

Thailand Energy Sector

Missing the mark

Sector Valuation			Current price	Target price	Market Cap	Norm EPS grw		— Norm PE —		— P/BV —		— Div. yield —	
Company	BBG Code	Rec.	(Bt)	(Bt)	(US\$ m)	2024F (%)	2025F (%)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)
Bangchak Corporation	BCP TB	BUY	33.75	40.00	1,371	(48.3)	69.9	9.3	5.5	0.6	0.6	1.6	4.1
Bangchak Sriracha	BSRC TB	HOLD	7.20	7.00	735	11.7	(7.0)	8.8	9.5	0.9	0.8	2.5	3.7
IRPC Pcl	IRPC TB	SELL	1.52	1.20	916	na	na	na	na	0.4	0.4	0.0	0.0
Indorama Ventures	IVL TB	BUY	25.75	29.00	4,264	298.1	28.1	22.7	17.7	1.0	0.9	0.0	1.7
PTT Pcl	PTT TB	BUY	33.75	38.00	28,435	0.7	(3.8)	9.6	10.0	0.8	0.8	5.9	5.9
PTT Exploration	PTTEP TB	BUY	126.50	150.00	14,813	(6.1)	(13.7)	6.8	7.9	0.9	0.9	7.5	7.1
PTT Global Chemical	PTTGC TB	SELL	26.50	23.00	3,524	na	na	na	24.1	0.4	0.4	2.8	1.5
Siam Cement Pcl	SCC TB	SELL	209.00	175.00	7,398	(44.9)	76.8	30.4	17.2	0.7	0.7	1.6	2.9
Star Petroleum	SPRC TB	SELL	6.70	5.90	857	na	(1.1)	9.1	9.1	0.7	0.7	3.4	2.9
Thai Oil Pcl	TOP TB	SELL	41.50	39.00	2,734	(41.5)	(16.6)	5.8	6.9	0.5	0.5	3.7	4.8

Source: Thanachart estimates, Based on 1 November 2024 closing prices

We downgrade the Thai energy sector to UNDERWEIGHT and see weaknesses in its cyclical patterns. Its supply cycle is dragging on, and there is a weaker structural cycle due to China emerging as a lower-cost producer. BCP is our preferred choice.

Weaker fundamentals

We downgrade the Thai energy sector to UNDERWEIGHT from Neutral. **First**, the cyclical downcycle is dragging on from the sector's upstream and downstream segments. **Second**, China is becoming a lower-cost producer, likely resulting in structurally lower long-term spread levels for a higher-cost producer like Thailand. **Third**, Thailand has been losing competitiveness in scale and cost, limiting capacity expansion potential in the long term. **Lastly**, with our new earnings assumptions in Exhibit 18, we are bearish on the sector outlook and see its low valuations, especially P/BV, as justified. The sector also doesn't look cheap on a PE multiple basis, in our view.

The China factor

China is the key factor in the petrochemical space for dragging out the cyclical downcycle via its large supply cycle amid soft demand and a weaker structural cycle via its larger scale and lower costs. We cut our petrochemical spread assumptions both in the short and long term. China's potential economic stimulus package could boost confidence, but its impact still looks limited. As for the oil & gas and refining market, due to China's slower demand growth outlook, we downgrade our oil price and refinery margin assumptions. See our assumptions in Exhibit 18.

Not as cheap as it looks

We view the Thai energy sector, trading at an average of 0.7x 2025F P/BV, as unattractive. The low valuation looks justified by deteriorating fundamentals, with the sector ROE averaging just 6.5% in 2025F. Despite the low P/BV, the sector looks expensive on PEs of 12.8/12x in 2024-25F. We project 2024-26F sector earnings growth of -8/2.5/6.9%.

Our top sector pick is BCP

With 2025's challenging industry outlook, our top sector pick is BCP for its cheap valuation, good earnings visibility, and growth from its SAF project. IVL is a BUY on improving earnings from asset rationalization. PTT and PTTEP are BUYs for their resilient earnings and high dividend yields. Among refiners, following our recent TOP downgrade, we cut SPRC to SELL and BSRC to HOLD. In petrochemicals, we downgrade SCC to SELL and reaffirm our SELL calls on PTTGC and IRPC.

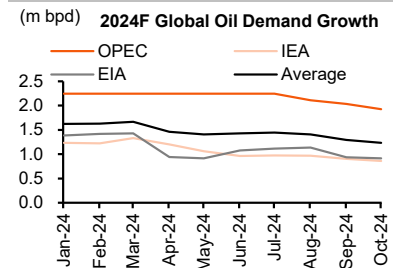


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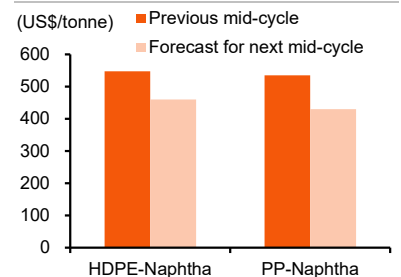
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Oil Demand Growth Downgrade



Source: Bloomberg

Forecast for next mid-cycle



Sources: Bloomberg; Thanachart estimates

Note: We use HDPE and PP over naphtha spreads in 2014-24 as the mid-cycle level in the previous upcycle compared to our mid-cycle assumptions in 2025-35F

Weaker fundamentals

We downgrade the Thai energy sector to UNDERWEIGHT from Neutral. We have five SELLS, one HOLD, and four BUYS, as shown below.

Ex 1: Energy Sector's Valuation Table

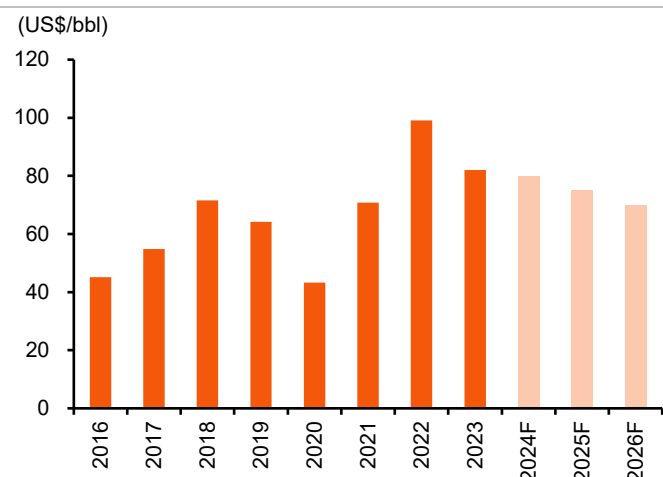
	Rating		Current	Target	Upside/	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —	
	Old	New	price	price	downside	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
			(Bt)	(Bt)	(%)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BCP	BUY	BUY	33.75	40.00	18.5	(48.3)	69.9	9.3	5.5	4.5	4.1	0.6	0.6	1.6	4.1	6.9	11.1
BSRC	BUY	HOLD	7.20	7.00	(2.8)	11.7	(7.0)	8.8	9.5	5.3	5.0	0.9	0.8	2.5	3.7	10.0	8.9
SPRC	BUY	SELL	6.70	5.90	(11.9)	na	(1.1)	9.1	9.1	5.2	5.2	0.7	0.7	3.4	2.9	8.5	7.9
TOP	SELL	SELL	41.50	39.00	(6.0)	(41.5)	(16.6)	5.8	6.9	7.8	9.1	0.5	0.5	3.7	4.8	9.6	7.7
PTT	SELL	BUY	33.75	38.00	12.6	0.7	(3.8)	9.6	10.0	4.4	4.1	0.8	0.8	5.9	5.9	8.9	8.3
PTTEP	BUY	BUY	126.50	150.00	18.6	(6.1)	(13.7)	6.8	7.9	2.1	2.4	0.9	0.9	7.5	7.1	14.2	11.4
PTTGC	SELL	SELL	26.50	23.00	(13.2)	na	na	na	24.1	11.8	9.2	0.4	0.4	2.8	1.5	(1.3)	1.8
SCC	BUY	SELL	209.00	175.00	(16.3)	(44.9)	76.8	30.4	17.2	24.0	12.1	0.7	0.7	1.6	2.9	2.3	3.9
IVL	BUY	BUY	25.75	29.00	12.6	298.1	28.1	22.7	17.7	7.4	6.7	1.0	0.9	0.0	1.7	4.5	5.8
IRPC	SELL	SELL	1.52	1.20	(21.1)	na	na	na	na	20.2	15.2	0.4	0.4	0.0	0.0	(4.1)	(2.0)
Average						24.3	16.6	12.8	12.0	9.2	7.3	0.7	0.7	2.9	3.5	5.9	6.5

Sources: Company data, Thanachart estimates

Weak cyclical cycle

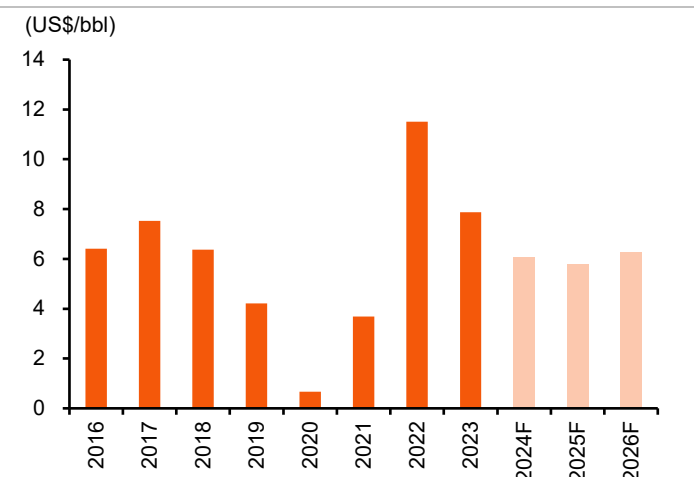
First, we expect the sector's cyclical downcycle to drag on from its upstream and downstream segments. The oversupply situation is across segments from oil to refining and petrochemicals. This is due to China's mediocre economic growth and its continued large supply cycle, along with a potential global slowdown, including the US economy, over the next two years.

Ex 2: Oil Prices Are Range Bound



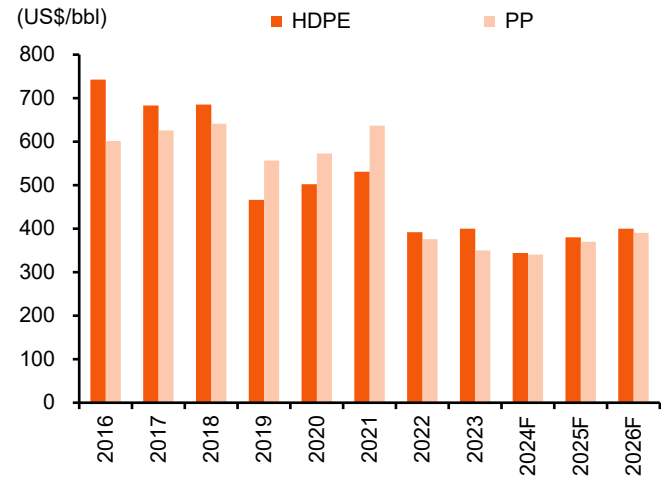
Sources: Bloomberg, Thanachart estimates

Ex 3: Disappointing Singapore GRM



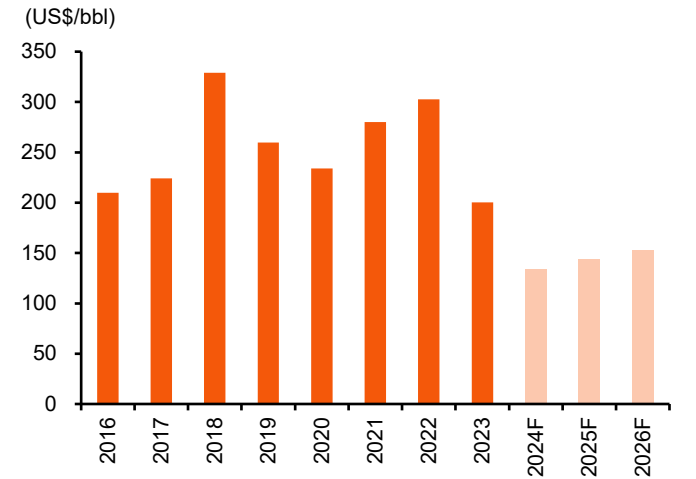
Sources: Bloomberg, Thanachart estimates

Ex 4: Dragging Out Of Petrochemical Downcycle



Sources: Bloomberg, Thanachart estimates

Ex 5: PET Also In A Downcycle

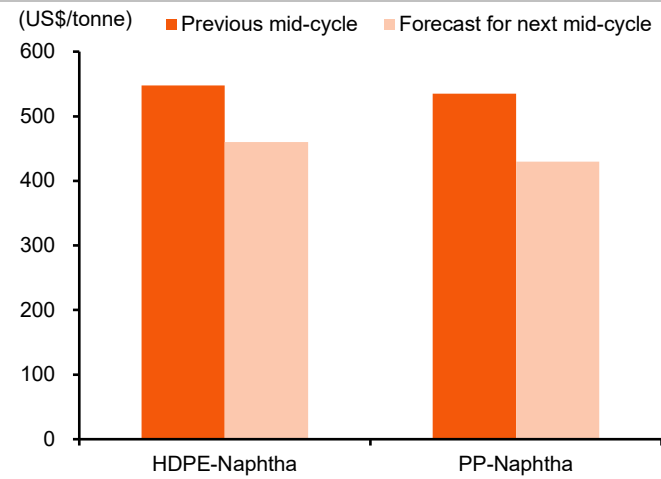


Sources: IVL, Thanachart estimates

Weak structural cycle

Second, we also see a negative structural change factor for Thai energy companies. China is becoming a more dominant and lower-cost producer via its aggressive expansions and large operational scale. This should result in structurally lower long-term spread levels than in the previous cycle for higher-cost producers, including Thailand. We factor this risk into our models via lower long-term spread assumptions.

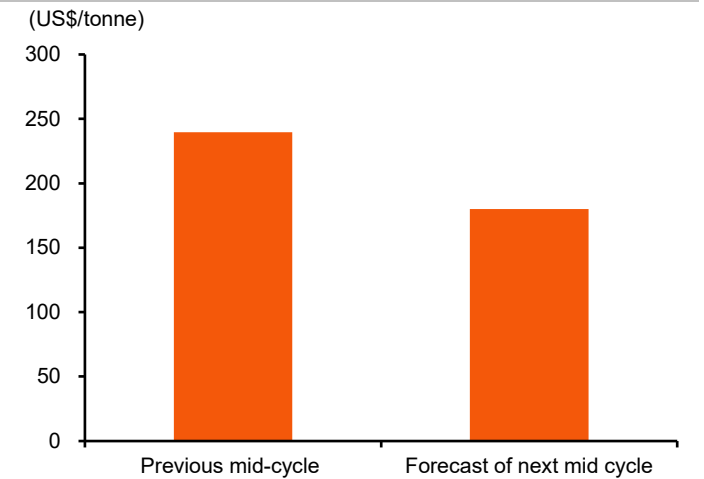
Ex 6: Mid-cycle Spreads To Be Lower



Sources: Bloomberg; Thanachart estimates

Note: We use HDPE and PP over naphtha spreads in 2014-24 as the mid-cycle level in the previous upcycle compared to our mid-cycle assumptions in 2025-35F.

Ex 7: Less Bearish For PET



Sources: IVL, Thanachart estimates

Note: We use IVL's integrated PET Asia spread in 2014-24 as the mid-cycle level in the previous upcycle compared to our mid-cycle assumptions in 2025-35F.

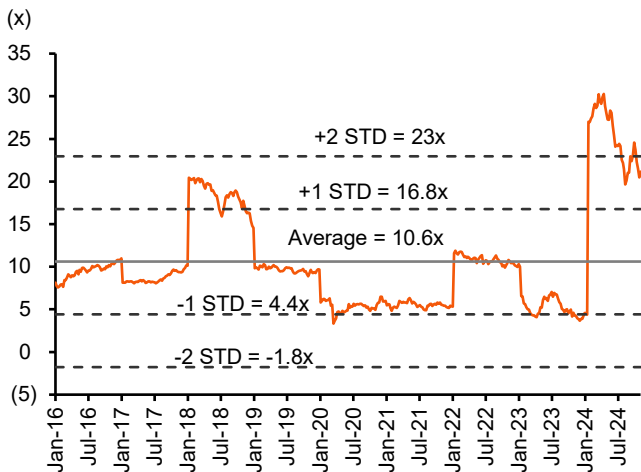
Limited potential for expansions

Third, Thailand has been losing competitiveness, which limits its capacity expansion potential over the long term. This is why there haven't been large-scale petrochemical complex expansions in Thailand for over a decade. Thailand's weaker competitiveness is due to the depletion of its natural gas resources as a cheap raw material source and because China is becoming a much larger player on a far larger scale.

Unattractive valuations, in our view

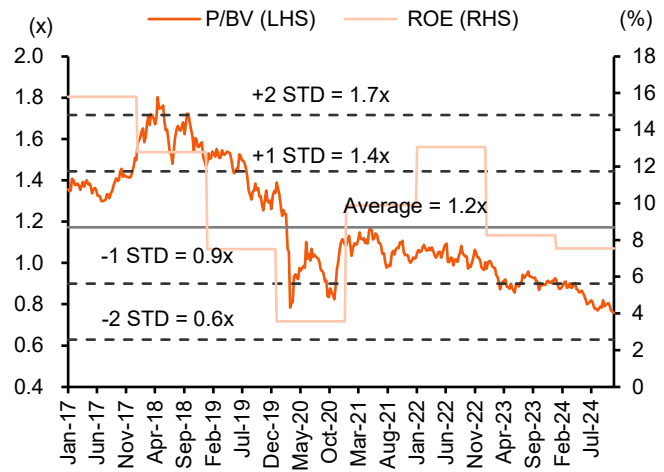
Lastly, despite share prices already underperforming over the past three years, we still don't see the Thai energy sector's valuations as attractive. Its 0.7x 2025F P/BV looks justified by its low ROE of 6.5% in 2025-26F. Meanwhile, the average sector PE appears expensive to us at 12.8x in 2025F vs. EPS growth of -8/2.5/6.9 p.a. in 2025-26F.

Ex 8: Sector PE



Sources: Bloomberg; Company data, Thanachart estimates

Ex 9: Low P/BV Justified With Low Sector ROE



Sources: Bloomberg; Company data, Thanachart estimates

Note: We calculate sector ROE by averaging each company's ROE.

The China factors

China is now both a major consumer and a producer

China plays very important roles in the energy market both as a consumer and a producer, especially in the petrochemical market. In previous cycles, when China was in a much higher GDP growth stage, it consumed far more than it produced and was a net importer of many products. In the current and likely future cycles, China looks set to be a much larger producer, turning to be a net exporter of many products, while its demand growth should slow from a much larger GDP base than in the past.

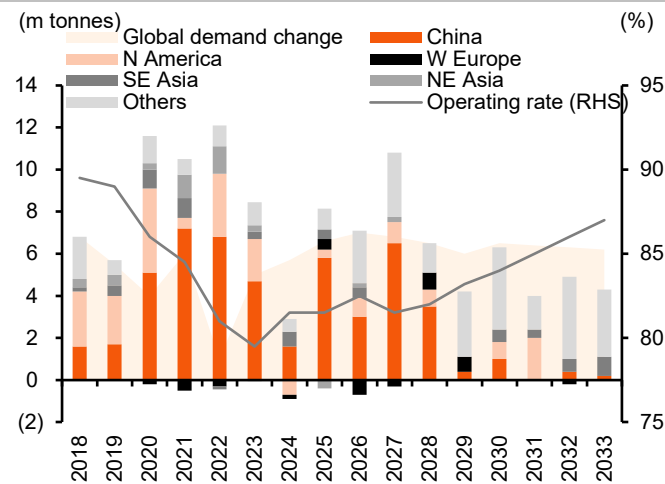
This is causing the cyclical downcycle to drag on

With these changes in demand and supply dynamics for China, we foresee a bearish picture for the Thai energy sector's cyclical and structural cycles. For the cyclical patterns, China's current weak demand against its large petrochemical and refinery capacity expansions means the current global downcycle is likely to drag on for a while. Salt in the wound would be a potential global slowdown, with the US economy having a soft landing or even entering a recession next year.

China's structural impact is lower spreads for higher-cost producers

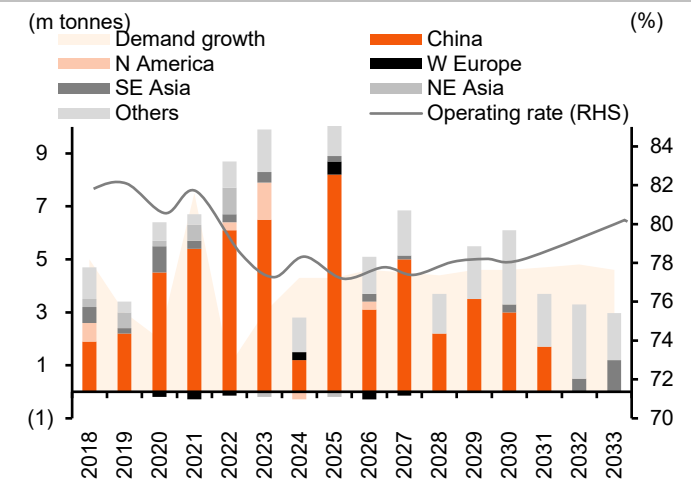
As for the structural cycle, with China becoming a larger-scale and lower-cost producer, we expect long-term petrochemical spreads in future upcycles to be lower than in previous ones for higher-cost producers, including Thailand.

Ex 10: Global Ethylene New Supply Vs. Demand



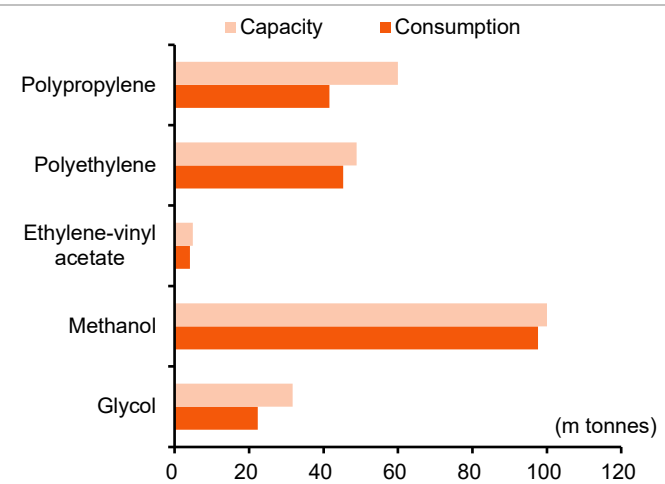
Source: SP Platts

Ex 11: Global Propylene New Supply Vs. Demand



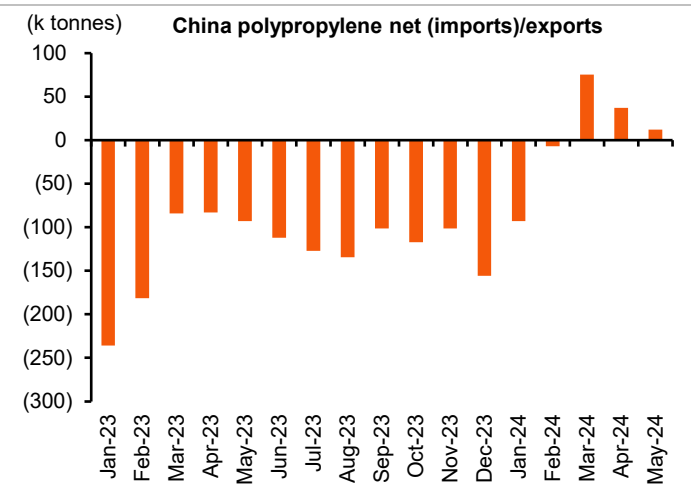
Source: SP Platts

Ex 12: China Produces More Than It Consumes (2025F)



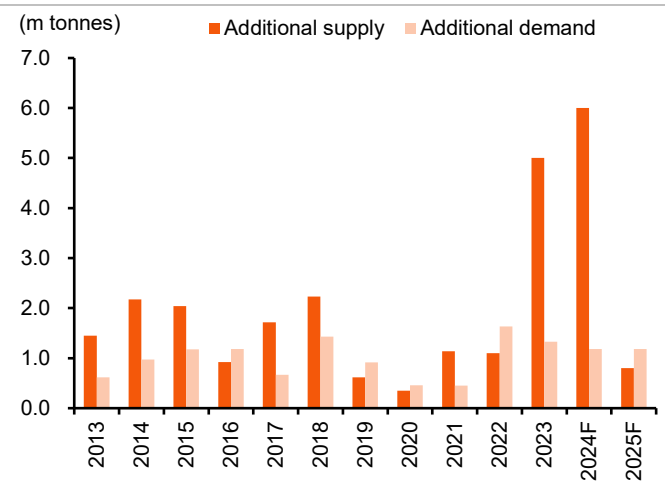
Source: Bloomberg

Ex 13: China Is Now A Polypropylene (PP) Net Exporter



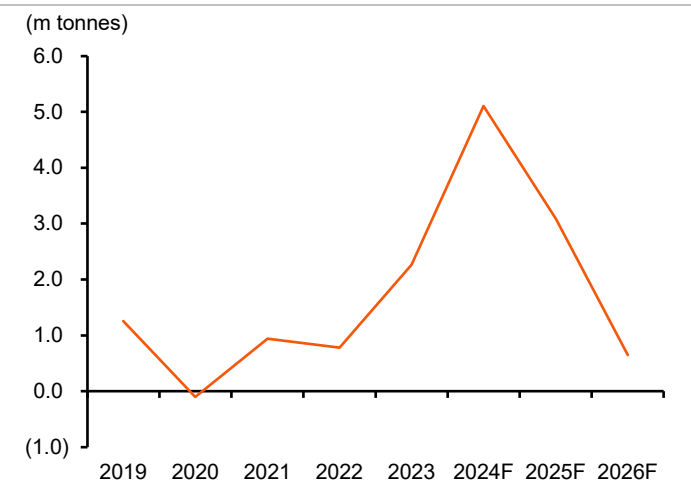
Source: Bloomberg

Ex 14: Global PET Demand Vs. Supply Growth

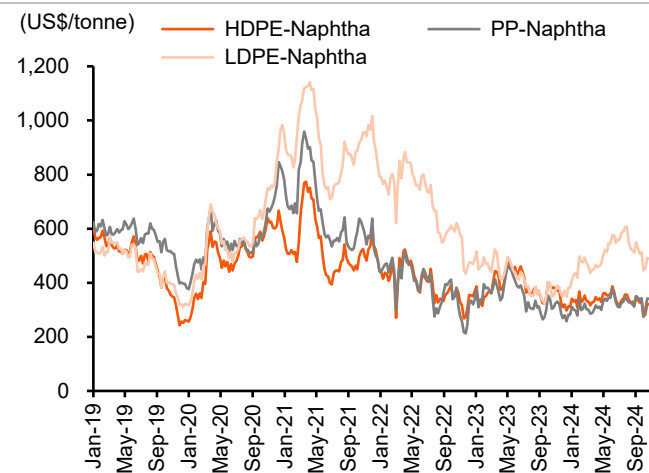


Sources: Company data, Thanachart estimates

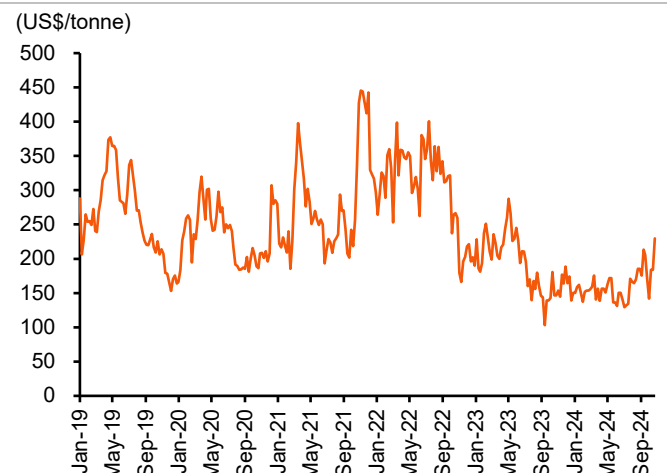
Ex 15: China PET Capacity Additions Peak This Year



Source: Company data

Ex 16: Current Spreads Remain Depressed

Source: Bloomberg

Ex 17: Integrated Asia PET Also In A Downturn

Source: Bloomberg

Ex 18: Our Key Assumption Changes

Assumption	(Unit)	2021	2022	2023	2024F	2025F	2026F	2027F
New								
Brent oil price	(US\$/bbl)	69	101	83	80	75	70	70
Singapore GRM	(US\$/bbl)	3.7	11.5	8.2	6.1	5.8	6.3	6.5
HDPE-naphtha	(US\$/tonne)	548	392	386	330	350	370	370
PP-naphtha	(US\$/tonne)	655	407	356	320	350	360	360
PX-Naphtha	(US\$/tonne)	294	243	274	300	320	350	350
BZ-Naphtha	(US\$/tonne)	339	175	179	320	330	340	340
Old								
Brent oil price	(US\$/bbl)				83	78	75	75
Singapore GRM	(US\$/bbl)				6.6	6.5	6.5	6.5
HDPE-naphtha	(US\$/tonne)				344	400	450	500
PP-naphtha	(US\$/tonne)				340	370	390	390
PX-Naphtha	(US\$/tonne)				350	380	400	400
BZ-Naphtha	(US\$/tonne)				350	360	370	380
Change								
Brent oil price	(US\$/bbl)				(3)	(3)	(5)	(5)
Singapore GRM	(US\$/bbl)				(1)	(1)	(0)	0
HDPE-naphtha	(US\$/tonne)				(14)	(50)	(80)	(130)
PP-naphtha	(US\$/tonne)				(20)	(20)	(30)	(30)
PX-Naphtha	(US\$/tonne)				(50)	(60)	(50)	(50)
BZ-Naphtha	(US\$/tonne)				(30)	(30)	(30)	(40)

Sources: Bloomberg, Thanachart estimates

Given the above changes to our key assumptions, plus a few minor adjustments, we have revised our earnings forecasts and TP as follows:

Ex 19: Our Earnings And TP Revisions

(Bt/shr)	Norm EPS			TP	REC
	2024F	2025F	2026F		
New					
BCP	3.64	6.19	7.37	40.00	BUY
BSRC	0.82	0.76	0.96	7.00	HOLD
IRPC	(0.15)	(0.07)	(0.02)	1.20	SELL
IVL	1.13	1.45	1.61	29.00	BUY
PTT	3.51	3.38	3.39	38.00	BUY
PTTEP	18.61	16.06	15.12	150.00	BUY
PTTGC	(0.83)	1.10	2.06	23.00	SELL
SPRC	0.74	0.73	0.63	5.90	SELL
TOP	7.19	5.99	8.13	39.00	SELL
SCC	6.87	12.14	16.60	175.00	SELL
Old					
BCP	6.85	7.65	8.41	53.00	BUY
BSRC	0.93	1.29	1.37	11.00	BUY
IRPC	0.03	0.06	0.04	1.50	SELL
IVL	0.81	1.27	1.42	20.00	BUY
PTT	3.15	3.21	3.20	29.00	SELL
PTTEP	19.31	17.84	17.49	188.00	BUY
PTTGC	0.20	1.68	2.82	25.00	SELL
SPRC	0.79	0.76	1.32	9.80	BUY
TOP	7.19	5.99	8.13	39.00	SELL
SCC	12.01	20.00	27.72	275.00	BUY
Change (%)					
BCP	(46.8)	(19.1)	(12.3)	(24.5)	Maintain
BSRC	(12.1)	(41.0)	(29.8)	(36.4)	Downgrade
IRPC	na	na	na	(20.0)	Maintain
IVL	40.6	14.7	13.3	45.0	Maintain
PTT	11.6	5.3	6.0	31.0	Upgrade
PTTEP	(3.6)	(10.0)	(13.5)	(20.2)	Maintain
PTTGC	na	(34.6)	(26.9)	(8.0)	Maintain
SPRC	(6.2)	(4.0)	(52.7)	(39.8)	Downgrade
TOP	0.0	0.0	0.0	0.0	Maintain
SCC	(42.8)	(39.3)	(40.1)	(36.4)	Downgrade

Sources: Thanachart estimates

Refinery market is also weak

As for the refinery market, we believe China is also a key factor behind the low gross refining margin (GRM). We turn more bearish on the refinery outlook due to weak demand, especially from China, and the prospect of a global slowdown next year.

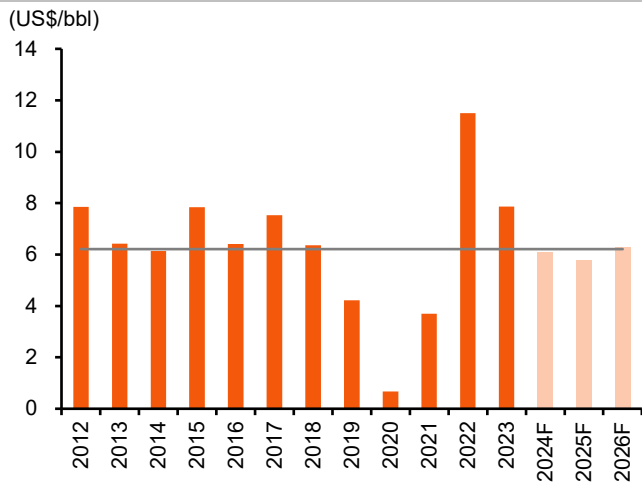
Growing LNG truck fleets in Asia hurt diesel demand

Apart from weak economic growth, the surge in the LNG truck fleet as a replacement for diesel trucks in China is another key factor dampening diesel demand. LNG sales in China more than doubled in the first half of 2024, driven by falling LNG prices, government subsidies, and stricter emission standards. Meanwhile, India is ramping up its LNG truck rollout, aiming to convert a third of its heavy truck fleet within five to seven years. Note that China and India are major diesel consumers in Asia. Wood Mackenzie expects LNG trucks to reduce global diesel demand by 360,000 bpd in 2024 and 380,000 bpd in 2025.

