



Formosa Plastics (1301.TW/1301 TT)

Rising oil prices to boost 3Q23F earnings

FTSE4Good TIP Taiwan ESG Index stock

Neutral · Maintained

Price as of September 19 (NT\$)	82.40
12M target price (NT\$)	78.00
Previous target price (NT\$)	79.00
Revised down (%)	1.3
Downside (%)	5.3

Key message

Formosa Plastics Corp. (FPC) will announce 3Q23 preliminary results on Wednesday, October 11. We forecast rising crude oil prices and a second wave of sector restocking will boost 3Q23F EPS QoQ to NT\$0.69. We recommend investors await an industry reshuffle and demand recovery before revisiting this counter.

Trading data

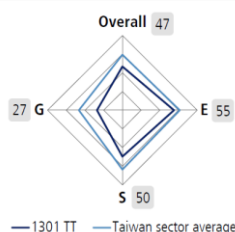
Mkt cap (NT\$/US\$mn)	525 / 16,410
Outstanding shares (mn)	6,366
Foreign ownership (mn)	2,049
3M avg. daily trading (mn)	6.48
52-week trading range (NT\$)	78.90 -94.40

Performance	3M	6M	12M
Absolute (%)	-10.1	-9.2	-3.6
Relative (%)	-6.4	-16.9	-18.9

Quarterly EPS

NT\$	1Q	2Q	3Q	4Q
2022	2.60A	3.33A	0.90A	(1.16)A
2023	0.37A	0.19A	0.69F	0.15F
2024	0.14F	0.83F	0.91F	0.70F

ESG score card



Source: Refinitiv, KGI securities

Event

Formosa Plastics Corp. (FPC) will announce 3Q23 preliminary results on Wednesday, October 11. We forecast rising crude oil prices and a second wave of sector restocking will boost 3Q23F EPS QoQ to NT\$0.69.

Impact

3Q23F sales volume to rise on sector restocking. We forecast 3Q23F EPS of NT\$0.69, up 260% QoQ, but down 27% YoY, beating consensus of NT\$0.45, due to: (1) operating income moved into the black as (a) the Chinese government has launched monetary and property stimulus policies. Coupled with rising crude prices, this has prompted traders to restock. The PVC spread widened QoQ, while those of most olefins derivatives flattened QoQ. Capacity utilization across all plants was largely flat QoQ, with sales volume up QoQ; and (b) falling coal costs in Asia restrained caustic soda prices; (2) due to inventory gains, we estimate investment in Formosa Petrochemical (6505 TT, NT\$81.2, N) will turn profitable; and (3) further weakening of import demand from Asia has narrowed the PE-ethane integrated spread to US\$684/mt, which combined with falling caustic soda prices, has flattened investment income QoQ from Formosa Plastics USA (US) at the breakeven level.

4Q23 olefin derivatives spreads under pressure. We forecast 4Q23F EPS of NT\$0.15, down 79% QoQ, but turning profitable YoY, below consensus of NT\$0.83, given: (1) operating profit will fall QoQ, but rise YoY, reflecting high oil prices restraining spread upside for olefins derivatives; (2) investment income from Formosa Plastics USA will be flattish QoQ; and (3) investment income from Formosa Petrochemical will fall QoQ on thinning inventory gains.

Valuation & Action

Considering high oil prices will cap upside for olefins derivative spreads in 4Q23F and 2024F, we lower our 2024 EPS forecast to NT\$2.58. As such, we maintain Neutral and adjust our target price to NT\$78, based on 1.4x 2024F BVPS of NT\$56 (previously 1.5x 2023F BVPS of NT\$53). We believe ongoing olefins derivative capacity expansion in China will continue to weigh on product spreads and capacity utilization. We recommend investors await an industry reshuffle and demand recovery before revisiting this counter.

Risks

Crude oil price slump; lackluster commodity demand.

Key financials and valuations

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue (NT\$mn)	185,813	273,598	251,647	198,135	217,505
Gross profit (NT\$mn)	29,054	76,161	42,559	11,927	21,210
Operating profit (NT\$mn)	17,099	60,164	26,799	(1,973)	8,310
Net profit (NT\$mn)	20,036	71,355	36,143	8,894	16,448
EPS (NT\$)	3.15	11.21	5.68	1.40	2.58
Cash DPS (NT\$)	2.40	8.20	4.20	1.00	1.90
EPS growth (%)	(46.3)	256.1	(49.3)	(75.4)	84.9
PE (x)	26.2	7.4	14.5	59.0	31.9
PB (x)	1.6	1.3	1.5	1.5	1.5
EV/EBITDA (x)	10.6	3.7	7.5	37.9	14.6
Net debt to equity (%)	23.2	10.6	21.2	27.1	24.1
Dividend yield (%)	2.9	10.0	5.1	1.2	2.3
Return on average equity (%)	5.9	19.4	9.5	2.5	4.7

Source: Company data, KGI Research estimates

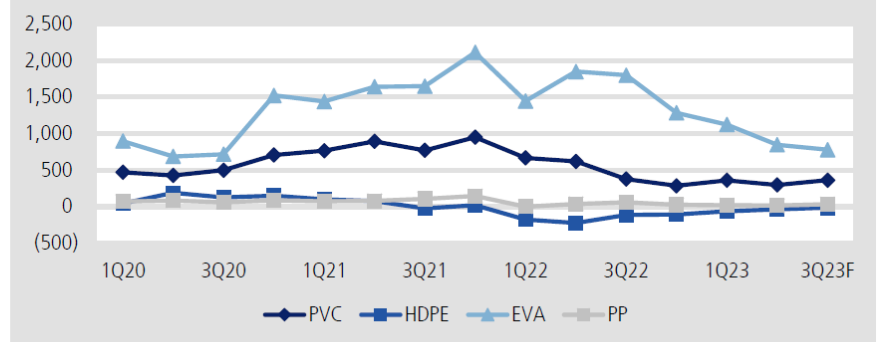
Figure 1: Breakdown of 3Q23 earnings forecasts by segment

NT\$m	3Q23F		
	KGI forecast	QoQ (%)	YoY (%)
Operating income	754	N.M.	57
Non-operating income	4,361	23	(22)
Investment income	3,999	5,445	N.M.
FPC	3,277	N.M.	N.M.
FPC USA	180	315	(34)
Formosa Olefins	47	N.M.	N.M.
Formosa Sumco	254	(12)	(43)
Mao-Liao Power	748	26	5,021
Other	(508)	4	4
Dividend income	349	(89)	(94)
Forex gain / loss	300	7	(70)
Other	(288)	388	N.M.

