

STAR PETROLEUM REFINING

THAILAND / ENERGY

SPRC TB

BUY

UNCHANGED

TARGET PRICE	THB12.50
CLOSE	THB8.25
UP/DOWNSIDE	+51.5%
PRIOR TP	THB14.60
CHANGE IN TP	-14.4%
TP vs CONSENSUS	+7.0%

High-beta play and attractive yield

- We reinitiate coverage of SPRC with a BUY rating and a TP of THB12.50/share.
- We expect SPRC's earnings to be resilient among refiners.
Key potential catalysts: 1) higher gasoline demand and GRM; 2) a sharp increase in the oil price; and 3) SPM reopening.

Valuation is attractive with limited downside from high yield

Given that SPRC is a pure refinery play, unlike its peers, its earnings have higher leverage over the gross refining margin (GRM). Hence, it is a high-beta stock. However, we think the decrease in its share price (absolute 3M -23% and -21% relative to the SET) already reflects the refinery normalisation period and impact from the oil spill event. The provision related to the event this year is USD7m. The stock currently trades below its book value, and our 2023E dividend yield is attractive at 7.4%. Therefore, it is a good time to accumulate, in our view.

Resilient GRM in the upcoming quarters

SPRC is a leading gasoline producer in Thailand. We expect SPRC's GRM to be resilient relative to others in 2Q23 as it would benefit the most from higher gasoline demand during the summer driving season (2Q-3Q). In addition, we expect its 2H23 GRM to ease on lower freight costs by around USD1.5/bbl from the reopening of the single point mooring system and a diesel spread recovery on the Chinese demand recovery. Our 2023E/24E GRMs are at USD6.6/bbl and USD6.5/bbl, respectively. We expect 2023 net profit to be at THB5.6b and 2024 to be at THB6.2b.

Synergies from the new fuel business reinforce long-term outlook

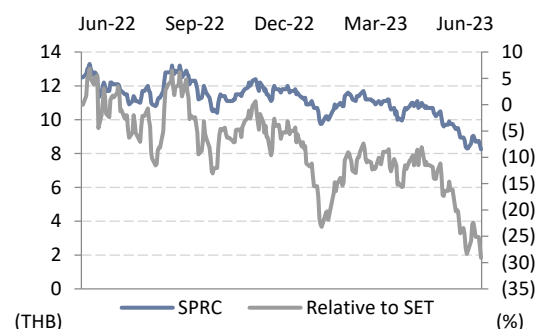
We think the THB5.6b fuel business investment will enhance its diversification. The transaction is to improve vertical integration, including downstream marketing (Caltex) and refinery business distribution, with small stakes in Thapline and BAFS. We expect net income contributions of THB0.5b and THB0.6b in 2024 and in 2025. Synergies from supply chain integration and optimisation should provide a further upside.

Reinitiate coverage with BUY rating and TP of THB12.5

We reinitiate coverage of SPRC with a BUY rating. Our target price is THB12.5/shr, based on a long-term average 2024E P/BV of 1.2x. We think it is trading at a reasonable level during the refining normalisation period. Its 2023E dividend yield is the highest among Thai refiners at 7.9%, which could limit the downside of the share price. Potential risks are a lower-than-expected GRM, delay of the SPM reopening, and lawsuit risk from the ongoing court case related to the oil spill incident.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	285,264	228,406	314,742	313,389
Net profit	7,674	5,636	6,159	6,831
EPS (THB)	1.77	1.30	1.42	1.58
vs Consensus (%)	-	1.5	6.4	6.1
EBITDA	12,243	9,705	10,832	11,590
Core net profit	7,674	5,636	6,159	6,831
Core EPS (THB)	1.77	1.30	1.42	1.58
Chg. In EPS est. (%)	nm	(18.1)	(35.4)	nm
EPS growth (%)	296.1	(26.5)	9.3	10.9
Core P/E (x)	4.7	6.3	5.8	5.2
Dividend yield (%)	13.5	7.9	8.6	9.5
EV/EBITDA (x)	3.7	4.5	3.6	2.9
Price/book (x)	0.9	0.8	0.8	0.7
Net debt/Equity (%)	24.9	17.3	6.5	(3.9)
ROE (%)	21.0	13.8	13.8	14.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(14.9)	(25.0)	(32.9)
Relative to country (%)	(15.2)	(20.7)	(27.2)
Mkt cap (USD m)	1,028		
3m avg. daily turnover (USD m)	3.6		
Free float (%)	39		
Major shareholder	Chevron South Asia Holdings Pte Ltd (61%)		
12m high/low (THB)	13.50/8.10		
Issued shares (m)	4,335.90		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

