



BSR Update – Neutral

November 15, 2023



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Company Update

Recommendation

Neutral

HSX: BSR

Petroleum Refinery

Target price (VND) 20,500

Market price (VND) 19,200

Expected share price return 6.8%

Expected dividend yield 1.6%

Expected total return 8.4%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	51.4	-8.5	-2.3	75.1
Relative	39.3	-6.3	6.3	51.3

Source: Bloomberg



Ownership

PVN 92,13%

Stock Statistics

14-Nov- 2023

Bloomberg code BSR VN

52-week range (VND) 9,900 - 22,700

Shares O/S (m) 3,101

Mkt cap (VND bn) 59,530

Mkt cap (USD m) 2,410

Est. Foreign room left (%) 48.1

Est. free float (%) 7.9

3m avg daily vol (shrs) 10,001,060

VND/USD 24,700

Index: VNIndex / HNX 1109.73/227.43

Binh Son Refining and Petrochemical Company JSC (UPCoM: BSR)

BSR has announced positive business results for Q3/2023, with a NPAT-MI of VND3,260 billion (+581% YoY and +143% QoQ), exceeding our expectations. Cumulatively for 9M2023, NPAT-MI decreased by 51.8% YoY, achieving 200% of BSR's annual plan and 78% of our forecast.

BSR recorded a revenue of VND37,755 billion (-4.6% YoY) and NPAT-MI of VND3,260 billion (+581% YoY and +143% QoQ) in Q3/2023, benefiting from low inventory cost during the upward trend of oil prices in Q3/2023, which increased from USD80.05/ barrel to an average of \$94 per barrel in September 2023. Additionally, the crack spread, the difference between product prices and crude oil prices, also performed well in Q3/2023.

However, during this quarter, BSR also made a provision for inventory of VND821.7 billion to mitigate risks due to the average oil price in September 2023 dropping by 11% from USD94/ barrel to USD84/ barrel in early October 2023. Despite the ongoing risks associated with the Israel-Hamas war affecting crude oil supply, increased oil production by OPEC and the US, along with concerns about declining fuel demand, led to a more significant decrease in oil prices in October.

Although the Q3/2023 results were quite positive, overall, BSR's business performance declined in 9M2023. The revenue for 9M2023 reached VND105,490 billion (-16.7% YoY), and NPAT-MI was VND 6,232 billion (-51.8% YoY), achieving 73.5% and 78% of our full-year projections, respectively. The decline in net profit for the 9M2023 was primarily due to a decrease in the crack spread compared to the higher levels seen in 2022, which was a record year of profit for BSR.

Regarding the plan of listing on HoSE, BSR is still waiting for specific guidelines from the State Securities Commission due to its subsidiary's bad debts of more than 1 year. Therefore, listing on HoSE plan may be moved to 2024.

Quick comment: We have adjusted our forecast for BSR's business results in 2023 and 2024, projecting a growth rate of 6.8% and 6% respectively compared to the most recent forecast. Looking towards 2024, we anticipate BSR to achieve a revenue of VND127,692 billion (-11% YoY) and NPAT-MI of VND 7,679 billion (-3.3% YoY). **Our target price for BSR by the end of 2024 is VND 20,500 per share, equivalent to a total return of 8.4%.**

	2021	2022	2023F	2024F	2025F
Net Sales (VNDbn)	101,080	167,124	143,397	127,692	137,251
Growth (%)	74%	65%	-14%	-11%	7%
EBITDA (VNDbn)	8,822	16,865	9,884	9,324	9,362
EBITDA margin	9%	10%	7%	7%	7%
Net income (VNDbn)	6,716	14,726	7,945	7,679	8,224
Growth (%)	-338%	119%	-46%	-3%	7%
EPS (bonus-adjusted, VND)	2,166	4,750	2,563	2,477	2,652
Growth (%)	-338%	119%	-46%	-3%	7%
ROE (%)	19%	33%	16%	14%	14%
ROIC (%)	11%	20%	10%	9%	9%
Net debt/EBITDA (x)	-1.1	-1.0	-2.1	-2.9	-2.9
PER (times)	8.9	4.0	7.5	7.8	7.2
EV/EBITDA (x)	5.3	2.4	3.6	3.2	3.1
PBR (times)	1.6	1.2	1.2	1.0	0.9
DPS (VND)	162	434	700	300	300
Dividend yield (%)	1%	2%	4%	2%	2%

The business operations were heavily impacted by the fluctuations in oil prices, although there was a slight improvement in sales volume.

