

Return of the biofuel king

- Biodiesel snowball, ethanol turnaround, groundbreaking SAF
- SAF-jet margin is unlikely to be lower than THB20/litre
- Initiated with BUY and a SoTP TP of THB8.0

Three forces of biofuel growth ahead

BBGI is now at an inflection point to see significant improvement in its earnings growth and visibility, geared by both external forces and internal strategic drivers. First, starting in Dec-24, BBGI will earn additional THB0.4b annual net profits (NP) from the 30% stake in BBGI Biodiesel with capacity of 1m litres per day (mlpd). Second, the decline in the prices of molasses and cassava, two raw materials to produce ethanol, will turn around BBGI's 0.8mlpd ethanol unit into THB39m net profit in 2025E. Finally, THB0.5b net profit contribution from BBGI's 20%-owned Sustainable Aviation Fuel (SAF) plant with 1mlpd in 2Q25.

Biodiesel growth is snowballed

BBGI acquired 30% stake in the 1mlpd biodiesel production plant, bringing BBGI's total stake to 100% since Dec-24. Thanks to the always fully-run operations of biodiesel plants due to the high demands for 2,100 retail oil stations from the parent company BCP and the acquired BSRC, BBGI is ensured to earn an annual net profit of THB0.4b-0.5b from biodiesel business.

Ethanol turnaround is around the corner

After suffering operating losses in the past 2 years due to the high molasse cost at THB6,000-7,000/t, BBGI is now poised to see an operation turnaround for its ethanol unit in 2025E onwards. The key change is the structural decline in the molasse price by THB1,500-2,500/t to THB4,500/t following the drops in global sugar price. We estimate that the THB1,500-2,500/t drop in molasse price alone will lower the raw material cost of ethanol by THB6.0-THB10.0/litre, likely generating a net profit of THB39m, a turnaround from operating losses.

Groundbreaking SAF growth engine

BBGI is on track to earn an annual NP contribution of THB0.5b from its 20% stake in the 1mlpd SAF production plant, scheduled to start commercial operation in April 2025. Using the Used Cooking Oil (UCO) as a key raw material, procured 60% domestically and 40% from imports, we expect SAF plant to start running at 90%-100% in 2Q25. BBGI has already secured 70% demand for SAF (0.7mlpd) via the long-term contract with SHELL and Japanese trading partner and we project the price premium of SAF over jet fuel to be THB20-30/litre.

One of the most undervalued renewable energy plays

We initiated a BUY recommendation with a TP of THB8.0, based on SoTP valuation: 12x P/E for biodiesel, 10x P/E for ethanol, and THB 2.3/share for SAF. BBGI's share price dropped from THB7.5 in September to THB4.0 due to weak 3Q24 results from ethanol losses and inventory write-downs. While 4Q24 profit may remain pressured by high-cost inventory, we expect growth to pick up from 1Q25 onward.

Analyst

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

ESG Rating : AA

CG Rating : ▲▲▲▲▲

BUY

| | |
|-------------------------------|-------------|
| Target Price 12M (THB) | 8.00 |
| VS. BB Consensus TP (%) | -2.4% |
| Share Price (THB) | 4.00 |
| Upside/Downside | +100.0% |

Share Data

| | |
|--------------------------|----------|
| Market Cap (THB m) | 5,784.00 |
| Par (THB) | 2.50 |
| Free Float (%) | 24.66 |
| Issued shares (m shares) | 1,446 |

