

29 DECEMBER 2020

THAILAND / OIL & GAS

SUSCO SUSCO TB

BUY

TARGET PRICE	THB4.00
CLOSE	THB2.86
UP/DOWNSIDE	+39.9%
TP vs CONSENSUS	+25.0%

เล็กแต่เร็ว

ผู้เล่นขนาดเล็กแต่เคลื่อนไหวเร็วในธุรกิจสถานีบริการน้ำมัน

SUSCO ก่อตั้งในปี 1977 บริษัทเป็นผู้ค้าน้ำมันในประเทศไทย กิจการประกอบด้วย 3 ธุรกิจหลัก กล่าวคือ สถานีบริการน้ำมัน การค้าน้ำมันเครื่องบิน และการส่งออกน้ำมันไปยังประเทศเพื่อนบ้าน ประกอบด้วย เขมร พม่า ลาว และจีนตอนใต้ ในปี 2012 SUSCO ขยายธุรกิจผ่านการควบรวมกิจการ โดยบริษัท ได้ซื้อกิจการ Petronas ในประเทศไทย อันประกอบด้วยสถานีบริการน้ำมันและธุรกิจค้าน้ำมันเครื่องบิน ในฐานะที่บริษัท เป็นผู้เล่นรายเล็กที่สุดในตลาด สถานีบริการน้ำมันในประเทศไทยด้วยส่วนแบ่งตลาดเพียง 3.3% ในด้านปริมาณขายใน 3Q20 SUSCO เลือกใช้กลยุทธ์ที่มีประสิทธิภาพในการอยู่รอดและรักษาการเติบโตทางธุรกิจในตลาดที่มีการแข่งขันสูง ซึ่งผู้เล่นรายใหญ่เป็นผู้กำหนดตลาด

กำไรโตดีจากพอร์ตที่มีการกระจายความเสี่ยงดี

เราคาดว่ากำไรปกติของบริษัท จะโตในอัตรา 18.3% CAGR ในช่วงปี 2019-22 โดยเพิ่มจาก 210 ลบ. ในปี 2020 เป็น 348 ลบ. ในปี 2022 ในความเห็นของเรา ปัจจัยบวกสำคัญอยู่ที่โอกาสที่ความต้องการจะฟื้นตัวในธุรกิจค้าปลีก การบิน และส่งออก โดยเราคาดว่าอัตราการเติบโตเฉลี่ยของปริมาณขายรวมในปี 2020-22 ของธุรกิจทั้ง 3 ของ SUSCO กล่าวคือ ค้าปลีก น้ำมันอากาศยาน และส่งออกน้ำมัน จะอยู่ที่ 4.7% ในช่วง 3 ปี จากกลยุทธ์ใหม่ของบริษัท ในการขยายสถานีบริการน้ำมัน เราคาดว่าธุรกิจค้าปลีกจะโตในอัตรา 1.5% CAGR จากปริมาณขายปลีกต่อปี ซึ่งคิดเป็นกำไร 120-150 ลบ. ต่อปีในช่วง 2020-22 (เพิ่มจาก 101 ลบ. ในปี 2019)

Upsides จากธุรกิจการบินและส่งออก

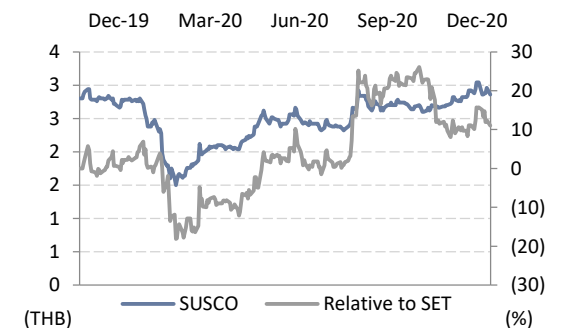
เราคาดว่าปริมาณน้ำมันอากาศยานของ SUSCO จะลดลง 50% y-y เหลือ 205 ล้านลิตรในปี 2020 แต่จะเพิ่มขึ้น 18.2% CAGR ในช่วง 2020-22 ซึ่งจะผลักดันให้กำไรสุทธิจากธุรกิจน้ำมันอากาศยานเพิ่มจาก 68 ลบ. ในปี 2018 เป็น 100 ลบ. ในปี 2022 ในอดีตธุรกิจการบินถูกผลักดันโดยปริมาณน้ำมันอากาศยานที่เพิ่มขึ้น (5.5% CAGR ในช่วงปี 2014-18) และบริการเติมน้ำมันอากาศยาน (8.7% CAGR ในช่วงปี 2014-18) โดย BAFS หลังการแพร่ระบาดของ COVID โดยนับตั้งแต่ปี 2021 เป็นต้นไป เราคาดว่าความต้องการที่เพิ่มขึ้นของบริการเติมน้ำมันอากาศยานจะให้ปริมาณขายที่สูงขึ้นแก่ธุรกิจน้ำมันอากาศยานของ SUSCO

เริ่มรายงานด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 4.0 บาท

เราเริ่มรายงาน SUSCO ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 4.0 บาท (SOTP) ราคาดังกล่าวใช้สมมติฐานค่า 2021E P/E ที่ 15x คิดเป็นส่วนลด 41% จากค่าเฉลี่ยของคู่แข่งในภูมิภาคและในประเทศ เนื่องจากบริษัท มีขนาดเล็กในอุตสาหกรรมนี้ (ส่วนแบ่งตลาด 3.3%) เราเห็นโอกาสที่ SUSCO จะโตได้จาก 1) คาดการณ์อัตราเติบโตของกำไรที่ดีของบริษัท ที่ 18.3% CAGR ในช่วงปี 2019-22 เทียบกับค่าเฉลี่ยของบริษัทอื่นในกลุ่มที่ 7%; และ 2) คาดการณ์ผลตอบแทนจากอัตราส่วนของผู้ถือหุ้นของ SUSCO ที่กำลังเพิ่มขึ้น โดยอยู่ที่ 4.8-6.2% ในช่วงปี 2020-22

KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	27,733	26,093	27,904	31,255
Net profit	388	210	301	348
EPS (THB)	0.35	0.19	0.27	0.32
vs Consensus (%)	-	-	(12.9)	(1.5)
EBITDA	337	142	255	300
Core net profit	388	210	301	348
Core EPS (THB)	0.35	0.19	0.27	0.32
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	36.8	(46.0)	43.5	15.5
Core P/E (x)	8.1	15.0	10.4	9.0
Dividend yield (%)	-	-	-	2.8
EV/EBITDA (x)	9.7	14.1	6.8	4.7
Price/book (x)	0.9	0.6	0.6	0.5
Net debt/Equity (%)	3.8	(22.6)	(26.0)	(29.7)
ROE (%)	10.8	4.8	5.7	6.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.9	5.9	2.1
Relative to country (%)	1.8	(7.9)	11.0
Mkt cap (USD m)	95		
3m avg. daily turnover (USD m)	0.2		
Free float (%)	62		
Major shareholder	Mr. Mongkol Simaraj (14%)		
12m high/low (THB)	3.10/1.50		
Issued shares (m)	1,100.01		

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 29 ธันวาคม 2020

Investment thesis

We project recurring earnings growth of 18.3% CAGR from 2019-2022, rising from THB210m in 2020 to THB348m in 2022. The key drivers, in our view, are the potential demand recoveries for the retail, aviation, and export businesses. We project the 2020-22 total sales volume growth for SUSCO's three business units – retail, jet oil, and oil exports – to average 4.7%.

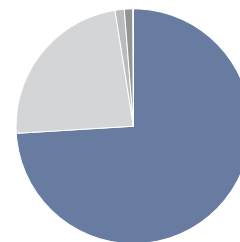
Company profile

SUSCO is one of Thailand's gas station operators with most of its stations located in Bangkok and vicinity area. It also sells jet fuel which accounts for around one-third of its total annual sales volume.

www.susco.co.th

Principal activities (revenue, 2019)

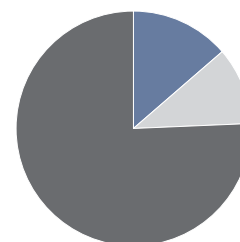
- Sales in Thailand - 74.0 %
- Sales in Cambodia - 23.4 %
- Sales in Myanmar - 1.3 %
- Sales in Laos - 1.2 %
- Sales in China - 0.1 %



Source: Susco

Major shareholders

- Mr. Mongkol Simaraj - 13.7 %
- Mr. Chalermchai Mahagitsiri - 10.7 %
- Others - 75.7 %



Source: Susco

Catalyst

Key potential net profit catalysts include 1) demand recoveries for jet fuel and oil in export markets, particularly in ASEAN; and 2) improving EBITDA from non-oil businesses, such as the convenience store and food & beverage segments.

Risk to our call

The downside risks to our SOTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) a lower marketing margin; and 3) weaker-than-expected jet fuel demand.

Event calendar

Date	Event
Feb 2021	2020 results announcement

Key assumptions

	2020E	2021E	2022E
Dubai oil price (USD/bbl)	43	53	53
Marketing margin (retail) (THB/litre)	1.9	1.9	1.9
Marketing margin (jet) (THB/litre)	0.2	0.2	0.2
Marketing margin (export) (THB/litre)	0.5	0.5	0.5
Marketing margin (wholesale) (THB/litre)	1.0	1.0	1.0
Sales volume (retail) (m litres)	423	436	449
Sales volume (jet) (m litres)	205	266	399
Sales volume (export) (m litres)	476	481	485

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in marketing margin, we estimate 2021 earnings will rise by 4.3%, and vice versa, all else being equal.

Source: FSSIA estimates

Background

SUSCO, established in 1977, is an oil trading company in Thailand with three key businesses: retail fuel stations, jet fuel sales, and oil exports to neighbouring countries, including Cambodia, Myanmar, Laos and southern China.

SUSCO was listed on the Stock Exchange of Thailand (SET) in 1990. In 2012, SUSCO expanded its business via M&A by acquiring Petronas Retail (Thailand) Co., Ltd's assets in Thailand, which included its oil stations and jet trading business. These assets included 1) 96 service oil stations with locations mostly in Bangkok and the vicinity; 2) an aviation business which was initially partnered with Malaysian Airlines (the agreement with Malaysian Airlines has been terminated already); and 3) a 2% market share of Bangkok Aviation Fuel Service (BAFS TB, not rated)'s jet refuelling business – a major fuel service provider serving the two key airports of Suvarnabhumi (BKK) and Don Mueang (DMK).

As the smallest player in Thailand's retail oil station market with a 3.3% share by sales volume in 3Q20, SUSCO has adopted an effective strategy to survive and sustain its business growth over the past 30 years in the intensely competitive market environment where major players exist.

Exhibit 1: Key events

Year	Activities
1977	Founded to render marine transportation services to large petrol companies in Thailand
1985	Received a license from the Ministry of Commerce to operate an oil trading business
1988	Signed an agreement with Mobil (Thailand) to expand its petrol stations under the "Mobil" trademark
1990	Became a public company and was listed on the Stock Exchange of Thailand (SET) with an initial registered and paid-up capital of THB280 million, which has increased to THB1,100 million
1993	Terminated trademark rights with Mobil and converted to "SUSCO"
2007	SUSCO acquired 24 TPI branded petrol stations SUSCO managed about 142 stations
2009	Partnership with PTT in terms of NGV retail business Started to export petroleum products to neighbouring countries
2012	Acquired 96 service stations from PETRONAS with an investment amount of USD46 million Changed name to "SUSCO Dealer Co., Ltd."
2015	Renovated and renamed all PETRONAS stations to "SUSCO"
2017	Awarded franchise rights to run Lawson 108 in Thailand
Present	SUSCO operates 240 oil stations in Thailand, 23 LPG & NGV stations and 32 Lawson stores

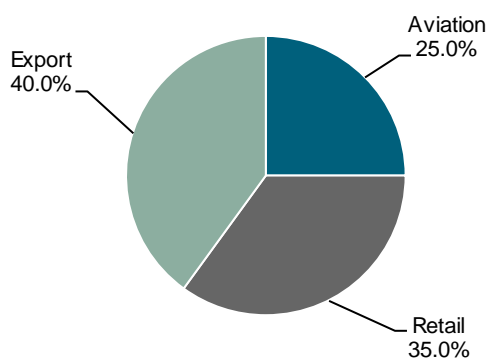
Source: SUSCO

Revenue structure

To differentiate itself from other oil trading companies, SUSCO generates revenue from three major sources:

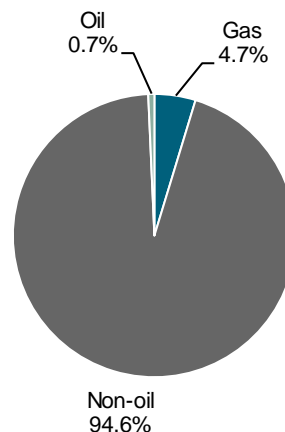
- 1) Its retail, or service station, business accounted for 35% of its total sales volume and generated a net profit of THB0.23/litre (the highest margin among SUSCO's three business units) in 2019, based on our estimate;
- 2) Its jet oil, or aviation trading business, accounted for 25% of its total sales volume and generated a THB 0.21/litre net margin in 2019;
- 3) Its oil exports, including its wholesale business, accounted for 40% of its total sales volume and generated THB 0.20/litre (the lowest net margin).

Exhibit 2: SUSCO's 2019 revenue by business unit



Source: SUSCO

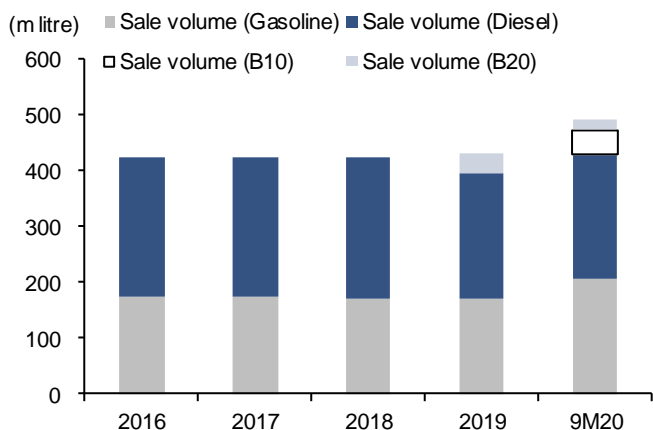
Exhibit 3: SUSCO's retail business breakdown in 2019



Source: SUSCO

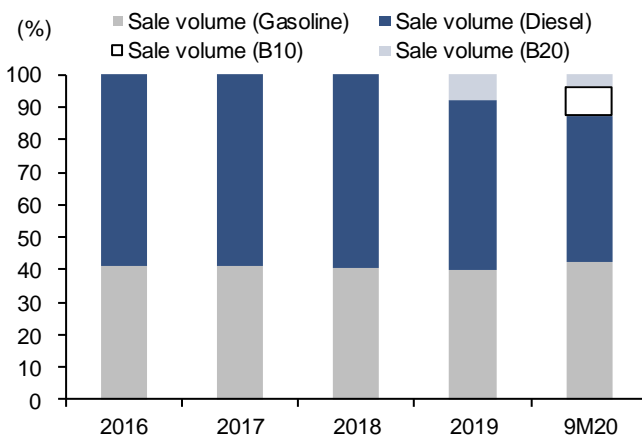
Business #1: Retail business. The key business for SUSCO is its retail business, thanks to its highest net margin and the growth potential of the oil and non-oil businesses. As of Sep-20, SUSCO owned 240 petrol stations in Thailand with 35% of its total stations, or 85 stations, located in Bangkok.

Exhibit 4: Retail sales volume breakdown



Source: SUSCO

Exhibit 5: Retail sales volume breakdown (%)



Source: SUSCO

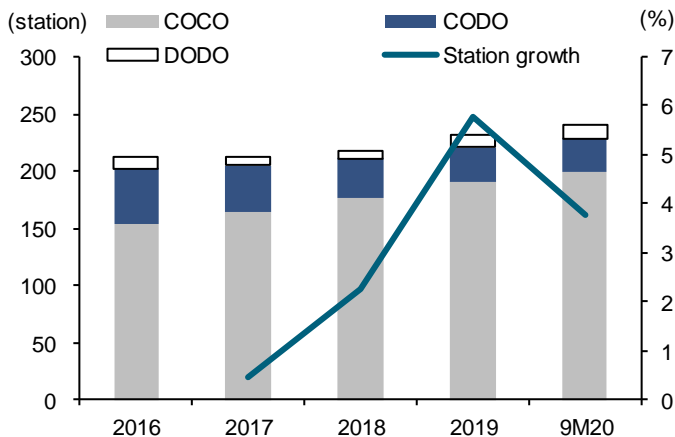
As of Sep-20, SUSCO's stations can be categorized into three different business models: company-owned, company-operated (COCO), dealer-owned, dealer-operated (DODO) and company-owned, dealer-operated (CODO).

