

SELL (Unchanged)
Change in Numbers

TP: Bt 31.00 (From: Bt 28.00)
Downside : 13.3%

28 AUGUST 2023

PTT Public Co Ltd (PTT TB)

Not all rosy

We maintain our SELL rating on PTT despite lifting our DCF-based TP to Bt31 from Bt28 as we factor in 1H23 profit and roll over our TP to a 2024F base year. We think regulatory risk isn't the only negative factor as the profit outlook remains subdued over 2023-25F.



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Policy risk isn't the only negative factor

PTT's share price has rallied 20% from its bottom this year as the market sees regulatory risk easing since the Move Forward Party (MFP) didn't become part of the new government. However, we think regulatory risk is not the only negative factor. We expect PTT's earnings to remain stagnant over the next two years due to our expectation of range-bound oil prices. We see PTT's valuation as unattractive at 11x 2024F PE. We maintain our SELL call on PTT despite lifting our DCF-based 12-month TP to Bt31 from Bt28 after factoring in 1H23 profit and rolling over our TP to a 2024F base year.

Gas profit peak in 2Q23

After the sharp improvement in 2Q23, we expect PTT's gas profit (39% of 2023F profit) to peak in the quarter as benefits from strong gas demand and lower pool gas costs fade in 2H23F. PTT's gas sales volume has grown substantially by 19% q-q in 2Q23, given lower gas prices, which make it more competitive for power generation. However, we expect gas demand to trend lower in 2H23F due to seasonally weak demand. We also anticipate margins to trend down in 4Q23F as pool gas costs should reflect higher oil prices, and the spot LNG price could see support from seasonal winter demand. On a longer-term basis, we expect domestic gas demand to grow at its normal level of only 1% p.a. Gas profit should grow only 6% p.a., based on our lower gas cost assumptions.

Mixed outlook for subsidiaries

The biggest contributor to PTT's profit comes from its upstream subsidiary, PTT Exploration & Production (PTTEP TB, BUY, Bt160.00) (accounts for 44% of 2023F profit), where we expect profit to decline due to our lower oil price assumptions. Meanwhile, downstream refinery (6% of 2023F profit) should see lower profit as GRM will likely trend lower in 2024F due to more supply pressure. The only potential recovery area in the next two years is at its chemical subsidiaries (1% of profit in 2023F), but we don't think this is enough to lead to major earning growth for PTT.

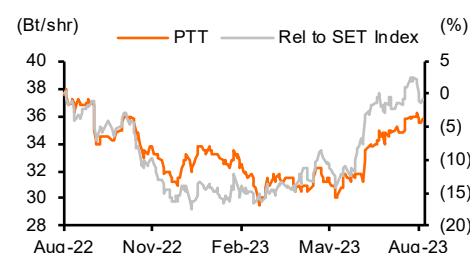
New business contribution is still small

The only way that we see a multiple re-rating happening is from PTT's new businesses. The company has been very active in exploring new businesses given limited growth from its legacy gas business. And the progress has been good, especially for its pharmaceutical business. Profit from the new businesses reached Bt500m in 1H23, which was up from Bt200m in 2022. However, it was still very small compared to PTT's total profit, accounting for only 1% of 1H23 profit.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	3,367,203	3,202,210	3,076,390	3,022,530
Net profit	91,175	97,617	89,428	86,204
Consensus NP	—	98,142	103,142	109,585
Diff frm cons (%)	—	(0.5)	(13.3)	(21.3)
Norm profit	108,916	97,617	89,428	86,204
Prev. Norm profit	—	94,658	87,224	79,264
Chg frm prev (%)	—	3.1	2.5	8.8
Norm EPS (Bt)	3.8	3.4	3.1	3.0
Norm EPS grw (%)	22.7	(10.4)	(8.4)	(3.6)
Norm PE (x)	9.4	10.5	11.4	11.8
EV/EBITDA (x)	3.9	4.5	4.2	3.7
P/BV (x)	1.0	0.9	0.9	0.9
Div yield (%)	5.6	5.6	5.6	5.6
ROE (%)	10.6	9.1	8.1	7.6
Net D/E (%)	48.1	45.1	39.4	30.5

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 28-Aug-23 (Bt)	35.75
Market Cap (US\$ m)	28,955.8
Listed Shares (m shares)	28,563.0
Free Float (%)	48.9
Avg Daily Turnover (US\$ m)	41.7
12M Price H/L (Bt)	38.00/29.50
Sector	Energy
Major Shareholder	Ministry of Finance 51.11%

