

PLEASE CLICK ON THE PAGE NUMBER TO MOVE TO THE RELEVANT PAGE.

KEY HIGHLIGHTS

Update

Esso Thailand (ESSO TB/HOLD/Bt9.50/Target: Bt9.80)

On the path to margin recovery with limited upside.

Page 2

KEY INDICES

| Symbol | Close | Chg | %Chg |
|-------------------|-----------|--------|--------|
| SET | 1,557.41 | 8.40 | 0.54 |
| SET50 | 960.35 | 5.64 | 0.59 |
| Value (Btm) - SET | 64,545 | | |
| Top 5 Sector | | | |
| BANK | 403.86 | (7.22) | (1.76) |
| PETRO | 758.40 | 4.35 | 0.58 |
| PROP | 244.44 | 1.45 | 0.60 |
| ENERG | 22,371.83 | 58.47 | 0.26 |
| ICT | 158.40 | (0.06) | (0.04) |

Source: Bloomberg

TOP VOLUME

| Symbol | Price (Bt) | Chg (%) | Volume ('000) |
|--------|------------|---------|---------------|
| DELTA | 110.50 | 7.28 | 30,983.4 |
| KTB | 19.10 | (4.50) | 154,678.0 |
| EA | 63.75 | 4.51 | 42,152.7 |
| BDMS | 27.50 | (2.65) | 94,011.7 |
| KBANK | 131.00 | (1.13) | 17,742.0 |

TOP GAINERS

| Symbol | Price (Bt) | Chg (%) | Volume ('000) |
|--------|------------|---------|---------------|
| SGF | 0.62 | 31.91 | 16,351.9 |
| TWZ | 0.05 | 25.00 | 8,808.3 |
| MPIC | 1.69 | 23.36 | 77,824.0 |
| ADD | 6.95 | 17.80 | 755.9 |
| ARIN | 4.74 | 16.75 | 724.3 |

TOP LOSERS

| Symbol | Price (Bt) | Chg (%) | Volume ('000) |
|--------|------------|---------|---------------|
| AKS | 0.01 | (50.00) | 8,691.0 |
| TSTE | 8.00 | (16.23) | 2.0 |
| PPPM | 0.07 | (12.50) | 2,997.3 |
| KC | 0.09 | (10.00) | 961.3 |
| 3K-BAT | 50.00 | (9.09) | 1.0 |

KEY STATISTICS

| Commodity | Current Price | %Chg----- | | |
|------------------|---------------|-----------|-------|--------|
| | | 1m | 3M | YTD |
| Brent crude* | 83.2 | (0.1) | 10.2 | 0.8 |
| Dubai crude* | 85.2 | 3.2 | 10.8 | 8.3 |
| Baltic Dry Index | 1,151.0 | 19.6 | (5.3) | (24.0) |
| Gold Spot*** | 1,915.5 | (2.5) | (1.3) | 5.0 |

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

| Day (Mil US\$) | MTD Net (Mil US\$) | YTD Net (Mil US\$) | YTD Net YoY% |
|----------------|--------------------|--------------------|--------------|
| 23.1 | (314.0) | (3,782.2) | (9,475.3) |

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 35.05

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 6.85

COMPANY UPDATE

Esso Thailand (ESSO TB)

On The Path To Margin Recovery With Limited Upside

We are still positive on ESSO's earnings outlook in 3Q23. We think GRM will remain strong until 4Q23. We believe the acquisition from BCP is likely to be finalised soon with a purchase price of around Bt9.6-9.8/share, which implies both limited upside and downside from ESSO's current price. Maintain HOLD. Target price: Bt9.80.