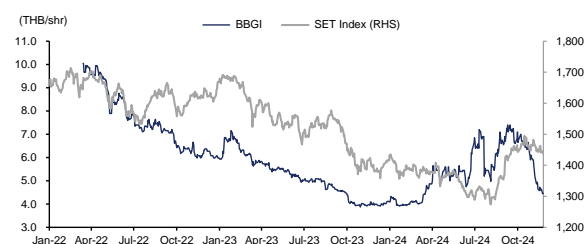
Financial forecast

| YE Dec (THB m) | 2023 | 2024E | 2025E | 2026E |
|----------------------------|--------|---------|--------|--------|
| Revenue | 13,757 | 18,269 | 17,610 | 17,285 |
| Net profit | 10 | 155 | 1,080 | 1,116 |
| Core net profit | 10 | 155 | 1,080 | 1,116 |
| vs Consensus (%) | - | (46.6) | 89.2 | (5.3) |
| Net profit growth (%) | (51.7) | 1,466.4 | 598.7 | 3.4 |
| Core net profit growth (%) | (51.7) | 1,466.4 | 598.7 | 3.4 |
| EPS (THB) | 0.01 | 0.11 | 0.75 | 0.77 |
| Core EPS (THB) | 0.01 | 0.11 | 0.75 | 0.77 |
| Chg in core EPS (%) | - | 0.00 | 0.00 | 0.00 |
| DPS (THB) | 0.05 | 0.04 | 0.30 | 0.31 |
| P/E (x) | 609.75 | 37.43 | 5.36 | 5.18 |
| P/BV (x) | 0.64 | 0.61 | 0.55 | 0.52 |
| ROE (%) | 0.10 | 1.64 | 10.81 | 10.30 |
| Dividend yield (%) | 1.20 | 1.07 | 7.47 | 7.72 |

Source: Financial Statement and Globlex securities

Share Price Performance (%)

| | 1M | 3M | 6M | YTD |
|--------------------|---------|---------|---------|-------------|
| Stock | (15.25) | (44.44) | (22.33) | (3.85) |
| Market | (10.17) | (41.33) | (26.49) | (1.17) |
| 12M High/Low (THB) | | | | 7.55 / 3.92 |



Major Shareholders (%) as of 5 Mar 2024

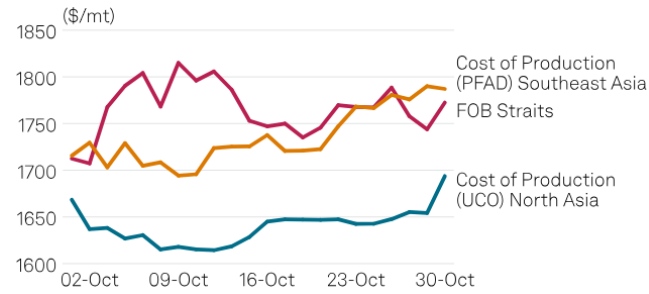
| | |
|------------------------------|-------|
| Bangchak Corporation PCL. | 45.00 |
| Khon Kaen Sugar Industry PCL | 29.88 |

Company Profile

The Company performed through Holding Company within 1) the business of Biofuel including Ethanol, Biodiesel, and 2) High Value Bio-Based Products in Health and Well-Being which utilizing advanced technology.

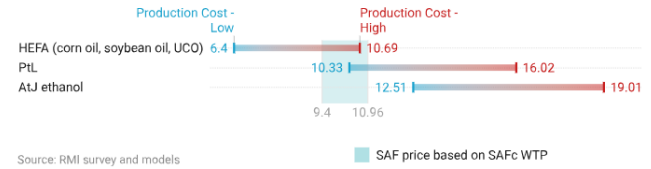
Source: SETSMART, SET

Exhibit 1: Cost of production form PFAD vs UCO



Sources: [S&P Global](#)

Exhibit 2: SAF production costs vs SAF price



Sources: [RMI](#)

Exhibit 3: SoTP target price

| Cost of equity assumptions (%) | | | | Cost of debt assumptions (%) | |
|--------------------------------|--|------|--|------------------------------|------|
| Risk free rate | | 2.3 | | Pretax cost of debt | 3.4 |
| Market risk premium | | 8.5 | | Marginal tax rate | . |
| Stock beta | | 1.50 | | | |
| Cost of equity, Ke | | 11.6 | | Net cost of debt, Kd | 2.7 |
| Weight applied | | 30.0 | | Weight applied | 70.0 |
| WACC (%) | | 5.4 | | | |

| SOP valuation estimate | % holding | THB m | P/E (x) | THB/share | Valuation methodology |
|---------------------------------|-----------|---------------|---------|------------|---|
| Biodiesel (BBF1) | 100.0 | 616 | 12 | 0.4 | FY25E 12x P/E, an industry peers' average |
| Biodiesel (BBF2) | 100.0 | 1,835 | 12 | 1.3 | FY25E 12x P/E, an industry peers' average |
| Refined Glycerin | 100.0 | 716 | 15 | 0.5 | FY25E 12x P/E, an industry peers' average |
| Total biodiesel value | | 3,168 | | 2.2 | |
| Ethanol (KGI - Bo Ploy) | 100.0 | 920 | 10 | 0.6 | FY25E 10x P/E, an industry peers' average |
| Ethanol (KGI - Nam Phong) | 100.0 | 3,133 | 10 | 2.2 | FY25E 10x P/E, an industry peers' average |
| Ethanol (BBE) | 85.0 | 1,172 | 10 | 0.8 | FY25E 10x P/E, an industry peers' average |
| Total ethanol value | | 5,225 | | 3.6 | |
| SAF | 20.0 | 3,354 | | 2.3 | DCF |
| BBFB CDMO | 75.0 | 330 | | 0.2 | DCF |
| Total HVP value | | 3,683 | | 2.5 | |
| Investment in UBE | 12.5 | 494 | | 0.3 | At THB1.0/share value |
| Net debt | | (341) | | (0.2) | FY24E net debt |
| Minorities | | (619) | | (0.4) | FY24E minority interest |
| Residual ordinary equity | | 11,116 | | 8.0 | |

