

# Bangchak Corporation (BCP TB)

## Revaluation gain and synergy uplift underway

### A worthwhile switch out of ESSO into BCP

We maintain BUY on BCP with a TP of THB49. We expect strong core 3Q23E earnings (+13% YoY, +228% QoQ) with potential for further gain from asset revaluation (THB23b pre-tax). BCP reports 3Q results on 8 Nov. With the on-going ESSO tender offer, we think BCP looks more attractive from both a valuation perspective (0.8x P/BV vs ESSO's 1.2x) and potential upside from FY24 synergy benefits (26% earnings upside for BCP vs 19% for ESSO).

### Expect strong 3Q23E results

We forecast 3Q23E normalized net profit of THB3.07b (EPS of THB2.23/sh), up 13% YoY and almost triple QoQ on a like-for-like basis. The strong QoQ jump will likely be driven by much higher gross refining margin (GRM) and higher oil prices, which benefit the E&P operation. On a YoY basis, the lower EBITDA should mainly be due to lower oil prices, from USD 97/bbl in 3Q22 to about USD 87/bbl in 3Q23.

### Estimating ESSO asset-revaluation gain

We estimate ESSO's asset revaluation will lead to at least THB23b in pre-tax gain. For BCP's 3Q23E results, this works out to THB12b, or THB8.9 per BCP share after tax and net of minority interest. We expect most of this gain to come from revaluing ESSO's 329 rai of land for its gas stations, most of which is likely in Bangkok and its vicinity.

### BCP better than ESSO on consensus estimate

The tender offer for the remaining ESSO shares is currently under way and will last until 12 Oct 2023. We think BCP looks more attractive than ESSO on consensus figures (as we do not have explicit forecasts for ESSO). BCP's year-end P/BV both before and after potential asset revaluation looks cheaper at 0.8x and 0.6x vs ESSO's 1.2 and 0.7x. BCP's P/E both pre- and post-synergy is also much lower at 5.7x and 4.5x vs ESSO's 6.8x and 5.7x (all FY24E). BCP's shareholders also do not have to be concerned with trading liquidity and potential de-listing after the tender process.

FYE Dec (THB m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	199,417	312,202	263,135	421,886	413,752
EBITDA	19,175	47,214	25,212	31,625	32,230
Core net profit	3,119	17,993	6,068	8,228	8,958
Core EPS (THB)	2.27	13.07	4.41	5.98	6.51
Core EPS growth (%)	nm	476.9	(66.3)	35.6	8.9
Net DPS (THB)	2.00	2.25	2.20	2.99	3.25
Core P/E (x)	11.1	2.4	8.6	6.4	5.8
P/BV (x)	0.8	0.8	0.9	0.9	0.8
Net dividend yield (%)	7.9	7.1	5.8	7.9	8.6
ROAE (%)	19.1	26.1	11.2	14.2	14.3
ROAA (%)	1.8	8.1	2.5	3.1	3.2
EV/EBITDA (x)	6.8	2.9	7.5	6.1	5.7
Net gearing (%) (incl perps)	79.4	53.3	94.1	85.6	65.6
Consensus net profit	-	-	8,075	8,107	8,797
MIBG vs. Consensus (%)	-	-	(24.9)	1.5	1.8

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## BUY

Share Price	THB 38.00
12m Price Target	THB 49.00 (+35%)
Previous Price Target	THB 49.00

### Company Description

BCP primarily engages in oil refining, oil marketing, and power generation. It also has E&P and biofuel operations.

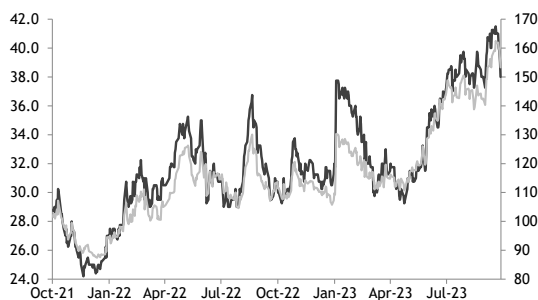
### Statistics

52w high/low (THB)	41.50/29.25
3m avg turnover (USDm)	7.6
Free float (%)	59.4
Issued shares (m)	1,377
Market capitalisation	THB52.3B
	USD1.4B

### Major shareholders:

Vayupak Fund 1	19.8%
Social Security Office	14.4%
Ministry of Finance	4.8%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	0	4	23
Relative to index (%)	8	8	35

Source: FactSet

### Details of other stocks mentioned in this report

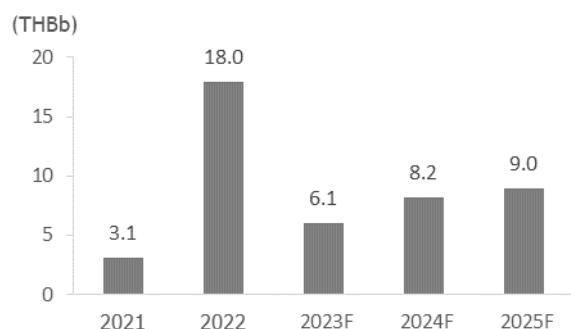
ESSO (Thailand) (ESSO TB, CP THB9.90, Not rated)  
Star Petroleum (SPRC TB, CP THB8.25, BUY, TP THB12.4)

ESG@MAYBANK IBG  
Tear Sheet Insert

## Value Proposition

- BCP operates a 120kbd refinery in Thailand, accounting for about 12% of Thailand's total capacity. It also operates a network of service stations and commands 16% of oil retail market share in Thailand
- Through its 57%-owned subsidiary BCPG, BCP has diversified into renewable energy business with 542MW capacity in operation and a further 718MW under development. Solar makes up 70% of the portfolio with wind and hydro contributing a further 21% and 9%, respectively.
- BCP also holds a 45% interest in OKEA ASA, a Norwegian E&P company with total oil & gas production of 22KBOED.
- BCP has acquired ESSO (Thailand) from ExxonMobil. Management expects up to THB3b in potential synergies.

