

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

15 Aug 2023

HOLD

Last Traded Price (11 Aug 2023): Bt10.20 (SET : 1,535.16)

Price Target 12-mth: Bt12.00 (18% upside) (Prev Bt15.00)

Analyst

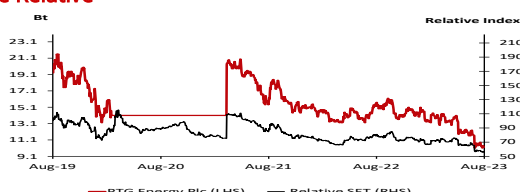
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What's New

- 2Q23 net profit came in at Bt111m (-81% y-o-y, -60% q-o-q), hit by softer marketing margin
- Sales volumes of 1,534m litres (+12% y-o-y, +4% q-o-q); marketing margin of Bt1.59/litre (-25% y-o-y, -8% q-o-q)
- Minimum impact from the expiration of diesel excise tax subsidy, yet risk of minimum wage hike impact from the new government remains
- Maintain HOLD rating with lower FY23F TP of Bt12

Price Relative



Forecasts and Valuation

FY Dec (Btm)	2021A	2022A	2023F	2024F
Revenue	133,759	179,422	203,077	203,471
EBITDA	5,419	5,616	5,075	5,112
Pre-tax Profit	1,277	1,314	1,011	1,070
Net Profit	1,006	934	804	851
Net Pft (Pre Ex.)	1,006	927	804	851
Net Pft Gth (Pre-ex) (%)	(45.8)	(7.9)	(13.3)	5.8
EPS (Bt)	0.60	0.56	0.48	0.51
EPS Pre Ex. (Bt)	0.60	0.56	0.48	0.51
EPS Gth Pre Ex (%)	(46)	(8)	(13)	6
Diluted EPS (Bt)	0.60	0.56	0.48	0.51
Net DPS (Bt)	0.25	0.40	0.19	0.20
BV Per Share (Bt)	4.85	4.88	5.36	5.87
PE (X)	16.9	18.2	21.2	20.0
PE Pre Ex. (X)	16.9	18.4	21.2	20.0
P/Cash Flow (X)	3.2	3.3	6.9	6.7
EV/EBITDA (X)	8.3	7.9	8.7	8.7
Net Div Yield (%)	2.5	3.9	1.9	2.0
P/Book Value (X)	2.1	2.1	1.9	1.7
Net Debt/Equity (X)	3.4	3.3	3.0	2.7
ROAE (%)	12.6	11.5	9.4	9.1
Earnings Rev (%)			(28)	(36)
Consensus EPS (Bt):			1.16	1.38
Other Broker Recs:		B: 9	S: 1	H: 3

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

Factored in key negatives

Investment Thesis:

Oil sales volume expected to grow by 10%-15% in 2023F. PTG expects to add c.50 service stations and c.700 PunThai Coffee shops in 2023F with a total capex of c.Bt2.50bn. It projects oil sales volume growth of 10-15% y-o-y, with the gross profit contribution from its non-oil business expected to increase from c.15%-20% in 2022F to c.20%-30% in 2023F.

Profitability from 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 20%-25% (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.

Marketing margin is the key determination of financial and share price performance.

PTG's core business is driven by its marketing margin. We expect the margin to be pressured by the regulator, since the oil fund is currently in great deficit. With high energy prices, we deem the marketing margin to be under pressure from the government, which aims to keep the retail oil price as low as possible.

Maintain HOLD rating and FY23F TP of Bt12. We maintain a HOLD rating with an FY23F TP of Bt12, based on a DCF valuation. This is on the back of i) the share price having factored in the positives of the diesel marketing margin uptrend, as there is less than a 10% potential upside; ii) the lack of business diversification as retail oil is PTG's sole business; 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) slower-than-expected palm oil business recovery.

