

PTT Global Chemical Pcl (PTTGC TB) - BUY

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Earnings Preview**Large net loss ahead in 3Q22F**

- **We expect PTTGC to report a loss of Bt8.7bn in 3Q22F.**
- **Weaker core profit across all businesses**
- **Non-recurring losses totaled Bt10bn in 3Q22F**
- **4Q22F to improve on less one-off expenses. Maintain BUY.**

We estimate PTTGC to report a net loss of Bt8.7bn in 3Q22 vs profit of Bt1.8bn in 2Q22 and Bt7bn in 3Q21. 9M22 result will be at -Bt1.7bn against our and consensus FY22F profit forecast of Bt16bn. Consequently, we expect substantial profit downgrade ahead. However, with share price come down 30% YTD and at 0.6x 2023F P/B, we think downside is limited while we expect an earnings turnaround in 2023F due to i) higher cheap ethane gas feedstock availability, ii) absence of large non-recurring items, iii) less maintenance activities. Maintain BUY.

- **A surprise hedging loss.** Unlike peers, PTTGC will likely book a hedging loss amount Bt2.3bn in 3Q22. According to the company, this is following higher forward curve and likely a different mark-to-market price at end of 2Q22. In 3Q22F, we estimate that non-recurring expenses are totaled at Bt10bn vs Bt14bn in 2Q22 and Bt1.7bn in 3Q21. This consisted of Bt5.8bn inventory loss, Bt2bn hedging loss and Bt2bn Fx loss.
- **Near breakeven core profit.** Stripping out non-recurring items, we estimate a net core loss of Bt102m vs profit of Bt12.6bn in 2Q22 and Bt8.7bn in 3Q21. This is following weaker core profit across all businesses. **First**, olefin and polymer EBITDA is expected to drop by 10% q-q to Bt3.8bn pressured by weak demand and lower chemical margins. This is despite higher volume following less maintenance activities in 3Q22 and higher ethane gas feedstock. **Second**, aromatic EBITDA turned into a larger loss from -Bt682m in 2Q22 to -Bt3bn in 3Q22 following weaker Px and Bx spreads. **Third**, refinery margin is estimated to contract by 53% q-q to USD10/bbl due to lower crack spreads. **Fourth**, performance chemical EBITDA is also expected to contract 35% q-q to Bt2.9bn due to weaker BPA spread and weaker contribution from Allnex. Allnex EBITDA is expected to drop by 20-30% q-q to around EUR70-80m due to weaker demand. Impact from higher gas cost in Europe remained limited in 3Q22F. **Finally**, equity income from subsidiaries is expected to contract by 76% q-q to Bt433m due to absence of GPSC dividend income and weaker performance from HMC polymer amid collapsed in PP spreads.
- **A likely continue weak profit in 4Q22F.** We expect 4Q22F reported profit to trend higher as we think that impact from hedging loss and inventory loss will likely be lower. However, core profit will likely remain weak due to major refinery turnaround while chemical spreads are still weak QTD.

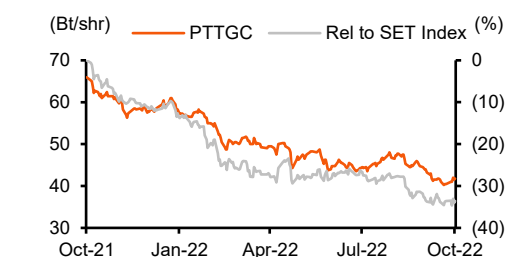
Key Valuations

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	465,128	764,745	639,990	608,640
Net profit	47,644	16,042	21,865	27,648
Norm net profit	28,295	30,380	23,717	28,512
Norm EPS (Bt)	6.3	6.7	5.3	6.3
Norm EPS gr (%)	270.7	7.4	(21.9)	20.2
Norm PE (x)	6.7	6.2	7.9	6.6
EV/EBITDA (x)	7.2	7.1	7.1	5.7
P/BV (x)	0.6	0.6	0.6	0.5
Div. yield (%)	9.0	6.0	5.2	6.6
ROE (%)	9.4	9.5	7.3	8.4
Net D/E (%)	58.0	54.3	46.5	36.5

Source: Thanachart estimates

Stock Data

Closing price (Bt)	41.75
Target price (Bt)	56.00
Market cap (US\$ m)	4,906
Avg daily turnover (US\$ m)	15.5
12M H/L price (Bt)	66.25/40.25

Price Performance

Source: Bloomberg

Ex 1: 3Q22F Preview

Btm	3Q21	2Q22	3Q22F	(q-q%)	(y-y%)
Product to Feed margin	32,052	46,132	35,174	(24)	10
Stock gain/(loss)&NRV	1,171	3,085	(5,832)	(289)	(598)
Gain/(loss) hedging commodity	(1,676)	(12,734)	(2,340)	(82)	40
Other income	1,279	1,587	1,096	(31)	(14)
SG&A	(4,548)	(7,738)	(7,738)	-	70
EBITDA	15,251	11,380	1,408	(88)	(91)
Depreciation expense	(5,893)	(6,768)	(6,768)	-	15
EBIT	9,358	4,612	(5,360)	(216)	(157)
Financing expense	(1,540)	(2,277)	(2,277)	-	48
Fx gain/(loss)	(1,147)	(4,378)	(2,000)	(54)	74
Equity income	1,295	1,833	433	(76)	(67)
Income tax	(727)	324	964	197	(233)
Minorities	234	438	438	-	87
Reported profit	7,005	1,388	(8,678)	(725)	(224)
Non-recurring items	(1,652)	(14,027)	(10,172)	(27)	516
Core Profit (tax adjusted)	8,657	12,610	(102)	(101)	(101)

EBITDA by business

Refinery	(2,003)	2,108	(2,933)	(239)	46
Aromatic	4,633	(696)	(3,232)	364	(170)
Olefin and derivative	6,614	4,174	3,755	(10)	(43)
HVS	5,441	4,487	2,905	(35)	(47)

Sources: Company data, Thanachart estimates

Ex 2: Key Operating Data

	Unit	3Q21	2Q22	3Q22F	(q-q%)	(y-y%)
Dubai	(US\$/bbl)	72	108	97	(10)	35
Refinery utilization	(%)	76%	98%	100%	2	31
Market GRM	(US\$/bbl)	3	21	10	(53)	213
Aromatic utilization	(%)	100%	80%	90%	13	(10)
Market P2F	(US\$/tonne)	188	117	77	(34)	(59)
Olefin utilization	(%)	91%	75%	85%	13	(7)
Polyolefin utilization	(%)	104%	90%	100%	11	(4)
HDPE price	(US\$/tonne)	1,138	1,106	1,102	(0)	(3)
HDPE-Naphtha	(US\$/tonne)	462	468	388	(17)	(16)
Phenol utilization	(%)	118%	118%	119%	1	1
Phenol-BZ	(US\$/tonne)	254	199	233	17	(8)
BPA-Phenol	(US\$/tonne)	2,075	623	369	(41)	(82)

Sources: Company data, Thanachart estimates

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