

THAI OIL TOP TB  
THAILAND / ENERGY

BUY

UNCHANGED

## คาดผลประกอบการ 2Q23 จะอ่อนแอ แนวโน้ม 2H23 สดใ้ขึ้น

- เราคาดว่า TOP จะรายงานกำไรสุทธิ 2Q23 ที่ 0.36 พัน ลบ. (-92% q-q) ซึ่งน่าจะเป็นจุดต่ำสุดของปี เหตุผลส่วนมากมาจาก Marketing GRM ที่ลดลง
- คาดแนวโน้มกำไรที่สดใ้ขึ้นในช่วง 2H23 โดยจะได้ปัจจัยผลักดันจาก Refined product spreads ที่กำลังฟื้นตัวจากกิจกรรมทางเศรษฐกิจของจีนที่เพิ่มขึ้น
- เราระงแนะนำซื้อที่ราคาเป้าหมาย 61.8 บาท

TARGET PRICE	THB61.80
CLOSE	THB46.25
UP/DOWNSIDE	+33.6%
PRIOR TP	THB61.80
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+3.5%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	529,589	447,275	459,496	572,939
Net profit	32,668	14,048	14,866	18,763
EPS (THB)	15.29	6.29	6.65	8.40
vs Consensus (%)	-	2.8	10.0	(5.4)
EBITDA	52,014	27,213	27,327	37,921
Recurring net profit	32,668	14,048	14,866	18,762
Core EPS (THB)	15.29	6.29	6.65	8.40
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	147.9	(58.9)	5.8	26.2
Core P/E (x)	3.0	7.4	6.9	5.5
Dividend yield (%)	8.0	6.8	7.2	9.1
EV/EBITDA (x)	4.2	8.1	6.9	4.2
Price/book (x)	0.7	0.6	0.6	0.6
Net debt/Equity (%)	71.0	69.1	47.7	29.2
ROE (%)	23.6	8.8	8.9	10.7

## คาดกำไรสุทธิ 2Q23 ที่ 0.36 พัน ลบ. ซึ่งน่าจะเป็นจุดต่ำสุดของปี

ใน 2Q23 เราคาด Accounting GIM ของ TOP ไว้ที่ ~USD4.0/bbl (-USD4.3/bbl q-q) จากต้นทุนการดำเนินงานที่ทรงตัว q-q 2Q23 EBITDA น่าจะอยู่ที่ ~2.7 พัน ลบ. (-67% q-q) ด้วยเหตุดังกล่าวเราคาดว่าบริษัท จะรายงานกำไรสุทธิ 2Q23 ที่อ่อนแอโดยคาดว่าจะอยู่ที่ 0.36 พัน ลบ. (-92% q-q) กำไร น่าจะลดลงส่วนมากมาจาก Market GRM ที่ลดลงและผลขาดทุนสินค้าคงคลัง (~2.0 พัน ลบ.) ใน 2Q23 ในขณะที่ธุรกิจอื่น ๆ น่าจะทรงหรือชะลอตัวเล็กน้อย นอกจากนี้การที่ค่าเงินเหรียญสหรัฐ แข็งตัวขึ้นในระหว่างไตรมาสทำให้เราคาดว่าบริษัท จะบันทึกผลขาดทุนจากอัตราแลกเปลี่ยนอยู่ที่ประมาณ 1.1 พัน ลบ. อย่างไรก็ตามเราคิดว่าบริษัท จะบันทึกกำไรจากสัญญาป้องกันความเสี่ยงที่ ~0.5 พัน ลบ. จากราคาน้ำมันที่อ่อนตัวลงซึ่งจะช่วยชดเชยผลขาดทุนดังกล่าวได้บางส่วน จากปัจจัยดังกล่าวมาทั้งหมดเราคำนวณกำไรสุทธิ 2Q23 ที่ 2.4 พัน ลบ. (-72% q-q, -89% y-y) ทำให้กำไร ในช่วง 1H23E จะคิดเป็น 35% ของประมาณการเต็มปีของเรา