#1: COCO. 83% of SUSCO's petrol stations (199 stations) are COCO. 70% of the total COCO station assets are owned by SUSCO, and all of these 140 stations are located on SUSCO's own land holdings. The remaining 30% are on long-term lease, with over 10-year contract lifespans. Given the small sizes and lower reliability for DODO stations, the company has had to expand the number of its oil stations via the COCO business model.

#2: CODO. CODO stations accounted for 12.5% of SUSCO's total petrol stations (30 stations) as of 2Q20. Some of its CODO stations are acquired stations from the 96 total stations it acquired from Petronas and Universal Asset Co., Ltd. in 2012. SUSCO's strategy is to convert CODO stations into COCO if the dealers lack the ability to operate competitively, resulting in a decline in the number of CODO stations from 38 in 2018 to 30 at end-2Q20.

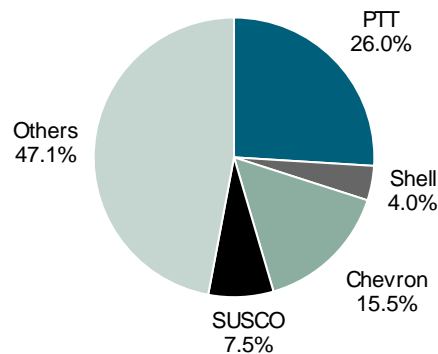
#3: DODO. Only 4.5% of SUSCO's oil stations (11 stations) are DODO, given their small size and SUSCO's relatively weaker-than-peers' brand recognition.

Exhibit 6: Number of oil stations – breakdown by operator and station growth



Source: SUSCO

Exhibit 7: Market share of gasoline 95 sold by Thai petrol station companies in 2019



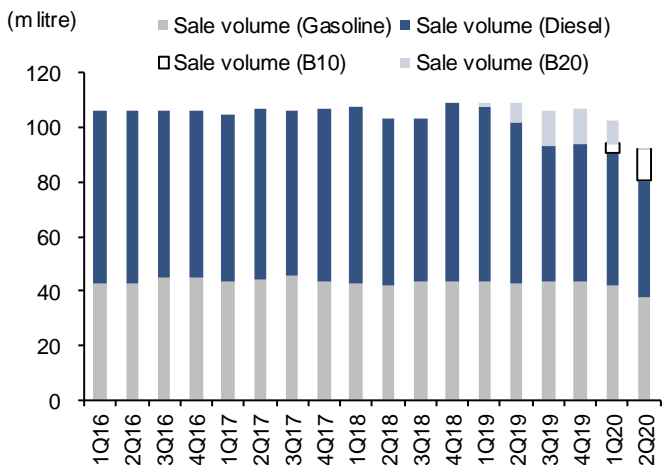
Source: SUSCO

Oil station product mix

SUSCO’s revenue and profits have been driven by the sales volumes of 1) high-speed diesel fuel; 2) high-speed diesel B20; 3) gasoline (octane 95); 4) gasoline (octane 91); 5) gasohol 95; and 6) others consisting of gasohol 91, gasohol E20, gasohol E85, lubricating oil, LPG, NGV and bunker oil.

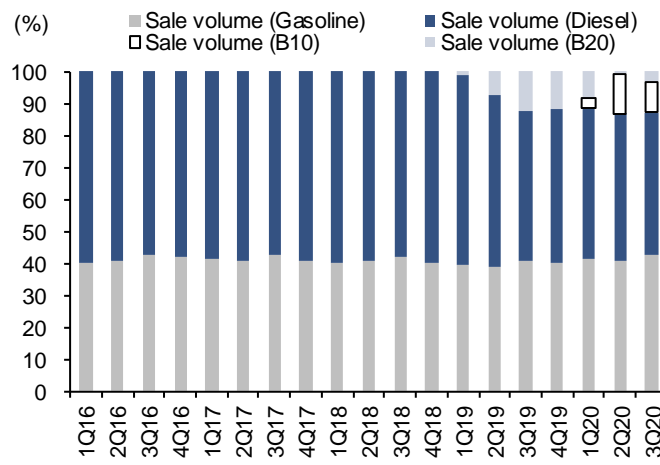
Retail #1: Oil stations. Aside from PTT (PTT TB, BUY, TP THB60) and Chevron, SUSCO sold the highest quantity of gasoline 95. SUSCO had a gasoline sales volume of 172.05m litres/year in 2019 with a market share of 7.5% of the gasoline market. Also, gasoline provides a high marketing margin (MM) of THB2.73 per litre compared with other types of oil, for which the MM is normally lower than THB2 per litre.

Exhibit 8: Retail sales volume breakdown



Source: SUSCO

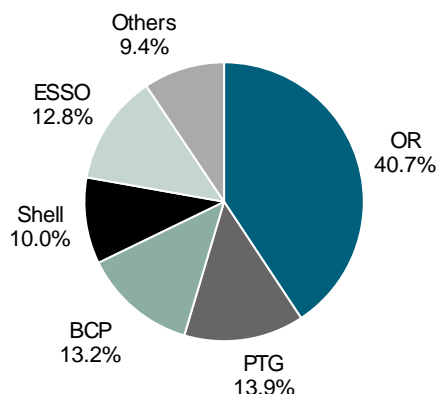
Exhibit 9: Retail sales volume breakdown (%)



Source: SUSCO

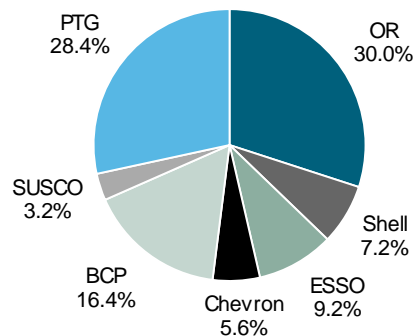
SUSCO also sold high-margin B20, a blend of 80% diesel and 20% methyl ester, or B100 fuel, with a sales volume of 34.03m litres in 2019, and is currently available in its 124 stations nationwide. SUSCO also sells B10 and B7 for vehicles that cannot consume B20. However, in 1H20 SUSCO’s sales of B20 dropped sharply due to the nation’s lockdown as a result of the COVID-19 outbreak and the government’s promotion of B10 as a new diesel-based fuel to gradually replace B7.

Exhibit 10: Retail market share – breakdown by sales volume as of 3Q20



Source: PTG

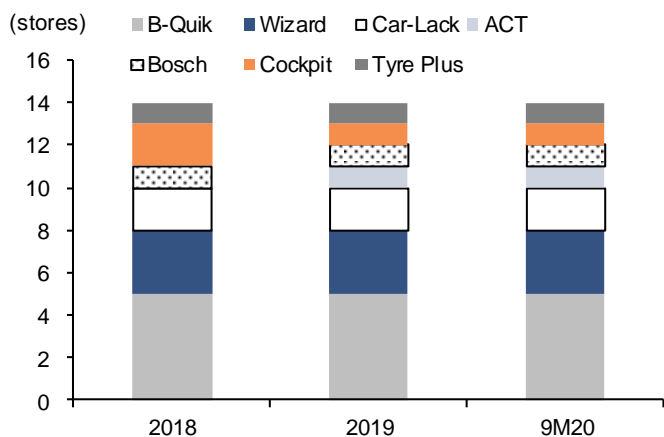
Exhibit 11: Oil stations – breakdown by major players in Thailand as of 3Q20



Source: DOEB

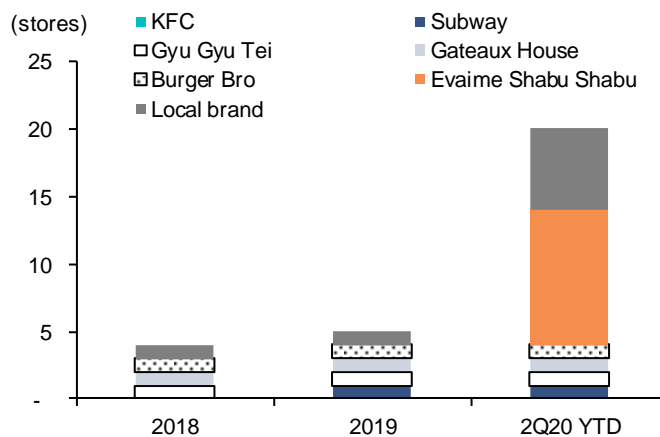
Retail #2: Non-oil businesses. Given SUSCO's lower cost structure of THB1/litre vs THB1.4-1.7/litre for other local competitors, based on our estimate, we think SUSCO's non-oil businesses could provide a net profit upside to the company. In 2019, the non-oil unit generated an estimated revenue of THB200m, or only 0.7% of its total revenue in 2019, but generated strong EBITDA of THB43m, or 3% of its total EBITDA, thanks to the higher gross margins for non-oil products. Non-oil businesses also created a more comprehensive range of services in SUSCO's petrol stations, attracting more clients.

Exhibit 12: Rental area for car services



Source: SUSCO

Exhibit 13: Rental area for restaurants



Source: SUSCO

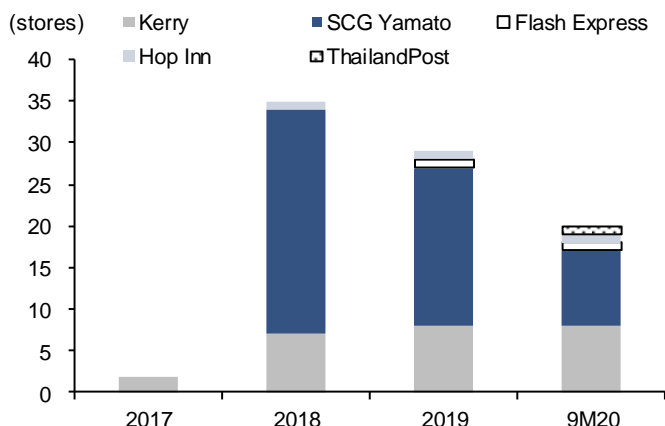
SUSCO's non-oil businesses are divided into three main segments: 1) rental areas; 2) convenience stores (CVS); and 3) coffee shops. Liquefied petroleum gas (LPG) and natural gas for vehicle (NGV) sales make up 4.7% of SUSCO's retail business.

Non-oil #1: Rental areas. Rental space contributed the highest amount of revenue from SUSCO's non-oil businesses at THB90m in 2019. Rental areas can be categorized into three non-businesses:

- 1) 50% of its rental income comes from car care services which require large areas, and SUSCO plans to reduce the proportion of its car care services for other non-oil businesses.
- 2) Local restaurants operating in 10-20 of SUSCO's stations are considered as part of its rental income. Also, many well-known fast food stores, such as KFC or Subway have opened in SUSCO's stations in Bangkok.

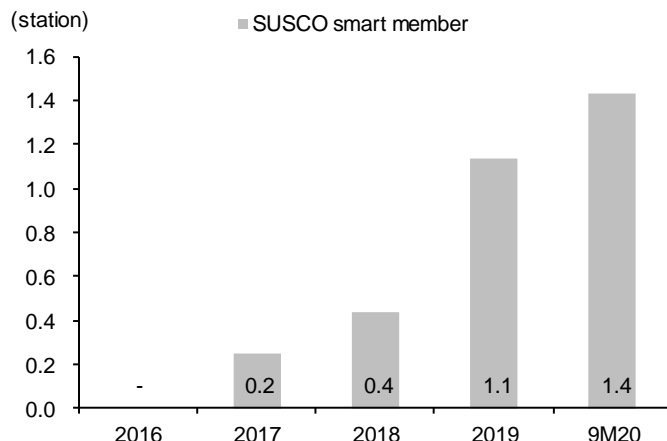
3) SUSCO plans to utilize its land for other rental businesses. For example, it has constructed a 40sqm rental area for digital broadcasting that opened at its first station on Vibhavadi-Rangsit Road in Oct-19.

Exhibit 14: Rental area for others



Source: SUSCO

Exhibit 15: Number of SUSCO smart members

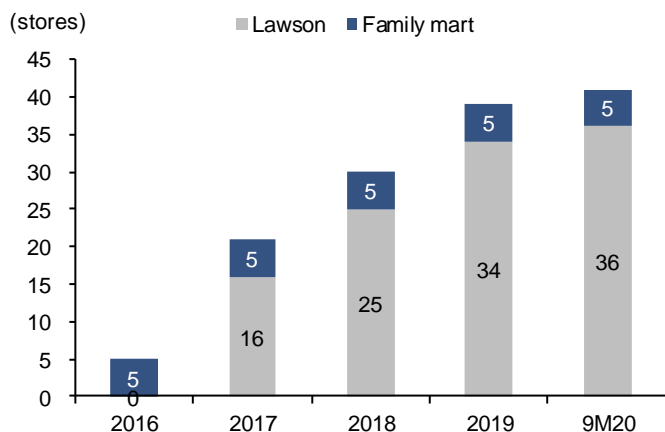


Source: SUSCO

Non-oil #2: Convenience stores (CVS). The second most important non-oil business for SUSCO is CVS. SUSCO has prioritized Lawson 108 by buying a franchise license. According to management, after the franchise began operating at its oil stations, it resulted in a 5-6% increase in its oil sales volume as of end-2019. Currently, SUSCO runs 36 Lawson 108 branches out of a 100-branch target for Thailand, accounting for 32% of Lawson’s new stores in 2019. This reflects SUSCO’s strategy to grow the number of Lawson CVS’ along with its oil stations.

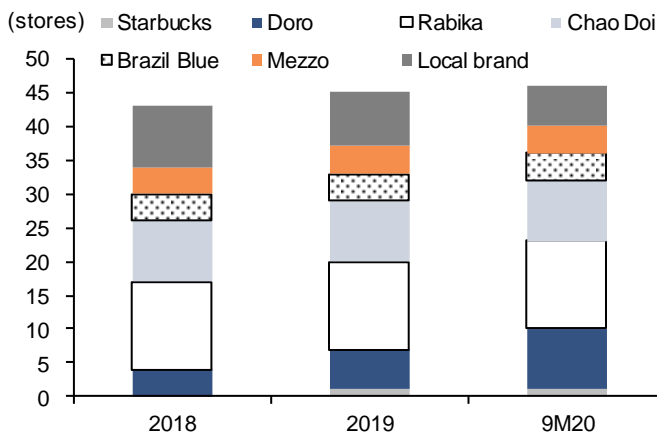
“@mart”, acquired via the acquisition of Petronas, currently operates three stores in SUSCO’s oil stations. SUSCO plans to maintain the three @mart stores since it is prioritizing its Lawson 108 store expansion. Lastly, SUSCO signed a contract with Family Mart and has already opened five stores at SUSCO’s service stations as of 2Q20.

Exhibit 16: Number of convenience stores



Source: SUSCO

Exhibit 17: Number of coffee shops



Source: SUSCO

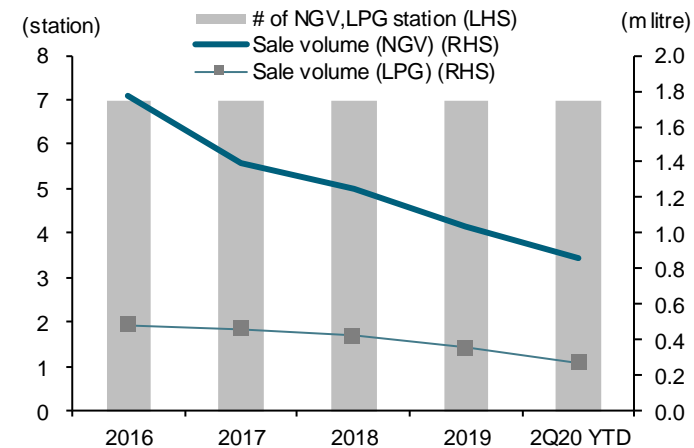
Non-oil #3: Coffee shops. As of 2Q20, SUSCO had 46 coffee shop branches at its service stations, with 29% of the coffee shops (Starbucks, D’oro, and Mezzo) sharing profits with SUSCO. SUSCO plans to increase the proportion of this profit sharing due to the higher profits to be gained. Coffee shops can be classified into two segments: upper tier and lower tier.

Upper tier. Starbucks, D'oro and Mezzo are upper-tier coffee shops focusing on customers in Bangkok. SUSCO plans to further expand this tier given the higher traffic and coffee sales volumes, especially for D'oro (after terminating its contract with Esso).

Lower tier. Chao Doi and Rabika operating at eight and 13 branches, respectively, are lower-tier coffee shops serving minor roads and rural areas.

