

# BANGCHAK CORP

## BCP TB

THAILAND / ENERGY

# BUY

UNCHANGED

## ESSO deal to unlock value

- We reinitiate BCP with a BUY rating and TP at THB42.7/shr.
- Acquisition of ESSO (2H23E) to provide premium valuation.
- Expect an earnings turnaround in 2H23 as improving refined product spreads boost GRM.

TARGET PRICE	THB42.70
CLOSE	THB32.00
UP/DOWNSIDE	+33.4%
PRIOR TP	THB41.00
CHANGE IN TP	+4.1%
TP vs CONSENSUS	+4.6%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	312,202	315,924	340,858	346,392
Net profit	12,575	7,592	7,567	7,304
EPS (THB)	9.13	5.51	5.50	5.30
vs Consensus (%)	-	(2.9)	3.7	(7.7)
EBITDA	45,881	33,788	39,455	37,368
Core net profit	18,514	7,592	7,567	7,304
Core EPS (THB)	13.45	5.51	5.50	5.30
Chg. In EPS est. (%)	nm	83.9	118.1	nm
EPS growth (%)	93.8	(59.0)	(0.3)	(3.5)
Core P/E (x)	2.4	5.8	5.8	6.0
Dividend yield (%)	7.0	4.3	4.3	4.1
EV/EBITDA (x)	2.2	5.2	4.8	5.3
Price/book (x)	0.7	0.6	0.6	0.6
Net debt/Equity (%)	40.9	120.8	121.5	122.7
ROE (%)	31.9	11.6	10.7	9.6

### Positive view on ESSO deal's potential synergies worth THB2b-3b

We expect BCP's earnings performance – mainly due to a weak gross refining margin (GRM) – to bottom out in 2Q23 but turn around in 2H23 based on two key drivers: 1) an improved GRM from wider refined product spreads; and 2) the success of its Esso (Thailand) (ESSO TB, NR) acquisition deal. BCP is currently awaiting antitrust approval to complete the deal in 2H23. The company recently announced a tentative purchase price of THB9.94/share (implying an equity value of THB34b) based on ESSO's 1Q23 results. We estimate the actual price to be near but no more than the aforementioned value. We are positive on the deal. Our forecast does not include ESSO estimations. We expect BCP's net profit to normalise at THB7.6b in 2023 and THB7.6b in 2024.

### Refinery to improve h-h with long-term sustainable margins

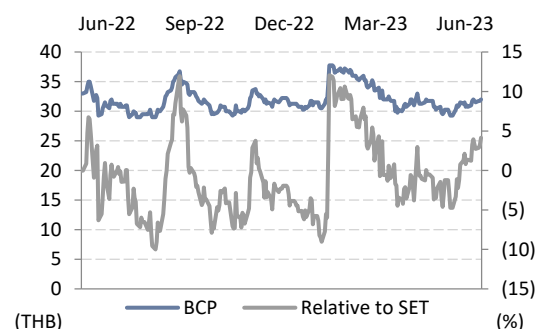
We believe BCP's GRM will improve in 2H23 after reaching the bottom in 2Q23 due to weaker refined product spreads, especially for diesel and jet fuel, that were the results of 1) China's higher export quota; 2) new additional capacity; and 3) lower-than-expected demand. We think the GRM in 2H23 will recover with support from the summer driving season in 3Q23 and China's demand recovery in 2H23, which should help widen gasoline and diesel spreads as crude premiums fall. We expect GRMs to average USD5.0/bbl in 2023 and USD3.2/bbl in 2024.

### Oil retail and marketing to be key supporting factors in 2023

We expect that improved marketing margins and sales volumes will partly offset the potentially weaker results from BCP's other businesses such as power and bio-based products this year due to 1) weaker global refined product demand; 2) diesel's lower contribution to the Oil Fund; and 3) new government policies aimed at reducing the cost of living.

### Initiate with a BUY rating; TP at THB42.7

We reinitiate coverage of BCP with a BUY rating and an SoTP-based TP at THB42.7. We think BCP's share price weakness in recent months means that the downturn in the refinery business has already been priced in and now is a good time to accumulate. Risks are 1) a sharp decline in oil prices; 2) weaker-than-expected petroleum product spreads and GRM; 3) higher crude oil premiums; and 4) unplanned refinery shutdowns.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.8	(0.8)	(3.0)
Relative to country (%)	5.5	5.0	5.2
Mkt cap (USD m)	1,320		
3m avg. daily turnover (USD m)	6.3		
Free float (%)	59		
Major shareholder	Thailand Social Security Office (15%)		
12m high/low (THB)	39.00/28.25		
Issued shares (m)	1,376.92		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

BCP is a leading petroleum company in Thailand with exposure from upstream to downstream in the business, including petroleum exploration and production, refinery, marketing, green power, and bio-based products.

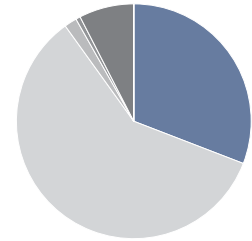
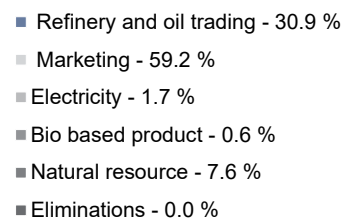
More than half of its revenue contributions are from its refinery and marketing business in Thailand. We expect its marketing business to be the key profit driver in 2Q23. Moreover, we believe its refinery business will recover and provide significant profits in 2H23 from lower crude premiums and higher refined product spreads, mainly from a demand recovery in China. Furthermore, we expect gains from exploration and production (E&P) in 4Q23 to help improve 2H23 performance. For 2024, we think the key driver will be the ESSO deal's THB2b-3b in expected pre-tax synergies, which should make BCP the leading oil retail and marketing player in Thailand.

