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KEY HIGHLIGHTS

Update

Bangchak Sriracha (BSRC TB/BUY/Bt8.75/Target: Bt15.00)

Positive takeaways from analyst meeting.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,393.42	(4.01)	(0.29)
SET50	860.75	(2.07)	(0.24)
Value (Btm) - SET	33,619		
Top 5 Sector			
BANK	371.99	0.47	0.13
PETRO	726.87	11.28	1.58
PROP	225.12	(1.90)	(0.84)
ENERG	20,727.10	25.92	0.13
ICT	149.86	(0.63)	(0.42)

Source: Bloomberg

TOP VOLUME

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
AOT	61.00	(2.40)	5,327.6
PTTEP	155.50	(2.20)	937.0
SCB	100.00	0.76	736.7
KBANK	132.50	0.38	598.0
PTT	34.75	0.72	1,064.2

TOP GAINERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
JKN	0.66	29.41	117.3
TWZ	0.05	25.00	0.2
PPPM	0.06	20.00	0.7
OTO	1.16	18.37	176.9
UMS	0.60	17.65	0.0

TOP LOSERS

Symbol	Close (Baht)	+/-(% Chg)	5-day ADT (BTm)
NATION	0.06	(14.29)	0.1
JTS	55.25	(9.43)	282.3
PROS	0.86	(8.51)	0.2
ACG	1.15	(8.00)	0.0
TKC	13.90	(7.95)	121.4

*ADT: Average daily turnover

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	80.0	(10.3)	(3.8)	(1.5)
Dubai crude*	81.2	(10.4)	(5.9)	3.3
Baltic Dry Index	2,102.0	34.5	94.6	38.7
Gold Spot***	2,016.8	0.5	5.0	10.6

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

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
17.5	(369.8)	(5,327.2)	(10,707.1)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 34.95

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

Thai Lending Rate (%)* - MLR = 7.10

COMPANY UPDATE

Bangchak Sriracha (BSRC TB)

Positive Takeaways From Analyst Meeting

We believe BSRC's operating performance will continue to improve. Its valuation is undemanding while its recent share price correction seems overdone after the 20% share price correction since Oct 23. BSRC also provides a 6.3% dividend yield for 2024. Maintain BUY. Target price: Bt15.00.

WHAT'S NEW

- **Positive change.** We attended the analyst meeting of Bangchak Sriracha (BSRC), formerly known as ESSO (Thailand), and noted the record number of fund managers/analysts attending this meeting. There have clearly been positive changes since Bangchak Corporation (BCP) took over the 65.9% stake from ExxonMobil Asia Holdings in Oct 23. In comparison to ESSO, BSRC has significantly increased the disclosure of company information, data, and business strategies. We expect more analysts to cover BSRC vs ESSO.
- **Higher run rate with opex reduction.** During the meeting, management reiterated plans to increase the utilisation of its facilities from the current 80% (140kbd) to 92% (160kbd) by Jan 24. We also expect opex to be reduced from US\$1.50-2.00/bbl to only US\$1.00/bbl, achieved via: a) cost-saving measures in its back-office operations, and b) capitalising on economies of scale in crude supply logistics through collaborative purchasing and loading practices. BSRC is targeting to re-brand 270 ESSO's petrol stations (ESSO owns and operates by itself) sites to Bangchak petrol stations by 2024 with higher sales proportion of premium products such as gasohol 97 octanes, and premium diesel products. Note that BCP previously mentioned group synergy targets amounting to Bt3.0b/year in 2025.
- **Challenging year in 2024.** Although we are positive on BSRC's operation, we expect 2024 to be a challenging year for global refineries, including BSRC. We have concerns on the demand-supply situation in 2024 as mentioned in our Thai Oil (TOP) report on 16 Nov 23. We foresee huge new global refinery supplies amounting to 1.8m barrels per day (bpd) coming on-stream, while additional demand should be around 1.5m bpd. There are two large new refiners commencing operations in 2Q24, which are Dangote in Nigeria with a refining capacity of 650,000 bpd, and Dos Bocas in Mexico with a capacity of 340,000 bpd. We will continue to monitor these projects for any delays or start-up difficulties.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	172,878	263,000	242,118	303,403	300,767
EBITDA	8,375	14,659	7,913	8,746	10,516
Operating profit	5,550	11,853	5,195	5,796	7,416
Net profit (rep./act.)	4,443	9,508	4,324	4,579	5,763
Net profit (adj.)	4,443	9,508	5,066	4,579	5,763
EPS (Bt)	1.3	2.7	1.5	1.3	1.7
PE (x)	7.4	3.5	6.5	7.2	5.7
P/B (x)	1.7	1.2	1.1	1.0	1.0
EV/EBITDA (x)	8.3	4.8	8.8	8.0	6.6
Dividend yield (%)	1.6	3.1	6.3	6.3	8.0
Net margin (%)	2.6	3.6	1.8	1.5	1.9
Net debt/(cash) to equity (%)	187.6	159.2	125.4	67.7	54.3
Interest cover (x)	26.9	39.0	14.3	14.3	15.5
ROE (%)	26.5	41.0	15.3	15.1	17.5
Consensus net profit	-	-	4,289	4,760	6,037
UOBKH/Consensus (x)	-	-	1.18	0.96	0.95

