PTT Global Chemical (PTTGC TB)

Olefins Business Outlook Remains Under Pressure From Persistent Oversupply

Highlights

- Management remains confident in achieving the targeted synergy value from the JVCo, with the deal expected to be completed by 2H27.
- We maintain a cautious and bearish outlook on the petrochemical business due to the persistent oversupply. Meanwhile, the GRM outlook is expected to improve, supported by seasonal demand and the upcoming maintenance season.
- Maintain HOLD with a target price of Bt45.00.

Analysis

- **The tone during the meeting with PTT Global Chemical (PTTGC) was neutral.**
- **JVCo to strengthen long-term competitiveness.** We see the JV between PTTGC and SCGC as a major step towards restructuring Thailand's petrochemical industry. The transaction involves the integration of the two companies' Thai olefins, polyolefins and downstream businesses, with a combined olefins capacity of 7.10m tonnes/year. The JV aims to enhance competitiveness through asset consolidation, cost reduction and economies of scale. PTTGC will hold a 56% majority stake and maintain control of the JVCo, which is expected to generate long-term synergies of US$150m-200m/year.
- Management highlighted three key synergy areas:
  - Feedstock optimisation: Integrating the procurement of ethane, naphtha and LPG, while optimising the shared management of utilities, including power, steam and hydrogen.
  - Portfolio optimisation: Coordinating polyethylene (PE) production schedules to reduce grade-switching costs and eliminate overlapping inventory.
  - Cost optimisation: Strengthening bargaining power in the procurement of chemicals, catalysts and maintenance services through increased economies of scale.
- **The proximity of both companies' plants in Map Ta Phut is a key advantage**, enabling practical integration of utilities and supply chains without requiring significant investment in new assets. In the longer term, PTTGC aims to increase its specialty product contribution to 30% by 2030, while greater feedstock flexibility should help reduce reliance on commodity petrochemicals.
- **PTTGC expects the JVCo to be established by 2H27**, with synergies starting to materialise from 2028 onwards. This will also include the US ethane import project, which has a planned capacity of 400,000 tonnes/year and COD targeted for 2029; this should enhance feedstock flexibility and reduce feedstock costs.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	608,550	487,585	616,817	688,646	696,566
EBITDA	32,562	20,583	67,509	45,486	44,307
Operating profit	3,086	-5,799	39,584	18,890	18,903
Net profit (rep./act.)	-29,811	-14,600	26,166	12,952	13,008
Net profit (adj.)	-9,431	-15,750	33,624	12,952	13,008
EPS (x)	-2.1	-3.5	7.5	2.9	2.9
PE (x)	-17.6	-10.5	4.9	12.8	12.7
P/B (x)	0.54	0.49	0.46	0.46	0.45
EV/EBITDA (x)	11.1	14.1	4.3	6.5	6.3
Dividend yield (%)	1.4	1.4	8.1	3.1	3.1
Net margin (%)	-4.9	-3.0	4.2	1.9	1.9
Net debt/(cash) to equity (%)	63.8	37.4	34.8	36.6	31.3
Consensus net profit	-	-	24,725	16,069	14,761
UOBKH/Consensus (x)	-	-	1.24	1.13	1.06

Source: PTTGC, Bloomberg, UOB Kay Hian

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HOLD (Maintained)

Share Price	Bt39.20
Target Price	Bt45.00
Upside	+13.80%

Stock Data

Sector	Petrochemical
Bloomberg ticker	PTTGC TB
Shares issued (m)	4,508.85
Market cap ({{Curr}}m)	169,081.84
Market cap (US$m)	5,202.52
3-mth avg daily t'over (US$m)	16.8

Price Performance (%)

52-week high/low				Bt41.75 / Bt19.00
1mth	3mth	6mth	1yr	YTD
-2.61	+15.52	+47.52	+38.52	+77.38

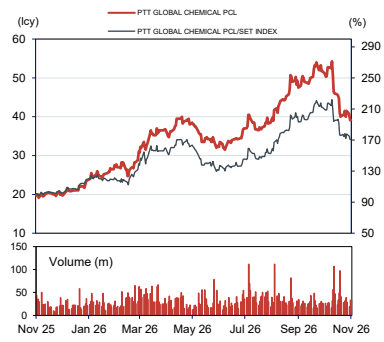
Major Shareholders (%)

PTT	45.18%
Thai NVDR	5.28%
Vayupak Fund 1	3.36%

Balance Sheet Metrics

FY26 NAV/Share (Bt)	Bt67.80
FY26 Net Debt/Share (Bt)	Bt76.31

Price Chart



Source: Bloomberg

Company Description

PTT Global Chemical Public Company Limited was founded on 19th October 2011 through the amalgamation of PTT Chemical Public Company Limited and PTT Aromatics and Refining Public Company Limited to be the chemical flagship of PTT Group.