Key Risks

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

At A Glance

Issued Capital (m shrs)	1,670
Mkt. Cap (Btm/US\$m)	17,034 / 485
Major Shareholders (%)	
RATCHAKIT HOLDINGS	25.1
Vachirasakpanich's Family	8.6
Jaruslak Nittayanurak	4.7
Free Float (%)	58.2
3m Avg. Daily Val (US\$m)	3.5
GIC Industry : Energy / Energy Equipment & Services	

WHAT'S NEW

Factored in key negatives

2Q23 hit by softer marketing margin and less equity sharing. PTG reported a 2Q23 net profit of Bt111m (-81% y-o-y, -60% q-o-q). This result is 43% below the Bloomberg consensus. Deteriorating business performance was hit by i) a softer marketing margin of Bt1.59/litre (-25% y-o-y, -8% q-o-q, ii) rising SG&A expenses, and iii) lower equity income of Bt6m from the palm oil complex.

2Q23 operating metrics

- i) Oil business: Total sales volume hit an all-time high of 1,534m litres (+12% y-o-y, +4% q-o-q). The improving volume was thanks to increasing travel activity during the long holiday. The marketing margin came in at Bt1.59/litre (-25% y-o-y and -8% q-o-q). The marketing margin deterioration is caused by the timing mismatch adjustment of retail prices and oil fund management.
- ii) LPG business: Sales volume was at 154m litres (+27% y-o-y, +2% q-o-q). This was supported by higher demand for the auto segment and household sector (only y-o-y improvement).
- iii) Equity income came in at Bt41m (vs. 2Q22's loss of Bt51m and 1Q23's profit of Bt41m). This was owed to deteriorating biodiesel business performance.
- iv) Extra items in 2Q23 include a forex loss of Bt2m.

2H23F outlook

Oil sales volume expected to grow by 10%-15% in 2023F. PTG expects to add c.50 service stations and c.700 PunThai Coffee shops in 2023F with total capex of c.Bt1.50bn. It projects oil sales volume growth of 10%-15% y-o-y (revised up from 8%-12% during the 1Q23 analyst conference) 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 2022 to c.20%-30% in 2023F (1H23 non-oil's gross profit accounts for c.21% of consolidated gross margin).

Improving marketing margin in 2H23F. PTG expects the marketing margins to slightly inch down from the previous projection of Bt1.8-1.9/litre in 2H23F (vs. Bt1.84/litre for 2022, and Bt1.65/litre in 1H23), pressured by the oil price uptrend. However, management believes that marketing margins will be better than 2Q23's Bt1.59/litre. On the other hand, PTG expects a softer performance from its palm oil business, with a slight toning down of the projected equity income from the previous guidance of Bt100-120m.

Touchpoints in 2023F

	2022	2Q23	2023F
Service stations	2,149	2,166	2,206
LPG stations	484	527	574
PunThai	511	703	1,200
EV charging	35	46	N/A

Source: Company, DBSVTH

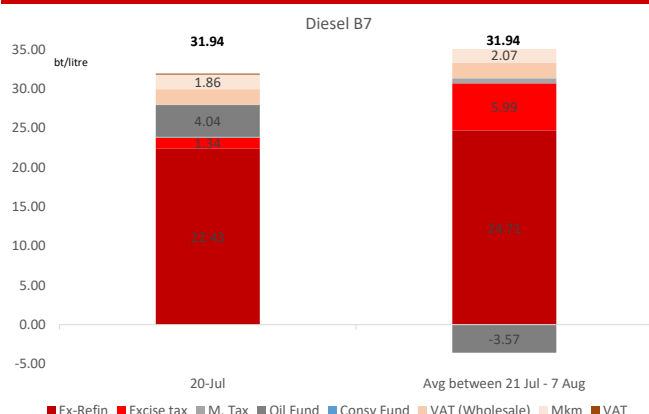
Minimal impact on marketing margin after expiration of diesel excise tax subsidy. In Jul 23, the Ministry of Finance decided to stop subsidising the diesel excise tax of Bt5.0/litre after the current subsidy expired on 20 July (note that the diesel excise tax subsidy was introduced in Feb 21 and was extended seven times). The reasons for the lack of extension were i) the downtrend in the oil price and ex-refinery price and ii) the oil fund status improving to a deficit of c.Bt50.43bn as of 6 Aug 23 (from a deficit of Bt123.2bn in Jan 23).

To maintain the cap of the diesel retail price of Bt32/litre, the expiration of the excise tax waiver will result in a decrease in oil fund contribution, the so-called "oil fund subsidy", from the Oil Fuel Fund Office (OFFO). Thus, we deem there will be no impact on the diesel marketing margin. In fact, the expiration of the excise tax subsidy will result in a greater deficit in the oil fund.