Source: KGI Research

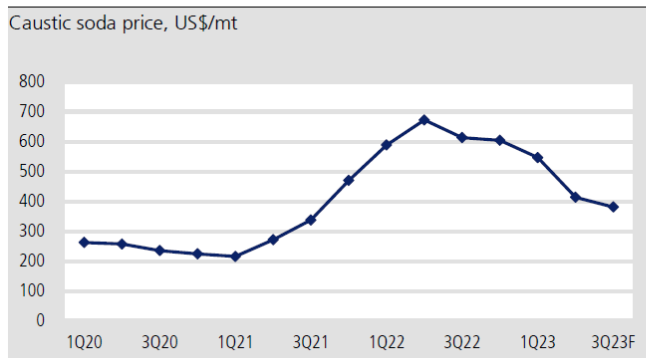
Figure 2: PVC spread up QoQ in 3Q23F; PE, EVA, & PP spreads flat QoQ

PVC-contract ethylene, PE-contract ethylene, EVA-contract ethylene/VAM and PP-propylene spreads, US\$/mt



Source: Oilchem; KGI Research

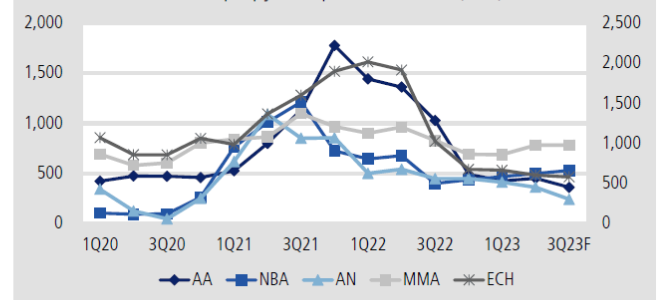
Figure 3: Caustic soda price down in 3Q23



Source: Oilchem; KGI Research

Figure 4: AN & AA spreads down QoQ in 3Q23F; NBA, ECH, & MMA spreads flat QoQ

AA-propylene, NBA-propylene, AN-propylene spreads, US\$/mt (LHS) ; MMA-acetone and ECH-propylene spreads, US\$/mt (RHS)



Source: Oilchem; KGI Research

Figure 5: Breakdown of 3Q-4Q23 forecast revisions vs. consensus

NT\$m	3Q23F							4Q23F						
	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	QoQ (%)	YoY (%)	Consensus	Diff. (%)
Sales	49,548	47,775	3.7	2.3	(11.0)	50,085	(1.1)	47,926	46,371	3.4	(3.3)	(6.1)	51,647	(7.2)
Gross profits	4,229	4,403	(3.9)	355.1	(1.6)	3,954	7.0	3,302	6,308	(47.6)	(21.9)	153.8	5,336	(38.1)
Operating income	754	1,178	(36.0)	-	57.2	1,079	(30.1)	(271)	3,307	-	-	-	1,466	-
Pretax Income	5,115	3,483	46.9	376.6	(16.2)	2,886	77.2	1,453	5,917	(75.5)	(71.6)	-	5,336	(72.8)
Net income	4,399	2,961	48.6	259.1	(23.6)	2,550	72.5	928	4,729	(80.4)	(78.9)	-	4,463	(79.2)
EPS (NT\$)	0.69	0.47	48.6	259.1	(23.6)	0.45	72.5	0.15	0.74	(80.4)	(78.9)	-	0.83	(79.2)
Gross margin (%)	8.5	9.2	(0.7)ppts	6.6 ppts	0.8 ppts	7.9	0.6 ppts	6.9	13.6	(6.7)ppts	(1.6)ppts	4.3 ppts	10.3	(3.4)ppts
OP margin (%)	1.5	2.5	(0.9)ppts	6.6 ppts	0.7 ppts	2.2	(0.6)ppts	(0.6)	7.1	(7.7)ppts	(2.1)ppts	4.0 ppts	2.8	(3.4)ppts
Net margin (%)	8.9	6.2	2.7 ppts	6.3 ppts	(1.5)ppts	5.1	3.8 ppts	1.9	10.2	(8.3)ppts	(6.9)ppts	16.4 ppts	8.6	(6.7)ppts

Source: KGI Research

Figure 6: Breakdown of 2023-24 forecast revisions vs. consensus

NT\$m	2023F						2024F					
	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)	Revision	Previous	Chg. (%)	YoY (%)	Consensus	Diff. (%)
Sales	198,135	194,813	1.7	(21.3)	201,871	(1.9)	217,505	220,828	(1.5)	9.8	220,938	(1.6)
Gross profit	11,927	15,002	(20.5)	(72.0)	11,674	2.2	21,210	29,327	(27.7)	77.8	25,406	(16.5)
Operating income	(1,973)	2,102	-	(107.4)	2,207	-	8,310	17,227	(51.8)	(521.2)	13,981	(40.6)
Pretax profit	10,107	12,939	(21.9)	(76.9)	13,117	(22.9)	19,816	30,746	(35.5)	96.1	25,992	(23.8)
Net profit	8,894	11,257	(21.0)	(75.4)	10,075	(11.7)	16,448	25,520	(35.5)	84.9	22,230	(26.0)
EPS (NT\$)	1.40	1.77	(21.0)	(75.4)	1.59	(11.7)	2.58	4.01	(35.5)	84.9	3.48	(26.0)
Gross margin (%)	6.0	7.7	(1.7)ppts	(10.9)ppts	5.8	0.2 ppts	9.8	13.3	(3.5)ppts	3.7 ppts	11.5	(1.7)ppts
OP margin (%)	(1.0)	1.1	(2.1)ppts	(11.6)ppts	1.1	(2.1)ppts	3.8	7.8	(4.0)ppts	4.8 ppts	6.3	(2.5)ppts
Net margin (%)	4.5	5.8	(1.3)ppts	(9.9)ppts	5.0	(0.5)ppts	7.6	11.6	(4.0)ppts	3.1 ppts	10.1	(2.5)ppts

