

# Thailand Oil Retail

## Limited upside on marketing margin

- We have a NEUTRAL view on the sector due to the stretched oil fund balance sheet and rising policy risk, which is expected to limit the upside on the oil marketing margin.
- Given the stretched oil fund balance sheet, we expect the oil fund could help hold up marketing margin for another 6-8 months. Oil retail marketing margin could be under pressure afterwards.
- Initiate coverage of OR with HOLD rating and TP of THB20.0/share.

### NEUTRAL view on the sector due to stretched oil fund balance sheet and policy risks

We have a NEUTRAL view on the sector due to 1) the stretched oil fund balance sheet; 2) rising policy risk during the oil price uptrend and during the first hundred days of the newly formed government; and 3) the limited upside on the marketing margin in the short to medium term, amid higher sales volumes from seasonality in 4Q23. Since the end of 2021, the global oil price has experienced volatility, primarily due to political unrest and supply-related factors. This turbulence has led to elevated oil prices, prompting frequent government interventions aimed at lowering and stabilizing the diesel price, which makes up the majority of petroleum product demand in Thailand (~50% of domestic oil demand and ~60% of oil demand in transportation sector). These have caused unusual earnings patterns in recent years for oil retail players. In light of the high oil prices and inflation, we anticipate that the newly formed government will take measures to prevent the escalation of oil prices from adversely affecting the economy. Moreover, we believe they will proactively implement policies aimed at garnering public approval during their first hundred days, which could limit upside earnings for oil retail players.

### Expect stretched oil fund balance sheet by end of this year

As of 5 Nov 2023, the estimated oil fund status is at a loss of THB76b, down from the peak loss of over THB130b in Nov 2022 but deeper than the lowest loss of this year at THB49b in Jul 2023. Recently, the government capped the diesel price at THB30/liter on 13 Sep 2023, effective 20 Sep to 31 Dec 2023. Thus, the oil fund has to subsidize THB6-8/liter for diesel or ~THB12-15b per month to retain the price. As a result, we estimate the oil fund could reach a loss of over THB100b by the end of the year. The current outstanding oil fund borrowing is at THB55b, and an additional loan limit is at THB50b. There remains an outstanding loan credit amount of THB45b that has not yet been utilized. We estimate that if all the available loans were utilized, the oil fund could subsidize the diesel price for another 6-8 months. If the oil price remains at a high level and no further loan credit is available, it would then put oil retailers' margins under pressure afterwards.

### Initiate coverage of OR with a HOLD rating; TP at THB20.0/share

We initiate coverage of OR with a HOLD rating. Our TP is THB20.0/share based on an SoTP valuation. We think the disappointing lifestyle performance and execution of new M&As, coupled with rising concern over government intervention, have already de-rated or been reflected in the share price. The stock is trading at a 17x 12-month forward P/E, or almost -2SD of its 3-yr average. Hence, we think the share price downside is now limited.

### FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
PTT Oil and Retail Business	OR TB	18.60	HOLD	-	20.00	-	-	+7.5%

Note: Priced at close of business 07/11/2023. Share prices and TPs are in listing currency.; Source: FSSIA estimates



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## Investment thesis

We have a NEUTRAL view on the sector due to 1) the stretched oil fund balance sheet; 2) the rising policy risk during the oil price uptrend and during the first hundred days of the newly formed government; and 3) lack of new catalysts in the short term amid higher sales volumes in 4Q23 due to seasonality.

As of 5 Nov 2023, the estimated oil fund status is at a loss of THB76b, down from the peak loss of over THB130b in Nov 2022 but higher than the biggest loss of this year of THB49b in Jul 2023. Recently, the government capped the diesel price at THB30/liter. Consequently, the oil fund has to subsidize THB6-8/liter for diesel or ~12-15b per month. As a result, we expect the oil fund's balance sheet will be stretched and could reach a loss of over THB100b by the end of the year. This could indirectly pressure oil retail players' marketing margins by the end of the year.

In addition, the oil price is likely to be on an uptrend in 2024. Consequently, we believe the newly formed government will proactively implement policies aimed at garnering public approval. In other words, stabilizing and capping the oil prices. This would in turn adversely affect oil retail players' earnings.

## Catalysts

Key potential catalysts for the sector are:

- Oil price movement;
- Stronger-than-expected domestic oil demand;
- Extending the loan credit line for the oil fund;
- Stronger-than-expected economic recovery.

## Risks to our call

Downside risks to our call are:

- Volatility of the oil price;
- Exhausted finances of the oil fund;
- Further government interventions;
- More regulations or caps on marketing margins of all petroleum products.

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## Event Calendar

Date	Event
Early Nov 2023	3Q23 results announcements
Mid Nov 2023	3Q23 analyst meetings

## Background of oil retail business in Thailand

In 1991, the government lifted price controls on all fuels except for liquefied petroleum gas (LPG), allowing retail fuel prices to be determined by market mechanisms. This decision made the pricing of retail fuel fluctuate according to the global oil market, but the pricing was still closely monitored by The Energy Policy and Planning Office (EPPO). EPPO monitors competitiveness in the fuel market, ensuring fairness and preventing exploitation of consumers. They also calculate and publicly disclose the fuel price structure through their website, referencing global oil market prices. However, the actual costs for individual oil retailers are different mostly from different oil pricing benchmarks. Hence, tracking oil retail marketing margins from the EPPO website may not indicate an accurate marketing margin pattern for oil retailers in Thailand.

### Not fully liberalized market, in our view

According to the law, the government holds the authority to regulate fuel prices to mitigate shortages through The Energy Policy Administration Committee (EPAC) and Ministry of Commerce under the Price of Goods and Services Act. EPAC is responsible for determining domestic fuel prices. Meanwhile, petroleum products are controlled products under the Price of Goods and Services Act 1999, which addresses the regulation of prices for goods and services and aims to prevent monopolies. Thus, the government still retains the power to set fuel prices but opts for market competition, allowing market forces to dictate prices. Therefore, the oil retail business in Thailand is not fully liberalized, in our view.

### Government pricing interventions usually in the form of indirect measures

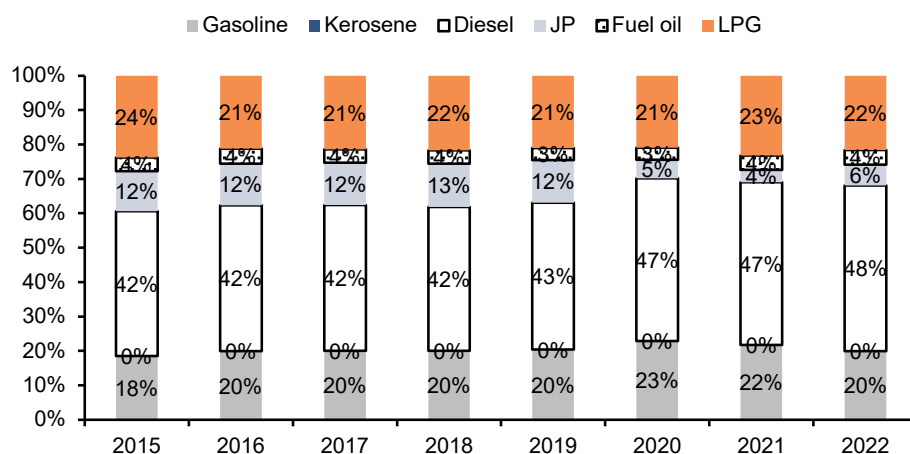
Players in the sector have the freedom to set prices, and the government technically cannot directly influence the selling prices. Thus, government interventions come in the form of measures that have indirect impacts and typically involve one or more of the following measures: 1) utilizing the oil fund mechanism; 2) reducing excise taxes; and 3) seeking cooperation from oil retailers to incorporate petroleum price cap schemes.

Government intervention normally starts with setting a selling price cap. Then, they will utilize one or more of the measures mentioned above to control the price.

The first two measures would not impact oil retailers' marketing margins. However, the third measure would put some pressure on oil retailers' profit or marketing margins.

The government interventions commonly focus on diesel and LPG prices because they form the majority of petroleum product demand in Thailand. Whilst other petroleum product prices usually remain untouched by the government.

### Exhibit 1: Thailand petroleum product demand, breakdown by product



Source: EPPO

However, it was not until recently (on 31 Oct 2023) that the cabinet approved a reduction in the price of gasohol 91 by THB2.50/liter, all types of gasoline by THB1/liter, E10 by THB0.90/liter, E20 by THB0.80/liter, and E85 by THB0.15/liter. The reduction will come from excise tax cuts, except for gasohol 91, which will be subsidized by another THB1.50/liter from the oil fund, apart from THB1.0/liter excise tax cut. The scheme will be effective during 7 Nov 20223 to 31 Jan 2024. This was according to Mr. Pirapan Salirathavibhaga (Thailand's energy minister)'s guidance earlier.

## Exhibit 2: Retail oil price components

Retail oil price components	Details
Ex-refinery price	Link to Singapore's oil price, fluctuates according to global market price
Excise tax	Typically, it is fixed, but government adjusts it irregularly as one of the mechanisms to stabilize the price
Municipal tax	10% of excise tax
Oil fund	Changes regularly for diesel and LPG to stabilize the price
Thailand Energy Conservation Fund	Fixed at THB0.05/liter for all products
VAT (WS)	7% of WS price
Marketing margin (MM)	Gross margin of oil retail business
VAT (MM)	7% of marketing margin

Sources: EPPO, FSSIA's compilation

## Exhibit 3: Retail oil price structure – gasoline and gasohol are the main contributors to oil fund

Unit: THB/Liter	Ex-Refin.	Excise Tax	M. Tax	Oil Fund	Consv. Fund	Wholesale (WS)	VAT (WS)	WS&VAT	Marketing Margin	VAT (MM)	Retail
ULG95	23.1802	6.5000	0.6500	9.3800	0.0500	39.7602	2.7832	42.5434	3.7351	0.2615	46.54
Gasohol95 E10	23.2383	5.8500	0.5850	2.8000	0.0500	32.5233	2.2766	34.7999	3.6917	0.2584	38.75
Gasohol91	22.7775	5.8500	0.5850	2.8000	0.0500	32.0625	2.2444	34.3069	3.9001	0.2730	38.48
Gasohol95 E20	23.5580	5.2000	0.5200	0.8100	0.0500	30.1380	2.1097	32.2477	3.9180	0.2743	36.44
Gasohol95 E85	27.9288	0.9750	0.0975	0.8100	0.0500	29.8613	2.0903	31.9516	3.8677	0.2707	36.09
H-Diesel B7	28.7507	3.6700	0.3670	-8.0200	0.0500	24.8177	1.7372	26.5549	3.1636	0.2215	29.94
H-Diesel B10	28.7507	3.6700	0.3670	-8.0200	0.0500	24.8177	1.7372	26.5549	3.1636	0.2215	29.94
H-Diesel B20	28.7507	3.6700	0.3670	-8.0200	0.0500	24.8177	1.7372	26.5549	3.1636	0.2215	29.94
FO 600 (1) 2%S	19.9521	0.6400	0.0640	0.0600	0.0500	20.7661	1.4536	22.2197			
FO 1500 (2) 2%S	18.3277	0.6400	0.0640	0.0600	0.0500	19.1417	1.3399	20.4816			
LPG (THB/kg.)	27.7372	2.1700	0.2170	-9.2063	0.0000	20.9179	1.4643	22.3822	3.2566	0.2280	25.87

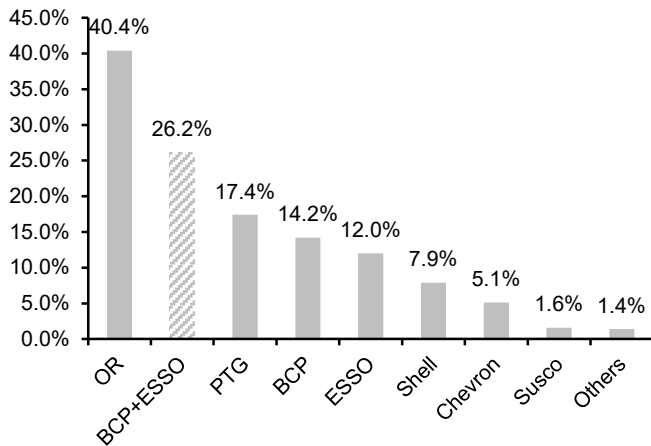
Sources: EPPO; data as of 5 Oct 2023

## A competitive market

Since the fuel price controls were lifted in 1991, it has increased competitiveness in the market and attracted more players and investors. This has led to improvements in oil retailers' business standards to make themselves stand out among peers.

