

April 24, 2023

NO BENEFIT FROM HIGH SEASON, BUT PROFIT GROWING QOQ

IVL is expected to show 1Q23 net profit of B1.2bn, reversing from 4Q22 net loss of B11bn because there should be no massive extraordinary loss like in 4Q22 and inventory loss is expected to decrease. Normalized profit is expected to increase greatly from B175m in 4Q22 to B2.4bn in 1Q23. Sales volume from all products should grow, but impact from high season is negated by high inventories from 4Q22. Thus, we revise down 2023-24 forecast.

2023 fair value drops from B52 to B44. Accumulate for medium- and long-term investment. Although IVL hardly benefits from high season, normal profit is expected to grow qoq gradually for the rest of 2023 thanks to global economic recovery (especially China). IVL is also favorable for consistent dividend.

KEY FINANCIAL FORECAST

Ending Dec 31	2020	2021	2022	2023F	2024F
Net Profit	2,414	26,288	31,006	19,042	24,003
Normalized Profit	5,255	20,856	33,448	19,042	24,003
EPS (B)	0.43	4.68	5.52	3.39	4.28
PER (x)	75.6	6.9	5.9	9.6	7.6
DPS (B)	0.7	1.0	1.6	0.7	1.0
Dividend Yield	2.2%	3.1%	4.9%	2.3%	3.2%
BVS (B)	24.15	30.46	35.78	37.02	35.41
ROAE	1.8%	17.1%	16.7%	9.3%	11.8%

Source: ASPS Research

TECHNICAL CHART



Source: ASPS Research

TECHNICAL COMMENT

IVL Price Trend: Sideways

Supportive: 30.50

Resistance: 34.75 / 39.25

IVL

OUTPERFORM

Current Price (B)	32.50
Target Price (B)	44.00
Upside (%)	35.4
Dividend yield (%)	2.3

ESG RATING

Arabesque S-Ray	51.24
Moody's	48.00
MSCI	BBB
Refinitiv	37.58
S&P	79.95
Source: Settrade	

CG Score	Excellent
Anti-corruption	Certified

CONSENSUS ANALYSIS

EPS (B)	ASPS	IAA Cons	% diff
2023F	3.39	4.85	-30%
2024F	4.28	5.41	-21%

Source: ASPS Research / IAA consensus

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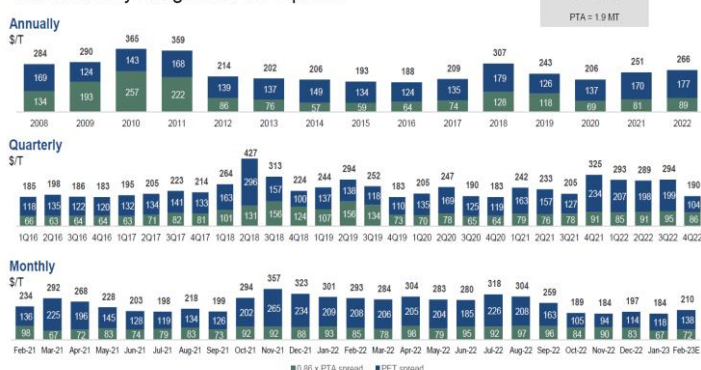
EARNINGS RESULTS BY QUARTER

