

BUY (Unchanged)

Change in Numbers

TP: Bt 62.00 (From: Bt 60.00)

Upside : 26.5%
1 JUNE 2022

Indorama Ventures Pcl (IVL TB)

In a new paradigm

We raise IVL's profit by 49/9/7% over 2022-24F as we lift our PET and MTBE spread assumptions. We roll over to 2023F and boost our TP to Bt62. At 8.5x 23F PE, we see IVL as inexpensive. Its earnings base looks set to normalize at a higher level on prolonged high freight rates and limited PET capacity growth supporting the tight market.


YUPAPAN POLPORNPRASERT

662-779-9110

yupapan.pol@thanachartsec.co.th

A new earnings base; below-average valuations

We raise our profit estimates for IVL by 49/9/7% over 2022-24F to factor in higher PET margins and the MTBE spread spike. Our 2022F number is 33% above the consensus. Despite IVL's profit looking set to shift to a higher base and with 96% 2022F profit growth, the stock is still trading at only 6.9x 2022F PE, below its five-year average of 20x. We continue to like IVL as it stands to benefit from i) economic reopening, ii) high PET spreads in the medium term, iii) continued high freight rates, and iv) the high oil price environment. IVL remains our top pick in the sector, and we reaffirm our BUY rating.

Secure earnings growth base

IVL's PET EBITDA rose by 91% y-y in 1Q22 driven by West PET contract repricing. We think strong PET profit (60% of EBITDA in 1Q22) could last throughout 2022 given that 70% of West PET volume has already been locked in at a high margin. The broader PET market also remains strong, driven by limited capacity additions while demand is growing with the economic reopening. The Asia PET spread has been hovering above its historical average for the past eight consecutive months. The spread is now at US\$280/tonne, well above its five-year average of US\$234. We expect IVL's PET margin to soften in 2023F, mainly because of our lower freight rate assumption. However, we foresee the margin normalizing at a higher base due to i) the prolonged container shortage that resulted in the high West PET spread, and ii) limited supply additions over the next three years.

MTBE-led upside surprise

MTBE (4% of IVL's capacity) is benefiting from strong gasoline prices since it is used as a gasoline product additive. The spread surged to US\$800/bbl vs. its five-year average of US\$249/bbl and US\$371/bbl in 1Q22. We expect the spread to remain high due to the US driving season (May-September). We estimate EBITDA to rise by US\$6m for every US\$10/t MTBE spread rise. Therefore, we raise our MTBE margin assumption to US\$500/t from US\$230/t in 2022F and keep our 2023-24F numbers unchanged.

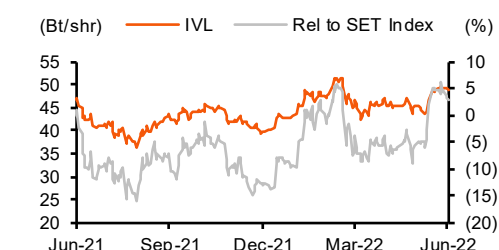
Easing gas cost pressure

The Dutch TTF gas price has already eased from its record-high level in 1Q22, dropping by 62% from its peak to EUR86/Mwh as Europe fills up its storage with imported LNG. The gas inventory level in Europe is now at 47%, which is near its five-year seasonal average. Meanwhile, IVL has already locked in 40% of gas volume to limit the impact from a sudden potential spike in the coming winter. For the US (51% of EBITDA), we foresee pressure from a rising Henry Hub price in 2Q22F, but this should be largely offset by the spike in the MTBE spread (Exhibit 11).

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	468,108	1,734,469	1,711,277	1,760,230
Net profit	26,288	43,604	32,537	33,129
Consensus NP	—	32,697	31,626	30,763
Diff frm cons (%)	—	33.4	2.9	7.7
Norm profit	20,420	40,105	32,537	33,129
Prev. Norm profit	—	26,894	29,987	30,854
Chg frm prev (%)	—	49.1	8.5	7.4
Norm EPS (Bt)	3.6	7.1	5.8	5.9
Norm EPS grw (%)	203.1	96.4	(18.9)	1.8
Norm PE (x)	13.5	6.9	8.5	8.3
EV/EBITDA (x)	8.5	6.7	7.3	7.0
P/BV (x)	1.7	1.4	1.3	1.1
Div yield (%)	2.0	4.1	3.1	3.1
ROE (%)	14.3	22.7	15.8	14.5
Net D/E (%)	115.5	147.5	125.4	103.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 1-Jun-22 (Bt)	49.00
Market Cap (US\$ m)	8,007.9
Listed Shares (m shares)	5,614.6
Free Float (%)	35.1
Avg Daily Turnover (US\$ m)	29.1
12M Price H/L (Bt)	51.50/36.25
Sector	PETRO
Major Shareholder	Indorama Resources 62.43%

