

# EASTERN POLYMER GROUP

## THAILAND / CONSTRUCT

## EPG TB

# BUY

UNCHANGED

### ค่าใช้จ่าย ECL และ SG&A ที่สูงต่อเนื่องยังคงกดดัน

- ค่าใช้จ่าย ECL ที่ยังคงเกิดขึ้นและค่าใช้จ่าย SG&A ที่สูงจาก TJM ยังคงเป็นภาระ
- ปรับลดประมาณการและราคาเป้าหมายจากการฟื้นตัวที่ช้ากว่าคาด
- คงคำแนะนำ "ซื้อ" จาก Valuations ที่ถูกใกล้เคียงกับช่วงโควิด ในขณะที่กำไรสูงกว่าช่วงดังกล่าวราว 30%

TARGET PRICE	THB5.30
CLOSE	THB3.56
UP/DOWNSIDE	+48.9%
PRIOR TP	THB6.00
CHANGE IN TP	-11.7%
TP vs CONSENSUS	-0.9%

### KEY STOCK DATA

YE Nov (THB m)	2024	2025E	2026E	2027E
Revenue	13,227	14,491	15,248	15,990
Net profit	1,187	924	1,494	1,733
EPS (THB)	0.42	0.33	0.53	0.62
vs Consensus (%)	-	(21.1)	(1.3)	48.3
EBITDA	2,202	2,322	2,542	2,819
Recurring net profit	1,438	1,318	1,494	1,733
Core EPS (THB)	0.51	0.47	0.53	0.62
Chg. In EPS est. (%)	-	(7.3)	(4.5)	1.5
EPS growth (%)	17.7	(8.4)	13.4	16.0
Core P/E (x)	6.9	7.6	6.7	5.8
Dividend yield (%)	6.2	4.6	7.5	8.7
EV/EBITDA (x)	6.1	6.0	5.4	4.8
Price/book (x)	0.8	0.8	0.7	0.7
Net debt/Equity (%)	27.1	30.1	27.4	25.1
ROE (%)	11.8	10.4	11.3	12.5

### ค่าใช้จ่าย ECL ที่ยังไม่จบและค่าใช้จ่าย SG&A ที่สูงยังจุดผลประกอบการ

ราคา EPG มีกำไรสุทธิ 234.2 ล้านบาทใน 3QFY25 (ต.ค.-ธ.ค. 2024) ฟื้นตัว 79.8% q-q จากไตรมาสก่อนหน้าที่ถูกกระทบจาก FX loss และการตั้งสำรองผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) รวม 207.4 ล้านบาท อย่างไรก็ตาม กำไรสุทธิในระดับ 200 กว่าล้านบาทต่อไตรมาส ไม่ใช่ระดับที่ดีนัก ในไตรมาสนี้บริษัทยังถูกกระทบจากการตั้ง ECL ซึ่งเรคาดว่าจะมีจำนวน 50 ล้านบาท และ TJM ยังมีค่าใช้จ่าย SG&A ที่สูงและไม่สามารถลดลงได้ ซึ่งเป็นปัญหาเดียวกับ 2 ไตรมาสถัดที่ผ่านมา

### Aeroflex ยังคงเป็นเครื่องยนต์หลักขับเคลื่อนผลการดำเนินงานของ EPG

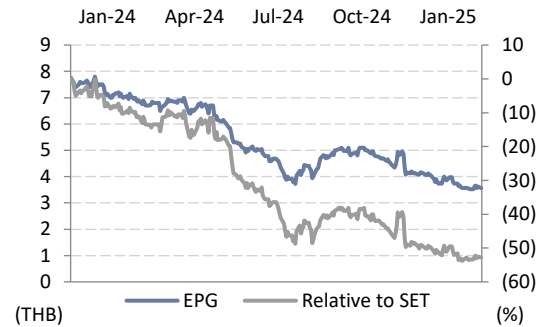
ราคาตราขายได้ใน 3QFY25 -2.6% q-q, +4.1% y-y เป็น 3.5 พันล้านบาท ขับเคลื่อนด้วยธุรกิจจนวนยาง Aeroflex และธุรกิจชิ้นส่วนยานยนต์ Aeroklas ซึ่งได้รับคำสั่งซื้อใหม่ในปีก่อนและรับรายได้เต็มปีในปีนี้ ส่วน Aeroflex ยังคงทำผลงานได้ดีและเป็นเครื่องยนต์หลักหนุนผลประกอบการของ EPG มาโดยตลอดจากตลาดสหรัฐและญี่ปุ่นที่ยังมีอุปสงค์ที่แข็งแกร่ง ประกอบกับการออกผลิตภัณฑ์ใหม่ ๆ ทำให้บริษัทเพิ่มอัตรากำไรขั้นต้นได้ อย่างไรก็ตาม ธุรกิจชิ้นส่วนบรรจุภัณฑ์พลาสติก (EPP) ยังคงเป็นธุรกิจที่ทำหายที่สุด จากการแข่งขันที่มีมาโดยตลอด นอกจากจะเพิ่มยอดขายไม่ได้แล้ว อัตรากำไรขั้นต้นยังลดลง

