

SELL (Unchanged)

Change in Numbers

TP: Bt 20.00 (From: Bt 21.00)

Downside : 17.4%

28 OCTOBER 2022

PTT Oil And Retail Pcl (OR TB)

Windfalls ending

We reaffirm our **SELL** call on OR as we expect its margin windfall to end this year and for the company to revert to no-growth mode from next year. Inflation is also adding to cost pressures. Trading at 24x 2023F PE, we believe OR is expensive.



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Weak growth outlook

We reaffirm our **SELL** rating on OR. **First**, we see it as a weak earnings growth company with our estimate of a -14% decline in 2023F and growth of by 4.8% in 2024F due to limited new drivers and softer margins. **Second**, assuming lower energy price pressure next year, we expect no more windfalls from extra marketing margin due to the jump in oil prices and extra diesel sales to power plants. **Third**, we expect the non-oil business to experience a lower margin due to cost pressure. **Lastly**, we see OR as expensive trading at 24x 2023F against an outlook of falling earnings. In this report we raise our earnings projection by 7% in 2022F to reflect the windfalls above but cut them by 13.8/13.7% in 2023-24F to reflect lower non-oil margin. Our DCF-based 12-month TP (2023F base year) falls to Bt20 (from Bt21).

Windfalls coming to an end

OR has enjoyed two windfalls this year. The first is an increase in marketing margin to Bt1.6/liter (from the Bt1.1 average since its listing in 2021) on inventory gains as a result of oil prices surging due to the Russia-Ukraine war. The second has been extra diesel sales to power plants, which to a certain degree substituted for expensive imported LNG. Given that the LNG price has come down significantly from a peak of US\$71/mmbtu to US\$31 and the price premium over diesel is now much lower from a peak of US\$30/mmbtu to US\$8, it is now, therefore, less attractive to use diesel in power plants as a substitute.

Cost pressure on non-oil business

Amazon Café has started to suffer cost pressure from inflation. The company increased its product prices from 1 October by Bt5 for each menu item, implying around a 9% price increase. However, as inflation has so far been higher than we'd expected earlier, we do not expect the price hike to cover its rising costs. We estimate non-oil EBITDA margin to fall to 26.9/26.8% in 2023-24F from 27.3% in 2022F.

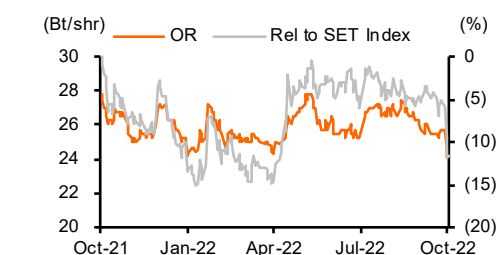
Potentially weak 3Q22F

We estimate OR's 3Q22F profit to check in at Bt1.5bn, down 22% y-y and 77% q-q. The weakness is due to a drop in marketing margin to only Bt0.7/liter and an 8% q-q fall in sales volume because of lower export demand. The drop in margin is a consequence of 1) OR having to buy more expensive oil inventories when two of its refineries had to undergo maintenance shutdowns during the quarter, and 2) the falling oil price trend resulting in a stock loss. The non-oil business also incurred expenses from the high inflation environment.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	511,799	876,513	874,082	817,039
Net profit	11,474	14,510	12,101	12,680
Consensus NP	—	15,394	13,918	14,725
Diff frm cons (%)	—	(5.7)	(13.1)	(13.9)
Norm profit	11,009	14,071	12,101	12,680
Prev. Norm profit	—	13,113	14,037	14,689
Chg frm prev (%)	—	7.3	(13.8)	(13.7)
Norm EPS (Bt)	0.9	1.2	1.0	1.1
Norm EPS grw (%)	19.4	27.8	(14.0)	4.8
Norm PE (x)	26.4	20.6	24.0	22.9
EV/EBITDA (x)	13.6	11.1	12.2	11.3
P/BV (x)	2.9	2.6	2.4	2.3
Div yield (%)	1.1	1.4	1.2	1.2
ROE (%)	16.0	13.4	10.5	10.3
Net D/E (%)	(31.9)	(44.0)	(43.9)	(45.0)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 28-Oct-22 (Bt)	24.20
Market Cap (US\$ m)	7,663.3
Listed Shares (m shares)	12,000.0
Free Float (%)	23.7
Avg Daily Turnover (US\$ m)	15.4
12M Price H/L (Bt)	27.75/24.10
Sector	ENERG
Major Shareholder	PTT Pcl 75.00%

