
<b>Gross profit</b>	<b>3,590</b>	<b>3,730</b>	<b>4,805</b>	<b>4,947</b>	<b>5,387</b>
Other operating income	10	12	18	18	20
Operating costs	(2,051)	(1,942)	(2,813)	(2,896)	(3,153)
<b>Operating EBITDA</b>	<b>1,549</b>	<b>1,800</b>	<b>2,010</b>	<b>2,069</b>	<b>2,253</b>
Depreciation	(624)	(754)	(681)	(686)	(692)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>925</b>	<b>1,046</b>	<b>1,329</b>	<b>1,383</b>	<b>1,562</b>
Net financing costs	(27)	(40)	(50)	(33)	(33)
Associates	127	93	232	232	232
Recurring non-operating income	169	251	282	285	288
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>1,068</b>	<b>1,257</b>	<b>1,561</b>	<b>1,635</b>	<b>1,817</b>
Tax	(68)	(35)	(36)	(38)	(43)
<b>Profit after tax</b>	<b>999</b>	<b>1,221</b>	<b>1,525</b>	<b>1,597</b>	<b>1,774</b>
Minority interests	3	(2)	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,003</b>	<b>1,219</b>	<b>1,525</b>	<b>1,597</b>	<b>1,774</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>1,003</b>	<b>1,219</b>	<b>1,525</b>	<b>1,597</b>	<b>1,774</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.36	0.44	0.54	0.57	0.63
Reported EPS	0.36	0.44	0.54	0.57	0.63
DPS	0.24	0.24	0.31	0.30	0.30
Diluted shares (used to calculate per share data)	2,800	2,800	2,800	2,800	2,800
<b>Growth</b>					
Revenue (%)	(3.4)	(6.3)	43.2	3.0	8.9
Operating EBITDA (%)	10.3	16.2	11.7	3.0	8.9
Operating EBIT (%)	17.4	13.0	27.1	4.1	12.9
Recurring EPS (%)	10.9	21.5	25.1	4.7	11.0
Reported EPS (%)	10.9	21.5	25.1	4.7	11.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	29.0	31.1	30.1	30.2	30.6
Gross margin of key business (%)	29.1	31.2	30.2	30.3	30.7
Operating EBITDA margin (%)	15.2	18.8	14.7	14.7	14.7
Operating EBIT margin (%)	9.1	10.9	9.7	9.8	10.2
Net margin (%)	9.8	12.7	11.1	11.3	11.5
Effective tax rate (%)	7.0	2.7	2.7	2.7	2.7
Dividend payout on recurring profit (%)	67.0	55.1	57.0	52.6	47.4
Interest cover (X)	40.6	32.5	32.1	51.0	56.5
Inventory days	132.7	155.4	111.5	116.8	114.1
Debtor days	61.1	64.8	45.7	44.4	40.8
Creditor days	64.6	75.3	68.9	82.0	79.8
Operating ROIC (%)	8.6	9.7	13.3	15.4	(4.7)
ROIC (%)	7.5	8.5	10.8	12.0	(3.5)
ROE (%)	9.6	11.3	13.3	13.1	13.6
ROA (%)	7.4	8.5	10.0	10.0	10.3
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
2020	2021	2022E	2023E	2024E	
Rubber insulation	2,951	2,826	4,081	4,270	4,270
Automotive plastics	4,634	3,874	4,547	4,836	4,836
Packaging plastics	2,089	3,110	2,867	2,903	3,139
Others	543	(240)	2,208	2,099	3,117

