# Oil & Gas

## Thailand's Petrochemical Mega Merger: PTTGC And SCGC Join Forces To Build A Global Top-10 National Champion

### Highlights

- We view the New JVCo as a win-win strategy that will reduce duplicated investments, secure feedstock cost advantages, and significantly strengthen bargaining power in global markets.
- We see PTTGC as the key beneficiary of the new JVCo deal, driven by: a) significant asset expansion with limited financial burden, b) reasonable acquisition valuation, and c) stronger value-chain integration.
- Key timeline: a) EGM on 3 Dec 26, b) approval from the TCCT and other relevant regulators targeted for 1H27, and c) formal establishment of the NEW JVCO expected by 2H27.
- Maintain MARKET WEIGHT. Our top picks are TOP and SCGP.

### Analysis

- **A game changer for Thai petrochemicals.** We have a positive view of the new JVCo between PTT Global chemical (PTTGC) and SCG Chemical (SCGC) in Thailand's olefins and polyolefins businesses, viewing it as a win-win strategy that will reduce duplicated investments, secure feedstock cost advantages, and significantly strengthen bargaining power in global markets. The deal combines complementary strengths, with PTTGC contributing upstream capabilities, feedstock flexibility and access to low-cost feedstock (eg gas and ethane), as well as refinery integration, while SCGC brings downstream expertise, a high-value-added (HVA) product portfolio, and global R&D capabilities, including the ideas to Products (i2P) Innovation Centre. The combination aims to create a regional player ranked among the world's top 10 and enhance resilience through petrochemical downcycles. Key factors to monitor include regulatory approval from Thailand's Trade Competition Commission (TCC) and the post-merger integration (PMI) plan, particularly the pace of synergy realisation.
- **Transaction structure: PTTGC to hold a 56% controlling stake.** PTTGC will establish a Special-Purpose Vehicle (GC SPV) to receive its olefins, polyethylene, utilities and infrastructure businesses, related liabilities, and investments in GC Marketing Solutions (GCM, 100%-owned) and HMC Polymer (HMC, 41.4%-owned) through a partial business transfer (PBT).

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**MARKET WEIGHT (Maintained)**

### 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 | 61.00 | 100.00 |
| SCG Packaging | SCGP TB | BUY | 27.00 | 43.00 |

*Source: Bloomberg, UOB Kay Hian*

### Peer Comparison

| Ticker | Rec* | Price 27 Oct 26 (Bt) | Target Price (Bt) | Upside To TP (%) | Net Profit 2026F (Btm) | Net Profit 2027F (Btm) | PE 2026F (x) | PE 2027F (x) | Net EPS Growth 2027F (%) | Yield 2027F (%) | ROE 2027F (%) | Market Cap. (US$m) | Price/ NAV ps (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BCP TB | BUY | 51.50 | 65.00 | 26.2 | 39,507 | 20,175 | 1.9 | 3.8 | (48.9) | 4.7 | 14.2 | 2,271 | 0.6 |
| IRPC TB | HOLD | 2.92 | 3.00 | 2.7 | 19,437 | 5,030 | 3.1 | 11.9 | (74.1) | 1.7 | 6.1 | 1,786 | 0.7 |
| IVL TB | BUY | 27.50 | 27.00 | (1.8) | 7,713 | 7,925 | 20.0 | 19.5 | 2.8 | 2.7 | 5.8 | 4,623 | 1.2 |
| OR TB | HOLD | 12.80 | 12.50 | (2.3) | 7,884 | 9,924 | 19.5 | 15.5 | 25.9 | 3.1 | 4.1 | 4,599 | 0.6 |
| PTT TB | BUY | 42.00 | 45.00 | 7.1 | 123,110 | 106,386 | 9.7 | 11.3 | (13.6) | 6.0 | 8.6 | 35,918 | 1.0 |
| PTTEP TB | BUY | 166.50 | 170.00 | 2.1 | 80,519 | 76,374 | 8.2 | 8.7 | (5.1) | 6.0 | 12.6 | 19,790 | 1.1 |
| PTTGC TB | HOLD | 54.25 | 54.00 | (0.5) | 30,730 | 18,205 | 8.0 | 13.4 | (40.8) | 3.0 | 5.0 | 7,324 | 0.7 |
| SCC TB | HOLD | 278.00 | 278.00 | - | 27,184 | 13,298 | 12.3 | 25.1 | (51.1) | 1.8 | 3.3 | 9,988 | 0.8 |
| SPRC TB | BUY | 14.80 | 17.00 | 14.9 | 27,066 | 10,707 | 2.4 | 6.0 | (60.4) | 7.4 | 16.0 | 1,921 | 0.9 |
| TOP TB | BUY | 67.50 | 100.00 | 48.1 | 50,361 | 27,923 | 3.0 | 5.4 | (44.6) | 4.4 | 12.5 | 4,514 | 0.7 |
| Avg | | | | | **413,512** | **295,946** | **7.5** | **10.5** | **(28.4)** | **4.8** | **8.7** | **92,734** | **0.9** |