The revenue for Q3/2023 reached VND37,755 billion (-4.6% YoY). The cost of goods sold in Q3/2023 was VND33,925 billion (-12.8% YoY). The gross profit margin reached 10.1%, which is an increase compared to the 1.65% margin in the same period last year and the 4.8% margin in Q2/2023.

BSR business results	Q3/2023	Q3/2022	+/- YoY	9M2023	9M2022	+/- YoY
Sales volume (mil tons)	1,772	1,687	5.1%	5,294	5,157	2.7%
Avg. sales price (mil VND/ ton)	21.3	23.5	-9.2%	19.9	24.6	-18.9%
Revenue (bil VND)	37,755	39,567	-4.6%	105,490	126,716	-16.8%
COGS (bil VND)	33,925	38,913	-12.8%	98,410	112,553	-12.5%
Gross profit margin	10.1%	1.7%		6.7%	11.1%	

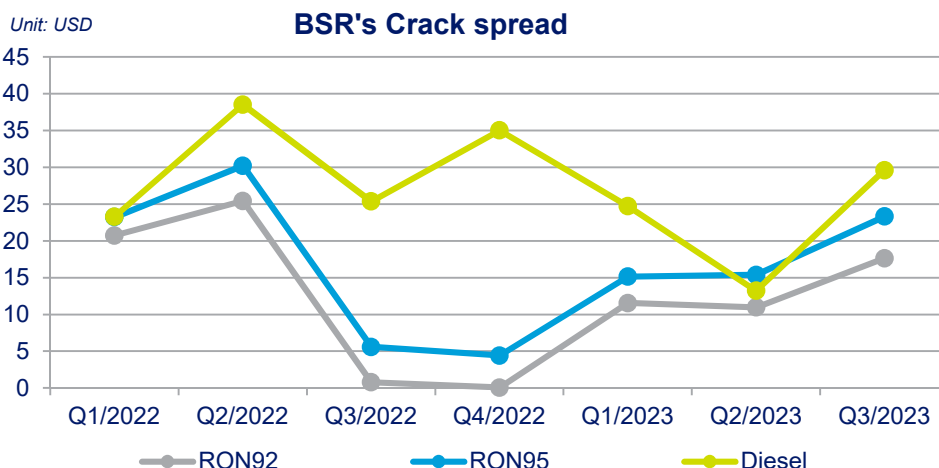
Source: BSR, ACBS

Here is the breakdown of revenue by key products:

Revenue by products	Q3/2023	Q3/2022	+/- YoY	9M2023	9M2022	+/- YoY
Diesel (DO)	14,008	16,770	-16.5%	40,157	48,819	-17.7%
Gasoline A95	11,544	10,856	6.3%	29,981	37,430	-19.9%
Gasoline A92	4,824	4,961	-2.8%	15,315	18,940	-19.1%
Jet A1	2,978	3,246	-8.3%	8,113	7,963	1.9%
Others	4,402	3,713	18.5%	11,925	13,568	-12.1%
Total	37,755	39,567	-4.6%	105,491	126,720	-16.8%

Source: BSR, ACBS

According to BSR, the increase in net profit is due to the average Brent oil price in July 2023 increasing from USD80.05/ barrel to an average of USD94/ barrel in September 2023. This trend benefited BSR by keeping inventory costs low. In contrast, during the same period in Q3/2022, the Brent oil price continuously decreased from USD112.7/ barrel in July 2022 to USD89.8/ barrel in September 2022. Additionally, the crack spread, which is the difference between product prices and crude oil prices, also performed well in Q3/2023. Specifically, estimated BSR's average crack spread for gasoline (Ron92 & Ron95) was USD20.5/ barrel (+540% YoY and +55.3% QoQ), and for diesel, it reached USD29.6/ barrel (+16.7% YoY and +124% QoQ).



Source: MOIT, ACBS

However, in Q3/2023, BSR also made a provision for inventory of VND 821.7 billion to mitigate risks due to the average oil price in September 2023 dropping by 11% from USD94/ barrel to USD84/ barrel in early October 2023. Despite the ongoing risks associated with the Israel-Hamas war affecting crude oil supply, increased oil production by OPEC and the US, along with concerns about declining fuel demand, led to a more significant decrease in oil prices in October.

Financial revenue in Q3/2023 increased by 21.5% YoY. Cumulatively for 9M2023, financial revenue increased by 67.4% YoY, mainly driven by higher interest income from bank deposits. The main reason for this increase is due to total cash and bank deposits increasing by 45.7% YoY, supported by higher deposit interest rates in Q4/2022 and Q1/2023.

However, financial expenses in Q3/2023 increased at a slower rate compared to the growth of financial revenue, rising by only 34.2% YoY. Among them, interest expenses remained almost unchanged at VND46 billion (8.6% YoY). As a result, BSR's net financial income for 9M2023 significantly increased to VND 897 billion (+168% YoY).

Selling and administrative expenses in Q3/2023 increased by 24.5% YoY, reaching a total of VND313 billion. Cumulatively for 9M2023, these expenses reached VND 1,061 billion (+21% YoY). The ratio of Sales & Administrative Expenses/Revenue of Q3/2023 is 0.83% compared to 0.63% in Q3/2022.

Total assets increased by 13.3% YTD to VND88,917 billion, primarily due to the increase in cash and bank deposits. Details of some fluctuations in Assets and Capital are as follows:

Key Items	YE2022	9T2023	+/-%
Total Assets	78,487	88,917	13.3%
Cash + ST financial investment	25,026	36,470	45.7%
ST Loans	8,954	9,052	1.1%
LT Loans	0	0	0%

Source: BSR, ACBS

Despite the positive Q3/2023 results, overall business performance of BSR declined in the 9M2023, with revenue reaching VND 105,490 billion (-16.7% YoY) and net profit at VND 6,232 billion (-51.8% YoY), achieving 73.5% and 78% of our full-year projections, respectively. The decline in net profit in 9M2023 was due to the decrease in the crack spread compared to the higher levels seen in 2022, which was a record year of profit for BSR.

Projections for 2023 & 2024

For the full year 2023, we forecast revenue to reach VND 143,396 billion (-14.2% YoY) and NPAT-MI to be VND7,945 billion (-46% YoY). As a results, the NPAT-MI for Q4/2023 is projected to decline by 47% compared to Q3/2023 due to recent sharp decrease in BSR's crack spread in October 2023 compared to September 2023. During this period, the average crack spread for gasoline (A92 & A95) decreased by 78% MoM, and the crack spread for diesel decreased by 31% MoM, mainly due to the decline in fuel demand and unfavorable global macroeconomic indicators.

Looking towards 2024, we project the BSR's business results with a decrease of 11% in revenue and a slight decrease of 3.3% in net profit, based on the following assumptions:

- Average Brent crude oil price is projected to be \$87 per barrel in 2024 (a 3.5% increase compared to the estimated average of \$84 per barrel in 2023). This oil price trend will provide slight support to BSR's petroleum product profit margins.
- However, BSR is planning to conduct an overall maintenance of its refineries for a total of 50 days in March and April 2024. Consequently, production is expected to decrease by 14% YoY.

Valuation

For the full year 2024, we project BSR's revenue to reach VND127,692 billion (-11% YoY) and NPAT-MI to be VND7,679 billion (-3.3% YoY). Using the discounted cash flow (DCF) method, we value BSR with a target price of VND 20,500 per share by the end of 2024, equivalent to a total return of 8.4%.

