

# Thailand Company Update

## PTG Energy Plc

Bloomberg: PTG TB | Reuters: PTG.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Jan 2023

**HOLD** (Downgrade from BUY)

Last Traded Price (25 Jan 2023): Bt13.60 (SET : 1,682.11)

Price Target 12-mth: Bt15.00 (10% upside) (Prev Bt19.00)

### Analyst

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### What's New

- Expect 4Q22F net loss of Bt50m (vs. 4Q21 loss of Bt86m and 3Q22 profit of Bt177m), hit by diesel margin squeeze and equity loss from palm oil
- PTG expects softer margin in 2023F with oil/LPG sales volume growth of 8%/40% y-o-y
- Cut FY23F/FY24F net profit by 45%/36%, as we factored in lower margin market assumption
- Downgrade to HOLD rating with FY23F TP of Bt15

### Price Relative



### Forecasts and Valuation

FY Dec (Btm)	2021A	2022F	2023F	2024F
Revenue	133,759	177,150	203,077	203,471
EBITDA	5,419	5,495	5,273	5,508
Pre-tax Profit	1,277	1,192	1,334	1,731
Net Profit	1,006	887	1,061	1,376
Net Pft (Pre Ex.)	1,006	892	1,061	1,376
Net Pft Gth (Pre-ex) (%)	(45.8)	(11.3)	18.9	29.7
EPS (Bt)	0.60	0.53	0.64	0.82
EPS Pre Ex. (Bt)	0.60	0.53	0.64	0.82
EPS Gth Pre Ex (%)	(46)	(11)	19	30
Diluted EPS (Bt)	0.60	0.53	0.64	0.82
Net DPS (Bt)	0.25	0.21	0.25	0.33
BV Per Share (Bt)	4.85	5.38	6.01	6.84
PE (X)	22.6	25.6	21.4	16.5
PE Pre Ex. (X)	22.6	25.5	21.4	16.5
P/Cash Flow (X)	4.3	6.8	6.3	8.3
EV/EBITDA (X)	9.3	8.6	8.8	8.1
Net Div Yield (%)	1.8	1.6	1.9	2.4
P/Book Value (X)	2.8	2.5	2.3	2.0
Net Debt/Equity (X)	3.4	2.7	2.3	1.9
ROAE (%)	12.6	10.4	11.2	12.8
Earnings Rev (%):		(43)	(45)	N/A
Consensus EPS (Bt):		0.94	1.16	1.38
Other Broker Recs:		B: 12	S: 1	H: 0

Source of all data on this page: Company, DBSVTH, Bloomberg Finance L.P.

## To see margin squeezed in 2023F

### Investment Thesis:

To see oil sales volume grow by 8%-12% in 2023F. PTG expects to add c.50 service stations and c.1,000 Punthai coffee shops in 2023F with a total capex of c.Bt2.50bn. It projects oil sales volume growth of 8%-12% y-o-y, where the gross profit contribution from its non-oil business is expected to increase from c.15%-20% in 2022F to c.20%-30% in 2023F.

**Profitability from its expansion into non-oil businesses is improving.** PTG is expanding into non-oil segments, including F&B, convenience stores, LPG, and clean energy. The non-oil businesses have a higher average gross margin of 25%-30% (vs. c.6% for the oil business), enabling PTG to enjoy higher profitability in the long run, on top of diversifying its revenue sources to reduce its exposure to volatile oil prices.

**Downgrade to HOLD rating and FY23F TP of Bt15.** We downgrade PTG to a HOLD rating with a FY23F TP of Bt15, based on DCF valuation. This is on the back of i) its financial performance being vulnerable to regulator risk in terms of the diesel price cap; ii) the pressure on its marketing margin, as diesel prices are projected to remain at the high level; iii) the threat of losing market share to claim only the third largest market share of the retail market after BCP acquired ESSO; and iv) the longer-than-expected palm oil business recovery.

### Valuation:

Our FY23F TP of Bt15 is based on the DCF method, with a WACC of 8.12% and terminal growth of 1.0%.

### Where we differ:

We are less optimistic than the consensus with respect to marketing margins and sales volume.

