

SELL (Unchanged)

Change in Numbers

TP: Bt 21.00 (From: Bt 39.00)

Downside : 17.6%

23 DECEMBER 2024

Thai Oil Public Co Ltd (TOP TB)

Unexpected capex

TOP just announced an unexpected 36% or Bt63bn increase in capex for its CFP and a further project delay of two and a half years into 2027F. We cut our TP to Bt21 and reiterate our SELL call on the stock.



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A large increase in CFP capex

TOP last week announced additional capex of US\$2.3bn (Bt81bn) for its Clean Fuel Project (CFP) with the project's completion pushed out by two and a half years to 2Q27 for partial operation and 2Q28 for complete operation. The US\$2.3bn breaks down to US\$1.8bn in construction work and US\$505m in interest expense. The additional capex of US\$1.8bn (Bt63bn) is a significant 36% increase from the original plan, pushing up the total project cost to US\$7.1bn. Putting this into perspective, the additional Bt63bn in capex is equivalent to 38% of TOP's equity base and 105% of its market cap as of 20 December 2024. To recap, its CFP is designed to increase TOP's total capacity by 45% to 400kbd, with the ability to use cheaper, heavier crude intake and a 9% rise in higher-margin middle distillate product mix.

CFP's margin benefit disappears

We estimate that the additional capex will increase the CFP's incremental unit cost to TOP from US\$3/bbl to US\$4/bbl. This implies that the project's benefit from cheaper crude intake and higher-margin middle distillate yield, which is currently about US\$4/bbl, will essentially be wiped out. We estimate that equity IRR will drop to 6% from 8% previously.

Financing plan

TOP plans to finance the additional capex burden by perpetual bonds and asset sales (at US\$1.0-1.5bn) and internal cash flow (US\$1.2-1.7bn). Perpetual bonds will be counted as equity, thus will not tighten its net D/E ratio, which is at 0.9x. The internal cash flow financing part of Bt42-59bn for two-year investment looks manageable to us given its current annual EBITDA after interest expense of Bt26bn based on 2024F numbers. The management outlined that capital raising would be the last financing resource.

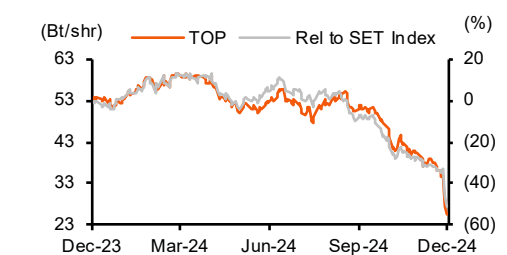
Cutting TP to Bt21; maintaining SELL

We cut our DCF-derived SOTP-based 12-month TP on TOP to Bt21 from Bt39 to reflect the 36% project capex overrun. We also cut our 2026-28F profit by 42/43/36%, respectively, to reflect this. We maintain our SELL call on TOP. **First**, the CFP's margin uplift benefit will essentially be wiped out with the capex overrun, lowering the project's return substantially. **Second**, with the project scheduled to be only partially open in 2Q27F without the most critical Residue Hydrocracking Unit (RHCU), we expect the CFP to be loss-making from 2Q27F into 2Q28F, when RHCU is scheduled to be on stream. **Third**, we remain cautious on the refinery market outlook in 2025-26F. **Lastly**, the stock is currently trading at 5.1x 2025F PE and 0.3x P/BV on our estimates. While these multiples appear low, its earnings growth outlook isn't strong at -30/-14/-24% in 2025-27F, respectively.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	469,244	463,138	455,096	443,032
Net profit	19,768	9,833	12,380	10,557
Consensus NP	—	11,660	14,791	16,868
Diff frm cons (%)	—	(15.7)	(16.3)	(37.4)
Norm profit	27,412	15,956	12,966	11,436
Prev. Norm profit	—	16,042	13,373	18,142
Chg frm prev (%)	—	(0.5)	(3.0)	(37.0)
Norm EPS (Bt)	12.3	7.1	5.0	4.3
Norm EPS grw (%)	(31.5)	(41.8)	(30.0)	(13.7)
Norm PE (x)	2.1	3.6	5.1	5.9
EV/EBITDA (x)	4.8	6.8	8.0	8.8
P/BV (x)	0.3	0.3	0.3	0.3
Div yield (%)	13.3	6.0	6.5	5.4
ROE (%)	17.0	9.5	6.9	5.5
Net D/E (%)	76.5	86.0	79.9	88.7

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 23-Dec-24 (Bt)	25.50
Market Cap (US\$ m)	1,663.8
Listed Shares (m shares)	2,232.3
Free Float (%)	52.0
Avg Daily Turnover (US\$ m)	15.1
12M Price H/L (Bt)	59.50/25.50
Sector	Energy
Major Shareholder	PTT Pcl 45.03%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P12

A large increase in CFP capex

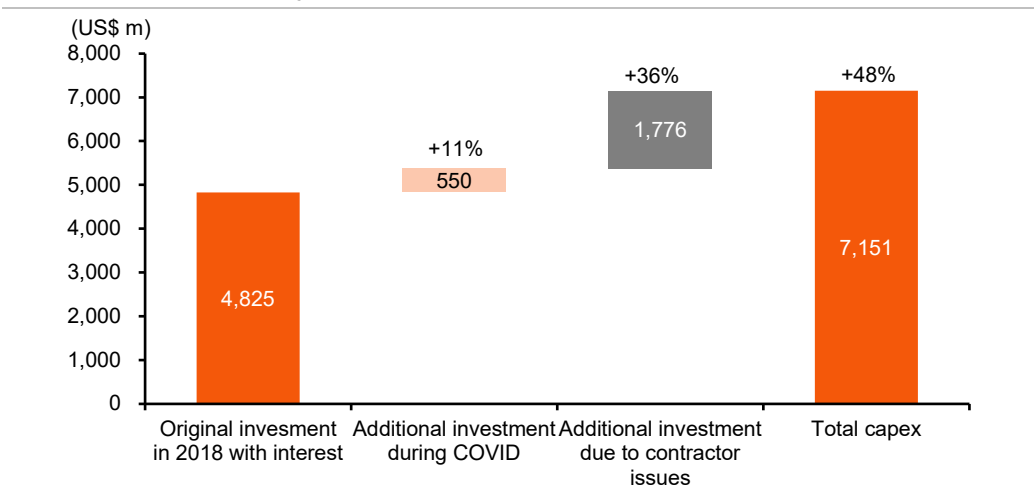
A 36% additional capex overrun

The issues

TOP announced last week of an additional investment of US\$2.3bn (Bt81bn) being required for its Clean Fuel Project (CFP). Note that the additional cost of US\$2.3bn includes US\$1.8bn (Bt63bn) in capex and US\$505m interest expense. The additional investment of US\$1.8bn is a significant 36% increase from the original capex of US\$4.8bn. If we add the previous capex overrun during the COVID period of the additional US\$550m, the total project capex has now risen to US\$7.1bn (Bt237bn).

