

**PTT Global Chemical (PTTGC TB) - HOLD, Price Bt57.25, TP Bt56****Results Comment**

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**4Q21 below – cost pressure mount**

- PTTGC reported 4Q21 profit of Bt3.2bn, -49% y-y and -54% q-q. This misses our and street's 4Q21 forecast by 39% due to non-recurring expenses and surge in freight rate. We estimate normalized profit of Bt5bn, still miss our forecast by 10%.
- Impairment loss on US project.** PTTGC booked asset impairment of Bt1.9bn for US project due to obsolete assets and design. Company said that the project is still on going and expected to be concluded within this year. In total, we estimate non-recurring loss of Bt1.8bn vs Bt1.7bn in 3Q21. Other key items include Bt1.4bn gain from the restructuring of investments in Emery, Bt2.5bn oil hedging and inventory gain, Bt1.9bn Fx loss, Bt1bn Allnex's consultant fee, Bt500m impairment on catalysts, and Bt444m GGC's legal provision.
- SG&A surge on higher freight rate.** Selling expense rose substantially by 53% q-q and 72% y-y to Bt7bn due to surge in freight rate during the quarter.
- Refining is the only strong segment.** Market GRM was \$6.35/bbl, increasing from \$3.2 in 3Q21 and \$1.8 in 4Q20. This is in-line with rising product spreads during the quarter. Utilization rate rose to 101% in 4Q21 vs 77% following maintenance shutdown in 3Q21.
- Chemical profit decline across the broad.** We see adjusted EBITDA decline across key chemical segments due to lower product spreads and rising naphtha and LPG cost. Olefin adjusted EBITDA declined sharply by 32% q-q to Bt4.5bn, aromatic fell by 90% q-q, and performance materials and chemical fell by 28% q-q. Utilization rates are also trended lower QoQ.
- Outlook.** We expect 1Q22F core profit to continue to be weak but reported profit could trend higher with inventory gain and absence of asset impairment loss. Maintain HOLD.

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	88,362	101,864	111,793	112,173	139,298	Revenue	24	58	112	465,128	564,750
<b>Gross profit</b>	<b>10,364</b>	<b>11,198</b>	<b>13,376</b>	<b>13,132</b>	<b>10,775</b>	<b>Gross profit</b>	<b>(18)</b>	<b>4</b>	<b>101</b>	<b>48,481</b>	<b>48,721</b>
SG&A	4,512	3,505	3,850	4,548	6,975	SG&A	53	55	113	18,878	22,694
Operating profit	5,853	7,693	9,526	8,584	3,800	Operating profit	(56)	(35)	95	29,603	26,027
<b>EBITDA</b>	<b>11,134</b>	<b>13,208</b>	<b>15,302</b>	<b>14,477</b>	<b>9,708</b>	<b>EBITDA</b>	<b>(33)</b>	<b>(13)</b>	<b>97</b>	<b>52,695</b>	<b>53,357</b>
Other income	1,182	1,126	1,061	1,279	1,465	Other income	15	24	100	4,931	4,942
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	937	1,097	1,397	1,540	1,400	Interest expense	(9)	49	111	5,434	6,111
<b>Profit before tax</b>	<b>6,097</b>	<b>7,722</b>	<b>9,190</b>	<b>8,323</b>	<b>3,865</b>	<b>Profit before tax</b>	<b>(54)</b>	<b>(37)</b>	<b>93</b>	<b>29,100</b>	<b>24,858</b>
Income tax	546	721	5,591	727	190	Income tax	(74)	(65)	82	7,229	6,215
Equity & invest. income	1,072	1,900	2,325	1,295	1,472	Equity & invest. income	14	37	93	6,992	5,574
Minority interests	(316)	(132)	(141)	(234)	(60)	Minority interests	na	na	100	(568)	(776)
Extraordinary items	1,806	926	19,252	(1,652)	(1,839)	Extraordinary items	na	na	95	16,687	0
<b>Net profit</b>	<b>8,113</b>	<b>9,695</b>	<b>25,035</b>	<b>7,005</b>	<b>3,248</b>	<b>Net profit</b>	<b>(54)</b>	<b>(60)</b>	<b>96</b>	<b>44,982</b>	<b>23,442</b>
<b>Normalized profit</b>	<b>6,308</b>	<b>8,769</b>	<b>5,783</b>	<b>8,657</b>	<b>5,087</b>	<b>Normalized profit</b>	<b>(41)</b>	<b>(19)</b>	<b>96</b>	<b>28,296</b>	<b>23,442</b>
EPS (Bt)	1.80	2.15	5.55	1.55	0.72	EPS (Bt)	(54)	(60)	96	9.98	5.20
Normalized EPS (Bt)	1.40	1.94	1.28	1.92	1.13	Normalized EPS (Bt)	(41)	(19)	96	6.28	5.20

  

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	61,196	100,472	130,812	122,702	74,994	Sales grow th	3.0	8.6	59.8	45.4	57.6
A/C receivable	29,277	36,015	39,450	33,422	50,540	Operating profit grow th	na	na	893.2	1,016.7	(35.1)
Inventory	33,445	42,892	42,967	53,709	69,725	EBITDA grow th	504.5	544.8	156.1	147.6	(12.8)
Other current assets	5,993	8,865	9,757	11,321	11,985	Norm profit grow th	na	na	295.7	1,104.3	(19.4)
Investment	64,410	66,681	41,138	42,452	44,840	Norm EPS grow th	na	na	295.7	1,104.3	(19.4)
Fixed assets	269,177	268,957	267,489	265,883	289,579	Gross margin	11.7	11.0	12.0	11.7	7.7
Other assets	25,885	28,810	49,503	50,975	212,452	Operating margin	6.6	7.6	8.5	7.7	2.7
<b>Total assets</b>	<b>489,383</b>	<b>552,692</b>	<b>581,115</b>	<b>580,464</b>	<b>754,115</b>	EBITDA margin	12.6	13.0	13.7	12.9	7.0
S-T debt	22,036	23,231	24,339	39,325	40,259	Norm net margin	7.1	8.6	5.2	7.7	3.7
A/C payable	20,114	28,297	23,565	34,125	69,951	D/E (x)	0.5	0.7	0.6	0.6	0.8
Other current liabilities	16,892	17,383	25,372	27,592	36,797	Net D/E (x)	0.3	0.3	0.2	0.2	0.6
L-T debt	126,261	167,025	168,412	138,368	224,760	Interest coverage (x)	11.9	12.0	11.0	9.4	6.9
Other liabilities	15,086	16,993	19,214	19,615	54,746	Interest rate	2.7	2.6	2.9	3.3	2.5
Minority interest	7,979	8,280	8,079	8,178	9,361	Effective tax rate	8.9	9.3	60.8	8.7	4.9
<b>Shareholders' equity</b>	<b>281,015</b>	<b>291,483</b>	<b>312,133</b>	<b>313,262</b>	<b>318,242</b>	ROA	5.3	6.7	4.1	6.0	3.0
Working capital	42,608	50,610	58,851	53,006	50,314	ROE	9.1	12.3	7.7	11.1	6.4
Total debt	148,296	190,256	192,751	177,693	265,019						
<b>Net debt</b>	<b>87,101</b>	<b>89,784</b>	<b>61,939</b>	<b>54,991</b>	<b>190,025</b>						

Sources: Company data, Thanachart estimates

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