WHAT'S NEW

- **Benefit from strength of gasoline crack spread.** We attended ESSO Thailand's (ESSO) analyst meeting. Overall, ESSO should continue to benefit from the strength of the gasoline crack spread, implying solid earnings momentum in 3Q23. Current gasoline spread has been increasing, up to US\$22.0/bbl last week from an average of US\$16.6/bbl in 2Q23, supported by strong demand in driving seasons with an improving economic outlook in the US. Prices for diesel and jet fuel also have been rising much faster than for crude petroleum, widening margins for refiners. Note that the benchmark Singapore gross refinery margin (GRM) jumped to US\$8.7/bbl qtd, up from only US\$4.1/bbl in 2Q23.
- **Preparing for EURO 5.** ESSO is preparing for a 1.5-month major turnaround for implementing and connecting a new facility for Sriracha Euro 5 Project, starting in Sep 23. The improvement project must be completed by 31 Dec 23. The Thai government originally planned to enforce Euro 5 and 6 standards in 2021 and 2022, but postponed Euro 5 until 1 Jan 24, citing economic damage caused by COVID-19. The government delayed Euro 6 enforcement to 2025 for small petrol-powered vehicles, and to 2026 for large petrol vehicles and all diesel vehicles. Despite the scheduled maintenance, we still believe ESSO will post strong qoq earnings growth in 3Q23 due to impressive crack spread for diesel, gasoline and jet fuel as mentioned above.
- **Merger with BCP likely to be finalised soon.** The Trade Competition Commission of Thailand (TCCT) already approved the proposed merger of petroleum companies Bangchak Corporation (BCP) and ESSO last month. According to our checks, we think the M&A price should be around Bt9.6-9.8/share, based on ESSO's 2Q23 earnings. After the deal is completed, BCP estimates that the merger will increase its fuel stations to 2,145 nationwide (BCP: 1,343, ESSO: 802). This will drive BCP's market share of the fuel station market to 7.7% but still leave it in fourth place behind unbranded stations (70.9%), PTT Oil and Retail Business (OR) (42%) and PT Energy (15%).

KEY FINANCIALS

| Year to 31 Dec (Btm) | 2021 | 2022 | 2023F | 2024F | 2025F |
|-------------------------------|---------|---------|---------|---------|---------|
| Net turnover | 172,878 | 263,000 | 200,434 | 197,600 | 203,498 |
| EBITDA | 8,375 | 14,659 | 7,881 | 7,766 | 7,997 |
| Operating profit | 5,550 | 11,853 | 5,081 | 4,966 | 5,197 |
| Net profit (rep./act.) | 4,443 | 9,508 | 4,325 | 4,017 | 4,241 |
| Net profit (adj.) | 4,443 | 9,508 | 4,325 | 4,017 | 4,241 |
| EPS (Bt) | 1.3 | 2.7 | 1.2 | 1.2 | 1.2 |
| PE (x) | 7.4 | 3.5 | 7.6 | 8.2 | 7.8 |
| P/B (x) | 1.7 | 1.2 | 1.1 | 1.1 | 1.0 |
| EV/EBITDA (x) | 8.3 | 4.7 | 8.8 | 8.9 | 8.7 |
| Dividend yield (%) | 1.6 | 3.2 | 2.1 | 12.6 | 23.2 |
| Net margin (%) | 2.6 | 3.6 | 2.2 | 2.0 | 2.1 |
| Net debt/(cash) to equity (%) | 187.6 | 159.2 | 125.1 | 45.4 | 37.7 |
| Interest cover (x) | 26.9 | 39.0 | 19.7 | 19.8 | 20.3 |
| ROE (%) | 26.5 | 41.0 | 15.3 | 13.3 | 13.1 |
| Consensus net profit | - | - | 3,641 | 4,452 | 4,887 |
| UOBKH/Consensus (x) | - | - | 1.19 | 0.90 | 0.87 |

Source: Esso Thailand, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

| | |
|--------------|--------|
| Share Price | Bt9.50 |
| Target Price | Bt9.80 |
| Upside | +3.2% |

COMPANY DESCRIPTION

Refinery

STOCK DATA

| | |
|---------------------------------|----------|
| GICS sector | Energy |
| Bloomberg ticker: | ESSO TB |
| Shares issued (m): | 3,460.9 |
| Market cap (Btm): | 32,878.2 |
| Market cap (US\$m): | 937.6 |
| 3-mth avg daily t'over (US\$m): | 2.5 |

Price Performance (%)

52-week high/low Bt14.70/Bt8.30

| 1mth | 3mth | 6mth | 1yr | YTD |
|------|------|------|--------|--------|
| 2.7 | 7.3 | 6.7 | (25.8) | (24.6) |

Major Shareholders

| | % |
|--|------|
| ExxonMobil International Holdings Inc. | 65.4 |
| Vayupak Fund | 7.3 |

FY23 NAV/Share (Bt) 8.45

FY23 Net Debt/Share (Bt) 10.57

PRICE CHART



Source: Bloomberg

ANALYST(S)

Arsit Pamaranont

+662 659 8317

arsit@uobkayhian.co.th

STOCK IMPACT

- **Healthy outlook in 2H23.** We anticipate a favourable company outlook for 2H23. We also foresee a positive GRM trajectory in 4Q23 due to seasonal maintenance activities and strong demand during the winter season. **We also anticipate lower crude premium to US\$1.7/bbl in 3Q23 from US\$2.8/bbl in 2Q23.** Without inventory impact, we believe ESSO's earnings should hover at around Bt500-700m/quarter in 2H23 (from Bt380m in 2Q23).

