

25 June 2020

Energy & Petrochemicals | Downstream Products

PTT Global Chemical (PTTGC TB)

Buy (Maintained)

Waiting For Demand Recovery In 2H20

Target Price (Return):	THB52.0 (13.5%)
Price:	THB45.8
Market Cap:	USD6,657m
Avg Daily Turnover (THB/USD)	1,330m/41.5m

- **Maintain BUY, with new THB52.00 TP from THB51.00, upside of 14% and c.2% yield**, as we roll over our TP based on 0.8x 2021F P/BV. In the nearer term, commodity spreads look weak. However, we believe 2H20 onwards should see a recovery in demand and hence in prices and spreads. We have revised our 2020F earnings down as the commodity price recovery may not be as strong as we initially anticipated. A risk to our estimates is a second global wave of COVID-19.

- **Refined product prices and spreads remain weak in 2Q20F** as the world stayed in lockdown for the April-May period. All transportation fuels took a hit, with QTD jet and high sulphur fuel oil (HSFO) spreads in the negative at -USD0.09/bbl and -USD1.44/bbl respectively. Gasoil, gasoline and low sulphur fuel oil (LSFO) remain positive but weak at USD5.54/bbl, USD2.48/bbl and USD8.29/bbl respectively. PTT Global Chemical does not procure much crude from the Middle East – as such, it will not see much benefit from Saudi Aramco's crude discount in 2Q20F. However, we expect 2Q20 core earnings to be stronger QoQ.

- **Commodity outlook.** 2H20F is expected to be a period of recovery from the 2Q20F lows resulting from the global lockdown. For the refineries, we expect spreads to improve from current levels as the world starts to travel again. We expect land and sea transportation fuels to see spreads recover first. Air travel will be limited initially, as countries impose stricter measures for inbound passengers (ie 14-day quarantine). For aromatics and polymers, demand did not fall significantly in 2Q20F as these products are used in healthcare/food packaging and single-use plastics. We expect demand to remain healthy for 2H20F. However, new additional capacities for each product are expected to enter, and this could pressure prices and spreads in 2H20F.

- **PTTGC's plants are flexible, making it more resilient.** As such, its product demand has not faltered during the COVID-19 pandemic. Its polymer plants can adjust from producing durable plastics to single-use plastics, when demand for durable plastics is lower during the pandemic. Around 15% of its refinery output is feedstock for the petrochemicals plants. Its refinery has a 13-15% LSFO yield, and no HSFO yield. If jet demand does not recover, then it will lower the 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.

- **BUY maintained, and we raise our TP to THB52.00 as we roll over to 0.8x 2021 P/BV**, from THB51.00 (0.8x 2020 P/BV). This is equivalent to -1SD P/BV, while its regional peers are trading at an average of 0.9x P/BV.

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(19.7)	6.4	79.4	(19.4)	(29.1)
Relative	(4.1)	4.1	50.4	(4.4)	(6.8)
52-wk Price low/high (THB)				24.0	– 65.3

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	357,971	435,110	435,127
Recurring net profit (THBm)	43,642	9,314	6,691	15,521	15,967
Recurring net profit growth (%)	8.5	(78.7)	(28.2)	132.0	2.9
Recurring P/E (x)	4.68	22.16	30.84	13.30	12.92
P/B (x)	0.7	0.7	0.7	0.7	0.7
P/CF (x)	4.38	9.54	7.73	4.29	5.85
Dividend Yield (%)	9.3	4.4	2.0	3.3	3.5
EV/EBITDA (x)	3.95	10.06	10.71	6.76	7.01
Return on average equity (%)	14.5	3.8	(1.3)	5.4	5.4
Net debt to equity (%)	17.3	28.7	35.7	32.3	33.9