Surge in EV cars starting to hit gasoline demand

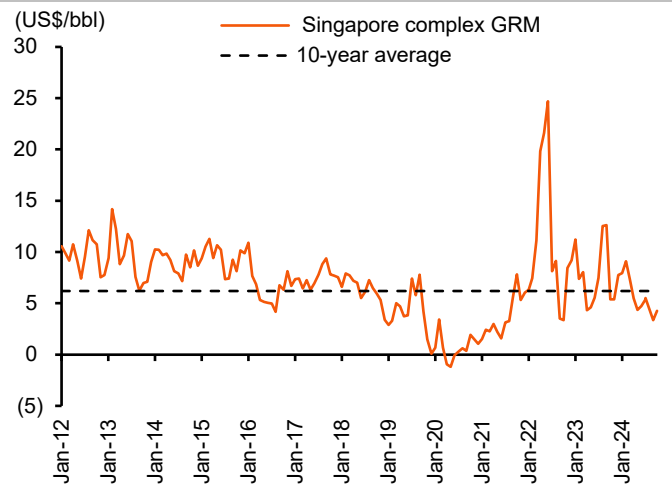
On the gasoline side, demand has been threatened by a sharp rise in electric car sales, especially in China. More broadly, electric vehicle (EV) and hybrid vehicle sales are surging, fueled by expanded national and local subsidies to encourage consumers to trade in older cars. The policy contributed to Tesla Inc's best quarter yet for Chinese shipments, while EVs and hybrids reached around 53% of total new monthly car sales in September. The rise in EV car sales will impact gasoline demand. Based on Kepler's estimate, the China EV fleet is forecast to displace 248k bpd (1% of global gasoline consumption) of gasoline demand this year.

Ex 20: Singapore GRM – Annually



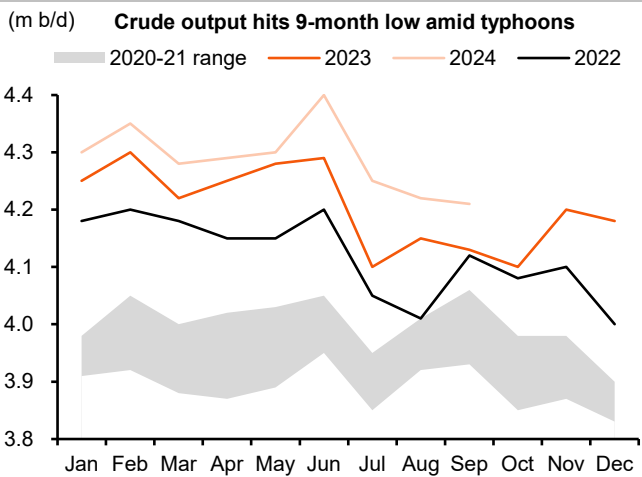
Sources: Bloomberg, Thanachart estimates

Ex 21: Singapore GRM – Monthly



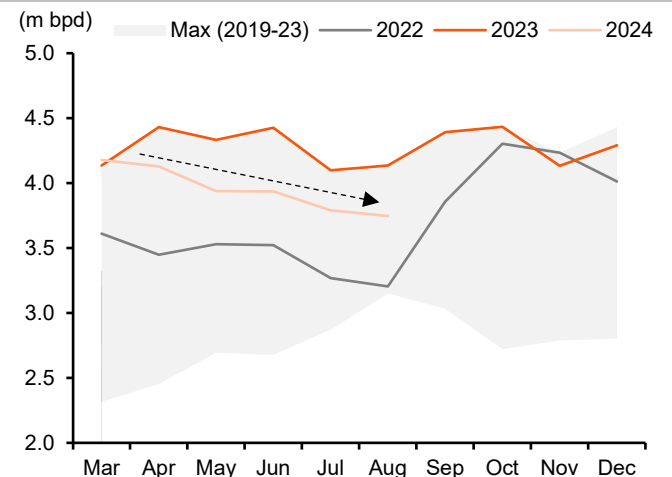
Source: Bloomberg

Ex 22: China Refinery Crude Output



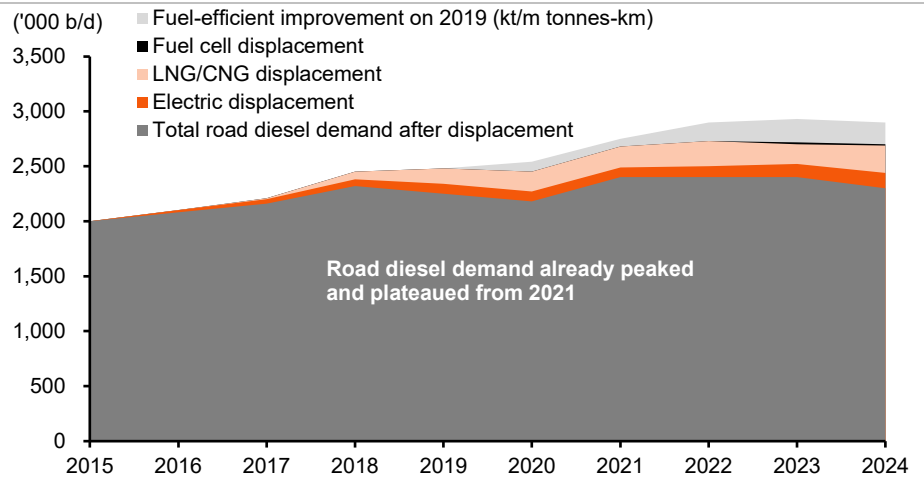
Source: Bloomberg

Ex 23: China Monthly Diesel Consumption



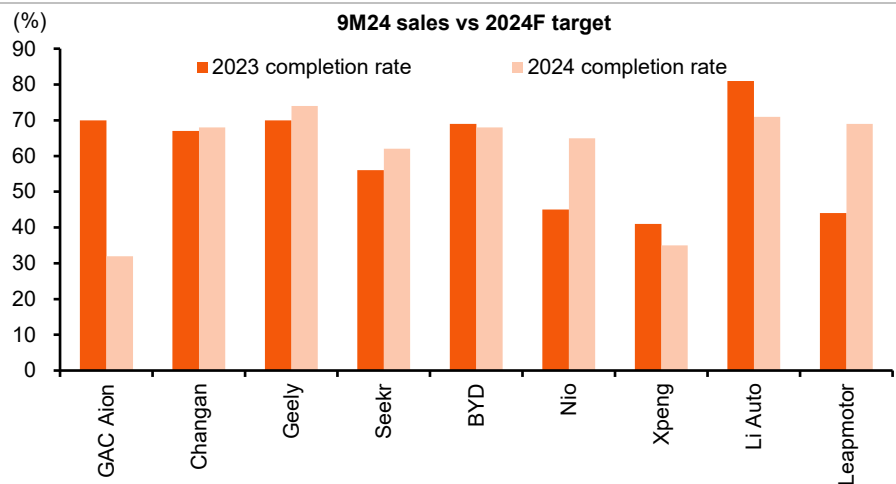
Source: Bloomberg

Ex 24: China Road Diesel/Gasoil Demand Displacement



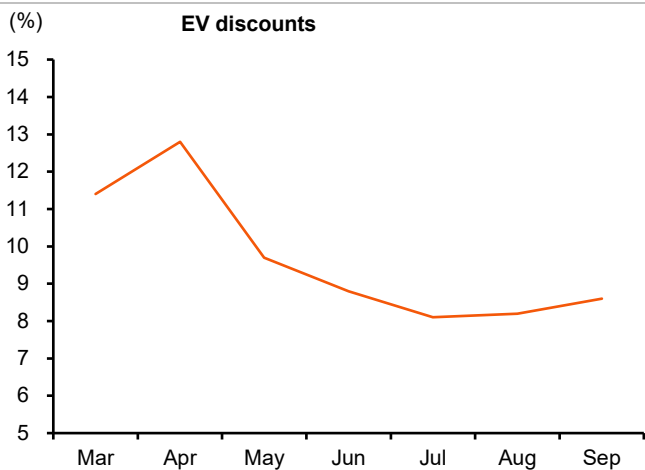
Source: Wood Mackenzie

Ex 25: China EV Makers On Track To Meet Ambitious Target



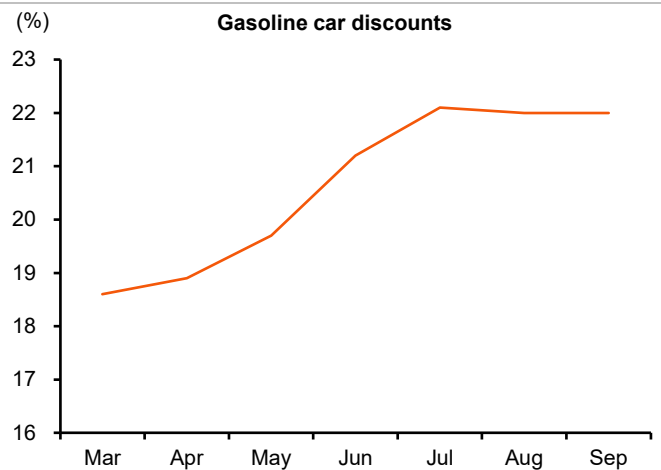
Source: Bloomberg

Ex 26: China EV Car Price Discounts Slow



Source: Bloomberg

Ex 27: China Gasoline Car Price Discount Still At A Peak

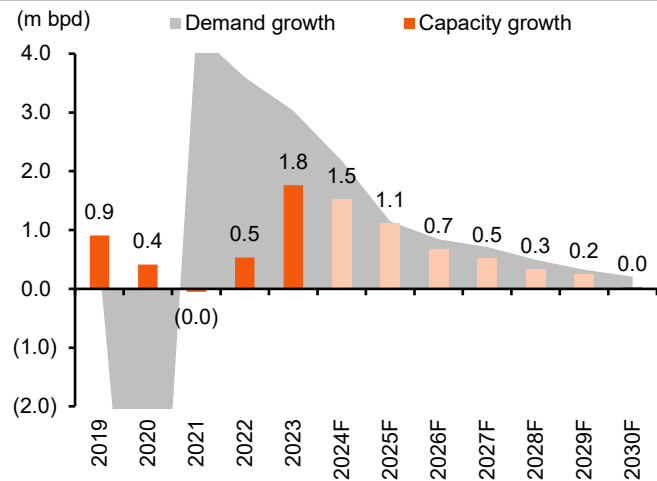


Source: Bloomberg

Supply overhang to continue in 2025F

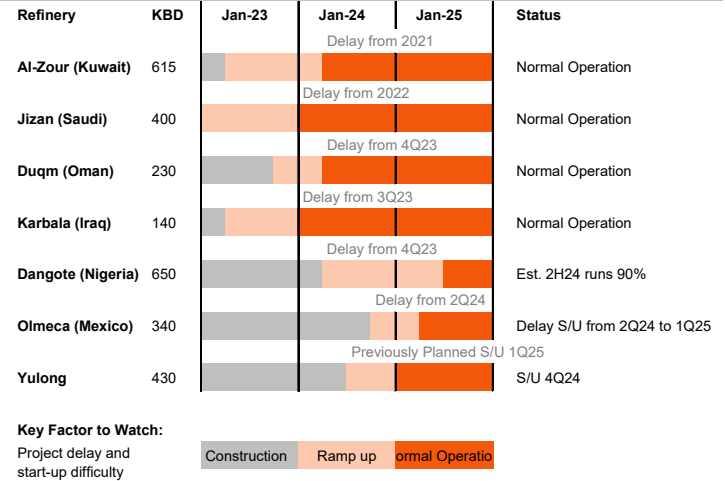
On the global supply side, we expect it to remain above 1m bpd into 2025F. This year, new capacities include Nigeria's 650,000 bpd Dangote plant and Mexico's 340,000 bpd refinery. We cut our assumptions for the benchmark Singapore GRM by 3-11% to US\$6.1/5.8/6.3 per barrel over 2024-26F.

Ex 28: Global Refinery New Capacity Vs. Demand



Source: TOP

Ex 29: New Refining Capacity Additions Status



Source: TOP

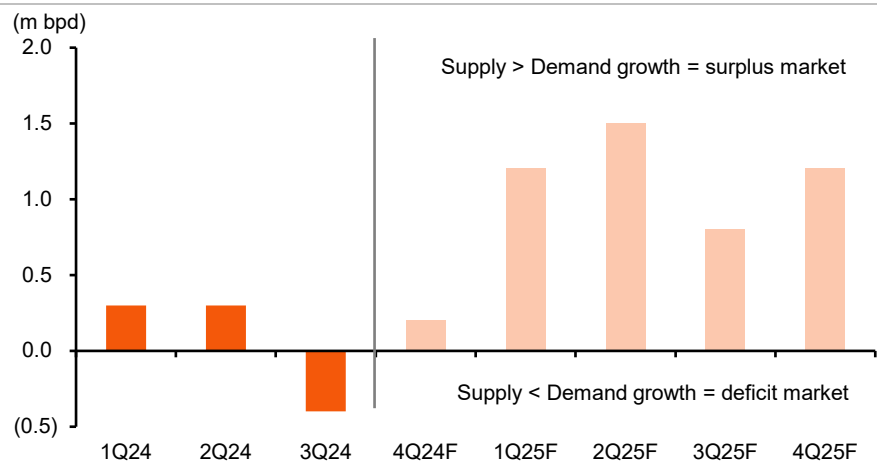
Oil outlook isn't rosy either

As for the oil market, we are more bearish than before and cut our Brent oil price assumptions by US\$3-5/bbl to US\$80/75/70 per barrel for 2024F-26F. While demand is weaker than expected due to China's mediocre economic growth, there is also the prospect of a global slowdown next year. On the supply side, supply growth from the US continues, and we see a risk of a partial return of OPEC+ output.

Weak demand vs. rising supply

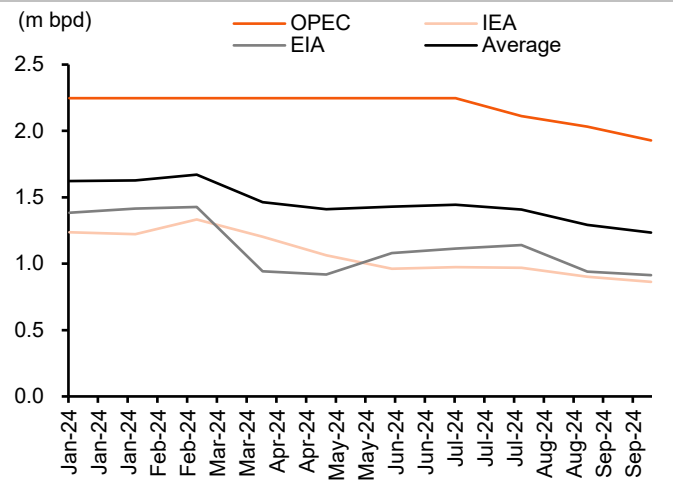
The International Energy Agency (IEA) has downgraded its global oil demand forecasts for the third straight month. The agency predicts 2024 demand to grow by 862,000 bpd, down from 903,000 bpd, primarily due to a further slowdown in Chinese consumption. In 2025, the demand growth estimate is slightly higher at 998,000 bpd. As for the supply side, the IEA forecasts non-OPEC+ production to rise by 1.5 million bpd in 2024 and 2025.

Ex 30: Oil Market Balance



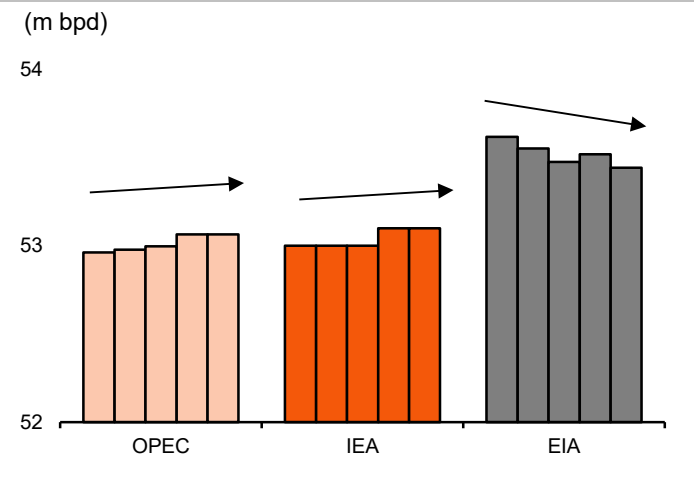
Source: IEA

Ex 31: Oil Demand Growth Downgrades



Source: Bloomberg

Ex 32: Non-Liquid OPEC Supply Growth Upgrades



Source: Bloomberg

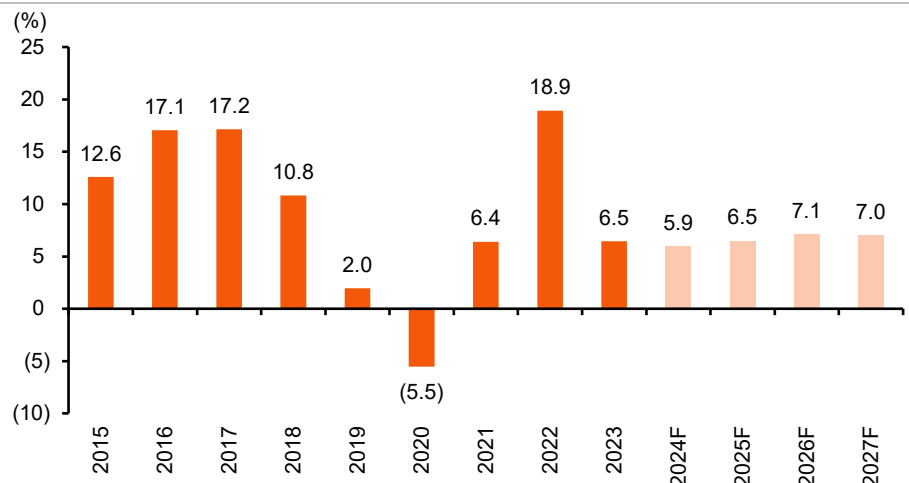
Not as cheap as it looks

Despite the sharp fall in share prices of many stocks in the energy sector over the past two years, we argue here that the sector still isn't cheap.

Weaker fundamentals

First, as discussed in earlier sections of this report, the sector's fundamentals have weakened structurally, and valuations should have reflected that. ROE has fallen from a five-year average during 2015-19 of 12% to 6.5% in 2023 and we project it to decline further to 6.5% in 2024F. Even after factoring in an earnings improvement, we still estimate a low ROE of 7.0% in 2027F.

Ex 33: Weak ROE Outlook



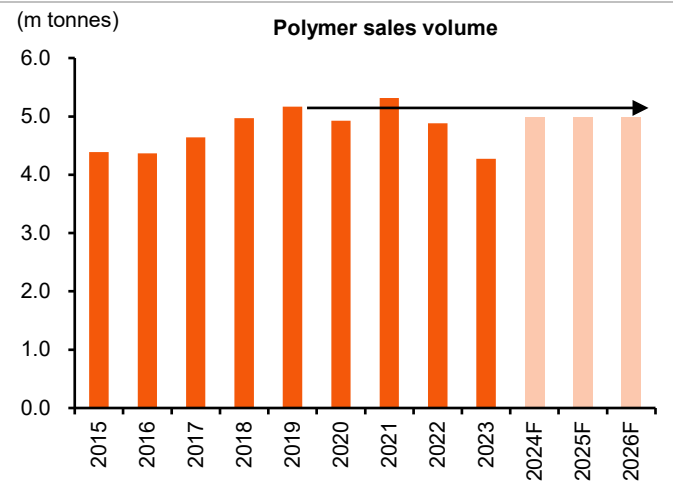
Sources: Company data, Thanachart estimates

Weak capacity expansion story

Second, we see a limited volume growth outlook at home for the sector, while the risk looks higher for expansions in overseas markets. The weak capacity increase outlook at home is due to the depletion of domestic gas resources and rising capacities from lower-cost producers like China, making expansions in Thailand uncompetitive. Many Thai companies, therefore, have plans to expand overseas, but overseas expansions come with higher risk. The more limited expansion opportunities imply a limited volume growth outlook for Thai

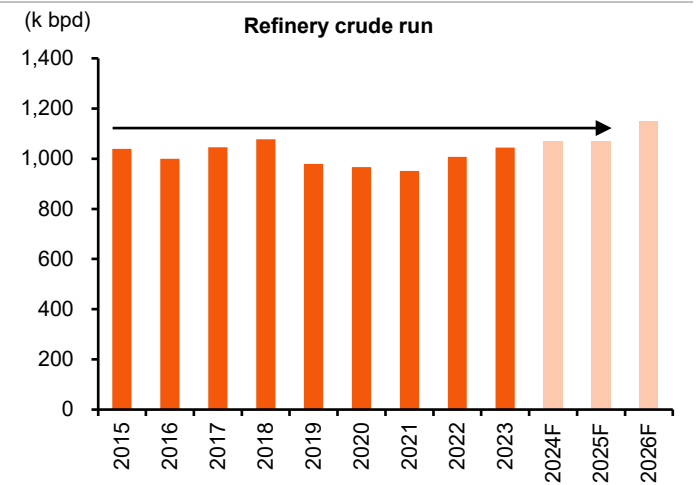
energy companies, and valuations should have reflected this. Also, with growth relying more on pricing than volume, we believe the sector's earnings risk is much higher than before.

Ex 34: Thai Polymer Volume Growth Outlook



Sources: Company data, Thanachart estimates

Ex 35: Thai Refinery Crude Run Outlook

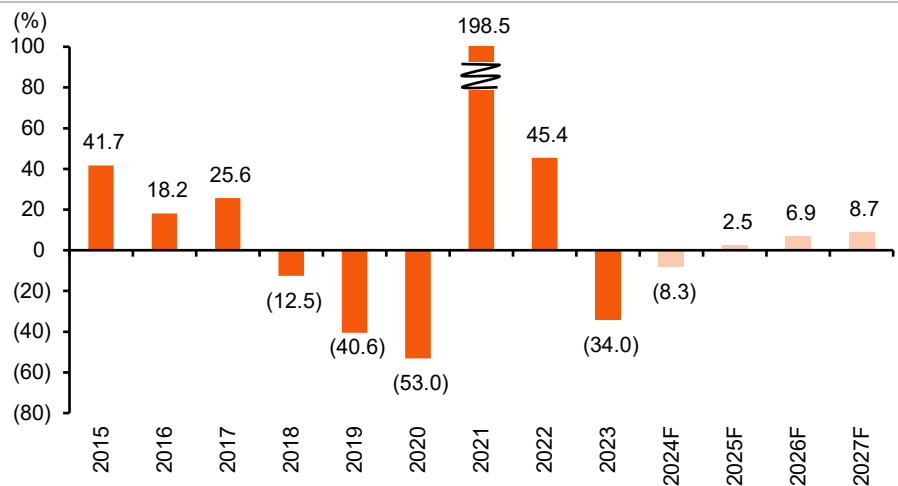


Sources: Company data, Thanachart estimates

Unexciting earnings growth outlook

Third, despite coming from a low base, we estimate the sector's earnings growth outlook at only -8/2.5/6.9% in 2025-27F.

Ex 36: Sector's Earnings Growth

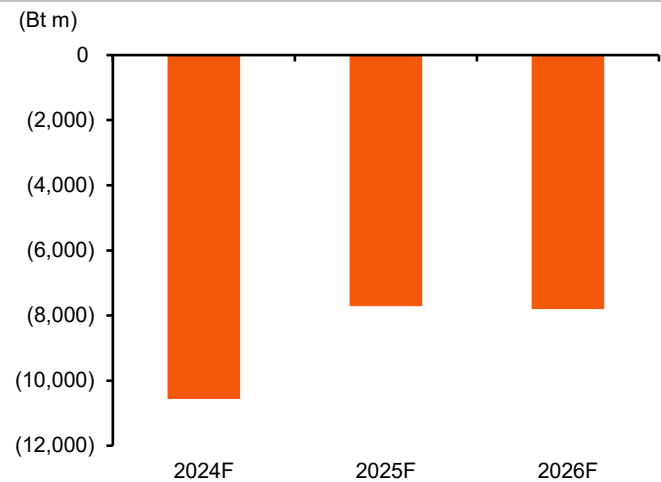


Sources: Company data, Thanachart estimates

There remains a policy risk factor

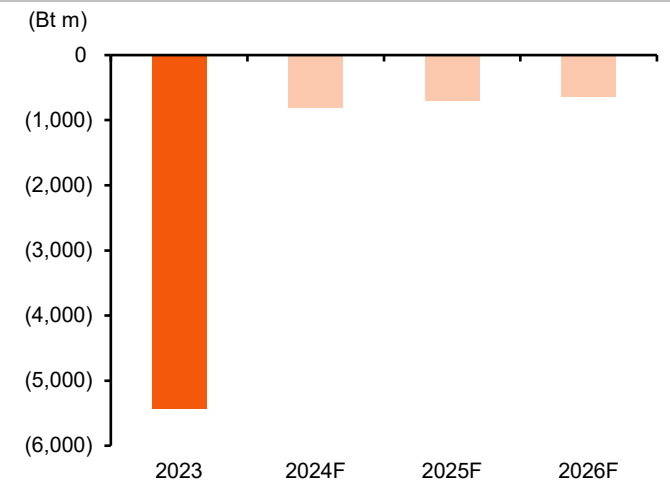
Fourth, there remains a policy risk from retail energy prices being kept low. This risk lies more with PTT, OR, and PTTGC than the rest of the stocks under our coverage. PTT currently subsidizes natural gas for vehicles (NGV) and the natural gas pool price. OR runs petrol stations, and its marketing margin can be affected by delayed changes in retail oil prices vs. global oil prices. Although there has been noise about ex-refinery price controls, refinery companies haven't experienced much subsidy risk in the past as there are also non-government-owned refiners in the market. The government may not want to increase the investment risk for the private sector, including foreign companies, because that might harm future FDI or the investment environment in other sectors.

Ex 37: Impact Of Single Gas Pool Price On PTT's Profit



Sources: Thanachart estimates

Ex 38: PTT's NGV Loss

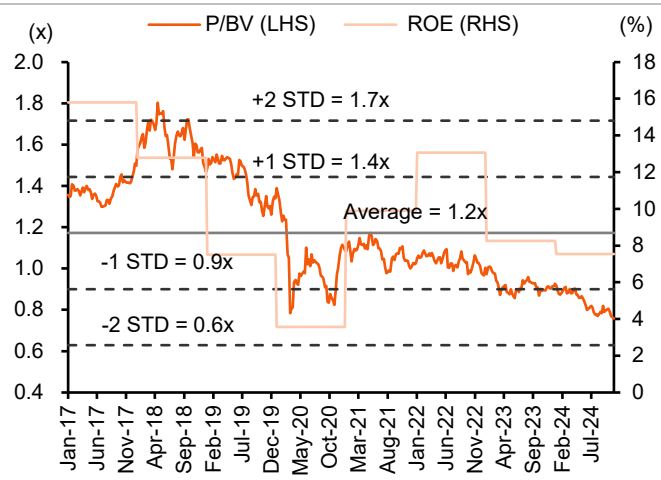


Sources: Company data, Thanachart estimates

Not cheap, in our view

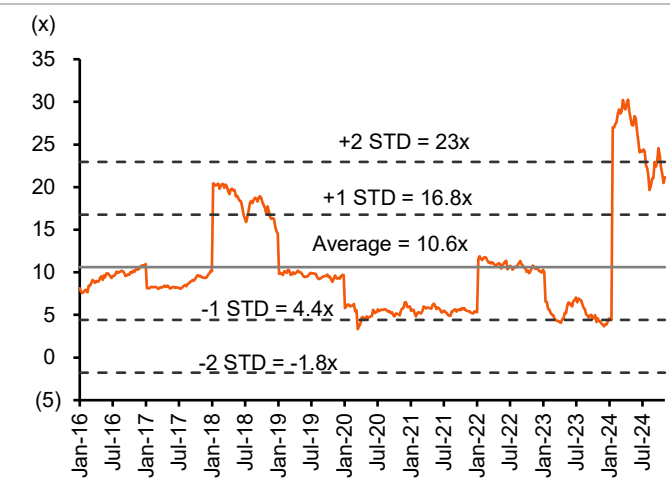
Lastly, the sector doesn't look cheap to us. Its average 2025F P/BV of 0.7x appears justified by a low ROE of only 6.5% in 2025F. PE looks expensive at an average of 49.7x in 2025F against a mediocre growth outlook of 2.5/6.9in 2025-26F.

Ex 39: Low P/BV Reflects Low ROE



Sources: Bloomberg, Thanachart estimates

Ex 40: PE Is High



Sources: Bloomberg, Thanachart estimates

Time to be selective

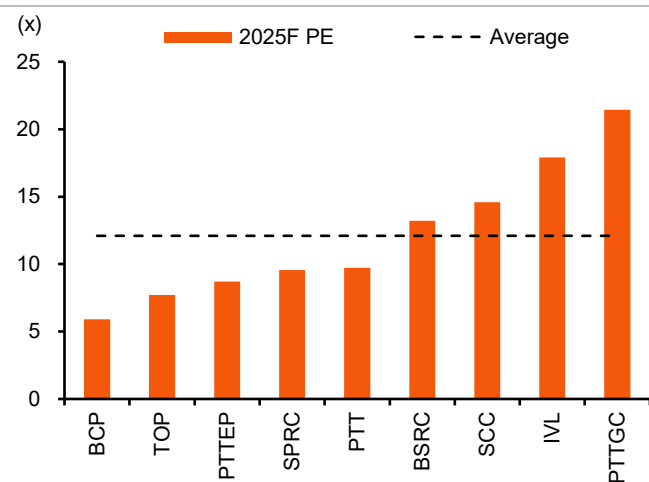
BCP is our top sector pick

With the challenging industry outlook for 2025F, we advise investors to focus on valuations and bottom-up stories. We summarize our views on individual stocks below.

- **BCP (BUY):** BCP is our top sector pick. Our estimates indicate that it has the cheapest valuation in the sector, has higher earnings visibility than peers, and offers growth from its Sustainable Aviation Fuel (SAF) project. The company trades at a 5.5x 2025F PE multiple against core profit growth of 70/19% in 2025-26F. The growth should be driven by increased synergy benefits with BSRC, a higher utilization rate after its plant maintenance turnaround this year, and the start-up of its SAF plant in 2Q25F, which would help offset the impact of falling GRM.

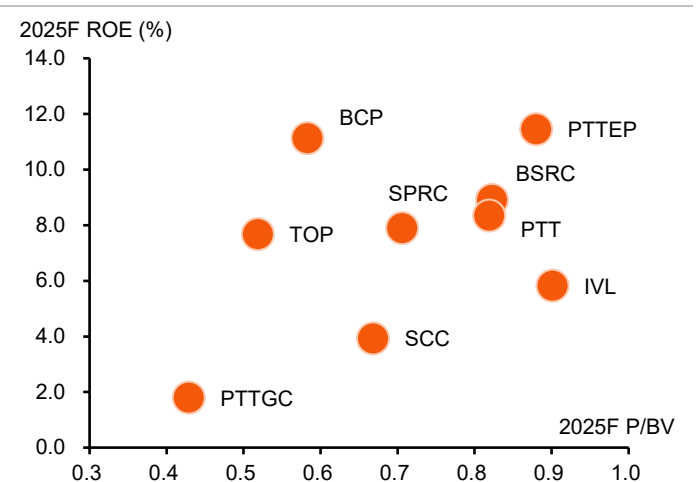
- **IVL (BUY):** We believe the worst is over for IVL. While the weak PET market outlook is not news, IVL has closed down some uncompetitive PTA capacities to improve its profitability, and we project an earnings turnaround of 28/11% in 2025-26F. We see its plans during the downturn, including shutting down non-performing assets and focusing on deleveraging, as positive moves.
- **PTT (BUY from Sell):** Our upgrade is due to the lower risk of a regulatory burden given falling energy prices. The company also offers high earnings resiliency with limited capex and a high 2025F dividend yield of 5.9%.
- **PTTEP (BUY):** We like PTTEP as we believe the share price already reflects oil prices staying at a low level of US\$65/bbl. The stock also offers a volume growth story of 5% p.a. in 2024-28F. It is trading on only 7x PE with a 7% dividend yield in 2025F.
- **SPRC (SELL from Buy):** The downgrade is due to our more bearish view on the refinery sector, while we estimate a declining earnings trend for SPRC in 2024-26F.
- **BSRC (HOLD from Buy):** Our downgrade is due to our more bearish view on the refinery sector, and since we now do not expect synergies with its parent company, BCP, to help offset falling GRM. At 0.8x 2025F P/BV vs. 9% ROE, we see BSRC as fairly valued.
- **TOP (SELL):** We are bearish on TOP due to the weak GRM outlook and the delay of its Clean Fuel Project (CFP), where we now expect the start-up to be pushed out beyond the end of this year to 2026F. We estimate a 17% fall in earnings next year and argue that its 7x 2025F PE is not cheap.
- **PTTGC (SELL):** We continue to foresee multiple company-specific headwinds, which include prolonged weakness in the petrochemical cycle, potentially higher ethane gas costs, and asset impairment risk.
- **SCC (SELL from Buy):** We downgrade SCC as we expect a prolonged trough in the petrochemical sector for at least the next two years. The market trough also caused its Long Son Petrochemical (LSP) project in Vietnam to shut down only one month after beginning commercial operation in September. Also, with the structural factor of China becoming a lower-cost producer, LSP has become less competitive, and SCC is planning on adjusting feedstock flexibility. Meanwhile, its paper business's earnings turnaround has been slower than we had expected due to soft China demand, causing weak pricing.
- **IRPC (SELL):** The company's high cost structure makes it challenging for it to withstand the industry downcycle. IRPC also has the largest exposure to polypropylene or PP (25% of total capacity), where the oversupply situation looks like it will last for a long time.

