

SPONSORED RESEARCH

THRACE PLASTICS

Underpinned by elevated demand

Robust H1'21 results... – Thrace Plastics reported a very robust set of results significantly above our expectations, mainly driven by the technical fabrics division and more specifically the continuing solid demand for PPE (personal protective equipment) products. Technical fabrics sales came in some 15% above our forecasts, with the EBITDA line some 20% above our expectations. This was largely a result of increased pricing, driven by the strong demand, especially for medical/personal protective equipment (PPE). Overall, H1' 21 group EBITDA grew 178% yoy to €72.5m (c€63m of which attributed to technical fabrics), on sales of €234m (+51% yoy).

... lead to upgraded FY'21 forecasts on solid demand for products in the traditional portfolio further propelled by PPE... – As we argued in our initiation report, profitability in the group's recurring non-PPE portfolio has been re-based at levels markedly higher than in 2019, with momentum staying strong in H1'21 on robust demand. Profitability in PPE is a welcome boost to numbers, which, however, we consider temporary and we expect to continue at a decelerating rate in H2. Filtering through the H1 beat, we have upgraded our FY'21e forecasts eyeing 20% growth in sales and 51% growth in EBITDA. We project group PBT of €89m, split into c€40m sustainable (c4x above 2019 levels) and c€49m from PPE. Our numbers conservatively imply sequential deceleration in H2, with H2 sales -6% yoy and EBITDA -20% yoy. We also note that we have penciled in some c€6.6m one-off profit from the completion of the industrial property sale of Thrace's U.S. subsidiary.

...though we maintain a conservative outlook looking forward – Despite the solid performance year-to-date, the challenging economic backdrop – amid concerns about the impact on economic growth from inflationary pressures stemming from the commodity and transport price spikes – warrants a cautious stance post 2021. Overall, we maintain our forecasts for minimal PPE contribution in 2022e (at c7% of 2021e levels), but expect the group's recurring non-PPE EBITDA generation to shape close to c€55m on average in the 2022-23e period (c80% above 2019 levels), driven by strong market positioning, healthy margins and ongoing capex.

Balance sheet optionality maintained – Following strong cash flow generation in H1'21 (>€50m), the group ended the period with a net cash position of €11m. As such and in the light of the solid operating performance of the current year, we see FY21 year-end net cash position maintained at c€12m (with gross cash of >€60m). This suggests there is plenty of upside from balance sheet optionality, testament of which was the announced interim DPS (€0.11), on top of value-creating investments.

Valuation – The current share price discounts a rather conservative setup, namely EBIT post 2021 of just €36-37m, some 25% below the levels we consider feasible by 2025. Our DCF-based valuation (predicated at a 9% WACC) yields a valuation range between c€380m and c€500m, with our baseline indicative scenario pointing to a 12m intrinsic value of €9.8/share (up from €9.4/share previously).

Estimates					
€ mn	2019	2020 *	2021e *	2022e	2023e
Revenues	298.3	339.7	407.8	342.0	364.1
EBITDA	30.8	72.5	109.4	55.7	61.9
EBIT	15.6	53.9	88.5	34.3	40.1
Net profit	7.2	40.7	68.9	24.1	28.8
EPS	0.16	0.93	1.58	0.55	0.66
DPS	0.05	0.22	0.22	0.11	0.13

Valuation					
	2019	2020 *	2021e *	2022e	2023e
P/E	12.8x	2.3x	4.4x	12.6x	10.6x
Adj. EV/EBITDA	6.6x	2.2x	2.8x	5.8x	4.9x
EBIT/Interest Expense	2.9x	12.8x	23.3x	12.9x	16.0x
Dividend Yield	2.2%	10.2%	3.2%	1.6%	1.9%
ROE	5.1%	25.9%	34.7%	10.3%	11.2%

Source: Eurobank Equities Research.

Market Cap (€ mn) €305.3
Closing Price (08/10) €6.98

Stock Data

Reuters RIC	THRr.AT
Bloomberg Code	PLAT GA
52 Week High (adj.)	€8.92
52 Week Low (adj.)	€2.47
Abs. performance (1m)	-19.7%
Abs. performance (YTD)	83.4%
Number of shares	43.7mn
Avg Trading Volume (qrt)	€542k
Est. 3yr EPS CAGR	-10.9%
Free Float	35.0%

Thrace Plastics Share Price



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See Appendix for Analyst Certification and important disclosures.