### ปรับลดประมาณการจากการฟื้นตัวที่ช้ากว่าคาด

สถานการณ์ธุรกิจยานยนต์ในแอฟริกาใต้ทยอยดีขึ้นหลังจากผู้บริหารเข้าไปจัดการอย่างใกล้ชิด แต่แนวโน้ม ECL ที่ยังมีอยู่ในไตรมาส 4QFY25 และค่าใช้จ่าย SG&A ที่สูงของ TJM และยังไม่เห็นทางที่จะลดลงได้ง่าย ทำให้เราปรับลดประมาณการกำไรสุทธิปี FY2025 และ FY2026 ลง 24% และ 5% ตามลำดับ โดยเราปรับเพิ่มรายได้รวม แต่ปรับลดอัตรากำไรขั้นต้นของ EPP และปรับเพิ่ม SG&A ทำให้คาดการณ์กำไรสุทธิปี FY2025 -22.2% y-y ก่อนจะฟื้น 61.8% y-y ในปี FY2026 จากฐานต่ำในปีก่อนหน้า (ส่วนกำไรปกติ ราคา -8.4% y-y และ +13.4% y-y FY2025-26 ตามลำดับ)

### ปรับลดราคาเป้าหมายเป็น 5.30 บาท แต่คงคำแนะนำ "ซื้อ" จาก Valuations ที่ถูก

จากการปรับลดประมาณการและกำไรที่เติบโตช้าลง เราปรับราคาเป้าหมายลงเป็น 5.30 บาท อิง 9.5x FY25E EV/EBITDA (-0.5SD ของค่าเฉลี่ย 5 ปี) ลดลงจากเดิมที่อิง 10x FY25E EV/EBITDA อย่างไรก็ตาม ยังคงคำแนะนำซื้อ เพราะ EV/EBITDA ปัจจุบัน -2SD ของค่าเฉลี่ย 5 ปี ต่ำเท่ากับช่วง Covid ทั้งที่กำไรปกติสูงกว่าราว 30%



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.8)	(25.5)	(53.8)
Relative to country (%)	(3.6)	(18.7)	(52.8)
Mkt cap (USD m)	296		
3m avg. daily turnover (USD m)	0.4		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holding Co., Ltd. (60%)		
12m high/low (THB)	7.90/3.52		
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

The ongoing ECL and high SG&A expenses from TJM continue to be a drag. We expect these two items to persist in the next quarter. We revise down our net profit estimates for FY25 and FY26 by 24% and 5%, respectively. We now forecast FY25 net profit to decline by 22.2% y-y before rebounding by 61.8% y-y in FY26. For core profit, we estimate a decrease of 8.4% y-y in FY25, followed by growth of 13.4% y-y in FY26.

Although we cut our TP following the downward revisions, we maintain our BUY rating as the current EV/EBITDA is at -2SD of the five-year average, comparable to levels seen during the Covid period, despite the projected core profit being approximately 30% higher.

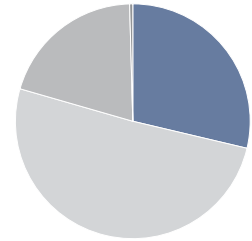
## Company profile

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)

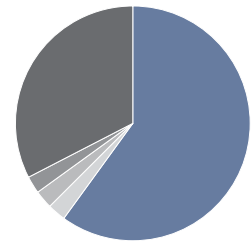
- Aeroflex - 28.7 %
- Aeroklas - 50.8 %
- EPP - 20.1 %
- Other service - 0.4 %



