

BUY (Unchanged)

TP: Bt 12.00 (From: Bt 16.00)

Change in Numbers

Upside : 30.4%

16 JANUARY 2023

Esso (Thailand) Pcl (ESSO TB)

Mispriced acquisition

Although BCP's acquisition plan for ESSO is likely to be an overhang concern keeping ESSO's share price around the current level, we value ESSO at Bt12. We see the current valuation as a floor with potential upside to Bt12 if the deal doesn't go through. Maintain BUY.



YUPAPAN POLPORNPRASERT

662-779-9110

yupapan.pol@thanachartsec.co.th

Exxon planning to exit ESSO

Believed to be a strategic decision, ExxonMobil Asia Holding plans to sell its 66% stake in ESSO to Bangchak Corporation Pcl (BCP TB, HOLD, Bt37.75) at a tentative price of Bt8.8/share which would be adjusted following the financial performance in 1H23. The deal is scheduled to be completed in 2H23. After that, BCP expects to do a tender offer of ESSO shares. The tentative price implies only 5.8x 2023F PE and 1.1x P/BV in 2023F, which we believe looks mispriced.

Mispriced valuation, in our view

ESSO has two key businesses, i.e. a refinery with 174k bpd of capacity and 780 petrol stations. It also makes petrochemical products utilizing feedstock from its refinery (Exhibit 3). We value ESSO using DCF methodology with a 2023F base year at Bt12, which implies 7.8x PE and 1.5x P/BV on 19% ROE. We estimate its 2023F EBITDA breakdown to be 60% refinery and 40% petrol stations. Assigning peer valuations of 5.6x EV/EBITDA for its refinery business and 9.0x for its petrol stations, we estimate ESSO is worth Bt14. Although it seems likely that ESSO's share price will remain low until the deal is complete, we see the current valuation as a floor with attractive potential upside to our TP if the deal falls through. We maintain our BUY on ESSO.

Cutting our earnings and TP

Regardless of the deal, we cut our earnings forecasts for ESSO by 15/8% over 2023-24F and our TP to Bt12 (from Bt16). We see rising risk to the currently high market GRM as Europe has been dealing with energy sourcing much better than had been expected in the wake of sanctions on Russia. China's larger export quota and the warm winter in Europe have also contributed to the lower energy prices. We cut our GRM assumptions for ESSO to US\$6.8/6.7/6.0 per barrel (from US\$7.3/7.0) in 2023-25F and lower our long-term assumption to US\$5.2 (from US\$5.7). See our earnings revisions in Exhibit 8.

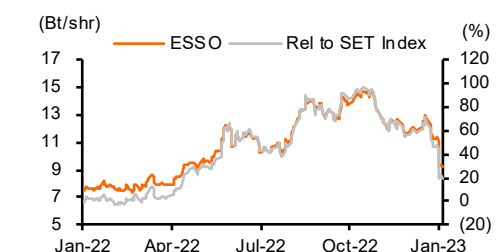
Still a relatively tight market

Despite our GRM assumption cuts above, we still expect a tight refinery cycle for the next three years, with sanctions on Russia remaining as a long-term premium factor. Our Singapore GRM benchmark assumptions are US\$7.0/7.2/7.0 per barrel (revised down by US\$1.0 p.a.) in 2023-25F, while our long-term GRM is US\$6.6 (down from US\$7.0) vs. its 10-year average of US\$6.0. The expected tight market is due to the Russia sanctions factor and scheduled capacity additions that are below the average incremental demand over the next three years (Exhibit 13).

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	172,878	169,762	169,343	165,990
Net profit	4,443	10,275	5,311	4,488
Consensus NP	—	15,084	6,256	6,185
Diff frm cons (%)	—	(31.9)	(15.1)	(27.4)
Norm profit	(1,704)	10,275	5,311	5,315
Prev. Norm profit	—	9,927	6,252	5,760
Chg frm prev (%)	—	3.5	(15.0)	(7.7)
Norm EPS (Bt)	(0.5)	3.0	1.5	1.5
Norm EPS grw (%)	na	na	(48.3)	0.1
Norm PE (x)	na	3.1	6.0	6.0
EV/EBITDA (x)	27.2	3.1	4.9	4.6
P/BV (x)	1.7	1.2	1.1	1.0
Div yield (%)	0.0	12.9	8.3	7.0
ROE (%)	na	44.1	18.7	17.5
Net D/E (%)	146.7	62.2	47.7	33.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 16-Jan-23 (Bt)	9.20
Market Cap (US\$ m)	965.5
Listed Shares (m shares)	3,460.9
Free Float (%)	34.0
Avg Daily Turnover (US\$ m)	10.9
12M Price H/L (Bt)	14.70/7.40
Sector	Energy
Major Shareholder	ExxonMobil Int'l 65.99%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P10



