

PTT Public Co Ltd (PTT TB) - BUY, Price Bt34.50, TP Bt48.00**Results Comment**

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2Q21 a small miss on core profit

- PTT reported 2Q21 net profit of Bt24.6bn (EPS Bt0.86/sh). Excluding hedging, FX and impairment but including inventory impact, we estimate norm profit to be Bt34.9bn (norm EPS Bt1.22/sh), down 4% q-q but tripled y-y. If we were to exclude inventory impact, profit would have been about Bt28.7bn (Bt1.01/sh). The result was slightly below our expectation due to weaker-than-expected core profit. Still a BUY.
- Gas:** Gas EBITDA was Bt22.1bn, up 2% q-q and more than double y-y. The q-q growth was driven by higher transmission revenue and increased profit from gas separation plants (GSP) due to bigger margin on petrochemical feedstock sale. Sales & marketing EBITDA, however, decreased q-q as PTT recognized one-off profit in 1Q21 on LNG trading whereas it passed on that profit to the public in 2Q21 by lowering gas price for electricity generation.
- Oil:** Oil EBITDA was Bt5.6bn, down 14% q-q but up 76% y-y. Sales volume declined 6% q-q to 5.5bn litres due to impact of 3rd/4th COVID waves. Gross profit per litre declined to Bt1.23/litre from Bt1.31/litre in 1Q21 but up significantly from Bt0.83 in 2Q20. Non-oil EBITDA reached 1.1bn, up 4% q-q and 46% y-y (low base in 2Q20 due to lockdown).
- Non-operating items:** On a consolidated basis, there was Bt12.6bn hedging loss (mostly from PTTEP) and Bt873m in FX loss. Inventory gain totaled Bt12.2bn at the consolidated level, most of which belongs to the downstream associates. There was also Bt1.5bn (PTT's portion) impairment charge related to PTTGC. Note that PTT did not recognize any gain on PTTGC's sale of GPSC stake as it was net out on a consolidated basis.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	341,325	383,599	407,174	477,837	533,256	Revenue	12	56	43	2,339,258	2,424,838
Gross profit	44,900	52,642	75,819	80,070	92,787	Gross profit	16	107	62	278,478	297,788
SG&A	24,586	23,945	35,928	27,144	28,464	SG&A	5	16	53	105,083	110,209
Operating profit	20,314	28,697	39,891	52,927	64,323	Operating profit	22	217	68	173,395	187,579
EBITDA	54,916	63,286	74,713	87,963	102,931	EBITDA	17	87	59	323,489	347,681
Other income	1,686	3,512	(463)	14,354	4,885	Other income	(66)	190	65	29,796	30,886
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	6,809	7,346	7,426	6,439	7,101	Interest expense	10	4	36	37,703	44,385
Profit before tax	15,191	24,863	32,001	60,842	62,107	Profit before tax	2	309	74	165,488	174,079
Income tax	354	7,852	8,342	11,683	20,851	Income tax	78	5,793	98	33,098	34,816
Equity & invest. income	651	1,206	1,677	1,947	2,894	Equity & invest. income	49	344	191	2,541	2,547
Minority interests	(3,574)	(4,999)	(6,062)	(14,618)	(9,215)	Minority interests	na	na	82	(29,215)	(32,486)
Extraordinary items	139	903	(6,126)	(3,900)	(10,356)	Extraordinary items	na	na	na	0	0
Net profit	12,053	14,120	13,147	32,588	24,579	Net profit	(25)	104	54	105,716	109,325
Normalized profit	11,914	13,218	19,273	36,488	34,934	Normalized profit	(4)	193	68	105,716	109,325
EPS (Bt)	0.42	0.49	0.46	1.14	0.86	EPS (Bt)	(25)	104	54	3.70	3.83
Normalized EPS (Bt)	0.42	0.46	0.67	1.28	1.22	Normalized EPS (Bt)	(4)	193	68	3.70	3.83
Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	257,858	422,200	416,921	438,021	438,585	Sales growth	(40.2)	(28.8)	(27.3)	(1.2)	56.2
A/C receivable	102,039	108,461	110,528	133,360	157,292	Operating profit growth	(50.7)	(11.6)	35.8	na	216.6
Inventory	78,529	96,083	93,527	117,830	144,802	EBITDA growth	(25.7)	(4.0)	14.6	377.7	87.4
Other current assets	187,849	93,499	99,955	112,402	116,300	Norm profit growth	(50.4)	(27.4)	9.1	na	193.2
Investment	73,930	75,541	75,680	78,611	77,908	Norm EPS growth	(50.4)	(27.4)	9.1	na	193.2
Fixed assets	1,297,231	1,303,189	1,292,717	1,379,066	1,387,932	Gross margin	13.2	13.7	18.6	16.8	17.4
Other assets	451,840	460,397	454,855	487,425	501,079	Operating margin	6.0	7.5	9.8	11.1	12.1
Total assets	2,449,277	2,559,370	2,544,183	2,746,715	2,823,897	EBITDA margin	16.1	16.5	18.3	18.4	19.3
S-T debt	85,622	94,559	78,001	90,253	116,534	Norm net margin	3.5	3.4	4.7	7.6	6.6
A/C payable	87,637	101,184	108,189	125,600	143,940	D/E (x)	1.8	0.9	0.8	0.8	0.8
Other current liabilities	89,143	99,823	111,837	111,124	130,481	Net D/E (x)	1.1	0.4	0.4	0.4	0.4
L-T debt	626,150	677,832	664,732	704,244	695,891	Interest coverage (x)	8.1	8.6	10.1	13.7	14.5
Other liabilities	294,233	299,293	295,579	312,335	321,150	Interest rate	4.0	4.0	3.9	3.4	3.5
Minority interest	862,751	409,053	403,805	449,423	446,480	Effective tax rate	2.3	31.6	26.1	19.2	33.6
Shareholders' equity	403,741	877,625	882,040	953,735	969,423	ROA	1.9	2.1	3.0	5.5	5.0
Working capital	92,932	103,359	95,866	125,589	158,154	ROE	7.5	8.3	8.8	15.9	14.5
Total debt	711,772	772,391	742,733	794,497	812,424						
Net debt	453,915	350,191	325,812	356,476	373,839						

Sources: Company data, Thanachart estimates

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