

Time is ripe for SPRC's faster drive

- Strong net profit growth on lower cost, higher GRM, and rising utilization rate
- Higher utilization rate by 5-10% pts will come from PURE and the returning operation of SPM
- Initiated with a BUY and a TP of THB9.4 based on 6x 2025E EV/EBITDA

Cost reduction, higher production, and better margins are key

SPRC stands as the best resilient refinery play in Thailand, potentially seeing its net profit growth to accelerate in 4Q24-2025 on the back of 1) the USD1.0-\$1.5/bbl cost reduction on the operation return of its Single Point Moore (SPM); 2) the rising gross refining margin (GRM) on higher margins of distillates and rising utilization rates; and 3) the net profit growth of downstream retail oil stations from the acquisitions of 78 PURE-to-Caltex stations since July 2024.

Strong net profit growth ahead

We project net profit to rise from THB1.8b in 2024 to THB3.8b in 2025 and THB4.1b in 2026, driven mainly by the higher GRM from USD2-4/bbl in 9M24 to USD5-7/bbl in 2025-26. The key drivers are the higher margins of diesel- and jet fuel-crude thanks to improving demands. Given the additional demands for diesel and gasoline from the converted 78 stations, we expect SPRC's refinery utilization rates to run higher above 95% in 2025-26 up from average 90%.

Oil retail station to gain market share

SPRC now has 524 retail oil stations after the integration of 446 Caltex stations from Chevron and 78 stations from PURE. We estimate that the captive demands for oils will rise to 75% of total refinery productions, up from 60%. This should enhance SPRC's profitability as the higher utilization rate and lower SPM cost will drive up GRMs.

Chao Doi coffee café to enhance EBITDA

In the past, non-fuel revenue (NFR) is not a significant contribution to SPRC, estimated at only 1-2% of EBITDA. However, starting in 2H24 onwards, we expect NFR to rise meaningfully to contribute 3-5% of EBITDA by 2027 as SPRC joined hand with "Chao Doi", Thailand's 4th largest coffee chain, to expand the in-station coffee café to 200 stations within 5 years, up from less than 10 outlets currently.

A well-growth refinery play

We initiated coverage on SPRC with a BUY and a TP of THB9.4, based on 6.0x 2025E EV/EBITDA. We think SPRC will be one of the best refinery plays in Thailand, supported by the stronger net profit growth visibility on the lower cost structure (SPM), higher sales volume on captive demand (PURE), improving GRM (lower fixed cost per unit on higher utilization rate), and emerging revenue growth from NFR.

Analyst

Siriluck Pinthusoonthorn
Siriluck@globlex.co.th,
+662 672 5806

ESG Rating : n.a.

CG Rating : ▲▲▲▲▲

BUY

Target Price 12M (THB)	9.40
VS. BB Consensus TP (%)	+16.0%
Share Price (THB)	6.75
Upside/Downside	+39.3%

Share Data

Market Cap (THB m)	29,267.34
Par (THB)	6.92
Free Float (%)	39.41
Issued shares (m shares)	4,336

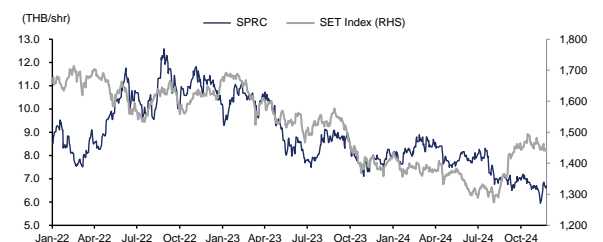
Financial forecast

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	238,284	194,360	195,008	190,196
Net profit	(1,230)	1,828	3,791	4,112
Core net profit	(631)	1,828	3,791	4,112
vs Consensus (%)	-	(48.0)	(5.8)	(6.7)
Net profit growth (%)	(116.0)	248.6	107.4	8.5
Core net profit growth (%)	(113.8)	389.5	107.4	8.5
EPS (THB)	(0.28)	0.42	0.87	0.95
Core EPS (THB)	(0.15)	0.42	0.87	0.95
Chg in core EPS (%)	-	0.00	0.00	0.00
DPS (THB)	0.00	0.21	0.44	0.47
P/E (x)	(29.08)	16.01	7.72	7.12
P/BV (x)	0.98	0.76	0.71	0.67
ROE (%)	(1.68)	4.89	9.54	9.73
Dividend yield (%)	0.00	3.12	6.48	7.02

