

COMPANY RESULTS

PTT Oil & Retail Business (OR TB)

2Q23: Net Profit In Line With Expectations

OR announced a net profit of Bt2.76b, declining both qoq and yoy. This performance aligns with our projection but exceeds consensus expectation by 11%. The decrease is attributed to reduced sales and marketing margins within the mobility business. Normalised profits for 3Q23 are expected to exhibit a yoy recovery due to improved sales and marketing margins, but a qoq decline is projected due to seasonal factors. **Maintain BUY. Target price: Bt29.00.**

2Q23 RESULTS

Year to 31 Dec (Btm)	2Q22 (Btm)	1Q23 (Btm)	2Q23 (Btm)	yoy % chg.	qoq % chg.	6M22 (Btm)	6M23 (Btm)	yoy % chg.
Revenue	211,431	197,414	187,708	-11%	-5%	388,722	385,122	-1%
Gross profit	14,386	10,244	10,042	-30%	-2%	24,969	20,286	-19%
EBITDA	9,356	4,330	4,168	-55%	-4%	14,962	8,498	-43%
Core Profit	6,268	3,029	2,561	-59%	-15%	10,165	5,590	-45%
Net Profit	6,568	2,975	2,756	-58%	-7%	10,413	5,731	-45%
EPS	0.55	0.25	0.23	-58%	-7%	0.87	0.48	-45%
Financial ratio (%)								
Gross Profit Margin	6.8%	5.2%	5.4%			6.4%	5.3%	
EBITDA Margin	4.4%	2.2%	2.2%			3.8%	2.2%	
SG&A Exp. / Sales	3.1%	3.8%	4.0%			3.4%	3.9%	
Net profit margin	3.1%	1.5%	1.5%			2.7%	1.5%	

Source: PTT Oil & Retail Business, UOB Kay Hian

RESULTS

- 2Q23 net profit came in as expected.** PTT Oil & Retail Business (OR) reported 2Q23 net profit of Bt2.76b, down of 7% qoq and 58% yoy. This aligns with our forecast but exceeds consensus expectation by 11%. The drop in net profit for 2Q23 was observed both qoq and yoy, primarily due to diminished profits stemming from the mobility business. Nonetheless, EBITDA from the non-oil and global businesses saw positive results due to planned cost reductions, alongside increased sales in both the coffee and oil sectors.
- Mobility business weakened by lower marketing margin.** EBITDA from the mobility business was Bt3.30b in 2Q23, down 22% qoq and 60% yoy. This drop is due to: a) Petroleum sales experiencing a 1.4% qoq decline due to reduced sales of 3.4% qoq to industrial customers, caused by the deliberate reduction (prompted by a decrease in gas prices) in the proportion of oil consumption within the electricity generation sector. b) Marketing margin of Bt0.96/litre, reflecting a decrease of 5.0% qoq and 40% yoy. As of end-2Q23, OR had a total of 2,183 oil stations, indicating a 0.7% qoq and 3.8% yoy increase.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	511,799	789,785	751,502	762,962	789,371
EBITDA	20,675	20,134	26,435	26,990	23,230
Operating profit	14,601	13,632	19,036	19,780	16,182
Net profit (rep./act.)	11,466	10,370	14,712	15,475	12,666
Net profit (adj.)	11,000	10,326	14,712	15,475	12,666
EPS (Bt)	0.9	0.9	1.2	1.3	1.1
PE (x)	22.8	24.3	17.0	16.2	19.8
P/B (x)	1.1	1.1	1.1	1.0	1.0
EV/EBITDA (x)	11.6	11.9	9.1	8.9	10.3
Dividend yield (%)	2.2	2.4	1.7	1.8	3.1
Net margin (%)	2.2	1.3	2.0	2.0	1.6
Net debt/(cash) to equity (%)	(9.6)	1.9	(4.8)	(10.1)	(13.7)
Interest cover (x)	16.5	17.4	22.8	27.6	25.3
Consensus net profit	-	-	12,334	13,651	14,397
UOBKH/Consensus (x)	-	-	1.19	1.13	0.88

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

BUY

(Maintained)

Share Price	Bt20.90
Target Price	Bt29.00
Upside	+38.8%

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 outlets.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	OR TB
Shares issued (m):	12,000.0
Market cap (Btm):	250,800.0
Market cap (US\$m):	7,198.8
3-mth avg daily t'over (US\$m):	11.0

