

INDORAMA VENTURES

IVL TB

THAILAND / PETROCHEM & CHEMICALS

BUY

UNCHANGED

TARGET PRICE	THB65.00
CLOSE	THB38.75
UP/DOWNSIDE	+67.7%
PRIOR TP	THB65.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+16.8%

Demystifying EBITDA sustainability

- Expect strong core quarterly NPs from timely hedging, recession-proof products, strong markets in North America and Europe, and low EBITDA downside from the rise in gas prices.
- Outperforming share price expected in 4Q22 based on our forecast for a potentially stronger-than-expected 3Q22 net profit.

Unlocking EBITDA downside mystery

During a conference call for local fund investors on 7 October 2022, management confirmed our view that IVL's core quarterly net profits should remain strong at over THB10b per quarter, with annual EBITDA above USD2.4b, backed by three key factors. First, IVL's timely hedging and well-diversified product portfolio should minimise the impact of the gas price hike in North America and Europe. Second, IVL's product portfolio is largely recession-proof with a favourable margin structure that we think is highly sustainable due to low demand elasticity and the necessary nature of integrated oxides and derivative (IOD) products and contract PET and PTA. Third, its large market presence in North America and Europe should generate strong EBITDA despite high energy costs and a recession, in our view.

Gas cost downside is very limited in 2H22-2023

We believe the EBITDA downside from the gas price hike is low, based on our estimate of an additional gas cost of USD85m in 2H22, which we think is likely to decline by USD50m-100m in 2023 for three reasons. First, 55.4% of IVL's 1H22 core EBITDA came from the Americas (North and South America), with 22.8% coming from Asia, 12.7% from Africa, and 3.6% from China. Only 12.7% of its EBITDA came from the EU and 0.4% came from Russia – the two markets now facing high demand weakness risks. Second, most production sites in the EU are in countries where gas supply risks are low. Third, for 3Q-4Q22, IVL has already hedged 32-40% of its gas consumption in the EU and 48-57% in the US at the very low prices of €75/MWh and USD5.0-7.2/mmbtu, respectively.

IOD downstream and contract PET and PTA EBITDA are key

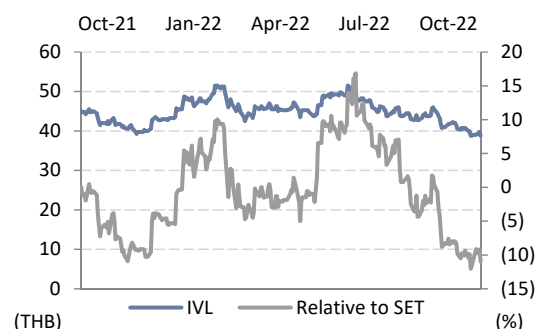
Unlike its peers, IVL's product portfolio contains highly sustainable specialty chemical products that generate 72% of annual EBITDA from only 57% of its capacity. Furthermore, margin sustainability is supported by IVL's geographically diversified production sites, client industry base, product specialisation, and contracted margins for PET and PTA.

Top pick in Thai chemical sector

Maintain BUY and our TP of THB65. We think IVL's share price will outperform in 4Q22, driven by a stronger-than-expected 3Q22 net profit.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	468,108	443,823	444,616	442,642
Net profit	22,247	41,004	43,114	44,648
EPS (THB)	3.96	7.30	7.68	7.95
vs Consensus (%)	-	3.0	25.8	35.3
EBITDA	58,084	71,393	80,628	80,912
Core net profit	21,886	36,355	38,465	39,999
Core EPS (THB)	3.90	6.48	6.85	7.12
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	204.5	66.1	5.8	4.0
Core P/E (x)	9.9	6.0	5.7	5.4
Dividend yield (%)	3.1	9.3	9.7	10.0
EV/EBITDA (x)	7.2	5.2	4.2	3.7
Price/book (x)	1.4	1.1	1.0	0.9
Net debt/Equity (%)	111.0	77.0	52.0	31.7
ROE (%)	15.3	20.4	18.2	16.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.6)	(13.9)	(14.4)
Relative to country (%)	(3.1)	(14.8)	(11.4)
Mkt cap (USD m)	5,818		
3m avg. daily turnover (USD m)	26.6		
Free float (%)	33		
Major shareholder	Indorama Resources (63%)		
12m high/low (THB)	52.75/38.50		
Issued shares (m)	5,614.55		

Sources: Bloomberg consensus; FSSIA estimates



Suwat Sinsadok, CFA, FRM, ERP
 suwat.sin@fssia.com
 +66 2611 3558

Siriluck Pinthusoonthorn
 siriluck.pin@fssia.com
 +66 2611 3562

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.

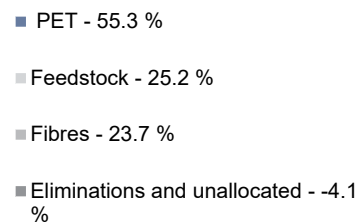
Unlike its last two growth cycles when IVL funded its capacity growth through debt and capital increases using warrants (IVL-W1 and IVL-W2), the key growth strategies in IVL's third growth cycle could be driven by: 1) M&A in the global packaging business, non-PET packaging in frontier markets and specialty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

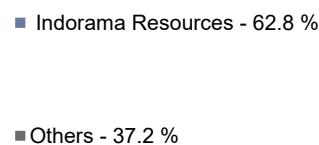
www.indoramaventures.com

Principal activities (revenue, 2021)



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
Oct 2022	3Q22 results announcement

Key assumptions

	2022E (USD/tonne)	2023E (USD/tonne)	2024E (USD/tonne)
Utilisation rate (%)	88	89	89
PET margin	478	604	594
PTA-PX margin	147	122	122
MEG-(0.58) ethylene margin	230	230	230
IOD EBITDA	400	400	620

Source: FSSIA estimates

Earnings sensitivity

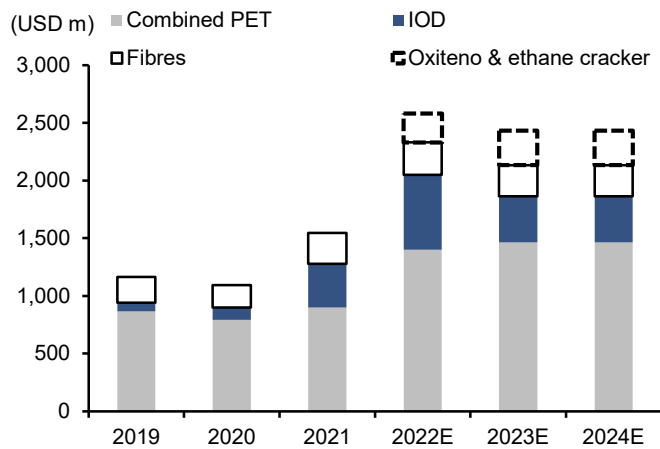
- We project that every 1% change in PTA-PX margin would result in a 2022 net profit change of 1.2%, all else being equal.
- We project that every 1% change in PET-PTA margin would result in a 2022 net profit change of 1.3%, all else being equal.
- We project that every 1% change in the average Dubai oil price would result in a 2022 net profit change of 0.9%, all else being equal.

