

An overlooked winner on U.S. AI

- EPG's EDPM thermal insulator will see growths in U.S. AI windfall
- THB1.0b net profit mark in FY2025/26 is effortless with more upside
- Maintain BUY and a TP of THB3.2; another Thai play on AI boom

Aeroflex USA to grow from strength to strength

While we remain neutral on EPG's underperforming auto part producer ATD in South Africa (-THB325m ECL), and its loss-making Australian TJM (-THB331m loss), we think the brightest side of EPG's business portfolio will be its 100%-owned Aeroflex USA, the leading producer of EDPM-based (Ethylene Propylene Diene Monomer) closed-cell elastomeric foam insulation, which has consistently generated annual revenue of THB2.1b and THB0.3b net profit contribution to EPG.

THB1.0b net profit mark in FY2025/26 despite U.S. tariff hikes

With the earnings growth to THB0.3-THB0.4b annually from Aeroflex USA alone, we project EPG's net profit to reach at least THB1.0b mark again in FY2025/26 after its plunging net profit of THB0.8b in FY2024/25. Aeroflex USA will see net profit growth from 1) higher utilization rate to 65%-70% on its recently expanded 2x capacity to 8,000tpa; 2) the rising price by 10%-15% to fully cover the impact of higher import tariff for the raw materials used to produce EDPM-based thermal insulator in the U.S.

Aeroflex to sustain high, Aeroklas to stay humble

On top of the strong earnings from Aeroflex USA, we think the net profit from Aeroflex (Thailand) will remain resilient on healthy exports thanks to Aeroflex' superior quality of EDPM thermal insulator and the greener mandatory regulations increasingly being enforced worldwide. Aeroklas (auto parts) is projected to stay humble with gross profit margin at 25%-26% vs Aeroflex' 45%-48%. However, TJM is expected to be a drag on its continued operating loss, which is projected to decline from THB0.3b in FY2024/25 to a profitable level by FY2026/27.

South Africa JV's turnaround is sure to come

We anticipate a meaningful improvement in net profit for the auto part JV in South Africa, potentially turning around to post net profit of THB0.1b in FY2025/26, up from a net loss of THB0.4b in FY2024/25 on the THB0.3 ECL. The operational restructuring to improve product quality and specifications to better fit with customers' needs is of important yet highly achievable in FY2025/26, based on our estimate.

EPG is a direct beneficiary on the U.S. oil & gas boom

We maintain BUY and a TP of THB3.2, based on 6x FY2025/26 P/E. We think EPG's currently 8x FY2025/26 P/E is attractive against its core competitiveness in EDPM-based thermal insulator with an established production base in Sweetwater, Tennessee, U.S., will be EPG's growing cash cow with additional upsides from the cyclical earnings from auto parts and packaging units to be moderately recovering profits.

Analyst

Suwat Sinsadok, CFA, FRM, ERP
suwat.s@globlex.co.th,
+662 687 7026

ESG Rating : AA

CG Rating : ▲▲▲▲▲

BUY

Target Price 12M (THB)	3.20
VS. BB Consensus TP (%)	-2.1%
Share Price (THB)	2.76
Upside/Downside	+15.9%

Share Data

Market Cap (THB m)	7,728.00
Par (THB)	1.00
Free Float (%)	26.21
Issued shares (m shares)	2,800

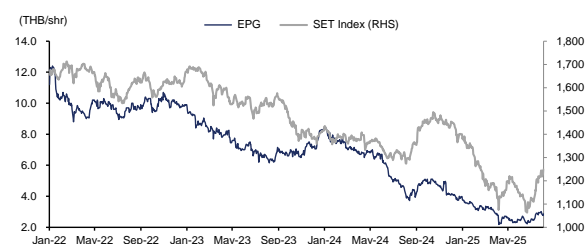
Financial forecast

YE Dec (THB m)	FY24	FY25E	FY26E	FY27E
Revenue	13,864	14,591	15,132	15,784
Net profit	796	982	1,056	1,126
Core net profit	796	982	1,056	1,126
vs Consensus (%)		(16.4)	(17.1)	(14.9)
Net profit growth (%)	(32.9)	23.3	7.5	6.6
Core net profit growth (%)	(32.9)	23.3	7.5	6.6
EPS (THB)	0.28	0.35	0.38	0.40
Core EPS (THB)	0.28	0.35	0.38	0.40
Chg from previous (%)		0.00	0.00	0.00
DPS (THB)	0.27	0.11	0.11	0.12
P/E (x)	10.13	7.87	7.32	6.87
P/BV (x)	0.64	0.59	0.56	0.53
ROE (%)	7.66	7.69	7.89	7.95
Dividend yield (%)	9.38	3.81	4.10	4.37

