

7 DECEMBER 2021

THAILAND / PETROCHEM & CHEMICALS

EASTERN POLYMER GROUP

EPG TB

BUY

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB15.50 |
| CLOSE | THB11.20 |
| UP/DOWNSIDE | +38.4% |
| PRIOR TP | THB15.50 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | +4.2% |

กระแสกำไรสุทธิระดับสูงรออยู่ข้างหน้า

แผนงานเพิ่มกำไรสุทธิให้สูงขึ้นใน 2HFY22

หลังรายงานกำไรสุทธิรายไตรมาสที่ติดต่อกัน 2 ไตรมาสใน 1HFY22 (เม.ย. - ก.ย. 21) เรายังมีความมั่นใจเกี่ยวกับแนวโน้มกำไรสุทธิของ EPG และคาดว่าบริษัท จะรายงานกำไรสุทธิรายไตรมาสที่กว่า 0.4 พัน ลบ. ต่อเนื่องใน 2HFY22 (ต.ค. 21 - เม.ย. 22) จากปริมาณขายที่สูงขึ้นตามความต้องการที่ปรับตัวขึ้นและการขยายกำลังการผลิตในตลาดสหรัฐฯ อัตรากำไรขั้นต้นที่สูงขึ้นจากอำนาจในการปรับราคาให้สูงขึ้น และต้นทุนวัตถุดิบที่ลดลงจากราคาน้ำมันที่ลดลง ใน 3QFY22 (ต.ค. - ธ.ค. 21) เราคาดว่า EPG จะรายงานกำไรสุทธิ 440 ลบ. เพิ่มจาก 421 ลบ. ใน 2QFY22 จากกำไรสุทธิที่สูงขึ้นของ Aeroflex และ EPP ซึ่งน่าจะช่วยชดเชยกำไรสุทธิที่ลดลงเล็กน้อย q-q ของ Aeroklas จากรายได้จากการลงทุนใน TJM ที่ลดลง ซึ่งเราคาดว่าจะให้ส่วนแบ่งกำไรจำนวน 40 ลบ. แก่ EPG ใน 3QFY22

คาดการณ์กำไรสุทธิจะโตดีใน FY22-23

เราคาดว่ากำไรสุทธิของ EPG จะโต 25.1% y-y ใน FY22 และ 4.7% y-y ใน FY23 และยังเห็นว่ากำไรมีโอกาสที่จะสูงกว่าประมาณการของเราจากความสามารถของบริษัท ในการรักษาอัตรากำไรขั้นต้นและอัตราการใช้จ่ายกำลังการผลิตไว้ในระดับสูงในท่ามกลางความต้องการในอุตสาหกรรมที่ไม่แน่นอนและมาตรการปิดเมืองเป็นระยะในปี 2020-21

การเติบโตจากรายได้จากบริษัทร่วมและ TJM เป็นความเสี่ยงขาขึ้นสำคัญ

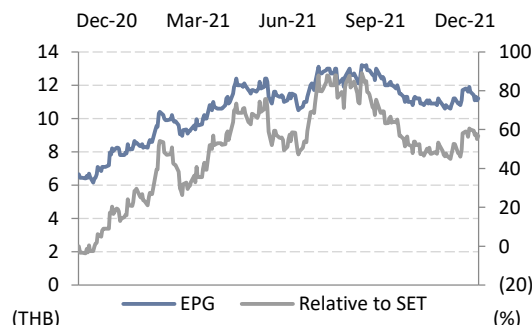
จากบริษัทร่วมสำคัญ 6 แห่งที่บริษัท ถือหุ้นตั้งแต่ 27% ถึง 51% รายได้จากการลงทุนของ EPG ต่อปี เพิ่มขึ้นจากที่เคยขาดทุนสุทธิใน 1QFY21 (เม.ย. - มิ.ย. 21) เป็นมีส่วนแบ่งรายได้สุทธิ 64 ลบ. ใน 2QFY22 EPG มีบริษัทร่วมสำคัญประกอบด้วย 1) บริษัทร่วม 2 แห่งในจีนและอินเดีย ซึ่งผลิตและขายฉนวน ทั้งสองให้ส่วนแบ่งกำไรรวม 25 ลบ. ใน 2QFY22; 2) บริษัทร่วม 3 แห่งในประเทศไทย ซึ่งให้ส่วนแบ่งกำไรรวม 10-11 ลบ. ใน 2QFY22; และ 3) DUYS (ผู้ผลิตชิ้นส่วนยานยนต์ภายใต้ Aeroklas) ซึ่งให้ส่วนแบ่งกำไร 6 ลบ. ใน 2QFY22 ผู้บริหารคาดว่าบริษัทร่วมสัญชาติแอฟริกาใต้ดังกล่าวจะให้ส่วนแบ่งกำไรสุทธิที่สูงขึ้นแก่ EPG ที่ 25 ลบ. ตั้งแต่ FY23 (เม.ย. 22 - มี.ค. 23) เป็นต้นไปจากการขยายกำลังการผลิต Sidestep และ Bumper เพื่อตอบสนองต่อตลาดยานยนต์ในแอฟริกาที่กำลังขยายตัวอย่าง

