

Let's not forget potential alphas on overlooked chemical plays

- U.S.-Iran war triggered margin spikes throughout all chemical chains
- Polyester (IVL), Insulator (EPG), BOPP/BOPET (AJ) are key hidden winners
- Top picks: IVL for a large-cap; EPG for a mid-cap; AJ for a small-cap winners

Time for a downstream-tiered chemical overlooked, underestimated winners

Besides the spikes in olefins/aromatics chains, pushed by supply disruptions in Middle East, we think margins of downstream chemical chains jumped markedly, resulting in "windfall" net profits in 2Q26E and likely in 2H26E if the U.S.-Iran war prolongs. Hence our advice are 1) IVL: a winner on PET/polyester chain; 2) EPG: a winner on EPDM (Ethylene Propylene Diene Monomer) insulator; and 3) AJ: a winner on margin spikes in BOPP (Biaxially Oriented Polypropylene) and BOPET (Biaxially Oriented Polyethylene Terephthalate).

IVL: shining chemical gem as a global play with regional "import parity" gains

Often misunderstood as an Asian-driven, global margin chemical play, IVL is indeed a US-driven, regional-centric polyester/PET producer with a global, well-diversified production and market footprints. Hence, IVL is largely immune from the risks from EU (Russia-Ukraine war) after IVL's major restructuring in 2024 and will enjoy benefits of higher U.S. import tariffs, freight cost, anti-dumping duties – aggregated as "import parities" premium added on selling prices in U.S./South America markets. We think IVL's quarterly NP growth momentum will accelerate in 2026, justifying our THB28 TP.

EPG: an underestimated, world-class global player with innovative insulators

We think EPG is one of the most underestimated chemical plays in SET. Contrary to investors' belief that EPG, as a key global producer of insulator, will suffer from the cost spikes for plastic pellets raw materials (RM) caused by U.S.-Iran war., EPG instead is fully immune to the higher RM costs thanks to EPG's changes in inventory and RM policies extending from 3 to 6 months in response to the U.S. tariff war since Apr-25. Unless the U.S.-Iran war persists beyond Aug-26, we think EPG will not only have no impact but also gain from the cost-push higher selling prices of insulators as EPG's competitors with shorter RM inventories have no choice but raise selling prices.

How significant are Chinese tourists to Thailand?

AJ (not rated) is perhaps completely overlooked player in BOPP/BOPET film packaging. After suffering multi-year losses on industry downcycle, AJ is now poised to see a surging 2Q26 NP on margin spikes as a result of the supply disruptions and a multi-year downcycles. The outlook for BOPP and BOPET plastics is now positive, driven by high demand for flexible, sustainable, and lightweight packaging. The combined market is projected to grow steadily, with the combined BOPP & BOPET market valued at USD 37.48b in 2026 and expected to reach USD54.28b by 2032.

Winners: IVL for large-cap, EPG for a mid-cap, AJ for a small-cap

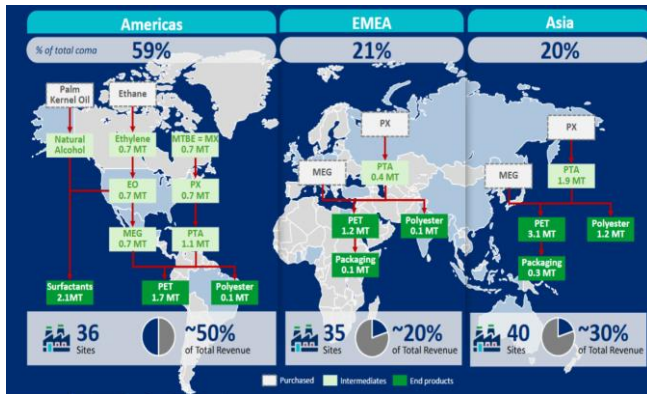
We preferred AOT and BA as our top picks in Thai tourism sector, considering that AOT's net profit upsides will come from its recently hike in PSC from THB730/departure passenger to THB1,120, effective in 2Q26, and BA on its continued strong revenue from Samui flights plus the coming earnings growth from Samui airport expansion that will begin in 1Q26 to 2027 and could generate earnings upside in the range of THB1.0b-THB2.0b to BA by the end of 2027, based on our estimate.

Analyst

Suwat Sinsadok, CFA, FRM, ERP
suwat.s@globlex.co.th,
+662 687 7026

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

Exhibit 1: IVL's global production and market footprints



Sources: IVL

Exhibit 2: EPG's EPDM insulator products



Sources: EPG

Exhibit 3: AJ's metalized film packaging applications



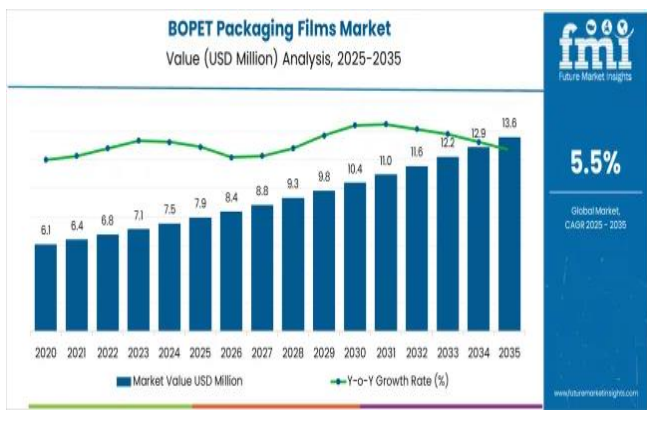
Sources: AJ

Exhibit 4: AJ's BOPP film packing applications



Sources: AJ

Exhibit 5: Global BOPET packaging film market



Sources: FMI

Exhibit 6: AJ's BOPET film packaging applications



Sources: HSQY plastic group

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Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

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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.