



PTG Energy Company Limited
Management Discussion and Analysis
Quarter 1/2020

Executive Summary

PTG Energy Public Company Limited, “PTG”, the 4th decade, persists in dedication and determination of being Thailand’s leading full-service energy company, and continues to build its network in other related businesses. The aim is to build strong growth and sustainable returns by practicing good governance along with developing the society and the environment.

The overall consumption of oil and gas in 1Q/2020 was affected by the outbreak of the COVID-19 virus that began in the late 2019 in China, causing the tourism business in Thailand to be affected by the decline in Chinese tourists, and by the export sector that decreased from the economic contraction. As a result, the country’s oil consumption decreased by 1.9% YoY and decreased by 3.0% QoQ. The outbreak of the COVID-19 virus began to have definite impact on Thailand’s economic activity in February and March, since the government imposed lockdown policy to reduce the outbreak of the virus, resulting the drop in the overall oil consumption through service stations 1.0% YoY and the decrease of 5.4% QoQ. For the overall sales volume of LPG through service stations, the consumption still decreased due to the narrower price gap of oil and LPG, and the effect of COVID-19 causing the tourism and traveling to decrease. The consumption of LPG through service stations declined by 23.0% YoY and declined by 16.9% QoQ.

However, PTG’s oil sales volume continuously increased, although the retail industry oil consumption decreased in this quarter. The Company had total oil sales volume of 1,217 million liters, an increase of 9.7% YoY but down 1.9% QoQ. As a result, PTG has a market share of oil through all channels equal to 14.1%, which is the country’s second rank. Nevertheless, PTG’s oil sales volume has grown below the target due to the impact of the economic contraction and the outbreak of the COVID-19 virus.

In terms of sales volume through PTG service stations, in this quarter, was accounted for 94.3% of total oil sales volume, or equal to 1,148 million liters, an increase of 9.8% YoY. The growth of oil sales volume from last year was from the expansion of number of service stations, and from the continuous increase in PT brand awareness. However, the oil sales volume decreased 0.9% QoQ from the effects of the COVID-19 virus. PTG’s diesel sales through service stations was accounted for 72.5% of the total sales volume through service stations, up 11.5% YoY. Meanwhile, the sales volume of gasoline products grew 5.7% YoY. In this quarter, PTG began to expand the diesel B10 service, which has been designated by the government to be the basic diesel fuel of the country, which aims to promote the use of biodiesel to help palm oil farmers. Correspondingly, PTG had a market share of B10 diesel sales at 14.5% in 1Q2020, ranking second in the country, with B10 diesel accounting for 9.7% of the total diesel

sales. Even though PTG's sales volume increased, it was below the growth target for 2020 due to the COVID-19 virus impact, resulting in less people travelling.

Fuel Sales Volume (Million Liters)	1Q/2020	4Q/2019	1Q/2019	%QoQ	%YoY
Sales by Channel					
Retail Channel	1,148	1,158	1,045	-0.9%	9.8%
Wholesales Channel	69	82	64	-15.6%	7.9%
Total	1,217	1,240	1,109	-1.9%	9.7%
Proportion of Sales by Channel					
Retail Channel	94.3%	93.4%	94.2%		
Wholesales Channel	5.7%	6.6%	5.8%		
Total	100.0%	100.0%	100.0%		

Aside from the growth of oil sales volume, the sales volume of LPG sold through PTG's service stations continues to increase. In this quarter, PTG sold 39 million liters of LPG, an increase of 29.9% YOY, and an increase of 2.2% QoQ as a result of the continuous expansion of service stations and the widely well-known of PT brand's service standard. PTG's LPG sales volume continues to increase, even though the country's LPG consumption through this channel has decreased.

