

## Sliding from the top on CFP flop

- We expect TOP's net profit to stay flat y-y at THB17.9b in 2025E
- TOP is facing an indefinite delay in the COD of the CFP project
- Initiated with a HOLD at TP of THB41

### A rough water for TOP's ship in 2025E-26E

We expect TOP's net profit to stay flat y-y at THB17.9b in 2025E, with key factors of: 1) weaker Gross Refining Margin (GRM) at USD, driven by expected low margins for gasoline and middle distillates due to the influx of supply from new refineries; 2) a weak earnings contribution from the olefins business, as product margins are expected to be depressed due to the supply influx in 2024-25; 3) lower demand for Base Lube Type I, as demand shifts towards Base Lube Type II and III; and 4) a net loss contribution from its 15% stake in PT Chandra Asri Petrochemical Tbk (CAP).

### A better 4Q24E profit growth outlook despite weak non-refinery

We expect TOP's net profit to rise q-q in 4Q24 to THB2.0b-THB3.0b, driven by the stronger GRMs on the back of higher margins for gasoline, jet, diesel, and HSFO over Dubai crude oil price as demand growths would improve, led by gasoline demand growth in the US, jet fuel demand growth on China's aviation recovery, lower crude premiums. However, net profits from non-refinery businesses remain weak, including aromatics, lube, and power.

### CAP to struggle as olefins remain in tough times

With a 15% stake in CAP, aiming to enter the olefin chemical value chain by leveraging TOP's surplus naphtha feedstock produced from its CFP and benefiting from CAP's expansion of petrochemical #2, we believe CAP will face significant challenges in 2023-25. CAP has been contributing a net loss of USD2-3m per quarter. Not only CAP, but also TOP's olefins business will encounter considerable difficulties during this period. This is due to the anticipated depressed margins for olefin products, both upstream and downstream PE and PP, driven by substantial supply growth from China.

### CFP project timeline uncertain as UJV struggles with liquidity

TOP is facing an indefinite delay in the USD5.3b COD of the Clean Fuel Project (CFP) project due to significant financial and liquidity challenges encountered by UJV (Samsung, Petrofac, and Saipem), stemming from a THB6b overdue payment to subcontractors. These financial and operational difficulties are expected to negatively impact the project's overall progress and timeline. The potential delay in the COD of the CFP is currently under review, with further implications for the project's completion.

### Initiated with a HOLD and a TP of THB41.00

We initiated on TOP with a HOLD and a TP of THB41, based on 2025E 7x EV/EBITDA. We think the GRM outlook is neutral at best, the earnings risks from chemical and lube units are high, and most importantly the financial impact of CFP delay is looming large. Hence, we see limited upside on TOP's net profit and share price.

#### Analyst

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ESG Rating : AAA

CG Rating : ▲▲▲▲▲

## HOLD

<b>Target Price 12M (THB)</b>	<b>41.00</b>
VS. BB Consensus TP (%)	-22.6%
Share Price (THB)	37.25
Upside/Downside	+10.1%

#### Share Data

Market Cap (THB m)	83,210.37
Par (THB)	10.00
Free Float (%)	51.98
Issued shares (m shares)	2,234

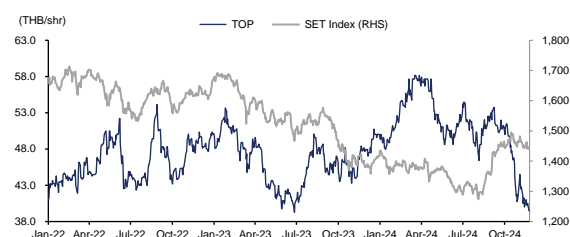
#### Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	459,402	363,126	354,372	469,738
Net profit	19,443	11,715	15,110	18,177
Core net profit	19,443	17,315	15,110	18,177
vs Consensus (%)	-	48.5	10.7	5.4
Net profit growth (%)	(40.5)	(39.7)	29.0	20.3
Core net profit growth (%)	(40.5)	(10.9)	(12.7)	20.3
EPS (THB)	9.53	5.74	7.41	8.91
Core EPS (THB)	9.53	8.49	7.41	8.91
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	3.70	1.44	1.85	2.23
P/E (x)	5.64	6.49	5.03	4.18
P/BV (x)	0.60	0.39	0.37	0.35
ROE (%)	11.33	9.20	7.62	8.63
Dividend yield (%)	6.88	3.85	4.97	5.98

