

PTG: 4Q20 earnings will be the peak quarter



Update

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We reiterate BUY rating with the target price at Bt21.6, derived from 19.9xPE'21E which equal to World Consumer Discretionary sector.

- Expect net profit in 4Q20E to reach the record levels at Bt552m supported by strong marketing margin, sales volume growth and better contribution from Biodiesel business.
- In short-term, we expect a QoQ decline in 1Q21 earnings caused by new wave of Covid-19 which could drag both marketing margin and sales volume.
- Meanwhile, we expect the company to report 2020E earnings at Bt1.78bn (+14%YoY).
- However, our 2021E forecast is subject to revision after result announcement in February 21. We expect no significant change in our target price.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	45.7	18.3	18.6	15.7	13.7
Recurring net profit growth (%)	(31.6)	151.6	(1.7)	18.2	14.4
Recurring EPS (Bt)	0.37	0.94	0.92	1.09	1.25
Recurring EPS growth (%)	(31.6)	150.4	(1.7)	18.2	14.4
PBV (x)	5.2	4.3	3.9	3.5	3.1
BVPS (Bt)	3.3	4.0	4.4	4.9	5.5
ROE (%)	11.8	25.8	21.9	23.3	23.9
DPS (Bt)	0.2	0.2	0.5	0.6	0.7
Dividend yield (%)	1.2	1.2	2.9	3.4	3.9
Enterprise value (Bt m)	36,578.9	37,441.3	36,926.8	35,793.3	33,921.3
EV-to-EBITDA (x)	10.4	7.1	6.4	5.3	4.4

PTG Energy PCL

Recommendation: BUY

Current price*: Bt17.10

Target price: Bt21.60

Up/(downside): 26%

IOD: 5 out of 5

CAC: Certified

Stock data

RIC code	PTG.BK
Index	.SETI
SET Index (22 January 2021)	1,497.88
Market cap (Bt m)	28,696
Shares outstanding (million)	1,678
Par (Bt)	1.00



PTG: 4Q20 earnings will be the peak quarter

Story

Sales

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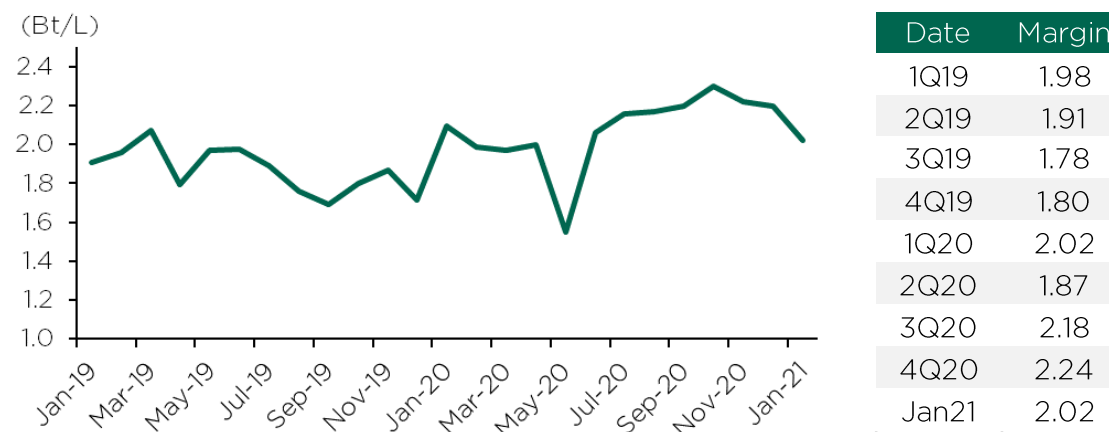
Value

