

Siam Cement (SCC TB)

Early Impact From The Middle East Conflict

Highlights

- Feedstock shortages are beginning to emerge, prompting SCC to suspend operations at the ROC plant to manage limited feedstock supply.
- The situation remains highly uncertain; if the Strait of Hormuz remains closed for more than one month, the impact could spread widely across both refining and petrochemical sectors.
- Downgrade to SELL with a target price of Bt180.00 (previously Bt250.00).

Analysis

- **The tone during Siam Cement's (SCC) special analyst meeting was negative.**
- **SCC has declared Force Majeure at the Rayong Olefins (ROC) facility operated by SCGC.** The decision was made to manage limited feedstock availability amid restrictions on importing raw materials from the Middle East following Iran's closure of the Strait of Hormuz. During the special analyst meeting, management indicated that SCC currently has around 30 days of naphtha feedstock available for production. As a result, SCG Chemical (SCGC) must optimise feedstock usage by maintaining the Map Ta Phut Olefins (MOC) plant operating rate above 80% to maximise efficiency.
- **In the worst-case scenario,** if the closure of the Strait of Hormuz extends beyond one month, SCGC estimates that its naphtha inventory would only last until mid-Apr 26, indicating a near-crisis situation for the petrochemical sector.
- **Significant uncertainty remains.** We estimate that the shutdown of the ROC facility could reduce SCC's 2026 net profit by approximately Bt160m per month, or around 2.0% of our full-year forecast. In a worst-case scenario involving broader operational disruptions, the impact could rise to Bt500m-Bt550m per month, equivalent to 6.4-7.0% of our 2026 net profit forecast.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	511,172	496,925	671,649	706,504	605,398
EBITDA	41,721	36,386	43,552	43,348	43,659
Operating profit	-1,475	-9,785	965	2,172	4,734
Net profit (rep./act.)	6,342	14,075	7,848	8,390	9,003
Net profit (adj.)	3,798	4,962	7,848	8,390	9,003
EPS	5.28	11.73	6.54	6.99	7.50
PE	40.87	18.42	33.03	30.89	28.79
P/B	0.73	0.77	0.76	0.76	0.75
EV/EBITDA	23.27	29.25	19.47	19.28	17.89
Dividend yield	2.31	2.31	2.31	2.31	2.31
Net margin	0.74	1.00	1.17	1.19	1.49
Net debt/(cash) to equity	58.21	55.32	41.72	36.27	27.48
Interest cover	3.63	3.39	4.31	4.80	4.52
Consensus net profit	n.a.	n.a.	11,156	13,727	24,657
UOBKH/Consensus (x)	n.a.	n.a.	0.70	0.61	0.37

Source: SCC, Bloomberg, UOB Kay Hian

SELL (Downgraded)

Share Price	Bt186.00
Target Price	Bt180.00
Upside	-0.32%
Previous TP	Bt250.00

Analyst(s)

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Stock Data

GICS Sector	Property & Construction / Construction Materials
Bloomberg ticker	SCC TB
Shares issued (m)	1,200.0
Market cap (Btm)	273,600.0
Market cap (US\$m)	8,606.8
3-mth avg daily t'over (US\$m)	24.1

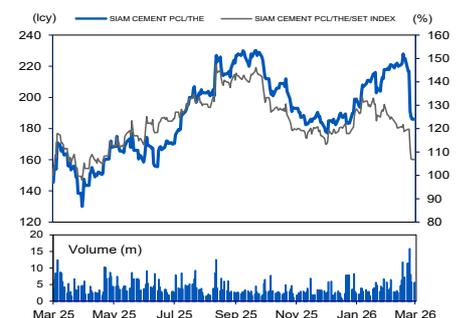
Price Performance (%)

52-week high/low	Bt231.00/Bt124.50				
1mth	3mth	6mth	1yr	YTD	
11.2	36.1	37.8	(4.6)	35.7	

Major Shareholders

Maha Vajiralongkorn	33.64
Thai NVDR Company Limited	7.85
SOCIAL SECURITY OFFICE	5.54

Price Chart



Source: Bloomberg

Company Description

SCC operates as a holding company which is engaged in the industrial supplies and construction industries. The company operates six core businesses - chemical, paper, cement, building materials, distribution and investment.

