

Thai Oil Pcl (TOP TB) - BUY

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News Update**TOP announced oil spill at SBM2**

- Oil spills are mostly controlled in the oil boom
- Marginal refinery utilization impacts
- TOP and ESSO could bear extra shipping cost
- Maintain BUY

TOP announced that there was an oil spill during the oil discharge around the area of the Single Buoy Mooring (SBM-2) of TOP's refinery in Sriracha in Chonburi province.

- Damage:** The valves connecting the SBM-2 were closed, the oil boom and dispersant have been put in place to prevent the oil from spreading. The amount of oil leak was at 50,000-100,000 liter vs SPRC's oil leak of 47,000 liter. However, TOP was able to contain most of the oil spill in the oil boom. Oil spill outside the contained area is only 1.6 square kilometers. We also think TOP's oil leak is likely easier to contain as the leak happen at floating horse which is above water while SPRC's oil leak is at subsea horse which is underwater.
- Operational impact:** The company guides minor impact to refinery utilization rate given it has an inventory amount of 30 days and has SBM1 to be an alternative option or company can use ship-to-ship method under scenario that SBM license suspends.
- Shipping cost could increase.** We think the key concern is whether TOP's SBM license will be suspended. Additionally, the company has an alternative option to use SBM1, but the SBM 1 license may also be subjected to government suspension. Note that SPRC shipping costs double when the company has to use ship-to-ship method and license has been suspended nearly two years already. Esso also use this SBM and therefore would need to pay for extra ship-to-ship cost, but it's still uncertain whether TOP would be responsible for the extra cost.
- Insurance coverage.** TOP hasn't disclosed total damage, but company has several insurances to cover the expenses. The company has 3rd party coverage insurance amount US\$50m with deductible of US\$10,000, pollution US\$25m with deductible US\$1m, and property damage insurance coverage of US\$225m with deductible of US\$5m. Recall that SPRC paid oil spill expense amount US\$48.8m (Bt1.7bn).

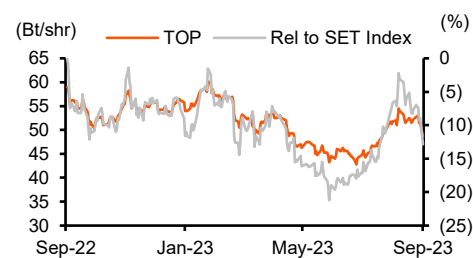
Key Valuations

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Revenue	529,589	428,902	389,795	372,874
Net profit	32,813	12,413	11,978	19,308
Norm net profit	37,825	12,413	11,978	19,308
Norm EPS (Bt)	17.9	5.6	5.4	8.6
Norm EPS gr (%)	561.1	(69.0)	(3.5)	61.2
Norm PE (x)	2.7	8.8	9.1	5.6
EV/EBITDA (x)	4.1	9.4	10.6	7.5
P/BV (x)	0.7	0.7	0.6	0.6
Div. yield (%)	7.6	4.6	4.4	7.1
ROE (%)	27.3	7.8	7.2	11.0
Net D/E (%)	82.0	93.1	96.9	81.3

Source: Thanachart estimates

Stock Data

Closing price (Bt)	48.75
Target price (Bt)	58.00
Market cap (US\$ m)	3,092
Avg daily turnover (US\$ m)	15.2
12M H/L price (Bt)	63.00/42.75

Price Performance

Source: Bloomberg

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