

COMPANY UPDATE

PTT (PTT TB)

Expect A qoq Drop For 4Q23 Core Profit, But Valuation To Be Interesting

The tone from the analyst meeting was neutral. PTT has updated the progress of the Future Energy & Beyond project. It aims to increase profit to 30% of total net profit in 2030. Despite the short-term challenges stemming from a decline in core profit expectations in 4Q23, PTT's stock price remains appealing, featuring favourable dividend yields. Maintain BUY. Target price: Bt41.00.

WHAT'S NEW

- The tone from PTT's analyst meeting was neutral.
- Progress of the Future Energy & Beyond business group.** The progress of projects within the Future Energy & Beyond business group is in line with PTT's business plan to increase the profit share from this business segment to 30% by 2030. Currently, the progress is as follows:
 - Arun Plus (ARUN+) has partnered with Kwang Yang Motor Company Limited group (KYMCO group) to create a JV named Aionex, (Arun Plus holds 51%, KYMCO group holds 49%). The primary focus of Aionex is the manufacturing and marketing of two-wheel electric vehicles and 300 ionex electric motorcycle battery switching stations (ionex Energy Stations) by 2025.
 - Nutra Regenerative Protein Co (NRPT), a JV between Innobic (Asia) Co and NR Instant Protein Co (NRF), began operating Plant & Bean (Thailand) which produces protein food from plants (plant-based food) with advanced production technology from England and it will be the largest factory in the ASEAN region. The first phase will start with a production capacity of 3,000 tonnes in 4Q23. The factory will be able to increase production capacity to a maximum of 25,000 tonnes.
 - Global Power Synergy (GPSC) stands as the flagship of PTT Group's electricity business, and it is proud to present that Avaada Energy Private (Avaada Energy), a leading operator in the renewable energy sector in India (with GPSC holding 42.93% of shares through Global Renewables Synergy (GRSC)), has successfully secured a bid for a solar power project with a capacity of 1.4 gigawatts (GW) which includes a long-term power purchase agreement. Presently, Avaada Energy has total production capacity of 8.76 GW, while the long-term goal is to increase production capacity to 15.0 GW in 2030.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	2,258,818	3,367,203	2,570,493	2,634,409	2,699,914
EBITDA	378,028	480,495	372,380	377,869	381,276
Operating profit	231,238	313,165	208,397	217,165	223,786
Net profit (rep./act.)	108,363	91,175	91,160	98,445	103,087
Net profit (adj.)	100,790	160,536	91,160	98,445	103,087
EPS (Bt)	3.5	5.6	3.2	3.4	3.6
PE (x)	9.8	6.2	10.9	10.1	9.6
P/B (x)	0.9	0.9	0.9	0.9	0.8
EV/EBITDA (x)	3.9	3.1	4.0	3.9	3.9
Dividend yield (%)	5.8	5.8	5.8	6.0	6.2
Net margin (%)	4.8	2.7	3.5	3.7	3.8
Net debt/(cash) to equity (%)	53.8	67.4	44.6	44.3	43.2
Interest cover (x)	13.4	13.0	9.7	11.0	11.9
ROE (%)	10.8	8.4	8.2	8.7	8.7
Consensus net profit	-	-	100,999	102,554	109,846
UOBKH/Consensus (x)	-	-	0.90	0.96	0.94

Source: PTT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt34.50
Target Price	Bt41.00
Upside	+18.8%

COMPANY DESCRIPTION

PTT is a Thailand-based oil & gas company engaged in the upstream petroleum, downstream petroleum, coal business and other related businesses.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PTT TB
Shares issued (m):	28,563.0
Market cap (Btm):	992,564.1
Market cap (US\$m):	28,186.6
3-mth avg daily t'over (US\$m):	51.0

Price Performance (%)

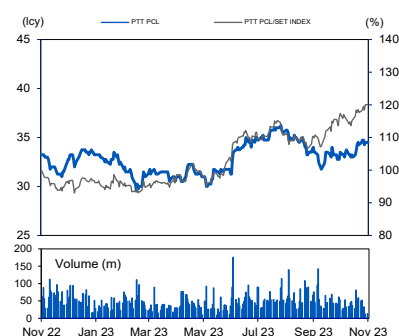
52-week high/low Bt36.25/Bt29.50

1mth	3mth	6mth	1yr	YTD
4.5	(4.1)	11.2	4.5	4.5

Major Shareholders

	%
MOF	51.2
Vayupak Fund 1	15.3
NVDR	3.0
FY23 NAV/Share (Bt)	39.04
FY23 Net Debt/Share (Bt)	17.43