### Key Risks to Our View:

Volatility of margins, fierce competition in the oil retail business, and the failure of its non-oil businesses.

### At A Glance

Issued Capital (m shrs)	1,670
Mkt. Cap (Btm/US\$m)	22,712 / 694
Major Shareholders (%)	
RATCHAKIT HOLDINGS	25.1
Pongsak Vachirasakpanich	6.0
Thai NVDR	5.3
Free Float (%)	58.2
3m Avg. Daily Val (US\$m)	3.7

GIC Industry : Energy / Energy Equipment & Services

## WHAT'S NEW

### Expect marketing margin squeeze in 2023F

To see more losses in 4Q22F, hit by marketing margin squeeze and loss from palm oil complex. We expect PTG to report 4Q22F net loss of Bt50m (vs. 4Q21's net loss of Bt86m and 3Q22's net profit of Bt177m). Weaker business performance was hit by i) a softer marketing margin of its oil business, ii) higher SG&A expenses, and ii) equity loss of Bt70m from the palm oil complex.

### 4Q22F operating metrics

- i) Oil business: Total sales volume is projected at 1,380m litres (+7% y-o-y, +8% q-o-q). The improving volume is thanks to the reopening of Thailand and the travel season during the new year festival. We estimate the marketing margin at Bt1.50/litre (+19% y-o-y and -25% q-o-q), whereas the 9M22 figure averaged Bt1.93/litre. The deterioration of the marketing margin was due to the diesel price cap of c.Bt35/litre (diesel price cap was once lifted from Bt30 to Bt34 during 2Q22), while the diesel reference price in Singapore market is on the uptrend, driving up higher diesel crack spread.
- ii) LPG business: The sales volume is projected at 144m litres (+41% y-o-y, +9% q-o-q). This was supported by higher demand for the auto segment, as LPG is relatively cheaper than diesel.
- iii) Equity income from the palm oil complex operations is expected to report a loss of Bt70m (vs. 4Q21's profit of Bt47m and 3Q22's loss of Bt86m). This was due to the decline in the CPO price, where the price averaged Bt32.6/litre in 4Q22 (vs. Bt44.7/litre in 4Q21 and Bt34.9/litre in 3Q22).

### 2023F outlook

To see oil sales volume grow by 8%-12% in 2023F. PTG expects to add c.50 service stations and c.1,000 Punthai coffee shops in 2023F with total capex of c.Bt2.50bn. It projects oil sales volume growth of 8%-12% y-o-y whereas LPG sales volume is projected to grow at an aggressive rate of 40%-60%, driven by high diesel prices. Moreover, PTG expects a higher gross profit contribution from its non-oil business, from c.15%-20% in 2022F to c.20%-30% in 2023F.

PTG expects marketing margins to stay in the range of Bt1.8-1.9/litre (vs. Bt1.82/litre for 2022F), pressured by a high level of diesel prices, while the likelihood of the diesel price cap being lifted is low, as the government is trying to cool down the domestic inflation rate and cost of living. On the other

hand, PTG expects a recovery in its palm oil business with projected equity income of Bt100-120m.

### Touchpoints in 2023F

	2022	2023
Service stations	2,149	2,206
LPG stations	484	574
Punthai	511	1,500
EV charging	35	N/A

Source: Company, DBSVTH

### Revised down FY23F/FY24F net profit projection by 45%/36%.

We fine-tuned our financial projection on the back of PTG's 2023F business guidance. We factored in a lower marketing margin assumption of Bt1.70/litre for 2023F and Bt1.80/litre for 2024F. As a result, we cut our net profit by 45% from Bt1.91bn to Bt1.06bn for 2023F and by 36% from Bt2.16bn to Bt1.37bn.

As a result, we cut our TP to Bt15/share, based on the DCF valuation method with a WACC of 8.12% and terminal growth of 1.0%.

