

COMPANY UPDATE

PTT Oil & Retail Business (OR TB)

Domestic Oil Demand Cools Amid Economic Uncertainty

OR's core profit is likely to continue declining qoq in the next few quarters, as the business enters its low season. This is further pressured by rising operating costs, particularly in the lifestyle business. The overall weak economy has led to a downward adjustment of estimated domestic petroleum demand in 2025 which, coupled with more intense competition, has made OR less attractive to investors. Downgrade to SELL. Target price: Bt12.80.

WHAT'S NEW

- The tone at PTT Oil and Retail's (OR) analyst meeting was negative.
- DOEB revised down the estimate of domestic petroleum demand. Domestic petroleum demand is projected to grow at a slower pace in 2025. The Department of Energy Business (DOEB) under the Ministry of Energy has revised down its estimate for domestic petroleum demand from 2.8% to 1.1% in 2025. This includes a downward revision in diesel and jet fuel demand by 1.7% and 3.8%, respectively. As a result, diesel demand is now expected to decline by 0.6% yoy (vs a previously expected increase of 1.2%), while jet fuel demand is expected to rise by just 9.3% yoy (vs a previously expected increase of 13.6%). These adjustments reflect the impact of the economic slowdown.

DOMESTIC PETROLEUM DEMAND IN 2025

Unit: Million Litres	2024	Old	New	%Chg.	%Growth yoy
Gasoline	31.4	31.7	31.6	-0.3%	0.6%
Gasoil	68.6	69.4	68.2	-1.7%	-0.6%
Jet	16.2	18.4	17.7	-3.8%	9.3%
Fuel Oil	5.0	5.1	5.0	-2.0%	0.0%

Source: DOEB, Ministry of Energy (Jan 25), UOB Kay Hian

- Oil sales enter the low season. OR's oil sales volume is expected to decline qoq in 2Q25, driven by an earlier-than-usual start to the rainy season, which is expected to persist through to end-3Q25. This has led to reduced travel beginning in May, weighing on oil demand. Historically, average oil sales volumes in 2Q and 3Q have declined by 1.4% and 1.7% qoq, respectively, over the past five years. According to the DOEB, diesel demand is expected to fall by 2.3% qoq and jet fuel demand by 15.4% qoq in 2Q25. Notably, diesel and jet fuel together accounted for 60% of OR's total oil sales volume in 2024.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	769,224	723,958	807,918	843,032	879,671
EBITDA	22,920	19,717	22,825	23,520	24,171
Operating profit	14,357	11,153	13,722	13,627	14,075
Net profit (rep./act.)	11,099	7,648	9,600	10,081	10,931
Net profit (adj.)	11,091	8,359	9,600	10,081	10,931
EPS (Bt)	0.9	0.7	0.8	0.8	0.9
PE (x)	13.6	18.1	15.8	15.0	13.8
P/B (x)	0.7	0.7	0.6	0.6	0.6
EV/EBITDA (x)	5.9	6.7	5.6	5.3	5.1
Dividend yield (%)	4.1	3.2	4.0	4.4	4.4
Net margin (%)	1.4	1.1	1.2	1.2	1.2
Net debt/(cash) to equity (%)	0.3	0.3	0.2	0.1	0.0
Interest cover (x)	6.7	6.0	3.8	5.2	0.0
Consensus net profit	-	-	10,100	10,633	10,995
UOBKH/Consensus (x)	-	-	0.95	0.95	0.99

Source: PTT Oil & Retail Business, Bloomberg, UOB Kay Hian

SELL

(Downgraded)

Share Price	Bt13.00
Target Price	Bt12.80
Upside	-1.54%
(Previous TP)	Bt16.00)

COMPANY DESCRIPTION

The company operates an integrated oil and non-oil retailing platform both in Thailand and abroad, including the sales and distribution of petroleum products and other products in retail and commercial marketing, coffee shops, other food and beverage outlet.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	OR TB
Shares issued (m):	12,000.0
Market cap (Btm):	184,800.0
Market cap (US\$m):	5,379.6
3-mth avg daily t'over (US\$m):	5.9

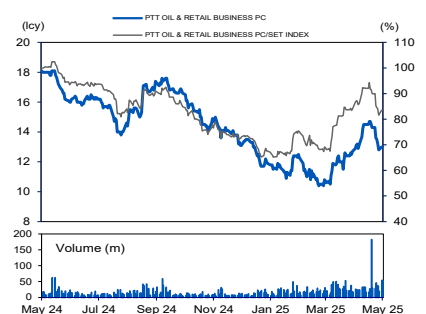
Price Performance (%)

