ADNOC is knocking PTT group's strategic doorways

- Potential partnerships with ADNOC further strengthens our downstream preference
- Recent share price runs still have upsides on industry GR< and chemical spikes
- IRPC is the biggest winner, followed by TOP, PTTGC on ADNOC's potential deals

ADNOC is knocking the doors of PTT group's downstream plays

According to Bloomberg news, Abu Dhabi National Oil Company (ADNOC) is in talks with PTT group in potential acquiring stakes in refinery plants in Thailand. The deal is potentially finalized within 2026 and is in line with PTT's guidance for the possible divestment of stakes in PTT group's downstream associates and subsidiaries under the project "Genesis", targeting to recalibrate downstream partnership strategy to strengthen PTT group's flagship competitiveness amid the ongoing and rising risks of the Middle East conflict and industry landscape paradigm shifts.

Strengthening PTT's downstream, financially and strategically

We are positive on ADNOC's potential acquisitions of PTT's downstream assets/ stakes. Strategically, under Genesis, PTT will seek partnerships for its downstream both from domestic and overseas partners, in order to structurally enhance the business competitiveness for refinery and petrochemical chains. The benefits will embrace 1) crude sourcing flexibility, the critical factor for today's higher supply risk particularly from the Middle East due to wars; 2) crude type for heavier and sourer crudes, specifically for the coming TOP's CFP project that will be the growth pillar post 2028E. Financially, ADNOC could provide a reliable and competitive crude source to enhance operational capabilities of integrated refinery-petrochemical value chains.

Crude sourcing flexibility is a surviving and competing jigsaw

In 7M26, it is evident that the crude sourcing is one of the most critical factors for downstream refinery-petrochemical businesses, given the abrupt disruptions of the crude supply from Middle East, the major bloodlines for all refinery and SCC in Thailand. We think the potential JVs of PTTGC-SCC and the emerging ADNOC's partnerships with PTT's downstream plays, likely to strengthen PTT's group refinery (TOP) and petrochemical firms (PTTGC, IRPC) once the JVs are settled within 2026-1H27, based on our estimate. With 4.85mbd production capacity (2.91mbpd production as of Jun-26) and targeting to achieve 5mbpd by 2027, ADNOC's Murban crude supply, which is the most consumed crude type for Thai refinery in PTT group, we think TOP/PTTGC/IRPC could benefit greatly from ADNOC's partnerships ater ADNOC (UAE) has already exited OPEC since 1 May-26.

IRPC ranks first on ADNOC's target, followed by TOP and PTTGC

Our preferred plays, from most to least on ADNOC, are IRPC, TOP, and PTTGC, based on improvements in cost, capital, and product structures. IRPC, with the high-cost structure of USD10/bbl for its subpar but long integrated refinery-petrochemical value chain, we think IRPC is the most likely target for ADNOC for the greatest competitiveness enhancement. TOP is the second most likely target as beneficiary on its crude flexibility, larger capacity, and better product yield. PTTGC ranks third on its smaller refinery and high portion of the domestic gas feedstock.

ADNOC deals further strengthens our preference on downstream plays

We still prefer downstream refinery and petrochemical plays over upstream PTT/PTTEP, given the stable oil price but spike GRM and chemical margin outlook. From most to less preferred order, in refinery, we prefer TOP, BCP, SPRC while in chemical sector, we prefer IVL, IRPC, EPG, SCC, and PTTGC.

