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PTG ENERGY PLC

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CORPORATES

Company Rating:	BBB+
Issue Rating:	
Senior unsecured	BBB+
Outlook:	Stable

Last Review Date: 31/03/23

Company Rating History:

Date	Rating	Outlook/Alert
14/02/17	BBB+	Stable
12/02/15	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on PTG Energy PLC (PTG) and the ratings on its senior unsecured debentures at “BBB+” with a “stable” outlook. The ratings reflect PTG’s business strength with an extensive network of gas stations and growing share in Thailand’s oil retail market, its efforts to diversify into various non-oil businesses, and ability to leverage its loyalty program in driving growth and cross-selling products and services. The ratings are, however, constrained by the risk of government price intervention, which can lead to periods of weak oil marketing margins for the industry, and the company’s small, yet growing, revenue contribution from the non-oil segment relative to overall sales.

KEY RATING CONSIDERATIONS

Oil retail market share continuing to grow

PTG’s oil sales volume through service stations increased by 13% in 2023, compared to the industry growth rate of 2%. This impressive growth was mainly driven by growth in same store sales, rather than network expansion. PTG added only 52 petrol stations to its network, totaling 2,201 petrol stations in 2023.

PTG’s market share continued to grow to 20% in 2023, up from around 18% the year before. PTG has been using its PT Max Card loyalty program to stimulate sales and help retain customers. Recently, it launched a paid membership program, PT Max Card Plus, to further grow its customer base and capture market share from competitors in both the oil and non-oil segments. The program offers discounts to attract customers to try various products and services of PTG. The company expects these loyalty programs to continue to be the key growth driver over coming years. The success of this strategy in the longer term remains to be seen.

Focus on growing non-oil segment

PTG aims to aggressively expand the profit contribution from its non-oil businesses, partly to alleviate the impact in the company’s overall profitability from government intervention in oil marketing margins. Non-oil businesses contributed 7% of total sales revenue and 21% of total gross profit in 2023. Key non-oil businesses include liquefied petroleum gas (LPG), Punthai coffee shop, Maxmart mini-mart, and Autobacs car maintenance.

In 2023, PTG’s LPG sales volume to the household and industrial segment surged by 48%. The number of LPG shops increased to 332 from 253 in 2022. The LPG sales volume per average number of shops increased by 7%. PTG’s sales volume of LPG for vehicles also increased 20% surpassing the 3% growth of the industry. Although the overall LPG market is not expected to grow soon, TRIS Rating expects PTG to continue to gain market share from peers.

Meanwhile, sales from the coffee shop business increased by 58%. The number of Punthai coffee outlets increased by 73% to 882 in 2023. We expect PTG to continue adding 320 coffee outlets per year on average in 2024-2026.

PTG also increased Maxmart and Autobacs shops by 35 and by 23, respectively. Maxmart saw 31% sales growth in 2023, and Autobacs a strong sales growth of 57%.

Weak profit margin mainly due to government policy

PTG's retail oil gross profit per liter decreased to THB1.70 in 2023 from THB1.85 in 2022. In dealing with inflationary pressure, the government has implemented policies to cap the diesel retail price and has utilized the oil fuel fund to make up for global diesel price fluctuations. Occasionally, misalignment between the government's oil fund management and ex-refinery oil prices influenced by the government's deemed appropriate level of oil marketing margin can pressure the profit margins of all players in the oil retail industry. Also, discounts from PTG's membership programs partly contribute to the decline in profit margin.

Gross profit margins from non-oil businesses also decreased to 20% from 23% in 2022. Gross profit margin for the coffee business fell to 54% in 2023 from 59% in 2022. This was partly attributed to the growing proportion of franchised outlets. The LPG business also experienced lower gross profit per unit sales following promotions to attract new customers and discounts for members.

As a result, PTG's EBITDA in 2023 declined to THB5.7 billion, from THB5.8 billion in 2022, despite a strong sales growth.

