

SPONSORED RESEARCH

THRACE PLASTICS

Navigating uncertainty towards growth

2023: Better finish to a challenging year with strong cash flow – In a year characterized by subdued demand, Thrace managed to increase underlying EBITDA by 2.5% yoy to €44m, which was a bit better than our expected figure (€42m). Group turnover was down -12% yoy (€345m), driven by soft volumes (+0.5% yoy) and lower sales prices, while cycling a tough comparative vs 2022. On an underlying basis, namely excl. PPE, 2023 PBT shaped at €20.2m, down by c€2m, quite respectable performance in our view. Cash flow generation was the key highlight of 2023, with Thrace delivering €19m equity FCF despite €30m capex, aided by the unwinding of working capital. Net debt was reduced to €16m, even after €14m in dividends.

Heading for c6-7% growth in 2024, with risk on the upside we reckon – Starting from a lower base and maintaining our assumption for a gradual top line recovery pace in the light of the precarious backdrop, we have maintained our EBITDA forecast for €46.6m in 2024, +6% yoy. This will be driven by a 6% yoy rise in revenues (€367m), mainly volume-driven, stemming from the recent year's capex (value-adding products, enhanced conversion capabilities and capacity expansion). We believe our estimates are by no means aggressive, implying upside risk on rising demand.

Medium-term growth prospects remain intact; we see mid-teens 3-yr EBIT CAGR – Looking further out, we believe Thrace remains well positioned to leverage on cost efficiencies and volume growth. We believe there is ample room for demand pick-up, which would manifest in even greater operating leverage than our numbers envisage. For 2025-26e, we model c4-5% annual volume growth leading to 6-7% revenue upswing. Assuming moderate raw materials inflation and improving mix dynamics, we come up with an EBITDA margin >14% by 2026. This corresponds to c15% 3-yr EBIT CAGR, on c6% revenue CAGR, quite a compelling proposition.

Healthy balance sheet despite ongoing investments – Despite the challenges faced, the group has maintained its healthy balance sheet (2023 net debt/EBITDA c0.4x) while implementing c€30m of investments in 2023 (with focus on sustainable development) and distributing c€14m in dividends during the year. Thrace has invested c€150m in the past 5 years, in sync with its strategy for growing the business, while it has returned almost €45m to shareholders and has produced €300m EBITDA (€84m of which in PPE products). With FCF conversion set to average c50% in the coming years on our estimates, we believe Thrace is well placed to continue combining growth with shareholder returns, while driving an enhancement of returns on capital to 2-digit levels by 2026e (pre-tax).

Valuation – We recalibrate our valuation filtering through the modest changes to our estimates and come up with a fair value range between €314m and €424m. Our baseline points to a 12-month intrinsic value of €8.2/share, indicating significant upside vs the current price. We reckon current levels mirror a pessimistic setup, with immaterial profitability growth, i.e. EBIT of €20m, >35% below the levels we consider feasible by 2026e even as demand bounces back, which is inconsistent with the group's solid track record and growth investments.

| Estimates | | | | | |
|------------|--------|-------|-------|-------|-------|
| € mn | 2022 * | 2023 | 2024e | 2025e | 2026e |
| Revenues | 394.4 | 345.4 | 366.9 | 391.0 | 413.8 |
| EBITDA | 48.3 | 44.0 | 46.6 | 52.1 | 58.3 |
| EBIT | 27.4 | 20.7 | 20.2 | 25.4 | 31.4 |
| Net profit | 25.8 | 17.8 | 15.2 | 19.2 | 23.7 |
| EPS | 0.59 | 0.41 | 0.35 | 0.44 | 0.54 |
| DPS | 0.26 | 0.24 | 0.20 | 0.20 | 0.22 |

| Valuation | | | | | |
|-----------------------|--------|-------|-------|-------|-------|
| | 2022 * | 2023 | 2024e | 2025e | 2026e |
| P/E | 7.7x | 11.0x | 11.9x | 9.4x | 7.6x |
| Adj. EV/EBITDA | 4.3x | 4.6x | 4.1x | 3.6x | 3.0x |
| EBIT/Interest Expense | 6.2x | 4.4x | 5.8x | 8.0x | 11.4x |
| Dividend Yield | 5.8% | 5.4% | 4.7% | 4.9% | 5.4% |
| ROE | 10.1% | 6.6% | 5.5% | 6.7% | 8.0% |

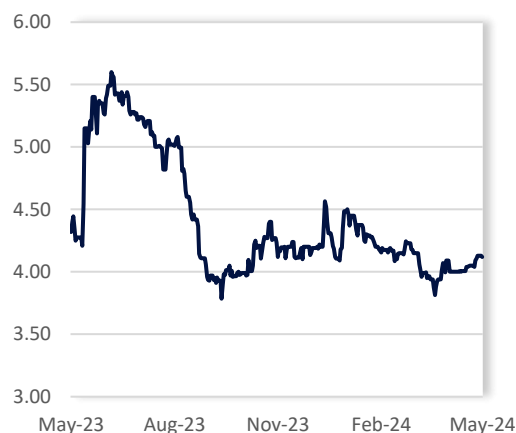
Source: Eurobank Equities Research.

Market Cap (€ mn) €180.7
Closing Price (27/05) €4.13

Stock Data

| | |
|--------------------------|---------|
| Reuters RIC | THRr.AT |
| Bloomberg Code | PLAT GA |
| 52 Week High (adj.) | €5.68 |
| 52 Week Low (adj.) | €3.75 |
| Abs. performance (1m) | 1.6% |
| Abs. performance (YTD) | -0.8% |
| Number of shares | 43.7mn |
| Avg Trading Volume (qrt) | €86k |
| Est. 3yr EPS CAGR | 10.1% |
| Free Float | 34% |

Thrace Plastics Share Price



Analyst

Natalia Svyriadi

Research Analyst

☎: +30 210 37 20 257

✉: nsvyriadi@eurobankequities.gr

Head of Research

☎: +30 210 37 20 259

Sales / Trading

☎: +30 210 37 20 117 / 168 / 110

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See Appendix for Analyst Certification and important disclosures.

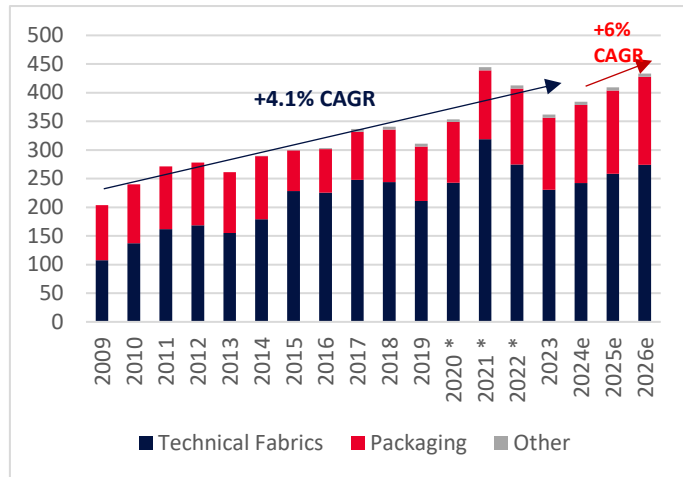
** 2020-22 numbers include significant temporary boost from PPE-related products (of €23m, €52m and €5m in profitability, respectively)*

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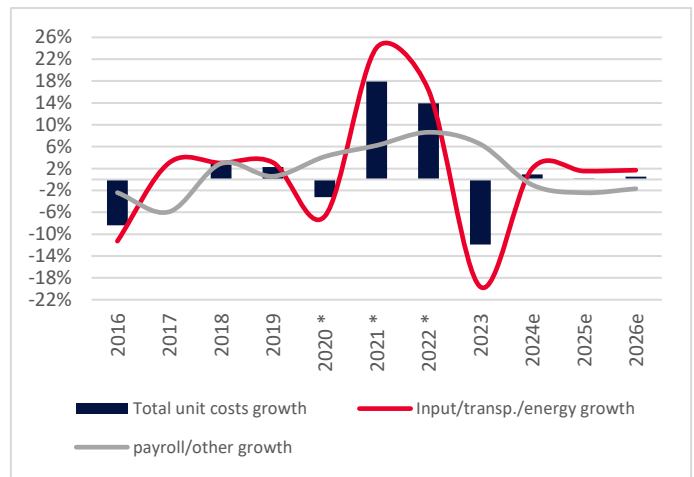
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Investment thesis in 6 charts

We estimate 6% revenue CAGR in the coming years...



