THRACE PLASTICS SA

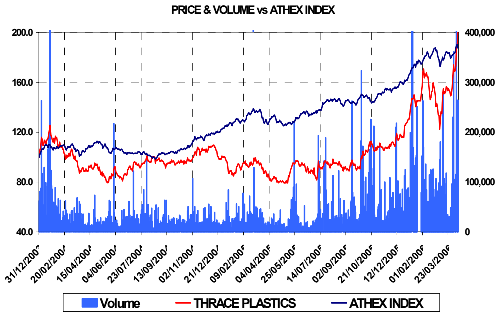
PLAT GA

Price: €2.18 Cap: €99.2M
Target: €2.87 Cap: €130.8M
Previous: - Potential: +31.9%

Industry: CHEMICALS

April 17, 2006

Investment Opinion: BUY(5/5)



CASH FLOW STATEMENT	2005 A	2006 E	2007 F	2008 F	2009 F	2010 F	Perpetuity
Turnover	186,253	199,756	212,741	223,909	233,985	243,345	248,212
EBIT	15,885	17,638	19,103	20,285	21,268	22,192	22,339
Less: Adjusted Tax	3,997	4,035	3,830	4,111	4,514	4,868	4,852
Adusted Operating Profit	11,888	13,603	15,273	16,174	16,754	17,324	17,487
Plus: Depreciation	11,580	11,757	11,947	11,592	11,320	11,077	11,170
Operating Cash Flow	23,468	25,360	27,220	27,767	28,074	28,400	28,657
Less: Change in Working Capital	3,205	4,267	4,104	3,403	3,806	3,256	3,103
Less: Capex	11,522	15,260	13,594	8,511	8,950	8,961	8,687
Cash Flow to the Firm (FCFF)	8,741	5,833	9,522	15,853	15,318	16,183	16,867

COMPANY DESCRIPTION

Thrace Plastics' main activity is the production and distribution of plastic-synthetic textile and rigid packaging products (technical fabrics, non-wovens, plastic packaging products for food industry and chemicals and industrial bags). The Thrace Group has an extensive European presence with manufacturing facilities in 5 countries, 4 sales offices in different countries and increasing market shares in U.S.A., Australia, Japan and other countries worldwide.

SHARE DATA

Shares: 45,500,000(Common Registered)
Capitalization (€ M): 99.2
200d Mov.Avrg.Price (€): 1.51
200d Mov.Avrg. Volume (#): 97,630
% Price Change since 31/12/2005: 51 %
52 wk high: € 2.58 (12/04/2006)
52 wk low: € 0.99 (25/04/2005)
Major shareholders: 64%
Free Float: 36%

VALUATION (Working Hypotheses)

Risk Free Interest Rate (R_f): 4.50%
WACC: 8.56%
5-year CAGR of Turnover: 5.49%
Perpetuity after 2010 : 2%
5-year CAGR of EBT: 8.34%
Effective Tax Rate$_{05}$: 28.2%

ESTIMATES - FORECASTS

€ M	2004A	2005A	2006E	2007F
Sales	174	186	200	213
EBITDA	25.1	27.5	29.6	30.7
EATAM	6.7	10.0	11.3	12.7

AT A GLANCE

⇨Thrace Plastics Co SA was founded in 1978 in Xanthi (North-East Greece) and rapidly became one of the leading groups of companies in the plastic - synthetic textile product industry in Europe. The Group has manufacturing facilities in **Greece, Scotland, Bulgaria, Romania and Turkey** as well as sales offices in **Ireland, Norway, Sweden and Serbia**, employs about 1,600 people and converts annually almost 75,000 tones of polymers.

⇨Group's activity is divided into the following 4 **sectors**:

- **Wovens (46% of total turnover):** geotextiles, agrotextiles, carpet backing, industrial yarns, ropes & twines
- **Non Wovens (19% of total turnover):** plastic material used in construction (roofing membranes), agriculture (crop cover), hygiene (diapers) etc.
- **Rigid Packaging (13% of total turnover):** plastic packaging products (injection and thermoforming) for food industry and chemicals
- **Industrial Bags and FIBCs (First Intermediate Bulk Container) (22% of total turnover):** 1 Loop FIBC, 4 Loop FIBC, Heavy Duty Bags, Container Liners

⇨**THE GROUP'S STRUCTURE:** Thrace Plastics S.A. (wovens), Don & Low LTD (wovens and non wovens), Don & Low Hellas S.A. (non wovens), Thrace Plastics Packaging Group of Companies (rigid packaging), Thrace Plastics Pack S.A. (rigid packaging), Thrace Liquid Pack S.A. (rigid packaging), Thraplast –Megabags Group of Companies (Big Bags and FIBCs).

