

Oil & Gas Sector

One Platform: PTTGC-SCGC JV Reshaping Thailand's Polyolefins Platform

Highlights

- The JV deal is progressing well, but finalising the key terms will take more time. PTTGC and SCGC expect to conclude the key transaction details by Oct 26, with PTTGC likely to become the majority shareholder and the JV to commence operations by 2H27.
- We expect the JV to become operational by 2H27.
- Maintain MARKET WEIGHT. Our top picks are TOP and SCGP.

Analysis

- What's new.** PTT global chemical (PTTGC) and SCG Chemical (SCGC, a subsidiary of SCC) have announced to the Stock Exchange of Thailand that the proposed polyolefins JV is progressing well. The transaction is currently in the confirmatory due diligence stage, while both parties are also in the process of finalising the key transaction terms, including the ownership structure, transaction execution steps, and the estimated value of potential synergies. The parties expect to finalise these key terms by Oct 26.
- Our view.** We view the proposed PTTGC-SCGC JV as a potential structural positive for both companies and a potential turning point for Thailand's polyolefins industry amid structural overcapacities. The combination should increase scale, enhance feedstock flexibility, eliminate duplicated costs, and improve asset utilisation and product mix. With the global polyolefins markets still facing structural overcapacity, particularly from capacity additions in Asia and China that have pressured utilisation rates and spreads, we believe the JV represents a strategic restructuring aimed at strengthening cost competitiveness rather than pursuing capacity expansion during a period of excess supply. The JV could establish a leading olefins/polyolefins platform in ASEAN, with combined capacity ranking among the global Top 10, while enhancing cost competitiveness and earnings resilience for both PTTGC and SCGC throughout the petrochemical cycle.
- The key strength of the JV lies in the highly complementary competitive advantages of PTTGC and SCGC.** PTTGC contributes feedstock and integration advantages through its integrated refinery-to-petrochemical complex, including feedstock flexibility and access to cost-competitive ethane, which accounted for approximately 64% of EBITDA in 6M26, particularly in polyolefins, high value-added products, R&D expertise, and an established customer base. Combining these capabilities should help address the structural mismatch between olefins supply and downstream demand through more efficient feedstock allocation, production planning, and product optimisation, while creating greater value from the integration of the two companies' supply chains.

Analyst(s)

Tanaporn Visaruthaphong

tanaporn@uobkh.co.th
+662 090 3350

Benjaphol Suthwanish

benjaphol@uobkh.co.th
+662 090 3361

Arsit Pamaranont

arsit@uobkh.co.th
+662 090 3354

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	66.50	88.00
SCG Packaging	SCGP TB	BUY	28.50	39.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Rec	Price 30 Jun 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit 2026F (Btm)	2027F (Bt m)	PE 2026F (x)	2027F (x)	Net EPS Growth 2026F (%)	P/B 2026F (x)	Yield 2026F (%)	ROE 2026F (%)
TOP TB	BUY	66.50	88.00	33.3	4,634	52,953	24,710	2.9	6.3	263.1	0.7	5.0	26.7
SCGP TB	BUY	28.50	39.00	36.48	3,876	6,901	7,501	18.8	17.3	69.6	1.9	2.8	10.2
PTTGC TB	HOLD	48.50	48.00	(1.03)	6,528	29,182	17,338	7.49	12.61	n.a.	0.7	4.1	5.3
SCC TB	HOLD	254.00	278.00	9.45	9,099	27184	13298	11.21	22.92	93.1	0.8	2.4	6.6

Source: UOB Kay Hian

- **Ownership structure and asset perimeter.** We expect PTTGC to become the major shareholder of the potential JV, while SCGC, a subsidiary of SCC, will retain a significant shareholder of the potential JV. The JV is expected to have only PTTGC and SCGC as shareholders, with no other partners involved. The JV will consolidate the two companies' olefins and polyolefins assets in Thailand, including: a) SCGC's olefins crackers, polyethylene (PE) and polypropylene plants, as well as its investments in Siam Polyethylene, Siam Synthetic Latex, Thai MMA, and Bangkok Synthetics; and b) PTTGC's olefins and PE plants, together with its investment in HMC Polymers. The asset consolidation should create a large-scale olefins and polyolefins platform and provide greater opportunities for operational and commercial synergies between the two parties.
- **Key timeline.** Following the expected conclusion of the JV formation by Oct 26, the next steps will include obtaining approval from the Trade Competition Commission, internal approvals from both companies, approvals from the shareholders of the relevant JVs, PTTGC and SCGC, and approvals from the relevant regulatory authorities. We expect the new JV to be fully established by 2H27.
- **LSPE and LSP operations update.** The Long Son Petrochemicals (LSP) Ethane Feedstock Enhancement Project (LSPE) at SCGC's LSP complex in Vietnam could potentially be completed ahead of schedule, with current completion targeted for 4Q27. Meanwhile, management expects the Rayong Olefins (ROC) and Map Ta Phut Olefins Complex plants to operate at full-year capacity in 2027, supported by sufficient feedstock availability. Currently, SCGC sources more than 95% of its naphtha from non-Middle East sources, providing flexibility in managing feedstock supply.

