

**BUY** (Unchanged)**TP: Bt 29.00** (From: Bt 20.00)**4 NOVEMBER 2024**

Change in Numbers

**Upside : 12.6%**

# Indorama Ventures Pcl (IVL TB)

## Turnaround on track

We reaffirm our BUY call on IVL with a higher TP of Bt29. We lift our earnings and TP to reflect cost savings from closures of non-performing plants and estimate a strong earnings turnaround of 28/11% in 2025-26F despite the soft industry outlook.

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### Asset rationalization; reaffirming BUY

This report is a part of Energy sector – *Cheap for a reason*, dated 4 November 2024. We reaffirm our BUY rating on IVL. **First**, we raise our earnings estimates for IVL by 34/13/12% in 2024-26F and our DCF-based 12-month (2025F base year) TP to Bt29 from Bt20 to reflect improving profitability from the closure of non-performing plants. We expect IVL's earnings to grow by 298/28/11% in 2024-26F. **Second**, we believe the integrated PET spread has seen its trough and has limited downside risk. Though we expect the industry to remain weak into 2026F, we still expect IVL to deliver earnings growth from the factor above. In fact, the Asia integrated PET spread has bounced back so far in 4Q24 from its low in 3Q23. **Third**, we estimate a strong earnings recovery in 3Q24F. **Finally**, IVL looks inexpensive to us. We think its PE of 17.7x is high due to its strong earnings recovery.

### Non-performing plant closures

IVL began shutting down its non-performing production plants in 2Q24. The cost savings were US\$15m in 3Q24, and we expect them to rise to US\$15m-20m in 4Q24F. We raise our annual cost savings projection to US\$120m (46% of 2025F profit) from our previous forecast of US\$100m. That is still conservative compared with the company's target of US\$170m in 2025.

### PET spread has seen its trough

We expect a continued oversupply of PET into 2026F (see supply-demand in Exhibit 14 in the main report). However, we believe the Asia-integrated PET spread has already seen a trough because it has hovered at a relatively stable level for the past five quarters. As many operators are already making losses, we see limited downside risk from here. Actually, the spread recovered US\$162/tonne in 4QTD, up 25% q-q from 3Q24 due to more disciplined supply control in China. We estimate the spread to be US\$137/157/167 per tonne in 2024-26F, down from the peak of US\$427 in 2018.

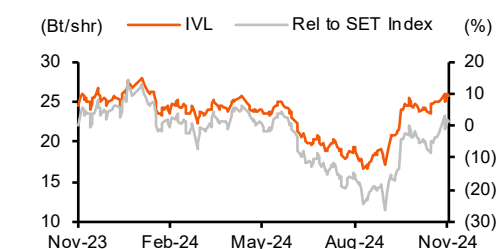
### Earnings turnaround in 3Q24F

We estimate IVL's 3Q24 normalized earnings at Bt2.4bn, up 100% q-q and vs. a loss of Bt345m in 3Q23. We expect extra items of Bt1.6bn stock loss but no asset impairment. The asset impairment in 2Q24 was Bt24bn from plant closures. Cost savings from plant closures and improved product spreads primarily drive the turnaround in normalized earnings.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Sales	550,877	548,502	463,027	435,616
Net profit	(10,798)	(17,853)	9,069	9,928
Consensus NP	—	(18,401)	9,797	13,658
Diff frm cons (%)	—	(3.0)	(7.4)	(27.3)
Norm profit	2,366	7,155	9,069	9,928
Prev. Norm profit	—	5,316	8,027	8,870
Chg frm prev (%)	—	34.6	13.0	11.9
Norm EPS (Bt)	0.3	1.1	1.5	1.6
Norm EPS grw (%)	(95.2)	298.1	28.1	10.5
Norm PE (x)	90.4	22.7	17.7	16.0
EV/EBITDA (x)	8.0	7.4	6.7	6.4
P/BV (x)	0.9	1.0	0.9	0.9
Div yield (%)	3.6	0.0	1.7	1.9
ROE (%)	1.4	4.5	5.8	6.1
Net D/E (%)	124.1	145.3	125.0	112.9