Sources: Bloomberg, Company data, Thanachart estimates

A higher earnings base; below-average valuations

We raise our profit forecasts on higher PET and MTBE assumptions

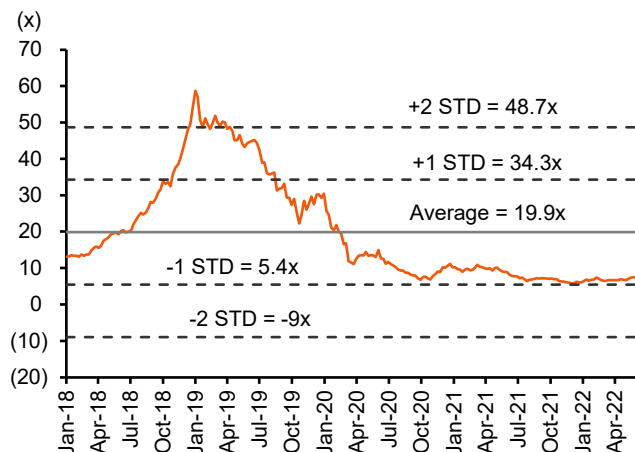
We raise our estimate for Indorama Ventures Pcl's (IVL) 2022F profit by 49% to reflect strong Asia and West PET spreads and a surge in the MTBE margin. Our 2022F profit is now 33% higher than the Bloomberg consensus forecast. We expect the company's 2022F core profit to grow by 96% to Bt40bn. With strong profit growth, core ROE also looks set to reach a record high of 23% in 2022F. The strong growth is being driven by i) West PET repricing, ii) a surge in the MTBE spread, and iii) contributions from Oxitenol.

Looking to 2023F, we expect profit to decline by 19% as we assume a lower West PET spread on a lower freight rate which would lead to a lower import parity price. However, we expect IVL's PET EBITDA to normalize at a higher level. The surge in the freight rate has led buyers to buy more local supply.

Valuations are still below average

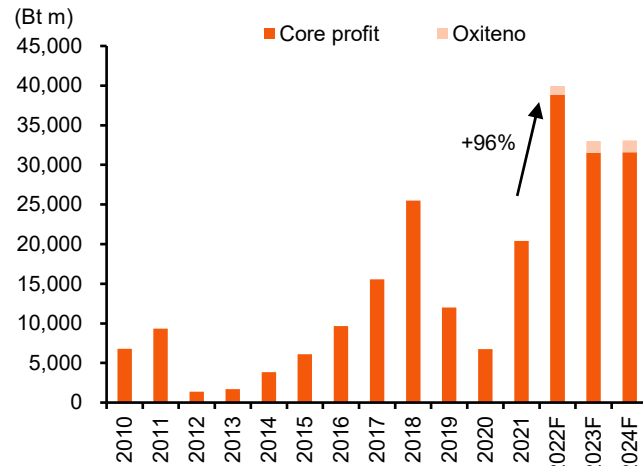
The company is still trading at PE multiples of 6.9x in 2022F and 8.5x in 2023F. These are below its 20x five-year PE average. We think the market is still underestimating IVL's earnings growth.

Ex 1: PE Is Well Below Historical Average



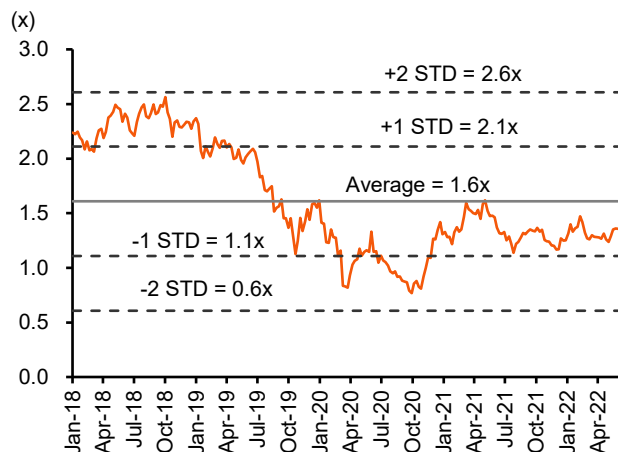
Source: Bloomberg, Thanachart estimates

Ex 2: Core Profit To Shift To A Higher Base



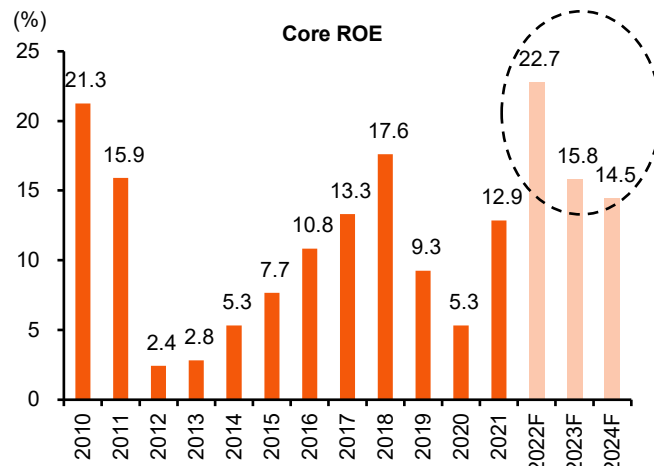
Source: Company data, Thanachart estimates

Ex 3: P/BV Is Still Below Its Historical Average...



