

22 JULY 2021

THAILAND / MATERIALS

TIPCO ASPHALT TASCO TB

BUY

UNCHANGED

TARGET PRICE	THB22.50
CLOSE	THB19.50
UP/DOWNSIDE	+15.4%
PRIOR TP	THB22.50
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+10.0%

อัตรากำไรขาดเซยความเสี่ยงจากต้นทุนน้ำมัน

Higher margin over sales volume

ในระหว่างการประชุมทางโทรศัพท์กับ FSSIA ผู้บริหารได้ระบุถึง 3 กลยุทธ์สำคัญที่นำจะช่วยรักษากระแสการเติบโตของกำไรสุทธิของ TASCO ในปี 2021-22 ประการแรก TASCO ตั้งเป้าเพิ่มสัดส่วนปริมาณขายผลิตภัณฑ์ยางมะตอยคุณภาพสูง จาก 31% เป็น 40% ในอีก 3 ปีข้างหน้า โดยจะใช้ประโยชน์จากความเชี่ยวชาญของบริษัทแม่ กล่าวคือ Colas (not listed) ในตลาดวัสดุก่อสร้าง ประการที่สอง TASCO วางแผนเพิ่ม EBITDA ที่ลดลงจากยอดขายยางมะตอยคุณภาพดีที่มีอัตรากำไรสูง ซึ่งจะชดเชย EBITDA ที่ลดลงจากสินค้าโภคภัณฑ์อัตรากำไรต่ำ ซึ่งกดดันปริมาณขายต่อปีของ TASCO ให้ลดลงจาก 1.8-2.0mtpa ในปี 2018-20 เหลือ 1.2mtpa ในปี 2021 ประการที่สาม TASCO เชื่อว่ากลยุทธ์การกระจายสินค้าที่จะเปลี่ยนจากราคาขายส่งเป็นราคาขายปลีกจะช่วยส่งเสริมอัตรากำไรขั้นต้นในปี 2021-23 โดยจะทำเงินจากเครือข่ายโรงงานและศูนย์กระจายสินค้า Emulsion

ยางมะตอยคุณภาพสูงกำลังเพิ่มสูงขึ้น

TASCO ตั้งเป้าเพิ่มยอดขายยางมะตอยคุณภาพสูงจาก 30% ในปี 2020 เป็น 40-50% ในอีก 5 ปีข้างหน้า จุดแข็งสำคัญของ TASCO ในผลิตภัณฑ์ยางมะตอยคุณภาพสูงประกอบด้วยยางมะตอยที่คิดค้นและพัฒนาภายในบริษัท เช่น Para AC, Para Slurry Seal, และยางมะตอยคอนกรีตชนิดบางพิเศษ ซึ่งทำให้ TASCO ได้ส่วนแบ่งถึงกว่า 60% ในตลาดยางมะตอยคุณภาพสูงในประเทศไทย ซึ่งโตจากเพียง 23% ในปี 2017 เป็น 31% ของปริมาณขายยางมะตอยรวมในปี 2020 เราคาดว่าอัตรากำไรขั้นต้นของยางมะตอยคุณภาพดีจะสูงกว่ายางมะตอยปกติ 2-3x โดยจะอยู่ที่ 15-20% สำหรับยางมะตอยคุณภาพดีและ 6% สำหรับยางมะตอยปกติ

3 กลยุทธ์ที่จะชดเชยอัตรากำไรที่ลดลง

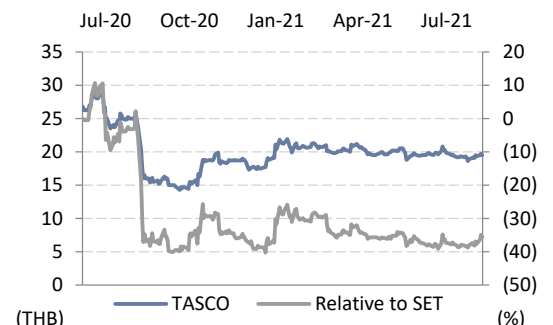
เพื่อชดเชยอัตรากำไรที่ลดลงจากอุปทานน้ำมันที่ได้รับผลกระทบอย่างรุนแรงมาตั้งแต่ปี 2020 ปัจจุบัน TASCO วางแผนที่จะ 1) นำเข้าน้ำมันดิบหนักอื่นเพื่อใช้กับโรงกลั่นขนาด 30kbpd ในมาเลเซียของบริษัทฯ; 2) เพิ่มยอดขายผลิตภัณฑ์ยางมะตอยคุณภาพสูง; และ 3) เพิ่มปริมาณขายปลีกให้สูงกว่า 50% จากการประมาณการของเราทั้ง 3 กลยุทธ์ดังกล่าวควรช่วยชดเชยผลกระทบของอัตรากำไรขั้นต้นที่ลดลงจากต้นทุนน้ำมันดิบที่สูงขึ้นและน่าจะช่วยพยุงอัตรากำไรของบริษัทฯ ไว้ให้อยู่ในช่วง 15-20%

กลยุทธ์ในด้านคุณภาพจะจุดกระแสการเติบโตให้กลับมาในปี 2021-23

เราคงคำแนะนำซื้อที่ราคาเป้าหมาย 22.5 บาท (12.2x ของค่า 2021E EV/EBITDA) เราคิดว่าราคาหุ้นของ TASCO อาจปรับตัวสูงขึ้นโดยได้ปัจจัยผลักดันจากกำไรสุทธิ 2Q21 ที่คาดว่าจะอยู่ในระดับสูงและกลยุทธ์เพิ่มอัตรากำไรเพื่อปรับปรุง EBITDA ให้สูงขึ้นและลดผลกระทบจากปัญหาการขาดแคลนอุปทานน้ำมันดิบ

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	26,155	38,166	32,135	30,926
Net profit	3,592	2,209	3,023	2,262
EPS (THB)	2.30	1.41	1.94	1.45
vs Consensus (%)	-	0.3	26.5	(3.5)
EBITDA	4,331	3,025	4,018	3,068
Core net profit	2,696	2,209	3,023	2,262
Core EPS (THB)	1.73	1.41	1.94	1.45
Chg. In EPS est. (%)	0.0	-	-	-
EPS growth (%)	5.9	(18.0)	36.8	(25.2)
Core P/E (x)	11.3	13.8	10.1	13.5
Dividend yield (%)	6.7	4.6	4.1	4.1
EV/EBITDA (x)	6.9	10.6	7.6	9.8
Price/book (x)	2.1	2.0	1.8	1.7
Net debt/Equity (%)	(5.4)	10.1	(1.3)	(4.1)
ROE (%)	19.1	14.8	19.1	13.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.0)	(2.5)	(27.1)
Relative to country (%)	2.9	0.0	(34.9)
Mkt cap (USD m)	937		
3m avg. daily turnover (USD m)	7.5		
Free float (%)	39		
Major shareholder	Tipco Food, Colas S.A. (31%)		
12m high/low (THB)	29.00/14.30		
Issued shares (m)	1,569.73		

Sources: Bloomberg consensus; FSSIA estimates



Suwat Sinsadok
suwat.sin@fssia.com
+66 2611 3558

Siriluck Pinthusoonthorn
siriluck.pin@fssia.com
+66 2611 3562

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 22 กรกฎาคม 2021

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 in Malaysia, operated by its 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.

