PTT Public Co Ltd (PTT TB) - BUY, Price Bt40.00, TP Bt46.00

Results Comment

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4Q21 in-line, weaker gas profit

- PTT reported 4Q21 net profit of Bt27.5bn (+16% q-q and +110% y-y). We estimate normalized profit of Bt23bn, dropping by 6% q-q. This is 8% above consensus, but in-line with our forecast. Reported profit improved q-q mainly led by Bt5bn fx gain (vs Bt6bn loss in 3Q21) and absence of derivative loss.
- **Gas**: Gas EBITDA was Bt19.2bn (-18% q-q, +19% y-y) in 4Q21. The q-q contraction is mainly led by a surge in pool gas cost which increased by 19% q-q to US$8.4/mmbtu. Gas sale volume also dropped by 2% q-q due to decreased in overall electricity demand in Thailand mainly from the residential sector as seasonal factor.
- **Oil trading** EBITDA dropped 25% q-q to Bt1.5bn, mainly from loss on mark-to-market despite strong improvement in sale volume. The volume increased by 48% q-q due to improving demand.
- **Key non-operating items**. We estimate total non-recurring gain of Bt4bn in 4Q21 vs -Bt1.3bn in 3Q21. This mainly includes -Bt2.7bn reverse gain from take or pay of Myanmar gas to government and Bt3.4bn NGV asset impairment. However, the loss was offset by Bt1.7bn gain from Erawan volume shortfall, Bt1.4bn gain from disposal of gas pipeline business in Egypt and Bt5bn Fx gain.
- **Outlook**. PTT is guiding for pool gas cost to continue to increase by 30% y-y in 2022, in-line with our expectation due to Erawan output shortfall. Gas separation plant utilization rate is also expected to drop to 85% from 90% plus in 2021. However, we maintain our BUY rating on PTT given attractive valuation. Stronger than expected oil price YTD provides upside risk to our and street profit forecast.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	407,174	477,837	533,256	558,888	688,838
Gross profit	**75,819**	**87,898**	**95,924**	**95,729**	**97,015**
SG&A	35,928	27,144	28,464	27,231	45,430
Operating profit	39,891	60,754	67,460	68,498	51,585
EBITDA	**74,713**	**95,790**	**106,068**	**107,794**	**85,436**
Other income	(463)	3,386	(6,262)	(1,898)	7,678
Other expense	0	7,398	12,620	11,768	172
Interest expense	7,426	6,439	7,101	7,470	7,153
Profit before tax	**32,001**	**50,304**	**41,476**	**47,362**	**51,938**
Income tax	8,342	11,683	20,851	15,408	19,648
Equity & invest. income	1,677	1,947	2,894	2,233	1,937
Minority interests	(6,062)	(14,618)	(9,215)	(9,198)	(10,674)
Extraordinary items	(6,126)	6,638	10,275	(1,336)	3,991
Net profit	**13,147**	**32,588**	**24,579**	**23,653**	**27,544**
Normalized profit	**19,273**	**25,950**	**14,304**	**24,989**	**23,553**
EPS (Bt)	0.46	1.14	0.86	0.83	0.96
Normalized EPS (Bt)	0.67	0.91	0.50	0.87	0.82

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	23	69	114	2,258,818	2,188,754
Gross profit	**1**	**28**	**99**	**376,567**	**364,754**
SG&A	67	26	96	128,269	148,190
Operating profit	(25)	29	100	248,298	216,563
EBITDA	**(21)**	**14**	**100**	**395,088**	**385,849**
Other income	na	na	13	2,904	24,808
Other expense	(99)		100	31,958	0
Interest expense	(4)	(4)	87	28,163	38,455
Profit before tax	**10**	**62**	**93**	**191,080**	**202,917**
Income tax	28	136	111	67,591	63,667
Equity & invest. income	(13)	16	97	9,010	9,306
Minority interests	na	na	116	(43,704)	(47,304)
Extraordinary items	na	na	(170)	19,568	0
Net profit	**16**	**110**	**103**	**108,363**	**101,252**
Normalized profit	**(6)**	**22**	**76**	**88,796**	**101,252**
EPS (Bt)	16	110	103	3.79	3.54
Normalized EPS (Bt)	(6)	22	76	3.11	3.54

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	416,921	438,021	438,585	473,063	312,730
A/C receivable	110,528	133,360	157,292	159,689	196,243
Inventory	93,527	117,830	144,802	162,785	168,994
Other current assets	99,955	112,402	116,300	113,403	175,439
Investment	75,680	78,611	77,908	125,784	128,779
Fixed assets	1,292,717	1,379,066	1,387,932	1,410,232	1,425,414
Other assets	454,855	487,425	501,079	525,047	670,419
Total assets	**2,544,183**	**2,746,715**	**2,823,897**	**2,970,002**	**3,078,019**
S-T debt	78,001	90,253	116,534	117,910	99,392
A/C payable	108,189	125,600	143,940	157,158	213,784
Other current liabilities	111,837	111,124	130,481	172,194	180,478
L-T debt	664,732	704,244	695,891	754,158	786,224
Other liabilities	295,579	312,335	321,150	333,822	325,201
Minority interest	403,805	449,423	446,480	456,131	466,243
Shareholders' equity	**882,040**	**953,735**	**969,423**	**978,629**	**1,006,696**
Working capital	95,866	125,589	158,154	165,316	151,453
Total debt	742,733	794,497	812,424	872,068	885,615
Net debt	**325,812**	**356,476**	**373,839**	**399,004**	**572,885**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	(27.3)	(1.2)	56.2	45.7	69.2
Operating profit growth	35.8	na	232.1	138.7	29.3
EBITDA growth	14.6	420.2	93.1	70.3	14.4
Norm profit growth	9.1	na	20.1	89.1	22.2
Norm EPS growth	9.1	na	20.1	89.1	22.2
Gross margin	18.6	18.4	18.0	17.1	14.1
Operating margin	9.8	12.7	12.7	12.3	7.5
EBITDA margin	18.3	20.0	19.9	19.3	12.4
Norm net margin	4.7	5.4	2.7	4.5	3.4
D/E (x)	0.8	0.8	0.8	0.9	0.9
Net D/E (x)	0.4	0.4	0.4	0.4	0.6
Interest coverage (x)	10.1	14.9	14.9	14.4	11.9
Interest rate	3.9	3.4	3.5	3.5	3.3
Effective tax rate	26.1	23.2	50.3	32.5	37.8
ROA	3.0	3.9	2.1	3.5	3.1
ROE	8.8	11.3	6.0	10.3	9.5

Sources: Company data, Thanachart estimates

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