

## Topped from top by CFP

- TOP announced an additional USD 1.776b in CAPEX for CFP.
- USD 1.0-1.5b will be secured through the issuance of debentures, loans from commercial banks, and alternative non-debt instruments
- Maintain HOLD but cut our TP to THB31

### Inevitable USD2.7b (+50%) higher cost for CFP

Following the Main Contractor's failure to settle overdue payments to subcontractors on the CFP Project, on 20 Dec-24, TOP inevitably announced its decision to approve an additional USD 1.776b in CAPEX, primarily for construction and engineering procurement (EPC), and USD550m in financial costs. This would bring total cost for CFP to USD7.15b (+50%). Consequently, the commissioning of CDU-4 is delayed from 4Q25 to 2Q27, with full COD now expected by 3Q28. The COD of Hydrodesulfurization Unit 4 (HDS-4) has been successfully completed, and the unit commenced test runs for producing Euro 5 standard diesel in Feb-24.

### CFP IRR is now down to earth

Post CFP running in 2027, we expect TOP's cash cost to increase by USD2/bbl, driven by USD1/bbl from higher maintenance and insurance costs and USD1/bbl from increased interest expenses. Additionally, we anticipate the CFP's IRR to decline from 12% to a range of 6-7%, on par with its WACC.

### Funding plan for CFP

TOP plans to secure USD 1.0-1.5b for liquidity management through debenture issuance, commercial bank loans, and alternative non-debt instruments. The remaining funding will come from existing cash balances and future operational cash flow. Management has emphasized that there will be no capital increase.

### Headwinds on CFP; headache for TOP

We hold a negative view on the CFP project due to our expectation of narrower diesel-fuel oil and light-heavy crude spreads, driven by US rising light shale oil export and dwindling OPEC's heavy exports. Since being approved in 2018, CFP has seen multiple headwinds of shrinking crude and product price differentials, delay on Covid pandemic, and EPC liquidity dilemma, all leading to a sharp plunge in IRR to now barely cover its WACC. Rising operational costs, including higher maintenance, insurance, and financial expenses, further challenge the project's profitability. These factors, combined with the revised timeline and reduced IRR expectations for the project, raise concerns about its overall financial viability.

### Topped by CFP and GRM

We maintain HOLD but cut our TP from THB41 to THB31, based on 2025E 5x 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. We see limited upside for TOP's net profit and share price, with downside risks from narrower product spreads, along with CFP project delays.

#### Analyst

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ESG Rating : AAA

CG Rating : ▲▲▲▲▲

## HOLD

<b>Target Price 12M (THB)</b>	<b>31.00</b>
VS. BB Consensus TP (%)	-40.4%
Share Price (THB)	35.00
Upside/Downside	-11.4%

#### Share Data

Market Cap (THB m)	78,184.24
Par (THB)	10.00
Free Float (%)	51.98
Issued shares (m shares)	2,234

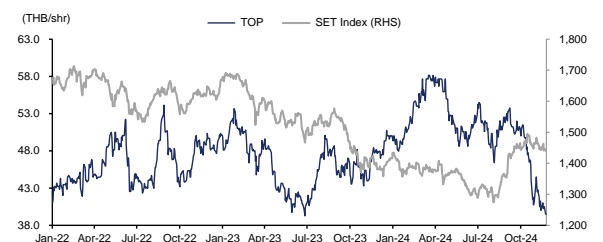
#### Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	459,402	363,126	354,372	347,576
Net profit	19,443	11,715	15,110	15,489
Core net profit	19,443	17,315	15,110	15,489
vs Consensus (%)	-	48.5	10.7	(10.2)
Net profit growth (%)	(40.5)	(39.7)	29.0	2.5
Core net profit growth (%)	(40.5)	(10.9)	(12.7)	2.5
EPS (THB)	9.53	5.74	7.41	7.59
Core EPS (THB)	9.53	8.49	7.41	7.59
Chg in core EPS (%)	-	0.00	0.00	(14.79)
DPS (THB)	3.70	1.44	1.85	1.90
P/E (x)	5.64	6.09	4.73	4.61
P/BV (x)	0.60	0.37	0.35	0.33
ROE (%)	11.33	9.20	7.62	7.39
Dividend yield (%)	6.88	4.10	5.29	5.42