SPRC is a pure refinery play in Thailand with a higher exposure to gasoline than most of its peers. We think that with the weak diesel spreads in 2Q23, SPRC can remain resilient relative to others from its higher gasoline product yield.

Furthermore, we expect its GRM to improve more than its peers' in 2H23 from the reopening of its single point mooring (SPM) system, which we estimate would lower freight costs by ~USD1.5/bbl, while diesel spreads have started to turn around from China's demand recovery.

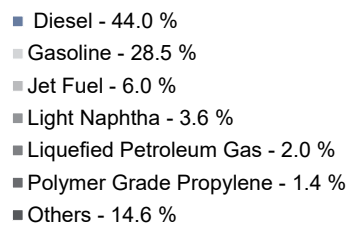
We think the recent share price drop has already taken the refinery normalisation and oil spill incident into account. The company has already recorded a provision regarding liability costs from the oil spill. SPRC is a high-beta stock as its earnings are currently exposed to refinery only. We think the current valuation at below its book value is attractive. We expect the stock to outperform in the next 6-12 months.

Company profile

SPRC is a subsidiary of US-based Chevron, with a capacity of 165kb/d. Its competitive, low-cost structure and high crude consumption flexibility are key to sustaining its high market GRM.

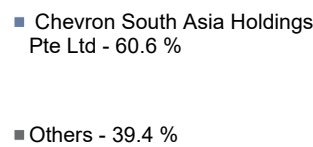
www.sprc.co.th

Principal activities (revenue, 2022)



Source: Star Petroleum Refining

Major shareholders



Source: Star Petroleum Refining

Catalysts

Key potential catalysts are higher-than-expected demand from the US driving season in 2Q23 and the acceleration of China's economic activities in 2H23, which should allow SPRC to enhance its refined product margins while crude premiums remain at a low level this year.

Risks to our call

Downside risks to our P/BV-based TP are weak demand for refined oil products, a lower crude oil price and GRM, the delay of the SPM reopening, and lawsuit risk related to the oil spill off Rayong in 2022..

Event calendar

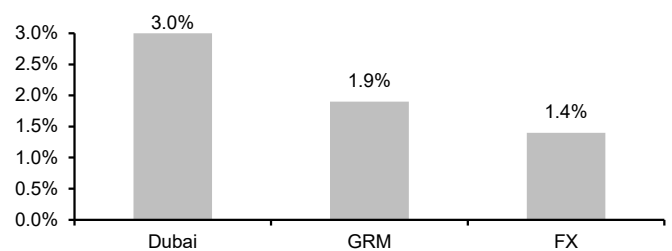
Date	Event
8 Aug 2023	2Q23 financial performance announcement
9 Aug 2023	2Q23 analyst meeting and Opportunity Day
8 Nov 2023	3Q23 financial performance announcement
9 Nov 2023	3Q23 analyst meeting and Opportunity Day

Key assumptions

(USD/bbl)	2021	2022	2023E	2024E	2025E
Marketing GRM	3.66	9.64	6.60	6.51	6.89
Stock gain/(loss)	3.84	(0.42)	0.00	0.00	0.00
Accounting GRM	7.50	9.22	6.60	6.51	6.89
Crude premium	2.18	5.41	(3.60)	(1.44)	(0.37)
Freight cost	0.73	2.30	2.20	1.50	1.50
Gasoline-Dubai	11.01	18.85	17.00	15.00	15.00
Diesel-Dubai	6.70	34.29	17.00	13.00	13.00
Utilisation rate (%)	77	89	89	89	89

