

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

19 Aug 2024

BUY (Upgrade from HOLD)

Last Traded Price (30 Jul 2024): THB7.85 (SET : 1,297.07)

Price Target 12-mth: THB10.40 (32% upside) (Prev THB9.70)

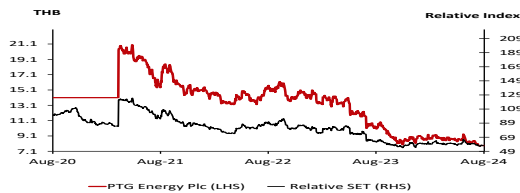
Analyst

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What's New

- 2Q24 net profit of THB466mn (+319% y/y, +58% q/q) lifted by both oil and non-oil businesses stronger performance
- Marketing margin of THB1.73/litre (+9% y/y, +11% q/q) lifted by improvement of oil procurement and management
- FY24F/FY25F net projection raised by 101%/77% as we bump up oil retail sales volume and marketing margin
- Upgrade to BUY with a 24F TP of THB10.4

Price Relative



Forecasts and Valuation

FY Dec (THB mn)	2022A	2023A	2024F	2025F
Revenue	179,422	198,811	228,221	228,845
EBITDA	5,616	5,700	5,963	6,155
Pre-tax Profit	1,314	1,227	1,627	1,877
Net Profit	934	944	1,294	1,492
Net Pft (Pre Ex.)	927	950	1,294	1,492
Net Pft Gth (Pre-ex) (%)	(7.9)	2.4	36.3	15.3
EPS (THB)	0.56	0.57	0.77	0.89
EPS Pre Ex. (THB)	0.56	0.57	0.77	0.89
EPS Gth Pre Ex (%)	(8)	2	36	15
Diluted EPS (THB)	0.56	0.57	0.77	0.89
Net DPS (THB)	0.40	0.35	0.31	0.36
BV Per Share (THB)	4.88	5.26	6.03	6.93
PE (X)	14.0	13.9	10.1	8.8
PE Pre Ex. (X)	14.1	13.8	10.1	8.8
P/Cash Flow (X)	2.6	2.2	8.9	4.2
EV/EBITDA (X)	7.2	6.4	6.4	6.2
Net Div Yield (%)	5.1	4.5	3.9	4.6
P/Book Value (X)	1.6	1.5	1.3	1.1
Net Debt/Equity (X)	3.3	2.6	2.4	2.1
ROAE (%)	11.5	11.2	13.7	13.8
Earnings Rev (%)			101	77
Consensus EPS (THB):			0.65	0.77
Other Broker Recs:		B: 10	S: 2	H: 4

Source of all data on this page: Company, DBSVTH, Bloomberg

Regulatory risk already baked in

Investment Thesis:

Oil sales volume to grow by 10-12% in 2024F. PTG expects to add c.50 service stations and c.400 Punthai coffee shops (targeted towards CBD areas, government offices, hospitals, and universities) to its repertoire in 2024F, with a total capex of c.THB4.0-5.0bn. It projects an oil sales volume growth between 8-12% y/y, with gross profit contribution from its non-oil business expected to increase from c.21% in 2023 to c.25-30% in 2024F.

Profitability from non-oil business' expansion improving. PTG is expanding into non-oil segments – including F&B, convenience stores, LPG, and clean energy. The non-oil businesses have higher average gross margins 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 volatile oil price exposure.

Marketing margin is the key determination of financial and share price performance. PTG's core business is driven by its marketing margin. We expect this to be pressured by the regulator, since the oil fund is experiencing a significant deficit. With high energy prices, we deem marketing margin to be under pressure from the government, which aims to keep retail oil price as low as possible.

Upgrade to BUY with an FY24F TP of THB10.4, based on a DCF valuation with WACC of 8.01% and terminal growth rate of 1.0%. Our rating is on the back of i) strong oil business where PTG's market share in service station is increasing; ii) strong marketing margin despite diesel price cap; and iii) share price having baked in the regulatory risk of oil retail price restructuring.