EARNINGS REVISION/RISK

- **None.**

VALUATION/RECOMMENDATION

- **Maintain HOLD with target price of Bt9.80.** We value ESSO based on EV/EBITDA at 5.5x, which is the acquisition value from BCP. Our target price implies 1.0x P/B of 2024F. We believe the share price has limited upside in the short term, based on indicative purchase price from BCP and the 1.5-month scheduled maintenance in 4Q23.

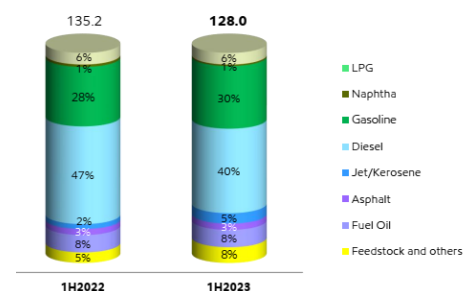
SHARE PRICE CATALYST

- 3Q23: Expect a recovery in GRM.

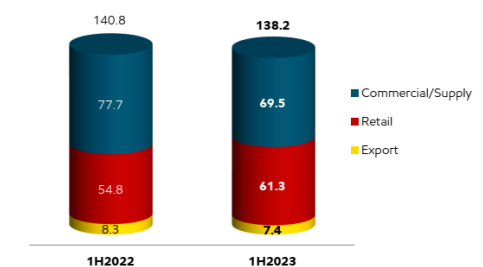
SINGAPORE'S GRM



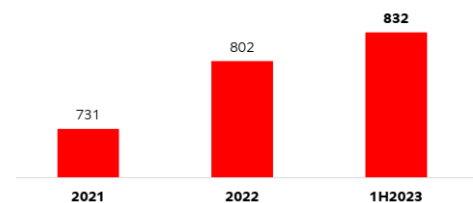
PRODUCTION YIELD



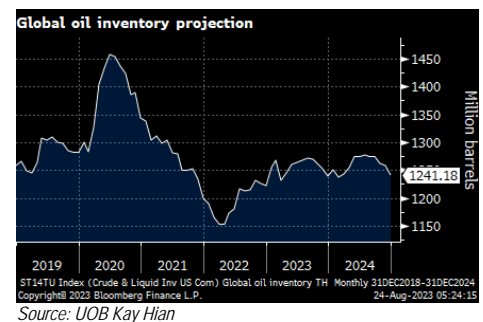
ESSO SALES CHANNEL



NO. SERVICE STATIONS



GLOBAL CRUDE INVENTORIES



PROFIT & LOSS

| Year to 31 Dec (Btm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|---------|---------|---------|---------|
| Net turnover | 263,000 | 200,434 | 197,600 | 203,498 |
| EBITDA | 14,659 | 7,881 | 7,766 | 7,997 |
| Deprec. & amort. | 2,806 | 2,800 | 2,800 | 2,800 |
| EBIT | 11,853 | 5,081 | 4,966 | 5,197 |
| Total other non-operating income | 40 | 180 | 50 | 50 |
| Associate contributions | 312 | 547 | 400 | 450 |
| Net interest income/(expense) | (376) | (400) | (392) | (393) |
| Pre-tax profit | 11,829 | 5,408 | 5,024 | 5,304 |
| Tax | (2,320) | (1,082) | (1,005) | (1,061) |
| Minorities | (1) | (2) | (2) | (2) |
| Net profit | 9,508 | 4,325 | 4,017 | 4,241 |
| Net profit (adj.) | 9,508 | 4,325 | 4,017 | 4,241 |

CASH FLOW

| Year to 31 Dec (Btm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------------|----------|---------|---------|---------|
| Operating | 1,406 | 5,485 | 11,779 | 4,033 |
| Pre-tax profit | 11,829 | 5,408 | 5,024 | 5,304 |
| Tax | (2,320) | (1,082) | (1,005) | (1,061) |
| Deprec. & amort. | 2,806 | 2,800 | 2,800 | 2,800 |
| Working capital changes | (12,527) | (5,549) | 4,971 | (2,999) |
| Non-cash items | (1) | (2) | (2) | (2) |
| Other operating cashflows | 1,618 | 3,909 | (9) | (9) |
| Investing | (2,105) | (1,653) | (1,401) | (1,301) |
| Capex (growth) | (2,083) | (1,200) | (1,201) | (1,201) |
| Investments | (49) | (209) | (200) | (100) |
| Others | 27 | (244) | 0 | 0 |
| Financing | 483 | (3,360) | (3,205) | (3,317) |
| Dividend payments | (1,473) | (2,162) | (2,008) | (2,121) |
| Issue of shares | n.a. | n.a. | n.a. | n.a. |
| Proceeds from borrowings | 1,956 | (1,198) | (1,197) | (1,196) |
| Others/interest paid | n.a. | n.a. | n.a. | n.a. |
| Net cash inflow (outflow) | (216) | 472 | 7,172 | (584) |
| Beginning cash & cash equivalent | 802 | 586 | 1,058 | 8,230 |
| Ending cash & cash equivalent | 586 | 1,058 | 8,230 | 7,646 |

