

COMPANY RESULTS

PTT Oil & Retail Business (OR TB)

3Q22: Results Below Consensus; Expect Outlook To Improve qoq In 4Q22

OR posted a net profit of Bt701m in 3Q22, in line with our forecast but below consensus estimate of Bt2.1b. The qoq decline in earnings was mainly due to lower earnings contributions from all business units, including mobility, lifestyle and global businesses. Going forward, we expect core earnings to improve in 4Q22 on the seasonal high in petroleum sales volume and a potentially higher marketing margin. **Maintain BUY. Target price: Bt33.00.**

3Q22 RESULTS

Year to 31 Dec (Btm)	3Q21 (Btm)	2022 (Btm)	3Q22 (Btm)	yoy % change	qoq % change
Revenue	117,594	212,306	195,601	66.3	-7.9
COGS	109,023	197,045	187,363	-71.9	4.9
SG&A	5,939	6,628	7,219	-21.6	-8.9
EBITDA	4,051	8,633	2,674	-34.0	-69.0
Share profit of sub.	26	121	102	295.8	-15.2
Income tax	566	2,231	74	86.9	96.7
Core Profit	1,807	6,268	769	-57.4	-87.7
FX gain/(loss)	234	491	595	153.7	21.0
Net income	1,892	6,568	701	-63.0	-89.3
Gross margin (%)	7.3%	7.2%	4.2%		
EBITDA margin (%)	3.4%	4.1%	1.4%		
Net profit margin (%)	1.6%	3.1%	0.4%		

Source: PTT Oil & Retail Business, UOB Kay Hian

RESULTS

- **3Q22 results in line with our estimate but below consensus' estimate.** PTT Oil & Retail Business (OR) posted a net profit of Bt701m in 3Q22, down 89.3% qoq and 63.0% yoy, in line with our estimate but below consensus' forecast of Bt2.1b profit.
- **The qoq decrease in net profit was mainly due to lower earnings performance of all business units including:**
 - a) A 98.9% qoq decline in the mobility business' earnings performance (which accounted for 8.4% of total operating profit in 3Q22). This business was pressured by: i) lower petroleum sales volume in Thailand on sluggish economic conditions, ii) lower sales to Asian countries due to lower demand during the monsoon period, and iii) a decline in marketing margins, which decreased to Bt0.68/litre in 3Q22 from Bt1.61/litre in 2Q22.

KEY FINANCIALS

Year to 31 Dec (Btm)	2020	2021	2022F	2023F	2024F
Net turnover	432,849	515,280	775,333	751,502	788,657
EBITDA	17,644	20,335	24,191	26,550	28,360
Operating profit	11,906	14,601	16,516	17,843	18,700
Net profit (rep./act.)	8,791	11,474	13,414	14,649	15,498
Net profit (adj.)	8,325	10,970	13,235	14,649	15,498
EPS (Bt)	0.9	0.9	1.1	1.2	1.3
PE (x)	26.9	27.2	22.6	20.4	19.3
P/B (x)	5.9	3.0	2.8	2.6	2.4
EV/EBITDA (x)	17.6	15.3	12.9	11.7	11.0
Dividend yield (%)	0.4	1.5	2.0	2.2	2.3
Net margin (%)	2.0	2.2	1.7	1.9	2.0
Net debt/(cash) to equity (%)	107.1	(21.1)	11.4	12.9	15.8
Interest cover (x)	12.2	16.3	22.9	30.2	40.5
ROE (%)	22.9	16.6	12.9	13.0	12.8
Consensus net profit	-	-	15,211	14,108	14,730
UOBKH/Consensus (x)	-	-	0.87	1.04	1.05

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

BUY

(Maintained)

Share Price	Bt24.40
Target Price	Bt33.00
Upside	+35.2%

COMPANY DESCRIPTION

OR is a flagship company of the PTT Group, through its oil business, non-oil business (including approx. 3,400 Amazon Café outlets and rental space management at petrol service stations), and other related businesses. OR has the largest amount of domestic

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	OR TB
Shares issued (m):	12,000.0
Market cap (Btm):	292,800.0
Market cap (US\$m):	7,797.0
3-mth avg daily t'over (US\$m):	14.2