Sources: Bloomberg, Company data, Thanachart estimates

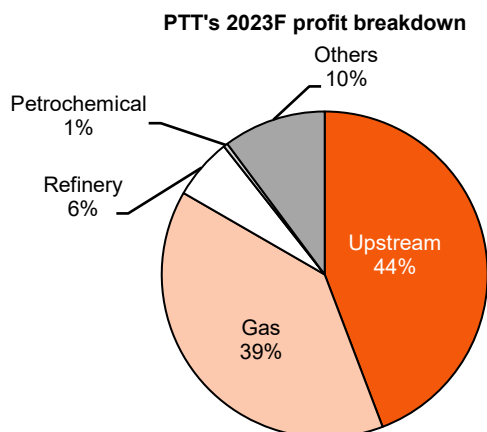
ESG Summary Report P9

Policy risk isn't the only negative factor

*Profits on a declining trend
with lower oil prices*

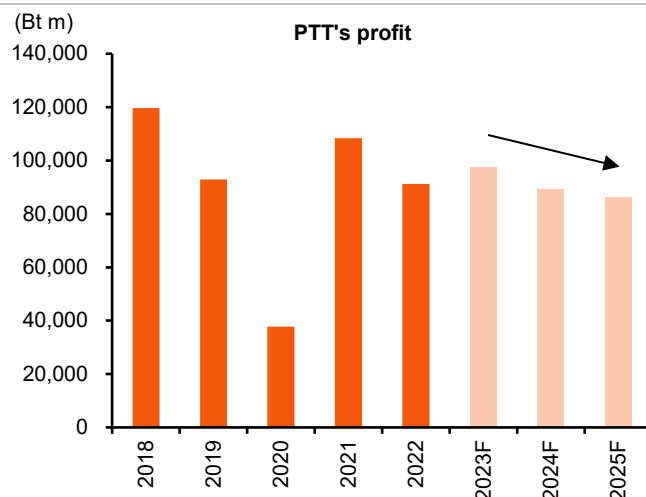
PTT Pcl's (PTT) share price has outperformed the SET Index by 13% YTD due to easing concerns about regulatory risk. However, we believe regulatory risk is not the only factor to be worried about. We expect PTT's earnings to remain subdued over the next two years and expect profit to decline by -8%/-4% in 2024-25F. The key reasons are our lower oil price assumptions and weaker contributions from its refinery subsidiaries. Consequently, we see PTT's valuation as unattractive, with the shares trading at 11x 2024F PE.

Ex 1: PTT's Share Price Rally On Easing Regulatory Risk



Sources: Thanachart estimates

Ex 2: But Profit Outlook Remains Subdued



Sources: Company data, Thanachart estimates

Gas profit to peak 2Q23F

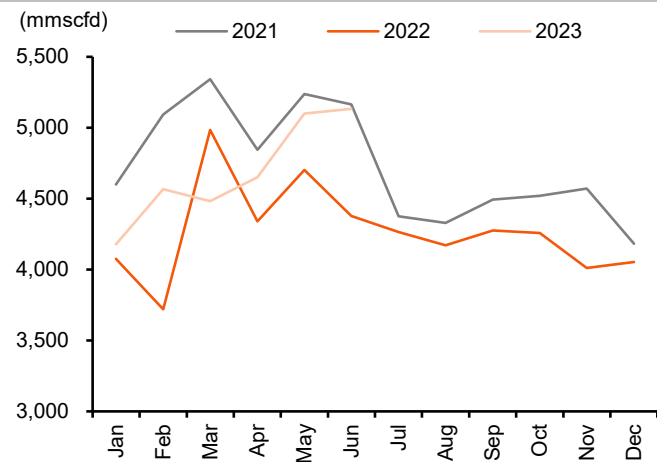
*Near term, benefit from
lower gas costs should be
over*

After a sharp improvement in 2Q23, we expect PTT's gas profit (39% of profit in 2023F) to peak in the quarter as benefits from strong gas demand and lower pool gas costs fade in 2H23F. PTT's gas sales volume has grown substantially by 19% q-q in 2Q23 given lower gas prices, which make it more competitive for power generation. However, we expect gas demand to trend lower in 2H23F due to seasonally weak demand.

*Gas costs set to rise with
higher oil prices*

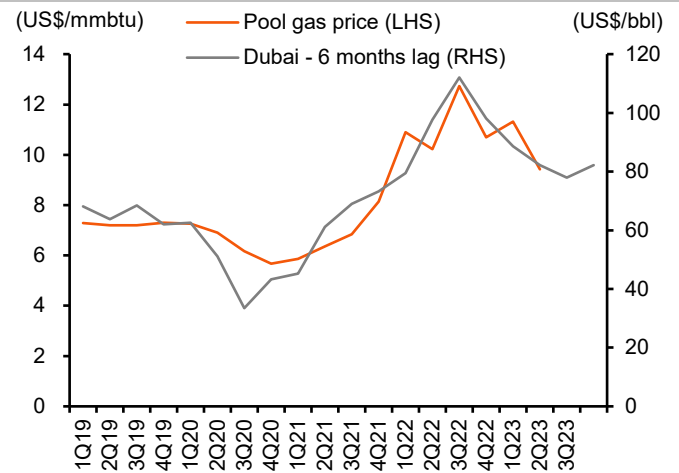
On the cost side, PTT is still experiencing rising gas input costs. This is because the wellhead price for domestic gas lags oil prices and is only now catching up with the rising oil price trend. Therefore, we anticipate margins to trend lower in 4Q23 as the pool gas cost should reflect higher oil prices, and the spot LNG price could see support from seasonal winter demand.