### Assumptions

	FY2023F		FY2024F	
	Old	New	Old	New
<b>Financial performance (Btm)</b>				
Revenue	205,943	203,077	206,392	203,471
EBITDA	6,049	5,273	6,139	5,508
Net profit	1,916	1,061	2,160	1,376
Target price (Bt/share)	19	15		
<b>Assumption</b>				
Marketing Margin (Bt/litre)	1.90	1.70	1.95	1.80
Oil sales volume (m litres)	6,000	5,818	6,200	6,000

Source: DBSVTH

### Downgrade to HOLD rating and FY23F TP of Bt15.

We downgrade PTG to a HOLD rating with a FY23F TP of Bt15, based on DCF valuation. This is on the back of i) its financial performance being vulnerable to regulator risk in terms of the diesel price cap; ii) pressure on its marketing margin, as diesel prices are projected to remain at the high level; iii) the threat of losing market share to claim only the third largest market share of the retail market after BCP acquired ESSO; and iv) a longer-than-expected palm oil business recovery.

## PTG Energy Plc

### Company Background

**Corporate history.** PTG Energy Plc (PTG TB) was established on 21 March 1988. Its original business was to import oil from abroad to sell to specific customer groups, such as fishing boats and industries in the southern region. Later, it expanded its oil depot to the Bang Ja Kreng Mueang Samut Songkhram District in the Samut Songkhram Province. In 1988, it started its gas station business by establishing a subsidiary company called Petroleum Thai Corporation Company Limited that was listed on the Stock Exchange of Thailand (SET) in 1995. Since then, PTG has changed the company name from Southern Fuel Company Limited to PTG Energy Company Plc.

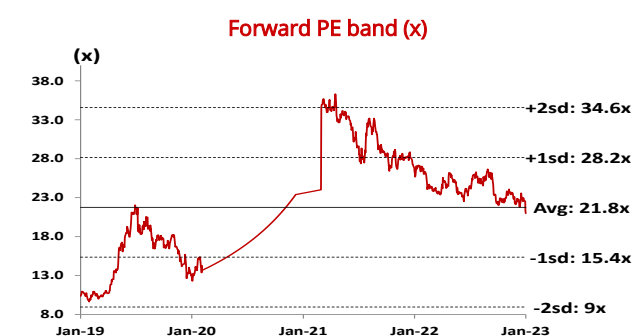
### Second highest market share of retail service stations in Thailand.

PTG operates its retail fuel oil business under the "PT" trademark. Moreover, PTG engages in transporting fuel to other oil traders and industrial operators. It is also involved in the LPG retail business through COCO service stations. It also has convenience stores, Max Mart outlets, and Punthai Coffee and Coffee World outlets that are in and outside gas stations. PTG also sells other products such as engine lubricants under the "PT Maxnitron" trademark, oil deposit services for other oil traders, and rental space within COCO gas stations.

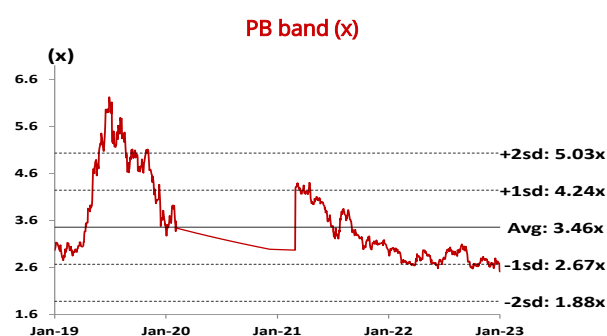
### Quarterly / Interim Income Statement (Btm)

