

EASTERN POLYMER GROUP

THAILAND / CONSTRUCT

EPG TB

BUY

UNCHANGED

ปรับลดประมาณการจากการตั้ง ECL ที่ยืดเยื้อ

- ปรับลดประมาณการปี FY25-FY27 ลง 3-10% จากการตั้ง ECL ที่ยืดเยื้อ
- แม้จะปรับลดประมาณการ แต่คาดกำไรปกติยังเติบโตเฉลี่ย 10% CAGR ในระหว่างปี FY25-FY27
- ปรับราคาเป้าหมายลงเป็น 8 บาท ยังคงแนะนำซื้อ ธุรกิจยังอยู่ในทิศทางฟื้นตัวแม้จะล่าช้าไปบ้างก็ตาม

TARGET PRICE	THB8.00
CLOSE	THB6.30
UP/DOWNSIDE	+27.0%
PRIOR TP	THB11.00
CHANGE IN TP	-27.3%
TP vs CONSENSUS	-1.7%

KEY STOCK DATA

YE Mar (THB m)	2024	2025E	2026E	2027E
Revenue	13,227	13,955	14,770	15,578
Net profit	1,187	1,222	1,565	1,708
EPS (THB)	0.42	0.44	0.56	0.61
vs Consensus (%)	-	(15.1)	(3.4)	17.8
EBITDA	2,202	2,372	2,549	2,707
Recurring net profit	1,438	1,422	1,565	1,708
Core EPS (THB)	0.51	0.51	0.56	0.61
Chg. In EPS est. (%)	nm	(9.6)	(6.5)	nm
EPS growth (%)	17.7	(1.2)	10.1	9.1
Core P/E (x)	12.3	12.4	11.3	10.3
Dividend yield (%)	3.5	3.5	4.4	4.8
EV/EBITDA (x)	9.6	9.0	8.3	7.8
Price/book (x)	1.4	1.4	1.3	1.2
Net debt/Equity (%)	27.1	27.7	24.8	22.8
ROE (%)	11.8	11.2	11.7	12.2

ปรับลดประมาณการปี FY25-FY27 ลง 3-10%

เราปรับลดประมาณการกำไรปกติปี FY25-FY27 ลง 10%/7%/3% ตามลำดับ จากการปรับเพิ่มการตั้งสำรองผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) และค่าใช้จ่ายในการขายและบริหาร ทั้งนี้ ในปี FY24 (เม.ย. 2023 – มี.ค. 2024) EPG ได้ตั้งสำรอง ECL สูงถึง 293 ล้านบาท (+402% y-y) จากลูกหนี้ของบริษัทฯ รวมทุนของ Aeroklas ในแอฟริกาใต้ที่สูงขึ้นมาก เนื่องจากบ.ร่วมดังกล่าวได้รับออเดอร์จำนวนมากจากลูกค้า ต้องใช้เงินทุนหมุนเวียนจำนวนมากจึงขาดสภาพคล่อง บริษัทจำเป็นต้องขยายเวลาการเรียกเก็บหนี้จากบ.ร่วมดังกล่าว ปัจจุบันอยู่ระหว่างการหามาตรการควบคุมและแก้ไขปัญหา ผู้บริหารประเมินว่าอาจต้องตั้ง ECL ในปีนี้ต่ออีก 2 ไตรมาสจะประมาณ 100 ล้านบาท ส่วนค่าใช้จ่ายพิเศษจากการซื้อสาขาร้าน TJM 5 แห่งในปีก่อนได้จบแล้ว แต่มีรายจ่ายผันแปรที่เพิ่มขึ้น เช่น ค่าใช้จ่ายเกี่ยวกับพนักงาน และอื่นๆ ทำให้เราปรับเพิ่มรายจ่ายดังกล่าวจากประมาณการเดิม

