

On time, on track to grow

- Upsides on higher refinery run rate, rising margins of asphalt, diesel, and jet fuel-crude to boost market GRMs
- 50% US shale oil intake and growing earnings from retail stations will further support resilient GRMs
- Initiated with a BUY and a SoTP TP of THB9.9

From a low level in 2024E to double earnings in 2026E

We project net profit to rise from THB435m in 2024E to THB1.45b in 2025E and THB1.7b in 2026E on the back of rising productions to 155kbbpd, higher gross refining margin (GRM) on higher diesel, jet fuel, and asphalt-crude, and the continued improvement in revenue and net profit from retail oil stations. As a diversified refinery-retail oil station play, BSRC will gain benefits from the lower freight cost and the higher sales volumes on the captive demands from retail stations.

High yields of distillates and asphalt to offset high gasoline

As a former US-based refinery plant (ESSO) (Thailand), BSRC has a higher-than-peer yield of gasoline at 31% vs Thai average yield at 25%. Due to the structural decline in gasoline demand in Thailand on the substitutions by EVs, we project the gasoline-crude margin to stay at USD14-15/bbl in 2025E-26E. However, the projected high margins of distillates and asphalt should more than offset the weak gasoline-crude margins as BSRC has high production yields of distillates (41% diesel, 7% jet fuel) and 3% asphalt yield.

Higher US shale oil usage bodes well on crude cost cut

Thanks to its complex refinery plant, BSRC is capable of using the cheap US light sweet crudes from shale oil. In 9M24, BSRC imported US crude oil at 49% of total crude consumption, reducing the costly Far East and South East crudes from 32% in 9M23 to 23% in 9M24. We estimate that the cuts in Far East and South East crudes by 9% of consumption alone could add USD1-2/bbl GRM to BSRC.

Retail stations under a better marketing margin

After being acquired by BCP in 3Q23, BSRC rebrands its retail oil stations over 90% of total 656 stations, comprising 38% Company-Owned, Company-Operate (COCO), Dealer-Owned, 52% Dealer-Operate (DODO), and 10% remaining stations still under ESSO brand. We think the marketing margin (MM) of BSRC's stations will improve from THB1.1/litre to THB1.2/litre, as the combined stations of BCP and BSRC have seen higher sales volume of the premium oil (THB4-5/litre MM) portion from 7% in 2023 to 13% in 3Q24.

Initiated with a BUY and a SoTP TP of THB8.50

We initiated coverage on BSRC with a BUY and a SoTP TP of THB8.5, apply different valuation methodologies to reflect the different risk-reward outlook. We use 2025E EPS and EBITDA forecasts and apply 1) 7x EV/EBITDA for refinery; 2) 14x P/E for retail oil station; and 3) estimate value of 0.5mtpa aromatics unit, currently being mothballed due to the industry depressed margins.

ESG Rating : n.a.

CG Rating : ▲▲▲▲▲

BUY

Target Price 12M (THB)	8.50
VS. BB Consensus TP (%)	+1.1%
Share Price (THB)	7.30
Upside/Downside	+15.6%

Share Data

Market Cap (THB m)	25,264.26
Par (THB)	10.00
Free Float (%)	23.66
Issued shares (m shares)	3,461

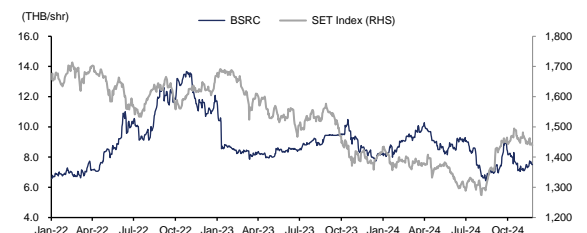
Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	229,538	186,339	181,587	181,587
Net profit	2,142	993	1,493	1,762
Core net profit	2,142	993	1,493	1,762
vs Consensus (%)	-	(41.3)	(57.1)	(58.3)
Net profit growth (%)	(77.5)	(53.7)	50.5	18.0
Core net profit growth (%)	(77.5)	(53.7)	50.5	18.0
EPS (THB)	0.62	0.29	0.43	0.51
Core EPS (THB)	0.62	0.29	0.43	0.51
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	0.00	0.11	0.17	0.20
P/E (x)	13.74	25.63	17.03	14.44
P/BV (x)	1.05	0.88	0.85	0.82
ROE (%)	7.77	3.49	5.06	5.75
Dividend yield (%)	0.00	1.56	2.35	2.77

