

# EASTERN POLYMER GROUP

## THAILAND / CONSTRUCT

## EPG TB

# BUY

UNCHANGED

TARGET PRICE	THB8.00
CLOSE	THB4.68
UP/DOWNSIDE	+70.9%
PRIOR TP	THB8.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+0.4%

## Expect gradual but weak recovery

- Excluding the ECL, we expect core profit to increase by 2.4% q-q and 12.3% y-y in 1QFY25.
- TJM and South African JV remain the drags, while EPP needs a further push.
- 1HFY25 earnings should be unexciting; cheap valuations.

### Gradual recovery expected in 1QFY25, yet still soft

We expect EPG's operating results to gradually recover in 1QFY25 (April-June 2024), yet still be soft with an estimated core profit of THB310m (+2.4% q-q, +12.3% y-y). The profit increase should be helped by its Aeroflex insulation unit and Aeroklas automotive unit. However, weak operations are still ongoing from its wholly-owned Australia-based TJM and its JV in South Africa, leading to high SG&A expenses and an expected credit loss (ECL) allowance.

### TJM and South African JV still drag

In FY24 (April 2023-March 2024), TJM contributed a loss of THB237m for the second consecutive year due to the expenses related to the store expansion, higher staff costs, and IT refreshment amid sluggish automotive sales in Australia. We expect TJM to post another loss in 1QFY25, caused by the expenses related to a branch closure in the US amid steady sales. In addition, the company is still in the process of resolving the liquidity issues of its South African JV, leading to another ECL allowance, which EPG's management guided cTHB100m per quarter for 1Q-2QFY25. We assume ECL of THB150m in 1QFY25, resulting in a net profit of only THB160m (+4.1% q-q, -47.6% y-y).

### EPP needs to be pushed further

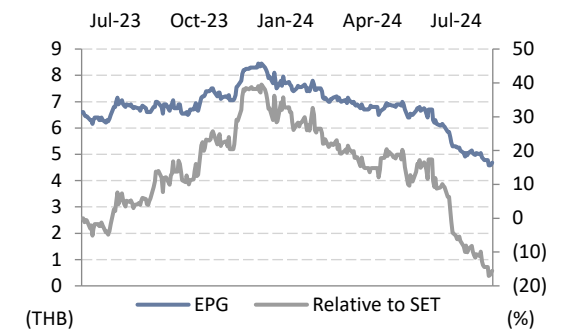
We expect the EPP plastic packaging unit's operations to remain weak, mainly due to the stiff competition, which is exacerbated by the stagnant domestic economy. Despite several strategies adopted, the company has struggled in a highly price-sensitive market. Post-pandemic in FY21-FY24, EPP's revenue only grew at a 2.5% CAGR in exchange for a declining gross margin from 19.6% in FY21 to 12.2% in FY24. In FY25, management guided for 3-5% sales growth for EPP with a gross margin of 12-15% – quite challenging given Thailand's lackluster recovery.

### Maintain projection and BUY call on cheap valuations

Although EPG's earnings look dull in 1HFY25, we expect that things will get better in 2HFY25 from improved operations for TJM and the South African JV. We retain our BUY call on its cheap valuations, with FY25E EV/EBITDA of 7.1x, -1.8SD of its five-year average.

### 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 (%)	-	(12.5)	(2.1)	21.3
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. (%)	-	-	-	-
EPS growth (%)	17.7	(1.2)	10.1	9.1
Core P/E (x)	9.1	9.2	8.4	7.7
Dividend yield (%)	4.7	4.7	6.0	6.5
EV/EBITDA (x)	7.5	7.1	6.5	6.1
Price/book (x)	1.1	1.0	1.0	0.9
Net debt/Equity (%)	27.1	27.7	24.8	22.8
ROE (%)	11.8	11.2	11.7	12.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.9)	(32.2)	(28.0)
Relative to country (%)	(10.0)	(29.4)	(16.0)
Mkt cap (USD m)	363		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holding Co., Ltd. (60%)		
12m high/low (THB)	8.50/4.56		
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

We expect EPG’s operating results to gradually recover in 1QFY25 (April-June 2024), yet still be soft with an estimated core profit of THB310m (+2.4% q-q, +12.3% y-y). The profit increase should be helped by its Aeroflex insulation unit and Aeroklas automotive unit. However, weak operations are still ongoing from its wholly-owned Australia-based TJM and its JV in South Africa, leading to high SG&A expenses and an expected credit loss (ECL) allowance.

