

# Thrace Plastics

## Specialty Chemicals

# Outperform

## High risk

**€ 2.05**

Mkt cap (mn): € 93

FTSE 140: 5,655.67

Equity Research | Flashnote

April 2, 2007

RIC: THRr.AT, BBG: PLAT GA			
<b>Changes</b>	Rating -	TP -	EPS -
Target price	€ 2.90		
of which DPS	€ 0.02		
Previous	€ 2.90		
Total stock return	41%		

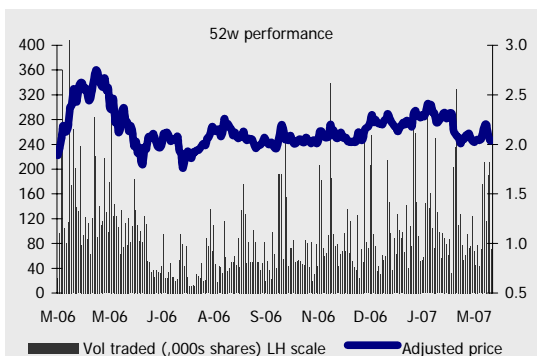
Valuation	2005a	2006a	2007e	2008e
P/E	9.0x	10.7x	7.7x	6.9x
P/BV	1.2x	1.0x	0.9x	0.9x
EV/Sales	1.0x	0.9x	0.8x	0.7x
EV/EBITDA	6.7x	7.4x	6.2x	5.5x
EV/EBIT	11.6x	13.8x	8.9x	7.9x
Dividend yield	2.4%	1.1%	3.0%	3.3%
FCF yield	-0.6%	-3.8%	3.1%	7.3%

Per share	2005a	2006a	2007e	2008e
EPS	0.23	0.19	0.27	0.30
DPS	0.05	0.02	0.06	0.07

BS data (€m)	2005a	2006a	2007e	2008e
Sh. Equity	77	90	99	109
Net debt	80	88	85	75

P&L data (€m)	2005a	2006a	2007e	2008e
Revenues	186	208	230	245
EBITDA	27	25	29	31
EBIT	16	13	20	22
Net income	10	9	12	13

Trading data	1m	3m	6m	12m
Rel. Performance	-5.9%	-14.1%	-13.5%	-8.3%
Abs. Performance	-2.8%	-8.5%	4.6%	4.6%
H   L 52w	€ 2.8   € 1.8			
Market cap. (mn)	€ 93			
Shares outstanding (m):		45.3		
Free float (% , mn)	36%	€ 34		
Avg. vol. Traded (52w):	97.5k			
Index constituent & weight:				
ASE (0.00%), FTSE 80 (1.27%), FTSE 140 (0.04%)				



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## Clearly Undervalued; Remains Outperform

### FY06 Normalised Results Above Our Estimates; Remains Outperform

Thrace Plastics released full year results, which were below our estimates on a reported basis. However, normalising the figures in order to account for various non-recurring items, specifically c. €2mn in the gross profit line as the group incurred various costs from the merger of operations which resulted in a €1mn loss in the woven segment (vs. expectations of €1mn profit), c. €3mn gain from the sale of fixed assets booked in the other operating income account and finally c. €1mn booked in the other operating expenses account referring to a claim from a client vs. Thrace Plastics for the sale of inferior- to the agreed standards- quality products, the results came above our estimates. Moreover, apart from the non-recurring items, it should also be kept in mind that polypropylene prices were at high levels throughout the year -courtesy of high crude prices- and remained high in Q4 as well, thus having a negative effect on profitability.

### FY06 Results

Turnover came in at €208mn (+11.8% yoy/+ 1.8% vs. AFe/+1.5% vs. management guidance). Gross profit stood at €38mn (-1.6% yoy/-2.2% vs. our estimates) with the related margin reaching 18.2% vs. 20.6% last year and 18.9% which was our estimate. On a normalised basis, however, "clean" gross profit reached €40mn or +3.0% vs. our estimates and +3.6% yoy, with the margin reaching 19.1%. Reported Ebitda reached €25mn (-9.5% yoy/-5.6% vs. AFe). "Clean" Ebitda reached €24mn (-7.6% yoy/+6.0% vs. AFe), while the margin dropped 240bps to 11.8% (AFe: 11.3%). "Clean" pre-tax profit stood at €11mn (-14.4% yoy/+31% vs. AFe), while "clean" net profit after minorities reached €8mn (-16.9%yoy/+41.6% vs. AFe) as net finance costs were down 13.4% to c. €1mn (our estimate: c. €3mn) due to a c. €1.3mn financial gain from the pension plans of the Don & Low and Synthetic Holdings subsidiaries, while also the effective tax rate stood at 26.8% vs. our estimate of 28.0%. Finally, the management will propose a dividend of €1mn (-56% yoy/-34% vs. AFe) for FY06, as it has decided to proceed with its investment plans on a self-financing basis.