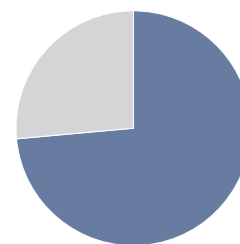
Company profile

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, 2020)

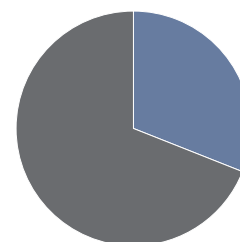
- Geographic segment located in Thailand - 73.6 %
- Geographic segment located overseas - 26.4 %



Source: Tipco Asphalt

Major shareholders

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



Source: Tipco Asphalt

Catalysts

A rising asphalt margin due to the tight 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.

Risks to our call

Downside risks to our EV/EBITDA multiple based TP include 1) a lower asphalt margin due to a oversupply in Asia on the back of faster recovery of utilisation rate for global refiners; and 2) a lower-than-expected supply of alternative crudes and asphalt.

Event calendar

Date	Event
Aug 2021	2Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(USD/bbl)	(USD/bbl)	(USD/bbl)
Utilisation rate (%)	90	50	94
Brent crude price	40.0	50.0	50.0
Fuel oil-Dubai spread	(3.0)	(8.0)	(8.0)
Crude premium	2.0	3.0	3.0
Asphalt sales volume (mtpa)	1.8	1.8	2.0
Asphalt-Dubai margin	8	(3)	(4)

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in avg. Dubai oil price, 2021 earnings should rise by 0.3%, and vice versa, all else being equal.
- For every 1ppt increase in asphalt-Dubai margin, we estimate 2021 earnings would 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

Margin enhancement to offset lower sales volume

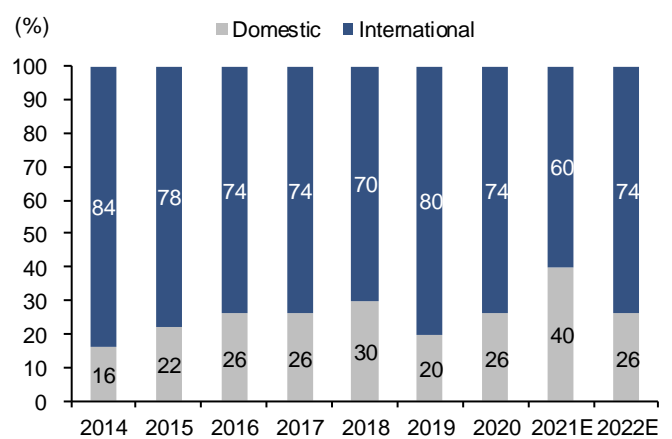
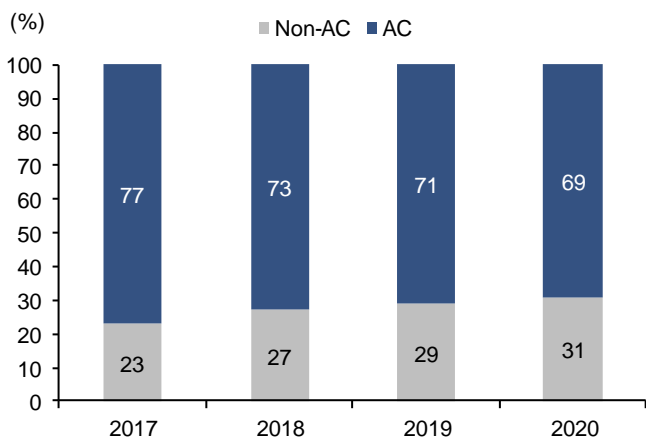
During our FSSIA conference call, management indicated three key strategies that should sustain TASCO’s net profit growth momentum in 2021-22 to gradually offset the impact of the lower gross margin due to the abrupt shortage of the super-heavy crude supply used for its refinery plant.

Strategy #1: Increasing sales of premium products. TASCO aims to increase its sales volume proportion of high-margin premium asphalt products from 31% to 40% in the next three years, leveraging its parent company Colas’ expertise in the construction material market.

According to management, while TASCO’s overall asphalt market share in Thailand was at 50% in 2020, TASCO has gained a market share of up to 60-70% for the premium asphalt segment. This segment has risen from only 23% in 2017 to 31% in 2020, thanks to Thai government’s policy to use para AC and slurry AC – two of TASCO’s premium asphalt products – for airports and other high-quality pavement road works.

Exhibit 1: Thailand market demand for asphalt, 2017-20

Exhibit 2: Sales volume breakdown by market



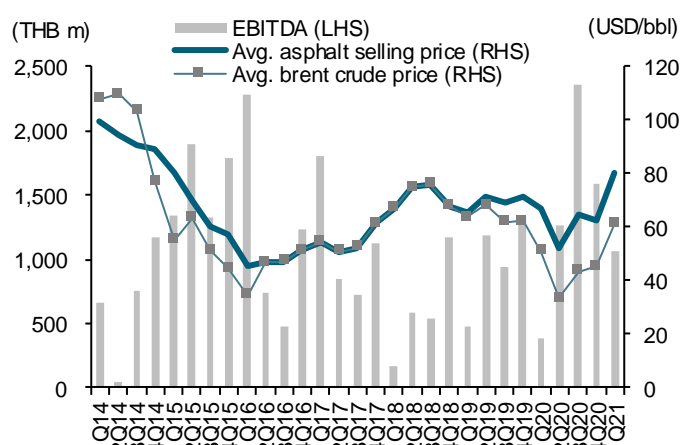
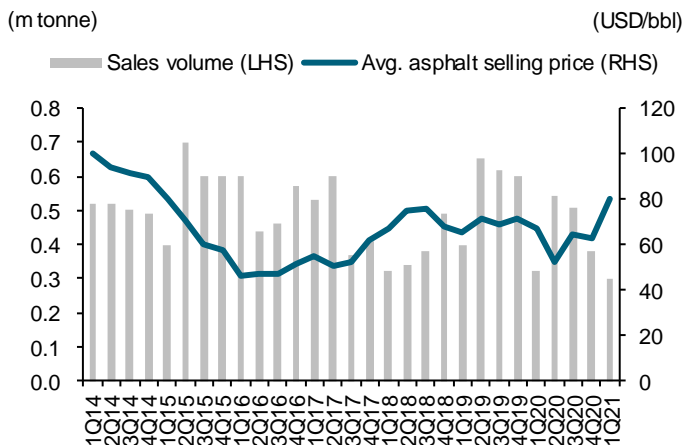
Source: TASCO

Sources: TASCO; FSSIA estimates

Strategy #2: Higher margin at the expense of a lower sales volume. TASCO plans to gradually raise its EBITDA from the sales of high-margin premium asphalt to offset the EBITDA decline from low-margin commodity products, which curbed TASCO’s annual sales volume from 1.8-2.0mtpa in 2018-20 to 1.2mtpa in 2021.

