

COMPANY UPDATE

PTT (PTT TB)

Adapting Business Strategies To Navigate Volatility

We view PTT's restructuring efforts favourably, as they aim to enhance liquidity in response to market volatility, particularly in 2025 when crude oil prices are projected to decline yoy. This approach is especially important to the PTT group as it is facing heightened operational risks, particularly its P&R businesses. PTT is also seeking strategic partners with specialised expertise to help these businesses improve profitability. Maintain BUY. Target price: Bt37.00.

WHAT'S NEW

- **The tone at PTT PLC's (PTT) analyst meeting was positive.**
- **Positive outlook on its 2025 business restructuring plan.** We have a favourable view of PTT's business restructuring plan for 2025. Based on discussions with management during yesterday's analyst meeting, we are optimistic about PTT's proactive response to the anticipated decline in crude oil prices, which is expected to impact total revenue in 2025. PTT has strategically adjusted its operations to sustain liquidity across the PTT group, aiming to generate additional cash flow of approximately Bt25.0b (not included in our 2025 estimate) through the following three key initiatives:
 - a) **Cost reduction:** Aiming to cut operating expenses across the PTT group by at least Bt10.0b in 2025.
 - b) **Asset monetisation:** Targeting asset sales to raise around Bt8.0b
 - c) **Profit enhancement projects:** PTT group is implementing profit enhancement initiatives focused on sourcing raw materials at lower costs and expanding collaboration in the distribution of its petroleum and petrochemical products. These efforts are part of key projects including Project One (P1), Domestic products management (D1), and Operational Excellence (Mission X Project). Through these initiatives, PTT anticipates benefits totalling Bt7.0-8.0b. Overall, the revised strategy should be sufficient to offset the negative impact of falling crude oil prices in 2025.
- **Crude oil price sensitivity.** PTT estimates that a decline of US\$1.00/bbl in crude oil prices would reduce the PTT group's net profit by approximately Bt2.0b. With crude oil prices expected to range between US\$65.00–75.00/bbl in 2025 (vs our Brent crude oil price assumption of US\$70.00/bbl), the downside risk could be around US\$10.00/bbl, translating into a potential impact of Bt20.0b.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	3,144,551	3,090,453	3,318,680	3,382,751	3,468,976
EBITDA	442,938	416,382	405,053	429,129	452,926
Operating profit	269,873	230,464	222,854	250,573	277,942
Net profit (rep./act.)	112,024	90,072	90,590	106,525	121,223
Net profit (adj.)	102,933	86,370	90,590	106,525	121,223
EPS (Bt)	3.6	3.0	3.2	3.7	4.2
PE (x)	8.6	10.3	9.8	8.3	7.3
P/B (x)	0.8	0.7	0.7	0.7	0.7
EV/EBITDA (x)	1.7	1.7	1.6	1.3	0.9
Dividend yield (%)	6.5	6.8	6.8	6.8	7.7
Net margin (%)	3.6	2.9	2.7	3.1	3.5
Net debt/(cash) to equity (%)	54.3	48.8	43.2	33.0	21.4
Interest cover (x)	9.8	8.9	8.4	8.3	8.3
ROE (%)	11.2	8.9	8.9	10.2	11.3
Consensus net profit	-	-	101,743	100,092	108,716
UOBKH/Consensus (x)	-	-	0.89	1.06	1.12

Source: PTT, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt30.75
Target Price	Bt37.00
Upside	+20.33%

COMPANY DESCRIPTION

PTT is a Thailand-based oil & gas company engaged in the upstream petroleum, downstream petroleum, coal business and other related businesses.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PTT TB
Shares issued (m):	28,563.0
Market cap (Btm):	949,719.6
Market cap (US\$m):	26,923.3
3-mth avg daily t'over (US\$m):	27.8

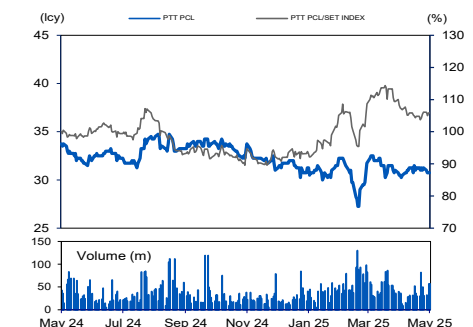
Price Performance (%)

