PTT Public Co Ltd (PTT TB) - BUY, Price Bt36.50, TP Bt42.00

Results Comment

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1Q22 – Subsidiaries led core profit rise

- PTT reported 1Q22 net profit of Bt25.6bn (-7% q-q and -22% y-y). We estimate normalized profit of Bt33bn, up by 40% q-q due to higher subsidiaries profit. The result is in-line with our estimation.
- **Adjusted gas EBITDA dropped 7% q-q**: Gas EBITDA was Bt19.25n (+2% q-q, -10% y-y) in 1Q22. The q-q increase is due to absence of one-off expenses amount Bt1bn in 4Q21 while PTT booked additional revenue from gas shortfall amount Bt700m in 1Q22. Gas EBITDA would have dropped by 7% q-q if we adjusted one-off items. Weaker S&M EBITDA was offset by higher contribution from gas separation plant (GSP). S&M EBITDA came in at breakeven due to larger loss from industrial customers which was impact by spike in pool gas cost (+34% q-q and 85% y-y to US$10.9/mmbtu) while selling price lag fuel oil price by 3 months. Meanwhile, GSP's EBITDA up by 23% q-q mainly from higher selling price.
- **Oil trading weaker q-q:** EBITDA dropped by 16% q-q to Bt1.2bn, mainly from loss on mark-to-market despite strong improvement in sale volume and product price. The volume increased by 45% q-q due to higher crude import for domestic refineries as well as higher LNG imports.
- **Key non-operating items**. We estimate total non-recurring loss of Bt1.8bn in 1Q22 vs Bt562m in 4Q21. There are three key items for PTT's one-off items which include i) Bt4bn Fx gain, ii) Bt10bn hedging loss, and iii) Bt700m revenue from gas shortfall.
- **Outlook**. We expect 2Q22 to improve as industrial customers will realize higher selling price due to lag affect while subsidiaries set to see core profit improvement. BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	477,837	533,256	558,888	688,838	758,465
Gross profit	**87,898**	**95,924**	**95,729**	**97,015**	**134,670**
SG&A	27,144	28,464	27,231	45,430	31,116
Operating profit	60,754	67,460	68,498	51,585	103,554
EBITDA	**95,790**	**106,068**	**107,794**	**85,436**	**140,699**
Other income	3,386	(6,262)	(1,898)	7,678	16,807
Other expense	7,398	12,620	11,768	172	48,979
Interest expense	6,439	7,101	7,470	7,153	7,445
Profit before tax	**50,304**	**41,476**	**47,362**	**51,938**	**63,937**
Income tax	11,683	20,851	15,408	19,648	21,874
Equity & invest. income	1,947	2,894	2,233	1,937	1,949
Minority interests	(14,618)	(9,215)	(9,198)	(10,674)	(11,133)
Extraordinary items	6,638	10,275	(1,336)	3,991	(7,308)
Net profit	**32,588**	**24,579**	**23,653**	**27,544**	**25,571**
Normalized profit	**25,950**	**14,304**	**24,989**	**23,553**	**32,879**
EPS (Bt)	1.14	0.86	0.83	0.96	0.90
Normalized EPS (Bt)	0.91	0.50	0.87	0.82	1.15

Income Statement			**3M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	10	59	28	2,701,745	2,482,572
Gross profit	**39**	**53**	**37**	**365,908**	**344,988**
SG&A	(32)	15	20	153,421	140,975
Operating profit	101	70	49	212,488	204,013
EBITDA	**65**	**47**	**37**	**382,556**	**387,469**
Other income	119	396	124	13,509	12,413
Other expense	28,331	562	536	9,133	0
Interest expense	4	16	25	29,237	33,855
Profit before tax	**23**	**27**	**34**	**187,627**	**182,571**
Income tax	11	87	35	61,731	57,474
Equity & invest. income	1	0	22	9,010	9,010
Minority interests	na	na	22	(50,545)	(46,052)
Extraordinary items	na	na	(80)	9,133	0
Net profit	**(7)**	**(22)**	**27**	**93,493**	**88,055**
Normalized profit	**40**	**27**	**39**	**84,361**	**88,055**
EPS (Bt)	(7)	(22)	27	3.27	3.08
Normalized EPS (Bt)	40	27	39	2.95	3.08

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	438,021	438,585	473,063	312,730	426,068
A/C receivable	133,360	157,292	159,689	196,243	233,441
Inventory	117,830	144,802	162,785	168,994	239,425
Other current assets	112,402	116,300	113,403	175,439	196,312
Investment	78,611	77,908	125,784	128,779	136,841
Fixed assets	1,379,066	1,387,932	1,410,232	1,425,414	1,421,118
Other assets	487,425	501,079	525,047	670,419	662,746
Total assets	**2,746,715**	**2,823,897**	**2,970,002**	**3,078,019**	**3,315,950**
S-T debt	90,253	116,534	117,910	99,392	208,958
A/C payable	125,600	143,940	157,158	213,784	253,150
Other current liabilities	111,124	130,481	172,194	180,478	213,800
L-T debt	704,244	695,891	754,158	786,224	816,082
Other liabilities	312,335	321,150	333,822	325,201	323,269
Minority interest	449,423	446,480	456,131	466,243	471,497
Shareholders' equity	**953,735**	**969,423**	**978,629**	**1,006,696**	**1,029,195**
Working capital	125,589	158,154	165,316	151,453	219,716
Total debt	794,497	812,424	872,068	885,615	1,025,041
Net debt	**356,476**	**373,839**	**399,004**	**572,885**	**598,973**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(1.2)	56.2	45.7	69.2	58.7
Operating profit growth	na	232.1	138.7	29.3	70.4
EBITDA growth	420.2	93.1	70.3	14.4	46.9
Norm profit growth	na	20.1	89.1	22.2	26.7
Norm EPS growth	na	20.1	89.1	22.2	26.7
Gross margin	18.4	18.0	17.1	14.1	17.8
Operating margin	12.7	12.7	12.3	7.5	13.7
EBITDA margin	20.0	19.9	19.3	12.4	18.6
Norm net margin	5.4	2.7	4.5	3.4	4.3
D/E (x)	0.8	0.8	0.9	0.9	1.0
Net D/E (x)	0.4	0.4	0.4	0.6	0.6
Interest coverage (x)	14.9	14.9	14.4	11.9	18.9
Interest rate	3.4	3.5	3.5	3.3	3.1
Effective tax rate	23.2	50.3	32.5	37.8	34.2
ROA	3.9	2.1	3.5	3.1	4.1
ROE	11.3	6.0	10.3	9.5	12.9

Sources: Company data, Thanachart estimates

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