Source: Bloomberg, Thanachart estimates

Ex 4: ...But ROE Looks Set To Remain High



Source: Company data, Thanachart estimates

Ex 5: Key Assumption Changes

(US\$/tonne)	Actual					New			Old			Change (%)		
	2019A	2020A	2021A	1Q22	Apr-22	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
EBITDA per tonne	93	82	119	171	na	156	136	134	128	130	129	22	5	3
Industry margins														
Asia integrated PET	243	206	252	293	303	282	267	254	227	227	227	24	18	12
West integrated PET	439	397	666	823	813	810	687	644	601	538	495	35	28	30
US MEG	457	365	510	468	375	400	450	450	460	460	460	(13)	(2)	(2)
US MTBE	358	151	206	371	573	500	350	350	230	350	350	117	0	0

Sources: Company data, Thanachart estimates

Ex 6: Core Profit And TP Revisions

(Bt m)	2021A	2022F	2023F	2024F	TP (Bt/shr)
New	20,420	40,105	32,537	33,129	62.00
Old	20,420	26,894	29,987	30,854	60.00
Change (%)	0.0	49.1	8.5	7.4	3.3

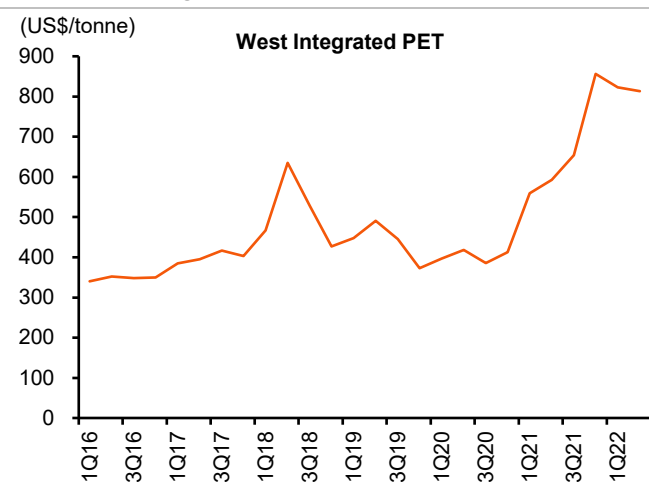
Sources: Company data, Thanachart estimates

PET spread looks set to normalize at a higher base

Prolonged container shortage should support a high West PET spread

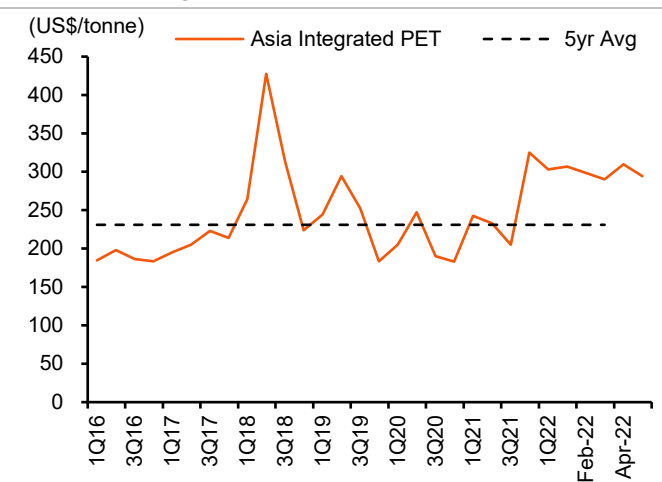
We think strong PET profits are already secure in 2022F as 70% of West PET volume has already been locked in at a high margin. The easing of the freight rate in 2Q22F due to China's lockdowns should have a limited impact on IVL, in our view. Beyond 2022F, we think IVL's PET spread is now set to normalize at a higher base for two reasons. *Firstly*, prolonged high freight rates should support a higher West PET spread in the medium term. *Secondly*, capacity is also limited with new capacity additions of 1.2-1.3mtpa over 2022-24F vs. 1.5mtpa in the past. Overall, we expect both West and Asia PET spreads to normalize at a higher level.