### BCP normalized profit

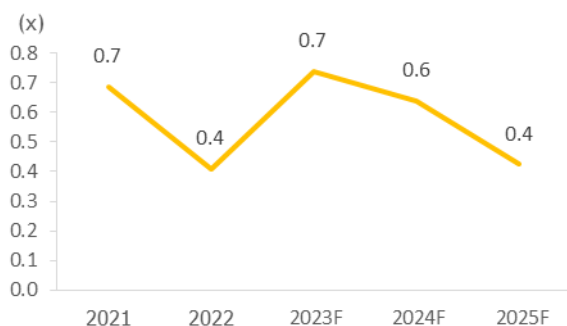


Source: Company

## Financial Metrics

- We expect earnings to normalize in 2023E following an exceptionally strong 2022 results (large oil product shortages due to the war in Ukraine). We expect earnings to grow 36% and 9% in 2024-25E on merger impact, high GRM.
- Net gearing will likely go up to 0.7x post acquisition of ESSO Thailand. However, this is still below covenant and we expect net D/E to decline to 0.4x at the end of 2025E.

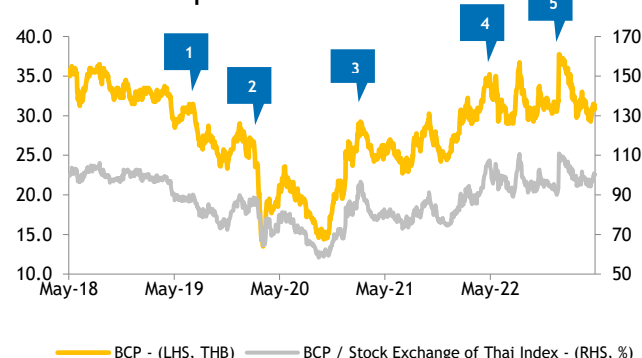
### BCP Net D/E



Source: Company

## Price Drivers

### Historical share price trend



Source: Company, MST

## Swing Factors

### Upside

- Stronger-than-expected oil demand recovery especially in China will help lift GRM
- Potential delay to major new refinery start-ups could tighten refined product market further
- Potential synergies with ESSO (Thailand) could lead to material upside risks to our earnings forecasts.

### Downside

- Slow oil demand growth in the US and Europe could weigh on GRM
- China's export of oil products could weigh on Asian refined product spread.
- BCP's diversification into new businesses could be short-term negative to earnings.

Risk Rating & Score <sup>1</sup>	29.9 Medium Risk
Score Momentum <sup>2</sup>	-1.5
Last Updated	21 Apr 2023
Controversy Score <sup>3</sup> (Updated: 21 Apr 2023)	Category 1 Low

## Business Model & Industry Issues

- BCP's core operation of oil refining, retailing and E&P have come under intense scrutiny and could be significantly impacted by ESG issues going forward.
- However, the company has prepared for such changes and was one of the earliest investors in renewable energy in Thailand. The majority of capex for the next 8 years will go towards renewable energy as well as bio-based fuels. We think BCP is well placed to make the transition towards net zero carbon emission.
- Among its peer group, we think BCP is at the fore-front when it comes to addressing concerns over ESG issues. It also has among the highest earnings contribution from renewable energy.

## Material E issues

- BCP aims to be carbon neutral by 2030 and achieve net-zero GHG emission by 2050.
- The company was one of the earliest investors in large-scale solar projects in Thailand and continues to invest heavily in renewable energy, expanding its portfolio into wind and hydro power projects. The company invests both in Thailand and abroad.
- BCP aims to reduce tap water consumption by 30% by 2025 compared to 2015 base year. As of 2021, the company achieved a cumulative 20% reduction. The company also limits fresh water intake for its refinery to 0.062 m3 per thousand barrels of oil production.
- BCP targets zero waste to incineration process that does not have energy recovery. As of 2021, the company still sends 6.6 tons of such waste.

## Material S issues

- BCP places high emphasis on occupational health, safety and security. Through program such as Safety Culture Transformation, the company targets zero work-related illness for employee/contractor and no significant oil and chemical spill. The company achieved 5m man-hour without Lost Time Injury.
- BCP places high importance on employee development. The company aims to improve employee capability through Individual Development Plan as well as plan for succession in the management/executive positions. BCP has an in-house knowledge management (BCP-KMS) for critical organization knowledge.
- BCP participates in social outreach and development program in areas where it operates. It achieves 94% satisfaction rate of participants in the community.

