

# BANGCHAK CORP

## THAILAND / ENERGY

# BCP TB

# BUY

UNCHANGED

## 2Q23 results at first glance

TARGET PRICE	THB42.70
CLOSE	THB39.25
UP/DOWNSIDE	+8.8%
TP vs CONSENSUS	+3.1%

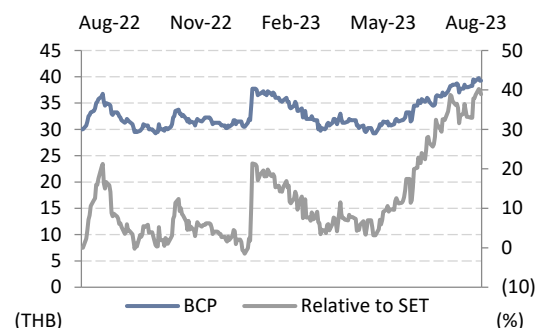
### 2Q23 results – in line with consensus

#### Highlights

- BCP's 2Q23 net profit was THB458m (-83.3% q-q and -91.3% y-y) – weak but in line with the BBG consensus.** The weak result was mainly due to softer contributions from the refinery, natural resource, and marketing businesses. Conversely, other businesses (i.e. power and bio-based products) were slightly better q-q. This caused 2Q23 EBITDA to drop to THB6,628m (-39.7% q-q and -47.3% y-y). If we exclude extra items, the 2Q23 net profit from normal operations was at THB937m (-68.1% q-q and -87.3% y-y). 1H23 net profit accounts for 42% of our 2023 estimate.
- Refinery business – weaker from lower GRM due to soft refined product spreads.** 2Q23 operating GRM was at USD4.67/bbl, down USD6.77/bbl q-q from weak refined product spreads, especially diesel and jet. In addition, the 2Q23 production volume was slightly weaker q-q to 118.6 KBD. Therefore, 2Q23 refinery EBITDA was down 66% q-q to THB1,373m.
- Marketing business – flat marketing margin q-q while sales volume dropped.** The 2Q23 marketing sales volume slightly dropped by 2% q-q to 1,578m litres due to lower demand on the switch from diesel to LNG in the industrial sector, while the retail sales volume was marginally lower due to seasonality. At the same time, the 2Q23 marketing margin remained flat at THB0.93/litre. Hence, 2Q23 marketing business EBITDA dropped by 25% q-q to THB553m.
- Natural resource business – softer sales volume and average selling price.** The 2Q23 natural resource sales volume was down by 40% q-q, mainly from the overlifting in the quarter. Moreover, the 2Q23 average selling prices for liquid (oil and gas) and natural gas decreased by 10% q-q and 30% q-q, respectively, following the falling global energy prices in the quarter. This resulted in weaker 2Q23 EBITDA of THB3,701m, -32% q-q.
- 2H23 outlook – refinery and natural resource business are the key drivers.** In 2H23, the refinery business should be the key driver for earnings on an improving GRM and stock gains. The natural resource and power businesses should be additional supports in 2H23. We expect the natural resource business to recover in 2H23, in line with higher global energy prices and gas demand during the winter season. We estimate the power business to improve in 2H23 from a full-quarter revenue recognition from new projects (two gas-fired power plants in the US and hydro in Laos). The marketing business may be slightly weaker h-h due to seasonality.
- Maintain BUY on BCP with a TP of THB42.70/share.**

#### 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 (%)	-	(8.1)	(5.9)	(5.9)
EBITDA	45,881	33,788	39,455	37,368
Recurring net profit	18,514	7,592	7,567	7,304
Core EPS (THB)	13.45	5.51	5.50	5.30
EPS growth (%)	93.8	(59.0)	(0.3)	(3.5)
Core P/E (x)	2.9	7.1	7.1	7.4
Dividend yield (%)	5.7	3.5	3.5	3.4
EV/EBITDA (x)	2.4	5.5	5.0	5.6
Price/book (x)	0.9	0.8	0.7	0.7
Net debt/Equity (%)	40.9	120.8	121.5	122.7
ROE (%)	31.9	11.6	10.7	9.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	7.5	26.6	33.1
Relative to country (%)	4.9	29.4	40.1
Mkt cap (USD m)	1,620		
3m avg. daily turnover (USD m)	6.7		
Free float (%)	59		
Major shareholder	Thailand Social Security Office (15%)		
12m high/low (THB)	40.00/28.75		
Issued shares (m)	1,376.92		

