

Refiners in the Sweet Spot

- Seasonal demand and contained crude prices underpin stronger GRMs, keeping refinery margins resilient.
- Diesel and jet fuel lead product spreads, supporting Thai refiners with high middle distillate exposure.
- BCP and TOP as our top picks for refinery

Seasonal Tailwinds Drive Stronger GRMs

We reiterate our positive view on refinery stocks, underpinned by stronger GRMs as tight global supply and limited new capacity continue to support higher product margins. Seasonal demand for gasoline and middle distillates is set to increase, driven by travel activity and pre-winter stockpiling, while geopolitical risks and potential supply disruptions add further upside to margins. At the same time, we expect crude premiums to remain contained, with Brent crude likely trading in the USD65–75/bbl range, supported by steady OPEC+ discipline and moderating global demand growth.

Distillates in Demand: Diesel and Jet Fuel Drive Margins

Oil prices climbed from USD65/bbl to near USD70/bbl on Russian supply risks, expectations of a Fed's further rate cut, and the IEA's warning of steeper global output declines. We expect Brent crude to trade within USD65–75/bbl, a range that allows product margins over crude to remain strong, particularly for diesel given low inventories and firm seasonal demand. This is supportive for Thai refiners whose output is concentrated in middle distillates, gasoline, diesel and jet, led by TOP (22% gasoline, 47% diesel, jet 11%), SPRC (26%, 36%, 10%), BCP (22%, 57%, 10%), BSRC (30%, 38%, 5%), PTTGC (0%, 63%, 8%), and IRPC (20%, 55%, 0%).

Rising upsides, lower risks for BCP and TOP

On top of their high distillate yields and higher GRMs, BCP and TOP are our preferred top picks on 1) BCP's stronger net profit outlook from BCPG (AI power demand in US) and limited risk from the Alpha as BCP's new major investor given the 20% holding stake remains unlikely to exercise any major shift in BCP's strategic and operational directions, in our view; and 2) TOP's on its now-limited risk from its CFP project after its share price has been much penalized by investors on the significant cost overrun, longer delay, and COD schedule uncertainty.

Thai Refiners Gear Up for 3Q25

We project 3Q25 net profits of Thai refiners to rise q-q, led by BCP and TOP, both benefiting from stronger GRMs and higher throughput, with BCP also supported by an earnings contribution from its power business. We believe BSRC has already bottomed in 2Q25 and should return to profitability in 3Q25 as utilization rates recover from 69% to around 90% with no planned maintenance. For SPRC, although earnings in 2025 remain pressured by elevated expenses, we think most of these headwinds have already been priced in, while its investment to process lighter crude should begin to deliver benefits from 2026. Meanwhile, PTTGC and IRPC are likely to remain constrained by weak petrochemical margins, limiting their near-term earnings recovery relative to peers.

BCP and TOP as our top picks for refinery

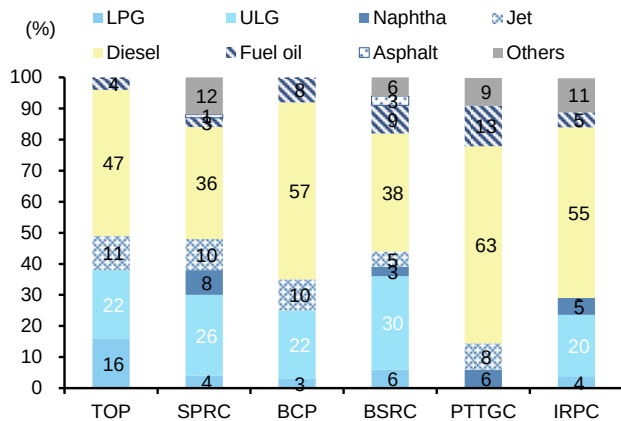
We prefer BCP and TOP as our top picks, replacing SPRC with TOP due to its higher diesel yield (47% vs. SPRC's 36%), which positions it to benefit more directly from the current market environment. BCP is also supported by a strong rebound in earnings from its power business.

