

PTT Global Chemical (PTTGC TB) - BUY, Price Bt47.0, TP Bt56.0**Results Comment**

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

3Q22 – Miss on one-off expenses

- PTTGC reported 3Q22 net loss of Bt13.4bn vs profit of Bt1.4bn in 2Q22. This is below our and consensus estimate of Bt9bn and Bt10bn, respectively. Core profit excluding non-recurring items was weak at Bt984m (-93% q-q and 89% y-y) as we see profit decline across all businesses.
- Hit by large non-recurring loss** in total of Bt14.4bn vs loss of Bt12.3bn in 2Q22. This is mainly consisted of Bt8bn stock loss, Bt2bn hedging loss, Bt3.3bn Fx loss and Bt851m expense from technical incident in the warehouse construction project. Note that PTTGC is unlike peers, the company booked hedging loss in this quarter due to different market to market price at the end of 2Q22.
- Refinery and aromatic improve.** Market GRM came in strong at US\$9.8/bbl, off from record high level in 2Q22. Meanwhile, utilization rate main high at 100% in 3Q22.
- Substantial drop in chemical businesses.** EBITDA from polymers & chemical dropped by 16% q-q and 4% y-y to Bt2.7bn as all product spread decline amid weak China demand. Polymer sale volume also dropped by 5% q-q and 16% y-y to 515kta. Intermediate EBITDA also fell 57% q-q while performance chemical EBITDA contracted 36%.
- Outlook.** We expect 4Q22F to continue to be weak given planned shutdown of its refinery unit and still weak chemical margin QTD. However, we maintain our BUY call as we see limited price downside.

Income Statement (consolidated)						Income Statement (9M as)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	112,173	139,298	175,554	196,397	181,536	Revenue	(8)	62	72	764,745	639,990
Gross profit	13,132	10,775	14,065	20,412	9,200	Gross profit	(55)	(30)	85	51,278	77,121
SG&A	4,548	6,975	7,842	7,738	7,824	SG&A	1	72	96	24,353	53,804
Operating profit	8,584	3,800	6,223	12,674	1,376	Operating profit	(89)	(84)	75	26,925	23,318
EBITDA	14,477	9,708	12,743	19,442	8,499	EBITDA	(56)	(41)	78	51,926	49,154
Other income	1,279	1,465	1,529	1,587	1,875	Other income	18	47	90	5,522	5,522
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	1,540	1,400	2,014	2,277	2,474	Interest expense	9	61	96	7,014	6,103
Profit before tax	8,323	3,865	5,738	11,984	777	Profit before tax	(94)	(91)	73	25,433	22,737
Income tax	727	190	184	(324)	(101)	Income tax	na	na	(22)	1,103	5,221
Equity & invest. income	1,295	1,472	1,150	1,833	306	Equity & invest. income	(83)	(76)	47	6,983	6,983
Minority interests	(234)	(60)	(470)	(438)	(200)	Minority interests	na	na	119	(933)	(781)
Extraordinary items	(1,652)	(1,839)	(2,023)	(12,315)	(14,368)	Extraordinary items	na	na	200	(14,338)	(1,852)
Net profit	7,005	3,248	4,211	1,388	(13,384)	Net profit	na	na	(49)	16,042	21,865
Normalized profit	8,657	5,087	6,234	13,703	984	Normalized profit	(93)	(89)	69	30,380	23,717
EPS (Bt)	1.55	0.72	0.93	0.31	(2.97)	EPS (Bt)	na	na	(49)	3.56	4.85
Normalized EPS (Bt)	1.92	1.13	1.38	3.04	0.22	Normalized EPS (Bt)	(93)	(89)	69	6.74	5.26

