Indorama Ventures (IVL TB)

2Q26: A Strong Quarter, But Momentum Likely To Moderate

Highlights

- IVL reported a net profit of Bt6.0b for 2Q26, supported by higher PET spreads while its balance sheet continued to improve as expected.
- 3Q26 earnings should normalise from a high base, but remain above last year's level.
- Maintain BUY with roll-over target to 2027F at Bt27.00.

2Q26 Results

Year to 31 Dec (Btm)	2Q26	2Q25	1Q26	qoq %	yoy %	1H26	1H25	yoy
Revenue	136,014	117,552	109,366	16	24	245,380	236,000	4
Reported EBITDA	21,687	9,299	8,048	133	169	29,735	18,625	60
Int. Expense	(3,133)	(3,564)	(3,291)	*(12)*	*(5)*	(6,425)	(7,252)	*(11)*
Net income	5,961	(521)	(2,816)	***(1,244)***	***(312)***	3,145	(1,833)	***(272)***
Net Profit before impairments and other exceptional items*	9,165	(737)	(1,771)	N/A	N/A	7,394	(2,177)	N/A
EPS	1.06	(0.09)	(0.50)	N/A	N/A	0.56	(0.33)	N/A

** including inventory impact as IVL no longer discloses inventory gain/loss under its new reporting format*

Source: Indorama Ventures, UOB Kay Hian

Analysis

- **2Q26 earnings recovered strongly.** Indorama Ventures (IVL) reported 2Q26 net profit of Bt6.0b (vs a Bt521m loss in 2Q25 and Bt2.8b loss in 1Q26), 11% below our expectation due to a Bt1.2b severance expense and Bt796m impairment loss. Excluding these one-offs, core profit reached Bt9.2b, in line with our expectations, driven by stronger integrated PET spreads and broad-based margin improvement. 1H26 earnings accounted for 41% of our full-year forecast. Overall operating numbers were in line with expectations (see report on 31 July).
- **Margin expansion offset weaker volumes**. Production volume declined 10% yoy and 3% qoq to 3.02m tonnes as management prioritised margins over utilisation. Reported EBITDA surged to Bt21.7b (+133% yoy, +169% qoq), while EBITDA/tonne improved to US$220 (vs US$82 in 1Q26), reflecting stronger spreads across all major businesses.

Key Financials

Year to 31 Dec (Bt m)	2024	2025	2026F	2027F	2028F
Net turnover	541,582.6	447,245.6	506,928.0	465,183.2	473,962.5
EBITDA	41,078.6	24,680.7	50,335.6	52,275.8	54,273.5
Operating profit	13,088.6	(854.8)	23,790.6	24,149.8	26,147.5
Net profit (rep./act.)	(19,262.1)	(7,348.4)	7,712.9	7,925.4	9,294.4
Net profit (adj.)	6,161.9	(3,080.4)	7,712.9	7,925.4	9,294.4
EPS	1.1	(0.6)	1.4	1.4	1.7
PE (x)	20.9	(41.7)	16.7	16.2	13.8
P/B (x)	1.0	1.1	1.1	1.0	1.0
EV/EBITDA (x)	9.0	14.8	7.5	7.4	7.1
Dividend yield (%)	3.1	3.1	3.1	3.3	3.3
Net margin (%)	(3.6)	(1.6)	1.5	1.7	2.0
Net debt/(cash) to equity(%)	182.2	192.3	196.5	197.7	189.4
Interest cover (x)	2.5	1.7	3.5	3.6	3.7
ROE (%)	(14.2)	(5.6)	5.8	5.9	6.8
Consensus net profit	n.a	n.a	5,851.9	8,832.6	11,778.2
UOBKH/Consensus (x)	n.a	n.a	1.3	0.9	0.8

Source: Indorama Ventures, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Bt22.00
Target Price	Bt27.00
Upside	22.7%

Stock Data

Sector	Materials
Bloomberg ticker	IVL TB
Shares issued (m)	5,614.6
Market cap (Btm)	144,574.7
Market cap (US$m)	4,415.4
3-mth avg daily t'over (US$m)	25.8

