Indorama Ventures Pcl (IVL TB) - BUY, Price Bt44.25, TP Bt60.00

Results Comment

Yupapan Polpornprasert | Email: yupapan.pol@thanachartsec.co.th

1Q22 – Big beat from strong West PET

- IVL reported 1Q22 profit of Bt14bn which beat both our reported and core profit estimate as well as beat consensus number of Bt8.3bn. IVL's core profit came in at Bt10.6bn (+117% q-q and 203% y-y) which beat our estimate by 45%. Maintain BUY.
- **Higher core profit despite substantial increase in energy cost**. Core EBITDA up by 41% q-q, +77% y-y to US$650m driven by PET business. PET EBITDA up by 70% q-q, and 91% y-y to US$391m. This is mainly due to the successful reset of PTA/PET contracts completed at the end of 2021. EBITDA averaged $161/ton in 1Q22 vs $97/ton in 4Q21.
- **Integrated oxides**: IOD EBITDA was steady q-q as weaker downstream contribution was offset by higher EBITDA from intermediated segments (MTBE and MEG).
- **Fibers:** Fiber EBITDA up by 4% q-q, mainly from higher sale volume driven by mobility business.
- **Extras:** The key extra gain is inventory amount $134m in 1Q22 vs US$18m in 4Q21.
- **Outlook:** 2Q22F looks set to be strong with consolidation of Oxiteno and ongoing high PET margin QTD.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	98,161	111,594	127,300	126,812	146,957
Gross profit	**16,701**	**21,320**	**20,827**	**22,223**	**29,168**
SG&A	10,593	11,495	12,066	13,190	13,190
Operating profit	6,108	9,825	8,762	9,033	15,978
EBITDA	**11,109**	**14,959**	**14,393**	**14,774**	**21,494**
Other income	998	398	461	70	949
Other expense	0	0	0	0	0
Interest expense	1,827	1,594	1,745	1,653	1,767
Profit before tax	**5,279**	**8,630**	**7,478**	**7,450**	**15,160**
Income tax	1,312	1,922	1,634	1,768	3,239
Equity & invest. income	28	39	60	32	46
Minority interests	(500)	(305)	(293)	(842)	(1,389)
Extraordinary items	2,514	1,897	937	520	3,492
Net profit	**6,009**	**8,340**	**6,548**	**5,392**	**14,070**
Normalized profit	**3,495**	**6,443**	**5,611**	**4,872**	**10,578**
EPS (Bt)	1.07	1.49	1.17	0.96	2.51
Normalized EPS (Bt)	0.62	1.15	1.00	0.87	1.88

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	16	50	8	1,734,469	1,711,277
Gross profit	**31**	**75**	**12**	**248,660**	**250,332**
SG&A	-	25	6	204,530	201,795
Operating profit	77	162	36	44,130	48,537
EBITDA	**45**	**93**	**31**	**69,747**	**72,912**
Other income	1,263	(5)	na	0	0
Other expense			na	0	0
Interest expense	7	(3)	22	8,145	8,684
Profit before tax	**104**	**187**	**42**	**35,986**	**39,853**
Income tax	83	147	45	7,230	8,004
Equity & invest. income	43	62	28	165	165
Minority interests	na	na	69	(2,027)	(2,027)
Extraordinary items	572	39	na	0	0
Net profit	**161**	**134**	**52**	**26,894**	**29,987**
Normalized profit	**117**	**203**	**39**	**26,894**	**29,987**
EPS (Bt)	161	134	52	4.79	5.34
Normalized EPS (Bt)	117	203	39	4.79	5.34

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	20,650	14,916	17,748	16,456	36,556
A/C receivable	41,489	46,917	50,470	53,172	64,836
Inventory	63,801	74,778	82,199	88,979	99,793
Other current assets	14,094	16,871	17,092	18,252	17,251
Investment	3,210	3,044	3,317	3,489	3,521
Fixed assets	271,027	282,061	295,503	291,677	290,666
Other assets	65,312	68,049	70,851	69,803	72,974
Total assets	**479,582**	**506,634**	**537,179**	**541,828**	**585,597**
S-T debt	45,637	43,760	47,991	44,260	56,610
A/C payable	67,684	82,231	86,469	90,265	104,785
Other current liabilities	22,843	24,329	26,660	26,596	28,797
L-T debt	161,035	160,296	165,168	169,893	165,648
Other liabilities	36,043	38,498	43,001	39,811	39,190
Minority interest	10,147	10,824	12,200	12,235	13,148
Shareholders' equity	**136,195**	**146,697**	**155,690**	**158,769**	**177,419**
Working capital	37,606	39,464	46,200	51,886	59,844
Total debt	206,671	204,056	213,159	214,153	222,259
Net debt	**186,021**	**189,141**	**195,412**	**197,697**	**185,703**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	6.7	49.1	57.1	52.1	49.7
Operating profit growth	36.4	127.0	192.8	209.5	161.6
EBITDA growth	18.7	56.5	79.5	79.3	93.5
Norm profit growth	149.1	162.4	474.8	155.9	202.6
Norm EPS growth	186.5	183.5	607.4	155.9	202.6
Gross margin	17.0	19.1	16.4	17.5	19.8
Operating margin	6.2	8.8	6.9	7.1	10.9
EBITDA margin	11.3	13.4	11.3	11.7	14.6
Norm net margin	3.6	5.8	4.4	3.8	7.2
D/E (x)	1.5	1.4	1.4	1.3	1.3
Net D/E (x)	1.4	1.3	1.3	1.2	1.0
Interest coverage (x)	6.1	9.4	8.3	8.9	12.2
Interest rate	3.6	3.1	3.3	3.1	3.2
Effective tax rate	24.8	22.3	21.9	23.7	21.4
ROA	3.0	5.2	4.3	3.6	7.5
ROE	10.6	18.2	14.8	12.4	25.2

Sources: Company data, Thanachart estimates

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