Ex 3: Thailand Gas Demand



Sources: EPPO

Ex 4: Pool Gas Cost To Trend Higher In 4Q23F

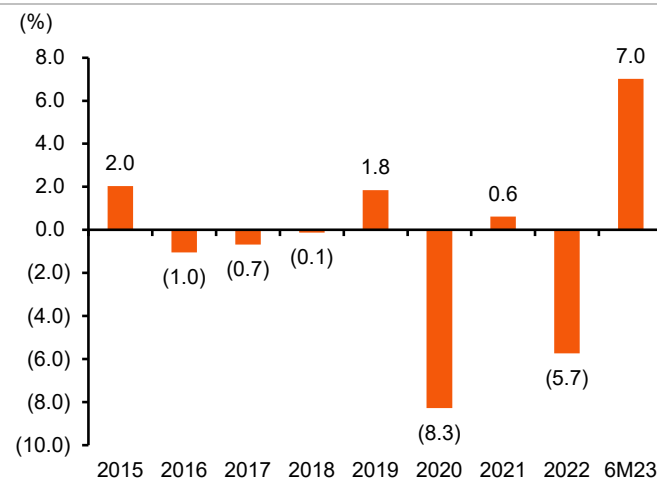


Sources: Bloomberg, Company data

Volume growth likely to be sluggish

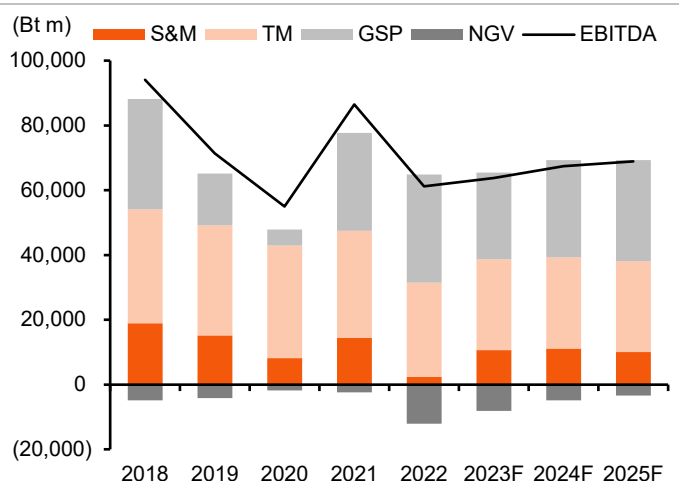
We remain concerned that weakening domestic gas demand poses the biggest long-term risk to PTT's growth potential. Thailand's gas demand has grown by only 1% over 2015-19. This year, domestic gas demand grew by 7% during 6M23, but this was mainly because of the low base in 2022 amid the surge in gas prices because of the Russia-Ukraine conflict. We do not foresee the longer-term gas demand growth trend changing, with the government emphasizing renewable energy and limited domestic gas supply. At 39% of PTT's 2023F profit, we expect a lack of growth in the gas business to weigh on PTT's long-term growth potential.

Ex 5: Thailand Domestic Gas Demand



Sources: EPPO

Ex 6: Gas EBITDA Forecast



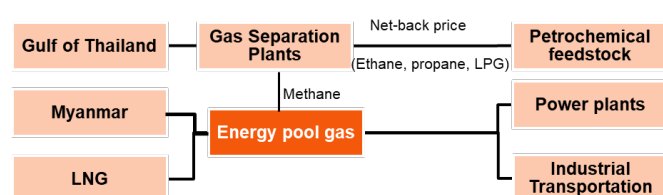
Sources: Company data, Thanachart estimates

Gas price restructuring still pending discussion

PTT always faces regulatory risk in our view

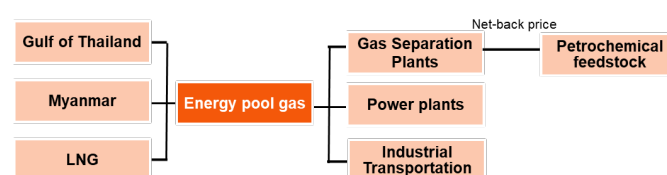
The restructuring of the pool gas price is still pending discussion as it has been proposed by the Energy Regulatory Committee (ERC). We recap here that the policy was first proposed by the Move Forward Party (MFP) in order to reduce electricity and energy prices. The MFP wants to make PTT's gas separation plants (GSPs) pay for their domestic gas costs at the average pool gas price to help bear the burden of higher imported LNG costs. We estimate that PTT's profit would drop by 24% in 2024F if the policy were to be implemented. Although the MFP is not part of the new governing coalition, we still think that PTT is stuck between a rock and a hard place where potential upside to earnings is being capped by the regulatory risk of a possible subsidy burden while earnings will likely fall with lower energy prices. PTT always faces regulatory risk when energy prices are high regardless of which party is in the government, in our view.

Ex 7: Current Gas Price Structure



Sources: Company data

Ex 8: Proposed New Price Structure



Source: Thanachart estimates

New business contribution is still small

Profit from new businesses accounted for only 1% of 1H23 profit

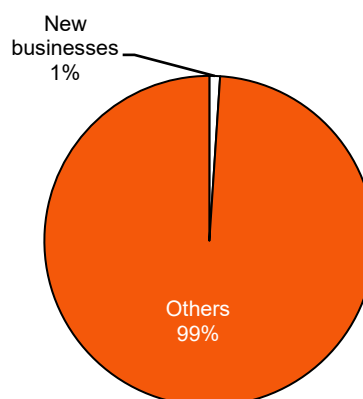
The only way that we see a multiple re-rating taking place is from PTT's new businesses. The company has been very active in exploring new businesses given limited growth from its legacy gas business. The progress has been good, especially for its pharmaceutical business. Profit from its new businesses reached Bt500m in 1H23, which was up from Bt200m in 2022. However, it is still very small compared to PTT's total profit which accounted for only 1% of 1H23 profit.

