

## Gas feedstock glory is long gone

- A victim of US-China chemical supremacy
- Olefins margin still nosedives while aromatics and refinery on par
- Initiated with a REDUCE and a TP of THB20

### US-China dual repercussions undermined PTTGC's olefins pain

In 2024, PTTGC encountered significant challenges, including weaker GRM, narrower product spreads, and impairment losses from Vencorex. These difficulties were compounded by the structural impact of US shale energy growth and China's pursuit of self-sufficiency, which have weighed heavily on global chemical margins. The gas-based olefins segment, in particular, has endured sustained loss-making levels over the past four years. Looking ahead, we project PTTGC's core net profit to rebound from a net loss of THB4.7 bn in 2024E to THB5.7 bn in 2025E and further to THB10.0 bn in 2026E. However, the company is likely to remain under pressure from the dominance of US and Chinese players, despite potential improvements in aromatics margins.

### Commodity olefins and aromatics are now submerging

PTTGC's large-scale gas-based upstream olefins of ethylene and propylene have turned from boons to banes since 2022 as a result of the emerging new capacities of gas-based crackers from US and China that have flooded the market via their exports. The successful commerciality of ethane exports by US has exacerbated the olefins margins and likely to pressure industry margins for years to come. Yet aromatics margin outlook is healthier than olefins' thanks to its limited ability to use gas feedstock.

### M&As remain PTTGC's pai, not gain?

PTTGC's recent impairment of Vencorex and the withdrawal from PTT Asahi on 15 Nov-24 indicated the strategic misstep in its growth trajectory. Yet we think the larger acquired Allnex asset in France raised us a grave concern on its competitiveness given the higher energy cost in Europe post the ban on Russia's energy imports.

### Too little downstream specialty portfolio

Among PTTGC's downstream capacity, we think only polyols and its feedstock phenol and propylene oxide (PO) are classified as specialty chemicals that could sustain PTTGC's overall margin. The remaining large productions of PVC, PE, PP, PS, PET, are commodity products and hence have been suffering from the industry depressed cycle.

### Initiated with REDUCE and a TP of THB20

We initiated coverage on PTTGC with a REDUCE and a TP of THB20, based on 5x 2025E EV/EBITDA. We think PTTGC's net profit outlook remains mediocre at best ahead as the margins of olefins, aromatics, and gross refining margin, are all under pressures while its strategic growth roadmap is still questionable, in our view.

#### Analyst

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ESG Rating : AAA

CG Rating : ▲▲▲▲▲

## REDUCE

Target Price 12M (THB)	20.00
VS. BB Consensus TP (%)	-30.7%
Share Price (THB)	23.80
Upside/Downside	-16.0%

#### Share Data

Market Cap (THB m)	107,310.61
Par (THB)	10.00
Free Float (%)	54.81
Issued shares (m shares)	4,509

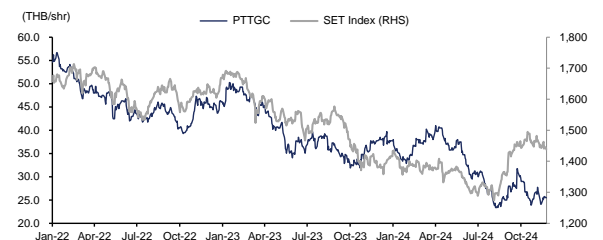
#### Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	621,631	642,171	638,005	640,560
Net profit	999	(23,875)	5,701	9,989
Core net profit	(2,770)	(4,663)	5,701	9,989
vs Consensus (%)	-	72.9	(25.9)	(14.9)
Net profit growth (%)	111.4	(2,489.6)	123.9	75.2
Core net profit growth (%)	(119.4)	(68.3)	222.3	75.2
EPS (THB)	0.22	(5.30)	1.26	2.22
Core EPS (THB)	(0.61)	(1.03)	1.26	2.22
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	1.00	1.00	0.38	0.66
P/E (x)	173.74	(4.49)	18.82	10.74
P/BV (x)	0.61	0.42	0.41	0.40
ROE (%)	(0.95)	(1.72)	2.20	3.77
Dividend yield (%)	2.60	4.20	1.59	2.79

Source: Financial Statement and Globlex securities

#### Share Price Performance (%)

	1M	3M	6M	YTD
Stock	(6.67)	(23.23)	(23.84)	(38.18)
Market	(3.97)	(20.08)	(28.13)	(37.38)
12M High/Low (THB)	41.25 / 22.20			



