HOLD (From: BUY)

Change in Recommendation

TP: Bt 46.00 (From: Bt 62.00)

Upside : 7.6%

8 AUGUST 2022

Thanachart Securities

Indorama Ventures Pcl (IVL TB)

Changing dynamics

We downgrade IVL to HOLD as key dynamics are changing faster than we'd earlier expected. The first is falling freight rates that should impact the West product spread while the second is persistently high gas costs in Europe. The last factor is that other product spreads are also falling. We cut our earnings and lower our TP to Bt46/share.

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Peaking earnings

Note that this report includes our ESG comments. We downgrade IVL to HOLD (from Buy) after 2/11/14% core earnings cuts in 2022-24F and assign a lower DCF-based 12-month TP, using a 2023F base year, of Bt46/share (from Bt62). *First*, freight rates are falling faster than we'd expected and this should bring down the West PET spread, which is linked to the import parity price. *Second*, gas prices in Europe are higher than we'd expected and this looks as if it will be a persistent factor, increasing IVL's operating costs. *Third*, we now expect IVL's earnings to peak in 2Q22F before falling from 2H22F. We estimate 27/2% earnings declines in 2023-24F. *Lastly*, after our earnings cuts, we believe IVL is fairly priced trading at 8.3x 2023F PE against its declining earnings trend.

West PET spread to fall from peak

West PET sales volume made up c.45% of IVL's total volume sales but its EBITDA came to as much as 50% of total EBITDA in 1Q22. The higher proportion of EBITDA was due to the high West PET spread of US$823/tonne vs. only US$293/tonne for the Asian PET spread. The higher West spread is due to the tight and net-import markets in the US and Europe vs. Asia as a net exporter. The West PET spread premium over the Asian spread jumped to US$531/tonne in 1Q22 from US$196/197 in 2020-21 due to the container freight rate jump. Now the freight rate has fallen by 36% from this year peak, we expect it to bring down the West PET spread. See our new assumptions in Exhibit 3.

Other spreads are also softening

IVL also produces fiber and MEG which accounted for 12% and 4% of sales volume, respectively, in 1Q22. EBITDA margin of both products has begun to fall and due to softer fiber demand in China, the weakening world economy and continued oversupply, we expect lower contributions from them in 2H22F. The MTBE spread has also fallen faster than we'd expected, down 40% from this year's peak as the US driving season is coming to an end.

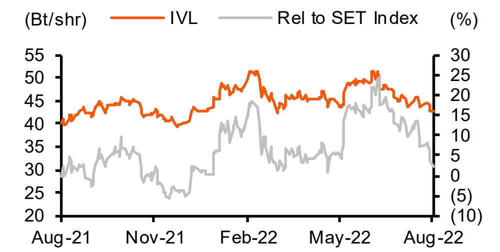
Persistently high gas costs

Despite the low season, the Dutch TTF gas price benchmark price has jumped by 44% to nearly EUR200/MWh from the end of 2Q22 on the back of growing concerns about Russian gas supplies ahead of winter. The Nordstream 1 pipeline is currently operating at only 20% of its capacity. The price has gone up more than we'd expected earlier and we therefore raise our gas cost assumptions to EUR170/166/103 per Mwh from EUR150/50/50 in 2022-24F. This is in line with the forward price curve.

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	42,928	28,948	28,371
Consensus NP	—	36,732	33,887	33,927
Diff frm cons (%)	—	*16.9*	*(14.6)*	*(16.4)*
Norm profit	20,420	39,430	28,948	28,371
Prev. Norm profit	—	40,105	32,537	33,129
Chg frm prev (%)	—	*(1.7)*	*(11.0)*	*(14.4)*
Norm EPS (Bt)	3.6	7.0	5.2	5.1
Norm EPS grw (%)	203.1	93.1	(26.6)	(2.0)
Norm PE (x)	11.8	6.1	8.3	8.5
EV/EBITDA (x)	7.8	6.3	7.3	7.2
P/BV (x)	1.5	1.2	1.1	1.0
Div yield (%)	2.3	4.7	3.5	3.5
ROE (%)	14.3	22.4	14.3	12.8
Net D/E (%)	115.5	148.3	129.5	111.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 8-Aug-22 (Bt)	42.75
Market Cap (US$ m)	6,711.5
Listed Shares (m shares)	5,614.6
Free Float (%)	35.1
Avg Daily Turnover (US$ m)	26.3
12M Price H/L (Bt)	51.50/39.25
Sector	PETRO
Major Shareholder	Indorama Resources 64.74%

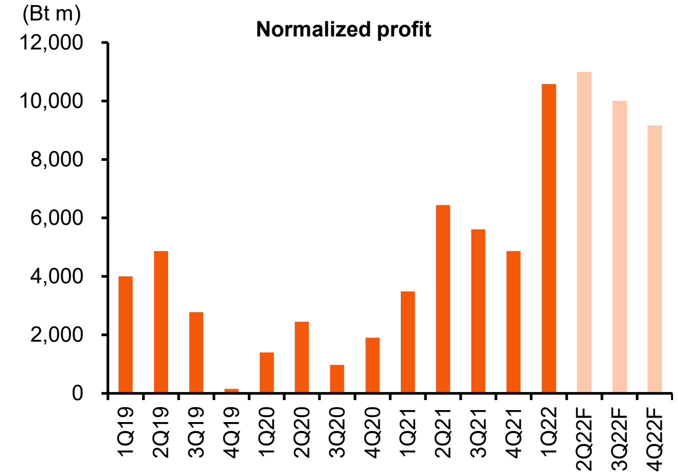
Sources: Bloomberg, Company data, Thanachart estimates