However, PTG still aims to comprehensively expand its services to customers for both oil and non-oil businesses. In 1Q/2020, PTG has a total of 625 non-oil business branches, which details of the number of service stations and non-oil business are as follows:

Business Unit	No. of Branch	Business Unit	No. of Branch
Oil Station	1,866	LPG Household Shop	7
LPG Station	191	Autobacs (Passenger Car Maintenance and Repair Service Center)	17
Punthai Coffee	253	Protruck (Commercial Car Maintenance and Repair Service Center)	9
Coffee World (Domestic and international)	84	Maxnitron Lube Change (Oil Lubricant Change Center)	47
Max Mart (Convenience Store)	197	Max camp (Rest Area)	11

In addition to the retail non-oil business, the renewable business, Palm Complex project, operated by PPP Green Complex Company Limited or "PPPGC" in which PTG holds a 40% stake, runs at full production capacity in all units in this quarter. The plant is expected to operate at full capacity throughout the year which will be another important business that will help propel the Company this year and in the future.

Regarding the financial performance in 1Q/2020, PTG had revenue from sales and services of 29,121 million baht, an increase of 1.6% YoY because of the increase in oil sales volume. The revenue decreased by 6.2% QoQ due to the decline in retail oil prices and the decrease in oil sales volume, compared to the previous quarter. The revenue from oil sales accounted for 95.6% of the total revenue from sales and services. Meanwhile, the cost of sales and services was 26,890 million baht, an increase of 3.0% YoY in line with the increase in oil sales, but a decrease of 5.8% QoQ. However, the sharp drop in the crude oil price in March caused the diesel retail price in the service station to drop as much as 9 times, equivalent to 4.70 baht, and the gasoline retail price drop by 11 times, equivalent to 6.50 baht. Such drastic reduction affected the Company's marketing margin to be lower than normal level because the selling price in the service station decreased faster than the oil cost in the fuel tank. Consequently, PTG reported a gross profit of 2,231 million baht, a decrease of 12.1% YoY, and a decrease of 10.8% QoQ. The gross profit from the oil business and non-oil business accounted for 87.1% and 12.9%, respectively. The gross profit from non-oil business can be divided into food and beverage businesses 3.6%, LPG business 4.6%, and Max Mart convenience stores and other businesses 4.7%.

In 1Q/2020, selling, general and administrative expenses were 1,944 million baht, increased by 3.7% YoY but decreased by 6.3% QoQ. The main factor was from the adjusted financial report in accordance with the accounting standard no. 16 by recording the present value of the right-of-use assets and liabilities that the Company has obligations under the lease and its renewing contract in the statement of financial position. Therefore, the Company has to report depreciation from rights to use assets and interest expenses from liabilities under lease agreements, instead of recording the rental expense. (further details can be found in page 5)

Furthermore, PTG had EBITDA of 1,209 million baht, a decrease of 15.7% YoY and a decrease of 7.5% QoQ. Meanwhile, PTG's net profit was 204 million baht, a drop of 60.6% YoY and a drop of 43.2% QoQ, due to the decline in marketing margin and the adjustment in financial reporting in accordance with the accounting standards change. (further details can be found in page 6)

However, PTG continues to increase revenue and profit channels by expanding services for both oil business and non-oil business, and effectively utilizing existing assets. The Company also link its membership system with various partners to add more values to the cardholders and to improve customer satisfaction in the long-term.

Important Events in 1Q/2020

Expanding LPG service for households

PTG began to enter the auto LPG business in 2015 and has continuously expanded its services. Thereafter, PTG sees the opportunity to serve LPG service to other industries. In the beginning of 2020, the Company officially started to provide full-service of LPG by distributing LPG to household customers to meet customer needs and to help solving customer problems from using current products and services, such as the customer concern about a

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short filling of gas in a cylinder. Thus, PTG applies automatic gas loading system to fill the tank with accurate weight as specified on the cylinder. In this year, PTG has started to provide LPG for household customers in PTG oil stations in Bangkok and the vicinity areas, which there are 25 branches now. Afterwards, the service will be expanded to other regions nationwide. Moreover, PTG will continue to provide services that connect with customer lifestyle.