Based on the EPPO website, the diesel marketing margin went up from Bt1.86/litre on 20 Jul – the date the excise tax subsidy expired – to the average of Bt2.07/litre between 21 July and 7 Aug.

Note that c.95% of PTG's total sales volume comprises diesel. We estimate an incremental net profit of Bt360m per year for every Bt0.1/litre increase in the diesel marketing margin. This assumes i) an annual sales volume of c.4,500m litres and ii) an effective tax rate of 20%.

Diesel B7 retail price (Bt per litre)



Source: EPPO, DBSVTH

Maintain HOLD rating and FY23F TP of Bt12. We maintain a HOLD rating with an FY23F TP of Bt12, based on a DCF valuation. This is on the back of i) the share price having factored in the positives of the diesel marketing margin uptrend, as there is less than a 10% potential upside; ii) lack of business diversification, as retail oil is PTG's sole business; 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) slower-than-expected palm oil business recovery.

Note that we cut FY23F/FY24F net profit projections by 28%/36% from Bt1.11bn to Bt804m for FY23F and from Bt1.32bn to Bt851m for FY24F. This is based on our conservative assumption of a rise in SG&A expenses from the potential minimum wage hike when the new government takes office in late 2023.

Company Background

Corporate history. PTG Energy Plc (PTG TB) was established on 21 March 1988. Its original business was to import oil 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, which was listed on the Stock Exchange of Thailand (SET) in 1995. Since then, PTG has changed its 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, it 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.

PTG Energy Plc

Quarterly / Interim Income Statement (Btm)

FY Dec	2Q2022	1Q2023	2Q2023	% chg yoy	% chg qoq
Revenue	46,307	50,936	50,802	9.7	(0.3)
Cost of Goods Sold	(42,877)	(47,768)	(47,717)	11.3	(0.1)
Gross Profit	3,430	3,167	3,085	(10.1)	(2.6)
Other Oper. (Exp)/Inc	(2,427)	(2,652)	(2,714)	11.8	2.4
Operating Profit	1,003	516	371	(63.0)	(28.1)
Other Non Opg (Exp)/Inc	88.1	86.6	98.9	12.3	14.3
Associates & JV Inc	(51.3)	40.9	5.75	nm	(85.9)
Net Interest (Exp)/Inc	(280)	(273)	(284)	(1.4)	(4.3)
Exceptional Gain/(Loss)	5.55	(6.0)	0.74	(86.7)	(112.4)
Pre-tax Profit	765	365	192	(74.9)	(47.3)
Tax	(159)	(80.7)	(75.8)	(52.3)	(6.0)
Minority Interest	(5.7)	(6.3)	(5.0)	12.3	(20.8)
Net Profit	601	278	111	(81.5)	(59.9)
Net profit bef Except.	595	284	110	(81.4)	(61.0)
EBITDA	1,823	1,461	1,301	(28.7)	(10.9)
Margins (%)					
Gross Margins	7.4	6.2	6.1		
Opg Profit Margins	2.2	1.0	0.7		
Net Profit Margins	1.3	0.5	0.2		

Historical PE and PB band

Forward PE band (x)



Source: Bloomberg Finance L.P., DBSVTH estimates

PB band (x)



Source: Bloomberg Finance L.P., DBSVTH estimates

PTG Energy Plc

Key Assumptions

FY Dec	2020A	2021A	2022A	2023F	2024F
Oil sales volume (m litres)	4,959	5,020	5,316	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	2,508	2,500	2,500

Income Statement (Btm)

