

Super strong GRM outlook on supply cuts from Russia, U.S., China

- GRM strengths at USD30+/bbl is likely to continue into 1Q26 on spikes in distillate-crude margins
- Supply cuts from Russia (Ukraine's attacks and EU's ban), U.S. (multiyear low inventory), and China (export quota constraints) are key drivers
- Top picks are SPRC, TOP, and BCP

GRM hit USD30+/bbl in 4Q25 QTD and likely to continue into 1Q26

A confluence of events – Ukraine's attacks on Russia's refinery plants, EU's sanctions on Russia's oil, and U.S.-China dual cuts in exports – have sent global GRM skyrocket to over USD30/bbl, led by the jumps in crack spreads of distillate-crude that have now surpassed USD30/bbl in the past several weeks. Thai refiners will hence likely to see their earnings substantially increase in 4Q25 into 1Q26, with refiners with higher refinery exposures - BCP, TOP, SPRC – will emerge as clear winners.

Russia is now facing double refinery jeopardies

Thanks to the Russia's refinery supply cuts caused by Ukraine attacks and EU's ban, global margins for distillate products (diesel and jet) have continued to rise as Russia saw its export revenue for fuel decline. In Jan-24 to Oct-25, there were 61 drone attacks reported across 24 Russian oil refineries, with 40 of these resulting in fires or long-term damage as most Ukrainian attacks targeted oil refineries, damaging Russian refining output to its lowest point in 12 years and 10% decline in exports.

Supply reductions from Russia would exacerbate, not ameliorate

From Aug-Oct 2025, attacks expanded to include more than 10 refineries and several key export terminals, such as Ust-Luga, with 16 refineries - amounting to 38% of Russia's refining capacity - hit in August and September alone. When broader energy infrastructure is considered, including refineries, fuel depots, and gas facilities in Russia and occupied Ukraine, 81 separate assaults were recorded throughout 2024. By Oct-25, the cumulative estimate of major strikes on refineries and other energy assets had exceeded 100, as 2025 alone saw an additional 40–50 major incidents. Notably, by Feb-25, about 10% of Russian energy capacity was offline, with significant sites like the Astrakhan gas plant included in the tally. These continued attacks on Russian oil infrastructure still has considerable upside risk to the marketplace.

Diesel-crude margin hit USD30/bbl !!

As supplies from Russia, U.S., and China, have concurrently been offline in the past few months, the global diesel and jet supply has sharply plunged, resulting in the higher-for-longer spikes in distillate margins going into the seasonally high winter. We think the USD30+/bbl margins for distillate-crude will continue at least until 1Q26, driving up earnings for Thai refinery companies in 4Q25-1Q26.

Top picks: SPRC, TOP, BCP

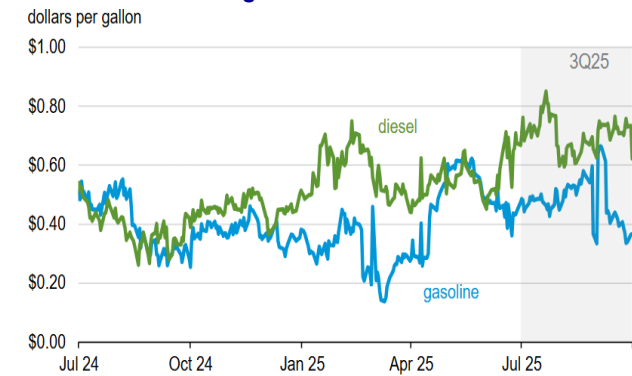
Our top picks for Thai refinery sector will be SPRC, TOP, BCP, on their strong fundamentals and product portfolios while PTTGC and IRPC, the two refinery companies with higher earnings exposures from olefins whose margins outlook remain bleak due to chronic oversupply, will be less preferred on the benefits of strong GRMs. BSRC, though a key beneficiary on GRM strength, will be soon delisted, leaving limited upside on the share price, in our view.