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	1.48	3.44	3.54
Energy & Petrochemicals	DPS	4.25	2.00	0.91	1.52	1.59
PTT Global Chemical	BVPS	66.37	63.37	62.37	64.26	66.21
PTTGC TB	Return on average equity (%)	14.5	3.8	(1.3)	5.4	5.4
Buy						
	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Recurring P/E (x)	4.68	22.16	30.84	13.30	12.92
	P/B (x)	0.7	0.7	0.7	0.7	0.7
	FCF Yield (%)	4.5	3.5	4.0	16.0	9.3
	Dividend Yield (%)	9.3	4.4	2.0	3.3	3.5
	EV/EBITDA (x)	3.95	10.06	10.71	6.76	7.01
	EV/EBIT (x)	5.95	43.83	45.37	15.91	16.95
	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total turnover	518,655	412,810	357,971	435,110	435,127
	Gross profit	52,629	22,191	22,398	33,025	32,542
	EBITDA	56,830	24,920	25,127	38,945	38,835
	Depreciation and amortisation	(19,055)	(19,198)	(19,198)	(22,388)	(22,762)
	Operating profit	37,775	5,722	5,929	16,557	16,074
	Net interest	(3,593)	(3,119)	(3,282)	(2,762)	(1,778)
	Pre-tax profit	44,612	12,245	(4,020)	17,038	17,539
	Taxation	(2,986)	(649)	799	(1,517)	(1,573)
	Reported net profit	41,424	10,929	(3,736)	15,521	15,967
	Recurring net profit	43,642	9,314	6,691	15,521	15,967
	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Change in working capital	(3,676)	489	4,059	13,457	(233)
	Cash flow from operations	46,574	21,640	26,704	48,122	35,252
	Capex	(37,338)	(14,353)	(18,530)	(15,012)	(16,138)
	Cash flow from investing activities	(62,007)	(42,782)	(27,019)	(38,608)	(46,318)
	Dividends paid	(19,087)	(19,156)	(9,021)	(3,011)	(6,984)
	Cash flow from financing activities	8,734	1,483	(6,702)	4,344	16,706
	Cash at beginning of period	43,429	36,744	18,840	9,631	23,287
	Net change in cash	(6,699)	(19,659)	(7,016)	13,859	5,639
	Ending balance cash	36,744	18,840	9,631	23,490	28,926
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	53,562	25,560	9,631	23,287	29,298
	Tangible fixed assets	266,051	280,404	298,934	313,946	330,084
	Total investments	56,906	65,901	65,901	65,901	65,901
	Total assets	469,255	452,514	451,055	479,946	502,330
	Short-term debt	22,387	12,887	24,303	33,877	47,477
	Total long-term debt	83,648	96,918	88,557	85,657	85,657
	Total liabilities	165,773	158,919	161,974	182,329	195,931
	Total equity	303,482	293,595	289,081	297,617	306,399
	Total liabilities & equity	469,255	452,514	451,055	479,946	502,330
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	17.9	(20.4)	(13.3)	21.5	0.0
	Recurrent EPS growth (%)	8.5	(78.9)	(28.2)	132.0	2.9
	Gross margin (%)	10.1	5.4	6.3	7.6	7.5
	Operating EBITDA margin (%)	11.0	6.0	7.0	9.0	8.9
	Net profit margin (%)	8.0	2.6	(1.0)	3.6	3.7
	Dividend payout ratio (%)	46.1	175.3	(241.4)	19.4	43.7
	Capex/sales (%)	7.2	3.5	5.2	3.5	3.7
	Interest cover (x)	10.5	1.8	1.8	6.0	9.0

Source: Company data, RHB

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Figure 1: Earnings revision

	2020F	2021F	2022F
Recurring net profit (THB m,new)	6,691	15,521	15,967
Recurring net profit (THB m, old)	9,238	15,378	15,867
% change	(27.6)	0.9	0.6
Net profit (THB m,new)	(3,221)	15,521	15,967
Net profit (THB m, old)	(674)	15,378	15,867
% change	377.9	0.9	0.6
EPS (THB, new)	(0.7)	3.4	3.5
EPS (THB, old)	(0.1)	3.4	3.5
% change	377.9	0.9	0.6
Target price (new)	52.1		
Target price (old)	51.0		
% change	2.3		
Bloomberg consensus			
Net profit (THB mn)	6,220	13,529	16,090
TP	45.8		

Source: RHB

Figure 2: Major assumptions revision

Major assumptions	2020F	2021F	2022F
Crude oil price			
Brent	43	55	55
Dubai	41	52	52
Refinery spreads (USD/bbl)			
Revised			
Jet-Dubai	4.3	13.7	13.7
Gas oil-Dubai	8.5	13.7	13.7
ULG95-Dubai	6.1	9.0	9.0
Fuel oil-Dubai	(3.1)	(3.1)	(3.1)
LSFO-Dubai	10.5	12.8	12.8
Prior			
Jet-Dubai	6.6	15.4	15.4
Gas oil-Dubai	10.2	14.6	14.6
ULG95-Dubai	9.1	10.5	10.5
Fuel oil-Dubai	(6.5)	(2.7)	(2.7)
LSFO-Dubai	14.5	14.5	14.5
Major commodity prices			
Revised			
PX	673	763	763
BZ	550	624	624
HDPE	850	965	965
LLDPE	817	927	927
LDPE	874	992	992
MEG	647	647	647
Prior			
PX (FCEP)	707	800	800
BZ	563	650	650
HDPE	900	900	900
LLDPE	900	900	900
LDPE	900	900	900
MEG	713	713	713

Source: RHB

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Figure 3: Valuation comparison

2021F	PER	PBV	EV/EBITDA	DCF
Regional peers	13.34	0.94	7.85	
RHB fair value multiple	15.00	0.80	6.00	
EPS/ BVS/ WACC	3.4	65.2		11.3%
RHB implied valuation (THB/share)	51.0	52.1	51.8	57.3

