COMPANY UPDATE

PTT Global Chemical (PTTGC TB)

Production Cut Plan Provides Short-term Positive Sentiment

We expect a short-term positive sentiment following the production cut announcements by olefins producers in China and South Korea, driven by weak spreads. The scale of the cuts is modest relative to global olefins capacity and the additional supply expected in 2025-29. We therefore expect the olefins market to remain in oversupply and maintain our underweight and negative outlook on the petrochemical sector. Maintain SELL. Target price: Bt20.00

WHAT'S NEW

- **Production cuts are beginning to appear as olefins spreads remain low.** According to Reuters, South Korean naphtha cracker operators plan to cut production by 2.7m-3.7 m tonnes by end-25, equivalent to around 25% of the country's total capacity. In return, the government will give incentives to Korean operators by lowering corporate tax. Operators are required to submit the production cut plans by next month, with implementation likely by end-25. Based on our channel check with Thai petrochemical operators, global olefins capacity is about 300m tonnes per annum (tpa), of which South Korea's total nameplate olefins capacity is around 25m tpa. All global olefins operators are running their plants at 70-80% utilisation. The Korean capacity cut is small relative to the global supply addition of 12m tpa this year. The cut will encourage the existing operators to ramp up utilisation. Thus, we believe this event should be sentimentally positive in the short term, given the current oversupply situation, supporting our underweight and negative outlook on the petrochemical sector. In the longer term, based on channel checks, with petrochemical operators also mention China's anti-involution measures at olefins plants in China that are more than 20 years old with a capacity of about 5m tonnes vs China's total nameplate olefins capacity of 100m tpa. Operators suggest the petrochemical cycle may reach its trough one year earlier than the current assumption of 2028.

- **Short-term positive sentiment for naphtha cracker.** We view the planned production cuts as providing short-term positive sentiment, as they help ease supply pressure and bring forward expectations for the petrochemical cycle to bottom out, earlier than the previous 2028 estimate. The main beneficiaries are naphtha-based cracker operators such as PTT Global Chemical (PTTGC) and Siam Cement (SCC). Since PTTGC is primarily gas-based, with only around 40% of its capacity reliant on naphtha, the benefit will be smaller than for SCC, who stands to gain more, not only from wider spreads but also from additional capacity as its Long Son Petrochemicals plant in Vietnam will resume operation in September. We will closely monitor petrochemical prices and spreads to assess whether they reflect Korean's production cut.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	621,631	608,550	547,869	579,901	636,864
EBITDA	38,223	32,562	26,909	38,938	39,029
Operating profit	9,736	3,086	-4,219	9,585	11,257
Net profit (rep./act.)	999	-29,811	-10,000	6,000	8,500
Net profit (adj.)	-3,587	-9,431	-12,000	6,000	8,500
EPS (Bt)	-0.8	-2.1	-2.7	1.3	1.9
PE (x)	-35.2	-13.4	-10.5	21.0	14.9
P/B (x)	0.4	0.4	0.4	0.4	0.4
EV/EBITDA (x)	8.7	9.9	11.3	7.4	7.3
Dividend yield (%)	2.7	1.8	2.7	2.4	3.4
Net margin (%)	0.2	-4.9	-1.8	1.0	1.3
Net debt/(cash) to equity (%)	62.0	63.8	61.2	53.2	50.8
Interest cover (x)	3.3	2.7	2.4	5.0	5.5
ROE (%)	0.3	-10.0	-3.4	2.0	2.8
Consensus net profit	-	-	-1,664	6,145	8,042
UOBKH/Consensus (x)	-	-	6.01	0.98	1.06

Source: PTT Global Chemical, Bloomberg, UOB Kay Hian

SELL

(Maintained)

Share Price	Bt28.00
Target Price	Bt20.00
Upside	-28.57%

COMPANY DESCRIPTION

PTT Global Chemical is a fully integrated petrochemical and chemical company. The company's products are mainly derived from olefins, particularly 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 (%)