Source: Esso Thailand, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt8.75
Target Price	Bt15.00
Upside	71.4%

COMPANY DESCRIPTION

Bangchak Sriracha PCL (BSRC), formerly Esso (Thailand) (ESSO), is Thailand's third-largest refiner in terms of capacity. BSRC runs a 174kbd refinery (16% of Thailand's refining capacity). BSRC also commands 17% market share of oil retailing in Thailand. Bangchak Corporation (BCP) is currently controlling shareholder with 76% stake, followed by the state-owned Vayupak Fund which holds a 7.4% stake.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	BSRC TB
Shares issued (m):	3,460.9
Market cap (Btm):	33,051.2
Market cap (US\$m):	931.4
3-mth avg daily t'over (US\$m):	

Price Performance (%)

52-week high/low Bt-99,999.100/Bt-99,999.100

1mth	3mth	6mth	1yr	YTD
n.a.	n.a.	n.a.	n.a.	n.a.

Major Shareholders

	%
ExxonMobil International Holdings Inc.	76.3
Vayupak Fund	4.1

FY23 NAV/Share (Bt)	8.45
FY23 Net Debt/Share (Bt)	10.59

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Still-promising outlook in 4Q23.** Despite weaker spreads for gasoline, diesel and jet fuel in 4Q23 qtd, we believe that BSRC will be able to maintain its core earnings at a breakeven level. **We expect utilisation rate to increase to 85-90% following the completion of scheduled maintenance tied to the Euro-5 project in Oct 23.**
- **2024 performance expected to be outstanding.** We expect BSRC to post a strong performance in 2024 supported by an increased production rate and reduced operating expenses as mentioned above. We expect BSRC's total crude intake to increase by 33% from the low base of 45m barrels in 2023 (due to a three-month scheduled shutdown for Euro-5 project) to 59m barrels in 2024. This increase could be mitigated by ESSO's slightly reduced GRM projection of US\$5.00/bbl in 2024, compared with the unusually high US\$6.00/bbl in 2023. Furthermore, we expect synergies with BCP amounting to Bt3.0b/year in 2025, primarily stemming from cost savings in back-office operations, and leveraging economies of scale in crude supply logistics through collaborative purchasing and loading practices. Note that we expect BSRC's net profit to increase 5% in 2024 compared with BCP (-39%) and TOP (-26%).

EARNINGS REVISION/RISK

- **None.** Note that we have not included any synergistic benefits in our 2024 earnings forecast.

VALUATION/RECOMMENDATION

- **Maintain BUY with target price of Bt15.00.** We value BSRC at 11x 2024F PE, in line with regional peers. Note that BSRC also provides an 6.3% dividend yield for 2024. BSRC is our top pick in the Thai refinery space.
- **GRM sensitivity.** Every US\$1/bbl decrease in our GRM assumption will decrease our 2024 core net profit forecast by Bt1.6b (earnings per share of Bt0.50/share) which implies a valuation of Bt5.00/share.