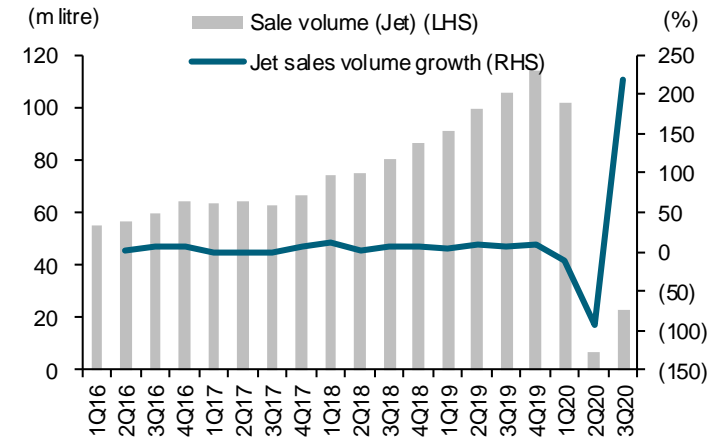
Non-oil #4: LPG & NGV. SUSCO owns and operates seven LPG stations, situated in the same area with its oil stations, as of 2Q20. The company has no plan to focus on LPG or NGV expansions, due to their low margins. LPG and NGV sales account for 4.7% of SUSCO's total retail business.

Exhibit 18: Number of NGV and LPG stations, sales volume for NGV, sales volume for LPG



Source: SUSCO

Exhibit 19: Jet sales volume

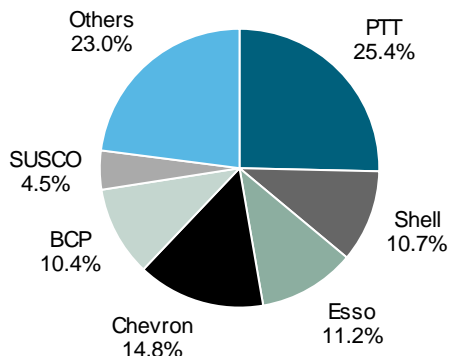


Source: SUSCO

Business #2: Jet oil business. While SUSCO's jet oil business produces the second-lowest estimated net profit per litre at THB0.20, this business unit generated the highest sales volume growth of 29% y-y in 2019. SUSCO has an aviation market share of 5%, covering most of the low cost airlines like Air Asia under Asia Aviation (AAV TB, BUY, TP THB3.4) and Lion Air, at BKK and DMK airports. Initially, SUSCO entered into this business by acquiring Petronas as well as a 2% stake in BAFS, Thailand's largest aircraft fueling service provider. According to management, the strength in SUSCO's jet oil business is that it provides a better service than international companies because it can provide immediate after-sales services.

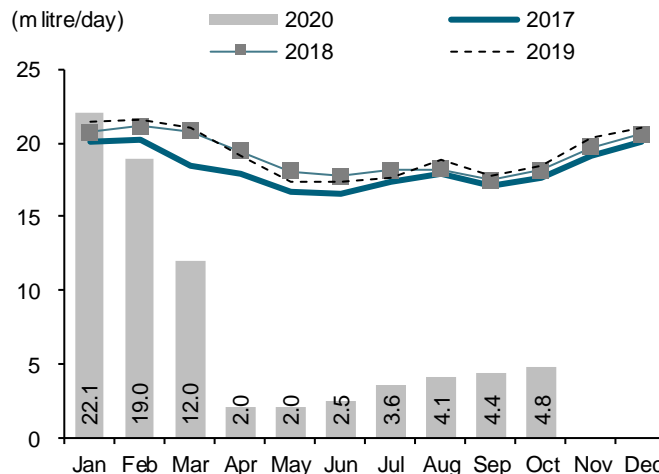
However, since 1Q20 Thailand's jet demand collapsed due to the nation's lockdown as a result of the COVID-19 outbreak, leading to SUSCO's jet sales plunging significantly in 2Q20 and recovering by 219% q-q to 22.6m litres in 3Q20, but still posting a 78.6% y-y drop as the ban on international flights has continued. We think the jet demand is unlikely to recover to its pre-COVID level (2019) until at least 3Q21 when we expect the international flight ban to be lifted.

Exhibit 20: Jet oil market share among Thai oil trading companies in 2019



Sources: SUSCO

Exhibit 21: Thailand's jet oil sales volume

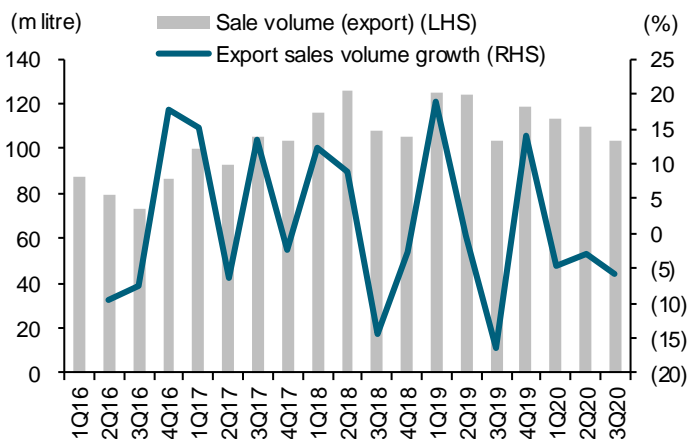


Sources: Department of Energy Business (DOEB)

Business #4: Export business. In 2019, exports and wholesales grew 28% y-y and 4%, respectively. Exports accounted for 34% of the total sales volume, 6% of which came from of wholesales. The total oil volume exported by SUSCO was 471m litres in 2019.

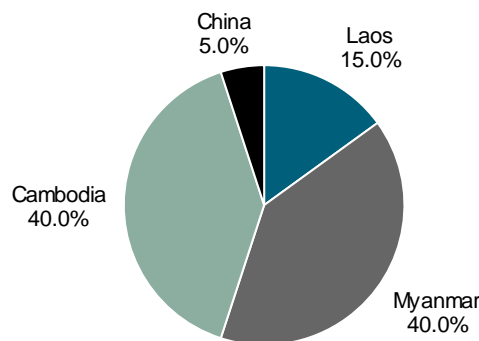
In 2020, we estimate the export sales volume to drop, resulting a net profit contribution estimate of THB60m, down from THB111m in 2019. As a result, we project the net profit from exports to be lower than the retail net profit (THB120m) in 2020, given the slower sales volume growth due to the COVID-19 outbreak.

Exhibit 22: Export sales volume and volume growth



Source: SUSCO

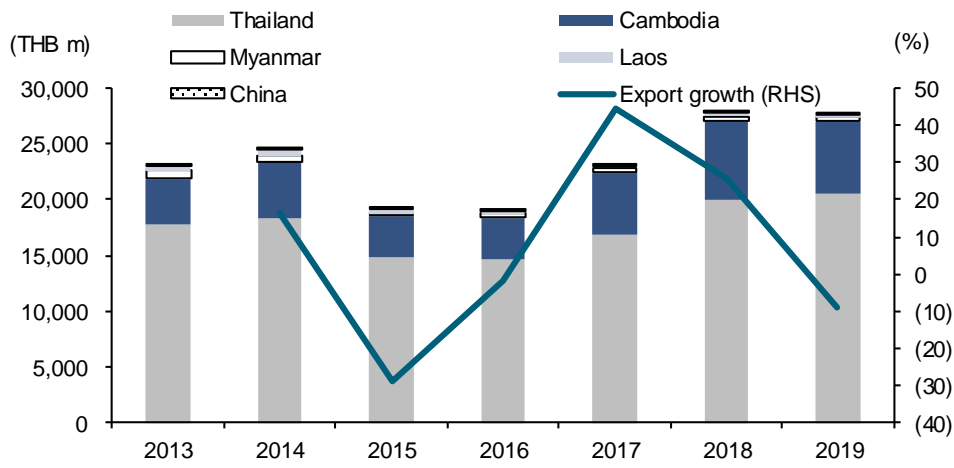
Exhibit 23: Export sales volume breakdown by country (2019)



Source: SUSCO

SUSCO exported diesel and gasoline to Cambodia (40% of total sales volume), Myanmar (40% of total sales volume), Laos (15% of total sales volume) and southern China (5% of total sales volume) in 2019. However, it had a lower margin from its export business than its retail business, given the lower selling price that customers were willing to pay vs the retail price in Thailand, as well as the additional freight cost.

Exhibit 24: SUSCO's revenue breakdown by geographical segment

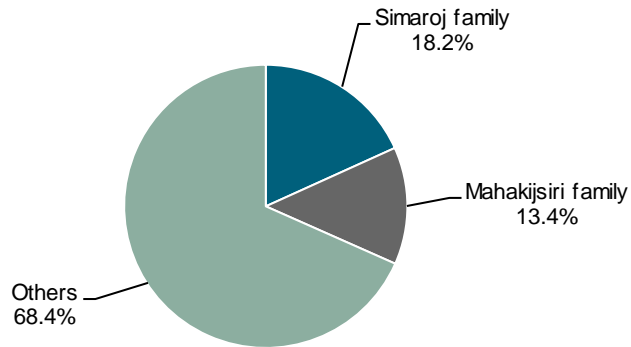


Source: SUSCO

Shareholder structure

Listed on the SET since 1990, SUSCO had a total of 1.1b shares outstanding as of 3Q20. The largest shareholder is the Simaroj family, of which Mr. Mongkol Simaroj, SUSCO's founder, holds 13.7% of total shares. Despite less than one-third of the total shares being held by the Simaroj and Mahakitsiri family, they have control over SUSCO's operations and management.

Exhibit 25: SUSCO's shareholder structure



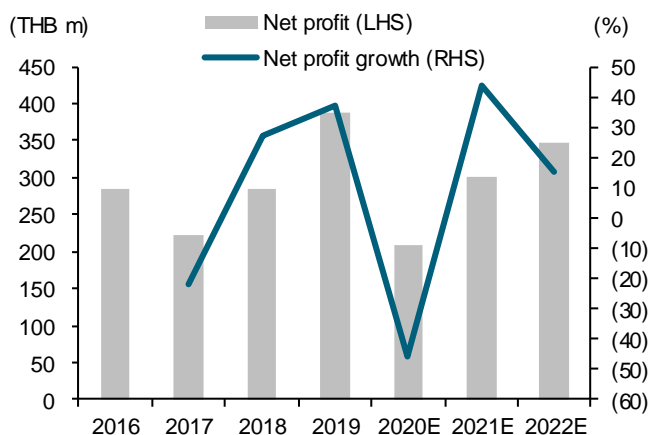
Source: SUSCO

Outlook

Growth drivers

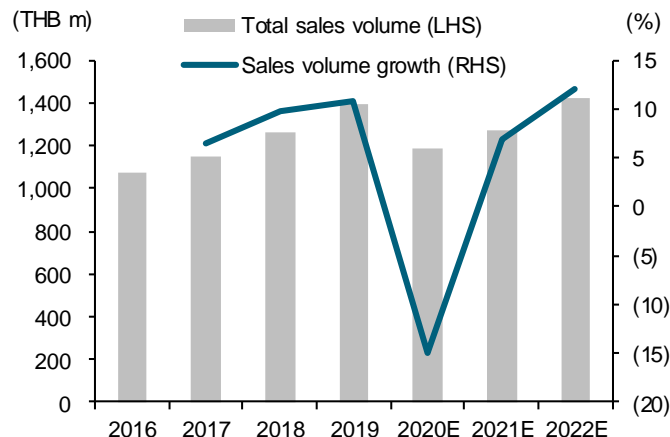
We project recurring earnings growth of 18.3% CAGR during 2019-22, rising from THB210m in 2020 to THB348m in 2022. The key drivers, in our view, are the potential demand recoveries for the retail, aviation, and export businesses. We project the 2020-22 total sales volume growth for SUSCO's three business units – retail, jet oil, and oil exports – to average 4.7% over three years.

Exhibit 26: Net profit and net profit growth



Sources: SUSCO; FSSIA estimates

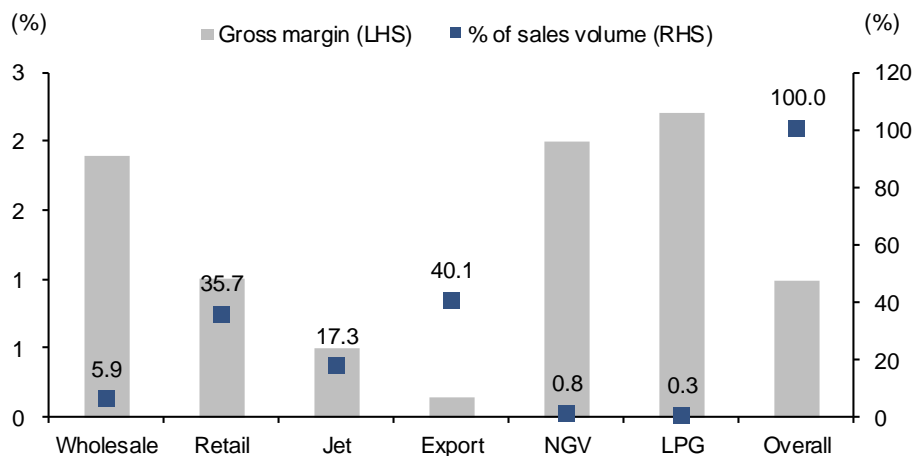
Exhibit 27: Total sales volume and sales volume growth



Sources: SUSCO; FSSIA estimates

Driver #1: New retail business growth. Given its new strategy to expand its petrol stations, we project its retail business to grow at 1.5% CAGR from its annual retail sales volumes, contributing earnings of THB120m-150m annually in 2020-22, up from THB101m in 2019.

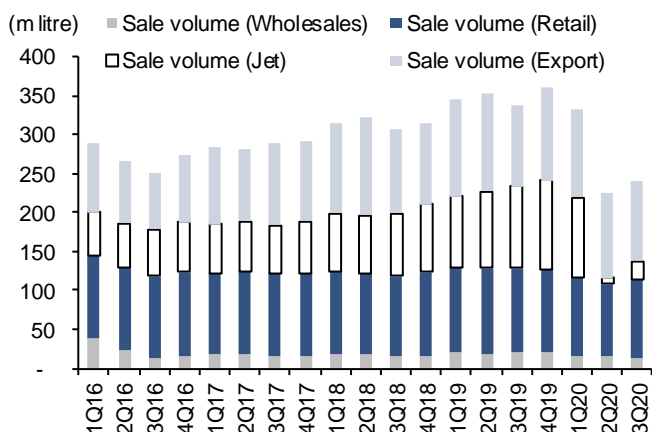
Exhibit 28: Gross margin and % of sales volume – breakdown by business segment (2020E)



Sources: SUSCO; FSSIA estimates

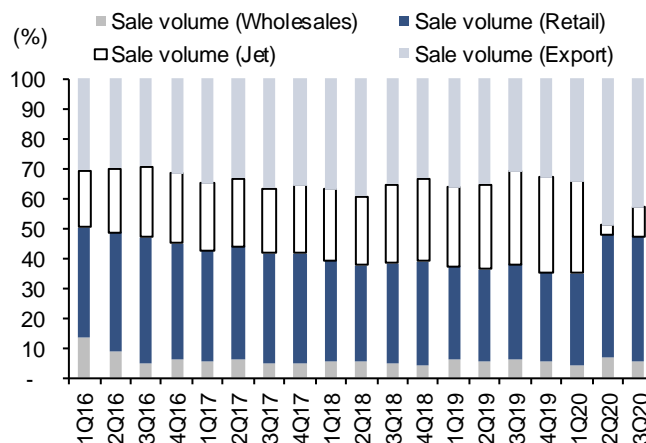
Despite comprising 35.7% of its total sales volume, the retail business is the most important unit for SUSCO, in our view, due to its highest margin. We project that by 2020 the net profit generated from its retail business will exceed its export business, despite its significantly lower sales volume proportion.

Exhibit 29: Oil sales volume breakdown



Source: SUSCO

Exhibit 30: Oil sales volume breakdown (%)



Source: SUSCO

SUSCO invests THB500-600m annually for its service stations, which is relatively high compared to PTG. This is because SUSCO buys land, whereas PTG focuses on leasing their new oil stations. By 2022, we project that 50% of SUSCO’s investment amount will be for station expansions, with the rest for renovations. The proportion of renovations should decrease gradually over the following years.

We project CAPEX of THB300m annually during 2020-22 since SUSCO plans to establish 20 new stations p.a. at an estimated investment cost of THB15m for each station. Also, its sales volume per station growth of 3.2% CAGR over 2013-2018 is higher than its peers’ average of 1.2% CAGR. This reflects increasing sales volumes per station from investing in expanding its station numbers.

