

**SELL** (Unchanged)

Change in Numbers

TP: Bt 19.00 (From: Bt 20.00)

Downside : 16.3%

15 FEBRUARY 2023

# PTT Oil And Retail Pcl (OR TB)

## Unexciting outlook

We reaffirm our SELL rating on PTTOR and trim our DCF-based TP to Bt19 from Bt20. We don't see OR's valuation as attractive at 25x 2023F PE, while profit growth is limited due to slower oil volume growth as the post-COVID demand recovery is ending.



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### Reaffirming our SELL rating

We reaffirm our SELL call on OR and trim our DCF-based TP to Bt19 from Bt20. We cut our 2023-25F profits by 11/8/6% as we lower our margin assumptions for non-oil businesses and factor in 2022A results. **First**, its marketing margin outlook is unexciting. Despite a potential recovery from its 4Q22 low, we foresee oil marketing margin staying flat in 2023F. **Second**, volume growth looks set to peak as the post-COVID demand recovery is ending. **Third**, the non-oil business margin should trend lower on higher marketing expenses and wage costs. **Finally**, valuation is not yet compelling, in our view. OR trades at 25x 2023F PE against only 5% profit CAGR over 2023-25F and also at a hefty premium to its Thai petrol station peers' average of 15x.

### Unexciting marketing margin prospects

OR's 4Q22 marketing margin was Bt0.5/liter (vs. its normal range of Bt1/liter), hit by higher costs as OR had to import refined products due to its domestic refinery shutdown, stock loss and the high Oil Fund collection. The absence of a stock loss and import costs should allow OR's market margin to rebound in 1Q23F. However, we expect the marketing margin to be flat in 2023F at Bt1/litre. **Firstly**, without the oil price surge seen in 2Q20-2Q22, we expect no more extra marketing margin windfall. **Secondly**, despite the government unlocking a cap on diesel marketing margin of Bt1.4/litre, we can't rule out the potential risk of intervention especially with the oil fund balance remaining in a deficit. We estimate that it will take around 5 months to pay back the Oil Fund deficit based on the current government collection of Bt5.7/liter for every liter of diesel sold

### Reopening growth looks to be over

We believe the majority of the post-COVID demand recovery already took place in 2022. OR's sales volume grew by 16% in 2022 and was only 3% below 2019's level. We expect OR's sales volume growth to return to its normalized trend and project volume growth to moderate to 5/3/2% over 2023-25F.

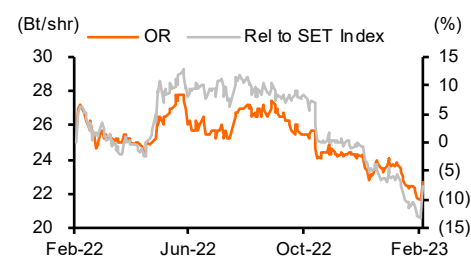
### Non-oil business to see lower margin

OR started to see a lower margin from 3Q22 on higher raw material costs while margins trended lower in 4Q22 despite a Bt5 hike in Café Amazon product prices. We think margin pressure will continue in 2023F as we foresee rising expenses as marketing activity resumes after COVID curbs end, and with higher electricity and wage costs. We cut non-oil EBITDA margins by 2-3pp to 23.8/24.5/25.2% in 2023-25F from 24.8% in 2022.

### COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	789,785	681,396	649,502	665,843
Net profit	10,370	10,720	11,635	12,104
Consensus NP	—	13,152	14,452	15,224
Diff frm cons (%)	—	(18.5)	(19.5)	(20.5)
Norm profit	10,326	10,720	11,635	12,104
Prev. Norm profit	—	12,101	12,680	12,863
Chg frm prev (%)	—	(11.4)	(8.2)	(5.9)
Norm EPS (Bt)	0.9	0.9	1.0	1.0
Norm EPS grw (%)	(6.2)	3.8	8.5	4.0
Norm PE (x)	26.4	25.4	23.4	22.5
EV/EBITDA (x)	14.5	15.9	14.7	13.7
P/BV (x)	2.6	2.5	2.3	2.2
Div yield (%)	1.5	1.5	1.7	1.7
ROE (%)	10.1	10.0	10.2	10.0
Net D/E (%)	(5.4)	(19.1)	(19.0)	(19.0)

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 15-Feb-23 (Bt)	22.70
Market Cap (US\$ m)	7,938.7
Listed Shares (m shares)	12,000.0
Free Float (%)	23.7
Avg Daily Turnover (US\$ m)	14.0
12M Price H/L (Bt)	27.75/21.60
Sector	ENERG
Major Shareholder	PTT Pcl 75.00%

Sources: Bloomberg, Company data, Thanachart estimates

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## Unexciting outlook

### We cut our non-oil margin assumptions for 2023F

We maintain our SELL rating on shares of PTT Oil and Retail Pcl (OR) and trim our DCF-based 12-month TP, using a 2023F base year, to Bt19/share from Bt20 previously. We cut our 2023-25F profit estimates by 11/8/6% as we lower our margin assumption for non-oil businesses and factor in 2022A. We also bring down our sales volume assumptions by 3.4-3.6% because of lower-than-expected sales volume in 2022A, but keep our growth estimates of 5/3/2% over 2023-25F unchanged. Our revised profit projections are now 18-19% below the Street's over 2023-25F. We estimate OR's profit to grow only by 3% in 2023F on the back of lower margins in non-oil businesses while sales volume growth looks set to decelerate as the post-COVID demand recovery is ending. We foresee a recovery in 2024F but with growth only at 9% as we expect non-oil margin to improve because of less inflation pressure. We estimate a profit CAGR of only 5% over 2023-25F.

