

# INDORAMA VENTURES

# IVL TB

THAILAND / PETROCHEM &amp; CHEMICALS

## BUY

UNCHANGED

TARGET PRICE	THB70.00
CLOSE	THB51.50
UP/DOWNSIDE	+35.9%
PRIOR TP	THB70.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+17.7%

## IVL's greener growth organisation

- IVL's EBITDA target of USD2.8-3.0b in 2024 is in line with our projections of USD2.8b in 2023 and USD3.0b in 2024.
- Digitalisation is key for IVL's future organisation via organic growth and a number of acquisitions worldwide.
- Maintain BUY and TP of THB70.

### Becoming a greener and defter growth play

During IVL's capital day to elaborate on its long-term strategic growth roadmap, management delivered three key messages that confirm our positive view on its strong net profit growth outlook in 2022-24: 1) an EBITDA target of USD2.8-3.0b by 2024; 2) more sustainable and environmentally friendly products and business operations; and 3) higher efficiency in its operations, technology, business platform and ecosystem. This is in line with our projections, both financially and strategically, and we think IVL could achieve record high earnings in 2022-23.

### Ambitious yet achievable target of USD2.8-3.0b EBITDA by 2024

IVL's EBITDA target of USD2.8-3.0b in 2024 is in line with our projections of USD2.8b in 2023 and USD3.0b in 2024, with key growth drivers coming from the integrated oxide and derivatives (IOD) product group, followed by the margin expansion of the combined PET (cPET) group and higher volumes and a rising margin for the fibre group. Following the acquisition of Oxiteno in 1Q22, we think IOD EBITDA could amount to USD0.6-0.8b in 2022-24, including USD0.15b from the acquisition of Oxiteno in 1Q22 and USD0.1b from the ethane cracker.

### Decarbonisation and digitalisation are on the radar

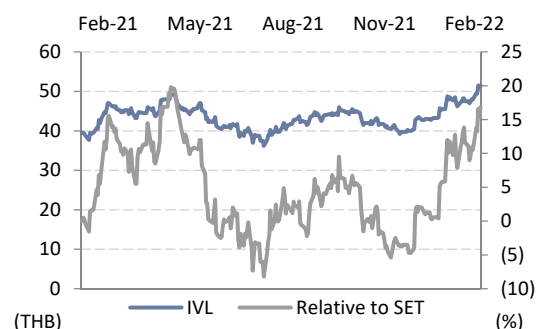
IVL has established a set of targets to achieve a higher level of decarbonisation for its business by 2030, including reductions of 1) 30% in greenhouse gas intensity; 2) 15% in energy intensity; 3) 25% consumption of renewable electricity; and 4) 20% in water intensity consumption. Digitalisation is key for IVL's future organisation as its business growth trajectory has been driven via both organic growth and a number of acquisitions worldwide. IVL has a large and growing pool of human resources and tangible and intangible asset portfolios globally.

### The next growth chapter has just begun in 2022

Maintain BUY and our TP of THB70. IVL's strategic plan to achieve its financial (USD2.8-3.0b EBITDA in 2024), ESG, and organisational (digitalisation and Olympus project) goals is achievable, in our view. With IVL's sound and timely growth strategies, we think the next growth chapter should see it become a "true" global player in the petrochemical industry, with a strong and a more sustainable net profit growth trajectory in 2022-24.

### KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	331,513	369,677	368,229	374,369
Net profit	1,656	29,054	32,136	36,371
EPS (THB)	0.30	5.17	5.72	6.48
vs Consensus (%)	-	10.2	20.2	25.6
EBITDA	31,473	55,547	57,155	65,301
Core net profit	6,430	27,231	30,114	34,349
Core EPS (THB)	1.15	4.85	5.36	6.12
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(46.4)	323.5	10.6	14.1
Core P/E (x)	45.0	10.6	9.6	8.4
Dividend yield (%)	0.4	4.7	5.2	5.9
EV/EBITDA (x)	15.0	8.0	7.3	6.0
Price/book (x)	2.3	1.9	1.7	1.5
Net debt/Equity (%)	128.9	66.8	45.5	26.8
ROE (%)	5.0	19.4	18.4	18.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.0	24.1	29.6
Relative to country (%)	6.9	19.2	15.0
Mkt cap (USD m)	8,845		
3m avg. daily turnover (USD m)	30.7		
Free float (%)	33		
Major shareholder	Indorama Resources (63%)		
12m high/low (THB)	52.00/36.00		
Issued shares (m)	5,614.55		

Sources: Bloomberg consensus; FSSIA estimates



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## 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 from 2019-23.

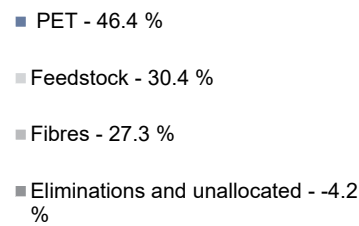
Unlike its last two growth cycles when IVL funded its capacity growth through debt and capital increases using warrants (IVL-W1 and IVL-W2), key growth strategies in IVL's third growth cycle could be driven by: 1) M&A in the global packaging business, non-PET packaging in frontier markets and specialty 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.

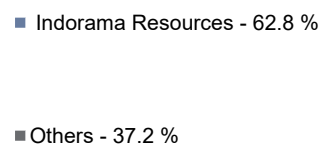
[www.indoramaventures.com](http://www.indoramaventures.com)

## 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
Feb 2022	4Q21/2021 results announcement

## Key assumptions

	2021E (USD/tonne)	2022E (USD/tonne)	2023E (USD/tonne)
Utilisation rate (%)	87	88	89
PET margin	299	311	407
PTA-PX margin	142	147	122
MEG-(0.58) ethylene margin	250	230	230
IOD EBITDA	420	600	580

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% change in the THB/USD exchange rate, we estimate a 1.4% change in 2022 EPS, all else being equal.
- For every 1% increase in latex price, we estimate 2022 EPS would fall 0.7%, and vice versa, all else being equal.
- For every 1% increase in utilisation rate, we estimate 2022 EPS would rise 1.5%, and vice versa, all else being equal.
- For every 1% increase in ASP, we estimate 2022 EPS would rise by 0.8%, and vice versa, all else being equal.

Source: FSSIA estimates

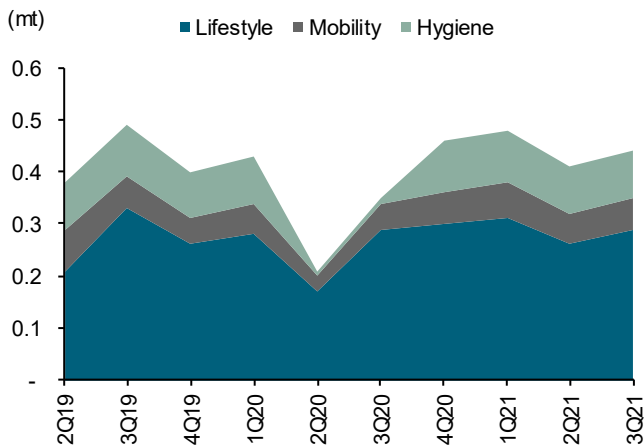
## Becoming a greener growth organisation

During IVL’s capital day to elaborate on its long-term strategic growth roadmap, management delivered three key messages that confirm our positive view on its strong net profit growth outlook in 2022-24: 1) an EBITDA target of USD2.8-3.0b by 2024; 2) more sustainable and environmentally friendly products and business operations; and 3) higher efficiency in its operations, technology, business platform and ecosystem.