Valuation/Recommendation

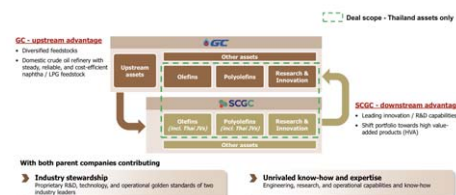
- **Maintain MARKET WEIGHT.** In the oil and gas sector, we prefer Thai oil (TOP TB/BUY/Target: Bt88.00) and SCG Packaging (SCGP TB/BUY/Target: Bt39.00).

Thai Oil (TOP TB/BUY/Target: Bt88.00)

- **Strong 3Q26 core profit supported by elevated market GRM.** We preliminarily estimate TOP's 3Q26 core profit at Bt18.5b, down 2% qoq, supported by the continued strength in market gross refinery margin (GRM) from 2Q26. We expect 3Q26 market GRM to remain above US\$20/bbl, driven by strong refining margins for middle distillates. Meanwhile, higher crude oil prices should result in a significant stock gain for TOP in 3Q26.
- **Market GRM should remain strong through 1H27 and above pre-war levels.** We expect market GRM to remain elevated through 1H27, supported by the delay in maintenance shutdowns of US refineries from 4Q26 to 1Q27 (approximately 8% of total global supplies) followed by the maintenance schedules of Asian refineries in 2Q27. Although market GRM should decline from current elevated levels, we expect it to remain above pre-war levels, supporting TOP's earnings strength and improving earnings visibility.
- **Strong balance sheet provides financial flexibility, while the stock offers attractive upside.** TOP's strengthened balance sheet and improved cash flow position should enhance its ability to fund investment projects and withstand market volatility. As of 2Q26, TOP's net debt/EBITDA stood at 1.4x, down significantly from 3.7x at end-25, while net debt/equity was 0.3x. We believe the company's stronger financial position, together with resilient refining margins, supports attractive upside potential for the stock.

PTTGC And SCGC Have Agreed On The Scope Of The Potential JV

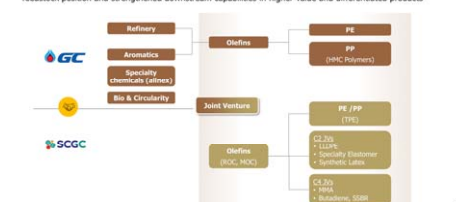
Combining strengths to build a stronger platform for future growth



Source: SCC, PTTGC

Asset Perimeter

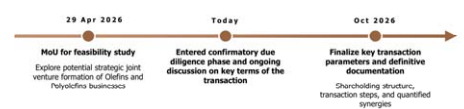
Value creation from the Potential Joint Venture
Enhancing operational excellence through greater scale and integrated value chain, supported by an advantaged feedstock position and strengthened downstream capabilities in higher-value and differentiated products



Source: SCC

Timeline

Expected next key milestones



Source: SCC

Petrochemical Industry Trends

Industry Trends – Mergers and Rationalization

- 1) Korea: Lotte Chemical and HD Hyundai – shutdown 1 of 3 crackers
LG Chem and GS Caltex – shutdown 1 of 4 crackers
Lotte Chemical and YNCC – shutdown 1 of 2 crackers ... latest announced on July 22
- 2) Japan: Mitsubishi Chemical, Asahi Kasei and Mitsui Chemicals – shutdown 1 of 2 crackers
- 3) Europe: Up to 10 Million tons Ethylene capacity to shut down (ex. Exxon France, SABIC Netherlands, Total Antwerp, Versalis Italy, Dow Germany, SABIC UK, Exxon UK)

China's 15th Five-Year Plan (2026-2030)

"New Quality Productive Forces" for technological self-reliance, high-quality development, and growth

- 1) Reduce commodity competition, and move to high value products
- 2) Decarbonization with clean investments (energy-efficiency benchmarks and materials legislation)
- 3) Eliminate cracker capacity (outdated and inefficient)
- 4) Capping national refining capacity

Source: SCC

SCG Packaging (SCGP TB/BUY/Target: Bt39.00)

