

IRPC Public Co Ltd (IRPC TB) - BUY, Price Bt3.90, TP Bt4.40**Results Comment**

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4Q21 – Below on weak chemical margin

- IRPC reported 4Q21 net profit of Bt2.2bn, up marginally by 2% q-q. Excluding extra items, we estimate tax adjusted normalized profit to be Bt639m, down nearly 50% q-q. The result came in below our forecast, but in-line with Bloomberg consensus estimate. This is mainly due to substantial decline in chemical contribution. BUY.
- Integrated GIM:** Market GIM was \$10.9/bbl, down from \$12.4/bbl in 3Q21. Total intake was 198kbd, up by 4% q-q. This was mainly from the HYVAHL unit of RDCC plant's planned maintenance shutdown taking 45 days in 3Q21.
- Petroleum:** Petroleum GRM was \$6.2/bbl vs \$5.0/bbl in 3Q21. The collapsed in lube base margin was more than offset by rising GRM which increased by \$3.3/bbl q-q to \$5.9/bbl due to higher product spreads in 4Q21 and lower crude premium.
- Petrochemical:** Petrochem contribution was weak at \$3.8/bbl in 4Q21, dropping by 39% q-q. Both olefin and aromatic contribution show substantial decrease q-q in this quarter. This is owing to decline in chemical spreads, especially styrenic, butadiene and aromatic spreads while feedstock cost was rising. Note that this is the lowest level since 4Q19.
- Non-operating items.** IRPC's non-operating items includes Bt2.1bn inventory gain, Bt168m oil loss from financial derivatives and oil hedging, Bt70m Fx loss and Bt27m asset impairment loss.
- Outlook:** We expect result to improve in 1Q22F with continued increase in refinery margin and potential inventory gain. We see chemical margin downside as limited while share price set to see near term support from 1Q22F profit recovery. Chemical spreads look set to recover in 2023F when capacity decline.