Source: KGI Research

Figure 7: Breakdown of earnings forecasts by business segment

(NT\$m)	1Q23	2Q23	3Q23F	4Q23F	1Q24F	2Q24F	3Q24F	4Q24F	2021	2022	2023F	2024F
Plastics Division (PVC, caustic soda)	714	(147)	812	410	758	1,119	1,831	1,602	27,294	18,814	1,789	5,310
Polyolefin Division (PE)	43	151	883	564	429	870	1,578	1,211	10,755	5,976	1,641	4,088
Polypropylene Division (PP)	(563)	(548)	(115)	(318)	(230)	40	38	305	3,479	(714)	(1,545)	153
Taiyuan Division (AA/AE, SAP, NBA)	(272)	(588)	(320)	(681)	(523)	(20)	(176)	15	11,439	4,807	(1,860)	(704)
Chemicals Division (AN, MMA, ECH, MTBE)	(272)	(269)	(256)	(202)	(240)	120	358	224	9,625	1,720	(998)	463
Other	366	(1,072)	(250)	(44)	(250)	(250)	(250)	(250)	(2,427)	(3,804)	(1,000)	(1,000)
Total operating income	17	(2,473)	754	(271)	(57)	1,879	3,379	3,108	60,164	26,799	(1,973)	8,310
Mao-Liao Power	659	595	748	492	249	499	374	125	77	(1,126)	2,494	1,247
FPC USA	652	43	180	325	413	689	965	689	6,067	3,997	1,201	2,756
FPCC	1,251	(302)	3,277	1,338	426	1,993	2,304	1,460	13,981	4,219	5,564	6,183
Formosa Olefins	216	(63)	47	(10)	107	107	107	107	2,510	(563)	190	429
Formosa Sumco	257	288	254	218	254	254	254	254	410	1,401	1,017	1,017
Fuxin Special Steel	(335)	(485)	(401)	(383)	(255)	(255)	(255)	(255)	(137)	(1,488)	(1,604)	(1,021)
Other	(336)	(4)	(107)	(82)	89	89	89	(2,380)	544	(679)	(529)	357
Total investment income	2,364	72	3,999	1,897	1,285	3,377	3,838	0	23,453	5,761	8,333	10,968
FCFC									497	954	189	139
NYP									1,880	5,875	2,350	548
Nanya Technology									435	1,239	713	100
Formosa Ha Tinh									0	0	0	0
Other									187	374	350	350
Total dividend income	0	3,253	349	0	0	1,138	0	0	3,000	8,442	3,602	1,138
Net income	2,343	1,225	4,399	928	884	5,307	5,795	4,461	71,355	36,143	8,894	16,448
EPS	0.37	0.19	0.69	0.15	0.14	0.83	0.91	0.70	11.21	5.68	1.40	2.58
DPS									8.20	4.20	1.00	1.90

Source: KGI Research

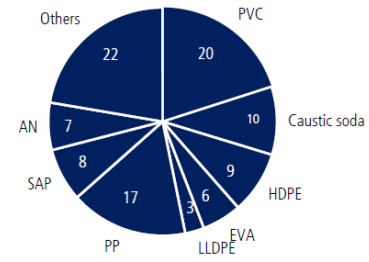
Figure 8: Company profile

Established in 1954, Formosa Plastics Corp. (FPC) is a downstream polyolefin producer under its parent group, with plants in the Mailiao complex in Yunlin County, Linyuan, and Renwu in Kaohsiung, Taiwan, in addition to Ningbo, China. FPC sources ethylene, propylene and other olefin materials from affiliate Formosa Petrochemical Corp (FPCC; 6505 TT, NT\$81.2, N), and produces polyolefin products such as PVC, PE, and PP, as well as chemicals like AN and MTBE. It operates olefins and polyolefin facilities in the US via 22.6%-owned subsidiary FPC USA, and it holds a 28.6% stake in FPCC to mitigate the volatility of raw material costs.

Source: KGI Research

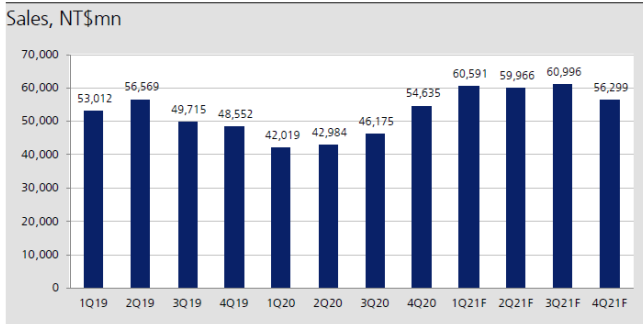
Figure 9: PVC, PP, & AA are core products

