

Thrace Plastics

Maintaining a steady course

Q3 results

Thrace delivered another strong profit contribution in Q3, even after the expected slowdown in sales volumes to the medical subsector. This ongoing sector rotation, as well as prevailing input cost inflation, has been well-flagged and is already reflected in our unchanged divisional expectations. Thrace remains keenly focused on reinvesting the windfall gains generated from its medical sector exposure into long-term value creation for the business.

Year end	Revenue (€m)	PBT* (€m)	EPS* (c)	DPS** (c)	P/E (x)	Yield** (%)
12/19***	298.3	11.8	16.5	4.6	41.1	0.7
12/20	339.7	56.1	93.1	4.6	7.3	0.7
12/21e	401.2	82.5	143.2	4.6	4.7	0.7
12/22e	345.6	34.5	59.1	4.6	11.5	0.7

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. Estimates are for continuing operations only. **Before special dividends (FY20 c 5.7c/share and H121 c 10.86c/share). ***Restated for continuing operations only, excluding Thrace Linq; the FY21 realised asset disposal profit of €6.5m is also not included.

Positive Q3 profit and cash generation

Another very solid quarterly performance saw Thrace generate c €24m EBITDA in Q3, contributing to almost €100m now for the first nine months of the year in total. Revenues grew by +9% year-on-year, largely due to higher average pricing. EBITDA was c 10% lower owing to input cost inflation effects and, we believe, a lower contribution from medical sector/PPE sales (Q3: c €10m EBIT contribution, around half of the quarterly average in H121). These features have previously been flagged by the company and firm demand in other sectors in both Technical Fabrics and Packaging have served as an effective counter to them. The strong profit performance comfortably funded a small working capital investment in Q3, as well as a step-up in net capex. Net cash at the end of September was c €26m (up €10m in Q3) and this compared to c €34m net debt a year earlier.

Unchanged outlook, estimates and strategy

The cost pressures and run down of medical sector sales as seen in Q3 are expected to continue to the year end and into FY22. Our substantially unchanged estimates already reflect these features we believe. The company's strategic plans to [invest for the future](#), grow volumes in its more traditional sectors and develop new markets are unchanged also. Moreover, this focus on increased value capture and margin expansion is to be underpinned by sustainable investment in renewable energy, recycling and carbon footprint reduction.

Valuation: Focus on base business prospects

There is no material change to our H1 valuation commentary, which suggested that the current share price is discounting long-term, steady-state EBITDA (pre-IFRS 16) of c €45m. As before, this is c 25% below our FY23 estimate of c €62m (which gives a share price of €10.11 under the same methodology). Once medical sector sales have normalised, investors will have a clearer perspective on Thrace's robust and profitable business base and be better able to appraise long-term growth prospects against the (pre-COVID-19) achievements of 2019.

General industrials

6 December 2021

Price €6.78

Market cap €296m

€1.19/€

Net cash (€m) at end-September 2021 25.7
(excluding lease liabilities of €3m)

Shares in issue 43.7m

Free float 34.8%

Code PLAT

Primary exchange Athens

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (7.0) (19.0) 108.6

Rel (local) (3.9) (15.7) 81.9

52-week high/low €8.69 €3.28

Business description

Thrace Plastics is an established international producer of technical fabrics (approaching three-quarters of FY20 EBIT) and packaging. Each division uses a number of manufacturing processes and produces a wide range of products from polymer materials, serving a diverse range of end-markets.

Next events

H121 special DPS 10.86c to 8 December 2021
be paid

FY21 year end December 2021

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**Thrace Plastics is a research
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Exhibit 1: Financial summary