Ex 9: PTT's New Businesses



Sources: Company data

Ex 10: Profit From New Businesses Was Only 1% In 1H23



Sources: Company data

Earning revisions

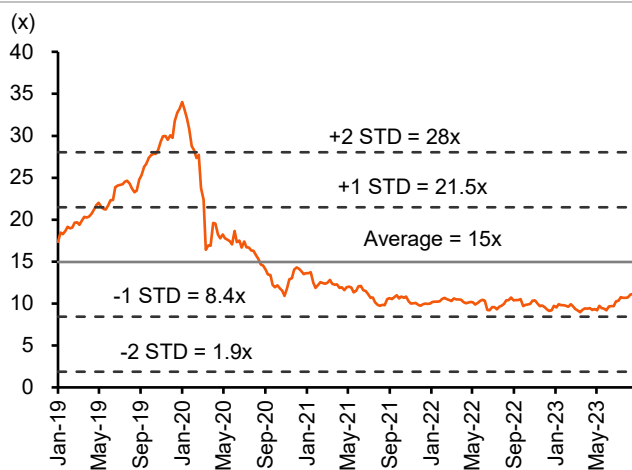
We raise our estimates for PTT's 2023-25F net profit by 3.1/2.5/8.8% as we incorporate 1H23 profit and increase our gas sales volume assumption. We also roll over our DCF-based 12-month TP to a 2024F base year, which causes our TP to increase to Bt31 from Bt28.

Ex 11: Earning Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
Normalized profit (Bt m)							
- New	77,638	38,053	88,796	108,916	97,617	89,428	86,204
- Old					94,658	87,224	79,264
- Change (%)					3.1	2.5	8.8
Net profit (Bt m)							
- New	92,951	37,766	108,363	91,175	97,617	89,428	86,204
- Old					94,658	87,224	79,264
- Change (%)					3.1	2.5	8.8
Pool gas price (US\$/mmbtu)							
- New	7.2	6.5	6.8	11.1	9.3	8.0	7.7
- Old					9.6	8.0	7.7
- Change (%)					(3.4)	0.0	0.0
Gas sales volume (mmscfd)							
- New	5,017	4,699	4,726	4,190	4,726	4,726	4,726
- Old					4,326	4,369	4,413
- Change (%)					9.2	8.2	7.1

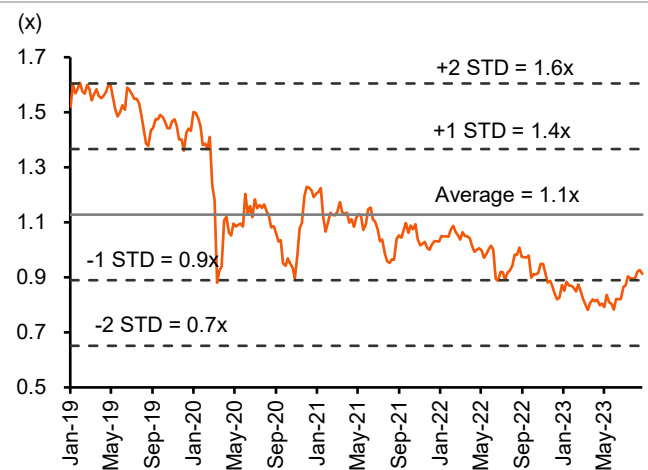
Sources: Company data, Thanachart estimates

Ex 12: PE



Sources: Bloomberg, Thanachart estimates

Ex 13: P/BV



Sources: Bloomberg, Thanachart estimates

Ex 14: 12-month DCF-derived SOTP-based TP Calculation Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
EBITDA	61,207	65,478	67,433	68,957	73,517	72,737	72,032	71,404	70,856	70,391	70,011	
Free cash flow	29,248	69,267	68,378	59,208	67,734	67,387	66,915	66,505	66,163	65,886	65,686	805,289
PV of free cash flow	24,385	52,728	47,528	36,897	38,391	34,748	31,390	28,383	25,682	22,354	20,202	247,666
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	9.5											
Terminal growth (%)	2.0											
Enterprise value - add investments	610,354											
Net debt	245,246											
Minority interest	0											
Equity value	365,107											
# of shares (m)	28,563											
Equity value/sh (Bt)	13.00											

Sum-of-the-parts valuation	Value (Bt m)	Per share (Bt/shr)	% of total	Methodology
Gas and other core operations	318,888	11.2	27	DCF
Oil & retail	171,000	6.0	15	EV/EBITDA
Upstream	438,683	15.4	37	DCF
Refining & chemical	173,389	6.1	15	DCF
Power	41,411	1.4	4	DCF
Other investments	31,040	1.1	3	Earnings multiples
Total equity value	1,174,411	41.0	100	SOTP
Holding discount assumption		25%		
Target price		31.0		