Sources: BBGI, Glolex Research

| Balance sheet (THB m) | | | | | | Profit & loss (THB m) | | | | | | | |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|--------------------------------|-----------------------------|---------------------------|--------------|--------------|--------------|--------------|-------|
| Year ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E | Year ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E | | |
| Current assets | | | | | | Revenue | | | | | | | |
| Cash & ST investment | 1,414 | 2,260 | 2,334 | 2,660 | 3,500 | | 13,374 | 13,757 | 18,269 | 17,610 | 17,285 | | |
| Account receivable | 911 | 1,204 | 1,752 | 2,104 | 2,277 | | (12,488) | (12,847) | (16,852) | (15,694) | (15,456) | | |
| Inventories | 892 | 1,090 | 1,430 | 1,332 | 1,312 | Gross profit | 886 | 910 | 1,417 | 1,916 | 1,829 | | |
| Others | 1,921 | 386 | 513 | 494 | 485 | | | | | | | | |
| Non-current assets | | | | | | Operating expenses | | | | | | | |
| Net fixed assets | 6,187 | 5,829 | 5,727 | 6,125 | 5,822 | | (310) | (349) | (464) | (528) | (432) | | |
| Others | 2,781 | 2,866 | 2,866 | 2,866 | 2,866 | Operating profit | 576 | 561 | 953 | 1,388 | 1,397 | | |
| Total Assets | 14,106 | 13,635 | 14,621 | 15,581 | 16,261 | EBIT | 155 | 92 | 350 | 785 | 795 | | |
| Current liabilities | | | | | | Depreciation | | | | | | | |
| Account payable | 770 | 857 | 1,124 | 1,047 | 1,031 | | (422) | (469) | (602) | (602) | (602) | | |
| ST borrowing | 654 | 1,812 | 1,000 | 1,001 | 1,002 | EBITDA | 576 | 561 | 953 | 1,388 | 1,397 | | |
| Others | 44 | 197 | 261 | 252 | 247 | Non-operating income | | | | | | | |
| Long-term liabilities | | | | | | | | | | | | | |
| Long-term debts | 1,372 | 696 | 2,000 | 2,000 | 2,000 | | 45 | 117 | 50 | 50 | 54 | | |
| Others | 986 | 137 | 137 | 137 | 137 | | 45 | 117 | 50 | 50 | 54 | | |
| Total liabilities | 3,825 | 3,699 | 4,522 | 4,437 | 4,417 | | 0 | 0 | 0 | 0 | 0 | | |
| Pai-up capital | 3,615 | 3,615 | 3,615 | 3,615 | 3,615 | Non-operating expense | (95) | (78) | (93) | (99) | (99) | | |
| Retained earnings | 1,950 | 1,887 | 1,970 | 2,987 | 3,672 | | (95) | (78) | (93) | (99) | (99) | | |
| Others | 4,151 | 3,895 | 3,895 | 3,895 | 3,895 | | 0 | 0 | 0 | 0 | 0 | | |
| Minority interest | 566 | 539 | 619 | 647 | 663 | Equity income/(loss) | (8) | (11) | 10 | 501 | 506 | | |
| Shareholders' equity | 10,281 | 9,937 | 10,099 | 11,144 | 11,844 | Pre-tax Profit | 97 | 120 | 318 | 1,237 | 1,255 | | |
| Key ratios | | | | | | Cash flow (THB m) | | | | | | | |
| Year ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E | Year ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E | | |
| Growth (%YoY) | | | | | | Operating cash flow | | | | | | | |
| Sales | (5.1) | 2.9 | 32.8 | (3.6) | (1.8) | | (908) | 1,763 | 74 | 1,360 | 1,554 | | |
| Operating profit | 3.7 | (2.7) | 69.8 | 45.7 | 0.7 | | Net profit | 20 | 10 | 155 | 1,080 | 1,116 | |