Ex 41: PE Comparison



Sources: Bloomberg, Thanachart estimates

Ex 42: P/BV Vs. ROE Comparison



Sources: Bloomberg, Thanachart estimates

Ex 43: Sector Valuation Comparison

		BCP	BSRC	IRPC	IVL	PTT	PTTEP	PTTGC	SPRC	TOP	SCC	Industry
Rating		BUY	HOLD	SELL	BUY	BUY	BUY	SELL	SELL	SELL	SELL	
Target price (Bt)	Thanachart	40.00	7.00	1.20	29.00	38.00	150.00	23.00	5.90	39.00	175.00	
	Consensus	45.16	8.87	1.65	26.12	37.68	170.66	29.20	9.23	59.15	242.29	
Consensus rec.	BUY	19	4	3	10	15	28	7	17	22	9	
	HOLD	1	3	8	10	10	4	14	4	3	15	
	SELL	1	1	9	0	2	1	6	1	5	2	
Sales (Bt m)	2023	385,853	229,538	299,075	550,877	3,144,551	300,694	616,635	238,284	469,244	499,646	6,734,395
	2024F	570,563	165,990	317,352	548,502	3,180,191	298,541	629,194	246,881	463,138	580,444	7,000,795
	2025F	594,226	165,990	298,873	463,027	3,166,801	292,694	620,183	249,110	455,096	615,800	6,921,799
	2026F	596,990	165,990	298,873	435,616	3,180,437	296,392	624,887	222,888	455,096	632,222	6,909,390
Norm profits (Bt m)	2023	9,699	2,529	(2,547)	2,366	99,606	78,656	(2,753)	(1,012)	27,412	14,963	228,919
	2024F	5,014	2,826	(3,048)	7,155	100,316	73,886	(3,722)	3,210	16,042	8,243	209,923
	2025F	8,519	2,629	(1,439)	9,069	96,540	63,775	4,951	3,175	13,373	14,571	215,164
	2026F	10,153	3,338	(459)	9,928	96,971	60,029	9,287	2,712	18,142	19,916	230,017
Sales growth (%)	2023	23.6	(12.7)	(6.1)	(16.0)	(6.6)	(9.3)	(9.1)	(16.5)	(11.4)	(12.3)	(7.6)
	2024F	47.9	(27.7)	6.1	(0.4)	1.1	(0.7)	2.0	3.6	(1.3)	16.2	4.7
	2025F	4.1	0.0	(5.8)	(15.6)	(0.4)	(2.0)	(1.4)	0.9	(1.7)	6.1	(1.6)
	2026F	0.5	0.0	0.0	(5.9)	0.4	1.3	0.8	(10.5)	0.0	2.7	(1.1)
Norm EPS growth (%)	2023	(36.8)	(77.0)	na	(95.2)	(8.5)	(13.3)	na	na	(31.5)	(30.0)	(41.8)
	2024F	(48.3)	11.7	na	298.1	0.7	(6.1)	na	na	(41.5)	(44.9)	24.3
	2025F	69.9	(7.0)	na	28.1	(3.8)	(13.7)	na	(1.1)	(16.6)	76.8	16.6
	2026F	19.2	27.0	na	10.5	0.4	(5.9)	87.6	(14.6)	35.7	36.7	21.8
Operating margin (%)	2023	5.2	1.3	(1.0)	3.1	7.3	46.8	0.4	(0.5)	6.5	1.4	7.1
	2024F	4.2	2.2	(1.2)	4.7	6.2	43.5	0.1	1.5	4.8	(1.3)	6.5
	2025F	4.6	2.2	(0.5)	5.9	6.4	38.0	1.3	1.3	4.3	2.3	6.6
	2026F	4.8	2.6	(0.0)	6.5	6.7	36.1	2.2	1.3	5.8	3.6	7.0
ROE (%)	2023	14.4	9.2	(3.3)	1.4	9.2	16.3	(0.9)	(2.7)	17.0	4.1	6.5
	2024F	6.9	10.0	(4.1)	4.5	8.9	14.2	(1.3)	8.5	9.6	2.3	5.9
	2025F	11.1	8.9	(2.0)	5.8	8.3	11.4	1.8	7.9	7.7	3.9	6.5
	2026F	12.2	10.7	(0.6)	6.1	8.1	10.3	3.3	6.4	9.8	5.2	7.1
Dividend yield (%)	2023	5.9	3.5	2.0	3.6	5.9	7.5	2.8	0.0	8.2	2.9	4.2
	2024F	1.6	2.5	0.0	0.0	5.9	7.5	2.8	3.4	3.7	1.6	2.9
	2025F	4.1	3.7	0.0	1.7	5.9	7.1	1.5	2.9	4.8	2.9	3.5
	2026F	5.0	4.5	0.0	1.9	5.9	6.7	3.1	3.3	6.9	4.0	4.1
P/BV (x)	2023	0.6	0.9	0.4	0.9	0.9	1.0	0.4	0.8	0.6	0.7	0.7
	2024F	0.6	0.9	0.4	1.0	0.8	0.9	0.4	0.7	0.5	0.7	0.7
	2025F	0.6	0.8	0.4	0.9	0.8	0.9	0.4	0.7	0.5	0.7	0.7
	2026F	0.5	0.8	0.4	0.9	0.8	0.8	0.4	0.7	0.5	0.6	0.6
Norm PE (x)	2023	4.8	9.9	na	90.4	9.7	6.4	na	na	3.4	16.8	20.2
	2024F	9.3	8.8	na	22.7	9.6	6.8	na	9.1	5.8	30.4	12.8
	2025F	5.5	9.5	na	17.7	10.0	7.9	24.1	9.1	6.9	17.2	12.0
	2026F	4.6	7.5	na	16.0	9.9	8.4	12.9	10.7	5.1	12.6	9.7
EV/EBITDA (x)	2023	4.0	9.1	16.8	8.0	3.9	2.1	11.3	27.0	5.8	14.0	10.2
	2024F	4.5	5.3	20.2	7.4	4.4	2.1	11.8	5.2	7.8	24.0	9.2
	2025F	4.1	5.0	15.2	6.7	4.1	2.4	9.2	5.2	9.1	12.1	7.3
	2026F	3.8	3.9	11.7	6.4	3.7	2.6	7.2	5.1	7.0	9.9	6.1
Net D/E (x)	2023	0.9	1.0	0.9	1.2	0.4	(0.1)	0.7	0.3	0.8	0.6	0.7
	2024F	1.3	0.5	1.0	1.5	0.4	(0.1)	0.8	0.1	0.8	0.7	0.7
	2025F	1.3	0.4	1.1	1.3	0.3	0.0	0.7	0.1	0.9	0.7	0.7
	2026F	1.1	0.2	1.0	1.1	0.3	0.1	0.6	0.0	0.8	0.7	0.6

Sources: Company data; Thanachart estimates

Valuation Comparison

Ex 44: Comparison With Regional Peers

Company	Code	Country	EPS Growth		— PE —		— P/BV —		EV/EBITDA		Div. Yield		— ROE —	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)	24F (%)	25F (%)
Refining & Marketing														
Ampol	ALD AU	Australia	(52.9)	47.9	19.1	12.9	2.0	1.8	8.3	7.0	3.3	5.8	10.6	15.6
BPCL	BPCL IN	India	na	(49.7)	5.0	9.9	1.8	1.6	4.4	7.4	8.0	4.3	44.0	16.9
HPCL	HPCL IN	India	na	(56.6)	4.7	10.9	1.8	1.6	5.6	9.1	5.8	3.6	43.9	16.8
IOCL	IOCL IN	India	na	(55.2)	4.6	10.3	1.2	1.0	4.7	7.9	10.0	3.7	29.5	10.6
Reliance Industries	RIL IN	India	1.7	7.7	na	na	na	na	12.9	12.0	na	na	8.8	8.9
SK Energy	096770 KS	S.Korea	na	na	na	13.3	0.6	0.5	11.9	7.1	2.3	2.6	na	4.2
S-OIL	010950 KS	S.Korea	(57.0)	109.8	16.0	7.6	0.7	0.7	7.4	5.3	2.6	3.5	5.3	10.3
Formosa Petrochemical	6505 TT	Taiwan	(21.2)	38.8	26.3	19.0	1.4	1.3	12.4	9.7	3.3	3.9	6.2	7.4
Bangchak *	BCP TB	Thailand	(48.3)	69.9	9.3	5.5	0.6	0.6	4.5	4.1	1.6	4.1	6.9	11.1
Bangchak Sriracha *	BSRC TB	Thailand	11.7	(7.0)	8.8	9.5	0.9	0.8	5.3	5.0	2.5	3.7	10.0	8.9
IRPC Pcl *	IRPC TB	Thailand	na	na	na	na	0.4	0.4	20.2	15.2	0.0	0.0	(4.1)	(2.0)
PTT Oil And Retail *	OR TB *	Thailand	(5.3)	6.4	17.6	16.6	1.6	1.6	9.0	8.5	3.2	3.4	9.4	9.6
PTG Pcl *	PTG TB	Thailand	(0.8)	6.0	17.0	16.1	1.7	1.6	4.1	4.2	2.6	2.8	10.5	10.5
PTT Global Chemicals *	PTTGC TB	Thailand	na	na	na	24.1	0.4	0.4	11.8	9.2	2.8	1.5	(1.3)	1.8
Star Petroleum Refining *	SPRC TB	Thailand	na	(1.1)	9.1	9.1	0.7	0.7	5.2	5.2	3.4	2.9	8.5	7.9
Thai Oil *	TOP TB	Thailand	(41.5)	(16.6)	5.8	6.9	0.5	0.5	7.8	9.1	3.7	4.8	9.6	7.7
Average			(23.7)	7.7	11.9	12.3	1.1	1.0	8.5	7.9	3.7	3.4	13.2	9.1
Integrated oils														
PetroChina	857 HK	China	1.3	(0.5)	6.5	6.5	0.7	0.7	3.6	3.6	7.2	6.8	10.7	10.2
Sinopec	386 HK	China	(11.8)	9.4	8.8	8.1	0.6	0.6	5.6	5.2	7.4	8.0	7.2	7.7
Total	FP	France	(17.9)	1.4	na	na	na	na	na	na	na	na	16.0	14.8
Eni	ENI IM	Italy	(27.3)	1.8	7.7	7.5	0.8	0.8	3.5	3.7	7.1	7.4	10.8	10.6
Repsol	REP SM	Spain	(22.3)	(11.9)	4.1	4.7	0.5	0.5	3.0	3.2	8.0	8.6	12.3	10.2
Chevron Texaco	CVX US	USA	(18.7)	13.2	14.3	12.6	1.8	1.8	6.6	6.2	4.3	4.3	12.6	13.2
Exxon Mobil	XOM US	USA	(13.2)	5.0	14.3	13.6	1.8	1.8	7.3	6.9	3.4	3.5	14.4	13.4
Conoco Philips	COP US	USA	(8.7)	3.9	13.9	13.4	2.4	2.3	5.5	4.9	2.8	3.1	18.3	15.8
PTT Pcl *	PTT TB	Thailand	0.7	(3.8)	9.6	10.0	0.8	0.8	4.4	4.1	5.9	5.9	8.9	8.3
Average			(13.1)	2.1	9.9	9.6	1.2	1.2	4.9	4.7	5.8	6.0	12.4	11.6
Exploration and Production														
Santos	STO AU	Australia	(11.8)	4.5	16.9	16.2	1.4	1.4	5.3	5.1	3.5	3.1	8.5	8.7
Woodside	WDS AU	Australia	1.5	(32.0)	14.4	21.2	1.3	1.3	3.8	4.0	5.5	3.8	9.4	6.3
Suncor Energy	SU US	Canada	(1.9)	(3.5)	7.9	8.2	1.1	1.0	5.0	5.1	5.9	6.0	13.7	12.0
ONGC	ONGC IN	India	(4.9)	3.1	7.4	7.2	1.1	0.9	4.7	5.0	4.7	4.8	16.4	13.8
RIL	RIL IN	India	1.7	7.7	na	na	na	na	12.9	12.0	na	na	8.8	8.9
Apache	APA US	USA	(19.6)	(10.8)	6.1	6.8	1.3	1.2	2.9	3.0	4.3	4.4	25.7	17.4
Devon Energy	DVN US	USA	(13.0)	1.0	7.8	7.7	1.7	1.6	4.0	3.7	4.3	4.7	23.2	20.6
PTTEP *	PTTEP TB	Thailand	(6.1)	(13.7)	6.8	7.9	0.9	0.9	2.1	2.4	7.5	7.1	14.2	11.4
Average			(6.8)	(5.5)	9.6	10.7	1.3	1.2	5.1	5.0	5.1	4.8	15.0	12.4

Sources: Bloomberg, * Thanachart estimates
Based on 1 November 2024 closing prices

Ex 45: Comparison With Regional Peers

Company	Code	Country	EPS Growth		PE		P/BV		EV/EBITDA		Div. Yield		ROE	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)	24F (%)	25F (%)
PetroChina	857 HK	China	1.3	(0.5)	6.5	6.5	0.7	0.7	3.6	3.6	7.2	6.8	10.7	10.2
Sinopec	386 HK	China	(11.8)	9.4	8.8	8.1	0.6	0.6	5.6	5.2	7.4	8.0	7.2	7.7
Average			(5.3)	4.4	7.7	7.3	0.7	0.6	4.6	4.4	7.3	7.4	8.9	9.0
SK Innovation	096770	S.Korea	na	na	na	13.3	0.6	0.5	11.9	7.1	2.3	2.6	na	4.2
S-Oil	010950	S.Korea	(57.0)	109.8	16.0	7.6	0.7	0.7	7.4	5.3	2.6	3.5	5.3	10.3
Average			(57.0)	109.8	16.0	10.5	0.6	0.6	9.6	6.2	2.5	3.0	5.3	7.3
Reliance Industries	RIL IB	India	1.7	7.7	na	na	na	na	12.9	12.0	na	na	8.8	8.9
Indian Oil	IOCL IB	India	na	(55.2)	4.6	10.3	1.2	1.0	4.7	7.9	10.0	3.7	29.5	10.6
Bharat Petroleum	BPCL IB	India	na	(49.7)	5.0	9.9	1.8	1.6	4.4	7.4	8.0	4.3	44.0	16.9
Hindustan Petroleum	HPCL IB	India	na	(56.6)	4.7	10.9	1.8	1.6	5.6	9.1	5.8	3.6	43.9	16.8
Average			1.7	(38.4)	4.8	10.4	1.6	1.4	6.9	9.1	7.9	3.9	31.6	13.3
Marathon Petroleum	MPC US	USA	(59.6)	11.3	16.2	14.5	2.6	2.6	7.2	7.1	2.3	2.5	15.1	17.1
Valero	VLO US	USA	(62.7)	14.0	14.2	12.5	1.7	1.6	7.1	6.7	3.3	3.4	10.8	12.6
Phillips 66	PSX US	USA	(47.8)	34.8	15.2	11.3	1.7	1.7	9.0	7.7	3.7	3.9	11.0	14.4
PBF Energy'	PBF US	USA	(118.8)	128.1	na	45.1	0.6	0.5	11.8	4.4	3.6	3.7	na	1.4
Delek	DK US	USA	na	52.8	na	na	1.5	2.0	8.5	5.8	6.5	6.8	na	na
Average			(72.2)	48.2	15.2	20.8	1.6	1.7	8.7	6.3	3.9	4.1	12.3	11.4
Bangchak Corp*	BCP TB *	Thailand	(48.3)	69.9	9.3	5.5	0.6	0.6	4.5	4.1	1.6	4.1	6.9	11.1
Bangchak Sriracha*	BSRC TB *	Thailand	11.7	(7.0)	8.8	9.5	0.9	0.8	5.3	5.0	2.5	3.7	10.0	8.9
Star Petroleum Refining *	SPRC TB *	Thailand	na	(1.1)	9.1	9.1	0.7	0.7	5.2	5.2	3.4	2.9	8.5	7.9
Thai Oil *	TOP TB *	Thailand	(41.5)	(16.6)	5.8	6.9	0.5	0.5	7.8	9.1	3.7	4.8	9.6	7.7
Average			(26.0)	11.3	8.2	7.8	0.7	0.7	5.7	5.9	2.8	3.9	8.7	8.9
Total Average			(31.8)	27.1	10.4	11.3	1.0	1.0	7.1	6.4	4.9	4.5	13.4	10.0

Sources: Bloomberg, * Thanachart estimates
Based on 1 November 2024 closing prices

STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
SET INDEX	1.4	11.5	3.1	3.4	—	—	—	—
Energy	(7.9)	(0.9)	(15.9)	(19.3)	(9.3)	(12.4)	(19.1)	(22.8)
BCP TB	(7.5)	(2.9)	(16.1)	(22.4)	(8.9)	(14.4)	(19.3)	(25.8)
BSRC TB	(14.3)	(4.0)	(26.2)	(15.3)	(15.7)	(15.5)	(29.3)	(18.7)
IRPC TB	(11.1)	5.6	(22.4)	(24.8)	(12.5)	(6.0)	(25.6)	(28.2)
IVL TB	5.5	37.0	5.5	(5.5)	4.2	25.5	2.4	(8.9)
PTT TB	0.7	5.5	0.7	(5.6)	(0.6)	(6.0)	(2.4)	(9.0)
PTTEP TB	(5.6)	(15.4)	(21.7)	(15.4)	(7.0)	(26.9)	(24.8)	(18.8)
PTTGC TB	(10.9)	2.9	(25.9)	(31.2)	(12.3)	(8.6)	(29.0)	(34.6)
SCC TB	(14.7)	(3.7)	(28.2)	(31.7)	(16.1)	(15.2)	(31.3)	(35.1)
SPRC TB	(3.6)	(14.6)	(12.4)	(18.8)	(5.0)	(26.2)	(15.5)	(22.2)
TOP TB	(17.8)	(19.4)	(12.6)	(22.8)	(19.2)	(30.9)	(15.8)	(26.2)

Source: Bloomberg

SECTOR - SWOT ANALYSIS

S — Strength

- Synergies within the PTT group could help lower costs and increase competitiveness via integration.
- Strong balance sheets should enable Thai energy companies to take advantage of low oil prices in M&As.

O — Opportunity

- Diversify into new business given limited growth at existing business.
- Expand further into more high value products.

W — Weakness

- Limited growth to expand capacity in Thailand.
- Several Thai companies have made investment oversea which yield lower return than expected.
- Earnings and cash flows are highly volatile and follow fluctuations in global oil prices.

T — Threat

- Regulatory risk, i.e., price caps.
- New chemical and refinery capacity that have lower cost.
- Weak global demand growth.

REGIONAL COMPARISON

Name	—EPS growth—		— PE —		— P/BV —		— EV/EBITDA —		— Div. Yield —	
	24F	25F	24F	25F	24F	25F	24F	25F	24F	25F
	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Australia	(21.1)	6.8	16.8	16.8	1.6	1.5	5.8	5.3	4.1	4.3
China	(5.3)	4.4	7.7	7.3	0.7	0.6	4.6	4.4	7.3	7.4
India	(0.5)	(23.8)	5.4	9.6	1.5	1.3	7.5	8.9	7.1	4.1
S.Korea	(57.0)	109.8	16.0	10.5	0.6	0.6	9.6	6.2	2.5	3.0
USA	(14.7)	2.5	11.3	10.8	1.8	1.7	5.3	4.9	3.8	4.0
Thailand	(12.8)	5.0	10.5	11.7	0.9	0.8	7.4	6.7	3.3	3.6
Average	(18.5)	17.4	11.3	11.1	1.2	1.1	6.7	6.1	4.7	4.4

Sources: Bloomberg Consensus

Note: * Thanachart estimate – using normalized EPS

BUY (Unchanged)

TP: Bt 40.00

(From: Bt 53.00)

Change in Numbers

Upside : 18.5%

4 NOVEMBER 2024

Bangchak Corporation Pcl (BCPTB)

The cheapest choice

BCP is our top pick in the energy sector due to its bottom-up synergy drivers and cheap valuation. Despite the declining GRM trend, we expect 70/19% EPS growth in 2025-26F driven by synergies and the SAF project vs. 2025F PE of only 5.5x.



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Our sector top pick; BUY

This report is a part of Energy sector – *Cheap for a reason*, dated 4 November 2024. We reaffirm our BUY call on BCP as our top pick in the energy sector. That is despite cutting our DCF-based 12-month TP (2025F base year) to Bt40 (from Bt53) due to our lower gross refinery margin (GRM) assumptions. **First**, synergies from the acquisition of BSRC (BSRC TB, HOLD, Bt7.20) have been better than expected, and this should help prevent BCP's earnings from falling despite the declining GRM trend. We estimate 70/19% EPS growth in 2025-26F. **Second**, BCP also has a new driver from its Sustainable Aviation Fuel (SAF) project that is due to come on stream in 2Q25. We expect 9/14% earnings contributions from this project in 2025-26F. **Lastly**, BCP is the cheapest choice in the energy sector in our view at 5.5x PE and 0.6x P/BV in 2025F.

Raising synergy targets

BCP acquired 70% of BSRC in 2023. It now expects combined synergies of both firms at Bt5.0bn in 2024, rising to Bt5.5bn in 2025. This is higher than its original target of Bt3bn p.a. One key area of the synergies is BSRC's higher utilization, as more of BSRC's products can be sold at BCP's petrol stations. BSRC's utilization was 89% in 2Q24 vs. 74% pre-acquisition. BCP and BSRC also plan to kick off an optimization program for their refinery plants to improve product yields and other synergies.

SAF plant scheduled for 2Q25

BCP has formed an 80%-held JV called Bangchak Sustainable Green Fuel (BSGF) with its listed bio-based subsidiary (BBGI) holding 20% to invest in Thailand's first producer of sustainable aviation fuel (SAF) from used cooking oil. The Bt8.5bn project is under construction and is scheduled to commence operation in 2Q25. Production capacity would be 1m liters/day. Currently, it has contracted 30% of its output to Cosmo Oil (Japan).

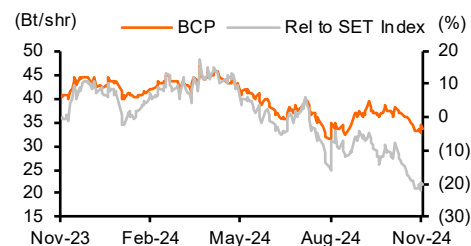
Decent earnings visibility

Due to its growth drivers coming from the bottom-up factors of synergy benefits and the new SAF plant, BCP's earnings have better earnings visibility than many sector peers, in our view. Based on our estimates, it is also the cheapest stock in the sector, trading at 0.6x P/BV vs. a 11.1% ROE in 2025F. It looks even cheaper on a 5.5x 2025F PE multiple vs. 69.9/19.2% EPS growth in 2025-26F.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	385,853	570,563	594,226	596,990
Net profit	13,231	3,053	7,644	9,278
Consensus NP	—	7,149	9,798	12,206
Diff frm cons (%)	—	(57.3)	(22.0)	(24.0)
Norm profit	9,699	5,014	8,519	10,153
Prev. Norm profit	—	9,431	10,532	11,579
Chg frm prev (%)	—	(46.8)	(19.1)	(12.3)
Norm EPS (Bt)	7.0	3.6	6.2	7.4
Norm EPS grw (%)	(36.8)	(48.3)	69.9	19.2
Norm PE (x)	4.8	9.3	5.5	4.6
EV/EBITDA (x)	4.0	4.5	4.1	3.8
P/BV (x)	0.6	0.6	0.6	0.5
Div yield (%)	5.9	1.6	4.1	5.0
ROE (%)	14.4	6.9	11.1	12.2
Net D/E (%)	91.4	133.6	131.5	114.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	33.75
Market Cap (US\$ m)	1,370.7
Listed Shares (m shares)	1,376.9
Free Float (%)	55.9
Avg Daily Turnover (US\$ m)	11.7
12M Price H/L (Bt)	46.75/31.50
Sector	Energy
Major Shareholder	Social Security Office 14.18%

Sources: Bloomberg, Company data, Thanachart estimates



Ex 1: Earnings Revisions

	2020	2021	2022	2023	2024F	2025F	2026F
Net profit (Bt m)							
- New	(6,967)	7,624	12,575	13,231	3,053	7,644	9,278
- Old					9,041	10,124	11,579
- Change (%)					(66.2)	(24.5)	(19.9)
Normalized profit (Bt m)							
- New	(4,450)	4,592	15,337	9,699	5,014	8,519	10,153
- Old					9,431	10,532	11,579
- Change (%)					(46.8)	(19.1)	(12.3)
Market GRM (US\$/bbl)							
- New	3.2	4.5	14.3	9.5	5.6	5.0	4.9
- Old					6.9	7.0	7.2
- Change (%)					(18.7)	(28.7)	(32.3)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA	47,537	50,533	51,986	50,139	44,956	45,214	44,783	44,226	43,880	46,179	46,589	
Free cash flow *	14,143	16,477	18,031	21,411	11,473	16,149	16,956	17,588	21,434	18,380	22,608	282,422
PV of free cash flow *	13,022	13,966	14,069	15,376	7,585	9,828	9,225	8,770	9,797	7,702	8,684	108,488
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	8.6											
Terminal growth (%)	1.0											
Enterprise value - add investments	226,512											
Net debt	139,932											
Minority interest	31,346											
Equity value	55,234											
# of shares (m)	1,377											
Equity value/share (Bt)	40											

Sources: Company data, Thanachart estimates

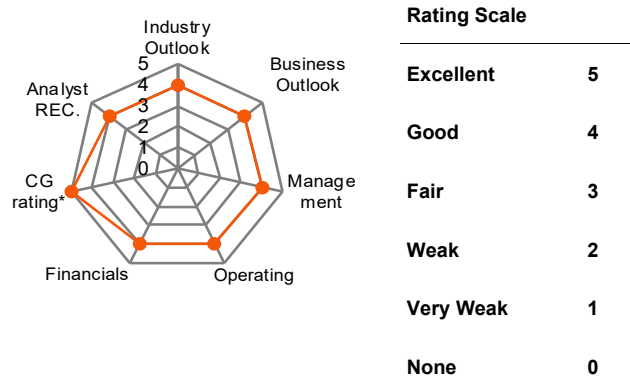
Note: *Excluding solar farm cash flows, our TP is rounded up

COMPANY DESCRIPTION

Bangchak Corporation Pcl (BCP) engages in a number of businesses, with its core operations centering 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 its 70%-owned subsidiary BCPG. It 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)	45.16	40.00	-11%
Net profit 24F (Bt m)	7,149	3,053	-57%
Net profit 25F (Bt m)	9,798	7,644	-22%
Consensus REC	BUY: 19	HOLD: 1	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2025F earnings are lower than the Bloomberg consensus estimate, likely as we are more conservative on GRM.
- Our DCF-based TP is below the Street, given our lower earnings forecast.

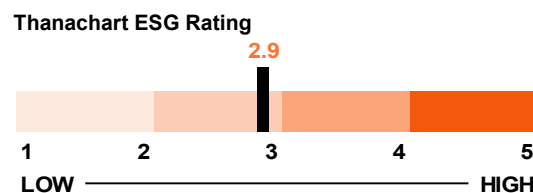
Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- GRM represents the key downside risk to our forecasts. If GRM falls substantially, the market could become concerned about BCP's balance sheet.
- Lower-than-expected synergies from acquiring BSRC would lead to downside risk to our EPS forecasts and TP.

Source: Thanachart

Bangchak Corporation Pcl (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.



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
BCP	YES	YES	-	AA	61.34	80.81	81.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
 Note: Please see third party on "terms of use" toward the back of this report.

Factors Our Comments

ENVIRONMENT

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

- In 2023, BCP released 0.94m tonnes of CO2 equivalent which is similar to 2022. However, emission intensity was 120kg/BOE (barrels of crude oil equivalent), below Thai energy peers' average of 280kg/BOE.
- 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 is also increasing the production of Sustainable Aviation Fuel (SAF) to meet the needs of airlines that prioritize reducing greenhouse gas emissions from air travel with a production capacity of 1 million liters per day. This will help reduce greenhouse gas emissions by approximately 80,000 tons of carbon dioxide equivalent per year.
- BCP targets to achieve net-zero GHG emissions by 2050 and 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 2023.
- According to BCP, the company tries to ensure employee development and happiness. In 2023, employees, on average, received 33.75 hours of training.
- In 2023, satisfaction with the Company's community engagement activities was 96.3%.

GOVERNANCE & SUSTAINABILITY

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

- The number of independent directors is more than one-third of all directors. Currently, there are 11 independent directors, which is more than half of all directors according to the principles of good corporate governance. This number is appropriate for the size and type of business, enabling them to perform their duties effectively.
- 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 recorded substantial impairments in its E&P assets. However, this situation has now improved, with the company focusing more on its core businesses. We are positive about Esso's acquisition and expect synergies to lead to higher returns.
- BCP's 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 and commodities' price fluctuation risks.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	312,202	385,853	570,563	594,226	596,990
Cost of sales	262,503	354,055	530,629	550,053	551,638
Gross profit	49,699	31,798	39,934	44,173	45,352
% gross margin	15.9%	8.2%	7.0%	7.4%	7.6%
Selling & administration expenses	10,391	11,781	15,908	16,618	16,701
Operating profit	39,308	20,018	24,025	27,555	28,651
% operating margin	12.6%	5.2%	4.2%	4.6%	4.8%
Depreciation & amortization	10,004	14,370	17,807	19,982	21,882
EBITDA	49,312	34,388	41,832	47,537	50,533
% EBITDA margin	15.8%	8.9%	7.3%	8.0%	8.5%
Non-operating income	(4,754)	1,766	3,022	3,779	3,779
Non-operating expenses	0	0	0	0	0
Interest expense	(3,977)	(4,980)	(6,068)	(7,354)	(7,227)
Pre-tax profit	30,578	16,803	20,979	23,981	25,203
Income tax	12,852	8,766	13,323	12,857	12,199
After-tax profit	17,726	8,037	7,656	11,124	13,004
% net margin	5.7%	2.1%	1.3%	1.9%	2.2%
Shares in affiliates' Earnings	188	340	784	984	784
Minority interests	(2,577)	1,322	(3,426)	(3,589)	(3,634)
Extraordinary items	(2,762)	3,532	(1,961)	(875)	(875)
NET PROFIT	12,575	13,231	3,053	7,644	9,278
Normalized profit	15,337	9,699	5,014	8,519	10,153
EPS (Bt)	9.1	9.6	2.2	5.6	6.7
Normalized EPS (Bt)	11.1	7.0	3.6	6.2	7.4

We expect BCP's earnings to fall less than peers' due to contributions from BSRC

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	111,349	121,881	146,389	141,282	141,761
Cash & cash equivalent	47,169	36,795	20,000	10,000	10,000
Account receivables	22,199	33,274	49,202	51,243	51,481
Inventories	29,533	47,840	71,699	74,323	74,537
Others	12,449	3,972	5,488	5,716	5,742
Investments & loans	3,505	29,382	29,382	29,382	29,382
Net fixed assets	73,018	119,374	131,567	131,586	133,403
Other assets	54,471	69,792	87,864	111,075	111,345
Total assets	242,344	340,429	395,202	413,325	415,892
LIABILITIES:					
Current liabilities:	47,852	87,879	111,140	117,402	114,887
Account payables	28,948	41,287	61,878	64,143	64,328
Bank overdraft & ST loans	1,101	13,354	7,997	8,040	7,686
Current LT debt	9,631	14,501	19,172	19,275	18,429
Others current liabilities	8,172	18,738	22,094	25,945	24,444
Total LT debt	70,507	100,414	132,763	133,476	127,614
Others LT liabilities	40,607	52,104	46,547	47,800	47,946
Total liabilities	158,966	240,397	290,451	298,678	290,447
Minority interest	20,674	27,920	31,346	34,934	38,568
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	12,099	10,839	10,839	10,839	10,839
Retained earnings	38,071	48,738	50,032	56,339	63,502
Shareholders' equity	62,704	72,112	73,406	79,713	86,876
Liabilities & equity	242,344	340,429	395,202	413,325	415,892

BCP's balance sheet to remain strong despite BSRC acquisition

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	30,578	16,803	20,979	23,981	25,203
Tax paid	(12,852)	(8,766)	(13,323)	(12,857)	(12,199)
Depreciation & amortization	10,004	14,370	17,807	19,982	21,882
Chg In working capital	(4,704)	(17,043)	(19,196)	(2,400)	(268)
Chg In other CA & CL / minorities	(4,192)	31,349	2,363	4,607	(743)
Cash flow from operations	18,833	36,713	8,629	33,312	33,876
Capex	(13,789)	(60,725)	(30,000)	(20,000)	(23,700)
Right of use	(3,322)	(1,725)	0	0	0
ST loans & investments	(91)	(169)	260	0	0
LT loans & investments	10,564	(25,877)	0	0	0
Adj for asset revaluation	491	67	0	0	0
Chg In other assets & liabilities	4,749	(2,197)	(25,590)	(22,833)	(999)
Cash flow from investments	(1,397)	(90,627)	(55,330)	(42,833)	(24,699)
Debt financing	733	47,430	31,664	858	(7,061)
Capital increase	0	0	0	0	0
Dividends paid	(4,261)	(3,209)	(1,759)	(1,337)	(2,115)
Warrants & other surplus	431	(681)	0	0	0
Cash flow from financing	(3,097)	43,541	29,906	(479)	(9,176)
Free cash flow	5,045	(24,012)	(21,371)	13,312	10,176

We include capex of Bt8.5bn from the SAF plant

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	3.0	4.8	9.3	5.5	4.6
Normalized PE - at target price (x)	3.6	5.7	11.0	6.5	5.4
PE (x)	3.7	3.5	15.2	6.1	5.0
PE - at target price (x)	4.4	4.2	18.0	7.2	5.9
EV/EBITDA (x)	1.6	4.0	4.5	4.1	3.8
EV/EBITDA - at target price (x)	1.8	4.3	4.7	4.3	3.9
P/BV (x)	0.7	0.6	0.6	0.6	0.5
P/BV - at target price (x)	0.9	0.8	0.8	0.7	0.6
P/CFO (x)	2.5	1.3	5.4	1.4	1.4
Price/sales (x)	0.1	0.1	0.1	0.1	0.1
Dividend yield (%)	6.7	5.9	1.6	4.1	5.0
FCF Yield (%)	10.9	(51.7)	(46.0)	28.6	21.9
(Bt)					
Normalized EPS	11.1	7.0	3.6	6.2	7.4
EPS	9.1	9.6	2.2	5.6	6.7
DPS	2.3	2.0	0.6	1.4	1.7
BV/share	45.5	52.4	53.3	57.9	63.1
CFO/share	13.7	26.7	6.3	24.2	24.6
FCF/share	3.7	(17.4)	(15.5)	9.7	7.4

Sources: Company data, Thanachart estimates

BCP trades at a valuation discount to peers despite its higher ROE

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	56.6	23.6	47.9	4.1	0.5
Net profit (%)	64.9	5.2	(76.9)	150.4	21.4
EPS (%)	64.9	5.2	(76.9)	150.4	21.4
Normalized profit (%)	234.0	(36.8)	(48.3)	69.9	19.2
Normalized EPS (%)	234.0	(36.8)	(48.3)	69.9	19.2
Dividend payout ratio (%)	24.6	20.8	25.0	25.0	25.0
Operating performance					
Gross margin (%)	15.9	8.2	7.0	7.4	7.6
Operating margin (%)	12.6	5.2	4.2	4.6	4.8
EBITDA margin (%)	15.8	8.9	7.3	8.0	8.5
Net margin (%)	5.7	2.1	1.3	1.9	2.2
D/E (incl. minor) (x)	1.0	1.3	1.5	1.4	1.2
Net D/E (incl. minor) (x)	0.4	0.9	1.3	1.3	1.1
Interest coverage - EBIT (x)	9.9	4.0	4.0	3.7	4.0
Interest coverage - EBITDA (x)	12.4	6.9	6.9	6.5	7.0
ROA - using norm profit (%)	6.9	3.3	1.4	2.1	2.4
ROE - using norm profit (%)	26.4	14.4	6.9	11.1	12.2
DuPont					
ROE - using after tax profit (%)	30.5	11.9	10.5	14.5	15.6
- asset turnover (x)	1.4	1.3	1.6	1.5	1.4
- operating margin (%)	11.1	5.6	4.7	5.3	5.4
- leverage (x)	3.8	4.3	5.1	5.3	5.0
- interest burden (%)	88.5	77.1	77.6	76.5	77.7
- tax burden (%)	58.0	47.8	36.5	46.4	51.6
WACC (%)	8.2	8.2	8.2	8.6	8.6
ROIC (%)	22.5	9.9	5.4	6.0	6.4
NOPAT (Bt m)	22,787	9,575	8,768	12,782	14,783
invested capital (Bt m)	96,774	163,584	213,338	230,503	230,605

Sources: Company data, Thanachart estimates

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

HOLD (From: BUY)

TP: Bt 7.00 (From: Bt 11.00)

Change in Recommendation

Downside : 2.8%

4 NOVEMBER 2024

Bangchak Sriracha Pcl (BSRC TB)

Fairly priced

We lower our earnings estimates and TP for BSRC to Bt7.0 to reflect our lower GRM assumptions due to the weaker refinery industry prospects. At 0.8x 2025F P/BV, we see BSRC as fairly priced against its ROE of 9%. We downgrade the stock to HOLD and consider BCP a better refinery choice.