Million B	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	%QoQ	%YoY	2022	2021	%YoY
Sales	98,161	111,301	126,892	131,755	146,957	186,741	178,782	143,786	158,884	10.5%	8.1%	656,266	468,108	40.2%
Cost of Sales	(78,701)	(89,431)	(105,180)	(109,816)	(113,674)	(144,414)	(151,832)	(134,401)	(140,430)	4.5%	23.5%	(544,321)	(383,128)	42.1%
Gross Profit	19,461	21,870	21,711	21,938	33,283	42,327	26,950	9,386	18,454	96.6%	-44.6%	111,945	84,980	31.7%
SG&A	(10,524)	(11,428)	(11,985)	(13,085)	(13,874)	(17,875)	(16,637)	(14,030)	(14,515)	3.5%	4.6%	(62,416)	(47,022)	32.7%
Operating Profit	8,937	10,442	9,726	8,853	19,409	24,452	10,313	(4,644)	3,939	-184.8%	-79.7%	49,529	37,958	30.5%
Interest Expenses	(1,870)	(1,647)	(1,806)	(1,797)	(1,860)	(2,327)	(3,016)	(3,293)	(3,005)	-8.7%	61.6%	(10,495)	(7,121)	47.4%
FX & X Item	2,897	1,681	1,153	(299)	3,774	7,304	(1,865)	(11,654)	(1,195)	-89.7%	-131.7%	(2,442)	5,432	-144.9%
Net Profit	6,009	8,340	6,548	5,392	14,070	20,278	8,137	(11,479)	1,179	n.m.	-91.6%	31,006	26,288	17.9%
EPS (B)	1.07	1.49	1.17	0.96	2.51	3.61	1.45	(2.04)	0.21	n.m.	-91.6%	5.52	4.68	17.9%
Normalized Profit	3,112	6,658	5,395	5,691	10,296	12,974	10,002	175	2,374	1253.8%	-76.9%	33,448	20,856	60.4%
Core EBITDA	11,958	15,365	14,452	14,571	22,225	25,585	19,503	5,135	11,374	121.5%	-48.8%	72,447	56,345	28.6%
Consolidated EBITDA	15,233	16,728	16,024	15,159	25,658	30,688	16,459	1,622	10,184	528.0%	-60.3%	74,426	63,143	17.9%
Core EBITDA/ton (US\$)	100	132	117	124	171	198	159	82	96	16.6%	-44.1%	155	118	31.1%
Gross Margin	19.8%	19.6%	17.1%	16.7%	22.6%	22.7%	15.1%	6.5%	11.6%			17.1%	18.2%	
SG&A/Sales	10.7%	10.3%	9.4%	9.9%	9.4%	9.6%	9.3%	9.8%	9.1%			9.5%	10.0%	

Source : ASPS Research

IVL'S PRICES & SPREADS

West Industry Integrated PET Spread

Asia Industry Integrated PET Spread¹

Source : ASPS Research

KEY RECOMMENDATION

Company	REC/RB Rating	Current Price	Target Price	Upside (%)	2023F	2024F	2023F	2024F
CHINA								
SINOPEC CORP-H	4.43	5.1	5.1	1.4%	0.7	0.6	7.4	7.2
PETROCHINA-H	4.68	5.2	5.4	3.8%	0.6	0.6	6.8	7.0
TAIWAN								
FORMOSA CHEM & F	2.44	69.3	64.6	-6.8%	1.2	1.2	30.0	20.9
FORMOSA PLASTIC	3.76	92.5	96.0	3.7%	1.6	1.5	18.9	14.6
NAN YA PLASTICS	3.00	77.9	70.6	-9.4%	1.6	1.5	22.6	16.1
JAPAN								
TOSOH CORP	4.00	1799.0	2188.9	21.7%	0.8	0.7	9.4	8.0
IXI HD	4.00	472.3	548.8	16.2%	0.5	0.5	9.5	7.1
MTSUI CHEMICALS	4.29	3415.0	4242.2	24.2%	0.8	0.8	6.9	7.3
HONG KONG								
SINOPEC KANTONS	5.00	2.9	-	#VALUE!	-	-	-	-
SINOPEC SHANG-H	3.70	1.4	1.8	29.9%	0.5	0.4	10.1	7.3
INDIA								
INDIAN OIL CORP	3.97	78.3	90.0	15.0%	0.8	0.8	16.9	8.3
RELJANCE INDS	4.49	2349.0	2821.2	20.1%	1.7	1.6	19.4	17.7
BHARAT PETROL	3.97	346.2	385.0	11.2%	1.4	1.2	92.7	8.7
Malaysia								
PETRONAS DAGANGA	2.91	22.1	21.5	-2.6%	3.9	3.9	27.4	25.3
PCHEM	3.00	7.2	8.0	11.3%	1.4	1.3	11.0	10.8
THAILAND								
PTT PCL	Outperform	30.50	42.00	37.7%	0.8	0.8	8.9	8.6
PTT EXPL & PROD	BUY	153.50	178.0	16.0%	1.2	1.2	10.0	13.4
PTT GLOBAL CHEM	Outperform	41.00	56.00	36.6%	0.7	0.6	11.1	10.7
THAI OIL PCL	Outperform	48.75	63.00	29.2%	0.7	0.7	7.3	8.1
IRPC PCL	Outperform	2.36	3.60	52.5%	0.6	0.5	8.9	7.9
BANGCHAK PETROLE	Neutral	30.25	32.00	5.8%	0.7	0.6	5.1	5.8
INDORAMA VENTURE	Outperform	32.50	52.00	60.0%	0.9	0.9	9.6	7.6
AVERAGE					1.8	0.9	9.5	8.7

