

PTG Energy Pcl.

July 25, 2024

# PTG

Expect improved oil margin to support 2Q24 earnings

**OUTPERFORM**

Maintain Rating

**Valuation: SOTP**

**Target Price/Upside:**

**Bt10.40/29.19%**

Maintain Target Price

**Price (Jul 24, 2024)**

**Bt8.05**

Sector: Energy & Utilities	No. of shares on issue:	1,670mn
Market Cap: Bt13,444mn	CG Scoring (IOD-Y2023):	N/A
30-day avg turnover: Bt30.02mn	Anti-Corruption Indicator:	Certified

## Investment fundamentals

Year end Dec 31	2022A	2023A	2024E	2025E
<b>Company Financials</b>				
Revenue (Btmn)	179,422	198,811	204,946	224,791
Core profit (Btmn)	927	970	1,234	1,432
Net profit (Btmn)	934	944	1,234	1,432
Net EPS (Bt)	0.56	0.57	0.74	0.86
DPS (Bt)	0.40	0.40	0.50	0.50
BVPS (Bt)	4.88	5.26	5.60	5.95
Net EPS growth (%)	-7.18	1.07	30.75	16.00
ROA (%)	2.11	2.06	2.62	2.94
ROE (%)	11.46	10.75	13.21	14.40
Net D/E (x)	3.25	2.60	2.29	1.99
<b>Valuation</b>				
P/E (x)	25.92	14.24	10.89	9.39
P/BV (x)	2.97	1.53	1.44	1.35
EV/EBITDA (x)	9.15	6.75	5.70	4.97
Dividend yield (%)	2.76	4.97	6.21	6.21

## Investment Topics

- **Expect strong 2Q24 earnings.** We expect PTG to report a 2Q24 net profit of Bt445mn, up 299.7% YoY and 72.5% QoQ. Factors behind the expected strong earnings are an expected higher oil margin of Bt1.73/liter resulting from an upward adjustment of the retail diesel price by Bt3.0/liter to Bt33.0/liter in 2Q24. We expect PTG's oil and LPG sales volume to remain solid around 1,892mn liters, flat QoQ but up 12% YoY. We also expect PTG to report a share of profit of Bt30mn vs. a share of loss of Bt2mn in 1Q24 driven by profit contribution from the palm refinery business, Paisan Capital, and AMA Marine.
- **Expects weaker earnings in 3Q24.** We expect PTG's earnings in 3Q24 will come in weaker QoQ due to 1) a seasonal decline in oil sales volume; and 2) a weakened oil margin from the absence of an oil inventory gain. The Cabinet recently decided to cap the retail price of diesel fuel at Bt33.0/liter until October 2024, which is expected to eliminate an oil inventory gain in the quarter. Meanwhile, EPP0 reported that the diesel marketing margin rose slightly by Bt0.09/liter to Bt1.97/liter QTD.

## Valuation and Recommendation

- **Maintain Outperform rating and TP of Bt10.40.** We maintain our Outperform call on PTG as we expect a flow of 2024 earnings upgrades by the market in the near future given that our forecast is 12% higher than the Bloomberg consensus estimate. Moreover, valuation appears attractive as the stock is trading at a PBV almost 2SD below its historical average. Our target price of Bt10.40 is derived from the SOTP valuation method.

### Analyst

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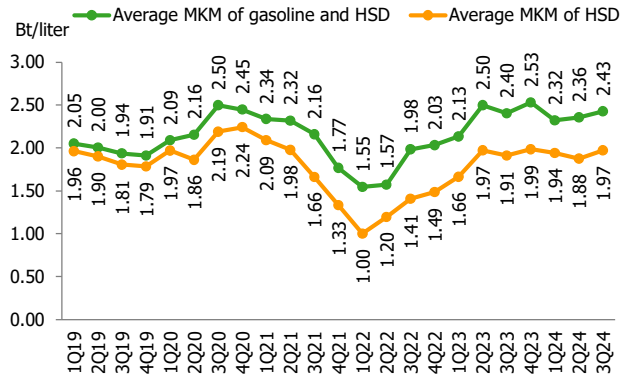
### Assistant Analyst

