



**Bangchak Sriracha Public Company Limited**

# **Management Discussion and Analysis**

**Fourth Quarter of 2023 and Full year 2023**



## Management's Discussion and Analysis (MD&A) for 4th Quarter of 2023 and Full year 2023

### 1. Financial and Operating Highlight

	4Q 2023	4Q 2022	2023	2022
Crude run (Kbd)	119.3	130.1	118.3	131.0
Average forex rate (Baht/US\$)	35.6	36.4	34.8	35.1
Accounting gross refining margin (US\$/Bbl) <sup>(1)</sup>	(2.6)	(5.5)	3.6	7.5
Operating gross refining margin (US\$/Bbl) <sup>(1)</sup>	2.0	3.9	3.8	5.8
Total revenue (million Baht)	59,458	63,637	229,538	263,000
Gross profit (million Baht)	(1,117)	(303)	7,893	17,293
EBITDA (million Baht) <sup>(2)</sup>	(1,686)	(2,090)	6,345	15,855
Profit (loss) for the period (million Baht)	(1,989)	(1,563)	2,142	9,509
Earnings (loss) per share (Baht) <sup>(3)</sup>	(0.57)	(0.45)	0.62	2.75

<sup>(1)</sup> Restated numbers to align calculation basis with Bangchak Corporation Public Company Limited's.

<sup>(2)</sup> Restated numbers to reflect Earnings Before Interest, Taxes, Depreciation and Amortization, Gain (loss) from foreign exchange, and loss from impairment of assets.

<sup>(3)</sup> Based on current number of shares: 3,461 million shares.

### Key events in 4Q 2023 and subsequent events

- Following the completion of 65.99% share transfer between ExxonMobil Asia Holdings Pte.Ltd. and Bangchak Corporation Public Company Limited ("BCP") on 31 August, 2023, tender offer process was completed on 16 October 2023 which concluded BCP's shareholding in the Company at 2,642,157,198 shares or 76.34% of total outstanding shares.
- The company and BCP jointly established Refinery Optimization and Synergy Enterprise Company Limited ("ROSE") with 50:50 shareholding, to provide planning including management services to the refinery business. The main scope of services includes refinery planning, selection and procurement of crude oil, raw materials and other products and related transportation planning, allocating synergy benefits arising from the Linear Programming of both refineries, and providing advice in managing oil price risk (Hedging) according to the market situation in order to achieve the best efficient operation, minimize cost, and maximize profit with fairness and transparency to all stakeholders.
- Following the resolution of the Extraordinary General meeting of shareholders no.01/2023 held on 14 November 2023, the company's name was changed from Esso (Thailand) Company Limited to Bangchak Sriracha Company Limited and the stock symbol was changed from "ESSO" to "BSRC".
- Plant Shutdown for scheduled maintenance, implementing and connecting new facility for Euro 5 Project, and CCR and APS-1 unit improvement was completed safely and successfully. Refinery resumed normal operations in mid-October. Finished products distributed from Sriracha Refinery

were in compliance with Euro 5 standards of low sulfur content starting from 1 December 2023 onwards.

- The company and BCP distributed “Low Dust Fuel” or low-sulfur Euro 5 standard Diesel that help alleviated PM 2.5 pollution at converted service station to Bangchak brand in Bangkok area.
- Bangchak Sriracha Refinery unlocked potential to accommodate the “Nordic Pollux” oil tanker, a 180,000-ton Suezmax vessel for the first time on 8 December 2023.

## 2. Benchmark Prices for Crude Oil and Refined Petroleum Product spreads

### Average Platts Singapore quoted Crude oil prices and Crack spreads

Crude oil prices (US\$/Bbl)	4Q 2023	4Q 2022	2023	2022
Dubai (DB)	83.55	84.82	82.10	96.33
Dated Brent (DTD)	84.05	88.70	82.62	101.19
DTD-DB	0.50	3.88	0.52	4.86