We believe the key reasons for the additional investment are the work issues and the delay by its contractor. To get the project to resume construction, we believe TOP will decide to use a new contractor. The company has yet to mention the potential legal actions against the contractor or an estimate of the compensation it expects to receive from a potential lawsuit. A legal process could be lengthy.

Ex 1: The Clean Fuel Project’s Investment Cost



Sources: Company data, Thanachart estimates

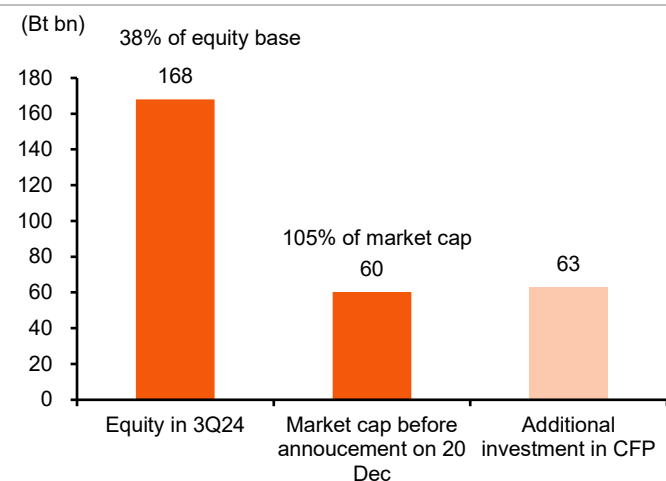
Ex 2: The CFP’s Project Cost Breakdown

(US\$ m)	Investment cost	Interest during construction	Total
Original investment	4,825	151	4,976
Interest increase during COVID	550	422	972
Increase in investment cost	1,776	505	2,281
Total	7,151	1,078	8,229

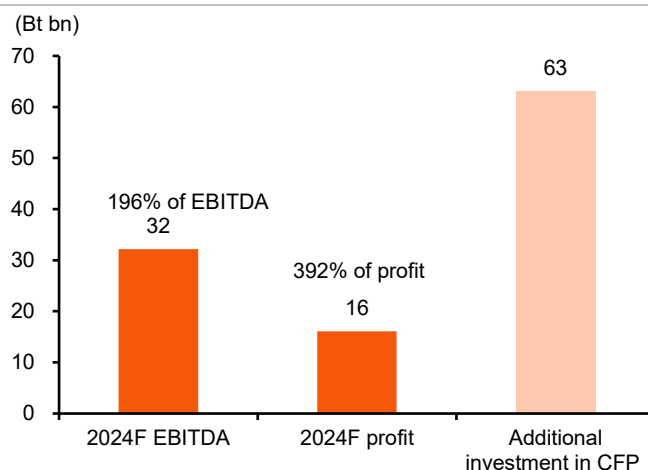
Source: Company data

We consider the additional capex to be very large

To put this additional investment into perspective, the additional Bt81bn capex is equivalent to 38% of TOP’s equity base, 105% of its market cap, 196% of its 2024F EBITDA excluding inventory loss, and 392% of its 2024F profit excluding inventory loss.

Ex 3: The Additional Capex To Equity And Market Cap

Sources: Company data, Thanachart estimates

Ex 4: The Additional Capex To EBITDA And Profit

Sources: Company data, Thanachart estimates

Note: 2024F EBITDA and norm profit excluding inventory loss.

Two-and-a-half-year project delay

Project completion pushed out by 2.5 years

In addition to the significant cost overrun, the CFP is also facing an additional two-and-a-half-year delay. There are two stages to reaching commercial operation. Step one is to start operating the new unit called CDU#4 in 2Q27 (from the earlier timeline of 2024) and step two is to start operating the critical value enhancing unit called the Residue Hydrocracking Unit (RHCUC) in 2Q28. RHCUC is the unit that enables TOP to use cheaper, heavier crude intake.

The management highlighted that this is a conservative timeline and it expects no further delays. However, we estimate that a one-year delay would lead to additional interest expense of US\$116m per year or 40% of 2025F profit.

Ex 5: CFP Timeline

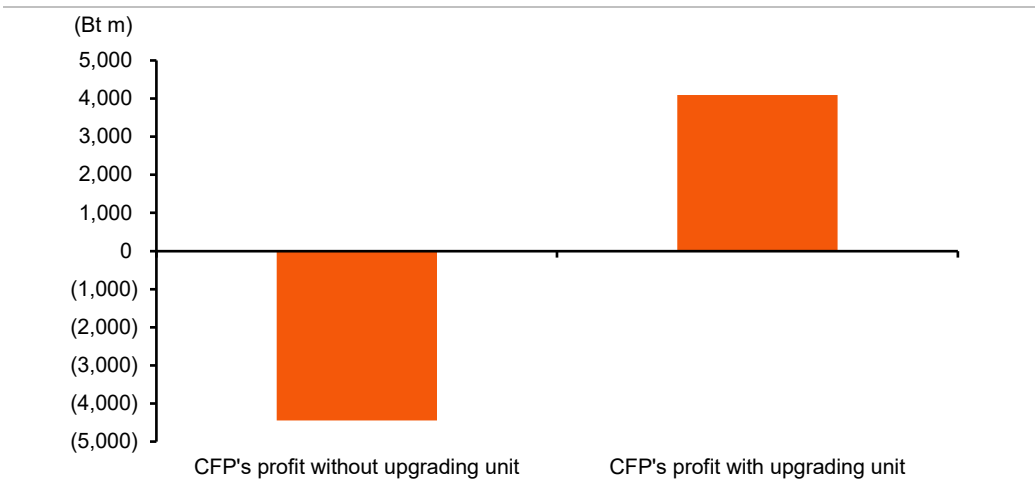
	TOP's target - New	TOP's target - Old	TNS's target - Old
Project's final investment decision	2018	2018	2018
CDU-4	2Q27	2024	1Q26
RHCUC (upgrading unit start)	2Q28	2024	3Q26

Sources: Company data, Thanachart estimates

The project will likely be loss-making at stage one of completion

We expect the CFP to be loss-making at the stage one of completion in 2Q27 before the RHCUC is completed in stage two. The RHCUC is the unit that enables heavy crude intake and an increase of middle distillate product mix.

