

## If AI play in SET is your goal, it's it

- Aeroflex U.S. will be EPG's crown jewel to drive net profit growth
- Growths will come from data centers, EV, and electronics in U.S.
- Maintain BUY and a TP of THB4.30

### Insulator as part of interlocking cooling system of data centers

Aeroflex's self-invented EPDM insulator, invented by EPG over four decades ago, is now emerging to be EPG's crown jewel, thanks to its high-quality, high-functionality insulator that has proven to be a highly effective products for the colling, heat-protection system. The high-tech companies, including TSMC, Tesla, SK Battery, and many data centers mushroomed in the U.S. since OpenAI released its ChatGPT on 30 November 2022, have joined EPG's EPDM insulator customer base, unlocking EPG's insulator unmatched quality for cooling objective.

### EPDM insulator is higher on safety and lower on flammability

Elastomeric EPDM (Ethylene Propylene Diene Methylene) insulator technology, invented by EPG, has been manufactured from an NBR (Nitrile Butadiene Rubber). NBR Polymeric Blend and EPDM insulator share some similarities and discrepancies. EPDM possesses flame-retardant vs NBR's flammable property and smoke. But NBR has excellent tensile strength, tear resistance, abrasion resistance, and compression-set resistance, making it easy to install and more durable over time than EPDM-based products.

### AI/ electronics/ EV demand growths remain robust

Since 2022 when EPG expanded its EPDM insulator production capacity from 4ktpa to 8ktpa, sales has consistently increased but just recently reached an inflection point when OpenAI's ChatGPT opens global AI growth super-cycle in Nov-22. As of 1QFY2025/26 (Apr-June 2025), revenue from EPG's Aeroflex in the U.S. accounts for over 50% of revenue and net profit for EPG's Aeroflex group and EPG, estimated to be THB0.5b net profit annually, based on our estimate.

### As insulator's earnings rises, TJM-ATD losses will nosedive

As net profit contributions from Aeroflex in the U.S. will rise substantially, we think EPG's other "dog" units – TJM and Auto parts JV (ATD) in South Africa – will see their losses shrink markedly, downsizing from the aggregate -THB0.7b loss in FY2024/25 to THB0.3b in FY2025/26 and to likely reach breakeven by FY2026/27, given the now turnaround of JVs and the piecemeal declining loss for TJM, according to management and our deep-dived analysis.

### If you're in doubt; let see 2QFY2025/26 net profit outcome

We maintain BUY and a TP of THB4.3. We think investors may still cast doubt and retain skepticism on EPGs past failed/disappointing financial performance but we remain confident that the upcoming quarters in FY2025/26-FY2026/27 will prove that EPG's insulator high-powered growth on the U.S. AI data center, EV, and electronics reshore strategy will be a BIG boon to EPG for years to come.

#### Analyst

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ESG Rating : AA

CG Rating : ▲▲▲▲▲

## BUY

<b>Target Price 12M (THB)</b>	<b>4.30</b>
VS. BB Consensus TP (%)	+31.5%
Share Price (THB)	3.06
Upside/Downside	+40.5%

#### Share Data

Market Cap (THB m)	8,568.00
Par (THB)	1.00
Free Float (%)	26.21
Issued shares (m shares)	2,800

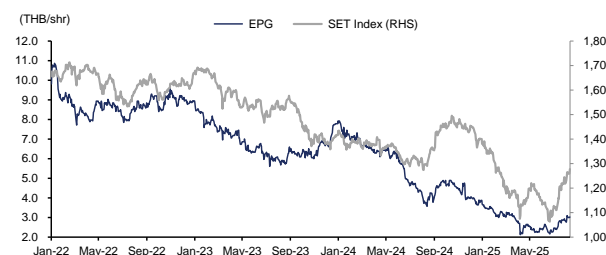
#### Financial forecast

YE Dec (THB m)	FY25	FY26E	FY27E	FY28E
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 (%)		(13.5)	(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	8.73	8.12	7.61
P/BV (x)	0.64	0.66	0.62	0.59
ROE (%)	7.66	7.69	7.89	7.95
Dividend yield (%)	9.38	3.44	3.70	3.94

Source: Financial Statement and Globlex securities

#### Share Price Performance (%)

	1M	3M	6M	YTD
Stock	6.25	29.66	(9.47)	(23.12)
Market	3.12	22.89	(9.36)	(13.52)
12M High/Low (THB)				5.25 / 2.12



#### Major Shareholders (%) as of 16 Jun 2025

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 convertor 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: NBR and EPDM insulator appearance**