Exxon planning to exit ESSO

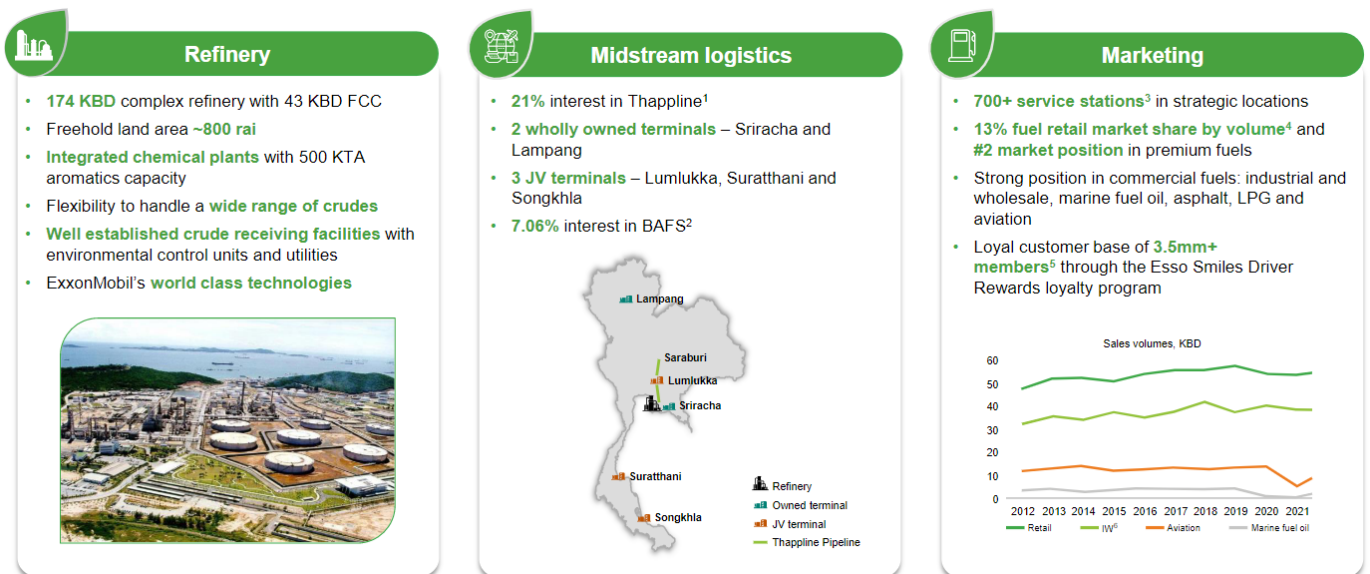
Exxon finally exiting ESSO after planning to do so for many years

Believed to be a strategic direction to achieve its mission of lower-emission fuels and high-performance products, ExxonMobil Asia Holding (Exxon) has for many years been looking to sell its holding in ESSO. It now plans to sell its 66% stake in ESSO to Bangchak Corporation Pcl (BCP TB, HOLD, Bt37.75) at a tentative price of Bt8.8/share. The price would be adjusted following the 1H23 financial performance and the deal is scheduled to be completed in 2H23. After that, BCP expects to do a tender offer of ESSO shares.

Low valuation for a reason

ESSO's share price has collapsed following the deal's announcement. We believe this has been due to the tentative price looking too low. Given that Exxon's decision is strategic rather than based on pricing and that it has been many years in the making, the tentative acquisition price is indeed very low, in our view. There has been a very limited number of interested buyers given the low-return nature of the refinery business and since ESSO isn't integrated much with high-value-added products. BCP, which runs the same refinery and petrol station businesses and has a strong investment mindset for growth, seems to have been difficult for Exxon to find as a buyer for ESSO.

Ex 1: Overview Of ESSO's Business



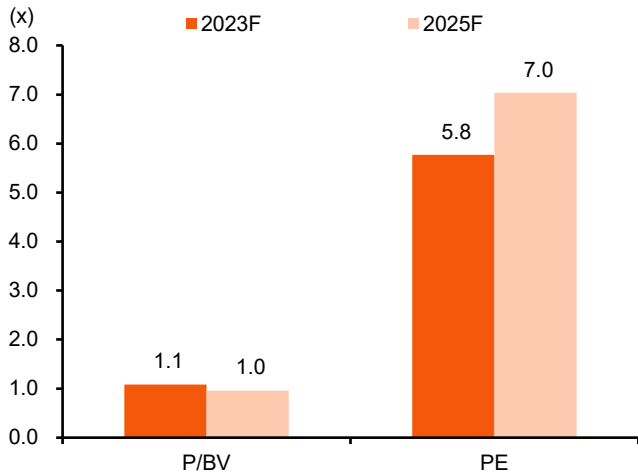
Source: Company data

Mispriced valuation, in our view

The tentative acquisition price is very low in our view

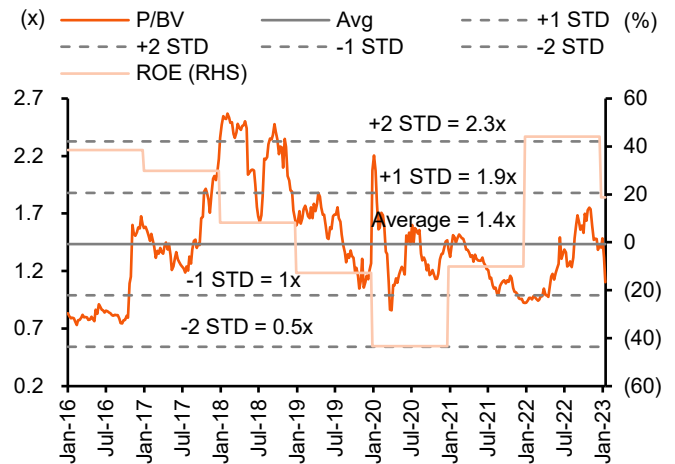
The tentative acquisition price is deeply undervalued in our view. It implies only 5.8x 2023F PE and 1.1x P/BV in 2023F. Even in a more normalized year in 2025F, when we expect market GRM to fall to US\$6.8/bbl from US\$6.0/bbl in 2023F, the tentative price still implies relatively fair PE of 7.0x and P/BV of 1.0x. ESSO traded at an average PE of 6.7x and P/BV of 1.5x during 2015-19.

