

20 JULY 2021

THAILAND / PETROCHEM &amp; CHEMICALS

## INDORAMA VENTURES IVL TB

BUY

UNCHANGED

TARGET PRICE	THB57.00
CLOSE	THB38.75
UP/DOWNSIDE	+47.1%
PRIOR TP	THB57.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+8.5%

## PET และ IOD ในตลาดตะวันตก

## กระแสการเติบโตยังดีใน 2Q21-2023

เราเชื่อว่าแนวโน้มการเติบโตของกำไรสุทธิของ IVL ยังคงดีใน 2Q21-2023 โดยมีปัจจัยผลักดันจาก 1) PET-PTA margin รวมที่ต่อเนื่องในตลาดตะวันตก ซึ่งให้ผลดีที่มากกว่าผลเสียจาก PET-PTA margin รวมที่อ่อนแอในเอเชีย; 2) EBITDA และกำไรที่เพิ่มขึ้นของธุรกิจ Integrated Oxide and Derivatives (IOD) จากอัตราการใช้กำลังการผลิตและอัตรากำไรที่สูงขึ้น; 3) EBITDA และกำไรที่เพิ่มขึ้นของธุรกิจ Lifestyle Fibres และยานยนต์; และ 4) การเริ่มดำเนินงานของเครื่องแยกอีเทน (Ethane Cracker) ในเดือน ก.ค. 2021

## การเพิ่มค่าระวางนำเข้ามาซึ่ง PET-PTA margins ที่อยู่ในระดับสูงอย่างยั่งยืนใน

## ตะวันตก

เราคิดว่าอัตรากำไรที่อ่อนแอของ PET-PTA และ PTA-PX ในเอเชียจะมีผลเสียน้อยกว่า PET-PTA และ PTA-PX margin ที่อยู่ในระดับสูงของ IVL ในอเมริกาเหนือและยุโรป เมื่อพิจารณาถึงกำลังการผลิต PET และ PTA ในตลาดตะวันตกที่มากกว่า กล่าวคือ 30% ของกำลังการผลิตรวมใน 1Q21 เทียบกับกำลังการผลิต PET และ PTA ในเอเชียที่เพียง 24% ต้นทุนค่าระวางสำหรับตู้ขนส่งสินค้าจากเอเชียไปยุโรปและอเมริกาใต้ได้รับตัวเพิ่มสูงขึ้นกว่า 50% จากระดับปกติมาตั้งแต่ 4Q20 และยังคงอยู่ในระดับสูงที่ USD6,500-7,600 ต่อตู้ ขนาด 25 ฟุตซึ่งคิดเป็นเงิน USD260-300/ตัน ในขณะที่ต้นทุนจากเอเชียไปอเมริกาใต้ยังสูงขึ้นไปอีกโดยอยู่ในช่วง USD8,500-9,200 ต่อตู้ ในเดือน ก.ค. - ต.ค. 2021

## แผนการเติบโตที่เป็นมิตรต่อสิ่งแวดล้อมมากยิ่งขึ้นจะช่วยส่งเสริมแผนการลงทุน

## ESG ของ IVL

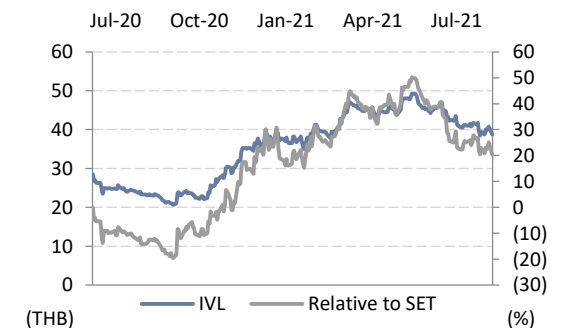
เริ่มตั้งแต่ 2Q21 เราคาดว่าธุรกิจ IOD ของ IVL จะรายงาน EBITDA เพิ่มขึ้นเป็นกว่า USD100ล้านต่อไตรมาสโดยได้ปัจจัยผลักดันจากอัตราการใช้กำลังการผลิตที่กว่า 85% เพิ่มขึ้นจาก 72% ใน 1Q21 หลังการปิดโรงงานจากปัญหาหมอกควันทั่วโลกและ 75% ใน 2020 จากปัญหามลพิษทางอากาศ เราคาดว่า IVL จะรายงานกำไรสุทธิ 2Q21 ในระดับสูงที่ 6.3 พัน ลบ. (+5% q-q, +40x y-y) ในขณะที่กำไรจากการดำเนินงานจะเพิ่มเป็น 5.3 พัน ลบ. (+48% q-q, +102% y-y) เราคิดว่าโรงงาน KRW ใหม่ในอินโดนีเซียและการซื้อ CHL ในสหรัฐฯ จะเพิ่มกำลังการผลิตจากวัตถุดิบหมวควันรวมเป็น 325ktpa ใน 3 ทริป ทำให้กำลังการผลิตจากวัตถุดิบหมวควันเพิ่มเข้าใกล้เป้าหมายที่ 750ktpa และทำให้ IVL เป็นทางเลือกในการลงทุนที่น่าสนใจมากยิ่งขึ้นในฐานะที่เป็นหุ้นบีโตรีเคมี ESG ชั้นนำ

## อัตรากำไรและการเติบโตของ EBITDA ที่อยู่ในระดับสูงของธุรกิจ IOD และ PET-PTA เป็นปัจจัยสำคัญ

เราคงแนะนำซื้อที่ราคาเป้าหมาย 57 บาท (11.1x ของค่า 2021E EV/EBITDA) เราเห็นว่าตลาดยังคงประเมินผลกระทบเชิงบวกของอัตรากำไรที่สูงขึ้นของ IVL ในปี 2021 จากสัดส่วนที่มีอยู่มาของธุรกิจ PET และ PTA ในตลาดตะวันตกและผลิตภัณฑ์ IOD ที่ผลิตจากก๊าซ ในสินทรัพย์ด้านในสหรัฐฯ ไว้ต่ำเกินไป

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	331,513	348,866	347,417	355,020
Net profit	2,414	13,340	16,593	19,180
EPS (THB)	0.43	2.36	2.93	3.39
vs Consensus (%)	-	(15.0)	0.0	6.8
EBITDA	31,473	44,158	47,480	54,707
Core net profit	6,430	11,518	14,571	17,158
Core EPS (THB)	1.14	2.04	2.58	3.03
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(46.4)	79.1	26.5	17.8
Core P/E (x)	34.1	19.0	15.0	12.8
Dividend yield (%)	0.5	2.9	3.5	4.1
EV/EBITDA (x)	12.8	8.8	7.8	6.4
Price/book (x)	1.7	1.6	1.5	1.4
Net debt/Equity (%)	128.9	100.8	79.7	62.5
ROE (%)	5.0	8.7	10.1	11.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.5)	(14.8)	43.5
Relative to country (%)	(2.0)	(13.8)	25.4
Mkt cap (USD m)	6,621		
3m avg. daily turnover (USD m)	30.5		
Free float (%)	33		
Major shareholder	Indorama Resources (63%)		
12m high/low (THB)	50.00/20.20		
Issued shares (m)	5,614.55		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 20 กรกฎาคม 2021

## Investment thesis

We believe IVL is now at an inflection point for its third growth phase, transforming from a high value-added (HVA)-driven, polyethylene terephthalate (PET)/purified terephthalic acid (PTA)-focused product company into a packaging, olefin-integrated company in 2019-23.

