

Indorama Ventures Pcl (IVL TB) - BUY

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Analyst Meeting**Expect robust 22F profit despite higher energy cost**

- **IVL already assume substantial energy cost increase in 22F**
- **European gas price spike will likely be temporary**
- **Company will take strict measure regarding insider trading**
- **We still expect strong 1Q22F**

IVL arranged analyst meeting following 4Q21 result announcement. Overall discussion is mainly on energy cost. Despite potential pressure, we still expect company to deliver strong profit growth of 23% in 22F. Share price come down by 11% on weak 4Q result and concern on rising gas cost and we see an opportunity for accumulate ahead strong 2022F profit. Maintain BUY.

- **Company already baked in substantial energy cost increase.** IVL provides EBITDA guidance of US\$2.4-2.5bn in 2022F vs US\$1.7bn in 2021. In that guidance, the company already assumed energy cost increase of US\$195m in 2022F vs 4Q21 of US\$106m and US\$190m for FY21. This is based on Europe TTF Natural Gas price assumption of EUR100/Mwh, in-line with spot price, but lower than peak of EUR180/Mwh in 4Q21. Every US\$10 increase in TTF gas, IVL's EBITDA will decline by US\$10m.
- **European gas price spike will likely be temporary.** We see the high gas cost couldn't be sustainable and Europe and Russia are highly dependent on each other. Oil and gas revenue provide around 40% of Russia's federal budget and 60% of exports while gas from Russia accounts for 30% of total European demand. Additionally, gas fundamental is currently weaker with hotter temperature and more LNG import from Algeria, Qatar, the US and Australia. Europe imported a record 11 Bcm of LNG in January 2022.
- **IVL will take strict measures regarding insider trading.** Company submit SET filing on investigation of 5 of IVL's employees regarding to information trading for the shares of listed Thai Plaspac Public Company (TPAC) in 2015. We believe this is likely regarding when Anuj Lohia, a son of Mr. Alope Lohia, announced tender offers on TPAC shares.
- **Still expect strong 1Q22E.** We still expect IVL to deliver strong 1Q22 profit as IVL will fully capture benefit from contract revision in Western markets for PET and PTA as well as restarting of IVOL cracker which restarted in Nov 21.

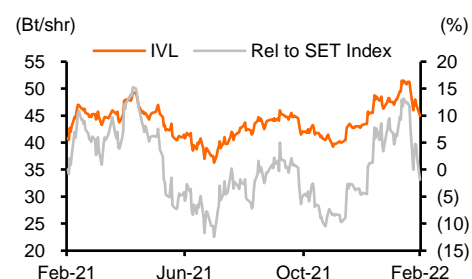
Key Valuations

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	468,108	545,124	538,287	554,142
Net profit	26,288	28,510	29,995	30,996
Norm net profit	20,420	28,510	29,995	30,996
Norm EPS (Bt)	3.6	5.1	5.3	5.5
Norm EPS gr (%)	217.4	39.6	5.2	3.3
Norm PE (x)	12.4	8.9	8.4	8.2
EV/EBITDA (x)	7.6	6.6	6.4	5.9
P/BV (x)	1.6	1.6	1.4	1.3
Div. yield (%)	2.2	5.6	5.9	6.1
ROE (%)	14.3	17.9	17.9	16.9
Net D/E (%)	115.5	126.7	108.4	87.8

Source: Thanachart estimates

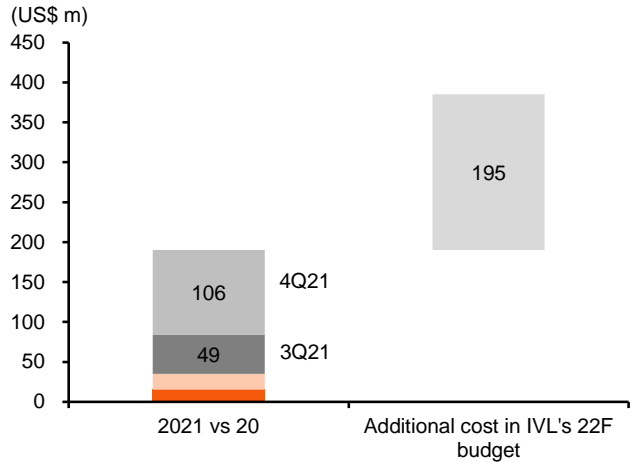
Stock Data

Closing price (Bt)	45.00
Target price (Bt)	60.00
Market cap (US\$ m)	7,731
Avg daily turnover (US\$ m)	29.1
12M H/L price (Bt)	51.50/36.25

Price Performance

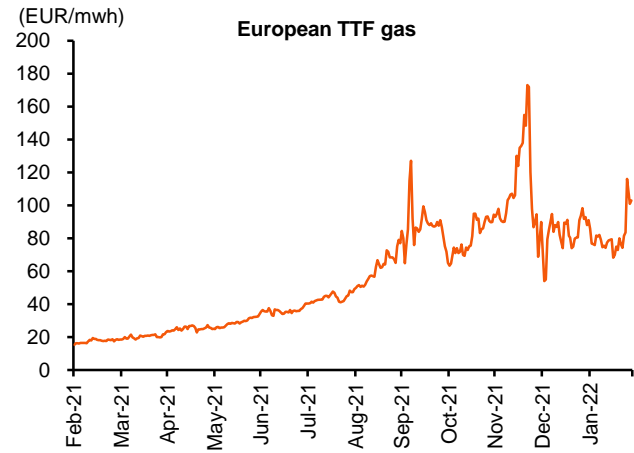
Source: Bloomberg

Ex 1: IVL Energy Cost



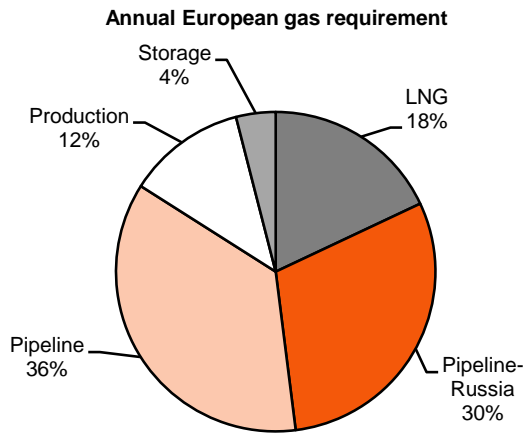
Source: Company

Ex 2: European Gas Price



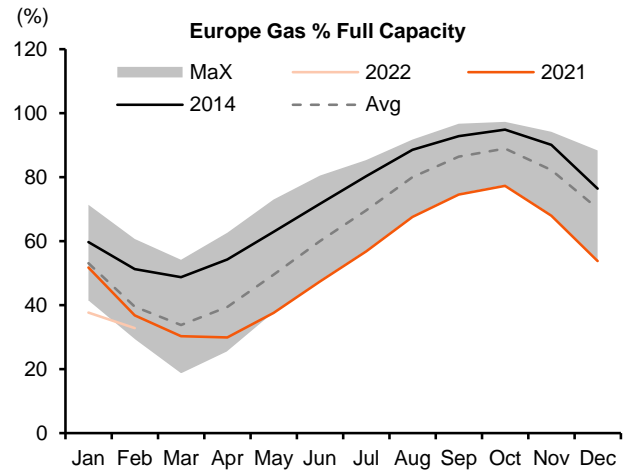
Source: Bloomberg

Ex 3: European Gas Supply Breakdown



Source: Company

Ex 4: European Gas Inventory



Source: Bloomberg

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