Risks

Growing sales volume drives earnings to a peak in 4Q20

- We expect PTG to report a record high earnings at Bt552m in 4Q20E (55%YoY, 8%QoQ), mainly supported by i) a strong marketing margin ii) sales volume growth and iii) a spike in palm oil price.
- Meanwhile, we expect the company to report 2020E earnings at Bt1.78bn (+14%YoY), better than our previous forecast by 16%.
- We conservatively expect PTG marketing margin to remain high at Bt1.94/L in 4Q20E (+11%YoY, -6%QoQ) following a recovery in oil prices, but slip QoQ from lower inventory gain.
- Meanwhile, we assume oil sales volume growth at 5%YoY to 1,300 m.Litre in 4Q20E driven by seasonality in logistic sector and stimulus package for domestic tourism.
- Moreover, we expect Bt40m (+3%YoY) income contribution from palm complex as biodiesel consumption and CPO price increase QoQ.
- In short-term, we expect a QoQ decline in 1Q21 earnings caused by new wave of Covid-19 which could drag both marketing margin and sales volume.

Reference diesel marketing margin from EPPO



Background: PTG Energy and its subsidiaries are engaged in fuel retailing and wholesaling, with a product split of 70% diesel and 20% gasoline, under the PT brand via 2,027 service stations. The company purchases most of its fuel directly from refineries and transports it to customers by its own fleet. The company also operates non-oil businesses including transportation, storage management, LPG ventures, convenience stores, food and beverage companies as well as a joint venture in renewable energy (biodiesel and palm oil). The company is the No. 3 oil retailer in Thailand with a 13.3% market share in 2019.

PTG: Earnings preview

(Bt m)	4Q19	1Q20	2Q20	3Q20	4Q20E	%QoQ	%YoY
Revenue	31,043	29,121	22,257	25,315	27,042	6.8	(12.9)
Cost of sales	(28,542)	(26,890)	(19,513)	(22,595)	(24,149)	6.9	(15.4)
Gross profit	2,502	2,231	2,745	2,720	2,893	6.4	15.7
SG&A	(2,074)	(1,944)	(1,879)	(1,895)	(2,028)	7.0	(2.2)
Other (exp)/inc	51	61	46	66	50	(24.5)	(2.3)
EBIT	478	348	911	891	915	2.7	91.3
Finance cost	(82)	(272)	(268)	(280)	(270)	(3.5)	231.3
Other inc/(exp)	(0)	5	0	10	-	nm	nm
Earnings before taxes	397	81	644	621	645	3.9	62.5
Income tax	(76)	(36)	(143)	(132)	(129)	(2.6)	69.0
Earnings after taxes	321	45	501	489	516	5.6	60.9
Equity income	39	165	12	33	40	20.4	2.2
Minority interest	(3)	(1)	(3)	(4)	(4)	4.0	20.0
Earnings from cont. operations	356	208	510	518	552	6.6	54.9
Forex gain/(loss) & unusual items	(0)	(5)	0	(9)	-	nm	nm
Net profit	356	203	510	509	552	8.5	54.9
EBITDA	1,307	1,209	1,646	1,653	955	(42.2)	(26.9)
Recurring EPS (Bt)	0.21	0.12	0.31	0.30	0.33	7.0	54.7
Reported EPS (Bt)	0.21	0.12	0.31	0.30	0.33	10.0	57.0
Profits (%)	4Q19	1Q20	2Q20	3Q20	4Q20E	chg QoQ	chg YoY
Gross margin	8.1	7.7	12.3	10.7	10.7	(0.0)	2.6
Operating margin	1.5	1.2	4.1	3.5	3.4	(0.1)	1.8
Net margin	1.1	0.7	2.3	2.0	2.0	0.0	0.9