Peaking earnings cycle

Cutting our earnings and downgrading to HOLD

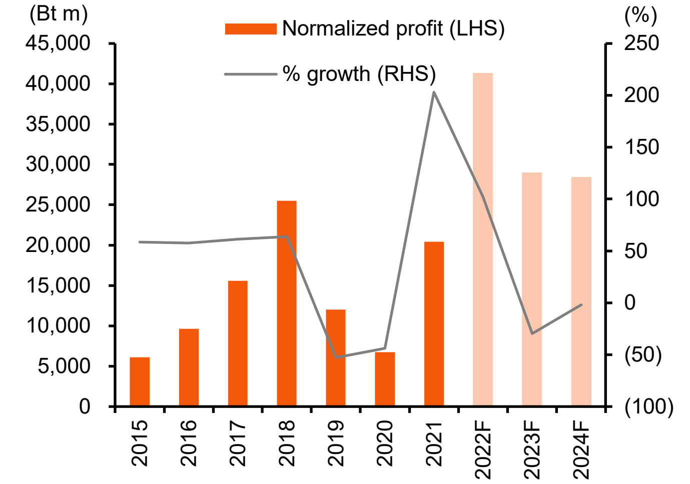
We downgrade our recommendation on Indorama Ventures Pcl (IVL) to HOLD (from Buy) because we now expect its earnings to peak earlier than we did previously. This comes on the back of a faster-than-expected fall in product spreads. We cut our core earnings estimates for IVL by 2/11/14% over 2022-24F and our DCF-based 12-month TP, using a 2023F base year, to Bt46/share (from Bt62). We expect 2Q22F to be the company's peak earnings quarter and for the decline to commence from 2H22F. We then estimate earnings to fall by 27/2% in 2023-24F.

Ex 1: Quarterly Earnings To Peak In 2Q22F



Sources: Company data, Thanachart estimates

Ex 2: Entering An Earnings Downcycle



Sources: Company data, Thanachart estimates

Earlier-than-expected drop in product spreads

Our earnings cuts are mainly as a result of an earlier-than-expected fall in product spreads, especially the West PET spread, which is IVL's largest EBITDA contributor at c. 50% in 1Q22. Other product spreads are also falling. The other reason is persistently high gas costs in Europe.

Ex 3: Key Assumptions And Earnings Revisions

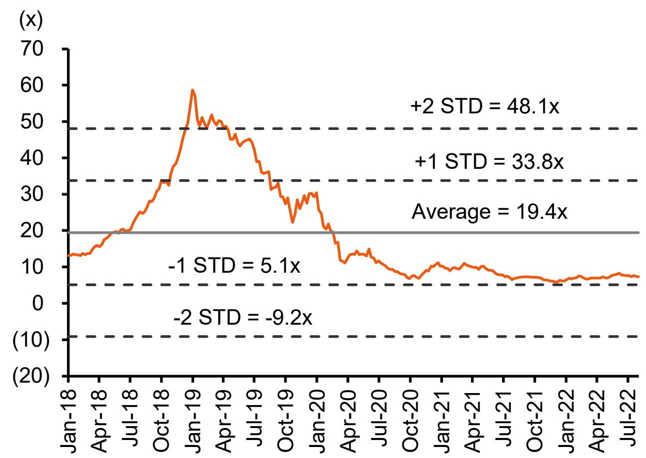
	Actual			New			Old			Change (%)		
	2019A	2020A	2021A	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
Normalized profit (Bt m)	12,002	6,738	20,420	39,430	28,948	28,371	40,105	32,537	33,129	(1.7)	(11.0)	(14.4)
EBTIDA (US$m)	1,147	1,124	1,743	2,688	2,225	2,168	2,643	2,359	2,344	1.7	(5.7)	(7.5)
EBITDA per tonne (US$/tonne)	93	82	119	163	131	124	168	139	134	(3.2)	(5.7)	(7.5)
Volume (mta)	12	14	15	17	17	17	16	17	17	5.0	0.0	0.0
Dutch TTF gas (EUR/Mwh)	15	10	47	170	166	103	150	50	50	13.3	232.5	106.7
Industry margin (US$/tonne)												
Industry spread: Asia Integrated PET	243	206	252	282	267	249	282	267	254	0.0	0.0	(2.0)
Industry spread: West Integrated PET	439	397	666	767	601	528	810	687	644	(5.3)	(12.5)	(18.0)
US MEG over Ethane	457	365	510	350	400	450	400	450	450	(12.5)	(11.1)	0.0
US MTBE	358	151	206	500	350	350	500	350	350	0.0	0.0	0.0
Fiber EBITDA per tonne	138	125	153	130	150	150	180	180	180	(27.8)	(16.7)	(16.7)