### Ex 1: Our Profit And Assumption Revisions

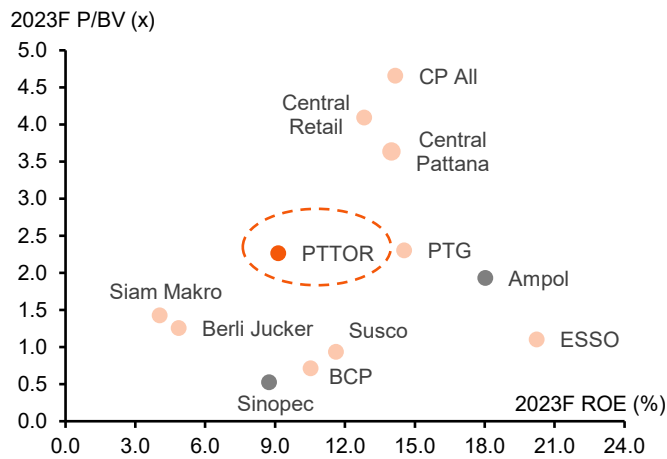
	2019	2020	2021	2022	2023F	2024F	2025F
<b>Net profit (Bt m)</b>							
- New	10,896	8,791	11,474	10,370	10,720	11,635	12,104
- Old					12,101	12,680	12,863
- Change (%)					(11.4)	(8.2)	(5.9)
<b>Normalized profit (Bt m)</b>							
- New	10,712	9,218	11,009	10,326	10,720	11,635	12,104
- Old					12,101	12,680	12,863
- Change (%)					(11.4)	(8.2)	(5.9)
<b>Sales volume (m liters)</b>							
- New	12,078	12,547	11,777	13,133	13,741	14,145	14,423
- Old					14,248	14,655	14,928
- Change (%)					(3.6)	(3.5)	(3.4)
<b>Sales volume growth (%)</b>							
- New	4.1	3.9	(6.1)	11.5	4.6	2.9	2.0
- Old					4.6	2.9	2.0
- Change (%)					-	-	-
<b>Marketing margin (Bt/liter)</b>							
- New	1.06	0.97	1.15	0.98	0.97	0.97	0.97
- Old					0.99	0.98	0.98
- Change (%)					(3.0)	(1.8)	(1.8)
<b>Non-oil EBITDA margin (%)</b>							
- New	25.0	26.6	24.7	24.8	23.8	24.5	25.2
- Old					26.9	26.8	26.8
- Change (pp)					(3.1)	(2.3)	(1.6)

Sources: Company data, Thanachart estimates

**OR trades at a substantial premium to retail peers. We reaffirm our SELL call**

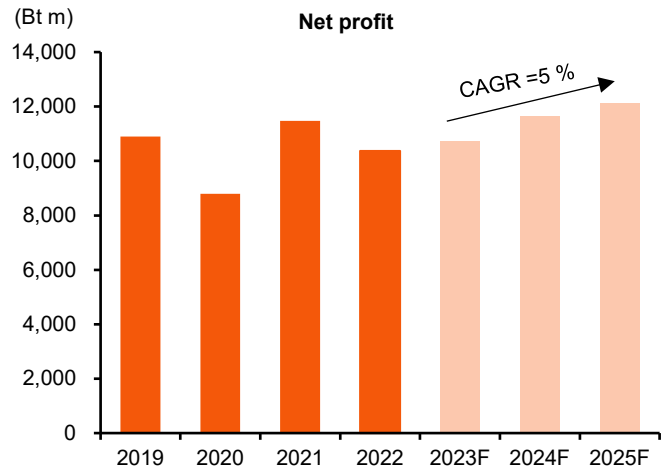
In terms of valuations, we regard OR as expensive, trading at a 25x 2023F PE multiple and 2.3x P/BV. We see these multiples as unattractive against a profit CAGR of just 5% over 2023-25F and an ROE of only 10%. Additionally, nearly 70% of the company's EBITDA is still contributed by its oil retail business. Other Thai oil retail stocks are trading in a 2023F PE range of 6-13x. Despite our view that OR deserves a premium valuation as the biggest player, the premium is still too high in our view. Exhibit 2 shows that OR is trading above other oil retailers in P/BV terms despite having a similar or lower ROE.