Exhibit 31: Required investment cost for petrol station construction

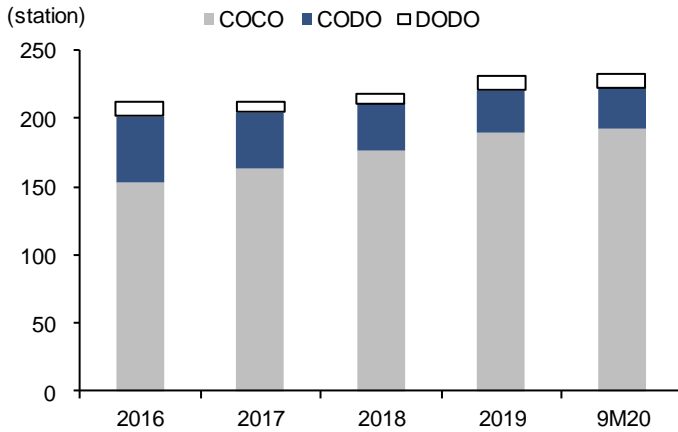
Company	Station size (rai)	CAPEX	Sales volume per station growth (CAGR over 2013-2018)
		(THB m)	(%)
PTT	3-8	18-100	(2.8)
PTG	1-7	1-7	4.2
BCP	1-3	Not disclosed by company	4.6
ESSO	1-4	10-30	(1.1)
SUSCO	2-4	15-20	3.2

Sources: SUSCO; FSSIA estimates

Expansion of station numbers. SUSCO plans to increase the number of its oil stations by 20 stations p.a. and aims to expand from 231 in 2019 to 250 in 2020 and 300 in 2023. In our view, its target is achievable since in 9M20, despite the COVID-19 outbreak and nation’s lockdown, SUSCO was still able to open nine new stations to reach 240 stations.

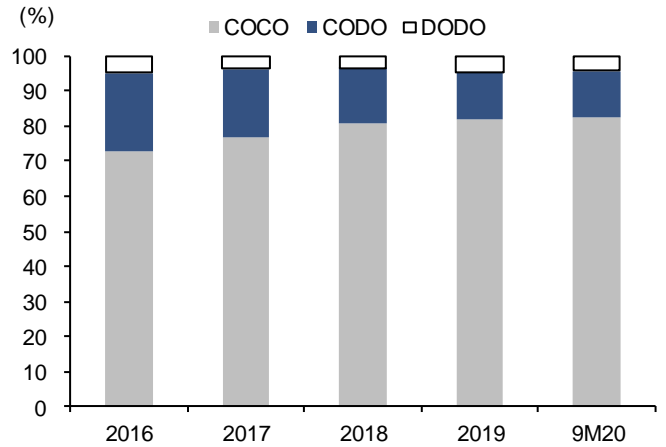
To enhance the success of its new stations, SUSCO’s strategy is to select locations that are not situated on highways or have a large space for potential competitors to construct service stations adjacent to SUSCO. Also, SUSCO’s service stations will be expanded with non-oil businesses to highlight the stations’ one-stop services. In our view, the station expansion is more suitable for SUSCO, as the company realizes its weak position and is developing its strategies.

Exhibit 32: Station breakdown by business model



Source: SUSCO

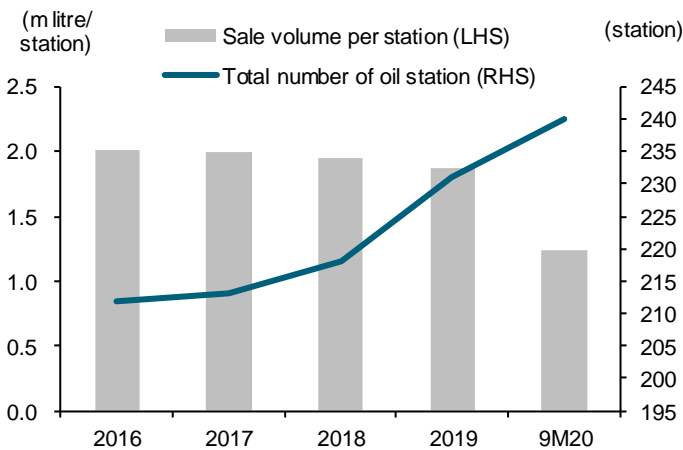
Exhibit 33: Station breakdown by business model (%)



Source: SUSCO

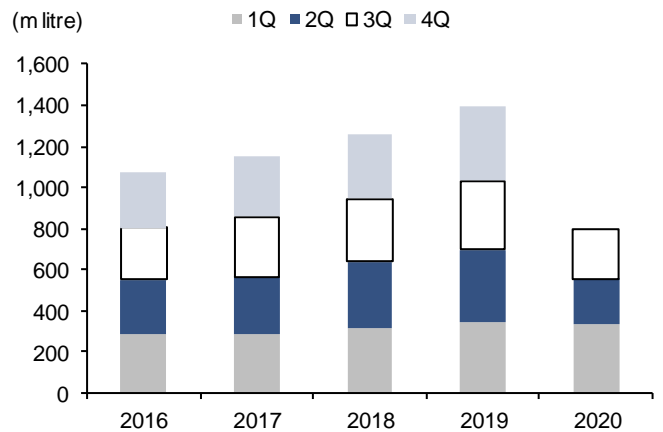
With its selective location strategy, SUSCO should be able to increase its sales volume per station (SVPS) by up to double, from 1.92m litres per year (old stations) to 2.4-3.6m litres per year (new stations). We project the company's annual sales volume growth to be at 1.5% in 2020-22, given its better brand image and higher sales volumes from its new station model.

Exhibit 34: Sales volume per station and total number of oil stations



Sources: SUSCO; FSSIA estimates

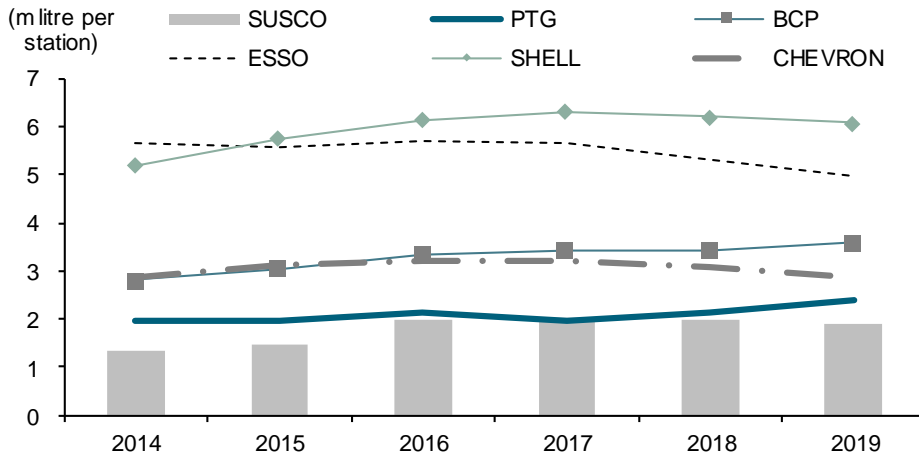
Exhibit 35: Sales volume breakdown by quarter



Sources: SUSCO; FSSIA estimates

Compared to PTG, despite the significant difference in their sizes, SUSCO's 5-year average (2014-2019) SVPS was lower than PTG's (SUSCO's average was 1.49m litres vs PTG's 1.77m litres). While SUSCO, PTG and BCP are showing an increasing trend from the successful expansion of their station numbers, ESSO has been faced with a higher number of stations but unchanged or lower sales volumes.

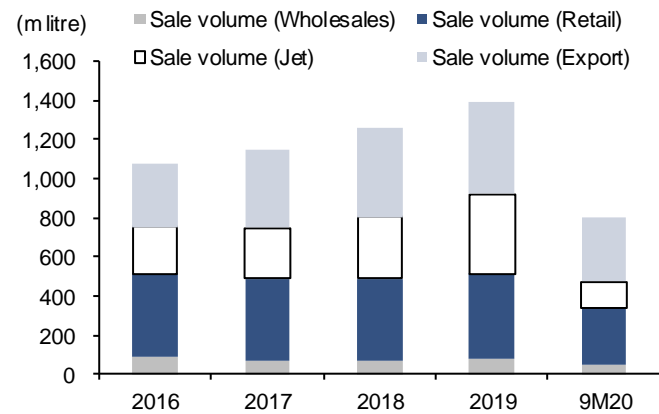
Exhibit 36: Sales volume per station among Thailand's oil station companies



Sources: SUSCO; FSSIA estimates

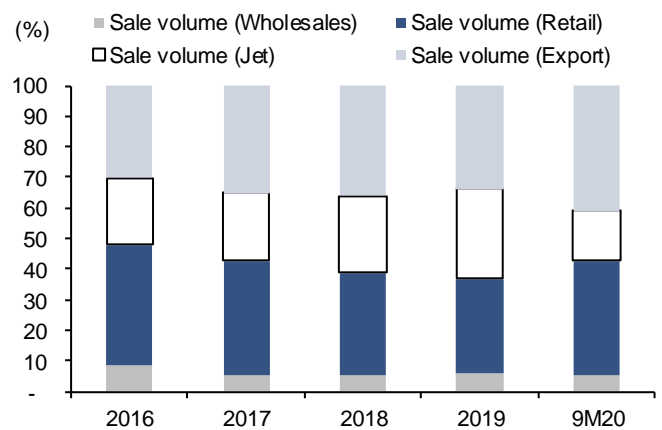
Station renovations. With the feasibility of its new station model, SUSCO plans to invest THB250-300m in 2020 in rebranding its old stations that have been open for over seven years; particularly those stations obtained from Petronas in 2012. SUSCO had only changed the colour of the stations received from Petronas. Hence, SUSCO has decided to rebrand them to generate higher traffic.

Exhibit 37: Oil sales volume breakdown



Source: SUSCO

Exhibit 38: Oil sales volume breakdown (%)

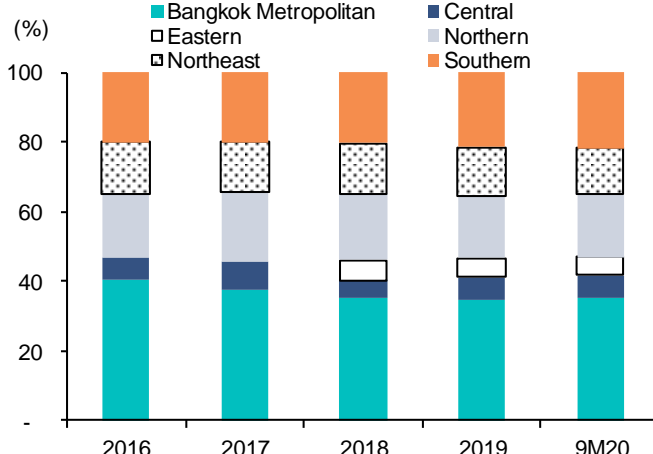
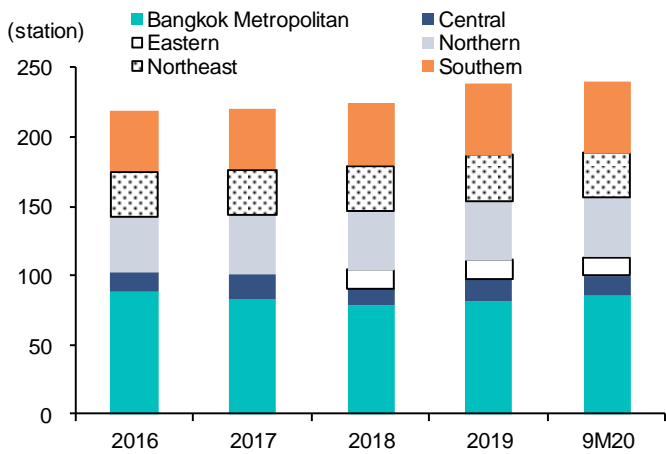


Source: SUSCO

Also, to increase their sales volumes and margins, service stations cannot survive without non-oil businesses. Despite being 1% of SUSCO's total revenue, we estimate that non-oil businesses produced revenue of THB200m and EBITDA of THB56m, or 3% of total EBITDA in 2019. SUSCO projects a non-oil EBITDA contribution of 10% by 2021, while it is targeting 15% non-oil EBITDA out of its total EBITDA by 2022.

Exhibit 39: Station breakdown by geographical location

Exhibit 40: Station breakdown by geographical location (%)

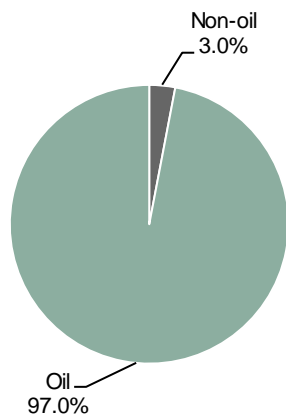


Source: SUSCO

Source: SUSCO

Rental income. SUSCO earned THB90m from rental areas in 2019 and is targeting earnings of THB200m by 2022. With its projected superior asset utilization, SUSCO plans to utilize its terminal areas by renting out oil tanks which produces revenues of THB1.5m per month or THB18m per year, based on management’s guidance. Also, to save transportation costs, SUSCO plans to employ Thappline (not listed)’s oil pipeline network, which is cheaper than SUSCO’s current truck transportation, as a key transportation system for oil tanks at the terminals located in Bangkok, Surat Thani and Songkla (currently vacant). Furthermore, SUSCO will open its digital broadcast hub at its Vibhavadi-Rangsit station. The company is aiming to extend this project to 10 stations by 2022.

Exhibit 41: Oil and non-oil EBITDA in 2019



Source: SUSCO

Another asset utilization strategy is to employ a proportion of its rental area in its stations for other businesses with higher gross margins than car care services. SUSCO plans to reduce a proportion of its car care business, which uses a large amount of space, and convert that space for the use of other businesses that can generate higher margins and traffic, such as popular fast-food restaurants.

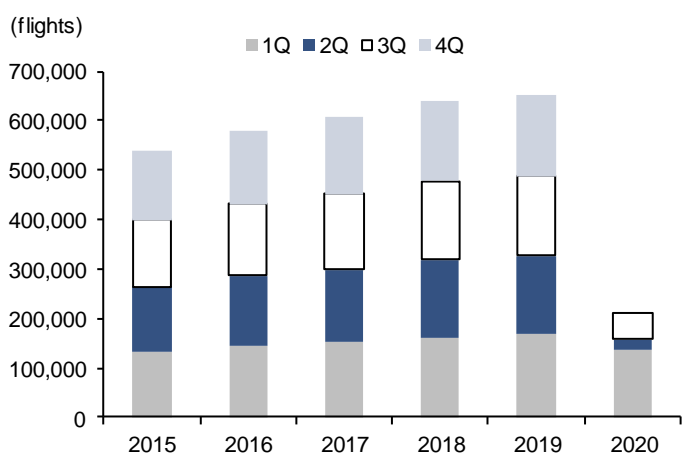
CVS: SUSCO has prioritized the Lawson 108 chain, which the company has already expanded to 34 stores as of the end of 2019, and intends to expand the franchise to 50 stores in 2020-22, as Lawson 108 stores boosted the client traffic to its oil stations, increasing the company’s oil sales volume by 5-6% in 2019, according to management. Due to the success of Lawson 108, SUSCO plans to shut down some of its @mart stores and maintain the number of its Family Mart stores.

Coffee shops. SUSCO is changing its stations into one-stop service centres. While the company does not own its own coffee shop brand, it has established partnerships to share profits with famous coffee brands such as Starbucks, D'oro, and Mezzo. Starbucks has opened a shop at SUSCO's first station on Ratchpruek Road.

D'oro aims to expand to more locations, given the high coffee sales volume it has seen. This partnership has the potential to generate rapid coffee shop growth for SUSCO. Starbucks and Mezzo will likely not expand as rapidly as D'oro.

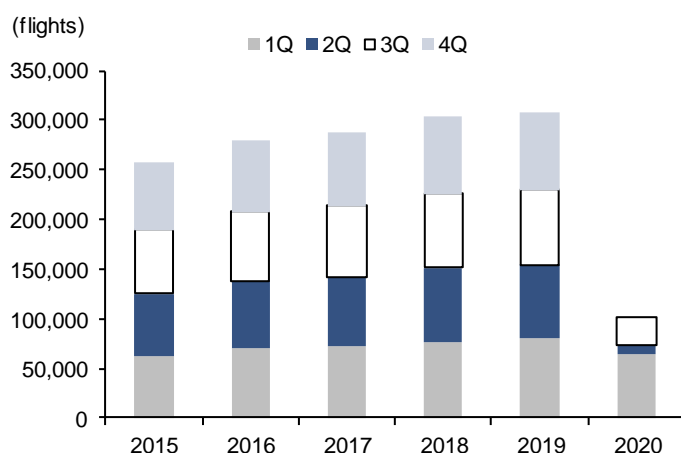
Driver #2: Aviation demand recovery underway. We project SUSCO's jet oil volume to drop 50% y-y to 205m litres in 2020, but grow 18.2% CAGR from 2020-22, driving up the net profit contributed by jet from THB68m in 2018 to THB100m in 2022. Historically, the aviation business has been driven by increasing jet fuel volumes (5.5% CAGR from 2014-2018) and flight-fuelling services (8.7% CAGR from 2014-2018) by BAFS. Post-COVID outbreak in 2021 onward, we project that a higher demand from fuelling service providers will contribute higher sales volumes to SUSCO's jet oil business.