- **Higher production volumes to drive 2027 growth but spread volatility remains a key risk.** Management expects business operations to normalise in 2027, with significant production volume growth across its refinery and petrochemical businesses. Refinery throughput is expected to increase by around 11%, while petrochemical production is projected to grow by approximately 9%, mainly due to fewer maintenance shutdowns. Additional growth drivers include allnex and the Holistic Optimization & Performance Enhancement programme. These are controllable factors that PTTGC can directly manage. However, volatility in petrochemical spreads, particularly olefins spreads, remains the key uncontrollable risk.
- **We maintain a bearish outlook for olefins due to persistent oversupply.** We maintain a cautious view on PE spreads amid excess supply. Although geopolitical uncertainty in the Middle East persists, concerns over olefins supply disruptions have eased significantly compared with early-26. According to Independent Commodity Intelligence Services (ICIS), global new PE capacity additions are expected to peak at more than 13.00m tonnes/year in 2027, largely driven by China. This is consistent with PTTGC's outlook and reinforces our assessment that new capacity will continue to outpace demand growth through 2027-28, potentially delaying an industry recovery until 2029.
- **Crude oil prices and GRM to normalise but remain above pre-war levels.** PTTGC expects crude oil prices to average US$78.00-90.00/bbl in 2027 (vs UOBKH assumption of US$95.00/bbl in 2026 and US$80.00/bbl in 2027), driven by oversupply concerns and easing geopolitical tensions. However, low global inventories and ongoing geopolitical uncertainties should keep crude prices above pre-war levels. For gross refinery margin (GRM), although near-term margins may soften due to higher crude premiums and freight rates, we view these as temporary headwinds. We expect GRM to recover, supported by stronger seasonal demand during the winter season, particularly for middle distillates, while global petroleum product supply remains tight. Global gasoil and gasoline inventories are still below their five-year averages, partly reflecting the impact of the war, particularly attacks on Russian refineries, which have disrupted approximately 1.40-1.70 MBD of refining capacity, equivalent to 27-33% of Russia's total capacity. Russian petroleum product exports also remain below pre-war levels. Furthermore, we expect GRM to remain strong throughout 1H27, supported by refinery maintenance shutdowns, as several refineries have postponed their maintenance to 1Q27, followed by additional shutdowns across Asia in 2Q27.

Valuation/Recommendation

- **Maintain HOLD with a 2027 target price of Bt45.00,** based on forward P/B at mean of 0.61x. In the oil and gas sector, we prefer Thai Oil (TOP TB/BUY/Target: Bt100.00) and SCG Packaging (SCGP TB/BUY/Target: Bt43.00).

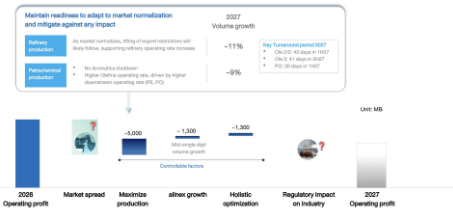
Earnings Revision/Risk

- **Earnings revision.** None.

Environment, Social, Governance (ESG) Updates

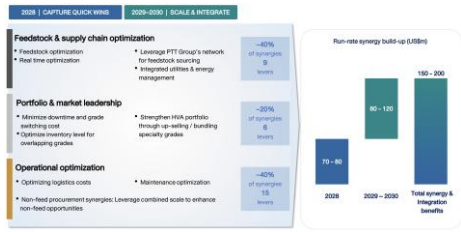
- **Environmental:** Conducts business operations with efficient use of resources in accordance with the circular economy approach, through good cooperation with partners and a continued focus on decarbonisation to achieve its goal of cutting greenhouse gas emissions to net zero by 2050.
- **Social:** Creates value for society, promotes social enterprises to generate revenue that will improve the nation's economy, reduce inequality as well as supports the safety, good education, health and wellbeing of communities and society as a whole.
- **Governance:** Be a transparent, verifiable organisation with a focus on the creation of innovative, environmentally friendly chemicals for a low-carbon business.

