

24 April 2024

Company Note

Rating

SELL

(Unchanged)

Company

PTG Energy

Bloomberg SET Exchange Sector
PTG TB PTG SET Energy

Euro V adoption to negatively impact 1Q24e

12mth price target (THB) 7.70

Current price (23/04/2024)	8.70
Upside/Downside	-11%
CG rating	5
ESG rating	-
Thai CAC	Certified

Share summary

Issue shares :	(m shrs)	1,670
Market capitalization:	(THB bn)	14.7
	(USDbn)	0.4
Avg. Daily Turnover:	(THBm)	62
	(USDm)	1
Foreign Limit/Actual	(%)	49/3
Free Float:	(%)	58
NVDR:	(%)	5

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
PTG	0.6	-0.6	-17.4
SET	-1.7	-0.5	-13.4

Major Shareholders

	%
Ratchakit Holding Co.,Ltd	25.12
Mr. Pongsak Vachirasakpanich	6.01
Thai NVDR	5.28

Source: SET

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1Q24e unlikely to be a favourable quarter

We flag that the adoption of Euro V will have clear negative impact on earnings for PTG in 1Q24e. We forecast 1Q24e earnings of Bt341mn, -36% QoQ but +23% YoY. PTG is scheduled to report its earnings after the market closes on 10 May 2024.

Euro V adoption – negative impact

Robust oil volumes and strong performance of the non-oil segment are unlikely to outweigh the negative impact on margin from the adoption of Euro. We estimate that oil margin (gross profit per litre) for PTG will fall below its normal level of Bt1.70/litre to Bt1.54/litre in 1Q24e, a decline from Bt1.85/litre in 4Q23 and Bt1.72/litre in 1Q23. On the positive side, volumes should rise significantly, reaching a new high of 1.7bn bb/litre in 1Q24e, growing 10.5% QoQ and 16.0% YoY. This follows strong seasonal demand and market share gains. The non-oil segment likely experienced robust growth, with projected gross profit increasing by 14% QoQ and 35% YoY. However, this growth may still be insufficient to significantly boost overall performance for the company. The effective tax rate is also expected to return to the normal range (deferred tax gain was booked in 4Q23).

Big recovery not likely in the near-term

While volumes may maintain strong momentum, we do not expect any momentous earnings growth in 2Q24e. We do not anticipate a significant recovery in oil margin. The negative impact of Euro V adoption is expected to be substantial, and higher oil prices, along with deterioration in the oil fund balance, could add pressure to oil margin.

Maintain SELL

We maintain our SELL rating on PTG. Our TP of Bt7.7 is derived from the average valuation of a targeted 2024e P/E (15x) and DCF. Key risks: weaker economy, changes in fuel technology, and regulations.

Forecasts and ratios

Year Ended December 31	2022	2023	2024E	2025E	2026E
Sales (THBm)	179,422	198,811	215,475	219,348	220,902
EBITDA (THBm)	5,792	5,666	5,725	5,973	6,058
Net profit (THBm)	934	944	945	1,011	1,009
<i>Net Profit (% chg from prev)</i>	<i>nm.</i>	<i>nm.</i>	<i>0.0</i>	<i>0.0</i>	<i>0.00</i>
EPS (THB)	0.56	0.57	0.57	0.61	0.60
EPS (%YoY)	-7.2	1.1	0.1	7.0	-0.1
<i>EPS vs Cons (%)</i>	<i>nm.</i>	<i>nm.</i>	<i>-10.5</i>	<i>-20.1</i>	<i>nm.</i>
PER (X)	25.9	15.5	15.4	14.4	14.4
Yield (%)	3.1	6.3	2.6	2.8	2.8
P/BV (X)	3.0	1.7	1.6	1.5	1.4
EV/EBITDA (X)	8.7	6.7	6.3	5.9	5.7
ROE (%)	11.5	11.2	10.4	10.5	9.8