Exhibit 42: Total flight traffic at BKK & DMK



Source: BAFS

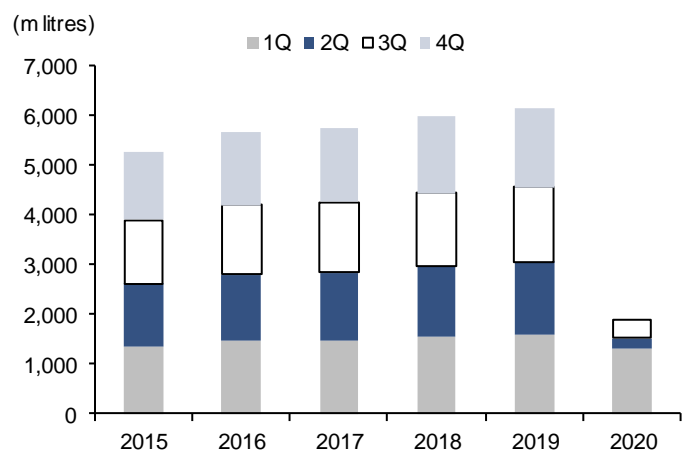
Exhibit 43: Total flight fuelling services by BAFS at BKK & DMK



Source: BAFS

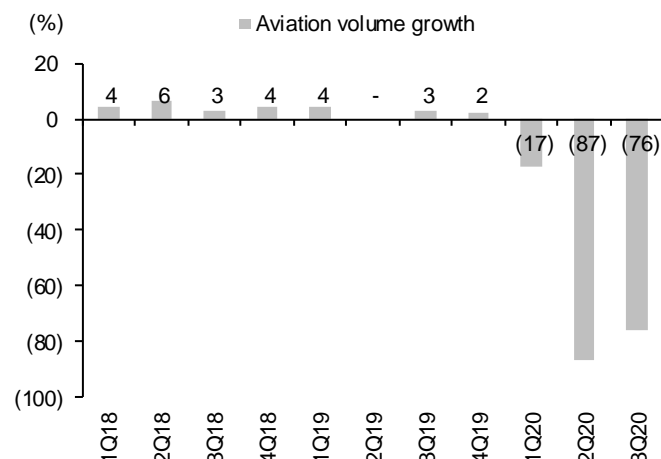
Also, by 2022, we estimate SUSCO's sales volume from jet oil to grow by 50% y-y, with jet oil's earnings increasing to THB100m in 2022 due to its bidding success. Also, in 2021, as Suvarnabhumi Airport will open its second-phase terminal to support a higher number of passengers, we estimate that this terminal expansion could contribute a higher sales volume in 2022 at 399m litres, up from 266m litres in 2021 and 205m litres in 2020.

Exhibit 44: Total aviation volume services by BAFS



Source: BAFS

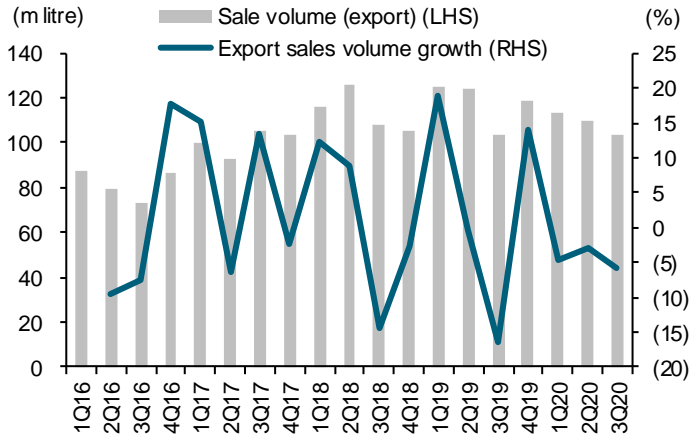
Exhibit 45: Aviation volume growth



Source: BAFS

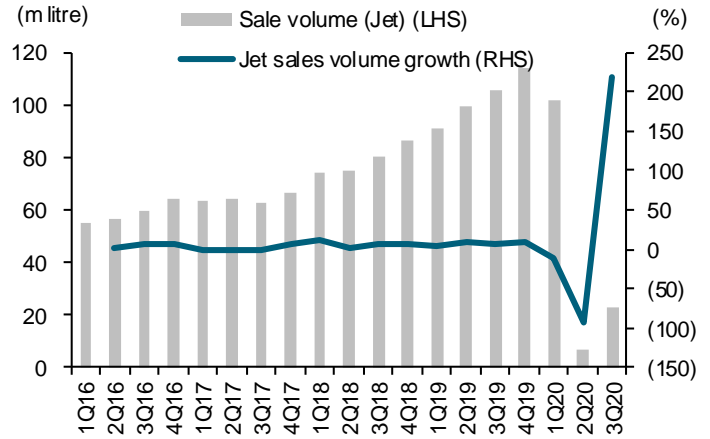
Driver #3: Export growth is still rosy. From our projection, the net profit from exports in 2020-22 should sustain and continue to grow at 0.5% CAGR, given the high diesel and gasoline demand from Cambodia, Laos, Myanmar and Vietnam (CLMV), which grew 3.2% CAGR from 2008-2019. The projected export sales volume shows the lowest growth among SUSCO's three business units, since our projected decline in the oil price would lead to a decline in export volume.

Exhibit 46: Export sales volume and sales volume growth



Source: SUSCO

Exhibit 47: SUSCO's jet sales volume and jet sales volume growth



Sources: SUSCO; FSSIA estimates

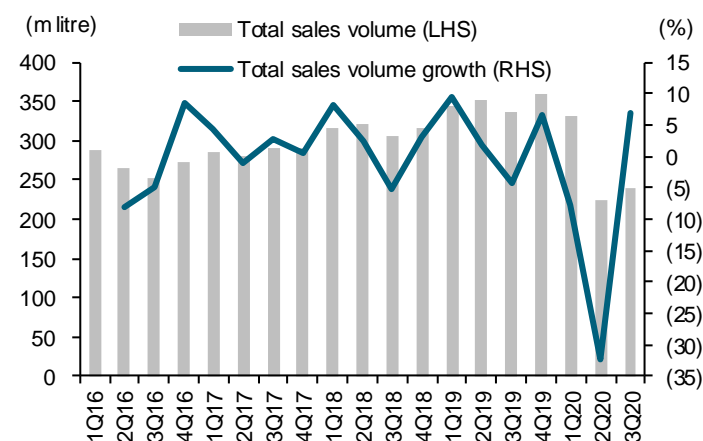
Favourable industry outlook

In 2011-19, SUSCO's sales volume growth expanded at a faster pace than the industry for all three business units, comprising 1) SUSCO's retail 19% CAGR from 2011-19 vs the industry's 4%; 2) SUSCO's aviation 27% CAGR from 2014-19 vs BAFS' 5%; and 3) SUSCO's export 59% CAGR from 2008-18 vs the industry's 3.2%. The key drivers for the oil trading industry are the supportive demand and higher demand for biodiesel from government subsidies.

Industry outlook #1: Supportive demand side

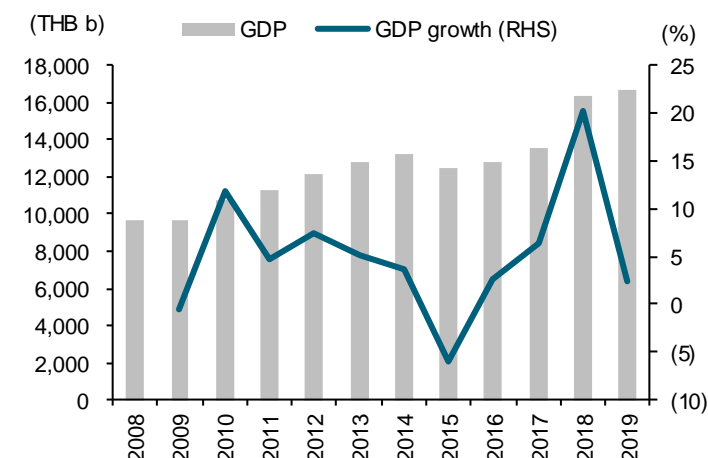
Retail business. SUSCO grew 19% CAGR from 2011-19 vs the industry's 4% by retail sales volume. Its sales volume has a positive correlation with the retail industry's. However, SUSCO's sales volume is more elastic than the industry's.

Exhibit 48: Thailand's oil product demand growth



Source: Ministry of Commerce

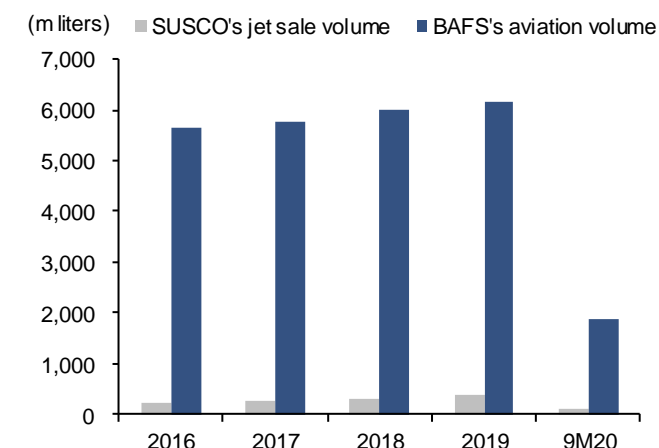
Exhibit 49: Thailand's GDP



Source: International Monetary Fund (IMF)

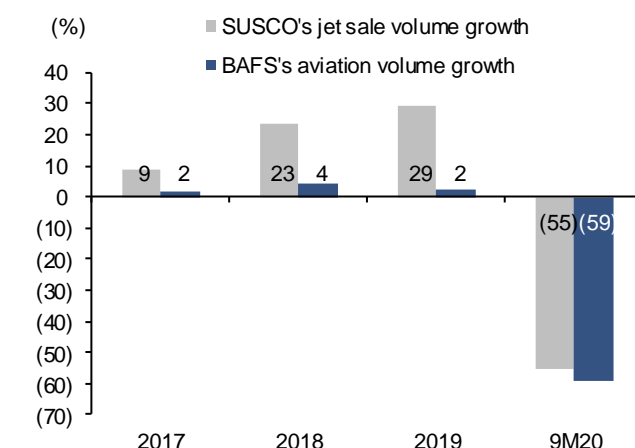
According to the Ministry of Commerce, the demand for oil products grew 5.12% CAGR from 2000-19. Also, according to the International Monetary Fund (IMF), Thailand's GDP had a 5.35% CAGR from 2008-2018. These macro factors support our projected sales volume of 9% averaged between its three business units.

Exhibit 50: SUSCO's jet sales volume vs BAFS' aviation volume



Sources: SUSCO; BAFS

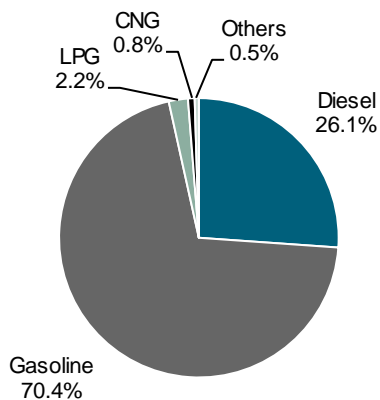
Exhibit 51: SUSCO's jet sales volume growth vs BAFS' aviation volume growth



Sources: SUSCO; BAFS

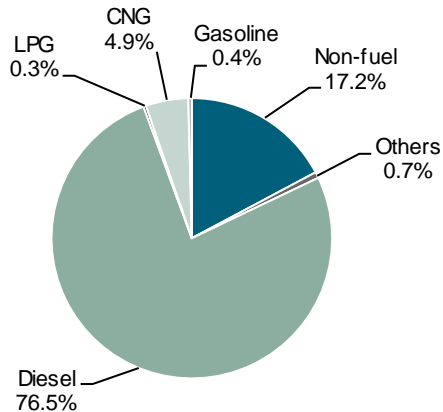
The multiplier for oil demand to GDP during 2010-18 is an average of 0.27, which positively correlates with one another. When GDP grows 1%, oil demand is estimated to grow 0.27% on average, which is slightly slower than the GDP's growth. In addition, the demand-to-GDP multiplier moves in the same direction with the crude oil price. This reflects that the relationship between demand and GDP growth is sensitive and elastic to changes in the crude oil price.

Exhibit 52: Registered car breakdown by fuel use as of 2019



Source: Department of Land Transport (DLT)

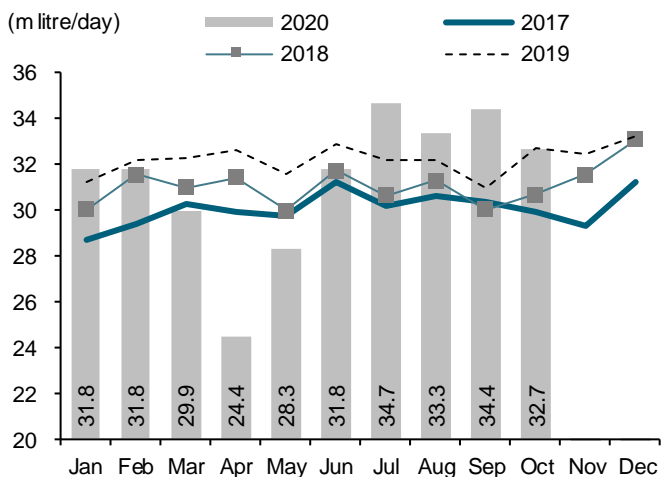
Exhibit 53: Registered truck breakdown by fuel use as of 2019



Source: DLT

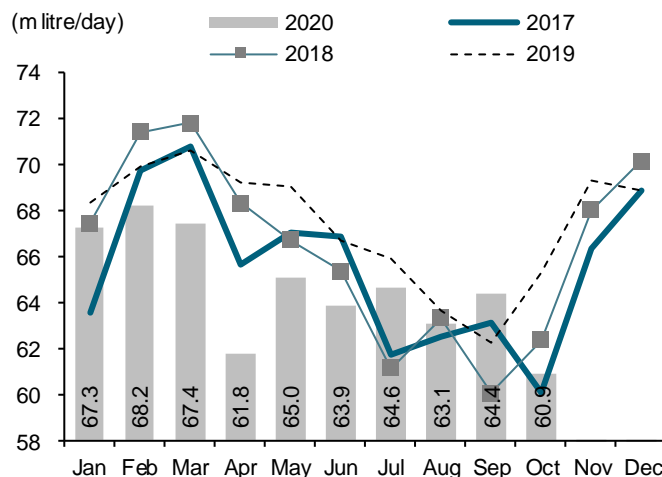
According to the Department of Land Transport, the number of registered cars and motorcycles in Thailand grew 6.4% and 2.5% CAGR from 2008-18, respectively. This means people used more vehicles and consumed more oil, because of an increase in gas prices. Therefore, the oil industry saw a greater boom.

Exhibit 54: Gasoline demand in Thailand



Source: DOEB

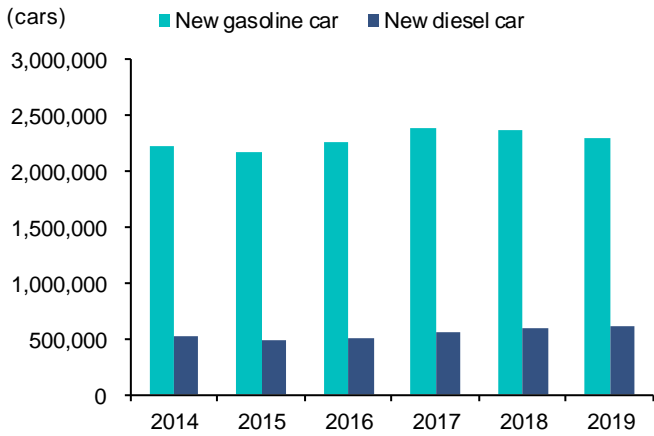
Exhibit 55: Diesel demand in Thailand



Source: DOEB

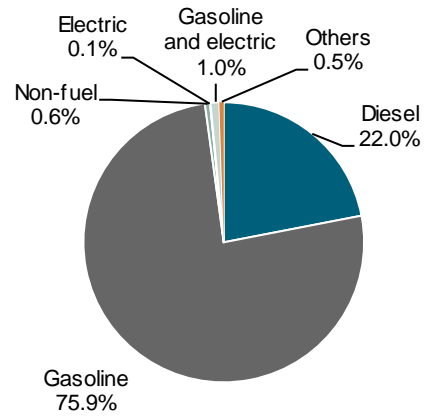
The demand for diesel and gasoline has shown its high resiliency in 9M20, rebounding sharply from the bottom in April when Thailand entered into its full lockdown. While the gasoline demand has rebounded to exceed pre-COVID levels in July to October, the demand for diesel has also recovered meaningfully to close to its 2019 level. We believe SUSCO's retail oil stations should see rising sales volumes in 2021-22, particularly for gasoline, the key product for SUSCO's retail business.