Sales weighting (excl. internal transactions), percent



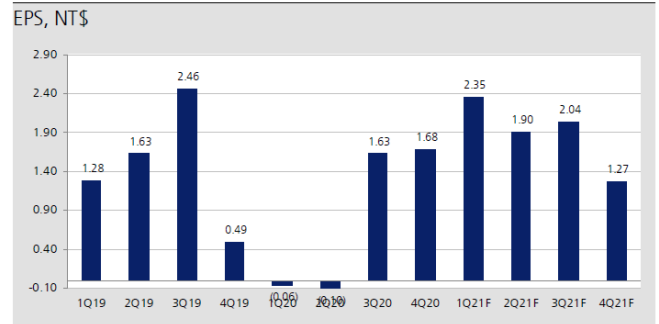
Source: KGI Research

Figure 10: Sales



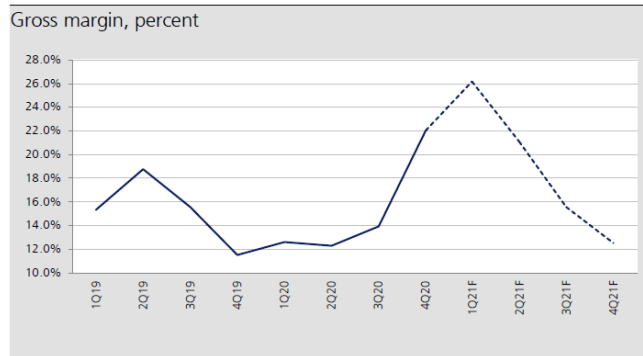
Source: KGI Research

Figure 11: EPS



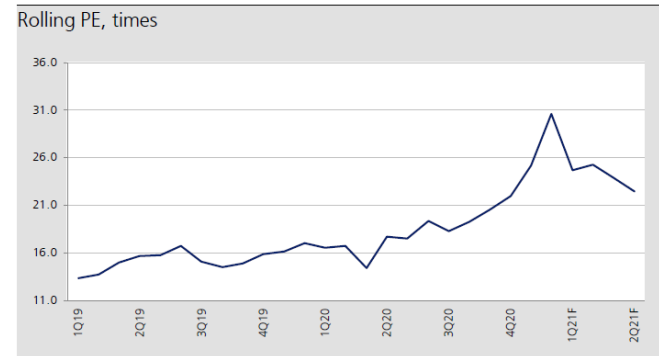
Source: KGI Research

Figure 12: Gross Margin



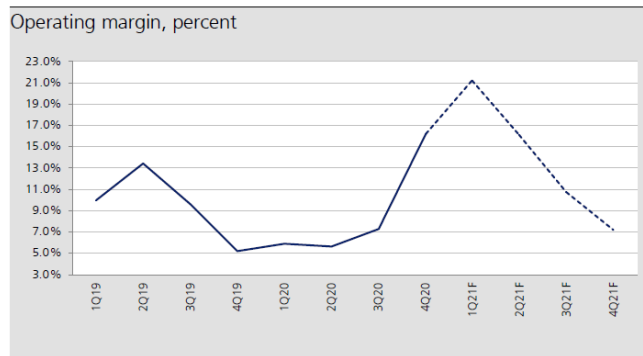
Source: KGI Research

Figure 13: Rolling PE



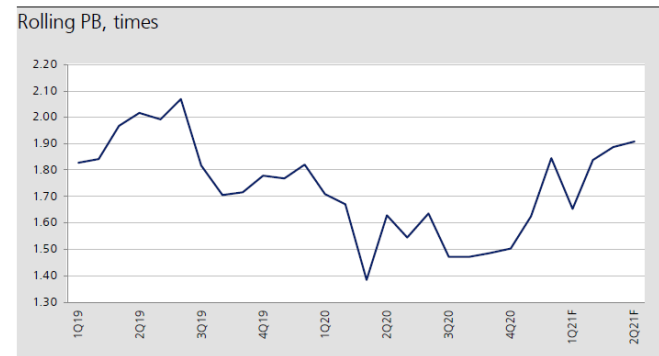
Source: KGI Research

Figure 14: Operating Margin



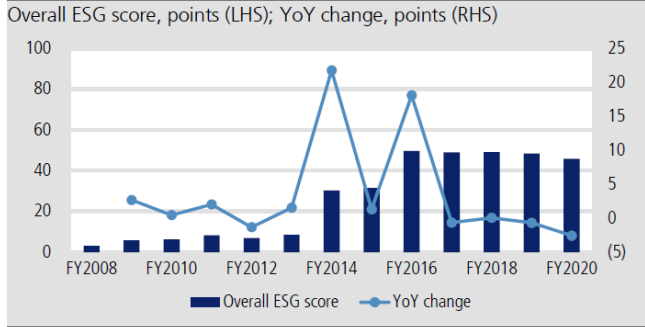
Source: KGI Research

Figure 15: Rolling PB



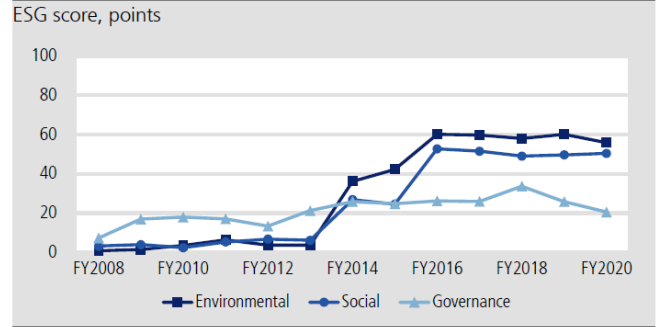
Source: KGI Research

Figure 16: Overall ESG score



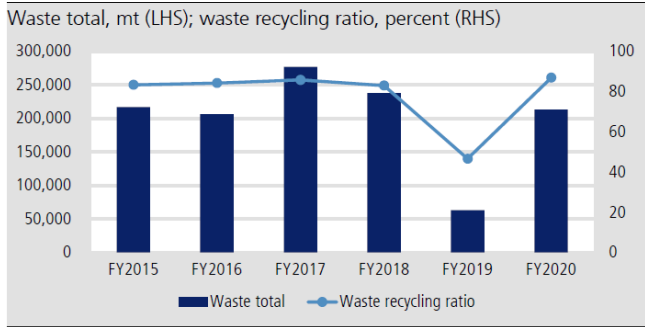
Source: Refinitiv; Company data

Figure 17: ESG score by category



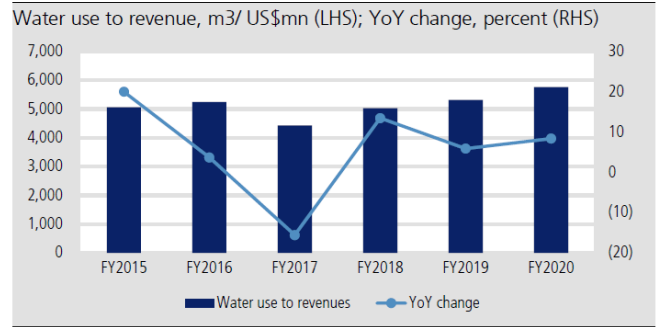
Source: Refinitiv; Company data

Figure 18: Waste total



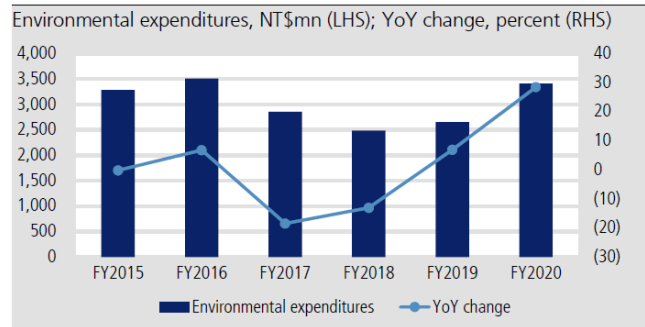
Source: Refinitiv; Company data

Figure 19: Water use



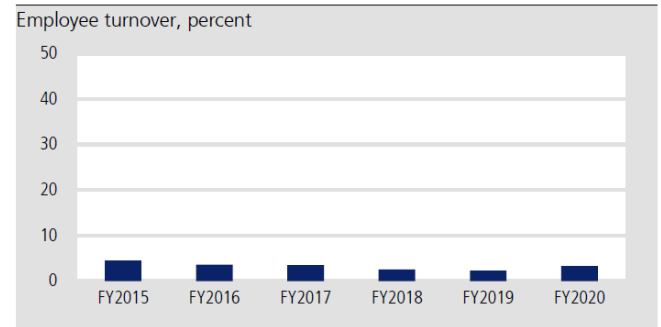
Source: Refinitiv; Company data

Figure 20: Environmental expenditures



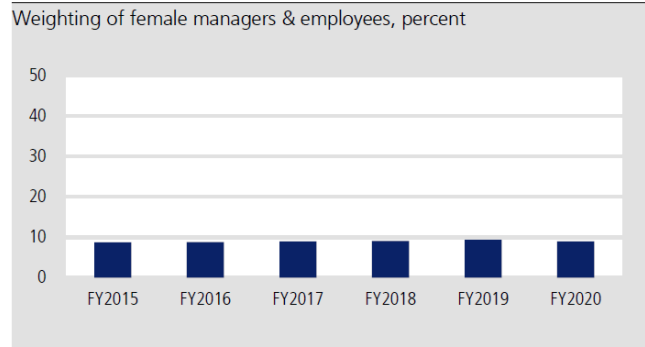
Source: Refinitiv; Company data

Figure 21: Employee turnover



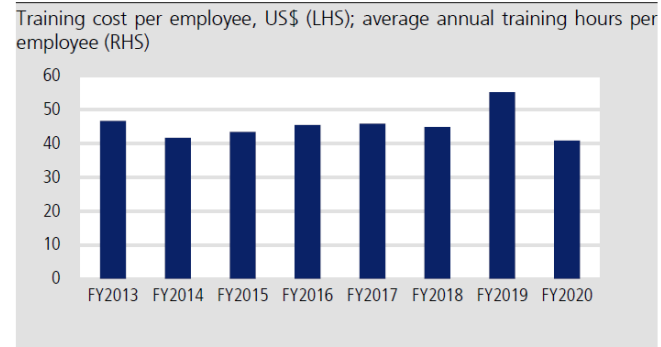
Source: Refinitiv; Company data

Figure 22: Gender diversification



Source: Refinitiv; Company data

Figure 23: Employee training



Source: Refinitiv; Company data

ESG chart definition

Item	Definition	Remarks
Energy use	<p>Total direct and indirect energy consumption in gigajoules.</p> <ul style="list-style-type: none"> - the total amount of energy that has been consumed within the boundaries of the company's operations - total energy use = total direct energy consumption + indirect energy consumption - purchased energy and produced energy are included in total energy use - for utilities, transmission/ grid loss as part of its business activities is considered as total energy consumed and data does not consider electricity produced to answer energy use (utility company produces to sell) - for utilities, raw materials such as coal, gas or nuclear used in the production of energy are not considered under 'total energy use' 	
Renewable energy purchased	<p>Total primary renewable energy purchased in gigajoules.</p> <ul style="list-style-type: none"> - energy consumed by the company from various sources and among the purchased energy, how much energy is renewable in nature (solar, wind, hydro, biomass, geothermal) are in scope - if there is no evidence that renewable energy is produced by the company, then we consider the reported energy figure as renewable energy purchased 	
Renewable energy use ratio	Renewable energy to total energy used	
CO2 equivalent emissions	<p>Direct CO2 and CO2 equivalent emissions in metric tons.</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
CO2 equivalent emissions to sales	<p>Direct CO2 and CO2 equivalent emissions (metric tons) to sales (NT\$mn)</p> <ul style="list-style-type: none"> - direct emissions from sources that are owned or controlled by the company (scope 1 emissions) - following gases are relevant: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorinated compound (PFCS), sulfur hexafluoride (SF6), nitrogen trifluoride (NF3) 	