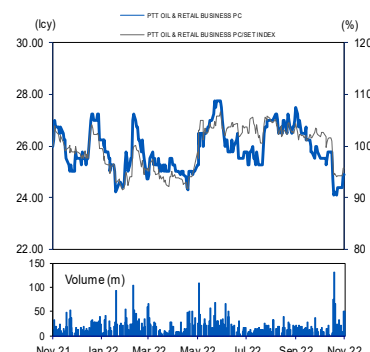
Price Performance (%)

52-week high/low		Bt27.75/Bt24.10		
1mth	3mth	6mth	1yr	YTD
(6.2)	(8.8)	(2.0)	(6.2)	(9.6)

Major Shareholders	%
PTT	75.0
NVDR	3.4
MoF	1.3

FY22 NAV/Share (Bt)	9.22
FY22 Net Debt/Share (Bt)	0.81

PRICE CHART



Source: Bloomberg

ANALYST(S)

Chaiwat Arsirawichai
+662 659 8301
chaiwat@uobkayhian.co.th

b) A 26.7% qoq decrease in its lifestyle business' earnings performance (which contributed 72.5% of total operating profit) on the back of an increase in promotional, public relations and outsource expenses as well as higher coffee beans and supplement costs. However, OR recorded an increase in Café Amazon sales volume to 93m cups in 3Q22 vs 91m cups in 2Q22. This boosted its F&B revenue by 1.1% qoq. As a result, EBITDA margin for this business segment declined slightly to 22.9% in 3Q22 from 27.4% in 2Q22.

c) A 70.6% qoq decrease in the global business' earnings (7.2% of total operating profit), pressured by: i) promotional, public relations and outsource expenses, and ii) a 2.3% qoq decline in oil sales volume, especially in Laos which saw a 20.3% qoq decline in 3Q22.

- **Management remains positive on the domestic petroleum demand outlook for 4Q22.** OR expects petroleum sales volume to increase in 4Q22 on the seasonal high and a continued recovery in Thailand's economy, supported mainly by an expansion in domestic demand, the relaxation of COVID-19 control measures, and a recovery in tourism due to the easing of international travel restrictions.

STOCK IMPACT

- **Expect net profit to improve in 4Q22 on the seasonal high in sales volume.** We expect OR's net profit to improve in 4Q22 on the back of: a) seasonal high in petroleum sales volume in Thailand in 4Q22 on the reopening of the economy, especially for jet fuel (due to the easing of international travel restrictions) and diesel fuel (benefit from the gas-to-oil switching policy), b) a potential improvement in oil marketing margin to around Bt1.0/litre in 4Q22 vs Bt0.68/litre in 3Q22 after realising its low oil inventory prices, c) a higher number of Café Amazon cups sold on the high season in 4Q22, and d) the positive impact from the increase in Café Amazon price to Bt5.00/cup. However, these positive factors are partially offset by the seasonal high in SG&A expenses.

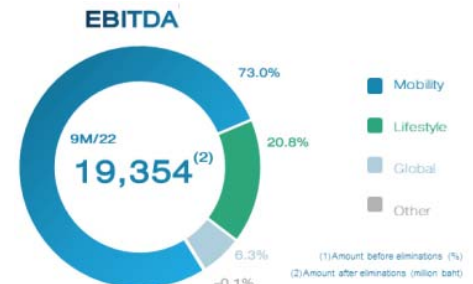
EARNINGS REVISION/RISK

- **We have revised down our core earnings forecast for 2022 by 25.1%** to reflect our new marketing margin of B1.10/litre for 2022 from Bt1.30/litre previously. However, we maintain our earnings forecasts for 2023.

VALUATION/RECOMMENDATION

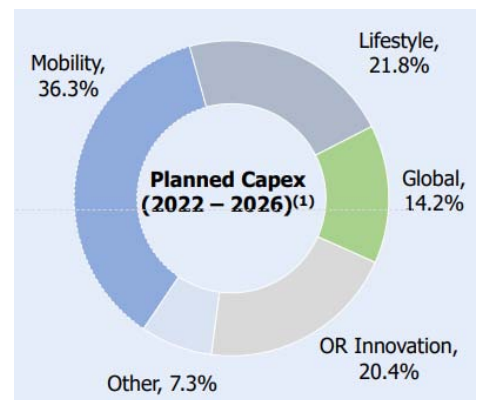
- Maintain BUY with a 2023 target price of Bt33.00, based on weighted regional oil retail & consumer peers' 27x 2023F PE. We have rolled over target price to 2023. OR is one of our top picks in the sector besides Indorama Ventures (IVL TB/Target: Bt65.00) as it will see positive earnings momentum.

