

14 SEPTEMBER 2020

THAILAND / MATERIALS

TIPCO ASPHALT TASCO TB

REDUCE

FROM BUY

| | |
|-----------------|----------|
| TARGET PRICE | THB16.00 |
| CLOSE | THB23.90 |
| UP/DOWNSIDE | -33.1% |
| PRIOR TP | THB33.00 |
| CHANGE IN TP | -51.5% |
| TP vs CONSENSUS | -47.7% |

การซื้อน้ำมันดิบถูกรบกวนจากมาตรการลงโทษของสหรัฐฯ

การจัดซื้อน้ำมันดิบจากเวเนซุเอลาต้องหยุดลงจากมาตรการลงโทษของสหรัฐฯ เมื่อวันที่ 11 ก.ย. 2020 TASCO ประกาศแผนปิดโรงงานแอสฟัลท์ขนาด 30kbpd กล่าวคือ Kemaman Bitumen Company (KBC) ในมาเลเซียในเดือน ธ.ค. 2020 จากข้อมูลของผู้บริหาร TASCO ได้รับคำสั่งตัดขาดจากรัฐบาลสหรัฐฯ ให้หยุดซื้อน้ำมันดิบจากเวเนซุเอลาภายใน 90 วันนับตั้งแต่วันที่รับคำสั่ง มีฉะนั้น TASCO จะถูกลงโทษโดยจะถูกปิดกั้นไม่ให้เข้าถึงเงินสหรัฐฯ เราคาดว่ามาตรการลงโทษดังกล่าวจะกระทบกำไรสุทธิของ TASCO ประมาณ 0.1% ใน 2020 และ 51% ใน 2021

ผลกระทบในกรณี Worst-case

ในกรณี Worst-case ที่ TASCO a) ต้องหยุดการซื้อน้ำมันดิบหนัก (Heavy crude) จากเวเนซุเอลาเริ่มตั้งแต่ ธ.ค. 2020; b) ไม่สามารถจัดหาน้ำมันดิบทดแทน; และ c) เปิดดำเนินการโรงงานดังกล่าวได้จนถึง 1Q21 เราคาดว่าประมาณกำไรสุทธิปี 2021 ของเราจะมี Downside 51% หรือ 1.2 พัน ลบ. จากข้อมูลของผู้บริหารที่ได้ให้ไว้ในการประชุมทางโทรศัพท์ครั้งล่าสุด สมมติฐานของเราประกอบด้วย 1) ปริมาณขายแอสฟัลท์จะลดลง 0.6mt คิดเป็น 75% ของปริมาณแอสฟัลท์ 0.8mtpa ที่ผลิตได้จาก KBC เทียบกับปริมาณขายปกติปีที่ 2mtpa; 2) ผลกระทบต่ำหรือไม่มีผลกระทบต่อปริมาณขาย 0.5mtpa ในประเทศไทยและปริมาณซื้อขาย 0.5mtpa สำหรับตลาดส่งออกแอสฟัลท์ในปัจจุบันที่จัดหาจากโรงงานอื่น; และ 3) ไม่มีผลกระทบต่อปริมาณขายที่ได้ทำสัญญาไว้แล้วจนถึง ธ.ค. 2020

TASCO จะทำอะไรได้บ้างเพื่อลดผลกระทบ

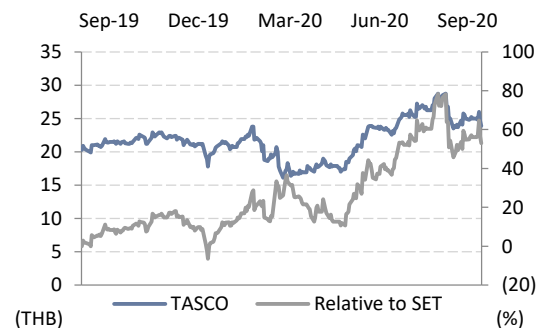
TASCO วางแผนลดผลกระทบดังกล่าวประกอบด้วย 1) ใช้ประโยชน์จากน้ำมันดิบที่ซื้อจากเวเนซุเอลาให้ได้สูงสุดจนถึง พ.ย. 2020 และผสมน้ำมันดิบดังกล่าวเข้ากับน้ำมันดิบที่ได้จากแหล่งอื่นเพื่อทอดเวลาการเดินทางไปอย่างน้อยจนถึง 1Q21; 2) ซื้อน้ำมันดิบหนักจากผู้ผลิตรายอื่นเพื่อนำมาผสมกับน้ำมันดิบจากเวเนซุเอลาหรือเพื่อใช้เป็นวัตถุดิบแบบโหด ๆ; 3) เพิ่มปริมาณซื้อขายข้ามชาติโดยซื้อจากโรงงานอื่น; 4) ปรับปรุงธุรกิจค้าปลีกแอสฟัลท์ในปัจจุบัน; 5) เพิ่มยอดขายแอสฟัลท์ชนิดพิเศษ (Premium Asphalt) ในไทยและตลาดอื่น ๆ; 6) เสริมสร้างธุรกิจสาธารณูปโภค ซึ่งมีงานในมืออยู่ที่ 8.6 พัน ลบ. ให้เข้มแข็งมากยิ่งขึ้น; และ 7) ยกเลิกการเช่าคลังสินค้าลอยน้ำหลังสิ้นสุดสัญญาในเดือน ก.พ. 2021 จากมาตรการลดผลกระทบดังกล่าว เราคาดว่า Downside ต่อกำไรสุทธิของบริษัทจะลดลงเหลือ 20-30% ใน 2021 จากสมมติฐาน 51%

ลดคำแนะนำเป็น REDUCE หลังลดราคาเป้าหมายเป็น 16 บาท

เราลดคำแนะนำสำหรับ TASCO จากซื้อเป็น REDUCE และหันราคาเป้าหมายจาก 33 บาทก่อนหน้า ซึ่งคิดจาก FY21E EV/EBITDA ที่ 11.1x เหลือ 16 บาท ซึ่งปัจจุบันคิดจาก FY21E EV/EBITDA ที่ 10.8x เพื่อสะท้อนการปรับลดประมาณการกำไรต่อหุ้น 51%/5.8% ในปี 2021/2022 และ EV/EBITDA เป้าหมายที่ต่ำลง เนื่องจากเรามองว่าความเสี่ยงในด้านอุปทานน้ำมันดิบของ TASCO จะยังคงสูงในปี 2021

