

THAI OIL TOP TB

THAILAND / ENERGY

BUY

UNCHANGED

TARGET PRICE	THB56.80
CLOSE	THB50.00
UP/DOWNSIDE	+13.6%
PRIOR TP	THB56.80
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-7.1%

3Q23E net profit surged q-q and y-y

- We estimate a strong 3Q23 net profit of THB11.5b, up from THB1.1b in 2Q23 and THB0.01b in 3Q22.
- Upgrade our 2023-24E EPS by 41.3% and 12.6% due mainly to lower-than-expected impacts from the oil spill and stock gain.
- Maintain BUY at our TP of THB56.8/share.

Expect 3Q23 net profit soar to THB11.5b from THB1.1b in 2Q23

We estimate TOP will report its 3Q23 net profit at THB11.5b, up from THB1.1b in 2Q23 and THB0.01b in 3Q22. The expected strong earnings are mainly from higher diesel, jet, and gasoline crack spreads, coupled with the spike in oil prices in the quarter. The improved crack spreads gained benefit from high gasoline demand due to driving season and the unplanned turnaround of refineries in Jun-Aug23. This results in an increase in market GRM to USD12.2/bbl from USD4.5/bbl in 2Q23 and USD6.7/bbl in 3Q22. Moreover, we expect higher oil prices will cause a spike in stock gain to USD8.9/bbl or ~THB9b in 3Q23 from a stock loss of USD2/bbl in 2Q23 and USD9.6/bbl in 3Q22. Thus, our 3Q23E accounting GRM is at USD21.1/bbl. Meanwhile, we expect aromatics and lube base business would be slightly softer q-q from weak product spreads. Our 3Q23E EBITDA is at THB18.4b, up from THB4.6b in 2Q23 and -THB0.5b in 3Q22. Our 9M23E net profit is at 92.3% of our 2023E.

Upgrade our 2023-24E EPS by 41.3% and 12.6%, respectively

We have increased our 2023-24E EPS by 41.3% and 12.6%, due mainly to lower-than-expected oil spill impacts and strong 3Q23E earnings. TOP guided expenses related to the oil spill at around THB0.1b (vs our previous estimates of THB1.7b) and they estimated ship-to-ship cost at ~USD0.5/bbl, which is less than their previous guidance of USD1/bbl. For 2023E EPS, we also included the impact of better-than-expected 3Q23 earnings from both higher GRM and stock gain. Our 2024 earnings upgrade only took into account less impact from the oil spill.

Resilient earnings outlook in 4Q23

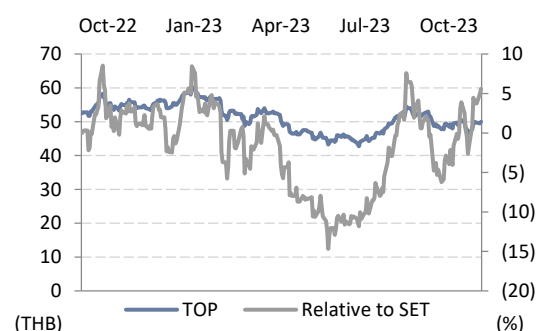
With softer petroleum product crack spreads and stable oil price QTD, we expect 4Q23 earnings would be weaker q-q but still higher y-y. However, we believe its earnings will be resilient and stronger compared to its peers due to its low-cost structure refinery. We still like TOP with its favorable mid to long-term outlook from the recovery of the petrochemical business.