## ธุรกิจโรงกลั่นชะลอตัวจาก Middle distillate spreads

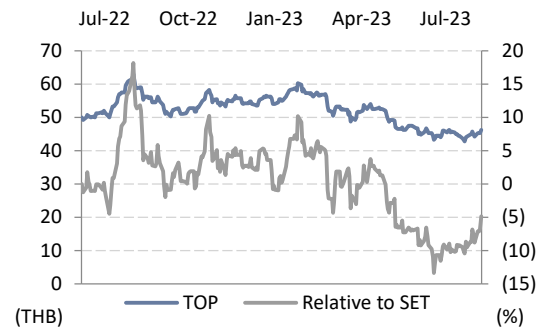
ใน 2Q23 เราคาดว่า Market GRM จะลดลงแรงมาอยู่ที่ USD4.3/bbl จาก USD10/bbl ใน 1Q23 ส่วนมากมาจาก ส่วนต่างของน้ำมันดีเซลและเชื้อเพลิงอากาศยานซึ่งคิดเป็น ~53% ของการผลิตรวม ที่อ่อนแอ Diesel-Dubai spread ปรับตัวลดลงเหลือ USD14.6/bbl (-USD10.6/bbl q-q) และ Jet-diesel spread ลดลงเหลือ USD14.0/bbl (-USD12.5/bbl q-q) ในขณะที่ Gasoline-Dubai spread อ่อนตัวลงเล็กน้อย จากราคาน้ำมันที่ปรับตัวลดลง q-q เราคาดผลขาดทุนจากสินค้าคงคลังต่อบาร์เรลที่ ~USD2/bbl ด้วยเหตุดังกล่าว Accounting GRM จึงน่าจะอยู่ที่ USD2.3/bbl และเราคิดว่า Refinery run rate จะอยู่ในระดับสูงที่ ~112%

## ธุรกิจ Aromatics น่าจะทรงตัว q-q ในขณะที่ธุรกิจน้ำมันหล่อลื่น (Lube) น่าจะชะลอตัวเล็กน้อย

For aromatics, 2Q23 PX margins have improved, but were offset by a ใน 2Q23 PX margins ในธุรกิจ Aromatics ปรับตัวดีขึ้นแต่ถูกทอนไปบางส่วนจาก BZ margin ที่ปรับตัวลดลง ทำให้เราคาดว่า Aromatics GIM จะทรงตัว q-q ที่ USD0.9/bbl ส่วน Lube base GIM จะลดลงจาก USD1.1/bbl ใน 1Q23 เป็น USD0.8/bbl จาก ส่วนต่างราคาผลิตภัณฑ์ที่ลดลงสำหรับ Bitumen และ 500SN

## แนวโน้ม 2H23 ดีขึ้น คงแนะนำซื้อที่ราคาเป้าหมาย 61.8 บาท

เราระงแนะนำซื้อที่ราคาเป้าหมาย 61.8 บาท เรายังคงเห็นว่าธุรกิจโรงกลั่นจะออกจากจุดต่ำสุดใน 2Q23 และเริ่มฟื้นตัวในช่วง 2H23 จากการฟื้นตัวของ ผลิตภัณฑ์ที่ได้จากการกลั่นปิโตรเลียมโดยเฉพาะอย่างยิ่งสำหรับน้ำมันเบนซินและดีเซลจากกิจกรรมทางเศรษฐกิจของจีนที่เพิ่มขึ้นและโควตาส่งออกของจีนที่ลดลงในช่วง 2H23 นอกจากนี้เรายังคาดว่าด้วยว่า Crude premium จะลดลง h-h และจะไม่มีผลขาดทุนสินค้าคงคลังอย่างมีนัยสำคัญในช่วง 2H23 จากอุปทานน้ำมันดิบโลกที่ตั้งตัว