แนวโน้มการเติบโตยังดี

เราคงคำแนะนำซื้อที่ราคาเป้าหมาย 15.5 บาท (21.2x ของค่า FY22E EV/EBITDA) เราคิดว่าการฟื้นตัวของความต้องการและการขยายกำลังการผลิตในสหรัฐฯ ของ Aeroflex น่าจะช่วยกระตุ้นแนวโน้มกำไรสุทธิใน 4Q21-2023

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 | (0.9) | (0.2) |
| 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. (%) | - | - | - | - |
| EPS growth (%) | 21.5 | 25.1 | 4.7 | 11.0 |
| Core P/E (x) | 25.7 | 20.6 | 19.6 | 17.7 |
| Dividend yield (%) | 2.1 | 2.8 | 2.7 | 2.7 |
| EV/EBITDA (x) | 18.0 | 15.2 | 14.1 | 12.3 |
| Price/book (x) | 2.8 | 2.6 | 2.5 | 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 (%) | 5.7 | (13.2) | 76.4 |
| Relative to country (%) | 8.2 | (9.9) | 61.0 |
| Mkt cap (USD m) | 925 | | |
| 3m avg. daily turnover (USD m) | 5.0 | | |
| Free float (%) | 26 | | |
| Major shareholder | Vitoorapakorn Holdings (60%) | | |
| 12m high/low (THB) | 13.70/5.90 | | |
| Issued shares (m) | 2,800.00 | | |

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 7 ธันวาคม 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) being the world's only producer of highly innovative insulator products using ethylene propylene diene monomer (EPDM) material; 2) ODM and OEM car accessories such as 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.

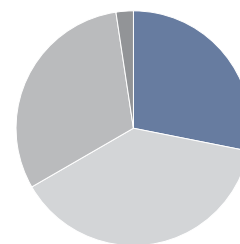
Company profile

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

www.epg.co.th

Principal activities (revenue, 2021)

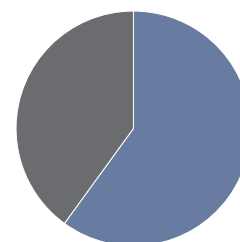
- Rubber insulation - 29.5 %
- Automotive plastics - 40.5 %
- Packaging plastics - 32.5 %
- Others - -2.5 %



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 |
|----------|--------------------------------|
| Feb 2022 | 4Q21/2021 results announcement |

Key assumptions

| Year to Mar | FY22E | FY23E | FY24E |
|---------------------------|-------|-------|-------|
| | (%) | (%) | (%) |
| 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

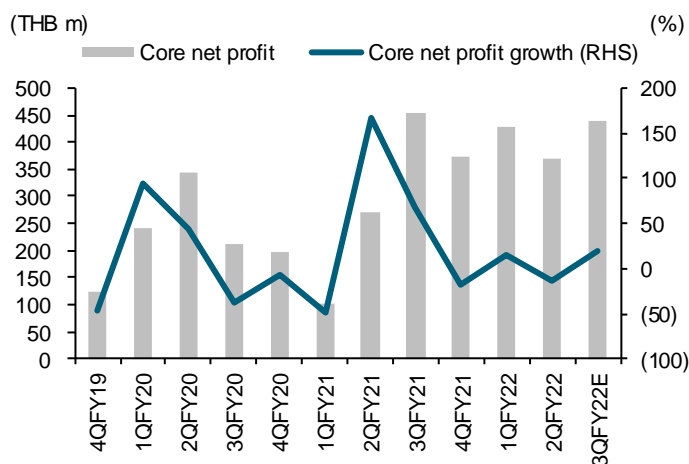
- For every 1% increase in plant utilisation rate, we project FY22 earnings to rise by 2.5%, and vice versa, all else being equal.
- For every 1% increase in HDPE price, we estimate FY22 earnings to decline by 1.3%, and vice versa, all else being equal.
- Stability in crude palm oil price and a rising ME-CPO and FA-PFAD margin are key to earnings growth.