Source: FSSIA estimates

Earnings sensitivity

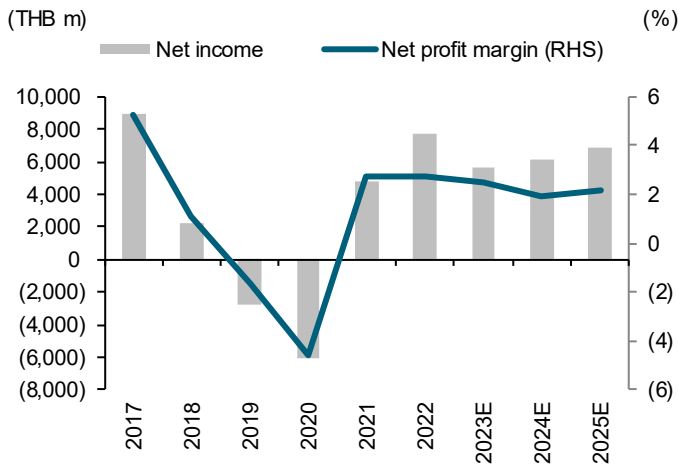


- For every 1% increase in Dubai, GRM and FX, we estimate 2023 earnings percentage changes as per the above chart, and vice versa, all else being equal.

Source: FSSIA estimates

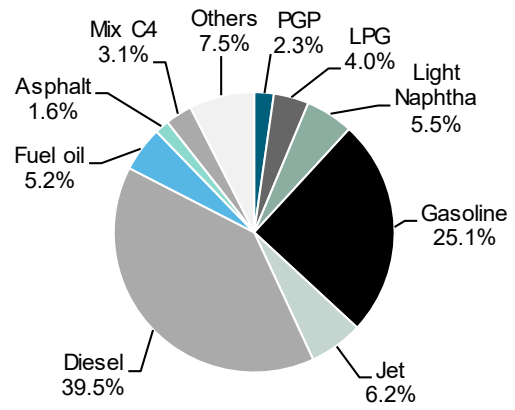
Company highlights

Exhibit 1: Net income and net profit margin



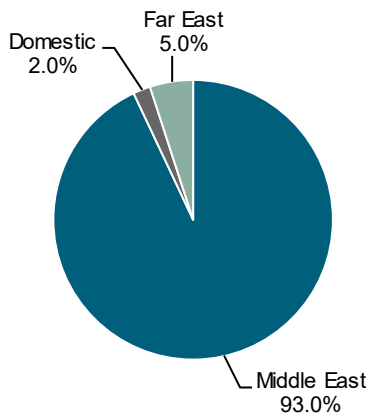
Sources: SPRC; FSSIA estimates

Exhibit 2: Product yield (2022)