### Key target #1: USD2.8-3.0b EBITDA by 2024

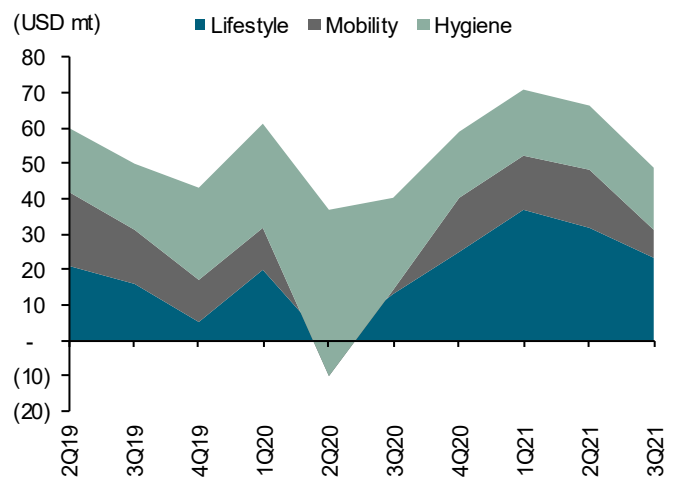
IVL’s EBITDA target of USD2.8-3.0b in 2024 is in line with our projections of USD2.8b in 2023 and USD3.0b in 2024, with key growth drivers coming from the IOD product group, followed by the margin expansion of the cPET group and higher volumes and a rising margin for the fibre group.

Exhibit 1: Combined PET production breakdown



Source: IVL

Exhibit 2: Combined PET core EBITDA breakdown



Source: IVL

**USD0.6-0.8b EBITDA from IOD capacity expansion.** Following the acquisition of Oxiteno in 1Q22, we think IOD EBITDA could amount to USD0.6-0.8b in 2022-24, including USD0.15b from the acquisition of Oxiteno in 1Q22 and USD0.1b from the ethane cracker.

Exhibit 3: IOD EBITDA growth projections by IVL

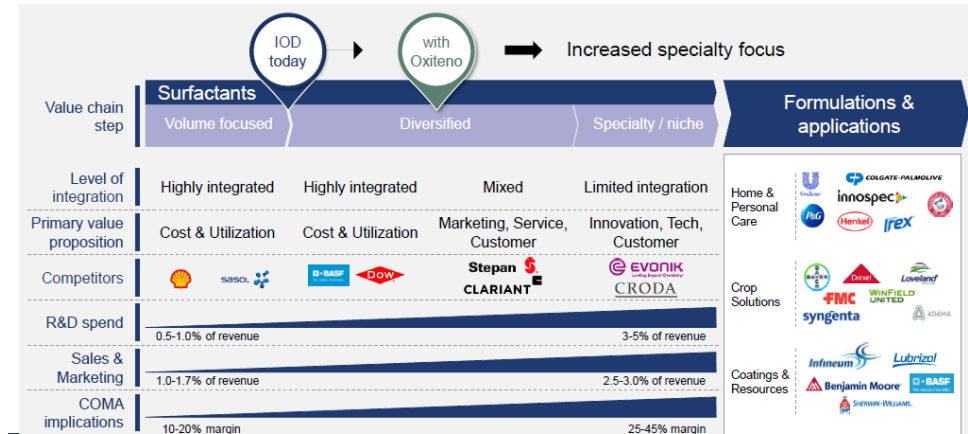


Source: IVL

IVL's projected EBITDA growth of its IOD group from USD0.4b in 2021 to USD0.8-0.85b in 2024 is in line with our projections, with most of the EBITDA being generated from the downstream specialty IOD products of surfactants, ethanolamine, propylene oxide (PO), propylene glycol, and two commodity IOD products, MTBE and monoethylene glycol (MEG).

The EBITDA from the IOD group should not only be a higher growth engine but should also become IVL's most sustainable and lucrative product group among its three major product groups of IOD, cPET, and fibres.

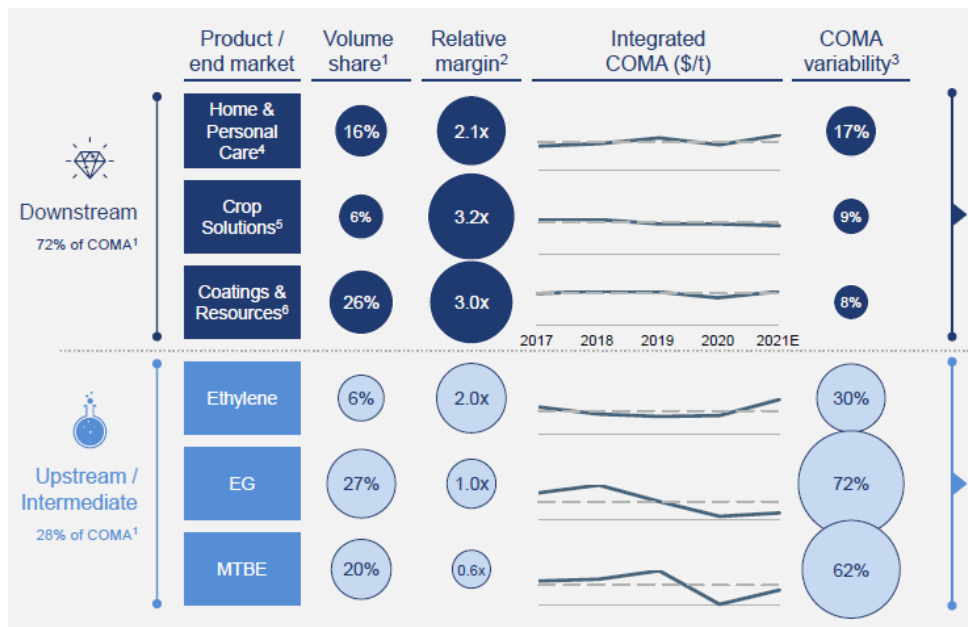
**Exhibit 4: The acquisition of Oxiteno in Brazil should further strengthen IVL's IOD group to be a key growth driver in 2022-24**



Source: IVL

The forward integration via the acquisition of Oxiteno's IOD asset portfolio in Brazil in 1Q22 should further strengthen IVL's IOD product portfolio, both geographically and operationally through product integrations, making IVL one of the leading producers of IOD for hygiene, home & personal care, crop solutions, and coatings & resources.

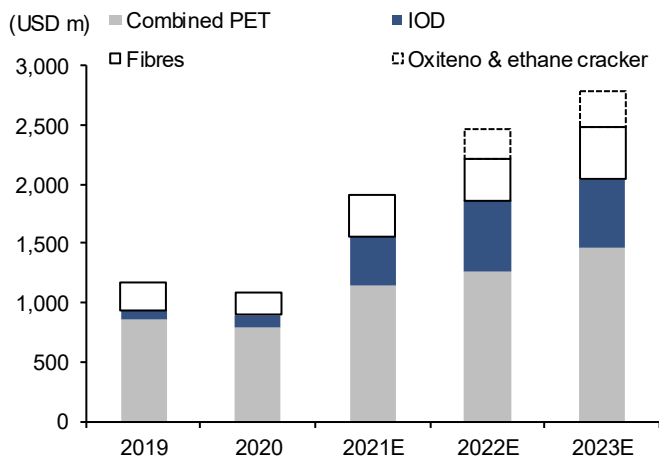
**Exhibit 5: IOD products are highly lucrative and more sustainable than cPET and fibres**



Source: IVL

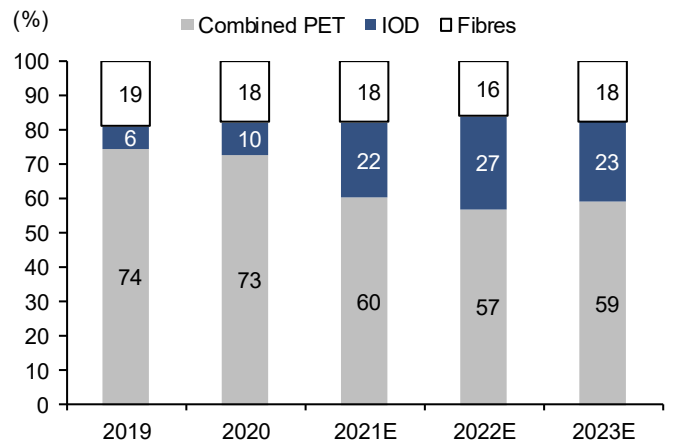
**USD0.4-0.5b EBITDA growth from cPET.** We project that up to USD0.4-0.6b EBITDA growth in 2022-24 could come from margin expansions for IVL's 5.2mt of PET and PTA produced in North America and Europe, which have continued to see a stronger product margin trend.

