PTT Global Chemical (PTTGC TB)

Earnings Recovery Underway After 2025 Trough

BUY (Upgraded)	
Share Price	Bt20.80
Target Price	Bt25.00
Upside	+20.19%
Previous TP	Bt20.00

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Highlights

- PTTGC's earnings bottomed in 2025, supported by lower feedstock and financing costs and higher capacity.
- Liquidity has improved significantly following deleveraging, with the net IBD-to-equity ratio declining meaningfully.
- We expect a valuation re-rating following the entry of a new strategic partner, which we anticipate will be concluded in 1Q26. We upgrade PTTGC to BUY with a higher target price of Bt25.00 (previously Bt20.00).

Analysis

- **Earnings expected to recover in 2026.** We expect PTT Global Chemical's (PTTGC) earnings to recover in 2026 after bottoming in 2025, mainly due to: a) the implementation of the utilities model by the Energy Regulatory Commission starting 1 Jan 26, which should lower ethane costs and generate benefits of Bt600m-Bt700m per year; b) a 6% yoy increase in ethane feedstock volume to 1.9m tonnes from 1.8m tonnes in 2025; c) higher utilisation rates due to the absence of major maintenance shutdowns, unlike in 2025; d) lower interest expenses of around Bt2.0b per year following deleveraging; and e) a gradual recovery in performance chemicals EBITDA, driven by Allnex's cost reduction measures. Improved internal fundamentals should help offset the still-weak olefins spreads. We forecast a net loss of Bt376m in 2026, a significant improvement from the Bt14.4b net loss in 2025.
- **Stronger financial position.** PTTGC's financial position has strengthened materially following capital structure and liquidity management in 2025. Management outlined its deleveraging plan through: a) sales-and-leaseback transactions of selected infrastructure assets worth Bt9.2b, with a target to divest non-core assets totalling Bt30b by 2026; b) an expansion of Extended Term of Credit from Bt30b to Bt70b; c) the issuance of a US$1.1b perpetual bond; and d) bond buybacks in 2025. As a result, the net interest-bearing debt (IBD) to equity ratio should further decline from 0.50x in 3Q25.
- **Project Helix to support a gradual EBITDA recovery at Allnex.** While sales volume remains pressured by weak macro conditions affecting coating resin demand, Allnex targets SG&A savings of €24m in 2026, with a full-year benefit of approximately €40m in 2027. In addition, capacity expansion plans in high-growth markets such as China, India, and Thailand should enhance competitiveness in Asia. Management views Thailand as a potential strategic hub for specialty chemicals in Southeast Asia.

Key Financials

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	621,631	608,550	547,869	507,134	517,187
EBITDA	38,223	32,562	29,272	34,531	33,165
Operating profit	9,736	3,086	-1,855	5,179	5,392
Net profit (rep./act.)	999	-29,811	-14,337	-376	-1,996
Net profit (adj.)	-3,587	-9,431	-14,386	-2,676	-1,996
EPS	-0.8	-2.1	-3.2	-0.6	-0.4
PE	-26.4	-10.0	-6.6	-35.4	-47.4
P/B	0.28	0.31	0.33	0.33	0.33
EV/EBITDA	7.9	8.9	9.5	7.3	7.4
Dividend yield	3.6	2.4	0.0	0.0	0.0
Net margin	0.2	-4.9	-2.6	-0.1	-0.4
Net debt/(cash) to equity	62.0	63.8	63.0	54.7	52.0
Interest cover	3.3	2.7	2.6	4.4	4.7
Consensus net profit	-	-	-8,720	4,446	5,273
UOBKH/Consensus (x)	-	-	1.64	n.a.	n.a.

Source: Bloomberg, PTTGC, UOB Kay Hian

Stock Data

GICS Sector	Petrochemical
Bloomberg ticker	PTTGC TB
Shares issued (m)	4,508.85
Market cap (Btm)	108,663.26
Market cap (US$m)	3,329.61
3-mth avg daily t'over (US$m)	14.0

Price Performance (%)

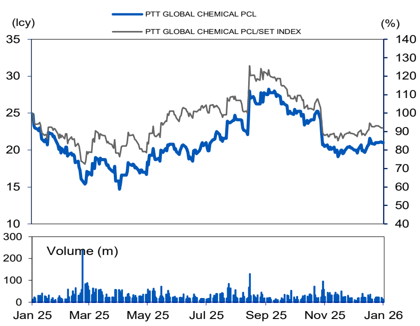
52-week high/low CurrBt28.75/Bt14.20

1mth	3mth	6mth	1yr	YTD
(11.4)	15.4	45.4	12.2	1.6

Major Shareholders

PTT	45.18%
Thai NDVR	3.72%
Siam manager holdings	3.00%

Price Chart



Source: Bloomberg

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.

