

EASTERN POLYMER GROUP

THAILAND / CONSTRUCTION MATERIALS

EPG TB

BUY

Strong recovery ahead

- EPG is one of the downstream companies gaining from falling crude oil prices.
- Associates in Australia and India are poised for growth.
- Initiate coverage with a BUY call; TP of THB11.

TARGET PRICE	THB11.00
CLOSE	THB8.20
UP/DOWNSIDE	+34.1%
TP vs CONSENSUS	+23.0%

Downstream beneficiary

EPG is one of the downstream companies gaining from falling crude oil prices. Its major raw materials consist of LDPM, HDPE, PP, ABS, and PET, accounting for 45%-55% of the total cost of goods sold. With our estimation of lower crude oil prices in 2024-25, we expect EPP's sales revenue and gross margin to gradually improve due to the continued high demand for drinking cups leading to a high utilization rate, the company's strategy for more promotional campaigns, and its expansion into the untapped demand in provincial areas.

Associates poised for growth

All seven associates shared THB250m-300m of profit to EPG annually during FY14-FY18 before the pandemic. The 30%-owned Japanese Sumiriko has been EPG's key contributor. After the pandemic, Sumiriko's profit recovered rapidly and it continued to be the main profit contributor to EPG. The Indian associate's profit more than doubled in FY23 after expanding from its existing construction market into the automotive industry. South African associates still made losses as of 2QFY24, but management expects a gradual improvement in the near future.

Strong recovery ahead

After realizing a strong core profit in 2QFY24, we expect the solid momentum to continue, but not as strong as in 2QFY24 because of seasonality. EPG's auto unit Aeroklas should remain a key driver, helped by the recovery of Australian subsidiaries, while its insulator unit Aeroflex should maintain its consistent growth. Its plastic packaging unit EPP still needs a push as there is ongoing competition. We project EPG's total revenue to rise by 6.5%/6.4%/5.5% in FY24-FY26. We expect core profit to increase by 20.6%/6.4%/6.5% in FY24-FY26 thanks to a higher EBITDA margin and an increasing share of profits from associates.

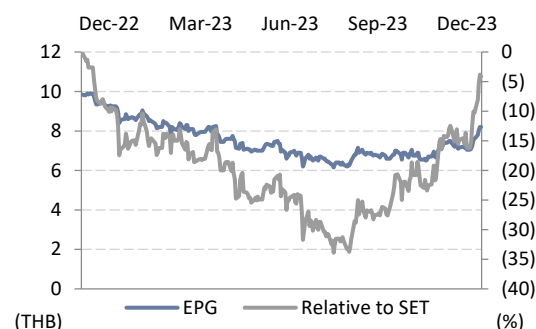
Initiate coverage with BUY call; TP of THB11

We derive a TP of THB11.0 based on 15.0x FY25E EV/EBITDA, +1SD of its five-year average. EPG's share price is currently trading at 14.5x FY25E P/E, much lower than its five-year average of 25.4x. We believe the tide has turned as oil-linked raw material prices have now subsided and the company's associates, particularly in Australia and India, are set to rise. We initiate coverage on EPG with a BUY rating.

KEY STOCK DATA

YE Mar (THB m)	2023	2024E	2025E	2026E
Revenue	12,125	12,916	13,744	14,503
Net profit	1,076	1,486	1,581	1,684
EPS (THB)	0.38	0.53	0.56	0.60
vs Consensus (%)	-	6.9	1.4	8.7
EBITDA	2,104	2,293	2,472	2,587
Recurring net profit	1,232	1,486	1,581	1,684
Core EPS (THB)	0.44	0.53	0.56	0.60
EPS growth (%)	(19.1)	20.6	6.4	6.5

Core P/E (x)	18.6	15.5	14.5	13.6
Dividend yield (%)	3.4	3.9	4.1	4.4
EV/EBITDA (x)	12.6	11.6	10.7	10.2
Price/book (x)	1.9	1.8	1.8	1.7
Net debt/Equity (%)	29.5	28.5	26.8	24.8
ROE (%)	10.4	12.2	12.3	12.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	10.1	21.5	(16.3)
Relative to country (%)	11.5	30.9	(4.1)
Mkt cap (USD m)	658		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holding Co., Ltd. (60%)		
12m high/low (THB)	9.95/6.00		
Issued shares (m)	2,800.00		

Sources: Bloomberg consensus; FSSIA estimates



Jitra Amornthum

Fundamental Investment Analyst on Securities; License no. 014530
jitra.a@fssia.com, +66 2646 9966

Investment thesis

EPG is one of the downstream companies gaining from falling crude oil prices as 45%-55% of the total cost of goods sold consist of LDPM, HDPE, PP, ABS, and PET.

We believe Aeroklas will remain a key driver for the next three years (FY24-FY26), helped by the recovery of its Australian subsidiaries, while its insulator unit Aeroflex should maintain its consistent growth. Its plastic packaging unit Eastern Polypack (EPP) still needs a push as there is ongoing competition. However, we expect to see an improvement in both sales volumes and gross margin, along with the rising consumption and reducing inflation rates.

We believe the tide has turned as oil-linked raw material prices are now subsiding and the company's associates, particularly in Australia and India, are set to rise. We initiate coverage with a BUY call.