### No Change in Estimates; EPS CAGR06/09e 27%

Following the release of FY06 results, we do not proceed with any changes in our initial estimates. Specifically, we forecast turnover to reach c. €260mn (CAGR06/09e +8%), gross profit at €59mn (CAGR06/09e +16%) with the margin reaching c. 23%, Ebitda at €36mn (CAGR06/09e +13%) with the related margin at c. 14% and net profit (after minorities) at €18mn (CAGR06/09e +27%) with the margin at c. 7%.

### Valuation

We reiterate our €2.90 target price and outperform rating, applying a DCF model with a WACC of 6.8% (post tax cost of debt 4.1%, cost of equity 9.5%) and a terminal growth rate of 0.0%. The shares are trading at a 7.6x PE07e (peers 13.8x) and EV/Ebitda07e 6.1x (peers 7.4x). We believe that the shares are clearly undervalued. The main risk remains the limited visibility regarding PP prices as well as the cyclicality of the sector.

Thrace Plastics specializes in the production and distribution of polypropylene products. Its operations are broadly divided in four segments: woven products, non-woven products, rigid packaging and industrial bags & FIBCs. The company conducts 75% of its

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Please refer to important disclosures in the Disclosure Appendix

Rating: Outperform   High Risk	Share price performance				
Target price:	€ 2.90	(%)	1m	6m	12m
of which DPS:	€ 0.02	Rel	-6%	-14%	-8%
Total stock return:	41%	Abs	-3%	5%	5%
Mkt cap (mn):	€ 93	Free Float:	36%		
Enterprise value	€ 184	H   L 52w	2.75	1.76	

**Figures, growth rates and valuation**

P&L items (€mn)	2004a	2005a	2006a	2007e	2008e
Revenues	174	186	208	230	245
Ebitda	25	27	25	29	31
Ebit	13	16	13	20	22
Pre tax income	10	14	12	16	18
Minorities	1	0	0	0	0
Net income	7	10	9	12	13
EPS (€)	0.15	0.23	0.19	0.27	0.30
DPS (€)	0.02	0.05	0.02	0.06	0.07
No. of shares, weighted	45	44	45	45	45

**Balance sheet items (€mn)**

Fixed assets, net	91	89	101	101	98
Cash & equivalents	13	12	11	10	7
Current assets	94	106	115	121	124
Total assets	202	212	234	241	242
Equity	65	77	90	99	109
Minorities	16	3	3	3	3
Long term debt	22	19	16	16	16
Long term liabs	55	51	47	47	47
Short term debt	39	46	57	52	40
Current liabilities	67	81	95	92	83
Equity & liabilities	202	212	234	241	242

**Cash flow items (€mn)**

Gross cash flow	21	22	17	21	23
Δ Working capital	6	3	8	5	3
Operating cash flow	15	19	10	16	20
Capex	9	20	17	11	7
Free cash flow	6	-1	-7	6	12
Δdebt	-9	3	5	-5	-12
Δequity	4	0	3	0	0
Dividends	2	1	2	3	3
Dividends to mins	0	0	0	0	0
(Net Debt)/cash	13	12	11	10	7

**Y -o - Y change (%)**

Revenues	n.a.	7%	12%	10%	7%
Ebitda	n.a.	9%	-10%	18%	6%
Ebit	n.a.	26%	-16%	53%	7%
Pre tax income	n.a.	41%	-18%	40%	11%
Net income	n.a.	49%	-14%	40%	11%
EPS	n.a.	53%	-17%	40%	11%

**Margins (%)**

Ebitda	14%	15%	12%	13%	13%
Ebit	7%	9%	6%	9%	9%
Pre tax income	6%	8%	6%	7%	7%
Net income	4%	5%	4%	5%	5%