Price Performance (%)

52-week high/low				Bt26.0/Bt14.8
1mth	3mth	6mth	1yr	YTD
4.7	21.5	45.5	33.4	59.9

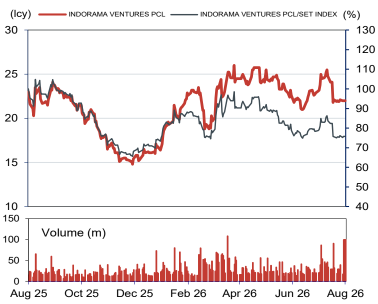
Major Shareholders (%)

Lohia Family	62.43
Thai NVDR	5.50

Balance Sheet Metrics

FY26 NAV/Share (Bt)	21.5
FY26 Net Debt/Share (Bt)	42.2

Price Chart



Source: Bloomberg

Company Description

IVL is one of the world's largest polyester chain makers with a total production capacity of 17m tonnes..

- **Balance sheet continues to strengthen.** Strong operating cash flow and disciplined working capital management reduced net debt by Bt9.6b to Bt226b at end-2Q26. As a result, net D/E improved to 1.56x from 1.83x at end-25, while interest expense declined 12% yoy and 5% qoq, reinforcing management's deleveraging strategy
- **3Q26 earnings should remain resilient.** While PET spreads have eased from the 2Q26 peak, weekly industry data indicate that PET spreads have stabilised and PTA spreads remain near cycle highs, limiting downside to integrated PET margins. Based on PTTGC's latest weekly industry data, PET spreads have stabilised at around US$80/tonne in early-August, while PTA spreads remain firm at US$90-100/tonne, suggesting integrated PET spreads are normalising at US$175/tonne. We estimate 3Q26 EBITDA of around US$420m, implying core profit of Bt2.5b-3.0b. This is better than the Bt818m loss reported in 3Q25. Note that we maintain our EBITDA target of US$1,550m in 2026.
- **Old World restructuring not an immediate concern**. During the analyst meeting, management indicated that IVL may incur additional restructuring expenses from rationalising underperforming assets, particularly Old World EO/MEG assets in the US (acquired in 2012). However, management clarified that no restructuring charge is expected in 2026. The company will revisit the optimisation of the assets next year and any action will depend on market conditions and management's assessment. In our view, any potential charge should be manageable. We calculate that these assets have generated solid returns over the past 10 years and are largely depreciated.

Valuation/Recommendation

- **Maintain BUY with a rolled-over target to 2027F at Bt27.00**, based on 1.3x 2026F P/B, in line with historical averages. We roll over our valuation to 2027 and maintain our target price at Bt27.00. While we remain positive on IVL's medium-term outlook, we believe much of the near-term earnings recovery has already been reflected after the strong 2Q26 results. Compared with SCC and PTTGC, IVL is now more of a cash flow and deleveraging story than a pure cyclical recovery play.

Earnings Revision/Risk

- None.

Share Price Catalyst

- 2H26: Expected extra income from US$100m land sale gains.
- 2Q26-3Q26: Peak seasonal PET demand

Environment, Social, Governance (ESG) Updates

Environmental

- IVL is committed to reducing greenhouse gas emissions from its operations and is focusing on the entire value chain when looking for ways to improve resource productivity. IVL targets a 10% combined GHG intensity reduction in 2025.

Social

- IVL executes 65 initiatives that promote recycling awareness and education. The company has also set up 165 initiatives that support infrastructure and health our text here
- IVL implemented global Environment, Health & Safety and Sustainability Software Management systems our text here

Governance

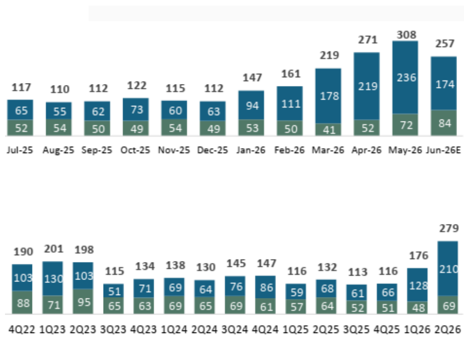
- IVL received an “Excellent - 5 Star” CG score by the Thai Institute of Directors for the ninth consecutive year.

