



HF Sinclair (DINO)

Updated May 7th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$33	5 Year CAGR Estimate:	10.8%	Market Cap:	\$6.2 B
Fair Value Price:	\$20	5 Year Growth Estimate:	17.0%	Ex-Dividend Date:	5/15/2025
% Fair Value:	162%	5 Year Valuation Multiple Estimate:	-9.2%	Dividend Payment Date:	6/3/2025
Dividend Yield:	6.1%	5 Year Price Target	\$45	Years Of Dividend Growth:	3
Dividend Risk Score:	F	Sector:	Energy	Rating:	Hold

Overview & Current Events

In March 2022, HollyFrontier (HFC) changed its name to HF Sinclair (DINO) to reflect its acquisition of Sinclair Oil. The company was initially formed by the merger of two independent U.S. refiners, Holly Corporation and Frontier Oil, in 2011. It has a market cap of \$6.2 billion and operates in three segments: refining, lubricants, and Holly Energy Partners, which is a midstream entity. Nevertheless, HF Sinclair should be viewed primarily as a refiner. The refining segment generated 83% of the total operating income in 2023 but posted a loss in 2024 due to a collapse in refining margins.

On November 1st, 2021, HF Sinclair completed the acquisition of the Puget Sound Refinery from Shell for \$350 million. The company funded the acquisition via the suspension of its dividend for one year and cash on hand.

On March 14th, 2022, the \$1.8 billion merger between HollyFrontier and Sinclair Oil was completed. The deal was funded with the issuance of ~60.2 million of shares. Sinclair has two refineries based at Rocky Mountain, a renewable diesel business and a branded marketing business. The timing of the deal was ideal, as refining margins skyrocketed to record levels in 2022-2023 due to the Ukrainian crisis.

On December 1st, 2023, HF Sinclair completed the acquisition of the remaining 53% stake in Holly Energy Partners (HEP) that it did not own in order to improve the efficiencies of its network of assets. Thanks to the attractive valuation of Holly Energy Partners, we view the deal as positive for HF Sinclair.

On May 1st, 2025, HF Sinclair reported results for Q1-2025. Refining margins fell -28% over the prior year's quarter, as the tailwind from the Ukrainian crisis faded. As a result, the company switched from a profit per share of \$0.71 to a loss per share of -\$0.27. After two years of sky-high refining margins amid the war in Ukraine, refining margins have deflated in recent quarters. Due to this headwind, we have lowered our forecast for earnings-per-share from \$2.80 to \$2.00.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$4.67	\$0.51	\$2.32	\$6.44	\$4.90	-\$0.87	\$1.52	\$14.73	\$9.51	\$1.01	\$2.00	\$4.38
DPS	\$1.31	\$1.32	\$1.32	\$1.32	\$1.34	\$1.40	\$0.35	\$1.20	\$1.80	\$2.00	\$2.00	\$2.10
Shares¹	180.2	177.4	177.4	174.3	162.9	162.2	162.7	199.5	187.0	188.3	189.0	189.0

Thanks to the proximity of its refineries to the domestic oil production, HF Sinclair buys its crude oil at a discount to WTI. Moreover, HF Sinclair is likely to benefit from the synergies it will achieve from its recent acquisitions of the Puget Sound Refinery and Sinclair Oil. We applaud management for suspending the dividend for one year in favor of acquisitions that have already resulted in earnings growth. We have seen many oil companies, including Exxon Mobil, curtailing their growth projects to defend their generous dividends, but such a strategy may not benefit long-term shareholders. Moreover, HF Sinclair has the strongest balance sheet in its peer group and hence it can endure downturns. The strong balance sheet is paramount in this cyclical business. Given also the recent collapse in earnings and the cyclical nature of the refining industry, we expect the earnings-per-share of HF Sinclair to grow 17.0% per year on average over the next five years off this year's low comparison base.

