

HOLD (From: BUY)**TP: Bt 39.00**

(From: Bt 37.00)

Change in Recommendation

Upside : 3.3%

16 JANUARY 2023

Bangchak Corporation Pcl (BCPTB)**Accretive value priced in**

We downgrade BCP to HOLD in the wake of its share price rally after the company's ESSO acquisition plan news. We derive a post-acquisition value for BCP of Bt39, which leaves limited upside with significant downside if the deal fails to go through.

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Acquiring a 66% stake in ESSO

BCP plans to acquire a 65.99% stake in Esso (ESSO TB, BUY, Bt9.20) from ExxonMobil Asia Holding in 2H23 with a subsequent tender offer for the remaining shares. This would make BCP the largest oil refiner in Thailand (294kbd of capacity) and the second-largest petrol station operator with 2,100 stations. The deal is positive for BCP in our view for what we see as an attractive acquisition price. Although we do not think refining is a high-return business, the acquisition should create some synergies since both companies operate the same businesses and ESSO's assets remain underutilized in both its refinery and petrol station businesses. BCP estimates a synergy value of Bt1.5bn-2.0bn p.a., or Bt1.1-1.5 per BCP share.

Undervalued acquisition price

BCP's tentative acquisition price of ESSO is Bt8.8/share, which would be adjusted for the 1H23 performance. We value ESSO at Bt12/share using DCF methodology with a 2023F base year (see *ESSO – Mispriced acquisition*, dated 16 January 2023). On a peer valuation of 5.6x EV/EBITDA for the refinery business and 9x for the petrol station business, we estimate ESSO is worth Bt14.1. Based on our TP for ESSO of Bt12.0 vs. the Bt8.8 tentative acquisition price, BCP would gain an immediate accretive value of Bt3.2 per ESSO share, or Bt5.2 per BCP share (assuming BCP acquires a 66% stake in ESSO).

Proforma BCP valuation

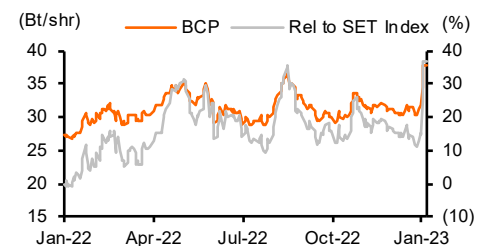
We factor the acquisition into our numbers and now estimate BCP's earnings to rise by 5/50% in 2023-24F, assuming the deal is done in 3Q23 with a 66% stake in ESSO. BCP is trading on a post-acquisition PE of 7.3/6.4x in 2023-24F, which we see as fair compared to the 6.7x refinery sector average. We raise our DCF-based 12-month TP (2023F base year) for BCP to Bt39 (from Bt37). The new TP reflects 1) the abovementioned accretive value of Bt5.2/share, 2) an estimated synergy value of Bt1.5bn p.a., or Bt1.1/share, 3) a reduction of Bt4.0/share to our pre-acquisition TP of BCP from Bt37 to Bt33 due to our earnings cuts on our more conservative GRM assumptions (Exhibit 12).

Downgrading to HOLD

We downgrade BCP to HOLD (from Buy) after its 18% share price rally post-acquisition news. We see only 3% upside left under the acquisition scenario. If the deal falls through, our TP would drop to Bt33. Though BCP is confident it doesn't need to raise capital to finance the deal, we see its balance sheet as quite tight at 1.5-1.7x post-acquisition vs. 0.6x in 3Q22 and its 2.0x covenant level. We see this as an uncomfortable level with too low a cushion for the highly cyclical business BCP operates in.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	199,417	249,634	278,249	250,860
Net profit	7,624	15,770	7,079	7,567
Consensus NP	—	14,471	7,333	6,190
Diff frm cons (%)	—	9.0	(3.5)	22.2
Norm profit	4,592	14,281	7,079	8,062
Prev. Norm profit	—	13,279	6,741	5,372
Chg frm prev (%)	—	7.5	5.0	50.1
Norm EPS (Bt)	3.3	10.4	5.1	5.9
Norm EPS grw (%)	na	211.0	(50.4)	13.9
Norm PE (x)	11.3	3.6	7.3	6.4
EV/EBITDA (x)	4.7	2.9	5.3	5.9
P/BV (x)	1.0	0.8	0.7	0.7
Div yield (%)	5.3	4.8	4.1	4.4
ROE (%)	9.2	23.8	10.3	10.9
Net D/E (%)	68.5	80.8	133.4	112.4

PRICE PERFORMANCE**COMPANY INFORMATION**

Price as of 16-Jan-23 (Bt)	37.75
Market Cap (US\$ m)	1,576.2
Listed Shares (m shares)	1,376.9
Free Float (%)	64.3
Avg Daily Turnover (US\$ m)	6.2
12M Price H/L (Bt)	37.75/26.75
Sector	Energy
Major Shareholder	Social Security Office 14.40%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P10

