Star Petroleum Refining (SPRC TB)

Fundamentals Remain Strong Despite Policy Overhang

BUY (Maintained)

Share Price	Bt7.50
Target Price	Bt8.50
Upside	13.33%

Highlights

- NDR was more positive than expected.
- Export restrictions remain the key overhang. Any relaxation of export restrictions would provide immediate upside to volumes.
- Strong shareholder return commitment remains intact. Maintain BUY with a target price of Bt8.50.

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Analysis

- **Impressive 2H26 outlook despite near-term volatility.** We came away with a more positive view following the non-deal roadshow (NDR) as management expressed stronger confidence in 2H26 earnings, dividend sustainability and retail growth despite ongoing export restrictions. Management highlighted opportunities to unlock higher jet production yield of 14% following the turnaround, which could further improve Star Petroleum Refining's (SPRC) gross refining margins (GRM). SPRC expects GRM to rise to US$15.00/bbl in 2Q26 and to remain above US$7.50/bbl on average in 2H26 despite Middle-East geopolitical issue unwind.
- **Maintaining dividend discipline.** Management emphasised that maintaining reliable dividend payouts to shareholders is the top priority. SPRC intends to continue paying dividends twice annually and targets a long-term payout ratio of 50%, and has guided that 2026 dividends should be no lower than 2025 levels, supported by stronger earnings and a solid balance sheet. We expect a dividend yield of 6.3% this year.
- **Export restrictions remain the key overhang.** Management reiterated that all six Thai refiners are currently operating below the 85% level (SPRC run 80% in Jun 26 down from 90% in Apr-May 26) due to restrictions on diesel. Storage tanks are already full and management indicated that the current measures no longer provide energy security. We believe any relaxation of the export restrictions would provide immediate upside to production volume, as current refinery utilisation is constrained by policy measures rather than underlying demand or refining economics. Note that exports have accounted for roughly 6% of SPRC's production historically.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	270,605.5	241,882.2	282,560.4	309,573.1	316,023.2
EBITDA	5,058.7	5,807.5	10,014.6	8,538.9	8,525.8
Operating profit	1,474.3	2,366.3	6,803.6	4,858.9	4,846.8
Net profit (rep./act.)	2,234.9	2,416.3	5,418.9	3,817.1	3,839.4
Net profit (adj.)	2,170.9	4,130.3	5,418.9	3,817.1	3,839.4
EPS	0.5	1.0	1.2	0.9	0.9
PE (x)	13.9	7.3	5.6	7.9	7.8
P/B (x)	0.8	0.8	0.7	0.6	0.6
EV/EBITDA (x)	7.3	5.6	2.7	3.5	3.4
Dividend yield (%)	5.8	5.8	6.3	6.3	6.3
Net margin (%)	0.8	1.0	1.9	1.2	1.2
Net debt/(cash) to equity(%)	18.0	5.6	(6.0)	(0.8)	(1.9)
Interest cover (x)	11.9	22.5	26.4	21.4	23.7
ROE (%)	5.8	6.3	12.9	8.9	8.7
Consensus net profit	n.a	n.a	4,855.5	3,897.3	4,276.2
UOBKH/Consensus (x)	n.a	n.a	1.1	1.0	0.9

Source: Star Petroleum Refining, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Energy
Bloomberg ticker:	SPRC TB
Shares issued (m):	4,335.9
Market cap (Bt$m):	32,519.3
Market cap (US$m):	993.2
3-mth avg daily t'over (US$m):	6.5

Price Performance (%)

52-week high/low: Bt8.2/Bt4.3

1mth	3mth	6mth	1yr	YTD
15.4	11.9	54.3	37.6	27.1

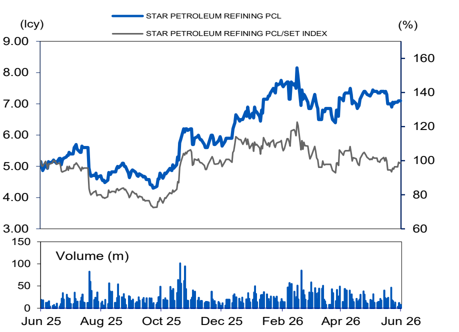
Major Shareholders

	%
CHEVRON SOUTH ASIA HOLDINGS	60.6
NVDR	4.1
VAYUPAK FUND 1	2.3

Balance Sheet Metrics

	%
FY26 NAV/Share (Bt)	10.5
FY26 Net Debt/Share (Bt)	(0.6)

Price Chart



Source: Bloomberg

Company Description

SPRC is one of the leading refineries in the Asia Pacific. It operates a complex refinery in Rayong which can produce 175,000 barrels/day (13.2% of Thailand's refining capacity) and has a high Nelson complexity index of 6.3.

- **Focusing on retail expansion.** The company maintains its target of doubling retail sales volume from 100m litres/month to 200m litres/month by 2030. Management continues to view retail as an attractive growth platform. SPRC targets an annual capex of around US$50m/year, with 60% allocated to retail/logistics expansion and 40% to refinery maintenance, efficiency improvements and yield-enhancement projects.

Valuation/Recommendation

- **Maintain BUY with a target price of Bt8.50,** based on 0.7x 2026F P/B, which is -1.0SD to the historical mean. SPRC continues to trade below historical valuation levels despite improving earnings quality, a completed turnaround and stronger operational leverage to refining market volatility.
- **GRM sensitivity.** Every US$1/bbl change in GRM would impact SPRC's annual core earnings by Bt700m-900m, highlighting strong earnings leverage to refining margins.