Ex 6: CFP Will Likely Be Loss-Making In Its First Year



Source: Thanachart estimates

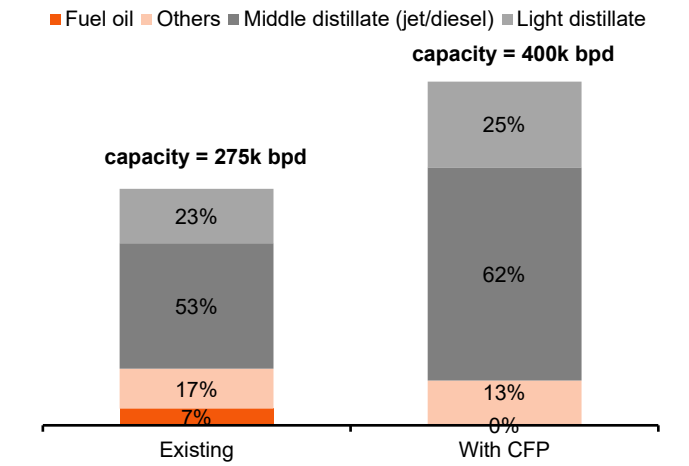
CFP margin benefit disappears

CFP has three purposes

To recap, the CFP has three purposes: 1) to increase TOP’s refining capacity; 2) to enable TOP to use cheaper, heavier crude intake; and 3) to increase higher-margin middle distillate product mix.

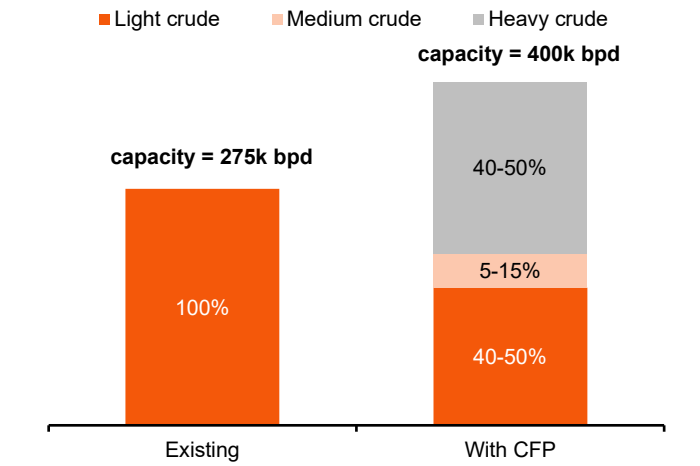
The project is designed to increase TOP's total refining capacity by 45% from 275kbd to 400kbd. The new facility is also designed to increase crude-sourcing flexibility, i.e., to increase the proportion of cheaper, heavier crude to 50% from 0%, and decrease pricier light crude to 50% from 100%. The CFP will also increase higher-margin middle distillate product mix by 9%. Middle distillate products include LPG, jet fuel, gasoline, and gas oil.

Ex 7: Upgrading Product Mix



Source: Company data

Ex 8: Feedstock Flexibility



Source: Company data

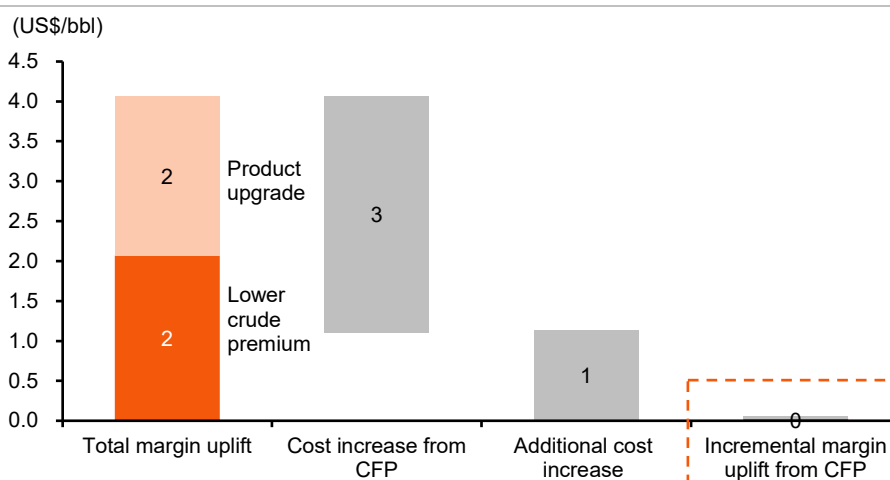
CFP's margin uplift will likely be wiped out ...

... which leaves the only CFP benefit as capacity growth

The CFP, via the cheaper crude intake and higher-margin middle distillate product mix, was originally intended to increase margin and profitability for TOP. We estimate the 9% increase in middle distillate product yield to add US\$2/bbl to margins assuming a diesel-fuel oil spread of US\$23/bbl. We also estimate that the ability to use cheaper crude intake should also add another US\$2/bbl based on a light-heavy crude price differential of US\$4/bbl.