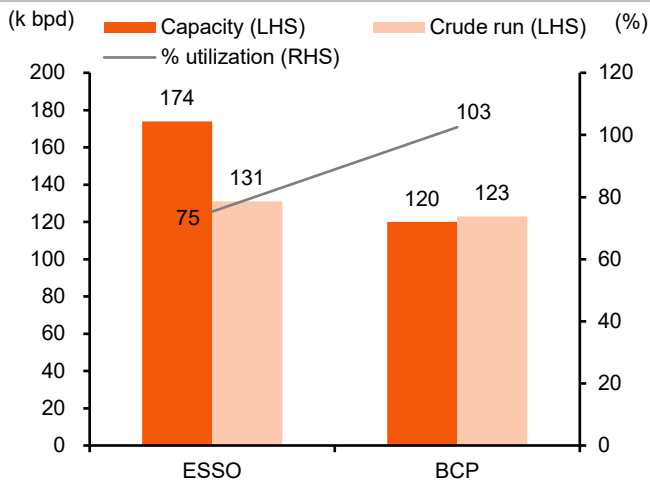


ESSO acquisition

Value-accretive deal

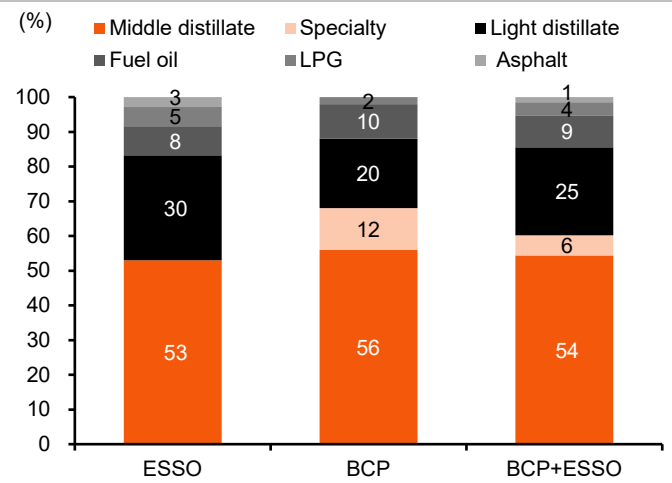
Bangchak Corporation Pcl (BCP) plans to acquire a 65.99% stake in Esso Pcl (ESSO TB, BUY, Bt9.20) from ExxonMobil Asia Holding in 2H23 with a subsequent tender offer for the remaining shares. This would make BCP the largest oil refiner in Thailand with a capacity of 294kbd and the second-largest petrol station operator with 2,100 stations. The deal is positive for BCP in our view as we view the acquisition price as attractive. Although we do not think refining is a high-return business, the acquisition should create some synergies since both companies operate the same businesses and ESSO's assets remain underutilized in both its refinery and petrol station businesses.

Ex 1: Refining Capacity



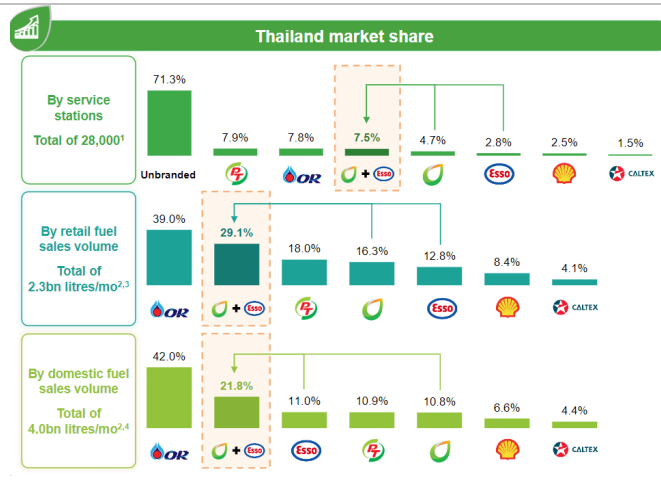
Source: Company data

Ex 2: Refinery Yield



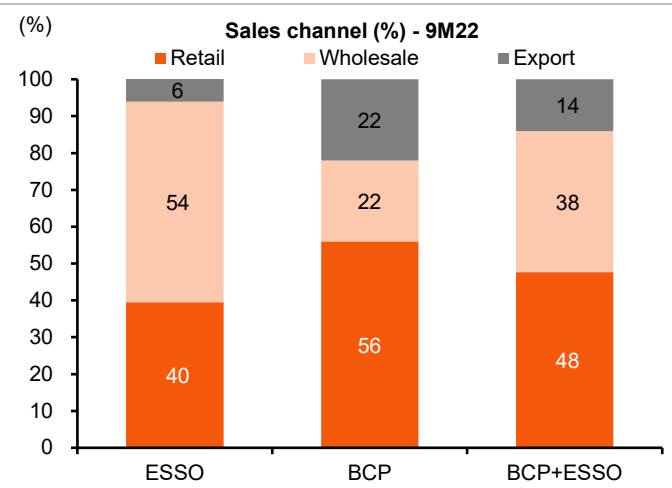
Sources: Company data, Thanachart estimates

Ex 3: Petrol Station Market Share



Source: Company data

Ex 4: Sales Volume By Destination



Sources: Company data, Thanachart estimates

Potential synergies

Several areas of synergy

BCP estimates a synergy value of Bt1.5bn-2.0bn p.a., or Bt1.1-1.5 per BCP share. We identify potential synergies below.

- **Plant utilization enhancement.** ESSO has never run its refinery at full capacity. ESSO's utilization rate averaged 73% during 2012-22 with the highest level being 82%. The key constraint has been that ESSO is already at the maximum capacity of its hydrofiner unit, which is used to remove sulfur and create more high-value products. After the acquisition, we see a chance that BCP would allocate more capex to raise the capacity of the unit. BCP could also help enhance ESSO's crude flexibility to be more suitable for ESSO's plant.
- **Cost savings.** As BCP and ESSO run the same businesses, there should be areas for shared services, such as the SAP program, IT system and HR operations. Currently, ESSO pays many shared service expenses to Exxon to use the group's services. According to BCP, this expense comes to about Bt2.5bn-3.0bn p.a. and BCP could use its system to help reduce costs.
- **Potential future expansion.** BCP's refinery is located in Bangkok with limitations on further expansion. ESSO has 800 rai of land in Sriracha that could be used for future expansion, hopefully for more higher-valued added or higher-margin products such as petrochemical products.
- **Non-oil business expansion.** ESSO's non-oil business exposure lags peers' and we believe it is one of the reasons causing the fall in its market share in the petrol station business. We see room for BCP to add more retail business exposure at ESSO's stations, including Inthanin coffee shops.
- **PX resurrection.** ESSO has a 500,000-tonne paraxylene (PX) plant that is currently mothballed. If the market turns favourable, the plant should be able to be restarted.

