HF SINCLAIR (DINO): THE TEARDOWN

A below-average refiner at a crossroads of yield, capital destruction, and governance risk.

Ticker: DINO
Price: ~$58–63
Market Cap: ~$11B

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A 9.5% ROE Business Trading at a Deceptively Fair Valuation

The Floor
Fortress Balance Sheet & Yield

$3B total liquidity.

Net leverage at ~0.75x EBITDA.

9.4% FCF yield driving an 18% share count reduction since 2022.



The Ceiling
Built by M&A, Lacking a Moat

10-year average ROE of ~9.5% roughly equals its cost of capital.

A price-taker in a structurally shrinking commodity market.



The Black Box
Value Destruction & Governance

~$1.5B permanently destroyed in Renewable Diesel.

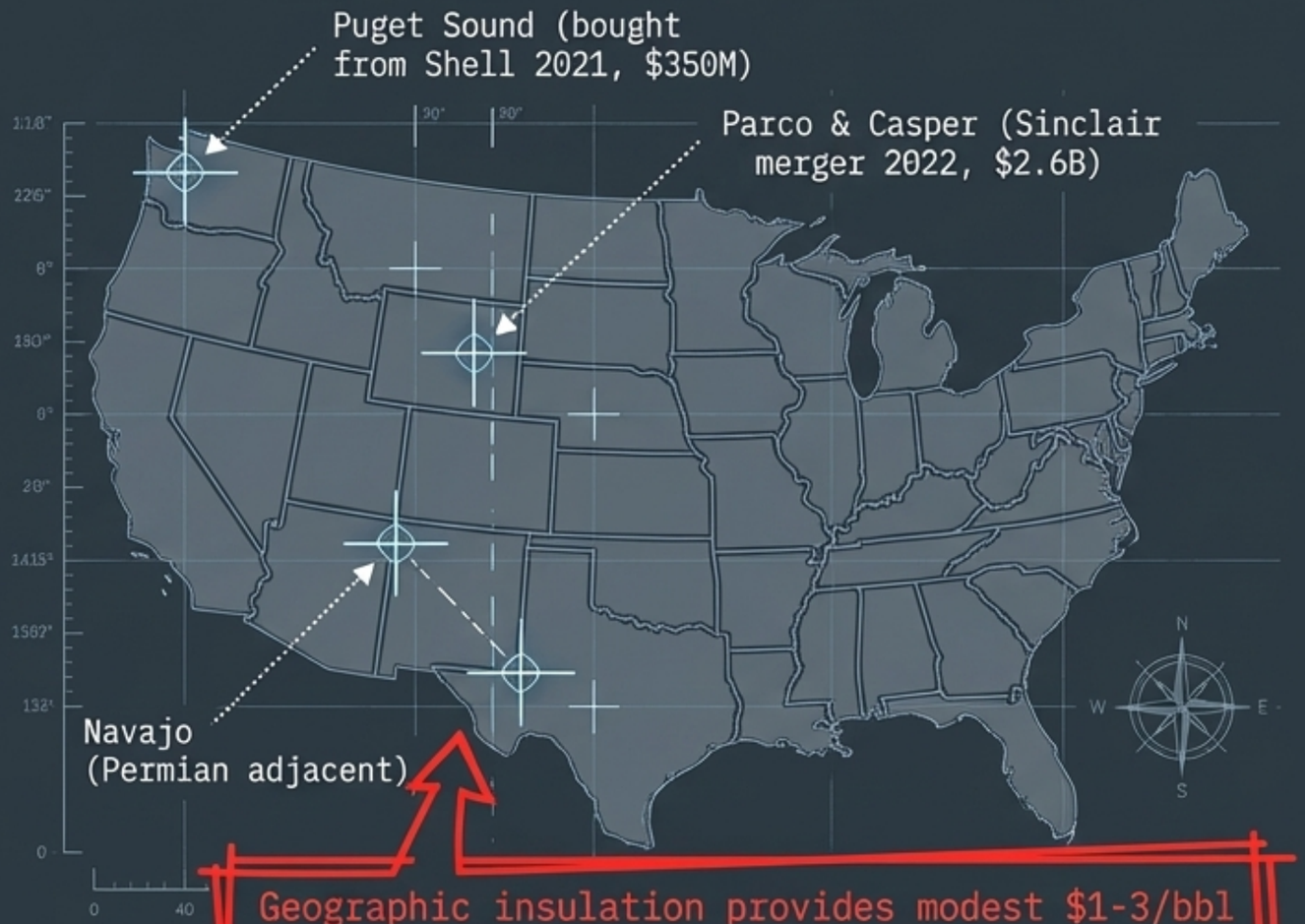
Both CEO and CFO departed in Feb 2026 amid an active Audit Committee disclosure review.

