HOLD (From: SELL)

Change in Recommendation

TP: Bt 57.00 (From: Bt 48.00)

Upside : 0.0%

19 OCTOBER 2021

Thanachart Securities

Thai Oil Public Co Ltd (TOP TB)

Caution still reigns

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We upgrade TOP to HOLD from Sell and raise our TP to Bt57 from Bt48 as we assume higher gross refining margins (GRM). We think the recent jump in GRM could be short-lived, and we remain cautious longer term due to potential refining overcapacity. For Thailand energy exposure, we prefer BANPU and PTT.

GRM recovery

We upgrade our Singapore GRM assumptions to \$2.5/4.0/4.5 per bbl in 2021-23F and to \$5.0/bbl longer term. These represent increases of \$0.5-1.0/bbl over our previous forecasts. We have been surprised by the pace of GRM improvement in recent weeks which we attribute to the spill-over impact from tight natural gas and coal markets and a resumption of air travel. For TOP, the higher GRM is partially offset by lower contribution from Global Power Synergy Pcl (GPSC TB, BUY, Bt76.50, covered by Nuttapop Prasitsuksant) due to a stake divestment. Moreover, it will not be until 2025F at the earliest that TOP will start recognizing dividend income from its recent investment in Chandra Asri (TPIA IJ, not rated). The loss in GPSC equity contribution and absence of new Chandra Asri dividend income explain our earnings cuts in 2023-24F despite our higher GRM assumptions.

Winter demand

We believe the oil product market is benefiting from sky-high natural gas and coal prices. Global gas prices have risen to such high levels that it is now economical to burn oil for power generation and heating. Still, the potential additional demand for oil will be limited by the relative lack of generators capable of burning oil: According to the IEA, extra oil demand could amount to only 500kbd this winter. Subsequently, we expect demand to normalize.

China's restraint

On the supply side, we believe the biggest near-term driver is China's policy to rein in teapot refineries and cap oil product exports. We think this is partly to control emissions ahead of the Beijing Winter Olympics in February 2022. As such, we see room for a policy reversal once the Olympics are over.

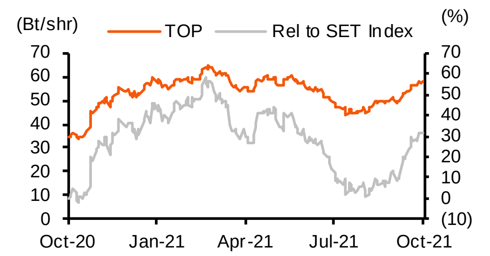
Longer-term supply overhang remains

Longer term, we believe refining overcapacity remains a key issue. The pace of new capacity addition in 2021-24F is comparable to the preceding four years at about 4.6mbd. Moreover, the global capacity utilization rate is likely to remain below the pre-pandemic level through 2023F. This means improvements in refining margins may be limited and slow beyond the peak gas-to-oil switching demand.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	247,913	335,811	368,736	378,442
Net profit	(3,301)	5,360	4,735	5,212
Consensus NP	—	8,602	8,486	9,323
Diff frm cons (%)	—	*(37.7)*	*(44.2)*	*(44.1)*
Norm profit	(10,708)	5,360	4,735	5,212
Prev. Norm profit	—	4,020	4,267	6,540
Chg frm prev (%)	—	*33.3*	*11.0*	*(20.3)*
Norm EPS (Bt)	(5.2)	2.6	2.3	2.6
Norm EPS grw (%)	na	na	(11.7)	10.1
Norm PE (x)	na	21.7	24.6	22.3
EV/EBITDA (x)	na	16.2	17.4	15.9
P/BV (x)	1.0	1.0	1.0	0.9
Div yield (%)	1.2	2.1	1.8	2.0
ROE (%)	na	4.5	3.9	4.2
Net D/E (%)	61.2	94.4	144.0	145.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 19-Oct-21 (Bt)	57.00
Market Cap (US\$ m)	3,489.1
Listed Shares (m shares)	2,040.0
Free Float (%)	52.0
Avg Daily Turnover (US\$ m)	25.4
12M Price H/L (Bt)	64.50/33.75
Sector	Energy
Major Shareholder	PTT Pcl 45.03%

Sources: Bloomberg, Company data, Thanachart estimates

We upgrade our Singapore GRM to $2.5/4.0/4.5 per bbl in 2021-23F…

…and to $5/bbl longer term

We upgrade our Singapore gross refining margin (GRM) assumptions to $2.5/4.0/4.5 per bbl in 2021-23F and to $5/bbl longer term. This is up by $0.5/bbl vs. our previous forecasts except for our 2022F estimate where we raise our assumption by $1/bbl. To put these numbers into perspective, GRM normally lies within the range of $4-7/bbl, but has since 2019 collapsed to $0-2/bbl due to oversupply. What this means is that we think GRM will still average at the low end of its normal range despite the sharp increase recently.