Sources: Bloomberg, Company data, Thanachart estimates

Windfalls ending

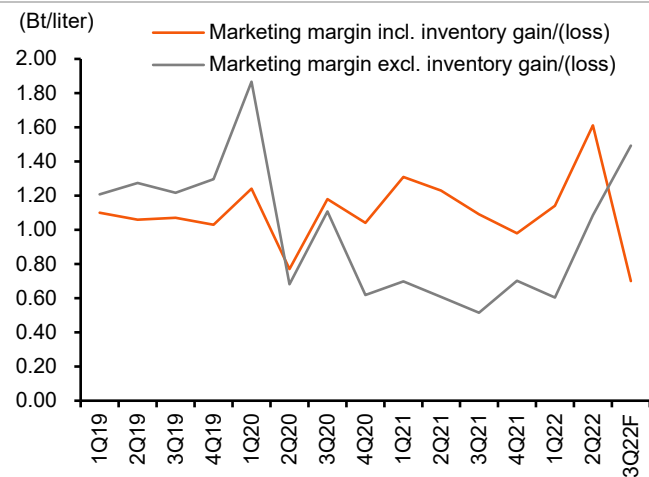
Oil marketing margin to normalize in 2023F as oil price trend lower

Benefits from LNG price spike set to fade soon

We don't expect PTT Oil & Retail Pcl's (OR) marketing margin to return to its previous high in 2Q22. This is because of the absence of benefits from inventory gains as we expect oil prices to trend lower next year. Rising oil prices since 2021 have allowed the company to book inventory gains which have cushioned the pressure on margins. This has helped the company to maintain margins despite oil prices surging since 2021.

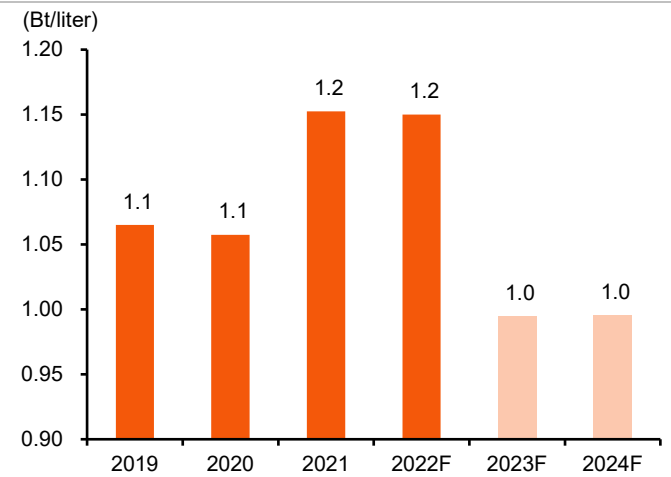
Additionally, the company benefited from a spike in global gas prices which led to more demand for diesel. For the first time, power plants began using diesel to generate power given the spike in the LNG price. According to the company, power plant customers accounted for around 8% of its wholesale volume and 3% of its total volume in 2Q22. With the LNG price now falling by 55% from its peak to US\$31/mmbtu, the attractiveness of using diesel as a substitute has diminished.

Ex 1: OR's Marketing Margin Supported By Oil Price Rise



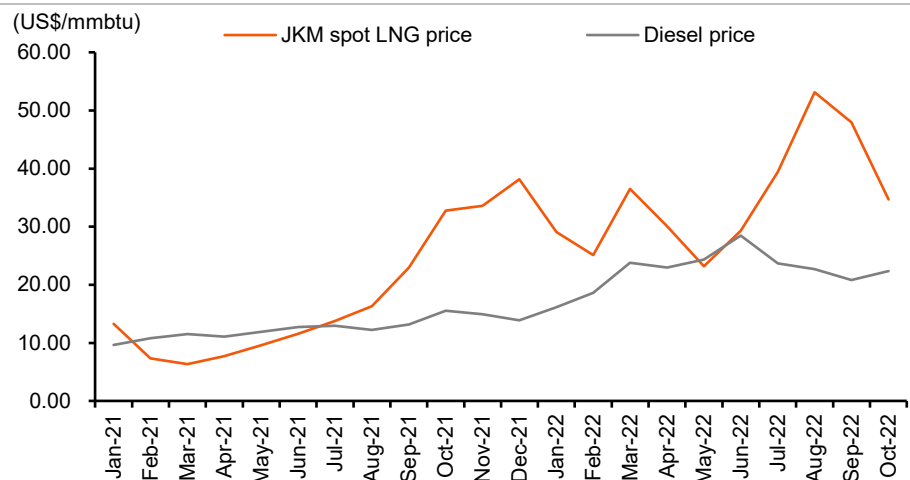
Sources: Company data, Thanachart estimates

