THRACE PLASTICS

Fundamentals-valuation disconnect

A record 2021… – Thrace reported a rock-solid performance in 2021, mainly driven by demand for PPE (personal protective equipment) products which contributed some 60% of FY'21 PBT. Technical fabrics sales grew 31% yoy, with the EBITDA line up 71% yoy, contributing €86m (c83% of group EBITDA). Overall, FY'21 group EBITDA grew 43% yoy to €104m (>€50m of which attributed to PPE), on sales of €428m (+26% yoy). On an underlying basis, namely ex-PPE, EBITDA is up >60% vs 2019 levels and PBT has almost tripled to €32m. The group's strong operational execution led to another year of robust underlying FCF (€53m, on top of €37m in 2020) which in turn have enabled capital investments of c€60m in the past 2 years.

2022e weighed by cost hikes, albeit EBITDA margin maintained in the low-mid teens – Our FY'22 forecasts are subject to many moving factors, with cost hikes (raw material, energy and freight costs) identified on the one side, mostly offset by pricing actions and PPE product's profitability (Q1'22 PBT €4.3m) on the other. Contemplating Q1'22 performance we saw sales of €106m (-5% yoy), and EBITDA of 15.5m, on a 14.6% respective margin, while PBT shaped at €10.7m. For 2022e, we have raised our revenue forecasts by 17% to €399m, mirroring improvement in our pricing assumptions though our group EBITDA forecast is revised slightly lower to €52m (vs €55m previously), still c70% above 2019 levels, with the respective margin shaping at 13% for the year (+2.7pps vs 2019). Overall, we project FY'22 group PBT of c€30m, split into c€25m sustainable (c2x above 2019 levels) and c€5m from PPE.

Solid medium-term prospects sustained – Despite the challenging economic backdrop, we believe that Thrace's medium-term prospects remain intact, supported by its strong market positioning, healthy margins and ongoing investments. Looking ahead, we maintain our forecasts for minimal PPE contribution (at just 1% of 2021 levels) and calculate the group's recurring EBITDA generation in the range of €57-64m in the 2023-24e period (almost double 2019's c€31m).

Healthy balance sheet; additional DPS of €0.16 – Thrace ended FY'21 with a net cash of €9m, showcasing remarkable balance sheet deleveraging (vs. €83.5m net debt in end 2019). Thrace is now in a financially more comfortable position to finance its investment plans of €100m in 2020-22e, indicating some additional €15m on our earlier forecast for €25m in 2022e. In the meantime, Thrace is continuing to reward shareholders, with an additional €0.16/share (on top of interim €0.11/share), thus leading to >€20m in dividends during the past two years. Although, OCF will trend down as earnings normalize, the healthy balance sheet allows for optionality on shareholders remuneration and investment opportunities.

Valuation – The current share price discounts a rather conservative setup, namely EBIT post 2023 of c€17-20m, more than 50% below the levels we see as feasible by 2025. Our DCF-based valuation (predicated at a 9% WACC) yields a valuation range between c€345m and c€460m on our updated forecasts, with our baseline indicative scenario pointing to a 12m intrinsic value of €9.0/share (vs €9.8/share previously).

Estimates					
€ mn	2020 *	2021 *	2022e	2023e	2024e
Revenues	339.7	428.4	399.1	437.5	464.3
EBITDA	72.5	103.8	52.0	57.6	64.4
EBIT	53.9	83.9	31.3	34.8	40.9
Net profit	40.7	65.4	23.2	25.9	30.6
EPS	0.93	1.50	0.53	0.59	0.70
DPS	0.22	0.27	0.11	0.12	0.14
Valuation					
	2020 *	2021 *	2022e	2023e	2024e
P/E	2.3x	4.1x	6.5x	5.8x	4.9x
Adj. EV/EBITDA	2.2x	2.5x	3.2x	2.7x	2.3x
EBIT/Interest Expense	12.8x	22.5x	8.5x	9.3x	11.6x
Dividend Yield	10.2%	4.5%	3.1%	3.5%	4.1%
ROE	25.7%	31.1%	9.0%	9.4%	10.3%

Source: Eurobank Equities Research.

Market Cap (€ mn)	**€150.9**
Closing Price (01/07)	**€3.45**

Stock Data

Reuters RIC	THRr.AT
Bloomberg Code	PLAT GA
52 Week High (adj.)	€8.92
52 Week Low (adj.)	€3.70
Abs. performance (1m)	-18.2%
Abs. performance (YTD)	-49.9%
Number of shares	43.7mn
Avg Trading Volume (qrt)	€264k
Est. 3yr EPS CAGR	-22.3%
Free Float	34.30%

Thrace Plastics Share Price

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See Appendix for Analyst Certification and important disclosures.

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

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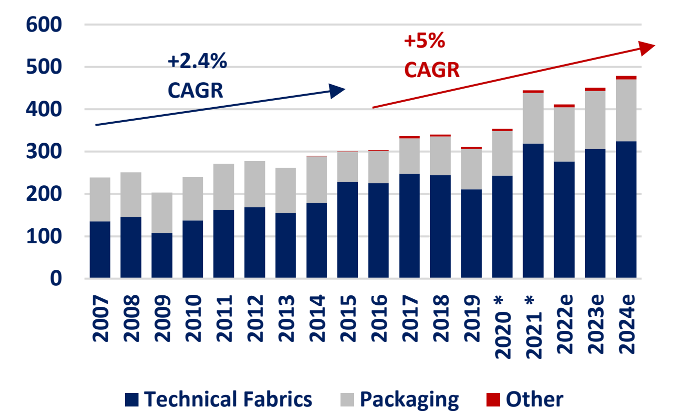
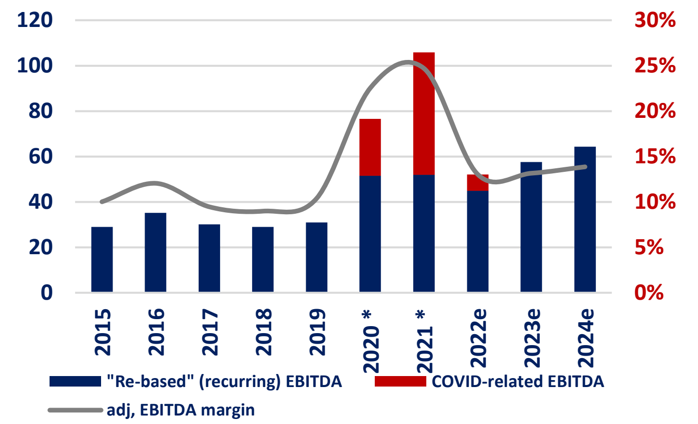
The thesis in 6 charts

Mid-single digits sales growth in the mid-term looks feasible …

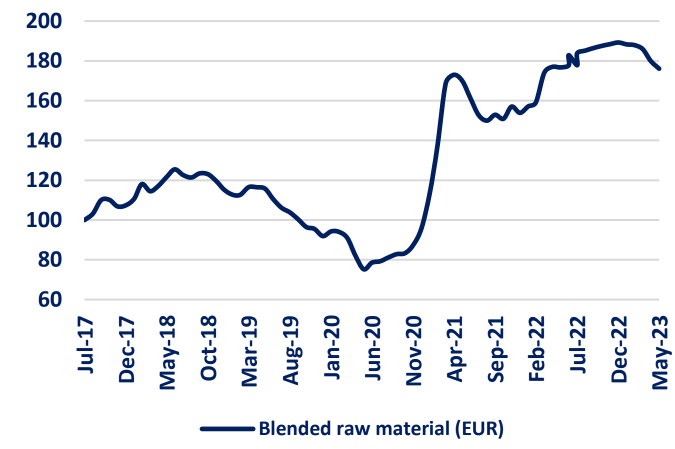


… along with mid-teen EBITDA margins in our view

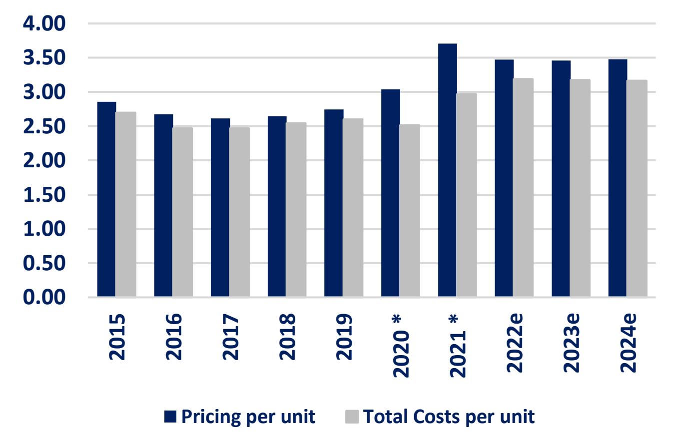


Source: Company, Eurobank Equities Research. Amounts in € mn
* 2020-21 numbers include significant temporary boost from PPE products