Waste total	<p>Total amount of waste produced in metric tons.</p> <ul style="list-style-type: none"> - total waste = non-hazardous waste + hazardous waste - only solid waste is taken into consideration, exceptionally if liquid waste is reported in metric tons, then we do the summation to derive total including liquid waste - for sectors like mining, oil & gas, waste generation like tailings, waste rock, coal and fly ash are also considered 	
Waste recycling ratio	<p>The waste recycling ratio as reported by the company.</p> <ul style="list-style-type: none"> - waste recycling ratio = waste recycled/total waste*100 - waste to energy or waste incinerated with energy recovery are considered as waste recycled - waste recovered via composting is considered as recycled waste 	
Water withdrawal total	<p>Total water withdrawal in cubic meters.</p> <ul style="list-style-type: none"> - the total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities - different sources of water like wells, town/utility/municipal water, river water, and surface water are considered 	
Environmental expenditures	<p>Total amount of environmental expenditures.</p> <ul style="list-style-type: none"> - all environmental investment & expenditures for environmental protection or to prevent, reduce, control environmental aspects, impacts, and hazards. It also includes disposal, treatment, sanitation, and clean-up expenditures 	
Turnover of employees	<p>Percentage of employee turnover.</p> <ul style="list-style-type: none"> - includes employees who left the company for any reason (voluntary or involuntary), such as resignations, retirement, natural departure/death, medical incapacitation, redundancy, layoffs, restructuring, dismissal, retrenchment or end of a fixed-term contract - employees turnover rate = (employees leaving/average number of employees)*100 - where the average number of employees = (employees at the end of the current year + employees at the end of the previous year)/2 - employees at the end of the current fiscal year = employees at the end of the previous fiscal year + new employees - employees leaving 	
Women managers	<p>Percentage of women managers.</p> <ul style="list-style-type: none"> - percentage of women managers among total managers of the company - if there is a breakdown by category in percentage, such as top, senior, middle, and junior management, then we consider the percentage of middle women managers - percentage of women managers = number of women managers/total number of managers*100 	
Women employees	<p>Percentage of women employees.</p> <ul style="list-style-type: none"> - percentage of women employees to the total number of employees of the company - percentage of women employees = number of women/total number of employees*100 	
Training hours total	<p>Total training hours performed by all employees.</p> <ul style="list-style-type: none"> - consider only employee training hours - includes all types of training given to general employees (such as health & safety, environmental, emergency response, skills & career development training) - if the value is given in days, multiply by 8, assuming that 1 day = 8 hours worked 	
Training hours per employee	Training hours per employee per year	

Source: Refinitiv; Company data, KGI Research