**Exhibit 6: EBITDA breakdown by product group**



Sources: IVL; FSSIA estimates

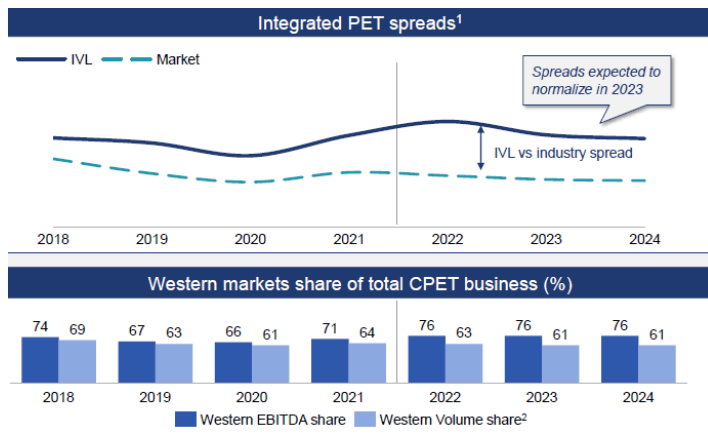
**Exhibit 7: EBITDA breakdown by product group (%)**



Sources: IVL; FSSIA estimates

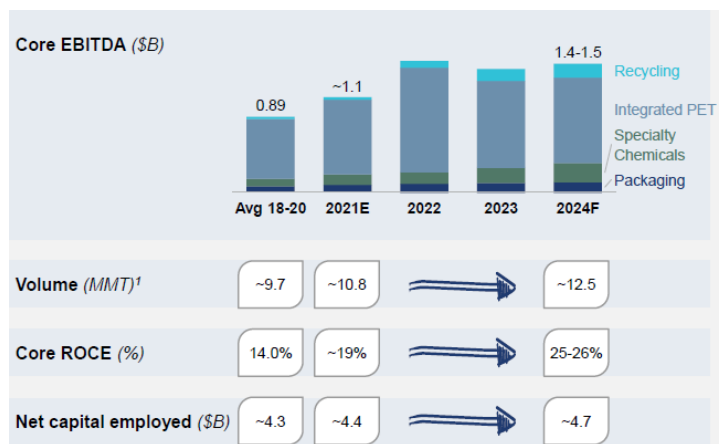
The integrated PET-PTA margin jumped markedly to USD326/t in Dec-21 in Asia and USD848/t in Western markets (North America and Europe), driven mainly by the m-m higher PTA-paraxylene (PX) margin to offset the m-m weaker PET-PTA margin.

**Exhibit 8: High and sustained PET-PTA margin in Western markets for IVL**



Source: IVL

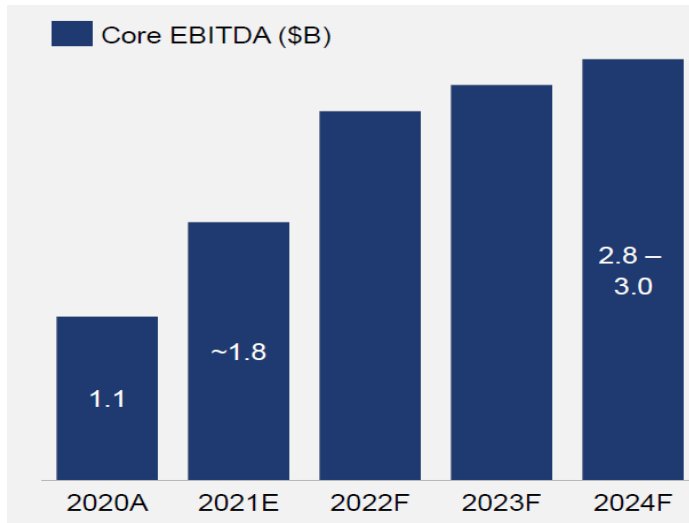
**Exhibit 9: IVL projects strong EBITDA from cPET in 2021-24**



Source: IVL

While the integrated PET-PTA margin in Asia is at its highest level since the 1H18 cyclical peak, the integrated PET-PTA margin of USD848/t in Western markets is also at its highest level since 4Q19, thanks to strong demand growth, higher import barriers in the form of higher tax rates, and a sharp rise in the intercontinental freight cost triggered by seaport traffic jams that are likely to continue in 2022.

Exhibit 10: Core EBITDA targets in 2021-24



Source: IVL

Exhibit 11: Financial projections in 2021 and 2024

	2020A <sup>1</sup>	2021E <sup>1</sup>	2024F
Volume <sup>2</sup> (MMT)	14.0	~14.9	18.0 – 18.5
Core EBITDA (\$B)	1.1	~1.8	2.8 – 3.0
Olympus Initiatives (\$M)	92	~290	650 – 690
Net op. capital employed (\$B)	9.2	~9.3	12.2 – 12.4
ROCE	5.6 %	~12.2%	15 – 17 %

Source: IVL

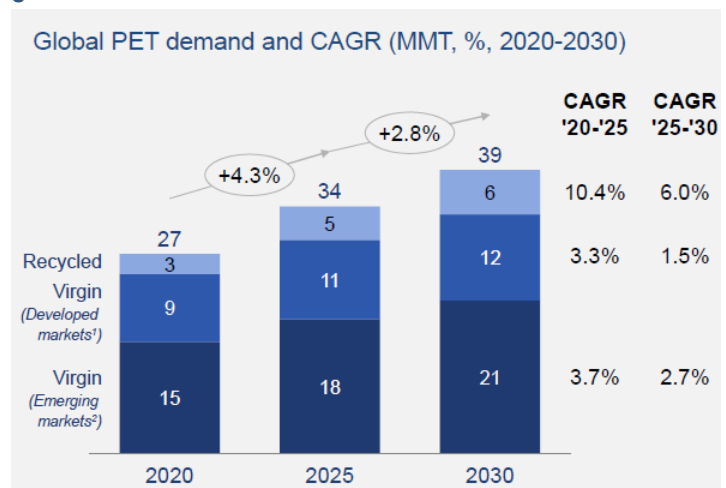
We believe that EBITDA growth of USD0.3-0.4b in three years should drive up IVL's cPET group from USD1.1b in 2021 to USD1.4-1.5b in 2024. This would be highly achievable, in our view, based on the strong and sustainable demand growth for polyester and PET bottles, both as the products of choice for consumers and IVL's customers thanks to polyester's superior characteristics to natural fibre like cotton. The advantage of PET packaging is its proven cost competitiveness and lower carbon emissions over competing packaging materials.

