

## STAR PETROLEUM REFINING

THAILAND / ENERGY

## SPRC TB

BUY

UNCHANGED

## 3Q23 results preview

- ราคาตัวไรสุทธิ 3Q23 ที่ 4.2 พัน ลบ. พลิกฟื้นจากที่เคยขาดทุน 2.1 พัน ลบ. ใน 2Q23 และ 5.0 พัน ลบ. ใน 3Q22
- ปรับลดประมาณการกำไรต่อหุ้นปี 2023-25 ลง 41.3% 32.6% และ 25.9% ตามลำดับ ส่วนมากจากต้นทุนค่าระวางและ Crude premium ที่สูงขึ้น
- คงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 11.70 บาท

## คาดกำไรสุทธิ 3Q23 ที่ 4.2 พัน ลบ. นับเป็นระดับสูงสุดของปี

ราคาตัวไรสุทธิ 3Q23 ที่ 4.2 พัน ลบ. พลิกฟื้นจากที่เคยขาดทุน 2.1 พัน ลบ. ใน 2Q23 และ 5.0 พัน ลบ. ใน 3Q22 จาก Gasoline Diesel และ Jet crack spread ที่สูงขึ้นประกอบกับราคาน้ำมันที่ปรับขึ้น ในขณะที่อัตราการใช้กำลังการผลิตคาดว่าจะลดลงเหลือ 81% เทียบกับ 91% ใน 2Q23 จาก การซ่อมบำรุงตามแผน เราคาดว่ากำไร 3Q23 จะสูงที่สุดในปีนี้ ประมาณการ 3Q23 ของเรามีสมมติฐานจาก 3Q23E กำไรขั้นต้นการกลั่น ที่ USD8.4/bbl (+USD7.1/bbl q-q และ +USD2.4/bbl y-y) และ 3Q23E กำไรสต็อกน้ำมัน ที่ USD7.5/bbl (+USD10.3/bbl q-q และ +USD20.8/bbl y-y) ซึ่งทำให้ได้ 3Q23E กำไรขั้นต้นการกลั่นรวมกำไรสต็อกน้ำมัน ที่ USD15.9/bbl ราคาตัวไรสุทธิ EBITDA ที่ 6.1 พัน ลบ. พลิกฟื้นจากที่เคยติดลบ 1.7 พัน ลบ. ใน 2Q23 และ 4.9 พัน ลบ. ใน 3Q22 ประมาณการกำไรสุทธิ 9M23 ของเราคิดเป็น 101% ของประมาณการปี 2023 ของเราไปแล้ว

## ปรับลดประมาณการกำไรต่อหุ้นปี 2023-25 ลง 41.3% 32.6% และ 25.9%

เราปรับลดประมาณการกำไรต่อหุ้นปี 2023-25 ของเราลง 41.3% 32.6% และ 25.9% ตามลำดับตามสมมติฐานกำไรใหม่ของเรา (Exhibit 2) ในประมาณการปี 2023 กำไรลดลง ส่วนมากจากค่าระวางและค่าใช้จ่ายในการดำเนินงานที่สูงเกินคาดจากล่าช้าในการเปิด Single-point mooring system (SPM) อย่างต่อเนื่องและการปิด Residue Fluidized Catalytic Cracker Unit (RFCCU) นอกแผนในขณะที่เราคาดว่า 2023 diesel spreads จะดีกว่าที่เคยคาด (ใหม่ที่ USD20/bbl เทียบกับก่อนหน้าที่ USD17/bbl) ในประมาณการปี 2024-25 เราปรับเพิ่มสมมติฐาน Crude premium เพื่อสะท้อนแนวโน้มอุปทานน้ำมันที่ตึงตัวมากยิ่งขึ้นซึ่งเป็นปัจจัยสำคัญที่ทำให้เราปรับลดประมาณการกำไรของเรา

## คาด 4Q23 จะอ่อนแอแต่แนวโน้มดีขึ้นใน 2024

จาก QTD crack spread เราคาดว่า 4Q23 GRM จะลดลงอย่างเห็นได้ชัด q-q ส่วนมากจาก Gasoline crack spread ที่ลดลงจากการสิ้นสุดของฤดูซบเซาและ Murban crude premium ที่ปรับขึ้น อย่างไรก็ตามเราคาดว่า GRM จะฟื้นตัวเริ่มตั้งแต่ต้นปี 2024 หลัง SPM กลับมาเปิดใช้ใหม่

