

PTT (PTT TB)

New Cabinet Reshuffle Positive For PTT

Highlights

- We expect the cabinet reshuffle to have a positive impact on PTT, particularly in relation to: a) the restructuring of GSP costs, and b) gaining direct expertise in the oil and retail business. These factors further enhance the investment appeal of PTT, as its share price remains a laggard, while also offering an attractive dividend yield. We expect an interim dividend of Bt0.75/share. Maintain BUY. Target price: Bt37.00.

Analysis

- **The new cabinet reshuffle is positive for PTT.** The anticipated appointment of Mr. Auttapol Rerkpiboon, former Chief Executive Officer (CEO) of PTT Pcl (PTT), as the new Minister of Energy is expected to be a positive development, in our view, as it could reduce the impact of government policies on PTT. Key aspects include: a) the restructuring of gas separation plant (GSP) costs to revert to using Gulf gas prices as the production cost basis, and b) Mr. Atthapol Rerkpiboon's strong expertise in the oil and retail business and his pivotal role in driving PTT Oil and Retail's (OR) stock exchange listing. We expect this to result in reduced pressure on marketing margins as the Oil Fund recovers and the oil business returns to profitability. In addition, we see both PTT and OR as laggard play stocks, as they are both currently trading below -1SD, with OR standing out as one of our preferred picks in the O&G sector.
- **Restructuring of gas prices could unlock additional upside for the GSP business.** We forecast the GSP business to recover in 2026. The National Energy Policy Council (NEPC) previously resolved to change PTT's GSP costing from the single pool gas price (implemented in 2Q24) to the Gulf gas price. The single pool gas pricing has reduced PTT's profits by approximately Bt18.0b per year. However, reverting to the Gulf gas price will not fully restore GSP's EBITDA, since PTT will continue allocating part of its net profits, particularly from ethane and propane sales to PTTGC, to subsidise gas prices for power producers. We believe this adjustment is an upside for PTT. The final determination of the Gulf gas pricing framework is currently under government review and pending official announcement.

Key Financials

| Year to 31 Dec (Bt m) | 2023 | 2024 | 2025F | 2026F | 2027F |
|---------------------------|-------------|-------------|-------------|-------------|-------------|
| Net turnover | 3,144,550.8 | 3,090,453.4 | 3,318,680.2 | 3,382,751.2 | 3,468,976.3 |
| EBITDA | 442,938.5 | 416,382.1 | 405,053.3 | 429,129.0 | 452,926.2 |
| Operating profit | 269,873.4 | 230,464.2 | 222,853.8 | 250,573.5 | 277,941.8 |
| Net profit (rep./act.) | 112,023.9 | 90,072.0 | 90,590.4 | 106,524.6 | 121,222.5 |
| Net profit (adj.) | 102,933.1 | 86,370.0 | 90,590.4 | 106,524.6 | 121,222.5 |
| EPS | 3.6 | 3.0 | 3.2 | 3.7 | 4.2 |
| PE | 8.7 | 10.4 | 9.9 | 8.4 | 7.4 |
| P/B | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 |
| EV/EBITDA | 1.7 | 1.7 | 1.6 | 1.3 | 0.9 |
| Dividend yield | 6.4 | 6.7 | 6.7 | 6.7 | 7.6 |
| Net margin | 3.6 | 2.9 | 2.7 | 3.2 | 3.5 |
| Net debt/(cash) to equity | 54.3 | 48.8 | 43.2 | 33.0 | 21.4 |
| Interest cover | 9.8 | 8.9 | 8.4 | 8.3 | 8.3 |
| ROE | 11.2 | 8.9 | 8.9 | 10.2 | 11.3 |
| Consensus net profit | n.a | n.a | 88,258.6 | 94,800.4 | 96,621.3 |
| UOBKH/Consensus (x) | n.a | n.a | 1.0 | 1.1 | 1.2 |

Source: PTT, Bloomberg, UOB Kay Hian

BUY(<Maintained>)

| | |
|--------------|---------|
| Share Price | Bt31.50 |
| Target Price | Bt37.00 |
| Upside | 17.46% |

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Stock Data

| GICS Sector | Energy |
|--------------------------------|-----------|
| Bloomberg ticker | PTT TB |
| Shares issued (m) | 28,331.3 |
| Market cap (Btm) | 892,437.1 |
| Market cap (US\$m) | 27,734.4 |
| 3-mth avg daily t'over (US\$m) | 54.6 |

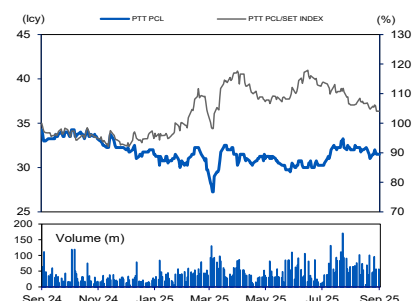
Price Performance (%)

| | | | | |
|------------------|------|------|-------|-----------|
| 52-week high/low | | | | Bt35/Bt27 |
| 1mth | 3mth | 6mth | 1yr | YTD |
| (3.1) | 5.0 | 1.6 | (6.7) | (0.8) |

Major Shareholders

| | % |
|---------------|------|
| MOF | 51.2 |
| Vayupak Fnd 1 | 15.3 |
| NVDR | 3.0 |

