

19 May 2022

Energy & Petrochemicals | Oil & Gas Services

## Bangchak Corp (BCP TB)

**Buy** (Maintained)

### Recovery, Tight Supply And Potential New Business

Target Price (Return): THB39.00 (+10%)  
 Price (Market Cap): THB35.30 (USD1,450m)  
 ESG score: 3.44 (out of 4)  
 Avg Daily Turnover (THB/USD) 269m/8.04m

- **Keep BUY and THB39.00 TP, 10% upside with c.4% yield.** Bangchak should book strong GRMs in 2Q22 and FY22, due to higher demand from the transportation and tourism sectors. We believe its earnings improvement will be underpinned by the recovery of the global and Thai economies.
- **Getting on the electric vehicle (EV) bandwagon.** BCP aims to capitalise on the EV trend, and be a major provider of EV charging services. It expects to install chargers in over 200 stations this year, compared with only 70 stations in 2021. It also aims to retail high-value-added food and beverage products at the retail areas of its petrol stations.
- **Refinery unit charted robust numbers, due to high utilisation rates and a solid GRM.** BCP's 1Q22 earnings of THB4.4bn (+148% YoY, +91% QoQ) are in line. It also recorded a utilisation rate of 102%, vs 54% in 1Q21 and 94% in 4Q21. GRM rose to USD6.80/bbl in 1Q22, from USD3.20/bbl in 1Q21 and 6.70/bbl in 4Q21 on higher demand for diesel, gasoline products and jet oil. Demand is growing due to the economic recovery, and the pick-up in transportation and aviation activities. Oil supply has also been tight due to the Russia-Ukraine conflict, while OPEC is still cautiously controlling production levels. For 1Q, BCP recorded a huge stock gain of THB3bn.
- **Recovery in the marketing segment.** The company's marketing EBITDA amounted to THB1.1bn in 1Q22 (+338% QoQ, +15% YoY) due to an improved marketing margin of THB0.59/litre (+9% QoQ) as well as 15 additional oil service stations (to total 1,292 branches) in 1Q22. The marketing sales volume spiked in 1Q22, boosted by a higher industrial sales volume of 286m litres (+21% QoQ, +54% YoY). This offset the weaker retail service station sales volume of 1,122m litres (-2% QoQ, +6% YoY).
- **2Q22E profits to increase YoY, soften QoQ.** BCP's refinery business should see strong YoY growth, due to the continuously improving demand. The stock gain may not be as high as the 1Q22 estimate but, as oil prices increased sharply during that period, this should also point to a softer QoQ performance. Its retail marketing business is also expected to recover after the Thai Government decided to lift the diesel price cap, from the original limit of not more than THB30.00/litre on 30 Apr – as the Oil Fund is almost depleted. This will reduce BCP's burden to support consumers.
- **Based on our methodology, we derive an ESG score of 3.4 out of 4 for this stock.** Accordingly, we apply a 2% premium to our intrinsic 2022F P/BV of 1.1x, which is near its 5-year mean, to arrive at our THB39.00 TP. BCP is expected to record a handsome dividend yield of 4% in 2022.

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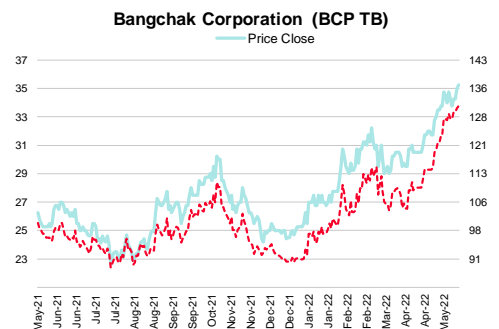


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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	39.6	13.7	14.6	34.3	34.3
Relative	41.9	16.6	20.0	36.2	30.9
52-wk Price low/high (THB)	22.7 – 35.3				