- **Entry of PTTGC's strategic partner to be finalised in 1Q26.** Under PTT's plan to seek a strategic partner in the petrochemical and refinery business, PTTGC's long-term competitiveness should strengthen amid an industry outlook that is expected to remain weak until 2028. We expect the entry of PTTGC's strategic partner to be concluded within 1Q26 before its AGM in Apr 26. We think PTTGC's private placement price to its strategic partner should be higher than PTT's cost of holding in PTTGC shares (we calculate +/- Bt22.0/share).
- **4Q25 earnings outlook remains weak.** We expect core earnings in 4Q25 to remain in a deeper loss qoq due to: a) planned maintenance shutdowns of around 50 days at the refinery and 53 days at Aromatics 2, and b) persistently weak olefins spreads. In 4Q25, HDPE prices averaged US$871/tonne, down 5% qoq, while HDPE spreads declined 8% qoq to US$307/tonne, pressured by weak demand and additional new capacity in Southeast Asia.
- **Extra losses expected in 4Q25.** We estimate extra losses of Bt1.5b-Bt2.0b in 4Q25, comprising: a) an impairment loss of Bt4.0b-4.5b in the Polyol business, b) impairment reversal of around Bt2.0b for PTT Asahi due to lower-than-expected decommissioning costs, and c) an estimated extra gain of approximately Bt500m from reclassifying Vencorex assets as held for sale. Asset divestment negotiations in Thailand and the US are expected to conclude in 1Q26.

Valuation/Recommendation

- **Upgrade to BUY with a higher target price of Bt25.00 in 2026 (previously Bt20.00),** based on 0.47x P/B of -2.0SD (previously 0.36x P/B of -2.0SD). Despite the weak olefins spreads, we believe earnings had bottomed out in 2025. PTTGC's operational efficiency initiatives should gradually improve its core earnings in 2026. The stock is trading at 0.33x PBV, below its historical average. In the O&G sector, we prefer PTT Oil and Retail (OR TB/BUY/Target: Bt21.00), SCG Packaging (SCGP TB/BUY/Target: Bt26.00) and Indorama Ventures (IVL TB/BUY/Target: Bt27.00).

Earnings Revision/Risk

- **Revised 2025-26 earnings outlook.** We revise our earnings forecasts for 2025-26 to reflect extra items recognised in 4Q25 and 2026. As a result, we now expect PTTGC to report a net loss of Bt14.3b in 2025 (vs previously a net loss of Bt12.5b), incorporating the extra loss expected in 4Q25. In 2026, we anticipate an extra gain of Bt2.3b from asset monetisation, leading us to revise our forecast to a net loss of Bt376m (vs previously a net loss of Bt2.7b).

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 in order to achieve its goal of cutting greenhouse gas emissions to net zero by 2050.

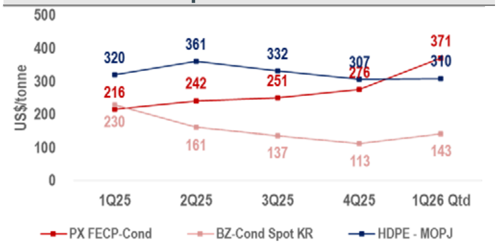
Social

- 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

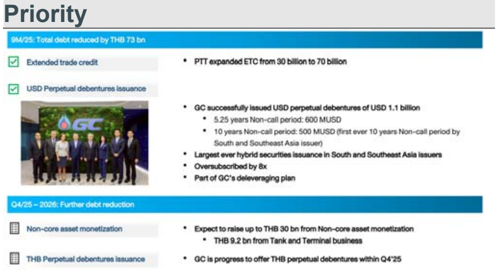
- Be a transparent, verifiable organisation with a focus on the creation of innovative, environmentally friendly chemicals for a low-carbon business.