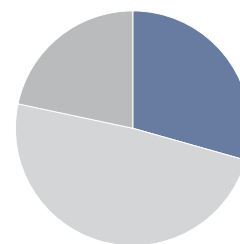
Company profile

EPG is a holding company investing in its affiliates that engage in 1) thermal insulation business operated by Aeroflex Co., Ltd.; 2) automotive and accessories business operated by Aeroklas Co., Ltd.; and 3) plastic and packaging business operated by Eastern Polypack Co., Ltd.

www.epg.co.th

Principal activities (revenue, 2023)

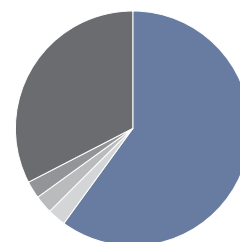
- Aeroflex - 29.4 %
- Asroklas - 49.0 %
- EPP - 21.7 %



Source: Eastern Polymer Group

Major shareholders

- Vitoorapakorn Holding Co., Ltd. - 60.0 %
- Thai NVDR - 2.5 %
- Mr. Pawat Vitoorapakorn - 2.5 %
- Mr. Chalileo Vitoorapakorn - 2.4 %
- Others - 32.6 %



Source: Eastern Polymer Group

Catalysts

Key potential catalysts include 1) the strong recovery of China's economy; 2) lower costs of PP, HDPE, and ABS; and 3) faster-than-expected growth of subsidiaries and associates.

Risks to our call

Downside risks to our EV/EBITDA-based TP include 1) the slow demand for pickup trucks and plastic packaging; 2) the rising cost of oil-linked raw materials; 3) the rising cost of funds; and 4) the fluctuation in foreign exchange currencies.

Event calendar

Date	Event
February 2024	3QFY24 earnings announcement

Key assumptions

	FY24E (%)	FY25E (%)	FY26E (%)
Revenue growth - Aeroflex	6.7	5.7	5.6
Revenue growth - Aeroklas	10.0	7.5	7.0
Revenue growth - EPP	0.0	4.8	1.5
Gross margin - Aeroflex	46.8	46.8	46.8
Gross margin - Aeroklas	32.6	32.8	33.0
Gross margin - EPP	12.6	13.5	13.7

Source: FSSIA estimates

Earnings sensitivity

- For every 0.5% change in blended gross margin, we project EPG's FY25 core profit to change by 4%, all else being equal.
- For every 1% change in SG&A to sales, we project EPG's FY25 core profit to change by 7%, all else being equal.
- For every 1% change in borrowing rate, we project EPG's FY25 core profit to change by 8%, all else being equal.

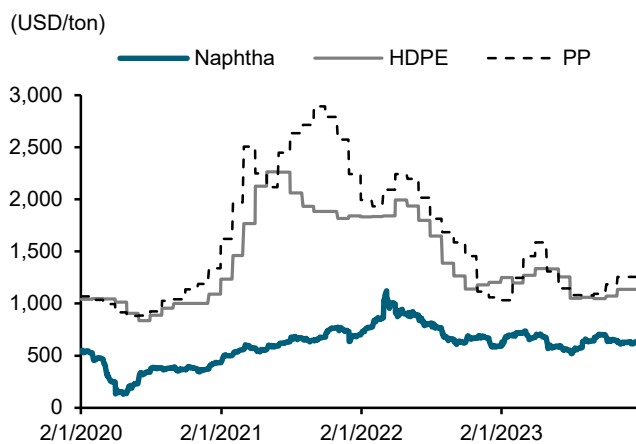
Source: FSSIA estimates

Downstream beneficiary

EPG is one of the downstream companies gaining from falling crude oil prices. Its major raw materials consist of LDPM (ethylene propylene diene monomer), HDPE, PP, ABS, and PET, accounting for 45%-55% of the total cost of goods sold. During the rise of global crude oil prices in the first half of 2022, EPG's blended gross margin slid to 31.5% in 2QFY23 (Jul-Sep 2022) from 32.9% in the previous quarter. The Eastern Polypack (EPP) unit contributed 20%-24% to total revenue in FY22-1HFY24, suffering the most, partly aggravated by the fierce competition. EPP's gross margin sharply fell to 11.6% in 2QFY23 from 17.3% in 1QFY23 (Apr-Jun 2022). However, the drop in EPP's gross margin to 10.5% in 1QFY24 (Apr-Jun 2023) was mainly because of the plant shutdown for upgrading the production facility. After the completion of production upgrading, its gross margin recovered to 13.1% in 2QFY24 (Jul-Sep 2023).

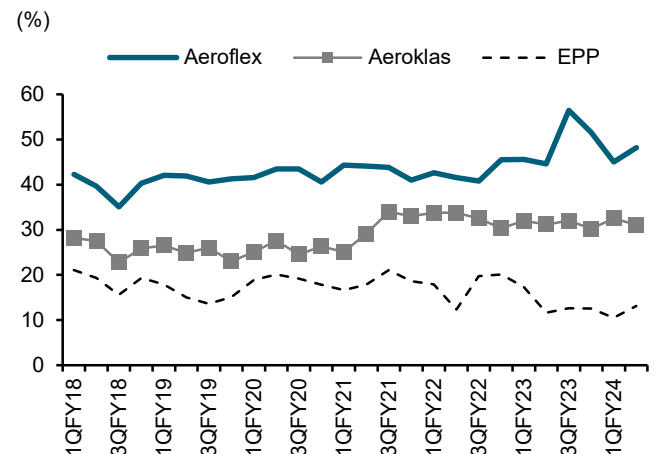
With our estimation of lower crude oil prices in 2024-25, we expect EPP's sales revenue and gross margin to gradually improve due to the continued high demand for drinking cups leading to a high utilization rate, the company's strategy for more promotional campaigns, and its expansion into the untapped demand in provincial areas.

