

The supply scarcity has cooled down

HOLD [+8%]

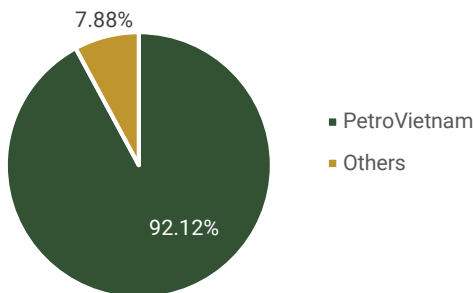
Updated: 28/08/2023

Fair price 20,200 VND
Current price 18,700 VND

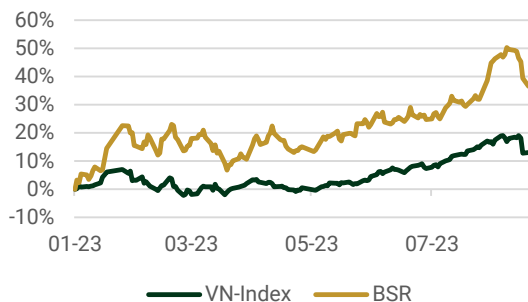
STOCK INFORMATION

Outstanding shares (mil) 3,100.5
Free float (mil) 310
Market cap. (billion VND) 48,677.8
3m avg. volume (shares) 9.6 million
Foreign ownership (%) 0.7%
First listing date 01/03/2018

MAJOR SHAREHOLDERS



PRICE MOVEMENT COMPARED TO THE INDEX



HISTORICAL VALUATION



Performance overview: In the first half of 2023, the company experienced a significant decline in both Net revenue and Net profit. Net revenue decreased by 22% YoY, reaching VND 67.7 trillion, while Net profit fell sharply by 76% YoY to VND 2.9 trillion. This decline can be attributed to the fact that the scarcity of gasoline supply is no longer an issue and the oil crack spreads have returned to pre-Ukraine-war levels. Additionally, the Nghi Son refinery has resumed full capacity operations and is now competing with BSR, after being interrupted due to financial issues in the first half of 2022.

Forecast: The conflict in Ukraine is expected to last, but the supply-demand balance has gradually been restored as major suppliers have increased production to fill the gap left by Russia. However, there are still many risks that put pressure on supply, such as Russia and OPEC's consecutive decisions to reduce production to keep crude oil prices high. Therefore, we believe that the average Brent oil price in 2023 will reach USD85 per barrel, at which point the crack spreads of key products such as gasoline and Diesel oil (DO) could decrease significantly and remain at USD15 per barrel and USD14 per barrel, respectively. In addition, BSR has decided to postpone its fifth overall maintenance period to 2024 instead of 2023 as initially planned. As a result, Net revenue this year is expected to reach VND 135.6 trillion (-18.9% YoY) and Net profit will be VND 7.3 trillion (-50.3% YoY). The gross profit margin could cool down to 7% in 2023, a significant decrease from the peak of 10% in the previous year.

Investment highlights: (1) In 2023, BSR may maintain a decent profit margin due to factors such as decreased global petroleum inventories and production cuts by Asian oil refineries

(2) While Dung Quat Refinery frequently operates at over 100% of designed capacity, the company is going through an ambitious project to boost up the capacity and upgrade the quality in order to fulfill the domestic supply shortage as well as meet the EURO5 quality mandate determined by the government. Per BSR, the project should be completed by the end of 2025, thus, we anticipate the output to surge by ~16% in 2026.

Valuation & recommendation: Using DCF and Multiple method, we derive the fair price of VND20,200 per share. Thus, our recommendation is HOLD with a potential upside of 8%. Our valuation includes the most recent Dung Quat refinery upgrading proposal and the coming 5th overall maintenance in 2024F.

Investment risks: (1) The adverse changes in government's policies; (2) The recession risks come to forefront; (3) The persistent petroleum smuggling.

Financial Indicators	2018A	2019A	2020A	2021A	2022A	2023F
Net revenue (billion VND)	111,952	102,824	57,959	101,080	167,124	135,575
Net Profit (billion VND)	3,557	2,873	(2,858)	6,684	14,669	7,288
EPS (VND)	1,142	858	(909)	2,162	4,750	2,364
EPS Growth (%)	-57.64%	-24.87%	-205.94%	N/A	119.68%	-50.22%
Book Value (VND)	10,120	10,983	10,019	12,115	16,510	18,160
P/E	16.59	22.07	N/A	9.13	4.08	8.74
P/B	1.88	1.73	1.89	1.56	1.15	1.14
Cash dividend (VND)	-	-	-	-	300	700