Source: Financial Statement and Globlex securities

#### Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(14.63)	(30.35)	(33.33)	(34.88)
Market	(9.52)	(26.44)	(36.90)	(33.07)
12M High/Low (THB)				60.75 / 33.75



#### 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: Analysis of CFP project**

<b>CFP project</b>				
Exchange rate	35	THB/USD		
Tax rate	20	%		
<b>Project CFP Upgrading and expansion</b>	<b>Fuel oil (bpd)</b>	<b>Capacity (bpd)</b>	<b>Capacity (m bbls)</b>	<b>% fuel oil yield</b>
Existing capacity	19,250	275,000	100	7%
Incremental capacity	8,750	125,000	46	7%
<b>Total</b>	<b>28,000</b>	<b>400,000</b>	<b>146</b>	
<b>Assumptions</b>				
<b>Diesel-Fuel oil spread</b>	<b>20.0</b>	<b>20.0</b>	<b>USD/bbl</b>	
<b>TOP's existing crude premium</b>	<b>3.0</b>	<b>3.0</b>	<b>USD/bbl</b>	
<b>Light-Super Heavy crude premium</b>	<b>8.0</b>	<b>8.0</b>	<b>USD/bbl</b>	
Average net crude saving	2.5	2.5	USD/bbl	
% heavy crude consumption pre CFP expansion	0%	0%		
% heavy crude consumption post CFP expansion	50%	50%		
<b>Net gross profit increase</b>	<b>Existing (275k bpd)</b>	<b>Expansion (125k bpd)</b>	<b>Total</b>	
#1 Product margin improvement (HSFO-to-diesel)	140.5	63.9	204	USD m
#1 Product margin improvement (HSFO-to-diesel)	4,918	2,236	7,154	THB m
#2 Crude cost saving (from 0% to 50% heavy crude)	250.9	114.1	365	USD m
#2 Crude cost saving (from 0% to 50% heavy crude)	8,783	3,992	12,775	THB m
<b>Total benefit #1 plus #2</b>	<b>391</b>	<b>178</b>	<b>569</b>	<b>USD m</b>
<b>Total benefit #1 plus #2</b>	<b>13,701</b>	<b>6,228</b>	<b>19,929</b>	<b>THB m</b>
	<b>USD m</b>	<b>THB m</b>		
Total benefit	569	19,929		
Additional opex	(73)	(2,555)		
Interest expense	(225)	(7,884)		
Net benefit before tax and depreciation	271	9,490		
Investment cost	7,151	250,285		
<b>Payback period (year)</b>	<b>26.37</b>	<b>26.37</b>		
<b>IRR</b>	<b>6.5%</b>	<b>6.5%</b>		
<b>Est. net incremental earnings</b>	<b>USD m</b>	<b>THB m</b>		
Net incremental EBITDA	496	17,374		
Depreciation expense	(204)	(7,151)		
Interest expense	(225)	(7,884)		
EBT	67	2,339		
Tax at 20%	(13)	(468)		
Net additional profit	53	1,871		
TOP's normalised earnings	429	15,000		
As % of TOP's normalised earnings	12%	12%		