Continued pressure on earnings expected in near term

The company's total oil sales volume is expected to increase by 8.7% in 2024 and around 5%-7% per year during 2025-2026. With oil prices at relatively high levels, we expect the government policy to continue negatively affecting the oil profit margin. We assume in our base-case projection that the average overall oil marketing margin (including retail and wholesale) will remain subdued at around THB1.66-THB1.67 per liter in 2024-2025 before beginning to normalize in 2026, at THB1.76 per liter.

Gross profit from non-oil businesses is forecast to grow by around 10%-16% per year during 2024-2026. This is driven by the higher number of outlets as well as strong membership programs.

As a result, we project PTG's EBITDA in 2024-2026 to be THB5.8-THB7.1 billion per annum.

Financial leverage expected to be at similar level, before declining when oil marketing margin normalizes

Looking ahead, PTG's capital expenditure is likely to focus on the expansion of non-oil and new businesses. Our base-case forecasts incorporate recent investment announcements such as Paisan Capital Co., Ltd., operating in hire purchase financing for second-hand trucks.

We forecast PTG's capital expenditure to be THB3 -THB4 billion per annum during 2024-2026. As a result, we expect the debt to EBITDA ratio to remain slightly over 4 times in 2024-2025 before dropping to 3.4 times in 2026 when we project improved marketing margins.

Adjusted net debt (including lease liabilities) decreased to THB23.6 billion in 2023, from THB27.2 billion in 2022 This was mainly due to lower working capital usage and a one-time adjustment in the calculation of lease liabilities. The debt to EBITDA ratio decreased to 4.1 times in 2023.

Manageable liquidity

As of December 2023, PTG had short-term loans of THB2.8 billion and long-term debt obligations (including lease liabilities) totaling THB2.8 billion coming due in the next 12 months. The company's sources of liquidity include THB3.4 billion in cash and projected funds from operations of THB4.4 billion in the next 12 months. We expect PTG to rollover most of its existing loans to support its capital expenditure.

Debt structure

At the end of December 2023, PTG had bank loans and debentures of THB8.4 billion, including around THB3.4 billion of priority debt, which was unsecured debt at the subsidiary level. The company's priority debt to total debt ratio was 40%.

BASE-CASE ASSUMPTIONS

- Oil sales volume to grow by around 8.7% in 2024 and around 5%-7% per year during 2025-2026.
- Oil selling price to decrease by 5% in 2024 then decrease by 1% and 0% in 2025 and 2026, respectively.
- Revenues to increase by 3.7% in 2024 and then increase by 5%-6% per year in 2025-2026.
- Overall oil marketing margin to stay around THB1.66-THB1.76 per liter.
- Capital expenditure to total around THB10 billion during 2024-2026.

RATING OUTLOOK

The "stable" outlook reflects our expectation that PTG will be able to maintain its market position in the retail oil market while continuing to grow its non-oil businesses. We also expect the company to be cautious with investments especially when expanding into new, unfamiliar businesses.

RATING SENSITIVITIES

The ratings could be revised upward should the company deleverage at a materially faster pace than our forecast. This could develop if operating performance significantly surpasses our projections. Conversely, downward pressure on the ratings could emerge in the event of a substantial weakening of the company's financial profile due to a significant deterioration in operating performance or heavy debt-financed investments.

COMPANY OVERVIEW

PTG was established in 1988 as Paktai Chueplerng Co., Ltd. to operate an oil distribution center. In 1992, PTG became an oil retailer with the launch of service stations under its own "PT" brand. The company was listed on the Stock Exchange of Thailand (SET) in 2013. At the end of 2023, the company's major shareholders comprised the Ratchakitprakarn Family (29.7%), the Vachirasakpanich Family (8.6%), and the Nitayanurak Family (5%). Its 2,201 oil service stations are operated under the PT trademark.

PTG owns 10 oil distribution centers with a total capacity of 209 million liters (ML). PTG distributes oil via two channels: selling through PT brand service stations to retail customers and selling wholesale directly to industrial customers. In the service station segment, PTG vends oil through two types of stations: COCO and DODO. In 2023, retail sales at COCO stations accounted for 84% of total sales volume, while sales at DODO stations accounted for 13%. The remainder (3%) came from direct sales to wholesale customers.