Source: FSSIA estimates

Conference call with management on 7 October

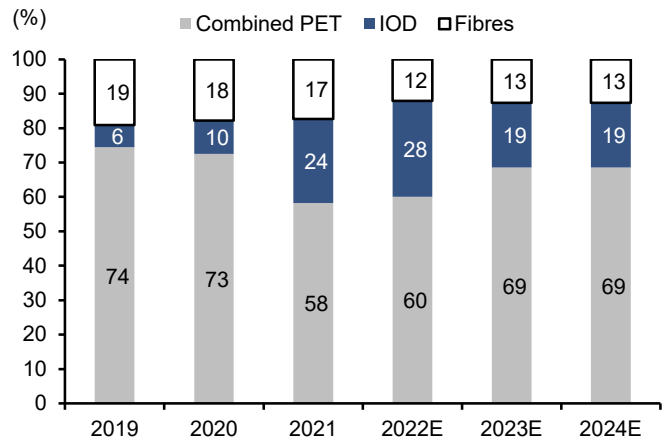
During the conference call for local fund investors, management confirmed our view that IVL’s core quarterly net profits should remain strong at over THB10b a quarter, with annual EBITDA above USD2.4b, backed by four key factors.

Exhibit 1: Annual EBITDA by segment



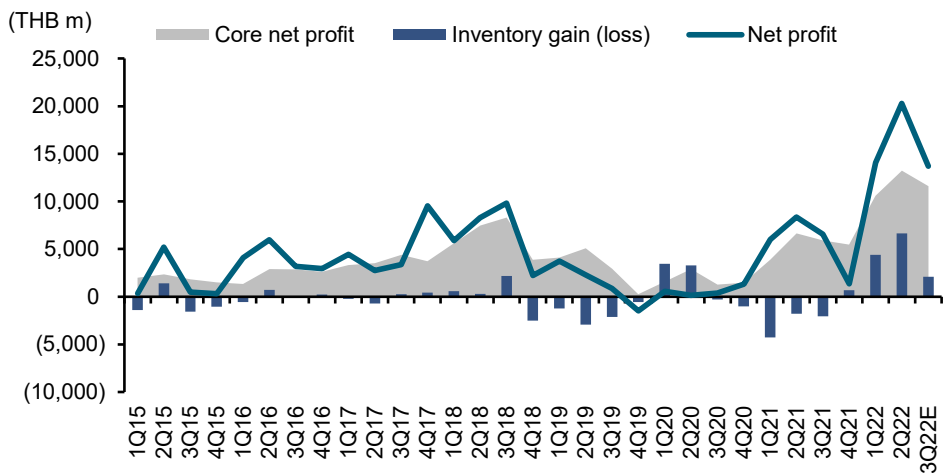
Sources: IVL; FSSIA estimates

Exhibit 2: Annual EBITDA, contribution by segment



Sources: IVL; FSSIA estimates

Exhibit 3: Core net profit, net profit vs inventory gain (loss)



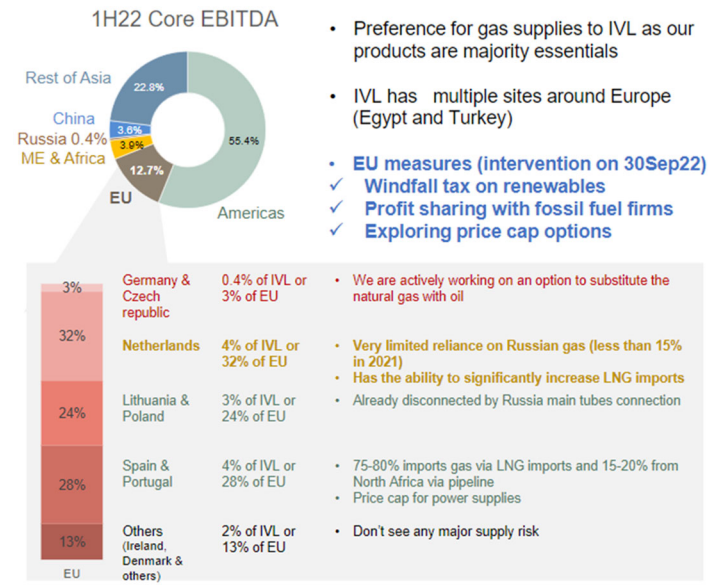
Sources: IVL; FSSIA estimates

Factor #1: Limited downside from the gas price hike. We believe the EBITDA downside from the gas price hike is low. We estimate that the additional gas cost would amount to USD85m in 2H22; a figure that we think is likely to decline by USD50m-100m in 2023 due to three reasons.

First, 55.4% of IVL’s 1H22 core EBITDA came from the Americas (North and South America), with 22.8% coming from Asia, 12.7% from Africa, and 3.6% from China. Only 12.7% of its EBITDA came from the EU and 0.4% came from Russia – the two markets now facing high demand weakness risks.

Second, most production sites in the EU are in countries where the gas supply risks are low. In Spain and Portugal, the gas price has already been capped under the Iberian model, which we think is a highly proactive policy for managing the gas price risks. In addition, unlike the other continental European countries, Spain and Portugal have large-scale LNG terminal facilities that allow them to import LNG in sufficient quantities.

Exhibit 4: EBITDA is well diversified geographically with limited gas supply risks

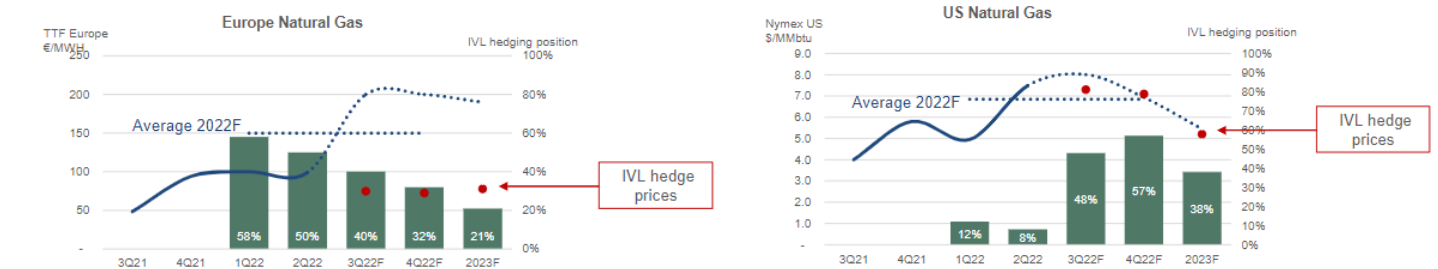


Source: [IVL](#)

Third, for 3Q-4Q22, IVL has already hedged 32-40% of its gas consumption in the EU and 48-57% in the US at the very low prices of €75/MWh and USD5.0-7.2/mmbtu, respectively.

Unlike other chemical peers, a good portion of IVL's product portfolio is made up of highly sustainable specialty chemical products that generate 72% of total annual EBITDA using only 57% of total capacity. The margin sustainability is supported by IVL's geographically diversified production sites, client industry base, product specialisation, and contracted margins for PET and PTA.

