

Thai Plaspack

TPAC TB / TPAC.BK

Promising prospects both in short and long-term

Expectations of core earnings growth in 3Q23 should catalyze the share price going forward. Also, fast-growing demand and acquisitions set the scene for sustained long-term profit growth and provide scope for upside to our forecasts and valuation.

Core earnings expansion expected for 3Q23

TPAC's 3Q23 core profit looks set to rise YoY and QoQ, driven by greater sales volume and a fatter GM. Broad demand improvement across all countries that the firm operates in (India, Thailand, Malaysia, and UAE) will boost the firm's sales volume YoY. Moreover, the sales volume will tend to increase QoQ in 3Q23, as the second quarter experienced seasonally low demand in India and there were long holidays in Malaysia and UAE in 2Q23. From the margin perspective, higher sales volume, product mix rationalization, and easing cost pressures should fatten GM both YoY and QoQ in 3Q23.

Strategic focus on high growth geographies

The company is strategically focused on three geographies with high growth potential—Africa & Middle East (AMEA), India, and ASEAN. According to IMF, the GDP growth of these three geographies in 2024 are projected to outperform the world GDP growth with 4.1% growth for Africa, 3.2% growth for Middle East, 6.3% for India, and 4.5% for ASEAN, against 3.0% worldwide. Moreover, these three geographies have an aggregate population of around 3.7bn people, presenting a huge market opportunity. And the plastic consumption of these three geographies looks set to increase substantially in the foreseeable future.

The plastic consumption of Africa and Middle East is forecast to increase by 6.5 times and 3.5 times, respectively, during 2019-2060. Meanwhile, the plastic consumption of India and ASEAN is projected to rise by 5.5 times and 3.7 times, respectively, during the same period. TPAC has actively explored M&A opportunities in these geographies and this would provide the scope for earnings upside. Our sensitivity analysis suggests that for every 1% that TPAC's sales exceeds our forecast, its earnings would beat our forecasts by 9% for 2023 and by 8%, on average, for the long-term. In the meantime, for every 0.5% of the firm's GM that is higher than our assumption, its profit would beat our projections by 6% for 2023 and by 4%, on average, for the long-term.

Strong financial position facilitating future investments

Despite a spate of organic and inorganic investments during the past few years, TPAC's financial position remains strong with the net debt/equity ratio of 1x as of end-Jun, well below its debt covenant of 2x. Given that, there is plenty of room for raising more debt to fund the firm's future investments. Our scenario analysis suggests that TPAC still has the debt headroom up to Bt2.6bn to reach its debt covenant.

Sector: Packaging

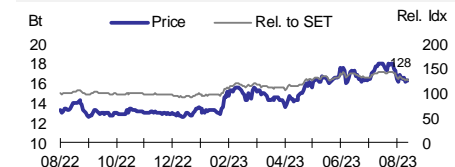
NEUTRAL

Rating: BUY

Target Price: Bt22.00

Price (August 30, 2023): Bt16.40

Price chart

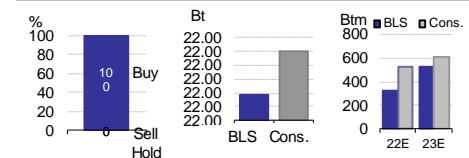


Share price perf. (%)	1M	3M	12M
Relative to SET	(9.2)	(1.6)	26.2
Absolute	(7.9)	1.2	22.4

Key statistics

Market cap	Bt5.4bn	USD0.2bn
12-mth price range	Bt12.5/Bt18.5	
12-mth avg daily volume	Bt2m	USD0.0m
# of shares (m)	327	
Est. free float (%)	21.0	
Foreign limit (%)	100.0	

Consensus rating vs. Consensus earnings



Financial summary

FY Ended 31 Dec	2022	2023E	2024E	2025E
Revenues (Btm)	6,997	7,183	7,665	8,108
Net profit (Btm)	319	522	604	638
EPS (Bt)	0.98	1.60	1.85	1.95
EPS growth (%)	+108.5%	+63.6%	+15.8%	+5.7%
Core profit (Btm)	297	522	604	638
Core EPS (Bt)	0.91	1.60	1.85	1.95
Core EPS growth (%)	+2.7%	+75.7%	+15.8%	+5.7%
PER (x)	14.3	10.3	8.9	8.4
PBV (x)	1.8	1.8	1.5	1.4
Dividend (Bt)	0.3	0.5	0.6	0.6
Dividend yield (%)	2.1	2.9	3.4	3.6
ROE (%)	14.7	21.5	21.1	19.3