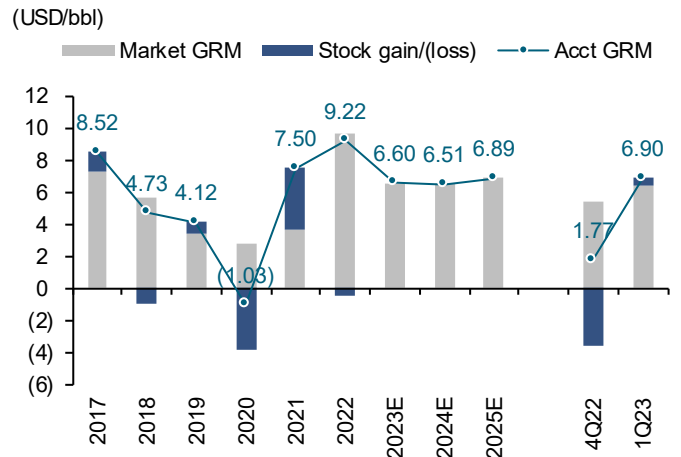
Sources: SPRC; FSSIA's compilation

Exhibit 3: Crude intake breakdown



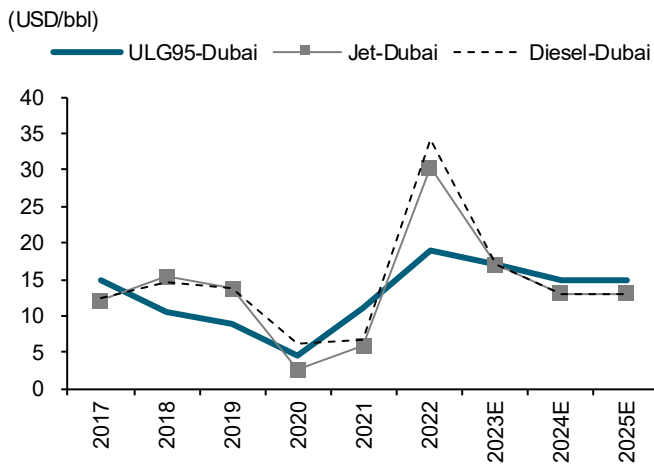
Sources: SPRC; FSSIA's compilation

Exhibit 4: SPRC's GRM



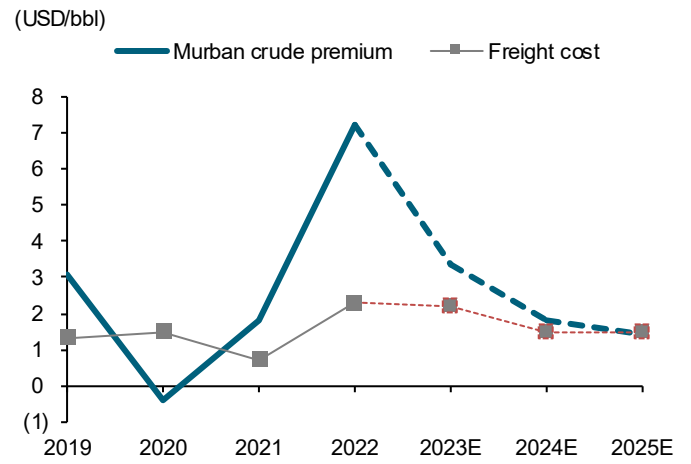
Sources: SPRC; FSSIA estimates

Exhibit 5: Petroleum product spreads



Sources: SPRC; FSSIA estimates

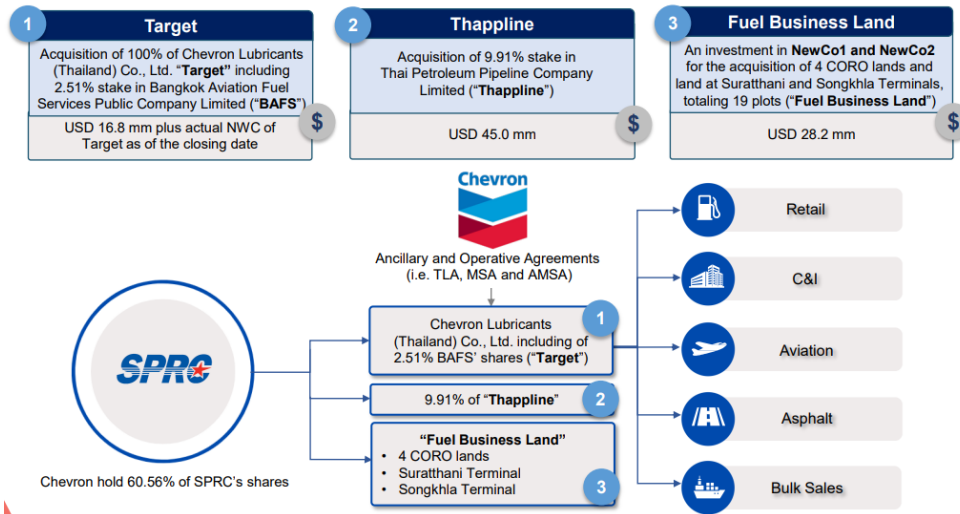
Exhibit 6: Cost per barrel (bbl)



