

4 November 2016

Energy &amp; Utilities

**BCP**
**The Bangchak Petroleum**
**Current**
**Previous**
**Close**
**2017 TP**
**Exp Return**
**Anti-corrupt**
**CGR 2016**
**BUY**

-

**32.50**
**38.00**
**+ 16.9%**
**5**
**5**
**Consolidated earnings**

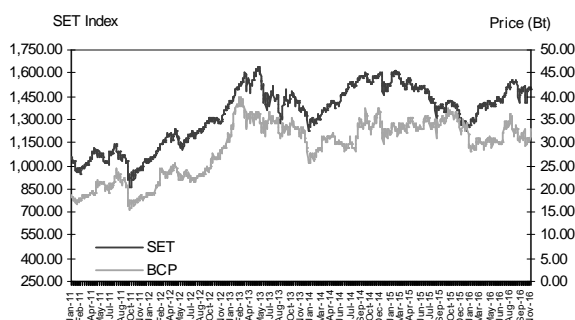
BT (mn)	2014	2015	2016E	2017E
Normalized earnings	-435	4,305	4,663	5,237
Net profit	696	4,150	4,663	5,237
Normalized EPS (Bt)	-0.32	3.13	3.39	3.80
% growth Y-Y	nm	nm	8.3	12.3
EPS (Bt)	0.51	3.01	3.39	3.80
% growth Y-Y	-85.0	496.3	12.4	12.3
EPS (Bt) - full dilution	0.51	3.01	3.39	3.80
% growth Y-Y	-85.0	496.3	12.4	12.3
Dividend (Bt)	1.00	2.00	1.52	1.71
BV/share (Bt)	24.19	25.77	27.26	29.31
EV/EBITDA (x)	20.0	6.0	5.9	5.5
Normalized PER (x)	-102.9	10.4	9.6	8.5
PER (x)	64.3	10.8	9.6	8.5
PBV (x)	1.3	1.3	1.2	1.1
Dividend yield (%)	3.1	6.2	4.7	5.3
YE No. of shares (million)	1,377	1,377	1,377	1,377
No. of shares - full dilution	1,377	1,377	1,377	1,377
Par (Bt)	1.00	1.00	1.00	1.00

Source: Company data, FSS estimates

**Share data**

Close (3/11/2016)	32.50
SET Index	1,493.08
Foreign limit/actual (%)	25.00/17.25
Paid up shares (million)	1,376.92
Free float (%)	59.80
Market cap (Bt m)	44,750.00
Avg daily T/O (Bt m) (2016 YTD)	195.47
hi, lo, avg (Bt) (2016 YTD)	37.00, 27.50, 31.69

Source: Setsmarts



Source: SET

**Analyst: Jitra Amornthum**

Register No.: 014530

**Assistant Analyst: Parinth Nikornkittikosol**

Tel.: +662 646 9966

email: jitra.a@fnsyrus.com

www.fnsyrus.com

**Share price yet to reflect true value**

We re-initiate our coverage on BCP with BUY rating at our 2017 TP of Bt38 (SOTP). Although its refinery is currently fully utilized and no new capacity will be added in the next two years, our forecast calls for the company's net profit to grow at an average annual rate of 12% in 2016-2017 thanks to growth in its marketing business, which still has large room to expand its number of gas station. Meanwhile, its power plant business will help stabilize profit and limit downside to performance. At the current share price, BCP trades at 2017 PE of 8.5x, close to the refinery industry's average. The price does not reflect the value of its power plant and marketing businesses, which contribute 25% and 20% of the company's EBITDA, respectively. Since the marketing business normally trades at forward PE of 20x, BCP deserves to trade at premium PE than other refineries.

**Marketing business helps increase attractiveness**

BCP has marketing business to distribute petroleum products from its refinery through gas stations under its own brand. Currently, the unit is growing thanks to high marketing margin. Looking ahead, the company plans to increase the number of its gas stations to 1,400 from 1,071 today. Moreover, it plans to raise sales per station and expand to non-oil business. In this regard, we expect BCP to announce new business plan that covers non-oil products late this year. This plan will raise the attractiveness of BCP's gas station. Initially, BCP aims to increase non-oil exposure from 6% today to 30% in the next 3-4 years.

**Stable growth through green energy business**

Renewable power business helps stabilize BCP's cash flow because it has signed power purchase agreement. Moreover, the unit looks set to continue to grow because it's still in expanding stage. In this regard, the company will increase its electricity generating capacity from 138 MW today to 239 MW by 2018. Such rise is in line with the projects on hand, which we have incorporated into our estimate. Looking ahead, BCP will continue to raise installed capacity to 1,000 MW by 2020 in accordance with its long-term plan. In addition, BCP also has bio-fuel, a business which the company has increased daily output from 360,000 liters to 810,000 liters at end-3Q16.