Exhibit 3: Sales volume, average asphalt selling price

Exhibit 4: Average asphalt selling price, Brent crude price, and TASCO’s EBITDA



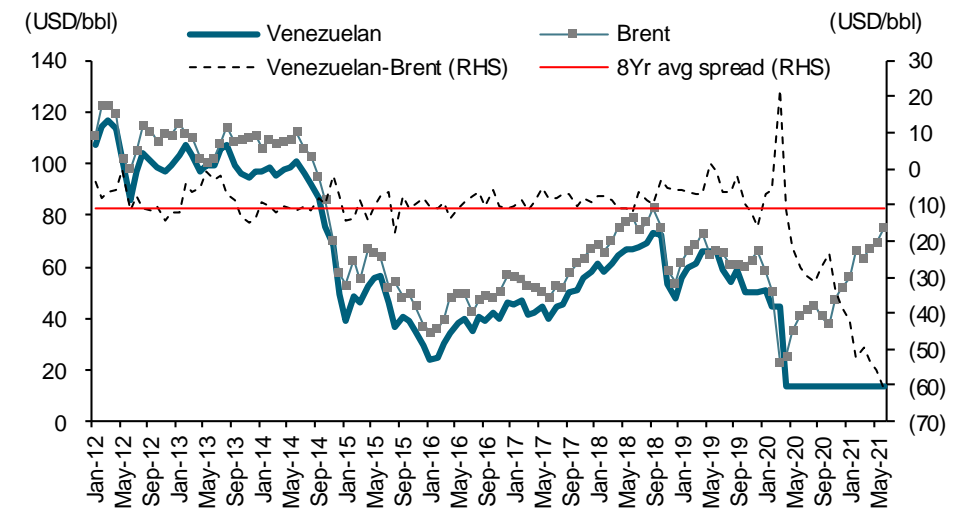
Sources: TASCO; FSSIA estimates

Sources: TASCO; FSSIA estimates

Since 4Q20, TASCO has aimed to reduce its quarterly sales volume from 0.4-0.5mt to 0.3-0.4mt, due to the lower gross margin caused by the higher crude cost from alternative sources to partly replace the super-heavy crude that has long been its core crude supply. This is due to super-heavy crude's most competitive cost and higher asphalt yield at 70% vs only a 40-50% yield of asphalt using alternative crudes as feedstocks for TASCO's refinery plant.

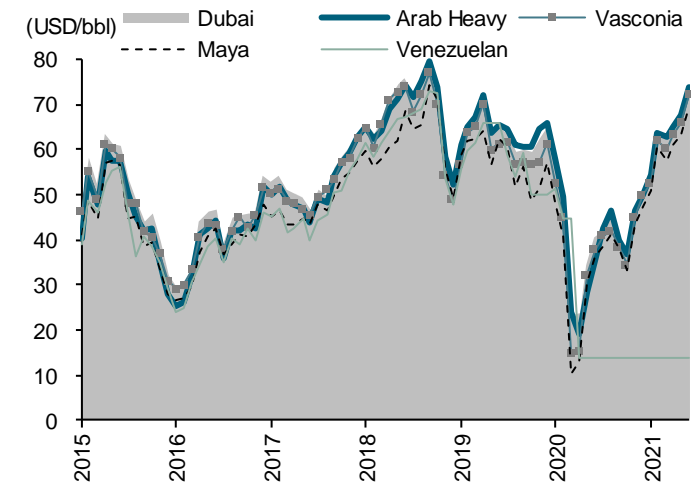
In 2Q21, we project that TASCO should sell 0.35-0.4mt, up slightly from 0.30mt in 1Q21, mainly driven by the higher asphalt sales volume in Thailand and the absence of the 47-day shutdown in 1Q21.

Exhibit 5: Prices and price gap of Venezuela and Brent



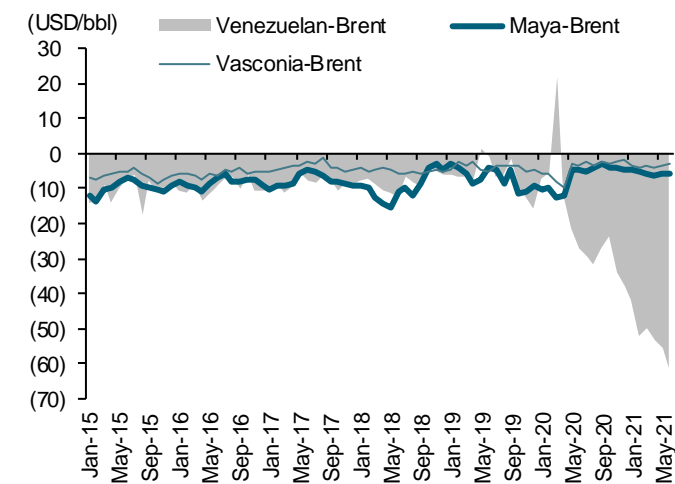
Source: Bloomberg

Exhibit 6: Crude prices of Dubai, Arab Heavy, Vasconia (Colombia), and Maya (Mexico)



Source: Bloomberg

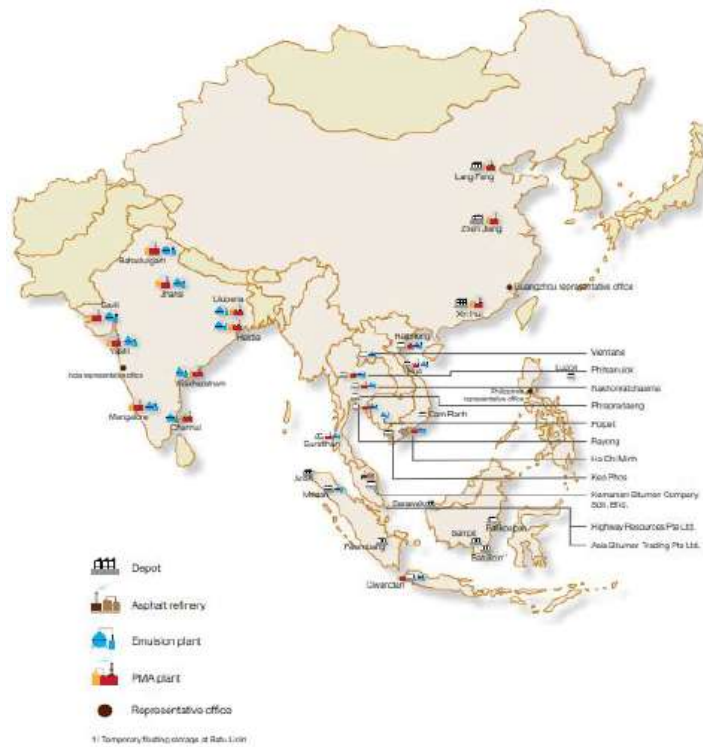
Exhibit 7: Crude price discounts for Venezuela, Maya (Mexico), and Vasconia (Colombia) over Brent