Sources: SPRC; FSSIA estimates

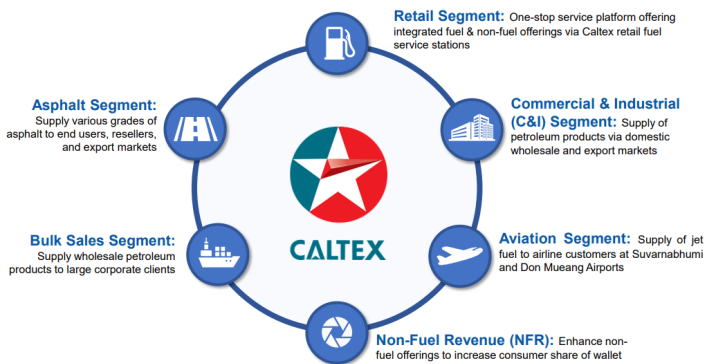
New fuel business overview

Exhibit 7: Transaction overview



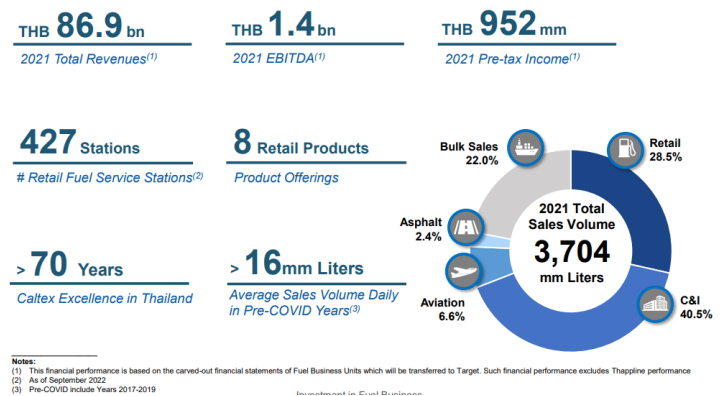
Source: SPRC

Exhibit 8: Caltex business overview



Source: SPRC

Exhibit 9: Fuel business summary



Source: SPRC

Synergies from the new fuel business reinforce long-term outlook

We think the THB5.6b investment in the fuel business (transaction expected to be completed in 1Q24) will enhance the diversification of the business, thus helping to streamline its earnings during a refinery business downturn in the future. The transaction is to improve vertical integration, including downstream marketing (Caltex) and refinery business distribution, with small stakes in Thai Petroleum Pipeline Co, Ltd (Thappline, not listed; 9.91% stake) and Bangkok Aviation Fuel Services (BAFS TB, BUY, TP THB37; 2.51% stake). We expect net income contributions of THB0.5b and THB0.6b in 2024 and in 2025, respectively.

The company expects further upside synergies from 1) its business strategy as a refinery and fuel business to help improve strategic investment; 2) supply chain integration and optimisation to help reduce operational costs, increase sales channels and sales volumes; and 3) expand growth opportunities in retail and other business areas.

Management team

Exhibit 10: Key management team

Name	Mr. Robert Joseph Dobrik	Mrs. Nutsara Somkiatweera	Mr. Narong Triyotee	Mr. Pongkorn Chochuwong	Mr. Steven Lewis Gibson
Position	Chief Executive Officer	Chief Financial Officer	General Manager - Refinery Operations	General Manager - Operational Excellence	Senior Advisor - Business Development
5 years past experiences	<p>2021 – Present: Director, Chairman of the Human Resources Committee, Member of the Nomination, Remuneration and Corporate Governance Committee and Chief Executive Officer, SPRC</p> <p>2020 – 2021: President and Director, Chevron Canada Limited, Canada</p> <p>2018 – 2020: Production Operations Manager, Chevron Australia Pty Ltd., Australia</p> <p>2015 – 2018: Asset Manager, Chevron Australia Pty Ltd., Australia</p>	<p>2022 - Present: Chief Financial Officer, SPRC</p> <p>2009 – 2022: Accounting Manager, SPRC</p>	<p>2022-Present: General Manager - Refinery Operations</p> <p>2020-2022: Senior Manager – Operations, Chevron Oronite, Singapore</p> <p>2014-2020: Manager of Production Unit-Processes & Utilities, SPRC</p> <p>2009-2014: Manager of Production Unit-Movement 7 Dispatches, SPRC</p>	<p>2022 - Present: General Manager - Refinery Operations</p> <p>2020 – 2022: Manager Process Safety and QEHS, SPRC</p> <p>2014 – 2019: Manager of Asset Management, SPRC</p> <p>2009 - 2014: Manager of Production Unit-Processes & Utilities, SPRC</p>	<p>2022- Present: Senior Advisor - Business Development</p> <p>2013 - 2022: Deputy Chief Executive Officer - Operations, SPRC</p> <p>2009 - 2013: Manager of Asset Management, SPRC</p>
Education	>>Chemical Engineering, University of Waterloo, Canada	<p>>>Master's Degree Science (Finance), University of Houston-Clear Lake, USA</p> <p>>>Bachelor's Degree Business Administration - Finance & Banking, Assumption University</p> <p>>>Bachelor's Degree Accountancy, Sukhothai Thammathirat University</p>	>>Bachelor's Degree Engineering in Chemical Engineering, Curtin University of Technology, Perth, Australia	>>Bachelor's Degree Science in Chemistry, Chiang Mai University	>>Bachelor's Degree Chemical Engineering, University of Sydney, Australia

