

HOLD (From: SELL)

Change in Recommendation

TP: Bt 27.00

(From: Bt 21.00)

Upside : 8.9%

11 MARCH 2025

Thai Oil Public Co Ltd (TOP TB)

Fairly valued

After TOP's 26% share price decline in the wake of its announcement last year of additional capex for its CFP project, TOP is now trading at just 4.8x 2025F PE with a 6.3% dividend yield. The stock looks fairly priced to us, and we upgrade our call to HOLD.



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Upgrading to HOLD

This report is part of Energy Sector – *Dust yet to settle*, dated 11 March 2025. We have upgraded our rating for TOP to HOLD from Sell. **First**, after its 26% share price decline in the wake of the announcement in December 2024 of substantial Bt63bn additional capex for its Clean Fuel Project (CFP), we see limited potential downside as the stock is already trading at 4.8x PE and 0.3x P/BV with a 6.3% yield in 2025F. **Second**, we don't see the stock as being in Buy territory yet as its low valuations reflect weak EPS growth of -33/-8% in 2025-26F and a low ROE of 7%. **Third**, there is still uncertainty about the timeline for the CFP project and its return because of the hefty additional capex. In this report, we revise our earnings estimates by -11/8/9% to factor in lower GRM assumptions, the restart of Single Buoy Mooring (SBM), and compensation for the CFP project delay. Our DCF-based 12-month TP (2025F base year) is lifted to Bt27/share from Bt21 previously.

Cutting our GRM assumptions

We have lowered our benchmark Singapore GRM forecasts by 14/11/3% to US\$5.0/5.6/6.3 per bbl for 2025-27F due to weak demand and ongoing supply pressure. The current GRM is US\$2.9/bbl, significantly below the historical mid-cycle level of US\$6/bbl. Although some run cuts have helped stabilize margins, and we forecast a recovery to US\$5/bbl, it remains below the mid-cycle level.

Compensation for CFP delays

In January 2025, TOP received Bt12.3bn (~US\$358m) in compensation (called a performance bond) from its EPC contractor related to CFP project delays. The company recognized Bt98m as other income in its income statement and Bt11.2bn as a contra in fixed assets on its balance sheet. We estimate depreciation will decrease by approximately Bt480m p.a. (5% of 2027F profit). We also believe TOP could claim another US\$125m more from the performance bond.

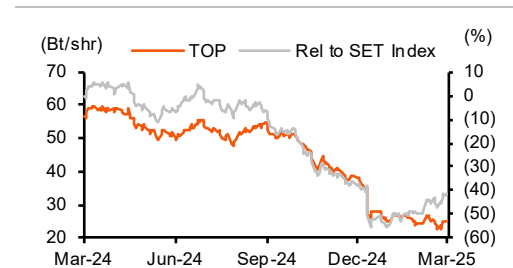
Restart of SBM to support margins

TOP successfully trialed Single Buoy Mooring (SBM) #2 in mid-February 2025. Once fully operational, we expect the new SBM to reduce transportation costs by US\$0.5/bbl. The SBM had been shut down since the 2023 oil spill.

COMPANY VALUATION

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Sales	466,777	416,207	404,106	404,106
Net profit	9,959	9,917	11,478	9,912
Consensus NP	—	12,887	13,859	14,024
Diff frm cons (%)	—	(23.0)	(17.2)	(29.3)
Norm profit	17,245	11,492	12,381	9,912
Prev. Norm profit	—	12,966	11,436	9,079
Chg frm prev (%)	—	(11.4)	8.3	9.2
Norm EPS (Bt)	7.7	5.1	4.7	3.6
Norm EPS grw (%)	(37.1)	(33.4)	(7.9)	(23.3)
Norm PE (x)	3.2	4.8	5.2	6.8
EV/EBITDA (x)	6.3	7.5	8.3	9.1
P/BV (x)	0.3	0.3	0.3	0.3
Div yield (%)	7.7	6.3	6.1	5.1
ROE (%)	10.5	6.9	6.6	4.8
Net D/E (%)	69.1	75.5	80.2	82.0

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 10-Mar-25 (Bt)	24.80
Market Cap (US\$ m)	1,638.3
Listed Shares (m shares)	2,232.3
Free Float (%)	52.0
Avg Daily Turnover (US\$ m)	18.9
12M Price H/L (Bt)	59.50/22.60
Sector	Energy
Major Shareholder	PTT Pcl 45.03%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Key Assumption Changes

	2023	2024	2025F	2026F	2027F
Reported profit (Bt m)					
- New	19,768	9,959	9,917	11,478	9,912
- Old			12,380	10,557	9,079
- Change (%)			(19.9)	8.7	9.2
Normalized profit (Bt m)					
- New	27,412	17,245	11,492	12,381	9,912
- Old			12,966	11,436	9,079
- Change (%)			(11.4)	8.3	9.2

