

Esso (Thailand) Pcl (ESSO TB) - SELL, Price Bt7.80, TP Bt6.90**Results Comment**

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3Q21 in line

- ESSO reported 3Q21 net profit of Bt46m (Bt0.01/sh). Excluding inventory gain (see below), we estimate normalized loss to be Bt614m (norm EPS Bt -0.18/sh), widening from a normalized loss of Bt408m in 2Q21 (also our estimate). The result was in line with expectation. Still a SELL.
- Petrochemical: Petrochemical loss was Bt30m compared to almost Bt500m in the previous quarter. ESSO has fully suspended its PX production since April 2021, and this may explain the lower loss. The higher gasoline spread q-q may also help as the same feedstock would otherwise be used for PX production.
- Petroleum: Reported GRM was \$4.0/bbl. We estimate market GRM (exc. Inventory gain) to be \$1.6/bbl, lower than \$2.5/bbl in 2Q21 due to higher crude premium and lower domestic sales (which have higher margins). Crude intake was 113kbd, down from 124kbd in 2Q21 reflecting poorer economics.
- SG&A: SG&A was Bt1.28bn, +5% y-y, +6% q-q.
- Inventory gain: We estimate pre-tax inventory gain to be Bt825m. Dubai oil price in September averaged \$72.6/bbl with USDT/THB exchange rate of 33.0. This compares to \$71.6/bbl average Dubai oil price in June with average FX of 31.4. We therefore estimate each barrel of inventory gained Bt147/bbl; multiplying this increase by 7m bbls average inventory gives us Bt825m in pre-tax stock gain.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	30,392	32,481	39,258	41,070	40,239	Revenue	(2)	32	62	193,882	195,433
Gross profit	1,685	421	2,240	1,023	689	Gross profit	(33)	(59)	92	4,275	5,418
SG&A	1,222	1,278	1,251	1,214	1,282	SG&A	6	5	72	5,235	5,277
Operating profit	463	(856)	989	(191)	(593)	Operating profit	na	na	(21)	(960)	141
EBITDA	1,121	(201)	1,677	509	114	EBITDA	(78)	(90)	150	1,538	2,519
Other income	7	6	9	3	10	Other income	188	54	19	122	124
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	96	92	82	76	77	Interest expense	1	(20)	66	357	389
Profit before tax	374	(942)	916	(264)	(659)	Profit before tax	na	na	1	(1,194)	(124)
Income tax	97	116	676	199	(3)	Income tax	na	na	na	0	0
Equity & invest. income	67	69	70	56	43	Equity & invest. income	(23)	(37)	56	299	314
Minority interests	0	0	0	(1)	0	Minority interests			62	(1)	(1)
Extraordinary items	123	1,422	2,477	1,266	660	Extraordinary items	(48)	437	na	0	0
Net profit	467	433	2,788	858	46	Net profit	(95)	(90)	na	(896)	189
Normalized profit	344	(989)	311	(408)	(614)	Normalized profit	na	na	na	(896)	189
EPS (Bt)	0.13	0.13	0.81	0.25	0.01	EPS (Bt)	(95)	(90)	na	(0.26)	0.05
Normalized EPS (Bt)	0.10	(0.29)	0.09	(0.12)	(0.18)	Normalized EPS (Bt)	na	na	na	(0.26)	0.05
Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	352	262	639	753	336	Sales growth	(23.5)	(14.1)	(0.3)	68.2	32.4
A/C receivable	4,316	5,083	6,926	6,125	5,915	Operating profit growth	na	na	na	na	na
Inventory	12,266	13,144	16,008	18,114	20,204	EBITDA growth	na	na	na	na	(89.8)
Other current assets	3,912	4,432	4,553	4,939	5,376	Norm profit growth	na	na	na	na	na
Investment	2,068	2,137	2,207	1,994	2,036	Norm EPS growth	na	na	na	na	na
Fixed assets	24,866	24,750	24,406	24,034	23,758	Gross margin	5.5	1.3	5.7	2.5	1.7
Other assets	11,522	11,570	10,920	10,665	10,720	Operating margin	1.5	(2.6)	2.5	(0.5)	(1.5)
Total assets	59,302	61,378	65,659	66,624	68,345	EBITDA margin	3.7	(0.6)	4.3	1.2	0.3
S-T debt	11,437	21,869	20,533	23,022	23,319	Norm net margin	1.1	(3.0)	0.8	(1.0)	(1.5)
A/C payable	4,818	4,452	4,394	4,495	4,136	D/E (x)	1.4	2.0	1.5	1.5	1.6
Other current liabilities	16,274	9,125	13,061	11,743	12,098	Net D/E (x)	1.4	1.9	1.5	1.4	1.6
L-T debt	7,625	6,333	5,167	4,000	5,333	Interest coverage (x)	11.7	(2.2)	20.4	6.7	1.5
Other liabilities	5,717	5,239	5,239	5,223	5,218	Interest rate	1.5	1.5	1.2	1.2	1.1
Minority interest	7	7	7	7	7	Effective tax rate	26.0	(12.3)	73.7	(75.5)	0.5
Shareholders' equity	13,424	14,352	17,257	18,134	18,234	ROA	2.3	(6.6)	2.0	(2.5)	(3.6)
Working capital	11,764	13,775	18,539	19,744	21,983	ROE	10.4	(28.5)	7.9	(9.2)	(13.5)
Total debt	19,062	28,203	25,700	27,022	28,652						
Net debt	18,710	27,941	25,060	26,269	28,316						

Sources: Company data, Thanachart estimates

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