Maintain BUY on TOP with our TP of THB56.8/share

We maintain BUY on TOP and retain our TP at THB56.8/share. Our TP is based on 0.74x 2024E P/BV, which is -1.5SD of its long-term average.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	529,589	451,706	461,321	572,611
Net profit	32,668	18,571	13,280	18,801
EPS (THB)	15.29	8.31	5.94	8.42
vs Consensus (%)	-	17.2	(5.6)	(7.1)
EBITDA	52,014	33,641	24,384	33,899
Recurring net profit	32,668	18,771	13,080	18,800
Core EPS (THB)	15.29	8.40	5.86	8.42
Chg. In EPS est. (%)	-	41.3	12.6	0.2
EPS growth (%)	147.9	(45.0)	(30.3)	43.7
Core P/E (x)	3.3	6.0	8.5	5.9
Dividend yield (%)	7.4	8.3	5.9	8.4
EV/EBITDA (x)	4.4	5.7	8.0	5.8
Price/book (x)	0.7	0.7	0.6	0.6
Net debt/Equity (%)	71.0	45.7	45.9	45.1
ROE (%)	23.6	11.7	7.8	10.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.0	7.5	(2.4)
Relative to country (%)	7.6	15.2	8.2
Mkt cap (USD m)	3,068		
3m avg. daily turnover (USD m)	21.2		
Free float (%)	52		
Major shareholder	PTT plc. (48%)		
12m high/low (THB)	60.25/42.25		
Issued shares (m)	2,234.00		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We believe the refinery and petrochemical business will recover in 2H23, led by the acceleration of China’s economic activities. We expect it to boost diesel and petrochemical product demand, thus driving the product spreads.

In addition, as a low-cost structure complex refinery, we expect TOP to stand as a winner from its earnings resilience relative to local refinery peers during this shoulder period (refinery spreads are normalising while the petrochemical business is passing its bottom).

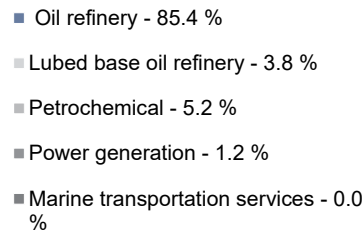
Long-term, we anticipate that the CFP project (ECOD in 1Q25) will allow TOP to enhance its profit maximisation from higher feedstock flexibility and upgrading product yields toward more high-value middle distillate products. In addition, the CAP2 expansion project (ECOD in 2026; Chandra Asri Petrochemical holds 15.38%), an olefin investment in Indonesia, will help support and diversify TOP’s earnings in the long term.

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.

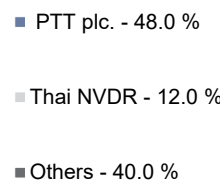
www.thaioilgroup.com

Principal activities (revenue, 2022)



Source: Thai Oil

Major shareholders



Source: Thai Oil

Catalysts

Potential catalysts are 1) a faster-than-expected resumption of economic activity in China in 4Q23, which would boost diesel and aromatics product demand and send product spreads higher; 2) lower-than-expected crude premiums; 3) a sharp rise in oil prices; and 4) a lower-than-expected extra cost from the oil spill incident and a faster-than-expected reopening of SBM-2.

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; 4) unplanned refinery shutdowns; and 5) longer-than-expected maintenance of SBM-2.

Event calendar

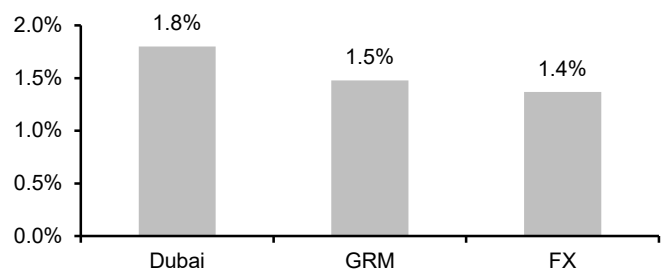
Date	Event
8 Nov 2023	3Q23 financial results announcement
15 Nov 2023	3Q23 analyst meeting

Key assumptions

(USD/bbl)	2021	2022	2023E	2024E	2025E
Marketing GRM	2.2	12.0	8.3	6.1	6.5
Stock gain/loss	4.7	1.0	0.9	-	-
Accounting GRM	6.9	13.0	9.1	6.1	6.5
Crude premium	1.8	7.1	3.1	3.0	2.5
Diesel-Dubai	6.7	34.3	20.0	14.0	13.0
Gasoline-Dubai	11.1	18.8	16.0	15.0	15.0
Capacity utilisation rate	100%	107%	108%	110%	95%
PX-ULG95	177	124	200	220	260
BZ-ULG95	232	50	104	125	150