Exhibit 1: Major raw material prices



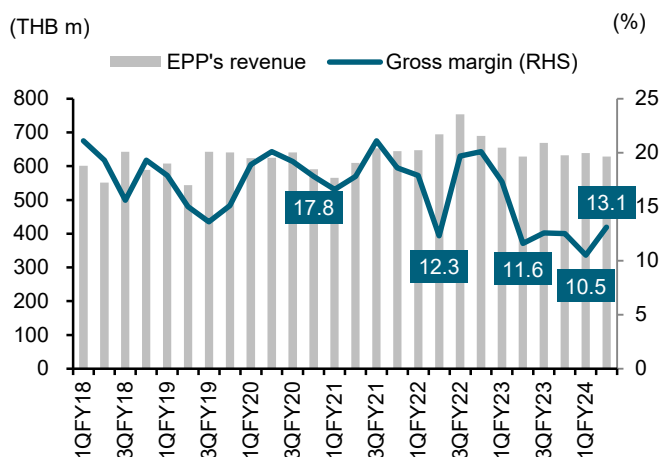
Source: Bloomberg

Exhibit 2: EPG's gross margin by business unit



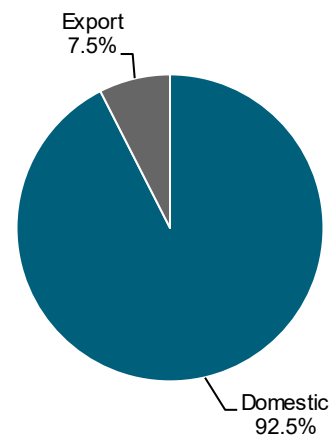
Sources: EPG, FSSIA's compilation

Exhibit 3: EPP's sales revenue and gross margin



Sources: EPG, FSSIA's compilation

Exhibit 4: EPP's revenue by market (2QFY24)



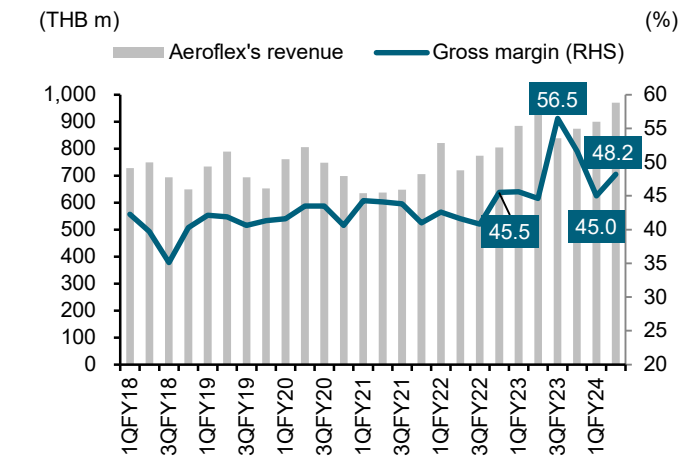
Sources: EPG, FSSIA's compilation

Resilient operations from Aeroflex

Aeroflex is the global major manufacturer of thermal insulation using Ethylene Propylene Diene Monomer (EPDM). Currently, Aeroflex has a total manufacturing capacity for EPDM insulation of 24,000 tons/year, and an NBR (Nitrile rubber) insulation capacity of 20,000 tons/per year. These plants are located in five production bases in different countries across the world: Thailand, USA, India and China (two production bases). The company has a strong market presence in the US, Japan, and Thailand. Aeroflex’s thermal insulation is widely used for energy saving as it helps maintain constant temperatures. The strength of Aeroflex’s thermal insulation is that it can operate in a very wide temperature range between -200°C to +125°C. The company is also ranked number three in the world out of EPDM thermal insulation manufacturers with a market share of around 11% in 2023.

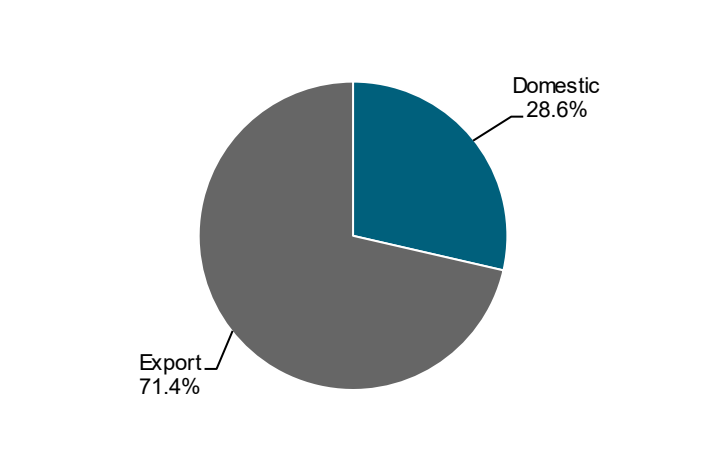
Revenue from Aeroflex grew constantly at 5.7% CAGR from THB3.0b in FY20 to THB3.6b in FY23, making it the second largest proportion of the group’s revenue. Its gross margin has been resilient, ranging from 43%-48% and surpassing management’s target of 43%-45%. Management targets revenue growth of 8%-10% with a gross margin of 43%-45% in FY24, despite revenue growth of 1% y-y and a gross margin of 46.7% in 1HFY24.

Exhibit 5: Aeroflex’s revenue and gross margin



Sources: EPG, FSSIA’s compilation

Exhibit 6: Aeroflex’s revenue by market (2QFY24)



Sources: EPG, FSSIA’s compilation

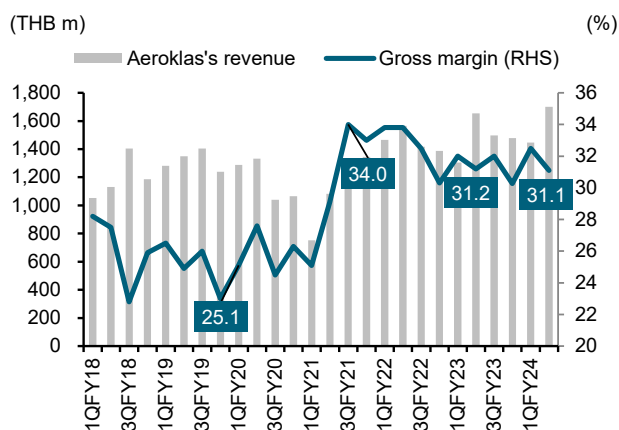
Aeroklas to ride high

Aeroklas is the leading manufacturer of automotive parts and accessories used for decoration or function enhancement for pick-up trucks, namely bed liners, canopies, deck covers, and side steps. Aeroklas's products are sold domestically and internationally under the brands 'Aeroklas', 'TJM', 'Flexiglass', 'Bocar', and 'Tough Dog'.

