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THRACE PLASTICS

Earnings reset, valuation to re-rate

Broad product and geographic footprint – Thrace Plastics is a producer and distributor of plastic materials with a broad product portfolio, serving a diverse set of end market sectors. Following business rationalization and significant investments, Thrace looks well-placed to benefit from its extended geographical footprint (international sales 79% of the group), cyclical tailwinds and its focus on higher-margin products. In the short-term, the group continues to enjoy strong demand for medical/personal protective equipment (PPE) products. Although the boost from the latter is not sustainable, it will significantly propel Thrace's already strong financial position and liquidity this year. We see FY'21 sales +14% yoy, translating to >30% growth in adj. EBITDA (>€100m).

What has been missed? The earnings reset… – The business went through a period of restructuring in recent years, with the first signs of the self-help actions becoming evident early in 2020. The resulting significant re-basement of profitability at markedly higher levels than 2019 was masked by the COVID-related PPE boost. On our estimates, after past restructuring efforts, the group's recurring non-PPE EBITDA generation has been re-based to c€48-55mn, >50% higher than 2019 levels. Our numbers incorporate 7% non-PPE EBITDA CAGR over 2020-2023e.

Sustained returns in focus – The significant internal restructuring and product mix enhancement, along with the boost from PPE products, have led to a >20% incremental return (pre-tax ROIC) on the c€165m investment plan executed in the 2015-20 period (compared with a mid-single digit group ROIC in 2018). Looking ahead, in a more normal post-pandemic period, our numbers assume that ROIC will stay in the 18-20% area, underpinned by what we deem as sustainable double-digit EBIT margin and more "normal" capex levels (€15m post 2023).

Balance sheet optionality – The group quadrupled operating profits over 2018-20 and looks primed for >40% EBIT growth in 2021 on our (conservative) numbers. This has led to significant deleveraging, with net debt down to just €9.2m in Q1'21. Following the €26m FCF generated in Q1'21 and a total of c€61m in 2021e, we expect Thrace to switch to a net cash position (>€10m) by year-end. We therefore argue there is upside from balance sheet optionality, in the form of higher shareholder returns, buybacks, M&A or capacity expansion.

Valuation – Despite the c300% return in the last 2 years, we argue the current share price still discounts a rather conservative setup, namely medium-term EBIT of just €37m, some 20-25% below the levels we consider feasible by 2025. Our indicative DCF (at 9% WACC) yields a valuation range between c€360m and c€480m, with our baseline indicative scenario pointing to a 12m intrinsic value of c€410m (€9.4/share).

Estimates					
€ mn	**2019**	**2020 ***	**2021e ***	**2022e**	**2023e**
Revenues	298.3	339.7	386.9	340.1	362.0
EBITDA	30.8	72.5	100.6	55.3	61.6
EBIT	15.6	53.9	79.2	32.9	38.7
Net profit	7.2	40.7	59.5	23.7	28.4
EPS	0.16	0.93	1.36	0.54	0.65
DPS	0.05	0.22	0.27	0.11	0.13

Valuation					
	2019	**2020 ***	**2021e ***	**2022e**	**2023e**
P/E	12.8x	2.3x	5.0x	12.4x	10.4x
Adj. EV/EBITDA	6.6x	2.2x	3.1x	5.7x	4.8x
EBIT/Interest Expense	2.9x	12.8x	20.0x	11.9x	14.9x
Dividend Yield	2.2%	10.2%	4.1%	1.6%	1.9%
ROE	5.1%	25.9%	30.2%	10.3%	11.3%

Source: Eurobank Equities Research.

Market Cap (€ mn)	**€295.3**
Closing Price (05/07)	**€6.75**

Stock Data

Reuters RIC	THRr.AT
Bloomberg Code	PLAT GA
52 Week High (adj.)	€6.97
52 Week Low (adj.)	€1.73
Abs. performance (1m)	6.5%
Abs. performance (YTD)	76.1%
Number of shares	43.7mn
Avg Trading Volume (qrt)	€509k
Est. 3yr EPS CAGR	-11.3%
Free Float	36%

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*

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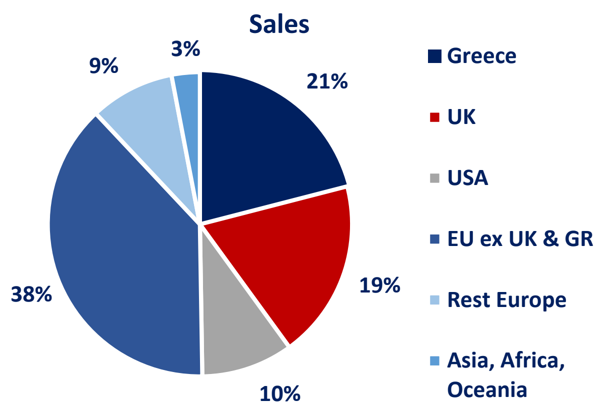
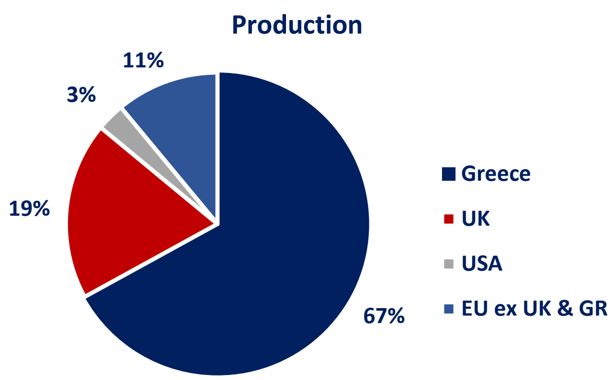
The thesis in 6 charts

A group with a broad-based sales network …

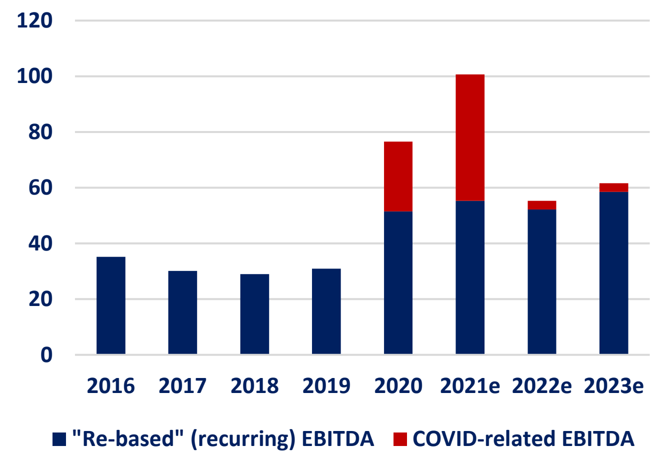


… and production/trading bases in Europe and the US (2020 data)

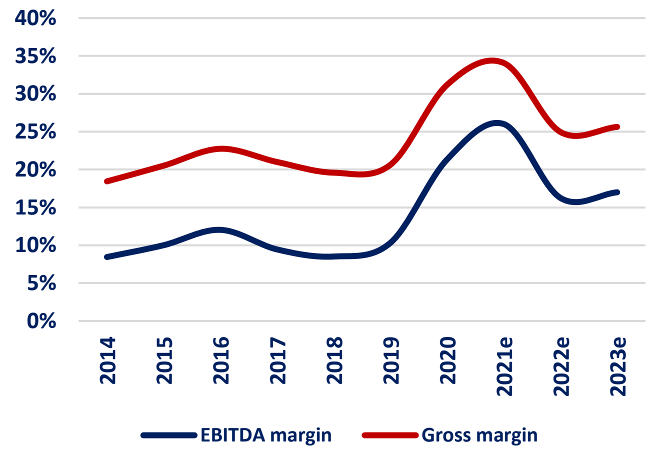


Source: Company, Eurobank Equities Research

Profitability reset during 2020 missed by the market; "rebased" EBITDA near €48-55m on our estimates, >50% higher than 2019

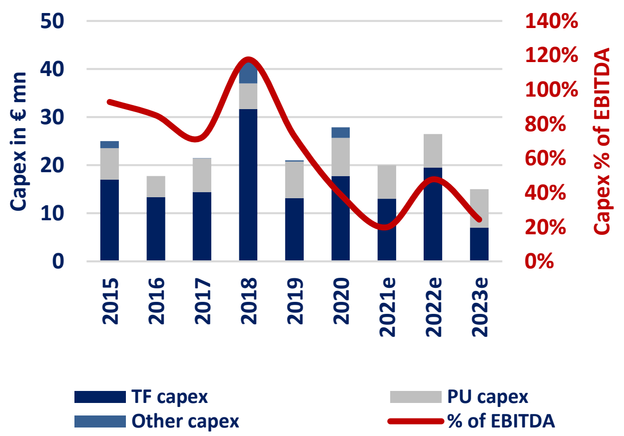


Mid to High-teen EBITDA margins look sustainable in our view

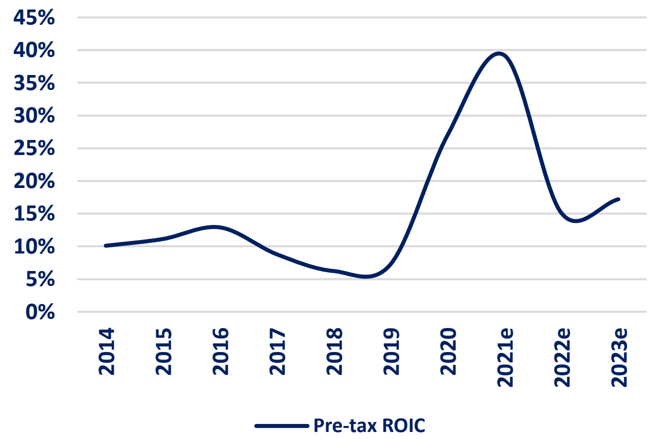


Source: Company, Eurobank Equities Research. Amounts in € mn

Significant investment plan over 2015-20 bearing fruit…



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



Source: Company, Eurobank Equities Research. Amounts in € mn

Investment Summary

Well-balanced business portfolio, broad geographic footprint

Thrace Plastics is a producer and distributor of plastic materials with a diverse portfolio of products in the technical fabrics (e.g. geosynthetics, agri, construction, F&B) and packaging solutions business (e.g. injection, thermoforming, FFS films). The group has a well-balanced portfolio serving various sectors with both cyclical and secular growth drivers, including construction, medical, sports, horticulture, food packaging and automotive. Its geographic footprint is also broad, with international revenues accounting for 79% of sales. The group serves its clients through production/trade facilities in Greece and 8 other countries, with foreign production making up 33% of the group's total.

Short-term outlook is very strong, driven by cyclical recovery and demand for personal protective equipment products

Given the diverse end markets served, growth pillars for the future are twofold, namely cyclical tailwinds (e.g. construction upswing) and secular drivers in specific segments (e.g. geosynthetics). Medium-term prospects largely hinge on global industrial production and economic prospects in key end markets (Greece, EU, UK, US) and look quite healthy given the GDP recovery as the pandemic recedes. In the short-term, the group has benefited substantially from strong demand for medical/personal protective equipment (PPE) products. Testament to the solid 2021 outlook was the Q1 performance (EBITDA €36m, +€26m yoy). For the full year, we forecast 14% yoy revenue growth, conservatively assuming a c4% increase in the remaining 9M due to the tough comparative. We estimate this will filter through to adj. EBITDA of €101m, c31% higher yoy.

Underlying profitability rebased as of early 2020

The business went through a period of restructuring in recent years, with the first signs of the self-help actions becoming evident early in 2020. The significant re-basement of profitability at markedly higher levels than 2019 was masked by the COVID-related boost, namely the uplift from PPE products, as the latter started to propel the group's profitability substantially since Q2'20. Indicatively, in FY20 PPE products accounted for a whopping 44% of group pre-tax profit (PBT), largely driving the quadrupling of group PBT vs 2019. However, the non-PPE segment also posted a stellar performance, contributing PBT of €29m, namely +148% yoy. Against this background, we estimate that – post the restructuring that took place in previous years – the group's recurring non-PPE EBITDA generation was re-based to c€48-55mn, >50% higher than 2019 levels.

Impressive returns on capital following significant investment program

Thrace Plastics went through a significant restructuring and investment program in the period 2015-20, aiming to rationalize the business model away from low-profit or loss-making operations and to invest into new technologies. The total capex envelope of c€165m over the period was invested in: 1) capacity growth in nonwovens and injection machines, 2) in recycling capacities and infrastructure, and 3) the development of the group's capability to go downstream in the production chain. The c€35m increase in EBIT over the same period translates into a >20% incremental return on capital (pre-tax). Although this included a one-off element related to PPE products, it is testament to mgt's successful deployment of capital in profitable growth investments. Looking ahead, in a more normal post-pandemic period, our numbers assume that ROIC will stay in the 18-20% area, underpinned by what we deem as sustainable double-digit EBIT margin and more "normal" capex levels (€15m post 2023), which we argue suffice for the group to sustain a low to mid-single-digit revenue growth in the medium-term.

Balance sheet optionality

The group quadrupled operating profits over 2018-20 and looks primed for >40% EBIT growth in 2021 on our numbers. This has led to significant deleveraging, with net debt down to just €9.2m in Q1'21 (from €38m in 2020 and €84m in 2019). Following the €26m FCF generated in Q1'21 and a total of c€61m in 2021e, we expect the group to switch to a net cash position (>€10m) by year-end. Post 2022, we estimate FCF in the €12-30m range, and therefore argue there is upside from balance sheet optionality, in the form of higher shareholder returns (than the 15% cumulative payout in the previous 8 years), buybacks, M&A or capacity expansion.

Valuation looks depressed, despite the price rally

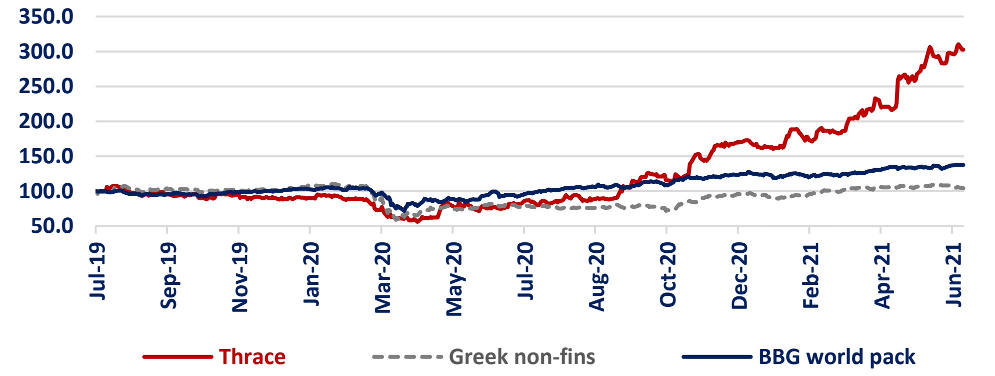
Although the shares have rallied c300% in the last 2 years and are up c200% from pre-covid-19 levels, this reflects solely the first leg of profitability re-basement in our view (2018-2020). With non-PPE EBITDA likely to edge higher to €52m-€59m in 2022-23 on our estimates, the shares screen quite attractively valued, both on an absolute (c5.7x 2022e EV/EBITDA) and on a relative basis (>35% discount vs the broad peer group). Indicatively, on our estimates the current share price discounts medium-term EBIT of just c€37, some 20-25% below the levels we consider feasible by 2025.

Share price performance and valuation

Share price has rerated higher driven by pandemic-induced benefits

Thrace's shares have rallied c300% over the last 2 years, mainly driven by the quadrupling of operating profits (EBIT) between 2018 and 2020. The outbreak of coronavirus was followed by a c25% plunge in the share price in March 2020, before a strong bounce-back in April. After a rather quiet period in Q2-Q3'20, the shares entered on a strong upward trajectory underpinned by the risk-on rally and the continuing solid group operating performance. As can be seen below, Thrace Plastic's share price has outperformed markedly all peers, be it Greek non-financials or world packaging companies. Strength in the share price continued in the aftermath of the robust Q1'21 results, in the light of the solid prospects of protective equipment contribution for 2021.