Source: Bloomberg

Forecasts and Valuation	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Total turnover (THBm)	136,450	199,417	230,105	234,565	245,163
Recurring net profit (THBm)	(4,376)	9,303	5,388	5,483	5,572
Recurring net profit growth (%)	(444.3)	-	(42.1)	1.8	1.6
Recurring P/E (x)	na	5.22	9.01	8.85	8.71
P/B (x)	1.0	1.1	1.0	1.0	0.9
P/CF (x)	6.44	2.88	na	8.78	4.15
Dividend Yield (%)	2.0	5.7	4.3	4.7	4.3
EV/EBITDA (x)	19.86	3.53	6.14	6.29	6.14
Return on average equity (%)	(15.3)	16.4	11.7	11.2	10.6
Net debt to equity (%)	62.5	56.1	57.5	63.0	58.9

Source: Company data, RHB

#### Overall ESG Score: 3.44 (out of 4)

##### E: GOOD

The country's leading oil refiner has committed to construct several green projects that boost its operations' environmental standing.

##### S: EXCELLENT

Bangchak has well-established social responsibility policies on key matters such as labour rights and the safety of its workers, in addition to promoting the development of its human capital and CSR footprint.

##### G: EXCELLENT

There are good transparency levels afforded by its annual reporting framework, alongside regular management briefings with investors. It is also backed by a diverse board composition comprising industry experts, and independent directors chairing its committees.