Source: Financial Statement and Globlex securities

#### Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(10.24)	(30.05)	(29.05)	(30.70)
Market	(8.67)	(33.10)	(32.29)	(31.29)
12M High/Low (THB)	60.75 / 38.50			



#### Major Shareholders (%) as of 13 Sep 2024

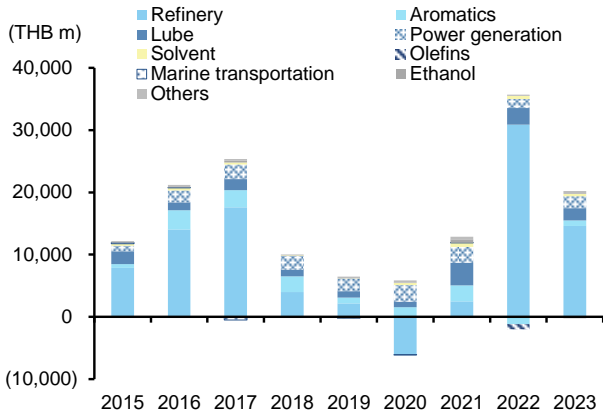
PTT Public Company Limited	45.03
Thai NVDR Company Limited	9.21

#### Company Profile

Thaioil is Thailand's largest refinery and supplier of petroleum products. Founded in 1961, Thaioil is one of the leading and efficient refineries in Asia Pacific with the current capacity of 275,000 barrels per day. Thaioil has expanded to other related business including petrochemicals-aromatics and olefin chain, lube base oil, power generation, LAB (an intermediate in the production of cleaning agents), solvents/chemicals. In addition, there are also ethanol and supporting businesses such as pipeline transportation, ethanol, recruitment services for Thaioil and Subsidiaries, as well as Treasury Center to enhance Thaioil and Subsidiaries' capability of financial management.

