

Thai Plaspac

TPAC TB / TPACm.BK

May 14, 2021

Good 1Q21 core profit as expected, but extra expenses hit bottom-line

Core profit in line; bottom-line miss

TPAC reported a 1Q21 net loss of Bt20m, a reversal from the net profits posted for 1Q20 and 4Q20. Stripping out Bt133m in non-recurring tax expenses (tied to amended tax rules related to goodwill in India) and a Bt2m gain on FX, core earnings would be Bt112m, up by 32% YoY and 77% QoQ. While the core profit was in line with our estimate, we had expected the bottom-line to be written in black ink, not red.

Result highlights

The core earnings growth drivers were: 1) a QoQ operational improvement in the Thailand business and 2) a YoY and QoQ better profit at SUNPET (the operating business in India and the UAE). The core EBITDA of the Thailand business was Bt75m, down 26% YoY (a slimmer GM, squeezed by steeply higher feedstock costs) but up 84% QoQ (a fatter GM). The core EBITDA of SUNPET stood at Bt175m, up by 30% YoY and 19% QoQ, driven by greater sales volume and a fatter GM.

Outlook

TPAC's 2Q21 core earnings look set to expand further YoY, buoyed by greater sales volume (stronger demand for packaging across all client types—food & beverage, pharmaceutical & personal care, and home care & industrial) and fatter margin. Core earnings should also rise QoQ, driven by contributions by an asset acquired during the quarter (Combi-Pack, a manufacturer of innovative rigid plastic food packaging in Malaysia; the deal is expected to be sealed by May 31, 2021).

What's changed?

1Q21 core profit represents 25% of our 2021 core earnings forecast of Bt443m, which we maintain unchanged. But we have slashed our net profit projection by 30% to Bt310m to reflect extra expenses booked to the 1Q21 income statement. Our YE21 DCF-derived target price is trimmed to Bt17.90 from Bt18.

Recommendation

Expectations of YoY core earnings growth for 2Q21 and 2021, driven by structurally expanding demand for consumer-linked packaging and acquisitions, should catalyze the share price going forward. Moreover, we expect TPAC to deliver superior EBITDA and earnings growth, as well as margin expansion, through 2023. But the market hasn't yet anticipated or priced that in, we believe.

The stock currently trades at low valuation metrics compared with its peers—a 2021 PER of 16.0x (a 37% discount to the peer mean of 25.6x) and a YE21 PBV of 2.1x (47% below the average peer PBV of 4.0x). TPAC currently trades on the MAI (not the SET), which entails some discount to being SET-listed, but its strong earnings growth profile and scope for upside should eventually narrow the discount gap. Any share price dip resulting from its disappointing 1Q21 bottom-line would open an opportunity to BUY!

Sector: MAI/Industrial
Rating: BUY
Target Price: Bt17.90
Price (May 13, 2021): Bt15.20

Key statistics

Market cap	Bt5.0bn	USD0.2bn
12-mth price range	Bt9.5/Bt17.2	
12-mth avg daily volume	Bt6m	USD0.2m
# of shares (m)	327	
Est. free float (%)	20.4	
Foreign limit (%)	49.0	

Share price perf. (%)	1M	3M	12M
Relative to SET	33.4	18.0	29.4
Absolute	33.3	19.7	49.0

Financial summary

FY Ended 31 Dec	2020	2021E	2022E	2023E
Revenues (Btm)	3,983	5,565	6,429	6,824
Net profit (Btm)	322	310	495	540
EPS (Bt)	0.99	0.95	1.52	1.65
EPS growth (%)	+131.9%	-3.7%	+59.7%	+9.0%
Core profit (Btm)	316	443	495	540
Core EPS (Bt)	0.97	1.36	1.52	1.65
Core EPS growth (%)	+87.4%	+40.4%	+11.7%	+9.0%
PER (x)	11.2	16.0	10.0	9.2
PBV (x)	1.7	2.1	1.8	1.6
Dividend (Bt)	0.3	0.3	0.5	0.5
Dividend yield (%)	2.6	1.9	3.0	3.3
ROE (%)	16.9	14.3	20.0	18.8

CG/Anti-corruption


Suppata Srisuk

Securities Fundamental Investment Analyst

suppata@bualuang.co.th

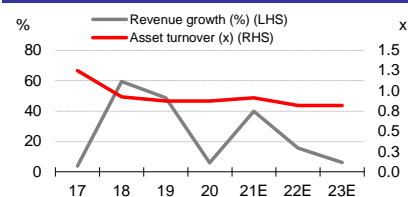
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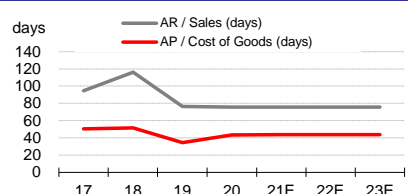
TPAC: Financial Tables – Year

