

Indorama Ventures Pcl (IVL TB) - BUY

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Analyst Meeting**Management see 2022F as most exciting year**

- **Reiterate strong 2022F outlook**
- **Introducing ambitious 2024F target**
- **Cost cutting effort progress as planned**
- **Moving toward green feedstock**

IVL arranged capital market day to update business outlook and set up 2024F EBITDA target of US\$2.8-3bn which represents growth of 55% to 67% from 2021F. This will be driven by all key segments which include Integrated PET, Fiber and IOD businesses. The company also introducing strategy to use green feedstock like biomass for the first time to enhance its ESG strategy. BUY.

- **PET business set to grow despite peak margin in 2022F.** Management reaffirms that PET margin outlook will be strong in 2022F due to continued supply constraints and high freight cost regime, as well as from revised contracts in Western markets. Despite company see that 2022F margin will peak, company still expect EBITDA from the business to grow to US\$1.4-1.5bn in 2024 from US\$1.1bn in 2021F, supporting by higher margin from recycled PET and specialty polymers, strong operating rates.
- **IOD business will be driven by downstream expansion.** The main growth driver in 2022F will come from MTBE margins normalization from low mobility fuel demand and high raw material prices for butane and methanol. Beyond 2022F, integrated oxide derivative oxide (IOD) business set to accelerates transition towards downstream specialty surfactants, with Oxiteno increasing exposure to attractive end-applications. IVL expect IOD EBITDA to reach to \$0.8-0.85bn by 2024F which is doubling US\$0.4bn in 2021F.
- **Fiber growth will drive mainly by cost saving initiative.** Management target fiber business EBITDA to reach US\$0.55bn by 2024 from US\$0.3bn in 2021F, driven mainly by cost saving program, project Olympus, demand recovery in this year as well as organic growth. The company expect growth from cost saving initiative, project Olympus, amount US\$120m from 2021F to 2024F vs total target growth of US\$250m.
- **Our view:** IVL's guidance in 2022F reaffirm our positive view for strong profit growth this year. Longer term growth target represents upside to our forecast as we haven't yet factor in upside from cost saving initiative and IOD downstream expansion.

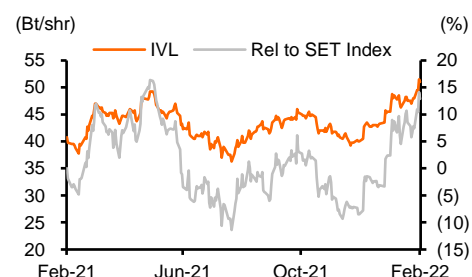
Key Valuations

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	331,513	490,610	545,124	538,287
Net profit	2,414	27,707	28,510	29,995
Norm net profit	6,433	23,202	28,510	29,995
Norm EPS (Bt)	1.1	4.1	5.1	5.3
Norm EPS gr (%)	22.8	260.7	22.9	5.2
Norm PE (x)	44.5	12.3	10.0	9.5
EV/EBITDA (x)	15.4	8.0	7.1	6.8
P/BV (x)	2.3	2.0	1.8	1.6
Div. yield (%)	1.4	4.8	5.0	5.2
ROE (%)	5.0	17.1	18.7	17.9
Net D/E (%)	134.1	117.7	126.7	108.4

Source: Thanachart estimates

Stock Data

Closing price (Bt)	51.00
Target price (Bt)	60.00
Market cap (US\$ m)	8,775
Avg daily turnover (US\$ m)	28.6
12M H/L price (Bt)	51.50/36.25

Price Performance

Source: Bloomberg

Ex 1: IVL's guidance

Overall financial performance			
	2020A ¹	2021E ¹	2024F
Volume ² (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: Company data

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