2-year performance (rebased) – Thrace Plastic's vs Greek non-financials and World packaging

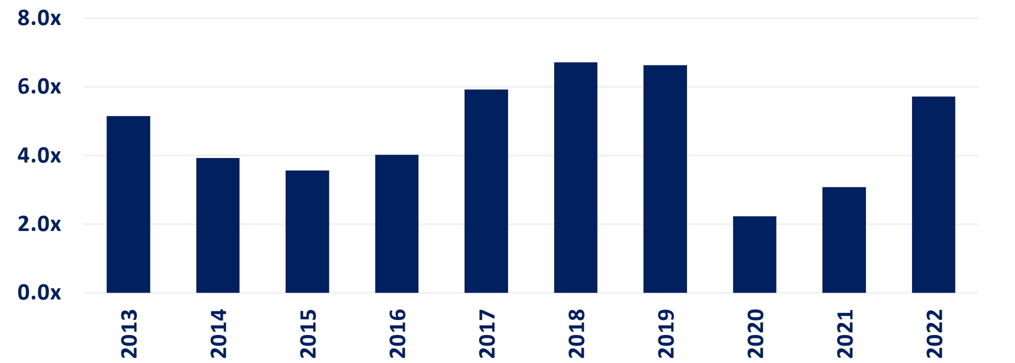


Source: Eurobank Equities Research, Bloomberg.

Valuation remains low despite the rally in the share price

From a valuation perspective, there is very limited forward-looking track record since the stock has not been widely covered in the past. Using actual reported EBITDA figures, the stock has traded at an average EV/EBITDA valuation of just <5x since 2013, indicative of the information gap created by the lack of coverage. The valuation edged higher in 2019 but has re-treated again markedly as of late, notwithstanding the significant rally mentioned above. The de-rating stems from the fact that the earnings of the group have also increased substantially, with fast deleveraging having also taken place at the same time. The earnings uplift has been the result of both the significant earnings growth driven by the inclusion of personal protection products and the operational improvement owed to restructuring actions. As a result, the shares are now trading at c5.7x 2022e EV/EBITDA, on earnings which we consider sustainable (namely assume normalization of the PPE business).

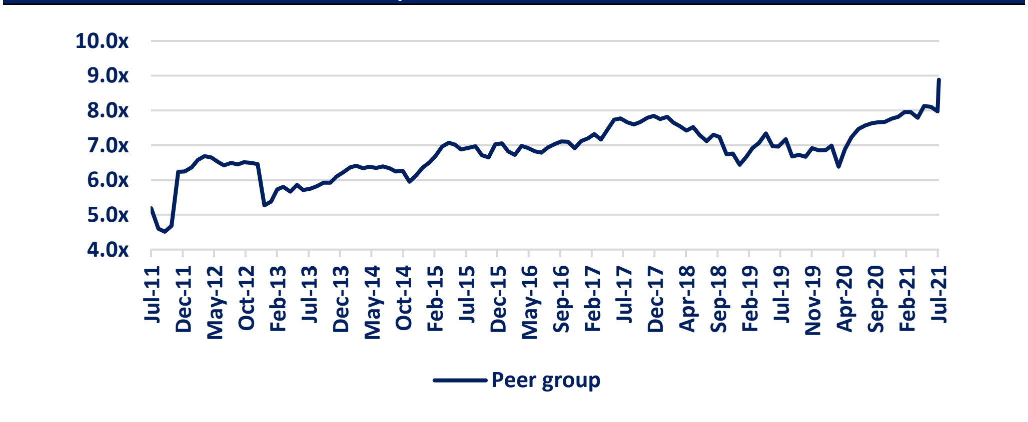
EV/EBITDA valuation - Thrace



Source: Eurobank Equities Research, Bloomberg.

In the chart below, we showcase the historic EV/EBITDA valuation of a selective group of peers. The latter comprises 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 has been just a bit lower than 7x. Against this background, Thrace Plastics has historically traded at c30% discount. However, with peers now trading at c9x EV/EBITDA, the relative discount (>35%) looks excessive in our view, although we do argue that a discount is warranted on the basis of Thrace Plastics' smaller size.

12m forward EV/EBITDA valuation of peers



Source: Eurobank Equities Research, Bloomberg.

Selected peers in packaging and technical fabrics currently running at c7-8x EV/EBITDA multiples

In the table below, we cross-check in a bit more detail Thrace Plastics' current valuation against a selected group of peers in the packaging and technical fabrics segments. Most of the companies are general packaging and containers companies, while some are active in sectors such as diversified chemicals, sanitary fabrics and materials. They sell a wide range of products not necessarily directly comparable to Thrace Plastics, but with a degree of product overlap.

As shown in the table that follows, focusing on 2022 earnings, namely what we consider "normalised" and "sustainable", Thrace Plastic is trading at >35% EV/EBITDA discount vs peers. It also enjoys a stronger balance sheet while offering a similar yield outlook. As argued above, although one may contend that a valuation discount might be warranted due to the group's smaller size, we believe the risk-reward proposition is quite compelling.

Peer group valuation

Stock	Mkt Cap	PE 2021e	PE 2022e	EV/EBITDA 2021e	EV/EBITDA 2022e	Dividend yield 2021e	Dividend yield 2022e	Net debt/EBITDA 2022e
THRACE PLASTICS (EEe)	**295**	**5.0x**	**12.4x**	**3.1x**	**5.7x**	**4%**	**2%**	**-0.2x**
HUHTAMAKI OYJ	4,375	20.1x	17.9x	11.1x	10.2x	2%	3%	1.8x
GERRESHEIMER AG	2,999	21.7x	19.1x	12.5x	11.4x	1%	2%	3.0x
GROUPE GUILLIN	452	10.4x	9.1x	4.9x	4.4x	2%	3%	0.0x
RESILUX	338	14.6x	13.7x	7.0x	6.7x			
BERRY GLOBAL GRO	7,514	11.6x	10.5x	7.9x	7.7x	0%	0%	3.8x
Median Packaging		**14.6x**	**13.7x**	**7.9x**	**7.7x**	**2%**	**2%**	**2.4x**
SCHOUW & CO	2,349	15.7x	14.4x	8.7x	8.1x	2%	2%	0.9x
AHLSTROM-MUNKSJO	2,070	15.4x	13.2x	7.8x	7.3x	3%	3%	1.6x
SUOMINEN OYJ	335	10.5x	12.7x	5.9x	6.2x	3%	3%	0.1x
DUPONT DE NEMOUR	35,391	21.0x	18.0x	12.0x	11.1x	2%	2%	2.6x
Median Technical Fabrics		**15.5x**	**13.8x**	**8.2x**	**7.7x**	**3%**	**3%**	**1.3x**

Source: Eurobank Equities Research, Bloomberg.

1. DCF-based valuation yields a c€360-480m intrinsic value range

We use a DCF-based valuation in order to capture the expected normalization in earnings post the coronavirus crisis (which has propelled the group's PPE operations) and the long-term earnings potential of the business.

Our base case DCF yields a c€410m 12-month fair market cap, translating to a €9.4 price per share. This is predicated on the following assumptions:

- Sales CAGR of c4.5% over 2022-2028e, namely post COVID normalization;
- Reported EBIT CAGR of c9% over the same period, as profitability 'normalizes' to a post pandemic demand, implying c265bps margin expansion on positive operating leverage. We assume that medium-term EBIT margins settle near 9.7%-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.
- We use 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% (in sync with the average of the peer group in the previous decade) and single-digit incremental ROIC, justifiable in our view by the capital intensity of the industry.
- The implied FCF conversion (FCF/EBITDA) in the medium term (post 2022) stands at c50%, a level we consider feasible and consistent with the 3.5% sales growth incorporated in our numbers post 2026.
- WACC of 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	61.8	25.6	30.2	33.8	37.9	39.2	40.6	42.0	43.5	
Depreciation	21.4	22.4	22.8	23.1	23.4	22.7	22.1	21.8	21.6	
Capex	(20.0)	(26.5)	(15.0)	(15.1)	(15.3)	(16.3)	(17.3)	(18.5)	(19.7)	
Working Capital	5.3	(3.1)	(6.5)	(5.6)	(5.8)	(6.0)	(6.0)	(6.0)	(6.0)	
Enterprise cash flow	**68.5**	**18.5**	**31.5**	**36.1**	**40.3**	**39.6**	**39.4**	**39.3**	**39.4**	**35.0**
PV	68.5	17.0	26.5	27.9	28.5	25.8	23.5	21.5	19.8	16.1
PV of terminal value	190.0									
Enterprise Value	**465.2**									
Net (debt) incl. leases / other claims	(62.2)									
Equity value (ex-div)	**393.6**									
no. of shares	43.7									
Per share	**9.0 €**									
1-year fair value (ex div)	**411.3**									
12-month indicative value per share	**9.4 €**									

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€360m and c€480m.

DCF Sensitivity		Perpetuity growth				
		-0.5%	**0.0%**	**0.5%**	**1.0%**	**1.5%**
WACC	**8.0%**	436	449	464	482	502
	8.5%	411	423	436	450	467
	9.0%	390	400	**411**	423	437
	9.5%	370	379	388	399	411
	10.0%	353	360	368	377	388

Source: Eurobank Equities Research

2. Flexing our numbers for personal protective equipment

Current share price discounts a rather negative setup…

As we explain in detail later in this report, the key question looking ahead is the extent to which the 2020-21 performance is recurring or one-off in nature, given the exceptional boost from PPE products. The question relates mainly to 2022, as Thrace looks poised to enjoy strong demand for PPE this year too, as showcased by the stellar Q1 performance (EBITDA €36m, +278% yoy). In more detail, as briefly mentioned above, in the aftermath of the pandemic Thrace identified a significant opportunity in the demand for personal protection and hygiene products, and especially surgical masks. Given it was already involved in the technical fabrics required, it was able to swiftly expand its production downstream to produce such products. This effort was underpinned by its clients and distribution channels, thus leading to an extraordinary performance in the midst of the pandemic, which has been continuing year-to-date. That said, we believe it is reasonable to expect the extraordinary demand for such products to gradually abate, although the timing – and extent – of this normalization is hard to gauge.

… with our baseline assuming the group retains <10% of its 2020-21 avg PPE business post 2022

In our base case, we forecast Thrace Plastic's will retain just <10% of its 2020-21 average levels in the PPE business post 2022. Note that we reference the assumed future profitability of PPE in relation to their contribution in 2020 (when they had contributed for three quarters) rather than 2021 (which is poised to be substantially higher than 2020 numbers).

Alternatively, the current valuation incorporates sustainable EBIT 20-25% below levels we consider feasible

On our estimates, the current share price levels seem to discount a rather pessimistic setup, namely one that assumes Thrace does not retain any of the PPE business. Seen against a different prism, the current share price incorporates medium-term EBIT near €37m, some 20-25% below the levels we consider feasible by 2025.

With these in mind, we have sought to flex our forecasts examining a more bullish scenario assuming a higher level of profitability derived by PPE post the pandemic than our base scenario. Below we showcase the results of our findings and their readthrough in relation to the group's earnings generating capacity in the medium-term and fair value.

Thrace Plastics DCF on bull scenario

Bull scenario (PPE @ 50% of 2020 levels)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
NOPAT	61.8	33.2	37.8	41.4	45.5	47.1	48.8	50.5	52.2	52.5
Enterprise cash flow	**68.5**	**34.5**	**47.5**	**52.1**	**56.3**	**55.1**	**54.4**	**53.9**	**53.7**	**43.8**
PV	68.5	31.7	40.0	40.3	39.9	35.8	32.5	29.5	27.0	20.2
PV of terminal value	237.7									
Equity value (ex-div)	**531.4**									
12-month indicative value per share	**12.7 €**									

Source: Eurobank Equities Research

We also look into an alternative scenario incorporating more optimistic numbers for the non-PPE business assuming a better price/mix (c3% higher than under our baseline scenario) further propelled by operational efficiencies and containment of production costs. Overall, this scenario incorporates c3.4pps higher EBIT margins, thereby leading to a fair value per share close to €13.

Thrace Plastics DCF on alternative scenario

Better operating performnace	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
NOPAT	61.8	36.0	41.2	45.3	50.0	51.7	53.5	55.4	57.4	57.6
Enterprise cash flow	**68.5**	**28.9**	**42.5**	**47.6**	**52.3**	**52.1**	**52.3**	**52.7**	**53.3**	**48.9**
PV	68.5	26.5	35.8	36.8	37.1	33.9	31.2	28.9	26.8	22.5
PV of terminal value	265.6									
Equity value (ex-div)	**541.8**									
12-month indicative value per share	**13.0 €**									

Source: Eurobank Equities Research

Strategy and Business model

1. Product and geographic overview

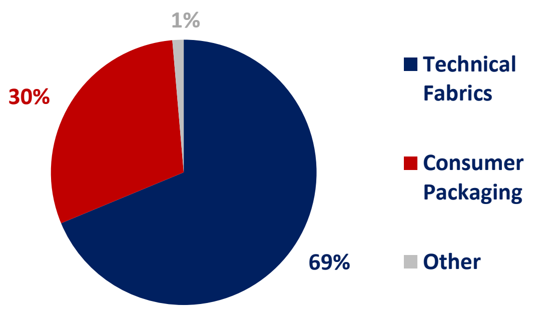
Well-balanced business portfolio, broad geographic footprint

Thrace Plastics produces and distributes technical fabrics and packaging solutions, while also being active in hydroponic agriculture. The company has a well-balanced business portfolio serving a diverse set of sectors, including the construction, agriculture, sports, medical, and automotive industries in over 80 countries with operations in 9 countries. The group was established in 1977 in Xanthi, N. Greece and got listed in the ASE in 1995.

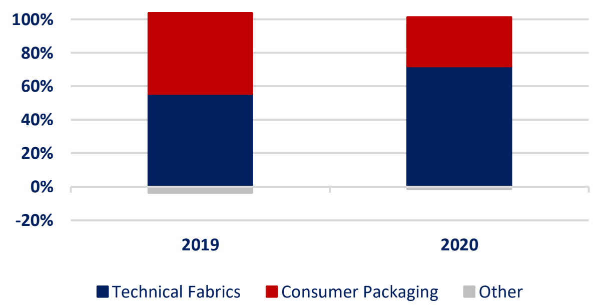
Thrace enjoys high diversification across geographies (sales network in 80 countries), products (25 market segments) and clients (no client contributing >5% of sales), thereby boasting a well-balanced business model with great adaptability towards high-margin opportunities. The two main divisions, namely technical fabrics and packaging solutions are served by 12 different companies, 3 of which are joint ventures in Greece (Eurobent), Romania (Greiner) and the U.S. (Lumite). The agriculture company is also served by a JV with another Greek group, Elastron.

From a business unit perspective, 69% of revenues stem from technical fabrics while an additional 30% come from packaging. The remaining 1% is contributed by the Sustainable Agriculture unit. On the profit side, the EBIT mix has traditionally been less skewed towards Technical fabrics than the revenue skew suggests, due to the fact that Packaging products enjoy superior operating margins (c4pps higher at EBIT level). Post the COVID-19 outbreak though, technical fabrics' metrics have been boosted by PPE-related products (e.g. meltblown, spunbond for face masks), and as a result in 2020 the group EBIT mix was similar to the revenue mix.