Source: Bloomberg

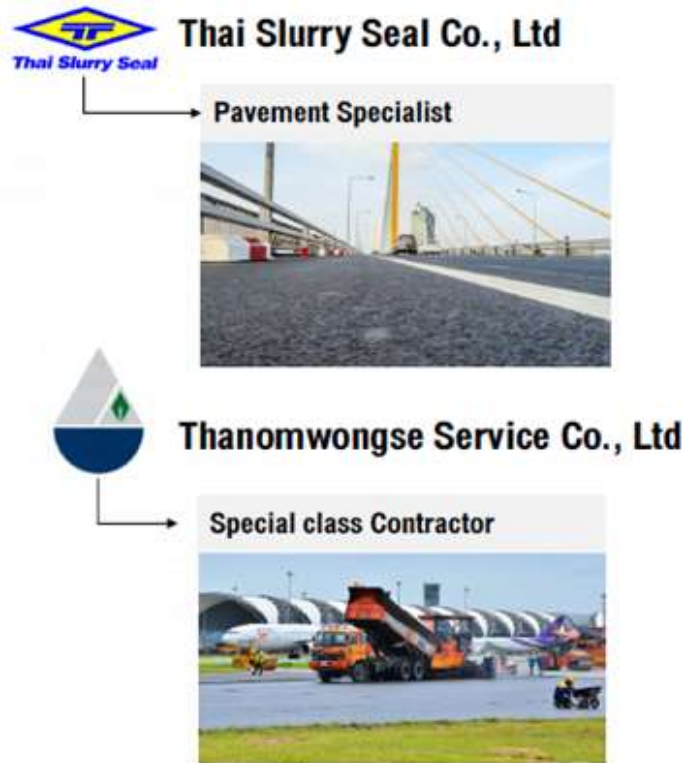
Strategy #3: Higher retail sales distribution. TASCO believes its distribution strategy to shift from wholesale to retail sales prices will enhance its gross margin piecemeal in 2021-23, monetising its network of emulsion plants and depots.

Exhibit 8: Production and distribution



Source: TASCO

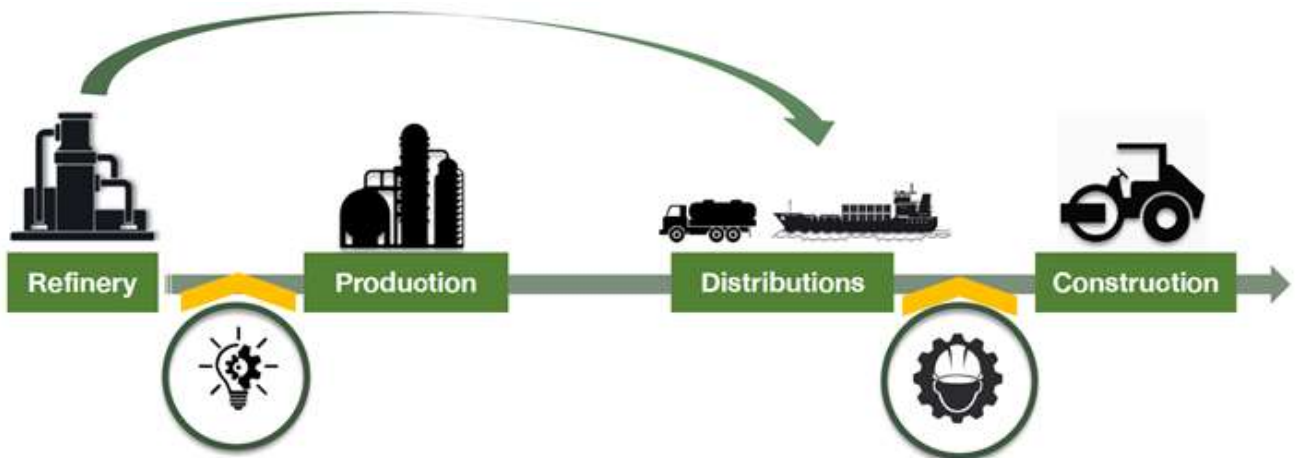
Exhibit 9: Integrated construction group



Source: TASCO

TASCO currently has a plant presence in seven countries, including Thailand, Malaysia, Cambodia, India, China, Indonesia, and the Philippines. Management plans to leverage TASCO's strength in terms of its business model in the retail distribution channel in Thailand to the other six countries where TASCO has a number of emulsion plants, depots, an asphalt refinery plant (Malaysia), and sales offices. The retail sales channel should help improve TASCO's gross margin by 3-5ppts, based on our estimate.

Exhibit 10: TASCO's fully integrated value chain in the asphalt business

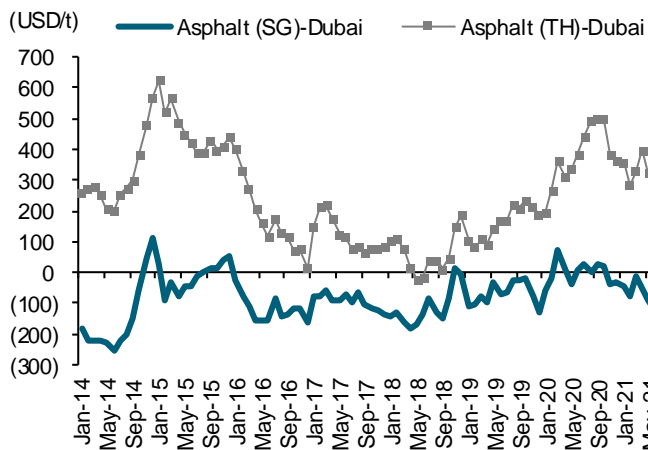


Source: TASCO

Alternative crude supply to sustain production at expense of lower margin

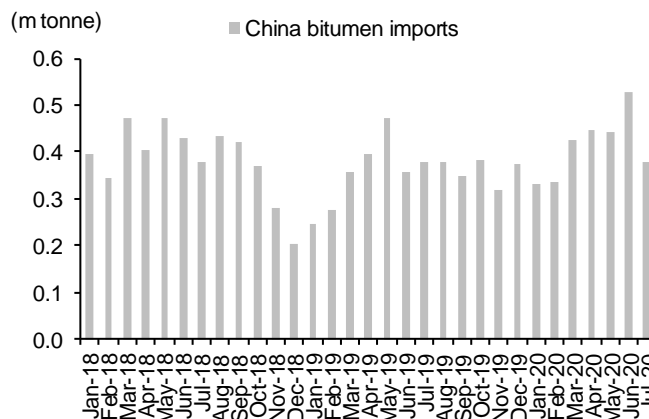
To offset the margin decline due to the heavy crude supply disruptions since 2020, TASCO now plans to 1) import other heavy crudes to be used for its 30kbpd refinery plant in Malaysia; 2) increase the sales of premium asphalt products; and 3) heighten its retail sales volume to over 50%.