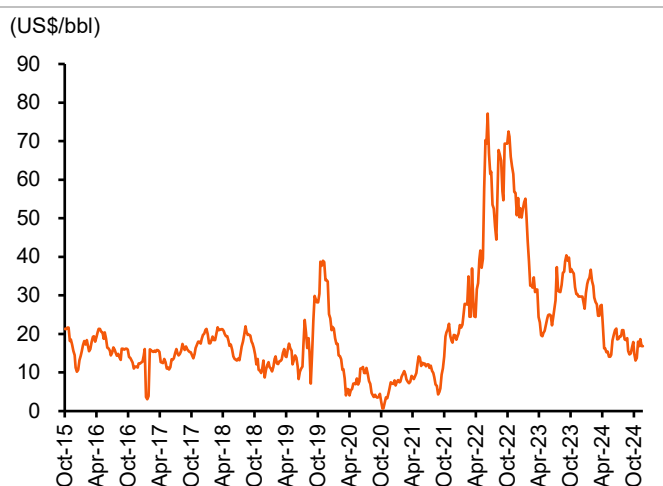
So, the total margin uplift from the aforementioned scenario is US\$4/bbl. On the cost side, the investment of the CFP before the latest capex overrun equates to unit cost of c.US\$3/bbl. So, the net margin uplift would be US\$1/bbl. Now with the additional capex of US\$2.3bn, we estimate the unit cost will rise to US\$4/bbl from US\$3/bbl, which effectively wipes out the margin uplift. As the margin uplift will likely be wiped out, CFP's only benefit will be capacity growth.

Ex 9: CFP's Margin Uplift Disappears



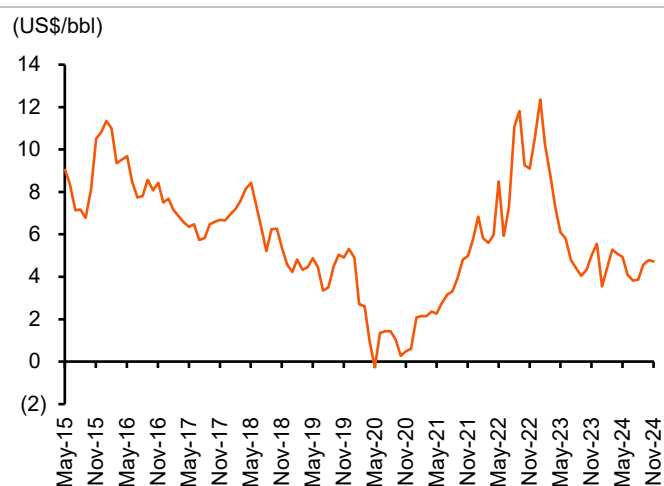
Source: Thanachart estimates

Ex 10: Diesel-HSFO



Source: Bloomberg

Ex 11: Murban-Basrah Crude Price Differential



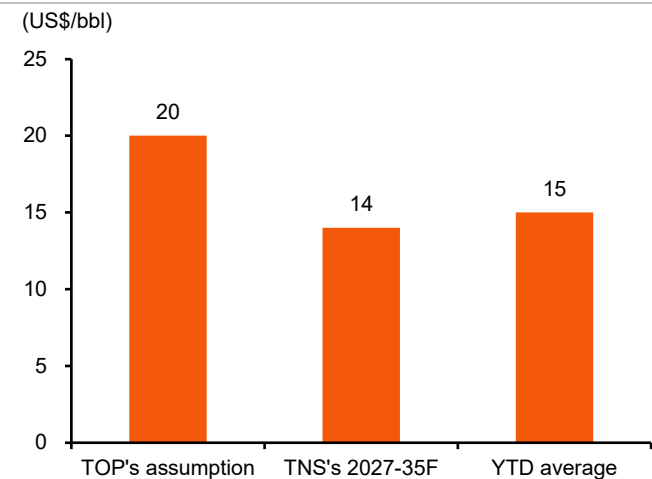
Source: Bloomberg

Note: Murban is light crude while Basrah is heavy crude

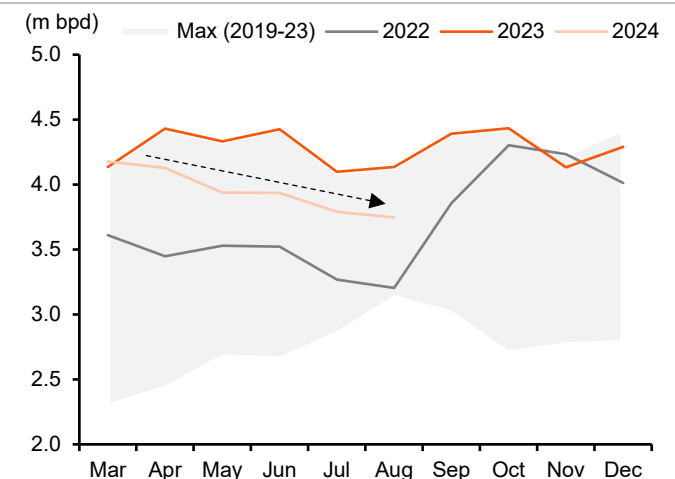
A downside risk

The margin estimates above are dependent on the diesel price outlook. That is, the estimated US\$2/bbl margin uplift from a 9% increase in middle distillate product mix. TOP assumes the diesel spread over Dubai of US\$20/bbl over the CFP's project life, while we assume US\$14/bbl (compared to US\$15/bbl YTD). We have a cautious view on the refinery

outlook in 2025F given the global slowdown outlook, including in China. Sinopec, Asia's biggest refiner, expects that China's diesel demand has peaked and projects the demand to fall 5.5% in 2025F. This decline is primarily driven by reduced consumption and growing competition from alternative fuels, such as LNG. LNG trucks accounted for c.42% of heavy-duty truck sales in early 2024 due to its cost advantage over diesel.