For TOP, the higher GRM is partially offset by lower contribution from Global Power Synergy Pcl (GPSC TB, BUY, Bt76.50, covered by Nuttapop Prasitsuksant) due to a stake divestment. Moreover, it will not be until 2025F at the earliest that TOP will be able to start recognizing dividend income from its recent investment in Chandra Asri (TPIA IJ, not rated). The loss in GPSC equity contribution and absence of new Chandra Asri dividend income explain our earnings cuts in 2023-24F despite our higher GRM assumptions.

Ex 1: GRM Upgrades And Earnings Revisions

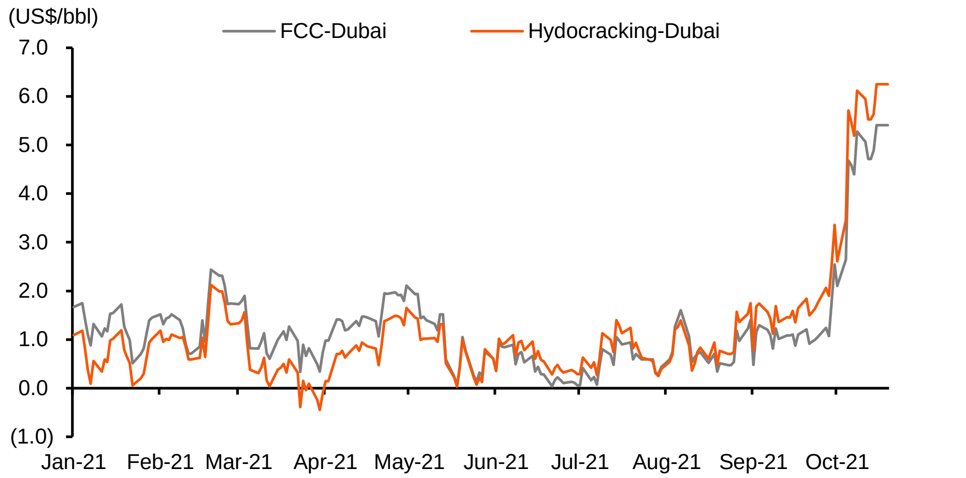
Assumption	Unit	2019	2020	2021F	2022F	2023F	2024F
Singapore GRM							
New / Actual	(US$/bbl)	3.7	0.4	2.5	4.0	4.5	5.0
Old	(US$/bbl)			2.0	3.0	4.0	4.5
Change	*(US$/bbl)*			*0.5*	*1.0*	*0.5*	*0.5*
Equity/dividend income							
New / Actual	(Bt m)	1,276	2,566	1,791	543	619	649
Old	(Bt m)			1,791	1,886	2,149	2,253
Change	*(%)*			*0.0*	*(71.2)*	*(71.2)*	*(71.2)*
Normalized EPS							
New / Actual	(Bt/shr)	2.03	(5.25)	2.63	2.32	2.56	3.35
Old	(Bt/shr)			1.97	2.09	3.21	4.14
Change	*(%)*			*33.3*	*11.0*	*(20.3)*	*(19.2)*

Sources: Company data, Thanachart estimates

Admittedly, the recent improvement in GRM has been much faster than we had anticipated. We believe the sudden jump in GRM is explained by a surge in gas-to-oil switching for electricity generation and by China's clampdown on teapot refineries on the supply side.

Singapore GRM has seen a sharp recovery

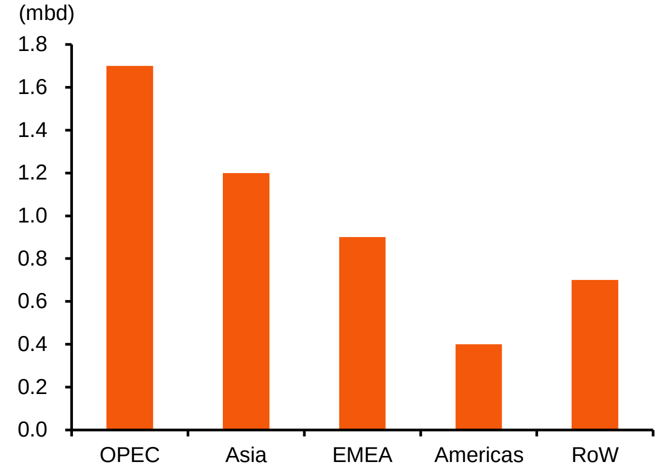
Ex 2: A Very Sharp Recovery For Singapore Refining Margins



Sources: Bloomberg, Company data, Thanachart

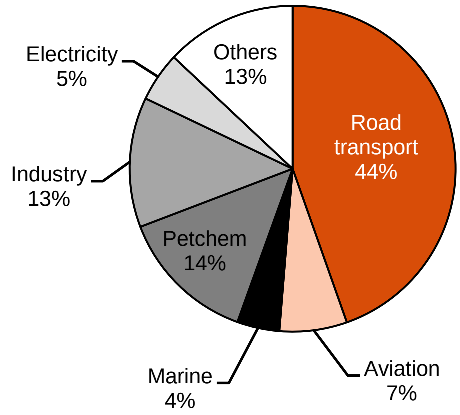
With Asian spot LNG and European gas prices trading well above $30/mmbtu, it is more economical now to burn oil for electricity generation wherever possible. Still, the ability to switch to oil from gas or coal is likely limited by infrastructure and possibly concentrated in the Middle East (OPEC countries). According to the IEA, the extra oil demand for electricity generation and heating could amount to about 500kbd this winter.