Source: Company data, TISCO estimates

Figure 1. 1Q24e earnings to be negatively impacted by the adoption of Euro V

<i>Bt mn</i>	1Q24e	4Q23	%QoQ	1Q23	%YoY
Gross profit	3,492	3,618	-3	3,167	10
SG&A	-2,820	-2,856	-1	-2,652	6
EBIT	772	882	-12	602	28
Net finance cost	-279	-279	0	-273	2
PBT	494	603	-18	330	50
Tax	-133	-47	-185	-81	65
Affiliate profit	-14	-14	0	41	-134
Reported profit	341	536	-36	278	23
Gross profit breakdown					
Oil business	2,633	2,865	-8	2,531	4
Non-oil business	859	753	14	636	35
Operational data					
Oil volumes sold (bn litre)	1.7	1.5	11	1.5	16
Oil GP per litre	1.54	1.85	-17	1.72	-10
Non-oil GP per litre	0.50	0.49	3	0.43	16
SG&A per litre	1.65	1.85	-11	1.80	-8

Source: Company data, TISCO estimates

PTG Energy (PTG)

Rating : SELL

Bloomberg: PTG TB

Target price (THB)	7.70
Current Price (THB)	8.70
52-week Range	17.6-23.1

Market Capitalization

THBbn	216.0
USDbn	5.8

Fiscal year end 31-Dec	2022	2023	2024E	2025E	2026E
Financial Summary					
EPS (THB)	0.56	0.57	0.57	0.61	0.60
DPS (THB)	0.45	0.55	0.23	0.24	0.24
BVPS (THB)	4.88	5.26	5.60	5.96	6.32
Weighted average shares (m)	1,670	1,670	1,670	1,670	1,670
Average market cap (THBm)	24,215	14,613	14,529	14,529	14,529
Enterprise value (THBm)	50,524	37,852	35,989	35,313	34,661
Valuation Metrics					
P/E (x)	25.9	15.5	15.4	14.4	14.4
P/BV (x)	3.0	1.7	1.6	1.5	1.4
FCF Yield (%)	8.1	25.5	14.0	7.0	6.5
Dividend Yield (%)	3.1	6.3	2.6	2.8	2.8
EV/Sales (x)	0.28	0.19	0.17	0.16	0.16
EV/EBITDA (x)	8.7	6.7	6.3	5.9	5.7
EV/EBIT (x)	19.4	16.3	15.4	14.1	13.4
Income Statement (THBm)					
Sales revenue	179,422	198,811	215,475	219,348	220,902
Gross profit	15,193	16,262	16,808	17,390	17,521
EBITDA	5,792	5,666	5,725	5,973	6,058
Depreciation	3,185	3,340	3,393	3,469	3,470
Amortisation	0	0	0	0	0
EBIT	2,607	2,326	2,331	2,504	2,588
Net interest income/(expense)	-1,123	-1,128	-1,192	-1,282	-1,371
Associates/affiliates	-177	33	101	105	107
Exceptionals/extraordinaries	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0
Profit before tax	1,484	1,199	1,139	1,222	1,217
Income tax expense	361	261	273	293	292
Minorities	19	22	22	23	23
Other post-tax income/(expense)	7	-6	0	0	0
Net profit	934	944	945	1,011	1,009
Cash Flow (THBm)					
Cash flow from operations	5,515	5,698	5,528	4,516	4,445
Net Capex	-3,566	-1,975	-3,500	-3,500	-3,500
Free cash flow	1,950	3,722	2,028	1,016	945
Equity raised/(bought back)	0	0	0	0	0
Dividends paid	-1,253	-1,086	-1,044	-387	-404
Net inc/(dec) in borrowings	-602	-1,764	716	716	716
Other investing/financing cash flows	275	437	796	47	110
Net cash flow	370	1,310	2,496	1,392	1,367
Change in working capital	-2,462	849	-2,600	-3,313	-3,421
Balance Sheet (THBm)					
Cash and other liquid assets	2,071	3,381	5,877	7,269	8,636
Tangible fixed assets	23,593	21,335	21,335	21,335	21,335
Goodwill/intangible assets	12,902	13,797	13,903	13,934	13,965
Associates/investments	0	0	0	0	0
Other assets	6,568	8,420	8,019	8,132	8,158
Total assets	45,135	46,932	49,134	50,670	52,094
Interest bearing debt	28,380	26,621	27,337	28,053	28,769
Other liabilities	8,480	11,385	12,282	12,473	12,552
Total liabilities	36,860	38,006	39,619	40,526	41,321
Shareholders' equity	8,151	8,780	9,347	9,954	10,559
Minorities	124	145	167	190	214
Total shareholders' equity	8,275	8,926	9,514	10,144	10,773
Net debt	26,309	23,240	21,460	20,784	20,132
Key Company Metrics					
Sales growth (%)	34.1	10.8	8.4	1.8	0.7
EPS growth (%)	-7.2	1.1	0.1	7.0	-0.1
EBITDA Margin (%)	3.2	2.9	2.7	2.7	2.7
EBIT Margin (%)	1.5	1.2	1.1	1.1	1.2
Payout ratio (%)	80.4	97.3	40.0	40.0	40.0
ROE (%)	11.5	11.2	10.4	10.5	9.8
Capex/sales (%)	2.0	1.0	1.6	1.6	1.6
Capex/depreciation (x)	1.1	0.6	1.0	1.0	1.0
Net debt/equity (%)	317.9	260.4	225.5	204.9	186.9
Net interest cover (x)	2.3	2.1	2.0	2.0	1.9