Sources: Bloomberg consensus; FSSIA estimates


**Kwanwaree Apichartsatporn**

Analyst register no. 117055

kwanwaree.a@fssia.com, +66 2646 9968

## Exhibit 1: BCP – 2Q23 operations summary

	2Q22	1Q23	2Q23		2023E	% 1H23 of 2023E	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(%)
Revenue	83,796	80,380	68,023	(15.4)	(18.8)	315,924	47
Operating costs	(71,224)	(69,388)	(61,395)	(11.5)	(13.8)	(282,135)	
EBITDA	12,572	10,992	6,628	(39.7)	(47.3)	33,788	52
EBITDA margin (%)	15.0	13.7	9.7	nm	nm	10.7	
Depn & amort.	(2,474)	(2,804)	(2,904)	3.6	17.3	(14,698)	
EBIT	10,098	8,188	3,724	(54.5)	(63.1)	19,090	
Interest expense	(1,043)	(1,032)	(1,000)	(3.1)	(4.1)	(4,124)	
Interest & invt inc	477	627	775	23.6	62.7	0	
Associates' contrib	(6)	29	(40)	(237.6)	538.3	2,134	
Exceptionals	(1,002)	(754)	(1,698)	125.2	69.4	0	
Pretax profit	8,523	7,059	1,762	(75.0)	(79.3)	17,100	52
Tax	(3,033)	(3,689)	(1,406)	(61.9)	(53.6)	(7,611)	
Tax rate (%)	35.6	52.3	79.8	nm	nm	44.5	
Minority interests	(213)	(629)	(251)	(60.1)	17.6	(1,898)	
Net profit	5,276	2,741	458	(83.3)	(91.3)	7,592	42
Non-recurring	2,081	195	479	145.6	(77.0)	0	
Core profit	7,357	2,936	937	(68.1)	(87.3)	7,592	51
EPS (THB)	3.79	1.91	0.24	(87.4)	(93.7)	5.51	
Core EPS (THB)	5.34	2.13	0.68	(68.1)	(87.3)	5.51	

Sources: BCP; FSSIA estimates

## Exhibit 2: Accounting EBITDA breakdown by business

Accounting EBITDA	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
Refinery and trading business	5,021	6,506	4,131	2,207	4,029	1,373	-65.9%	-78.9%
Marketing business	1,118	1,468	203	120	737	553	-25.0%	-62.3%
Power plant business	3,075	1,112	1,209	1,003	852	989	16.1%	-11.1%
Bio-based product	343	93	35	146	107	138	29.0%	48.4%
Natural resources & new business development	4,251	3,541	6,064	3,769	5,414	3,701	-31.6%	4.5%
Eliminations & others	(94)	(148)	(155)	(294)	(147)	(126)	-14.3%	-14.9%
<b>Total</b>	<b>13,714</b>	<b>12,572</b>	<b>11,487</b>	<b>6,951</b>	<b>10,992</b>	<b>6,628</b>	<b>-39.7%</b>	<b>-47.3%</b>