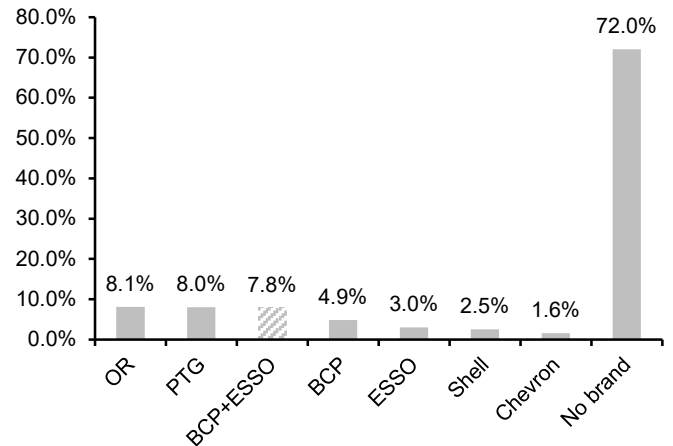
Although the top three leading oil retail players (i.e. OR, PTG and BCP+ESSO) in the market hold >80% of the market share in terms of sales volume, the market is still very competitive, which can be seen in the selling prices. The standard fuel selling price for oil retailers is mostly the same in order to maintain their market position. The differentiation between individual oil retailers is in location, loyalty programs, premium products, and variety of services at stations.

Exhibit 4: Market share by sales volume



Source: DOEB

Exhibit 5: Market share by service station



Source: DOEB

As shown below, it appears that complying with the government's price cap scheme is not mandatory. We can see that diesel premium products sell above the capped price of THB30/liter, and Shell's standard diesel price also sells at above the THB30/liter capped price.

Regarding premium fuels, which are sold at individual service stations, each trader may have their proprietary additives. As a result, these specific blends and prices cannot be publicly disclosed or standardized. Therefore, consumers are encouraged to explore the available options and assess prices based on personal preferences and requirements.

Exhibit 6: Retail oil prices at different oil station companies

แก๊สโซฮอล์ 95	38.25	38.25	38.75	38.25	38.55	38.25	38.25	38.25	38.25	38.25
แก๊สโซฮอล์ E20	35.94	35.94	36.44	35.94	36.24	-	35.94	35.94	35.94	35.94
แก๊สโซฮอล์ E85	36.09	36.09	-	-	-	-	-	-	-	-
แก๊สโซฮอล์ 91	37.98	37.98	38.48	37.98	38.28	37.98	37.98	37.98	37.98	37.98
แก๊สโซฮอล์ 95 พรีเมียม	45.04	49.84	49.94	49.84	-	-	-	-	-	-
แก๊สโซฮอล์ 95	46.04	-	-	-	47.51	-	46.54	46.19	-	46.19
แก๊สโซฮอล์ 95 พรีเมียม	-	-	-	-	-	-	-	-	-	-
ดีเซล B7	29.94	29.94	30.24	29.94	29.94	29.94	29.94	29.94	29.94	29.94
ดีเซล	29.94	29.94	-	29.94	29.94	29.94	29.94	29.94	29.94	29.94
ดีเซลพรีเมียม B20	29.94	29.94	-	-	29.94	-	-	-	-	-
ดีเซลพรีเมียม B7 PREMIUM Diesel	41.54	43.64	48.64	43.64	42.94	-	-	-	-	-

Note: Unit is THB/liter; these are retail prices in Bangkok and vicinity  
Sources: EPPO; Data as of 1 Nov 2023

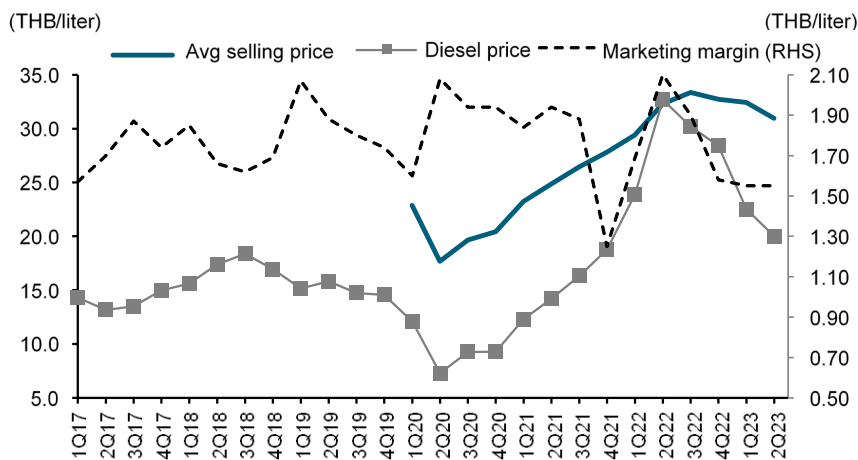
## Marketing margin patterns generally move opposite to oil price movement, but the pattern was disrupted lately

In general, oil marketing margins tend to move in the opposite direction to the movement of oil prices. This is due to the presence of a time lag between the unit cost and the selling price, which often leads to the inverse movement of oil marketing margins in relation to oil prices.

However, starting in 2021, the oil price has been volatile due to atypical demand and supply movement from the pandemic and geopolitical tension. Thus, the government had taken action to limit the diesel price during the high oil price period to help alleviate household spending.

This has resulted in unusual earnings patterns in recent years for oil retail players. In light of the high oil prices and inflation, we anticipate that the newly formed government will take measures to prevent the escalation of oil prices from adversely affecting the economy. Moreover, we believe they will proactively implement policies aimed at garnering public approval during their first hundred days.

### Exhibit 7: Marketing margins vs oil price



Source: OR

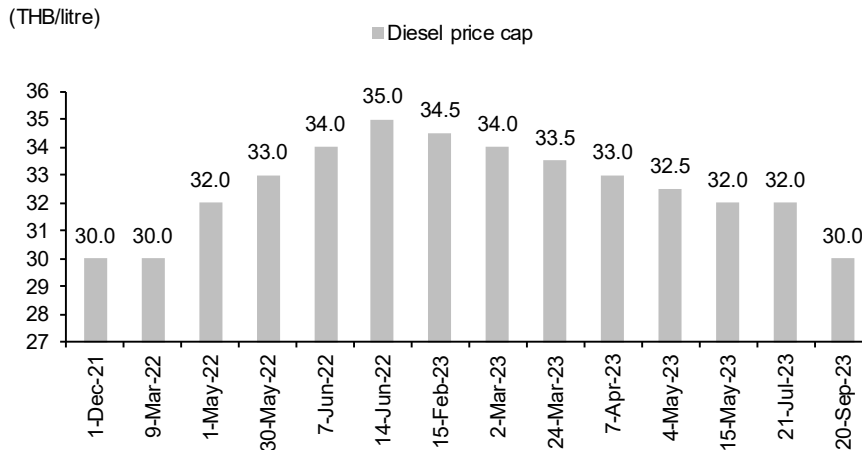
## NEUTRAL outlook on the sector due to stretched oil fund balance sheet and policy risks

We have a NEUTRAL view on the sector due to 1) the stretched oil fund balance sheet; 2) rising policy policy and regulatory risks; and 3) limited upside on marketing margins amid higher sales volumes in 4Q23 due to seasonality.

### Stretched oil fund balance sheet

As of 5 Nov 2023, the estimated oil fund status is at a loss of THB76b, down from the peak loss of over THB130b in Nov 2022 but deeper than the lowest loss of this year at THB49b in Jul 2023. The higher loss was mainly from the government's cap on the diesel price at THB30/litre on 13 Sep 2023, effective 20 Sep to 31 Dec 2023.

### Exhibit 8: Diesel price caps and effective dates



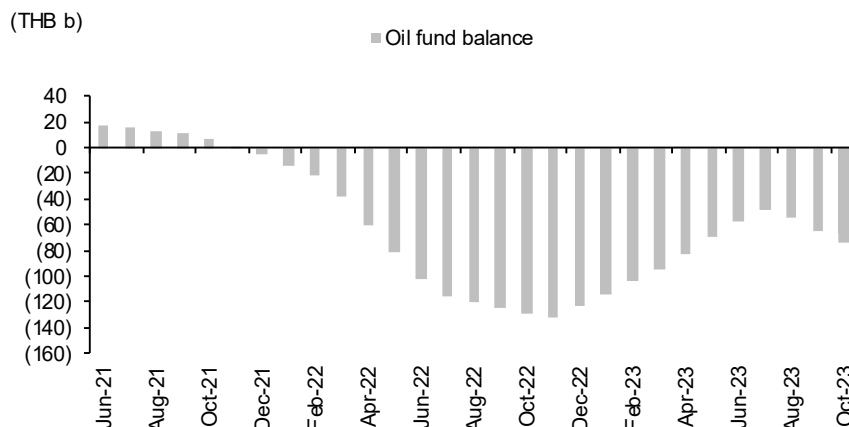
Source: FSSIA's compilation

Consequently, the oil fund has to subsidize THB6-8/liter for diesel or ~THB12-15b per month to retain the price. As a result, we estimate the oil fund could reach a loss of over THB100b by the end of the year. The current outstanding oil fund borrowing is at THB55b, and an additional loan limit is at THB50b. There remains an outstanding loan credit amount of THB45b that has not yet been utilized.

We estimate that if all the available loans were utilized, the oil fund could subsidize the diesel price for another 6-8 months. If there were no further extended credit line, it could potentially impact oil retail players' margins because they would have to help absorb the oil fund's subsidy cost.

For the recent oil fund subsidy of THB1.50/liter for gasohol 91, we estimate a limited impact on the fund's balance as we expect it to use THB<1b to subsidize during the three-months subsidized period (7 Nov 2023 to 31 Jan 2024).

### Exhibit 9: Oil fund status



Source: EPPO

## Policy and regulatory risks are still concerning

### Pending cap from marketing margin scheme to be at $\leq$ THB2/liter

We believe the risks are still concerning as there is still uncertainty over several measures, such as amending regulations to control marketing margins for all petroleum products at a level of no more than THB2/liter, as Mr. Pirapan Salirathavibhaga, Ministry of Energy, mentioned earlier. However, there is still no conclusion, and we believe it will be difficult to implement as it would overhang the sentiment of stocks in this sector. We expect more clarity will be provided in upcoming months.

### Intervention in gasoline price has rarely occurred

Moreover, the government has generally only intervened in diesel and LPG prices. The recent price reduction scheme for gasoline prices (i.e. gasohol 95, gasohol 91, E10, E20, E85) during 7 Nov 2023 to 31 Jan 2024 has put more discomfort in oil retailers' outlooks, in our view. Even though we expect no impact on the marketing margins, as the government is using excise taxes and the oil fund mechanism to support the reduction, this has colored our view that the sector is not fully liberalized and it can be fundamentally changed in an unpredictable manner by the government.

Benzene, or gasoline, is typically perceived as high-margin or profit-making product for oil retailers, unlike diesel. During the current political uncertainty, if the oil price were to be even higher, we anticipate that it would be possible for more pressure to come from the government to control the gasoline prices or high-margin products. If this were to happen, it would severely pressure the marketing margin of the oil retail business.

## Limited upside on marketing margins

In the short term, we anticipate a limited upside on marketing margins as we think the oil price will still be in an uptrend in 2024. Given the weak economy coupled with high inflation, we think the newly formed government could make efforts to suppress the energy prices, which would in turn negatively impact the oil retailers' margins during the oil price uptrend.

## 4Q23 sector outlook – supported by seasonally higher sales volumes

We think the 4Q23 earnings outlook for the sector will improve q-q, supported by seasonally higher sales volumes. However, the higher sales volumes may partly be offset by high seasonal expenses (i.e. marketing campaigns, SG&A). In addition, we see no new catalysts in the short term except for attractive valuations, which should provide a limited downside to share prices in the sector.



