IRPC Public Co Ltd (IRPC TB) - BUY, Price Bt3.42, TP Bt4.40

Results Comment

Yupapan Polpornprasert | Email: yupapan.pol@thanachartsec.co.th

2Q22 – Improvement across the broad

- IRPC reported 2Q22 profit of Bt3.8bn vs Bt1.5bn in 1Q22 and Bt4.6bn in 2Q21. This is in-line with our and consensus expectation. IRPC's core profit turned into a positive of Bt5.7bn from loss of Bt1.1bn in 1Q22. We see profit improvement q-q across all businesses.
- **Integrated GIM improved strongly** to $20/bbl, +185%% q-q, and 29% y-y. Total intake was 200kbd, up by 3% q-q following resume from planned maintenance shutdown of HYVAHL unit in 1Q22. Company's operating cost per unit was steady at US$9.7/bbl.
- **Petroleum:** Refinery margin up strongly by 274% q-q to US$15.7/bbl which is in-line with higher refinery margin benchmark. Crude premium also up by US$1.3/bbl q-q to US$7.8/bbl.
- **Petrochemical:** Petrochemical GIM recovered 89% q-q to Bt1.86bn (or US$2.98/bbl) despite mixed movement in product spreads. Both olefin and aromatic contribution improvement q-q in this quarter but they're much lower y-y amid weak product spreads. We believe this is partially helped by higher premium on sale and some lag price adjustment which results in better margin relative to benchmark spread.
- **Non-operating items**. IRPC's non-operating items is at a loss of Bt2.3bn vs. gain of Bt3.3bn in 1Q22 and gain of Bt2.2bn in 2Q21. This includes Bt4bn inventory gain, but it's more than offset by hedging loss of Bt5.8bn.
- **Outlook**: We expect result to trend lower in 3Q22F with lower refinery margin and chemical spreads QTD. We maintain our BUY rating as we see limited share price downside. Company is now trading at 0.7x 23F PB which is below its -1STD

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	56,858	62,088	67,840	76,608	99,395
Gross profit	**6,518**	**5,086**	**4,612**	**2,097**	**10,547**
SG&A	4,002	3,826	4,254	3,643	3,623
Operating profit	2,516	1,260	358	(1,546)	6,924
EBITDA	**4,725**	**3,390**	**2,426**	**462**	**8,939**
Other income	659	473	400	351	374
Other expense	0	0	0	0	0
Interest expense	427	429	402	398	427
Profit before tax	**2,748**	**1,304**	**356**	**(1,593)**	**6,871**
Income tax	600	460	319	338	927
Equity & invest. income	186	161	215	129	179
Minority interests	(6)	(6)	(2)	(3)	(2)
Extraordinary items	2,248	1,156	1,943	3,306	(2,288)
Net profit	**4,576**	**2,155**	**2,193**	**1,501**	**3,833**
Normalized profit	**2,328**	**999**	**250**	**(1,805)**	**6,121**
EPS (Bt)	0.22	0.11	0.11	0.07	0.19
Normalized EPS (Bt)	0.11	0.05	0.01	(0.09)	0.30

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	30	75	66	265,631	240,404
Gross profit	**403**	**62**	**73**	**17,215**	**23,615**
SG&A	(1)	(9)	47	15,362	16,037
Operating profit	na	175	290	1,853	7,578
EBITDA	**1,835**	**89**	**97**	**9,716**	**16,469**
Other income	7	(43)	34	2,121	2,214
Other expense			na	0	0
Interest expense	7	-	52	1,576	1,658
Profit before tax	**na**	**150**	**220**	**2,398**	**8,134**
Income tax	174	55	81	1,560	1,695
Equity & invest. income	39	(4)	91	339	339
Minority interests	na	na	16	(32)	(29)
Extraordinary items	na	na	20	5,063	0
Net profit	**155**	**(16)**	**86**	**6,208**	**6,750**
Normalized profit	**na**	**163**	**377**	**1,146**	**6,750**
EPS (Bt)	155	(16)	86	0.30	0.33
Normalized EPS (Bt)	na	163	377	0.06	0.33

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	11,745	12,620	11,236	15,131	13,879
A/C receivable	13,936	14,737	13,785	17,779	21,213
Inventory	32,030	33,327	33,766	44,338	53,903
Other current assets	3,771	2,850	8,413	6,264	10,380
Investment	8,922	9,074	9,294	9,426	9,606
Fixed assets	111,159	109,664	109,067	107,982	107,304
Other assets	5,226	5,361	4,930	5,744	5,956
Total assets	**186,789**	**187,632**	**190,492**	**206,665**	**222,242**
S-T debt	7,538	9,524	10,585	9,031	9,836
A/C payable	26,942	25,882	28,671	44,608	45,285
Other current liabilities	6,629	7,856	8,287	8,946	13,526
L-T debt	56,034	54,016	50,494	50,236	58,593
Other liabilities	4,982	5,163	4,743	4,589	4,810
Minority interest	209	215	217	260	227
Shareholders' equity	**84,455**	**84,976**	**87,496**	**88,996**	**89,964**
Working capital	19,024	22,182	18,880	17,509	29,830
Total debt	63,572	63,541	61,079	59,266	68,429
Net debt	**51,827**	**50,921**	**49,843**	**44,136**	**54,550**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	87.2	64.8	66.8	58.3	74.8
Operating profit growth	na	na	na	na	175.2
EBITDA growth	466.5	127.2	31.5	(86.2)	89.2
Norm profit growth	na	na	na	na	162.9
Norm EPS growth	na	na	na	na	162.9
Gross margin	11.5	8.2	6.8	2.7	10.6
Operating margin	4.4	2.0	0.5	(2.0)	7.0
EBITDA margin	8.3	5.5	3.6	0.6	9.0
Norm net margin	4.1	1.6	0.4	(2.4)	6.2
D/E (x)	0.8	0.7	0.7	0.7	0.8
Net D/E (x)	0.6	0.6	0.6	0.5	0.6
Interest coverage (x)	11.1	7.9	6.0	1.2	20.9
Interest rate	2.7	2.7	2.6	2.6	2.7
Effective tax rate	21.8	35.3	89.6	(21.2)	13.5
ROA	5.2	2.1	0.5	(3.6)	11.4
ROE	11.3	4.7	1.2	(8.2)	27.4

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 65 Derivative Warrants which are ADVANC16C2210A, ADVANC16C2211A, AMAT16C2209A, AOT16C2212A, AOT16C2209A, BANPU16C2210A, BCH16C2211A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2210A, CENTEL16C2209A, COM716C2208A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, EA16C2209A, EA16C2211A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2209A, GULF16C2210A, GUNK16C2209A, HANA16C2209A, HANA16C2211A, IVL16C2209A, IVL16C2211A, JMART16C2210A, JMART16C2211A, JMT16C2210A, JMT16C2211A, KBAN16C2208A, KBAN16C2209A, KBANK16C2211A, KCE16C2208A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2211A, MTC16C2209A, PTG16C2211A, PTG16C2209A, PTTE16C2209A, RBF16C2209A, RCL16C2208A, SAWAD16C2211A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2211A, SCB16C2208A, SET5016C2209B, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, BANPU, BCH, BGRIM, BLA, CBG, CENTEL, COM7, CPALL, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PTG, PTTEP, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TIDLOR, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)