IRPC Public Co Ltd (IRPC TB) - BUY, Price Bt3.24, TP Bt4.40

Results Comment

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3Q22 – Weak as expected

- IRPC reported 3Q22 loss of Bt2.5bn vs profit of Bt3.8bn in 2Q22 and Bt2.2bn in 3Q21. This is in-line with our and consensus expectation. IRPC's core profit turned into a loss of Bt963m from profit of Bt5bn in 2Q22. We see weaker profit across all businesses
- Integrated GIM contract substantially to $7/bbl, -65%% q-q, and -43% y-y. Total intake was 193kbd, dropped by 3% q-q following HYVAHL unit's planned maintenance shutdown in 3Q22. Comparing to operating cost $8.8/bbl, the company is making loss at operating level.
- **Petroleum:** Refinery margin dropped by 75% q-q to US$3.98/bbl which is in-line with lower refinery margin benchmark. Crude premium also up by US$0.9/bbl q-q to US$9.7/bbl
- **Petrochemical:** Petrochemical GIM collapsed 63% q-q to Bt697m (or US$1.1/bbl) amid plunge in product spreads given weak China demand. This is the lowest level based on our data base since 2013. Both olefin and aromatic contribution show contraction.
- **Non-operating items**. IRPC's non-operating items is at a loss of Bt1.98bn in 3Q22 vs a loss of Bt2.3bn 2Q22 and gain of Bt1.2bn in 3Q21. This includes Bt2.6bn inventory loss, but it's offset by hedging gain of Bt1bn. The company also booked Fx loss of Bt312m.
- **Outlook**: We expect result to remain weak given major turnaround of its refinery unit. 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)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Revenue	62,088	67,840	76,608	99,395	87,312
Gross profit	**5,086**	**4,612**	**2,097**	**10,547**	**2,471**
SG&A	3,826	4,254	3,643	3,623	3,566
Operating profit	1,260	358	(1,546)	6,924	(1,095)
EBITDA	**3,390**	**2,426**	**462**	**8,939**	**919**
Other income	473	400	351	374	309
Other expense	0	0	0	0	0
Interest expense	429	402	398	427	496
Profit before tax	**1,304**	**356**	**(1,593)**	**6,871**	**(1,282)**
Income tax	460	319	338	927	(655)
Equity & invest. income	161	215	129	179	67
Minority interests	(6)	(2)	(3)	(2)	(1)
Extraordinary items	1,156	1,943	3,306	(2,288)	(1,987)
Net profit	**2,155**	**2,193**	**1,501**	**3,833**	**(2,548)**
Normalized profit	**999**	**250**	**(1,805)**	**6,121**	**(561)**
EPS (Bt)	0.11	0.11	0.07	0.19	(0.12)
Normalized EPS (Bt)	0.05	0.01	(0.09)	0.30	(0.03)

Income Statement			**9M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(12)	41	99	265,631	240,404
Gross profit	**(77)**	**(51)**	**88**	**17,215**	**23,615**
SG&A	(2)	(7)	71	15,362	16,037
Operating profit	na	na	231	1,853	7,578
EBITDA	**(90)**	**(73)**	**106**	**9,716**	**16,469**
Other income	(17)	(35)	49	2,121	2,214
Other expense			na	0	0
Interest expense	16	16	84	1,576	1,658
Profit before tax	**na**	**na**	**167**	**2,398**	**8,134**
Income tax	na	na	39	1,560	1,695
Equity & invest. income	(63)	(58)	111	339	339
Minority interests	na	na	19	(32)	(29)
Extraordinary items	na	na	(19)	5,063	0
Net profit	**na**	**na**	**45**	**6,208**	**6,750**
Normalized profit	**na**	**na**	**328**	**1,146**	**6,750**
EPS (Bt)	na	na	45	0.30	0.33
Normalized EPS (Bt)	na	na	328	0.06	0.33

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Cash & ST investment	12,620	11,236	15,131	13,879	4,331
A/C receivable	14,737	13,785	17,779	21,213	15,307
Inventory	33,327	33,766	44,338	53,903	48,578
Other current assets	2,850	8,413	6,264	10,380	11,807
Investment	9,074	9,294	9,426	9,606	9,556
Fixed assets	109,664	109,067	107,982	107,304	107,960
Other assets	5,361	4,930	5,744	5,956	5,542
Total assets	**187,632**	**190,492**	**206,665**	**222,242**	**203,083**
S-T debt	9,524	10,585	9,031	9,836	9,966
A/C payable	25,882	28,671	44,608	45,285	37,267
Other current liabilities	7,856	8,287	8,946	13,526	7,624
L-T debt	54,016	50,494	50,236	58,593	56,533
Other liabilities	5,163	4,743	4,589	4,810	4,865
Minority interest	215	217	260	227	228
Shareholders' equity	**84,976**	**87,496**	**88,996**	**89,964**	**86,602**
Working capital	22,182	18,880	17,509	29,830	26,618
Total debt	63,541	61,079	59,266	68,429	66,498
Net debt	**50,921**	**49,843**	**44,136**	**54,550**	**62,167**

Financial Ratios					
(%)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Sales growth	64.8	66.8	58.3	74.8	40.6
Operating profit growth	na	na	na	175.2	na
EBITDA growth	127.2	31.5	(86.2)	89.2	(72.9)
Norm profit growth	na	na	na	162.9	na
Norm EPS growth	na	na	na	162.9	na
Gross margin	8.2	6.8	2.7	10.6	2.8
Operating margin	2.0	0.5	(2.0)	7.0	(1.3)
EBITDA margin	5.5	3.6	0.6	9.0	1.1
Norm net margin	1.6	0.4	(2.4)	6.2	(0.6)
D/E (x)	0.7	0.7	0.7	0.8	0.8
Net D/E (x)	0.6	0.6	0.5	0.6	0.7
Interest coverage (x)	7.9	6.0	1.2	20.9	1.9
Interest rate	2.7	2.6	2.6	2.7	2.9
Effective tax rate	35.3	89.6	(21.2)	13.5	51.1
ROA	2.1	0.5	(3.6)	11.4	(1.1)
ROE	4.7	1.2	(8.2)	27.4	(2.5)

Sources: Company data, Thanachart estimates

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