

12 August 2024

Company Note

Rating

SELL

(Unchanged)

Company

PTG Energy

Bloomberg SET Exchange Sector
PTG TB PTG SET Energy

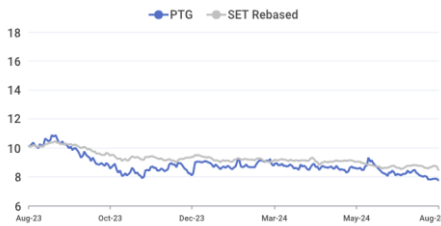
Oil margin expansion lifts 2Q; momentum likely to sputter

12mth price target (THB)	7.20
	From 7.70
Current price (09/08/2024)	7.95
Upside/Downside	-9%
CG rating	na.
ESG rating	n.a.
Thai CAC	Certified

Share summary

Issue shares :	(m shrs)	1,670
Market capitalization:	(THB bn)	12.9
	(USDbn)	0.4
Avg. Daily Turnover:	(THBm)	54
	(USDm)	1
Foreign Limit/Actual	(%)	49/4
Free Float:	(%)	58
NVDR:	(%)	3

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
PTG	-13.6	-23.5	-32.0
SET	-2.4	-5.8	-15.4

Major Shareholders

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

Source: SET

Wattana Punyawattanakul
ID: 45500
(66) 2633 6464
wattanap@tisco.co.th

Growth not a surprise

PTG reported 2Q24 earnings of Bt466mn, +81% QoQ and +319% YoY. The result was in line with both our and consensus expectations. On a QoQ basis, improved oil margin was the primary driver for the quarter. On top of fatter oil margin, volume expansion supported earnings growth YoY.

Oil margin gain was offset by stagnant volume

Improvement in oil margin appears to be the most significant factor behind the 2Q earnings recovery. Gross profit per litre for the oil business rose to Bt1.73 in 2Q24, compared to Bt1.56 in 1Q24 and Bt1.59 in 2Q23. This improvement reflected retail price adjustments throughout the quarter and global decline in diesel prices. Oil volume came in flattish, despite it being a generally strong quarter. We believe the stagnation of volumes was a result of weak domestic demand and higher retail diesel prices. In the non-oil business, gross profit increased by 5% QoQ and 41% YoY on significant expansion of Punthai stores, from 947 in 1Q24 to 1,028 in 2Q24. YoY growth was further supported by a 12% increase in LPG volumes.

Momentum likely to sputter in 3Q24e

We do not anticipate the 2Q gains in oil margins carrying on through 3Q24e. Retail prices should be pressured by the government fixing diesel price despite heightened risk of the global diesel price rise associated with pre-winter demand. Economic struggles and rising competition also pose a challenge to volume in 3Q24e.

TP cut to Bt7.2; maintain SELL

We have raised our 2024e earnings by 20%, factoring in bigger contribution from the non-oil segment as well as the reported 1H24 performance. However, beyond 2024e, the benefits from non-oil contribution are expected to be offset by slower oil volume growth and narrower oil marketing margins. We have reduced our TP to Bt7.2 (from Bt7.7) on a lower DCF-based NAV (reflects anticipated long-term declines in oil business profitability) and a lower valuation-based NAV (reduced PE target to 14x from 15x to align with the lower valuations of regional peers). Our TP is based on the average valuation of a targeted mid-2025e P/E (Bt9.0) and a DCF-based valuation (Bt5.5). Maintain SELL. Key upside risks: stronger economy, more favourable policies, and faster expansion.

Forecasts and ratios

Year Ended December 31	2022	2023	2024E	2025E	2026E
Sales (THBm)	179,422	198,811	220,388	214,358	215,856
EBITDA (THBm)	5,792	5,666	5,979	5,786	5,860
Net profit (THBm)	934	944	1,133	1,011	1,009
<i>Net Profit (% chg from prev)</i>	<i>nm.</i>	<i>nm.</i>	<i>19.9</i>	<i>0.0</i>	<i>0.01</i>
EPS (THB)	0.56	0.57	0.68	0.61	0.60
EPS (%YoY)	-7.2	1.1	20.0	-10.8	-0.2
<i>EPS vs Cons (%)</i>	<i>nm.</i>	<i>nm.</i>	<i>4.9</i>	<i>-23.8</i>	<i>-32.0</i>
PER (X)	25.9	15.5	11.7	13.1	13.2
Yield (%)	3.1	6.3	3.4	3.0	3.0
P/BV (X)	3.0	1.7	1.4	1.3	1.2
EV/EBITDA (X)	8.7	6.7	5.8	5.9	5.7
ROE (%)	11.5	11.2	12.4	10.4	9.7

Source: Company data, TISCO estimates

Figure 1. PTG's 2Q24 earnings summary

<i>Bt mn</i>	2Q24	1Q24	%QoQ	2Q23	%YoY
Revenue	57,775	54,962	5	50,802	14
COGS	-53,889	-51,419	5	-47,717	13
Gross profit	3,886	3,542	10	3,085	26
SG&A	-3,189	-3,022	6	-2,714	18
EBIT	835	642	30	470	78
Net finance cost	-264	-267	-1	-284	-7
PBT	571	375	52	185	208
Tax	-139	-109	-27	-76	84
Affiliate profit	39	-2	-1,725	6	585
Reported profit	466	258	81	111	319
Gross profit breakdown					
Oil business	2,973	2,675	11	2,436	22
Non-oil business	913	868	5	649	41
Operational data					
Oil volumes sold (bn litre)	1.7	1.7	-0	1.5	12
Oil GP per litre	1.73	1.56	11	1.59	9
Non-oil GP per litre	0.53	0.50	5	0.42	26
SG&A per litre	1.86	1.76	6	1.77	5
Touchpoints					
Oil stations	2,208	2,199	0	2,166	2
Punthai	1,028	947	9	703	46
Other non-oil touchpoints	693	674	3	575	21

Source: Company data, TISCO estimates

Figure 2. Upward revisions in non-oil assumptions are expected to be offset by lower assumptions for the oil segment

	2024e			2025e			2026e		
	New	Old	%chg.	New	Old	%chg.	New	Old	%chg.
Oil									
Volume growth YoY	3.9%	1.6%	2.3%	-2.7%	2.2%	-4.9%	0.0%	0.0%	0.0%
Gross profit per litre	1.66	1.71	-3.0%	1.68	1.71	-1.7%	1.68	1.71	-1.8%
Non-oil									
Revenue (Bt mn)	14,966	14,529	3.0%	15,806	15,305	3.3%	16,237	15,715	3.3%
Gross profit margin (%)	22%	21%	1.1%	23%	22%	1.4%	23%	22%	1.4%

Source: TISCO estimates

PTG Energy (PTG)
Rating : SELL
Bloomberg: PTG TB
Target price (THB)
7.20
Market Capitalization

Current Price (THB)

7.95

THBbn 168.0

52-week Range

14-20.9

USDbn 4.8

Fiscal year end 31-Dec

2022
2023
2024E
2025E
2026E
Financial Summary

EPS (THB)	0.56	0.57	0.68	0.61	0.60
DPS (THB)	0.45	0.55	0.27	0.24	0.24
BVPS (THB)	4.88	5.26	5.66	6.03	6.39
Weighted average shares (m)	1,670	1,670	1,670	1,670	1,670
Average market cap (THBm)	24,215	14,613	13,277	13,277	13,277
Enterprise value (THBm)	50,524	37,852	34,528	34,162	33,606

Valuation Metrics

P/E (x)	25.9	15.5	11.7	13.1	13.2
P/BV (x)	3.0	1.7	1.4	1.3	1.2
FCF Yield (%)	8.1	25.5	18.6	4.4	6.4
Dividend Yield (%)	3.1	6.3	3.4	3.0	3.0
EV/Sales (x)	0.28	0.19	0.16	0.16	0.16
EV/EBITDA (x)	8.7	6.7	5.8	5.9	5.7
EV/EBIT (x)	19.4	16.3	13.8	14.2	13.5

Income Statement (THBm)

Sales revenue	179,422	198,811	220,388	214,358	215,856
Gross profit	15,193	16,262	17,050	17,176	17,295
EBITDA	5,792	5,666	5,979	5,786	5,860
Depreciation	3,185	3,340	3,469	3,376	3,376
Amortisation	0	0	0	0	0
EBIT	2,607	2,326	2,510	2,410	2,484
Net interest income/(expense)	-1,123	-1,128	-1,052	-1,131	-1,210
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	1,458	1,280	1,274
Income tax expense	361	261	399	351	349
Minorities	19	22	26	23	23
Other post-tax income/(expense)	7	-6	0	0	0
Net profit	934	944	1,133	1,011	1,009

Cash Flow (THBm)

Cash flow from operations	5,515	5,698	5,966	4,080	4,350
Net Capex	-3,566	-1,975	-3,500	-3,500	-3,500
Free cash flow	1,950	3,722	2,466	580	850
Equity raised/(bought back)	0	0	0	0	0
Dividends paid	-1,253	-1,086	-1,070	-437	-404
Net inc/(dec) in borrowings	-602	-1,764	716	716	716
Other investing/financing cash flows	275	437	592	224	110
Net cash flow	370	1,310	2,704	1,083	1,272
Change in working capital	-2,462	849	-2,336	-3,848	-3,423

Balance Sheet (THBm)

Cash and other liquid assets	2,071	3,381	6,085	7,167	8,439
Tangible fixed assets	23,593	21,335	21,335	21,335	21,335
Goodwill/intangible assets	12,902	13,797	13,827	13,952	14,076
Associates/investments	0	0	0	0	0
Other assets	6,568	8,420	8,282	8,065	8,090
Total assets	45,135	46,932	49,529	50,519	51,941
Interest bearing debt	28,380	26,621	27,337	28,053	28,769
Other liabilities	8,480	11,385	12,560	12,205	12,281
Total liabilities	36,860	38,006	39,897	40,258	41,050
Shareholders' equity	8,151	8,780	9,460	10,067	10,672
Minorities	124	145	171	195	218
Total shareholders' equity	8,275	8,926	9,632	10,262	10,890
Net debt	26,309	23,240	21,252	20,886	20,330

Key Company Metrics

Sales growth (%)	34.1	10.8	10.9	-2.7	0.7
EPS growth (%)	-7.2	1.1	20.0	-10.8	-0.2
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	12.4	10.4	9.7
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	220.6	203.5	186.7
Net interest cover (x)	2.3	2.1	2.4	2.1	2.1

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

Our TP is based on the average valuation of a targeted mid-2025e P/E (Bt9.0) at 14x to align with the lower valuations of regional peers and a DCF-based valuation (Bt5.5).

Risk

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

Wattana Punyawattanakul
+662 633 6464
wattana@tisco.co.th

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

Disclaimer: Bloomberg ESG Disclosure Scores rate companies on their level of disclosure of ESG data Bloomberg offers four disclosure scores, for overall ESG, as well as Environmental, Social, and Governance such as energy consumption, board composition, and workforce accidents.

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.

TISCO Securities Company Limited

www.tiscosec.com

Bangkok

48/8 TISCO Tower 4th Floor, North Sathorn Road,
Bangkok 10500, Thailand
Tel : (66) 2633 6000 Ext.5 Fax : (66) 2633 6490, (66) 2633 6660

Chiang Mai

275/4, 2nd Floor, Chang Phuak Road, Chang Phuak,
Muang District, Chiang Mai 50300
Tel. 0 5322 4722 Fax. 0 5322 4711

Nakhon Pathom


386, 388 Petchkasem Road, Prapatone, Muang District,
Nakhon Pathom 73000
Tel: 0 3414 2000 Fax: 0 3425 1676

Nakhon Ratchasima

1936/3 Zone A, Mittraphap Road, Naimuang,
Muang District, Nakhon Ratchasima 30000
Tel: 0 4425 7752 Fax: 0 4425 3752

Udon Thani

227/1 Soi Udondussadee 3, Udondussadee Road,
Muang District, Udon Thani 41000
Tel: 0 4224 6888 Fax: 0 4224 5793

	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)

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, TISCO Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

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.

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. TISCO and other companies in the TISCO Group and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. No person is authorized to give any information or to make any representation not contained in this document and any information or representation not contained in this document must not be relied upon as having been authorized by or on behalf of TISCO. This document is for private circulation only and is not for publication in the press or elsewhere. TISCO accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user.