CG / CAC Anti-Corruption Certification



Stock Idea Snapshot 

[Read more ..Stock Idea Snapshot \(last page\)](#)

Suppata Srisuk

Securities Fundamental Investment Analyst

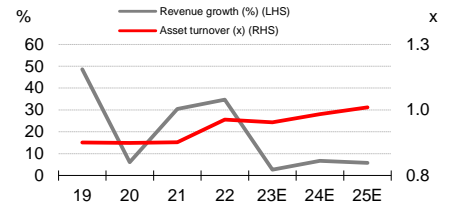
suppata@bualuang.co.th

+66 2 618 1343

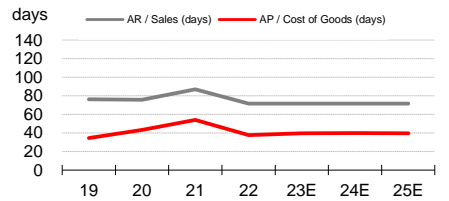
TPAC: Financial Tables – Year

PROFIT & LOSS (Btm)	2021	2022	2023E	2024E	2025E
Revenue	5,194	6,997	7,183	7,665	8,108
Cost of sales and services	(4,190)	(5,841)	(5,714)	(6,060)	(6,438)
Gross profit	1,004	1,156	1,469	1,606	1,669
SG&A	(535)	(669)	(687)	(733)	(775)
EBIT	469	487	782	873	894
Interest expense	(137)	(161)	(158)	(145)	(129)
Other income/exp.	59	77	85	93	103
EBT	390	404	709	821	868
Corporate tax	(78)	(75)	(132)	(153)	(162)
After-tax net profit (loss)	312	328	577	668	706
Minority interest	(22)	(31)	(55)	(64)	(68)
Equity earnings from affiliates	0	0	0	0	0
Extra items	(136)	22	0	0	0
Net profit (loss)	153	319	522	604	638
Reported EPS	0.47	0.98	1.60	1.85	1.95
Fully diluted EPS	0.47	0.98	1.60	1.85	1.95
Core net profit	289	297	522	604	638
Core EPS	0.89	0.91	1.60	1.85	1.95
EBITDA	955	1,047	1,308	1,439	1,499
KEY RATIOS					
Revenue growth (%)	30.4	34.7	2.7	6.7	5.8
Gross margin (%)	19.3	16.5	20.5	20.9	20.6
EBITDA margin (%)	18.4	15.0	18.2	18.8	18.5
Operating margin (%)	9.0	7.0	10.9	11.4	11.0
Net margin (%)	2.9	4.6	7.3	7.9	7.9
Core profit margin (%)	5.6	4.2	7.3	7.9	7.9
ROA (%)	2.6	4.4	6.9	7.8	8.0
ROCE (%)	3.1	5.5	8.8	9.8	10.2
Asset turnover (x)	0.9	1.0	1.0	1.0	1.0
Current ratio (x)	1.3	1.1	1.1	1.1	1.2
Gearing ratio (x)	1.3	1.3	1.0	0.8	0.6
Interest coverage (x)	3.4	3.0	5.0	6.0	6.9
BALANCE SHEET (Btm)					
Cash & Equivalent	394	287	264	250	287
Accounts receivable	1,239	1,373	1,409	1,504	1,591
Inventory	579	536	550	587	621
PP&E-net	2,139	2,342	2,501	2,428	2,326
Other assets	2,677	2,701	2,772	2,959	3,129
Total assets	7,127	7,404	7,667	7,909	8,146
Accounts payable	619	602	618	660	698
ST debts & current portion	1,021	1,377	1,403	1,472	1,535
Long-term debt	2,155	1,898	1,664	1,279	894
Other liabilities	725	867	890	950	1,005
Total liabilities	4,643	4,828	4,661	4,451	4,228
Paid-up capital	327	327	327	327	327
Share premium	1,027	1,027	1,027	1,027	1,027
Retained earnings	714	947	1,373	1,821	2,278
Shareholders equity	2,133	2,210	2,636	3,084	3,541
Minority interests	350	367	370	374	378
Total Liab.&Shareholders' equity	7,127	7,404	7,667	7,909	8,146
CASH FLOW (Btm)					
Net income	153	319	522	604	638
Depreciation and amortization	428	482	441	473	503
Change in working capital	(653)	(95)	(86)	(222)	(204)
FX, non-cash adjustment & others	0	0	0	0	0
Cash flows from operating activities	(72)	706	877	855	937
Capex (Invest)/Divest	(1,091)	(686)	(600)	(400)	(400)
Others	0	0	0	0	0
Cash flows from investing activities	(1,091)	(686)	(600)	(400)	(400)
Debt financing (repayment)	1,149	99	(208)	(316)	(322)
Equity financing	0	0	0	0	0
Dividend payment	(385)	(85)	(96)	(157)	(181)
Others	0	0	0	0	0
Cash flows from financing activities	1,359	(127)	(300)	(469)	(499)
Net change in cash	197	(107)	(23)	(14)	38
Free cash flow (Btm)	(1,162)	21	277	455	537
Key assumptions	2021	2022	2023E	2024E	2025E
Sales volume (kt)	63,881	72,465	70,135	75,125	79,592
Overall utilization rate	77%	70%	72%	73%	74%