¹ In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	9.3	---	13.8	9.6	10.2	---	21.7	3.2	5.4	49.8	16.5	10.2
Avg. Yld.	3.0%	4.5%	4.1%	2.1%	2.7%	4.9%	1.1%	2.6%	3.5%	4.0%	6.1%	4.7%

HF Sinclair is trading at 16.5 times its expected earnings this year. This earnings multiple is higher than the historical average of 10.2 of the stock. If the stock trades at its average valuation level in five years, it will incur a -9.2% annualized drag in its returns. While a price-to-earnings ratio of 10.2 may seem cheap to most investors, refining is a highly cyclical business and hence this earnings multiple is reasonable.

Safety, Quality, Competitive Advantage, & Recession Resiliency

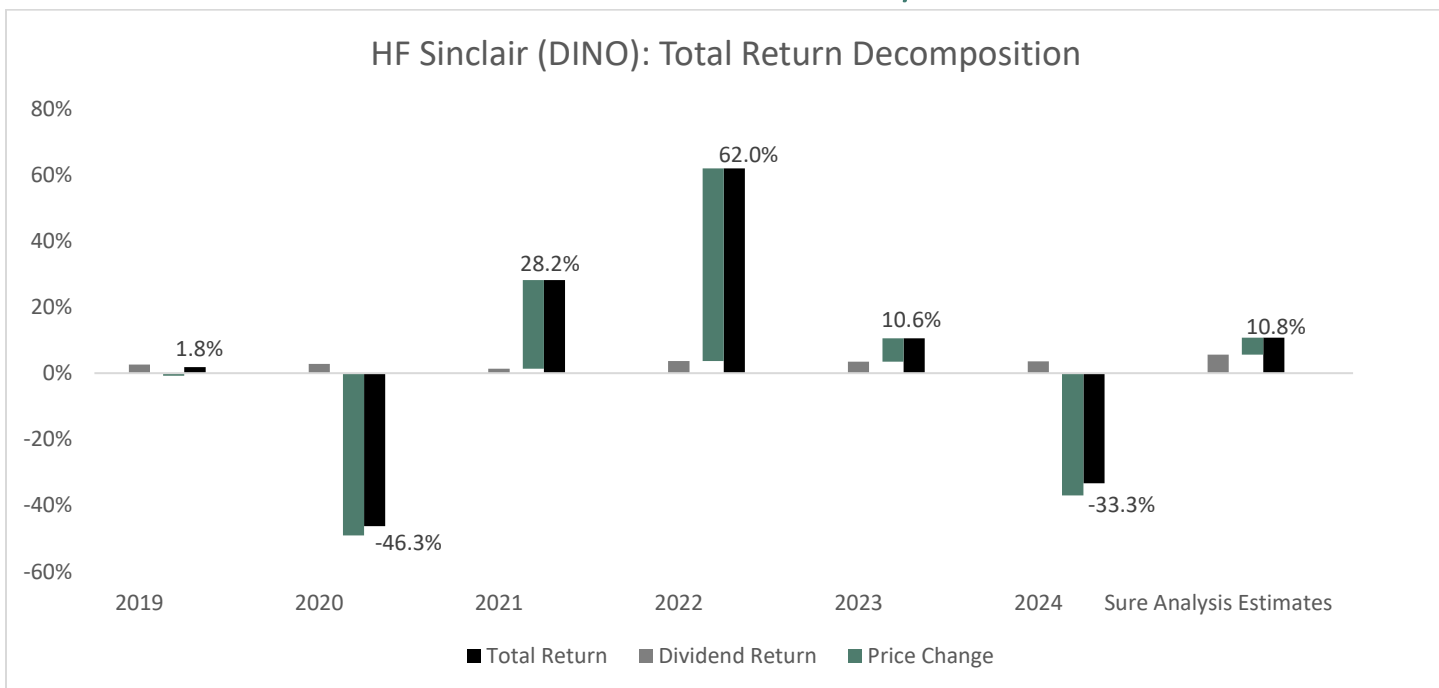
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	28.1%	259%	56.9%	20.5%	27.3%	---	23.0%	8.1%	18.9%	198%	100%	47.9%

The refineries of HF Sinclair usually enjoy a discount to WTI thanks to their inland location. On the other hand, investors should always remember that refining is a highly cyclical business and refiners are vulnerable to recessions and fluctuations in crack spreads. In the downturn caused by the pandemic, HF Sinclair incurred a loss in 2020, but it easily endured the downturn thanks to its solid balance sheet. Management should be praised for the lack of share repurchases during boom times, in contrast to most companies.