KEY STOCK DATA

| YE Dec (THB m) | 2019 | 2020E | 2021E | 2022E |
|----------------------|--------|--------|--------|--------|
| Revenue | 36,893 | 32,099 | 25,020 | 32,029 |
| Net profit | 3,123 | 2,569 | 1,676 | 2,740 |
| EPS (THB) | 2.00 | 1.64 | 1.07 | 1.75 |
| vs Consensus (%) | - | (0.1) | (44.3) | (6.4) |
| EBITDA | 3,796 | 3,464 | 2,370 | 3,654 |
| Core net profit | 3,123 | 2,569 | 1,676 | 2,740 |
| Core EPS (THB) | 2.00 | 1.64 | 1.07 | 1.75 |
| Chg. In EPS est. (%) | - | - | (51.1) | (5.8) |
| EPS growth (%) | 453.3 | (17.7) | (34.8) | 63.5 |
| Core P/E (x) | 12.0 | 14.5 | 22.3 | 13.6 |
| Dividend yield (%) | 6.3 | 3.8 | 4.2 | 3.8 |
| EV/EBITDA (x) | 10.2 | 11.1 | 16.0 | 9.9 |
| Price/book (x) | 2.8 | 2.7 | 2.7 | 2.5 |
| Net debt/Equity (%) | 8.2 | 8.0 | 3.5 | (9.2) |
| ROE (%) | 24.2 | 19.0 | 12.2 | 18.9 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|------------------------------|---------|----------|
| Absolute (%) | (10.7) | 2.1 | 14.4 |
| Relative to country (%) | (6.7) | 11.5 | 49.6 |
| Mkt cap (USD m) | 1,204 | | |
| 3m avg. daily turnover (USD m) | 12.5 | | |
| Free float (%) | 39 | | |
| Major shareholder | Tipco Food, Colas S.A. (31%) | | |
| 12m high/low (THB) | 29.00/14.90 | | |
| Issued shares (m) | 1,569.73 | | |

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 14 กันยายน 2020

Investment thesis

TASCO is not only one of the leading providers of asphalt products in Thailand, but is also a key player in other ASEAN countries and China. TASCO divides its asphalt business into two segments – domestic and international (depending on the trading area). The company acquires asphalt cement (AC) from local refineries to distribute to Thai traders and road contractors. As for its international markets, TASCO’s own asphalt refinery plant in Malaysia, operated by subsidiary Kemaman Bitumen Company Sdn Bhd (KBC), produces and supplies 80-90% of its international sales volume, with the remainder purchased from other international refineries.

Crude oil is TASCO’s biggest cost item, accounting for 76% of its total cost in 2017. However, while TASCO would normally be one of the few major global beneficiaries of cheap Venezuelan crude oil – its major source of crude – US sanctions are prohibiting TASCO from buying such crude.

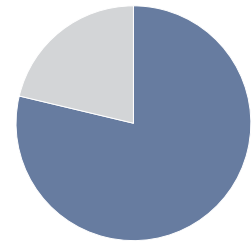
Company profile

Tipco Asphalt Public Company Limited is a leading manufacturer and distributor of asphalt products for repairing, maintaining and constructing road pavements, highways and airport runways in Thailand and APAC.

www.tipcoasphalt.com

Principal activities (revenue, 2019)

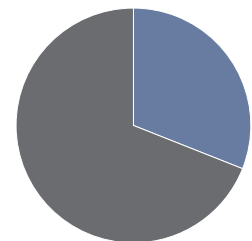
- Geographic segment located in Thailand - 78.7 %
- Geographic segment located overseas - 21.3 %



Source: Tipco Asphalt

Major shareholders

- Tipco Food, Colas S.A. - 31.0 %
- Others - 69.0 %



Source: Tipco Asphalt

Catalyst

Catalysts to our EV/EBITDA-based TP would be 1) a lower demand for asphalt in Thailand due to the government's uncertain road budget; and 2) crude supply disruptions from Venezuela, the major crude source for TASCO (accounts for over 90% of its crude consumption) due to US sanctions.

Risk to our call

Upside risks to our call include 1) a rising asphalt margin due to a tighter supply in Asia on the back of a higher number of upgrading refinery units to convert fuel oil and asphalt into diesel and gasoline products with better margins; and 2) a faster and higher-than-expected supply of alternative crudes and asphalt.

Event calendar

| Date | Event |
|---------------|---------------------------|
| November 2020 | 3Q20 results announcement |

Key assumptions

| | 2020E | 2021E | 2022E |
|---------------------------------|-------|-------|-------|
| Utilisation rate (%) | 90 | 50 | 94 |
| Brent crude price (USD/bbl) | 40.0 | 50.0 | 50.0 |
| Fuel oil-Dubai spread (USD/bbl) | (3.0) | (8.0) | (8.0) |
| Crude premium (USD/bbl) | 2.0 | 3.0 | 3.0 |
| Asphalt sales volume (mtpa) | 1.9 | 1.4 | 2.0 |
| Asphalt -Dubai margin | 8 | (4) | (5) |

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in avg. Dubai oil price, earnings should rise by 0.3%, and vice versa, all else being equal.
- For every 1ppt increase in asphalt-Dubai margin, we estimate earnings will rise by 1.2%, and vice versa, all else being equal.
- Stability in crude oil price, rising asphalt demand and a stable crude supply, are all key drivers for earnings growth.

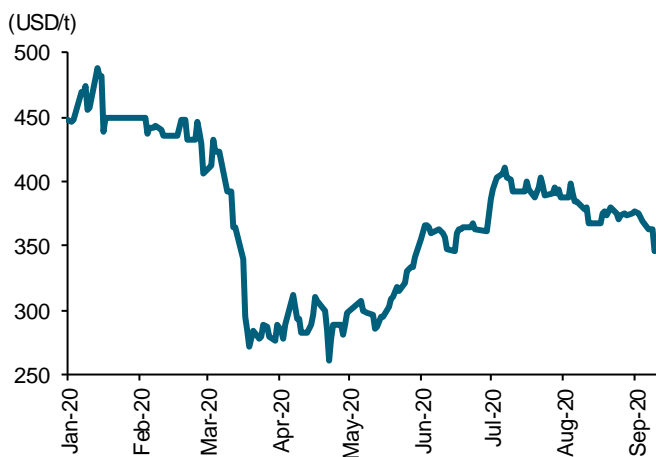
Source: FSSIA estimates

Downside from US sanctions leading to crude supply risk

On 11 Sep 2020, TASCOTB announced a plan to temporarily shut down its 30kbpd asphalt refinery, Kemaman Bitumen Company (KBC), in Malaysia, beginning Dec-20. According to management, TASCOTB received a final mandate from the US government to stop purchasing crude from Venezuela within 90 days from the warning date, otherwise TASCOTB will be subject to secondary sanctions prohibiting the company from accessing USD currency. We estimate that the potential downside to TASCOTB's net profits could be 0.1% in 2020 and 51% in 2021.

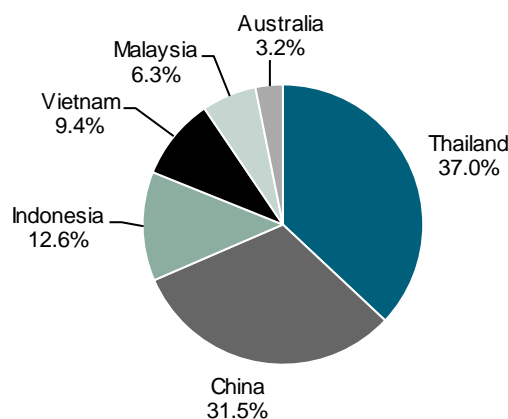
For its sales volume, we estimate TASCOTB will see downsides of up to 39% and 13% for its 2021-22 sales volumes, or around 0.3mtpa for 2021 and 0.3mtpa for 2022. This is because its KBC refinery plant normally supplies around 0.8-1.2mtpa of asphalt for export markets, representing 40-60% of TASCOTB's total sales volume of around 2mtpa, or 50-80% of its asphalt sales volume for non-Thai markets.