Exhibit 11: Asphalt-Dubai margins



Source: Bloomberg

Exhibit 12: China's bitumen imports

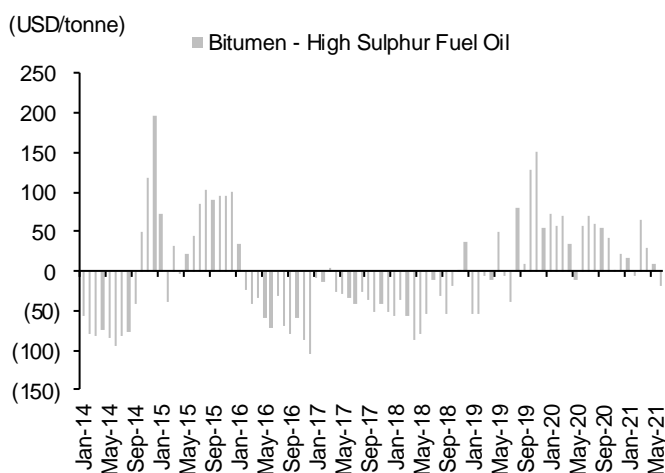


Source: Bloomberg

These three strategies should mostly offset the impact of the lower gross margin caused by the higher crude cost, and are likely to maintain TASCO's gross margin in the range of 15-20%, based on our estimate.

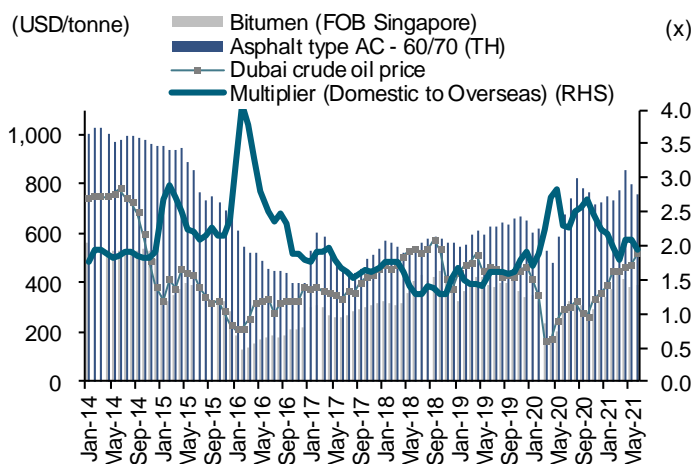
Asphalt margin softened in 2Q21. In 2Q21, the domestic asphalt price over international price margin narrowed from 2.5x down to 2.0x, as the international asphalt price rose at a faster rate than the increase in the domestic asphalt price. In addition, the margin of asphalt over high sulphur fuel oil (HSFO), the co-product with asphalt produced in the heavy petroleum group from refiners, has declined from over USD50/t in Mar-21 down to only 10/t in Jun-21, due to the rising HSFO price.

Exhibit 13: Bitumen (asphalt) SG and HSFO SG price vs Brent crude oil price



Source: Bloomberg

Exhibit 14: Bitumen (asphalt) SG and Thailand's price vs Dubai crude oil price



Sources: Bloomberg; TOP

Premium asphalt products are key

Management aims to increase its sales of premium asphalt from 30% in 2020 to 40-50% in the next five years. TASCOTB's key strength in premium asphalt products includes a number of innovative, in-house developed asphalts, such as para AC, para slurry seal, ultra-thin friction course, and stone matrix asphalt.

Exhibit 15: Innovative asphalt products

	----- Surface preparation -----			----- Surface dressing -----						
	Prime coat	Tack coat	Pavement recycling	Single surface treatment (Chip seal)	Double surface treatment (Dbst)	Slurry seal	Cape seal	Micro-surfacing (Para slurry seal)	Para cape seal	Coloured micro-surfacing (Coloured para slurry seal)
Asphalt cement - penetration grades				/	/					
Asphalt cement - viscosity grades										
Cutback asphalt	/									
Cationic asphalt emulsion	/	/	/	/	/	/	/		/	
Modified asphalt emulsion		/		/	/			/	/	
High performance grade asphalt										
Bituclair										/

Source: TASCOTB

As a result, TASCOTB commands over a 60% market share in the premium asphalt segment in Thailand, which has grown from only 23% in 2017 to 31% of the total asphalt sales volume in 2020. We estimate that the gross margin for premium asphalt will be 2-3x higher than for commodity asphalt (15-20% for premium vs 6% for commodity).

Exhibit 16: Innovative asphalt products

	----- Surface pavement -----										
	Cold-mixed asphalt	Hot-mixed asphalt concrete	Stone matrix asphalt (Sma)	Porous asphalt (Pa)	Ultra-thin friction course (Utfc)	Jet-fuel resistance hotmix asphalt (Colnax)	Coloured hotmix asphalt	Emulsion stabilized base	High rutting resistance (Hrr)	Warm mixed asphalt (Wma)	High performance pavement (Hpp)
Asphalt cement - penetration grades		/									
Asphalt cement - viscosity grades		/									
Cutback asphalt											
Cationic asphalt emulsion	/							/			
Modified asphalt emulsion	/										
High performance grade asphalt		/	/	/	/	/		/	/	/	
Bituclair							/				

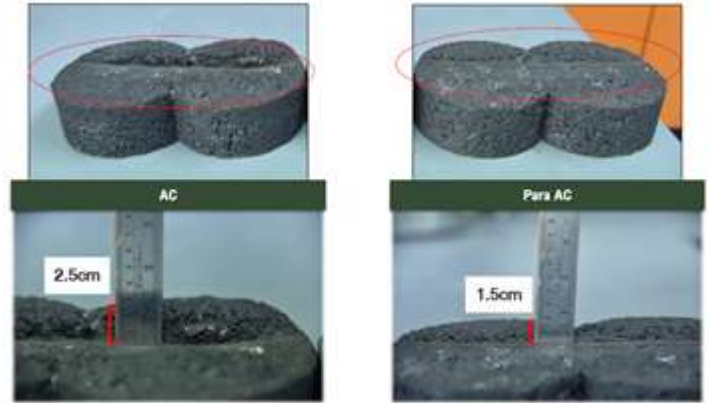
Source: TASCOTB

Exhibit 17: Hamburg wheel – track testing



Source: TASC0

Exhibit 18: Asphalt AC (commodity) vs para AC (premium) after test, measuring rutting depth