Story

Sales

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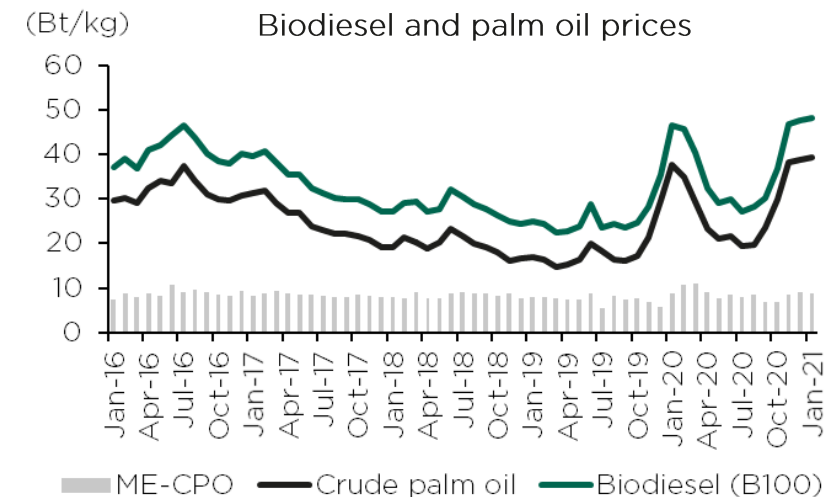
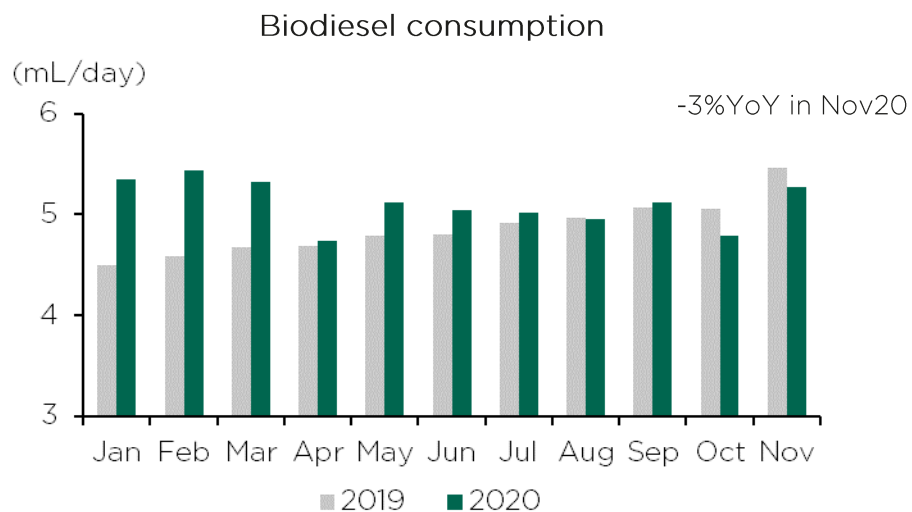
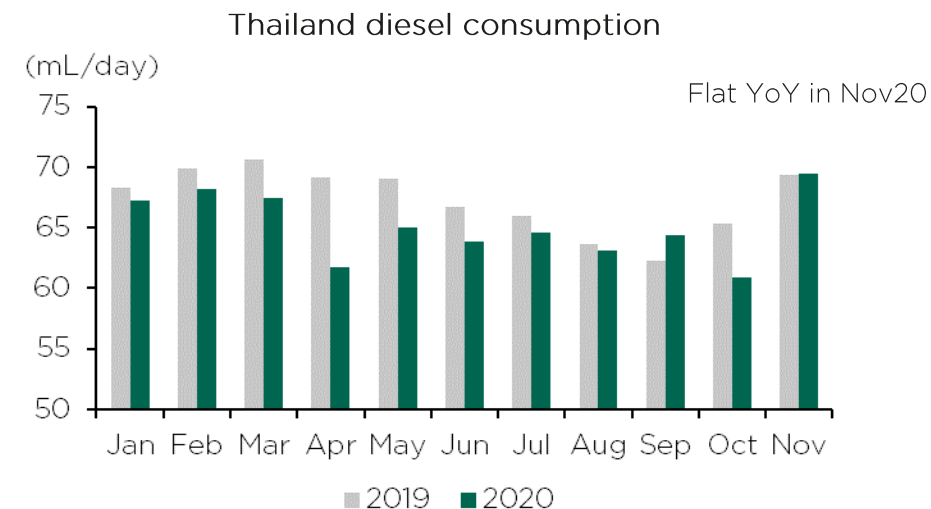
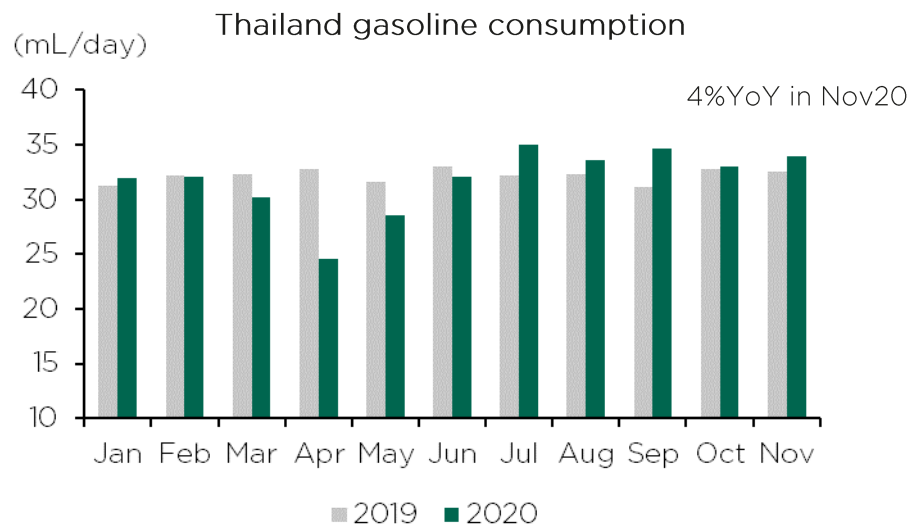
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Value