Exhibit 6: IVL: "Natural gas costs have peaked and are already coming down"



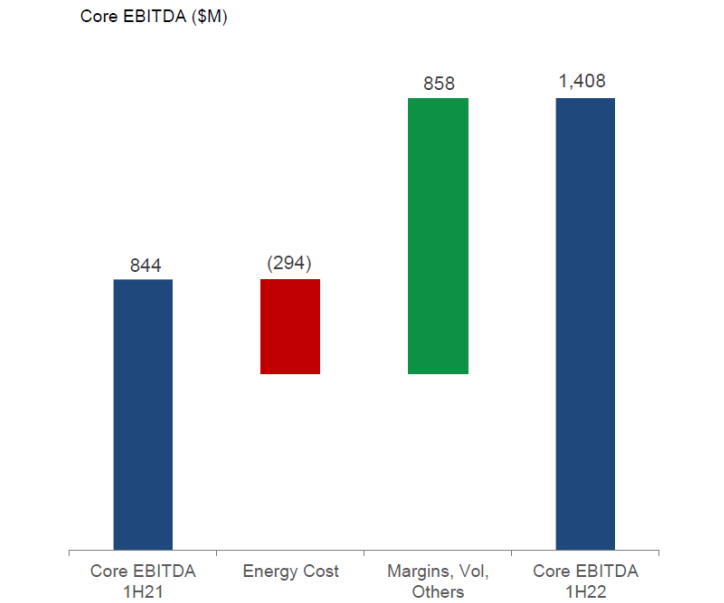
Source: [IVL](#)

USD0.8b y-y higher EBITDA even after the net impact of the gas price hike of USD0.6b in 2022.

We believe IVL's timely hedging and well-diversified product portfolio should minimise the impact of the gas price hikes in North America and Europe. Based on management's guidance, IVL will incur a maximum cost of USD85m from the impact of the gas price hike in 2H22, bringing its total gas cost increase y-y to USD595m.

However, we think the estimated USD1.4b EBITDA increase in 2022 (USD858m in 1H22) from the margin rises for IVL's PET and PTA should more than offset the impact of the gas price hike of USD595m, leaving an additional EBITDA upside of USD805m for 2022.

Exhibit 5: Energy price hike impact should be more than offset by the margin increase in 2H22-2023



Source: [IVL](#)

Exhibit 7: Estimated financial impact from the gas price hike in Europe and North America on IVL’s EBITDA in 2022

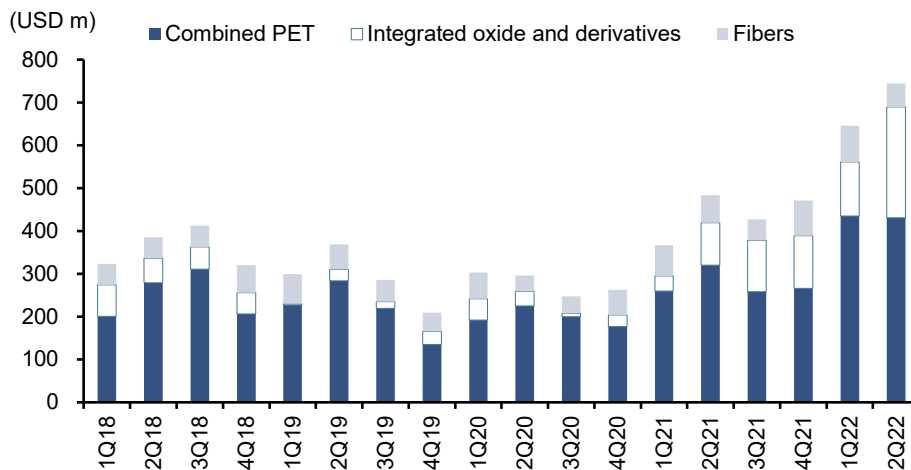
	1Q22 (USD m)	2Q22 (USD m)	3Q22E (USD m)	4Q22E (USD m)
IVL q-q cost impact	(36)	(27)	(70-80)	~(5)
IVL y-y cost impact	(140)	(155)	(160-170)	(110-130)

Source: [IVL](#)

Factor #2: Recessions unlikely to derail IVL’s EBITDA growth outlook. We believe IVL’s product portfolio is largely recession-proof with a favourable margin structure that is highly sustainable due to low demand elasticity, including the margins for downstream IOD and fixed-margin PET and PTA sales volumes that should generate annual EBITDA of at least USD2.4b.

We believe the key turning point in IVL’s business transformation from a commodity-driven, highly volatile PET and PTA-centric company into a highly sustainable, necessity and specialty-driven, IOD and contract PET and PTA-centric play was the 1Q21 acquisition of Huntsman’s IOD assets.

Exhibit 8: Quarterly core EBITDA has been highly sustainable since 1Q21 when IVL acquired Huntsman’s IOD assets

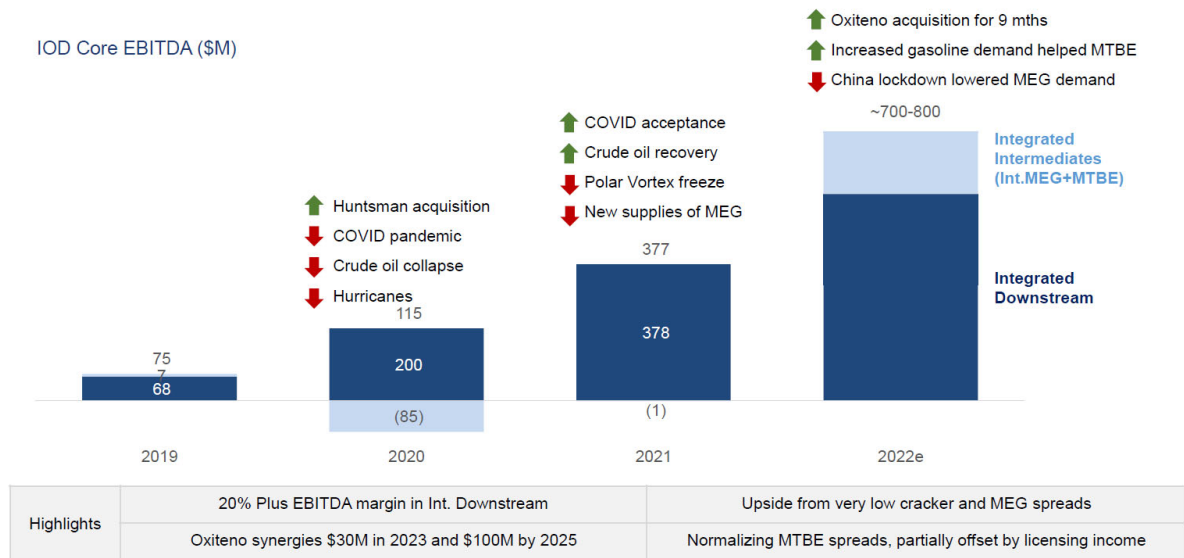


Source: IVL

Recession-proof product portfolio. Despite natural disasters such as the polar vortex and Covid-19, and man-made disasters such as the unfavourable industry oversupply of MEG and crude oil along with gas price volatility due to the impact of the Russia-Ukraine war, IVL has still been able to deliver stronger core quarterly EBITDA.

We think the key drivers are its IOD segment and contracted-margin PET-PTA sales volumes in North America and Europe, which are the backbone supporting IVL’s apparent minimum annual USD2.4b EBITDA, regardless of the impacts of global recessions, highly volatile energy prices, natural disasters and even the Covid pandemic.