** 2020-21e numbers include temporary boost from PPE products*

Strong trends continue into H1, driven by technical fabrics

H1'21 results overview

Thrace Plastics reported a strong set of H1'21 results, with sales up 51% yoy to €234.3m and EBITDA up 178% yoy to €72.5m, primarily driven by sustained significant demand in PPE and health products. Overall, PBT increased by 268% yoy to €62m, of which €40.9m were attributed to PPE related products, namely c66% of total, on top of strong demand for traditional products in the guise of >70% yoy rise in underlying PBT (i.e. ex PPE extraordinary boost). Net profit in H1 skyrocketed to €48.5m, from just €12.8m in H1'20.

Thrace delivered impressive cash flow generation in the second quarter, thus switching to net cash of €11m in H1'21, indicating c€50m inflows from year end 2020.

Thrace Plastics Quarterly overview						
EUR mn	Q2'20	Q2'21	yoy %	H1'20	H1'21	yoy %
Sales	81.4	122.9	51.0%	155.4	234.3	50.8%
Gross Profit	24.9	45.8	83.7%	42.1	90.2	114.1%
Gross Margin	30.6%	37.3%	6.6 pp	27.1%	38.5%	11.4 pp
EBITDA	16.5	36.5	121.1%	26.0	72.5	178.3%
EBITDA Margin	20.3%	29.7%	9.4 pp	16.8%	30.9%	14.2 pp
EBT	12.1	32.6	168.8%	16.9	62.0	267.7%
EAT	9.3	24.0	157.1%	12.8	48.5	277.9%
OCF				46.0	67.6	
Net Debt / (cash)				-47.0	11.4	

Source: Company, Eurobank Equities Research

Per division, we witnessed a continuation of robust growth in the technical fabrics, with revenues up 66% yoy to €179m and EBITDA up c300% yoy to €62.8m, indicating an impressive margin of 35% (+20 pps yoy). Packaging revenues grew by 17% to €60m, with the EBITDA up by a mere 3% yoy to €10.6m.

Results breakdown by business unit						
Sales (EUR mn)	Q2'20	Q2'21	yoy %	H1'20	H1'21	yoy %
Technical Fabrics	56.3	94.2	67.2%	108.1	179.4	66.0%
Packaging	27.3	31.6	15.8%	51.1	60.0	17.5%
Sustain. Agriculture	1.3	1.3	-3.5%	2.6	2.6	2.4%
Group	81.4	122.9	51.0%	155.4	234.3	50.8%
Sales % of total						
Technical Fabrics	69.2%	76.6%	7.4 pp	69.5%	76.6%	7.0 pp
Packaging	33.6%	25.7%	-7.8 pp	32.9%	25.6%	-7.3 pp
Sustain. Agriculture	1.7%	1.1%	-0.6 pp	1.7%	1.1%	-0.5 pp
EBITDA (EUR mn)						
Technical Fabrics	10.3	31.9	211.3%	15.7	62.8	300.7%
Packaging	6.1	5.3	-14.3%	10.3	10.6	2.8%
Sustain. Agriculture	0.1	-0.7	-643.3%	0.1	-0.8	-1048.9%
Group	16.5	36.5	121.1%	26.0	72.5	178.3%
EBITDA margins						
Technical Fabrics	18.2%	33.9%	15.7 pp	14.5%	35.0%	20.5 pp
Packaging	22.5%	16.6%	-5.8 pp	20.2%	17.7%	-2.5 pp
Sustain. Agriculture	8.9%	-50.1%	-59.0 pp	3.4%	-31.7%	-35.2 pp
Group	20.3%	29.7%	9.4 pp	16.8%	30.9%	14.2 pp

Source: Company, Eurobank Equities Research

Updated forecasts

Given the robust H1 trends, amid continuing strong demand and additional boost from health and personal protective products, we have upgraded our revenue forecasts by some 5% for the current year, now anticipating total group revenues of €408m. This mainly stems from a 6% upgrade in technical fabrics revenues, as a combined result of higher anticipated volumes and better prices per unit, while we also see a 3% rise in our packaging sales forecasts driven by slightly stronger pricing.