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Downgrading to HOLD

This report is a part of Energy sector – *Cheap for a reason*, dated 4 November 2024. Due to our lower gross refining margin (GRM) assumptions, we cut our earnings estimates for BSRC by 12/41/30% in 2024-26F and our DCF-based 12-month TP (2025F base year) to Bt7.0 (from Bt11.0). We downgrade our recommendation to HOLD from Buy. **First**, we are more bearish on the refinery market outlook due to slower demand growth and new supply pressure in 2025F. **Second**, growth from synergy benefits with its parent Bangchak Corporation Pcl (BCP TB, BUY, Bt33.75) are not enough to counter the impact of falling GRM, and we estimate a 7% EPS contraction in 2025F. **Lastly**, we consider BSRC as fairly priced, trading at 0.8x P/BV against its ROE of 8.9% in 2025F.

More cautious on GRM outlook

New refining capacity, alongside tepid demand, especially from China, have combined to push margins to multi-year lows. We are turning more bearish on the refinery market and lower our refinery margin assumptions. We cut BSRC's GRM by 3/9/5% to US\$4.2/4.1/4.4 per barrel in 2024-26F.

Synergies cushion

Both BCP, which owns 70% of BSRC, and BSRC now target combined synergy benefits of Bt5.0bn in 2024F vs. Bt3bn previously. Of the total synergies, the portion that goes to BSRC is about 50%, and BCP gets the other half. The key synergy value is from the higher utilization of its refinery plant, as more products can be sold via BCP's petrol stations. BSRC's crude run rose to 89% in 2Q24 from 86% in 1Q24 and the pre-acquisition 10-year average of 74%. It can drive this up to 95%, but we believe this would require some additional capex.

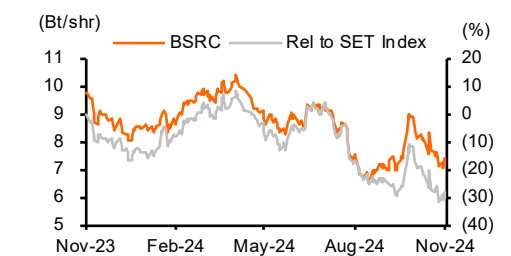
Higher non-oil contribution

BSRC's EBITDA breakdown in 1H24 was 63% for refinery businesses and 37% for oil retail or petrol station businesses. Note that up to 3Q24, about 90% of BSRC's petrol stations were rebranded as BCP stations. The company targets 100% conversion within 2024. BSRC plans to offer more non-oil products at its petrol stations, which should lift the overall profitability of its petrol station business.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	229,538	165,990	165,990	165,990
Net profit	2,142	1,527	2,314	2,813
Consensus NP	—	2,186	4,519	5,309
Diff frm cons (%)	—	(30.1)	(48.8)	(47.0)
Norm profit	2,529	2,826	2,629	3,338
Prev. Norm profit	—	3,217	4,454	4,756
Chg frm prev (%)	—	(12.1)	(41.0)	(29.8)
Norm EPS (Bt)	0.7	0.8	0.8	1.0
Norm EPS grw (%)	(77.0)	11.7	(7.0)	27.0
Norm PE (x)	9.9	8.8	9.5	7.5
EV/EBITDA (x)	9.1	5.3	5.0	3.9
P/BV (x)	0.9	0.9	0.8	0.8
Div yield (%)	3.5	2.5	3.7	4.5
ROE (%)	9.2	10.0	8.9	10.7
Net D/E (%)	97.7	47.2	37.9	22.7

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	7.20
Market Cap (US\$ m)	735.0
Listed Shares (m shares)	3,460.9
Free Float (%)	23.7
Avg Daily Turnover (US\$ m)	1.1
12M Price H/L (Bt)	10.40/6.50
Sector	Energy
Major Shareholder	Bangchak Corp. Pcl 76.34%

Sources: Bloomberg, Company data, Thanachart estimates



Ex 1: Earnings Revisions

	2022	2023	2024F	2025F	2026F
ESSO's market GRM (US\$/bbl)					
New	5.8	3.8	4.2	4.1	4.4
Old			4.4	4.5	4.6
Change (%)			(3.4)	(9.2)	(4.6)
Refinery utilization (%)					
New	75	68	90	92	95
Old			90	92	95
Change (%)			0.0	0.0	0.0
Net profit (Bt m)					
New	9,508	2,142	1,527	2,314	2,813
Old			2,970	4,174	4,756
Change (%)			(48.6)	(44.6)	(40.8)
Normalized profit (Bt m)					
New	11,007	2,529	2,826	2,629	3,338
Old			3,217	4,454	4,756
Change (%)			(12.1)	(41.0)	(29.8)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA + dividend	7,304	8,156	6,582	5,941	6,215	5,732	5,251	4,754	4,426	4,826	4,863	
Free cash flow	4,712	5,515	3,984	3,514	3,779	3,337	2,938	2,526	2,258	2,544	2,529	35,026
PV of free cash flow	4,327	4,650	3,085	2,498	2,466	1,999	1,570	1,234	1,008	1,039	944	13,080
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.2											
WACC (%)	8.9											
Terminal growth (%)	2.0											
Enterprise value - add investments	37,902											
Net debt (2024F)	13,584											
Minority interest	7											
Equity value	24,311											
# of shares (m)	3,461											
Equity value/share (Bt)	7.0											

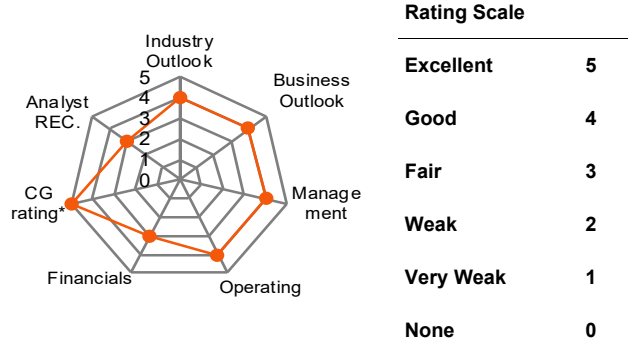
Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

Bangchak Sriracha Pcl (BSRC) 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. BSRC also has a PX capacity of 0.5m tonnes. The company is a 76%-owned subsidiary of Bangchak Corporation Pcl, its new parent. The company expects to rebrand all of its petrol stations into Bangchak stations by the end of 2024.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Synergies post-BCP acquisition.

O — Opportunity

- Its retail network and refinery are still underutilized. We expect more optimization after BCP's acquisition back in 2023.

W — Weakness

- 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)	8.87	7.00	-21%
Net profit 24F (Bt m)	2,186	1,527	-30%
Net profit 25F (Bt m)	4,519	2,314	-49%
Consensus REC	BUY: 4	HOLD: 3	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F profits are lower than the Bloomberg consensus estimates, likely as we incorporate more conservative GRM assumptions.
- Our TP is below the Street's, given our lower earnings forecasts.

Sources: Bloomberg consensus, Thanachart estimates

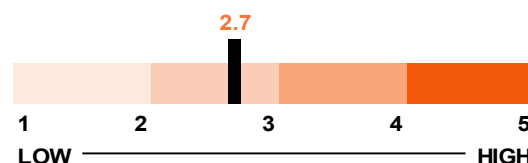
RISKS TO OUR INVESTMENT CASE

- Lower-than-expected refining margins would be the key downside risk to our call.
- Higher-than-expected domestic demand growth would negatively impact BSRC's oil retail business, which is an upside risk to our call.

Source: Thanachart

Bangchak Sriracha Pcl (BSRC) is a mid-scale Thai refining company with a capacity of 174k b/d. Our ESG score for BSRC is 2.7, at the low end of our coverage. We see BSRC’s green-energy strategy as lagging behind its peers. We don’t believe BSRC intends to make new investments requiring heavy capex in Thailand.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
BSRC	-	-	-	B	58.59	55.27	20.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody’s ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on “terms 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"> BSRC is the Thai refinery with the sector's second-lowest carbon emission intensity level 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 its peers in having clear targets and plans for ESG issues. BSRC released 0.9m tonnes of CO2 equivalent in 2023, 9% lower in carbon emissions than in 2022. However, the company has reduced greenhouse gas emissions intensity by approximately 1.2% compared to 2021. BSRC targets to achieve carbon neutrality by 2026 and net-zero greenhouse gas (GHG) emissions by 2050. This has been changed given its new parent.
<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"> BSRC has high operational safety standards and achieved several safety milestones in 2022. There were no safety lost-time incidents and no reportable spills in 2022. Neither its refinery nor aromatics plants have reported any spills for 16 years, while there have been no lost-time incidents for its employees and contractors for 12 years. BSRC has won the platinum award for 13 consecutive years from The American Chamber of Commerce in Thailand in recognition of Corporate Social Responsibility.
<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 BSRC as having an appropriate board structure. There are six independent directors out of 12 and four female directors. The domestic listed refinery, BCP, has now acquired BSRC. We expect potential synergies post-acquisition that should lead to higher returns for the company. Earnings volatility is high given the nature of the company's business, which is exposed to fluctuations in oil prices and refining margins. However, BSRC 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)	2022A	2023A	2024F	2025F	2026F
Sales	263,000	229,538	165,990	165,990	165,990
Cost of sales	244,209	221,259	158,513	158,628	157,872
Gross profit	18,792	8,279	7,477	7,361	8,118
% gross margin	7.1%	3.6%	4.5%	4.4%	4.9%
Selling & administration expenses	5,440	5,215	3,771	3,771	3,771
Operating profit	13,352	3,064	3,706	3,590	4,346
% operating margin	5.1%	1.3%	2.2%	2.2%	2.6%
Depreciation & amortization	2,772	2,700	3,542	3,714	3,810
EBITDA	16,123	5,765	7,248	7,304	8,156
% EBITDA margin	6.1%	2.5%	4.4%	4.4%	4.9%
Non-operating income	40	289	242	276	276
Non-operating expenses	0	0	0	0	0
Interest expense	(376)	(735)	(1,124)	(1,043)	(964)
Pre-tax profit	13,016	2,619	2,824	2,823	3,658
Income tax	2,320	451	382	578	703
After-tax profit	10,696	2,168	2,442	2,245	2,955
% net margin	4.1%	0.9%	1.5%	1.4%	1.8%
Shares in affiliates' Earnings	312	361	384	384	384
Minority interests	(1)	0	0	0	0
Extraordinary items	(1,499)	(387)	(1,298)	(315)	(525)
NET PROFIT	9,508	2,142	1,527	2,314	2,813
Normalized profit	11,007	2,529	2,826	2,629	3,338
EPS (Bt)	2.7	0.6	0.4	0.7	0.8
Normalized EPS (Bt)	3.2	0.7	0.8	0.8	1.0

We expect BSRC to see resilient profit despite falling GRM in 2025F

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	51,922	35,876	28,115	28,125	28,063
Cash & cash equivalent	586	976	3,000	3,000	3,000
Account receivables	8,430	9,548	6,904	6,904	6,904
Inventories	23,893	18,182	13,026	13,035	12,973
Others	19,013	7,171	5,186	5,186	5,186
Investments & loans	2,871	2,835	2,835	2,835	2,835
Net fixed assets	22,982	22,888	21,345	19,631	17,822
Other assets	7,766	9,022	7,475	7,475	7,475
Total assets	85,541	70,621	59,771	58,067	56,195
LIABILITIES:					
Current liabilities:	49,624	22,618	17,047	14,950	13,574
Account payables	5,872	5,262	3,770	3,773	3,755
Bank overdraft & ST loans	26,436	8,234	4,824	4,209	2,990
Current LT debt	5,334	4,641	2,719	2,372	1,685
Others current liabilities	11,983	4,481	5,734	4,596	5,145
Total LT debt	4,166	15,433	9,041	7,889	5,604
Others LT liabilities	4,547	4,607	4,930	4,930	4,930
Total liabilities	58,337	42,658	31,019	27,769	24,109
Minority interest	7	7	7	7	7
Preferred 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	691	315	315	315	315
Retained earnings	5,399	6,534	7,323	8,868	10,656
Shareholders' equity	27,197	27,956	28,745	30,290	32,078
Liabilities & equity	85,541	70,621	59,771	58,067	56,195

We estimate a higher ROE from synergies with BCP

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

With limited capex and a healthy refinery margin, we expect positive FCF

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	13,016	2,619	2,824	2,823	3,658
Tax paid	(2,320)	(451)	(382)	(578)	(703)
Depreciation & amortization	2,772	2,700	3,542	3,714	3,810
Chg In working capital	(4,611)	3,984	6,307	(7)	44
Chg In other CA & CL / minorities	(12,565)	4,751	3,623	(755)	932
Cash flow from operations	(3,709)	13,603	15,914	5,197	7,741
Capex	(2,048)	(2,606)	(2,000)	(2,000)	(2,000)
Right of use	482	388	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	1,585	36	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,957)	(2,020)	572	(315)	(525)
Cash flow from investments	(1,939)	(4,203)	(1,428)	(2,315)	(2,525)
Debt financing	6,945	(7,627)	(11,724)	(2,114)	(4,191)
Capital increase	0	0	0	0	0
Dividends paid	(1,730)	(1,038)	(738)	(768)	(1,025)
Warrants & other surplus	217	(376)	0	0	0
Cash flow from financing	5,433	(9,041)	(12,462)	(2,882)	(5,216)
Free cash flow	(5,757)	10,997	13,914	3,197	5,741

VALUATION

We think BSRC's valuation is fair

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	2.3	9.9	8.8	9.5	7.5
Normalized PE - at target price (x)	2.2	9.6	8.6	9.2	7.3
PE (x)	2.6	11.6	16.3	10.8	8.9
PE - at target price (x)	2.5	11.3	15.9	10.5	8.6
EV/EBITDA (x)	3.7	9.1	5.3	5.0	3.9
EV/EBITDA - at target price (x)	3.7	8.9	5.2	4.9	3.9
P/BV (x)	0.9	0.9	0.9	0.8	0.8
P/BV - at target price (x)	0.9	0.9	0.8	0.8	0.8
P/CFO (x)	(6.7)	1.8	1.6	4.8	3.2
Price/sales (x)	0.1	0.1	0.2	0.2	0.2
Dividend yield (%)	6.9	3.5	2.5	3.7	4.5
FCF Yield (%)	(23.1)	44.1	55.8	12.8	23.0
(Bt)					
Normalized EPS	3.2	0.7	0.8	0.8	1.0
EPS	2.7	0.6	0.4	0.7	0.8
DPS	0.5	0.3	0.2	0.3	0.3
BV/share	7.9	8.1	8.3	8.8	9.3
CFO/share	(1.1)	3.9	4.6	1.5	2.2
FCF/share	(1.7)	3.2	4.0	0.9	1.7

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	57.3	(12.7)	(27.7)	0.0	0.0
Net profit (%)	114.0	(77.5)	(28.7)	51.5	21.6
EPS (%)	114.0	(77.5)	(28.7)	51.5	21.6
Normalized profit (%)	na	(77.0)	11.7	(7.0)	27.0
Normalized EPS (%)	na	(77.0)	11.7	(7.0)	27.0
Dividend payout ratio (%)	18.2	40.4	40.0	40.0	40.0
Operating performance					
Gross margin (%)	7.1	3.6	4.5	4.4	4.9
Operating margin (%)	5.1	1.3	2.2	2.2	2.6
EBITDA margin (%)	6.1	2.5	4.4	4.4	4.9
Net margin (%)	4.1	0.9	1.5	1.4	1.8
D/E (incl. minor) (x)	1.3	1.0	0.6	0.5	0.3
Net D/E (incl. minor) (x)	1.3	1.0	0.5	0.4	0.2
Interest coverage - EBIT (x)	35.5	4.2	3.3	3.4	4.5
Interest coverage - EBITDA (x)	42.9	7.8	6.5	7.0	8.5
ROA - using norm profit (%)	14.1	3.2	4.3	4.5	5.8
ROE - using norm profit (%)	47.4	9.2	10.0	8.9	10.7
DuPont					
ROE - using after tax profit (%)	46.1	7.9	8.6	7.6	9.5
- asset turnover (x)	3.4	2.9	2.5	2.8	2.9
- operating margin (%)	5.1	1.5	2.4	2.3	2.8
- leverage (x)	3.4	2.8	2.3	2.0	1.8
- interest burden (%)	97.2	78.1	71.5	73.0	79.1
- tax burden (%)	82.2	82.8	86.5	79.5	80.8
WACC (%)	8.5	8.5	8.5	8.9	8.9
ROIC (%)	23.2	4.1	5.8	6.7	8.4
NOPAT (Bt m)	10,972	2,537	3,205	2,855	3,511
invested capital (Bt m)	62,546	55,287	42,329	41,760	39,358

Sources: Company data, Thanachart estimates

We expect net gearing to improve over the next few years

SELL (Unchanged)**TP: Bt 1.20** (From: Bt 1.50)**4 NOVEMBER 2024**

Change in Numbers

Downside : 21.1%

IRPC Public Co Ltd (IRPC TB)

Harder hit

We reaffirm our SELL rating on IRPC with a lower TP of Bt1.2. IRPC is suffering from the industry's downcycle more than its peers, in our view, because it is a relatively higher-cost producer with larger exposure to the more oversupplied product, PP.

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Reaffirming SELL

This report is a part of Energy sector – *Cheap for a reason*, dated 4 November 2024. We reaffirm our SELL rating on IRPC. **First**, IRPC is a relatively high-cost producer due to its small-scale capacity. This makes it more difficult than peers to withstand the industry downturn. We estimate it will incur losses during 2024-26F. We cut our earnings estimates in 2024-26F to reflect our lower assumptions for its gross integrated margin (GIM), as shown in Exhibit 1. **Second**, IRPC has more exposure to polypropylene (PP) products than its peers. PP has the longest oversupply outlook due to large capacity additions in China. **Lastly**, IRPC looks expensive to us despite trading at 0.4x 2024F P/BV due to its negative ROE during the loss-making period.

High costs and high gearing

IRPC has a relatively high operating cost structure and gearing. Its operating costs were high at US\$10.0/bbl in 1H24, about the same as its five-year average of US\$10.4/bbl. Meanwhile, net D/E rose sharply to 0.97x in 2Q24 from 0.57x in 2021 and 0.86x in 2023. IRPC has made losses for five consecutive quarters, and we continue to expect the company to report a loss in 2025F with our bearish view on both the refinery and petrochemical markets.

High exposure to PP

The company has a substantial exposure to PP at 25% of total petrochemical capacity. PP is the product that has been facing large additional supply, especially from China, and we expect it to remain in a downcycle into 2028F. Based on IRPC's data, global PP utilization is expected to remain weak at 76/77/75% over 2024-26F. This will likely lead to a prolonged margin trough. We cut our PP-naphtha spread assumptions by 10/7/9% to US\$320/350/360 per tonne over 2024-27F vs. US\$359 in 2023 and the US\$458 past-five-year average.

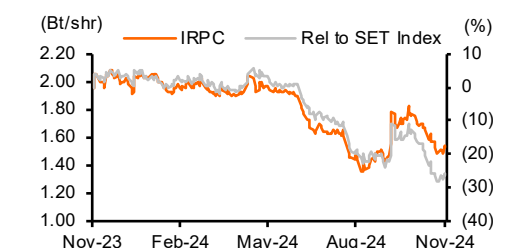
Lower GRM trend

IRPC also has a refinery unit with 215k bpd of capacity. The unit produces feedstock for its petrochemical business and sells refined oil products. So, it is suffering from the weak refinery market as well. We expect IRPC's GRM to decline following the industry trend in 2025F. Our GRM projections for IRPC stand at US\$3.5/3.3/3.6/bbl in 2024-26F

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	299,075	317,352	298,873	298,873
Net profit	(2,923)	(3,958)	(1,847)	(459)
Consensus NP	—	(1,335)	1,067	3,457
Diff frm cons (%)	—	na	na	na
Norm profit	(2,547)	(3,048)	(1,439)	(459)
Prev. Norm profit	—	612	1,252	743
Chg frm prev (%)	—	na	na	na
Norm EPS (Bt)	(0.1)	(0.1)	(0.1)	(0.0)
Norm EPS grw (%)	na	na	na	na
Norm PE (x)	na	na	na	na
EV/EBITDA (x)	16.8	20.2	15.2	11.7
P/BV (x)	0.4	0.4	0.4	0.4
Div yield (%)	2.0	0.0	0.0	0.0
ROE (%)	na	na	na	na
Net D/E (%)	85.1	102.8	110.4	100.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	1.52
Market Cap (US\$ m)	916.2
Listed Shares (m shares)	20,434.4
Free Float (%)	51.9
Avg Daily Turnover (US\$ m)	2.0
12M Price H/L (Bt)	2.08/1.35
Sector	Energy
Major Shareholder	PTT Pcl 45.05%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P36

Ex 1: Earnings Revisions

	2020	2021	2022	2023	2024F	2025F	2025F
Net profit (Bt m)							
- New	(6,152)	14,505	(4,364)	(2,923)	(3,958)	(1,847)	(459)
- Old					612	1,252	743
- Change (%)					na	na	na
Normalized profit (Bt m)							
- New	(2,646)	3,910	1,869	(2,547)	(3,048)	(1,439)	(459)
- Old					2,815	2,753	3,255
- Change (%)					na	na	na
Market GIM (US\$/bbl)							
- New	8.7	13.1	10.6	7.9	7.6	8.4	9.0
- Old					9.1	9.9	9.9
- Change (%)					(16.1)	(15.1)	(8.4)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA	7,233	8,801	9,739	9,088	9,563	8,889	8,618	8,997	9,377	9,756	10,136	
Free cash flow	(2,968)	8,583	9,089	8,849	9,047	8,675	8,451	8,751	9,109	9,415	9,728	145,495
PV of free cash flow	(2,527)	6,745	6,593	5,922	5,587	4,944	4,297	4,088	3,910	3,714	3,526	52,740
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	8.4											
Terminal growth (%)	2.0											
Enterprise value - add investments	99,539											
Net debt (2024F)	74,512											
Minority interest	223											
Equity value	24,804											
# of shares (m)	20,434											
Equity value/share (Bt)	1.2											

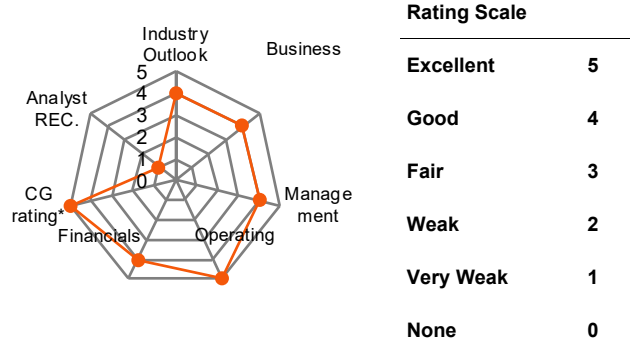
Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

IRPC Pcl (IRPC) is an integrated refinery and petrochemical complex located on Thailand's eastern seaboard. The company has 215kbd of crude refining capacity, 1.2m tpa of olefin capacity, and 0.6m tpa of aromatics and styrenics capacities. The company's growth strategy mainly focuses on expanding its specialty portfolio, which it targets to raise to 52% of polymer sales volume by 2025 from the current 22%.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Integrated refinery and petrochemical complex.
- Part of the PTT group.

O — Opportunity

- Significant potential to cut costs and improve domestic sales portion.
- Potential margin uplift from successful expansion in its specialty portfolio.

W — Weakness

- Legacy cost structure.
- Relatively isolated location in the Map Ta Phut Industrial Estate on the eastern seaboard.

T — Threat

- Weaker-than-expected refining margins and petrochemical spreads from either soft demand or significant growth in new supplies.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	1.65	1.20	-27%
Net profit 24F (Bt m)	-1,335	-3,958	na
Net profit 25F (Bt m)	1,067	-1,847	na
Consensus REC	BUY: 3	HOLD: 8	SELL: 9

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F earnings are much lower than the Bloomberg consensus estimates, which we attribute to us having more conservative chemical and GRM assumptions.
- Consequently, our TP is lower than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

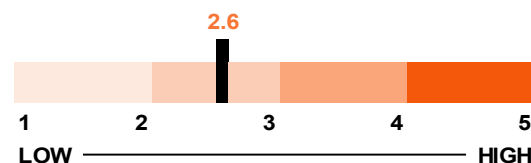
RISKS TO OUR INVESTMENT CASE

- Higher-than-expected refining margins or petrochemical spreads would be the key upside risk to our call.
- If the crude oil price were to come down to a low level, leading to lower operating costs, this would be a secondary upside risk to our call.
- Delivering more cost savings and/or productivity improvements would be another upside risk to our call.

Source: Thanachart

IRPC is a fully integrated refinery and naphtha-based petrochemical producer. It is 47.6% owned by PTT. Our ESG score for IRPC is 2.6, which is below the average under our coverage. We believe IRPC lags behind its local refinery and chemical peers in terms of ESG commitment, and it may also lag behind some global peers that have started to produce more bio- or green products, such as bio jet fuel.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
IRPC	YES	YES	YES	A	60.87	79.66	72.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms 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"> IRPC released 3.61m tonnes of CO2 equivalent in 2023, which was within its target range and down by 2% from 2022. The carbon emission intensity was at 320 kg CO2 per barrel of crude oil equivalent, above peers' average of 280 kg CO2 per barrel of crude oil equivalent. We believe this was due to IRPC having the longest operating chain among Thai downstream operators. IRPC aims to reduce its greenhouse gas emissions by 20% by 2030 (base year: 2018). The company plans for this to be done via efficiency improvements, a UFC project to produce Euro 5-compliant diesel, and by promoting the circular economy.
<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"> IRPC says it does not compromise on employees, personnel, and stakeholders' lives, safety, and well-being or the need to prevent making a serious environmental impact. There were only 1 lost-time accidents among employees and contractors in 2023. The company also received a satisfaction score of 82% from society and surrounding communities in 2023. IRPC's employee engagement score was 86 in 2023, which was slightly lower than 87% in 2022. At IRPC, there are a total of seven labour unions, and 75% of employees are union members.
<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 IRPC having an appropriate board structure. Eight out of 14 board members are independent. IRPC's decisions require PTT's approval, mostly just to ensure alignment with the group's policies. IRPC's unit costs are high compared with its Thai refinery peers', largely due to higher operating costs. However, the company has committed to reducing its operating costs to generate higher returns to shareholders.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	318,396	299,075	317,352	298,873	298,873
Cost of sales	302,694	288,142	306,155	286,111	284,801
Gross profit	15,702	10,933	11,196	12,762	14,072
% gross margin	4.9%	3.7%	3.5%	4.3%	4.7%
Selling & administration expenses	14,777	13,888	14,882	14,127	14,127
Operating profit	925	(2,955)	(3,686)	(1,365)	(55)
% operating margin	0.3%	-1.0%	-1.2%	-0.5%	0.0%
Depreciation & amortization	8,059	8,666	8,921	8,598	8,856
EBITDA	8,984	5,711	5,236	7,233	8,801
% EBITDA margin	2.8%	1.9%	1.6%	2.4%	2.9%
Non-operating income	1,353	1,407	1,534	1,469	1,469
Non-operating expenses	0	0	0	0	0
Interest expense	(1,836)	(2,021)	(2,132)	(2,252)	(2,236)
Pre-tax profit	442	(3,569)	(4,283)	(2,147)	(822)
Income tax	(1,142)	(772)	(986)	(459)	(112)
After-tax profit	1,584	(2,797)	(3,297)	(1,689)	(709)
% net margin	0.5%	-0.9%	-1.0%	-0.6%	-0.2%
Shares in affiliates' Earnings	289	261	261	261	261
Minority interests	(4)	(11)	(12)	(11)	(11)
Extraordinary items	(6,233)	(376)	(910)	(408)	0
NET PROFIT	(4,364)	(2,923)	(3,958)	(1,847)	(459)
Normalized profit	1,869	(2,547)	(3,048)	(1,439)	(459)
EPS (Bt)	(0.2)	(0.1)	(0.2)	(0.1)	(0.0)
Normalized EPS (Bt)	0.1	(0.1)	(0.1)	(0.1)	(0.0)

With weak chemical and refinery margin, we expect IRPC to make loss in 2024-26F.

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	70,920	61,683	81,515	75,979	78,521
Cash & cash equivalent	3,230	6,220	14,000	12,699	15,421
Account receivables	15,051	15,597	17,552	16,530	16,530
Inventories	39,376	32,413	42,055	39,302	39,122
Others	13,263	7,453	7,908	7,448	7,448
Investments & loans	8,746	9,013	9,013	9,013	9,013
Net fixed assets	111,432	114,362	115,840	120,294	113,138
Other assets	7,088	7,604	8,008	7,599	7,599
Total assets	198,187	192,661	214,376	212,885	208,271
LIABILITIES:					
Current liabilities:	62,056	58,944	63,453	60,594	59,750
Account payables	34,466	34,305	41,013	38,328	38,153
Bank overdraft & ST loans	9,000	7,200	0	0	0
Current LT debt	10,762	10,881	15,090	15,627	14,873
Others current liabilities	7,827	6,558	7,350	6,639	6,725
Total LT debt	51,849	52,945	73,422	76,034	72,366
Others LT liabilities	4,604	4,650	5,038	4,759	4,759
Total liabilities	118,509	116,539	141,913	141,387	136,875
Minority interest	225	211	223	234	245
Preferreds shares	0	0	0	0	0
Paid-up capital	20,434	20,434	20,434	20,434	20,434
Share premium	28,554	28,554	28,554	28,554	28,554
Warrants	0	0	0	0	0
Surplus	(116)	(124)	(124)	(124)	(124)
Retained earnings	30,579	27,046	23,376	22,400	22,286
Shareholders' equity	79,452	75,911	72,240	71,264	71,151
Liabilities & equity	198,187	192,661	214,376	212,885	208,271

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	442	(3,569)	(4,283)	(2,147)	(822)
Tax paid	1,142	772	986	459	112
Depreciation & amortization	8,059	8,666	8,921	8,598	8,856
Chg In working capital	(1,081)	6,256	(4,889)	1,090	4
Chg In other CA & CL / minorities	(3,642)	6,220	598	10	347
Cash flow from operations	4,920	18,345	1,333	8,010	8,498
Capex	(10,424)	(11,596)	(10,399)	(13,052)	(1,700)
Right of use	(24)	(5)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(143)	(267)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(9,017)	(2,288)	(927)	(277)	0
Cash flow from investments	(19,608)	(14,155)	(11,326)	(13,329)	(1,700)
Debt financing	10,361	(581)	17,485	3,148	(4,422)
Capital increase	0	0	0	0	0
Dividends paid	(3,674)	(612)	287	871	346
Warrants & other surplus	(6)	(7)	0	0	0
Cash flow from financing	6,682	(1,200)	17,773	4,019	(4,076)
Free cash flow	(5,504)	6,749	(9,066)	(5,042)	6,798

FCF is volatile with spread movement.

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	16.6	na	na	na	na
Normalized PE - at target price (x)	13.1	na	na	na	na
PE (x)	na	na	na	na	na
PE - at target price (x)	na	na	na	na	na
EV/EBITDA (x)	11.1	16.8	20.2	15.2	11.7
EV/EBITDA - at target price (x)	10.3	15.6	18.9	14.3	10.9
P/BV (x)	0.4	0.4	0.4	0.4	0.4
P/BV - at target price (x)	0.3	0.3	0.3	0.3	0.3
P/CFO (x)	6.3	1.7	23.3	3.9	3.7
Price/sales (x)	0.1	0.1	0.1	0.1	0.1
Dividend yield (%)	4.6	2.0	0.0	0.0	0.0
FCF Yield (%)	(17.7)	21.7	(29.2)	(16.2)	21.9
(Bt)					
Normalized EPS	0.1	(0.1)	(0.1)	(0.1)	(0.0)
EPS	(0.2)	(0.1)	(0.2)	(0.1)	(0.0)
DPS	0.1	0.0	0.0	0.0	0.0
BV/share	3.9	3.7	3.5	3.5	3.5
CFO/share	0.2	0.9	0.1	0.4	0.4
FCF/share	(0.3)	0.3	(0.4)	(0.2)	0.3

Valuation looks unattractive, in our view

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	35.4	(6.1)	6.1	(5.8)	0.0
Net profit (%)	na	na	na	na	na
EPS (%)	na	na	na	na	na
Normalized profit (%)	(52.2)	na	na	na	na
Normalized EPS (%)	(52.2)	na	na	na	na
Dividend payout ratio (%)	(32.8)	(21.0)	30.0	30.0	30.0
Operating performance					
Gross margin (%)	4.9	3.7	3.5	4.3	4.7
Operating margin (%)	0.3	(1.0)	(1.2)	(0.5)	(0.0)
EBITDA margin (%)	2.8	1.9	1.6	2.4	2.9
Net margin (%)	0.5	(0.9)	(1.0)	(0.6)	(0.2)
D/E (incl. minor) (x)	0.9	0.9	1.2	1.3	1.2
Net D/E (incl. minor) (x)	0.9	0.9	1.0	1.1	1.0
Interest coverage - EBIT (x)	0.5	na	na	na	na
Interest coverage - EBITDA (x)	4.9	2.8	2.5	3.2	3.9
ROA - using norm profit (%)	1.0	na	na	na	na
ROE - using norm profit (%)	2.2	na	na	na	na
DuPont					
ROE - using after tax profit (%)	1.9	na	na	na	na
- asset turnover (x)	1.6	1.5	1.6	1.4	1.4
- operating margin (%)	0.7	na	na	na	na
- leverage (x)	2.3	2.5	2.7	3.0	3.0
- interest burden (%)	19.4	230.6	199.1	(2,050.3)	(58.1)
- tax burden (%)	358.4	na	na	na	na
WACC (%)	7.9	7.9	7.9	8.4	8.4
ROIC (%)	2.4	(2.0)	(2.0)	(0.7)	(0.0)
NOPAT (Bt m)	3,315	(2,955)	(2,837)	(1,073)	(47)
invested capital (Bt m)	147,833	140,717	146,752	150,225	142,968

*With a weak PP spread
and lower GRM, ROE
looks set to remain low*

Sources: Company data, Thanachart estimates

BUY (Unchanged)**TP: Bt 29.00** (From: Bt 20.00)**4 NOVEMBER 2024**

Change in Numbers

Upside : 12.6%

Indorama Ventures Pcl (IVL TB)

Turnaround on track

We reaffirm our BUY call on IVL with a higher TP of Bt29. We lift our earnings and TP to reflect cost savings from closures of non-performing plants and estimate a strong earnings turnaround of 28/11% in 2025-26F despite the soft industry outlook.