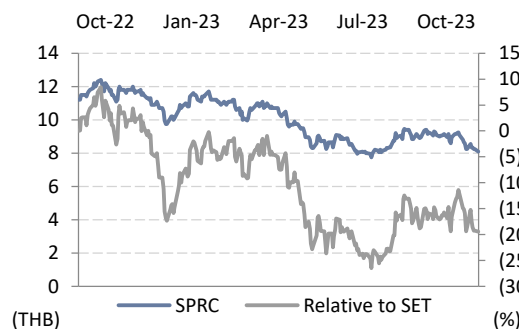
## คงแนะนำซื้อที่ราคาเป้าหมายใหม่ที่ 11.7 บาท

เราคงแนะนำซื้อ SPRC ที่ราคาเป้าหมายใหม่ที่ 11.70 บาท (ลดลงจาก 12.50 บาท) โดยมีสมมติฐานจากค่า 2024E P/BV เฉลี่ยระยะยาวที่ 1.2x เราคิดว่าหุ้นมีระดับการประเมินมูลค่าที่น่าสนใจพร้อมการเติบโตของกำไรต่อหุ้นที่ดี ปัจจุบัน SPRC มีการซื้อขายโดยมีที่ค่า P/BV อยู่ที่ 0.8x หรือ ~1SD ของค่าเฉลี่ยระยะยาว

TARGET PRICE	THB11.70
CLOSE	THB8.10
UP/DOWNSIDE	+44.4%
PRIOR TP	THB12.50
CHANGE IN TP	-6.4%
TP vs CONSENSUS	+6.9%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	285,264	224,246	315,255	312,961
Net profit	7,674	3,307	4,152	5,065
EPS (THB)	1.77	0.76	0.96	1.17
vs Consensus (%)	-	(19.6)	(21.4)	(15.0)
EBITDA	12,243	7,108	8,337	9,382
Recurring net profit	7,674	3,307	4,152	5,065
Core EPS (THB)	1.77	0.76	0.96	1.17
Chg. In EPS est. (%)	-	(41.3)	(32.6)	(25.9)
EPS growth (%)	296.1	(56.9)	25.5	22.0
Core P/E (x)	4.6	10.6	8.5	6.9
Dividend yield (%)	13.7	4.7	5.9	7.2
EV/EBITDA (x)	3.7	6.3	4.9	3.9
Price/book (x)	0.9	0.9	0.8	0.8
Net debt/Equity (%)	24.9	23.2	13.8	3.8
ROE (%)	21.0	8.4	9.9	11.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(11.5)	(1.2)	(27.0)
Relative to country (%)	(4.3)	5.8	(19.6)
Mkt cap (USD m)	969		
3m avg. daily turnover (USD m)	7.6		
Free float (%)	39		
Major shareholder	Chevron South Asia Holdings Pte Ltd (61%)		
12m high/low (THB)	12.80/7.60		
Issued shares (m)	4,335.90		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 17 ตุลาคม 2023

### Investment thesis

Given higher geopolitical tension, we think it would benefit SPRC from potentially higher oil prices, which would protect oil prices' downside till next year.

Furthermore, we expect its GRM to improve more than its peers' in 2024 from the reopening of its single-point mooring (SPM) system, which would decrease freight costs by ~USD1.5/bbl, while diesel and jet spreads have started to turnaround from China's demand recovery.

We think the recent share price drop has already taken into account the refinery normalization and oil spill. The company has already recorded a provision to cover 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.

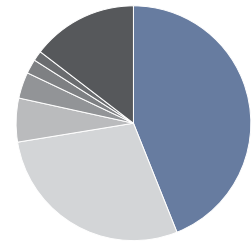
### Company profile

SPRC is a subsidiary of US-based Chevron, with a capacity of 175kb/d. Its competitive, low-cost structure and high crude consumption flexibility are key to sustaining its high market GRM.