Earnings Revision/Risk

- **Earnings revision**: None.

Share Price Catalyst

- 2Q26: Strong diesel and jet crack spreads.
- 2Q26: Post-turnaround & inspection jet optimisation, utilisation recovery.

Environment, Social, Governance (ESG) Updates

CG Report: 5
SET ESG Rating: None

Environmental

- To preserve the environment, SPRC targets zero recordable oil spills. It is also aiming for zero waste in landfills and focusing on a waste circular economy. In 2023, less than 1% of total waste was managed through landfill disposal.

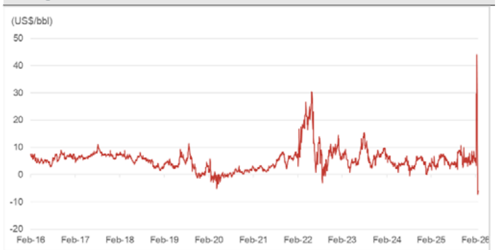
Social

- SPRC's focus is to ensure the wellbeing of its employees and their families and prevent incidents or injuries while working on site and from home.

Governance

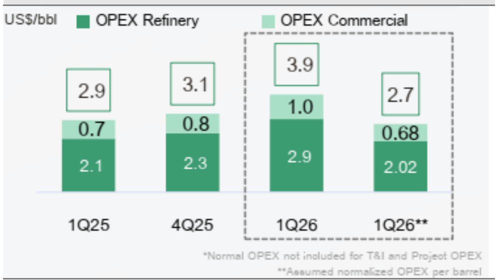
- SPRC maintains its annual "Excellent" CG scoring from the Thai Institute of Directors Association.

Singapore GRM



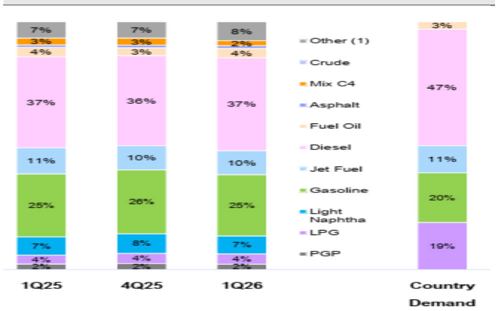
Source: Bloomberg

Opex



Source: UOB Kay Hian

Production Yield



Source: Bloomberg

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	241,882	282,560	309,573	316,023
EBITDA	5,807	10,015	8,539	8,526
Deprec. & amort.	3,441	3,211	3,680	3,679
EBIT	2,366	6,804	4,859	4,847
Total other non-operating income	851	350	350	350
Net interest income/(expense)	(258)	(380)	(400)	(360)
Pre-tax profit	2,960	6,774	4,809	4,837
Tax	(544)	(1,355)	(992)	(997)
Minorities	0	0	0	0
Net profit	2,416	5,419	3,817	3,839
Net profit (adj.)	4,130	5,419	3,817	3,839

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	21,037	20,326	19,146	17,967
Other LT assets	4,688	5,108	5,182	5,431
Cash/ST investment	976	5,811	3,493	4,068
Other current assets	33,179	36,998	43,417	46,944
Total assets	59,880	68,243	71,238	74,410
ST debt	1,356	1,356	1,356	1,356
Other current liabilities	17,095	18,179	18,979	20,112
LT debt	1,750	1,750	1,750	1,750
Other LT liabilities	3,176	2,950	2,999	2,999
Shareholders' equity	37,915	45,426	47,572	49,610
Total liabilities & equity	61,293	69,661	72,656	75,827

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	10,626	5,030	2,013	5,045
Pre-tax profit	3,113	6,774	4,959	4,987
Tax	(544)	(1,355)	(992)	(997)
Deprec. & amort.	3,441	3,211	3,680	3,679
Working capital changes	3,787	(2,735)	(5,619)	(2,394)
Other operating cashflows	828	(864)	(15)	(229)
Investing	(1,983)	(2,287)	(2,510)	(2,520)
Capex (growth)	(2,179)	(2,500)	(2,500)	(2,500)
Others	195	213	(10)	(20)
Financing	(8,242)	2,092	(1,821)	(1,951)
Dividend payments	(1,301)	(1,734)	(1,821)	(1,951)
Proceeds from borrowings	(4,486)	0	0	0
Others/interest paid	(2,455)	3,826	0	0
Net cash inflow (outflow)	401	4,835	(2,318)	574
Beginning cash & cash equivalent	575	976	5,811	3,493
Ending cash & cash equivalent	976	5,811	3,493	4,068

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	2.4	3.5	2.8	2.7
Pre-tax margin	1.2	2.4	1.6	1.5
Net margin	1.0	1.9	1.2	1.2
ROA	4.2	8.8	6.0	5.9
ROE	6.3	12.9	8.9	8.7
Growth				
Turnover	15.6	35.1	48.0	51.1
EBITDA	23.2	112.5	81.2	80.9
Pre-tax profit	5.6	141.6	71.5	72.5
Net profit	6.8	139.4	68.7	69.6
Net profit (adj.)	90.3	31.2	(29.6)	0.6
EPS	27.1	66.8	17.5	18.2
Leverage				
Debt to total capital	8.2	6.8	6.5	6.3
Debt to equity	8.2	6.8	6.5	6.3
Net debt/(cash) to equity	5.6	(6.0)	(0.8)	(1.9)
Interest cover	22.5	26.4	21.4	23.7