Exhibit 12: PET is the packaging product of choice for cost competitiveness, sustainability, and environmental friendliness



Source: IVL

Exhibit 13: PET demand growth is projected to grow at a healthy rate above the global GDP growth rate due to a higher global urbanisation rate

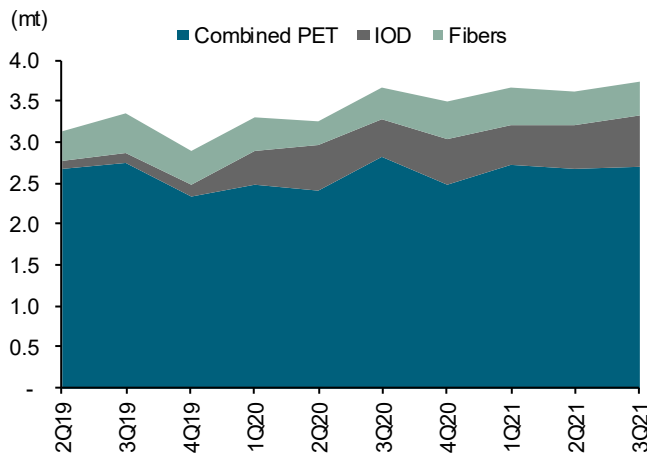


Source: IVL



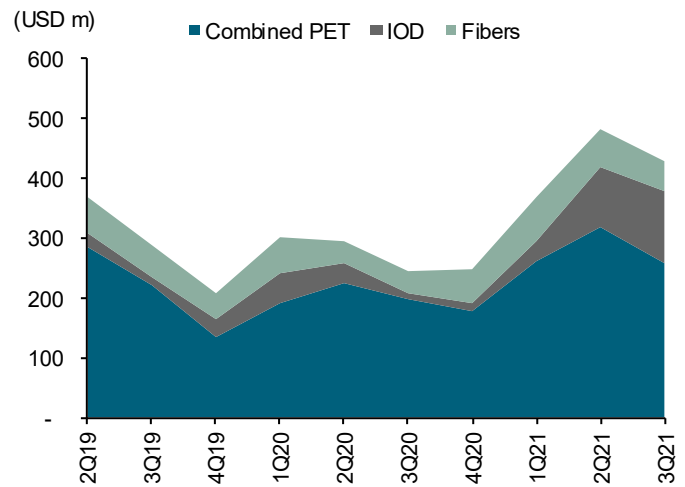
**USD0.2-0.4b EBITDA growth from fibres.** While the fibre group is IVL's smallest product group, with only 0.4-0.5mt of production per quarter, and generating quarterly EBITDA of USD50-70m, we think it is IVL's most specialised product group, given the wide variety of product applications and IVL's strength in research & development via its M&A in the past 12 years.

**Exhibit 14: Production breakdown**



Source: IVL

**Exhibit 15: Core EBITDA breakdown**



Source: IVL

In the post-Covid economy, we think fibre will be IVL's product group that benefits the most from the potential demand recovery, as IVL's fibre products apply to lifestyle (personal care, apparel, and industrial), hygiene (sanitation, industrial, and filtration), and mobility (automobile) products. These are all products that are either essential (hygiene and lifestyle) or indispensable (automobiles). Hence, the demand growth after the global economy recovers to the 'new normal' should be strong, in our view.

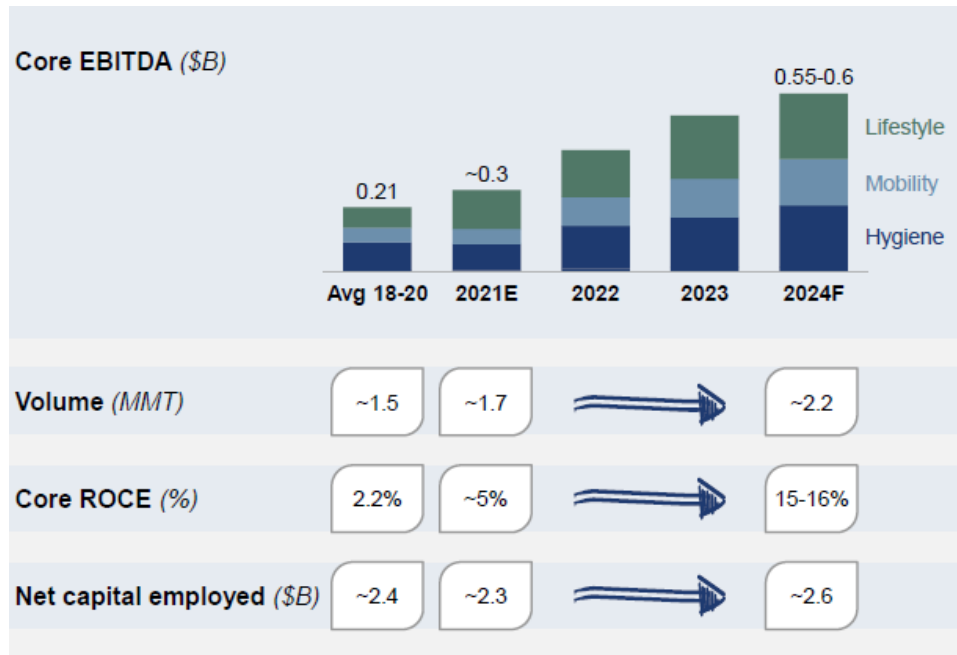
**Exhibit 16: Three market segments of IVL's fibre group**

	<b>Mobility</b>	<b>Lifestyle</b>	<b>Hygiene</b>
<b>Valued as ...</b>	... leading global supplier of safety + comfort + performance in the tire & automotive safety sectors that is trusted for <b>local presence &amp; reliability</b>	... reliable local supplier of <b>high-quality</b> necessity and <b>value-added</b> fibers & yarns across major <b>growth markets</b> , combining fashion & function	... <b>trusted global partner</b> of the largest premium Hygiene companies, <b>providing safety and comfort</b> to millions of people around the world
<b>Attractive end markets</b>	Tires, Airbags <sup>1</sup> , Industrial <sup>2</sup>	Apparel, Interior, Industrial	Hygiene, Filtration, Industrial
<b>Backed by megatrends</b>	<ul style="list-style-type: none"> <li>Global car parc continues to grow, even during COVID</li> <li>New LV production expected to grow above '19 levels</li> <li>Number of airbags per new vehicle continues to grow</li> </ul>	<ul style="list-style-type: none"> <li>Growing affluence and urbanization around the world</li> <li>Ever-growing desire for functional improvements</li> <li>Ever-intensifying cost pressures benefiting polyester</li> </ul>	<ul style="list-style-type: none"> <li>Growing (and ageing) population, rising middle class</li> <li>Awareness of hygiene products in emerging markets</li> <li>Increasing sensitivity for health-related safety</li> </ul>

Source: IVL

Similarly, IVL's projected EBITDA growth for the fibre group is in line with our projections, with a relative balance of each segment to contribute equally to IVL's EBITDA in the group.

**Exhibit 17: Fibre EBITDA growth projections by IVL**



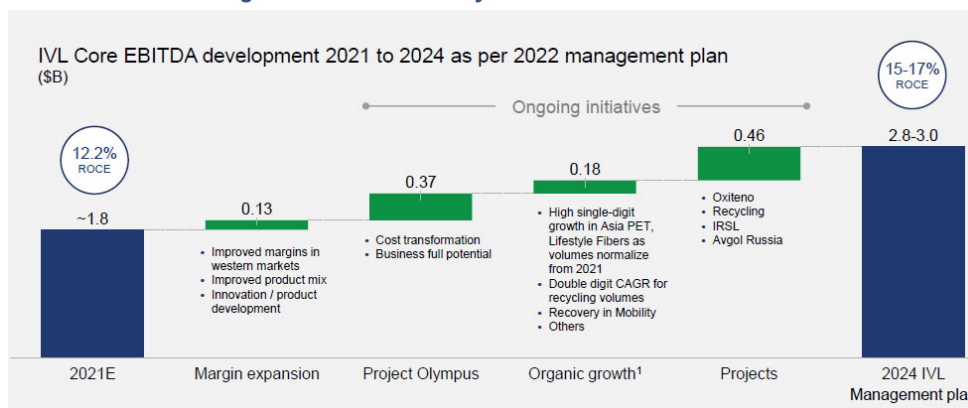
Source: IVL

**How likely is it that IVL's ambitious target of USD2.8-3.0b EBITDA by 2024 will be achieved?** We believe it is likely. We think the EBITDA growth will come from the visible EBITDA generated from 1) USD150m annual EBITDA from Oxiteno via the acquisition in 1Q22; 2) USD0.1b from the start-up of the 0.44mt ethane cracker in Nov-21; 3) USD0.4-0.5b annual EBITDA from the combined capacity of Huntsman's IOD asset (4mtpa) and IVL's pre-Huntsman M&A IOD asset of 0.6mt of ethylene oxide and EG.