⇨The strategy of the Group is persistent growth through long term relations, new markets, added value products and implementation of latest technology. The firm is aiming at **high growth of the "Rigid Packaging" sector. "Rigid Packaging" products are manufactured in SE Europe & Greece and target SE Europe.**

⇨The company shows a **low P/E ratio** (8.75 for 2006) and enjoys a **positive Free Cash Flow**, although we expect heavy Capex for the next two years. **Net Debt/Equity Ratio**, that stands lower than 1, is also worth mentioned.

Operating Segment	Sales 2004	EBIT 2004	Sales 2005	EBIT 2005
Wovens	90,996	3,975	94,318	5,635
growth%			*3.7%*	*41.8%*
Non-wovens	35,055	4,627	37,886	4,250
growth%			*8.1%*	*-8.1%*
FIBCs	41,576	2,120	43,456	2,822
growth%			*4.5%*	*33.1%*
Rigid	19,566	2,290	25,679	3,129
growth%			*31.2%*	*36.6%*
Elimiminations(Intersegment)	-13,652	-446	-15,086	49
Total Turnover	**173,541**	**12,566**	**186,253**	**15,885**
growth%			*7.3%*	*26.4%*

Y-o-Y changes		2005 A	2006 E	2007 F	2008 F	2009 F	2010 F
Total Turnover	%	7.33%	7.25%	6.50%	5.25%	4.50%	4.00%
EBITDA	%	9.42%	7.72%	3.76%	2.96%	2.34%	3.14%
EBT	%	41.00%	9.46%	7.30%	7.32%	9.81%	7.85%
EAT & Minorities	%	48.56%	13.06%	11.81%	7.41%	9.92%	7.93%

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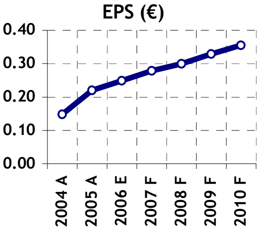
Merit SECURITIES