Ex 2: This Windfall Will Likely Be Absent Next Year



Sources: Company data, Thanachart estimates

Ex 3: Falling LNG Price Could Lead To Lower Diesel Sales Volume



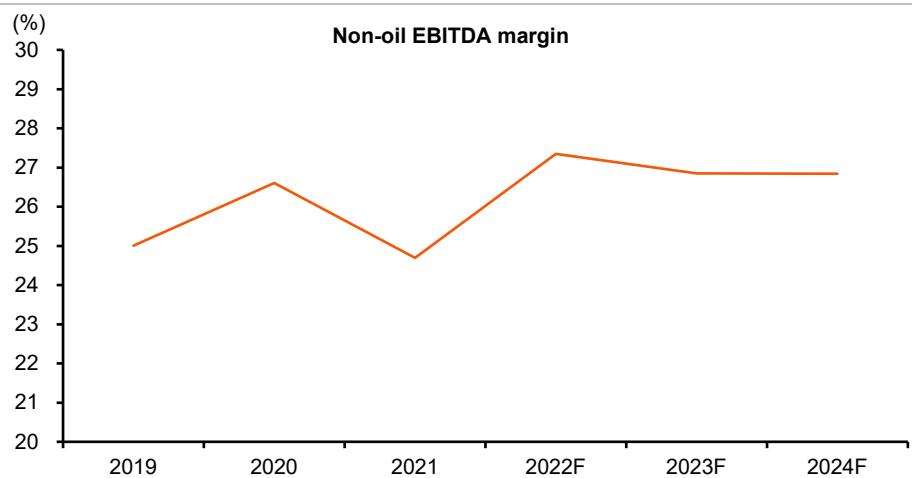
Sources: Bloomberg

Cost pressure on non-oil business

We expect inflation to pressure non-oil margin

We expect the impact from higher inflation to kick in from 2H22F onward. Amazon Café has started to suffer cost pressure as a result of inflation. The company increased product prices from 1 October by Bt5 for each of its menu items. However, the impact on OR will likely be limited given that this will mainly benefit its franchises which make up around 80% of its portfolio. OR should benefit indirectly via its marketing and royalty fees at 3% of revenue each. We trim our non-oil EBITDA margin assumptions by 0.5% over 2023-24F and cut our profit estimates by 13.8%/13.7% over those years. We raise our 2022F profit projection by 7% as we factor in the abnormally high margin in 2Q22. Given our lower profit forecast, we bring down our DCF-based TP (2023F base year) marginally to Bt20/share from Bt21 previously.

Ex 4: We Expect Non-Oil EBITDA Margin To Fall In 2023F



Sources: Company data, Thanachart estimates

Ex 5: Profit And Assumption Revisions

	2019	2020	2021	2022F	2023F	2024F
Net profit (Bt m)						
- New	10,896	8,791	11,474	14,510	12,101	12,680
- Old				12,980	14,037	14,689
- Change (%)				11.8	(13.8)	(13.7)
Normalized profit (Bt m)						
- New	10,712	9,218	11,009	14,071	12,101	12,680
- Old				13,113	14,037	14,689
- Change (%)				7.3	(13.8)	(13.7)
Sales volume (m liters)						
- New	12,078	12,547	11,777	13,757	14,379	14,789
- Old				13,632	14,248	14,655
- Change (%)				0.9	0.9	0.9
Sales volume growth (%)						
- New	4.1%	3.9%	-6.1%	16.8%	4.5%	2.9%
- Old				0	0	0
- Change (%)				6.7	-	-
Marketing margin (Bt/liter)						
- New	1.06	0.97	1.15	1.19	0.99	1.00
- Old				1.01	0.99	0.99
- Change (%)				17.7	0.1	0.1
Non-oil EBITDA margin (%)						
- New	25.0%	26.6%	24.7%	27.3%	26.9%	26.8%
- Old				26.3%	27.4%	27.3%
- % Change				3.8	-0.50%	-0.50%
Café Amazon branch						
- New	2,930	3,168	3,628	4,008	4,388	4,768
- Old				4,008	4,388	4,768
- Change (%)				-	-	-