Ex 12: Diesel Crack Spread Assumptions


Sources: Company data, Thanachart estimates

Ex 13: China Monthly Diesel Consumptions


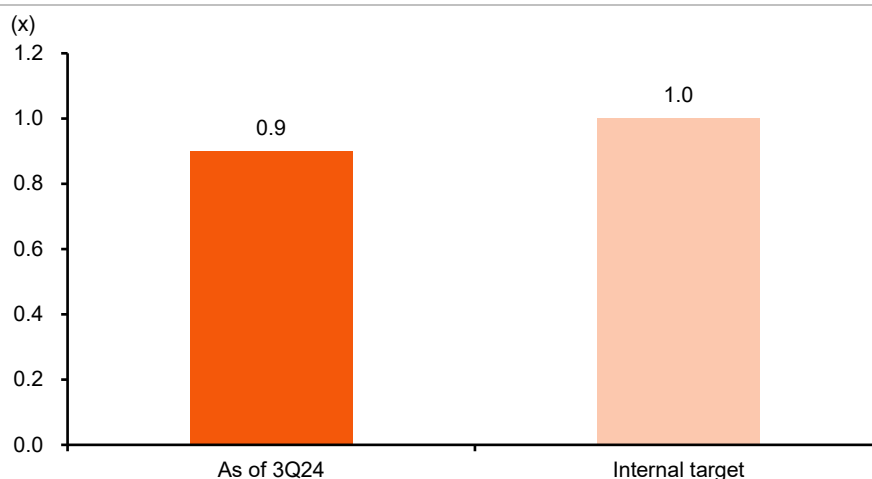
Source: Bloomberg

Financing plan

Perpetual bonds, asset sales and internal cash flow

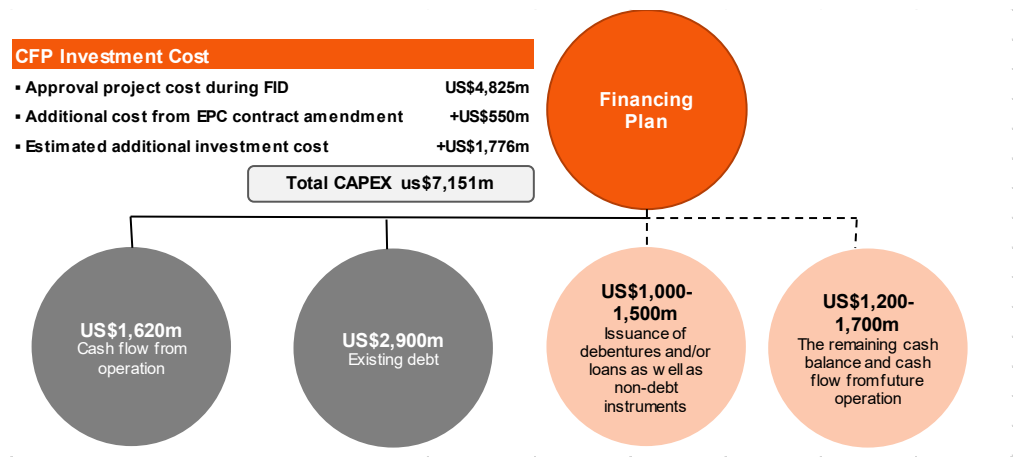
TOP plans to fund its additional capex of US\$2.3bn with a mixture of perpetual bonds and asset sales of a combined US\$1.0-1.5bn (Bt34-51bn) and internal cash flow of US\$1.2-1.7bn (Bt41-58bn). As perpetual bonds are classified as equity, TOP's net gearing shouldn't increase. Net D/E was 0.9x in 3Q24 vs. its internal target of 1.0x. TOP doesn't have a debt covenant ratio.

We believe TOP will be able to handle its financing. As for the internal cash flow financial part of Bt42-59bn spanning two to three years of the remaining construction period looks manageable to us given existing EBITDA after interest expense of Bt26bn in 2024F. The management outlined that capital raising would be its last financing resource.

Ex 14: Net D/E Vs. Internal Target


Source: Company data

Ex 15: Sources Of Funds



Source: Company data

Maintain SELL; cut TP to Bt21

TP and earnings cuts

We cut our DCF-derived SOTP-based TP on TOP to Bt21 from Bt39 to reflect the 46% project cost overrun. We also cut our 2026-28F profit by 42/43/36%, respectively, to reflect this. We also push CFP's stage 1 and stage 2 start-up timeline to 2Q27F and 2Q28F from our previous expectation of 1Q26F and 3Q26F. We make no change in our refinery margin assumptions, but our assumptions on TOP's market GRM is lower due to the change in the startup of the CFP.

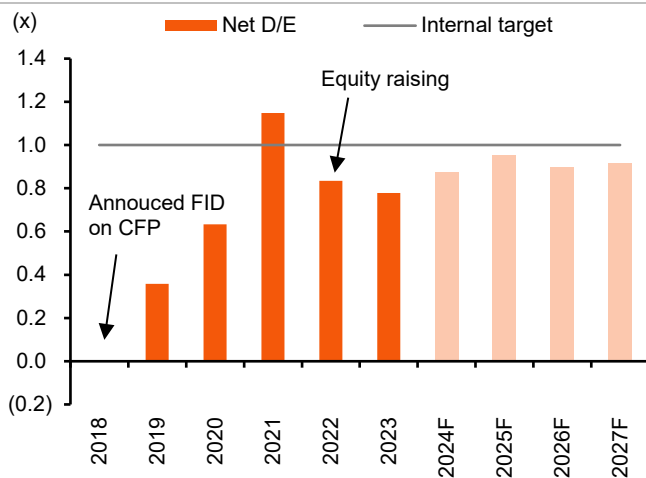
Ex 16: Key Assumption Changes

	2021	2022	2023	2024F	2025F	2026F	2027F	2028F
Reported profit (Bt m)								
- New	32,668	19,768	19,768	9,833	12,380	10,557	9,079	11,288
- Old				9,919	12,731	18,142	15,871	17,655
- Change (%)				(0.9)	(2.8)	(41.8)	(42.8)	(36.1)
Norm profit (Bt m)								
- New	5,583	37,824	27,412	15,956	12,966	11,436	9,079	11,288
- Old				16,042	13,373	18,142	16,997	17,655
- Change (%)				(0.5)	(3.0)	(37.0)	(46.6)	(36.1)
Market GRM (US\$/bbl)								
- New	2.2	11.9	8.5	7.1	6.3	6.3	6.3	8.0
- Old				7.1	6.3	7.6	8.8	8.8
- Change (%)				0.0	0.0	(16.7)	(28.6)	(9.7)
Crude run (m bpd)								
- New	275.0	294.3	306.6	297	297	297	341	360
- Old				297	297	360	380	380
- Change (%)				-	-	(17.5)	(10.3)	(5.3)