IVL's projected EBITDA growth from USD1.8b in 2021 to USD2.8-3.0b in 2024 is classified in a slightly different way from our projections, with the key drivers coming from margin expansion, cost saving (project Olympus), capacity expansion, and M&A.

However, in essence, we think that the growth path for IVL's EBITDA from USD1.8b in 2021 to USD2.8-3.9b in 2024 will share similar growth patterns between our and IVL's projections, with IOD (Oxiteno and Huntsman) growth as the largest growth driver, followed by cPET (organic growth and margin expansion for IVL) and fibres (M&A projects, organic growth, and project Olympus for IVL).

**Exhibit 18: EBITDA growth breakdown by IVL**



Source: IVL

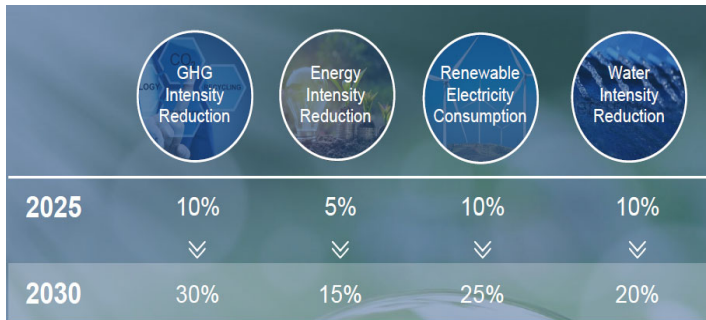


## Key target #2: Decarbonisation is on the radar

In order to ensure that IVL will be fully compliant and turn itself into a responsible environmental, social, and corporate governance (ESG) organisation, IVL has established a set of targets to achieve a higher level of decarbonisation for its business by 2030, including:

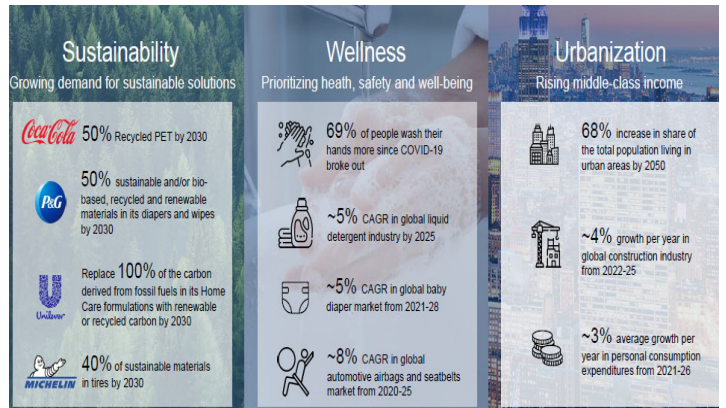
- 1) 30% reduction in greenhouse gas intensity;
- 2) 15% reduction in energy intensity;
- 3) 25% consumption of renewable electricity;
- 4) 20% reduction in water intensity consumption.

Exhibit 19: IVL’s decarbonisation target



Source: IVL

Exhibit 20: Three key strategic goals

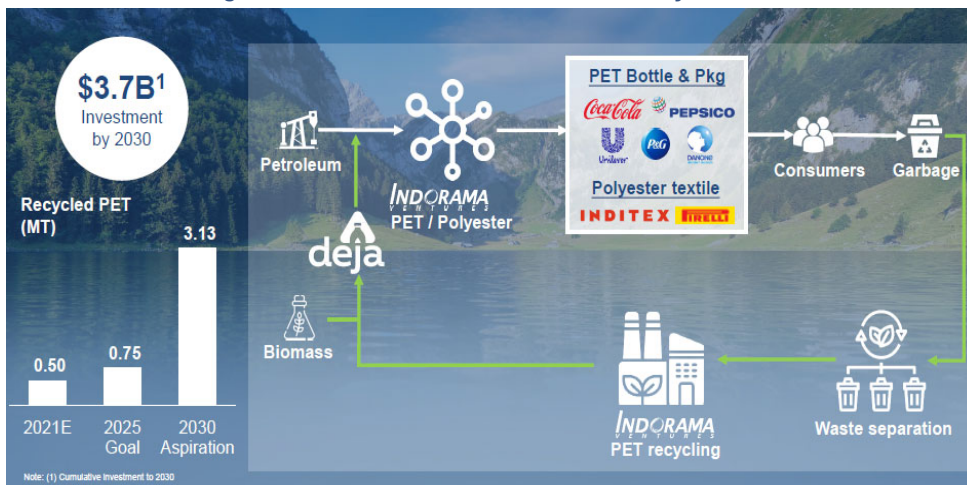


Source: IVL

Three strategies have been established to achieve IVL’s decarbonisation goal.

**Strategy #1: Higher recycled PET capacity.** IVL has earmarked a USD3.7b investment to increase its recycled PET capacity to 3.13mt in 2030, up from 0.5mt in 2021.

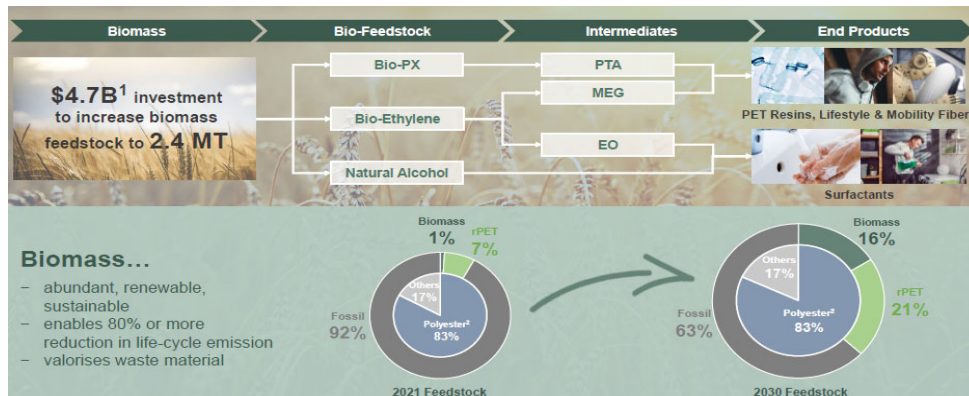
Exhibit 21: Building infrastructure for the circular economy



Source: IVL

**Strategy #2: Increase biomass-based energy.** IVL has set a USD4.7b investment to increase its biomass feedstock consumption to reduce coal and fossil consumption. IVL also plans to increase the consumption of bio-feedstock to produce PET and polyester fibre, using bio-paraxylene, bio-ethylene, and natural alcohol as key feedstocks for its production.

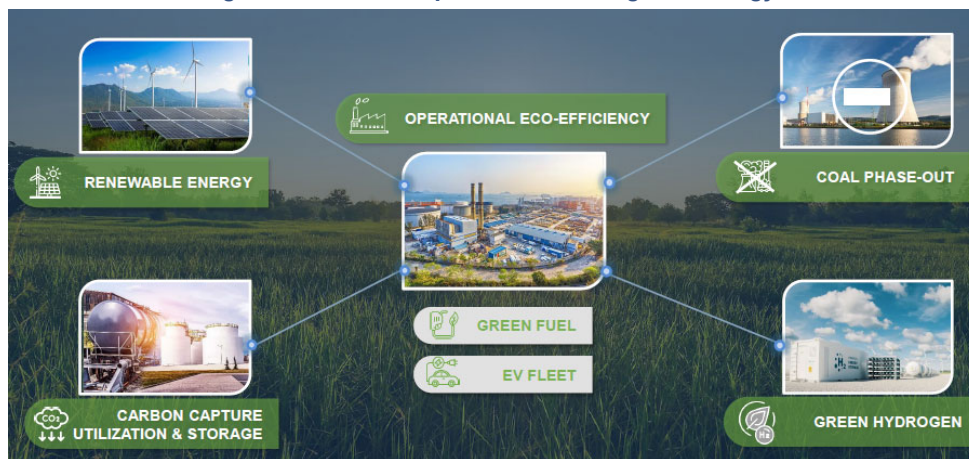
**Exhibit 22: Higher biomass consumption for IVL’s production plants worldwide**



Source: IVL

**Strategy #3: Greener energy.** IVL has set aside a USD640m budget for investment in renewable energy, carbon capture utilisation & storage, and green hydrogen, all intended to replace the current coal-fired power plants at IVL’s production sites worldwide.