**Ratios & valuation**

P/E	13.7x	9.0x	10.7x	7.7x	6.9x
P/BV	1.4x	1.2x	1.0x	0.9x	0.9x
EV/Sales	1.1x	1.0x	0.9x	0.8x	0.7x
EV/EBITDA	7.3x	6.7x	7.4x	6.2x	5.5x
EV/EBIT	14.6x	11.6x	13.8x	8.9x	7.9x
FCF Yield	3.1%	-0.6%	-3.8%	3.1%	7.3%
Dividend Yield	0.8%	2.4%	1.1%	3.0%	3.3%
Payout ratio	11%	23%	12%	23%	23%
Debt/equity	1.0x	0.9x	0.9x	0.8x	0.6x
Net debt/ebitda	3.0x	2.9x	3.5x	2.9x	2.4x
Interest covered	10.0x	16.1x	16.8x	7.6x	9.0x
RoE	10%	13%	10%	12%	12%
RoIC	7%	8%	5%	9%	9%

source: company data &amp; Alpha Finance Research Estimates

**Thrace Plastics S.A.**

Current Price € 2.05  
Sector: Specialty Chemicals

Thrace Plastics specializes in the production and distribution of polypropylene products. Its operations are divided in four segments: woven products, nonwoven products, rigid packaging and industrial bags & FIBCs. website: [www.thraceplastics.gr](http://www.thraceplastics.gr)

all prices as of Mar 30<sup>th</sup>**Research analyst**

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## Investment summary

### First Read of Reported Results Seems Worrying...

On a first read, Thrace Plastics reported a rather disappointing set of FY06 results. Specifically:

- Revenues reached €208mn (+11.8% yoy, +1.8% vs. AFe, +1.6% vs. guidance).
- Gross Profit reached €37.8mn (-1.6% yoy, -2.2% vs. AFe). The margin dropped 240bps yoy (down 70bps vs. our estimates).
- Ebitda came in at €24.8mn (-9.5% yoy, -5.6% vs. AFe, -12.9% vs. management guidance). The margin deteriorated 280bps yoy (down 100bps vs. our estimates and down 200bps vs. management guidance). Selling & distribution expenses as well as administrative expenses were broadly in line with our estimates.
- Pre-tax profit reached €11.7mn (-17.6% yoy, +4.1% vs. AFe). The reported figure was somehow improved as net interest expenses were significantly lower both on a y-o-y basis and vs. AFe (-13.4% and -47.9% respectively), as the group booked a €1.3mn financial gain from the pension plans of the Don & Low and Synthetic Holdings subsidiaries.
- Net profit after minorities stood at €8.6mn (-13.7% yoy, +8.8% vs. AFe). The margin reached 4.2%, down 120bps yoy and +30bps vs. our estimates. Note that the effective tax rate for the group in FY06 was 26.8% vs. our estimate of 28%.
- The group will propose a dividend of €1mn (-56% yoy, -34% vs. AFe), as it has decided to proceed with its investment/expansion plans on a self-financing basis.

### ...But Clarifications By The Management Are Reassuring

Following the release of the results, we communicated with the management in order to further clarify the factors that affected the group's profitability. They informed us that various non-recurring items – totalling c. €3mn – burdened the group's operations in Q4. Specifically:

- There was a c. €1mn expense booked Q4 in the "other operating expenses" account, which refers to a provision for a claim from a client for the sale of "non woven" goods which were inferior to the agreed quality standards.
- The strikes of workers in the Greek ports in Q4 increased the transportation costs of the group, which had to ship its goods via trucks, instead of seaborne transportation.
- There was a non-recurring –as they informed us– shift in the sales mix i.e. there was a decrease in the sales of high margin products coupled with an increase in the sales of low margin products.
- In the last quarter in the woven as well as in the rigid packaging segments, the management decided to merge some operations resulting to a partial halt in production while also incurring some costs for relocation etc. Additionally, in the woven segment the group booked a €1mn loss vs. an estimated profit of €1mn.
- Note that PP prices remained at high levels in Q4, as well.

The aforementioned non-recurring incidents distorted the results. However, should one accounts for these items and normalises the results, the picture is reassuring. Hence:

- "Clean" gross profit reached €40mn (+3.6%yoy/+3.0% vs. our estimates).
- "Clean" Ebitda reached €24mn (-10.8%yoy/+2.4% vs. AFe/-7.9% vs. management guidance).
- "Clean" operating profit stood at €12mn (-19.2% yoy/+11.4% vs. AFe).
- "Clean" pre tax profit stood at €10mn (-20.8% yoy/+31% vs. AFe).
- "Clean" net profit (after minorities) stood at €8mn (-16.9% yoy/+31.4% vs. AFe).

Hence, we keep our initial forecasts unchanged and we reiterate our "outperform" rating and €2.90 target price, implying c. 41% upside from current price levels.

## Quarterly Results

By normalising the accounts for the c. €3mn non-recurring items (specifically c. €2mn in the gross profit and c. €1mn in other operating income/(expenses) that were booked in Q4, it is evident that Q4 and FY06 results were positive, and above our estimates.