After continued expansion both organically and via M&A, revenue from the Aeroklas unit has been the largest source for EPG, rising from THB4.7b in FY20 to THB5.9b in FY23, or at a 7.9% CAGR. Its gross margin rose from 21%-25% during FY18-FY21 to 31%-33% in FY21-FY22 after its investment in Australian subsidiaries started to pay off.

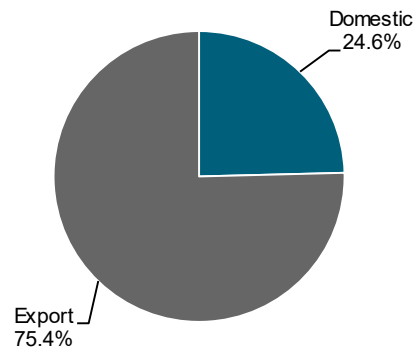
In 1HFY24, Aeroklas generated revenue of THB3.1b, +6.4% y-y, with a gross margin of 31.7%. Management conservatively expects revenue growth of 8%-10% and a gross margin of 30%-33% for FY24.

Exhibit 7: Aeroklas's revenue and gross margin



Sources: EPG, FSSIA's compilation

Exhibit 8: Aeroklas's revenue by market (2QFY24)



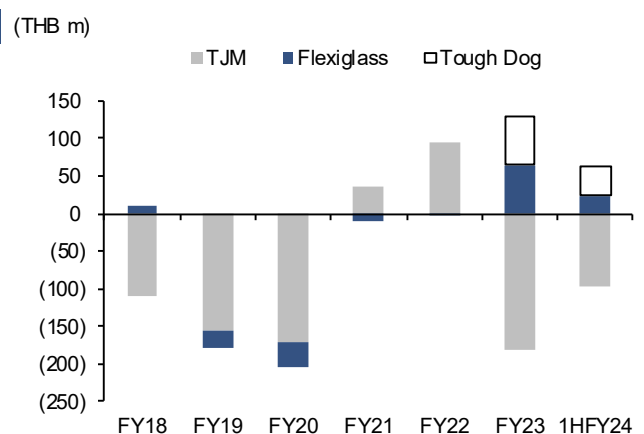
Sources: EPG, FSSIA's compilation

EPG has three subsidiaries in Australia engaged in manufacturing and distributing automotive parts and accessories. TJM, EPG's wholly-owned subsidiary, a pioneer of 4WD pickups and SUVs, turned loss-making since FY23 due to the high inflation, rising interest rates, and intense competition in Australia. TJM has undergone an IT system upgrade to help save operating costs, and launched the 'WANDARA' brand for the camping market. Recently, TJM acquired five more TJM retail stores from franchisees, bringing the total to 12 stores. This should accelerate synergies within the automotive units in Australia.

Exhibit 9: Australian subsidiaries

Company	% holding	
TJM	100%	Design & sales of auto accessories for 4x4s and trucks
Flexiglass	100%	Sales of auto accessories for 4x4s and trucks
4 Ways Suspension	100%	Design, manufacture and distribute suspension

Exhibit 10: Net profits from Australian subsidiaries



Sources: EPG, FSSIA's compilation

Sources: EPG, FSSIA's compilation

Associates poised for growth

EPG has invested in seven associates which shared THB250m-300m of profit to EPG annually during FY14-FY18 before the Covid outbreak. The 30%-owned Japanese Sumiriko has been EPG's key contributor, manufacturing high-quality anti-vibration rubber components, sound proof products, and plastic hose products for automobiles. Its products are mainly distributed to domestic automotive manufacturers and assemblers. After the pandemic, Sumiriko's profit recovered rapidly and it continued to be the main profit contributor to EPG. In 1HFY24, Sumiriko shared a profit of THB107m; 42% of total profits from associates.

Aerocel Construction Material (Jiangsu) and ALP Aeroflex India (AAI) both manufacture thermal insulation and distribute worldwide. These two associates contributed cTHB50m per year during FY20-FY22. The share of profit from AAI more than doubled in FY23 after the firm expanded from its existing construction market into the automotive industry. We believe AAI has a high potential after the company recently supplied canopies to India's largest vehicle maker Mahindra Auto.

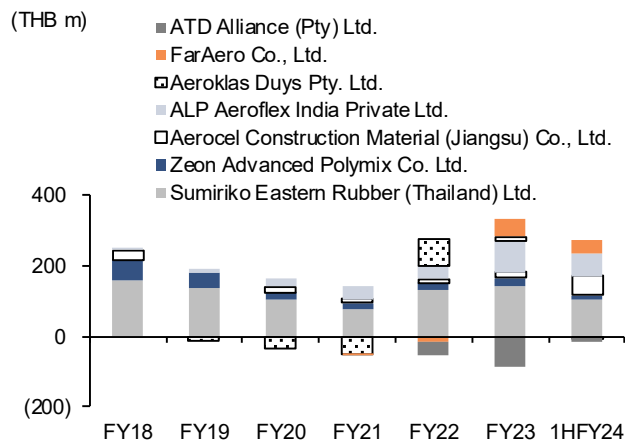
South African associates still made losses as of 2QFY24, but management expects a gradual improvement in the near future. South Africa is a success story for automotive production and is an essential doorway to several countries in Europe.

