Indorama Ventures (IVL TB) - HOLD, Price Bt44.00, TP Bt46.00

Results Comment

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2Q22 – Beat from Oxiteno contribution

- IVL reported a strong profit of Bt20bn (+44% q-q, +143% y-y). This is higher than our consensus expectation of Bt14-16bn. Core profit also came in strong at Bt13.2bn (+25% q-q, 105% y-y) which beat our estimate by 20%. We expect 2Q22F to be strongest quarter of the year. Maintain HOLD.
- **IOD drive strong performance**. Core EBITDA up by 17% q-q, +59% y-y to US$758m driven by IOD segment. This is driven by i) strong MTBE margin and ii) strong contribution from Oxiteno which first contributed in this quarter. According to IVL, Oxiteno contributed EBITDA of US$85m in 2Q22 vs normal contribute around US$50m per quarter. Management expects strong performance to be sustainable given this is driven by higher margin due to strong demand and Pasadena plant in the US ramping up.
- **PET**: PET EBITDA was steady q-q at US$392/t. Benchmark PET spread was steady as well as gas cost. PET sale volume was flat q-q and y-y.
- **Fibers:** Fiber EBITDA dropped by 35% q-q, due to weak China demand which has caused both margin and volume to trend lower.
- **Extras:** The key extra gain is inventory amount $195m in 2Q22 vs US$133m in 1Q22. The company also booked insurance claim amount US$55m in this quarter.
- **Outlook:** We expect 3Q22F to be softer due to weaker MTBE margin QTD. Management guides limited impact from rising gas cost as they company already hedge 31-38% of gas cost for European operation at EUR70/Mwh and 48-51% for US operation at US$7/mmbtu.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Revenue	111,594	127,300	126,812	146,957	187,719
Gross profit	**21,320**	**20,827**	**22,223**	**29,852**	**37,562**
SG&A	11,495	12,066	13,190	13,874	17,875
Operating profit	9,825	8,762	9,033	15,978	19,687
EBITDA	**14,959**	**14,393**	**14,774**	**21,494**	**26,099**
Other income	398	461	70	949	1,568
Other expense	0	0	0	0	0
Interest expense	1,594	1,745	1,653	1,767	2,087
Profit before tax	**8,630**	**7,478**	**7,450**	**15,160**	**19,168**
Income tax	1,922	1,634	1,768	3,239	4,408
Equity & invest. income	39	60	32	46	(1)
Minority interests	(305)	(293)	(842)	(1,389)	(1,527)
Extraordinary items	1,897	937	520	3,492	7,046
Net profit	**8,340**	**6,548**	**5,392**	**14,070**	**20,278**
Normalized profit	**6,443**	**5,611**	**4,872**	**10,578**	**13,232**
EPS (Bt)	1.49	1.17	0.96	2.51	3.61
Normalized EPS (Bt)	1.15	1.00	0.87	1.88	2.36

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	28	68	19	1,734,469	1,711,277
Gross profit	**26**	**76**	**26**	**263,792**	**249,290**
SG&A	29	56	16	204,530	201,795
Operating profit	23	100	60	59,262	47,495
EBITDA	**21**	**74**	**55**	**86,391**	**73,409**
Other income	65	294	na	0	0
Other expense			na	0	0
Interest expense	18	31	44	8,699	8,942
Profit before tax	**26**	**122**	**68**	**50,563**	**38,554**
Income tax	36	129	82	9,271	7,744
Equity & invest. income	na	na	27	165	165
Minority interests	na	na	144	(2,027)	(2,027)
Extraordinary items	102	271	301	3,498	0
Net profit	**44**	**143**	**80**	**42,928**	**28,948**
Normalized profit	**25**	**105**	**60**	**39,430**	**28,948**
EPS (Bt)	44	143	80	7.65	5.16
Normalized EPS (Bt)	25	105	60	7.02	5.16

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash & ST investment	14,916	17,748	16,456	36,556	26,731
A/C receivable	46,917	50,470	53,172	64,836	87,060
Inventory	74,778	82,199	88,979	99,793	128,469
Other current assets	16,871	17,092	18,252	17,251	21,847
Investment	3,044	3,317	3,489	3,521	3,857
Fixed assets	282,061	295,503	291,677	290,666	333,479
Other assets	68,049	70,851	69,803	72,974	81,628
Total assets	**506,634**	**537,179**	**541,828**	**585,597**	**683,071**
S-T debt	43,760	47,991	44,260	56,610	58,853
A/C payable	82,231	86,469	90,265	104,785	131,361
Other current liabilities	24,329	26,660	26,596	28,797	36,989
L-T debt	160,296	165,168	169,893	165,648	194,474
Other liabilities	38,498	43,001	39,811	39,190	49,650
Minority interest	10,824	12,200	12,235	13,148	16,000
Shareholders' equity	**146,697**	**155,690**	**158,769**	**177,419**	**195,744**
Working capital	39,464	46,200	51,886	59,844	84,169
Total debt	204,056	213,159	214,153	222,259	253,327
Net debt	**189,141**	**195,412**	**197,697**	**185,703**	**226,596**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Sales growth	49.1	57.1	52.1	49.7	68.2
Operating profit growth	127.0	192.8	209.5	161.6	100.4
EBITDA growth	56.5	79.5	79.3	93.5	74.5
Norm profit growth	162.4	474.8	155.9	202.6	105.4
Norm EPS growth	183.5	607.4	155.9	202.6	105.4
Gross margin	19.1	16.4	17.5	20.3	20.0
Operating margin	8.8	6.9	7.1	10.9	10.5
EBITDA margin	13.4	11.3	11.7	14.6	13.9
Norm net margin	5.8	4.4	3.8	7.2	7.0
D/E (x)	1.3	1.3	1.3	1.2	1.2
Net D/E (x)	1.2	1.2	1.2	1.0	1.1
Interest coverage (x)	9.4	8.3	8.9	12.2	12.5
Interest rate	3.1	3.3	3.1	3.2	3.5
Effective tax rate	22.3	21.9	23.7	21.4	23.0
ROA	5.2	4.3	3.6	7.5	8.3
ROE	18.2	14.8	12.4	25.2	28.4

Sources: Company data, Thanachart estimates

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