	2019	2020	2021E	2022E	2023E
PROFIT & LOSS (Btm)					
Revenue	3,756	3,983	5,565	6,429	6,824
Cost of sales and services	(3,096)	(3,025)	(4,211)	(4,855)	(5,149)
Gross profit	660	957	1,354	1,573	1,676
SG&A	(410)	(473)	(658)	(757)	(803)
EBIT	249	485	696	817	872
Interest expense	(141)	(105)	(134)	(187)	(187)
Other income/exp.	42	51	56	61	67
EBT	150	430	618	691	753
Corporate tax	9	(83)	(119)	(133)	(145)
After-tax net profit (loss)	159	347	499	558	608
Minority interest	(24)	(31)	(56)	(63)	(68)
Equity earnings from affiliates	0	0	0	0	0
Extra items	4	6	(133)	0	0
Net profit (loss)	139	322	310	495	540
Reported EPS	0.53	0.99	0.95	1.52	1.65
Fully diluted EPS	0.43	0.99	0.95	1.52	1.65
Core net profit	134	316	443	495	540
Core EPS	0.52	0.97	1.36	1.52	1.65
EBITDA	580	856	1,088	1,263	1,370
KEY RATIOS					
Revenue growth (%)	48.6	6.0	39.7	15.5	6.2
Gross margin (%)	17.6	24.0	24.3	24.5	24.6
EBITDA margin (%)	15.4	21.5	19.5	19.6	20.1
Operating margin (%)	6.6	12.2	12.5	12.7	12.8
Net margin (%)	3.7	8.1	5.6	7.7	7.9
Core profit margin (%)	3.6	7.9	8.0	7.7	7.9
ROA (%)	3.2	7.1	5.1	6.3	6.5
ROCE (%)	4.1	8.4	5.7	7.1	7.3
Asset turnover (x)	0.9	0.9	0.9	0.8	0.8
Current ratio (x)	1.5	1.3	0.0	0.0	0.0
Gearing ratio (x)	0.9	1.0	1.9	1.7	1.4
Interest coverage (x)	1.8	4.6	5.2	4.4	4.7
BALANCE SHEET (Btm)					
Cash & Equivalent	35	196	150	151	137
Accounts receivable	784	826	1,154	1,333	1,415
Inventory	287	416	581	671	712
PP&E-net	1,481	1,476	3,061	3,170	3,064
Other assets	1,619	1,686	2,356	2,722	2,889
Total assets	4,387	4,723	7,474	8,246	8,429
Accounts payable	293	359	502	579	615
ST debts & current portion	566	764	1,087	1,299	1,155
Long-term debt	1,076	1,264	3,246	3,279	3,157
Other liabilities	578	166	233	269	285
Total liabilities	2,537	2,603	5,138	5,508	5,299
Paid-up capital	327	327	327	327	327
Share premium	1,027	1,027	1,027	1,027	1,027
Retained earnings	665	945	1,160	1,562	1,953
Shareholders equity	1,744	2,062	2,276	2,678	3,070
Minority interests	105	59	60	60	61
Total Liab. & Shareholders' equity	4,387	4,723	7,474	8,246	8,429
CASH FLOW (Btm)					
Net income	163	353	310	495	540
Depreciation and amortization	289	321	336	385	430
Change in working capital	(18)	(96)	(983)	(537)	(246)
FX, non-cash adjustment & others	104	184	0	0	0
Cash flows from operating activities	537	762	(338)	343	724
Capex (Invest)/Divest	(216)	(309)	(1,921)	(494)	(324)
Others	(415)	67	0	0	0
Cash flows from investing activities	(631)	(242)	(1,921)	(494)	(324)
Debt financing (repayment)	(678)	283	2,306	244	(266)
Equity financing	797	0	0	0	0
Dividend payment	0	(41)	(95)	(93)	(149)
Others	(415)	67	0	0	0
Cash flows from financing activities	119	242	2,212	152	(414)
Net change in cash	25	762	(46)	1	(14)
Free cash flow (Btm)	322	453	(2,258)	(151)	400
Key assumptions					
Sales volume (kt)	na	53,484	63,881	72,465	80,280
Overall utilization rate	na	70%	77%	80%	82%