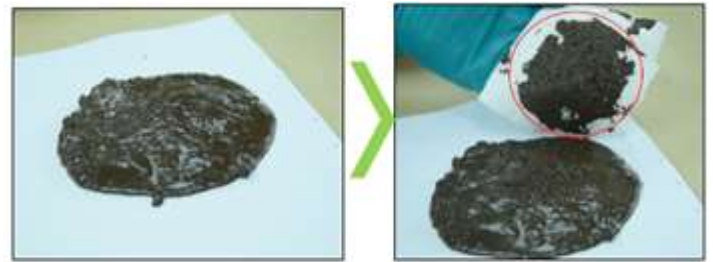
Source: TASC0

Exhibit 19: Mixing test for asphalt slurry seal



Source: TASC0

Exhibit 20: Setting test for asphalt slurry seal



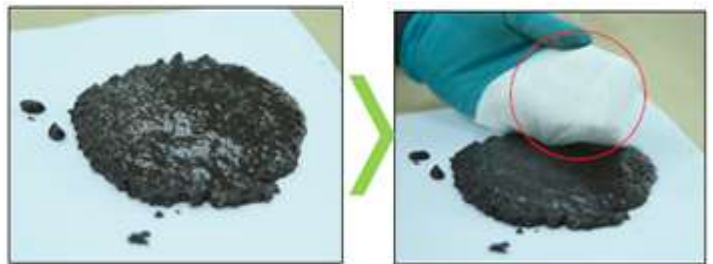
Source: TASC0

Exhibit 21: Mixing test for premium asphalt para slurry seal



Source: TASC0

Exhibit 22: Setting test for premium asphalt para slurry seal



Source: TASC0

Exhibit 23: Wet track abrasion test (slurry seals vs para slurry seal)



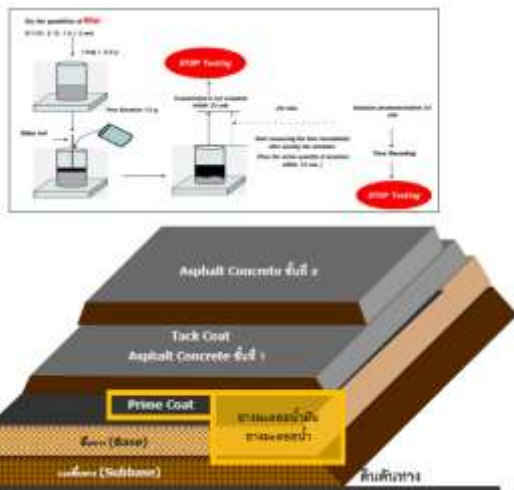
Source: TASCO

Exhibit 24: Premium para slurry seal asphalt has a higher water resistance than slurry seal



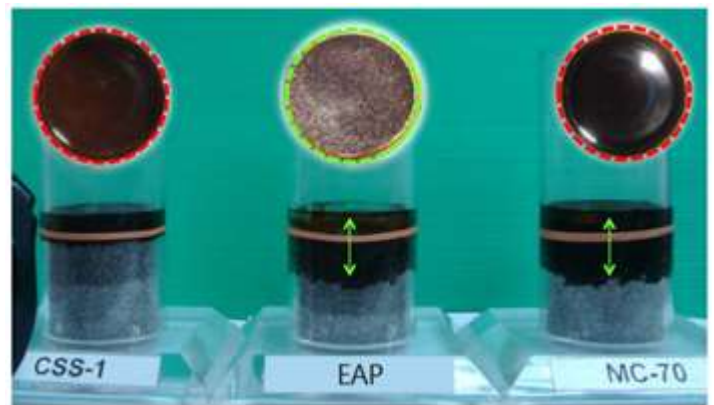
Source: TASCO

Exhibit 25: Penetration power testing



Source: TASCO

Exhibit 26: Penetration power testing



Source: TASCO

Valuation

We maintain BUY and our target price of THB22.5, based on 12.2x 2021E EV/EBITDA. We think TASCOTB's share price could rise, driven by a strong 2Q21E net profit and the margin-enhancement strategies to improve its EBITDA and reduce the impact of the crude supply shortage.

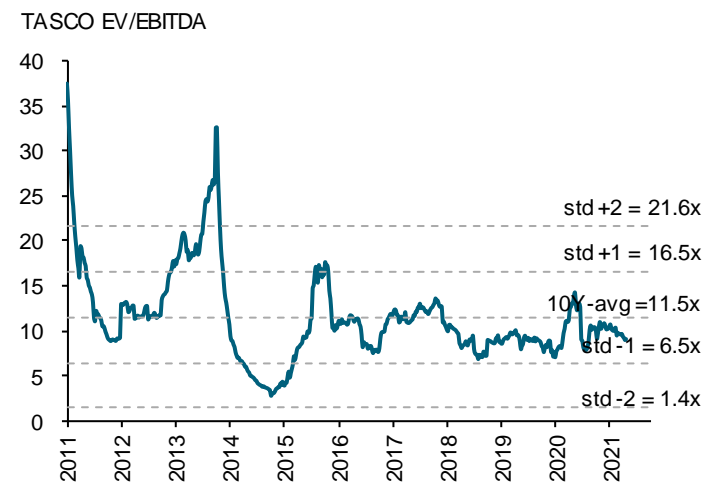
Exhibit 27: Peers comparison

Company	BBG	Rec	Share Price (LCY)	Target price (LCY)	Upside (%)	Market Cap (USD m)	3Y EPS CAGR (%)	PE		ROE		PBV		EV/EBITDA	
								21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)	21E (x)	22E (x)
Tipco Asphalt	TASCO TB	BUY	19.5	22.5	15	937	(5.7)	13.8	10.1	14.8	19.1	2.0	1.8	10.6	7.6
Siam Cement	SCC TB	BUY	408	494	21	14,909	11.3	11.1	10.5	13.2	12.9	1.4	1.3	11.2	10.4
Material under coverage						15,846	11.2	11.3	10.4	13.3	13.3	1.4	1.3	11.2	10.2
Dynasty Ceramic	DCC TB	NR	3.16	NA	NA	884	4.7	16.1	15.7	33.0	30.5	4.7	4.6	10.0	9.5
Diamond Building	DRT TB	NR	7.30	NA	NA	190	7.5	12.2	11.4	26.6	25.4	3.3	3.1	6.8	6.4
Vanachai Group	VNG TB	NR	7.45	NA	NA	396	NA	NA	NA	NA	NA	NA	NA	NA	NA
Siam City Cement	SCCC TB	NR	160.50	NA	NA	1,456	5.2	11.9	11.3	11.9	12.3	1.4	1.3	7.0	7.1
Tpi Polene	TPIPL TB	NR	1.71	NA	NA	996	(5.2)	10.9	12.5	5.8	5.1	0.7	0.7	9.5	9.8
Peer avg.						3,922	5.4	11.4	11.4	14.6	14.0	1.9	1.9	7.6	7.6
Average (all)						19,768	11.2	11.3	10.6	13.6	13.4	1.5	1.4	10.5	9.7