Exhibit 11: EPG's associates

Company	Location	% holding	Type of business
Sumiriko Eastern Rubber (Thailand) Ltd.	Thailand	30.0	Anti-vibration rubber parts for automobiles
Zeon Advanced Polymix Co. Ltd.	Thailand	27.0	Rubber compounding service
Aerocel Construction Material (Jiangsu) Co., Ltd.	China	40.0	Rubber insulation manufacturing
ALP Aeroflex India Private Ltd.	India	40.0	Rubber insulation manufacturing
Aeroklas Duys Pty. Ltd.	South Africa	45.0	Manufacturing and distributing accessories for vehicles
FarAero Co., Ltd.	Thailand	51.0	Manufacturing and distributing plastic parts for vehicles
ATD Alliance (Pty) Ltd.	South Africa	46.0	Manufacturing and distributing accessories for vehicles

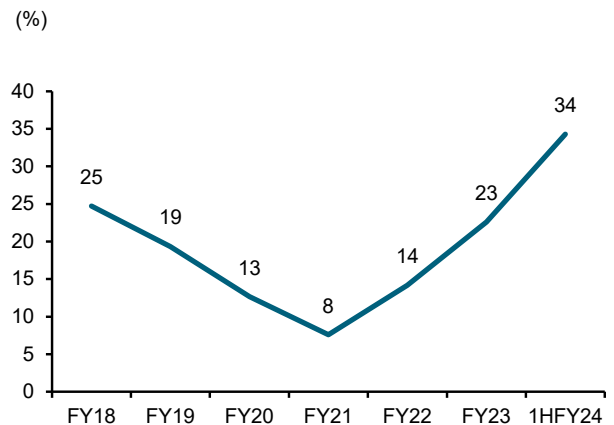
Sources: EPG, FSSIA's compilation

Exhibit 12: Share of profits from associates



Sources: EPG, FSSIA's compilation

Exhibit 13: % equity income to total net profit



Sources: EPG, FSSIA's compilation

Exhibit 14: Products of Sumiriko Eastern Rubber (Thailand)



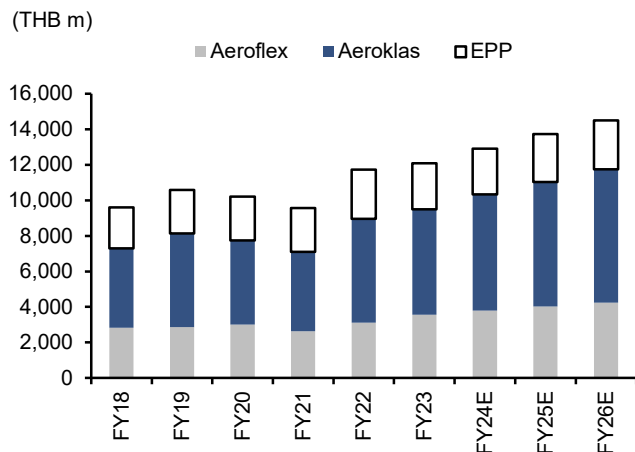
Source: Sumiriko's website

Profit growth momentum should continue

After realizing a strong core profit in 2QFY24 due to rising demand, declining raw material costs, and the highest share of profits from associates, we expect the solid momentum to continue, but not as strong as in 2QFY24 because of seasonality. We believe EPG's auto unit Aeroklas should remain a key driver for the next three years (FY24-FY26), helped by the recovery of its Australian subsidiaries, while its insulator unit Aeroflex should maintain its consistent growth. Its plastic packaging unit EPP still needs a push as there is ongoing competition. However, we expect to see an improvement in both sales volumes and gross margin, along with the rising consumption and reducing inflation rates.

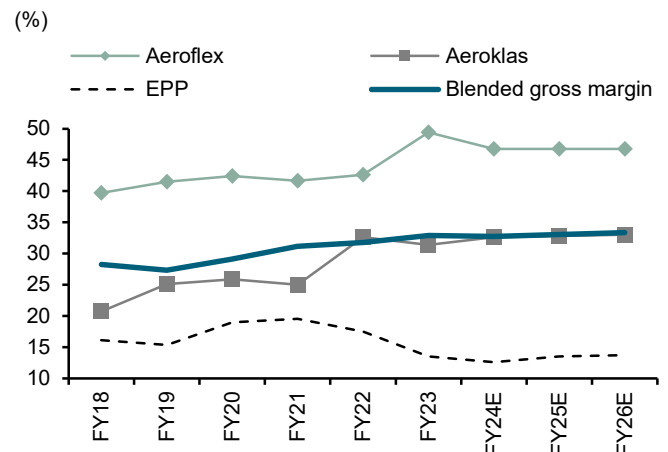
We project EPG's total revenue to rise by 6.5%/6.4%/5.5% in FY24-FY26. We expect core profit to increase by 20.6%/6.4%/6.5% in FY24-FY26 thanks to a higher EBITDA margin and an increasing share of profits from associates.