Ex 7: West Integrated PET Spread



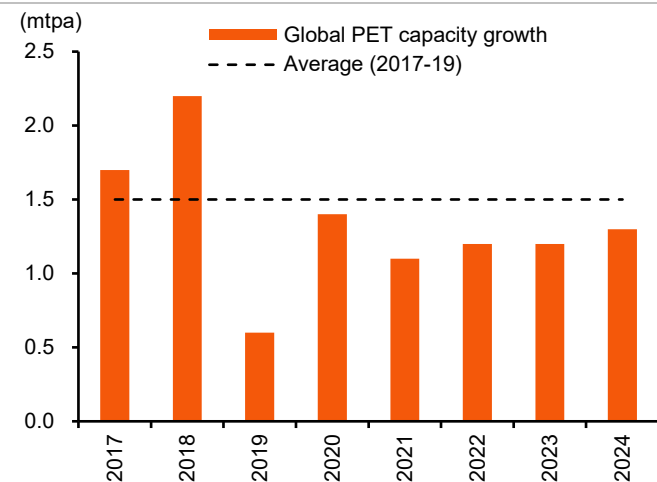
Source: Company data

Ex 8: Asia Integrated PET Spread



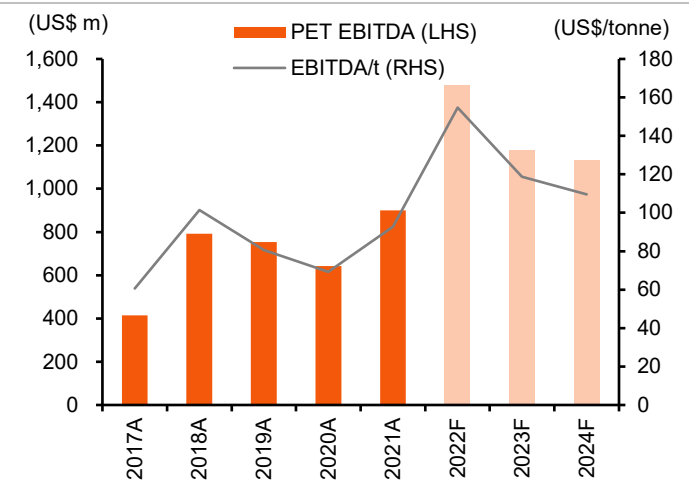
Source: Bloomberg

Ex 9: Global PET Capacity Growth



Source: Company data

Ex 10: Our PET EBITDA Forecasts For IVL



Source: Thanachart estimates

Easing gas cost pressure

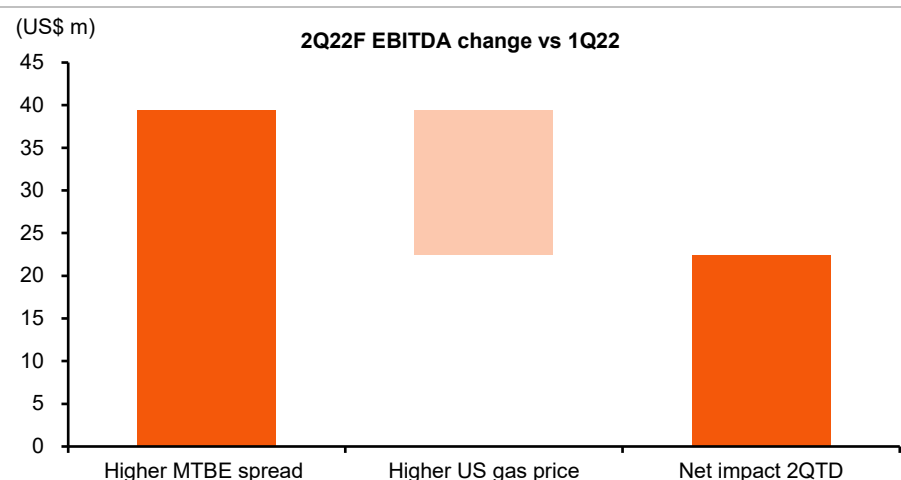
European gas inventories have risen to their seasonal average

Gas costs in Europe have already eased from their peak, dropping by 62% to EUR86/MWh as inventory level rose to seasonal average. Additionally, IVL has already locked in prices for 40% of 2022F gas volume in Europe to prepare for a potential surge in gas prices during winter. Therefore, the impact of the potential surge in European gas cost should not be as high compared with last winter when IVL only hedged 20-30% of volume.

Rising US gas prices should be offset by a surge in MTBE spreads

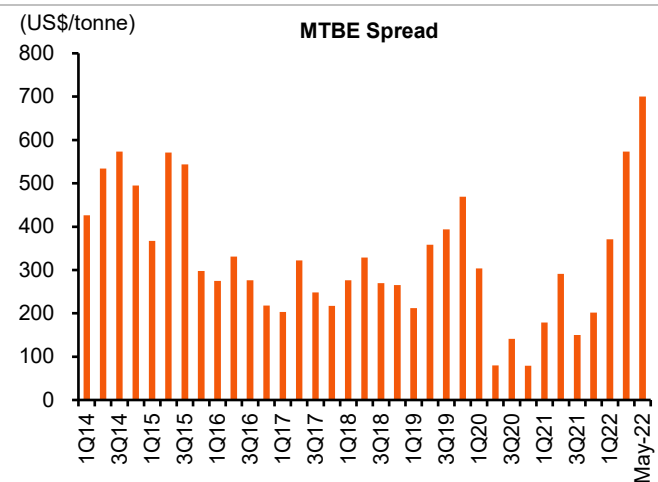
Meanwhile, the market may have concerns regarding gas cost pressure from the US though we see this being offset by the surge in the MTBE spread. The Henry Hub gas price has risen by 64% 2QTD, or US\$2.9/mmbtu to US\$7.4/mmbtu. We estimate an EBITDA impact of US\$17m from rising US gas costs. However, the MTBE spread has risen strongly by US\$263/t, leading to an EBITDA increase of US\$39m.

Ex 11: Higher MTBE Spread More Than Offset By Higher US Gas Costs



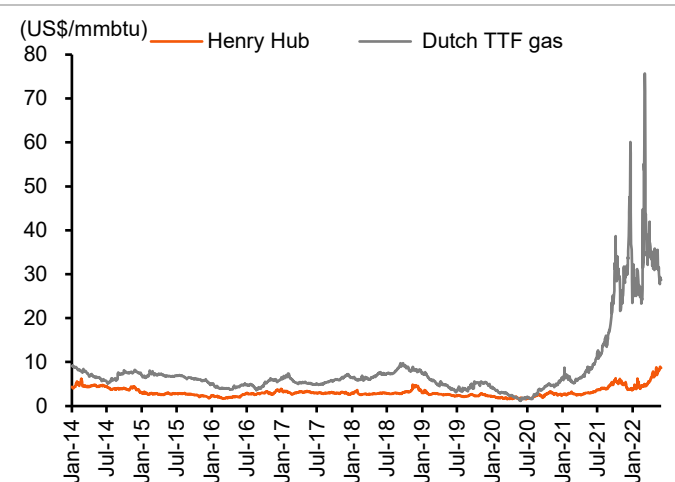
Source: Thanachart estimates

Ex 12: US MTBE Spread



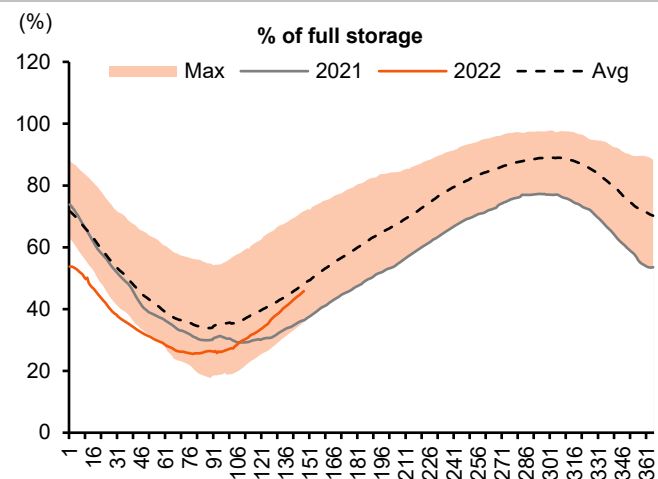
Source: Company data

Ex 13: US and Europe Gas Prices



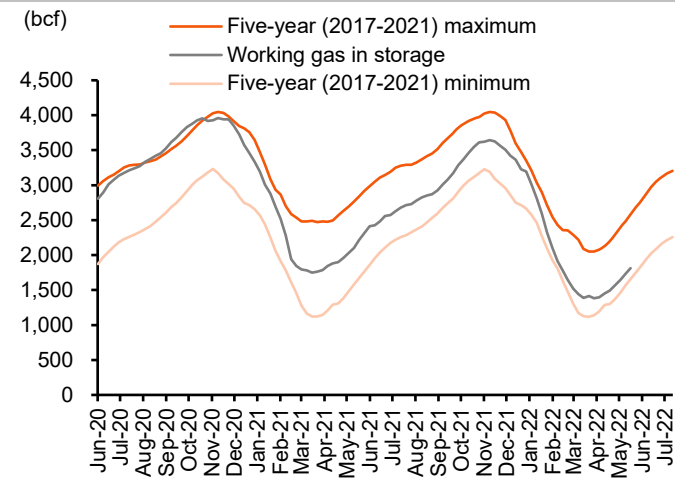
Source: Bloomberg

Ex 14: Europe Gas Inventories



Source: Bloomberg

Ex 15: US Gas Inventories



Source: EIA

Ex 16: 12-month DCF-based TP Calculation, Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
EBITDA	77,833	77,356	74,413	71,538	73,417	75,367	77,391	79,492	81,672	83,935	86,284	
Free cash flow	35,353	33,195	47,754	45,357	46,739	48,185	49,680	51,227	52,827	54,483	67,142	942,670
PV of free cash flow	32,634	28,274	37,068	32,357	30,644	29,027	27,504	25,208	23,792	22,451	25,322	355,514
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.3											
WACC (%)	8.4											
Terminal growth (%)	2.0											
Enterprise value - add investments	669,795											
Net debt	307,165											
Minority interest	14,262											
Equity value	348,368											
# of shares	5,615											
Equity value/share (Bt)	62											

