

COMPANY UPDATE

PTT Global Chemical (PTTGC TB)

4Q24 Performance Recovers, But Net Loss Remains

PTTGC officially announced the termination of PTTAC. 4Q24 will still incur a termination cost of Bt3.0b-4.0b. Additionally, a new ethane sales agreement has been finalised, resulting in a 3% increase in feedstock costs and rise in ethane volume. 4Q24 performance is still projected to show a net loss due to the termination expense of Vencorex and PTTAC and a fall in petrochemical spreads. Maintain HOLD. Target price: Bt24.50. We suggest switching to BCP and IVL.

WHAT'S NEW

- The tone during PTT Global Chemical's (PTTGC) analyst meeting was neutral.
- Latest ethane contracts will secure additional ethane feedstock.** Under the latest ethane sales agreement with PTT, PTTGC will receive 1.9m tonnes of ethane feedstock, (vs. our estimate of 1.7m tonnes). However, this benefit will be offset by a 3% increase in ethane feedstock costs. As a result, the proportion of ethane in PTTGC's production mix is expected to rise from 32-33% in 2024 to 35-36% in 2025. PTTGC still has the capacity to handle up to 2.5m tonnes of ethane as feedstock, enabling it to utilise additional ethane without requiring further investment. However, if a decision on the finalisation of single pool gas pricing regulation is reached in the future, the ethane sales agreement between PTT and PTTGC may be subject to review. Note: PTTGC is expected to be affected by the Single Pool Gas Policy, with an impact of approximately Bt200m in 2024.
- PTTAC termination announcement.** In 3Q24, PTTGC recorded an impairment loss of Bt8.94b for PTT Asahi (PTTAC). PTTGC recently announced to the Stock Exchange of Thailand that PTTAC's operations will cease starting 1 Jan 25. PTTGC expects to complete the entire termination process by 2028. In 4Q24, approximately Bt3.0b will be allocated for termination expense, which we have included in our estimates.
- Extra gain from sale of Vencorex assets from 2025 onwards.** In 3Q24, PTTGC recorded an impairment loss of Bt7.96b for Vencorex, along with a termination expense of Bt614m. Based on channel check with PTTGC, the termination expense is expected to slightly exceed the previous estimate of Bt1.0b (included in our projections). We anticipate additional termination expense of no more than Bt500m, with the remaining costs to be recognised in 4Q24. PTTGC plans to gradually sell Vencorex's assets in France, the US, and Thailand, with proceeds expected to be recognised as extra gains starting from 2025.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	683,954	621,631	605,256	640,510	694,729
EBITDA	74,068	40,442	29,424	48,146	52,589
Operating profit	46,506	11,955	-26	20,794	27,240
Net profit (rep./act.)	-8,752	999	-22,761	10,220	15,643
Net profit (adj.)	41,323	-1,368	-6,636	10,220	15,643
EPS (Bt)	9.2	-0.3	-1.5	2.3	3.5
PE (x)	2.6	-79.4	-16.4	10.6	6.9
P/B (x)	0.3	0.3	0.4	0.3	0.3
EV/EBITDA (x)	4.8	7.8	10.8	6.2	5.4
Dividend yield (%)	4.1	3.1	3.1	4.1	5.2
Net margin (%)	-1.3	0.2	-3.8	1.6	2.3
Net debt/(cash) to equity (%)	73.0	62.0	67.8	60.9	54.0
Interest cover (x)	7.5	3.5	2.6	4.5	5.0
ROE (%)	-2.8	0.3	-7.6	3.4	5.1
Consensus net profit	-	-	-18,514	7,953	11,779
UOBKH/Consensus (x)	-	-	n.m.	1.29	1.33

Source: PTT Global Chemical, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

HOLD

(Maintained)

Share Price	Bt24.10
Target Price	Bt24.50
Upside	+1.7%

COMPANY DESCRIPTION

PTT Global Chemical is a fully integrated petrochemical and chemical company. The company's products are derived from its main product, olefins, namely ethylene and propylene.