Exhibit 1: Bitumen spot price in China



Source: Bloomberg

Exhibit 2: Sales volume breakdown by country (2019)



Sources: TASCOTB; FSSIA estimates

For TASCOTB's net profit, we expect a smaller impact than for its sales volume, since 1) TASCOTB buys all of its 0.5-0.6mtpa asphalt volume for domestic sales from Thai refiners; and 2) the gross margin for asphalt acquired via trading in the Thai market is much higher than for the export market, due to the specialty asphalt sales volume of up to 0.2mtpa out of 0.5mtpa in Thailand.

We estimate that the gross margin for Thai asphalt is currently 15-20% vs 5-7% for the commodity export grade. Hence, the net profit from its Thai asphalt sales volume of 0.5mtpa normally accounts for 50% of TASCOTB's annual net profit of THB2-3b.

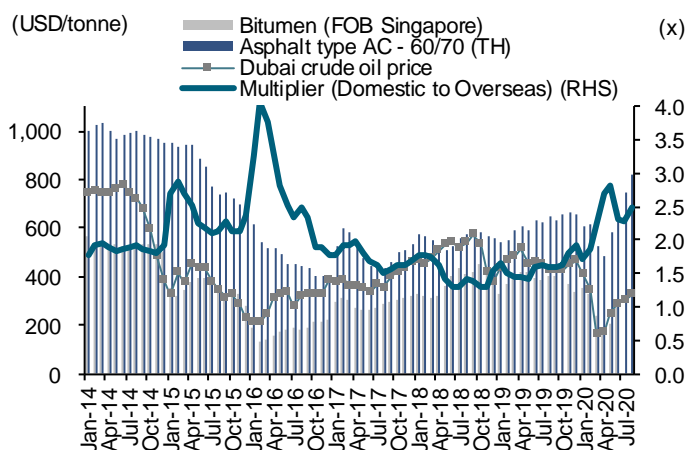
We estimate that the net profit downside for 2020 will be zero, thanks to the sufficient crude supply from Venezuela until at least 1Q21, based on management's guidance. However, despite the currently healthy asphalt-Brent margin and the sustained, high asphalt price, we estimate that the downside for net profit in 2021 could rise to 51%, or THB1.7b, as we think it will be very difficult for TASCOTB to secure alternative crudes as feedstock for its KBC refinery.

Key takeaways from conference call

While management clearly indicated the reasons for the US mandate to stop purchasing Venezuelan crude, we think the overall message did not sufficiently clarify the downside risks for its crude supply. The key takeaways from its latest conference call are as follows:

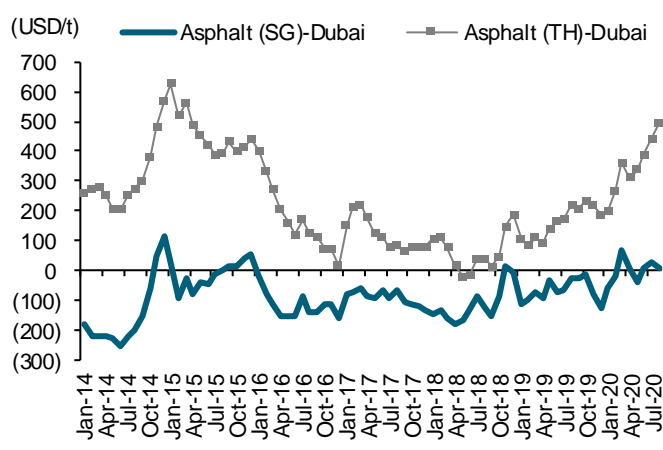
- TASCO needs to stop purchasing heavy crude from Venezuela starting Dec-20;
- Venezuela crude accounts for an estimated annual 0.8-1.2mtpa of asphalt produced from its KBC refinery in Malaysia, out of TASCO's normal annual 2mtpa sales volume;
- Around 0.5mtpa asphalt sales volume in Thailand is unlikely to be impacted, even though 0.3mtpa is normally procured from KBC for the Thai market during the high season, as TASCO expects to be able to procure sufficient asphalt supply from domestic refiners;
- Up to 0.5mtpa in trading volume for the export market will suffer no impact, as it is procured from other refiners. However, for 2021, we estimate around a 0.6mtpa sales volume loss because we think TASCO could face difficulties in securing alternative crudes for its KBC refinery and in procuring a sufficient asphalt supply from other refiners;
- No impact on TASCO's committed contract asphalt sales volume, which is now extended until Dec-20.

Exhibit 3: Bitumen (asphalt) SG and Thailand's prices vs Dubai crude oil price



Source: Bloomberg

Exhibit 4: Asphalt-Dubai margins



Source: Bloomberg

Two key factors could somewhat alleviate the negative impacts to TASCO's net profit in 2021. According to management, there are two key factors that could mitigate the negative impact of the shutdown of TASCO's KBC refinery in 2021. First, in 2020-21, TASCO projects its asphalt sales volumes to be strong in several markets, including Thailand, Vietnam, and Cambodia, which account for 40% of its sales volume and 60-70% of its total net profit, based on our estimates.

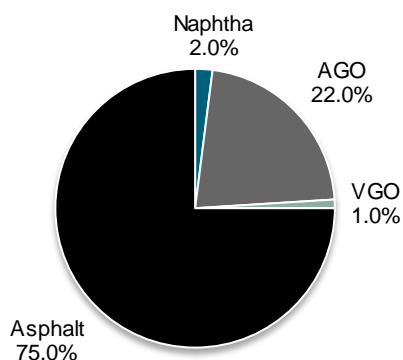
Second, the asphalt-Brent margin and the price of asphalt are likely to stay high in 2H20-2021, supported by the supply shortage of up to 1.2mtpa from the shutdown of the KBC refinery. However, TASCO expects Chinese refiners to increase their asphalt production to compensate for the 0.8-1.2mtpa asphalt production loss from KBC, potentially resulting in a slightly loosened asphalt supply in 2021.

TASCO's mitigation plan – potential actions

- Maximise crude purchases from Venezuela until Nov-20 to be blended later with other alternative crudes. This would potentially prolong the refinery run until 1Q21.
- Purchase heavy crude from other producers in South America, including Brazil, Ecuador, and Colombia. According to management, up to 13 types of alternative crudes could be blended with Venezuelan super heavy crude to prolong its refinery run period. However, these alternative crudes are likely to have higher prices and lower economic benefits of up to 20-30% than those of Venezuela crude, considering their:
 - Higher demand than Venezuela crude, as there are no sanctions on them and they are less sour crudes;
 - Higher price than Venezuela crude and lower yields. Note that only two types of crude in the KBC refinery can be processed without being blended with Venezuela crude.

