PTT Oil And Retail Pcl (OR TB) - SELL, Price Bt24.90, TP Bt20.00

Results Comment

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3Q22 – Miss on margin

- OR reported 3Q22 profit Bt701bn, (-89% q-q, -63% y-y) driven by stock loss and lower margin in oil and non-oil. The result below our forecast of Bt1.4bn and below consensus estimate.
- **Substantial oil margin contraction.** Marketing margin come in at Bt0.68/litre vs Bt1.6/litre in 2Q22 and Bt1.1/litre in 3Q21. This is driven by higher crude cost as OR has to build stock ahead of domestic refinery turnaround in Oct 2022. The company booked inventory loss amount Bt5bn vs a gain of Bt3.6bn in 2Q22 given lower oil price. Management guided the margin to return to Bt1/litre in 4Q22.
- **Sale volume lower both retail and wholesale.** Overall sale volume dropped by 8% q-q but increased by 20% y-y. Wholesale business see lower volume because of fuel oil as a result of Russia-Ukraine war. Retail business see lower diesel sale volume due to Monsoon period.
- **Non-oil business also sees lower margin**. EBITDA dropped by 87% q-q to Bt7bn. EBITDA margin for both F&B and retail business show a decline q-q. Overall non-oil EBITDA was at 22.9%, dropped from 27.4% in 2Q22 and 21.8% in 3Q21. This is due to higher net operating expenses, mainly from advertising, public relations and promotional expenses. Excluding one-off promotion expense, management claimed that EBITDA margin was at 24% lower q-q, but a bit lower than normal margin of 25%.
- **Outlook.** We expect 4Q profit to improve given absence from impact from high inventory cost. However, we are mindful on promotional expense which normally highest in 4Q. We maintain our SELL rating given its expensive valuation and limited growth outlook.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Revenue	116,791	157,840	177,291	211,431	194,796
Gross profit	**7,769**	**9,261**	**10,583**	**14,386**	**7,433**
SG&A	5,939	7,438	6,525	6,628	7,219
Operating profit	1,830	1,823	4,058	7,758	214
EBITDA	**3,820**	**3,452**	**5,605**	**9,356**	**1,872**
Other income	803	1,034	916	875	805
Other expense	0	0	0	0	0
Interest expense	283	307	271	254	277
Profit before tax	**2,350**	**2,549**	**4,703**	**8,379**	**742**
Income tax	566	393	943	2,231	74
Equity & invest. income	26	140	139	121	102
Minority interests	(2)	1	(2)	(0)	0
Extraordinary items	85	57	(52)	300	(69)
Net profit	**1,892**	**2,353**	**3,845**	**6,568**	**701**
Normalized profit	**1,807**	**2,297**	**3,897**	**6,268**	**770**
EPS (Bt)	0.16	0.20	0.32	0.55	0.06
Normalized EPS (Bt)	0.15	0.19	0.32	0.52	0.06

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(8)	67	67	876,513	874,082
Gross profit	**(48)**	**(4)**	**66**	**49,024**	**46,208**
SG&A	9	22	58	35,061	34,963
Operating profit	(97)	(88)	86	13,963	11,245
EBITDA	**(80)**	**(51)**	**78**	**21,718**	**19,541**
Other income	(8)	0	75	3,480	3,480
Other expense			na	0	0
Interest expense	9	(2)	88	907	636
Profit before tax	**(91)**	**(68)**	**84**	**16,537**	**14,090**
Income tax	(97)	(87)	101	3,224	2,747
Equity & invest. income	(15)	296	48	758	758
Minority interests	na	na	na	0	0
Extraordinary items	na	na	41	439	0
Net profit	**(89)**	**(63)**	**77**	**14,510**	**12,101**
Normalized profit	**(88)**	**(57)**	**78**	**14,071**	**12,101**
EPS (Bt)	(89)	(63)	77	1.21	1.01
Normalized EPS (Bt)	(88)	(57)	78	1.17	1.01

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Cash & ST investment	58,430	66,224	56,755	35,927	20,336
A/C receivable	14,719	20,235	24,469	30,101	27,429
Inventory	24,836	24,432	32,329	37,235	43,735
Other current assets	14,041	15,175	24,422	43,772	45,383
Investment	5,564	5,948	5,493	7,063	9,121
Fixed assets	41,852	42,663	42,553	42,807	43,185
Other assets	32,179	32,982	34,004	32,648	36,150
Total assets	**191,619**	**207,659**	**220,025**	**229,552**	**225,338**
S-T debt	5,094	4,868	4,005	4,459	14,550
A/C payable	25,480	37,275	49,641	59,783	42,763
Other current liabilities	7,691	9,587	7,378	7,144	8,327
L-T debt	30,009	29,502	28,092	20,786	25,047
Other liabilities	26,472	26,555	27,287	29,141	29,299
Minority interest	53	54	59	59	60
Shareholders' equity	**96,819**	**99,818**	**103,563**	**108,179**	**105,292**
Working capital	14,074	7,392	7,157	7,552	28,401
Total debt	35,104	34,369	32,097	25,245	39,597
Net debt	**(23,326)**	**(31,855)**	**(24,658)**	**(10,683)**	**19,261**

Financial Ratios					
(%)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Sales growth	11.4	44.2	49.7	78.1	66.8
Operating profit growth	(47.7)	(31.4)	(2.0)	133.3	(88.3)
EBITDA growth	(20.7)	(15.8)	(6.2)	76.6	(51.0)
Norm profit growth	(47.4)	(19.8)	1.7	103.9	(57.4)
Norm EPS growth	(47.4)	(19.8)	1.7	103.9	(57.4)
Gross margin	6.7	5.9	6.0	6.8	3.8
Operating margin	1.6	1.2	2.3	3.7	0.1
EBITDA margin	3.3	2.2	3.2	4.4	1.0
Norm net margin	1.5	1.5	2.2	3.0	0.4
D/E (x)	0.4	0.3	0.3	0.2	0.4
Net D/E (x)	(0.2)	(0.3)	(0.2)	(0.1)	0.2
Interest coverage (x)	13.5	11.2	20.7	36.9	6.8
Interest rate	3.1	3.5	3.3	3.5	3.4
Effective tax rate	24.1	15.4	20.1	26.6	10.0
ROA	3.7	4.6	7.3	11.2	1.4
ROE	7.4	9.3	15.3	23.7	2.9

Sources: Company data, Thanachart estimates

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