Source: FSSIA estimates

Earnings sensitivity



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

Source: FSSIA estimates

Focus charts

Exhibit 1: TOP's 3Q23 results preview

	3Q22	2Q23	3Q23E		2023E	% of FY in 9M23E
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(%)
Revenue	127,901	108,662	123,037	13.2	(3.8)	77.2
Operating costs	(131,685)	(103,310)	(102,186)	(1.1)	(22.4)	76.1
EBITDA	(568)	4,618	18,408	298.6	(3,340.8)	98.8
EBITDA margin (%)	(0.4)	4.2	15.0	nm	nm	7.4
Depn & amort.	(1,850)	(1,286)	(1,404)	9.2	(24.1)	61.1
EBIT	899	1,700	14,504	753.3	1,513.8	90.1
Interest expense	(940)	(1,081)	(901)	(16.7)	(4.1)	77.0
Interest & invt inc	260	279	260	(6.9)	(0.0)	34.3
Associates' contrib	(294)	16	50	204.8	(117.0)	55.7
Exceptionals	3,216	(734)	(2,444)	232.8	(176.0)	92.1
Pretax profit	3,141	180	11,469	6,274.1	265.2	86.2
Tax	156	523	(2,040)	(489.9)	(1,410.6)	86.2
Tax rate (%)	(5.0)	(290.8)	17.8	nm	nm	17.0
Minority interests	(103)	(25)	(100)	306.7	(2.9)	71.6
Net profit	12	1,117	11,462	926.1	97,800.4	92.3

Sources: TOP, FSSIA's estimates

Exhibit 2: Quarterly earnings assumptions

Quarterly key drivers	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	Chg. q-q	Chg. y-y
	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)
Marketing GIM	7.6	25.6	8.8	11.1	12.0	6.1	13.2	7.1	4.4
Refinery - Mkt GRM	6.3	24.8	6.7	9.3	10.0	4.5	12.2	7.7	5.5
Aromatic&LAB	0.7	0.0	0.2	0.8	0.9	0.9	0.6	(0.3)	0.4
Lube base	0.6	0.8	1.9	1.0	1.1	0.8	0.4	(0.4)	(1.5)
Accounting GIM	23.6	33.4	(0.7)	1.5	8.3	4.1	22.1	18.0	22.8
Refinery - Acct GRM	22.6	32.9	(2.9)	(0.3)	6.4	2.5	21.1	18.6	24.0
Stock gain/loss	16.2	7.8	(9.6)	(9.7)	(3.6)	(2.0)	8.9	10.9	18.5
Crude premium	4.0	7.4	10.5	7.0	5.0	2.8	1.8	(1.0)	(8.7)
Diesel-Dubai	19.5	43.1	35.2	39.3	25.2	14.6	26.9	12.3	(8.3)
Gasoline-Dubai	17.8	35.0	13.2	9.4	18.7	16.6	18.9	2.3	5.7
Refinery run rate (%)	109	112	104	103	112	113	110		
PX-ULG95 (USD/t)	124	44	152	178	193	228	175	(53.4)	22.8
BZ-ULG95 (USD/t)	110	23	42	24	89	71	1	(69.5)	(40.9)

