

COMPANY UPDATE

PTT Oil & Retail Business (OR TB)

Positive On OR's Capex Plans And Expected Earnings Recovery In 1Q23

The key takeaway from OR's analyst meeting yesterday is its business strategy with capex of Bt101.5b for 2023-27. In 2023, OR will focus on branch expansion in the mobility, lifestyle and global businesses with an investment of Bt31.2b. We have a positive outlook on its sales volume for 2023, and expect sales volume to grow 4% yoy from the expansion of the domestic automobile market and increased economic activities. Maintain BUY with a target price of Bt33.00.

WHAT'S NEW

• **Takeaways from analyst meeting.** PTT Oil & Retail Business's (OR) new CEO Khun Disathat Panyarachun spoke about the company's business strategy of "empowering all toward inclusive growth" with capex of Bt101.5b for 2023-27. In 2023, capex of Bt31.2b for its four business groups will be used in the following ways:

- Mobility business:** OR is focusing on the health & wellness and tourism business. OR aims to maintain its market leadership in the Mobility Ecosystem. It plans to expand to 122 gas stations, 18 additional car service centres (Fit Auto), and to increase car charging stations to 500 by end-23. A budget of Bt6.8b has been allocated for this (22% of 2023 capex).
- Lifestyle business:** OR will focus on expanding and strengthening the business value chain of the Lifestyle business by allocating a budget of Bt14.2b (45% of 2023's capex) for the expansion of Café Amazon and Texas Chicken stores (400 new Cafe Amazon, and 12 new Texas Chicken outlets in Thailand). This includes seeking new business partners.
- Global business:** OR will focus on expanding the presence of PTT Station and Café Amazon via making increased investment in affiliates overseas. OR is ready to seek investment opportunities in new countries, and has set aside a budget of Bt4.95b for this (16% of 2023's capex).
- OR innovation business:** OR is investing in innovation to develop new business models in accordance with the changing world situation. A budget of Bt5.3b has been allocated for this (17% of 2023's capex).

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	511,799	789,785	751,502	788,657	828,356
EBITDA	20,675	20,134	27,314	27,729	40,473
Operating profit	14,601	13,632	19,916	20,520	33,425
Net profit (rep./act.)	11,466	10,370	14,712	15,475	25,907
Net profit (adj.)	11,000	10,326	14,712	15,475	25,907
EPS (Bt)	0.9	0.9	1.2	1.3	2.2
PE (x)	24.5	26.1	18.4	17.4	10.4
P/B (x)	1.2	1.2	1.2	1.1	1.0
EV/EBITDA (x)	12.5	12.9	9.5	9.3	6.4
Dividend yield (%)	2.0	2.2	1.6	1.6	2.8
Net margin (%)	2.2	1.3	2.0	2.0	3.1
Net debt/(cash) to equity (%)	(9.6)	1.9	(4.8)	(9.5)	(17.2)
Interest cover (x)	16.5	17.4	13.4	16.2	25.1
Consensus net profit	-	-	12,831	14,307	14,318
UOBKH/Consensus (x)	-	-	1.15	1.08	1.81

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

BUY

(Maintained)

Share Price	Bt22.50
Target Price	Bt33.00
Upside	+46.7%

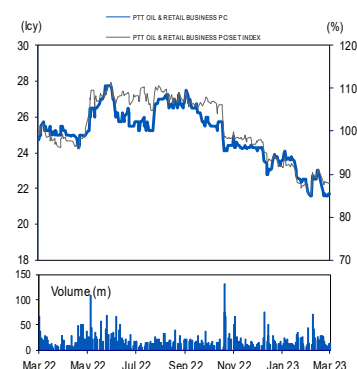
COMPANY DESCRIPTION

OR is a 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 outlets, convenience stores and space management offerings.

STOCK DATA

GICS sector	Consumer Discretionary				
Bloomberg ticker:	OR TB				
Shares issued (m):	12,000.0				
Market cap (Btm):	270,000.0				
Market cap (US\$m):	7,844.3				
3-mth avg daily t'over (US\$m):	12.5				
Price Performance (%)					
52-week high/low					Bt27.75/Bt21.60
1mth	3mth	6mth	1yr	YTD	
(5.1)	(7.0)	(15.1)	(17.4)	(5.5)	
Major Shareholders					%
-					-
-					-
-					-
FY23 NAV/Share (Bt)					19.37
FY23 Net Cash/Share (Bt)					0.93

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **EPPO announced a marketing margin adjustment to support net profit in 2023.** Hence, we expect upside in 2023's net profit. We have a positive view on OR after The Energy Policy and Planning Office (EPPO), Ministry of Energy, announced the relaxation of marketing rate control measures. Marketing margins for diesel and gasoline have increased as a result. Note that marketing margins of diesel and gasoline stood at Bt1.45/litre and Bt3.10/litre respectively before EPPO's announcement. As of 7 Mar 23, Bangkok's marketing margin for diesel stood at Bt2.15/litre and the average marketing margin for gasoline (Gasohol95, E10, Gasohol91, E20 and Gasohol91) was Bt3.10/litre. We expect upside in 2023 net profit.
- **Oil sales to continue to grow in 2023.** Oil sales volume is expected to grow 4% yoy. In 2023, we have a positive outlook on sales volume as we expect sales of passenger cars and commercial cars to grow 13.7% yoy and 2.4% yoy respectively. In addition, the reopening of many countries will increase economic activities, especially in the tourism sector. In 2023, Thailand is expected to see a total of 25m tourists, an increase of 124% yoy, including 5m tourists from China who are expected to travel to Thailand. These positive factors will support sales volume of the transport sector (gasoline, diesel oil, jet fuels and lubricants), which accounts for 76% of OR's total sales volume.
- **We expect 2023 dividend to come in at Bt0.36/share.** We expect OR's 2023 dividend to be Bt0.36/share, based on a dividend payout ratio at 45% (vs its dividend policy of 30%). Previously OR announced a dividend payment of Bt0.15/share for 2H22 operation, implying an annualised yield of 0.67% (ex-dividend: 28 Feb 23, payment date: 28 Apr 23).

