Thai Oil (TOP TB)

Seasonal Demand Expected To Support GRM Recovery

Highlights

- We expect GRM to recover, supported by stronger middle distillate demand during the winter season and extensive refinery maintenance shutdowns across the US and Asia in 1H27.
- TOP's management maintained its target for full COD of the CFP project by 3Q28, with no cost overruns or further impairment expected. A conclusion on the ERU project is expected by end-Jan 27.
- 3Q26 net profit was in line with our estimate and 11% above consensus.
- TOP maintains a strong financial position. We estimate a 2027 dividend of Bt4.00/share. Maintain BUY. Target price: Bt100.00.

Analysis

- The tone from the meeting with Thai Oil (TOP) was positive.
- **GRM outlook remains positive, supported by seasonal demand and refinery maintenance shutdowns.** We maintain our positive outlook on the gross refinery margin (GRM), despite near-term pressure in 4Q26 from higher crude premiums and freight rates, as well as the impact of government measures to seek reductions in ex-refinery diesel prices. We view these as temporary headwinds and expect GRM to recover, supported by stronger seasonal demand during the winter season, particularly for middle distillates. Meanwhile, petroleum product supply remains tight, as reflected by global gasoil and gasoline inventories remaining below their five-year averages. This partly reflects the impact of the ongoing war, particularly attacks on Russian refineries, which have affected approximately 1.40m-1.70m barrels per day (MBD) of refining capacity, equivalent to 27-33% of Russia's total refining capacity. Russian petroleum product exports also remain below pre-war levels, and TOP expects supply conditions to remain below pre-war levels throughout 2027.
- Furthermore, we expect GRM to remain strong through 1H27, supported by an upcoming wave of refinery maintenance shutdowns, as several refineries have postponed their maintenance schedules to 1Q27. This is particularly significant in the US, which accounts for approximately 8% of global refined product supply, followed by scheduled refinery maintenance in Asia in 2Q27. Although market GRM is likely to moderate from current elevated levels, we expect it to remain above pre-war levels. This should support TOP's earnings resilience and improve earnings visibility.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	466,777	395,682	453,666	503,595	496,105
EBITDA	38,252	15,842	65,753	47,251	31,614
Operating profit	12,264	16,769	60,114	32,045	16,445
Net profit (rep./act.)	9,959	14,584	52,424	27,923	14,304
Net profit (adj.)	16,808	11,470	47,608	27,923	14,304
EPS (x)	7.5	5.1	21.3	12.5	7.0
PE (x)	13.3	19.5	4.7	8.0	14.2
P/B (x)	1.3	1.3	1.01	0.9	0.8
EV/EBITDA (x)	11.3	15.1	3.4	4.7	6.9
Dividend yield (%)	1.9	1.8	4.0	3.0	2.0
Net margin (%)	2.1	3.7	11.6	5.5	2.9
Net debt/(cash) to equity (%)	79.5	36.6	8.7	1.3	1.5
Consensus net profit	-	-	44,769	19,449	18,239
UOBKH/Consensus (x)	-	-	1.17	1.44	0.78

Source: Thai Oil, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Bt59.00
Target Price	Bt100.00
Upside	+69.49%

Stock Data

Sector	Energy
Bloomberg ticker	TOP TB
Shares issued (m)	2,233.84
Market cap (Btm)	69,360.95
Market cap (US$m)	2,134.18
3-mth avg daily t'over (US$m)	15.67

Price Performance (%)

52-week high/low				Bt66.00 / Bt29.75
1mth	3mth	6mth	1yr	YTD
-0.38	+31.00	+38.62	+30.35	+81.94

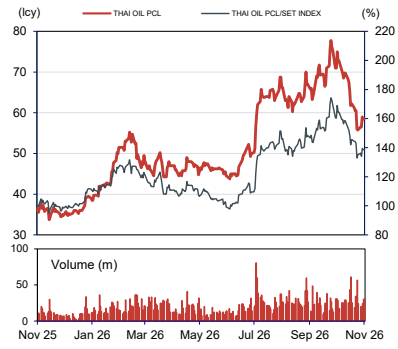
Major Shareholders (%)