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.5	(11.9)	(8.9)
Relative to country (%)	5.1	(6.1)	(5.6)
Mkt cap (USD m)	2,989		
3m avg. daily turnover (USD m)	12.1		
Free float (%)	52		
Major shareholder	PTT plc. (48%)		
12m high/low (THB)	63.25/42.25		
Issued shares (m)	2,234.00		

Sources: Bloomberg consensus; FSSIA estimates



Kwanwaree Apichartsatporn

kwanwaree.a@fssia.com

+66 2646 9968

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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 14 กรกฎาคม 2023

### Investment thesis

We believe the refinery and petrochemical business will recover in 2H23, led by the acceleration of economic activity in China, which should boost diesel and petrochemical product demand and drive product spreads higher.

In addition, as a low cost structure refinery, we expect TOP to stand out based on its earnings resilience relative to its local refinery peers during this shoulder period as refinery spreads normalise and the petrochemical business begins to recover.

Long-term, we anticipate that its Clean Fuel Project (CFP) project (COD in 1Q25) will allow TOP to maximise profits from greater feedstock flexibility and better yields of higher value middle distillate products. In addition, its 15.38% stake in the expansion project of Chandra Asri Petrochemical (CAP2), an olefin investment in Indonesia (COD in 2026), should support and diversify TOP's earnings.

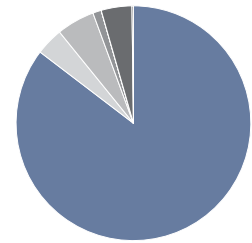
### Company profile

TOP operates the largest single-site refinery in Thailand, which is one of the most complex refineries in the Asia-Pacific region with a nameplate capacity of 275 kbd. It also undertakes power generation, petrochemical production, and oil and petrochemical product transportation.

[www.thaioilgroup.com](http://www.thaioilgroup.com)

### Principal activities (revenue, 2022)

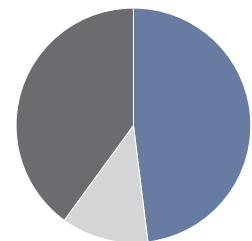
- Oil refinery - 85.4 %
- Lubed base oil refinery - 3.8 %
- Petrochemical - 5.2 %
- Power generation - 1.2 %
- Marine transportation services - 0.0 %



Source: Thai Oil

### Major shareholders

- PTT plc. - 48.0 %
- Thai NVDR - 12.0 %
- Others - 40.0 %



Source: Thai Oil

### Catalysts

Potential catalysts are 1) a faster-than-expected resumption of economic activity in China in 2H23, which would boost diesel and aromatics product demand and send product spreads higher; 2) lower-than-expected crude premiums; and 3) a sharp rise in oil prices.

### Risks to our call

Downside risks to our P/BV-based TP are 1) a sharp fall in oil prices; 2) weaker demand for refined oil products; 3) GRM volatility; and 4) unplanned refinery shutdowns.

### Event calendar

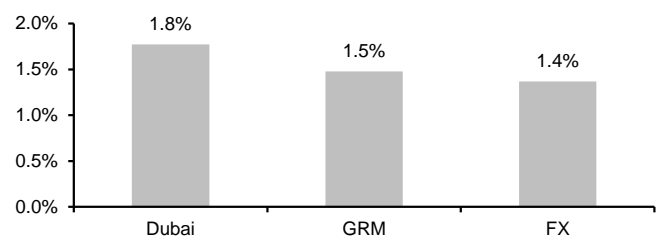
Date	Event
9 Aug 2023	2Q23 results announcement
17 Aug 2023	2Q23 analyst meeting
23 Aug 2023	2Q23 Opportunity Day
20 Nov 2023	3Q23 analyst meeting
22 Nov 2023	3Q23 Opportunity Day

### Key assumptions

	2021	2022	2023E	2024E	2025E
	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)
Marketing GRM	2.2	12.0	6.9	6.7	7.2
Stock gain/loss	4.7	1.0	-	-	-
Accounting GRM	6.9	13.0	6.9	6.7	7.2
Crude premium	1.8	7.1	3.3	1.8	1.4
Diesel-Dubai	6.7	34.3	17.0	13.0	13.0
Gasoline-Dubai	11.1	18.8	17.0	15.0	15.0
Capacity utilisation rate	100%	107%	108%	110%	110%
PX-ULG95	177	124	200	220	260
BZ-ULG95	232	50	104	125	150