คาดกำไรปกติเติบโต 10% CAGR ในระหว่างปี FY25-FY27

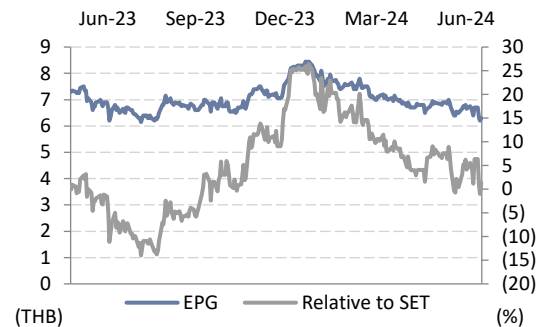
บนประมาณการใหม่ เราคาดว่ากำไรปกติปี FY25 จะลดลงเล็กน้อย 1% ก่อนจะเพิ่มขึ้น 10% และ 9% ในปี FY26-FY27 หรือคิดเป็นอัตราการเติบโตเฉลี่ย 10% CAGR ในช่วงปี FY25-FY27 กำไรปกติที่คาดว่าจะลดลงในปี FY25 หลักๆ มาจากการเพิ่มขึ้นของค่าใช้จ่ายในการขายและบริหารและดอกเบี้ยจ่ายที่สูงขึ้นตามอัตราดอกเบี้ยในตลาด ในด้านรายได้ เราคาดว่าจะมีการเติบโตเฉลี่ย 5.7% CAGR ในช่วงปี FY25-FY27

Aeroflex ยังคงเป็นพระเอกเสมอมา

ธุรกิจฉนวนยาง Aeroflex (คิดเป็นประมาณ 30% ของรายได้รวม) คาดว่ายังคงเป็นพระเอก มีการเติบโตที่มีเสถียรภาพและสูงสุดในบรรดาทั้งสามธุรกิจ โดยเราคาดว่ารายได้จะเติบโตเฉลี่ย 7% CAGR ในระหว่างปี FY25-FY27 และยังรักษาสัดส่วนกำไรขั้นต้นได้สูงที่สุดกว่าธุรกิจอื่นที่ 46%-47% สูงกว่า Aeroklas ที่มีอัตรากำไรขั้นต้นที่ 32%-33% และบรรจภัณฑ์พลาสติกที่ 11%-12% ตลาดสำคัญของ Aeroflex คืออเมริกาและญี่ปุ่น มีความต้องการสูงและเป็นตลาด premium ขณะที่ประเทศไทยมีความต้องการฉนวนยางสูงเช่นกันจากการสร้างโรงงานใหม่ของการลงทุนจากต่างชาติ (FDI) ที่หลังไหลเข้ามาต่อเนื่อง

ปรับราคาเป้าหมายลงเป็น 8 บาท ยังคงแนะนำซื้อ

เราปรับลดราคาเป้าหมายเป็น 8 บาทอิง FY25E EV/EBITDA 12.5 เท่า (+0.5SD ของค่าเฉลี่ย 5 ปี) จากเดิม 11 บาท (EV/EBITDA 15.0 เท่า, +1SD ของค่าเฉลี่ย 5 ปี) เนื่องจากการเติบโตที่ชะลอลงในปีนี้ เรายังคงแนะนำซื้อ ธุรกิจของ EPG ยังคงอยู่ในทิศทางฟื้นตัวเพียงแต่การฟื้นตัวชะลอออกไป



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.7)	(11.3)	(11.3)
Relative to country (%)	(5.8)	(8.5)	2.1
Mkt cap (USD m)	484		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holding Co., Ltd. (60%)		
12m high/low (THB)	8.50/6.00		
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

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 7 มิถุนายน 2024

Investment thesis

We cut our FY25-FY27 core profit projection by 10%/7%/3% on likely higher ECLs and SG&A expenses. EPG's management guided that it anticipated an ECL of around THB100m per quarter for the next two quarters. According to our new estimates, EPG's core profit should decline by 1% y-y in FY25 before growing 10% and 9% in FY26-FY27, implying a 10% CAGR during FY25-FY27.

We cut our TP to THB8, based on 12.5x FY25E EV/EBITDA, +0.5SD of its five-year average, lower than our previous EV/EBITDA target of 15.0x, based on +1SD of its five-year average due to a lower profit growth projection. We maintain our BUY rating on EPG as recovery is still on the way despite the delay.

