

COMPANY UPDATE

Thai Oil (TOP TB)

Overhang From The CFP Project Remains; Expected To Be Resolved In Early-25

TOP provided updates on the CFP project. TOP is evaluating the effects of expected expense increases and the delay in the commercial run of the CFP project. However, TOP does not foresee any impairments or the need for a capital increase due to these. We cut the CFP project from our projections until there is more clarity, anticipated in early-25. Thus, we lower our 2025-26 net profit estimates by 20% and 28%, respectively. Downgrade HOLD with a new target price of Bt42.00.

WHAT'S NEW

- The tone during Thai Oil's (TOP) analyst meeting was negative.
- There is still overhang from the CFP project that has been resolved.** The clean fuel project (CFP) is expected to be delayed by at least one year from the original timeline, even though it is now over 97% complete. TOP is currently evaluating the costs associated with this postponement and revising the schedule for the project's commercial start. The delay is due to subcontractor protests arising from liquidity issues faced by the main contractors - Samsung E&A (Thailand), Petrofac South East Asia, and Saipem Singapore (UJV) - which have led to payment delays to subcontractors. TOP's management plans to protect the company's rights legally and aims to reach a resolution for the project by early-25.
- In the worst-case scenario, if a new main contractor is needed, the CFP project may be delayed more than we expected.** At the analyst meeting, management emphasised their commitment to commencing the CFP project's commercial operations as soon as possible, and confirmed that there are no plans to cancel the project despite recent subcontractor protests. The subcontractor protests led to the spread of fake news, such as: a) TOP has paid subcontractors directly, b) Saipem has exited the UJV, c) the CFP project faces an indefinite delay, and d) issues exist within TOP's procurement process. TOP's management has firmly stated and refuted all such fake news and rumours. TOP has also clarified that: a) they have fully paid UJV according to the EPC contract, and b) they have consulted with UJV's parent company, which acts as a guarantor under the EPC contract, regarding payment plans for any outstanding amounts. However, TOP has limited influence over these payments, as they are not a direct party to the subcontract. In a worst-case scenario, if a new prime contractor were needed, the CFP project could be delayed more than we expected.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	529,589	469,244	539,561	511,526	511,878
EBITDA	44,387	41,335	30,072	28,145	28,382
Operating profit	42,024	24,257	11,548	12,373	11,663
Net profit (rep./act.)	32,668	19,443	8,747	9,382	8,788
Net profit (adj.)	27,791	22,080	13,110	9,382	8,788
EPS (Bt)	12.4	9.9	5.9	4.2	3.9
PE (x)	3.3	4.2	7.0	9.8	10.5
P/B (x)	0.6	0.5	0.5	0.5	0.5
EV/EBITDA (x)	4.6	6.3	8.8	7.6	7.2
Dividend yield (%)	6.3	8.2	4.1	4.6	4.8
Net margin (%)	6.2	4.1	1.6	1.8	1.7
Net debt/(cash) to equity (%)	84.4	89.9	79.6	70.6	62.7
Interest cover (x)	12.8	9.5	7.7	4.7	4.9
ROE (%)	24.5	14.1	6.3	6.6	6.1
Consensus net profit	-	-	11,996	14,052	18,868
UOBKH/Consensus (x)	-	-	0.73	0.67	0.47

Source: Thai Oil, Bloomberg, UOB Kay Hian

HOLD

(Downgrade)

Share Price	Bt41.00
Target Price	Bt42.00
Upside	+2.44%
(Previously)	Bt60.00)

COMPANY DESCRIPTION

TOP is an oil refinery company. It also produces oil related products including LPG, kerosene, fuel oil and chemicals.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	TOP TB
Shares issued (m):	2,233.8
Market cap (Btm):	111,133.3
Market cap (US\$m):	3,150.5
3-mth avg daily t'over (US\$m):	15.6

Price Performance (%)

52-week high/low Bt59.50/Bt46.50

1mth	3mth	6mth	1yr	YTD
(6.6)	(7.0)	(10.4)	(7.9)	(7.4)

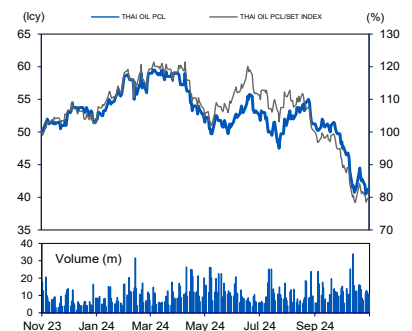
Major Shareholders

	%
PTT	49.1
NVDR	4.5
HSBC (Singapore) Nominees Pte. Ltd.	2.6

FY24 NAV/Share (Bt) 77.98

FY24 Net Debt/Share (Bt) 56.63

PRICE CHART



Source: Bloomberg

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- **No impairment, no capital increase.** The delay in the CFP project is not expected to result in an impairment loss. TOP's financial position remains robust, with cash on hand at Bt34.4b as of end-3Q24, a low net debt-to-equity ratio of 0.9x, and a net debt-to-EBITDA ratio of 7.6x. According to management, there is currently no need for a capital increase.