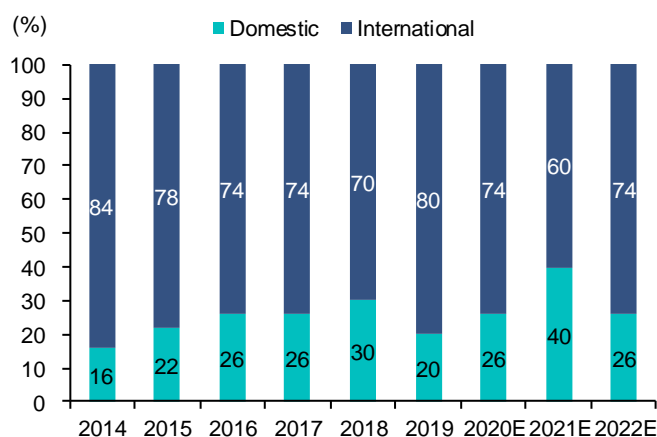
The resulting asphalt yield from non-Venezuela crudes ranges from 50-60% vs 75% from Venezuela crude. KBC runs crude with API gravity of up to 16. In addition, management indicated that the higher production yields of non-asphalt products in the range of 40-50% vs only 25% using Venezuela crude could further worsen TASCO's overall margin, given the currently depressed margins of the diesel-like products including vacuum gas oil (VGO), automotive gasoil (AGO), and gasoline-like products like naphtha due to the currently weak demand.

Exhibit 5: TASCO's product yield breakdown using Venezuela crude



Source: TASCO

Exhibit 6: Asphalt sales volume breakdown by market

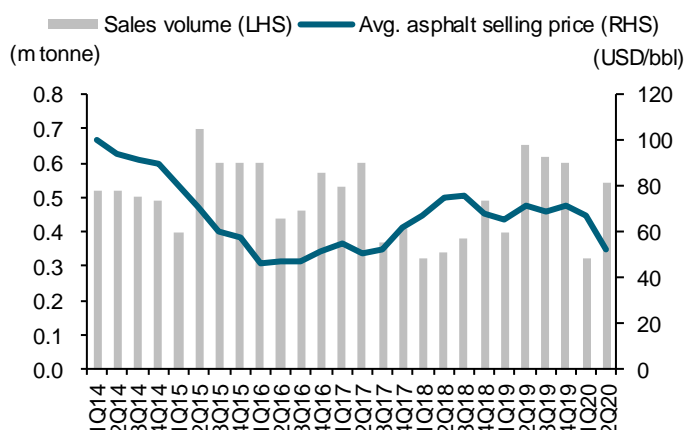


Sources: TASCO; FSSIA estimates

- Raise its international trading sales volume by purchasing from other refiners. TASCO could purchase asphalt from other producers, including refiners in Thailand, South Korea, China, Malaysia, and other countries. Of its 1.5mtpa export sales volume, we think TASCO may be able to purchase up to 1-1.2mtpa from other asphalt producers in 2021.
- Improve its asphalt retail business in the eight countries it currently operates in (Philippines, Cambodia, Laos, Vietnam, Indonesia, Thailand, China, and Singapore) by purchasing asphalt from other producers. We estimate the retail gross margin is currently 3-5ppt higher than the wholesale gross margin.
- Increase its premium asphalt sales in Thailand and other markets. We estimate that TASCO currently sells up to 0.2mtpa of specialty asphalt, which commands a 15-20% gross margin in Thailand.
- Strengthen its infrastructure unit which now has a secured backlog of THB8.6b. We estimate that TASCO could benefit from a higher net profit generated from its infrastructure unit by up to THB0.1b in 2021.

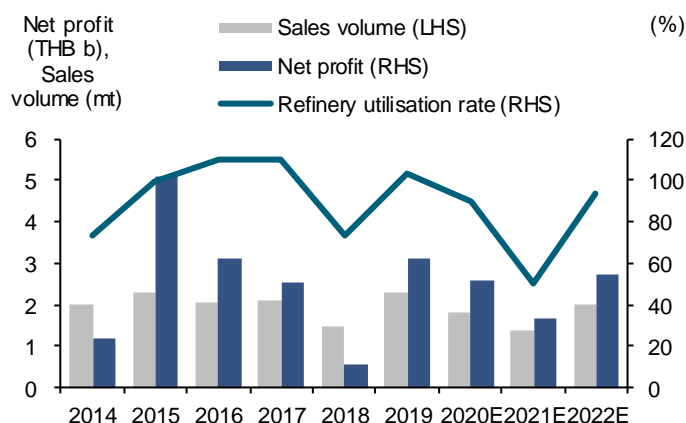
- Cancel its floating storage contract after it expires in Feb-21. We estimate a cost of USD20-30m in rental expenses annually for the 2m-bbl floating storage tank.

Exhibit 7: Sales volume, average asphalt selling price



Source: TASC0

Exhibit 8: Sales volume, net profit, utilisation rate



Sources: TASC0; FSSIA estimates

EPS and TP revisions

Impact under the worst case scenario. In the worst-case scenario, where TASC0 a) stops purchasing heavy crude from Venezuela starting Dec-20; b) is unable to secure alternative crudes; and c) runs its refinery until 1Q21, we estimate a 51% downside to our FY21E net profit, or THB1.2b.

Based on management’s guidance from its latest conference call, our assumptions include 1) a lower asphalt sales volume by 0.6mt – 75% of the 0.8mtpa asphalt produced from KBC vs the normal 2mtpa annual sales volume; 2) little to no impact on the 0.5mtpa sales volume in Thailand and the 0.5mtpa trading volume for the asphalt export market currently procured from other refiners; and 3) no impact on its contracted sales volume, committed until Dec-20.

Exhibit 9: Key changes in assumptions and EPS forecasts

| (THB m) | Current | | | Previous | | | Change (%) | | |
|---------------------------------|---------|--------|--------|----------|--------|--------|------------|--------|--------|
| | 2020E | 2021E | 2022E | 2020E | 2021E | 2022E | 2020E | 2021E | 2022E |
| Revenue | 32,099 | 25,020 | 32,029 | 32,099 | 37,532 | 37,372 | 0.0 | (33.3) | (14.3) |
| Gross profit | 5,028 | 3,589 | 5,215 | 5,028 | 6,344 | 5,662 | 0.0 | (43.4) | (7.9) |
| Operating profit | 2,457 | 1,363 | 2,647 | 2,457 | 3,509 | 2,834 | 0.0 | (61.2) | (6.6) |
| Net profit | 2,569 | 1,676 | 2,740 | 2,569 | 3,427 | 2,909 | 0.0 | (51.1) | (5.8) |
| EPS (THB/shr) | 1.6 | 1.1 | 1.8 | 1.6 | 2.2 | 2 | 0.0 | (51.1) | (5.8) |
| Key assumptions | | | | | | | | | |
| Utilisation rate (%) | 90 | 50 | 94 | 90 | 92 | 94 | 0.0 | (45.7) | 0.0 |
| Brent crude price (USD/bbl) | 40.0 | 50.0 | 50.0 | 40.0 | 50.0 | 50 | 0.0 | 0.0 | 0.0 |
| Fuel oil-Dubai spread (USD/bbl) | (3.0) | (8.0) | (8.0) | (3.0) | (8.0) | (8) | 0.0 | 0.0 | 0.0 |
| Crude premium (USD/bbl) | 2.0 | 3.0 | 3.0 | 2.0 | 3.0 | 3 | 0.0 | 0.0 | 0.0 |
| Asphalt sales volume (mtpa) | 1.9 | 1.4 | 2.0 | 1.9 | 2.3 | 2.3 | 0.0 | (39.1) | (13.0) |
| Asphalt-Dubai margin | 8 | (4) | (5) | 8 | (4) | (3) | 0.0 | 0.0 | 61.9 |