Source: Financial Statement and Globlex securities

Share Price Performance (%)

	1M	3M	6M	YTD
Stock	1.50	(6.25)	(19.64)	(18.18)
Market	3.28	(10.34)	(23.32)	(18.88)
12M High/Low (THB)				9.40 / 5.75



Major Shareholders (%) as of 29 Aug 2024

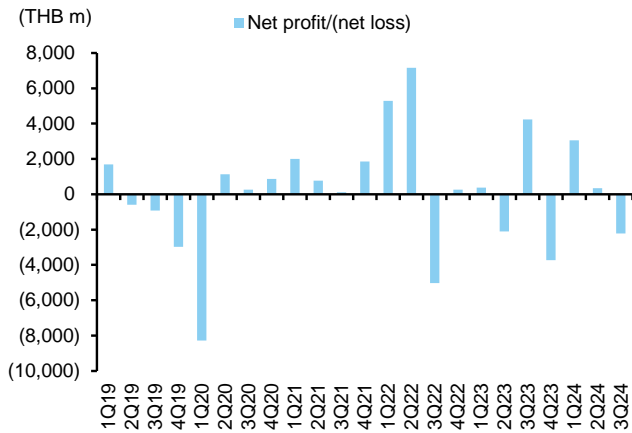
Chevron South Asia Holdings Pte Ltd	60.56
Thai NVDR Company Limited	4.50

Company Profile

SPRC's refinery produces petroleum products, which include LPG, premium and regular grades of unleaded gasoline, high speed diesel, jet fuel and fuel oil, as well as petrochemical feedstocks used in the petrochemical industry, which include PGP, LPG, chemical grade naphtha, mix C4 and reformate.

