

GRM Reversal Weighs on Outlook

- GRM to reverse sharply in 2Q26 on lagged costs and weaker spreads.
- Policy risk remains an overhang
- Prefer BCP on diversification; limited upside across the sector.

From Windfall to Squeeze

We now turn more cautious on the refinery sector, as we expect GRM to decline sharply to around USD4–5/bbl (or lower) in 2Q26 from the elevated USD12–15/bbl in 1Q26, leading to near-term earnings pressure. This is driven by a clear cost–price mismatch, as higher crude costs flow through with a 1–2 month lag into May–Jun, while product spreads weaken. Although refiners have secured crude supply through Jun-26, ensuring stable operations, this mainly supports continuity rather than margins. In addition, policy risk remains an overhang; while the THB2/litre diesel price cap is largely priced in, further intervention would directly limit GRM upside and weigh on earnings beyond current expectations.

Stable Runs, Rising Cost Risks

We see refiners adapting effectively to the US–Iran conflict, with alternative crude sourcing helping to mitigate supply disruption risks. Most refiners have already secured crude supply through June-26, providing near-term visibility on feedstock and supporting stable refinery runs. As such, our key concern shifts to the lag effect in crude costs (typically 1–2 months), which delays the full pass-through of recent oil price spikes. We therefore expect higher feedstock costs to be more fully reflected in May–Jun 26, potentially compressing GRM, particularly if product prices soften.

Crude Cost Lag Triggers Margin Compression

In 1Q26E, we expect refiners to benefit from a strong uplift in GRM, driven by windfall gains in middle distillates as diesel and jet spreads spiked during the US/Israel–Iran conflict. However, we expect this strength to reverse, with GRM declining to around USD4–5/bbl (or lower) in 2Q26 from USD12–15/bbl in 1Q26. This reflects a clear margin compression driven by a cost–price mismatch, as product cracks weaken while feedstock costs rise. Forward spreads for diesel, gasoline, and jet trend down sequentially into May–Jul 2026, indicating softer product pricing, while higher crude costs–reflected by Dubai averaging USD127/bbl in Mar-26 flow through with 1–2 months lag into May–Jun 26.

Regulated Margins, Rising Risks

We believe refinery share prices have largely priced in the government's THB2/litre diesel price intervention (~USD4/bbl GRM impact), which caps excess margins following the recent spike. Sensitivity varies by operator given diesel exposure (BCP and TOP at ~600m litres/month, SPRC at ~250m litres/month). Refineries are required to comply, as this is enforced by regulation. However, we see rising downside risk, as authorities are reviewing refinery margins after the sharp increase in early April and may implement an additional THB2–3/litre cut, effective 24 April-26, which would further limit GRM upside and pressure earnings.

Cautious on Refiners, Prefer BCP

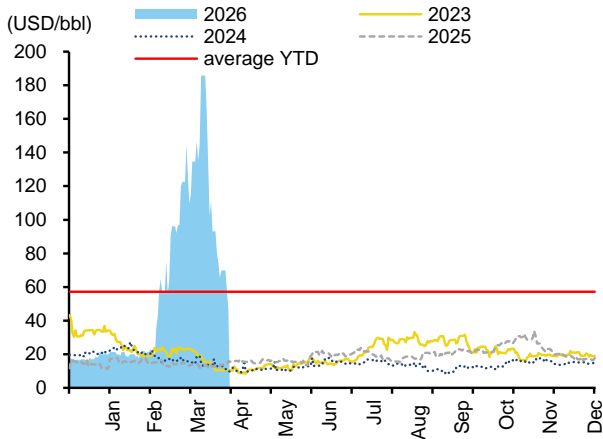
We turn more cautious on the refinery sector, as GRM is set to normalize in 2Q26, pressured by a lag in higher crude costs and softer product spreads, alongside policy risks that may cap upside. Within the sector, we prefer BCP for its diversified earnings base, followed by SPRC, while TOP is least preferred given its higher sensitivity to Middle East crude and refining margin volatility.