Group sales mix, 2020



Group EBIT mix, 2019-20



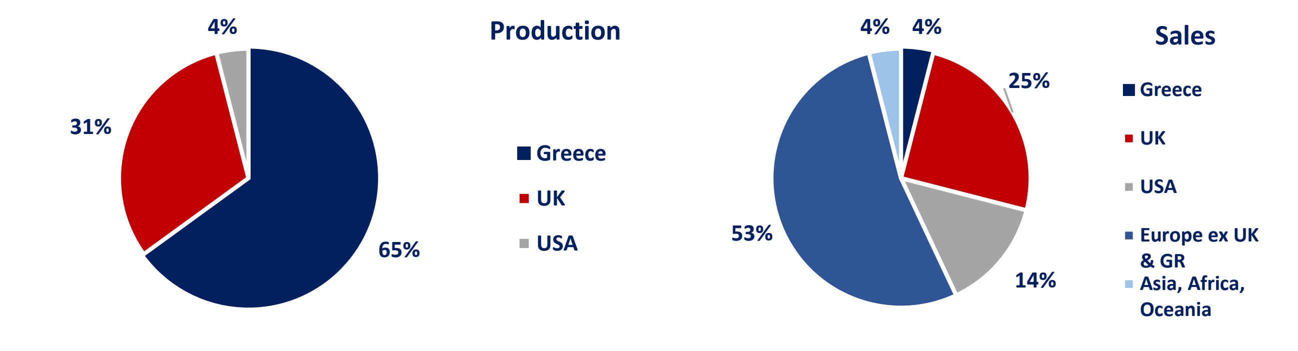
Source: Company, Eurobank Equities Research

In more detail:

1) **Technical Fabrics (TF):** This division includes the production of woven and nonwoven polypropylene, nonwoven needlepunch and spunbond, packaging fabrics, rigid and concrete fabrics, geosynthetics and other technical fabrics used in various sectors. The most prominent end markets are those of construction/industrial works, agri-horticulture, furniture and medical equipment.

   As can be seen in the graphs below, production in Greece accounted for c65% of this business unit's production in 2020, followed by c30% stemming from the UK. On the demand side, 96% of this business unit's revenues came from international markets, with the group selling primarily to Europe -ex Greece (c53% of sales) and the UK (c25% of sales), followed by U.S (c14%). Greece accounted for just 4% of this unit's 2020 sales.

Production and sales geographical distribution (2020 data) – Technical Fabrics unit

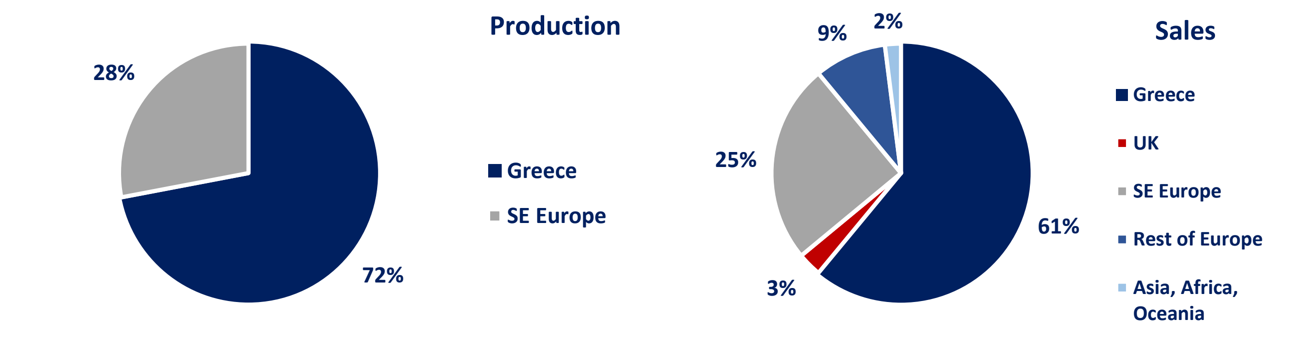


Source: Company, Eurobank Equities Research

2) **Packaging (PU):** This segment is dealing with optimal packaging solutions serving mainly the Food sector, chemical paints and FFS films. Main products include FIBC/filling and film solutions, container liners, injection/buckets/containers, rigid packaging, crates and thermoforming cups for yoghurt & beverages. Thrace's products apply to end-of-line packaging materials and industrial packaging solutions.

   As can be seen in the graphs below, production in Greece accounts for c72%, with remaining facilities being in SE Europe, with noteworthy production bases also in Bulgaria and Romania serving neighboring SE European countries. On the revenue side, Greece holds the scepters accounting for 61% of segmental sales, followed by Europe. South Eastern Europe contributes 25% while North Central Europe (incl. Russia, Ukraine & Georgia) makes up 9% of sales.

Production and sales geographical distribution (2020 data) – Packaging unit



Source: Company, Eurobank Equities Research

3) **Agriculture:** This segment was established in 2013 in Greece (Xanthi) as a (50.9%-49.1%) JV with Elastron and encompasses hydroponic greenhouses in 18.5 hectares of land, exclusively heated by geothermal energy (almost zero CO_2 footprint). The current offered products are cucumbers and tomato clusters, but the group is further expanding in new products, such as aubergines and tomato pots (to be available from 2022).

Broad-based clientele in various end markets

Thrace Plastic's main clients include construction and industrial businesses, food companies and businesses offering medical, furniture and packaging materials & fabrics. The group has increased its capacity by investing in new needle-punched nonwoven, spunbond, meltblown and injection molding machines in recent years. In the meantime, it has streamlined operations and expanded its selling network capitalizing on its experience and re-focusing its production towards segments with higher profitability.

Organized in different countries and companies

As mentioned above, the group's organizational structure comprises 25 companies, 4 of which are JVs, which we present in the table below. Among these the main subsidiaries are 13 companies. We note that some companies serve both the technical fabrics and packaging segments, given the complementary use of raw materials and application of products, while aiming to provide end-line packaging solutions. The main sectors for Thrace products' application are those of construction/industrial, geosynthetics agri-horticulture, F&B, medical, injection buckets, thermoforming products and FFS films.

Thrace organizational structure

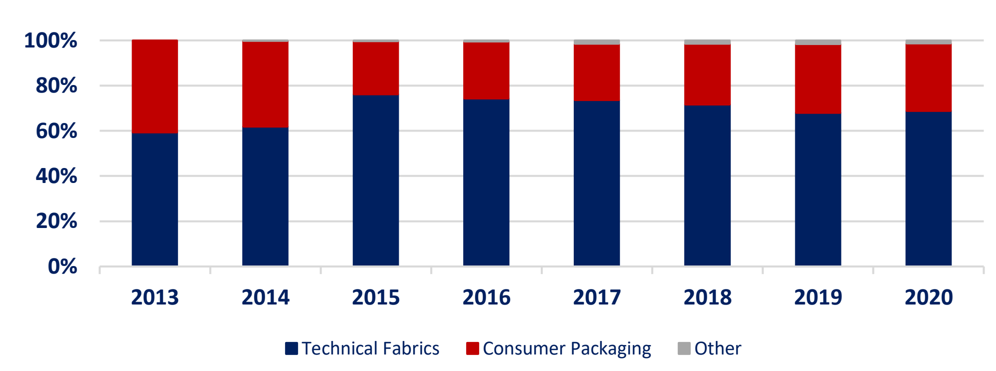
GREECE	• Thrace Plastics Pack S.A.: Packaging BU • Thrace Nonwovens & Geosynthetics S.A.: Technical Fabrics BU • Thrace Polyfilms S.A.: Packaging BU • Thrace Eurobent S.A. (JV): Technical Fabrics BU • Thrace Greenhouses S.A. (JV): Agriculture
BULGARIA	• Thrace IPOMA AD: Packaging BU
SERBIA	• Thrace Plastics Packaging DOO: Packaging BU
ROMANIA	• Thrace Greiner SRL (JV): Packaging BU
IRELAND	• Thrace Synthetic Packaging Ltd: Technical Fabrics BU
SCOTLAND	• Don & Low Ltd: Technical Fabrics BU
SWEDEN	• Thrace Polybulk AB: Technical Fabrics BU
NORWAY	• Thrace Polybulk AS: Technical Fabrics BU
USA	• Lumite Inc. (JV): Technical Fabrics BU

Source: Company, Eurobank Equities Research

Technical Fabrics main sales contributor

Looking into the sales evolution of the product mix historically, technical fabrics increased in importance over 2014-2015, and appear to have stabilized near 70% of the revenue mix. Packaging contributed as high as 41% of the revenue mix in 2013, but this has now fallen to 30%, given the restructuring towards innovative technical fabrics technologies.

Product mix evolution (% of sales)

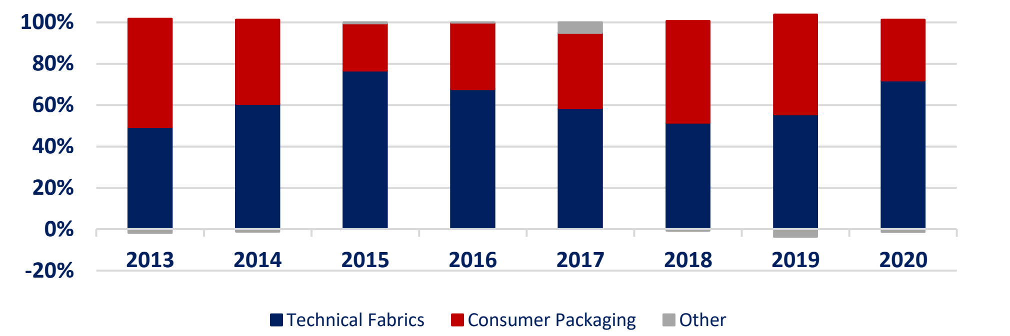


Source: Company, Eurobank Equities Research

… and profit contributor

On the profitability front, technical fabrics' contribution to EBIT retreated from 77% in 2015 to 50%-55% in 2018-19 on account of the evolving revenue mix and restructuring. In 2020, an exceptional year due to the increased use of personal protection products (contributing some c40% of total profitability), the segment's contribution increased to a multi-year high of 72% (as % of group EBIT). On the other hand, packaging products seem to have been seeing a rising EBIT contribution (with the exception of 2020, as explained above), reaching just below 50% of total in 2019, despite their lower share in group revenues.

Product mix evolution (% of EBIT)



Source: Company, Eurobank Equities Research

2020: a vigorous year continuing in 2021

As mentioned above, 2020 was a "special" year in that the group turned a part of its operational capacity towards higher-demand products in the Personal Protective Equipment (PPE) sector. This came over and above an anticipated improvement in the product mix, as a result of past restructuring efforts, thus leading to an impressive +10.6pp yoy expansion in group EBIT margins (+12pp technical fabrics and +7pp in packaging). In the meantime, the continuation of pandemic-induced health & safety measures through to 2021 means that the group is primed for stellar growth in 2021 too, underpinned by the COVID-related boost which continues to drive the PPE segment (as indicated by the Q1 2021 results).

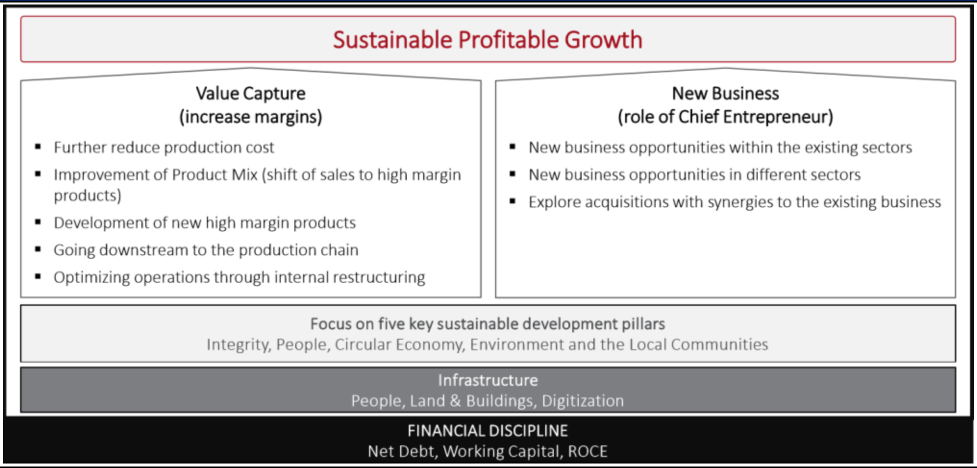
2. Strategy

Sustainable growth target through a well-balanced portfolio of products

Thrace Plastic's main objective is to produce high-value materials through a diversified and well-balanced product mix. Its strategy is bowed towards producing sustainable profit growth, while committing to key environmental policies. The group has been optimizing operations through targeted investments and internal restructuring in the past years, while remaining focused on identifying new business opportunities in both existing and new (value-adding) sectors which could create synergies with its existing business.

In the chart below we show Thrace Plastic's strategy overview as outlined by the company.

Thrace Plastics 2021-25 Strategy Overview

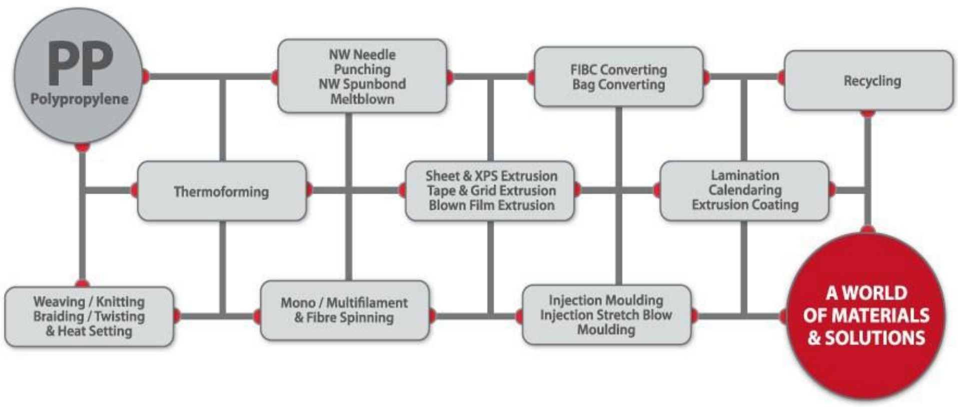


Source: Company

Thrace Plastics differentiates itself from several competitors in that it is a producer and wholesaler of a wide variety of packaging products and technical fabrics and, in addition, a fully vertically integrated producer of surgical face masks (from fabrics needed to the final product).

In the chart below we show Thrace Plastic's technologies from processing to finished products.

PP Technologies



Source: Company

Investing in operational efficiency

Thrace Plastics has been investing in building its infrastructure and capabilities aiming to strengthen its operational efficiency. Between 2015 and 2020 the group undertook a heavy investment program (totaling €165m), growing its capacity in nonwovens and injection machines in packaging, while going downstream the production chain and raising internal recycling capacity. In detail, the group added 2 new Spundbond lines in Greece and Scotland, 2 new Needle-punch lines in Greece and Scotland, 1 new thermoforming line in Bulgaria and a thermoforming IML in Greece, new injection moulding machines in Greece and Bulgaria, a new injection molding plant in Ireland, 2 new melt-blown lines in Scotland and an MDO line in Greece (in order to go downstream). The group also invested in the production of surgical face masks in Greece, Scotland and Ireland, while also undertaking group digitization and land/buildings projects.

… while undergoing internal restructuring

Adding to the above, the group identified and undertook an internal restructuring plan, which served to optimize its operations. It ceased some loss-making businesses, while also reducing its volume exposure to low-margin segments. In specific, among others, the group ceased operations of the FIBC production plant in Bulgaria and of Thrace Linq in the US, and reduced volumes of the weaving operation (especially carpet backing production) in Scotland.

Enhancing product assortment

Thrace Plastic's product mix has gradually evolved to a more balanced mix, especially when looking at profitability. The group enjoys high differentiation in products, end market exposure and geographical footprint, taking advantage of its expertise in both technical fabrics and packaging solutions. In addition, Thrace has gradually diversified away from high labor-intensive production. As such, new capex is turned towards capital-intensive projects, better utilization of machines and energy-efficient policies. This shift has been the result of rising focus to higher-margin products, also taking into account the structural evolution of customer needs.