Sources: Company data, Thanachart estimates

Potentially weak 3Q22F

Large stock loss drives weak margin in 3Q22F

We estimate OR's 3Q22F profit to come in at Bt1.5bn, down 22% y-y and 77% q-q, on the back of a drop in marketing margin to only Bt0.7/liter and an 8% q-q decline in sales volume caused by lower export demand. The lower margin is mainly driven by an inventory loss of Bt5bn which is larger than we had expected earlier as OR had to buy more expensive oil inventories during a period when two of its refineries had maintenance shutdowns during the quarter. Additionally, the non-oil business incurred expenses from high inflation.

Ex 6: 3Q22F Results Preview

	3Q21	2Q22	3Q22F	(y-y%)	(q-q%)
Revenue	116,791	211,431	119,645	2	(43)
Gross profit	7,769	14,386	7,467	(4)	(48)
EBIT	2,743	9,053	2,134	(22)	(76)
Interest expense	(283)	(254)	(427)	51	68
Income tax	(566)	(2,231)	(370)	(35)	(83)
Net profit	1,894	6,568	1,481	(22)	(77)
EBITDA (Bt m)	4,159	10,240	3,404	(18)	(67)
Oil	3,003	8,257	1,854	(38)	(78)
Non-oil	820	1,452	1,350	65	(7)
International	199	517	200	1	(61)
Key operating data					
Oil sales volume (m liter)	5,217	6,859	6,310	21	(8)
Marketing margin incl. inventory gain/(loss) (Bt/liter)	1.09	1.61	0.70	(36)	(57)
Stock gain/(loss) – Bt m	3,000	3,600	(5,000)	<i>nmf</i>	<i>nmf</i>
Coffee sales (Cups)	68	91	93	37	2

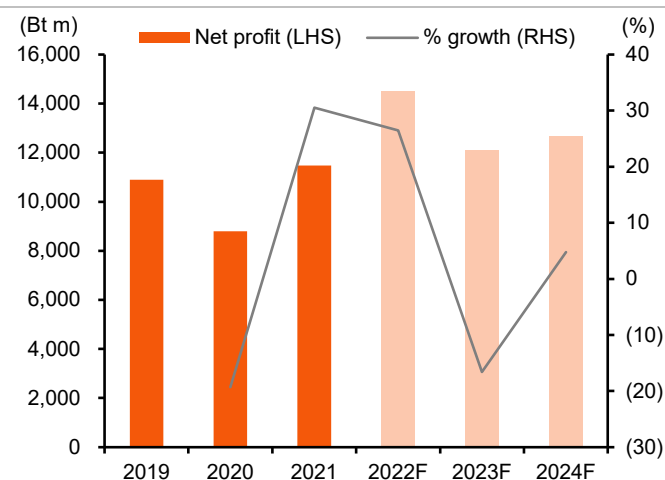
Sources: Company data, Thanachart estimates

An unjustified premium, in our view

OR trades at a hefty premium to oil retailer peers. Reaffirm SELL

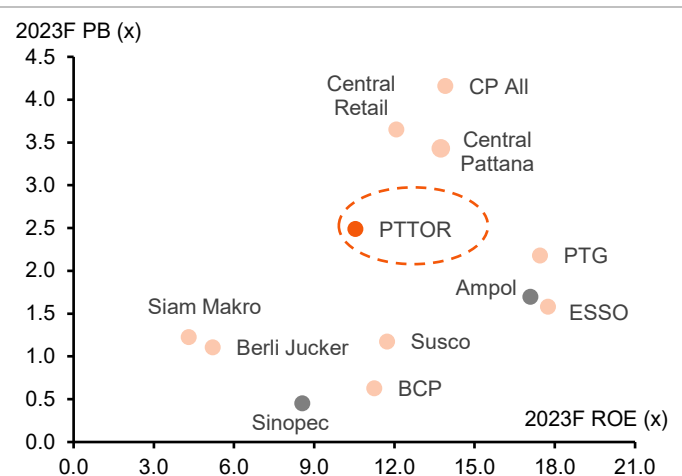
We see OR as expensive trading at 24x 2023F PE and 2.4x P/BV. Despite having expanded into the non-oil F&B and retail business, nearly 80% of the company's EBITDA is still contributed by the oil retail business. Other Thai oil retail stocks are trading in a 2023F PE range of 6-13x. Despite OR deserving a premium valuation as the biggest player, its premium is still too large in our view. Exhibit 8 shows that OR is trading at a higher P/BV vs. other oil retailers despite having a similar or lower ROE.