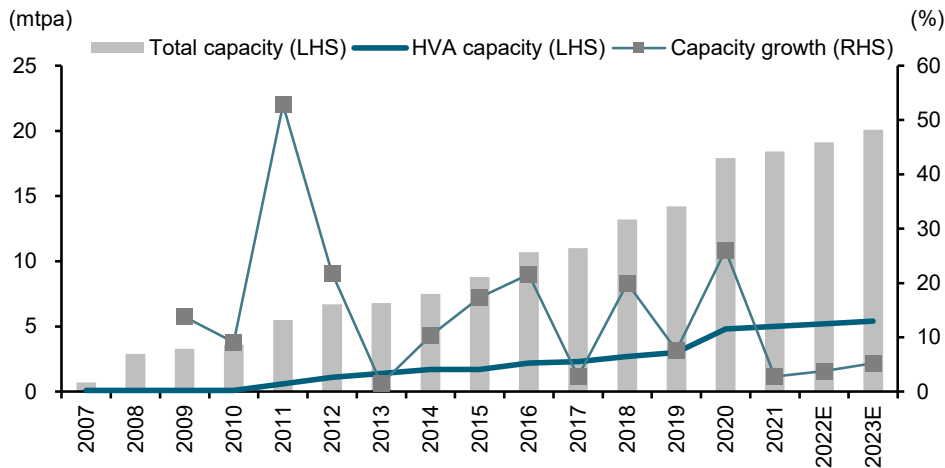
Exhibit 9: IOD segment has been IVL’s crown jewel, greatly enhancing its EBITDA sustainability and growth since 1Q21



Source: [IVL](#)

An exemplary case of a great cyclical company. In our view, IVL has already proven that its evolving business model, from commodity-to-specialty and scale-to-scope, is the right model for the highly cyclical and chronically oversupplied polyester chemical industry.

Exhibit 10: IVL has grown its capacity in a timely and strategic manner to fully capture the benefits of industry upcycles in 2010-1H11, 2017-18, and 2022



Sources: IVL; FSSIA estimates

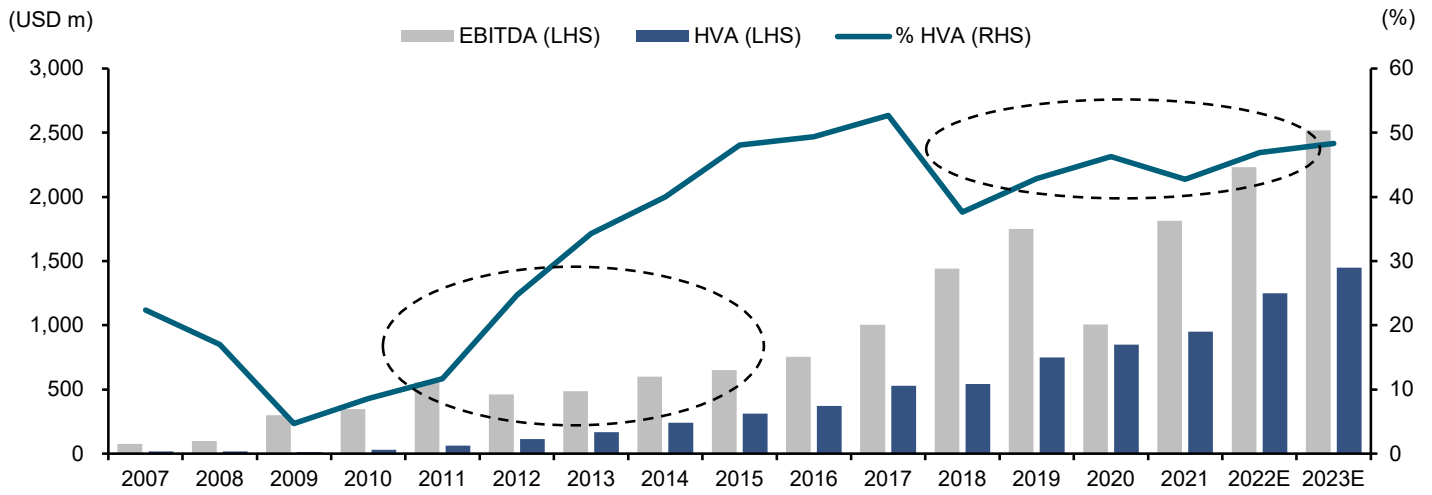
What are the strategic success factors for a cyclical company? Herein, we define the success factors that we believe any cyclical company must possess to become a growing and sustainable organisation:

Success factor #1: Profitability maximisation in the upcycle based on larger capacity than the previous upcycle and a more specialty-driven product portfolio.

Success factor #2: Capacity growth ahead of the upcycle, both horizontally and vertically, during the downcycle to acquire good assets at low prices. Since its inception in the 1990s, IVL has evolved and grown its earnings via three major cycles.

Success factor #3: Last man standing in a prolonged downcycle. IVL has undoubtedly proven itself as a highly competitive player in the competitive global polyester and chemical industry. IVL not only survived the long downcycle during 2H11-2017 but also efficiently managed the risks from energy prices, regulations, market dynamics, pandemics, and industry supply-demand imbalances.

Exhibit 11: IVL’s EBITDA has grown continuously except in 2020 when it faced a number of unpredictable factors, but quickly recovered to fully capture the industry margin upcycle



Sources: IVL; FSSIA estimates

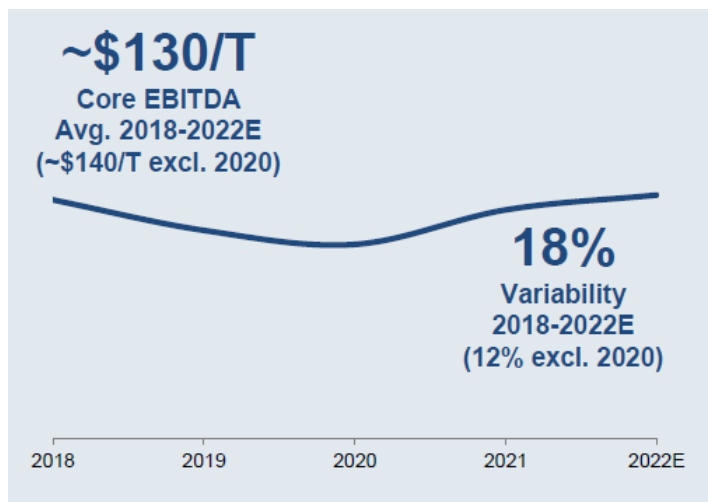
The stories behind IVL’s three cycles of success.

2008-1H11: From a small to large commodity player. The first cycle began in 2008-11 when IVL acquired PTA and PET assets ahead of the industry margin upcycle in 2010-1H11, which turned IVL from a small to a large player in the global polyester industry.

2014-19: From commodity to specialty player. The second cycle occurred in 2014-18 when IVL grew its specialty high value-added (HVA) capacity ahead of the industry upcycle in 2018-19.