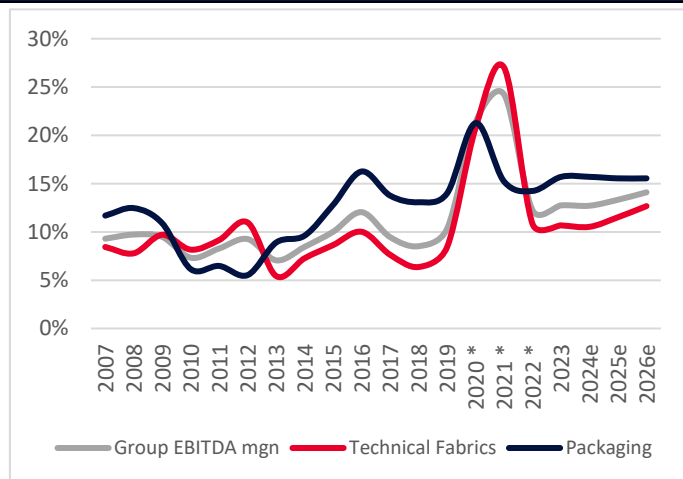
...while anticipating normalization of unit costs



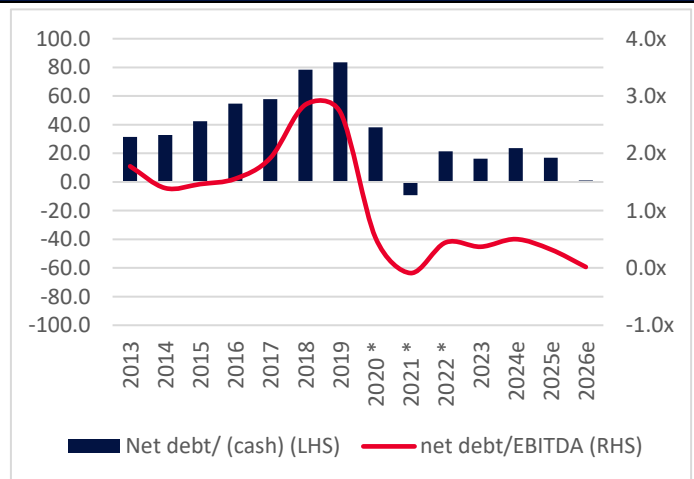
Source: Company, Eurobank Equities Research, Bloomberg

* 2020-22 numbers include significant temporary boost from PPE-related products (of €23m, €52m and €5m in profitability, respectively)

These ought to drive gradual EBITDA margin enhancement and c10% CAGR through to 2026e



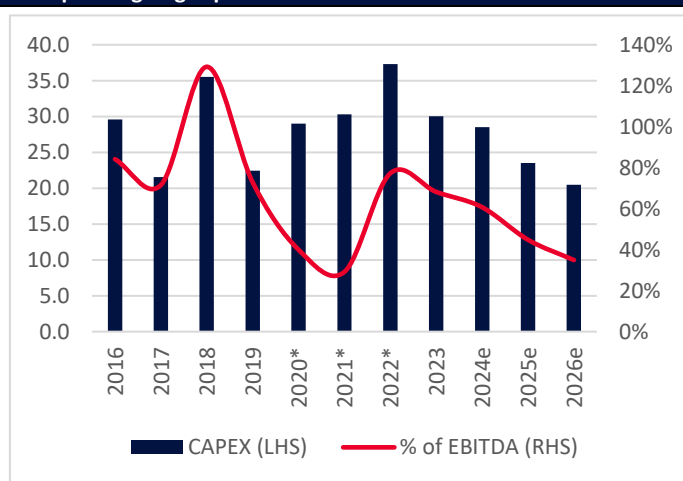
Healthy balance sheet sustained...



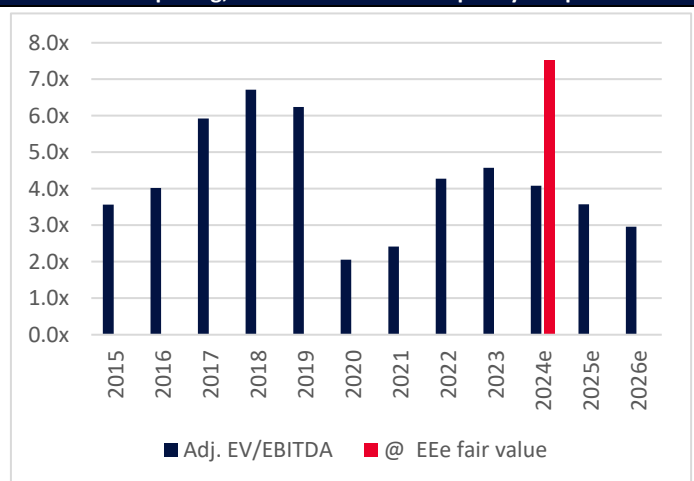
Source: Company, Eurobank Equities Research, Bloomberg

* 2020-22 numbers include significant temporary boost from PPE-related products (of €23m, €52m and €5m in profitability, respectively)

...despite ongoing capex



Valuation compelling; our baseline indicates plenty of upside



Source: Company, Eurobank Equities Research, Bloomberg

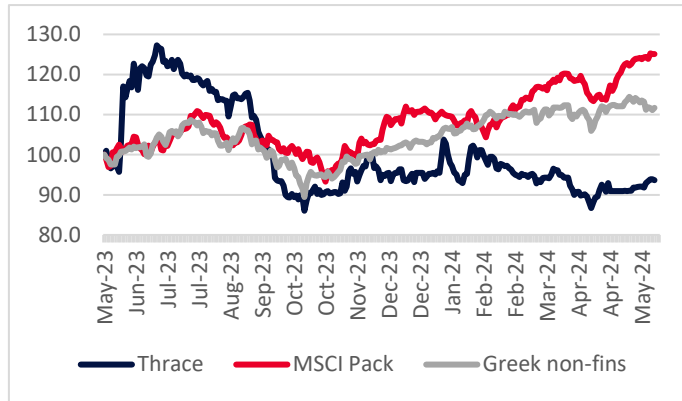
* 2020-22 numbers include significant temporary boost from PPE-related products (of €23m, €52m and €5m in profitability, respectively)

Share price performance and valuation

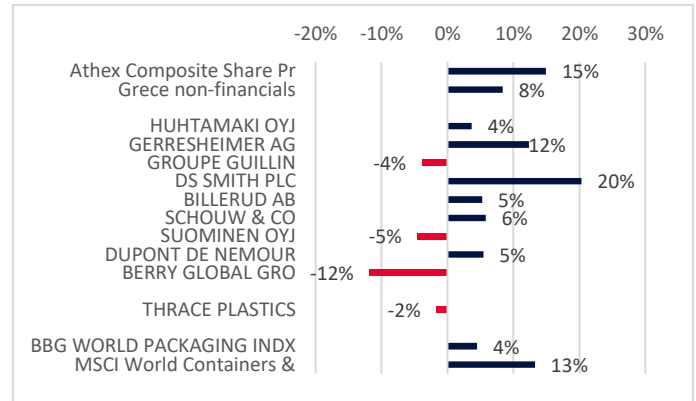
Stock performance lagging behind peers; Thrace -2% YtD

Thrace group shares remain under pressure, owing at large to waning demand witnessed in 2023, which weighed on both prices and volumes (to some extent) last year. As a result, following >40% drop in 2022, Thrace stock price gained just 6% in 2023, but with the shares posting small losses ytd, thus being flattish on a 12m basis. Overall, Thrace has performed in sync with its foreign peers, in the period when demand trends troughed (Sep'23-Feb'24), while lagging behind the sector recovery since February (+20%) and the substantial returns registered by other Greek non-financials.

