

Indorama Ventures Pcl (IVL TB) - HOLD, Price Bt42.75, TP Bt46.0**Results Comment**

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3Q22 – Beat on tax rate

- IVL reported 3Q22 profit of Bt8bn (-60% q-q, +24% y-y). The result beat out and consensus forecast by 53% due to lower effective tax rate. Core EBITDA came in, in-line with our forecast.
- **Effective tax rate register at 6%** in 3Q22 dropped from 25% in 2Q22 due to deferred tax asset from Oxiten's Brazil assets. This should recover back to normal level in 4Q22F.
- **Extras:** The key extra item is inventory loss amount \$118m vs gain of \$195m in 2Q22. The company also booked insurance claim amount US\$55m in this quarter. We estimate core profit of Bt10bn, dropping by 22% q-q but up 55% y-y. Q-Q decline is led by impact from higher gas cost and lower MTBE margin as well as inventory loss.
- **PET:** PET EBITDA was dropped 24% q-q to \$284m. With Asia integrated PET spread steady q-q, we believe the weakness is largely driven by higher gas cost. PET sale volume marginally declined by 3% y-y due to weak Europe demand.
- **Fibers and IOD trended lower:** Fiber EBITDA dropped by another 11% q-q, due to weak China demand which has caused both margin and volume to trend lower. IOD EBITDA contracted 16% q-q due to lower MTBE margin.
- **Outlook:** We expect 4Q22F to be steady given lower integrated PET spread will likely offset with lower gas cost. Maintain Neutral.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	126,892	126,812	146,957	187,719	178,322	Revenue	(5)	41	72	715,744	619,416
Gross profit	21,742	22,223	29,852	37,562	31,991	Gross profit	(15)	47	69	143,663	120,537
SG&A	12,015	13,190	13,874	17,875	16,637	SG&A	(7)	38	57	84,401	73,042
Operating profit	9,726	9,033	15,978	19,687	15,354	Operating profit	(22)	58	86	59,262	47,495
EBITDA	15,358	14,774	21,494	26,099	22,077	EBITDA	(15)	44	81	86,391	73,409
Other income	624	70	949	1,568	(862)	Other income	na	na	na	0	0
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	1,806	1,653	1,767	2,087	2,671	Interest expense	28	48	88	7,397	6,749
Profit before tax	8,545	7,450	15,160	19,168	11,821	Profit before tax	(38)	38	89	51,864	40,747
Income tax	1,642	1,768	3,239	4,408	788	Income tax	(82)	(52)	88	9,531	8,182
Equity & invest. income	59	32	46	(1)	(25)	Equity & invest. income	na	na	12	165	165
Minority interests	(300)	(842)	(1,389)	(1,527)	(668)	Minority interests	na	na	116	(3,083)	(3,781)
Extraordinary items	(114)	520	3,492	7,046	(2,204)	Extraordinary items	na	na	238	3,499	0
Net profit	6,548	5,392	14,070	20,278	8,137	Net profit	(60)	24	99	42,914	28,948
Normalized profit	6,663	4,872	10,578	13,232	10,341	Normalized profit	(22)	55	87	39,416	28,948
EPS (Bt)	1.17	0.96	2.51	3.61	1.45	EPS (Bt)	(60)	24	99	7.64	5.16
Normalized EPS (Bt)	1.19	0.87	1.88	2.36	1.84	Normalized EPS (Bt)	(22)	55	87	7.02	5.16

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	17,748	16,456	36,556	26,731	30,116	Sales growth	56.6	52.1	49.7	68.2	40.5
A/C receivable	50,470	53,172	64,836	87,060	78,950	Operating profit growth	225.0	209.5	161.6	100.4	57.9
Inventory	82,199	88,979	99,793	128,469	134,439	EBITDA growth	91.5	79.3	93.5	74.5	43.7
Other current assets	17,092	18,252	17,251	21,847	28,204	Norm profit growth	582.5	155.9	202.6	105.4	55.2
Investment	3,317	3,489	3,521	3,857	3,976	Norm EPS growth	740.0	155.9	202.6	105.4	55.2
Fixed assets	295,503	291,677	290,666	333,479	350,299	Gross margin	17.1	17.5	20.3	20.0	17.9
Other assets	70,851	69,803	72,974	81,628	88,881	Operating margin	7.7	7.1	10.9	10.5	8.6
Total assets	537,179	541,828	585,597	683,071	714,864	EBITDA margin	12.1	11.7	14.6	13.9	12.4
S-T debt	47,991	44,260	56,610	58,853	72,594	Norm net margin	5.3	3.8	7.2	7.0	5.8
A/C payable	86,469	90,265	104,785	131,361	123,699	D/E (x)	1.3	1.3	1.2	1.2	1.2
Other current liabilities	26,660	26,596	28,797	36,989	37,178	Net D/E (x)	1.2	1.2	1.0	1.1	1.1
L-T debt	165,168	169,893	165,648	194,474	199,270	Interest coverage (x)	8.5	8.9	12.2	12.5	8.3
Other liabilities	43,001	39,811	39,190	49,650	52,644	Interest rate	3.5	3.1	3.2	3.5	4.1
Minority interest	12,200	12,235	13,148	16,000	17,816	Effective tax rate	19.2	23.7	21.4	23.0	6.7
Shareholders' equity	155,690	158,769	177,419	195,744	211,663	ROA	5.1	3.6	7.5	8.3	5.9
Working capital	46,200	51,886	59,844	84,169	89,690	ROE	17.6	12.4	25.2	28.4	20.3
Total debt	213,159	214,153	222,259	253,327	271,864						
Net debt	195,412	197,697	185,703	226,596	241,749						

Sources: Company data, Thanachart estimates

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