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	8.66	6.15	(16.36)	(30.65)
Market	(1.01)	3.53	(11.49)	(21.02)
12M High/Low (THB)				5.25 / 2.12



Major Shareholders (%) as of 16 Jun-25

Vitoorapakorn holding	60.00
Mr. Pawat Vitoorapakorn	2.51
Mr. Chalio Vitoorapakorn	2.41

Company Profile

EPG is a holding company, and mainly invests in innovative polymer and plastic converter company, including: (1) manufacturing and distribution of insulation, heat and cold, operated by Aeroflex company limited (AFC), the flagship company under the trademark "AEROFLEX" (2) manufacturing and distribution of car accessories, operated by Aeroklas company limited (ARK) under the trademark "AEROKLAS" and (3) manufacturing and distribution of plastic packaging operated by Eastern Polypack company limited (EPP) under the trademark "EPP"

Source: SETSMART, SET

Exhibit 1: AEROFLEX EPDM™ (ethylene propylene diene monomer) pipe, equipment, and duct insulation



Sources: Aeroflex USA

Exhibit 2: Aeroflex USA's Plumbing insulation



Sources: Aeroflex USA

Exhibit 3: AEROFLEX EPDM™ closed-cell elastomeric refrigerant pipe insulation



Sources: Aeroflex USA

Exhibit 4: AEROFLEX EPDM™ closed cell elastomeric foam insulation for industrial facilities



Sources: Aeroflex USA

Exhibit 5: AEROFLEX EPDM™ Sheet & Roll



Sources: Aeroflex USA

Exhibit 6: AEROFLEX Self-Seal™ & Self-Seal LDP™ Pipe Insulation



Sources: Aeroflex USA

Balance sheet (THB m)					
Year ending Mar	FY24	FY25	FY26E	FY27E	FY28E
Current assets					
Cash & ST investment	1,404	1,894	1,611	3,202	4,824
Account receivable	2,451	2,469	2,469	2,469	2,469
Inventories	3,791	3,770	3,669	3,805	3,969
Others	131	121	672	697	728
Non-current assets					
Net fixed assets	5,704	5,360	4,769	3,833	2,896
Others	6,319	6,273	6,273	6,273	6,273
Total Assets	19,801	19,887	19,464	20,280	21,158
Current liabilities					
Account payable	1,850	1,571	1,696	1,759	1,835
ST borrowing	1,574	2,971	1,000	1,000	1,000
Others	308	81	85	88	92
Long-term liabilities					
Long-term debts	1,791	551	1,500	1,500	1,500
Others	1,789	2,118	2,118	2,118	2,118
Total liabilities	7,312	7,293	6,399	6,465	6,545
Pai-up capital	2,800	2,800	2,800	2,800	2,800
Retained earnings	5,831	6,179	6,650	7,400	8,198
Others	3,805	3,558	3,558	3,558	3,558
Minority interest	53	57	57	57	57
Shareholders' equity	12,489	12,594	13,065	13,815	14,613

Key ratios					
Year ending Mar	FY24	FY25	FY26E	FY27E	FY28E
Growth (%YoY)					
Sales	3.0	9.1	4.8	5.2	3.7
Operating profit	(13.0)	(9.7)	0.3	(5.6)	3.7
EBITDA	(13.0)	(9.7)	2.6	(7.7)	3.7
Net profit	(32.6)	10.3	(32.9)	23.3	7.5
Core net profit	(32.6)	10.3	(32.9)	23.3	7.5
EPS	(32.6)	10.3	(32.9)	23.3	7.5
Core EPS	(32.6)	10.3	(32.9)	23.3	7.5
Profitability (%)					
Gross margin	38.8	40.1	38.8	38.8	38.8
Operation margin	13.0	12.4	11.1	11.1	11.1
EBITDA margin	13.0	12.7	11.1	11.1	11.1
Net margin	9.0	5.7	6.7	7.0	7.1
ROE	6.0	3.8	4.6	4.9	5.1
ROA	4.5	3.7	3.4	3.7	3.8
Stability					
Interest bearing debt/equity (x)	0.3	0.3	0.2	0.2	0.2
Net debt/equity (x)	0.2	0.1	0.1	n.a.	n.a.
Interest coverage (x)	4.2	7.0	6.6	8.7	9.5
Interest & ST debt coverage (x)	0.5	0.3	0.6	0.7	0.7
Cash flow interest coverage (x)	0.3	0.2	0.3	0.3	0.3
Current ratio (x)	2.1	1.8	3.0	3.6	4.1
Quick ratio (x)	1.0	0.9	1.5	2.0	2.5
Net debt (THB m)	1,962	1,629	889	(702)	(2,324)
Activity					
Asset turnover (X)	0.7	0.7	0.7	0.8	0.8
Days receivables	64.0	64.8	61.8	59.5	57.1
Days inventory	172.3	166.2	152.1	147.3	146.9
Days payable	73.6	75.2	66.8	68.1	67.9
Cash cycle days	162.6	155.8	147.0	138.7	136.1