Exhibit 15: Revenue breakdown by business unit



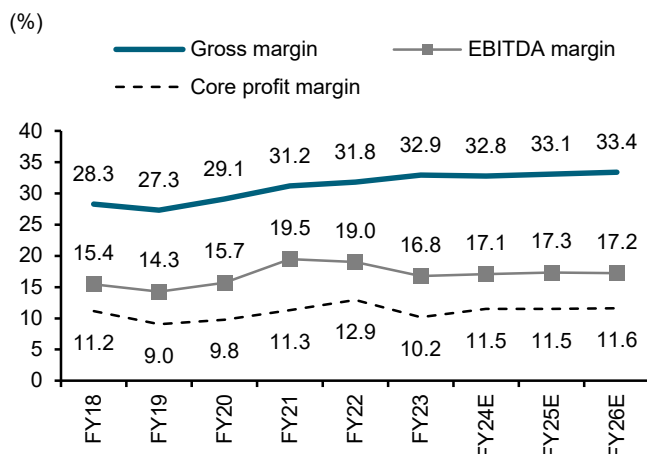
Sources: EPG, FSSIA estimates

Exhibit 16: Gross margin by business unit



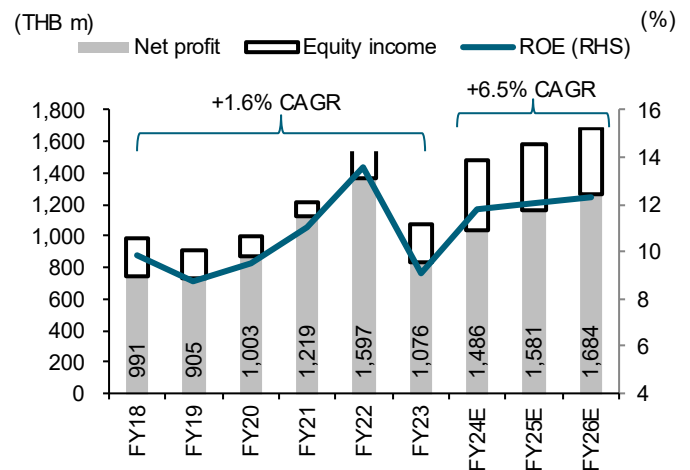
Sources: EPG, FSSIA estimates

Exhibit 17: Margins



Sources: EPG, FSSIA estimates

Exhibit 18: Core profit, equity income, and ROE

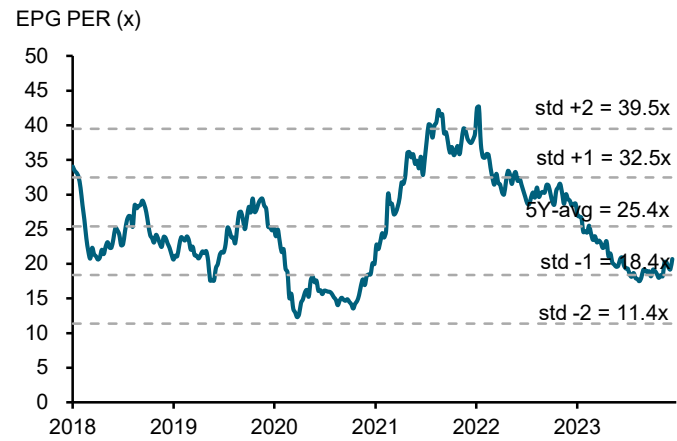


Sources: EPG, FSSIA estimates

Valuation and TP

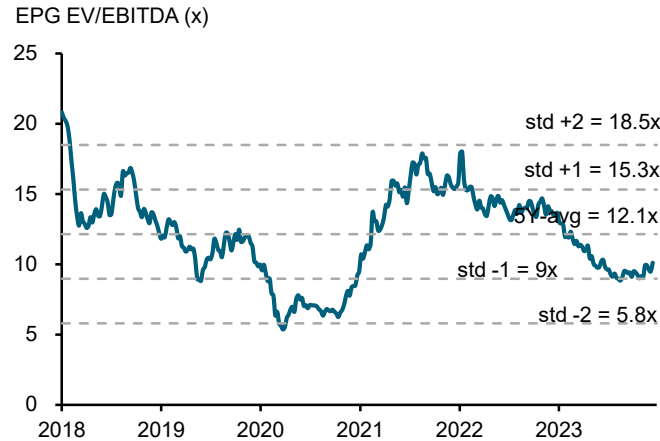
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Exhibit 19: Rolling one-year forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 20: Rolling one-year forward EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

Financial Statements

Eastern Polymer Group

Profit and Loss (THB m) Year Ending Mar	2022	2023	2024E	2025E	2026E
Revenue	11,770	12,125	12,916	13,744	14,503
Cost of goods sold	(8,028)	(8,134)	(8,684)	(9,199)	(9,665)
Gross profit	3,742	3,991	4,231	4,545	4,838
Other operating income	56	69	87	92	88
Operating costs	(2,339)	(2,872)	(2,968)	(3,128)	(3,321)
Operating EBITDA	2,292	2,104	2,293	2,472	2,587
Depreciation	(834)	(916)	(944)	(963)	(982)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	1,458	1,188	1,350	1,509	1,606
Net financing costs	(81)	(101)	(212)	(206)	(194)
Associates	226	243	444	413	419
Recurring non-operating income	226	243	444	413	419
Non-recurring items	73	(156)	0	0	0
Profit before tax	1,677	1,173	1,582	1,717	1,831
Tax	(74)	(92)	(91)	(130)	(141)
Profit after tax	1,602	1,082	1,491	1,587	1,690
Minority interests	(5)	(6)	(6)	(6)	(6)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,597	1,076	1,486	1,581	1,684
Non-recurring items & goodwill (net)	(73)	156	0	0	0
Recurring net profit	1,524	1,232	1,486	1,581	1,684
Per share (THB)					
Recurring EPS *	0.54	0.44	0.53	0.56	0.60
Reported EPS	0.57	0.38	0.53	0.56	0.60
DPS	0.33	0.28	0.32	0.34	0.36
Diluted shares (used to calculate per share data)	2,800	2,800	2,800	2,800	2,800
Growth					
Revenue (%)	22.8	3.0	6.5	6.4	5.5
Operating EBITDA (%)	20.9	(8.2)	9.0	7.8	4.7
Operating EBIT (%)	33.9	(18.5)	13.6	11.8	6.4
Recurring EPS (%)	40.7	(19.1)	20.6	6.4	6.5
Reported EPS (%)	31.0	(32.6)	38.1	6.4	6.5
Operating performance					
Gross margin inc. depreciation (%)	31.8	32.9	32.8	33.1	33.4
Gross margin exc. depreciation (%)	38.9	40.5	40.1	40.1	40.1
Operating EBITDA margin (%)	19.5	17.4	17.8	18.0	17.8
Operating EBIT margin (%)	12.4	9.8	10.5	11.0	11.1
Net margin (%)	12.9	10.2	11.5	11.5	11.6
Effective tax rate (%)	4.4	7.8	5.8	7.6	7.7
Dividend payout on recurring profit (%)	60.6	63.6	60.0	60.0	60.0
Interest cover (X)	20.8	14.1	8.5	9.3	10.4
Inventory days	145.9	178.1	183.3	178.0	175.9
Debtor days	59.3	64.6	64.9	65.0	63.8
Creditor days	64.3	66.2	70.4	69.4	66.2
Operating ROIC (%)	12.7	9.4	10.0	10.7	11.0
ROIC (%)	10.1	7.6	8.8	9.1	9.3
ROE (%)	13.4	10.4	12.2	12.3	12.6
ROA (%)	10.1	7.6	8.7	8.8	9.0
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Aeroflex	3,119	3,563	3,801	4,016	4,242
Asroklas	5,835	5,936	6,529	7,019	7,511
EPP	2,815	2,627	2,585	2,709	2,751