Sources: SPRC; FSSIA's compilation

Financial Statements

Star Petroleum Refining

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	172,484	285,264	228,406	314,742	313,389
Cost of goods sold	(165,763)	(270,230)	(216,466)	(300,830)	(298,733)
Gross profit	6,721	15,034	11,940	13,911	14,656
Other operating income	-	-	-	-	-
Operating costs	(749)	(2,791)	(2,235)	(3,080)	(3,066)
Operating EBITDA	5,972	12,243	9,705	10,832	11,590
Depreciation	(2,644)	(2,603)	(2,603)	(3,123)	(3,123)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	3,328	9,640	7,103	7,709	8,467
Net financing costs	147	60	(281)	(240)	(165)
Associates	-	-	-	-	-
Recurring non-operating income	(371)	(106)	180	185	191
Non-recurring items	2,809	0	0	0	0
Profit before tax	5,913	9,594	7,002	7,654	8,493
Tax	(1,166)	(1,921)	(1,365)	(1,495)	(1,662)
Profit after tax	4,746	7,674	5,636	6,159	6,831
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	4,746	7,674	5,636	6,159	6,831
Non-recurring items & goodwill (net)	(2,809)	0	0	0	0
Recurring net profit	1,937	7,674	5,636	6,159	6,831
Per share (THB)					
Recurring EPS *	0.45	1.77	1.30	1.42	1.58
Reported EPS	1.09	1.77	1.30	1.42	1.58
DPS	0.18	1.11	0.65	0.71	0.79
Diluted shares (used to calculate per share data)	4,336	4,336	4,336	4,336	4,336
Growth					
Revenue (%)	32.5	65.4	(19.9)	37.8	(0.4)
Operating EBITDA (%)	99.9	105.0	(20.7)	11.6	7.0
Operating EBIT (%)	2,038.5	189.7	(26.3)	8.5	9.8
Recurring EPS (%)	(6.3)	296.1	(26.5)	9.3	10.9
Reported EPS (%)	nm	61.7	(26.5)	9.3	10.9
Operating performance					
Gross margin inc. depreciation (%)	2.4	4.4	4.1	3.4	3.7
Gross margin of key business (%)	4.0	4.4	4.1	3.4	3.7
Operating EBITDA margin (%)	3.5	4.3	4.2	3.4	3.7
Operating EBIT margin (%)	1.9	3.4	3.1	2.4	2.7
Net margin (%)	1.1	2.7	2.5	2.0	2.2
Effective tax rate (%)	19.7	20.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.9	62.7	50.0	50.0	50.0
Interest cover (X)	(20.1)	(158.8)	25.9	32.9	52.5
Inventory days	28.1	27.2	36.1	26.5	30.1
Debtor days	23.0	17.6	22.9	16.6	16.7
Creditor days	24.0	18.1	19.4	14.8	17.3
Operating ROIC (%)	(1.9)	(4.5)	(3.0)	(3.2)	(3.6)
ROIC (%)	(1.6)	(4.3)	(2.9)	(3.1)	(3.5)
ROE (%)	6.4	21.0	13.8	13.8	14.2
ROA (%)	3.7	12.6	8.8	9.1	9.7
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Diesel	74,023	125,384	96,257	96,520	96,257
Gasoline	57,584	81,205	66,362	62,385	62,214
Jet Fuel	2,927	17,192	13,345	13,382	13,345
Light Naphtha	7,270	10,287	9,119	9,601	9,575