Prices as of 21 July 2021
Sources: Bloomberg; FSSIA estimates

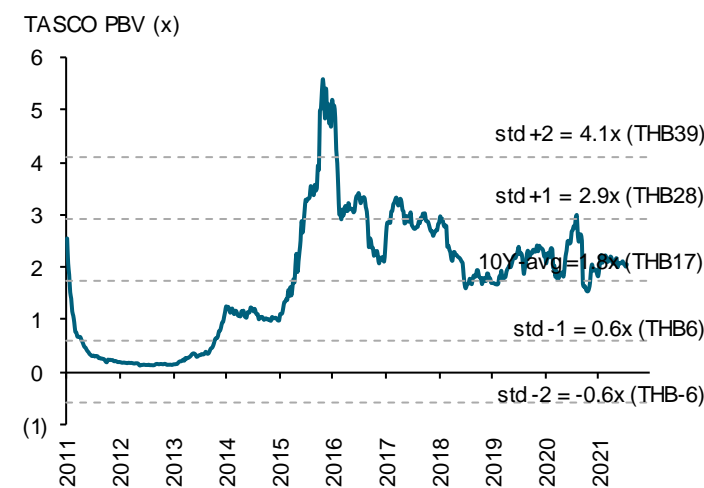
Currently trading at 10.5x 2021E EV/EBITDA, below its 10-year historical average of 11.5x, we think TASCOTB remains attractive after its share price consolidation since Mar-21 after the announcement of the crude disruption to comply with the US policy. TASCOTB's improving net profit outlook and the strategy to enhance its margin should over time result in the valuation rerating toward its 10-year historical average, in our view.

Exhibit 28: Rolling one-year forward EV/EBITDA band



Sources: Bloomberg; FSSIA estimates

Exhibit 29: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Tipco Asphalt

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	36,893	26,155	38,166	32,135	30,926
Cost of goods sold	(31,844)	(19,550)	(33,283)	(26,552)	(26,352)
Gross profit	5,049	6,605	4,883	5,583	4,574
Other operating income	-	-	-	-	-
Operating costs	(1,831)	(2,274)	(1,859)	(1,565)	(1,506)
Operating EBITDA	3,218	4,331	3,025	4,018	3,068
Depreciation	(875)	(1,050)	(1,007)	(1,007)	(1,007)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	2,343	3,280	2,017	3,011	2,061
Net financing costs	(204)	(118)	(110)	(109)	(91)
Associates	133	118	80	80	80
Recurring non-operating income	938	297	780	780	780
Non-recurring items	578	896	0	0	0
Profit before tax	3,655	4,355	2,687	3,682	2,750
Tax	(509)	(757)	(478)	(659)	(488)
Profit after tax	3,146	3,598	2,209	3,023	2,262
Minority interests	(22)	(6)	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	3,123	3,592	2,209	3,023	2,262
Non-recurring items & goodwill (net)	(578)	(896)	0	0	0
Recurring net profit	2,545	2,696	2,209	3,023	2,262
Per share (THB)					
Recurring EPS *	1.63	1.73	1.41	1.94	1.45
Reported EPS	2.00	2.30	1.41	1.94	1.45
DPS	1.50	1.30	0.90	0.80	0.80
Diluted shares (used to calculate per share data)	1,562	1,562	1,562	1,562	1,562
Growth					
Revenue (%)	33.5	(29.1)	45.9	(15.8)	(3.8)
Operating EBITDA (%)	15.0	34.6	(30.2)	32.9	(23.6)
Operating EBIT (%)	30.3	40.0	(38.5)	49.3	(31.6)
Recurring EPS (%)	350.9	5.9	(18.0)	36.8	(25.2)
Reported EPS (%)	453.3	15.0	(38.5)	36.8	(25.2)
Operating performance					
Gross margin inc. depreciation (%)	11.3	21.2	10.2	14.2	11.5
Gross margin of key business (%)	11.3	21.2	10.2	14.2	11.5
Operating EBITDA margin (%)	8.7	16.6	7.9	12.5	9.9
Operating EBIT margin (%)	6.4	12.5	5.3	9.4	6.7
Net margin (%)	6.9	10.3	5.8	9.4	7.3
Effective tax rate (%)	14.5	17.9	18.3	18.3	18.3
Dividend payout on recurring profit (%)	92.1	75.3	63.7	41.3	55.3
Interest cover (X)	16.1	30.2	25.3	34.8	31.1
Inventory days	84.8	120.0	79.8	113.2	100.9
Debtor days	50.8	59.9	32.1	38.1	39.6
Creditor days	59.2	87.3	44.9	63.8	56.8
Operating ROIC (%)	12.1	19.3	11.2	15.5	10.5
ROIC (%)	16.1	19.6	14.3	18.0	13.4
ROE (%)	19.7	19.1	14.8	19.1	13.2
ROA (%)	11.0	12.0	10.0	12.5	9.1
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Geographic segment located in Thailand	29,044	19,240	32,162	26,155	24,946
Geographic segment located overseas	7,849	6,916	6,004	5,981	5,981