| EBITDA | (50.6) | (2.7) | 69.8 | 45.7 | 0.7 | | Depre. & amortization | 422 | 469 | 602 | 602 | 602 | |
| Net profit | (97.9) | (51.7) | 1,466.4 | 598.7 | 3.4 | | Change in working capital | (1,350) | 1,284 | (683) | (322) | (164) | |
| Core net profit | (94.1) | (51.7) | 1,466.4 | 598.7 | 3.4 | | Others | 0 | 0 | 0 | 0 | 0 | |
| EPS | (97.9) | (51.7) | 1,466.4 | 598.7 | 3.4 | | Investment cash flow | (116) | 567 | 503 | 438 | 1,151 | |
| Core EPS | (94.1) | (51.7) | 1,466.4 | 598.7 | 3.4 | | | Net CAPEX | (446) | (442) | (602) | (602) | (602) |
| Profitability (%) | | | | | | Change in LT investment | | | | | | | |
| Gross margin | 6.6 | 6.6 | 7.8 | 10.9 | 10.6 | | 330 | 1,009 | 1,105 | 1,040 | 1,753 | | |
| Operation margin | 4.3 | 4.1 | 5.2 | 7.9 | 8.1 | | Change in other assets | 0 | 0 | 0 | 0 | | |
| EBITDA margin | 4.3 | 4.1 | 5.2 | 7.9 | 8.1 | | Free cash flow | (1,025) | 2,330 | 576 | 1,797 | 2,705 | |
| Net margin | 0.2 | 0.1 | 0.8 | 6.1 | 6.5 | | Financing cash flow | | | | | | |
| ROE | 0.3 | 0.1 | 1.6 | 10.8 | 10.3 | | | 2,055 | (1,484) | (503) | (1,471) | (1,865) | |
| ROA | 1.4 | 1.3 | 2.3 | 8.0 | 7.7 | | | Change in share capital | 4,464 | 0 | 0 | 0 | 0 |
| Stability | | | | | | Net change in debt | | | | | | | |
| Interest bearing debt/equity (x) | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | | 1,506 | (482) | (492) | (1) | (1) | | |
| Net debt/equity (x) | 0.1 | 0.0 | 0.1 | 0.0 | n.a. | | Dividend paid | (578) | (723) | (145) | (124) | (864) | |
| Interest coverage (x) | 1.6 | 1.2 | 3.8 | 7.9 | 8.0 | | Others | (3,337) | (279) | 134 | (1,346) | (1,001) | |
| Interest & ST debt coverage (x) | 0.2 | 0.0 | 0.3 | 0.7 | 0.7 | | Net cash flow | 1,031 | 846 | 73 | 326 | 839 | |
| Cash flow interest coverage (x) | (0.2) | 0.5 | 0.0 | 0.3 | 0.4 | | Per share (THB) | | | | | | |
| Current ratio (x) | 3.5 | 1.7 | 2.5 | 2.9 | 3.3 | | | 0.01 | 0.01 | 0.11 | 0.75 | 0.77 | |
| Quick ratio (x) | 1.6 | 1.2 | 1.7 | 2.1 | 2.5 | | | 0.01 | 0.01 | 0.11 | 0.75 | 0.77 | |
| Net debt (THB m) | 612 | 248 | 666 | 341 | (498) | | | 0.36 | 0.39 | 0.58 | 1.18 | 1.20 | |
| Activity | | | | | | | | 6.72 | 6.50 | 6.56 | 7.26 | 7.73 | |
| Asset turnover (X) | 1.0 | 1.0 | 1.3 | 1.2 | 1.1 | | | 9.25 | 9.51 | 12.63 | 12.18 | 11.95 | |
| Days receivables | 34.5 | 28.0 | 29.5 | 40.0 | 46.3 | | | 0.40 | 0.39 | 0.66 | 0.96 | 0.97 | |
| Days inventory | 28.0 | 28.2 | 27.3 | 32.1 | 31.2 | | | DPS | 0.05 | 0.05 | 0.04 | 0.30 | 0.31 |
| Days payable | 26.1 | 23.1 | 21.5 | 25.2 | 24.5 | | Valuation | | | | | | |
| Cash cycle days | 36.4 | 33.1 | 35.4 | 46.8 | 52.9 | | | P/E (x) | 432.0 | 609.8 | 37.4 | 5.4 | 5.2 |
| | | | | | | | | P/BV (x) | 0.91 | 0.64 | 0.61 | 0.55 | 0.52 |
| | | | | | | | | Dividend yield (%) | 0.82 | 1.20 | 1.07 | 7.47 | 7.72 |
| | | | | | | | | Dividend payout ratio (%) | 354.11 | 732.88 | 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.