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



Performance YtD

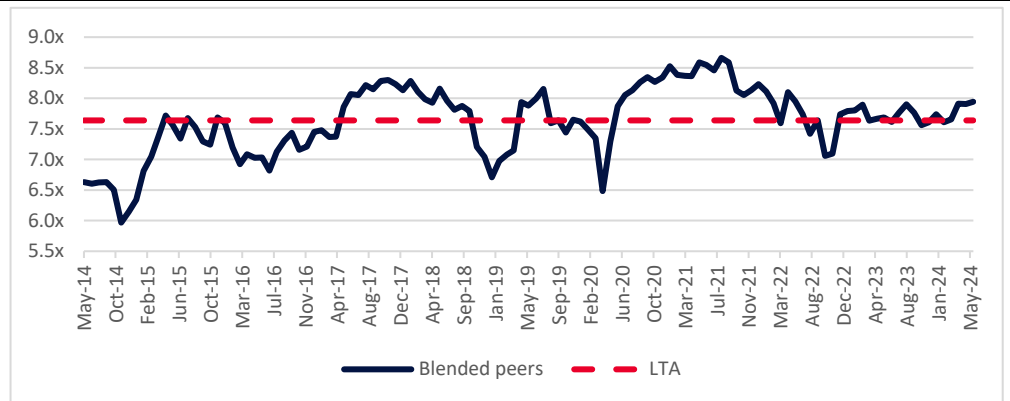


Source: Company, Eurobank Equities Research, Bloomberg

Remains at >40% discount to peers on EV/EBITDA multiples

From a valuation perspective, the historic EV/EBITDA valuation of Thrace's peers, comprising companies involved in the broad packaging/specialty chemicals sector, shows a 10-year average forward-looking EV/EBITDA multiple of 7.6x, which is the level where peers are currently trading. In comparison, Thrace stands at a 12m fwd EV/EBITDA of c4x, which corresponds to a massive discount vs the peer group.

12m forward EV/EBITDA valuation of peers



Source: Eurobank Equities Research, Bloomberg.

Looking at a broad set of comparable metrics, Thrace Plastics stands out as offering a compelling combination of attractive valuation, strong balance sheet, similar margins vs peers and a superior yield.

| Peer group valuation | | | | | | | | |
|---------------------------------|---------|--------------|--------------|-------------|-------------|----------------|-----------|--------------------|
| Stock | Mkt Cap | PE | | EV/EBITDA | | Dividend yield | | Net debt |
| | | 2024e | 2025e | 2024e | 2025e | 2024e | 2025e | /EBITDA 1yr Fwd |
| THRACE PLASTICS (EEe) | 182 | 11.9x | 9.4x | 4.1x | 3.6x | 5% | 5% | 0.5x |
| HUHTAMAKI OYJ | 4,104 | 15.5x | 14.0x | 8.6x | 8.1x | 3% | 3% | 2.0x |
| GERRESHEIMER AG | 3,661 | 22.1x | 17.1x | 10.8x | 9.0x | 1% | 1% | 2.3x |
| GROUPE GUILLIN | 550 | 8.6x | 8.6x | 4.5x | 4.5x | 3% | 3% | -0.1x |
| BERRY GLOBAL GRO | 6,249 | 7.9x | 7.2x | 7.2x | 7.0x | 2% | 2% | 3.6x |
| Median Packaging | | 12.1x | 11.3x | 7.9x | 7.6x | 2% | 2% | 2.1x |
| SCHOUW & CO | 1,960 | 12.1x | 10.3x | 7.5x | 7.2x | 3% | 3% | 1.9x |
| SUOMINEN OYJ | 158 | 54.4x | 15.5x | 7.9x | 5.9x | 4% | 4% | 1.9x |
| DUPONT DE NEMOUR | 31,179 | 22.4x | 19.1x | 13.3x | 12.1x | 2% | 2% | 1.8x |
| Median Technical Fabrics | | 22.4x | 15.5x | 7.9x | 7.2x | 3% | 3% | 1.9x |
| Median | | 13.8x | 12.2x | 7.7x | 7.1x | 3% | 3% | 1.9x |
| World Packaging index | | 15.8x | 13.6x | 8.9x | 8.0x | 3% | 3% | 2.2x |

Source: Eurobank Equities Research, Bloomberg.

12mth PT set at €8.2/share pointing to a hefty upside potential

DCF-based valuation returns a value ranging between c€314-424m

In our valuation methodology we use a DCF model which generates a 12-month forward baseline fair value of €360m. This translates to a base value of €8.2 per share (unchanged vs previously). Our intrinsic value effectively places the stock at 7.5x 12mth forward EV/EBITDA (in sync with the historic multiple of World packaging companies).

We value the company with a DCF-based valuation predicated on the following assumptions:

- Sales CAGR of c6% over the medium term (2023-28e) as we gradually account for growth investments implemented, and a lower c4% rate in the outer years.
- Reported EBIT CAGR of 13% over the midterm, with a 2.3pps margin expansion in the same period, driven by operating leverage.
- A normalized terminal FCF near €36m and a sustainable growth rate of 0.5%, while assuming a reinvestment rate in the high single digits, which looks reasonable given the nature of the business.
- Implied FCF conversion (FCF/EBITDA) in the long term at c50%, a level we consider feasible and consistent with a low-to-mid single digit growth rate incorporated in our numbers post 2026.
- A slightly higher WACC assumption of 9.5% (vs 9.3% previously) as we incorporate a higher cost of debt, mainly reflecting the still tight monetary policy settings and precarious industry conditions.

A summary of our baseline DCF can be seen below:

| Thrace Plastics DCF | | | | | | | |
|--|--------------|-------------|-------------|-------------|-------------|-----|-------------|
| | 2024e | 2025e | 2026e | 2027e | 2028e | ... | 2034e |
| NOPAT | 15.8 | 19.8 | 24.5 | 27.3 | 29.8 | | |
| Depreciation | 26.4 | 26.7 | 27.0 | 27.3 | 27.5 | | |
| Capex | (28.5) | (23.5) | (20.5) | (19.5) | (19.7) | | |
| Working Capital | (8.1) | (4.4) | (3.9) | (4.1) | (3.4) | | |
| Enterprise cash flow | 5.6 | 18.6 | 27.0 | 31.0 | 34.2 | ... | 35.4 |
| PV | 5.6 | 17.0 | 22.5 | 23.6 | 23.8 | ... | 14.3 |
| PV of terminal value | 159.2 | | | | | | |
| Enterprise Value – end 2024e | 359.7 | | | | | | |
| Net (debt) incl. leases / other claims | (3.6) | | | | | | |
| Expected dividend | (10.3) | | | | | | |
| Equity value (ex-div) | 345.9 | | | | | | |
| no. of shares | 43.7 | | | | | | |
| 1-year fair value (ex-div) | 360.3 | | | | | | |
| 12-month indicative value per share | 8.2 € | | | | | | |

Source: Eurobank Equities Research

A basic sensitivity on a combination of WACC and terminal growth rates is presented at the table below. As we can see, flexing our WACC and perpetuity growth inputs by 1% and 0.5% respectively yields a fair value range between €314m and €424m.

| DCF Sensitivity | | Perpetuity growth | | | | |
|-----------------|--|-------------------|------|------------|------|------|
| WACC | | -0.5% | 0.0% | 0.5% | 1.0% | 1.5% |
| | | 8.5% | 384 | 396 | 409 | 424 |
| 9.0% | | 362 | 372 | 383 | 396 | 410 |
| <u>9.5%</u> | | 342 | 351 | 360 | 371 | 383 |
| 10.0% | | 324 | 332 | 340 | 349 | 359 |
| 10.5% | | 308 | 314 | 321 | 329 | 338 |

Source: Eurobank Equities Research

2023: Better finish to the year than we had expected; strong cash flow generation

Better finish to the year

Thrace's FY23 results were c€1-1.5m better than our numbers at operating level on better gross margins. FY23 sales shaped at €345m, -12% yoy and below our numbers on lower price/mix but with volumes +0.5% on a continuing basis. That said, gross margins were more resilient than we had assumed, thus helping contain the drop in adj. continuing EBITDA to c9% yoy, at €44m, namely c4% better than our estimates. Most importantly, EBITDA from the traditional portfolio (excl. COVID related products) was up 2.4% yoy. Group net profit amounted to €17.8m, -31% yoy but also better than our €14.1m estimate.

