

Energy Sector – Overweight

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Earnings Preview

Expect a weak 2Q23F

- Refinery profit to flip into a loss of Bt8.3bn in 2Q23F
- Lower GRM and inventory loss dragged 2Q23F profit
- Expect 3Q23F profit to improve
- TOP and BCP are our preferred picks.

We forecast Thai refinery profit to turn into a loss of Bt8.3bn from a profit of Bt9.7bn in 1Q23. The substantial q-q contraction is driven by i) normalized refining margin and ii) hefty inventory loss due to lower crude oil price. Thai refiners are trading on average at 0.7x 2023F P/BV which is near -1 STD to five-year average, we think concern on weak 2Q23F are priced in and expect 3Q23F profit recovery to be short-term catalysts. TOP and BCP are our preferred pick for refinery stocks.

- Hit by stock loss and Fx loss.** We estimate stock loss for the sector of Bt8.2bn which reversed from a gain of Bt9.7bn in 1Q23. On top of this, we expect companies to book Fx loss in this quarter as Baht depreciated by Bt1.3 against US dollar in 2Q23. Thai refiners have US dollar debt exposure, therefore, have to book Fx loss when Baht depreciated.
- Refinery margin off from high base in 1Q23.** Singapore GRM (against Dubai crude) averaged US\$6.4/bbl in 1Q23, dropped from US\$13.3/bbl in 1Q23. This was driven by lower crack spreads across all key products which include gasoline, diesel and jet fuel spreads. Crude premium also marginally increase q-q. Arab Light spread over Dubai averaged US\$2.6/bbl in 2Q23 vs US\$2.4/bbl in 1Q23. Consequently, we estimate Thai market GRM average of US\$3.4/bbl in 2Q23F vs US\$8.5/bbl in 1Q23.
- TOP and BCP 2Q23F profit stand better than peers.** TOP and BCP expect to generate profit in 2Q23 despite impacted by heavy stock loss and lower refinery margin. TOP is expected to see support from higher Px-ULG95 spread while BCP is expected to see support from its non-refinery businesses. SPRC and ESSO as a pure refiner are expected to turn into a loss in this quarter. PTTGC and IRPC profit continue to be dragged by weak chemical spread.
- Expect a rebound in 3Q23F.** We see 2Q23F profit to be bottom and expect a rebound given higher refinery margin QTD and potential inventory gain. We also expect diesel spread to remain high in 2H23F supporting by seasonal winter demand.

Ex 1: Result announcement date

PTTGC	09-Aug
IRPC	09-Aug
TOP	09-Aug
BCP	09-Aug
SPRC	08-Aug
ESSO	08-Aug

Sources: Company data

Ex 2: 2Q23F Reported Profit

	Reported profit (Bt m)		
	2Q22	1Q23	2Q23F
PTTGC	1,388	82	(4,147)
IRPC	3,833	301	(2,210)
TOP	25,327	4,554	383
BCP	5,276	2,741	623
SPRC	7,156	1,219	(1,951)
ESSO	8,299	817	(1,030)
Total	51,280	9,714	(8,331)

Sources: Company data, Thanachart estimates

Ex 3: 2Q23F Core Profit

	Core profit (Bt m)		
	2Q22	1Q23	2Q23F
PTTGC	13,703	(198)	(2,219)
IRPC	5,101	939	(1,306)
TOP	21,629	8,655	3,281
BCP	8,405	3,551	1,532
SPRC	6,122	1,018	(786)
ESSO	5,833	2,301	146
Total	60,793	16,266	648