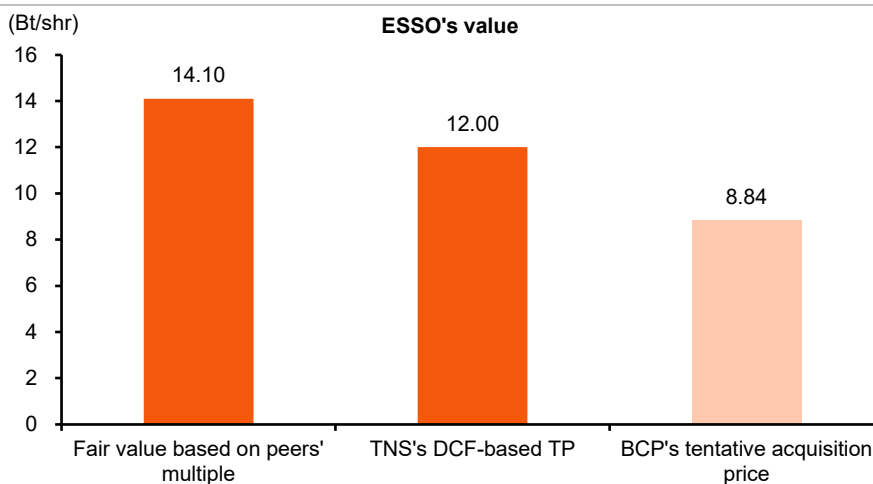
Undervalued acquisition price, in our view

BCP's tentative acquisition price is 26% below our TP for ESSO

BCP's tentative acquisition price of ESSO is Bt8.8/share, which will be adjusted for the 1H23 financial performance. We value ESSO at Bt12/share using DCF methodology with a 2023F base year (see *ESSO – Mispriced acquisition*, dated 16 January 2023).

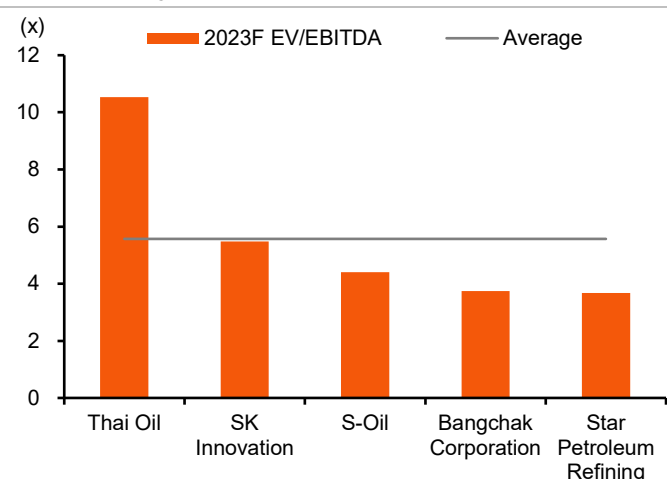
On a peer valuation of 5.6x EV/EBITDA for the refinery business and 9x EV/EBITDA for the petrol station business, we estimate ESSO's value at Bt14.1 Please see Exhibits 6-7 for the peers.

Ex 5: ESSO's Fair Value Vs. BCP's Acquisition Price



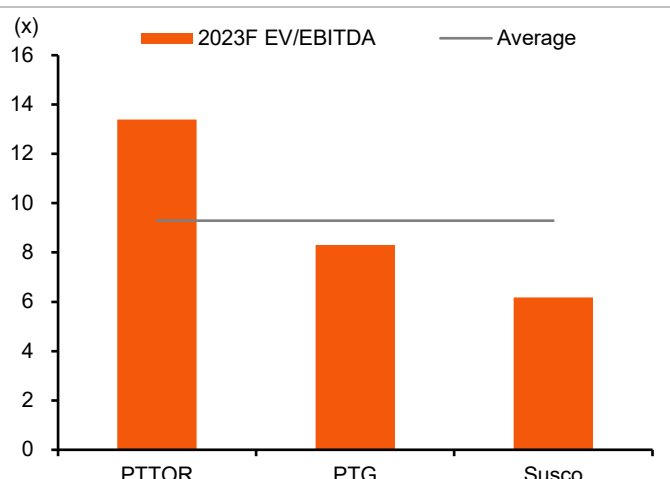
Sources: Thanachart estimates

Ex 6: Refinery Peers' EV/EBITDA (2023F)



Sources: Bloomberg, Thanachart estimates

Ex 7: Petrol Stations Peers' EV/EBITDA (2023F)



Sources: Bloomberg, Thanachart estimates

Discounted price leads to immediate value accretion

Based on our TP for ESSO of Bt12 vs. the Bt8.8 tentative acquisition price, we estimate BCP would gain immediate accretive value of Bt3.2 per ESSO share, or Bt5.2 per BCP share (assuming BCP acquires a 66% stake in ESSO). Exhibit 8 shows our sensitivity analysis for the incremental value of ESSO to BCP at different fair value levels for ESSO.

