Corporate Update

Petronas Chemicals Group Berhad

(5183 | PCHEM MK) Main | Industrial Products & Services

SHARIAH Compliant | ESG 1 Star | FTSE4Good

Downgrade to **NEUTRAL**

(from BUY)

Revised Target Price **RM3.71**

(from RM5.28)

3Q26: Missed Expectations; Waning ASPs

Below expectations; D/G to NEUTRAL @ TP: RM3.71

PCHEM's 3QFY26 results missed expectations and we attribute it to: i) untimely plant turnarounds in its major F&M facilities, namely PC Methanol Plant 2 and PC Fertiliser Sabah – affecting utilisation for the segment; ii) ASP contraction in both O&D and F&M segments by -7% and -33% QoQ respectively; and iii) margin disruption due to operating leverage. In view of a gradual tapering of the event-driven upcycle and further normalisation of product spreads going into FY27-28E, PCHEM could register declining profits over the next 2 years. **We downgrade PCHEM to NEUTRAL with a lower TP of RM3.71 – pegged to 0.8x FY27E BVPS.**

Earnings revision

After the results, we rebuilt our earnings model. We lower our FY26-28E EPS forecasts by -20%/-44%/-74% to reflect a declining ASP environment over the next 2 years post-Iran war.

Investment Highlights

1. **Below ours and consensus.** PCHEM posted a 3QFY26 core net profit of RM99m (-83%qoq), bringing 9MFY26 core earnings to RM908m. The results came in **below expectations** at 58%/51% of ours/consensus full-year FY26E estimates.

2. **QoQ.** Revenue and core net profit fell -4%/-83%, and we attribute it to: i) untimely plant turnarounds in its major F&M facilities, namely PC Methanol Plant 2 and PC Fertiliser Sabah – affecting utilisation for the segment; ii) ASP contraction in both O&D and F&M segments by -7%qoq and -33%qoq respectively; and iii) margin disruption due to operating leverage.

3. **YoY.** PCHEM turned profitable in 3QFY26 due to an event-driven upcycle (due to the Middle East war). In 3QFY25, PCHEM posted a core loss of -RM293m due to i) weak O&D spreads; ii) increased losses on its BASF JV; and iii) widened losses in PPC due to a Creditors Reliability Test (CRT) exercise.

4. **PCHEM's 50%-owned PPC unlikely to be sold to PETRONAS anytime soon.** We see little chance that PETRONAS will buy PCHEM's 50% stake in PPC, despite recent market talk. With the Aramco stake, PETRONAS will already own about 82% of PPC (50% directly plus about 32% through its 64.4% holding in PCHEM). Buying PCHEM out would add only about 18%, so PETRONAS would be paying cash to take on a larger share of a loss-making asset.

5. **Normalising ASPs post-war.** In view of a gradual tapering of the event-driven upcycle and further normalisation of O&D product spreads going into FY27-28E, PCHEM could register declining profits over the next 2 years. **We downgrade PCHEM to NEUTRAL with a lower TP of RM3.71 – pegged to 0.8x FY27E BVPS.** We see limited upside until there are clear signs that supply is being rationalised or the industry cycle has bottomed.

RETURN STATISTICS	
Price @ 24 November 2026 (RM)	3.80
Expected share price return (%)	2.4%
Expected dividend yield (%)	2.1%
Expected total return (%)	**4.5%**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-15.9	-13.7
3 months	-6.5	-0.6
12 months	33.9	38.0

INVESTMENT STATISTICS			
FYE Dec	FY26E	FY27E	FY28E
Revenue	29,413.1	27,927.8	25,987.9
Operating Profit	2,295.4	1,949.4	1,370.5
PBT	1,742.9	1,363.5	833.3
Core PATAMI	1,255.4	919.8	440.4
Core EPS (MYR)	0.16	0.11	0.06
DPS (MYR)	0.08	0.06	0.03
Dividend Yield	2.1%	1.5%	0.7%

KEY STATISTICS	
FBM KLCI	1,561.68
Issue shares (m)	8000.00
Estimated free float (%)	25.71
Market Capitalisation (RM'm)	31,280.00
52-wk price range	RM2.83 - RM6.16
3-mth average daily volume (m)	5.64
3-mth average daily value (RM'm)	25.40
Top Shareholders (%)	
PETRONAS	64.4%
EPF	14.1%
Amanah Saham Nasional	4.8%