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	2.80	3.52	(18.78)	(13.53)
Market	4.60	(0.99)	(20.50)	(14.27)
12M High/Low (THB)				10.60 / 6.40



Major Shareholders (%) as of 4 Sep 2024

Bangchak Corporation	78.97
Vayupak Fund 1 by MFC Asset management	4.08
Vayupak Fund 1 by Krungthai Asset management	4.08

Company Profile

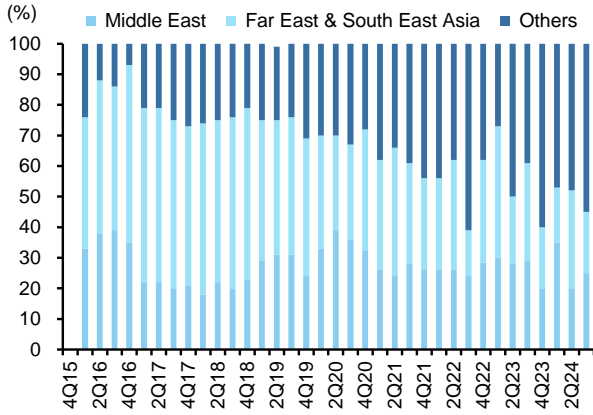
The Company operates an integrated petroleum refining and comprehensive petroleum product distribution business.

Source: SETSMART, SET

Analyst

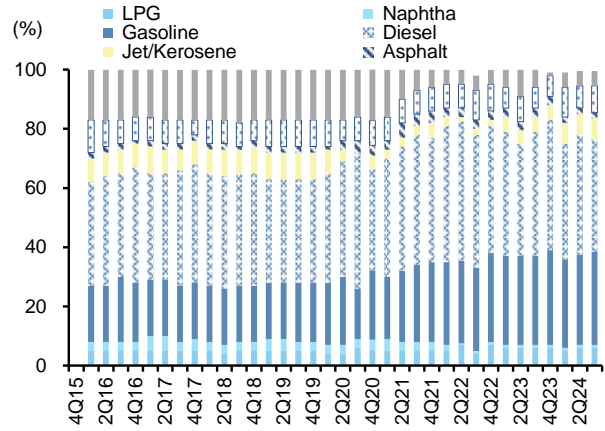
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Exhibit 1: BSRC's crude mix