## Company profile

BCP is an energy conglomerate in Thailand with the sixth-largest refinery and the second-largest number of gas stations. The company's Suboar refinery has a nameplate capacity of 120kbpd. It also runs 1,353 gas stations (as of 1Q23) and owns biodiesel plants.

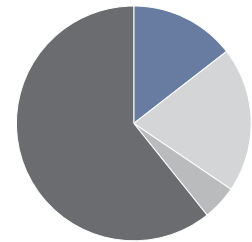
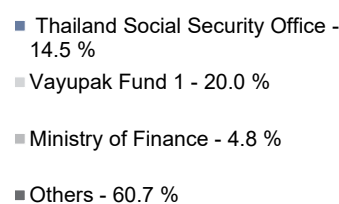
[www.bangchak.co.th](http://www.bangchak.co.th)

## Principal activities (revenue, 2022)



Source: Bangchak Corp

## Major shareholders



Source: Bangchak Corp

## Catalysts

Key potential catalysts are 1) higher-than-expected refined product spreads; 2) higher-than-expected marketing margins and sales volumes in its marketing business; and 3) an uptrend in liquid/gas prices and rising production for its E&P business in Norway.

## Risks to our call

The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) higher crude premiums; and 3) unplanned shutdowns of refinery plants.

## Event calendar

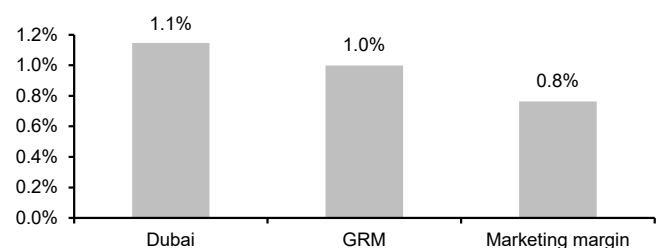
Date	Event
9 Aug 2023	2Q23 results announcement
8 Nov 2023	3Q23 results announcement

## Key assumptions

BCP assumptions	2021 (USD/bbl)	2022 (USD/bbl)	2023E (USD/bbl)	2024E (USD/bbl)	2025E (USD/bbl)
Dubai	69	96	86	90	90
Operating GRM	4.5	14.3	5.0	3.2	3.2
UNL95-DB	11.1	18.7	17.0	15.0	15.0
Jet-DB	5.9	30.5	17.0	13.0	13.0
GO-DB	6.7	34.5	17.0	13.0	13.0
Marketing margin (THB/litre)	0.88	0.93	0.85	0.90	0.90
Realised gas price	65.3	98.4	79.0	72.6	67.9
Realised liquid price	105.4	144.9	140.5	134.5	90.0

Source: FSSIA estimates

## Earnings sensitivity

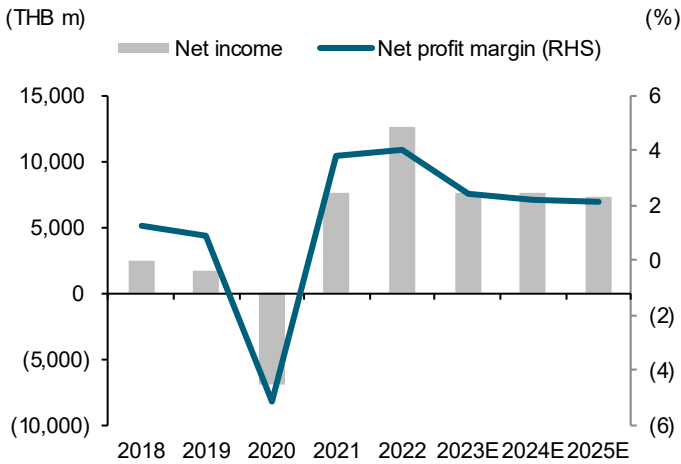


- For every 1% increase in Dubai, GRM and marketing margin, we estimate 2023 earnings would increase per the above chart, and vice versa, all else being equal.

