# Thai Oil (TOP TB)

## Strong Core Earnings Supported By Resilient Market GRM

**HOLD** (Maintained)

| | |
|---|---|
| Share Price | Bt63.00 |
| Target Price | Bt66.00 |
| Upside | +4.17% |
| Previous TP | Bt50.00 |

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## Highlights

- We forecast 2Q26 net profit at Bt7.52b (-61% qoq), primarily due to stock losses. Excluding inventory effects, core profit is expected to improve significantly qoq, supported by resilient market GRM.
- The government's second round of diesel ex-refinery price cuts in 3Q26 is expected to have a limited earnings impact but heightens concerns over continued government intervention and policy uncertainty.
- Maintain HOLD. Target price: Bt66.00 (previous TP: Bt50.00).

**2Q26 Results Preview**

| Year to 31 Dec | 2Q25 | 1Q26 | 2Q26F | %yoy | %qoq | 6M25 | 6M26F | %yoy |
|---|---|---|---|---|---|---|---|---|
| Revenue | 99,440 | 122,458 | 141,256 | 42% | 15% | 206,227 | 263,714 | 28% |
| EBITDA | 1,093 | 13,977 | 21,051 | 1826% | 51% | 6,314 | 35,028 | 455% |
| Operating Profit | -878 | 11,928 | 19,118 | n.a. | 60% | 2,384 | 31,045 | 1202% |
| Core Profit | 2,828 | 6,340 | 19,035 | 573% | 200% | 5,542 | 25,375 | 358% |
| Net Income | 6,476 | 19,481 | 7,515 | 16% | -61% | 9,979 | 26,996 | 171% |
| EPS | 2.90 | 8.72 | 3.68 | | | 4.47 | 12.40 | |
| Financial Ratio | | | | | | | | |
| Gross Profit Margin | 0.1% | 10.7% | 14.6% | | | 2.0% | 12.8% | |
| EBITDA Margin | 1.1% | 11.4% | 14.9% | | | 3.1% | 13.3% | |
| Net profit margin | 6.5% | 15.9% | 5.3% | | | 4.8% | 10.2% | |

*Source: TOP, UOB Kay Hian*

## Analysis

- **2Q26 net profit to decline qoq despite robust core earnings.** We expect Thai Oil (TOP) to report 2Q26 net profit of Bt7.52b, down 61% qoq but up 16% yoy, primarily due to a substantial stock loss. Excluding one-off items, core profit is expected to improve significantly qoq, supported by a sharp recovery in market gross refinery margin (GRM). Despite the impact from the Ministry of Energy's first-round diesel ex-refinery price cuts during Apr–May 26, which reduced GRM by around US$2.60/bbl.
- **Market GRM strengthened sharply in 2Q26.** We forecast 2Q26 core profit of Bt19.04b, increasing significantly both qoq and yoy. This is driven by an estimated market gross integrated margin (GIM) of US$23.50/bbl, underpinned by a market GRM of US$20.50/bbl (vs US$14.80/bbl in 1Q26 and US$7.00/bbl in 2Q25). The improvement was supported by tighter global product supply following the Iran-US conflict, the temporary closure of the Strait of Hormuz, and lower middle distillate exports from China and Russia. As a result, gasoline, gasoil, and jet fuel spreads increased by 200% qoq, 78% qoq, and 73% qoq, respectively.

**Key Financials**

| Year to 31 Dec (Btm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 466,777 | 395,682 | 412,701 | 477,260 | 490,069 |
| EBITDA | 38,252 | 15,842 | 55,110 | 31,482 | 29,916 |
| Operating profit | 12,264 | 16,769 | 43,029 | 16,277 | 14,747 |
| Net profit (rep./act.) | 9,959 | 14,584 | 37,510 | 14,158 | 12,822 |
| Net profit (adj.) | 16,808 | 11,470 | 35,915 | 14,158 | 12,822 |
| EPS | 7.5 | 5.1 | 16.1 | 6.3 | 6.3 |
| PE | 8.6 | 12.6 | 4.0 | 10.2 | 10.2 |
| P/B | 0.9 | 0.8 | 0.70 | 0.7 | 0.6 |
| EV/EBITDA | 8.8 | 11.0 | 3.1 | 5.5 | 5.5 |
| Dividend yield | 2.9 | 2.8 | 5.3 | 3.1 | 3.7 |
| Net margin | 2.1 | 3.7 | 9.1 | 3.0 | 2.6 |
| Net debt/(cash) to equity | 79.5 | 36.6 | 16.2 | 13.5 | 9.8 |
| Interest cover | 7.8 | 5.4 | 19.8 | 11.2 | 10.7 |
| Consensus net profit | - | - | 19,485 | 13,775 | 15,986 |
| UOBKH/Consensus (x) | - | - | 1.93 | 1.03 | 0.80 |

*Source: TOP, Bloomberg, UOB Kay Hian*

**Stock Data**

| | |
|---|---|
| GICS 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) | 15.6 |