Solid operational cash flow

Cash flow wise, operating cash flow generation was very strong (€47m) thanks to the unwinding of working capital (€8m inflow vs €26m outflow last year), more than fully covering the €30m capex envelope, thus helping the group reduce economic debt (excl. leases) to €13m (from €19m in 2022), after the payment of €14m in dividends.

| Thrace Plastics FY'23 short overview | | | |
|--------------------------------------|---------|-------|--------|
| EUR mn | FY'22 * | FY'23 | yoy % |
| Sales | 394.4 | 345.4 | -12.4% |
| EBITDA | 48.3 | 44.0 | -8.8% |
| EBITDA Margin | 12.2% | 12.7% | 0.5 pp |
| ex PPE | 43.0 | 44.0 | 2.5% |
| EBT | 32.1 | 21.3 | -33.5% |
| of which PPE EBT | 5.3 | 0.0 | |
| of which one-offs | 4.6 | 1.1 | |
| of which underlying | 22.2 | 20.2 | -8.8% |
| EAT (continuing ops) | 25.8 | 17.8 | -31.1% |
| of which underlying | 20.5 | 17.8 | |
| OCF | 13.0 | 47.1 | |
| Net Debt / (cash) | 21.5 | 16.3 | |

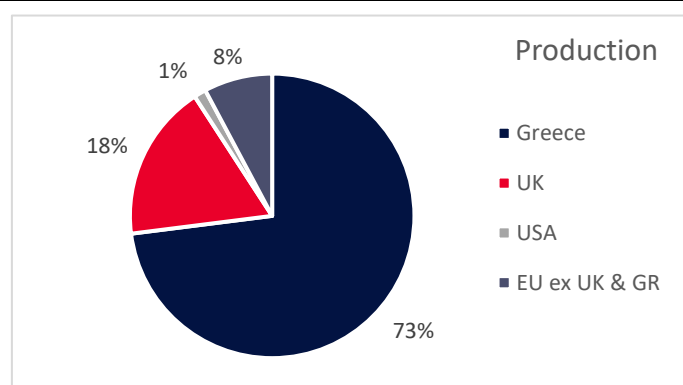
Source: Company, Eurobank Equities Research

* 2022 numbers include temporary boost from PPE products (c€5m)

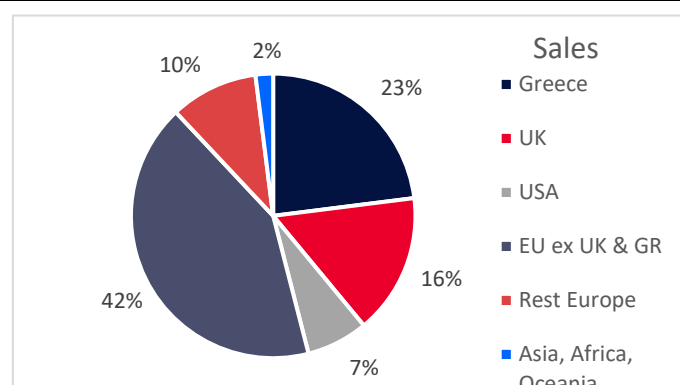
2023 sales down 12% yoy, against a very challenging backdrop...

As Thrace Plastics is primarily active in-Europe, the tough environment faced through 2023 weighed on revenues, which were down 12% yoy. This came as a result of: 1) the significant drop in the price/mix (-13% yoy), amid fierce price competition and lower demand in technical fabrics and also price pressures in packaging materials, and 2) the subdued volume rise (+0.5% yoy, which was quite commendable though). In 2023, Thrace sales in EU (excl. Greece and the UK) accounted for the majority of group sales, followed by sales in Greece which accounted for a 23% of the total (up from 19% in 2019), and sales in UK (16% of total). Sales in the rest of Europe stood at c10% of total in 2023, with Europe excl. Greece and the making up for 52% of the total mix. As regards production, c3/4 of the total volumes come from Greece, while another 18% from the UK, with just 9% stemming from EU and USA.

2023 Production | Country breakdown



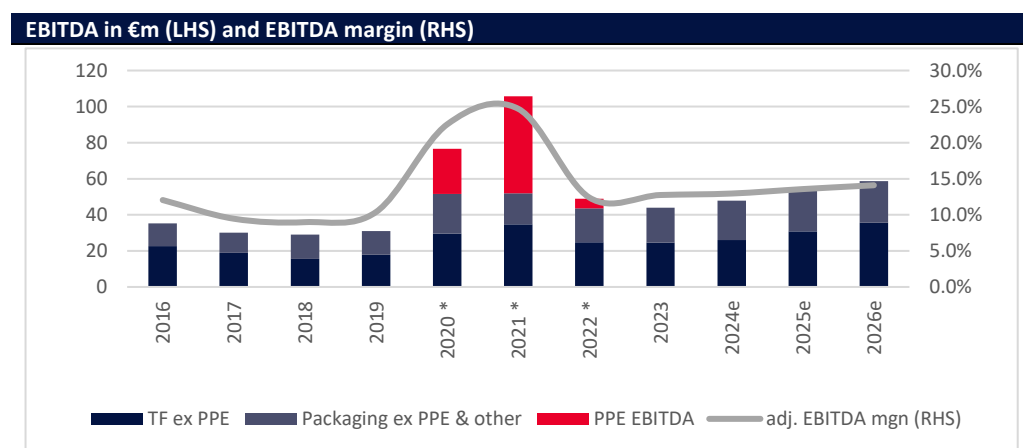
2023 Sales | Country breakdown



Source: Company, Eurobank Equities Research, Bloomberg

... though EBITDA was up 2.5% on an underlying basis

On the profitability front, Thrace managed to grow its gross margin in 2023 (+0.9pps yoy) mainly thanks to the declining raw material costs (unit costs down c20% yoy) and efficient management of the product mix, while maintaining operating costs under control (-1% yoy). This resulted to an EBITDA of €44m, some 2.5% above 2022 underlying EBITDA of €43m (namely ex the €5 extraordinary masks profit). The respective EBITDA margin grew to 12.7% in 2023. It is worth noting that the EBITDA margin has cemented above the 2019 level of 10.3% (pre-PPE products boost), testament to the cost rationalization undergone and the changes in the product mix. Profit before taxes shaped at €21.3m, including a one-off gain from a provision reversal. This compares to €32.1m in 2022, which included c€10m one-off gains (masks-related profit and other).



Source: Company, Eurobank Equities Research, Bloomberg

* 2020-22 numbers include significant temporary boost from PPE products

Technical fabrics comparing to a high base; performance underpinned by Packaging

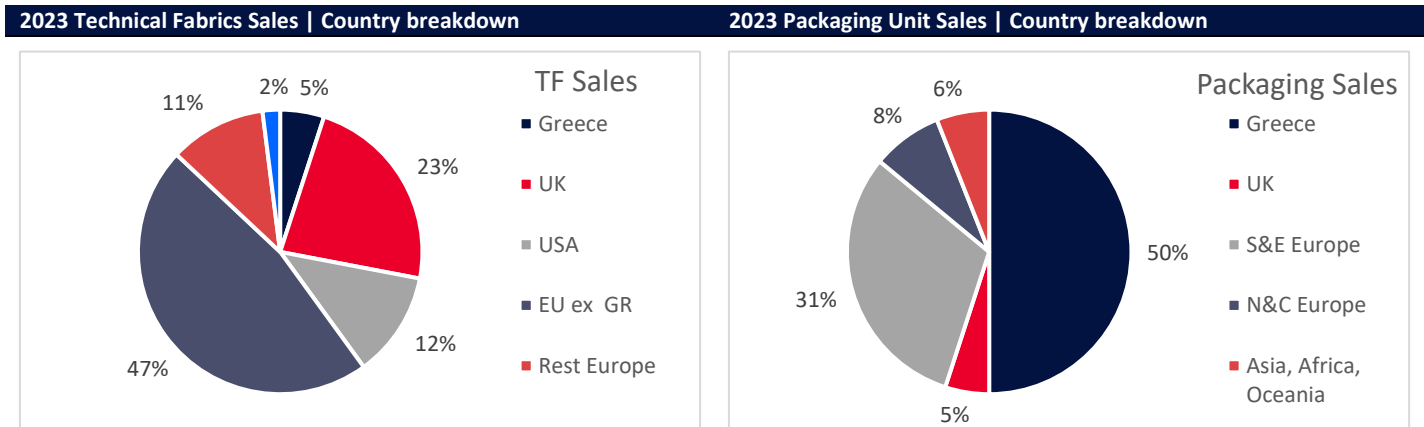
Across the segments, as anticipated technical fabrics suffered a 16-17% yoy drop in FY23 revenues and EBITDA given the tough comparative (c€5m profits from masks in 2022). On the other hand, Packaging enjoyed a 4% EBITDA increase despite the c6% revenue decline.

| Results breakdown by business unit | | | |
|------------------------------------|--------------|--------------|---------------|
| | FY'22 * | FY'23 | yoy % |
| Sales (EUR mn) | | | |
| Technical Fabrics | 274.5 | 230.8 | -15.9% |
| Packaging | 132.7 | 125.2 | -5.6% |
| Group | 394.4 | 345.4 | -12.4% |
| EBITDA (EUR mn) | | | |
| Technical Fabrics | 29.7 | 24.6 | -17.0% |
| Packaging | 18.9 | 19.7 | 4.0% |
| Group EBITDA | 48.3 | 44.0 | -8.8% |
| EBITDA margins | | | |
| Technical Fabrics margin | 10.8% | 10.7% | -0.1 pp |
| Packaging margin | 14.2% | 15.7% | 1.5 pp |
| Group EBITDA margins | 12.2% | 12.7% | 0.5 pp |