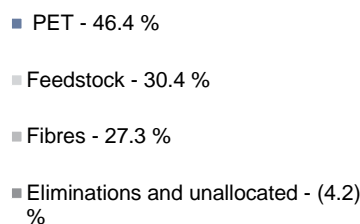
Unlike its last two growth cycles when IVL funded its capacity growth through debt and capital increases using warrants (IVL-W1 and IVL-W2), key growth strategies in IVL's third growth cycle could be driven by 1) M&A in the global packaging business, non-PET packaging in frontier markets and specialty chemicals for polyester chain products; and 2) backward integration into the olefins business, including an ethane cracker, propylene production, and downstream polyethylene (PE) and polypropylene (PP), as these are key feedstock materials for IVL's growing packaging segment. The integration focus should only be on self-sufficient, non-merchant applications.

## Company profile

Indorama Ventures (IVL) was incorporated in 2003 to start up a petrochemical business in Thailand. Initially focusing on wool fibre, the company expanded into the polyester chain, including polyester fibre, PET, and PTA.

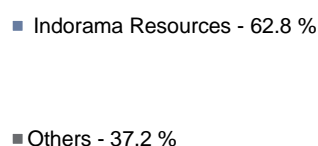
[www.indoramaventures.com](http://www.indoramaventures.com)

## Principal activities (revenue, 2020)



Source: Indorama Ventures

## Major shareholders



Source: Indorama Ventures

## Catalysts

Potential catalysts for IVL include 1) higher PET and PTA margins; 2) a 10% y-y rising sales volume due to multiple acquired assets in 2018; and 3) an EBITDA margin recovery for HVA products, given the re-pricing of HVA products to reflect higher feedstock costs.

## Risks to our call

The key downside risks to our EV/EBITDA-based TP are weaker-than-expected margins for PX-PTA and PET-PTA, lower demand for polyester, and delays in IVL's projects.

## Event calendar

Date	Event
Aug 2021	2Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
	(USD/tonne)	(USD/tonne)	(USD/tonne)
Utilisation rate (%)	87	88	89
PET margin	149	161	211
PTA-PX margin	101	106	116
MEG-(0.58)ethylene margin	250	230	230

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% change in the THB/USD exchange rate, we estimate a 1.4% change in 2021 EPS, all else being equal.
- For every 1% increase in latex price, we estimate 2021 EPS would fall 0.7%, and vice versa, all else being equal.
- For every 1% increase in utilisation rate, we estimate 2021 EPS would rise 1.5%, and vice versa, all else being equal.
- For every 1% increase in ASP, we estimate 2021 EPS would rise by 0.8%, and vice versa, all else being equal.

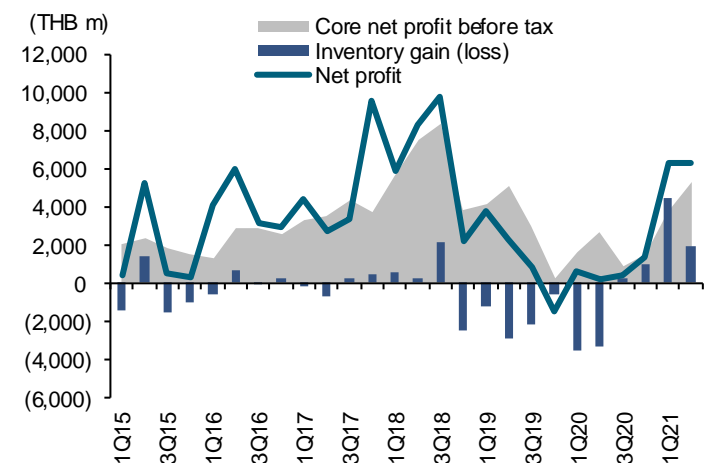
Source: FSSIA estimates



## Western PET and IOD are key

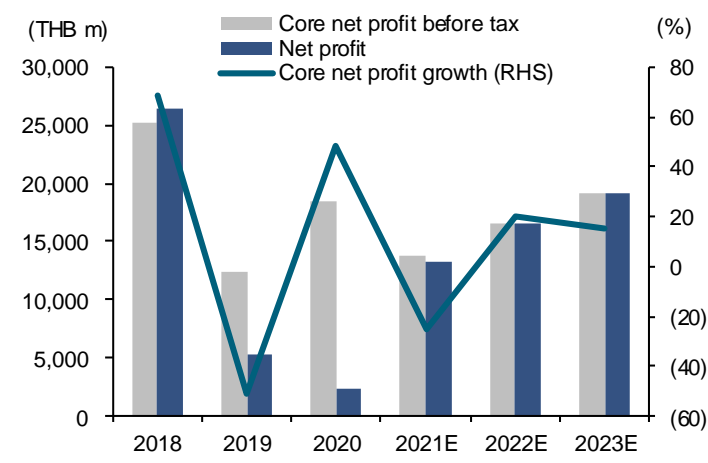
We believe IVL's net profit and core net profit growth momentum remains solid and is likely to improve y-y and q-q in 2Q21-2H21 into 2022-23, driven by 1) the continued strong integrated PET-PTA margin in Western markets to more than offset the weaker integrated PET-PTA margin in Asia; 2) improving EBITDA and profits from the IOD group due to higher utilisation rates and margins; 3) improving EBITDA and profits from lifestyle fibres and automobiles; and 4) the start-up of its ethane cracker operation in July 2021.