#### Major Shareholders (%) as of 27 Feb 2024

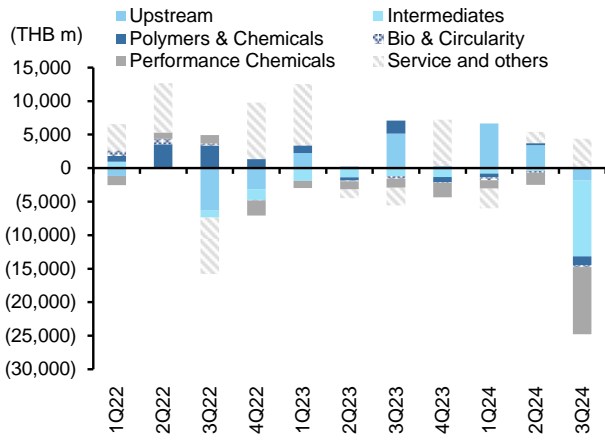
PTT Public Company Limited	45.18
Thai NVDR Company Limited	4.79
Siam Management Holding Company Limited	3.00

#### Company Profile

PTT Global Chemical Public Company Limited was founded on 19th October 2011 through the amalgamation of PTT Chemical Public Company Limited and PTT Aromatics and Refining Public Company Limited to be the chemical flagship of PTT Group