The adjustment of financial reporting according to accounting standards no. 16

According to the change in accounting standard no. 16, PTG adjusted financial reports. In this regard, the long-term lease agreements longer than 1 year are calculated the future rental costs to be recorded as assets and liabilities in the statement of financial position. For the income statement, rental expenses are adjusted and recorded as depreciation and interest from assets and liabilities. Regarding such adjustments, PTG expects the impact of the new accounting standards by approximately 160 – 180 million baht in the Company's income statement in 2020. However, this standard change does not reduce the financial strength of the Company, and this is only an adjustment to comply with the accounting standards.

1Q/2020 Financial Result Summary

Financial Summary (Baht Million, unless stated)	1Q/2020	4Q/2019	1Q/2019	%QoQ	%YoY
Revenue from sales and services	29,121	31,043	28,655	-6.2%	1.6%
Cost of sales and services	(26,890)	(28,542)	(26,118)	-5.8%	3.0%
Gross profit	2,231	2,502	2,537	-10.8%	-12.1%
SG&A	(1,944)	(2,074)	(1,875)	-6.3%	3.7%
Selling expenses	(1,746)	(1,775)	(1,635)	1.6%	6.8%
Administrative expenses	(198)	(299)	(241)	33.9%	17.9%
Finance costs	(272)	(82)	(87)	234.0%	214.0%
EBITDA	1,209	1,307	1,435	-7.5%	-15.7%
Net profit	204	360	519	-43.2%	-60.6%
Gross profit margin	7.7%	8.1%	8.9%		
SG&A as a % of revenue	6.7%	6.7%	6.5%		
% Selling expenses	6.0%	5.7%	5.7%		
% Administrative expenses	0.7%	1.0%	0.8%		
Operating profit margin	1.8%	1.7%	2.6%		
EBITDA margin	4.2%	4.2%	5.0%		
Net profit margin	0.7%	1.2%	1.8%		
Earnings per share (Baht)	0.12	0.22	0.31		
Return on Equity	12.3%	23.6%	36.5%		
Return on Total Assets	2.6%	6.6%	10.3%		
IBD to equity ratio (x)	3.99	1.46	1.60		

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- **Revenue from sales and services** was 29,121 million baht, reflecting an increase of 1.6% YoY, but a decrease of 6.2% QoQ, due to the following factors: 1. The increase in oil sales volume to 1,217 million liters or a rise of 9.7% YoY, however, the volume growth is lower than the target of 15 – 20% at the beginning of the year, as a result of the outbreak of COVID-19 virus. 2. The drop in oil selling price of 7.9% YoY and 4.6% QoQ. Lastly, 3. The continuous growth of non-oil businesses that the Company developed and promoted, which result in an increase in revenue of 33.1% YoY and 10.6% QOQ.
- **Cost of sales and services** was 26,890 million baht, reflecting an increase of 3.0% YoY, but a decrease of 5.8% QoQ, which mainly from 1. the rise in sales volume as mentioned above and, 2. the drop in cost per liter by 6.6% YoY and 4.3% QoQ. In addition, there was an effect from the rapid oil price cuts in service stations during March, in which diesel price was reduced 9 times, equivalent to 4.70 baht, and gasoline price was reduced 11 times, equivalent to 6.50 baht. As a result, PTG's gross profit was 2,231 million baht, a decrease of 12.1% YoY, and a decrease of 10.8% QoQ. The gross profit proportion from the oil business was 87.1% and the non-oil business was 12.9%.
- **SG&A expenses** was 1,944 million baht, reflecting an increase of 3.7% YoY, but a drop of 6.3% QoQ, due to the reporting adjustment according to the accounting standard no. 16 by recording the present value of the right-of-use assets and liabilities that the Company has obligations under the lease and its renewing contracts in the statement of financial position. Therefore, PTG has to reconcile depreciation from rights-of-use assets and interest expenses from liabilities under lease agreements instead of recording the rental expense. The comparison of SG&A expenses before and after the effects of the adjustment of the income statement reporting according to the accounting standard no. 16 are as follows:

Expenses before the effects of accounting standards no.16	Baht million	Expenses after the effects of accounting standards no.16	Baht million
Rental expenses	420	Rental expenses	25
Service expenses	58	Service expenses	51
Depreciation expenses	415	Depreciation expenses	670
Total SG&A	2,090	Total SG&A	1,944

SG&A expenses were growing to support the expansion of the oil and non-oil businesses, but this cost is likely to grow at a reduced rate in accordance with the cost control policy that the Company adopted since 2019. The main expenses were still from employee-related expenses and depreciation expenses.

