

COMPANY UPDATE

PTT Global Chemical (PTTGC TB)

Expect 2025 Performance To Turn Profitable

Business restructuring in 2024 and cost-cutting plan for 2025 are both solid strategies to navigate the ongoing volatility in the petrochemical sector. These initiatives support our expectation that PTTGC will return to profitability in 2025. Also, the reduction in regional petrochemical production capacity is likely to drive a gradual recovery in the olefins spread. While a loss is still anticipated in 1Q25, we could still see a significant qoq improvement. Maintain BUY. Target price: Bt21.00.

WHAT'S NEW

- **Short-term spread recovery from regional production cuts.** In the short term, we anticipate a recovery in olefins spreads due to the reduction of high-cost naphtha cracker producers in the region, indicating that the olefins business has reached its lowest point. However, this recovery remains uncertain due to the expected significant supply increase from 2026-29, particularly in China.
- **Business restructuring to support long-term growth.** In 2025, the business structure will include opex reduction measures and efforts to enhance competitiveness, which PTT Global Chemical (PTTGC) expects to boost profits by an additional Bt4.5b. This includes an estimated Bt1.0b reduction in opex, with management confident that results will exceed expectations. The competitiveness strategy will focus on: a) improving operational efficiency through increased use of AI and digitalisation; b) raising the proportion of ethane usage to replace higher-cost fuels like liquefied petroleum gas and naphtha; and c) portfolio transformation by restructuring less competitive businesses, including asset monetisation of non-core assets valued at over Bt10.0b. However, we have not yet factored these elements into our estimates.
- **Create a comparative advantage to support the bottom cycle.** In 2025, PTTGC expects to increase olefins production to 1.9-2.0m tonnes (vs 1.6m tonnes in 2024), driven by higher production capacity from the Erawan field in the gulf of Thailand. Additionally, the adjustment of the ethane purchase contract with PTT in late-24, while leading to higher ethane costs, remains more cost-effective than other fuels. This adjustment also helps PTTGC maintain its competitive advantage as a gas-based producer with lower production costs compared with naphtha cracker-based competitors.
- **Import more ethane from the US.** Starting 2029, PTTGC plans to import 400,000 tonnes of ethane annually from the US under a 15-year long-term purchase contract. However, there are concerns about potential price increases in the long run due to rising demand for ethane imports from Vietnam, China and India from 2027 onwards. Based on channel check with PTTGC, if ethane prices become uneconomical, PTTGC has the flexibility to switch to importing propane from the same supplier.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	621,631	608,550	572,080	605,526	665,007
EBITDA	40,442	34,590	41,408	42,054	45,806
Operating profit	11,955	5,114	10,280	12,702	18,033
Net profit (rep./act.)	999	-29,811	5,500	9,000	15,023
Net profit (adj.)	-1,368	-7,403	5,500	9,000	15,023
EPS (Bt)	-0.3	-1.6	1.2	2.0	3.3
PE (x)	-58.0	-10.7	14.4	8.8	5.3
P/B (x)	0.2	0.3	0.3	0.3	0.2
EV/EBITDA (x)	7.1	8.0	6.0	5.6	4.9
Dividend yield (%)	4.3	2.8	4.3	5.7	9.5
Net margin (%)	0.2	-4.9	1.0	1.5	2.3
Net debt/(cash) to equity (%)	62.0	63.8	54.6	49.6	45.2
Interest cover (x)	3.5	2.8	4.8	5.3	6.5
ROE (%)	0.3	-10.0	1.8	3.0	4.9
Consensus net profit	-	-	5,559	9,087	9,517
UOBKH/Consensus (x)	-	-	0.99	0.99	1.58

Source: PTT Global Chemical, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt17.60
Target Price	Bt21.00
Upside	+19.32%

COMPANY DESCRIPTION

PTT Global Chemical is a fully integrated petrochemical and chemical company. The company's products are derived from its main product, olefins, namely ethylene and propylene.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	PTTGC TB
Shares issued (m):	4,508.8
Market cap (Btm):	113,848.4
Market cap (US\$m):	3,324.9
3-mth avg daily t'over (US\$m):	14.0

Price Performance (%)

52-week high/low			Bt41.00/Bt23.40	
1mth	3mth	6mth	1yr	YTD
(3.8)	(31.8)	(33.6)	(29.9)	(34.4)

Major Shareholders

	%
PTT	48.9
NDVR	6.1
FY24 NAV/Share (Bt)	68.94
FY24 Net Debt/Share (Bt)	45.61

PRICE CHART



Source: Bloomberg

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• **Share buyback is possible but not the first priority.** Despite a 53% decline in PTTGC's share price over the past year, it is currently trading at only 0.3x PBV for 2025. It maintains a healthy financial position, with interest-bearing debt below 1.0x with cash equivalents of Bt33.00b at the end of 2024, representing 7% of total assets — sufficient to support a potential treasury stock programme. However, we believe this is not PTTGC's primary focus. While the business has reached the bottom cycle and is beginning to recover, PTTGC is prioritising restructuring efforts to navigate market volatility. As a result, we assign a lower likelihood to PTTGC undertaking a treasury stock programme at this time.

• **In 2025, there will be a special profit from selling assets.** The sale of Vencorex's assets is anticipated to be finalised in 1H25, following PTTGC's recognition of impairment and provision expenses in 2024. These factors have not been included in our current estimates.

STOCK IMPACT

• **1Q25 earnings to recover qoq.** We expect earnings in 1Q25 to recover qoq, but PTTGC will still report a loss. Our initial estimate for the 1Q25 loss is Bt2.0b-2.5b (vs loss of Bt11.7b in 4Q24). This is due to: a) the absence of significant special expenses, such as the provision costs from Vencorex and PTTAC totalling over Bt4.3b in 4Q24; b) no operational losses from Vencorex and PTTAC in 1Q25; c) profit from the refinery business, as PTTGC's refinery upgrading unit had a maintenance shutdown in 4Q24, which is expected to lead to increased gross refinery margin (GRM) and utilisation rates; and d) higher profits from the performance chemicals business, particularly Allnex, benefitting from its high season sales. However, weak spreads in aromatics and olefins will continue to pressure earnings.

• **Maintain 2025 net profit forecast.** We maintain our 2025 core profit forecast at Bt5.5b (vs core loss of Bt3.4b in 2024). This forecast accounts for the impact of higher operating expenses due to PTTGC's 53-day Aromatics II plant shutdown and a 50-day refinery shutdown in 4Q25, as well as the positive effects of increasing ethane feedstock and lower ship-to-ship costs in the refinery business.

EARNINGS REVISION/RISK

• **Earnings revision:** None.

VALUATION/RECOMMENDATION

• **Maintain BUY with a target price of Bt21.00** based on 0.36x PBV at -2.0SD. The share price has increased 14% since we upgraded our recommendation to BUY. However, we believe the share price remains attractive in terms of valuation, currently trading below -2SD, while 2024 earnings are a record low and we expect a gradual recovery in 2025, driven by the recovery of the refinery and aromatics businesses. We see PTTGC as a viable producer during the bottom of the cycle, due to its comparative cost advantage in the second quarter and its ability to maintain operating rates above industry levels across all business segments in 2024.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

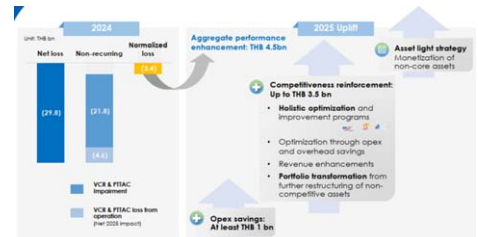
CG Report: 5	
SET ESG Rating: AAA	
• Environmental - Conducts business operations with efficient use of resources in accordance with the circular economy approach, through good cooperation with partners and a continued focus on decarbonisation in order to achieve its goal of cutting greenhouse gas emissions to net zero by 2050.	
• Social - Creates value for society, promotes social enterprises to generate revenue that will improve the nation's economy, reduces 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.	

STRATEGY IN 2025



Source: PTT Global Chemical, UOB Kay Hian

2025 UPLIFT



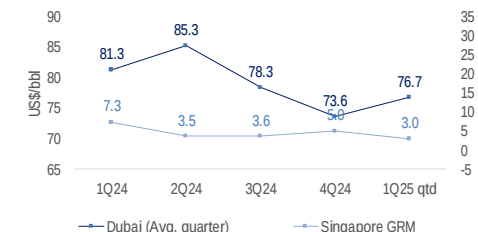
Source: PTT Global Chemical, UOB Kay Hian

ADVANTAGE AS ETHANE-BASE PRODUCER



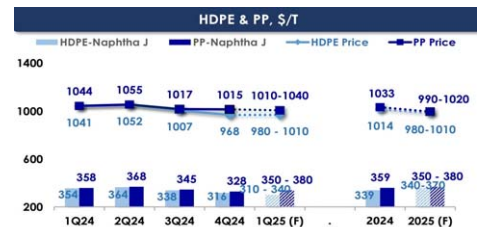
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SINGAPORE GRM AND CRUDE PREMIUM



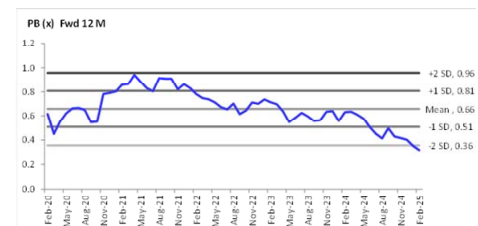
Source: PTT Global Chemical, UOB Kay Hian

HDPE SPREAD OUTLOOK



Source: PTT Global Chemical, UOB Kay Hian

FORWARD P/B



Source: PTT Global Chemical, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	608,550	572,080	605,526	665,007
EBITDA	34,590	41,408	42,054	45,806
Deprec. & amort.	29,476	31,128	29,352	27,772
EBIT	5,114	10,280	12,702	18,033
Associate contributions	-1,730	4,149	4,618	5,140
Net interest income/(expense)	-12,158	-8,716	-7,866	-7,046
Pre-tax profit	-8,774	5,714	9,454	16,127
Tax	1,168	-214	-354	-604
Minorities	204	0	-100	-500
Net profit	-29,811	5,500	9,000	15,023
Net profit (adj.)	-7,403	5,500	9,000	15,023

BALANCE SHEET

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	267,769	251,642	237,289	224,517
Other LT assets	221,941	211,354	221,063	238,329
Cash/ST investment	33,110	38,398	30,291	18,816
Other current assets	123,024	116,496	123,097	134,717
Total assets	645,844	617,890	611,741	616,379
ST debt	21,987	20,500	20,500	20,500
Other current liabilities	92,144	87,427	92,338	100,959
LT debt	206,904	186,404	165,904	145,404
Other LT liabilities	56,216	52,847	55,937	61,432
Shareholders' equity	306,639	308,757	315,007	325,530
Total liabilities & equity	645,844	617,890	611,741	616,379

CASH FLOW

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	32,322	38,803	36,763	40,296
Pre-tax profit	-8,774	5,714	9,454	16,127
Tax	1,168	-214	-354	-604
Deprec. & amort.	29,476	31,128	29,352	27,772
Working capital changes	-10,946	-17,824	-21,690	-22,999
Other operating cashflows	21,398	20,000	20,000	20,000
Investing	-3,889	-7,782	-21,619	-26,771
Investments	-15,830	-15,000	-15,000	-15,000
Others	11,941	7,218	-6,619	-11,771
Financing	-33,737	-25,368	-23,250	-25,000
Dividend payments	-3,503	-3,382	-2,750	-4,500
Proceeds from borrowings	-30,235	-21,987	-20,500	-20,500
Net cash inflow (outflow)	-5,305	5,653	-8,106	-11,475
Beginning cash & cash equivalent	37,684	32,745	38,398	30,291
Changes due to forex impact	731	0	0	0
Ending cash & cash equivalent	33,110	38,398	30,291	18,816

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	5.5	7.5	7.5	7.5
Pre-tax margin	-1.3	2.1	2.1	2.1
Net margin	-3.2	1.6	1.6	1.6
ROA	n.a.	1.5	1.5	1.5
ROE	n.a.	3.3	3.3	3.3
Growth				
Turnover	-2.1	-6.0	5.8	9.8
EBITDA	-14.5	19.7	1.6	8.9
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	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	85.2	76.4	67.3	57.6
Debt to equity	74.6	67.0	59.2	51.0
Net debt/(cash) to equity	63.8	54.6	49.6	45.2
Interest cover (x)	2.8	4.8	5.3	6.5

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