Crack spreads (US\$/Bbl)	4Q 2023	4Q 2022	2023	2022
Gasoline - Dubai	12.55	9.32	16.67	18.83
Jet (Kerosene) - Dubai	23.64	33.40	22.53	30.29
Gasoil - Dubai	21.13	39.34	21.94	34.30
LSFO - Dubai	8.01	8.30	5.71	15.09

Source: Mean of Platts Singapore

### 4Q 2023 versus 4Q 2022

Dubai crude prices in the fourth quarter of 2023 averaged \$83.55/Bbl, a slight decrease of \$1.27/Bbl from the same period of last year. Crude prices had pressured by slowdown in global oil demand from uncertainties of global economic outlooks and rising supply dominant by non-OPEC output growth despite concern over the escalation of Isarael-Hamas conflict as well as rising tension in Red sea.

Crack spreads of most products except gasoline decreased compared with the same period of last year primarily driven by growing supply from production growth in U.S. and Brazil, several refineries returned from maintenance, easing of products export restriction from Russia. On the other hand, Gasoline and Dubai spreads increased compared with the same period of last year supported by lower gasoline supply from China due to limited export quotas availability.

### 2023 versus 2022

Dubai crude prices in 2023 averaged \$82.10/Bbl, a decrease of \$14.23 /Bbl from the same period of last year. Crude prices continued to move in downward direction with less volatility mainly from easing impact of Russia-Ukraine conflict as global oil market had adjusted to the new trade dynamics and prolonged downturn in global economy despite supply disruption from OPEC+ production cuts and concerns over Isarael-Hamas conflict that have limited impact to support crude prices.

In consistent with crude prices, all product crack spreads decreased compared with 2022 that all crack spreads had significantly increased from impact of Russia-Ukraine conflict. A reduction of crack spreads in 2023 also supported by rising oil output with slowdown in global oil consumption growth resulted in lower Gasoline and Dubai spreads while contraction in manufacturing activities and lower demand from gas-to-liquid switching in power generation industry had pressured middle distillate and heavy product spreads.

### 3. Production and Gross Margin

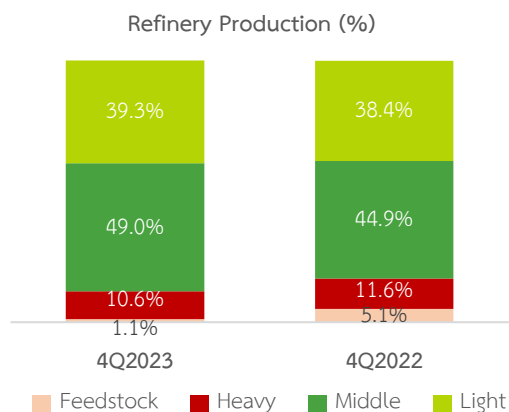
	4Q 2023	4Q 2022	+ / -	2023	2022	+ / -
Refining capacity (Kbd)	174	174	0	174	174	0
Crude run (Kbd)	119.3	130.1	-10.8	118.3	131.0	-12.7
Accounting gross refining margin (US\$/Bbl) <sup>(1)</sup>	(2.6)	(5.5)	+2.9	3.6	7.5	-3.9
Operating gross refining margin <sup>(1)</sup> (US\$/Bbl)	2.0	3.9	-1.9	3.8	5.8	-1.9
Total Fuel Product Sales (Million Liters)	2,130	2,123	+6	7,884	8,163	-279
• LPG	115	124	-9	426	454	-28
• Gasoline	686	669	+18	2,476	2,449	+27
• Naphtha	5	23	-17	44	72	-28
• Jet Fuel/Kerosene	111	107	+3	360	380	-20
• Diesel	1,051	964	+87	3,829	3,891	-62
• Fuel Oil	128	187	-59	559	695	-136
• Asphalt	34	51	-17	191	223	-32

<sup>(1)</sup> Restated calculation basis to align with Bangchak's method.

#### Production 4Q 2023 versus 4Q 2022

Refinery crude run for this period was 119.3 KBD or 69% utilization rate, lower than the same period of last year mainly due to planned shutdown starting from September. Refinery resumed normal operation in mid-October.