Source: FSSIA estimates

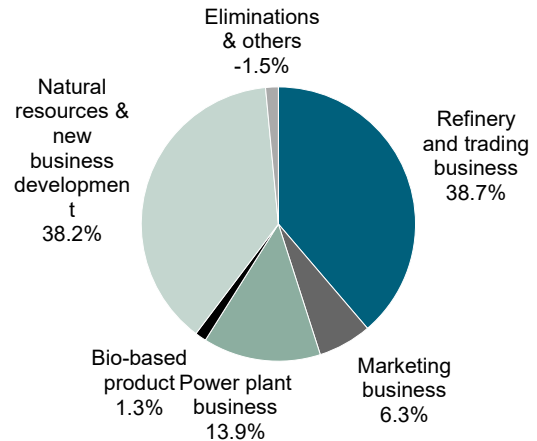
## Company revenue profile

Exhibit 1: 2022 revenue breakdown



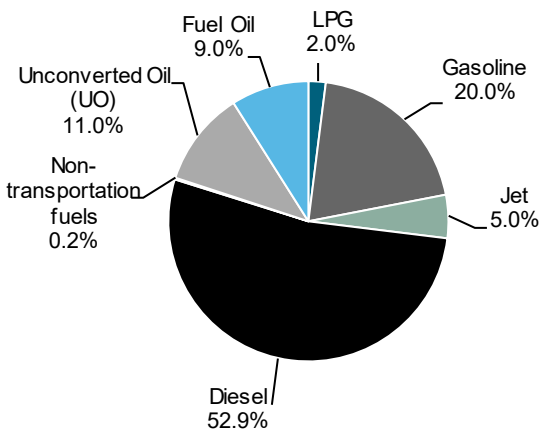
Sources: BCP; FSSIA estimates

Exhibit 2: 2022 EBITDA breakdown



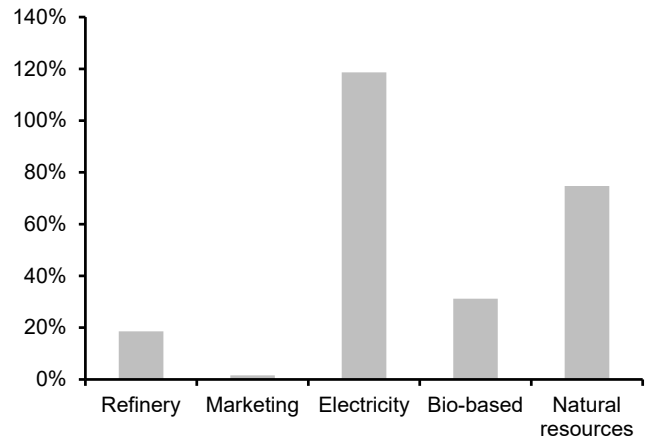
Sources: BCP; FSSIA's compilation

Exhibit 3: Product yield mix (>50% middle distillates)



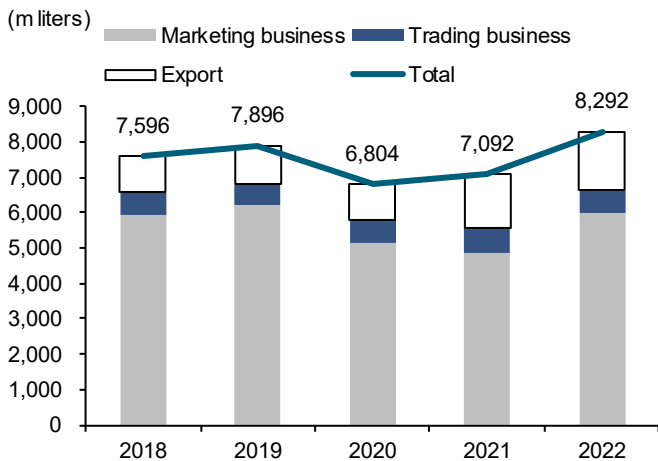
Sources: BCP; FSSIA's compilation

Exhibit 4: 2022 operating margin breakdown by business



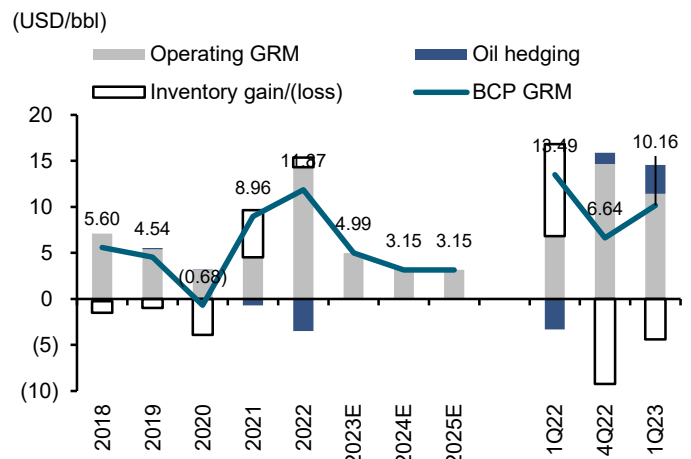
Sources: BCP; FSSIA's compilation

Exhibit 5: Petroleum sales volume breakdown by distribution channel



Sources: BCP; FSSIA's compilation

Exhibit 6: BCP's GRM breakdown



Sources: BCP; FSSIA estimates

**Exhibit 7: BCP's SoTP valuation**

BCP valuation	Equity value		Comments
	(THB m)	(THB/shr)	
Refinery	3,082	2.2	At 6x 2024E EV/EBITDA
Oil stations	23,263	16.9	At 20x 2024E P/E
Biodiesel	4,780	3.5	At 10x 2024E P/E
BCPG	19,158	13.9	FSSIA's estimates
OKEA	8,534	6.2	Bloomberg consensus estimates
<b>Total value</b>	<b>58,817</b>	<b>42.7</b>	

Sources: BCP, FSSIA estimates

**Exhibit 8: Key assumptions by business**

BCP assumptions	2021	2022	2023E	2024E	2025E
	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)
<b>Refinery</b>					
Dubai	69	96	86	90	90
Operating GRM	4.5	14.3	5.0	3.2	3.2
UNL95-DB	11.1	18.7	17.0	15.0	15.0
Jet-DB	5.9	30.5	17.0	13.0	13.0
GO-DB	6.7	34.5	17.0	13.0	13.0
<b>Oil retail and marketing</b>					
Marketing margin (THB/litre)	0.88	0.93	0.85	0.90	0.90
Number of service stations (no.)	1,277	1,343	1,413	1,473	1,523
<b>Exploration and production (OKEA)</b>					
Realised gas price	65.3	98.4	79.0	72.6	67.9
Realised liquid price	105.4	144.9	140.5	134.5	90.3
Total sales volume (m bbl)	5.8	5.9	8.4	13.2	13.1

Sources: BCP, FSSIA estimates

## ESSO deal to unlock value

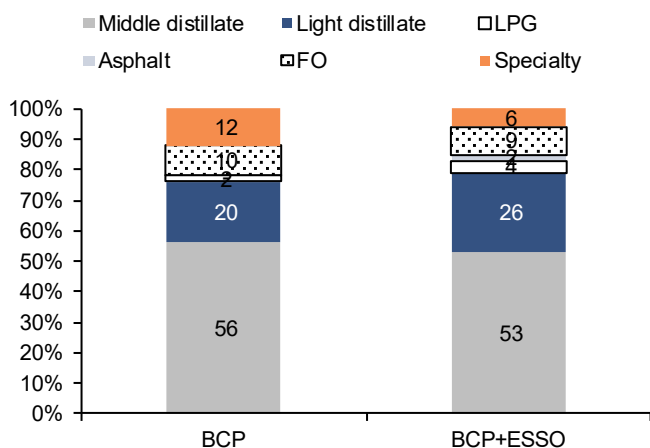
### Positive view on the ESSO deal's THB2b-3b in potential synergies