10-K remains unfiled.



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Built by Acquisition, Not Organic Excellence



Geographic insulation provides modest $1-3/bbl uplift, but refined products remain zero-switching-cost commodities. Scale is bought, not organically optimized.

Segment Breakdown (FY2025 Unaudited)			
Segment	**Revenue**	**EBIT**	**Key Takeaway**
Refining	$20.5B	$563M	652k BPD capacity
Renewables	$551M	$(133)M	Never Profitable
Marketing	$3.1B	$74M	1,700+ Branded Stations
Lubricants	$2.5B	$167M	Petro-Canada & Sonneborn
Midstream	$121M	$355M	Fee-based model

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The Refining Cycle: Violent Oscillations Around the Cost of Capital



Macro Context: Cyclical Tailwind: 400,000+ BPD of US capacity permanently removed in 2025. Benefits accrue to all refiners, not uniquely to DINO.

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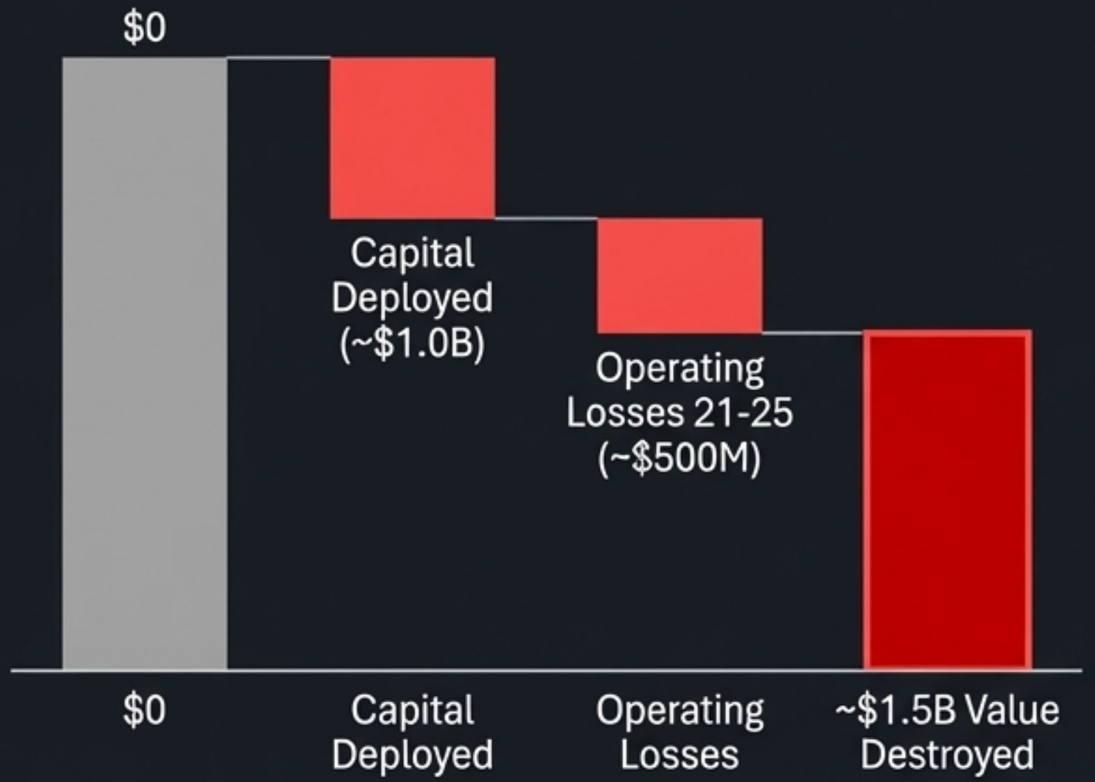
The Deserved Discount: Trailing Best-In-Class Peers