Sources: Thanachart estimates

Valuation Comparison

Ex 15: Comparison With Regional Peers

Company	Code	Country	EPS Growth		PE		P/BV		EV/EBITDA		Div. Yield		ROE	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
Refining & Marketing														
Ampol	ALD AU	Australia	(11.5)	(2.6)	12.2	12.5	2.3	2.2	7.3	7.2	6.1	5.6	18.4	18.6
BPCL	BPCL IN	India	(66.3)	na	22.7	5.1	1.4	1.2	13.6	5.3	2.0	6.9	3.3	23.7
HPCL	HPCL IN	India	na	na	na	4.2	1.3	1.0	na	6.7	3.8	8.4	na	29.3
IOCL	IOCL IN	India	(72.5)	na	18.7	5.8	0.9	0.8	11.4	5.8	4.1	8.9	5.2	16.2
Reliance Industries	RIL IN	India	11.9	10.7	na	na	na	na	na	na	na	na	8.3	9.0
SK Energy	096770 KS	S.Korea	(71.4)	172.3	24.3	8.9	0.8	0.7	10.0	6.3	1.9	2.0	3.2	8.6
S-OIL	010950 KS	S.Korea	(57.0)	35.8	8.7	6.4	1.0	0.9	5.6	4.6	3.3	4.1	11.1	14.2
Formosa Petrochemical	6505 TT	Taiwan	(35.0)	46.9	41.2	28.0	2.3	2.2	22.3	15.5	1.8	2.5	5.8	8.4
Bangchak *	BCP TB	Thailand	(56.0)	23.4	8.0	6.4	0.8	0.7	4.0	4.0	3.6	4.7	10.4	11.9
ESSO (Thailand) *	ESSO TB	Thailand	(56.9)	(5.7)	7.2	7.6	1.2	1.1	6.5	6.2	3.4	5.4	17.0	15.0
IRPC Pcl *	IRPC TB	Thailand	85.2	46.7	14.1	9.6	0.6	0.6	9.3	7.8	3.6	5.2	4.3	6.1
PTT Oil And Retail *	OR TB *	Thailand	3.8	8.5	23.4	21.6	2.3	2.1	14.5	13.4	1.7	1.8	10.0	10.2
PTG Pcl *	PTG TB	Thailand	4.0	18.5	18.9	15.9	2.1	2.0	4.6	4.0	2.4	2.8	11.5	12.8
PTT Global Chemicals *	PTTGC TB	Thailand	(43.5)	71.9	17.5	10.2	0.6	0.5	9.6	7.8	2.0	4.4	3.3	5.5
Star Petroleum Refining *	SPRC TB	Thailand	(41.7)	(0.2)	8.1	8.2	1.0	1.0	4.9	4.8	6.1	5.1	12.6	12.1
Thai Oil *	TOP TB	Thailand	(69.0)	(3.5)	9.5	9.8	0.7	0.7	9.8	10.9	4.2	4.1	7.8	7.2
Average			(31.7)	32.5	16.7	10.7	1.3	1.2	9.5	7.4	3.3	4.8	8.8	13.1
Integrated oils														
PetroChina	857 HK	China	(2.0)	(4.3)	7.2	7.5	0.7	0.7	3.7	3.8	6.9	6.5	10.2	9.0
Sinopec	386 HK	China	10.0	4.2	7.0	6.7	0.7	0.6	5.3	4.9	9.1	9.1	9.6	9.4
Total	FP	France	(32.3)	(3.5)	na	na	na	na	na	na	na	na	20.6	17.5
Eni	ENI IM	Italy	(34.6)	(6.7)	5.8	6.2	0.9	0.8	2.9	3.1	6.6	6.8	13.9	12.3
Repsol	REP SM	Spain	(23.2)	(20.6)	4.3	5.4	0.7	0.6	2.7	2.9	5.0	5.3	16.4	11.0
Chevron Texaco	CVX US	USA	(29.7)	5.2	11.9	11.3	1.9	1.8	6.2	5.9	3.8	4.0	15.4	15.7
Exxon Mobil	XOM US	USA	(35.0)	(3.1)	11.9	12.3	2.2	2.1	6.3	6.5	3.4	3.5	18.1	16.1
Conoco Philips	COP US	USA	(36.6)	12.2	13.3	11.9	2.9	2.7	5.9	5.5	1.8	2.2	22.2	22.5
PTT Pcl *	PTT TB	Thailand	(10.4)	(8.4)	10.5	11.4	0.9	0.9	4.5	4.2	5.6	5.6	9.1	8.1
Average			(21.5)	(2.8)	9.0	9.1	1.3	1.3	4.7	4.6	5.3	5.4	15.1	13.5
Exploration and Production														
Santos	STO AU	Australia	(41.5)	(0.4)	16.5	16.6	1.6	1.5	4.8	4.8	2.7	2.3	9.8	9.2
Woodside	WDS AU	Australia	(50.0)	(1.5)	21.0	21.3	2.0	2.0	5.2	4.8	3.7	3.7	9.2	8.7
Suncor Energy	SU US	Canada	(37.4)	10.6	6.4	5.8	1.0	1.0	4.5	4.4	6.4	6.8	16.1	15.7
ONGC	ONGC IN	India	10.9	(4.5)	4.5	4.8	0.8	0.7	3.8	3.6	9.0	7.6	18.0	15.9
RIL	RIL IN	India	11.9	10.7	na	na	na	na	na	na	na	na	8.3	9.0
Apache	APA US	USA	(43.1)	23.1	9.2	7.5	9.8	5.9	3.9	3.6	2.3	2.5	na	na
Devon Energy	DVN US	USA	(34.5)	16.0	9.1	7.9	2.7	2.4	5.2	4.8	1.4	2.2	30.3	31.3
PTTEP *	PTTEP TB	Thailand	(24.8)	(0.4)	9.3	9.3	1.3	1.2	2.7	2.7	5.3	4.7	14.1	13.1
Average			(26.1)	6.7	10.9	10.4	2.7	2.1	4.3	4.1	4.4	4.2	15.1	14.7