Sources: Star Petroleum Refining; FSSIA estimates

Financial Statements

Star Petroleum Refining

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	1,937	7,674	5,636	6,159	6,831
Depreciation	2,644	2,603	2,603	3,123	3,123
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	(6,107)	(9,574)	1,926	(1,307)	67
Cash flow from operations	(1,526)	703	10,165	7,975	10,021
Capex - maintenance	(2,602)	(2,557)	(2,603)	(2,603)	(2,603)
Capex - new investment	(104)	(1,438)	(3,809)	(1,232)	(1,082)
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	1,677	(792)	180	368	191
Cash flow from investing	(1,030)	(4,787)	(6,232)	(3,467)	(3,494)
Dividends paid	0	(4,936)	(1,518)	(2,385)	(3,513)
Equity finance	0	0	0	0	0
Debt finance	(2,183)	1,677	(731)	(2,000)	(3,000)
Other financing cash flows	6,049	4,475	(180)	2,279	1,973
Cash flow from financing	3,866	1,215	(2,428)	(2,106)	(4,540)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	1,310	(2,869)	1,505	2,402	1,987
Free cash flow to firm (FCFF)	(2,343.71)	(3,767.76)	4,213.69	4,747.68	6,692.56
Free cash flow to equity (FCFE)	1,310.00	2,067.27	3,022.38	4,786.68	5,500.56

Per share (THB)

FCFF per share	(0.54)	(0.87)	0.97	1.09	1.54
FCFE per share	0.30	0.48	0.70	1.10	1.27
Recurring cash flow per share	1.06	2.37	1.90	2.14	2.30

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	77,210	80,007	86,419	87,269	88,269
Less: Accumulated depreciation	(52,992)	(57,271)	(59,874)	(62,477)	(65,079)
Tangible fixed assets (net)	24,219	22,735	26,545	24,792	23,189
Intangible fixed assets (net)	93	113	113	113	113
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	2,945	76	1,580	3,982	5,969
A/C receivable	13,219	14,328	14,328	14,328	14,328
Inventories	16,486	23,762	19,035	24,726	24,553
Other current assets	81	92	74	101	101
Current assets	32,731	38,258	35,016	43,137	44,952
Other assets	1,683	2,182	2,182	2,000	2,000
Total assets	58,726	63,288	63,856	70,042	70,254
Common equity	34,371	38,707	42,826	46,600	49,918
Minorities etc.	0	0	0	0	0
Total shareholders' equity	34,371	38,707	42,826	46,600	49,918
Long term debt	3,374	0	7,000	6,000	3,000
Other long-term liabilities	950	677	677	677	677
Long-term liabilities	4,324	677	7,677	6,677	3,677
A/C payable	13,961	12,780	10,238	14,227	14,128
Short term debt	4,680	9,731	2,000	1,000	1,000
Other current liabilities	1,390	1,393	1,115	1,537	1,530
Current liabilities	20,031	23,904	13,353	16,765	16,659
Total liabilities and shareholders' equity	58,726	63,288	63,856	70,042	70,254
Net working capital	14,435	24,009	22,083	23,391	23,324
Invested capital	40,430	49,039	50,923	50,296	48,626

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

Per share (THB)

Book value per share	7.93	8.93	9.88	10.75	11.51
Tangible book value per share	7.91	8.90	9.85	10.72	11.49

Financial strength

Net debt/equity (%)	14.9	24.9	17.3	6.5	(3.9)
Net debt/total assets (%)	8.7	15.3	11.6	4.3	(2.8)
Current ratio (x)	1.6	1.6	2.6	2.6	2.7
CF interest cover (x)	(8.6)	(57.4)	25.3	26.1	40.9