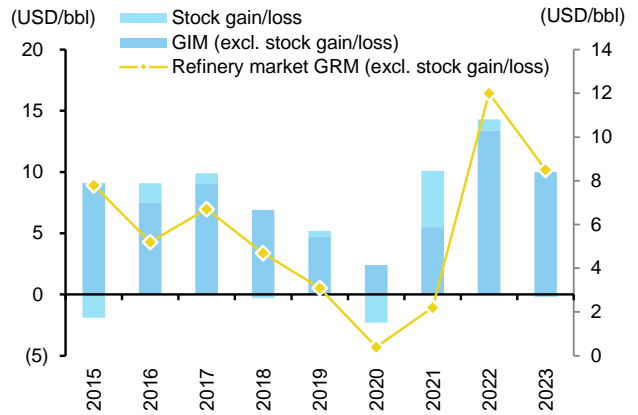
Source: SETSMART, SET

**Exhibit 1: Net profit breakdown by business**



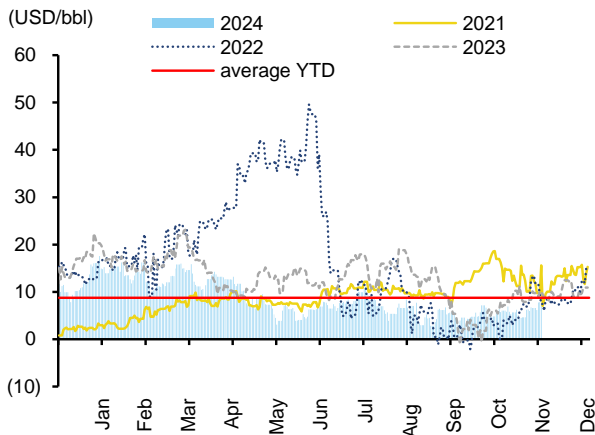
Sources: TOP, Glolex Research

**Exhibit 2: TOP's GRM vs GIM vs stock gain/loss**



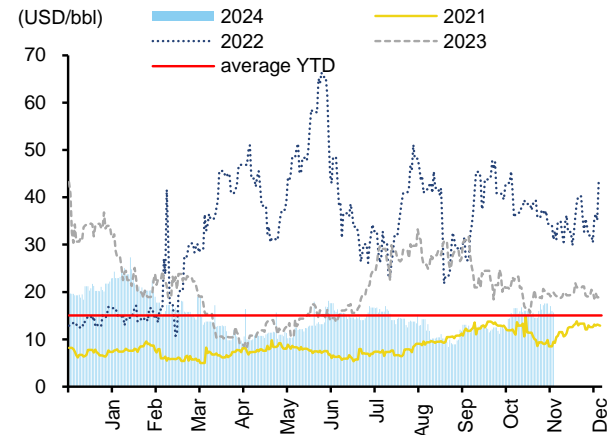
Sources: TOP, Glolex Research

**Exhibit 3: 92 Octane Gasoline fob Spot Price - Dubai crude oil price**



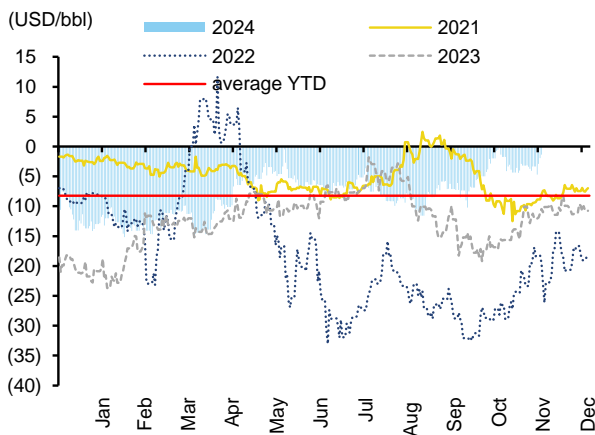
Sources: Bloomberg, Glolex Research

**Exhibit 4: Gasoil 0.5% Sulfur fob SG Spot Price - Dubai crude oil price**



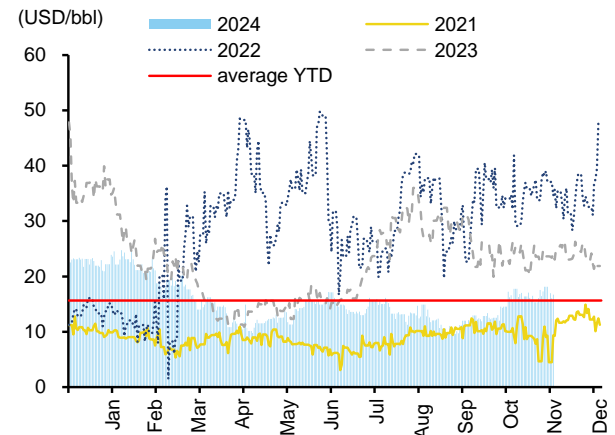
Sources: Bloomberg, Glolex Research

**Exhibit 5: High Sulfur fuel Oil Spot fob Singapore - Dubai crude oil price**



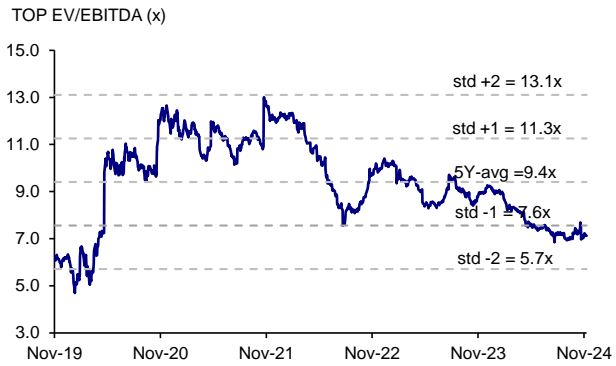
Sources: Bloomberg, Glolex Research

**Exhibit 6: Jet Kerosene fob Spot Price - Dubai crude oil price**



Sources: Bloomberg, Glolex Research

**Exhibit 7: Prospective EV/EBITDA band**



Sources: Bloomberg, Glolex Research

**Exhibit 8: Prospective P/BV band**

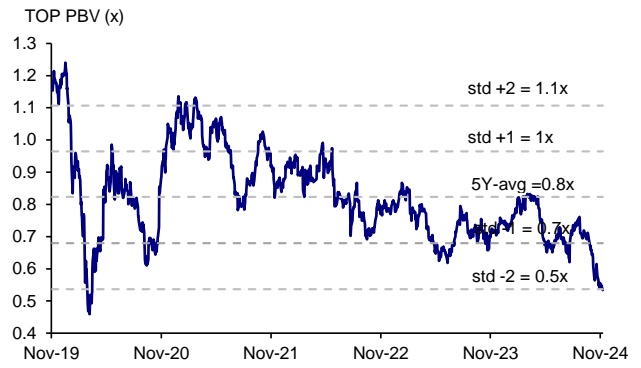


Chart or other exhibit

Sources: Bloomberg, Glolex Research

Balance sheet (THB m)						Profit & loss (THB m)						
Year ending Dec	2022	2023	2024E	2025E	2026E	Year ending Dec	2022	2023	2024E	2025E	2026E	
<b>Current assets</b>						<b>Revenue</b>						
Cash & ST investment	43,576	28,432	54,745	86,640	109,009		505,703	459,402	363,126	354,372	469,738	
Account receivable	35,399	32,158	25,419	24,806	32,882		(473,393)	(428,364)	(323,029)	(314,765)	(424,764)	
Inventories	59,172	53,754	42,489	41,465	54,963		<b>Gross profit</b>	<b>32,311</b>	<b>31,038</b>	<b>40,097</b>	<b>39,607</b>	<b>44,974</b>
Others	48,284	43,067	43,155	43,247	43,344		Operating expenses	(4,182)	(3,521)	(2,783)	(2,716)	(3,600)
<b>Non-current assets</b>						<b>Operating profit</b>						
Net fixed assets	206,476	218,618	224,586	218,594	211,772		<b>28,129</b>	<b>27,517</b>	<b>37,314</b>	<b>36,891</b>	<b>41,374</b>	
Others	54,952	62,063	65,774	68,995	55,346		<b>EBIT</b>	<b>20,384</b>	<b>19,718</b>	<b>16,832</b>	<b>15,303</b>	<b>18,965</b>
<b>Total Assets</b>	<b>447,859</b>	<b>438,092</b>	<b>456,168</b>	<b>483,747</b>	<b>507,317</b>		Depreciation	(7,744)	(7,799)	(20,482)	(21,588)	(22,409)
<b>Current liabilities</b>						<b>EBITDA</b>						
Account payable	42,985	39,049	30,866	30,122	39,928		<b>28,129</b>	<b>27,517</b>	<b>37,314</b>	<b>36,891</b>	<b>41,374</b>	