Source: Company, Eurobank Equities Research

* 2022 numbers include temporary boost from PPE products (c€5m)

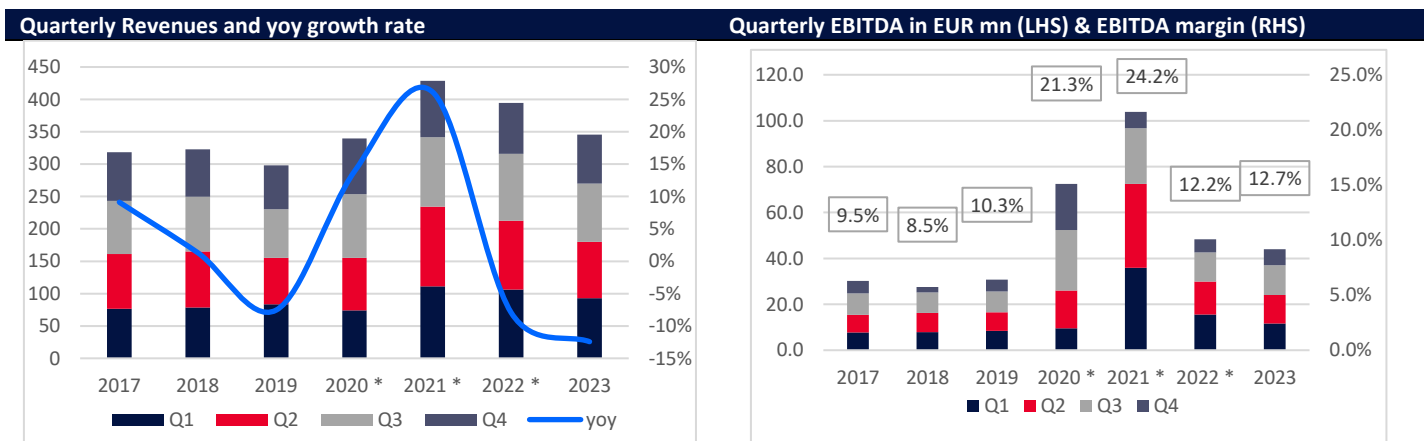
Taking a country breakdown, we can see that Greece sales are majority driven by packaging (50% of total packaging sales), with another 31% of packaging sales stemming from S&E Europe. We remind that packaging sales account for 1/3 of the total group. In technical fabrics (TF), most of the sale come from EU ex Greece (47%), with another 23% from the UK market. TF sales in Greece represent only 5% of the segment sales.



Source: Company, Eurobank Equities Research, Bloomberg

Quarterly evolution

On a quarterly basis, Thrace generates >50% of revenues in Q2 and Q3, with Q4 being the seasonally softest quarter. It is worth reminding that during 2023, Thrace cycled a high base vs 2022 which included c€5m profit from mask products. Looking into the quarterly performance during the year, Q1'23 sales were down 12% yoy, followed by an 18% drop in Q2'23, 13% in Q3 and 3.5% in Q4'23. Underlying EBITDA (namely ex masks in 2022) moved higher in Q1, Q3 and Q4 (by €2.7m cumulative), while dropping in Q2 (-€1.6m), thus leading to an improved comparable underlying EBITDA by c€1m yoy in FY23, with the respective EBITDA margin shaping higher at 12.7%.



Source: Company, Eurobank Equities Research, Bloomberg
 * 2020-22 numbers include significant temporary boost from PPE products

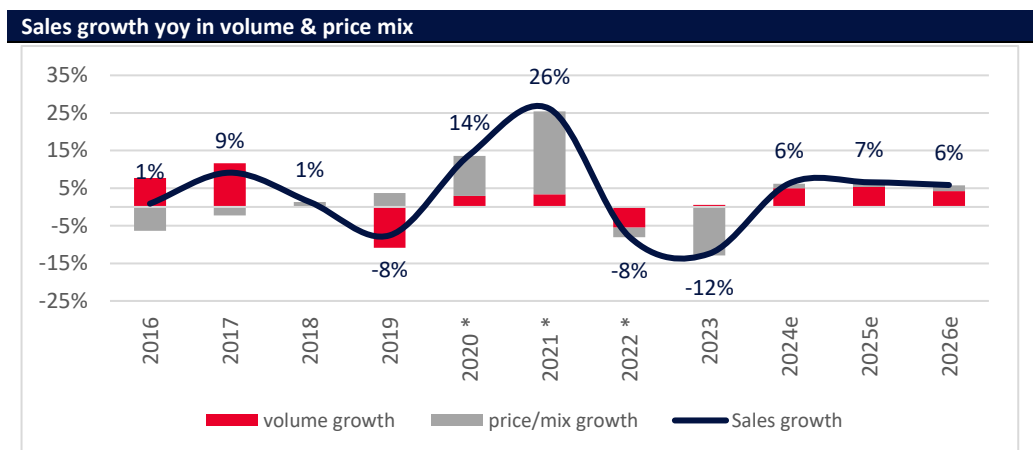
We recalibrate our forecasts to reflect better margins and current trends

Demand recovery gradually feeding in; +6% sales CAGR in 2023-26e...

We revisit our top line forecasts to reflect the lower pricing/product mix environment formed during 2023 on the one hand, and higher volumes starting from a higher than anticipated base, on the other. We now model volume sales of c115m units in 2024 (still assuming c5% yoy rise in units). As regards the price per unit sold, we have assumed a recovery to positive growth for the year (+1.2%), thus eyeing revenues of €367m, up by 6% yoy (and some 2% below our earlier estimate). Overall, we consider our group revenue assumption to be on the conservative side, having taken into account a slow recovery in demand for technical fabrics (better in geosynthetics and agricultures worst in construction). We remind that Q1'24e is cycling tough comps, given last year's solid divisional trends.

Looking ahead we maintain fairly moderate +4-5% annual volume growth forecast and a conservative 1.2-1.6% rise in price per units sold. This translates to revenues of €391-414m in 2025-26e (c6% CAGR), little-changed vs our previous forecasts.

We showcase below the volume/price mix growth components of sales.



Source: Company, Eurobank Equities Research

*2020-22 numbers include significant temporary boost from non-traditional PPE products

...propelled by EBITDA margin improvement; +10% EBITDA CAGR

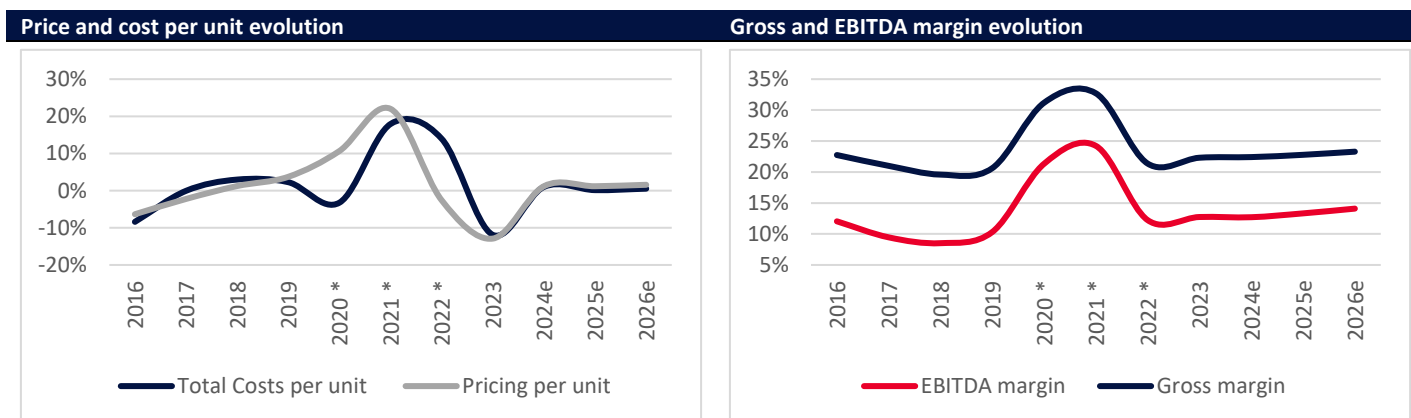
On the cost front, the deleveraging of raw material costs and the solid operational execution lead us lower our input cost forecasts, now penciling in a marginal 0.1pp improvement in the gross margin (to 22.4%) in 2024e and a further +0.4-0.5pps annually in 2025-26e. This translates into gross profit of €82m in 2024e and €89-96m in 2025-26e, respectively. As regards operating costs, we anticipate a slight pick-up in transport costs, as a result of geopolitical tensions. As a result, our current year EBITDA forecast lands at €46.6m (+6% yoy), with the margin flat at 12.7% (unchanged vs our previous forecast). Looking into 2025-26, we model c12% annual EBITDA growth, with EBITDA >€52m and the respective margin rising to 14%.