We expect BCP's earnings performance to bottom out in 2Q23, mainly due to a weak GRM. However, we expect a turnaround in 2H23 from two key drivers: 1) an improved GRM from wider refined product spreads and 2) the success of the ESSO acquisition deal. BCP targets acquiring a 65.99% stake in ESSO from ExxonMobil Asia Holdings (ExxonMobil) along with a tender offer for the remaining ESSO shares. ESSO's assets include 1) a refinery plant (174kbd) and office space; 2) service stations; 3) a 21% stake in Thapline (not listed) and a 7.06% stake in Bangkok Aviation Fuel Services (BAFS TB, BUY TP THB37) (total fair value cTHB3.4b as of 3Q22); 4) an oil inventory volume of 7.4m bbl; and 5) 315 acres of freehold land. The company is currently awaiting antitrust approval to complete the deal in 2H23. BCP recently announced a tentative purchase price of THB9.94/shr (implying an equity value of THB34b) based on ESSO's 1Q23 results. We estimate the actual price to be near but no more than the aforementioned value. The deal is to be funded by bank loans and cash on hand. Currently, BCP's net D/E is low at 0.3x. We are positive on the deal and believe that the acquisition price is reasonable. BCP estimates THB2b-3b in pre-tax synergies, mainly from refinery optimisation and back-office operations.

### Overview post-acquisition

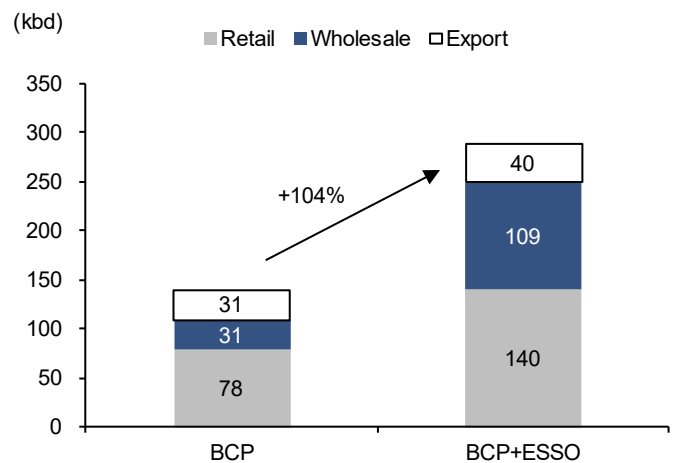
BCP's nameplate capacity would increase from 120kbd to 294kbd (+174kbd from ESSO). However, the company expects its crude run to increase by only 150kbd in the first year from ESSO due to bottlenecks, and gradually ramp up to full capacity from its operation optimisation plan. BCP would benefit from product yield optimisation, including 1) a greater proportion of light distillates such as gasoline (from 20% to 26%) and 2) optimised marine-grade fuel oil by mixing BCP's low sulphur fuel oil (LSFO) with ESSO's high sulphur fuel oil (HSFO). This would add value to BCP's LSFO product that currently sells at a discount. Moreover, it could also create an opportunity for BCP to enter the profitable asphalt market.

Exhibit 9: Refinery product yield (%)



Sources: BCP; FSSIA's compilation

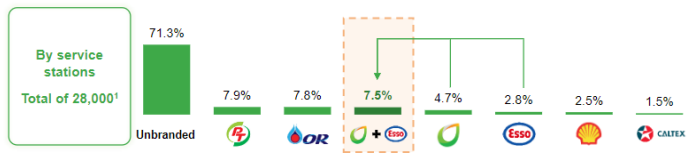
Exhibit 10: Petroleum product sales volume



Sources: BCP; FSSIA's compilation

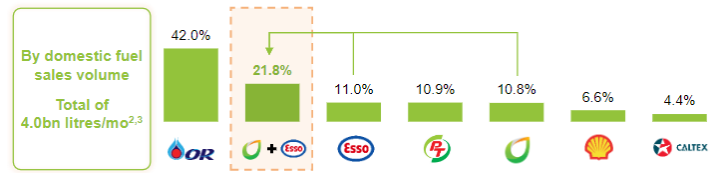
As for its oil retail and marketing business, BCP would become a leading player in the business, rising to third place (vs fourth) in terms of service station market share and second (vs fourth) in domestic fuel sales volume. BCP's total number of service stations as of 1Q23 was 1,350 while ESSO had 820. The company expects its fuel sales volume to double from 140kbd to 286kbd post-acquisition. This should also create a good opportunity for BCP to expand its non-oil businesses, which include Intanin, EV chargers, and Furio (a lubricant business).