## Initiate coverage of OR – HOLD rating with TP of THB20/share

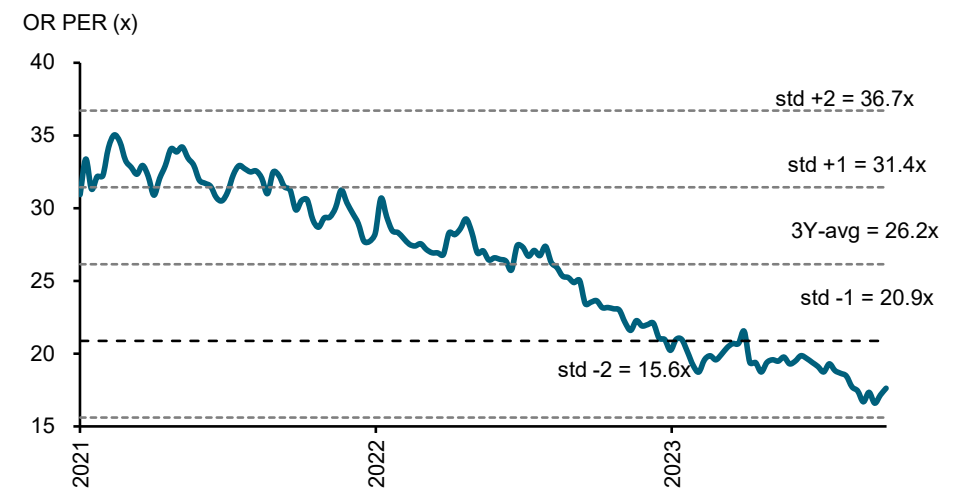
We initiate coverage of OR with a HOLD rating. Our TP is THB20.0/share based on an SoTP valuation. We think the disappointing lifestyle performance and execution of new M&As, coupled with rising concern over government intervention, have already de-rated or been reflected in the share price. The stock is trading at a 17x 12-month forward P/E, or almost -2SD of its 3-yr average. Hence, we think the share price downside is now limited.

### Exhibit 10: SoTP target price valuation

SoTP valuation	EBITDA (THB m)	EBITDA margin (%)	EV/EBITDA (X)	Valuation (THB m)	Valuation (THB/shr)	Comments
Mobility	15,258		8.0	122,064	10.2	At 8.0x FY24E EV/EBITDA
<b>Lifestyle</b>	<b>6,669</b>	<b>25.0</b>	<b>13.4</b>	<b>89,477</b>	<b>7.5</b>	<b>At 13.4x FY24E EV/EBITDA</b>
Food & Beverage	4,557	27.5	15.0	68,354	5.7	At 15x FY24E EV/EBITDA
Others	2,112	20.0	10.0	21,124	1.8	At 10x FY24E EV/EBITDA
Global	2,139	2.9	9.0	19,254	1.6	At 9x FY24E EV/EBITDA
Others	93	13.1	8.0	744	0.1	At 8.0x FY24E EV/EBITDA
<b>Total</b>	<b>24,160</b>		<b>9.6</b>	<b>231,540</b>	<b>19.3</b>	<b>At 9.6x FY24E EV/EBITDA</b>
Net cash /(net debt)	8,433	nm	nm	8,433	0.7	FY24E net debt
<b>Total value</b>	<b>32,593</b>		<b>7.4</b>	<b>239,973</b>	<b>20.0</b>	

Source: FSSIA estimates

### Exhibit 11: OR's P/E band



Sources: Bloomberg, FSSIA estimates

## Exhibit 12: OR's valuation comparisons as of 7 Nov 2023

Company	BBG	Rec	Share Price (LCY)	Target price (LCY)	Up side (%)	Market Cap (USD m)	3Y EPS CAGR (%)	----- PE ----- 23E 24E	----- ROE ----- 23E 24E	---- PBV --- 23E 24E	EV/EBITDA 23E 24E
								(x) (x)	(%) (%)	(x) (x)	(x) (x)
<b>Thailand</b>											
PTT Oil and Retail	OR TB	HOLD	18.6	20.0	8	6,278	14.9	17.3 17.4	12.0 11.3	2.0 1.9	11.3 10.7
Thai Oil	TOP TB	BUY	47.8	56.8	19	3,000	(18.0)	5.7 8.2	11.7 7.8	0.6 0.6	5.5 7.8
Star Petroleum Refining	SPRC TB	BUY	8.00	11.70	46	976	(12.9)	10.5 8.4	8.4 9.9	0.9 0.8	6.2 4.9
Bangchak Corp	BCP TB	BUY	40.75	42.70	5	1,653	(26.7)	7.4 7.4	11.6 10.7	0.8 0.8	5.6 5.1
Ptg Energy	PTG TB	n/a	8.30	n/a	n/a	392	14.0	14.0 15.3	11.7 10.6	1.6 1.6	7.9 8.2
IRPC	IRPC TB	n/a	2.02	n/a	n/a	1,172	(204.1)	185.5 27.9	1.8 0.5	0.5 0.5	5.7 10.5
Esso Thailand	ESSO TB	n/a	9.55	n/a	n/a	924	(17.0)	3.8 7.1	48.4 15.9	1.3 1.1	3.2 7.5
Susco	SUSCO TB	n/a	4.76	n/a	n/a	133	10.4	11.0 12.3	12.5 10.4	1.3 1.2	6.7 7.5
<b>Thailand avg</b>						<b>18,553</b>	<b>(28.4)</b>	<b>28.7 13.4</b>	<b>15.8 9.0</b>	<b>1.1 1.0</b>	<b>6.3 7.9</b>
<b>Philippines</b>											
Petronas Dagangan	PETD MK	n/a	22.92	n/a	n/a	4,859	11.6	30.1 22.2	13.4 17.4	4.1 3.9	13.6 11.5
<b>Philippines avg</b>						<b>4,859</b>	<b>11.6</b>	<b>30.1 22.2</b>	<b>13.4 17.4</b>	<b>4.1 3.9</b>	<b>13.6 11.5</b>
<b>Malaysia</b>											
Vietnam National Petroleum	PLX VN	n/a	34,200	n/a	n/a	1,782	46.1	34.9 14.1	5.0 12.0	1.8 1.7	12.6 7.5
<b>Malaysia avg</b>						<b>1,782</b>	<b>46.1</b>	<b>34.9 14.1</b>	<b>5.0 12.0</b>	<b>1.8 1.7</b>	<b>12.6 7.5</b>
<b>Hong Kong</b>											
Petrochina	857 HK	n/a	4.98	n/a	n/a	169,857	(14.3)	5.8 5.2	11.0 11.6	0.6 0.6	3.5 3.3
China Petroleum & Chemical	386 HK	n/a	4.00	n/a	n/a	82,065	12.5	6.4 6.1	8.9 9.3	0.6 0.5	4.6 4.9
<b>Hong Kong avg</b>						<b>251,922</b>	<b>(0.9)</b>	<b>6.1 5.7</b>	<b>10.0 10.4</b>	<b>0.6 0.6</b>	<b>4.0 4.1</b>
<b>India</b>											
Oil & Natural Gas	ONGC IN	n/a	193.20	n/a	n/a	29,594	(2.5)	5.6 5.1	18.6 18.0	1.0 0.8	4.5 4.1
Bharat Petroleum	BPCL IN	n/a	372.80	n/a	n/a	10,052	(7.9)	8.3 24.6	18.8 3.3	1.5 1.5	7.0 11.4
Hindustan Petroleum	HPCL IN	n/a	278.65	n/a	n/a	5,110	2.3	6.5 n/a	17.2 (23.2)	1.0 1.4	9.8 n/a
<b>India avg</b>						<b>44,756</b>	<b>(2.7)</b>	<b>6.8 14.8</b>	<b>18.2 (0.6)</b>	<b>1.2 1.3</b>	<b>7.1 7.8</b>
<b>Average (all)</b>						<b>321,873</b>	<b>5.2</b>	<b>21.3 14.0</b>	<b>12.5 9.6</b>	<b>1.8 1.7</b>	<b>8.7 7.7</b>

Sources: Bloomberg, FSSIA estimates

# PTT OIL AND RETAIL BUSINESS

## THAILAND / ENERGY

### Murky outlook but limited downside

- Initiate coverage with a NEUTRAL rating, TP at THB20.0/share.
- We expect robust 3Q23 earnings, mainly from a substantial stock gain, though sales volume and non-oil business to be weaker q-q.
- Part of the policy risk is lifted. Though there is continued pressure from the government, we think downside for the stock is limited.

#### Expect robust 3Q23 earnings from stock gain

We estimate OR will report a strong 3Q23 net profit of THB4.0b (+44% q-q and +465% y-y), significantly improving both q-q and y-y. We expect the improvement will mostly come from a stock gain, while the core businesses should be weaker q-q. For the mobility business, we forecast a 3Q23 marketing margin at THB1.17/liter (+22% q-q and +72% y-y), which should increase mostly from the stock gain, while we expect the sales volume to drop by 2% q-q from seasonality but increase 8% y-y from a higher number of oil stations. For the lifestyle business, we expect EBITDA to weaken by 9% q-q, mainly from a lower EBITDA margin from 26.6% in 2Q23 to 24.5% in 3Q23E and fewer Amazon cups sold per day (93m cups/day in 2Q23 vs 92m cups/day in 3Q23E). Additionally, the global business should see a substantially lower oil sales volume by -18% q-q, mainly from lower sales volumes in the Philippines due to lower bidding on commercial sales. 9M23E net profit is at 77% of 2023E.

#### 4Q23 earnings outlook should be higher y-y but lower q-q

The 4Q23 earnings outlook looks promising on higher sales volumes q-q due to seasonality. However, this should be partly offset by higher operating expenses from seasonal marketing campaigns and higher SG&A. In addition, the 4Q23E oil price seems to be increasing relatively lower q-q compared to 3Q23E. Thus, a lower gross marketing margin is expected in the quarter due to less support from stock gains. We expect 4Q23 net profit to be lower q-q but higher y-y from the low base in 4Q22.

#### Part of policy risk is lifted, but there are continued pressures

Part of the policy risk related to the government's household spending reduction policy is lifted. Nevertheless, there is a pending marketing margin capping scheme, which could limit OR's marketing margin upside.

#### Initiate coverage with HOLD rating; our TP is at THB20.0/shr

We initiate coverage of OR with HOLD. Our TP is THB20.0/shr based on an SoTP valuation. We think the disappointing lifestyle performance and execution of new M&As, coupled with rising concern over government intervention, have already de-rated or been reflected in the share price. The stock is trading at a 17x 12-month forward P/E, or almost -2SD of its 3-yr average. Hence, we think the share price downside is now limited.



**Kwanwaree Apichartsatporn**

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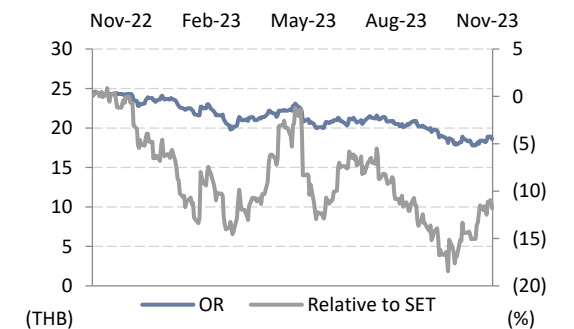
OR TB

HOLD

TARGET PRICE	THB20.00
CLOSE	THB18.60
UP/DOWNSIDE	+7.5%
TP vs CONSENSUS	-15.4%

#### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	789,785	814,276	875,079	913,371
Net profit	10,371	12,869	12,859	14,035
EPS (THB)	0.86	1.07	1.07	1.17
vs Consensus (%)	-	6.8	0.3	1.8
EBITDA	16,501	19,899	19,998	21,235
Recurring net profit	9,258	12,869	12,859	14,035
Core EPS (THB)	0.77	1.07	1.07	1.17
Chg. In EPS est. (%)	(10.7)	2.7	(7.4)	(18.6)
EPS growth (%)	(13.5)	39.0	(0.1)	9.1
Core P/E (x)	24.1	17.3	17.4	15.9
Dividend yield (%)	2.7	2.6	2.6	2.8
EV/EBITDA (x)	13.2	11.3	10.7	9.6
Price/book (x)	2.2	2.0	1.9	1.8
Net debt/Equity (%)	(5.4)	0.8	(7.2)	(15.6)
ROE (%)	9.1	12.0	11.3	11.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.9	(11.0)	(23.8)
Relative to country (%)	6.1	(3.2)	(12.1)
Mkt cap (USD m)	6,278		
3m avg. daily turnover (USD m)	8.0		
Free float (%)	62		
Major shareholder	PTT Plc (75%)		
12m high/low (THB)	25.25/17.60		
Issued shares (m)	12,000.00		

Sources: Bloomberg consensus; FSSIA estimates

## Investment thesis

We initiate coverage of OR with a HOLD rating. Our TP is at THB20.0/share based on an SoTP valuation. The stock is trading at a 17x 12-month forward P/E, or almost -2SD of its 3-yr average. Hence, we think the share price downside is now limited.