Bottom line weighed by elevated depreciation and financial costs in 2024, before gradually recovering

Nonetheless, below the EBITDA line we account for elevated depreciation, given the continuous investments, with our 2024 EBIT estimate shaping at €20.2m, just shy of the 2023 figure. We also maintain elevated net financial costs, in the light of the high-for-longer rates environment. We forecast EBT of €20.2m in 2024, flat vs the 2023 underlying figure (namely ex the €1.1m one-off gain in 2023), thus ending up with net profit of €15.2m (-14% yoy). Beyond 2024 we see the solid operating profit growth filtering through to the bottom line, envisaging an overall EBT CAGR of 13% over 2023-26e.

Margin drivers

The below charts, showcasing changes in price and costs per unit, are indicative of the impact of 1) the non-traditional products in the mix, which provided a temporary boost in pricing in the aftermath of COVID and 2) of supply chain/geopolitical effects, which led to a spike in raw material/energy costs over 2020-22. Looking ahead we model a normalization of trends, with unit revenues growing just above unit costs post 2024. As a result, we see a gradual improvement in the EBITDA margin, which is set to reach 14.1% by 2026e on our estimates vs 12.7% in 2023.



Source: Company, Eurobank Equities Research, Bloomberg

* 2020-22 numbers include significant temporary boost from PPE products

Non-material changes in our EBITDA, still eyeing 6% growth in 2024 and 12% in 2025

We summarize below the changes in our forecasts:

- 1) We slightly trim our revenue forecast in 2024e, owing to a -4% downgrade in our technical fabric sales forecast, filtering through the lower base following 2023 results. We model +6% revenue growth in the year with revenues shaping at €367m, as we pencil in a fairly conservative unit volume growth forecast (+5% yoy). Looking ahead, we maintain our revenue estimates at €391 and €414m (+6-7% annually), also on a cautious +4-5% volume outlook.
- 2) Assuming the improvement in the raw material costs and further product mix enhancement will gradually filter through to profitability, we come up with a 0-4% upgrade in our 2024-26e EBITDA forecasts.
- 3) On the other hand, we lower our bottom-line forecasts 5-12%, mainly as a result of the higher depreciation and financial costs. We forecast EBT of €20m in 2024e, rising to €25m in 2025e and €31m in 2026e.

| Thrace Group New vs. Old forecasts | | | |
|------------------------------------|-------|-------|-------|
| | 2024e | 2025e | 2026e |
| New (EUR mn) | | | |
| Sales | 367 | 391 | 414 |
| EBITDA | 47 | 52 | 58 |
| PBT | 20 | 25 | 31 |
| Net Income | 15 | 19 | 24 |
| Old (EUR mn) | | | |
| Sales | 375 | 392 | 414 |
| EBITDA | 47 | 52 | 56 |
| PBT | 23 | 28 | 33 |
| Net Income | 17 | 21 | 25 |
| new vs old (%) | | | |
| Sales | -2% | 0% | 0% |
| EBITDA | 0% | 1% | 4% |
| PBT | -11% | -10% | -5% |
| Net Income | -12% | -11% | -6% |

Source: Company, Eurobank Equities Research

+10% group 3-yr EBITDA CAGR; +12% in TF and +7% in packaging

Per division, we have lowered our Technical Fabrics (TF) division revenue forecasts by 1-4% during the period, now eyeing revenue growth of 5-7% yoy in 2024-26e (€242m, €259m and €274m, respectively). We have also assumed a slightly lower EBITDA margin in 2024 (-0.2pps yoy), at 10.5%, set to expand to 12.7% by 2026e. Our TF EBITDA forecasts are set at €26m in 2024, €30m in 2025e and €35m in 2026e. In the packaging division we have raised our revenue forecasts by 2% each year, pointing to a 6-9% revenue growth rate. We have also maintained an EBITDA margin between 15.5-15.7%, with our EBITDA forecasts settling at €21-24m in 2024-26e.

The table below summarizes our key divisional estimates and group P&L. We also showcase the contribution of PPE products in the 2020-22 period.

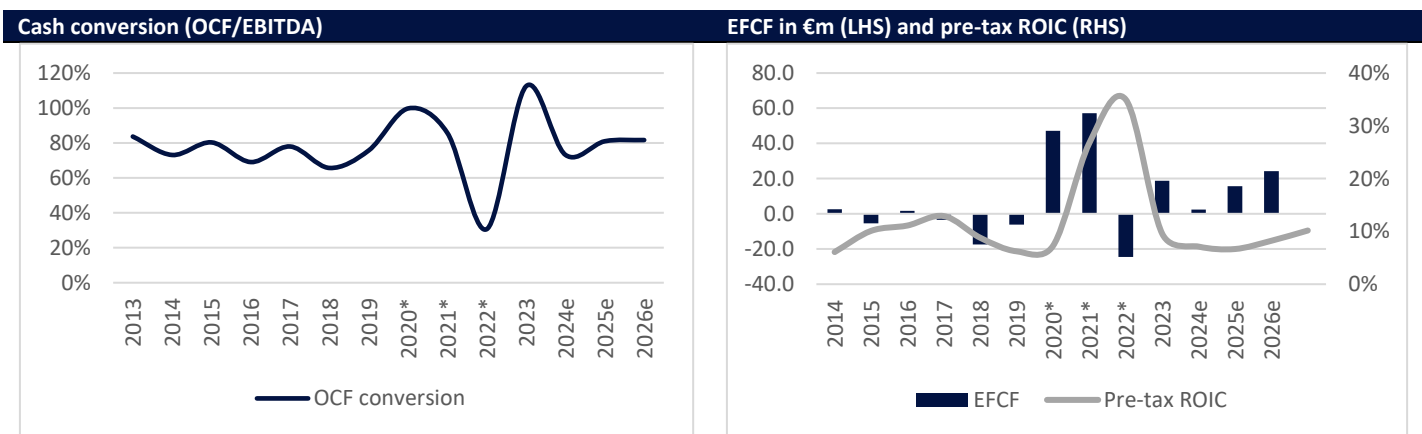
| Short P&L | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020* | 2021* | 2022 * | 2023 | 2024e | 2025e | 2026e |
| Technical Fabrics (EUR m) | | | | | | | |
| TF Vol sold (m tons) | 79.6 | 80.7 | 76.1 | 75.3 | 78.7 | 82.7 | 86.0 |
| growth | 3% | 1% | -6% | -1% | 5% | 5% | 4% |
| TF Pricing per unit (EUR) | 3.1 | 3.9 | 3.6 | 3.1 | 3.1 | 3.1 | 3.2 |
| growth | 12% | 29% | -9% | -15% | 0% | 1% | 2% |
| TF Sales | 243.1 | 318.9 | 274.5 | 230.8 | 242.3 | 258.5 | 274.2 |
| growth | 15% | 31% | -14% | -16% | 5% | 7% | 6% |
| TF EBITDA | 50.5 | 86.1 | 29.7 | 24.6 | 25.5 | 29.8 | 34.7 |
| margin | 20.8% | 27.0% | 10.8% | 10.7% | 10.5% | 11.5% | 12.7% |
| TF PBT | 37.7 | 72.4 | 20.1 | 8.5 | 8.5 | 12.5 | 17.1 |
| <i>o/w PBT attributed to PPE</i> | 19.5 | 49.9 | 3.0 | | | | |
| <i>o/w underlying PBT</i> | 18.2 | 22.5 | 17.1 | 8.5 | 8.5 | 12.5 | 17.1 |
| Packaging Unit (EUR m) | | | | | | | |
| PU Vol sold (m tons) | 36.3 | 39.4 | 38.5 | 40.2 | 42.3 | 44.4 | 46.2 |
| growth | 2% | 8% | -2% | 4% | 5% | 5% | 4% |
| PU Pricing per unit (EUR) | 2.9 | 3.0 | 3.44 | 3.11 | 3.22 | 3.3 | 3.3 |
| growth | 9% | 5% | 13% | -10% | 3% | 1% | 1% |
| PU Sales | 105.7 | 120.0 | 132.7 | 125.2 | 136.2 | 145.1 | 153.2 |
| growth | 11% | 14% | 11% | -6% | 9% | 7% | 6% |
| PU EBITDA | 22.5 | 18.3 | 18.9 | 19.7 | 21.4 | 22.6 | 23.8 |
| margin | 21.3% | 15.2% | 14.2% | 15.7% | 15.7% | 15.5% | 15.5% |
| PU PBT | 15.3 | 12.1 | 12.2 | 12.3 | 11.3 | 12.5 | 13.7 |
| <i>o/w PBT attributed to PPE</i> | 3.2 | 1.9 | 2.3 | | | | |
| <i>o/w underlying PBT</i> | 12.1 | 10.2 | 9.9 | 12.3 | 11.3 | 12.5 | 13.7 |
| GROUP (EUR m) | | | | | | | |
| Vol sold (m tons) | 111.8 | 115.5 | 109.2 | 109.8 | 115.2 | 121.4 | 126.4 |
| growth | 3% | 3% | -5% | 0.5% | 5% | 5% | 4% |
| Pricing per unit (EUR) | 3.04 | 3.71 | 3.61 | 3.15 | 3.18 | 3.22 | 3.27 |
| growth | 11% | 22% | -2.6% | -12.9% | 1.2% | 1.2% | 1.6% |
| Group Sales | 339.7 | 428.4 | 394.4 | 345.4 | 366.9 | 391.0 | 413.8 |
| Sales growth | 14% | 26% | -8% | -12% | 6% | 7% | 6% |
| Group Gross Profit | 106.0 | 140.1 | 84.3 | 77.1 | 82.3 | 89.1 | 96.4 |
| margin | 31.2% | 32.7% | 21.4% | 22.3% | 22.4% | 22.8% | 23.3% |
| Group EBITDA | 72.5 | 103.8 | 48.3 | 44.0 | 46.6 | 52.1 | 58.3 |
| margin | 21.3% | 24.2% | 12.2% | 12.7% | 12.7% | 13.3% | 14.1% |
| Group PBT | 52.1 | 83.9 | 32.1 | 21.3 | 20.2 | 25.3 | 31.1 |
| <i>o/w PBT attributed to PPE</i> | 22.7 | 51.8 | 5.3 | | | | |
| <i>o/w one-offs</i> | 0.0 | 0.0 | 4.6 | 1.1 | 0.0 | 0.0 | 0.0 |
| <i>o/w underlying PBT</i> | 29.4 | 32.1 | 22.2 | 20.2 | 20.2 | 25.3 | 31.1 |
| Group Net Income | 40.7 | 65.4 | 25.8 | 17.8 | 15.2 | 19.2 | 23.7 |
| EPS (EUR) | 0.93 | 1.50 | 0.59 | 0.41 | 0.35 | 0.44 | 0.54 |
| DPS (EUR) | 0.22 | 0.27 | 0.26 | 0.24 | 0.20 | 0.20 | 0.22 |
| Source: The Company, Eurobank Equities Research | | | | | | | |
| * 2020-22 numbers include significant temporary boost from PPE products | | | | | | | |