**Exhibit 23: Phasing out coal consumptions and raise green energy**



Source: IVL

### Key target #3: Digitalisation is key for IVL’s future organisation

Given that IVL’s business growth trajectory has been driven via both organic and inorganic growth strategies via a number of acquisitions worldwide, it has accumulated a large and growing pool of human resources, properties, plants, equipment, and intangible R&D and license asset portfolios globally.

In the past 30 years since its inception in the 1990s in Thailand, IVL has grown its asset portfolio globally without any significant business integration and organisational restructuring to streamline and improve its operations, procurement, and marketing business.

#### Exhibit 24: Digitalisation and IT infrastructure platform are key for IVL’s future organisation as a global producer, yet a local partner company to customers

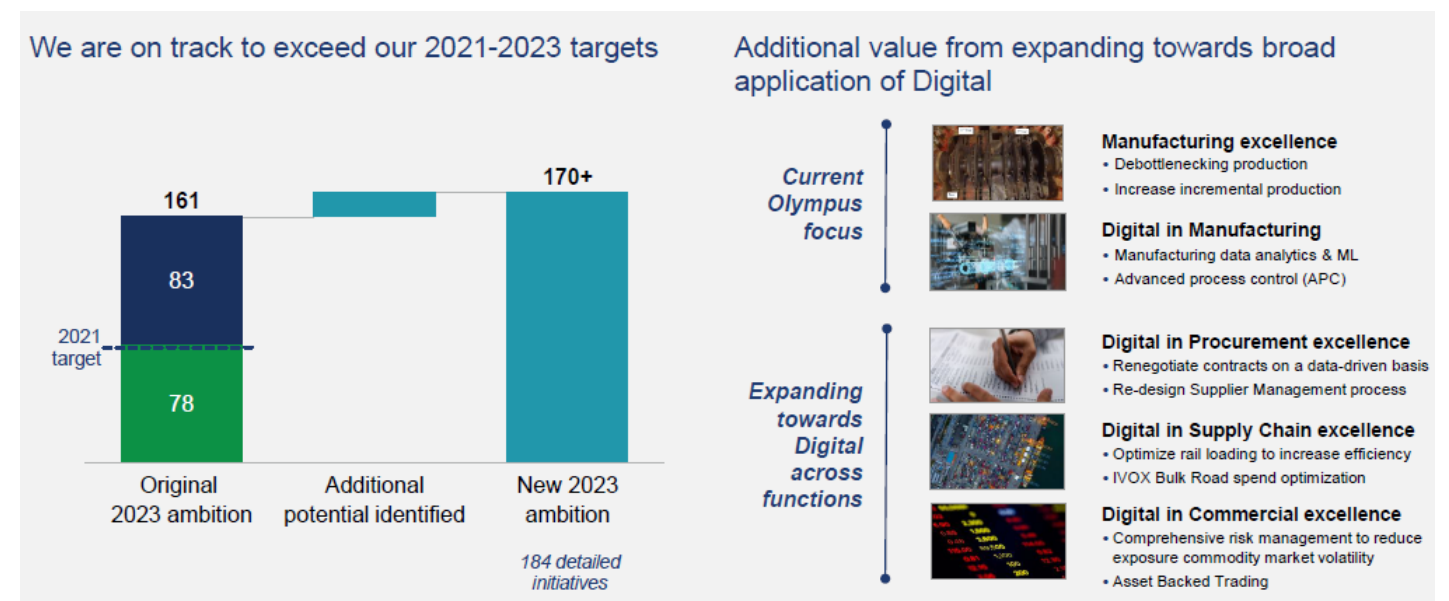


Source: IVL

To achieve IVL’s goal of becoming a “global producer yet a local partner” for its global customers, in 2020 the company initiated a project named Olympus. Olympus is essentially is the project that IVL will implement worldwide for its global assets and personnel to increase operational efficiency, enhance productivity in greener ways, and achieve cost savings via synergies and economies of scale.

According to IVL, as of 2021, it has achieved its financial target of over a USD78m increase in EBITDA from the Olympus project, and is on track to achieve USD170m higher EBITDA once the Olympus project is completed in 2023.

#### Exhibit 25: IVL’s Olympus project has already delivered USD78m in cost savings as of 2021



Source: IVL



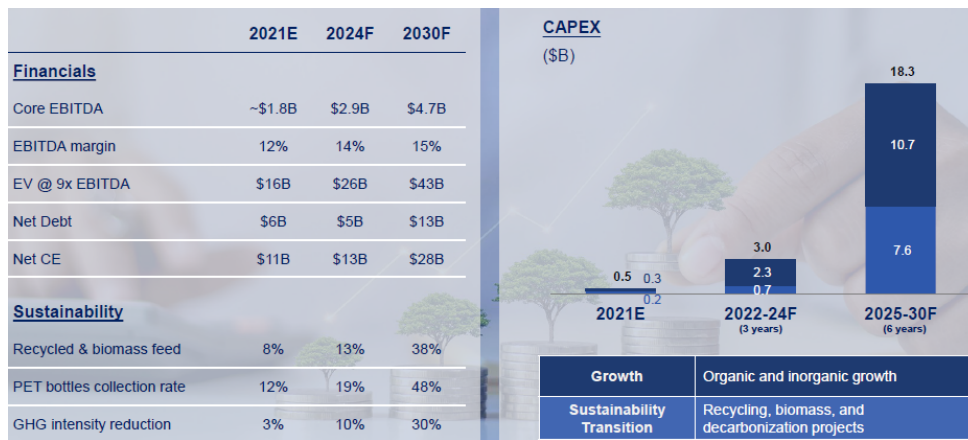
### Our view on IVL’s “growing, greener, and more sustainable organisation”

In our view, IVL’s detailed strategic plan to achieve its financial (USD2.8-3.0b EBITDA in 2024) and organisational (digitalisation and Olympus project) goals is both strategically and financially sound and achievable. This is thanks to IVL’s ongoing effort in striving for superior growth and efficiency to enhance shareholder returns in the polyester and IOD industries, which are highly cyclical, price-taking industries that are normally low margin and generate low returns for most players.

Without any sound and timely strategies for growth, we think IVL would not be able to yield higher financial returns and establish a more sustainable business structure. However, due to IVL’s long-proven success in terms of its growth strategies and business integration globally, we believe it will be able to do just that. This makes IVL a rarity in the Asian energy and petrochemical industry, in our view.

We believe the next chapter of IVL’s strategic goals and plans should elevate the company further to become a “true” global player in the petrochemical industry with a strong and a more sustainable net profit growth trajectory in 2022-24.