**Juthamard Jiramongmatte**

	2Q23	3Q23	4Q23	1Q24	2Q24E	%YoY	%QoQ	%YTD2024E	2024E
<b>Financials</b>									
Sales (Btmn)	50,802	47,548	49,525	54,962	55,194	8.6	0.4	53.7	204,946
EBITDA (Btmn)	1,240	1,159	1,686	1,450	1,656	33.6	14.2	50.2	6,187
Operating profit (Btmn)	416	320	826	578	806	93.9	39.6	59.9	2,310
Core profit (Btmn)	113	29	546	258	445	291.8	72.5	56.9	1,234
Net profit (Btmn)	111	19	536	258	445	299.7	72.5	56.9	1,234
Net EPS (Bt)	0.07	0.01	0.32	0.15	0.27	299.7	72.5	56.9	0.74
<b>Performance Drivers</b>									
Sales volume (ML)	1,688	1,567	1,715	1,892	1,892	12.1	-0.0	52.7	7,185
EPP0 Marketing margin (Bt/liter)	2.50	2.40	2.53	2.32	2.36	-5.7	1.5	137.6	1.70
Gross profit per liter - oil & LPG (Bt/liter)	1.83	1.95	2.11	1.87	2.06	12.5	9.8	106.1	1.85
Oil margin (Bt/liter)	1.59	1.67	1.85	1.56	1.73	8.9	11.2	96.6	1.70
						<b>Change</b>		<b>Avg YTD</b>	<b>2024E</b>
Gross margin (%)	6.1	6.4	7.3	6.4	7.0	1.0	0.6	6.7	6.5
EBITDA margin (%)	2.4	2.4	3.4	2.6	3.0	0.6	0.4	2.8	3.0
Optg. margin (%)	0.8	0.7	1.7	1.1	1.5	0.6	0.4	1.3	1.1
ROE (%)	5.4	0.9	24.4	11.4	19.2	13.8	7.8	15.3	13.2

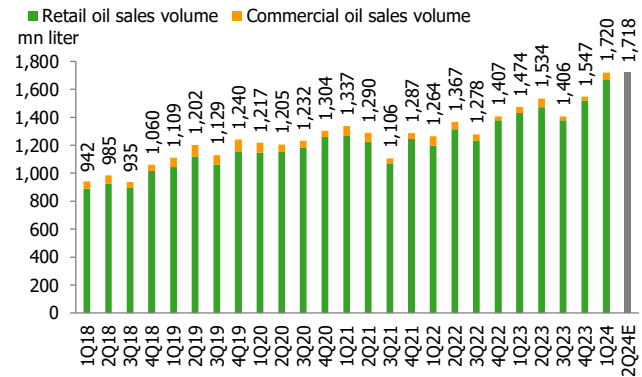
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**Fig 1 EPPO retail oil marketing margin**



