

COMPANY UPDATE

PTT Oil & Retail Business (OR TB)

4Q24 Net Profit Outlook Recovers

The tone from the analyst meeting yesterday was neutral. We expect OR to turn to profit from reduced risk of stock loss. The company has revisited investment plans in the lifestyle business, and plans to increase efficiency in cost management and business operations to support changing consumption behaviour and more intense competition. Therefore, in the short term, we may still see slight impairments, especially in 4Q24. Maintain HOLD. Target price: Bt16.00.

WHAT'S NEW

- The tone during PTT Oil & Retail's (OR) analyst meeting was neutral.
- Cost control plan will start to show results in 2024.** OR's management plans to lower costs by reducing SG&A expenses by 15%, or about Bt3.0b, in 2024. This will mainly come from cutting advertising costs, focusing on enhancing brand awareness for OR's products, and decreasing reliance on outsourcing. The SG&A expense reduction target represents 0.4% of total revenue and 9.4% of the forecasted SG&A in 2024. Management also plans to enhance operational efficiency to address the intense competition in the gas station industry and fast-moving consumer behaviour. This includes leveraging digital technologies for management, such as real-time inventory control and advanced data analytics in core businesses like Mobility and Lifestyle to improve business efficiency. OR will also focus on service development and exploring new business opportunities. Additionally, OR is reviewing its investment plans for 2025, with an update expected by end-Nov 24.
- Reviewing investment plan in Lifestyle business.** OR is currently reassessing its investment strategy in the Lifestyle business. In 3Q24, OR recorded an impaired loss due to its decision to exit unprofitable businesses, specifically: a) the closure of Texas Chicken, resulting in a loss of Bt442m, and b) the withdrawal of investment in Kouen, amounting to Bt110m. There remains a possibility of additional impaired losses in 4Q24 as the Lifestyle business is further reviewed. While this presents short-term pressure, it is expected to have a positive impact on the EBITDA margin of the Lifestyle business in the long term.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	789,785	769,224	780,888	807,918	843,032
EBITDA	20,134	22,920	22,640	23,556	24,474
Operating profit	13,632	14,357	12,619	12,320	12,645
Net profit (rep./act.)	10,375	11,099	6,998	9,600	10,081
Net profit (adj.)	10,331	11,091	10,200	9,600	10,081
EPS (Bt)	0.9	0.9	0.8	0.8	0.8
PE (x)	17.4	16.2	17.6	18.8	17.9
P/B (x)	0.8	0.8	0.8	0.8	0.7
EV/EBITDA (x)	9.2	7.1	7.7	7.1	6.6
Dividend yield (%)	3.3	3.5	4.0	4.0	4.0
Net margin (%)	1.3	1.4	0.9	1.2	1.2
Net debt/(cash) to equity (%)	0.4	0.3	0.2	0.2	0.0
Interest cover (x)	8.7	6.7	5.8	7.3	0.0
Consensus net profit	-	-	10,794	11,466	11,696
UOBKH/Consensus (x)	-	-	0.65	0.84	0.86

Source: PTT Oil & Retail Business, Bloomberg, UOB Kay Hian

n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

HOLD

(Maintained)

Share Price	Bt14.00
Target Price	Bt16.00
Upside	+13.5%

COMPANY DESCRIPTION

The company operates an integrated oil and non-oil retailing platform both in Thailand and abroad, including the sales and distribution of petroleum products and other products in retail and commercial marketing, coffee shops, other food and beverage outlet.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	OR TB
Shares issued (m):	12,000.0
Market cap (Btm):	184,800.0
Market cap (US\$m):	5,379.6
3-mth avg daily t'over (US\$m):	5.9

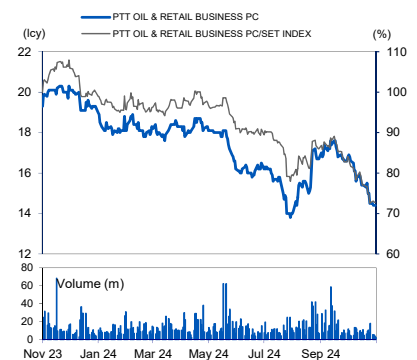
Price Performance (%)