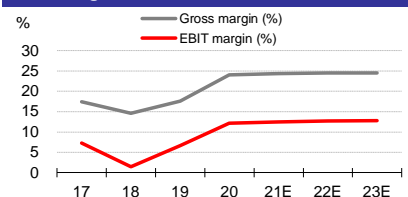
Revenue growth and asset turnover



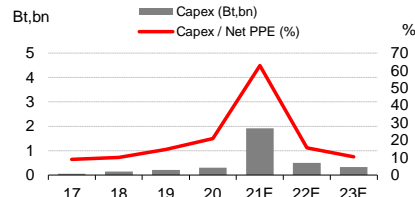
A/C receivable & A/C payable days



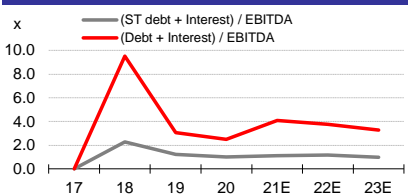
Profit margins



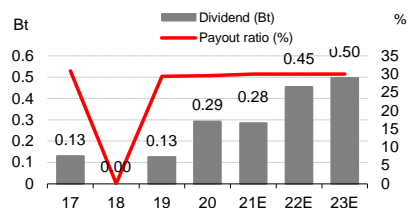
Capital expenditure



Debt serviceability



Dividend payout



TPAC: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	1Q20	2Q20	3Q20	4Q20	1Q21
Revenue	1,039	926	1,036	982	1,089
Cost of sales and services	(787)	(696)	(791)	(752)	(815)
Gross profit	252	230	246	230	274
SG&A	(117)	(105)	(121)	(130)	(120)
EBIT	135	125	125	99	154
Interest expense	(29)	(25)	(25)	(26)	(26)
Other income/exp.	8	14	14	15	13
EBT	114	113	114	88	141
Corporate tax	(21)	(17)	(23)	(22)	(25)
After-tax net profit (loss)	94	96	92	66	116
Minority interest	(9)	(7)	(12)	(3)	(4)
Equity earnings from affiliates	0	0	0	0	0
Extra items	7	(1)	0	0	(132)
Net profit (loss)	91	88	80	63	(20)
Reported EPS	0.28	0.27	0.24	0.19	(0.06)
Fully diluted EPS	0.28	0.27	0.24	0.19	(0.06)
Core net profit	84	89	80	63	112
Core EPS	0.26	0.27	0.24	0.19	0.34
EBITDA	220	204	207	175	237

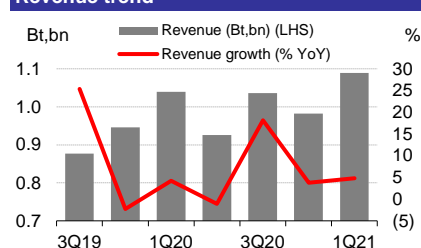
KEY RATIOS

Gross margin (%)	24.3	24.8	23.7	23.4	25.1
EBITDA margin (%)	21.2	22.0	19.9	17.8	21.8
Operating margin (%)	13.0	13.5	12.1	10.1	14.1
Net margin (%)	8.8	9.5	7.7	6.5	(1.8)
Core profit margin (%)	8.1	9.6	7.7	6.4	10.2
BV (Bt)	6.3	6.1	6.7	6.5	6.8
ROE (%)	19.6	18.3	16.2	12.3	(3.8)
ROA (%)	7.9	7.4	6.7	5.3	(1.7)
Current ratio (x)	1.4	1.4	1.0	1.3	1.4
Gearing ratio (x)	0.9	0.9	0.7	1.0	0.9
Interest coverage (x)	4.7	4.9	5.0	3.8	5.9

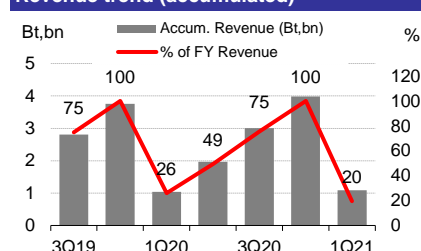
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	183	361	271	196	243
Accounts receivable	864	764	804	826	911
Inventories	329	290	316	416	517
PP&E-net	1,560	1,514	1,549	1,476	1,542
Other assets	1,802	1,720	1,771	1,686	1,736
Total assets	4,782	4,688	4,774	4,723	5,020
Accounts payable	283	338	322	359	344
ST debts & current portion	655	647	625	764	877
Long-term debt	1,118	1,054	956	1,264	1,191
Other liabilities	634	622	155	166	328
Total liabilities	2,735	2,709	2,591	2,603	2,799
Paid-up capital	327	327	327	327	327
Share premium	1,027	1,027	1,027	1,027	1,027
Retained earnings	756	803	883	945	926
Shareholders' equity	1,968	1,877	2,062	2,062	2,155
Minority interests	79	102	121	59	66
Total Liab.&Shareholders' equity	4,782	4,688	4,774	4,724	5,020