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

### Principal activities (revenue, 2022)

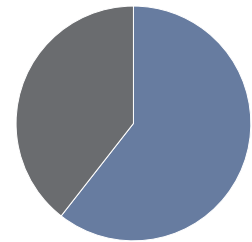
- Diesel - 44.0 %
- Gasoline - 28.5 %
- Jet Fuel - 6.0 %
- Light Naphtha - 3.6 %
- Liquefied Petroleum Gas - 2.0 %
- Polymer Grade Propylene - 1.4 %
- Others - 14.6 %



Source: Star Petroleum Refining

### Major shareholders

- Chevron South Asia Holdings Pte Ltd - 60.6 %
- Others - 39.4 %



Source: Star Petroleum Refining

### Catalysts

Key catalysts include

- 1.) Higher-than-expected gasoline or diesel crack spreads;
- 2.) Higher oil prices; and
- 3.) Reopening of SPM

### 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

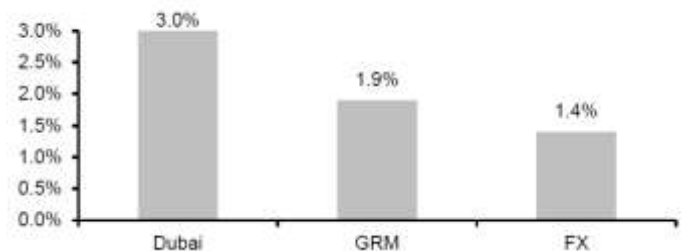
Date	Event
8 Nov 2023	3Q23 financial performance announcement
9 Nov 2023	3Q23 analyst meeting and Opportunity Day

### Key assumptions

(USD/bbl)	2021	2022	2023E	2024E	2025E
Marketing GRM	3.66	9.64	5.82	5.32	5.82
Stock gain/(loss)	3.84	(0.42)	0.00	0.00	0.00
Accounting GRM	7.50	9.22	5.82	5.32	5.82
Crude premium	1.81	7.22	3.15	3.00	2.50
Freight cost	0.73	2.30	3.75	2.00	1.50
Gasoline-Dubai	11.01	18.85	16.00	15.00	15.00
Diesel-Dubai	6.70	34.29	20.00	14.00	13.00
Utilisation rate (%)	77	89	87	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

## Focus charts

### Exhibit 1: SPRC's 3Q23E results preview

	3Q22	2Q23	3Q23E		2023E	% of FY23E	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(%)
Revenue	76,146	53,883	56,528	4.9	(25.8)	224,246	76
Operating costs	(81,053)	(55,665)	(50,412)	(9.4)	(37.8)	(217,137)	
EBITDA	(4,907)	(1,782)	6,116	(443.1)	(224.6)	7,108	92
EBITDA margin (%)	(6.4)	-3.3	10.8	nm	nm	3.2	
Deprn & amort.	(696)	(624)	(596)	(4.4)	(14.3)	(2,603)	
EBIT	(5,603)	(2,406)	5,519	(329.4)	(198.5)	4,506	104
Interest expense	(77)	(106)	(91)	(13.8)	19.0	(296)	
Other income	16	15	0	(100.0)	(100.0)	0	
Exceptionals	(620)	(134)	(150)	12.2	(75.8)	(300)	
Pretax profit	(6,284)	(2,631)	5,278	(300.6)	(184.0)	4,090	102
Tax	1,257	526	(1,056)	(300.6)	(184.0)	(783)	
Tax rate (%)	20	20	20	nm	nm	19	
Minority interests	0	0	0	nm	nm	0	
Net profit	(5,027)	(2,105)	4,222	(300.6)	(184.0)	3,307	101

Sources: SPRC, FSSIA's estimates

### Exhibit 2: Change in key earnings assumptions

	2021	2022	2023E		2024E		2025E	
	(USD/bbl)	(USD/bbl)	New	Prev.	New	Prev.	New	Prev.
Marketing GRM	3.66	9.64	5.82	6.60	5.32	6.51	5.82	6.89
Stock gain/(loss)	3.84	(0.42)	0.00	0.00	0.00	0.00	0.00	0.00
Accounting GRM	7.50	9.22	5.82	6.60	5.32	6.51	5.82	6.89
Crude premium	1.81	7.22	3.15	3.35	3.00	1.80	2.50	1.40
Freight cost	0.73	2.30	3.75	2.20	2.00	1.50	1.50	1.50
Gasoline-Dubai	11.01	18.85	16.00	17.00	15.00	15.00	15.00	15.00
Diesel-Dubai	6.70	34.29	20.00	17.00	14.00	13.00	13.00	13.00
Utilisation rate (%)	77.2	89.1	87.0	89.1	89.0	89.1	89.0	89.1