Ex 7: We Expect Net Profit To Decline In 2023F



Sources: Company data, Thanachart estimates

Ex 8: OR Trades At High P/BV Despite Lower ROE



Sources: Bloomberg, Thanachart estimates

Ex 9: 12-month DCF-based TP Calculation, Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA & equity income	17,282	18,383	19,263	20,176	21,123	22,054	23,020	24,021	25,060	26,138	27,258	
Free cash flow	7,637	10,477	10,030	10,877	11,680	12,474	13,289	14,130	15,000	15,900	16,924	239,751
PV of free cash flow	7,639	9,681	8,561	8,464	8,360	8,212	8,045	7,868	7,683	7,199	7,015	99,386
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	8.2											
Terminal growth (%)	2.0											
Enterprise value - add investments	188,115											
Net debt (end-2022F)	(48,757)											
Minority interest	54											
Equity value	236,817											
# of shares (m)	12,000											
Equity value/share (Bt)	20											

Source: Thanachart estimates

Valuation Comparison

Ex 10: Valuation Comparison With Regional Peers

Company	Code	Country	EPS Growth		— PE —		— P/BV —		EV/EBITDA		Div. Yield		— ROE —	
			22F	23F	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
Petrol station operators														
Pure petrol station operators														
PTT Oil And Retail	OR TB *	Thailand	27.8	(14.0)	20.6	24.0	2.6	2.4	11.1	12.2	1.4	1.2	13.4	10.5
PTG Pcl	PTG TB *	Thailand	50.7	19.3	15.0	12.6	2.5	2.3	7.0	6.0	3.3	4.0	17.7	19.0
SUSCO Pcl	SUSCO TB *	Thailand	64.0	12.2	12.6	11.2	1.2	1.1	6.7	5.7	4.8	5.4	9.7	10.5
Bangchak Corp	BCP TB *	Thailand	116.4	(34.9)	4.2	6.4	0.7	0.6	3.0	4.6	6.0	4.0	17.5	10.5
ESSO (Thailand)	ESSO TB *	Thailand	724.9	(31.1)	4.8	6.9	1.6	1.5	3.5	5.3	15.0	5.2	41.0	22.2
Average			196.8	(9.7)	11.4	12.2	1.7	1.6	6.3	6.7	6.1	3.9	19.9	14.5
Petrol station operators with other business														
Ampol	ALD AU	Australia	114.4	(18.2)	8.1	10.0	1.7	1.7	6.2	6.6	7.4	6.0	23.6	17.1
Sinopec	386 HK	China	(0.3)	(0.3)	5.6	5.6	0.5	0.5	3.7	3.7	12.2	11.6	9.4	8.6
Average			57.0	(9.3)	6.9	7.8	1.1	1.1	5.0	5.1	9.8	8.8	16.5	12.8
Average			156.8	(9.6)	10.1	10.9	1.5	1.5	5.9	6.3	7.2	5.3	18.9	14.0
Thailand retailers														
Berli Jucker	BJC TB *	Thailand	49.1	6.9	26.4	24.7	1.1	1.1	13.5	12.9	2.8	3.0	4.4	4.6
CP All	CPALL TB *	Thailand	59.0	60.3	44.0	27.4	4.9	4.4	12.6	10.6	1.1	1.8	12.3	17.2
Central Pattana	CPN TB *	Thailand	152.2	30.4	36.1	27.7	3.8	3.5	20.7	17.1	1.3	1.6	11.1	13.3
Central Retail Corp.	CRC TB *	Thailand	na	45.0	43.4	29.9	4.2	3.9	11.0	9.8	0.9	1.3	10.0	13.4
Siam Global House	GLOBAL TB *	Thailand	11.7	14.1	26.0	22.8	4.4	3.9	20.5	18.0	1.5	1.8	17.9	18.2
Home Product	HMPRO TB *	Thailand	14.0	17.7	30.7	26.1	8.1	7.5	17.3	15.1	2.6	3.1	26.6	29.6
Siam Makro	MAKRO TB *	Thailand	(34.0)	46.8	46.4	31.6	1.3	1.2	15.3	13.2	1.6	2.4	2.8	4.0
Average			42.0	31.6	36.1	27.2	4.0	3.6	15.8	13.8	1.7	2.1	12.2	14.3