Although EPG’s earnings look dull in 1HFY25, we expect that things will get better in 2HFY25 from improved operations for TJM and the South African JV. We retain our BUY call on its cheap valuations, with FY25E EV/EBITDA of 7.1x, -1.8SD of its five-year average.

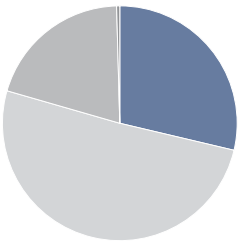
Company profile

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](http://www.epg.co.th)

Principal activities (revenue, 2024)

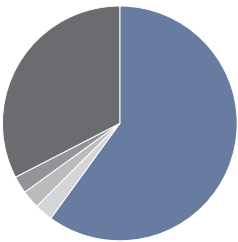
- Aeroflex - 28.7 %
- Aeroklas - 50.8 %
- EPP - 20.1 %
- Other service - 0.4 %



Source: Eastern Polymer Group

Major shareholders

- Vitoorapakorn Holding Co., Ltd. - 60.0 %
- Thai NVDR - 2.5 %
- Mr. Pawat Vitoorapakorn - 2.5 %
- Mr. Chaliew 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
14 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.

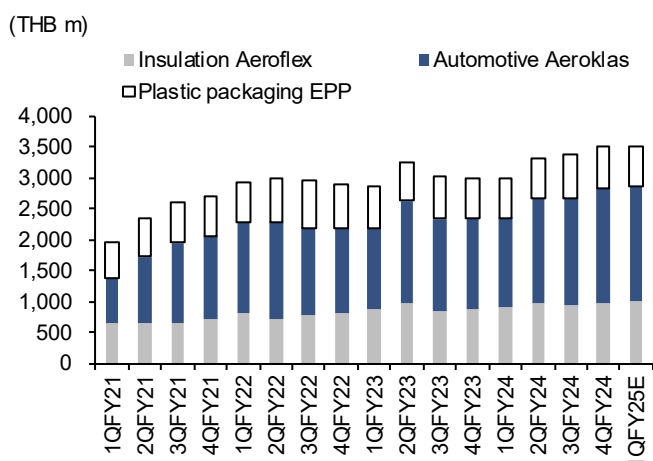
Source: FSSIA estimates

## Exhibit 1: EPG – 1QFY25 earnings preview

Year to Mar 31	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25E	----- Change -----		FY24	FY25E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	24E
Sales	2,998	3,316	3,387	3,526	3,515	(0.3)	17.3	13,227	13,955	5.5	25.2
Cost of sales	(2,049)	(2,227)	(2,258)	(2,465)	(2,409)	(2.3)	17.6	(8,999)	(9,441)	4.9	25.5
Gross profit	949	1,089	1,129	1,061	1,106	4.3	16.6	4,228	4,515	6.8	24.5
Operating costs	(734)	(743)	(795)	(830)	(851)	2.5	15.9	(3,102)	(3,238)	4.4	26.3
Operating profit	215	346	334	230	256	11.0	18.8	1,126	1,277	13.5	20.0
<b>Operating EBITDA</b>	<b>452</b>	<b>581</b>	<b>585</b>	<b>496</b>	<b>521</b>	<b>5.0</b>	<b>15.2</b>	<b>2,114</b>	<b>2,281</b>	<b>7.9</b>	<b>22.8</b>
Other income	27	23	26	12	12	0.0	(55.1)	88	91	2.8	13.1