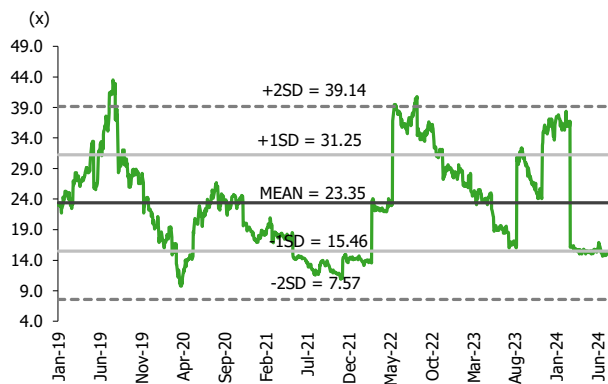
Source: EPPO

**Fig 2 PTG's oil sales volume**



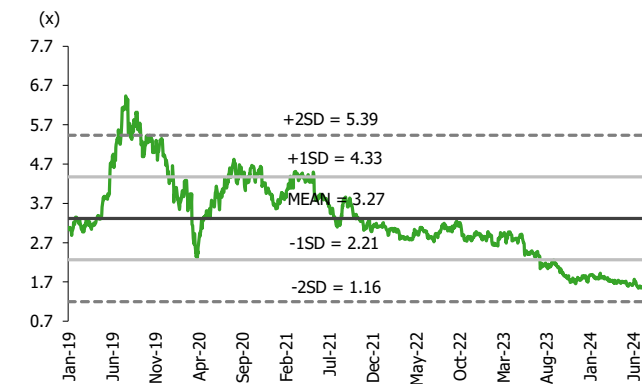
Source: Company data, KS Research

**Fig 3 PER**



Source: LSEG

**Fig 4 PBV**



Source: LSEG

**Fig 5 Stock comparison**

Stock	Rating	Price (Bt) Jul 24, 2024	Target price (Bt)	Upside (%)	P/E (x) 2024E 2025E	P/BV (x) 2024E 2025E	EV/EBITDA (x) 2024E 2025E	Net profit grth (%) 2024E 2025E	Div. yield (%) 2024E 2025E	ROE (%) 2024E 2025E	
<b>Retail oil</b>											
OR	N	15.90	18.00	13.2	14.1 13.0	1.6 1.5	7.6 7.0	22.1 8.1	3.4 3.7	11.9 12.0	
PTG	OP	8.05	10.40	29.2	10.9 9.4	1.44 1.4	5.7 5.0	30.8 16.0	6.2 6.2	13.2 14.4	
Simple Average (* % YoY change)					12.5	11.2	1.5 1.4	6.6 6.0	26.4 12.0	4.8 5.0	12.6 13.2

Source: KS Research

## Year-end 31 Dec

Income Statement (Btmn)	2022A	2023A	2024E	2025E	2026E
Revenue	179,422	198,811	204,946	224,791	238,759
Cost of sales and services	-167,414	-185,889	-191,637	-210,482	-223,171
<b>Gross Profit</b>	12,008	12,922	13,308	14,310	15,588
SG&A	-9,765	-11,009	-11,226	-11,961	-13,097
Other income	173	196	228	232	236
<b>EBIT</b>	2,437	2,354	2,719	2,996	3,154
<b>EBITDA</b>	5,602	5,449	6,187	6,769	7,191
Interest expense	-1,123	-1,128	-1,217	-1,248	-1,264
Equity earnings	-177	33	168	168	169
<b>EBT</b>	1,314	1,227	1,502	1,748	1,890
Income tax	-361	-261	-267	-316	-344
<b>NPAT</b>	953	966	1,234	1,432	1,546
Minority Interest	-19	-22	0	0	0
<b>Core Profit</b>	927	970	1,234	1,432	1,546
Extraordinary items	-24	0	0	0	0
FX gain (loss)	31	-26	0	0	0
<b>Reported net profit</b>	934	944	1,234	1,432	1,546

Balance Sheet (Btmn)	2022A	2023A	2024E	2025E	2026E
Cash & equivalents	2,071	3,381	3,869	5,251	6,861
Accounts receivable	899	1,108	1,142	1,253	1,331
Inventories	2,154	3,330	3,433	3,770	3,998
<b>Total current assets</b>	5,125	7,838	8,465	10,297	12,214
Investment in subs & others	2,513	2,592	2,592	2,592	2,592
Fixed assets-net	36,088	34,732	34,366	33,876	33,231
<b>Total assets</b>	45,135	46,932	47,166	48,640	50,003
Short-term debt	6,424	5,581	2,378	2,387	2,532
Accounts payable	6,961	10,340	11,026	12,110	12,840
<b>Total current liabilities</b>	13,599	16,210	13,694	14,815	15,710
Long-term debt	22,561	21,019	23,206	22,916	22,642
<b>Total liabilities</b>	36,860	38,006	37,674	38,551	39,204
Paid-up capital	1,670	1,670	1,670	1,670	1,670
Share premium	1,185	1,185	1,185	1,185	1,185
Retained earnings	5,263	5,897	6,463	7,060	7,770
Minority interests	124	145	145	145	145
<b>Total shareholders' equity</b>	8,275	8,926	9,492	10,089	10,800
<b>Total equity &amp; liabilities</b>	45,135	46,932	47,166	48,640	50,003

Key Assumptions	2022A	2023A	2024E	2025E	2026E
Total no. of oil stations (branches)	2,149	2,201	2,251	2,301	2,351
Sales volume (ML)	5,813	6,595	7,185	7,654	8,118
Dubai crude price (USD/bbl)	97.0	81.9	81.0	75.0	75.0