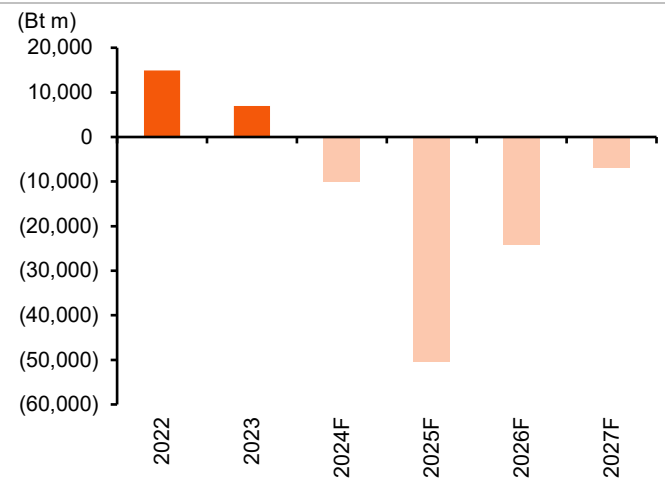
Sources: Company data, Thanachart estimates

Maintain SELL

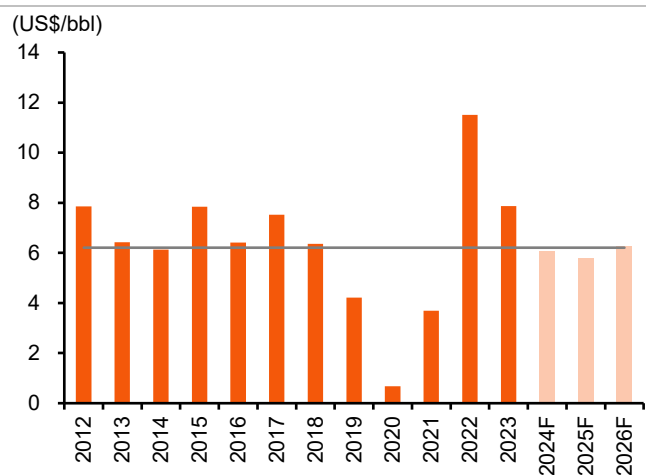
We maintain our SELL call on TOP. *First*, the CFP's margin uplift benefit will essentially be wiped out by the capex overrun. *Second*, as the project will be partially opened in 2Q27F without RHCU, we expect the project to make a loss in its first year of operation. *Third*, we remain bearish on the refinery market outlook in 2025F. *Lastly*, the additional capex required is so large that it pulls down our TP to only Bt21/share. TOP's share price dropped by 22% following the announcement on 20 December. The stock is currently trading at 5.1x 2025F PE and 0.3x P/BV on our estimates. While these multiples appear low, its earnings growth outlook isn't strong at -30/-14/-24% in 2025-27F and its ROE is low at 7% in 2025F and 5% in 2028F, when the CFP fully opens. There are also several uncertainties ahead, including potential delays in project start-up and the challenging refinery market outlook in 2025F.

Ex 17: TOP's Net D/E

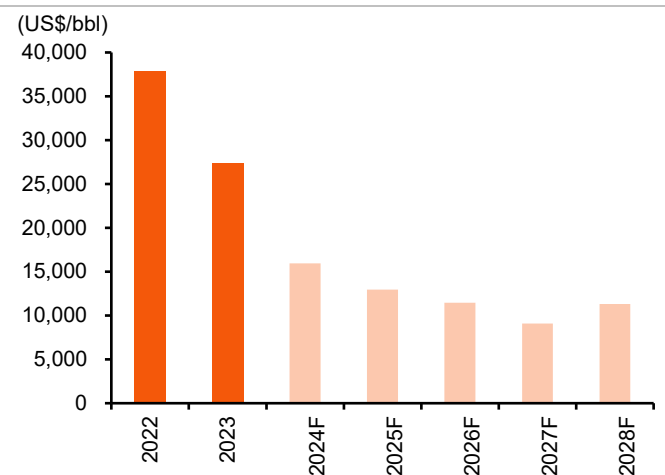
Sources: Company data, Thanachart estimates

Ex 18: TOP's FCF

Sources: Company data, Thanachart estimates

Ex 19: Subdue SG GRM Outlook

Sources: Company data, Thanachart estimates

Ex 20: Core Profit

Sources: Company data, Thanachart estimates

Ex 21: 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	28,202	28,248	29,175	32,564	36,064	33,191	32,009	32,009	32,009	32,009	32,009	
Free cash flow	(39,259)	(10,555)	5,445	19,160	24,533	21,820	21,221	21,443	21,494	21,546	21,398	261,585
PV of free cash flow	(36,608)	(9,177)	4,414	14,476	17,281	13,966	12,609	11,826	11,004	10,240	9,009	110,129
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	7.3											
Terminal growth (%)	0.0											
Enterprise value - add investments	169,169											
Net cash/(debt)	148,570											
Minority interest	2,884											
Equity value	17,715											
# of shares (m)	2,232											
Equity value/share (Bt)	8											
Sum-of-the-parts valuation	Value			Per share			% of total			Methodology		
	(Bt m)			(Bt/shr)								
Downstream	17,715			8			39%			DCF		
Power (GPSC)	5,992			3			13%			DCF		
Chandra Asri	22,440			10			48%					
Total value per share	46,147			21								