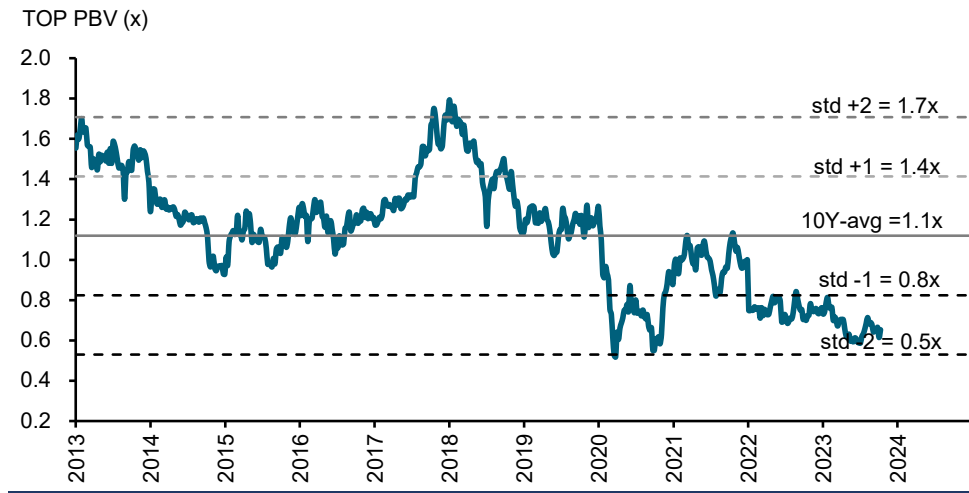
Sources: TOP, FSSIA's estimates

Exhibit 3: Changes in FY earnings assumptions

Key assumptions	2021	2022	2023E		2024E		2025E	
	(USD/bbl)	(USD/bbl)	New	Old	New	Old	New	Old
			(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)	(USD/bbl)
TOP's GIM (Excl. stock g/l)	5.50	13.4	9.9	8.7	8.2	8.0	10.0	9.2
Refinery - Market GRM	2.2	11.9	8.3	6.5	6.1	5.7	7.2	6.5
Aromatics & LAB GIM	1.7	0.4	0.9	1.0	1.1	1.2	1.7	1.6
Lube base GIM	1.6	1.1	0.8	1.2	1.0	1.0	1.0	1.1
Accounting GIM (Incl. stock g/l)	10.1	14.3	10.8	8.7	8.2	8.0	10.0	9.2
Stock gain/loss	4.7	1.0	0.9	-	-	-	-	-
Crude premium	1.8	7.1	3.1	3.3	3.0	1.8	2.5	1.4
Diesel-Dubai	6.7	34.3	20.0	17.0	14.0	13.0	13.0	13.0
Gasoline-Dubai	11.1	18.8	16.0	17.0	15.0	15.0	15.0	15.0
Capacity utilisation rate (%)	100	107	108	108	110	110	95	95
PX-ULG95	177	124.3	200	200	220	220	260	260
BZ-ULG95	232	50.0	104	104	125	125	150	150