Metric	DINO (HF Sinclair)	VLO (Valero)	MPC (Marathon)
Profitability (TTM ROE)	6.3%	~14.3%	~20.7%
Scale (Refining Capacity)	678k BPD	3.2M BPD	2.96M BPD
Operational Efficiency (OpEx/bbl)	$7.67	Lower	Lowest
Valuation (Price/Book)	1.19x	2.21x	4.11x
Valuation (FCF Yield)	~9.4%	~3.6%	~3.6%

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The Renewable Diesel Albatross: A $1.5B Capital Mistake

The Reality



380M gal/yr capacity. Never generated a full-year profit on an EBIT basis. FY2024 EBITDA margin: negative $0.09/gallon.

The Buyback Counterfactual



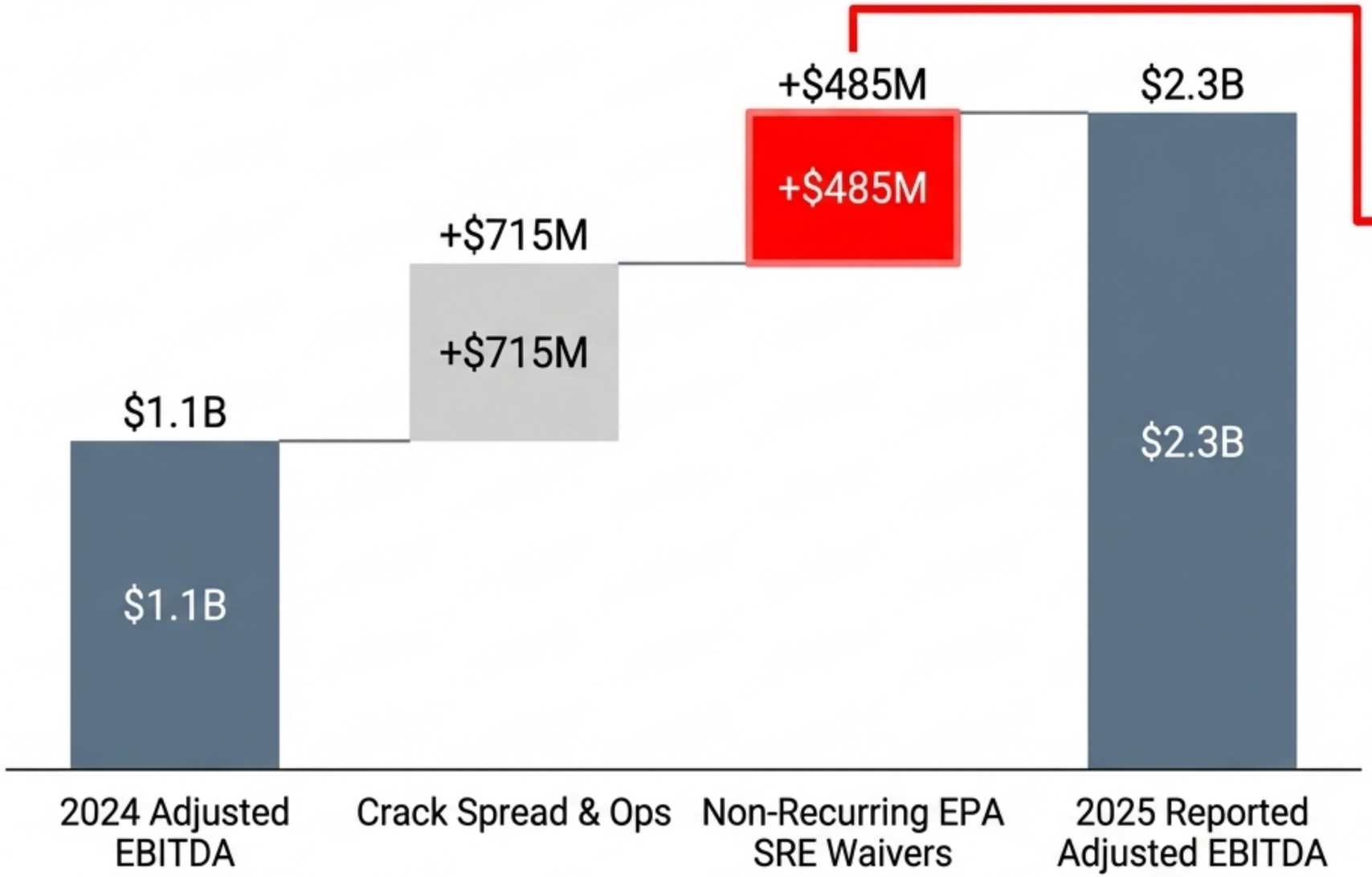
25.7M Shares

If the $900M build capital was used for buybacks at 2020-2021 prices (~$35/share), DINO would have retired an additional 25.7M shares.