Committed to a circular economy

Thrace Plastic's broad geographical diversification and disperse client base are key to the group's business model and have been instrumental in helping the group navigate a multi-year recession in Greece, while at the same time allowing it to continue investing in its production capabilities in compliance with stricter environmental rules. The group has a strong commitment of contributing towards a more circular economy through the rising use of recycled raw materials and energy-efficient production. Today it already produces and distributes 100% recyclable products while also liaising with all stakeholders (e.g. customers, suppliers) in collecting, recycling and reusing the used plastic material in order to create valuable raw material for new products.

Top line overview

1. Historic performance

Volumes, price/mix key revenue drivers

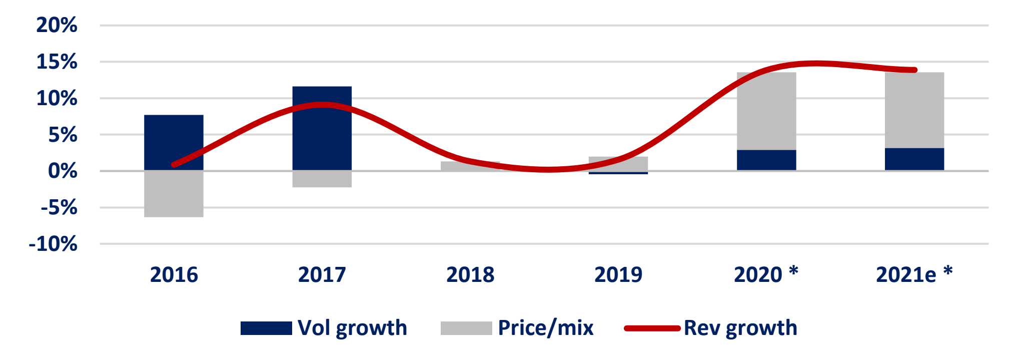
Top line growth depends on capacity and volume growth on the one side, and price/mix on the other side. The latter is largely determined by the spread achieved between input costs (and supplier prices) and the selling price. Mix is also an overriding factor of top and bottom-line performance, as higher value-added products (e.g. with superior sustainability attributes) are accretive to margins. On the capacity front, additions can also be a driver of growth, to the extent that existing utilization is near optimal levels, resulting to improvement (reduction) of the conversion costs. Investments in packaging tend to be of smaller-scale, largely depend on demand and affect the group's short-term growth profile. Capacity investments in technical fabrics are usually of larger scale, fully feeding into a broader time horizon. Overall, investment in capacity produces two distinctive results, namely: 1) raises volume capabilities, which is subsequently reflected in revenue growth, and 2) upgrades machine capabilities, which translates into improving margins.

Volume-driven growth in 2015-19, price/mix driven growth in 2020

In the recent history, we notice significant volume growth in 2016-17 (8% and 12% respectively at group level) driven by the investments in new production lines during the prior two-year period, namely 2015-16. The sales volume growth was not fully reflected in the revenues due to a more elastic pricing policy followed, with the price/mix (unit pricing effectively) being negative in both years. 2018 and 2019 saw group volumes stay little-changed, as lost volumes in the TF's unit, which was negatively affected by restructuring (reduction in weaving business and FIBC production in Bulgaria), were counterbalanced by the rising sales volumes in the PU. Price/mix increased 1%-2% in 2018 and 2019 respectively, driven by an improvement in the pricing policy in the TF division (on account of the re-organization within the unit, as per our understanding). 2020 was a year affected by the covid-19 pandemic, with the group benefiting significantly from the expansion of its TF product portfolio towards products related to personal protection, which more than offset reduced demand in other areas. In the meantime, Thrace discontinued some operations in N. America and relocated these production lines to Europe. Volumes of continuing operations grew by 3% in FY'20, while strong price/mix (+11%), given upscale demand, led a 14% yoy rise in revenues.

In the graph that follows, we attribute the historic sales growth to: 1) volume growth and 2) price/mix at group level. Overall, over 2015-2020 Thrace delivered 3% revenue CAGR, driven by 2% CAGR in volumes and 1% in price/mix.

Group historic revenue growth drivers



Source: Company, Eurobank Equities Research. * Only continuing operations

Across the two main divisions:

Technical Fabrics accounting for a still strong c70% of sales, leading FY'20 with 15% yoy sales growth (cont ops)

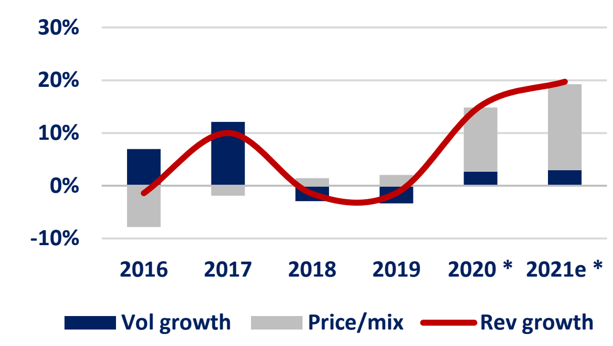
- **Technical fabrics:**
  In 2020, the particular unit was the main revenue growth driver, mainly due to the strong demand for technical fabrics for personal protection and health applications (PPE). As a result, revenues increased 15% yoy, largely driven by price/mix (+12%). As argued earlier, investments in this division (such as production lines of surgical masks and production line of technical nonwoven fabrics meltblown in 2020) do not necessarily translate into short-term volume growth, but in 2020's case to pricing power and production synergies (modern production lines with technological capabilities), both of which are significantly accretive to profitability.

  Historically, this division has been growing through either volumes or pricing. Volumes were up in 2016-17 as a result of the new production lines and facilities installed during the investments in 2015-16, while the price/mix was negative given policy actions regarding the added capacity. On the other hand, volumes were weighed down in 2018 and 2019 by restructuring of the unit, with revenues driven by a low-single digit rise in the price-mix. 2020 showed a spike in the price/mix, which was driven by the price increases driven by PPE products, also anticipated in 2021.

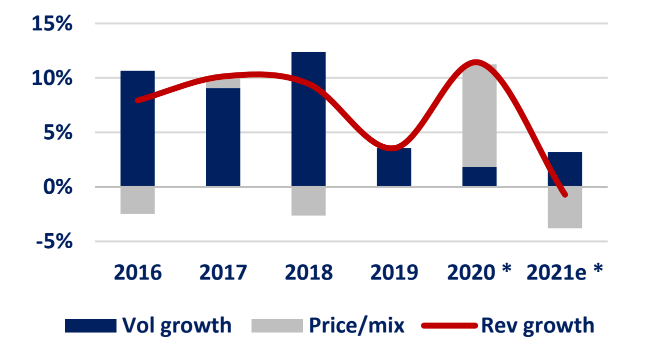
- **Packaging solutions:**
  On the other hand, the packaging solutions unit's revenue growth has been primarily attributed to volume growth historically, with the exception of 2020, where a significant 9% rise in price per ton was the primary driver of revenue growth (+11% yoy). Volumes have grown at 7% CAGR in 2015-2020, with significant 9-12% growth in 2016-18, mainly on added capacities. The price/mix has been down by c2.5% in each 2016 and 2018 on price pressures stemming from additional capacities, recording a temporary rise of c1% in 2017, while in 2021e figures are a bit distorted owing to the high comparative on PPE products in 2020.

In the graphs below we showcase the two divisions' revenue dynamics:

Technical Fabrics top line growth drivers



Packaging solutions top line growth drivers

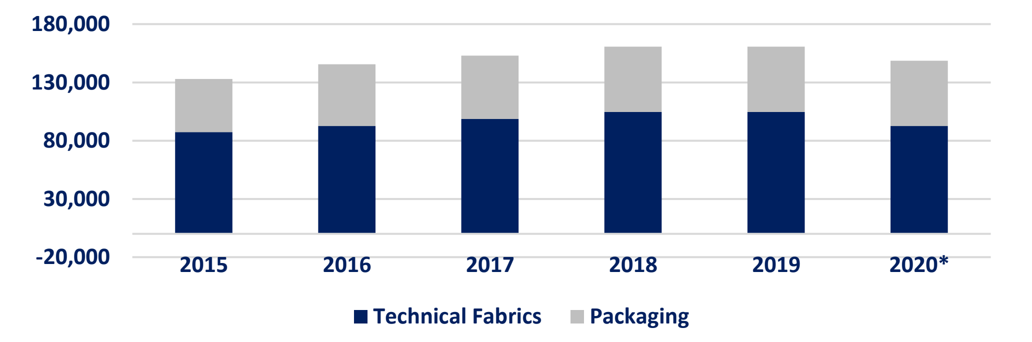


Source: Company, Eurobank Equities Research. * Only continuing operations

Capacity additions in sync with volume growth, indicating +2% CAGR in the last 5 years

From a capacity perspective, we estimate a c2% net CAGR (post restructuring) in the period 2015-20, moving broadly in sync with volume growth in the same period. On our estimates, there is scope for further volume growth without significant capacity additions. It is worth highlighting that as management does not provide updated capacity levels data, we have used assumptions based on the announced line additions as a proxy, acknowledging that this measure may not accurately reflect actual capacity growth.

Capacity (K tons)



Source: Company, Eurobank Equities Research. * 2020 only continuing operations

2. 2021 and beyond…

Well positioned to tap GDP growth

Thrace Plastics has invested in an international footprint (c80% of sales) and is well positioned to capitalise on the EU/US/Greek GDP growth opportunity (also aided by the investments related to the Recovery Fund) in the next few years. The significant past investments in new technologies, the revamped business model and the rising customer satisfaction during the pandemic, are all pillars that render the group well-placed to leverage returns upon the economic recovery and deliver consistent performance.

2021 still hailing on covid-19 merits

In more detail, in the short run, namely 2021, we expect 8% capacity growth from the relocation of Thrace Linq U.S. needle punched nonwoven lines to Greece and Scotland (12,000K tons). On the demand side, we see ongoing healthy volume growth of 3% yoy, only partly reflecting the momentum of PPE products, which we conservatively assume will dissipate in the remainder of the year. On the price/mix front, we believe that the robust demand year-to-date will provide underpinning to unit pricing and will thus drive a robust 10% increase in the price/mix (despite the tough comparative). As a result, we forecast revenues of €387m in 2021, +14% yoy, conservatively incorporating a c4% increase in the remaining 9 months as the group is cycling a tough comp.

Conservative estimates post 2021, with 2022 revenues just 14% above 2019 levels

Post 2022, we prudently assume trivial demand for personal protection and health products (at <10% of the 2020-21 average levels), but with the group channeling part of its current PPE-related capacity to the production of other related products. Besides lower volumes, we expect this will also result to lower pricing, mainly owing to product mix changes. We thus see revenues shaping near €340m in 2022, -12% than in 2021 but some 14% above 2019 levels.

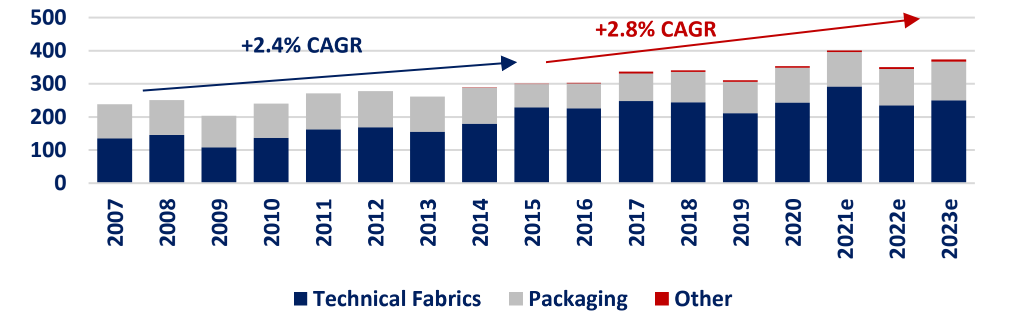
Mid-single digit top line growth feasible in the medium-term, we reckon

Overall, we assume 5-6% volume growth in 2022-23e, partly driven by the growth in capacity, and 3% growth thereafter, namely post the COVID normalization. We input c2% growth in price/mix in the medium-term, thereby ending up with 5-6% revenue growth post 2023e.

Top line evolution

We showcase below the top line evolution of the group over 2007-2023e, providing an overview across two periods, namely 2007-15, which encompasses the Greek economic crisis years, and 2015-23e, which is the period during which the group looks poised to enjoy stronger growth as the restructuring initiatives undertaken in previous years bear fruit.

Thrace Plastics sales



Source: Company, Eurobank Equities Research

Below we contrast 2022-23e revenues vs the 2019 figures, as these offer a clearer perspective of the progress the group has made on an underlying basis, namely without the temporary boost of COVID-19.

Sales evolution

EUR mn	2016	2017	2018	2019	2020 *	2021e *	2022e *	2023e *	2022e vs 2019	2023e vs 2019
Technical Fabrics	225.3	247.8	244.0	211.2	243.1	291.0	234.6	250.4	11%	19%
Packaging	76.0	83.7	91.6	94.9	105.7	105.0	109.7	116.0	16%	22%
Sustainable Agriculture	1.6	5.1	4.9	5.0	4.9	5.0	6.2	6.9	25%	37%
Group revenues	**291.9**	**318.5**	**322.7**	**298.3**	**339.7**	**386.9**	**340.1**	**362.0**	**14%**	**21%**

Source: Company, Eurobank Equities Research. * Only continuing operations

Overall, we identify the following sales growth drivers:

- **Wide range of products & applications:** Thrace Plastics offers a wide range of products both in the technical fabrics market (e.g. production of woven and nonwoven fabrics, membranes, geotextiles, FIBC products and horticulture fabrics) and the industrial and rigid packaging markets (e.g. injection moulding containers and thermoforming facilities, FFS films, crates). These products apply to various uses, including agri-horticulture, construction, industrial, medical and hygiene, furniture, food and chemical products.
- **New capacities with new technologies driving volumes:** The company strives to follow new technologies and to develop its offering to become more value-added. We estimate that feeding production towards more profitable developments added >10pp on the price mix since 2013, namely c1.5pp per annum, mainly reflecting the contribution of new technology products and PPE products in 2020.
- **Geographical diversification:** In a highly globalized world, Thrace Plastics invested on its international expansion, reaching out to customers across 80 countries, aiming to support

a diversified business model. This strategy became more vital in the early years of the Greek recession, but has also benefited the group more broadly as it has underpinned a wide-ranging sales network and a highly diversified client base.

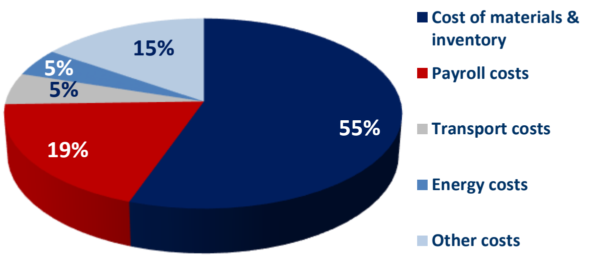
Cost structure, margins and profitability

Raw materials >50% of cost base

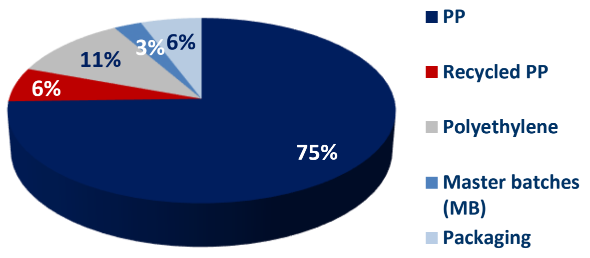
Of the cost base, COGS naturally account for 83% of total costs, with the bulk, namely 55% of total costs in 2020, relating to raw materials. Polypropylene (PP) accounted for 53% of the cost of sales in 2020, while being the most significant material used, accounting for 75% of the 116,251 tons of raw materials utilized in 2020. Other important costs include staff costs, which account for a significant 19% of total costs, and production costs (ex-wages), which make up 12% of the total. The remaining cost base of c€38mn (as of 2020) is a mixture of transport costs (5% of costs) and other operating expenses (8% of total). As for OpEx, which account for 17% of total costs (2020), distribution expenses make up the majority (65%), including transportation, warehousing and sales costs.