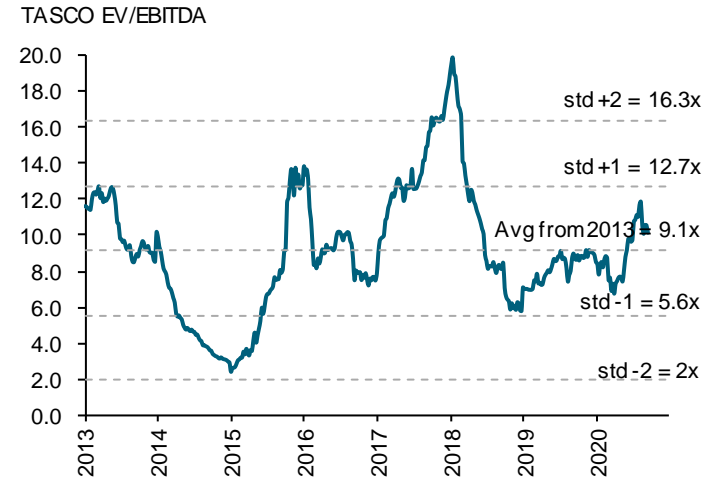
Sources: TASC0; FSSIA estimates

We cut our EPS forecast by 51% for 2021 to reflect the expected 0.6mtpa lower asphalt sales volume from the 9-month shutdown of the KBC refinery, but expect TASC0 to successfully procure asphalt for its trading business.

Our revised FY21E net profit of THB1.7b, down 51% from THB3.5b pre-US sanctions, comes from the total 1.4mtpa sales volume, revised down 39%, comprising 1) trading asphalt volumes of 0.8mtpa (0.5mtpa in Thailand and 0.3mtpa from other existing suppliers); and 2) additional asphalt purchased from other refiners.

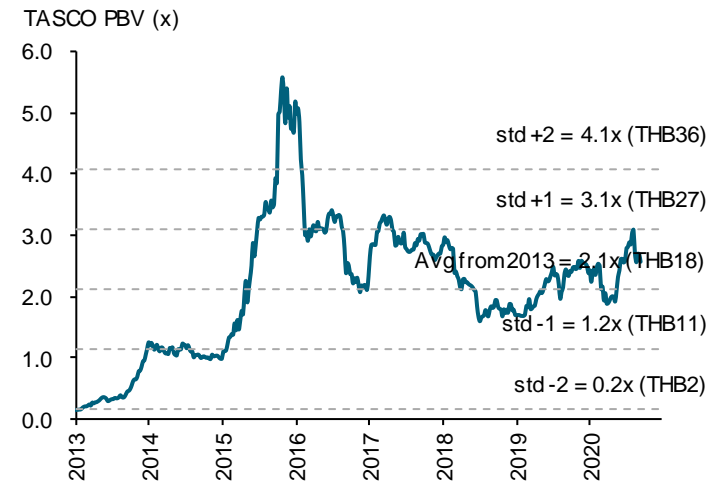
For 2022, we trim our EPS forecast by 5.8% to reflect our 13% lower asphalt sales volume assumption, from 2.3mtpa pre-sanctions down to 2.0mtpa post-sanctions, as we think TASC0 is unlikely to run its KBC refinery at 100% again within 2022. However, TASC0 intends to lower its overall sales volume for the low-margin wholesales business and aims to increase its high-margin retail asphalt sales volume in 2021-22.

Exhibit 10: EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: P/BV band



Sources: Bloomberg; FSSIA estimates

We downgrade from Buy to REDUCE and cut our TP from THB33, previously based on 11.1x FY21E EV/EBITDA, down to THB16, now based on 10.8x FY21E EV/EBITDA, to reflect our 51%/5.8% EPS cuts for 2021/22 and our lower EV/EBITDA valuation, as we think TASC0's crude risk remains high in 2021.

Financial Statements

Tipco Asphalt

| Profit and Loss (THB m) Year Ending Dec | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenue | 27,632 | 36,893 | 32,099 | 25,020 | 32,029 |
| Cost of goods sold | (23,487) | (31,844) | (27,071) | (21,431) | (26,814) |
| Gross profit | 4,145 | 5,049 | 5,028 | 3,589 | 5,215 |
| Other operating income | - | - | - | - | - |
| Operating costs | (1,346) | (1,253) | (1,564) | (1,219) | (1,560) |
| Operating EBITDA | 2,799 | 3,796 | 3,464 | 2,370 | 3,654 |
| Depreciation | (1,001) | (875) | (1,007) | (1,007) | (1,007) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 1,798 | 2,921 | 2,457 | 1,363 | 2,647 |
| Net financing costs | (169) | (204) | (110) | (110) | (91) |
| Associates | 98 | 133 | 80 | 80 | 80 |
| Recurring non operating income | (814) | 938 | 780 | 780 | 780 |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 815 | 3,655 | 3,126 | 2,032 | 3,336 |
| Tax | (234) | (509) | (557) | (356) | (596) |
| Profit after tax | 580 | 3,146 | 2,569 | 1,676 | 2,740 |
| Minority interests | (16) | (22) | 0 | 0 | 0 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | - | - | - | - | - |
| Reported net profit | 564 | 3,123 | 2,569 | 1,676 | 2,740 |
| Non recurring items & goodwill (net) | 0 | 0 | 0 | 0 | 0 |
| Recurring net profit | 564 | 3,123 | 2,569 | 1,676 | 2,740 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.36 | 2.00 | 1.64 | 1.07 | 1.75 |
| Reported EPS | 0.36 | 2.00 | 1.64 | 1.07 | 1.75 |
| DPS | 0.60 | 1.50 | 0.90 | 1.00 | 0.90 |
| Diluted shares (used to calculate per share data) | 1,562 | 1,562 | 1,562 | 1,562 | 1,562 |
| Growth | | | | | |
| Revenue (%) | (2.2) | 33.5 | (13.0) | (22.1) | 28.0 |
| Operating EBITDA (%) | (26.8) | 35.6 | (8.7) | (31.6) | 54.2 |
| Operating EBIT (%) | (36.1) | 62.5 | (15.9) | (44.5) | 94.3 |
| Recurring EPS (%) | (77.8) | 453.3 | (17.7) | (34.8) | 63.5 |
| Reported EPS (%) | (77.8) | 453.3 | (17.7) | (34.8) | 63.5 |
| Operating performance | | | | | |
| Gross margin inc depreciation (%) | 11.4 | 11.3 | 12.5 | 10.3 | 13.1 |
| Gross margin of key business (%) | - | - | - | - | - |
| Operating EBITDA margin (%) | 10.1 | 10.3 | 10.8 | 9.5 | 11.4 |
| Operating EBIT margin (%) | 6.5 | 7.9 | 7.7 | 5.4 | 8.3 |
| Net margin (%) | 2.0 | 8.5 | 8.0 | 6.7 | 8.6 |
| Effective tax rate (%) | 32.7 | 14.5 | 18.3 | 18.2 | 18.3 |
| Dividend payout on recurring profit (%) | 166.1 | 75.0 | 54.7 | 93.2 | 51.3 |
| Interest cover (X) | 5.8 | 18.9 | 29.3 | 19.4 | 37.6 |
| Inventory days | 87.1 | 84.8 | 93.1 | 96.8 | 77.0 |
| Debtor days | 57.5 | 50.8 | 55.9 | 61.5 | 36.5 |
| Creditor days | 54.8 | 59.2 | 78.8 | 81.9 | 65.1 |
| Operating ROIC (%) | 9.6 | 15.1 | 13.9 | 7.8 | 15.6 |
| ROIC (%) | 5.0 | 18.9 | 17.3 | 11.5 | 19.1 |
| ROE (%) | 4.5 | 24.2 | 19.0 | 12.2 | 18.9 |
| ROA (%) | 3.3 | 13.4 | 10.6 | 7.5 | 11.8 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue By Division (THB m) | | | | | |
| Geographic segment located in Thailand | 20,372 | 29,044 | 25,183 | 19,016 | 26,048 |
| Geographic segment located overseas | 7,260 | 7,849 | 6,916 | 6,004 | 5,981 |