Ex 8: Sensitivity Of Incremental Value To BCP At Different ESSO Fair Values

	ESSO fair value (Bt/share)	Implied 2023F PE (x)	Implied 2023F P/BV (x)	Estimated incremental value to BCP (Bt m)		Estimated incremental value to BCP per share	
				% stake in ESSO	66%	% stake in ESSO	66%
TNS base case	8.8	5.8	1.1				
	9.0	5.9	1.1	541	357	0.4	0.3
	10.0	6.6	1.2	4,002	2,641	2.9	1.9
	11.0	7.3	1.3	7,463	4,925	5.4	3.6
	12.0	7.9	1.4	10,924	7,209	7.9	5.2
	13.0	8.6	1.6	14,385	9,493	10.4	6.9
	14.0	9.2	1.7	17,846	11,777	13.0	8.6
	15.0	9.9	1.8	21,307	14,060	15.5	10.2

Source: Thanachart estimates

Proforma BCP valuation

*Our post-acquisition BCP
TP is Bt39*

We estimate BCP's profit to rise by 12/31% in 2023-24F after the acquisition assuming the deal is done in 3Q23 for a 66% stake in ESSO. We leave the tender offer aside at this stage as the price is well below the market price and therefore minority shareholders may not accept the tender offer. We also factor in the lower end of BCP's estimated synergy value of Bt1.5bn p.a. and assume this to be fully realized in 2025F.

Ex 9: Estimated Proforma P&L For BCP Post Acquisition

Proforma P&L	2022F	2023F	2024F	2025F
BCP profit	15,770	6,315	5,791	4,941
ESSO's profit (100% stake)	10,273	1,144	3,776	4,247
ESSO's profit (66% stake)	6,780	755	2,492	2,803
Interest expense	(1,465)	(366)	(1,465)	(1,465)
BCP's proforma profit	21,085	6,704*	6,817	6,278
% change	34	6	18	27
Synergy		375	750	1,500
BCP's proforma profit with synergy value	21,085	7,079	7,567	7,778
% change	34	12	31	57

Sources: Thanachart estimates

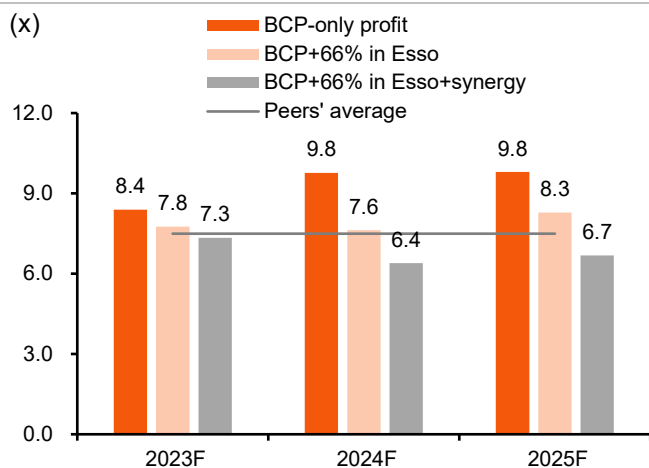
*We assume the deal is closed 3Q23F and profit realized in 4Q23F

Note: We assume BCP's stake in ESSO is at 66%.

*BCP looks fairly priced to
us*

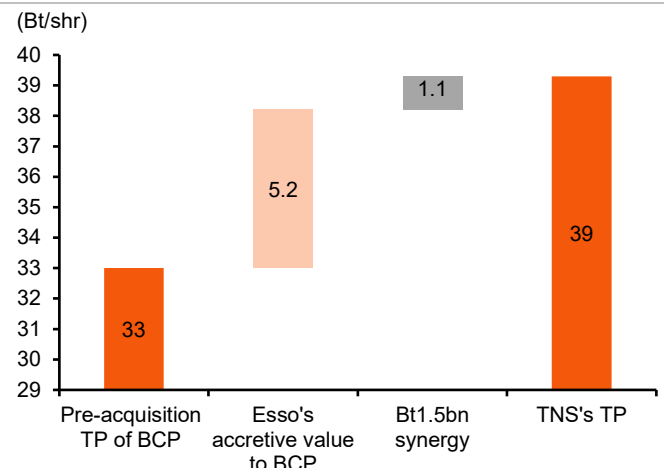
BCP is trading on a post-acquisition PE of 7.3/6.4x in 2024F, which we see as fair compared to the regional refinery sector average of 6.7x. We raise our DCF-based 12-month TP (2023F base year) for BCP to Bt39/share (from Bt37) to reflect the acquisition. The new TP reflects 1) the accretive value from the undervalued acquisition of Bt5.2/share, 2) estimated synergies of Bt1.5bn p.a., or Bt1.1/share, 3) a cut of Bt4.0/share to our pre-acquisition TP for BCP from Bt37 to Bt33 as a result of our downward earnings revisions on our more conservative GRM assumptions (Exhibit 11).

Ex 10: BCP's PE



Sources: Thanachart estimates

Ex 11: TNS's BCP TP Breakdown



Sources: Thanachart estimates

Factoring in ESSO acquisition

We revise up BCP's profit by 5/55% in 2023-24F

We factor the acquisition into our numbers and raise our profit estimates for BCP by 5/55% in 2023-24F assuming the deal is done in 3Q23 for a 66% stake in ESSO. The additional profit from ESSO is offset by our lower GRM assumptions. We cut our GRM assumptions for BCP to US\$7.6/6.7/5.9 per barrel (from US\$8.2/7.3) in 2023-24F.