**Expect constant profit growth**

Our forecast calls for BCP's 2016 net profit to amount to Bt4.7bn. It implies a gain of 12% Y-Y thanks to growth in its marketing business because we expect both sales volume and marketing margin to increase. However, the gain will be partially offset by planned maintenance shutdown early this year and a rise in the expenses of its power plant business. In 1H16, BCP already reported net profit of Bt2.5bn. Looking ahead; we expect net profit of Bt948mn in 3Q16. In addition, we anticipate net profit to increase to Bt5.2bn (+12% Y-Y) in 2017 thanks to full capacity utilization after the planned maintenance shutdown disappears. What's more, the company will realize higher output from its bio-fuel business, while its exploration & production unit will strongly recover in line with crude and its investment to cut cost.

**Re-initiate with BUY rating**

We value BCP with the SOTP method. After which, we derive our 2017 TP at Bt38 and re-initiate our coverage on this counter with BUY rating. Such recommendation is made on the back of the followings. First, BCP's current share price does not reflect its true value. The counter now trades at 2017 PE of 8.5x, in line with its refinery peers. However, only 50% of its EBITDA is from refinery business, while another 20% is from marketing business, whose average PE is 20x. As a result, BCP should trade at higher forward PE than its refinery peers. Second, there is low downside risk to this stock because it currently trades at 2017 PBV of 1.1x, close to its five-year historical average PBV - 1SD of 1x. In addition, the counter decreases 2% YTD, while the energy sector jumps by 31% over the same period. This implies that BCP is currently underperforming its peers, while the company's earnings outlook remains strong. Third, BCP offers attractive dividend yield. In 2017, we expect the counter to pay DPS of Bt1.7, implying dividend yield of 5.3%.

Income Statement (Consolidated)						Cash Flow Statement (Consolidated)					
(Bt mn)	2013	2014	2015	2016E	2017E	(Bt mn)	2013	2014	2015	2016E	2017E
Revenue	186,490	183,016	151,140	111,224	139,307	Net profit	4,696	624	4,085	4,757	5,943
Cost of sales	177,387	178,473	139,686	99,480	125,668	Depre. & amortization	2,666	3,120	4,466	4,638	5,177
Gross profit	9,103	4,543	11,454	11,744	13,640	Change in working capital	0	-1,758	260	7,302	-209
SG&A	4,290	4,480	5,175	5,126	5,397	Other operating CF	-1,911	4,082	3,222	1,211	1,168
Operating profit	4,813	63	6,279	6,617	8,243	Cash flow from operations	5,451	6,068	12,033	17,909	12,079
Other income	90	167	249	200	200	Capital expenditure	4,524	11,505	12,123	15,000	15,000
EBIT	4,903	230	6,528	6,817	8,443	Other investing CF	983	-1,464	-780	-4,718	-200
EBITDA	7,603	3,355	11,006	11,455	13,620	Cash flow from investing	-5,507	-10,041	-11,343	-10,282	-14,800
Interest charge	1,126	1,427	1,615	1,411	1,368	Free cash flow	-56	-3,973	690	7,627	-2,721
Tax on income	932	-690	673	649	1,132	Net borrowings	0	9,368	3,460	-1,026	-1,026
Earnings after tax	4,696	624	4,085	4,757	5,943	Equity capital raised	0	0	0	0	0
Minority interest	-78	67	53	-94	-706	Dividends paid	-2,065	-1,859	-1,927	-2,426	-2,227
Net profit	4,652	696	4,150	4,663	5,237	Other CF from financing	643	-2,162	-2,425	-1,405	-2,074
Extraordinary items	1,851	1,131	-155	0	0	Cash flow from financing	-1,422	5,347	-892	-4,857	-5,327
Normalized earnings	2,801	-435	4,305	4,663	5,237	Other adjustments	0	53	120	-191	523
						Net change in cash	-1,478	1,427	-82	2,579	-7,525