Ex 2: Valuations At Bt8.8 Tentative Acquisition Price



Source: Thanachart estimates

Ex 3: P/BV Band Vs. ROE



Sources: Bloomberg; Thanachart estimates

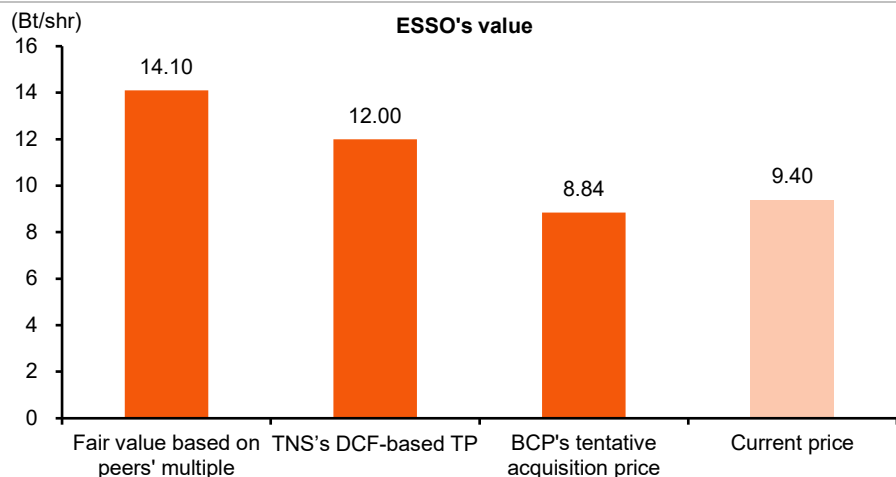
Our TP for ESSO is Bt12.0

We value ESSO using DCF methodology with a 2023F base year of Bt12.0, which implies 7.8x PE and 1.5x P/BV on 19% ROE. Our TP for ESSO is cut from Bt16 previously due to our more conservative view on the gross refining margin (GRM) outlook.

Peer valuation yields a Bt14.1 fair price

We also do a peer valuation where we derive a Bt14.1 value for ESSO. Here we assign peer valuations of 5.6x EV/EBITDA for its refinery business and 9.0x for its petrol station business. Note that ESSO has two key businesses, i.e., a refinery with 174kbd of capacity and 780 petrol stations. It also produces petrochemical products (mainly paraxylene or PX) utilizing feedstock from its refinery. We estimate its 2023F EBITDA breakdown at 60% refinery and 40% petrol stations. Note that its PX plant with 500,000 tonnes of capacity is currently mothballed due to the potentially loss-making return from the low PX spread.

Ex 4: Estimated Fair Values Vs. Current Price

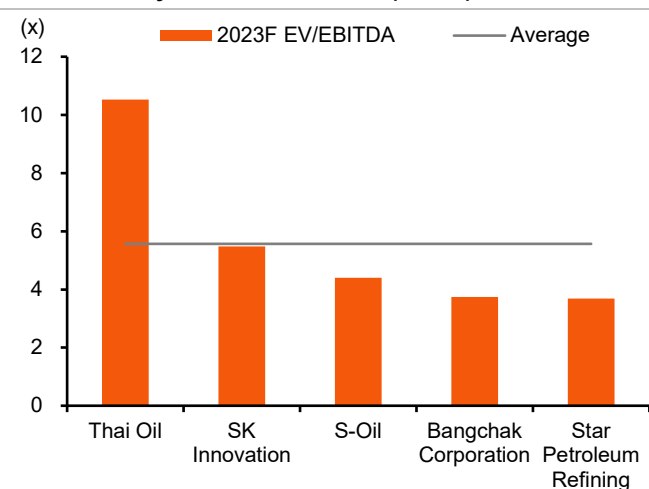


Sources: BCP, Thanachart estimates

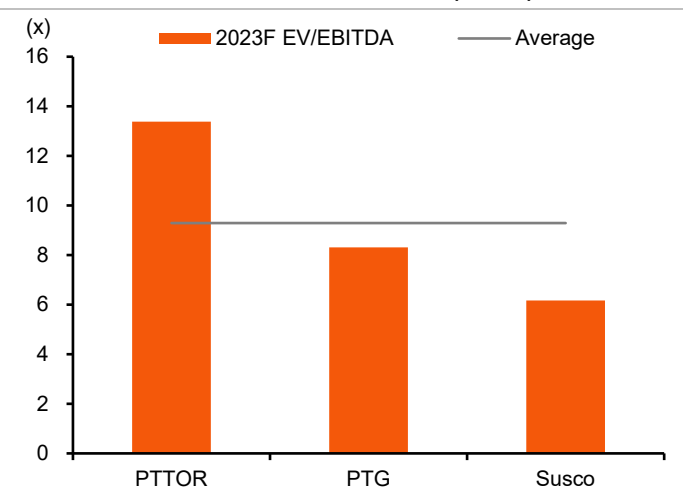
Ex 5: Estimated ESSO Value Based On Peers' Multiples

(Bt m)	2023F EBITDA	EV/EBITDA (x)	Enterprise value
Refinery	5,897	5.6	33,023
Petrol stations	3,440	9.0	30,959
Total	9,337	6.9	63,982
- Net debt			(15,078)
Equity value			48,904
No. of shares (m)			3,461
Price per share (Bt)			14.1

Source: Thanachart estimates

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

Sources: Bloomberg, Thanachart estimates

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

Sources: Bloomberg, Thanachart estimates

A BUY recommendation despite a likely share price overhang

As for our recommendation, despite the high possibility that ESSO's share price will remain low at around the tentative acquisition price until the deal is done in 2H23, we maintain our BUY rating on ESSO. We see the current share price, which is near the tentative price, as near its floor while there is substantial potential upside to our Bt12.0 TP if the deal doesn't go through.