**Exhibit 1: Quarterly net profit**



Sources: IVL; FSSIA estimates

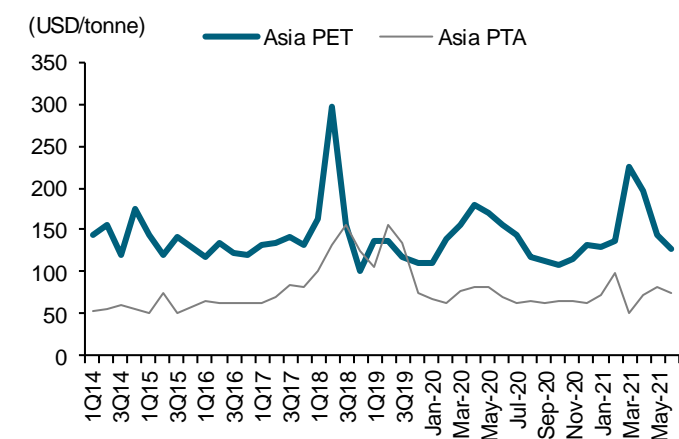
**Exhibit 2: Annual net profit**



Sources: IVL; FSSIA estimates

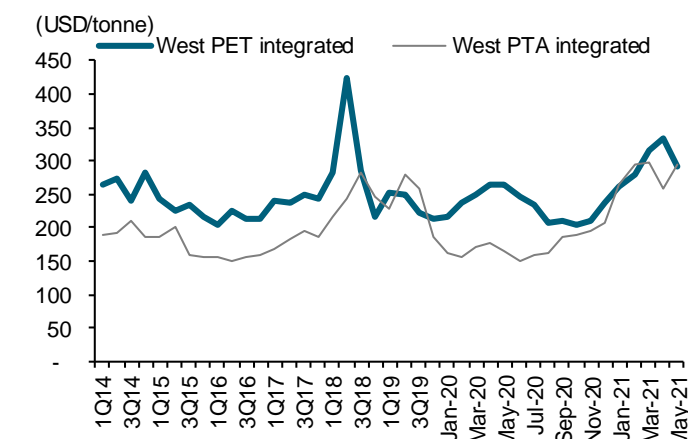
Unlike other petrochemical companies in other product chains, including olefins and aromatics, which have seen their margins sharply decline due to the supply influxes from China and the US, we project that IVL's EBITDA and net profit will continue to grow at a faster rate, even after its strong net profit of THB6b and core net profit of 3.6b in 1Q21.

**Exhibit 3: The PET-PTA and PTA-PX margins in Asia weakened in 2Q21 due to the new supply from China**



Source: IVL

**Exhibit 4: But the PET-PTA and PTA-PX margins in Western markets has remained high**

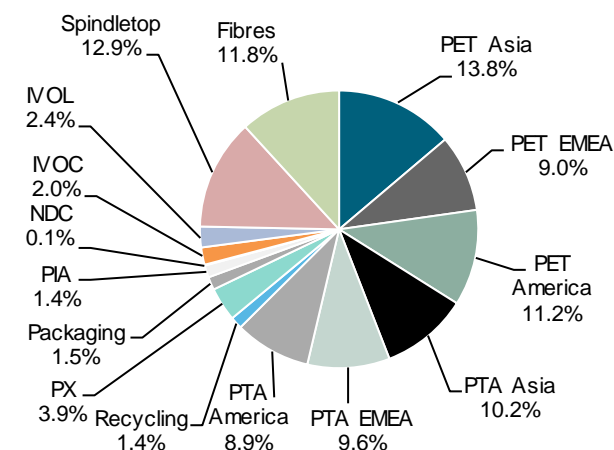


Source: IVL

## Freight hike: a key driver for wider Western PET-PTA margins over Asia

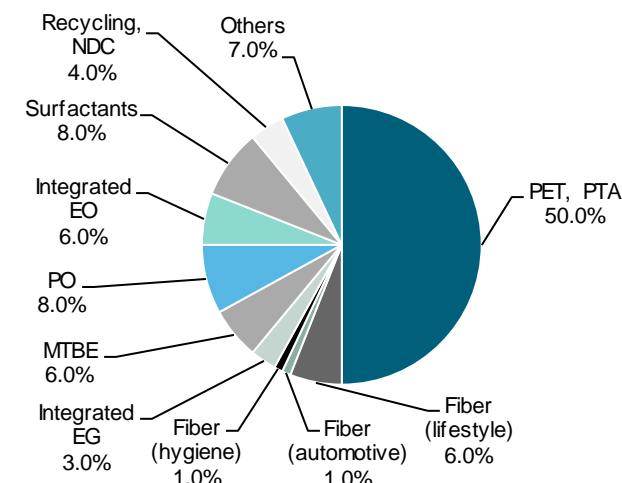
We think the margin weakness of Asian PET-PTA and PTA-PX will be more than offset by IVL's strong margins of PET-PTA and PTA-PX in North America and Europe, given the larger capacity of PET and PTA in Western markets (30% of total capacity as of 1Q21) vs only a 24% PET and PTA capacity in Asia.

**Exhibit 5: Capacity breakdown by product (2020)**



Source: IVL

**Exhibit 6: Core EBITDA breakdown by segment (2020)**



Source: IVL

**What has caused the wider margin gaps for PET and PTA between Asian and Western markets?** We believe the ongoing increase in the margins of PET-PTA and PTA-PX in Western markets over Asian markets has been caused by the freight hikes from the Asian to European and North American markets, thanks to the container shortage due to the Covid-19 pandemic.

### Freight cost hike widened the price gap between Asian and Western markets.

According to IVL, the freight cost for containers from Asia to Europe and South America has spiked by over 50% from its normal level since 4Q20. The freight costs from Asia to Europe have remained high at USD6,500-7,600 per 25-foot container size, which is equivalent to USD260-300/tonne. Meanwhile, the cost from Asia to South America has been even higher in the range of USD8,500-9,200 per 25-foot container for July-October 2021.