Sources: Bloomberg, * Thanachart estimates
Based on 28 August 2023 closing prices

COMPANY DESCRIPTION

PTT Pcl (PTT) is a fully integrated oil and gas company, and it has the largest market capitalization on the Stock Exchange of Thailand (SET). The government owns directly and indirectly 66% of PTT. Its businesses can be mainly grouped into seven segments: 1) Exploration & Production – operated by its key subsidiary, 65%-owned PTTEP; 2) petrochemicals with its flagship PTTGC; 3) refinery via SET-listed TOP and IRPC; 4) oil marketing business through its 75%-owned PTTOR; 5) power flagship through its 43%-owned GPSC; 6) gas pipeline and GSP businesses operated by PTT, the parent firm, and 7) coal and international trading.

Source: Thanachart

THANACHART’S SWOT ANALYSIS

S — Strength

- Sole gas distributor in Thailand that operates Thailand’s gas pipeline and gas separation plants.
- Integrated business model: upstream E&P, gas processing, chemical, refining and retailing.

O — Opportunity

- Strong free cash to expand into new products and abroad.
- M&As within the group or overseas to strengthen its business structure.

CONSENSUS COMPARISON

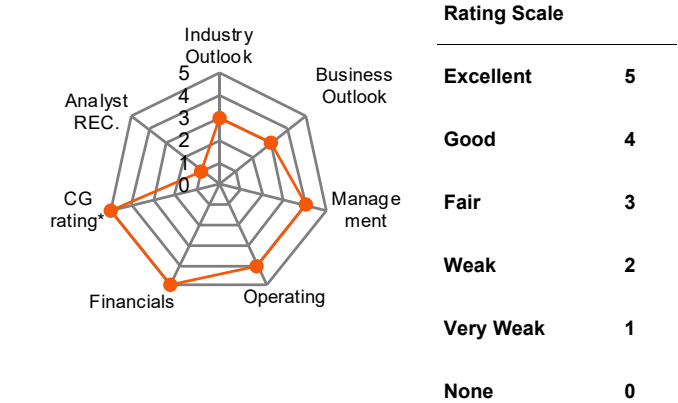
	Consensus	Thanachart	Diff
Target price (Bt)	38.38	31.00	-19%
Net profit 23F (Bt m)	98,142	97,617	-1%
Net profit 24F (Bt m)	103,142	89,428	-13%
Consensus REC	BUY: 16	HOLD: 5	SELL: 3

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024F net profit is 13% lower than the Bloomberg consensus estimate, likely due to us having lower profit assumptions for its downstream subsidiaries.
- Our TP is also lower than the Street’s. This is likely partly because we assume a political risk discount of 5%.

Sources: Bloomberg consensus, Thanachart estimates

COMPANY RATING



Source: Thanachart; *CG Rating

W — Weakness

- PTT is heavily reliant on the Thailand market, which has limited growth opportunities for its legacy O&G businesses.
- PTT, being a state-owned enterprise, is heavily regulated and the company may from time to time be called upon to do national service (i.e., provide energy price subsidies).

T — Threat

- The government is allowing third-party imports of LNG and could soon deregulate PTT’s exclusive gas distributorship.
- Depleting domestic gas reserves, which could be a threat to its gas separation plants’ earnings.
- Potential investments that could lead to value destruction.

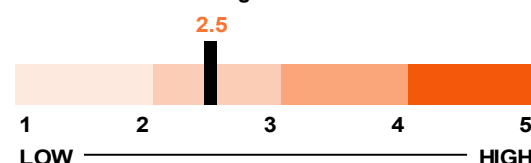
RISKS TO OUR INVESTMENT CASE

- Higher-than-expected oil prices would be the key upside risk to our call.
- High oil prices could trigger the implementation of adverse regulatory measures.
- Another secondary upside risk would come from higher-than-expected refining/chemical margins.

Source: Thanachart

PTT is a Thai state-owned energy firm tasked with ensuring the country's energy security. It is actively seeking new business opportunities to increase its footprint in renewable energy and EV businesses. We score PTT at 2.5 for ESG. Still, 90% of its EBITDA is contributed by its traditional energy business. We expect the score to improve in the future from a rising proportion of green energy and non-oil businesses.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
PTT	YES	YES	YES	A	52.04	76.5	73.00	44.0	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors

Our Comments

ENVIRONMENT

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

- In 2021, PTT released 11.7mt of CO2 equivalent and 33.2mt of CO2 equivalent for PTT group, which was the highest in the energy sector. The absolute amount is high due to its size, but if we look at it in terms of PTT's business, the company released carbon amounting to 92.72kg CO2 per barrel of crude oil equivalent. This is 6% above its target. However, PTT beat its targets during 2018-20.
- PTT has set a target to cut carbon emissions by 15% from 2020 to 2030 and expects to reach net zero GHG emissions by 2050F.
- The two key Future Energy investments are a battery business via its holding in Global Power Synergy Plc (GPSC), a licensee of US-based battery start-up 24M Technologies Inc and an agreement with Hon Hai Technology Group (Foxconn), a leading global technological solutions provider and electronics manufacturer.