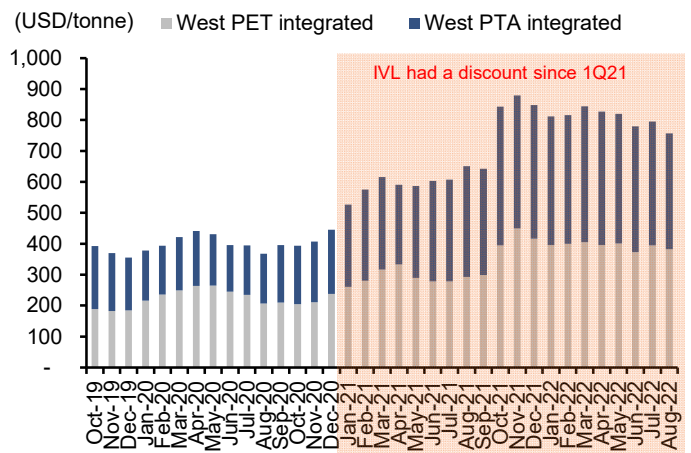
2020-24E: From polyester to integrated polyester-IOD player. The third cycle, which we estimate to encompass 2020-24, began with IVL’s timely acquisition of Huntsman’s IOD assets in 1Q20 and Oxiteno’s in 1Q22, which allowed IVL to gain the benefits of the industry margin upcycles for MTBE, integrated PET-PTA, and downstream products (surfactants, ethanolamine, LAB, and propylene oxide (PO)).

Exhibit 12: IVL’s earnings have been highly resilient and sustainable, particularly after its acquisition of the IOD assets of Huntsman and Oxiteno



Source: IVL

Exhibit 13: The integrated margins of PTE-PTA in western markets (North and South America and Europe)

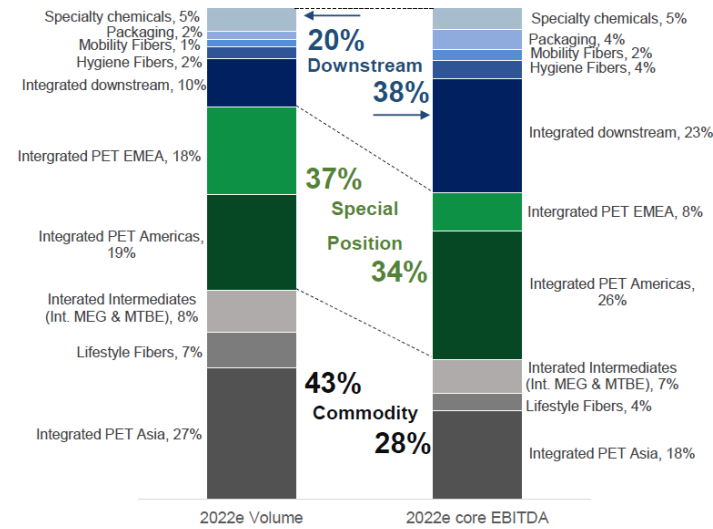


Source: IVL

IVL's core EBITDA margin has been relatively stable, averaging USD140/t during 2018-1H22, except in 2020 when it faced multiple headwinds from natural disasters such as hurricanes and the collapse of crude oil prices.

In 1H22, after a period of poor margins for MTBE due to its commodity nature, IVL gained significant EBITDA from the gasoline additive thanks to rising gasoline demand and prices on the back of surging demand post the global reopening that began in 2022 after the Covid-19 pandemic in 2020-21.

Exhibit 14: Breakdown of IVL's sales volumes and core EBITDA



Source: IVL

Exhibit 15: IVL's products are mostly used by essential industries



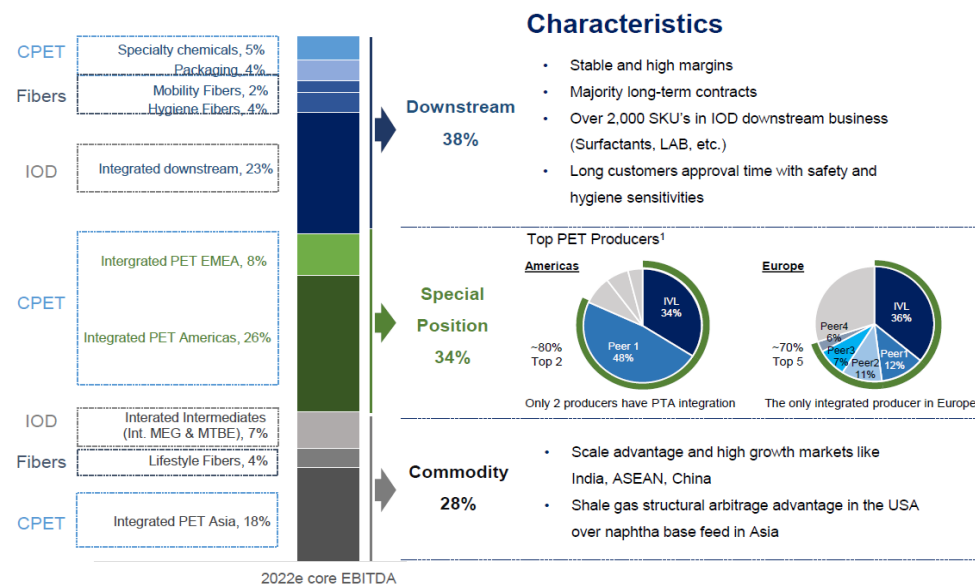
Source: IVL

Factor #3: De-globalisation and the green megatrend are not hostile to IVL.

Unlike most of its chemical peers who have production sites in only a few countries, regions, or continents, IVL is the only chemical company listed in Thailand and in the global polyester industry that has a large and well-diversified market presence in North and South America, Europe, the Middle East, India, Asia, and Africa.

IVL's diversified production presence allows it to generate stronger EBITDA even amid high energy costs and during recessions due to higher "import parity" costs (freight, duties, taxes), which result in structurally higher margin premiums for polyester and IOD products on each continent.

Exhibit 16: 72% of IVL's capacity is in downstream and specialty products

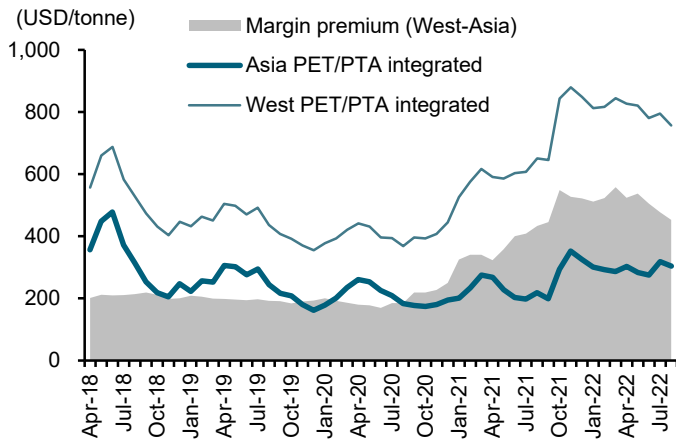


Source: IVL

In North and South America, IVL has greatly enjoyed margin premiums over Asia, which is a highly fragmented market with many players. In contrast, the market in the US and South America has only three major players, and there are only a few major players in the EU.