Sources: Thanachart estimates

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

Valuation Comparison

Ex 22: 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	1.7	(1.3)	6.4	6.5	0.7	0.7	3.7	3.7	7.3	6.6	10.8	9.8
Sinopec	386 HK	China	(13.8)	7.6	8.8	8.2	0.6	0.6	5.7	5.4	7.5	7.9	7.1	7.4
Average			(6.1)	3.1	7.6	7.4	0.7	0.6	4.7	4.6	7.4	7.3	9.0	8.6
SK Innovation	096770	S.Korea	na	na	na	14.0	0.6	0.6	15.5	8.6	2.2	2.2	na	3.6
S-Oil	010950	S.Korea	(86.9)	na	50.5	9.0	0.7	0.7	9.8	6.0	1.9	3.2	1.9	7.7
Average			(86.9)	na	50.5	11.5	0.7	0.6	12.7	7.3	2.0	2.7	1.9	5.7
Reliance Industries	RIL IB	India	1.7	11.9	na	na	na	na	11.9	11.2	na	na	8.8	8.8
Indian Oil	IOCL IB	India	na	(59.9)	4.4	10.9	1.2	1.0	4.6	7.9	10.6	3.6	29.5	10.0
Bharat Petroleum	BPCL IB	India	na	(50.5)	4.6	9.3	1.7	1.4	4.2	7.1	8.7	4.6	44.0	16.5
Hindustan Petroleum	HPCL IB	India	na	(57.3)	5.0	11.8	1.9	1.6	5.8	9.5	5.5	3.0	43.9	16.2
Average			1.7	(38.9)	4.7	10.6	1.6	1.3	6.6	8.9	8.3	3.8	31.6	12.9
Marathon Petroleum	MPC US	USA	(58.2)	(1.1)	14.6	14.7	2.4	2.5	6.9	7.1	2.5	2.8	15.8	14.9
Valero	VLO US	USA	(65.7)	7.7	14.3	13.3	1.5	1.5	7.0	6.8	3.6	3.7	10.2	11.1
Phillips 66	PSX US	USA	(49.9)	21.1	14.6	12.0	1.6	1.6	8.9	7.7	4.1	4.3	10.2	11.9
PBF Energy'	PBF US	USA	(127.9)	86.5	na	na	0.5	0.5	28.2	5.0	4.0	4.1	na	na
Delek	DK US	USA	na	41.2	na	na	1.4	1.8	9.0	6.2	6.3	6.3	na	na
Average			(75.4)	31.1	14.5	13.4	1.5	1.6	12.0	6.6	4.1	4.2	12.0	12.6
Bangchak Corp*	BCP TB *	Thailand	(48.3)	69.9	8.4	5.0	0.6	0.5	4.4	4.1	1.8	4.5	6.9	11.1
Bangchak Sriracha *	BSRC TB *	Thailand	11.7	(7.0)	9.1	9.7	0.9	0.8	5.4	5.1	2.4	3.6	10.0	8.9
Star Petroleum Refining	SPRC TB *	Thailand	na	(1.1)	8.6	8.7	0.7	0.7	5.0	5.0	3.6	3.1	8.5	7.9
Thai Oil *	TOP TB *	Thailand	(41.8)	(30.0)	3.6	5.1	0.3	0.3	6.8	8.0	6.0	6.5	9.5	6.9
Average			(26.1)	8.0	7.4	7.1	0.6	0.6	5.4	5.5	3.5	4.4	8.7	8.7
Total Average			(38.6)	0.8	16.9	10.0	1.0	1.0	8.3	6.6	5.0	4.5	12.6	9.7

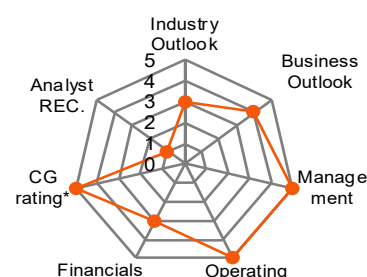
Sources: Bloomberg, * Thanachart estimates
Based on 23 December 2024 closing prices

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, Bt167.50, SELL) with a 30.5% stake. Its other businesses include power, marine transport, and ethanol production.

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

- 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)	42.95	21.00	-51%
Net profit 24F (Bt m)	11,660	9,833	-16%
Net profit 25F (Bt m)	14,791	12,380	-16%
Consensus REC	BUY: 11	HOLD: 10	SELL: 7

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.

RISKS TO OUR INVESTMENT CASE

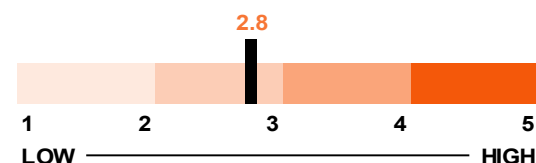
- The key upside risk to our call is higher-than-expected GRMs.
- A secondary upside risk to our call is lower oil prices, leading to stock gains.
- Higher-than-expected light-sweet crude premium is another upside risk to our call.
- Upside risk would also come from a sudden decrease in China's oil exports.

Sources: Bloomberg consensus, Thanachart forecasts

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	BBB	59.54	73.7	83.00	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

ENVIRONMENT

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

- 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.

SOCIAL

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

- 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.

GOVERNANCE &
SUSTAINABILITY

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

- 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	443,032
Cost of sales	484,740	435,217	437,467	431,356	420,244
Gross profit	44,849	34,027	25,670	23,739	22,788
% gross margin	8.5%	7.3%	5.5%	5.2%	5.1%
Selling & administration expenses	4,182	3,521	3,475	4,551	4,430
Operating profit	40,667	30,507	22,195	19,188	18,358
% operating margin	7.7%	6.5%	4.8%	4.2%	4.1%
Depreciation & amortization	7,744	7,799	8,242	9,013	9,890
EBITDA	48,411	38,306	30,437	28,202	28,248
% EBITDA margin	9.1%	8.2%	6.6%	6.2%	6.4%
Non-operating income	863	1,138	1,123	2,046	1,992
Non-operating expenses	1,125	(86)	0	0	0
Interest expense	(3,860)	(4,089)	(4,560)	(4,973)	(6,139)
Pre-tax profit	38,795	27,470	18,759	16,261	14,211
Income tax	20	(0)	2,545	3,129	2,673
After-tax profit	38,774	27,470	16,214	13,132	11,538
% net margin	7.3%	5.9%	3.5%	2.9%	2.6%
Shares in affiliates' Earnings	(513)	84	(118)	(28)	32
Minority interests	(438)	(142)	(140)	(137)	(134)
Extraordinary items	(5,155)	(7,645)	(6,123)	(587)	(880)
NET PROFIT	32,668	19,768	9,833	12,380	10,557
Normalized profit	37,824	27,412	15,956	12,966	11,436
EPS (Bt)	15.5	8.9	4.4	4.7	3.9
Normalized EPS (Bt)	17.9	12.3	7.1	5.0	4.3

