

Oil & Gas

PTTGC And SCC Announce Non-binding MOU; Near-term Positive For SCC

Highlights

- PTTGC and SCC have announced a non-binding MOU to collaborate in the olefins business. In the near term, we maintain a neutral view on PTTGC, but have a positive view on SCGC, driven by improved feedstock security.
- Overall, the proposed JV represents a strategic initiative that could position both companies among the top 10 global polyolefins players.
- Maintain MARKET WEIGHT. Our top picks are SCC, TOP and PTTGC.

Analysis

- **What's new?** On 29 Apr 26, PTTGC entered a non-binding MOU with SCG Chemicals (SCGC), a subsidiary of Siam Cement (SCC), to comprehensively explore a potential strategic formation of a JV of their respective olefins and polyolefins businesses in Thailand. The scope of the potential JV includes PTTGC's olefins and polyolefins assets in Thailand, and SCGC's olefins and polyolefins business units in Thailand, including crackers, polyethylene (PE) and polypropylene (PP) production facilities, as well as SCGC's relevant JV companies.
- PTTGC expects the JV feasibility study to be completed by 3Q26, with shareholder approvals from both PTTGC and SCC targeted by mid-4Q26.
- **Our take.** Given PTTGC's strong feedstock advantage and its position as a recent winner in the petrochemical sector, we see limited near-term incremental benefits for PTTGC from this JV. That said, the deal would become more compelling if PTTGC were to hold a larger stake in the JV, leveraging its feedstock strength.
- On the other hand, SCGC has effectively alleviated feedstock-related risks, making SCC appear more attractive in comparison. We see potential for SCC to resume production at Rayong Olefins (ROC, supported by improved feedstock security, alongside more favourable valuation dynamics for the JV between PTTGC and SCGC. Based on our check with SCC's management, SCC is expected to prioritise the JV in the near term, with the SCGC IPO likely to be postponed.

MARKET WEIGHT (Maintained)

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Segmental Rating

Segment	Rating
Oil and Gas	MARKET WEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Thai Oil	TOP TB	BUY	44.00	58.00
Siam Cement	SCC TB	BUY	238.00	290.00
PTT Global Chemical	PTTGC TB	BUY	36.25	41.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Rec	Price 22 Apr 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit 2026F (Btm)	2027F (Btm)	PE 2026F (x)	2027F (x)	Net EPS Growth 2026F (%)	P/B 2026F (x)	Yield 2026F (%)	ROE 2026F (%)
BCP TB	BUY	35.75	40.00	11.9	1,620	11,083	11,899	4.8	4.4	259.5	0.6	4.2	11.3
IRPC TB	HOLD	1.57	1.40	(10.8)	987	212	3,421	151.6	9.4	105.9	0.5	1.9	0.3
PTT TB	BUY	34.75	41.00	18.0	30,540	103,797	118,426	9.6	8.4	15.1	0.8	6.3	8.7
PTTGC TB	BUY	35.75	41.00	14.7	4,960	9,201	9,552	17.5	16.9	163.0	0.5	1.4	2.7
SPRC TB	HOLD	6.80	7.00	2.9	907	2,717	3,817	10.9	7.7	12.4	0.7	5.9	6.7
TOP TB	BUY	45.25	58.00	28.2	3,110	11,728	11,282	8.6	9.0	(19.6)	0.6	4.0	6.6
Avg					42,125	138,738	158,397	9.9	8.6	51.0	0.7	5.4	7.7

Source: UOB Kay Hian

- Structural pressures driving a global wave of consolidation.** The global petrochemical industry continues to face structural headwinds from persistent overcapacity, built up through years of aggressive capacity expansion, while demand growth has slowed in line with the broader global economic deceleration. This imbalance has led to a meaningful decline in utilisation rates, putting widespread pressure on industry margins. As a result, consolidation has accelerated across key regions - including Europe, Japan, and South Korea - as players seek to increase scale, lower costs, and strengthen long-term competitiveness.
- PTTGC–SCGC JV: A game changer in achieving global top-tier positioning.** The formation of the JV between PTTGC and SCGC represents a strategic move aligned with global industry trends, and could position the combined entity as a top 10 global polyolefins player and a regional leader in the ASEAN region. Greater scale and full integration across the value chain will enhance bargaining power, improve cost efficiency, and strengthen resilience against petrochemical cycle volatility. More importantly, it also enables the company to compete more effectively with global players - particularly those in China, the Middle East, and the West - that benefit from superior scale and feedstock advantages.
- Clear end-to-end synergy from upstream to downstream integration.** This deal effectively completes the value chain between PTTGC and SCGC, combining complementary strengths across the business. PTTGC brings its competitive upstream capabilities and cost-efficient feedstock supply, enhancing raw material security, while SCGC strengthens the downstream segment through its research and development (R&D) expertise and development of high value-added (HVA) products. As a result, the new structure achieves full integration from upstream to downstream, while also elevating shared capabilities, operational standards, and overall industry know-how.
- Map Ta Phut synergy positions Thailand as a regional petrochemical hub.** A key driver lies in the operational synergies from the co-location of assets in Map Ta Phut, enabling tangible integration across operational excellence, supply chain, and logistics. This proximity also supports further innovation through the combination of R&D capabilities and technical-commercial expertise. Overall, the JV not only enhances the competitiveness of both companies but also carries broader strategic implications for Thailand, helping position the country as an integrated petrochemical hub in the region while supporting sustainable long-term value creation.