Strong cash flow despite ongoing capex, with pre-tax ROIC returning to a 2-digit figure in 2026e

Strong cash flow generation key to the thesis

The group's strong operating cash flow generation ability is underpinned by tight working capital management, which helped 2023 OCF conversion exceed 100%. In the past years OCF has oscillated near 70-100% of EBITDA (except for 2022, when OCF was eroded by high working capital needs). Looking ahead, we maintain our assumption for OCF conversion between 70-82% driven by strong operational performance and working capital monitoring.

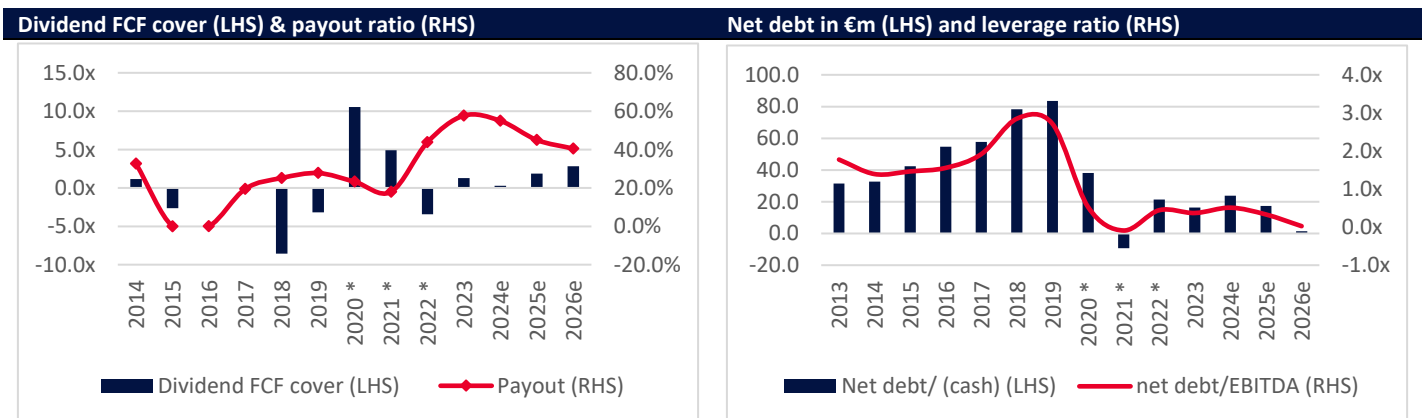
Thrace remains committed to continuous investments, with the current year plan calling for capex near €30m. This will be channelled to increasing conversion capabilities and adding new capacity through: 1) a new extrusion coating line (Q1'25), 2) a new nine-layer blown film line (H2'24), 3) growing capacity in rigid packaging, via new machines and a thermoforming IML line (H2'24), 4) 0.5MW photovoltaics and 5) capex in automation and robotics. Thrace has estimated that these investments should contribute some €3.5-4m in EBITDA once fully operational, with our forecast lying at the low end of this range in 2026e. Looking ahead, we input annual capex of €20-23m. Coupled with the increase in profitability, this will help pre-tax ROIC gradually bounce to a 2-digit figure by 2026e, in sync with pre-covid levels (average 9%).



Source: Company, Eurobank Equities Research
 * 2020-22 numbers include significant temporary boost from PPE products

Healthy balance sheet remains intact

Thrace Plastics group maintains a healthy financial position, despite its significant investments (c€126m capex in 2020-23 period). Of note is that the net debt/EBITDA was below 0.5x in 2023, much lower than historically (1-2x). As such we reckon there is room for balance sheet optionality, testament of which was the >€40m paid out to shareholders since 2020. Looking ahead we estimate leverage will stay <0.5x (net debt/EBITDA) thanks to strengthening cash flow generation, with our numbers incorporating an average payout of 45% over 2024-26e.



Source: Company, Eurobank Equities Research
 * 2020-22 numbers include significant temporary boost from PPE products