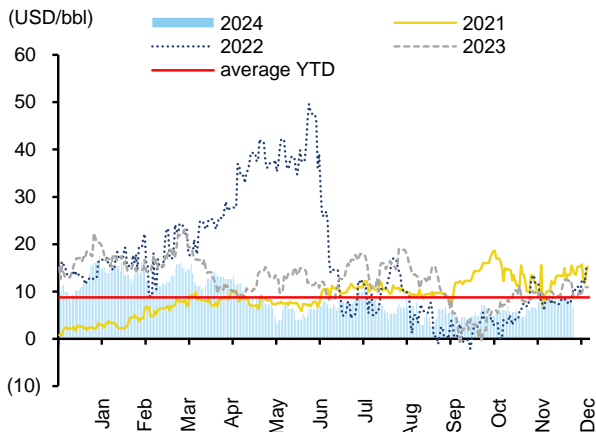
Sources: TOP, Globlex Research

**Exhibit 2: CFP construction progress**

No.	CFP Project Scope of Work	Approximate On-Site Construction Progress (%)	Estimated Date for Ready for Start-Up
1.	Hydrocracking Unit and Residue Hydrocracking Unit	72	Second quarter of 2028
2.	Crude Distillation Unit and High Vacuum Unit	99	Second quarter of 2027
3.	Hydrogen Manufacturing Unit	96	Third quarter of 2027
4.	Hydro Treating Unit	99	Second quarter of 2027
	Hydrodesulfurization Unit	100	First quarter of 2024
5.	Sulfur Recovery Unit	96	Second quarter of 2027
6.	Energy Recovery Unit	83	Third quarter of 2028
7.	Interconnecting and Revamp	95	Gradual start-up to support production