Weighed by costs hike in the short term (bbg data) …

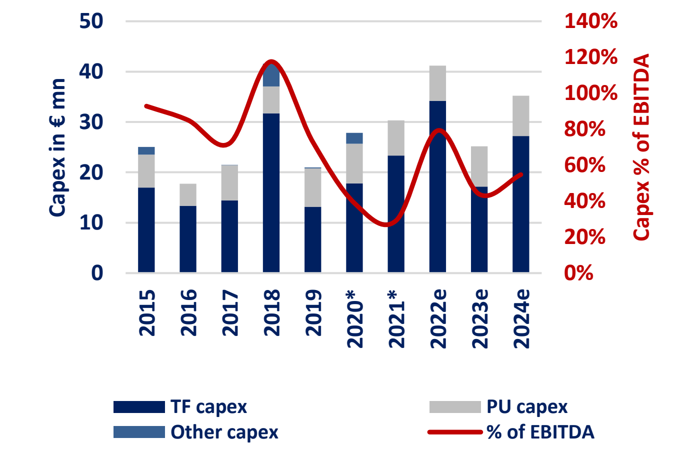


… though we expect price/mix to partly offset cost inflation

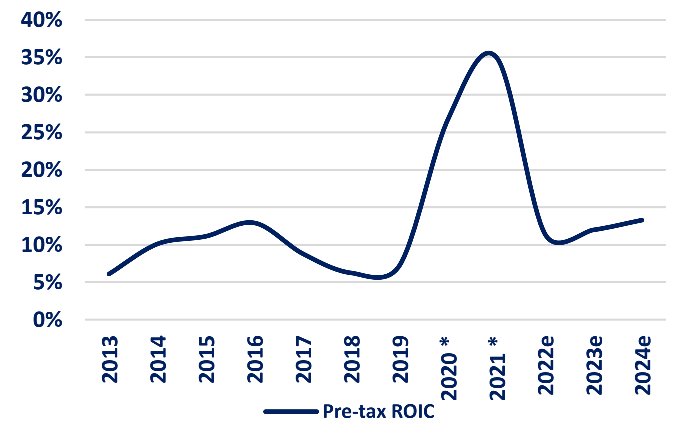


Source: Bloomberg, Company, Eurobank Equities Research
* 2020-21 numbers include significant temporary boost from PPE products

Significant investment plan over 2015-20 bearing fruit…



… leading to re-basement of ROIC relative to the previous decade



Source: Company, Eurobank Equities Research
* 2020-21 numbers include significant temporary boost from PPE products

Investment Summary

Well-balanced business and strong product portfolio key to current year price increases

Thrace Plastics has a diverse portfolio of products in the technical fabrics and packaging solutions business, serving various sectors with both cyclical and secular growth drivers. Though medical equipment supported significantly 2020 and 2021 revenues (bolstered by demand for masks), the group's broad exposure to construction, agriculture, infrastructure, medical, furniture & bedding, rigid packaging and flexible packaging is well-balanced. That said, we believe that the group's product/sector/geographic diversification is key to the current challenging backdrop, saddled by geopolitical tensions, supply chain disruptions and cost inflation, as it provides the ability to pass on price increases on various products/customers where applicable and, thus, moderate the negative inflationary effect.

2022e PBT set for 64% drop, but this is well telegraphed and expected given the fading of PPE and cost inflation

In the current year we identify three drivers of performance: 1) input cost pressures piling up and exceeding earlier expectations, with the cost environment likely to stay "higher-for-longer" than previously envisaged; 2) low contribution of PPE products, albeit this was anticipated (actually we have slightly raised our forecast driven by higher than anticipated profits from masks in Q1'22) and well flagged by management; and, 3) partial offset from potential pricing action (though this typically takes some time). Against this background, we have raised our FY'22 revenue estimate by 17% to €399m but trim our 2022e EBITDA forecast by some 7%. We end up with group PBT of €30m (with PPE accounting for some €5m, namely 18% of PBT) in FY'22, which is 2.6x the level of 2019 levels (c2x for underlying PBT).

…albeit medium term outlook remains intact

Looking ahead beyond 2022e, our numbers provide an indication of the sustainable profit generating capacity of the business. We model 10% revenue growth in 2023 and some 6% annual revenue growth ahead, underpinned by price/mix, which is supported by mgt's focus on traditional sectors (further utilization of existing assets), better product mix and new investments, as well as tight cost monitoring, where applicable, which will more than offset raw material inflation ahead. Inputting minimal contribution from PPE, which is considered part of the normal product portfolio, we estimate Thrace's traditional operating profit generating capacity will be in the €40m area post 2023 (vs group EBIT near €16m in 2019), which is the result of the transformation that took place in previous years (and was masked by the temporary super profits of 2020-21 and intense investment plan). By comparison, we estimate that the current price incorporates a flat EBIT near €23m, indicating a rather pessimistic set-up in our view.

Balance sheet has become even stronger

The super earnings of 2021, partly as a result of the elevated medical sector sales, helped Thrace deliver a remarkable balance sheet deleveraging, with the business switching to net cash of €9m in end 2021 from €83.5m net debt in end 2019. This was the result of equity FCF in excess of €40m in both 2020 and 2021, with Thrace also proceeding to returns to shareholders of >€20m during these two years (€0.49 per share). Although Operating Cash Flow will trend down as earnings normalize and the contribution from PPE fades, Thrace is now in a financially more comfortable position to finance its new investment plan of €43m in 2022e (a c€15m additional capex on our earlier €25m forecast) while also continuing to reward shareholders despite the incremental capex envelope. Indicatively, our numbers incorporate dividends of €5-6m per annum (€0.11-0.14 per share), corresponding to 2.5-3.5% yield. Balance sheet optionality is therefore a key pillar of the investment case.

Valuation

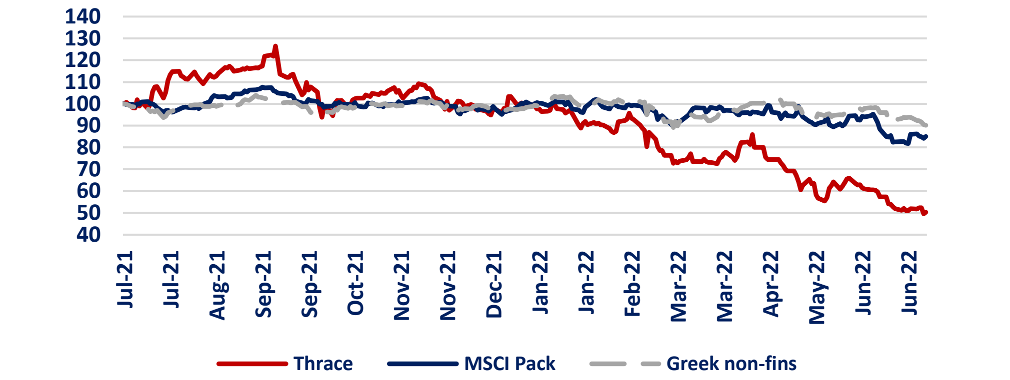
After the >300% rally between November 2020 and September 2021, the shares are down >50% since their peak notwithstanding the fact that the medium-term outlook has not changed markedly. As a result, the shares have de-rated to c3.5x 2022e EV/EBITDA or c2.5x the EBITDA we consider reasonable (€65m post 2024). Alternatively, on our estimates the current share price discounts medium-term EBIT of just c€17-20m, more than 50% below the levels we see feasible by 2025. Put another way, the current EV of <€200m seems to be below the value implied by current operating profits excluding PPE. This seems too punitive in our view, as it effectively implies value destruction in the future, i.e. incremental returns that will be consistently below WACC, something which would be contrary to the group's solid historic return track record.