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 (mn shrs)	1,670
Mkt. Cap (THB mn/USD mn)	13,110 / 363
Major Shareholders (%)	
RATCHAKIT HOLDING CO	25.1
Vachirasakpanich 's Family	10.0
Thai NVDR	5.4
Free Float (%)	58.3
3m Avg. Daily Val (USD mn)	1.2
GIC Industry : Energy / Energy Equipment & Services	

WHAT'S NEW

Regulatory risk already baked in

2Q24 lifted by stronger oil volume and improving equity sharing.

PTG's 2Q24 net profit of THB466mn (+319% y/y, +58% q/q) surpassed the Bloomberg consensus. Business performance was lifted by i) a stronger marketing margin of THB1.73/litre (+9% y/y, +11% q/q), and ii) stronger equity income from associates of THB39mn (vs. 2Q23's THB6mn and 1Q24's -THB2mn).

Normal profit came in at THB471mn (+308% y/y, +79% q/q).

2Q24 operating metrics

- i) Oil business: Total sales volume hit a record-high of 1,716mn litres (+12% y/y, flat q/q). The increase in volume was thanks to a) a three-month diesel price cap of THB30/litre, and b) a THB1.0/litre gasoline price cut. Marketing margin came in at THB1.73/litre (+9% y/y, +11% q/q). As a result of volume growth, PTG secured market share of 22.3% (vs. 2Q23's 19.5% and 1Q24's 21.5%).
- ii) Non-oil business: LPG sales volume was 174mn litres (+12% y/y, +1% q/q). This was supported by higher demand for the auto segment stemming from marketing campaign for PT Max Card and PT Max Card Plus members. Moreover, PTG also recorded higher revenue of THB517mn (+76% y/y, +15% q/q) from "Pun Thai" coffee shops. This was lifted by a) an increasing number of coffee shops (2Q24 stood at 1,028 shops +46% y/y, +9% q/q), and b) higher traffic from repeating customers.
- iii) Equity income came in at THB39mn (vs. 2Q23's profit of THB6mn and 1Q24's loss of THB2mn). The q/q improvement was thanks to higher product prices from the palm oil business as well as extra gain from the sale of vessel from AMA Marine.
- iv) A forex loss of THB3mn was the only non-recurring item in 2Q24.

3Q24F outlook

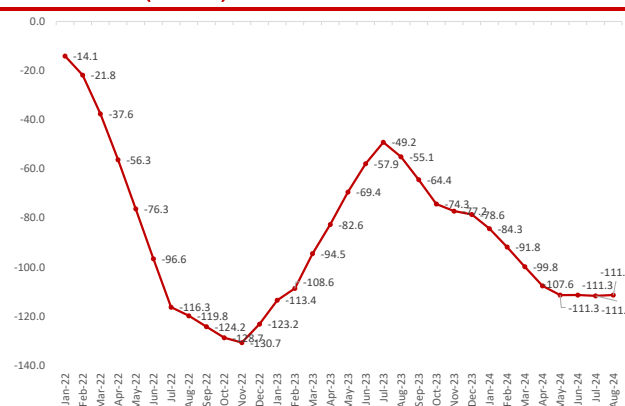
(-) Seasonal low volumes during rainy season. We deem softer core earnings in 3Q24F, hit by i) expected soft sales volume in both oil and non-oil businesses during rainy season in 3Q24, ii) lower equity income q/q as there will be no extra gain as in 2Q24, and iii) potential marketing margin squeeze from the restructuring of retail oil prices (discussed in the following section).

(-) Marketing – potential margin squeeze ahead. Despite softer crude prices and widening reference marketing margin announced by EPP0, we expect softer h/h business performance in 2H24F,

supported by i) the government policy to keep domestic energy prices low, ii) potential termination of government subsidy after increasing deficit of Oil Fund status, as the balance ended 3 Aug stood at THB-111bn, and iii) potential retail oil price restructuring by new regulations and Acts.