On the profitability front, we have maintained our costs estimates fairly unchanged, given that that we had already incorporated a rising commodity cost environment into our H2'21 forecasts, while the strong H1'21 was mainly driven by operating leverage. We have also accounted for some €6.6m (\$7.8m) extraordinary profit coming from the completion of Thrace Linq's industrial property sale in the U.S. within August, which has further boosted our EBITDA forecast in the technical fabric's division. As such, we see an EBITDA of €109m for the year, of which some €93m comes from the TF division and c€17m from the packaging unit.

Looking ahead into 2022 we have maintained our volume and pricing forecasts close to the previous levels eying a minor c1-2% revision at group level. Please refer to the tables below to see our forecast's revision.

Thrace Group New vs. Old forecasts			
	2021e	2022e	2023e
New			
Sales	408	342	364
EBITDA	109	56	62
PBT	89	32	38
Net Income	69	24	29
Old			
Sales	387	340	362
EBITDA	101	55	62
PBT	77	31	37
Net Income	60	24	28
new vs old			
Sales	5%	1%	1%
EBITDA	9%	1%	1%
PBT	16%	2%	1%
Net Income	16%	2%	1%
Technical Fabrics			
2021e			
2022e			
2023e			
New			
Sales	310	236	252
EBITDA	93	36	40
PBT	80	20	24
Old			
Sales	291	235	250
EBITDA	84	36	40
PBT	68	20	24
new vs old			
Sales	6%	1%	1%
EBITDA	10%	1%	1%
PBT	17%	3%	2%
Packaging			
2021e			
2022e			
2023e			
New			
Sales	108	110	116
EBITDA	17	19	22
PBT	10	12	14
Old			
Sales	105	110	116
EBITDA	17	19	21
PBT	9	12	14
new vs old			
Sales	3%	0%	0%
EBITDA	1%	0%	0%
PBT	1%	0%	0%

Source: The Company, Eurobank Equities Research

2021e revenues upgraded by 5%, mainly reflecting the strong underlying demand ...

...leading to a 16% upgrade in operating profitability

The table below sums up our key divisional estimates, while we also showcase distinctively the positive impact from the PPE products at PBT level, especially contributing in the years 2020-21e. As a reminder, in our base case, we forecast Thrace Plastic's will retain <10% of its 2021 average levels in the PPE business post 2022, with our underlying PBT forecast indicating more than triple 2019 levels going forward.