Source : ASPS Research / Bloomberg

KEY RISK

1. Petrochemical plants may undergo unplanned shutdown.
2. IVL's performance may miss forecast due to country risk.
3. Petrochemical spreads be weaker than expected.
4. Some investment projects may be delayed due to unsuccessful capital raising.

Source : ASPS Research



2022-2024F EARNINGS FORECAST

Statement of Income (Million B)

At 31 December	2021	2022	2023F	2024F
Sales	468,108	656,266	500,085	514,140
Cost of sales	(383,128)	(544,321)	(423,726)	(431,411)
Gross profit	84,980	111,945	76,359	82,729
SG&A	(47,022)	(62,416)	(47,125)	(46,882)
Interest expenses	(7,121)	(10,495)	(7,351)	(8,000)
Other income	4,749	8,335	1,000	1,000
Earning before taxes	34,797	40,127	22,783	28,747
Income taxes	(6,703)	(5,774)	(4,557)	(5,749)
Normalized profit	28,094	34,353	18,226	22,998
Shared profit from associates	160	(23)	200	200
Minority interest	(1,966)	(3,324)	(584)	(395)
Extraordinary items	-	-	-	-
Net profit	26,288	31,006	19,042	24,003
Sales growth	41.2%	40.2%	-23.8%	2.8%
Net profit growth	988.9%	17.9%	-38.6%	26.0%
Gross profit margin	18.2%	17.1%	15.3%	16.1%
Net profit margin	5.6%	4.7%	3.8%	4.7%

Quarterly Statement of Income (Million B)

	1Q22	2Q22	3Q22	4Q22
Sales	146,957	186,741	178,782	143,786
Cost of sales	(113,674)	(144,414)	(151,832)	(134,401)
Gross profit	33,283	42,327	26,950	9,386
SG&A	(13,874)	(17,875)	(16,637)	(14,030)
Interest expenses	(1,860)	(2,327)	(3,016)	(3,293)
Other income	812	3,976	1,971	1,576
Earning before taxes	18,657	26,117	9,980	(14,628)
Income taxes	(3,239)	(4,381)	(958)	2,804
Normalized profit	15,418	21,737	9,022	(11,824)
Fx gain/loss	279	262	537	(101)
Minority interest	(1,394)	(1,459)	(863)	392
Net profit	14,070	20,278	8,137	(11,479)
Sales growth (qoq)	11.5%	27.1%	-4.3%	-19.6%
Net profit growth (qoq)	161.0%	44.1%	-59.9%	-241.1%
Gross profit margin	22.6%	22.7%	15.1%	6.5%
Net profit margin	9.6%	10.9%	4.6%	-8.0%