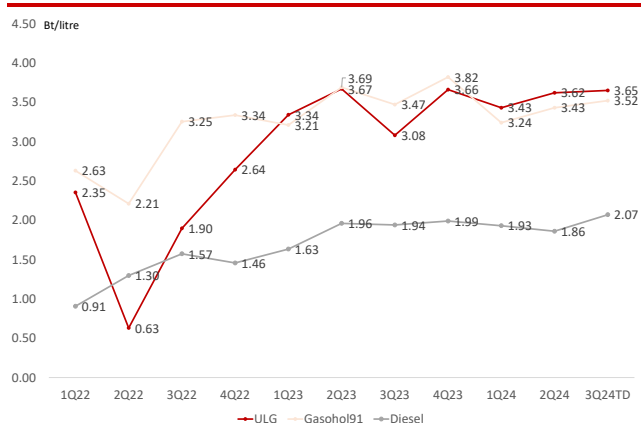
On a 3Q-to-date basis, diesel B7 and gasohol91 marketing margin stood at THB2.07/3.52 per litre (+15%/+20% q/q).

Oil Fund status (THB bn)



Source: EPP0, DBSVTH

Marketing margin (THB/litre)



Source: EPP0, DBSVTH

Boost FY24F/FY25F net profit projection by 101%/77%. Given the outstanding 2Q24 business performance, we revised up our net profit projection from THB644mn to THB1.29bn (+101%) for FY24F and from THB842mn to THB1.49bn (+77%) for FY25F. Our assumptions are based on i) a new oil business sales volume of 6,800mn litres (previously 6,000mn), and ii) marketing margin of THB1.60/litre (previously THB1.50/litre).

PTG Energy Plc

As a result, we raise our FY24F target price to THB10.4 (from THB9.7 previously), based on a DCF valuation with a WACC of 8.01% and terminal growth rate of 1%.

Earnings projection

Unit: THB mn	FY2024F		FY2025F	
	New	Old	New	Old
EBITDA	5,963	5,148	6,155	5,337
Net profit	1,294	644	1,492	842
Target price (THB/share)	10.4	9.7		
Assumption				
Sales volume of oil (m litres)	6,800	6,000	6,800	6,400
Marketing margin (THB/litre)	1.60	1.50	1.60	1.50

Source: DBSVTH

Upgrade to BUY with an FY24F TP of THB10.4, based on a DCF valuation with WACC of 8.01% and terminal growth rate of 1.0%. Our rating is on the back of i) strong oil business where PTG's market share in service station is increasing; ii) strong marketing margin despite diesel price cap; and iii) share price having baked in the regulatory risk of oil retail price restructuring.

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

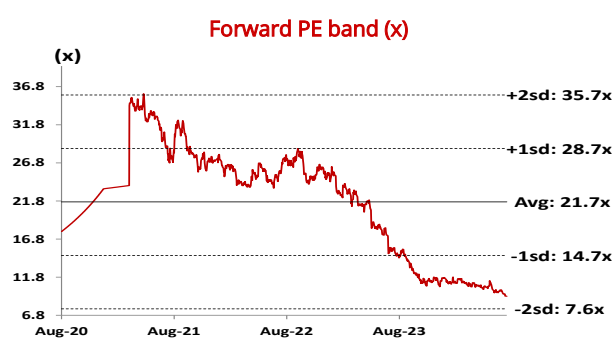
Thailand. PTG operates its retail fuel oil business under the "PT" trademark. Moreover, it engages in transporting fuel to other oil traders and industrial operators. It is also involved in the LPG retail business through COCO service stations. It also has convenience stores, Max Mart outlets, and PunThai 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.