Source: BCP

## Exhibit 3: Quarterly key earnings drivers

BCP assumptions	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	Chg. q-q	Chg. y-y
	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)
<b>Refinery</b>								
Dubai	96.21	108.22	96.68	84.77	80.23	77.59	(2.64)	(30.63)
Operating GRM	6.84	24.42	11.20	14.68	11.44	4.67	(6.77)	(19.75)
Oil hedging and stock gain/loss	6.65	(6.79)	(0.75)	(8.04)	(1.28)	(0.17)	1.11	6.62
Accounting GRM	13.49	17.63	10.45	6.64	10.16	4.50	(5.66)	(13.13)
UNL95-DB	17.82	35.14	13.07	9.53	18.71	16.54	(2.17)	(18.60)
Jet-DB	16.53	39.62	32.43	33.51	26.03	13.97	(12.06)	(25.65)
GO-DB	19.87	43.60	35.23	39.29	24.81	14.54	(10.27)	(29.06)
<b>Oil retail and marketing</b>								
Marketing margin (Bt/litre)	0.72	1.07	1.13	0.81	0.93	0.93	-	(0.14)
Net marketing margin (Bt/litre)	1.11	0.94	0.62	0.68	0.79	0.76	(0.03)	(0.18)
Number of service station	1,292	1,301	1,320	1,343	1,353	1,361	8.00	60.00
<b>Exploration and production (OKEA)</b>								
Realised gas price (USD/mmbtu)	31.73	14.68	34.70	20.10	20.72	14.47	(6.25)	(0.21)
Realised liquid price	89.60	100.30	106.60	95.20	77.70	70.10	(7.60)	(30.20)
Total sales volume (kboed)	15.4	16.0	17.3	16.3	37.9	22.8	(15.16)	6.82

Source: BCP

## 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	(175,744)	(265,934)	(284,828)	(308,996)	(316,341)
<b>Gross profit</b>	<b>23,673</b>	<b>46,269</b>	<b>31,095</b>	<b>31,862</b>	<b>30,051</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 exc. depreciation (%)	15.9	18.0	14.5	15.4	14.6
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>5.7</b>	<b>2.9</b>	<b>7.1</b>	<b>7.1</b>	<b>7.4</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)	7.1	4.3	7.1	7.1	7.4
Dividend yield (%)	5.1	5.7	3.5	3.5	3.4
Price/book (x)	1.0	0.9	0.8	0.7	0.7
Price/tangible book (x)	1.4	1.1	1.0	0.9	0.8
EV/EBITDA (x) **	4.9	2.4	5.5	5.0	5.6
EV/EBITDA @ target price (x) **	5.1	2.5	5.6	5.1	5.7
EV/invested capital (x)	0.8	0.7	0.8	0.8	0.8

\* 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).

### Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. FSSIA does not confirm nor certify the accuracy of such survey result.

### 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

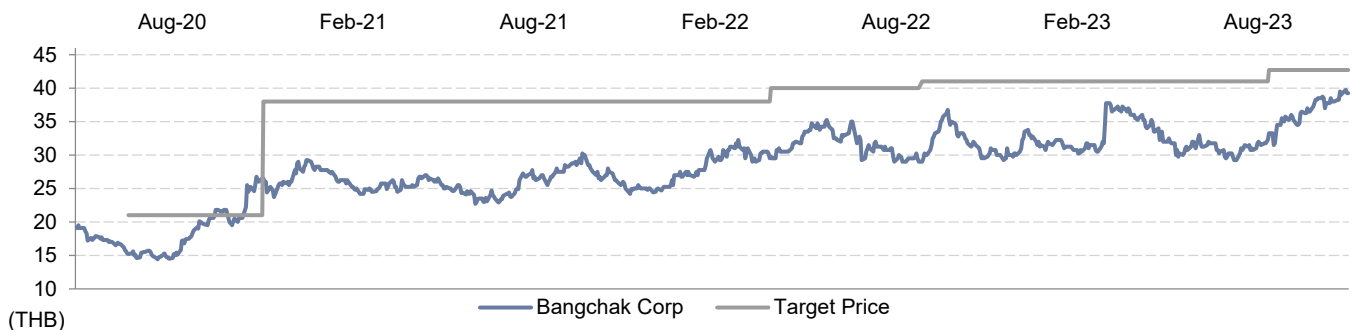
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#### History of change in investment rating and/or target price

#### 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	01-Jun-2023	BUY	42.70
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

Company	Ticker	Price	Rating	Valuation & Risks
Bangchak Corp	BCP TB	THB 39.25	BUY	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.

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 09-Aug-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.