Thai Oil Public Co Ltd (TOP TB) - SELL, Price Bt57, TP Bt45.00

Results Comment

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1Q22 – Strong as expected

- TOP reported 1Q22 net profit of Bt7.2bn. Excluding non-operating items, we estimate normalized profit of Bt4bn, +95% q-q. The reported profit is in-line with our forecast and consensus.
- **Market GIM** was $7.6/bbl, increasing from $7.0/bbl in 4Q21 and $4.1/bbl in 1Q21. Refinery utilization rate maintain high at 109% in 1Q22 due to strong domestic demand.
- **Refining**. Market GRM improved to $6.4/bbl from $5.4/0.7 in 4Q21/1Q21 due to higher crack spreads across key products.
- **Aromatic.** Product-to-feed (P2F) margin remained weak at $27/t (+8% q-q, -79% y-y) due to continued supply pressure. With weak margin, utilization rate trended lower to 73% from 81% in 4Q21 and 80% in 1Q21.
- **Lube and others**. Lube P2F was $96/t (-22% q-q, -74% y-y) as base oil margin corrected 22% q-q. Loss contribution from Chandra Asri remain steady q-q at Bt66m in 1Q22.
- **Large hedging loss**. Non-operating items were Bt11.8bn inventory gain, but offset by Bt7.3bn hedging loss. TOP's total non-recurring gain after tax reported at Bt3bn in 1Q22, steady q-q, but higher comparing to total gain of Bt2.4bn in 1Q21. According to the company, realized hedging gain was at Bt5.7bn or 80% of total hedging loss in 1Q22. However, the company still has hedging position of 45% of total sale volume in 1H22 and 20-30% in 2H22.
- **Outlook.** We expect reported 2Q22 to trend lower despite strong improvement in refinery margin 2QTD due to potential hedging loss and absence of huge inventory gain. Maintain SELL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	75,272	79,821	82,064	108,338	120,882
Gross profit	**7,058**	**2,651**	**2,082**	**5,031**	**7,381**
SG&A	543	690	712	1,112	718
Operating profit	6,515	1,962	1,370	3,919	6,664
EBITDA	**8,336**	**3,775**	**3,231**	**5,849**	**8,496**
Other income	198	163	697	78	107
Other expense	0	0	0	0	0
Interest expense	796	907	934	958	961
Profit before tax	**5,917**	**1,217**	**1,133**	**3,039**	**5,810**
Income tax	388	358	213	1,075	1,672
Equity & invest. income	470	537	442	225	44
Minority interests	(97)	(84)	(118)	(125)	(149)
Extraordinary items	(2,543)	811	818	2,969	3,150
Net profit	**3,360**	**2,123**	**2,063**	**5,033**	**7,183**
Normalized profit	**5,903**	**1,312**	**1,245**	**2,064**	**4,033**
EPS (Bt)	1.65	1.04	1.01	2.47	3.52
Normalized EPS (Bt)	2.89	0.64	0.61	1.01	1.98

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	12	61	29	416,870	366,105
Gross profit	**47**	**5**	**40**	**18,332**	**13,719**
SG&A	(35)	32	16	4,586	4,027
Operating profit	70	2	48	13,747	9,692
EBITDA	**45**	**2**	**40**	**21,200**	**17,679**
Other income	38	(46)	8	1,370	1,203
Other expense			-	(2,000)	0
Interest expense	0	21	23	4,148	4,565
Profit before tax	**91**	**(2)**	**45**	**12,969**	**6,331**
Income tax	56	331	29	5,756	1,426
Equity & invest. income	(80)	(91)	2	1,891	2,057
Minority interests	na	na	29	(513)	(450)
Extraordinary items	6	na	17	19,000	0
Net profit	**43**	**114**	**26**	**27,591**	**6,512**
Normalized profit	**95**	**(32)**	**47**	**8,591**	**6,512**
EPS (Bt)	43	114	26	13.52	3.19
Normalized EPS (Bt)	95	(32)	47	4.21	3.19

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	48,083	41,687	26,201	34,273	41,171
A/C receivable	19,841	20,329	19,439	23,415	29,483
Inventory	28,820	37,798	40,257	39,576	57,584
Other current assets	6,332	5,037	5,216	3,975	3,969
Investment	25,026	24,827	55,288	55,412	55,374
Fixed assets	153,904	164,911	170,245	178,399	184,071
Other assets	21,851	25,729	29,202	27,094	26,931
Total assets	**303,857**	**320,316**	**345,849**	**362,144**	**398,583**
S-T debt	2,419	5,626	5,101	5,142	53,094
A/C payable	13,390	21,929	18,922	23,001	40,715
Other current liabilities	9,328	11,148	10,778	10,334	15,554
L-T debt	12,401	11,836	35,405	44,755	19,199
Other liabilities	148,796	151,213	158,037	155,819	140,449
Minority interest	2,723	2,767	2,093	2,213	2,362
Shareholders' equity	**114,800**	**115,797**	**115,512**	**120,881**	**127,208**
Working capital	35,271	36,198	40,773	39,990	46,351
Total debt	14,819	17,462	40,506	49,897	72,294
Net debt	**(33,263)**	**(24,225)**	**14,305**	**15,624**	**31,122**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(3.3)	58.4	40.5	76.8	60.6
Operating profit growth	na	399.0	na	56.8	2.3
EBITDA growth	na	50.9	374.2	62.5	1.9
Norm profit growth	na	na	na	na	(31.7)
Norm EPS growth	na	na	na	na	(31.7)
Gross margin	9.4	3.3	2.5	4.6	6.1
Operating margin	8.7	2.5	1.7	3.6	5.5
EBITDA margin	11.1	4.7	3.9	5.4	7.0
Norm net margin	7.8	1.6	1.5	1.9	3.3
D/E (x)	0.1	0.2	0.4	0.4	0.6
Net D/E (x)	(0.3)	(0.2)	0.1	0.1	0.2
Interest coverage (x)	10.5	4.2	3.5	6.1	8.8
Interest rate	17.7	22.5	12.9	8.5	6.3
Effective tax rate	6.5	29.4	18.8	35.4	28.8
ROA	7.7	1.7	1.5	2.3	4.2
ROE	20.4	4.6	4.3	7.0	13.0

Sources: Company data, Thanachart estimates

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