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	18.5	4.7	6.3	5.8	5.2
Recurring P/E @ target price (x) *	28.0	7.1	9.6	8.8	7.9
Reported P/E (x)	7.5	4.7	6.3	5.8	5.2
Dividend yield (%)	2.2	13.5	7.9	8.6	9.5
Price/book (x)	1.0	0.9	0.8	0.8	0.7
Price/tangible book (x)	1.0	0.9	0.8	0.8	0.7
EV/EBITDA (x) **	6.8	3.7	4.5	3.6	2.9
EV/EBITDA @ target price (x) **	9.9	5.2	6.3	5.3	4.5
EV/invested capital (x)	1.0	0.9	0.8	0.8	0.7

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

Sources: Star Petroleum Refining; 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) ¹

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) ²

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) ³

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) ⁴ 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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

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

⁵ 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

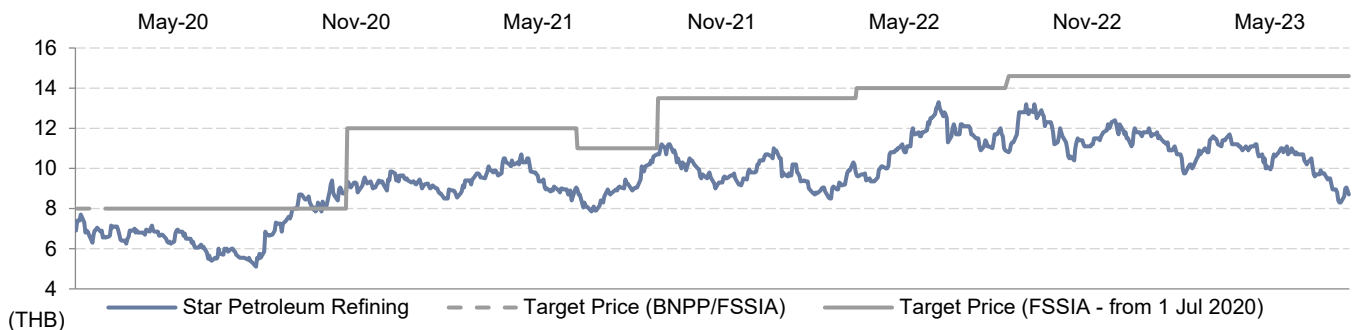
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

Star Petroleum Refining (SPRC TB)



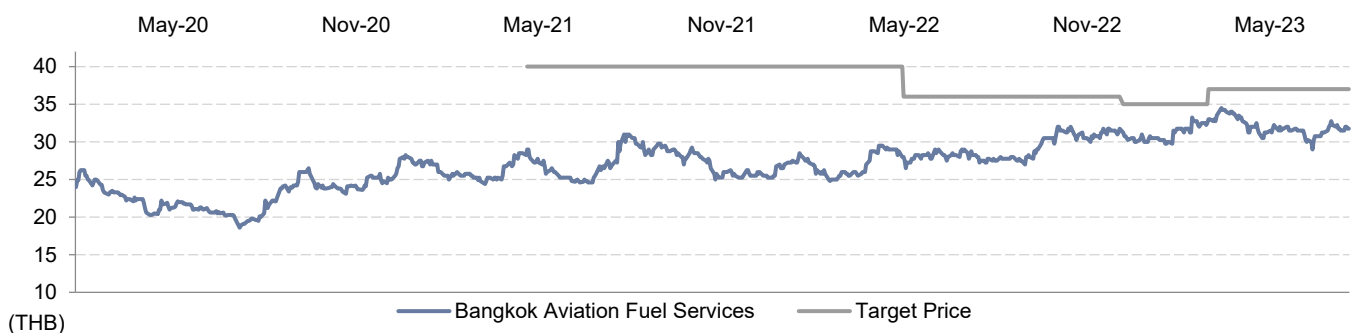
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-Jun-2020	BUY	8.00	03-Aug-2021	BUY	11.00	30-Mar-2022	BUY	14.00
18-Jan-2021	BUY	12.00	11-Oct-2021	BUY	13.50	05-Aug-2022	BUY	14.60

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
Star Petroleum Refining	SPRC TB	THB 8.25	BUY	Downside risks are weak demand for refined oil products, a lower crude oil price and GRM, the delay of the SPM reopening, and lawsuit risk related to the oil spill off Rayong in 2022.
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 (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.