

# EASTERN POLYMER GROUP

## THAILAND / CONSTRUCT

## EPG TB

# BUY

UNCHANGED

TARGET PRICE	THB6.00
CLOSE	THB4.60
UP/DOWNSIDE	+30.4%
PRIOR TP	THB6.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+8.7%

### กำไร 2QFY25E ยังถูกกดดันจากรายจ่ายพิเศษ

- คาดการณ์กำไรปกติ q-q จาก low season ในไตรมาสก่อน แต่กำไรสุทธิจะยังถูกกดดันจากรายจ่ายพิเศษ
- สถานการณ์จะทยอยดีขึ้นแม้จะใช้เวลาก็ตาม
- คงคำแนะนำซื้อ จาก Valuations ที่ถูกที่สุดนับตั้งแต่หลังโควิด

### กำไรสุทธิ 2QFY25 จะยังถูกกดดันจากรายจ่ายพิเศษ

แนวโน้มผลการดำเนินงานใน 2QFY25 (ก.ค.-ก.ย. 2024) ยังไม่สดใส แม้ว่ารายได้จะฟื้นตัวอ่อนๆ จากไตรมาสก่อนที่เป็น low season มีวันทำงานน้อย แต่กำไรสุทธิจะถูกกดดันจากการตั้งสำรองผลขาดทุนทางเครดิตของบริษัทร่วมในแอฟริกาใต้ต่อเนื่องจากไตรมาสก่อนแม้สถานการณ์จะทยอยดีขึ้นอย่างต่อเนื่องเป็นค่อยไปแล้วก็ตาม ค่าใช้จ่ายพิเศษในการปิดบริษัทในสหรัฐ และผลขาดทุนจากอัตราแลกเปลี่ยนเงินบาทที่แข็งค่า ทำให้เราคาด EPG มีกำไรสุทธิเพียง 68.4 ล้านบาท -73.0% q-q, -84.1% y-y โดยรวมค่าใช้จ่ายพิเศษซึ่งคาดว่าจะมีจำนวน 290 ล้านบาท

### คาดการณ์กำไรปกติ q-q จาก low season ในไตรมาสก่อน

เราคาดว่ารายได้รวมใน 2QFY25 เพิ่มขึ้น 0.5% q-q และ 8.9% y-y เป็น 3.6 พันล้านบาท โดยหลักยังคงขับเคลื่อนจากธุรกิจจนวน Aeroflex (29% ของรายได้รวม) ที่แม้จะถูกกระทบจากบาทแข็ง แต่อัตรากำไรขั้นต้นมีแนวโน้มดีขึ้นเป็น 50.0% จาก 47.0% ใน 1QFY25 จากการซื้อวัตถุดิบล่วงหน้า ช่วยลดต้นทุน ส่วนธุรกิจชิ้นส่วนยานยนต์ Aeroklas (54% ของรายได้รวม) รายได้ถูกกระทบจากบาทแข็งเช่นกัน และยังคงถูกกดดันจาก TJM ที่ยังมีค่าใช้จ่ายสูง ผลักดันให้ค่าใช้จ่ายขายและบริหารโดยรวมสูงไปด้วย นอกจากนี้ ธุรกิจบรรจุภัณฑ์พลาสติก EPP เริ่มเห็นพัฒนาการที่ดีขึ้นหลังรुकตลาดอุตสาหกรรมมากขึ้น ทำให้สามารถปรับราคาขายขึ้นได้เล็กน้อยตามต้นทุนที่สูงขึ้น โดยรวมเราจึงคาดว่ากำไรปกติ 358.4 ล้านบาท +5.3% q-q, -20.8% y-y