Ex 3: Oil Consumed In Electricity Generation In 2019



Source: OPEC

Ex 4: Oil Demand By End Use 2019

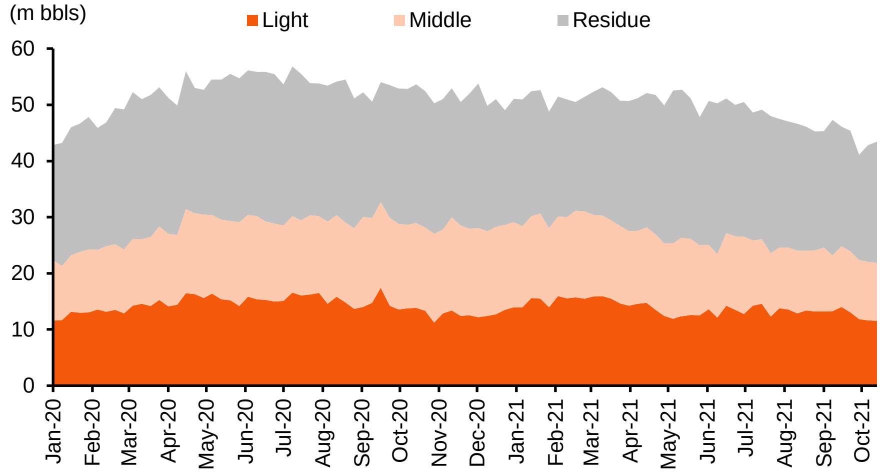


Source: OPEC

The impact of gas-to-oil switching is most evident in the inventory drawdowns where residual fuel oils have seen the sharpest drop among the three major product categories. In Singapore, inventories of residues fell by over 11% m-m in September, outpacing the 3% fall in distillates and 10% decline in light-end (most of which is likely LPG and naphtha drawdowns rather than that of gasoline). In the most recent two weeks, we have begun to see inventories of fuel oil rising again. We think this is due to a supply response by regional refineries. We think the extra demand from electricity generation and heating will last another four to five months. After that, we expect to see a pullback in GRM, though to a level that is above cash cost.

Fuel oil inventories have seen a sharp decline in September

Ex 5: Singapore Oil Product Inventories Have Seen Sharp Drops In Recent Weeks



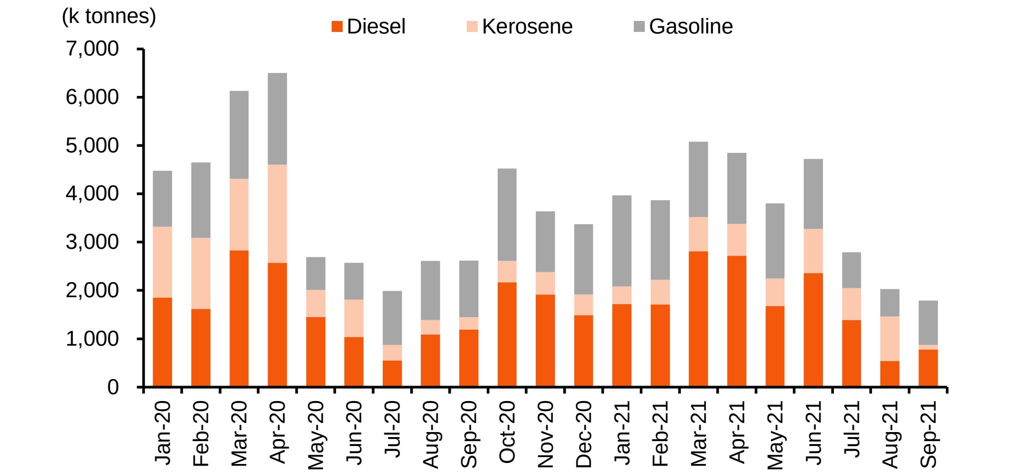
Source: Enterprise Singapore

On the supply side, we believe China's curbs on teapot refineries and limited oil export quotas have helped to balance the market. We think this has a lot to do with preparations

China has reined in teapot refineries and restricted oil product exports ahead of the Winter Olympics

for the Beijing Winter Olympics which are set to take place in February 2022. The Chinese government has made it clear it aims to tackle pollution ahead of this major event and has expanded its winter emissions control area to encompass 64 cities and regions. We think part of this drive is to rein in less efficient and more polluting teapot refineries. So far, crude import quotas for these refineries have been lowered by 4% in 2021F vs. 2020. Additionally, China has restricted its oil product export quotas. As such, we have seen a significant drop in the export of gasoline, diesel and kerosene (jet fuel). Combined, exports of these products declined by 8% y-y and over 50% q-q. Seasonally, exports of these products may pick up again in 4Q21-1Q22F though we would still expect y-y declines.