Share price performance and valuation

Price performance has dipped following rising raw material and energy costs

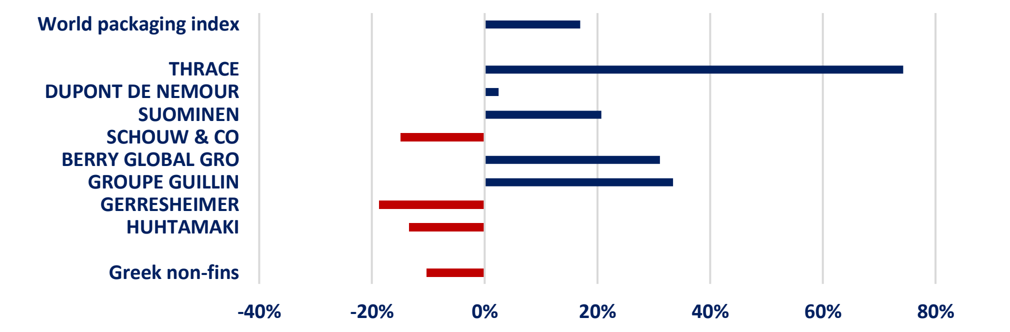
Thrace group shares are down 49% in the last 12 months, despite the strong growth witnessed in the aftermath of the pandemic driven by the underlying profit growth and the extraordinary profits from personal protective equipment (PPE). Indicatively, reported operating profit has more than quadrupled since 2019 owing largely to the extraordinary boost from PPE, **but with underlying EBIT also up by >100% in 2021 vs 2019.** Nonetheless, the significant raw material, energy & transport costs rise, witnessed since last summer, which points to a higher-for-longer cost backdrop, along with the gradual decelerating contribution of high margin PPE products in H2'21 (cycling also high comps yoy), put pressure on the stock price. Below we show case the 1-year performance of Thrace's shares and compare to Greek non-financials and world packaging companies, noting that they all trade near their levels a year ago. That said, Thrace has showcased greater volatility and has fallen significantly from the peak (-60%) dragged down by stagflation fears.

1-year performance (rebased) – Thrace Plastics vs Greek non-financials and World packaging



Source: Eurobank Equities Research, Bloomberg.

Performance vs pre-covid levels (17-Feb 2020)

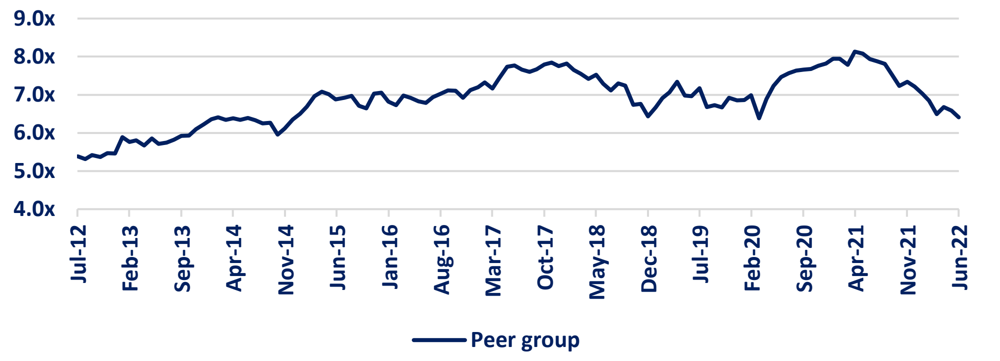


Source: Eurobank Equities Research, Bloomberg.

At a compelling >50% discount to peers on EV/EBITDA multiples

From a valuation perspective, there is very limited forward-looking track record since the stock has not been widely covered in the past. In the chart below, we show the historic EV/EBITDA valuation of a selective group of peers, comprising companies involved in the broad packaging/specialty chemicals sector, namely industries with some degree of affinity to Thrace's business. The 10-year average forward-looking EV/EBITDA multiple of peers stands a tad below 7x, broadly in line with their current valuation. With Thrace trading at a mere <4x EV/EBITDA, the relative discount (>50%) looks excessive in our view, although we do argue that a moderate discount could be justified by Thrace Plastics' smaller size.

12m forward EV/EBITDA valuation of peers



Source: Eurobank Equities Research, Bloomberg.

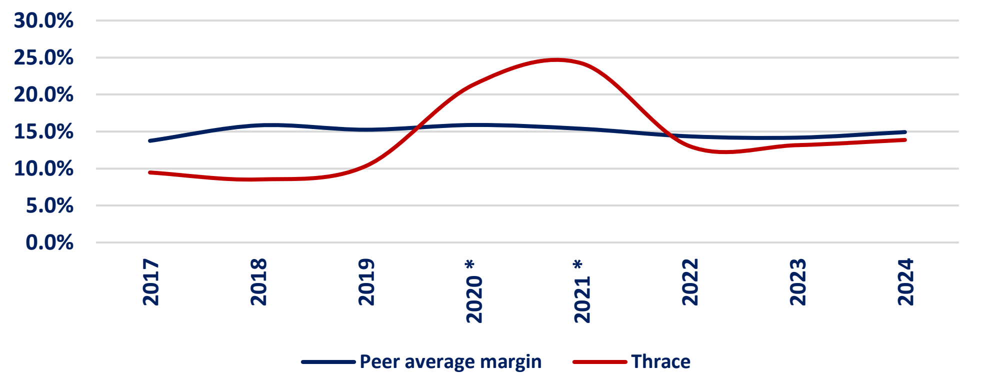
Similarly, looking at a broad set of comparable metrics, Thrace Plastics seems to constitute a compelling proposition, given the combination of attractive valuation, healthy balance sheet, similar margins vs peers and a similar yield outlook.

Peer group valuation

Stock	Mkt Cap	PE		EV/EBITDA		Dividend yield		Net debt /EBITDA 1yr Fwd
		2022e	2023e	2022e	2023e	2022e	2023e	
THRACE PLASTICS (EEe)	**151**	**6.5x**	**5.8x**	**3.5x**	**2.9x**	**3%**	**3%**	**0.2x**
HUHTAMAKI OYJ	4,036	15.4x	14.7x	10.0x	9.5x	3%	3%	2.6x
GERRESHEIMER AG	1,834	12.6x	10.6x	8.6x	7.5x	2%	3%	3.1x
GROUPE GUILLIN	367	7.5x	6.5x	3.3x	2.9x	3%	3%	0.6x
RESILUX	474			8.8x	8.6x			
BERRY GLOBAL GRO	6,943	7.6x	7.2x	7.5x	7.2x	0%	0%	3.8x
Median Packaging		**10.1x**	**8.9x**	**8.6x**	**7.5x**	**2%**	**3%**	**2.9x**
SCHOUW & CO	1,704	12.1x	10.0x	7.9x	6.9x	3%	3%	1.7x
SUOMINEN OYJ	168	23.1x	9.3x	6.6x	4.8x	5%	6%	1.4x
DUPONT DE NEMOUR	26,766	16.0x	13.2x	11.3x	10.1x	2%	3%	1.4x
Median Technical Fabrics		**16.0x**	**10.0x**	**7.9x**	**6.9x**	**3%**	**3%**	**1.4x**

Source: Eurobank Equities Research, Bloomberg.

EBITDA margins peers average vs. Thrace



Source: Eurobank Equities Research, Bloomberg

* 2020-21 numbers include significant temporary boost from PPE products.

DCF-based valuation yields a c€340-460m intrinsic value range

On our updated forecasts, our DCF-based valuation yields a €394m 12-month fair market cap, translating to a €9.0 price per share (vs €9.8 previously).

Our base case DCF is predicated on the following assumptions:

- Sales CAGR of 6% over 2022-2028e, namely post COVID normalization;
- Reported EBIT CAGR of 9% over the same period, as profitability 'normalizes' to a post pandemic demand, implying c2pps margin expansion on positive operating leverage. We assume that medium-term EBIT margins settle near 8-10% (post 2022), up from c5% before 2019, in line with mgt's initiatives on business rationalization, while also benefitting from investment's utilization. This would be in broad sync with the margin structure of several of Thrace's peers.
- A normalized terminal FCF of c€36m, 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 low to mid single-digit incremental ROIC, reasonable owing to the capital intensity of the industry.
- The implied FCF conversion (FCF/EBITDA) in the medium term (post 2024) stands just near 50% on average, a level we consider feasible and consistent with the 4% 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										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
NOPAT	24.4	27.2	31.9	35.4	39.0	40.2	41.4	42.6	43.9	
Depreciation	20.7	22.7	23.5	23.6	23.9	23.7	23.6	23.7	23.9	
Capex	(43.2)	(25.2)	(35.2)	(20.2)	(20.4)	(21.6)	(22.9)	(24.3)	(25.8)	
Working Capital	(6.5)	(3.1)	1.2	0.2	(4.1)	(6.0)	(6.0)	(6.0)	(6.0)	
Enterprise cash flow	**(4.6)**	**21.6**	**21.3**	**39.0**	**38.4**	**36.2**	**36.1**	**36.0**	**36.0**	**34.5**
PV	(4.6)	19.8	17.9	30.1	27.2	23.5	21.5	19.6	18.0	15.9
PV of terminal value	185.8									
Enterprise Value – end 2022e	**374.8**									
Net (debt) incl. leases / other claims	7.5									
Equity value (ex-div)	**377.6**									
no. of shares	43.7									
Per share	**8.7 €**									
1-year fair value (ex div)	**394.4**									
12-month indicative value per share	**9.0 €**									

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 €345m and €463m.