### สถานการณ์จะทยอยดีขึ้นแม้จะใช้เวลาก็ตาม

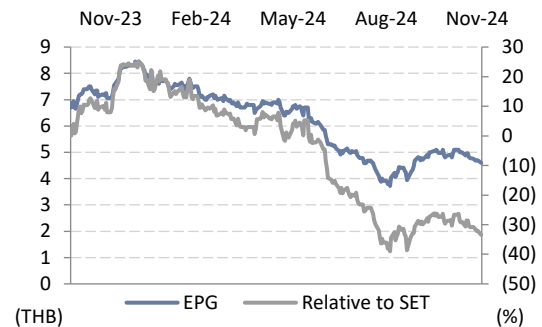
ภาพรวมของกำไรใน 1HFY25 ถูกกดดันจากรายจ่ายของบริษัทย่อยและปัญหา ECL ของบริษัทร่วม แนวโน้มในช่วงที่เหลือของปีคาดว่าจะทยอยดีขึ้นบ้าง หลังจากผู้บริหารได้เข้าไปแก้ปัญหาอย่างใกล้ชิดแต่ยังต้องใช้เวลา หากปัญหาต่างๆได้รับการแก้ไขแล้ว การเติบโตในระยะยาวของ EPG จะน่าสนใจเพราะราว 80% ของรายได้มาจากธุรกิจ Aeroflex และ Aeroklas ซึ่งมีทิศทางดีขึ้น มีเพียงธุรกิจ EPP (20% ของรายได้รวม) ที่ยังเผชิญการแข่งขันสูง

### คงคำแนะนำซื้อ จาก Valuations ที่ถูกที่สุดนับตั้งแต่หลังโควิด

กำไรที่เราคาด 1HFY25 คิดเป็น 49% ของประมาณการทั้งปี เรายังคงประมาณการและราคาเป้าหมาย 6.00 บาทถึง FY25E EV/EBITDA 10x (-0.5SD ของค่าเฉลี่ย 5 ปี) คงคำแนะนำซื้อจาก Valuation ที่ถูก ราคาหุ้นเทรดเพียง -1.5SD ของ P/E และ EV/EBITDA ปี FY25E ถูกที่สุดนับตั้งแต่หลัง Covid-19

### 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 (%)	-	(4.3)	(2.8)	32.6
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)	9.0	9.1	8.2	7.5
Dividend yield (%)	4.8	4.7	6.1	6.6
EV/EBITDA (x)	7.4	7.0	6.4	6.0
Price/book (x)	1.0	1.0	0.9	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 (%)	(5.3)	5.5	(31.3)
Relative to country (%)	(6.6)	(5.3)	(33.4)
Mkt cap (USD m)	382		
3m avg. daily turnover (USD m)	0.7		
Free float (%)	26		
Major shareholder	Vitoorapakorn Holding Co., Ltd. (60%)		
12m high/low (THB)	8.50/3.60		
Issued shares (m)	2,800.00		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

The outlook for EPG's performance in 2QFY25 (July-September 2024) is still not promising. Besides the impact from the strong baht, its net profit should be pressured by the ongoing ECL allowance from its South African JV, even though the situation is gradually improving, and higher expenses from TJM for the US branch's closure.

Excluding the extra expenses of THB290m, we expect a 2QFY25 core profit of THB358.4m (+5.3% q-q, -20.8% y-y). The outlook for the remainder of the year should gradually improve, as management has been actively addressing these issues. We retain our BUY rating on its cheap valuations. EPG's share price trades at only -1.5SD of its FY25E P/E and FY25E EV/EBITDA, the lowest levels post Covid-19.

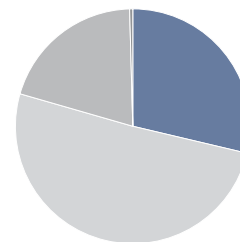
## Company profile

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)

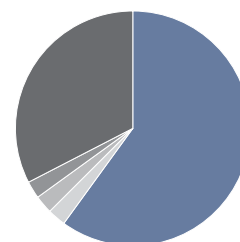
- Aeroflex - 28.7 %
- Aeroklas - 50.8 %
- EPP - 20.1 %
- Other service - 0.4 %



Source: Eastern Polymer Group

## Major shareholders

- Vitoorapakorn Holding Co., Ltd. - 60.0 %
- Thai NVDR - 2.5 %
- Mr. Pawat Vitoorapakorn - 2.5 %
- Mr. Chalio 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
12 November 2024	2QFY25 earnings announcement
26 November 2024	2QFY25 Opportunity Day

## Key assumptions

Year to Mar 31	FY25E (%)	FY26E (%)	FY27E (%)
<b>Revenue growth</b>			
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
<b>Gross margin</b>			
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.