	€m	2016	2017	2018	2019	2019	2020	2021e	2022e	2023e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS										
Revenue		291.9	318.5	322.7	327.8	restated* 298.3	339.7	401.2	345.6	362.1
Cost of Sales		(225.5)	(251.6)	(259.5)	(264.2)	(236.8)	(233.8)	(263.3)	(258.7)	(270.6)
Gross Profit		66.4	66.9	63.2	63.5	61.5	106.0	137.9	86.9	91.5
EBITDA		35.2	30.1	29.0	30.6	30.8	76.5	105.2	57.8	61.5
Operating Profit (before GW and except.)		22.9	17.2	15.2	14.0	15.6	57.9	82.2	34.1	37.7
Intangible Amortisation		0	0	0	0	0	0	0	0	0
Exceptionals		0	0	(1)	(2)	0	(4)	(0)	0	0
Other		0	0	0	0	0	0	0	0	0
Operating Profit		22.9	17.2	13.7	12.1	15.6	53.9	81.9	34.1	37.7
Net Interest		(5.2)	(4.5)	(3.8)	(4.2)	(4.2)	(3.0)	(1.5)	(1.1)	(1.1)
Pension Net Finance Cost		(0.6)	(0.9)	(0.7)	(0.7)	(0.7)	(0.6)	(0.5)	(0.5)	(0.5)
Other / Associates		1.3	2.1	0.9	1.2	1.2	1.8	2.3	2.0	2.0
Profit Before Tax (norm)		18.3	13.8	11.5	10.2	11.8	56.1	82.5	34.5	38.2
Profit Before Tax (IFRS)		18.3	13.8	10.0	8.3	11.8	52.1	82.1	34.5	38.2
Tax		(5)	(3)	(2)	(4)	(4)	(10.8)	(19.8)	(8)	(9)
Profit After Tax (norm)		14	11	9	6	7	45	62	26	29
Profit After Tax (IFRS)		14	11	8	4	6	37	68	26	29
Average Number of Shares Outstanding (m)		44.0	43.7	43.7	43.7	43.7	43.7	43.4	43.4	43.4
EPS - normalised (c)		30.4	24.1	21.0	12.8	16.5	93.1	143.2	59.1	65.6
EPS - IFRS (c)		30.4	24.1	17.7	8.5	8.5	85.5	157.3	59.1	65.6
Dividend per share (c)		0.0	4.7	4.4	4.6	4.6	4.6	4.6	4.6	4.6
Gross Margin (%)		22.7	21.0	19.6	19.4	20.6	31.2	34.4	25.1	25.3
EBITDA Margin (%)		12.0	9.5	9.0	9.3	10.3	22.5	26.2	16.7	17.0
Operating Margin (before GW and except.) (%)		7.8	5.4	4.7	4.3	5.2	17.0	20.5	9.9	10.4
BALANCE SHEET										
Fixed Assets		140.5	147.8	167.0	170.1		176.2	187.4	199.0	198.0
Intangible Assets		11.6	11.4	11.6	11.4		10.7	10.5	10.1	9.8
Tangible Assets		107.4	114.4	136.0	138.2		144.7	153.8	164.4	162.5
Other non Current Assets		21.5	22.0	19.5	20.6		20.8	23.1	24.4	25.7
Current Assets		149.0	156.9	153.2	153.2		166.0	170.5	182.0	210.9
Stocks		57.7	59.6	66.9	59.2		55.3	60.3	59.3	62.0
Debtors		60.2	66.7	63.5	72.0		69.8	71.8	63.0	65.6
Cash		31.1	30.6	22.8	22.1		40.8	38.4	59.7	83.3
Current Liabilities		(118.0)	(130.5)	(131.7)	(101.8)		(99.3)	(73.9)	(75.0)	(78.2)
Creditors & other current liabilities		(50.9)	(57.9)	(59.7)	(58.3)		(73.0)	(73.9)	(75.0)	(78.2)
Short term borrowings		(67.1)	(72.7)	(72.1)	(43.5)		(26.3)	0.0	0.0	0.0
Long Term Liabilities		(48.7)	(36.7)	(46.9)	(75.2)		(68.3)	(43.5)	(42.5)	(41.4)
Long term borrowings		(18.7)	(15.7)	(29.1)	(52.9)		(46.7)	(29.7)	(29.7)	(29.7)
Other long term liabilities		(30.0)	(21.0)	(17.7)	(22.3)		(21.6)	(13.8)	(12.7)	(11.7)
Net Assets		122.8	137.5	141.6	146.3		174.6	240.5	263.6	289.4
CASH FLOW										
Operating Cash Flow		29.2	28.2	23.2	26.5		85.3	101.0	66.0	56.6
Net Interest		(5.3)	(4.6)	(4.7)	(4.2)		(3.0)	(1.8)	(1.1)	(1.1)
Minority Dividends		0.5	0.3	0.5	0.7		0.5	0.7	0.7	0.7
Tax		(4.7)	(4.3)	(4.3)	(2.6)		(3.6)	(19.8)	(8.3)	(9.2)
Capex		(17.7)	(21.4)	(32.1)	(21.0)		(27.8)	(25.9)	(30.0)	(17.5)
Acquisitions/disposals		(0.3)	(1.7)	(0.0)	(0.8)		0.0	0.0	0.0	0.0
Financing		(0.8)	(0.0)	0.0	0.0		(0.8)	(1.0)	0.0	0.0
Dividends		0.0	(0.0)	(2.0)	(1.9)		(4.5)	(11.4)	(2.0)	(2.0)
Net Cash Flow		0.9	(3.5)	(19.5)	(3.4)		46.2	41.9	25.4	27.6
Opening net debt/(cash)		42.4	54.7	57.8	62.2		74.3	32.2	(8.7)	(30.0)
Finance leases initiated		1.6	(4.2)	(3.2)	(4.8)		(4.4)	(4.0)	(4.0)	(4.0)
Other		(14.9)	4.6	2.1	(4.0)		0.2	2.9	0.0	0.0
Closing net debt/(cash)		54.7	57.8	78.4	74.3		32.2	(8.7)	(30.0)	(53.6)
IFRS 16 leases					9.2		6.0	3.0	3.0	3.0

Source: Company accounts, Edison Investment Research. Note: FY19 onwards (including *restated for continuing operations only) is on an IFRS 16 basis and the opening net debt/(cash) position for FY19 has been restated accordingly. **Normalised dividends only (ie excludes declared special dividends: FY20 c 5.7c/share and H121 c 10.86c/share).

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