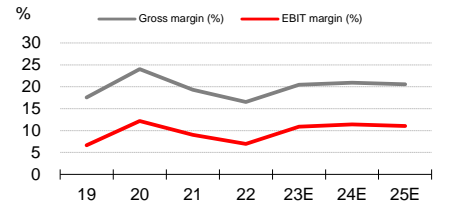
Revenue growth and asset turnover



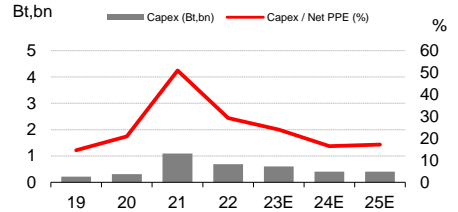
A/C receivable & A/C payable days



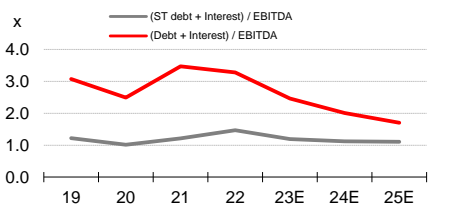
Profit margins



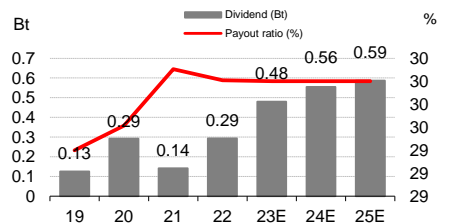
Capital expenditure



Debt serviceability



Dividend payout



TPAC: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	1,790	1,834	1,753	1,749	1,644
Cost of sales and services	(1,538)	(1,528)	(1,426)	(1,383)	(1,299)
Gross profit	252	307	327	365	346
SG&A	(183)	(175)	(160)	(168)	(176)
EBIT	69	132	167	197	170
Interest expense	(43)	(43)	(42)	(40)	(41)
Other income/exp.	26	13	16	28	16
EBT	52	102	141	185	145
Corporate tax	(11)	(19)	(28)	(32)	(23)
After-tax net profit (loss)	42	83	112	153	122
Minority interest	(3)	(11)	(10)	(14)	(11)
Equity earnings from affiliates	0	0	0	0	0
Extra items	7	6	4	(0)	4
Net profit (loss)	46	79	106	139	114
Reported EPS	0.14	0.24	0.33	0.43	0.35
Fully diluted EPS	0.14	0.24	0.33	0.43	0.35
Core net profit	38	73	103	139	111
Core EPS	0.12	0.22	0.31	0.43	0.34
EBITDA	194	253	291	314	292