EARNINGS REVISION/RISK

- **None.** We expect 2023 net profit to come in at Bt14.7b, up 34% yoy, on the back of these three positive factors: a) an increase in economic activities in accordance with Thailand's GDP estimate for 2023, which is expected to grow by 3.4%, b) the potential improvement in oil marketing margin, and c) profit from the lifestyle business increasing from a higher number of Café Amazon branches and cups sold, as well as the positive impact from the increase in product prices to Bt5.00/cup (starting Oct 22).

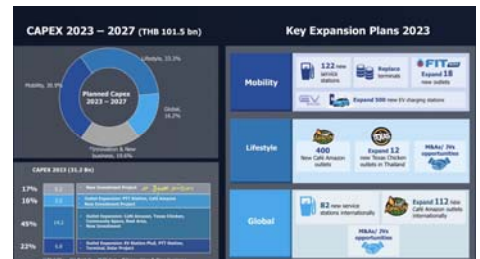
VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt33.00,** based on weighted regional oil retail & consumer peer's 27x 2023F PE. OR is one of our top picks in the sector along with PTTEP (BUY/Target: Bt195) and petrochemical business (PTTGC/BUY/Target: Bt62 and IRPC/BUY/Target: Bt3.70) as it will see positive earnings momentum.

SHARE PRICE CATALYST

- 1Q23: Expect core earnings recovery from domestic demand for petroleum and improved marketing margin.

CAPEX PLAN



Source: OR

KEY ASSUMPTIONS (2023)

	2020	2021	2022	UOBKH 2023F
Mobility Business				
Number of station	2,227	2,369	2,525	2,647
Volume Sold (MML)	24,400	23,145	26,846	27,920
%Growth	-12%	-5%	16%	4%
Gross Profit: Baht/Litre	0.97	1.15	0.98	1.00
Lifestyle Business				
Number of Café Amazon	3,310	3,628	3,895	4,295
Café Amazon total cups sold (m.cups)	274	298	357	365
%Growth	4%	9%	20%	2%
Global Business				
Number of station	335	356	390	420
Total Volume Sold	1,213	1,290	1,497	1,572
%Growth	-26%	6%	16%	5%
Café Amazon total cup sold (m.cups)	20	17	24	26
%Growth	-7%	-18%	45%	10%

Source: OR, UOB Kay Hian

KEY HIGHLIGHTS (2022)



Source: OR

MARKETING MARGIN



Source: OR, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	789,785	751,502	788,657	828,356
EBITDA	20,134	27,314	27,729	40,473
Deprec. & amort.	6,503	7,398	7,209	7,048
EBIT	13,632	19,916	20,520	33,425
Associate contributions	490	514	540	567
Net interest income/(expense)	(1,155)	(2,040)	(1,717)	(1,611)
Pre-tax profit	13,011	18,390	19,343	32,381
Tax	(2,638)	(3,678)	(3,869)	(6,476)
Minorities	(3)	0	0	2
Net profit	10,370	14,712	15,475	25,907
Net profit (adj.)	10,326	14,712	15,475	25,907

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	44,363	43,075	41,976	41,038
Other LT assets	44,589	43,094	44,545	46,095
Cash/ST investment	39,461	44,660	54,515	74,386
Other current assets	97,091	91,774	96,332	100,671
Total assets	225,504	222,603	237,367	262,190
ST debt	10,263	2,000	2,000	2,000
Other current liabilities	58,397	57,993	64,984	71,885
LT debt	33,556	31,556	29,556	27,556
Other LT liabilities	19,527	18,581	19,499	20,481
Shareholders' equity	223,701	232,413	241,267	260,206
Total liabilities & equity	225,504	222,603	237,367	262,190

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	(4,200)	28,575	25,117	35,514
Pre-tax profit	13,011	18,390	19,343	32,381
Tax	(2,638)	(3,678)	(3,869)	(6,476)
Deprec. & amort.	6,503	7,398	7,209	7,048
Working capital changes	(23,922)	6,465	2,433	2,561
Other operating cashflows	2,847	0	0	0
Investing	5,753	(5,562)	(6,642)	(6,679)
Investments	(6,110)	(6,110)	(6,110)	(6,110)
Others	11,863	548	(532)	(569)
Financing	(9,853)	(16,263)	(8,621)	(8,964)
Dividend payments	(6,464)	(6,000)	(6,621)	(6,964)
Proceeds from borrowings	(3,389)	(10,263)	(2,000)	(2,000)
Others/interest paid	n.a.	n.a.	n.a.	n.a.
Net cash inflow (outflow)	(8,299)	6,750	9,854	19,872
Beginning cash & cash equivalent	47,724	37,910	44,660	54,515
Changes due to forex impact	37	0	0	0
Ending cash & cash equivalent	39,461	44,660	54,515	74,386

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	2.5	3.6	3.5	4.9
Pre-tax margin	1.6	2.4	2.5	3.9
Net margin	1.3	2.0	2.0	3.1
Net profit (adj.)	(6.1)	42.5	5.2	67.4
Leverage				
Debt to total capital	29.7	23.0	20.6	17.4
Debt to equity	19.6	14.4	13.1	11.4
Net debt/(cash) to equity	1.9	(4.8)	(9.5)	(17.2)
Interest cover (x)	17.4	13.4	16.2	25.1

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