PTT	45.03%
Thai NVDR	11.51%
Southeast asia uk (type c) nominees limited	3.37%

Balance Sheet Metrics

FY26 NAV/Share (Bt)	Bt91.40
FY26 Net Debt/Share (Bt)	Bt83.32

Price Chart

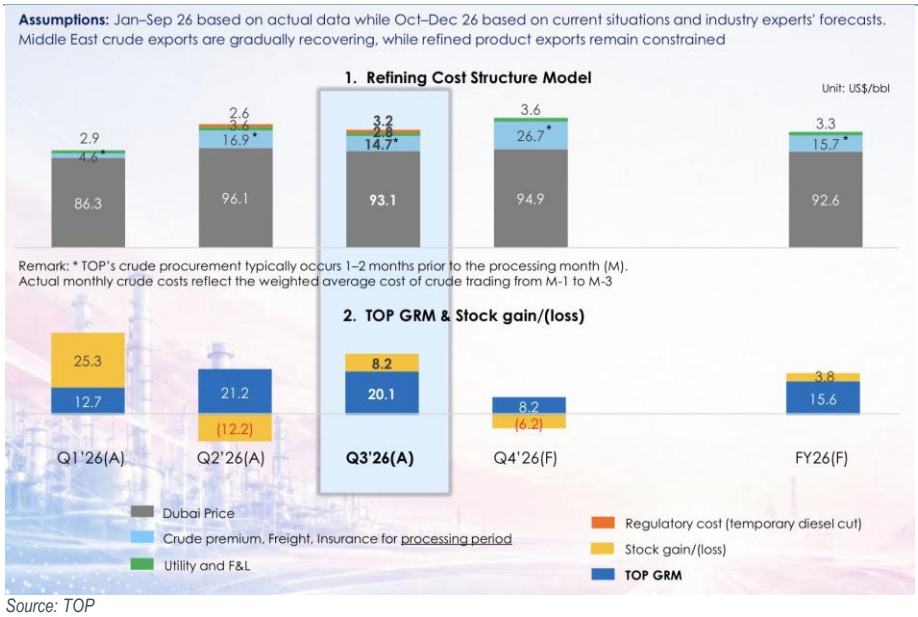


Source: Bloomberg

Company Description

TOP is an oil refinery company. It also produces oil-related products including LPG, kerosene, fuel oil and chemicals.

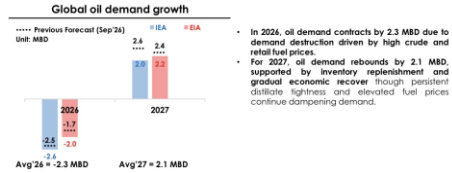
Market GRM Guidance



Source: TOP

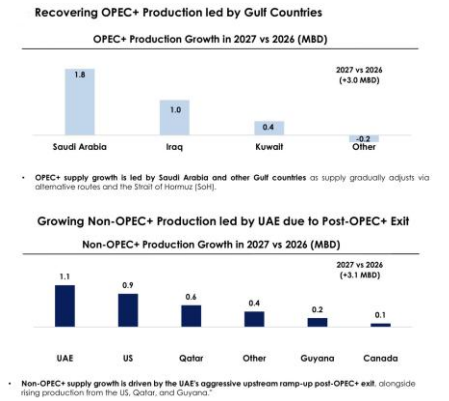
- **Weak 4Q26 guidance by management.** As expected, management has conservatively guided for its 4Q26 GRM (before the diesel cut) at around US$8.20/bbl vs US$22.90/bbl in 3Q26, given the significant hike in crude premium, freight and insurance costs during the Middle East conflict period in October. Together with the potential stock loss of US$6.20/bbl along with the recent softening in crude prices, TOP's accounting GRM in 4Q26 should stand at US$2/bbl. TOP's current share price has already priced in the poor earnings in 4Q26.
- **Diesel ex-refinery price cut should end this year.** Management expects the government intervention on diesel ex-refinery prices to end this year. The government should announce the last diesel ex-refinery price cut to take effect in December. TOP estimates the impact of the diesel ex-refinery price cut measure at approximately Bt7.4b during Apr-Nov 27. In our model, we conservatively assume that the diesel ex-refinery price cut will continue until mid-27, amounting to Bt5.8b.
- **CFP project is on track.** The clean fuel project (CFP) was 43.30% complete as of end-3Q26. Management maintained its timeline, targeting crude distillation unit 4 (CDU-4) to be ready for start-up in 2Q27 and full commercial operation (full COD) in 3Q28. Regarding concerns over project delays, potential cost overruns and further impairments, management provided clear assurances that the project remains under tight budget control and within the approved budget, with no cost overruns or additional impairment expected.
- **Strong balance sheet supports Bt4.00/share dividend in 2026.** TOP maintains a strong financial position, with cash on hand of Bt57.66b as of end-3Q26. Net debt to EBITDA improved significantly to 0.8x (vs 3.7x at end-25), while net debt to equity declined to 0.20x (vs. 0.30x at end-25). Although TOP still has about Bt89.34b in planned CFP capex from 4Q26 through 2028, as well as a potential Bt4.00b reimbursement for the energy recovery unit (ERU) project if TOP resumes direct project management (with a conclusion expected by end-Jan 27), we believe TOP remains capable of paying a Bt4.00/share dividend for 2026. TOP has already announced an interim dividend of Bt1.40/share.