52-week high/low			Bt36.25/Bt31.25	
1mth	3mth	6mth	1yr	YTD
1.5	(1.5)	(4.3)	(7.0)	(7.0)

Major Shareholders

	%
MOF	51.2
Vayupak Fund 1	15.3
NVDR	3.0
FY24 NAV/Share (Bt)	41.39
FY24 Net Debt/Share (Bt)	14.42

PRICE CHART



Source: Bloomberg

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• **New gas pricing structure is seen as positive.** We also hold a positive view on the establishment of a new gas pricing structure. The plan to revert the cost base of the gas separation plant (GSP) to Gulf gas pricing (from the current single-pool price) is encouraging. This change is likely to reduce production costs and could result in the revision of the ethane purchase agreement between PTT and PTT Global Chemical (PTTGC), potentially benefitting PTTGC. PTT previously incurred an annual impact of Bt18.0b due to the shift in the GSP's cost calculation method from Gulf gas pricing to a single-pool gas pricing. While the return to Gulf gas pricing will provide some relief, the full benefit will be partially offset. Regulators will request some of this Bt18b gain to lower gas costs for the power sector, and then to lower electricity tariffs. Gas sold to PTT's industrial customers (excluding petrochemical customers) will be priced based on liquefied natural gas (LNG) import prices instead of the fuel oil-link formula. By doing this, fuel costs for industrial customers should be higher. The government will set up a committee to discuss the new gas price structure. No timeline has been given on that front. Notably, industrial gas sales represent about 8% of PTT's total gas sales volume.

• **Strategic partnership development is targeted for 2025.** PTT is actively seeking strategic partners with expertise in the petrochemical and refining (P&R) businesses, particularly those who can contribute feedstock and market access. The goal is to enhance profitability within these businesses. PTT's management expects to finalise such partnerships within 2025, while PTT will continue to hold a controlling stake in the P&R businesses.

STOCK IMPACT

• **2Q25 core profit expected to remain stable qoq.** We expect PTT's core profit for 2Q25 to be relatively flat qoq. This is supported by seasonally adjusted gas demand and improved earnings from the petrochemical business, driven by a recovery in petrochemical spreads. However, these gains are expected to be offset by substantial inventory losses in the refinery business and weaker performance from the GSP due to declining product prices.

EARNINGS REVISION/RISK

• **Earnings revision:** None.

VALUATION/RECOMMENDATION

• **Maintain BUY with an SOTP-based target price of Bt37.00 in 2025.** We expect PTT to declare a dividend of at least Bt2.10/share in 2025, representing a dividend yield of 6.8%. 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) Business growth: refining the energy investment portfolio with an emphasis on low carbon businesses, b) new growth: enhancing the profitability of the future energy and beyond segment to at least 30%, and c) clean growth: PTT targets to achieve carbon neutrality by 2040, with the ultimate aim of attaining net zero emissions by 2050.	
• Social	
- PTT Group Innovation for Community Project. a) Smart farming: developed integrated models in 45 areas across 29 provinces, b) smart marketing: developed 45 community products and six community-based tourism destinations, and c) community knowledge management.	
- It has achieved its targeted Human Capital Index of 80%.	
• Governance	
- No cases of non-compliance with significant legal implications in operations.	
- The assessment result for the National Anti-Corruption Commission's Integrity and Transparency Assessment is PASSED, Good level.	