- **Earnings should prove more resilient than previously expected, supported by Fajar's recovery and pricing actions.** We expect SCGP's 3Q26 earnings to remain resilient despite the seasonal low season, with sales broadly flat qoq and net profit at Bt2.0b, down 14% qoq but up 107% yoy. The relatively modest qoq decline reflects the company's ability to maintain sales momentum and mitigate seasonal weakness, resulting in better-than-feared earnings resilience.
- **Rising cost pressures should be partly offset by higher selling prices, limiting margin downside.** Higher recycled paper costs from 2Q26, together with rising coal costs, are likely to pressure production costs and margins in 3Q26. However, SCGP's pricing actions and ability to pass through higher raw material costs should partially offset the cost increases, limiting the downside to EBITDA margin and earnings.
- **Fajar's recovery remains a key earnings catalyst for 2H26-2027.** Fajar's performance continues to improve, driven by tighter cost management, better production optimisation, reduced exposure to low-margin products, and a higher mix of profitable products. We expect Fajar's continued recovery, together with SCGP's pricing actions and cost-efficiency initiatives, to support margin recovery and remain a key driver of earnings growth during 2H26-2027.

PTT Global Chemical (PTTGC TB/HOLD/Target: Bt48.00)

- **Revised our net profit estimates.** We raise our market GRM assumptions for PTTGC to US\$14.00/bbl in 2026 (previously US\$11.50/bbl) and US\$8.00/bbl in 2027 (previously US\$6.00/bbl), reflecting a stronger-than-expected GRM outlook, particularly in 3Q26. We raise our 2026-27 net profit estimates by 12% and 34%, respectively. As a result, we expect PTTGC's net profit to rebound to Bt36.64b in 2026, turning profitable from a loss in 2025, before declining 41% yoy to Bt17.34b in 2027.
- **Downgrade to HOLD (previously BUY)** with a target price of Bt48.00, based on forward PBV at -1.0SD of 0.65x (previously forward PBV at mean of 0.70x), reflecting our more cautious view on the petrochemical outlook.

Siam Cement (SCC TB/HOLD/Target: Bt278.00)

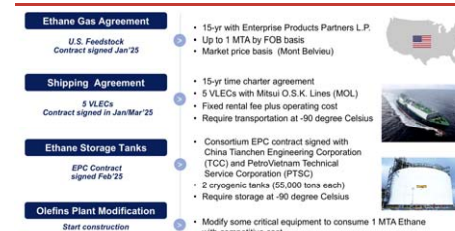
- **Revised our net profit estimates.** We raise our 2026-27 net profit forecasts by 10% and 48%, respectively, to reflect the restart of the ROC plant in Sep 26 and our expectation that ROC will operate at full-year capacity in 2027. This also incorporates our earlier upward revisions to SCGP's 2026-27 earnings forecasts. We now forecast SCC's 2026 net profit at Bt27.18b, up 93% yoy, and 2027 net profit at Bt13.3b, down 51% yoy.
- **Downgrade to HOLD (previously BUY)** with a lower target price of Bt278.00 (previously Bt330.00), based on SOTP valuation. We value the chemical business based on forward PBV at -1.0SD of 0.47x (previously forward PBV at mean of 0.58x), the cement business at 12x forward PE, and SCGP at 24.3x forward PE. We remain cautious about the petrochemical outlook, given the expected decline in petrochemical spreads in 2H26 and 2027 amid continued oversupplies.

Sector Catalyst/Risk

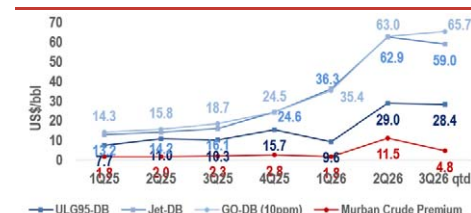
- Global economic slowdown.
- Fluctuations in crude oil prices and GRM.
- Petrochemical demand is recovering slowly, but new petrochemical production capacity continues to increase.

SCGC Olefins Crackers

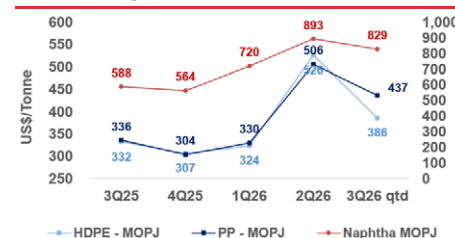
Source: SCC

LSPE (Ethane Project)

Source: SCC

Petroleum Product Spread And Crude Premium

Source: TOP

Olefins Spread

Source: PTTGC

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