The GRM assumption cuts are due to better-than-expected energy resource management by Europe in the wake of sanctions on Russia and China's export quota increase. For short-term reasons, this winter has been warmer than expected. Note that for simplicity's sake to reduce the margin of error at this stage of the uncompleted acquisition, we incorporate ESSO's profit in BCP's equity income line.

Ex 12: Our Profit Revisions For BCP

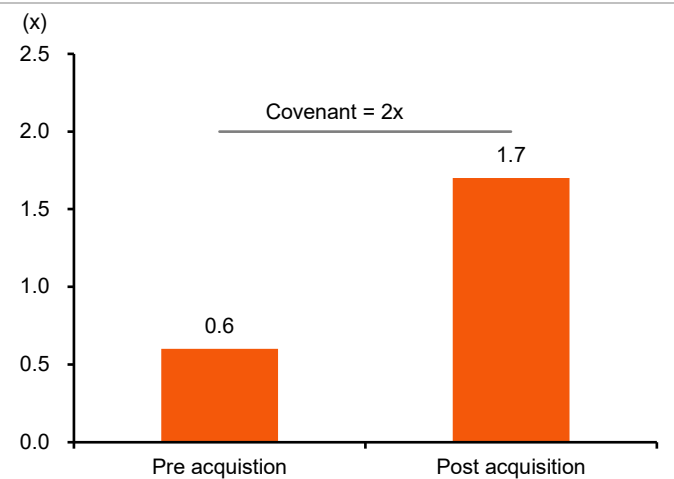
	2019	2020	2021	2022F	2023F	2024F	2025F
Reported profit (Bt m)							
- New	1,731.6	(6,967.1)	7,623.8	15,770	7,079	7,567	7,778
- Old				14,769	6,741	4,877	na
- Change (%)				6.8	5.0	55.2	na
Norm profit (Bt m)							
- New	1,138	(4,450)	4,592	14,281	7,079	8,062	8,258
- Old				13,279	6,741	5,372	na
- Change (%)				7.5	5.0	50.1	na
Market GRM (US\$/bbl)							
- New	5.4	3.2	4.2	13.7	7.6	6.7	5.9
- Old				13.7	8.2	7.3	na
- Change (%)				0%	-7%	-8%	na

Sources: Company data, Thanachart estimates

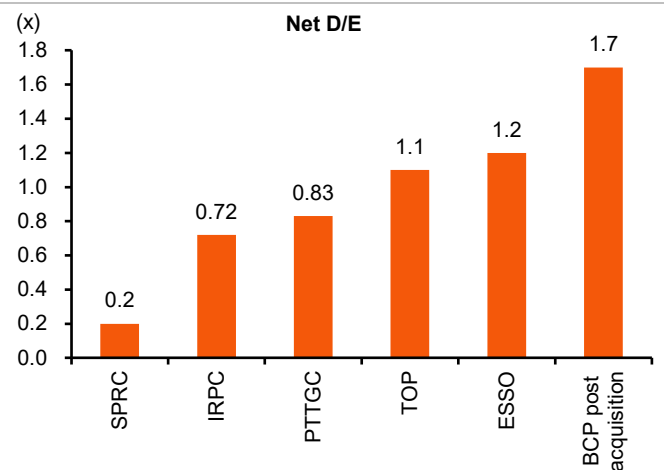
Balance sheet to be quite tight

BCP's net gearing to reach an uncomfortable for us

We estimate BCP's net D/E ratio after the acquisition to be 1.5-1.7x vs. 0.6x in 3Q22 and its debt covenant of 2.0x. BCP's management is confident that it won't need to raise capital to finance the acquisition. Management also expects a strong refinery cycle for the next two years. However, we still see the new gearing ratio as quite tight and no longer providing a comfortable cushion against possible unexpected negative events in the highly volatile refinery market.

Ex 13: BCP's Net D/E Ratio Will Rise Substantially

Sources: Company data, Thanachart estimates

Ex 14: BCP's Net D/E Vs. Peers' (2023F)

Sources: Thanachart estimates

Ex 15: 12-month DCF-based TP Calculation, Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
EBITDA	33,248	27,603	25,918	26,107	27,044	26,907	25,975	25,550	26,248	26,393	26,543	
Free cash flow *	(27,267)	10,913	9,687	10,778	13,345	9,913	10,810	12,236	9,525	11,370	11,574	214,257
PV of free cash flow *	(25,581)	9,602	7,894	8,204	9,488	6,582	6,704	7,088	4,963	5,509	5,216	96,566
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	6.6											
Terminal growth (%)	2.0											
Enterprise value - add investments	142,237											
Net debt (2022F)	69,470											
Minority interest	19,394											
Equity value	53,372											
# of shares (m)	1,377											
Equity value/share (Bt)	39											