FY Dec	4Q2021	3Q2022	4Q2022F	% chg yoy	% chg qoq
Revenue	37,600	45,171	46,703	24.2	3.4
Cost of Goods Sold	(35,524)	(42,047)	(43,854)	23.4	4.3
<b>Gross Profit</b>	<b>2,076</b>	<b>3,124</b>	<b>2,849</b>	<b>37.3</b>	<b>(8.8)</b>
Other Oper. (Exp)/Inc	(2,037)	(2,569)	(2,646)	29.9	3.0
<b>Operating Profit</b>	<b>38.8</b>	<b>555</b>	<b>203</b>	<b>423.8</b>	<b>(63.4)</b>
Other Non Opg (Exp)/Inc	98.1	83.9	80.0	(18.4)	(4.6)
Associates & JV Inc	46.9	(86.4)	(70.0)	nm	(19.0)
Net Interest (Exp)/Inc	(284)	(279)	(271)	4.7	2.9
Exceptional Gain/(Loss)	0.0	(4.0)	0.0	nm	(100.0)
<b>Pre-tax Profit</b>	<b>(101)</b>	<b>269</b>	<b>(58.1)</b>	<b>42.4</b>	<b>nm</b>
Tax	20.9	(87.8)	11.6	(44.5)	(113.2)
Minority Interest	(5.9)	(3.9)	(4.0)	32.0	3.7
<b>Net Profit</b>	<b>(85.7)</b>	<b>177</b>	<b>(50.4)</b>	<b>41.2</b>	<b>(128.5)</b>
Net profit bef Except.	(85.7)	181	(50.4)	41.2	(127.9)
EBITDA	960	1,368	1,034	7.7	(24.4)
<b>Margins (%)</b>					
Gross Margins	5.5	6.9	6.1		
Opg Profit Margins	0.1	1.2	0.4		
Net Profit Margins	(0.2)	0.4	(0.1)		

### Historical PE and PB band



Source: Bloomberg Finance L.P., DBSVTH estimates



Source: Bloomberg Finance L.P., DBSVTH estimates

## PTG Energy Plc

## Key Assumptions

FY Dec	2020A	2021A	2022F	2023F	2024F
Oil sales volume (m litres)	4,959	5,020	5,289	5,818	6,000
No. of service stations	2,094	2,167	2,149	2,206	2,250
LPG sales volume (m litres)	152	300	503	700	750
No of EV charging stations	0.0	5.00	34.0	50.0	100
CAPEX (Btm)	1,875	2,379	2,500	2,500	2,500

## Income Statement (Btm)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenue	104,423	133,759	177,150	203,077	203,471
Cost of Goods Sold	(93,824)	(123,627)	(165,172)	(191,737)	(191,433)
<b>Gross Profit</b>	<b>10,599</b>	<b>10,132</b>	<b>11,979</b>	<b>11,339</b>	<b>12,037</b>
Other Opng (Exp)/Inc	(7,820)	(8,271)	(9,829)	(9,343)	(9,805)
<b>Operating Profit</b>	<b>2,779</b>	<b>1,861</b>	<b>2,150</b>	<b>1,997</b>	<b>2,233</b>
Other Non Opng (Exp)/Inc	243	329	341	200	200
Associates & JV Inc	376	205	(181)	100	100
Net Interest (Exp)/Inc	(1,104)	(1,118)	(1,113)	(963)	(802)
Exceptional Gain/(Loss)	36.7	0.0	(4.9)	0.0	0.0
<b>Pre-tax Profit</b>	<b>2,331</b>	<b>1,277</b>	<b>1,192</b>	<b>1,334</b>	<b>1,731</b>
Tax	(425)	(261)	(288)	(267)	(346)
Minority Interest	(12.2)	(10.5)	(17.0)	(6.4)	(8.3)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>1,894</b>	<b>1,006</b>	<b>887</b>	<b>1,061</b>	<b>1,376</b>
Net Profit before Except.	1,857	1,006	892	1,061	1,376
EBITDA	6,279	5,419	5,495	5,273	5,508
<b>Growth</b>					
Revenue Gth (%)	(13.0)	28.1	32.4	14.6	0.2
EBITDA Gth (%)	19.2	(13.7)	1.4	(4.0)	4.5
Opg Profit Gth (%)	39.5	(33.0)	15.5	(7.1)	11.8
Net Profit Gth (Pre-ex) (%)	19.0	(45.8)	(11.3)	18.9	29.7
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	10.1	7.6	6.8	5.6	5.9
Opg Profit Margin (%)	2.7	1.4	1.2	1.0	1.1
Net Profit Margin (%)	1.8	0.8	0.5	0.5	0.7
ROAE (%)	26.1	12.6	10.4	11.2	12.8
ROA (%)	5.9	2.3	2.0	2.3	2.9
ROCE (%)	2.8	(0.3)	(0.6)	0.3	1.6
Div Payout Ratio (%)	44.1	41.5	40.0	40.0	40.0
Net Interest Cover (x)	2.5	1.7	1.9	2.1	2.8