Source: Eastern Polymer Group

## Major shareholders

- Vitoorapakorn Holding Co., Ltd. - 60.0 %
- Thai NVDR - 2.5 %
- Mr. Pawat Vitoorapakorn - 2.5 %
- Mr. 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
13 February 2025	3QFY25 earnings announcement

## Key assumptions

Year to Mar 31	FY25E (%)	FY26E (%)	FY27E (%)
<b>Revenue growth</b>			
AFC - Aeroflex	11.3	6.0	6.0
ARK - Aeroklas	12.1	6.0	5.0
EPP - Eastern Polypack	-1.0	2.5	2.6
<b>Gross margin</b>			
AFC - Aeroflex	50.6	51.2	51.2
ARK - Aeroklas	32.6	32.3	32.3
EPP - Eastern Polypack	10.3	9.0	8.5

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

## The ongoing ECL and high SG&A expenses from TJM still drag

We expect EPG to report a net profit of THB234.2m in 3QFY25 (October–December 2024), representing a recovery of 79.8% q-q from the previous quarter, which was impacted by FX losses and an ECL provision totaling THB207.4m. However, a net profit level of just over THB200m per quarter is not particularly strong. In this quarter, the company continued to be affected by ECL provisions, which we estimate to be around THB50m. Additionally, TJM remains burdened by high SG&A expenses that have yet to be reduced – an ongoing issue from the past two quarters.

We estimate 3QFY25 revenue to be at THB3.5b, a decline of 2.6% q-q but an increase of 4.1% y-y. This growth was driven by the Aeroflex insulation business and the Aeroklas automotive parts business, supported by new orders received last year and full-year revenue recognition in the current year.

Aeroflex continues to perform well and has consistently been the key driver of EPG's performance, benefiting from strong demand in the US and Japanese markets. Additionally, the launch of new products has enabled the company to improve its gross profit margin. We expect its gross margin to remain at 52.1% in 3QFY25, the highest among the three business segments.

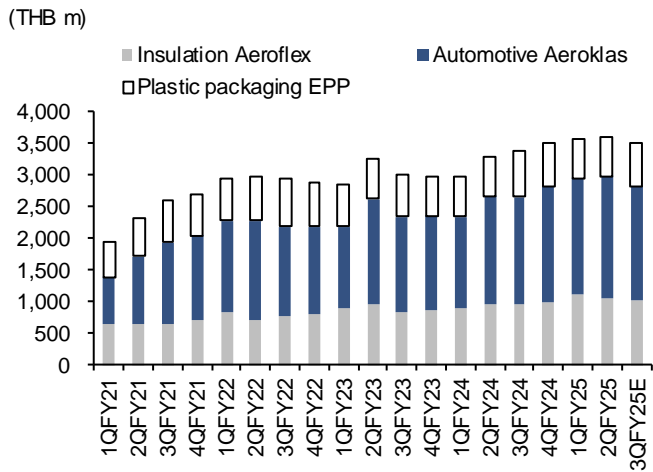
However, the plastic packaging EPP business remains the most challenging segment due to ongoing competition. Not only has it failed to increase sales, we project its gross margin to decline both q-q and y-y.