Sources: Company data, Thanachart estimates

Valuation Comparison**Ex 17: Comparison With Regional Peers**

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		– Div yield –	
			22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Sinopec Shanghai	338 HK	Hong Kong	(29.1)	40.5	8.9	6.3	0.5	0.5	6.0	5.3	7.8	5.8
Sinopec Yizheng	1033 HK	Hong Kong	(66.7)	100.0	62.0	31.0	1.7	1.6	13.6	12.1	0.0	0.0
AKR Corporindo	AKRA IJ	Indonesia	31.2	10.1	16.0	14.6	2.1	1.9	11.3	10.3	2.4	3.0
Reliance Industries Ltd	RIL IN	India	31.2	27.6	28.9	22.7	2.3	2.1	18.2	14.0	0.3	0.3
LG Chem	051910 KS	South Korea	(34.1)	26.1	17.3	13.7	1.6	1.5	6.4	5.3	1.9	1.8
SK Energy	096770 KS	South Korea	na	(21.7)	9.0	11.5	1.0	0.9	5.9	6.7	0.9	1.7
Petronas Chemicals Group	PCHEM MK	Malaysia	12.4	(10.0)	11.0	12.2	2.1	2.0	7.3	7.9	4.6	5.1
Formasa Chemical	1326 TT	Taiwan	(28.5)	(5.1)	16.5	17.3	1.2	1.2	14.1	13.7	6.2	4.6
Far Eastern New Century	1402 TT	Taiwan	4.7	13.6	13.5	11.9	0.7	0.7	10.8	10.3	5.4	5.7
IRPC Pcl *	IRPC TB *	Thailand	(70.7)	489.1	61.4	10.4	0.8	0.7	12.8	7.4	4.4	4.8
Indorama Ventures *	IVL TB *	Thailand	96.4	(18.9)	6.9	8.5	1.4	1.3	6.7	7.3	4.1	3.1
PTT Global Chemical *	PTTGC TB *	Thailand	(19.4)	5.4	9.5	9.1	0.7	0.6	7.5	7.0	5.2	5.0
Siam Cement *	SCC TB *	Thailand	(24.2)	35.0	12.5	9.3	1.2	1.1	12.1	8.5	4.0	5.4
TPI Polene	TPIPL TB	Thailand	(37.0)	0.0	9.5	9.5	0.6	0.6	9.6	9.9	na	5.0
Average			(10.3)	49.4	20.2	13.4	1.3	1.2	10.2	9.0	3.6	3.6

Sources: Bloomberg, * Thanachart estimates

Based on 1 June 2022 closing prices

COMPANY DESCRIPTION

Indorama Ventures Pcl (IVL) manufactures and distributes polyethylene terephthalate (PET), polyester fibers and yarns, purified terephthalic acid (PTA) and monoethylene glycol (MEG). It is one of the largest vertically integrated polyester chain producers in the world. Its global sales and manufacturing presence can be seen in major markets such as the US, Europe and Asia, serving major players in diversified end-user markets, including food, beverages, personal and home care, health care, automotive, textiles and industrial. We believe IVL is now at an inflection point for its third growth phase, via expanding into a packaging, olefin-integrated company.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Large scale and efficient facilities are helping IVL to become one of the lowest-cost producers in the world.
- Large scale and good relationships with customers help IVL to keep its utilization rate high and improve economies of scale.
- Setting up plants in many major markets helps IVL to save on transportation costs and avoid trade barriers.

O — Opportunity

- IVL still has room for further growth potential from expanding its IOD portfolio via horizontal and vertical integration.
- Potential upside from the rPET business.
- Market consolidation in the US and Europe is helping to sustain product spreads.

W — Weakness

- IVL's heavy reliance on the PET/polyester product value chain and its investment in US ethane crackers make it vulnerable to oil price fluctuations.
- For PET, IVL's customers are major food & beverage companies, and they could have very strong bargaining power.

T — Threat

- Threat from higher environmental awareness that would lead to lower virgin PET demand.
- New technology to lower production costs would require existing players to invest more capex to improve efficiency.
- Overpaying for acquisitions and limited synergies.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	60.60	62.00	2%
Net profit 22F (Bt m)	32,697	43,604	33%
Net profit 23F (Bt m)	31,626	32,537	3%
Consensus REC	BUY: 20	HOLD: 0	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F net profit is higher than Bloomberg consensus estimate, likely as we have higher PET and MTBE spread assumptions.
- However, our DCF-based TP is in line with the Street's.

RISKS TO OUR INVESTMENT CASE

- Lower-than-expected spreads and/or poor cost controls represent the key downside risks to our view.
- A collapse in oil prices that would lead to lower MTBE and MEG spreads is a secondary downside risk to our call.
- Unsuccessful integration of the recent acquisitions would be another secondary downside risk.

Sources: Bloomberg consensus, Thanachart forecasts

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	331,513	468,108	1,734,469	1,711,277	1,760,230
Cost of sales	277,729	386,738	1,469,844	1,457,562	1,501,377
Gross profit	53,784	81,370	264,625	253,715	258,853
% gross margin	16.2%	17.4%	15.3%	14.8%	14.7%
Selling & administration expenses	39,092	47,343	204,530	201,795	207,568
Operating profit	14,692	34,027	60,095	51,919	51,285
% operating margin	4.4%	7.3%	3.5%	3.0%	2.9%
Depreciation & amortization	20,469	21,736	27,130	25,914	26,071
EBITDA	35,161	55,763	87,225	77,833	77,356
% EBITDA margin	10.6%	11.9%	5.0%	4.5%	4.4%
Non-operating income	(1,318)	1,978	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(7,482)	(6,905)	(8,688)	(8,879)	(7,505)
Pre-tax profit	5,892	29,100	51,407	43,040	43,780
Income tax	(1,095)	6,703	9,440	8,641	8,789
After-tax profit	6,987	22,397	41,967	34,399	34,991
% net margin	2.1%	4.8%	2.4%	2.0%	2.0%
Shares in affiliates' Earnings	143	160	165	165	165
Minority interests	(392)	(2,137)	(2,027)	(2,027)	(2,027)
Extraordinary items	(4,324)	5,868	3,498	0	(0)
NET PROFIT	2,414	26,288	43,604	32,537	33,129
Normalized profit	6,738	20,420	40,105	32,537	33,129
EPS (Bt)	0.4	4.7	7.8	5.8	5.9
Normalized EPS (Bt)	1.2	3.6	7.1	5.8	5.9

