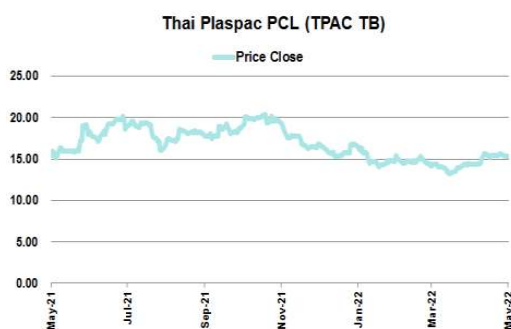


Strong Plastic Designer To Capture Future Trends



Source: Bloomberg

Stock Profile

Bloomberg Ticker	TPAC TB
Avg Turnover (THB/USD)	2.0m/0.1m
Net Gearing (%)	171
Market Cap (THBm)	4,996.0m
Beta (x)	0.13
BVPS (THB)	6.47
52-wk Price low/high (MYR)	12.90 – 20.80
Free float (%)	21.59

Major Shareholders (%)

Anuj Lohia	69.66
Eakawut Nuengchamnonng	6.92

Share Performance (%)

	1m	3m	6m	12m
Absolute	5.52	0.66	(20.73)	(0.65)
Relative	10.22	6.32	(19.19)	(2.02)

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Investment Merits

- Better positive outlook on FMCG consumption in 2022
- Segment market leader positions in Thailand, India, the UAE, and Malaysia
- Acquisition of potential polymer business in India
- Cheap Valuation stock

Company Profile

Thai Plaspac is a designer and manufacturer of rigid plastic packaging for fast-moving consumer goods (FMCG) and pharmaceutical applications. TPAC partners with brands to create sustainable quality and technically optimised packaging. Its specialty focus is FMCG and pharmaceutical rigid plastic packaging. For over three decades, TPAC has worked with some of the world's most leading brands as their end-to-end packaging partner. Its team of technical experts carefully evaluates a products' technical design, engineering, and sustainability considerations before applying the right technologies for the most efficient production possible. Its packaging solutions are all recyclable and/or made from recycled material. TPAC has production facilities in Thailand, India, the United Arab Emirates (UAE), and Malaysia. The company has since transformed itself into a global entity with more than 17 manufacturing sites across four countries (including those under construction and acquisition). TPAC is run by professionals with an independent board. It also has global leadership at corporate and business unit levels – well supported by a talent pool of c.3,000 employees.

Highlights

Better positive outlook in 2022. We have a more positive view on TPAC's post-pandemic recovery. Plastic packaging demand is likely to improve after world consumption recovers and export activities increase. The company is expected to do better after this recovery and post a price adjustment to reflect higher raw material and transportation costs. THB depreciation will also help support its overseas business, in our view.

Market leader in various segments and markets. TPAC is in a market leadership position across various niche markets and segments: i) Rigid food and pharmaceutical packaging in Thailand, the UAE, and India; and ii) rigid in-mould labelled or IML food packaging in Malaysia. The company's production facilities are certified with world-class hygiene controls, given that c.90% of its portfolio caters to segments where stringent hygiene standards are a requisite, ie F&B and pharmaceuticals & personal care. The remainder of products portfolio service the home care and industrial segments.

Acquiring a polymer business in India. TPAC Packaging India has

entered into definitive agreements to acquire the business undertakings of Skypet Polymers on 31 Dec 2021. This transaction is completed on 1 April 2022. Skypet Polymers has three production sites that will become part of TPAC's assets. Post the transaction, the company will hold 80% of Skypet Polymers with the remaining 20% held by the latter's former founder. This acquisition will absorb the potential and growth of the India polymer market business, in our view.

Expecting 1Q22 results to temporarily soften, but recover in 2H22.

We anticipate TPAC to likely see lower core earnings in 1Q22 due to the Omicron situation. Product margins are also likely to reduce due to pressure from hiking oil prices. However, this is expected to be alleviated by the opening of Thai economy and demand recovery in India. Due to its specific products and design, TPAC is likely to adjust its selling prices, but this may take time, ie 2-3 months. However, product spreads should be better after prices are adjusted in 2H22.

Company Report Card

Results highlight. TPAC posted a strong 4Q21 net profit of THB72m (+13% YoY, +43% QoQ). Normalised profit stood at THB72m (+15% YoY, +32% QoQ). The factors that support strong profits are: i) Domestic earnings improving as the pandemic in Thailand improves; ii) earnings abroad in the UAE, India, and Malaysia are also improving on better demand, more value-add products, and cost management; iii) SG&A decreased as SG&A/sales dropped to 9.1% from 13.2% in 4Q20 and 10.6% in 3Q21; and iv) a lower tax rate (down to 22.5% from 24% in 3Q21).

Dividends. TPAC declared a dividend for 2021 of THB0.141 per share, ie a yield of 1% (the ex-dividend date was on 9 May and it will pay dividends on 20 May). While the dividend was not so high, the company plans to increase growth via M&A in future.

Management. Kevin Kumar Sharma is TPAC's Group Chief Executive Officer while Theerawit Busayapoka is the Chief Executive Officer of its Thailand business. Management has long-term experience of c.30 years in the plastic packaging products segment.

Investment Case

TPAC can perform well in 4Q21, unlike most Thai companies that faced difficulties given the obstacle that was/is COVID-19. Street still sees the company as a cheap valuation stock that is trading at approximately 12-13x 2022F P/E, which is below the historical average of 20x. The range for TPAC's suitable price should be THB17.00-18.00 based on conservative P/E of 14-15x.

Key risks include volatility of raw material costs and a possible pandemic spread that could adversely affect demand and supply.

Profit & Loss	Dec-19	Dec-20	Dec-21
Total turnover (THBm)	3,756	3,983	5,194
Reported net profit (THBm)	163	353	175
Recurring net profit (THBm)	159	347	179
Recurring net profit growth (%)	619%	117%	-50%
Recurring EPS (THB)	0.49	1.06	0.55
DPS (THB)	0.13	0.29	0.14
Dividend Yield (%)	1%	2%	1%
Recurring P/E (x)	31.7	14.5	28.2
Return on average equity (%)	9%	17%	7%
P/B (x)	2.9	2.4	2.4
P/CF (x)	9.4	6.6	6.9

Source: Company data, RHB

Balance Sheet (THBm)	Dec-19	Dec-20	Dec-21
Total current assets	1,288	1,561	2,311
Total assets	4,387	4,723	7,127
Total current liabilities	883	1,172	1,762
Total non-current liabilities	1,654	1,430	2,881
Total liabilities	2,537	2,603	4,643
Shareholder's equity	1,849	2,121	2,484
Minority interest	105	59	370
Other equity	(274)	(237)	46
Total liabilities & equity	4,387	4,723	7,127
Total debt	1,809	2,766	2,731
Net debt	1,718	2,570	2,338

Source: Company data, RHB

Cash Flow (THBm)	Dec-19	Dec-20	Dec-21
Cash flow from operations	537	761	724
Cash flow from investing activities	(631)	(242)	(1,157)
Cash flow from financing activities	119	(359)	631
Cash at beginning of period	64	35	195
Net change in cash	(29)	160	198
Ending balance cash	35	195	393

Source: Company data, RHB