Star Petroleum Refining (SPRC TB) - SELL, Price Bt8.75, TP Bt8.4

Results Comment

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4Q21 improved GRM as expected

- SRPC reported 4Q21 net profit of Bt1.86bn (vs Bt113m in 3Q21 and up by 115% y-y). Excluding non-operating items, we estimate normalized profit of Bt639m vs -Bt506m in 3Q21 and -Bt194m in 4Q20. The result is in-line with our expectation.
- **GRM:** Accounting GRM was $8.2/bbl while market GRM excluding stock gain/loss was at $6/bbl, up from $2.3/bbl in 3Q21, mainly due to higher spreads across key producers. Crude intake also improved to 139kbd in 4Q21 (80% utilization rate), up from 129kbd and 135kbd in 3Q21 and 4Q20, respectively. This is due to improved demand following lockdown measure in 3Q21.
- **Cost:** We estimate cash cost to be $1.1/bbl down from $2.2/bbl in 3Q21. This is partly because of one-time gain from reversal tax provision of US$5.9m in 4Q21.
- **Non-operating items:** We estimate stock gain to be $27m (Bt920m) this quarter. The company also booked Fx gain of Bt296m and reversal tax gain of Bt200m. All figures are pre-tax basis.
- **Update on oil spill:** According to SPRC, the license to use Single Point Mooring (SPM) is now suspended until company can ensure that the accident will not happen again. SPM is a floating jetty anchored offshore to allow handling of large tanker ships. Now the company will have to use ship-to-ship method to transport crude into Thailand. This will lead to 1x increase in shipping cost which was normally around US$0.8/bbl to US$1.6/bbl.
- **Outlook:** Core profit improvement will largely be offset by oil spill expense. We expect GRM to peak in 1Q22. SELL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Revenue	32,708	36,944	41,545	41,193	52,803
Gross profit	**52**	**138**	**(217)**	**(170)**	**1,206**
SG&A	120	238	267	220	24
Operating profit	(68)	(100)	(484)	(390)	1,182
EBITDA	**631**	**586**	**226**	**230**	**1,809**
Other income	38	13	13	16	20
Other expense	(94)	304	(17)	50	97
Interest expense	45	53	53	54	51
Profit before tax	**18**	**(444)**	**(507)**	**(478)**	**1,053**
Income tax	211	501	222	28	414
Equity & invest. income					
Minority interests					
Extraordinary items	1,055	2,951	1,503	619	1,216
Net profit	**862**	**2,006**	**773**	**113**	**1,855**
Normalized profit	**(193)**	**(945)**	**(729)**	**(506)**	**639**
EPS (Bt)	0.20	0.46	0.18	0.03	0.43
Normalized EPS (Bt)	(0.04)	(0.22)	(0.17)	(0.12)	0.15

Income Statement			12M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021A**	**2022F**
Revenue	28	61	95	172,484	206,426
Gross profit	**na**	**2,211**	**81**	**956**	**4,923**
SG&A	(89)	(80)	85	749	881
Operating profit	na	na	69	207	4,043
EBITDA	**685**	**187**	**93**	**2,851**	**6,821**
Other income	22	(48)	340	62	22
Other expense	94	na	na	433	
Interest expense	(6)	13	70	212	289
Profit before tax	**na**	**5,735**	**na**	**(376)**	**3,776**
Income tax	1,369	96	104	1,166	609
Equity & invest. income			na		
Minority interests			na		
Extraordinary items	96	15	109	6,288	(700)
Net profit	**1,543**	**115**	**101**	**4,746**	**2,467**
Normalized profit	**na**	**na**	**140**	**(1,542)**	**3,167**
EPS (Bt)	1,543	115	101	1.09	0.57
Normalized EPS (Bt)	na	na	140	(0.36)	0.73

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Cash & ST investment	1,635	2,988	3,432	1,436	2,945
A/C receivable	8,515	9,417	10,356	10,087	13,219
Inventory	9,052	12,990	14,447	17,027	16,486
Other current assets	121	320	285	147	81
Investment					
Fixed assets	24,156	24,497	24,363	25,161	24,219
Other assets	3,062	2,318	2,144	2,218	1,776
Total assets	**46,541**	**52,531**	**55,026**	**56,075**	**58,726**
S-T debt	1,380	1,879	2,406	2,539	4,680
A/C payable	7,821	10,488	11,396	10,979	13,961
Other current liabilities	1,539	1,324	1,381	823	1,390
L-T debt					
Other liabilities	9,374	9,186	8,766	8,736	4,324
Minority interest					
Shareholders' equity	**26,427**	**29,654**	**31,077**	**32,998**	**34,371**
Working capital	9,745	11,920	13,406	16,135	15,745
Total debt	1,380	1,879	2,406	2,539	4,680
Net debt	**(255)**	**(1,109)**	**(1,026)**	**1,103**	**1,735**

Financial Ratios					
(%)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Sales growth	17.6	(6.2)	60.8	27.7	61.4
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	(78.9)	na	186.6
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	0.2	0.4	(0.5)	(0.4)	2.3
Operating margin	(0.2)	(0.3)	(1.2)	(0.9)	2.2
EBITDA margin	1.9	1.6	0.5	0.6	3.4
Norm net margin	(0.6)	(2.6)	(1.8)	(1.2)	1.2
D/E (x)	0.1	0.1	0.1	0.1	0.1
Net D/E (x)	(0.0)	(0.0)	(0.0)	0.0	0.1
Interest coverage (x)	13.9	11.1	4.3	4.2	35.2
Interest rate	9.4	13.0	9.9	8.8	5.7
Effective tax rate	1,169.0	(113.0)	(43.9)	(5.9)	39.4
ROA	(1.7)	(7.6)	(5.4)	(3.6)	4.4
ROE	(2.9)	(13.5)	(9.6)	(6.3)	7.6

Sources: Company data, Thanachart estimates

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