Esso (Thailand) Pcl (ESSO TB) - HOLD, Price Bt8.90, TP Bt8.20

Results Comment

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1Q22 – Beat from inventory gain

- ESSO reported 1Q22 net profit of Bt5.9bn (vs profit of Bt753m in 4Q21 and up by 112% y-y). Excluding inventory gain (see below), we estimate normalized loss to be Bt783m, improving from 32% q-q. The result was ahead our estimate of Bt4.9bn, but slightly below consensus.
- **Petroleum:** Reported GRM was $22.7/bbl. We estimate market GRM (exc. Inventory gain) to be $8.5/bbl vs $7.0/bbl, in 4Q21 due to higher product margins. Crude intake was 128kbd, up slightly from 124kbd in 4Q21 reflecting improve demand following country reopening.
- **Petrochemical:** Px production remains at zero in 1Q22. Recall that ESSO has fully suspended its PX production since April 2021. Petrochemical turn into a profit of Bt32m vs loss of Bt445m in the previous quarter.
- **Inventory gain:** We estimate pre-tax inventory gain to be Bt5bn base on Dubai oil price average in Mar 22 vs Dec 21 and 7m bbls inventory

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	39,258	41,070	40,239	52,312	57,680
Gross profit	**1,585**	**386**	**395**	**2,105**	**3,451**
SG&A	1,251	1,214	1,282	1,321	1,225
Operating profit	335	(828)	(887)	784	2,226
EBITDA	**1,022**	**(128)**	**(180)**	**1,497**	**2,939**
Other income	9	3	10	6	2
Other expense	0	0	0	0	0
Interest expense	82	76	77	76	74
Profit before tax	**262**	**(901)**	**(954)**	**714**	**2,154**
Income tax	676	199	(3)	179	1,453
Equity & invest. income	70	56	43	59	82
Minority interests	0	(1)	0	0	0
Extraordinary items	3,132	1,903	955	157	5,117
Net profit	**2,788**	**858**	**46**	**750**	**5,900**
Normalized profit	**(344)**	**(1,045)**	**(908)**	**593**	**783**
EPS (Bt)	0.81	0.25	0.01	0.22	1.70
Normalized EPS (Bt)	(0.10)	(0.30)	(0.26)	0.17	0.23

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	10	47	34	169,762	169,343
Gross profit	**64**	**118**	**48**	**7,221**	**8,271**
SG&A	(7)	(2)	25	4,976	4,964
Operating profit	184	565	99	2,244	3,307
EBITDA	**96**	**188**	**58**	**5,081**	**6,180**
Other income	(64)	(76)	3	69	69
Other expense			na	0	0
Interest expense	(3)	(10)	24	305	201
Profit before tax	**202**	**723**	**107**	**2,008**	**3,175**
Income tax	710	115	85	1,714	712
Equity & invest. income	39	17	21	384	384
Minority interests			-	(1)	(1)
Extraordinary items	3,154	63	83	6,180	0
Net profit	**686**	**112**	**86**	**6,856**	**2,846**
Normalized profit	**32**	**na**	**116**	**676**	**2,846**
EPS (Bt)	686	112	86	1.98	0.82
Normalized EPS (Bt)	32	na	116	0.20	0.82

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	639	753	336	802	408
A/C receivable	6,926	6,125	5,915	8,171	11,312
Inventory	16,008	18,114	20,204	18,786	33,177
Other current assets	4,553	4,939	5,376	6,025	8,774
Investment	2,207	1,994	2,036	2,095	2,176
Fixed assets	24,406	24,034	23,758	23,706	23,380
Other assets	10,920	10,665	10,720	10,470	9,145
Total assets	**65,659**	**66,624**	**68,345**	**70,055**	**88,371**
S-T debt	20,533	23,022	23,319	24,990	27,486
A/C payable	4,394	4,495	4,136	5,117	4,857
Other current liabilities	13,061	11,743	12,098	11,900	23,092
L-T debt	5,167	4,000	5,333	3,999	2,999
Other liabilities	5,239	5,223	5,218	4,839	4,819
Minority interest	7	7	7	7	7
Shareholders' equity	**17,257**	**18,134**	**18,234**	**19,201**	**25,110**
Working capital	18,539	19,744	21,983	21,840	39,632
Total debt	25,700	27,022	28,652	28,990	30,486
Net debt	**25,060**	**26,269**	**28,316**	**28,188**	**30,078**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(0.3)	68.2	32.4	61.1	46.9
Operating profit growth	na	na	na	na	565.3
EBITDA growth	na	na	na	na	187.6
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	4.0	0.9	1.0	4.0	6.0
Operating margin	0.9	(2.0)	(2.2)	1.5	3.9
EBITDA margin	2.6	(0.3)	(0.4)	2.9	5.1
Norm net margin	(0.9)	(2.5)	(2.3)	1.1	1.4
D/E (x)	1.5	1.5	1.6	1.5	1.2
Net D/E (x)	1.5	1.4	1.6	1.5	1.2
Interest coverage (x)	12.4	(1.7)	(2.4)	19.7	39.7
Interest rate	1.2	1.2	1.1	1.1	1.0
Effective tax rate	258.2	(22.1)	0.3	25.1	67.5
ROA	(2.2)	(6.3)	(5.4)	3.4	4.0
ROE	(8.7)	(23.6)	(20.0)	12.7	14.1

Sources: Company data, Thanachart estimates

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