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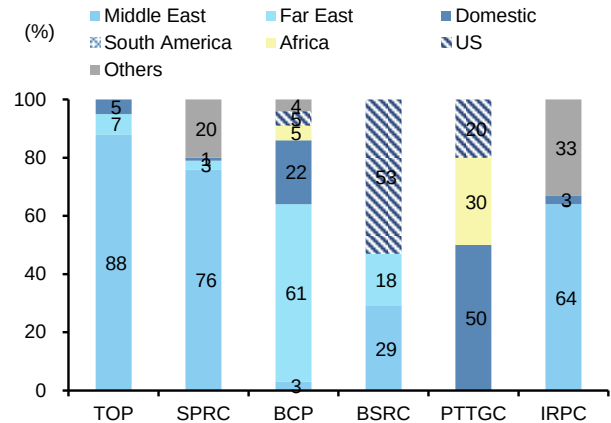
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Exhibit 1: Product yield breakdown as of 2Q25



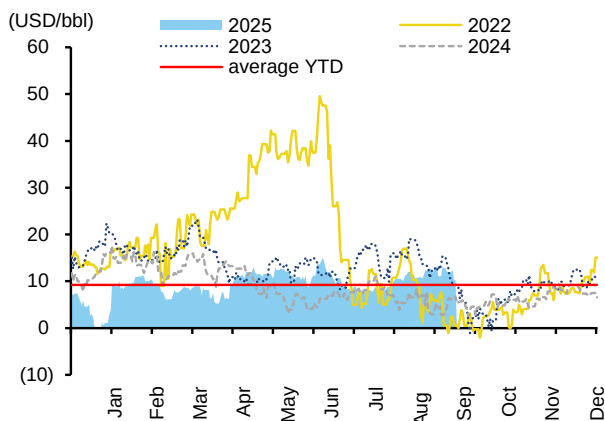
Sources: Companies, Globlex Research

Exhibit 2: Crude mix breakdown as of 2Q25



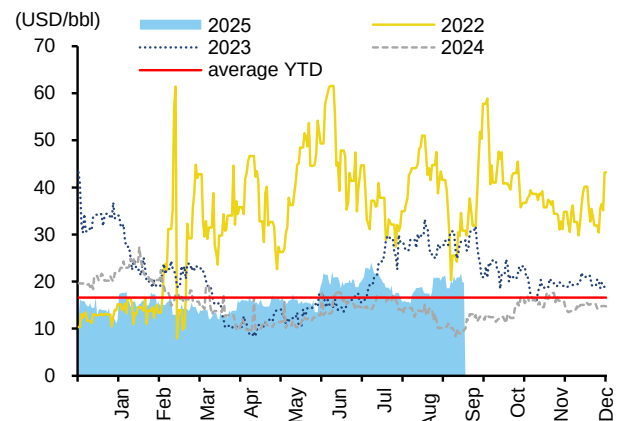
Sources: Companies, Globlex Research

Exhibit 3: 92 Octane Gasoline fob Spot Price - Dubai crude oil price



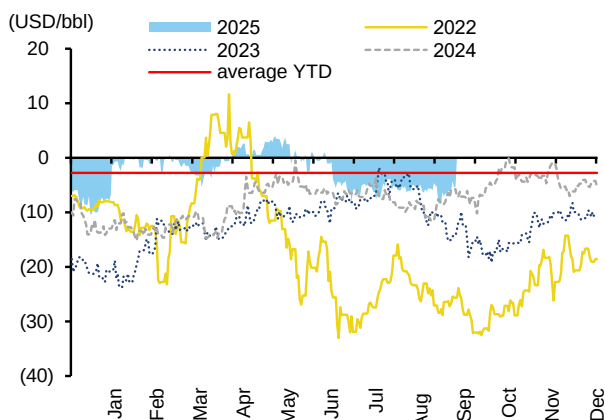
Sources: Bloomberg

Exhibit 4: Gasoil 0.5% Sulfur fob SG Spot Price - Dubai crude oil price



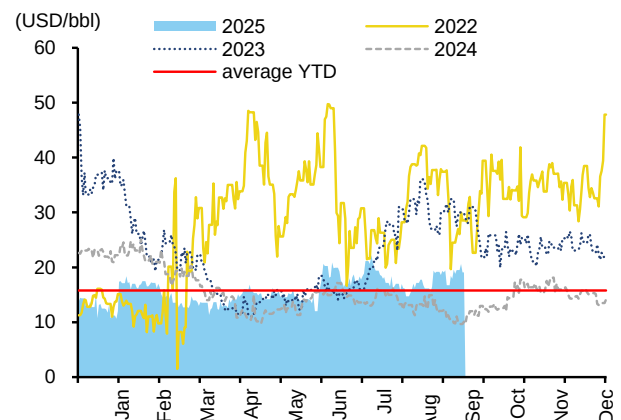
