

PTG Energy Pcl.

August 21, 2024

**PTG**

**Bright oil sales volume outlook**

**OUTPERFORM**

Maintain Rating

**Valuation: SOTP**

**Target Price/Upside: Bt10.90/25.29%**

Previous target price: Bt10.40

**Price (Aug 20, 2024) Bt8.70**

Sector: Energy & Utilities	No. of shares on issue:	1,670mn
Market Cap: Bt14,529mn	CG Scoring (IOD-Y2023):	N/A
30-day avg turnover: Bt24.38mn	Anti-Corruption Indicator:	Certified



**Highlights**

- ▶ Maintain Outperform rating due to the stock's 25% upside to our new target price of Bt10.90 following our raised 2024-26 earnings forecasts by 7%/6%/6%.
- ▶ PTG raised its 2024 oil sales volume target to 10-15% YoY from 10-12% YoY and expects 2H24 oil sales volume to increase YoY and the oil margin/liter to increase.
- ▶ Punthai coffee became the second-largest coffee chain in Thailand with 1,028 outlets. Expect SG&A/liter to be well controlled, despite higher sponsorship expenses.

**Investment Topics**

- ▶ **Strong oil sales volume prospects in 2024.** The overall tone of PTG's 2Q24 analyst meeting on Aug 20 was slightly positive. Management raised its oil sales volume growth target for 2024 to 10-15% YoY from 10-12% YoY following strong sales growth of 14% YoY in 1H24. We expect a further increase in oil sales volume in 2H24 YoY due to PTG's attractive PT Max Card Plus loyalty program. We expect the oil margin in 2H24 will not fall below Bt1.56/liter seen in 1Q24 given that the government increased the diesel retail price cap from Bt30/liter to Bt33/liter. Management said the current oil margin is Bt1.7/liter.
- ▶ **Reduced gas shop expansion target.** Management revised down its gas shops expansion target from 200 outlets to 150 outlets this year. Due to construction issues, PTG opened only 16 gas shops or 8% of its previous target in 1H24. Management expects its 2024 sales volume of LPG to increase by 15-25% YoY, down from the previous target of 30-40% YoY.
- ▶ **Punthai coffee outlet expansion on track.** Management maintained its expansion target for 400 Punthai coffee outlets this year. PTG added 146 coffee outlets in 1H24, bringing the total to 1,028 as of 2Q24. As a result, Punthai has become the second-largest coffee chain in Thailand.
- ▶ **Enhancing brand recognition.** PTG sponsors the Thai MotoGP Grand Prix to enhance brand awareness targeting an audience of 800mn viewers worldwide. Although the company invested Bt300mn to sponsor the event from 2024-26, we expect the impact on SG&A expense will be limited as management plans to offset this by reducing other marketing expense.
- ▶ **Revising up 2024-26 earnings forecasts.** We raise our 2024-26 earnings forecasts by 7%/6%/6%, or to Bt1.3bn/Bt1.5bn/Bt1.6bn as we raise our 2024-26 oil sales volume assumptions by 5%/5%/4%. However, we lower our LPG sales volume forecasts by 5%/5%/3% to reflect our reduced assumption for LPG outlet expansion this year from 215 outlets to 155 outlets.

**Investment fundamentals**

Year end Dec 31	2022A	2023A	2024E	2025E
<b>Company Financials</b>				
Revenue (Btmn)	179,422	198,811	214,572	233,667
Core profit (Btmn)	927	970	1,326	1,523
Net profit (Btmn)	934	944	1,326	1,523
Net EPS (Bt)	0.56	0.57	0.79	0.91
DPS (Bt)	0.40	0.40	0.50	0.50
BVPS (Bt)	4.88	5.26	5.65	6.06
Net EPS growth (%)	-7.18	1.07	40.47	14.82
ROA (%)	2.11	2.06	2.77	3.09
ROE (%)	11.46	10.75	14.05	15.04
Net D/E (x)	3.25	2.60	2.23	1.91
<b>Valuation</b>				
P/E (x)	25.92	15.39	10.96	9.54
P/BV (x)	2.97	1.65	1.54	1.43
EV/EBITDA (x)	9.15	6.95	5.72	4.98
Dividend yield (%)	2.76	4.60	5.75	5.75

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**Valuation and Recommendation**

- ▶ **Maintain Outperform rating with a slightly higher mid-2025 TP of Bt10.90.** We raise our TP to Bt10.90 from Bt10.40 to reflect our earnings upgrades. Our target price is derived from the SOTP valuation method with a 20% discount to reflect uncertainty from a potential change in energy policy. As the stock offers 25% upside to our mid-2025 target price, we maintain our Outperform rating.

**About PTG:** PTG Energy Public Company Limited is a Thailand-based distributor of petroleum and gas products for retail and wholesale. It also operates in food and beverage, system and equipment management, car service, renewable energy, logistics and warehouse, and electronic money business.

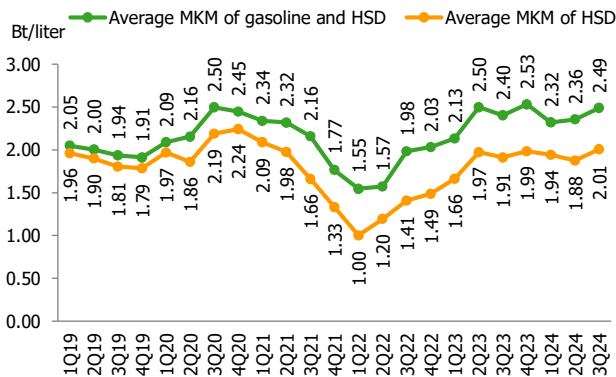
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**Fig 1 Earnings revisions**

	2024E			2025E			2026E		
	New	Previous	% change	New	Previous	% change	New	Previous	% change
<b>Financials</b>									
Sales (Btmn)	214,572	204,946	4.7	233,667	224,791	3.9	246,931	238,759	3.4
Costs of sales (Btmn)	200,692	191,637	4.7	218,907	210,482	4.0	230,978	223,171	3.5
SG&A (Btmn)	11,684	11,226	4.1	12,299	11,961	2.8	13,353	13,097	2.0
Net Profit (Btmn)	1,326	1,234	7.4	1,523	1,432	6.3	1,635	1,546	5.8
Core Profit (Btmn)	1,326	1,234	7.4	1,523	1,432	6.3	1,635	1,546	5.8
EPS (Bt)	0.79	0.74	7.4	0.91	0.86	6.3	0.98	0.93	5.8
Core EPS (Bt)	0.79	0.74	7.4	0.91	0.86	6.3	0.98	0.93	5.8
<b>Performance Drivers</b>									
Total stations (stations)	2,251	2,251	0.0	2,301	2,301	0.0	2,351	2,351	0.0
Oil sales volume (ML)	6,729	6,387	5.4	7,026	6,717	4.6	7,342	7,066	3.9
LPG sales volume (ML)	762	798	(4.5)	894	937	(4.6)	1,022	1,053	(2.9)
Incremental LPG (outlets)	155	215	(27.9)	155	60	158.3	150	60	150.0
Retail marketing margin (Bt/liter)	1.70	1.70	0.0	1.70	1.70	0.0	1.70	1.70	0.0
<b>Key assumptions &amp; ratios (%)</b>									
			<b>Change</b>			<b>Change</b>			<b>Change</b>
Sales growth (%)	7.9	3.1	4.8	8.9	9.7	(0.8)	5.7	6.2	(0.5)
Gross profits margin (%)	6.5	6.5	(0.0)	6.3	6.4	(0.0)	6.5	6.5	(0.1)
Net profits growth (%)	40.5	30.8	9.7	14.8	16.0	(1.2)	7.4	8.0	(0.6)
Net profits margin (%)	0.6	0.6	0.0	0.7	0.6	0.0	0.7	0.6	0.0
ROE (%)	14.1	13.2	0.8	15.0	14.4	0.6	15.0	14.5	0.5
Core EPS growth (%)	36.7	27.3	9.5	14.8	16.0	(1.2)	44.6	44.6	0.0

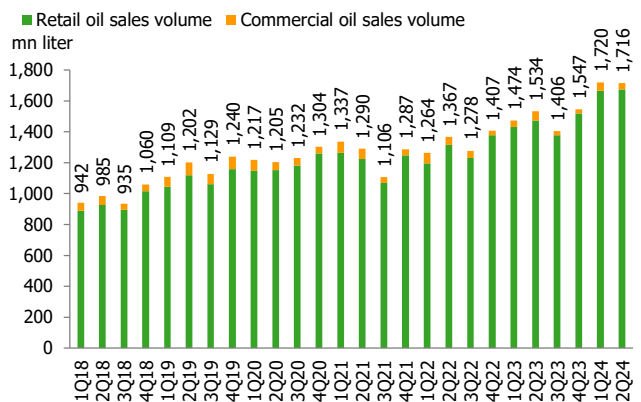
Source: KS Research

**Fig 2 EPPO retail oil marketing margins**



Source: EPPO

**Fig 3 Oil sales volume**



Source: Company data

**Fig 4 PTG's 2024 expansion target**

2024E Operational and Financial Targets (Revised)	
<b>Target Number of Business Touchpoints and Performance</b>	
Oil Services Station	2,251 Stations
Non-Oil Business	2,981 Touchpoints (Revised Down)
Auto LPG Stations and Household Gas Shop	738 Touchpoints (Revised Down)
Punthai Coffee	1,282 Touchpoints
Other Non-Oil Business' Touchpoints	961 Touchpoints
Oil Sales Volume Growth (%YoY)	10-15% (Revised Up)
LPG Sales Volume Growth (%YoY)	15-25% (Revised Down)
Non-Oil Business (Excluding LPG) Sales Growth (%YoY)	40-50%
Non-Oil Business Gross Profit Contribution	25-30%
EBITDA Growth (%YoY)	8-12%
Investment Budget	4,000 – 5,000 MB

Source: Company data

**Fig 5 Stock comparison**

Stock	Rating	Price (Bt) Aug 20, 2024	Target price (Bt)	Upside (%)	P/E (x)		P/BV (x)		EV/EBITDA (x)		Net profit grth (%)*		Div. yield (%)		ROE (%)	
					2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
<b>Retail oil</b>																
OR	N	14.40	16.60	15.3	14.2	13.2	1.5	1.4	7.1	6.6	10.0	7.3	3.5	3.6	10.8	10.9
PTG	OP	8.70	10.90	25.3	11.0	9.5	1.54	1.4	5.7	5.0	40.5	14.8	5.7	5.7	14.1	15.0
Simple Average (* % YoY change)					12.6	11.4	1.5	1.4	6.4	5.8	25.2	11.1	4.6	4.7	12.4	12.9

Source: KS Research

## Year-end 31 Dec

Income Statement (Btmn)	2022A	2023A	2024E	2025E	2026E
Revenue	179,422	198,811	214,572	233,667	246,931
Cost of sales and services	-167,414	-185,889	-200,692	-218,907	-230,978
<b>Gross Profit</b>	12,008	12,922	13,880	14,760	15,953
SG&A	-9,765	-11,009	-11,684	-12,299	-13,353
Other income	173	196	228	232	236
<b>EBIT</b>	2,437	2,354	2,834	3,109	3,265
<b>EBITDA</b>	5,602	5,449	6,305	6,894	7,317
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	1,617	1,862	2,002
Income tax	-361	-261	-290	-339	-367
<b>NPAT</b>	953	966	1,326	1,523	1,635
Minority Interest	-19	-22	0	0	0
<b>Core Profit</b>	927	970	1,326	1,523	1,635
Extraordinary items	-24	0	0	0	0
FX gain (loss)	31	-26	0	0	0
<b>Reported net profit</b>	934	944	1,326	1,523	1,635

Balance Sheet (Btmn)	2022A	2023A	2024E	2025E	2026E
Cash & equivalents	2,071	3,381	4,188	5,609	7,280
Accounts receivable	899	1,108	1,196	1,302	1,376
Inventories	2,154	3,330	3,595	3,921	4,138
<b>Total current assets</b>	5,125	7,838	9,000	10,856	12,819
Investment in subs & others	2,513	2,592	2,592	2,592	2,592
Fixed assets-net	36,088	34,732	34,413	33,955	33,320
<b>Total assets</b>	45,135	46,932	47,815	49,340	50,755
Short-term debt	6,424	5,581	2,378	2,387	2,532
Accounts payable	6,961	10,340	11,547	12,595	13,289
<b>Total current liabilities</b>	13,599	16,210	14,229	15,313	16,171
Long-term debt	22,561	21,019	23,206	22,916	22,642
<b>Total liabilities</b>	36,860	38,006	38,231	39,069	39,683
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	6,555	7,243	8,041
Minority interests	124	145	145	145	145
<b>Total shareholders' equity</b>	8,275	8,926	9,584	10,272	11,071
<b>Total equity &amp; liabilities</b>	45,135	46,932	47,815	49,340	50,755

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	7,491	7,919	8,363
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	1.91
SG&A per liter (Bt/liter)	1.68	1.67	1.56	1.55	1.60

Cashflow (Btmn)	2022A	2023A	2024E	2025E	2026E
Net profit	953	966	1,326	1,523	1,635
Depreciation & amortization	3,185	3,340	3,881	4,200	4,481
Change in working capital	732	1,787	863	560	368
Others	158	-55	-168	-168	-170
<b>CF from operation activities</b>	5,028	6,037	5,903	6,115	6,314
Capital expenditure	-3,494	-1,984	-3,563	-3,742	-3,846
Investment in subs and affiliates	-228	-2	0	0	0
Others	502	-64	165	166	166
<b>CF from investing activities</b>	-3,219	-2,049	-3,397	-3,576	-3,680
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	807	1,422	1,671

Key Statistics & Ratios	2022A	2023A	2024E	2025E	2026E
<b>Per share (Bt)</b>					
Reported EPS	0.56	0.57	0.79	0.91	0.98
Core EPS	0.56	0.58	0.79	0.91	0.98
DPS	0.40	0.40	0.50	0.50	0.40
BV	4.88	5.26	5.65	6.06	6.54
EV	30.69	22.68	21.59	20.57	19.49
Free Cash Flow	0.92	2.43	1.40	1.42	1.48
<b>Valuation analysis</b>					
Reported P/E (x)	25.92	15.39	10.96	9.54	8.89
Core P/E (x)	26.12	14.98	10.96	9.54	8.89
P/BV (x)	2.97	1.65	1.54	1.43	1.33
EV/EBITDA (x)	9.15	6.95	5.72	4.98	4.45
Price/Cash flow (x)	4.82	2.41	2.46	2.38	2.30
Dividend yield (%)	2.76	4.60	5.75	5.75	4.60
<b>Profitability ratios</b>					
Gross margin (%)	6.69	6.50	6.47	6.32	6.46
EBITDA margin (%)	3.12	2.74	2.94	2.95	2.96
EBIT margin (%)	1.36	1.18	1.32	1.33	1.32
Net profit margin (%)	0.53	0.49	0.62	0.65	0.66
ROA (%)	2.11	2.06	2.77	3.09	3.22
ROE (%)	11.46	10.75	14.05	15.04	14.96
<b>Liquidity ratios</b>					
Current ratio (x)	0.38	0.48	0.63	0.71	0.79
Quick ratio (x)	0.22	0.28	0.38	0.45	0.54
<b>Leverage Ratios</b>					
D/E ratio (x)	4.45	4.26	3.99	3.80	3.58
Net debt/EBITDA (x)	4.80	4.26	3.39	2.85	2.44
Net debt/equity (x)	3.25	2.60	2.23	1.91	1.61
Int. coverage ratio (x)	2.17	2.09	2.33	2.49	2.58
<b>Growth</b>					
Revenue (%)	34.14	10.81	7.93	8.90	5.68
EBITDA (%)	10.60	-2.72	15.71	9.34	6.14
Reported net profit (%)	-7.18	1.07	40.47	14.82	7.36
Reported EPS (%)	-7.18	1.07	40.47	14.82	7.36
Core profit (%)	-7.89	4.62	36.74	14.82	7.36
Core EPS (%)	-7.89	4.62	36.74	14.82	7.36

Source: Company, KS estimates

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

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