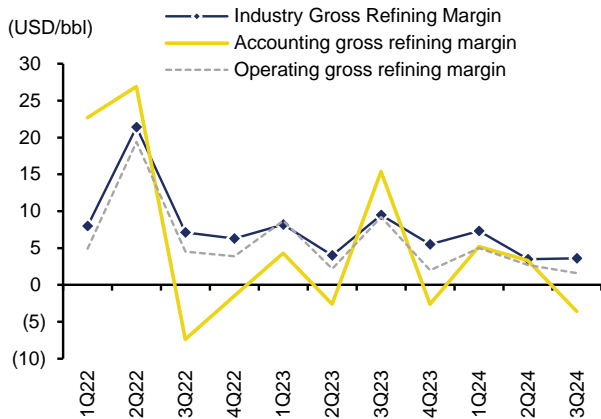
Sources: BSRC, Globlex Research

Exhibit 2: BSRC's product yield



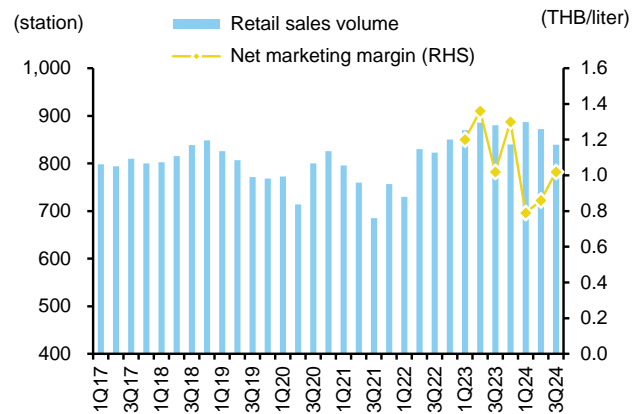
Sources: BSRC, Globlex Research

Exhibit 3: Industry GRM vs BSRC's accounting GRM vs BSRC's operating GRM



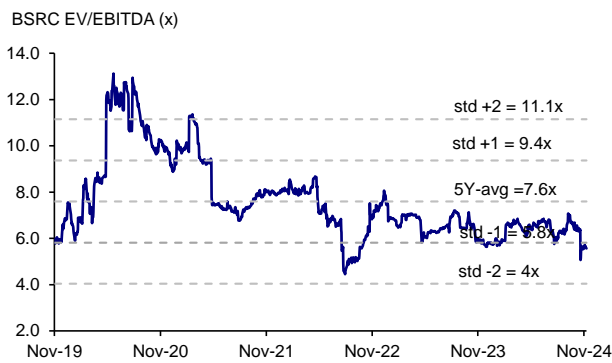
Sources: BSRC, Globlex Research

Exhibit 4: BSRC's retail sales volume vs net marketing margin



Sources: BSRC, Globlex Research

Exhibit 5: Prospective EV/EBITDA band



Sources: Bloomberg, Globlex Research

Exhibit 6: Prospective P/BV band



Sources: Bloomberg, Globlex Research

Exhibit 7: BSRC's target price

BSRC valuation	THB m	THB/shr	Comments
Refinery	22,130	6.4	At 7x FY25E EV/EBITDA
Oil station	19,000	5.5	At 14x FY25E P/E
Aromatics	10,000	2.9	At 3x FY25E EV/EBITDA
Net debt	(21,219)	(6.2)	FY25E net debt
Total value	29,911	8.5	

Sources: Globlex Research

Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Current assets					
Cash & ST investment	586	976	895	1,057	3,536
Account receivable	8,430	9,548	10,455	11,339	12,223
Inventories	23,893	18,182	14,825	14,386	14,356
Others	19,013	7,171	5,821	5,673	5,673
Non-current assets					
Net fixed assets	22,982	22,888	22,657	21,545	20,368
Others	10,637	11,857	11,857	11,857	11,857
Total Assets	85,541	70,621	66,511	65,857	68,013
Current liabilities					
Account payable	5,872	5,262	4,291	4,164	4,155
ST borrowing	20,431	11,343	8,343	5,843	4,843
Others	23,321	6,013	4,881	4,757	4,757
Long-term liabilities					
Long-term debts	4,166	15,433	15,433	16,433	18,433
Others	4,547	4,607	4,607	4,607	4,607
Total liabilities	58,337	42,658	37,555	35,803	36,794
Paid-up capital	17,075	17,075	17,075	17,075	17,075
Retained earnings	5,399	6,534	7,526	8,623	9,787
Others	4,723	4,347	4,347	4,347	4,347
Minority interest	7	7	8	9	10
Shareholders' equity	27,204	27,963	28,956	30,053	31,218

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
Growth (%YoY)					
Sales	52.1	(12.7)	(18.8)	(2.6)	0.0
Operating profit	188.1	(61.0)	(32.2)	15.9	7.9
EBITDA	484.8	(77.4)	(50.5)	43.0	15.8
Net profit	114.0	(77.5)	(53.7)	50.5	18.0
Core net profit	114.0	(77.5)	(53.7)	50.5	18.0
EPS	114.0	(77.5)	(53.7)	50.5	18.0
Core EPS	114.0	(77.5)	(53.7)	50.5	18.0
Profitability (%)					
Gross margin	7.8	4.8	4.4	4.8	5.0
Operation margin	5.7	2.6	2.1	2.5	2.7
EBITDA margin	4.5	1.2	0.7	1.0	1.2
Net margin	3.6	0.9	0.5	0.8	1.0
ROE	41.0	7.8	3.5	5.1	5.8
ROA	12.0	2.5	1.2	1.0	0.6
Stability					
Interest bearing debt/equity (x)	0.9	1.0	0.8	0.7	0.7
Net debt/equity (x)	0.9	0.9	0.8	0.7	0.6
Interest coverage (x)	32.4	4.5	2.6	3.6	4.1
Interest & ST debt coverage (x)	0.6	0.3	0.2	0.4	0.5
Cash flow interest coverage (x)	0.0	0.1	0.1	0.1	0.1
Current ratio (x)	1.0	1.6	1.8	2.2	2.6
Quick ratio (x)	0.2	0.5	0.6	0.8	1.1
Net debt (THB m)	24,011	25,800	22,881	21,219	19,740
Activity					
Asset turnover (X)	3.4	2.9	2.7	2.7	2.7
Days receivables	11.5	14.3	19.6	21.9	23.7
Days inventory	32.1	35.2	33.8	30.8	30.4
Days payable	8.3	9.3	9.8	8.9	8.8
Cash cycle days	35.4	40.1	43.6	43.8	45.3