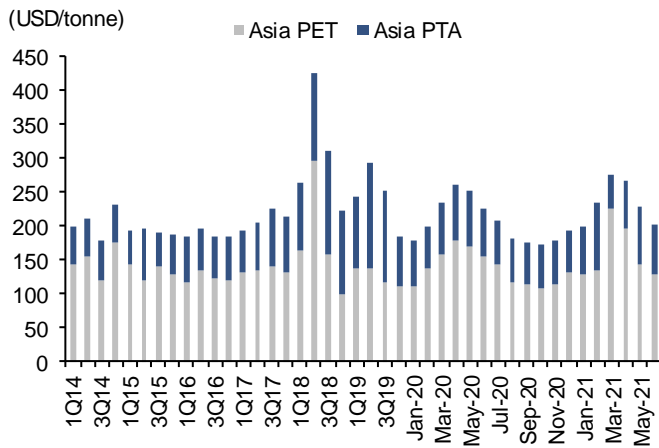
**Exhibit 7: Freight cost from port – Asia to Europe and South America**

	Actual July'21 (20'Cont.)	Aug'21 (20'Cont.)	Sept'21 (20'Cont.)	Oct '21 (20'Cont.)
	(USD/25ft container)	(USD/25ft container)	(USD/25ft container)	(USD/25ft container)
EU main port	6,500	7,000	7,500	7,000
Med ports – Genoa	6,700	7,300	7,600	7,100
South America EC	8,500	8,800	8,800	8,200
South America WC	8,900	9,200	9,200	9,000

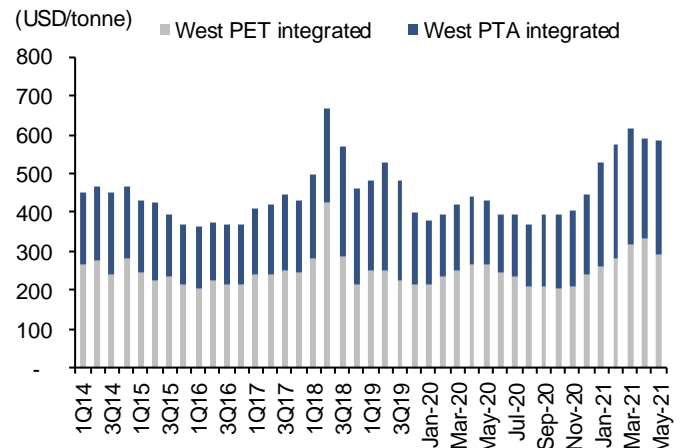
Source: IVL

In addition, the discrepancies in market structures and the trade barriers in the forms of anti-dumping and import duties in Asian and Western markets have led to the structurally premium prices for PET and PTA in Western markets over Asia by over USD50-100/tonne. This has further supported the price premiums of PET and PTA in Western markets for IVL, with over 4mtpa of PET and PTA capacity.

Hence, we think that in 2H21-2022, while the margins of integrated PET-PTA in Asia will likely weaken due to the continued influx of new supplies from China, the margins of integrated PET-PTA in the Americas (North and South) and Europe should remain much higher than the integrated PET-PTA margin in Asia by over USD200/t vs the current USD260/t in July-October 2021, based on the forward freight cost curves provided by IVL.

**Exhibit 8: Asia industry PET and PTA spread**

Source: IVL

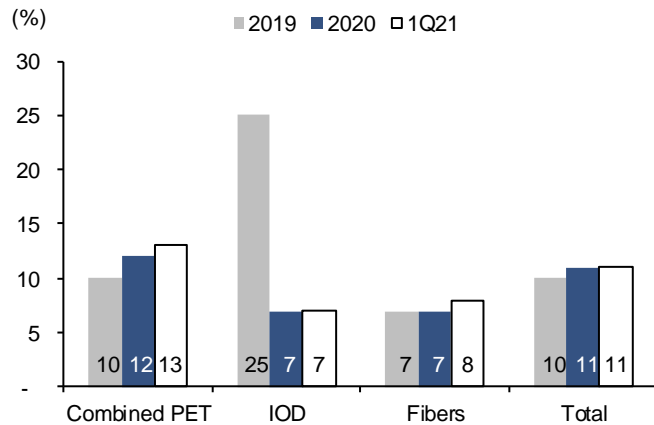
**Exhibit 9: West industry PET and PTA spread**

Source: IVL

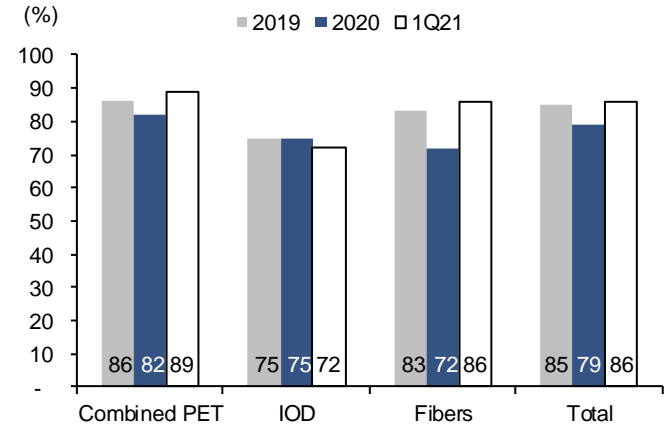
**IOD EBITDA growth remains underestimated**

Since IVL acquired the 3.1mtpa capacity IOD product group from Huntsman in 1Q20, IOD has suffered from multiple mishaps that resulted in lower-than-expected production levels and margins.

The mishaps that led to the prolonged forced shutdowns started with the multiple hurricanes since 2Q20 that hit the Gulf of Mexico area where IVL's IOD production plants are located, followed by the Covid-19 lockdowns in the US and the polar vortex in 1Q21. Hence, the EBITDA margin of IVL's IOD products plunged from 25% in 2019 to only 7% in 2020 and 1Q21.