### Exhibit 1: EPG – 3QFY25 earnings preview

End 31 March	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25E	Change		9MFY24	9MFY25E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	25E
Sales	3,387	3,526	3,590	3,620	3,525	(2.6)	4.1	9,701	10,736	10.7	74.1
Cost of sales	(2,258)	(2,465)	(2,394)	(2,366)	(2,335)	(1.3)	3.4	(6,534)	(7,094)	8.6	74.0
Gross profit	1,129	1,061	1,196	1,255	1,191	(5.1)	5.5	3,168	3,641	15.0	74.2
Operating costs	(795)	(830)	(902)	(947)	(920)	(2.8)	15.8	(2,272)	(2,769)	21.9	74.9
Operating profit	334	230	294	308	271	(12.1)	(19.0)	895	872	(2.6)	71.9
Operating EBITDA	585	496	560	567	537	(5.2)	(8.2)	1,618	1,664	2.8	75.0
Other income	26	12	37	27	24	(10.1)	(9.4)	76	88	14.8	84.0
Interest expense	(38)	(50)	(51)	(60)	(57)	(5.4)	50.4	(145)	(168)	16.1	73.5
Associates	101	110	98	92	70	(24.1)	(30.8)	353	260	(26.4)	74.5
<b>Extraordinary</b>											
FX gain/(loss) & ECL	(110)	(149)	(87)	(207)	(50)	(75.9)	(54.6)	(102)	(344)	<i>nm</i>	
<b>Net profit</b>	<b>297</b>	<b>154</b>	<b>254</b>	<b>130</b>	<b>234</b>	<b>79.8</b>	<b>(21.1)</b>	<b>1,033</b>	<b>618</b>	<b>(40.2)</b>	<b>66.9</b>
<b>Core profit</b>	<b>407</b>	<b>303</b>	<b>340</b>	<b>338</b>	<b>284</b>	<b>(15.8)</b>	<b>(30.2)</b>	<b>1,136</b>	<b>962</b>	<b>(15.3)</b>	<b>73.0</b>
Reported EPS (THB)	0.11	0.05	0.09	0.05	0.08	78.0	(21.1)	0.37	0.22	(39.9)	67.2
Core EPS (THB)	0.15	0.11	0.12	0.12	0.10	(15.8)	(30.2)	0.41	0.34	(15.3)	73.0
<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	33.3	30.1	33.3	34.7	33.8	(0.9)	0.4	32.7	33.9	1.3	
Operating margin	9.9	6.5	8.2	8.5	7.7	(0.8)	(2.2)	9.2	8.1	(1.1)	
EBITDA margin	17.3	14.1	15.6	15.7	15.2	(0.4)	(2.0)	16.7	15.5	(1.2)	
Core profit margin	12.0	8.6	9.5	9.3	8.1	(1.3)	(4.0)	11.7	9.0	(2.7)	
SG&A / Sales	23.5	23.5	25.1	26.2	26.1	(0.1)	2.6	23.4	25.8	2.4	
<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	950	977	1,121	1,046	1,015	(3.0)	6.8	2,819	3,181	12.8	
Aeroklas	1,714	1,853	1,840	1,934	1,809	(6.5)	5.5	4,862	5,583	14.8	
EPP	709	682	616	626	688	10.0	(3.0)	1,977	1,930	(2.4)	
<b>Gross margin by business</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	48.3	45.5	47.0	52.3	52.1	(0.2)	3.8	47.2	50.4	3.2	
Aeroklas	32.9	28.6	33.2	32.3	32.3	0.0	(0.6)	32.2	32.6	0.4	
EPP	13.8	11.1	8.3	11.8	10.0	(1.8)	(3.8)	12.5	10.0	(2.5)	