Exhibit 56: New car breakdown by fuel use



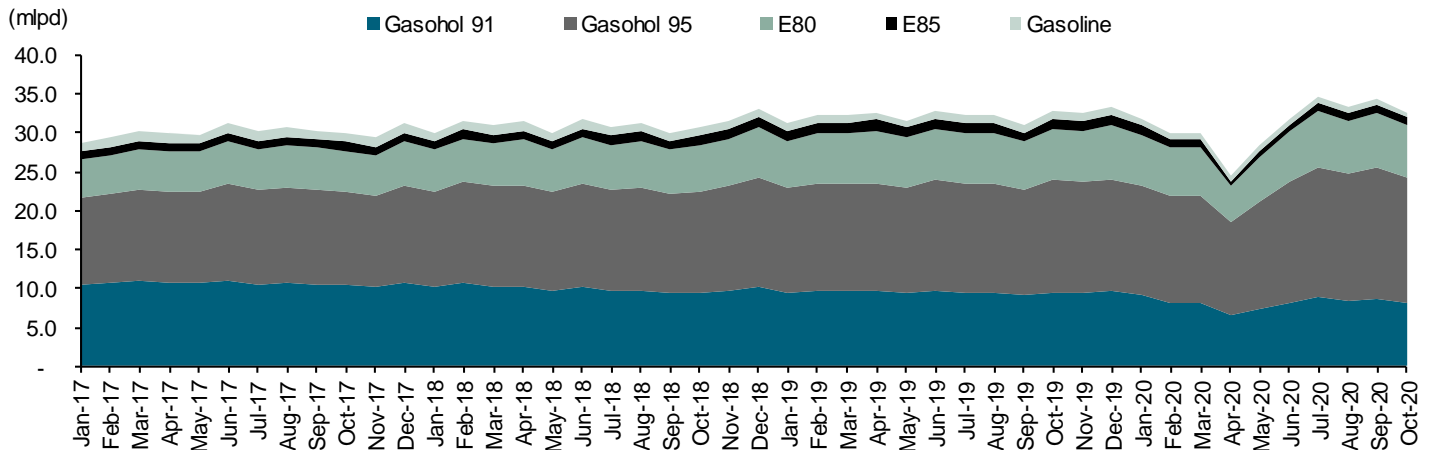
Source: DLT

Exhibit 57: New car breakdown by fuel use in 2019



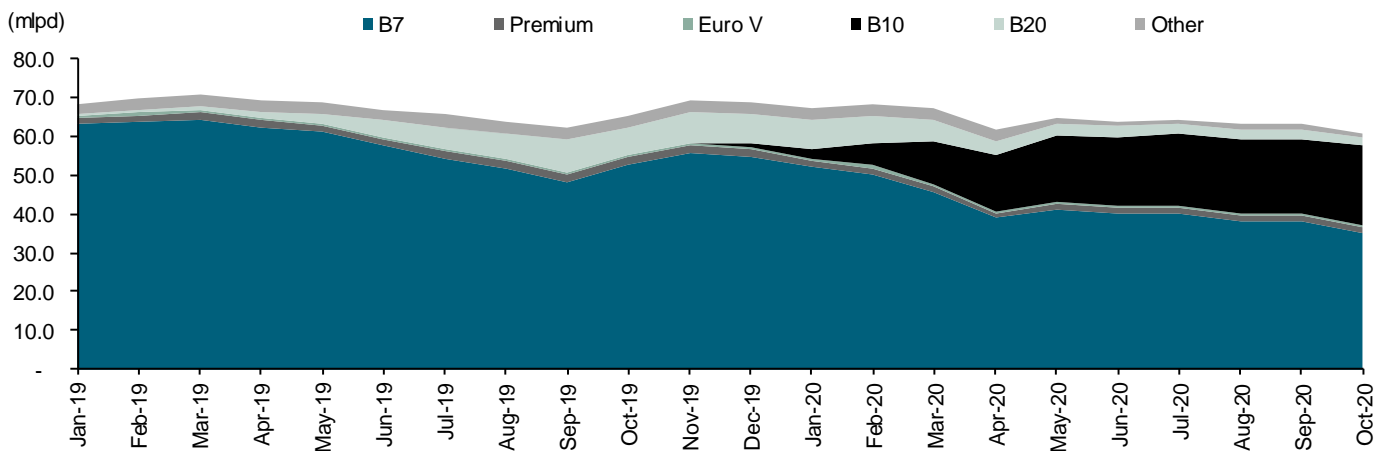
Source: DLT

Exhibit 58: Thailand's demand for gasoline



Source: DOEB

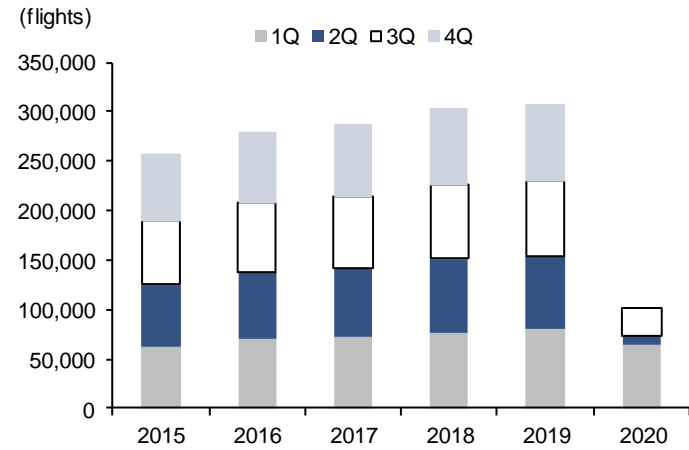
Exhibit 59: Thailand's demand for diesel



Source: DOEB

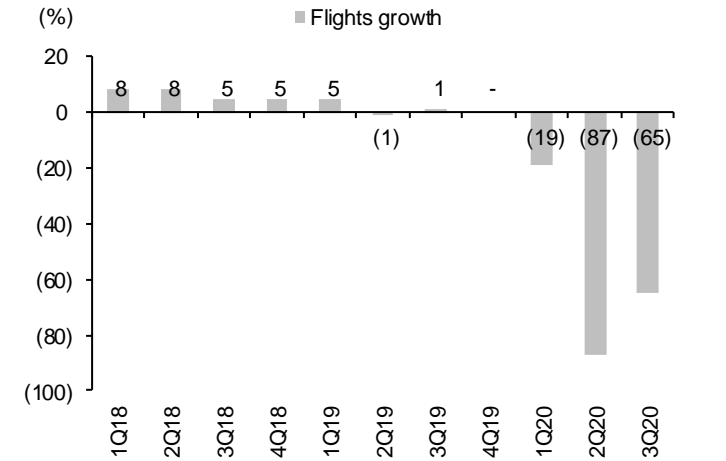
Jet oil business. SUSCO's jet oil sales volume grew 27% CAGR from 2014-19, which was higher than BAFS' 5%, with BAFS representing the industry benchmark. SUSCO's aviation business is supported by BAFS, where SUSCO is both the service supplier and shareholder, since BAFS' and SUSCO's sales volumes moved in the same direction.

Exhibit 60: Total flights fuelled by BAFS only at BKK & DMK



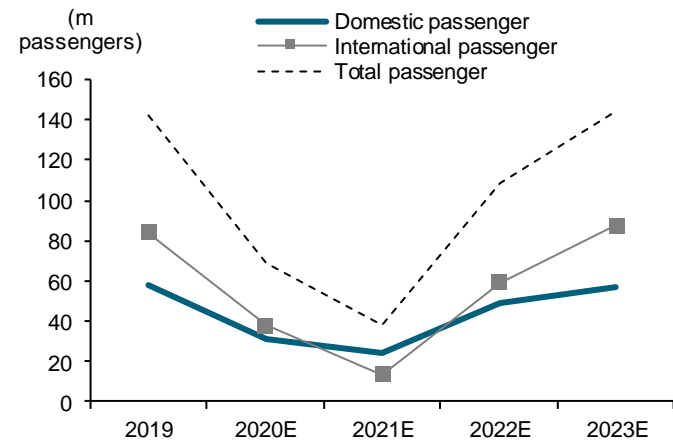
Source: BAFS

Exhibit 61: Flight fuelling service growth by BAFS only at BKK & DMK



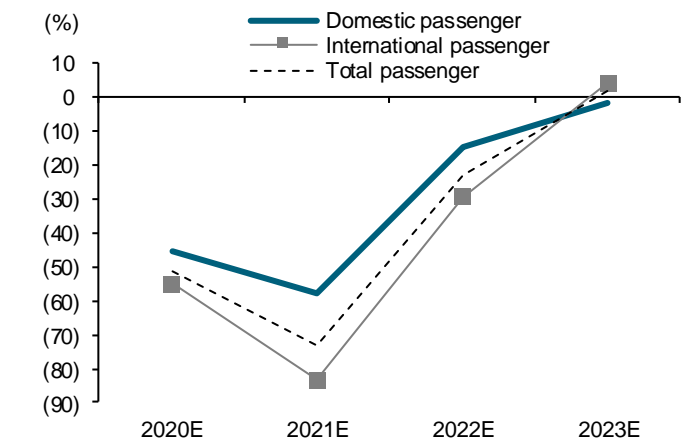
Source: BAFS

Exhibit 62: AOT's expected traffic volume



Source: AOT

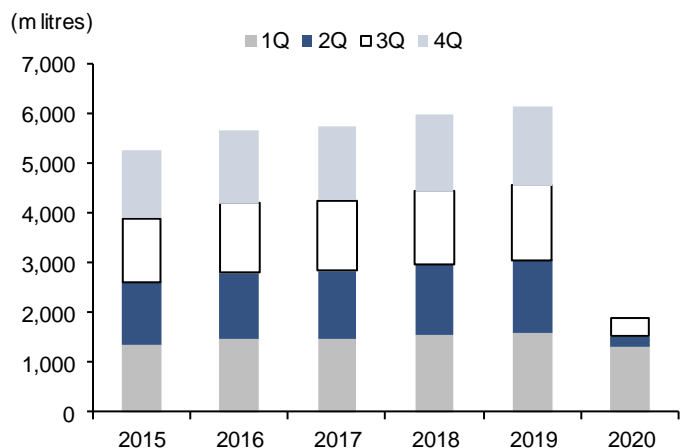
Exhibit 63: AOT changes in passenger volume based on 2019 data



Source: AOT

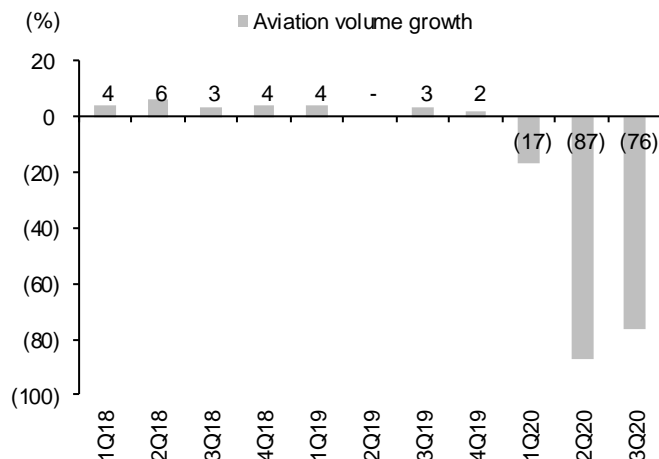
According to Airports of Thailand (AOT TB, BUY, TP THB70), by 2019 the number of flights, at 450,000, represented a market share of 50.7% among AOT's overall traffic. At BKK and DMK, the number of low-cost flights increased by 12.6% y-y, from 0.271m flights in 2017 to 0.305m flights in 2018.

Exhibit 64: Thailand's aviation volume



Source: BAFS

Exhibit 65: Thailand's aviation volume growth



Source: BAFS

Also, BKK and DMK airports are expanding their terminals to serve the unmet demand of passengers, bringing the airport capacity up to 60m passengers at BKK airport, finished in 2020, and 40m passengers at DMK airport, finished in 2024. These new buildings are designed to support a higher number of passengers. This reflects the increasing demand for jet oil.

Export business. SUSCO grew 59% CAGR from 2008-18 which is considerably higher than the industry's 3.2%, since SUSCO's export volume grew dramatically by a yearly average of 348% from 4m litres in 2008 to 207m litres in 2011. After initially entering the export market, SUSCO adjusted its export growth to be slightly higher than the industry's (SUSCO's 11.36% CAGR from 2012-18 vs the industry's 0.71%).

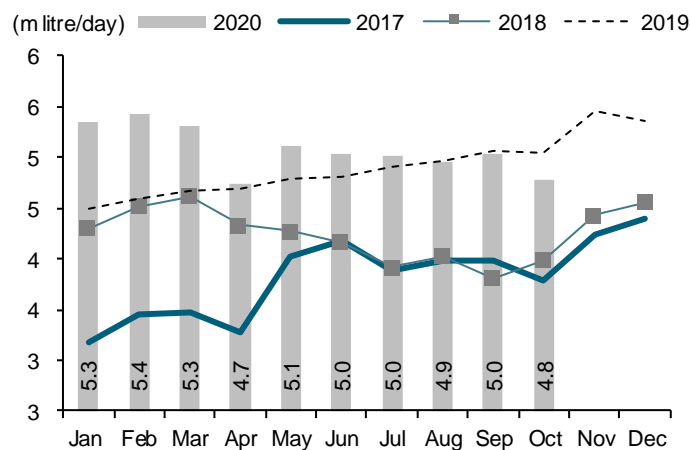
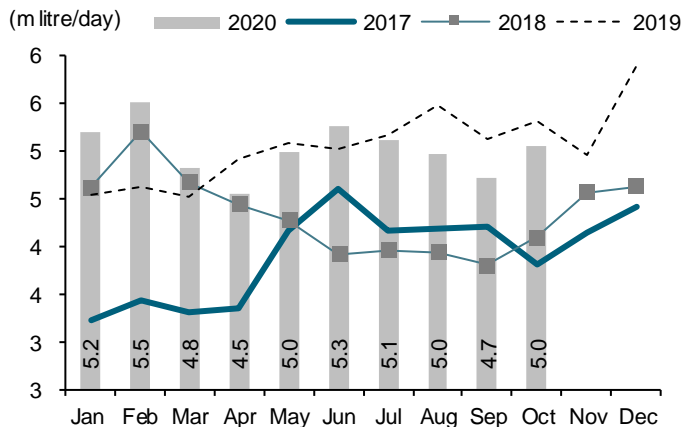
According to the Department of Energy Business, the export volumes of gasoline and diesel grew 3.2% CAGR from 2008-18 due to the high demand from neighbouring countries. This reflects that the industry's growth has contributed to SUSCO's export growth. With the region developing rapidly, the demand for energy is now higher than ever. The International Energy Agency stated that Southeast Asia's energy demand has grown 60% over the past 15 years, and is forecast to grow by another two-thirds by 2040. Also, import dependence will likely rise among ASEAN countries.

Industry outlook #2: Higher demand for biodiesel from government subsidies

On 11 September 2019, the Thai government subsidized B20 by prolonging for the cheaper B20 price for two months at THB3 per litre cheaper than B7, and will mandate the sale of B10 in order to solve the palm oil oversupply and to encourage the use of B20 which would reduce carbon dioxide emissions.

Exhibit 66: Thailand's biodiesel production

Exhibit 67: Thailand's biodiesel consumption



Source: DOEB

Source: DOEB

Given these recent developments for the petrol station business, we believe that SUSCO's station expansion will help it gain upside earnings from the oil product demand growth for its three major businesses, together with macro factors. Also, SUSCO started selling B20, supported by the government, in 2018, although it is still at a small proportion at 0.1% of its total sales volume. Furthermore, there are currently 100 stations selling B20 with main road stations selling B7 to help alleviate the problem of B10 potentially causing engine problems for old cars due to the 10% biodiesel blend in diesel. Consequently, SUSCO should see some benefits from the government subsidies from the upside demand for biodiesel.

Strengths & weaknesses

Strength #1: High earnings sustainability from its business portfolio

SUSCO conducts three businesses: retail, aviation and export businesses. Its three-business portfolio has helped the company maintain its average net margin over four years (2015-2019) at 1.13%.

Compared with PTG, PTG only operates a retail business and has aggressively expanded the number of its service stations. However, its net margin has fluctuated, plunging from 1.08% in 2017 to 0.58% in 2018. This reflects the lack of diversity in PTG's business portfolio, which is less secure than SUSCO's business portfolio, although the aviation and export businesses have lower margins than the retail business.