### Quarterly P&L Accounts

€ mn	9M:05a	Q4:05a	FY05a	9M:06a	Q4:06a	FY06a	FY06e	vs. AFe
<b>Revenues</b>	<b>138</b>	<b>49</b>	<b>186</b>	<b>157</b>	<b>51</b>	<b>208</b>	<b>205</b>	<b>1.8%</b>
% chng	5.5%	12.8%	7.3%	14.0%	5.4%	11.8%	9.8%	
Cost of sales	110	38	148	127	44	170	166	
% chng	5.4%	10.6%	6.7%	15.3%	15.1%	15.2%	12.2%	
<b>Gross Profit</b>	<b>28</b>	<b>11</b>	<b>38</b>	<b>30</b>	<b>8</b>	<b>38</b>	<b>39</b>	<b>-2.2%</b>
% chng	5.9%	21.6%	9.9%	9.0%	-28.7%	-1.6%	0.6%	
% margin	20.1%	22.1%	20.6%	19.2%	15.0%	18.2%	18.9%	
<b>Gross Profit (clean)*</b>	<b>28</b>	<b>11</b>	<b>38</b>	<b>30</b>	<b>10</b>	<b>40</b>	<b>39</b>	<b>3.0%</b>
% chng				9.0%	-10.1%	3.6%	0.6%	
% margin	20.1%	22.1%	20.6%	19.2%	18.9%	19.1%	18.9%	
Other operating income	4	2	5	6	1	7	6	
-o/w gain from sale of fixed assets	1	0	1	3	0	3	3	
Selling & distribution expenses	14	5	18	14	5	19	20	
% chng	5.3%	14.4%	7.5%	4.2%	2.0%	3.6%	8.8%	
% of revenues	10.0%	9.5%	9.9%	9.2%	9.2%	9.2%	9.8%	
Administrative expenses	5	2	7	6	3	8	7	
% chng	-10.3%	-16.4%	-12.5%	16.2%	5.2%	12.5%	1.8%	
% of revenues	3.5%	5.0%	3.9%	3.6%	5.0%	3.9%	3.6%	
Other operating expenses	2	0	2	3	2	4	3	
<b>EBITDA</b>	<b>20</b>	<b>8</b>	<b>27</b>	<b>22</b>	<b>3</b>	<b>25</b>	<b>26</b>	<b>-5.6%</b>
% chng	2.5%	32.5%	9.4%	10.6%	-61.3%	-9.5%	-4.2%	
% margin	14.4%	15.8%	14.7%	13.9%	5.8%	11.9%	12.9%	
<b>EBITDA (clean)*</b>	<b>19</b>	<b>7</b>	<b>27</b>	<b>19</b>	<b>5</b>	<b>24</b>	<b>23</b>	<b>6.0%</b>
% chng				-0.9%	-25.3%	-7.6%	-12.9%	
% margin	14.0%	15.0%	14.2%	12.1%	10.6%	11.8%	11.3%	
Depreciation	9	3	12	9	3	12	12	
<b>EBIT</b>	<b>11</b>	<b>5</b>	<b>16</b>	<b>13</b>	<b>0</b>	<b>13</b>	<b>14</b>	<b>-5.6%</b>
% chng	14.0%	69.5%	26.4%	18.0%	-96.6%	-16.5%	-11.5%	
% margin	8.1%	9.8%	8.5%	8.4%	0.3%	6.4%	6.9%	
<b>EBIT (clean)*</b>	<b>11</b>	<b>4</b>	<b>15</b>	<b>10</b>	<b>3</b>	<b>13</b>	<b>11</b>	<b>19.2%</b>
% chng				-2.7%	-39.8%	-13.5%	-27.4%	
% margin	7.7%	9.0%	8.0%	6.5%	5.1%	6.2%	5.3%	
minus: net finance cost	1	1	2	2	(1)	1	3	
% chng	-37%	-18%	-32.0%	69.3%	-202.5%	-13.4%	66.4%	
Income from Associated Companies	0	0	0	(0)	0	(0)	0	
<b>EBT</b>	<b>10</b>	<b>4</b>	<b>14</b>	<b>11</b>	<b>1</b>	<b>12</b>	<b>11</b>	<b>4.1%</b>
% chng	26.1%	94.8%	41.0%	10.7%	-83.7%	-17.6%	-20.9%	
% margin	7.2%	8.8%	7.6%	7.0%	1.4%	5.6%	5.5%	
<b>EBT (clean)*</b>	<b>9</b>	<b>4</b>	<b>13</b>	<b>8</b>	<b>3</b>	<b>11</b>	<b>8</b>	<b>41.6%</b>
% chng				-13.0%	-17.8%	-14.4%	-39.6%	
% margin	6.8%	7.9%	7.1%	5.2%	6.2%	5.4%	3.9%	
Tax	2	2	4	3	0	3	3	
Tax rate	22.8%	40.7%	28.2%	26.6%	29.9%	26.8%	28.0%	
<b>Net income</b>	<b>8</b>	<b>3</b>	<b>10</b>	<b>8</b>	<b>0</b>	<b>9</b>	<b>8</b>	<b>5.8%</b>
% chng	26.9%	19.5%	25.0%	5.3%	-80.8%	-16.0%	-20.7%	
% margin	5.6%	5.2%	5.5%	5.1%	0.9%	4.1%	3.9%	
<b>Net income (clean)*</b>	<b>7</b>	<b>2</b>	<b>9</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>6</b>	<b>37.2%</b>
% chng				-17.3%	1.7%	-12.8%	-36.4%	
% margin	5.2%	4.7%	5.1%	3.8%	4.5%	4.0%	2.9%	
minorities	1	(1)	0	0	0	(0)	0	
<b>Net income (after minorities)</b>	<b>7</b>	<b>3</b>	<b>10</b>	<b>8</b>	<b>1</b>	<b>9</b>	<b>8</b>	<b>8.8%</b>
% chng	38.6%	74.5%	48.6%	17.8%	-79.1%	-13.7%	-20.7%	
% margin	4.9%	6.7%	5.4%	5.1%	1.3%	4.2%	3.9%	
<b>Net income (clean a/m)*</b>	<b>6</b>	<b>3</b>	<b>9</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>6</b>	<b>41.9%</b>
% chng				-7.0%	-17.2%	-10.3%	-36.8%	
% margin	4.6%	6.2%	5.0%	3.7%	4.9%	4.0%	2.9%	
# shares	46	44	44	45	45	45	45	
<b>EPS</b>	<b>0.15</b>	<b>0.07</b>	<b>0.23</b>	<b>0.18</b>	<b>0.02</b>	<b>0.19</b>	<b>0.18</b>	<b>8.6%</b>
<b>EPS (clean)</b>	<b>0.14</b>	<b>0.07</b>	<b>0.21</b>	<b>0.13</b>	<b>0.06</b>	<b>0.18</b>	<b>0.13</b>	<b>41.7%</b>

