THAILAND REFINERY

Globlex Securities Co., Ltd.
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Intervention Risk Takes Center Stage

- Larger-than-expected THB4.0/liter diesel discount raises regulatory risk and adds earnings pressure, particularly in 4Q26.
- 3Q26 earnings should remain strong on high GRM and inventory gains.
- Less bullish on refiners; prefer BCP>TOP>SPRC, with PTT as our defensive pick.

THB1.6/Liter Additional Cut Adds Pressure

The Energy Policy Administration Committee has approved an increase in the diesel ex-refinery price discount to THB4.0/liter, from the previous THB2.4/liter, effective from 16 Sep to 31 Oct 2026. We expect the measure to create a meaningful near-term earnings drag for Thai refiners, with around a half-month impact in 3Q26 and a full-month impact in 4Q26. Importantly, the latest announcement represents an additional THB1.6/liter reduction from the previous measure, rather than a completely new THB4.0/liter impact.

THB4/Liter Cut Raises the Regulatory Risk Bar

We view this as negative to refinery sentiment, as the THB4.0/liter diesel ex-refinery price discount is much higher than the previous THB2.4/liter and also above market expectation. Historically, a discount at this level was only seen during periods of sharp oil price spikes, with the previous THB5.0/liter cut introduced when Brent surged to around USD138/bbl. Hence, the decision to impose a THB4.0/liter discount under a less extreme oil price environment could raise concerns over higher regulatory intervention risk and limit the upside to refinery margins, which should remain an overhang on the sector in the near term.

Diesel Discount Deepens the Earnings Drag

We expect the higher diesel ex-refinery price discount of THB4.0/liter to create a meaningful near-term earnings drag for Thai refiners. Based on monthly diesel sales volume of around 600m liters for TOP and BCP and 250m liters for SPRC, we estimate the gross impact at around THB3.68b each for TOP and BCP and THB1.53b for SPRC, with the larger impact falling in 4Q26 given the full-month effect in Oct-26. However, as the previous measure had already required a THB2.4/liter discount, the latest announcement represents an additional THB1.6/liter cut, implying an incremental earnings downside of around THB1.47b for TOP and BCP and THB613m for SPRC. We therefore see the measure as a clear near-term negative for refinery earnings, with the impact likely to be more visible in 4Q26.

Still Strong, but No Longer as Bullish

We still expect 3Q26 refinery earnings to remain strong, supported by high GRM and inventory gains from higher oil prices, while the diesel discount should have only a limited half-month impact in September. However, the larger impact should be seen in 4Q26, and we believe rising regulatory risk has made the risk-reward for refinery stocks less attractive despite the still-strong earnings outlook.

A Safer Energy Play Amid Rising Refinery Intervention

We have turned less bullish on refinery stocks following the latest government intervention, which raises regulatory risk. Within the sector, we prefer BCP for its diversified earnings base, followed by TOP, while SPRC is least preferred. We also see PTT as a defensive play, supported by diversified exposure across upstream, gas and downstream businesses, with stable gas earnings, upside from PTTEP in a higher oil price environment, and support from stronger GRM and petrochemical margins.

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Exhibit 1: Our estimates on refinery margin cuts for Diesel

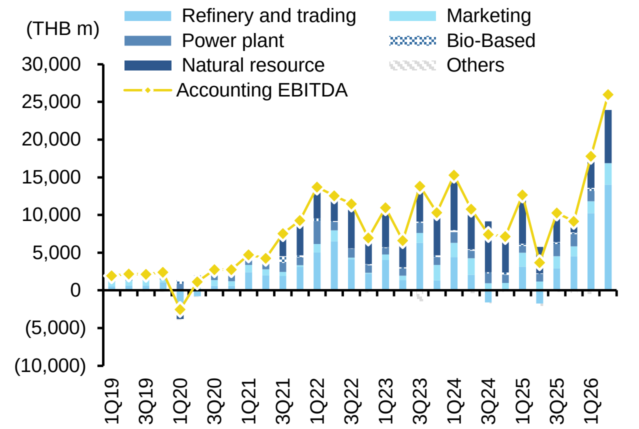
	16Sep - 30Sep	1Oct - 31Oct	Unit
Refinery margin cuts for Diesel	4.00	4.00	THB/litre
Number of days	15	31	day

	Sales volume per month	Sales volume per day	16Sep - 30Sep	1Oct - 31Oct	Unit
TOP	600	20	300	620	ml
SPRC	250	8	125	258	ml
BCP	600	20	300	620	ml

Net profit loss	16Sep - 30Sep	1Oct - 31Oct	Total	Unit
TOP	1,200	2,480	3,680	THB m
SPRC	500	1,033	1,533	THB m
BCP	1,200	2,480	3,680	THB m

