Star Petroleum Refining (SPRC TB) - SELL, Price Bt10.8, TP Bt8.5

Results Comment

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1Q22 – strong as expected

- SRPC reported 1Q22 net profit of Bt5.3bn (vs Bt1.9bn in 4Q21 and Bt2bn in 1Q21). Excluding non-operating items, we estimate normalized profit of Bt753m, up by 18% due to higher refinery margin. The result is in-line with our expectation.
- **GRM:** Accounting GRM was $21bbl while market GRM excluding stock gain/loss was at $8.5/bbl, up from $6.0/bbl in 4Q21, mainly due to higher spreads across key producers. Crude intake also improved to 150kbd in 1Q22 (86% utilization rate), up from 139kbd and 137kbd in 4Q21 and 1Q21, respectively. This is due to strong domestic demand and potentially additional demand from gas to oil switching from power producers.
- **Cost:** We estimate cash cost to be $4.5/bbl which is up from US$1.1/bbl in 4Q21 due to oil spill expense of US$42m. Stripping out the expense, we estimate unit cost of US$1.4/bbl.
- **Non-operating items:** We estimate stock gain to be $164m (Bt5.5bn) this quarter. The company also booked Fx gain of Bt470m and derivative loss of Bt228m. All figures are pre-tax basis.
- **Outlook:** We expect 2Q22 profit to trend lower with absence of inventory gain but expect core profit to improve given strong GRM QTD. SPRC will fully benefit from strong GRM in 2Q22 due to no hedging position unlike peers. SELL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	36,944	41,545	41,193	52,803	65,404
Gross profit	**138**	**(217)**	**(170)**	**1,206**	**4,009**
SG&A	238	267	220	24	1,683
Operating profit	(100)	(484)	(390)	1,182	2,326
EBITDA	**586**	**226**	**230**	**1,809**	**2,943**
Other income	13	13	16	20	16
Other expense	304	(17)	50	97	228
Interest expense	53	53	54	51	41
Profit before tax	**(444)**	**(507)**	**(478)**	**1,053**	**2,074**
Income tax	501	222	28	414	1,321
Equity & invest. income					
Minority interests					
Extraordinary items	2,951	1,503	619	1,216	4,532
Net profit	**2,006**	**773**	**113**	**1,855**	**5,284**
Normalized profit	**(945)**	**(729)**	**(506)**	**639**	**753**
EPS (Bt)	0.46	0.18	0.03	0.43	1.22
Normalized EPS (Bt)	(0.22)	(0.17)	(0.12)	0.15	0.17

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	24	77	30	216,140	205,289
Gross profit	**233**	**2,813**	**60**	**6,688**	**4,567**
SG&A	6,932	608	191	881	881
Operating profit	97	na	40	5,807	3,686
EBITDA	**63**	**402**	**34**	**8,681**	**6,604**
Other income	(20)	21	40	40	70
Other expense	135	(25)	na		
Interest expense	(21)	(23)	24	169	65
Profit before tax	**97**	**na**	**37**	**5,678**	**3,691**
Income tax	219	163	66	2,002	865
Equity & invest. income			na		
Minority interests			na		
Extraordinary items	273	54	104	4,365	667
Net profit	**185**	**163**	**66**	**8,041**	**3,493**
Normalized profit	**18**	**na**	**20**	**3,676**	**2,826**
EPS (Bt)	185	163	66	1.85	0.81
Normalized EPS (Bt)	18	na	20	0.85	0.65

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	2,988	3,432	1,436	2,945	1,437
A/C receivable	9,417	10,356	10,087	13,219	21,739
Inventory	12,990	14,447	17,027	16,486	25,887
Other current assets	320	285	147	81	110
Investment					
Fixed assets	24,497	24,363	25,161	24,219	23,540
Other assets	2,318	2,144	2,218	1,776	840
Total assets	**52,531**	**55,026**	**56,075**	**58,726**	**73,552**
S-T debt	1,879	2,406	2,539	4,680	4,566
A/C payable	10,488	11,396	10,979	13,961	23,632
Other current liabilities	1,324	1,381	823	1,390	1,919
L-T debt					
Other liabilities	9,186	8,766	8,736	4,324	3,911
Minority interest					
Shareholders' equity	**29,654**	**31,077**	**32,998**	**34,371**	**39,524**
Working capital	11,920	13,406	16,135	15,745	23,994
Total debt	1,879	2,406	2,539	4,680	4,566
Net debt	**(1,109)**	**(1,026)**	**1,103**	**1,735**	**3,129**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(6.2)	60.8	27.7	61.4	77.0
Operating profit growth	na	na	na	na	na
EBITDA growth	na	(78.9)	na	186.6	402.0
Norm profit growth	na	na	na	na	na
Norm EPS growth	na	na	na	na	na
Gross margin	0.4	(0.5)	(0.4)	2.3	6.1
Operating margin	(0.3)	(1.2)	(0.9)	2.2	3.6
EBITDA margin	1.6	0.5	0.6	3.4	4.5
Norm net margin	(2.6)	(1.8)	(1.2)	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	0.1	0.1
Interest coverage (x)	11.1	4.3	4.2	35.2	72.5
Interest rate	13.0	9.9	8.8	5.7	3.5
Effective tax rate	(113.0)	(43.9)	(5.9)	39.4	63.7
ROA	(7.6)	(5.4)	(3.6)	4.4	4.6
ROE	(13.5)	(9.6)	(6.3)	7.6	8.1

Sources: Company data, Thanachart estimates

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