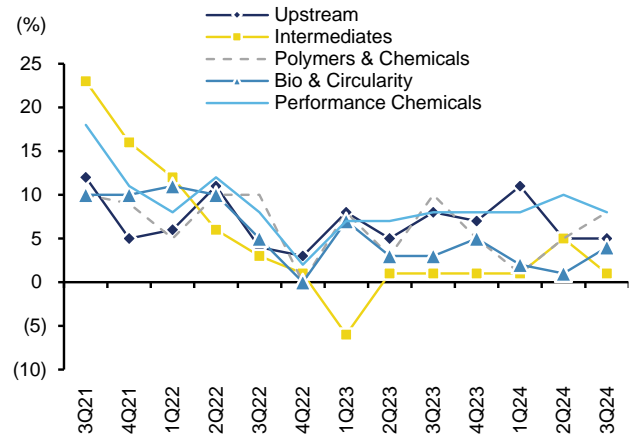
Source: SETSMART, SET

**Exhibit 1: PTTGC's net profit breakdown**



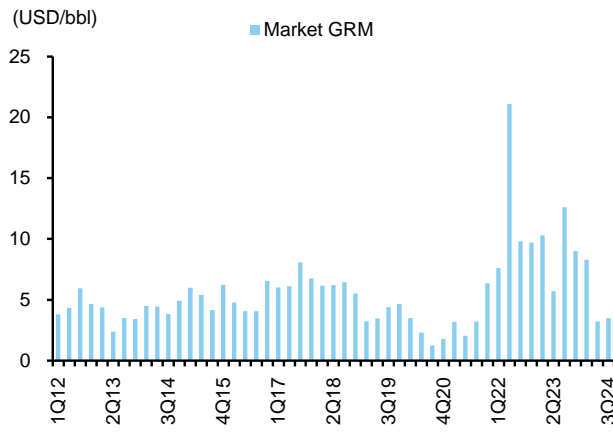
Sources: PTTGC

**Exhibit 2: Adjusted EBITDA margin breakdown**



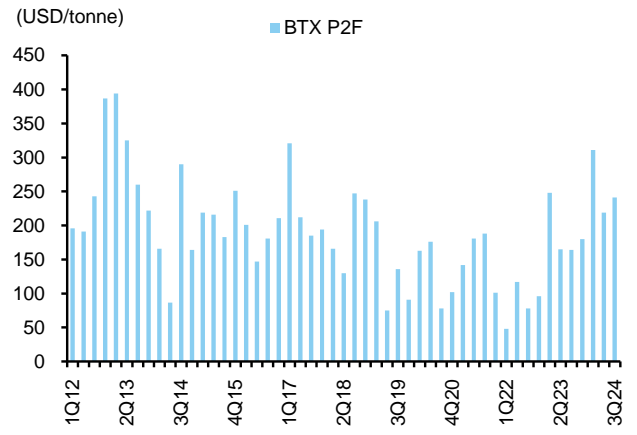
Sources: PTTGC

**Exhibit 3: PTTGC's market GRM**



Sources: PTTGC

**Exhibit 4: PTTGC's PTF**



Sources: PTTGC

**Exhibit 5: Prospective EV/EBITDA band**



Sources: Bloomberg, Globlex Research

**Exhibit 6: Prospective P/BV band**



Sources: Bloomberg, Globlex Research

Balance sheet (THB m)						Profit & loss (THB m)						
Year ending Dec	2022	2023	2024E	2025E	2026E	Year ending Dec	2022	2023	2024E	2025E	2026E	
<b>Current assets</b>						<b>Revenue</b>						
Cash & ST investment	25,940	37,319	19,544	44,322	70,693		683,954	621,631	642,171	638,005	640,560	
Account receivable	45,254	57,761	38,889	38,522	38,747		(602,961)	(555,132)	(596,629)	(583,934)	(580,590)	
Inventories	76,619	68,517	33,561	33,244	33,438		<b>Gross profit</b>	<b>80,993</b>	<b>66,500</b>	<b>45,542</b>	<b>54,071</b>	<b>59,970</b>
Others	90,743	97,312	102,890	110,379	117,868		Operating expenses	(38,973)	(34,042)	(25,049)	(19,892)	(20,274)
<b>Non-current assets</b>						<b>Operating profit</b>						
Net fixed assets	271,520	282,282	263,584	251,988	239,267		<b>EBIT</b>	<b>15,029</b>	<b>3,220</b>	<b>(10,205)</b>	<b>2,582</b>	<b>6,976</b>
Others	229,567	209,567	189,567	169,567	149,567		Depreciation	(26,991)	(29,238)	(30,698)	(31,597)	(32,720)
<b>Total Assets</b>	<b>739,642</b>	<b>752,759</b>	<b>648,035</b>	<b>648,023</b>	<b>649,581</b>		<b>EBITDA</b>	<b>42,019</b>	<b>32,457</b>	<b>20,493</b>	<b>34,179</b>	<b>39,696</b>
<b>Current liabilities</b>						<b>Non-operating income</b>						
Account payable	66,442	60,387	42,954	42,549	42,798			(18,599)	11,102	(14,031)	3,931	3,931
ST borrowing	6,729	6,729	6,729	6,729	6,729		Other incomes	1,015	1,191	1,572	1,572	1,572
Others	94,723	94,723	94,723	94,723	94,723		Other non-op income	(19,613)	9,911	(15,603)	2,359	2,359
<b>Long-term liabilities</b>						<b>Non-operating expense</b>						
Long-term debts	169,160	169,160	169,160	169,160	169,160			(9,835)	(11,718)	(4,663)	(4,655)	(4,649)
Others	101,836	130,909	71,632	67,935	61,238		Interest expense	(9,835)	(11,718)	(4,663)	(4,655)	(4,649)
<b>Total liabilities</b>	<b>438,889</b>	<b>461,907</b>	<b>385,197</b>	<b>381,095</b>	<b>374,647</b>		Other non-op expense					
Pai-up capital	45,088	45,088	45,088	45,088	45,088		<b>Equity income/(loss)</b>	<b>3,496</b>	<b>(387)</b>	<b>6,489</b>	<b>6,489</b>	<b>6,489</b>
Retained earnings	208,703	198,430	170,046	173,765	181,400		<b>Pre-tax profit</b>	<b>(9,909)</b>	<b>2,217</b>	<b>(22,410)</b>	<b>8,347</b>	<b>12,747</b>
Others	42,172	42,172	42,172	42,172	42,172		Extraordinary items					
Minority interest	4,790	5,161	5,532	5,903	6,274		Current taxation	2,273	(1,352)	(1,094)	(2,275)	(2,387)
<b>Shareholders' equity</b>	<b>300,753</b>	<b>290,851</b>	<b>262,838</b>	<b>266,928</b>	<b>274,935</b>		Minorities	(1,116)	134	(371)	(371)	(371)
<b>Key ratios</b>						<b>Cash flow (THB m)</b>						
Year ending Dec	2022	2023	2024E	2025E	2026E	Year ending Dec	2022	2023	2024E	2025E	2026E	
<b>Growth (%YoY)</b>						<b>Operating cash flow</b>						
Sales	45.8	(9.1)	3.3	(0.6)	0.4			11,774	41,285	26,190	44,972	49,935
