

SCC-PTTGC JV for survival and competitiveness enhancement

- SCC and PTTGC announced an MOU to potentially form a JV for olefins/polyolefins
- The JV synergies and benefits from economies of speed, scopes, scales are critical
- Top picks are SCC/IVL/EPG for long-term and PTTGC/IRPC for tactical investment

Merger for survival and sustainability

On 30 Apr-26, SCC and PTTGC jointly announced a non-binding MOU to explore the potential JV formation of olefins, polyolefins, and stakes in a host of specialty downstream assets, aimed to become a top 10 player in olefins industry value chain. Rationales for the JV include asset synergies and shared expertise to achieve higher operational efficiency and seek growth and innovation opportunities, given their proximity of physical asset locations/business alignments. JV will be finalized by 3Q26.

Is the repercussion of the clash of the titans mandating the SCC-PTTGC JV?

The MOU surprises us and market, considering that SCC and PTTGC have long been competed in the olefins value chain in Thailand. We think the potential JV is formed based on the highly challenging industry environment – prolonged depressed industry margins, feedstock shortages, and most importantly the repercussion of the clash between U.S. and China, each competing in different ways but resulting in the structural drops in margins as new supplies are both highly cost competitive and specialty-centric capability (U.S.) and strategic reason to achieve a self-sufficiency policy (China) despite the less cost competitive structure for new capacities.

JV to achieve economies of speed, scopes, and scales

While lack of details for the potential JV, we think the move is at least positive, given the JV will 1) create a larger-scale production base to achieve the benefits of economies of scales; 2) form a diversified asset portfolio to derive the gains from economies of scopes with higher specialty production capabilities being shared; and 3) speed up to accelerate the business execution and adaptations, both strategically and operationally. Among three key benefits, we think the economies of speed is the most critical factor to not only survive but also grow competitively in the highly dynamic industry environment and the rising uncertainties of demands and supplies caused by the intensifying geopolitical conflicts between Global South and Global North.

How significant are Chinese tourists to Thailand?

We highlight that the consequences of the U.S.-Iran war in the Middle East have already forced SCC to shut down two out of three olefins crackers (ROC in Thailand and LSP in Vietnam) due to the feedstock shortage and uneconomic margins. While PTTGC has no difficulty in procuring feedstock from its parent PTT for gas (ethane, propane, LPG) and naphtha from refinery companies in PTT group (TOP, IRPC, PTTGC's own refinery), PTTGC still faces depressed margins for its olefins and polyolefins, incurring sustained losses in the past many quarters. These could be reasons for the initiation of JV between SCC and PTTGC, in our view.

Chemical picks: long-term SCC, IVL, EPG; tactical PTTGC, IRPC

Within Thai energy and petrochemical, we preferred petrochemical as the most attractive investment, given the visible margin recovery in 2026-27 and the windfall margin spike caused by the war in Middle East. IVL, SCC, PTTGC, IRPC, and EPG are our picks while TOP and BCP are preferred in refinery sector.

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Exhibit 1: PTTGC's corporate strategy



Sources: PTTGC

Exhibit 2: Potential benefits of SCC-PTTGC assets combined in Map Ta Phut, Thailand