Sources: Company data, Thanachart estimates

Note: *Excluding solar farm cash flows; our TP is rounded up

Valuation Comparison

Ex 16: Comparison With Regional Peers

Company	Code	Country	EPS Growth		— PE —		— P/BV —		EV/EBITDA		Div. Yield		— ROE —	
			22F (%)	23F (%)	22F (x)	23F (x)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)	22F (%)	23F (%)
PetroChina	857 HK	China	52.8	(12.7)	5.0	5.8	0.5	0.5	2.9	2.9	9.1	7.7	10.6	8.6
Sinopec	386 HK	China	(0.8)	(2.2)	6.8	6.9	0.6	0.6	3.5	3.5	9.3	9.0	9.1	8.6
Average			26.0	(7.5)	5.9	6.4	0.6	0.5	3.2	3.2	9.2	8.4	9.8	8.6
SK Innovation	096770	S.Korea	na	(24.1)	5.8	7.6	0.7	0.6	4.4	5.7	2.5	2.1	13.3	8.6
S-Oil	010950	S.Korea	58.4	(30.0)	4.2	5.9	1.1	1.0	3.2	4.8	7.7	5.4	29.7	18.5
Average			58.4	(27.0)	5.0	6.8	0.9	0.8	3.8	5.3	5.1	3.8	21.5	13.5
Reliance Industries	RIL IB	India	31.2	18.6	26.9	22.7	2.1	1.9	17.7	13.8	0.3	0.4	8.0	8.5
Indian Oil	IOCL IB	India	65.8	(60.9)	4.6	11.8	0.9	0.9	6.0	9.8	9.3	4.2	19.3	7.4
Bharat Petroleum	BPCL IB	India	(0.3)	(82.1)	7.5	41.8	1.4	1.3	9.0	15.0	7.3	1.6	18.8	5.9
Hindustan Petroleum	HPCL IB	India	(12.6)	(86.5)	5.3	39.4	0.8	1.0	9.4	na	7.0	2.7	17.2	na
Average			21.0	(52.7)	11.1	28.9	1.3	1.3	10.5	12.9	6.0	2.2	15.8	7.3
Marathon Petroleum	MPC US	USA	na	(38.2)	4.8	7.7	2.2	2.0	3.4	5.3	2.1	2.4	44.9	22.2
Valero	VLO US	USA	na	(35.9)	4.9	7.6	2.2	1.9	3.5	5.3	2.9	3.0	50.8	27.5
Phillips 66	PSX US	USA	na	(25.6)	5.3	7.1	1.6	1.5	4.1	5.8	3.7	3.8	40.2	21.5
PBF Energy'	PBF US	USA	na	(58.5)	1.7	4.0	1.0	0.9	1.4	2.8	0.5	1.8	na	27.0
Delek	DK US	USA	na	(35.1)	4.1	6.3	1.5	1.4	3.2	4.0	2.5	3.4	42.7	21.4
Average			na	(38.6)	4.1	6.6	1.7	1.5	3.1	4.6	2.3	2.9	44.7	23.9
Bangchak Corp*	BCP TB *	Thailand	211.0	(50.4)	3.6	7.3	0.8	0.7	2.9	5.3	4.8	4.1	23.8	10.3
ESSO (Thailand) *	ESSO TB *	Thailand	na	(48.3)	3.1	6.0	1.2	1.1	3.1	4.9	12.9	8.3	44.1	18.7
Star Petroleum Refining	SPRC TB *	Thailand	na	(34.4)	5.0	7.7	1.1	1.1	3.4	4.0	11.4	6.5	24.4	14.5
Thai Oil *	TOP TB *	Thailand	416.8	(48.3)	4.0	7.8	0.8	0.7	5.4	10.3	5.3	5.4	20.8	9.6
Average			313.9	(45.4)	3.9	7.2	1.0	0.9	3.7	6.1	8.6	6.1	28.3	13.3
Total Average			104.8	(34.2)	6.0	11.2	1.1	1.0	4.9	6.4	6.2	4.7	24.0	13.3

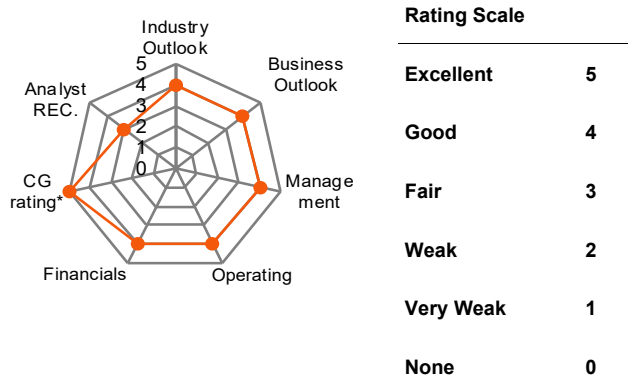
Sources: Bloomberg, * Thanachart estimates
Based on 16 January 2023 closing prices

COMPANY DESCRIPTION

Bangchak Corporation (BCP) engages in a number of businesses with its core operations centring on oil refining (capacity 120,000bpd) and marketing (the No.3 player in Thailand with a 16% market share). In recent years, the company has invested heavily in the power business, chiefly renewable energy via 70%-owned subsidiary BCPG. It has also diversified into new industries such as oil & gas exploration and production.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- An integrated refinery and marketing model. This provides BCP with a high-margin outlet for its refinery.
- Access to high-quality yet relatively low-priced domestic crude oil helps improve its GRM vs. peers.

O — Opportunity

- Diversifying into green energy.

W — Weakness

- Volatile earnings due to its refinery exposure.
- Significant investments in new businesses have yet to pay off.
- Limited opportunity to expand its refinery given constraints over land availability.

T — Threat

- The government intervenes in the marketing margin at the gas station business, especially when oil prices increase rapidly.
- Overpaying for acquisitions and higher-than-expected expansion costs.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	38.81	39.00	0%
Net profit 22F (Bt m)	14,471	15,770	9%
Net profit 23F (Bt m)	7,333	7,079	-3%
Consensus REC	BUY: 12	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F earnings are lower than the Bloomberg consensus estimate, likely as we are more conservative on GRM.
- Our TP is in line with the Street's despite our inclusion of incremental value from ESSO, likely due to us having more conservative GRM and oil price forecasts.