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 1-Nov-24 (Bt)	25.75
Market Cap (US\$ m)	4,264.5
Listed Shares (m shares)	5,614.6
Free Float (%)	35.2
Avg Daily Turnover (US\$ m)	19.6
12M Price H/L (Bt)	28.00/16.60
Sector	PETRO
Major Shareholder	Indorama Resources 64.74%

Sources: Bloomberg, Company data, Thanachart estimates

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**Ex 1: Earning Revisions**

	2021	2022	2023	2024F	2025F	2026F
<b>Normalized profit (Bt m)</b>						
- New	20,420	34,057	2,366	7,155	9,069	9,928
- Old				5,316	8,027	8,870
- Change (%)				34.6	13.0	11.9
<b>Net profit (Bt m)</b>						
- New	26,288	31,006	(10,798)	(17,853)	9,069	9,928
- Old				5,316	8,027	8,870
- Change (%)				na	13.0	11.9

Sources: Company data, Thanachart estimates

**Ex 2: 12-month DCF-based TP Calculation, Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	2035F	Terminal value
EBITDA	54,352	54,658	54,941	56,086	56,867	57,535	58,222	58,928	59,653	60,399	61,166	
Free cash flow	32,831	31,314	31,660	32,612	33,325	32,962	33,686	34,371	35,071	35,787	36,520	510,276
PV of free cash flow	30,172	26,440	24,561	23,240	21,819	19,828	18,076	16,870	15,749	14,703	13,728	191,813
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.2											
WACC (%)	8.8											
Terminal growth (%)	2.0											
Enterprise value - add investments	417,000											
Net debt	239,034											
Minority interest	13,590											
Equity value	164,375											
# of shares	5,615											
<b>Equity value/share (Bt)</b>	<b>29</b>											

Sources: Company data, Thanachart estimates

## Valuation Comparison

### Ex 3: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		– Div yield –	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Reliance Industries	RIL IN	India	1.7	7.7	na	na	na	na	12.9	12.0	na	na
Lotte Chemical	011170 KS	South Korea	na	na	na	33.0	0.3	0.3	17.3	9.7	3.3	3.8
Alpek	ALPEKA MM	Mexico	49.5	74.3	16.3	9.4	0.8	0.9	5.7	5.1	4.5	8.6
Sinopec	386 HK	Hong Kong	(11.8)	9.4	8.8	8.1	0.6	0.6	5.6	5.2	7.4	8.0
IRPC	IRPC TB *	Thailand	na	na	na	na	0.4	0.4	20.2	15.2	0.0	0.0
Indorama Ventures	IVL TB *	Thailand	298.1	28.1	22.7	17.7	1.0	0.9	7.4	6.7	0.0	1.7
PTT Global Chemical	PTTGC TB *	Thailand	na	na	na	24.1	0.4	0.4	11.8	9.2	2.8	1.5
Siam Cement	SCC TB *	Thailand	(44.9)	76.8	30.4	17.2	0.7	0.7	24.0	12.1	1.6	2.9
<b>Average</b>			<b>64.5</b>	<b>38.5</b>	<b>18.2</b>	<b>16.2</b>	<b>0.7</b>	<b>0.7</b>	<b>12.5</b>	<b>9.4</b>	<b>2.6</b>	<b>3.4</b>

Sources: Bloomberg, \* Thanachart estimates

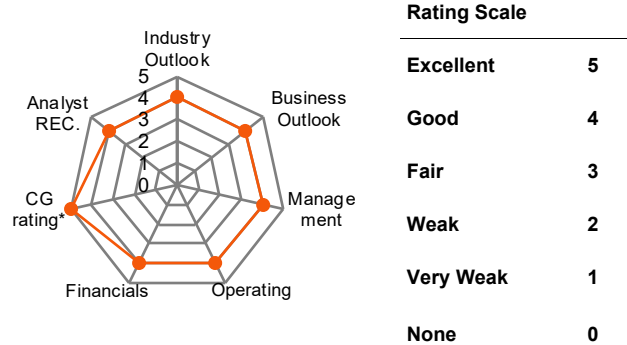
Based on 1 November 2024 closing prices

## COMPANY DESCRIPTION

Inorama 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 world's largest vertically integrated polyester chain producers. Its global sales and manufacturing presence can be seen in major markets such as the US, Europe, and Asia. It serves 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