Global Oil Demand



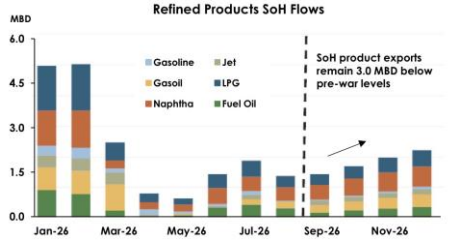
Source: TOP

Supply From OPEC and Non-OPEC



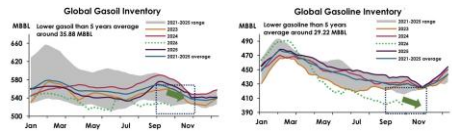
Source: TOP

Refined Products SoH Flows



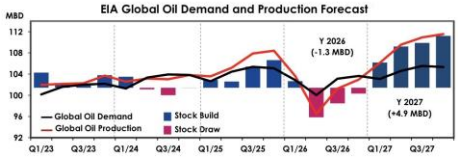
Source: TOP

Global Petroleum Product Inventory



Source: TOP

EIA Global Oil Demand and Production Forecast



Source: TOP

3Q26 Results

Year to 31 Dec	3Q25	2Q26	3Q26	%yoy	%qoq	9M25	9M26	%yoy
Revenue	**80,098**	**134,970**	**143,215**	**79%**	**6%**	**286,326**	**400,643**	**40%**
EBITDA	1,784	14,346	27,572	1446%	92%	8,097	55,895	590%
Operating Profit	-244	12,322	25,519	n.a.	107%	2,140	49,768	2225%
Core Profit	**-1,064**	**18,947**	**15,646**	**n.a.**	**-17%**	**4,477**	**40,933**	**814%**
Net Income	**2,147**	**8,284**	**18,010**	**739%**	**117%**	**12,126**	**45,775**	**277%**
EPS	**0.96**	**3.71**	**8.06**			**5.43**	**20.49**	
Financial Ratio								
Gross Profit Margin	0.7%	10.5%	18.5%			1.7%	13.4%	
EBITDA Margin	2.2%	10.6%	19.3%			2.8%	14.0%	
Net profit margin	2.7%	6.1%	12.6%			4.2%	11.4%	

Source: Thai Oil, UOB Kay Hian

- **3Q26 earnings in line with our estimate.** TOP reported 3Q26 net profit of Bt18.0b, increasing significantly both qoq and yoy, in line with our estimate and 11% above consensus. The strong recovery in reported net profit was mainly driven by a higher accounting gross integrated margin (GIM) of US$30.90/bbl in 3Q26 (vs US$11.70/bbl in 2Q26 and US$7.40/bbl in 3Q25). Excluding extra gains, 3Q26 core profit was Bt15.65b, down 17% qoq as market GIM declined to US$22.80/bbl (vs US$23.90/bbl in 2Q26), reflecting weaker refinery and aromatics spreads.
- **Market GRM declined qoq.** TOP's market GRM decreased to US$19.90/bbl in 3Q26 (vs US$21.20/bbl in 2Q26), mainly due to China's easing of petroleum product export restrictions, particularly for jet fuel, which increased regional supply, coupled with seasonally weaker middle distillate demand.
- **PX spread pressured by higher production costs.** The aromatics business contributed US$0.70/bbl to market GIM in 3Q26 (vs US$0.80/bbl in 2Q26). This was mainly due to higher production costs following rising gasoline prices, together with lower paraxylene (PX) selling prices amid weak demand and elevated polyester inventories in China.
- **Extraordinary items.** TOP recorded total extra gains of Bt2.36b in 3Q26, compared with extra losses of Bt10.66b in 2Q26, comprising: a) forex loss of Bt231m, b) oil hedging loss of Bt1.28b, c) stock gain of Bt3.85b, and d) bond buyback gain of Bt31m.

Valuation/Recommendation

- **Maintain BUY with a 2027 target price of Bt100.00,** based on refinery regional core forward PE at mean of 8.0x. We maintain TOP as one of our top picks, supported by our positive outlook on a strong market GRM.

Earnings Revision/Risk

- **Earnings revision.** None.

Environment, Social, Governance (ESG) Updates

Environmental

- **Net zero GHG reduction.** Reduce greenhouse gas (GHG) emissions by 15% in 2035 from the base year of 2026 to achieve carbon neutrality in 2050 and net zero GHG emissions target in 2060 through the implementation of net zero GHG emissions.

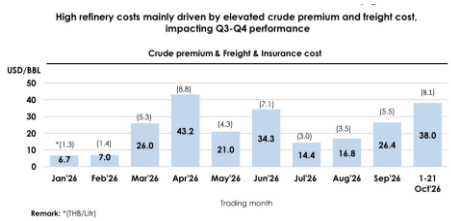
Social

- **Creating social values.** To develop quality of life in society in alignment with the company's strategic direction to become a petrochemical and innovative business and contribute to net zero GHG emissions. **Strengthen community engagement.** To maintain community engagement score at 90% or above. **Nature-based solution.** To support zero GHG emissions target through forest conservation, reforestation and afforestation initiatives.