Source: FSSIA estimates

Strong net profit growth momentum ahead

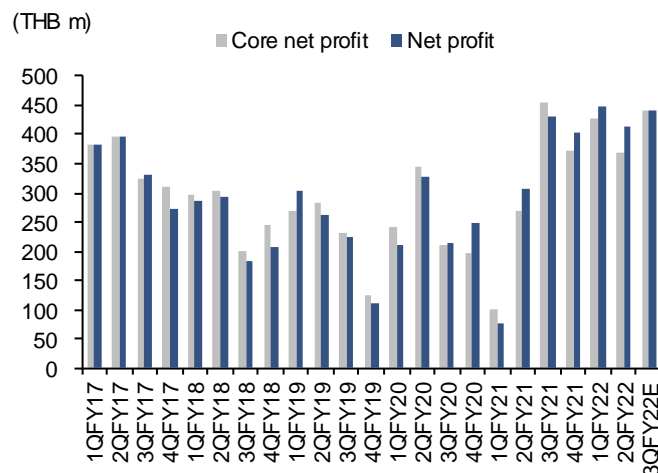
After posting two consecutive strong quarterly net profits in 1HFY22 (Apr to Sep-21), we remain positive about EPG's net profit outlook and expect it to continue to post above THB0.4b quarterly net profits in 2HFY22 (Oct-21 to Mar-22), backed by higher sales volumes on improving demand and a capacity expansion in the US market, rising gross margins due to higher pricing power, and lower feedstock costs due to lower oil prices.

Exhibit 1: Quarterly core net profit and core net profit growth



Sources: EPG; FSSIA estimates

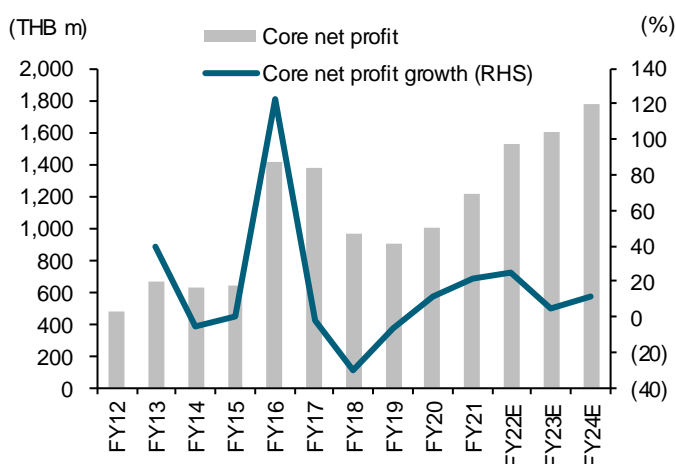
Exhibit 2: Quarterly core net profit vs reported net profit



Sources: EPG; FSSIA estimates

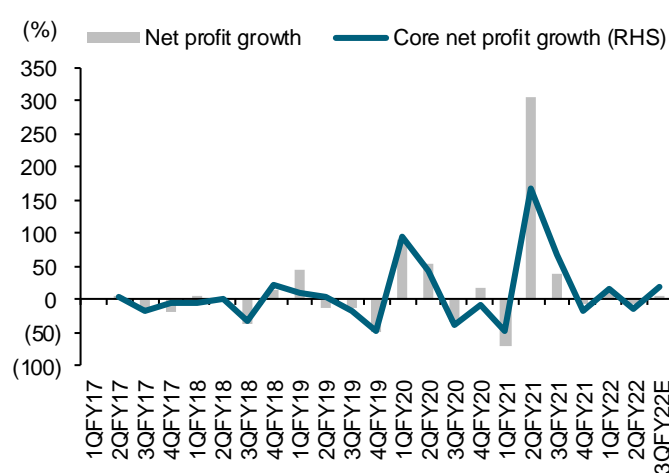
We project that EPG's net profit will grow by 25.1% y-y in FY22 and 4.7% y-y in FY23, and still see potential earnings upsides to our forecasts. We expect the company to maintain high gross margins and utilisation rates despite uncertain industry demand and the potential for continued, intermittent lockdowns due to the resurgence of the new virus strains as occurred in 2020-21.