- **High dependence on Middle Eastern feedstock.** Currently, SCGC imports about 70% of its feedstock from overseas, with 70% of those imports sourced from the Middle East via the Strait of Hormuz, representing roughly 50% of total feedstock requirements. Under current conditions, approximately 30% of naphtha shipments already purchased cannot be delivered, which prompted the decision to suspend ROC operations.
- **CAP stake sale remains unaffected.** SCC's management emphasised that the Force Majeure declaration is consistent with broader industry developments, as several regional petrochemical producers have recently issued similar declarations, including Chandra Asri (CAP) in Indonesia. SCC is currently in the process of selling a 10.57% stake in CAP, with the transaction expected to be finalised by mid-26. Management remains confident that the current situation will not affect the transaction.
- **LSP plant in Vietnam continues full operations.** The Long Son Petrochemicals (LSP) complex has greater feedstock flexibility, as it can utilise up to 70% propane and 30% naphtha as inputs. Naphtha can also be sourced from alternative regions such as the US, although shipping times are longer. However, if the disruption persists and naphtha shortages intensify, operating solely on propane would not be economically viable.
- **Limited impact on packaging and cement segments.** The packaging and cement businesses are expected to face only limited short-term impacts, primarily from higher fuel costs. However, SCC's ongoing cost-saving initiatives have increased the use of alternative fuels to about 50% of total fuel consumption, which helps mitigate cost pressures. Meanwhile, the cement business continues to benefit from strong domestic demand supported by ongoing government infrastructure projects.
- **Dividend.** SCC announced a 2H25 dividend of Bt2.50/share, with an XD date on 1 April and payment date on 21 April. For 2026, we forecast a dividend of Bt5.00/share.

Valuation/Recommendation

- **Downgrade to SELL with a lower SOTP-based 2026 target price of Bt180.00 (previously Bt250.00)**, with the chemical business valued at 0.32x P/B of -2.0SD (previously 0.45x P/B), the cement business at 12x forward PE, and SCGP at 23.1x forward PE.

Earnings Revision/Risk

- None.

Environment, Social, Governance (ESG) Updates

Environmental

- Carbon reduction: Committed to reducing greenhouse gas emissions through energy efficiency, renewable energy and carbon capture technologies.

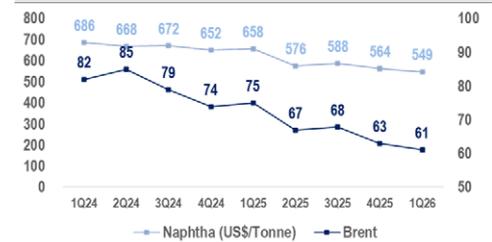
Social

- Community engagement: Investing in education, health, and infrastructure programmes for local communities.

Governance

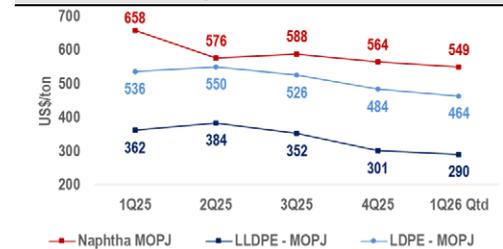
- Corporate governance: Maintaining transparent reporting and adhering to ethical business practices.

Naphtha And Crude Oil Prices



Source: SCC, Bloomberg, UOB Kay Hian

Petrochemical Spread



Source: SCC, Bloomberg, UOB Kay Hian

LSPE Summary

Ethane Gas Agreement U.S. Feedstock Contract signed Jan 25	<ul style="list-style-type: none"> • 15-yr with Enterprise Products Partners L.P. • Up to 1 MTA by FOB basis • Market price basis (Mont Belvieu) 	
Shipping Agreement 3 VLECs Contract signed in Jan/Mar 25	<ul style="list-style-type: none"> • 15-yr time charter agreement • 5 VLECs with Mitsui O.S.K. Lines (MOL) • Fixed rental fee plus operating cost • Require transportation at -90 degree Celsius 	
Ethane Storage Tanks EPC Contract signed Feb 25	<ul style="list-style-type: none"> • Consortium EPC contract signed with China Tianshen Engineering Corporation (TCC) and PetroVietnam Technical Service Corporation (PTSC) • 2 cryogenic tanks (55,000 tons each) • Require storage at -90 degree Celsius 	