Accounting Gross Refining Margin (GRM) in the fourth quarter of 2023 was -\$2.6/Bbl, \$2.9/Bbl higher than the same period of 2022, largely contributed by lower unfavorable inventory effects. While Operating Gross Refining Margin (GRM) in the fourth quarter of 2023 was \$2.0/Bbl, \$1.9/Bbl lower than the same period of last year driven by lower industry margins.

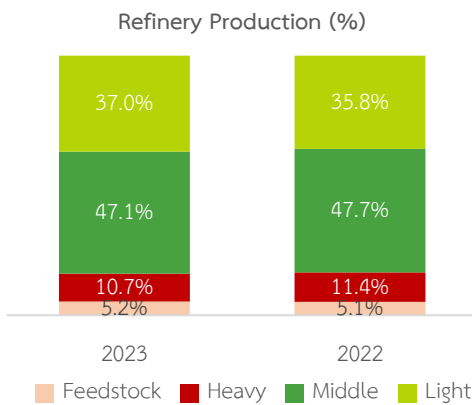


With regards to refinery production, middle distillate yield increased in the 4<sup>th</sup> quarter of 2023 compared with the same period of last year supported by air traveling demand recovery. Light product yields increased mainly from gasoline. Sriracha refinery achieved record high production volume of 46.7 KBD in December as a result of CCR unit debottlenecking.

### Production 2023 versus 2022

Refinery crude run in 2023 was 118.3 KBD or 68% utilization rate, lower than the same period of last year mainly due to refinery shutdowns in May and September. All finished products distributed from refinery has complied with Euro 5 standards from 1 December 2023 onwards.

Accounting Gross Refining Margin (GRM) in 2023 was \$3.6/Bbl, \$3.9/Bbl lower than that of 2022 contributed by lower industry margins and unfavorable inventory effects. While Operating Gross Refining Margin (GRM) in 2023 was \$3.8/Bbl, \$1.9/Bbl lower than the same period of last year mainly due to lower industry margins partially offset by lower crude premium.



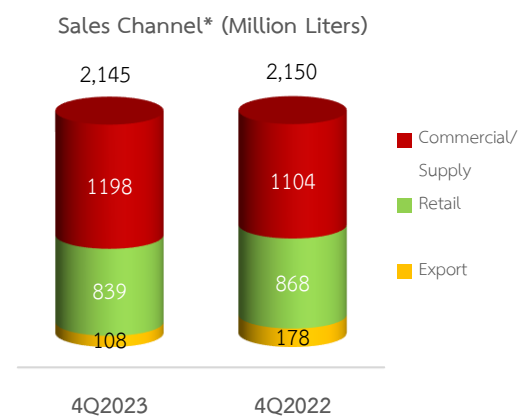
Refinery yields in 2023 reflected production adjustment to maximize refining economics. Light product yields increased supported by the CCR unit debottlenecking and improvement of logistic constraints.

### Marketing Performance 4Q 2023 versus 4Q 2022

Total sales volume in the 4<sup>th</sup> quarter of 2023 was slightly lower than the same period of last year as a result of lower production from refinery shutdown.

Despite plant shutdown, the company was able to meet customer demand with effective product management through product purchase and sales channel optimization.

Retail sales volume slightly decreased while service station is being progressed to Bangchak brand. Retail business continued to sustain volume through effective marketing programs. Commercial sales continued to capture growth through product high grading while supply sales increased as a result of the effort to capture synergy benefits among Bangchak group.



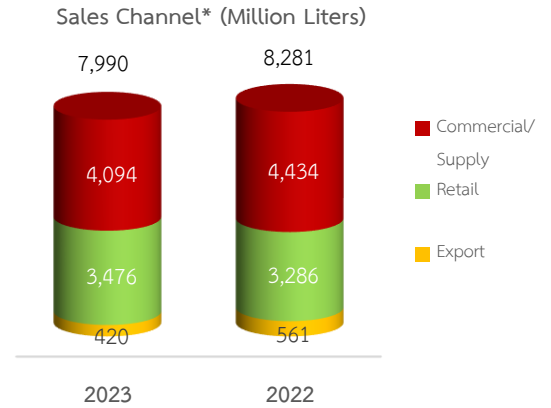
\* Total sales volume including Lubricant & Gease and others.