Sources: Company data, Thanachart estimates

We see IVL as fairly priced at 8.3x 2023F PE

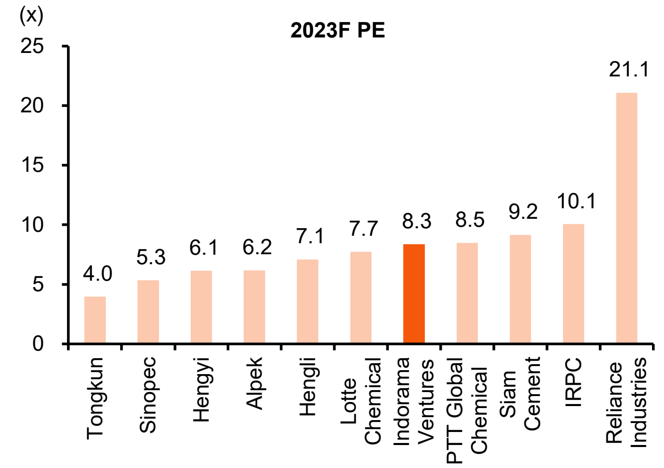
After our earnings cuts, we see IVL as fairly priced trading at an 8.3x 2023F PE multiple against its declining earnings trend. IL is trading at a premium to global petrochemical firms' PE of around 7x in 2023F. We believe IVL's premium valuation is justified because PET, a key raw material in the production of water bottles, is one of the most consolidated petrochemical markets in the world and IVL is the world's largest PET producer. Also, we expect IVL to continue to enjoy the tight markets in the US and Europe, resulting in a higher West PET spread.

Ex 4: PE Band



Sources: Bloomberg, Thanachart estimates

Ex 5: Deserves PE Premium To Global Peers



Sources: Company data, Thanachart estimates

Peaking product spreads

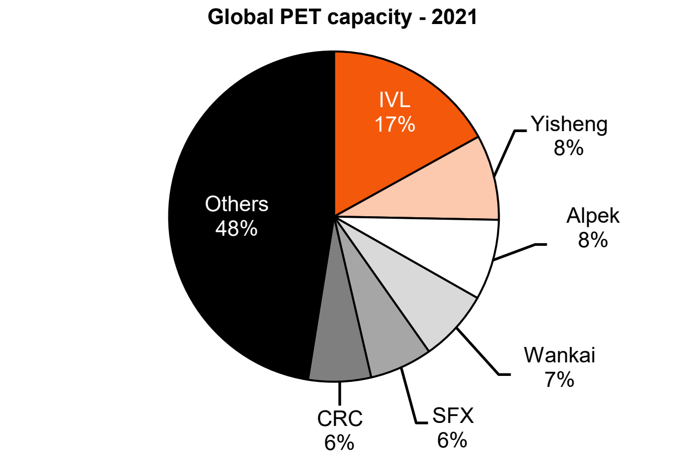
Integrated PET contributes the largest part of EBITDA

IVL is the world's largest integrated PET producer. It also produces fiber, MEG, MTBE and surfactants. Integrated PET contributed the biggest portion of its EBITDA at 52/60% of total EBITDA in 2021/1Q22. The PET market has been quite balanced since it is a relatively consolidated market with IVL controlling 17% of world PET capacity and the top three players commanding 33%. End demand of PET is mainly for drinking bottles which enjoy stable 4-5% p.a. demand growth.

PET windfalls

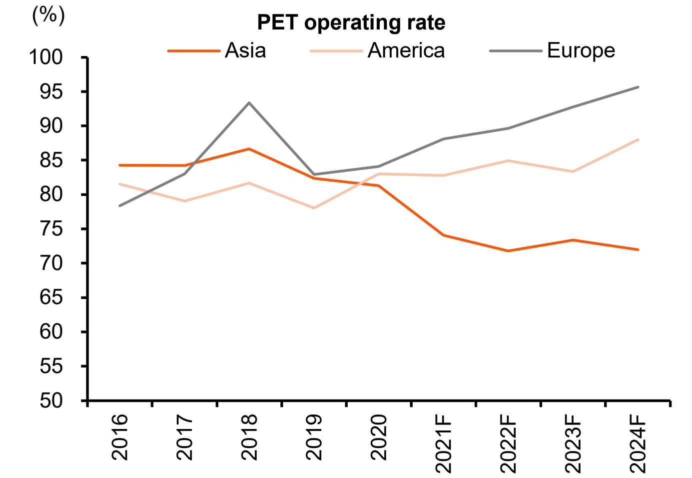
That said, IVL has enjoyed strong PET spreads since 2020 driven by additional demand following country shutdown during the COVID-19 outbreak and the Texas deep freeze in the US in 1H21. Since 2H21, IVL has also benefited from a further jump in the West PET spread because of a surge in container freight rates. Note that Western markets, including the US and Europe, are net importers of PET while Asia is a net exporter. Therefore, pricing in Western markets is on an import parity basis and we believe the tight market premium is built into West PET pricing.