**Ex 2: P/BV Vs. ROE (2023F)**



Sources: Bloomberg, Thanachart estimates

**Ex 3: Unattractive Profit Outlook**



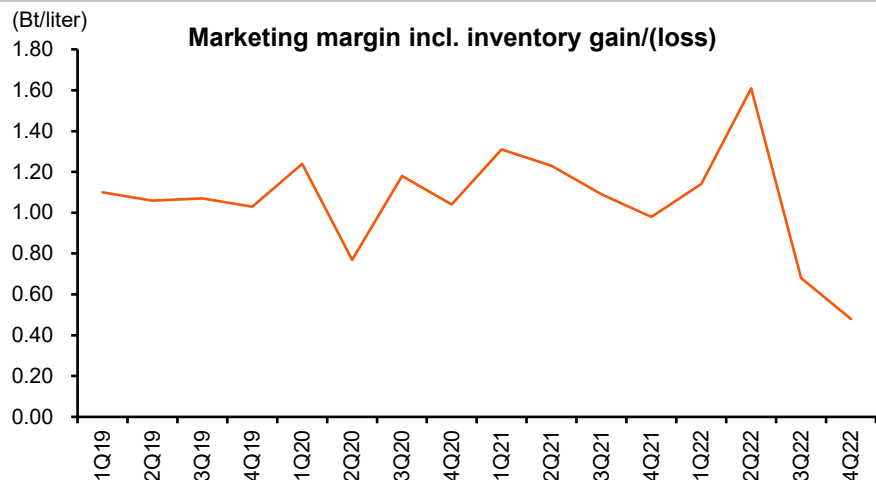
Sources: Company data, Thanachart estimates

**Unexciting oil margin prospects**

**OR's marketing margin was well below its normal range in 4Q22**

OR's 4Q22 marketing margin was at Bt0.5/liter (vs. its normal range of Bt1/liter), hit by high import costs because of domestic refinery shutdowns, a stock loss and a substantial Oil Fund collection. The absence of a stock loss and import costs should support OR's market margin so that it rebounds in 1Q23F.

**Ex 4: OR's Marketing Margin Was Hit By Several Factors In 4Q22**



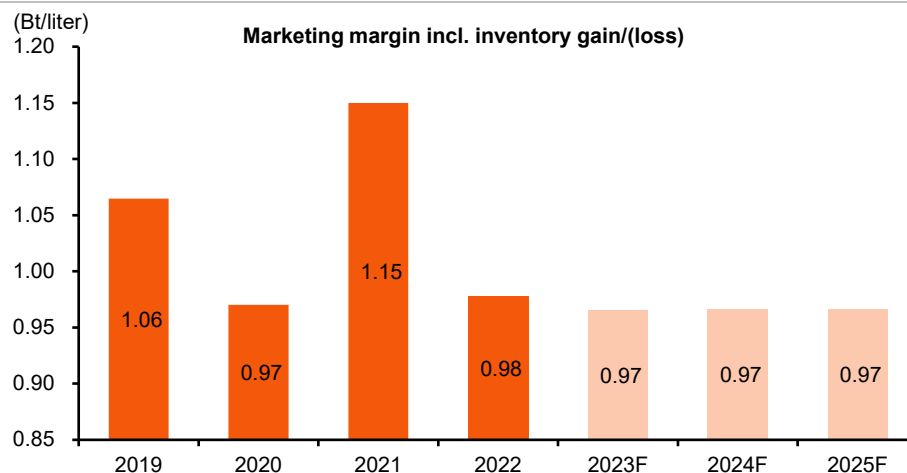
Sources: Company data

## Oil marketing margin looks set to fall

*Unexciting oil margin outlook despite potential recovery from 4Q22 low*

Despite a potential rebound from its 4Q22 low, we expect a marketing margin of Bt0.97/liter in 2023F, which is flat from 2022 of Bt0.98/litre. *Firstly*, without the surge in oil prices seen in 2Q20-2Q22, we expect no more extra marketing margin windfall. We think that OR's marketing margin is unlikely to return to its 1H22 high of Bt1.4/liter.