Cutting our earnings and TP

Earnings cuts on more conservative GRM assumptions

Regardless of the deal, we cut our earnings estimates for ESSO by 15/8% over 2023-24F and our DCF-based TP, using a 2023F base year, to Bt12.0 (from Bt16.0). We lower our GRM assumptions for ESSO to US\$6.8/6.7 per barrel (from US\$7.3/7.0) in 2023-25F and our long-term assumption to US\$5.2 (from US\$5.7).

Ex 8: Earnings Revisions

	2019	2020	2021	2022F	2023F	2024F	2025F
ESSO's market GRM (US\$/bbl)							
New	2.23	1.32	3.71	10.7	6.8	6.7	6.0
Old				10.7	7.3	7.0	na
Change (%)				0.0	(6.9)	(4.5)	na
Reported profit (Bt m)							
New	(3,066)	(7,911)	4,443	10,275	5,311	4,488	3,698
Old				11,687	5,242	4,934	na
Change (%)				(12.1)	1.3	(9.0)	na
Core profit (Bt m)							
New	(3,066)	(7,911)	(1,704)	10,273	5,304	5,306	4,349
Old				9,927	6,252	5,760	na
Change (%)				3.5	(15.2)	(7.9)	na

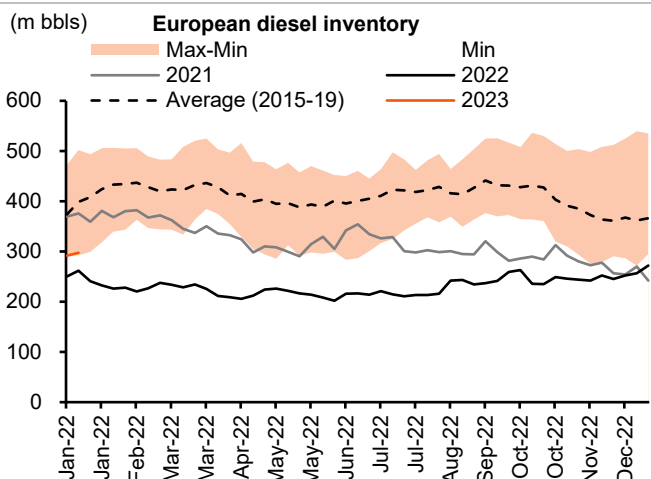
Sources: Company data, Thanachart estimates

Still a relatively tight market

Despite our lower GRM assumptions, we still foresee a tight market

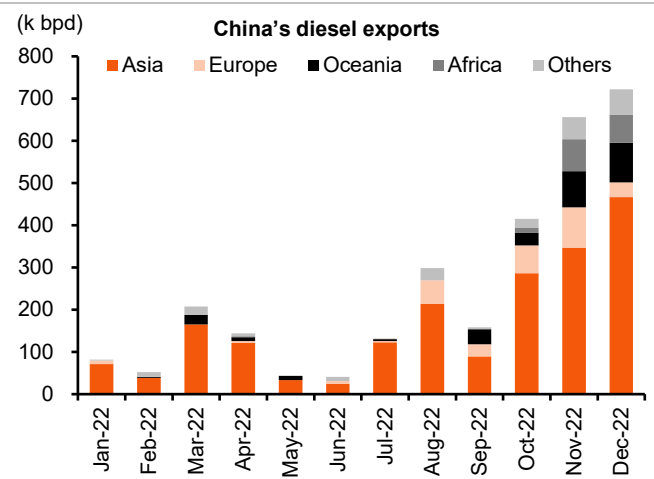
Given the recent falls in many product prices in the energy market, we decide to be more conservative on our GRM outlook as reflected in our GRM assumption cuts above. We believe the price declines have been due to Europe doing much better than expected with its energy sourcing in the wake of sanctions on Russia. Global energy flows seem to have adjusted to the sanctions on Russia better than the market had anticipated earlier. Demand for energy products will also likely be hit by the global slowdown. China's larger export quota this year and the warmer winter in Europe than usual have also contributed to the lower energy prices.

