

Energy Sector – Overweight

Chak Reungsinpinya | Email: chak.reu@thanachartsec.co.th

News Update

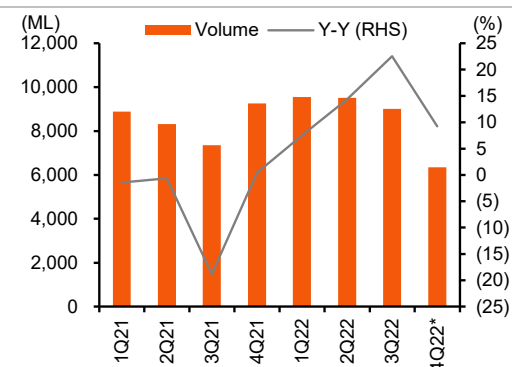
Time to revisit oil retail stocks

- **Strong volume growth a key driver**
- **Improved associate income**
- **Attractive valuation**
- **Share price pullbacks offer entry points**

We see opportunities to revisit oil retail stocks PTG and SUSCO given strong volume growth which will help drive earnings growth in 4Q22F and 2023F. Share price pullbacks QTD make these stocks even more attractively valued than they already were.

- **Strong volume growth continues:** According to government data, Thailand's gasoline and diesel demand grew by 9.2% y-y in October-November 2022. While this was a slowdown from 22.5% y-y growth in 3Q22, that quarter benefited from the low base effect (3Q21 saw -19% y-y contraction whereas 4Q21 saw 0.4% y-y growth). We think volume growth will continue to remain strong given improved economic activities and inbound tourism.
- **Margins normalizing but remain at attractive levels:** We expect marketing margin to normalize to 1.8-1.9 Bt/litre, which is a normal level compared to almost Bt2.0/litre in 3Q22. The reason margin is softer q-q despite stable pump price and lower global oil price is because the government is paying back the oil fund debt, thereby adding several baht per liter to the cost of fuels. Still, for the station operators, we expect higher volume q-q to more than offset the impact of lower margin.
- **PTG to see narrower loss from associate:** For PTG, we expect earnings could more than double q-q from a low base in 3Q22. Besides volume growth, narrower loss from its palm oil complex (40% owned) is another major driver. PTG recorded equity loss of over Bt80m in 3Q22 but we believe loss is likely to be much narrower in 4Q22. The stock also looks attractive at 13x 2023F P/E vs historical average of close to 20x.
- **SUSCO benefiting from tourism growth.** We expect SUSCO to enjoy strong growth in its domestic business as partnership with ESSO (ESSO TB, Bt13.00, BUY, covered by Yupapan Polpornprasert) enables the company to outgrow the market. We also expect SUSCO will benefit from the 100%-plus y-y growth in jet fuel demand as air travels continue to normalize. Lastly, we do not see the sharp share price pullback QTD as justified as the stock is already cheap (10x forward P/E) while growth outlook remains strong.

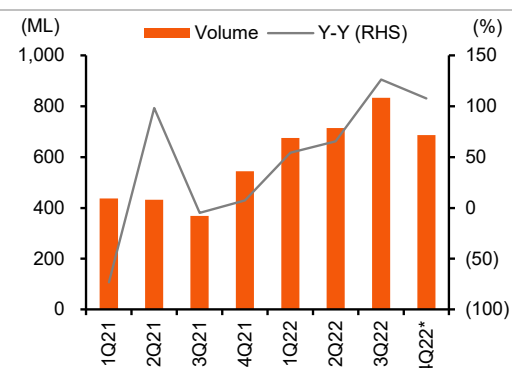
Ex 1: Thailand Gasoline And Diesel Demand



Source: DOEB

Note: *4Q22 data for Oct-Nov 2022 only

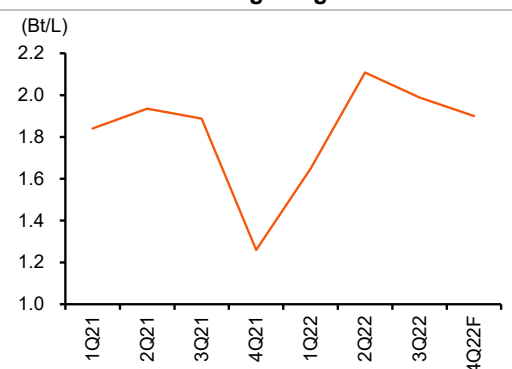
Ex 2: Thailand Jet Fuel Demand



Source: DOEB

Note: *4Q22 data for Oct-Nov 2022 only

Ex 3: Retail Marketing Margin



Sources: PTG, Thanachart estimates

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