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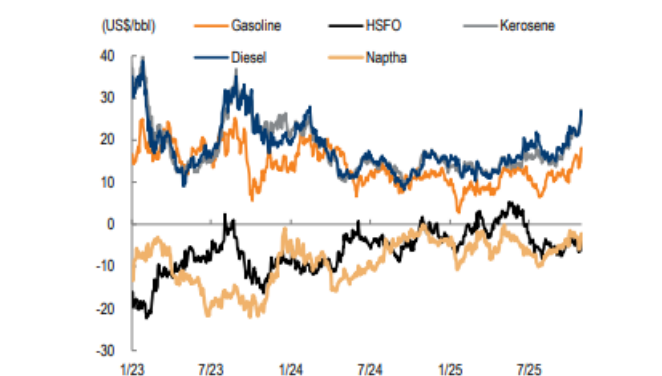
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Exhibit 1: New York gasoline and diesel GRMs



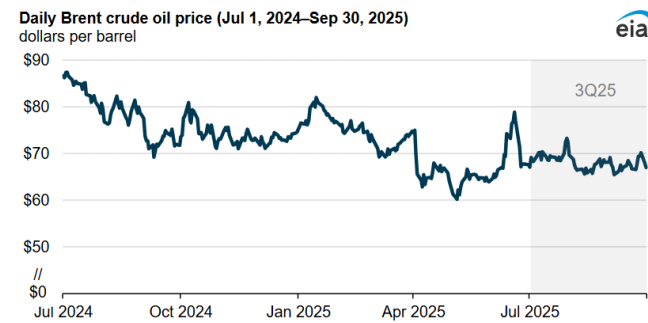
Sources: EIA

Exhibit 2: Asian GRMs



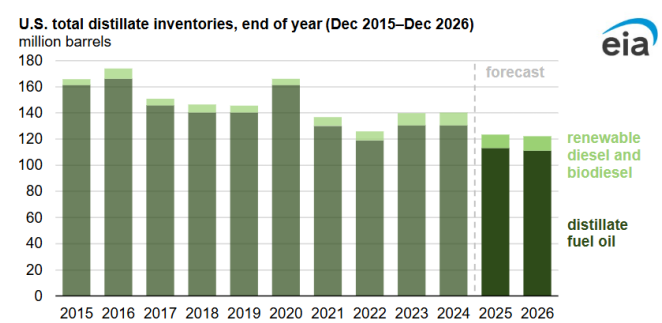
Sources: Bloomberg

Exhibit 3: Brent crude oil price stabilized



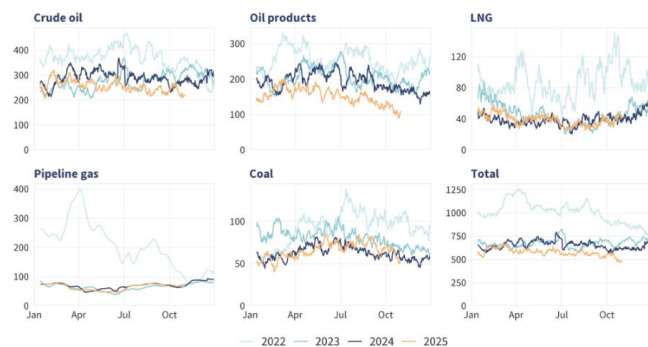
Sources: EIA

Exhibit 4: U.S. total distillate inventories are forecasted to end at multiyear lows in 2025-26



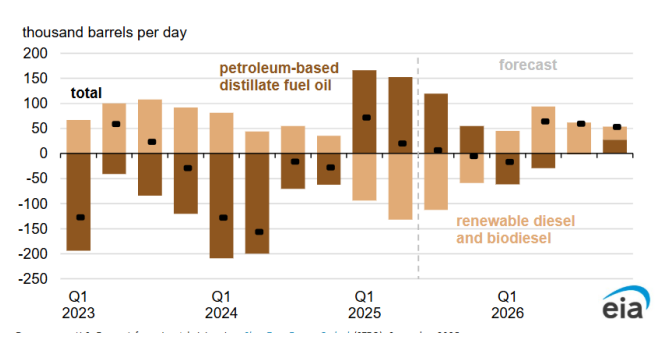
Sources: EIA

Exhibit 5: Russia's fossil fuel export revenue by fuel type as of Oct-25



Sources: Centre for Research on Energy and Clean Air

Exhibit 6: The y-y change in U.S. distillate supply



Sources: EIA

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Analyst Certification

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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.
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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.