## Key G metrics and issues

- Board of Directors consist of 11 directors, 7 of whom are independent directors. There is no woman on the board.
- KPMG Phoomchai Audit Ltd is the company's auditor.
- BCP has a zero tolerance policy when it comes to anti-corruption. The company developed Good Corporate Governance Policy Manual for all employees.
- For risk management, BCP adopts enterprise-wide risk management system based on COSO ERM and ISO 31000. This has been part of the company for more than 18 years. BCP groups its risk management framework into: 1) corporate risk management; 2) project investment risks and; 3) business continuity management.
- BCP established Bangchak Initiative and Innovation Center to help drive various innovations with a focus on green energy and bio-based products. The company engages in academic cooperation and project development with leading research institutions in Thailand including NANOTEC, Chulalongkorn University and AIT.
- For information technology, BCP follows international safety and security standards including ISO/IEC27001:2013 and ISO/IEC 27032: 2012. It also abides by government regulations, including Thailand's Cybersecurity Act of 2019 and Personal Data Protection Act of 2019.

<sup>1</sup>**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. <sup>2</sup>**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. <sup>3</sup>**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 40)						
	Particulars	Unit	2020	2021	2022	TOP (2022)
E	Scope 1 GHG emissions	tCO2e	883,878	819,696	932,378	3,260,000
	Scope 2 GHG emissions	tCO2e	4,554	5,487	5,099	0
	<b>Total</b>	<b>tCO2e</b>	<b>888,432</b>	<b>825,183</b>	<b>937,477</b>	<b>3,260,000</b>
	Scope 3 GHG emissions	tCO2e	279,038	422,077	600,788	27,300,000
	<b>Total</b>	<b>tCO2e</b>	<b>1,167,470</b>	<b>1,247,260</b>	<b>1,538,265</b>	<b>30,560,000</b>
	GHG intensity (Scope 1 and 2)	tCO2e/m bbls	25,042	19,686	18,498	29,772
	Electricity consumption	MWh/m bbls	100,577	81,045	N/A	9,674
	Water consumption	m3/m bbls	57,500	50,099	34,530	28,402
	Exposure to coal, mining, oil & gas and plantation	%	91%	91%	94%	100%
	Green, Social, sustainable products & serv.	THBb	12,374	18,764	18,778	0.0
S	% of women in workforce	%	31%	31%	N/A	26%
	% of women in management roles	%	36%	38%	36%	43%
	Average training hours per employee	number	23.3	28.0	N/A	62.0
	Lost Time Injury Frequency Rate (LTIFR)	Per million man-hours	0	0	0	0
	Attrition rate	%	3.2%	5.1%	N/A	5.0%
G	MD/CEO salary as % of reported net profit	%	N/A	N/A	N/A	N/A
	Board salary as % of reported net profit	%	NMF	0.8%	0.5%	0.1%
	Independent directors (tenure <10 years) as % of the Board	%	57%	53%	67%	57%
	Profits distributed to shareholders	% of net profit	NMF	36.1%	24.6%	23.7%
	Female directors on the Board	%	7%	15%	13%	7%

Qualitative Parameters (Score: 100)	
a) Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee?	<b>Yes, BCP has Sustainability and Corporate Governance Committee.</b>
b) Does the performance evaluation of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities?	<b>Yes.</b>
c) Does the company follow TCFD framework for ESG reporting? Is it signatory to responsible banking initiative or other such initiatives?	<b>Yes</b>
d) Does the company capture or plan to capture Scope 3 emissions including from financing activities?	<b>Yes.</b>
e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?	<b>BCP aims to achieve Carbon Neutrality by 2030 and Net Zero emissions by 2050.</b>
f) Does carbon offset form part of the net zero/carbon neutrality target of the company?	<b>Yes</b>

Target (Score: 100)		
Particulars	Target	Achieved
Net zero emission by 2050	by 2050	N/A
Zero waste to landfill by 2025	0.0%	0.0%
Waste disposed through 3R	100%	99%
Total recordable injury rate (TRIR)	0.00	0.00
Improve water efficiency by 2025 (m3 per bbl)	54	63
Impact		
NA		
Overall Score: 55		
As per our ESG matrix, Bangchak Corp (BCP TB) has an overall score of 55.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	40	20
Qualitative	25%	100	25
Target	25%	40	10
<b>Total</b>			<b>55</b>

As per our ESG assessment, BCP is a leader in its industry in terms of establishing ESG framework and making progresses towards net zero emissions by 2050. This is reflected in its overall ESG score of 55, which makes its ESG rating above average in our view (average ESG rating = 50).

# 1. Expect strong 3Q23 results

## 1.1 Strong 3Q23E core operation driven by refining unit

We forecast 3Q23E normalized net profit of THB3.07b (EPS THB2.23/sh), up 13% YoY and almost triple QoQ on a like-for-like basis. We forecast total operating EBITDA grew 52% QoQ but declined 8% YoY. The strong jump QoQ was likely driven by sharply higher GRM and higher oil prices, which benefit the E&P operation. This is partially offset by weaker oil marketing business (low season in Thailand). On a YoY basis, the lower EBITDA should mainly be due to lower oil prices, from USD97/bbl in 3Q22 to about USD87/bbl in 3Q23. At the same time, refining unit improved significantly with GRM increasing to USD9.5/bbl in 3Q23 from USD7.1/bbl in 3Q22. Because BCP's European E&P unit carries much higher tax burden than the domestic refining business, we still expect net profit to grow 13% YoY despite lower EBITDA.

## 1.2 Limited impact from ESSO's consolidation in 3Q23E

Note that we expect limited contribution from ESSO to BCP's bottom line in 3Q23E even though the consolidation started from the end of August. This is because ESSO's refinery underwent a major turnaround in September, resulting in a much lower operating rate and therefore near-zero profit contribution. We also exclude two major non-recurring items. The first is gain on ESSO's asset revaluation, which we estimate to be THB23b pre-tax and THB12b (EPS THB 8.9/sh) on an after-tax basis; see more details in the section that follows. The other item is a one-time expense relating to ESSO's acquisition amounting to THB1b pre-tax. We exclude both of these items from our normalized profit forecast in the table below.