Ex 6: China's Oil Product Exports Have Been Declining Due To Lower Quotas

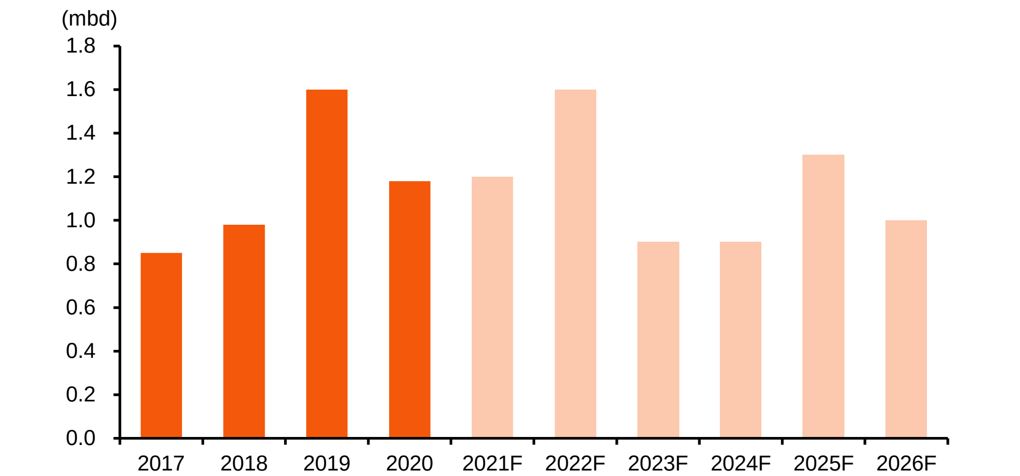


Sources: Company data, Thanachart

We remain cautious on refining longer term given a potential capacity overhang

Longer term, we remain cautious on the GRM outlook due to the supply overhang. According to World Oil Outlook 2021, the pace of new capacity addition in 2021-24 is comparable to cumulative new capacity in the preceding four years at 4.6mbd. In fact, most new capacity will be concentrated in 2021-22 at over 2.8mbd. The pace of supply addition will also remain high in 2025-26F based on projects already announced.

Ex 7: Global New Refining Capacity

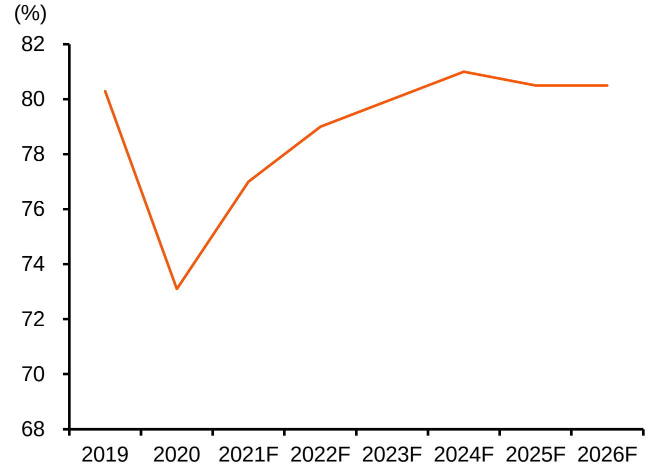


Sources: Company data, Thanachart estimates

Global refining utilization could stay below pre-COVID level through 2023F

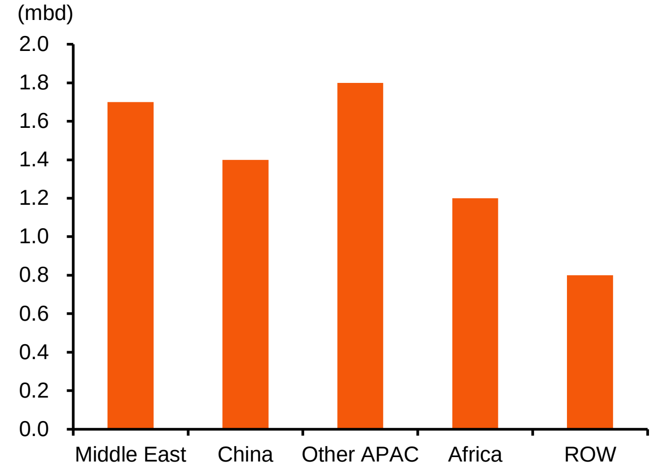
Based on the potential demand recovery and projected new capacity with assumed closures, global capacity utilization rates will likely recover from the 2020 low (73%) to the high 70s in 2021-22F. Still, this is well below the pre-pandemic level of over 80%. Utilization rates will not exceed 80% until 2024F and even then could remain stagnant or fall back as the pace of capacity addition picks up again in 2025-26F. By region, the vast majority of new supplies is located in Asia and the Middle East. This will likely keep Asian refining margins at a discount compared to those in the US and Europe.