STOCK DATA

GICS sector	Materials
Bloomberg ticker:	PTTGC TB
Shares issued (m):	4,508.8
Market cap (Btm):	113,848.4
Market cap (US\$m):	3,324.9
3-mth avg daily t'over (US\$m):	14.0

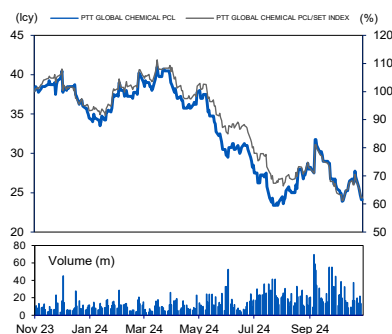
Price Performance (%)

52-week high/low	Bt41.00/Bt23.40
1mth	(3.8)
3mth	(31.8)
6mth	(33.6)
1yr	(29.9)
YTD	(34.4)

Major Shareholders

	%
PTT	48.9
NDVR	6.1
-	-
FY24 NAV/Share (Bt)	68.94
FY24 Net Debt/Share (Bt)	45.61

PRICE CHART



Source: Bloomberg

ANALYST(S)

Tanaporn Visaruthaphong
+662 659 8305
tanaporn@uobkayhian.co.th

Benjaphol Suthwanish
+662 659 8301
Benjaphol@uobkayhian.co.th

- **No loss from both Vencorex and PTTAC in 2025.** Following the discontinuation of Vencorex and PTTAC, no EBITDA or net loss are anticipated from these entities in 2025. Instead, we project an incremental net profit increase of Bt5.0b in 2025. These positive impacts have already been factored into our estimates.

STOCK IMPACT

- **Expect 4Q24 to still see a loss.** We expect a net loss for PTTGC in 4Q24, though it will likely be smaller than the loss in 3Q24, as there will be no significant impairment losses. However, termination expenses for both Vencorex and PTTAC, amounting to Bt3.0b-Bt4.0b, will still weigh on results. Extraordinary items, such as stock gains, are expected to be offset by forex losses. Also, core operations are projected to remain in deficit, partly due to the continued decline in petrochemical spreads in both the aromatics and olefins businesses.
- **Maintain 2024 estimates.** We maintain our 2024 forecasts of a net loss of Bt22.8b, despite additional challenges. These include termination expenses for Vencorex, which are not expected to exceed Bt500m, and the impact of increased ethane costs amounting to Bt200m. Together, these factors are projected to affect 2024 performance estimate by approximately 2%.

EARNINGS REVISION/RISK

- **Earnings revision.** None.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a target price of Bt24.50,** based on 0.41x 2025F P/B at -2SD. While the current share price is trading below 2025F P/B at -2SD, PTTGC faces short-term pressures on its stock due to its expected net loss in 4Q24. This is largely driven by continued weakness in the petrochemical business and the recognition of impairment losses. We are still cautious on the petrochemical sector and suggest switching to leading stocks within the oil & gas sector; we prefer Bangchak Corporation (BCP TB/Target: Bt45.00), and Indorama Ventures (IVL TB/Target: Bt32.0).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

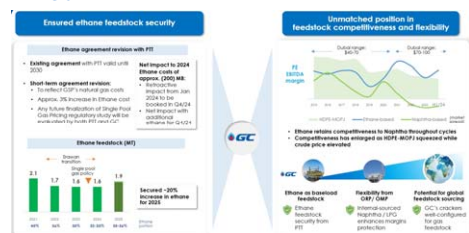
CG Report: 5
SET ESG Rating: AAA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Conducts business operations with efficient use of resources in accordance with the circular economy approach through good cooperation with partners and in tandem with continued decarbonisation in order to achieve its goal of cutting greenhouse gas emissions to net zero by 2050. • Social <ul style="list-style-type: none"> - Creates value for society, promotes social enterprises to generate revenue that will improve the nation's economy, reduces inequality, and supports the safety, good education, health, and wellbeing of communities and society as a whole. • Governance <ul style="list-style-type: none"> - Be a transparent, verifiable organisation with a focus on the creation of innovative, environmentally-friendly chemicals for a low-carbon business.