Source: TOP, FSSIA estimates

### Earnings sensitivity



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

Source: FSSIA estimates



## Key charts

### Exhibit 1: 2Q23 results preview

	2Q22	1Q23	2Q23E		2023E	% of FY in 1H23E	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(%)
Revenue	155,379	116,820	106,769	(8.6)	(31.3)	447,275	50.0
Operating costs	(119,106)	(109,789)	(103,478)	(5.7)	(13.1)	(416,299)	51.2
EBITDA	22,322	8,182	2,691	(67.1)	(87.9)	27,213	40.0
EBITDA margin (%)	14.4	7.0	2.5	nm	nm	6.1	
Depn & amort.	(2,004)	(1,905)	(1,354)	(28.9)	(32.5)	(7,744)	42.1
EBIT	33,925	7,326	1,337	(81.7)	(96.1)	19,469	44.5
Interest expense	(966)	(922)	(870)	(5.6)	(9.9)	(3,774)	47.5
Interest & invt inc	17,492	221	221	-	(98.7)	2,213	20.0
Associates' contrib	(125)	101	10	(90.1)	(108.0)	200	55.4
Exceptionals	(13,951)	1,151	(600)	(152.1)	(95.7)	-	n/a
Pretax profit	36,375	7,876	98	(98.8)	(99.7)	18,108	44.0
Tax	(7,509)	(1,805)	(107)	(94.1)	(98.6)	(3,622)	52.8
Tax rate (%)	20.6	22.9	109.8	nm	nm	20.0	
Minority interests	(123)	(44)	(3)	(92.2)	(97.2)	(438)	10.9
Net profit	25,327	4,554	356	(92.2)	(98.6)	14,048	35.0
Non-recurring	3,698	(4,101)	(2,048)	(50.1)	(155.4)	-	n/a
Core profit	21,629	8,655	2,404	(72.2)	(88.9)	14,048	78.7
EPS (THB)	12.42	2.23	0.17	(92.2)	(98.6)	6.29	
Core EPS (THB)	10.60	3.74	1.04	(72.2)	(90.2)	6.29	

Sources: TOP; FSSIA estimates

### Exhibit 2: Key quarterly assumptions

Key assumptions	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23E	Chg. q-q	Chg. y-y
	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)
<b>Marketing GIM</b>	<b>7.6</b>	<b>25.6</b>	<b>8.8</b>	<b>11.1</b>	<b>11.8</b>	<b>6.0</b>	<b>(5.8)</b>	<b>(19.6)</b>
Refinery - Mkt GRM	6.3	24.8	6.7	9.3	9.8	4.3	(5.5)	(20.5)
Aromatics & LAB	0.7	0.0	0.2	0.8	0.9	0.9	0.0	0.9
Lube base	0.6	0.8	1.9	1.0	1.1	0.8	(0.3)	0.0
<b>Accounting GIM</b>	<b>23.6</b>	<b>33.4</b>	<b>(0.7)</b>	<b>1.5</b>	<b>8.3</b>	<b>4.0</b>	<b>(4.3)</b>	<b>(29.4)</b>
Refinery - Acct GRM	22.6	32.9	(2.9)	(0.3)	6.4	2.3	(4.1)	(30.6)
Stock gain/loss	16.2	7.8	(9.6)	(9.7)	(3.6)	(2.0)	1.6	(9.8)
Crude premium	4.0	7.4	10.5	7.0	5.0	2.8	(2.2)	(4.6)
Diesel-Dubai	19.5	43.1	35.2	39.3	25.2	14.6	(10.6)	(28.5)
Gasoline-Dubai	17.8	35.0	13.2	9.4	18.7	16.6	(2.1)	(18.4)
Refinery run rate (%)	109	112	104	103	112	112		
PX-ULG95 (USD/t)	124	44	152	178	193	228	35.3	184.2
BZ-ULG95 (USD/t)	110	23	42	24	89	71	(18.3)	47.6