- **Employee-related expenses** was 774 million baht, reflecting an increase of 9.1% YoY and an increase of 2.6% QoQ. The growth was from the branch expansion of oil and non-oil businesses. Recently, PTG had a number of branches in the oil and non-oil businesses that PTG owned and

operated of 2,351 branches nationwide, which focused on providing services to deliver the best experience to customers.

- **Depreciation expenses** was 670 million baht, reflecting an increase of 88.6% YoY, and an increase of 61.7% QoQ, which was the effect of financial reporting adjustment as mentioned above. Regarding the expenses before the application of the accounting standard no. 16, the depreciation would have been 415 million baht as in the table above, increased by 16.8% YoY and increased by 0.1% QoQ. The growth in this expense was from the continuous expansion of branches in high potential areas, such as Bangkok, vicinity areas and large cities in order to generate income from both oil and non-oil businesses. In addition, PTG opened 26 Company Owned Company Operated (COCO) service stations in this quarter.

According to the rental expense in the income statement, it was the expense for the lease that does not meet the requirements of the accounting standard no. 16. If the reporting standards have not been adjusted, the rental expense would be 420 million baht, an increase of 14.3% YoY and an increase of 4.6% QoQ, which rose according to the branch expansion of the oil and non-oil business as mentioned above.

- **Finance costs** was 272 million baht, reflecting an increase of 214.0% YoY, and an increase of 234.0% QoQ, which was the effect of financial reporting adjustment as mentioned above. However, if there was no adjustment in the reporting standards, finance costs would have been 79 million baht, a decrease of 8.9% YoY and a decrease of 3.1% QoQ as the Company's investment policy to match with cash flow.
- **EBITDA and Net Profit**, EBITDA was 1,209 million baht, reflecting a decrease of 15.7% YoY, and a decrease of 7.5% QoQ. The decline in EBITDA was due to the drop in marketing margin as rapid oil price cuts in service station during March. Moreover, PTG adjusted its financial reporting as described above. As a result, the net profit was 204 million baht, down 60.6% YoY, and down 43.2% QoQ, and net profit per share of the Company was 0.12 baht, a decrease from the previous year of 0.31 baht and from the last quarter of 0.22 baht. Without adjusting financial reporting, PTG would have had a net profit of 251 million baht, a decrease of 51.6% YoY and a decrease of 30.2% QoQ. In other words, the effect of the financial reporting adjustment in accordance with the accounting standard no. 16 equal to 47 million baht.

Summary of Financial Position (Baht million)	1Q/2020	%	2019	%	Amount changes	% changes
Cash and current investment	457	1%	1,038	5%	(581)	-56.0%
Trade, other receivables, short-term lending	761	2%	1,595	7%	(834)	-52.3%
Inventories	1,474	4%	2,217	10%	(743)	-33.5%
Total current assets	2,692	7%	4,850	21%	(2,158)	-44.5%
Investment properties	379	1%	363	2%	16	4.5%
Property, plant, and equipment	10,730	27%	11,458	51%	(728)	-6.4%
Right-of-use assets	23,353	58%	-	0%	23,353	n/a
Prepaid leasehold right and land rental	-	0%	3,153	14%	(3,153)	-100%
Investment in a joint venture	854	2%	688	3%	166	24.1%
Investment in associate	800	2%	796	4%	4	0.5%
Financial assets measured at fair value through other comprehensive income (General investment)	734	2%	723	3%	11	1.5%
Intangible assets	217	1%	214	1%	3	1.3%
Goodwill	53	0%	53	0%	-	0.0%
Other non-current assets	407	1%	354	2%	53	15.1%
Total assets	40,219	100%	22,652	100%	17,567	77.6%
Trade and other payables	5,069	13%	5,779	26%	(710)	-12.3%
Short-term loans & loans due within 1 year	5,818	14%	5,711	25%	107	1.9%
Other current liabilities	175	0%	125	1%	50	40.1%
Total current liabilities	11,062	28%	11,615	51%	(553)	-4.8%
Financial lease liabilities	18,405	46%	216	1%	18,189	8,420.9%
Long-term loans	3,520	9%	3,857	17%	(337)	-8.7%
Deferred tax liabilities	46	0%	40	0%	6	14.4%
Other non-current liabilities	233	1%	217	1%	16	7.2%
Total liabilities	33,265	83%	15,945	70%	17,320	108.6%
Retained earnings	3,882	10%	3,676	16%	206	5.6%
Others	3,072	8%	3,031	13%	41	1.3%
Total equity	6,954	17%	6,707	30%	238	3.7%
Total liabilities and equity	40,219	100%	22,652	100%	17,567	77.6%