source: company data | Alpha Finance Research

\*refer to adjusted figures under our estimates

## Financial Statements

Consolidated P&L account (€mn)	2004a	2005a	2006a	2007e	2008e	2009e
Revenues	174	186	208	230	245	260
% chng		7%	12%	12%	7%	6%
Cost of sales	139	148	170	184	196	205
% chng		7%	15%	11%	7%	4%
Gross Profit	35	38	38	46	49	55
% chng		10%	-2%	20%	7%	12%
mgn	20%	21%	18.2%	20%	20%	21%
Other operating income	5	5	7	3	4	4
% of revenues	3%	3%	3%	2%	1%	1%
Selling & Distribution expenses	17	18	19	22	23	24
% chng		7%	4%	8%	7%	4%
% of revenues	10%	10%	9%	9%	9%	9%
Administrative expenses	8	7	8	8	8	8
% chng		-12%	12%	4%	4%	4%
% of revenues	5%	4%	4%	3%	3%	3%
Other operating expenses	2	2	4	4	4	4
% of revenues	1%	1%	2%	2%	2%	2%
EBITDA	25	27	25	30	31	36
% chng		9%	-10%	12%	6%	15%
mgn	14%	15%	12%	13%	13%	14%
EBITDA (clean) *	24	27	24	30	31	36
% chng		9%	-8%	26%	6%	15%
mgn	14%	14%	12%	13%	13%	14%
Depreciation	13	12	12	13	13	13
EBIT	13	16	10	17	18	23
% chng		26%	-33%	20%	7%	27%
mgn	7%	9%	5%	7%	7%	9%
minus: net finance cost	3	2	1	3	2	2
% chng		-32%	-13%	-8%	-15%	-31%
Income from associated companies	0	0	(0)	0	0	0
EBT	10	14	12	14	16	21
% chng		41%	-18%	27%	12%	35%
mgn	6%	8%	6%	6%	6%	8%
Tax	2	4	3	4	4	5
effective tax rate	19%	28%	27%	25%	25%	25%
minorities	1	0	(0)	0	0	0
Net income	7	10	9	10	12	16
% chng		48%	-14%	31%	12%	35%
mgn	4%	5%	4%	5%	5%	6%
Net income (clean) *	6	9	8	10	12	16
% chng		51%	-13%	77%	12%	35%
mgn	4%	5%	4%	5%	5%	6%
no. of shares (basic & diluted)	45.2	43.8	45.3	45.3	45.3	45.3
EPS	0.15	0.23	0.19	0.23	0.26	0.35
% chng		53%	-17%	31%	12%	35%
EPS (clean) *	0.14	0.21	0.18	0.23	0.26	0.35
% chng		56%	-13%	77%	12%	35%
Dividends	1	2	1	2	3	4
% chng		207%	-56%	59%	12%	35%
DPS	0.02	0.05	0.02	0.05	0.06	0.08

source: company data | Alpha Finance Research

\* "clean" figures account for adjustments for extraordinary gains/(losses)