BSR FINANCIALS MODEL

(VND bn except where stated)	2019	2020	2021	2022	2023F	2024F	2025F
Total Net Sales	102,824	57,959	101,080	167,124	143,397	127,692	137,251
<i>Sales growth (%)</i>	83%	-44%	74%	65%	-14%	-11%	7%
CoGS ex-dep'n	96,181	57,632	91,071	148,835	131,893	116,926	126,338
SG&A	1,104	821	1,188	1,424	1,620	1,443	1,551
<i>SG&A as % of sales</i>	1%	1%	1%	1%	1%	1%	1%
EBITDA	5,539	(494)	8,822	16,865	9,884	9,324	9,362
<i>EBITDA margin (%)</i>	5%	-1%	9%	10%	7%	7%	7%
Depreciation	2,670	2,552	2,311	2,192	2,757	2,786	2,815
Operating profit	2,869	(3,046)	6,511	14,673	7,127	6,538	6,547
<i>Operating profit margin (%)</i>	3%	-5%	6%	9%	5%	5%	5%
Net interest expense	21	-52	-148	-654	295	264	627
<i>as % of avg, net debt</i>	2%	4%	3%	5%	-2%	-1%	-2%
Tax	181	6	257	916	496	480	514
<i>Effective tax rate (%)</i>	6%	0%	4%	6%	6%	6%	6%
Minorities	-41	-39	-32	-56	-30	-30	-30
Net profit	2,914	(2,819)	6,716	14,726	7,945	7,679	8,224
<i>Net profit margin (%)</i>	3%	-5%	7%	9%	6%	6%	6%
Cash earnings	5,543	(306)	8,994	16,861	10,672	10,435	11,009
Number of shares (m)	3	3	3	3	3	3	3
EPS (VND)	940	-909	2,166	4,750	2,563	2,477	2,652
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Adjusted EPS (VND)	940	(909)	2,166	4,750	2,563	2,477	2,652
<i>EPS growth (%)</i>	1062%	-197%	-338%	119%	-46%	-3%	7%

KEY CASHFLOW AND BS ITEMS	2021	2022	2023F	2024F	2025F
Increase in working capital	1,085	9,454	(6,035)	(4,497)	461
Capex	63	219	3,401	7,480	8,485
Other cash flow items	0	0	0	0	0
Free cash flow	7,846	7,188	13,306	7,451	2,063
Share issues (m)	0	0	0	0	0
Dividends paid	502	1,347	2,170	930	930
Increase in net debt	-7344	-5841	-11135	-6521	-1132
Net debt, end of year	(9,763)	(16,071)	(20,880)	(26,780)	(27,254)
Enterprise value	46,522	40,215	35,405	29,505	29,031
Shareholders' equity	37,564	51,190	50,773	56,837	63,397
BVPS (VND)	12,115	16,510	16,376	18,331	20,447
Net debt / equity (%)	-26%	-31%	-41%	-47%	-43%
Net debt / EBITDA (x)	-1.1	-1.0	-2.1	-2.9	-2.9
Total assets	66,796	78,488	79,649	93,591	102,373

CHỈ SỐ KHẢ NĂNG SINH LỢI VÀ ĐỊNH GIÁ	2021	2022	2023F	2024F	2025F
ROE (%)	19.5%	33.1%	15.5%	14.2%	13.6%
ROA (%)	10.6%	20.2%	9.0%	7.5%	6.7%
ROIC (%)	10.7%	19.5%	10.3%	9.1%	8.8%
WACC (%)	15%	15%	15%	15%	15%
EVA (%)	-4.3%	4.5%	-4.7%	-5.9%	-6.2%
PER (x)	8.9	4.0	7.5	7.8	7.2
EV/EBITDA (x)	5.3	2.4	3.6	3.2	3.1
EV/FCF (x)	8.0	8.7	4.7	8.4	30.4
PBR (x)	1.6	1.2	1.2	1.0	0.9
PSR (x)	0.6	0.3	0.4	0.4	0.4
EV/sales (x)	0.6	0.4	0.4	0.5	0.5
Suất sinh lợi cổ tức (%)	0.8%	2.3%	3.6%	1.6%	1.6%
ROE (%)	19.5%	33.1%	15.5%	14.2%	13.6%

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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