Source: Company data, TISCO estimates

Company profile

PTG operates as 1. oil retail station under name "PT station" 2. Fuel wholesale business to other oil retailers 3. LPG retail business through PT stations 4) Fuel transportation and pipeline business 5) Max Mart convenience store business, Punthai coffee shops and Coffee World stores both inside and outside PT gas stations. 6) other retail businesses.

Valuation

The average valuation between targeted 2024e P/E (15x) and DCF-based valuation. Our DCF-based valuation is based on 10% WACC, arriving to an NAV of Bt6.9 per share. We derive an NAV of Bt8.5 on targeted P/E methodology.

Risk

Key upside risks: stronger economy, more favourable policies, and faster expansions.

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ESG Disclosure Score

	2020	2021
Overall ESG Disclosure Score	49	58
Environment	37	56
GHG Scope 1 (thousands of metric tonnes)	1	1
GHG Scope 2 Location-based (thousands of metric tonnes)	1	1
GHG Scope 3 (thousands of metric tonnes)	1935	9946
Electricity used (thousands of megawatt hours)	5	0
Total waste (thousands of metric tonnes)	0	0
Water consumption (thousands of cubic meters)	n.a.	40
Social	31	38
Pct Women in Workforce (%)	63	63
Lost Time Incident Rate - Employees (per 100 employees)	n.a.	0
Number of Employees - CSR (number of people)	17283	16727
Employees Turnover Pct (%)	n.a.	n.a.
Total Hours Spent by Firm - Employee Training (hours)	67715	137926
Governance	81	81
Size of the Board	10	10
Number of Non-executive Directors on Board	8	8
Number of Board Meetings for the Year	8	9
Board Mtg Attendance (%)	100	100
Number of Female Executives	1	2
Number of Women on Board	2	1

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To review the fully transparent methodology, calculation of disclosure scores for any company and compare a company's scores vs. its peers, see ESG Disclosure Score Model in Bloomberg.

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	Score Range	Level	Description
 <p>Corporate Governance Report of Thai Listed Companies 2023</p>	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
	50 - 59	1	Pass
	< 50	n.a.	n.a.
		N/R	Does not appear in the CGR report

Anti-Corruption Progress Indicator :

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 31, 2023) are categorized into :

Certified :	Companies certified by CAC.
Declared :	Companies that have declared their intention to join CAC.
Ensure its compliance by parent company	Ensure its compliance by parent company The company declares that its parent company is under the Bribery Act or other similar laws that required parent company to be responsible for bribery act of its overseas subsidiaries. Such responsibilities shall include the establishment of policy, practices and investigation and ensure that its subsidiaries regularly comply with the policy and practices.
n.a.	Not intention to join CAC. / no policy

Disclaimer

The disclosure of the Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 31, 2023)

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ESG Rating

The Thaipat ESG Index is designed to represent the performance of the selected Thai listed companies that are constituents of the ESG100 Universe, the 100 outstanding performers in terms of Environmental, Social and Governance (ESG) listed in Thai stock market (Both SET and mai), assessed by ESG Rating company, a whole subsidiary of Thaipat Institute.

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