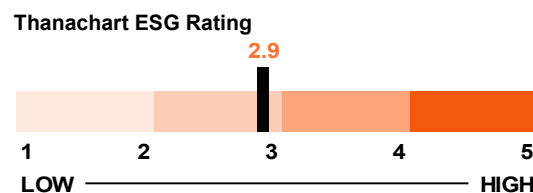
Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- GRM represents the key downside and upside risk to our forecast. If GRM falls substantially, the market could become concerned about BCP's balance sheet. If GRM spikes, this would lead to potential upside to our EPS and TP.
- Lower-than-expected synergies from the acquisition of ESSO would lead to downside risk to our EPS forecasts and TP.

Source: Thanachart

Bangchak Petroleum (BCP) is a refining company with a nationwide network of retail service stations. Our ESG score for BCP is 2.92, which is above the sector average of 2.9 due to its lower energy intensity and clearer targets and initiatives to reduce carbon emissions.



	SETTHSI	THSI	DJSI	Arabesque			S&P	Moody's	CG Rating
	Index	Index	Index	MSCI (CCC-AAA)	S-Ray (0-100)	Refinitiv (0-100)	Global (0-100)	(0-100)	(0-5)
BCP	YES	YES	-	AA	53.27	82.43	84.61	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

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Factors Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- In 2021, BCP released 1.06mt of CO2 equivalent, a 10% increase from 2018. We believe this was due to its business expansion since 2018. However, emission intensity was at 120kg/BOE (barrels of crude oil equivalent), which was below Thai energy peers' average of 280kg/BOE. Most carbon emissions come from its refinery business at 99% of its greenhouse gas (GHG) emissions.
- The company's main strategy to reduce carbon emissions is by introducing green innovations and products as well as improving plant efficiency and promoting the circular economy. BCP manages waste using the 3Rs (Reduce, Reuse & Recycle) strategy.
- BCP has a target to achieve net-zero GHG emissions by 2050 and to be a carbon-neutral organization by 2030.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- BCP group's occupational health and safety management system is in line with international standards. The company had zero cases of significant oil and chemical spills and zero lost-time injury frequency (LTI) in 2021.
- BCP says it tries to ensure employee development as well as employee happiness. In 2021, employees on average received 27.99 hours of training and an employee engagement score of 70%.
- The company also tries to ensure the wellness of the surrounding community. BCP's employees spent 1,762 voluntary hours on plastic water bottle collection through its "Rak Pan Sook" project.

GOVERNANCE & SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- BCP has an appropriate board structure, in our view. There are 10 independent directors among the 15 board members, and the chairman of the board is an independent director.
- Its M&A track record has caused some concern in the past with investments in non-core assets such as its lithium and E&P businesses. BCP has seen substantial impairments in its E&P assets. However, this situation has now improved with the company focusing more on its core businesses.
- Balance-sheet strength is better and clear of debt covenants post-capital increase and the IPO of its power and bio-based subsidiaries. However, BCP is subject to forex risk and commodities' price fluctuation risk.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	136,450	199,417	249,634	278,249	250,860
Cost of sales	132,122	179,179	208,998	245,266	224,199
Gross profit	4,328	20,238	40,636	32,983	26,660
% gross margin	3.2%	10.1%	16.3%	11.9%	10.6%
Selling & administration expenses	7,141	7,153	7,370	8,215	7,406
Operating profit	(2,813)	13,085	33,266	24,769	19,254
% operating margin	-2.1%	6.6%	13.3%	8.9%	7.7%
Depreciation & amortization	6,821	8,075	7,920	8,479	8,349
EBITDA	4,008	21,159	41,186	33,248	27,603
% EBITDA margin	2.9%	10.6%	16.5%	11.9%	11.0%
Non-operating income	533	(512)	1,026	1,026	1,026
Non-operating expenses	0	0	0	0	0
Interest expense	(1,969)	(2,540)	(1,734)	(2,519)	(2,707)
Pre-tax profit	(4,250)	10,034	32,558	23,276	17,574
Income tax	(1,589)	4,263	15,222	14,734	11,084
After-tax profit	(2,661)	5,771	17,337	8,542	6,490
% net margin	-2.0%	2.9%	6.9%	3.1%	2.6%
Shares in affiliates' Earnings	(592)	1,042	246	690	3,084
Minority interests	(1,197)	(2,221)	(3,302)	(2,153)	(1,511)
Extraordinary items	(2,517)	3,032	1,490	0	(495)
NET PROFIT	(6,967)	7,624	15,770	7,079	7,567
Normalized profit	(4,450)	4,592	14,281	7,079	8,062
EPS (Bt)	(5.1)	5.5	11.5	5.1	5.5
Normalized EPS (Bt)	(3.2)	3.3	10.4	5.1	5.9

Likely to report a profit decline in 2023F due to the absence of stock gains

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	47,296	69,372	77,165	60,499	55,845
Cash & cash equivalent	21,676	32,829	33,000	10,000	10,000
Account receivables	6,402	15,234	19,070	21,256	19,163
Inventories	16,162	18,497	21,575	25,319	23,145
Others	3,055	2,812	3,520	3,924	3,538
Investments & loans	15,586	14,070	14,070	14,070	14,070
Net fixed assets	54,567	69,233	83,813	118,434	118,085
Other assets	30,874	49,110	55,127	81,229	77,947
Total assets	148,323	201,785	230,175	274,231	265,947
LIABILITIES:					
Current liabilities:	25,502	34,105	40,458	50,184	45,517
Account payables	12,277	15,651	18,255	21,423	19,583
Bank overdraft & ST loans	3,975	1,257	5,124	6,700	6,111
Current LT debt	5,174	9,464	9,735	12,730	11,610
Others current liabilities	4,076	7,734	7,344	9,331	8,213
Total LT debt	54,095	69,787	87,612	114,572	104,493
Others LT liabilities	10,409	28,334	16,090	16,529	16,109
Total liabilities	90,006	132,226	144,160	181,285	166,119
Minority interest	11,950	16,092	19,394	21,547	23,059
Preferreds shares	0	0	0	0	0
Paid-up capital	1,377	1,377	1,377	1,377	1,377
Share premium	11,157	11,157	11,157	11,157	11,157
Warrants	0	0	0	0	0
Surplus	10,732	12,069	12,069	12,069	12,069
Retained earnings	23,100	28,863	42,017	46,795	52,165
Shareholders' equity	46,366	53,467	66,621	71,399	76,769
Liabilities & equity	148,323	201,785	230,175	274,231	265,947