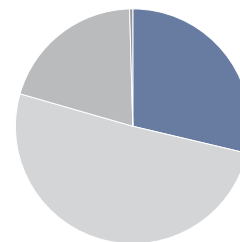
Company profile

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, 2024)

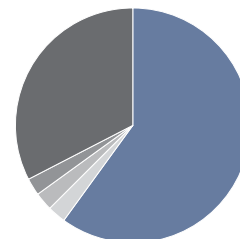
- Aeroflex - 28.7 %
- Aeroklas - 50.8 %
- EPP - 20.1 %
- Other service - 0.4 %



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) a 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) slow demand for pickup trucks and plastic packaging; 2) rising costs of oil-linked raw materials; 3) rising cost of funds; and 4) the fluctuation in foreign exchange rates.

Event calendar

Date	Event
August 2024	1QFY25 earnings announcement

Key assumptions

Year to Mar 31	FY25E (%)	FY26E (%)	FY27E (%)
Revenue growth			
AFC - Aeroflex	8.5	7.0	7.0
ARK - Aeroklas	5.0	6.5	5.5
EPP - Eastern Polypack	2.8	2.7	3.0
Gross margin			
AFC - Aeroflex	46.5	46.7	47.0
ARK - Aeroklas	32.0	32.5	32.9
EPP - Eastern Polypack	11.7	11.8	12.0

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

Our FY25-FY27 profit forecast slashed by 3-10%

We cut our FY25-FY27 core profit projection by 10%/7%/3% on likely higher ECLs and SG&A expenses. In FY24 (April 2023 - March 2024), the company set aside a high expected credit loss (ECL) provision of THB293m (+402% y-y) due mainly to significantly higher trade receivables of its automotive Aeroklas unit. It supplied raw materials to its JV in South Africa, which received higher customer orders, resulting in liquidity issues. EPG's management guided that it expected an ECL of around THB100m per quarter for the next two quarters. SG&A expenses related to the five TJM retail stores acquired last year were over, but cost control is still needed. We, therefore, revised up our expenses forecast accordingly.

Exhibit 1: Key changes in assumptions

Year to Mar 31	Current			Previous			Change		
	FY25E (THB m)	FY26E (THB m)	FY27E (THB m)	FY25E (THB m)	FY26E (THB m)	FY27E (THB m)	FY25E (%)	FY26E (%)	FY27E (%)
Total revenue	13,955	14,770	15,578	13,744	14,503	15,324	1.5	1.8	1.7
AFC - Aeroflex	4,118	4,407	4,715	4,016	4,242	4,436	2.6	3.9	6.3
ARK - Aeroklas	7,051	7,509	7,922	7,019	7,511	7,961	0.4	(0.0)	(0.5)
EPP - Eastern Polypack	2,733	2,807	2,891	2,709	2,751	2,926	0.9	2.1	(1.2)
Cost of goods sold	9,441	9,919	10,386	9,199	9,667	10,209	2.6	2.6	1.7
Gross profit	4,515	4,851	5,192	4,545	4,836	5,115	(0.7)	0.3	1.5
SG&A	3,238	3,419	3,614	3,128	3,321	3,509	3.5	3.0	3.0
ECL	200	0	0	0	0	0	nm	nm	nm
EBITDA	2,281	2,456	2,612	2,380	2,496	2,640	(4.1)	(1.6)	(1.1)
Profit sharing from associates	426	435	439	413	419	435	3.1	3.7	1.0
Core profit	1,422	1,565	1,708	1,581	1,681	1,771	(10.0)	(6.9)	(3.5)
Net profit	1,222	1,565	1,708	1,573	1,674	1,771	(22.3)	(6.5)	(3.5)
Margins	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(ppt)
Gross margin	32.4	32.8	33.3	33.1	33.3	33.4	(0.7)	(0.5)	(0.1)
AFC - Aeroflex	46.5	46.7	47.0	46.8	46.8	46.7	(0.3)	(0.0)	0.3
ARK - Aeroklas	32.0	32.5	32.9	32.8	33.0	33.2	(0.8)	(0.5)	(0.3)
EPP - Eastern Polypack	11.7	11.8	12.0	13.5	13.6	13.6	(1.8)	(1.8)	(1.6)
EBITDA margin	16.3	16.6	16.8	17.3	17.2	17.2	(1.0)	(0.6)	(0.4)
Core profit margin	10.2	10.6	11.0	11.5	11.6	11.6	(1.3)	(1.0)	(0.6)
SG&A to Sales	23.2	23.2	23.2	22.8	22.9	22.9	0.4	0.3	0.3