*Source: UOB Kay Hian*

- Meanwhile, SCGC will restructure its Thai petrochemical businesses by transferring its stakes in domestic subsidiaries — including the Map Ta Phut Olefins and Rayong Olefins (MOC and ROC) crackers, downstream operations and HVA businesses — to Thai Polyethylene (TPE). GC SPV will then amalgamate with TPE, with the surviving entity becoming the New JVCo. PTTGC will hold 56% and retain control and full consolidation of the New JVCo's financial statements, while SCGC will own the remaining 44%.
- **Target recurring synergies of US$150m–US$200m within three years.** Management from both companies expects the New JVCo to generate US$150m–US$200m in recurring synergies within three years, with no additional capex required. Synergies will be driven by three key pillars: a) feedstock and supply chain optimisation; b) portfolio leadership and marketing; and c) operational efficiency, including joint maintenance and procurement.
- **Strong financial structure and dividend potential.** Before the merger, the contributed businesses had combined assets of approximately Bt267b, with net debt of Bt26.3b for PTTGC's business and Bt23.0b for SCGC/TPE. The new JVCo is expected to have total assets of approximately Bt245b (US$7.5b), a debt-to-equity ratio of around 0.26x, and committed credit facilities of approximately Bt30b to support liquidity and financial flexibility. The new JVCo also targets a dividend payout ratio of at least 60% of consolidated net profit after tax and legal reserves, subject to sufficient cash flow to support operations and long-term investment requirements.

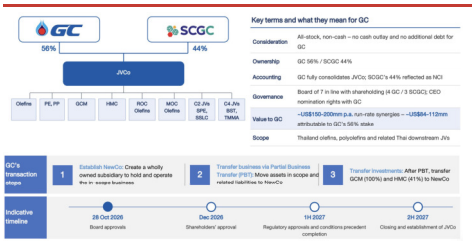
### Financial Position & Capital Structure: Standalone vs. New JVCo

| Financial Metric | PTTGC (GC SPV) (Pre-Merger) | SCGC / TPE (Pre-Merger) | New JVCo (Post-Merger) |
|---|---|---|---|
| **Shareholding Structure** | 100% (PTTGC) | 100% (SCGC) | PTTGC 56% : SCGC 44% |
| **Current Assets** | Bt36.33b | Bt50.55b | n.a. |
| **Non-current Assets** | Bt96.93b | Bt83.15b | n.a. |
| **Total Assets** | **Bt133.26b (~US$3.90b)** | **Bt133.70b (~US$3.60b)** | **~ Bt245.00b (~US$7.50b)** |
| **Total Liabilities** | **Bt47.48b** | **Bt46.72b** | n.a. |
| **Net Debt** | **Bt26.32b** | **Bt23.04b** | n.a. |
| **Debt-to-Equity Ratio** | n.a. | n.a. | **~0.26x** *(Reflecting a highly sustainable capital structure)* |
| **Credit Facilities** | n.a. | n.a. | **~Bt30.00b** *(In committed credit facilities for liquidity)* |
| **Dividend Policy** | n.a. | n.a. | **Minimum 60%** *of consolidated net profit* |