Short P&L - Divisional Estimates						
In EUR mn unless otherwise stated						
Technical Fabrics	2018	2019	2020 *	2021e *	2022e	2023e
Vol produced (m tons)	93.5	77.6	79.6	83.9	85.6	91.7
growth	-3%	-17%	3%	5%	2%	7%
Pricing per unit (EUR)	2.6	2.7	3.1	3.7	2.8	2.8
growth	1%	4%	12%	21%	-25%	0%
Sales	244.0	211.2	243.1	309.7	236.3	252.1
growth	-2%	-13%	15%	27%	-24%	7%
Gross Profit	44.3	40.7	74.9	110.5	57.4	62.5
margin	18.2%	19.3%	30.8%	35.7%	24.3%	24.8%
EBITDA	15.5	17.8	50.5	92.9	36.5	40.3
margin	6.4%	8.4%	20.8%	30.0%	15.4%	16.0%
PBT	5.2	6.2	37.7	80.2	20.4	24.3
margin	2.1%	2.9%	15.5%	25.9%	8.6%	9.6%
<i>of which:</i>						
PBT attributed to PPE			19.5	48.0	1.5	1.5
PBT underlying	5.2	6.2	18.2	32.2	18.9	22.8
Packaging Solutions						
Vol produced (m tons)	34.4	35.7	36.3	37.6	38.6	40.1
growth	12%	4%	2%	3%	3%	4%
Pricing per unit (EUR)	2.7	2.7	2.9	2.9	2.9	2.9
growth	-3%	0%	9%	-1%	-1%	2%
Sales	91.6	94.9	105.7	107.9	110.0	116.3
growth	9%	4%	11%	2%	2%	6%
Gross Profit	18.2	20.4	30.7	25.9	27.5	30.2
margin	19.9%	21.5%	29.1%	24.0%	25.0%	26.0%
EBITDA	12.0	13.3	22.5	16.8	19.3	21.5
margin	13.1%	14.0%	21.3%	15.6%	17.5%	18.5%
PBT	5.6	6.6	15.3	9.6	11.9	13.8
margin	6.1%	6.9%	14.5%	8.9%	10.8%	11.9%
<i>of which:</i>						
PBT attributed to PPE			3.2	1.1	0.1	0.1
PBT underlying	5.6	6.6	12.1	8.5	11.8	13.7
Group						
Vol produced	121.9	108.6	111.8	117.4	122.1	129.6
growth	0%	-11%	3%	5%	4%	6%
Pricing per unit	2.65	2.75	3.04	3.47	2.80	2.81
growth	1%	4%	11%	14%	-19%	0%
Sales	322.7	298.3	339.7	407.8	342.0	364.1
growth	1%	-8%	14%	20%	-16%	6%
Gross Profit	63.2	61.5	106.0	136.7	85.3	93.2
margin	19.6%	20.6%	31.2%	33.5%	24.9%	25.6%
EBITDA	27.5	30.8	72.5	109.4	55.7	61.9
margin	8.5%	10.3%	21.3%	26.8%	16.3%	17.0%
PBT	10.0	11.8	52.1	89.1	31.7	37.7
margin	3.1%	4.0%	15.3%	21.8%	9.3%	10.4%
<i>of which:</i>						
PBT attributed to PPE			22.7	49.1	1.6	1.6
Group PBT underlying	10.0	11.8	29.4	40.0	30.1	36.1
Net Income	7.7	7.2	40.7	68.9	24.1	28.8
EPS	0.18	0.16	0.93	1.58	0.55	0.66
DPS	0.04	0.05	0.22	0.22	0.11	0.13

Source: The Company, Eurobank Equities Research

* 2020-21e numbers include temporary boost from PPE products

Naturally, the enhanced operating profitability has led to higher cash flows, given we have not assumed any additional investments over and above the €25.5m announced in late June for upgrades in the production facilities (all concerning the technical fabrics division). Mirroring this healthy position, the company recently announced an interim dividend distribution of €0.11 (gross DPS), in sync with its strategy to remunerate shareholders, either through higher returns or through upscale investments. Nonetheless, looking towards the precarious conditions formed, we feel more confident lowering our payout for 2021e to 14%, assuming the group would rather build up further war chest aiming to back its operational efficiency. We eye a total dividend at 2020 levels, thus implying another c€0.11 gross DPS for the year.

A summary of our cash flows is presented below, where we see a higher anticipated net inflow in the current year filters into the following years cash flows.

Summary Cash Flow						
EUR mn	2018	2019	2020	2021e	2022e	2023e
EBITDA reported	27.5	30.8	72.5	109.4	55.7	61.9
Change in Working Capital	-4.2	-3.1	1.8	-3.1	6.8	-6.5
Net Interest	-3.9	-3.6	-2.8	-3.0	-2.6	-2.4
Tax	-4.3	-2.6	-3.6	-19.6	-7.0	-8.3
Other	-0.9	-1.8	1.7	0.0	0.0	0.0
Operating Cash Flow	14.2	19.7	69.5	83.7	52.9	44.8
Capex	-32.2	-21.0	-27.8	-20.0	-26.5	-15.0
Other investing	0.6	-0.1	9.9	0.0	0.0	0.0
Net Investing Cash Flow	-31.6	-21.1	-18.0	-20.0	-26.5	-15.0
Dividends	-2.0	-1.9	-4.5	-9.4	-9.6	-4.8
Other (incl. capital repayment of leases)	-1.1	-1.8	-1.7	-4.0	-5.0	-4.9
Net inflow	-20.6	-5.2	45.3	50.3	11.8	20.1
Net debt (cash)	78.4	83.5	38.2	-12.0	-23.8	-43.9
Equity Free Cash Flow	-17.4	-6.2	47.1	59.5	22.4	25.9

Source: Company, Eurobank Equities Research.