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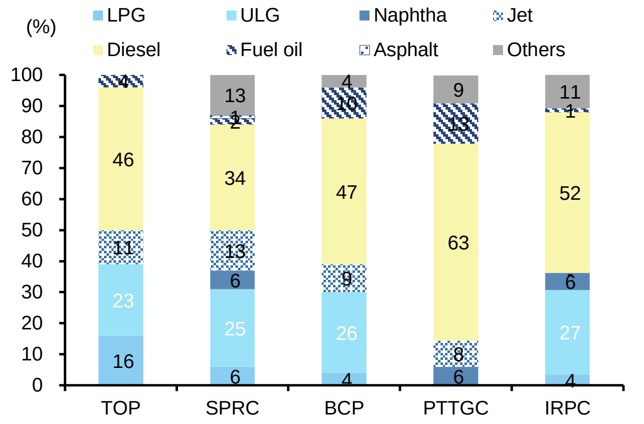
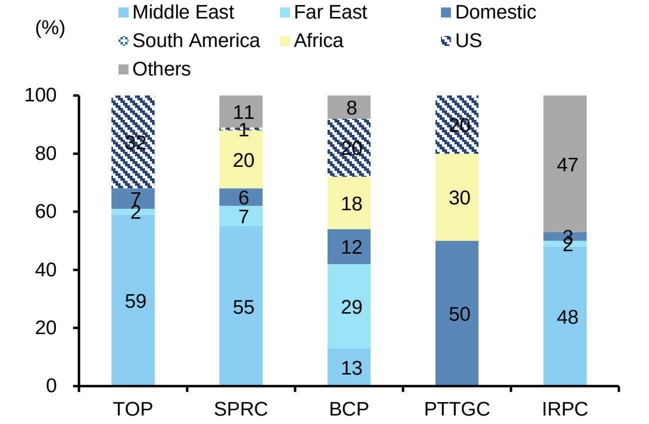
Exhibit 1: Thai refineries - Product yield (2Q26)



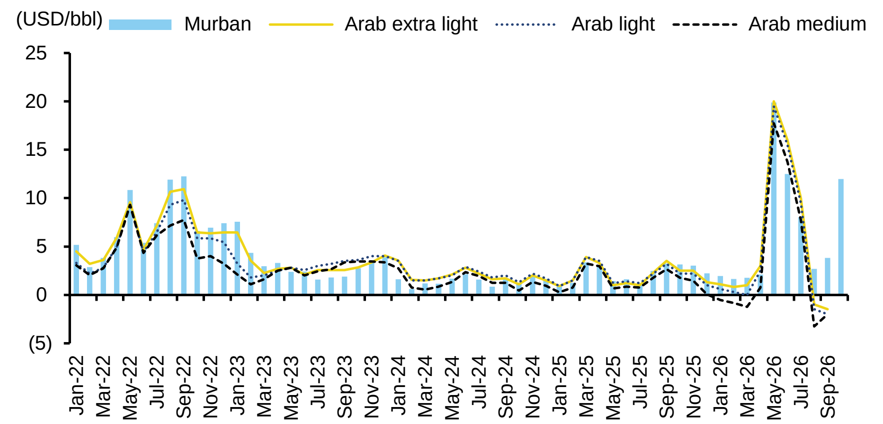
Sources: Companies; Globlex Research

Exhibit 2: Thai refineries – Crude mix (2Q26)



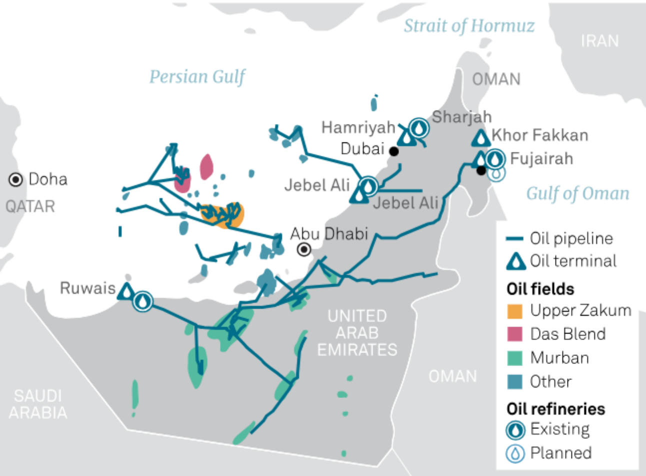
Sources: Companies; Globlex Research

Exhibit 3: Crude premium



Sources: TOP; Globlex Research

Exhibit 4: UAE oil infrastructure



Sources: EIA; Schlumberger

Exhibit 5: PTT's Genesis to recalibrate its downstream competitiveness

Sources: PTT

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RECOMMENDATION STRUCTURE
Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.