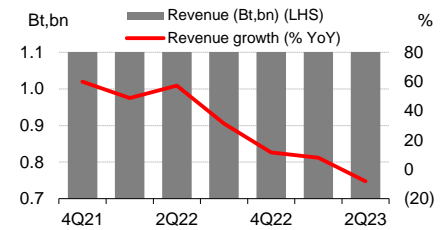
KEY RATIOS

Gross margin (%)	14.1	16.7	18.6	20.9	21.0
EBITDA margin (%)	10.8	13.8	16.6	18.0	17.8
Operating margin (%)	3.9	7.2	9.5	11.3	10.3
Net margin (%)	2.5	4.3	6.1	7.9	7.0
Core profit margin (%)	2.1	4.0	5.9	8.0	6.7
BV (Bt)	7.9	8.6	7.9	8.1	8.5
ROE (%)	8.3	13.5	18.4	24.6	19.3
ROA (%)	2.4	4.0	5.5	7.6	6.3
Current ratio (x)	1.2	1.2	1.1	1.2	1.1
Gearing ratio (x)	1.4	1.3	1.3	1.2	1.1
Interest coverage (x)	1.6	3.1	4.0	4.9	4.2

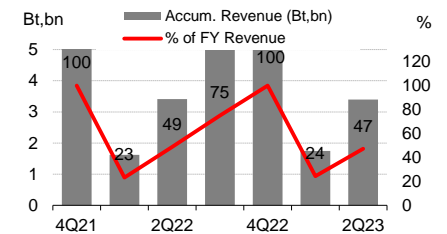
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	195	484	287	206	233
Accounts receivable	1,461	1,498	1,373	1,342	1,347
Inventory	699	580	536	520	525
PP&E-net	2,399	2,502	2,342	2,306	2,422
Other assets	2,872	2,947	2,701	2,645	2,716
Total assets	7,723	8,113	7,404	7,201	7,401
Accounts payable	574	593	602	544	533
ST debts & current portion	1,456	1,590	1,377	1,258	1,407
Long-term debt	2,124	2,107	1,898	1,797	1,717
Other liabilities	908	937	867	861	875
Total liabilities	5,157	5,308	4,828	4,555	4,623
Paid-up capital	327	327	327	327	327
Share premium	1,027	1,027	1,027	1,027	1,027
Retained earnings	750	816	947	1,088	1,106
Shareholders' equity	2,211	2,429	2,210	2,305	2,434
Minority interests	355	376	367	342	344
Total Liab.&Shareholders' equity	7,723	8,113	7,404	7,201	7,401

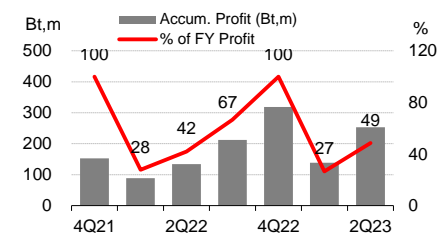
Revenue trend



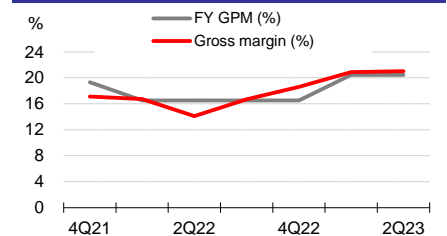
Revenue trend (accumulated)



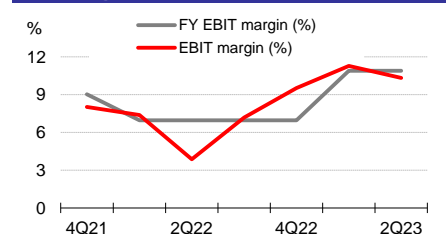
Net profit trend (accumulated)