DCF-based valuation yields a c€380-500m intrinsic value range

On our updated forecasts, our DCF-based valuation yields a higher €429m 12-month fair market cap, translating to a €9.8 price per share (from €9.4 previously).

Our base case DCF remains predicated on the following assumptions:

- Sales CAGR of 4.6% over 2022-2028e, namely post COVID normalization;
- Reported EBIT CAGR of 8% over the same period, as profitability 'normalizes' to a post pandemic demand, implying c233bps margin expansion on positive operating leverage. We assume that medium-term EBIT margins settle near 10%-12.4%, up from c5% before 2019, in line with mgt's initiatives on business rationalization. This would be in broad sync with the margin structure of several of Thrace's peers.
- A normalized terminal FCF of c€35m, in line with the average of our forecasts for the next cycle, and a sustainable growth of 0.5% based on a reinvestment rate near 20% and single-digit incremental ROIC, reasonable owing to the capital intensity of the industry.
- The implied FCF conversion (FCF/EBITDA) in the medium term (post 2022) stands just above 50%, a level we consider feasible and consistent with the 3.5% sales growth incorporated in our numbers post 2026.
- WACC reiterated at 9%, which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe.

A summary of our baseline DCF can be seen below:

Thrace Plastics DCF										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
NOPAT	69.1	26.7	31.3	34.1	38.3	39.6	41.0	42.4	43.9	
Depreciation	20.9	21.4	21.8	22.1	22.4	21.8	21.4	21.1	20.9	
Capex	(20.0)	(26.5)	(15.0)	(15.1)	(15.3)	(16.3)	(17.3)	(18.5)	(19.7)	
Working Capital	(3.1)	6.8	(6.5)	(5.5)	(5.7)	(6.0)	(6.0)	(6.0)	(6.0)	
Enterprise cash flow	66.9	28.4	31.6	35.5	39.7	39.1	39.0	39.0	39.2	35.3
PV	66.9	26.1	26.6	27.4	28.1	25.4	23.3	21.4	19.7	16.3
PV of terminal value	191.7									
Enterprise Value	472.9									
Net (debt) incl. leases / other claims	(62.2)									
Equity value (ex-div)	401.2									
no. of shares	43.7									
Per share	9.2 €									
1-year fair value (ex div)	429.0									
12-month indicative value per share	9.8 €									

Source: Eurobank Equities Research

A basic sensitivity on a combination of WACC and terminal growth rates is presented at the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 1% and 0.5% respectively yields a fair value range between c€380m and c€500m.

DCF Sensitivity						
WACC		Perpetuity growth				
		-0.5%	0.0%	0.5%	1.0%	1.5%
	8.0%	454	467	483	501	522
	8.5%	429	441	454	469	487
	9.0%	407	418	429	442	456
	9.5%	388	397	406	417	430
	10.0%	370	378	386	396	406

Source: Eurobank Equities Research

Looking into a relative valuation vs our broad-based peer group, Thrace Plastic is trading at a c32% FY22e EV/EBITDA discount. We argue that a valuation discount is justified due to the group's smaller size, while we believe the risk-reward proposition remains quite compelling as the group enjoys a healthy balance sheet, while offering a similar yield outlook.

Peer group valuation								
Stock	Mkt Cap	PE		EV/EBITDA		Dividend yield		Net debt/EBITDA
		2021e	2022e	2021e	2022e	2021e	2022e	2022e
THRACE PLASTICS (EEe)	305	4.4x	12.6x	2.8x	5.8x	3%	2%	-0.5x
HUHTAMAKI OYJ	4,257	18.9x	16.8x	10.9x	9.8x	2%	3%	2.2x
GERRESHEIMER AG	2,488	18.4x	15.6x	11.3x	10.1x	2%	2%	3.1x
GROUPE GUILLIN	439	10.1x	8.8x	4.3x	3.9x	2%	3%	0.2x
RESILUX	368	14.8x	14.0x	7.4x	7.1x			
BERRY GLOBAL GRO	7,121	10.6x	9.6x	7.6x	7.4x	0%	0%	3.8x
Median Packaging		14.8x	14.0x	7.6x	7.4x	2%	2%	2.6x
SCHOUW & CO	2,145	14.0x	13.1x	8.1x	7.5x	3%	3%	0.9x
SUOMINEN OYJ	262	11.0x	12.1x	5.6x	5.6x	4%	4%	0.2x
DUPONT DE NEMOUR	31,888	16.5x	14.3x	10.5x	9.7x	2%	2%	1.9x
Median Technical Fabrics		14.0x	13.1x	8.1x	7.5x	3%	3%	0.9x