SOCIAL

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

- PTT is committed to respecting human rights in all business activities, and the company has received zero human rights complaints since 2018 (oldest historical data).
- The company has also established PTT Group's Quality, Security, Safety, Health, and Environment (QSHE) Policy as a framework to control work processes, maintenance, and productivity improvement. These policies are reviewed consistently to be in line with Thailand's laws, international standards, and other practices, such as the ISO Standard, GRI, WBCSD, and IPIECA, as well as a changing corporate context and risk factors.
- PTT also allocates a part of its budget to engage in community activities and services.

GOVERNANCE &
SUSTAINABILITY

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

- Being a national oil company with the government as its major shareholder, PTT at times has to fulfil social/national service obligations.
- We believe PTT has an appropriate board size of 14 members. Eleven out of its 14 directors are independent directors.
- Its financial disclosure is of a very high standard, in our view. However, there are a lot of company-related transactions since it sells gas/oil feedstocks to its subsidiaries. Sometimes, the company also provides loans to help its subsidiaries.
- PTT, in our opinion, is the most aggressive energy company in Thailand that is diversifying away from the traditional energy business. According to PTT, 38% of its long-term five-year capex will be allocated to Future Energy and Beyond, which includes EV platforms and EV-related infrastructure, life science business, and renewable projects.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	2,258,818	3,367,203	3,202,210	3,076,390	3,022,530
Cost of sales	1,882,252	2,906,726	2,846,494	2,717,513	2,653,044
Gross profit	376,567	460,477	355,716	358,877	369,486
% gross margin	16.7%	13.7%	11.1%	11.7%	12.2%
Selling & administration expenses	128,269	171,732	144,099	138,438	136,014
Operating profit	248,298	288,745	211,617	220,440	233,472
% operating margin	11.0%	8.6%	6.6%	7.2%	7.7%
Depreciation & amortization	146,790	167,330	172,037	182,025	191,148
EBITDA	395,088	456,075	383,654	402,465	424,620
% EBITDA margin	17.5%	13.5%	12.0%	13.1%	14.0%
Non-operating income	2,904	47,714	16,011	15,382	12,090
Non-operating expenses	(31,958)	(74,914)	0	0	0
Interest expense	(28,163)	(37,091)	(43,026)	(45,762)	(46,224)
Pre-tax profit	191,080	224,454	184,602	190,060	199,338
Income tax	67,591	90,462	57,135	62,691	69,764
After-tax profit	123,490	133,992	127,466	127,369	129,574
% net margin	5.5%	4.0%	4.0%	4.1%	4.3%
Shares in affiliates' Earnings	9,010	5,849	5,849	5,849	5,849
Minority interests	(43,704)	(30,925)	(35,698)	(43,790)	(49,220)
Extraordinary items	19,568	(17,741)	0	0	0
NET PROFIT	108,363	91,175	97,617	89,428	86,204
Normalized profit	88,796	108,916	97,617	89,428	86,204
EPS (Bt)	3.8	3.2	3.4	3.1	3.0
Normalized EPS (Bt)	3.1	3.8	3.4	3.1	3.0

Profits set to decline over
2023-25F with falling
energy prices

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	855,254	1,040,863	1,111,870	1,084,678	1,072,329
Cash & cash equivalent	361,637	352,654	450,990	450,990	450,990
Account receivables	196,243	219,054	208,321	200,135	196,632
Inventories	170,823	222,348	217,740	207,874	202,942
Others	126,551	246,806	234,819	225,678	221,765
Investments & loans	137,403	173,060	173,060	173,060	173,060
Net fixed assets	1,436,877	1,499,330	1,519,122	1,528,926	1,496,394
Other assets	641,851	702,379	804,149	787,660	780,601
Total assets	3,071,384	3,415,632	3,608,201	3,574,324	3,522,385
LIABILITIES:					
Current liabilities:	493,650	592,540	618,167	570,794	551,446
Account payables	213,944	230,366	225,593	215,370	210,261
Bank overdraft & ST loans	11,743	90,757	97,845	92,717	82,271
Current LT debt	87,649	74,021	79,802	75,620	67,100
Others current liabilities	180,314	197,395	214,928	187,086	191,813
Total LT debt	786,224	924,943	997,173	944,919	838,459
Others LT liabilities	318,570	364,456	387,266	376,924	372,497
Total liabilities	1,598,444	1,881,940	2,002,607	1,892,638	1,762,401
Minority interest	466,243	481,102	516,800	560,590	609,810
Preferreds shares	0	0	0	0	0
Paid-up capital	28,563	28,563	28,563	28,563	28,563
Share premium	29,211	29,211	29,211	29,211	29,211
Warrants	0	0	0	0	0
Surplus	22,700	33,499	29,211	29,211	29,211
Retained earnings	926,222	961,318	1,001,809	1,034,111	1,063,188
Shareholders' equity	1,006,696	1,052,591	1,088,794	1,121,096	1,150,174
Liabilities & equity	3,071,384	3,415,632	3,608,201	3,574,324	3,522,385