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## Financial Exhibits

Asia	Financial summary (THB)	Dec-20	Dec-21	Dec-22F	Dec-23F	Dec-24F
Thailand	Recurring EPS	(3.18)	6.76	3.91	3.98	4.05
Energy & Petrochemicals	DPS	0.70	2.00	1.53	1.66	1.51
<b>Bangchak Corp</b>	BVPS	35.23	32.49	34.32	36.93	39.51
BCP TB	Return on average equity (%)	(15.3)	16.4	11.7	11.2	10.6
Buy						
	<b>Valuation metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
<b>Valuation basis</b>	Recurring P/E (x)	na	5.22	9.01	8.85	8.71
For the Thai refineries/petrochemicals, we use P/BV as a valuation basis. This is due to the high volatility in earnings as a result of stock gains/losses. We believe that the DCF valuation is not appropriate as the share price and earnings are highly subject to seasonal factors.	P/B (x)	1.0	1.1	1.0	1.0	0.9
	FCF Yield (%)	(2.6)	(11.8)	(40.0)	(9.2)	3.5
	Dividend Yield (%)	2.0	5.7	4.3	4.7	4.3
	EV/EBITDA (x)	19.86	3.53	6.14	6.29	6.14
	EV/EBIT (x)	na	5.31	12.09	12.36	12.10
	<b>Income statement (THBm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
<b>Key drivers</b>	Total turnover	136,450	199,417	230,105	234,565	245,163
i. A rise in the price of crude oil, as it is the main feedstock;	Gross profit	4,328	23,156	20,825	21,111	21,452
ii. GRMs, which fluctuate depending on seasonal demand;	EBITDA	4,008	24,078	16,092	16,575	16,899
iii. Stock gains/losses due to crude oil price volatilities;	Depreciation and amortisation	(6,821)	(8,075)	(7,923)	(8,131)	(8,318)
iv. Negative effect of a fluctuation in the USD/THB rate where product and feedstock costs are valued in USD.	Operating profit	(2,813)	16,003	8,169	8,444	8,581
	Net interest	(1,969)	(2,540)	(2,809)	(2,790)	(2,851)
	Pre-tax profit	(8,555)	11,887	6,280	6,358	6,466
	Taxation	1,589	(4,263)	(892)	(876)	(894)
	Reported net profit	(6,967)	7,624	5,388	5,483	5,572
	Recurring net profit	(4,376)	9,303	5,388	5,483	5,572
	<b>Cash flow (THBm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
<b>Key risks</b>	Change in working capital	3,907	(401)	(21,783)	(7,379)	(1,464)
i. Weaker-than-expected demand;	Cash flow from operations	7,535	16,874	(9,392)	5,531	11,691
ii. New supply in the market.	Capex	(8,804)	(22,614)	(10,000)	(10,000)	(10,000)
	Cash flow from investing activities	(11,879)	(24,076)	7,659	(10,000)	(10,000)
	Dividends paid	(2,823)	(1,102)	(964)	(2,754)	(2,111)
	Cash flow from financing activities	34,291	37,906	14,295	12,963	13,606
	Cash at beginning of period	7,564	21,651	32,022	40,439	36,458
	Net change in cash	29,947	30,704	12,562	8,494	15,297
	Ending balance cash	37,511	52,355	44,584	48,933	51,755
	<b>Balance sheet (THBm)</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
<b>Company Profile</b>	Total cash and equivalents	21,651	32,022	40,439	36,458	38,377
Bangchak has a diversified portfolio. The 120kbpd refinery accounts for 50% of its EBITDA, while the power plant, retail marketing, and bio-based products businesses account for 36%, 11%, and 3% of EBITDA.	Tangible fixed assets	54,694	69,233	71,310	73,179	74,861
	Total investments	17,282	18,744	1,085	1,085	1,085
	Total assets	148,323	201,785	161,157	159,981	165,808
	Short-term debt	3,975	1,274	4,000	4,000	4,001
	Total long-term debt	54,095	69,787	71,635	73,255	74,663
	Total liabilities	90,006	132,226	99,956	95,178	97,456
	Total equity	58,316	69,559	61,200	64,803	68,352
	Total liabilities & equity	148,323	201,785	161,157	159,981	165,808
	<b>Key metrics</b>	<b>Dec-20</b>	<b>Dec-21</b>	<b>Dec-22F</b>	<b>Dec-23F</b>	<b>Dec-24F</b>
	Revenue growth (%)	(28.4)	46.1	15.4	1.9	4.5
	Recurrent EPS growth (%)	(444.3)	0.0	(42.1)	1.8	1.6
	Gross margin (%)	3.2	11.6	9.1	9.0	8.8
	Operating EBITDA margin (%)	2.9	12.1	7.0	7.1	6.9
	Net profit margin (%)	(5.1)	3.8	2.3	2.3	2.3
	Dividend payout ratio (%)	(13.8)	36.1	39.2	41.7	37.3
	Capex/sales (%)	6.5	11.3	4.3	4.3	4.1
	Interest cover (x)	(1.43)	6.30	2.91	3.03	3.01