Ex 8: Global Refinery Utilization Rate



Source: WOO 2021

Ex 9: New Refining Capacity By Region (2021-26F)



Source: WOO 2021

Ex 10: 12-month DCF-based TP Calculation For Downstream Business, Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		16,656	18,709	25,327	32,340	31,978	31,609	31,233	30,850	30,459	30,061	29,656	
Free cash flow		(64,453)	(2,353)	28,281	18,398	18,234	26,273	25,915	25,541	25,160	24,769	24,371	247,166
PV of free cash flow		(61,639)	(2,060)	22,650	13,486	12,083	15,891	14,303	12,867	11,569	10,395	9,069	91,975
Risk-free rate (%)	5.5%												
Market risk premium (%)	8.0%												
Beta	1.25												
WACC (%)	9.3%												
Terminal growth (%)	0.0%												
Enterprise value - add investments	175,110												
Net cash/(debt) (2021F)	116,994												
Minority interest	4,309												
Equity value	53,807												
# of shares (m)	2,040												
Equity value/share (Bt)	26.00												

Sum-of-the-parts valuation	Value (Bt m)	Per share (Bt/shr)	% of total	Methodology
Downstream	53,807	26	46%	DCF
Power (GPSC)	33,367	16	28%	DCF
Total value per share	**39,000**	**57**		

Sources: Company data, Thanachart estimates

Note: Net debt position is for all businesses except GPSC, which is not consolidated