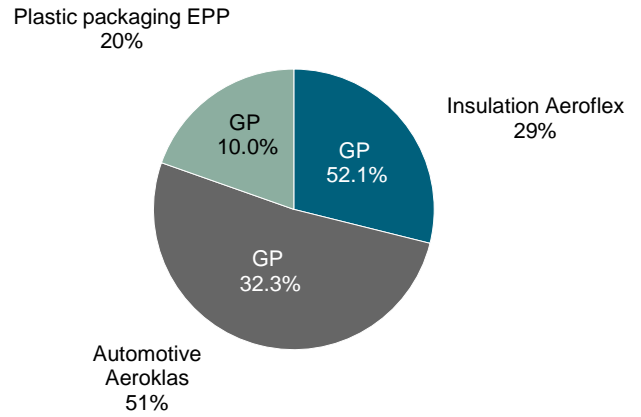
Sources: EPG, FSSIA, estimates

**Exhibit 2: Revenue structure**



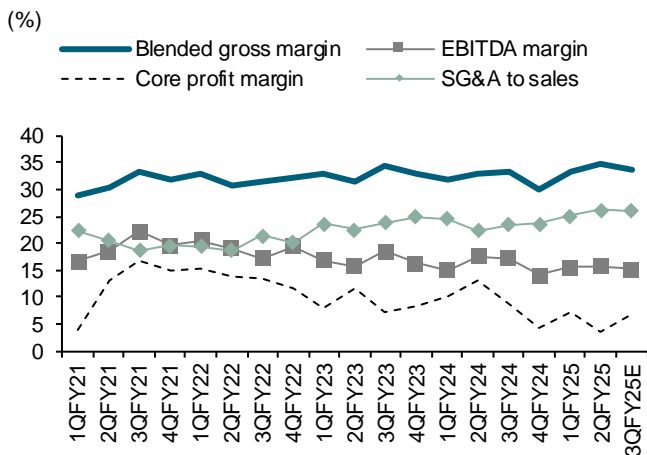
Sources: EPG, FSSIA estimates

**Exhibit 3: Revenue and gross margin in 3QFY25E**



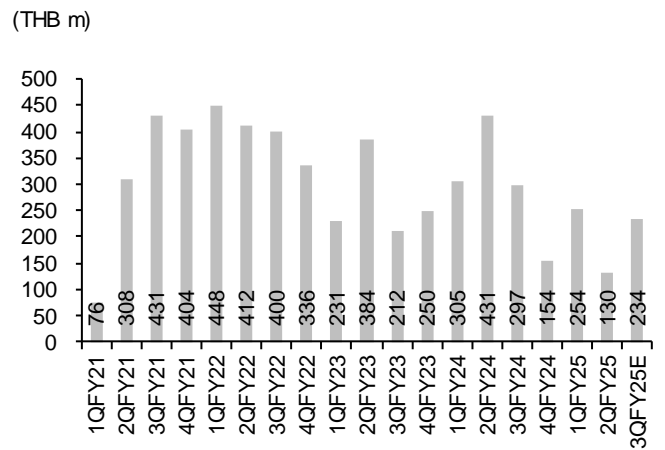
Sources: EPG, FSSIA estimates

**Exhibit 4: Margins**



Sources: EPG, FSSIA estimates

**Exhibit 5: Net profit**



Sources: EPG, FSSIA estimates

## Revising down projections on slower-than-expected recovery

The automotive business situation in South Africa is gradually improving following close management oversight. However, the ongoing ECL trend in 4QFY25 and the persistently high SG&A expenses of TJM, with no clear path to reduction, have prompted us to revise down our net profit estimates for FY25 and FY26 by 24% and 5%, respectively.

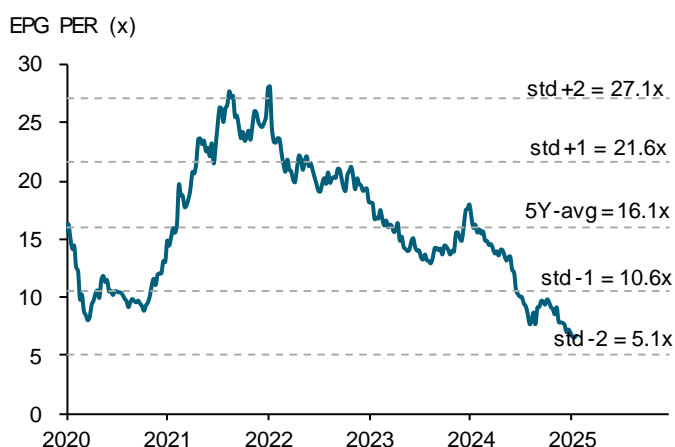
While we have adjusted the total estimated revenue upward, we have lowered our gross margin projection for the EPP business and increased SG&A expenses. As a result, we now forecast FY25 net profit to decline by 22.2% y-y before rebounding by 61.8% y-y in FY26, benefiting from a low base in the prior year. For core profit, we estimate a decrease of 8.4% y-y in FY25, followed by growth of 13.4% y-y in FY26.

### Exhibit 6: 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	14,491	15,248	15,990	13,955	14,770	15,578	3.8	3.2	2.6
AFC - Aeroflex	4,226	4,480	4,749	4,118	4,407	4,715	2.6	1.7	0.7
ARK - Aeroklas	7,528	7,980	8,379	7,051	7,509	7,922	6.8	6.3	5.8
EPP - Eastern Polypack	2,632	2,697	2,768	2,733	2,807	2,891	(3.7)	(3.9)	(4.3)
Cost of goods sold	9,582	10,093	10,574	9,441	9,919	10,386	1.5	1.8	1.8
Gross profit	4,909	5,155	5,416	4,515	4,851	5,192	8.7	6.3	4.3
SG&A	3,695	3,736	3,726	3,238	3,419	3,614	14.1	9.3	3.1
ECL	118	0	0	200	0	0	<i>nm</i>	<i>nm</i>	<i>nm</i>
EBITDA	2,218	2,443	2,724	2,281	2,456	2,612	(2.8)	(0.5)	4.3
Equity income	349	342	335	426	435	439	(18.1)	(21.3)	(23.7)
Core profit	1,318	1,494	1,733	1,422	1,565	1,708	(7.3)	(4.5)	1.5
Net profit	924	1,494	1,733	1,222	1,565	1,708	(24.4)	(4.5)	1.5
<b>Key ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(ppt)</b>
Gross margin	33.9	33.8	33.9	32.4	32.8	33.3	1.5	1.0	0.5
AFC - Aeroflex	50.6	51.2	51.2	46.5	46.7	47.0	4.1	4.5	4.2
ARK - Aeroklas	32.6	32.3	32.3	32.0	32.5	32.9	0.6	(0.2)	(0.6)
EPP - Eastern Polypack	10.3	9.0	8.5	11.7	11.8	12.0	(1.4)	(2.8)	(3.5)
EBITDA margin	15.3	16.0	17.0	16.3	16.6	16.8	(1.0)	(0.6)	0.3
Core profit margin	9.1	9.8	10.8	10.2	10.6	11.0	(1.1)	(0.8)	(0.1)
SG&A to Sales	25.5	24.5	23.3	23.2	23.2	23.2	2.3	1.4	0.1