**Exhibit 11: Service station market share**



As of Sep-22  
Source: BCP

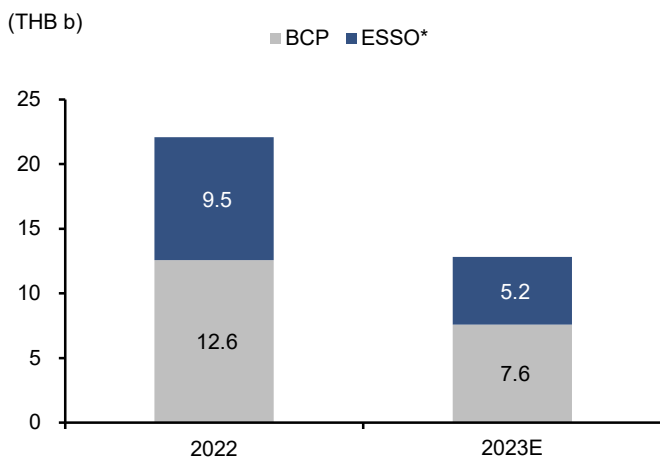
**Exhibit 12: Domestic fuel sales volume market share**



As of Sep-22  
Source: BCP

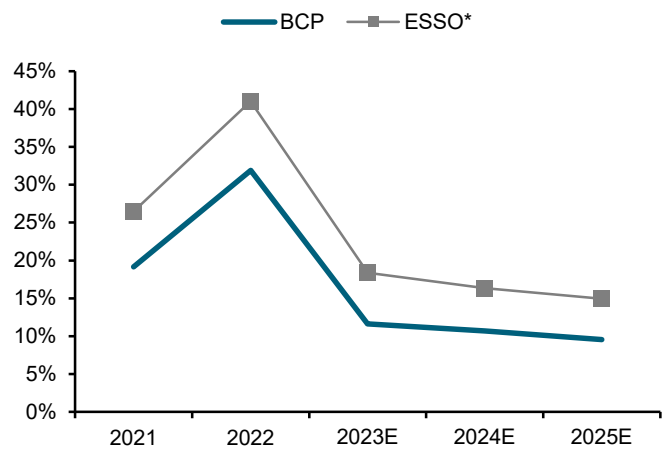
Our forecast does not include ESSO estimations. We expect BCP's net profit to normalise at THB7.6b in 2023 and THB7.6b in 2024. Currently, the Bloomberg consensus estimates that ESSO's 2023 earnings will be THB5.2b. We expect significant EPS accretion after the deal is completed.

**Exhibit 13: Pro-forma net income (pre-synergies and pre-acquisition impact)**



Note\*: 2023E ESSO net profit based on Bloomberg consensus estimates  
Sources: BCP, ESSO, Bloomberg, FSSIA estimates

**Exhibit 14: ESSO ROE premium to BCP**



Note\*: ESSO's ROE estimates based on Bloomberg consensus  
Source: FSSIA estimates

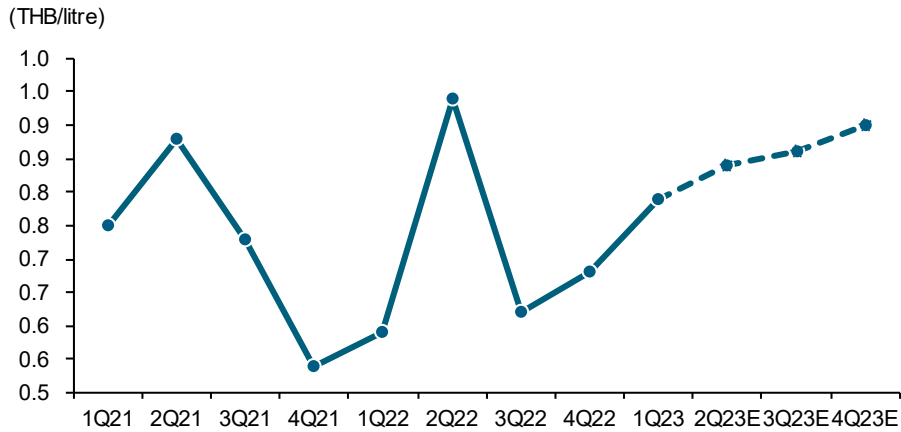
**Refinery to improve h-h with long-term sustainable margins**

We expect BCP's GRM to improve in 2H23 after reaching the bottom in 2Q23 due to weaker refined product spreads, especially for middle distillate products (diesel and jet), that were the result of 1) a higher export quota in China; 2) new additional capacity; and 3) lower-than-expected demand. We think the 2H23 GRM will recover mainly from the summer driving season in 3Q23 and China's demand recovery, which should help widen gasoline and diesel spreads, and our expectation of lower crude premiums. Our GRM estimates are USD5.0/bbl in 2023 and USD3.2/bbl in 2024.

For 2024-25, we expect the completion of the ESSO acquisition to provide an upside for its refinery business during the normalisation period, driven by the optimisation of product yields and operations. This should allow BCP to enhance its cost efficiency and maximise profits via a lower crude cost and a greater proportion of higher-value products, leading to an improved GRM.

**Oil retail and marketing to be key supports for the business in 2023**

We expect an increase in marketing margins and sales volumes for its marketing business to partly offset potential weakness in other businesses (power and bio-based products) this year for the following reasons: 1) weak global demand for refined products; 2) the Energy Planning and Policy Office (EPPO)'s policy change for a lower diesel contribution to the Oil Fund; and 3) new government policies aimed at reducing the cost of living. Our net marketing margin assumptions are pegged at THB0.85/litre in 2023 and THB0.9/litre in 2024.

**Exhibit 15: Net marketing margin**

Sources: BCP, FSSIA estimates

**Reinitiate coverage with a BUY rating; TP at THB42.7/shr**

We reinitiate coverage of BCP with a BUY rating and an SoTP-based TP at THB42.7. We value its refinery business based on 6x 2024E EV/EBITDA to reflect the refinery normalisation period. We also value its oil and retail marketing business at 20x 2024E P/E based on +1SD of its local peers to reflect a higher marketing margin and the expansion strategy of its oil and non-oil businesses this year.

BCP is one of our current top picks for two main reasons: 1) the synergy potential from the ESSO deal, expected to be completed in 3Q23; and 2) its diversified portfolio. We believe the ESSO acquisition deal could provide a premium valuation for BCP. Its ROE would re-rate into the mid-teens after the merger, which should add a premium to its current valuation. We think that BCP's share price weakness in recent months shows the refinery business downturn has already been priced in. Therefore, we think the current situation represents a good opportunity to accumulate the stock.