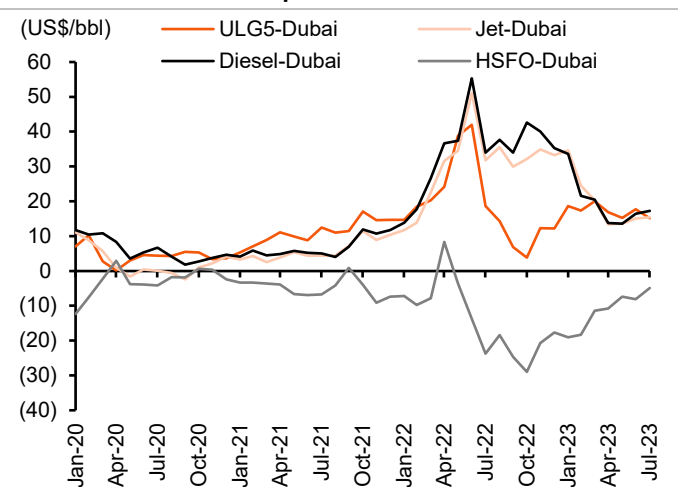
Sources: Thanachart estimates

Ex 4: Key Operating Data

	Market GRM (US\$/bbl)			Stock loss (Bt m)		
	2Q22	1Q23	2Q23F	2Q22	1Q23	2Q23F
PTTGC	21.1	10.3	5.0	3,085	943	(1,260)
IRPC	15.7	4.2	2.0	3,974	(3,763)	(1,229)
TOP	24.8	9.8	4.5	7,557	(3,339)	(1,998)
BCP	24.4	11.4	4.0	3,825	(1,916)	(1,196)
SPRC	18.9	6.4	1.6	1,935	269	(1,305)
ESSO	19.4	8.7	3.1	3,083	(1,855)	(1,225)
Total	20.7	8.5	3.4	23,460	(9,662)	(8,212)

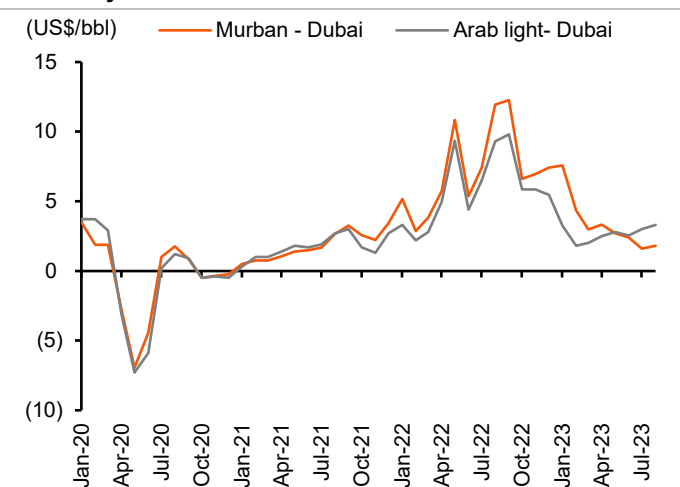
Sources: Company data; Thanachart estimates

Ex 5: Refined Product Spreads



Source: Bloomberg

Ex 6: Key Middle East Crude Premium



Source: Bloomberg

Ex 7: Valuation

	Rating	Current	Target	Upside/	Market cap	Norm EPS grw		Norm PE		EV/EBITDA		P/BV		Yield		ROE	
		price	price	(Downside)		23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
		(Bt)	(Bt)	(%)	(US\$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
BANPU	SELL	9.35	6.50	(30.5)	2,295	(86.6)	(23.1)	9.5	12.4	5.6	6.1	0.7	0.7	3.6	2.0	7.2	5.5
BCP	BUY	37.75	42.00	11.3	1,509	(56.0)	23.4	7.7	6.2	4.0	4.0	0.8	0.7	3.8	4.8	10.4	11.9
ESSO	BUY	9.25	10.50	13.5	929	(56.9)	(5.7)	6.7	7.2	6.3	6.0	1.1	1.0	3.6	5.7	17.0	15.0
IRPC	BUY	2.34	3.10	32.5	1,388	85.2	46.7	13.8	9.4	9.3	7.8	0.6	0.6	3.6	5.3	4.3	6.1
IVL	BUY	33.00	39.00	18.2	5,379	(55.3)	35.6	12.0	8.8	6.5	5.7	0.9	0.9	1.9	3.4	8.1	10.3
OR	SELL	21.30	19.00	(10.8)	7,420	3.8	8.5	23.8	22.0	14.8	13.7	2.3	2.2	1.7	1.8	10.0	10.2
PTT	SELL	34.75	28.00	(19.4)	28,813	(13.1)	(7.9)	10.5	11.4	4.2	4.0	0.9	0.9	5.8	5.8	8.9	7.9
PTTEP	BUY	158.00	170.00	7.6	18,209	(24.8)	(0.4)	9.2	9.2	2.7	2.7	1.2	1.2	5.4	4.7	14.1	13.1
PTTGC	HOLD	36.75	41.00	11.6	4,810	(43.5)	71.9	16.9	9.8	9.4	7.7	0.6	0.5	2.0	4.6	3.3	5.5
SCC	BUY	321.00	410.00	27.7	11,182	27.7	56.9	14.1	9.0	10.6	7.7	1.0	0.9	3.5	5.6	7.1	10.6
SPRC	BUY	8.15	12.50	53.4	1,026	(41.7)	(0.2)	7.1	7.1	4.3	4.1	0.9	0.8	7.0	5.9	12.6	12.1
TOP	BUY	47.75	58.00	21.5	3,096	(69.0)	(3.5)	8.6	8.9	9.4	10.5	0.7	0.6	4.7	4.5	7.8	7.2

Sources: Company data, Thanachart estimates

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