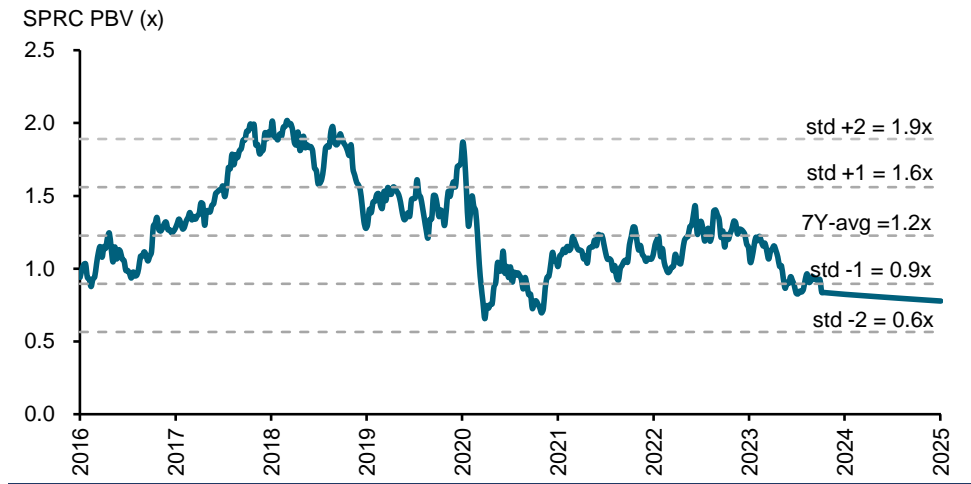
Sources :SPRC, FSSIA's estimates

### Exhibit 3: Quarterly earnings assumptions

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	Change q-q	Change y-y
	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)
Marketing GRM	8.46	18.92	6.00	5.39	6.36	1.34	8.42	7.08	2.42
Stock gain/(loss)	12.15	4.01	(13.34)	(3.62)	0.54	(2.79)	7.50	10.29	20.84
Accounting GRM	20.61	22.93	(7.34)	1.77	6.90	(1.45)	15.92	17.37	23.26
Crude premium	3.96	7.39	10.53	6.99	4.96	2.80	1.76	(1.04)	(8.77)
Gasoline-Dubai	17.82	35.14	13.07	9.53	18.71	16.54	18.91	2.37	5.84
Diesel-Dubai	19.87	43.60	35.22	39.29	24.81	14.54	26.90	12.36	(8.32)
Utilisation rate (%)	90.5	86.3	87.5	88.2	90.1	88.9	81.0	(7.90)	(6.50)