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Asset rationalization; reaffirming BUY

This report is a part of Energy sector – *Cheap for a reason*, dated 4 November 2024. We reaffirm our BUY rating on IVL. **First**, we raise our earnings estimates for IVL by 34/13/12% in 2024-26F and our DCF-based 12-month (2025F base year) TP to Bt29 from Bt20 to reflect improving profitability from the closure of non-performing plants. We expect IVL's earnings to grow by 298/28/11% in 2024-26F. **Second**, we believe the integrated PET spread has seen its trough and has limited downside risk. Though we expect the industry to remain weak into 2026F, we still expect IVL to deliver earnings growth from the factor above. In fact, the Asia integrated PET spread has bounced back so far in 4Q24 from its low in 3Q23. **Third**, we estimate a strong earnings recovery in 3Q24F. **Finally**, IVL looks inexpensive to us. We think its PE of 17.7x is high due to its strong earnings recovery.

Non-performing plant closures

IVL began shutting down its non-performing production plants in 2Q24. The cost savings were US\$15m in 3Q24, and we expect them to rise to US\$15m-20m in 4Q24F. We raise our annual cost savings projection to US\$120m (46% of 2025F profit) from our previous forecast of US\$100m. That is still conservative compared with the company's target of US\$170m in 2025.

PET spread has seen its trough

We expect a continued oversupply of PET into 2026F (see supply-demand in Exhibit 14 in the main report). However, we believe the Asia-integrated PET spread has already seen a trough because it has hovered at a relatively stable level for the past five quarters. As many operators are already making losses, we see limited downside risk from here. Actually, the spread recovered US\$162/tonne in 4QTD, up 25% q-q from 3Q24 due to more disciplined supply control in China. We estimate the spread to be US\$137/157/167 per tonne in 2024-26F, down from the peak of US\$427 in 2018.

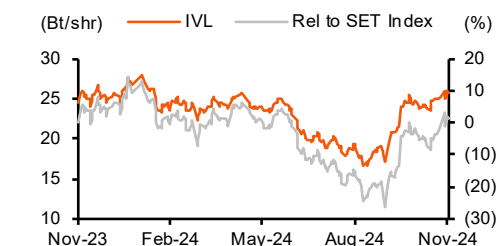
Earnings turnaround in 3Q24F

We estimate IVL's 3Q24 normalized earnings at Bt2.4bn, up 100% q-q and vs. a loss of Bt345m in 3Q23. We expect extra items of Bt1.6bn stock loss but no asset impairment. The asset impairment in 2Q24 was Bt24bn from plant closures. Cost savings from plant closures and improved product spreads primarily drive the turnaround in normalized earnings.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	550,877	548,502	463,027	435,616
Net profit	(10,798)	(17,853)	9,069	9,928
Consensus NP	—	(18,401)	9,797	13,658
Diff frm cons (%)	—	(3.0)	(7.4)	(27.3)
Norm profit	2,366	7,155	9,069	9,928
Prev. Norm profit	—	5,316	8,027	8,870
Chg frm prev (%)	—	34.6	13.0	11.9
Norm EPS (Bt)	0.3	1.1	1.5	1.6
Norm EPS grw (%)	(95.2)	298.1	28.1	10.5
Norm PE (x)	90.4	22.7	17.7	16.0
EV/EBITDA (x)	8.0	7.4	6.7	6.4
P/BV (x)	0.9	1.0	0.9	0.9
Div yield (%)	3.6	0.0	1.7	1.9
ROE (%)	1.4	4.5	5.8	6.1
Net D/E (%)	124.1	145.3	125.0	112.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	25.75
Market Cap (US\$ m)	4,264.5
Listed Shares (m shares)	5,614.6
Free Float (%)	35.2
Avg Daily Turnover (US\$ m)	19.6
12M Price H/L (Bt)	28.00/16.60
Sector	PETRO
Major Shareholder	Indorama Resources 64.74%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P44

Ex 1: Earning Revisions

	2021	2022	2023	2024F	2025F	2026F
Normalized profit (Bt m)						
- New	20,420	34,057	2,366	7,155	9,069	9,928
- Old				5,316	8,027	8,870
- Change (%)				34.6	13.0	11.9
Net profit (Bt m)						
- New	26,288	31,006	(10,798)	(17,853)	9,069	9,928
- Old				5,316	8,027	8,870
- Change (%)				na	13.0	11.9

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA	54,352	54,658	54,941	56,086	56,867	57,535	58,222	58,928	59,653	60,399	61,166	
Free cash flow	32,831	31,314	31,660	32,612	33,325	32,962	33,686	34,371	35,071	35,787	36,520	510,276
PV of free cash flow	30,172	26,440	24,561	23,240	21,819	19,828	18,076	16,870	15,749	14,703	13,728	191,813
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.2											
WACC (%)	8.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	417,000											
Net debt	239,034											
Minority interest	13,590											
Equity value	164,375											
# of shares	5,615											
Equity value/share (Bt)	29											

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 3: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		– Div yield –	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Reliance Industries	RIL IN	India	1.7	7.7	na	na	na	na	12.9	12.0	na	na
Lotte Chemical	011170 KS	South Korea	na	na	na	33.0	0.3	0.3	17.3	9.7	3.3	3.8
Alpek	ALPEKA MM	Mexico	49.5	74.3	16.3	9.4	0.8	0.9	5.7	5.1	4.5	8.6
Sinopec	386 HK	Hong Kong	(11.8)	9.4	8.8	8.1	0.6	0.6	5.6	5.2	7.4	8.0
IRPC	IRPC TB *	Thailand	na	na	na	na	0.4	0.4	20.2	15.2	0.0	0.0
Indorama Ventures	IVL TB *	Thailand	298.1	28.1	22.7	17.7	1.0	0.9	7.4	6.7	0.0	1.7
PTT Global Chemical	PTTGC TB *	Thailand	na	na	na	24.1	0.4	0.4	11.8	9.2	2.8	1.5
Siam Cement	SCC TB *	Thailand	(44.9)	76.8	30.4	17.2	0.7	0.7	24.0	12.1	1.6	2.9
Average			64.5	38.5	18.2	16.2	0.7	0.7	12.5	9.4	2.6	3.4

Sources: Bloomberg, * Thanachart estimates

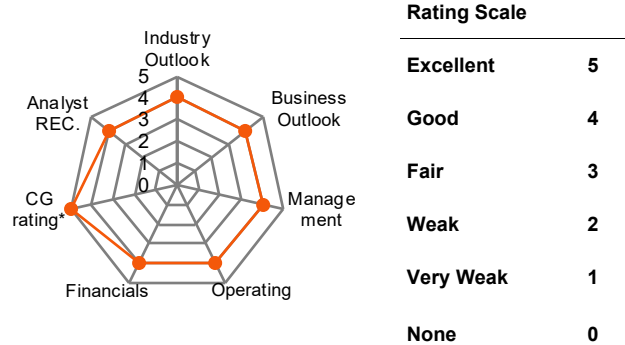
Based on 1 November 2024 closing prices

COMPANY DESCRIPTION

Indorama Ventures Pcl (IVL) manufactures and distributes polyethylene terephthalate (PET), polyester fibers and yarns, purified terephthalic acid (PTA), and monoethylene glycol (MEG). It is one of the world's largest vertically integrated polyester chain producers. Its global sales and manufacturing presence can be seen in major markets such as the US, Europe, and Asia. It serves major players in diversified end-user markets, including food, beverages, personal and home care, health care, automotive, textiles, and industrial. We believe IVL is now at an inflection point for its third growth phase, via expanding into a packaging, olefin-integrated company.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Large scale and efficient facilities are helping IVL to become one of the lowest-cost producers in the world.
- Large scale and good customer relationships help IVL keep its utilization rate high and improve economies of scale.
- Setting up plants in many major markets helps IVL save on transportation costs and avoid trade barriers.

O — Opportunity

- IVL still has room for further growth potential from expanding its IOD portfolio via horizontal and vertical integration.
- Potential upside from the rPET business.
- Market consolidation in the US and Europe is helping to sustain product spreads.

W — Weakness

- IVL's heavy reliance on the PET/polyester product value chain and its investment in US ethane crackers makes it vulnerable to oil price fluctuations.
- For PET, IVL's customers are major food & beverage companies, and they could have very strong bargaining power.

T — Threat

- Threat from higher environmental awareness that would lead to lower virgin PET demand.
- New technology to lower production costs would require existing players to invest more capex to improve efficiency.
- Overpaying for acquisitions and limited synergies.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	26.12	29.00	11%
Net profit 24F (Bt m)	(18,401)	(17,853)	na
Net profit 25F (Bt m)	9,797	9,069	-7%
Consensus REC	BUY: 10	HOLD: 10	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2025F net profits are slightly lower than the Street, which we attribute to us having lower PET margin assumptions.
- Our DCF-based TP is slightly higher than the Street's. We believe this is due to our having a more positive view on cost saving after plant shutdowns.

Sources: Bloomberg consensus, Thanachart forecasts

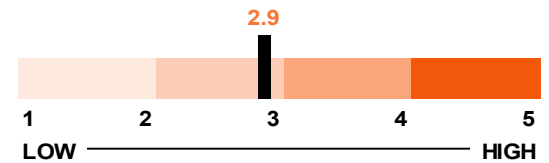
RISKS TO OUR INVESTMENT CASE

- Lower-than-expected spreads and/or poor cost controls represent the key downside risk to our view.
- Higher oil prices leading to higher MTBE and MEG spreads are a secondary downside risk to our call.
- Slower-than-expected integration of recent acquisitions would be another downside risk.

Source: Thanachart

IVL is the world’s largest PET producer. As a petrochemical company, IVL releases meaningful amounts of greenhouse gases. However, our ESG score for IVL is moderate at 2.94, which is in line with the sector average. We think the company has a solid commitment to meeting targets for various ESG issues, including its more aggressive move toward recycling PET, but its high energy intensity offsets this.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
IVL	YES	YES	YES	A	60.66	48.1	81.00	45.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
 Note: Please see third party on “terms of use” toward the back of this report.

Factors Our Comments

ENVIRONMENT

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

- In 2023, IVL released 9.5m tonnes of CO2 equivalent, a 2.2% decrease from 2022. In terms of emission intensity, the company emitted 598kg/BOE (barrels of crude oil equivalent) vs. the 280kg average for Thai energy companies. IVL aims to cut greenhouse gas (GHG) emissions by 30% between 2020 and 2030.
- Between February 2011 and September 2023, IVL reached the milestone of recycling 100 billion PET bottles. This achievement diverted 2.1m tonnes of PET waste from the environment and reduced its carbon footprint by 2.9m tonnes. Its 20 recycling facilities resulted in a carbon footprint reduction of 0.3m tCO2e from 324,256 tonnes of PET recycled in 2023.
- IVL also targets to increase the use of renewable electricity in its production process to 10% of its total electricity requirements by 2025 and 25% by 2030. The renewable capacity accounted for 3.14% of total electricity consumption in 2023. And it plans to increase biomass as a feedstock from 1% of the total in 2021 to 16% in 2030.

SOCIAL

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

- IVL’s human rights policy complies with international and local human rights and labor laws, particularly in the countries where IVL operates.
- IVL also has CSR targets. The company encourages recycling awareness projects in different communities and countries and targets to educate 1m people globally by 2030. The company also aims to develop engagement with local communities to improve their quality of life and raise living standards. It expects to reach out to at least 100,000 beneficiaries/people in communities with its well-being initiative by 2030.

GOVERNANCE & SUSTAINABILITY

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

- IVL has a 12-member board of directors, which we consider appropriate for the company’s size and scope of business. Five of the 12 members are independent directors. Five members, including the chairman, are family members of the owner. Three female board members.
- As a family-owned business, IVL has had transactions between group subsidiaries. That said, IVL ensures pricing transparency.
- IVL has grown inorganically via a series of acquisitions, and its balance sheet could be of concern. However, with the industry's outlook weakening, the company is now focusing on cutting capex and deleveraging.

Sources: Company note, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	655,543	550,877	548,502	463,027	435,616
Cost of sales	539,644	469,977	459,499	382,242	357,133
Gross profit	115,899	80,900	89,003	80,784	78,483
% gross margin	17.7%	14.7%	16.2%	17.4%	18.0%
Selling & administration expenses	62,416	63,661	63,217	53,366	50,206
Operating profit	53,483	17,239	25,786	27,419	28,276
% operating margin	8.2%	3.1%	4.7%	5.9%	6.5%
Depreciation & amortization	25,767	28,183	26,105	26,933	26,382
EBITDA	79,250	45,421	51,892	54,352	54,658
% EBITDA margin	12.1%	8.2%	9.5%	11.7%	12.5%
Non-operating income	518	(1,038)	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(9,610)	(14,426)	(16,886)	(16,231)	(16,016)
Pre-tax profit	44,391	1,775	8,901	11,188	12,260
Income tax	7,078	(462)	1,861	2,238	2,452
After-tax profit	37,313	2,237	7,039	8,950	9,808
% net margin	5.7%	0.4%	1.3%	1.9%	2.3%
Shares in affiliates' Earnings	(28)	7	0	0	0
Minority interests	(3,228)	122	115	119	119
Extraordinary items	(3,051)	(13,164)	(25,007)	0	0
NET PROFIT	31,006	(10,798)	(17,853)	9,069	9,928
Normalized profit	34,057	2,366	7,155	9,069	9,928
EPS (Bt)	5.4	(2.1)	(3.3)	1.5	1.6
Normalized EPS (Bt)	5.9	0.3	1.1	1.5	1.6

We expect a profit turnaround in 2025F due to asset optimization

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	215,708	189,354	183,087	160,899	152,111
Cash & cash equivalent	21,744	19,757	16,074	21,074	21,074
Account receivables	55,580	51,114	50,893	42,962	40,419
Inventories	115,872	96,657	94,502	78,613	73,449
Others	22,511	21,827	21,618	18,249	17,169
Investments & loans	4,065	4,436	4,436	4,436	4,436
Net fixed assets	320,630	312,393	315,337	311,504	305,072
Other assets	83,475	83,949	83,801	78,480	76,773
Total assets	623,878	590,132	586,662	555,319	538,392
LIABILITIES:					
Current liabilities:	202,200	201,347	171,305	165,398	156,928
Account payables	106,721	101,935	99,662	82,906	77,460
Bank overdraft & ST loans	31,248	28,419	30,111	28,151	26,476
Current LT debt	33,777	38,536	14,863	31,009	31,706
Others current liabilities	30,455	32,457	26,669	23,331	21,285
Total LT debt	178,388	173,824	210,135	179,348	166,131
Others LT liabilities	42,404	36,893	40,659	36,658	35,375
Total liabilities	422,993	412,064	422,100	381,404	358,434
Minority interest	14,896	13,706	13,590	13,471	13,352
Preferreds shares	0	0	0	0	0
Paid-up capital	5,615	5,615	5,615	5,615	5,615
Share premium	60,331	60,331	60,331	60,331	60,331
Warrants	0	0	0	0	0
Surplus	8,047	4,661	9,661	9,661	9,661
Retained earnings	111,997	93,755	75,364	84,836	91,000
Shareholders' equity	185,990	164,362	150,972	160,444	166,607
Liabilities & equity	623,878	590,132	586,662	555,319	538,392

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	44,391	1,775	8,901	11,188	12,260
Tax paid	(7,208)	(795)	(1,473)	(2,721)	(2,465)
Depreciation & amortization	25,767	28,183	26,105	26,933	26,382
Chg In working capital	(12,846)	18,897	103	7,063	2,261
Chg In other CA & CL / minorities	2,258	10,983	(6,083)	514	(952)
Cash flow from operations	52,361	59,042	27,553	42,977	37,487
Capex	(54,720)	(19,946)	(29,050)	(23,100)	(19,950)
Right of use	(943)	(2,589)	0	0	0
ST loans & investments	7	(92)	116	0	0
LT loans & investments	(462)	(371)	0	0	0
Adj for asset revaluation	3,717	(3,386)	5,000	0	0
Chg In other assets & liabilities	(16,699)	(24,569)	(21,093)	1,320	423
Cash flow from investments	(69,101)	(50,952)	(45,028)	(21,780)	(19,527)
Debt financing	29,530	(2,634)	14,330	(16,599)	(14,195)
Capital increase	0	0	(0)	0	0
Dividends paid	(8,885)	(7,225)	(538)	403	(3,765)
Warrants & other surplus	1,383	(219)	0	0	0
Cash flow from financing	22,028	(10,078)	13,792	(16,197)	(17,960)
Free cash flow	(2,359)	39,097	(1,497)	19,877	17,537

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	4.3	90.4	22.7	17.7	16.0
Normalized PE - at target price (x)	4.9	101.9	25.6	20.0	18.1
PE (x)	4.8	na	na	17.7	16.0
PE - at target price (x)	5.4	na	na	20.0	18.1
EV/EBITDA (x)	4.6	8.0	7.4	6.7	6.4
EV/EBITDA - at target price (x)	4.9	8.5	7.7	7.0	6.7
P/BV (x)	0.8	0.9	1.0	0.9	0.9
P/BV - at target price (x)	0.9	1.0	1.1	1.0	1.0
P/CFO (x)	2.8	2.4	5.2	3.4	3.9
Price/sales (x)	0.2	0.3	0.3	0.3	0.3
Dividend yield (%)	6.2	3.6	0.0	1.7	1.9
FCF Yield (%)	(1.6)	27.0	(1.0)	13.7	12.1
(Bt)					
Normalized EPS	5.9	0.3	1.1	1.5	1.6
EPS	5.4	(2.1)	(3.3)	1.5	1.6
DPS	1.6	0.9	0.0	0.4	0.5
BV/share	33.1	29.3	26.9	28.6	29.7
CFO/share	9.3	10.5	4.9	7.7	6.7
FCF/share	(0.4)	7.0	(0.3)	3.5	3.1

Sources: Company data, Thanachart estimates

*We see IVL's 0.9x 2025F
P/BV already pricing in
weak PET spreads and an
asset impairment*

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	40.0	(16.0)	(0.4)	(15.6)	(5.9)
Net profit (%)	17.9	na	na	na	9.5
EPS (%)	18.5	na	na	na	10.5
Normalized profit (%)	66.8	(93.1)	202.3	26.8	9.5
Normalized EPS (%)	69.3	(95.2)	298.1	28.1	10.5
Dividend payout ratio (%)	29.7	(44.9)	30.0	30.0	30.0
Operating performance					
Gross margin (%)	17.7	14.7	16.2	17.4	18.0
Operating margin (%)	8.2	3.1	4.7	5.9	6.5
EBITDA margin (%)	12.1	8.2	9.5	11.7	12.5
Net margin (%)	5.7	0.4	1.3	1.9	2.3
D/E (incl. minor) (x)	1.2	1.4	1.6	1.4	1.2
Net D/E (incl. minor) (x)	1.1	1.2	1.5	1.3	1.1
Interest coverage - EBIT (x)	5.6	1.2	1.5	1.7	1.8
Interest coverage - EBITDA (x)	8.2	3.1	3.1	3.3	3.4
ROA - using norm profit (%)	5.8	0.4	1.2	1.6	1.8
ROE - using norm profit (%)	19.8	1.4	4.5	5.8	6.1
DuPont					
ROE - using after tax profit (%)	21.6	1.3	4.5	5.7	6.0
- asset turnover (x)	1.1	0.9	0.9	0.8	0.8
- operating margin (%)	8.2	2.9	4.7	5.9	6.5
- leverage (x)	3.4	3.5	3.7	3.7	3.3
- interest burden (%)	82.2	11.0	34.5	40.8	43.4
- tax burden (%)	84.1	126.0	79.1	80.0	80.0
WACC (%)	8.4	8.4	8.4	8.8	8.8
ROIC (%)	12.6	5.3	5.3	5.6	6.0
NOPAT (Bt m)	44,955	21,724	20,393	21,935	22,621
invested capital (Bt m)	407,658	385,384	390,006	377,879	369,846

Sources: Company data, Thanachart estimates

*Leverage is trending
down with lower capex*

BUY (From: SELL)
Change in Recommendation

TP: Bt 38.00 (From: Bt 29.00)
Upside : 12.6%

4 NOVEMBER 2024

PTT Public Co Ltd (PTT TB)

A more stable play

PTT has a more stable source of income than its group companies. It is becoming more attractive during the group companies' business downcycles. With a lower policy risk from lower energy prices and a 5.9% dividend yield in 2025F, we upgrade PTT to BUY from Sell.



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A safer choice; upgrading to BUY

This report is a part of Energy sector – *Missing the mark*, dated 4 November 2024. We upgrade PTT to BUY from Sell. **First**, we raise our earnings estimates for PTT by 12/5/6% in 2024-26F as its subsidy burden is less than expected due to a lower imported LNG price and higher than expected other gas income. With the higher earnings and the roll-over impact to a 2025F base year, we raise our SOTP-based DCF-derived 12-month TP to Bt38 from Bt29. **Second**, we see a lower risk of regulatory burden given the weaker outlook for energy prices. **Third**, PTT has more resilient cash flows and earnings than its subsidiaries and affiliated companies due to its relatively stable gas sales business. This makes it more attractive during its group companies' business downturns. **Lastly**, PTT offers a decent dividend yield on our numbers at 5.9% in 2025F.

Lower subsidy risk

We expect PTT to have a lower subsidy risk and burden during a weak energy price period. The government's oil fund deficit also falls to Bt44bn from a peak of Bt63bn in June this year. PTT currently subsidizes NGV and gas pool prices sold to power plants. The biggest subsidy burden is implementing a single gas pool price to keep electricity prices low. Starting next year, we also expect PTT to share some of this subsidy burden with its 45%-owned PTT Global Chemical Pcl (PTTGC TB, SELL, Bt26.50). PTTGC will likely pay a higher base for the ethane price formula in the process. We estimate PTT's gas profit to increase by 11/0.5% over 2025-26F.

More stable profit than group companies

Despite continued downturns in the refinery and petrochemical markets, which impact PTT group companies' earnings, we project PTT's earnings to drop by only 4% in 2025F and flat in 2026F. We assume lower oil prices and lower refinery petrochemical spreads. However, we expect its gas profit to improve due to a lower subsidization burden.

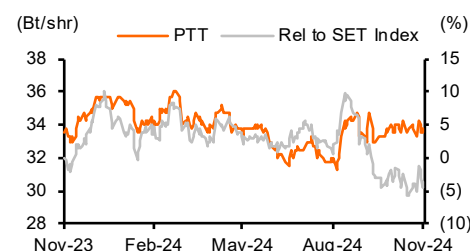
Strong cash flow and high dividend yield

PTT has a strong balance sheet, resilient cash flows, and a decent dividend yield. Its net D/E ratio is only 0.4x, and we estimate a 10% free cash flow yield in 2025F. This supports our 59% payout ratio and 5.9% dividend yield projection for 2025F. That compares to peers' average of only 3.4%.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	3,144,551	3,180,191	3,166,801	3,180,437
Net profit	112,024	100,316	96,540	96,971
Consensus NP	—	101,143	107,981	108,091
Diff frm cons (%)	—	(0.8)	(10.6)	(10.3)
Norm profit	99,606	100,316	96,540	96,971
Prev. Norm profit	—	89,849	91,691	91,521
Chg frm prev (%)	—	11.6	5.3	6.0
Norm EPS (Bt)	3.5	3.5	3.4	3.4
Norm EPS grw (%)	(8.5)	0.7	(3.8)	0.4
Norm PE (x)	9.7	9.6	10.0	9.9
EV/EBITDA (x)	3.9	4.4	4.1	3.7
P/BV (x)	0.9	0.8	0.8	0.8
Div yield (%)	5.9	5.9	5.9	5.9
ROE (%)	9.2	8.9	8.3	8.1
Net D/E (%)	37.8	38.3	34.4	28.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	33.75
Market Cap (US\$ m)	28,434.9
Listed Shares (m shares)	28,563.0
Free Float (%)	48.9
Avg Daily Turnover (US\$ m)	33.6
12M Price H/L (Bt)	36.00/31.25
Sector	Energy
Major Shareholder	Ministry of Finance 51.11%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Earnings Revision

	2021	2022	2023	2024F	2025F	2026F
Normalized profit (Bt m)						
- New	88,796	108,916	99,606	100,316	96,540	96,971
- Old				89,849	91,691	91,521
- Change (%)				11.6	5.3	6.0
Net profit (Bt m)						
- New	108,363	91,175	112,024	100,316	96,540	96,971
- Old				89,849	91,691	91,521
- Change (%)				11.6	5.3	6.0
Gas EBITDA (Bt m)						
- New	86,497	61,207	66,024	58,041	62,218	60,165
- Old				50,702	56,593	55,650
- Change (%)				14.5	9.9	8.1

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-derived SOTP-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	61,207	66,024	58,041	62,218	60,165	62,143	61,587	60,553	59,273	58,061	56,913	
Free cash flow	31,870	56,175	51,462	59,153	59,675	61,629	61,201	60,218	59,052	57,949	56,949	756,350
PV of free cash flow	29,171	47,051	39,443	41,478	38,291	36,186	32,053	28,747	25,703	22,996	20,605	273,660
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.3											
Terminal growth (%)	2.0											
Enterprise value - add investments	635,383											
Net debt	182,560											
Minority interest	0											
Equity value	452,823											
# of shares (m)	28,563											
Equity value/sh (Bt)	16.00											

Sum-of-the-parts valuation	Value (Bt m)	Per share (Bt/shr)	% of total	Methodology
Gas and other core operation	452,823	15.9	38%	DCF
Oil & retail	144,000	5.0	12%	EV/EBITDA
Upstream	387,074	13.6	32%	DCF
Refining & chemical	102,345	3.6	9%	DCF
Power	29,944	1.0	2%	DCF
Other investments	86,400	3.0	7%	Earnings multiples
Total equity value		42.0	100%	SOTP
Holding discount		10%		
Target price		38.0		

Sources: Thanachart estimates

COMPANY DESCRIPTION

PTT Pcl (PTT) is a fully integrated oil and gas company with the largest market capitalisation on the Stock Exchange of Thailand (SET). The government directly and indirectly owns 66% of PTT. Its businesses can be mainly grouped into seven segments: 1) Exploration & Production – operated by its key subsidiary, 65%-owned PTTEP; 2) petrochemicals with its flagship PTTGC; 3) refinery via SET-listed TOP and IRPC; 4) oil marketing business through its 75%-owned PTTOR; 5) power flagship through its 43%-owned GPSC; 6) gas pipeline and GSP businesses operated by PTT, the parent firm, and 7) coal and international trading.

Source: Thanachart

THANACHART'S SWOT ANALYSIS

S — Strength

- Sole gas distributor in Thailand that operates Thailand's gas pipeline and gas separation plants.
- Integrated business model: upstream E&P, gas processing, chemical, refining, and retailing.

O — Opportunity

- Strong free cash flow to expand into new products and overseas.
- M&A within the group or overseas to strengthen its business structure.

CONSENSUS COMPARISON

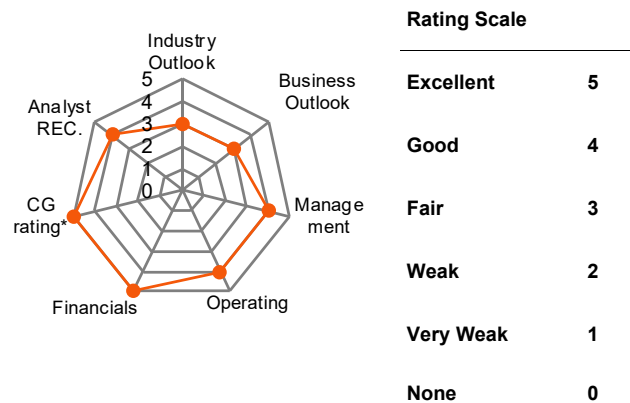
	Consensus	Thanachart	Diff
Target price (Bt)	37.68	38.00	1%
Net profit 24F (Bt m)	101,143	100,316	-1%
Net profit 25F (Bt m)	107,981	96,540	-11%
Consensus REC	BUY: 15	HOLD: 10	SELL: 2

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2025F net profit is 11% lower than the Bloomberg consensus estimate, likely due to lower profit from subsidiaries.
- Our TP is in-line with the Street's as we reduce our holding discount to reflect lower regulatory risk.

Sources: Bloomberg consensus, Thanachart estimates

COMPANY RATING



Source: Thanachart; *CG Rating

W — Weakness

- PTT is heavily reliant on the Thailand market, which has limited growth opportunities for its legacy O&G businesses.
- PTT, being a state-owned enterprise, is heavily regulated, and the company may occasionally be called upon for national service (i.e., provide energy price subsidies).

T — Threat

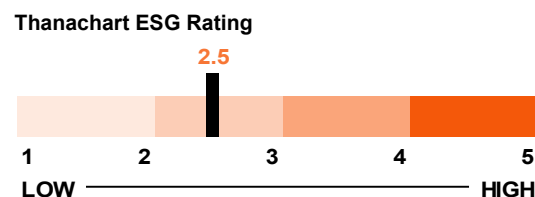
- The government is allowing third-party imports of LNG and could soon deregulate PTT's exclusive gas distributorship.
- Depleting domestic gas reserves, which could be a threat to its gas separation plants' earnings.
- Potential investments that could lead to value destruction.

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected oil prices would be the key downside risk to our call.
- High oil prices could trigger the implementation of adverse regulatory measures.
- Another secondary downside risk would arise from lower-than-expected refining/chemical margins.

Source: Thanachart

PTT is a Thai state-owned energy firm tasked with ensuring the country's energy security. It is actively seeking new business opportunities to increase its footprint in renewable energy and EV businesses. We score PTT at 2.5 for ESG. Of its EBITDA, 90% is still contributed by its traditional energy business. We expect the score to improve in the future from a rising proportion of green energy and non-oil businesses.



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
PTT	YES	YES	YES	AA	74.08	77.89	80.00	44.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

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

Factors Our Comments

ENVIRONMENT

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

- In 2023, PTT released 10.13m tonnes of CO2 equivalent and 41.59m tonnes of CO2 equivalent for the PTT group, which was the highest in the energy sector. The absolute amount was high due to its size, but if we look at it in terms of PTT's business.
- PTT has set a target to cut carbon emissions by 15% over 2020 to 2030 and expects to reach net zero GHG emissions by 2050F.
- PTT has established the PTT Group Net Zero Task Force (G-NET) comprising high-level executives from companies within the PTT Group. This task force is responsible for setting targets and focusing on managing key projects aimed at significantly reducing greenhouse gas emissions or enhancing carbon dioxide removal and sequestration. These efforts align with the business context of PTT Group, such as Carbon Capture & Storage (CCS), Carbon Capture & Utilization (CCU), Renewable Energy (RE), Hydrogen Energy, and Reforestation (RF), to support Thailand in achieving its carbon neutrality goal and reaching net-zero greenhouse gas emissions.

SOCIAL

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

- The company has also established PTT Group's Quality, Security, Safety, Health, and Environment (QSHE) Policy as a framework to control work processes, maintenance, and productivity improvement. These policies are reviewed consistently so they remain in line with Thailand's laws, international standards, and other practices, such as the ISO Standard, GRI, WBCSD, and IPIECA, as well as a changing corporate context and risk factors.
- PTT also allocates a part of its budget to engage in community activities and services.

GOVERNANCE & SUSTAINABILITY

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

- Being a national oil company with the government as its major shareholder, PTT at times has to fulfil social/national service obligations.
- We believe PTT has an appropriate board size of 15 members. Twelve out of its 14 directors are independent directors.
- Its financial disclosure is of a very high standard, in our view. However, there are a lot of company-related transactions as it sells gas/oil feedstock to its subsidiaries. Sometimes, the company also provides loans to its subsidiaries.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	3,367,203	3,144,551	3,180,191	3,166,801	3,180,437
Cost of sales	2,906,726	2,767,102	2,833,462	2,813,696	2,817,018
Gross profit	460,477	377,449	346,729	353,105	363,418
% gross margin	13.7%	12.0%	10.9%	11.2%	11.4%
Selling & administration expenses	171,732	148,280	149,961	149,330	149,973
Operating profit	288,745	229,168	196,768	203,775	213,446
% operating margin	8.6%	7.3%	6.2%	6.4%	6.7%
Depreciation & amortization	167,330	173,065	170,938	180,072	190,381
EBITDA	456,075	402,233	367,706	383,847	403,827
% EBITDA margin	13.5%	12.8%	11.6%	12.1%	12.7%
Non-operating income	47,714	50,572	12,721	12,667	12,722
Non-operating expenses	(74,914)	(13,194)	0	0	0
Interest expense	(37,091)	(45,383)	(40,892)	(42,757)	(44,262)
Pre-tax profit	224,454	221,163	168,597	173,686	181,905
Income tax	90,462	81,313	46,335	44,175	46,229
After-tax profit	133,992	139,850	122,262	129,511	135,676
% net margin	4.0%	4.4%	3.8%	4.1%	4.3%
Shares in affiliates' Earnings	5,849	3,013	3,013	3,013	3,013
Minority interests	(30,925)	(43,256)	(24,959)	(35,984)	(41,717)
Extraordinary items	(17,741)	12,418	0	0	0
NET PROFIT	91,175	112,024	100,316	96,540	96,971
Normalized profit	108,916	99,606	100,316	96,540	96,971
EPS (Bt)	3.2	3.9	3.5	3.4	3.4
Normalized EPS (Bt)	3.8	3.5	3.5	3.4	3.4

PTT's profit set to be more resilient than subsidiary.