**Fig 1: 3Q23E normalized profit likely to grow 13% YoY and tripled QoQ**

(THBm)	3Q22	2Q23	3Q23E	% YoY	% QoQ
Singapore GRM (USD/bbl)	7.2	4.1	9.5	32%	132%
Dubai oil price (USD/bbl)	96.88	77.78	86.74	-10%	12%
EBITDA:					
Refinery and Trading	4,131	1,373	4,849	17%	253%
Marketing Business	203	553	453	123%	-18%
Power Plant	1,209	989	989	-18%	0%
Bio-Based Product	35	138	138	294%	0%
Natural Resource	6,064	3,701	4,474	-26%	21%
Others					
Elimination	-155	-126	-130		
Total accounting EBITDA	11,487	6,628	10,773	-6%	63%
Adjustments	241	479			
Total operating EBITDA	11,728	7,107	10,773	-8%	52%
Normalized profit	2,711	937	3,074	13%	228%
Norm EPS (THB /sh)	1.97	0.68	2.23	13%	228%

Source: Company data, MST

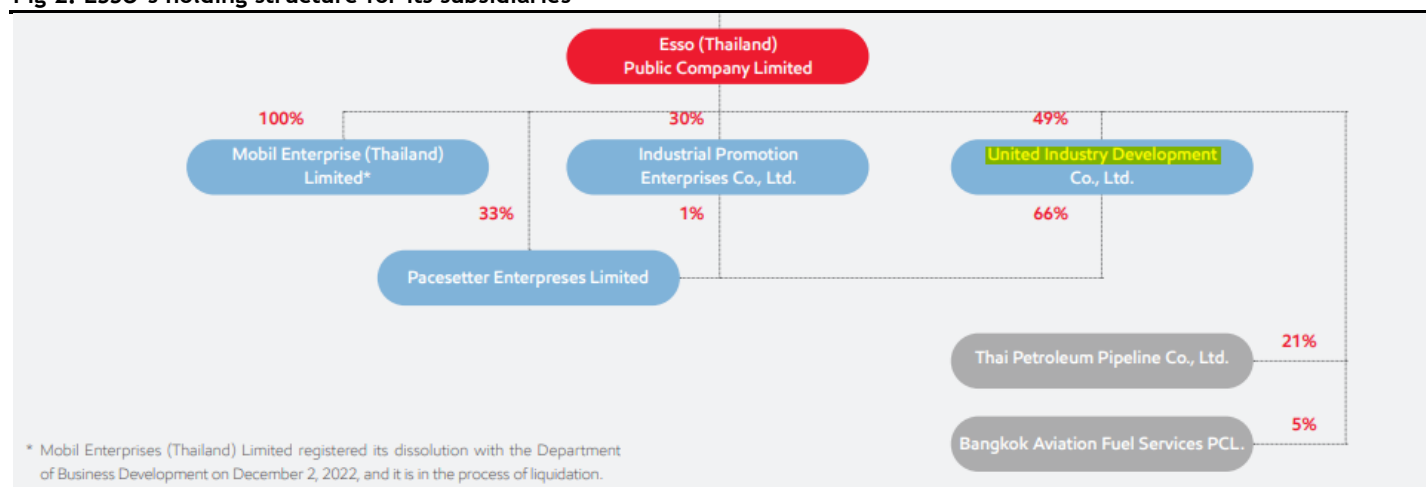
Note: \*ESSO holds all of common shares whereas preferred shares are held by its employees

## 2. Estimating asset revaluation gain

### 2.1 ESSO land holding structure

ESSO has a relatively complicated land holding structure. The company only directly holds the land where its refinery is located (in Chonburi province on Thailand's eastern seaboard). On the other hand, all other plots of land belong to its subsidiaries. ESSO, in turn, leases this land back from its subsidiaries to operate as service stations and distribution terminals. Because of laws limiting foreign ownership of land in Thailand, these subsidiaries have to be set up with a significant portion of preferred shares and ESSO itself only holds the common shares. The figure below details the holding structure of these subsidiaries.

Fig 2: ESSO's holding structure for its subsidiaries



Source: Company data, MST

Most of the land is held by United Industry Development (UID) with land book value of THB3,041m. While ESSO holds only 49%, this is effectively all of the common shares whereas preferred shares are held by ESSO's employees. This structure still makes ESSO 100% beneficial owner of the land held by the subsidiary. Another subsidiary that holds a significant portion of land is Pacesetter Enterprises (PE) with a total land book value of THB1,207m. ESSO directly holds 33% of this company and another 33% indirectly via UID. In sum, total book value of land held by ESSO is THB4,946m.

Fig 3: ESSO's land holding book value and ownership structure

Company	Book value (THBm)	Common shares*	Preferred shares
ESSO (Thailand) (ETL)	690		
Industrial Promotion Enterprise (IPE)	8	30%	70%
United Industry Development (UID)	3,041	49%	51%
Pacesetter Enterprises (PE)	1,207	66%	34%
<b>Total</b>	<b>4,946</b>		

Source: Company data, MST

Note: \*ESSO holds all of common shares whereas preferred shares are held by its employees

In terms of land area owned by its subsidiaries, ESSO disclosed that 526.7k sq.m. or approximately 329 rai is used for service stations. An additional 205k sq.m. or approximately 128 rai is used for distribution terminals. Based on disclosed book value of the land above, we estimate the average book value of land used for service stations and distribution terminals to be THB9.3m per rai.