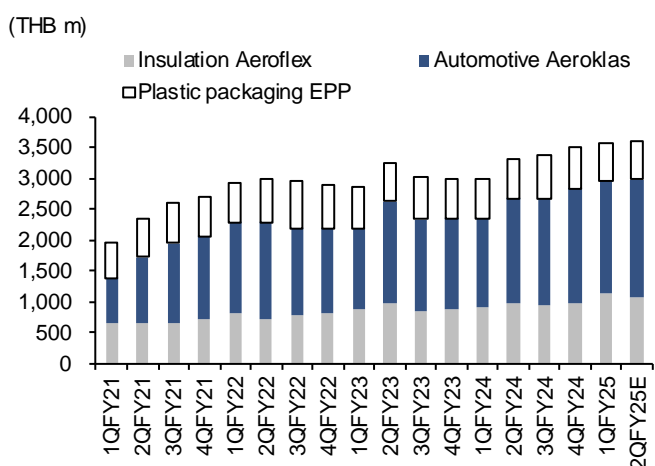
Source: FSSIA estimates

Exhibit 1: EPG – 2QFY25 earnings preview

End 31 March	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25E	Change		1HFY24	1HFY25E	Change	% of
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)	24E
Sales	3,316	3,387	3,526	3,590	3,609	0.5	8.9	6,314	7,199	14.0	51.6
Cost of sales	(2,227)	(2,258)	(2,465)	(2,394)	(2,403)	0.4	7.9	(4,275)	(4,797)	12.2	50.8
Gross profit	1,089	1,129	1,061	1,196	1,207	0.9	10.8	2,038	2,403	17.9	53.2
Operating costs	(743)	(795)	(830)	(902)	(902)	0.0	21.4	(1,477)	(1,804)	22.1	55.7
Operating profit	346	334	230	294	304	3.4	(12.2)	561	597	6.5	46.8
<b>Operating EBITDA</b>	<b>581</b>	<b>585</b>	<b>496</b>	<b>560</b>	<b>570</b>	<b>1.7</b>	<b>(1.9)</b>	<b>1,033</b>	<b>1,130</b>	<b>9.4</b>	<b>49.5</b>
Other income	23	26	12	37	36	(2.5)	54.4	50	73	46.5	80.6
Interest expense	(54)	(38)	(50)	(51)	(48)	(4.6)	(10.7)	(107)	(99)	(7.2)	42.2
Associates	170	101	110	98	98	0.3	(42.4)	252	196	(22.4)	45.9
Extraordinary											
FX gain/(loss) & ECL	(21)	(110)	(149)	(87)	(290)	nm	nm	8	(377)	nm	
<b>Net profit</b>	<b>431</b>	<b>297</b>	<b>154</b>	<b>254</b>	<b>68</b>	<b>(73.0)</b>	<b>(84.1)</b>	<b>736</b>	<b>322</b>	<b>(56.3)</b>	<b>26.4</b>
<b>Core profit</b>	<b>453</b>	<b>407</b>	<b>303</b>	<b>340</b>	<b>358</b>	<b>5.3</b>	<b>(20.8)</b>	<b>729</b>	<b>699</b>	<b>(4.1)</b>	<b>49.1</b>
Reported EPS (THB)	0.15	0.11	0.05	0.09	0.02	(73.1)	(84.1)	0.26	0.12	(56.1)	26.5
Core EPS (THB)	0.16	0.15	0.11	0.12	0.13	5.3	(20.8)	0.26	0.25	(4.1)	49.1
<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	32.8	33.3	30.1	33.3	33.4	0.1	0.6	32.3	33.4	1.1	
Operating margin	10.4	9.9	6.5	8.2	8.4	0.2	(2.0)	8.9	8.3	(0.6)	
EBITDA margin	17.5	17.3	14.1	15.6	15.8	0.2	(1.7)	16.4	15.7	(0.7)	
Core profit margin	13.7	12.0	8.6	9.5	9.9	0.5	(3.7)	11.5	9.7	(1.8)	
SG&A / Sales	22.4	23.5	23.5	25.1	25.0	(0.1)	2.6	23.4	25.1	1.7	
<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	970	950	977	1,121	1,050	(6.3)	8.3	1,869	2,171	16.1	
Aeroklas	1,701	1,714	1,853	1,840	1,923	4.5	13.0	3,148	3,763	19.5	
EPP	629	709	682	616	623	1.2	(0.8)	1,268	1,239	(2.3)	
<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	48.2	48.3	45.5	47.0	50.0	3.0	1.8	46.7	48.5	1.8	
Aeroklas	31.1	32.9	28.6	33.2	32.5	(0.6)	1.4	31.7	32.8	1.1	
EPP	13.1	13.8	11.1	8.3	8.0	(0.3)	(5.1)	11.8	8.1	(3.6)	