9M22 EBITDA BREAKDOWN BY BUSINESSES (BTB)



Source: OR

FIVE-YEAR CAPEX PLAN BREAKDOWN



Source: OR

PROFIT & LOSS

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Net turnover	515,280	775,333	751,502	788,657
EBITDA	20,335	24,191	26,550	28,360
Deprec. & amort.	6,075	6,775	7,807	8,759
EBIT	14,601	16,516	17,843	18,700
Associate contributions	372	900	900	900
Net interest income/(expense)	(1,250)	(1,057)	(878)	(700)
Pre-tax profit	13,723	16,358	17,865	18,900
Tax	(2,719)	(2,945)	(3,216)	(3,402)
Minorities	4	0	0	0
Net profit	11,474	13,414	14,649	15,498
Net profit (adj.)	10,970	13,235	14,649	15,498

BALANCE SHEET

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Fixed assets	43,636	59,536	72,436	84,336
Other LT assets	37,957	38,076	38,197	38,321
Cash/ST investment	66,224	46,173	46,173	46,173
Other current assets	59,842	94,494	91,403	95,906
Total assets	207,659	238,278	248,208	264,735
ST debt	6,109	27,178	36,210	47,271
Other current liabilities	45,256	54,711	53,078	55,458
LT debt	38,930	31,305	25,008	18,756
Other LT liabilities	17,127	17,164	17,202	17,241
Shareholders' equity	100,237	107,921	116,710	126,009
Minority interest	0	0	0	0
Total liabilities & equity	207,659	238,278	248,208	264,735

CASH FLOW

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Operating	23,028	30,085	28,883	29,361
Pre-tax profit	14,188	13,414	14,649	15,498
Tax	0	2,945	3,216	3,402
Deprec. & amort.	6,075	6,775	7,807	8,759
Associates	(372)	(900)	(900)	(900)
Working capital changes	3,138	7,852	4,110	2,601
Non-cash items	0	0	0	0
Other operating cashflows	0	0	0	0
Investing	(25,903)	(16,019)	(13,021)	(12,022)
Capex (growth)	(5,472)	(15,900)	(12,900)	(11,900)
Capex (maintenance)	0	0	0	1
Investments	0	(119)	(121)	(124)
Proceeds from sale of assets	0	0	0	1
Others	(20,431)	0	0	0
Financing	30,649	(14,066)	(34,675)	(36,154)
Dividend payments	(4,423)	(6,036)	(6,592)	(6,974)
Issue of shares	54,000	0	0	0
Proceeds from borrowings	(18,412)	13,443	2,770	4,853
Loan repayment	1,016	(18,857)	(29,975)	(18,795)
Others/interest paid	(1,532)	(2,617)	(878)	(15,238)
Net cash inflow (outflow)	27,775	0	(18,814)	(18,815)
Beginning cash & cash equivalent	18,398	46,173	65,030	65,030
Changes due to forex impact	20,051	0	(43)	(42)
Ending cash & cash equivalent	66,224	46,173	46,173	46,173

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	3.9	3.1	3.5	3.6
Pre-tax margin	2.7	2.1	2.4	2.4
Net margin	2.2	1.7	1.9	2.0
ROA	6.5	6.0	6.0	6.0
ROE	16.6	12.9	13.0	12.8
Growth				
Turnover	19.0	50.5	(3.1)	4.9
EBITDA	15.3	19.0	9.8	6.8
Pre-tax profit	24.8	19.2	9.2	5.8
Net profit	30.5	16.9	9.2	5.8
Net profit (adj.)	31.8	20.6	10.7	5.8
EPS	(1.2)	20.6	10.7	5.8
Leverage				
Debt to total capital	31.0	35.1	34.4	34.4
Debt to equity	44.9	54.2	52.5	52.4
Net debt/(cash) to equity	(21.1)	11.4	12.9	15.8
Interest cover (x)	16.3	22.9	30.2	40.5

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W