**Ex 5: Despite A Potential Recovery From 4Q22 Low, Margin Still Set To Be Flat In 2023F**



Sources: Company data, Thanachart estimates

*We still see margin risk as oil fund balance remains in a deficit.*

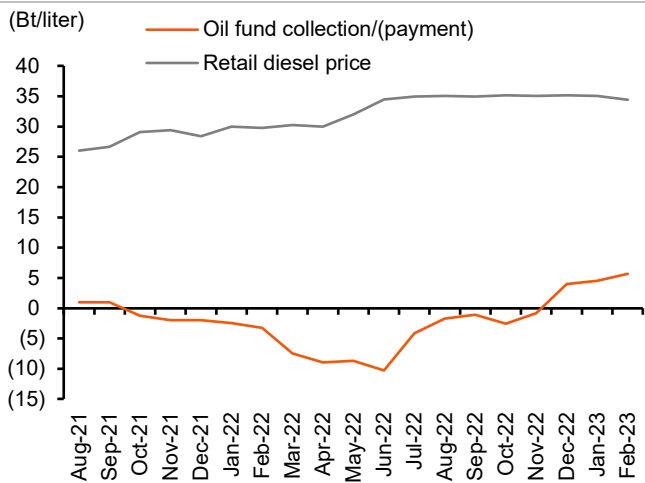
*Secondly*, despite the government unlocking a cap on diesel marketing margin of Bt1.4/litre, we can't rule out the potential risk of intervention especially with the oil fund balance remaining in a deficit. We estimate that it will take around 5 months to pay back the Oil Fund deficit based on the current government collection of Bt5.7/liter for every liter of diesel sold. Note that Oil Fund collections started to turn positive in November 2022 and the pace of increase in collections was higher than the decrease in the ex-refinery price (OR's cost) while the retail diesel price was lower marginally. This means lower marketing margins for petrol station operators. Exhibit 6 shows the ex-refinery diesel price increased by Bt5.4/liter while the Oil Fund collection rose by Bt6.8, which caused marketing margin to narrow by Bt1.9. We believe this is because the government wants to pay off the Oil Fund deficit as soon as possible to be prepared for any future spike in energy prices.

**Ex 6: Oil Fund Collection Rate Has Been Rising Faster Than The Fall In The Ex-Refinery Price (OR's Cost)**

(Bt/liter)	Ex-refinery price	Tax	Oil Fund collection/(payment)	Conservative fund	Marketing margin	VAT	Retail diesel price
21-Nov-22	29.4	1.5	(1.0)	0.0	2.9	2.3	34.9
13-Feb-23	23.6	1.5	5.9	0.1	1.6	2.3	34.9
<b>Change</b>	<b>(5.8)</b>	-	<b>7.0</b>	<b>0.0</b>	<b>(1.2)</b>	-	-