2027: Outlook



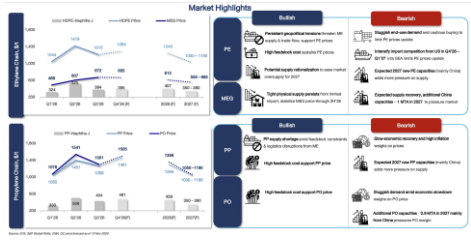
Source: UOB Kay Hian

Total Synergy & Integration Benefits



Source: UOB Kay Hian

Olefins Outlook



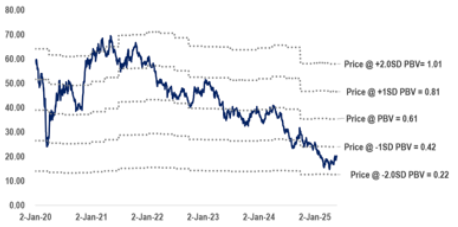
Source: UOB Kay Hian

Government Intervention: Refinery Diesel Price Discount Measures

Phase	Effective Period in 2026	Diesel Refinery Price Discount (Bt/Liter)	Operational Status
1	Apr 9-23	2.00	Concluded
2	Apr 24 - May 9	5.00	Concluded
3	May 10-19	3.00	Concluded
4	July 9-23	1.40	Concluded
5	Jul 24 - Sep 15	2.40	Concluded
6	Sep 16 - Oct 31	4.00	Concluded
7	**Nov**	**2.00**	**Currently Active**

Source: UOB Kay Hian

Forward P/B



Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	487,585	616,817	688,646	696,566
EBITDA	20,583	67,509	45,486	44,307
Deprec. & amort.	26,383	27,925	26,596	25,404
EBIT	-5,799	39,584	18,890	18,903
Total other non-op. income	1,150	-7,458	0	0
Associate contributions	-1,547	-500	-500	-500
Net interest income/(expense)	-8,798	-4,341	-4,728	-4,683
Pre-tax profit	-16,145	34,742	13,662	13,720
Tax	-577	-819	-410	-412
Minorities	972	-300	-300	-300
Net profit	-14,600	26,166	12,952	13,008
Net profit (adj.)	-15,750	33,624	12,952	13,008

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	256,541	243,615	232,019	221,616
Other LT assets	214,580	261,262	287,208	290,069
Cash/ST investment	21,271	18,573	17,229	25,747
Other current assets	113,981	138,237	157,381	158,952
Total assets	606,373	661,687	693,838	696,384
ST debt	3,565	1,383	7,883	1,383
Other current liabilities	110,378	131,902	151,217	152,646
LT debt	142,926	141,543	140,160	138,776
Other LT liabilities	53,734	67,976	75,892	76,765
Shareholders' equity	334,949	357,763	357,265	365,093
Minority interest	972	-300	-300	-300
Total liabilities & equity	606,375	661,690	693,842	696,389

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	40,830	52,907	40,019	38,569
Pre-tax profit	-16,145	34,742	13,662	13,720
Tax	-577	-819	-410	-412
Deprec. & amort.	26,383	27,925	26,596	25,404
Working capital changes	1,975	-20,386	-19,829	-20,142
Other operating cashflows	29,195	11,444	20,000	20,000
Investing	-11,678	-47,440	-33,031	-16,988
Investments	-14,025	-15,000	-15,000	-15,000
Others	2,347	-32,440	-18,031	-1,988
Financing	-41,842	-5,820	-8,333	-13,064
Dividend payments	-2,517	-2,254	-13,450	-5,181
Proceeds from borrowings	-39,325	-3,565	5,117	-7,883
Net cash inflow (outflow)	-12,689	-352	-1,344	8,518
Beginning cash & cash equiv.	35,091	18,925	18,573	17,229
Changes due to forex impact	-1,131	0	0	0
Ending cash & cash equiv.	21,271	18,573	17,229	25,747

Key Metric

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	4.2	10.9	6.6	6.4
Pre-tax margin	-3.3	5.6	2.0	2.0
Net margin	-3.0	4.2	1.9	1.9
ROA	-2.9	5.0	2.4	2.4
ROE	-4.7	8.1	4.0	4.0
Growth (% yoy)				
Turnover	-19.9	26.5	11.6	1.2
EBITDA	-36.8	228.0	-32.6	-2.6
Pre-tax profit	n.a.	n.a.	n.a.	n.a.
Net profit	n.a.	n.a.	n.a.	n.a.
Net profit (adj.)	n.a.	n.a.	n.a.	n.a.
EPS	-101.3	-100.3	-99.3	-98.3
Leverage				
Debt to total capital	49.5	44.8	46.5	42.9
Debt to equity	43.7	39.9	41.4	38.4
Net debt/(cash) to equity	37.4	34.8	36.6	31.3
Interest cover (x)	2.3	15.6	9.6	9.5

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