Income statement

Income statement (NT\$m)	Quarterly								Annually		
	Mar-23A	Jun-23A	Sep-23F	Dec-23F	Mar-24F	Jun-24F	Sep-24F	Dec-24F	Dec-22A	Dec-23F	Dec-24F
Revenue	52,213	48,447	49,548	47,926	50,306	56,547	54,648	56,003	251,647	198,135	217,505
Cost of goods sold	(48,747)	(47,518)	(45,319)	(44,624)	(47,138)	(51,443)	(48,044)	(49,670)	(209,089)	(186,208)	(196,295)
Gross profit	3,467	929	4,229	3,302	3,168	5,104	6,604	6,333	42,559	11,927	21,210
Operating expenses	(3,450)	(3,402)	(3,475)	(3,573)	(3,225)	(3,225)	(3,225)	(3,225)	(15,760)	(13,900)	(12,900)
Operating profit	17	(2,473)	754	(271)	(57)	1,879	3,379	3,108	26,799	(1,973)	8,310
Depreciation of fixed assets	(1,907)	(1,851)	(2,000)	(2,242)	(2,000)	(2,000)	(2,000)	(2,000)	(7,511)	(8,000)	(8,000)
Amortisation of intangible assets	(124)	(137)	(236)	(448)	(236)	(236)	(236)	(236)	(945)	(945)	(945)
EBITDA	2,048	(485)	2,990	2,419	2,180	4,116	5,616	5,344	35,255	6,973	17,255
Interest income	114	136	138	162	100	100	100	100	380	550	400
Investment income	2,364	3,325	4,348	1,897	1,285	4,514	3,838	2,469	14,203	11,935	12,106
Other non-op income	61	51	300	883	50	50	50	50	199	1,295	200
Non-operating income	2,539	3,512	4,786	2,942	1,435	4,664	3,988	2,619	14,782	13,779	12,706
Interest expense	(437)	(458)	(425)	(381)	(300)	(300)	(300)	(300)	(1,037)	(1,700)	(1,200)
Investment loss	-	-	-	-	-	-	-	-	-	-	-
Other non-op expenses	346	492	-	(838)	-	-	-	-	3,250	-	-
Non-operating expenses	(90)	34	(425)	(1,219)	(300)	(300)	(300)	(300)	2,213	(1,700)	(1,200)
Pre-tax profit	2,466	1,073	5,115	1,453	1,078	6,244	7,067	5,427	43,794	10,107	19,816
Current taxation	(124)	152	(716)	(525)	(194)	(937)	(1,272)	(966)	(7,652)	(1,213)	(3,369)
Minorities	-	-	-	-	-	-	-	-	-	-	-
Normalised net profit	2,343	1,225	4,399	928	884	5,307	5,795	4,461	36,143	8,894	16,448
Extraordinary items	(0)	(0)	-	0	-	-	-	-	-	-	-
Net profit	2,343	1,225	4,399	928	884	5,307	5,795	4,461	36,143	8,894	16,448
EPS (NT\$)	0.37	0.19	0.69	0.15	0.14	0.83	0.91	0.70	5.68	1.40	2.58
Margins (%)											
Gross profit margin	6.6	1.9	8.5	6.9	6.3	9.0	12.1	11.3	16.9	6.0	9.8
Operating margin	0.0	(5.1)	1.5	(0.6)	(0.1)	3.3	6.2	5.5	10.6	(1.0)	3.8
EBITDA margin	3.9	(1.0)	6.0	5.0	4.3	7.3	10.3	9.5	14.0	3.5	7.9
Pretax profit margin	4.7	2.2	10.3	3.0	2.1	11.0	12.9	9.7	17.4	5.1	9.1
Net profit margin	4.5	2.5	8.9	1.9	1.8	9.4	10.6	8.0	14.4	4.5	7.6
Sequential growth (%)											
Revenue growth	2.2	(7.2)	2.3	(3.3)	5.0	12.4	(3.4)	2.5			
Gross profit growth	166.4	(73.2)	355.1	(21.9)	(4.1)	61.1	29.4	(4.1)			
Operating profit growth		(14858.7)		(135.9)	(79.1)		79.8	(8.0)			
EBITDA growth		(123.7)		(19.1)	(9.9)	88.8	36.4	(4.8)			
Pretax profit growth		(56.5)	376.6	(71.6)	(25.8)	479.2	13.2	(23.2)			
Net profit growth		(47.7)	259.1	(78.9)	(4.7)	500.4	9.2	(23.0)			
YoY growth (%)											
Revenue growth	(26.5)	(34.5)	(11.0)	(6.1)	(3.7)	16.7	10.3	16.9	(8.0)	(21.3)	9.8
Gross profit growth	(80.2)	(95.2)	(1.6)	153.8	(8.6)	449.3	56.2	91.8	(44.1)	(72.0)	77.8
Operating profit growth	(99.9)	(116.2)	57.2	(88.3)	(437.9)		348.1		(55.5)	(107.4)	
EBITDA growth	(86.6)	(102.7)	19.8		6.4		87.8	120.9	(48.5)	(80.2)	147.5
Pretax profit growth	(87.5)	(95.8)	(16.2)		(56.3)	481.9	38.2	273.6	(49.1)	(76.9)	96.1
Net profit growth	(85.9)	(94.2)	(23.6)		(62.3)	333.2	31.8	381.0	(49.3)	(75.4)	84.9

Source: Company data, KGI Research estimates

Balance sheet

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Total assets	479,280	543,679	511,254	513,928	514,010
Current assets	165,636	189,262	160,820	154,828	144,024
Cash & ST securities	124,745	132,311	114,411	114,619	112,591
Inventory	16,681	24,526	22,412	23,016	23,016
Accounts receivable	15,960	25,604	15,853	13,334	13,334
Other current assets	8,249	6,821	8,144	3,858	(4,917)
Non-current assets	313,645	354,417	350,434	359,100	369,986
LT investments	212,627	243,536	229,040	234,757	244,587
Net fixed assets	86,786	97,343	107,315	109,050	111,050
Other assets	14,232	13,538	14,079	15,294	14,348
Total liabilities	146,744	140,489	153,570	166,215	156,215
Current liabilities	68,255	74,541	95,863	96,302	86,302
Accounts payable	13,115	15,971	11,774	8,706	8,706
Interest bearing ST liabilities	37,252	15,980	59,386	67,387	57,387
Other current liabilities	17,888	42,590	24,703	20,208	20,208
Non-current liabilities	78,489	65,947	57,706	69,913	69,913
Long-term debt	53,978	40,301	33,712	45,704	45,704
Other L-T liabilities	24,389	25,523	23,387	24,209	24,209
Total equity	332,536	403,190	357,685	347,713	357,794
Share capital	63,657	63,657	63,657	63,657	63,657
Retained earnings reserve	55,559	107,126	72,838	75,366	79,719
Minority interests	-	-	-	-	-
Preferred shareholders funds	-	-	-	-	-

Key ratios

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Growth					
Revenue growth	(10.6%)	47.2%	(8.0%)	(21.3%)	9.8%
Operating profit growth	(15.3%)	251.9%	(55.5%)	(107.4%)	
EBITDA growth	(9.0%)	172.9%	(48.5%)	(80.2%)	147.5%
Net profit growth	(46.3%)	256.1%	(49.3%)	(75.4%)	84.9%
EPS growth	(46.3%)	256.1%	(49.3%)	(75.4%)	84.9%
Profitability					
Gross profit margin	15.6%	27.8%	16.9%	6.0%	9.8%
Operating margin	9.2%	22.0%	10.6%	(1.0%)	3.8%
EBITDA margin	13.5%	25.0%	14.0%	3.5%	7.9%
Net profit margin	10.8%	26.1%	14.4%	4.5%	7.6%
Return on average assets	4.1%	14.0%	6.9%	1.7%	3.2%
Return on average equity	5.9%	19.4%	9.5%	2.5%	4.7%
Stability					
Gross debt to equity	27.4%	14.0%	26.0%	32.5%	28.8%
Net debt to equity	23.2%	10.6%	21.2%	27.1%	24.1%
Interest coverage (x)	21.0	109.7	43.2	6.9	17.5
Interest & ST debt coverage (x)	0.4	0.8	0.4	0.1	0.2
Cash flow interest coverage(x)	26.1	73.2	54.8	11.0	20.3
Cash flow/int. & ST debt (x)	0.8	3.5	0.9	0.3	0.4
Current ratio (x)	2.4	2.5	1.7	1.6	1.7
Quick ratio (x)	2.2	2.2	1.4	1.4	1.4
Net debt (NT\$m)	77,085	42,566	75,987	94,097	86,125
Per share data					
EPS (NT\$)	3.15	11.21	5.68	1.40	2.58
CFPS (NT\$)	4.94	9.09	8.92	2.93	3.82
BVPS (NT\$)	52.24	63.34	56.19	54.62	56.21
Adj BVPS (NT\$)	52.24	63.34	56.19	54.62	56.21
SPS (NT\$)	29.19	42.98	39.53	31.13	34.17
EBITDA/share (NT\$)	3.94	10.76	5.54	1.10	2.71
Cash DPS (NT\$)	2.40	8.20	4.20	1.00	1.90
Activity					
Sales / avg assets	0.38	0.53	0.48	0.39	0.42
Days receivable	31.4	34.2	23.0	24.6	22.4
Days inventory	38.9	45.3	39.1	45.1	42.9
Days payable	30.6	29.5	20.6	17.1	16.2
Cash cycle	39.8	50.0	41.6	52.6	49.1