### Marketing Performance 2023 versus 2022

Total sales volume in 2023 was lower than 2022 mainly due to lower production from refinery shutdowns in May and September. Diesel and fuel oil sales volume decreased following lower demand from power generation industry.

Despite lower sales volume, the company continued to optimize sales through higher margin channels as seen in 6% growth in retail sales volume compared with 2022. Amidst lower demand from power generation industry, commercial channel continued to capture opportunistic sales and explore new markets to support higher production in the future.

At the end of 2023, the company maintained network size of 830 service stations nationwide and completed rebranding of 268 sites to Bangchak or 96% of total company owned stations. The site rebranding to Bangchak is being progressed as planned.



\*Total sales volume including Lubricant & Gease and others.

#### 4. Financial Performance

Unit: million Baht	4Q 2023	4Q 2022	+ / -	2023	2022	+ / -
Total revenue	59,458	63,637	-4,179	229,538	263,000	-33,462
Cost of sales	(60,575)	(63,941)	+3,366	(221,645)	(245,707)	+24,062
<b>Gross profit</b>	<b>(1,117)</b>	<b>(304)</b>	<b>-813</b>	<b>7,893</b>	<b>17,293</b>	<b>-9,400</b>
Selling expenses	(1,200)	(1,535)	+335	(4,992)	(5,205)	+213
Administrative expenses	(42)	(60)	+18	(223)	(235)	+12
<b>Profit (loss) from sales</b>	<b>(2,359)</b>	<b>(1,899)</b>	<b>-460</b>	<b>2,678</b>	<b>11,853</b>	<b>-9,175</b>
Other income	15	9	+6	238	23	+215
Finance costs, net	(244)	(149)	-95	(684)	(359)	-325
Share of profit from an associate	86	78	+8	361	312	+49
<b>Profit (loss) before income tax</b>	<b>(2,502)</b>	<b>(1,961)</b>	<b>-541</b>	<b>2,593</b>	<b>11,829</b>	<b>-9,236</b>
Income tax (expense) credit	513	398	+115	(451)	(2,320)	+1,869
<b>Profit (loss) for the period</b>	<b>(1,989)</b>	<b>(1,563)</b>	<b>-426</b>	<b>2,142</b>	<b>9,509</b>	<b>-7,367</b>
Other comprehensive income	(138)	(14)	-124	(344)	218	-562
<b>Total comprehensive income (loss) for the period</b>	<b>(2,127)</b>	<b>(1,577)</b>	<b>-550</b>	<b>1,798</b>	<b>9,727</b>	<b>-7,929</b>

#### 4Q 2023 versus 4Q 2022

Total revenue for the fourth quarter of 2023 was lower than the same period of last year due to lower market selling prices. Loss from sales was Baht 2,359 million, Baht 460 million lower than the same period of last year, mainly from lower refining margin. Compared with the same period of last year, net finance costs increased by Baht 95 million in the 4<sup>th</sup> quarter of 2023 primarily due to higher policy interest rates as well as loan restructuring from short-term to long-term following change in company structure.

#### 2023 versus 2022

Total revenue of 2023 was lower than the same period of last year, largely due to lower market selling prices and lower sales volume. Selling and administrative expense decreased as part of the transition. Profit from sales was Baht 2,678 million, Baht 9,175 million lower than that of 2022, mainly due to lower refining margins and unfavorable inventory effects. Compared with the same period of last year, net finance costs increased by Baht 325 million primarily due to higher policy interest rates as well as loan restructuring from short-term to long-term following change in company structure.