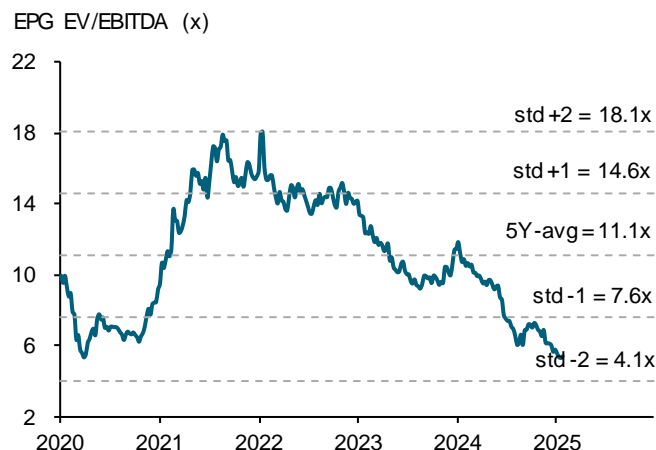
Source: FSSIA estimates

### Exhibit 7: One-year rolling forward P/E band



Sources: Bloomberg, FSSIA estimates

### Exhibit 8: One-year rolling forward EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

## Financial Statements

### Eastern Polymer Group

Profit and Loss (THB m) Year Ending Nov	2023	2024	2025E	2026E	2027E
Revenue	12,125	13,227	14,491	15,248	15,990
Cost of goods sold	(8,134)	(8,999)	(9,582)	(10,093)	(10,574)
<b>Gross profit</b>	<b>3,991</b>	<b>4,228</b>	<b>4,909</b>	<b>5,155</b>	<b>5,416</b>
Other operating income	59	88	104	99	94
Operating costs	(2,872)	(3,102)	(3,695)	(3,736)	(3,726)
<b>Operating EBITDA</b>	<b>2,094</b>	<b>2,202</b>	<b>2,322</b>	<b>2,542</b>	<b>2,819</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>1,318</b>	<b>1,518</b>	<b>1,784</b>
Net financing costs	(101)	(194)	(229)	(224)	(218)
Associates	243	463	349	342	335
Recurring non-operating income	243	463	349	342	335
Non-recurring items	(146)	(251)	(394)	0	0
<b>Profit before tax</b>	<b>1,173</b>	<b>1,232</b>	<b>1,044</b>	<b>1,636</b>	<b>1,902</b>
Tax	(92)	(21)	(109)	(129)	(157)
<b>Profit after tax</b>	<b>1,082</b>	<b>1,211</b>	<b>936</b>	<b>1,507</b>	<b>1,745</b>
Minority interests	(6)	(24)	(12)	(12)	(12)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>1,076</b>	<b>1,187</b>	<b>924</b>	<b>1,494</b>	<b>1,733</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>146</b>	<b>251</b>	<b>394</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,222</b>	<b>1,438</b>	<b>1,318</b>	<b>1,494</b>	<b>1,733</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.44	0.51	0.47	0.53	0.62
Reported EPS	0.38	0.42	0.33	0.53	0.62
DPS	0.28	0.22	0.16	0.27	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	9.6	5.2	4.9
Operating EBITDA (%)	(8.6)	5.1	5.5	9.5	10.9
Operating EBIT (%)	(19.2)	3.0	8.6	15.2	17.5
Recurring EPS (%)	(19.8)	17.7	(8.4)	13.4	16.0
Reported EPS (%)	(32.6)	10.3	(22.2)	61.8	16.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	32.9	32.0	33.9	33.8	33.9
Gross margin exc. depreciation (%)	40.5	39.4	40.8	40.5	40.3
Operating EBITDA margin (%)	17.3	16.6	16.0	16.7	17.6
Operating EBIT margin (%)	9.7	9.2	9.1	10.0	11.2
Net margin (%)	10.1	10.9	9.1	9.8	10.8
Effective tax rate (%)	7.8	1.7	10.4	7.9	8.2
Dividend payout on recurring profit (%)	64.1	42.8	35.1	50.0	50.0
Interest cover (X)	14.0	8.6	7.3	8.3	9.7
Inventory days	178.1	174.1	171.7	175.7	173.3
Debtor days	64.6	64.0	63.9	63.9	63.5
Creditor days	66.2	74.4	74.0	66.1	63.3
Operating ROIC (%)	9.3	9.4	9.8	10.6	(3.0)
ROIC (%)	7.6	8.3	7.9	8.4	(2.3)
ROE (%)	10.3	11.8	10.4	11.3	12.5
ROA (%)	7.5	8.4	7.4	8.0	7.9
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Aeroflex	3,563	3,796	4,226	4,480	4,749
Aeroklas	5,936	6,715	7,528	7,980	8,379
EPP	2,585	2,659	2,632	2,697	2,768
Other service	42	57	105	91	95