ST borrowing	4,776	6,259	6,190	6,121	6,052		<b>Non-operating income</b>	<b>26,012</b>	<b>8,544</b>	<b>1,898</b>	<b>7,573</b>	<b>7,648</b>
Others	55,912	28,193	5,485	5,485	5,485		Other incomes	26,077	8,331	7,498	7,573	7,648
<b>Long-term liabilities</b>						Other non-op income						
Long-term debts	151,442	149,666	149,666	149,666	149,666		(64)	213	(5,600)	0	0	
Others	30,809	28,514	68,563	85,423	85,423		<b>Non-operating expense</b>	<b>(3,860)</b>	<b>(4,089)</b>	<b>(3,996)</b>	<b>(3,904)</b>	<b>(3,811)</b>
<b>Total liabilities</b>	<b>285,923</b>	<b>251,681</b>	<b>260,770</b>	<b>276,817</b>	<b>286,554</b>		Interest expense	(3,860)	(4,089)	(3,996)	(3,904)	(3,811)
Paid-up capital	23,151	25,903	25,903	25,903	25,903		Other non-op expense					
Retained earnings	124,283	136,178	144,965	156,297	169,930		<b>Equity income/(loss)</b>	<b>(513)</b>	<b>84</b>	<b>88</b>	<b>92</b>	<b>97</b>
Others	12,085	21,715	21,715	21,715	21,715		<b>Pre-tax Profit</b>	<b>42,024</b>	<b>24,257</b>	<b>14,821</b>	<b>19,064</b>	<b>22,899</b>
Minority interest	2,415	2,615	2,815	3,015	3,215		Extraordinary items	(8,918)	(4,672)	(2,964)	(3,813)	(4,580)
<b>Shareholders' equity</b>	<b>161,936</b>	<b>186,411</b>	<b>195,398</b>	<b>206,930</b>	<b>220,763</b>		Minorities	(438)	(142)	(142)	(142)	(142)
<b>Key ratios</b>						<b>Cash flow (THB m)</b>						
Year ending Dec	2022	2023	2024E	2025E	2026E	Year ending Dec	2022	2023	2024E	2025E	2026E	
<b>Growth (%YoY)</b>						<b>Operating cash flow</b>						
Sales	50.6	(9.2)	(21.0)	(2.4)	32.6		<b>23,084</b>	<b>31,966</b>	<b>42,018</b>	<b>37,591</b>	<b>28,818</b>	
Operating profit	36.3	(2.2)	35.6	(1.1)	12.1		Net profit	32,668	19,443	11,715	15,110	18,177
EBITDA	36.3	(2.2)	35.6	(1.1)	12.1		Depre.& amortization	7,744	7,799	20,482	21,588	22,409
Net profit	159.7	(40.5)	(39.7)	29.0	20.3		Change in working capital	(17,329)	4,723	9,821	893	(11,768)
Core net profit	159.7	(40.5)	(10.9)	(12.7)	20.3		Others	0	0	0	0	0
EPS	159.7	(40.5)	(39.7)	29.0	20.3		<b>Investment cash flow</b>	<b>46,496</b>	<b>23,849</b>	<b>(11,450)</b>	<b>(597)</b>	<b>(587)</b>
Core EPS	159.7	(40.5)	(10.9)	(12.7)	20.3		Net CAPEX	0	0	(26,450)	(15,597)	(15,587)
<b>Profitability (%)</b>						Change in LT investment						
Gross margin	6.4	6.8	11.0	11.2	9.6		46,496	23,849	15,000	15,000	15,000	
Operation margin	5.6	6.0	10.3	10.4	8.8		Change in other assets	0	0	0	0	