Sources: TOP; FSSIA estimates

## Financial Statements

Thai Oil

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	345,496	529,589	447,275	459,496	572,939
Cost of goods sold	(319,555)	(481,137)	(424,044)	(436,195)	(548,020)
<b>Gross profit</b>	<b>25,941</b>	<b>48,452</b>	<b>23,232</b>	<b>23,301</b>	<b>24,918</b>
Other operating income	-	-	-	-	-
Operating costs	(3,056)	(4,182)	(3,763)	(3,718)	(573)
<b>Operating EBITDA</b>	<b>30,309</b>	<b>52,014</b>	<b>27,213</b>	<b>27,327</b>	<b>37,921</b>
Depreciation	(7,424)	(7,744)	(7,744)	(7,744)	(13,576)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>22,885</b>	<b>44,270</b>	<b>19,469</b>	<b>19,583</b>	<b>24,345</b>
Net financing costs	(9,523)	(1,733)	(1,561)	(1,453)	(1,345)
Associates	1,675	(513)	200	1,000	1,000
Recurring non-operating income	1,675	(513)	200	1,000	1,000
Non-recurring items	0	0	0	0	1
<b>Profit before tax</b>	<b>15,037</b>	<b>42,024</b>	<b>18,108</b>	<b>19,130</b>	<b>24,001</b>
Tax	(2,034)	(8,918)	(3,622)	(3,826)	(4,800)
<b>Profit after tax</b>	<b>13,003</b>	<b>33,106</b>	<b>14,486</b>	<b>15,304</b>	<b>19,201</b>
Minority interests	(425)	(438)	(438)	(438)	(438)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>12,578</b>	<b>32,668</b>	<b>14,048</b>	<b>14,866</b>	<b>18,763</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>
<b>Recurring net profit</b>	<b>12,578</b>	<b>32,668</b>	<b>14,048</b>	<b>14,866</b>	<b>18,762</b>
<b>Per share (THB)</b>					
Recurring EPS *	6.17	15.29	6.29	6.65	8.40
Reported EPS	6.17	15.29	6.29	6.65	8.40
DPS	2.60	3.70	3.14	3.33	4.20
Diluted shares (used to calculate per share data)	2,040	2,137	2,234	2,234	2,234
<b>Growth</b>					
Revenue (%)	39.4	53.3	(15.5)	2.7	24.7
Operating EBITDA (%)	nm	71.6	(47.7)	0.4	38.8
Operating EBIT (%)	nm	93.4	(56.0)	0.6	24.3
Recurring EPS (%)	nm	147.9	(58.9)	5.8	26.2
Reported EPS (%)	nm	147.9	(58.9)	5.8	26.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	7.5	9.1	5.2	5.1	4.3
Gross margin exc. depreciation (%)	9.7	10.6	6.9	6.8	6.7
Operating EBITDA margin (%)	8.8	9.8	6.1	5.9	6.6
Operating EBIT margin (%)	6.6	8.4	4.4	4.3	4.2
Net margin (%)	3.6	6.2	3.1	3.2	3.3
Effective tax rate (%)	13.5	21.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	42.2	24.2	50.0	50.0	50.0
Interest cover (X)	2.6	25.2	12.6	14.2	18.8
Inventory days	36.3	36.6	47.2	45.2	41.3
Debtor days	19.1	18.0	24.5	25.2	23.0
Creditor days	19.0	37.5	49.2	32.8	30.0
Operating ROIC (%)	10.0	16.2	6.7	6.3	7.7
ROIC (%)	8.1	11.5	5.1	5.3	6.7
ROE (%)	10.6	23.6	8.8	8.9	10.7
ROA (%)	6.4	8.5	3.8	4.1	4.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Oil refinery	284,019	452,096	364,749	373,992	487,435
Lubed base oil refinery	18,826	20,078	23,926	23,689	23,689
Petrochemical	24,461	27,752	28,838	32,052	32,052
Power generation	4,059	6,211	6,211	6,211	6,211