Exhibit 3: Annual core net profit and core net profit growth



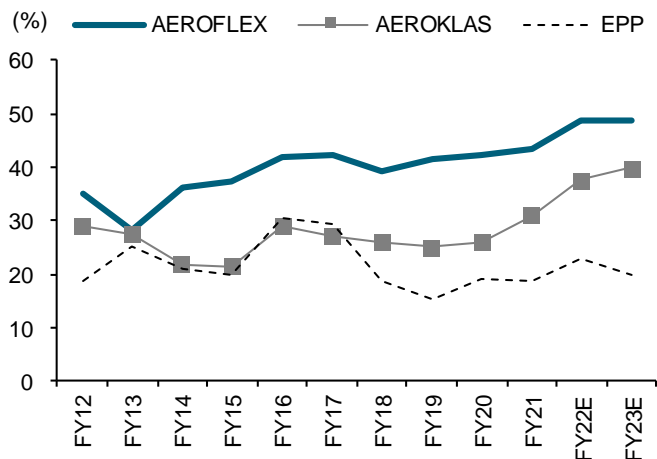
Sources: EPG; FSSIA estimates

Exhibit 4: Core net profit growth vs net profit growth



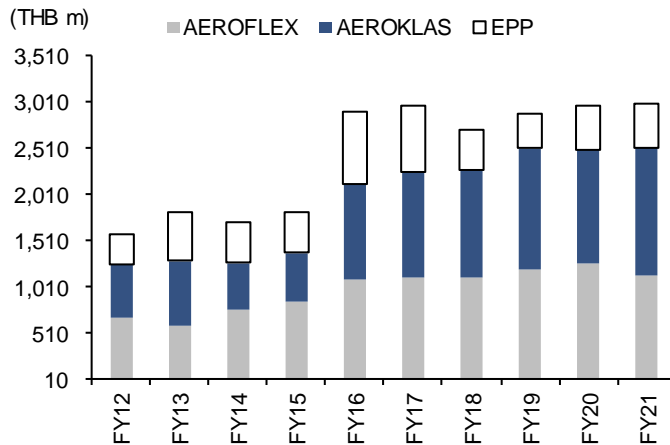
Sources: EPG; FSSIA estimates

Exhibit 5: Annual gross profit margin by segment



Sources: EPG; FSSIA estimates

Exhibit 6: Annual gross profit by segment

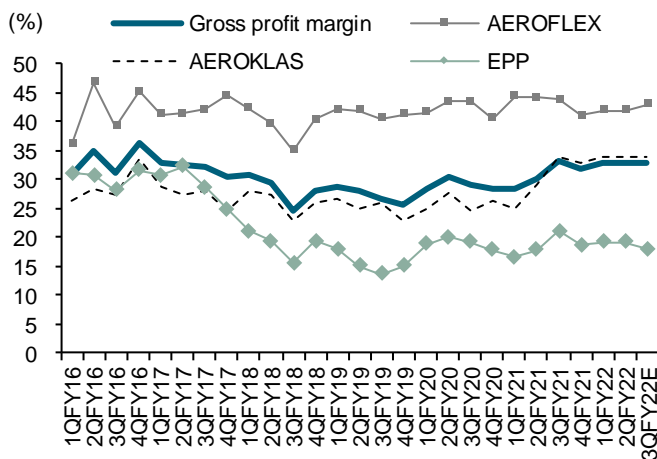


Source: EPG

In 3QFY22 (Oct to Dec-21), we project that EPG will post a net profit of THB440m, up from THB421m in 2QFY22, driven by:

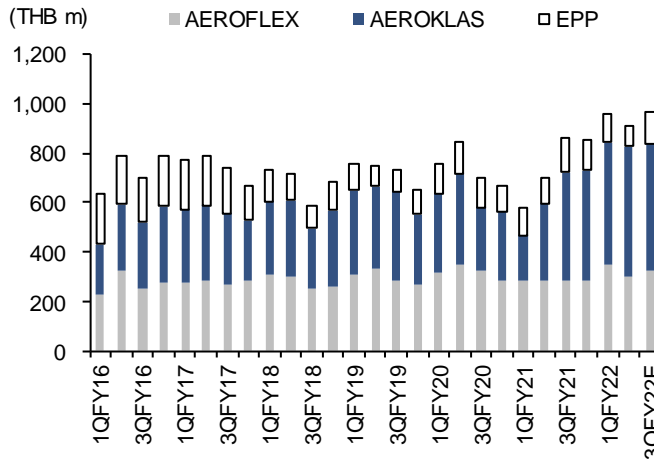
We project Aeroflex (insulators) to see higher net profits q-q and y-y from a 2x capacity expansion to 8,000 tonnes per annum (tpa) in the US since Oct-21, and a selling price increase by over 10% q-q since Nov-21 to compensate for rising feedstock costs. We project the utilisation rate of its 26ktpa insulator production site in Thailand to improve from 60% in 2QFY22 to 65-70% in 3QFY22 thanks to higher demand for insulators from domestic markets, including clean rooms and freezing rooms of retail operators and power plants. The domestic insulator market accounts for 25% of its 26k tpa capacity, with the remainder exported to Asia and EU markets.

Exhibit 7: Quarterly gross profit margin by segment



Sources: EPG; FSSIA estimates

Exhibit 8: Quarterly gross profit by segment

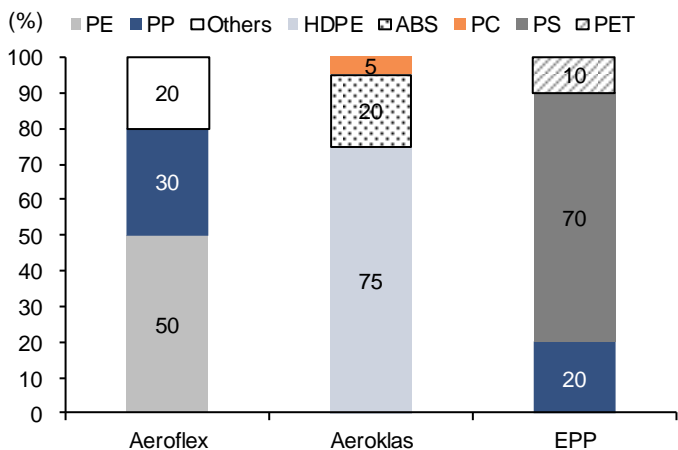


Sources: EPG; FSSIA estimates

We expect Aeroklas to see a continued strong gross margin for auto parts due to continued strong demand from the automotive industry. The new Omicron strain of Covid-19 could potentially result in higher demand for EPG's auto parts, similar to what happened in 10M21 when it witnessed an influx of new orders from its automotive manufacturer clients overseas when the Delta variant strain of Covid-19 hit global auto makers outside Thailand.

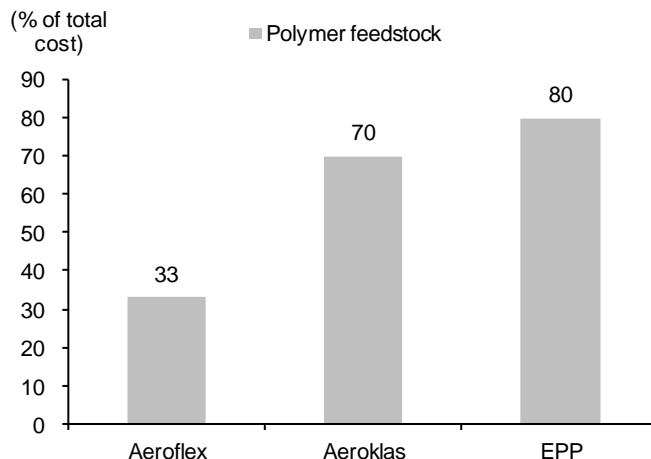
Limited impact from the Omicron outbreak in South Africa in 3QFY22. According to management, the impact of the Omicron outbreak in South Africa should be very limited for EPG given that its 45%-owned JV in South Africa, a producer of liner auto parts, remains small and it contributed only THB6m in equity income in 2QFY22.