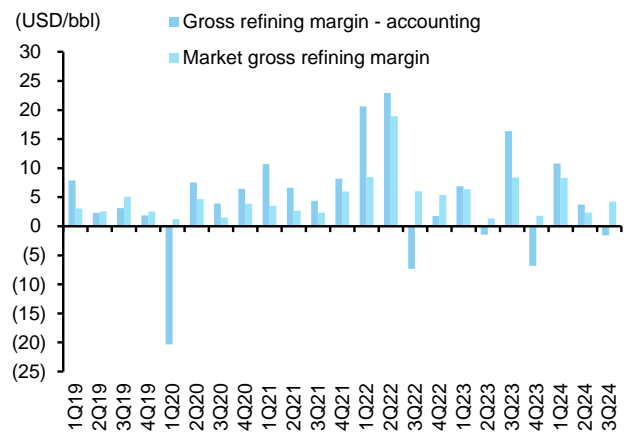
Source: SETSMART, SET

Exhibit 1: SPRC's net profit



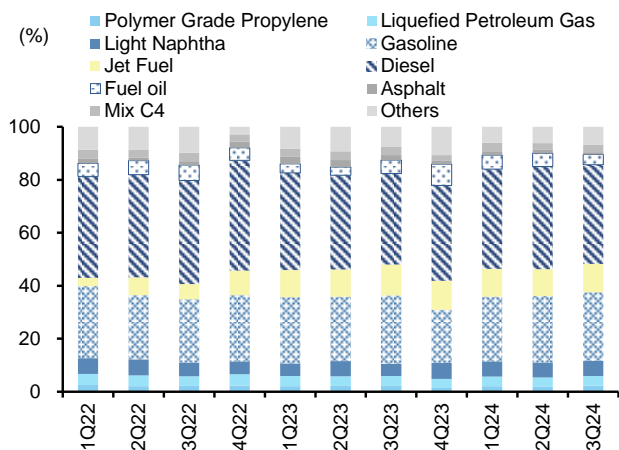
Sources: SPRC, Globlex Research

Exhibit 2: SPRC's accounting GRM vs market GRM



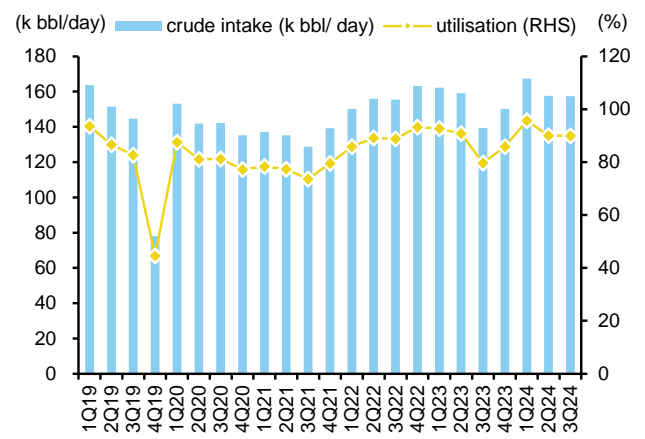
Sources: SPRC, Globlex Research

Exhibit 3: SPRC's product yield



Sources: SPRC, Globlex Research

Exhibit 4: SPRC's crude intake vs utilisation



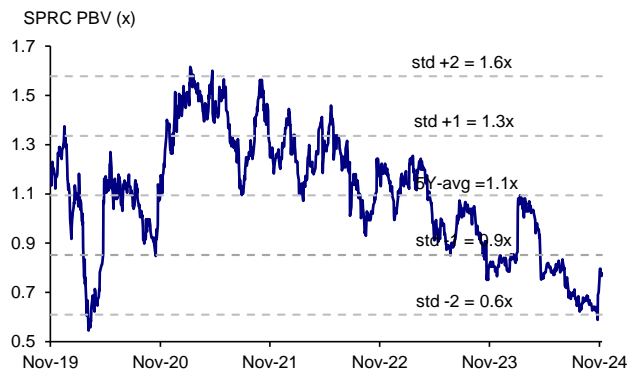
Sources: SPRC, Globlex Research

Exhibit 5: Prospective EV/EBITDA band



Sources: Bloomberg, Globlex Research

Exhibit 6: Prospective P/BV band



Sources: Bloomberg, Globlex Research Name of source

Balance sheet (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Current assets					
Cash & ST investment	76	471	(623)	(1,190)	(714)
Account receivable	14,328	17,286	17,286	17,286	17,286
Inventories	23,762	23,736	19,087	18,914	18,399
Others	92	207	169	169	165
Non-current assets					
Net fixed assets	22,735	21,241	20,848	20,365	19,791
Others	2,295	2,720	2,720	2,720	2,720
Total Assets	63,288	65,660	59,486	58,264	57,646
Current liabilities					
Account payable	12,780	14,156	11,383	11,280	10,972
ST borrowing	9,731	12,483	7,500	3,500	1,000
Others	1,393	1,332	1,087	1,090	1,063
Long-term liabilities					
Long-term debts	0	0	0	0	0
Others	677	1,227	1,227	1,227	1,227
Total liabilities	24,581	29,198	21,197	17,097	14,263
Paid-up capital	30,004	30,004	30,004	30,004	30,004
Retained earnings	10,333	8,453	10,281	13,158	15,374
Others	(1,631)	(2,001)	(2,001)	(2,001)	(2,001)
Minority interest	0	5	5	5	5
Shareholders' equity	38,707	36,462	38,290	41,167	43,383

Key ratios					
Year ending Dec	2022	2023	2024E	2025E	2026E
Growth (%YoY)					
Sales	65.4	(16.5)	(18.4)	0.3	(2.5)
Operating profit	52.9	(76.7)	86.1	59.5	5.2
EBITDA	52.9	(76.7)	86.1	59.5	5.2
Net profit	61.7	(116.0)	248.6	107.4	8.5
Core net profit	135.5	(113.8)	389.5	107.4	8.5
EPS	61.7	(116.0)	248.6	107.4	8.5
Core EPS	135.5	(113.8)	389.5	107.4	8.5
Profitability (%)					
Gross margin	4.2	1.4	2.6	3.8	4.0
Operation margin	3.2	0.9	2.0	3.2	3.5
EBITDA margin	3.2	0.9	2.0	3.2	3.5
Net margin	2.7	(0.5)	0.9	1.9	2.2
ROE	12.5	(1.7)	4.9	9.5	9.7
ROA	7.4	(1.3)	2.9	6.1	6.8
Stability					
Interest bearing debt/equity (x)	0.3	0.3	0.2	0.1	0.0
Net debt/equity (x)	0.2	0.3	0.2	0.1	0.0
Interest coverage (x)	20.6	(1.3)	6.8	21.9	29.1
Interest & ST debt coverage (x)	0.7	(0.0)	0.2	1.0	3.4
Cash flow interest coverage (x)	0.0	(0.0)	0.3	0.4	0.5
Current ratio (x)	1.6	1.5	1.8	2.2	2.7
Quick ratio (x)	0.6	0.6	0.8	1.0	1.3
Net debt (THB m)	9,655	12,012	8,123	4,690	1,714
Activity					
Asset turnover (X)	4.6	3.7	3.1	3.3	3.3
Days receivables	17.6	24.2	32.5	32.4	33.2
Days inventory	26.9	36.9	41.3	37.0	37.3
Days payable	17.9	20.9	24.6	22.0	22.3
Cash cycle days	26.6	40.2	49.1	47.3	48.2