Profit & loss (THB m)					
Year ending Mar	FY24	FY25	FY26E	FY27E	FY28E
Revenue					
Revenue	13,227	13,864	14,591	15,132	15,784
Cost of goods sold	(8,096)	(8,305)	(8,928)	(9,259)	(9,658)
Gross profit	5,131	5,559	5,663	5,873	6,126
Operating expenses	(3,414)	(3,835)	(4,036)	(4,186)	(4,366)
Operating profit	1,718	1,724	1,627	1,687	1,760
EBIT	814	810	674	733	804
Depreciation	(903)	(952)	(953)	(954)	(955)
EBITDA	1,718	1,762	1,627	1,687	1,760
Non-operating income					
Other incomes	0	0	0	0	0
Other non-op income	148	(84)	120	126	133
Non-operating expense	269	202	296	313	313
Interest expense	(194)	(116)	(102)	(84)	(84)
Other non-op expense	463	318	397	397	397
Equity income/(loss)	0	0	0	0	0
Pre-tax Profit	1,232	928	1,090	1,172	1,249
Extraordinary items					
Current taxation	(21)	(119)	(108)	(116)	(124)
Minorities	(24)	(12)	0	0	0
Net Profit	1,187	796	982	1,056	1,126
Core net profit	1,187	796	982	1,056	1,126
EPS (THB)	0.42	0.28	0.35	0.38	0.40
Core EPS (THB)	0.42	0.28	0.35	0.38	0.40

Cash flow (THB m)					
Year ending Mar	FY24	FY25	FY26E	FY27E	FY28E
Operating cash flow					
Operating cash flow	2,481	1,371	1,733	2,041	2,099
Net profit	1,187	796	982	1,056	1,126
Depre. & amortization	903	952	953	954	955
Change in working capital	295	(491)	(321)	(95)	(114)
Others	96	115	120	126	133
Investment cash flow	291	490	(282)	1,591	1,621
Net CAPEX	784	608	(115)	(460)	(460)
Change in LT investment	(493)	(118)	(167)	2,051	2,082
Change in other assets	0	0	0	0	0
Free cash flow	2,772	1,861	1,451	3,632	3,721
Financing cash flow	(2,481)	(1,371)	(1,733)	(2,041)	(2,099)
Change in share capital	0	0	0	0	0
Net change in debt	92	157	(1,022)	0	0
Dividend paid	(728)	(756)	(511)	(306)	(327)
Others	(1,845)	(772)	(200)	(1,735)	(1,772)
Net cash flow	291	490	(282)	1,591	1,621
Per share (THB)					
EPS	0.42	0.28	0.35	0.38	0.40
Core EPS	0.42	0.28	0.35	0.38	0.40
CFPS	0.75	0.63	0.69	0.72	0.74
BVPS	4.44	4.48	4.65	4.91	5.20
Sales/share	4.72	4.95	5.21	5.40	5.64
EBITDA/share	0.61	0.63	0.58	0.60	0.63
DPS	0.27	0.27	0.11	0.11	0.12
Valuation					
P/E (x)	9.39	10.13	7.87	7.32	6.87
P/BV (x)	0.90	0.64	0.59	0.56	0.53
Dividend yield (%)	6.78	9.38	3.81	4.10	4.37
Dividend payout ratio (%)	63.69	94.98	30.00	30.00	30.00

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Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

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RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.