**Fig 4: Size of land held by subsidiaries**

Land area	Area (sq.m.)	Area (rai)	Book value (THBm)
Service stations	526,674	329	
Distribution terminals	205,000	128	
<b>Total land held by subsidiaries</b>		<b>457</b>	<b>4,256</b>
<b>Average book value per rai</b>			<b>9.3</b>

Source: Company data, MST

Note: \*ESSO holds all of common shares whereas preferred shares are held by its employees

## 2.2 Potential market value

We estimate the market value of ESSO's land holding using recent the transaction between Chevron and Star Petroleum (SPRC TB, CP THB8.25, BUY, TP THB12.4) as guidelines. In that transaction, SPRC is set to purchase Caltex Thailand, Chevron's oil retail operation. As part of the deal, SPRC is purchasing several plots of lands from Chevron, 4 of which are for service stations and the rest for oil terminals. The average price per rai for the station works out to THB72m. This includes one plot of land in central Bangkok valued at THB400m per rai. The land for oil terminals is valued at THB3m per rai.

**Fig 5: Caltex Thailand's assets being sold to SPRC**

Province	Region	Area (rai)	Appraised value (THBm)	Price per rai (THBm)
<b>Service stations</b>				
Bangkok	Bangkok area	1.2	480	400
Pathum Thani	Bangkok area	5.1	132	26
Phuket	South	2.5	93	38
Khon kaen	Northeast	2.3	93	40
<b>Total</b>		<b>11.1</b>	<b>799</b>	<b>72</b>
<b>Terminals</b>				
Songkhla	South	52.6	151	3

Source: Company data, MST

Using the average appraised value above, we estimate market value of ESSO's land holdings to be THB28.1b. The majority of the value comes from over 300 rai of land the company uses for its service stations. The 800 rai of land where its refinery is located could also see significant increase in value. Based on this estimate, we believe the potential revaluation gain could reach THB23b. This is not yet in our existing forecast for BCP.

**Fig 6: Our estimate of ESSO's land market value**

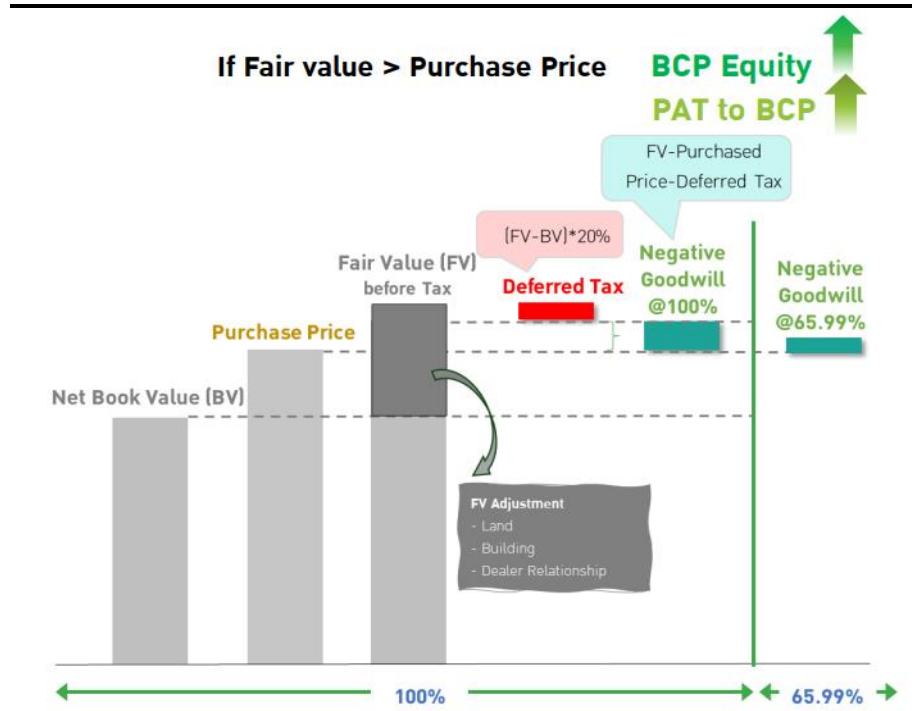
Land plots	Area (rai)	Est. market value (THBm/rai)	Total (THBm)
Refinery	800	5	4,000
Service stations	329	72	23,696
Distribution terminals	128	3	367
<b>Total est. market value</b>	<b>1,257</b>		<b>28,063</b>
<b>Book value</b>			<b>4,946</b>
<b>Est. pre-tax revaluation gain</b>			<b>23,117</b>

Source: Company data, MST

We note that ESSO's land holdings, especially for its service stations, are likely to have significantly higher average value than estimate above. This is because we believe the majority of its land holdings is in the Bangkok area. As such, we think our estimate for potential asset revaluation gain is conservative.

We expect the majority of the revaluation gain (otherwise also known as “negative goodwill” or “gain on bargain purchase”) was booked in 3Q23. Assuming a pre-tax gain of THB23b, we estimate the net after-tax impact to BCP’s bottom line in 3Q23 was approximately THB12.2b (THB 8.9 per BCP share) as we have to net out related tax expense as well as minority interests (34%). Note that as of the 3Q23 results announcement, BCP will only consolidate 66% of ESSO’s results, which it already bought from Exxon; the rest of ESSO’s shares will not be bought until the public tender offer ends on 12 Oct 2023.