Sources: EPG

**Exhibit 2: Foam rubber and plastic insulator**



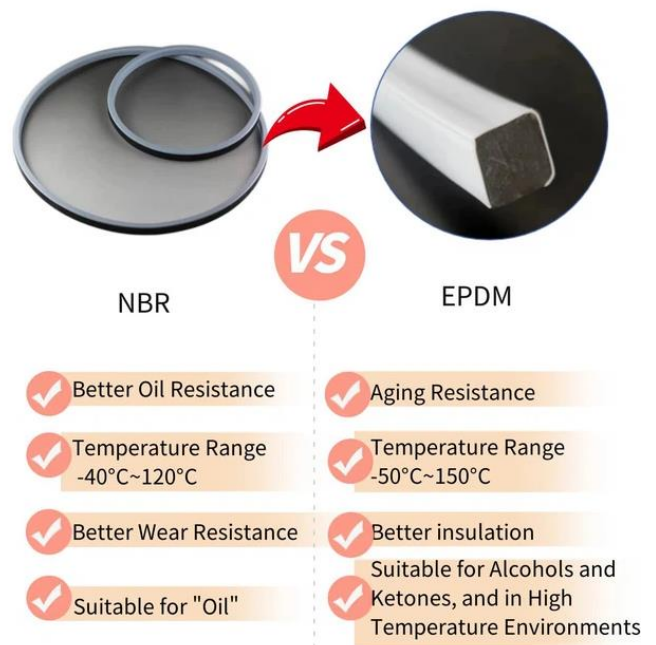
Sources: EPG

**Exhibit 3: NBR vs EPDM**



Sources: Seashore rubber

**Exhibit 4: Expenses: R&D, Selling, Admin**



Sources: Sunpass

**Exhibit 5: EPDM vs NBR Rubber Insulation**

Property	NBR Rubber Insulation	EPDM Rubber Insulation
Thermal Conductivity	Excellent at low to moderate temperatures	Stable at higher temperature ranges
Operating Temperature Range	-50C to +110C	-50C to +150C (some grades up to 170C)
UV and Ozone Resistance	Moderate – may degrade over time in direct sunlight	Excellent – ideal for outdoor and long-term exposure
Oil and Chemical Resistance	Strong resistance to oils, greases, and refrigerants	Poor resistance to oils and hydrocarbons
Moisture Absorption	Very low – suitable for humid or enclosed environments	Extremely low – performs well in wet or exposed conditions
Flexibility & Installation	Soft and easy to install; adapts to curved surfaces easily	Slightly firmer; better suited for large flat areas
Common Applications	Refrigeration systems, industrial insulation, indoor use	Roofing membranes, outdoor piping, solar systems

Sources: EPG

Balance sheet (THB m)					
Year ending Mar	FY24	FY25	FY26E	FY27E	FY28E
<b>Current assets</b>					
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
<b>Non-current assets</b>					
Net fixed assets	5,704	5,360	4,769	3,833	2,896
Others	6,319	6,273	6,273	6,273	6,273
<b>Total Assets</b>	<b>19,801</b>	<b>19,887</b>	<b>19,464</b>	<b>20,280</b>	<b>21,158</b>
<b>Current liabilities</b>					
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
<b>Long-term liabilities</b>					
Long-term debts	1,791	551	1,500	1,500	1,500
Others	1,789	2,118	2,118	2,118	2,118
<b>Total liabilities</b>	<b>7,312</b>	<b>7,293</b>	<b>6,399</b>	<b>6,465</b>	<b>6,545</b>
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
<b>Shareholders' equity</b>	<b>12,489</b>	<b>12,594</b>	<b>13,065</b>	<b>13,815</b>	<b>14,613</b>

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

Cash flow (THB m)					
Year ending Mar	FY24	FY25	FY26E	FY27E	FY28E
<b>Operating cash flow</b>	<b>2,481</b>	<b>1,371</b>	<b>1,733</b>	<b>2,041</b>	<b>2,099</b>
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
<b>Investment cash flow</b>	<b>291</b>	<b>490</b>	<b>(282)</b>	<b>1,591</b>	<b>1,621</b>
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
<b>Free cash flow</b>	<b>2,772</b>	<b>1,861</b>	<b>1,451</b>	<b>3,632</b>	<b>3,721</b>
<b>Financing cash flow</b>	<b>(2,481)</b>	<b>(1,371)</b>	<b>(1,733)</b>	<b>(2,041)</b>	<b>(2,099)</b>
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)
<b>Net cash flow</b>	<b>291</b>	<b>490</b>	<b>(282)</b>	<b>1,591</b>	<b>1,621</b>
<b>Per share (THB)</b>					
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
<b>Valuation</b>					
P/E (x)	9.39	10.13	8.73	8.12	7.61
P/BV (x)	0.90	0.64	0.66	0.62	0.59
Dividend yield (%)	6.78	9.38	3.44	3.70	3.94
Dividend payout ratio (%)	63.69	94.98	30.00	30.00	30.00



## GENERAL DISCLAIMER

### Analyst Certification

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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.