Source: Eurobank Equities Research, Bloomberg.

Group Financial Statements

EUR mn	2019	2020 *	2021e *	2022e	2023e
Group P&L					
Sales	298.3	339.7	407.8	342.0	364.1
Gross Profit	61.5	106.0	136.7	85.3	93.2
EBITDA	30.8	72.5	109.4	55.7	61.9
change	12.0%	135.3%	51.0%	-49.1%	11.3%
EBITDA margin	10.3%	21.3%	26.8%	16.3%	17.0%
EBIT	15.6	53.9	88.5	34.3	40.1
Financial income (expense)	-4.9	-3.6	-3.0	-2.6	-2.4
Exceptionals / other income	1.2	1.8	3.6	0.0	0.0
PBT	11.8	52.1	89.1	31.7	37.7
Income tax	-4.3	-10.8	-19.6	-7.0	-8.3
Non-controlling interest	-0.3	-0.6	-0.6	-0.6	-0.6
Net profit	7.2	40.7	68.9	24.1	28.8
EPS (EUR)	0.16	0.93	1.58	0.55	0.66
DPS (EUR)	0.05	0.22	0.22	0.11	0.13
Group Cash Flow Statement					
EBITDA	30.8	72.5	109.4	55.7	61.9
Change in Working Capital	-3.1	1.8	-3.1	6.8	-6.5
Net interest	-3.6	-2.8	-3.0	-2.6	-2.4
Tax	-2.6	-3.6	-19.6	-7.0	-8.3
Other	-1.8	1.7	0.0	0.0	0.0
Operating Cash Flow	19.7	69.5	83.7	52.9	44.8
Capex	-21.0	-27.8	-20.0	-26.5	-15.0
Other investing	-0.1	9.9	0.0	0.0	0.0
Net Investing Cash Flow	-21.1	-18.0	-20.0	-26.5	-15.0
Dividends	-1.9	-4.5	-9.4	-9.6	-4.8
Other (incl. payment of lease liab.)	-1.8	-1.7	-4.0	-5.0	-4.9
Net Debt (cash) (incl. leases)	83.5	38.2	-12.0	-23.8	-43.9
Free Cash Flow (adj.)	-6.2	47.1	59.5	22.4	25.9
Group Balance Sheet					
Tangible Assets	123.2	131.5	144.1	157.4	158.5
Intangible Assets	11.4	10.7	10.4	10.1	9.7
Other non-current Assets	35.6	34.0	24.0	24.3	24.6
Non-current Assets	170.1	176.2	178.5	191.8	192.9
Inventories	59.2	55.3	64.4	57.2	63.5
Trade Receivables	57.4	56.9	60.1	52.3	56.8
Other receivables	14.6	13.0	14.3	12.0	12.7
Cash & Equivalents	22.1	40.8	60.6	68.3	84.2
Current Assets	153.2	166.0	199.4	189.7	217.4
Total Assets	323.3	342.2	377.9	381.5	410.2
Shareholder funds	143.4	171.1	226.2	243.8	270.7
Non-controlling interest	3.0	3.5	4.1	4.7	5.4
Total Equity	146.3	174.6	230.3	248.5	276.1
Long-term debt	52.9	46.7	42.7	38.7	34.7
Other long-term liabilities	22.3	21.6	21.5	21.5	21.4
Long Term Liabilities	75.2	68.3	64.2	60.1	56.1
Short-term debt	43.5	26.3	0.0	0.0	0.0
Trade Payables	36.2	29.7	41.9	37.6	40.8
Other current liabilities	22.1	43.3	41.5	35.2	37.2
Current Liabilities	101.8	99.3	83.4	72.8	78.0
Equity & Liabilities	323.3	342.2	377.9	381.5	410.2
Key Financial Ratios					
P/E	12.8x	2.3x	4.4x	12.6x	10.6x
P/BV	0.6x	0.5x	1.3x	1.2x	1.1x
Adj. EV/EBITDA	6.6x	2.2x	2.8x	5.8x	4.9x
EBIT/Interest expense	2.9x	12.8x	23.3x	12.9x	16.0x
Net Debt (cash)/EBITDA	2.7x	0.5x	-0.1x	-0.4x	-0.7x
Dividend Yield	2.2%	10.2%	3.2%	1.6%	1.9%
ROE	5.1%	25.9%	34.7%	10.3%	11.2%
Free Cash Flow yield	-6.7%	50.3%	19.5%	7.4%	8.5%
Payout Ratio	27.7%	23.2%	14.0%	20.0%	20.0%