Profit & loss (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Revenue	285,264	238,284	194,360	195,008	190,196
Cost of goods sold	(273,340)	(234,851)	(189,334)	(187,619)	(182,506)
Gross profit	11,925	3,432	5,026	7,389	7,690
Operating expenses	(2,791)	(1,302)	(1,062)	(1,066)	(1,039)
Operating profit	9,134	2,130	3,964	6,323	6,650
EBIT	6,531	(469)	1,304	3,572	3,808
Depreciation	(2,603)	(2,599)	(2,660)	(2,751)	(2,842)
EBITDA	9,134	2,130	3,964	6,323	6,650
Non-operating income	(106)	630	1,129	1,242	1,366
Other incomes	(241)	1,026	1,129	1,242	1,366
Other non-op income	135	(396)	0	0	0
Non-operating expense	3,170	(1,685)	(190)	(163)	(131)
Interest expense	(316)	(367)	(190)	(163)	(131)
Other non-op expense	3,486	(1,318)	0	0	0
Equity income/(loss)	0	0	0	0	0
Pre-tax Profit	9,595	(1,524)	2,242	4,650	5,043
Extraordinary items					
Current taxation	(1,921)	294	(414)	(859)	(932)
Minorities	0	0	0	0	0
Net Profit	7,674	(1,230)	1,828	3,791	4,112
Core net profit	4,564	(631)	1,828	3,791	4,112
EPS (THB)	1.77	(0.28)	0.42	0.87	0.95
Core EPS (THB)	1.05	(0.15)	0.42	0.87	0.95

Cash flow (THB m)					
Year ending Dec	2022	2023	2024E	2025E	2026E
Operating cash flow	703	(363)	6,157	6,615	7,139
Net profit	7,674	(1,230)	1,828	3,791	4,112
Depre. & amortization	2,603	2,599	2,660	2,751	2,842
Change in working capital	(9,574)	(1,732)	1,669	73	185
Others	0	0	0	0	0
Investment cash flow	(4,092)	651	(3,053)	(3,235)	(3,416)
Net CAPEX	(4,085)	(4,014)	(3,053)	(3,235)	(3,416)
Change in LT investment	(7)	4,665	0	0	0
Change in other assets	0	0	0	0	0
Free cash flow	(3,389)	288	3,104	3,380	3,723
Financing cash flow	520	107	(4,198)	(3,947)	(3,247)
Change in share capital	0	0	0	0	0
Net change in debt	1,677	2,753	(4,983)	(4,000)	(2,500)
Dividend paid	(5,587)	(5,587)	0	(914)	(1,896)
Others	4,430	2,941	785	967	1,148
Net cash flow	(2,869)	395	(1,094)	(567)	475
Per share (THB)					
EPS	1.77	(0.28)	0.42	0.87	0.95
Core EPS	1.05	(0.15)	0.42	0.87	0.95
CFPS	2.37	0.32	1.04	1.51	1.60
BVPS	8.93	8.41	8.83	9.49	10.00
Sales/share	65.79	54.96	44.83	44.98	43.87
EBITDA/share	2.11	0.49	0.91	1.46	1.53
DPS	1.11	0.00	0.21	0.44	0.47
Valuation					
P/E (x)	6.0	(29.1)	16.0	7.7	7.1
P/BV (x)	1.20	0.98	0.76	0.71	0.67
Dividend yield (%)	10.37	0.00	3.12	6.48	7.02
Dividend payout ratio (%)	62.72	0.00	50.00	50.00	50.00

GENERAL DISCLAIMER

Analyst Certification

Siriluck Pinthusoonthorn, Register No. 119539, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

- BUY:** Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

- Overweight:** The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral: The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight: The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.