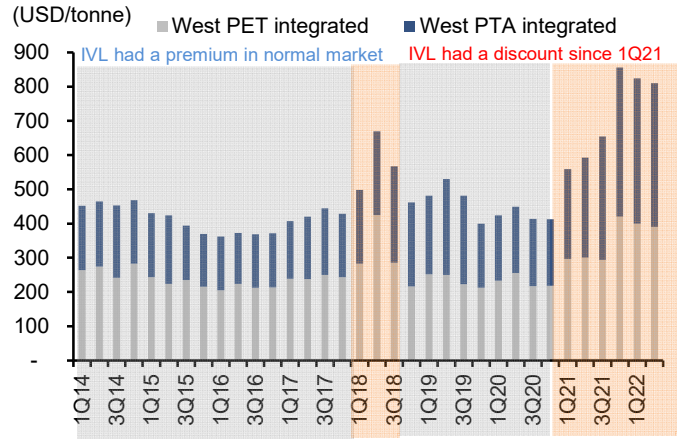
While historically, the margin premium between the West and Asia has been in the range of USD200/t, the margin premium of integrated PET-PTA has tripled since 2021 to over USD600/t in 1H22, driven by strong demand post Covid-19 in 2021 and the de-globalisation trend between the western bloc, led by the US and EU, and the eastern bloc, led by China and Russia.

Exhibit 17: Margin premiums for integrated PET-PTA between the West and Asia



Source: IVL

Exhibit 18: IVL’s margin premiums and discounts compared to spot margin premiums



Source: IVL

Factor #4: Cyclical-proof margin structure of integrated PET-PTA in the West.

In addition, IVL’s margin structure for integrated PET-PTA in western markets has also played a significant role in enhancing margin growth and EBITDA sustainability since 2021.

When the spot margin premium is low at USD200/t, IVL can command a margin premium over spot thanks to its larger market coverage, more competitive cost structure due to the economies of scale, its regional presence, and its wider variety of product offerings to global customers.

In contrast, when the spot industry margin premium of integrated PET-PTA between the West and Asia is high, similar to what has happened since 1Q22, IVL’s margins offer a discount to spot given that IVL can lock in part of its sales volume in advance and adopt a give-and-take strategy to help its customers mitigate the impact of higher industry margins and price spikes.

Give-and-take strategy enhances long-term earnings sustainability. While IVL may not be able to maximise profitability based on industry spot margins, we think price flexibility is a sound strategy that will lead to long-term mutual wins for IVL and its customers.

Since most of IVL’s customers are global companies in the consumer, automotive, oil and gas, and food and beverage sectors, the demand elasticity of IVL’s major products such as PET plastic bottle resins, PET packaging, and downstream IOD products, has historically been very low, and is much less sensitive to global economic growth trends.

As a result, we estimate that the looming recessions in the US and EU and the lower benefits from import parity after global supply chains return to normalcy should have limited impacts on IVL’s core EBITDA and net profits in 2022-24.

Exhibit 19: IVL's geographical production portfolio

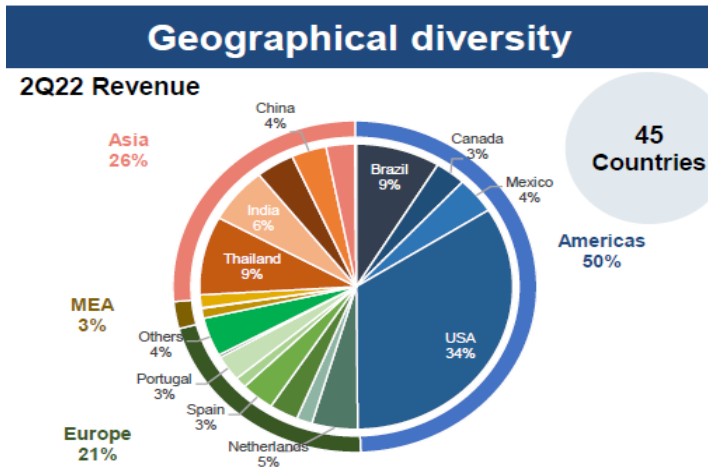
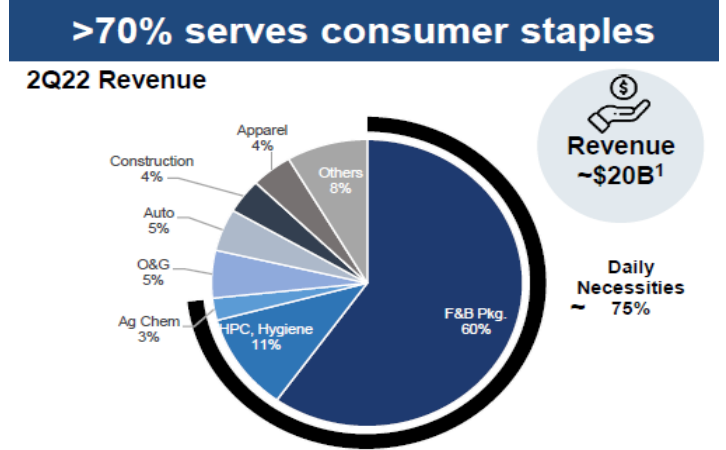


Exhibit 20: IVL's product applications vs revenue diversification



>70% products in leading position

CPET	Fibers
#1 PET globally	#1 Staple fiber in ASEAN
Recycling leadership	#2 in Bico fiber
Global leader in PIA	#2 in Automotive safety & tire

IOD

- #1 Non-ionic surfactants in Americas
- #1 EO producer in Americas

High level of integration

81% PTA integration
41% MEG integration
20% PX integration

53% Ethylene integration

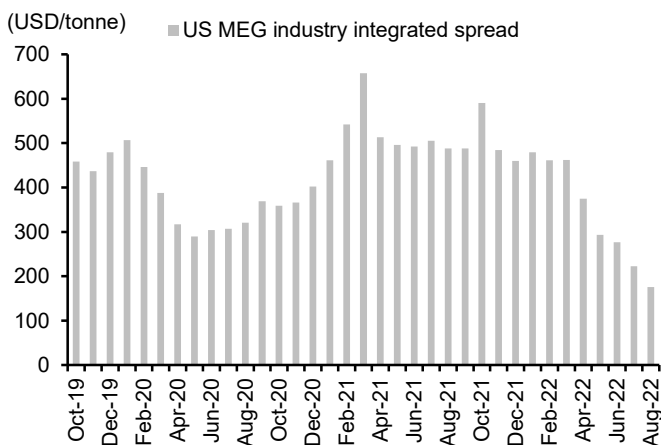
Source: IVL

Source: IVL

3Q22 results preview

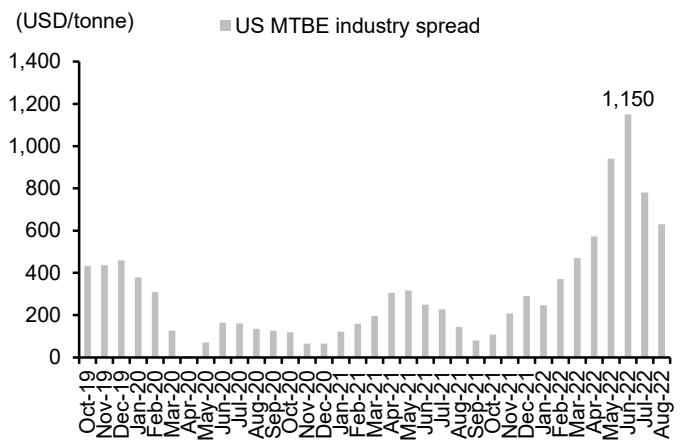
We project IVL to post a strong core net profit of THB11.6b in 3Q22, down 12% q-q but up 95% y-y. Key expectations are:

Exhibit 21: US MEG margin remained depressed in 3Q22



Source: IVL

Exhibit 22: US MTBE margin remained high in 3Q22



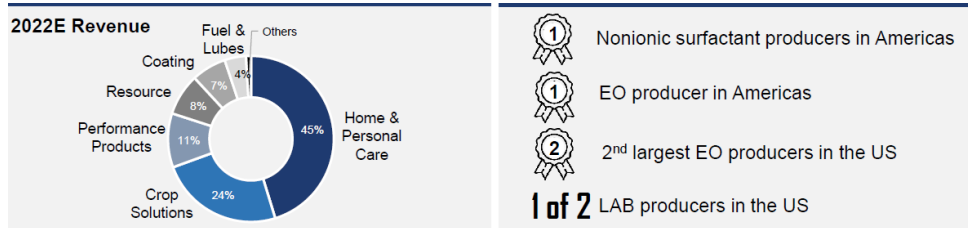
Source: IVL

1) Margins up y-y but down q-q. The higher y-y but weaker q-q margins of integrated PET-PTA should be offset by the q-q higher margins of MTBE and downstream IOD products, particularly for surfactants, thanks to the rising demand for hygiene, lifestyle, and crop solution products.

It is interesting to note that within IVL's downstream IOD applications, 24% of IOD revenue is generated from the crop solutions industry, which includes fertilisers and other chemicals used for agriculture. Key customers in this segment are Syngenta and Monsanto.

We think demand for agricultural chemicals could be the new growth engine driving IVL's EBITDA in 2022 onward, given the structurally higher prices of global soft commodities such as wheat, corn, and soybeans, due to the expected permanent supply disruptions from Russia and Ukraine – two key grain producers.

Exhibit 23: Downstream IOD – IVL's new growth engine and crown jewel



Source: IVL

2) A 2% q-q higher sales volume due to increases in utilisation rates.

3) Higher gas costs of USD80m q-q and USD170m y-y should be partly offset by strong product margins in 3Q22, thanks to hedging gains and margin increases.

Exhibit 24: 3Q22 earnings preview

	3Q21	2Q22	3Q22E		9M21	9M22E	Change	2022E
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	(THB m)
Revenue	126,838	186,492	188,357	1.0	48.5	336,182	55.2	443,823
Operating costs	(111,021)	(151,907)	(165,215)	8.8	48.8	(288,501)	51.8	(372,430)
EBITDA	15,817	34,585	23,142	(33.1)	46.3	47,681	75.5	71,393
EBITDA margin (%)	12.5	18.5	12.3	nm	nm	14.2	nm	16.1
Depn & amort.	(4,929)	(5,677)	(5,532)	(2.6)	12.2	(13,733)	16.5	(20,521)
EBIT	10,888	28,908	17,610	(39.1)	61.7	33,948	99.3	50,872
Interest expense	(1,806)	(2,327)	(2,348)	0.9	30.0	(5,323)	22.8	(9,803)
Interest & invt inc	54	249	286	15.0	433.1	171	630	1,179
Associates' contrib	59	0	(5)	(6,052.4)	(108.5)	94	41	712
Exceptionals	(706)	(712)	2,980	(518.6)	(522.0)	(2,022)	(176.3)	9,656
Pretax profit	8,489	26,118	18,523	(29.1)	118.2	26,868	135.8	52,615
Tax	(1,642)	(4,381)	(3,586)	(18.1)	118.4	(4,864)	130.4	(10,981)
Tax rate (%)	19.3	16.8	19.4	nm	nm	18.1	nm	20.9
Minority interests	(300)	(1,459)	(1,236)	(15.3)	312.6	(1,108)	269.2	(631)
Net profit	6,548	20,278	13,701	(32.4)	109.2	20,896	129.9	41,004
Non-recurring	619	7,046	2,115	(70.0)	241.6	4,476	182.6	4,649
Core net profit	5,929	13,232	11,586	(12.4)	95.4	16,420	115.6	36,355
EPS (THB)	1.17	3.61	2.44	(32.4)	109.2	3.72	129.9	7.30
Core EPS (THB)	1.06	2.36	2.06	(12.4)	95.4	2.92	115.6	6.48

Sources: IVL; FSSIA estimates

Financial Statements

Indorama Ventures

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	331,513	468,108	443,823	444,616	442,642
Cost of goods sold	(266,558)	(363,002)	(345,801)	(330,642)	(328,531)
Gross profit	64,955	105,107	98,022	113,974	114,111
Other operating income	-	-	-	-	-
Operating costs	(32,724)	(47,022)	(26,629)	(33,346)	(33,198)
Operating EBITDA	32,231	58,084	71,393	80,628	80,912
Depreciation	(20,487)	(20,487)	(20,521)	(21,149)	(21,778)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	11,744	37,597	50,872	59,478	59,134
Net financing costs	(7,362)	(7,202)	(3,618)	(9,588)	(7,345)
Associates	143	160	712	692	692
Recurring non-operating income	1,949	160	712	692	692
Non-recurring items	(758)	361	4,649	4,649	4,649
Profit before tax	5,573	30,916	52,615	55,232	57,130
Tax	1,243	(6,703)	(10,981)	(11,483)	(11,847)
Profit after tax	6,816	24,213	41,634	43,749	45,284
Minority interests	(386)	(1,966)	(631)	(635)	(635)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	6,430	22,247	41,004	43,114	44,648
Non-recurring items & goodwill (net)	758	(361)	(4,649)	(4,649)	(4,649)
Recurring net profit	7,188	21,886	36,355	38,465	39,999
Per share (THB)					
Recurring EPS *	1.28	3.90	6.48	6.85	7.12
Reported EPS	1.15	3.96	7.30	7.68	7.95
DPS	0.10	1.20	3.60	3.77	3.89
Diluted shares (used to calculate per share data)	5,615	5,615	5,615	5,615	5,615
Growth					
Revenue (%)	(6.0)	41.2	(5.2)	0.2	(0.4)
Operating EBITDA (%)	(5.2)	80.2	22.9	12.9	0.4
Operating EBIT (%)	(30.8)	220.1	35.3	16.9	(0.6)
Recurring EPS (%)	(34.7)	204.5	66.1	5.8	4.0
Reported EPS (%)	22.4	246.0	84.3	5.1	3.6
Operating performance					
Gross margin inc. depreciation (%)	13.4	18.1	17.5	20.9	20.9
Gross margin of key business (%)	13.2	18.2	18.5	21.9	21.9
Operating EBITDA margin (%)	9.7	12.4	16.1	18.1	18.3
Operating EBIT margin (%)	3.5	8.0	11.5	13.4	13.4
Net margin (%)	2.2	4.7	8.2	8.7	9.0
Effective tax rate (%)	-79.8	19.2	19.2	19.2	19.2
Dividend payout on recurring profit (%)	7.8	30.8	55.7	55.0	54.6
Interest cover (X)	1.9	5.2	14.3	6.3	8.1
Inventory days	79.5	71.9	91.5	93.2	93.7
Debtor days	37.3	33.8	42.6	41.4	41.6
Creditor days	86.7	82.2	100.8	102.7	103.2
Operating ROIC (%)	4.9	0.9	1.1	1.3	1.4
ROIC (%)	4.6	0.7	1.0	1.2	1.2
ROE (%)	5.6	15.3	20.4	18.2	16.7
ROA (%)	3.7	4.9	6.5	6.7	6.8
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
PET	153,889	258,701	176,399	162,510	162,054
Feedstock	100,905	117,776	117,110	121,937	121,937
Fibres	90,601	110,868	109,613	109,613	109,613
Eliminations and unallocated	(13,882)	(19,236)	40,701	50,555	49,037