Ex 6: Consolidated Global PET Market



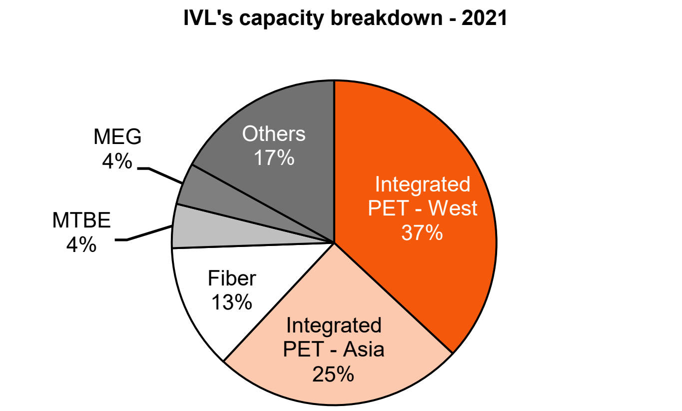
Sources: Company data, Thanachart estimates

Ex 7: West Vs. Asian PET Demand-Supply



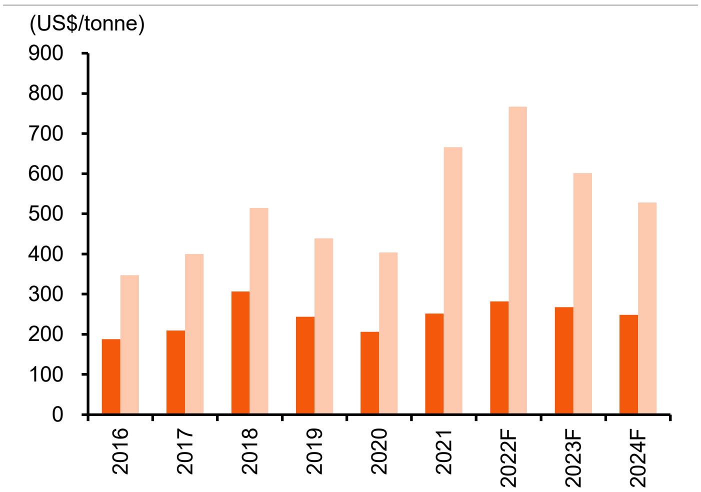
Source: IHS

Ex 8: PET Has The Largest Share Of IVL's Capacity



Source: Company data

Ex 9: West PET Vs. Asian PET Spread



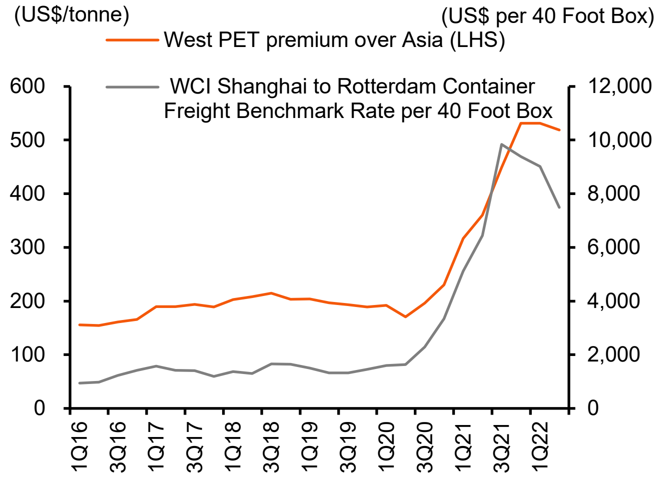
Sources: Company data, Thanachart estimates

Falling freight rates to bring down West PET spread

Looking ahead, we expect the West PET spread to fall on the back of declining freight rates. We expect the Asian spread to be more stable reflecting the stable demand-supply situation for the global PET industry. The container freight rate (WCI Shanghai to Rotterdam container benchmark) has risen significantly since 2020 and more so in 2021 due to strong demand during the COVID years and port congestion causing a shortage of containers. The current benchmark freight rate is still nearly 4x above the 2019 level.

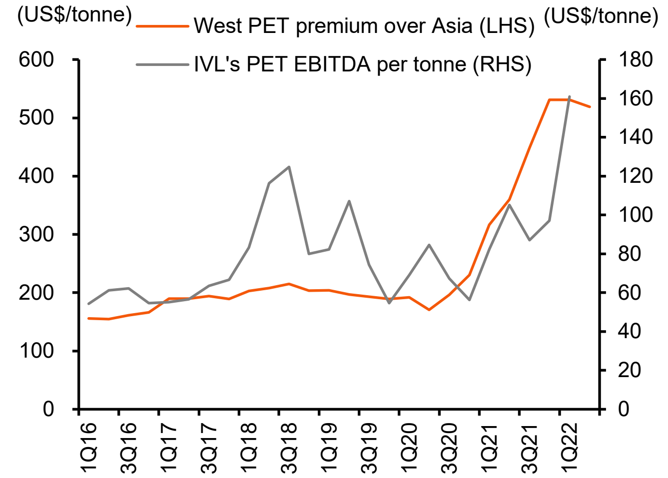
However, the freight rate has begun to fall from its recent peak earlier than we'd previously expected, likely a result of the reopening the world economy causing slower demand growth for consumer products that were selling well during the work-from-home period. Adding to the earlier-than-expected freight rate fall are higher-than-expected increases in global inflation and interest rates which pose threats to future global consumption. We expect falling freight rates to result in a declining West PET spread for IVL.