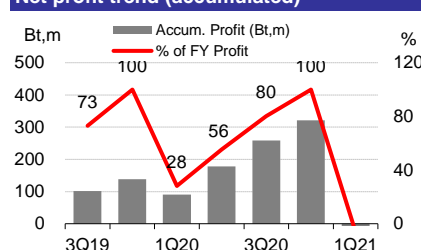
Revenue trend



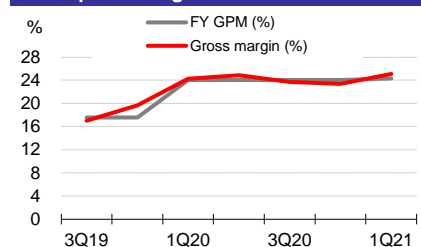
Revenue trend (accumulated)



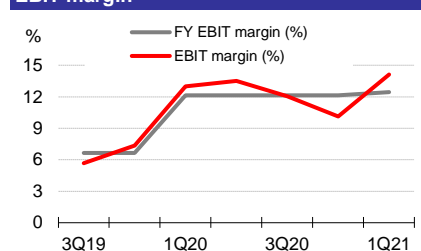
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Company profile

Thai Plaspac Plc (TPAC) designs and manufactures rigid plastic packaging for clients in the food & beverage, FMCG, pharmaceutical, personal hygiene, and homeware industries. TPAC's packaging solutions use a selected range of plastic polymers that are all recyclable and/or made from recycled materials. It has a total of 10 production facilities in four countries—Thailand (4), India (5), and the United Arab Emirates (1).

Figure 1 : 1Q21 results

FY Ended 31 Dec (Btm)	1Q21	1Q20	YoY %	4Q20	QoQ %	3M21	3M20	YoY %	3M21 vs. FY21E
Income Statement									
Revenue	1,089	1,039	5	982	11	1,089	1,039	5	20
Cost of sales and services	(815)	(787)	4	(752)	8	(815)	(787)	4	19
EBITDA	237	220	8	175	36	237	220	8	22
SG&A	(120)	(117)	2	(130)	(8)	(120)	(117)	2	18
EBIT	154	135	14	99	55	154	135	14	22
Interest expense	(26)	(29)	(10)	(26)	(1)	(26)	(29)	(10)	19
Other income/exp.	13	8	60	15	(12)	13	8	60	23
Equity earnings from affiliates	0	0	0	0	0	0	0	0	n.m.
Extra items	(132)	7	nm	0	nm	(132)	7	nm	99
EBT	141	114	23	88	60	141	114	23	23
Corporate tax	(25)	(21)	22	(22)	13	(25)	(21)	22	21
Minority interest	(4)	(9)	(56)	(3)	54	(4)	(9)	(56)	7
Net profit (loss)	(20)	91	nm	63	nm	(20)	91	nm	(7)
Reported EPS	(0.06)	0.28	nm	0.19	nm	(0.06)	0.28	nm	(7)
Core net profit	112	84	32	63	77	112	84	32	25
Key ratios									
Gross margin (%)	25.1	24.3		23.4		25.1	24.3		
EBITDA margin (%)	21.8	21.2		17.8		21.8	21.2		
EBIT margin (%)	14.1	13.0		10.1		14.1	13.0		
SG&A / Revenue (%)	11.0	11.3		13.2		11.0	11.3		
Tax rate (%)	17.9	18.1		25.4		17.9	18.1		
Net margin (%)	(1.8)	8.8		6.5		(1.8)	8.8		
Interest coverage (x)	5.9	4.7		3.8		5.9	4.7		
Balance Sheet									
Cash & Equivalent	243	183	33	196	24				
Total assets	5,020	4,782	5	4,723	6				
ST debts & current portion	877	655	34	764	15				
Long-term debt	1,191	1,118	7	1,264	(6)				
Total liabilities	2,799	2,735	2	2,603	8				
Retained earnings	926	756	23	945	(2)				
Shareholders equity	2,155	1,968	10	2,062	5				
Minority interests	66	79	(17)	59	12				
BV (Bt)	6.8	6.3	8	6.5	5				

- The YoY revenue growth was driven by higher sales at SUNPET
- The QoQ top-line expansion was boosted by greater sales in Thailand and at SUNPET
- GM expanded YoY and QoQ
- Gain on FX
- Non-recurring tax expenses
- The bottom-line was weaker than we had modeled—a loss; we had expected black ink
- The core profit was in line with our projection

Source: Bualuang Research estimates

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
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CKP	STA	BGRIM	GULF	MTC	AWC	TCAP	CRC	CPF	CPN	HANA	HIMPRO	I/L	OSP	SAWAD
THANI	BANPU	BCH	BTS	CK	SCC	STEC	TISCO	TRUE	TU	INTUCH	RATCH	VGI	PRM	SCGP
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CG Rating

Score Range	Score Range	Description
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80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

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NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

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