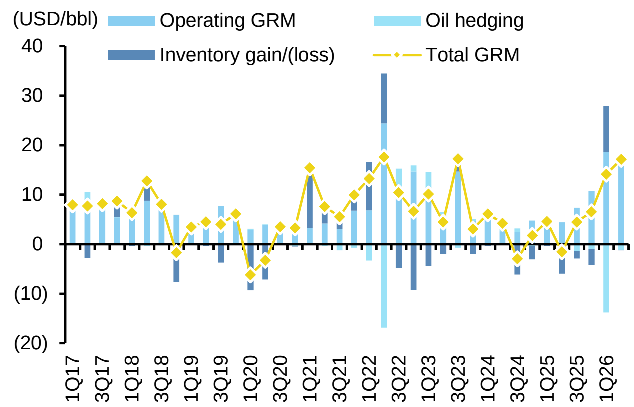
Sources: Companies; Globlex Research

Exhibit 2: BCP's EBITDA breakdown



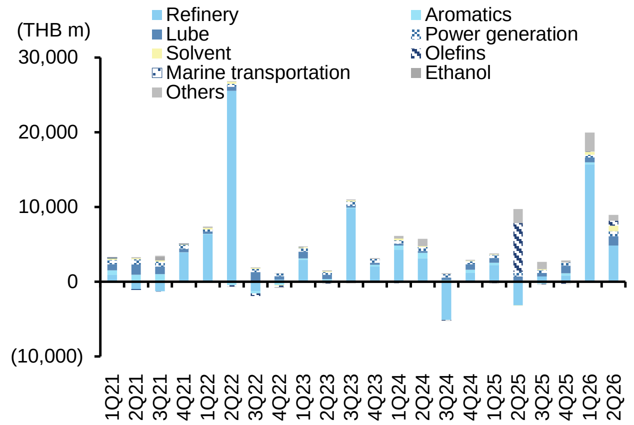
Sources: BCP; Globlex Research

Exhibit 3: BCP's GRM breakdown



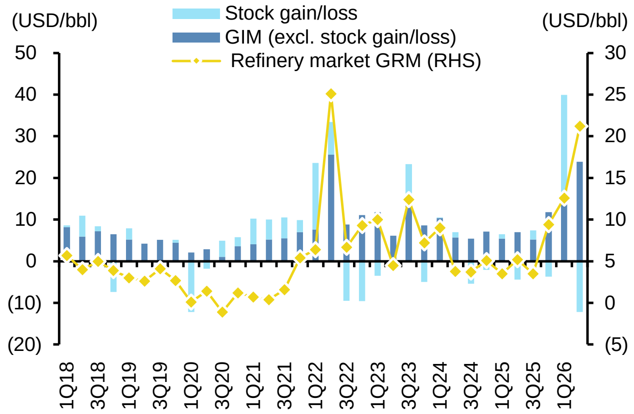
Sources: BCP; Globlex Research

Exhibit 4: TOP's net profit breakdown



Sources: TOP; Globlex Research

Exhibit 5: TOP's GRM breakdown



Sources: TOP; Globlex Research

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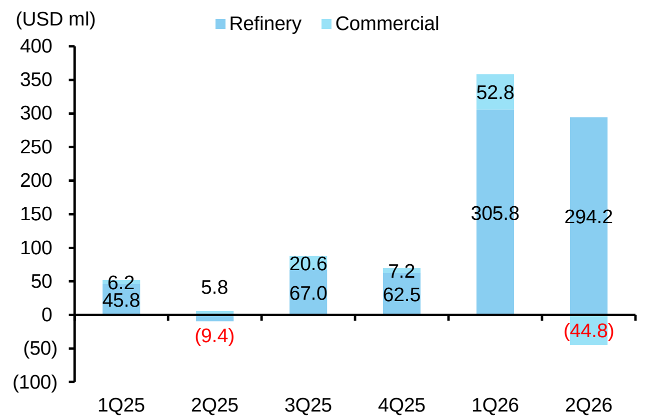
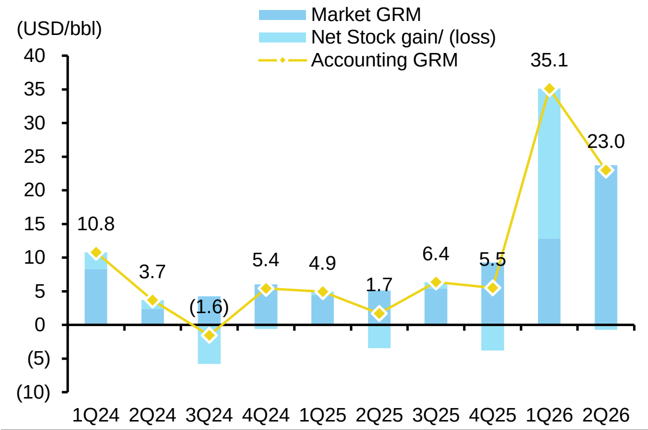
Exhibit 6: SPRC's EBITDA breakdown



Sources: SPRC; Globlex Research

Exhibit 7: SPRC's GRM breakdown



Sources: SPRC; Globlex Research

GENERAL DISCLAIMER

Analyst Certification

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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.