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 customer relationships help IVL keep its utilization rate high and improve economies of scale.
- Setting up plants in many major markets helps IVL 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 makes 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)	26.12	29.00	11%
Net profit 24F (Bt m)	(18,401)	(17,853)	na
Net profit 25F (Bt m)	9,797	9,069	-7%
<b>Consensus REC</b>	<b>BUY: 10</b>	<b>HOLD: 10</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2025F net profits are slightly lower than the Street, which we attribute to us having lower PET margin assumptions.
- Our DCF-based TP is slightly higher than the Street's. We believe this is due to our having a more positive view on cost saving after plant shutdowns.

Sources: Bloomberg consensus, Thanachart forecasts

## RISKS TO OUR INVESTMENT CASE

- Lower-than-expected spreads and/or poor cost controls represent the key downside risk to our view.
- Higher oil prices leading to higher MTBE and MEG spreads are a secondary downside risk to our call.
- Slower-than-expected integration of recent acquisitions would be another downside risk.

Source: Thanachart



**INCOME STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Sales	655,543	550,877	548,502	463,027	435,616
Cost of sales	539,644	469,977	459,499	382,242	357,133
<b>Gross profit</b>	<b>115,899</b>	<b>80,900</b>	<b>89,003</b>	<b>80,784</b>	<b>78,483</b>
% gross margin	17.7%	14.7%	16.2%	17.4%	18.0%
Selling & administration expenses	62,416	63,661	63,217	53,366	50,206
<b>Operating profit</b>	<b>53,483</b>	<b>17,239</b>	<b>25,786</b>	<b>27,419</b>	<b>28,276</b>
% operating margin	8.2%	3.1%	4.7%	5.9%	6.5%
Depreciation & amortization	25,767	28,183	26,105	26,933	26,382
<b>EBITDA</b>	<b>79,250</b>	<b>45,421</b>	<b>51,892</b>	<b>54,352</b>	<b>54,658</b>
% EBITDA margin	12.1%	8.2%	9.5%	11.7%	12.5%
Non-operating income	518	(1,038)	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(9,610)	(14,426)	(16,886)	(16,231)	(16,016)
<b>Pre-tax profit</b>	<b>44,391</b>	<b>1,775</b>	<b>8,901</b>	<b>11,188</b>	<b>12,260</b>
Income tax	7,078	(462)	1,861	2,238	2,452
<b>After-tax profit</b>	<b>37,313</b>	<b>2,237</b>	<b>7,039</b>	<b>8,950</b>	<b>9,808</b>
% net margin	5.7%	0.4%	1.3%	1.9%	2.3%
Shares in affiliates' Earnings	(28)	7	0	0	0
Minority interests	(3,228)	122	115	119	119
Extraordinary items	(3,051)	(13,164)	(25,007)	0	0
<b>NET PROFIT</b>	<b>31,006</b>	<b>(10,798)</b>	<b>(17,853)</b>	<b>9,069</b>	<b>9,928</b>
<b>Normalized profit</b>	<b>34,057</b>	<b>2,366</b>	<b>7,155</b>	<b>9,069</b>	<b>9,928</b>
EPS (Bt)	5.4	(2.1)	(3.3)	1.5	1.6
Normalized EPS (Bt)	5.9	0.3	1.1	1.5	1.6