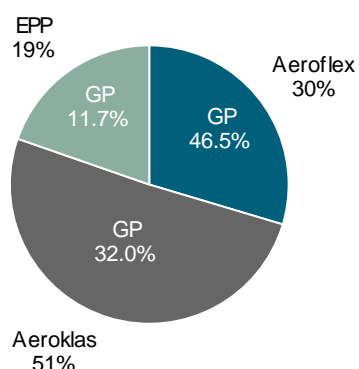
Sources: EPG, FSSIA estimates

Expect a 10% CAGR in core profit during FY25-27

According to our new estimates, EPG's core profit should decline by 1% y-y in FY25 before growing 10% and 9% in FY26-FY27, implying a 10% CAGR during FY25-FY27. The expected profit slide in FY25 is largely due to higher SG&A and interest expenses, resulting from higher borrowing costs. In terms of sales revenue, we estimate a total revenue growth of 5.7% CAGR in FY25-FY27. The company's insulation Aeroflex unit (c30% of total revenue) is expected to sustain its resilient momentum, achieving a 7% CAGR in FY25-FY27 revenue, the highest growth among its three units. We believe Aeroflex can maintain a gross profit margin of 46%-47%, higher than our anticipated gross margin of 32%-33% for Aeroklas and 11%-12% for the plastic packaging EPP unit.

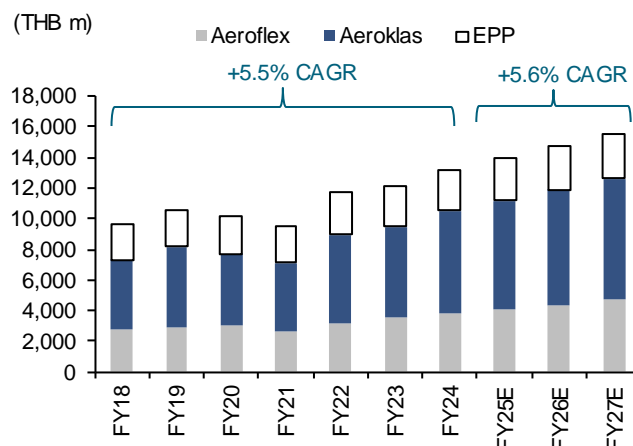
Aeroflex should be the savior. Its markets in the US and Japan are in bright spots for insulation demand. Thailand also has solid demand for insulation from new factories setting up as the FDI has been increasing.