52-week high/low			Bt20.90/Bt13.80	
1mth	3mth	6mth	1yr	YTD
(4.9)	(14.4)	(18.5)	(24.9)	(19.4)

Major Shareholders

FY24 NAV/Share (Bt)	19.52
FY24 Net Cash/Share (Bt)	0.73

PRICE CHART



Source: Bloomberg

ANALYST(S)

Benjaphol Suthwanish
+662 659 8301
Benjaphol@uobkayhian.co.th

- **OR is implementing a pricing strategy to boost market share**, launching a promotion from 1 April to 30 June. The campaign offers a discount of Bt0.50/litre on regular-grade gasoline (Gasohol 91/95, E20, and E85) and Bt3.0/litre on premium-grade gasoline (Super Power Gasohol 95). While we expect OR's 2Q25 sales volume to decline qoq, the drop will likely be less severe than the market's. However, this promotional strategy will likely pressure OR's marketing margin, as the combination of lower selling prices and higher operating expenses could potentially reduce the marketing margin to Bt0.80-0.85/litre (vs. Bt1.02/litre in 1Q25).
- **Lifestyle business to see pressure in 2H25**. Despite OR's plan to manage rising coffee bean costs, we remain concerned that this will continue to weigh on the Café Amazon business. Coffee bean prices have followed an upward global trend over the past 6–12 months, and this is expected to be a key factor putting pressure on the EBITDA margin of the Lifestyle segment.
- **Lifestyle M&A to be finalised in 2Q25**. We continue to monitor the progress of the lifestyle M&A, which is in line with OR's business strategy to focus on expanding major franchises through M&As. Management expects to finalise the deal in 2Q25.

STOCK IMPACT

- **2Q25 net profit to decline qoq**. We anticipate that 1Q25's net profit will be the year's peak. Starting mid-2Q25, domestic oil demand is expected to soften due to the onset of the rainy season. Net profit in 2Q25 is likely to decline qoq, primarily due to a drop in sales and marketing margins stemming from higher promotional expenses.

EARNINGS REVISION/RISK

- **Earnings revision:** None.

VALUATION/RECOMMENDATION

- **Downgrade to SELL with a lower target price of Bt12.80 (previously Bt16.00)**, based on 16.00x PE at -2.0SD (previously based on 21x 2025F PE at -1.0SD). OR is now less attractive to investors as businesses enter the low season, coupled with the overall business showing signs of intense price competition, which are factors that will pressure profitability for the rest of 2025. In the oil & gas sector, we prefer PTT Global Chemical (PTTGC TB/BUY/Target: Bt21.00), Bangchak Corporation (BCP TB/BUY/Target: Bt45.00), and Indorama Ventures (IVL TB/BUY/Target: Bt32.00).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5

SET ESG Rating: AAA

• Environmental

- a) Reduce greenhouse gas emissions (Scope 1 and Scope 2) from business activities by more than one-third by 2030 (compared with 2022 as a base year), b) reduce the proportion of conventional fuel use intensity by more than one-third by 2030 (compared with 2022), and c) expand the EV Station PluZ network to achieve 7,000 DC connectors by 2030.

• Social

- **Living community** – the number of communities surrounding OR's business operations that have had their quality of life improved, both within the business areas and around the business areas. Long-term target: 17,000 communities, or 13m people by 2030.
- **Brand strength** – brand health check score for stakeholders in the social and community group. Long-term target: Score should be 70 or above by 2030. Targets to have 500 Café Amazon branches by 2026.

• Governance

- The board of directors, management and employees shall commit to OR's five good corporate governance principles, namely accountability, responsibility, equitable treatment, transparency and vision, to create long-term value and ethics. OR's organisational structure shall fairly balance the roles of the Board, management and shareholders.
- There shall be an appropriate system for the selection and appointment of key management positions at all levels with a transparent and fair nomination process.
- There shall be an effective anti-fraud and corruption policy and system to ensure that management is fully aware of and pays attention to anti-fraud and corruption practices and implementation.