IVL looks on track to see
a sharp earnings
turnaround in 2022F

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	119,835	176,859	617,951	616,588	634,135
Cash & cash equivalent	19,390	16,456	15,241	20,241	20,241
Account receivables	33,422	53,172	197,016	194,382	199,943
Inventories	53,938	88,979	338,175	335,349	345,430
Others	13,084	18,252	67,518	66,616	68,521
Investments & loans	3,229	3,603	3,603	3,603	3,603
Net fixed assets	264,291	291,677	345,397	354,133	356,512
Other assets	65,817	69,689	135,615	134,408	136,957
Total assets	453,172	541,828	1,102,566	1,108,732	1,131,207
LIABILITIES:					
Current liabilities:	117,161	161,121	515,701	525,605	551,902
Account payables	57,783	90,265	343,063	340,196	350,423
Bank overdraft & ST loans	20,726	26,619	40,125	38,883	36,100
Current LT debt	16,503	17,371	31,051	49,238	63,491
Others current liabilities	22,150	26,866	101,463	97,288	101,888
Total LT debt	164,073	169,893	251,230	224,305	190,474
Others LT liabilities	36,329	39,811	127,422	125,872	129,145
Total liabilities	317,564	370,825	894,354	875,781	871,521
Minority interest	8,953	12,235	14,262	16,289	18,316
Preferreds shares	0	0	0	0	0
Paid-up capital	5,615	5,615	5,615	5,615	5,615
Share premium	60,331	60,331	60,331	60,331	60,331
Warrants	0	0	0	0	0
Surplus	(6,852)	4,330	4,330	4,330	4,330
Retained earnings	67,561	88,492	123,674	146,386	171,093
Shareholders' equity	126,655	158,769	193,951	216,662	241,370
Liabilities & equity	453,172	541,828	1,102,566	1,108,732	1,131,207

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	5,892	29,100	51,407	43,040	43,780
Tax paid	1,495	(5,123)	(3,066)	(7,868)	(8,960)
Depreciation & amortization	20,469	21,736	27,130	25,914	26,071
Chg In working capital	9,719	(22,308)	(140,243)	2,594	(5,415)
Chg In other CA & CL / minorities	8,645	727	19,093	(3,880)	3,031
Cash flow from operations	46,220	24,133	(45,679)	59,799	58,507
Capex	(72,337)	(49,122)	(80,850)	(34,650)	(28,450)
Right of use	(11,865)	415	0	0	0
ST loans & investments	48	96	30	0	0
LT loans & investments	(682)	(374)	0	0	0
Adj for asset revaluation	(141)	11,539	0	0	0
Chg In other assets & liabilities	(2,017)	3,511	25,183	(343)	725
Cash flow from investments	(86,994)	(33,934)	(55,637)	(34,993)	(27,725)
Debt financing	55,040	12,581	108,523	(9,981)	(22,359)
Capital increase	0	0	(0)	0	0
Dividends paid	(3,930)	(5,193)	(8,422)	(9,825)	(8,422)
Warrants & other surplus	(1,400)	(520)	0	0	0
Cash flow from financing	49,710	6,867	100,101	(19,806)	(30,781)
Free cash flow	(26,117)	(24,989)	(126,529)	25,149	30,057

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	40.8	13.5	6.9	8.5	8.3
Normalized PE - at target price (x)	51.7	17.0	8.7	10.7	10.5
PE (x)	114.0	10.5	6.3	8.5	8.3
PE - at target price (x)	144.2	13.2	8.0	10.7	10.5
EV/EBITDA (x)	13.0	8.5	6.7	7.3	7.0
EV/EBITDA - at target price (x)	15.1	9.8	7.5	8.2	8.0
P/BV (x)	2.2	1.7	1.4	1.3	1.1
P/BV - at target price (x)	2.7	2.2	1.8	1.6	1.4
P/CFO (x)	6.0	11.4	(6.0)	4.6	4.7
Price/sales (x)	0.8	0.6	0.2	0.2	0.2
Dividend yield (%)	1.4	2.0	4.1	3.1	3.1
FCF Yield (%)	(9.5)	(9.1)	(46.0)	9.1	10.9
(Bt)					
Normalized EPS	1.2	3.6	7.1	5.8	5.9
EPS	0.4	4.7	7.8	5.8	5.9
DPS	0.7	1.0	2.0	1.5	1.5
BV/share	22.6	28.3	34.5	38.6	43.0
CFO/share	8.2	4.3	(8.1)	10.7	10.4
FCF/share	(4.7)	(4.5)	(22.5)	4.5	5.4

Sources: Company data, Thanachart estimates

IVL trades well below its
long-term average PE
multiple

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(6.0)	41.2	270.5	(1.3)	2.9
Net profit (%)	(54.0)	988.9	65.9	(25.4)	1.8
EPS (%)	(54.0)	988.9	65.9	(25.4)	1.8
Normalized profit (%)	28.6	203.1	96.4	(18.9)	1.8
Normalized EPS (%)	28.6	203.1	96.4	(18.9)	1.8
Dividend payout ratio (%)	162.8	21.4	25.8	25.9	25.4
Operating performance					
Gross margin (%)	16.2	17.4	15.3	14.8	14.7
Operating margin (%)	4.4	7.3	3.5	3.0	2.9
EBITDA margin (%)	10.6	11.9	5.0	4.5	4.4
Net margin (%)	2.1	4.8	2.4	2.0	2.0
D/E (incl. minor) (x)	1.5	1.3	1.5	1.3	1.1
Net D/E (incl. minor) (x)	1.3	1.2	1.5	1.3	1.0
Interest coverage - EBIT (x)	2.0	4.9	6.9	5.8	6.8
Interest coverage - EBITDA (x)	4.7	8.1	10.0	8.8	10.3
ROA - using norm profit (%)	1.6	4.1	4.9	2.9	3.0
ROE - using norm profit (%)	5.3	14.3	22.7	15.8	14.5
DuPont					
ROE - using after tax profit (%)	5.5	15.7	23.8	16.8	15.3
- asset turnover (x)	0.8	0.9	2.1	1.5	1.6
- operating margin (%)	4.0	7.7	3.5	3.0	2.9
- leverage (x)	3.3	3.5	4.7	5.4	4.9
- interest burden (%)	44.1	80.8	85.5	82.9	85.4
- tax burden (%)	118.6	77.0	81.6	79.9	79.9
WACC (%)	8.4	8.4	8.4	8.4	8.4
ROIC (%)	6.6	8.5	13.8	8.3	8.1
NOPAT (Bt m)	17,422	26,189	49,060	41,496	40,989
invested capital (Bt m)	308,567	356,196	501,116	508,847	511,195

Sources: Company data, Thanachart estimates

Leverage on a declining trend with lower capex and growing profit

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 57 Derivative Warrants which are AMAT16C2206A, AOT16C2206A, AWC16C2207A, BAM16C2206A, BAM16C2207A, BANP16C2207A, BCH16C2207A, BEC16C2207A, BLA16C2205A, BLA16C2208A, CBG16C2207A, CHG16C2207A, COM716C2208A, COM716C2209A, DOHO16C2207A, EA16C2206A, EA16C2207A, EA16C2209A, ESSO16C2209A, GPSC16C2206A, GPSC16C2207A, GPSC16C2209A, GULF16C2207A, GUNK16C2206A, GUNK16C2207A, GUNK16C2209A, HANA16C2207A, HANA16C2209A, IVL16C2206A, JMAR16C2206A, JMT16C2207A, KBAN16C2206A, KBAN16C2208A, KBAN16C2209A, KCE16C2208A, KCE16C2209A, KTC16C2209A, MEGA16C2207A, MINT16C2207A, MTC16C2209A, PTG16C2209A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2208A, S5016C2206A, S5016C2209A, S5016P2206A, S5016P2206B, S5016P2209A, SAWA16C2209A, SCB16C2208A, SPRC16C2209A, STEC16C2209A, SYNE16C2206A, TOP16C2206A, TTA16C2207A, TTA16C2208A (underlying securities are AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BLA, CBG, CHG, COM7, DOHOME, EA, ESSO, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MEGA, MINT, MTC, PTG, PTTEP, PTTGC, RBF, RCL, SET50, SAWAD, SCB, SPRC, STEC, SYNEX, TOP, TTA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SCG Packaging Pcl (SCGP TB)

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team

19 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 779-9119

Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA

Head of Research

Tel: 662-779-9199

pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat

Senior Technical Analyst

Tel: 662-779-9105

pattarawan.wan@thanachartsec.co.th

Phannarai Tiypittayarut

Property, Retail

Tel: 662-779-9109

phannarai.von@thanachartsec.co.th

Sarachada Sornsong

Bank, Finance

Tel: 662-779-9106

sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong

Technical Analyst

Tel: 662-779-9123

witchanan.tam@thanachartsec.co.th

Adisak Phupiphathirungul, CFA

Retail Market Strategy

Tel: 662-779-9120

adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant

Telecom, Utilities

Tel: 662-483-8296

nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom

Auto, Industrial Estate, Media, Prop. Fund

Tel: 662-483-8297

rata.lim@thanachartsec.co.th

Siriporn Arunothai

Small Cap, Healthcare, Hotel

Tel: 662-779-9113

siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat

Analyst, Quantitative

Tel: 662-483-8303

sittichet.run@thanachartsec.co.th

Chak Reungsinpinya

Thematic Research, Paper

Tel: 662-779-9104

chak.reu@thanachartsec.co.th

Pattadol Bunnak

Electronics, Food & Beverage, Shipping

Tel: 662-483-8298

pattadol.bun@thanachartsec.co.th

Saksid Phadthanarak

Construction, Transportation

Tel: 662-779-9112

saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert

Energy, Petrochemical

Tel: 662-779-9110

yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan

Analyst, Retail Market

Tel: 662-483-8304

thaloengsak.kuc@thanachartsec.co.th