Gross profit margin



EBIT margin



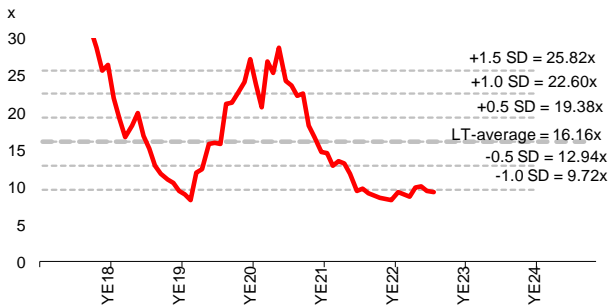
Company profile

Thai Plaspac Plc (TPAC) designs and manufactures rigid plastic packaging for clients in the food & beverage, FMCG, pharmaceutical, personal hygiene, and homecare 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 16 production facilities in four countries—India (9), Thailand (4), Malaysia (1), and the United Arab Emirates (2).

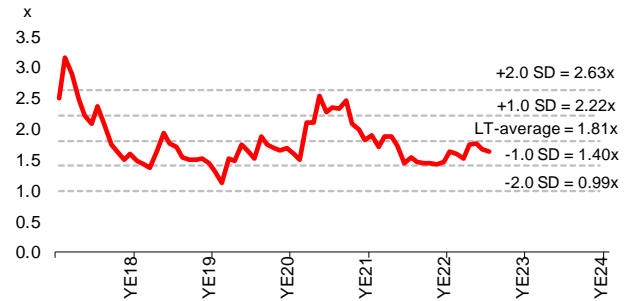
Regional Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Packaging Corp	PKG US	USD149.4	13,433	18.3	19.1	-28.4	-4.5	3.5	3.5	19.3	17.9	3.4	3.4
International Paper	IP US	USD34.8	12,044	15.8	16.6	-43.3	-12.3	1.4	1.5	9.1	9.0	5.3	5.3
Graphic Packaging Holding	GPK US	USD22.4	6,882	7.9	7.8	49.3	4.9	2.4	2.0	34.5	26.9	1.8	5.0
Westrock	WRK US	USD32.5	8,327	11.4	12.5	-278.3	-139.1	0.8	0.8	6.6	6.4	3.4	3.4
Sonoco Products	SON US	USD58.2	5,705	11.1	10.6	-2.1	5.8	2.5	n.a.	22.9	21.8	3.5	3.6
Berry Global Group	BERY US	USD64.9	7,666	8.9	8.3	24.2	7.1	2.4	2.1	25.9	25.9	1.4	1.3
Silgan Holdings	SLGN US	USD45.5	5,006	13.1	12.0	12.2	9.3	2.5	2.2	19.5	18.5	1.5	1.6
Myers Industries	MYE US	USD18.9	694	12.1	10.8	-6.6	15.5	2.4	2.1	20.8	21.0	2.9	2.9
Sealed Air Corp	SEE US	USD36.9	5,330	12.8	11.3	-25.0	21.9	9.3	5.9	90.8	67.6	2.2	2.3
Crown Holding	CCK US	USD92.3	11,140	14.9	12.8	-9.4	20.8	4.6	4.0	30.0	30.2	0.8	0.8
Aptargroup	ATR US	USD132.9	8,723	30.0	27.5	21.1	9.1	n.a.	n.a.	13.3	13.0	1.2	1.3
Winpak	WPK CN	CAD40.6	1,949	12.8	12.9	18.6	-0.3	1.4	1.3	11.4	10.3	0.4	0.4
CCL Industries	CCL/B CN	CAD60.6	7,947	16.3	15.4	5.9	5.5	2.3	2.1	14.9	14.5	1.7	1.9
SCG Packaging	SCGP TB	THB39.25	4,809	30.0	24.8	-3.1	21.0	1.3	1.3	5.7	6.6	1.5	1.8
Starflex	SFLEX TB	THB4.12	93	18.1	13.7	238.0	32.2	3.0	2.6	17.6	20.1	2.5	3.3
Thai Plaspac	TPAC TB	THB16.40	153	10.3	8.9	63.6	15.8	1.8	1.5	21.5	21.1	2.9	3.4
Simple average				15.2	14.1	2.3	0.8	2.8	2.3	22.7	20.7	2.3	2.6