Risks



PTG: Revenue breakdown

Story

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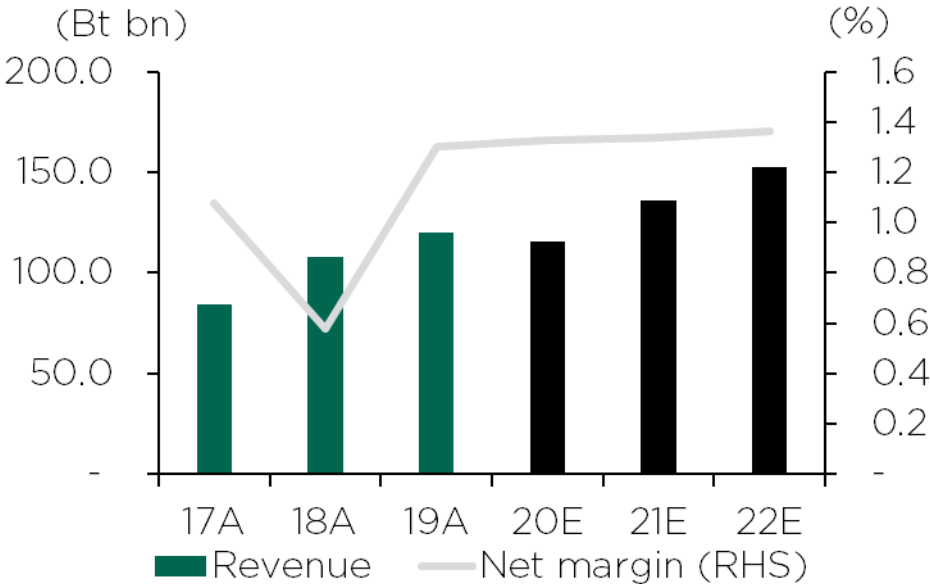
Risks

PTG operates a fuel trading business via a network of PT brand service stations, which can be divided into two types: company-owned outlets (COCO) and dealer-owned dealer-operated (DODO).

The oil business accounts for 88% of gross profit. PTG distributes petrol products via both COCO and DODO service stations to retail and wholesale customers.

The company also operates an LPG auto retail business that it fully owns. This segment contributes 4% of gross profit.

Food & Beverages and other businesses contribute the remaining 8% of gross profit. This segment refers to the Max Mart convenience store chain, Punthai Coffee shops, fuel storage, automobile lubricating oils, property rental and revenue from special items such as subsidies for declines in the oil price.