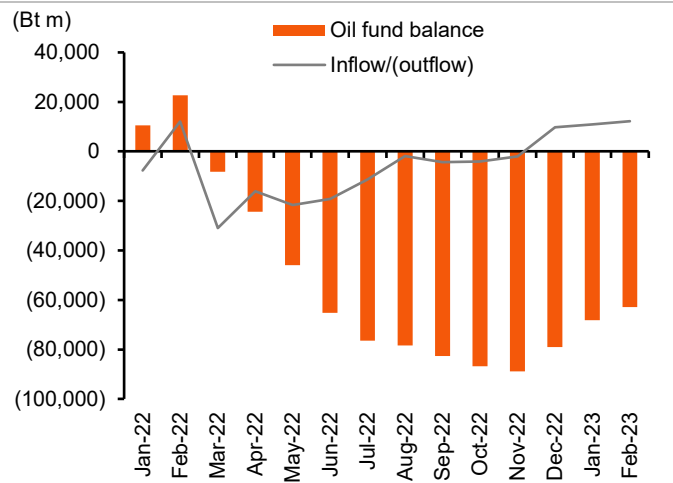
Source: EPPO

**Ex 7: Diesel Retail Price Vs. Oil Fund Contribution**



Sources: EPPO

**Ex 8: Oil Fund In And Outflows Vs. Net Fund Position**



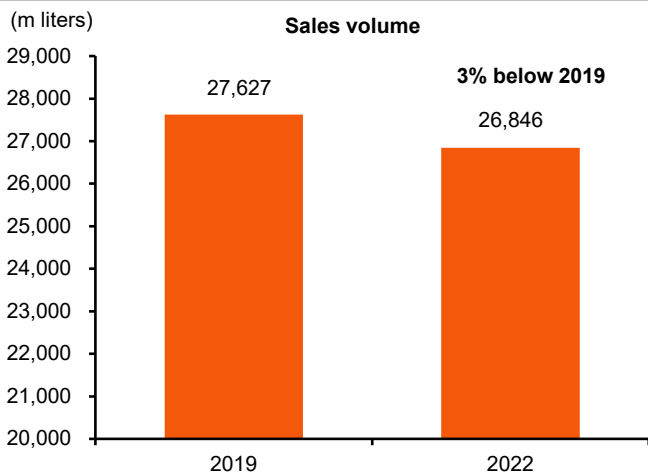
Sources: OFFO, Thanachart estimates

**Reopening growth looks to be over**

*OR's sales volume growth likely to decelerate from 2023F onward*

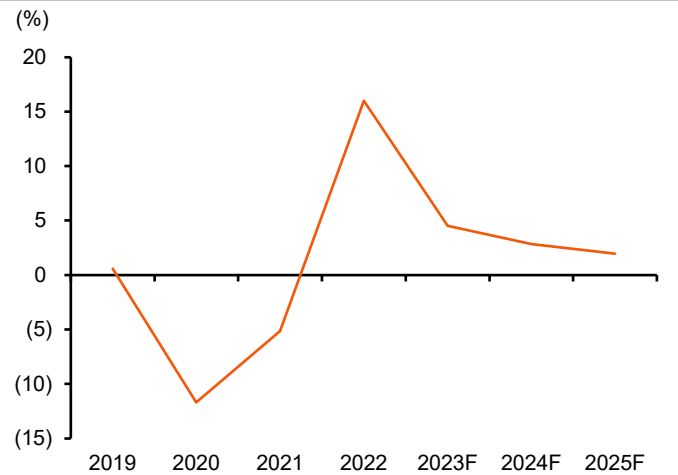
We believe the majority of the post-COVID demand recovery already took place in 2022. OR's sale volume grew by 16% in 2022 and was at just 3% below 2019's level. We expect OR's sales volume growth to return to its normalized trend and estimate volume growth to moderate to 5/3/2% over 2023-25F.

**Ex 9: OR's Sales Volume Already Near Pre-COVID Level**



Sources: Company data

**Ex 10: We Expect 2023-25F Sales Growth To Decelerate**

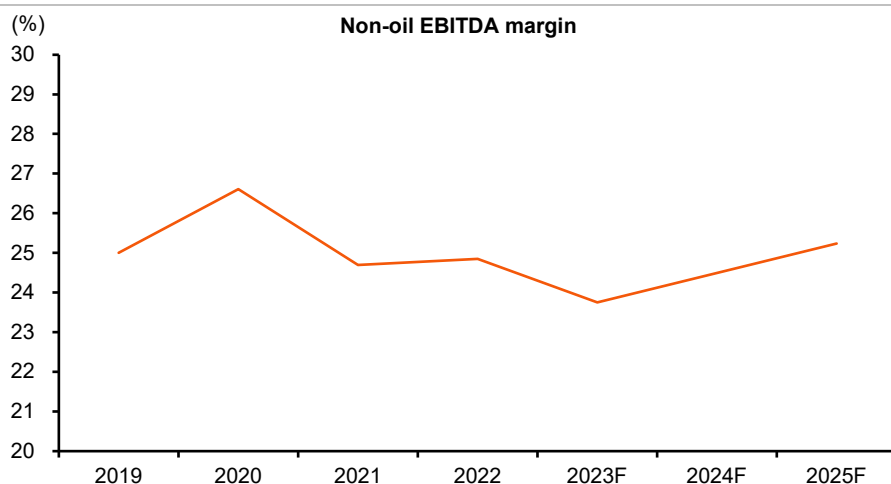


Sources: Company data, Thanachart estimates

**Non-oil business to see higher costs**

*Rising costs look set to pressure non-oil margin in 2023F*

OR started to experience a lower margin in 3Q22 due to higher raw material costs while margin was steady in 4Q22 despite a Bt5 hike in Café Amazon product prices. We expect margin pressure to continue in 2023F as we foresee rising expenses as marketing activities resume after the end of COVID restrictions, not to mention higher electricity and wage costs. OR looks set to suffer from rising electricity and wage costs at its company-owned branches, which make up around 20% of its total petrol stations. We cut non-oil EBITDA margin by 2-3pp to 23.8/24.5/25.2% in 2023-25F from 24.8% in 2022.

**Ex 11: We Expect Non-Oil EBITDA Margin To Fall In 2023F**

Sources: Company data, Thanachart estimates

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

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA & equity income	15,178	16,295	17,297	18,237	19,158	20,114	21,106	22,137	23,206	24,493	25,846	
Free cash flow	6,631	6,682	10,317	11,153	11,980	12,829	13,707	14,616	15,556	16,671	17,839	337,143
PV of free cash flow	5,737	5,377	7,722	7,598	7,556	7,494	7,415	7,322	7,216	6,827	6,736	127,311
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	0.9											
WACC (%)	7.5											
Terminal growth (%)	3.0											
Enterprise value - add investments	204,312											
Net debt (end-2023F)	(21,114)											
Minority interest	60											
Equity value	225,366											
# of shares (m)	12,000											
<b>Equity value/share (Bt)</b>	<b>19</b>											