However, the share price might face an overhang until 2 June 2023 when the share resale period ends. As of 25 May 2023, there were 6.7m remaining shares.

Risks are 1) a sharp decline in oil prices; 2) weaker-than-expected petroleum product spreads and GRM; 3) higher crude oil premiums; and 4) unplanned refinery shutdowns.

## Management team

### Exhibit 16: Key management team members

Name	Mr. Chaiwat Kovavisarach	Ms. Phatpree Chinkulkitnivat	Mr. Pativat Tivasasit	Mr. Somchai Tejavanija
Position	Chief Executive Officer	Senior Executive Vice President, Accounting and Finance	Chief Operations Officer, Refinery Business Group	Chief Marketing Officer, Marketing Business Group
5 years past experiences	<p><b>2015 - Present:</b> President and Group Chief Executive Officer, The Bangchak Corporation Public Company Limited</p> <p><b>2015:</b> President and Chief Executive Officer, The Bangchak Corporation Public Company Limited</p>	<p><b>Present:</b> Senior Executive Vice President, Accounting and Finance, and Acting Executive Vice President, Financial Controller</p> <p><b>2019 - 2022:</b> Executive Vice President, Acting as Senior Executive Vice President, Finance and Accounting, BCPG Public Company Limited Others</p> <p><b>2014 - 2018:</b> Senior Vice President, Strategic Planning Head/Office of President, Commercial Banking Group</p>	<p><b>2021 - Present:</b> Chief Operations Officer &amp; Senior Executive Vice President, Refinery Business Group</p> <p><b>2020 - Present:</b> Senior Executive Vice President, Refinery Business Group</p> <p><b>2019:</b> Executive Vice President, Refinery Manufacturing Business and acting Senior Executive Vice President, Refinery Business Unit</p>	<p><b>2017 - Present:</b> Chief Marketing Officer and Senior Executive Vice President, Marketing Business Group</p>
Education	<p>&gt;&gt;Master of Engineering, Asian Institute of Technology (AIT)</p> <p>&gt;&gt;Master of Business Administration (MBA), Thammasat University</p> <p>&gt;&gt;Bachelor of Engineering (Honor), King Mongkut's Institute of Technology Ladkrabang (KMITL)</p> <p>&gt;&gt;Investment Banking, Kellogg Business School, Northwestern University</p>	<p>&gt;&gt;Master of Business Administration (High Distinction), School of Business Administration, University of Michigan, Ann Arbor, USA</p> <p>&gt;&gt;Bachelor of Economics (First Class Honors), Faculty of Economics Chulalongkorn University, Thailand</p>	<p>&gt;&gt;Bachelor of Science (Chemical Technology), Chulalongkorn University</p>	<p>&gt;&gt;Master of Business Administration (MBA), Thammasat University</p> <p>&gt;&gt;Bachelor of Engineering, Kasetsart University</p> <p>&gt;&gt;Stanford-SEAC Leading in a Disruptive World 4 (LDW4), The Stanford Center for Professional Development (SCPD), Stanford University</p> <p>&gt;&gt;Strategy and Innovation for Business in Asia (SIBA7), Massachusetts Institute of Technology (MIT), College of Management Mahidol University (CMMU)</p>

Sources: BCP; FSSIA's compilation



## Financial Statements

### Bangchak Corp

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	199,417	312,202	315,924	340,858	346,392
Cost of goods sold	(167,670)	(255,930)	(270,130)	(288,450)	(295,861)
<b>Gross profit</b>	<b>31,747</b>	<b>56,272</b>	<b>45,793</b>	<b>52,407</b>	<b>50,531</b>
Other operating income	-	-	-	-	-
Operating costs	(7,669)	(10,391)	(12,005)	(12,953)	(13,163)
<b>Operating EBITDA</b>	<b>24,078</b>	<b>45,881</b>	<b>33,788</b>	<b>39,455</b>	<b>37,368</b>
Depreciation	(8,075)	(10,004)	(14,698)	(20,545)	(20,480)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>16,003</b>	<b>35,877</b>	<b>19,090</b>	<b>18,909</b>	<b>16,888</b>
Net financing costs	(2,289)	(3,976)	(4,124)	(4,000)	(4,158)
Associates	1,042	188	188	188	207
Recurring non-operating income	2,321	2,042	2,134	2,134	2,348
Non-recurring items	(1,927)	(5,939)	0	0	0
<b>Profit before tax</b>	<b>14,108</b>	<b>28,004</b>	<b>17,100</b>	<b>17,044</b>	<b>15,078</b>
Tax	(4,263)	(12,852)	(7,611)	(7,585)	(5,948)
<b>Profit after tax</b>	<b>9,845</b>	<b>15,152</b>	<b>9,490</b>	<b>9,459</b>	<b>9,130</b>
Minority interests	(2,221)	(2,577)	(1,898)	(1,892)	(1,826)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>7,624</b>	<b>12,575</b>	<b>7,592</b>	<b>7,567</b>	<b>7,304</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>1,927</b>	<b>5,939</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>9,551</b>	<b>18,514</b>	<b>7,592</b>	<b>7,567</b>	<b>7,304</b>
<b>Per share (THB)</b>					
Recurring EPS *	6.94	13.45	5.51	5.50	5.30
Reported EPS	5.54	9.13	5.51	5.50	5.30
DPS	2.00	2.25	1.38	1.37	1.33
Diluted shares (used to calculate per share data)	1,377	1,377	1,377	1,377	1,377
<b>Growth</b>					
Revenue (%)	46.1	56.6	1.2	7.9	1.6
Operating EBITDA (%)	500.7	90.6	(26.4)	16.8	(5.3)
Operating EBIT (%)	nm	124.2	(46.8)	(0.9)	(10.7)
Recurring EPS (%)	nm	93.8	(59.0)	(0.3)	(3.5)
Reported EPS (%)	nm	64.9	(39.6)	(0.3)	(3.5)
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	11.9	14.8	9.8	9.3	8.7
Gross margin of key business (%)	11.9	14.8	9.8	9.3	8.7
Operating EBITDA margin (%)	12.1	14.7	10.7	11.6	10.8
Operating EBIT margin (%)	8.0	11.5	6.0	5.5	4.9
Net margin (%)	4.8	5.9	2.4	2.2	2.1
Effective tax rate (%)	28.9	38.1	45.0	45.0	40.0
Dividend payout on recurring profit (%)	28.8	16.7	25.0	25.0	25.0
Interest cover (X)	8.0	9.5	5.1	5.3	4.6
Inventory days	37.7	34.2	41.0	40.8	41.6
Debtor days	19.8	21.9	29.7	35.4	42.9
Creditor days	30.4	31.8	40.2	40.0	40.8
Operating ROIC (%)	15.3	27.5	9.5	6.9	5.7
ROIC (%)	10.0	17.5	7.5	5.9	5.1
ROE (%)	19.1	31.9	11.6	10.7	9.6
ROA (%)	7.6	10.8	4.6	4.1	3.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Refinery and oil trading	65,161	96,328	101,065	100,758	100,606
Marketing	117,265	184,897	177,580	188,514	198,869
Electricity	4,661	5,395	5,352	6,356	8,671
Bio based product	2,234	1,980	3,744	4,435	4,435