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



Sources: EPG; FSSIA estimates

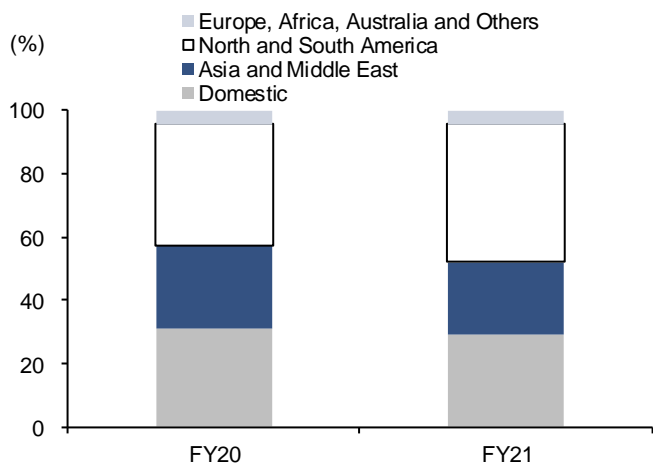
Exhibit 10: Polymer feedstock as % of total cost



Sources: EPG; FSSIA estimates

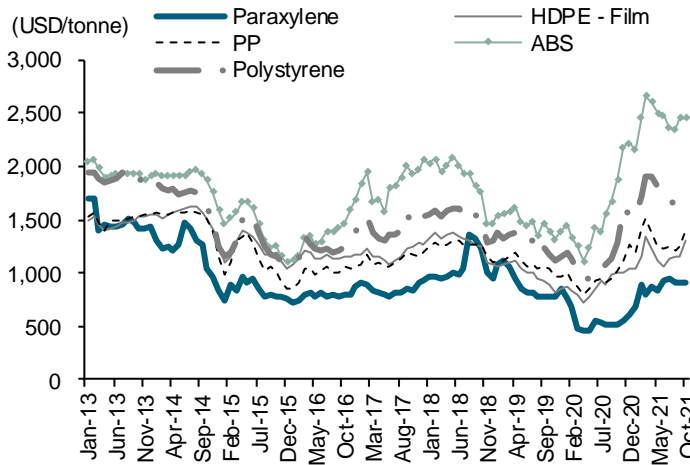
Packaging (Eastern Polypack (EPP)) unit is likely to see an improving margin and sales volume in 3QFY22. We expect the net profit contribution from EPP to improve markedly q-q in 3QFY22 thanks to a higher gross margin that we project to rise from 12% in 2QFY22 to 17-18% in 3QFY22, driven by a q-q lower marketing expense for promotion, declining feedstock cost as a result of the lower oil price, higher demand driving up its utilisation rate by 5 ppts q-q, and a higher gross margin after the company successfully raised its selling price in 3QFY22.

Exhibit 11: Aeroflex's revenue breakdown (%)



Source: EPG

Exhibit 12: Key feedstock prices



Source: Bloomberg

Associates' incomes are on the rise

With six key associates owning from 27% to 51% stakes in each associate, EPG has seen its equity income gradually recover from a net loss in 1QFY21 (Apr to Jun-21) to THB64m in 2QFY22. EPG's key associates are:

Australia: THB40m equity income from the 100%-owned TJM, a key distributor of off-road auto parts and accessories in Australia.

China and India: Two associates in China and India that produce and sell insulator products, together contributing THB25m a quarter in 2QFY22.

Thailand: Three associates in Thailand which generated a combined THB10m-11m a quarter in 2QFY22.

South Africa: DUYS, a producer of auto parts under the Aeroklas unit, generated equity income of THB6m in 2QFY22. Management expects the South African associate to contribute a higher net profit to EPG of THB25m in FY23 (Apr-22 to Mar-23) onward due to the capacity expansion of its sidestep and bumper products to serve the fast-growing African automotive market.

Other associates: These incurred small losses due to their initial positions as newly established firms.

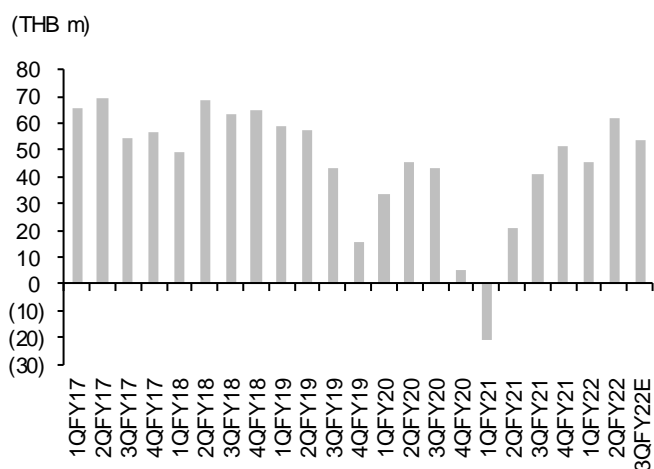
Exhibit 13: Associates' FY23E equity incomes