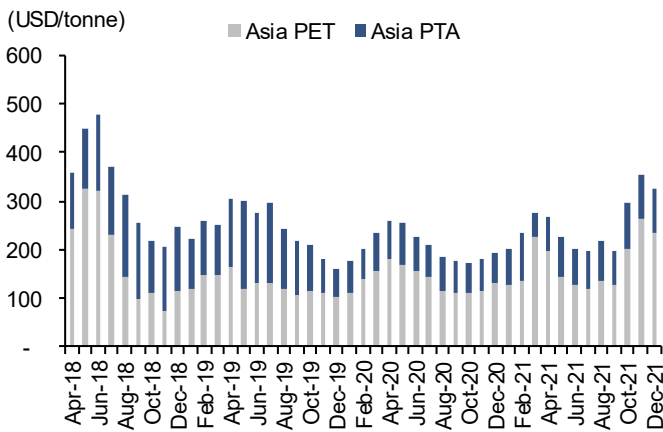
#### Exhibit 26: IVL’s 2030 aspirations



Source: IVL

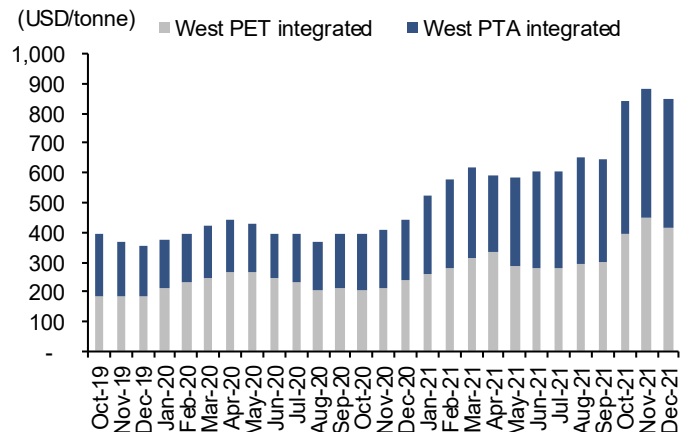
Appendix: Industry margin update and capex plan