52-week high/low	Bt20.90/Bt13.80			
1mth	3mth	6mth	1yr	YTD
(4.9)	(14.4)	(18.5)	(24.9)	(19.4)

Major Shareholders

	%
-	-
-	-
-	-
FY24 NAV/Share (Bt)	19.52
FY24 Net Cash/Share (Bt)	0.73

PRICE CHART



Source: Bloomberg

ANALYST(S)

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• **Maintaining its 2024 branch expansion target.** As of end-3Q24, OR had expanded only 23% of its planned gas stations and Café Amazon coffee shops, achieving 53% of its overall expansion target. While an acceleration in branch expansion is expected in 4Q24, it is possible that the total expansion for 2024 may fall short of the initial target. However, oil sales volume and Café Amazon coffee sales are still in line with our assumptions, so we keep our 2024 net profit estimate unchanged.

STOCK IMPACT

• **9M24 net profit down 57% yoy.** The net profit for 9M24 was Bt4.7b, down 57% yoy. This decline was primarily driven by a 6.4% yoy drop in oil sales volume and a 23% drop in marketing margins. The EBITDA margin for the Lifestyle business was 24.8%, down from 25.3% in 9M23. OR's net profit for 9M24 accounted for 66% of the full-year net profit estimate of Bt7.0b for 2024.

• **We expect 4Q24 net profit to recover qoq and yoy.** We expect OR's net profit for 4Q24 to increase both qoq and yoy, in the range of Bt2.3b-Bt2.4b. This is driven by: a) the high season of tourism, which is expected to boost daily traffic at OR's gas stations, supporting both oil sales volume, b) increased daily traffic, which will enhance revenue and EBITDA margin for the Lifestyle business, showing growth qoq, and c) a marketing margin forecast of Bt1.0-Bt1.1/litre, which is expected to recover seasonally and experience less stock loss impact compared to 3Q24 (in 3Q24, the marketing margin excluding stock loss was Bt0.95/litre).

EARNINGS REVISION/RISK

• **Earnings revision: None.**

VALUATION/RECOMMENDATION

• **Maintain HOLD with a target price of Bt16.00,** based on 20x 2025F PE.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5
SET ESG Rating: AAA
<ul style="list-style-type: none"> • Environmental <p>a) Reduce greenhouse gas emissions (Scope 1 and Scope 2) from business activities by more than one-third by 2030 (compared to 2022 as a base year), b) reduce the proportion of conventional fuel use intensity more than one-third by 2030 (compared to 2022), and c) expand the EV Station PluZ to achieve 7,000 DC connectors by 2030.</p>
<ul style="list-style-type: none"> • Social <p>Living Community – Number of communities surrounding OR business operations that have had their quality of life improved, both within and around the business areas. Long-term target: 17,000 communities, or 13m people by 2030. Brand Strength – Brand Health Check score for stakeholders in the social and community group. Long-term target: Score should be 70 or above by 2030. Number of Café Amazon for Chance branches. Long-term target: 500 branches by 2026.</p>
<ul style="list-style-type: none"> • Governance <p>- The Board of Directors, Management, and employees shall commit to OR's six Good Corporate Governance Principles, namely Accountability, Responsibility, Equitable Treatment, Transparency, Vision, to create long-term value and ethics. OR's organisational structure shall fairly balance the roles of the Board, management and shareholders.</p> <p>- There shall be an appropriate system for the selection and appointment of key management positions at all levels with a transparent and fair nomination process.</p> <p>- There shall be an effective anti-fraud and corruption policy and system to ensure that the management is fully aware of and pays attention to anti-fraud and corruption practices and implementation.</p>

2024 OUTLOOK



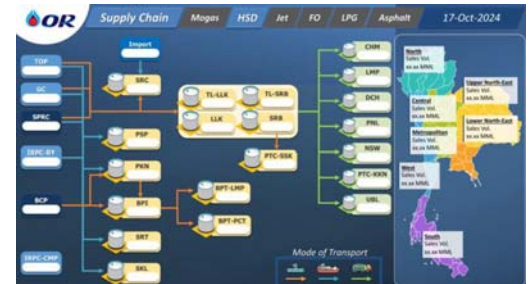
Source: PTT Oil & Retail Business, UOB Kay Hian