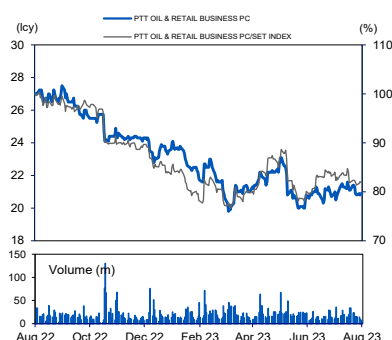
Price Performance (%)

52-week high/low	Bt27.50/Bt19.80			
1mth	3mth	6mth	1yr	YTD
1.0	(5.9)	(6.3)	(22.6)	(12.2)

Major Shareholders

Major Shareholders	%
PTT	75.00
Thai NVDR	2.74
Ministry of Finance (MOF)	1.28
FY23 NAV/Share (Bt)	19.37
FY23 Net Cash/Share (Bt)	0.93

PRICE CHART



Source: Bloomberg

ANALYST(S)

Tanaporn Visaruthaphong

+662 659 8305

tanaporn@uobkayhian.co.th

Benjaphol Suthwanish

+662 659 8301

Benjaphol@uobkayhian.co.th

KEY STATISTICS

	2022	1Q23	2Q23	yoy % chg.	qoq % chg.	6M22	6M23	yoy % chg.
EBITDA Margin								
Mobility	4.2%	2.3%	1.9%			3.5%	2.1%	
Lifestyle	27.4%	24.2%	26.6%			27.9%	25.4%	
Global	3.5%	3.4%	3.4%			3.6%	3.4%	
Other	2.3%	13.4%	-21.6%			-3.5%	-4.1%	
Mobility								
Number of stations	2,103	2,168	2,183	4%	1%	2,103	2,183	4%
Total Volume Sold (m Litres)	6,859	7,002	6,905	1%	-1%	13,583	13,907	2%
Gross Profit: Baht/Litre	1.61	1.01	0.96	-40%	-5%	1.38	0.99	-28%
EBITDA (mb)	8,257	4,239	3,298	-60%	-22%	13,020	7,537	-42%
Lifestyle (Non-oil)								
Café Amazon (No. of Outlets)	3,728	3,947	4,007	7%	2%	7,413	7,954	7%
Total cups sold (m cups)	91	91	93	2%	2%	174	184	6%
EBITDA (mb)	1,452	1,289	1,501	3%	16%	2,802	2,790	0%
Global								
Number of stations	370	396	387	5%	-2%	370	387	5%
Total Volume Sold	384	394	510	33%	29%	759	904	19%
Café Amazon (No. of Outlets)	323	365	364	13%	0%	323	364	13%
Total cups sold (M cups)	6.1	6.6	7.2	18%	9%	11.2	13.8	23%
EBITDA (mb)	517	396	450	-13%	14%	947	846	-11%

Source: PTT Oil & Retail Business, UOB Kay Hian

- This adjustment was prompted by a decrease in gas prices, leading to a 3.4% qoq reduction in the sales volume to industrial customers, and b) marketing margin was Bt0.96/litre, reflecting a decrease of 5.0% qoq and 40% yoy. As of the end of 2Q23, OR had a total oil station of 2,183 stores, indicating a 0.7% qoq and 3.8% yoy increase.
- **The non-oil business enhanced its EBITDA margin through the implementation of cost-saving measures.** EBITDA margin for 2Q23 stood at 26.6%, indicating an improvement from the EBITDA margin of 24.2% in 1Q23. This enhancement was a result of successful cost reduction initiatives that were previously planned. Furthermore, there was a growth in sales within various sectors, including the convenience store business and the F&B retail business. Notably, Café Amazon reported a sales volume of 93m cups, which marked a 2.2% increase both qoq and yoy. This growth was attributed to promotional activities as well as the continuous expansion of branches.
- **The growth in sales within the global business.** Particularly notable was the performance in the Philippines, where diesel sales and Café Amazon experienced a significant increase of 29% qoq and 9% qoq respectively. This growth was attributed to the heightened economic activity in the region. The positive impact of these developments managed to counterbalance the reduction in marketing margin, resulting in a substantial 14% qoq increase in the EBITDA of the global businesses.

STOCK IMPACT

- **Core profit projected to exhibit a yoy increase but a qoq decline.** We expect core profit for 3Q23 will grow yoy due to the following factors: a) an increase in oil sales resulting from the higher number of gas stations; b) increased marketing margin due to improved oil fund financial position. As of 6 August, the loss stood at Bt5.30b, a notable improvement compared with the loss of Bt82.70b recorded at the close of 3Q22; and c) EBITDA margin of the non-oil businesses has risen due to effective cost control measures, in line with the established plan. Nevertheless, oil sales are anticipated to experience a seasonal qoq decline in 3Q23.