Analyst

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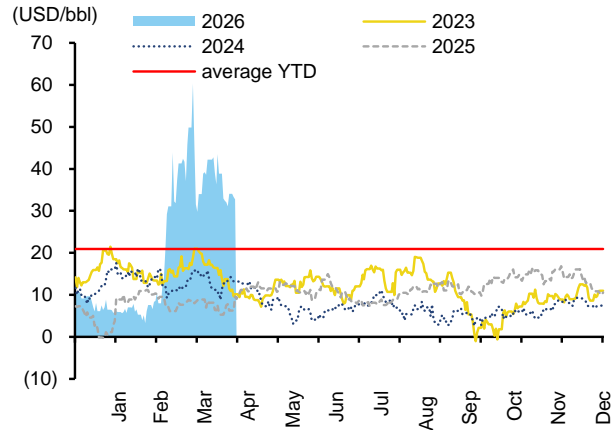
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Exhibit 1: Gasoil 0.5% Sulfur fob SG Spot Price - Dubai crude oil price



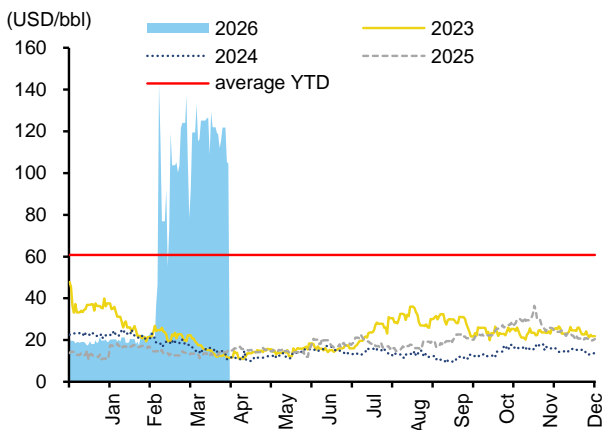
Sources: Bloomberg, Globlex Research

Exhibit 2: 92 Octane Gasoline fob Spot Price - Dubai crude oil price



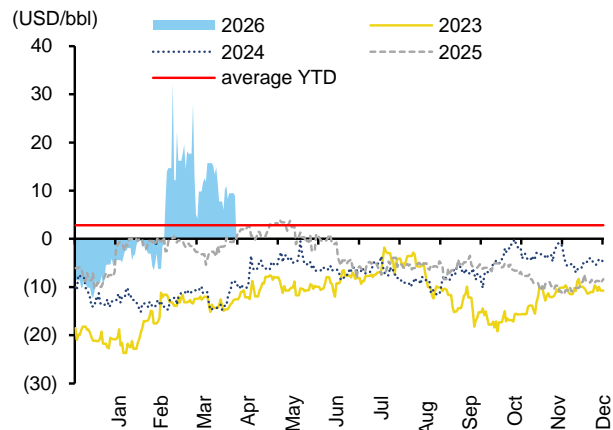
Sources: Bloomberg, Globlex Research

Exhibit 3: Jet Kerosene fob Spot Price - Dubai crude oil price



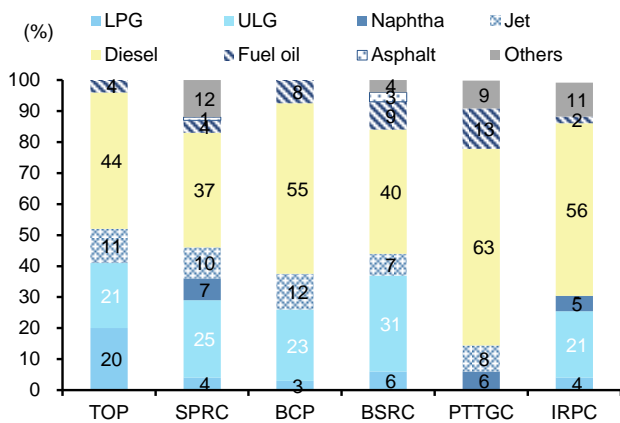
Sources: Bloomberg, Globlex Research

Exhibit 4: High Sulfur fuel Oil Spot fob Singapore - Dubai crude oil price



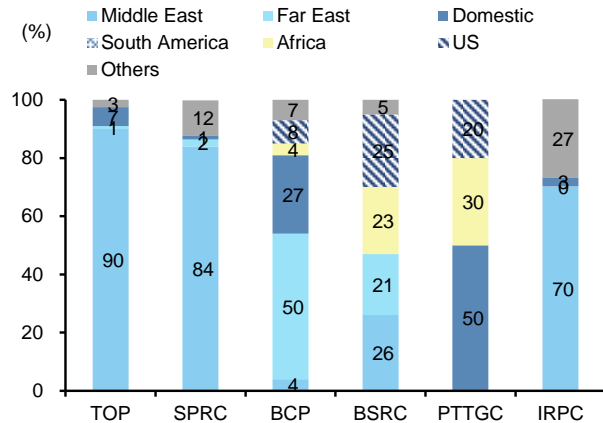
Sources: Bloomberg, Globlex Research