Source: Thanachart estimates

## Valuation Comparison

### Ex 13: Valuation Comparison With Regional Peers

Company	Code	Country	EPS Growth		— PE —		— P/BV —		EV/EBITDA		Div. Yield		— ROE —	
			23F (%)	24F (%)	23F (x)	24F (x)	23F (x)	24F (x)	23F (x)	24F (x)	23F (%)	24F (%)	23F (%)	24F (%)
<b>Petrol station operators</b>														
<b>Pure petrol station operators</b>														
PTT Oil And Retail	OR TB *	Thailand	3.8	8.5	25.4	23.4	2.5	2.3	15.9	14.7	1.5	1.7	10.0	10.2
PTG Pcl	PTG TB *	Thailand	24.5	16.5	20.1	17.3	2.6	2.4	6.3	5.6	2.5	2.9	13.2	14.3
SUSCO Pcl	SUSCO TB *	Thailand	12.2	2.6	9.1	8.8	0.9	0.9	4.8	4.5	6.6	6.8	10.5	10.3
Bangchak Corp	BCP TB *	Thailand	(50.4)	13.9	6.9	6.0	0.7	0.6	5.2	5.8	4.4	4.7	10.3	10.9
ESSO (Thailand)	ESSO TB *	Thailand	(48.3)	0.1	5.8	5.8	1.0	1.0	4.8	4.5	8.7	7.3	18.7	17.5
<b>Average</b>			<b>(11.6)</b>	<b>8.3</b>	<b>13.4</b>	<b>12.3</b>	<b>1.5</b>	<b>1.4</b>	<b>7.4</b>	<b>7.0</b>	<b>4.7</b>	<b>4.7</b>	<b>12.5</b>	<b>12.6</b>
<b>Petrol station operators with other business</b>														
Ampol	ALD AU	Australia	(13.5)	1.6	11.3	11.1	2.0	1.9	7.2	7.2	5.6	5.7	18.2	17.7
Sinopec	386 HK	China	1.2	0.0	7.1	7.1	0.6	0.6	3.6	3.7	8.9	8.8	8.7	8.2
<b>Average</b>			<b>(6.1)</b>	<b>0.8</b>	<b>9.2</b>	<b>9.1</b>	<b>1.3</b>	<b>1.3</b>	<b>5.4</b>	<b>5.4</b>	<b>7.3</b>	<b>7.2</b>	<b>13.5</b>	<b>13.0</b>
<b>Average</b>			<b>(10.1)</b>	<b>6.2</b>	<b>12.2</b>	<b>11.4</b>	<b>1.5</b>	<b>1.4</b>	<b>6.8</b>	<b>6.6</b>	<b>5.5</b>	<b>5.4</b>	<b>12.8</b>	<b>12.7</b>
<b>Thailand retailers</b>														
Berli Jucker	BJC TB *	Thailand	6.9	9.1	27.2	24.9	1.2	1.2	13.6	12.7	2.8	3.0	4.6	5.0
CP All	CPALL TB *	Thailand	60.3	38.9	30.3	21.8	4.8	4.3	11.3	9.6	1.7	2.3	17.2	21.2
Central Pattana	CPN TB *	Thailand	30.4	22.8	29.7	24.2	3.8	3.4	18.1	15.2	1.5	1.8	13.3	14.7
Central Retail Corp.	CRC TB *	Thailand	36.1	33.3	31.5	23.6	4.1	3.7	10.5	9.1	1.3	1.7	13.5	16.4
Siam Global House	GLOBAL TB *	Thailand	23.0	16.5	21.1	18.1	3.6	3.2	17.0	14.3	1.9	2.2	18.4	18.9
Home Product	HMPRO TB *	Thailand	17.7	17.5	26.7	22.7	7.6	7.0	15.4	13.5	3.0	3.5	29.6	32.1
Siam Makro	MAKRO TB *	Thailand	39.6	44.0	40.0	27.8	1.4	1.4	15.5	13.0	1.9	2.7	3.6	5.1
<b>Average</b>			<b>30.6</b>	<b>26.0</b>	<b>29.5</b>	<b>23.3</b>	<b>3.8</b>	<b>3.5</b>	<b>14.5</b>	<b>12.5</b>	<b>2.0</b>	<b>2.5</b>	<b>14.3</b>	<b>16.2</b>

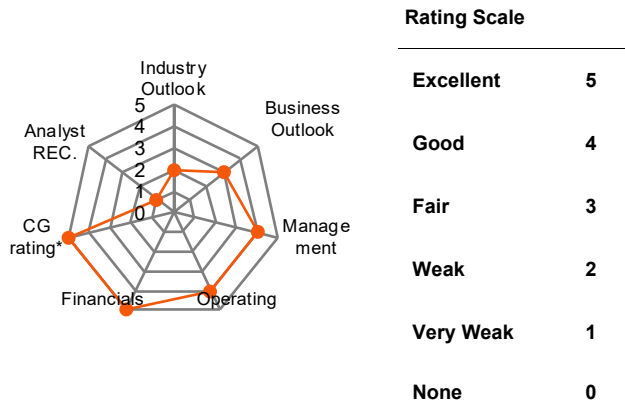
Sources: Bloomberg, \* Thanachart estimates  
Based on 15 February 2023 closing prices

## 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, ran 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



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's No.1 convenience store operator.

### O — Opportunity

- Overseas markets could offer substantial growth opportunities.
- OR's strong balance sheet could allow it to find new businesses or investments to 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 of government intervention when oil prices are high.
- Rising EV penetration rate could lead to lower oil demand.
- Potential cannibalization of store expansion

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	27.12	19.00	-30%
Net profit 23F (Bt m)	13,152	10,720	-18%
Net profit 24F (Bt m)	14,452	11,635	-19%
<b>Consensus REC</b>	<b>BUY: 12</b>	<b>HOLD: 6</b>	<b>SELL: 5</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F profits are below the Bloomberg consensus estimates. We believe this is due to us having lower margin assumptions for its oil and non-oil businesses.
- 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 a potential upside surprise to our EBITDA forecasts.