Ex 9: Diesel Inventory In Europe Is Improving



Source: Bloomberg

Ex 10: China, A Potential Supplier To The EU

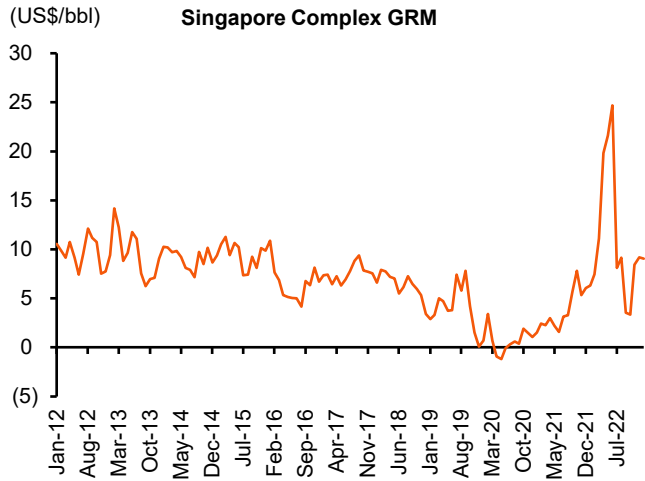


Source: Bloomberg

Tight supply-demand with a Russia sanctions premium

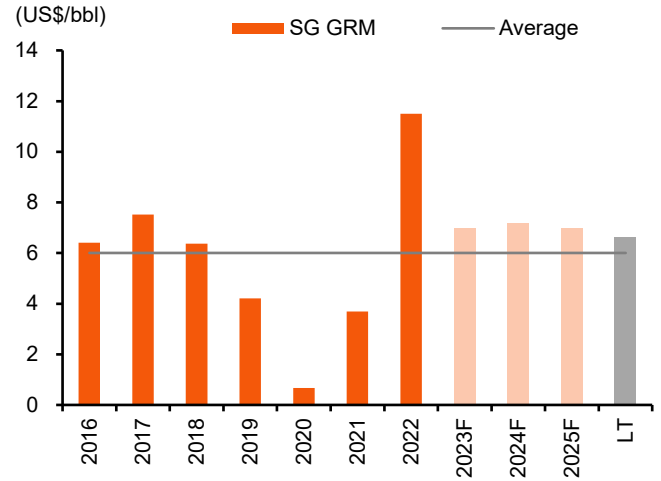
Having said that, we still expect the overall refinery market to be tighter than the pre-Ukraine-Russia war level. We expect GRM to stay above the pre-war level with sanctions on Russia becoming a long-term premium factor. Our Singapore GRM benchmark assumptions are US\$7.0/7.2/7.0 per barrel (cut by US\$1.0 p.a.) in 2023-25F with a long-term GRM of US\$6.6 (down from US\$7.0) vs. its 10-year historical average of US\$6.0. The expected tight market is due to the Russia sanctions factor and scheduled capacity additions that are below the average incremental demand over the next three years.

Ex 11: Singapore Complex GRM



Sources: TOP, Bloomberg; Thanachart estimates

Ex 12: Our Market GRM Forecasts



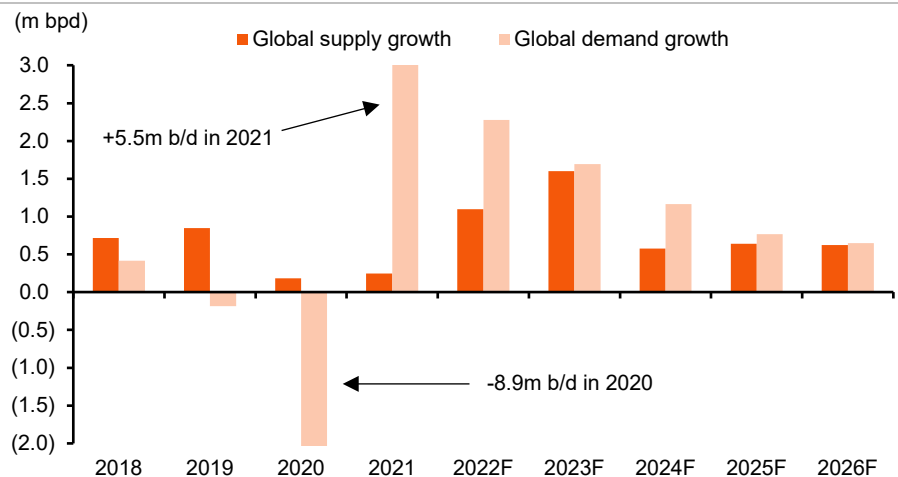
Sources: TOP, Thanachart estimates

Ex 13: Refined Product Spread Assumptions

(US\$/bbl)				New (US\$/bbl)				Old (US\$/bbl)				Change (US\$/bbl)			
	2020	2021	2022	2023F	2024F	2025F	LT	2023F	2024F	2025F	LT	2023F	2024F	2025F	LT
Gasoline-Dubai	4.4	11.0	17.8	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	-	-	-	-
Diesel-Dubai	6.2	6.7	34.3	23.0	20.0	19.0	16.0	29.0	26.0	26.0	19.0	(6.0)	(6.0)	(7.0)	(3.0)
Jet-Dubai	2.6	5.8	30.3	23.0	20.0	19.0	16.0	27.0	24.0	24.0	19.0	(4.0)	(4.0)	(5.0)	(3.0)
HSFO-Dubai	(3.0)	(4.9)	(14.1)	(10.0)	(8.0)	(8.0)	(5.0)	(10.0)	(10.0)	(10.0)	(8.0)	-	2.0	2.0	3.0
SG GRM	0.7	3.1	11.5	7.0	7.2	7.0	6.6	7.9	8.0	8.3	7.0	(0.9)	(0.8)	(1.3)	(0.4)