- **CAP2 project may not happen.** We identify several negative factors, including: a) a weak outlook for the olefins sector, impacted by a substantial wave of new production capacity expected between 2026-29, b) ongoing losses, with TOP Investment Indonesia (TII), which holds a 15% stake in CAP, reporting a 9M24 loss of US\$10.2m (vs US\$5.7m net loss in 2023), and c) PT Chandra Asri Petrochemical Tbk's (CAP) recent announcement to invest in Shell's refinery operations in Singapore. Shell's refinery, with a production capacity of 237,000 barrels per day (BPD) and an ethylene plant producing 1.10m tonnes per year, will support CAP's leadership in Southeast Asia's integrated petroleum and petrochemicals sector, and will require investment for the project. We believe this presents an for TOP to consider its investment in the second petrochemical complex (CAP2).

### STOCK IMPACT

- **Core profit expected to improve in 4Q24.** Key positive factors include: a) reduced stock loss, and b) an improved qtd gross refining margin (GRM) for 4Q24, reaching US\$4.43/bbl, (vs US\$3.58/bbl in 3Q24, US\$5.51/bbl in 4Q23). The qoq rise in GRM would be driven by demand recovery during the winter season, which will boost gas oil and jet fuel GRM by 6.00% and 12.70% qoq respectively. We believe these positive factors will sufficiently counterbalance the decline in aromatics spread.

### EARNINGS REVISION/RISK

- **Cut 2025-26 profit forecasts.** We cur our net profit estimates for 2025-26, reducing them by 20% and 28% respectively, due to the removal of the CFP project from our projections until it is finalised. This adjustment reflects a reduction in our crude run assumption for 2025-26 and a decrease in our 2026 GRM assumption to US\$5.50/bbl (from US\$7.00/bbl). For 2025, we maintain our GRM's assumption at US\$5.50/bbl, which results in a 2025 net profit of Bt9.38b, up 7.3% yoy, while 2026 net profit is revised to Bt11.62b, up 23.8%yoy.

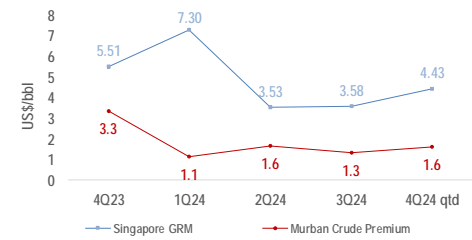
### VALUATION/RECOMMENDATION

- **Downgrade HOLD with a new target price of Bt42.00,** based on a refinery regional core forward PE mean of 10x. Although we expect 4Q24 net profit to recover qoq. However, the uncertainty surrounding the CFP project will act as a negative factor, likely exerting pressure on the stock price. We recommend switching to Bangchak Corporation (BCP TB/Target: Bt45.00), and Indorama Ventures (IVL TB/Target: Bt32.00), which are our top picks in the oil & gas sector.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

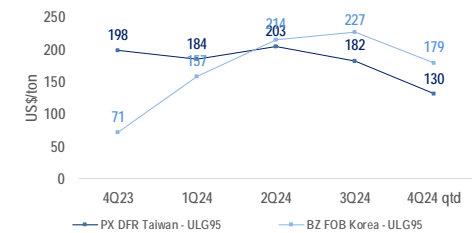
<b>CG Report: 5</b>
<b>SET ESG Rating: AAA</b>
<ul style="list-style-type: none"> <li>• <b>Environmental</b> <ul style="list-style-type: none"> <li>- <b>Net zero GHG reduction.</b> Reduce greenhouse gas (GHG) emissions by 15% in 2035 from the base year of 2026 to achieve carbon neutrality in 2050 and net zero GHG emissions target in 2060 through the implementation of net zero GHG emissions.</li> </ul> </li> <li>• <b>Social</b> <ul style="list-style-type: none"> <li>- <b>Creating social value.</b> To develop the quality of life in society in alignment with the company's strategic direction to become a petrochemical and innovative business and contribute to net zero GHG emissions. <b>Strengthen community engagement.</b> To maintain community engagement score at 90% or above. <b>Nature-based solution.</b> To support zero GHG emissions target through forest conservation, reforestation and afforestation initiatives.</li> </ul> </li> <li>• <b>Governance</b> <ul style="list-style-type: none"> <li>- <b>Zero cases of non-compliance and fraud incidents.</b> No cases of non-compliance with laws, regulations and the company's code of conduct. <b>Good governance recognition.</b> Being a recognised organisation for good corporate governance.</li> </ul> </li> </ul>