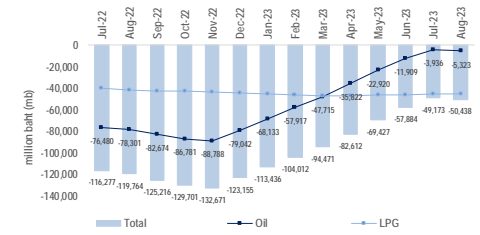
EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

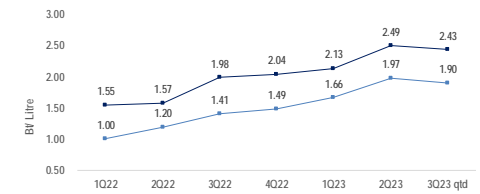
- **Maintain BUY with a target price of Bt29.00,** based on a five-year average PE of 24x. We maintain a positive view on OR and consider it one of our top picks due to its projected earnings recovery expected in 2023-24.

ESTIMATED FUEL FUND STATUS



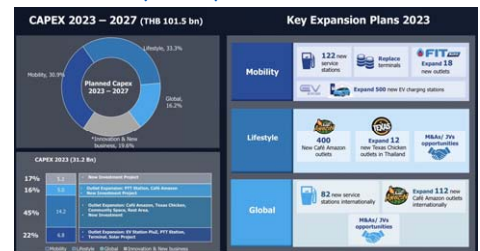
Source: PTT Oil & Retail Business, EPPO and UOB Kay Hian

AVERAGE MARKETING MARGIN



Source: PTT Oil & Retail Business, EPPO and UOB Kay Hian

CAPEX PLAN (2023-27)



Source: PTT Oil & Retail Business, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	789,785	751,502	762,962	789,371
EBITDA	20,134	26,435	26,990	23,230
Deprec. & amort.	6,503	7,398	7,209	7,048
EBIT	13,632	19,036	19,780	16,182
Associate contributions	490	514	540	567
Net interest income/(expense)	(1,155)	(1,161)	(977)	(917)
Pre-tax profit	13,011	18,390	19,344	15,833
Tax	(2,638)	(3,678)	(3,869)	(3,167)
Minorities	(3)	0	0	0
Net profit	10,370	14,712	15,475	12,666
Net profit (adj.)	10,326	14,712	15,475	12,666

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	(4,200)	28,601	26,133	22,857
Pre-tax profit	13,011	18,390	19,344	15,833
Tax	(2,638)	(3,678)	(3,869)	(3,167)
Deprec. & amort.	6,503	7,398	7,209	7,048
Working capital changes	(23,922)	6,491	3,448	3,142
Other operating cashflows	2,847	0	0	0
Investing	5,753	(5,562)	(6,274)	(6,489)
Investments	(6,110)	(6,110)	(6,110)	(6,110)
Others	11,863	548	(164)	(378)
Financing	(9,853)	(16,263)	(8,620)	(8,964)
Dividend payments	(6,464)	(6,000)	(6,620)	(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)	6,776	11,238	7,404
Beginning cash & cash equivalent	47,724	37,910	44,686	55,923
Changes due to forex impact	37	0	0	0
Ending cash & cash equivalent	39,461	44,686	55,923	63,328

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	43,542	44,573
Cash/ST investment	39,461	44,686	55,923	63,328
Other current assets	97,091	91,978	93,277	96,741
Total assets	225,504	222,833	234,718	245,680
ST debt	10,263	2,000	2,000	2,000
Other current liabilities	58,397	58,223	62,970	69,577
LT debt	33,556	31,556	29,556	27,556
Other LT liabilities	19,527	18,581	18,864	19,517
Shareholders' equity	223,701	232,413	241,268	246,970
Total liabilities & equity	225,504	222,833	234,718	245,680

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	2.5	3.5	3.5	2.9
Pre-tax margin	1.6	2.4	2.5	2.0
Net margin	1.3	2.0	2.0	1.6
Net profit (adj.)	(6.1)	42.5	5.2	(18.2)
Leverage				
Debt to total capital	29.7	23.0	20.6	18.9
Debt to equity	19.6	14.4	13.1	12.0
Net debt/(cash) to equity	1.9	(4.8)	(10.1)	(13.7)
Interest cover (x)	17.4	22.8	27.6	25.3

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 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W