Sources: Company data, Thanachart estimates

Ex 2: 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	2036F	Terminal Value
EBITDA	24,606	26,709	25,285	35,518	41,947	40,257	38,566	36,875	36,875	36,875	36,875	36,875	
Free cash flow	(8,401)	(56,636)	2,008	19,279	25,299	23,376	22,087	20,970	21,239	21,302	21,365	21,436	262,058
PV of free cash flow	(7,834)	(49,238)	1,627	14,566	17,820	14,962	13,124	11,565	10,874	10,125	9,427	8,341	101,964
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.0												
WACC (%)	7.3												
Terminal growth (%)	0.0												
Enterprise value - add investments	165,155												
Net cash/(debt)	130,056												
Minority interest	2,759												
Equity value	32,340												
# of shares (m)	2,232												
Equity value/share (Bt)	14												
Sum-of-the-parts valuation				Value		Per share		% of total		Methodology			
				(Bt m)		(Bt/shr)							
Downstream				32,340		14		52%		DCF			
Power (GPSC)				5,992		3		10%		DCF			
Chandra Asri				22,440		10		38%					
Total value per share				60,772		27							

Sources: Thanachart estimates

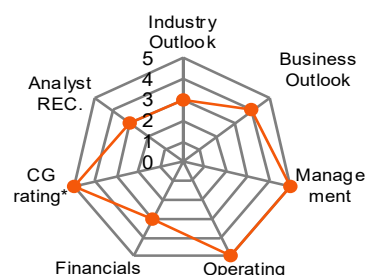
Note: Net debt position is for all businesses except GPSC, which is not consolidated

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, Bt145.50, 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)	29.23	27.00	-8%
Net profit 25F (Bt m)	12,887	9,917	-23%
Net profit 26F (Bt m)	13,859	11,478	-17%
Consensus REC	BUY: 10	HOLD: 13	SELL: 6

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2025F-26F net profits 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

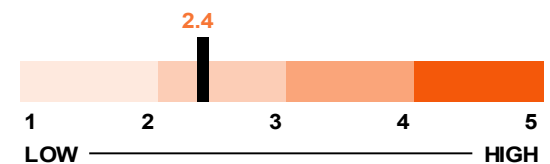
- The key upside risk to our call is higher-than-expected GRMs.
- A secondary upside risk to our call is lower oil prices, leading to stock gains.
- Lower-than-expected light-sweet crude premium is a downside risk to our call.
- Downside risk would also come from a sudden increase in China's oil exports.

Sources: Bloomberg consensus, Thanachart forecasts

Source: Thanachart

TOP is Thailand's second largest oil refiner, with a total capacity of 275kbd. We rate TOP's ESG score at 2.4, which is below 2.9 sector average. Its refinery business nature, limited business diversification, the past oil spill and the CFP's project cost overrun contribute to the low score.

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	58.95	73.27	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)

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

- TOP runs a refinery business which is by nature emits high level of greenhouse gas (GHG). Although it has plans to reduce emission, it will take quite a long time, especially when its new Clean Fuel Project (CFP) will add to the emission footprint in 2027F.
- In 2023, total GHG emissions fell by 28,003 tonnes of carbon dioxide equivalent through energy efficiency improvement projects.
- We expect its GHG intensity to rise in 2027F once CFP begins operations. 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 social score stands at 2.2, which is not very high due to the September 2023 oil spill. While the response was swift, with containment and cleanup completed in days, concerns linger over the environmental impact of dispersant use.
- TOP's staff health and safety management system is in accordance with ISO standards. In 2023, TOP reported one Tier-1 chemical leak, with a severity of 0.04 events per million hours worked, missing its target of zero.
- TOP is participating in a government-led reforestation project covering 8,656 rai, aiming to absorb 92,800 tons of CO2 equivalent by 2060F.