Source: Eurobank Equities Research

Company description

Thrace Plastics is engaged in the production and trade of Plastics products such as Technical Fabrics and Packaging materials and more recently in Hydroponic agriculture, with facilities in 9 countries and a broad sales network to over 80 countries. The group produces 28 different technologies, with application in 25 diverse market segments.

Risks and sensitivities

•**Macro:** Given its high exposure to EU and UK (c90% of sales), it is dependent on the European macro environment. As such any significant strengthening/weakening of demand in some of the main markets or significant share gains/losses pose upside/downside risks to our thesis.

•**Raw material costs:** Input costs (mainly polypropylene-PP) account for c55% of total costs. PP is an oil by-product and as such, its price is correlated to oil price fluctuations. Thrace Plastic's profitability is dependent upon its pricing power.

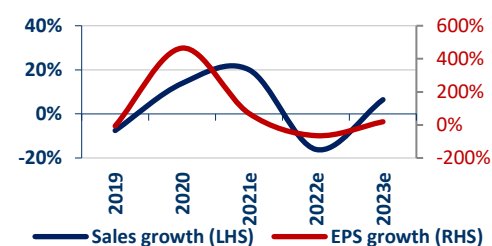
•**Working capital risk:** Raw material cost volatility could affect inventories' value.

•**Sector risk:** Thrace Plastic's competes against multinationals and local brands. Competitive activity particularly in the packaging sector may be intense as participants strive to gain market share, thereby putting pressure on margins.

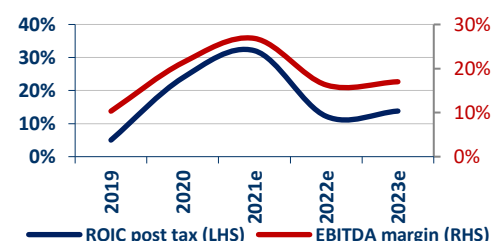
•**Price/mix:** stronger/weaker price/mix than assumed in our model would result in stronger/weaker sales growth.

•**Sensitivity:** We estimate that flexing our volume assumption by 1% would result in a c2-6% change in group EBITDA in 2021-23e. Similarly, were we to change our price/mix assumption by 1%, the impact on group EBITDA would be c4-6%.

Sales and EPS growth



Profitability and returns



* 2020-21e numbers include temporary boost from PPE products

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This report has been submitted to Thrace Plastics for review prior to its publication. Some changes have been made by Eurobank Equities S.A. to this report as a result of the review from Thrace Plastics.

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This report has been written by Stamatios Draziotis, CFA (Equity Analyst) and Natalia Svyriadi (Equity Analyst).

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Eurobank Equities Investment Firm S.A. provides updates on Thrace Plastics based on the terms of the agreement between the two parties and at least but not limited to bi-annually after the publication of financial statements of Thrace Plastics.

12-month Rating History of Thrace Plastics

Date	Rating	Stock price	Target price
11/10/2021	Not Rated	€ 6.98	-
06/07/2021	Not Rated	€ 6.75	-

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	14	54%	1	7%
Hold	5	19%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	8%	0	0%
Not Rated	4	15%	0	0%
Total	26	100%		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review
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