Sources: Eastern Polymer Group; FSSIA estimates

## Financial Statements

### Eastern Polymer Group

Cash Flow (THB m) Year Ending Nov	2023	2024	2025E	2026E	2027E
Recurring net profit	1,222	1,438	1,318	1,494	1,733
Depreciation	916	988	1,004	1,024	1,034
Associates & minorities	(243)	(463)	(349)	(342)	(335)
Other non-cash items	(53)	59	(932)	(443)	(545)
Change in working capital	(626)	(227)	(1,117)	(610)	(710)
<b>Cash flow from operations</b>	<b>1,217</b>	<b>1,795</b>	<b>(76)</b>	<b>1,124</b>	<b>1,176</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)	91	(160)	(150)
<b>Cash flow from investing</b>	<b>(1,715)</b>	<b>(666)</b>	<b>(3)</b>	<b>(234)</b>	<b>(194)</b>
Dividends paid	(840)	(728)	(462)	(747)	(866)
Equity finance	0	0	0	0	0
Debt finance	1,422	(339)	845	(353)	(36)
Other financing cash flows	0	0	0	0	0
<b>Cash flow from financing</b>	<b>582</b>	<b>(1,067)</b>	<b>383</b>	<b>(1,101)</b>	<b>(902)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	129	229	0	0	0
<b>Net other adjustments</b>	<b>129</b>	<b>229</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>213</b>	<b>291</b>	<b>303</b>	<b>(211)</b>	<b>80</b>
Free cash flow to firm (FCFF)	(397.12)	1,323.18	149.32	1,113.77	1,199.72
Free cash flow to equity (FCFE)	1,052.51	1,018.64	765.22	536.14	946.18

#### Per share (THB)

FCFF per share	(0.14)	0.47	0.05	0.40	0.43
FCFE per share	0.38	0.36	0.27	0.19	0.34
Recurring cash flow per share	0.66	0.72	0.37	0.62	0.67

Balance Sheet (THB m) Year Ending Nov	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	1,707	1,496	1,576
A/C receivable	2,184	2,451	2,620	2,715	2,848
Inventories	3,851	3,791	4,279	4,452	4,606
Other current assets	105	131	145	152	160
<b>Current assets</b>	<b>7,252</b>	<b>7,778</b>	<b>8,752</b>	<b>8,816</b>	<b>9,190</b>
Other assets	1,215	1,569	1,489	1,520	1,550
<b>Total assets</b>	<b>18,543</b>	<b>19,801</b>	<b>20,877</b>	<b>21,196</b>	<b>21,793</b>
Common equity	11,876	12,436	12,884	13,532	14,198
Minorities etc.	32	53	56	57	59
<b>Total shareholders' equity</b>	<b>11,908</b>	<b>12,489</b>	<b>12,940</b>	<b>13,589</b>	<b>14,257</b>
Long term debt	2,969	2,990	3,715	3,369	2,749
Other long-term liabilities	536	590	623	640	640
<b>Long-term liabilities</b>	<b>3,506</b>	<b>3,580</b>	<b>4,338</b>	<b>4,009</b>	<b>3,389</b>
A/C payable	1,415	1,850	1,628	1,659	1,651
Short term debt	1,658	1,803	1,892	1,856	2,409
Other current liabilities	56	79	79	83	87
<b>Current liabilities</b>	<b>3,130</b>	<b>3,732</b>	<b>3,599</b>	<b>3,598</b>	<b>4,148</b>
<b>Total liabilities and shareholders' equity</b>	<b>18,543</b>	<b>19,801</b>	<b>20,877</b>	<b>21,196</b>	<b>21,793</b>
Net working capital	4,667	4,446	5,338	5,578	5,876
Invested capital	15,958	16,468	17,463	17,957	18,479