### SINGAPORE GRM AND CRUDE PREMIUM



Source: Thai Oil, UOB Kay Hian

### AROMATICS SPREAD



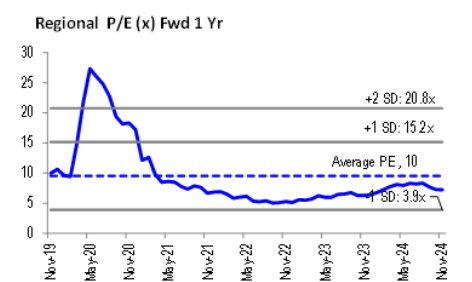
Source: Thai Oil, UOB Kay Hian

### PX CAPACITY ADDITIONAL VS DEMAND GROWTH



Source: Thai Oil, UOB Kay Hian

### REFINERY REGIONAL CORE FORWARD PE



Source: Thai Oil, Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	469,244	539,561	511,526	511,878
EBITDA	41,335	30,072	28,145	28,382
Deprec. & amort.	7,799	8,207	11,653	12,865
EBIT	33,536	21,866	16,492	15,517
Associate contributions	1,339	1,540	1,460	1,461
Net interest income/(expense)	-4,089	-3,347	-5,977	-5,819
Pre-tax profit	26,894	15,912	12,373	11,663
Tax	-4,672	-2,310	-2,475	-2,333
Minorities	-142	-492	-517	-542
Net profit	19,443	8,747	9,382	8,788
Net profit (adj.)	22,080	13,110	9,382	8,788

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	218,618	221,822	221,409	221,044
Other LT assets	32,039	32,039	32,039	32,039
Cash/ST investment	28,432	39,311	45,660	51,867
Other current assets	57,094	10,252	9,719	9,726
Total assets	419,993	401,937	402,318	408,349
ST debt	6,259	4,500	4,500	4,500
Other current liabilities	17,058	10,791	10,231	10,238
LT debt	173,009	168,509	164,009	159,509
Other LT liabilities	5,171	5,396	5,115	5,119
Shareholders' equity	167,802	168,059	173,942	178,978
Total liabilities & equity	419,993	401,937	402,318	408,349

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	24,257	11,548	12,373	11,663
Pre-tax profit	24,257	11,548	12,373	11,663
Tax	-4,672	-2,310	-2,475	-2,333
Deprec. & amort.	7,799	8,207	11,653	12,865
Working capital changes	-6,873	-19,199	4,036	4,764
Other operating cashflows	7,576	-894	0	0
Investing	28,088	-2,648	25,588	26,959
Investments	-14,504	-11,411	-11,240	-12,500
Others	-5,188	38,793	0	0
Financing	-23,072	-13,854	-7,999	-8,253
Dividend payments	-5,249	-7,595	-3,499	-3,753
Issue of shares	0	1	2	3
Proceeds from borrowings	-17,823	-6,259	-4,500	-4,500
Others/interest paid	n.a.	n.a.	n.a.	n.a.
Net cash inflow (outflow)	-14,676	10,880	6,349	6,207
Beginning cash & cash equivalent	43,576	28,432	39,311	45,660
Changes due to forex impact	-468	0	0	0
Ending cash & cash equivalent	28,432	39,311	45,660	51,867

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	8.8	6.4	6.0	6.0
Pre-tax margin	5.7	3.4	2.6	2.5
Net margin	4.1	1.9	2.0	1.9
ROA	11.6	5.2	5.3	4.9
ROE	11.6	5.2	5.3	4.9
<b>Growth</b>				
Turnover	-11.4	15.0	-5.2	0.1
EBITDA	-21.4	-27.2	-6.4	0.8
Pre-tax profit	-42.3	-40.8	-22.2	-5.7
Net profit	-40.5	-55.0	7.3	-6.3
Net profit (adj.)	-20.5	-40.6	-28.4	-6.3
EPS	-20.5	-40.6	-28.4	-6.3
<b>Leverage</b>				
Debt to total capital	106.5	102.3	96.0	90.6
Debt to equity	106.8	102.9	96.9	91.6
Net debt/(cash) to equity	89.9	79.6	70.6	62.7
Interest cover (x)	9.5	7.7	4.7	4.9

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