Source: Company, DBSVTH

**Quarterly Income Statement (Btm)**

FY Dec	4Q2021	1Q2022	2Q2022	3Q2022	4Q2022F
Revenue	37,600	38,969	46,307	45,171	46,703
Cost of Goods Sold	(35,524)	(36,394)	(42,877)	(42,047)	(43,854)
<b>Gross Profit</b>	<b>2,076</b>	<b>2,576</b>	<b>3,430</b>	<b>3,124</b>	<b>2,849</b>
Other Oper. (Exp)/Inc	(2,037)	(2,186)	(2,427)	(2,569)	(2,646)
<b>Operating Profit</b>	<b>38.8</b>	<b>390</b>	<b>1,003</b>	<b>555</b>	<b>203</b>
Other Non Opg (Exp)/Inc	98.1	88.8	88.1	83.9	80.0
Associates & JV Inc	46.9	26.7	(51.3)	(86.4)	(70.0)
Net Interest (Exp)/Inc	(284)	(282)	(280)	(279)	(271)
Exceptional Gain/(Loss)	0.0	(6.5)	5.55	(4.0)	0.0
<b>Pre-tax Profit</b>	<b>(101)</b>	<b>217</b>	<b>765</b>	<b>269</b>	<b>(58.1)</b>
Tax	20.9	(53.2)	(159)	(87.8)	11.6
Minority Interest	(5.9)	(3.5)	(5.7)	(3.9)	(4.0)
<b>Net Profit</b>	<b>(85.7)</b>	<b>160</b>	<b>601</b>	<b>177</b>	<b>(50.4)</b>
Net profit bef Except.	(85.7)	166	595	181	(50.4)
EBITDA	960	1,270	1,823	1,368	1,034

**Growth**

Revenue Gth (%)	22.9	3.6	18.8	(2.5)	3.4
EBITDA Gth (%)	(16.9)	32.2	43.6	(25.0)	(24.4)
Opg Profit Gth (%)	(86.3)	905.5	157.4	(44.7)	(63.4)
Net Profit Gth (Pre-ex) (%)	(234.0)	(294.2)	257.5	(69.6)	(127.9)

**Margins**

Gross Margins (%)	5.5	6.6	7.4	6.9	6.1
Opg Profit Margins (%)	0.1	1.0	2.2	1.2	0.4
Net Profit Margins (%)	(0.2)	0.4	1.3	0.4	(0.1)

**Balance Sheet (Btm)**

FY Dec	2020A	2021A	2022F	2023F	2024F
Net Fixed Assets	10,853	11,505	11,906	11,925	11,940
Invts in Associates & JVs	0.0	5.00	5.00	5.00	5.00
Other LT Assets	27,326	28,015	26,239	27,143	25,958
Cash & ST Invts	1,267	1,898	2,336	3,099	2,912
Inventory	2,088	2,239	3,579	3,969	4,108
Debtors	503	722	1,847	2,063	2,044
Other Current Assets	0.61	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>42,037</b>	<b>44,384</b>	<b>45,912</b>	<b>48,203</b>	<b>46,967</b>
ST Debt	3,748	5,751	3,222	3,012	715
Creditor	3,920	6,000	9,149	10,564	10,218
Other Current Liab	818	699	699	699	699
LT Debt	25,572	23,735	23,735	23,735	23,735
Other LT Liabilities	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	7,884	8,095	8,982	10,043	11,420
Minority Interests	96.3	105	126	151	181
<b>Total Cap. &amp; Liab.</b>	<b>42,037</b>	<b>44,384</b>	<b>45,912</b>	<b>48,203</b>	<b>46,967</b>
Non-Cash Wkg. Capital	(2,146)	(3,737)	(4,422)	(5,231)	(4,765)
Net Cash/(Debt)	(28,053)	(27,588)	(24,620)	(23,648)	(21,537)
Debtors Turn (avg days)	3.0	1.7	2.6	3.5	3.7
Creditors Turn (avg days)	19.5	15.0	17.1	19.1	20.1
Inventory Turn (avg days)	8.6	6.5	6.6	7.3	7.8
Asset Turnover (x)	3.2	3.1	3.9	4.3	4.3
Current Ratio (x)	0.5	0.4	0.6	0.6	0.8
Quick Ratio (x)	0.2	0.2	0.3	0.4	0.4
Net Debt/Equity (X)	3.5	3.4	2.7	2.3	1.9
Net Debt/Equity ex MI (X)	3.6	3.4	2.7	2.4	1.9
Capex to Debt (%)	6.4	8.1	9.3	9.3	10.2
Z-Score (X)	5.7	5.7	5.7	NA	NA