Sources: Indorama Ventures; FSSIA estimates

Financial Statements

Indorama Ventures

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	7,188	21,886	36,355	38,465	39,999
Depreciation	20,487	20,487	20,521	21,149	21,778
Associates & minorities	-	-	-	-	-
Other non-cash items	(1,002)	(1,001)	(1,001)	(1,001)	(1,001)
Change in working capital	19,603	19,639	11,313	20,892	21,135
Cash flow from operations	46,276	61,011	67,188	79,505	81,912
Capex - maintenance	-	-	-	-	-
Capex - new investment	(16,231)	(16,229)	(13,200)	(13,200)	(13,200)
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	(9,059)	(9,053)	(9,053)	(9,053)	(9,053)
Cash flow from investing	(25,290)	(25,282)	(22,253)	(22,253)	(22,253)
Dividends paid	(3,088)	(5,474)	(6,737)	(20,232)	(21,167)
Equity finance	0	0	0	0	0
Debt finance	51,695	12,380	65,893	(24,107)	5,893
Other financing cash flows	(61,091)	(45,368)	(7,469)	(7,444)	(7,444)
Cash flow from financing	(12,484)	(38,462)	51,686	(51,783)	(22,718)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	8,502	(2,733)	96,621	5,468	36,940
Free cash flow to firm (FCFF)	28,659.55	42,849.85	54,737.48	65,775.79	68,182.24
Free cash flow to equity (FCFE)	11,589.60	2,741.28	103,358.00	25,700.59	58,107.04

Per share (THB)

FCFF per share	5.10	7.63	9.75	11.72	12.14
FCFE per share	2.06	0.49	18.41	4.58	10.35
Recurring cash flow per share	4.75	7.37	9.95	10.44	10.82

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	376,464	424,337	437,537	450,737	463,937
Less: Accumulated depreciation	(112,173)	(132,660)	(153,181)	(174,330)	(196,108)
Tangible fixed assets (net)	264,291	291,677	284,356	276,407	267,829
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	0	0	0	0	0
Cash & equivalents	18,949	16,215	112,836	118,305	155,245
A/C receivable	33,422	53,172	50,413	50,503	50,279
Inventories	53,938	88,979	84,363	84,513	84,138
Other current assets	13,526	18,493	18,493	18,493	18,493
Current assets	119,835	176,859	266,105	271,815	308,155
Other assets	69,046	73,292	46,416	46,416	46,416
Total assets	453,172	541,828	596,878	594,637	622,400
Common equity	126,655	158,769	197,684	225,215	253,344
Minorities etc.	8,953	12,235	1,370	1,433	1,479
Total shareholders' equity	135,608	171,003	199,054	226,647	254,823
Long term debt	164,073	169,893	229,893	199,893	199,893
Other long-term liabilities	39,552	43,034	11,897	11,897	11,897
Long-term liabilities	203,625	212,927	241,790	211,790	211,790
A/C payable	65,366	98,049	92,962	93,128	92,715
Short term debt	29,645	36,206	36,206	36,206	36,206
Other current liabilities	18,927	23,643	26,866	26,866	26,866
Current liabilities	113,938	157,898	156,034	156,200	155,787
Total liabilities and shareholders' equity	453,172	541,828	596,878	594,637	622,400
Net working capital	16,593	38,952	33,442	33,516	33,330
Invested capital	349,930	403,922	364,214	356,339	347,575

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

Per share (THB)

Book value per share	22.56	28.28	35.21	40.11	45.12
Tangible book value per share	22.56	28.28	35.21	40.11	45.12

Financial strength

Net debt/equity (%)	128.9	111.0	77.0	52.0	31.7
Net debt/total assets (%)	38.6	35.0	25.7	19.8	13.0
Current ratio (x)	1.1	1.1	1.7	1.7	2.0
CF interest cover (x)	4.8	3.6	33.2	5.1	10.7

Valuation	2020	2021	2022E	2023E	2024E
Recurring P/E (x) *	30.3	9.9	6.0	5.7	5.4
Recurring P/E @ target price (x) *	50.8	16.7	10.0	9.5	9.1
Reported P/E (x)	33.8	9.8	5.3	5.0	4.9
Dividend yield (%)	0.3	3.1	9.3	9.7	10.0
Price/book (x)	1.7	1.4	1.1	1.0	0.9
Price/tangible book (x)	1.7	1.4	1.1	1.0	0.9
EV/EBITDA (x) **	12.5	7.2	5.2	4.2	3.7
EV/EBITDA @ target price (x) **	17.0	9.8	7.3	6.0	5.5
EV/invested capital (x)	1.1	1.0	1.0	0.9	0.9

* 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 2021

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

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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Suwat Sinsadok, CFA, FRM, ERP FSS International Investment Advisory Securities Co., Ltd

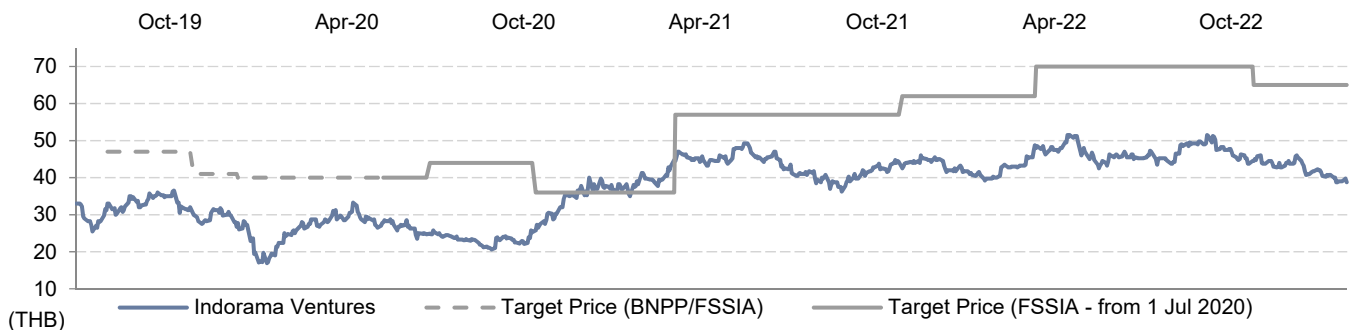
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

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
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
27-Feb-2020	BUY	40.00	08-Mar-2021	BUY	57.00	18-Jul-2022	BUY	65.00

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 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 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 07-Oct-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.