GOVERNANCE &
SUSTAINABILITY

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

- TOP's governance and business sustainability score is 2.8. It 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.
- TOP has a decent board structure with eight of the 15 board members are independent and board chair is independent.
- Accounting and audit are generally easy to cross-check and seem transparent.
- TOP's business isn't diversified and has very high earnings volatility in nature. 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)	2023A	2024A	2025F	2026F	2027F
Sales	469,244	466,777	416,207	404,106	404,106
Cost of sales	435,217	444,016	395,857	382,599	384,838
Gross profit	34,027	22,761	20,350	21,507	19,267
% gross margin	7.3%	4.9%	4.9%	5.3%	4.8%
Selling & administration expenses	3,521	3,874	4,162	4,041	4,041
Operating profit	30,507	18,887	16,188	17,466	15,226
% operating margin	6.5%	4.0%	3.9%	4.3%	3.8%
Depreciation & amortization	7,799	8,106	8,418	9,243	10,058
EBITDA	38,306	26,993	24,606	26,709	25,285
% EBITDA margin	8.2%	5.8%	5.9%	6.6%	6.3%
Non-operating income	1,138	2,008	1,871	1,817	1,817
Non-operating expenses	(86)	556	0	0	0
Interest expense	(4,089)	(4,052)	(4,147)	(4,246)	(4,889)
Pre-tax profit	27,470	17,399	13,912	15,037	12,154
Income tax	(0)	(1)	2,484	2,874	2,483
After-tax profit	27,470	17,400	11,428	12,163	9,671
% net margin	5.9%	3.7%	2.7%	3.0%	2.4%
Shares in affiliates' Earnings	84	(132)	84	238	260
Minority interests	(142)	(22)	(20)	(19)	(19)
Extraordinary items	(7,645)	(7,287)	(1,574)	(903)	0
NET PROFIT	19,768	9,959	9,917	11,478	9,912
Normalized profit	27,412	17,245	11,492	12,381	9,912
EPS (Bt)	8.9	4.5	4.4	4.3	3.6
Normalized EPS (Bt)	12.3	7.7	5.1	4.7	3.6

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

BALANCE SHEET

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
ASSETS:					
Current assets:	125,371	112,222	123,659	101,323	91,572
Cash & cash equivalent	34,376	39,738	50,000	30,000	20,000
Account receivables	31,154	27,601	25,763	25,014	25,014
Inventories	52,656	40,577	44,056	42,581	42,830
Others	7,185	4,306	3,840	3,728	3,728
Investments & loans	32,039	31,427	31,427	31,427	31,427
Net fixed assets	218,618	224,153	239,371	279,789	292,580
Other assets	43,964	41,209	39,719	39,743	40,243
Total assets	419,993	409,010	434,177	452,281	455,822
LIABILITIES:					
Current liabilities:	73,501	67,663	83,666	30,303	31,496
Account payables	50,184	51,579	44,870	10,482	11,598
Bank overdraft & ST loans	3,198	2,725	3,173	3,472	3,424
Current LT debt	10,061	5,177	28,301	9,678	9,544
Others current liabilities	10,058	8,182	7,322	6,671	6,930
Total LT debt	149,858	146,717	148,582	183,874	181,343
Others LT liabilities	28,322	28,445	29,678	29,900	30,390
Total liabilities	251,681	242,826	261,926	244,077	243,230
Minority interest	2,744	2,739	2,759	2,778	2,797
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	(11,317)	(14,574)	(14,574)	15,426	15,426
Retained earnings	143,848	144,984	151,045	156,979	161,347
Shareholders' equity	165,568	163,446	169,492	205,426	209,795
Liabilities & equity	419,993	409,010	434,177	452,281	455,822

Sources: Company data, Thanachart estimates

TOP's balance sheet is at risk because of higher CFP capex

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2023A	2024A	2025F	2026F	2027F
Earnings before tax	27,470	17,399	13,912	15,037	12,154
Tax paid	2,723	(2,708)	(1,332)	(3,503)	(2,192)
Depreciation & amortization	7,799	8,106	8,418	9,243	10,058
Chg In working capital	(23,678)	17,027	(8,351)	(32,163)	866
Chg In other CA & CL / minorities	14,520	(2,277)	(5,610)	(4,861)	(5,748)
Cash flow from operations	28,834	37,547	7,037	(16,248)	15,139
Capex	(19,942)	(13,641)	(23,637)	(49,660)	(22,850)
Right of use	1,814	1,842	(500)	(500)	(500)
ST loans & investments	0	0	0	0	0
LT loans & investments	564	612	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(87)	(120)	5,796	4,985	6,466
Cash flow from investments	(17,651)	(11,307)	(18,341)	(45,175)	(16,884)
Debt financing	(10,149)	(8,799)	25,437	16,967	(2,711)
Capital increase	0	0	(15)	0	0
Dividends paid	(5,249)	(8,823)	(3,856)	(5,544)	(5,543)
Warrants & other surplus	(4,985)	(3,257)	0	30,000	0
Cash flow from financing	(20,383)	(20,879)	21,566	41,423	(8,255)
Free cash flow	8,893	23,906	(16,600)	(65,908)	(7,711)