Exhibit 2: Revenue contributor in FY25



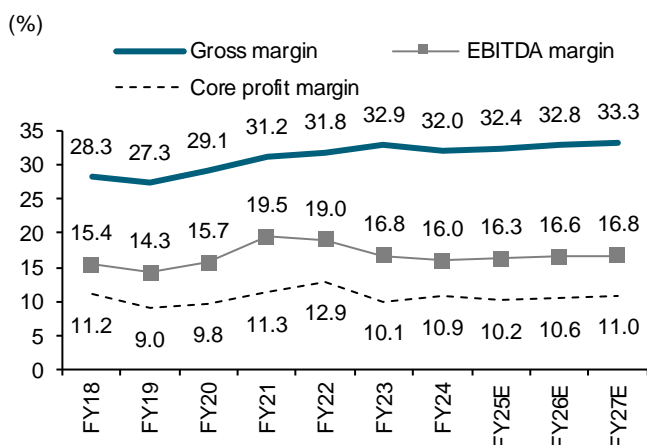
Sources: EPG, FSSIA estimates

Exhibit 3: Revenue structure



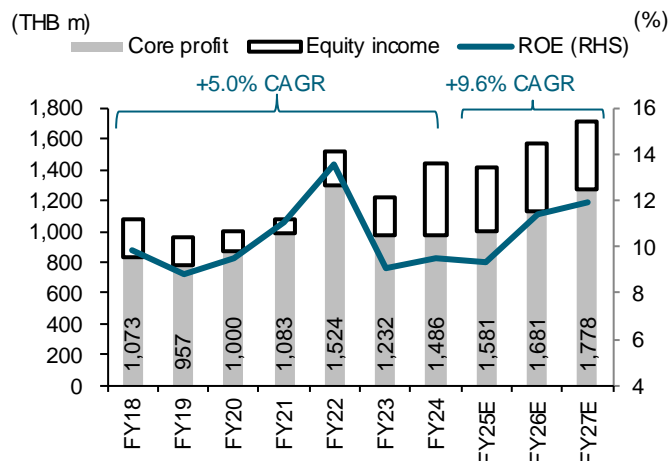
Sources: EPG, FSSIA estimates

Exhibit 4: Margins



Sources: EPG, FSSIA estimates

Exhibit 5: Core profit and ROE

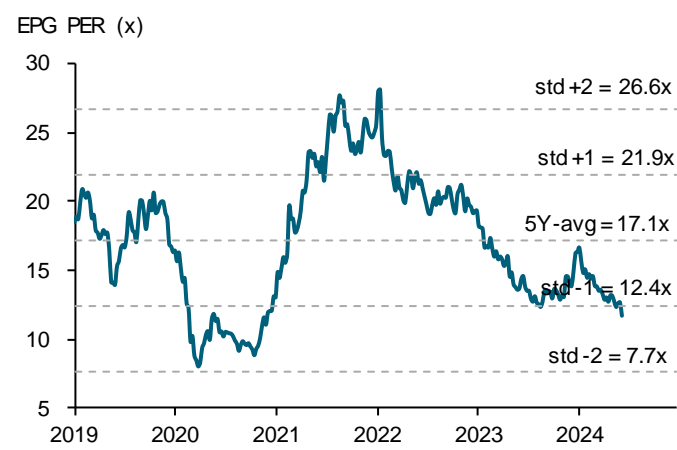


Sources: EPG, FSSIA estimates

TP cut to THB8, maintain our BUY rating

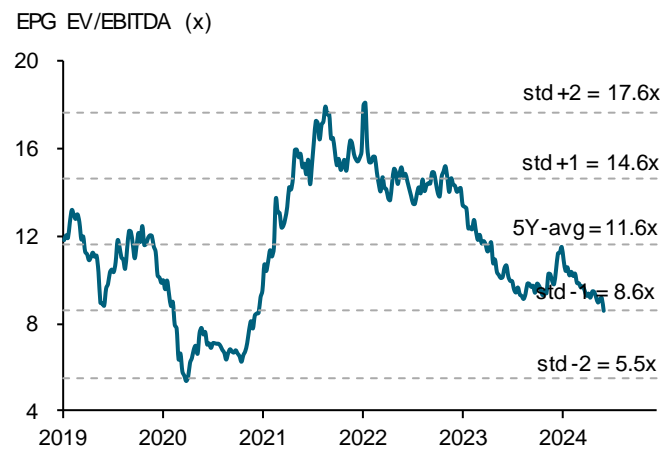
Following our projection revision, we cut our TP to THB8 based on 12.5x FY25E EV/EBITDA, +0.5SD of its five-year average, lower than our previous EV/EBITDA target of 15.0x, based on +1SD of its five-year average due to a lower profit growth projection. We maintain our BUY rating on EPG as recovery is still on the way despite the delay.

Exhibit 6: One-year rolling forward P/E band



Sources: Bloomberg, FSSIA estimates

Exhibit 7: One-year rolling forward EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