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	1,040,863	1,081,739	1,093,012	1,089,721	1,091,791
Cash & cash equivalent	352,654	449,525	450,990	450,990	450,990
Account receivables	219,054	259,813	262,758	261,651	262,778
Inventories	222,348	210,999	216,059	214,552	214,805
Others	246,806	161,401	163,206	162,528	163,218
Investments & loans	173,060	179,265	179,265	179,265	179,265
Net fixed assets	1,499,330	1,541,209	1,513,851	1,540,181	1,538,465
Other assets	702,379	658,249	793,048	791,294	793,080
Total assets	3,415,632	3,460,462	3,579,177	3,600,461	3,602,601
LIABILITIES:					
Current liabilities:	592,540	588,710	607,948	586,888	576,570
Account payables	230,366	243,385	249,221	247,483	247,775
Bank overdraft & ST loans	90,757	103,011	105,411	101,620	93,218
Current LT debt	74,021	97,399	99,667	96,083	88,139
Others current liabilities	197,395	144,915	153,649	141,702	147,438
Total LT debt	924,943	863,303	883,410	851,641	781,229
Others LT liabilities	364,456	383,474	421,341	420,056	421,365
Total liabilities	1,881,940	1,835,486	1,912,699	1,858,586	1,779,164
Minority interest	481,102	503,778	528,736	564,720	606,437
Preferreds shares	0	0	0	0	0
Paid-up capital	28,563	28,563	28,563	28,563	28,563
Share premium	29,211	29,211	29,211	29,211	29,211
Warrants	0	0	0	0	0
Surplus	33,499	55,858	29,211	29,211	29,211
Retained earnings	961,318	1,007,566	1,050,756	1,090,171	1,130,016
Shareholders' equity	1,052,591	1,121,198	1,137,741	1,177,156	1,217,001
Liabilities & equity	3,415,632	3,460,462	3,579,177	3,600,461	3,602,601

PTT has plenty of cash for future investments

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	224,454	221,163	168,597	173,686	181,905
Tax paid	(93,039)	(85,895)	(44,751)	(44,932)	(45,791)
Depreciation & amortization	167,330	173,065	170,938	180,072	190,381
Chg In working capital	(57,914)	(16,391)	(2,168)	875	(1,088)
Chg In other CA & CL / minorities	(118,267)	15,620	6,207	(7,498)	7,619
Cash flow from operations	122,563	307,561	298,823	302,202	333,027
Capex	(229,782)	(214,945)	(143,580)	(206,401)	(188,665)
Right of use	(43,664)	7,954	0	0	0
ST loans & investments	(594)	(43)	0	0	0
LT loans & investments	(35,658)	(6,205)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	13,773	49,689	(94,779)	468	(477)
Cash flow from investments	(295,925)	(163,550)	(238,360)	(205,933)	(189,142)
Debt financing	209,659	(3,724)	24,774	(39,143)	(86,758)
Capital increase	0	0	(0)	0	0
Dividends paid	(78,469)	(62,368)	(57,126)	(57,126)	(57,126)
Warrants & other surplus	33,189	18,951	(26,647)	0	0
Cash flow from financing	164,379	(47,141)	(58,999)	(96,269)	(143,884)
Free cash flow	(107,219)	92,617	155,242	95,801	144,361

PTT's capex is mainly driven by subsidiaries

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	8.9	9.7	9.6	10.0	9.9
Normalized PE - at target price (x)	10.0	10.9	10.8	11.2	11.2
PE (x)	10.6	8.6	9.6	10.0	9.9
PE - at target price (x)	11.9	9.7	10.8	11.2	11.2
EV/EBITDA (x)	3.7	3.9	4.4	4.1	3.7
EV/EBITDA - at target price (x)	4.0	4.2	4.7	4.4	4.0
P/BV (x)	0.9	0.9	0.8	0.8	0.8
P/BV - at target price (x)	1.0	1.0	1.0	0.9	0.9
P/CFO (x)	7.9	3.1	3.2	3.2	2.9
Price/sales (x)	0.3	0.3	0.3	0.3	0.3
Dividend yield (%)	5.9	5.9	5.9	5.9	5.9
FCF Yield (%)	(11.1)	9.6	16.1	9.9	15.0
(Bt)					
Normalized EPS	3.8	3.5	3.5	3.4	3.4
EPS	3.2	3.9	3.5	3.4	3.4
DPS	2.0	2.0	2.0	2.0	2.0
BV/share	36.9	39.3	39.8	41.2	42.6
CFO/share	4.3	10.8	10.5	10.6	11.7
FCF/share	(3.8)	3.2	5.4	3.4	5.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	49.1	(6.6)	1.1	(0.4)	0.4
Net profit (%)	(15.9)	22.9	(10.5)	(3.8)	0.4
EPS (%)	(15.9)	22.9	(10.5)	(3.8)	0.4
Normalized profit (%)	22.7	(8.5)	0.7	(3.8)	0.4
Normalized EPS (%)	22.7	(8.5)	0.7	(3.8)	0.4
Dividend payout ratio (%)	62.7	51.0	56.9	59.2	58.9
Operating performance					
Gross margin (%)	13.7	12.0	10.9	11.2	11.4
Operating margin (%)	8.6	7.3	6.2	6.4	6.7
EBITDA margin (%)	13.5	12.8	11.6	12.1	12.7
Net margin (%)	4.0	4.4	3.8	4.1	4.3
D/E (incl. minor) (x)	0.7	0.7	0.7	0.6	0.5
Net D/E (incl. minor) (x)	0.5	0.4	0.4	0.3	0.3
Interest coverage - EBIT (x)	7.8	5.0	4.8	4.8	4.8
Interest coverage - EBITDA (x)	12.3	8.9	9.0	9.0	9.1
ROA - using norm profit (%)	3.4	2.9	2.9	2.7	2.7
ROE - using norm profit (%)	10.6	9.2	8.9	8.3	8.1
DuPont					
ROE - using after tax profit (%)	13.0	12.9	10.8	11.2	11.3
- asset turnover (x)	1.0	0.9	0.9	0.9	0.9
- operating margin (%)	7.8	8.5	6.6	6.8	7.1
- leverage (x)	3.2	3.2	3.1	3.1	3.0
- interest burden (%)	85.8	83.0	80.5	80.2	80.4
- tax burden (%)	59.7	63.2	72.5	74.6	74.6
WACC (%)	8.9	8.9	8.9	9.3	9.3
ROIC (%)	11.3	8.1	8.2	8.6	9.0
NOPAT (Bt m)	172,372	144,912	142,691	151,948	159,201
invested capital (Bt m)	1,789,659	1,735,386	1,775,239	1,775,510	1,728,597

*We expect steady ROE
with steady profit.*

Sources: Company data, Thanachart estimates

BUY (Unchanged)**TP: Bt 150.00** (From: Bt 188.00)**4 NOVEMBER 2024**

Change in Numbers

Upside : 18.6%

PTT Exp & Production Pcl (PTTEP TB)

At a low oil valuation

We reaffirm our BUY call on PTTEP as its valuation reflects a Brent oil price of only US\$65/bbl. We also believe the stock looks inexpensive, trading on 7.9x PE with a 7.1% dividend yield for 2025F when we assume an average oil price of US\$75/bbl.

**YUPAPAN POLPORNPRASSERT**

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Looking inexpensive; BUY

This report is a part of Energy sector – *Missing the mark*, dated 4 November 2024. We reaffirm our BUY call on PTTEP despite cutting our DCF-based 12-month TP (2025F base year) to Bt150 from Bt188, based on our lower oil price assumptions. **First**, PTTEP's share price implies a Brent oil price of only US\$65/bbl, which is unsustainably low in our view. The stock also looks inexpensive to us, trading on 7.9x PE with a 7.1% dividend yield in 2025F. **Second**, we believe PTTEP, as an upstream oil & gas producer, has higher earnings visibility than most peers in the sector in the petrochemical and refinery space. Also, gas, which has a more stable price than oil, accounts for 73% of its sale volume in 1H24. PTTEP should also experience volume growth of 6% p.a. over the next 5-years. **Third**, the risk of its Mozambique project is not news and we do not assume a return in our model.

Cutting our oil price assumptions

We cut our Brent oil price assumptions by US\$3-5/bbl to US\$80/75/70 per barrel for 2024F-2026F. This results in our earnings cuts of 4/10/14% in 2024-26F. While demand is weaker than expected due to China's mediocre economic growth, there is also the prospect of a global slowdown next year. On the supply side, supply growth from the US continues, and there's a risk of a partial return of OPEC+ output. Our oil price sensitivity analysis suggests that for every US\$1/bbl change in oil prices, PTTEP's earnings would change in the same direction by 1.6%.

Construction to start in Mozambique

According to PTTEP, the unrest situation in the area has improved, and construction at its Mozambique Area 1 project should be able to resume soon. PTTEP has an 8.5% stake in the project and expects the first LNG delivery in 2H28F-1H29F. The company expects no impairment charge this year as minor project delays haven't significantly affected its valuation. Currently, there are LNG offtake agreements for 11.14m tonnes per year, or 85% of the total capacity of 13.1m tonnes.

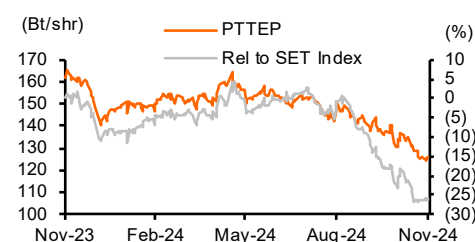
Strong balance sheet and dividend

PTTEP also has a robust balance sheet with a net cash position in 2024F. The stock presents good value, trading at an 7.3x PE for 2025F, with a 7.2% dividend yield. After the US\$470m impairment, its net Mozambique investment is US\$2.6bn or Bt88bn. In our view, assuming the worst-case scenario of a failed investment with everything written off, its shareholders' equity of US\$15bn is big enough to take on that risk.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	300,694	298,541	292,694	296,392
Net profit	76,706	73,886	63,775	60,029
Consensus NP	—	2,260	2,116	1,918
Diff frm cons (%)	—	3,169.8	2,914.0	3,030.4
Norm profit	78,656	73,886	63,775	60,029
Prev. Norm profit	—	76,676	70,839	69,428
Chg frm prev (%)	—	(3.6)	(10.0)	(13.5)
Norm EPS (Bt)	19.8	18.6	16.1	15.1
Norm EPS grw (%)	(13.3)	(6.1)	(13.7)	(5.9)
Norm PE (x)	6.4	6.8	7.9	8.4
EV/EBITDA (x)	2.1	2.1	2.4	2.6
P/BV (x)	1.0	0.9	0.9	0.8
Div yield (%)	7.5	7.5	7.1	6.7
ROE (%)	16.3	14.2	11.4	10.3
Net D/E (%)	(9.1)	(8.8)	0.3	6.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	126.50
Market Cap (US\$ m)	14,813.4
Listed Shares (m shares)	3,970.0
Free Float (%)	34.7
Avg Daily Turnover (US\$ m)	40.6
12M Price H/L (Bt)	165.00/124.00
Sector	Energy
Major Shareholder	PTT Pcl 63.79%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P58



Ex 1: Earnings Revisions

	2020	2021	2022	2023	2024F	2025F	2026F
Normalized profit (Bt m)							
- New	21,397	42,888	90,721	78,656	73,886	63,775	60,029
- Old					76,676	70,839	69,428
- Change (%)					(3.6)	(10.0)	(13.5)
Net profit (Bt m)							
- New	22,664	38,864	70,901	76,706	73,886	63,775	60,029
- Old					76,676	70,839	69,428
- Change (%)					(3.6)	(10.0)	(13.5)
Brent oil (US\$/bbl)							
- New	64	42	69	101	80	75	70
- Old					83	78	75
- Change (%)					(3.6)	(3.8)	(6.7)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	213,442	211,871	212,521	232,860	227,854	218,105	208,806	199,939	191,485	183,427	175,747	
Free cash flow	(8,022)	(3,907)	38,200	74,238	82,247	80,149	77,133	74,364	71,835	69,535	67,460	764,551
PV of free cash flow	(7,260)	(3,199)	28,293	49,731	49,845	43,944	37,152	32,259	28,074	24,482	21,398	242,510
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.2											
WACC (%)	10.5											
Terminal growth (%)	2.0											
Enterprise value	547,230											
Net debt	(48,009)											
Minority interest	0											
Equity value	595,239											
# of shares	3,970											
Equity value / share	150											

Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

PTT Exploration and Production (PTTEP) is a pure upstream exploration and production (E&P) company with production of 464,000 barrels of oil equivalent (boe) per day. Some 70% of its production is natural gas, and almost all of its production comes from fields in Thailand and other Southeast Asian countries. It has proven and probable reserves of 2,286m boe with a reserve life of 10.7 years. PTTEP is the upstream arm of PTT Pcl (PTT TB, Bt33.75, BUY), which owns 65% of PTTEP.

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

- The parent company PTT is the country's sole gas buyer and PTTEP's biggest client.
- Secured off-take agreements limit downside risks to production volume.

O — Opportunity

- Significant resources on its balance sheet are still undeveloped.
- Potential investment overseas or expansion into new businesses.

W — Weakness

- Reserves in the Gulf of Thailand are being depleted, with a reserve life index of only eight years.
- Limited experience and a lack of technical skills in running operations abroad compared to major international peers.

T — Threat

- Threat of low-cost LNG imports.
- Potential impairment risk on overseas business.
- Competition from international peers for projects abroad.
- Political and regulatory risks concerning its concessions, especially those about to expire.
- Overpaying for acquisitions, leading to a lower ROI.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	170.66	150.00	-12%
Net profit 24F (Bt m)	76,342	73,886	-3%
Net profit 25F (Bt m)	71,487	63,775	-11%
Consensus REC	BUY: 28	HOLD: 4	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profit estimates are lower than Bloomberg consensus forecasts. We believe this is due to our more conservative assumptions for oil/gas prices.
- Consequently, our DCF-based TP is lower than the Street.

Sources: Bloomberg consensus, Thanachart estimates

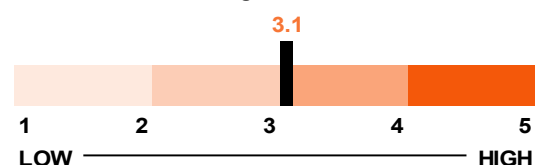
RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would come from lower oil and/or gas prices.
- A secondary downside risk would be higher-than-expected operating costs.
- Another secondary downside risk could come from new investments that are not value accretive.

Source: Thanachart

PTTEP is PTT’s oil and gas exploration arm. Its oil and gas product mix is around 30:70, with gas emitting less carbon than oil. Despite its business nature of emitting large amounts of greenhouse gas, our ESG score for PTTEP is decent at 3.1 due to its strong commitment with clear targets to improve ESG issues. PTTEP also plans to diversify into non-E&P businesses.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
PTTEP	YES	YES	YES	A	69.03	62.96	70.00	45.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
 Note: Please see third party on "terms of use" toward the back of this report.

Factors	Our Comments
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ENVIRONMENT

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

- PTTEP released 6.7m tonnes of CO2 equivalent in 2023, up 63% from 2018’s level due to new project acquisitions. In 2023, PTTEP has avoided and reduced GHG emission intensity, achieving an accumulated reduction of approximately 2.4m tonnes of CO2 equivalent since 2020. We believe the reduction was due to hydrocarbon recovery and energy efficiency improvements.
- PTTEP targets to achieve net-zero greenhouse gas (GHG) emissions by 2050. Its medium-term goal is to cut GHG intensity by at least 30% by 2030 and 50% by 2040 from 2020’s level. The company has also expressed an interest in investing in non-E&P businesses to reduce carbon emissions.
- PTTEP is the first company in Thailand to have laid out a plan for capex to invest in Carbon Capture and Storage (CCS), an important move toward decarbonization. It is also continuing with its capex plan for its core E&P business. Its capex plan is US\$29bn over 2023-27, of which US\$407m is for ESG-related projects.

SOCIAL

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

- PTTEP’s human rights policy is aligned with international human rights standards. The company also provides training programs to prepare its employees for rapid changes in the business environment.
- For production safety, PTTEP delivers an above-average performance level against the average rate of the International Association of Oil and Gas Producers (IOGP).
- PTTEP allocates a part of its budget to engage in community activities and services. Total spending on CSR projects, including GHG emission reduction projects, comes to US\$11.1m.

GOVERNANCE & SUSTAINABILITY

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

- PTTEP’s board comprises 15 directors with expertise and an appropriate mix of skills suitable for the E&P industry, in our view. There are ten independent directors and two female directors.
- PTTEP is in a net-cash position with strong cash-flow generation. Although it has a high customer concentration (it mainly sells gas to its parent PTT, Thailand’s sole gas buyer), the selling price is market-based and linked to oil prices.
- As for business sustainability, PTTEP faces the risk of long-term depletion of domestic energy resources. The company aims to diversify into new non-E&P businesses to tackle this issue. Those businesses so far include its AI and Robotics Venture and renewable power business.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	331,350	300,694	298,541	292,694	296,392
Cost of sales	148,949	142,926	149,848	161,870	168,322
Gross profit	182,401	157,768	148,692	130,824	128,070
% gross margin	55.0%	52.5%	49.8%	44.7%	43.2%
Selling & administration expenses	20,386	16,979	18,801	19,471	20,998
Operating profit	162,015	140,788	129,891	111,353	107,072
% operating margin	48.9%	46.8%	43.5%	38.0%	36.1%
Depreciation & amortization	83,168	81,322	91,345	102,089	104,798
EBITDA	245,183	222,110	221,236	213,442	211,871
% EBITDA margin	74.0%	73.9%	74.1%	72.9%	71.5%
Non-operating income	8,552	10,336	10,774	11,370	12,563
Non-operating expenses	0	0	0	0	0
Interest expense	(8,218)	(10,243)	(7,803)	(8,244)	(11,968)
Pre-tax profit	162,348	140,881	132,862	114,479	107,667
Income tax	72,295	63,704	60,452	52,180	49,115
After-tax profit	90,053	77,177	72,410	62,299	58,552
% net margin	27.2%	25.7%	24.3%	21.3%	19.8%
Shares in affiliates' Earnings	668	1,477	1,477	1,477	1,477
Minority interests	0	2	0	0	0
Extraordinary items	(19,820)	(1,949)	0	0	0
NET PROFIT	70,901	76,706	73,886	63,775	60,029
Normalized profit	90,721	78,656	73,886	63,775	60,029
EPS (Bt)	17.9	19.3	18.6	16.1	15.1
Normalized EPS (Bt)	22.9	19.8	18.6	16.1	15.1

We expect volume growth to support earnings over 2025-28F

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	196,842	234,800	230,631	260,663	292,261
Cash & cash equivalent	122,369	144,387	144,387	174,387	204,387
Account receivables	42,166	62,241	61,795	60,585	61,351
Inventories	19,115	20,914	17,243	18,626	19,369
Others	13,192	7,259	7,207	7,066	7,155
Investments & loans	9,609	9,783	9,957	10,131	10,306
Net fixed assets	410,614	440,271	499,986	577,447	645,163
Other assets	252,799	217,967	208,184	206,428	207,539
Total assets	869,864	902,821	948,759	1,054,669	1,155,268
LIABILITIES:					
Current liabilities:	114,616	88,590	83,665	89,225	97,213
Account payables	52,940	49,412	51,805	55,961	58,192
Bank overdraft & ST loans	16,887	3,560	0	0	0
Current LT debt	0	0	2,891	5,279	9,814
Others current liabilities	44,789	35,619	28,968	27,985	29,207
Total LT debt	97,095	95,320	93,486	170,688	235,537
Others LT liabilities	191,033	219,468	228,071	224,167	226,637
Total liabilities	402,744	403,378	405,222	484,079	559,387
Minority interest	0	0	0	0	0
Preferreds shares	0	0	0	0	0
Paid-up capital	3,970	3,970	3,970	3,970	3,970
Share premium	105,418	105,418	105,418	105,418	105,418
Warrants	0	0	0	0	0
Surplus	28,668	23,067	30,990	30,990	30,990
Retained earnings	329,065	366,988	403,159	430,212	455,504
Shareholders' equity	467,121	499,443	543,537	570,590	595,881
Liabilities & equity	869,864	902,821	948,759	1,054,669	1,155,268

PTTEP generates strong cash flows, which lead to a robust balance sheet

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	162,348	140,881	132,862	114,479	107,667
Tax paid	(70,801)	(74,429)	(56,520)	(54,576)	(47,875)
Depreciation & amortization	83,168	81,322	91,345	102,089	104,798
Chg In working capital	2,499	(25,403)	6,510	3,983	723
Chg In other CA & CL / minorities	(19,566)	11,737	(9,055)	3,030	1,370
Cash flow from operations	157,647	134,108	165,142	169,005	166,683
Capex	(113,475)	(110,978)	(151,060)	(179,550)	(172,515)
Right of use	(16,319)	4,978	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	6,186	(174)	(174)	(174)	(174)
Adj for asset revaluation	0	116	0	0	0
Chg In other assets & liabilities	26,628	51,945	18,387	(2,148)	1,359
Cash flow from investments	(96,980)	(54,114)	(132,848)	(181,872)	(171,331)
Debt financing	(4,695)	(13,476)	(2,502)	79,589	69,385
Capital increase	0	0	0	0	0
Dividends paid	(28,670)	(36,720)	(37,715)	(36,722)	(34,737)
Warrants & other surplus	9,539	(7,780)	7,923	0	0
Cash flow from financing	(23,826)	(57,977)	(32,295)	42,867	34,647
Free cash flow	44,173	23,129	14,082	(10,545)	(5,832)

PTTEP continues to generate high cash flows from operations

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	5.5	6.4	6.8	7.9	8.4
Normalized PE - at target price (x)	6.6	7.6	8.1	9.3	9.9
PE (x)	7.1	6.5	6.8	7.9	8.4
PE - at target price (x)	8.4	7.8	8.1	9.3	9.9
EV/EBITDA (x)	2.0	2.1	2.1	2.4	2.6
EV/EBITDA - at target price (x)	2.4	2.5	2.5	2.8	3.0
P/BV (x)	1.1	1.0	0.9	0.9	0.8
P/BV - at target price (x)	1.3	1.2	1.1	1.0	1.0
P/CFO (x)	3.2	3.7	3.0	3.0	3.0
Price/sales (x)	1.5	1.7	1.7	1.7	1.7
Dividend yield (%)	7.3	7.5	7.5	7.1	6.7
FCF Yield (%)	8.8	4.6	2.8	(2.1)	(1.2)
(Bt)					
Normalized EPS	22.9	19.8	18.6	16.1	15.1
EPS	17.9	19.3	18.6	16.1	15.1
DPS	9.3	9.5	9.5	9.0	8.5
BV/share	117.7	125.8	136.9	143.7	150.1
CFO/share	39.7	33.8	41.6	42.6	42.0
FCF/share	11.1	5.8	3.5	(2.7)	(1.5)

At 0.9x 2025F P/BV, we see PTTEP's valuation as attractive

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	51.3	(9.3)	(0.7)	(2.0)	1.3
Net profit (%)	82.4	8.2	(3.7)	(13.7)	(5.9)
EPS (%)	82.4	8.2	(3.7)	(13.7)	(5.9)
Normalized profit (%)	111.5	(13.3)	(6.1)	(13.7)	(5.9)
Normalized EPS (%)	111.5	(13.3)	(6.1)	(13.7)	(5.9)
Dividend payout ratio (%)	51.8	49.2	51.0	56.0	56.2
Operating performance					
Gross margin (%)	55.0	52.5	49.8	44.7	43.2
Operating margin (%)	48.9	46.8	43.5	38.0	36.1
EBITDA margin (%)	74.0	73.9	74.1	72.9	71.5
Net margin (%)	27.2	25.7	24.3	21.3	19.8
D/E (incl. minor) (x)	0.2	0.2	0.2	0.3	0.4
Net D/E (incl. minor) (x)	(0.0)	(0.1)	(0.1)	0.0	0.1
Interest coverage - EBIT (x)	19.7	13.7	16.6	13.5	8.9
Interest coverage - EBITDA (x)	29.8	21.7	28.4	25.9	17.7
ROA - using norm profit (%)	11.0	8.9	8.0	6.4	5.4
ROE - using norm profit (%)	20.6	16.3	14.2	11.4	10.3
DuPont					
ROE - using after tax profit (%)	20.4	16.0	13.9	11.2	10.0
- asset turnover (x)	0.4	0.3	0.3	0.3	0.3
- operating margin (%)	51.5	50.3	47.1	41.9	40.4
- leverage (x)	1.9	1.8	1.8	1.8	1.9
- interest burden (%)	95.2	93.2	94.5	93.3	90.0
- tax burden (%)	55.5	54.8	54.5	54.4	54.4
WACC (%)	10.1	10.1	10.1	10.5	10.5
ROIC (%)	20.2	16.8	15.6	12.2	10.2
NOPAT (Bt m)	89,868	77,127	70,791	60,598	58,229
invested capital (Bt m)	458,733	453,936	495,528	572,170	636,846

We see room for ROE to improve on higher gearing and margin expansion

Sources: Company data, Thanachart estimates

SELL (Unchanged)

Change in Numbers

TP: Bt 23.00 (From: Bt 25.00)

Downside : 13.2%

4 NOVEMBER 2024

PTT Global Chemical Pcl (PTTGC TB)

Multiple challenges

PTTGC faces multiple challenges simultaneously, including low oil prices, low petrochemical spreads, weak GRM, and policy risk. We reaffirm our SELL rating on the stock with a TP of 23.



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Facing tough times; SELL

This report is a part of Energy sector – *Missing the mark*, dated 4 November 2024. We reaffirm our SELL call on PTTGC with a lower DCF-based 12-month TP (2025F base year) of Bt23 from Bt25. **First**, the company faces multiple challenges at the same time. While low oil prices are negative for its gas-based petrochemical units, weak petrochemical spreads are bad for its naphtha-based petrochemical units. A weak gross refining margin (GRM) is also hitting its refinery business. Meanwhile, rising ethane cost from new ethane price formula with its parent PTT remains an overhang concern. **Second**, PTTGC is far less profitable than in the past, despite our assumption that it will turn around next year, and we forecast its ROE at only 3.3% in 2026F. **Lastly**, we regard the stock as expensive at 24.1x PE and 0.4x P/BV in 2025F.

More earnings cuts

We cut our core earnings estimates for PTTGC from a profit to a loss this year and by 35/27% in 2025-26F due to weaker-than-expected petrochemical spreads and GRM (Exhibit 1). As the downcycle drags on, we lower our HDPE-naphtha spread assumptions by 4/12/18% to US\$330/350/370 for 2024-26F. The refining market is also weak, and we cut our GRM assumptions by 14/16/13% to US\$4.3/4.2/5.0 per bbl in 2024-26F.

Multiple hits to petrochemical business

Multiple factors are hitting PTTGC's petrochemical business. **First**, low oil prices are negative for its gas-based petrochemical units. This is because while its ethane gas cost is much more stable than oil prices, end petrochemical product prices move with oil prices. **Second**, due to the profitability of its gas-based petrochemical units also being linked to PTT's gas separation plants' (GSP) profit, GSPs' falling profit due to the government's subsidization policy would also mean lower profitability for PTTGC. We estimate this will reduce PTTGC's earnings base by Bt2.7bn p.a. from 2025F onward. **Third**, weak petrochemical spreads (over naphtha) have also hit its naphtha-based petrochemical units. Note that gas (ethane) accounts for around 35% of feedstock costs and naphtha 65%.

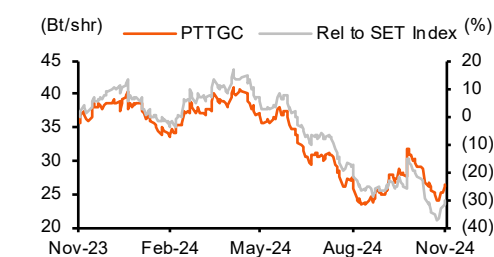
Weak 3Q24F on the cards

We project a bottom-line loss of Bt12bn in 3Q24F vs. a profit of Bt1.8bn in 2Q24. Of the total loss, Bt9bn is due to an impairment from Vencorex. On a normalized earnings basis, we estimate a normalized loss of Bt3.8bn in 3Q24F vs. Bt2bn loss in 2Q24. We also expect a similar loss in 4Q24F due to lower GRM and a lower contribution from Allnex due to the low season.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	616,635	629,194	620,183	624,887
Net profit	999	(20,202)	4,454	9,287
Consensus NP	—	(9,872)	8,536	12,246
Diff frm cons (%)	—	na	(47.8)	(24.2)
Norm profit	(2,753)	(3,722)	4,951	9,287
Prev. Norm profit	—	922	7,565	12,697
Chg frm prev (%)	—	na	(34.6)	(26.9)
Norm EPS (Bt)	(0.6)	(0.8)	1.1	2.1
Norm EPS grw (%)	na	na	na	87.6
Norm PE (x)	na	na	24.1	12.9
EV/EBITDA (x)	11.3	11.8	9.2	7.2
P/BV (x)	0.4	0.4	0.4	0.4
Div yield (%)	2.8	2.8	1.5	3.1
ROE (%)	na	na	1.8	3.3
Net D/E (%)	73.9	78.7	67.8	57.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	26.50
Market Cap (US\$ m)	3,524.4
Listed Shares (m shares)	4,508.8
Free Float (%)	54.8
Avg Daily Turnover (US\$ m)	15.6
12M Price H/L (Bt)	41.00/23.40
Sector	PETRO
Major Shareholder	PTT Pcl 45.18%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P66



Ex 1: Earnings Revisions

	2022	2023	2024F	2025F	2025F
Net profit (Bt m)					
- New	(8,752)	999	(18,756)	4,454	9,287
- Old			(15,558)	7,068	12,697
- Change (%)			na	(37.0)	(26.9)
Normalized profit (Bt m)					
- New	17,381	(2,753)	(3,722)	4,951	9,287
- Old			922	7,565	12,697
- Change (%)			na	(34.6)	(26.9)
Market GRM (US\$/bbl)					
- New	12.0	12.7	4.3	4.2	5.0
- Old			4.7	6.0	6.5
- Change (%)			(8.9)	(30.8)	(23.0)
Px-Naphtha (US\$/tonne)					
- New	243	274	300	320	350
- Old			350	380	400
- Change (%)			(14.3)	(15.8)	(12.5)
HDPE-Naphtha (US\$/tonne)					
- New	392	386	330	350	370
- Old			344	400	450
- Change (%)			(4.1)	(12.5)	(17.8)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA & equity income	34,037	39,837	34,784	32,503	31,443	35,338	34,667	34,667	34,667	34,667	34,667	
Free cash flow	31,458	35,269	31,855	15,727	25,527	28,513	27,301	27,388	27,463	27,538	28,653	355,524
PV of free cash flow	28,952	29,867	24,822	11,273	16,837	17,304	14,801	13,601	12,496	11,481	10,946	135,813
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.2											
WACC (%)	8.7											
Terminal growth (%)	1.0											
Enterprise value - add investments	328,193											
Net debt	219,046											
Minority interest	7,150											
Equity value	101,997											
# of shares (m)	4,509											
Equity value / share	23.0											

Source: Thanachart estimates

Valuation Comparison

Ex 3: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		– Div yield –	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Sinopec Shanghai	338 HK	Hong Kong	na	na	63.7	17.5	0.5	0.5	13.4	8.3	0.8	1.7
Sinopec Yizheng	1033 HK	Hong Kong	42.3	27.0	18.6	14.7	1.4	1.3	13.4	14.3	na	na
AKR Corporindo	AKRA IJ	Indonesia	0.0	9.6	10.2	9.3	2.2	2.1	8.2	7.4	6.4	6.5
Reliance Industries Ltd	RIL IN	India	1.7	7.7	na	na	na	na	12.9	12.0	na	na
LG Chem	051910 KS	South Korea	(60.8)	na	40.6	12.8	0.7	0.7	8.2	5.5	1.0	1.6
SK Energy	096770 KS	South Korea	na	na	na	13.3	0.6	0.5	11.9	7.1	2.3	2.6
Petronas Chemicals Group	PCHEM MK	Malaysia	11.3	13.2	18.2	16.1	1.0	1.0	8.6	7.7	3.0	3.4
Formosa Chemical	1326 TT	Taiwan	(24.2)	63.5	31.6	19.3	0.7	0.7	16.2	12.1	2.6	4.1
Far Eastern New Century	1402 TT	Taiwan	16.7	12.9	20.5	18.1	0.8	0.9	10.7	9.6	4.0	4.6
IRPC Pcl *	IRPC TB *	Thailand	na	na	na	na	0.4	0.4	20.2	15.2	0.0	0.0
Indorama Ventures *	IVL TB *	Thailand	298.1	28.1	22.7	17.7	1.0	0.9	7.4	6.7	0.0	1.7
PTT Global Chemical *	PTTGC TB *	Thailand	na	na	na	24.1	0.4	0.4	11.8	9.2	2.8	1.5
Siam Cement *	SCC TB *	Thailand	(44.9)	76.8	30.4	17.2	0.7	0.7	24.0	12.1	1.6	2.9
Average			51.4	38.9	24.7	18.0	0.7	0.7	13.8	9.9	2.1	2.6

Sources: Bloomberg, * Thanachart estimates

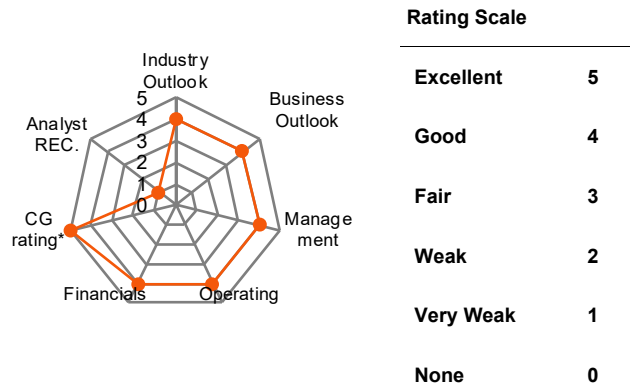
Based on 1 November 2024 closing prices

COMPANY DESCRIPTION

PTT Global Chemical Pcl (PTTGC) became a fully integrated petrochemical and refining company after the amalgamation of PTTCH (PTT Chemicals) and PTTAR (PTT Aromatics & Refining) in late 2011. The company produces olefins and derivatives, and its key products are ethylene, propylene, HDPE, LDPE, LLDPE, and MEG. Together, the olefins value chain made up about half of 2022 EBITDA. PTTGC is one of the few gas-based crackers in Asia, and it has a competitive cost structure compared with other naphtha-based crackers. The company also has fully integrated refinery and aromatics plants that produce mainly paraxylene and benzene. The company also recently moved into the specialty coating business, investing in Allnex Holdings GmbH (Allnex).

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- It is a low-cost producer leveraging its gas-based and flexible cracker.
- Substantial economies of scale due to synergies from its fully integrated facilities.
- Being a PTT group company helps ensure feedstock and raises its franchise value.

O — Opportunity

- Significant growth potential in terms of chemical demand in the region.
- Value enhancement from synergies, debottlenecking of its units, and further downstream integration.
- M&A activity that could lead to higher returns to investors.

W — Weakness

- Cyclical business with volatile earnings and cash flow.
- Potential impact of stock losses (due mainly to oil price movements) on earnings.
- Reliance on bulk chemicals and limited exposure to specialty chemicals.