Interest expense	(53)	(54)	(38)	(50)	(50)	0.0	(5.4)	(194)	(235)	20.8	21.2
Associates	82	170	101	110	110	(0.0)	34.2	463	426	(8.0)	25.8
<b>Extraordinary</b>											
FX gain/(loss) & ECL	50	23	(68)	(265)	(150)	<i>nm</i>	<i>nm</i>	(259)	(200)	<i>nm</i>	75.0
<b>Net profit</b>	<b>305</b>	<b>431</b>	<b>297</b>	<b>154</b>	<b>160</b>	<b>4.1</b>	<b>(47.6)</b>	<b>1,187</b>	<b>1,222</b>	<b>2.9</b>	<b>13.1</b>
<b>Core profit</b>	<b>276</b>	<b>453</b>	<b>407</b>	<b>303</b>	<b>310</b>	<b>2.4</b>	<b>12.3</b>	<b>1,438</b>	<b>1,422</b>	<b>(1.2)</b>	<b>21.8</b>
Reported EPS (THB)	0.11	0.15	0.11	0.05	0.06	4.1	(47.6)	0.42	0.44	2.9	13.1
Core EPS (THB)	0.10	0.16	0.15	0.11	0.11	2.4	12.3	0.51	0.51	(1.2)	21.8
<b>Key Ratios (%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	
Gross margin	31.7	32.8	33.3	30.1	31.5	1.4	(0.2)	32.0	32.4	0.4	
Operating margin	7.2	10.4	9.9	6.5	7.3	0.7	0.1	8.5	9.2	0.6	
EBITDA margin	15.1	17.5	17.3	14.1	14.8	0.7	(0.3)	16.0	16.3	0.4	
Core profit margin	9.2	13.7	12.0	8.6	8.8	0.2	(0.4)	10.9	10.2	(0.7)	
SG&A / Sales	24.5	22.4	23.5	23.5	24.2	0.7	(0.3)	23.5	23.2	(0.3)	
<b>Revenue breakdown</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q %)</b>	<b>(y-y %)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(y-y %)</b>	
Aeroflex	900	970	950	977	1,011	3.5	12.4	3,796	4,118	8.5	
Aeroklas	1,447	1,701	1,714	1,853	1,853	0.0	28.1	6,715	7,051	5.0	
EPP	639	629	709	682	652	(4.4)	1.9	2,659	2,733	2.8	
<b>Gross margin by BU</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	
Aeroflex	45.0	48.2	48.3	45.5	45.8	0.3	0.8	46.8	46.5	(0.3)	
Aeroklas	32.5	31.1	32.9	28.6	31.0	2.4	(1.5)	31.2	32.0	0.8	
EPP	10.5	13.1	13.8	11.1	10.6	(0.5)	0.1	12.2	11.7	(0.5)	