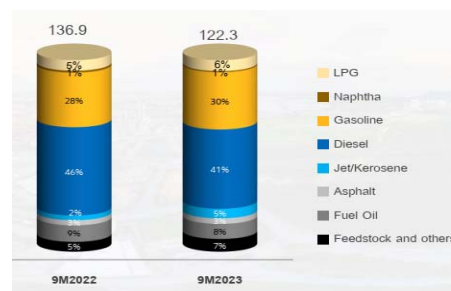
SHARE PRICE CATALYST

- 2024: Synergies with BCP.

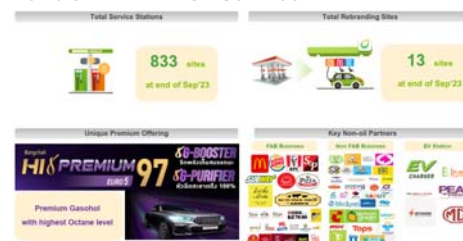
SINGAPORE'S GRM



PRODUCTION YIELD



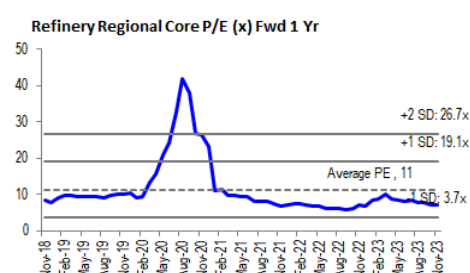
BSRC'S MARKETING BUSINESS



KEY EVENTS



KEY EVENTS



PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	263,000	242,118	303,403	300,767
EBITDA	14,659	7,913	8,746	10,516
Deprec. & amort.	2,806	2,718	2,950	3,100
EBIT	11,853	5,195	5,796	7,416
Total other non-operating income	40	296	120	50
Associate contributions	312	383	420	420
Net interest income/(expense)	(376)	(553)	(610)	(680)
Pre-tax profit	11,829	5,321	5,726	7,206
Tax	(2,320)	(995)	(1,145)	(1,441)
Minorities	(1)	(2)	(2)	(2)
Net profit	9,508	4,324	4,579	5,763
Net profit (adj.)	9,508	5,066	4,579	5,763

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	1,406	5,402	4,991	5,855
Pre-tax profit	11,829	5,321	5,726	7,206
Tax	(2,320)	(995)	(1,145)	(1,441)
Deprec. & amort.	2,806	2,718	2,950	3,100
Working capital changes	(12,527)	(5,549)	(2,529)	(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)	(3,486)	(4,078)
Dividend payments	(1,473)	(2,162)	(2,289)	(2,882)
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)	390	103	477
Beginning cash & cash equivalent	802	586	976	1,079
Ending cash & cash equivalent	586	976	1,079	1,555

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	22,982	21,464	19,715	17,816
Other LT assets	10,637	4,960	5,170	5,280
Cash/ST investment	586	976	1,079	1,555
Other current assets	51,336	51,670	40,400	42,500
Total assets	85,541	79,070	66,364	67,151
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	29,232	31,521	34,403
Minority interest	7	7	7	7
Total liabilities & equity	85,541	79,070	66,364	67,151

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	5.6	3.3	2.9	3.5
Pre-tax margin	4.5	2.2	1.9	2.4
Net margin	3.6	1.8	1.5	1.9
ROA	12.2	5.3	6.3	8.6
ROE	41.0	15.3	15.1	17.5
Growth				
Turnover	52.1	(7.9)	25.3	(0.9)
EBITDA	75.0	(46.0)	10.5	20.2
Pre-tax profit	115.3	(55.0)	7.6	25.9
Net profit	114.0	(54.5)	5.9	25.9
Net profit (adj.)	114.0	(46.7)	(9.6)	25.9
EPS	114.0	(46.7)	(9.6)	25.9
Leverage				
Debt to total capital	61.7	56.3	41.6	37.0
Debt to equity	161.3	128.7	71.1	58.8
Net debt/(cash) to equity	159.2	125.4	67.7	54.3
Interest cover (x)	39.0	14.3	14.3	15.5

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