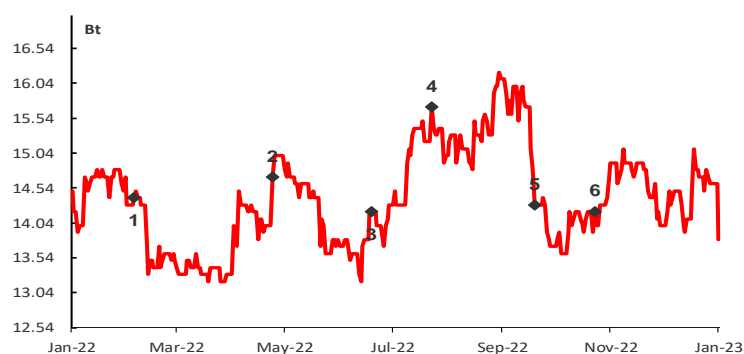
Source: Company, DBSVTH

## Cash Flow Statement (Btm)

FY Dec	2020A	2021A	2022F	2023F	2024F
Pre-Tax Profit	2,331	1,277	887	1,061	1,376
Dep. & Amort.	2,881	3,024	3,185	2,976	2,976
Tax Paid	(370)	(516)	(288)	(267)	(346)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(1,707)	1,629	685	809	(466)
Other Operating CF	(325)	(78.3)	(1,113)	(963)	(802)
<b>Net Operating CF</b>	<b>2,811</b>	<b>5,336</b>	<b>3,356</b>	<b>3,617</b>	<b>2,738</b>
Capital Exp.(net)	(1,875)	(2,379)	(2,500)	(2,500)	(2,500)
Other Invt.(net)	(49.3)	(5.0)	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(1,924)</b>	<b>(2,384)</b>	<b>(2,500)</b>	<b>(2,500)</b>	<b>(2,500)</b>
Div Paid	(668)	(837)	(418)	(355)	(424)
Chg in Gross Debt	0.0	0.0	0.0	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(314)	(1,356)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(982)</b>	<b>(2,193)</b>	<b>(418)</b>	<b>(355)</b>	<b>(424)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(95.4)	760	439	762	(187)
Opg CFPS (Bt)	2.70	2.22	1.60	1.68	1.92
Free CFPS (Bt)	0.56	1.77	0.51	0.67	0.14

Source: Company, DBSVTH

## Target Price &amp; Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	28 Feb 22	14.40	17.00	BUY
2:	17 May 22	14.70	17.00	BUY
3:	12 Jul 22	14.20	17.00	BUY
4:	15 Aug 22	15.70	20.00	BUY
5:	12 Oct 22	14.30	19.00	BUY
6:	15 Nov 22	14.20	19.00	BUY

Source: DBSVTH

Analyst: Duladeth BIK, CFA, FRM, CAIA

## THAI-CAC

## Corporate Governance CG Rating

**THAI-CAC** is Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of May 2018) are categorised into:

**Corporate Governance CG Rating** is based on Thai Institute of Directors (IOD)'s annual assessment of corporate governance practices of listed companies. The assessment covers 235 criteria in five categories including board responsibilities (35% weighting), disclosure and transparency (20%), role of stakeholders (20%), equitable treatment of shareholders (10%) and rights of shareholders (15%). The IOD then assigns numbers of logos to each company based on their scoring as follows:

## Certified



Score	Description
Declared	Companies that have declared their intention to join CAC
Certified	Companies certified by CAC.

Score	Range Number of Logo	Description
90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	No logo given	N/A

DBSVTH recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

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**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*\*Share price appreciation + dividends*

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