*Note: SCGC/TPE's net debt is based on the assumption that capital restructuring has been completed to align with target financial structures (maintaining a Net Debt-to-EBITDA ratio below 4.0x).*
*Source: PTTGC and SCGC*

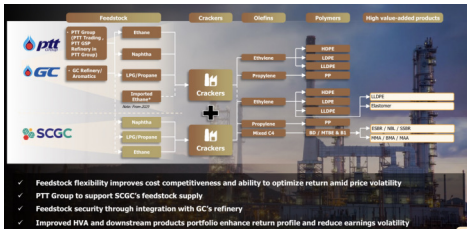
- **New JVCo formation expected in 2H27.** Key milestones include: a) an EGM on 3 Dec 26 to seek shareholder approval; b) obtaining approval from the Trade Competition Commission of Thailand (TCCT) and other relevant regulators, alongside completing internal restructuring, in 1H27; and c) fulfilling all conditions precedent and closing the transaction to formally establish the new JVCo by 2H27.
- **LSP remains a key growth driver for SCGC following the establishment of the new JVCo.** Following the new JVCo formation, SCGC will retain its 44% stake in the new JVCo, which will be accounted for as an associate. SCGC will continue to pursue growth through its remaining businesses, including the LSP project in Vietnam, the vinyl chain (PVC and downstream finished products such as pipes, windows and doors), plastics conversion and innovation, green polymers (advanced and mechanical recycling, as well as bio-PE through its partnership with Braskem), technology solutions and digital services. SCGC will also expand its European recycling business through Sirplaste and Recycling Holding Volendam B.V. (KRAS). These businesses are expected to support earnings growth and help reduce SCGC's debt burden.
- **LSP start-up brought forward to late-2Q27.** SCGC management indicated that the LSP project is expected to start operations in late-2Q27, ahead of the previous 4Q27 target. A key highlight is the shift towards low-cost US

### Transaction Overview



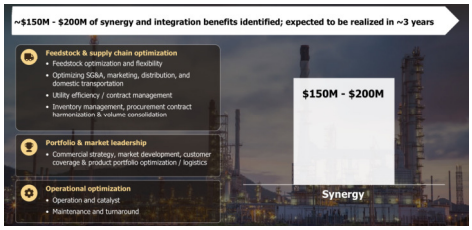

*Source: PTTGC*

### The Partner Strengthens The Value Chain, With Improved Feedstock Position Driven By PTTGC



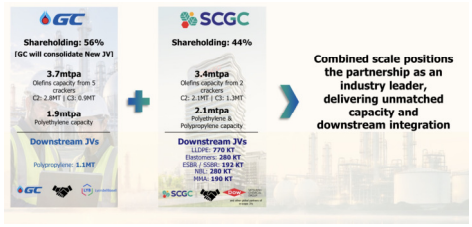

*Source: PTTGC, SCGC*

### Synergistic Value



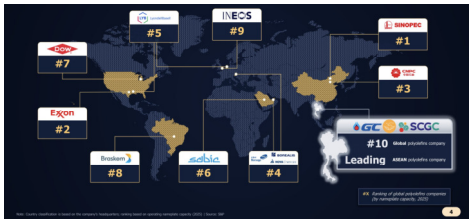

*Source: PTTGC, SCGC*

### New JVCo's Asset




*Source: PTTGC, SCGC*

### The Leading Thai Polyolefins Player On A Global Scale




*Source: PTTGC, SCGC*

ethane, which is approximately US$200/tonne cheaper than naphtha and is expected to account for around 70% of the feedstock mix. SCGC has secured a 15-year ethane supply agreement with Enterprise Products Partners, chartered five very large ethane carriers (VLEC) from Mitsui O.S.K. Lines, and signed an EPC contract for cryogenic storage tanks. Construction and modifications to prepare the olefins plant for ethane began in Mar 26, with an investment of only US$500m, supporting a relatively short payback period.