Source: Company data, KGI Research estimates

Profit & loss

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Revenue	185,813	273,598	251,647	198,135	217,505
Cost of goods sold	(156,759)	(197,437)	(209,089)	(186,208)	(196,295)
Gross profit	29,054	76,161	42,559	11,927	21,210
Operating expenses	(11,955)	(15,997)	(15,760)	(13,900)	(12,900)
Operating profit	17,099	60,164	26,799	(1,973)	8,310
Non-operating income	9,122	26,845	14,782	13,779	12,706
Interest income	374	236	380	550	400
Investment income	8,571	26,453	14,203	11,935	12,106
Other non-op income	177	156	199	1,295	200
Non-operating expenses	(2,055)	(1,052)	2,213	(1,700)	(1,200)
Interest expense	(1,207)	(790)	(1,037)	(1,700)	(1,200)
Investment loss	-	-	-	-	-
Other non-op expenses	(848)	(262)	3,250	-	-
Pre-tax profit	24,167	85,957	43,794	10,107	19,816
Current taxation	(4,130)	(14,602)	(7,652)	(1,213)	(3,369)
Minorities	-	-	-	-	-
Extraordinary items	-	0	0	-	-
Net profit	20,036	71,355	36,143	8,894	16,448
EBITDA	25,101	68,508	35,255	6,973	17,255
EPS (NT\$)	3.15	11.21	5.68	1.40	2.58

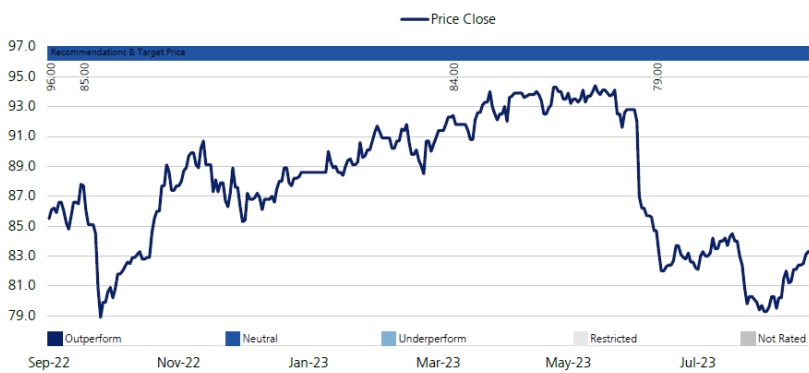
Cash flow

NT\$m	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
Operations cash flow	31,444	57,859	56,802	18,621	24,337
Net profit	20,036	71,355	36,143	8,894	16,448
Depreciation & amortisation	8,002	8,344	8,456	8,945	8,945
Decrease in working capital	1,026	(14,941)	7,669	19,008	3,046
Other operating cash flow	2,381	(6,899)	4,534	(18,226)	(4,101)
Investing cash flow	(3,916)	(21,821)	(18,321)	(10,000)	(10,000)
Sale of ST investment	13	(91)	2,427	-	-
New investments	(625)	(1,344)	(1,000)	2,616	1,138
Capital expenditure	(8,883)	(18,197)	(14,775)	(10,000)	(10,000)
Others investing cashflow	5,580	(2,189)	(4,972)	(2,616)	(1,138)
Free cash flow	13,530	24,114	22,521	15,272	7,943
Financing cash flow	(32,568)	(35,986)	(30,405)	(6,736)	(16,366)
Increase in short term debt	(11,713)	(11,003)	6,684	10,000	(10,000)
Increase in long term loans	5,294	5,236	(2,150)	(1,854)	-
New ordinary shares issued	-	-	-	-	-
Ordinary dividends paid	(28,012)	(15,282)	(52,173)	(26,736)	(6,366)
Other financing cashflow	1,863	(14,938)	17,234	11,854	-
Forex effects	1,019	(482)	(4,681)	-	-
Total cash generated	(4,021)	(430)	3,395	1,885	(2,029)

ROIC

	Dec-20A	Dec-21A	Dec-22A	Dec-23F	Dec-24F
1 - COGS/revenue					
- Operating exp./revenue	6.4%	5.8%	6.3%	7.0%	5.9%
= Operating margin	9.2%	22.0%	10.6%	(1.0%)	3.8%
1 / (Working capital/revenue	0.1	(0.0)	0.0	0.1	0.0
+ Net PPE/revenue	0.5	0.4	0.4	0.6	0.5
+ Other assets/revenue)	0.1	0.0	0.0	0.1	0.1
= Capital turnover	1.7	2.6	2.0	1.5	1.7
Operating margin	9.2%	22.0%	10.6%	(1.0%)	3.8%
x Capital turnover	1.7	2.6	2.0	1.5	1.7
x (1 - tax rate)	82.9%	83.0%	82.5%	88.0%	83.0%
= After-tax ROIC	13.3%	47.3%	17.3%	(1.3%)	5.4%

Source: Company data, KGI Research estimates

Formosa Plastics – Recommendation & target price history


Date	Rating	Target	Price
2023-07-10	Neutral	79.0	82.3
2023-07-05	Neutral	79.0	84.7
2023-04-11	Neutral	84.0	92.6
2023-03-30	Neutral	84.0	92.4
2023-01-10	Neutral	85.0	88.9
2023-01-05	Neutral	85.0	87.5
2022-10-11	Neutral	85.0	84.5
2022-10-05	Neutral	85.0	87.7
2022-07-11	Neutral	96.0	84.9
2022-06-30	Neutral	110.0	108.5

Source: TEJ, KGI Research

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