Exhibit 5: Thai refineries - Product yield (2025)



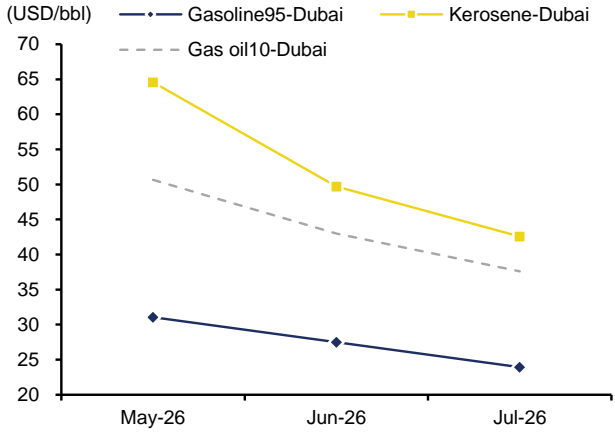
Sources: Companies; Globlex Research

Exhibit 6: Thai refineries - Crude mix (2025)



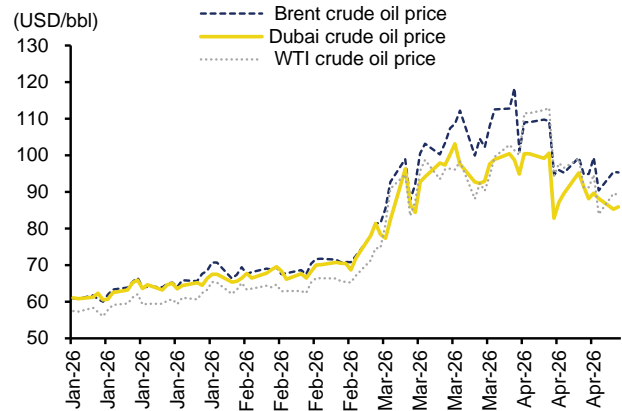
Sources: Companies; Globlex Research

Exhibit 7: Forward spread for Diesel, Gasoline and Kerosene (as of 20 April-26)



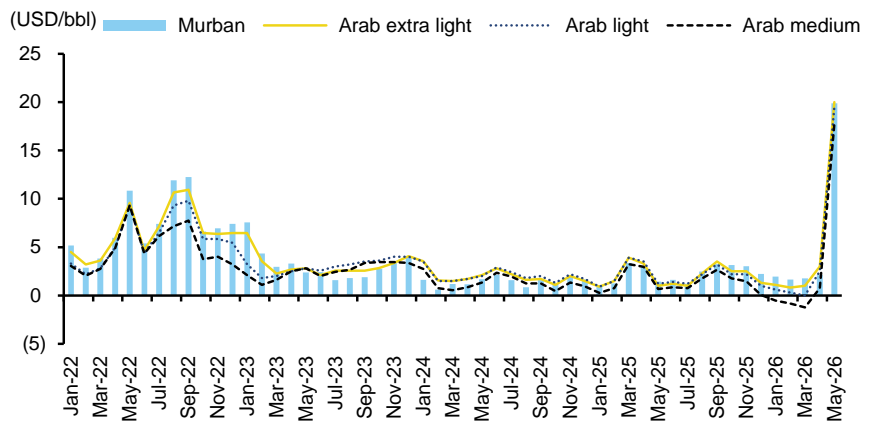
Sources: TOP; Glolex Research

Exhibit 8: Crude oil price



Sources: Bloomberg

Exhibit 9: Crude premium



Sources: TOP

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 $(\text{target price}^* - \text{current price}) / \text{current price}$.

- 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.
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.