Source: RHB

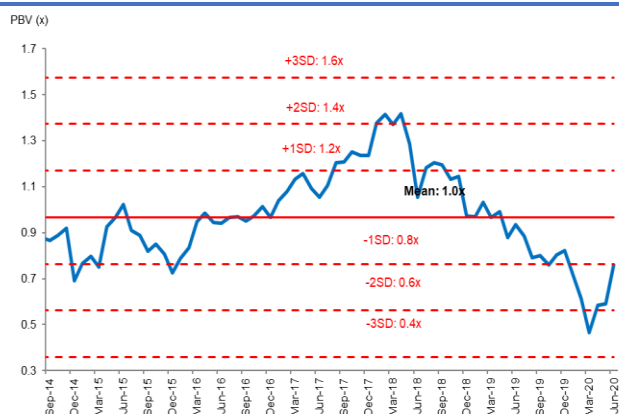
Figure 4: Regional peer comparison

Company	PER (x)		PBV (x)		EV/EBITDA (x)		Div yield (%)		ROE (%)		ROA (%)	
	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F	2020F	2021F
PTT Global Chemical PCL	35.85	15.64	0.72	0.70	11.82	8.82	2.37	3.59	2.17	4.78	1.61	3.08
Bangchak Corp PCL	59.21	8.91	0.59	0.56	12.64	8.79	2.52	5.98	-0.65	6.73	0.61	2.89
Esso Thailand PCL	N/A	7.82	1.09	0.99	23.89	8.84	1.18	4.81	-1.62	14.29	0.51	5.33
IRPC PCL	N/A	15.47	0.68	0.66	12.39	7.27	2.93	3.98	-1.23	4.58	0.00	2.22
Indorama Ventures PCL	14.89	11.18	1.14	1.07	9.94	8.72	2.97	3.53	8.04	9.56	2.95	3.48
PTT PCL	15.24	12.42	1.19	1.14	6.85	6.10	3.91	4.46	7.34	8.74	3.47	3.92
Star Petroleum Refining	N/A	10.77	0.89	0.86	18.49	6.49	2.15	6.11	-4.94	8.73	-1.47	5.51
Thai Oil PCL	37.75	10.21	0.75	0.72	11.87	7.83	2.93	4.41	1.95	7.52	1.56	3.60
Petronas Chemicals	26.46	19.30	1.65	1.59	11.27	8.93	1.94	2.65	6.55	8.27	4.85	6.62
China Petroleum & Chemical Corp	33.42	9.72	0.50	0.48	6.38	4.93	3.75	6.18	2.50	5.05	1.18	2.54
PetroChina Co Ltd	N/A	23.82	0.36	0.35	6.42	5.27	1.44	2.92	-0.56	1.47	-0.38	1.02
Reliance Industries Ltd	24.77	24.46	2.53	2.16	15.84	14.44	0.42	0.41	10.58	9.47	5.04	4.74
Indian Oil Corp Ltd	12.33	6.03	0.72	0.68	9.48	6.55	4.23	6.82	5.19	10.67	1.08	6.29
Average (ex PTTGC)	28.01	13.34	1.01	0.94	12.12	7.85	2.53	4.35	2.76	7.92	1.62	4.01

Note: Data as at 25 Jun 2020

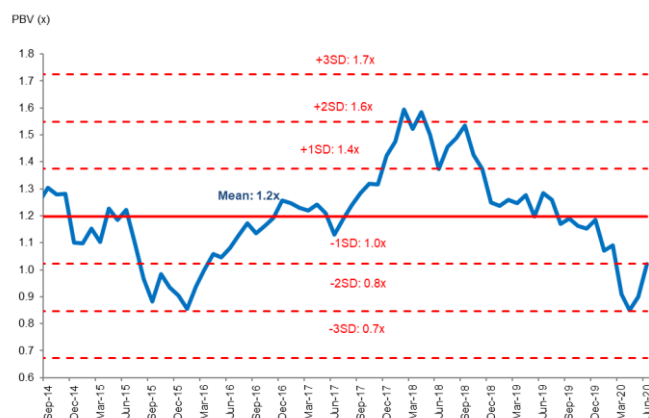
Source: Bloomberg, RHB

Figure 5: PTTGC's forward P/BV and SD levels



Source: Bloomberg, RHB

Figure 6: Thai Oil & Gas Index's forward P/BV and SD levels



Source: Bloomberg, RHB

Figure 7: PTTGC's implied P/BV at different SD levels

	-2SD PBV	-1SD PBV	Mean	+1SD PBV	+2SD PBV
PBV multiple (x)	0.6	0.8	1.0	1.2	1.4
Implied valuation (THB/share)	39.1	52.1	65.2	78.2	91.2

Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-05-10	Buy	51	39
2020-03-19	Buy	33	24
2020-02-17	Buy	59	53
2019-11-11	Buy	63	54
2019-10-22	Sell	46	51
2019-08-08	Sell	50	54
2019-07-24	Sell	54	61
2019-05-15	Buy	77	65
2019-02-25	Buy	85	74

Source: RHB, Bloomberg

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Analyst	Company
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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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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

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

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนารมณ์เข้าร่วม CAC
- ได้รับการรับรอง CAC

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