Sources: Tipco Asphalt; FSSIA estimates

Financial Statements

Tipco Asphalt

| Cash Flow (THB m) Year Ending Dec | 2018 | 2019 | 2020E | 2021E | 2022E |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Recurring net profit | 564 | 3,123 | 2,569 | 1,676 | 2,740 |
| Depreciation | 1,001 | 875 | 1,007 | 1,007 | 1,007 |
| Associates & minorities | 98 | 133 | 80 | 80 | 80 |
| Other non-cash items | - | - | - | - | - |
| Change in working capital | (4,519) | 3,133 | 731 | 831 | 1,209 |
| Cash flow from operations | (2,856) | 7,264 | 4,387 | 3,594 | 5,036 |
| Capex - maintenance | (86) | (110) | (214) | (364) | (514) |
| Capex - new investment | (485) | (923) | (1,731) | (1,137) | (987) |
| Net acquisitions & disposals | (103) | (48) | 0 | 0 | 0 |
| Other investments (net) | 2,516 | 3,703 | 80 | 80 | 80 |
| Cash flow from investing | 1,843 | 2,623 | (1,864) | (1,421) | (1,421) |
| Dividends paid | (3,750) | (4,687) | (2,344) | (1,406) | (1,562) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | 4,583 | (3,061) | 297 | (1,000) | 0 |
| Other financing cash flows | 360 | (1,196) | (160) | (160) | (160) |
| Cash flow from Financing | 1,194 | (8,944) | (2,206) | (2,566) | (1,723) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | 181 | 943 | 316 | (393) | 1,893 |
| Free cash flow to firm (FCFF) | (843.02) | 10,090.87 | 2,633.22 | 2,283.56 | 3,725.80 |
| Free cash flow to equity (FCFE) | 3,931.33 | 5,630.35 | 2,660.06 | 1,013.23 | 3,455.24 |

Per share (THB)

| | | | | | |
|-------------------------------|--------|------|------|------|------|
| FCFF per share | (0.54) | 6.43 | 1.68 | 1.45 | 2.37 |
| FCFE per share | 2.50 | 3.59 | 1.69 | 0.65 | 2.20 |
| Recurring cash flow per share | 1.06 | 2.64 | 2.34 | 1.77 | 2.45 |

| Balance Sheet (THB m) Year Ending Dec | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed asset (gross) | 14,715 | 14,874 | 16,375 | 17,876 | 19,377 |
| Less: Accumulated depreciation | (6,588) | (6,588) | (7,152) | (8,159) | (9,166) |
| Tangible fixed assets (Net) | 8,127 | 8,286 | 9,223 | 9,717 | 10,211 |
| Intangible fixed assets (Net) | 146 | 146 | 146 | 146 | 146 |
| Long-term financial assets | - | - | - | - | - |
| Invest. In associates & subsidiaries | - | - | - | - | - |
| Cash & equivalents | 2,032 | 2,975 | 3,292 | 2,899 | 4,792 |
| A/C receivable | 5,042 | 5,234 | 4,592 | 3,841 | 2,560 |
| Inventories | 7,322 | 7,467 | 6,348 | 5,025 | 6,288 |
| Other current assets | 923 | 462 | 402 | 313 | 401 |
| Current assets | 15,319 | 16,138 | 14,633 | 12,079 | 14,040 |
| Other assets | 661 | 692 | 692 | 692 | 692 |
| Total assets | 24,253 | 25,262 | 24,694 | 22,633 | 25,089 |
| Common equity | 12,382 | 13,407 | 13,633 | 13,903 | 15,081 |
| Minorities etc. | 155 | 171 | 171 | 171 | 171 |
| Total Shareholders' equity | 12,537 | 13,579 | 13,804 | 14,074 | 15,252 |
| Long term debt | 87 | 43 | 1,840 | 840 | 840 |
| Other long-term liabilities | 149 | 168 | 168 | 168 | 168 |
| Long-term liabilities | 236 | 211 | 2,008 | 1,008 | 1,008 |
| A/C payable | 4,015 | 6,316 | 5,369 | 4,251 | 5,318 |
| Short term debt | 7,068 | 4,051 | 2,551 | 2,551 | 2,551 |
| Other current liabilities | 397 | 1,106 | 962 | 750 | 960 |
| Current liabilities | 11,480 | 11,473 | 8,882 | 7,551 | 8,829 |
| Total liabilities and shareholders' equity | 24,253 | 25,262 | 24,694 | 22,633 | 25,089 |
| Net working capital | 8,874 | 5,741 | 5,010 | 4,179 | 2,971 |
| Invested capital | 17,809 | 14,865 | 15,071 | 14,734 | 14,019 |

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

| | | | | | |
|-------------------------------|------|------|------|------|------|
| Book value per share | 7.92 | 8.58 | 8.73 | 8.90 | 9.65 |
| Tangible book value per share | 7.83 | 8.49 | 8.63 | 8.80 | 9.56 |

Financial strength

| | | | | | |
|---------------------------|------|------|------|------|-------|
| Net debt/Equity (%) | 40.9 | 8.2 | 8.0 | 3.5 | (9.2) |
| Net debt/total assets (%) | 21.1 | 4.4 | 4.5 | 2.2 | (5.6) |
| Current ratio (x) | 1.3 | 1.4 | 1.6 | 1.6 | 1.6 |
| CF interest cover (x) | 27.1 | 33.1 | 40.8 | 20.5 | 49.7 |

| Valuation | 2018 | 2019 | 2020E | 2021E | 2022E |
|---|-------------|-------------|-------------|-------------|-------------|
| Recurring P/E (x) * | 66.2 | 12.0 | 14.5 | 22.3 | 13.6 |
| Recurring P/E @ target price (x) * | 44.3 | 8.0 | 9.7 | 14.9 | 9.1 |
| Reported P/E (x) | 66.2 | 12.0 | 14.5 | 22.3 | 13.6 |
| Dividend yield (%) | 2.5 | 6.3 | 3.8 | 4.2 | 3.8 |
| Price/book (x) | 3.0 | 2.8 | 2.7 | 2.7 | 2.5 |
| Price/tangible book (x) | 3.1 | 2.8 | 2.8 | 2.7 | 2.5 |
| EV/EBITDA (x) ** | 15.2 | 10.2 | 11.1 | 16.0 | 9.9 |
| EV/EBITDA @ target price (x) ** | 10.8 | 6.9 | 7.6 | 10.8 | 6.5 |
| EV/invested capital (x) | 2.4 | 2.6 | 2.6 | 2.6 | 2.6 |