Sources: Tipco Asphalt; FSSIA estimates

Financial Statements

Tipco Asphalt

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	2,545	2,696	2,209	3,023	2,262
Depreciation	875	1,050	1,007	1,007	1,007
Associates & minorities	133	118	80	80	80
Other non-cash items	-	-	-	-	-
Change in working capital	3,133	794	(1,304)	635	(11)
Cash flow from operations	6,686	4,659	1,992	4,746	3,338
Capex - maintenance	(377)	(726)	(876)	(1,026)	(1,176)
Capex - new investment	(656)	(194)	(1,348)	(475)	(325)
Net acquisitions & disposals	(48)	192	0	0	0
Other investments (net)	3,703	2,759	80	80	80
Cash flow from investing	2,623	2,031	(2,144)	(1,421)	(1,421)
Dividends paid	(4,687)	(5,312)	(2,031)	(1,406)	(1,250)
Equity finance	0	0	0	0	0
Debt finance	(3,061)	(2,230)	615	0	0
Other financing cash flows	(618)	548	(160)	(160)	(160)
Cash flow from financing	(8,366)	(6,994)	(1,576)	(1,566)	(1,410)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	943	(304)	(1,728)	1,758	507
Free cash flow to firm (FCFF)	9,512.87	6,820.39	(41.80)	3,434.97	2,027.04
Free cash flow to equity (FCFE)	5,630.35	5,008.16	302.81	3,164.29	1,756.49
Per share (THB)					
FCFF per share	6.06	4.34	(0.03)	2.19	1.29
FCFE per share	3.59	3.19	0.19	2.02	1.12
Recurring cash flow per share	2.27	2.47	2.11	2.63	2.14
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	15,540	15,848	17,349	18,850	20,351
Less: Accumulated depreciation	(7,255)	(7,692)	(7,976)	(8,983)	(9,990)
Tangible fixed assets (net)	8,286	8,156	9,373	9,867	10,361
Intangible fixed assets (net)	146	305	305	305	305
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	2,975	2,672	943	2,701	3,208
A/C receivable	5,234	3,352	3,352	3,352	3,352
Inventories	7,467	5,383	9,164	7,311	7,256
Other current assets	462	491	717	603	581
Current assets	16,138	11,898	14,176	13,968	14,397
Other assets	692	976	976	976	976
Total assets	25,262	21,334	24,830	25,116	26,039
Common equity	13,407	14,837	15,015	16,633	17,644
Minorities etc.	171	183	183	183	183
Total shareholders' equity	13,579	15,021	15,199	16,816	17,827
Long term debt	43	225	840	840	840
Other long-term liabilities	168	170	170	170	170
Long-term liabilities	211	395	1,010	1,010	1,010
A/C payable	6,316	3,032	5,161	4,117	4,086
Short term debt	4,051	1,639	1,639	1,639	1,639
Other current liabilities	1,106	1,248	1,821	1,533	1,475
Current liabilities	11,473	5,918	8,621	7,289	7,201
Total liabilities and shareholders' equity	25,262	21,334	24,830	25,116	26,039
Net working capital	5,741	4,947	6,251	5,616	5,627
Invested capital	14,865	14,384	16,905	16,764	17,269
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	8.58	9.50	9.61	10.65	11.29
Tangible book value per share	8.49	9.30	9.42	10.45	11.10
Financial strength					
Net debt/equity (%)	8.2	(5.4)	10.1	(1.3)	(4.1)
Net debt/total assets (%)	4.4	(3.8)	6.2	(0.9)	(2.8)
Current ratio (x)	1.4	2.0	1.6	1.9	2.0
CF interest cover (x)	31.8	44.9	16.0	34.4	23.8
Valuation					
Recurring P/E (x) *	12.0	11.3	13.8	10.1	13.5
Recurring P/E @ target price (x) *	13.8	13.0	15.9	11.6	15.5
Reported P/E (x)	9.8	8.5	13.8	10.1	13.5
Dividend yield (%)	7.7	6.7	4.6	4.1	4.1
Price/book (x)	2.3	2.1	2.0	1.8	1.7
Price/tangible book (x)	2.3	2.1	2.1	1.9	1.8
EV/EBITDA (x) **	9.9	6.9	10.6	7.6	9.8
EV/EBITDA @ target price (x) **	11.3	8.0	12.2	8.7	11.3
EV/invested capital (x)	2.1	2.1	1.9	1.8	1.7
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Tipco Asphalt; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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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 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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:

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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

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Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

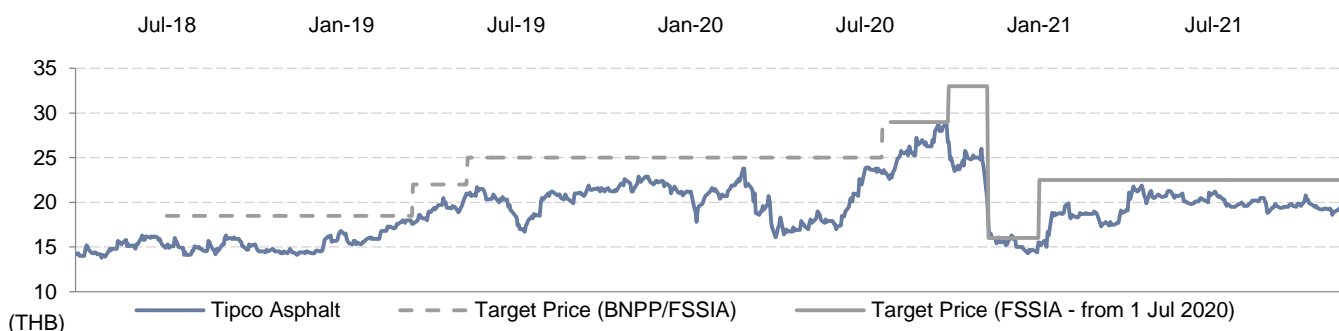
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History of change in investment rating and/or target price

Tipco Asphalt (TASCO TB)



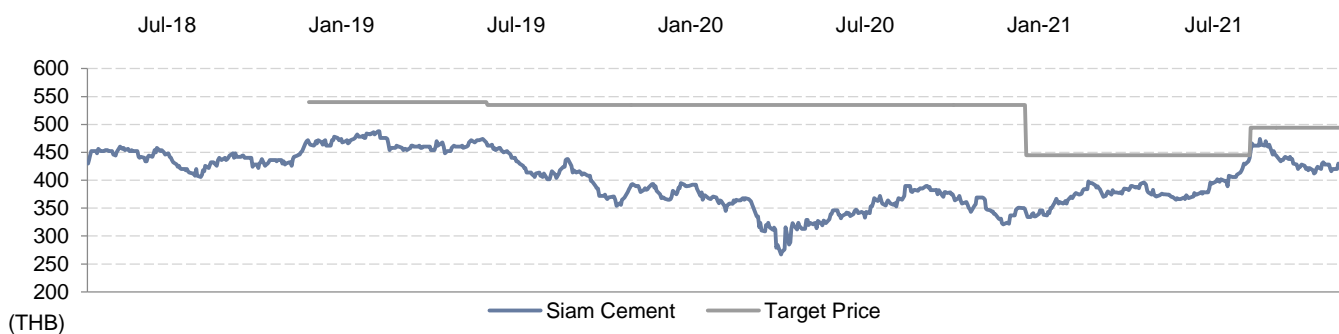
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Oct-2018	BUY	18.50	16-Jun-2020	BUY	29.00	14-Sep-2020	REDUCE	16.00
09-May-2019	BUY	22.00	29-Jun-2020	BUY	29.00	28-Oct-2020	BUY	22.50
25-Jun-2019	BUY	25.00	11-Aug-2020	BUY	33.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Siam Cement (SCC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
31-Jan-2019	BUY	540.00	02-Apr-2020	BUY	535.00	28-Jan-2021	BUY	445.00
05-Jul-2019	BUY	535.00	14-Oct-2020	BUY	445.00	27-Apr-2021	BUY	494.00

Suwat Sinsadok started covering this stock from 14-Oct-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Tipco Asphalt	TASCO TB	THB 19.50	BUY	Downside risks to our EV/EBITDA multiple based TP include 1) a lower asphalt margin due to a oversupply in Asia on the back of faster recovery of utilisation rate for global refiners; and 2) a lower-than-expected supply of alternative crudes and asphalt.
Siam Cement	SCC TB	THB 408.00	BUY	Downside risks to our SOTP based TP include 1) a lower-than-expected demand for chemicals, CBM, and packaging; 2) rising coal costs for its cement and packaging units; and 3) weaker demand from the automobile industry that could erode the demand for SCC's chemical unit and its dividend contributions.

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 21-Jul-2021 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.