PRICE CHART



Source: Bloomberg

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• **NGV business' loss has decreased.** We have a positive view after the announcement of an increase in the selling price of NGV gas for all customer groups until the end of 2023. As a result, the loss in the NGV business decreased significantly, with a loss of Bt672m in 3Q23 (vs a loss of Bt1.3b in 2Q23 and a loss of Bt4.2b in 2Q23).

STOCK IMPACT

• **Expect core profit in 4Q23 to decrease qoq.** While profits from the gas separation plant business (GSP) have been consistently increasing qoq due to a rise in gross profit attributed to lower production costs and increased sales volume, we expect a qoq decrease in core profit for 4Q23, as: a) gas sales volume is expected to decline due to the seasonal demand for gas within the electricity generation sector; b) there is a significant decrease in profit sharing from investments in the petrochemical and refinery businesses (P&R), and oil station business, primarily influenced by a decline in the gross refinery margin (GRM), spread of petrochemical and marketing margin; c) the current price of Dubai crude oil is under US\$80.0/bbl, a decrease from the average of US\$93.0/bbl in Sep 23. Consequently, the operating results for 4Q23 are expected to reflect a stock loss, reversing the significant stock gains seen in the P&R businesses during 3Q23, and d) there is an increase in selling, general, and administrative expenditures due to seasonality.

• **Core profit trend in 2024 continues to grow.** Despite the anticipated weakness in core profit for 4Q23 due to seasonality, we expect a qoq recovery in 1Q24 from the increase in gas sales volume in the power generation sector. The sustained growth of the Thai economy for 2024 is on an upward trajectory. As a result, we expect core profit in 2024 to increase 8% yoy. This optimistic outlook is supported by sustained high crude oil prices driven by global oil demand which is expected to increase by 1.3m barrels per day in 2024. Notably, 46% of this demand growth is attributed to the increased demand for oil from China, which is experiencing economic recovery, the continued implementation of the OPEC+ production reduction policy, and the US policy interest rate cut. Consequently, we are maintaining our assumption for crude oil prices at US\$84.0/bbl, (vs US\$81.0/bbl in 2023).

EARNINGS REVISION/RISK

• **None.**

VALUATION/RECOMMENDATION

• **Maintain BUY with an SOTP-based target price of Bt41.00.** Our positive view on PTT remains strong, primarily due to its appealing valuation and dividend potential. Currently, PTT's stock is trading at a P/B of 0.87x, and we anticipate the company will maintain an average dividend yield of 6.0% over the next three years, reaching this level by 2023-25. Additionally, our expectations are for PTT to distribute dividends of Bt2.0/share and Bt2.1/share in 2023/24 (based on a dividend payout ratio at 60%). As for the top picks in the energy sector, we prefer PTT Exploration and Production (PTTEP TB/Target: Bt200.00) and ESSO (ESSO TB/Target: Bt15.00).

INCREASED NGV PRICES

Type	NGV Price (Bt/Kg)	Period
Taxi	From 13.62 to 14.62	16 Jun - 31 Dec-23
Public car	From 17.59 to 18.59	16 Jun - 31 Dec-23
General car	From 18.59 to 19.59	16 Sep - 31 Dec-23

Source: PTT and UOB Kay Hian

PERFORMANCE IN NGV BUSINESS



Source: PTT and UOB Kay Hian

BUSINESS OUTLOOK (2024)