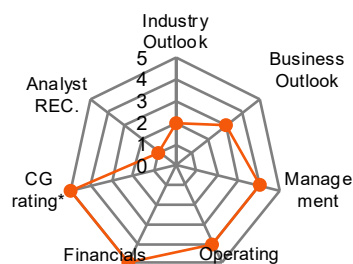
Sources: Bloomberg, * Thanachart estimates
Based on 28 October 2022 closing prices

COMPANY DESCRIPTION

PTT Oil and Retail (OR), are the flagship companies in the oil and retail business under PTT Group, which is the most comprehensive oil marketing operator in Thailand. OR, as of 1Q22, runs the largest network with a total of 2,312 oil retail stations across the country and a volume market share of 41% (as of 2021). OR also has a presence in Cambodia, Laos and the Philippines. The company also has a strong non-oil business which accounted for 21% of EBITDA in 2021.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong oil retail network which could allow the company to maintain its No.1 ranking
- Owns Thailand's leading coffee brand, Café Amazon, which is the key magnet for its petrol stations.
- Strong partnership with 7-Eleven, Thailand No.1 convenience store operator.

O — Opportunity

- Overseas markets could offer substantial growth opportunities.
- OR's strong balance sheet allows it to find new businesses or investments that can enhance its existing operation.

W — Weakness

- Highly dependent on 7-Eleven stores. A breaking of the master franchise contract with 7-Eleven could lead to lower profitability for PTTOR's non-oil business.
- Located in the low growth and competitive oil retail industry.
- Highly volatile earnings due to inventory gains/losses.

T — Threat

- Risk on government intervention when oil price is high.
- Rising EV penetration rate could lead to lower oil demand.
- Potential cannibalization of store expansion

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	28.54	20.00	-30%
Net profit 22F (Bt m)	15,394	14,510	-6%
Net profit 23F (Bt m)	13,918	12,101	-13%
Consensus REC	BUY: 12	HOLD: 4	SELL: 6

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F profits are below the Bloomberg consensus estimates. We believe this is due to us having lower margin assumptions.
- Consequently, our DCF-based TP is lower.

Sources: Bloomberg consensus, Thanachart estimates

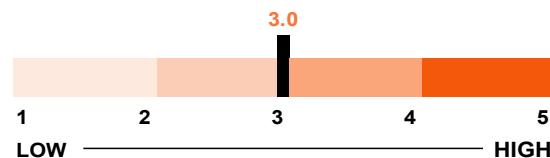
RISKS TO OUR INVESTMENT CASE

- A stronger-than-expected oil demand recovery is the key upside risk to our call.
- OR may acquire a new non-oil business that could lead to higher-than-expected returns and reduce its earnings volatility, and this would represent a secondary upside risk to our call.
- A faster-than-expected expansion of Café Amazon that could lead to upside surprise to our EBITDA forecasts.

Source: Thanachart

PTT Oil and Retail (OR) is PTT Group's oil trading and retail business arm. EBITDA breakdown in 6M22 was 78% oil, 17% retail, and 4% overseas businesses. OR's oil business doesn't involve production or processing but it trades in the retail market via its 2,473 petrol stations and wholesale trading. Therefore, our ESG score for PTTOR of 2.98 is higher than the sector average of 2.8.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
OR	-	YES	-	A	62.86	52.01	18.37	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "term of use" toward the back of this report.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- OR doesn't disclose its carbon emissions. However, in line with PTT Group's policy, the company aims for carbon neutrality by 2030 and net-zero carbon status by 2050. OR isn't involved in actual energy production and processing but is in the trading side of the business, so we believe the company has far fewer concerns and challenges to achieve its environmental targets.
- OR's petrol station design follows the "Friendly Design" concept, which reduces the use of electricity. The decor in both its petrol station and Café Amazon outlets is made partly from recycled material and waste products.
- We expect OR to be PTT's investment arm in the EV infrastructure business, which includes EV charging stations. However, the speed of expansion will depend on the pace of EV adoption in Thailand.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- OR follows PTT Group's human rights policy. There were no complaints in 2021 under this comprehensive management approach.
- OR continually develops employees' skills to prepare them for new businesses and enhance satisfaction at work as well as their capabilities through flexi-time and work-from-home approaches.
- OR allocates a part of its budget to engage in community activities and services, including providing scholarships, channeling a portion of its treated wastewater to communities to reduce their farming costs and increase their revenue, and offering support during periods of water shortages.
- Café Amazon participates in environmental conservation under the "Go Green" concept by using environmentally friendly and biodegradable materials, such as bio cups.

