

23 May 2024

RECOMMENDATION	HOLD
Fair price	23,200 VND
Current price	22,600 VND
Upside/downside	3%

STOCK INFORMATION

Outstanding shares (mil)	3,100.5
Free float (mil)	310
Market cap. (billion VND)	59,839.6
3m avg. volume (shares)	5.3 million
Foreign ownership (%)	0.7%
First listing date	01/03/2018

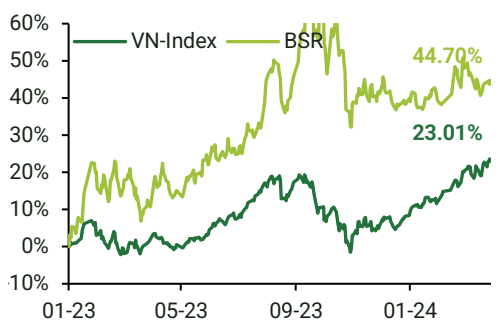
SHAREHOLDER STRUCTURE

PetroVietnam	92.1%
Others	7.9%

KEY ATTRIBUTES

TTM EPS (VND)	2,789.8
BVPS (VND)	18,510.9
Debt/Equity (%)	19%
ROA (%)	10.5%
ROE (%)	15.8%
P/E	6.9
P/B	1.0
Dividend yield (%)	4%

PRICE PERFORMANCE



COMPANY PROFILE

Binh Son Refining and Petrochemical Joint Stock Company, formerly known as Binh Son Refining and Petrochemical Company Limited, was established in 2008 as a subsidiary of PetroVietnam (PVN). BSR is responsible for managing and operating the Dung Quat Refinery (DQRE). Thus far, DQRE is one of the only two refineries in Vietnam, accounts for more than 40% of the domestic refining capacity, equivalent to 6.5 million tons of crude oil per annum.

ANALYST(S)

Nguyen Thien Nhan
nhanguyen@phs.vn

Focus on the upgrade and expansion project

- In 2023, despite the slight growth of sale volume, Revenue and NPAT significantly decreased due to the plummet of crude prices and crack spread (refining margin), especially for Diesel oil (DO).
- High crack spread and a healthy financial structure positively support BSR's business operations in the short and medium term.
- The project to upgrade and expand the Dung Quat factory will help the company sustain its long-term growth.
- We propose HOLD recommendation with potential upside of 3%.

Business plan

The General Meeting of Shareholders has approved the business results for 2024 based on the assumptions: The avg. Brent crude price in 2024 is USD70/barrel and the consumption volume reaches over 5.66mn tons of refined products. Accordingly, the consolidated revenue is expected to be VND95,274.4bn (-35% YoY) and net profit after tax is estimated to reach VND1,148.2bn, down 86% compared to 2023.

We believe this plan is very conservative when the price of Brent crude oil tends to be maintained above USD80/barrel along with a good refining margin (crack spread) relative to 2023, and these will continue to be supported by (1) the upcoming tourist season, (2) OPEC's determination to keep crude prices high, and (3) the refining capacity continuously affected by the Ukraine war. Therefore, on the assumption that the avg. Brent crude price is USD80/barrel in 2024 and the 3:2:1 Crack spread at USD15/barrel, PHS forecasts that Net revenue will be USD124,797bn (-15% YoY), while NPAT drops sharply to VND5,111bn (-40% YoY). That is attributed to the consumption volume of refined products may decrease to 6.2mn tons (-15% YoY). Gross margin and net profit margin will respectively return to the 5% and 4%.

In fact, in Q1/2024, the company achieved revenue and profit of about 30,689 billion VND and 1,115 billion VND, completing respectively 25% and 22% of PHS's forecast.

The plan to implement the upgrade/expansion project and to increase the charter capital

At the General Meeting, the BSR board of directors decided to focus on implementing the project to Upgrade and Expand the Dung Quat Oil Refinery, with a total investment of nearly USD1.5bn, and to complete it by Q3/2028 according to the most recent plan. And to carry out the project, BSR considers raising the equity capital stake to 60-80% in the context of high borrowing costs. BSR currently proposed to PetroVietnam and other authorities for consideration and approval of the plan to increase company's charter capital to VND50,000bn (through stock dividends).

We believe that the project is appropriate and promising for BSR while the domestic supply of fuel is seriously deficient when only two refineries, Dung Quat and Nghi Son, can only meet around 70% of the demand.

Profit distribution plan

In 2024, the company will proceed with a cash dividend distribution at a rate of 7% of the charter capital (VND700 per share).