

Thai Oil Pcl (TOP TB) - SELL

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News Update**Details on capital increase finally announced**

- **TOP provides further details on capital increase**
- **Maximum price dilution for capital increase is at 3.6%**
- **10.8% divestment in GPSC will lead to Bt11bn gain**
- **Net D/E will drop to 1x from 1.4x 2021**

In line with TOP's announcement to fund Chandra Asri acquisition in July 2021, TOP finally concluded a deal on selling 10.8% stake in GPSC to PTT and announced details of capital increase.

- The company finally announced a capital increase plan which will issue a new share in total of 275m which breakdown into 239m shares for base offering and 36m for overall allotment. This represents 13% of existing share and will lead to EPS dilution of 11.9%. 80% of the base offering share will be offered to existing shareholders, while another 20% to new shareholders.
- No detail is announced on the price but expected to be completed within 2022. The company final offering price and shares will be set through book building process. However, if we are assuming a 10% discount to current price, we estimate total proceeds of Bt14bn which is higher than initial guidance of Bt10bn and share price dilution of 1%. We estimate maximum share price dilution to be 4% if we assume that TOP will raise only Bt10bn and therefore capital increase price will be at Bt36/share. TOP net gearing is expected to drop to below 1x from 1.4x in 4Q21
- The company also concluded a deal to sell 10.8% stake in GPSC. TOP will receive Bt22.3bn from selling 304m shares in GPSC which implies a selling price of Bt73.5. TOP's GPSC cost is at Bt45/share which implies gain of Bt8.7bn (before tax). Meanwhile, TOP will also have to mark to market the remaining stake of 10% as GPSC's contribution will be reclassified as dividend income from equity income and this will also lead to another gain of Bt8bn. In total, TOP will book gain before tax of Bt16bn and after tax of Bt11bn. Expect the deal to be completed by 2Q22.
- We see this fund-raising process will only be enough to fund Chandra Asri acquisition which the deal is worth Bt39bn vs potential funding from GPSC divestment and capital increase of Bt32-36bn. Clean fuel project (CFP) will still require capex of US\$1.6bn (Bt51bn) vs cash on hand of Bt29bn and EBITDA generation of Bt16-18bn pa over 2022-23F.

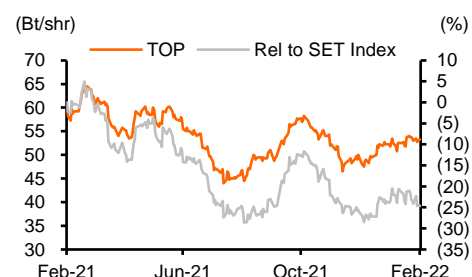
Key Valuations

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	345,496	383,027	359,336	352,568
Net profit	12,578	6,485	6,668	6,915
Norm net profit	5,583	6,485	6,668	6,915
Norm EPS (Bt)	2.7	3.2	3.3	3.4
Norm EPS gr (%)	na	16.2	2.8	3.7
Norm PE (x)	19.5	16.8	16.3	15.7
EV/EBITDA (x)	15.2	17.7	17.9	13.6
P/BV (x)	0.9	0.9	0.9	0.8
Div. yield (%)	4.9	2.4	2.5	2.5
ROE (%)	4.7	5.3	5.3	5.4
Net D/E (%)	112.8	144.4	165.3	157.5

Source: Thanachart estimates

Stock Data

Closing price (Bt)	53.25
Target price (Bt)	46.00
Market cap (US\$ m)	3,377
Avg daily turnover (US\$ m)	21.3
12M H/L price (Bt)	64.50/44.00

Price Performance

Source: Bloomberg

Ex 1: Estimate share price dilution for capital increase

Current price (Bt/shr)	Assume price discount (%)	Capital increase price (Bt/shr)	IPO proceed (Bt m)	New market cap (Bt m)	Price after capital increase (Bt/shr)	Estimate share dilution (%)
53.25	5%	50.6	13,917	122,547	52.9	-1%
53.25	10%	47.9	13,184	121,814	52.6	-1%
53.25	20%	42.6	11,719	120,349	52.0	-2%
53.25	32%	36.4	10,000	118,630	51.2	-4%

Sources: Company data, Thanachart estimates

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