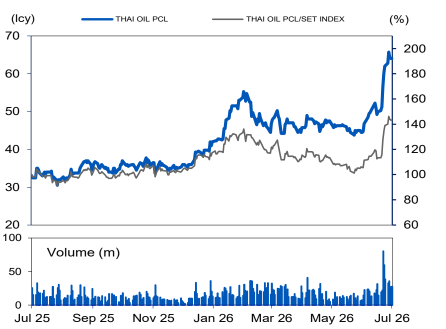
**Price Performance (%)**

| 52-week high/low | | | | Bt48.50/Bt21.00 |
|---|---|---|---|---|
| 1mth | 3mth | 6mth | 1yr | YTD |
| (4.76) | 20.69 | 48.94 | 20.45 | 23.89 |

**Major Shareholders**

| | |
|---|---|
| PTT | 45.03% |
| Thai NVDR | 7.86% |
| Siam manager holdings | 2.97% |

**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.

- **Extra Items.** We estimate total extra losses of Bt10.5b, comprising: a) forex loss of Bt670m, b) hedging loss of Bt2.5b, c) stock loss of Bt7.35b, and d) approximately Bt1.0b impairment loss related to selected CFP assets under construction, including catalysts and pipelines.
- **Second round of diesel price cut has limited earnings impact but raises government intervention concerns.** The Ministry of Energy implemented a second round of diesel ex-refinery price reductions in 3Q26 to help ease cost of living. The measure consists of two phases: a) Bt1.40/litre from 9–23 Jul 26, and b) Bt2.40/litre from 24 July–15 Aug 26, funded by diverting excess refinery margins. Based on TOP's average diesel sales of 15.00m litres/day, we estimate the impact at only Bt890m, versus Bt2.8b impact from the first round of price cuts (three reductions over 41 days during Apr–May 26).
- **Lower crude premium to limit downside to market GRM.** Although middle distillate spreads, which account for 55-60% of TOP's product yield, have weakened in 3Q26 qtd due to the low season, with both gas oil and jet fuel spreads down around 20% qoq, we expect market GRM to remain broadly stable qoq. This should be supported by two key factors: a) a recovery in gasoline spreads driven by the US driving season, which is boosting gasoline demand, and b) a sharp decline in crude premium as concerns over crude procurement by Asian refiners have eased. Murban crude premium has fallen to US$5.36/bbl in 3Q26 qtd, from US$11.50/bbl in 2Q26, lowering feedstock costs and largely offsetting the pressure from weaker middle distillate spreads.

## Valuation/Recommendation

- **Maintain HOLD with a higher target price of Bt66.00 (previously Bt50.00),** based on refinery regional core forward PE at mean of 4.11x (previously 5.84x). In the oil & gas sector, we prefer Indorama Ventures (IVL TB/BUY/Target: Bt27.00) and PTT Global Chemical (PTTGCTB/BUY/Target Bt46.00)

## Earnings Revision/Risk

- **Revise up 2026 earnings forecast.** We raise our 2026 core profit forecast by 60% to Bt35.9b, up 213% yoy, driven by a higher market GRM assumption of US$12.50/bbl (from US$9.00/bbl previously), reflecting a more favourable refining margin outlook. Our revised forecast implies that 1H26 earnings account for 71% of our full-year 2026 net profit estimate, suggesting limited downside risk to our projections despite an expected normalisation in 2H26 earnings.

## 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 value.** To develop the 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.

### Governance

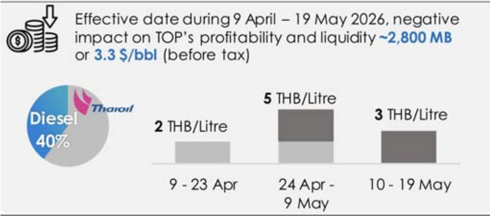
- **Zero cases of non-compliance and fraud incidents.** No cases of non-compliance with laws, regulations and the company's code of conduct.
- **Good governance recognition.** Being a recognised organisation for good corporate governance.

**Key Assumption**

| | 2026F Old | 2026F New | %Diff |
|---|---|---|---|
| Market GRM (US$/bbl) | 9.00 | 12.50 | 39% |
| Crude run | 110% | 110% | 0% |
| Petrochemical spread (US$/tonne) | | | |
| PX-ULG95 | 155 | 150 | -3% |
| BZ-ULG95 | 50 | 25 | -50% |
| Earnings revision (Btm) | | | |
| Core profit | 22,515 | 35,915 | 60% |
| Net Profit | 32,163 | 37,510 | 17% |