Sources: TOP, FSSIA's estimates

Exhibit 4: TOP's P/BV band



Sources: Bloomberg, FSSIA's estimates

Financial Statements

Thai Oil

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	345,496	529,589	451,706	461,321	572,611
Cost of goods sold	(319,555)	(481,137)	(421,822)	(440,823)	(547,645)
Gross profit	25,941	48,452	29,884	20,499	24,966
Other operating income	-	-	-	-	-
Operating costs	(3,056)	(4,182)	(3,763)	(3,718)	(573)
Operating EBITDA	30,309	52,014	33,641	24,384	33,899
Depreciation	(7,424)	(7,744)	(7,520)	(7,603)	(9,506)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	22,885	44,270	26,121	16,781	24,393
Net financing costs	(9,523)	(1,733)	(3,561)	(1,453)	(1,345)
Associates	1,675	(513)	300	1,000	1,000
Recurring non-operating income	1,675	(513)	300	1,000	1,000
Non-recurring items	0	0	(200)	200	1
Profit before tax	15,037	42,024	22,660	16,528	24,049
Tax	(2,034)	(8,918)	(3,852)	(2,810)	(4,810)
Profit after tax	13,003	33,106	18,807	13,718	19,239
Minority interests	(425)	(438)	(236)	(438)	(438)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	12,578	32,668	18,571	13,280	18,801
Non-recurring items & goodwill (net)	0	0	200	(200)	(1)
Recurring net profit	12,578	32,668	18,771	13,080	18,800
Per share (THB)					
Recurring EPS *	6.17	15.29	8.40	5.86	8.42
Reported EPS	6.17	15.29	8.31	5.94	8.42
DPS	2.60	3.70	4.16	2.97	4.21
Diluted shares (used to calculate per share data)	2,040	2,137	2,234	2,234	2,234
Growth					
Revenue (%)	39.4	53.3	(14.7)	2.1	24.1
Operating EBITDA (%)	nm	71.6	(35.3)	(27.5)	39.0
Operating EBIT (%)	nm	93.4	(41.0)	(35.8)	45.4
Recurring EPS (%)	nm	147.9	(45.0)	(30.3)	43.7
Reported EPS (%)	nm	147.9	(45.6)	(28.5)	41.6
Operating performance					
Gross margin inc. depreciation (%)	7.5	9.1	6.6	4.4	4.4
Gross margin exc. depreciation (%)	9.7	10.6	8.3	6.1	6.0
Operating EBITDA margin (%)	8.8	9.8	7.4	5.3	5.9
Operating EBIT margin (%)	6.6	8.4	5.8	3.6	4.3
Net margin (%)	3.6	6.2	4.2	2.8	3.3
Effective tax rate (%)	13.5	21.2	17.0	17.0	20.0
Dividend payout on recurring profit (%)	42.2	24.2	49.5	50.8	50.0
Interest cover (X)	2.6	25.2	7.4	12.2	18.9
Inventory days	36.3	36.6	47.7	45.0	41.0
Debtor days	19.1	18.0	20.7	18.1	16.5
Creditor days	19.0	37.5	52.6	38.5	35.1
Operating ROIC (%)	10.0	16.2	9.6	6.0	8.1
ROIC (%)	8.1	11.5	7.5	5.2	6.9
ROE (%)	10.6	23.6	11.7	7.8	10.6
ROA (%)	6.4	8.5	5.1	3.6	4.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Oil refinery	284,019	452,096	370,297	376,145	487,435
Lubed base oil refinery	18,826	20,078	23,926	23,689	23,689
Petrochemical	24,461	27,752	27,719	31,724	31,724
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	18,771	13,080	18,800
Depreciation	7,424	7,744	7,520	7,603	9,506
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	(14,344)	30,043	(20,320)	(644)	(7,457)
Cash flow from operations	5,659	70,455	5,971	20,039	20,849
Capex - maintenance	-	-	-	-	-
Capex - new investment	(33,174)	(28,076)	(14,364)	(14,304)	(14,298)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(7,417)	(8,103)	30,000	(15,000)	(30,000)
Cash flow from investing	(40,591)	(36,179)	15,636	(29,304)	(44,298)
Dividends paid	(5,304)	(8,265)	(9,286)	(6,640)	(9,401)
Equity finance	0	0	0	0	0
Debt finance	(1,219)	(550)	(16,357)	(6,551)	(21,551)
Other financing cash flows	17,908	(11,581)	25,979	14,829	32,390
Cash flow from financing	11,384	(20,396)	336	1,638	1,439
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(23,548)	13,880	21,944	(7,627)	(22,010)
Free cash flow to firm (FCFF)	(31,337.86)	38,136.16	25,381.84	(5,577.04)	(19,846.50)
Free cash flow to equity (FCFE)	(18,244.02)	22,145.45	31,229.27	(987.46)	(12,609.45)

Per share (THB)	2021	2022	2023E	2024E	2025E
FCFF per share	(14.03)	17.07	11.36	(2.50)	(8.88)
FCFE per share	(8.17)	9.91	13.98	(0.44)	(5.64)
Recurring cash flow per share	9.80	18.91	11.77	9.26	12.67

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	320,167	355,988	370,352	384,656	398,954
Less: Accumulated depreciation	(141,768)	(149,512)	(157,033)	(164,636)	(174,142)
Tangible fixed assets (net)	178,399	206,476	213,319	220,020	224,812
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	55,412	32,603	32,903	33,903	34,903
Cash & equivalents	29,696	43,576	65,520	57,893	35,883
A/C receivable	23,415	28,759	22,585	23,066	28,631
Inventories	39,576	55,343	52,853	53,979	67,000
Other current assets	8,552	26,150	8,000	8,000	8,000
Current assets	101,239	153,828	148,959	142,937	139,514
Other assets	27,094	51,674	14,525	21,820	21,136
Total assets	362,144	444,581	409,706	418,680	420,365
Common equity	120,881	156,034	165,320	171,960	181,360
Minorities etc.	2,213	2,623	2,823	3,023	3,223
Total shareholders' equity	123,094	158,657	168,143	174,983	184,583
Long term debt	163,343	151,442	136,635	131,635	111,635
Other long-term liabilities	37,230	30,809	30,809	30,809	30,809
Long-term liabilities	200,574	182,250	167,444	162,444	142,444
A/C payable	23,001	74,154	45,171	46,132	57,261
Short term debt	2,142	4,776	5,712	6,648	7,583
Other current liabilities	13,334	24,743	20,000	25,000	25,000
Current liabilities	38,476	103,673	70,882	77,780	89,844
Total liabilities and shareholders' equity	362,144	444,581	406,469	415,206	416,872
Net working capital	35,209	11,355	18,268	13,913	21,370
Invested capital	296,114	302,108	279,016	289,655	302,221