**Exhibit 10: Core EBITDA margin improved in 1Q21 for the combined PET and fibre groups**

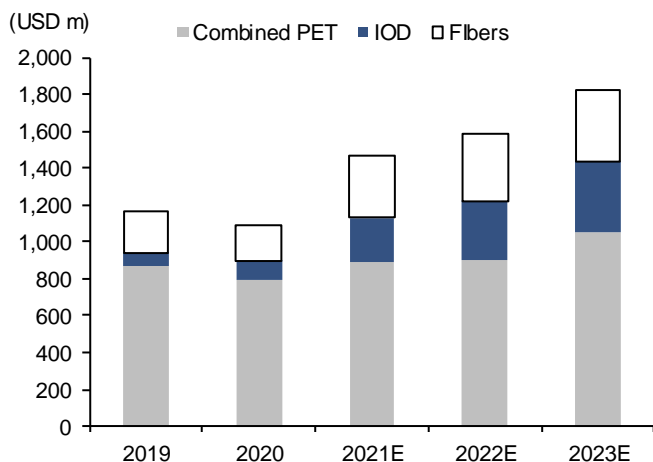
Source: IVL

**Exhibit 11: Utilisation rates increased across all products in 1Q21 after the hurricane and polar vortex impacts**

Source: IVL

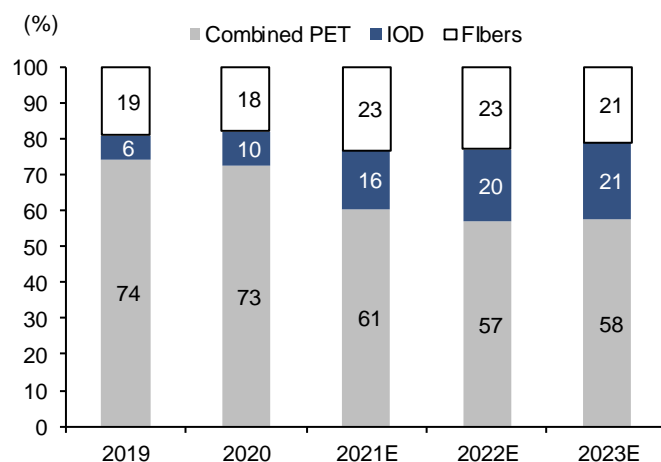
Starting in 2Q21, we project that IVL's IOD group will see a sharp increase in EBITDA to over USD100m per quarter, driven by a higher utilisation rate of over 85%, up from 72% in 1Q21 due to the forced shutdowns as a result of the polar vortex and 75% in 2020 due to natural disasters.

**Exhibit 12: EBITDA breakdown by segment**



Sources: IVL; FSSIA estimates

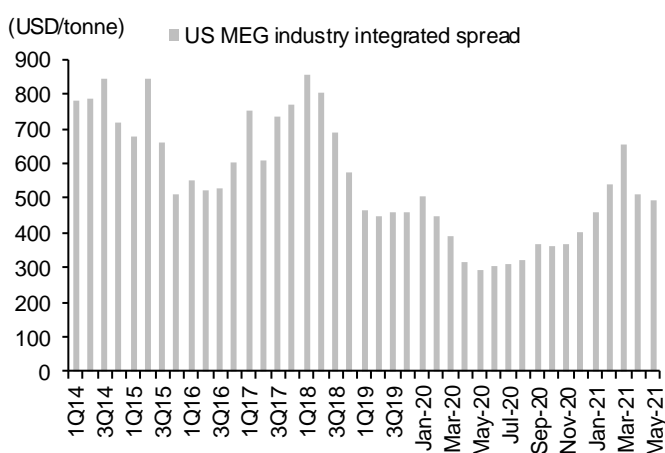
**Exhibit 13: EBITDA breakdown by segment (%)**



Sources: IVL; FSSIA estimates

**Margin uptrend for MTBE and MEG in the US.** In addition, we project that EBITDA from IVL's IOD products will sharply improve y-y, driven mainly by the rising margins of MEG-ethylene and MTBE over propane and methanol due to 1) the higher oil price, directly widening the benefit of the shale gas feedstock used in IVL's IOD production; 2) the demand recovery in the US market after the economic reopening since 2Q21, thanks to the high vaccination rate of over 60% in the US; and 3) the globally improving demand for MEG used as a key feedstock to produce polyester fibres and PET bottles and MTBE as a key gasoline blending component that IVL exports to South American countries.

**Exhibit 14: US MEG industry integrated spread**



## 2Q21E preview

We project IVL to post a strong 2Q21 net profit of THB6.3b, up 5% q-q and 40x y-y. We expect 2Q21 core net profit to rise to THB5.3b, up 48% q-q and 102% y-y. The key drivers are:

- A higher margin for integrated PET-PTA, particularly in Western markets, which has risen to over USD500/t in 2Q21, up from USD400/t in 2Q20, driven mainly by the higher freight cost and the high demand in the US and European countries, timely offsetting the weaker integrated PET-PTA margin in Asia that started to normalise to USD200/t in 2Q21, down from USD260/t in 1Q21.
- A higher estimated utilisation rate from 86% in 1Q21 to 88% in 2Q21, mainly driven by the sharp rise in the utilisation rates of IOD products in the US and the fibre group due to the higher demand.
- A 2Q21E Inventory gain of USD60m due to the higher oi price.
- We project the EBITDA margin to rise to 16.6% in 2Q21, up from 14.9% in 1Q21 and only 8.6% in 2Q20 when the global lockdowns were implemented and the maintenance shutdowns of IVL's IOD product group occurred in 2Q20.

### Exhibit 16: 2Q21E net profit preview

	2Q20	1Q21	----- 2Q21E -----			2020	2021E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
<b>Revenue</b>	<b>75,010</b>	<b>98,118</b>	<b>105,476</b>	<b>7.5</b>	<b>40.6</b>	<b>331,513</b>	<b>348,866</b>	<b>5.2</b>
Operating costs	(68,579)	(83,498)	(87,934)	5.3	28.2	(300,040)	(304,708)	1.6
<b>EBITDA</b>	<b>6,431</b>	<b>14,620</b>	<b>17,542</b>	<b>20.0</b>	<b>172.8</b>	<b>31,473</b>	<b>44,158</b>	<b>40.3</b>
<i>EBITDA margin (%)</i>	<i>8.6</i>	<i>14.9</i>	<i>16.6</i>	<i>nm</i>	<i>nm</i>	<i>9.5</i>	<i>12.7</i>	<i>nm</i>
Depn & amort.	(3,716)	(4,345)	(6,746)	55.3	81.5	(20,487)	(18,241)	(11.0)
EBIT	2,715	10,275	10,796	5.1	297.6	10,986	25,917	135.9
Interest expense	(1,785)	(1,870)	(1,896)	1.4	6.2	(7,674)	(7,383)	(3.8)
Interest & invt inc	92	43	48	11.1	(47.6)	1,998	1,179	(41.0)
Associates' contrib	66	28	29	3.0	(55.8)	143	506	254.3
Exceptionals	(1,496)	(656)	(1,276)	94.5	(14.7)	(3,896)	1,297	(133.3)
<b>Pretax profit</b>	<b>(409)</b>	<b>7,821</b>	<b>7,701</b>	<b>(1.5)</b>	<b>nm</b>	<b>1,557</b>	<b>21,515</b>	<b>1,281.7</b>
Tax	569	(1,312)	(853)	(35.0)	(250.0)	1,243	(7,530)	(705.8)
<i>Tax rate (%)</i>	<i>139</i>	<i>17</i>	<i>11</i>	<i>nm</i>	<i>nm</i>	<i>(80)</i>	<i>35</i>	<i>nm</i>
Minority interests	(6)	(500)	(512)	2.3	8,081.5	(386)	(645)	67.3
<b>Net profit</b>	<b>154</b>	<b>6,009</b>	<b>6,336</b>	<b>5.4</b>	<b>4,027.3</b>	<b>2,414</b>	<b>13,340</b>	<b>452.5</b>
Non-recurring	(2,455)	2,449	1,056	(56.9)	(143.0)	(4,016)	1,822	(145.4)
<b>Core net profit</b>	<b>2,609</b>	<b>3,560</b>	<b>5,280</b>	<b>48.3</b>	<b>102.4</b>	<b>6,430</b>	<b>11,518</b>	<b>79.1</b>
EPS (THB)	0.03	1.11	1.17	5.4	4,027.3	0.43	2.36	452.5
Core EPS (THB)	0.48	0.66	0.98	48.3	102.4	1.14	2.04	79.1

Sources: IVL; FSSIA estimates



## Greener goal is getting closer

On 6 July 2021, IVL announced that it will build a recycling PET plant (KRW) in Karawang, West Java, to recycle up to 2b plastic bottles annually, equivalent to around a 5ktpa capacity, based on our estimate.