FY Dec	2020A	2021A	2022A	2023F	2024F
Revenue	104,423	133,759	179,422	203,077	203,471
Cost of Goods Sold	(93,824)	(123,627)	(167,414)	(191,737)	(191,433)
Gross Profit	10,599	10,132	12,008	11,339	12,037
Other Opng (Exp)/Inc	(7,820)	(8,271)	(9,765)	(9,541)	(10,201)
Operating Profit	2,779	1,861	2,243	1,799	1,837
Other Non Op (Exp)/Inc	243	329	363	200	200
Associates & JV Inc	376	205	(177)	100	100
Net Interest (Exp)/Inc	(1,104)	(1,118)	(1,123)	(1,088)	(1,067)
Exceptional Gain/(Loss)	36.7	0.0	7.15	0.0	0.0
Pre-tax Profit	2,331	1,277	1,314	1,011	1,070
Tax	(425)	(261)	(361)	(202)	(214)
Minority Interest	(12.2)	(10.5)	(19.1)	(4.9)	(5.1)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	1,894	1,006	934	804	851
Net Profit before Except.	1,857	1,006	927	804	851
EBITDA	6,279	5,419	5,616	5,075	5,112
Growth					
Revenue Gth (%)	(13.0)	28.1	34.1	13.2	0.2
EBITDA Gth (%)	19.2	(13.7)	3.6	(9.6)	0.7
Opg Profit Gth (%)	39.5	(33.0)	20.5	(19.8)	2.1
Net Profit Gth (Pre-ex) (%)	19.0	(45.8)	(7.9)	(13.3)	5.8
Margins & Ratio					
Gross Margins (%)	10.1	7.6	6.7	5.6	5.9
Opg Profit Margin (%)	2.7	1.4	1.3	0.9	0.9
Net Profit Margin (%)	1.8	0.8	0.5	0.4	0.4
ROAE (%)	26.1	12.6	11.5	9.4	9.1
ROA (%)	5.9	2.3	2.1	1.8	1.8
ROCE (%)	2.8	(0.3)	(0.5)	(0.8)	(0.6)
Div Payout Ratio (%)	44.1	41.5	71.5	40.0	40.0
Net Interest Cover (x)	2.5	1.7	2.0	1.7	1.7

Source: Company, DBSVTH

Quarterly Income Statement (Btm)

FY Dec	2Q2022	3Q2022	4Q2022	1Q2023	2Q2023
Revenue	46,307	45,171	48,975	50,936	50,802
Cost of Goods Sold	(42,877)	(42,047)	(46,096)	(47,768)	(47,717)
Gross Profit	3,430	3,124	2,879	3,167	3,085
Other Oper. (Exp)/Inc	(2,427)	(2,569)	(2,582)	(2,652)	(2,714)
Operating Profit	1,003	555	296	516	371
Other Non Opg (Exp)/Inc	88.1	83.9	103	86.6	98.9
Associates & JV Inc	(51.3)	(86.4)	(65.6)	40.9	5.75
Net Interest (Exp)/Inc	(280)	(279)	(282)	(273)	(284)
Exceptional Gain/(Loss)	5.55	(4.0)	12.1	(6.0)	0.74
Pre-tax Profit	765	269	63.8	365	192
Tax	(159)	(87.8)	(61.3)	(80.7)	(75.8)
Minority Interest	(5.7)	(3.9)	(6.1)	(6.3)	(5.0)
Net Profit	601	177	(3.6)	278	111
Net profit bef Except.	595	181	(15.7)	284	110
EBITDA	1,823	1,368	1,155	1,461	1,301

Growth

Revenue Gth (%)	18.8	(2.5)	8.4	4.0	(0.3)
EBITDA Gth (%)	43.6	(25.0)	(15.6)	26.5	(10.9)
Opg Profit Gth (%)	157.4	(44.7)	(46.6)	74.0	(28.1)
Net Profit Gth (Pre-ex) (%)	257.5	(69.6)	(108.7)	(1,906.1)	(61.0)

Margins

Gross Margins (%)	7.4	6.9	5.9	6.2	6.1
Opg Profit Margins (%)	2.2	1.2	0.6	1.0	0.7
Net Profit Margins (%)	1.3	0.4	0.0	0.5	0.2

Balance Sheet (Btm)