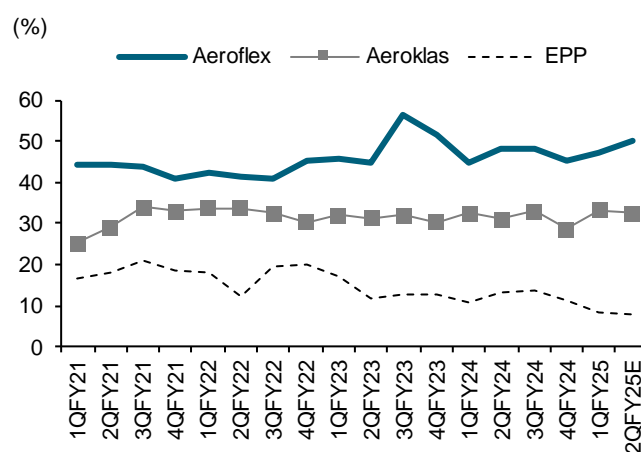
Sources: EPG, FSSIA estimates

Exhibit 2: Revenue structure



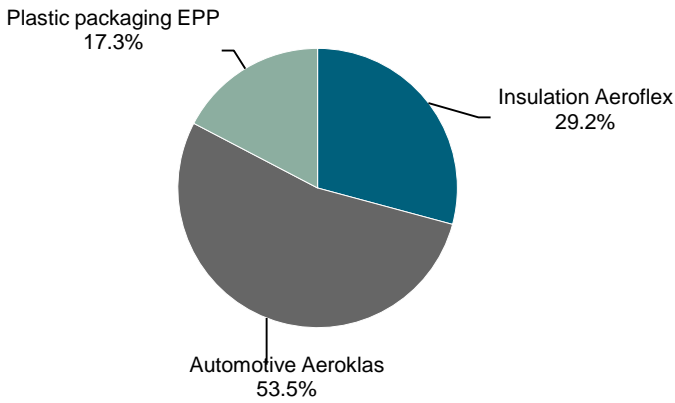
Sources: EPG, FSSIA estimates

Exhibit 3: Gross margins by business



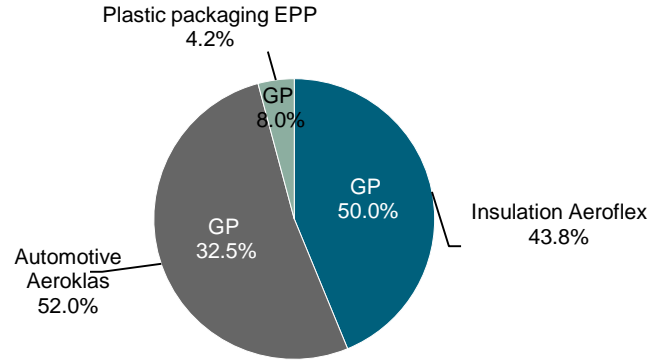
Sources: EPG, FSSIA estimates

**Exhibit 4: Revenue breakdown by business, 2QFY25E**



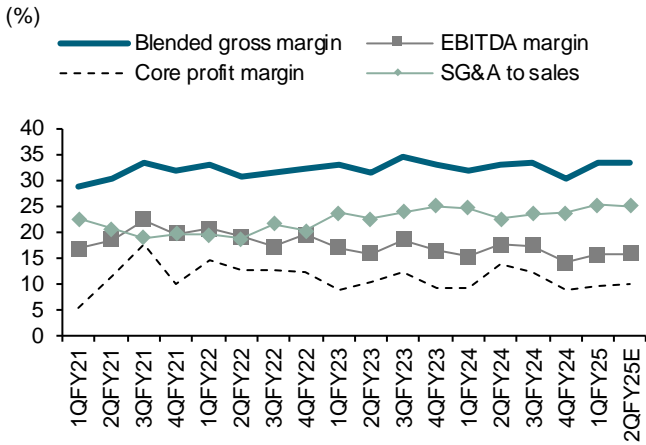
Sources: EPG, FSSIA estimates

**Exhibit 5: Gross margins by business, 2QFY25E**



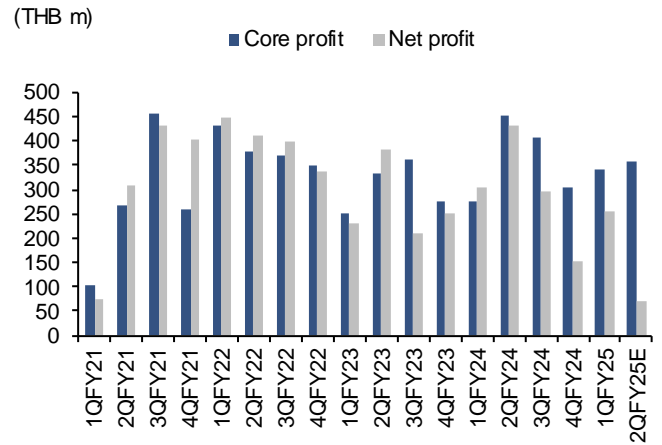
Sources: EPG, FSSIA estimates

**Exhibit 6: Margins**



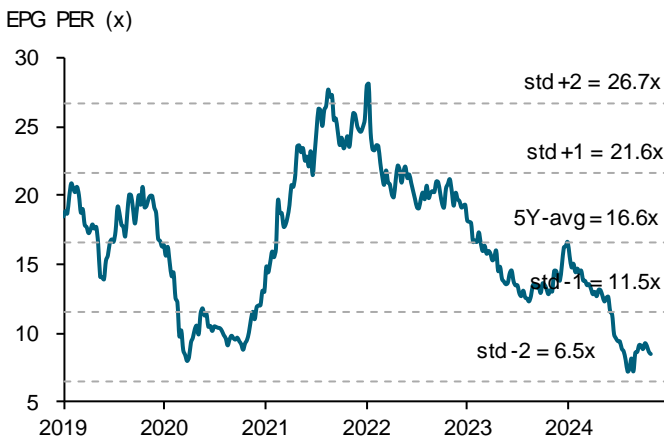
Sources: EPG, FSSIA estimates

**Exhibit 7: Core and net profit**



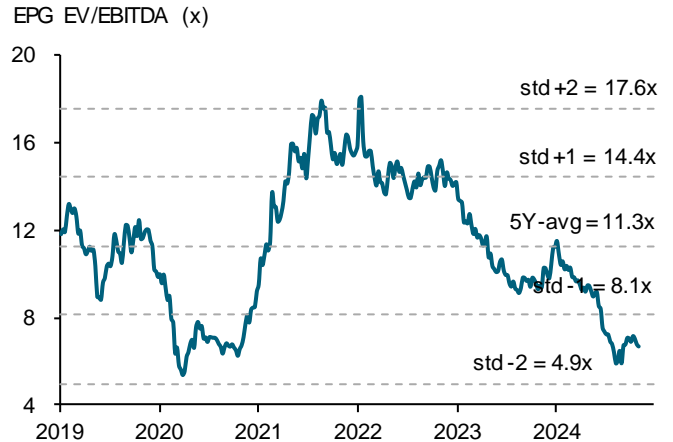
Sources: EPG, FSSIA estimates

**Exhibit 8: One-year rolling forward P/E**



Sources: Bloomberg, FSSIA estimates

**Exhibit 9: 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					
<b>Revenue by Division (THB m)</b>					
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)	2023	2024	2025E	2026E	2027E
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)	2023	2024	2025E	2026E	2027E
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	2023	2024	2025E	2026E	2027E
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>10.5</b>	<b>9.0</b>	<b>9.1</b>	<b>8.2</b>	<b>7.5</b>
<b>Recurring P/E @ target price (x) *</b>	<b>13.7</b>	<b>11.7</b>	<b>11.8</b>	<b>10.7</b>	<b>9.8</b>