Strength #2: Superior strategy control

SUSCO has the ability to control its strategies as well as fully utilize its land holdings. To clarify, SUSCO owns service stations from buying land. Thus, they can control operations, such as the investment amount for station expansions, and non-operational endeavours such as marketing campaigns. Also, SUSCO is able to utilize its land in order to increase its revenue at a higher margin compared to oil trading.

In this industry, most peers expand via dealers or leasing. They typically do not invest in buying land to build service stations because it requires a large investment. For example, PTT has expanded in the form of DODO accounting for 58% of its total stations, given the lower cost of expansion and the rapid growth in its station numbers.

SUSCO has been able to turn a weakness into a strength. Despite the higher investment cost of buying land, SUSCO can sell land at a higher-than-market price, given the selective locations it acquires. In 1Q19, SUSCO booked a THB76m gain from selling its 4-rai land that it bought 20 years ago.

Strength #3: The flexibility of non-oil partners

Unlike other major players, SUSCO has allowed different well-known non-oil partners like Starbucks, KFC, or Subway to open in its stations in order to raise traffic, because the company's own non-oil business (@mart) has failed to penetrate the market. On the other hand, the company has also seen a drawback in its lower ability to compete with its peers from its poor brand image and smaller size.

Weakness #1: Lack of economies of scale

SUSCO has a small number of stations to distribute oil with, therefore, the company does not benefit from the economies of scale, meaning that SUSCO has to bear higher costs when purchasing oil from refineries. In 2018, SUSCO had 225 oil stations. This is a very small size compared with other players like PTG which had 1,883 stations in 2018. From this perspective, PTG has performed better in terms of cost control and higher earnings margins.

Exhibit 68: Petrol stations in each region of Thailand as of 2019

	PTG	BCP	ESSO	SUSCO
	(no.)	(no.)	(no.)	(no.)
Bangkok Metropolitan	159	200	194	82
Central	125	93	37	16
Northern	431	254	111	43
Northeast	628	342	84	33
Eastern	189	117	77	13
Western	254	93	62	0
Southern	241	102	73	51
Total	2,027	1,201	638	238

Sources: SUSCO; FSSIA estimates

SUSCO can expand its stations more slowly than other players since it plans to grow its station numbers by 20 stations a year at THB15-20m per station, which is a larger investment amount than its peers. Also, there is a lower number of dealers willing to invest in the oil station business under the SUSCO trademark.

Exhibit 69: Required investment cost for petrol station construction

Company	Station size (rai)	CAPEX
PTT	3-8	18-100
PTG	1-7	1-7
BCP	1-3	Not disclosed by company
ESSO	1-4	10-30
SUSCO	2-4	15-20

Sources: SUSCO, FSSIA estimates

Weakness #2: Small non-oil business proportion

The proportion of SUSCO's non-oil business is less than 1% categorized by revenue from each business group, although this portion generated EBITDA of 3% of the company's total EBITDA in 2019, which was higher than its oil and gas stations with regard to sales volume. Compared to PTT, whose stations are full of non-oil businesses, SUSCO fails to provide a one-stop service to customers. This makes SUSCO inferior to its major peers.

However, SUSCO is developing its strategy to partner with popular non-oil businesses by sharing profits and franchising with asset utilization to extend its non-oil portion in order to obtain lucrative margins and appeal to customers.

Risks

Oil price fluctuation. The oil price is the most volatile compared to other markets, and is driven by many factors such as the trade war between the United States and China or even global warming. The oil business is associated with the oil price, for which Singapore is considered to be a trading hub in Southeast Asia.

SUSCO intends to maintain its margin at the same level, THB1.7-1.8 per litre, which is a positive margin. Besides, its sales volume should increase due to higher demand from the lower oil price. As a result, we expect SUSCO to obtain higher profits from its oil business.

Safety risks. Since oil is a volatile product that could cause severe damage in the event of a fire and SUSCO owns the land its stations are located on, the company could be impacted directly in terms of financial costs and brand reputation. To prevent the occurrence of fires, SUSCO holds fire prevention training and programs for all concerned parties, along with preparing tools and equipment for use in the event of fire.

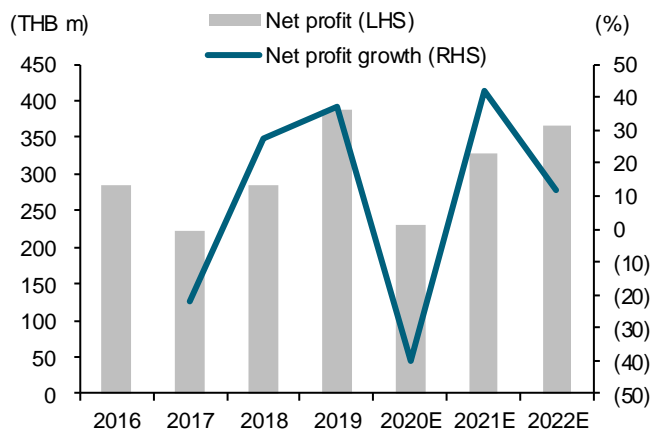
Financial risks. SUSCO exports oil to neighbouring countries, accounting for 35.54% of its total sales volume. Accordingly, the company has to deal with foreign exchange risks from its export revenue. This kind of risk is hedged by forward contracts. For imports, in the future, SUSCO may possibly import oil itself if the international oil price drops below the domestic price.

Competition risks. In this industry, there are several existing major players that are expanding their oil stations throughout Thailand. SUSCO is understandably wary of being adjacent to major players' stations, due to its weak brand awareness. SUSCO tackles this problem by constructing stations in isolated areas surrounded by buildings (no space for other competitors). Also, SUSCO can gain more lucrative benefits from selling its land at a higher price to residential developers.

Financials

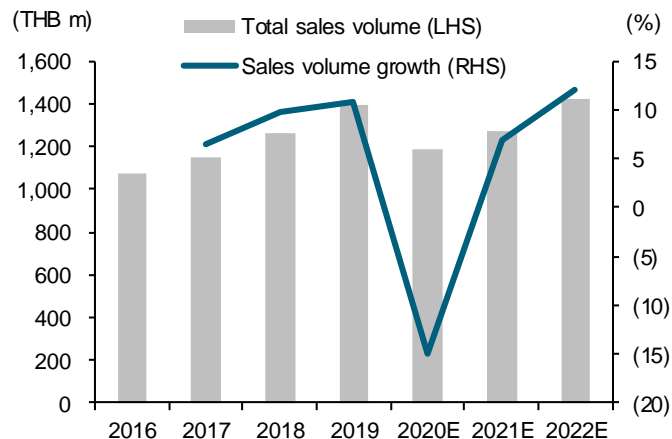
We believe that SUSCO’s earnings growth visibility is likely to accelerate along with our projected net profit growth of 18.3% CAGR from 2019-22, driven by its retail, aviation, and export businesses. Its 2020-22E net margin could be 1%, and should drive its net profit growth due to a rise in the total sales volume for each business unit.

Exhibit 70: Net profit and net profit growth



Sources: SUSCO; FSSIA estimates

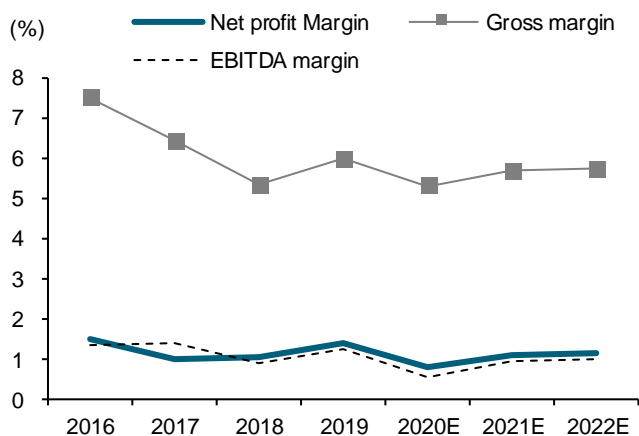
Exhibit 71: Sales volume and sales volume growth



Sources: SUSCO; FSSIA estimates

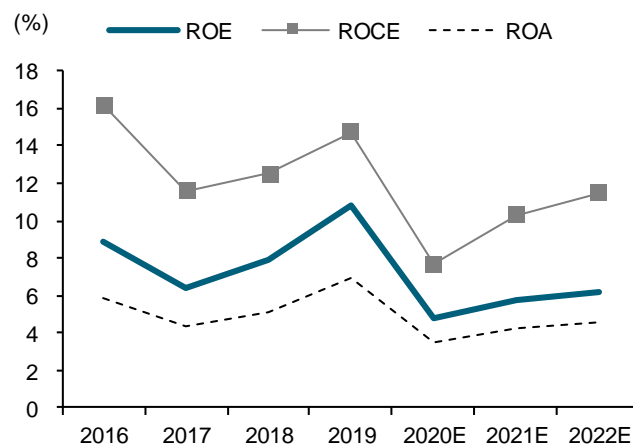
We forecast that SUSCO will see a gradual rise in ROE from 2019-21 because the magnitude of the company’s net profit increase would be larger than the increase in shareholders’ equity. SUSCO should create value for its shareholders from the sales volume growth of its three business divisions.

Exhibit 72: Net profit margin, gross margin, EBITDA margin



Sources: SUSCO; FSSIA estimates

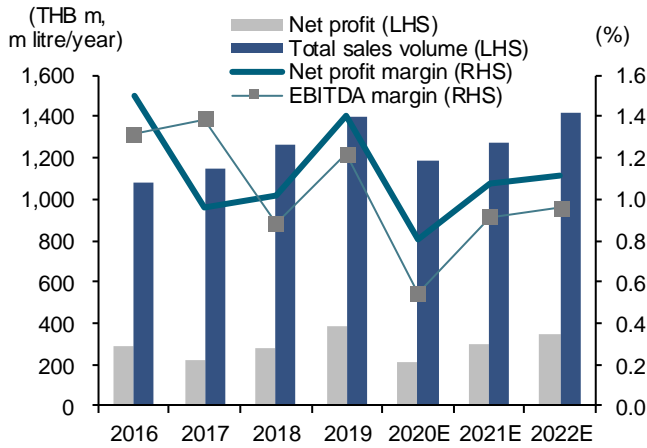
Exhibit 73: ROE, ROCE, ROA



Sources: SUSCO; FSSIA estimates

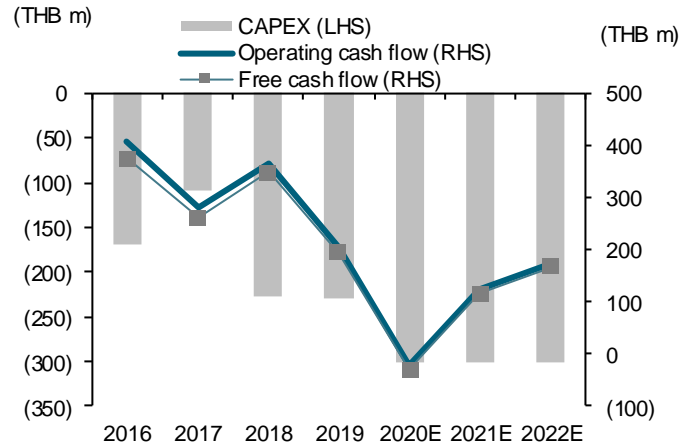
SUSCO has a strong cash position in order to strengthen its balance sheet. The company held THB0.5bn in cash based on its consolidated balance sheet in 3Q20, resulting in a projected net cash position starting from 2020 onward, based on our estimate.

Exhibit 74: Net profit, sales volume, net margin, EBITDA margin



Sources: SUSCO; FSSIA estimates

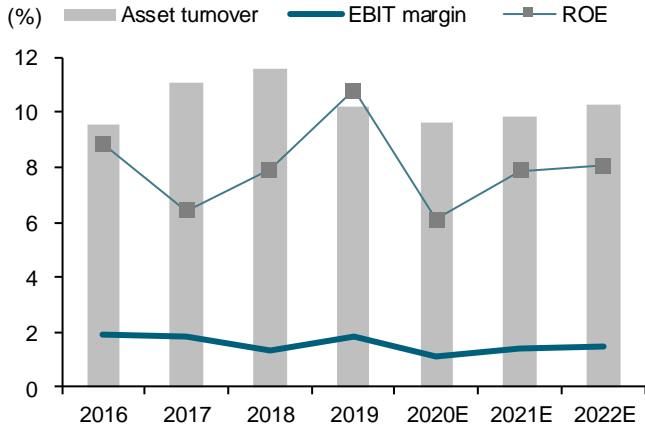
Exhibit 75: CAPEX, operating cash flow, free cash flow



Sources: SUSCO; FSSIA estimates

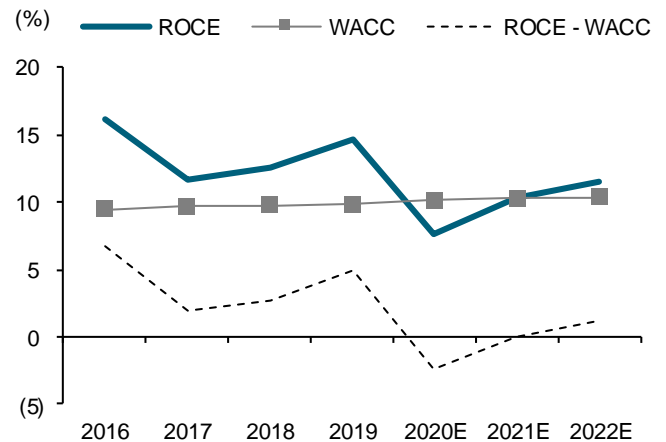
Room for growth: In 2021, SUSCO plans to invest THB300m in CAPEX to expand its new stations and to renovate the stations that have been opened for more than seven years. From our projection, this investment could increase its total sales volume by 9% annually during 2020-22. In addition, we think SUSCO has room to cultivate its future growth opportunities. This is due to our belief that: 1) its free cash flow from operations (FCFE) is projected to increase from 2020-22 from a negative THB16.25m in 2020 to THB180m in 2022; and 2) there is room for debt financing to fund its future growth after repaying all of its short-term debt.

Exhibit 76: Dupont analysis



Sources: SUSCO; FSSIA estimates

Exhibit 77: ROCE vs WACC



Sources: SUSCO; FSSIA estimates

Valuation

Since SUSCO is a smaller size than its local oil trading peers, it is not valued at a premium, although we see some points where SUSCO is superior to other players. We project SUSCO's net profit at THB210m in 2020, THB301m in 2021 and THB348m in 2022, driven by stronger sales volumes across all three business units.

We initiate our coverage of SUSCO with a BUY call and an SOTP-based target price of THB4.0, implying a 15x 2021E P/E; a 41% discount to its local and regional peers' average due to its small size in the industry (market share of 3.3%).

Exhibit 78: Key valuation comparison of oil trading companies in 2021E

	Unit	SUSCO	PTG	PETRONAS (BB)
Country		Thailand	Thailand	Malaysia
NP growth	%	43.5	17.7	4.7
NP margin	%	1.1	1.4	3.3
ROE	%	5.7	22.3	15.9
P/E 2021E	x	10.5	17.6	23.7
P/E 2021E Target	x	14.6x		

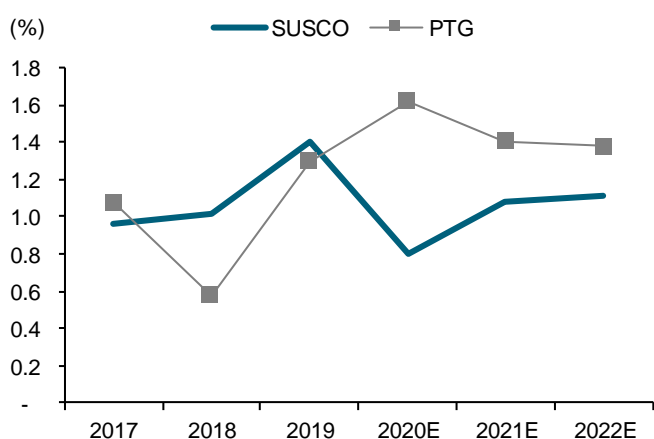
Sources: Bloomberg; FSSIA estimates

Despite its small size, we think SUSCO has superior 1) earnings growth sustainability from its net profit margin fuelled by the potential sales volume growth from its oil stations, jet oil and export businesses; and 2) its outstanding value creation for shareholders where its ROE is as high as the major players' in the oil station industry.

Earnings growth sustainability from its business portfolio. We believe that SUSCO's net profit margin will rise from 1.01% in 2018 to 1.11% in 2022. This is because 1) SUSCO plans to expand its new station model with non-oil businesses and to renovate its stations to appeal to potential customers; 2) the aviation business tends to grow gradually from new bidding and increases in airport traffic; and 3) its oil export should be supported by considerable demand from outside Thailand. Also, the macro factors should support SUSCO's profitability.