Source: SCC, UOB Kay Hian

SOTP Valuation

	Equity Value	Bt/share	Methodology
Chemical	54,128	45	0.32x PBV
Cement	199,375	166	12.0x PE
SCGP	157,639	131	23.1x PE
SCGD	11,833	10	11.0x PE
Others	18,150	15	12.0x PE
Net Debt	-225,125	-188	
Total	216,000	180	

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	496,925	671,649	706,504	605,398
EBITDA	27,273	43,552	43,348	43,659
Deprec. & amort.	33,170	32,511	32,698	32,871
EBIT	(5,897)	11,040	10,650	10,788
Associate contributions	17,866	4,500	4,500	4,500
Net interest income/(expense)	(10,738)	(10,105)	(9,038)	(9,659)
Pre-tax profit	19,457	5,435	6,112	5,629
Tax	(8,900)	(1,087)	(1,222)	(1,126)
Minorities	3,518	3,500	3,500	4,500
Net profit	14,075	7,848	8,390	9,003
Net profit (adj.)	4,962	7,848	8,390	9,003

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	42,664	68,147	20,986	24,009
Pre-tax profit	19,457	5,435	6,112	5,629
Tax	(8,900)	(1,087)	(1,222)	(1,126)
Deprec. & amort.	33,170	32,511	32,698	32,871
Working capital changes	4,399	31,287	(16,602)	(13,365)
Other operating cashflows	(5,462)	0	0	0
Investing	(8,852)	10,139	(35,000)	(35,000)
Investments	(37,913)	(35,000)	(35,000)	(35,000)
Others	29,061	45,139	0	0
Financing	(35,233)	(79,757)	6,750	16,750
Dividend payments	(8,637)	(6,000)	(6,000)	(6,000)
Issue of shares				
Proceeds from borrowings	(26,595)	(73,757)	12,750	22,750
Net cash inflow (outflow)	(1,420)	(1,471)	(7,264)	5,759
Beginning cash & cash equivalent	36,492	33,679	32,208	24,944
Changes due to forex impact	(1,393)	0	0	0
Ending cash & cash equivalent	33,679	32,208	24,944	30,703

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	398,486	400,975	403,277	405,406
Other LT assets	76,009	6,716	7,065	6,054
Cash/ST investment	99,798	88,178	75,408	68,540
Other current assets	36,441	42,086	43,306	39,768
Total assets	821,591	787,886	807,310	806,113
ST debt	52,462	27,250	27,250	27,250
Other current liabilities	11,625	6,716	7,065	6,054
LT debt	191,842	164,592	137,342	110,092
Other LT liabilities	222,713	171,309	144,407	116,146
Shareholders' equity	380,760	382,608	384,998	388,002
Total liabilities & equity	821,591	787,886	807,310	806,113

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.16	7.32	6.48	6.14
Pre-tax margin	1.51	3.92	0.81	0.87
Net margin	1.24	2.83	1.17	1.19
ROA	1.71	1.00	1.04	1.12
ROE	3.70	2.05	2.18	2.32
Growth				
Turnover	(2.79)	35.16	5.19	(14.31)
EBITDA	(30.39)	59.69	(0.47)	0.72
Pre-tax profit	152.56	(72.07)	12.47	(7.91)
Net profit	121.95	(44.24)	6.91	7.31
Net profit (adj.)	30.66	58.16	6.91	7.31
EPS	121.95	(44.24)	6.91	7.31
Leverage				
Debt to total capital	61.56	48.54	41.77	34.98
Debt to equity	64.16	50.14	42.75	35.40
Net debt/(cash) to equity	55.32	41.72	36.27	27.48
Interest cover (x)	3.39	4.31	4.80	4.52

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