In addition to the oil retailing segment, the company owns and operates minimarts under the "Max Mart" brands, as well as coffee shops under the "Punthai Coffee" and "Coffee World" brands. The company plans to expand Punthai Coffee outlets both inside and outside its service stations. Besides the food and beverage business, PTG plans to expand its auto service business and boost its LPG sales volume by enlarging its household LPG business. The company added 10 LPG stations to 241 in 2023.

In 2023, PTG's non-oil businesses excluding auto LPG ("Max Mart" convenience store, "Punthai Coffee"and "Coffee World" coffee shops, and other services) contributed 3% of total revenue and 14% of gross profit.

PTG's marketing campaigns mainly comprise the launch of loyalty-based discounts offered through PT Max Card membership, which can be used to collect and swap points with PTG's partners, covering various other well-known product retailers.

Apart from the retail business, PTG has invested in the "Palm Complex" producing B100 biodiesel as main product. The project started operation in 2018 and became fully operational in 2020. Palm Complex has launched palm cooking oil under the brand "Mee-suk" as an extension of the business's product.

KEY OPERATING PERFORMANCE

Table 1: PTG's Sales Breakdown by Channel

Unit: %

Sales Channel	2019	2020	2021	2022	2023
Total sales (mil. THB)	**120,183**	**104,590**	**133,908**	**179,613**	**199,048**
COCO	80.8%	81.2%	80.2%	78.0%	78.4%
DODO	10.0%	10.7%	11.8%	13.5%	12.3%
Wholesale	5.7%	3.9%	3.7%	3.2%	2.3%
Others	3.5%	4.2%	4.3%	5.4%	7.0%
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: PTG

Type of Station	2019	2020	2021	2022	2023
No. of service station					
COCO*	1,673	1,727	1,779	1,809	1,841
DODO	279	286	308	340	360
Total	**1,952**	**2,013**	**2,087**	**2,149**	**2,201**
Growth (y-o-y)	*6.4%*	*3.1%*	*3.7%*	*3.0%*	*2.4%*
Oil Sales volume (ML)					
COCO	3,885	4,167	4,173	4,350	5,007
DODO	501	574	633	771	795
Total	**4,386**	**4,741**	**4,806**	**5,120**	**5,802**
Growth (y-o-y)	*17.7%*	*8.1%*	*1.4%*	*6.5%*	*13.3%*

* *Including hybrid (oil and LPG) stations*

Source: PTG

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	--------------------Year Ended 31 December -------------------				
	2023	**2022**	**2021**	**2020**	**2019**
Total operating revenues	199,224	179,786	134,088	104,666	120,252
Earnings before interest and taxes (EBIT)	2,354	2,437	2,395	3,400	2,894
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	5,710	5,818	5,239	5,930	6,335
Funds from operations (FFO)	4,092	4,230	3,777	4,348	4,954
Adjusted interest expense	1,128	1,123	1,118	1,104	971
Capital expenditures	2,943	2,743	2,525	2,043	3,902
Total assets	46,932	45,135	44,384	42,037	22,652
Adjusted debt	23,556	27,216	28,113	28,824	18,612
Adjusted equity	8,926	8,275	8,200	7,980	6,707
Adjusted Ratios					
EBITDA margin (%)	2.9	3.2	3.9	5.7	5.3
Pretax return on permanent capital (%)	6.4	6.4	6.3	10.6	11.8
EBITDA interest coverage (times)	5.1	5.2	4.7	5.4	6.5
Debt to EBITDA (times)	4.1	4.7	5.4	4.9	2.9
FFO to debt (%)	17.4	15.5	13.4	15.1	26.6
Debt to capitalization (%)	72.5	76.7	77.4	78.3	73.5

RELATED CRITERIA

- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

PTG Energy PLC (PTG)

Company Rating:	BBB+
Issue Rating:	
PTG252A: THB1,000 million senior unsecured debentures due 2025	BBB+
Rating Outlook:	Stable

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