Sources: SPRC, FSSIS's estimates

**Exhibit 4: SPRC's P/B band**



Sources :Bloomberg, FSSIA's estimates

## Financial Statements

### Star Petroleum Refining

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	172,484	285,264	224,246	315,255	312,961
Cost of goods sold	(168,407)	(272,833)	(217,546)	(306,956)	(303,640)
<b>Gross profit</b>	<b>4,077</b>	<b>12,432</b>	<b>6,700</b>	<b>8,298</b>	<b>9,321</b>
Other operating income	-	-	-	-	-
Operating costs	(749)	(2,791)	(2,194)	(3,085)	(3,062)
<b>Operating EBITDA</b>	<b>5,972</b>	<b>12,243</b>	<b>7,108</b>	<b>8,337</b>	<b>9,382</b>
Depreciation	(2,644)	(2,603)	(2,603)	(3,123)	(3,123)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>3,328</b>	<b>9,640</b>	<b>4,506</b>	<b>5,214</b>	<b>6,258</b>
Net financing costs	147	60	(596)	(255)	(165)
Associates	-	-	-	-	-
Recurring non-operating income	(371)	(106)	180	185	191
Non-recurring items	2,809	0	0	0	0
<b>Profit before tax</b>	<b>5,913</b>	<b>9,594</b>	<b>4,090</b>	<b>5,144</b>	<b>6,284</b>
Tax	(1,166)	(1,921)	(783)	(992)	(1,220)
<b>Profit after tax</b>	<b>4,746</b>	<b>7,674</b>	<b>3,307</b>	<b>4,152</b>	<b>5,065</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,746</b>	<b>7,674</b>	<b>3,307</b>	<b>4,152</b>	<b>5,065</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(2,809)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>1,937</b>	<b>7,674</b>	<b>3,307</b>	<b>4,152</b>	<b>5,065</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.45	1.77	0.76	0.96	1.17
Reported EPS	1.09	1.77	0.76	0.96	1.17
DPS	0.18	1.11	0.38	0.48	0.58
Diluted shares (used to calculate per share data)	4,336	4,336	4,336	4,336	4,336
<b>Growth</b>					
Revenue (%)	32.5	65.4	(21.4)	40.6	(0.7)
Operating EBITDA (%)	99.9	105.0	(41.9)	17.3	12.5
Operating EBIT (%)	2,038.5	189.7	(53.3)	15.7	20.0
Recurring EPS (%)	(6.3)	296.1	(56.9)	25.5	22.0
Reported EPS (%)	nm	61.7	(56.9)	25.5	22.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	2.4	4.4	3.0	2.6	3.0
Gross margin exc. depreciation (%)	3.9	5.3	4.1	3.6	4.0
Operating EBITDA margin (%)	3.5	4.3	3.2	2.6	3.0
Operating EBIT margin (%)	1.9	3.4	2.0	1.7	2.0
Net margin (%)	1.1	2.7	1.5	1.3	1.6
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)	7.9	21.2	39.1
Inventory days	28.1	27.2	36.2	26.4	30.2
Debtor days	23.0	17.6	23.3	16.6	16.7
Creditor days	24.0	18.1	19.5	14.7	17.4
Operating ROIC (%)	(1.9)	(4.5)	(1.9)	(2.2)	(2.6)
ROIC (%)	(1.6)	(4.3)	(1.9)	(2.1)	(2.6)
ROE (%)	6.4	21.0	8.4	9.9	11.3
ROA (%)	3.7	12.6	5.1	6.3	7.5
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Diesel	74,023	125,384	96,331	97,182	96,102
Gasoline	57,584	81,205	64,260	62,285	62,114
Jet Fuel	2,927	17,192	13,400	13,489	13,324
Light Naphtha	7,270	10,287	8,622	9,586	9,560

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	3,307	4,152	5,065
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)	1,968	(1,453)	105
<b>Cash flow from operations</b>	<b>(1,526)</b>	<b>703</b>	<b>7,878</b>	<b>5,822</b>	<b>8,293</b>
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
<b>Cash flow from investing</b>	<b>(1,030)</b>	<b>(4,787)</b>	<b>(6,232)</b>	<b>(3,467)</b>	<b>(3,494)</b>
Dividends paid	0	(4,936)	(1,518)	(1,220)	(2,509)
Equity finance	0	0	0	0	0
Debt finance	(2,183)	1,677	269	(3,000)	(3,000)
Other financing cash flows	6,049	4,475	120	2,279	1,973
<b>Cash flow from financing</b>	<b>3,866</b>	<b>1,215</b>	<b>(1,128)</b>	<b>(1,941)</b>	<b>(3,536)</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>1,310</b>	<b>(2,869)</b>	<b>519</b>	<b>414</b>	<b>1,263</b>
Free cash flow to firm (FCFF)	(2,343.71)	(3,767.76)	1,942.42	2,609.72	4,964.56
Free cash flow to equity (FCFE)	1,310.00	2,067.27	2,036.10	1,633.72	3,772.56

#### Per share (THB)

FCFF per share	(0.54)	(0.87)	0.45	0.60	1.14
FCFE per share	0.30	0.48	0.47	0.38	0.87
Recurring cash flow per share	1.06	2.37	1.36	1.68	1.89