Source: PTT and UOB Kay Hian

PROJECT UPDATE



Source: PTT and UOB Kay Hian

2024 PRODUCT PRICE OUTLOOK



Source: PTT and UOB Kay Hian

SOTP VALUATION

	Share Holding	Fair Value (Bt/share)	Value (Btm)	Value (Bt/share)	Methodology
Gas Business (PTT's Operations)	100.0%		589,906	20.7	DCF @ WACC 7.0% G +1%
(1) Net Debt (PTT Only)			(215,154)	(7.5)	
1) PTT - Equity Value			374,722	13.1	
2) Associates and Subsidiaries					
PTTEP	65.3%	182.00	471,745	16.5	5-yrs regional PE mean of 10x
TOP	48.0%	68.00	72,912	2.6	5-yrs regional PE mean of 11x
IRPC	48.1%	2.20	21,601	0.8	PBV -1.0 S.D. of 0.6x
PTGC	48.2%	41.00	89,067	3.1	PBV -1.0 S.D. of 0.6x
GPSC	55.2%	70.00	109,014	3.8	DCF Valuation
OR	75.0%	29.00	281,000	9.1	5-yrs avg. PE mean of 24x
3) Affiliates					
Others Affiliates			76,008	2.7	
Total				52	
Discount to NAV (2021-2022)				(20%)	
PTT's TP (UOB Kay Hian)				41	

Source: PTT and UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	3,367,203	2,570,493	2,634,409	2,699,914
EBITDA	480,495	372,380	377,869	381,276
Deprec. & amort.	167,330	163,983	160,703	157,489
EBIT	313,165	208,397	217,165	223,786
Associate contributions	5,849	6,426	6,586	6,750
Net interest income/(expense)	(37,091)	(38,208)	(34,409)	(32,127)
Pre-tax profit	212,562	176,616	189,343	198,409
Tax	(90,462)	(52,985)	(56,803)	(59,523)
Minorities	(30,925)	(32,471)	(34,095)	(35,799)
Net profit	91,175	91,160	98,445	103,087
Net profit (adj.)	160,536	91,160	98,445	103,087

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	191,700	346,163	324,543	329,554
Pre-tax profit	212,562	176,616	189,343	198,409
Tax	(90,462)	(52,985)	(56,803)	(59,523)
Deprec. & amort.	167,330	163,983	160,703	157,489
Working capital changes	(178,970)	58,549	31,299	33,178
Other operating cashflows	81,241	0	0	0
Investing	(186,690)	(37,891)	(285,298)	(277,174)
Investments	(188,292)	(253,203)	(246,415)	(232,595)
Others	1,602	215,312	(38,883)	(44,579)
Financing	50,668	(201,113)	(112,933)	(122,304)
Dividend payments	(85,923)	(57,126)	(54,696)	(59,067)
Issue of shares	n.a.	n.a.	n.a.	n.a.
Proceeds from borrowings	136,591	(143,987)	(58,237)	(63,237)
Net cash inflow (outflow)	55,678	107,160	(73,688)	(69,924)
Beginning cash & cash equivalent	312,730	340,054	447,214	373,525
Changes due to forex impact	(28,354)	0	0	0
Ending cash & cash equivalent	340,054	447,214	373,525	303,601

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	1,499,330	1,588,550	1,674,262	1,749,367
Other LT assets	875,440	367,646	408,318	454,731
Cash/ST investment	340,054	447,214	373,525	303,601
Other current assets	700,809	627,172	605,785	583,009
Total assets	3,415,632	3,030,582	3,061,890	3,090,708
ST debt	163,995	78,241	83,241	88,241
Other current liabilities	428,546	413,459	423,371	433,773
LT debt	924,943	866,710	803,473	735,235
Other LT liabilities	364,456	71,974	73,763	75,598
Shareholders' equity	1,110,365	1,115,188	1,158,937	1,202,957
Total liabilities & equity	3,415,632	3,030,582	3,061,890	3,090,708

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	14.3	14.5	14.3	14.1
Pre-tax margin	6.3	6.9	7.2	7.3
Net margin	2.7	3.5	3.7	3.8
ROA	2.8	2.8	3.2	3.4
ROE	8.4	8.2	8.7	8.7
Growth				
Turnover	49.1	(23.7)	2.5	2.5
EBITDA	27.1	(22.5)	1.5	0.9
Pre-tax profit	(3.2)	(16.9)	7.2	4.8
Net profit	(15.9)	0.0	8.0	4.7
Net profit (adj.)	59.3	(43.2)	8.0	4.7
EPS	59.3	(43.2)	8.0	4.7
Leverage				
Debt to total capital	41.5	37.1	34.6	31.9
Debt to equity	98.1	84.7	76.5	68.5
Net debt/(cash) to equity	67.4	44.6	44.3	43.2
Interest cover (x)	13.0	9.7	11.0	11.9

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