Ex 10: Freight Rate Vs. West PET Spread Premium



Source: Company data, Bloomberg

Ex 11: IVL's PET EBITDA Vs. West PET Premium

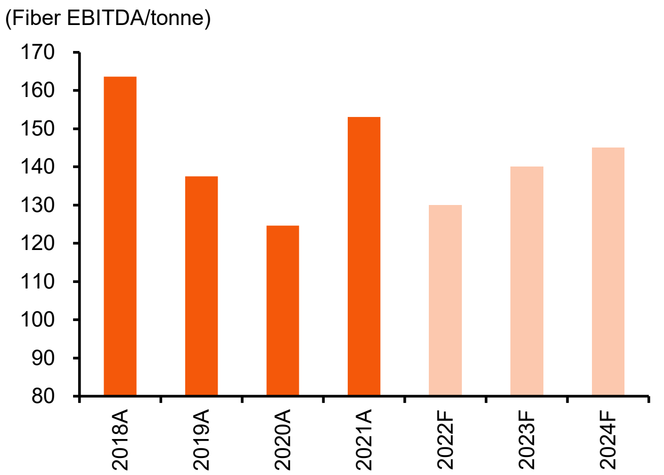


Source: Company data

Other spreads are also softening

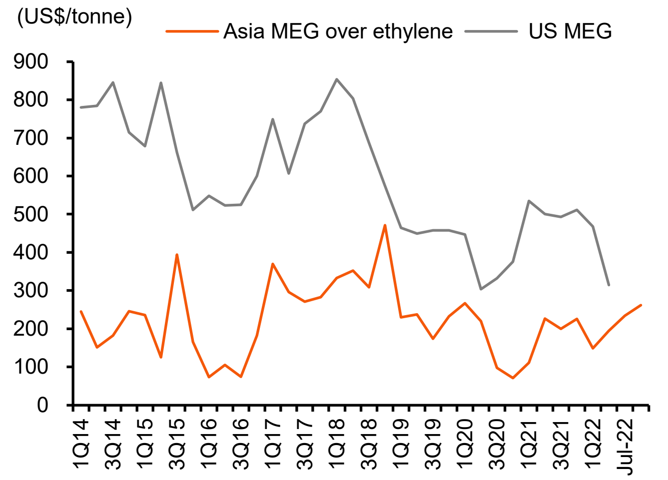
Aside from PET, some other product spreads are also declining. The weaker Chinese economy and the risk of a slower world economy are resulting in lower demand for textiles and therefore fiber product margins are falling. China is one of the world's biggest consumers of textile products. The lower fiber demand outlook is also putting pressure on the spread of monoethylene glycol (MEG), a raw material in fiber production. MTBE, which is an octane booster in gasoline products, has also seen its price come down ahead of the end of the US driving season.

Ex 12: IVL's Fiber EBITDA Margin



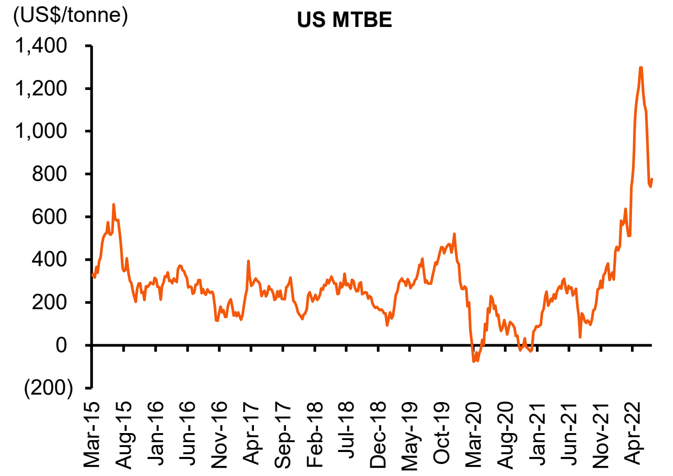
Sources: Company data, Thanachart estimates

Ex 13: Falling MEG Spread



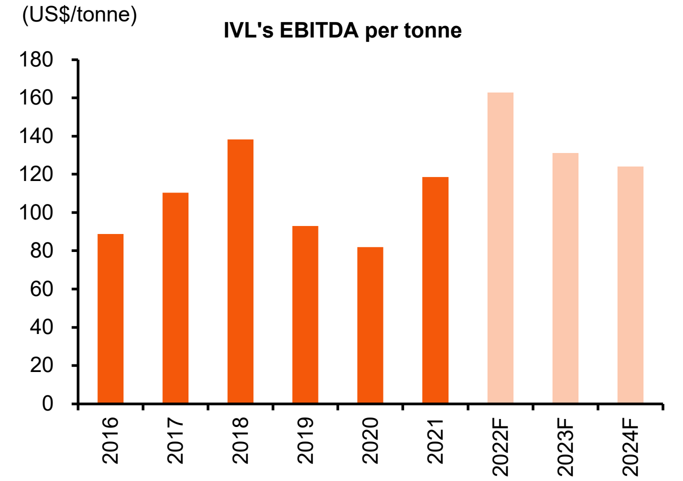
Source: Bloomberg, Company data

Ex 14: US MTBE Spread To Normalize



Source: Bloomberg

Ex 15: Lower Spreads Bring Down IVL's EBITDA Margin



Sources: Company data, Thanachart estimates

Persistently high gas costs

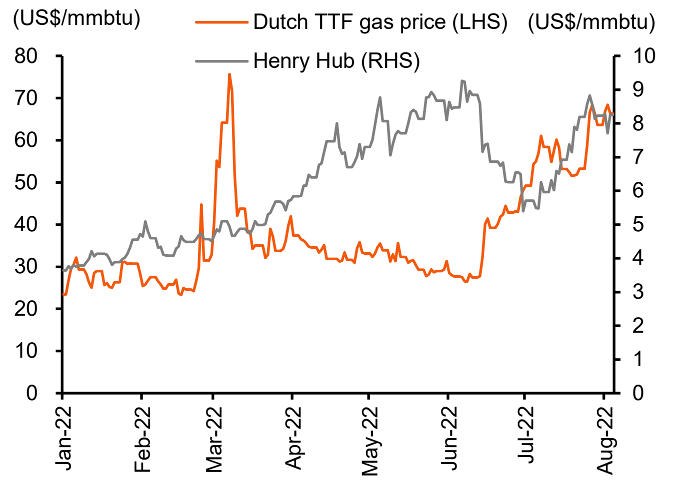
High gas costs are a long-term pressure factor

Around 51% of IVL's EBITDA comes from the US and 13% from Europe. IVL estimates that gas costs, as a fuel type and via electricity costs, accounted for 5% of its total operating costs in 2021.