Sources: Bloomberg

Exhibit 5: High Sulfur fuel Oil Spot fob Singapore - Dubai crude oil price



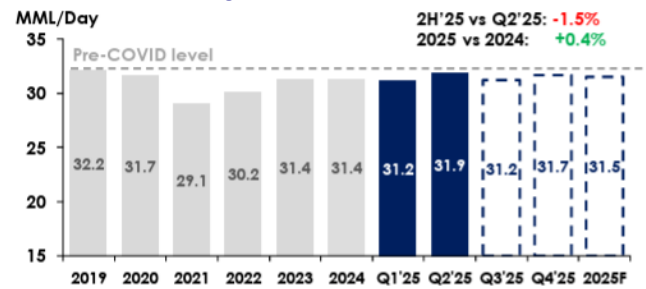
Sources: Bloomberg

Exhibit 6: Jet Kerosene fob Spot Price - Dubai crude oil price



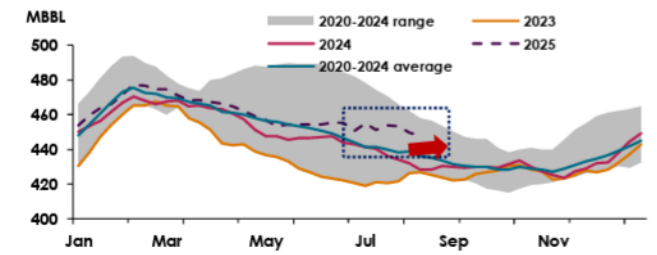
Sources: Bloomberg

Exhibit 7: Global gasoline demand



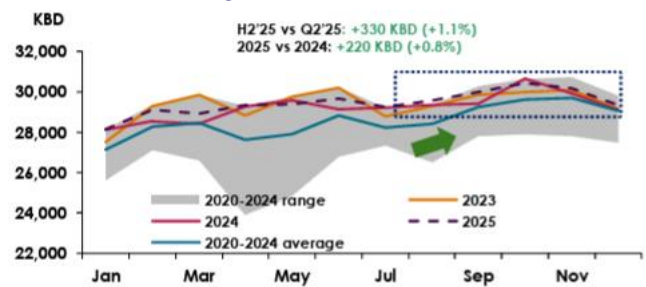
Sources: Name of source

Exhibit 8: Global gasoline inventory



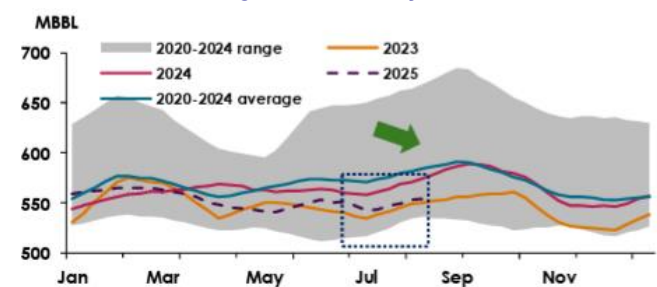
Sources: Name of source

Exhibit 9: Global gasoil demand



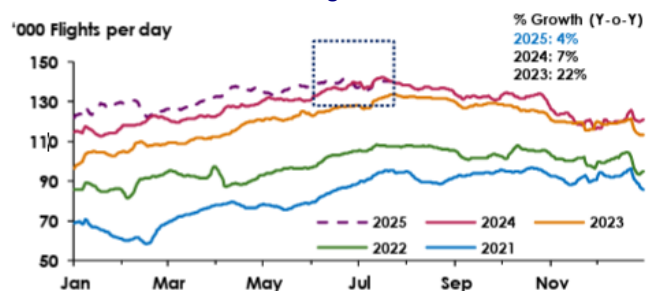
Sources: Name of source

Exhibit 10: Global gasoil inventory