DCF Sensitivity						
		Perpetuity growth				
		-0.5%	**0.0%**	**0.5%**	**1.0%**	**1.5%**
WACC	**8.0%**	418	431	446	463	483
	8.5%	395	406	419	433	449
	9.0%	374	384	**394**	406	420
	9.5%	355	363	373	383	395
	10.0%	338	345	353	362	372

Source: Eurobank Equities Research

… while current price implicitly assumes value destruction in the future

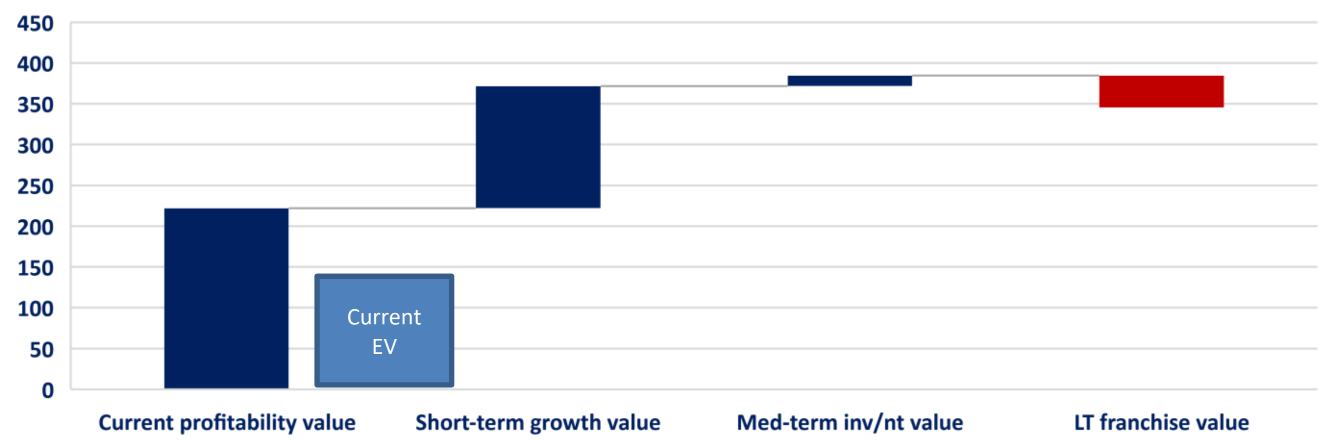
Besides our baseline DCF and the aforementioned sensitivity analysis, we thought it would be useful to analyse our DCF-generated fair value into its components, namely the value contribution from the current profitability and that from growth in future periods. This is even more important in the light of the recent drop in the share price and the concerns about the sustainable level of profitability after the boost from PPE products fades.

To that end, we have split our valuation in 4 components, namely:

- **The value from the current level of operating profits**, excluding value-adding growth in future periods. With our 2022 EBIT estimate of €31m including just a €5.5m contribution from PPE, it becomes clear that the current level of profitability is to a great extent (c80%) deemed as sustainable in our model. Capitalising this level of underlying profitability (after tax) by WACC (9%) gets us to a gauge of the current operating value excluding future growth (and excluding the value from PPE).
- **The value from short-term growth,** namely growth over the next 5 years as implied by our near-term forecasts. On our estimates, this will be the result of mid-single-digit sales growth and modest margin expansion after a debasement in 2022e (the latter due to lower PPE sales).
- **The value arising in the medium-term (2026-2030),** as a result of our assumption that incremental returns during this period will exceed WACC.
- **The incremental value arising in the long-run,** which we assume is negative on the premise that the incremental rate of return on investment will be below WACC in the long-term, given the capital intensity of the business.

The aforementioned framework is exemplified in the chart below, where we show that in our DCF c60% of the value attribution stems from the current operating profitability and the rest from future value-adding growth. Most importantly though, following the recent share price decline the current EV has fallen to <€200m, a level which seems to be below the value implied by current operating profits excluding PPE. This seems too punitive in our view, as it effectively implies value destruction in the future, i.e. incremental returns that will be consistently below WACC. This is contrary to the group's solid historic return track record (as we show on page 13) and ignores the benefit from the significant investment plan executed in the previous 5-6 years (and the one that is currently underway).

Disaggregating the value creation implicit in our DCF: Current EV assumes value destruction in the future



Source: Eurobank Equities Research

Outlook

1. 2022: weighed by cost pressures partly offset by price/mix

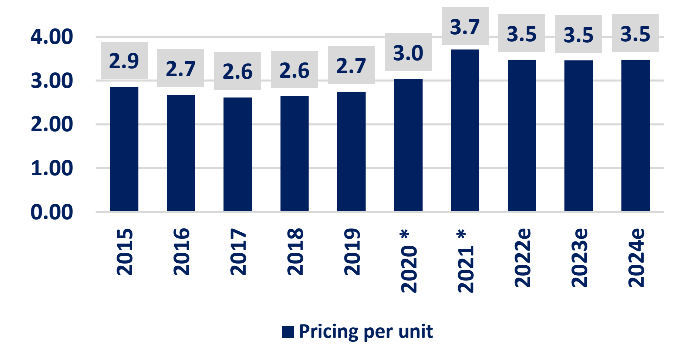
FY'22: a challenging year with balancing factors

We have raised our 2022 revenue estimates mainly depicting solid FY'21 execution and higher than previously expected pricing, channeling through inflation-related price increases. On the other hand, we increase our COGS assumptions to reflect the persistent and elevated inflationary pressures. Margins will also be eroded by the further hike in energy & transport costs as a result of the Russian/Ukraine conflict. Consequently, we have lowered our FY'22e underlying EBITDA forecast to €45m (vs our previous forecast of €53m). Worth noting that in periods of high raw material costs, it is typical to see a "mathematic" margin erosion, owing to the higher sales price induced revenue boost (denominator) vs the EBITDA rise (numerator).

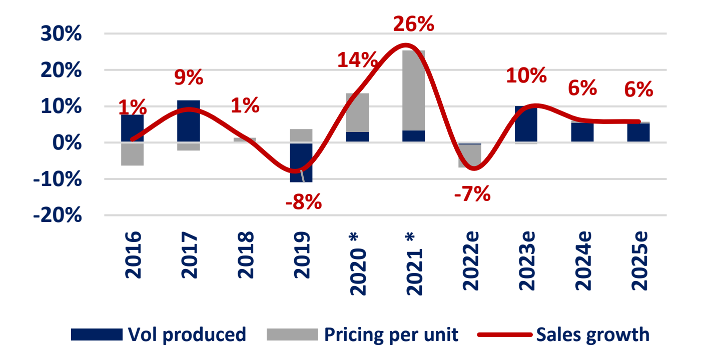
Raising 2022e revenues c17%, reflecting better pricing …

In specific, we recalibrate group revenues to €399m (-7% yoy), higher vs our earlier forecasts for c€340m, on the back of higher pricing. Worth reminding here that 2019 negative growth rate accounts for the restructuring of Thrace Linq in the USA and 2020 and 2021 figures were boosted by extraordinary demand from health and personal protective products, and as such the 2022 figure is not directly comparable (traditional portfolio should have positive yoy growth). In specific, we lower our volume growth assumption for 2022, weighed by the price increases now eying marginally negative (-0.5% yoy) volume growth (from +4% anticipated previously), but we now assume higher price/mix, albeit -6% yoy (as 2021 included PPE), anticipating some passing-through of cost inflation to customers.