TOP's normalized earnings to drop in 2025F as GRM normalises

BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Current assets:	153,828	125,371	133,160	111,880	99,745
Cash & cash equivalent	43,576	34,376	50,000	30,000	20,000
Account receivables	28,759	31,154	27,754	27,272	26,549
Inventories	55,343	52,656	48,315	47,640	46,412
Others	26,150	7,185	7,091	6,968	6,784
Investments & loans	32,603	32,039	32,039	32,039	32,039
Net fixed assets	206,476	218,618	241,149	269,966	300,216
Other assets	51,674	43,964	44,213	44,381	44,384
Total assets	444,581	419,993	450,561	458,267	476,384
LIABILITIES:					
Current liabilities:	103,673	73,501	83,489	33,560	34,703
Account payables	74,154	50,184	40,959	11,818	12,665
Bank overdraft & ST loans	1,892	3,198	3,894	3,874	4,123
Current LT debt	20,202	10,061	31,148	9,684	10,306
Others current liabilities	7,426	10,058	7,488	8,185	7,609
Total LT debt	151,658	149,858	163,528	183,990	195,820
Others LT liabilities	30,593	28,322	30,790	31,132	31,400
Total liabilities	285,923	251,681	277,807	248,682	261,924
Minority interest	2,623	2,744	2,884	3,021	3,155
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)	18,683	18,683
Retained earnings	129,655	143,848	148,166	154,858	159,601
Shareholders' equity	156,034	165,568	169,870	206,563	211,306
Liabilities & equity	444,581	419,993	450,561	458,267	476,384

Sources: Company data, Thanachart estimates

TOP's balance sheet firmed up after the GRM spike and capital raising

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Earnings before tax	38,795	27,470	18,759	16,261	14,211
Tax paid	(315)	2,723	(3,954)	(2,488)	(3,063)
Depreciation & amortization	7,744	7,799	8,242	9,013	9,890
Chg In working capital	30,043	(23,678)	(1,484)	(27,984)	2,797
Chg In other CA & CL / minorities	(25,534)	12,549	(5,745)	(5,928)	(7,472)
Cash flow from operations	50,733	26,863	15,818	(11,125)	16,363
Capex	(35,821)	(19,942)	(30,773)	(37,830)	(40,140)
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	1,157	6,165	7,389
Cash flow from investments	(43,415)	(15,680)	(30,116)	(32,165)	(33,251)
Debt financing	4,077	(10,149)	35,453	(1,023)	12,702
Capital increase	10,181	0	(15)	0	0
Dividends paid	(8,547)	(5,249)	(5,516)	(5,687)	(5,814)
Warrants & other surplus	852	(4,985)	0	30,000	0
Cash flow from financing	6,562	(20,383)	29,922	23,290	6,888
Free cash flow	14,912	6,922	(14,955)	(48,955)	(23,777)

TOP will likely enter into another capex cycle

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	1.4	2.1	3.6	5.1	5.9
Normalized PE - at target price (x)	1.2	1.7	2.9	4.2	4.9
PE (x)	1.6	2.9	5.8	5.4	6.5
PE - at target price (x)	1.4	2.4	4.8	4.4	5.4
EV/EBITDA (x)	3.8	4.8	6.8	8.0	8.8
EV/EBITDA - at target price (x)	3.6	4.6	6.4	7.6	8.4
P/BV (x)	0.4	0.3	0.3	0.3	0.3
P/BV - at target price (x)	0.3	0.3	0.3	0.2	0.2
P/CFO (x)	1.1	2.1	3.6	(5.1)	3.5
Price/sales (x)	0.1	0.1	0.1	0.1	0.1
Dividend yield (%)	14.5	13.3	6.0	6.5	5.4
FCF Yield (%)	27.7	12.2	(26.3)	(86.0)	(41.8)
(Bt)					
Normalized EPS	17.9	12.3	7.1	5.0	4.3
EPS	15.5	8.9	4.4	4.7	3.9
DPS	3.7	3.4	1.5	1.7	1.4
BV/share	69.9	74.2	76.1	92.5	94.7
CFO/share	24.1	12.0	7.1	(5.0)	7.3
FCF/share	7.1	3.1	(6.7)	(21.9)	(10.7)

Sources: Company data, Thanachart estimates

We see TOP's 5.1x 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)	(2.7)
Net profit (%)	159.7	(39.5)	(50.3)	25.9	(14.7)
EPS (%)	153.4	(42.8)	(50.3)	7.6	(17.2)
Normalized profit (%)	577.5	(27.5)	(41.8)	(18.7)	(11.8)
Normalized EPS (%)	561.1	(31.5)	(41.8)	(30.0)	(13.7)
Dividend payout ratio (%)	25.3	38.4	35.0	35.0	35.0
Operating performance					
Gross margin (%)	8.5	7.3	5.5	5.2	5.1
Operating margin (%)	7.7	6.5	4.8	4.2	4.1
EBITDA margin (%)	9.1	8.2	6.6	6.2	6.4
Net margin (%)	7.3	5.9	3.5	2.9	2.6
D/E (incl. minor) (x)	1.1	1.0	1.1	0.9	1.0
Net D/E (incl. minor) (x)	0.8	0.8	0.9	0.8	0.9
Interest coverage - EBIT (x)	10.5	7.5	4.9	3.9	3.0
Interest coverage - EBITDA (x)	12.5	9.4	6.7	5.7	4.6
ROA - using norm profit (%)	9.4	6.3	3.7	2.9	2.4
ROE - using norm profit (%)	27.3	17.0	9.5	6.9	5.5
DuPont					
ROE - using after tax profit (%)	28.0	17.1	9.7	7.0	5.5
- asset turnover (x)	1.3	1.1	1.1	1.0	0.9
- operating margin (%)	8.1	6.7	5.0	4.7	4.6
- leverage (x)	2.9	2.7	2.6	2.4	2.2
- interest burden (%)	91.0	87.0	80.4	76.6	69.8
- tax burden (%)	99.9	100.0	86.4	80.8	81.2
WACC (%)	7.3	7.3	7.3	7.3	7.3
ROIC (%)	15.7	10.7	6.5	4.9	4.0
NOPAT (Bt m)	40,646	30,507	19,185	15,496	14,905
invested capital (Bt m)	286,209	294,309	318,440	374,110	401,554

Sources: Company data, Thanachart estimates

*We expect ROE to drop
once the CFP starts up in
2Q26*

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Score range	Description
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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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