Valuation Comparison

Ex 11: Comparison With Regional Peers

Company	Code	Country	EPS Growth 21F (%)	EPS Growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div. Yield 21F (%)	Div. Yield 22F (%)	ROE 21F (%)	ROE 22F (%)
Refining & Marketing														
Caltex Australia	CTX AU	Australia	82.2	21.2	na	na	na	na	na	na	na	na	12.1	14.1
BPCL	BPCL IN	India	121.2	(12.2)	9.7	11.0	2.1	1.8	7.8	8.7	4.6	4.3	24.7	16.3
HPCL	HPCL IN	India	160.5	(13.0)	6.1	7.0	1.4	1.2	6.0	7.5	5.7	5.3	24.1	16.9
IOCL	IOCL IN	India	129.5	8.3	8.2	7.6	1.2	1.0	7.3	6.5	6.1	6.2	14.6	13.5
Reliance Industries	RIL IN	India	(0.6)	25.4	39.4	31.4	3.0	2.4	24.2	18.1	0.3	0.3	8.6	7.7
SK Energy	096770 KS	S.Korea	na	85.9	37.2	20.0	1.4	1.4	9.8	8.9	0.7	1.2	4.3	7.8
S-OIL	010950 KS	S.Korea	na	(9.7)	8.6	9.6	1.8	1.6	6.0	6.7	3.3	3.1	22.3	17.9
Petron	PCOR PM	Philippines	na	104.5	18.1	8.8	0.9	0.6	8.6	6.9	2.5	na	5.9	9.3
Formosa Petrochemical	6505 TT	Taiwan	na	(7.6)	19.6	21.2	2.9	2.8	12.0	13.4	3.9	3.2	15.3	12.5
Bangchak *	BCP TB	Thailand	na	na	na	26.4	0.9	0.8	9.2	7.1	0.0	2.1	na	na
ESSO (Thailand) *	ESSO TB	Thailand	na	na	na	154.9	2.2	2.2	38.4	21.8	0.0	0.3	na	na
IRPC Pcl *	IRPC TB	Thailand	na	9.6	16.3	14.9	1.2	1.1	9.7	8.9	3.7	4.0	na	na
PTG Pcl *	PTG TB	Thailand	(3.6)	11.8	14.6	13.1	3.0	2.7	7.0	6.7	3.4	3.8	21.5	21.4
PTT Global Chemicals *	PTTGC TB	Thailand	219.4	(1.2)	12.1	12.3	1.0	1.0	7.3	7.1	5.0	4.9	8.5	8.0
Star Petroleum Refining *	SPRC TB	Thailand	na	na	na	138.9	1.5	1.5	24.9	18.5	0.0	0.3	na	na
SUSCO Pcl	SUSCO TB	Thailand	3.0	23.4	15.6	12.7	0.9	0.9	6.6	5.3	3.3	3.9	5.9	7.1
Thai Oil *	TOP TB	Thailand	na	(11.7)	21.7	24.6	1.0	1.0	16.2	17.4	2.1	1.8	4.5	3.9
Average			**89.0**	**16.8**	**17.5**	**32.1**	**1.6**	**1.5**	**12.6**	**10.6**	**2.8**	**3.0**	**13.3**	**12.1**
Integrated oils														
PetroChina	857 HK	China	na	(9.8)	8.7	9.7	0.6	0.6	3.9	4.0	5.4	4.9	6.6	6.0
Sinopec	386 HK	China	98.6	(4.0)	6.9	7.2	0.6	0.6	3.7	3.6	8.7	8.3	9.2	8.2
Total	FP	France	na	6.9	na	na	na	na	na	na	na	na	13.8	13.8
Eni	ENI IM	Italy	na	27.2	13.4	10.6	1.1	1.1	3.9	3.4	6.9	7.0	8.4	10.1
RD/Shell A	RDSA NA	Netherlands	na	18.6	8.3	7.0	1.0	0.9	4.7	4.5	4.3	4.8	12.0	12.4
Repsol	REP SM	Spain	na	16.1	8.1	7.0	0.8	0.8	4.2	3.9	5.2	5.3	10.7	10.8
Chevron Texaco	CVX US	USA	na	15.2	15.2	13.2	1.6	1.5	6.3	5.9	4.9	5.0	9.5	10.8
Exxon Mobil	XOM US	USA	na	15.7	13.4	11.6	1.6	1.6	6.5	5.9	5.6	5.7	11.5	12.7
Conoco Philips	COP US	USA	na	22.3	14.6	11.9	2.2	2.0	5.8	5.1	2.4	2.5	17.9	19.2
PTT Pcl *	PTT TB	Thailand	182.0	5.2	10.5	10.0	1.2	1.1	4.7	4.2	4.8	5.0	11.7	11.6
Average			**140.3**	**11.3**	**11.0**	**9.8**	**1.2**	**1.1**	**4.8**	**4.5**	**5.3**	**5.4**	**11.1**	**11.6**
Exploration and Production														
Santos	STO AU	Australia	na	32.7	16.7	12.6	2.0	1.8	5.3	4.6	1.6	1.9	11.9	13.8
Woodside	WPL AU	Australia	138.0	32.3	20.0	15.2	1.8	1.8	6.1	5.4	3.7	4.7	9.8	11.8
Suncor Energy	SU US	Canada	na	42.3	8.4	5.9	0.9	0.9	4.8	4.1	3.6	4.2	11.0	13.4
CNOOC	883 HK	Hong Kong	183.2	5.0	5.6	5.3	0.8	0.8	2.0	1.8	7.4	7.8	15.2	14.5
ONGC	ONGC IN	India	(46.2)	125.4	16.0	7.1	0.9	0.8	6.3	4.5	2.0	4.7	6.1	12.2
RIL	RIL IN	India	(0.6)	25.4	39.4	31.4	3.0	2.4	24.2	18.1	0.3	0.3	8.6	7.7
Cairn India	CAIR IN	India	na	na	na	na	na	na	na	na	na	na	na	na
Apache	APA US	USA	na	2.2	7.4	7.3	na	7.4	4.4	4.4	0.4	0.7	(126.5	226.6
Devon Energy	DVN US	USA	na	46.7	13.6	9.3	2.9	2.6	6.4	5.0	2.6	4.9	34.1	32.7
PTTEP *	PTTEP TB	Thailand	68.1	15.8	13.6	11.7	1.3	1.3	4.2	3.8	4.4	5.1	9.9	11.0
Average			**68.5**	**36.4**	**15.6**	**11.7**	**1.7**	**2.2**	**7.1**	**5.7**	**2.9**	**3.8**	**(2.2)**	**38.2**

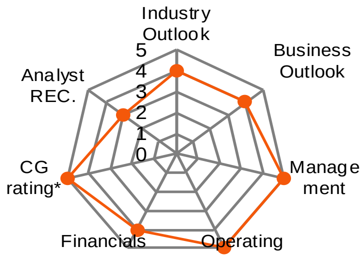
Sources: Bloomberg, * Thanachart estimates
Based on 19 October 2021 closing prices

COMPANY DESCRIPTION

Thai Oil Pcl (TOP) is the flagship refinery under the PTT group which owns a 49% stake in the company. Its capacity of 275kbd makes up 25% of Thailand's total. With a Nelson complexity of 9.8, TOP produces more than 1m tpa of aromatics and 0.3m tpa of lube base oil and bitumen. Its other businesses include power, marine transport and ethanol production.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Some of the lowest operating costs in the region.
- Being part of the PTT group gives TOP secured off-take agreements.
- Strong balance sheet.

W — Weakness

- Volatile earnings due to commodity exposure.
- Limited room for further debottlenecking.

O — Opportunity

- Ability to grow and make acquisitions.
- Ability to upgrade derivatives into value-added plastic products.