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	122,702	74,994	86,154	86,145	36,682	Sales growth	45.4	57.6	72.3	75.7	61.8
A/C receivable	33,422	50,540	62,249	64,236	55,146	Operating profit growth	1,016.7	(35.1)	(19.1)	33.0	(84.0)
Inventory	53,709	69,725	76,534	86,257	88,252	EBITDA growth	147.6	(12.8)	(3.5)	27.1	(41.3)
Other current assets	11,321	11,985	13,739	15,798	18,734	Norm profit growth	1,104.3	(19.4)	(28.9)	137.0	(88.6)
Investment	42,452	44,840	51,422	50,897	50,996	Norm EPS growth	1,104.3	(19.4)	(28.9)	137.0	(88.6)
Fixed assets	265,883	289,579	287,535	287,871	288,836	Gross margin	11.7	7.7	8.0	10.4	5.1
Other assets	50,975	212,452	203,704	201,452	203,818	Operating margin	7.7	2.7	3.5	6.5	0.8
Total assets	580,464	754,115	781,338	792,656	742,464	EBITDA margin	12.9	7.0	7.3	9.9	4.7
S-T debt	39,325	40,259	44,913	44,706	11,791	Norm net margin	7.7	3.7	3.6	7.0	0.5
A/C payable	34,125	69,951	81,057	77,317	78,125	D/E (x)	0.6	0.8	0.9	1.0	0.9
Other current liabilities	27,592	36,797	39,275	43,534	34,069	Net D/E (x)	0.2	0.6	0.6	0.7	0.8
L-T debt	138,368	224,760	238,128	259,988	265,579	Interest coverage (x)	9.4	6.9	6.3	8.5	3.4
Other liabilities	19,615	54,746	51,811	50,259	50,795	Interest rate	3.3	2.5	2.9	3.1	3.4
Minority interest	8,178	9,361	9,796	9,307	9,427	Effective tax rate	8.7	4.9	3.2	(2.7)	(13.0)
Shareholders' equity	313,262	318,242	316,358	307,546	292,679	ROA	6.0	3.0	3.2	7.0	0.5
Working capital	53,006	50,314	57,726	73,176	65,273	ROE	11.1	6.4	7.9	17.6	1.3
Total debt	177,693	265,019	283,041	304,694	277,370						
Net debt	54,991	190,025	196,887	218,549	240,687						

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

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 111 Derivative Warrants which are ADVANC16C2302A, ADVANC16C2301A, ADVANC16C2211A, AMATA16C2212A, AMAT16C2209A, AOT16C2302A, AOT16C2212A, AOT16C2209A, BANPU16C2302A, BANPU16C2212A, BBL16C2212A, BCH16C2211A, BH16C2212B, BH16C2212A, BGRIM16C2302A, BGRIM16C2301A, BGRIM16C2212A, BGRI16C2209A, BLA16C2302A, BLA16C2212A, BLA16C2209A, BTS16C2301A, CBG16C2302A, CBG16C2301B, CBG16C2301A, CENTEL16C2209A, COM716C2302A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, CPN16C2301A, DTAC16C2212A, DOHOME16C2301A, EA16C2303A, EA16C2209A, EA16C2211A, ESSO16C2302A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2302A, GPSC16C2301A, GPSC16C2209A, GULF16C2302B, GULF16C2302A, GULF16C2301A, GUNKUL16C2302A, GUNKUL16C2301A, GUNK16C2209A, HANA16C2301A, HANA16C2209A, HANA16C2211A, IVL16C2301A, IVL16C2212A, IVL16C2209A, IVL16C2211A, JMART16C2211A, JMT16C2302A, JMT16C2211A, KBANK16C2302A, KBANK16C2301A, KBAN16C2209A, KBANK16C2211A, KCE16C2302A, KCE16C2301B, KCE16C2301A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2302A, MINT16C2301A, MINT16C2211A, MTC16C2301A, MTC16C2212A, MTC16C2209A, PSL16C2212A, PTG16C2211A, PTG16C2209A, PTTEP16C2303A, PTTEP16C2212A, PTTE16C2209A, RBF16C2209A, SAWAD16C2211A, S5016C2209A, S5016P2209A, SAWAD16C2302A, SAWA16C2209A, SCB16C2301A, SCB16C2211A, SCGP16C2303A, SCGP16C2212A, SET5016P2212B, SET5016C2212C, SET5016C2212B, SET5016P2212A, SET5016C2209B, SET5016C2212A, SET5016P2209B, SINGER16C2212A, SPRC16C2212A, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TRUE16C2212A, TTA16C2211A, VGI16C2301A, WHA16C2209A (underlying securities are (ADVANC, AMATA, AOT, BANPU, BBL, BCH, BGRIM, BH, BLA, BTS, CBG, CENTEL, COM7, CPALL, CPN, DOHOME, DTAC, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PSL, PTG, PTTEP, RBF, SAWAD, SCB, SET50, SCGP, SINGER, SPRC, STEC, TIDLOR, TOP, TRUE, TTA, VGI, WHA) before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% 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 24.33% 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 LIMITED (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)