Fig 7: Earnings impact from fair value adjustment



Source: Company data, MST

### 3. BCP better than ESSO on consensus estimate

#### 3.1 ESSO tender offer

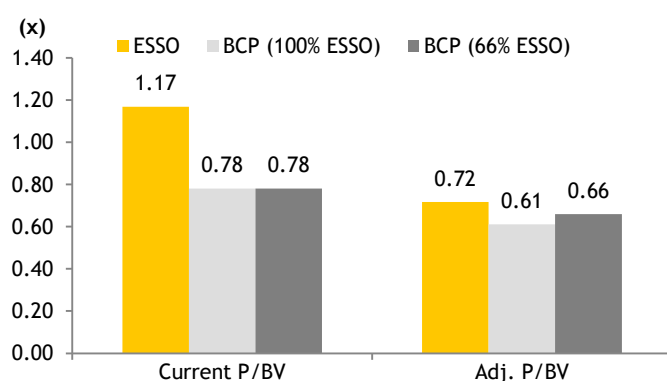
The public tender offer for ESSO’s remaining shares (34%) will last until 12 October. The final price of THB9.8986 is before deducting any trading commission and VAT. ESSO’s shareholders who tender their shares will receive THB9.8721 per share.

ESSO’s independent financial advisor (IFA) recommends ESSO shareholders not tender their shares as it believes the offer price is below its fair-value estimate of THB10.70-11.38/sh, based on what it calls “adjusted-book-value approach”.

We note that this opinion is no different from any stock broker’s recommendation and fair value (target price) estimate; effectively, any recommendation to BUY is the same as a recommendation not to sell. We note further that the potential upside for ESSO’s shareholders to the IFA’s FV is only 15% even using the upper-bound figure. On the other hand, the potential upside to BCP is 29%, based on our fair value estimate (TP) of THB49. As such, we still think it is more worthwhile to switch out of ESSO into BCP.

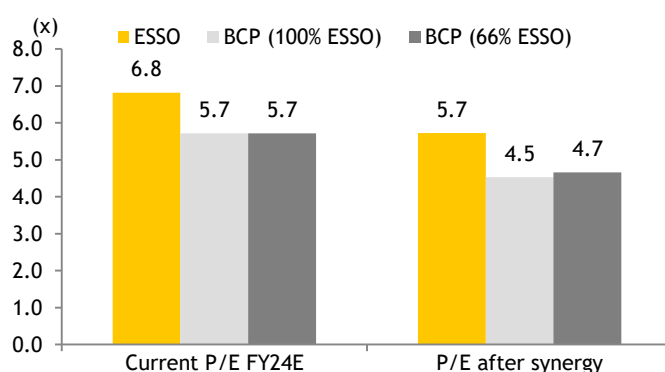


Fig 8: P/BV multiples before and after asset revaluation



Source: Company data, MST

Fig 9: P/E multiples before and after synergy benefits



Source: Company data, MST

### 3.2 BCP P/BV still cheaper even with revaluation gain

Based on consensus estimate, BCP is cheaper than ESSO; BCP trades at 0.78x 2023E P/BV whereas ESSO trades at 1.17x 2023E P/BV. Note that we compare BCP and ESSO's valuation using consensus estimates as we do not have explicit forecasts for ESSO. We also use 2023E as the base-year as it removes variations on GRM expectations and BCP's eventual ownership in ESSO, which potentially could range from 66% up to 100% (our assumption). We believe these make for a better comparison.

Adjusted for revaluation gain, we still believe BCP will remain significantly cheaper than ESSO. Using our pre-tax revaluation gain calculation from above, we estimate that BCP would be trading at 0.61x adjusted P/BV whereas ESSO would be trading at 0.72x adjusted P/BV. Moreover, even if we assume BCP receives no additional share from ESSO's tender process, the stock would have an adjusted P/BV of 0.66x, which is still lower than ESSO's.

Fig 10: BCP cheaper than ESSO on P/BV based on consensus numbers

Items	Unit	ESSO	BCP (100% ESSO)	BCP (66% ESSO)
Book value 2023E	THBm	29,313	67,056	67,056
Pretax-revaluation gain	THBm	23,117	23,117	23,117
After-tax revaluation gain	THBm	18,493	18,493	12,206
Adj. book value 2023E	THBm	47,807	85,550	79,262
Shares outstanding	m shares	3,461	1,377	1,377
Current BVPS 2023E	THB/sh	8.47	48.70	48.70
Adj. BVPS 2023E	THB/sh	13.81	62.13	57.56
Last traded price	THB/sh	9.90	38.00	38.00
Current P/BV	x	1.17	0.78	0.78
Adj. P/BV	x	0.72	0.61	0.66

Source: Bloomberg, Company data, MST

### 3.3 BCP also cheaper on P/E pre- and post-synergy

BCP is also more attractive than ESSO in P/E terms (again, based on consensus estimate for a fair comparison). The current FY24E P/E for BCP is 5.7x compared to ESSO's 6.8x. Assuming BCP's management delivers the THB3b in annual pre-tax synergy, we estimate the potential uplift to BCP's FY24E earnings to be 26% whereas a comparable figure for ESSO is only 19%. This is because BCP expects 40% (THB1.2b) of synergy benefit to be for ESSO and another 60% (THB1.8b) to be directly for BCP. However, because BCP will also indirectly benefit from synergy on ESSO's part, the total pre-tax

synergy uplift to BCP is THB3b. On the other hand, ESSO's shareholders will not enjoy the synergy uplift at BCP's level. Adjusted for this potential synergy uplift, we estimate BCP's FY24E P/E will fall to 4.5x whereas ESSO's will fall to 5.7x. Moreover, even if we assume BCP does not receive any additional ESSO share from the tender process, BCP would still be cheaper on a post-synergy P/E basis at 4.7x FY24E.

