PTT Global Chemical (PTTGC TB) - BUY, Price Bt46.75, TP Bt58.0

Results Comment

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2Q22 – Drag by large hedging loss

- PTTGC reported 2Q22 profit of Bt1.4bn, -75% y-y and -67% q-q. This in-line with our and street's forecast. Core profit excluding hedging loss is strong at Bt12.6bn (+89% q-q, +118% y-y) driven by the surge in refinery margins.
- **Hit by large hedging loss**. PTTGC booked larger hedging loss of Bt12.7bn vs Bt8.6bn in 1Q22. Bt11bn is booked as realized hedging loss. The company also booked Fx loss of Bt4.4bn vs gain of Bt595m in 1Q22 because of Baht depreciation. Inventory gain is at Bt3.1bn in 2Q22.
- **Olefin profit down 8% q-q due to maintenance**. Olefin utilization dropped to 75% from 85% in 1Q22 due to planned turnaround of olefins 3 (Ethane cracker). This also led to lower margin as company have to use more naphtha as a feedstock which is more expensive than ethane.
- **Weaker high-performance business**. EBITDA from performance business dropped by 27% q-q to Bt4.6bn mainly due to the drop in Phenol and BPA spread and decrease in Propylene Oxide price. However, Allnex contribution remains steady q-q despite softer sale volume.
- **Refinery and aromatic improve**. Market GRM came in strong at US$21/bbl, record high level given the surge in product spreads. However, utilization rate slightly softer 3% q-q due to unplanned shutdown. Aromatic EBITDA turned into a profit following higher Paraxylene and Benzene spreads.
- **Outlook.** We expect 3Q22F to continue to be weak with weaker chemical and refinery margins QTD. However, we maintain our BUY call as we see limited price downside.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	111,793	112,173	139,298	175,554	196,397
Gross profit	**13,376**	**13,132**	**10,775**	**14,065**	**20,412**
SG&A	3,850	4,548	6,975	7,842	7,738
Operating profit	9,526	8,584	3,800	6,223	12,674
EBITDA	**15,302**	**14,477**	**9,708**	**12,743**	**19,442**
Other income	1,061	1,279	1,465	1,529	1,587
Other expense	0	0	0	0	0
Interest expense	1,397	1,540	1,400	2,014	2,277
Profit before tax	**9,190**	**8,323**	**3,865**	**5,738**	**11,984**
Income tax	5,591	727	190	184	(324)
Equity & invest. income	2,325	1,295	1,472	1,150	1,833
Minority interests	(141)	(234)	(60)	(470)	(438)
Extraordinary items	19,252	(1,652)	(1,839)	(2,023)	(12,315)
Net profit	**25,035**	**7,005**	**3,248**	**4,211**	**1,388**
Normalized profit	**5,783**	**8,657**	**5,087**	**6,234**	**13,703**
EPS (Bt)	5.55	1.55	0.72	0.93	0.31
Normalized EPS (Bt)	1.28	1.92	1.13	1.38	3.04

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	12	76	59	627,450	533,400
Gross profit	**45**	**53**	**65**	**52,786**	**48,097**
SG&A	(1)	101	61	25,466	21,649
Operating profit	104	33	69	27,320	26,448
EBITDA	**53**	**27**	**62**	**52,321**	**52,284**
Other income	4	50	63	4,931	4,931
Other expense			na	0	0
Interest expense	13	63	62	6,918	5,900
Profit before tax	**109**	**30**	**70**	**25,333**	**25,479**
Income tax	na	na	(2)	7,333	6,370
Equity & invest. income	59	(21)	54	5,574	5,574
Minority interests	na	na	119	(766)	(651)
Extraordinary items	na	na	(358)	4,000	0
Net profit	**(67)**	**(94)**	**21**	**26,808**	**24,032**
Normalized profit	**120**	**137**	**87**	**22,808**	**24,032**
EPS (Bt)	(67)	(94)	21	5.95	5.33
Normalized EPS (Bt)	120	137	87	5.06	5.33

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	130,812	122,702	74,994	86,154	86,145
A/C receivable	39,450	33,422	50,540	62,249	64,236
Inventory	42,967	53,709	69,725	76,534	86,257
Other current assets	9,757	11,321	11,985	13,739	15,798
Investment	41,138	42,452	44,840	51,422	50,897
Fixed assets	267,489	265,883	289,579	287,535	287,871
Other assets	49,503	50,975	212,452	203,704	201,452
Total assets	**581,115**	**580,464**	**754,115**	**781,338**	**792,656**
S-T debt	24,339	39,325	40,259	44,913	44,706
A/C payable	23,565	34,125	69,951	81,057	77,317
Other current liabilities	25,372	27,592	36,797	39,275	43,534
L-T debt	168,412	138,368	224,760	238,128	259,988
Other liabilities	19,214	19,615	54,746	51,811	50,259
Minority interest	8,079	8,178	9,361	9,796	9,307
Shareholders' equity	**312,133**	**313,262**	**318,242**	**316,358**	**307,546**
Working capital	58,851	53,006	50,314	57,726	73,176
Total debt	192,751	177,693	265,019	283,041	304,694
Net debt	**61,939**	**54,991**	**190,025**	**196,887**	**218,549**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	59.8	45.4	57.6	72.3	75.7
Operating profit growth	893.2	1,016.7	(35.1)	(19.1)	33.0
EBITDA growth	156.1	147.6	(12.8)	(3.5)	27.1
Norm profit growth	295.7	1,104.3	(19.4)	(28.9)	137.0
Norm EPS growth	295.7	1,104.3	(19.4)	(28.9)	137.0
Gross margin	12.0	11.7	7.7	8.0	10.4
Operating margin	8.5	7.7	2.7	3.5	6.5
EBITDA margin	13.7	12.9	7.0	7.3	9.9
Norm net margin	5.2	7.7	3.7	3.6	7.0
D/E (x)	0.6	0.6	0.8	0.9	1.0
Net D/E (x)	0.2	0.2	0.6	0.6	0.7
Interest coverage (x)	11.0	9.4	6.9	6.3	8.5
Interest rate	2.9	3.3	2.5	2.9	3.1
Effective tax rate	60.8	8.7	4.9	3.2	(2.7)
ROA	4.1	6.0	3.0	3.2	7.0
ROE	7.7	11.1	6.4	7.9	17.6

Sources: Company data, Thanachart estimates

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