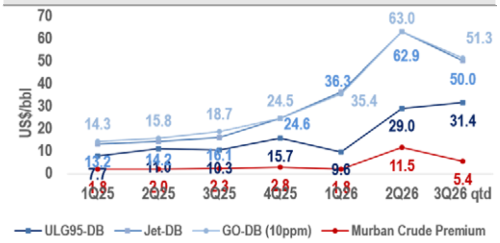
*Source: TOP*

**Thai Government Cuts Ex-Refinery Diesel Prices by Bt2–5/Litre**



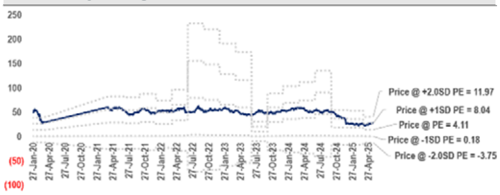

*Source: TOP*

**Petroleum Product Spread**




*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 | 412,701 | 477,260 | 490,069 |
| EBITDA | 15,842 | 55,110 | 31,482 | 29,916 |
| Deprec. & amort. | 8,065 | 12,703 | 12,692 | 12,681 |
| EBIT | 7,777 | 42,407 | 18,791 | 17,235 |
| Associate contributions | 2,090 | 2,180 | 2,521 | 2,588 |
| Net interest income/(expense) | -3,494 | -2,869 | -2,814 | -2,788 |
| Pre-tax profit | 16,769 | 43,029 | 16,277 | 14,747 |
| Tax | -2,131 | -5,468 | -2,069 | -1,874 |
| Minorities | -54 | -50 | -50 | -51 |
| Net profit | 14,584 | 37,510 | 14,158 | 12,822 |
| Net profit (adj.) | 11,470 | 35,915 | 14,158 | 12,822 |

## Cash Flow

| Year to 31 Dec (Btm) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Operating | 48,809 | 24,470 | 32,470 | 25,164 |
| Pre-tax profit | 16,769 | 43,029 | 16,277 | 14,747 |
| Tax | -2,131 | -5,468 | -2,069 | -1,874 |
| Deprec. & amort. | 8,065 | 12,703 | 12,692 | 12,681 |
| Working capital changes | 33,892 | -24,486 | 5,570 | -391 |
| Other operating cashflows | -7,786 | -1,308 | 0 | 0 |
| Investing | 48,809 | 24,470 | 32,470 | 25,164 |
| Investments | -10,429 | -12,500 | -12,500 | -12,500 |
| Others | 19,361 | 28,278 | 0 | 0 |
| Financing | -23,095 | -7,855 | -15,542 | -6,838 |
| Dividend payments | -3,351 | -4,021 | -14,366 | -5,663 |
| Issue of shares | 1 | 2 | 3 | 4 |
| Proceeds from borrowings | -19,744 | -3,834 | -1,176 | -1,175 |
| Others/interest paid | n.a. | n.a. | n.a. | n.a. |
| Net cash inflow (outflow) | 34,646 | 32,393 | 4,428 | 5,826 |
| Beginning cash & cash equivalent | 35,075 | 62,568 | 94,961 | 99,390 |
| Changes due to forex impact | -1,120 | 0 | 0 | 0 |
| Ending cash & cash equivalent | 68,601 | 94,961 | 99,389 | 105,216 |

## 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 | 94,961 | 99,389 | 105,216 |
| Other current assets | 49,566 | 7,841 | 9,068 | 989,450 |
| Total assets | 427,284 | 411,379 | 428,208 | 1,416,202 |
| ST debt | 3,834 | 1,176 | 1,176 | 1,179 |
| Other current liabilities | 10,163 | 8,254 | 9,545 | 499,871 |
| LT debt | 128,483 | 127,307 | 126,132 | 124,954 |
| Other LT liabilities | 15,381 | 4,127 | 4,773 | 494,970 |
| Shareholders' equity | 174,187 | 206,368 | 206,160 | 213,116 |
| Total liabilities & equity | 427,285 | 411,381 | 428,211 | 1,416,206 |

## Key Metrics

| Year to 31 Dec (%) | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|
| Profitability | | | | |
| EBITDA margin | 4.8 | 13.7 | 6.6 | 6.1 |
| Pre-tax margin | 3.4 | 3.0 | 0.0 | 0.0 |
| Net margin | 3.7 | 9.1 | 3.0 | 2.6 |
| ROA | 4.5 | 11.9 | 4.4 | 1.6 |
| ROE | 10.3 | 23.8 | 9.0 | 8.0 |
| Growth | | | | |
| Turnover | -15.2 | 4.3 | 15.6 | 2.7 |
| EBITDA | -58.6 | 247.9 | -42.9 | -5.0 |
| Pre-tax profit | 36.7 | 156.6 | -62.2 | -9.4 |
| Net profit | 46.4 | 157.2 | -62.3 | -9.4 |
| Net profit (adj.) | -31.8 | 213.1 | -60.6 | -9.4 |
| EPS | -31.8 | 213.1 | -60.6 | -9.4 |
| Leverage | | | | |
| Debt to total capital | 68.5 | 57.0 | 56.6 | 54.3 |
| Debt to equity | 76.0 | 62.3 | 61.8 | 59.2 |
| Net debt/(cash) to equity | 36.6 | 16.2 | 13.5 | 9.8 |
| Interest cover (x) | 5.4 | 19.8 | 11.2 | 10.7 |