Source: Thanachart



## INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	511,799	789,785	681,396	649,502	665,843
Cost of sales	475,592	750,677	644,242	612,713	627,900
<b>Gross profit</b>	<b>36,207</b>	<b>39,108</b>	<b>37,154</b>	<b>36,789</b>	<b>37,942</b>
% gross margin	7.1%	5.0%	5.5%	5.7%	5.7%
Selling & administration expenses	25,087	29,110	27,256	25,980	26,634
<b>Operating profit</b>	<b>11,120</b>	<b>9,998</b>	<b>9,898</b>	<b>10,809</b>	<b>11,309</b>
% operating margin	2.2%	1.3%	1.5%	1.7%	1.7%
Depreciation & amortization	7,910	8,362	5,953	6,232	6,850
<b>EBITDA</b>	<b>19,030</b>	<b>18,360</b>	<b>15,852</b>	<b>17,042</b>	<b>18,158</b>
% EBITDA margin	3.7%	2.3%	2.3%	2.6%	2.7%
Non-operating income	3,480	3,633	3,633	3,633	3,633
Non-operating expenses	0	0	0	0	0
Interest expense	(1,250)	(1,155)	(901)	(683)	(603)
<b>Pre-tax profit</b>	<b>13,351</b>	<b>12,476</b>	<b>12,630</b>	<b>13,760</b>	<b>14,339</b>
Income tax	2,719	2,638	2,400	2,614	2,724
<b>After-tax profit</b>	<b>10,632</b>	<b>9,838</b>	<b>10,231</b>	<b>11,145</b>	<b>11,615</b>
% net margin	2.1%	1.2%	1.5%	1.7%	1.7%
Shares in affiliates' Earnings	372	490	490	490	490
Minority interests	4	(2)	0	0	0
Extraordinary items	465	44	0	0	0
<b>NET PROFIT</b>	<b>11,474</b>	<b>10,370</b>	<b>10,720</b>	<b>11,635</b>	<b>12,104</b>
<b>Normalized profit</b>	<b>11,009</b>	<b>10,326</b>	<b>10,720</b>	<b>11,635</b>	<b>12,104</b>
EPS (Bt)	1.0	0.9	0.9	1.0	1.0
Normalized EPS (Bt)	0.9	0.9	0.9	1.0	1.0

*We expect profit growth to taper off from 2022 onward*

## BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
<b>ASSETS:</b>					
Current assets:	126,066	136,552	111,614	108,199	109,923
Cash & cash equivalent	66,224	39,461	39,461	39,461	39,461
Account receivables	20,235	28,083	18,668	17,795	18,242
Inventories	24,432	27,474	17,650	16,787	17,203
Others	15,175	41,534	35,834	34,157	35,016
Investments & loans	5,948	8,743	8,743	8,743	8,743
Net fixed assets	42,663	44,363	52,732	59,362	65,026
Other assets	32,982	35,846	10,527	8,664	6,800
<b>Total assets</b>	<b>207,659</b>	<b>225,504</b>	<b>183,616</b>	<b>184,969</b>	<b>190,492</b>
<b>LIABILITIES:</b>					
Current liabilities:	51,730	68,660	29,490	27,255	27,975
Account payables	37,275	48,414	17,650	16,787	17,203
Bank overdraft & ST loans	93	4,689	0	0	0
Current LT debt	4,775	4,630	917	856	785
Others current liabilities	9,587	10,927	10,922	9,612	9,987
<b>Total LT debt</b>	<b>29,502</b>	<b>24,488</b>	<b>17,430</b>	<b>16,257</b>	<b>14,910</b>
Others LT liabilities	26,555	28,595	26,364	23,887	22,604
<b>Total liabilities</b>	<b>107,787</b>	<b>121,744</b>	<b>73,284</b>	<b>67,399</b>	<b>65,488</b>
Minority interest	54	60	60	60	60
Preferreds shares	0	0	0	0	0
Paid-up capital	120,000	120,000	120,000	120,000	120,000
Share premium	23,497	23,497	23,497	23,497	23,497
Warrants	0	0	0	0	0
Surplus	(66,086)	(66,195)	(66,195)	(66,195)	(66,195)
<b>Retained earnings</b>	<b>22,407</b>	<b>26,399</b>	<b>32,971</b>	<b>40,208</b>	<b>47,643</b>
Shareholders' equity	99,818	103,701	110,273	117,510	124,945
<b>Liabilities &amp; equity</b>	<b>207,659</b>	<b>225,504</b>	<b>183,616</b>	<b>184,969</b>	<b>190,492</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Earnings before tax	13,351	12,476	12,630	13,760	14,339
Tax paid	(2,397)	(2,976)	(2,172)	(2,736)	(2,665)
Depreciation & amortization	7,910	8,362	5,953	6,232	6,850
Chg In working capital	366	249	(11,525)	874	(448)
Chg In other CA & CL / minorities	6,212	(23,033)	5,958	979	(54)
<b>Cash flow from operations</b>	<b>25,441</b>	<b>(4,922)</b>	<b>10,844</b>	<b>19,109</b>	<b>18,022</b>
Capex	(6,742)	(8,202)	(12,459)	(11,000)	(10,650)
Right of use	(3,446)	(1,102)	0	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(1,155)	(2,796)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,735)	(3,804)	21,224	(2,476)	(1,284)
<b>Cash flow from investments</b>	<b>(13,078)</b>	<b>(15,904)</b>	<b>8,765</b>	<b>(13,476)</b>	<b>(11,934)</b>
Debt financing	(15,662)	550	(15,460)	(1,235)	(1,418)
Capital increase	53,497	0	0	0	0
Dividends paid	(4,423)	(6,464)	(4,149)	(4,398)	(4,670)
Warrants & other surplus	1,446	(23)	0	0	0
<b>Cash flow from financing</b>	<b>34,858</b>	<b>(5,937)</b>	<b>(19,609)</b>	<b>(5,632)</b>	<b>(6,088)</b>
<b>Free cash flow</b>	<b>18,699</b>	<b>(13,124)</b>	<b>(1,615)</b>	<b>8,109</b>	<b>7,372</b>

