IRPC Public Co Ltd (IRPC TB) - BUY, Price Bt3.38, TP Bt4.40

Results Comment

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1Q22 – Below on lower refinery margin

- IRPC reported 1Q22 net profit of Bt1.5bn, down 32% q-q and 73% y-y. IRPC's core profit turn into a loss of Bt1.1bn (tax adjusted) from profit of Bt640m in 4Q21 given lower profit across all businesses. The result came in below our forecast due to weaker than expected refinery margin.
- **Integrated GIM shrink** to $7.1/bbl, down 35% q-q, and 4% y-y. Total intake was 194kbd, down by 2% q-q due to planned maintenance shutdown of HYVAHL unit in for one month. Comparing to operating cost of US$10.4/bbl in 1Q22, company was making loss at core profit level.
- **Petroleum:** Refinery margin down by 18% q-q to US$4.2/bbl despite higher product spread. This is due to higher crude premium which increase by US$3.5/bbl q-q to US$6.5/bbl in 1Q22 vs SG complex GRM increased of US$2/bbl. This is due to higher sweet crude mix following HYVAHL unit shutdown.
- **Petrochemical:** As expected, petrochemical contribution was weak at $1.73/bbl in 1Q22, dropping by 55% q-q. Both olefin and aromatic contribution show substantial decrease q-q in this quarter. This is owning to decline in chemical spreads, especially styrenic and olefin spreads while feedstock cost was rising. Note that this is record lower level based on our data since 2013.
- **Non-operating items**. IRPC's non-operating items includes Bt6.4bn inventory gain, Bt3.4m hedging loss from financial derivatives and oil hedging, Bt19m Fx loss.
- **Outlook**: We expect result to improve in 2Q22F with continued increase in refinery margin and recovery in chemical margin. We see chemical margin downside as limited while share price set to see near term support from 2Q22F profit recovery. BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	48,388	56,858	62,088	67,840	76,608
Gross profit	**4,785**	**6,518**	**5,086**	**4,612**	**2,097**
SG&A	3,617	4,002	3,826	4,254	3,643
Operating profit	1,168	2,516	1,260	358	(1,546)
EBITDA	**3,348**	**4,725**	**3,390**	**2,426**	**462**
Other income	435	659	473	400	351
Other expense	0	0	0	0	0
Interest expense	441	427	429	402	398
Profit before tax	**1,162**	**2,748**	**1,304**	**356**	**(1,593)**
Income tax	972	600	460	319	338
Equity & invest. income	156	186	161	215	129
Minority interests	(13)	(6)	(6)	(2)	(3)
Extraordinary items	5,248	2,248	1,156	1,943	3,306
Net profit	**5,581**	**4,576**	**2,155**	**2,193**	**1,501**
Normalized profit	**333**	**2,328**	**999**	**250**	**(1,805)**
EPS (Bt)	0.27	0.22	0.11	0.11	0.07
Normalized EPS (Bt)	0.02	0.11	0.05	0.01	(0.09)

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	13	58	29	265,631	240,404
Gross profit	**(55)**	**(56)**	**12**	**17,215**	**23,615**
SG&A	(14)	1	24	15,362	16,037
Operating profit	na	na	(83)	1,853	7,578
EBITDA	**(81)**	**(86)**	**5**	**9,716**	**16,469**
Other income	(12)	(19)	17	2,121	2,214
Other expense			na	0	0
Interest expense	(1)	(10)	25	1,576	1,658
Profit before tax	**na**	**na**	**(66)**	**2,398**	**8,134**
Income tax	6	(65)	22	1,560	1,695
Equity & invest. income	(40)	(17)	38	339	339
Minority interests	na	na	9	(32)	(29)
Extraordinary items	70	(37)	65	5,063	0
Net profit	**(32)**	**(73)**	**24**	**6,208**	**6,750**
Normalized profit	**na**	**na**	**(158)**	**1,146**	**6,750**
EPS (Bt)	(32)	(73)	24	0.30	0.33
Normalized EPS (Bt)	na	na	(158)	0.06	0.33

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	4,498	11,745	12,620	11,236	15,131
A/C receivable	10,149	13,936	14,737	13,785	17,779
Inventory	26,993	32,030	33,327	33,766	44,338
Other current assets	3,638	3,771	2,850	8,413	6,264
Investment	8,838	8,922	9,074	9,294	9,426
Fixed assets	112,811	111,159	109,664	109,067	107,982
Other assets	5,793	5,226	5,361	4,930	5,744
Total assets	**172,720**	**186,789**	**187,632**	**190,492**	**206,665**
S-T debt	17,035	7,538	9,524	10,585	9,031
A/C payable	17,569	26,942	25,882	28,671	44,608
Other current liabilities	6,149	6,629	7,856	8,287	8,946
L-T debt	46,985	56,034	54,016	50,494	50,236
Other liabilities	4,951	4,982	5,163	4,743	4,589
Minority interest	150	209	215	217	260
Shareholders' equity	**79,882**	**84,455**	**84,976**	**87,496**	**88,996**
Working capital	19,573	19,024	22,182	18,880	17,509
Total debt	64,020	63,572	63,541	61,079	59,266
Net debt	**59,522**	**51,827**	**50,921**	**49,843**	**44,136**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(1.1)	87.2	64.8	66.8	58.3
Operating profit growth	na	na	na	na	na
EBITDA growth	na	466.5	127.2	31.5	(86.2)
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	9.9	11.5	8.2	6.8	2.7
Operating margin	2.4	4.4	2.0	0.5	(2.0)
EBITDA margin	6.9	8.3	5.5	3.6	0.6
Norm net margin	0.7	4.1	1.6	0.4	(2.4)
D/E (x)	0.8	0.8	0.7	0.7	0.7
Net D/E (x)	0.7	0.6	0.6	0.6	0.5
Interest coverage (x)	7.6	11.1	7.9	6.0	1.2
Interest rate	2.8	2.7	2.7	2.6	2.6
Effective tax rate	83.6	21.8	35.3	89.6	(21.2)
ROA	0.8	5.2	2.1	0.5	(3.6)
ROE	1.7	11.3	4.7	1.2	(8.2)

Sources: Company data, Thanachart estimates

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