Cash flow statement (€ mn)	2004a	2005a	2006a	2007e	2008e	2009e
Net income	7	10	9	10	12	16
plus: non-cash items	14	12	9	13	13	13
D&A	13	12	12	13	13	13
minorities	1	0	(0)	0	0	0
other	0	0	(3)	0	0	0
Gross cash flow	21	22	17	23	25	29
Δ WC	6	3	8	7	4	4
Operating cash flow	15	19	10	16	21	25
Capex	9	20	17	10	6	6
Free cash flow	6	-1	(7)	6	15	19
minus dividends	2	1	2	2	3	4
plus Δ debt	-9	3	5	-5	-12	-16
plus Δ equity	4	0	3	0	0	0
minus dividends to minorities	0	0	(0)	0	0	0
minus other	-2	1	0	0	0	0
Δ cash	2	0	(1)	-1	0	-1
net cash	13	12	11	10	10	10

source: company data | Alpha Finance Research

Balance sheet items (€ mn)	2004a	2005a	2006a	2007e	2008e	2009e
Cash & Equivalents	13	12	11	10	10	10
Trade & other receivables	53	57	62	70	74	78
Inventories	28	36	42	45	47	49
Other S-T receivables	1	0	1	0	0	0
PP&E, net	91	89	101	83	76	69
Intangible Assets, net	10	10	11	10	10	10
Participation in subsidiaries & affiliates	0	1	0	1	1	1
Other L-T assets	7	7	7	7	7	7
Total Assets	202	212	234	226	226	224
ST debt	39	46	57	36	24	9
Trade & other payables	27	34	37	42	45	47
Other S-T Liabilities	1	1	1	1	1	1
LT debt	22	19	16	19	19	18
Deferred Income Tax Liabilities	5	5	4	5	5	5
Pension Liabilities	27	27	26	27	27	27
Other L-T Liabilities	0	0	0	0	0	0
Share capital	20	23	23	23	23	23
Share premium	23	22	22	22	22	22
Retained earnings & reserves	22	32	45	47	56	68
Shareholders' equity	65	77	90	91	100	112
Minority interests	16	3	3	3	4	4
Total liabilities & shareholders' equity	202	212	234	226	226	224

source: company data | Alpha Finance Research

<b>Financial ratios &amp; Multiples</b>					
	<b>2004a</b>	<b>2005a</b>	<b>2006a</b>	<b>2007e</b>	<b>2008e</b>
<b>Multiples</b>					
P/E(x)	13.7 x	9.0 x	10.7 x	7.7 x	6.9 x
P/BV(x)	1.4 x	1.2 x	1.0 x	0.9 x	0.9 x
P/GCF(x)	4.4 x	4.2 x	5.4 x	4.3 x	4.0 x
P/FCF	16.2 x	-94.5 x	-13.4 x	16.6 x	7.5 x
EV/Sales	1.1 x	1.0 x	0.9 x	0.8 x	0.7 x
EV/EBITDA	7.3 x	6.7 x	7.4 x	6.2 x	5.5 x
EV/EBIT	7.6 x	6.9 x	7.5 x	6.3 x	5.9 x
EV/OpFCF	14.6 x	11.6 x	13.8 x	8.9 x	7.9 x
<b>Yields</b>					
Dividend yield	0.8%	2.4%	1.1%	3.0%	3.3%
FCF yield	3.1%	-0.6%	-3.8%	3.1%	7.3%
<b>Debt Management</b>					
Leverage (total liab/equity)	1.9 x	1.7 x	1.6 x	1.4 x	1.2 x
Gearing (debt/equity)	1.0 x	0.9 x	0.9 x	0.8 x	0.6 x
Net Debt/(cash)	76	80	88	85	75
Net debt/EBITDA	3.0 x	2.9 x	3.5 x	2.9 x	2.4 x
Interest Covered	10.0 x	16.1 x	16.8 x	7.6 x	9.0 x
Debt to assets	0.3 x	0.3 x	0.3 x	0.3 x	0.2 x
<b>Profitability</b>					
EBITDA margin	14.5%	14.7%	11.9%	12.8%	12.6%
Pre-tax margin	5.8%	7.6%	5.6%	7.1%	7.4%
Net income margin	3.9%	5.4%	4.2%	5.3%	5.5%
ROE	10.4%	13.0%	9.7%	12.3%	12.3%
ROIC	7.5%	8.1%	5.5%	8.8%	9.5%
<b>Asset Management</b>					
Fixed assets turnover	1.6 x	1.7 x	1.8 x	1.9 x	2.1 x
Total assets turnover	0.9 x	0.9 x	0.9 x	1.0 x	1.0 x
Inventory turnover (days)	73	90	89	88	86
Average collection period (days)	111	112	108	106	105
Creditors' payment period (days)	72	84	79	79	79
Current ratio	1.4 x	1.3 x	1.2 x	1.3 x	1.5 x
Acid (quick) ratio	1.0 x	0.9 x	0.8 x	0.8 x	0.9 x
<b>Per share data</b>					
EPS	0.15	0.23	0.19	0.27	0.30
EPS (clean)	0.14	0.21	0.18	0.27	0.30
BVPS	1.44	1.76	1.97	2.18	2.41
DPS	0.02	0.05	0.02	0.06	0.07
CFPS	0.13	-0.02	-0.15	0.12	0.27
source: company data   Alpha Finance Research					