## 5. Statement of Financial Position

<i>Unit: million Baht except for percentages</i>	31 Dec 2023	31 Dec 2022	+/-	+/- %
Assets				
- Current assets	35,876	51,922	-16,046	-31%
- Non-current assets	34,745	33,619	+1,126	+3%
<b>Total assets</b>	<b>70,621</b>	<b>85,541</b>	<b>-14,920</b>	<b>-17%</b>
Liabilities				
- Current liabilities	22,618	49,624	-27,006	-54%
- Non-current liabilities	20,040	8,713	+11,327	+130%
<b>Total liabilities</b>	<b>42,658</b>	<b>58,337</b>	<b>-15,679</b>	<b>-27%</b>
Equity				
- Issued & paid-up share capital	17,075	17,075	0	0%
- Premium on share capital	4,032	4,032	0	0%
- Legal reserve	1,366	1,254	+112	+9%
- Unappropriated retained earnings	5,168	4,145	+1,023	+25%
- Other components of equity	315	691	-376	-54%
Non-controlling interests	7	7	0	0%
<b>Total equity</b>	<b>27,963</b>	<b>27,204</b>	<b>+759</b>	<b>+3%</b>
<b>Total liabilities and equity</b>	<b>70,621</b>	<b>85,541</b>	<b>-14,920</b>	<b>-17%</b>

Current assets as of December 31, 2023 decreased by Baht 16,046 million from year-end 2022, mainly due to the collection of oil fuel fund subsidy claims and lower inventory balance.

Total liabilities was Baht 42,658 million, decreased by Baht 15,679 million, mainly driven by net loan repayment and lower crude payables as a result of lower crude purchase.

Total debt was Baht 28,308 million as of December 31, 2023 (long-term loans of Baht 15,433 million and short-term loans of Baht 12,875 million), a decrease of Baht 7,627 million from Baht 35,935 million at year-end 2022 mainly driven by the collection of oil fuel fund subsidy claims. The company continued to maintain adequate financing sources to support payment obligations.

Total equity increased by Baht 759 million as a result of profits for the period of 2023 partially offset by dividend payment and unrealized loss from the re-measurement of financial assets.

## **6. Statement of Cash Flows**

Unit: million Baht	2023	2022
Cash flows from (used in) operating activities	11,420	(3,858)
Cash flows from (used in) investing activities	(1,894)	(1,085)
Cash flows from (used in) financing activities	(9,136)	4,728

Cash flows from operating activities was Baht 11,420 million for the period ended December 31, 2023, reflected positive earnings and favorable working capital effects mainly from collection of oil fuel fund subsidy claims. Cash flows used in investing activities was Baht 1,894 million, mainly for refinery projects including investment for Euro 5 compliance and retail projects related to rebranding partially offset by dividends received from an associate. Cash flows used in financing activities was Baht 9,136 million, mainly from net loan repayment.

## 7. Financial Ratios

### Profitability ratios

	4Q2023	4Q2022	3Q2023	2023	2022
Gross profit margin (%)	-1.9%	-0.5%	12.1%	3.4%	6.6%
Net profit margin (%)	-3.3%	-2.5%	7.8%	0.9%	3.6%
Interest coverage ratio (times)	-6.2	-12.8	38.2*	8.6	42.1
EBITDA margin (%)	-2.8%	-3.3%	11.6%*	2.8%	6.0%
Return of Equity (%)	7.8%	41.0%	8.7%		

### Efficiency ratio

	4Q2023	4Q2022	3Q2023
Return on Assets (%)	4.2%	15.7%	4.4%

### Liquidity ratios

	31 Dec 2023	30 Sep 2023	31 Dec 2022
Current ratio (times)	1.6	1.8	1.1
Quick ratio (times)	0.6	0.4	0.2
AR Turnover (times)	25.4	30.2	31.7
Collection Period (days)	14.4	12.1	11.5
AP Turnover (times)	35.6	24.5	30.5
Payment Period (days)	10.3	14.9	12.0

### Leverage ratios

	31 Dec 2023	30 Sep 2023	31 Dec 2022
Interest bearing Debt to Equity ratio (times)	1.0	0.8	1.3
Long term debt to equity ratio (times)	0.6	0.6	0.2
Net Interest-bearing Debt to Equity ratio (times)	1.0	0.8	1.3

(\*) Restated EBITDA calculation to reflect Earnings Before Interest, Taxes, Depreciation and Amortization, Gain (loss) from foreign exchange, and loss from impairment of assets.