*OR chooses to use cash to explore new businesses*

**VALUATION**

<b>FY ending Dec</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Normalized PE (x)	24.7	26.4	25.4	23.4	22.5
Normalized PE - at target price (x)	20.7	22.1	21.3	19.6	18.8
PE (x)	23.7	26.3	25.4	23.4	22.5
PE - at target price (x)	19.9	22.0	21.3	19.6	18.8
EV/EBITDA (x)	12.6	14.5	15.9	14.7	13.7
EV/EBITDA - at target price (x)	10.3	12.1	13.1	12.1	11.2
P/BV (x)	2.7	2.6	2.5	2.3	2.2
P/BV - at target price (x)	2.3	2.2	2.1	1.9	1.8
P/CFO (x)	10.7	(55.3)	25.1	14.3	15.1
Price/sales (x)	0.5	0.3	0.4	0.4	0.4
Dividend yield (%)	1.2	1.5	1.5	1.7	1.7
FCF Yield (%)	6.9	(4.8)	(0.6)	3.0	2.7
<b>(Bt)</b>					
Normalized EPS	0.9	0.9	0.9	1.0	1.0
EPS	1.0	0.9	0.9	1.0	1.0
DPS	0.3	0.3	0.4	0.4	0.4
BV/share	8.3	8.6	9.2	9.8	10.4
CFO/share	2.1	(0.4)	0.9	1.6	1.5
FCF/share	1.6	(1.1)	(0.1)	0.7	0.6

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth Rate</b>					
Sales (%)	19.4	54.3	(13.7)	(4.7)	2.5
Net profit (%)	30.5	(9.6)	3.4	8.5	4.0
EPS (%)	30.5	(9.6)	3.4	8.5	4.0
Normalized profit (%)	19.4	(6.2)	3.8	8.5	4.0
Normalized EPS (%)	19.4	(6.2)	3.8	8.5	4.0
Dividend payout ratio (%)	28.2	39.3	39.3	39.3	39.3
<b>Operating performance</b>					
Gross margin (%)	7.1	5.0	5.5	5.7	5.7
Operating margin (%)	2.2	1.3	1.5	1.7	1.7
EBITDA margin (%)	3.7	2.3	2.3	2.6	2.7
Net margin (%)	2.1	1.2	1.5	1.7	1.7
D/E (incl. minor) (x)	0.3	0.3	0.2	0.1	0.1
Net D/E (incl. minor) (x)	(0.3)	(0.1)	(0.2)	(0.2)	(0.2)
Interest coverage - EBIT (x)	8.9	8.7	11.0	15.8	18.8
Interest coverage - EBITDA (x)	15.2	15.9	17.6	25.0	30.1
ROA - using norm profit (%)	6.2	4.8	5.2	6.3	6.4
ROE - using norm profit (%)	16.0	10.1	10.0	10.2	10.0
<b>DuPont</b>					
ROE - using after tax profit (%)	15.4	9.7	9.6	9.8	9.6
- asset turnover (x)	2.9	3.6	3.3	3.5	3.5
- operating margin (%)	2.9	1.7	2.0	2.2	2.2
- leverage (x)	2.6	2.1	1.9	1.6	1.5
- interest burden (%)	91.4	91.5	93.3	95.3	96.0
- tax burden (%)	79.6	78.9	81.0	81.0	81.0
WACC (%)	7.5	7.5	7.5	7.5	7.5
ROIC (%)	12.7	11.6	8.2	9.8	9.6
NOPAT (Bt m)	8,856	7,884	8,017	8,755	9,160
invested capital (Bt m)	67,963	98,047	89,159	95,161	101,178

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

Sources: Company data, Thanachart estimates

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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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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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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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