Valuation/Recommendation

- Maintain MARKET WEIGHT.** In the oil & gas sector, we prefer Siam Cement (SCC TB/BUY/Target: Bt290.00), Thai Oil (TOP TB/BUY/Target: Bt58.00) and PTT Global Chemical (PTTGC TB/BUY/Target: Bt41.00).

Siam Cement (SCC TB/BUY/Target: Bt290.00)

- Lower feedstock risk.** We believe SCC will be the biggest beneficiary of the JV with PTTGC, as it helps ease feedstock supply concerns. Production is expected to accelerate in 2H26 following the restart of the ROC plant. Although there is a risk that PE and PP spreads may soften in 2H26 compared with 2Q26, we expect them to remain at profitable levels, supported by global supply disruptions caused by unrest in the Middle East during March-April.
- 2Q26 earnings to continue recovering.** We expect core earnings to improve qoq, driven by a turnaround in the petrochemical segment as PE and PP spreads rise above US\$400/tonne. According to SCC, around 40 million tonnes of global olefins capacity (about 13% of total capacity) is currently offline due to force majeure from feedstock shortages - similar to SCGC's ROC plant - as well as disruptions linked to the Middle East conflict. These positive factors should be sufficient to offset weaker qoq sales in the

JV Announcement: Non-binding MOU



Source: PTTGC, SCC

Synergy: Upstream To Downstream Integration



Source: PTTGC, SCC

Co-Location Of Assets In Map Ta Phut



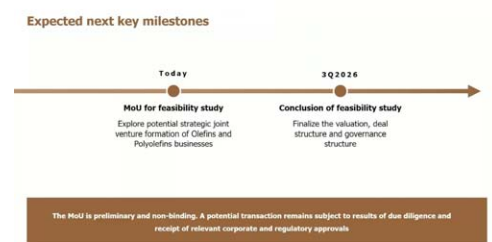
Source: PTTGC, SCC

Sustainable Value For All Stakeholders



Source: PTTGC, SCC

Key Milestones



Source: PTTGC, SCC

petrochemical business due to shutdowns at the LSP and ROC plants, as well as seasonally softer performance in the cement business.

Thai Oil (TOP TB/BUY/Target: Bt58.00)

- **Strong 1Q26 earnings expected.** We expect TOP to report a 1Q26 net profit of Bt19.00b, up qoq and yoy, driven by an improvement in market GRM, particularly spreads for both gas oil and jet fuel rising 45% qoq and 48% qoq respectively. In addition, stock gains from the recovery in crude oil prices should be sufficient to offset the decline in aromatics spreads due to higher cost pressures, as well as hedging losses.
- **Despite the impact from government measures, we expect TOP's core earnings to remain positive.** In 2Q26, the refining business will be affected by the government's policy to cap diesel crack between 9 April and 19 May. However, based on our check with TOP, we believe it will still deliver a core profit for the quarter. This should be viewed as a positive, as market consensus had previously expected domestic refiners to post losses in 2Q26 due to these measures. Moreover, with GRM trends starting to soften, we see a reduced risk of the government extending such measures further.
- **Sensitivity analysis.** Every US\$1.00/bbl change in GRM would impact core profit by approximately Bt3.2b, equivalent to about 27% of our 2026 core earnings forecast.

PTT Global Chemical (PTTGC TB/BUY/Target: Bt41.00)

- **Expected to report net profit for the first time in nearly two years.** We expect PTT Global Chemical (PTTGC) to post a 1Q26 net profit of Bt2.45b (vs net losses of Bt5.50b in 4Q25 and Bt2.67b in 1Q25). This turnaround is driven by a recovery across all core business - both refining and petrochemicals - supported by stronger market GRM and petrochemical spreads, which are sufficient to offset extra losses from impairment loss recorded during the quarter.
- **2Q26 outlook remains positive.** We expect core profit to continue improving both qoq and yoy, supported by stronger GRM and petrochemical spreads. This is further reinforced by the restart of the olefins plant 4 (OLE4) in early April following maintenance in late-1Q26. The market is showing increasing tightness as some domestic producers face feedstock shortages. As a fully integrated olefins producer - from refinery to downstream petrochemicals - PTTGC benefits from feedstock flexibility (gas and naphtha), giving it a competitive edge over domestic naphtha crackers affected by import constraints amid Middle East tensions. OLE4 has annual capacities of 520,000 tonnes of ethylene and 256,000 tonnes of propylene, supporting polyethylene (PE) and polypropylene (PP) production for domestic demand.
- **Sensitivity analysis.** Every US\$1/bbl change in GRM would affect core profit by around Bt1.48b, equivalent to about 12% of our 2026 core earnings forecast.

Sector Catalyst/Risk

- Global economic slowdown.
- Fluctuations in crude oil prices.
- Petrochemical demand is recovering slowly, but new petrochemical production capacity continues to increase.

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