## AF Calculus

**AF calculus:** Definitions of ratios and multiples most commonly used by Alpha Finance

<b>Valuation Multiples</b>	<b>Calculation</b>
p/e	share price/earnings per share diluted
p/bv	share price/book value per share (=equity/outstanding no. of shares)
ev/sales	enterprise value (=mkt cap+net debt+book value minorities)/revenues
ev/ebitda	enterprise value (=mkt cap+net debt+book value minorities)/ebitda
ev/ebit	enterprise value (=mkt cap+net debt+book value minorities)/ebit
free cash flow yield	free cash flow (= operating cash flow minus capex)/enterprise value
Dividend yield	dividend per share/share price
peg	price earnings ratio/ earnings per share growth
<b>Debt Management Ratios</b>	
Debt/equity (gearing)	total debt (=long term+short term debt)/equity
net debt/ebitda	net debt (total debt-cash)/ebitda
Interest covered	ebit (=ebitda-depreciation-amortization)/interest expenses
<b>Profitability Ratios</b>	
RoE	net income/equity
RoIC	noplat (=ebit-adjusted taxes)/invested capital (=total debt+equity+book value minorities)
EBITDA margin	ebitda/revenues
EBIT margin	ebit/revenues
Net margin	net income/revenues
EPS 3- year CAGR*	expected 3 year CAGR from latest actual
<b>Asset Management Ratios</b>	
Avg collection period	(receivables/revenues)*total days per year
Avg payment period	(payables/COGS)*total days per year
Current ratio	(current assets-inventories)/current liabilities

source: Alpha Finance Equity Research

\*applies to all compounded growth rates



## DISCLOSURE APPENDIX

### Analyst Certification

The research analyst(s) undersigned and responsible for the preparation of this report certify (-ies) that a) the views expressed in this report accurately reflect their (his/her) personal views about any and all of the securities or issuers mentioned in this report and b) no part of the analyst's compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report. Analysts receive compensation based upon various factors, including the quality and accuracy of research, productivity, experience, individual reputation, competitive factors and feedback from clients.

### Company specific regulatory disclosures

Disclosure checklist for companies mentioned & other price data information

	Reuters	Rating	Price	Price date/time	Disclosure
Thrace Plastic Source: Alpha Finance	THRr.AT	Outperform	€2.05	Official close @ 30 March 2007	none

- Alpha Finance and/or its affiliate(s) has acted as manager/co-manager/adviser in the underwriting or placement of securities of this company within the past 12 months
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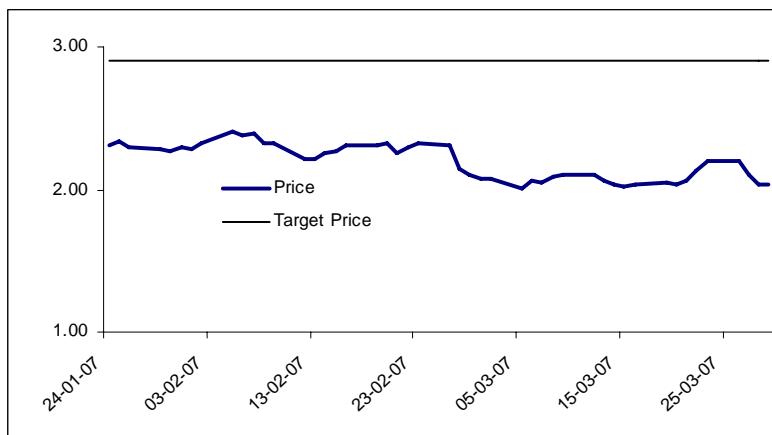
Major changes vs. previous research reports

Date of report	Price on report date (€)	TP (€)	Rating	Forward <sup>1</sup> EPS (€)
n.a.	n.a.	n.a.	n.a.	n.a.