Financial Ratio

At 31 December	2021	2022	2023F	2024F
Current ratio (x)	1.10	1.07	1.12	1.16
Receivable Turnover (x)	84.82	72.00	72.00	72.00
Inventory Turnover (x)	43.43	43.43	43.43	43.43
Payable Turnover (x)	83.61	83.61	83.61	83.61
Debt to Equity	2.34	2.27	1.81	1.60
Net Gearing	1.15	1.10	0.97	1.02
Return on Asset	5.3%	5.3%	3.2%	4.4%
Return on Equity	17.1%	16.7%	9.3%	11.8%

Source : ASPS Research



2022-2024F EARNINGS FORECAST (CONT.)

Statement of Cash Flows (Million B)

At 31 December	2021	2022	2023F	2024F
Cash flows from operating activities				
Net profit (before minority interest)	28,254	34,330	19,042	24,003
Adjustment:				
Depreciation and amortisation	18,634	22,893	17,760	17,856
Increase/decrease in working capital	(24,005)	(3,077)	(973)	4,470
Others	10,890	23,835	3,374	1,000
Net cash flows from operating activities	33,772	77,981	39,203	47,329
Cash flows from investing activities				
Increase/decrease in related investment	247	(2,294)	(250)	1,014
Increase/decrease in fixed assets	(26,014)	(46,233)	(30,000)	(30,000)
Net cash flows from investing activities	(25,767)	(74,158)	(34,762)	(34,456)
Cash flows from financing activities				
Increase/decrease in loans	12,365	19,738	(10,000)	(10,000)
Dividend paid	(5,604)	(8,141)	(8,983)	(4,170)
Net cash flows from financing activities	(10,894)	1,516	(24,128)	(18,183)
Increase/decrease in net cash	(2,890)	5,339	(19,687)	(5,311)

Statement of Financial Position (Million B)

At 31 December	2021	2022	2023F	2024F
Cash and cash equivalents	16,215	21,211	1,524	(3,786)
Accounts receivable	56,466	58,288	60,324	62,019
Inventory	88,979	115,872	115,740	117,789
Other current assets	14,928	19,779	21,201	22,623
Net PP&E	291,677	320,630	289,247	277,062
Total assets	541,828	623,878	555,288	537,450
Short-term loans	26,619	31,248	29,981	24,776
Account payables	90,265	106,721	81,193	82,711
Other current liabilities	22,005	25,301	25,364	19,544
Short-term loans	36,234	38,778	38,046	32,541
Long-term loans	101,076	102,464	55,477	50,145
Non-current liabilities	209,704	220,793	168,629	166,320
Total liabilities	370,825	422,993	347,430	338,616
Paid-up share capital	5,615	5,615	5,615	5,615
Premium on share capital	60,331	60,331	60,331	60,331
Retained earning	88,492	111,997	118,247	138,080
Shareholders' equity	171,003	200,886	207,859	198,835
Total liabilities and shareholders' equity	541,828	623,878	555,288	537,450

Assumption

At 31 December	2021	2022	2023F	2024F
Average exchange rate THB/USD	31.00	33.00	33.00	33.00
Asian 0.86*PTA spread (US\$/ton)	81	89	100	100
West 0.86*PTA spread (US\$/ton)	338	354	330	350
Asian PET spread (US\$/ton)	170	177	160	170
West PET spread (US\$/ton)	327	343	310	330
U.S. MEG spread (US\$/ton)	510	314	400	450
Combined PET capacity (million tons/year)	10.73	10.40	11.50	11.60
IOD capacity (million tons/year)	2.67	3.75	4.27	4.50
Fibers capacity (million tons/year)	1.75	1.60	1.68	2.00
US Cracker capacity (ethylene/propylene)	-	0.44	0.44	0.44
Core EBITDA/ton	118	155	135	135
Total capacity (million tons/year)	14.72	14.68	15.20	16.00

Source : ASPS Research