Balance sheet to become quite stretched post ESSO acquisition

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(4,250)	10,034	32,558	23,276	17,574
Tax paid	1,589	(4,263)	(15,222)	(14,734)	(11,084)
Depreciation & amortization	6,821	8,075	7,920	8,479	8,349
Chg In working capital	1,139	(7,793)	(4,310)	(2,762)	2,427
Chg In other CA & CL / minorities	6,732	8,341	(852)	2,273	2,352
Cash flow from operations	12,032	14,394	20,095	16,532	19,618
Capex	(8,804)	(22,741)	(22,500)	(43,100)	(8,000)
Right of use	(11,087)	(2,538)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	5,556	1,516	0	0	0
Adj for asset revaluation	(190)	0	0	0	0
Chg In other assets & liabilities	(1,248)	3,531	(16,415)	(25,663)	2,367
Cash flow from investments	(15,773)	(20,231)	(38,915)	(68,763)	(5,633)
Debt financing	15,935	17,513	21,607	31,531	(11,788)
Capital increase	0	0	0	0	0
Dividends paid	(743)	(2,672)	(2,616)	(2,301)	(2,197)
Warrants & other surplus	2,661	2,150	0	0	0
Cash flow from financing	17,854	16,991	18,991	29,230	(13,985)
Free cash flow	3,227	(8,347)	(2,405)	(26,568)	11,618

We expect FCF to be negative in 2023F with heavy capex and lower GRM

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	11.3	3.6	7.3	6.4
Normalized PE - at target price (x)	na	11.7	3.8	7.6	6.7
PE (x)	na	6.8	3.3	7.3	6.9
PE - at target price (x)	na	7.0	3.4	7.6	7.1
EV/EBITDA (x)	23.3	4.7	2.9	5.3	5.9
EV/EBITDA - at target price (x)	23.8	4.8	3.0	5.3	6.0
P/BV (x)	1.1	1.0	0.8	0.7	0.7
P/BV - at target price (x)	1.2	1.0	0.8	0.8	0.7
P/CFO (x)	4.3	3.6	2.6	3.1	2.6
Price/sales (x)	0.4	0.3	0.2	0.2	0.2
Dividend yield (%)	3.7	5.3	4.8	4.1	4.4
FCF Yield (%)	6.2	(16.1)	(4.6)	(51.1)	22.4
(Bt)					
Normalized EPS	(3.2)	3.3	10.4	5.1	5.9
EPS	(5.1)	5.5	11.5	5.1	5.5
DPS	1.4	2.0	1.8	1.5	1.6
BV/share	33.7	38.8	48.4	51.9	55.8
CFO/share	8.7	10.5	14.6	12.0	14.2
FCF/share	2.3	(6.1)	(1.7)	(19.3)	8.4

Sources: Company data, Thanachart estimates

BCP looks fairly priced to us

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(28.4)	46.1	25.2	11.5	(9.8)
Net profit (%)	na	na	106.9	(55.1)	6.9
EPS (%)	na	na	106.9	(55.1)	6.9
Normalized profit (%)	na	na	211.0	(50.4)	13.9
Normalized EPS (%)	na	na	211.0	(50.4)	13.9
Dividend payout ratio (%)	(27.7)	36.1	15.7	30.0	30.0
Operating performance					
Gross margin (%)	3.2	10.1	16.3	11.9	10.6
Operating margin (%)	(2.1)	6.6	13.3	8.9	7.7
EBITDA margin (%)	2.9	10.6	16.5	11.9	11.0
Net margin (%)	(2.0)	2.9	6.9	3.1	2.6
D/E (incl. minor) (x)	1.1	1.2	1.2	1.4	1.2
Net D/E (incl. minor) (x)	0.7	0.7	0.8	1.3	1.1
Interest coverage - EBIT (x)	na	5.2	19.2	9.8	7.1
Interest coverage - EBITDA (x)	2.0	8.3	23.7	13.2	10.2
ROA - using norm profit (%)	na	2.6	6.6	2.8	3.0
ROE - using norm profit (%)	na	9.2	23.8	10.3	10.9
DuPont					
ROE - using after tax profit (%)	na	11.6	28.9	12.4	8.8
- asset turnover (x)	1.0	1.1	1.2	1.1	0.9
- operating margin (%)	na	6.3	13.7	9.3	8.1
- leverage (x)	2.8	3.5	3.6	3.7	3.6
- interest burden (%)	186.4	79.8	94.9	90.2	86.7
- tax burden (%)	na	57.5	53.2	36.7	36.9
WACC (%)	6.6	6.6	6.6	6.6	6.6
ROIC (%)	(3.1)	8.6	17.5	6.7	3.6
NOPAT (Bt m)	(2,813)	7,525	17,713	9,090	7,111
invested capital (Bt m)	87,934	101,145	136,092	195,401	188,983

Sources: Company data, Thanachart estimates

We expect net D/E to rise post-ESSO acquisition

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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