Governance

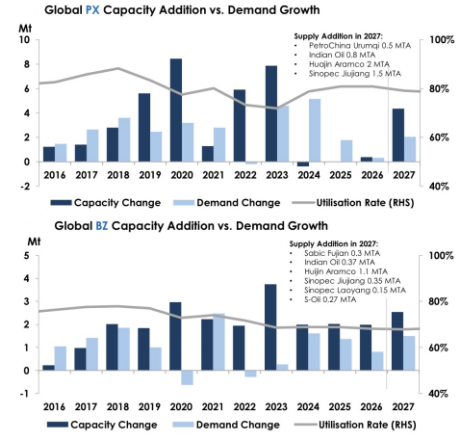
- **Zero cases of non-compliance and fraud incidents.** No cases of non-compliance with laws, regulations and the company's code of conduct. **Good governance recognition.** Being a recognised organisation for good corporate governance.

Crude Premium & Freight & Insurance Cost



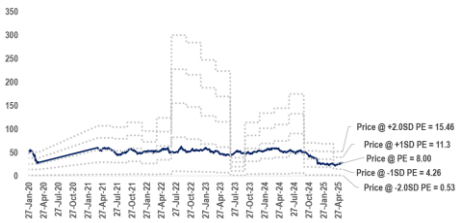
Source: TOP

Aromatics Additional Capacity



Source: TOP

Refinery Regional Core Forward PE



Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	395,682	453,666	503,595	496,105
EBITDA	15,842	65,753	47,251	31,614
Deprec. & amort.	8,065	12,703	12,692	12,681
EBIT	7,777	53,050	34,559	18,933
Associate contributions	2,090	2,396	2,660	2,620
Net interest income/(expense)	-3,494	-2,869	-2,814	-2,788
Pre-tax profit	16,769	60,114	32,045	16,445
Tax	-2,131	-7,639	-4,072	-2,090
Minorities	-54	-50	-50	-51
Net profit	14,584	52,424	27,923	14,304
Net profit (adj.)	11,470	47,608	27,923	14,304

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	218,461	218,258	218,066	217,885
Other LT assets	34,865	34,865	34,865	34,865
Cash/ST investment	68,601	109,188	127,653	132,924
Other current assets	49,566	8,620	9,568	9,426
Total assets	427,284	431,092	459,435	464,619
ST debt	3,834	1,176	1,176	1,179
Other current liabilities	10,163	9,073	10,072	9,922
LT debt	128,483	127,307	126,132	124,954
Other LT liabilities	15,381	4,537	5,036	4,961
Shareholders' equity	174,187	221,533	235,173	240,898
Total liabilities & equity	427,285	431,094	459,438	464,623

Cash flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	48,809	38,697	46,423	27,322
Pre-tax profit	16,769	60,114	32,045	16,445
Tax	-2,131	-7,639	-4,072	-2,090
Deprec. & amort.	8,065	12,703	12,692	12,681
Working capital changes	33,892	-25,423	5,759	285
Other operating cashflows	-7,786	-1,057	0	0
Investing	48,809	38,697	46,423	27,322
Investments	-10,429	-12,500	-12,500	-12,500
Others	19,361	28,278	0	0
Financing	-23,095	-7,855	-15,458	-9,551
Dividend payments	-3,351	-4,021	-14,282	-8,377
Proceeds from borrowings	-19,744	-3,834	-1,176	-1,175
Net cash inflow (outflow)	34,646	46,620	18,465	5,271
Beginning cash & cash equiv.	35,075	62,568	109,188	127,653
Changes due to forex impact	-1,120	0	0	0
Ending cash & cash equiv.	68,601	109,188	127,653	132,924

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	4.8	15.6	9.4	6.4
Pre-tax margin	6.4	3.3	0.0	0.0
Net margin	3.7	11.6	5.5	2.9
ROA	4.5	16.2	8.2	4.2
ROE	10.3	31.7	16.2	8.2
Growth (% yoy)				
Turnover	-15.2	14.7	11.0	-1.5
EBITDA	-58.6	315.1	-28.1	-33.1
Pre-tax profit	36.7	258.5	-46.7	-48.7
Net profit	46.4	259.5	-46.7	-48.8
Net profit (adj.)	-31.8	315.1	-41.3	-48.8
EPS	-31.8	315.1	-41.3	-48.8
Leverage				
Debt to total capital	68.5	53.4	50.1	48.5
Debt to equity	76.0	58.0	54.1	52.4
Net debt/(cash) to equity	36.6	8.6	1.3	1.5
Interest cover (x)	5.4	24.6	16.8	11.3

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