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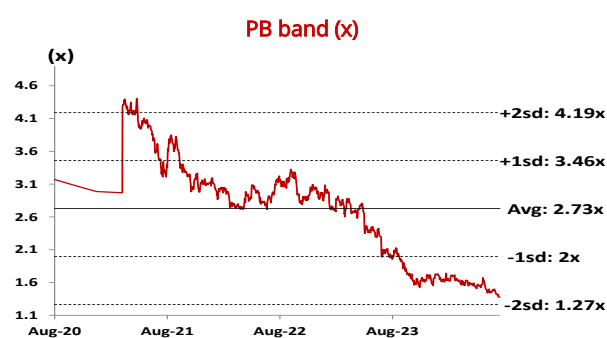
Quarterly / Interim Income Statement (THB mn)

FY Dec	2Q2023	1Q2024	2Q2024	% chg y/y	% chg q/q
Revenue	50,802	54,962	57,775	13.7	5.1
Cost of Goods Sold	(47,717)	(51,419)	(53,889)	12.9	4.8
Gross Profit	3,085	3,543	3,886	26.0	9.7
Other Oper. (Exp)/Inc	(2,714)	(3,022)	(3,189)	17.5	5.6
Operating Profit	371	521	697	87.9	33.8
Other Non Opg (Exp)/Inc	98.9	121	138	39.9	14.7
Associates & JV Inc	5.75	(2.4)	39.4	584.7	(1,725.4)
Net Interest (Exp)/Inc	(284)	(267)	(264)	7.0	0.9
Exceptional Gain/(Loss)	0.74	0.46	(3.0)	nm	(740.6)
Pre-tax Profit	192	373	607	216.4	62.8
Tax	(75.8)	(109)	(139)	83.7	27.2
Minority Interest	(5.0)	31.2	(2.6)	47.9	(108.3)
Net Profit	111	295	466	318.5	57.9
Net profit bef Except.	110	294	468	324.0	59.2
EBITDA	1,300	1,511	1,744	34.2	15.4
Margins (%)					
Gross Margins	6.1	6.4	6.7		
Opg Profit Margins	0.7	0.9	1.2		
Net Profit Margins	0.2	0.5	0.8		

Historical PE and PB band



Source: Bloomberg, DBSVTH estimates



Source: Bloomberg, DBSVTH estimates

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Key Assumptions

FY Dec	2021A	2022A	2023A	2024F	2025F
Oil sales volume (m litres)	5,020	5,316	5,960	6,800	6,800
No. of service stations	2,167	2,149	2,201	2,250	2,300
LPG sales volume (m)	300	503	634	750	750
No of EV charging	5.00	34.0	50.0	100	200
CAPEX (Btm)	2,379	2,508	2,959	2,500	2,500

Income Statement (THBmn)

FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	133,759	179,422	198,811	228,221	228,845
Cost of Goods Sold	(123,627)	(167,414)	(185,889)	(214,016)	(214,410)
Gross Profit	10,132	12,008	12,922	14,205	14,435
Other Opng (Exp)/Inc	(8,271)	(9,765)	(11,009)	(11,900)	(11,882)
Operating Profit	1,861	2,243	1,913	2,304	2,554
Other Non Opng (Exp)/Inc	329	363	413	400	400
Associates & JV Inc	205	(177)	33.4	50.0	50.0
Net Interest (Exp)/Inc	(1,118)	(1,123)	(1,128)	(1,127)	(1,127)
Exceptional Gain/(Loss)	0.0	7.15	(5.6)	0.0	0.0
Pre-tax Profit	1,277	1,314	1,227	1,627	1,877
Tax	(261)	(361)	(261)	(325)	(375)
Minority Interest	(10.5)	(19.1)	(21.7)	(7.8)	(9.0)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	1,006	934	944	1,294	1,492
Net Profit before Except.	1,006	927	950	1,294	1,492
EBITDA	5,419	5,616	5,700	5,963	6,155