Final Thoughts & Recommendation

HF Sinclair thrived in 2022-2023 thanks to the exceptionally high refining margins, which resulted from the war in Ukraine. In addition, the refiner has promising growth prospects thanks to its recent acquisitions. However, refining margins have contracted sharply lately due to their high cyclicality. The stock could offer a 10.8% average annual return over the next five years, as its 6.1% dividend and 17.0% growth of earnings-per-share may be partly offset by a -9.2% valuation headwind. The stock maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	13,238	10,536	14,251	17,715	17,487	11,184	18,389	38,205	31,964	28,580
Gross Profit	2,426	1,699	2,482	3,200	3,178	1,425	2,629	6,816	5,139	3,209
Gross Margin	18.3%	16.1%	17.4%	18.1%	18.2%	12.7%	14.3%	17.8%	16.1%	11.2%
SG&A Exp.	121	126	266	290	354	314	362	426	498	447
D&A Exp.	346	363	410	437	510	521	504	657	771	832
Operating Profit	1,244	552	920	1,624	1,430	(188)	749	4,054	2,203	278
Operating Margin	9.4%	5.2%	6.5%	9.2%	8.2%	-1.7%	4.1%	10.6%	6.9%	1.0%
Net Profit	740	(260)	805	1,098	772	(601)	558	2,923	1,590	177
Net Margin	5.6%	-2.5%	5.7%	6.2%	4.4%	-5.4%	3.0%	7.7%	5.0%	0.6%
Free Cash Flow	310	127	679	1,243	1,255	128	(407)	3,253	1,912	640
Income Tax	406	19	(12)	347	299	(232)	124	895	442	34

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,388	9,436	10,692	10,995	12,165	11,507	12,917	18,125	17,716	16,643
Cash & Equivalents	67	711	631	1,155	885	1,368	234	1,665	1,354	800
Accounts Receivable	352	479	721	672	880	630	1,242	1,703	1,725	1,251
Inventories	842	1,136	1,630	1,354	1,474	1,173	2,122	3,215	2,922	2,798
Goodwill & Int. Ass.	2,370	2,059	2,444	2,429	2,747	2,629	2,592	3,442	3,388	3,328
Total Liabilities	2,579	4,134	4,795	4,536	5,655	5,785	6,622	8,108	7,479	7,297
Accounts Payable	716	935	1,221	873	1,216	1,001	1,613	2,334	2,206	2,236
Long-Term Debt	1,009	2,235	2,499	2,412	2,456	3,143	3,073	3,255	2,739	2,638
Shareholder's Equity	5,253	4,681	5,371	5,919	5,978	5,168	5,688	9,244	10,169	9,278
LTD/E Ratio	0.19	0.48	0.47	0.41	0.41	0.61	0.54	0.35	0.27	0.28

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	8.4%	-2.9%	8.0%	10.1%	6.7%	-5.1%	4.6%	18.8%	8.9%	1.0%
Return on Equity	13.7%	-5.2%	16.0%	19.5%	13.0%	-10.8%	10.3%	39.1%	15.7%	1.8%
ROIC	10.6%	-3.6%	10.1%	12.7%	8.7%	-6.7%	6.1%	25.8%	12.1%	1.4%
Shares Out.	180.2	177.4	177.4	174.3	162.9	162.2	162.7	202.6	190.0	192.1
Revenue/Share	70.06	59.83	80.43	100.27	104.47	69.04	113.12	188.60	168.20	148.80
FCF/Share	1.64	0.72	3.83	7.04	7.50	0.79	(2.50)	16.06	10.06	3.33

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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