Sources: Thai Oil; FSSIA estimates

## Financial Statements

Thai Oil

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	12,578	32,668	14,048	14,866	18,762
Depreciation	7,424	7,744	7,744	7,744	13,576
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	(14,344)	30,043	(35,678)	(1,247)	(11,572)
<b>Cash flow from operations</b>	<b>5,659</b>	<b>70,455</b>	<b>(13,886)</b>	<b>21,364</b>	<b>20,766</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(33,174)	(28,076)	(12,124)	(12,064)	(12,058)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	45,907	(1,454)	30,000	30,000	30,000
<b>Cash flow from investing</b>	<b>12,733</b>	<b>(29,530)</b>	<b>17,876</b>	<b>17,936</b>	<b>17,942</b>
Dividends paid	(5,304)	(8,265)	(7,024)	(7,433)	(9,381)
Equity finance	0	0	0	0	0
Debt finance	(1,219)	(550)	(21,357)	(1,551)	(21,551)
Other financing cash flows	(35,415)	(18,230)	638	1,438	1,439
<b>Cash flow from financing</b>	<b>(41,939)</b>	<b>(27,045)</b>	<b>(27,743)</b>	<b>(7,546)</b>	<b>(29,493)</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>(23,548)</b>	<b>13,880</b>	<b>(23,753)</b>	<b>31,754</b>	<b>9,215</b>
Free cash flow to firm (FCFF)	21,985.74	44,785.11	7,764.77	42,987.70	42,310.34
Free cash flow to equity (FCFE)	(18,243.87)	22,145.27	(16,728.84)	39,186.49	18,595.98

### Per share (THB)

FCFF per share	9.84	20.05	3.48	19.24	18.94
FCFE per share	(8.17)	9.91	(7.49)	17.54	8.32
Recurring cash flow per share	9.80	18.91	9.76	10.12	14.48

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	320,167	355,988	368,112	380,176	392,234
Less: Accumulated depreciation	(141,768)	(149,512)	(157,256)	(165,001)	(178,577)
<b>Tangible fixed assets (net)</b>	<b>178,399</b>	<b>206,476</b>	<b>210,855</b>	<b>215,175</b>	<b>213,657</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	55,412	32,603	32,803	33,803	34,803
Cash & equivalents	29,696	43,576	19,823	51,577	60,792
A/C receivable	23,415	28,759	31,309	32,165	40,106
Inventories	39,576	55,343	52,335	53,765	67,039
Other current assets	8,552	26,150	10,000	10,000	10,000
<b>Current assets</b>	<b>101,239</b>	<b>153,828</b>	<b>113,468</b>	<b>147,507</b>	<b>177,936</b>
Other assets	27,094	51,674	32,040	27,405	1,654
<b>Total assets</b>	<b>362,144</b>	<b>444,581</b>	<b>389,166</b>	<b>423,890</b>	<b>428,050</b>
Common equity	120,881	156,034	163,058	170,491	179,873
Minorities etc.	2,213	2,623	2,825	3,025	3,225
<b>Total shareholders' equity</b>	<b>123,094</b>	<b>158,657</b>	<b>165,883</b>	<b>173,516</b>	<b>183,098</b>
Long term debt	163,343	151,442	131,635	131,635	111,635
Other long-term liabilities	37,230	30,809	30,809	56,926	56,926
<b>Long-term liabilities</b>	<b>200,574</b>	<b>182,250</b>	<b>162,444</b>	<b>188,561</b>	<b>168,561</b>
A/C payable	23,001	74,154	38,018	39,057	48,700
Short term debt	2,142	4,776	2,820	2,756	2,692
Other current liabilities	13,334	24,743	20,000	20,000	25,000
<b>Current liabilities</b>	<b>38,476</b>	<b>103,673</b>	<b>60,838</b>	<b>61,813</b>	<b>76,391</b>
<b>Total liabilities and shareholders' equity</b>	<b>362,144</b>	<b>444,581</b>	<b>389,166</b>	<b>423,890</b>	<b>428,050</b>
Net working capital	35,209	11,355	35,626	36,873	43,445
Invested capital	296,114	302,108	311,324	313,256	293,559