Per liter assumptions	2022A	2023A	2024E	2025E	2026E
Average oil selling price (Bt/liter)	35.4	30.7	32.1	32.8	32.8
EPP0 Marketing margin (Bt/liter)	1.78	2.39	1.70	1.70	1.70
Gross profit per liter (Bt/liter)	2.07	1.96	1.86	1.87	1.92
SG&A per liter (Bt/liter)	1.68	1.67	1.56	1.56	1.61

Cashflow (Btmn)	2022A	2023A	2024E	2025E	2026E
Net profit	953	966	1,234	1,432	1,546
Depreciation & amortization	3,185	3,340	3,877	4,188	4,464
Change in working capital	732	1,787	588	578	386
Others	158	-55	-168	-168	-170
<b>CF from operation activities</b>	5,028	6,037	5,532	6,029	6,226
Capital expenditure	-3,494	-1,984	-3,511	-3,697	-3,819
Investment in subs and affiliates	-228	-2	0	0	0
Others	502	-64	167	166	166
<b>CF from investing activities</b>	-3,219	-2,049	-3,345	-3,532	-3,653
Cash dividend	-418	-668	-668	-835	-835
Net proceeds from debt	-581	-2,385	-1,031	-281	-129
Capital raising	0	0	0	0	1
Others	-106	16	0	0	0
<b>CF from financing activities</b>	-1,104	-3,037	-1,699	-1,116	-963
<b>Net change in cash</b>	705	951	489	1,382	1,610

Key Statistics & Ratios	2022A	2023A	2024E	2025E	2026E
<b>Per share (Bt)</b>					
Reported EPS	0.56	0.57	0.74	0.86	0.93
Core EPS	0.56	0.58	0.74	0.86	0.93
DPS	0.40	0.40	0.50	0.50	0.40
BV	4.88	5.26	5.60	5.95	6.38
EV	30.69	22.03	21.13	20.13	19.09
Free Cash Flow	0.92	2.43	1.21	1.40	1.44
<b>Valuation analysis</b>					
Reported P/E (x)	25.92	14.24	10.89	9.39	8.70
Core P/E (x)	26.12	13.86	10.89	9.39	8.70
P/BV (x)	2.97	1.53	1.44	1.35	1.26
EV/EBITDA (x)	9.15	6.75	5.70	4.97	4.43
Price/Cash flow (x)	4.82	2.23	2.43	2.23	2.16
Dividend yield (%)	2.76	4.97	6.21	6.21	4.97
<b>Profitability ratios</b>					
Gross margin (%)	6.69	6.50	6.49	6.37	6.53
EBITDA margin (%)	3.12	2.74	3.02	3.01	3.01
EBIT margin (%)	1.36	1.18	1.33	1.33	1.32
Net profit margin (%)	0.53	0.49	0.60	0.64	0.65
ROA (%)	2.11	2.06	2.62	2.94	3.09
ROE (%)	11.46	10.75	13.21	14.40	14.51
<b>Liquidity ratios</b>					
Current ratio (x)	0.38	0.48	0.62	0.69	0.78
Quick ratio (x)	0.22	0.28	0.37	0.44	0.52
<b>Leverage Ratios</b>					
D/E ratio (x)	4.45	4.26	3.97	3.82	3.63
Net debt/EBITDA (x)	4.80	4.26	3.51	2.96	2.54
Net debt/equity (x)	3.25	2.60	2.29	1.99	1.69
Int. coverage ratio (x)	2.17	2.09	2.23	2.40	2.50
<b>Growth</b>					
Revenue (%)	34.14	10.81	3.09	9.68	6.21
EBITDA (%)	10.60	-2.72	13.54	9.41	6.24
Reported net profit (%)	-7.18	1.07	30.75	16.00	7.95
Reported EPS (%)	-7.18	1.07	30.75	16.00	7.95
Core profit (%)	-7.89	4.62	27.28	16.00	7.95
Core EPS (%)	-7.89	4.62	27.28	16.00	7.95

Source: Company, KS estimates

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Neutral: Expected total return between -10% and 10% within a 12-month period

Underperform: Expected total return of -10% or worse within a 12-month period

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