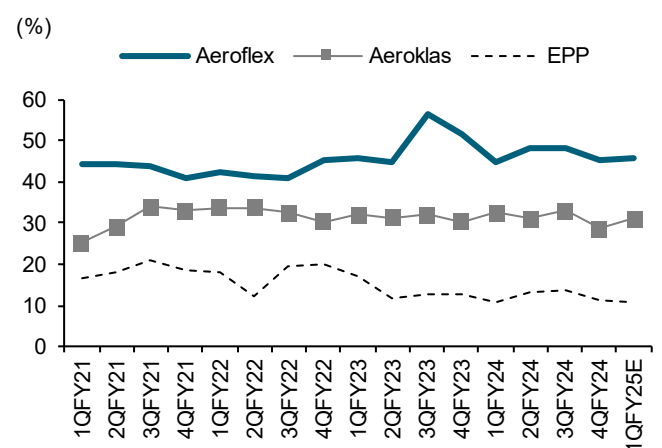
Sources: EPG, FSSIA estimates

## Exhibit 2: Revenue structure



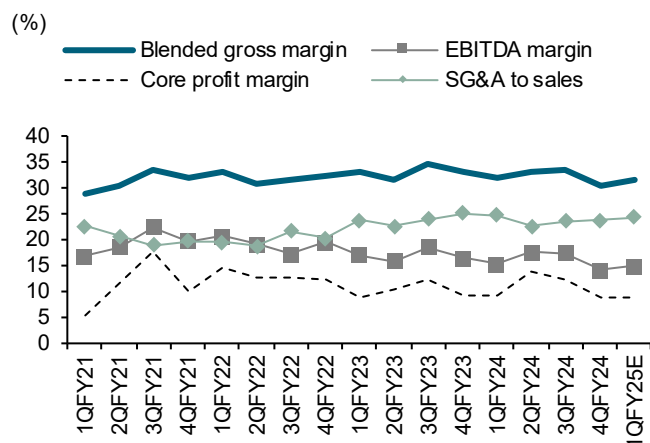
Sources: EPG, FSSIA estimates

## Exhibit 3: Gross margin by business unit



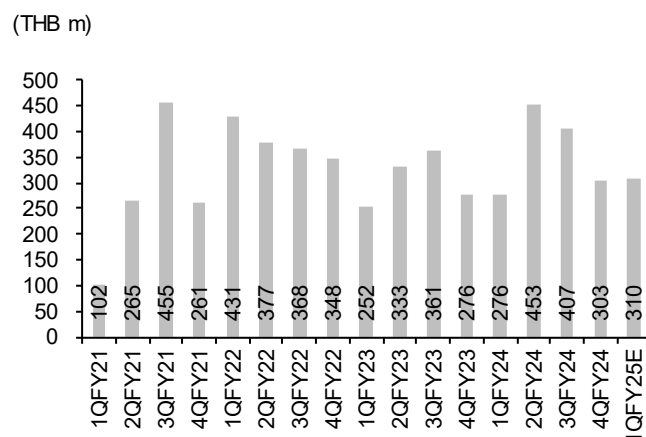
Sources: EPG, FSSIA estimates

Exhibit 4: Margins



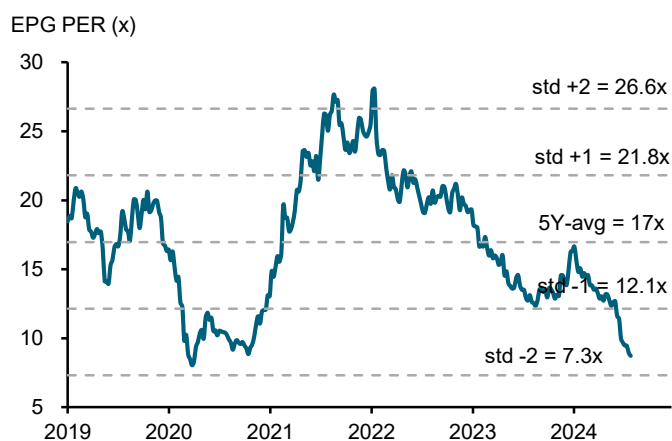
Sources: EPG, FSSIA estimates

Exhibit 5: Core profit



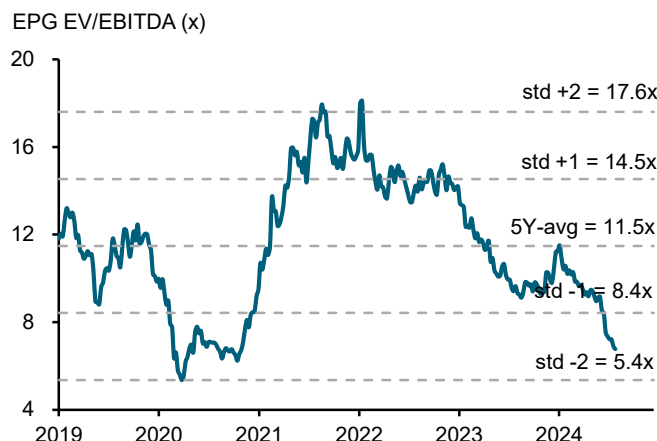
Sources: EPG, FSSIA estimates

Exhibit 6: One-year rolling forward P/E



Sources: Bloomberg, FSSIA estimates

Exhibit 7: One-year rolling forward EV/EBITDA



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)
<b>Gross profit</b>	<b>3,991</b>	<b>4,228</b>	<b>4,515</b>	<b>4,851</b>	<b>5,192</b>
Other operating income	59	88	91	93	95
Operating costs	(2,872)	(3,102)	(3,238)	(3,419)	(3,614)
<b>Operating EBITDA</b>	<b>2,094</b>	<b>2,202</b>	<b>2,372</b>	<b>2,549</b>	<b>2,707</b>
Depreciation	(916)	(988)	(1,004)	(1,024)	(1,034)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>1,178</b>	<b>1,214</b>	<b>1,368</b>	<b>1,525</b>	<b>1,673</b>
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
<b>Profit before tax</b>	<b>1,173</b>	<b>1,232</b>	<b>1,359</b>	<b>1,718</b>	<b>1,877</b>
Tax	(92)	(21)	(113)	(128)	(144)
<b>Profit after tax</b>	<b>1,082</b>	<b>1,211</b>	<b>1,246</b>	<b>1,590</b>	<b>1,733</b>
Minority interests	(6)	(24)	(24)	(25)	(25)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,076</b>	<b>1,187</b>	<b>1,222</b>	<b>1,565</b>	<b>1,708</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>146</b>	<b>251</b>	<b>200</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,222</b>	<b>1,438</b>	<b>1,422</b>	<b>1,565</b>	<b>1,708</b>
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Operating performance</b>					
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)
<b>Cash flow from operations</b>	<b>1,217</b>	<b>1,795</b>	<b>(1)</b>	<b>631</b>	<b>564</b>
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)
<b>Cash flow from investing</b>	<b>(1,715)</b>	<b>(666)</b>	<b>10</b>	<b>(236)</b>	<b>(196)</b>