Balance Sheet (Consolidated)						Important Ratios (Consolidated)					
(Bt mn)	2013	2014	2015	2016E	2017E		2013	2014	2015	2016E	2017E
Cash and equivalent	6,527	7,954	7,872	10,451	2,926	<b>Growth (%)</b>					
ST investment	731	623	4,518	0	0	Revenue	12.9	-1.9	-17.4	-26.4	25.2
Accounts receivable	8,660	5,835	5,234	4,119	4,644	EBITDA	142.9	-55.9	228.0	4.1	18.9
Inventory	17,092	14,059	13,945	11,053	11,424	Net profit	8.9	-85.0	496.3	12.4	12.3
Other current asset	3,558	3,824	2,231	2,231	2,231	Normalized earnings	93.8	nm	nm	8.3	12.3
Total current assets	36,568	32,295	33,800	27,855	21,225	<b>Profitability (%)</b>					
PPE	32,916	38,135	40,043	50,405	60,228	Gross profit margin	4.9	2.5	7.6	10.6	9.8
Other assets	4,053	6,535	8,099	8,099	8,099	EBITDA margin	4.1	1.8	7.3	10.3	9.8
Total Assets	73,537	76,965	81,942	86,359	89,551	EBIT margin	2.6	0.1	4.3	6.1	6.1
Short-term loans	0	0	0	0	0	Normalized profit margin	1.5	-0.2	2.8	4.2	3.8
Account payable	11,534	5,774	4,994	8,290	8,976	Net profit margin	2.5	0.4	2.7	4.2	3.8
Current maturities	1,043	1,312	1,026	1,026	1,026	Normalized ROA	3.8	-0.6	5.3	5.4	5.8
Other current lia.	3,898	4,223	4,469	4,469	4,469	Normalize ROE	8.0	-1.3	11.9	12.2	12.5
Total current lia.	16,475	11,309	10,489	13,785	14,471	Normalized ROCE	8.6	0.4	9.1	9.4	11.2
Long-term debt	19,787	28,886	32,632	31,606	30,580	<b>Risk (x)</b>					
Other LT liabilities	2,301	2,804	2,837	2,837	2,837	D/E	1.10	1.26	1.27	1.26	1.15
Total LT liabilities	22,088	31,690	35,469	34,443	33,417	Net D/E	0.90	1.01	0.93	0.99	1.08
Total liabilities	38,563	42,999	45,958	48,228	47,888	Net debt/EBITDA	4.12	10.26	3.05	3.30	3.30
Paid-up capital	1,377	1,377	1,377	1,377	1,377	<b>Per share data (Bt)</b>					
Share premium	11,366	11,366	11,366	11,366	11,366	Reported EPS	3.38	0.51	3.01	3.39	3.80
Legal reserve	153	153	153	153	153	EPS - Full Dilution	3.38	0.51	3.01	3.39	3.80
Unappropriated	21,828	20,667	22,706	24,759	27,584	Normalized EPS	2.03	-0.32	3.13	3.39	3.80
Others	0	0	0	0	0	EBITDA	5.52	2.44	7.99	8.32	9.89
Minority Interest	250	657	503	597	1,304	Book value	25.22	24.19	25.77	27.26	29.31
Shareholders' equity	34,974	34,220	36,105	38,252	41,784	Dividend	1.35	1.00	2.00	1.52	1.71
						Par	1.00	1.00	1.00	1.00	1.00
						<b>Valuations (x)</b>					
						P/E	9.62	64.30	10.78	9.60	8.55
						Norm P/E	15.98	-102.87	10.39	9.60	8.55
						P/BV	1.29	1.34	1.26	1.19	1.11
						EV/EBITDA	7.70	19.98	6.04	5.90	5.49
						Dividend yield (%)	4.2	3.1	6.2	4.7	5.3

Source: Company data, FSS research

**Finansia Syrus Securities Public Company Limited**
**Head Office**

999/9 The offices at Central World  
18th, 25th Fl.,  
Rama 1 Rd., Patumwan,  
Bangkok

**Bangkapi**

3105 N Mark Building, 3rd Floor,  
Room A3 R02, Ladprao Road,  
Klongjan, Bangkapi, Bangkok

**Ladprao**

555 Rasa Tower 2, 11st Floor,  
Unit 1106, Phaholyothin Road,  
Chatuchak, Bangkok

**Sriracha**

135/99 (G fl.) Sukumvit Road,  
Tumbon Sriracha  
Aumphoe Sriracha, Chonburi

**Chiangmai 2**

310 Chiang Mai Land,  
Chang Klan R., Chang Klan  
Muang  
Chiangmai

**Samutsakorn**

1045/16-17 Vichienchodok,  
Tumbon Mhachai, Aumphoe  
Meungsamutsakorn, Samutsakorn

**Hatyai 3**

200/222, 200/224, 200/226  
Juldis Hadyai Plaza, 2rd Floor,  
Building, Niphat Uthit 3 Road,  
Aumphoe Hadyai, Songkhla

**Thaisummit Tower**

1768 Thaisammit Tower Building,  
5<sup>th</sup>, 31<sup>th</sup> Fl., New Petchburi Road,  
Bangkapi, Huaykwang,  
Bangkok