| Company | Stake (%) | Products | Country | Estimated annual equity income (THB m) |
|---|-----------|-----------------------|--------------|--|
| Sumirito Eastern Rubber (Thailand) | 30 | Anti-vibration rubber | Thailand | 100 |
| Zeon Advance Polymix | 27 | Compound rubber | Thailand | 20 |
| Farplas Otomotiv (Thailand) | 51 | Injection auto parts | Thailand | 100 |
| Aerocel Construction Materials (Jiansu) | 40 | Insulators | China | 10 |
| ALP Aeroflex India Private | 40 | Insulators | India | 20 |
| DUYS (South Africa) | 45 | Liners, sidesteps | South Africa | 25 |
| Total | | | | 275 |

Sources: EPG; FSSIA estimates

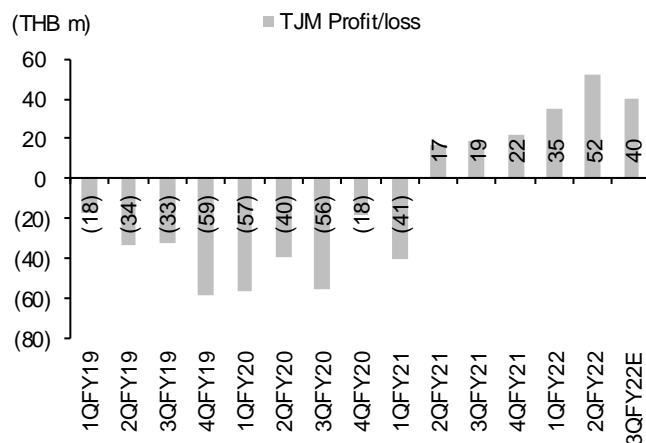
In 3QFY22, we expect TJM to make a q-q lower net profit contribution to EPG from THB52m in 2QFY22 to THB40m in 3QFY22 as a result of logistics disruptions that limited exports of auto parts from Thailand's manufacturing plants to TJM in Australia. However, we expect the logistics problem to be resolved within 2022, based on the reopening of the economy and the dissipating impact of the Covid-19 pandemic.