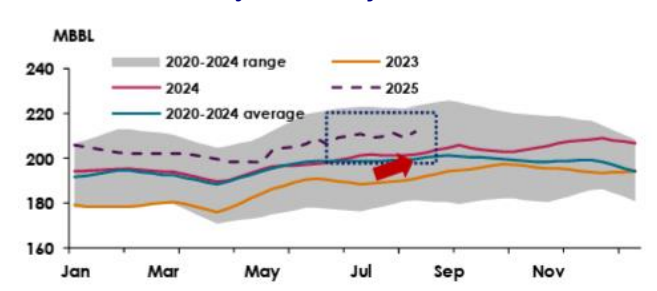
Sources: Name of source

Exhibit 11: Commercial Flights



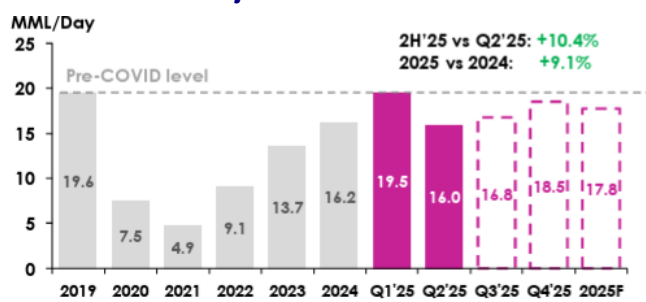
Sources: Name of source

Exhibit 12: Global jet inventory



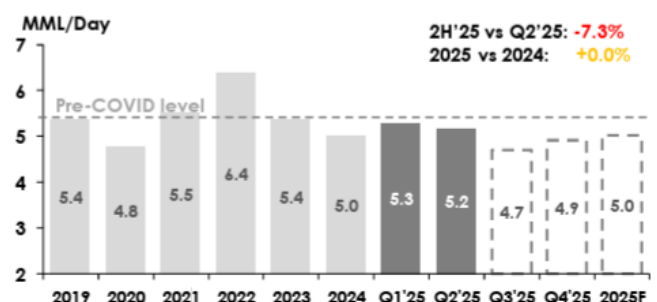
Sources: Name of source

Exhibit 13: Global jet demand



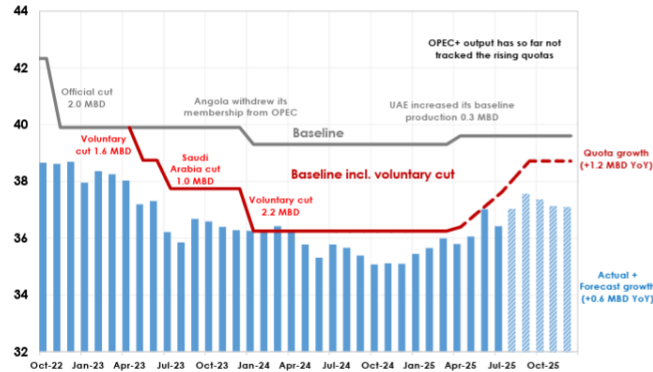
Sources: Name of source

Exhibit 14: Global fuel oil demand



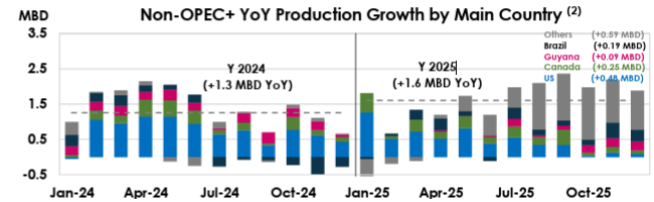
Sources: Name of source

Exhibit 15: OPEC+ production and forecast



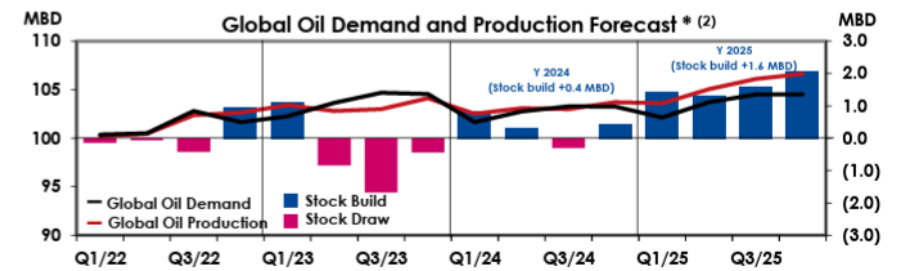
Sources: Name of source

Exhibit 16: Non-OPEC+ production growth by main country