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- OR's board is comprised of 15 qualified directors who possess a range of expertise. There are four independent directors and two female directors.
- The company is 75%-owned by PTT, a state-owned enterprise. This means there is a high risk of government intervention in marketing margins when oil prices are high.
- The company has a strong corporate governance policy in line with PTT Group's award-winning framework.
- OR's balance sheet is also solid with low net gearing. The company has high growth visibility, in our view, supported by its strong non-oil business.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	428,804	511,799	876,513	874,082	817,039
Cost of sales	395,682	475,592	827,489	827,874	772,562
Gross profit	33,122	36,207	49,024	46,208	44,477
% gross margin	7.7%	7.1%	5.6%	5.3%	5.4%
Selling & administration expenses	25,261	25,087	35,061	34,963	32,682
Operating profit	7,861	11,120	13,963	11,245	11,795
% operating margin	1.8%	2.2%	1.6%	1.3%	1.4%
Depreciation & amortization	6,585	7,910	7,755	8,296	8,847
EBITDA	14,446	19,030	21,718	19,541	20,642
% EBITDA margin	3.4%	3.7%	2.5%	2.2%	2.5%
Non-operating income	4,045	3,480	3,480	3,480	3,480
Non-operating expenses	0	0	0	0	0
Interest expense	(1,447)	(1,250)	(907)	(636)	(467)
Pre-tax profit	10,459	13,351	16,537	14,090	14,809
Income tax	1,776	2,719	3,224	2,747	2,887
After-tax profit	8,683	10,632	13,313	11,343	11,922
% net margin	2.0%	2.1%	1.5%	1.3%	1.5%
Shares in affiliates' Earnings	535	372	758	758	758
Minority interests	0	4	0	0	0
Extraordinary items	(427)	465	439	0	0
NET PROFIT	8,791	11,474	14,510	12,101	12,680
Normalized profit	9,218	11,009	14,071	12,101	12,680
EPS (Bt)	0.7	1.0	1.2	1.0	1.1
Normalized EPS (Bt)	0.8	0.9	1.2	1.0	1.1

We expect profit growth to taper off from 2022F onward

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	68,594	126,066	138,898	138,770	134,001
Cash & cash equivalent	19,004	66,224	66,224	66,224	66,224
Account receivables	12,109	20,235	24,014	23,947	22,385
Inventories	19,021	24,432	22,671	22,681	21,166
Others	18,461	15,175	25,990	25,917	24,226
Investments & loans	4,792	5,948	5,948	5,948	5,948
Net fixed assets	41,996	42,663	49,626	54,589	58,651
Other assets	29,597	32,982	10,889	8,629	6,370
Total assets	144,979	207,659	205,360	207,936	204,970
LIABILITIES:					
Current liabilities:	40,469	51,730	39,117	38,794	35,733
Account payables	23,373	37,275	22,671	22,681	21,166
Bank overdraft & ST loans	24	93	0	0	0
Current LT debt	9,145	4,775	873	696	423
Others current liabilities	7,928	9,587	15,573	15,416	14,144
Total LT debt	41,634	29,502	16,594	13,226	8,044
Others LT liabilities	24,961	26,555	38,936	36,858	32,953
Total liabilities	107,063	107,787	94,647	88,878	76,730
Minority interest	93	54	54	54	54
Preferreds shares	0	0	0	0	0
Paid-up capital	90,000	120,000	120,000	120,000	120,000
Share premium	0	0	0	0	0
Warrants	0	0	0	0	0
Surplus	(67,456)	(42,590)	(42,590)	(42,590)	(42,590)
Retained earnings	15,279	22,407	33,249	41,593	50,774
Shareholders' equity	37,823	99,818	110,659	119,003	128,185
Liabilities & equity	144,979	207,659	205,360	207,936	204,970