2025 OUTLOOK



Source: PTT Oil & Retail Business, UOB Kay Hian

1Q25 PERFORMANCE



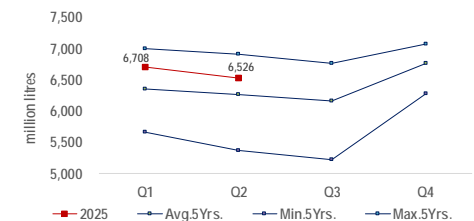
Source: PTT Oil & Retail Business, UOB Kay Hian

FUEL FUND STATUS



Source: Oil fuel fund office (OFFO), UOB Kay Hian

OIL SALES VOLUME OF MOBILITY BUSINESS



** Oil sales figures for 2025 are based on preliminary estimates.

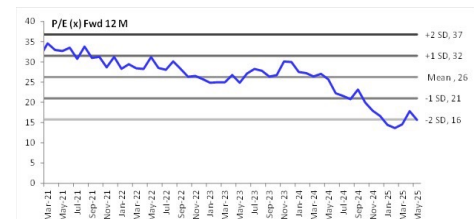
Source: PTT Oil & Retail Business, UOB Kay Hian

DOMESTIC PETROLEUM DEMAND BY QUARTER

m. litres	1Q25	2Q25	%qoq	3Q25	4Q25
Gasoline	31.2	31.8	1.9%	31.5	31.9
Gasoil	70.5	68.9	-2.3%	64.1	69.2
Jet	19.5	16.5	-15.4%	16.7	18.1
Fuel Oil	5.3	4.6	-13.2%	4.9	5.3

Source: DOEB (Jan-25), UOB Kay Hian

AVERAGE THREE-YEAR P/E



Source: PTT Oil & Retail Business, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	723,958	807,918	843,032	879,671
EBITDA	19,717	22,825	23,520	24,171
Deprec. & amort.	8,564	9,103	9,893	10,096
EBIT	11,153	13,722	13,627	14,075
Associate contributions	271	285	299	314
Net interest income/(expense)	-1,264	-2,147	-1,472	-884
Pre-tax profit	9,450	11,860	12,455	13,505
Tax	-1,801	-2,260	-2,374	-2,574
Minorities	-1	0	0	0
Net profit	7,648	9,600	10,081	10,931
Net profit (adj.)	8,359	9,600	10,081	10,931

BALANCE SHEET

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	47,327	51,581	51,939	53,005
Other LT assets	44,133	47,893	49,466	51,107
Cash/ST investment	47,263	43,624	39,505	35,149
Other current assets	59,034	63,288	63,646	64,711
Total assets	207,492	219,771	220,927	222,758
ST debt	8,657	6,686	6,686	6,686
Other current liabilities	52,016	66,090	69,013	72,023
LT debt	20,077	13,390	6,704	19
Other LT liabilities	17,781	19,843	20,706	21,606
Shareholders' equity	228,897	233,697	237,755	242,361
Total liabilities & equity	207,492	219,771	220,928	222,760

CASH FLOW

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	17,640	24,905	19,553	20,556
Pre-tax profit	9,450	11,860	12,455	13,505
Tax	-1,801	-2,260	-2,374	-2,574
Deprec. & amort.	8,564	9,103	9,893	10,096
Working capital changes	2,547	6,202	-421	-471
Other operating cashflows	-1,120	0	0	0
Investing	-5,263	-15,055	-10,961	-11,903
Investments	-6,886	-13,357	-10,251	-11,162
Others	1,624	(1,698)	(710)	(741)
Financing	-16,275	-13,457	-12,710	-13,010
Dividend payments	-6,466	-4,800	-6,023	-6,325
Proceeds from borrowings	-9,808	-8,657	-6,686	-6,685
Others/interest paid	n.a.	n.a.	n.a.	n.a.
Net cash inflow (outflow)	-3,898	-3,607	-4,118	-4,357
Beginning cash & cash equivalent	51,469	47,231	43,624	39,506
Changes due to forex impact	(307)	0	0	0
Ending cash & cash equivalent	47,263	43,624	39,505	35,149

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	2.7	2.8	2.8	2.7
Pre-tax margin	1.3	1.5	1.5	1.5
Net margin	1.1	1.2	1.2	1.2
Net profit (adj.)	1.2	1.2	1.2	1.2
Leverage				
Debt to total capital	26.4	17.6	11.4	5.5
Debt to equity	12.6	8.6	5.6	2.8
Net debt/(cash) to equity	0.3	0.2	0.1	0.0
Interest cover (x)	6.0	3.8	5.2	0.0

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