Source: Alpha Finance | 1: next year's EPS used from December onwards

### Ratings and target price history

#### Price chart for Thrace Plastics



#### Rating history for Thrace Plastics

DATE	Rating	Share Price (€)	Price Target (€)
24-01-07	outperform	2.18	2.90
02-04-07	outperform	2.05	2.90

### Regulatory disclosures

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**Valuation method**

Our valuation for Thrace Plastics is based on a DCF based model. We use a WACC rate of 6.8%, a risk free rate of 4.1%, a beta of 1.1, an equity risk premium of 5.0% and a terminal growth rate of 0.0%.

**Risk rating**

We rate Thrace Plastics as high risk based on the qualitative/ quantitative assessment of risk we apply on the company (see definitions of risk below). We consider the following the biggest investment risks for the shares: a) polypropylene exposure (oil by-product), b) execution risk regarding expansion/restructuring efforts, c) Euro/USD and Euro/Pound Sterling fluctuations, d) exposure in the Balkan region.

**Definitions of Fundamental and Risk Ratings and Allocations**

RISK RATING								
	Low (L)	Medium (M)	High (H)	Relative to	Horizon <sup>2</sup>	Coverage <sup>3</sup>	IB services <sup>4</sup>	
FUNDAMENTAL RATING	Outperform O/P	TRP <sup>1</sup> > +5%		TRP <sup>1</sup> > +15%	ASE Index	Dec.'07	24/68	16.6%
	Neutral N	(5%) < TRP <sup>1</sup> < +5%					14/68	7.1%
	Underperform U/P	TRP <sup>1</sup> < (5%)	TRP <sup>1</sup> < (15%)				1/68	0.0%
	Restricted (G) R(G)	Alpha Finance belongs to the same group of companies					1/68	0.0%
	Restricted (IB) R (IB)	Alpha Finance is currently rendering investment banking services					0/68	0.0%
	Under review UR/ Not rated NR	No rating currently available					28/68	14.2%

Source: Alpha Finance | Data as of 30.11.06 | 1: Total Return Potential (=capital return + dividend yield) | 2: except otherwise stated | 3: Percentage of companies under coverage within this category as of 30.11.06 | 4: Percentage of companies within this rating category for which investment banking services were provided over the past 12 months, as of 30.11.06. In several occasions, subject to the analyst's view and/or due to volatility of the shares, the ratings applied may fall out of the brackets described in the table above.

The Alpha Finance universe consists of 68 companies accounting as of 30.11.06 for 89.7% of total market value

**Risk ratings explained**

We derive the overall risk rating for a stock by applying a 60% weight on quantitative and a 40% weight on qualitative factors. We use a scale from 1 to 3 to describe 'low', 'medium' and 'high' risk respectively. We compute two different quantitative risks namely liquidity and volatility. We assign equal weights to liquidity and volatility risks to arrive at a so-called trading or quantitative risk for the specific stock researched. Using a scale of 1-to-3 scale, each analyst also assigns a qualitative risk that is entirely up to his/her discretion to determine. Following this, we calculated the combined risk of the specific stock applying the weights mentioned earlier. All IPOs are classified 'high risk' for 12 months after their listing date.

**Definitions of Risk Ratings**

Quant factor	Definition	Brackets	Risk rating
Liquidity	Number of shares traded over the last 12 months as % of total shares outstanding	If less than or equal to 33% If greater than 33% but less than or equal to 66% If greater than 66%	High Medium Low
Volatility	The standard deviation of daily changes during the last 12 months. Volatility is used as a statistical measure of dispersion and indicates the propensity of a specific equity to suffer large swings in price. The stock's volatility is measured against the volatility of the ASE index	If equity volatility against the market's is greater than 2 If equity volatility against the market's is greater than 1.5 but less than or equal to 2 If equity volatility against the market's is less than or equal to 1.5	High Medium Low

Source: Alpha Finance | Data as of 30.11.06 | The quant factors are updated at the end of each calendar quarter

**General disclaimer**

This report has been prepared by Alpha Finance.

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