Revenue by group of income, 2019



Oil Business 88%



LPG retail 4%



Food & Beverages and others 8%

PTG: Summary financials

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Value

Risks

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	107,829	120,027	115,806	135,924	152,826	28,485	31,043	29,121	22,257	25,315
Cost of goods sold	(100,386)	(110,127)	(105,871)	(124,577)	(140,160)	(26,151)	(28,542)	(26,890)	(19,513)	(22,595)
Gross profit	7,443	9,900	9,935	11,347	12,666	2,333	2,502	2,231	2,745	2,720
SG&A	(6,711)	(7,907)	(8,048)	(9,243)	(10,392)	(1,992)	(2,074)	(1,944)	(1,879)	(1,895)
Other (exp)/inc	313	225	197	234	241	50	51	61	46	66
Operating profit	1,045	2,218	2,083	2,338	2,514	391	478	348	911	891
Finance cost	(290)	(335)	(328)	(339)	(263)	(84)	(82)	(272)	(268)	(280)
Other inc/(exp)	(0)	14	14	14	14	(0)	(0)	5	0	1
Earnings before taxes	755	1,897	1,769	2,012	2,265	306	397	81	644	612
Income tax	(120)	(359)	(333)	(380)	(428)	(55)	(76)	(36)	(143)	(132)
After-tax profit	636	1,538	1,435	1,633	1,837	252	321	45	501	480
Equity income	(12)	40	128	216	277	7	39	165	12	33
Minorities	1	(3)	(15)	(18)	(21)	(2)	(3)	(1)	(3)	(4)
Earnings from cont. operations	625	1,575	1,548	1,830	2,093	257	356	208	510	509
Forex gain/(loss) & unusual items	0	(14)	(14)	(14)	(14)	-	(0)	(5)	0	-
Net income	625	1,561	1,534	1,816	2,079	257	356	203	510	509
Recurring EPS (Bt)	0.37	0.94	0.92	1.09	1.25	0.15	0.21	0.12	0.31	0.31
Weighted average shares (m)	1,670	1,678	1,678	1,678	1,678	1,711	1,695	1,694	1,645	1,645
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Assets	20,940	22,652	22,720	23,379	23,185	21,310	22,652	40,219	40,677	40,618
Liabilities	15,464	15,944	15,278	15,066	13,875	14,956	15,944	33,265	33,566	32,985
Equity	5,444	6,648	7,367	8,219	9,196	6,297	6,648	6,893	7,047	7,565
Invested capital	10,772	12,883	12,974	12,496	11,344	13,214	12,883	31,469	31,966	33,403
Growth (YoY, %)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	27.4	11.3	(3.5)	17.4	12.4	6.5	6.2	1.6	(30.1)	(11.1)
Operating income	(13.8)	112.2	(6.1)	12.2	7.6	398.9	72.4	(52.9)	49.5	128.2
Recurring EPS	(31.6)	150.4	(1.7)	18.2	14.4	nm	99.0	(60.9)	20.9	106.3
Assets	16.4	8.2	0.3	2.9	(0.8)	4.6	8.2	85.1	86.8	90.6
Liabilities	20.2	3.1	(4.2)	(1.4)	(7.9)	(0.8)	3.1	111.4	113.8	120.5
Equity	6.7	22.1	10.8	11.6	11.9	19.6	22.1	15.7	16.7	20.1
Profits (%)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Gross margin	6.9	8.2	8.6	8.3	8.3	8.2	8.1	7.7	12.3	10.7
Operating margin	1.0	1.8	1.8	1.7	1.6	1.4	1.5	1.2	4.1	3.5
Net margin	0.6	1.3	1.3	1.3	1.4	0.9	1.1	0.7	2.3	2.0
ROE	11.8	25.8	21.9	23.3	23.9	16.6	22.0	12.0	29.3	27.9
ROIC	8.6	15.2	13.1	14.9	17.1	10.0	11.8	3.8	8.9	8.5

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HOLD:	Expected return excluding dividends between -10% and 10% within the next 12 months.
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NR:	Not Rated- Stock is not in our research coverage.

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