**Bangna**

1093 Tower 1 Office, 19th Floor,  
Room 1093/105 Moo 12,  
Bangna-Trad Road, Bangna,  
Bangkok

**Prachachuen**

105/1 B Building, 4th Floor,  
Thessabansongkhrao Road,  
Ladyao, Jutujak, Bangkok

**Khonkaen 1**

311/16 2nd Floor, Klangmeung  
Road, Tumbon Nai Meung,  
Aumphoe Meung,  
Khonkaen

**Chiangmai 3**

Maliplace Building 32/4 moo 2  
1 fl., B1-1, B1-2 room  
Tumbon Maehia  
Chiangmai

**Nakornpathom**

28/16-17 Yingpao Road,  
Tumbon Sanamjan,  
Aumphoe Muang, Nakornpathom

**Krabi**

223/20 Mharaj Road,  
Tumbon Paknam,  
Aumphoe Meung, Krabi

**Alma Link**

9th, 14th, 15th Fl.,  
Alma Link Building 25  
Soi Chidlom, Ploenchit, Lumpini,  
Patumwan, Bangkok

**Sindhorn 1**

130-132 Sindhorn Building 1,  
2rd Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

**Rang sit**

1/832 Phaholyothin 60  
Kukod, Lumlookka  
Pratumtanee

**Khonkaen 3**

311/1  
Khang Meung Road,  
Tumbon Nai Meung,  
Aumphoe Meung Khonkaen,  
Khonkaen

**Chiangrai**

353/15 Moo 4,  
Tumbon Rimkok  
Aumphoe Muang, Cheangrai

**Phuket**

22/18 Vanish Plaza Shopping  
Mall, Luangporwatchalong Road,  
Tumbon Talad Yai,

**Trang**

59/28 Huaiyod Road,  
Tumbon Thaptieng,  
Aumphoe Meungtrang, Trang

**Amarin Tower**

496-502 Amarin Tower  
20th Floor, Pleonchit,  
Lumpini, Pathumwan,  
Bangkok

**Kian Gwan (Sindhorn 2)**

140/1 Kian Gwan House II  
18th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

**Thaisummit Tower**

1768 Thaisammit Tower Building,  
2nd Floor, New Petchburi Road  
Bangkapi, Huaykwang,  
Bangkok

**Udonthani**

104/6, 2 fl., ICBC Bank Tower  
Udon Dusadee Road,  
Tumbon Mak Khaeng,  
Aumphoe Muang Udon Thani,  
Udon Thani

**Measai**

119 Moo 10,  
Tumbon Maesai,  
Aumphoe Muang, Cheangrai

**Hatyai 1**

200/222, 200/224, 200/226  
Juldis Hadyai Plaza, 2rd Floor,  
Building, Niphat Uthit 3 Road,  
Aumphoe Hadyai, Songkhla

**Suratthani**

173/83-84 Moo 1  
Watpho-Bangyai Road.,  
Tumbon Makamtia,  
Aumphoe Mueang, Suratthani

**Central Pinklao 1**

7/129-221 Central Pinklao Office  
Building, Room 1404, 14th Fl.,  
Baromratchonnanee Road,  
Arunamarin, Bangkoknoi, Bangkok

**Sindhorn 3**

130-132 Sindhorn Building 3,  
19th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

**Rattanatibet**

68/127 Moo 8 Rattanatibet Road,  
Tumbon Banggrasor,  
Aumphoe Muang,  
Nonthaburi

**Chiangmai 1**

308 Chiang Mai Land,  
Chang Klan R., Chang Klan  
Muang  
Chiangmai

**Nakornratchasima**

1242/2 A3 room, 7 fl.,  
The Mall Ratchasima  
Mittraphap rood Tumbon Nai Muang  
Aumphoe Muang Nakornratchasima  
Nakornratchasima

**Hatyai 2**

106 Prachathipat Road,  
Aumphoe Hadyai, Songkhla

**Pattane**

300/69-70 Moo 4,  
Tumbon Rusamirae,  
Aumphoe Meung, Pattane

**Recommendation Definitions**

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average






*Note: The expected return may change as market risks increase or decline.*

**DISCLAIMER:** This report has been prepared by Finansia Syrus Securities Public Company Limited (FSS). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSS. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Finansia Syrus Securities Public Company Limited may act as market maker and issuer of DWs. The company may prepare the research reports on those underlying securities. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

**Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2015**

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

**IOD (IOD Disclaimer)**

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information which companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("**listed companies**") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

**Anti-corruption Progress Indicator**

Level 5	Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4	Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3	Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
	- Level 3A	Established by Declaration of Intent
	- Level 3B	Established by Internal Commitment and Policy
Level 2	Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1	Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws

*Anti-corruption Progress Indicator from Thaipat Institute (as of November 6, 2015)*