EBITDA margin	5.6	6.0	10.3	10.4	8.8		<b>Free cash flow</b>	<b>69,580</b>	<b>55,815</b>	<b>30,569</b>	<b>36,994</b>	<b>28,231</b>
Net margin	6.5	4.2	3.2	4.3	3.9		<b>Financing cash flow</b>	<b>(55,700)</b>	<b>(70,959)</b>	<b>(4,255)</b>	<b>(5,099)</b>	<b>(5,862)</b>
ROE	23.3	11.3	9.2	7.6	8.6		Change in share capital	0	0	0	0	0
ROA	3.9	3.6	3.3	2.6	3.1		Net change in debt	(550)	(227)	(1,556)	(1,556)	(1,556)
<b>Stability</b>						Dividend paid						
Interest bearing debt/equity (x)	1.0	0.8	0.8	0.8	0.7		(7,548)	(7,548)	(2,929)	(3,777)	(4,544)	
Net debt/equity (x)	0.7	0.7	0.5	0.3	0.2		Others	(47,602)	(63,184)	230	234	239
Interest coverage (x)	5.3	4.8	4.2	3.9	5.0		<b>Net cash flow</b>	<b>13,880</b>	<b>(15,145)</b>	<b>26,313</b>	<b>31,895</b>	<b>22,369</b>
Interest & ST debt coverage (x)	2.4	1.9	1.7	1.5	1.9		<b>Per share (THB)</b>					
Cash flow interest coverage (x)	0.1	0.1	0.2	0.1	0.1		EPS	16.01	9.53	5.74	7.41	8.91
Current ratio (x)	1.8	2.1	3.9	4.7	4.7		Core EPS	16.01	9.53	8.49	7.41	8.91
Quick ratio (x)	0.8	0.8	1.9	2.7	2.8		CFPS	20.02	13.42	15.85	18.06	19.96
Net debt (THB m)	112,641	127,494	101,111	69,147	46,709		BVPS	78.20	90.09	94.40	99.96	106.64
<b>Activity</b>						Sales/share						
Asset turnover (X)	1.2	1.0	0.8	0.8	0.9		247.89	225.19	178.00	173.71	230.26	
Days receivables	21.3	26.8	28.9	25.9	22.4		EBITDA/share	13.79	13.49	18.29	18.08	20.28
Days inventory	38.0	48.1	54.4	48.7	41.4		DPS	3.70	3.70	1.44	1.85	2.23
Days payable	27.6	34.9	39.5	35.4	30.1		<b>Valuation</b>					
Cash cycle days	31.6	40.0	43.8	39.2	33.7		P/E (x)	3.5	5.6	6.5	5.0	4.2
							P/BV (x)	0.72	0.60	0.39	0.37	0.35
							Dividend yield (%)	6.58	6.88	3.85	4.97	5.98
							Dividend payout ratio (%)	23.11	38.82	25.00	25.00	25.00

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### Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

- BUY:** Expected return of 10% or more over the next 12 months.  
**HOLD:** Expected return between -10% and 10% over the next 12 months.  
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause 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.

### Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.  
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.  
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** 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:** 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:** 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.