Sources: TOP, Thanachart estimates

Ex 14: A Tight Supply-Demand Outlook



Sources: TOP; 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 + dividend	9,337	9,174	8,058	8,774	7,915	7,056	6,197	6,268	6,340	6,411	6,482	
Free cash flow	5,784	6,698	5,286	5,888	5,088	4,415	3,743	3,890	3,963	4,035	4,107	60,488
PV of free cash flow	5,356	5,741	4,142	4,253	3,388	2,710	2,118	2,030	1,835	1,715	1,603	23,608
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	8.0											
Terminal growth (%)	2.0											
Enterprise value - add investments	58,500											
Net debt (2022F)	17,054											
Minority interest	8											
Equity value	41,438											
# of shares (m)	3,461											
Equity value/share (Bt)	12.0											

Sources: Company data, Thanachart estimates

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

Esso (Thailand) Pcl (ESSO) is one of the leading refining companies in Thailand. It operates a 177,000bpd complex refinery with a Nelson Complexity of 6.6. It controls 13% of Thailand's refining production capacity and commands around a 15% oil retail market share. ESSO also has a PX capacity of 0.5m tonnes. The company is a 65%-owned subsidiary of ExxonMobil while the Ministry of Finance owns 7%. ESSO has one of the highest sales volumes in the domestic market at over 90%, as its parent, ExxonMobil, has strategically positioned ESSO as a key refinery supplier for Thailand, while ExxonMobil's larger refinery and petrochemical complex in Singapore is used for export markets.

Source: Thanachart

THANACHART'S SWOT ANALYSIS

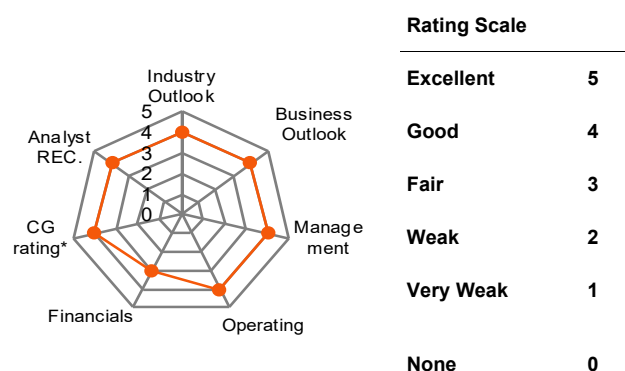
S — Strength

- Technology transfer and benefits of crude sourcing from Exxon – its parent company.

O — Opportunity

- Only moves along with industry; limited growth opportunities in our view.

COMPANY RATING



Source: Thanachart; *CG Rating

W — Weakness

- Inactive parent company policy limits growth potential.
- Government intervention in retail refined oil price easier than at the wholesale level via control of marketing margins.
- Being a less complex refinery would cause the company to have a higher cost structure and is thus less competitive.

T — Threat

- Rivals under the PTT group are active in capacity expansion and new areas of growth potential.
- Threat of substitutes such as electric vehicles may lower demand for oil products.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	13.32	12.00	-10%
Net profit 22F (Bt m)	15,084	10,275	-32%
Net profit 23F (Bt m)	6,256	5,311	-15%
Consensus REC	BUY: 2	HOLD: 3	SELL: 2

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F profit is lower than the Bloomberg consensus estimate, likely as we incorporate more conservative GRM assumptions.
- Consequently, our TP is lower than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

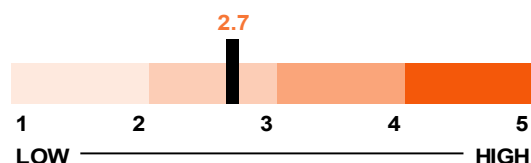
RISKS TO OUR INVESTMENT CASE

- Lower-than-expected refining margins would be the key downside risk to our call.
- Lower-than-expected domestic demand growth would negatively impact ESSO's oil retail business and this is a secondary downside risk to our call.

Source: Thanachart

Esso (Thailand) Pcl (ESSO) is a mid-scale Thai refining company with a capacity of 174k b/d. Our ESG score for ESSO is 2.7, which is at the low end of our coverage. We see ESSO's green-energy strategy still lagging behind those of its peers. We don't believe ESSO has a strong intention to make new investments that need heavy capex in Thailand.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
ESSO	-	-	-	-	46.07	39.95	11.20	-	4.0

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)

Note: Please see third party on "term of use" toward the back of this report.