Petrochemical Spread



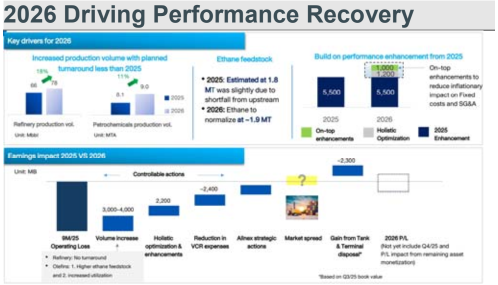
Source: PTT Global Chemical, UOB Kay Hian

Deleveraging As PTTGC's Strategic Priority



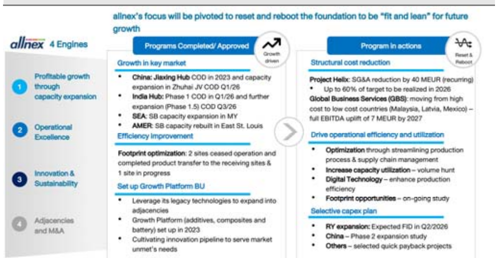
Source: PTT Global Chemical, UOB Kay Hian

2026 Driving Performance Recovery



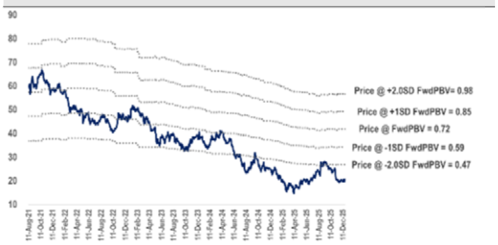
Source: PTT Global Chemical, UOB Kay Hian

Allnex's Strategic Pivot For Next 24 Months



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	507,134	517,187
EBITDA	32,562	29,272	34,531	33,165
Deprec. & amort.	29,476	31,128	29,352	27,772
EBIT	3,086	-1,855	5,179	5,392
Associate contributions	-1,730	-600	100	100
Net interest income/(expense)	-12,158	-11,331	-7,866	-7,046
Pre-tax profit	-10,802	-13,786	-2,587	-1,554
Tax	1,168	-800	11	58
Minorities	204	200	-100	-500
Net profit	-29,811	-14,337	-376	-1,996
Net profit (adj.)	-9,431	-14,386	-2,676	-1,996

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	192,501	195,420
Cash/ST investment	33,110	24,736	28,479	16,757
Other current assets	123,024	111,420	102,359	104,376
Total assets	645,844	592,124	560,629	541,069
ST debt	21,987	20,500	20,500	20,500
Other current liabilities	92,144	83,589	76,633	78,140
LT debt	206,904	186,404	165,904	145,404
Other LT liabilities	56,216	50,611	46,848	47,776
Shareholders' equity	306,639	289,267	288,890	286,895
Total liabilities & equity	645,844	592,124	560,629	541,069

Cash Flow

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	32,322	19,223	31,182	25,767
Pre-tax profit	-10,802	-13,786	-2,587	-1,554
Tax	1,168	-800	11	58
Deprec. & amort.	29,476	31,128	29,352	27,772
Working capital changes	-10,946	-16,587	-17,894	-20,509
Other operating cashflows	23,426	19,268	22,300	20,000
Investing	-3,889	-2,991	-6,938	-16,990
Investments	-15,830	-15,000	-15,000	-15,000
Others	11,941	12,009	8,062	-1,990
Financing	-33,737	-24,241	-20,500	-20,500
Dividend payments	-3,503	-2,254	0	0
Issue of shares	-30,235	-21,987	-20,500	-20,500
Proceeds from borrowings	-5,305	-8,009	3,744	-11,722
Net cash inflow (outflow)	37,684	32,745	24,736	28,479
Beginning cash & cash equivalent	731	0	0	0
Changes due to forex impact	33,110	24,736	28,479	16,757
Ending cash & cash equivalent	32,322	19,223	31,182	25,767

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	5.4	5.3	6.8	6.4
Pre-tax margin	-1.8	-2.5	-0.5	-0.3
Net margin	-4.9	-2.6	-0.1	-0.4
ROA	-5.7	-2.9	-0.1	-0.4
ROE	-10.0	-4.9	-0.1	-0.7
Growth				
Turnover	-2.1	-10.0	-7.4	2.0
EBITDA	-14.8	-10.1	18.0	-4.0
Pre-tax profit	n.a.	27.6	-81.2	-39.9
Net profit	n.a.	n.a.	-97.4	430.1
Net profit (adj.)	n.a.	n.a.	-81.4	-25.4
EPS	n.a.	n.a.	-81.4	-25.4
Leverage				
Debt to total capital	85.2	82.4	74.3	66.6
Debt to equity	74.6	71.5	64.5	57.8
Net debt/(cash) to equity	63.8	63.0	54.7	52.0
Interest cover (x)	2.7	2.6	4.4	4.7