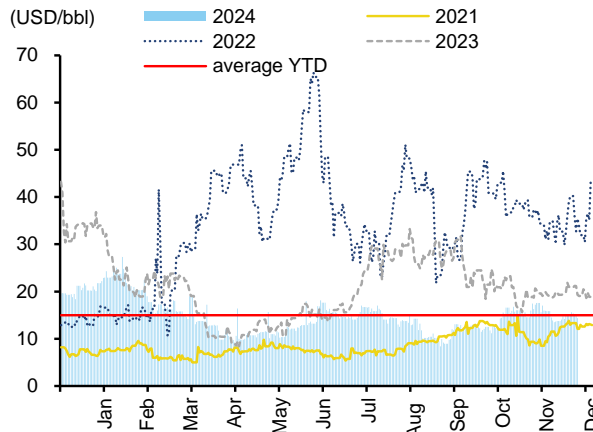
Sources: TOP

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



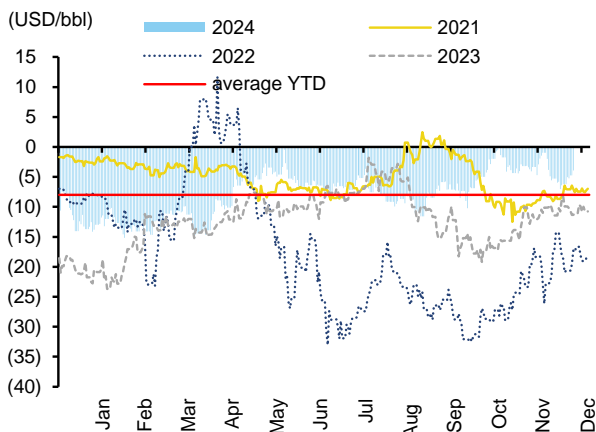
Sources: Bloomberg, Globlex Research

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



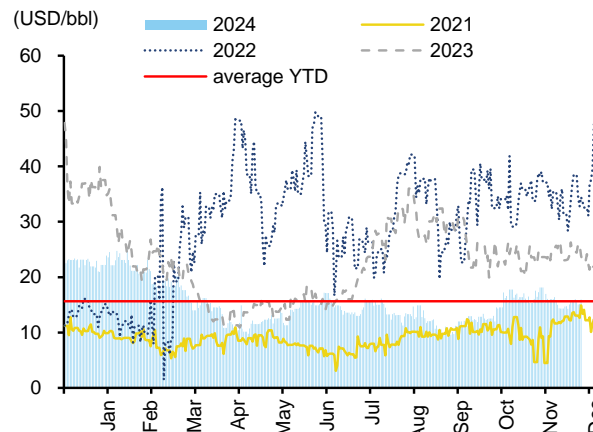
Sources: Bloomberg, Globlex Research

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



Sources: Bloomberg, Globlex Research

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



Sources: Bloomberg, Globlex Research

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



Sources: Bloomberg, Globlex Research

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



Sources: Bloomberg, Globlex Research

Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
<b>Current assets</b>					
Cash & ST investment	43,576	28,432	54,745	86,640	119,455
Account receivable	35,399	32,158	25,419	24,806	24,330
Inventories	59,172	53,754	42,489	41,465	40,669
Others	48,284	43,067	43,155	43,247	43,344
<b>Non-current assets</b>					
Net fixed assets	206,476	218,618	224,586	218,594	211,772
Others	54,952	62,063	65,774	68,995	55,346
<b>Total Assets</b>	<b>447,859</b>	<b>438,092</b>	<b>456,168</b>	<b>483,747</b>	<b>494,917</b>
<b>Current liabilities</b>					
Account payable	42,985	39,049	30,866	30,122	29,544
ST borrowing	4,776	6,259	6,190	6,121	6,052
Others	55,912	28,193	5,485	5,485	5,485
<b>Long-term liabilities</b>					
Long-term debts	151,442	149,666	149,666	149,666	149,666
Others	30,809	28,514	68,563	85,423	85,423
<b>Total liabilities</b>	<b>285,923</b>	<b>251,681</b>	<b>260,770</b>	<b>276,817</b>	<b>276,170</b>
Paid-up capital	23,151	25,903	25,903	25,903	25,903
Retained earnings	124,283	136,178	144,965	156,297	167,914
Others	12,085	21,715	21,715	21,715	21,715
Minority interest	2,415	2,615	2,815	3,015	3,215
<b>Shareholders' equity</b>	<b>161,936</b>	<b>186,411</b>	<b>195,398</b>	<b>206,930</b>	<b>218,747</b>

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
<b>Growth (%YoY)</b>					
Sales	50.6	(9.2)	(21.0)	(2.4)	(1.9)
Operating profit	36.3	(2.2)	35.6	(1.1)	3.0
EBITDA	36.3	(2.2)	35.6	(1.1)	3.0
Net profit	159.7	(40.5)	(39.7)	29.0	2.5
Core net profit	159.7	(40.5)	(10.9)	(12.7)	2.5
EPS	159.7	(40.5)	(39.7)	29.0	2.5
Core EPS	159.7	(40.5)	(10.9)	(12.7)	2.5
<b>Profitability (%)</b>					
Gross margin	6.4	6.8	11.0	11.2	11.7
Operation margin	5.6	6.0	10.3	10.4	10.9
EBITDA margin	5.6	6.0	10.3	10.4	10.9
Net margin	6.5	4.2	3.2	4.3	4.5
ROE	23.3	11.3	9.2	7.6	7.4
ROA	3.9	3.6	3.3	2.6	2.6
<b>Stability</b>					
Interest bearing debt/equity (x)	1.0	0.8	0.8	0.8	0.7
Net debt/equity (x)	0.7	0.7	0.5	0.3	0.2
Interest coverage (x)	5.3	4.8	4.2	3.9	4.1
Interest & ST debt coverage (x)	2.4	1.9	1.7	1.5	1.6
Cash flow interest coverage (x)	0.1	0.1	0.2	0.1	0.1
Current ratio (x)	1.8	2.1	3.9	4.7	5.5
Quick ratio (x)	0.8	0.8	1.9	2.7	3.5
Net debt (THB m)	112,641	127,494	101,111	69,147	36,263
<b>Activity</b>					
Asset turnover (X)	1.2	1.0	0.8	0.8	0.7
Days receivables	21.3	26.8	28.9	25.9	25.8
Days inventory	38.0	48.1	54.4	48.7	48.8
Days payable	27.6	34.9	39.5	35.4	35.5
Cash cycle days	31.6	40.0	43.8	39.2	39.2

