

Thrace Plastics

Medium 1H06 results



September 4, 2006

BUY

Sector
Specialty Chemicals

Current Price
€2.09

Target Price
€3.00

Market Cap
€95.1 mln

Free Float
38.4%

12m Low / High
€1.12 / €2.79
12m Av. Volume
100.000
12m Return / vs. ASE
80.2% / 60.8%
3m Return / vs. ASE
- 1.9% / - 8.4%
YTD / vs. ASE
29.8% / 22.9%

Bloomberg
PLAT GA

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- Sales' growth remains strong
- Squeezing of gross profit margin
- Higher operating expenses
- Profits affected by higher costs

Medium 1H06 results

Thrace Plastics posted 1H06 revenues of €106.3m (+14.7%), EBITDA of €15.6m (+10.1%) and net profit of €6.3m (+31.2%). Note, however, that net profit includes an extraordinary gain of €2.8m from the sale of a real estate asset and equipment.

High raw material prices affected the gross margin which stood at 19.7% for the 6m-period and which deteriorated from 20.1% in 1Q06 to 19.3% in 2Q06. Moreover, the company suffered increased administrative and financial expenses in the 2Q06 period (€2m vs. €1.8m in 1Q06 and €0.75m vs. €0.54m in 1Q06 respectively). Administrative expenses were €0.48m higher due to increased personnel costs and subsidiaries.

All 4 business units had improved sales vs. 2005 but as we mentioned in our initiating report (April 2006), the Rigid Packaging is the fastest growing and that was reflected in the 1H06 sales that posted a 43% increase. The gross profit of the business unit posted a 39.6% increase but the still growing admin&selling expenses do not allow a similar increase in profits yet.

	Sales 2Q05	Sales 2Q06	Change	Sales 1H05	Sales 1H06	Change	EBT 1H05	EBT 1H06	Change
	€m	€m	%	€m	€m	%	€m	€m	%
Woven	21.5	23.6	9.9%	41.4	46.1	11.3%	3.1	3.7	19.8%
Non-woven	10.2	10.5	3.3%	19.4	20.8	7.1%	2.2	1.9	-10.2%
Rigid Pack.	7.5	10.6	40.2%	12.6	18.0	42.9%	1.2	1.1	-5.8%
FIBC Pack.	9.3	10.7	14.6%	19.2	21.3	11.3%	1.3	1.7	33.2%

Source: Thrace Plastics published results

1H06 results were slightly below our estimates but taking into consideration that the extraordinary gain was mainly reported in 1Q06 (€2.3m), 2Q06 EBT improved significantly vs. 1Q06 (€3.1m vs. €2.6m).

In view of the above and as the share still trades at relatively low multiples (EV/EBITDA 5x and P/E 10x) **we reiterate our BUY recommendation and our €3 target price** issued in April 2006.