Sources: Eastern Polymer Group; FSSIA estimates

Financial Statements

Eastern Polymer Group

Cash Flow (THB m) Year Ending Mar	2022	2023	2024E	2025E	2026E
Recurring net profit	1,524	1,232	1,486	1,581	1,684
Depreciation	834	916	944	963	982
Associates & minorities	(226)	(243)	(444)	(413)	(419)
Other non-cash items	(139)	(53)	(911)	(947)	(897)
Change in working capital	(1,286)	(626)	(428)	(631)	(587)
Cash flow from operations	707	1,227	645	552	762
Capex - maintenance	0	0	0	0	0
Capex - new investment	(731)	(760)	(191)	(92)	(72)
Net acquisitions & disposals	25	104	0	0	0
Other investments (net)	65	(1,059)	(167)	(21)	(152)
Cash flow from investing	(640)	(1,715)	(359)	(112)	(224)
Dividends paid	(924)	(840)	(891)	(948)	(1,010)
Equity finance	0	0	0	0	0
Debt finance	(25)	1,422	120	70	(24)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(949)	582	(771)	(878)	(1,035)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	284	119	580	544	560
Net other adjustments	284	119	580	544	560
Movement in cash	(598)	212	96	105	64
Free cash flow to firm (FCFF)	147.51	(387.25)	498.35	645.39	733.24
Free cash flow to equity (FCFE)	325.53	1,052.12	987.09	1,053.80	1,074.66

Per share (THB)

FCFF per share	0.05	(0.14)	0.18	0.23	0.26
FCFE per share	0.12	0.38	0.35	0.38	0.38
Recurring cash flow per share	0.71	0.66	0.38	0.42	0.48

Balance Sheet (THB m) Year Ending Mar	2022	2023	2024E	2025E	2026E
Tangible fixed assets (gross)	11,811	12,460	13,853	15,006	16,078
Less: Accumulated depreciation	(6,091)	(6,636)	(7,580)	(8,542)	(9,524)
Tangible fixed assets (net)	5,720	5,824	6,274	6,464	6,554
Intangible fixed assets (net)	296	1,235	1,242	1,235	1,227
Long-term financial assets	254	236	236	236	236
Invest. in associates & subsidiaries	2,660	2,782	2,952	2,952	3,085
Cash & equivalents	901	1,113	1,209	1,314	1,379
A/C receivable	2,108	2,184	2,406	2,485	2,583
Inventories	3,192	3,851	3,926	4,108	4,263
Other current assets	73	105	129	137	145
Current assets	6,274	7,252	7,670	8,044	8,369
Other assets	1,064	1,215	1,221	1,251	1,279
Total assets	16,268	18,543	19,594	20,181	20,749
Common equity	11,785	11,876	12,546	13,078	13,651
Minorities etc.	27	32	39	41	43
Total shareholders' equity	11,812	11,908	12,585	13,119	13,694
Long term debt	761	2,969	3,089	3,160	3,138
Other long-term liabilities	375	536	568	591	609
Long-term liabilities	1,136	3,506	3,657	3,751	3,747
A/C payable	1,203	1,415	1,570	1,563	1,589
Short term debt	2,043	1,658	1,704	1,672	1,640
Other current liabilities	74	56	79	76	79
Current liabilities	3,320	3,130	3,353	3,311	3,308
Total liabilities and shareholders' equity	16,268	18,543	19,594	20,181	20,749
Net working capital	4,096	4,667	4,812	5,093	5,323
Invested capital	14,090	15,958	16,737	17,229	17,703

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

Per share (THB)

Book value per share	4.21	4.24	4.48	4.67	4.88
Tangible book value per share	4.10	3.80	4.04	4.23	4.44

Financial strength

Net debt/equity (%)	16.1	29.5	28.5	26.8	24.8
Net debt/total assets (%)	11.7	19.0	18.3	17.4	16.4
Current ratio (x)	1.9	2.3	2.3	2.4	2.5
CF interest cover (x)	14.1	18.9	6.6	6.6	6.9

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	15.1	18.6	15.5	14.5	13.6
Recurring P/E @ target price (x) *	20.2	25.0	20.7	19.5	18.3
Reported P/E (x)	14.4	21.3	15.5	14.5	13.6
Dividend yield (%)	4.0	3.4	3.9	4.1	4.4
Price/book (x)	1.9	1.9	1.8	1.8	1.7
Price/tangible book (x)	2.0	2.2	2.0	1.9	1.8
EV/EBITDA (x) **	10.9	12.6	11.6	10.7	10.2
EV/EBITDA @ target price (x) **	14.3	16.3	15.0	13.9	13.2
EV/invested capital (x)	1.8	1.7	1.6	1.5	1.5

* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income

Sources: Eastern Polymer Group; FSSIA estimates

Eastern Polymer Group (EPG TB)

FSSIA ESG rating


59.63 /100

Exhibit 21: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 22: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings					Bloomberg		
	ESG score	DJSI	SET THSI	THSI	CG score	IGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
AH	44.82	--	Y	Y	5.00	4.00	Certified	--	49.81	--	--	34.05	--	3.56	--
EPG	59.63	--	Y	Y	5.00	4.00	Certified	Low	54.46	--	--	41.43	34.00	2.93	--
IRC	32.75	--	--	Y	5.00	4.00	--	--	62.24	--	--	47.74	--	--	--
STANLY	9.00	--	--	--	4.00	--	--	--	--	--	--	--	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 23: ESG score by Bloomberg