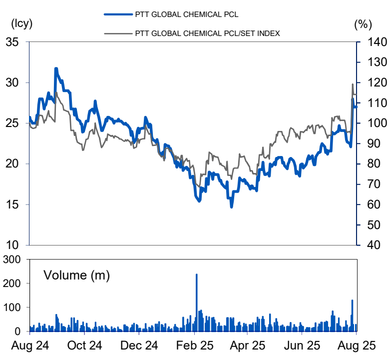
52-week high/low Bt41.00/Bt23.40

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

ANALYST(S)

Tanaporn Visaruthaphong
+662 659 8305
tanaporn@uobkayhian.co.th

Benjaphol Suthwanish
+662 659 8301
Benjaphol@uobkayhian.co.th

- **Asset monetisation will be gradually recognised from 2H25 to 2026.** PTTGC aims to monetise non-core assets worth about Bt30b, with the proceeds allocated to debt reduction. This is expected to generate extra gains, recognised gradually from 2H25 through 2026, and cut annual interest expenses by about Bt1.1b.

- **Benefits from the Holistic Optimization plan will increase in 2H25.** PTTGC targets annual cost savings and additional revenue of Bt5.5b through asset optimisation, improved liquidity, and greater operational efficiency. For 2025, the company expects to realise at least Bt5.5b in benefits, with around Bt3.6b to materialise in 2H25. Over the longer term, PTTGC has set a target of a US$300M increase in its EBITDA, to be achieved by 2030 under this initiative.

- **Increased cost competitiveness in 2H25.** Based on PTTEP's petroleum production plans for the Erawan and Bongkot fields, which indicate no maintenance shutdowns in 2H25 (vs 1H25), PTTGC expects its ethane feedstock supply to rise by 5-6% hoh in 2H25.

- **Divest VCR in Thailand and the US.** PTTGC has announced the divestment of Vencorex (VCR) operations in both Thailand and the US, with a Sales and Purchase Agreement (SPA) signed with Covestro AG. The share transfer is expected to be completed by late-25, or no later than early-26. From this transaction, PTTGC anticipates cash inflows of Bt1.0b-1.5b and a special gain of Bt400m-600m. While VCR operations in Thailand and the US still generate profits, its contribution to PTTGC has been minimal. 3Q25 will mark the first quarter where PTTGC no longer records losses from VCR, following the liquidation of Vencorex France, which has been deconsolidated since May 13. VCR contributed a loss of Bt300m in 2Q25.

STOCK IMPACT

- **3Q25 core earnings expected to recover qoq, but remain a loss.** 3Q25 losses are expected to narrow qoq due to: a) the absence of a maintenance shutdown at the OLE2/1 plant, which impacted 2Q25; b) the elimination of VCR-related losses; c) contributions from PTTGC's performance enhancement plan, which targets Bt2.7b in savings for 2H25; and d) improved cost competitiveness resulting from a higher share of ethane in the feedstock. However, the decline in GRM and olefins spread in 3Q25 will keep PTTGC's core earnings at a loss.

EARNINGS REVISION/RISK

- **Earnings revision:** None.

VALUATION/RECOMMENDATION

- **Maintain SELL with a target price of Bt20.00 in 2025** based on 0.36x P/B (-2.0SD). In the oil & gas sector, we prefer PTT Oil and Retail (OR TB/BUY/Target: Bt20.00) SCG Packaging (SCGP TB/BUY/Target: Bt21.00) and Indorama Ventures (IVL TB/BUY/Target: Bt27.00).

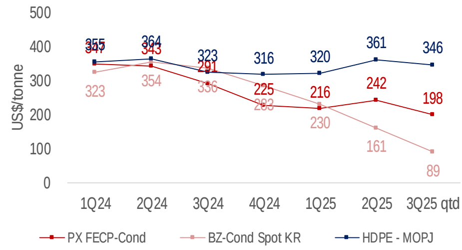
ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

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.