The Russia-Ukraine conflict has resulted in sanctions on Moscow, which have become a structural issue resulting in elevated gas prices in the West, especially Europe. Exhibit 16 shows the Dutch TTF benchmark gas price. High European gas costs are also leading to higher US Henry Hub gas prices given that the US is a key exporter of gas to Europe.

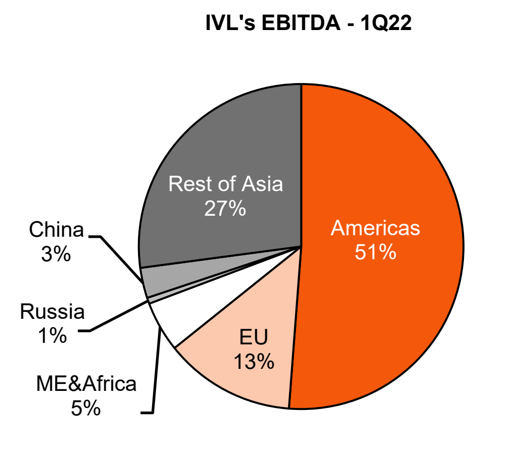
We therefore raise our Dutch TTF gas price assumptions to EUR170/166/103 per MWh from EUR150/50/50 in 2022-24F. This is in line with the forward price curve.

Ex 16: High Gas Prices



Source: Bloomberg

Ex 17: IVL's Capacity Breakdown By Region



Source: Company data

Ex 18: 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		73,409	71,560	62,171	64,699	66,573	68,519	70,539	72,636	74,813	77,072	79,418	
Free cash flow		31,825	28,562	36,487	38,388	39,799	41,256	42,763	44,321	45,934	47,602	58,777	825,224
PV of free cash flow		29,377	24,327	28,322	27,385	26,093	24,853	23,675	21,810	20,687	19,616	22,167	311,221
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	8.4												
Terminal growth (%)	2.0												
Enterprise value - add investments	579,534												
Net debt	307,785												
Minority interest	14,262												
Equity value	257,486												
# of shares	5,615												
Equity value/share (Bt)	**46**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 19: Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Sinopec Shanghai	338 HK	Hong Kong	(55.3)	96.3	11.7	5.9	0.4	0.4	6.9	4.6	9.4	6.9
Sinopec Yizheng	1033 HK	Hong Kong	(3.3)	13.8	19.3	17.0	1.3	1.2	11.2	10.3	0.0	0.0
AKR Corporindo	AKRA IJ	Indonesia	42.6	13.9	15.6	13.7	2.3	2.1	10.2	9.1	2.3	3.0
Reliance Industries Ltd	RIL IN	India	31.2	32.0	28.2	21.4	2.2	2.0	17.8	13.9	0.3	0.3
LG Chem	051910 KS	South Korea	(33.6)	25.8	19.1	15.2	1.6	1.5	7.0	5.8	1.7	1.5
SK Energy	096770 KS	South Korea	na	(34.5)	5.5	8.4	0.8	0.8	4.1	5.5	1.0	1.7
Petronas Chemicals Group	PCHEM MK	Malaysia	16.8	(12.8)	9.2	10.5	1.8	1.7	5.9	6.6	5.3	6.0
Formasa Chemical	1326 TT	Taiwan	(27.9)	(7.1)	13.7	14.8	1.1	1.1	12.9	12.8	7.4	5.4
Far Eastern New Century	1402 TT	Taiwan	4.7	13.6	12.9	11.4	0.7	0.7	10.6	10.1	5.7	6.0
IRPC Pcl *	IRPC TB *	Thailand	(70.7)	489.1	60.6	10.3	0.8	0.7	12.7	7.4	4.5	4.9
Indorama Ventures *	IVL TB *	Thailand	93.1	(26.6)	6.1	8.3	1.2	1.1	6.3	7.3	4.7	3.5
PTT Global Chemical *	PTTGC TB *	Thailand	(19.4)	5.4	9.0	8.6	0.6	0.6	7.3	6.8	5.5	5.2
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	(40.7)	6.3	10.2	9.6	na	na	9.8	9.9	na	na
Average			**(6.7)**	**46.4**	**16.7**	**11.7**	**1.2**	**1.2**	**9.6**	**8.5**	**4.0**	**3.8**

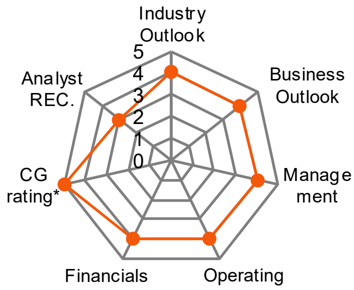
Sources: Bloomberg, * Thanachart estimates
Based on 8 August 2022 closing prices

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.

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.

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.

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)	59.51	46.00	-23%
Net profit 22F (Bt m)	36,732	42,928	17%
Net profit 23F (Bt m)	33,887	28,948	-15%
Consensus REC	**BUY: 18**	**HOLD: 1**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F net profit is lower than the Bloomberg consensus estimate, which we attribute to us having a lower West PET spread assumption.
- Therefore, our DCF-based TP is lower than the Street's.

Sources: Bloomberg consensus, Thanachart forecasts

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 recent acquisitions would be another secondary downside risk.
- Lower-than-expected gas costs could lead to lower-than-expected costs.
- A sudden renewed spike in freight rates leading to a wider West PET premium.

Source: Thanachart

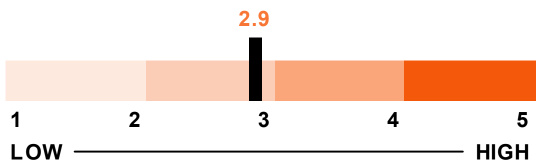
IVL

Indorama Ventures Pcl

Sector: Resources | Energy & Utilities

IVL is the world's largest PET producer. As a petrochemical company, IVL releases meaningful amounts of greenhouse gases. However, our ESG score for IVL is decent at 2.94, which is in line with the sector average. We think the company has a strong commitment to meeting targets for various ESG issues, including its more aggressive move toward recycling PET, but this is offset by its high energy intensity.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
IVL	YES	YES	YES	BBB	52.91	72.14	77.8	48.0	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" toward the back of this report.

Factors	Our Comments
ENVIRONMENT – **Environmental Policies & Guidelines** – **Energy Management** – **Carbon Management** – **Water Management** – **Waste Management**	▪ In 2021, IVL released 9.7mt of CO_2 equivalent, a 65% increase from 2018 due to its business expansions, including M&As. In terms of emission intensity, the company emitted 589kg/BOE (barrels of crude oil equivalent) vs. the 280kg average for Thai energy companies. IVL has a target to cut greenhouse gas (GHG) emissions by 30% between 2020 and 2030. Note that carbon emissions fell by 3% in 2021 from 2020. ▪ IVL targets to increase its PET recycling capacity to 750,000 tonnes by 2025 from 420,000 tonnes (12% of virgin PET capacity) in 2021 and 174,000 tonnes (3.4% of virgin PET capacity) in 2019. It has also allocated a budget for recycling technology to convert PET waste into virgin-grade feedstock for use in food packaging. ▪ IVL also targets to increase the use of renewable electricity in its production process to 10% of its total electricity requirements by 2025 and 25% by 2030. And it plans to increase biomass as a feedstock from 1% of the total in 2021 to 16% in 2030.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ IVL's Human Rights Policy was revised in 2021 to cover more areas such as human trafficking, sexual and non-sexual harassment, and bullying. All site and business heads must issue this declaration annually. In 2021, 80-81% of site and business heads issued declarations which didn't indicate significant issues or major violations. ▪ IVL also has CSR targets. The company encourages recycling awareness projects in different communities and countries and targets to educate 1m people globally by 2030. The company also aims to develop engagement with local communities to improve their quality of life and raise living standards and it expects to reach out to at least 100,000 beneficiaries/people in communities with its well-being initiative by 2030.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ IVL has a 15-member board of directors which we consider to be an appropriate size for the company's size and scope of businesses. Of the 15 members, seven are independent directors. There are five members, including the chairman, who are the owner's family members. There are two female board members. ▪ As a family-owned business, there have been transactions between group subsidiaries. That said, IVL ensures pricing transparency. ▪ IVL is a company that has grown inorganically via a series of acquisitions and its balance sheet could be of concern. However, the balance sheet is now stronger with warrants that were issued in 2014. Its internal net debt-equity ratio target is not to exceed 1.50x.

Source: Thanachart

IVL's profit set to drop from 2022F as West PET premium eases

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	1,470,678	1,461,986	1,507,173
Gross profit	**53,784**	**81,370**	**263,792**	**249,290**	**253,057**
% gross margin	16.2%	17.4%	15.2%	14.6%	14.4%
Selling & administration expenses	39,092	47,343	204,530	201,795	207,568
Operating profit	**14,692**	**34,027**	**59,262**	**47,495**	**45,489**
% operating margin	4.4%	7.3%	3.4%	2.8%	2.6%
Depreciation & amortization	20,469	21,736	27,130	25,914	26,071
EBITDA	**35,161**	**55,763**	**86,391**	**73,409**	**71,560**
% EBITDA margin	10.6%	11.9%	5.0%	4.3%	4.1%
Non-operating income	(1,318)	1,978	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(7,482)	(6,905)	(8,699)	(8,942)	(7,656)
Pre-tax profit	**5,892**	**29,100**	**50,563**	**38,554**	**37,833**
Income tax	(1,095)	6,703	9,271	7,744	7,600
After-tax profit	**6,987**	**22,397**	**41,292**	**30,810**	**30,233**
% net margin	2.1%	4.8%	2.4%	1.8%	1.7%
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**	**42,928**	**28,948**	**28,371**
Normalized profit	**6,738**	**20,420**	**39,430**	**28,948**	**28,371**
EPS (Bt)	0.4	4.7	7.6	5.2	5.1
Normalized EPS (Bt)	1.2	3.6	7.0	5.2	5.1

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	119,835	176,859	618,142	617,606	635,468
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	338,367	336,367	346,764
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**	**1,102,758**	**1,109,750**	**1,132,540**
LIABILITIES:					
Current liabilities:	117,161	161,121	516,085	528,026	556,579
Account payables	57,783	90,265	343,257	341,229	351,775
Bank overdraft & ST loans	20,726	26,619	40,202	39,379	37,176
Current LT debt	16,503	17,371	31,111	49,866	65,384
Others current liabilities	22,150	26,866	101,515	97,553	102,243
Total LT debt	**164,073**	**169,893**	**251,713**	**227,166**	**196,153**
Others LT liabilities	36,329	39,811	127,422	125,872	129,145
Total liabilities	**317,564**	**370,825**	**895,221**	**881,063**	**881,877**
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**	**122,999**	**142,121**	**162,071**
Shareholders' equity	126,655	158,769	193,275	212,398	232,347
Liabilities & equity	**453,172**	**541,828**	**1,102,758**	**1,109,750**	**1,132,540**

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	50,563	38,554	37,833
Tax paid	1,495	(5,123)	(2,898)	(6,970)	(7,771)
Depreciation & amortization	20,469	21,736	27,130	25,914	26,071
Chg In w orking capital	9,719	(22,308)	(140,240)	2,606	(5,410)
Chg In other CA & CL / minorities	8,645	727	19,145	(3,668)	3,121
Cash flow from operations	**46,220**	**24,133**	**(46,300)**	**56,434**	**53,843**
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	109,143	(6,616)	(17,696)
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**	**100,721**	**(16,441)**	**(26,118)**
Free cash flow	**(26,117)**	**(24,989)**	**(127,150)**	**21,784**	**25,393**

VALUATION

2023F PE looks fair given its declining earnings trajectory

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	35.6	11.8	6.1	8.3	8.5
Normalized PE - at target price (x)	38.3	12.6	6.6	8.9	9.1
PE (x)	99.4	9.1	5.6	8.3	8.5
PE - at target price (x)	107.0	9.8	6.0	8.9	9.1
EV/EBITDA (x)	12.0	7.8	6.3	7.3	7.2
EV/EBITDA - at target price (x)	12.5	8.2	6.6	7.6	7.5
P/BV (x)	1.9	1.5	1.2	1.1	1.0
P/BV - at target price (x)	2.0	1.6	1.3	1.2	1.1
P/CFO (x)	5.2	9.9	(5.2)	4.3	4.5
Price/sales (x)	0.7	0.5	0.1	0.1	0.1
Dividend yield (%)	1.6	2.3	4.7	3.5	3.5
FCF Yield (%)	(10.9)	(10.4)	(53.0)	9.1	10.6
(Bt)					
Normalized EPS	1.2	3.6	7.0	5.2	5.1
EPS	0.4	4.7	7.6	5.2	5.1
DPS	0.7	1.0	2.0	1.5	1.5
BV/share	22.6	28.3	34.4	37.8	41.4
CFO/share	8.2	4.3	(8.2)	10.1	9.6
FCF/share	(4.7)	(4.5)	(22.6)	3.9	4.5

Sources: Company data, Thanachart estimates

Leverage on a declining trend with lower capex

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	63.3	(32.6)	(2.0)
EPS (%)	(54.0)	988.9	63.3	(32.6)	(2.0)
Normalized profit (%)	28.6	203.1	93.1	(26.6)	(2.0)
Normalized EPS (%)	28.6	203.1	93.1	(26.6)	(2.0)
Dividend payout ratio (%)	162.8	21.4	26.2	29.1	29.7
Operating performance					
Gross margin (%)	16.2	17.4	15.2	14.6	14.4
Operating margin (%)	4.4	7.3	3.4	2.8	2.6
EBITDA margin (%)	10.6	11.9	5.0	4.3	4.1
Net margin (%)	2.1	4.8	2.4	1.8	1.7
D/E (incl. minor) (x)	1.5	1.3	1.6	1.4	1.2
Net D/E (incl. minor) (x)	1.3	1.2	1.5	1.3	1.1
Interest coverage - EBIT (x)	2.0	4.9	6.8	5.3	5.9
Interest coverage - EBITDA (x)	4.7	8.1	9.9	8.2	9.3
ROA - using norm profit (%)	1.6	4.1	4.8	2.6	2.5
ROE - using norm profit (%)	5.3	14.3	22.4	14.3	12.8
DuPont					
ROE - using after tax profit (%)	5.5	15.7	23.5	15.2	13.6
- asset turnover (x)	0.8	0.9	2.1	1.5	1.6
- operating margin (%)	4.0	7.7	3.4	2.8	2.6
- leverage (x)	3.3	3.5	4.7	5.5	5.0
- interest burden (%)	44.1	80.8	85.3	81.2	83.2
- tax burden (%)	118.6	77.0	81.7	79.9	79.9
WACC (%)	8.4	8.4	8.4	8.4	8.4
ROIC (%)	6.6	8.5	13.6	7.6	7.1
NOPAT (Bt m)	17,422	26,189	48,396	37,955	36,352
invested capital (Bt m)	308,567	356,196	501,061	508,567	510,821

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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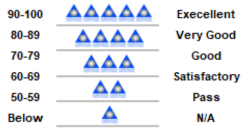

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