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
<b>Cash flow from financing</b>	<b>582</b>	<b>(1,067)</b>	<b>126</b>	<b>(1,109)</b>	<b>(875)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	129	229	340	563	583
<b>Net other adjustments</b>	<b>129</b>	<b>229</b>	<b>340</b>	<b>563</b>	<b>583</b>
<b>Movement in cash</b>	<b>213</b>	<b>291</b>	<b>476</b>	<b>(151)</b>	<b>76</b>
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)
<b>Tangible fixed assets (net)</b>	<b>5,824</b>	<b>5,764</b>	<b>5,954</b>	<b>6,044</b>	<b>6,114</b>
<b>Intangible fixed assets (net)</b>	<b>1,235</b>	<b>1,318</b>	<b>1,310</b>	<b>1,303</b>	<b>1,296</b>
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
<b>Current assets</b>	<b>7,252</b>	<b>7,778</b>	<b>8,759</b>	<b>8,883</b>	<b>9,260</b>
Other assets	1,215	1,569	1,476	1,508	1,539
<b>Total assets</b>	<b>18,543</b>	<b>19,801</b>	<b>20,871</b>	<b>21,250</b>	<b>21,853</b>
Common equity	11,876	12,436	13,033	13,716	14,370
Minorities etc.	32	53	56	57	59
<b>Total shareholders' equity</b>	<b>11,908</b>	<b>12,489</b>	<b>13,089</b>	<b>13,773</b>	<b>14,429</b>
Long term debt	2,969	2,990	3,657	3,330	2,718
Other long-term liabilities	536	590	600	620	623
<b>Long-term liabilities</b>	<b>3,506</b>	<b>3,580</b>	<b>4,257</b>	<b>3,951</b>	<b>3,341</b>
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
<b>Current liabilities</b>	<b>3,130</b>	<b>3,732</b>	<b>3,524</b>	<b>3,526</b>	<b>4,083</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,543</b>	<b>19,801</b>	<b>20,871</b>	<b>21,250</b>	<b>21,853</b>
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
<b>Recurring P/E (x) *</b>	<b>10.7</b>	<b>9.1</b>	<b>9.2</b>	<b>8.4</b>	<b>7.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>18.3</b>	<b>15.6</b>	<b>15.8</b>	<b>14.3</b>	<b>13.1</b>
Reported P/E (x)	12.2	11.0	10.7	8.4	7.7
Dividend yield (%)	6.0	4.7	4.7	6.0	6.5
Price/book (x)	1.1	1.1	1.0	1.0	0.9
Price/tangible book (x)	1.2	1.2	1.1	1.1	1.0
EV/EBITDA (x) **	7.9	7.5	7.1	6.5	6.1
EV/EBITDA @ target price (x) **	12.4	11.7	11.0	10.2	9.5
EV/invested capital (x)	1.0	1.0	1.0	0.9	0.9