BALANCE SHEET

| Year to 31 Dec (Btm) | 2022 | 2023F | 2024F | 2025F |
|----------------------------|--------|--------|--------|--------|
| Fixed assets | 22,982 | 21,382 | 19,783 | 18,184 |
| Other LT assets | 10,637 | 4,960 | 5,170 | 5,280 |
| Cash/ST investment | 586 | 1,058 | 8,230 | 7,646 |
| Other current assets | 51,336 | 51,670 | 32,900 | 35,000 |
| Total assets | 85,541 | 79,070 | 66,084 | 66,110 |
| ST debt | 42,461 | 36,208 | 21,011 | 18,815 |
| Other current liabilities | 7,163 | 7,003 | 7,204 | 7,305 |
| LT debt | 1,416 | 1,416 | 1,416 | 1,416 |
| Other LT liabilities | 7,297 | 5,203 | 5,204 | 5,205 |
| Shareholders' equity | 27,197 | 29,233 | 31,241 | 33,362 |
| Minority interest | 7 | 7 | 7 | 7 |
| Total liabilities & equity | 85,541 | 79,070 | 66,084 | 66,110 |

KEY METRICS

| Year to 31 Dec (%) | 2022 | 2023F | 2024F | 2025F |
|---------------------------|-------|--------|-------|-------|
| Profitability | | | | |
| EBITDA margin | 5.6 | 3.9 | 3.9 | 3.9 |
| Pre-tax margin | 4.5 | 2.7 | 2.5 | 2.6 |
| Net margin | 3.6 | 2.2 | 2.0 | 2.1 |
| ROA | 12.2 | 5.3 | 5.5 | 6.4 |
| ROE | 41.0 | 15.3 | 13.3 | 13.1 |
| Growth | | | | |
| Turnover | 52.1 | (23.8) | (1.4) | 3.0 |
| EBITDA | 75.0 | (46.2) | (1.5) | 3.0 |
| Pre-tax profit | 115.3 | (54.3) | (7.1) | 5.6 |
| Net profit | 114.0 | (54.5) | (7.1) | 5.6 |
| Net profit (adj.) | 114.0 | (54.5) | (7.1) | 5.6 |
| EPS | 114.0 | (54.5) | (7.1) | 5.6 |
| Leverage | | | | |
| Debt to total capital | 61.7 | 56.3 | 41.8 | 37.7 |
| Debt to equity | 161.3 | 128.7 | 71.8 | 60.6 |
| Net debt/(cash) to equity | 159.2 | 125.1 | 45.4 | 37.7 |
| Interest cover (x) | 39.0 | 19.7 | 19.8 | 20.3 |

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Securities (Thailand) Public Company Limited ("UOBKHST"), which is a licensed corporation providing Securities Brokerage, Securities Dealing, Underwriting, Derivative Agent and Financial Advisory in Thailand.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKHST. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKHST may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKHST and its connected persons (as defined in Notification of the Capital Market Supervisory Board No. TorChor. 21/2551 and the Securities and Exchange Act of Thailand) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKHST to be reliable. However, UOBKHST makes no representation as to the accuracy or completeness of such sources or the Information and UOBKHST accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKHST and its associate may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKHST and its connected persons are subject to change without notice. UOBKHST reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKHST, its associates and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKHST, its associate and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKHST may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKHST may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report is prepared by UOBKHST, a company authorized, as noted above, to engage in securities and derivative activities in Thailand. UOBKHST is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKHST (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKHST by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKHST.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKHST who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKHST or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKHST's total revenues, a portion of which are generated from UOBKHST's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

| | |
|-----------------------------------|---|
| General | This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation. |
| Hong Kong | This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law. |
| Indonesia | This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia. Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report. |
| Malaysia | Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia. |
| Singapore | This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law. |
| Thailand | This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand. |
| United Kingdom | This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients. |
| United States of America ('U.S.') | This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly. |

Copyright 2023, UOB Kay Hian Securities (Thailand) Public Company Limited. All rights reserved.

<http://www.utrade.co.th>