Factors	Our Comments
<p>ENVIRONMENT</p> <ul style="list-style-type: none"> Environmental Policies & Guidelines Energy Management Carbon Management Water Management Waste Management 	<ul style="list-style-type: none"> ESSO is the Thai refinery with the second-lowest carbon emission intensity level in the sector at 161kg/BOE (barrels of crude oil equivalent) vs. the sector average of 280kg/BOE. However, we still assign the company the lowest ESG score at 2.7 because it lags behind peers in having clear targets and plans for ESG issues. ESSO released 1mt of CO2 equivalent in 2021, which was a 5% reduction in carbon emissions from the 2020 level with an investment of approximately Bt17m. Since 2021, 93% of disposed water from the refinery has been sent for external reuse. ESSO has no concrete target to cut carbon emissions. However, it supports its parent company ExxonMobil's aim to achieve net-zero greenhouse gas (GHG) emissions by 2050. We believe the company's key focus will be on energy optimization for its existing operation and that it is unlikely to make big green investments unless Thailand comes up with clearer policies on carbon pricing.
<p>SOCIAL</p> <ul style="list-style-type: none"> Human Rights Staff Management Health & Safety Product Safety & Quality Social Responsibility 	<ul style="list-style-type: none"> ESSO has high operational safety standards and achieved several safety milestones in 2021. There were no safety lost-time incidents and no reportable spills in 2021. Neither its refinery nor aromatics plants have reported any spills for 14 years while there have been no lost-time incidents for 10 years for its employees and contractors. In 2021, ESSO provided training and skills development for its employees with a proven global training curriculum. The number of employee training hours has increased by 81%. It also provides annual health checks and flu vaccines for staff. ESSO won the platinum award from The American Chamber of Commerce in Thailand in recognition for Corporate Social Responsibility for 12 consecutive years.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> We see ESSO as having an appropriate board structure. There are five independent directors from a total of 13 and there are three female directors. ESSO is dependent on ExxonMobil Corporation in several areas, including for crude purchasing, technology and its global sales network. However, it runs its operation independently and products purchased are based on market prices. We see room for improvement in terms of information disclosure. Relative to refinery peers, we see ESSO having the lowest information disclosure. Earnings volatility is high given the nature of its business that is exposed to fluctuations in oil prices and refining margin. However, the company has low net gearing and limited capex requirements, mainly for its petrol station business and refinery maintenance.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	126,672	172,878	169,762	169,343	165,990
Cost of sales	131,408	168,408	152,082	157,968	154,947
Gross profit	(4,736)	4,471	17,681	11,375	11,042
% gross margin	-3.7%	2.6%	10.4%	6.7%	6.7%
Selling & administration expenses	5,217	5,068	4,976	4,964	4,866
Operating profit	(9,953)	(597)	12,704	6,411	6,177
% operating margin	-7.9%	-0.3%	7.5%	3.8%	3.7%
Depreciation & amortization	2,568	2,808	2,855	2,926	2,997
EBITDA	(7,385)	2,210	15,559	9,337	9,174
% EBITDA margin	-5.8%	1.3%	9.2%	5.5%	5.5%
Non-operating income	70	29	70	71	71
Non-operating expenses	0	0	0	0	0
Interest expense	(360)	(311)	(313)	(226)	(193)
Pre-tax profit	(10,243)	(879)	12,461	6,256	6,054
Income tax	(2,048)	1,051	2,569	1,328	1,122
After-tax profit	(8,195)	(1,930)	9,892	4,928	4,932
% net margin	-6.5%	-1.1%	5.8%	2.9%	3.0%
Shares in affiliates' Earnings	285	227	384	384	384
Minority interests	(1)	(1)	(1)	(1)	(1)
Extraordinary items	0	6,147	0	0	(826)
NET PROFIT	(7,911)	4,443	10,275	5,311	4,488
Normalized profit	(7,911)	(1,704)	10,275	5,311	5,315
EPS (Bt)	(2.3)	1.3	3.0	1.5	1.3
Normalized EPS (Bt)	(2.3)	(0.5)	3.0	1.5	1.5

Core profit likely to remain elevated despite coming off the high base in 2022F

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	22,921	33,784	33,905	34,528	33,915
Cash & cash equivalent	262	802	3,000	3,000	3,000
Account receivables	5,083	8,171	8,024	8,004	7,846
Inventories	13,144	18,786	16,965	17,621	17,284
Others	4,432	6,025	5,917	5,902	5,785
Investments & loans	5,649	4,455	4,455	4,455	4,455
Net fixed assets	24,750	23,706	22,651	21,525	20,328
Other assets	8,058	8,109	8,041	8,031	7,958
Total assets	61,378	70,055	69,053	68,540	66,656
LIABILITIES:					
Current liabilities:	35,446	42,008	32,822	30,809	27,423
Account payables	4,452	5,117	4,621	4,800	4,708
Bank overdraft & ST loans	16,703	19,323	13,367	11,324	8,956
Current LT debt	5,167	5,667	3,920	3,321	2,627
Others current liabilities	9,125	11,900	10,913	11,363	11,132
Total LT debt	6,333	3,999	2,767	2,344	1,854
Others LT liabilities	5,239	4,839	6,036	6,030	5,982
Total liabilities	47,019	50,846	41,624	39,182	35,260
Minority interest	7	7	8	9	10
Preferreds shares	0	0	0	0	0
Paid-up capital	17,075	17,075	17,075	17,075	17,075
Share premium	4,032	4,032	4,032	4,032	4,032
Warrants	0	0	0	0	0
Surplus	325	731	731	731	731
Retained earnings	(7,080)	(2,637)	5,583	7,511	9,550
Shareholders' equity	14,352	19,201	27,421	29,349	31,387
Liabilities & equity	61,378	70,055	69,053	68,540	66,656

With low capex, higher profit should improve its balance sheet

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

Strong cash-flow generation due to limited capex and lower working capital requirements

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	(10,243)	(879)	12,461	6,256	6,054
Tax paid	2,048	(1,051)	(2,569)	(1,328)	(1,122)
Depreciation & amortization	2,568	2,808	2,855	2,926	2,997
Chg In working capital	6,754	(8,064)	1,472	(458)	404
Chg In other CA & CL / minorities	2,269	1,436	(494)	848	270
Cash flow from operations	3,394	(5,751)	13,724	8,244	8,603
Capex	(1,718)	(1,763)	(1,800)	(1,800)	(1,800)
Right of use	(4,287)	(18)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(1,941)	1,193	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,126	5,685	1,265	3	(800)
Cash flow from investments	(4,821)	5,098	(535)	(1,797)	(2,600)
Debt financing	1,259	787	(8,936)	(3,064)	(3,553)
Capital increase	0	0	0	0	0
Dividends paid	(1)	(1)	(2,055)	(3,383)	(2,450)
Warrants & other surplus	153	406	0	0	0
Cash flow from financing	1,411	1,193	(10,991)	(6,447)	(6,003)
Free cash flow	1,676	(7,514)	11,924	6,444	6,803