T — Threat

- High oil prices could slow local demand and force it to sell in the lower-margin export market.
- Overpaying for acquisitions and higher-than-expected expansion costs.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	57.36	57.00	-1%
Net profit 21F (Bt m)	8,602	5,360	-38%
Net profit 22F (Bt m)	8,486	4,735	-44%
Consensus REC	**BUY: 14**	**HOLD: 5**	**SELL: 8**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings are well below consensus as we likely assume slower GRM improvements and factor in lower equity income.
- Our TP is in line with consensus as we assume longer-term improvement in GRM.

Sources: Bloomberg consensus, Thanachart forecasts

RISKS TO OUR INVESTMENT CASE

- The key upside risk to our call would be lower oil prices, which would serve to decrease cash costs and raise profits.
- A higher-than-expected GRM or aromatics spread (chiefly PX) and a lower-than-expected light sweet crude premium would be secondary upside risks to our call.
- Potential downside risks include slower-than-expected GRM recovery.

Source: Thanachart

We expect earnings decline in 2022F on lower equity income

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	363,916	247,913	335,811	368,736	378,442
Cost of sales	355,113	255,300	327,639	358,284	366,420
Gross profit	**8,802**	**(7,387)**	**8,172**	**10,452**	**12,023**
% gross margin	2.4%	-3.0%	2.4%	2.8%	3.2%
Selling & administration expenses	2,546	2,650	2,529	2,697	2,825
Operating profit	**6,256**	**(10,037)**	**5,643**	**7,755**	**9,198**
% operating margin	1.7%	-4.0%	1.7%	2.1%	2.4%
Depreciation & amortization	7,085	7,554	8,796	9,417	10,043
EBITDA	**13,341**	**(2,483)**	**14,439**	**17,173**	**19,240**
% EBITDA margin	3.7%	-1.0%	4.3%	4.7%	5.1%
Non-operating income	1,728	1,115	2,800	2,101	2,144
Non-operating expenses	0	0	0	0	0
Interest expense	(3,224)	(4,292)	(3,611)	(4,183)	(5,124)
Pre-tax profit	**4,760**	**(13,215)**	**4,831**	**5,673**	**6,217**
Income tax	1,657	(360)	843	990	1,084
After-tax profit	**3,103**	**(12,855)**	**3,989**	**4,684**	**5,133**
% net margin	0.9%	-5.2%	1.2%	1.3%	1.4%
Shares in affiliates' Earnings	1,276	2,566	1,791	543	619
Minority interests	(240)	(419)	(419)	(492)	(539)
Extraordinary items	2,137	7,407	0	0	0
NET PROFIT	**6,277**	**(3,301)**	**5,360**	**4,735**	**5,212**
Normalized profit	**4,140**	**(10,708)**	**5,360**	**4,735**	**5,212**
EPS (Bt)	3.1	(1.6)	2.6	2.3	2.6
Normalized EPS (Bt)	2.0	(5.2)	2.6	2.3	2.6

Balance sheet looks stretched with a major capex and an acquisition

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	134,676	114,229	84,341	90,978	92,836
Cash & cash equivalent	76,611	71,354	15,000	15,000	15,000
Account receivables	22,466	12,702	23,001	25,256	25,921
Inventories	30,292	22,461	35,906	39,264	40,156
Others	5,307	7,712	10,435	11,458	11,759
Investments & loans	33,645	24,521	24,521	24,521	24,521
Net fixed assets	106,559	145,225	186,902	254,076	262,979
Other assets	8,564	22,213	19,847	20,332	20,449
Total assets	**283,445**	**306,188**	**315,611**	**389,906**	**400,784**
LIABILITIES:					
Current liabilities:	38,667	28,620	48,153	60,537	61,615
Account payables	25,015	9,517	20,646	22,577	23,089
Bank overdraft & ST loans	1,576	713	650	974	1,007
Current LT debt	2,754	7,952	15,761	23,623	24,431
Others current liabilities	9,322	10,438	11,096	13,363	13,087
Total LT debt	**115,287**	**136,237**	**115,583**	**173,235**	**179,163**
Others LT liabilities	5,568	21,212	27,897	29,201	29,559
Total liabilities	**159,521**	**186,069**	**191,634**	**262,973**	**270,336**
Minority interest	3,951	3,889	4,309	4,801	5,340
Preferreds shares	0	0	0	0	0
Paid-up capital	20,400	20,400	20,400	20,400	20,400
Share premium	2,456	2,456	2,456	2,456	2,456
Warrants	0	0	0	0	0
Surplus	(3,165)	(2,557)	(2,557)	(2,557)	(2,557)
Retained earnings	**100,281**	**95,930**	**99,370**	**101,833**	**104,808**
Shareholders' equity	119,973	116,229	119,669	122,132	125,107
Liabilities & equity	**283,445**	**306,188**	**315,611**	**389,906**	**400,784**