Statement of Financial Position as of March 31, 2020

At the end of 1Q/2020, PTG had the total assets of 40,219 million baht, reflecting an increase of 17,567 million baht or 77.6% growth from the year end 2019. The main increase of assets was from right-of-use assets of 23,353 million baht from recording long-term lease agreements including the right to renew the lease in accordance with the accounting standard no. 16. The main decrease in assets are as follows: 1. Cash and short-term investments decreased 56.0% from last year, due to payment of trade and other payables according to the payment cycle. 2. Trade accounts receivable, other receivables and short-term loans decreased by 52.3% from last year; the reduction of trade receivable and other receivables were from the payment cycle, and short-term loans decreased from the repayment of debt from PPP Green Complex Company Limited ("PPPGC", "Palm Complex") (PPPGC is a joint venture which PTG holds 40% of the shares), which has borrowed money from all shareholders, according to their percentage of ownership, for use as working capital at the initial stage. 3. Inventories decreased by 33.5% from the previous year as a result of the year-end long holiday in which the Company had to increase its inventories to meet the demand of the customers, and the falling oil prices in the quarter. Lastly, 4. leasehold rights and prepaid land rentals decreased 100% from last year, due to the adjustment of reporting this asset to the right-of-use assets.

Meanwhile, PTG had total liabilities of 33,265 million baht, a decrease of 17,320 million baht or 108.6% from the year end 2019. The main increase was due to liabilities under financial leases, rose by 8,420.9% from the adjustment of financial reports in accordance with the accounting standard no. 16 as mentioned above. The main decreased liabilities are as follows: 1. Trade and other payables reduced 12.3% from last year, due to payment of trade and other payables in accordance with payment term. 2. Long-term loans decreased 8.7% from last year, because of the repayment schedule of the long-term loans and the investment management to match with cash flow to strengthen its financial stability. In addition, PTG had shareholders' equity of 6,954 million baht, an increase of 247 million baht or an increase of 3.7% from the year 2019.

Sources and Uses of Funds Statement for 1Q/2020 (Baht million)			
Sources of Funds		Uses of Funds	
Cash from operations	1,158	Payment of interest and tax, net	283
Cash received from payment of loans from subsidiaries, joint ventures and associates	108	Investment in leasehold rights, PP&E, and intangible assets	804
Cash decrease	581	Payment of loans, net	595
		Payment to creditors under the financial lease agreement	165
Total	1,847	Total	1,847

For 1Q/2020, PTG had net cash flow from operations of 875 million Baht (after interest and tax payment of 283 million Baht), rose 12.6% YoY. The increase in cash from operation mainly due to the reduction in inventories from inventory management in accordance with the fluctuation of oil prices. PTG's net cash flow from investing activities was 696 million baht, down 38.0% YoY, in line with the investment reduction policy in dealing with the impact of the COVID-19 outbreak that caused the overall economy to slow down. Meanwhile, PTG had negative net cash from financing activities of 760 million baht, a decrease of 209.5% YoY, as a result of the payment of short-term and long-term loans from financial institutions as scheduled. However, the Company still aims to obtain sufficient cash management for investments and operations. As a result, PTG had net cash of 456 million baht, a decrease of 581 million baht from the end of last year.