* Pre-exceptional & pre-goodwill are fully diluted ** EBITDA includes associate income and recurring non operating income

Sources: Tipco Asphalt; FSSIA estimates

Corporate Governance report of Thai listed companies 2019

| EXCELLENT LEVEL | | | | | | | | | | |
|-----------------|----------|-------|-------|--------|--------|--------|--------|-------|--------|--------|
| AAV | ADVANC | AIRA | AKP | AKR | AMA | AMATA | AMATAV | ANAN | AOT | AP |
| ARROW | BAFS | BANPU | BAY | BCP | BCPG | BOL | BRR | BTS | BTW | BWG |
| CFRESH | CHEWA | CHO | CK | CKP | CM | CNT | COL | COMAN | CPALL | CPF |
| CPI | CPN | CSS | DELTA | DEMCO | DRT | DTAC | DTC | EA | EASTW | ECF |
| EGCO | GBX | GC | GCAP | GEL | GGP | GGC | GOLD | GPSC | GRAMMY | GUNKUL |
| HANA | HARN | HMPRO | ICC | ICHI | III | ILINK | INTUCH | IRPC | IVL | JKN |
| JSP | K | KBANK | KCE | KKP | KSL | KTB | KTC | KTIS | LH | LHFG |
| LIT | LPN | MAKRO | MALEE | MBK | MBKET | MC | MCOT | MFEC | MINT | MONO* |
| MTC | NCH | NCL | NKI | NSI | NVD | NYT | OISHI | OTO | PAP | PCSGH |
| PDJ | PG | PHOL | PJW | PLANB | PLANET | PORT | PPS | PR9 | PREB | PRG |
| PRM | PSH | PSL | PTG | PTT | PTTEP | PTTGC | PYLON | Q-CON | QH | QTC |
| RATCH | ROBINS** | RS | S | S & J | SABINA | SAMART | SAMTEL | SAT | SC | SCB |
| SCC | SCCC | SCN | SDC | SEAFCO | SEAOIL | SE-ED | SELIC | SENA | SIS | SITHAI |
| SNC | SORKON | SPALI | SPI | SPRC | SSSC | STA | STEC | SVI | SYNTEC | TASCO |
| TCAP | THAI | THANA | THANI | THCOM | THIP | THREL | TIP | TISCO | TK | TKT |
| TMB | TMILL | TNDT | TOA | TOP | TRC | TRU | TRUE | TSC | TSR | TSTH |
| TTA | TTCL | TTW | TU | TVD | TVO | U | UAC | UV | VGI | VIH |
| WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | | | | | |

| VERY GOOD LEVEL | | | | | | | | | | |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--------|
| 2S | ABM | ADB | AF | AGE | AH | AHC | AIT | ALLA | ALT | AMANA |
| AMARIN | APCO | APCS | AQUA | ARIP | ASAP | ASIA | ASIAN | ASIMAR | ASK | ASN |
| ASP | ATP30 | AUCT | AYUD | B | BA | BBL | BDMS | BEC | BEM | BFIT |
| BGC | BGRIM | BIZ | BJC | BJCHI | BLA | BPP | BROOK | CBG | CEN | CENTEL |
| CGH | CHG | CHOTI | CHOW | CI | CIMBT | CNS | COLOR | COM7 | COTTO | CRD |
| CSC | CSP | DCC | DCON | DDD | DOD | EASON | ECL | EE | EPG | ERW |
| ESTAR | ETE | FLOYD | FN | FNS | FORTH | FPI | FPT | FSMART | FSS | FVC |
| GENCO | GJS | GL | GLOBAL | GLOW** | GULF | HPT | HTC | HYDRO | ICN | IFS |
| INET | INSURE | IRC | IRCP | IT | ITD*** | ITEL | J | JAS* | JCK | JCKH |
| JMART | JMT | JWD | KBS | KCAR | KGI | KIAT | KOOL | KWC | KWM | L&E |
| LALIN | LANNA | LDC | LHK | LOXLEY | LRH | LST | M | MACO | MAJOR | MBAX |
| MEGA | METCO | MFC | MK | MODERN | MOONG | MPG | MSC | MTI | NEP | NETBAY |
| NEX | NINE | NOBLE | NOK | NTV | NWR | OCC | OGC | ORI | OSP | PATO |
| PB | PDG | PDI | PL | PLAT | PNR | PPP | PRECHA | PRIN | PRINC | PSTC |
| PT | QLT | RCL | RICHY | RML | RWI | S11 | SAAM | SALEE | SAMCO | SANKO |
| SAPPE | SAWAD | SCG | SCI | SCP | SE | SFP | SIAM | SINGER | SIRI | SKE |
| SKR | SKY | SMIT | SMK | SMP | SMT | SNP | SONIC | SPA | SPC | SPCG |
| SPVI | SR | SRICHA | SSC | SSF | SST | STANLY | STPI | SUC | SUN | SUSCO |
| SUTHA | SWC | SYMC | SYNEX | T | TACC | TAE | TAKUNI | TBSP | TCC | TCMC |
| TEAM | TEAMG | TFG | TFMAMA | THG | THRE | TIPCO | TITLE | TIW | TKN | TKS |
| TM | TMC | TMD | TMI | TMT | TNITY | TNL | TNP | TNR | TOG | TPA |
| TPAC | TPBI | TPCORP | TPOLY | TRITN | TRT | TSE | TSTE | TVI | TVT | TWP |
| TWPC | UBIS | UEC | UMI | UOBKH | UP | UPF | UPOIC | UT | UWC | VNT |
| WIIK | XO | YUASA | ZEN | ZMICO | | | | | | |

| GOOD LEVEL | | | | | | | | | | |
|------------|-------|---------|--------|--------|--------|--------|-------|-------|-------|-------|
| A | ABICO | ACAP*** | AEC | AEONTS | AJ | ALUCON | AMC | APURE | AS | ASEFA |
| AU | B52 | BCH | BEAUTY | BGT | BH | BIG | BLAND | BM | BR | BROCK |
| BSBM | BSM | BTNC | CCET | CCP | CGD | CHARAN | CHAYO | CITY | CMAN | CMC |
| CMO | CMR | CPL | CPT | CSR | CTW | CWT | D | DIMET | EKH | EMC |
| EPCO | ESSO | FE | FTE | GIFT | GLAND | GLOCON | GPI | GREEN | GTB | GYT |
| HTECH | HUMAN | IHL | INGRS | INOX | JTS | JUBILE | KASET | KCM | KKC | KWG |
| KYE | LEE | LPH | MATCH | MATI | M-CHAI | MCS | MDX | META | MGT | MJD |
| MM | MVP | NC | NDR | NER | NNCL | NPK | NUSA | OCEAN | PAF | PF |
| PICO | PIMO | PK | PLE | PMTA | POST | PPM | PROUD | PTL | RCI | RJH |
| ROJNA | RPC | RPH | SF | SGF | SGP | SKN | SLP | SMART | SOLAR | SPG |
| SQ | SSP | STI | SUPER | SVOA | TCCC | THE | THMUI | TIC | TIGER | TNH |
| TOPP | TPCH | TPIPP | TPLAS | TQM | TTI | TYCN | UTP | VCOM | VIBHA | VPO |
| WIN | WORK | WP | WPH | ZIGA | | | | | | |

| Score Range | Number of Logo | Description |
|--------------|----------------|--------------|
| 90-100 | | Excellent |
| 80-89 | | Very Good |
| 70-79 | | Good |
| 60-69 | | Satisfactory |
| 50-59 | | Pass |
| Less than 50 | No logo given | - |

