Thai Oil Public Co Ltd (TOP TB) - HOLD, Price Bt51.00, TP Bt57.00

Results Comment

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2Q22 – Record high quarterly profit

- TOP reported 2Q22 profit of Bt25bn, a record high quarterly profit driven by record refinery margin. The result beat ours and consensus estimate by around 17%. We believe this is due to higher-than-expected GRM and inventory gain. With strong 2Q22, we anticipated earnings upgrade ahead.
- **Market GIM** was $25.6/bbl, increasing from $7.6/bbl in 1Q22 and $5.2/bbl in 2Q21. This is higher than our anticipated. Refinery utilization rate rose also marginally to 112% from 109% in 1Q22.
- **Refining**. Market GRM improved to $25.1/bbl from $6.3/0.4 in 1Q22/2Q21 due to higher crack spreads across key products.
- **Aromatic.** Product-to-feed (P2F) margin remained weak at -$27/t vs. +US$27/t due to continued cost pressure. Utilization rate trended higher q-q to 77% from 73% in 1Q22, but lower y-y.
- **Lube and others**. Lube P2F was $133/t (+33% q-q, -98% y-y) as base oil margin improved 85% q-q. Loss contribution from Chandra Asri increased q-q to Bt195m in 2Q22 vs Bt66m in 1Q22.
- **Net non-recurring gain**. Non-operating items were Bt3.7bn vs Bt3bn in 1Q22. The company booked a large hedging loss of Bt12.6bn and Fx loss of Bt1.3bn, but these were able to offset by Bt17bn gain (before tax) from GPSC divestment and Bt7.6bn inventory gain. Company hedging position dropped to 25-30% in 2H22 vs 40% in 1H22. The company expect to book hedging gain in 3Q22 based on prevailing refinery margin.
- **Outlook.** We expect reported 3Q22 to trend lower amid weaker refinery margin YTD. However, the strong results should lead to earning upgrade momentum. Maintain HOLD.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	79,821	82,064	108,338	120,882	155,379
Gross profit	**2,651**	**2,082**	**5,031**	**5,995**	**25,329**
SG&A	690	712	1,112	718	865
Operating profit	1,962	1,370	3,919	5,277	24,464
EBITDA	**3,775**	**3,231**	**5,849**	**7,110**	**26,468**
Other income	163	697	78	107	169
Other expense	0	0	0	0	0
Interest expense	907	934	958	961	966
Profit before tax	**1,217**	**1,133**	**3,039**	**4,424**	**23,667**
Income tax	358	213	1,075	1,672	3,055
Equity & invest. income	537	442	225	44	(125)
Minority interests	(84)	(118)	(125)	(149)	(123)
Extraordinary items	811	818	2,969	4,536	4,963
Net profit	**2,123**	**2,063**	**5,033**	**7,183**	**25,327**
Normalized profit	**1,312**	**1,245**	**2,064**	**2,647**	**20,364**
EPS (Bt)	1.04	1.01	2.47	3.52	12.41
Normalized EPS (Bt)	0.64	0.61	1.01	1.30	9.98

Income Statement					
(Bt m)	q-q%	y-y%	6M as % 2022F	2022F	2023F
Revenue	29	95	60	460,867	423,639
Gross profit	**323**	**855**	**111**	**28,208**	**21,897**
SG&A	21	25	31	5,070	4,660
Operating profit	364	1,147	129	23,138	17,237
EBITDA	**272**	**601**	**110**	**30,592**	**25,224**
Other income	58	4	18	1,515	1,393
Other expense			na	0	0
Interest expense	1	6	46	4,180	4,629
Profit before tax	**435**	**1,844**	**137**	**20,474**	**14,001**
Income tax	83	752	99	4,758	3,029
Equity & invest. income	na	na	(6)	1,317	1,783
Minority interests	na	na	48	(567)	(521)
Extraordinary items	9	512	98	9,648	(2,422)
Net profit	**253**	**1,093**	**124**	**26,114**	**9,811**
Normalized profit	**669**	**1,453**	**140**	**16,466**	**12,233**
EPS (Bt)	253	1,093	124	12.80	4.81
Normalized EPS (Bt)	669	1,453	140	8.07	6.00

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	41,687	26,201	34,273	41,171	44,308
A/C receivable	20,329	19,439	23,415	29,483	37,229
Inventory	37,798	40,257	39,576	57,584	67,592
Other current assets	5,037	5,216	3,975	3,969	22,023
Investment	24,827	55,288	55,412	55,374	33,541
Fixed assets	164,911	170,245	178,399	184,071	189,507
Other assets	25,729	29,202	27,094	26,931	49,078
Total assets	**320,316**	**345,849**	**362,144**	**398,583**	**443,278**
S-T debt	5,626	5,101	5,142	53,094	33,759
A/C payable	21,929	18,922	23,001	40,715	61,103
Other current liabilities	11,148	10,778	10,334	15,554	25,735
L-T debt	11,836	35,405	44,755	19,199	21,437
Other liabilities	151,213	158,037	155,819	140,449	150,631
Minority interest	2,767	2,093	2,213	2,362	2,455
Shareholders' equity	**115,797**	**115,512**	**120,881**	**127,208**	**148,158**
Working capital	36,198	40,773	39,990	46,351	43,718
Total debt	17,462	40,506	49,897	72,294	55,196
Net debt	**(24,225)**	**14,305**	**15,624**	**31,122**	**10,888**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	58.4	40.5	76.8	60.6	94.7
Operating profit growth	399.0	na	56.8	(19.0)	1,147.2
EBITDA growth	50.9	374.2	62.5	(14.7)	601.2
Norm profit growth	na	na	na	(55.2)	1,452.5
Norm EPS growth	na	na	na	(55.2)	1,452.5
Gross margin	3.3	2.5	4.6	5.0	16.3
Operating margin	2.5	1.7	3.6	4.4	15.7
EBITDA margin	4.7	3.9	5.4	5.9	17.0
Norm net margin	1.6	1.5	1.9	2.2	13.1
D/E (x)	0.1	0.3	0.4	0.6	0.4
Net D/E (x)	(0.2)	0.1	0.1	0.2	0.1
Interest coverage (x)	4.2	3.5	6.1	7.4	27.4
Interest rate	22.5	12.9	8.5	6.3	6.1
Effective tax rate	29.4	18.8	35.4	37.8	12.9
ROA	1.7	1.5	2.3	2.8	19.4
ROE	4.6	4.3	7.0	8.5	59.2

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