However, in light of the high oil prices and high inflation, we anticipate that the newly formed government will take measures to prevent the escalation of oil prices from adversely affecting the economy. Moreover, we believe they will proactively implement policies aimed at garnering public approval during their first hundred days, which could limit the upside earnings for oil retail players in the short to medium term.

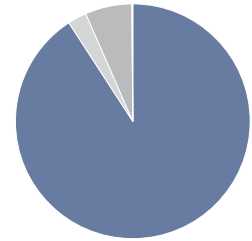
## Company profile

OR is a leading gas station operator whose station network is mostly located in Thailand. It also has an overseas presence. The non-oil business of OR has increasingly contributed higher net profits, led by its in-house coffee brand, Café Amazon. Other products it sells include jet fuel, lube, asphalt and other petroleum products.

[www.pttor.com](http://www.pttor.com)

## Principal activities (revenue, 2022)

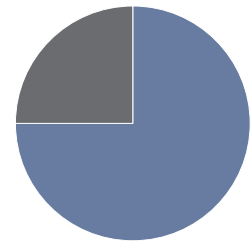
- Oil business - 90.8 %
- Non-oil business - 2.6 %
- International business - 6.4 %
- Others - 0.1 %



Source: PTT Oil and Retail Business

## Major shareholders

- PTT Plc - 75.0 %
- Others - 25.0 %



Source: PTT Oil and Retail Business

## Catalysts

Key potential catalysts are 1) rising marketing margins; 2) higher oil prices; and 3) higher domestic and overseas oil demand.

## Risks to our call

The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) a lower marketing margin; and 3) weaker-than-expected jet demand.

The upside risks are 1) higher-than-expected petroleum product demand; 2) new M&As; and 3) higher marketing margins.

## Event calendar

Date	Event
9 Nov 2023	3Q23 financial results announcement
17 Nov 2023	3Q23 analyst meeting

## Key assumptions

	2022	2023E	2024E	2025E
Total volume (m liters)	26,846	27,962	28,793	29,560
Growth (%)	16%	4%	3%	3%
Gross profit (THB/liter)	0.98	1.04	1.00	1.00
SG&A (THB/liter)	1.08	1.09	1.10	1.11
EBITDA (THB/liter)	0.52	0.57	0.53	0.53
Non-oil revenue (THB m)	21,082	23,357	26,154	28,947
Growth (%)	24%	11%	12%	11%
Non-Oil EBITDA margin (%)	25%	26%	26%	26%

Source: FSSIA estimates

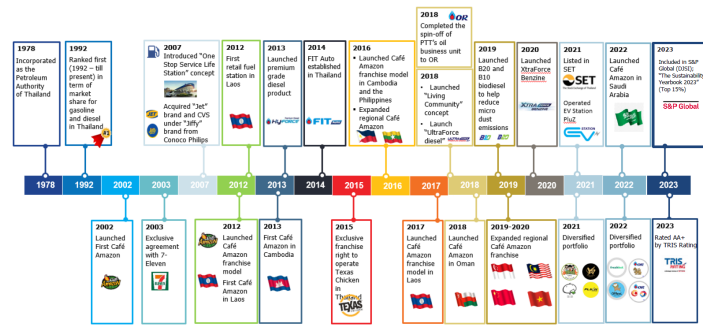
## Earnings sensitivity

- For every THB0.01/liter increase in marketing margin, we estimate 2024 earnings would rise by 1.8%, and vice versa, all else being equal.
- For every 1% increase in the number of cups sold for Café Amazon, we estimate 2024 earnings would rise by 1.5%, and vice versa, all else being equal.

Source: FSSIA estimates

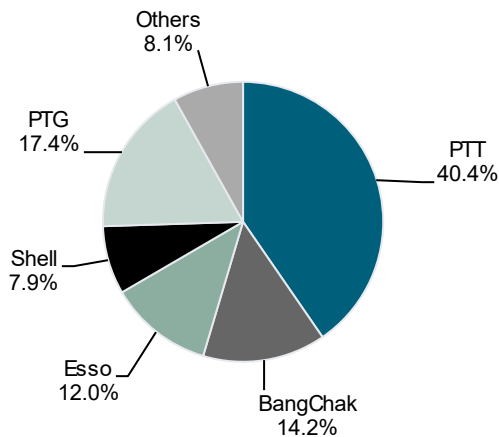
## OR's business at first glance

**Exhibit 13: Established since 1978 and ranked no.1 in term of market share for gasoline and diesel in Thailand since 1992**



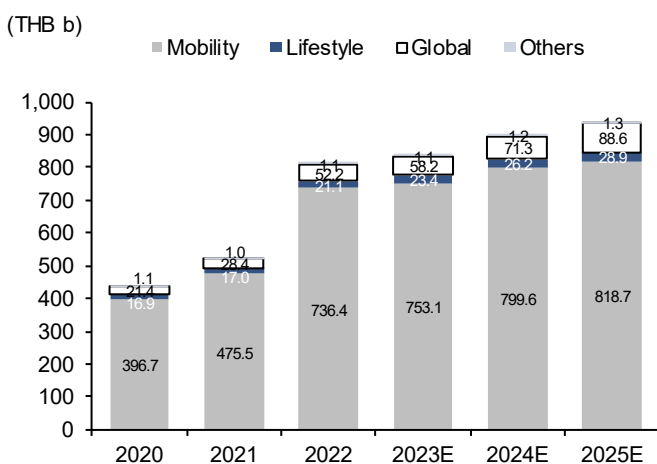
Source: OR

**Exhibit 15: Oil market share breakdown by sales volume as of 2Q23**



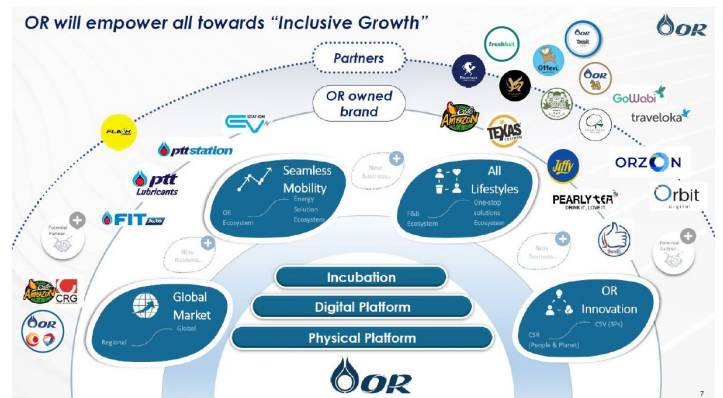
Source: DOEB

### Exhibit 17: Revenue breakdown



Sources: OR, FSSIA estimates

### Exhibit 14: OR's brands and partnership universe



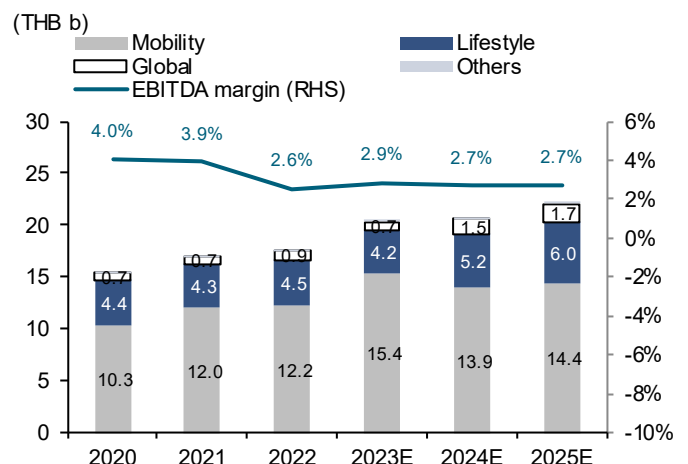
Source: OR

### Exhibit 16: Number of stations and stores

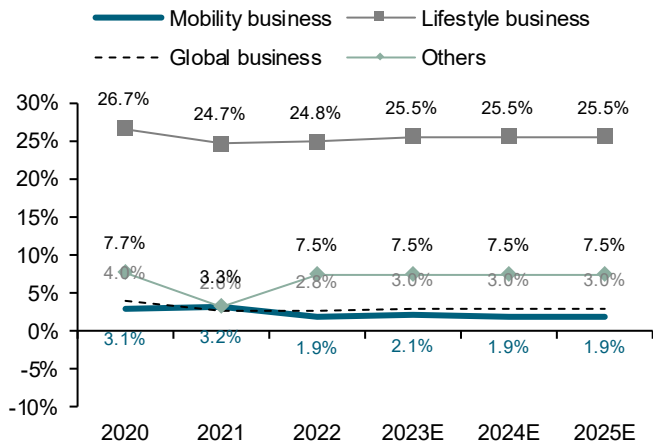
No. of stations/stores	2021	2022	2023E	2024E	2025E
<b>Mobility business</b>					
No. of gas stations	2,083	2,161	2,261	2,361	2,461
<b>Lifestyle business</b>					
Amazon	3,628	3,895	4,265	4,615	4,915
Texas Chicken	96	107	119	131	143
Jiffy + 7-11	1,977	2,075	2,147	2,247	2,347

Sources: OR, FSSIA estimates

### Exhibit 18: EBITDA breakdown and EBITDA margin breakdown by business



Sources: OR, FSSIA estimates

**Exhibit 19: EBITDA margin comparison by business – lifestyle business provides the highest margins**

Sources: OR, FSSIA estimates

**Exhibit 20: Key business drivers**

OR's business pillars	Key drivers
Mobility	Gross marketing margin
	Sales volume
	No. of oil stations
Lifestyle business	Oil price
	No. of Café Amazon outlets
	No. of cups sold
	No. of CVS
	New M&As
Global business	EBITDA margin
	No. of oil stations
	Sales volume
	No. of Café Amazon outlets
	No. of CVS

Source: OR

**Exhibit 21: Utilization of proceeds from IPO as of 30 June 2023**

Objectives	Approx. utilization plan 2021-2025	Accumulated use of proceeds until 30Jun23
Retail fuel service station expansion	13,300	4,111
Commercial marketing expansion	3,800	2,793
Investment in storage terminals and distribution centers for oil business	8,500	2,579
Non-oil retail outlet expansion	9,800	2,272
Investment in international business	9,500	2,179
Company's working capital and/or the repayment of loans (if any), For the highest advantage to the Company and its subsidiaries	8,597	8,597
<b>Total</b>	<b>53,497</b>	<b>22,531</b>
<b>Outstanding</b>		<b>30,966</b>

Sources: OR; FSSIA's compilation

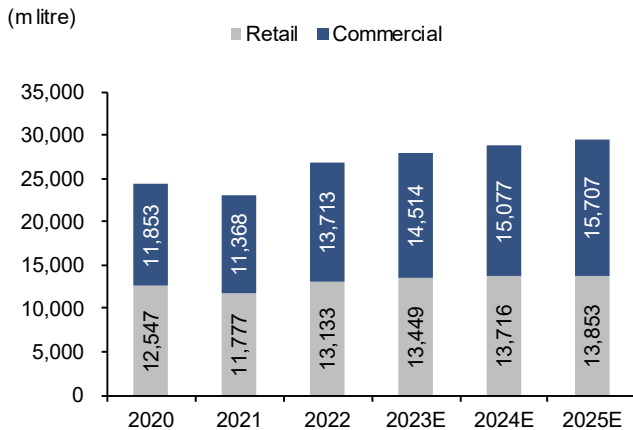
**Exhibit 22: OR's investment in other businesses since IPO**

Investments	Business	Stake	Cost (THB m)
Flash	Logistics	9%	1,522
K-Nex	Laundry service	40%	1,105
Kamu	Bubble tea	25%	464
Ohkaju	Healthy food	20%	450
Dusit Food	Food supplier	25%	300
Kouen	Sushi etc.	25%	192
Peaberry (Thai)	Coffee supplier	65%	138
Orbit Digital	Technology	40%	50
Traveloka	Travel and lifestyle app	3%	n/a
Gowabi (Thailand)	Market place	n/a	n/a
Polar Bear Mission	Food supplier	n/a	n/a
Pomelo	Fashion	n/a	n/a
Lineman Wongnai	E-commerce platform for services	n/a	n/a
Buzzebees	CRM platform	n/a	n/a