Below, we show the breakdown of the materials used and the cost base on total group costs.

Thrace Plastics cost base, 2020



Raw materials tons used, 2020



Source: Company, Eurobank Equities Research

We also display the evolution of the group's cost base in the past couple of years along with our forecasts looking forward.

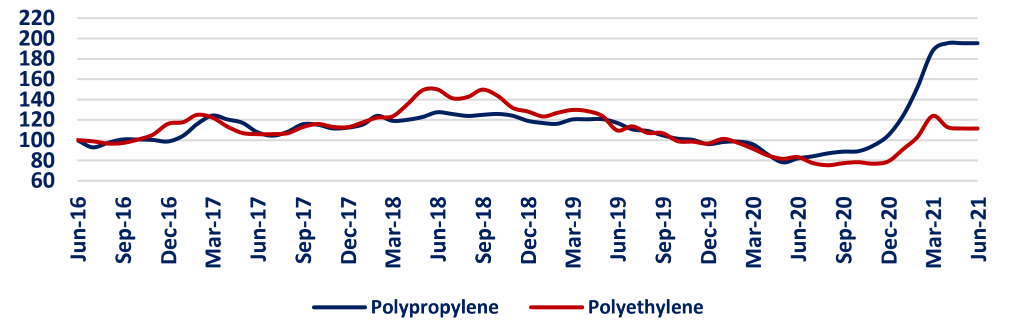
Costs breakdown								
Group (EUR mn)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
COGS	225.5	251.6	259.5	236.8	233.8	255.1	255.2	269.2
OPEX	43.9	48.9	50.3	45.6	47.4	51.6	51.0	53.7
Total Costs	**269.4**	**300.6**	**309.8**	**282.4**	**281.1**	**306.7**	**306.2**	**322.9**
of which:								
Cost of materials & inventory	150.2	175.3	180.7	162.9	155.7	178.8	178.2	190.9
Payroll costs	56.7	58.2	59.9	53.0	53.9	55.1	56.2	57.3
Transport costs	12.9	14.7	14.4	14.2	15.1	15.5	14.3	15.9
Energy costs	12.9	12.5	13.5	14.7	13.3	13.9	14.8	16.0
Other costs	36.8	39.9	41.1	37.6	43.2	43.5	42.7	42.9
% of total costs	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Cost of materials & inventory	56%	58%	58%	58%	55%	58%	58%	59%
Payroll costs	21%	19%	19%	19%	19%	18%	18%	18%
Transport costs	5%	5%	5%	5%	5%	5%	5%	5%
Energy costs	5%	4%	4%	5%	5%	5%	5%	5%
Other costs	14%	13%	13%	13%	15%	14%	14%	13%

Source: Company, Eurobank Equities Research

Polypropylene prices stabilizing at high level after the spike witnessed since Q3'20…

The main input polypropylene is a thermoplastics polymer made by the chemical industry and used in a wide variety of applications, including packaging, textiles, stationery, plastic parts and reusable containers of various types, laboratory equipment, loudspeakers, automotive components, and polymer banknotes. Below we showcase the price fluctuations in the past couple of years. We witness a spike in both polypropylene and polyethylene prices since end 2020, although more recently there seems to have been a stabilization at these recently established elevated levels.

Polypropylene and polyethylene price fluctuations (5-year performance)



Source: Eurobank Equities Research, Bloomberg.

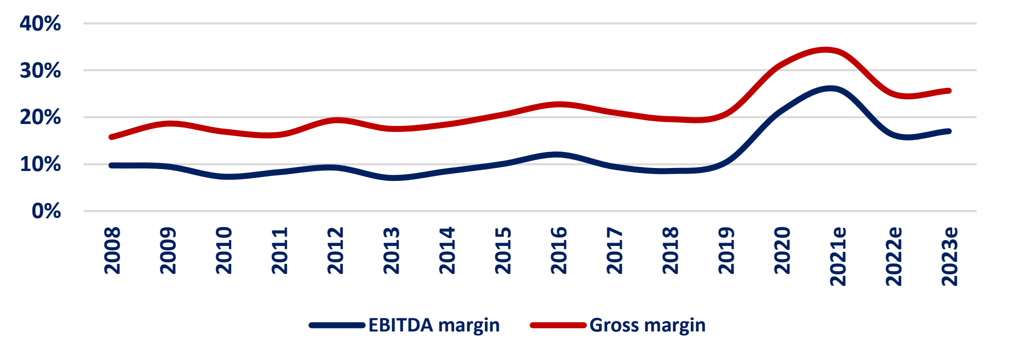
… but Thrace looks relatively insulated from input cost pressures this year; reasonable pricing to be required in 2022

With polypropylene (PP) being the main raw material used, the group is exposed to price fluctuations in PP. Although all companies in the industry seek to take pricing action in response to elevating raw material prices, cost inflation may erode margins if companies are not able to fully pass on this increase to the selling price. In addition, there is normally a time lag for the pass-through, which could create incremental margin pressures. In an effort to mitigate this negative impact, mgt adjusts accordingly its raw materials' inventory policy. As such, notwithstanding the substantial surge in PP spot prices in FY'21, we expect Thrace to enjoy quite strong gross margins, as validated by the group's Q1 results (+16.6pps gross margin accretion yoy).

Historical EBITDA margin at an average c9% prior to the pandemic; packaging more profitable

From a historical viewpoint, gross margins have ranged between c16% and c23% in the years 2007-2019. This has filtered through to an EBITDA margin range of 7% to 12% for the same period. In 2019, following restructuring actions Thrace delivered a double-digit EBITDA margin, something that had historically been achieved twice (2015 and 2016). The restructuring bore fruit in 2020, but coincided with the eruption of COVID-19, which proved to be a major boost for Thrace's PPE business. As a result, the gross margin jumped to >31% while the EBITDA margin settled above 21%, by far a record high in the group's history.

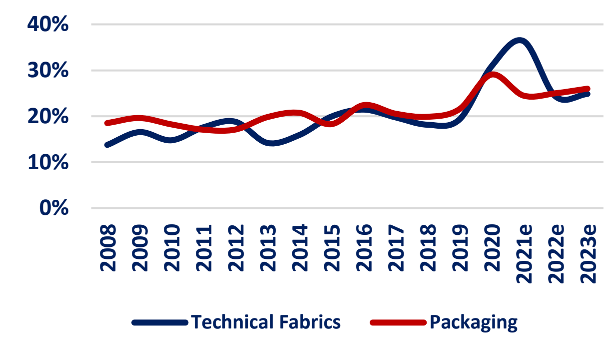
Group gross and EBITDA margin evolution



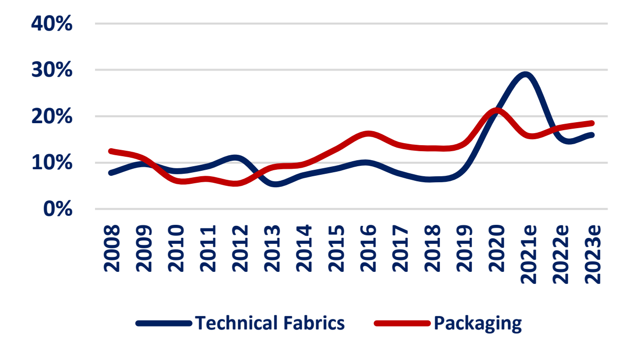
Source: Company, Eurobank Equities Research.

Per segment, the packaging products have historically enjoyed higher margins (except for years 2010-12), despite the lower contribution to profits on absolute numbers. More specifically, packaging EBITDA margins have ranged from 9% to 16% in the periods 2007-09 and 2013-19, while they troughed at c6% during 2010-12, a period during which the group was streamlining operations to get through the Greek crisis. Technical fabrics' EBITDA margins have ranged at a lower 8% to 11% in the period 2007-2019, albeit on higher absolute numbers.

Gross margin evolution



EBITDA margin evolution



Source: Company, Eurobank Equities Research

2020 saw a spike in margins owing to PPE products

As mentioned previously, 2020 saw exceptionally high EBITDA margins, namely 20.8% for the technical fabric's unit (up by 12.3pp yoy) and 21.3% for the packaging unit (up by 7.3pp yoy). This performance was underpinned by:

- the significant addition of PPE products due to covid-19,
- changes in the product mix,
- low raw material costs and
- internal restructuring that took place during the past couple of years.

Robust Q1'21 trends indicative of solid margin picture in 2021

Looking ahead, the key question is the extent to which the 2020 performance is recurring or one-off in nature, given the exceptional boost from PPE products. The question relates mainly to 2022, as Thrace looks poised to enjoy strong demand for PPE this year too, as showcased by the stellar Q1 performance (EBITDA €36, +278% yoy). In that regard we have penciled in c2.9pps gross margin accretion for 2021, filtering through the robust Q1'21 trends amid the ongoing use of personal protective equipment, while anticipating relatively modest impact from input costs given the group's inventory levels at the start of the year.

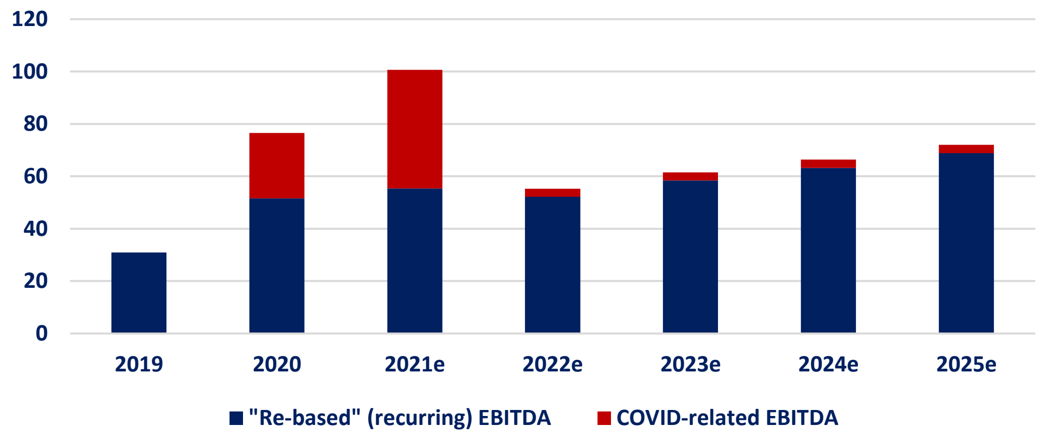
Recurring EBITDA re-basement in 2020 veiled by 'covid-related' boost ...

Looking ahead into 2022, visibility is rather limited. That said, in order to better gauge the group's recurring earnings capacity, we have cross checked our 2022-2023 estimates against what we deem as "rebased" level of profits, namely post the rebasement as a result of the group's self-help/restructuring actions over 2019-20. A summary of our estimates can be seen from the chart below. In short, we estimate that the group's recurring EBITDA generation was re-based in 2020 to c€48-50m, but this sustainable improvement never became evident due to COVID. This is because the group quickly started to reap the benefits of the shift to PPE higher-margin products (face masks etc.), with demand remaining strong throughout the year. In fact, this segment is poised to nearly double in size in 2021, given the base effect (1 extra quarter) and very strong underlying demand as COVID remains a developing story.

... but will become apparent from 2022 onwards

As we show in the figure below, our future estimates are by no means aggressive. They assume that the non-PPE business will continue to generate EBITDA in the c€52-69m area over 2022-2025e, a level we consider reasonable given mgt's commitment to continue investing in new highly profitable technologies with lower labor-intensive business models. As for PPE, we assume that this fades to just c7% of 2021 levels post 2022, coalescing to an overall EBITDA in the €55-72m range during 2022-2025e.

EBITDA in €m – significant re-basement in recurring profitability in 2020 masked by the COVID-related boost



Source: Company, Eurobank Equities Research

Expect gross margins to stabilize at c25-26% post 2022 as the COVID-related mix tailwind recedes, lower than in 2020-21 but higher than pre-covid levels

Against this background, we estimate that gross margins will trend down to c25-26% post 2022, namely below 2020-21e levels but substantially higher than prior to 2019. Even after presuming that demand for surgical masks will wind down post 2022 and the added value coming from the gained pricing power will eclipse, we estimate only a partial loss in the margin of -9 pp yoy, expecting that production capacity will be re-directed into similar technology products. At the EBITDA level we see a similar yoy loss in the margin (-10 pp) in 2022 while expecting mild accretion in 2023 (+0.7 pps) by virtue of the positive operating leverage. We have effectively assumed that rising costs driven by new technologies will be more than offset by decreasing labor costs, driven by more capital-intensive production.

Trying to separate the positive impact from the PPE products, we showcase below a distinct line in our short P&L at PBT level, in line with the reporting used by the company. We have effectively assumed an underlying growth of 36% yoy at PBT level in 2021, a normalization in 2022 (-26%) and 13-20% non-PPE growth thereafter.

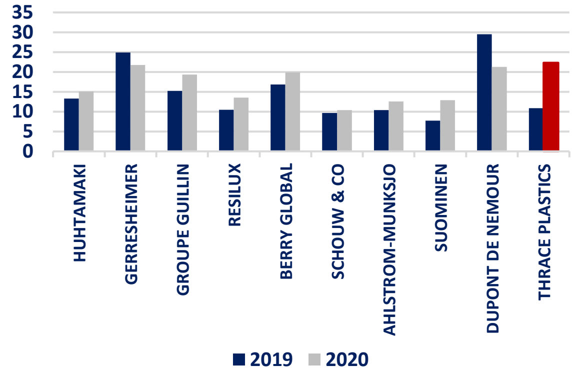
Summary Financials								
Short P&L (EUR mn)	**2016**	**2017**	**2018**	**2019**	**2020 ***	**2021e ***	**2022e**	**2023e**
Sales	**291.9**	**318.5**	**322.7**	**298.3**	**339.7**	**386.9**	**340.1**	**362.0**
growth	*1%*	*9%*	*1%*	*-8%*	*14%*	*14%*	*-12%*	*6%*
Gross Profit	**66.4**	**66.9**	**63.2**	**61.5**	**106.0**	**131.8**	**84.9**	**92.8**
margin	22.7%	21.0%	19.6%	20.6%	31.2%	34.1%	25.0%	25.6%
EBITDA	**35.2**	**30.1**	**27.5**	**30.8**	**72.5**	**100.6**	**55.3**	**61.6**
margin	12.0%	9.5%	8.5%	10.3%	21.3%	26.0%	16.3%	17.0%
PBT	**18.3**	**13.8**	**10.0**	**11.8**	**52.1**	**77.1**	**31.2**	**37.2**
margin	6.3%	4.3%	3.1%	4.0%	15.3%	19.9%	9.2%	10.3%
of which:								
PBT attributed to PPE				0.0	22.7	37.3	1.6	1.6
PBT underlying				11.8	29.4	39.8	29.6	35.6
Net Income	**13.4**	**10.6**	**7.7**	**7.2**	**40.7**	**59.5**	**23.7**	**28.4**
EPS	**0.30**	**0.24**	**0.18**	**0.16**	**0.93**	**1.36**	**0.54**	**0.65**
DPS (adj. for treasury shares)	0.00	0.05	0.04	0.05	0.22	0.27	0.11	0.13

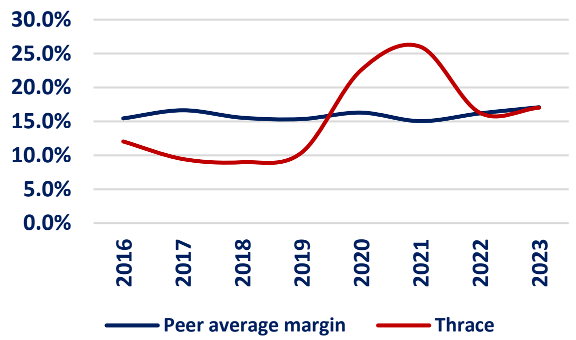
Source: Company, Eurobank Equities Research
* 2020-21e numbers include temporary boost from PPE products

EBITDA margin superior to that of international peers; we assume convergence in the future

In the charts below, we compare Thrace's cost structure with that of international peers. As we show, until 2019 Thrace Plastic's EBITDA margin was a bit below that of its peers, presumably due to the smaller size (median revenues at c€2.1bn in 2020 vs €340m for Thrace). In 2020, Thrace's margin jumped above that of most its peers, as the group capitalised on the PPE boom. As can be seen, our numbers assume that the group's margins will converge to the average of the peer group.

