

Energy Sector – Overweight

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News Update

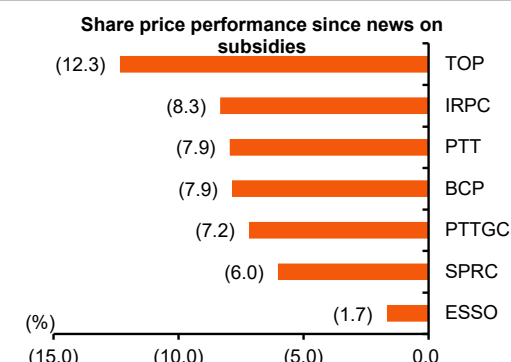
Govt seeks help from refiners and PTT

- **Cabinet asking refineries to support Bt7bn/mth for 3 months**
- **Subsidies amount will be based on voluntary basis**
- **ESSO and SPRC are most likely to have the least impact**
- **PTT is asked to subsidize another Bt4.5bn**

News reported that the cabinet has decided to ask refiners and PTT to help reduce oil fund burden which is now in a large deficit of over Bt100bn currently. We expect negative reaction from the market as the amount is big relative to full year profit. However, share price has already partly priced in potential subsidies impact. The sector share price has already dropped by 2-12% since news broke out last week. Additionally, the amount will be based on voluntarily basis and may not be as much as new reported. Finally, we don't think subsidies will be sustainable and we believe the government should gradually raise price to reflect market price.

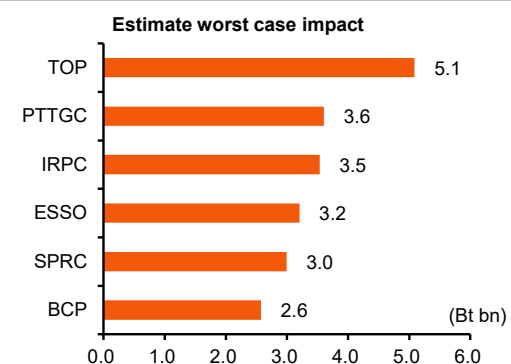
- **Government is asking for help.** According to the news, the subsidies include i) diesel subsidies of Bt5-6bn per months for 3 months (July – Sep 2022), ii) gasoline subsidies of Bt1bn per months for 3 months, and iii) PTT's GSP excess profit of 50% amount Bt1.5bn per month for 3 months.
- **Subsidies amount will be on a voluntary basis.** The amount is the "asking" subsidies from the government and the amount is not final and will be based on voluntary basis given there is no law that can directly ask refineries to pay to oil fund. We expect refineries to give more clarity by next week.
- **Asking amount is too high to be fully meet.** We estimate the subsidies could impact Thai refineries 2022F profit by 11-39% under worst case that refineries will have to subsidize Bt7bn per months. (Please see table 3) Our estimate shows that TOP will have to pay in total of Bt5bn, PTTGC pay Bt3.6bn, IRPC Bt3.5bn, ESSO Bt3.2bn, SPRC Bt3bn, and BCP of Bt2.6bn.
- **ESSO and SPRC are most likely least impact.** Both refineries were not participating in diesel subsidies during 2008 and they are owned by foreign investors. They could participate this time, but amount would be less than other refineries, in our view.
- **PTT is asked to subsidize another Bt4.5bn.** If PTT has to pay Bt1.5bn per month from its gas separate profit, we estimate impact of Bt4.5b or 4% of 2022F profit. Combining with Bt5.8bn diesel and gasoline subsidies for its subsidies, PTT would have to subsidize in total of Bt10bn or 9% of 2022F profit.

Ex 1: Share Price Performance



Source: Bloomberg

Ex 2: Estimated Worst Case Impact



Source: Thanachart estimates

Ex 3: Estimate Impact Under Worst Case

	TOP	PTTGC	IRPC	ESSO	SPRC	BCP
Annual diesel volume (m bbl)	40	36	32	26	24	23
% market share	22%	20%	18%	14%	13%	13%
Potential diesel subsidies (Bt m)	3,998	3,604	3,189	2,564	2,377	2,268
Annual gasoline volume (m bbl)	31	-	10	18	18	9
% market share	36%	0%	12%	21%	21%	10%
Potential gasoline subsidies (Bt m)	1,089	-	346	640	618	307
Total (Bt m)	5,087	3,604	3,535	3,204	2,995	2,575
<i>% of 22F profit</i>	<i>16%</i>	<i>11%</i>	<i>39%</i>	<i>20%</i>	<i>17%</i>	<i>22%</i>
22F profit (Bt m)	26,114	26,808	7,230	13,062	13,807	9,314
<i>EPS impact (Bt/shr)</i>	<i>2.00</i>	<i>0.64</i>	<i>0.14</i>	<i>0.74</i>	<i>0.55</i>	<i>1.52</i>
Target price (Bt/shr)	57	58	4.4	16	15.5	39
<i>% to target price</i>	<i>3%</i>	<i>1%</i>	<i>3%</i>	<i>5%</i>	<i>4%</i>	<i>4%</i>

Source: Thanachart estimates

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