Price per unit in EUR (group level)



Sales growth yoy in volume & price mix

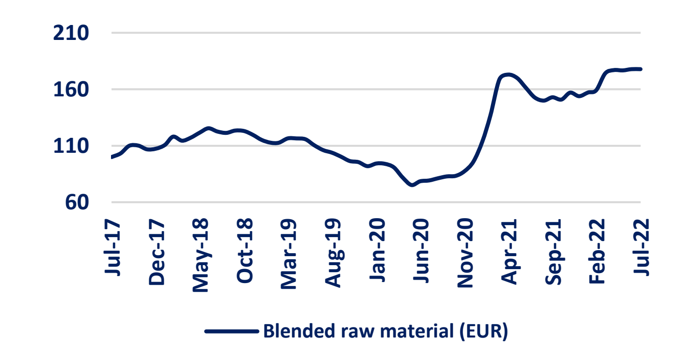


Source: Company, Eurobank Equities Research
** 2020-21 numbers include significant temporary boost from PPE products*

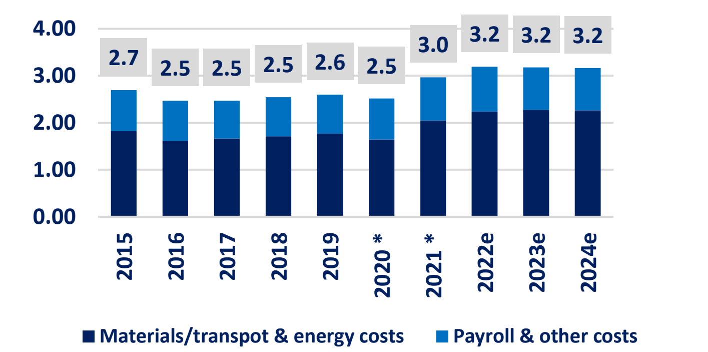
…offset though by rising costs and thus leading to a 7% downward revision in 2022e EBITDA

On the profitability front, we have raised our costs estimates for both raw materials, energy and transport costs, looking for a sustained inflationary environment into H2'22 and H1'23, while we expect management to ramp up initiatives for opex curtailment. In the meantime, as we have mentioned, we estimate that the - still elevated - profitability from masks and related products will bolster somewhat the group's numbers, with our PPE forecast PBT now at €5.5m in 2022 (from €1.6m previously). Summing up, we calculate an EBITDA of €52m in 2022e, with the respective margin at 13% (some 2.7pps above 2019 levels, namely pre-covid). This compares to an EBITDA of €55m envisaged before.

Blended costs hike driven by polypropylene (75% of raw materials)

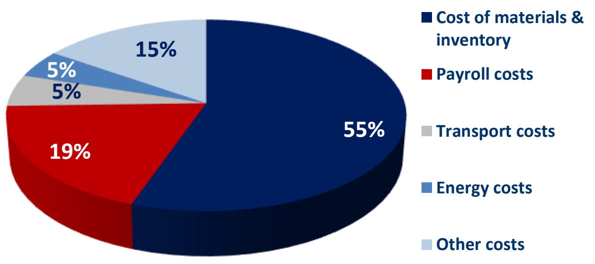


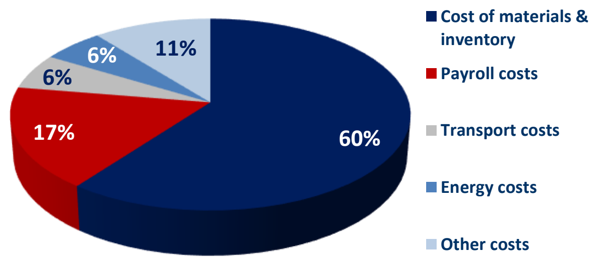
Unit costs breakdown in material/transport/energy & payroll/other



Source: Company, Eurobank Equities Research, Bloomberg.
** 2020-21 numbers include significant temporary boost from PPE products*

Cost base in 2020… | **…with raw materials, energy and freight costs taking toll in 2022e**





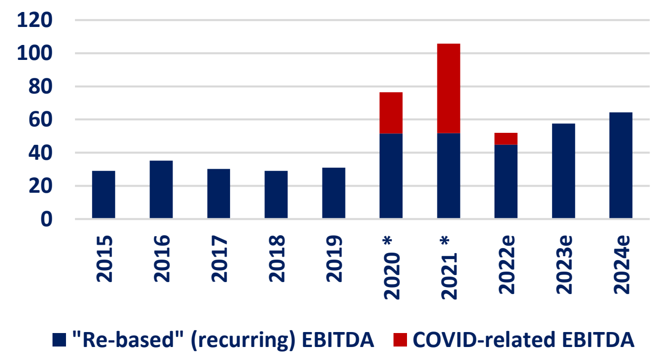
Source: Company, Eurobank Equities Research

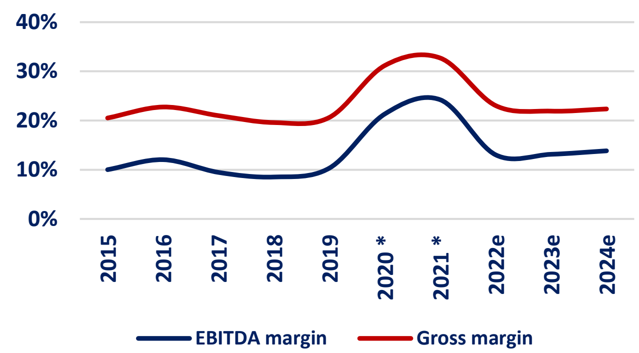
2. … medium-term performance benefiting by operating leverage and optimizing cost structure

Improved pricing offsetting cost pressures looking ahead; 10% 2022-25e EBITDA CAGR

Beyond 2022, we expect a bounce back in 2023 volumes (+10 yoy) and maintained our volume forecasts (+4-6% yoy) ahead of 2023, while the adjusted pricing levels lead to a c20% upgrade in our top line estimates. This is however diluted by the sustained high raw material and production cost environment thereby leading to changes to our 2023-24e (group EBITDA near €57-65m). **Regarding PPE products, we maintain an immaterial €0.7m profit estimate (PBT) for the following years, and we incorporate in our traditional product portfolio thereafter.**

EBITDA in €m | **Group gross and EBITDA margin evolution**





Source: Company, Eurobank Equities Research
** 2020-21 numbers include significant temporary boost from PPE products*

3. Summing up forecast changes

Summing up our forecast changes below we have:

1) Raised our sales forecasts by 17-22% in 2022-24e, reflecting higher than previously anticipated prices per unit, as a result of price increases, with volume growth sustained at c4-5% (3-year CAGR). Worth noting that, we have factored in a higher contribution – than in our previous estimates – from surgical masks in FY'22, driven by the higher Q1 contribution, which in turn provides further underpinning to 2022 unit pricing..

2) Increased our COGS by >€50m, mainly mirroring the more sustainable picture in raw material cost hikes and the energy costs spike, while we see a much lower rise in operating costs backed by cost initiatives.

3) EBITDA is lowered by just 7% in 2022, with the respective margin down by 11ps yoy (but to a more normal low to mid-teens level). In the meantime, we assume a higher contribution of PPE products in our EBITDA compared to our earlier estimate, as Q1'22 figures were positively impacted by higher profit in masks. Looking post 2023, we believe

that operational leverage, as well as efficient cost management will offset the increase in COGS and thus, we see a decelerating impact on our 2024e EBITDA forecast.

Thrace Group New vs. Old forecasts			
	2022e	2023e	2024e
New (EUR mn)			
Sales	399	437	464
EBITDA	52	58	64
PBT	30	34	40
Net Income	23	26	31
Old (EUR mn)			
Sales	342	364	382
EBITDA	56	62	66
PBT	32	38	42
Net Income	24	29	32
new vs old (%)			
Sales	17%	20%	22%
EBITDA	-7%	-7%	-2%
PBT	-5%	-11%	-4%
Net Income	-4%	-10%	-3%

Source: Company, Eurobank Equities Research

4. Divisional forecasts

The table below summarizes 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 and 2021. Looking into 2022, we altered our base case for PPE products contribution, as a result of the Q1 profit (c€4m at PBT level), now eyeing c€5.5m in PBT (vs €1.6m previously), or c18% of total for the year, turning back to minimal levels as of 2023. Based on the above, our FY'22 underlying PBT forecast is seen at €25m (-23% yoy and some €5m below our previous forecast).