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
<b>Revenue</b>	<b>505,703</b>	<b>459,402</b>	<b>363,126</b>	<b>354,372</b>	<b>347,576</b>
Cost of goods sold	(473,393)	(428,364)	(323,029)	(314,765)	(306,898)
<b>Gross profit</b>	<b>32,311</b>	<b>31,038</b>	<b>40,097</b>	<b>39,607</b>	<b>40,678</b>
Operating expenses	(4,182)	(3,521)	(2,783)	(2,716)	(2,664)
<b>Operating profit</b>	<b>28,129</b>	<b>27,517</b>	<b>37,314</b>	<b>36,891</b>	<b>38,014</b>
<b>EBIT</b>	<b>20,384</b>	<b>19,718</b>	<b>16,832</b>	<b>15,303</b>	<b>15,605</b>
Depreciation	(7,744)	(7,799)	(20,482)	(21,588)	(22,409)
<b>EBITDA</b>	<b>28,129</b>	<b>27,517</b>	<b>37,314</b>	<b>36,891</b>	<b>38,014</b>
<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>
Other incomes	26,077	8,331	7,498	7,573	7,648
Other non-op income	(64)	213	(5,600)	0	0
<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>
Interest expense	(3,860)	(4,089)	(3,996)	(3,904)	(3,811)
Other non-op expense					
<b>Equity income/(loss)</b>	<b>(513)</b>	<b>84</b>	<b>88</b>	<b>92</b>	<b>97</b>
<b>Pre-tax Profit</b>	<b>42,024</b>	<b>24,257</b>	<b>14,821</b>	<b>19,064</b>	<b>19,539</b>
Extraordinary items					
Current taxation	(8,918)	(4,672)	(2,964)	(3,813)	(3,908)
Minorities	(438)	(142)	(142)	(142)	(142)
<b>Net Profit</b>	<b>32,668</b>	<b>19,443</b>	<b>11,715</b>	<b>15,110</b>	<b>15,489</b>
<b>Core net profit</b>	<b>32,668</b>	<b>19,443</b>	<b>17,315</b>	<b>15,110</b>	<b>15,489</b>
<b>EPS (THB)</b>	<b>16.01</b>	<b>9.53</b>	<b>5.74</b>	<b>7.41</b>	<b>7.59</b>
<b>Core EPS (THB)</b>	<b>16.01</b>	<b>9.53</b>	<b>8.49</b>	<b>7.41</b>	<b>7.59</b>

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
<b>Operating cash flow</b>	<b>23,084</b>	<b>31,966</b>	<b>42,018</b>	<b>37,591</b>	<b>38,592</b>
Net profit	32,668	19,443	11,715	15,110	15,489
Depre. & amortization	7,744	7,799	20,482	21,588	22,409
Change in working capital	(17,329)	4,723	9,821	893	693
Others	0	0	0	0	0
<b>Investment cash flow</b>	<b>46,496</b>	<b>23,849</b>	<b>(11,450)</b>	<b>(597)</b>	<b>(587)</b>
Net CAPEX	0	0	(26,450)	(15,597)	(15,587)
Change in LT investment	46,496	23,849	15,000	15,000	15,000
Change in other assets	0	0	0	0	0
<b>Free cash flow</b>	<b>69,580</b>	<b>55,815</b>	<b>30,569</b>	<b>36,994</b>	<b>38,005</b>
<b>Financing cash flow</b>	<b>(55,700)</b>	<b>(70,959)</b>	<b>(4,255)</b>	<b>(5,099)</b>	<b>(5,190)</b>
Change in share capital	0	0	0	0	0
Net change in debt	(550)	(227)	(1,556)	(1,556)	(1,556)
Dividend paid	(7,548)	(7,548)	(2,929)	(3,777)	(3,872)
Others	(47,602)	(63,184)	230	234	239
<b>Net cash flow</b>	<b>13,880</b>	<b>(15,145)</b>	<b>26,313</b>	<b>31,895</b>	<b>32,815</b>
<b>Per share (THB)</b>					
EPS	16.01	9.53	5.74	7.41	7.59
Core EPS	16.01	9.53	8.49	7.41	7.59
CFPS	20.02	13.42	15.85	18.06	18.65
BVPS	78.20	90.09	94.40	99.96	105.65
Sales/share	247.89	225.19	178.00	173.71	170.38
EBITDA/share	13.79	13.49	18.29	18.08	18.63
DPS	3.70	3.70	1.44	1.85	1.90
<b>Valuation</b>					
P/E (x)	3.5	5.6	6.1	4.7	4.6
P/BV (x)	0.72	0.60	0.37	0.35	0.33
Dividend yield (%)	6.58	6.88	4.10	5.29	5.42
Dividend payout ratio (%)	23.11	38.82	25.00	25.00	25.00

## GENERAL DISCLAIMER

### Analyst Certification

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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.