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Revenue	263,000	229,538	186,339	181,587	181,587
Cost of goods sold	(242,512)	(218,451)	(178,126)	(172,848)	(172,483)
Gross profit	20,488	11,087	8,213	8,739	9,104
Operating expenses	(5,440)	(5,215)	(4,234)	(4,126)	(4,126)
Operating profit	15,048	5,871	3,979	4,613	4,978
EBIT	12,205	3,328	1,924	2,500	2,827
Depreciation	(3,195)	(3,194)	(2,654)	(2,718)	(2,783)
EBITDA	11,853	2,677	1,325	1,895	2,195
Non-operating income	40	289	334	340	367
Other incomes	23	239	251	263	276
Other non-op income	18	50	84	77	91
Non-operating expense	(376)	(735)	(747)	(695)	(686)
Interest expense	(376)	(735)	(747)	(695)	(686)
Other non-op expense	0	0	0	0	0
Equity income/(loss)	312	361	265	265	265
Pre-tax Profit	11,829	2,593	1,178	1,805	2,141
Extraordinary items					
Current taxation	(2,320)	(451)	(184)	(311)	(379)
Minorities	(0)	(1)	(1)	(1)	(1)
Net Profit	9,509	2,142	993	1,493	1,762
Core net profit	9,509	2,142	993	1,493	1,762
EPS (THB)	2.75	0.62	0.29	0.43	0.51
Core EPS (THB)	2.75	0.62	0.29	0.43	0.51

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Operating cash flow	46	4,093	5,593	3,927	3,958
Net profit	9,509	2,142	993	1,493	1,762
Depre. & amortization	3,195	3,194	2,654	2,718	2,783
Change in working capital	(12,680)	(1,481)	1,695	(548)	(863)
Others	23	239	251	263	276
Investment cash flow	(7,882)	(7,033)	(1,715)	(2,507)	(2,507)
Net CAPEX	(7,780)	(7,151)	(1,715)	(2,507)	(2,507)
Change in LT investment	(103)	118	0	0	0
Change in other assets	0	0	0	0	0
Free cash flow	(7,836)	(2,940)	3,877	1,420	1,451
Financing cash flow	7,620	3,330	(3,958)	(1,258)	1,028
Change in share capital	(0)	(0)	(0)	(0)	(0)
Net change in debt	2,109	2,179	(3,000)	(1,500)	1,000
Dividend paid	0	0	0	(397)	(597)
Others	5,511	1,151	(958)	639	625
Net cash flow	(216)	390	(81)	162	2,479
Per share (THB)					
EPS	2.75	0.62	0.29	0.43	0.51
Core EPS	2.75	0.62	0.29	0.43	0.51
CFPS	3.67	1.54	1.05	1.22	1.31
BVPS	7.86	8.08	8.36	8.68	0.00
Sales/share	75.99	66.32	53.84	52.47	52.47
EBITDA/share	3.42	0.77	0.38	0.55	0.63
DPS	0.00	0.00	0.11	0.17	0.20
Valuation					
P/E (x)	4.59	13.74	25.63	17.03	14.44
P/BV (x)	1.60	1.05	0.88	0.85	0.82
Dividend yield (%)	0.00	0.00	1.56	2.35	2.77
Dividend payout ratio (%)	0.00	0.00	40.00	40.00	40.00

GENERAL DISCLAIMER

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.