**Financial ratios calculation:**

**Profitability ratios**

Gross profit margin (%)	= Gross profit / Total revenue
Net profit margin (%)	= Net profit / Total revenue
Interest coverage ratio (times)	= EBITDA / Interest expense
EBITDA margin (%)	= EBITDA / Total revenue
Return of Equity (%)	= Annualized Profit attribute to owners of the parent / Average Total Equity attribute to owners of the parent <sup>(1)</sup>

**Efficiency ratios**

Return of Assets (%)	= Annualized EBIT / Average Total asset <sup>(2)</sup>
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**Liquidity ratios**

Current ratio (Times)	= Current assets / Current liabilities
Quick ratio (Times)	= (Cash and cash equivalents + Short term investments + Trade receivables) / Current liabilities
Account Receivable Turnover (Times)	= Total Revenue / Average Account receivable before doubtful debt <sup>(3)</sup>
Collection Period (days)	= 365 / Account Receivable Turnover
Account Payable Turnover (Times)	= Cost of sale / Average Account Payable <sup>(4)</sup>
Payment Period (days)	= 365 / Account Payable Turnover

**Leverage ratios**

Interest-bearing Debt to Equity (times)	= Total interest-bearing debt / Total shareholders' equity
Long term debt to equity ratio (times)	= Non-current borrowings / Total shareholders' equity
Net Interest-bearing Debt to Equity (times)	= (Total interest-bearing debt - Cash and cash equivalents – Short term investments) / Total shareholders' equity

**Remark:**

<sup>(1)</sup>Average Total Equity attributable to owners of the parent

= (Total Equity attributable to owners of the parent of the same period prior year + Total Equity attributable to owners of the parent of the period this year) / 2

<sup>(2)</sup>Average Total asset

= (Total assets of the quarter of the same period prior year + Total asset of the period this year) / 2

<sup>(3)</sup> Average Account receivable before doubtful debt

= (Account receivable before doubtful debt of the same period prior year + Account receivable before doubtful debt of the period this year) / 2

<sup>(4)</sup> Average Account Payable

= Account payable of the same period prior year + Account Payable of the period this year) / 2

## 8. Economic and industry outlook in 2024

### **Economic outlook**

The International Monetary Fund (IMF) projects global economic growth in 2024 to be more resilient and continue to recover supported by the expansion of U.S. economy and major emerging market with strong private and public spending as well as fiscal support in China could revise economic outlooks upward. Global Inflation continues to decline steadily as a result of tight monetary policy which high interest rate is expected to ease in the near term. However, overall growth and global trade is expected to remain below historical averages between 2000 and 2019 with potential downside risks to disrupt the outlook.

Thai economy continues to recover with slower pace mainly from deceleration in exports and manufacturing sector mainly from the slowdown in global demand growth and China economic recovery while strong private consumption and improvement in service sector could provide upside in the near term. Inflation remains at low level according to the recent announcement from Monetary Policy Committee (MPC) to maintain policy rate at 0.25%.

### **Industry outlook**

The U.S. Energy Information Administration (EIA) forecasts Dubai crude prices is expected to rise in the first quarter of 2024 supported by large draw in OECD commercial crude inventory and concerns over escalation of Middle East conflict. However, slowdown in global oil demand could pressure crude price in the near term. The average annual crude prices in 2024 is projected to remain the same level with 2023 global oil demand and supply is expected to be relatively balanced in the near term.

For product crack spreads, Gasoline and Dubai spreads in the first quarter of 2024 tend to increase mainly from strong regional demand during Lunar New year holiday and tight supplies from several unplanned maintenance in Asia while higher U.S. gasoline stock and the first batch release of China's gasoline export could also add downward pressure to the spreads. Gasoil and Dubai spreads is also likely to remain volatile and move in upward direction driven by supply disruption from refineries outage and concern over escalation of conflict in Middle East while slowdown in global economic activities could lower gasoil demand.

*Source : International Monetary fund (IMF) , Bank of Thailand, Fiscal Policy Office, U.S. Energy Information Administration (EIA) and International Energy Agency (IEA)*

- Signed -

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Matana Sutatham  
Chief Financial Officer  
February 20, 2024