Exhibit 14: Quarterly equity income



Sources: EPG; FSSIA estimates

Exhibit 15: Equity income from TJM



Sources: EPG; 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) |
| Gross profit | 3,590 | 3,730 | 4,805 | 4,947 | 5,387 |
| Other operating income | 10 | 12 | 18 | 18 | 20 |
| Operating costs | (2,051) | (1,942) | (2,813) | (2,896) | (3,153) |
| Operating EBITDA | 1,549 | 1,800 | 2,010 | 2,069 | 2,253 |
| Depreciation | (624) | (754) | (681) | (686) | (692) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 925 | 1,046 | 1,329 | 1,383 | 1,562 |
| 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 |
| Profit before tax | 1,068 | 1,257 | 1,561 | 1,635 | 1,817 |
| Tax | (68) | (35) | (36) | (38) | (43) |
| Profit after tax | 999 | 1,221 | 1,525 | 1,597 | 1,774 |
| Minority interests | 3 | (2) | 0 | 0 | 0 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | - | - | - | - | - |
| Reported net profit | 1,003 | 1,219 | 1,525 | 1,597 | 1,774 |
| Non-recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 1,003 | 1,219 | 1,525 | 1,597 | 1,774 |
| Per share (THB) | | | | | |
| 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 |
| Growth | | | | | |
| 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 |
| Operating performance | | | | | |
| 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 | | | | | |
| Revenue by Division (THB m) | | | | | |
| 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) |
| Cash flow from operations | 1,655 | 2,476 | 2,906 | 2,253 | 2,669 |
| Capex - maintenance | - | - | - | - | - |
| Capex - new investment | (813) | (600) | (175) | (332) | (335) |
| Net acquisitions & disposals | - | - | - | - | - |
| Other investments (net) | (284) | (134) | 607 | 1,352 | 1,796 |
| Cash flow from investing | (1,097) | (734) | 432 | 1,020 | 1,461 |
| 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) |
| Cash flow from financing | (31) | (1,270) | (2,845) | (1,978) | (2,635) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 526 | 472 | 493 | 1,295 | 1,494 |
| 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 |
| Per share (THB) | | | | | |
| 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 |
| Balance Sheet (THB m) Year Ending Mar | 2020 | 2021 | 2022E | 2023E | 2024E |
| 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) |
| Tangible fixed assets (net) | 5,806 | 5,806 | 5,205 | 4,598 | 3,987 |
| Intangible fixed assets (net) | 258 | 271 | 271 | 271 | 271 |
| 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 | - | - | - | - | - |
| Current assets | 5,165 | 5,820 | 6,629 | 8,034 | 9,794 |
| Other assets | 299 | 1,059 | 1,059 | 1,059 | 1,059 |
| Total assets | 14,032 | 15,559 | 15,766 | 16,565 | 17,714 |
| Common equity | 10,555 | 11,019 | 11,872 | 12,600 | 13,533 |
| Minorities etc. | 19 | 21 | 21 | 21 | 21 |
| Total shareholders' equity | 10,574 | 11,040 | 11,894 | 12,621 | 13,555 |
| Long term debt | 986 | 1,555 | 200 | 201 | 201 |
| Other long-term liabilities | 330 | 321 | 321 | 321 | 321 |
| Long-term liabilities | 1,315 | 1,876 | 521 | 522 | 522 |
| 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 |
| Current liabilities | 2,143 | 2,489 | 3,352 | 3,422 | 3,637 |
| Total liabilities and shareholders' equity | 14,032 | 15,405 | 15,766 | 16,565 | 17,714 |
| 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 | | | | | |
| Per share (THB) | | | | | |
| 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 |
| Financial strength | | | | | |
| 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 |
| Valuation | 2020 | 2021 | 2022E | 2023E | 2024E |
| Recurring P/E (x) * | 31.3 | 25.7 | 20.6 | 19.6 | 17.7 |
| Recurring P/E @ target price (x) * | 43.3 | 35.6 | 28.5 | 27.2 | 24.5 |
| Reported P/E (x) | 31.3 | 25.7 | 20.6 | 19.6 | 17.7 |
| Dividend yield (%) | 2.1 | 2.1 | 2.8 | 2.7 | 2.7 |
| Price/book (x) | 3.0 | 2.8 | 2.6 | 2.5 | 2.3 |
| Price/tangible book (x) | 3.0 | 2.9 | 2.7 | 2.5 | 2.4 |
| EV/EBITDA (x) ** | 20.9 | 18.0 | 15.2 | 14.1 | 12.3 |
| EV/EBITDA @ target price (x) ** | 28.6 | 24.6 | 21.2 | 20.0 | 17.7 |
| EV/invested capital (x) | 2.7 | 2.6 | 2.7 | 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 | 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 | SEAOIL | 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 | TTB | 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 | TPIPP | 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 | 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 | TTB | 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

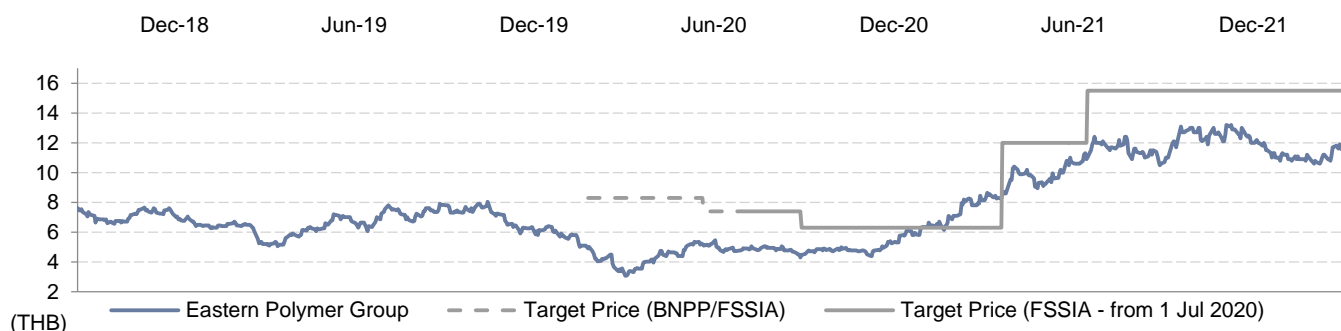
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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 |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 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 |
| 29-May-2020 | BUY | 7.40 | 08-Feb-2021 | BUY | 12.00 | | | |

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 11.20 | 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 03-Dec-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.