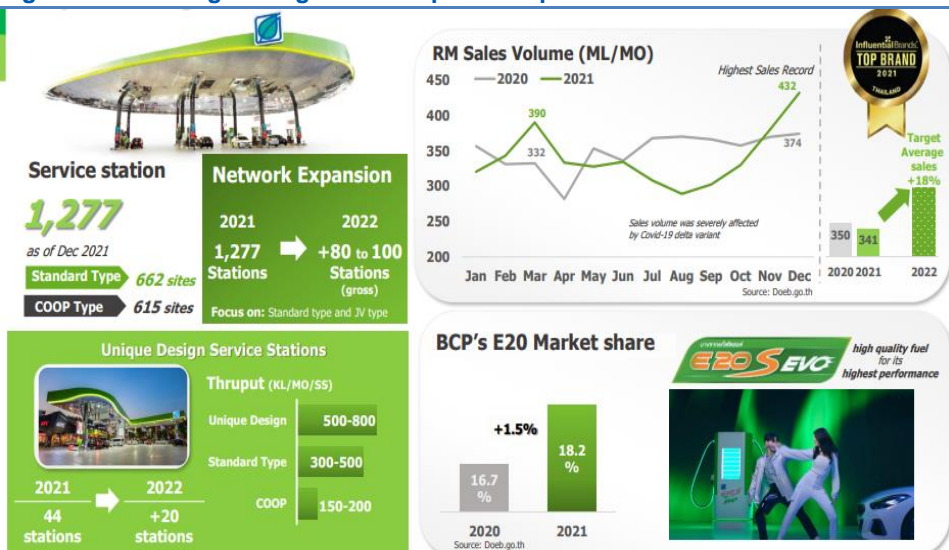
Source: Company data, RHB

Figure 1: BCP's ambition to have EV chargers installed



Source: Company, RHB

Figure 2: Marketing sales growth and premium products



Source: Company, RHB

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Figure 3: 1Q22 quarterly earnings review

FYE Dec (THB m)	1Q21	4Q21	1Q22	QoQ (%)	YoY (%)	Comments
Revenue	41,230	66,762	69,055	3%	67%	Better oil prices and sales volumes
COGS	36,626	57,473	56,801	-1%	55%	
Gross Profit	4,064	9,289	12,254	32%	202%	
Gross Profit Margin %	9.9%	13.9%	17.7%			
<b>EBITDA</b>	<b>4,828</b>	<b>8,765</b>	<b>13,003</b>	<b>48%</b>	<b>169%</b>	Strong GRM but the retail business is under subsidy
EBITDA margin %	11.7%	13.1%	18.8%			
Interest expense	464	917	836	-9%	80%	
JVs & associates	194	159	148	-7%	-24%	
Tax	408	1,756	5,347	nm	1211%	
<b>Net Profit</b>	<b>2,283</b>	<b>1,757</b>	<b>4,356</b>	<b>148%</b>	<b>91%</b>	Mainly from stock gains due to the increase in oil prices
Profit margin %	5.5%	2.6%	6.3%			

Source: Company data, RHB

## Recommendation Chart

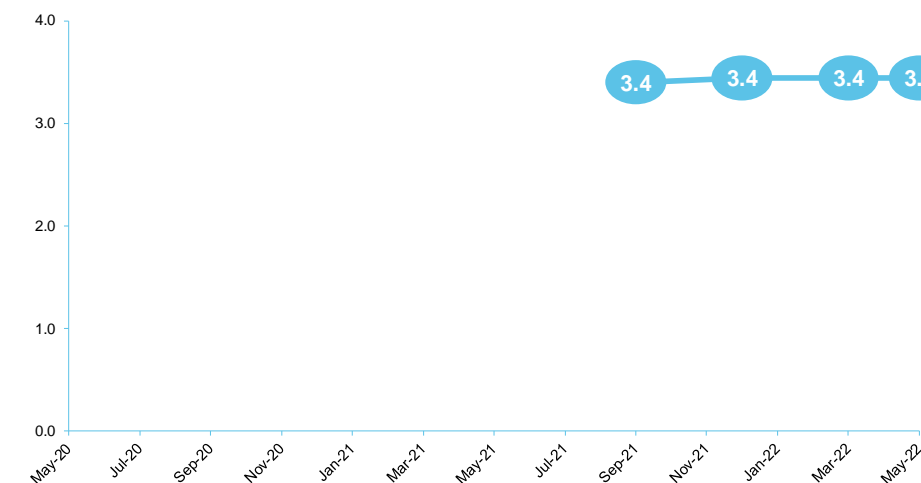


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-05-06	Buy	39.0	34.5
2022-03-14	Buy	35.0	30.0
2022-02-17	Buy	34.0	29.5
2021-12-23	Buy	31.0	24.9
2020-06-14	Neutral	21.3	21.4
2020-03-18	Neutral	14.5	14.5
2020-03-05	Neutral	25.3	23.7
2019-08-13	Neutral	30.0	27.0
2019-07-30	Neutral	33.0	30.5
2019-02-22	Buy	40.0	33.3
2018-11-09	Buy	41.0	33.0
2018-05-14	Buy	na	35.5

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
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<b>Not Rated:</b>	Stock is not within regular research coverage

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