The recent move follows IVL's 100% acquisition of CarbonLite Holdings LLC (CHL), located in Dallas, Texas in the US, via IVL's winning bid under the US bankruptcy court in the District of Delaware. The acquisition is worth USD63.9m for 44ktpa of recycled flakes and 48ktpa of recycled PET and is scheduled to be completed in June 2021. The site has its own supply chain, suppliers and customers and is not far from IVL's existing production facility for its IOD group, which includes mostly shale gas-based petrochemical products, including MTBE, monoethylene glycol (MEG), surfactants, ethanolamine, and propylene oxide (PO).

We think the greenfield KRW plant in Indonesia and the CHL acquisition in the US are strategic fits for IVL's recycling portfolio, and are in line with the company's target to achieve a 750ktpa recycling capacity by 2024. KRW and CHL will bring IVL's total recycling capacity to 325ktpa covering three continents (2.1% of total capacity), comprising 1) 135ktpa in the EU (62ktpa in France, 50ktpa in the Netherlands, 23ktpa in Poland); 2) 104ktpa in the US (44ktpa in Texas, 30ktpa in New Orleans, and 30ktpa in California); 3) 42ktpa in Mexico; 4) 30ktpa in Thailand; 5) 5ktpa in Indonesia; and 6) 9ktpa in Brazil.

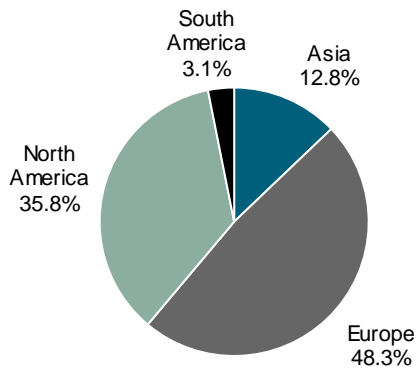
### Exhibit 17: IVL's recycling plant

	Plant	Continent	Location	Capacity (ktpa)	% of total (%)
1	IPI NPT-Recycling	Asia	Thailand	30	9.2
2	Wellman International	Europe	Ireland/Netherlands	50	15.4
3	Sorepla	Europe	France	62	19.1
4	Polawat	Europe	Poland	23	7.1
5	Ecomex Mexico	North America	Mexico	42	12.9
6	IVSLLC	North America	California, US	30	9.2
7	Green (IVSSF)	North America	New Orleans, US	30	9.2
8	AG Resinas	South America	Brazil	9	2.8
9	CarbonLite	North America	Texas, US	44	13.5
10	Karawang	West Java	Indonesia	5	1.5
	<b>Total</b>			<b>325</b>	<b>100.0</b>

Source: IVL

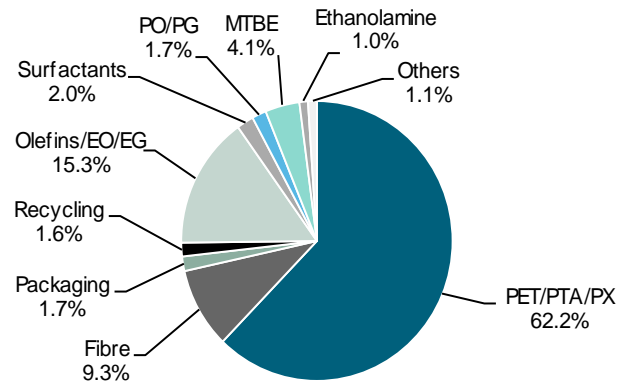
**ESG enhancement underway.** We think IVL's addition of KRW and CHL should drive its capacity from recycling up to 2.1%, close to its 750ktpa target, and make it more attractive for investors as one of the Thai petrochemical companies with a solid environmental, social, and governance (ESG) outlook.

Exhibit 18: IVL's recycling capacity breakdown by continent



Source: IVL

Exhibit 19: Capacity breakdown as of 2020

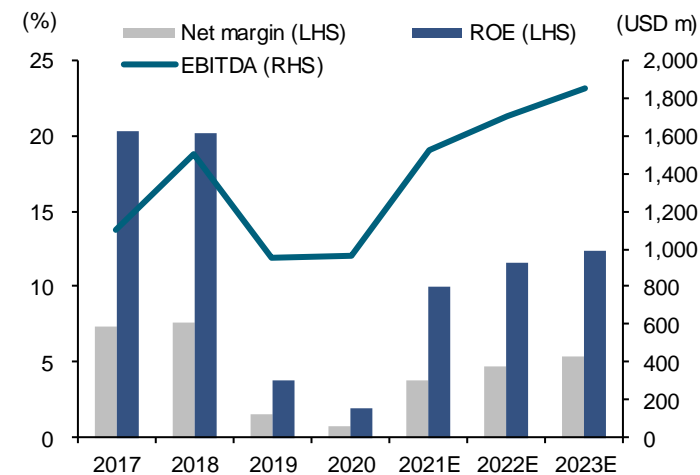


Source: IVL

### Improving shareholders' returns remains highly visible in 2021-23

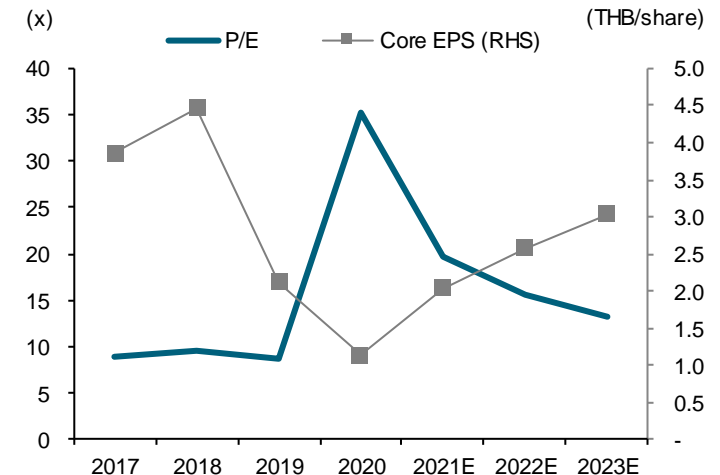
Thanks to the projected improving product margins (IOD, PET-PTA in Western markets), the higher utilisation rates (IOD, fibres), and its well-crafted strategic growth plan that is not only timely but also financially accretive in both its organic and inorganic implementation, we think IVL's ROE and net margins will gradually rise in 2021-23, resulting in a more attractive forward P/E, as we project IVL's core EPS to grow 3.5x to THB3.03/share in 2023, up from 1.14 in 2020.