Group Financial Statements

| Thrace Plastics Group (in EUR mn) | | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Group P&L | 2022 * | 2023 | 2024e | 2025e | 2026e |
| Sales | 394.4 | 345.4 | 366.9 | 391.0 | 413.8 |
| Gross Profit | 84.3 | 77.1 | 82.3 | 89.1 | 96.4 |
| EBITDA | 48.3 | 44.0 | 46.6 | 52.1 | 58.3 |
| change | -53.5% | -8.8% | 6.0% | 11.8% | 11.9% |
| EBITDA margin | 12.2% | 12.7% | 12.7% | 13.3% | 14.1% |
| EBIT | 27.4 | 20.7 | 20.2 | 25.4 | 31.4 |
| Financial income (expense) | -2.4 | -1.7 | -2.8 | -2.7 | -2.5 |
| Exceptionals / other income | 7.1 | 2.3 | 2.8 | 2.5 | 2.3 |
| PBT | 32.1 | 21.3 | 20.2 | 25.3 | 31.1 |
| Income tax | -5.8 | -3.0 | -4.4 | -5.6 | -6.8 |
| Non-controlling interest | -0.5 | -0.6 | -0.6 | -0.5 | -0.5 |
| Net profit | 25.8 | 17.8 | 15.2 | 19.2 | 23.7 |
| EPS (EUR) | 0.59 | 0.41 | 0.35 | 0.44 | 0.54 |
| DPS (EUR) | 0.26 | 0.24 | 0.20 | 0.20 | 0.22 |
| Group Cash Flow Statement | | | | | |
| 2022 * | 2023 | 2024e | 2025e | 2026e | |
| EBITDA | 48.3 | 44.0 | 46.6 | 52.1 | 58.3 |
| Change in Working Capital | -26.4 | 7.8 | -8.1 | -4.4 | -3.9 |
| Net interest | -1.8 | -2.5 | -2.1 | -1.9 | -1.8 |
| Tax | -9.2 | -2.9 | -4.4 | -5.6 | -6.8 |
| Other | 2.2 | 0.7 | 0.0 | 0.0 | 0.0 |
| Operating Cash Flow | 13.0 | 47.1 | 32.0 | 40.3 | 45.8 |
| Capex | -37.9 | -30.0 | -28.5 | -23.5 | -20.5 |
| Other investing | 1.3 | 2.9 | 0.0 | 0.0 | 0.0 |
| Net Investing Cash Flow | -36.5 | -27.1 | -28.5 | -23.5 | -20.5 |
| Dividends | -7.1 | -14.4 | -9.3 | -8.4 | -8.6 |
| Other (incl. payment of lease liab.) | -0.1 | -0.4 | -1.8 | -1.9 | -0.9 |
| Net Debt (cash) (incl. leases) | 21.5 | 16.3 | 23.8 | 17.3 | 1.5 |
| Free Cash Flow (adj.) | -24.4 | 18.8 | 2.4 | 15.7 | 24.3 |
| Group Balance Sheet | | | | | |
| 2022 * | 2023 | 2024e | 2025e | 2026e | |
| Tangible Assets | 169.2 | 177.7 | 180.3 | 177.9 | 171.3 |
| Intangible Assets & Goodwill | 10.5 | 10.4 | 10.7 | 11.0 | 11.2 |
| Other non-current Assets | 30.1 | 33.6 | 36.7 | 39.4 | 41.7 |
| Non-current Assets | 209.8 | 221.7 | 227.7 | 228.2 | 224.2 |
| Inventories | 76.4 | 72.0 | 76.5 | 80.7 | 84.6 |
| Trade Receivables | 64.8 | 62.2 | 65.4 | 69.0 | 72.3 |
| Other receivables | 14.2 | 9.3 | 13.9 | 14.8 | 15.7 |
| Cash & Equivalents | 39.6 | 41.1 | 36.7 | 39.5 | 41.8 |
| Current Assets | 195.0 | 184.5 | 192.5 | 204.0 | 214.3 |
| Total Assets | 404.8 | 406.3 | 420.2 | 432.3 | 438.6 |
| Shareholder funds | 263.7 | 272.7 | 278.6 | 289.4 | 304.5 |
| Non-controlling interest | 4.1 | 4.4 | 5.0 | 5.5 | 6.0 |
| Total Equity | 267.9 | 277.1 | 283.6 | 294.9 | 310.5 |
| Long-term debt | 31.6 | 27.8 | 31.3 | 30.7 | 30.1 |
| Other long-term liabilities | 12.7 | 12.0 | 12.0 | 12.1 | 12.1 |
| Long Term Liabilities | 44.3 | 39.8 | 43.3 | 42.8 | 42.2 |
| Short-term debt | 27.0 | 26.6 | 26.2 | 23.2 | 10.3 |
| Trade Payables | 40.6 | 38.5 | 40.9 | 43.5 | 46.1 |
| Other current liabilities | 25.0 | 24.4 | 26.2 | 27.9 | 29.4 |
| Current Liabilities | 92.6 | 89.4 | 93.3 | 94.6 | 85.8 |
| Equity & Liabilities | 404.8 | 406.3 | 420.2 | 432.3 | 438.6 |
| Key Financial Ratios | | | | | |
| 2022 * | 2023 | 2024e | 2025e | 2026e | |
| P/E | 7.7x | 11.0x | 11.9x | 9.4x | 7.6x |
| P/BV | 0.7x | 0.7x | 0.6x | 0.6x | 0.6x |
| Adj. EV/EBITDA | 4.3x | 4.6x | 4.1x | 3.6x | 3.0x |
| EBIT/Interest expense | 6.2x | 4.4x | 5.8x | 8.0x | 11.4x |
| Net Debt (cash)/EBITDA | 0.4x | 0.4x | 0.5x | 0.3x | 0.0x |
| Dividend Yield | 5.8% | 5.4% | 4.7% | 4.9% | 5.4% |
| ROE | 10.1% | 6.6% | 5.5% | 6.7% | 8.0% |
| Free Cash Flow yield | -12.4% | 9.6% | 1.3% | 8.7% | 13.5% |
| Payout Ratio | 63.9% | 60.9% | 55.0% | 45.0% | 40.5% |

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, recently also adding paper products to its portfolio, and to a lower extent in Hydroponic agriculture, with facilities in 9 countries and a broad sales network to over 80 countries. The group produces 28 different technologies, with applications 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 c46% of total costs. Thrace Plastic's profitability is dependent upon its pricing power.

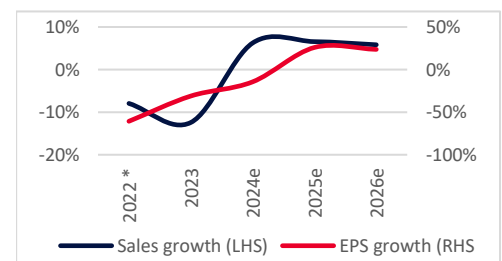
•**Working capital risk:** Raw material cost volatility could affect inventories' value.

•**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.

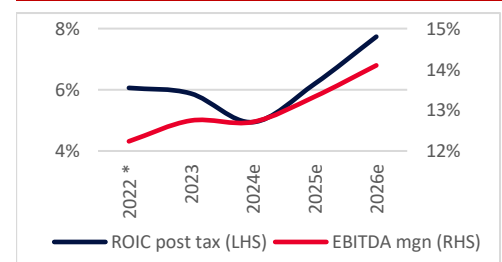
•**Price/mix:** stronger/weaker price/mix than assumed in our model would result in stronger/weaker sales growth.

•**Sensitivity:** We estimate that flexing our volume assumption by 1% would result in a c1-3% in 2024-25e group EBITDA. Similarly, were we to change our price/mix assumption by 1%, the impact on group EBITDA would be c6%. Finally, for a 1% increase in raw materials unit costs, our EBITDA forecast drops by c4% in 2024-25e.

Sales and EPS growth



Profitability and returns



* 2020-22 numbers include significant temporary boost from PPE products (of €23m, €52m and €5m in profitability, respectively)

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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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Analyst Certification:

This report has been written by Natalia Svyriadi (Equity Analyst).

Analyst Compensation:

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Natalia Svyriadi did not receive or purchase the shares of Thrace Plastics prior to a public offering of such shares.

Natalia Svyriadi does not have a significant financial interest in one or more of the financial instruments which are the subject of this report or a significant conflict of interest with respect to the subject companies mentioned in this report a) that are accessible or reasonably expected to be accessible to the persons involved in the preparation of this report or b) known to persons who, although not involved in the preparation of this report, had or could reasonably be expected to have access to this report prior to its dissemination to customers or the public.

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 |
|------------|-----------|-------------|--------------|
| 28/05/2024 | Not Rated | €4.13 | - |
| 22/01/2024 | Not Rated | €4.11 | - |
| 06/11/2023 | Not Rated | €4.01 | - |
| 08/06/2023 | Not Rated | €4.21 | - |

Eurobank Equities Investment Firm S.A. Rating System:

| Stock Ratings | Coverage Universe | | Investment Banking Clients | | Other Material Investment Services Clients (MISC) – as of 15th Apr 2024 | |
|---------------|-------------------|-------------|----------------------------|-------|---|-------|
| | Count | Total | Count | Total | Count | Total |
| Buy | 24 | 71% | 3 | 13% | 10 | 48% |
| Hold | 2 | 6% | 0 | 0% | 1 | 50% |
| Sell | 0 | 0% | 0 | 0% | 0 | 0% |
| Restricted | 1 | 3% | 0 | 0% | 1 | 100% |
| Under Review | 2 | 6% | 1 | 50% | 2 | 100% |
| Not Rated | 5 | 15% | 2 | 40% | 3 | 60% |
| Total | 34 | 100% | | | | |

Coverage Universe: A summary of historic ratings for our coverage universe in the last 12 months is available [here](#).

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 |