Sources: Eastern Polymer Group; FSSIA estimates

## Financial Statements

### Eastern Polymer Group

Cash Flow (THB m) Year Ending Mar	2020	2021	2022E	2023E	2024E
Recurring net profit	1,003	1,219	1,525	1,597	1,774
Depreciation	624	754	681	686	692
Associates & minorities	127	93	232	232	232
Other non-cash items	42	158	50	53	55
Change in working capital	(141)	251	417	(315)	(84)
<b>Cash flow from operations</b>	<b>1,655</b>	<b>2,476</b>	<b>2,906</b>	<b>2,253</b>	<b>2,669</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(813)	(600)	(175)	(332)	(335)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(284)	(134)	607	1,352	1,796
<b>Cash flow from investing</b>	<b>(1,097)</b>	<b>(734)</b>	<b>432</b>	<b>1,020</b>	<b>1,461</b>
Dividends paid	(616)	(672)	(672)	(870)	(840)
Equity finance	0	0	0	0	0
Debt finance	560	475	(1,287)	2	0
Other financing cash flows	25	(1,073)	(886)	(1,110)	(1,795)
<b>Cash flow from financing</b>	<b>(31)</b>	<b>(1,270)</b>	<b>(2,845)</b>	<b>(1,978)</b>	<b>(2,635)</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>526</b>	<b>472</b>	<b>493</b>	<b>1,295</b>	<b>1,494</b>
Free cash flow to firm (FCFF)	587.35	1,802.99	3,387.71	3,305.85	4,162.16
Free cash flow to equity (FCFE)	1,142.16	1,144.19	1,164.89	2,165.13	2,334.41
<b>Per share (THB)</b>					
FCFF per share	0.21	0.64	1.21	1.18	1.49
FCFE per share	0.41	0.41	0.42	0.77	0.83
Recurring cash flow per share	0.64	0.79	0.89	0.92	0.98
<b>Balance Sheet (THB m) Year Ending Mar</b>					
Tangible fixed assets (gross)	10,869	10,869	10,948	11,028	11,108
Less: Accumulated depreciation	(5,062)	(5,062)	(5,743)	(6,430)	(7,121)
<b>Tangible fixed assets (net)</b>	<b>5,806</b>	<b>5,806</b>	<b>5,205</b>	<b>4,598</b>	<b>3,987</b>
<b>Intangible fixed assets (net)</b>	<b>258</b>	<b>271</b>	<b>271</b>	<b>271</b>	<b>271</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	2,505	2,603	2,603	2,603	2,603
Cash & equivalents	1,071	1,543	2,036	3,331	4,826
A/C receivable	1,682	1,716	1,716	1,716	1,716
Inventories	2,412	2,561	2,877	2,987	3,252
Other current assets	-	-	-	-	-
<b>Current assets</b>	<b>5,165</b>	<b>5,820</b>	<b>6,629</b>	<b>8,034</b>	<b>9,794</b>
Other assets	299	1,059	1,059	1,059	1,059
<b>Total assets</b>	<b>14,032</b>	<b>15,559</b>	<b>15,766</b>	<b>16,565</b>	<b>17,714</b>
Common equity	10,555	11,019	11,872	12,600	13,533
Minorities etc.	19	21	21	21	21
<b>Total shareholders' equity</b>	<b>10,574</b>	<b>11,040</b>	<b>11,894</b>	<b>12,621</b>	<b>13,555</b>
Long term debt	986	1,555	200	201	201
Other long-term liabilities	330	321	321	321	321
<b>Long-term liabilities</b>	<b>1,315</b>	<b>1,876</b>	<b>521</b>	<b>522</b>	<b>522</b>
A/C payable	1,077	1,332	2,029	2,089	2,275
Short term debt	1,026	932	1,000	1,001	1,001
Other current liabilities	40	225	322	332	361
<b>Current liabilities</b>	<b>2,143</b>	<b>2,489</b>	<b>3,352</b>	<b>3,422</b>	<b>3,637</b>
<b>Total liabilities and shareholders' equity</b>	<b>14,032</b>	<b>15,405</b>	<b>15,766</b>	<b>16,565</b>	<b>17,714</b>
Net working capital	2,977	2,720	2,241	2,282	2,332
Invested capital	11,844	12,459	11,378	10,813	10,252
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	3.77	3.94	4.24	4.50	4.83
Tangible book value per share	3.68	3.84	4.14	4.40	4.74
<b>Financial strength</b>					
Net debt/equity (%)	8.9	8.5	(7.0)	(16.9)	(26.7)
Net debt/total assets (%)	6.7	6.1	(5.3)	(12.9)	(20.5)
Current ratio (x)	2.4	2.3	2.0	2.3	2.7
CF interest cover (x)	73.5	44.7	27.7	77.3	82.5
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>30.7</b>	<b>25.3</b>	<b>20.2</b>	<b>19.3</b>	<b>17.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>43.3</b>	<b>35.6</b>	<b>28.5</b>	<b>27.2</b>	<b>24.5</b>
Reported P/E (x)	30.7	25.3	20.2	19.3	17.4
Dividend yield (%)	2.2	2.2	2.8	2.7	2.7
Price/book (x)	2.9	2.8	2.6	2.4	2.3
Price/tangible book (x)	3.0	2.9	2.7	2.5	2.3
EV/EBITDA (x) **	20.5	17.6	14.9	13.9	12.1
EV/EBITDA @ target price (x) **	28.6	24.6	21.2	20.0	17.7
EV/invested capital (x)	2.7	2.5	2.6	2.7	2.7
* Pre-exceptional, pre-goodwill and 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	ICI	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	PAP	PCSGH	PDJ	PG	PHOL	PLANB
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:

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

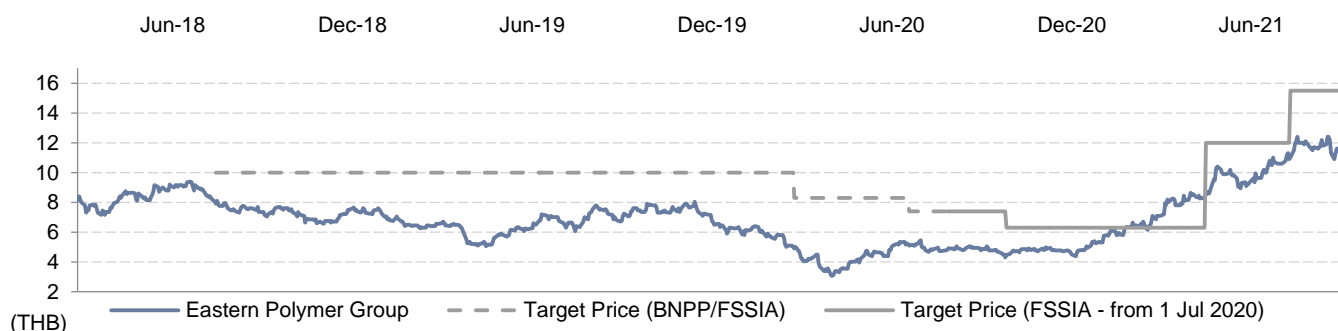
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### History of change in investment rating and/or target price

#### 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	26-Mar-2021	BUY	12.00
29-May-2020	BUY	7.40	10-Nov-2020	BUY	6.30	22-Apr-2021	BUY	15.50

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 11.00	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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 11-Jun-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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