Short P&L - Divisional Estimates						
Technical Fabrics (EUR mn)	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
Vol produced (m tons)	77.6	79.6	80.7	81.5	90.4	95.0
growth	*-17%*	*3%*	*1%*	*1%*	*11%*	*5%*
Pricing per unit (EUR)	2.7	3.1	3.9	3.4	3.4	3.4
growth	*4%*	*12%*	*29%*	*-14%*	*0%*	*1%*
Sales	**211.2**	**243.1**	**318.9**	**277.0**	**306.6**	**324.5**
growth	*-13%*	*15%*	*31%*	*-13%*	*11%*	*6%*
Gross Profit	**40.7**	**74.9**	**113.2**	**65.6**	**70.6**	**76.4**
margin	19.3%	30.8%	35.5%	23.7%	23.0%	23.5%
EBITDA	**17.8**	**50.5**	**86.1**	**34.6**	**38.6**	**43.8**
margin	8.4%	20.8%	27.0%	12.5%	12.6%	13.5%
PBT	**6.2**	**37.7**	**72.4**	**19.4**	**22.5**	**26.6**
margin	2.9%	15.5%	22.7%	7.0%	7.3%	8.2%
of which:						
PBT attributed to PPE		19.5	49.9	3.5		
PBT underlying	**6.2**	**18.2**	**22.5**	**15.9**	**22.5**	**26.6**
Packaging (EUR mn)	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
Vol produced (m tons)	35.7	36.3	39.4	37.4	40.0	42.5
growth	*4%*	*2%*	*8%*	*-5%*	*7%*	*6%*
Pricing per unit (EUR)	2.7	2.9	3.0	3.4	3.4	3.4
growth	*0%*	*9%*	*5%*	*12%*	*0%*	*1%*
Sales	**94.9**	**105.7**	**120.0**	**127.3**	**136.6**	**145.9**
growth	*4%*	*11%*	*14%*	*6%*	*7%*	*7%*
Gross Profit	**20.4**	**30.7**	**26.5**	**25.5**	**24.9**	**27.0**
margin	21.5%	29.1%	22.1%	20.0%	18.2%	18.5%
EBITDA	**13.3**	**22.5**	**18.3**	**17.8**	**19.1**	**20.4**
margin	14.0%	21.3%	15.2%	14.0%	14.0%	14.0%
PBT	**6.6**	**15.3**	**12.1**	**11.2**	**11.4**	**13.2**
margin	6.9%	14.5%	10.1%	8.8%	8.4%	9.0%
of which:						
PBT attributed to PPE		3.2	1.9	2.0		
PBT underlying	**6.6**	**12.1**	**10.2**	**9.3**	**11.4**	**13.2**

Source: The Company, Eurobank Equities Research

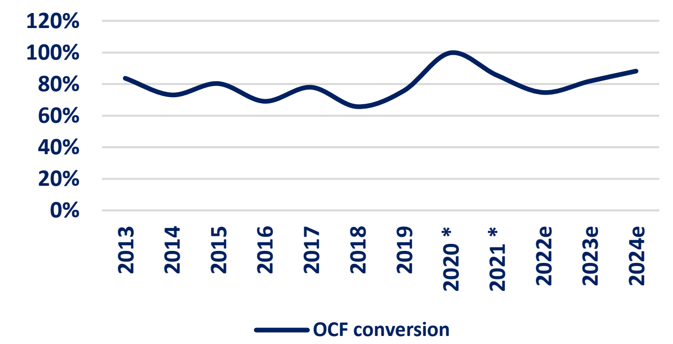
Thrace New vs. Old forecasts			
Technical Fabrics New (EUR mn)	**2022e**	**2023e**	**2024e**
TF Sales	277	307	324
EBITDA	35	39	44
Old EUR mn)			
Sales	236	252	265
EBITDA	36	40	43
new vs old (%)			
Sales	17%	22%	23%
EBITDA	-5%	-4%	2%
Packaging New EUR mn)	**2022e**	**2023e**	**2024e**
PU Sales	127	137	146
EBITDA	18	19	20
Old EUR mn)			
Sales	110	116	122
EBITDA	19	22	22
new vs old (%)			
Sales	16%	17%	19%
EBITDA	-7%	-11%	-9%
Source: The Company, Eurobank Equities Research			

5. Cash flow outlook

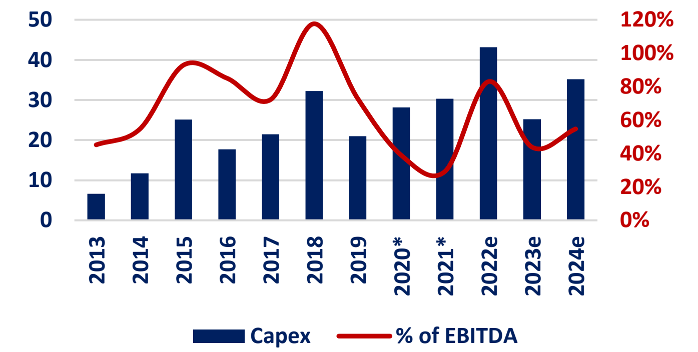
Cash flows supported by strong 2021 OCF, enabling continuing investments

The group's strong cash flow generation is sustained, with OCF conversion >60% driven by efficient working capital management. We maintain our estimates for 70%-80% cash conversion in a cycle of c70-80 days. Continuation of investments is backed by the solid cash flow generation, with the 2020-2022 c€100m investment program on track, looking for an over €40m capex envelope in the current year.

Cash conversion (OCF/EBITDA)



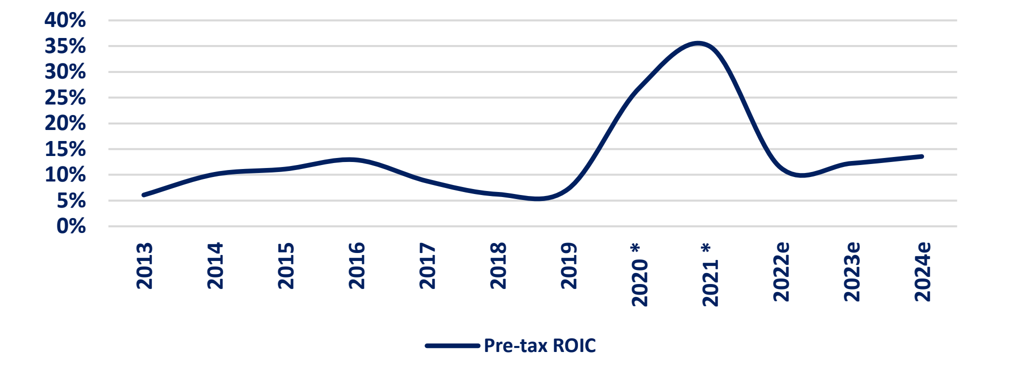
CAPEX in €m and as % of EBITDA



Source: Company, Eurobank Equities Research
** 2020-21 numbers include significant temporary boost from PPE products*

On our numbers pre-tax ROIC in 2022e is estimated at 11%, indicating the challenging environment faced, whilst the company remains focused on its investment plans. Still, it remains above the average of c9% prior to 2019 and we expect a bounce-back >15% area in the future (2025 on) thanks to a sustainable EBIT margin forecast in the range of 9-10% and some higher €20m annual capex (vs €15m anticipated previously) to support the mid-single digit revenue growth incorporated in our numbers. Worth mentioning that in the 2020-21 period, group ROIC shot up to 35% on the back of strong operating profitability, which filtered through to investments.

ROIC outlook

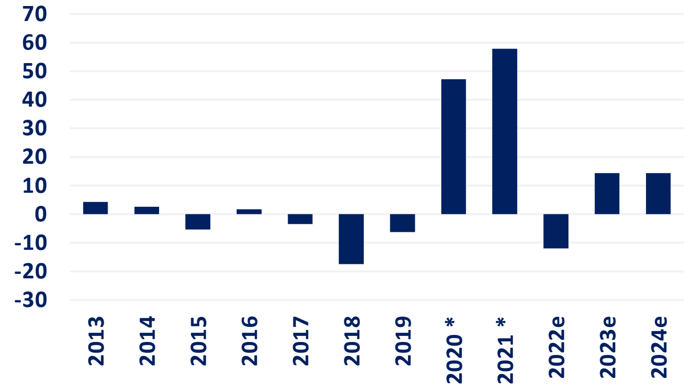


Source: Eurobank Equities Research
** 2020-21 numbers include significant temporary boost from PPE products*

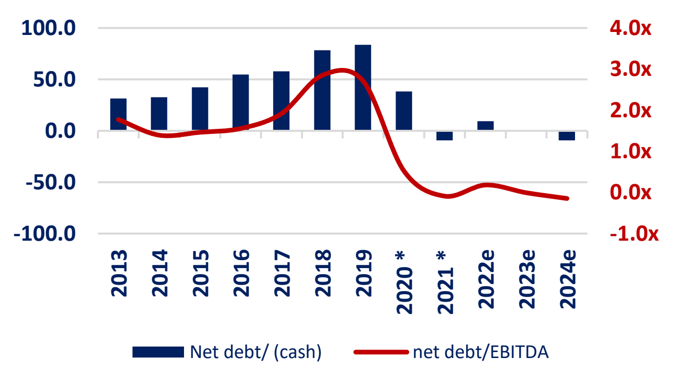
Thrace group currently enjoys a strong financial position, with the 2021 year-end gross cash at €63m. Equity free cash flow shot up to >€40m in both 2020 and 2021, underpinned by the strong operating profitability, with the group **ending 2021 on a net cash position of €9m**.