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

Per share (THB)	2021	2022	2023E	2024E	2025E
Book value per share	59.25	69.85	74.01	76.98	81.19
Tangible book value per share	59.25	69.85	74.01	76.98	81.19

Financial strength	2021	2022	2023E	2024E	2025E
Net debt/equity (%)	110.3	71.0	45.7	45.9	45.1
Net debt/total assets (%)	37.5	25.3	18.8	19.2	19.8
Current ratio (x)	2.6	1.5	2.1	1.8	1.6
CF interest cover (x)	2.6	30.0	13.8	10.2	2.3

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	8.1	3.3	6.0	8.5	5.9
Recurring P/E @ target price (x) *	9.2	3.7	6.8	9.7	6.7
Reported P/E (x)	8.1	3.3	6.0	8.4	5.9
Dividend yield (%)	5.2	7.4	8.3	5.9	8.4
Price/book (x)	0.8	0.7	0.7	0.6	0.6
Price/tangible book (x)	0.8	0.7	0.7	0.6	0.6
EV/EBITDA (x) **	7.9	4.4	5.7	8.0	5.8
EV/EBITDA @ target price (x) **	8.4	4.7	6.1	8.6	6.3
EV/invested capital (x)	0.8	0.8	0.7	0.7	0.7

* 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)¹

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

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

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

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)²

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

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

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

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

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

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

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

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

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **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 Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

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

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

Disclaimer:

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

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

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

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

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Kwanwaree Apichartsatoporn FSS International Investment Advisory Securities Co., Ltd

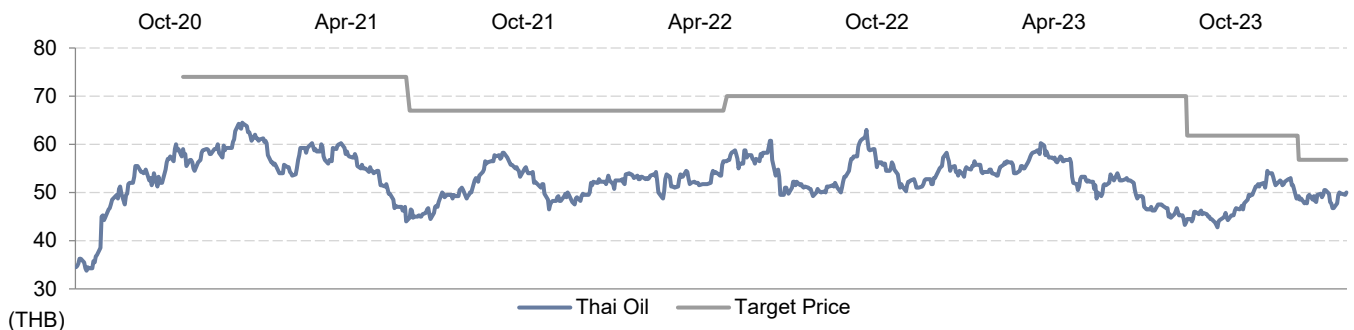
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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History of change in investment rating and/or target price

Thai Oil (TOP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2021	BUY	74.00	29-Apr-2022	BUY	70.00	05-Sep-2023	BUY	56.80
30-Jul-2021	BUY	67.00	01-Jun-2023	BUY	61.80			

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 50.00	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; 4) unplanned refinery shutdowns; and 5) longer-than-expected maintenance of SBM-2.

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 17-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.