VALUATION

We think ESSO's valuation looks attractive, at 1.1x 2023F P/BV

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	na	na	3.1	6.0	6.0
Normalized PE - at target price (x)	na	na	4.0	7.8	7.8
PE (x)	na	7.2	3.1	6.0	7.1
PE - at target price (x)	na	9.3	4.0	7.8	9.3
EV/EBITDA (x)	na	27.2	3.1	4.9	4.6
EV/EBITDA - at target price (x)	na	31.5	3.8	5.9	5.7
P/BV (x)	2.2	1.7	1.2	1.1	1.0
P/BV - at target price (x)	2.9	2.2	1.5	1.4	1.3
P/CFO (x)	9.4	(5.5)	2.3	3.9	3.7
Price/sales (x)	0.3	0.2	0.2	0.2	0.2
Dividend yield (%)	0.0	0.0	12.9	8.3	7.0
FCF Yield (%)	5.3	(23.6)	37.5	20.2	21.4
(Bt)					
Normalized EPS	(2.3)	(0.5)	3.0	1.5	1.5
EPS	(2.3)	1.3	3.0	1.5	1.3
DPS	0.0	0.0	1.2	0.8	0.6
BV/share	4.1	5.5	7.9	8.5	9.1
CFO/share	1.0	(1.7)	4.0	2.4	2.5
FCF/share	0.5	(2.2)	3.4	1.9	2.0

With low capex and strong cashflow, we expect ESSO to offer decent yields

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(25.2)	36.5	(1.8)	(0.2)	(2.0)
Net profit (%)	na	na	131.2	(48.3)	(15.5)
EPS (%)	na	na	131.2	(48.3)	(15.5)
Normalized profit (%)	na	na	na	(48.3)	0.1
Normalized EPS (%)	na	na	na	(48.3)	0.1
Dividend payout ratio (%)	0.0	0.0	40.0	50.0	50.0
Operating performance					
Gross margin (%)	(3.7)	2.6	10.4	6.7	6.7
Operating margin (%)	(7.9)	(0.3)	7.5	3.8	3.7
EBITDA margin (%)	(5.8)	1.3	9.2	5.5	5.5
Net margin (%)	(6.5)	(1.1)	5.8	2.9	3.0
D/E (incl. minor) (x)	2.0	1.5	0.7	0.6	0.4
Net D/E (incl. minor) (x)	1.9	1.5	0.6	0.5	0.3
Interest coverage - EBIT (x)	na	na	40.6	28.4	32.0
Interest coverage - EBITDA (x)	na	7.1	49.7	41.3	47.5
ROA - using norm profit (%)	na	na	14.8	7.7	7.9
ROE - using norm profit (%)	na	na	44.1	18.7	17.5
DuPont					
ROE - using after tax profit (%)	na	na	42.4	17.4	16.2
- asset turnover (x)	2.0	2.6	2.4	2.5	2.5
- operating margin (%)	na	na	7.5	3.8	3.8
- leverage (x)	3.5	3.9	3.0	2.4	2.2
- interest burden (%)	103.6	154.7	97.5	96.5	96.9
- tax burden (%)	na	na	79.4	78.8	81.5
WACC (%)	8.0	8.0	8.0	8.0	8.0
ROIC (%)	(20.4)	(1.4)	21.3	11.4	11.6
NOPAT (Bt m)	(9,953)	(597)	10,085	5,050	5,032
invested capital (Bt m)	42,293	47,389	44,474	43,338	41,824

Sources: Company data, Thanachart estimates

We expect net gearing to improve over the next few years

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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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Thanachart Securities Pcl.

Research Team

18 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 779-9119

Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA

Head of Research

Tel: 662-779-9199

pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat

Senior Technical Analyst

Tel: 662-779-9105

pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut

Property, Retail

Tel: 662-779-9109

phannarai.von@thanachartsec.co.th

Sarachada Sornsong

Bank, Finance

Tel: 662-779-9106

sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong

Technical Analyst

Tel: 662-779-9123

witchanan.tam@thanachartsec.co.th

Adisak Phupiphathirungul, CFA

Retail Market Strategy

Tel: 662-779-9120

adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant

Telecom, Utilities

Tel: 662-483-8296

nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom

Auto, Industrial Estate, Media, Prop. Fund

Tel: 662-483-8297

rata.lim@thanachartsec.co.th

Siriporn Arunothai

Small Cap, Healthcare, Hotel

Tel: 662-779-9113

siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat

Analyst, Quantitative

Tel: 662-483-8303

sittichet.run@thanachartsec.co.th

Chak Reungsinpinya

Strategy, Insurance, Paper

Tel: 662-779-9104

chak.reu@thanachartsec.co.th

Pattadol Bunnak

Electronics, Food & Beverage, Shipping

Tel: 662-483-8298

pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak

Construction, Transportation

Tel: 662-779-9112

saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert

Energy, Petrochemical

Tel: 662-779-9110

yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan

Analyst, Retail Market

Tel: 662-483-8304

thaloengsak.kuc@thanachartsec.co.th