PTTAC: PROCESS AND STAKEHOLDER MANAGEMENT



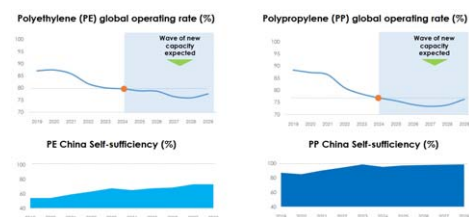
Source: PTT Global Chemical, UOB Kay Hian

OLEFINS COMPETITIVENESS DIFFERENTIATES PTTGC



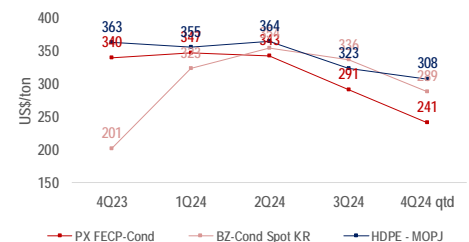
Source: PTT Global Chemical, UOB Kay Hian

INDUSTRY LANDSCAPE REMAINS CHALLENGED



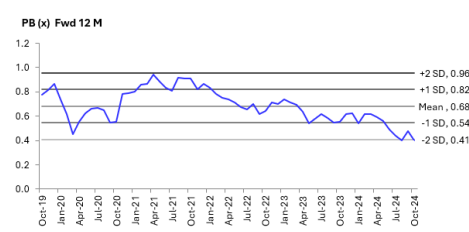
Source: PTT Global Chemical, UOB Kay Hian

PETROCHEMICAL SPREAD



Source: PTT Global Chemical, UOB Kay Hian

P/B



Source: PTT Global Chemical, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	621,631	605,256	640,510	694,729
EBITDA	40,442	29,424	48,146	52,589
Deprec. & amort.	28,487	29,450	27,352	25,348
EBIT	11,955	-26	20,794	27,240
Associate contributions	-387	-550	3,350	3,350
Net interest income/(expense)	-11,718	-11,183	-10,802	-10,470
Pre-tax profit	-150	-11,759	13,342	20,121
Tax	-1,352	5,577	-2,668	-4,024
Minorities	134	-454	-454	-454
Net profit	999	-22,761	10,220	15,643
Net profit (adj.)	-1,368	-6,636	10,220	15,643

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	48,224	16,757	36,563	39,295
Pre-tax profit	-150	-11,759	13,342	20,121
Tax	-1,352	5,577	-2,668	-4,024
Deprec. & amort.	28,487	29,450	27,352	25,348
Working capital changes	-1,616	-10,386	-21,463	-22,150
Other operating cashflows	22,855	3,875	20,000	20,000
Investing	-12,148	-6,103	-16,057	-19,021
Investments	-19,586	-9,660	-8,400	-7,245
Others	7,438	3,557	-7,657	-11,776
Financing	-25,123	-12,961	-10,758	-11,885
Dividend payments	-1,269	-3,382	-3,382	-4,509
Proceeds from borrowings	-23,854	-9,580	-7,376	-7,376
Net cash inflow (outflow)	10,953	-2,308	9,747	8,389
Beginning cash & cash equivalent	34,870	37,319	35,011	44,758
Changes due to forex impact	426	0	0	0
Ending cash & cash equivalent	46,249	35,011	44,758	53,147

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	285,860	266,070	247,118	229,014
Other LT assets	246,272	241,312	251,990	268,411
Cash/ST investment	46,249	35,011	44,758	53,147
Other current assets	140,625	138,018	143,878	155,504
Total assets	719,005	680,411	687,744	706,077
ST debt	9,580	7,376	7,376	7,376
Other current liabilities	116,262	114,340	118,736	128,213
LT debt	243,725	236,348	228,972	221,595
Other LT liabilities	53,258	51,855	54,875	59,520
Shareholders' equity	333,903	307,760	314,599	325,733
Total liabilities & equity	719,005	680,411	687,744	706,077

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	6.5	5.5	7.5	7.6
Pre-tax margin	0.0	-1.3	2.1	2.9
Net margin	0.2	-3.2	1.6	2.3
ROA	0.2	n.a.	1.5	2.2
ROE	0.3	n.a.	3.3	4.8
Growth				
Turnover	-9.1	-2.6	5.8	8.5
EBITDA	-45.4	-27.2	63.6	9.2
Pre-tax profit	n.a.	n.a.	n.a.	50.8
Net profit	n.a.	n.a.	n.a.	53.1
Net profit (adj.)	n.a.	n.a.	n.a.	53.1
EPS	-103.3	n.a.	n.a.	53.1
Leverage				
Debt to total capital	85.5	90.1	85.1	79.1
Debt to equity	75.9	79.2	75.1	70.3
Net debt/(cash) to equity	62.0	67.8	60.9	54.0
Interest cover (x)	3.5	2.6	4.5	5.0