Growth

Revenue Gth (%)	28.1	34.1	10.8	14.8	0.3
EBITDA Gth (%)	(13.7)	3.6	1.5	4.6	3.2
Opg Profit Gth (%)	(33.0)	20.5	(14.7)	20.5	10.8
Net Profit Gth (Pre-ex) (%)	(45.8)	(7.9)	2.4	36.3	15.3

Margins & Ratio

Gross Margins (%)	7.6	6.7	6.5	6.2	6.3
Opg Profit Margin (%)	1.4	1.3	1.0	1.0	1.1
Net Profit Margin (%)	0.8	0.5	0.5	0.6	0.7
ROAE (%)	12.6	11.5	11.2	13.7	13.8
ROA (%)	2.3	2.1	2.1	2.7	3.1
ROCE (%)	(0.3)	(0.5)	(0.5)	0.5	0.9
Div Payout Ratio (%)	41.5	71.5	61.9	40.0	40.0
Net Interest Cover (x)	1.7	2.0	1.7	2.0	2.3

Source: Company, DBSVTH

PTG Energy Plc

Quarterly Income Statement (THBmn)

FY Dec	2Q2023	3Q2023	4Q2023	1Q2024	2Q2024
Revenue	50,802	47,548	49,525	54,962	57,775
Cost of Goods Sold	(47,717)	(44,496)	(45,908)	(51,419)	(53,889)
Gross Profit	3,085	3,052	3,618	3,543	3,886
Other Oper. (Exp)/Inc	(2,714)	(2,787)	(2,856)	(3,022)	(3,189)
Operating Profit	371	265	762	521	697
Other Non Opg (Exp)/Inc	98.9	108	120	121	138
Associates & JV Inc	5.75	0.87	(14.1)	(2.4)	39.4
Net Interest (Exp)/Inc	(284)	(292)	(279)	(267)	(264)
Exceptional Gain/(Loss)	0.74	0.05	(0.4)	0.46	(3.0)
Pre-tax Profit	192	81.5	589	373	607
Tax	(75.8)	(57.7)	(46.7)	(109)	(139)
Minority Interest	(5.0)	(4.3)	(6.1)	31.2	(2.6)
Net Profit	111	19.4	536	295	466
Net profit bef Except.	110	19.4	536	294	468
EBITDA	1,300	1,212	1,727	1,511	1,744
Growth					
Revenue Gth (%)	(0.3)	(6.4)	4.2	11.0	5.1
EBITDA Gth (%)	(11.0)	(6.7)	42.4	(12.5)	15.4
Opg Profit Gth (%)	(28.1)	(28.6)	187.7	(31.6)	33.8
Net Profit Gth (Pre-ex) (%)	(61.0)	(82.5)	2,666.4	(45.1)	59.2
Margins					
Gross Margins (%)	6.1	6.4	7.3	6.4	6.7
Opg Profit Margins (%)	0.7	0.6	1.5	0.9	1.2
Net Profit Margins (%)	0.2	0.0	1.1	0.5	0.8

Balance Sheet (THBmn)

FY Dec	2021A	2022A	2023A	2024F	2025F
Net Fixed Assets	11,505	12,356	13,202	11,409	11,239
Invts in Associates & JVs	5.00	5.05	5.93	5.93	5.93
Other LT Assets	28,015	27,649	25,885	29,285	30,859
Cash	1,701	2,071	3,381	3,146	3,276
Inventory	2,239	2,154	3,330	2,967	2,975
Debtors	722	899	1,108	1,141	1,144
Net Intangibles Assets	53.0	53.0	53.0	53.0	53.0
Other Current Assets	0.0	0.0	19.8	19.8	19.8
Total Assets	44,384	45,135	46,932	47,974	49,520
ST Debt	5,751	5,798	4,751	5,000	5,000
Creditor	6,000	6,961	10,340	8,432	8,450
Other Current Liab	699	840	1,119	1,119	1,119
LT Debt	23,735	23,260	21,796	23,175	23,175
Other LT Liabilities	0.0	0.0	0.0	0.0	0.0
Shareholder's Equity	8,095	8,151	8,780	10,074	11,567
Minority Interests	105	124	145	175	209
Total Cap. & Liab.	44,384	45,135	46,932	47,974	49,520
Non-Cash Wkg. Capital	(3,737)	(4,748)	(7,001)	(5,423)	(5,430)
Net Cash/(Debt)	(27,588)	(26,987)	(23,167)	(25,028)	(24,898)
Debtors Turn (avg days)	1.7	1.6	1.8	1.8	1.8
Creditors Turn (avg days)	15.0	14.4	17.3	16.3	14.6
Inventory Turn (avg days)	6.5	4.9	5.5	5.5	5.1
Asset Turnover (x)	3.1	4.0	4.3	4.8	4.7
Current Ratio (x)	0.4	0.4	0.5	0.5	0.5
Quick Ratio (x)	0.2	0.2	0.3	0.3	0.3
Net Debt/Equity (X)	3.4	3.3	2.6	2.4	2.1
Net Debt/Equity ex MI (X)	3.4	3.3	2.6	2.5	2.2
Capex to Debt (%)	8.1	8.6	11.1	8.9	8.9

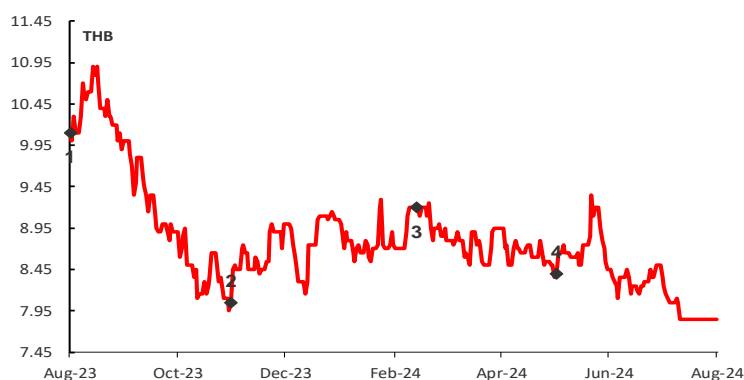
Source: Company, DBSVTH

Cash Flow Statement (THBmn)

FY Dec	2021A	2022A	2023A	2024F	2025F
Pre-Tax Profit	1,277	1,314	1,227	1,294	1,492
Dep. & Amort.	3,024	3,185	3,340	3,208	3,151
Tax Paid	(516)	(361)	(453)	(325)	(375)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	1,629	719	1,788	(1,578)	6.79
Other Operating CF	(78.3)	264	42.2	(1,127)	(1,127)
Net Operating CF	5,336	5,121	5,944	1,472	3,148
Capital Exp.(net)	(2,379)	(2,508)	(2,959)	(2,500)	(2,500)
Other Invs.(net)	(5.0)	(119)	(51.3)	0.0	0.0
Invs 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	(2,384)	(2,627)	(3,010)	(2,500)	(2,500)
Div Paid	(837)	(752)	(334)	(585)	(518)
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	(1,356)	(1,374)	(1,290)	1,378	0.0
Net Financing CF	(2,193)	(2,125)	(1,624)	794	(518)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	760	370	1,310	(234)	130
Opg CFPS (THB)	2.22	2.64	2.49	1.83	1.88
Free CFPS (THB)	1.77	1.57	1.79	(0.6)	0.39

Source: Company, DBSVTH

Target Price & Ratings 12-mth 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:	15 Aug 23	10.10	12.00	HOLD
2:	14 Nov 23	8.05	9.50	HOLD
3:	27 Feb 24	9.20	9.70	HOLD
4:	16 May 24	8.40	9.70	HOLD

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 1 November 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
n/a

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

DBS Group Research 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: 18 Aug 2024 21:21:29 (THA)
 Dissemination Date: 19 Aug 2024 08:27:28 (THA)

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

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