Star Petroleum Refining (SPRC TB) - SELL, Price Bt10.2, TP Bt7.2

Results Comment

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3Q21 marginally better than expected

- SPRC reported 3Q21 net profit of Bt113m (EPS Bt0.03/sh). Excluding non-operating items, we estimate normalized loss to be Bt357m, narrowing from estimated losses of Bt457m/614m in 2Q21/3Q20, respectively. The result was marginally better than expectation.
- **GRM**: Accounting GRM was $4.38/bbl. Market GRM (excluding stock gain/loss), on the other hand, was $2.34/bbl, down from $2.65/bbl in 2Q21 likely due to higher crude premium.
- **Cost**: We estimate cash cost to be $2.27/bbl, up about 9% q-q likely due to higher crude/energy prices.
- **Crude intake**: Crude intake was 129kbd in 3Q21 (74% utilization rate), down from 135kbd and 142kbd in 2Q21 and 3Q20, respectively. This was due to the impact of lockdowns which reduced domestic oil demand. SPRC also undertook a minor maintenance of an upgrade unit towards the end of 3Q21.
- **Non-operating items**: We estimate stock gain to be $24m (Bt800m) this quarter. This was partially offset by FX loss of Bt213m. Both figures are pre-tax basis.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Revenue	32,248	32,708	36,944	41,545	41,193
Gross profit	**(310)**	**198**	**677**	**72**	**(70)**
SG&A	200	120	238	267	220
Operating profit	(511)	77	439	(195)	(290)
EBITDA	**195**	**777**	**1,125**	**516**	**330**
Other income	13	38	13	13	16
Other expense					
Interest expense	49	45	53	53	54
Profit before tax	**(547)**	**70**	**399**	**(235)**	**(329)**
Income tax	67	211	501	222	28
Equity & invest. income					
Minority interests					
Extraordinary items	881	1,004	2,108	1,230	470
Net profit	**268**	**862**	**2,006**	**773**	**113**
Normalized profit	**(614)**	**(141)**	**(102)**	**(457)**	**(357)**
EPS (Bt)	0.06	0.20	0.46	0.18	0.03
Normalized EPS (Bt)	(0.14)	(0.03)	(0.02)	(0.11)	(0.08)

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	(1)	28	89	134,892	144,439
Gross profit	**na**	**na**	**356**	**191**	**749**
SG&A	(18)	10	76	960	970
Operating profit	na	na	6	(770)	(220)
EBITDA	**(36)**	**69**	**101**	**1,957**	**2,556**
Other income	22	27	48	89	91
Other expense			na		
Interest expense	3	11	56	288	236
Profit before tax	**na**	**na**	**17**	**(969)**	**(366)**
Income tax	(87)	(58)	na		
Equity & invest. income			-	700	700
Minority interests			na		
Extraordinary items	(62)	(47)	na		
Net profit	**(85)**	**(58)**	**na**	**(269)**	**334**
Normalized profit	**na**	**na**	**na**	**(269)**	**334**
EPS (Bt)	(85)	(58)	na	(0.06)	0.08
Normalized EPS (Bt)	na	na	na	(0.06)	0.08

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash & ST investment	48	1,635	2,988	3,432	1,436
A/C receivable	7,990	8,515	9,417	10,356	10,087
Inventory	8,988	9,052	12,990	14,447	17,027
Other current assets	176	121	320	285	147
Investment					
Fixed assets	26,115	24,156	24,497	24,363	25,161
Other assets	3,369	3,062	2,318	2,144	2,218
Total assets	**46,686**	**46,541**	**52,531**	**55,026**	**56,075**
S-T debt	2,487	1,380	1,879	2,406	2,539
A/C payable	7,482	7,821	10,488	11,396	10,979
Other current liabilities	1,547	1,539	1,324	1,381	823
L-T debt					
Other liabilities	8,242	9,374	9,186	8,766	8,736
Minority interest					
Shareholders' equity	**26,928**	**26,427**	**29,654**	**31,077**	**32,998**
Working capital	9,497	9,745	11,920	13,406	16,135
Total debt	2,487	1,380	1,879	2,406	2,539
Net debt	**2,439**	**(255)**	**(1,109)**	**(1,026)**	**1,103**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Sales growth	(27.2)	17.6	(6.2)	60.8	27.7
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	na	(58.4)	69.0
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	(1.0)	0.6	1.8	0.2	(0.2)
Operating margin	(1.6)	0.2	1.2	(0.5)	(0.7)
EBITDA margin	0.6	2.4	3.0	1.2	0.8
Norm net margin	(1.9)	(0.4)	(0.3)	(1.1)	(0.9)
D/E (x)	0.1	0.1	0.1	0.1	0.1
Net D/E (x)	0.1	(0.0)	(0.0)	(0.0)	0.0
Interest coverage (x)	4.0	17.1	21.2	9.7	6.1
Interest rate	11.6	9.4	13.0	9.9	8.8
Effective tax rate	(12.2)	303.5	125.7	(94.8)	(8.6)
ROA	(5.3)	(1.2)	(0.8)	(3.4)	(2.6)
ROE	(9.3)	(2.1)	(1.5)	(6.0)	(4.5)

Sources: Company data, Thanachart estimates

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