

11 May 2020

Energy | Refineries & Petrochemicals

PTT Global Chemical (PTTGC TB)

Buy (Maintained)

Sales Remain Resilient With Its Flexible Plants

Target Price (Return): THB51.00 (+33%)
 Price: THB38.50
 Market Cap: USD5,358m
 Avg Daily Turnover (THB/USD) 1,185m/36.8m

- **Maintain BUY, with new TP of THB51.00/share, from THB33.00/share, 33% upside and c.2% yield.** 1Q20 net loss was THB8.7bn, with recurring net profit of THB1.1bn, with stock loss of THB1.1bn. We like PTT Global Chemical as its plants are flexible, making sales more resilient during this pandemic. We expect recurring net profit at THB9.3bn in 2020F, with GRM at THB4.00/bbl and petrochemicals earnings seeing a slight improvement.
- **1Q20 net loss was THB8.7bn**, with recurring net profit of THB1.1bn. Non-recurring items were stock loss (THB8.9bn), hedging gain (THB1.1bn), FX loss (THB2.1bn).
- **Refinery EBITDA (excluding stock loss) improved to THB2.2bn** (from THB635m in 4Q19). The refinery ran at 103%, with no planned shutdown. Market GRM was USD3.49/bbl, with hedging gain and stock loss of USD2.10/bbl and USD13.15/bbl respectively.
- **Aromatic EBITDA was THB1.4bn (excluding stock loss), up from -THB106m in 4Q19.** Utilisation rate was optimised at 97%, with no planned shutdown, while market spreads improved to USD163.00/ton with PX and BZ spreads improving over the period. Stock loss of USD112.00/ton dragged down accounting P2F to USD55.00/ton. Olefins and polymer utilisation rates were down – at 81% and 89% – as there were planned shutdowns for both. EBITDA fell to THB1.7bn (-29% QoQ) on stronger spreads but lower utilisation rate.
- **PTTGC's plants are flexible, making it more resilient**, where its product demand has not faltered during the pandemic. Its polymer plants can adjust from durable plastics to single-use plastics – durable sales have slowed during this pandemic. Around 15% of its refinery output is feedstock to petrochemicals plants. Its refinery has 13-15% LSFO yield, and no HSFO yield. If jet demand does not recover, it will then lower jet yield to zero and increase diesel production. As such, its refinery spreads remain relatively healthy. It has a Nelson Complexity Index of 10.2.
- **Earnings revision.** We revise our 2020F reported net profit from THB10.6bn (stock g/l not included) to net loss of THB585m (including stock loss). Our forecast recurring net profit is adjusted to THB9.3bn (-12% from our previous forecast, as we now include the weaker 1Q20 performance). Our 2020F GRM is expected at USD4.00/bbl, while petrochemicals earnings should see only slight improvement.
- **BUY maintained, we raise TP to THB51.00/share**, from THB33.00/share, based on 0.8x P/BV. This is equivalent to -1SD P/BV, while regional peers trade at an average of 0.9x P/BV. On a P/E basis, regional peers trade at 29x P/E, which would be equivalent to THB60.90/share for PTTGC. We see no reason for PTTGC to trade at a discount to regional peers.

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(32.5)	7.7	(28.0)	(30.6)	(42.8)
Relative	(12.6)	2.7	(10.5)	(7.9)	(19.3)
52-wk Price low/high (THB)				24.0	– 66.8

PTT Global Chemical (PTTGC TB)



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	518,655	412,810	344,987	399,074	399,074
Recurring net profit (THBm)	43,642	9,314	9,327	15,378	15,867
Recurring net profit growth (%)	8.5	(78.7)	0.1	64.9	3.2
Recurring P/E (x)	3.93	18.65	18.62	11.29	10.94
P/B (x)	0.6	0.6	0.6	0.6	0.6
P/CF (x)	3.82	5.91	4.49	4.12	5.33
Dividend Yield (%)	11.0	5.2	2.4	3.9	4.1
EV/EBITDA (x)	3.29	10.00	8.00	6.37	6.60
Return on average equity (%)	14.0	4.0	(0.2)	5.4	5.4
Net debt to equity (%)	17.3	28.7	34.2	32.0	33.6

Source: Company data, RHB

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Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	9.78	2.06	2.07	3.41	3.52
Energy & Petrochemicals	DPS	4.25	2.00	0.92	1.52	1.59
PTT Global Chemical	BVPS	66.37	63.37	62.69	64.57	66.50
PTTGC TB	Return on average equity (%)	14.0	4.0	(0.2)	5.4	5.4
Buy						
	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Recurring P/E (x)	3.93	18.65	18.62	11.29	10.94
	P/B (x)	0.6	0.6	0.6	0.6	0.6
	FCF Yield (%)	6.6	10.3	(0.5)	15.6	9.4
	Dividend Yield (%)	11.0	5.2	2.4	3.9	4.1
	EV/EBITDA (x)	3.29	10.00	8.00	6.37	6.60
	EV/EBIT (x)	4.80	67.27	33.01	15.72	16.72
	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total turnover	518,655	412,810	344,987	399,074	399,074
	Gross profit	56,202	19,822	21,796	29,669	29,295
	EBITDA	60,403	22,552	30,122	37,478	37,478
	Depreciation and amortisation	(19,055)	(19,198)	(22,821)	(22,304)	(22,678)
	Operating profit	41,348	3,354	7,301	15,174	14,800
	Net interest	(3,593)	(3,119)	(3,282)	(2,762)	(1,778)
	Pre-tax profit	43,257	12,999	(1,162)	18,148	18,758
	Taxation	(2,986)	(649)	1,092	(2,770)	(2,892)
	Reported net profit	40,069	11,682	(585)	15,378	15,867
	Recurring net profit	43,642	9,314	9,327	15,378	15,867
	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Change in working capital	(8,873)	10,587	10,779	10,214	(234)
	Cash flow from operations	44,950	29,369	38,712	42,160	32,573
	Capex	(33,554)	(11,519)	(39,604)	(15,096)	(16,222)
	Cash flow from investing activities	(42,473)	(30,236)	(38,292)	(34,386)	(33,383)
	Dividends paid	(19,087)	(19,156)	(9,021)	(4,197)	(6,920)
	Cash flow from financing activities	(9,176)	(18,793)	(6,075)	4,303	6,680
	Cash at beginning of period	43,429	36,744	18,840	11,516	23,593
	Net change in cash	(6,698)	(19,659)	(5,655)	12,077	5,870
	Ending balance cash	36,744	18,840	11,516	23,593	29,463
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	53,562	25,560	11,516	23,593	29,463
	Tangible fixed assets	266,051	280,404	297,188	312,284	328,506
	Total investments	56,906	65,901	65,901	65,901	65,901
	Total assets	469,255	452,514	451,194	478,590	500,917
	Short-term debt	22,387	12,887	22,477	33,877	47,477
	Total long-term debt	83,648	96,918	88,557	85,657	85,657
	Total liabilities	165,773	158,919	160,148	179,086	192,686
	Total equity	303,482	293,595	291,046	299,504	308,231
	Total liabilities & equity	469,255	452,514	451,194	478,590	500,917
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	17.9	(20.4)	(16.4)	15.7	0.0
	Recurrent EPS growth (%)	8.5	(78.9)	0.1	64.9	3.2
	Gross margin (%)	10.8	4.8	6.3	7.4	7.3
	Operating EBITDA margin (%)	11.6	5.5	8.7	9.4	9.4
	Net profit margin (%)	7.7	2.8	(0.2)	3.9	4.0
	Dividend payout ratio (%)	47.8	77.2	(717.7)	45.0	45.0
	Capex/sales (%)	6.5	2.8	11.5	3.8	4.1
	Interest cover (x)	11.5	1.1	2.2	5.5	8.3

Source: Company data, RHB

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Figure 1: 1Q20 net loss was THB8.7bn, with recurring net profit of THB1.1bn

FYE Dec (THBm)	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)
Turnover	113,577	85,765	93,806	9.4	(17.4)
EBIT	6,558	164	(8,106)	na	(223.6)
EBIT margin (%)	6%	0%	-9%		
Net interest	(797)	(765)	(804)	5.0	0.9
Pretax profit	6,135	(661)	(10,579)	na	(272.4)
Pretax margin (%)	5%	-1%	-11%		
Taxation	(719)	(0)	1,295	na	(280.2)
Tax rate (%)	-12%	0%	-12%		
Reported net profit	6,443	373	(8,784)	(2,454.0)	(236.3)
Net margin (%)	6%	0%	-9%		
Reported EPS (THB)	1.43	0.08	(1.96)	(2,444.8)	(237.1)
Recurring net profit	4,823	(694)	1,128	262.6	(76.6)

