Bangchak Corporation (BCP TB) - SELL, Price Bt23.4, TP Bt21.0

Results Comment

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2Q21 stronger-than-expected due to refining

- BCP reported 2Q21 net profit of Bt1.76bn (EPS Bt1.21/sh). Excluding non-operating items, we estimate normalized profit to be Bt452m (norm EPS Bt0.33/sh), up 56% q-q and reversing from loss in 2Q20. The result was ahead of expectation on stronger than expected refining operation. SELL.
- **Refining**: Market GRM was $4.18/bbl, increasing from 3.24/3.93 $/bbl in 1Q21/2Q20, respectively. GRM was higher than we anticipated. We think BCP may be less impacted by higher crude premiums being charged by Middle Eastern producers as the company relies more on Far-east crude.
- **Marketing**: Sales volume was 1.18bn litres, down 5% q-q likely due to impact of 3rd/4th wave of COVID in Thailand. However, net marketing margin increased to Bt0.88/litre (+17% q-q, -2% y-y).
- **Power**: Power EBITDA grew 2% q-q, 16% y-y to Bt997m. Most of this was driven by growth in hydro output in Laos.
- **Others**: OKEA (its E&P associate in Norway) contributed Bt291m in equity income though we think most of this was due to reversal of impairment charge.
- **Non-operating items**: BCP recorded Bt1.3bn inventory gain, Bt202m hedging loss, Bt180m FX gain. We also net out an estimated Bt291m (after-tax basis) related to OKEA's reversal of impairment charge.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Revenue	26,594	33,652	33,134	41,230	43,775
Gross profit	**1,866**	**2,164**	**2,389**	**2,630**	**2,415**
SG&A	1,585	1,613	2,180	1,447	1,628
Operating profit	281	551	209	1,183	787
EBITDA	**1,885**	**2,182**	**2,151**	**2,854**	**2,506**
Other income	187	121	120	142	176
Other expense	0	0	(0)	0	0
Interest expense	517	504	484	464	518
Profit before tax	**(50)**	**167**	**(154)**	**861**	**444**
Income tax	(26)	19	(46)	408	195
Equity & invest. income	169	58	259	194	512
Minority interests	(185)	(318)	(349)	(358)	(309)
Extraordinary items	(1,871)	(535)	451	1,994	1,313
Net profit	**(1,911)**	**(647)**	**251**	**2,283**	**1,765**
Normalized profit	**(40)**	**(112)**	**(200)**	**289**	**452**
EPS (Bt)	(1.39)	(0.47)	0.18	1.66	1.28
Normalized EPS (Bt)	(0.03)	(0.08)	(0.15)	0.21	0.33

Income Statement			6M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	6	65	47	180,768	202,438
Gross profit	**(8)**	**29**	**64**	**7,869**	**9,849**
SG&A	13	3	49	6,221	6,411
Operating profit	(34)	180	119	1,649	3,438
EBITDA	**(12)**	**33**	**65**	**8,253**	**10,402**
Other income	24	(6)	36	876	903
Other expense			na	0	0
Interest expense	12	0	49	2,010	1,920
Profit before tax	**(48)**	**na**	**253**	**515**	**2,421**
Income tax	(52)	na	836	72	339
Equity & invest. income	164	204	2,117	33	33
Minority interests	na	na	121	(553)	(613)
Extraordinary items	(34)	na	na	0	0
Net profit	**(23)**	**na**	**na**	**(77)**	**1,502**
Normalized profit	**56**	**na**	**na**	**(77)**	**1,502**
EPS (Bt)	(23)	na	na	(0.06)	1.09
Normalized EPS (Bt)	56	na	na	(0.06)	1.09

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Cash & ST investment	18,094	12,175	21,651	21,351	16,423
A/C receivable	4,662	5,625	6,402	8,159	7,859
Inventory	11,487	13,209	16,162	14,108	14,104
Other current assets	2,315	3,233	3,080	2,853	5,792
Investment	15,854	15,368	14,331	15,594	16,422
Fixed assets	54,062	54,898	54,567	54,670	54,785
Other assets	32,659	36,670	32,129	31,982	31,982
Total assets	**139,133**	**141,179**	**148,323**	**148,716**	**147,367**
S-T debt	15,699	9,703	9,149	8,310	9,097
A/C payable	5,011	8,919	12,277	9,534	9,688
Other current liabilities	5,998	4,090	4,076	4,044	3,987
L-T debt	50,975	54,087	54,095	54,650	51,182
Other liabilities	9,881	10,186	10,409	10,001	9,881
Minority interest	7,190	7,358	11,950	12,559	12,661
Shareholders' equity	**44,381**	**46,836**	**46,366**	**49,617**	**50,872**
Working capital	11,138	9,915	10,287	12,732	12,275
Total debt	66,674	63,789	63,244	62,960	60,279
Net debt	**48,580**	**51,614**	**41,593**	**41,610**	**43,856**

Financial Ratios					
(%)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Sales growth	(45.0)	(27.6)	(33.9)	(4.3)	64.6
Operating profit growth	(66.1)	(66.7)	(74.3)	na	180.0
EBITDA growth	(8.6)	(25.1)	0.3	160.6	32.9
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	7.0	6.4	7.2	6.4	5.5
Operating margin	1.1	1.6	0.6	2.9	1.8
EBITDA margin	7.1	6.5	6.5	6.9	5.7
Norm net margin	(0.2)	(0.3)	(0.6)	0.7	1.0
D/E (x)	1.5	1.4	1.4	1.3	1.2
Net D/E (x)	1.1	1.1	0.9	0.8	0.9
Interest coverage (x)	3.6	4.3	4.4	6.2	4.8
Interest rate	3.2	3.1	3.0	2.9	3.4
Effective tax rate	52.6	11.3	29.5	47.3	43.9
ROA	(0.1)	(0.3)	(0.6)	0.8	1.2
ROE	(0.4)	(1.0)	(1.7)	2.4	3.6

Sources: Company data, Thanachart estimates

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