Price Chart



Source: Bloomberg

Company Description

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

- Asset monetisation boosts PTT's cash flow.** PTT is implementing an asset monetisation plan under an asset-light portfolio approach to strengthen cash flow and balance sheet resilience. The plan may include sale-and-leaseback deals across both hydrocarbon and non-hydrocarbon assets. Key targets are to: a) generate Bt38b in 2025 and Bt77b in 2026 cash flow for the group, b) lift ROIC by 5–10% (vs our 2Q25 estimate of 6.0–6.5%), and c) maintain investment-grade credit standing. In 1H25, non-hydrocarbon asset sales already delivered Bt7.4b in cash flow, with further transactions expected in 2H25 and 2026
- Hydrogen – the future of clean energy.** PTT Group is actively studying and developing hydrogen-related projects. In 2020, PTT established the "Hydrogen Thailand Club" in partnership with PTT Oil and Retail (OR), Toyota Motor Thailand, and Bangkok Industrial Gas (BIG) to encourage hydrogen adoption in the country. Hydrogen development aligns with Thailand's Power Development Plan (PDP) and PTT's climate commitments to cut CHG emissions by 15% by 2030, achieving carbon neutrality by 2040, and net zero by 2050. PTT's hydrogen initiatives focus on three key sectors: a) Power generation: Developing hydrogen-based power projects, including blending hydrogen with natural gas at a 5% ratio for electricity production, b) Transportation: Promoting hydrogen as a clean fuel for mobility, with a pilot hydrogen refueling station for fuel cell electric vehicles (FCEVs) already operating in Chonburi, and c) Industry: Positioning hydrogen as both a feedstock and a long-term substitute for fossil fuels.
- The hydrogen business still faces several challenges.** The hydrogen business faces several key challenges: a) the high cost of green hydrogen, currently 4–5 times more expensive than natural gas, b) limited supportive infrastructure in Thailand, c) unclear government regulations and policies, and d) dependence on imported technologies. According to insights shared by PTT, the cost of green hydrogen is projected to decline to around US\$5.00/kg by 2030, decline further to US\$3.00/kg by 2040, and fall by about 60% from 2023 levels by 2050. Commercial competitiveness is expected to emerge as early as 2040, particularly in China and India, driven by lower renewable energy costs and rising fossil fuel prices.

Stock Impact

- Net profit for 3Q25 is expected to rise both qoq and yoy.** We expect PTT to record an extraordinary gain from a potential profit enhancement project in 3Q25 of around Bt8.0b from the partial divestment of its stake in Lotus Pharmaceutical Company Limited (Lotus). In addition, higher PTTEP earnings, driven by stronger ASPs and lower unit costs, should offset the anticipated weakness in the gas business from the GSP unit 5 maintenance shutdown and the seasonal decline in gas sales to the power generation sector.
- PTT remains a dividend stock.** We expect PTT to announce an interim dividend by the end of September, estimated at Bt0.75/share, a 2.4% simple yield. For the full-year 2025, we project a dividend of Bt2.10/share, implying an annualised yield of 6.8%.

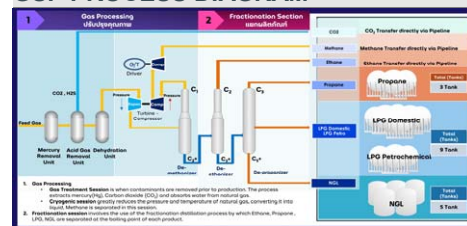
Valuation/Recommendation

- Maintain BUY with an SOTP-based target price of Bt37.00 for PTT in 2025.** In the oil & gas sector, we prefer PTT Oil and Retail (OR TB/BUY/Target: Bt20.00) SCG Packaging (SCGP TB/BUY/Target: Bt21.00) and Indorama Ventures (IVL TB/BUY/Target: Bt27.00).

Earnings Revision/Risk

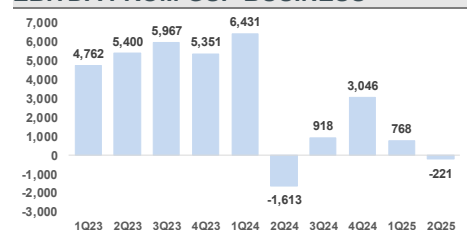
- Earnings revision:** None.

GSP PROCESS DIAGRAM



Source: PTT, UOB Kay Hian

EBITDA FROM GSP BUSINESS



Source: PTT, UOB Kay Hian

PTT TO IMPROVE ROIC AND LOWER WACC



Source: PTT, UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

| | |
|---|--|
| CG Report: 5 | |
| SET ESG Rating: AAA | |
| <ul style="list-style-type: none"> Environmental | |
| <ul style="list-style-type: none"> 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. | |
| <ul style="list-style-type: none"> Social | |
| <ul style="list-style-type: none"> 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%. | |
| <ul style="list-style-type: none"> Governance | |
| <ul style="list-style-type: none"> 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. | |

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 | - | - | - |
| 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 | - | - | - | - |
| Proceeds from borrowings | (104,177) | (57,273) | - | (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) | - | - | - |
| 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 | 624,597 | 747,803 | 758,044 | 776,313 |
| 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 | 389,033 | 534,531 | 536,598 | 533,547 |
| LT debt | 814,719 | 814,723 | 813,723 | 806,724 |
| Other LT liabilities | 398,100 | 455,267 | 433,097 | 433,080 |
| 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 | 2.6 | 2.6 | 2.9 | 3.2 |
| ROE | 7.5 | 7.5 | 8.6 | 9.4 |
| 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 | 45.2 | 43.6 | 42.6 | 41.5 |
| 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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