2Q26 Operation Statistics

	2Q26	2Q25	1Q26	yoy	qoq
Production vol	3,300	3,360	3,120	(2)	6
EBITDA/tonne	131	98	82	34	61

Source: UOB Kay Hian

PET Spread



Source: IVL, UOB Kay Hian

Deleveraging

Source: IVL, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	447,246	506,928	465,183	473,963
EBITDA	24,681	50,336	52,276	54,273
Deprec. & amort.	25,535	26,545	28,126	28,126
EBIT	(855)	23,791	24,150	26,147
Total other non-operating income	7,045	600	700	800
Associate contributions	270	35	40	45
Net interest income/(expense)	(14,463)	(14,222)	(14,358)	(14,687)
Pre-tax profit	(8,002)	10,204	10,532	12,305
Tax	1,096	(2,041)	(2,106)	(2,461)
Minorities	(442)	(450)	(500)	(550)
Net profit	(7,348)	7,713	7,925	9,294
Net profit (adj.)	(3,080)	7,713	7,925	9,294

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	269,933	273,388	275,262	277,136
Other LT assets	86,906	89,245	96,338	101,749
Cash/ST investment	27,356	27,730	26,127	33,979
Other current assets	139,285	162,650	165,840	169,030
Total assets	523,480	553,013	563,567	581,894
ST debt	58,825	67,833	71,952	76,072
Other current liabilities	111,738	117,763	121,123	130,886
LT debt	194,577	196,577	198,577	200,577
Other LT liabilities	29,389	36,666	34,587	32,508
Shareholders' equity	117,527	120,467	123,620	128,142
Minority interest	11,424	13,706	13,707	13,708
Total liabilities & equity	523,480	553,013	563,567	581,894

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	33,991	27,234	33,146	40,918
Pre-tax profit	(8,002)	10,204	10,532	12,305
Tax	1,096	(2,041)	(2,106)	(2,461)
Deprec. & amort.	25,535	26,545	28,126	28,126
Working capital changes	17,359	(9,306)	(2,906)	3,497
Non-cash items	(442)	(450)	(500)	(550)
Other operating cashflows	(1,555)	2,282	1	1
Investing	(29,452)	(33,096)	(36,096)	(34,414)
Capex (growth)	(27,319)	(30,000)	(30,000)	(30,000)
Investments	(2,133)	(3,096)	(6,096)	(4,414)
Financing	2,347	6,236	1,347	1,348
Dividend payments	(4,609)	(4,772)	(4,772)	(4,772)
Issue of shares	3,533	0	0	0
Proceeds from borrowings	3,423	11,008	6,119	6,120
Net cash inflow (outflow)	6,886	374	(1,603)	7,852
Beginning cash & cash equivalent	20,470	27,356	27,730	26,127
Ending cash & cash equivalent	27,356	27,730	26,127	33,979

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	5.5	9.9	11.2	11.4
Pre-tax margin	(1.8)	2.0	2.3	2.6
Net margin	(1.6)	1.5	1.7	2.0
ROA	(1.6)	1.6	1.7	1.9
ROE	(5.6)	5.8	5.9	6.8
Growth				
Turnover	28.8	46.0	34.0	36.5
EBITDA	(43.1)	16.1	20.6	25.2
Pre-tax profit	(128.4)	(63.8)	(62.7)	(56.4)
Net profit	(127.8)	(70.9)	(70.0)	(64.9)
EPS	(112.0)	(69.9)	(69.1)	(63.7)
Leverage				
Debt to total capital	196.5	197.1	197.0	195.0
Debt to equity	215.6	219.5	218.8	215.9
Net debt/(cash) to equity	192.3	196.5	197.7	189.4
Interest cover	1.7	3.5	3.6	3.7