Sources: Bangchak Corp; FSSIA estimates

## Financial Statements

Bangchak Corp

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	9,551	18,514	7,592	7,567	7,304
Depreciation	8,075	10,004	14,698	20,545	20,480
Associates & minorities	1,279	1,854	1,946	1,946	2,141
Other non-cash items	-	-	-	-	-
Change in working capital	(3,866)	(13,903)	(7,132)	(7,988)	(7,821)
<b>Cash flow from operations</b>	<b>15,039</b>	<b>16,469</b>	<b>17,104</b>	<b>22,071</b>	<b>22,103</b>
Capex - maintenance	(6,514)	(8,070)	(12,769)	(17,384)	(19,692)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(13,948)	5,181	(75,977)	(10,057)	(7,508)
<b>Cash flow from investing</b>	<b>(20,462)</b>	<b>(2,889)</b>	<b>(88,746)</b>	<b>(27,442)</b>	<b>(27,200)</b>
Dividends paid	(1,928)	(3,098)	(2,326)	(1,895)	(1,859)
Equity finance	0	0	0	0	0
Debt finance	17,263	732	39,268	5,000	10,000
Other financing cash flows	1,266	3,125	(1,302)	(2,613)	(3,115)
<b>Cash flow from financing</b>	<b>16,601</b>	<b>759</b>	<b>35,640</b>	<b>492</b>	<b>5,026</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>11,178</b>	<b>14,339</b>	<b>(36,002)</b>	<b>(4,879)</b>	<b>(70)</b>
Free cash flow to firm (FCFF)	(2,883.49)	17,556.39	(67,517.25)	(1,371.26)	(938.44)
Free cash flow to equity (FCFE)	13,105.81	17,437.11	(33,675.89)	(2,984.03)	1,788.50

### Per share (THB)

FCFF per share	(2.09)	12.75	(49.03)	(1.00)	(0.68)
FCFE per share	9.52	12.66	(24.46)	(2.17)	1.30
Recurring cash flow per share	13.73	22.06	17.60	21.83	21.73

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	115,934	127,965	217,965	247,965	277,965
Less: Accumulated depreciation	(46,701)	(54,947)	(69,645)	(90,190)	(110,670)
<b>Tangible fixed assets (net)</b>	<b>69,233</b>	<b>73,018</b>	<b>148,320</b>	<b>157,775</b>	<b>167,295</b>
<b>Intangible fixed assets (net)</b>	<b>15,613</b>	<b>11,738</b>	<b>11,738</b>	<b>11,738</b>	<b>11,738</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	14,196	3,632	3,632	3,632	3,632
Cash & equivalents	32,829	47,169	11,167	6,288	6,217
A/C receivable	15,234	22,199	29,247	36,852	44,580
Inventories	18,497	29,533	31,171	33,285	34,140
Other current assets	2,812	12,449	12,597	13,591	13,812
<b>Current assets</b>	<b>69,372</b>	<b>111,349</b>	<b>84,183</b>	<b>90,017</b>	<b>98,750</b>
Other assets	33,370	42,606	42,606	42,606	42,606
<b>Total assets</b>	<b>201,785</b>	<b>242,344</b>	<b>290,480</b>	<b>305,768</b>	<b>324,022</b>
Common equity	53,467	62,704	67,970	73,642	79,087
Minorities etc.	16,092	20,674	22,572	24,464	26,290
<b>Total shareholders' equity</b>	<b>69,559</b>	<b>83,378</b>	<b>90,542</b>	<b>98,106</b>	<b>105,377</b>
Long term debt	69,787	70,507	100,507	110,507	120,507
Other long-term liabilities	28,334	40,607	40,607	40,607	40,607
<b>Long-term liabilities</b>	<b>98,121</b>	<b>111,114</b>	<b>141,114</b>	<b>151,114</b>	<b>161,114</b>
A/C payable	15,651	28,948	30,554	32,626	33,464
Short term debt	10,720	10,732	20,000	15,000	15,000
Other current liabilities	7,734	8,172	8,270	8,922	9,067
<b>Current liabilities</b>	<b>34,105</b>	<b>47,852</b>	<b>58,823</b>	<b>56,548</b>	<b>57,531</b>
<b>Total liabilities and shareholders' equity</b>	<b>201,785</b>	<b>242,344</b>	<b>290,480</b>	<b>305,768</b>	<b>324,022</b>
Net working capital	13,158	27,060	34,192	42,181	50,002
Invested capital	145,571	158,055	240,489	257,932	275,274