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	10,459	13,351	16,537	14,090	14,809
Tax paid	(1,792)	(2,397)	(3,232)	(2,614)	(2,982)
Depreciation & amortization	6,585	7,910	7,755	8,296	8,847
Chg In working capital	619	366	(16,622)	67	1,563
Chg In other CA & CL / minorities	1,965	6,212	(4,061)	541	1,272
Cash flow from operations	17,835	25,441	376	20,379	23,509
Capex	(7,100)	(6,742)	(12,459)	(11,000)	(10,650)
Right of use	(12,899)	(3,446)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(95)	(1,155)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	7,501	(1,735)	32,082	(2,078)	(3,905)
Cash flow from investments	(12,593)	(13,078)	19,623	(13,078)	(14,555)
Debt financing	(2,863)	(15,662)	(16,330)	(3,545)	(5,455)
Capital increase	0	30,000	0	0	0
Dividends paid	(9,450)	(4,423)	(3,669)	(3,757)	(3,499)
Warrants & other surplus	(225)	24,943	0	0	0
Cash flow from financing	(12,538)	34,858	(19,998)	(7,302)	(8,954)
Free cash flow	10,735	18,699	(12,083)	9,379	12,859

*OR chooses to use cash
to explore new
businesses*

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	31.5	26.4	20.6	24.0	22.9
Normalized PE - at target price (x)	26.0	21.8	17.1	19.8	18.9
PE (x)	33.0	25.3	20.0	24.0	22.9
PE - at target price (x)	27.3	20.9	16.5	19.8	18.9
EV/EBITDA (x)	22.3	13.6	11.1	12.2	11.3
EV/EBITDA - at target price (x)	18.8	10.9	8.8	9.6	8.8
P/BV (x)	7.7	2.9	2.6	2.4	2.3
P/BV - at target price (x)	6.3	2.4	2.2	2.0	1.9
P/CFO (x)	16.3	11.4	772.7	14.2	12.4
Price/sales (x)	0.7	0.6	0.3	0.3	0.4
Dividend yield (%)	0.4	1.1	1.4	1.2	1.2
FCF Yield (%)	3.7	6.4	(4.2)	3.2	4.4
(Bt)					
Normalized EPS	0.8	0.9	1.2	1.0	1.1
EPS	0.7	1.0	1.2	1.0	1.1
DPS	0.1	0.3	0.3	0.3	0.3
BV/share	3.2	8.3	9.2	9.9	10.7
CFO/share	1.5	2.1	0.0	1.7	2.0
FCF/share	0.9	1.6	(1.0)	0.8	1.1

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(25.7)	19.4	71.3	(0.3)	(6.5)
Net profit (%)	(19.3)	30.5	26.5	(16.6)	4.8
EPS (%)	(19.3)	30.5	26.5	(16.6)	4.8
Normalized profit (%)	(13.9)	19.4	27.8	(14.0)	4.8
Normalized EPS (%)	(13.9)	19.4	27.8	(14.0)	4.8
Dividend payout ratio (%)	13.7	28.2	28.2	28.2	28.2
Operating performance					
Gross margin (%)	7.7	7.1	5.6	5.3	5.4
Operating margin (%)	1.8	2.2	1.6	1.3	1.4
EBITDA margin (%)	3.4	3.7	2.5	2.2	2.5
Net margin (%)	2.0	2.1	1.5	1.3	1.5
D/E (incl. minor) (x)	1.3	0.3	0.2	0.1	0.1
Net D/E (incl. minor) (x)	0.8	(0.3)	(0.4)	(0.4)	(0.5)
Interest coverage - EBIT (x)	5.4	8.9	15.4	17.7	25.3
Interest coverage - EBITDA (x)	10.0	15.2	23.9	30.7	44.2
ROA - using norm profit (%)	6.2	6.2	6.8	5.9	6.1
ROE - using norm profit (%)	24.1	16.0	13.4	10.5	10.3
DuPont					
ROE - using after tax profit (%)	22.7	15.4	12.6	9.9	9.6
- asset turnover (x)	2.9	2.9	4.2	4.2	4.0
- operating margin (%)	2.8	2.9	2.0	1.7	1.9
- leverage (x)	3.9	2.6	2.0	1.8	1.7
- interest burden (%)	87.8	91.4	94.8	95.7	96.9
- tax burden (%)	83.0	79.6	80.5	80.5	80.5
WACC (%)	8.2	8.2	8.2	8.2	8.2
ROIC (%)	9.8	12.7	16.5	14.6	14.2
NOPAT (Bt m)	6,526	8,856	11,241	9,053	9,496
invested capital (Bt m)	69,622	67,963	61,903	66,702	70,428

Sources: Company data, Thanachart estimates

Despite OR's asset-light strategy, returns are not superior to peers'

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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