Sources: SCC; PTTGC

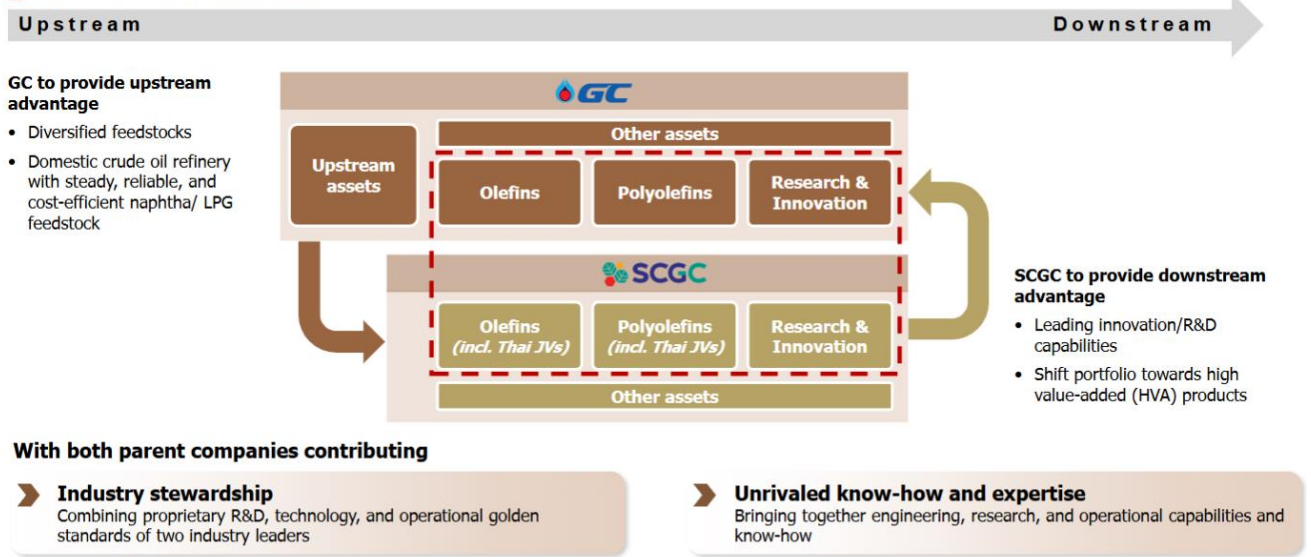
Exhibit 3: SCC-PTTGC JV's combined assets to become one of top 10 olefins players



Sources: SCC; PTTGC

Exhibit 4: SCC-PTTGC JV's platform

Deal scope - Thailand assets only



Sources: SCC; PTTGC

Exhibit 5: Value creations under the combined assets of SCC-PTTGC

Geographic proximity of assets in Map Ta Phut enables integration across complementary assets...



... to enable significant value creation

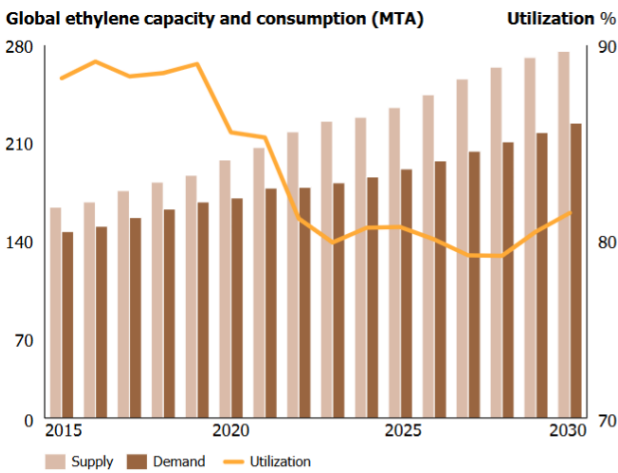
- Enhancing operational excellence**
 Improve efficiency by **aligning capabilities across a more integrated asset base**
- Strengthening supply chains**
 Unlock value potential and resilience to achieve global competitiveness via **feedstock sourcing, logistics, and planning at scale**
- Enabling growth & innovation**
 Leverage **combined R&D, technical, and commercial capabilities** to support higher-value, differentiated products, and drive long-term growth

Sources: PTTGC; SCC

Exhibit 6: More challenging petrochemical landscape mandates more competitive players

Overcapacity

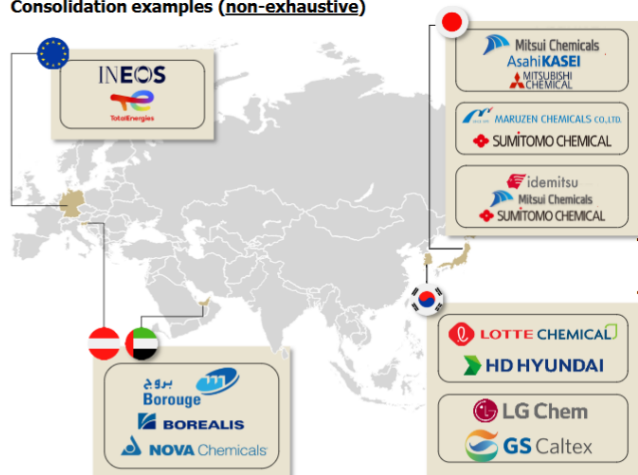
Driven by expanding cost advantages in production, continued capacity additions in key regions, and slower demand growth



Consolidation

Overcapacity is driving consolidation across regions, including Japan, South Korea, and Europe

Consolidation examples (non-exhaustive)



Sources: PTTGC; S&P Connect

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Analyst Certification

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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.