*We expect a profit turnaround in 2025F due to asset optimization*

**BALANCE SHEET**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>ASSETS:</b>					
Current assets:	215,708	189,354	183,087	160,899	152,111
Cash & cash equivalent	21,744	19,757	16,074	21,074	21,074
Account receivables	55,580	51,114	50,893	42,962	40,419
Inventories	115,872	96,657	94,502	78,613	73,449
Others	22,511	21,827	21,618	18,249	17,169
Investments & loans	4,065	4,436	4,436	4,436	4,436
Net fixed assets	320,630	312,393	315,337	311,504	305,072
Other assets	83,475	83,949	83,801	78,480	76,773
<b>Total assets</b>	<b>623,878</b>	<b>590,132</b>	<b>586,662</b>	<b>555,319</b>	<b>538,392</b>
<b>LIABILITIES:</b>					
Current liabilities:	202,200	201,347	171,305	165,398	156,928
Account payables	106,721	101,935	99,662	82,906	77,460
Bank overdraft & ST loans	31,248	28,419	30,111	28,151	26,476
Current LT debt	33,777	38,536	14,863	31,009	31,706
Others current liabilities	30,455	32,457	26,669	23,331	21,285
<b>Total LT debt</b>	<b>178,388</b>	<b>173,824</b>	<b>210,135</b>	<b>179,348</b>	<b>166,131</b>
Others LT liabilities	42,404	36,893	40,659	36,658	35,375
<b>Total liabilities</b>	<b>422,993</b>	<b>412,064</b>	<b>422,100</b>	<b>381,404</b>	<b>358,434</b>
Minority interest	14,896	13,706	13,590	13,471	13,352
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	8,047	4,661	9,661	9,661	9,661
<b>Retained earnings</b>	<b>111,997</b>	<b>93,755</b>	<b>75,364</b>	<b>84,836</b>	<b>91,000</b>
Shareholders' equity	185,990	164,362	150,972	160,444	166,607
<b>Liabilities &amp; equity</b>	<b>623,878</b>	<b>590,132</b>	<b>586,662</b>	<b>555,319</b>	<b>538,392</b>

Sources: Company data, Thanachart estimates

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Earnings before tax	44,391	1,775	8,901	11,188	12,260
Tax paid	(7,208)	(795)	(1,473)	(2,721)	(2,465)
Depreciation & amortization	25,767	28,183	26,105	26,933	26,382
Chg In working capital	(12,846)	18,897	103	7,063	2,261
Chg In other CA & CL / minorities	2,258	10,983	(6,083)	514	(952)
<b>Cash flow from operations</b>	<b>52,361</b>	<b>59,042</b>	<b>27,553</b>	<b>42,977</b>	<b>37,487</b>
Capex	(54,720)	(19,946)	(29,050)	(23,100)	(19,950)
Right of use	(943)	(2,589)	0	0	0
ST loans & investments	7	(92)	116	0	0
LT loans & investments	(462)	(371)	0	0	0
Adj for asset revaluation	3,717	(3,386)	5,000	0	0
Chg In other assets & liabilities	(16,699)	(24,569)	(21,093)	1,320	423
<b>Cash flow from investments</b>	<b>(69,101)</b>	<b>(50,952)</b>	<b>(45,028)</b>	<b>(21,780)</b>	<b>(19,527)</b>
Debt financing	29,530	(2,634)	14,330	(16,599)	(14,195)
Capital increase	0	0	(0)	0	0
Dividends paid	(8,885)	(7,225)	(538)	403	(3,765)
Warrants & other surplus	1,383	(219)	0	0	0
<b>Cash flow from financing</b>	<b>22,028</b>	<b>(10,078)</b>	<b>13,792</b>	<b>(16,197)</b>	<b>(17,960)</b>
<b>Free cash flow</b>	<b>(2,359)</b>	<b>39,097</b>	<b>(1,497)</b>	<b>19,877</b>	<b>17,537</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	4.3	90.4	22.7	17.7	16.0
Normalized PE - at target price (x)	4.9	101.9	25.6	20.0	18.1
PE (x)	4.8	na	na	17.7	16.0
PE - at target price (x)	5.4	na	na	20.0	18.1
EV/EBITDA (x)	4.6	8.0	7.4	6.7	6.4
EV/EBITDA - at target price (x)	4.9	8.5	7.7	7.0	6.7
P/BV (x)	0.8	0.9	1.0	0.9	0.9
P/BV - at target price (x)	0.9	1.0	1.1	1.0	1.0
P/CFO (x)	2.8	2.4	5.2	3.4	3.9
Price/sales (x)	0.2	0.3	0.3	0.3	0.3
Dividend yield (%)	6.2	3.6	0.0	1.7	1.9
FCF Yield (%)	(1.6)	27.0	(1.0)	13.7	12.1
<b>(Bt)</b>					
Normalized EPS	5.9	0.3	1.1	1.5	1.6
EPS	5.4	(2.1)	(3.3)	1.5	1.6
DPS	1.6	0.9	0.0	0.4	0.5
BV/share	33.1	29.3	26.9	28.6	29.7
CFO/share	9.3	10.5	4.9	7.7	6.7
FCF/share	(0.4)	7.0	(0.3)	3.5	3.1