In 2022e we see a short-term pressure in cash flow driven by the softer operational environment (on the back of cost inflation and the return to a more normal "non covid-related" product range) and elevated investments (c€25m in production plants and some further €15m identified in growth capex). We map below our estimates on cash flow and debt de-leveraging. As can be seen, Thrace has enough war chest to go through the more challenging period, while at the same time funding its investment plans and returning value to shareholders. On the latter, the group has already distributed an interim dividend of €0.11/share and shareholders approved another €0.16/share (in May), thus leading to a total of €11.75m (€0.27/share), as the company will continue balancing its expansion/capital allocation in the business with shareholder remuneration. Looking post 2022, we maintain our payout ratio assumption of 20%, assuming the group will continue to build up cash for meaningful investments.

Equity free cash flow in €m



Net debt in €m and leverage ratio



Source: Company, Eurobank Equities Research
** 2020-21 numbers include significant temporary boost from PPE products*

FY’21 results overview

Strong trends continue into FY’21 with continuing operations EBITDA growing >40% yoy

Thrace Plastics reported FY’21 results broadly in line with expectations, with sales growing 26% yoy to €428m, of which c22% yoy growth is price mix and c3% volume growth. EBITDA from continuing operations increased by 43% yoy to €103.8m, on an improved margin of 24% (+3pps yoy) and broadly in sync with our estimate for €102.8m. EBITDA from continuing operations excludes c€6.6m profit from the discontinued operations after the termination of production activities of the US subsidiary Thrace Linq Inc. EBT from continuing operations was €83.9m, of which €51.8m related to PPE products (EEe €49m), implying c€32m EBT from recurring operations (almost 3x above 2019 levels). FY’21 net profit from continuing operations came in at €65m, further boosted by one-off gains of €6.6m, thus leading to total net profit of €72m for the year, up by 77% yoy. This is compared with our estimate for €69m.

2021 cash inflows amount to >€45m supported by operating performance

On the cash flow front, net cash was also in sync with forecasts at €9m indicating impressive cash inflows of €47.5m in the year. Free cash flow for the year shaped at €54m driven by strong operating cash flow on the back of c€30m in capex. The group has distributed €0.11/share as interim dividend (in December 2021) and we anticipate a similar additional amount to be proposed, thus leading to a total dividend of c€9m (in sync with last year).

Thrace Plastics FY’21 short overview			
EUR mn	FY'20	FY'21	yoy %
Sales	**339.7**	**428.4**	**26.1%**
Gross Profit	106.0	140.1	32.3%
Gross Margin	*31.2%*	*32.7%*	*1.5 pp*
EBITDA (cont. ops)	**72.5**	**103.8**	**43.2%**
EBITDA Margin	*21.3%*	*24.2%*	*2.9 pp*
EBT (cont. ops)	**52.1**	**83.9**	**61.1%**
of which PPE EBT	*22.7*	*51.8*	*128.2%*
of which underlying	*29.4*	*32.1*	*9.3%*
EAT (cont. ops)	**40.7**	**65.4**	**60.9%**
OCF	**69.5**	**87.1**	
Net Debt / (cash)	**38.2**	**-9.3**	
Source: Company, Eurobank Equities Research			

Technical fabrics trends continue strong, largely underpinned by PPE products

Per division, we witnessed a decelerating, albeit still robust, growth in the technical fabrics division, with revenues up 31% yoy to €319m and EBITDA up 71% yoy to €86m, indicating a margin increase of 6.2pps yoy to 27%. Packaging revenues grew by 13% yoy to €120m, with the EBITDA though down by 19% yoy to €18m, weighed by a rise in energy costs.

Results breakdown by business unit			
Sales (EUR mn)	FY'20	FY'21	yoy %
Technical Fabrics	243.1	318.9	31.2%
Packaging	105.7	120.0	13.5%
Sustain. Agriculture	4.9	5.7	16.8%
Group	**339.7**	**428.4**	**26.1%**
EBITDA (EUR mn)			
Technical Fabrics	50.5	86.1	70.6%
Packaging	22.5	18.3	-18.8%
Sustain. Agriculture	-0.5	-0.6	26.4%
Group	**72.5**	**103.8**	**43.2%**
EBITDA margins			
Technical Fabrics	20.8%	27.0%	***6.2 pp***
Packaging	21.3%	15.2%	***-6.0 pp***
Sustain. Agriculture	-10.1%	-11.0%	***-0.8 pp***
Group	**21.3%**	**24.2%**	*2.9 pp*
Source: Company, Eurobank Equities Research			

Quarterly performance showcases seasonally soft Q4 and stronger Q2-Q3

What can we learn from quarterly performance?

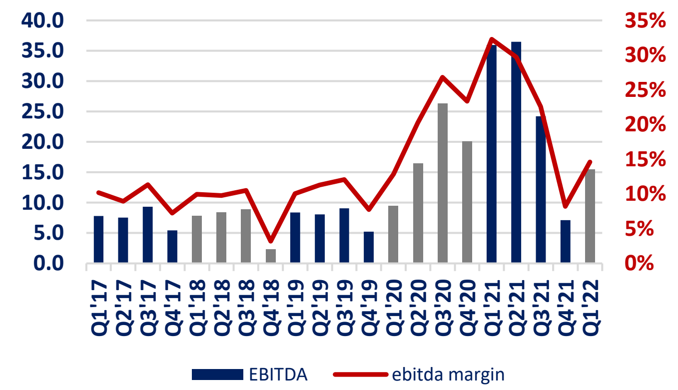
It is worth also looking into quarterly performance, as typically Q4 is a softer quarter, while Q2 and Q3 are seasonally stronger. The picture in 2020 and 2021 is somewhat distorted by PPE products, which boosted significantly Q4'20 and H1'21 figures with a decelerating contribution in Q3'21. Underlying PBT figures, shown below, support the thesis for a seasonally stronger Q2-Q3, aided by rising construction activity during summer and tourism.

Thrace Plastics quarterly overview

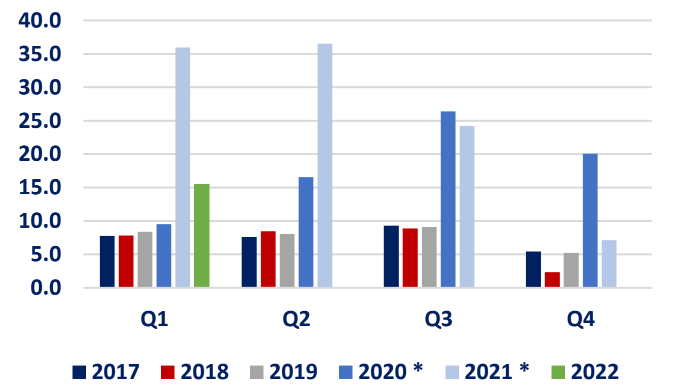
EUR mn	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22e	Q3'22e	Q4'22e
Sales	**83.6**	**71.6**	**75.3**	**67.8**	**74.0**	**81.4**	**98.4**	**86.0**	**111.4**	**122.9**	**107.3**	**86.9**	**106.3**	**109.0**	**100.0**	**83.8**
EBITDA	**8.4**	**8.1**	**9.1**	**5.2**	**9.5**	**16.5**	**26.4**	**20.1**	**36.0**	**36.5**	**24.2**	**7.1**	**15.5**	**14.2**	**12.7**	**9.6**
EBITDA Margin	*10.0%*	*11.3%*	*12.1%*	*7.7%*	*12.9%*	*20.3%*	*26.8%*	*23.4%*	*32.3%*	*29.7%*	*22.6%*	*8.2%*	*14.6%*	*13.0%*	*12.7%*	*11.5%*
EBT	**16.8**	**15.7**	**16.1**	**13.0**	**4.7**	**12.1**	**21.6**	**13.7**	**29.4**	**32.6**	**19.0**	**3.0**	**10.7**	**9.0**	**7.6**	**2.9**
*o/w PPE **							*13.2*	*9.5*	*20.6*	*20.3*	*9.8*	*1.1*	*4.3*	*0.7*	*0.0*	*0.5*
underlying					***4.7***	***12.1***	***8.4***	***4.2***	***8.8***	***12.3***	***9.2***	***1.9***	***6.4***	***8.3***	***7.6***	***2.4***

Source: Company, Eurobank Equities Research
** temporary boost from PPE products*

Group EBITDA and respective margin per quarter



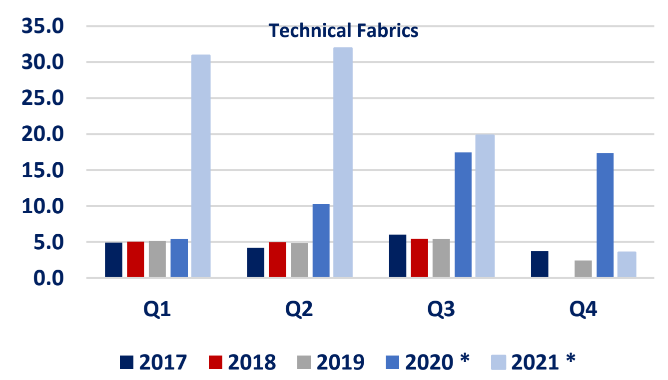
Group EBITDA quarterly evolution 2017-2022e



