Indorama Ventures Pcl (IVL TB) - BUY, Price Bt45.00, TP Bt60.00

Results Comment

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4Q21 – Miss on higher energy cost

- IVL reported 4Q21 profit of Bt5.4bn, -18% q-q, +270% y-y. Core profit reported at Bt4.9bn, -13% q-q, +156% y-y. The drop is mainly from higher energy cost and higher minority due to better performance from Egypt and India JV. These factors caused the result misses our and consensus forecast of c Bt7bn. We expect 1Q22 to improve q-q with new West PET contract price. Maintain BUY.
- **Higher core profit despite substantial increase in energy cost**. Core EBITDA up by 6% q-q, +72% y-y as we see improvement across businesses, especially Fiber which EBITDA jumped 68% q-q. This is even though European gas price almost double q-q in 4Q21. According to the company, energy cost increase was at US$106m in 4Q21 vs US$49m in 3Q21 and FY21 of US$190. We expect energy cost to lower given lower gas cost YTD.
- **Combined PET:** Total combined PET volume was 2.61m tons, down marginally q-q and flat y-y. Total EBITDA was $266m, -+3% q-q. Core EBITDA averaged $101/ton in 4Q21 vs $97/ton in 3Q21.
- **Integrated oxides**: IOD EBITDA up marginally by 4% q-q to US$123m due to higher MTBE and MEG EBITDA following higher oil price, but offset by weaker downstream contribution. Total oxides volume down marginally q-q.
- **Fibers**: Fibers output was 0.5m tons, up 9% q-q but increasing by 1% y-y. However, core EBITDA up strongly 68% q-q to $82m. We see strong improvement across fiber segment in 4Q21.
- **Extras:** Extra gains amounted to about $9m which include $18m inventory gain but offset by non-recurring expense from integrated PET business.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Revenue	83,364	98,161	111,594	127,300	126,812
Gross profit	**13,217**	**16,701**	**21,320**	**20,827**	**22,223**
SG&A	10,298	10,593	11,495	12,066	13,190
Operating profit	2,919	6,108	9,825	8,762	9,033
EBITDA	**8,240**	**11,109**	**14,959**	**14,393**	**14,774**
Other income	210	998	398	461	70
Other expense	0	0	0	0	0
Interest expense	1,796	1,827	1,594	1,745	1,653
Profit before tax	**1,333**	**5,279**	**8,630**	**7,478**	**7,450**
Income tax	(840)	1,312	1,922	1,634	1,768
Equity & invest. income	21	28	39	60	32
Minority interests	(290)	(500)	(305)	(293)	(842)
Extraordinary items	(447)	2,514	1,897	937	520
Net profit	**1,456**	**6,009**	**8,340**	**6,548**	**5,392**
Normalized profit	**1,904**	**3,495**	**6,443**	**5,611**	**4,872**
EPS (Bt)	0.26	1.07	1.49	1.17	0.96
Normalized EPS (Bt)	0.34	0.62	1.15	1.00	0.87

Income Statement			12M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2021A**	**2022F**
Revenue	(0)	52	95	468,108	545,124
Gross profit	**7**	**68**	**86**	**84,980**	**109,676**
SG&A	9	28	82	47,343	64,281
Operating profit	3	210	92	37,637	45,395
EBITDA	**3**	**79**	**94**	**59,374**	**71,011**
Other income	(85)	(67)	na	4,965	0
Other expense			na	0	0
Interest expense	(5)	(8)	94	7,121	7,840
Profit before tax	**(0)**	**459**	**98**	**35,481**	**37,555**
Income tax	8	na	138	6,703	7,541
Equity & invest. income	(47)	53	106	160	151
Minority interests	na	na	130	(1,966)	(1,654)
Extraordinary items	(45)	na	130	(684)	0
Net profit	**(18)**	**270**	**95**	**26,288**	**28,510**
Normalized profit	**(13)**	**156**	**88**	**20,420**	**28,510**
EPS (Bt)	(18)	270	95	4.68	5.08
Normalized EPS (Bt)	(13)	156	88	4.80	5.08

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Cash & ST investment	19,517	20,650	14,916	17,748	16,456
A/C receivable	33,422	41,489	46,917	50,470	53,172
Inventory	53,938	63,801	74,778	82,199	88,979
Other current assets	12,958	14,094	16,871	17,092	18,252
Investment	3,229	3,210	3,044	3,317	3,489
Fixed assets	264,291	271,027	282,061	295,503	291,677
Other assets	65,817	65,312	68,049	70,851	69,803
Total assets	**453,172**	**479,582**	**506,634**	**537,179**	**541,828**
S-T debt	37,231	45,637	43,760	47,991	44,260
A/C payable	57,783	67,684	82,231	86,469	90,265
Other current liabilities	22,148	22,843	24,329	26,660	26,596
L-T debt	164,073	161,035	160,296	165,168	169,893
Other liabilities	36,329	36,043	38,498	43,001	39,811
Minority interest	8,953	10,147	10,824	12,200	12,235
Shareholders' equity	**126,655**	**136,195**	**146,697**	**155,690**	**158,769**
Working capital	29,578	37,606	39,464	46,200	51,886
Total debt	201,304	206,671	204,056	213,159	214,153
Net debt	**181,787**	**186,021**	**189,141**	**195,412**	**197,697**

Financial Ratios					
(%)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Sales growth	7.6	6.7	49.1	57.1	52.1
Operating profit growth	134.8	36.4	127.0	192.8	209.5
EBITDA growth	63.8	18.7	56.5	79.5	79.3
Norm profit growth	1,117.4	149.1	162.4	474.8	155.9
Norm EPS growth	na	186.5	183.5	607.4	155.9
Gross margin	15.9	17.0	19.1	16.4	17.5
Operating margin	3.5	6.2	8.8	6.9	7.1
EBITDA margin	9.9	11.3	13.4	11.3	11.7
Norm net margin	2.3	3.6	5.8	4.4	3.8
D/E (x)	1.6	1.5	1.4	1.4	1.3
Net D/E (x)	1.4	1.4	1.3	1.3	1.2
Interest coverage (x)	4.6	6.1	9.4	8.3	8.9
Interest rate	3.5	3.6	3.1	3.3	3.1
Effective tax rate	(63.0)	24.8	22.3	21.9	23.7
ROA	1.7	3.0	5.2	4.3	3.6
ROE	6.0	10.6	18.2	14.8	12.4

Sources: Company data, Thanachart estimates

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