Financial Statements

Eastern Polymer Group

Profit and Loss (THB m) Year Ending Mar	2023	2024	2025E	2026E	2027E
Revenue	12,125	13,227	13,955	14,770	15,578
Cost of goods sold	(8,134)	(8,999)	(9,441)	(9,919)	(10,386)
Gross profit	3,991	4,228	4,515	4,851	5,192
Other operating income	59	88	91	93	95
Operating costs	(2,872)	(3,102)	(3,238)	(3,419)	(3,614)
Operating EBITDA	2,094	2,202	2,372	2,549	2,707
Depreciation	(916)	(988)	(1,004)	(1,024)	(1,034)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	1,178	1,214	1,368	1,525	1,673
Net financing costs	(101)	(194)	(235)	(241)	(235)
Associates	243	463	426	435	439
Recurring non-operating income	243	463	426	435	439
Non-recurring items	(146)	(251)	(200)	0	0
Profit before tax	1,173	1,232	1,359	1,718	1,877
Tax	(92)	(21)	(113)	(128)	(144)
Profit after tax	1,082	1,211	1,246	1,590	1,733
Minority interests	(6)	(24)	(24)	(25)	(25)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,076	1,187	1,222	1,565	1,708
Non-recurring items & goodwill (net)	146	251	200	0	0
Recurring net profit	1,222	1,438	1,422	1,565	1,708
Per share (THB)					
Recurring EPS *	0.44	0.51	0.51	0.56	0.61
Reported EPS	0.38	0.42	0.44	0.56	0.61
DPS	0.28	0.22	0.22	0.28	0.31
Diluted shares (used to calculate per share data)	2,800	2,800	2,800	2,800	2,800
Growth					
Revenue (%)	3.0	9.1	5.5	5.8	5.5
Operating EBITDA (%)	(8.6)	5.1	7.7	7.5	6.2
Operating EBIT (%)	(19.2)	3.0	12.7	11.5	9.7
Recurring EPS (%)	(19.8)	17.7	(1.2)	10.1	9.1
Reported EPS (%)	(32.6)	10.3	2.9	28.1	9.1
Operating performance					
Gross margin inc. depreciation (%)	32.9	32.0	32.4	32.8	33.3
Gross margin exc. depreciation (%)	40.5	39.4	39.5	39.8	40.0
Operating EBITDA margin (%)	17.3	16.6	17.0	17.3	17.4
Operating EBIT margin (%)	9.7	9.2	9.8	10.3	10.7
Net margin (%)	10.1	10.9	10.2	10.6	11.0
Effective tax rate (%)	7.8	1.7	8.3	7.5	7.7
Dividend payout on recurring profit (%)	64.1	42.8	43.0	50.0	50.0
Interest cover (X)	14.0	8.6	7.6	8.1	9.0
Inventory days	178.1	174.1	173.2	176.3	173.7
Debtor days	64.6	64.0	65.1	63.7	63.3
Creditor days	66.2	74.4	74.7	66.4	63.5
Operating ROIC (%)	9.3	9.4	10.2	10.8	(2.9)
ROIC (%)	7.6	8.3	8.5	8.9	(2.3)
ROE (%)	10.3	11.8	11.2	11.7	12.2
ROA (%)	7.5	8.4	8.0	8.5	7.8

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2023	2024	2025E	2026E	2027E
Aeroflex	3,563	3,796	4,118	4,407	4,715
Aeroklas	5,936	6,715	7,051	7,509	7,922
EPP	2,585	2,659	2,733	2,807	2,891
Other service	42	57	53	47	50

Sources: Eastern Polymer Group; FSSIA estimates

Financial Statements

Eastern Polymer Group

Cash Flow (THB m) Year Ending Mar	2023	2024	2025E	2026E	2027E
Recurring net profit	1,222	1,438	1,422	1,565	1,708
Depreciation	916	988	1,004	1,024	1,034
Associates & minorities	(243)	(463)	(426)	(435)	(439)
Other non-cash items	(53)	59	(1,003)	(896)	(1,018)
Change in working capital	(626)	(227)	(997)	(628)	(721)
Cash flow from operations	1,217	1,795	(1)	631	564
Capex - maintenance	0	0	0	0	0
Capex - new investment	(760)	(602)	(94)	(74)	(44)
Net acquisitions & disposals	104	27	0	0	0
Other investments (net)	(1,059)	(91)	104	(162)	(151)
Cash flow from investing	(1,715)	(666)	10	(236)	(196)
Dividends paid	(840)	(728)	(611)	(783)	(854)
Equity finance	0	0	0	0	0
Debt finance	1,422	(339)	737	(326)	(21)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	582	(1,067)	126	(1,109)	(875)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	129	229	340	563	583
Net other adjustments	129	229	340	563	583
Movement in cash	213	291	476	(151)	76
Free cash flow to firm (FCFF)	(397.12)	1,323.18	244.80	636.07	602.95
Free cash flow to equity (FCFE)	1,052.51	1,018.64	1,087.17	632.00	930.32