T — Threat

- Depleting low-cost domestic gas supply would reduce its competitive edge of being a low-cost producer.
- Low oil prices erode its competitive advantage.
- Increasing competition from low-cost producers in the Middle East and US-based crackers.
- Overpaying for acquisitions and limited synergies.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	29.20	23.00	-21%
Net profit 24F (Bt m)	(9,872)	(20,202)	na
Net profit 25F (Bt m)	8,536	4,454	-48%
Consensus REC	BUY: 7	HOLD: 14	SELL: 6

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024-25F net profits are lower than the Bloomberg consensus estimates, likely due to us having weaker chemical spread assumptions.
- Our DCF-based TP is consequently lower than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

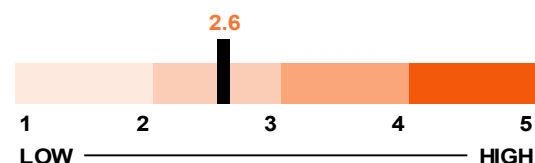
RISKS TO OUR INVESTMENT CASE

- Higher-than-expected oil prices and/or chemical spreads would be the key upside risk to our call.
- Increased gas supply from its parent company, PTT, or lower outages at the complex would be another upside risk.

Source: Thanachart

PTTGC is a large-scale olefins cracker, with 35-45% of its olefins intake running on ethane gas and 55-65% on naphtha/LPG. It also has 145kbd of oil refinery capacity. Our ESG score for PTTGC is 2.6, at the low end of our coverage. The firm has clear intentions and targets to cut carbon emissions, but its score is dragged down by its high energy intensity and information disclosure that could be improved.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
PTTGC	YES	YES	YES	A	-	52.6	87.00	50.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms 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"> PTTGC released 8.2m tonnes of CO2 equivalent in 2023, down 3% from 2022. We think this was attributable to weak chemical demand. Its carbon emission intensity also dropped to 0.37 tonnes CO2 equivalent per tonne of production from 0.41 in 2022. PTTGC also emitted less carbon than the Thai petrochemical industry, which mainly uses naphtha. PTTGC aims for its greenhouse gas (GHG) emissions to peak in 2025. It targets to cut GHG emissions by 20% from the 2020 level by 2030. The firm is also interested in carbon capture and storage (CCS) investment, which we expect to be a collaboration among the PTT group given the high investment costs.
<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"> PTTGC encourages a safety culture with a total recordable injury rate (TRIR) of employees and contractors of only 0.4 and 0.63 cases per 1m man hours, respectively. PTTGC's staff turnover rate was low at 5.43% in 2023, and staff training was 38.68 hours/person/year. It also focuses on the well-being of employees, such as by implementing its Work From Home (WFH) policy as normal work behavior, providing insurance for employees and families, and offering an Employee Assistance Program (EAP) to boost the quality of life and help counsel employees with personal issues. PTTGC in 2023 received a high satisfaction rate of over 90% from customers, suppliers, employees, and communities.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> PTTGC has a 15-member board of directors (BOD), nine of whom are independent directors with an average tenure of 1.3 years. There are many related-party transactions with its parent company, PTT. Gas (ethane and propane) feedstock is supplied by PTT. Pricing is on a net-back or equal-IRR basis with PTT's gas separation plant business. We see room for improvement in more timely information disclosure, such as the performance of its US\$4.75bn Allnex acquisition and regarding past supply outages. We see balance sheet risk from a potential asset impairment from the high investment cost of Allnex.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	678,267	616,635	629,194	620,183	624,887
Cost of sales	631,848	587,414	601,424	585,138	584,189
Gross profit	46,419	29,221	27,770	35,045	40,698
% gross margin	6.8%	4.7%	4.4%	5.7%	6.5%
Selling & administration expenses	31,457	26,824	27,370	26,978	27,183
Operating profit	14,962	2,397	400	8,067	13,515
% operating margin	2.2%	0.4%	0.1%	1.3%	2.2%
Depreciation & amortization	26,646	27,504	28,404	25,970	26,322
EBITDA	41,608	29,901	28,804	34,037	39,837
% EBITDA margin	6.1%	4.8%	4.6%	5.5%	6.4%
Non-operating income	7,526	8,001	6,500	6,500	6,500
Non-operating expenses	0	0	0	0	0
Interest expense	(9,170)	(10,708)	(10,035)	(9,671)	(8,880)
Pre-tax profit	13,318	(310)	(3,135)	4,896	11,135
Income tax	(2,272)	1,352	723	880	2,784
After-tax profit	15,590	(1,662)	(3,859)	4,016	8,351
% net margin	2.3%	-0.3%	-0.6%	0.6%	1.3%
Shares in affiliates' Earnings	2,908	(1,225)	0	800	800
Minority interests	(1,117)	134	137	135	136
Extraordinary items	(26,134)	3,752	(16,480)	(497)	0
NET PROFIT	(8,753)	999	(20,202)	4,454	9,287
Normalized profit	17,381	(2,753)	(3,722)	4,951	9,287
EPS (Bt)	(1.9)	0.2	(4.5)	1.0	2.1
Normalized EPS (Bt)	3.9	(0.6)	(0.8)	1.1	2.1

We expect a turnaround in 2024-25F earnings, but there could be a risk

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	172,009	186,874	213,672	210,720	216,159
Cash & cash equivalent	31,963	46,249	70,000	70,000	75,000
Account receivables	45,254	57,761	58,937	58,093	58,534
Inventories	76,619	68,517	70,151	68,252	68,141
Others	18,173	14,347	14,584	14,375	14,484
Investments & loans	81,236	74,836	74,836	74,836	74,836
Net fixed assets	296,321	285,860	267,115	249,545	230,468
Other assets	170,399	171,435	171,435	171,435	171,435
Total assets	719,965	719,005	727,059	706,537	692,898
LIABILITIES:					
Current liabilities:	103,976	125,841	146,084	203,993	123,491
Account payables	57,613	71,163	72,860	70,887	70,772
Bank overdraft & ST loans	4,318	2,203	0	0	0
Current LT debt	9,341	18,915	40,000	100,000	20,000
Others current liabilities	32,704	33,560	33,224	33,105	32,719
Total LT debt	263,890	243,934	249,046	163,587	223,816
Others LT liabilities	53,272	53,048	53,737	53,296	53,527
Total liabilities	421,138	422,824	448,867	420,876	400,834
Minority interest	7,528	7,287	7,150	7,015	6,879
Preferreds shares	0	0	0	0	0
Paid-up capital	45,088	45,088	45,088	45,088	45,088
Share premium	36,937	36,937	36,937	36,937	36,937
Warrants	0	0	0	0	0
Surplus	(3,299)	(5,775)	(5,775)	(5,775)	(5,775)
Retained earnings	212,574	212,644	194,792	202,396	208,934
Shareholders' equity	291,300	288,895	271,042	278,646	285,185
Liabilities & equity	719,965	719,005	727,059	706,537	692,898

Balance sheet has grown following a major acquisition

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	13,318	(310)	(3,135)	4,896	11,135
Tax paid	1,753	(859)	(989)	(751)	(2,847)
Depreciation & amortization	26,646	27,504	28,404	25,970	26,322
Chg In working capital	(12,276)	9,145	(1,113)	771	(445)
Chg In other CA & CL / minorities	(4,265)	9,842	(362)	762	368
Cash flow from operations	25,176	45,321	22,805	31,648	34,533
Capex	(21,925)	(17,042)	(9,660)	(8,400)	(7,245)
Right of use	(14,235)	142	0	0	0
ST loans & investments	(532)	531	54	0	0
LT loans & investments	(6,530)	6,400	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(16,235)	(5,955)	(15,791)	(938)	230
Cash flow from investments	(59,457)	(15,925)	(25,397)	(9,338)	(7,015)
Debt financing	9,438	(11,706)	23,994	(25,459)	(19,771)
Capital increase	0	0	0	0	0
Dividends paid	(11,746)	(1,269)	2,350	3,150	(2,748)
Warrants & other surplus	(6,443)	(2,136)	0	0	0
Cash flow from financing	(8,751)	(15,110)	26,343	(22,309)	(22,519)
Free cash flow	3,251	28,279	13,145	23,248	27,288

We expect positive FCF from limited capex

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	6.9	na	na	24.1	12.9
Normalized PE - at target price (x)	6.0	na	na	20.9	11.2
PE (x)	na	119.6	na	26.8	12.9
PE - at target price (x)	na	103.8	na	23.3	11.2
EV/EBITDA (x)	8.8	11.3	11.8	9.2	7.2
EV/EBITDA - at target price (x)	8.4	10.8	11.2	8.7	6.8
P/BV (x)	0.4	0.4	0.4	0.4	0.4
P/BV - at target price (x)	0.4	0.4	0.4	0.4	0.4
P/CFO (x)	4.7	2.6	5.2	3.8	3.5
Price/sales (x)	0.2	0.2	0.2	0.2	0.2
Dividend yield (%)	3.8	2.8	2.8	1.5	3.1
FCF Yield (%)	2.7	23.7	11.0	19.5	22.8
(Bt)					
Normalized EPS	3.9	(0.6)	(0.8)	1.1	2.1
EPS	(1.9)	0.2	(4.5)	1.0	2.1
DPS	1.0	0.8	0.8	0.4	0.8
BV/share	64.6	64.1	60.1	61.8	63.2
CFO/share	5.6	10.1	5.1	7.0	7.7
FCF/share	0.7	6.3	2.9	5.2	6.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	45.8	(9.1)	2.0	(1.4)	0.8
Net profit (%)	na	na	na	na	108.5
EPS (%)	na	na	na	na	108.5
Normalized profit (%)	(38.6)	na	na	na	87.6
Normalized EPS (%)	(38.6)	na	na	na	87.6
Dividend payout ratio (%)	(51.5)	338.5	40.0	40.0	40.0
Operating performance					
Gross margin (%)	6.8	4.7	4.4	5.7	6.5
Operating margin (%)	2.2	0.4	0.1	1.3	2.2
EBITDA margin (%)	6.1	4.8	4.6	5.5	6.4
Net margin (%)	2.3	(0.3)	(0.6)	0.6	1.3
D/E (incl. minor) (x)	0.9	0.9	1.0	0.9	0.8
Net D/E (incl. minor) (x)	0.8	0.7	0.8	0.7	0.6
Interest coverage - EBIT (x)	1.6	0.2	0.0	0.8	1.5
Interest coverage - EBITDA (x)	4.5	2.8	2.9	3.5	4.5
ROA - using norm profit (%)	2.4	na	na	0.7	1.3
ROE - using norm profit (%)	5.7	na	na	1.8	3.3
DuPont					
ROE - using after tax profit (%)	5.1	na	na	1.5	3.0
- asset turnover (x)	0.9	0.9	0.9	0.9	0.9
- operating margin (%)	3.3	na	na	2.3	3.2
- leverage (x)	2.4	2.5	2.6	2.6	2.5
- interest burden (%)	59.2	(3.0)	(45.4)	33.6	55.6
- tax burden (%)	117.1	na	na	82.0	75.0
WACC (%)	8.2	8.2	8.2	8.7	8.7
ROIC (%)	3.4	0.4	(0.0)	1.4	2.1
NOPAT (Bt m)	17,514	2,397	(202)	6,617	10,136
invested capital (Bt m)	536,886	507,698	490,088	472,233	454,001

Sources: Company data, Thanachart estimates

SELL (From: BUY)**TP: Bt 175.00** (From: Bt275.00)**4 NOVEMBER 2024**

Change in Recommendation

Downside : 16.3%

The Siam Cement Pcl (SCC TB)

Bad times

We downgrade our rating on SCC to SELL due to the prolonged downturn in the petrochemical cycle and LSP's competitiveness issue amid growing supply from China. We slash our TP for SCC to Bt175.

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Bad spreads and more; SELL

This report is a part of Energy sector – *Cheap for a reason*, dated 4 November 2024. We downgrade our rating SCC to SELL from Buy. **First**, the petrochemical outlook is worse than that we had expected earlier, with a prolonged cyclical downcycle and more structurally competitive supply from China. **Second**, as China's supply is more competitive, the Long Son Petrochemical Complex (LSP) is less competitive by comparison, implying a lower investment return. **Third**, the prolonged downcycle resulted in LSP halting operation after a month's commercial run in September this year. Together with overall weaker spread assumptions, we cut our earnings estimates for SCC sharply by 43/39/40% in 2024-26F and slash our DCF-based 12-month TP (2025F base year) to Bt175 (from Bt275). **Fourth**, its building materials and packaging paper businesses remain soft. **Lastly**, SCC looks expensive to us, trading at 17x PE for 2025F.

LSP faces real challenges

The most important challenge, in our view, for LSP is its competitiveness since China is becoming a more competitive producer. SCC has decided to invest US\$700m (14% of its initial project capex) to increase the project's flexibility to use more ethane feedstock. Ethane is cheaper than naphtha. SCC expects the enhancement project to be completed in 2027. Another challenge is the industry's prolonged cyclical downturn due to weak demand vs. substantial supply in China. Too low spreads have caused LSP to halt its operation for at least six months.

Other businesses not much help

Both the cement building materials (CBM) and packaging paper businesses are also seeing weak demand. Despite increased government spending, cement demand grew only 0.5% y-y in 3Q24F, hampered by flooding and the weak property market. Meanwhile, the recovery in demand for packaging paper has been slower than we had expected, with sales volume declining y-y since 2Q24 due to falling exports to China.

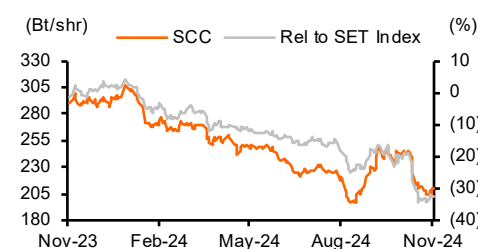
Focus on balance sheet and costs

With the challenging industry environment, SCC is now focusing more on cost-cutting and a lean balance sheet. It is looking to sell some assets and shut down non-profitable businesses. The guidance is that this could lead to Bt5bn in cost savings in 2025F. We have not yet factored this into our forecasts as we wait for greater clarity on the plans. The company has also reduced its capex guidance by Bt4bn to 37bn in 2024F, which we factor into our model.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	499,646	580,444	615,800	632,222
Net profit	25,915	8,243	14,571	19,916
Consensus NP	—	11,237	17,757	24,889
Diff frm cons (%)	—	(26.6)	(17.9)	(20.0)
Norm profit	14,963	8,243	14,571	19,916
Prev. Norm profit	—	14,414	24,006	33,259
Chg frm prev (%)	—	(42.8)	(39.3)	(40.1)
Norm EPS (Bt)	12.5	6.9	12.1	16.6
Norm EPS grw (%)	(30.0)	(44.9)	76.8	36.7
Norm PE (x)	16.8	30.4	17.2	12.6
EV/EBITDA (x)	14.0	24.0	12.1	9.9
P/BV (x)	0.7	0.7	0.7	0.6
Div yield (%)	2.9	1.6	2.9	4.0
ROE (%)	4.1	2.3	3.9	5.2
Net D/E (%)	58.7	72.3	69.9	67.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	209.00
Market Cap (US\$ m)	7,397.8
Listed Shares (m shares)	1,200.0
Free Float (%)	66.2
Avg Daily Turnover (US\$ m)	14.6
12M Price H/L (Bt)	306.00/196.50
Sector	CONMAT
Major Shareholder	HM King Maha Vajiralongkorn Bodindradebayavarangkun 33.64%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P74



Ex 1: Earning Revisions

	2021	2022	2023	2024F	2025F	2026F
Reported profit (Bt m)						
- New	47,174	21,382	25,915	8,243	14,571	19,916
- Old				14,414	24,006	33,259
- Change (%)				(42.8)	(39.3)	(40.1)
Normalized profit (Bt m)						
- New	46,967	21,382	14,963	8,243	14,571	19,916
- Old				14,414	24,006	33,259
- Change (%)				(42.8)	(39.3)	(40.1)
HDPE-Naphtha (US\$/tonne)						
- New	531	392	390	330	350	370
- Old				344	400	450
- Change (%)				(4.1)	(12.5)	(17.8)
PP-Naphtha (US\$/tonne)						
- New	637	376	350	320	350	360
- Old				340	370	390
- Change (%)				(5.9)	(5.4)	(7.7)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA + other income	47,011	56,949	74,301	71,324	66,562	70,111	70,905	81,662	84,300	88,978	93,825	
Free cash flow	16,080	25,855	37,674	47,879	46,392	48,124	48,499	56,448	58,206	62,107	66,064	881,687
PV of free cash flow	16,036	21,698	28,960	33,704	29,914	28,423	25,461	27,021	25,412	24,730	23,993	320,202
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
Wacc (%)	9.2											
Terminal growth (%)	2.0											
Enterprise value	605,553											
Net debt*	320,147											
Minority interest	75,960											
Equity value	209,446											
# of shares	1,200											
Equity value / share	175											

Sources: Company data, Thanachart estimates

Note: *Includes liquid assets held under current and non-current assets

Valuation Comparison

Ex 3: Valuation Comparison With Regional Peers

Name	BBG code	Market	EPS growth		— PE —		— P/BV —		EV/EBITDA		– Div yield –	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
<u>Chemical peers</u>												
Petronas Chemicals Group	PCHEM MK	Malaysia	11.3	13.2	18.2	16.1	1.0	1.0	8.6	7.7	3.0	3.4
LG Chem	051910 KS	South Korea	(60.8)	na	40.6	12.8	0.7	0.7	8.2	5.5	1.0	1.6
Kumho Petrochemical	011780 KS	South Korea	5.0	16.2	9.0	7.7	0.7	0.6	5.6	4.8	2.2	2.5
Lotte Chemical	011170 KS	South Korea	na	na	na	33.0	0.3	0.3	17.3	9.7	3.3	3.8
Formosa Chemicals & Fibre	1326 TT	Taiwan	(24.2)	63.5	31.6	19.3	0.7	0.7	16.2	12.1	2.6	4.1
Formosa Plastics	1301 TT	Taiwan	(57.2)	119.1	58.4	26.6	0.9	0.9	26.1	21.6	2.0	2.3
Nan Ya Plastics	1303 TT	Taiwan	4.5	70.9	35.9	21.0	0.9	0.9	14.9	13.3	2.2	3.8
Formosa Petrochemical	6505 TT	Taiwan	(21.2)	38.8	26.3	19.0	1.4	1.3	12.4	9.7	3.3	3.9
Siam Cement	SCC TB *	Thailand	(44.9)	76.8	30.4	17.2	0.7	0.7	24.0	12.1	1.6	2.9
Indorama Ventures	IVL TB *	Thailand	298.1	28.1	22.7	17.7	1.0	0.9	7.4	6.7	0.0	1.7
PTT Global Chemical	PTTGC TB *	Thailand	na	na	na	24.1	0.4	0.4	11.8	9.2	2.8	1.5
IRPC	IRPC TB *	Thailand	na	na	na	na	0.4	0.4	20.2	15.2	0.0	0.0
Average			12.3	53.3	30.3	19.5	0.7	0.7	14.4	10.6	2.0	2.6
<u>Cement peers</u>												
Indocement	INTP IJ	Indonesia	(21.1)	9.8	16.5	15.0	1.2	1.1	7.4	6.9	1.7	2.0
Semen Indonesia	SMGR IJ	Indonesia	(24.2)	15.2	13.2	11.4	0.6	0.5	5.0	4.8	3.3	4.4
Asia Cement	1102 TT	Taiwan	(0.9)	(4.0)	13.8	14.4	1.0	1.0	21.0	18.1	4.3	4.5
Taiwan Cement	1101 TT	Taiwan	19.0	12.9	21.8	19.3	1.0	1.0	15.1	10.5	3.3	3.4
Siam City Cement	SCCC TB	Thailand	44.6	7.8	12.8	11.9	1.4	1.4	8.1	7.8	5.5	5.7
TPI Polene	TPIPL TB	Thailand	na	na	na	na	na	na	na	na	na	na
Average			3.5	8.4	15.6	14.4	1.0	1.0	11.3	9.6	3.6	4.0
<u>Packaging paper peers</u>												
Amcor	AMC AU	Britain	(4.3)	6.3	15.1	14.2	3.7	3.7	11.1	10.7	4.8	4.9
Huhtamaki	HUH1V FH	Finland	7.4	10.9	14.8	13.4	1.9	1.8	8.4	7.9	3.1	3.3
Mondi	MNDI LN	EU	(20.4)	37.1	16.4	11.9	1.3	1.3	8.0	6.5	6.0	4.7
Leeman	2314 HK	Hong Kong	40.0	14.3	6.8	6.0	0.4	0.3	8.9	8.2	5.2	6.0
Nine Dragon Paper	2689 HK	Hong Kong	138.6	121.5	19.7	8.9	0.3	0.3	12.9	10.6	0.3	1.1
BillerudKorsnas	BILL SS	EU	95.4	39.6	16.4	11.7	0.8	0.8	6.0	5.2	3.2	4.3
Int. Paper	IP US	US	(34.5)	119.0	40.6	18.5	2.3	2.1	12.2	9.3	3.3	3.4
PCA	PKG US	US	8.5	23.6	25.3	20.5	4.8	4.3	13.5	11.6	2.2	2.2
Mondi	MNDI LN	EU	(20.4)	37.1	16.4	11.9	1.3	1.3	8.0	6.5	6.0	4.7
SCG Packaging	SCGP TB *	Thailand	4.1	18.8	20.3	17.1	1.4	1.3	9.4	7.5	2.0	2.3
United Paper	UTP TB	Thailand	10.0	9.1	7.5	6.9	1.4	1.3	4.7	4.3	6.6	7.3
Average			20.4	39.8	18.1	12.8	1.8	1.7	9.4	8.0	3.9	4.0
Average			14.1	37.7	22.0	15.8	1.2	1.1	11.9	9.4	3.0	3.4

Sources: Bloomberg, * Thanachart estimates

Based on 1 November 2024 closing prices

COMPANY DESCRIPTION

The Siam Cement Pcl (SCC) is one of Thailand's largest industrial conglomerates. The company's operations comprise three main divisions: cement and building materials, petrochemicals, and packaging. Approximately two-thirds of earnings are now derived from chemicals, although the company is focusing on growing its cement and building material businesses in ASEAN.

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

- Very strong market position in most of its businesses and products.
- Strong track record of operational and distribution excellence.
- Robust financial position.
- Experienced and prudent management team.

O — Opportunity

- M&A opportunities, especially for its construction materials businesses in ASEAN.
- Significant potential to expand its chemical businesses, especially in Vietnam and Indonesia.

W — Weakness

- Still heavily reliant on Thailand as its key market.
- Petrochemical is a highly cyclical business that can cause high earnings volatility for the company.

T — Threat

- Threat from competition in the local cement market.
- Potential holding discount after its Chemical IPO.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	242.29	175.00	-28%
Net profit 24F (Bt m)	11,237	8,243	-27%
Net profit 25F (Bt m)	17,757	14,571	-18%
Consensus REC	BUY: 9	HOLD: 15	SELL: 2

RISKS TO OUR INVESTMENT CASE

- The key upside risk to our call would be an increase in chemical spreads due to a sudden increase in demand or less new supply.
- A secondary upside risk would be falling energy costs that would increase margins.

HOW ARE WE DIFFERENT FROM THE STREET?

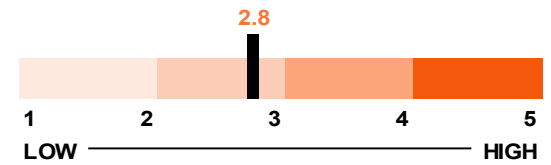
- We are lower than the Bloomberg consensus with our 2024-25F profits, likely due to us assuming lower chemical spreads while we also incorporate a loss from the LSP plant.
- Our DCF-based TP is lower than the consensus number, which we attribute to us being less positive on a chemical spread recovery from 2025F.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

SCC has three core businesses: petrochemicals, building materials, and packaging paper, all with high carbon emission levels. We assign SCC an ESG score of 2.8, which is about the average for the Thai energy sector. The score reflects high carbon emissions but a strong commitment to cutting these and improving in other ESG areas.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SCC	YES	YES	YES	AA	68.41	74.88	83.00	48.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" toward the back of this report.

Factors**Our Comments****ENVIRONMENT**

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

- SCC released 27m tonnes of CO2 equivalent in 2023, the second-highest level in the energy sector following PTT. However, this is a reduction of 10% from 2022 and 20.5% lower from base year 2020 by increasing the proportion of low-carbon energy use such as biomass from agricultural wastes, refuse-derived fuel (RDF) for cement productions, and solar energy. While the petrochemical business uses naphtha, which is an oil-based feedstock, its cement and packaging businesses use a lot of coal. Its ceramic production also uses natural gas as fuel. Its carbon-emission intensity is at 296kg/BOE (barrel of oil equivalent) of CO2 vs. the Thai energy space average of 280kg/BOE.
- SCC has committed to net-zero greenhouse gas (GHG) emissions by 2050, with at least a 25% GHG reduction in 2030 from 2020.
- SCC has implemented various strategies to cut its coal usage and increase its non-coal feedstock to 36% in 2023 from 18% in 2020.

SOCIAL

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

- SCC considers occupational health and safety as its core value and top priority. The lost-time/injury frequency rate for employees and contractors is only 0.276 cases/1 million hours of work. All companies under SCC have passed the Safety Performance Assessment Program (SPAP) at the Standard level or higher.
- SCC promotes equality and well-being among communities and in the workplace. It has undertaken several initiatives to this end. For example, SCC provides training programs to inspire communities to create value-added products.

**GOVERNANCE &
SUSTAINABILITY**

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

- Nine of SCC's 15-member board of directors (BOD) are independent. Air Chief Marshal Satitpong Sukvimol is the chairman of the BOD. He is also currently His Majesty the King's Principal Private Secretary, Bureau of the Royal Household.
- SCC's results announcements and analyst meetings are punctual with comprehensive information disclosure. The CEO and top management of all key business lines are present at analyst meetings and take questions.
- SCC also values sustainable investing and energy efficiency, investing in renewable energy projects, and conducting R&D in so-called "deep technology".

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	569,609	499,646	580,444	615,800	632,222
Cost of sales	491,339	424,543	503,809	513,633	519,214
Gross profit	78,269	75,103	76,635	102,167	113,008
% gross margin	13.7%	15.0%	13.2%	16.6%	17.9%
Selling & administration expenses	69,773	68,300	84,085	87,801	89,982
Operating profit	8,497	6,803	(7,449)	14,366	23,027
% operating margin	1.5%	1.4%	-1.3%	2.3%	3.6%
Depreciation & amortization	29,461	29,740	31,219	32,645	33,922
EBITDA	37,958	36,543	23,769	47,011	56,949
% EBITDA margin	6.7%	7.3%	4.1%	7.6%	9.0%
Non-operating income	12,684	16,278	16,455	15,503	15,559
Non-operating expenses	(1,985)	0	0	0	0
Interest expense	(7,523)	(10,297)	(10,883)	(14,560)	(14,710)
Pre-tax profit	11,672	12,784	(1,878)	15,309	23,876
Income tax	4,650	8,045	(2,485)	4,749	7,838
After-tax profit	7,021	4,739	607	10,560	16,037
% net margin	1.2%	0.9%	0.1%	1.7%	2.5%
Shares in affiliates' Earnings	10,703	8,419	5,961	5,006	6,182
Minority interests	3,658	1,805	1,674	(995)	(2,303)
Extraordinary items	0	10,952	0	0	0
NET PROFIT	21,382	25,915	8,243	14,571	19,916
Normalized profit	21,382	14,963	8,243	14,571	19,916
EPS (Bt)	17.8	21.6	6.9	12.1	16.6
Normalized EPS (Bt)	17.8	12.5	6.9	12.1	16.6

A lower earnings based on a weak chemical cycle and losses from LSP

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	250,049	217,214	230,274	247,003	255,449
Cash & cash equivalent	89,859	63,874	50,272	60,000	65,000
Account receivables	74,459	70,559	81,969	86,962	89,281
Inventories	83,162	80,631	95,686	97,551	98,611
Others	2,570	2,151	2,347	2,490	2,556
Investments & loans	144,274	166,241	166,241	166,241	166,241
Net fixed assets	425,052	424,344	438,125	441,980	444,558
Other assets	87,115	85,802	99,677	105,748	108,568
Total assets	906,490	893,601	934,317	960,972	974,815
LIABILITIES:					
Current liabilities:	132,316	202,245	218,682	229,721	227,867
Account payables	59,783	59,691	70,836	72,217	73,002
Bank overdraft & ST loans	36,252	35,414	40,576	41,217	41,418
Current LT debt	29,423	77,376	88,654	90,054	90,494
Others current liabilities	6,858	29,764	18,616	26,233	22,953
Total LT debt	284,661	210,506	241,189	244,997	246,194
Others LT liabilities	37,088	39,253	31,942	33,887	34,791
Total liabilities	454,065	452,004	491,812	508,605	508,851
Minority interest	78,169	77,635	75,960	76,955	79,258
Preferreds shares	0	0	0	0	0
Paid-up capital	1,200	1,200	1,200	1,200	1,200
Share premium	3,179	1,705	1,705	1,705	1,705
Warrants	0	0	0	0	0
Surplus	6,380	(23,214)	(23,214)	(23,214)	(23,214)
Retained earnings	363,496	384,271	386,853	395,721	407,016
Shareholders' equity	374,255	363,962	366,544	375,412	386,706
Liabilities & equity	906,490	893,601	934,317	960,972	974,815

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	11,672	12,784	(1,878)	15,309	23,876
Tax paid	(5,211)	(7,612)	2,502	(4,371)	(7,869)
Depreciation & amortization	29,461	29,740	31,219	32,645	33,922
Chg In working capital	(10,791)	6,339	(15,320)	(5,477)	(2,594)
Chg In other CA & CL / minorities	9,450	37,997	(5,530)	12,102	2,866
Cash flow from operations	34,580	79,249	10,993	50,208	50,201
Capex	(43,805)	(29,032)	(45,000)	(36,500)	(36,500)
Right of use	0	0	0	0	0
ST loans & investments	39	31	130	0	0
LT loans & investments	(4,465)	(21,967)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(11,515)	8,982	(21,186)	(4,126)	(1,916)
Cash flow from investments	(59,747)	(41,986)	(66,056)	(40,626)	(38,416)
Debt financing	60,233	(27,040)	47,122	5,849	1,838
Capital increase	(288)	(1,475)	0	0	0
Dividends paid	(19,199)	(5,400)	(5,661)	(5,703)	(8,622)
Warrants & other surplus	6,669	(29,334)	0	0	0
Cash flow from financing	47,415	(63,248)	41,462	146	(6,784)
Free cash flow	(9,225)	50,217	(34,007)	13,708	13,701

SCC has to spend more capex on LSP

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	11.7	16.8	30.4	17.2	12.6
Normalized PE - at target price (x)	9.8	14.0	25.5	14.4	10.5
PE (x)	11.7	9.7	30.4	17.2	12.6
PE - at target price (x)	9.8	8.1	25.5	14.4	10.5
EV/EBITDA (x)	13.5	14.0	24.0	12.1	9.9
EV/EBITDA - at target price (x)	12.4	12.8	22.3	11.2	9.2
P/BV (x)	0.7	0.7	0.7	0.7	0.6
P/BV - at target price (x)	0.6	0.6	0.6	0.6	0.5
P/CFO (x)	7.3	3.2	22.8	5.0	5.0
Price/sales (x)	0.4	0.5	0.4	0.4	0.4
Dividend yield (%)	3.8	2.9	1.6	2.9	4.0
FCF Yield (%)	(3.7)	20.0	(13.6)	5.5	5.5
(Bt)					
Normalized EPS	17.8	12.5	6.9	12.1	16.6
EPS	17.8	21.6	6.9	12.1	16.6
DPS	8.0	6.0	3.4	6.1	8.3
BV/share	311.9	303.3	305.5	312.8	322.3
CFO/share	28.8	66.0	9.2	41.8	41.8
FCF/share	(7.7)	41.8	(28.3)	11.4	11.4

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	7.5	(12.3)	16.2	6.1	2.7
Net profit (%)	(54.7)	21.2	(68.2)	76.8	36.7
EPS (%)	(54.7)	21.2	(68.2)	76.8	36.7
Normalized profit (%)	(54.5)	(30.0)	(44.9)	76.8	36.7
Normalized EPS (%)	(54.5)	(30.0)	(44.9)	76.8	36.7
Dividend payout ratio (%)	44.9	27.8	50.0	50.0	50.0
Operating performance					
Gross margin (%)	13.7	15.0	13.2	16.6	17.9
Operating margin (%)	1.5	1.4	(1.3)	2.3	3.6
EBITDA margin (%)	6.7	7.3	4.1	7.6	9.0
Net margin (%)	1.2	0.9	0.1	1.7	2.5
D/E (incl. minor) (x)	0.8	0.7	0.8	0.8	0.8
Net D/E (incl. minor) (x)	0.6	0.6	0.7	0.7	0.7
Interest coverage - EBIT (x)	1.1	0.7	na	1.0	1.6
Interest coverage - EBITDA (x)	5.0	3.5	2.2	3.2	3.9
ROA - using norm profit (%)	2.4	1.7	0.9	1.5	2.1
ROE - using norm profit (%)	5.8	4.1	2.3	3.9	5.2
DuPont					
ROE - using after tax profit (%)	1.9	1.3	0.2	2.8	4.2
- asset turnover (x)	0.6	0.6	0.6	0.6	0.7
- operating margin (%)	3.4	4.6	na	4.9	6.1
- leverage (x)	2.4	2.4	2.5	2.6	2.5
- interest burden (%)	60.8	55.4	(20.9)	51.3	61.9
- tax burden (%)	60.2	37.1	na	69.0	67.2
WACC (%)	8.7	8.7	8.7	9.2	9.2
ROIC (%)	0.9	0.4	0.4	1.4	2.2
NOPAT (Bt m)	5,111	2,522	2,408	9,910	15,467
invested capital (Bt m)	634,732	623,384	686,691	691,680	699,812

Sources: Company data, Thanachart estimates

SELL (From: BUY)**TP: Bt 5.90**

(From: Bt 9.80)

Change in Recommendation

Downside : 11.9%

4 NOVEMBER 2024

Star Petroleum Refining (SPRC TB)

Falling earnings trend

We cut our earnings estimates for SPRC and our DCF-based TP to Bt5.9 from Bt9.8 as we lower our GRM assumptions. As we expect SPRC to experience a falling earnings trend of -14/-4% in 2025-26F, we downgrade the stock to SELL from Buy.

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Downgrading to SELL

This report is a part of Energy sector – *Cheap for a reason*, dated 4 November 2024. We downgrade our call on SPRC to SELL from Buy and cut our DCF-based 12-month (2025F base year) TP to Bt5.9 from Bt9.8. This follows our earnings cuts of 6/4/53% in 2024-26F on lower gross refining margin (GRM) assumptions (see Exhibit 18 in the main sector report). We also push out the company's major plant maintenance turnaround to 2026F from 2025F. The lower GRM and the plant maintenance are why we estimate a falling earnings trend for SPRC of -14/-4% in 2025-26F. Trading at 9.1x 2025F PE, we see SPRC as expensive.