Sources: OR; FSSIA's compilation

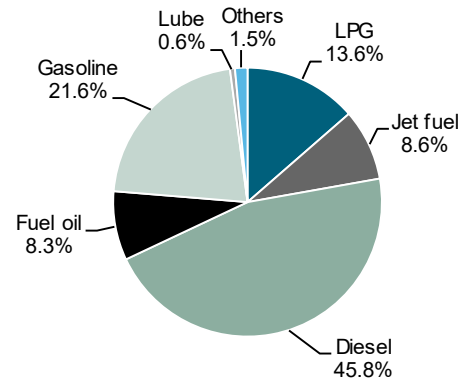
## Mobility business overview

**Exhibit 23: Sales volume breakdown by business retail and commercial**



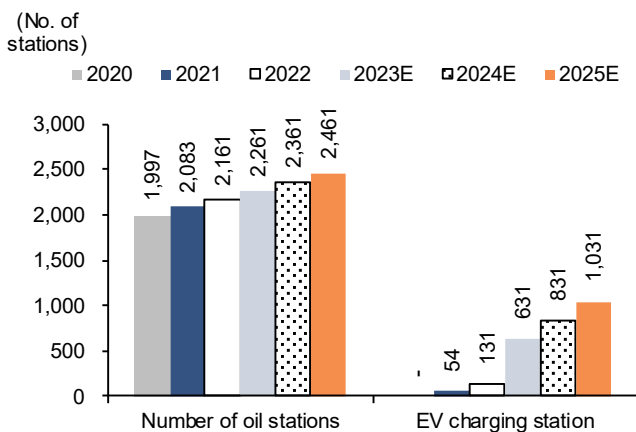
Sources: OR, FSSIA estimates

**Exhibit 24: Total sales volume breakdown by products in 2022**



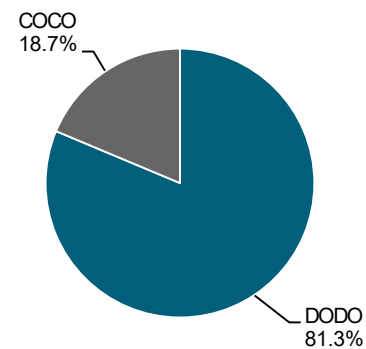
Source: OR

**Exhibit 25: Number of PTT stations and EV charging stations**



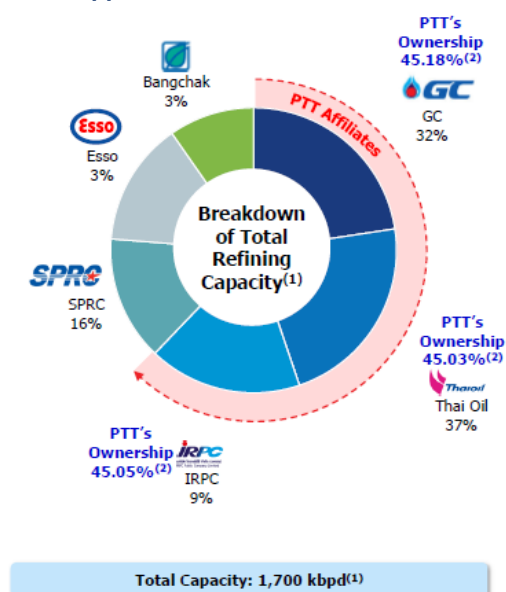
Sources: OR, FSSIA estimates

**Exhibit 26: PTT station breakdown by type in 2Q23 – total of 2,183 stations**



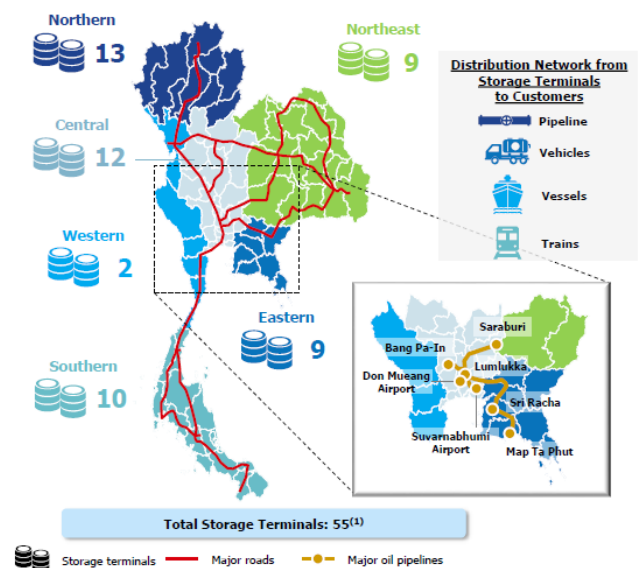
Source: OR

**Exhibit 27: Reliable fuel supplies – ~80% of petroleum products were supplied from PTT affiliates**



Source: OR

**Exhibit 28: Strong network infrastructure**

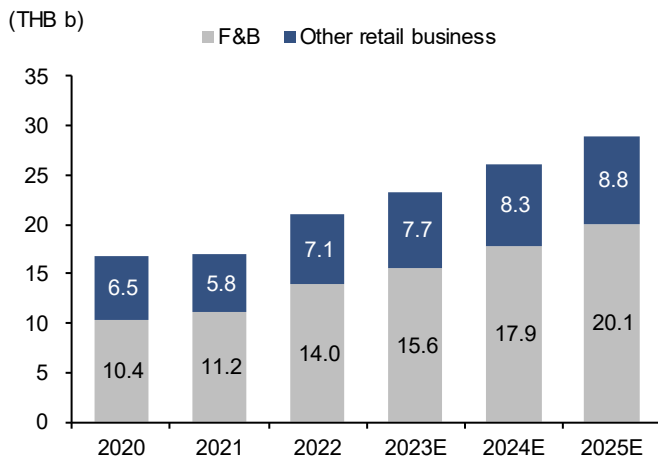


Source: OR



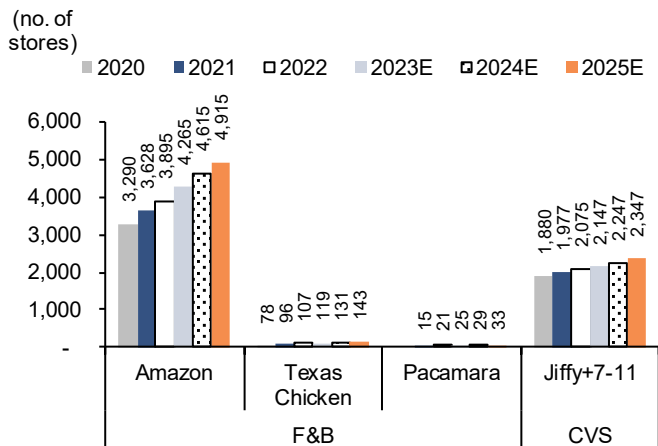
## Lifestyle business overview

Exhibit 29: Lifestyle business revenue breakdown



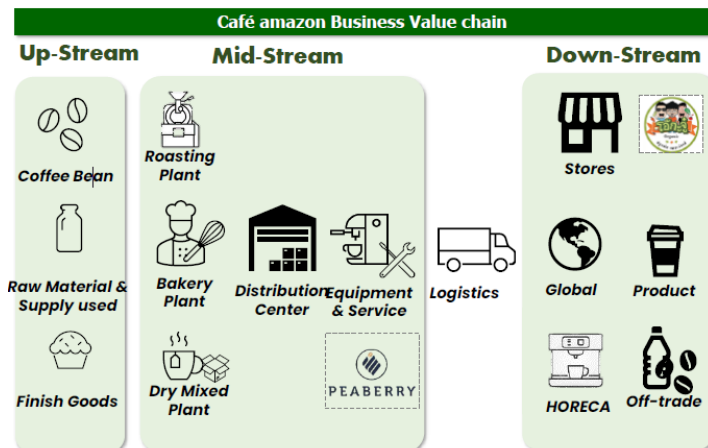
Sources: OR, FSSIA estimates

Exhibit 31: Number of stores by business



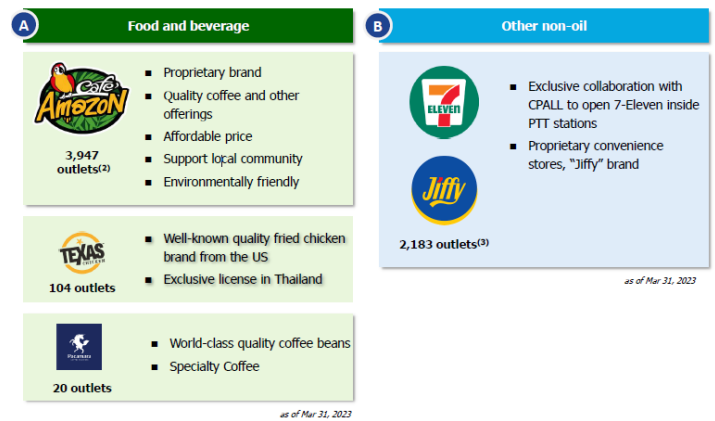
Sources: OR, FSSIA estimates

Exhibit 33: Café Amazon business value chain



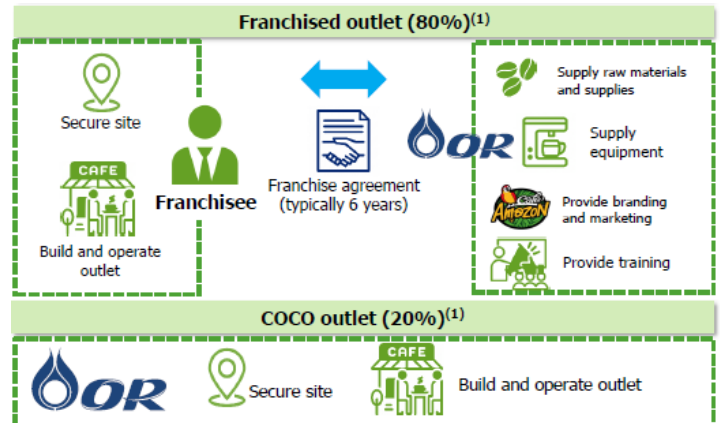
Source: OR

Exhibit 30: Detail of key lifestyle businesses



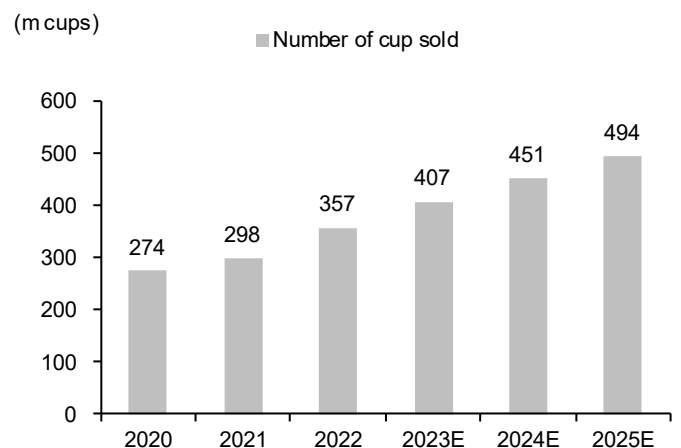
Source: OR

Exhibit 32: Café Amazon's operating models



Source: OR

Exhibit 34: Number of amazon cups sold

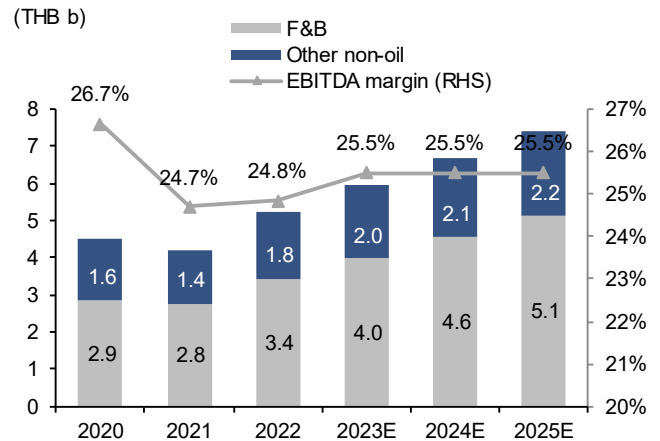


Sources: OR, FSSIA estimates



**Exhibit 35: Other non-oil business – main contributions are from CVS business**

Source: OR

**Exhibit 36: Lifestyle business EBITDA breakdown and EBITDA margin**

Sources: OR, FSSIA estimates

**Global market business overview**

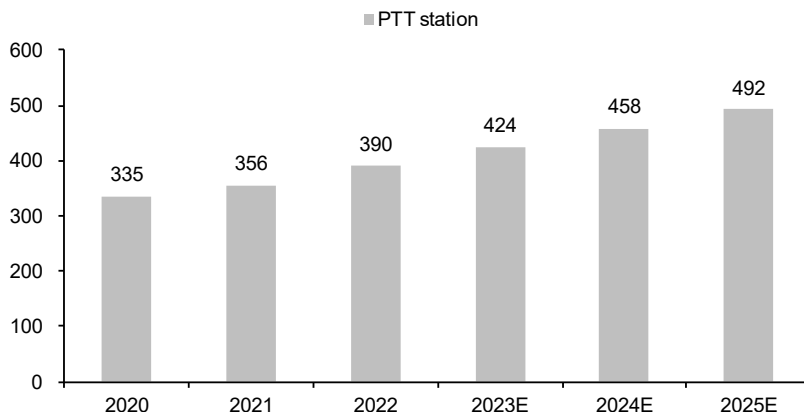
OR has business footprints in eleven countries outside of Thailand. The top five countries in terms of revenue contributions are Cambodia, Laos, the Philippines, Vietnam, and China. Of these, we estimate that >70% of revenue contributions are from Cambodia and the Philippines. Mobility or the oil business is still the flagship business or main revenue contributor in OR's global portfolio, though the company has increased its aggressiveness in expanding Café Amazon globally.

**Exhibit 37: Global market business overview**

Source: OR

**Exhibit 38: Number of PTT stations outside Thailand**

(no. of stations)



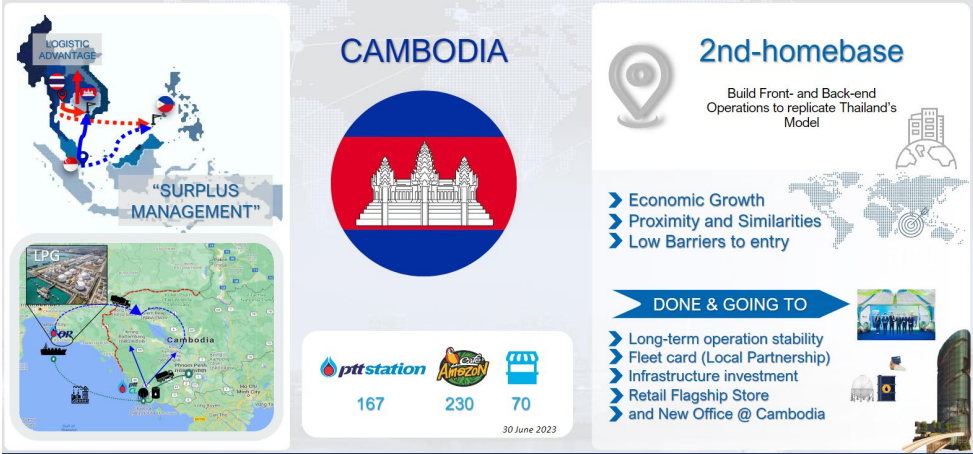
Sources: OR, FSSIA estimates

Long-term business strategy plan

Aiming for Cambodia as a second home base

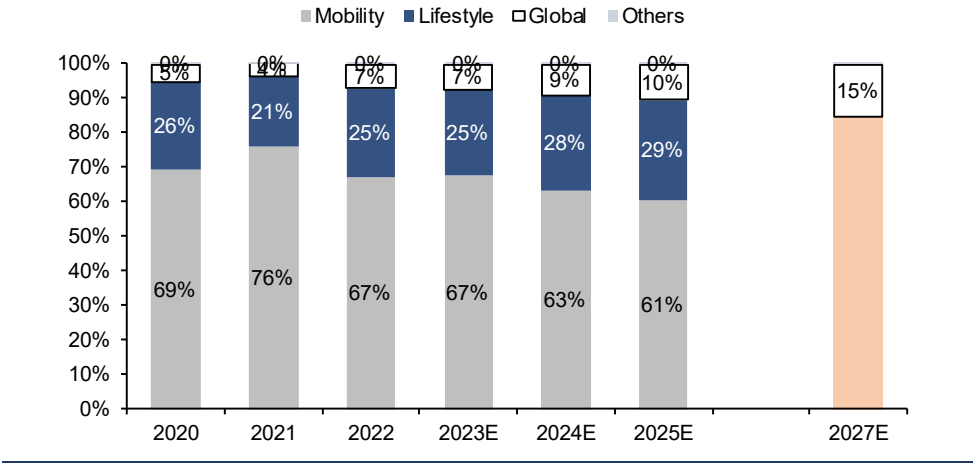
OR’s new business strategy aims to grow its global business by targeting Cambodia as its second home base due to its economic growth, proximity and similarities to Thailand, and low barrier to entry. Management is investing in facilities (i.e. LPG and an oil terminal) and planning to recreate Thailand’s business model in Cambodia. In the long term, this would increase the sales channel for the upcoming surplus of diesel supply from TOP’s new refinery, the Clean Fuel Project (CFP), which is expected to COD in 1H25. The company targets expanding the proportion of its global business EBITDA from 7.6% in 1H23 to 15% in 2027.

Exhibit 39: Cambodia as a second home base for OR



Source: OR

Exhibit 40: % of EBITDA contribution by business



Sources: OR, FSSIA estimates

### 3Q23E results preview – strong recovery from stock gain

We estimate OR will report a strong 3Q23 net profit of THB4.0b (+44% q-q and +465% y-y), significantly improving both q-q and y-y. We expect the improvement will mostly come from a stock gain, while the core businesses should be weaker q-q. For the mobility business, we forecast a 3Q23 marketing margin at THB1.17/liter (+22% q-q and +72% y-y), which should increase mostly from the stock gain, while we expect the sales volume to drop by 2% q-q from seasonality but increase 8% y-y from higher number of oil stations. For the lifestyle business, we expect EBITDA to weaken by 9% q-q, mainly from a lower EBITDA margin from 26.6% in 2Q23 to 24.5% in 3Q23E and fewer Amazon cups sold per day (93m cups/day in 2Q23 vs 92m cups/day in 3Q23E). Additionally, the global business should see a substantially lower oil sales volume by -18% q-q, mainly from lower sales volumes in the Philippines due to lower bidding on commercial sales. 9M23E net profit is at 77% of 2023E.

#### Exhibit 41: OR's 3Q23 results preview

	3Q23E	3Q22	Change	2Q23	Change	2023E	Change	% of 2023
	(THB m)	(THB m)	(y-y %)	(THB m)	(q-q %)	(THB m)	(y-y %)	(%)
Revenue	192,477	194,796	-1%	187,708	3%	814,276	90%	71%
Gross profit	11,398	7,433	53%	10,042	13%	43,121	30%	73%
SG&A	7,803	7,219	8%	7,575	3%	30,426	20%	75%
Operating profit	3,595	214	1583%	2,467	46%	12,695	61%	69%
Net profit bef. x-items	3,880	106	3556%	2,258	72%	12,869	60%	69%
Forex gain(loss)	300	595	-50%	498	-40%	0	N/A	n.a.
Net profit	4,180	701	497%	2,756	52%	12,869	46%	77%
Oil gross margin (THB/liter)	1.17	0.68	72%	0.96	22%	1.04		
Total EBITDA (THB m)	6,276	2,647	137%	5,210	20%	23,824	35%	73%
Mobility (oil) EBITDA	4,507	1,084	316%	3,298	37%	16,035	32%	75%
Oil EBITDA per liter	0.67	0.17	286%	0.48	39%	0.57	9%	N/A
% Oil (%)	72%	41%		63%		67%		
F&B	925	782	18%	1,011	-9%	3,981	39%	69%
CVS	443	428	3%	490	-10%	1,975	21%	71%
Total Lifestyle	1,368	1,210	13%	1,501	-9%	5,956	33%	70%
% Non-oil (%)	22%	46%		29%		25%		
Global business	381	270	41%	450	-15%	1,747	103%	70%
<b>EBITDA margins</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	
Mobility (oil)	2.5%	0.6%		1.9%		2.1%	3.2%	
Lifestyle (Non-Oil)	24.5%	22.9%		26.6%		25.5%	24.7%	
F&B	24.5%	22.2%		26.5%		25.5%	24.8%	
CVS	24.5%	24.1%		26.8%		25.5%	24.4%	
Global business	3.0%	2.0%		3.4%		2.9%	3.9%	
Oil sales vol (m liter)	6,767	6,284	8%	6,905	-2%	27,962	21%	
Retail	3,158	3,138	1%	3,222	-2%	13,449	14%	
Wholesale	3,609	3,146	15%	3,683	-2%	14,514	28%	
F&B sales/day (THB/store)	9,898	9,914	0%	10,269	-4%	9,925	22%	
CVS sales/day (THB/store)	9,016	9,231	-2%	9,295	-3%	9,660	24%	
No. of coffee cup sold (m)	92	93	-1%	93	-1%	407	36%	

Sources: OR, FSSIA estimates

## Valuation

We initiate coverage of OR with a HOLD rating. Our SoTP-based target price is at THB20.0/share. This is based on mobility business EV/EBITDA of 8.0x, lifestyle business EV/EBITDA of 13.4x, and global business EV/EBITDA of 9.0x. Our target price implies a 2024E forward P/E of 18.7x or ~1.5SD of its 3-yr average.

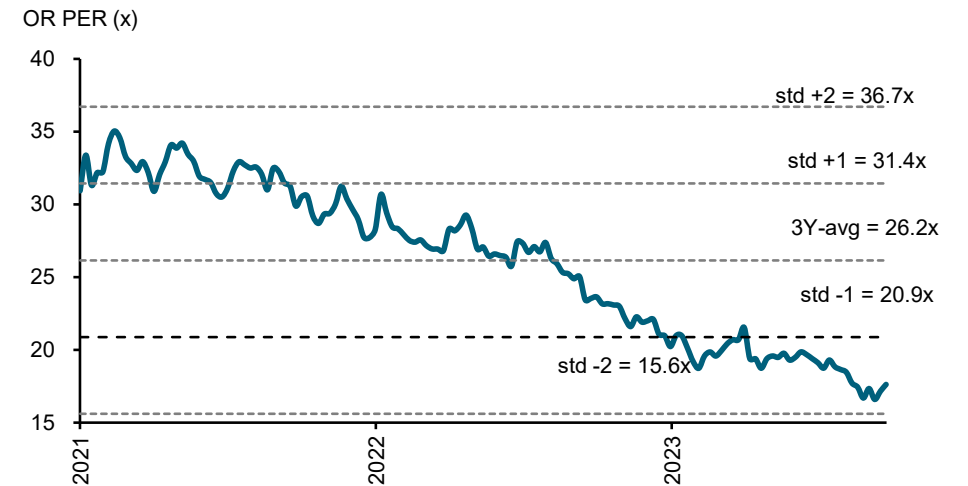
The share price is currently trading at a 12-month forward P/E of 17.7x, or almost -2SD of its 3-yr average. We think the disappointing lifestyle performance and execution of new M&As, coupled with rising concern over government intervention, have already de-rated or been reflected in the share price. Hence, we think the downside of the share price is limited given the stable earnings outlook. Our 2023-25E EPS growth is +39%/-0.1%/+9.1%, respectively.

### Exhibit 42: SoTP target price valuation

SoTP valuation	EBITDA (THB m)	EBITDA margin (%)	EV/EBITDA (X)	Valuation (THB m)	Valuation (THB/shr)	Comments
Mobility	15,258		8.0	122,064	10.2	At 8.0x FY24E EV/EBITDA
<b>Lifestyle</b>	<b>6,669</b>	<b>25.0</b>	<b>13.4</b>	<b>89,477</b>	<b>7.5</b>	<b>At 13.4x FY24E EV/EBITDA</b>
Food & Beverage	4,557	27.5	15.0	68,354	5.7	At 15x FY24E EV/EBITDA
Others	2,112	20.0	10.0	21,124	1.8	At 10x FY24E EV/EBITDA
Global	2,139	2.9	9.0	19,254	1.6	At 9x FY24E EV/EBITDA
Others	93	13.1	8.0	744	0.1	At 8.0x FY24E EV/EBITDA
<b>Total</b>	<b>24,160</b>		<b>9.6</b>	<b>231,540</b>	<b>19.3</b>	<b>At 9.6x FY24E EV/EBITDA</b>
Net cash /(net debt)	8,433	nm	nm	8,433	0.7	FY24E net debt
<b>Total value</b>	<b>32,593</b>		<b>7.4</b>	<b>239,973</b>	<b>20.0</b>	

Source: FSSIA estimates

### Exhibit 43: OR's P/E band



Sources: Bloomberg, FSSIA estimates

## Exhibit 44: OR's valuation comparisons as of 7 Nov 2023

Company	BBG	Rec	Share Price (LCY)	Target price (LCY)	Up side (%)	Market Cap (USD m)	3Y EPS CAGR (%)	----- PE -----		----- ROE -----		---- PBV ---		EV/EBITDA	
								23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Thailand</b>															
PTT Oil and Retail	OR TB	HOLD	18.6	20.0	8	6,278	14.9	17.3	17.4	12.0	11.3	2.0	1.9	11.3	10.7
Thai Oil	TOP TB	BUY	47.8	56.8	19	3,000	(18.0)	5.7	8.2	11.7	7.8	0.6	0.6	5.5	7.8
Star Petroleum Refining	SPRC TB	BUY	8.00	11.70	46	976	(12.9)	10.5	8.4	8.4	9.9	0.9	0.8	6.2	4.9
Bangchak Corp	BCP TB	BUY	40.75	42.70	5	1,653	(26.7)	7.4	7.4	11.6	10.7	0.8	0.8	5.6	5.1
Ptg Energy	PTG TB	n/a	8.30	n/a	n/a	392	14.0	14.0	15.3	11.7	10.6	1.6	1.6	7.9	8.2
IRPC	IRPC TB	n/a	2.02	n/a	n/a	1,172	(204.1)	185.5	27.9	1.8	0.5	0.5	0.5	5.7	10.5
Esso Thailand	ESSO TB	n/a	9.55	n/a	n/a	924	(17.0)	3.8	7.1	48.4	15.9	1.3	1.1	3.2	7.5
Susco	SUSCO TB	n/a	4.76	n/a	n/a	133	10.4	11.0	12.3	12.5	10.4	1.3	1.2	6.7	7.5
<b>Thailand avg</b>						<b>18,553</b>	<b>(28.4)</b>	<b>28.7</b>	<b>13.4</b>	<b>15.8</b>	<b>9.0</b>	<b>1.1</b>	<b>1.0</b>	<b>6.3</b>	<b>7.9</b>
<b>Philippines</b>															
Petronas Dagangan	PETD MK	n/a	22.92	n/a	n/a	4,859	11.6	30.1	22.2	13.4	17.4	4.1	3.9	13.6	11.5
<b>Philippiens avg</b>						<b>4,859</b>	<b>11.6</b>	<b>30.1</b>	<b>22.2</b>	<b>13.4</b>	<b>17.4</b>	<b>4.1</b>	<b>3.9</b>	<b>13.6</b>	<b>11.5</b>
<b>Malaysia</b>															
Vietnam National Petroleum G	PLX VN	n/a	34,200	n/a	n/a	1,782	46.1	34.9	14.1	5.0	12.0	1.8	1.7	12.6	7.5
<b>Malaysia avg</b>						<b>1,782</b>	<b>46.1</b>	<b>34.9</b>	<b>14.1</b>	<b>5.0</b>	<b>12.0</b>	<b>1.8</b>	<b>1.7</b>	<b>12.6</b>	<b>7.5</b>
<b>Hong Kong</b>															
Petrochina	857 HK	n/a	4.98	n/a	n/a	169,857	(14.3)	5.8	5.2	11.0	11.6	0.6	0.6	3.5	3.3
China Petroleum & Chemical-H	386 HK	n/a	4.00	n/a	n/a	82,065	12.5	6.4	6.1	8.9	9.3	0.6	0.5	4.6	4.9
<b>Hong Kong avg</b>						<b>251,922</b>	<b>(0.9)</b>	<b>6.1</b>	<b>5.7</b>	<b>10.0</b>	<b>10.4</b>	<b>0.6</b>	<b>0.6</b>	<b>4.0</b>	<b>4.1</b>
<b>India</b>															
Oil & Natural Gas	ONGC IN	n/a	193.20	n/a	n/a	29,594	(2.5)	5.6	5.1	18.6	18.0	1.0	0.8	4.5	4.1
Bharat Petroleum	BPCL IN	n/a	372.80	n/a	n/a	10,052	(7.9)	8.3	24.6	18.8	3.3	1.5	1.5	7.0	11.4
Hindustan Petroleum	HPCL IN	n/a	278.65	n/a	n/a	5,110	2.3	6.5	n/a	17.2	(23.2)	1.0	1.4	9.8	n/a
<b>India avg</b>						<b>44,756</b>	<b>(2.7)</b>	<b>6.8</b>	<b>14.8</b>	<b>18.2</b>	<b>(0.6)</b>	<b>1.2</b>	<b>1.3</b>	<b>7.1</b>	<b>7.8</b>
<b>Average (all)</b>						<b>321,873</b>	<b>5.2</b>	<b>21.3</b>	<b>14.0</b>	<b>12.5</b>	<b>9.6</b>	<b>1.8</b>	<b>1.7</b>	<b>8.7</b>	<b>7.7</b>

Sources: Bloomberg, FSSIA estimates

## Financial Statements

### PTT Oil and Retail Business

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	511,799	789,785	814,276	875,079	913,371
Cost of goods sold	(475,592)	(750,677)	(771,155)	(831,290)	(867,392)
<b>Gross profit</b>	<b>36,207</b>	<b>39,108</b>	<b>43,121</b>	<b>43,789</b>	<b>45,979</b>
Other operating income	-	-	-	-	-
Operating costs	(25,087)	(29,110)	(30,426)	(31,599)	(32,765)
<b>Operating EBITDA</b>	<b>17,195</b>	<b>16,501</b>	<b>19,899</b>	<b>19,998</b>	<b>21,235</b>
Depreciation	(6,075)	(6,503)	(7,205)	(7,808)	(8,021)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>11,120</b>	<b>9,999</b>	<b>12,695</b>	<b>12,190</b>	<b>13,214</b>
Net financing costs	1,925	1,410	2,821	3,284	3,700
Associates	372	490	623	646	685
Recurring non-operating income	372	490	623	646	685
Non-recurring items	771	1,112	0	0	0
<b>Profit before tax</b>	<b>14,188</b>	<b>13,011</b>	<b>16,138</b>	<b>16,119</b>	<b>17,599</b>
Tax	(2,719)	(2,638)	(3,269)	(3,260)	(3,563)
<b>Profit after tax</b>	<b>11,470</b>	<b>10,373</b>	<b>12,869</b>	<b>12,859</b>	<b>14,035</b>
Minority interests	4	(2)	0	0	0
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>11,474</b>	<b>10,371</b>	<b>12,869</b>	<b>12,859</b>	<b>14,035</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(771)</b>	<b>(1,112)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>10,703</b>	<b>9,258</b>	<b>12,869</b>	<b>12,859</b>	<b>14,035</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.89	0.77	1.07	1.07	1.17
Reported EPS	0.96	0.86	1.07	1.07	1.17
DPS	0.46	0.50	0.48	0.48	0.53
Diluted shares (used to calculate per share data)	12,000	12,000	12,000	12,000	12,000
<b>Growth</b>					
Revenue (%)	19.4	54.3	3.1	7.5	4.4
Operating EBITDA (%)	31.6	(4.0)	20.6	0.5	6.2
Operating EBIT (%)	41.5	(10.1)	27.0	(4.0)	8.4
Recurring EPS (%)	(0.2)	(13.5)	39.0	(0.1)	9.1
Reported EPS (%)	(2.1)	(9.6)	24.1	(0.1)	9.1
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	7.1	5.0	5.3	5.0	5.0
Gross margin exc. depreciation (%)	8.3	5.8	6.2	5.9	5.9
Operating EBITDA margin (%)	3.4	2.1	2.4	2.3	2.3
Operating EBIT margin (%)	2.2	1.3	1.6	1.4	1.4
Net margin (%)	2.1	1.2	1.6	1.5	1.5
Effective tax rate (%)	20.4	21.1	21.1	21.1	21.1
Dividend payout on recurring profit (%)	51.6	64.8	45.0	45.0	45.0
Interest cover (X)	(6.0)	(7.4)	(4.7)	(3.9)	(3.8)
Inventory days	17.0	12.8	13.3	13.0	13.2
Debtor days	11.5	11.2	13.8	14.0	13.7
Creditor days	23.6	21.0	22.1	20.3	20.6
Operating ROIC (%)	15.3	11.6	11.4	10.4	11.6
ROIC (%)	9.7	7.6	8.0	7.4	8.1
ROE (%)	15.6	9.1	12.0	11.3	11.5
ROA (%)	5.2	3.8	4.7	4.4	4.7
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Oil business	466,325	717,405	733,674	778,927	797,528
Non-oil business	16,636	20,538	22,755	25,479	28,200
International business	27,873	50,808	56,733	69,471	86,348
Others	965	1,034	1,115	1,202	1,296

Sources: PTT Oil and Retail Business; FSSIA estimates

## Financial Statements

### PTT Oil and Retail Business

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	10,703	9,258	12,869	12,859	14,035
Depreciation	6,075	6,503	7,205	7,808	8,021
Associates & minorities	3,480	3,480	3,480	3,480	3,480
Other non-cash items	(3,086)	(2,852)	(4,105)	(4,126)	(4,166)
Change in working capital	5,310	(24,770)	(5,289)	6,755	4,664
<b>Cash flow from operations</b>	<b>22,482</b>	<b>(8,380)</b>	<b>14,159</b>	<b>26,776</b>	<b>26,035</b>
Capex - maintenance	(6,742)	(8,202)	(15,195)	(12,189)	(9,572)
Capex - new investment	-	-	-	-	-
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(2,569)	(3,137)	481	538	554
<b>Cash flow from investing</b>	<b>(9,311)</b>	<b>(11,339)</b>	<b>(14,714)</b>	<b>(11,651)</b>	<b>(9,018)</b>
Dividends paid	(4,423)	(6,464)	(6,000)	(5,791)	(5,787)
Equity finance	54,905	(18)	0	0	0
Debt finance	(16,433)	(562)	(2,907)	(2,334)	(6,230)
Other financing cash flows	-	-	-	-	-
<b>Cash flow from financing</b>	<b>34,049</b>	<b>(7,043)</b>	<b>(8,907)</b>	<b>(8,126)</b>	<b>(12,017)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>47,220</b>	<b>(26,763)</b>	<b>(9,461)</b>	<b>7,000</b>	<b>5,000</b>
Free cash flow to firm (FCFF)	14,421.27	(18,563.85)	549.04	16,004.09	17,768.74
Free cash flow to equity (FCFE)	(3,262.12)	(20,280.62)	(3,461.42)	12,791.19	10,786.58

#### Per share (THB)

FCFF per share	1.20	(1.55)	0.05	1.33	1.48
FCFE per share	(0.27)	(1.69)	(0.29)	1.07	0.90
Recurring cash flow per share	1.43	1.37	1.62	1.67	1.78

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	81,036	86,027	93,232	101,039	109,060
Less: Accumulated depreciation	(38,373)	(41,664)	(40,879)	(44,305)	(50,775)
<b>Tangible fixed assets (net)</b>	<b>42,663</b>	<b>44,363</b>	<b>52,353</b>	<b>56,734</b>	<b>58,285</b>
<b>Intangible fixed assets (net)</b>	<b>5,463</b>	<b>5,311</b>	<b>5,095</b>	<b>4,860</b>	<b>4,620</b>
Long-term financial assets	3,853	8,008	8,008	8,008	8,008
Invest. in associates & subsidiaries	5,948	8,743	9,219	9,678	10,169
Cash & equivalents	66,224	39,461	30,000	37,000	42,000
A/C receivable	34,321	68,821	69,202	64,303	60,772
Inventories	24,630	27,474	28,224	30,425	31,746
Other current assets	892	796	817	870	904
<b>Current assets</b>	<b>126,066</b>	<b>136,552</b>	<b>128,243</b>	<b>132,598</b>	<b>135,422</b>
Other assets	23,666	22,528	22,711	22,898	23,089
<b>Total assets</b>	<b>207,659</b>	<b>225,504</b>	<b>225,628</b>	<b>234,777</b>	<b>239,593</b>
Common equity	99,818	103,701	110,570	117,638	125,887
Minorities etc.	54	60	60	60	60
<b>Total shareholders' equity</b>	<b>99,872</b>	<b>103,761</b>	<b>110,630</b>	<b>117,698</b>	<b>125,947</b>
Long term debt	29,502	24,488	19,858	15,228	10,598
Other long-term liabilities	26,555	28,595	28,894	29,198	29,508
<b>Long-term liabilities</b>	<b>56,057</b>	<b>53,084</b>	<b>48,752</b>	<b>44,426</b>	<b>40,107</b>
A/C payable	44,000	56,394	52,211	56,282	58,727
Short term debt	4,868	9,319	11,043	13,339	11,739
Other current liabilities	2,862	2,947	2,992	3,032	3,075
<b>Current liabilities</b>	<b>51,730</b>	<b>68,660</b>	<b>66,246</b>	<b>72,652</b>	<b>73,540</b>
<b>Total liabilities and shareholders' equity</b>	<b>207,659</b>	<b>225,504</b>	<b>225,628</b>	<b>234,777</b>	<b>239,593</b>
Net working capital	12,980	37,750	43,040	36,284	31,620
Invested capital	94,573	126,702	140,425	138,463	135,792

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	8.32	8.64	9.21	9.80	10.49
Tangible book value per share	7.86	8.20	8.79	9.40	10.11

#### Financial strength

Net debt/equity (%)	(31.9)	(5.4)	0.8	(7.2)	(15.6)
Net debt/total assets (%)	(15.3)	(2.5)	0.4	(3.6)	(8.2)
Current ratio (x)	2.4	2.0	1.9	1.8	1.8
CF interest cover (x)	2.7	15.4	2.2	(2.9)	(1.9)

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>20.9</b>	<b>24.1</b>	<b>17.3</b>	<b>17.4</b>	<b>15.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>22.4</b>	<b>25.9</b>	<b>18.6</b>	<b>18.7</b>	<b>17.1</b>
Reported P/E (x)	19.5	21.5	17.3	17.4	15.9
Dividend yield (%)	2.5	2.7	2.6	2.6	2.8
Price/book (x)	2.2	2.2	2.0	1.9	1.8
Price/tangible book (x)	2.4	2.3	2.1	2.0	1.8
EV/EBITDA (x) **	11.1	13.2	11.3	10.7	9.6
EV/EBITDA @ target price (x) **	12.1	14.2	12.1	11.6	10.4
EV/invested capital (x)	2.0	1.7	1.6	1.6	1.5

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: PTT Oil and Retail Business; FSSIA estimates



# PTT Oil & Retail Business (OR TB)

## FSSIA ESG rating



**68.80 / 100**

### Exhibit 45: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

### Exhibit 46: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BCP	77.54	--	Y	Y	5.00	5.00	Certified	Medium	56.04	AA	--	79.53	83.00	6.34	69.77
ESSO	30.81	--	--	--	4.00	5.00	--	Severe	46.89	--	--	45.86	17.00	2.06	34.92
OR	68.80	--	Y	Y	5.00	5.00	Certified	--	57.34	A	--	57.20	71.00	4.45	70.19
SPRC	44.50	--	--	--	5.00	5.00	Certified	High	55.86	--	--	36.91	28.00	3.77	54.54

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

### Exhibit 47: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>4.14</b>	<b>4.84</b>	<b>4.45</b>
BESG environmental pillar score	2.72	4.27	4.25
BESG social pillar score	5.62	5.80	5.21
BESG governance pillar score	5.40	4.89	4.07
<b>ESG disclosure score</b>	<b>67.76</b>	<b>71.37</b>	<b>70.19</b>
Environmental disclosure score	64.94	69.50	67.53
Social disclosure score	57.19	57.19	55.62
Governance disclosure score	81.10	87.36	87.36
<b>Environmental</b>			
Emissions reduction initiatives	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No
Risks of climate change discussed	No	Yes	Yes
GHG scope 1	4	3	4
GHG scope 2 location-based	21	19	26
GHG Scope 3	—	39,456	132,829
Carbon per unit of production	—	—	—
Biodiversity policy	No	Yes	Yes
Energy efficiency policy	Yes	Yes	Yes
Total energy consumption	80	72	79
Renewable energy use	2	2	1
Electricity used	61	56	61
Fuel used - natural gas	—	—	—

Sources: Bloomberg; FSSIA's compilation



## Disclaimer for ESG scoring

ESG score	Methodology	Rating																			
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																			
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
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<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																				
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																				
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																				
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																			
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																			

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Kwanwaree Apichartsatoporn FSS International Investment Advisory Securities Co., Ltd

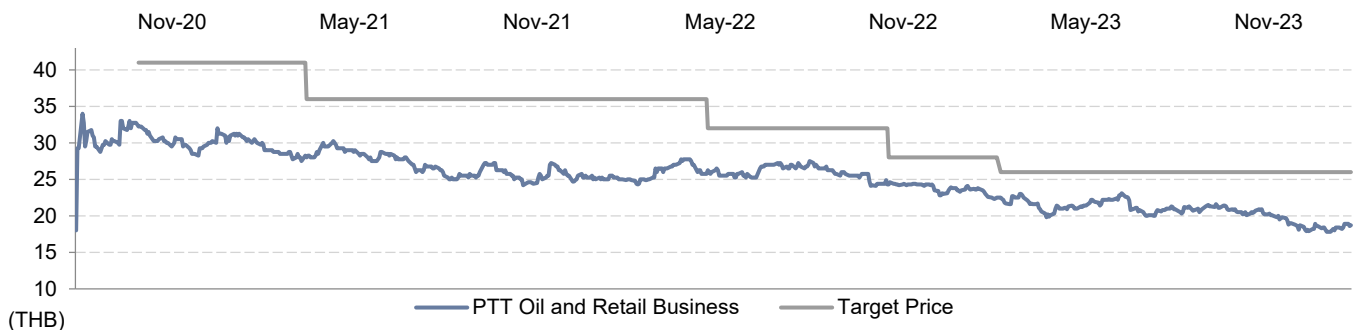
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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### History of change in investment rating and/or target price

#### PTT Oil and Retail Business (OR TB)



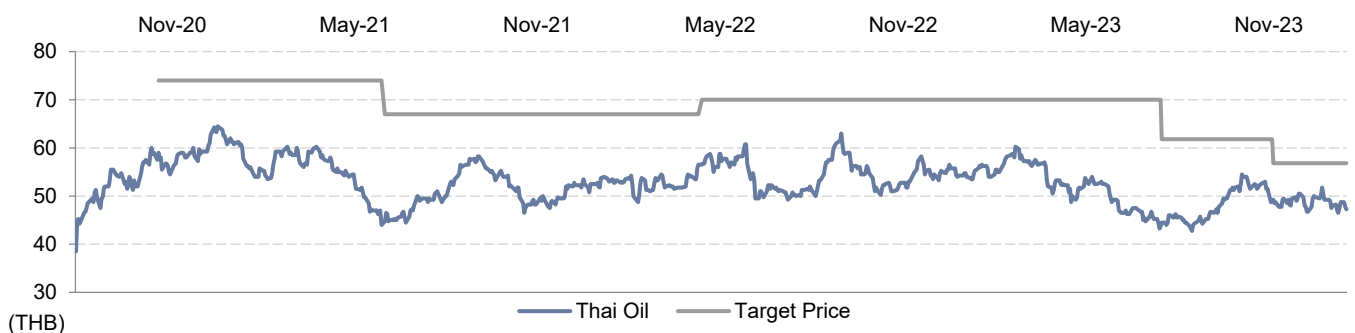
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
30-Mar-2021	BUY	41.00	20-Jun-2022	BUY	32.00	03-Feb-2023	BUY	26.00
09-Aug-2021	BUY	36.00	09-Nov-2022	BUY	28.00			

Kwanwaree Apichartsatoporn started covering this stock from 08-Nov-2023

Price and TP are in local currency

Source: FSSIA estimates

#### Thai Oil (TOP TB)



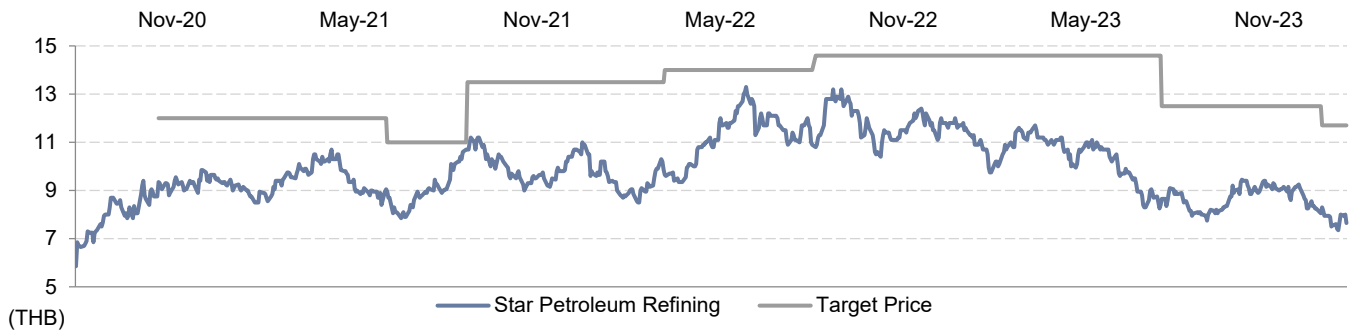
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2021	BUY	74.00	29-Apr-2022	BUY	70.00	05-Sep-2023	BUY	56.80
30-Jul-2021	BUY	67.00	01-Jun-2023	BUY	61.80			

Kwanwaree Apichartsatoporn started covering this stock from 01-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

## Star Petroleum Refining (SPRC TB)



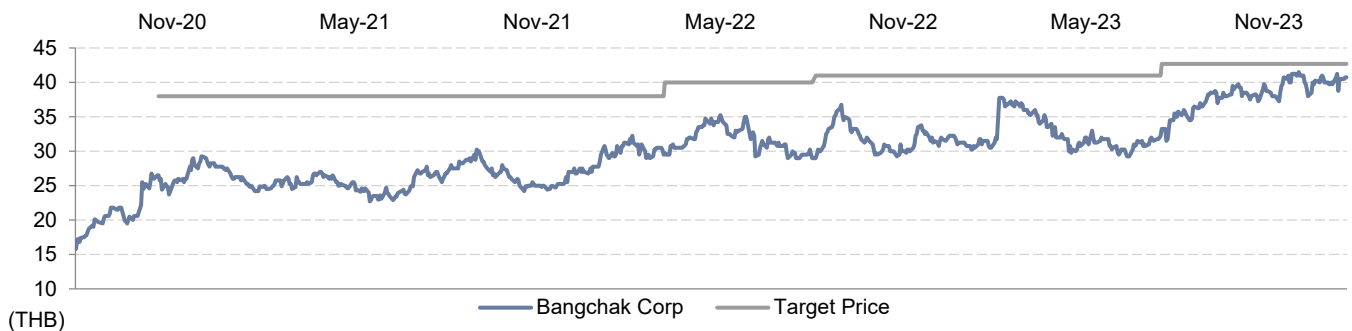
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2021	BUY	12.00	30-Mar-2022	BUY	14.00	17-Oct-2023	BUY	11.70
03-Aug-2021	BUY	11.00	05-Aug-2022	BUY	14.60			
11-Oct-2021	BUY	13.50	01-Jun-2023	BUY	12.50			

Kwanwaree Apichartsataporn started covering this stock from 01-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

## Bangchak Corp (BCP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Jan-2021	BUY	38.00	05-Aug-2022	BUY	41.00	-	-	-
30-Mar-2022	BUY	40.00	01-Jun-2023	BUY	42.70			

Kwanwaree Apichartsataporn started covering this stock from 01-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
PTT Oil and Retail Business	OR TB	THB 18.60	HOLD	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) a lower marketing margin; and 3) weaker-than-expected jet demand. The upside risks are 1) higher-than-expected petroleum product demand; 2) new M&As; and 3) higher marketing margins.
Thai Oil	TOP TB	THB 47.75	BUY	Downside risks to our P/BV-based TP are 1) a sharp fall in oil prices; 2) weaker demand for refined oil products; 3) GRM volatility; 4) unplanned refinery shutdowns; and 5) longer-than-expected maintenance of SBM-2.
Star Petroleum Refining	SPRC TB	THB 8.00	BUY	Downside risks to our P/BV-based TP are weak demand for refined oil products, a lower crude oil price and GRM, the delay of the SPM reopening, and lawsuit risk related to the oil spill off Rayong in 2022.
Bangchak Corp	BCP TB	THB 40.75	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for petroleum products; 2) higher crude premiums; and 3) unplanned shutdowns of refinery plants.

Source: FSSIA estimates

## Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 07-Nov-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.