EBITDA margins for Thrace Plastics & International peers and average





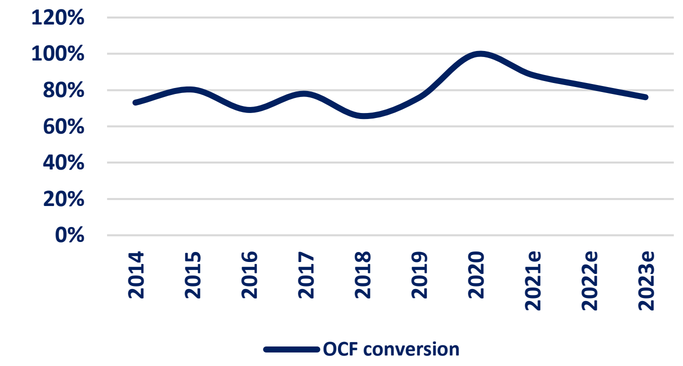
Source: Company, Eurobank Equities Research, Bloomberg.

Cash flow generation and returns on capital

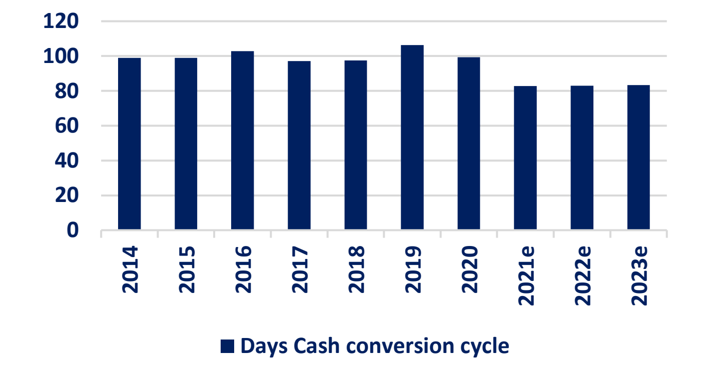
Solid cash conversion track record

The group has a solid track record of cash flow generation, with operating cash conversion (OCF/EBITDA) consistently exceeding 60%, notwithstanding the multiple challenges faced in the recent past (Greek recession, COVID in 2020). Key for the high cash conversion has been working capital management, with the cash conversion cycle having shortened relative to the period prior to 2014, oscillating between 97 and 110 days in recent years. Looking ahead we do not model significant working capital swings, although it is worth mentioning that we anticipate a receivable reduction relating to state subsidies (c€11m) and a payable reversal after the Thrace Linq deal is completed (expected to close within 2021), which are not included in our model. Overall, our estimates post 2021 incorporate c70%-80% cash conversion, namely a level broadly in sync with the group's recent track record.

Cash conversion (OCF/EBITDA)



Days conversion cycle



Source: Eurobank Equities Research

High past investment program looking to return results looking ahead…

Investments in infrastructure, capacities and new technologies since 2015 have amounted to c€165m, of which c2/3 are attributed to Technical fabrics. We believe, the bulk of the aforementioned capex envelope has been channeled to growth investments, with emphasis in all strategic pillars as shown in the chart below.

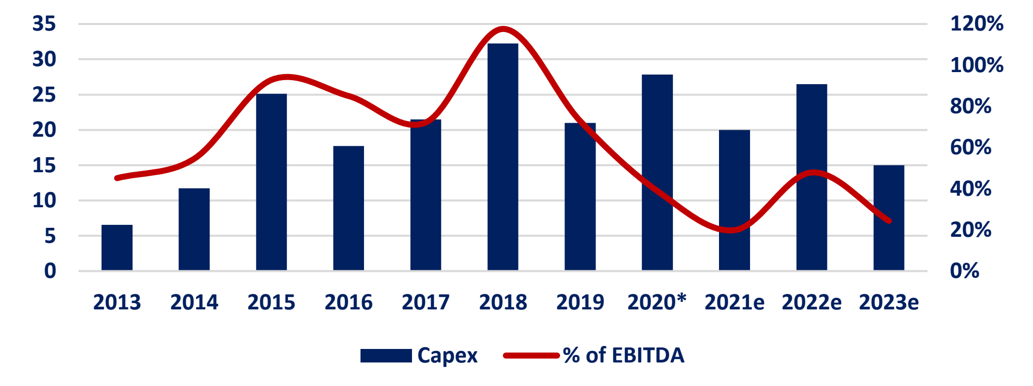
Capex channeled into strategic pillars

CAPEX	2015 - 2020	Organic Growth	Value Capture	Sustainability	Infrastructure
In mil €	164.9	✔	✔	✔	✔
2 new Spunbond lines in GR and SC		✔	✔		
2 new Needlepunch lines in GR and SC		✔	✔		
Increased internal recycling capacity			✔	✔	
New thermoforming line in BG and thermoforming IML in GR		✔	✔	✔	
New Injection molding capacity in GR and BG		✔	✔	✔	
New Injection molding plant in IR		✔	✔		
2 new Melt-blown lines in SC		✔	✔		
MDO Line in GR			✔		
Face mask production in GR, SC and IR			✔		
Health & Safety				✔	✔
Digitization (ERP and other)				✔	✔
Land & Buildings		✔		✔	✔

Source: Company

As shown in the graph below, the heavy investment program has been backed by operating profitability.

Capex in €m and as % of EBITDA

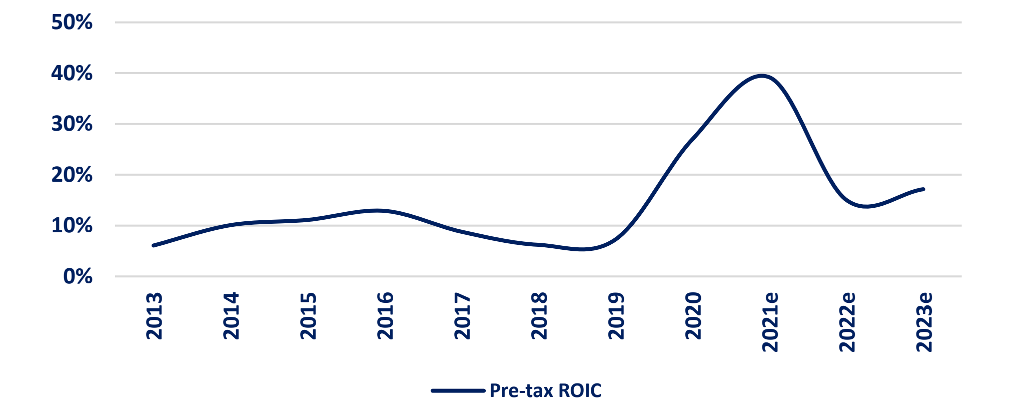


Source: Company, Eurobank Equities Research

High returns on the investments made testament to mgt's strategy

Looking at the returns brought about by these investments, it is quite interesting to note that these have indeed driven quite good incremental returns. To exemplify this, we flag that EBIT between 2015 and 2020 has increased by almost €35m, translating into a c21% return (pre-tax) on the €16m investment. The aforementioned point is also validated at group level: as shown below, pre-tax ROIC (EBIT/invested capital) has increased from mid-single digit levels to >25% in 2020. Looking ahead, in a more normal post-pandemic period, our numbers assume that ROIC will stay in the 18-20% area, underpinned by what we deem as sustainable double-digit EBIT margin and more "normal" capex levels (c€15 post 2023e), which we argue suffice for the group to sustain a mid-single-digit revenue growth in the medium-term.

Thrace Plastics ROIC



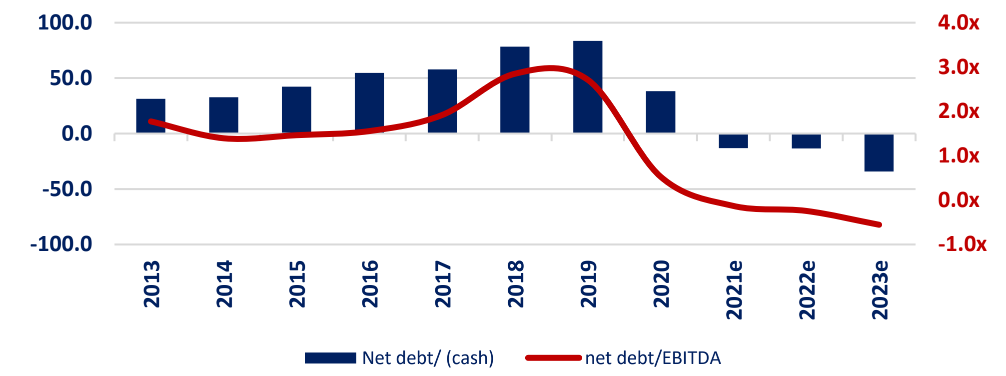
Source: Company, Eurobank Equities Research

Balance sheet and shareholder returns

Robust financial position with the lowest leverage in history in 2020…

Thrace Plastics enjoys a strong financial and liquidity position. Despite the major round of investments during the previous 5 years (€165m), the group has been on a deleveraging mode in the last couple of years, managing to reduce its net debt position to €38m (or €32m ex-leases) in 2020. At the same time it recorded the lowest net debt to EBITDA ratio last year, at just 0.5x, while enjoying the highest gross cash level (€40.8m) in the last 7 years.

Net debt in € mn and leverage ratio



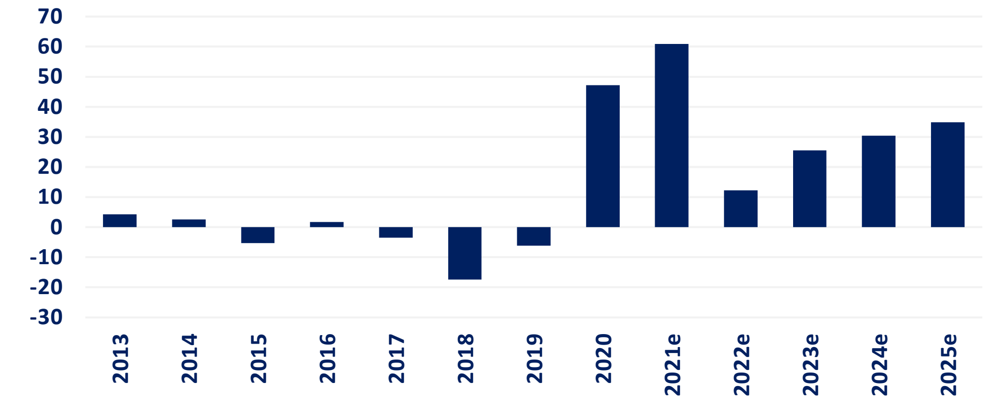
Source: Company, Eurobank Equities Research.

Expect deleveraging to continue

During the same period, equity free cash flow (FCFE) has varied markedly weighed by the high investments in years 2015-2019, but the cash burn has not exceeded €6m during any single year – with the exception of 2018 – testament to the solidity of the business model. In 2020, FCFE shot up to a whopping >€47m, on the back of the strong operating profitability. 2021 has also started on a very solid footing, with the group managing to reduce net debt by another €29m vs the December 2020 position. On our estimates, Thrace will finish the year on a net cash position of >€10m (translating to c€61m FCFE), not including some $3.5m inflow (anticipated by end-summer 2021) from the sale of Thrace Linq in the U.S.

Looking ahead, we expect the boost from PPE products to wane, but we anticipate this will be offset by the normalization of capex (excl. M&A or growth capex not incorporated in our model). Note that our estimates incorporate the recently announced €25.5m investment plan. We are thus looking for EFCF of c€12-35m per annum in the next 5 years.

Thrace group Equity Free Cash Flow in €m



Source: Company, Eurobank Equities Research.

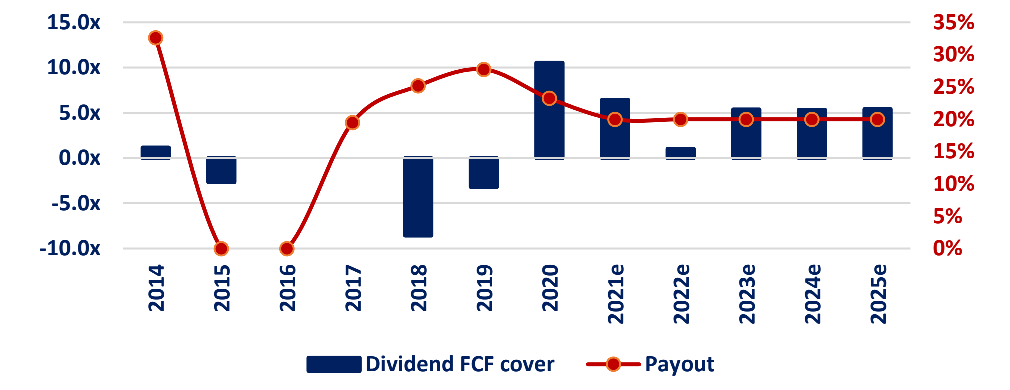
Balance sheet optionality

The robust financial position means that Thrace Plastics has enough war chest to fund potential M&A opportunities, although we understand that organic growth and cost efficiencies are mgt's top priority. Overall, we expect ROIC to be a key focus in case of M&A, with the group's current low net debt position leaving scope even for sizeable deals. Assuming no M&A opportunities arise, the group has plenty of cash to deploy, with shareholder cash returns featuring as another alternative.

Disciplined capital allocation

As far as the latter is concerned, in the last 7 years Thrace Plastics has returned c15% of cumulative net profits as dividends. It is self-evident that for a company in growth/expansion/restructuring phase, capital allocation needed to be prudent, and this is exactly what management did during the years of heavy investment, namely keeping a balance between investing in the business and rewarding shareholders. In 2020, with profitability shooting up and with cash generation increasing markedly, shareholder returns were also augmented substantially. Indicatively, following a €0.06 per share extraordinary dividend in Dec'20 and an approved ordinary DPS of €0.16 out of FY'20 profits, Thrace Plastics rewarded investors with a total €0.22 per share. Looking ahead, our model is predicated on a payout ratio of c20%, which would be below that in previous years, as we assume the group builds further war chest for meaningful investments (which are not included in our model).

Dividend payout and FCF cover



Source: Company, Eurobank Equities Research.

Below we summarize the main cash flow pillars for the group since 2016 and present our overall FCF forecast over 2021-23e. As can be seen, we contend that EBITDA in the €55-62m range is the new "norm" for the group (namely post COVID normalization) and, in the absence of further growth/M&A capex, we estimate this filters into c€12-25.5m of equity Free Cash Flow.

