

PTT Global Chemical (PTTGC TB) - HOLD, Price Bt40.0, TP Bt41.0**Results Comment**

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Miss on off-spec product discount

- PTTGC reported loss of Bt5.6bn vs a profit Bt82m in 1Q23. The result is weaker than our expectation of Bt4bn and consensus loss expectation of Bt5.2bn. We estimate core loss of Bt2.7bn vs loss of Bt0.2bn in 1Q23. We believe this is due to Bt250m net discount for off-spec product related to warehouse incident in 3Q22 and larger than expected inventory loss.
- Refinery.** Refinery adjusted EBITDA drop 47% q-q to Bt2.6bn in 2Q23 resulting from inventory loss and lower refinery margin. Market GRM was at US\$5.7/bbl, dropped by 73% from US\$10.3/bbl in 1Q23 on lower middle distillate margins. The company booked stock loss of Bt2.3bn in 2Q23 which was higher than a loss of Bt1.5bn in 1Q23.
- Aromatics adjusted** EBITDA dropped 47% q-q to Bt1.3bn due to lower by product spread and benzene spread. By-products spread decreased in 2Q23 especially from LPG spread.
- Polymer.** Polymers and Chemicals Business's adjusted EBITDA dropped 54% q-q to Bt780m despite improved chemical spread. We believe this is partly due to company sold off-spec products of polyethylene, related to the warehouse incident last year at a discount price. Overall sales volume was approximately 574,000 ton, up 7% q-q.
- Performance Chemicals** Business's adjusted EBITDA remain weak at Bt1.7bn (steady q-q, -56% y-y) given continue lackluster demand. Note that the company recorded net gain from Allnex's sale and lease back transaction of Bt485m.
- Outlook.** We expect 3Q23 profit recovery to be offset by a drop in chemical margin QTD. We prefer other refiners that have less exposure to weak chemical spread which include TOP, SPRC, BCP, and ESSO. Maintain HOLD on PTTGC.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	196,397	181,536	124,780	147,248	146,731
Gross profit	20,412	9,200	2,742	7,750	4,923
SG&A	7,738	7,824	8,053	6,562	6,656
Operating profit	12,674	1,376	(5,311)	1,188	(1,733)
EBITDA	19,442	8,499	924	8,148	5,053
Other income	1,587	1,875	2,535	1,383	1,782
Other expense	0	0	0	0	0
Interest expense	2,277	2,474	2,405	2,683	2,628
Profit before tax	11,984	777	(5,181)	(112)	(2,579)
Income tax	(324)	(101)	(2,031)	(43)	(271)
Equity & invest. income	1,833	306	(381)	(152)	(405)
Minority interests	(438)	(200)	(9)	23	16
Extraordinary items	(12,315)	(14,368)	2,572	280	(2,894)
Net profit	1,388	(13,384)	(968)	82	(5,591)
Normalized profit	13,703	984	(3,540)	(198)	(2,697)
EPS (Bt)	0.31	(2.97)	(0.21)	0.02	(1.24)
Normalized EPS (Bt)	3.04	0.22	(0.79)	(0.04)	(0.60)

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	86,145	36,682	31,963	36,963	34,396
A/C receivable	64,236	55,146	45,254	47,392	47,369
Inventory	86,257	88,252	76,619	71,889	73,203
Other current assets	15,798	18,734	18,173	12,751	12,127
Investment	50,897	50,996	56,571	56,241	53,455
Fixed assets	287,871	288,836	296,321	294,284	292,389
Other assets	201,452	203,818	195,064	193,848	196,612
Total assets	792,656	742,464	719,965	713,369	709,552
S-T debt	44,706	11,791	13,659	11,966	9,461
A/C payable	77,317	78,125	57,613	64,039	67,753
Other current liabilities	43,534	34,069	32,704	26,365	28,272
L-T debt	259,988	265,579	263,890	259,196	257,355
Other liabilities	50,259	50,795	53,272	53,276	53,447
Minority interest	9,307	9,427	7,528	7,586	7,427
Shareholders' equity	307,546	292,679	291,300	290,941	285,836
Working capital	73,176	65,273	64,259	55,243	52,819
Total debt	304,694	277,370	277,549	271,162	266,816
Net debt	218,549	240,687	245,586	234,200	232,420

Sources: Company data, Thanachart estimates

Income Statement 6M as					
(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	(0)	(25)	46	633,371	588,327
Gross profit	(36)	(76)	29	44,439	47,829
SG&A	1	(14)	45	29,375	27,286
Operating profit	na	na	(4)	15,065	20,543
EBITDA	(38)	(74)	32	40,651	46,953
Other income	29	12	42	7,526	7,526
Other expense			na	0	0
Interest expense	(2)	15	61	8,739	8,292
Profit before tax	na	na	(19)	13,852	19,777
Income tax	na	na	(9)	3,497	4,944
Equity & invest. income	na	na	(111)	500	3,000
Minority interests	(30)	na	(4)	(1,043)	(969)
Extraordinary items	na	na	na	0	0
Net profit	na	na	(56)	9,812	16,864
Normalized profit	na	na	(30)	9,812	16,864
EPS (Bt)	na	na	(56)	2.18	3.74
Normalized EPS (Bt)	na	na	(30)	2.18	3.74

Financial Ratios (%)					
	2Q22	3Q22	4Q22	1Q23	2Q23
Sales growth	75.7	61.8	(10.4)	(16.1)	(25.3)
Operating profit growth	33.0	(84.0)	na	(80.9)	na
EBITDA growth	27.1	(41.3)	(90.5)	(37.5)	(74.0)
Norm profit growth	137.0	(88.6)	na	na	na
Norm EPS growth	137.0	(88.6)	na	na	na
Gross margin	10.4	5.1	2.2	5.3	3.4
Operating margin	6.5	0.8	(4.3)	0.8	(1.2)
EBITDA margin	9.9	4.7	0.7	5.5	3.4
Norm net margin	7.0	0.5	(2.8)	(0.1)	(1.8)
D/E (x)	1.0	0.9	0.9	0.9	0.9
Net D/E (x)	0.7	0.8	0.8	0.8	0.8
Interest coverage (x)	8.5	3.4	0.4	3.0	1.9
Interest rate	3.1	3.4	3.5	3.9	3.9
Effective tax rate	(2.7)	(13.0)	39.2	38.4	10.5
ROA	7.0	0.5	(1.9)	(0.1)	(1.5)
ROE	17.6	1.3	(4.8)	(0.3)	(3.7)

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