Operating profit	(32.4)	(22.8)	(36.9)	66.8	16.1		Net profit	(8,752)	999	(23,875)	5,701	9,989
EBITDA	(32.4)	(22.8)	(36.9)	66.8	16.1		Depre. & amortization	26,991	29,238	30,698	31,597	32,720
Net profit	(119.5)	111.4	(2,489.6)	123.9	75.2		Change in working capital	(13,226)	4,023	12,342	649	201
Core net profit	(54.4)	(119.4)	(68.3)	222.3	75.2		Others	6,761	7,025	7,025	7,025	7,025
EPS	(119.5)	111.4	(2,489.6)	123.9	75.2		<b>Investment cash flow</b>	<b>(41,760)</b>	<b>(41,760)</b>	<b>(13,760)</b>	<b>(21,760)</b>	<b>(21,760)</b>
Core EPS	(54.4)	(119.4)	(68.3)	222.3	75.2		Net CAPEX	(40,000)	(40,000)	(12,000)	(20,000)	(20,000)
<b>Profitability (%)</b>						<b>Free cash flow</b>						
Gross margin	11.8	10.7	7.1	8.5	9.4			(29,986)	(475)	12,430	23,212	28,175
Operation margin	6.1	5.2	3.2	5.4	6.2		<b>Financing cash flow</b>	<b>312</b>	<b>11,854</b>	<b>(30,205)</b>	<b>1,567</b>	<b>(1,804)</b>
EBITDA margin	6.1	5.2	3.2	5.4	6.2		Change in share capital	0	0	0	0	0
Net margin	(1.3)	0.2	(3.7)	0.9	1.6		Net change in debt	0	0	10,000	0	0
ROE	4.7	(1.0)	(1.7)	2.2	3.8		Dividend paid	(13,527)	(11,272)	(4,509)	(1,982)	(2,353)
ROA	1.9	(0.5)	(0.6)	0.9	1.5		Others	13,839	23,126	(35,696)	3,549	549
<b>Stability</b>						<b>Net cash flow</b>						
Interest bearing debt/equity (x)	0.6	0.6	0.7	0.7	0.6			(29,674)	11,379	(17,775)	24,779	26,370
Net debt/equity (x)	0.5	0.5	0.6	0.5	0.4		<b>Per share (THB)</b>					
Interest coverage (x)	1.5	0.3	(2.2)	0.6	1.5		EPS	(1.94)	0.22	(5.30)	1.26	2.22
Interest & ST debt coverage (x)	0.9	0.2	(0.9)	0.2	0.6		Core EPS	3.17	(0.61)	(1.03)	1.26	2.22
Cash flow interest coverage (x)	0.0	0.1	0.1	0.1	0.1		CFPS	4.29	6.68	1.60	8.35	9.55
Current ratio (x)	1.4	1.6	1.3	1.6	1.8		BVPS	65.64	63.36	57.07	57.89	59.59
Quick ratio (x)	0.4	0.6	0.4	0.6	0.8		Sales/share	151.69	137.87	142.42	141.50	142.07
Net debt (THB m)	149,949	138,570	156,345	131,566	105,196		EBITDA/share	9.32	7.20	4.55	7.58	8.80
<b>Activity</b>						<b>DPS</b>						
Asset turnover (X)	0.9	0.8	0.9	1.0	1.0		3.75	1.00	1.00	0.38	0.66	
Days receivables	25.6	30.2	27.5	22.1	22.0		<b>Valuation</b>					
Days inventory	44.3	47.7	31.2	20.9	21.0		P/E (x)	(24.3)	173.7	(4.5)	18.8	10.7
Days payable	33.9	41.7	31.6	26.7	26.8		P/BV (x)	0.72	0.61	0.42	0.41	0.40
Cash cycle days	36.0	36.3	27.1	16.3	16.1		Dividend yield (%)	7.94	2.60	4.20	1.59	2.79
							Dividend payout ratio (%)	-193.19	451.28	-18.89	30.00	30.00

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### Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

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## RECOMMENDATION STRUCTURE

### Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

- BUY:** Expected return of 10% or more over the next 12 months.  
**HOLD:** Expected return between -10% and 10% over the next 12 months.  
**REDUCE:** Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.  
**Neutral:** The industry is expected to perform in line with the relevant primary market index over the next 12 months.  
**Underweight:** The industry is expected to underperform the relevant primary market index over the next 12 months.

### Country (Strategy) Recommendations

**Overweight:** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral:** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight:** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.