Summary Cash Flow								
EUR mn	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
EBITDA reported	**35.2**	**30.1**	**27.5**	**30.8**	**72.5**	**100.6**	**55.3**	**61.6**
Change in Working Capital	-6.3	-4.6	-4.2	-3.1	1.8	5.3	-3.1	-6.5
Net Interest	-5.1	-4.2	-3.9	-3.6	-2.8	-3.9	-2.7	-2.5
Tax	-4.7	-4.3	-4.3	-2.6	-3.6	-17.0	-6.9	-8.2
Other	0.1	2.2	-0.9	-1.8	1.7	0.0	0.0	0.0
Operating Cash Flow	**19.2**	**19.3**	**14.2**	**19.7**	**69.5**	**85.1**	**42.7**	**44.3**
Capex	-17.7	-21.5	-32.2	-21.0	-27.8	-20.0	-26.5	-15.0
Other investing	0.2	-1.3	0.6	-0.1	9.9	0.0	0.0	0.0
Net Investing Cash Flow	**-17.5**	**-22.7**	**-31.6**	**-21.1**	**-18.0**	**-20.0**	**-26.5**	**-15.0**
Dividends	0.0	0.0	-2.0	-1.9	-4.5	-9.4	-11.9	-4.7
Capital repayment of lease obligations				-4.8	-4.4	-4.2	-4.0	-3.9
Other	-14.0	0.4	-1.1	3.0	2.6	0.0	0.0	0.0
Net inflow	**-12.3**	**-3.1**	**-20.6**	**-5.2**	**45.3**	**51.4**	**0.3**	**20.7**
Net debt (cash) – incl. leases	**54.7**	**57.8**	**78.4**	**83.5**	**38.2**	**-13.2**	**-13.5**	**-34.2**
Equity Free Cash Flow	**1.7**	**-3.5**	**-17.4**	**-6.2**	**47.1**	**60.9**	**12.2**	**25.5**

Source: Company, Eurobank Equities Research.

Divisional breakdown

The table below sums up our key divisional estimates and rolls them into an overall forecast for the group.

Divisional Estimates								
In EUR mn unless otherwise stated								
Technical Fabrics short P&L	**2016**	**2017**	**2018**	**2019**	**2020 ***	**2021e ***	**2022e**	**2023e**
Vol produced (m tons)	85.9	96.3	93.5	77.6	79.6	82.0	85.0	91.0
growth	*7%*	*12%*	*-3%*	*-17%*	*3%*	*3%*	*4%*	*7%*
Pricing per unit (EUR)	2.62	2.57	2.6	2.7	3.1	3.6	2.8	2.8
growth	*-8%*	*-2%*	*1%*	*4%*	*12%*	*16%*	*-22%*	*0%*
Sales	**225.3**	**247.8**	**244.0**	**211.2**	**243.1**	**291.0**	**234.6**	**250.4**
growth	*-1%*	*10%*	*-2%*	*-13%*	*15%*	*20%*	*-19%*	*7%*
Gross Profit	**48.3**	**49.0**	**44.3**	**40.7**	**74.9**	**105.8**	**57.1**	**62.2**
margin	21.5%	19.8%	18.2%	19.3%	30.8%	36.4%	24.3%	24.9%
EBITDA	**22.6**	**18.9**	**15.5**	**17.8**	**50.5**	**84.3**	**36.2**	**40.0**
margin	10.0%	7.6%	6.4%	8.4%	20.8%	29.0%	15.4%	16.0%
PBT	**14.5**	**9.0**	**5.2**	**6.2**	**37.7**	**68.3**	**19.9**	**23.9**
margin	6.4%	3.6%	2.1%	2.9%	15.5%	23.5%	8.5%	9.5%
of which:								
PBT attributed to PPE					19.5	37.0	1.5	1.5
PBT underlying	**14.5**	**9.0**	**5.2**	**6.2**	**18.2**	**31.3**	**18.4**	**22.4**
Packaging Solutions short P&L	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Vol produced (m tons)	28.1	30.6	34.4	35.7	36.3	37.5	38.5	40.0
growth	*11%*	*9%*	*12%*	*4%*	*2%*	*3%*	*3%*	*4%*
Pricing per unit (EUR)	2.71	2.73	2.7	2.7	2.9	2.8	2.9	2.9
growth	*-2%*	*1%*	*-3%*	*0%*	*9%*	*-4%*	*2%*	*2%*
Sales	**76.0**	**83.7**	**91.6**	**94.9**	**105.7**	**105.0**	**109.7**	**116.0**
growth	*8%*	*10%*	*9%*	*4%*	*11%*	*-1%*	*5%*	*6%*
Gross Profit	**17.0**	**17.2**	**18.2**	**20.4**	**30.7**	**25.7**	**27.4**	**30.2**
margin	22.4%	20.6%	19.9%	21.5%	29.1%	24.5%	25.0%	26.0%
EBITDA	**12.4**	**11.5**	**12.0**	**13.3**	**22.5**	**16.6**	**19.2**	**21.5**
margin	16.3%	13.8%	13.1%	14.0%	21.3%	15.8%	17.5%	18.5%
PBT	**3.9**	**6.5**	**5.6**	**6.6**	**15.3**	**9.5**	**11.9**	**13.8**
margin	5.2%	7.7%	6.1%	6.9%	14.5%	9.0%	10.8%	11.9%
of which:								
PBT attributed to PPE					3.2	0.3	0.1	0.1
PBT underlying	**3.9**	**6.5**	**5.6**	**6.6**	**12.1**	**9.2**	**11.8**	**13.7**
Group Short short P&L	**2016**	**2017**	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Vol produced	109.1	121.8	121.9	108.6	111.8	115.3	121.4	128.9
growth	*8%*	*12%*	*0%*	*-11%*	*3%*	*3%*	*5%*	*6%*
Pricing per unit	2.68	2.62	2.65	2.75	3.04	3.36	2.80	2.81
growth	*-6%*	*-2%*	*1%*	*4%*	*11%*	*10%*	*-17%*	*0%*
Sales	**291.9**	**318.5**	**322.7**	**298.3**	**339.7**	**386.9**	**340.1**	**362.0**
growth	*1%*	*9%*	*1%*	*-8%*	*14%*	*14%*	*-12%*	*6%*
Gross Profit	**66.4**	**66.9**	**63.2**	**61.5**	**106.0**	**131.8**	**84.9**	**92.8**
margin	22.7%	21.0%	19.6%	20.6%	31.2%	34.1%	25.0%	25.6%
EBITDA	**35.2**	**30.1**	**27.5**	**30.8**	**72.5**	**100.6**	**55.3**	**61.6**
margin	12.0%	9.5%	8.5%	10.3%	21.3%	26.0%	16.3%	17.0%
PBT	**18.3**	**13.8**	**10.0**	**11.8**	**52.1**	**77.1**	**31.2**	**37.2**
margin	6.3%	4.3%	3.1%	4.0%	15.3%	19.9%	9.2%	10.3%
of which:								
Group PBT attributed to PPE					22.7	37.3	1.6	1.6
Group PBT underlying	**18.3**	**13.8**	**10.0**	**11.8**	**29.4**	**39.8**	**29.6**	**35.6**
Net Income	**13.4**	**10.6**	**7.7**	**7.2**	**40.7**	**59.5**	**23.7**	**28.4**
EPS	**0.30**	**0.24**	**0.18**	**0.16**	**0.93**	**1.36**	**0.54**	**0.65**
DPS	0.00	0.05	0.04	0.05	0.22	0.27	0.11	0.13

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

1Q'21 results overview

Strong set of Q1 results, driven by robust sales growth on product & price mix

Thrace Plastics reported solid Q1 results, with sales up by a whopping 50.5% yoy and almost quadrupled EBITDA at €36m (+€26m yoy), primarily driven by sustained significant demand in PPE and health products. PBT increased 521% yoy to €29.4m, of which €20.6m, came from the area of personal protection and health products, namely more than 70% of total (up from 44% in FY'20). Nonetheless, underlying PBT (ex PPE) also grew by an impressive 86% yoy to €8.8m. Net profit in the quarter skyrocketed to €24.5m, from just €3.5m in Q1'20.

From a cash flow perspective, FCF generation was solid at €26m, with net debt reduced further to €9.2m in Q1'21 (from €38.2m Dec'20).

Quarterly results overview			
EUR mn	**Q1'20**	**Q1'21**	**yoy %**
Sales	**74.0**	**111.4**	**50.5%**
Gross Profit	17.2	44.4	158.2%
Gross Margin	*23.2%*	*39.9%*	*16.6 pp*
EBITDA	**9.5**	**36.0**	**277.7%**
EBITDA Margin	*12.9%*	*32.3%*	*19.4 pp*
EBT	**4.7**	**29.4**	**520.7%**
of which:			
PBT attributed to PPE	0.0	20.6	
PBT underlying	4.7	8.8	86%
EAT	**3.5**	**24.5**	**597.8%**
FCF	**-0.9**	**26.4**	
Net Debt / (cash)	**82.1**	**9.2**	

Source: Company, Eurobank Equities Research.

Per division, Technical Fabrics revenues grew 64.6% yoy to €85.2m, with the EBITDA up to €30.9m (from €5.4m in Q1'20) and the margin up by c26pp yoy. The packaging division revenues grew by a lower – albeit still very strong – 19.4% yoy to €28.4m., contributing €5.3m in EBITDA with the respective margin up 1.3pp to 18.8%.

Results breakdown by business unit			
Sales (EUR mn)	**Q1'20**	**Q1'21**	**yoy %**
Technical Fabrics	51.7	85.2	64.6%
Packaging	23.8	28.4	19.4%
Sustainable Agriculture	1.2	1.3	8.9%
Group	**74.0**	**111.4**	**50.5%**
Sales % of total			
Technical Fabrics	69.9%	76.5%	*6.6 pp*
Packaging	32.1%	25.5%	*-6.6 pp*
Sustainable Agriculture	1.6%	1.2%	*-0.5 pp*
EBITDA (EUR mn)	**Q1'20**	**Q1'21**	**yoy %**
Technical Fabrics	5.4	30.9	470.0%
Packaging	4.2	5.3	28.0%
Sustainable Agriculture	0.0	-0.2	471.9%
Group	**9.5**	**36.0**	**277.7%**
EBITDA margins			
Technical Fabrics	10.5%	36.3%	*25.8 pp*
Packaging	17.6%	18.8%	*1.3 pp*
Sustainable Agriculture	-2.6%	-13.8%	*-11.1 pp*
Group	**12.9%**	**32.3%**	***19.4 pp***

Source: Company, Eurobank Equities Research.

Market overview and competition

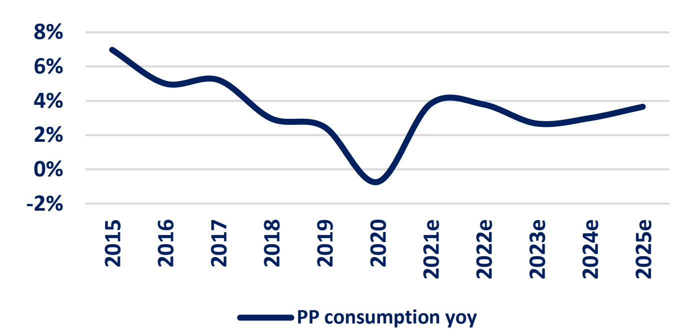
PP market poised for c4% CAGR in the next 5 years, given the multiple end-use segments

The global plastics packaging market (worth cUSD 350bn in 2020 according to Bloomberg) is expected to grow at a c4% CAGR from 2021-28, driven by swift demand in key application industries, including food & beverages, pharmaceuticals and personal & household care. As regards the Technical Fabrics global market (cUSD 170bn in 2020), it is projected to reach USD 218bn by 2025, indicating a 5-year CAGR of c5%, driven on its part by robust growth in construction and infrastructure and rising demand from the healthcare sector, in the aftermath of the pandemic. Adding to the above, the rising penetration of e-commerce across the world, the introduction of innovative solutions, the development of new and advanced technical textiles and the emergence of newer and more efficient processing technologies, all represent factors vital for shaping future growth.

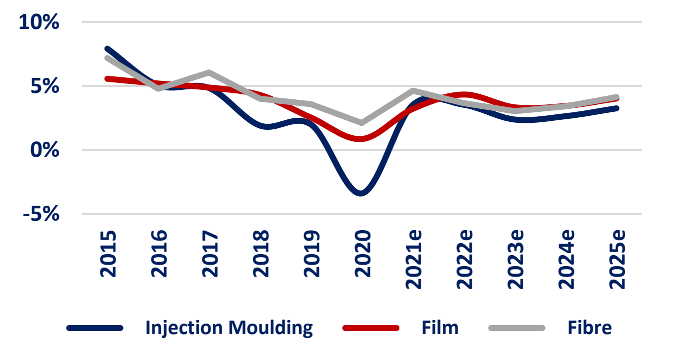
Raw materials consumption growth

As we showcase below, the consumption of polypropylene has grown at c3% CAGR over the period 2015-20, with current forecasts eyeing a c4% annual growth in the next 5 years. In 2020, PP consumption was driven by growth in films and fibre segments, with future forecasts looking for a c4% CAGR in these product categories and a lower c3% in injection moulding.

Polypropylene consumption – global (tonnes) growth



PP Consumption growth per product (yoy)



Source: Eurobank Equities Research, Bloomberg

Given its wide application in various end markets, we identify the following as key growth drivers for the demand of PP: 1) the macroeconomic recovery, 2) the rising hygiene awareness 3) the new packaging materials and recycling processes and 4) the growth of the e-commerce sector. Rising income levels and increased consumption of manufactured goods represent additional factors that bode well for market growth.

Given the correlation of PP consumption with macroeconomic growth, we showcase below the economic outlook for some of the group's key markets. This provides an underpinning to the expectation for mid-single-digit annual growth in PP consumption over the coming years.

Economy growth & inflation					
GDP growth (%)	**2018**	**2019**	**2020**	**2021e**	**2022e**
EU	**1.9**	**1.3**	**-6.5**	**4.5**	**4.2**
Greece	1.6	1.8	-8.1	3.8	5.0
Ireland	8.8	5.6	3.4	4.5	4.5
Romania	4.5	4.2	-3.7	5.8	4.7
Bulgaria	3.1	3.7	-4.2	3.8	4.0
United Kingdom	1.2	1.5	1.5	6.7	5.4
United States	3.0	2.2	-3.5	6.6	4.1
CPI (%)					
EU	**1.8**	**1.2**	**0.3**	**1.9**	**1.4**
Greece	0.8	0.5	-1.3	0.0	0.9
Ireland	0.7	0.9	-0.5	1.3	1.5
Romania	4.6	3.8	2.6	3.4	3.0
Bulgaria	2.8	3.1	1.7	1.9	2.4
United Kingdom	2.5	1.8	0.9	1.6	2.0
United States	2.5	1.8	1.2	3.5	2.5

Source: Eurobank Equities Research, Bloomberg.

History and shareholder structure

Thrace Plastics was founded in 1977 in Xanthi Greece by Stavros Chalioris, opening its first factory in 1980 aiming to serve both the Greek and exports markets. By 1992 it had three plants in Xanthi, one producing PP Woven Bags, Ropes & Twines, one for the PP Technical Fabrics market and one specializing in the production of Industrial and Carpet Yarns. In 1995, Thrace Plastics was listed on the Athens stock exchange.

In 1997 the company penetrated the rigid packaging market with a new plant in Ioannina, while in the following years up to 2010 it expanded in nonwovens and FIBC markets by extending its presence in international markets through acquisitions and co-operations in Scotland, Norway, SE Europe and N. America.

In the 2010-12 period the group focused on streamlining its operations and recalibrating its organizational structure, while expanding its sales network to 80 countries, in order to weather through the economic crisis.

In 2013 it established a new business activity, namely Thrace Greenhouses S.A. (through a JV), which focuses on the creation of hydroponic greenhouses using geothermal energy, aiming to reduce its carbon footprint. It currently engages in production of tomatoes and cucumbers in a 18,5HA total area, with plans to expand in tomatoes (cocktail) and aubergines.