Sources: Company data, Thanachart estimates

FCF to remain negative for many years due to a heavy capex schedule

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	4,760	(13,215)	4,831	5,673	6,217
Tax paid	(5,313)	584	(885)	(842)	(1,126)
Depreciation & amortization	7,085	7,554	8,796	9,417	10,043
Chg In w orking capital	3,510	2,096	(12,614)	(3,682)	(1,044)
Chg In other CA & CL / minorities	503	(3,353)	(3,851)	(3,473)	(6,181)
Cash flow from operations	**10,544**	**(6,334)**	**(3,723)**	**7,094**	**7,910**
Capex	(33,715)	(46,220)	(49,972)	(76,074)	(18,414)
Right of use	0	(14,729)	(500)	(500)	(500)
ST loans & investments	45	(8)	8	0	0
LT loans & investments	(17,564)	9,124	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,720	26,282	12,660	5,914	6,473
Cash flow from investments	**(47,513)**	**(25,551)**	**(37,803)**	**(70,660)**	**(12,441)**
Debt financing	14,335	27,070	(12,908)	65,838	6,769
Capital increase	0	0	0	0	0
Dividends paid	(4,626)	(1,020)	(1,920)	(2,271)	(2,238)
Warrants & other surplus	(3,336)	578	0	0	0
Cash flow from financing	**6,373**	**26,628**	**(14,828)**	**63,567**	**4,531**
Free cash flow	**(23,171)**	**(52,554)**	**(53,695)**	**(68,980)**	**(10,504)**

GRM recovery looks priced in, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	28.1	na	21.7	24.6	22.3
Normalized PE - at target price (x)	28.1	na	21.7	24.6	22.3
PE (x)	18.5	na	21.7	24.6	22.3
PE - at target price (x)	18.5	na	21.7	24.6	22.3
EV/EBITDA (x)	11.9	na	16.2	17.4	15.9
EV/EBITDA - at target price (x)	11.9	na	16.2	17.4	15.9
P/BV (x)	1.0	1.0	1.0	1.0	0.9
P/BV - at target price (x)	1.0	1.0	1.0	1.0	0.9
P/CFO (x)	11.0	(18.4)	(31.2)	16.4	14.7
Price/sales (x)	0.3	0.5	0.3	0.3	0.3
Dividend yield (%)	2.6	1.2	2.1	1.8	2.0
FCF Yield (%)	(19.9)	(45.2)	(46.2)	(59.3)	(9.0)
(Bt)					
Normalized EPS	2.0	(5.2)	2.6	2.3	2.6
EPS	3.1	(1.6)	2.6	2.3	2.6
DPS	1.5	0.7	1.2	1.0	1.1
BV/share	58.8	57.0	58.7	59.9	61.3
CFO/share	5.2	(3.1)	(1.8)	3.5	3.9
FCF/share	(11.4)	(25.8)	(26.3)	(33.8)	(5.1)

Sources: Company data, Thanachart estimates

ROE to remain in single-digit territory for many years

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(6.5)	(31.9)	35.5	9.8	2.6
Net profit (%)	(38.2)	na	na	(11.7)	10.1
EPS (%)	(38.2)	na	na	(11.7)	10.1
Normalized profit (%)	(60.0)	na	na	(11.7)	10.1
Normalized EPS (%)	(60.0)	na	na	(11.7)	10.1
Dividend payout ratio (%)	48.8	(43.3)	45.0	45.0	45.0
Operating performance					
Gross margin (%)	2.4	(3.0)	2.4	2.8	3.2
Operating margin (%)	1.7	(4.0)	1.7	2.1	2.4
EBITDA margin (%)	3.7	(1.0)	4.3	4.7	5.1
Net margin (%)	0.9	(5.2)	1.2	1.3	1.4
D/E (incl. minor) (x)	1.0	1.2	1.1	1.6	1.6
Net D/E (incl. minor) (x)	0.3	0.6	0.9	1.4	1.5
Interest coverage - EBIT (x)	1.9	na	1.6	1.9	1.8
Interest coverage - EBITDA (x)	4.1	na	4.0	4.1	3.8
ROA - using norm profit (%)	1.5	na	1.7	1.3	1.3
ROE - using norm profit (%)	3.4	na	4.5	3.9	4.2
DuPont					
ROE - using after tax profit (%)	2.6	na	3.4	3.9	4.2
- asset turnover (x)	1.3	0.8	1.1	1.0	1.0
- operating margin (%)	2.2	na	2.5	2.7	3.0
- leverage (x)	2.3	2.5	2.6	2.9	3.2
- interest burden (%)	59.6	148.1	57.2	57.6	54.8
- tax burden (%)	65.2	na	82.6	82.6	82.6
WACC (%)	9.3	9.3	9.3	9.3	9.3
ROIC (%)	3.4	(6.2)	2.5	2.7	2.5
NOPAT (Bt m)	4,079	(10,037)	4,658	6,403	7,593
invested capital (Bt m)	162,978	189,777	236,663	304,965	314,708

Sources: Company data, Thanachart estimates

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