FY ending Dec 31	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	—	2.41	2.48
BESG environmental pillar score	—	—	—	1.74	1.74
BESG social pillar score	—	—	—	2.04	2.22
BESG governance pillar score	—	—	—	3.84	3.90
ESG disclosure score	—	31.98	31.85	49.40	49.40
Environmental disclosure score	—	1.24	1.24	45.94	45.94
Social disclosure score	—	18.44	18.05	26.06	26.06
Governance disclosure score	—	76.10	76.10	76.10	76.10
Environmental					
Emissions reduction initiatives	No	Yes	Yes	Yes	Yes
Climate change policy	No	No	No	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No
GHG scope 1	—	—	—	1	2
GHG scope 2 location-based	—	—	—	32	50
GHG Scope 3	—	—	—	0	40
Carbon per unit of production	—	—	—	—	—
Biodiversity policy	No	No	No	No	No
Energy efficiency policy	No	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	112	106
Renewable energy use	—	—	—	1	1
Electricity used	—	—	—	97	104
Fuel used - natural gas	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 24: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No
Waste reduction policy	No	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	0	0
Total waste	—	—	—	1	2
Waste recycled	—	—	—	1	1
Waste sent to landfills	—	—	—	0	0
Environmental supply chain management	No	No	No	Yes	Yes
Water policy	No	No	No	Yes	Yes
Water consumption	—	—	—	70	71
Social					
Human rights policy	No	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	Yes	Yes
Quality assurance and recall policy	No	Yes	Yes	Yes	Yes
Consumer data protection policy	No	No	Yes	Yes	Yes
Equal opportunity policy	No	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No
Pct women in workforce	—	42	41	44	42
Pct disabled in workforce	—	—	1	1	1
Business ethics policy	No	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	No	Yes	Yes	Yes	Yes
Health and safety policy	No	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	0	—	0	0
Total recordable incident rate - employees	—	0	—	1	1
Training policy	No	No	Yes	Yes	Yes
Fair remuneration policy	No	Yes	Yes	Yes	Yes
Number of employees – CSR	—	3,116	3,162	2,755	2,806
Employee turnover pct	—	—	—	—	—
Total hours spent by firm - employee training	—	—	—	44,436	36,478
Social supply chain management	No	No	No	Yes	Yes
Governance					
Board size	—	9	9	9	9
No. of independent directors (ID)	—	4	4	4	4
No. of women on board	—	0	0	0	0
No. of non-executive directors on board	—	8	8	8	8
Company conducts board evaluations	No	Yes	Yes	Yes	Yes
No. of board meetings for the year	—	5	6	6	6
Board meeting attendance pct	—	98	92	98	100
Board duration (years)	—	3	3	3	3
Director share ownership guidelines	No	No	No	No	No
Age of the youngest director	—	—	—	—	—
Age of the oldest director	—	—	—	—	—
No. of executives / company managers	—	9	9	9	11
No. of female executives	—	2	2	2	1
Executive share ownership guidelines	No	No	No	No	No
Size of audit committee	—	3	3	3	3
No. of ID on audit committee	—	3	3	3	3
Audit committee meetings	—	4	4	4	4
Audit meeting attendance %	—	100	83	92	100
Size of compensation committee	—	5	5	5	5
No. of ID on compensation committee	—	3	3	3	3
No. of compensation committee meetings	—	2	3	3	3
Compensation meeting attendance %	—	90	93	100	93
Size of nomination committee	—	5	5	5	5
No. of nomination committee meetings	—	2	3	3	3
Nomination meeting attendance %	—	90	93	100	93
Sustainability governance					
Verification type	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainabilitytics	The Sustainabilitytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="2">Average:</td><td rowspan="2">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **CG Score**; 2) **AGM Level**; 3) **Thai CAC**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Jitra Amornthum FSS International Investment Advisory Securities Co., Ltd

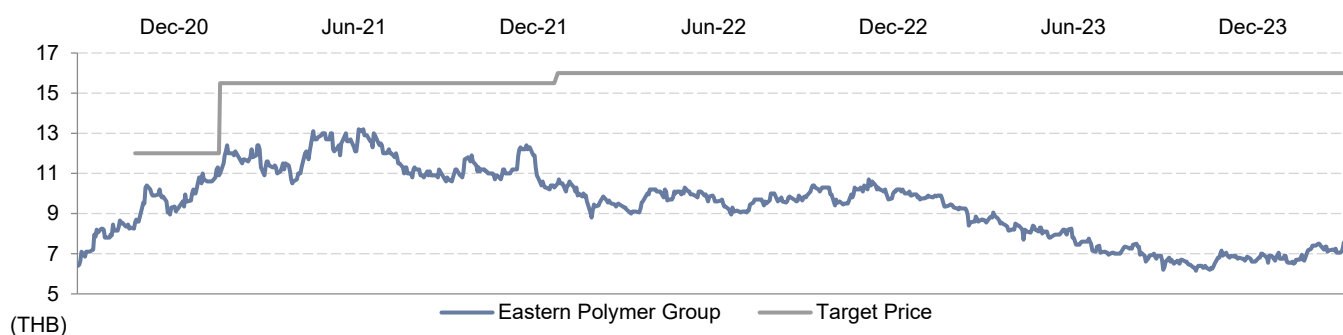
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History of change in investment rating and/or target price

Eastern Polymer Group (EPG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Feb-2021	BUY	12.00	22-Apr-2021	BUY	15.50	04-Feb-2022	BUY	16.00

Jitra Amornthum started covering this stock from 21-Dec-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Eastern Polymer Group	EPG TB	THB 8.20	BUY	Downside risks to our EV/EBITDA-based TP include 1) the slow demand for pickup trucks and plastic packaging; 2) the rising cost of oil-linked raw materials; 3) the rising cost of funds; and 4) the fluctuation in foreign exchange currencies.

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.

All share prices are as at market close on 21-Dec-2023 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.