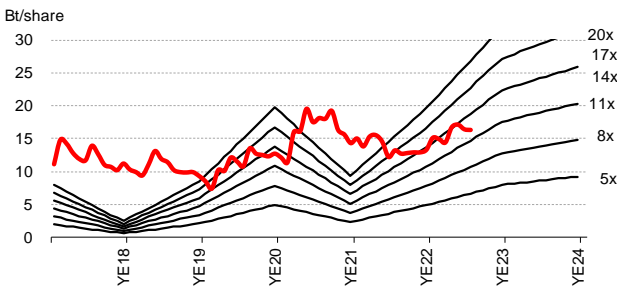
PER band versus SD (next 12 months)



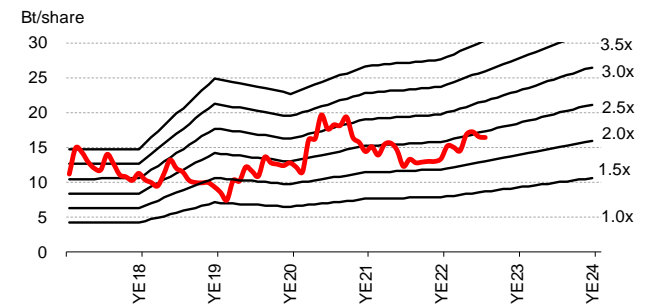
PBV band versus SD (next 12 months)



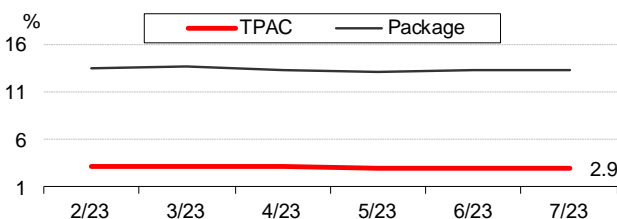
PER band and share price



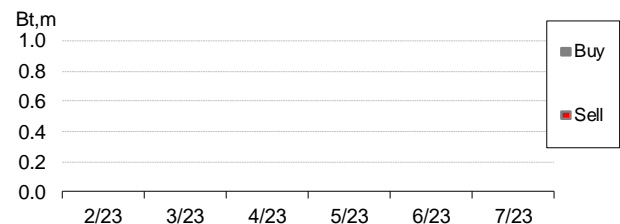
PBV band and share price



Foreign holdings



Management trading activities during past six months





Stock Idea Snapshot

Stock Rating		Over Weight		
Symbol		TPAC		
Price Target: Base Case		22.00		
Price Target: Bear Case		19.00		
Price Target: Bull Case		25.00		
Key Inputs		2023E	2024E	2025E
Sales volume (kt)		70,134.84	75,124.87	79,592.42
Overall utilization rate		0.72	0.73	0.74
Positive Catalyst				
Positive 1		Strong demand in Thailand, India, Middle East, and ASEAN		
Positive 2		Margin expansion		
Positive 3		Potential M&As		
Negative Factor				
Negative 1		Sustained high energy costs		
News to Watch				
Potentially Positive		Fast-growing consumer-linked markets		
Potentially Negative		Higher energy costs		

Bualuang Securities Public Company Limited

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ADVANC	AMATA	AOT	BDMS	BH	CBG	CENTEL	CPALL	GLOBAL	GPSC	IRPC	KBANK	KCE	KTC	MINT
PTG	PTT	PTTEP	PTTGC	SCB	SPRC	TOP	WHA	STA	BGRIM	GULF	MTC	AWC	CRC	CPF
CPN	HANA	HMPRO	IVL	OSP	SAWAD	BANPU	BCH	BTS	SCC	TU	INTUCH	VGI	SCGP	COM7
DOHOME	JMT	CHG	TTB	BAM	BCP	KTB	KKP	OR	BEM	GUNKUL	EA	RBF	STGT	JMART
BEC	KEX	RCL	SINGER	TDLOR	FORTH	DELTA	SABUY	CKP	TRUE	PSL	SIRI	TQM	CK	ERW
MEGA	SNNP	TLI	STEC	EGCO	BCPG									

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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
	COCOCO

CG Rating

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors

- companies that have **declared** their intention to join CAC, and
- companies **certified** by CAC.

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

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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

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

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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