

**Thai Oil Public Co Ltd (TOP TB) - BUY, Price Bt56.50, TP Bt70.00****Results Comment**

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**3Q22 – Hit by inventory loss**

- TOP reported 3Q22 profit of Bt12m, dropped substantially from record high profit in 2Q22. The result is in-line with our and market expectation. We estimate core profit of Bt4.7bn, up 276% y-y, but lower by 78% q-q as refinery margin normalized.
- Market GIM** was \$8.8/bbl, dropping from \$25.6/bbl in 2Q22 and \$5.5/bbl in 3Q21. This is mainly due to lower refinery margin given lower product crack spread. Refinery utilization rate drop to 104% from 112% in 2Q22 due to planned maintenance shutdown of certain upgrading units and reported lower sales volume by 6%. We believe this is partly because of Monsoon season.
- Aromatic.** Product-to-feed (P2F) margin remained weak at \$7/t but recovered from -\$27/t in 2Q22. Utilization rate trended lower q-q to 70% from 77% in 2Q22 and 88% in 3Q21.
- Lube and others.** Lube P2F was \$209/t (+76% q-q, +22% y-y) as base oil margin improved due to lower HSFO price. Loss contribution from Chandra Asri increased q-q to Bt351m from Bt195m in 2Q22.
- Net non-recurring items flipped into a loss.** Non-operating items were loss of Bt4.5bn vs a gain of Bt3.7bn in 2Q22. The company booked a large hedging gain of Bt5bn but offset by Fx loss of Bt1.7bn and inventory loss of Bt9bn.
- Outlook.** We expect reported 4Q22 to trend higher with an absence of inventory loss and Fx loss. We maintain our BUY rating on the company.

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	82,064	108,338	120,882	155,379	127,901	Revenue	(18)	56	88	460,867	436,477
<b>Gross profit</b>	<b>2,082</b>	<b>5,031</b>	<b>5,995</b>	<b>31,048</b>	<b>6,459</b>	<b>Gross profit</b>	<b>(79)</b>	<b>210</b>	<b>93</b>	<b>46,869</b>	<b>25,939</b>
SG&A	712	1,112	718	865	908	SG&A	5	28	49	5,070	4,801
Operating profit	1,370	3,919	5,277	30,183	5,550	Operating profit	(82)	305	98	41,799	21,138
<b>EBITDA</b>	<b>3,231</b>	<b>5,849</b>	<b>7,110</b>	<b>32,187</b>	<b>7,401</b>	<b>EBITDA</b>	<b>(77)</b>	<b>129</b>	<b>95</b>	<b>49,253</b>	<b>29,885</b>
Other income	697	78	107	169	316	Other income	87	(55)	39	1,515	1,435
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	934	958	961	966	940	Interest expense	(3)	1	66	4,333	4,667
<b>Profit before tax</b>	<b>1,133</b>	<b>3,039</b>	<b>4,424</b>	<b>29,386</b>	<b>4,927</b>	<b>Profit before tax</b>	<b>(83)</b>	<b>335</b>	<b>99</b>	<b>38,981</b>	<b>17,906</b>
Income tax	213	1,075	1,672	7,509	(156)	Income tax	na	na	109	8,275	3,744
Equity & invest. income	442	225	44	(125)	(294)	Equity & invest. income	na	na	(28)	1,317	1,645
Minority interests	(118)	(125)	(149)	(123)	(103)	Minority interests	na	na	66	(567)	(537)
Extraordinary items	818	2,969	4,536	3,698	(4,674)	Extraordinary items	na	na	37	9,648	(2,310)
<b>Net profit</b>	<b>2,063</b>	<b>5,033</b>	<b>7,183</b>	<b>25,326</b>	<b>12</b>	<b>Net profit</b>	<b>(100)</b>	<b>(99)</b>	<b>79</b>	<b>41,105</b>	<b>12,960</b>
<b>Normalized profit</b>	<b>1,245</b>	<b>2,064</b>	<b>2,647</b>	<b>21,628</b>	<b>4,686</b>	<b>Normalized profit</b>	<b>(78)</b>	<b>276</b>	<b>92</b>	<b>31,457</b>	<b>15,270</b>
EPS (Bt)	1.01	2.47	3.52	12.41	0.01	EPS (Bt)	(100)	(99)	83	19.26	5.74
Normalized EPS (Bt)	0.61	1.01	1.30	10.60	2.30	Normalized EPS (Bt)	(78)	276	96	14.74	6.77

  

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	26,201	34,273	41,171	44,308	27,288	Sales growth	40.5	76.8	60.6	94.7	55.9
A/C receivable	19,439	23,415	29,483	37,229	29,881	Operating profit growth	na	56.8	(19.0)	1,438.8	305.0
Inventory	40,257	39,576	57,584	67,592	63,017	EBITDA growth	374.2	62.5	(14.7)	752.7	129.1
Other current assets	5,216	3,975	3,969	22,023	29,316	Norm profit growth	na	na	(55.2)	1,548.9	276.5
Investment	55,288	55,412	55,374	33,541	35,735	Norm EPS growth	na	na	(55.2)	1,548.9	276.5
Fixed assets	170,245	178,399	184,071	189,507	202,747	Gross margin	2.5	4.6	5.0	20.0	5.0
Other assets	29,202	27,094	26,931	49,078	52,569	Operating margin	1.7	3.6	4.4	19.4	4.3
<b>Total assets</b>	<b>345,849</b>	<b>362,144</b>	<b>398,583</b>	<b>443,278</b>	<b>440,553</b>	EBITDA margin	3.9	5.4	5.9	20.7	5.8
S-T debt	5,101	5,142	53,094	33,759	24,069	Norm net margin	1.5	1.9	2.2	13.9	3.7
A/C payable	18,922	23,001	40,715	61,103	65,393	D/E (x)	0.3	0.4	0.6	0.4	1.1
Other current liabilities	10,778	10,334	15,554	25,735	9,116	Net D/E (x)	0.1	0.1	0.2	0.1	0.9
L-T debt	35,405	44,755	19,199	21,437	151,088	Interest coverage (x)	3.5	6.1	7.4	33.3	7.9
Other liabilities	158,037	155,819	140,449	150,631	33,172	Interest rate	12.9	8.5	6.3	6.1	3.3
Minority interest	2,093	2,213	2,362	2,455	2,560	Effective tax rate	18.8	35.4	37.8	25.6	(3.2)
<b>Shareholders' equity</b>	<b>115,512</b>	<b>120,881</b>	<b>127,208</b>	<b>148,158</b>	<b>155,156</b>	ROA	1.5	2.3	2.8	20.6	4.2
Working capital	40,773	39,990	46,351	43,718	27,505	ROE	4.3	7.0	8.5	62.8	12.4
Total debt	40,506	49,897	72,294	55,196	175,157						
<b>Net debt</b>	<b>14,305</b>	<b>15,624</b>	<b>31,122</b>	<b>10,888</b>	<b>147,869</b>						

Sources: Company data, Thanachart estimates

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