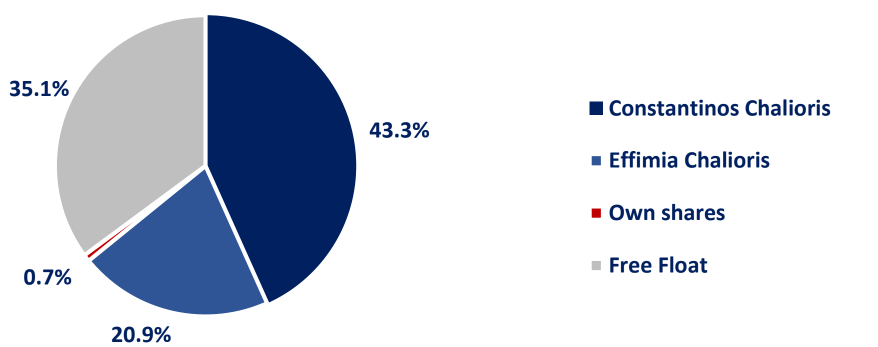
In 2014 Thrace Plastics entered another new market, that of sealing products with geosynthetic clay liners, through establishing Thrace Eurobent JV. In the meantime, during 2016-18 the group continued investing in new needle-punched nonwoven lines and new spunbond lines, thermoforming production and production of injection moulding.

The last significant milestone was the termination of production in N. American Thrace Linq Inc. (acquired in 2007) in 2020 and the relocation of its two lines to Scotland and Greece. The group now has production & trading facilities in 9 countries through 13 different companies (including the 4 joint ventures).

The Chairman of the BoD, Mr. K. Chalioris has held his position since 2009, while he gave up the role of the CEO in 2020 to Mr. D. Malamos following good corporate governance practice for the separation of the two roles. Mr. Chalioris is the son of the founder Stavros Chalioris and has a 40-year experience of the industry and the international market. He holds 43.3% of the share capital. Family members, hold in total 64.2% of the share capital, including a 20.85% stake held by Mrs. E. Chalioris.

As far as the rest of the shareholder structure is concerned, besides the 64% controlled by the family and the 0.7% in own shares, another c13% of shares are held by institutional investors, with the remaining c22% being held by retail investors.

Shareholder structure



Source: Eurobank Equities Research, Thrace Group

ESG and Corporate Governance

With the issue of ESG gaining increasing traction among investors, we have sought to supplement our analysis with an overview of some interesting findings from some of the ESG data provided by the group. We mainly tackle Thrace Plastic's approach regarding environmental sustainability issues, ethical responsibilities vis-à-vis employees and suppliers, as well as compliance with corporate governance best practices.

1. Environmental and Social

Thrace Plastic's commitment to reduce energy consumption, minimize waste and maximize reprocessing and recycling opportunities goes beyond simple compliance with regulations. The group encourages its suppliers in sharing its sustainability mission through closed 'in-the loop' circular economy practices. The group has also been monitoring hazardous and non-hazardous waste and has managed to raise the amount of recycled non-hazardous waste and recycled polypropylene (to 6% of total) targeting 10% replacement of raw materials by 2025, namely 8,500 tons used from recycled plastics. In addition, Thrace Plastics has programs in place for reducing energy by replacing energy-consuming equipment, while also trying to reduce non-renewable energy consumption (lowering consumption per kg of production). The group is scheduled to measure its CO_2 footprint in the current year (tba to CDP) and set its CO_2 reduction targets in 2022.

On the social side, Thrace has adopted an inclusive business ethics code of conduct safeguarding antidiscrimination policy and occupational health & safety among its people, along with quality assurance processes for both suppliers and end-consumers, while supporting local communities through a large number of actions in all countries it operates. The group promotes a culture of equal opportunities and well-trained employees, with a special training section, also very important, in health & safety. The percentage of female employees was 23% in 2019 (from c20% in 2017), with 22% in managerial positions and the basic wage ratio index between women/men at c78%. Training of employees on health & safety was 17-19 hours per employee in 2019. The group is also in the process of establishing a Supplier Assessment Policy relating to social standards of labor and human rights. In the meantime, the system used evaluates production processes, quality management, customer satisfaction and R&D, while also looking into human rights violations and environmental issues in the supply chain. The group is actively engaged in community support programs and has established the Social Center 'Stavros Chalioris' for the local community of Xanthi.

Environmental and Social data – Thrace Plastics		
Environmental	**2019**	**Comment**
Electricity Consumption (kWh/ kg of product)	1.32	
Total Energy Consumption within the group from non-renewable sources (MJ)	697,383,319	
Total Energy Consumption within the group from non-renewable sources (mWh)	193,718	96.6% of total from non-renewable
Geothermal energy (MJ)	23,680,000	
CO_2 emissions in agriculture (CO_2 eq/kg of product)	0.112-0.125	Depending on the product
Social		
% of females in management	22%	
% of female employees	23%	
Average training man-hours per employee (10% higher paid employees)	3.2	
Average training man-hours per employee (90% lower paid employees)	4.0	
Average health & safety training man-hours per employee (internal employees)	17.0	
Average health & safety training man-hours per employee (external employees)	19.0	
Source: Company, Eurobank Equities Research.		

2. Corporate governance overview

As far as corporate governance is concerned, we have utilized our own framework for evaluating compliance with best practices, as laid out in the Code of Corporate Governance of Hellenic Exchanges S.A. We have focused our study on key metrics of governance which we believe are closely watched by investors, including board structure and independence, executive compensation, monitoring through independent committees etc. Note that we have conducted a similar analysis for all stocks in our G.RE.CO. universe, so as to gauge Thrace Plastic's relative positioning vis-à-vis the other companies under our coverage.

The KPIs used to measure performance in each broad category related to corporate governance are the following:

1. **BoD structure**
   a. **BoD size:** Best practice suggests that the BoD should be made up of 7-15 members.
   b. **Chairman/CEO separation:** We consider best practice the separation of the two roles, in line with the corporate governance framework in the vast majority of OECD jurisdictions.
   c. **Term of BoD members (period of election):** we consider best practice cases where BoD members are submitted for election every 4 years or less (in sync with the Code).
   d. **Average tenure of BoD members:** we score more highly companies where directors serve on the board for an average period of 3 years or less. Although shorter average tenure may not be directly linked to operational performance, it does reinforce internal discipline and control while also minimizing the likelihood of director misconduct.

2. **BoD Independence**
   a. **% of non-executive members in the BoD:** A board of directors in which non-executive members are the majority is the best practice principle we assess.
   b. **% of independent directors in the BoD:** The Code's recommendation is for independent directors to account for at least 1/3 of the members of the board. We consider best-practice a 30% representation of independent directors. Note that similar frameworks in other jurisdictions are stricter, calling for a minimum of 50% independent directors (e.g. Australia, UK, Sweden, Austria, France, Denmark, Netherlands, Portugal).
   c. **Independent vice-chairman in case of CEO/Chairman duality:** In cases where the roles of the CEO/Chairman are not separated, we give credit to companies having an independent vice-Chairman who safeguards the independence of the board.

3. **System of internal controls**
   a. **Establishment of remuneration committee:** We believe the existence of a remuneration committee is a good way of introducing a mechanism for normative controls on management's pay.
   b. **Independence of Audit Committee:** The Greek Law prescribes that a listed company must have an audit committee. We check for compliance with the Code's recommendation that audit committees be composed in their majority of independent non-executive board members.
   c. **Independence of Remuneration Committee:** Best practice suggests that the majority of the remuneration committee members should be independent. This inhibits entrenched management from securing excessive remuneration packages.

4. **Alignment of incentives**
   a. **Granularity on executive remuneration:** alignment of the various stakeholders' incentives is facilitated through a good level of disclosure regarding executive pay, e.g. how remuneration of executive directors is determined, balance between fixed

and variable components, KPIs for executive bonus, other contractual arrangements (pensions, stock options, long-term incentive schemes etc.).

5. **Audit firm quality**
    a. **Big-6:** Our exercise rewards listed entities audited by Big-6 accounting firms.

Just limited deviations from best practices

We lay out a snapshot of our current findings for Thrace Plastics in the table below. Overall, we observe compliance with most key standards (e.g., separation of Chairman/CEO roles, independence of the audit committee), while emphasizing the 45% representation of independent directors in the BoD. We also take comfort in the use of a Big-6 company as auditor. In addition, we applaud not only the existence of a remuneration committee (100% independent members), a recommendation frequently ignored until recently by several Greek-listed companies (although this is set to become mandatory anyway), but also the significant disclosure with regard to management compensation (absolute amounts, variable vs fixed compensation, KPIs based on which bonuses are paid etc.). The sole deviation we really observe relates to the duration of the BoD which is long-term, however, in response to best practices most of the BoD members have been replaced in the past few years (with the average tenure at <4 years). We also note that the Chairman and CEO positions were recently separated.

Corporate Governance Overview – Thrace Plastics	
Board Structure	
Board Size	11
CEO/Chairman separation?	Yes
Executive director board duration	5
Tenure of the CEO	< 1 year (changed in 2020)
Average tenure of BoD	< 4 years
Board Independence	
% of Non-executive directors on the BoD	82%
% of Independent directors on the BoD	45%
Board Independence	
Remuneration committee	Yes
% of Audit Committee Members that are Independent	100%
% of Audit Committee Members that are Non-Executive	100%
% of Independent Remuneration Committee Members	67%
Alignment with minority shareholders	
Granularity on CEO max compensation	Detailed disclosure
Criteria for CEO bonus	Yes, variable based on financial and qualitative targets
Quality of auditor	
Big 6?	Yes

Source: Eurobank Equities Research.

… with Thrace Plastics featuring in the top positions within both the G.RE.CO. space and our total Greek universe

Overall, relative to the rest of our G.RE.CO. universe, Thrace Plastics seems to be on the top range in terms of compliance with the aforementioned corporate governance performance indicators (with CCHBC being the top performer). **In fact, Thrace Plastics screens among the best within our entire coverage universe.** It is worth emphasizing that the list of KPIs used above is not meant to be exhaustive but is intended to provide an initial indication of where a company stands in terms of governance best practices.

Group Financial Statements

EUR mn					
Group P&L	**2019**	**2020 ***	**2021e ***	**2022e**	**2023e**
Sales	**298.3**	**339.7**	**386.9**	**340.1**	**362.0**
Gross Profit	61.5	106.0	131.8	84.9	92.8
EBITDA	**30.8**	**72.5**	**100.6**	**55.3**	**61.6**
change	*12.0%*	*135.3%*	*38.8%*	*-45.1%*	*11.4%*
EBITDA margin	*10.3%*	*21.3%*	*26.0%*	*16.3%*	*17.0%*
EBIT	**15.6**	**53.9**	**79.2**	**32.9**	**38.7**
Financial income (expense)	-4.9	-3.6	-3.9	-2.7	-2.5
Exceptionals / other income	1.2	1.8	1.8	1.0	1.0
PBT	**11.8**	**52.1**	**77.1**	**31.2**	**37.2**
Income tax	-4.3	-10.8	-17.0	-6.9	-8.2
Non-controlling interest	-0.3	-0.6	-0.6	-0.6	-0.6
Net profit	**7.2**	**40.7**	**59.5**	**23.7**	**28.4**
EPS (EUR)	**0.16**	**0.93**	**1.36**	**0.54**	**0.65**
DPS (EUR)	**0.05**	**0.22**	**0.27**	**0.11**	**0.13**
Group Cash Flow Statement	**2019**	**2020 ***	**2021e ***	**2022e**	**2023e**
EBITDA	30.8	72.5	100.6	55.3	61.6
Change in Working Capital	-3.1	1.8	5.3	-3.1	-6.5
Net interest	-3.6	-2.8	-3.9	-2.7	-2.5
Tax	-2.6	-3.6	-17.0	-6.9	-8.2
Other	-1.8	1.7	0.0	0.0	0.0
Operating Cash Flow	**19.7**	**69.5**	**85.1**	**42.7**	**44.3**
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	-11.9	-4.7
Other (incl. payment of lease obligations)	-1.8	-1.7	-4.2	-4.0	-3.9
Net Debt (cash) (incl. leases)	**83.5**	**38.2**	**-13.2**	**-13.5**	**-34.2**
Free Cash Flow (adj.)	**-6.2**	**47.1**	**60.9**	**12.2**	**25.5**
Group Balance Sheet	**2019**	**2020 ***	**2021e ***	**2022e**	**2023e**
Tangible Assets	123.2	131.5	139.4	152.6	153.8
Intangible Assets	11.4	10.7	10.4	10.1	9.7
Other non-current Assets	35.6	34.0	33.2	32.5	31.7
Non-current Assets	**170.1**	**176.2**	**183.0**	**195.2**	**195.2**
Inventories	59.2	55.3	56.8	56.9	63.2
Trade Receivables	57.4	56.9	54.0	52.0	56.5
Other receivables	14.6	13.0	15.5	13.6	14.5
Cash & Equivalents	22.1	40.8	61.8	58.0	74.6
Current Assets	**153.2**	**166.0**	**188.1**	**180.5**	**208.8**
Total Assets	**323.3**	**342.2**	**371.1**	**375.7**	**404.1**
Shareholder funds	143.4	171.1	223.5	238.3	265.0
Non-controlling interest	3.0	3.5	4.1	4.7	5.4
Total Equity	**146.3**	**174.6**	**227.6**	**243.1**	**270.4**
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	39.8	37.4	40.5
Other current liabilities	22.1	43.3	39.5	35.0	37.1
Current Liabilities	**101.8**	**99.3**	**79.3**	**72.4**	**77.6**
Equity & Liabilities	**323.3**	**342.2**	**371.1**	**375.7**	**404.1**
Key Financial Ratios	**2019**	**2020 ***	**2021e ***	**2022e**	**2023e**
P/E	12.8x	2.3x	5.0x	12.4x	10.4x
P/BV	0.6x	0.5x	1.3x	1.2x	1.1x
Adj. EV/EBITDA	6.6x	2.2x	3.1x	5.7x	4.8x
EBIT/Interest expense	2.9x	12.8x	20.0x	11.9x	14.9x
Net Debt (cash)/EBITDA	2.7x	0.5x	-0.1x	-0.2x	-0.6x
Dividend Yield	2.2%	10.2%	4.1%	1.6%	1.9%
ROE	5.1%	25.9%	30.2%	10.3%	11.3%
Free Cash Flow yield	-6.7%	50.3%	20.7%	4.1%	8.6%
Payout Ratio	27.7%	23.2%	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. 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.

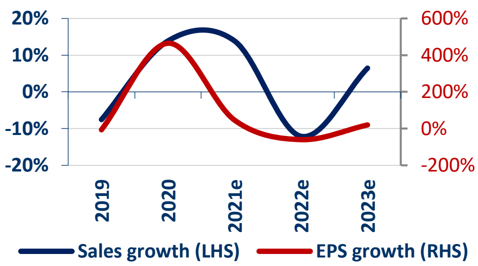
•Working capital risk: Raw material cost volatility could affect inventories’ value.

•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.

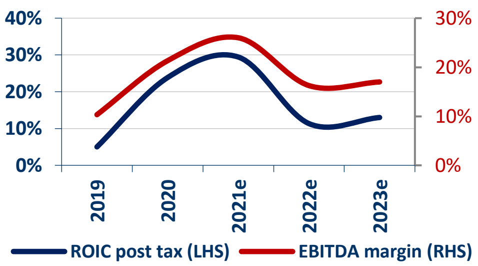
•Price/mix: stronger/weaker price/mix than assumed in our model would result in stronger/weaker sales growth.

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

Analyst Compensation:
The remuneration of Stamatios Draziotis and Natalia Svyriadi are not tied to the investment banking services performed by Eurobank Equities Investment Firm S.A. or any of its related legal persons.
Stamatios Draziotis and Natalia Svyriadi did not receive or purchase the shares of Thrace Plastics prior to a public offering of such shares.
Stamatios Draziotis and Natalia Svyriadi do 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
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	58%	1	7%
Hold	4	15%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	8%	1	50%
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
Not Rated:	Refers to Sponsored Research reports