Per share (THB)

FCFF per share	(0.14)	0.47	0.09	0.23	0.22
FCFE per share	0.38	0.36	0.39	0.23	0.33
Recurring cash flow per share	0.66	0.72	0.36	0.45	0.46

Balance Sheet (THB m) Year Ending Mar	2023	2024	2025E	2026E	2027E
Tangible fixed assets (gross)	12,460	13,007	14,201	15,315	16,419
Less: Accumulated depreciation	(6,636)	(7,243)	(8,247)	(9,271)	(10,305)
Tangible fixed assets (net)	5,824	5,764	5,954	6,044	6,114
Intangible fixed assets (net)	1,235	1,318	1,310	1,303	1,296
Long-term financial assets	236	232	232	232	232
Invest. in associates & subsidiaries	2,782	3,139	3,139	3,281	3,412
Cash & equivalents	1,113	1,404	1,880	1,729	1,806
A/C receivable	2,184	2,451	2,523	2,630	2,774
Inventories	3,851	3,791	4,216	4,375	4,525
Other current assets	105	131	140	148	156
Current assets	7,252	7,778	8,759	8,883	9,260
Other assets	1,215	1,569	1,476	1,508	1,539
Total assets	18,543	19,801	20,871	21,250	21,853
Common equity	11,876	12,436	13,033	13,716	14,370
Minorities etc.	32	53	56	57	59
Total shareholders' equity	11,908	12,489	13,089	13,773	14,429
Long term debt	2,969	2,990	3,657	3,330	2,718
Other long-term liabilities	536	590	600	620	623
Long-term liabilities	3,506	3,580	4,257	3,951	3,341
A/C payable	1,415	1,850	1,604	1,631	1,622
Short term debt	1,658	1,803	1,843	1,814	2,376
Other current liabilities	56	79	78	82	85
Current liabilities	3,130	3,732	3,524	3,526	4,083
Total liabilities and shareholders' equity	18,543	19,801	20,871	21,250	21,853
Net working capital	4,667	4,446	5,198	5,441	5,747
Invested capital	15,958	16,468	17,310	17,809	18,340

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

Per share (THB)

Book value per share	4.24	4.44	4.65	4.90	5.13
Tangible book value per share	3.80	3.97	4.19	4.43	4.67

Financial strength

Net debt/equity (%)	29.5	27.1	27.7	24.8	22.8
Net debt/total assets (%)	19.0	17.1	17.3	16.1	15.0
Current ratio (x)	2.3	2.1	2.5	2.5	2.3
CF interest cover (x)	18.9	9.3	6.0	3.9	5.2

Valuation	2023	2024	2025E	2026E	2027E
Recurring P/E (x) *	14.4	12.3	12.4	11.3	10.3
Recurring P/E @ target price (x) *	18.3	15.6	15.8	14.3	13.1
Reported P/E (x)	16.4	14.9	14.4	11.3	10.3
Dividend yield (%)	4.4	3.5	3.5	4.4	4.8
Price/book (x)	1.5	1.4	1.4	1.3	1.2
Price/tangible book (x)	1.7	1.6	1.5	1.4	1.3
EV/EBITDA (x) **	10.1	9.6	9.0	8.3	7.8
EV/EBITDA @ target price (x) **	12.4	11.7	11.0	10.2	9.5
EV/invested capital (x)	1.3	1.3	1.2	1.2	1.1

* 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 8: 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 9: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET THSI	THSI	CG score	AGM 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 10: 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 11: 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 Sustainability	The Sustainability's 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="3">Average:</td><td rowspan="3">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></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</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	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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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

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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
14-Jun-2021	BUY	15.50	04-Feb-2022	BUY	16.00	21-Dec-2023	BUY	11.00

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 6.30	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 06-Jun-2024 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.