**Fig 11: BCP vs ESSO on pre- and post-synergy P/E (using consensus as base)**

Items	Unit	ESSO	BCP (100% ESSO)	BCP (66% ESSO)
Net profit (consensus)	THBm	5,029	9,157	9,157
EPS FY24E	THB/sh	1.45	6.65	6.65
Synergy (direct)	THBm	1,200	1,800	1,800
Synergy (indirect)	THBm		1,200	792
Total synergy	THBm	1,200	3,000	2,592
After-tax synergy	THBm	960	2,400	2,074
Uplift to 2024E profit	%	19%	26%	23%
EPS after synergy	THB/sh	1.73	8.39	8.16
Last traded price	THB/sh	9.90	38.00	38.00
Current P/E FY24E	x	6.8	5.7	5.7
P/E after synergy	x	5.7	4.5	4.7

Source: Bloomberg, Company data, MST

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Metrics</b>					
P/E (reported) (x)	4.7	3.4	8.6	6.4	5.8
Core P/E (x)	11.1	2.4	8.6	6.4	5.8
P/BV (x)	0.8	0.8	0.9	0.9	0.8
P/NTA (x)	0.8	0.8	0.9	0.9	0.8
Net dividend yield (%)	7.9	7.1	5.8	7.9	8.6
FCF yield (%)	nm	12.5	nm	23.2	42.1
EV/EBITDA (x)	6.8	2.9	7.5	6.1	5.7
EV/EBIT (x)	11.7	3.6	13.2	11.0	10.1

**INCOME STATEMENT (THB m)**

Revenue	199,417.0	312,202.4	263,135.4	421,886.1	413,752.3
EBITDA	19,175.1	47,214.4	25,212.2	31,624.9	32,230.3
Depreciation	(8,074.9)	(10,003.6)	(10,971.1)	(14,082.5)	(14,038.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	11,100.2	37,210.8	14,241.1	17,542.4	18,191.4
Net interest income /(exp)	(2,539.5)	(3,976.7)	(4,142.6)	(4,299.0)	(4,259.3)
Associates & JV	1,042.1	188.1	39.3	38.2	36.9
Exceptionals	4,504.9	(5,417.9)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	14,107.8	28,004.3	10,137.8	13,281.5	13,969.1
Income tax	(4,263.0)	(12,851.8)	(2,019.7)	(2,648.7)	(2,786.4)
Minorities	(2,220.9)	(2,577.3)	(2,050.5)	(2,405.2)	(2,225.1)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	7,623.8	12,575.2	6,067.6	8,227.6	8,957.5
Core net profit	3,118.9	17,993.1	6,067.6	8,227.6	8,957.5

**BALANCE SHEET (THB m)**

Cash & Short Term Investments	32,829.4	47,168.8	11,236.8	11,436.8	11,640.8
Accounts receivable	15,233.6	22,199.0	18,710.1	29,998.0	29,419.7
Inventory	18,497.0	29,532.5	26,731.3	43,404.6	42,400.4
Property, Plant & Equip (net)	69,233.3	73,018.4	119,577.8	110,036.6	100,549.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	13,670.0	1,852.3	1,852.3	1,852.3	1,852.3
Other assets	52,322.0	68,573.3	65,998.1	88,400.9	90,745.6
<b>Total assets</b>	<b>201,785.3</b>	<b>242,344.3</b>	<b>244,106.4</b>	<b>285,129.2</b>	<b>276,608.5</b>
ST interest bearing debt	10,737.7	10,732.3	4,060.5	3,836.2	2,918.1
Accounts payable	15,650.8	28,947.6	26,201.8	42,544.9	41,560.6
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	77,305.1	80,907.6	90,430.1	89,355.4	75,887.1
Other liabilities	28,532.0	38,379.0	34,984.0	53,903.0	53,867.0
<b>Total Liabilities</b>	<b>132,226.0</b>	<b>158,966.3</b>	<b>155,676.2</b>	<b>189,639.9</b>	<b>174,232.8</b>
Shareholders Equity	53,467.1	62,703.8	65,705.5	70,359.3	75,020.5
Minority Interest	16,092.2	20,674.3	22,724.8	25,130.0	27,355.1
<b>Total shareholder equity</b>	<b>69,559.3</b>	<b>83,378.1</b>	<b>88,430.3</b>	<b>95,489.3</b>	<b>102,375.7</b>
<b>Total liabilities and equity</b>	<b>201,785.3</b>	<b>242,344.3</b>	<b>244,106.4</b>	<b>285,129.2</b>	<b>276,608.5</b>