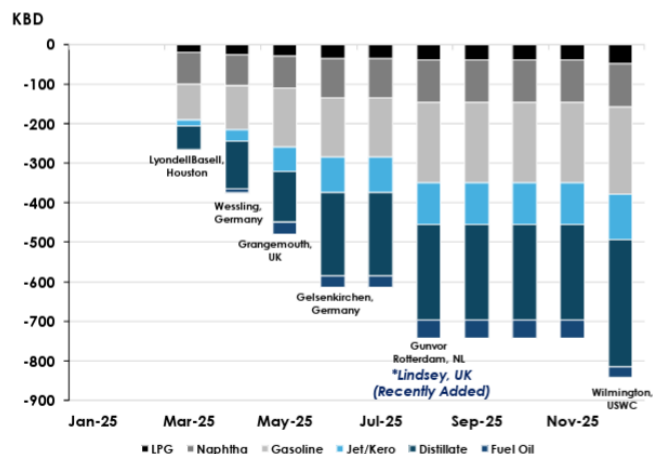
Sources: Name of source

Exhibit 17: Global oil demand and production forecast



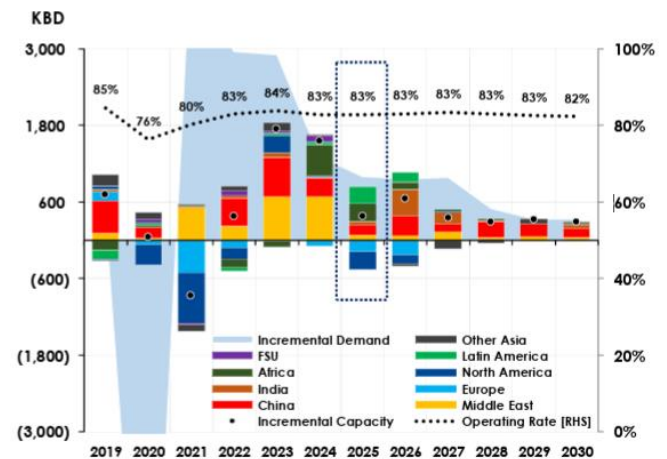
Sources: Name of source

Exhibit 18: Cumulative product loss from 2025 Atlantic basin refinery closures



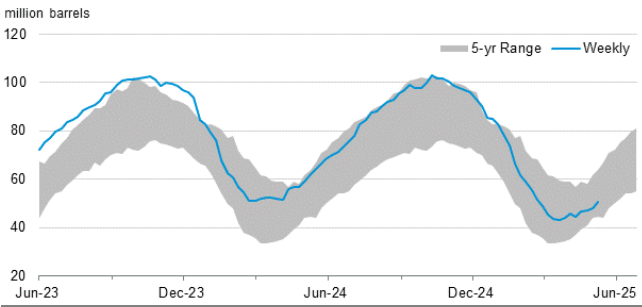
Sources: TOP

Exhibit 19: Global effective CDU addition vs Additional demand



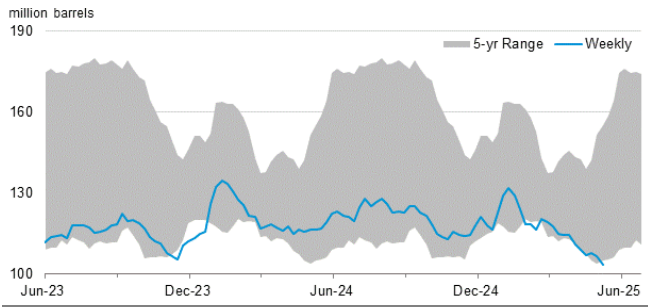
Sources: TOP

Exhibit 20: US propane/propylene inventory



Sources: EIA

Exhibit 21: US distillate inventory



Sources: EIA

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.