KEY DRIVER FOR PERFORMANCE UPLIFT



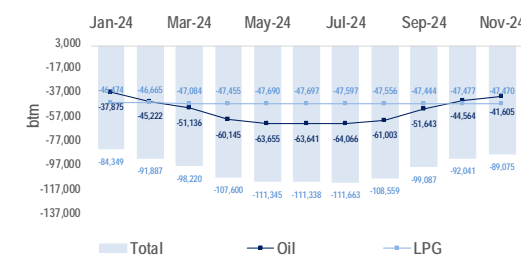
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DASHBOARD CONTROL TOWER



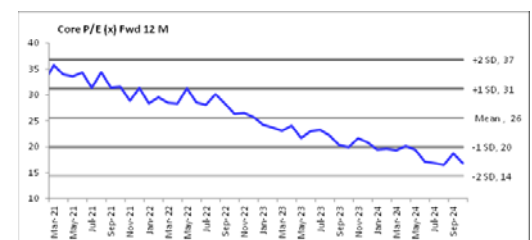
Source: PTT Oil & Retail Business, UOB Kay Hian

ESTIMATED FUEL FUND STATUS



Source: PTT Oil & Retail Business, UOB Kay Hian

AVERAGE THREE-YEAR PE



Source: PTT Oil & Retail Business, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	769,224	780,888	807,918	843,032
EBITDA	22,912	25,842	23,556	24,474
Deprec. & amort.	8,564	10,021	11,237	11,828
EBIT	14,357	12,619	12,320	12,645
Associate contributions	539	566	594	624
Net interest income/(expense)	-1,369	-1,236	-914	-668
Pre-tax profit	13,534	8,747	12,000	12,601
Tax	-2,437	-1,749	-2,400	-2,520
Minorities	2	0	0	0
Net profit	11,099	6,998	9,600	10,081
Net profit (adj.)	11,091	10,200	9,600	10,081

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	48,390	61,556	63,675	62,098
Other LT assets	44,774	45,245	46,338	47,757
Cash/ST investment	52,019	31,254	32,004	31,083
Other current assets	62,067	75,233	77,353	75,776
Total assets	220,236	214,285	220,900	223,254
ST debt	9,966	6,137	6,137	6,137
Other current liabilities	57,713	60,156	66,554	69,462
LT debt	25,910	19,773	13,636	7,499
Other LT liabilities	17,139	17,399	18,001	18,783
Shareholders' equity	229,443	230,755	236,506	241,307
Total liabilities & equity	220,236	214,285	220,900	223,254

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	37,973	19,421	24,583	21,384
Pre-tax profit	13,534	8,747	12,000	12,601
Tax	-2,437	-1,749	-2,400	-2,520
Deprec. & amort.	8,564	10,021	11,237	11,828
Working capital changes	19,790	1,848	3,746	-525
Other operating cashflows	-1,477	554	0	0
Investing	-7,669	-23,398	-13,847	-10,888
Investments	-8,564	-23,186	-13,357	-10,251
Others	895	(212)	(490)	(637)
Financing	-16,802	-16,206	-9,986	-11,417
Dividend payments	-4,789	-6,240	-3,849	-5,280
Proceeds from borrowings	-12,013	-9,966	-6,137	-6,137
Others/interest paid	n.a.	n.a.	n.a.	n.a.
Net cash inflow (outflow)	13,501	-20,182	750	-921
Beginning cash & cash equivalent	38,493	51,436	31,254	32,004
Changes due to forex impact	25	0	0	0
Ending cash & cash equivalent	52,019	31,254	32,004	31,083

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	3.0	2.9	2.9	2.9
Pre-tax margin	1.8	1.1	1.5	1.5
Net margin	1.4	0.9	1.2	1.2
Net profit (adj.)	1.4	1.3	1.2	1.2
Leverage				
Debt to total capital	32.8	23.4	17.0	11.2
Debt to equity	15.6	11.2	8.4	5.7
Net debt/(cash) to equity	0.3	0.2	0.2	0.1
Interest cover (x)	6.7	5.8	7.3	10.1

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