Reported P/E (x)	12.0	10.9	10.5	8.2	7.5
Dividend yield (%)	6.1	4.8	4.7	6.1	6.6
Price/book (x)	1.1	1.0	1.0	0.9	0.9
Price/tangible book (x)	1.2	1.2	1.1	1.0	1.0
EV/EBITDA (x) **	7.8	7.4	7.0	6.4	6.0
EV/EBITDA @ target price (x) **	9.7	9.2	8.6	8.0	7.4
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 10: 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 11: 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](http://SETTRADE.com); FSSIA's compilation
**Exhibit 12: 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 13: 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 ( <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 <b>THSI 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>SETTHSI Index</b> 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 (50-59), 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.										
<b>Thai CAC</b> 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 Sustainability</a>	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 &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+								
<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 border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;"> <b>AAA</b> 8.571-10.000  <b>AA</b> 7.143-8.570  <b>A</b> 5.714-7.142  <b>BBB</b> 4.286-5.713  <b>BB</b> 2.857-4.285  <b>B</b> 1.429-2.856  <b>CCC</b> 0.000-1.428                 </td> <td style="vertical-align: top; padding-left: 10px;"> <b>Leader:</b> leading its industry in managing the most significant ESG risks and opportunities   <b>Average:</b> a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers   <b>Laggard:</b> 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>AA</b> 7.143-8.570 <b>A</b> 5.714-7.142 <b>BBB</b> 4.286-5.713 <b>BB</b> 2.857-4.285 <b>B</b> 1.429-2.856 <b>CCC</b> 0.000-1.428	<b>Leader:</b> leading its industry in managing the most significant ESG risks and opportunities  <b>Average:</b> a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers  <b>Laggard:</b> lagging its industry based on its high exposure and failure to manage significant ESG risks									
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<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

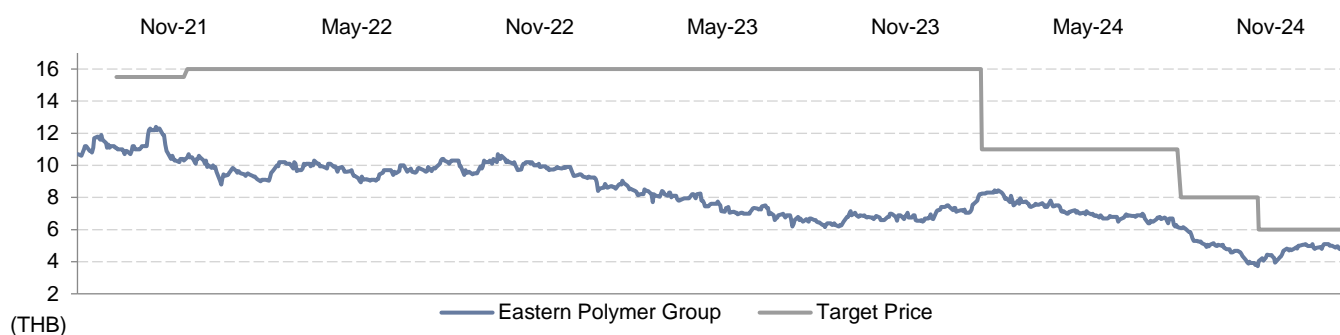
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### History of change in investment rating and/or target price

#### Eastern Polymer Group (EPG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
07-Dec-2021	BUY	15.50	21-Dec-2023	BUY	11.00	15-Aug-2024	BUY	6.00
04-Feb-2022	BUY	16.00	07-Jun-2024	BUY	8.00			

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 4.60	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 04-Nov-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.