Source: Company data, RHB

Figure 2: Major operating variables: Spreads softened with stock losses

FYE Dec	1Q19	4Q19	1Q20	QoQ (%)	YoY (%)	Comment (QoQ)
Refinery						
Utilisation (%)	102%	51%	103%	102	1.0	Improved as there were no planned shutdown, 4Q19 had 52 days planned shutdown
Market GRM (USD/bbl)	3.22	4.66	3.49	(25)	8.4	Weaker spreads as a result of softer demand from COVID-19
Hedging gain/loss (USD/bbl)	(0.11)	1.60	2.11	32	na	
Stock gain/loss(USD/bbl)	2.73	1.15	(13.15)	N/A	(582)	Dubai fell to USD50.70/bbl from USD62.08/bbl
Accounting GRM (USD/bbl)	5.84	7.41	(7.55)	(202)	(229)	Stock loss and weaker spreads
Refinery EBITDA (THBm)	949	635	2,273	258	140	EBITDA improved as run rate was higher as there was no planned shutdown
EBITDA margin (%)	2%	2%	5%			
Aromatics						
Aromatics utilisation rate	94%	87%	97%	11	3.2	Optimised run rate, as there was no planned shutdown
Market P2F (USD/ton)	206	91	163	79	(20.9)	Both PX and BZ spreads improved, boosting market P2F
Hedging gain/loss (USD/ton)	-10.6	24.3	5.4	(78)	(150.9)	
Stock gain/loss(USD/ton)	1.9	1.8	-112.9	na	na	
Accounting P2F (USD/ton)	197.3	117.1	55	(53)	(72)	Stronger market P2F, but stock loss dampened accounting P2F
Aromatics EBITDA (THBm)	1,481	(106)	1,422	(1,442)	(4.0)	Higher run rate and stronger P2F spreads
EBITDA margin (%)	8%	-1%	9%			
Olefins and derivatives						
Olefins utilisation rate	101%	99%	81%	(18)	(20)	Planned maintenance shutdown (plants 2/1 and 2/2)
Polymer utilisation rate	100%	100%	89%	(11)	(11.0)	Planned maintenance shutdown of HDPE, LDPE and LLDPE plants
Olefins and derivatives	5,389	2,539	1,792	(29)	(66)	Stronger polymer spreads but lower utilisation rates
EBITDA margin (%)	18%	10%	9%			

Source: Company data, RHB

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Figure 3: Earnings and TP revision

	2020F	2021F	2022F
Recurring net profit (THBm, new)	9,327	15,378	15,867
Recurring net profit (THBm, old)	10,690	15,121	15,610
% change	(12.8)	1.7	1.6
Net profit (THBm, new)	(585)	15,378	15,867
Net profit (THB m, old)	10,690	15,121	15,610
% change	(105.5)	1.7	1.6
EPS (THB, new)	(0.1)	3.4	3.5
EPS (THB, old)	2.4	3.4	3.5
% change	(105.5)	1.7	1.6
Target price (new)	51.0		
Target price (old)	33.0		
% change	54.6		

Source: RHB

Figure 4: Valuation comparison

2020F	P/E	P/BV	EV/EBITDA	DCF
Regional peers	29.4	0.9	8.17	
RHB fair value multiple	29.4	0.80	8.17	
EPS/BVSWACC	2.1	63.7		9.2%
RHB implied valuation (THB/share)	60.9	51.0	36.2	54.1