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

### Per share (THB)

Book value per share	38.83	45.54	49.36	53.48	57.44
Tangible book value per share	27.49	37.01	40.84	44.96	48.91

### Financial strength

Net debt/equity (%)	68.5	40.9	120.8	121.5	122.7
Net debt/total assets (%)	23.6	14.1	37.6	39.0	39.9
Current ratio (x)	2.0	2.3	1.4	1.6	1.7
CF interest cover (x)	6.7	5.4	(7.2)	0.3	1.4

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>4.6</b>	<b>2.4</b>	<b>5.8</b>	<b>5.8</b>	<b>6.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>6.2</b>	<b>3.2</b>	<b>7.7</b>	<b>7.8</b>	<b>8.0</b>
Reported P/E (x)	5.8	3.5	5.8	5.8	6.0
Dividend yield (%)	6.3	7.0	4.3	4.3	4.1
Price/book (x)	0.8	0.7	0.6	0.6	0.6
Price/tangible book (x)	1.2	0.9	0.8	0.7	0.7
EV/EBITDA (x) **	4.5	2.2	5.2	4.8	5.3
EV/EBITDA @ target price (x) **	5.1	2.5	5.6	5.1	5.7
EV/invested capital (x)	0.7	0.6	0.7	0.7	0.7

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

Sources: Bangchak Corp; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Kwanwaree Apichartsatoporn FSS International Investment Advisory Securities Co., Ltd

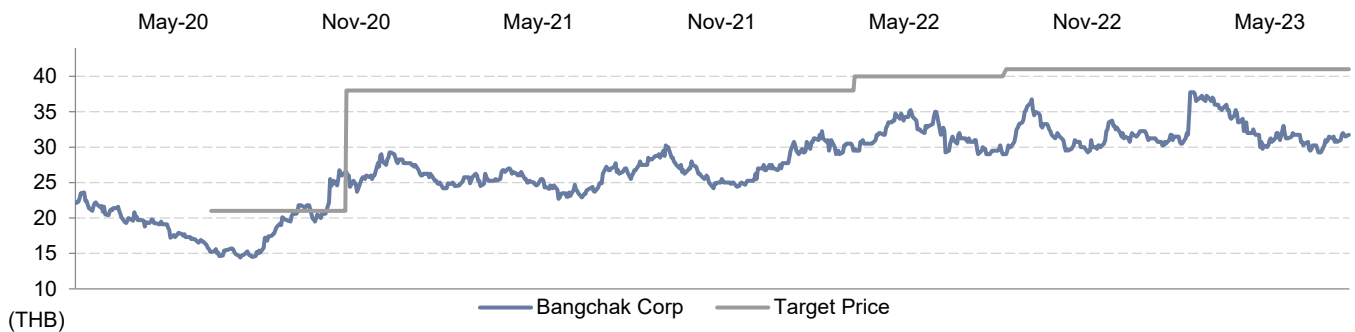
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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### History of change in investment rating and/or target price

#### Bangchak Corp (BCP TB)



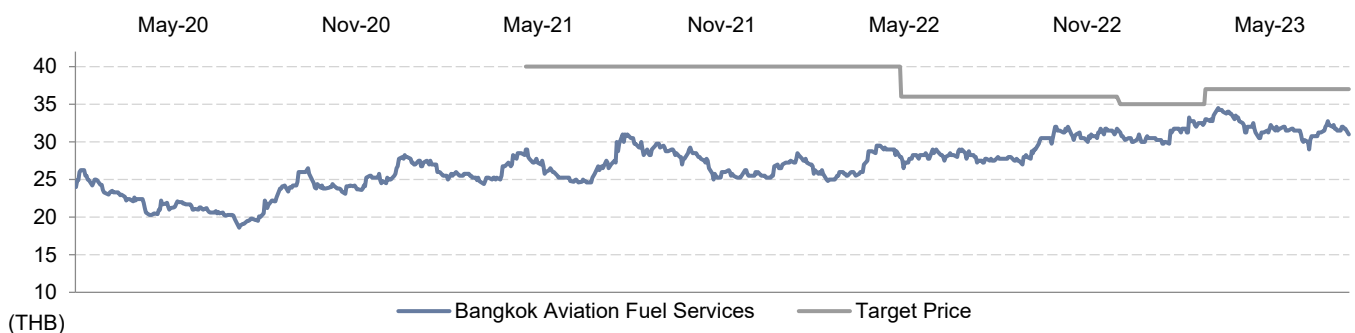
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
24-Sep-2020	BUY	21.00	30-Mar-2022	BUY	40.00	-	-	-
18-Jan-2021	BUY	38.00	05-Aug-2022	BUY	41.00			

Kwanwaree Apichartsatoporn started covering this stock from 01-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

#### Bangkok Aviation Fuel Services (BAFS TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Jun-2021	BUY	40.00	11-Nov-2022	BUY	35.00	-	-	-
09-May-2022	BUY	36.00	25-Jan-2023	BUY	37.00			

FSSIA Research Team started covering this stock from 11-Nov-2022

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Bangchak Corp	BCP TB	THB 32.00	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand of petroleum products; 2) higher crude premiums; and 3) unplanned shutdowns of refinery plants.
Bangkok Aviation Fuel Services	BAFS TB	THB 32.25	BUY	Downside risks to our SoTP-based target price include a slower-than-expected vaccination rate, leading to a slower tourism recovery, and uncertainty in fuel volume demand in the north which could lead to volatility in income of Fuel Pipeline Transportation Limited (FPT).

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 31-May-2023 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.