

Indorama Ventures Pcl (IVL TB) - HOLD, Price Bt40.25, TP Bt47.00 | Results Comment

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Margin recovery drives strong 2Q21 results

- IVL reported 2Q21 net profit of Bt8.3bn (EPS Bt1.45/sh), up from a very small profit in 2Q20 and more than doubled q-q. Excluding extra items (see below), we estimate normalized profit to be Bt5.85bn (Bt1.04/sh), +124% y-y and +64% q-q. The result was slightly ahead of our expectation. We see potential upside risks to our forecasts.
- Overview:** Total production volume was 3.61m tons in 2Q21, down slightly q-q but +11% y-y. Volume was broken down into 74% combined PET, 14% integrated oxides and 12% fibers. Most of the y-y growth was due to integrated PET business in the EMEA and the US. Core EBITDA margin expanded to \$132/ton, +32% q-q and 43% y-y as all segments reported higher margins. Total EBITDA was \$477m (+30% q-q, +60% y-y), broken down into 67% PET, 21% oxides and 14% fibers.
- Combined PET:** Total volume was 2.68m tons, -2% q-q, +11% y-y. EBITDA expanded to \$119/ton (+25% q-q, 27% y-y) driven by PET in EMEA and the US as well as specialty chemicals.
- Integrated oxides:** Total oxides volume recovered 10% q-q but declined y-y due to plant outages. EBITDA per ton increased to \$192/ton (+156% q-q, +262% y-y) likely due to sharply higher oil price and recovering spreads for MTBE and MEG.
- Fibers:** Fibers unit saw volume growth of 50% as discretionary spending recovered. EBITDA, at \$156/ton, was flat q-q.
- Extras:** There was Bt1.36bn inventory gain (net of tax), Bt1.32bn extra gains and other items that totaled Bt191m loss. Our norm profit included Bt795m negative impact from its Lake Charles cracker outage.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	75,010	81,019	83,460	98,161	111,301	Revenue	13	48	52	406,309	411,728
Gross profit	11,962	12,158	11,886	16,807	19,349	Gross profit	15	62	53	68,495	67,362
SG&A	8,919	9,726	10,298	10,593	11,495	SG&A	9	29	55	40,255	41,463
Operating profit	3,044	2,432	1,588	6,214	7,855	Operating profit	26	158	50	28,239	25,899
EBITDA	7,423	6,985	6,194	10,558	12,315	EBITDA	17	66	46	49,942	48,250
Other income	722	522	1,094	1,000	1,818	Other income	82	152	114	2,467	2,351
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	1,785	1,899	1,803	1,870	1,647	Interest expense	(12)	(8)	39	8,951	8,435
Profit before tax	1,981	1,055	878	5,344	8,025	Profit before tax	50	305	61	21,755	19,814
Income tax	(569)	188	(856)	1,312	1,910	Income tax	46	na	74	4,351	3,567
Equity & invest. income	66	42	21	28	39	Equity & invest. income	39	(40)	na	0	0
Minority interests	(6)	(109)	(296)	(500)	(308)	Minority interests	na	na	232	(348)	(925)
Extraordinary items	(2,455)	(420)	(149)	2,449	2,494	Extraordinary items	2	na	na	0	0
Net profit	154	380	1,310	6,009	8,340	Net profit	39	5,332	84	17,056	15,323
Normalized profit	2,609	800	1,459	3,560	5,846	Normalized profit	64	124	55	17,056	15,323
EPS (Bt)	(0.01)	0.04	0.23	1.07	1.49	EPS (Bt)	39	na	84	3.04	2.73
Normalized EPS (Bt)	0.43	0.11	0.26	0.63	1.04	Normalized EPS (Bt)	64	141	55	3.04	2.73

Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	22,572	19,013	19,517	20,650	14,916	Sales growth	(21.0)	(4.1)	7.7	6.7	48.4
A/C receivable	32,489	32,849	33,422	41,489	46,917	Operating profit growth	(49.6)	(32.6)	27.7	120.4	158.1
Inventory	55,539	54,876	53,938	63,801	74,778	EBITDA growth	(23.4)	(3.2)	23.2	50.0	65.9
Other current assets	14,043	12,792	12,958	14,094	16,871	Norm profit growth	(48.1)	(71.2)	833.1	127.5	124.1
Investment	2,765	3,084	3,229	3,210	3,044	Norm EPS growth	(49.1)	(75.5)	na	157.6	141.0
Fixed assets	265,626	273,643	264,291	271,027	282,061	Gross margin	15.9	15.0	14.2	17.1	17.4
Other assets	65,829	65,451	65,817	65,312	68,049	Operating margin	4.1	3.0	1.9	6.3	7.1
Total assets	458,864	461,709	453,172	479,582	506,634	EBITDA margin	9.9	8.6	7.4	10.8	11.1
S-T debt	50,123	45,373	37,231	45,637	43,760	Norm net margin	3.5	1.0	1.7	3.6	5.3
A/C payable	52,639	53,816	57,783	67,684	82,231	D/E (x)	1.7	1.6	1.6	1.5	1.4
Other current liabilities	21,381	22,741	22,148	22,843	24,329	Net D/E (x)	1.5	1.5	1.4	1.4	1.3
L-T debt	163,632	164,798	164,073	161,035	160,296	Interest coverage (x)	4.2	3.7	3.4	5.6	7.5
Other liabilities	35,653	36,440	36,329	36,043	38,498	Interest rate	3.3	3.6	3.5	3.7	3.2
Minority interest	8,750	9,414	8,953	10,147	10,824	Effective tax rate	(28.7)	17.8	(97.4)	24.5	23.8
Shareholders' equity	126,686	129,126	126,655	136,195	146,697	ROA	2.2	0.7	1.3	3.1	4.7
Working capital	35,389	33,909	29,578	37,606	39,464	ROE	8.0	2.5	4.6	10.8	16.5
Total debt	213,755	210,171	201,304	206,671	204,056						
Net debt	191,183	191,158	181,787	186,021	189,141						

Sources: Company data, Thanachart estimates

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