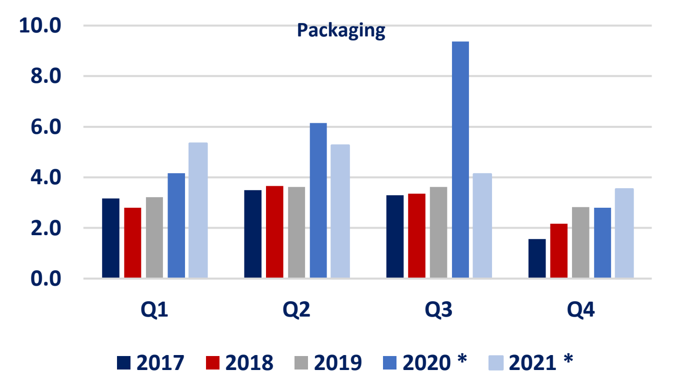
Source: Company, Eurobank Equities Research. Amounts in € mn
** 2020-21 numbers include significant temporary boost from PPE products*

The case remains intact also in a per segment basis, with Q4 the least important quarter for the group, further in Q4'21 due to the lower contribution of PPE products, cycling tough yoy comps.

Technical fabrics quarterly EBITDA evolution



Packaging quarterly EBITDA evolution



Source: Company, Eurobank Equities Research. Amounts in € mn
** 2020-21 numbers include significant temporary boost from PPE products*

Group Financial Statements

EUR mn					
Group P&L	**2020 ***	**2021 ***	**2022e**	**2023e**	**2024e**
Sales	**339.7**	**428.4**	**399.1**	**437.5**	**464.3**
Gross Profit	106.0	140.1	91.4	95.9	103.8
EBITDA	**72.5**	**103.8**	**52.0**	**57.6**	**64.4**
change	*135.3%*	*43.2%*	*-49.9%*	*10.6%*	*11.8%*
EBITDA margin	*21.3%*	*24.2%*	*13.0%*	*13.2%*	*13.9%*
EBIT	**53.9**	**83.9**	**31.3**	**34.8**	**40.9**
Financial income (expense)	-3.6	-2.8	-3.6	-3.6	-3.4
Exceptionals / other income	1.8	2.8	2.5	2.5	2.4
PBT	**52.1**	**83.9**	**30.2**	**33.7**	**39.8**
Income tax	-10.8	-18.1	-6.6	-7.4	-8.8
Non-controlling interest	-0.6	-0.4	-0.4	-0.4	-0.4
Net profit	**40.7**	**65.4**	**23.2**	**25.9**	**30.6**
EPS (EUR)	**0.93**	**1.50**	**0.53**	**0.59**	**0.70**
DPS (EUR)	**0.22**	**0.27**	**0.11**	**0.12**	**0.14**
Group Cash Flow Statement	**2020 ***	**2021 ***	**2022e**	**2023e**	**2024e**
EBITDA	72.5	103.8	52.0	57.6	64.4
Change in Working Capital	1.8	-0.4	-6.5	-3.1	1.2
Net interest	-2.8	-1.7	-3.6	-3.6	-3.4
Tax	-3.6	-17.5	-6.6	-7.4	-8.8
Other	1.7	3.0	0.0	0.0	0.0
Operating Cash Flow	**69.5**	**87.1**	**35.3**	**43.4**	**53.3**
Capex	-28.2	-30.3	-43.2	-25.2	-35.2
Other investing	10.2	5.2	0.0	0.0	0.0
Net Investing Cash Flow	**-18.0**	**-25.1**	**-43.2**	**-25.2**	**-35.2**
Dividends	-4.5	-11.6	-7.0	-4.6	-5.2
Other (incl. payment of lease liab.)	-1.7	-3.0	-3.8	-3.8	-3.9
Net Debt (cash) (incl. leases)	**38.2**	**-9.3**	**9.4**	**-0.4**	**-9.4**
Free Cash Flow (adj.)	**47.1**	**57.9**	**-12.0**	**14.4**	**14.4**
Group Balance Sheet	**2020 ***	**2021 ***	**2022e**	**2023e**	**2024e**
Tangible Assets	131.5	153.8	177.5	183.2	198.2
Intangible Assets	10.7	10.5	11.4	11.3	11.1
Other non-current Assets	33.7	26.6	30.8	34.0	37.1
Non-current Assets	**175.9**	**190.9**	**219.7**	**228.5**	**246.4**
Inventories	55.3	71.8	71.8	78.7	81.5
Trade Receivables	56.9	64.5	63.1	65.6	66.2
Other receivables	13.0	14.6	12.0	13.1	13.9
Cash & Equivalents	40.8	63.2	51.1	56.0	59.4
Current Assets	**166.0**	**214.3**	**198.0**	**213.5**	**221.0**
Total Assets	**341.9**	**405.2**	**417.7**	**442.0**	**467.4**
Shareholder funds	172.6	248.5	264.7	285.9	311.4
Non-controlling interest	3.5	3.7	4.2	4.6	5.0
Total Equity	**176.1**	**252.3**	**268.8**	**290.5**	**316.4**
Long-term debt	46.7	33.6	29.6	25.6	21.6
Other long-term liabilities	19.8	12.5	12.5	12.5	12.4
Long Term Liabilities	**66.5**	**46.1**	**42.1**	**38.1**	**34.0**
Short-term debt	26.3	17.4	28.0	27.2	25.6
Trade Payables	29.7	55.4	47.1	51.6	54.8
Other current liabilities	43.3	34.0	31.7	34.6	36.7
Current Liabilities	**99.3**	**106.8**	**106.8**	**113.4**	**117.0**
Equity & Liabilities	**341.9**	**405.2**	**417.7**	**442.0**	**467.4**
Key Financial Ratios	**2020 ***	**2021 ***	**2022e**	**2023e**	**2024e**
P/E	2.3x	4.1x	6.5x	5.8x	4.9x
P/BV	0.5x	1.1x	0.6x	0.5x	0.5x
Adj. EV/EBITDA	2.2x	2.5x	3.2x	2.7x	2.3x
EBIT/Interest expense	12.8x	22.5x	8.5x	9.3x	11.6x
Net Debt (cash)/EBITDA	0.5x	-0.1x	0.2x	0.0x	-0.1x
Dividend Yield	10.2%	4.5%	3.1%	3.5%	4.1%
ROE	25.7%	31.1%	9.0%	9.4%	10.3%
Free Cash Flow yield	50.3%	21.7%	-7.9%	9.5%	9.6%
Payout Ratio	23.2%	18.0%	20.0%	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. Thrace Plastic's profitability is dependent upon its pricing power.

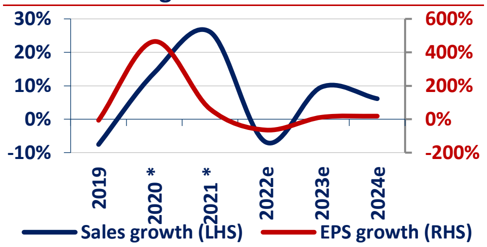
•**Working capital risk:** Raw material cost volatility could affect inventories' value.

•**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.

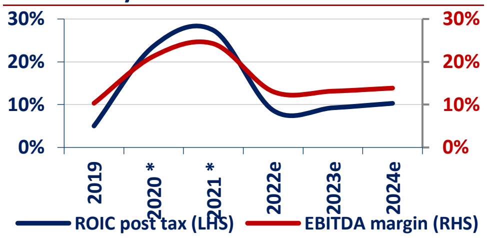
•**Price/mix:** stronger/weaker price/mix than assumed in our model would result in stronger/weaker sales growth.

•**Sensitivity:** We estimate that flexing our volume assumption by 1% would result in a c2-6% change in group EBITDA in 2022-23e. Similarly, were we to change our price/mix assumption by 1%, the impact on group EBITDA would be c7%. Finally, for a 1% increase in raw material's unit costs, our EBITDA forecast drops by c4%.

Sales and EPS growth



Profitability and returns



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

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

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Planned Frequency of Updates:

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
04/07/2022	Not Rated	€3.45	-
25/01/2022	Not Rated	€ 6.10	-
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	15	56%	1	7%
Hold	4	15%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	7%	0	0%
Not Rated	5	19%	0	0%
Total	**27**	**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
Not Rated:	Refers to Sponsored Research reports