FY Dec	2020A	2021A	2022A	2023F	2024F
Net Fixed Assets	10,853	11,505	12,356	11,925	11,940
Invts in Associates & JVs	0.0	5.00	5.05	5.05	5.05
Other LT Assets	27,326	28,015	27,649	28,794	29,936
Cash & ST Invts	1,267	1,898	2,071	1,689	1,094
Inventory	2,088	2,239	2,154	2,640	2,645
Debtors	503	722	899	1,015	1,017
Other Current Assets	0.61	0.0	0.0	0.0	0.0
Total Assets	42,037	44,384	45,135	46,069	46,637
ST Debt	3,748	5,751	5,798	5,300	5,000
Creditor	3,920	6,000	6,961	7,550	7,538
Other Current Liab	818	699	840	840	840
LT Debt	25,572	23,735	23,260	23,274	23,274
Other LT Liabilities	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	7,884	8,095	8,151	8,955	9,806
Minority Interests	96.3	105	124	149	178
Total Cap. & Liab.	42,037	44,384	45,135	46,069	46,637
Non-Cash Wkg. Capital	(2,146)	(3,737)	(4,748)	(4,735)	(4,716)
Net Cash/(Debt)	(28,053)	(27,588)	(26,987)	(26,885)	(27,181)
Debtors Turn (avg days)	3.0	1.7	1.6	1.7	1.8
Creditors Turn (avg days)	19.5	15.0	14.4	14.0	14.6
Inventory Turn (avg days)	8.6	6.5	4.9	4.6	5.1
Asset Turnover (x)	3.2	3.1	4.0	4.5	4.4
Current Ratio (x)	0.5	0.4	0.4	0.4	0.4
Quick Ratio (x)	0.2	0.2	0.2	0.2	0.2
Net Debt/Equity (X)	3.5	3.4	3.3	3.0	2.7
Net Debt/Equity ex MI (X)	3.6	3.4	3.3	3.0	2.8
Capex to Debt (%)	6.4	8.1	8.6	8.7	8.8
Z-Score (X)	5.7	5.7	5.7	NA	NA

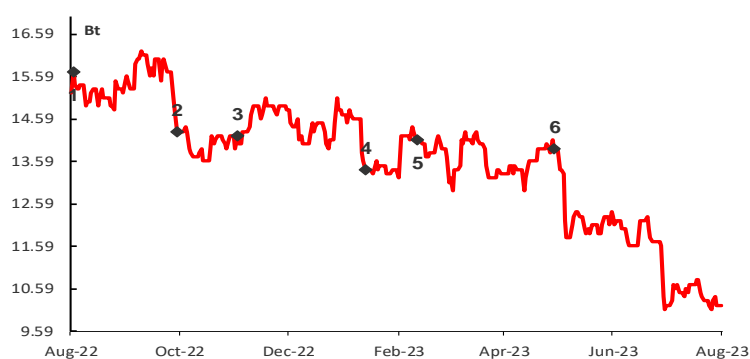
Source: Company, DBSVTH

Cash Flow Statement (Btm)

FY Dec	2020A	2021A	2022A	2023F	2024F
Pre-Tax Profit	2,331	1,277	1,314	804	851
Dep. & Amort.	2,881	3,024	3,185	2,976	2,976
Tax Paid	(370)	(516)	(361)	(202)	(214)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(1,707)	1,629	719	(12.7)	(19.2)
Other Operating CF	(325)	(78.3)	264	(1,088)	(1,067)
Net Operating CF	2,811	5,336	5,121	2,477	2,526
Capital Exp.(net)	(1,875)	(2,379)	(2,508)	(2,500)	(2,500)
Other Invt.(net)	(49.3)	(5.0)	(119)	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
Net Investing CF	(1,924)	(2,384)	(2,627)	(2,500)	(2,500)
Div Paid	(668)	(837)	(752)	(668)	(321)
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)	(1,374)	309	(300)
Net Financing CF	(982)	(2,193)	(2,125)	(359)	(621)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	(95.4)	760	370	(382)	(596)
Opg CFPS (Bt)	2.70	2.22	2.64	1.49	1.52
Free CFPS (Bt)	0.56	1.77	1.57	0.0	0.02

Source: Company, DBSVTH

Target Price & Ratings 12-mth History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	15 Aug 22	15.70	20.00	BUY
2:	12 Oct 22	14.30	19.00	BUY
3:	15 Nov 22	14.20	19.00	BUY
4:	26 Jan 23	13.40	15.00	HOLD
5:	24 Feb 23	14.10	15.00	HOLD
6:	12 May 23	13.90	15.00	HOLD

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

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 17 April 2023) 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:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

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*

Completed Date: 15 Aug 2023 06:55:38 (THA)

Dissemination Date: 15 Aug 2023 06:57:26 (THA)

Sources for all charts and tables are DBSVTH unless otherwise specified.

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