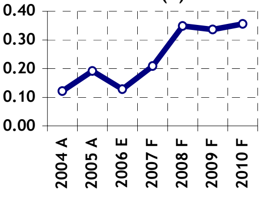
Current Price 2.18	2004 A	2005 A	2006 E	2007 F	2008 F	2009 F	2010 F
Wtd. Avg. Shares (,000)	*45,500*	*45,500*	*45,500*	*45,500*	*45,500*	*45,500*	*45,500*
P/E (x)	14.70	9.89	8.75	7.83	7.29	6.63	6.14
P/Sales (x)	0.57	0.53	0.50	0.47	0.44	0.42	0.41
P/BV (x)	1.23	1.24	1.12	1.01	0.92	0.83	0.76
EPS (€)	0.15	0.22	0.25	0.28	0.30	0.33	0.35
EPS growth (%)		48.6%	13.1%	11.8%	7.4%	9.9%	7.9%
PEG (x)		0.20	0.67	0.66	0.98	0.67	0.77
Operating CFPS (€)	0.32	0.37	0.43	0.45	0.48	0.50	0.54
FCFF / Share (€)	0.12	0.19	0.13	0.21	0.35	0.34	0.36
Dividend / Share (€)	0.02	0.05	0.06	0.07	0.08	0.09	0.10
Dividend Yield (%)	0.8%	2.3%	2.6%	3.2%	3.8%	4.1%	4.5%
ROE (%)	8.4%	12.6%	12.8%	12.9%	12.6%	12.6%	12.4%
EV/Sales (x)	1.04	0.99	0.92	0.84	0.76	0.65	0.62
EV/EBITDA (x)	7.18	6.70	6.18	5.85	5.38	4.70	4.50
Net Debt / Equity (x)	0.82	0.87	0.78	0.65	0.53	0.29	0.27
Current Ratio (x)	1.38	1.30	1.36	1.48	1.68	1.79	2.07
INCOME STATEMENT (€ ,000)	**2004 A**	**2005 A**	**2006 E**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
Total Turnover	173,541	186,253	199,756	212,741	223,909	233,985	243,345
COGS	138,589	147,842	158,407	168,597	177,336	185,199	192,486
Gross Profit	40,387	43,588	46,902	50,057	52,797	55,290	57,623
SG&A Expenses	27,821	27,703	29,264	30,954	32,512	34,021	35,431
EBITDA	25,100	27,465	29,584	30,696	31,605	32,345	33,361
Depreciation	12,534	11,580	11,947	11,592	11,320	11,077	11,170
EBIT	12,566	15,885	17,638	19,103	20,285	21,268	22,192
Interest Expense	(2,511)	(1,707)	(2,118)	(2,450)	(2,413)	(1,643)	(1,025)
EBT	10,055	14,178	15,520	16,653	17,873	19,626	21,167
Taxes	1,910	3,997	4,035	3,830	4,111	4,514	4,868
Minorities	1,397	156	150	150	150	150	150
EAT & Minorities	6,748	10,025	11,334	12,673	13,612	14,962	16,149
CASH FLOW (€ ,000)	**2004 A**	**2005 A**	**2006 E**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
Cash flow from Operations	14,784	16,942	19,355	20,501	21,869	22,572	24,402
Cash Flow from Investment	-8,889	-19,342	-14,785	-13,119	-8,036	-8,475	-8,486
Net Cash Flow from Financing	-8,240	1,916	-2,391	-9,495	-9,743	-18,114	-12,941
BALANCE SHEET (€ ,000)	**2004 A**	**2005 A**	**2006 E**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
Total Non-Current Assets	108,374	106,516	110,041	111,716	108,668	106,338	104,269
Inventory	27,663	36,271	39,243	41,683	43,827	46,489	48,435
Receivables	52,639	57,242	60,970	64,926	68,316	71,434	74,572
Total Cash	12,588	12,104	14,049	11,935	15,937	11,798	13,810
Total Current Assets	92,890	105,617	114,263	118,544	128,080	129,722	136,817
Total Assets	202,326	212,224	224,503	230,472	236,972	236,294	241,330
Long Term Bank Loans	22,417	18,827	18,500	18,500	18,500	10,000	10,000
Non Current Liabilities	54,632	51,179	51,690	52,190	52,690	44,690	44,690
Short Term Banks	38,899	45,841	46,327	40,000	34,000	28,500	20,000
Current Liabilities	67,145	81,175	84,095	80,059	76,190	72,665	65,993
Equity	80,549	79,870	88,718	98,223	108,092	118,939	130,647
Total Equity & Liabilities	202,326	212,224	224,503	230,472	236,972	236,294	241,329
MARGIN ANALYSIS %	**2004 A**	**2005 A**	**2006 E**	**2007 F**	**2008 F**	**2009 F**	**2010 F**
Gross Profit	23.3%	23.4%	23.5%	23.5%	23.6%	23.6%	23.7%
SG&A Expenses	16.0%	14.9%	14.7%	14.6%	14.5%	14.5%	14.6%
EBITDA	14.5%	14.7%	14.8%	14.4%	14.1%	13.8%	13.7%
EBT	5.8%	7.6%	7.8%	7.8%	8.0%	8.4%	8.7%
EAT&Minorites	3.9%	5.4%	5.7%	6.0%	6.1%	6.4%	6.6%
Tax rate	19.0%	28.2%	26.0%	23.0%	23.0%	23.0%	23.0%

Source: MERIT SECURITIES, Company Financial Data

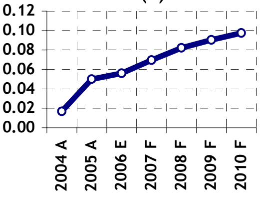
EPS (€)



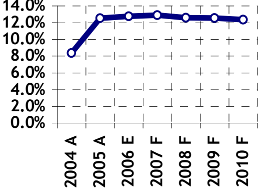
FCFF PS (€)



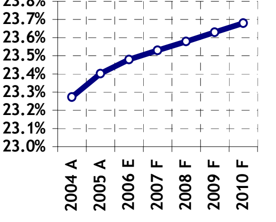
DPS (€)



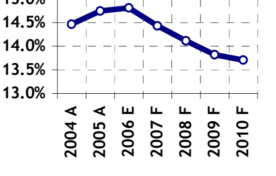
ROE (%)



Gross Margin (%)



EBITDA Margin (%)



EATAM Margin (%)