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)
<b>Tangible fixed assets (net)</b>	<b>24,219</b>	<b>22,735</b>	<b>26,545</b>	<b>24,792</b>	<b>23,189</b>
<b>Intangible fixed assets (net)</b>	<b>93</b>	<b>113</b>	<b>113</b>	<b>113</b>	<b>113</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	2,945	76	594	1,007	2,271
A/C receivable	13,219	14,328	14,328	14,328	14,328
Inventories	16,486	23,762	18,901	24,973	24,700
Other current assets	81	92	72	102	101
<b>Current assets</b>	<b>32,731</b>	<b>38,258</b>	<b>33,895</b>	<b>40,409</b>	<b>41,400</b>
Other assets	1,683	2,182	2,182	2,000	2,000
<b>Total assets</b>	<b>58,726</b>	<b>63,288</b>	<b>62,735</b>	<b>67,314</b>	<b>66,702</b>
Common equity	34,371	38,707	40,497	43,428	45,984
Minorities etc.	0	0	0	0	0
<b>Total shareholders' equity</b>	<b>34,371</b>	<b>38,707</b>	<b>40,497</b>	<b>43,428</b>	<b>45,984</b>
Long term debt	3,374	0	7,000	6,000	3,000
Other long-term liabilities	950	677	677	677	677
<b>Long-term liabilities</b>	<b>4,324</b>	<b>677</b>	<b>7,677</b>	<b>6,677</b>	<b>3,677</b>
A/C payable	13,961	12,780	10,166	14,369	14,213
Short term debt	4,680	9,731	3,000	1,000	1,000
Other current liabilities	1,390	1,393	1,095	1,540	1,528
<b>Current liabilities</b>	<b>20,031</b>	<b>23,904</b>	<b>14,261</b>	<b>16,909</b>	<b>16,741</b>
<b>Total liabilities and shareholders' equity</b>	<b>58,726</b>	<b>63,288</b>	<b>62,435</b>	<b>67,014</b>	<b>66,402</b>
Net working capital	14,435	24,009	22,040	23,493	23,388
Invested capital	40,430	49,039	50,880	50,398	48,690

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

#### Per share (THB)

Book value per share	7.93	8.93	9.34	10.02	10.61
Tangible book value per share	7.91	8.90	9.31	9.99	10.58

#### Financial strength

Net debt/equity (%)	14.9	24.9	23.2	13.8	3.8
Net debt/total assets (%)	8.7	15.3	15.0	8.9	2.6
Current ratio (x)	1.6	1.6	2.4	2.4	2.5
CF interest cover (x)	(8.6)	(57.4)	10.8	12.2	30.4

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>18.1</b>	<b>4.6</b>	<b>10.6</b>	<b>8.5</b>	<b>6.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>26.2</b>	<b>6.6</b>	<b>15.3</b>	<b>12.2</b>	<b>10.0</b>
Reported P/E (x)	7.4	4.6	10.6	8.5	6.9
Dividend yield (%)	2.2	13.7	4.7	5.9	7.2
Price/book (x)	1.0	0.9	0.9	0.8	0.8
Price/tangible book (x)	1.0	0.9	0.9	0.8	0.8
EV/EBITDA (x) **	6.7	3.7	6.3	4.9	3.9
EV/EBITDA @ target price (x) **	9.3	4.9	8.5	6.8	5.6
EV/invested capital (x)	1.0	0.9	0.9	0.8	0.8

\* 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)<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 **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 >15% 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

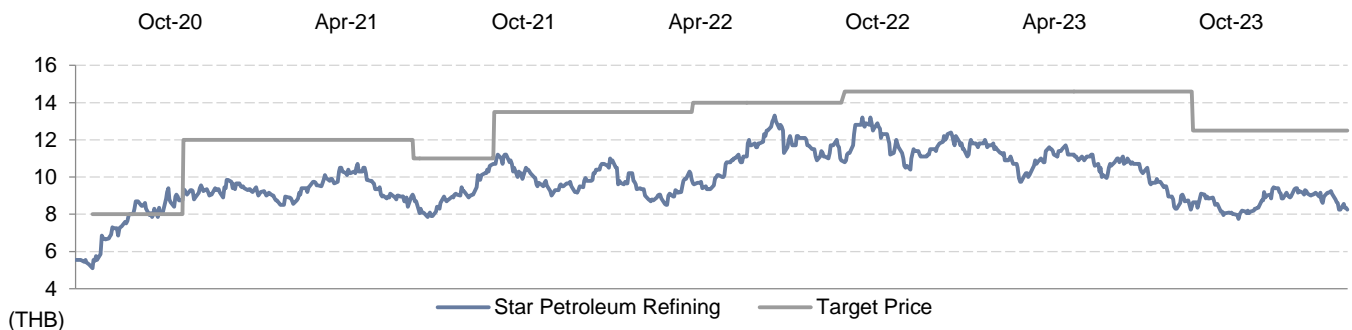
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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
30-Oct-2020	BUY	8.00	11-Oct-2021	BUY	13.50	01-Jun-2023	BUY	12.50
18-Jan-2021	BUY	12.00	30-Mar-2022	BUY	14.00			
03-Aug-2021	BUY	11.00	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

Company	Ticker	Price	Rating	Valuation & Risks
Star Petroleum Refining	SPRC TB	THB 8.10	BUY	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.

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.

All share prices are as at market close on 16-Oct-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.