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

#### Per share (THB)

Book value per share	4.24	4.44	4.60	4.83	5.07
Tangible book value per share	3.80	3.97	4.13	4.37	4.61

#### Financial strength

Net debt/equity (%)	29.5	27.1	30.1	27.4	25.1
Net debt/total assets (%)	19.0	17.1	18.7	17.6	16.4
Current ratio (x)	2.3	2.1	2.4	2.5	2.2
CF interest cover (x)	18.9	9.3	4.8	3.7	5.6

Valuation	2023	2024	2025E	2026E	2027E
<b>Recurring P/E (x) *</b>	<b>8.2</b>	<b>6.9</b>	<b>7.6</b>	<b>6.7</b>	<b>5.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>12.1</b>	<b>10.3</b>	<b>11.3</b>	<b>9.9</b>	<b>8.6</b>
Reported P/E (x)	9.3	8.4	10.8	6.7	5.8
Dividend yield (%)	7.9	6.2	4.6	7.5	8.7
Price/book (x)	0.8	0.8	0.8	0.7	0.7
Price/tangible book (x)	0.9	0.9	0.9	0.8	0.8
EV/EBITDA (x) **	6.5	6.1	6.0	5.4	4.8
EV/EBITDA @ target price (x) **	8.8	8.3	8.1	7.3	6.6
EV/invested capital (x)	0.8	0.8	0.8	0.8	0.7

\* 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 9: 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 10: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET ESG	SET ESG Rating	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](http://SETTRADE.com); FSSIA's compilation

## Exhibit 11: 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>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>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 12: ESG score by Bloomberg (cont.)**

<b>FY ending Dec 31</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
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 (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.																											
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 <b>SETESG inclusion</b> , 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. <b>SETESG Index</b> is extended from the SET ESG Ratings 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&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.																											
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 Sustainalytics	The Sustainalytics' 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 border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </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 border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>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> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>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> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></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> </tbody> </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
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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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

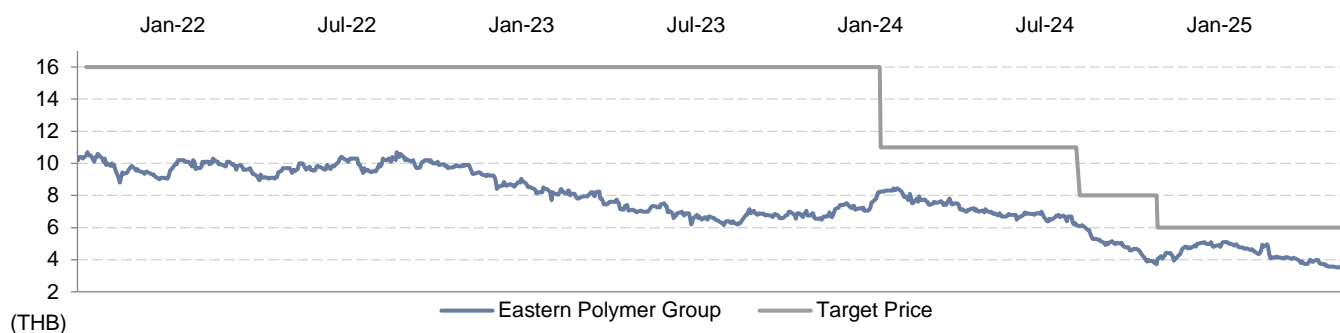
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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

#### Eastern Polymer Group (EPG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Feb-2022	BUY	16.00	07-Jun-2024	BUY	8.00	-	-	-
21-Dec-2023	BUY	11.00	15-Aug-2024	BUY	6.00			

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 3.56	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 27-Jan-2025 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.