Weak refinery outlook

We are becoming more cautious about the refinery market in 2025F and now expect the benchmark Singapore GRM, which is also lower than we had expected this year, to fall further next year. Our Singapore GRM assumptions are US\$6.1/5.8/6.3 per barrel in 2024-26F. Weak demand and new refineries coming on stream in Africa, the Middle East, and Asia are key factors that put downward pressure on refinery margins. We estimate SPRC's GRM at US\$5.2/4.9/5.2/bbl in 2024-26F (from US\$5.6/6.2/6.4/bbl).

Plant maintenance

We estimate SPRC's earnings to contract by 14/4% in 2025-26F. The fall in 2025F is because of our lower GRM assumption, while the drop in 2026F is because of its planned major plant maintenance, which offsets our slight GRM assumption increase. Meanwhile, given the limited industry growth, we don't expect a substantial improvement in earnings from its petrol station business.

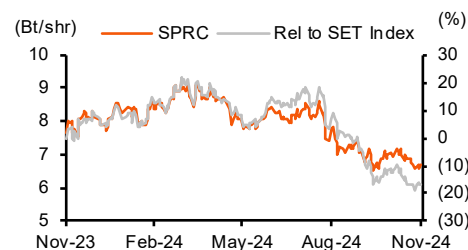
Still weak 3Q24F despite SPM resumption

We expect SPRC to report a 3Q24F loss of Bt2bn due to a large stock loss. SPRC's market GRM looks set to improve q-q from the resumption of Single Point Mooring (SPM) operations from July 14, which has helped counter the impact of falling GRM. The likely weak 3Q24F results are also despite the company expecting a higher crude run rate or utilization rate of 95-96% in 3Q24F, up from 90% in 2Q24.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	238,284	246,881	249,110	222,888
Net profit	(1,230)	3,286	2,821	2,712
Consensus NP	—	4,150	4,452	5,488
Diff frm cons (%)	—	(20.8)	(36.6)	(50.6)
Norm profit	(1,012)	3,210	3,175	2,712
Prev. Norm profit	—	3,421	3,307	5,739
Chg frm prev (%)	—	(6.2)	(4.0)	(52.7)
Norm EPS (Bt)	(0.2)	0.7	0.7	0.6
Norm EPS grw (%)	na	na	(1.1)	(14.6)
Norm PE (x)	na	9.1	9.1	10.7
EV/EBITDA (x)	27.0	5.2	5.2	5.1
P/BV (x)	0.8	0.7	0.7	0.7
Div yield (%)	0.0	3.4	2.9	3.3
ROE (%)	na	8.5	7.9	6.4
Net D/E (%)	32.9	9.6	7.2	2.0

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	6.70
Market Cap (US\$ m)	856.9
Listed Shares (m shares)	4,335.9
Free Float (%)	39.4
Avg Daily Turnover (US\$ m)	4.3
12M Price H/L (Bt)	9.20/6.50
Sector	Energy
Major Shareholder	Chevron Asia Holdings 60.56%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P81



Ex 1: Earnings Revisions

	2021	2022	2023	2024F	2025F	2026F
Normalized profit (Bt m)						
- New	(1,542)	8,538	(1,012)	3,210	3,175	2,712
- Old				3,421	3,307	5,739
- Change (%)				(6.2)	(4.0)	(52.7)
Net profit (Bt m)						
- New	4,746	7,703	(1,230)	3,286	2,821	2,712
- Old				2,918	3,009	5,739
- Change (%)				12.6	(6.2)	(52.7)
Market GRM (US\$/bbl)						
- New	3.7	9.7	4.5	5.2	4.9	5.2
- Old				5.6	6.2	6.4
- Change (%)				(8.0)	(21.8)	(18.7)
Utilization (%)						
- New	77	89	87	90	95	85
- Old				90	80	100
- Change (ppt)				0	15	(15)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA + dividend	6,154	5,860	7,194	7,952	7,344	6,732	6,116	5,495	5,389	5,278	5,162	
Free cash flow	1,607	2,850	1,626	5,398	5,179	4,695	4,205	3,705	3,603	3,523	3,438	29,238
PV of free cash flow	1,444	2,302	1,180	3,520	3,035	2,472	1,931	1,522	1,324	1,159	1,012	8,603
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	11.3											
Terminal growth (%)	0.0											
Enterprise value - add	29,505											
Investments												
Net debt (2024F)	3,765											
Minority interest	5											
Equity value	25,734											
# of shares (m)	4,336											
Equity value/sh (Bt)	5.9											

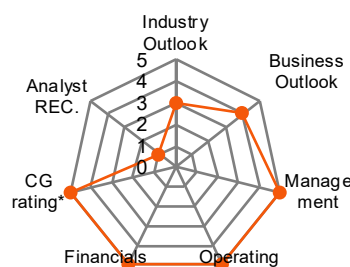
Sources: Thanachart estimates

COMPANY DESCRIPTION

Star Petroleum Refining Plc's (SPRC) refinery produces petroleum products, which include LPG, premium and regular grades of unleaded gasoline, high-speed diesel, jet fuel, and fuel oil, as well as petrochemical feedstocks used in the petrochemical industry, which include PGP, LPG, chemical-grade naphtha, mixed C4, and reformate. The company has a refining capacity of 175k b/d.

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

- Strong operator with a very high utilization rate and high plant reliability.
- Procurement, distribution, and technical support from parent Chevron.

O — Opportunity

- Opportunities to upgrade and/or expand its refinery to meet higher local demand.
- Expansion into new businesses or securing its own retail channel.

W — Weakness

- Volatile earnings due to its pure refinery exposure.
- Lack of company-owned retail channel limits upside from domestic product placement and higher marketing margin.
- Limited growth potential to expand its refinery business given that Thailand is a net export country for refined oil products.

T — Threat

- High oil prices could slow local demand and force it to sell in the lower-margin export market.
- Threat of substitutes such as electric vehicles may lower demand for oil products.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	9.23	5.90	-36%
Net profit 24F (Bt m)	4,150	3,286	-21%
Net profit 25F (Bt m)	4,452	2,821	-37%
Consensus REC	BUY: 17	HOLD: 4	SELL: 1

RISKS TO OUR INVESTMENT CASE

- Higher-than-expected GRM outlook is key upside risk to our negative view.
- A secondary upside risk would be higher than expected oil price that lead to stock gain.

HOW ARE WE DIFFERENT FROM THE STREET?

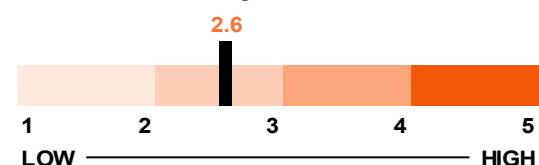
- We are significantly below the Bloomberg consensus estimate with our 2024-25F net profit projection, which we attribute to our lower GRM assumptions.
- Our TP is consequently lower than the consensus number.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

SPRC appears to have decent transparency and robust measures to protect minority interests to offset related-party transactions with its major shareholder, Chevron. Our ESG score for SPRC of 2.6 is due to its high energy intensity, given the nature of its business and the lack of green investment project announcements.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SPRC	-	-	-	BBB	59.73	45.7	30.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms 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"> In 2023, SPRC released 1.2m tonnes of CO2 equivalent, an increase of 10% from 2022. Emission intensity was 194kg/BOE (barrels of crude oil equivalent). This was below Thai energy peers' average of 280kg/BOE. We believe this was due to its less diversified business, as the company only has refinery operations. The company doesn't have clear emission reduction targets. However, the company targets to maintain Solomon Energy Intensity Index (EII) in 1st Quartile of Asia Pacific. In addition, SPRC plans to partner with Chevron, a leading global refiner, to study and establish continuous improvements that need to be made to bring down energy usage and greenhouse gas emissions SPRC lags behind global peers in terms of diversifying into the biofuel or renewable business that could help it to reduce carbon emissions. We believe the company is maintaining its goal to use capex for efficiency improvements.
<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"> The safety principles in the Environment, Health, and Safety (EHS) Management System are used as a safety framework for all of SPRC's practices. SPRC demonstrating its commitment to the community by investing Bt37m to support social responsibility initiatives in 2023. In 2023, SPRC's average employee training hours were 56 per person, up from 35 in 2022, and the employee turnover rate is only 1.1%.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> The major shareholder is Chevron South Asia Limited, with a 60.6% stake. However, the company is run independently and has flexibility in purchasing crude. The company has a good mix of its board of director members with a policy guideline and performance review on an annual basis. Four of SPRC's nine board members are independent non-executive directors (INEDs). Operating performance margins are in line with the benchmarks and can be cross-checked easily. Audit fees are reported, and IFRS accounting standards are used. While there is some risk from contingent liabilities, commodities prices, and forex rates, the balance sheet is generally strong.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	285,264	238,284	246,881	249,110	222,888
Cost of sales	271,745	238,059	240,593	243,054	217,275
Gross profit	13,519	225	6,287	6,055	5,612
% gross margin	4.7%	0.1%	2.5%	2.4%	2.5%
Selling & administration expenses	2,791	1,302	2,700	2,700	2,700
Operating profit	10,728	(1,077)	3,587	3,355	2,912
% operating margin	3.8%	-0.5%	1.5%	1.3%	1.3%
Depreciation & amortization	2,603	2,599	2,715	2,799	2,948
EBITDA	13,331	1,521	6,303	6,154	5,860
% EBITDA margin	4.7%	0.6%	2.6%	2.5%	2.6%
Non-operating income	63	139	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(316)	(367)	(368)	(411)	(482)
Pre-tax profit	10,475	(1,306)	3,219	2,945	2,431
Income tax	1,937	(294)	652	511	479
After-tax profit	8,538	(1,012)	2,568	2,433	1,951
% net margin	3.0%	-0.4%	1.0%	1.0%	0.9%
Shares in affiliates' Earnings	0	0	642	742	760
Minority interests	0	0	0	0	0
Extraordinary items	(834)	(218)	76	(354)	0
NET PROFIT	7,703	(1,230)	3,286	2,821	2,712
Normalized profit	8,538	(1,012)	3,210	3,175	2,712
EPS (Bt)	1.8	(0.3)	0.8	0.7	0.6
Normalized EPS (Bt)	2.0	(0.2)	0.7	0.7	0.6

We expect 2024-26F profit to trend lower from GRM normalization and plant maintenance.

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	38,258	41,699	42,566	46,930	45,421
Cash & cash equivalent	76	471	5,000	9,000	11,500
Account receivables	14,328	17,286	16,345	16,493	14,757
Inventories	23,762	23,736	21,007	21,222	18,971
Others	92	207	214	216	193
Investments & loans	0	0	0	0	0
Net fixed assets	22,735	21,241	19,590	20,691	22,743
Other assets	2,295	2,720	2,813	2,837	2,553
Total assets	63,288	65,660	64,969	70,459	70,717
LIABILITIES:					
Current liabilities:	23,904	27,971	24,786	28,189	26,827
Account payables	12,780	14,156	14,730	14,881	13,303
Bank overdraft & ST loans	6,562	12,483	8,765	11,976	12,347
Current LT debt	3,168	0	0	0	0
Others current liabilities	1,393	1,332	1,290	1,332	1,178
Total LT debt	0	0	0	0	0
Others LT liabilities	677	1,227	929	1,110	916
Total liabilities	24,581	29,198	25,714	29,299	27,743
Minority interest	0	5	5	5	5
Preferreds shares	0	0	0	0	0
Paid-up capital	30,004	30,004	30,004	30,004	30,004
Share premium	978	978	978	978	978
Warrants	0	0	0	0	0
Surplus	(2,608)	(2,979)	(2,979)	(2,979)	(2,979)
Retained earnings	10,333	8,453	11,246	13,151	14,965
Shareholders' equity	38,707	36,457	39,250	41,155	42,969
Liabilities & equity	63,288	65,660	64,969	70,459	70,717

SPRC's balance sheet is relatively strong with limited capex and healthy cash generation

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	10,475	(1,306)	3,219	2,945	2,431
Tax paid	(1,937)	294	(652)	(511)	(479)
Depreciation & amortization	2,603	2,599	2,715	2,799	2,948
Chg In working capital	(9,565)	(1,556)	4,244	(212)	2,409
Chg In other CA & CL / minorities	41	(136)	589	778	624
Cash flow from operations	1,616	(106)	10,116	5,798	7,932
Capex	(1,073)	(1,064)	(1,064)	(3,900)	(5,000)
Right of use	0	0	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(2,098)	552	(312)	(193)	95
Cash flow from investments	(3,172)	(512)	(1,376)	(4,093)	(4,905)
Debt financing	2,053	2,034	(3,718)	3,211	371
Capital increase	0	0	0	0	0
Dividends paid	(4,936)	(650)	(493)	(916)	(898)
Warrants & other surplus	1,569	(370)	0	0	0
Cash flow from financing	(1,314)	1,013	(4,211)	2,295	(527)
Free cash flow	543	(1,170)	9,052	1,898	2,932

With limited capex and high GRM, FCF is strong over the next three years

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	3.4	na	9.1	9.1	10.7
Normalized PE - at target price (x)	3.0	na	8.0	8.1	9.4
PE (x)	3.8	na	8.8	10.3	10.7
PE - at target price (x)	3.3	na	7.8	9.1	9.4
EV/EBITDA (x)	2.9	27.0	5.2	5.2	5.1
EV/EBITDA - at target price (x)	2.6	24.7	4.7	4.6	4.5
P/BV (x)	0.8	0.8	0.7	0.7	0.7
P/BV - at target price (x)	0.7	0.7	0.7	0.6	0.6
P/CFO (x)	18.0	(274.7)	2.9	5.0	3.7
Price/sales (x)	0.1	0.1	0.1	0.1	0.1
Dividend yield (%)	16.6	0.0	3.4	2.9	3.3
FCF Yield (%)	1.9	(4.0)	31.2	6.5	10.1
(Bt)					
Normalized EPS	2.0	(0.2)	0.7	0.7	0.6
EPS	1.8	(0.3)	0.8	0.7	0.6
DPS	1.1	0.0	0.2	0.2	0.2
BV/share	8.9	8.4	9.1	9.5	9.9
CFO/share	0.4	(0.0)	2.3	1.3	1.8
FCF/share	0.1	(0.3)	2.1	0.4	0.7

Sources: Company data, Thanachart estimates

We don't see 9x 2025F PE attractive against falling earnings trend.

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	65.4	(16.5)	3.6	0.9	(10.5)
Net profit (%)	62.3	na	na	(14.1)	(3.9)
EPS (%)	62.3	na	na	(14.1)	(3.9)
Normalized profit (%)	na	na	na	(1.1)	(14.6)
Normalized EPS (%)	na	na	na	(1.1)	(14.6)
Dividend payout ratio (%)	62.5	0.0	30.0	30.0	35.0
Operating performance					
Gross margin (%)	4.7	0.1	2.5	2.4	2.5
Operating margin (%)	3.8	(0.5)	1.5	1.3	1.3
EBITDA margin (%)	4.7	0.6	2.6	2.5	2.6
Net margin (%)	3.0	(0.4)	1.0	1.0	0.9
D/E (incl. minor) (x)	0.3	0.3	0.2	0.3	0.3
Net D/E (incl. minor) (x)	0.2	0.3	0.1	0.1	0.0
Interest coverage - EBIT (x)	33.9	na	9.7	8.2	6.0
Interest coverage - EBITDA (x)	42.1	4.1	17.1	15.0	12.2
ROA - using norm profit (%)	14.0	na	4.9	4.7	3.8
ROE - using norm profit (%)	23.4	na	8.5	7.9	6.4
DuPont					
ROE - using after tax profit (%)	23.4	na	6.8	6.1	4.6
- asset turnover (x)	4.7	3.7	3.8	3.7	3.2
- operating margin (%)	3.8	na	1.5	1.3	1.3
- leverage (x)	1.7	1.7	1.7	1.7	1.7
- interest burden (%)	97.1	139.1	89.7	87.8	83.5
- tax burden (%)	81.5	na	79.8	82.6	80.3
WACC (%)	10.8	10.8	10.8	11.3	11.3
ROIC (%)	22.1	(2.2)	10.6	6.8	5.7
NOPAT (Bt m)	8,744	(1,077)	5,132	2,920	2,493
invested capital (Bt m)	48,362	48,469	43,015	44,131	43,816

ROE should trend lower with earnings.

Sources: Company data, Thanachart estimates

SELL (Unchanged)

Company Update

TP: Bt 39.00 (Unchanged)

Downside : 6.0%

4 NOVEMBER 2024

Thai Oil Public Co Ltd (TOP TB)

Tough times ahead

We maintain our SELL rating on TOP with an unchanged TP of Bt39. Weak refinery margins and CFP project risk will likely continue into next year. We now expect a 17% fall in earnings next year and argue that TOP's 6.9x 2025F PE is not cheap.

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Reaffirm SELL

We maintain our SELL rating on TOP and DCF-derived SOTP-based 12-month TP (2025F base year) of Bt39. **First**, we turn more bearish on the refinery sector, expecting weak gross refining margin (GRM) to continue next year because of soft demand amid capacity additions. **Second**, TOP's Clean Fuel Project (CFP) still doesn't have a firm start-up timeframe, given construction delays. We conservatively assume its commercial operating date to be in 2026F. **Third**, we expect a weak set of 3Q24F results. **Lastly**, TOP's valuation isn't cheap in our view, trading on 6.9x 2025F PE against 17% EPS decline next year.

Weak industry dynamics

The Singapore GRM is at US\$3.8bbl in 4QTD, at its lowest point since 2022. Although we expect some recovery during winter, the longer-term industry dynamics are weak. The demand outlook is soft due to mediocre growth in China, given the country's rapid adoption of electric vehicles (EVs) and a likely global deceleration with the slowing US economy next year. On the supply side, there are still capacity additions that we expect to continue to pressure the market next year. New refineries that are due to come online next year are in Africa, the Middle East, and Asia. Meanwhile, despite our expectation of lower new supply this year, the Px-ULG95 spread also looks set to disappoint.

CFP continues to be delayed

TOP remains uncertain about the start-up period of its Clean Fuel Project (CFP). Due to an overhang issue with the project's contractor, we expect the CFP's start-up to be delayed from the end of this year to early 2026F. The problem is a delayed payment to a subcontractor by its main contractor, UJV Joint Venture. In the worst-case scenario, TOP may have to take responsibility for the unpaid wages to ensure the project's construction continues.

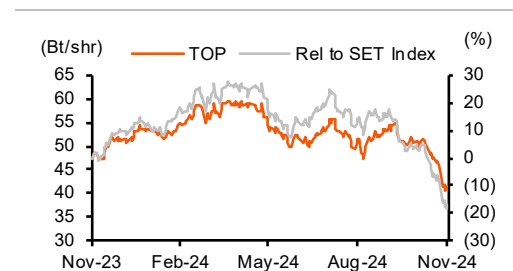
Weak 3Q24F

We estimate TOP to report disappointing 3Q24F earnings of Bt4.0bn loss vs. profits of Bt10.8bn in 3Q23 and Bt5.5bn in 2Q24. That is due to an estimated stock loss from lower oil prices of Bt7.6bn. Note that TOP booked stock gains of Bt7.9bn in 3Q23 and Bt2.1bn in 2Q24. We also expect its market GRM to fall by 4% q-q to US\$3.6/bbl as gasoline, jet oil, and diesel spreads have declined.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	469,244	463,138	455,096	455,096
Net profit	19,768	9,919	12,731	18,142
Consensus NP	—	12,894	15,965	21,925
Diff frm cons (%)	—	(23.1)	(20.3)	(17.3)
Norm profit	27,412	16,042	13,373	18,142
Prev. Norm profit	—	16,042	13,373	18,142
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	12.3	7.2	6.0	8.1
Norm EPS grw (%)	(31.5)	(41.5)	(16.6)	35.7
Norm PE (x)	3.4	5.8	6.9	5.1
EV/EBITDA (x)	5.8	7.8	9.1	7.0
P/BV (x)	0.6	0.5	0.5	0.5
Div yield (%)	8.2	3.7	4.8	6.9
ROE (%)	17.0	9.6	7.7	9.8
Net D/E (%)	76.5	83.1	90.4	78.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	41.50
Market Cap (US\$ m)	2,732.6
Listed Shares (m shares)	2,232.3
Free Float (%)	52.0
Avg Daily Turnover (US\$ m)	16.9
12M Price H/L (Bt)	59.50/40.75
Sector	Energy
Major Shareholder	PTT Pcl 45.03%

Sources: Bloomberg, Company data, Thanachart estimates



Ex 1: 12-month DCF-based TP Calculation For Downstream Business, Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal Value
EBITDA	28,193	35,210	35,420	36,448	35,663	30,134	28,350	28,350	28,350	28,350	28,350	
Free cash flow	(12,826)	22,702	25,228	22,839	23,553	18,851	17,898	18,148	18,200	18,251	18,103	221,309
PV of free cash flow	(11,909)	19,568	20,188	16,962	16,239	12,066	10,322	9,673	8,967	8,312	7,622	93,173
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	7.7											
Terminal growth (%)	0.0											
Enterprise value - add investments	211,183											
Net cash/(debt)	143,555											
Minority interest	2,884											
Equity value	64,744											
# of shares (m)	2,232											
Equity value/share (Bt)	29											
Sum-of-the-parts valuation	Value (Bt m)		Per share (Bt/shr)		% of total		Methodology					
Downstream	64,744		29		75%		DCF					
Power (GPSC)	7,041		3		8%		DCF					
Chandra Asri	14,225		6		17%		BBG consensus					
Total value per share	86,010		38.5									

Sources: Thanachart estimates

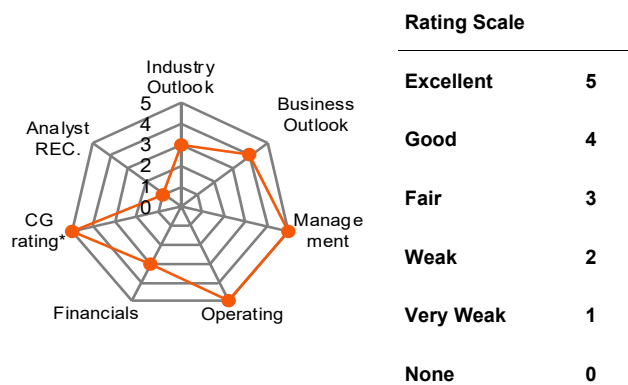
Note: Net debt position is for all businesses except GPSC, which is not consolidated

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 0.8m tpa of aromatics and 0.3m tpa of lube base oil and bitumen. The company also recently purchased a 15% stake in listed company Chandra Asri, one of the leading petrochemical complexes in Indonesia, which is also owned by Siam Cement (SCC TB, Bt209.00, BUY) with a 30.5% stake. Its other businesses include power, marine transport, and ethanol production.

Source: Thanachart

COMPANY RATING



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.

O — Opportunity

- Potential further chemical expansion following its investment in Chandra Asri.
- Ability to upgrade derivatives into value-added plastic products.

W — Weakness

- Volatile earnings due to commodity exposure especially in the refining business where demand outlook is weak.
- Weak balance sheet with substantial capex over the next two years due to the USD4bn investment in clean fuel project (CFP).

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)	59.15	39.00	-34%
Net profit 24F (Bt m)	12,894	9,919	-23%
Net profit 25F (Bt m)	15,965	12,731	-20%
Consensus REC	BUY: 22	HOLD: 3	SELL: 5

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024F-25F net profit are lower than the Bloomberg consensus estimates, likely because we are more cautious about the GRM outlook.
- Consequently, our DCF-derived SOTP-based TP is lower than the consensus number.

Sources: Bloomberg consensus, Thanachart forecasts

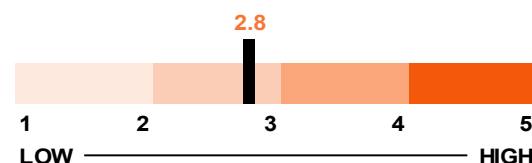
RISKS TO OUR INVESTMENT CASE

- The key upside risk to our call would be higher-than-expected GRMs.
- A secondary upside risk to our call would be lower oil prices, leading to stock gains.
- Higher-than-expected light-sweet crude premium would be another upside risk to our call.
- Upside risk would also come from a sudden decrease in China's oil exports.

Source: Thanachart

TOP is Thailand's largest oil refiner, with a total capacity of 275kbd. Our ESG score for TOP is 2.8, slightly below the 2.9 sector average. TOP doesn't have green energy projects, and we expect its greenhouse gas emissions to rise with new capacity from its Clean Fuel Project (CFP).

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
TOP	YES	YES	YES	BBB	59.72	73.22	81.00	47.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

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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"> In 2023, total greenhouse gas emissions fell by 28,003 tonnes of carbon dioxide equivalent through energy efficiency improvement projects. We expect TOP's greenhouse gas (GHG) intensity to increase in 2025F when its Clean Fuel Project (CFP) starts up. CFP is designed to use heavy crude oil as feedstock, and upgrading high-sulfur oil into high-value products means more heat and GHG emissions. TOP targets to reduce greenhouse gas emissions by 15% by 2035F from the base year of 2026F to achieve carbon neutrality by 2050F and net zero GHG emissions by 2060F by implementing its net zero GHG emissions strategy.
<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"> TOP's staff health and safety management system is in accordance with ISO standards. The company's safety performance is on par with that of the oil and gas industry's top 10% safety performers. In 2023, TOP invested in human capital development, with its employees, on average, receiving 351 hours of training per full-time equivalent (FTE). Its staff turnover rate was 2.01% in 2023, below its 3.5% target. Its employee satisfaction rate of 94% was slightly below its target of 96%. TOP tries to ensure the well-being of surrounding communities and says it has received no complaints from local communities about negative environmental impacts.
<p>GOVERNANCE & SUSTAINABILITY</p> <ul style="list-style-type: none"> Board Ethics & Transparency Business Sustainability Risk Management Innovation 	<ul style="list-style-type: none"> TOP is 45% owned by PTT. Therefore, there are many related-party transactions with PTT, including crude feedstock purchases. However, measures are taken to ensure market-based pricing. Seven of the 14 board members are independent. An independent director, Air Chief Marshal Channon Mungthanya, chairs its board of directors (BOD). However, there are two women on the board. Accounting and audit are generally easy to cross-check and seem transparent. TOP's business, by its nature, has very high earnings volatility. It is also in the middle of a heavy capex cycle due to the new CFP.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Sales	529,589	469,244	463,138	455,096	455,096
Cost of sales	484,740	435,217	437,411	430,955	424,189
Gross profit	44,849	34,027	25,727	24,141	30,907
% gross margin	8.5%	7.3%	5.6%	5.3%	6.8%
Selling & administration expenses	4,182	3,521	3,475	4,551	4,551
Operating profit	40,667	30,507	22,252	19,590	26,356
% operating margin	7.7%	6.5%	4.8%	4.3%	5.8%
Depreciation & amortization	7,744	7,799	8,185	8,603	8,854
EBITDA	48,411	38,306	30,437	28,193	35,210
% EBITDA margin	9.1%	8.2%	6.6%	6.2%	7.7%
Non-operating income	863	1,138	1,123	2,046	2,046
Non-operating expenses	1,125	(86)	0	0	0
Interest expense	(3,860)	(4,089)	(4,510)	(4,881)	(5,585)
Pre-tax profit	38,795	27,470	18,865	16,755	22,817
Income tax	20	(0)	2,565	3,217	4,570
After-tax profit	38,774	27,470	16,300	13,538	18,247
% net margin	7.3%	5.9%	3.5%	3.0%	4.0%
Shares in affiliates' Earnings	(513)	84	(118)	(28)	32
Minority interests	(438)	(142)	(140)	(137)	(137)
Extraordinary items	(5,155)	(7,645)	(6,123)	(642)	0
NET PROFIT	32,668	19,768	9,919	12,731	18,142
Normalized profit	37,824	27,412	16,042	13,373	18,142
EPS (Bt)	15.5	8.9	4.4	5.7	8.1
Normalized EPS (Bt)	17.9	12.3	7.2	6.0	8.1

We expect TOP's earnings to drop in 2025F as GRM normalizes

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	153,828	125,371	133,154	111,836	101,089
Cash & cash equivalent	43,576	34,376	50,000	30,000	20,000
Account receivables	28,759	31,154	27,754	27,272	27,272
Inventories	55,343	52,656	48,308	47,595	46,848
Others	26,150	7,185	7,091	6,968	6,968
Investments & loans	32,603	32,039	32,039	32,039	32,039
Net fixed assets	206,476	218,618	236,206	238,955	241,100
Other assets	51,674	43,964	44,213	44,381	44,881
Total assets	444,581	419,993	445,611	427,211	419,109
LIABILITIES:					
Current liabilities:	103,673	73,501	82,598	33,326	32,326
Account payables	74,154	50,184	40,953	11,807	12,784
Bank overdraft & ST loans	1,892	3,198	3,795	3,811	3,380
Current LT debt	20,202	10,061	30,362	9,528	8,450
Others current liabilities	7,426	10,058	7,487	8,180	7,712
Total LT debt	151,658	149,858	159,398	181,023	160,555
Others LT liabilities	30,593	28,322	30,790	31,132	31,622
Total liabilities	285,923	251,681	272,786	245,481	224,503
Minority interest	2,623	2,744	2,884	3,021	3,159
Preferreds shares	0	0	0	0	0
Paid-up capital	22,338	22,338	22,323	22,323	22,323
Share premium	10,699	10,699	10,699	10,699	10,699
Warrants	0	0	0	0	0
Surplus	(6,658)	(11,317)	(11,317)	(11,317)	(11,317)
Retained earnings	129,655	143,848	148,236	157,003	169,742
Shareholders' equity	156,034	165,568	169,941	178,708	191,447
Liabilities & equity	444,581	419,993	445,611	427,211	419,109

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	38,795	27,470	18,865	16,755	22,817
Tax paid	(315)	2,723	(3,974)	(2,575)	(4,906)
Depreciation & amortization	7,744	7,799	8,185	8,603	8,854
Chg In working capital	30,043	(23,678)	(1,483)	(27,951)	1,724
Chg In other CA & CL / minorities	(25,534)	12,549	(5,695)	(5,820)	(6,926)
Cash flow from operations	50,733	26,863	15,898	(10,988)	21,563
Capex	(35,821)	(19,942)	(25,773)	(11,352)	(11,000)
Right of use	(6,907)	1,814	(500)	(500)	(500)
ST loans & investments	0	0	0	0	0
LT loans & investments	22,809	564	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(23,496)	1,883	1,107	5,997	7,316
Cash flow from investments	(43,415)	(15,680)	(25,166)	(5,855)	(4,184)
Debt financing	4,077	(10,149)	30,438	807	(21,977)
Capital increase	10,181	0	(15)	0	0
Dividends paid	(8,547)	(5,249)	(5,531)	(3,964)	(5,403)
Warrants & other surplus	852	(4,985)	0	0	0
Cash flow from financing	6,562	(20,383)	24,892	(3,157)	(27,379)
Free cash flow	14,912	6,922	(9,875)	(22,340)	10,563

Capex on a declining trend over the next three years

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	2.3	3.4	5.8	6.9	5.1
Normalized PE - at target price (x)	2.2	3.2	5.4	6.5	4.8
PE (x)	2.7	4.7	9.3	7.3	5.1
PE - at target price (x)	2.5	4.4	8.8	6.8	4.8
EV/EBITDA (x)	4.5	5.8	7.8	9.1	7.0
EV/EBITDA - at target price (x)	4.4	5.6	7.6	8.9	6.8
P/BV (x)	0.6	0.6	0.5	0.5	0.5
P/BV - at target price (x)	0.6	0.5	0.5	0.5	0.5
P/CFO (x)	1.7	3.4	5.8	(8.4)	4.3
Price/sales (x)	0.2	0.2	0.2	0.2	0.2
Dividend yield (%)	8.9	8.2	3.7	4.8	6.9
FCF Yield (%)	17.0	7.5	(10.7)	(24.1)	11.4
(Bt)					
Normalized EPS	17.9	12.3	7.2	6.0	8.1
EPS	15.5	8.9	4.4	5.7	8.1
DPS	3.7	3.4	1.6	2.0	2.8
BV/share	69.9	74.2	76.1	80.1	85.8
CFO/share	24.1	12.0	7.1	(4.9)	9.7
FCF/share	7.1	3.1	(4.4)	(10.0)	4.7

Sources: Company data, Thanachart estimates

We see TOP's 6.9x 2025F PE as unattractive

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate					
Sales (%)	53.3	(11.4)	(1.3)	(1.7)	0.0
Net profit (%)	159.7	(39.5)	(49.8)	28.3	42.5
EPS (%)	153.4	(42.8)	(49.8)	28.3	42.5
Normalized profit (%)	577.5	(27.5)	(41.5)	(16.6)	35.7
Normalized EPS (%)	561.1	(31.5)	(41.5)	(16.6)	35.7
Dividend payout ratio (%)	25.3	38.4	35.0	35.0	35.0
Operating performance					
Gross margin (%)	8.5	7.3	5.6	5.3	6.8
Operating margin (%)	7.7	6.5	4.8	4.3	5.8
EBITDA margin (%)	9.1	8.2	6.6	6.2	7.7
Net margin (%)	7.3	5.9	3.5	3.0	4.0
D/E (incl. minor) (x)	1.1	1.0	1.1	1.1	0.9
Net D/E (incl. minor) (x)	0.8	0.8	0.8	0.9	0.8
Interest coverage - EBIT (x)	10.5	7.5	4.9	4.0	4.7
Interest coverage - EBITDA (x)	12.5	9.4	6.7	5.8	6.3
ROA - using norm profit (%)	9.4	6.3	3.7	3.1	4.3
ROE - using norm profit (%)	27.3	17.0	9.6	7.7	9.8
DuPont					
ROE - using after tax profit (%)	28.0	17.1	9.7	7.8	9.9
- asset turnover (x)	1.3	1.1	1.1	1.0	1.1
- operating margin (%)	8.1	6.7	5.0	4.8	6.2
- leverage (x)	2.9	2.7	2.6	2.5	2.3
- interest burden (%)	91.0	87.0	80.7	77.4	80.3
- tax burden (%)	99.9	100.0	86.4	80.8	80.0
WACC (%)	7.3	7.3	7.3	7.7	7.7
ROIC (%)	15.7	10.7	6.5	5.0	6.1
NOPAT (Bt m)	40,646	30,507	19,226	15,829	21,077
invested capital (Bt m)	286,209	294,309	313,496	343,070	343,833

Sources: Company data, Thanachart estimates

We expect ROE to remain decent with GRM at a mid-cycle level

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Score range	Description
CCC - B	LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

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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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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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