Indorama Ventures Pcl (IVL TB) - BUY, Price Bt41.75, TP Bt52.00

Results Comment

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3Q21 results in line

- IVL reported 3Q21 net profit of Bt6.5bn (EPS Bt1.13/sh). Excluding extra items but including start-up costs of its US cracker (see below), we estimate normalized profit to be Bt5.58bn (norm EPS Bt0.99/sh), down 5% q-q but up more than 6x y-y. The result was in line with our expectation. Still a BUY.
- Overview: Total production volume was 3.73m tons (85% utilization rate) in 3Q21, +3% q-q and +1% y-y. Volume was broken down into 72% combined PET, 17% integrated oxides and 11% fibers. Integrated oxide (IOD) showed a strong q-q output growth of 23%. Core EBITDA margin per ton was $117/ton down from $132/ton in 2Q21 but up significantly from $70/ton in 3Q20 (COVID impact). Total core EBITDA was $437m (-8% q-q, +71% y-y). PET and fibers EBITDA declined sharply q-q but these were partially offset by improvement in IOD EBITDA
- Combined PET: Total combined PET volume was 2.69m tons, flat q-q and down marginally y-y. Total EBITDA was $258m, -19% q-q due to lower margins. Core EBITDA averaged $96/ton in 3Q21 vs $119/ton in 2Q21.
- Integrated oxides: Total oxides volume recovered 23% q-q as plants return from outages. This drove a 21% q-q improvement in total EBITDA to $120m.
- Fibers: Fibers output was 412k tons, down about 1.5% q-q but increasing by 3% y-y. However, core EBITDA declined 25% q-q to $49m likely due to lower sales of high-margin products to the auto sector.
- Extras: Extra gains amounted to about $28m, comprising mostly of inventory gain. The company has chosen to exclude $11m of expense related to its Lake Charles cracker from core profit calculation whereas we have deducted this expense in our norm profit calculation (similar to 2Q21 result adjustment).

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	81,019	83,460	98,161	111,301	126,892
Gross profit	**12,158**	**11,886**	**16,807**	**19,349**	**20,653**
SG&A	9,726	10,298	10,593	11,495	12,066
Operating profit	2,432	1,588	6,214	7,855	8,587
EBITDA	**6,985**	**6,194**	**10,558**	**12,315**	**13,516**
Other income	522	1,094	1,000	1,818	678
Other expense	0	0	0	0	0
Interest expense	1,899	1,803	1,870	1,647	1,806
Profit before tax	**1,055**	**878**	**5,344**	**8,025**	**7,459**
Income tax	188	(856)	1,312	1,910	1,642
Equity & invest. income	42	21	28	39	59
Minority interests	(109)	(296)	(500)	(308)	(300)
Extraordinary items	(420)	(149)	2,449	2,494	971
Net profit	**380**	**1,310**	**6,009**	**8,340**	**6,548**
Normalized profit	**800**	**1,459**	**3,560**	**5,846**	**5,577**
EPS (Bt)	0.04	0.23	1.07	1.49	1.17
Normalized EPS (Bt)	0.11	0.26	0.63	1.04	0.99

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	14	57	73	462,566	479,115
Gross profit	**7**	**70**	**81**	**70,107**	**71,620**
SG&A	5	24	83	41,037	43,089
Operating profit	9	253	78	29,070	28,531
EBITDA	**10**	**94**	**72**	**50,773**	**50,881**
Other income	(63)	30	142	2,458	2,495
Other expense			na	0	0
Interest expense	10	(5)	56	9,453	8,930
Profit before tax	**(7)**	**607**	**94**	**22,075**	**22,095**
Income tax	(14)	772	110	4,415	3,977
Equity & invest. income	51	42	na	0	0
Minority interests	na	na	314	(353)	(962)
Extraordinary items	(61)	na	na	0	0
Net profit	**(21)**	**1,623**	**121**	**17,307**	**17,156**
Normalized profit	**(5)**	**597**	**87**	**17,307**	**17,156**
EPS (Bt)	(21)	3,223	121	3.08	3.06
Normalized EPS (Bt)	(5)	804	87	3.08	3.06

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	19,013	19,517	20,650	14,916	17,748
A/C receivable	32,849	33,422	41,489	46,917	50,470
Inventory	54,876	53,938	63,801	74,778	82,199
Other current assets	12,792	12,958	14,094	16,871	17,092
Investment	3,084	3,229	3,210	3,044	3,317
Fixed assets	273,643	264,291	271,027	282,061	295,503
Other assets	65,451	65,817	65,312	68,049	70,851
Total assets	**461,709**	**453,172**	**479,582**	**506,634**	**537,179**
S-T debt	45,373	37,231	45,637	43,760	47,991
A/C payable	53,816	57,783	67,684	82,231	86,469
Other current liabilities	22,741	22,148	22,843	24,329	26,660
L-T debt	164,798	164,073	161,035	160,296	165,168
Other liabilities	36,440	36,329	36,043	38,498	43,001
Minority interest	9,414	8,953	10,147	10,824	12,200
Shareholders' equity	**129,126**	**126,655**	**136,195**	**146,697**	**155,690**
Working capital	33,909	29,578	37,606	39,464	46,200
Total debt	210,171	201,304	206,671	204,056	213,159
Net debt	**191,158**	**181,787**	**186,021**	**189,141**	**195,412**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(4.1)	7.7	6.7	48.4	56.6
Operating profit growth	(32.6)	27.7	120.4	158.1	253.1
EBITDA growth	(3.2)	23.2	50.0	65.9	93.5
Norm profit growth	(71.2)	833.1	127.5	124.1	597.1
Norm EPS growth	(75.5)	na	157.6	141.0	803.9
Gross margin	15.0	14.2	17.1	17.4	16.3
Operating margin	3.0	1.9	6.3	7.1	6.8
EBITDA margin	8.6	7.4	10.8	11.1	10.7
Norm net margin	1.0	1.7	3.6	5.3	4.4
D/E (x)	1.6	1.6	1.5	1.4	1.4
Net D/E (x)	1.5	1.4	1.4	1.3	1.3
Interest coverage (x)	3.7	3.4	5.6	7.5	7.5
Interest rate	3.6	3.5	3.7	3.2	3.5
Effective tax rate	17.8	(97.4)	24.5	23.8	22.0
ROA	0.7	1.3	3.1	4.7	4.3
ROE	2.5	4.6	10.8	16.5	14.8

Sources: Company data, Thanachart estimates

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