Source: RHB

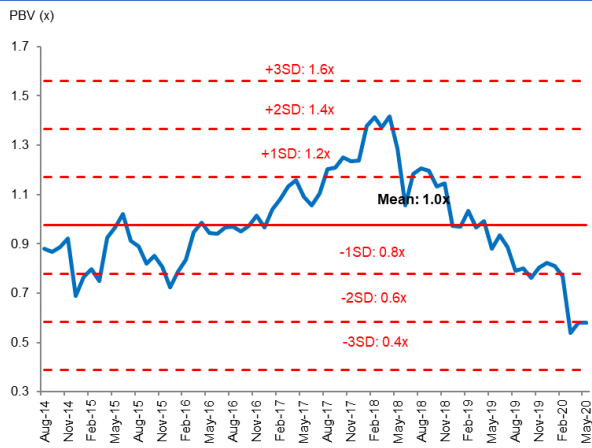
Figure 5: Regional peer comparison

Company	P/E (x)		P/BV (x)		EV/EBITDA (x)		Div yield (%)		ROE (%)		ROA (%)	
	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
PTT Global Chemical	20.30	12.41	0.58	0.57	9.35	7.20	2.99	4.65	2.69	5.02	1.68	3.06
Bangchak Corp	16.59	7.33	0.50	0.48	8.24	6.58	3.48	7.28	2.61	7.02	1.73	3.10
Esso Thailand	29.84	5.96	0.88	0.77	11.18	7.54	1.77	7.55	3.17	13.04	2.56	5.45
IRPC	115.65	14.78	0.66	0.64	7.79	6.82	3.08	4.14	0.36	4.61	0.49	2.23
Indorama Ventures	12.45	9.92	1.10	1.02	7.53	6.80	3.42	3.87	9.12	10.48	3.16	3.59
PTT	13.21	10.71	1.10	1.06	6.12	5.66	4.29	4.86	8.14	8.95	3.69	4.01
Star Petroleum Refining	37.35	9.25	0.78	0.75	8.04	4.87	3.24	6.74	0.99	9.33	0.69	5.96
Thai Oil	29.03	9.57	0.68	0.65	8.35	5.77	3.01	4.77	3.02	7.72	1.62	3.35
Petronas Chemicals	18.16	15.21	1.41	1.36	8.21	7.18	3.12	3.61	7.83	8.66	6.65	7.38
China Petroleum & Chemical Corp	22.74	10.39	0.55	0.53	6.79	5.30	3.66	5.44	3.14	5.02	1.33	2.38
PetroChina	na	30.26	0.35	0.35	6.41	5.37	1.63	2.77	0.30	1.59	0.29	1.01
Reliance Industries	20.95	20.46	2.14	1.90	12.99	11.57	0.50	0.49	10.58	9.81	5.04	4.88
Indian Oil Corp	7.83	4.97	0.61	0.58	6.45	4.81	5.73	8.51	7.42	11.44	5.44	6.90
Average (ex PTTGC)	29.44	12.40	0.90	0.84	8.17	6.52	3.08	5.00	4.72	8.14	2.72	4.19

Note: Data as at 7 May 2020

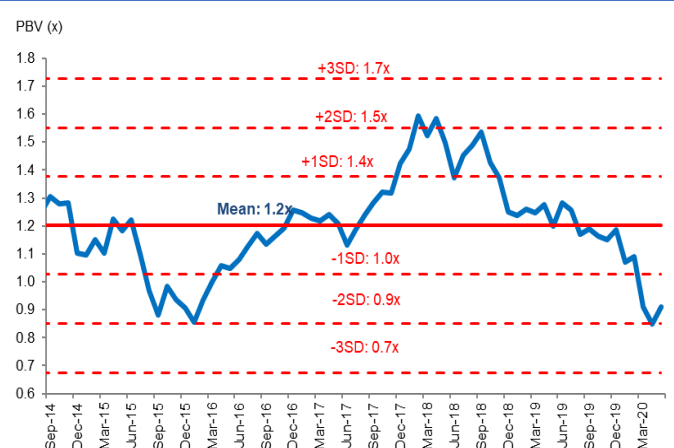
Source: Bloomberg, RHB

Figure 6: PTTGC's forward P/BV and SD levels



Source: Bloomberg, RHB

Figure 7: Thai Oil & Gas Index's forward P/BV and SD levels



Source: Bloomberg, RHB

Figure 8: PTTGC's implied P/BV at different SD levels

	-2SD P/BV	-1SD P/BV	Mean	+1SD P/BV	+2SD P/BV
P/BV (x)	0.6	0.8	1.0	1.2	1.4
Implied valuation (THB/share)	38.2	51.0	63.7	76.5	89.2

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-03-19	Buy	33	24
2020-02-17	Buy	59	53
2020-02-17	Buy	59	53
2020-01-27	Buy	59	49
2019-11-11	Buy	63	54
2019-11-08	Buy	63	56
2019-10-22	Sell	46	51
2019-08-16	Sell	46	53
2019-08-08	Sell	50	54

Source: RHB, Bloomberg

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90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนารมณ์ CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

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