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FIG 1: RESULTS REVIEW

FYE December	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Revenue	**7,621**	**6,787**	***12%***	**7,903**	***-4%***	**22,539**	**20,880**	***8%***
Cost of sales	(6,785)	(6,107)	*11%*	(6,649)	*2%*	(19,297)	(18,466)	*5%*
Gross profit	**836**	**680**	***23%***	**1,254**	***-33%***	**3,242**	**2,414**	***34%***
Operating expenses	(863)	(1,001)	*-14%*	(834)	*3%*	(2,535)	(3,842)	*-34%*
Other income	407	175	*133%*	239	*70%*	982	552	*78%*
Operating Profit (EBIT)	**380**	**(146)**	***-360%***	**659**	***-42%***	**1,689**	**(876)**	***-293%***
Finance costs	(129)	(81)	*59%*	(75)	*72%*	(284)	(257)	*11%*
Share of JV and associates	5	(69)	*-107%*	(1)	*-600%*	(1)	(124)	*-99%*
Profit/(loss) before taxation	**256**	**(296)**	***-186%***	**583**	***-56%***	**1,404**	**(1,257)**	***-212%***
Taxation	(54)	5	*-1180%*	(138)	*-61%*	(330)	(63)	*424%*
Profit after taxation	**202**	**(291)**	***-169%***	**445**	***-55%***	**1,074**	**(1,320)**	***-181%***
Minority Interests	(23)	2	*-1250%*	(31)	*-26%*	(80)	(68)	*18%*
Net profit	**179**	**(289)**	***-162%***	**414**	***-57%***	**994**	**(1,388)**	***-172%***
Exceptional Items	(80)	(4)	*1900%*	179	*-145%*	(86)	1,091	*-108%*
Core Net Profit	**99**	**(293)**	***-134%***	**593**	***-83%***	**908**	**(297)**	***-406%***

FYE December	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Margins			***+/- ppts***		***+/- ppts***			***+/- ppts***
Gross Profit Margin	11.0%	10.0%	*1.0*	15.9%	*-4.9*	14.4%	11.6%	*2.8*
EBIT Margin	5.0%	-2.2%	*7.1*	8.3%	*-3.4*	7.5%	-4.2%	*11.7*
PBT Margin	3.4%	-4.4%	*7.7*	7.4%	*-4.0*	6.2%	-6.0%	*12.2*
PAT Margin	2.7%	-4.3%	*6.9*	5.6%	*-3.0*	4.8%	-6.3%	*11.1*
PATAMI Margin	2.3%	-4.3%	*6.6*	5.2%	*-2.9*	4.4%	-6.6%	*11.1*
Core Net Profit Margin	1.3%	-4.3%	*5.6*	7.5%	*-6.2*	4.0%	-1.4%	*5.5*
Effective Tax Rate	21.1%	1.7%	*19.4*	23.7%	*-2.6*	23.5%	-5.0%	*28.5*

Source: Company, MBSBR

FIG 2: SEGMENTAL BREAKDOWN

Segmental Breakdown	3Q26	3Q25	YoY	2Q26	QoQ	9M26	9M25	YTD-YoY
Olefins and Derivatives (O&D)								
Revenue	3,185	3,206	*-1%*	2,727	*17%*	8,856	9,364	*-5%*
PAT	(117)	(471)	*-75%*	(426)	*-73%*	(944)	(1,497)	*-37%*
EBITDA	256	(110)	*-333%*	22	*1064%*	187	(404)	*-146%*
Sales volume	776	967	*-20%*	617	*26%*	2,316	2,667	*-13%*
Plant utilisation	61.0%	90.0%		56.3%				
Fertilisers and Methanol (F&M)								
Revenue	3,022	2,218	*36%*	3,658	*-17%*	9,329	6,979	*34%*
PAT	416	355	*17%*	887	*-53%*	2,097	1,289	*63%*
EBITDA	658	577	*14%*	1,175	*-44%*	2,921	2,025	*44%*
Sales volume	1,762	1,534	*15%*	1,498	*18%*	4,953	4,625	*7%*
Plant utilisation	77.8%	89.3%		80.4%				
Specialties and others								
Revenue	1,402	1,345	*4%*	1,508	*-7%*	4,315	4,492	*-4%*
PAT	(75)	(87)	*-14%*	64	*-217%*	110	(531)	*-121%*
Profit Margins								
Olefins and Derivatives (O&D)			*+/- ppts*		*+/- ppts*			*+/- ppts*
PAT	-3.7%	-14.7%	*11.0*	-15.6%	*11.9*	-10.7%	-16.0%	*5.3*
EBITDA	8.0%	-3.4%	*11.5*	0.8%	*7.2*	2.1%	-4.3%	*6.4*
Fertilisers and Methanol (F&M)								
PAT	13.8%	16.0%	*-2.2*	24.2%	*-10.5*	22.5%	18.5%	*4.0*
EBITDA	21.8%	26.0%	*-4.2*	32.1%	*-10.3*	31.3%	29.0%	*2.3*
Specialties and others								
PAT	-5.3%	-6.5%	*1.1*	4.2%	*-9.6*	2.5%	-11.8%	*14.4*