COMPETITIVE REINFORCEMENT PLAN

Source: PTT Global Chemical, UOB Kay Hian

PETROCHEMICAL SPREAD

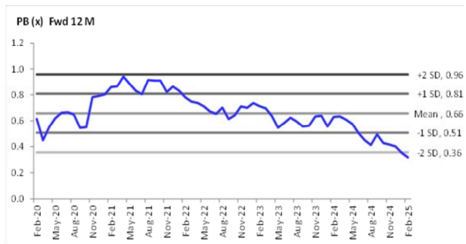


Source: PTT Global Chemical, UOB Kay Hian

SCHEDULED MAINTENANCE SHUTDOWNS IN 2025

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	547,869	579,901	636,864
EBITDA	32,562	26,909	38,938	39,029
Deprec. & amort.	29,476	31,128	29,352	27,772
EBIT	3,086	-4,219	9,585	11,257
Associate contributions	-1,730	4,149	4,618	5,140
Net interest income/(expense)	-12,158	-11,331	-7,866	-7,046
Pre-tax profit	-10,802	-11,400	6,337	9,350
Tax	1,168	-800	-237	-350
Minorities	204	200	-100	-500
Net profit	-29,811	-10,000	6,000	8,500
Net profit (adj.)	-9,431	-12,000	6,000	8,500

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	204,326	213,624	230,160
Cash/ST investment	33,110	27,902	24,930	9,039
Other current assets	123,024	112,341	117,959	129,463
Total assets	645,844	596,211	593,803	593,179
ST debt	21,987	20,500	20,500	20,500
Other current liabilities	92,144	84,466	88,499	97,113
LT debt	206,904	186,404	165,904	145,404
Other LT liabilities	56,216	50,611	53,570	58,832
Shareholders' equity	306,639	292,477	303,477	308,977
Total liabilities & equity	645,844	596,211	593,803	593,179

CASH FLOW

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	32,322	23,516	33,867	33,882
Pre-tax profit	-10,802	-11,400	6,337	9,350
Tax	1,168	-800	-237	-350
Deprec. & amort.	29,476	31,128	29,352	27,772
Working capital changes	-10,946	-16,630	-21,585	-22,890
Other operating cashflows	23,426	21,219	20,000	20,000
Investing	-3,889	-2,991	-21,339	-26,273
Investments	-15,830	-15,000	-15,000	-15,000
Others	11,941	12,009	-6,339	-11,273
Financing	-33,737	-25,368	-15,500	-23,500
Dividend payments	-3,503	-3,382	5,000	-3,000
Proceeds from borrowings	-30,235	-21,987	-20,500	-20,500
Net cash inflow (outflow)	-5,305	-4,843	-2,972	-15,891
Beginning cash & cash equivalent	37,684	32,745	27,902	24,930
Changes due to forex impact	731	0	0	0
Ending cash & cash equivalent	33,110	27,902	24,930	9,039

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	5.4	4.9	6.7	6.1
Pre-tax margin	-1.8	-2.1	1.1	1.5
Net margin	-4.9	-1.8	1.0	1.3
ROA	-5.7	-2.0	1.2	1.7
ROE	-10.0	-3.4	2.0	2.8
Growth				
Turnover	-2.1	-10.0	5.8	9.8
EBITDA	-14.8	-17.4	44.7	0.2
Pre-tax profit	n.a.	5.5	-155.6	47.5
Net profit	n.a.	n.a.	-160.0	41.7
Net profit (adj.)	n.a.	n.a.	-150.0	41.7
EPS	n.a.	n.a.	-150.0	41.7
Leverage				
Debt to total capital	85.2	81.4	70.3	61.1
Debt to equity	74.6	70.7	61.4	53.7
Net debt/(cash) to equity	63.8	61.2	53.2	50.8
Interest cover (x)	2.7	2.4	5.0	5.5