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	191,080	224,454	184,602	190,060	199,338
Tax paid	(53,397)	(93,039)	(49,623)	(68,533)	(68,203)
Depreciation & amortization	146,790	167,330	172,037	182,025	191,148
Chg In working capital	(21,004)	(57,914)	10,567	7,829	3,326
Chg In other CA & CL / minorities	9,998	(118,761)	25,591	(7,010)	12,928
Cash flow from operations	273,468	122,069	343,175	304,372	338,537
Capex	(290,950)	(229,782)	(191,830)	(191,830)	(158,616)
Right of use	(9,558)	(43,664)	0	0	0
ST loans & investments	139	(594)	0	0	0
LT loans & investments	(52,091)	(35,658)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(128,997)	14,267	(76,694)	6,147	2,631
Cash flow from investments	(481,457)	(295,431)	(268,524)	(185,683)	(155,984)
Debt financing	136,414	209,659	85,098	(61,563)	(125,427)
Capital increase	0	0	(0)	0	0
Dividends paid	(78,469)	(78,469)	(57,126)	(57,126)	(57,126)
Warrants & other surplus	94,762	33,189	(4,288)	0	0
Cash flow from financing	152,706	164,379	23,684	(118,689)	(182,553)
Free cash flow	(17,482)	(107,713)	151,346	112,543	179,921

PTT's capex is mainly driven by subsidiaries

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	11.5	9.4	10.5	11.4	11.8
Normalized PE - at target price (x)	10.0	8.1	9.1	9.9	10.3
PE (x)	9.4	11.2	10.5	11.4	11.8
PE - at target price (x)	8.2	9.7	9.1	9.9	10.3
EV/EBITDA (x)	3.9	3.9	4.5	4.2	3.7
EV/EBITDA - at target price (x)	3.6	3.6	4.2	3.8	3.3
P/BV (x)	1.0	1.0	0.9	0.9	0.9
P/BV - at target price (x)	0.9	0.8	0.8	0.8	0.8
P/CFO (x)	3.7	8.4	3.0	3.4	3.0
Price/sales (x)	0.5	0.3	0.3	0.3	0.3
Dividend yield (%)	5.6	5.6	5.6	5.6	5.6
FCF Yield (%)	(1.7)	(10.5)	14.8	11.0	17.6
(Bt)					
Normalized EPS	3.1	3.8	3.4	3.1	3.0
EPS	3.8	3.2	3.4	3.1	3.0
DPS	2.0	2.0	2.0	2.0	2.0
BV/share	35.2	36.9	38.1	39.2	40.3
CFO/share	9.6	4.3	12.0	10.7	11.9
FCF/share	(0.6)	(3.8)	5.3	3.9	6.3

Sources: Company data, Thanachart estimates

Valuation looks unattractive to us against lower earnings growth

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	39.8	49.1	(4.9)	(3.9)	(1.8)
Net profit (%)	186.9	(15.9)	7.1	(8.4)	(3.6)
EPS (%)	186.9	(15.9)	7.1	(8.4)	(3.6)
Normalized profit (%)	133.3	22.7	(10.4)	(8.4)	(3.6)
Normalized EPS (%)	133.3	22.7	(10.4)	(8.4)	(3.6)
Dividend payout ratio (%)	52.7	62.7	58.5	63.9	66.3
Operating performance					
Gross margin (%)	16.7	13.7	11.1	11.7	12.2
Operating margin (%)	11.0	8.6	6.6	7.2	7.7
EBITDA margin (%)	17.5	13.5	12.0	13.1	14.0
Net margin (%)	5.5	4.0	4.0	4.1	4.3
D/E (incl. minor) (x)	0.6	0.7	0.7	0.7	0.6
Net D/E (incl. minor) (x)	0.4	0.5	0.5	0.4	0.3
Interest coverage - EBIT (x)	8.8	7.8	4.9	4.8	5.1
Interest coverage - EBITDA (x)	14.0	12.3	8.9	8.8	9.2
ROA - using norm profit (%)	3.2	3.4	2.8	2.5	2.4
ROE - using norm profit (%)	9.4	10.6	9.1	8.1	7.6
DuPont					
ROE - using after tax profit (%)	13.1	13.0	11.9	11.5	11.4
- asset turnover (x)	0.8	1.0	0.9	0.9	0.9
- operating margin (%)	9.7	7.8	7.1	7.7	8.1
- leverage (x)	3.0	3.2	3.3	3.3	3.1
- interest burden (%)	87.2	85.8	81.1	80.6	81.2
- tax burden (%)	64.6	59.7	69.0	67.0	65.0
WACC (%)	9.5	9.5	9.5	9.5	9.5
ROIC (%)	13.3	11.3	8.2	8.1	8.5
NOPAT (Bt m)	160,468	172,372	146,120	147,728	151,762
invested capital (Bt m)	1,530,675	1,789,659	1,812,624	1,783,363	1,687,014

Sources: Company data, Thanachart estimates

We expect falling ROE on lower profits from its subsidiaries

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