**CASH FLOW (THB m)**

Pretax profit	14,107.8	28,004.3	10,137.8	13,281.5	13,969.1
Depreciation & amortisation	8,074.9	10,003.6	10,971.1	14,082.5	14,038.9
Adj net interest (income)/exp	263.4	447.7	0.0	0.0	0.0
Change in working capital	(3,883.3)	(13,794.6)	4,896.8	(8,058.1)	1,348.8
Cash taxes paid	(4,263.0)	(12,851.8)	(2,019.7)	(2,648.7)	(2,786.4)
Other operating cash flow	(4,504.9)	5,417.9	0.0	0.0	0.0
Cash flow from operations	11,715.6	19,231.7	23,986.0	16,657.3	26,570.3
Capex	(22,741.2)	(13,788.6)	(57,530.6)	(4,541.2)	(4,552.0)
Free cash flow	(11,025.6)	5,443.1	(33,544.6)	12,116.0	22,018.3
Dividends paid	(2,672.2)	(4,260.8)	(3,065.9)	(3,573.8)	(4,296.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	6,101.9	(13,624.6)	31,290.2	(4,431.8)	(17,523.1)
Other invest/financing cash flow	18,774.3	26,781.7	(30,611.8)	(3,910.4)	5.1
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>11,178.3</b>	<b>14,339.4</b>	<b>(35,932.1)</b>	<b>200.0</b>	<b>204.0</b>

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	46.1	56.6	(15.7)	60.3	(1.9)
EBITDA growth	322.3	146.2	(46.6)	25.4	1.9
EBIT growth	nm	235.2	(61.7)	23.2	3.7
Pretax growth	nm	98.5	(63.8)	31.0	5.2
Reported net profit growth	nm	64.9	(51.7)	35.6	8.9
Core net profit growth	nm	476.9	(66.3)	35.6	8.9
<b>Profitability ratios (%)</b>					
EBITDA margin	9.6	15.1	9.6	7.5	7.8
EBIT margin	5.6	11.9	5.4	4.2	4.4
Pretax profit margin	7.1	9.0	3.9	3.1	3.4
Payout ratio	36.1	24.6	50.0	50.0	50.0
<b>DuPont analysis</b>					
Net profit margin (%)	3.8	4.0	2.3	2.0	2.2
Revenue/Assets (x)	1.0	1.3	1.1	1.5	1.5
Assets/Equity (x)	3.8	3.9	3.7	4.1	3.7
ROAE (%)	19.1	26.1	11.2	14.2	14.3
ROAA (%)	1.8	8.1	2.5	3.1	3.2
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	26.2	23.9	28.8	21.4	26.6
Days receivable outstanding	19.5	21.6	28.0	20.8	25.8
Days inventory outstanding	34.2	32.3	41.8	32.1	40.2
Days payables outstanding	27.6	30.0	41.0	31.5	39.4
Dividend cover (x)	2.8	4.1	2.0	2.0	2.0
Current ratio (x)	2.0	2.3	1.7	1.6	1.6
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.5	1.5	1.6	1.5	1.6
Net gearing (%) (incl perps)	79.4	53.3	94.1	85.6	65.6
Net gearing (%) (excl. perps)	79.4	53.3	94.1	85.6	65.6
Net interest cover (x)	4.4	9.4	3.4	4.1	4.3
Debt/EBITDA (x)	4.6	1.9	3.7	2.9	2.4
Capex/revenue (%)	11.4	4.4	21.9	1.1	1.1
Net debt/ (net cash)	55,213.4	44,471.1	83,253.8	81,754.8	67,164.4

Source: Company; Maybank IBG Research

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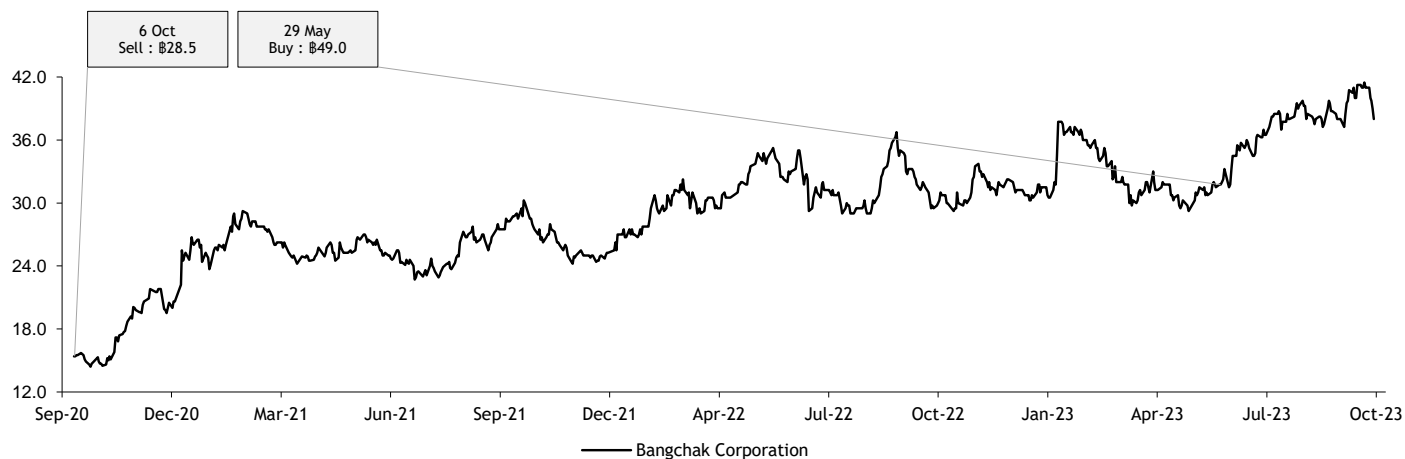
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