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|---------|-------|--------|--------|--------|--------|-------|--------|
| ADVANC | AIE | AKP | AMANAHA | AP | APCS | AQUA | ARROW | ASK | ASP | AYUD |
| BAFS | BANPU | BAY | BBL | BCH | BCP | BCPG | BGRIM | BJCHI | BKI | BLA |
| BROOK | BRR | BSBM | BTS | BWG | CEN | CENTEL | CFRESH | CGH | CHEWA | CIG |
| CIMBT | CM | COM7 | CPALL | CPF | CPI | CPN | CSC | DCC | DEMCO | DIMET |
| DRT | DTAC | DTC | EASTW | ECL | EGCO | FE | FNS | FSS | GBX | GC |
| GCAP | GEL | GFPT | GGC | GJS | GOLD | GPSC | GSTEEL | GUNKUL | HANA | HARN |
| HMPRO | HTC | ICC | IFS | INET | INSURE | INTUCH | IRPC | IVL | K | KASET |
| KBANK | KBS | KCAR | KCE | KGI | KKP | KSL | KTB | KTC | KWC | L&E |
| LANNA | LHK | LPN | LRH | M | MAKRO | MALEE | MBAX | MBK | MBKET | MC |
| MCOT | MFC | MINT | MONO | MOONG | MSC | MTI | NBC | NINE | NKI | NMG |
| NNCL | NSI | OCC | OCEAN | OGC | PAP | PATO | PB | PCSGH | PDG | PDI |
| PDJ | PE | PG | PHOL | PL | PLANB | PLANET | PLAT | PM | PPP | PPS |
| PREB | PRG | PRINC | PSH | PSTC | PT | PTG | PTT | PTTEP | PTTGC | PYLON |
| Q-CON | QH | QLT | QTC | RATCH | RML | S & J | SABINA | SAT | SC | SCB |
| SCC | SCCC | SCG | SCN | SE-ED | SELIC | SENA | SGP | SIRI | SIS | SITHAI |
| SMIT | SMK | SMPC | SNC | SNP | SORKON | SPACK | SPC | SPI | SPRC | SRICHA |
| SSF | SSI | SSSC | SST | STA | SUSCO | SVI | SYNTEC | TASCO | TCAP | TFG |
| TFI | TFMAMA | THANI | THCOM | THIP | THRE | THREL | TIP | TIPCO | TISCO | TKT |
| TMB | TMD | TMILL | TMT | TNITY | TNL | TNP | TNR | TOG | TOP | TPA |
| TPCORP | TRU | TRUE | TSC | TSTH | TTCL | TU | TVD | TVI | TWPC | U |
| UBIS | UEC | UKEM | UOBKH | VGI | VIH | VNT | WACOAL | WHA | WICE | WIIK |
| DECLARED | | | | | | | | | | |
| 2S | ABICO | AF | AI | AIRA | ALT | AMA | AMARIN | AMATA | ANAN | B |
| BM | BPP | BUI | CHG | CHO | CHOTI | CHOW | CI | CMC | COL | DDD |
| DELTA | EFORL | EPCO | ESTAR | ETE | FPI | FTE | ICHI | INOX | IRC | ITEL |
| JAS | JSP | JTS | KWG | LDC | LIT | META | MFEC | MPG | NEP | NOK |
| NWR | ORI | PRM | PSL | ROJNA | RWI | SAAM | SAPPE | SCI | SEOIL | SHANG |
| SKR | SPALI | STANLY | SYNEX | TAE | TAKUNI | TMC | TOPP | TPP | TRITN | TVO |
| UV | UWC | WHAUP | XO | YUASA | ZEN | | | | | |

| Level | |
|-----------|---|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) |

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

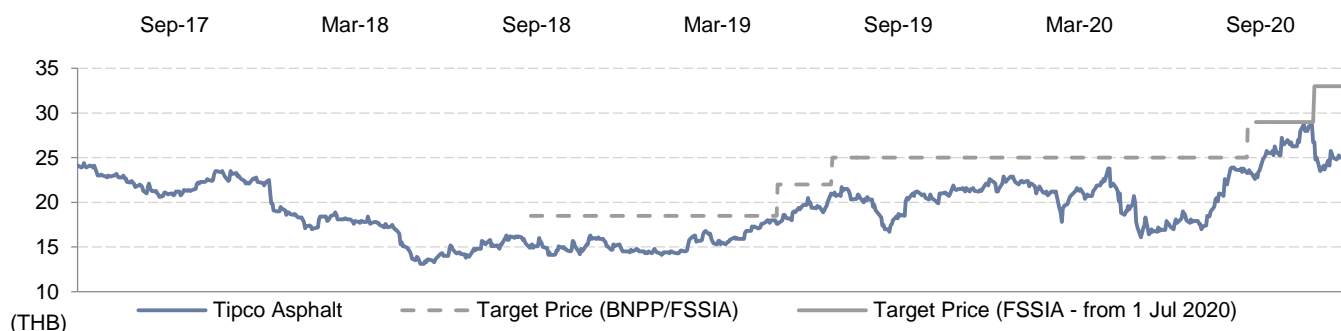
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History of change in investment rating and/or target price

Tipco Asphalt (TASCO TB)



| Date | Rating | Target price | Date | Rating | Target price | Date | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 09-Oct-2018 | BUY | 18.50 | 25-Jun-2019 | BUY | 25.00 | 29-Jun-2020 | BUY | 29.00 |
| 09-May-2019 | BUY | 22.00 | 16-Jun-2020 | BUY | 29.00 | 11-Aug-2020 | BUY | 33.00 |

Suwat Sinsadok started covering this stock from 09-Oct-2018

Price and TP are in local currency

Source: FSSIA estimates

| Company | Ticker | Price | Rating | Valuation & Risks |
|---------------|----------|-----------|--------|--|
| Tipco Asphalt | TASCO TB | THB 23.90 | REDUCE | Upside risks to our call include 1) a rising asphalt margin due to a tighter supply in Asia on the back of a higher number of upgrading refinery units to convert fuel oil and asphalt into diesel and gasoline products with better margins; and 2) a faster and higher-than-expected supply of alternative crudes and asphalt. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

All share prices are as at market close on 11-Sep-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.