\* 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.
★★★★★	<b>&gt;59-79</b>	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>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
<b>ESG financial materiality scores - ESG score</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2.41</b>	<b>2.48</b>
BESG environmental pillar score	—	—	—	1.74	1.74
BESG social pillar score	—	—	—	2.04	2.22
BESG governance pillar score	—	—	—	3.84	3.90
<b>ESG disclosure score</b>	<b>—</b>	<b>31.98</b>	<b>31.85</b>	<b>49.40</b>	<b>49.40</b>
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
<b>Environmental</b>					
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
<b>Social</b>					
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
<b>Governance</b>					
<b>Board size</b>	—	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>No. of independent directors (ID)</b>	—	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
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	—	—	—	—	—
<b>No. of executives / company managers</b>	—	<b>9</b>	<b>9</b>	<b>9</b>	<b>11</b>
No. of female executives	—	2	2	2	1
Executive share ownership guidelines	No	No	No	No	No
<b>Size of audit committee</b>	—	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	—	3	3	3	3
Audit committee meetings	—	4	4	4	4
Audit meeting attendance %	—	100	83	92	100
<b>Size of compensation committee</b>	—	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
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
<b>Size of nomination committee</b>	—	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of nomination committee meetings	—	2	3	3	3
Nomination meeting attendance %	—	90	93	100	93
<b>Sustainability governance</b>					
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 ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	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 <a href="#">THSI inclusion</a> , 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. <a href="#">SETTHSI Index</a> 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.																				
<b>CG Score</b> 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%).																				
<b>AGM level</b> 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&amp;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.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainabilitys</a>	The Sustainabilitys' 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 &amp; 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+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></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><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities																			
<b>AA</b>	7.143-8.570																					
<b>A</b>	5.714-7.142																					
<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers																			
<b>BB</b>	2.857-4.285																					
<b>B</b>	1.429-2.856																					
<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	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.																					
<b>Bloomberg</b>	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

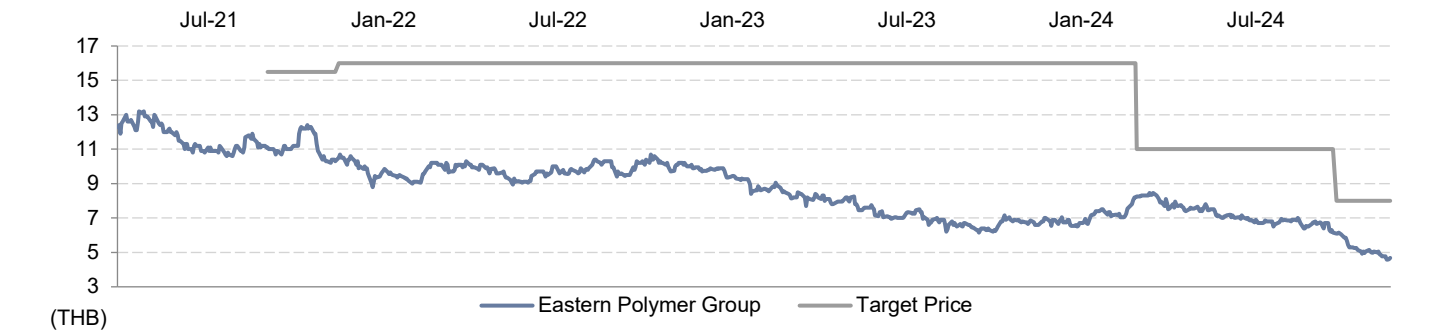
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

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
07-Dec-2021	BUY	15.50	21-Dec-2023	BUY	11.00	-	-	-
04-Feb-2022	BUY	16.00	07-Jun-2024	BUY	8.00			

Jitra Amornthum started covering this stock from 29-May-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Eastern Polymer Group	EPG TB	THB 4.68	BUY	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.

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 26-Jul-2024 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.