Exhibit 20: Net margin, EBITDA and ROE



Sources: IVL; FSSIA estimates

Exhibit 21: Forward P/E vs EPS



Sources: IVL; FSSIA estimates

## Financial Statements

### Indorama Ventures

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	352,692	331,513	348,866	347,417	355,020
Cost of goods sold	(285,554)	(267,316)	(283,776)	(279,092)	(279,012)
<b>Gross profit</b>	<b>67,138</b>	<b>64,197</b>	<b>65,090</b>	<b>68,325</b>	<b>76,008</b>
Other operating income	-	-	-	-	-
Operating costs	(32,129)	(32,724)	(20,932)	(20,845)	(21,301)
<b>Operating EBITDA</b>	<b>35,010</b>	<b>31,473</b>	<b>44,158</b>	<b>47,480</b>	<b>54,707</b>
Depreciation	(17,040)	(20,487)	(18,241)	(18,870)	(19,498)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>17,969</b>	<b>10,986</b>	<b>25,917</b>	<b>28,610</b>	<b>35,209</b>
Net financing costs	(5,728)	(7,362)	(6,729)	(4,609)	(7,240)
Associates	5	143	506	506	506
Recurring non-operating income	407	1,949	506	506	506
Non-recurring items	(6,750)	(4,016)	1,822	2,022	2,022
<b>Profit before tax</b>	<b>5,898</b>	<b>1,557</b>	<b>21,515</b>	<b>26,530</b>	<b>30,496</b>
Tax	(1,534)	1,243	(7,530)	(9,285)	(10,674)
<b>Profit after tax</b>	<b>4,364</b>	<b>2,800</b>	<b>13,985</b>	<b>17,244</b>	<b>19,823</b>
Minority interests	888	(386)	(645)	(651)	(643)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>5,252</b>	<b>2,414</b>	<b>13,340</b>	<b>16,593</b>	<b>19,180</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>6,750</b>	<b>4,016</b>	<b>(1,822)</b>	<b>(2,022)</b>	<b>(2,022)</b>
<b>Recurring net profit</b>	<b>12,002</b>	<b>6,430</b>	<b>11,518</b>	<b>14,571</b>	<b>17,158</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.12	1.14	2.04	2.58	3.03
Reported EPS	0.93	0.43	2.36	2.93	3.39
DPS	0.35	0.20	1.11	1.37	1.59
Diluted shares (used to calculate per share data)	5,656	5,657	5,657	5,657	5,657
<b>Growth</b>					
Revenue (%)	1.6	(6.0)	5.2	(0.4)	2.2
Operating EBITDA (%)	(15.7)	(10.1)	40.3	7.5	15.2
Operating EBIT (%)	(38.8)	(38.9)	135.9	10.4	23.1
Recurring EPS (%)	(52.4)	(46.4)	79.1	26.5	17.8
Reported EPS (%)	(80.2)	(54.0)	452.5	24.4	15.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	14.2	13.2	13.4	14.2	15.9
Gross margin of key business (%)	12.3	13.2	13.4	14.2	15.9
Operating EBITDA margin (%)	9.9	9.5	12.7	13.7	15.4
Operating EBIT margin (%)	5.1	3.3	7.4	8.2	9.9
Net margin (%)	3.4	1.9	3.3	4.2	4.8
Effective tax rate (%)	26.0	(79.8)	35.0	35.0	35.0
Dividend payout on recurring profit (%)	16.5	17.6	54.3	53.4	52.4
Interest cover (X)	3.2	1.8	3.9	6.3	4.9
Inventory days	84.5	79.3	71.2	74.1	74.8
Debtor days	37.2	37.3	35.9	36.9	36.4
Creditor days	76.0	86.5	86.3	89.8	90.6
Operating ROIC (%)	8.0	4.6	0.7	0.8	1.0
ROIC (%)	6.8	4.4	0.6	0.7	0.8
ROE (%)	8.7	5.0	8.7	10.1	11.1
ROA (%)	4.5	3.5	2.8	3.4	3.9

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2019	2020	2021E	2022E	2023E
PET	196,047	153,889	139,458	139,930	142,705
Feedstock	132,911	100,905	117,776	117,110	121,937
Fibres	107,059	90,601	110,868	109,613	109,613
Eliminations and unallocated	(83,325)	(13,882)	(19,236)	(19,236)	(19,236)

Sources: Indorama Ventures; FSSIA estimates

## Financial Statements

### Indorama Ventures

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	12,002	6,430	11,518	14,571	17,158
Depreciation	17,040	20,487	18,241	18,870	19,498
Associates & minorities	-	-	-	-	-
Other non-cash items	(978)	(1,002)	(1,001)	(1,001)	(1,001)
Change in working capital	19,446	19,603	19,240	20,717	17,678
<b>Cash flow from operations</b>	<b>47,510</b>	<b>45,518</b>	<b>47,998</b>	<b>53,157</b>	<b>53,333</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(16,233)	(16,231)	(13,200)	(13,200)	(13,200)
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	(9,065)	(9,059)	(9,059)	(9,059)	(9,059)
<b>Cash flow from investing</b>	<b>(25,298)</b>	<b>(25,290)</b>	<b>(22,259)</b>	<b>(22,259)</b>	<b>(22,259)</b>
Dividends paid	(6,929)	(6,930)	(1,131)	(6,251)	(7,776)
Equity finance	0	0	0	0	0
Debt finance	8,881	51,695	(9,654)	(9,654)	(9,654)
Other financing cash flows	(19,297)	(56,491)	6,023	6,229	6,220
<b>Cash flow from financing</b>	<b>(17,344)</b>	<b>(11,726)</b>	<b>(4,762)</b>	<b>(9,676)</b>	<b>(11,210)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>4,868</b>	<b>8,502</b>	<b>20,976</b>	<b>21,221</b>	<b>19,863</b>
Free cash flow to firm (FCFF)	27,827.25	27,901.55	33,121.86	38,280.64	38,456.48
Free cash flow to equity (FCFE)	11,796.62	15,431.42	22,107.48	27,472.26	27,639.10