| Income Statement | | | | | | Income Statement | | | | | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|-------------|-----------|-----------|---------------|---------------|
| (consolidated) | | | | | | 12M as | | | | | |
| Yr-end Dec (Bt m) | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | (Bt m) | q-q% | y-y% | % 2021F | 2021A | 2022F |
| Revenue | 40,661 | 48,388 | 56,858 | 62,088 | 67,840 | Revenue | 9 | 67 | 109 | 235,174 | 242,065 |
| Gross profit | 3,903 | 4,785 | 6,518 | 5,086 | 4,612 | Gross profit | (9) | 18 | 89 | 21,001 | 21,379 |
| SG&A | 4,299 | 3,617 | 4,002 | 3,826 | 4,254 | SG&A | 11 | (1) | 104 | 15,699 | 15,362 |
| Operating profit | (396) | 1,168 | 2,516 | 1,260 | 358 | Operating profit | (72) | na | 62 | 5,302 | 6,017 |
| EBITDA | 1,845 | 3,348 | 4,725 | 3,390 | 2,426 | EBITDA | (28) | 31 | 80 | 13,889 | 14,794 |
| Other income | 572 | 435 | 659 | 473 | 400 | Other income | (15) | (30) | 85 | 1,967 | 2,121 |
| Other expense | 0 | 0 | 0 | 0 | 0 | Other expense | | | - | 0 | 0 |
| Interest expense | 472 | 441 | 427 | 429 | 402 | Interest expense | (6) | (15) | 140 | 1,699 | 1,633 |
| Profit before tax | (296) | 1,162 | 2,748 | 1,304 | 356 | Profit before tax | (73) | na | 66 | 5,570 | 6,505 |
| Income tax | 365 | 972 | 600 | 460 | 319 | Income tax | (31) | (13) | 63 | 2,351 | 1,369 |
| Equity & invest. income | 127 | 156 | 186 | 161 | 215 | Equity & invest. income | 34 | 69 | 212 | 719 | 339 |
| Minority interests | (8) | (13) | (6) | (6) | (2) | Minority interests | na | na | 86 | (28) | (35) |
| Extraordinary items | 2,150 | 5,248 | 2,248 | 1,156 | 1,943 | Extraordinary items | 68 | (10) | 106 | 10,595 | 0 |
| Net profit | 1,608 | 5,581 | 4,576 | 2,155 | 2,193 | Net profit | 2 | 36 | 97 | 14,505 | 5,440 |
| Normalized profit | (542) | 333 | 2,328 | 999 | 250 | Normalized profit | (75) | na | 79 | 3,910 | 5,440 |
| EPS (Bt) | 0.08 | 0.27 | 0.22 | 0.11 | 0.11 | EPS (Bt) | 2 | 36 | 97 | 0.71 | 0.27 |
| Normalized EPS (Bt) | (0.03) | 0.02 | 0.11 | 0.05 | 0.01 | Normalized EPS (Bt) | (75) | na | 79 | 0.19 | 0.27 |
| Balance Sheet | | | | | | Financial Ratios | | | | | |
| (consolidated) | | | | | | 12M as | | | | | |
| Yr-end Dec (Bt m) | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 | (%) | 4Q20 | 1Q21 | 2Q21 | 3Q21 | 4Q21 |
| Cash & ST investment | 8,851 | 4,498 | 11,745 | 12,620 | 11,236 | Sales grow th | (27.1) | (1.1) | 87.2 | 64.8 | 66.8 |
| A/C receivable | 9,626 | 10,149 | 13,936 | 14,737 | 13,785 | Operating profit grow th | na | na | na | na | na |
| Inventory | 21,169 | 26,993 | 32,030 | 33,327 | 33,766 | EBITDA grow th | na | na | 466.5 | 127.2 | 31.5 |
| Other current assets | 3,725 | 3,638 | 3,771 | 2,850 | 8,413 | Norm profit grow th | na | na | na | na | na |
| Investment | 8,684 | 8,838 | 8,922 | 9,074 | 9,294 | Norm EPS grow th | na | na | na | na | na |
| Fixed assets | 114,551 | 112,811 | 111,159 | 109,664 | 109,067 | Gross margin | 9.6 | 9.9 | 11.5 | 8.2 | 6.8 |
| Other assets | 6,885 | 5,793 | 5,226 | 5,361 | 4,930 | Operating margin | (1.0) | 2.4 | 4.4 | 2.0 | 0.5 |
| Total assets | 173,491 | 172,720 | 186,789 | 187,632 | 190,492 | EBITDA margin | 4.5 | 6.9 | 8.3 | 5.5 | 3.6 |
| S-T debt | 13,335 | 17,035 | 7,538 | 9,524 | 10,585 | Norm net margin | (1.3) | 0.7 | 4.1 | 1.6 | 0.4 |
| A/C payable | 23,983 | 17,569 | 26,942 | 25,882 | 28,671 | D/E (x) | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 |
| Other current liabilities | 6,741 | 6,149 | 6,629 | 7,856 | 8,287 | Net D/E (x) | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 |
| L-T debt | 48,597 | 46,985 | 56,034 | 54,016 | 50,494 | Interest coverage (x) | 3.9 | 7.6 | 11.1 | 7.9 | 6.0 |
| Other liabilities | 5,169 | 4,951 | 4,982 | 5,163 | 4,743 | Interest rate | 2.9 | 2.8 | 2.7 | 2.7 | 2.6 |
| Minority interest | 140 | 150 | 209 | 215 | 217 | Effective tax rate | (123.3) | 83.6 | 21.8 | 35.3 | 89.6 |
| Shareholders' equity | 75,526 | 79,882 | 84,455 | 84,976 | 87,496 | ROA | (1.2) | 0.8 | 5.2 | 2.1 | 0.5 |
| Working capital | 6,812 | 19,573 | 19,024 | 22,182 | 18,880 | ROE | (2.9) | 1.7 | 11.3 | 4.7 | 1.2 |
| Total debt | 61,931 | 64,020 | 63,572 | 63,541 | 61,079 | | | | | | |
| Net debt | 53,080 | 59,522 | 51,827 | 50,921 | 49,843 | | | | | | |

Sources: Company data, Thanachart estimates

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