13% of the company could have been retired. Instead, shareholders received a permanent margin drag.

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Unpacking FY2025: The SRE Dependency



Q4 2025 alone saw $313M in SRE benefits.

Stripping out these waivers, underlying refining performance is solid, but deeply unexceptional.

If EPA permanently denies future SREs, DINO faces $300-500M+ in annual RIN headwinds.

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The Silver Lining: A Fortress Balance Sheet & Capital Return Engine

Liquidity & Debt

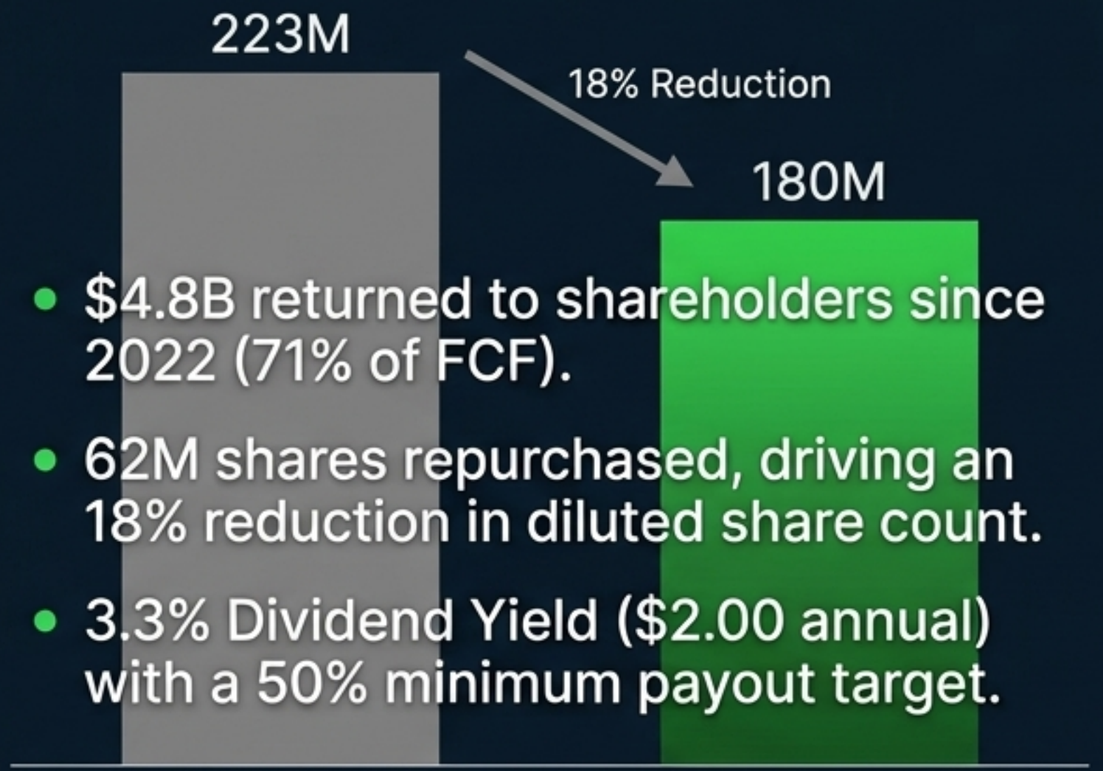
$978M
Cash on Hand

$3.0B
Total Liquidity inc. revolver

0.75x
Net Leverage

ZERO
Debt maturities until 2028

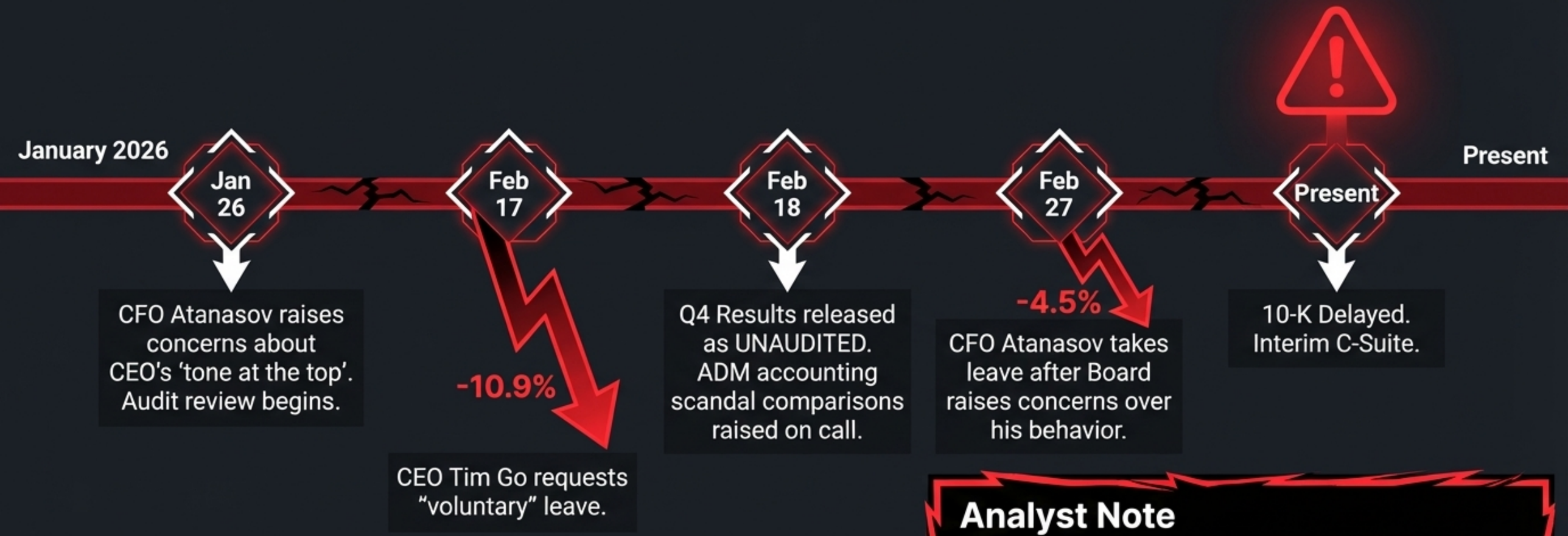
Capital Returns



- $4.8B returned to shareholders since 2022 (71% of FCF).
- 62M shares repurchased, driving an 18% reduction in diluted share count.
- 3.3% Dividend Yield ($2.00 annual) with a 50% minimum payout target.

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The Elephant in the Room: A Governance Black Box



Analyst Note

The Audit Committee claims controls remain effective. But the simultaneous exit of both the CEO and CFO, paired with an unfiled 10-K, makes this stock un-investable for risk-averse capital until the audit clears.

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Valuation Scenarios: Defining ‘Mid-Cycle’

Bear Scenario (Prolonged Downturn)



Conditions: Cracks at $8-10/bbl, global supply glut (IEA 3.8 mb/d surplus).

Metrics: EPS $1-2 | EBITDA $1.0-1.5B

Target: $20-30/share (4.5x EV/EBITDA). Book value floor tested.

Base Scenario (Current Mid-Cycle)



Conditions: Cracks at $15-20/bbl, normalized capacity.

Metrics: EPS $5-6 | EBITDA $2.0-2.5B

Target: ~$43-70/share (5-6x EV/EBITDA). Currently fairly valued at ~$58.

Bull Scenario (Supercycle / Shortage)



Conditions: Geopolitical disruptions, sustained $25-40/bbl cracks.

Metrics: EPS $8-12 | EBITDA $3.5-5.0B

Target: $80-120+/share (6-7x EV/EBITDA).

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Weighing the Scales: The Final Verdict



The Verdict

DINO is a mediocre business trading at a mediocre-business valuation. The high FCF yield compensates for the lack of an organic moat and higher operating costs. However, the unprecedented governance opacity makes the stock a highly speculative hold until the 10-K is filed with a clean audit opinion.

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