Accreditation	
Credit rating (Tris)	BBB+
CG score	Excellent: 5 Stars
CAC	Certified CAC

Long-term Liabilities and Outstanding Debentures (Baht million)				
Year	Debentures	Maturity	Loans	Maturity
Mar – Dec 20		1,000		1,088
2021				1,061
2022		2,100		407
2023				297

Executive View and Business Direction for 2020

2020's operational target (adjusted due to the impact of outbreak of COVID-19)

- ✓ Number of Branch
 - Oil Station 1,900 stations (from 2,040 stations)
 - LPG and Mix Station 230 stations (from 250 stations)
 - Non-oil (F&B, CVS, Services) 700 branches (from 800 branches)
- ✓ Oil Sales Volume Growth 10 – 12% (from 15 – 20%)
- ✓ EBITDA Growth 10 – 12% (from 15 – 20%)
- ✓ Investment Budget 2,000 – 2,500 million baht (from 4,500 – 5,000 million baht)

Continuously increase the oil sales volume, Although, recently, oil consumption in the country declined with the main impact from Bangkok and its surrounding provinces, but with PTG's strength of having branches coverage in every region throughout the country resulting in limited impact on PTG's oil sales volume. In April, PTG's sales volume dropped by just 5% from the same month last year.

During the same month, PTG organized customer support activities such as a free COVID-19-disinfectant-spray services for customers holding PT Max Card at petrol stations, LPG stations, and Autobacs auto repair and maintenance service center, and give away lunch boxes to taxi customers who come to use the service at LPG

stations to help them reduce burden. PTG will be by the side of the customers and go through this difficult circumstance together.

In this regard, after the outbreak of the COVID-19 virus has eased, economic activities can resume. The oil consumption of the country will gradually return to grow. PTG expects that in the second half of 2020, the Company's oil sales volume will be able to grow at 15 – 17%, and PTG will have full-year volume growth at 10 – 12% from the branch expansion, the widely known brand awareness, and continuous service improvement.

Maintain cash flow to prepare for the uncertainty situation of the COVID-19 virus outbreak and financial markets, by managing expenses appropriately, considering the reduction of investment from 4,500 – 5,000 million baht to 2,000 – 2,500 million baht in 2020. In the regard, PTG will reduce the expansion of petrol station from 150 – 200 stations to 50 – 100 stations and reduce the expansion of non-oil business branches from 200 branches to 100 branches. Furthermore, the Board of Directors has approved an interim dividend of 0.20 baht per share to provide sufficient cash management for operations if the COVID-19 virus outbreak continues, and to reserve cash to support the debentures maturity in 3Q/2020, amounting to 1,000 million baht. In this regard, PTG is aware of the importance of all stakeholders.

Strengthen potential and turn crisis into opportunities, although during the outbreak of the COVID-19 virus affected the growth of the Company's oil sales volume and the growth of the non-oil business, both food and beverage businesses and the convenience store business. In this regards, PTG has turned this crisis into opportunity to enhance its potential, such as adding service channel of food and beverage businesses for Punthai Coffee and Coffee World via various food delivery applications to increase customer convenience. However, PTG will continue to expand businesses that strengthen and provide sustainable returns for the Company in the long run.

Adjust the estimation of operating results in 2020, due to the reduction of service station expansion targets resulting from the impact of the COVID-19 epidemic. Therefore, the Company's oil sales growth is expected to be at 10 – 12% from the former target growth of 15 – 20%. However, PTG still expects the Palm Complex project to be able to operate at full capacity and generate a 500 – 600 million baht profit in 2020, in which PTG expects to receive 40% share of profit align with its ownership in Palm Complex Project. On the other hand, the impact of the financial report adjustment in accordance with the accounting standard no. 16, based on the calculation of the Company's obligations under the lease and its renewing contracts, is approximately 160 – 180 million baht. For this reason, PTG adjusted the Company's earnings forecast, taking into account the mentioned impacts, for EBITDA growth of 10 – 12% YoY.