#### Per share (THB)

FCFF per share	4.96	4.97	5.90	6.82	6.85
FCFE per share	2.10	2.75	3.94	4.89	4.92
Recurring cash flow per share	4.96	4.58	5.08	5.73	6.30

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	304,108	376,464	389,664	402,864	416,064
Less: Accumulated depreciation	(91,686)	(112,173)	(130,414)	(149,284)	(168,782)
<b>Tangible fixed assets (net)</b>	<b>212,423</b>	<b>264,291</b>	<b>259,250</b>	<b>253,580</b>	<b>247,282</b>
<b>Intangible fixed assets (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	10,447	18,949	39,924	61,145	81,008
A/C receivable	34,305	33,422	35,171	35,025	35,791
Inventories	62,165	53,938	56,762	56,526	57,763
Other current assets	11,840	13,526	13,526	13,526	13,526
<b>Current assets</b>	<b>118,757</b>	<b>119,835</b>	<b>145,383</b>	<b>166,222</b>	<b>188,088</b>
Other assets	49,388	69,046	46,416	46,416	46,416
<b>Total assets</b>	<b>380,568</b>	<b>453,172</b>	<b>451,049</b>	<b>466,218</b>	<b>481,786</b>
Common equity	129,712	126,655	138,863	149,205	160,609
Minorities etc.	8,455	8,953	13,740	17,091	19,755
<b>Total shareholders' equity</b>	<b>138,167</b>	<b>135,608</b>	<b>152,603</b>	<b>166,295</b>	<b>180,364</b>
Long term debt	105,611	164,073	164,073	164,073	164,073
Other long-term liabilities	11,828	39,552	10,135	11,897	11,897
<b>Long-term liabilities</b>	<b>117,439</b>	<b>203,625</b>	<b>174,208</b>	<b>175,971</b>	<b>175,971</b>
A/C payable	61,281	65,366	68,788	68,502	70,001
Short term debt	36,413	29,645	29,645	29,645	29,645
Other current liabilities	27,268	18,927	25,805	25,805	25,805
<b>Current liabilities</b>	<b>124,962</b>	<b>113,938</b>	<b>124,238</b>	<b>123,952</b>	<b>125,451</b>
<b>Total liabilities and shareholders' equity</b>	<b>380,568</b>	<b>453,172</b>	<b>451,049</b>	<b>466,218</b>	<b>481,786</b>
Net working capital	19,762	16,593	10,866	10,770	11,275
Invested capital	281,573	349,930	316,532	310,766	304,972

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	22.93	22.39	24.55	26.38	28.39
Tangible book value per share	22.93	22.39	24.55	26.38	28.39

#### Financial strength

Net debt/equity (%)	95.2	128.9	100.8	79.7	62.5
Net debt/total assets (%)	34.6	38.6	34.1	28.4	23.4
Current ratio (x)	1.0	1.1	1.2	1.3	1.5
CF interest cover (x)	5.9	5.3	6.2	9.8	6.6

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>18.3</b>	<b>34.1</b>	<b>19.0</b>	<b>15.0</b>	<b>12.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>26.9</b>	<b>50.1</b>	<b>28.0</b>	<b>22.1</b>	<b>18.8</b>
Reported P/E (x)	41.7	90.8	16.4	13.2	11.4
Dividend yield (%)	0.9	0.5	2.9	3.5	4.1
Price/book (x)	1.7	1.7	1.6	1.5	1.4
Price/tangible book (x)	1.7	1.7	1.6	1.5	1.4
EV/EBITDA (x) **	10.3	12.8	8.8	7.8	6.4
EV/EBITDA @ target price (x) **	13.2	16.1	11.1	9.9	8.3
EV/invested capital (x)	1.3	1.2	1.2	1.2	1.2

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: Indorama Ventures; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		
VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSI	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							
GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	HL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		
Description								Score Range		
Excellent								90-100		
Very Good								80-89		
Good								70-79		

## Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

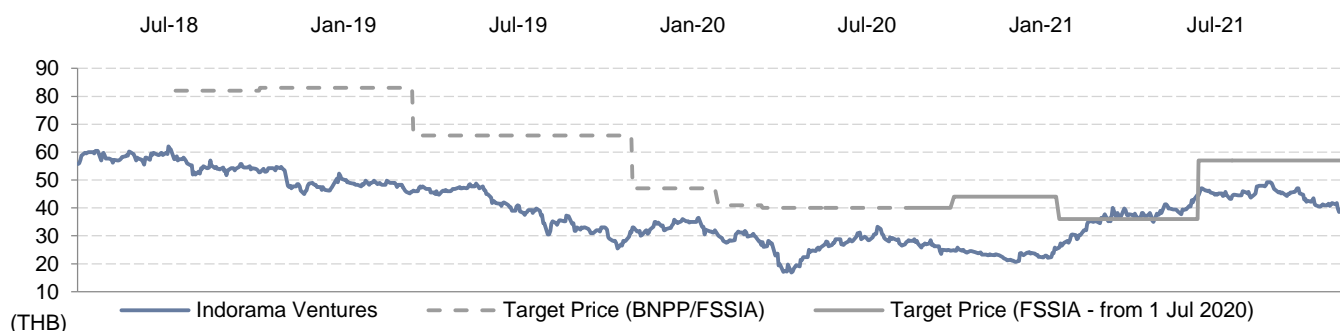
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#### History of change in investment rating and/or target price

##### Indorama Ventures (IVL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Oct-2018	BUY	82.00	20-Jan-2020	BUY	41.00	06-Nov-2020	BUY	36.00
21-Dec-2018	BUY	83.00	27-Feb-2020	BUY	40.00	08-Mar-2021	BUY	57.00
02-May-2019	BUY	66.00	09-Jun-2020	BUY	40.00			
07-Nov-2019	BUY	47.00	07-Aug-2020	BUY	44.00			

Suwat Sinsadok started covering this stock from 09-Oct-2018

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Indorama Ventures	IVL TB	THB 38.75	BUY	The key downside risks to our EV/EBITDA-based TP are weaker-than-expected margins for PX-PTA and PET-PTA, lower demand for polyester, and delays in IVL's projects.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 19-Jul-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.