TOP will likely enter into another capex cycle

VALUATION

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Normalized PE (x)	2.0	3.2	4.8	5.2	6.8
Normalized PE - at target price (x)	2.2	3.5	5.2	5.7	7.4
PE (x)	2.8	5.6	5.6	5.7	6.8
PE - at target price (x)	3.0	6.1	6.1	6.2	7.4
EV/EBITDA (x)	4.8	6.3	7.5	8.3	9.1
EV/EBITDA - at target price (x)	4.9	6.5	7.7	8.5	9.3
P/BV (x)	0.3	0.3	0.3	0.3	0.3
P/BV - at target price (x)	0.4	0.4	0.4	0.3	0.3
P/CFO (x)	1.9	1.5	7.9	(3.4)	3.7
Price/sales (x)	0.1	0.1	0.1	0.1	0.1
Dividend yield (%)	13.7	7.7	6.3	6.1	5.1
FCF Yield (%)	16.1	43.2	(30.0)	(119.0)	(13.9)
(Bt)					
Normalized EPS	12.3	7.7	5.1	4.7	3.6
EPS	8.9	4.5	4.4	4.3	3.6
DPS	3.4	1.9	1.6	1.5	1.3
BV/share	74.2	73.2	75.9	92.0	94.0
CFO/share	12.9	16.8	3.2	(7.3)	6.8
FCF/share	4.0	10.7	(7.4)	(29.5)	(3.5)

Sources: Company data, Thanachart estimates

We see TOP's 4.8x 2025F PE multiple as fair

FINANCIAL RATIOS

FY ending Dec	2023A	2024A	2025F	2026F	2027F
Growth Rate					
Sales (%)	(11.4)	(0.5)	(10.8)	(2.9)	0.0
Net profit (%)	(39.5)	(49.6)	(0.4)	15.7	(13.6)
EPS (%)	(42.8)	(49.6)	(0.4)	(2.4)	(16.2)
Normalized profit (%)	(27.5)	(37.1)	(33.4)	7.7	(19.9)
Normalized EPS (%)	(31.5)	(37.1)	(33.4)	(7.9)	(23.3)
Dividend payout ratio (%)	38.4	42.6	35.0	35.0	35.0
Operating performance					
Gross margin (%)	7.3	4.9	4.9	5.3	4.8
Operating margin (%)	6.5	4.0	3.9	4.3	3.8
EBITDA margin (%)	8.2	5.8	5.9	6.6	6.3
Net margin (%)	5.9	3.7	2.7	3.0	2.4
D/E (incl. minor) (x)	1.0	0.9	1.0	0.9	0.9
Net D/E (incl. minor) (x)	0.8	0.7	0.8	0.8	0.8
Interest coverage - EBIT (x)	7.5	4.7	3.9	4.1	3.1
Interest coverage - EBITDA (x)	9.4	6.7	5.9	6.3	5.2
ROA - using norm profit (%)	6.3	4.2	2.7	2.8	2.2
ROE - using norm profit (%)	17.0	10.5	6.9	6.6	4.8
DuPont					
ROE - using after tax profit (%)	17.1	10.6	6.9	6.5	4.7
- asset turnover (x)	1.1	1.1	1.0	0.9	0.9
- operating margin (%)	6.7	4.6	4.3	4.8	4.2
- leverage (x)	2.7	2.5	2.5	2.4	2.2
- interest burden (%)	87.0	81.1	77.0	78.0	71.3
- tax burden (%)	100.0	100.0	82.1	80.9	79.6
WACC (%)	7.3	7.3	7.3	7.3	7.3
ROIC (%)	10.7	6.4	4.8	4.7	3.3
NOPAT (Bt m)	30,507	18,887	13,297	14,127	12,116
invested capital (Bt m)	294,309	278,328	299,548	372,450	384,107

Sources: Company data, Thanachart estimates

*We expect ROE to drop
once the CFP starts up in
2Q27*

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SETESG Index (SETESG)

The SETESG Index reflects the price movement of stock of companies that have sustainable business practices which consider environmental, social and governance (ESG) aspect.

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SET ESG Index (SET ESG)

Currently, long-term investment guidelines abroad are beginning to focus on investing in companies that have sustainable business practices. which considers environmental, social and governance factors (Environmental, Social and Governance or ESG) of the company in making investment decisions along with analyzing the company's financial data.

Stock Exchange Has prepared the results of evaluating sustainable stocks which are stocks of listed companies (SETESG Rating) as an alternative for investors who want to invest in stocks of listed companies that are outstanding in ESG, including to support listed companies with operations. sustainable business Taking into account all stakeholders in both social and environmental aspects. There is a management process to create sustainability for the organization, such as risk management. Supply chain management and innovation development. Therefore, the SETESG index was created to be an index that reflects the price movement of a group of securities. of companies with sustainable business operations that meet the required size and liquidity criteria

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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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