PTT Oil And Retail Pcl (OR TB) - SELL

Earnings Preview

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Expect to see best quarter of 2022F

- **Marketing margin recovers strongly in 2Q22F**
- **Oil sale volume trended marginally higher q-q**
- **Steady non-oil businesses contribution**
- **Profit to soften in 3Q22F given absence of inventory gain**

We expect OR to report strong 2Q22 profit of Bt5.9bn (+52% q-q, +82% y-y), driven by both volume and margin from its oil petrol stations business. We estimate 1H22 profit accounts for 77% of our 22F profit forecast and 80% of Bloomberg consensus. However, if stripping out inventory gain of Bt3.6bn, profit would account for 54% of our profit forecast. We expect 2Q22F to be the strongest quarter of 2022F given big help from inventory gain while oil margin has already back to normalize level. Café Amazon sale should also trend seasonally softer due to rainy season. We maintain our SELL rating given demanding valuation at 24x 23F PER.

- **Marketing margin recovered strongly in 2Q22F**. We expect OR's margin to recover strongly by 30% q-q to Bt1.5/litre, highest level since listed in 1Q21. This is due to i) another big inventory gain of Bt3.6bn (similar level in 1Q22), ii) improves Jet margin due to better demand and higher oil price and iii) higher diesel marketing margin. Stripping out inventory gain, we estimate marketing margin to be Bt1/litre, in-line with historical average and recover from Bt0.6/litre in 1Q22. This is following the government uncapped retail diesel price from Bt30/litre to Bt35/litre in 2Q22. Based on EPPO's data, marketing margin for diesel has improved to Bt1.2/litre in 2Q22 from Bt1/litre in 1Q22. The margin was at Bt1.4/litre in July 2022.
- **Oil sale volume trended marginally higher q-q.** OR's oil sale volume improved 2% q-q both retail and wholesale business. We believe this is due to higher diesel demand as well as Jet due to economic reopening.
- **Steady non-oil businesses**. We expect non-oil business's contribution to be steady q-q. The higher cup sold at café Amazon is expected to be offset by lower margin due to inflationary pressure. Non-oil's business EBITDA margin is expected to marginally soften to 27-28% from 28% in 1Q22. Its cups sold at Café Amazon increasing by 10% q-q and 30% y-y to 91m cups in 2Q22.

Key Valuations

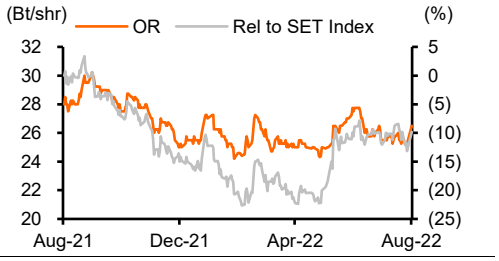
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	511,799	871,374	869,248	812,812
Net profit	11,474	12,980	14,037	14,689
Norm net profit	11,009	13,113	14,037	14,689
Norm EPS (Bt)	0.9	1.1	1.2	1.2
Norm EPS gr (%)	19.4	19.1	7.0	4.6
Norm PE (x)	28.9	24.3	22.7	21.6
EV/EBITDA (x)	15.0	13.2	12.1	11.2
P/BV (x)	3.2	2.9	2.7	2.4
Div. yield (%)	1.0	1.2	1.2	1.3
ROE (%)	16.0	12.5	12.3	11.8
Net D/E (%)	(31.9)	(43.4)	(44.2)	(45.9)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	26.50
Target price (Bt)	21.00
Market cap (US$ m)	8,832
Avg daily turnover (US$ m)	23.1
12M H/L price (Bt)	34.00/26.50

Price Performance



Source: Bloomberg

Ex 1: 2Q22F Result Preview

(Bt m)	2Q21	1Q22	2Q22F	(q-q%)	(y-y%)
Revenue	118,708	177,291	179,064	*1*	*51*
EBIT	**4,359**	**5,062**	**6,945**	***37***	***59***
Interest expense	(325)	(271)	(283)	*4*	*(13)*
Income tax	(812)	(943)	(566)	*(40)*	*(30)*
Net profit	**3,222**	**3,847**	**5,856**	***52***	***82***
Normalized profit	340	1,008	3,216	*219*	*845*
EBITDA (Bt m)	**5,457**	**6,467**	**8,652**	***34***	***59***
Oil	4,202	4,763	6,872	*44*	*64*
Non-oil	1,109	1,350	1,350	-	*22*
International	183	430	430	-	*135*

Sources: Company data, Thanachart estimates

Ex 2: Key Operating Items

	2Q21	1Q22	2Q22F	(q-q%)	(y-y%)
Oil sale volume (m litre)	**5,542**	**6,724**	**6,858**	***2***	***24***
Oil gross profit incl. inventory gain/(loss) (Bt/litre)	1.23	1.14	1.48	*30*	*20*
Oil gross profit excl. inventory gain/(loss) (Bt/litre)	0.61	0.60	0.96	*58*	*58*
Stock gain/(loss) – (Bt m)	3,450	3,600	3,600	*0*	*4*
Coffee sale (Cups)	70	83	91	*10*	*30*

Sources: Company data, Thanachart estimates

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