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

### Per share (THB)

Book value per share	59.25	69.85	72.99	76.32	80.52
Tangible book value per share	59.25	69.85	72.99	76.32	80.52

### Financial strength

Net debt/equity (%)	110.3	71.0	69.1	47.7	29.2
Net debt/total assets (%)	37.5	25.3	29.5	19.5	12.5
Current ratio (x)	2.6	1.5	1.9	2.4	2.3
CF interest cover (x)	2.6	30.0	(1.9)	36.3	23.8

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>7.5</b>	<b>3.0</b>	<b>7.4</b>	<b>6.9</b>	<b>5.5</b>
<b>Recurring P/E @ target price (x) *</b>	<b>10.0</b>	<b>4.0</b>	<b>9.8</b>	<b>9.3</b>	<b>7.4</b>
Reported P/E (x)	7.5	3.0	7.4	6.9	5.5
Dividend yield (%)	5.6	8.0	6.8	7.2	9.1
Price/book (x)	0.8	0.7	0.6	0.6	0.6
Price/tangible book (x)	0.8	0.7	0.6	0.6	0.6
EV/EBITDA (x) **	7.7	4.2	8.1	6.9	4.2
EV/EBITDA @ target price (x) **	8.7	4.9	9.4	8.2	5.1
EV/invested capital (x)	0.8	0.7	0.7	0.6	0.5

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

Sources: Thai Oil; 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 **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. 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: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (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

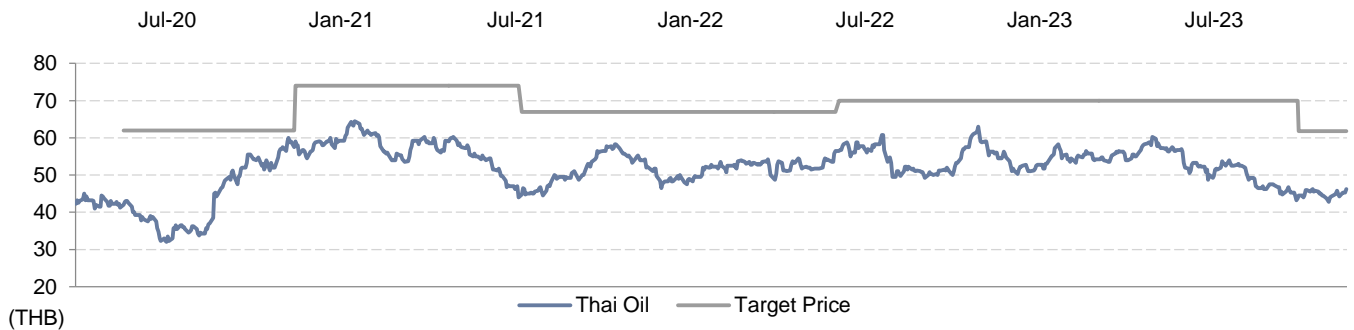
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**History of change in investment rating and/or target price**

**Thai Oil (TOP TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Aug-2020	BUY	62.00	30-Jul-2021	BUY	67.00	01-Jun-2023	BUY	61.80
18-Jan-2021	BUY	74.00	29-Apr-2022	BUY	70.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thai Oil	TOP TB	THB 46.25	BUY	Downside risks to our P/BV-based TP are 1) a sharp fall in oil prices; 2) weaker demand for refined oil products; 3) GRM volatility; and 4) unplanned refinery shutdowns.

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

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All share prices are as at market close on 13-Jul-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.