Sources: Company data, Thanachart estimates

*We see IVL's 0.9x 2025F  
P/BV already pricing in  
weak PET spreads and an  
asset impairment*

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate</b>					
Sales (%)	40.0	(16.0)	(0.4)	(15.6)	(5.9)
Net profit (%)	17.9	na	na	na	9.5
EPS (%)	18.5	na	na	na	10.5
Normalized profit (%)	66.8	(93.1)	202.3	26.8	9.5
Normalized EPS (%)	69.3	(95.2)	298.1	28.1	10.5
Dividend payout ratio (%)	29.7	(44.9)	30.0	30.0	30.0
<b>Operating performance</b>					
Gross margin (%)	17.7	14.7	16.2	17.4	18.0
Operating margin (%)	8.2	3.1	4.7	5.9	6.5
EBITDA margin (%)	12.1	8.2	9.5	11.7	12.5
Net margin (%)	5.7	0.4	1.3	1.9	2.3
D/E (incl. minor) (x)	1.2	1.4	1.6	1.4	1.2
Net D/E (incl. minor) (x)	1.1	1.2	1.5	1.3	1.1
Interest coverage - EBIT (x)	5.6	1.2	1.5	1.7	1.8
Interest coverage - EBITDA (x)	8.2	3.1	3.1	3.3	3.4
ROA - using norm profit (%)	5.8	0.4	1.2	1.6	1.8
ROE - using norm profit (%)	19.8	1.4	4.5	5.8	6.1
<b>DuPont</b>					
ROE - using after tax profit (%)	21.6	1.3	4.5	5.7	6.0
- asset turnover (x)	1.1	0.9	0.9	0.8	0.8
- operating margin (%)	8.2	2.9	4.7	5.9	6.5
- leverage (x)	3.4	3.5	3.7	3.7	3.3
- interest burden (%)	82.2	11.0	34.5	40.8	43.4
- tax burden (%)	84.1	126.0	79.1	80.0	80.0
WACC (%)	8.4	8.4	8.4	8.8	8.8
ROIC (%)	12.6	5.3	5.3	5.6	6.0
NOPAT (Bt m)	44,955	21,724	20,393	21,935	22,621
invested capital (Bt m)	407,658	385,384	390,006	377,879	369,846

Sources: Company data, Thanachart estimates

*Leverage is trending  
down with lower capex*

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The SETESG Index reflects the price movement of stock of companies that have sustainable business practices which consider environmental, social and governance (ESG) aspect.

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### SET ESG Index (SET ESG)

Currently, long-term investment guidelines abroad are beginning to focus on investing in companies that have sustainable business practices. which considers environmental, social and governance factors (Environmental, Social and Governance or ESG) of the company in making investment decisions along with analyzing the company's financial data.

Stock Exchange Has prepared the results of evaluating sustainable stocks which are stocks of listed companies (SETESG Rating) as an alternative for investors who want to invest in stocks of listed companies that are outstanding in ESG, including to support listed companies with operations. sustainable business Taking into account all stakeholders in both social and environmental aspects. There is a management process to create sustainability for the organization, such as risk management. Supply chain management and innovation development. Therefore, the SETESG index was created to be an index that reflects the price movement of a group of securities. of companies with sustainable business operations that meet the required size and liquidity criteria

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BB - BBB - A	<b>AVERAGE :</b> A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	<b>LEADER:</b> A company leading its industry in managing the most significant ESG risks and opportunities

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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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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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