PTT Global Chemical (PTTGC TB) - BUY, Price Bt48, TP Bt58

Results Comment

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1Q22 in-line - weak as expected

- PTTGC reported 1Q22 profit of Bt4.2bn, -57% y-y and +30% q-q. This in-line with our and street's 1Q22 forecast. We estimate normalized profit of Bt6bn, beat our forecast of Bt4.4bn, mainly due to the change in depreciation policy. Core profit up by 23% q-q mainly due to consolidation of Allnex and higher refinery margin.
- **Hit by large hedging loss**. PTTGC booked hedging loss of Bt8.6bn which wipe out all of the stock gain of Bt4.9bn. The company realized 30% of total hedging loss in 1Q22 and has hedging position of 50% of total sale volume or 15m bbl.
- **Olefin profit improved despite lower spread**. Adjusted EBITDA improved 13% q-q to Bt4.8bn due to higher sale volume due to less shutdown activities. EBITDA margin dropped to 11% from 12% due to lower cheap ethane feedstock availability. Aromatic EBTIDA turned negative of -Bt1.1bn due to higher condensate premium.
- **Allnex contribution came in as planned**. According to PTTGC, Allnex's EBITDA came in as planned of Bt3.5bn per quarter which we estimate contribution of Bt700m per quarter. Consequently, PTTGC's high performance business's EBITDA up 63% q-q to Bt6.4bn. Excluding Allnex's EBITDA, we estimate the segment's EBITDA to drop by 27% q-q.
- **Change in depreciation policy to offset additional cost from Allnex**. Depreciation up by only 2% q-q despite consolidation of Allnex. This is due to lower depreciation expense of around of Bt600-700m per quarter (or 12% of existing depreciation expense) as the company extend useful life of existing assets by 5 years. This is coincided with additional PPA cost of Bt400m per quarter from Allnex.
- **Outlook.** We expect 2Q22F to continue to be weak with maintenance activities and potential hedging loss. We maintain our BUY call as we see limited downside.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	101,864	111,793	112,173	139,298	175,554
Gross profit	**11,198**	**13,376**	**13,132**	**10,775**	**14,065**
SG&A	3,505	3,850	4,548	6,975	7,842
Operating profit	7,693	9,526	8,584	3,800	6,223
EBITDA	**13,208**	**15,302**	**14,477**	**9,708**	**12,743**
Other income	1,126	1,061	1,279	1,465	1,529
Other expense	0	0	0	0	0
Interest expense	1,097	1,397	1,540	1,400	2,014
Profit before tax	**7,722**	**9,190**	**8,323**	**3,865**	**5,738**
Income tax	721	5,591	727	190	184
Equity & invest. income	1,900	2,325	1,295	1,472	1,150
Minority interests	(132)	(141)	(234)	(60)	(470)
Extraordinary items	926	19,252	(1,652)	(1,839)	(2,023)
Net profit	**9,695**	**25,035**	**7,005**	**3,248**	**4,211**
Normalized profit	**8,769**	**5,783**	**8,657**	**5,087**	**6,234**
EPS (Bt)	2.15	5.55	1.55	0.72	0.93
Normalized EPS (Bt)	1.94	1.28	1.92	1.13	1.38

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	26	72	28	627,450	533,400
Gross profit	**31**	**26**	**27**	**52,786**	**48,097**
SG&A	12	124	31	25,466	21,649
Operating profit	64	(19)	23	27,320	26,448
EBITDA	**31**	**(4)**	**24**	**52,321**	**52,284**
Other income	4	36	31	4,931	4,931
Other expense			na	0	0
Interest expense	44	84	29	6,918	5,900
Profit before tax	**48**	**(26)**	**23**	**25,333**	**25,479**
Income tax	(3)	(74)	3	7,333	6,370
Equity & invest. income	(22)	(39)	21	5,574	5,574
Minority interests	na	na	61	(766)	(651)
Extraordinary items	na	na	(51)	4,000	0
Net profit	**30**	**(57)**	**16**	**26,808**	**24,032**
Normalized profit	**23**	**(29)**	**27**	**22,808**	**24,032**
EPS (Bt)	30	(57)	16	5.95	5.33
Normalized EPS (Bt)	23	(29)	27	5.06	5.33

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	100,472	130,812	122,702	74,994	86,154
A/C receivable	36,015	39,450	33,422	50,540	62,249
Inventory	42,892	42,967	53,709	69,725	76,534
Other current assets	8,865	9,757	11,321	11,985	13,739
Investment	66,681	41,138	42,452	44,840	51,422
Fixed assets	268,957	267,489	265,883	289,579	287,535
Other assets	28,810	49,503	50,975	212,452	203,704
Total assets	**552,692**	**581,115**	**580,464**	**754,115**	**781,338**
S-T debt	23,231	24,339	39,325	40,259	44,913
A/C payable	28,297	23,565	34,125	69,951	81,057
Other current liabilities	17,383	25,372	27,592	36,797	39,275
L-T debt	167,025	168,412	138,368	224,760	238,128
Other liabilities	16,993	19,214	19,615	54,746	51,811
Minority interest	8,280	8,079	8,178	9,361	9,796
Shareholders' equity	**291,483**	**312,133**	**313,262**	**318,242**	**316,358**
Working capital	50,610	58,851	53,006	50,314	57,726
Total debt	190,256	192,751	177,693	265,019	283,041
Net debt	**89,784**	**61,939**	**54,991**	**190,025**	**196,887**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	8.6	59.8	45.4	57.6	72.3
Operating profit growth	na	893.2	1,016.7	(35.1)	(19.1)
EBITDA growth	544.8	156.1	147.6	(12.8)	(3.5)
Norm profit growth	na	295.7	1,104.3	(19.4)	(28.9)
Norm EPS growth	na	295.7	1,104.3	(19.4)	(28.9)
Gross margin	11.0	12.0	11.7	7.7	8.0
Operating margin	7.6	8.5	7.7	2.7	3.5
EBITDA margin	13.0	13.7	12.9	7.0	7.3
Norm net margin	8.6	5.2	7.7	3.7	3.6
D/E (x)	0.7	0.6	0.6	0.8	0.9
Net D/E (x)	0.3	0.2	0.2	0.6	0.6
Interest coverage (x)	12.0	11.0	9.4	6.9	6.3
Interest rate	2.6	2.9	3.3	2.5	2.9
Effective tax rate	9.3	60.8	8.7	4.9	3.2
ROA	6.7	4.1	6.0	3.0	3.2
ROE	12.3	7.7	11.1	6.4	7.9

Sources: Company data, Thanachart estimates

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