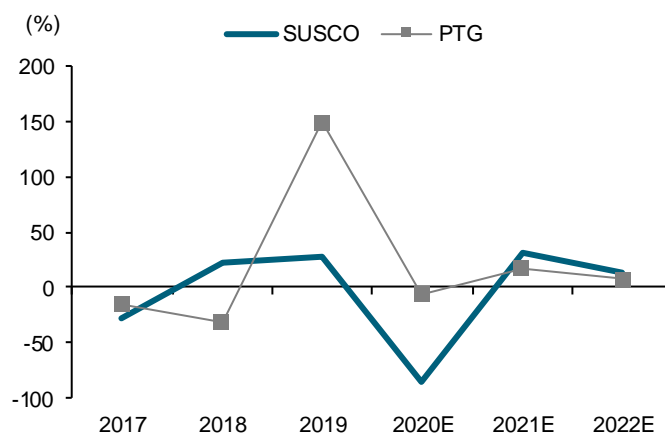
SUSCO's average net profit margin of 1% in 2020-22E is smaller than PTG's 1.3%, but more stable than PTG's owing to SUSCO's business portfolio and higher average SVPS. However, SUSCO's average earnings growth of 12.5% from 2019-22E, is weaker than PTG's, 42.3 % average earnings growth from 2019-22E. This implies that the stock market gives more of a premium to net profit growth than the net margin.

Exhibit 79: SUSCO's net margin vs PTG's



Sources: SUSCO; FSSIA estimates

Exhibit 80: SUSCO's lower average EPS growth than PTG's

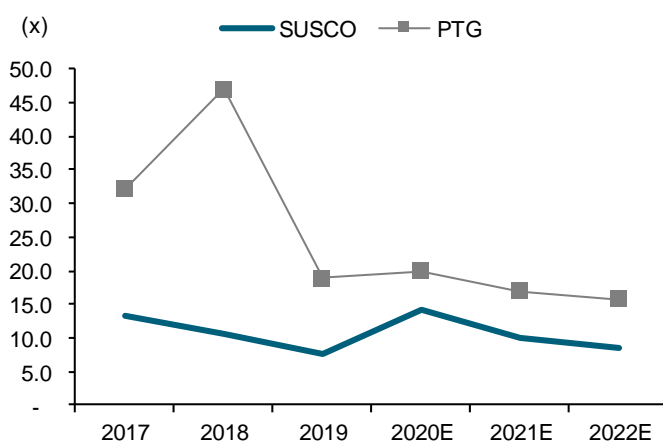
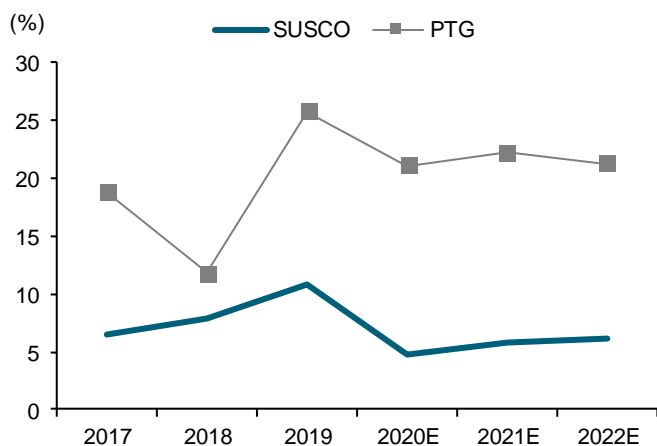


Sources: SUSCO; FSSIA estimates

Increasing value creation for shareholders. SUSCO's 2020-22E ROE should rise gradually as the company sees higher net profit growth for each business. Compared with PTG, although SUSCO has considerably lower ROE than PTG, SUSCO's ROE is estimated to rise, while PTG's ROE is projected to increase in 2020-22 due to SUSCO's higher and more stable net margin. However, SUSCO has a significantly lower P/E ratio than PTG, with the stock market placing a greater value on P/E than ROE.

Exhibit 81: Increasing SUSCO's ROE vs decreasing PTG's

Exhibit 82: Superior PTG's P/E to SUSCO's



Sources: SUSCO; FSSIA estimates

Sources: SUSCO; FSSIA estimates

We use an SOTP valuation as the prime methodology to value SUSCO given the different risk-reward ratios for its different business units. We also employ P/E as a key valuation methodology for comparison purposes.

SOTP valuation. We derive our value for SUSCO based on an SOTP valuation of THB4b since it runs different business units, service stations, non-oil businesses, jet oil sales and exports. Consequently, the SOTP valuation best suits SUSCO's business model.

P/E. We estimate SUSCO's value at THB4.0/shr based on 2021E P/E of 10x, which is 41% cheaper than its peers'.

While SUSCO exhibits good earnings growth visibility and attractive value creation compared with its regional peers, we think it should be traded at 10x 2021E P/E, which is lower than its peers' 16x, due to its small size and market share of 3.3% in 2019. However, we see growth opportunities in SUSCO given 1) its strong earnings growth of 18.3% CAGR from 2019-22E vs its peers' 7%; and 2) its rising ROE of 4.8-6.2% from 2016-22E. Hence, we believe that SUSCO is attractive in this competitive industry.

Exhibit 83: SUSCO SOTP valuation

SUSCO valuation	(THB m)	(THB/shr)	Comments
Oil station	3,011	2.7	At 10x 2021E P/E
Net debt	1,417	1.3	2021E net debt
Total value	4,428	4.0	

Source: FSSIA estimates

Exhibit 84: Peer comparisons

Company	BBG code	Rec	Share Price	Target price	Upside	Market Cap	3Y EPS CAGR	----- PE -----		----- ROE ----		--- PBV --		EV / EBITDA	
								20E	21E	20E	21E	20E	21E	20E	21E
			(LCY)	(LCY)	(%)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
THAILAND															
Ptg Energy Pcl	PTG TB	BUY	16.20	22.0	36	897	6.0	18.4	15.6	21.1	22.3	3.7	3.3	6.6	5.6
Esso Thailand Pcl	ESSO TB	BUY	7.35	9.9	35	843	211.4	(9.1)	7.3	(13.7)	17.1	1.3	1.2	49.2	5.5
Bangchak Corp	BCP TB	BUY	20.00	21.0	5	900	65.9	(3.7)	8.1	(10.6)	5.0	0.4	0.4	50.3	8.6
Susco Public	SUSCO TB	BUY	2.86	4.0	40	96	(2.9)	15.0	10.4	4.8	5.7	0.6	0.6	14.1	6.8
Siamgas & Petro	SGP TB	NA	10.00	NA	NA	611	NA	NA	NA	NA	NA	NA	NA	NA	NA
Thailand avg						3,347	78.2	2.1	8.5	(0.5)	11.8	1.5	1.3	28.1	5.4
MALAYSIA															
Petronas Dagangan	PETD MK	NA	21.22	NA	NA	5,205	(0.2)	65.4	30.8	5.3	11.5	3.6	3.5	22.4	13.7
Malaysia avg						5,205	(0.2)	65.4	30.8	5.3	11.5	3.6	3.5	22.4	13.7
Oil station companies under coverage						2,640	80.2	2.1	10.4	(0.8)	14.7	1.8	1.6	35.1	6.6
Average (all)						8,552	30.5	40.6	22.1	3.1	11.6	2.7	2.6	24.7	10.4

Share price as of 28 Dec 2020

Sources: Bloomberg, FSSIA estimates

Corporate Governance

Board structure

Number of Independent Directors (ID)	4
Percentage of IDs on the board	36 %
ID participation/attendance at board meetings	14/14 in 2018 (except for one ID: 13/14)
ID participation in audit/remuneration committees	100 %
ID terms (years of service, re-election/replacement procedures)	Not exceed 3 years of continuous service

Source: Company; FSSIA's compilation

Additional comments: None

Audit Practices

Auditor	Dharmniti Auditing Company Limited
Length of service	1 year
Reporting incidents	n/a
Fee track record	THB 2.86m in 2018
Policy on change of audit firm	n/a

Source: Company; FSSIA's compilation

Additional comments: None

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	THB 2.8bn vs 2018 net profit of THB 284m
Changes/stability in senior management	n/a
Incidents of termination of senior management	n/a
Track record on insider sales	n/a

Source: Company; FSSIA's compilation

Additional comments: None

Shareholders' rights

Communication - shareholder participation in AGMs/EGMs	n/a
Related party transactions	n/a
Voting issues - policies, incidents of rejected proposals	n/a

Source: Company; FSSIA's compilation

Additional comments: None

Financial Statements

Susco

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	27,882	27,733	26,093	27,904	31,255
Cost of goods sold	(26,403)	(26,078)	(24,710)	(26,323)	(29,470)
Gross profit	1,479	1,655	1,382	1,581	1,785
Other operating income	-	-	-	-	-
Operating costs	(1,234)	(1,318)	(1,240)	(1,326)	(1,486)
Operating EBITDA	246	337	142	255	300
Depreciation	(236)	(240)	(261)	(284)	(307)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	10	97	(119)	(29)	(7)
Net financing costs	(20)	(15)	(11)	(10)	(10)
Associates	(3)	(4)	(4)	(4)	(4)
Recurring non operating income	360	407	395	419	455
Non recurring items	0	0	0	0	0
Profit before tax	349	490	265	380	439
Tax	(65)	(101)	(55)	(79)	(91)
Profit after tax	284	388	210	301	348
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	284	388	210	301	348
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	284	388	210	301	348
Per share (THB)					
Recurring EPS *	0.26	0.35	0.19	0.27	0.32
Reported EPS	0.26	0.35	0.19	0.27	0.32
DPS	0.00	0.00	0.00	0.00	0.08
Diluted shares (used to calculate per share data)	1,100	1,100	1,100	1,100	1,100
Growth					
Revenue (%)	20.7	(0.5)	(5.9)	6.9	12.0
Operating EBITDA (%)	(23.4)	37.3	(57.8)	79.2	17.7
Operating EBIT (%)	(90.2)	905.9	nm	nm	nm
Recurring EPS (%)	27.5	36.8	(46.0)	43.5	15.5
Reported EPS (%)	27.5	36.8	(46.0)	43.5	15.5
Operating performance					
Gross margin inc depreciation (%)	4.5	5.1	4.3	4.6	4.7
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	0.9	1.2	0.5	0.9	1.0
Operating EBIT margin (%)	0.0	0.3	(0.5)	(0.1)	0.0
Net margin (%)	1.0	1.4	0.8	1.1	1.1
Effective tax rate (%)	18.6	20.5	20.5	20.5	20.5
Dividend payout on recurring profit (%)	-	-	-	-	25.3
Interest cover (X)	18.2	34.6	24.7	40.1	46.1
Inventory days	8.2	8.3	9.2	8.7	8.5
Debtor days	12.7	13.7	15.7	17.5	18.4
Creditor days	19.1	19.5	19.2	18.1	17.7
Operating ROIC (%)	0.4	4.1	(4.6)	(1.0)	(0.2)
ROIC (%)	7.5	10.3	5.4	7.4	8.3
ROE (%)	7.9	10.8	4.8	5.7	6.2
ROA (%)	5.1	6.9	3.5	4.3	4.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue By Division (THB m)					
Sales in Thailand	19,964	20,533	18,886	20,689	24,034
Sales in Cambodia	7,104	6,502	6,509	6,516	6,522
Sales in Myanmar	481	353	353	354	354
Sales in Laos	278	325	325	326	326

Sources: Susco; FSSIA estimates

Financial Statements

Susco

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	284	388	210	301	348
Depreciation	236	240	261	284	307
Associates & minorities	147	193	193	202	212
Other non-cash items	-	-	-	-	-
Change in working capital	54	(211)	(243)	(186)	(176)
Cash flow from operations	721	610	420	601	691
Capex - maintenance	(150)	(161)	(151)	(165)	(178)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	542	(48)	(149)	(135)	(123)
Cash flow from investing	392	(209)	(300)	(300)	(301)
Dividends paid	-	-	-	-	-
Equity finance	0	0	0	0	0
Debt finance	30	109	99	0	(1)
Other financing cash flows	(1,080)	(680)	967	(30)	(72)
Cash flow from Financing	(1,049)	(571)	1,066	(30)	(73)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	63	(169)	1,186	271	317
Free cash flow to firm (FCFF)	1,132.66	415.92	131.21	310.50	399.52
Free cash flow to equity (FCFE)	63.17	(169.28)	1,185.74	270.79	316.79
Per share (THB)					
FCFF per share	1.03	0.38	0.12	0.28	0.36
FCFE per share	0.06	(0.15)	1.08	0.25	0.29
Recurring cash flow per share	0.61	0.75	0.60	0.72	0.79
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed asset (gross)	3,074	3,231	3,431	3,631	3,831
Less: Accumulated depreciation	(1,503)	(1,627)	(1,887)	(2,171)	(2,477)
Tangible fixed assets (Net)	1,571	1,605	1,544	1,461	1,354
Intangible fixed assets (Net)	79	70	70	70	70
Long-term financial assets	-	-	-	-	-
Invest. In associates & subsidiaries	890	871	871	871	871
Cash & equivalents	453	284	1,470	1,740	2,058
A/C receivable	1,061	1,017	1,227	1,452	1,704
Inventories	546	639	605	645	722
Other current assets	107	132	124	133	149
Current assets	2,167	2,072	3,426	3,970	4,633
Other assets	1,161	1,057	1,057	1,057	1,057
Total assets	5,868	5,674	6,968	7,428	7,984
Common equity	3,576	3,613	5,080	5,453	5,839
Minorities etc.	0	0	0	0	0
Total Shareholders' equity	3,576	3,613	5,080	5,453	5,839
Long term debt	0	149	50	50	51
Other long-term liabilities	222	237	237	237	237
Long-term liabilities	222	385	287	287	288
A/C payable	1,456	1,334	1,264	1,346	1,507
Short term debt	532	274	274	274	274
Other current liabilities	82	68	64	68	76
Current liabilities	2,070	1,675	1,601	1,688	1,857
Total liabilities and shareholders' equity	5,868	5,674	6,968	7,428	7,984
Net working capital	176	386	629	815	991
Invested capital	3,877	3,988	4,171	4,273	4,343
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	3.25	3.28	4.62	4.96	5.31
Tangible book value per share	3.18	3.22	4.55	4.89	5.24
Financial strength					
Net debt/Equity (%)	2.2	3.8	(22.6)	(26.0)	(29.7)
Net debt/total assets (%)	1.3	2.4	(16.4)	(19.1)	(21.7)
Current ratio (x)	1.0	1.2	2.1	2.4	2.5
CF interest cover (x)	4.1	(10.6)	106.9	28.9	33.6
Valuation					
Recurring P/E (x) *	11.1	8.1	15.0	10.4	9.0
Recurring P/E @ target price (x) *	15.5	11.3	21.0	14.6	12.7
Reported P/E (x)	11.1	8.1	15.0	10.4	9.0
Dividend yield (%)	-	-	-	-	2.8
Price/book (x)	0.9	0.9	0.6	0.6	0.5
Price/tangible book (x)	0.9	0.9	0.6	0.6	0.5
EV/EBITDA (x) **	13.1	9.7	14.1	6.8	4.7
EV/EBITDA @ target price (x) **	18.2	13.5	22.9	11.7	8.9
EV/invested capital (x)	0.8	0.8	0.5	0.4	0.3
* Pre-exceptional & pre-goodwill are fully diluted ** EBITDA includes associate income and recurring non operating income					

Sources: Susco; 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	CENDEL
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	KBS	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

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Susco	SUSCO TB	THB 2.86	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) a lower marketing margin; and 3) weaker-than-expected jet demand.
PTG Energy	PTG TB	THB 16.20	BUY	The downside risks to our SoTP-based TP include 1) a government cap on oil prices; and 2) weaker demand for diesel and gasoline.
Esso Thailand	ESSO TB	THB 7.35	BUY	The downside risks to our SoTP-based TP on ESSO include 1) lower-than-expected demand for petroleum products; 2) a higher crude premium; and 3) unplanned shutdowns of its refinery and petrochemical plants.
Bangchak Corp	BCP TB	THB 20.00	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) a higher crude premium; and 3) unplanned shutdowns of the company's refinery plants.
PTT	PTT TB	THB 41.00	BUY	Risks to our SoTP-based valuation are the oil price and potential earnings downsides from government intervention.
Asia Aviation	AAV TB	THB 2.38	BUY	Downside risks to our target price include 1) extraordinary events such as political turmoil and natural disasters; 2) higher-than-expected fuel expenses following an increase in oil prices; and 3) the slower-than-expected recovery of international tourist numbers.
Airports of Thailand	AOT TB	THB 61.50	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 28-Dec-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.