PTT GROUP GUIDANCE



Source: PTT, UOB Kay Hian

STRATEGIC PROGRESS



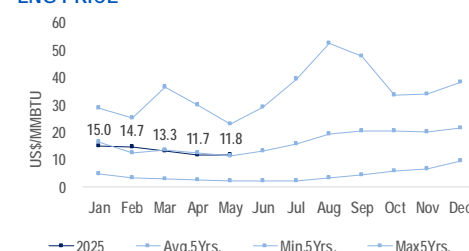
Source: PTT, UOB Kay Hian

ENHANCING EBITDA UPLIFT



Source: PTT, UOB Kay Hian

LNG PRICE



Source: PTT, UOB Kay Hian

SOTP VALUATION

	Share Holding	Fair Value (Bt/share)	Value (Btm)	Value (Bt/share)	Methodology
Gas Business (PTT's Operations)	100.0%	758,117	26.5	DCF @ WACC 7.5% G +1%	
(-) Net Debt (PTT Only)		-126,515	-4.4		
1) PTT - Equity Value		631,602	22.1		
2) Associates and Subsidiaries					
PTTEP	63.8%	155.00	392,530	13.7	5-yrs regional forward PE mean of 9x
TOP	45.0%	27.00	27,159	1.0	Forward PE mean of 7x
RPC	45.1%	1.25	11,507	0.4	Forward PBV -2.0 S.D. of 0.5x
PTTGC	45.2%	21.00	42,779	1.5	Forward PBV -2.0 S.D. of 0.41x
GPSC	47.3%	45.00	59,980	2.1	DCF Valuation
OR	75.0%	12.80	115,200	4.0	Forward PE -1.0 S.D. of 20x
3) Affiliates					
Others Affiliates			40,281	1.4	
TOTAL			766,162	26.5	
Discount to NAV (2021-2022)			-20%		
PTT's TP (UOB Kay Hian)			37.00		

Source: PTT, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	3,090,453	3,318,680	3,382,751	3,468,976
EBITDA	416,382	405,053	429,129	452,926
Deprec. & amort.	185,918	182,200	178,556	174,984
EBIT	230,464	222,854	250,573	277,942
Associate contributions	-6,668	1,659	3,383	6,938
Net interest income/(expense)	-46,821	-48,307	-51,563	-54,346
Pre-tax profit	180,678	176,206	202,394	230,534
Tax	-67,210	-52,862	-60,718	-69,160
Minorities	-23,396	-32,754	-35,151	-40,151
Net profit	90,072	90,590	106,525	121,223
Net profit (adj.)	86,370	90,590	106,525	121,223

CASH FLOW

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	373,240	327,836	312,056	315,039
Pre-tax profit	180,678	176,206	202,394	230,534
Tax	-67,210	-52,862	-60,718	-69,160
Deprec. & amort.	185,918	182,200	178,556	174,984
Working capital changes	42,491	22,292	-8,175	-21,319
Other operating cashflows	31,363	0	0	0
Investing	-188,763	-204,688	-150,984	-116,369
Investments	-203,811	-150,627	-137,636	-132,324
Others	15,048	-54,061	-13,348	15,955
Financing	-186,411	-114,399	-54,354	-64,913
Dividend payments	-82,234	-57,126	-54,354	-63,915
Issue of shares	n.a.	n.a.	n.a.	n.a.
Proceeds from borrowings	-104,177	-57,273	0	-998
Net cash inflow (outflow)	-1,934	8,749	106,718	133,757
Beginning cash & cash equivalent	417,134	405,139	413,887	520,606
Changes due to forex impact	-10,061	0	0	0
Ending cash & cash equivalent	405,139	413,887	520,606	654,363

BALANCE SHEET

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	1,534,658	1,503,085	1,462,165	1,419,505
Other LT assets	874,391	985,619	976,796	960,822
Cash/ST investment	405,139	413,887	520,606	654,363
Other current assets	139,882	191,003	191,773	197,130
Total assets	3,438,784	3,650,394	3,717,611	3,811,003
ST debt	180,055	122,778	123,778	129,779
Other current liabilities	148,840	202,000	200,248	190,955
LT debt	814,719	814,723	813,723	806,724
Other LT liabilities	398,100	455,267	433,096	433,078
Shareholders' equity	1,207,426	1,211,680	1,263,850	1,321,158
Total liabilities & equity	3,438,784	3,650,394	3,717,612	3,811,005

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	13.5	12.2	12.7	13.1
Pre-tax margin	5.8	5.3	6.0	6.6
Net margin	2.9	2.7	3.1	3.5
ROA	3.2	3.1	3.6	4.0
ROE	8.9	8.9	10.2	11.3
Growth				
Turnover	-1.7	7.4	1.9	2.5
EBITDA	-6.0	-2.7	5.9	5.5
Pre-tax profit	-23.6	-2.5	14.9	13.9
Net profit	-19.6	0.6	17.6	13.8
Net profit (adj.)	-16.1	4.9	17.6	13.8
EPS	-16.1	4.9	17.6	13.8
Leverage				
Debt to total capital	60.0	54.4	51.8	49.1
Debt to equity	82.4	77.4	74.2	70.9
Net debt/(cash) to equity	48.8	43.2	33.0	21.4
Interest cover (x)	8.9	8.4	8.3	8.3

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