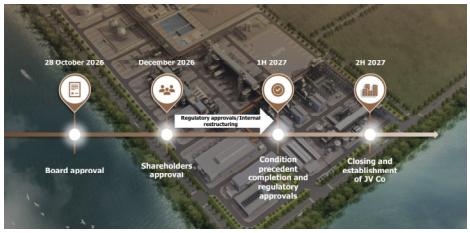
## Valuation/Recommendation

- **Maintain MARKET WEIGHT on the oil and gas sector.** In the O&G sector, we prefer Thai oil (TOP TB/BUY/Target: Bt100.00) and SCG Packaging (SCGP TB/BUY/Target: Bt43.00).
- While we remain cautious on the petrochemical sector and maintain an UNDERWEIGHT due to concerns over Chinese oversupply, we view the establishment of the new JVCo between PTTGC and SCGC as a win-win strategy for both parties. However, we believe PTTGC stands to benefit more significantly from the deal through a substantial expansion of its asset base and production capacity, as well as an accelerated shift toward higher-value products. Our positive view is supported by three key factors:
  a) **A step-change in asset expansion with limited financial burden.** PTTGC will hold a 56% stake in the new JVCo, making it the majority shareholder and allowing it to consolidate the new JVCo's financial statements. Meanwhile, the new JVCo has a strong financial position, with a low debt-to-equity ratio of just 0.26x, indicating a manageable debt burden relative to the scale of assets acquired. The transaction will enable PTTGC to significantly expand its asset base and production capacity without having to develop all the assets independently.
  b) **Reasonable acquisition valuation relative to regional transactions.** The acquired assets are valued at approximately 6.3x EV/EBITDA, in line with the 6–7x range observed in petrochemical M&A transactions across the region. This suggests that PTTGC is gaining access to a substantial asset base at a reasonable valuation, without paying an excessive premium relative to prevailing market benchmarks.
  c) **Strengthening value-chain integration and accelerating the transition to specialty chemicals.** A key strategic benefit of the deal is the complementary strengths of the two businesses. PTTGC has established upstream advantages, particularly in feedstock flexibility and refining, while SCGC brings strong downstream integration capabilities and a portfolio of HVA products, alongside its network of JVs and global partners, including Dow and Mitsubishi Chemical. Combining these assets and expertise will strengthen integration across the value chain, enhance the development of higher-value products, and accelerate PTTGC's progress toward its strategic target of increasing specialty products to 30% of its portfolio by 2030.

## Sector Catalyst/Risk

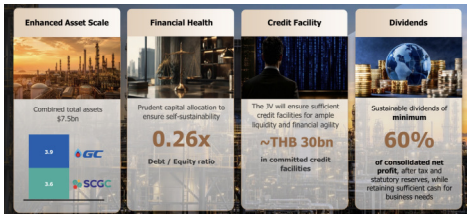
- Geopolitical risk: Middle East Conflict
- Fluctuations in crude oil prices, market gross refinery margin and petrochemical spreads.
- Global economic slowdown.

## Key Timeline



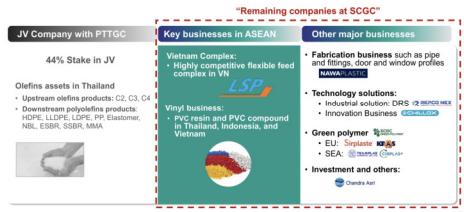

Source: PTTGC, SCGC

## The Balance Sheet Strengths And Prudent Capital Allocation



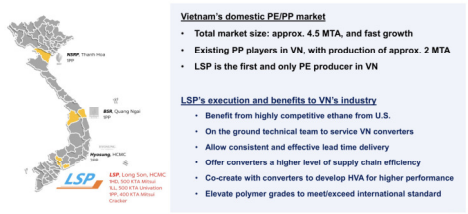

Source: PTTGC, SCGC

## To-be: SCGC Overview



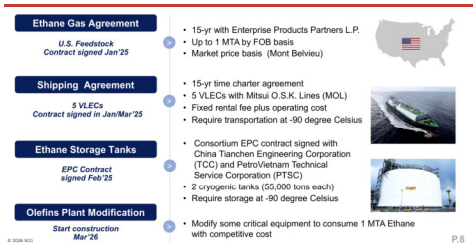

Source: SCGC

## LSP In Vietnam




Source: SCGC

## LSPE (Ethane Project) In Summary




Source: SCGC

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