Exhibit 27: Asia industry PET and PTA spread



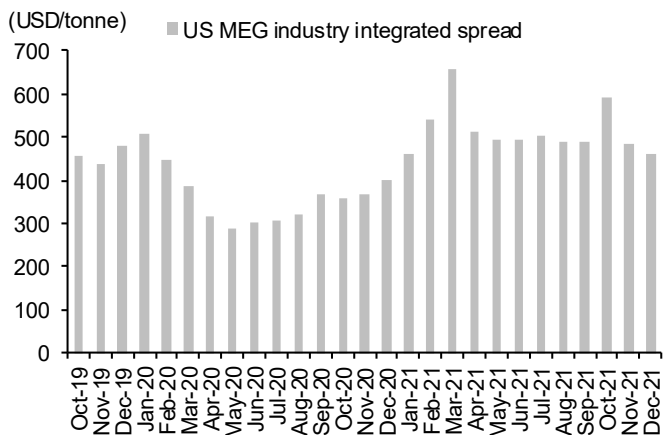
Source: IVL

Exhibit 28: Western industry PET and PTA spread



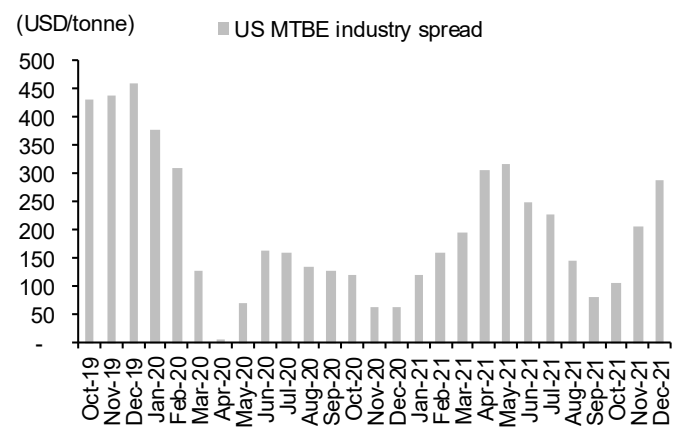
Source: IVL

Exhibit 29: US MEG industry integrated spread



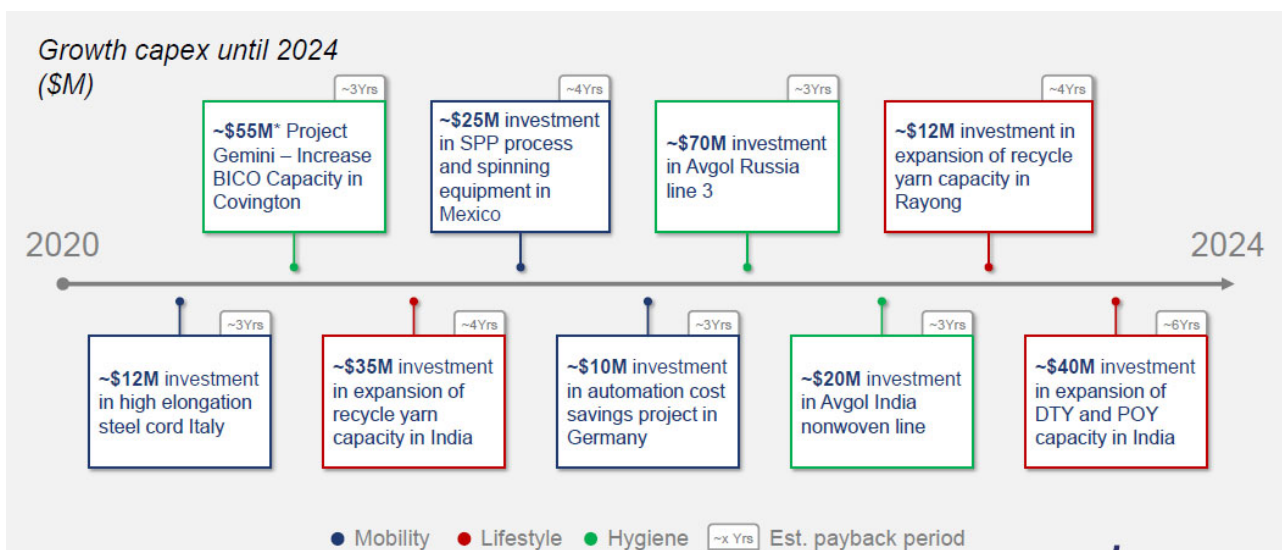
Source: IVL

Exhibit 30: US MTBE industry spread



Source: IVL

Exhibit 31: Key growth investments in 2020-24



Source: IVL

## Financial Statements

### Indorama Ventures

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	352,692	331,513	369,677	368,229	374,369
Cost of goods sold	(285,554)	(267,316)	(286,405)	(288,980)	(280,990)
<b>Gross profit</b>	<b>67,138</b>	<b>64,197</b>	<b>83,272</b>	<b>79,249</b>	<b>93,379</b>
Other operating income	-	-	-	-	-
Operating costs	(32,129)	(32,724)	(27,726)	(22,094)	(28,078)
<b>Operating EBITDA</b>	<b>35,010</b>	<b>31,473</b>	<b>55,547</b>	<b>57,155</b>	<b>65,301</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>37,306</b>	<b>38,285</b>	<b>45,803</b>
Net financing costs	(5,728)	(7,362)	(6,762)	(4,510)	(7,299)
Associates	5	143	633	633	633
Recurring non-operating income	407	1,949	633	633	633
Non-recurring items	(6,750)	(4,774)	1,822	2,022	2,022
<b>Profit before tax</b>	<b>5,898</b>	<b>799</b>	<b>32,999</b>	<b>36,430</b>	<b>41,159</b>
Tax	(1,534)	1,243	(3,300)	(3,643)	(4,116)
<b>Profit after tax</b>	<b>4,364</b>	<b>2,042</b>	<b>29,699</b>	<b>32,787</b>	<b>37,043</b>
Minority interests	888	(386)	(645)	(651)	(672)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>5,252</b>	<b>1,656</b>	<b>29,054</b>	<b>32,136</b>	<b>36,371</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>6,750</b>	<b>4,774</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>27,231</b>	<b>30,114</b>	<b>34,349</b>
<b>Per share (THB)</b>					
Recurring EPS *	2.14	1.15	4.85	5.36	6.12
Reported EPS	0.94	0.30	5.17	5.72	6.48
DPS	0.35	0.20	2.41	2.66	3.01
Diluted shares (used to calculate per share data)	5,615	5,615	5,615	5,615	5,615
<b>Growth</b>					
Revenue (%)	1.6	(6.0)	11.5	(0.4)	1.7
Operating EBITDA (%)	(15.7)	(10.1)	76.5	2.9	14.3
Operating EBIT (%)	(38.8)	(38.9)	239.6	2.6	19.6
Recurring EPS (%)	(52.4)	(46.4)	323.5	10.6	14.1
Reported EPS (%)	(80.2)	(68.5)	1,653.9	10.6	13.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	14.2	13.2	17.6	16.4	19.7
Gross margin of key business (%)	12.3	13.2	17.6	16.4	19.7
Operating EBITDA margin (%)	9.9	9.5	15.0	15.5	17.4
Operating EBIT margin (%)	5.1	3.3	10.1	10.4	12.2
Net margin (%)	3.4	1.9	7.4	8.2	9.2
Effective tax rate (%)	26.0	-79.8	10.0	10.0	10.0
Dividend payout on recurring profit (%)	16.4	17.5	49.6	49.6	49.2
Interest cover (X)	3.2	1.8	5.6	8.6	6.4
Inventory days	84.5	79.3	72.7	75.8	78.5
Debtor days	37.2	37.3	34.9	36.9	36.5
Creditor days	76.0	86.5	88.1	91.9	95.1
Operating ROIC (%)	8.0	4.6	1.0	1.0	1.2
ROIC (%)	6.8	4.4	0.8	0.9	1.1
ROE (%)	8.7	5.0	19.4	18.4	18.7
ROA (%)	4.5	3.5	6.0	6.2	6.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
PET	196,047	153,889	160,270	160,741	162,054
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	27,231	30,114	34,349
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	34,172	20,669	19,569
<b>Cash flow from operations</b>	<b>47,510</b>	<b>45,518</b>	<b>78,644</b>	<b>68,651</b>	<b>72,416</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	(6,878)	(6,878)	(1,123)	(13,513)	(14,947)
Equity finance	0	0	0	0	0
Debt finance	8,881	51,695	(9,654)	(9,654)	(9,654)
Other financing cash flows	(19,347)	(56,543)	5,896	6,102	6,122
<b>Cash flow from financing</b>	<b>(17,344)</b>	<b>(11,726)</b>	<b>(4,881)</b>	<b>(17,065)</b>	<b>(18,479)</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>51,503</b>	<b>29,326</b>	<b>31,677</b>
Free cash flow to firm (FCFF)	27,827.25	27,901.55	63,767.40	53,774.84	57,539.43
Free cash flow to equity (FCFE)	11,745.85	15,379.42	52,626.04	42,839.48	46,624.07

Per share (THB)	2019	2020	2021E	2022E	2023E
FCFF per share	4.96	4.97	11.36	9.58	10.25
FCFE per share	2.09	2.74	9.37	7.63	8.30
Recurring cash flow per share	5.00	4.62	7.92	8.55	9.41

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	70,451	99,777	131,455
A/C receivable	34,305	33,422	37,269	37,123	37,742
Inventories	62,165	53,938	60,148	59,912	60,911
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>181,395</b>	<b>210,339</b>	<b>243,634</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>487,060</b>	<b>510,335</b>	<b>537,332</b>
Common equity	129,712	126,655	154,586	173,208	194,633
Minorities etc.	8,455	8,953	29,925	33,100	37,462
<b>Total shareholders' equity</b>	<b>138,167</b>	<b>135,608</b>	<b>184,511</b>	<b>206,308</b>	<b>232,095</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	72,891	72,606	73,816
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>128,342</b>	<b>128,056</b>	<b>129,267</b>
<b>Total liabilities and shareholders' equity</b>	<b>380,568</b>	<b>453,172</b>	<b>487,060</b>	<b>510,335</b>	<b>537,332</b>
Net working capital	19,762	16,593	12,247	12,151	12,558
Invested capital	281,573	349,930	317,913	312,147	306,256

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

Per share (THB)	2019	2020	2021E	2022E	2023E
Book value per share	23.10	22.56	27.53	30.85	34.67
Tangible book value per share	23.10	22.56	27.53	30.85	34.67

Financial strength	2019	2020	2021E	2022E	2023E
Net debt/equity (%)	95.2	128.9	66.8	45.5	26.8
Net debt/total assets (%)	34.6	38.6	25.3	18.4	11.6
Current ratio (x)	1.0	1.1	1.4	1.6	1.9
CF interest cover (x)	5.9	5.3	10.7	13.4	9.2

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>24.1</b>	<b>45.0</b>	<b>10.6</b>	<b>9.6</b>	<b>8.4</b>
<b>Recurring P/E @ target price (x) *</b>	<b>32.7</b>	<b>61.1</b>	<b>14.4</b>	<b>13.1</b>	<b>11.4</b>
Reported P/E (x)	55.1	174.6	10.0	9.0	7.9
Dividend yield (%)	0.7	0.4	4.7	5.2	5.9
Price/book (x)	2.2	2.3	1.9	1.7	1.5
Price/tangible book (x)	2.2	2.3	1.9	1.7	1.5
EV/EBITDA (x) **	12.3	15.0	8.0	7.3	6.0
EV/EBITDA @ target price (x) **	15.2	18.3	9.8	9.1	7.5
EV/invested capital (x)	1.5	1.4	1.4	1.3	1.3

\* 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	ICI	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	SEAOIL	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	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
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	MITSIB	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	WIJK	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	IHL	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	AMANAHA	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	SEAOIL	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	TTB	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:**

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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

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### ANALYST(S) CERTIFICATION

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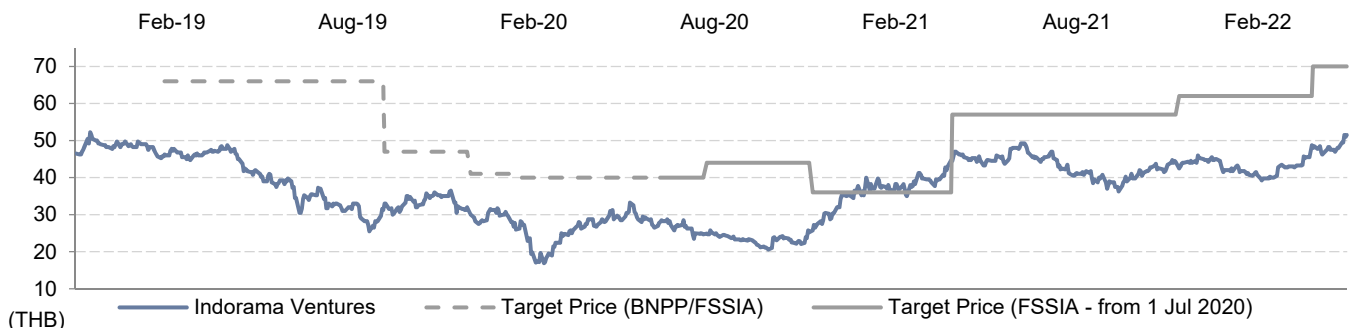
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### History of change in investment rating and/or target price

#### Indorama Ventures (IVL TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
02-May-2019	BUY	66.00	27-Feb-2020	BUY	40.00	08-Mar-2021	BUY	57.00
07-Nov-2019	BUY	47.00	07-Aug-2020	BUY	44.00	17-Sep-2021	BUY	62.00
20-Jan-2020	BUY	41.00	06-Nov-2020	BUY	36.00	12-Jan-2022	BUY	70.00

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 09-Jun-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Indorama Ventures	IVL TB	THB 51.50	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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 11-Feb-2022 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.