Source: Company, MBSBR

FINANCIAL SUMMARY

FYE DECEMBER (MYR m)

INCOME STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**30,671.0**	**27,480.0**	**29,413.1**	**27,927.8**	**25,987.9**
Gross Profit	**4,706.0**	**2,928.0**	**6,747.1**	**6,557.3**	**6,139.3**
Operating Profit (EBIT)	**2,057.0**	**-1,372.0**	**2,295.4**	**1,949.4**	**1,370.5**
Finance Costs	-260.0	-346.0	-473.2	-488.2	-503.2
Share of JV/associate	-107.0	-174.0	-79.2	-97.7	-34.0
Profit Before Tax (PBT)	**1,690.0**	**-1,892.0**	**1,742.9**	**1,363.5**	**833.3**
Taxation	-401.0	-158.0	-395.5	-351.6	-300.9
Profit After Tax (PAT)	**1,289.0**	**-2,050.0**	**1,347.4**	**1,011.8**	**532.4**
PATAMI	**1,175.0**	**-2,142.0**	**1,255.4**	**919.8**	**440.4**
Core Net Profit	**1,145.0**	**-534.0**	**1,255.4**	**919.8**	**440.4**
Core EPS (MYR)	**0.14**	**-0.07**	**0.16**	**0.11**	**0.06**
PER (x)	**26.6**	**NA**	**24.2**	**33.1**	**69.0**
DPS (MYR)	**0.13**	**0.07**	**0.08**	**0.06**	**0.03**
Dividend Yield			**2.1%**	**1.5%**	**0.7%**

BALANCE SHEET	FY24A	FY25A	FY26E	FY27E	FY28E
PPE	29,338.0	28,106.0	27,493.2	26,905.0	26,340.3
Total Non-Current Assets	**41,261.0**	**40,338.0**	**39,646.0**	**38,960.0**	**38,361.3**
Inventories	4,086.0	3,993.0	4,063.8	3,858.6	3,858.6
Receivables	4,705.0	3,655.0	3,719.8	3,532.0	3,532.0
Cash and cash equivalents	9,931.0	9,621.0	11,378.4	12,784.0	13,994.9
Total Current Assets	**18,759.0**	**17,352.0**	**19,245.0**	**20,257.6**	**21,468.5**
Borrowings	2,419.0	2,004.0	2,154.0	2,304.0	2,454.0
Total Non-Current Liabilities	**8,850.0**	**8,256.0**	**8,406.0**	**8,556.0**	**8,706.0**
Payables	10,054.0	10,222.0	10,403.3	9,878.0	9,878.0
Borrowings	795.0	1,460.0	1,610.0	1,760.0	1,910.0
Total Current Liabilities	**11,191.0**	**12,054.0**	**12,385.3**	**12,010.0**	**12,160.0**
Total Equity	**39,979.0**	**37,380.0**	**38,099.7**	**38,651.6**	**38,963.8**

CASH FLOW STATEMENT	FY24A	FY25A	FY26E	FY27E	FY28E
Profit Before Tax (PBT)	**1,690.0**	**-1,892.0**	**1,742.9**	**1,363.5**	**833.3**
Depreciation	2,288.0	2,318.0	2,612.8	2,588.2	2,564.7
Operating profit before WC	**3,522.0**	**2,245.0**	**4,434.9**	**4,049.4**	**3,432.0**
Cash generated from operations	4,515.0	3,123.0	4,480.6	3,917.2	3,432.0
Net cash from operating activities	**4,626.0**	**3,147.0**	**4,085.1**	**3,565.5**	**3,131.1**
Capex	-2,452.0	-2,082.0	-2,000.0	-2,000.0	-2,000.0
Net cash used in investing activities	**-2,495.0**	**-2,387.0**	**-2,000.0**	**-2,000.0**	**-2,000.0**
Net cash used in financing activities	**-1,266.0**	**-496.0**	**-327.7**	**-159.9**	**79.8**
Net change in cash and cash equivalents	**837.0**	**191.0**	**1,757.4**	**1,405.6**	**1,210.9**
Cash at beginning of year	**9,268.0**	**9,926.0**	**9,621.0**	**11,378.4**	**12,784.0**
Cash at end of year	**9,926.0**	**9,621.0**	**11,378.4**	**12,784.0**	**13,994.9**

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology