April 20th, 2023

Shinhan Securities



Binh Son Refining and Petrochemical Company Limited

[Vietnam / OIL & GAS]

Bloomberg Code (BSR VN) | Reuters Code (BSR.HM)

BUY

Update Coverage

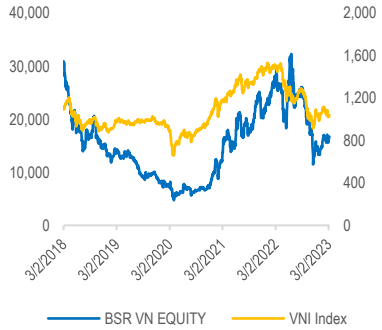
Target price (12 months)	**19,300 VND**
Current price (19/04/23)	16,300 VND
Upside/downside (%)	18.4%

VNINDEX	1,048
HNXINDEX	206
Market Cap (bn VND)	50,546
Outstanding shares (mn)	3,101
Free-Floating (mn)	244
52-Wk High/Low (VND)	33,500/9,900
90-day avg. trading volume (mn)	8.36
90-day avg. turnover (bn VND)	128

Major shareholders (%)	Vietnam Oil and Gas Group	95.76

Performance	3T	6T	12T
Absolute (%)	1.3	-22.1	-36.2
Relative to VN-Index (%)	6.6	-21.1	-10.8

Source: Bloomberg



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In an effort to list on HOSE and delayed maintenance

Update recommendation BUY and target price of VND 19,300

Binh Son Refining and Petrochemical Company Limited (BSR) is one of the only two refineries in Vietnam, serves around one-third of the domestic market. We update BSR's target price at 19,300 VND. In 2023, BSR's growth engine comes from the stability of diesel crack and the moving share to HOSE. We joined the AGM of Binh Son Refinery and pointed out some of the key notes, plan of the company.

1. Business results in 2022:

- In 2022, BSR recorded revenue of VND 167,126 bn (+65.3% y.o.y) and NPAT of VND 14,669 bn (+119.4% y.o.y). BSR's profit was driven by the recent surge in domestic demand and fuel price.
- BSR proposes the cash dividend rate in 2022 at 7%. We believe that BSR will remain a low dividend policy due to high capex of Dung Quat Refinery Expansion project.

2. Business plan in 2023:

- Plan for 2023: BSR's revenue is expected to drop 43% over 2022 to VND 95,545 bn, while its profit after tax would plunge by 89% to VND 1,623 bn.
- **BSR delays its fifth turnaround from 2023 to 2024 to support the domestic demand.** Therefore, BSR is still running full of capacity in 2023 and profit is expected to increase by VND 1,000 bn compared to the plan.
- **Dung Quat oil refinery upgrade and expansion project is waiting for the Prime Minister to approve the license. Besides, BSR will adjust the optimal capital structure in the context of high interest rate**. BSR's expansion project will solve the 3 problems: (1) diversify input sources and increase economic effectiveness, (2) expand capacity by 16% and (3) upgrade output products to EURO 5 (EU5) to meet the standards and increase the competitiveness.
- **BSR expects to have its shares listing on HOSE in Q3/2023**. BSR is still working with the related-organization to clarify overdue debt. After meeting the requirement, BSR is qualified for HOSE listing.

We believe that BSR's profit guidance 2023 is conservative. We forecast revenue to drop by 16% over 2022 to VND 140,842 bn, while net profit would plunge by 40.3% to VND 8,596 bn.

Risks: (1) The Volatility of oil price and (2) Stiffer competition with imported products.

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	167,123	140,842	109,689	115,134	108,304
OP (bn VND)	14,470	8,253	3,389	3,046	3,123
NP (bn VND)	14,394	8,596	4,557	4,573	4,958
EPS (VND)	4,661	2,717	1,440	1,445	1,567
BPS (VND)	16,443	19,215	20,685	22,160	23,759
OPM (%)	8.7%	5.9%	3.1%	2.6%	2.9%
NPM (%)	8.6%	6.1%	4.2%	4.0%	4.6%
ROE (%)	28.3%	14.4%	7.1%	6.6%	6.7%
PER (x)	4.2	7.2	13.6	13.5	12.5
PBR (x)	1.2	1.0	0.9	0.9	0.8
EV/EBITDA (x)	3.6	6.1	11.2	11.7	11.3

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Maintain BUY rating and target price of VND 19,300

We apply a Discounted Cash Flow (DCF) valuation method to value BSR. We update our BUY recommendation with a target price of 19,300 VND, equivalent to a return of 18.4%.

Valuation

We assume that average oil price is staying at 88 USD/barrel and haven't include the contribution of Dung Quat Refinery Expansion project in our forecast yet.

DCF valuation					
Unit: billion VND	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
NPAT-Mi	8,424	4,466	4,482	4,859	3,590
Plus: After-tax interest expense	278	309	288	292	271
Plus: Depreciation & Amortization	2,245	2,347	2,456	2,572	2,698
Minus: Change in working capital	-2,681	-2,972	513	-645	-1,504
Minus: CapEx	898	939	1,228	1,286	1,619
Free Cash Flow (FCF)	12,730	9,155	5,485	7,082	6,444
PV of FCF	28,221				
Growth rate	0%				
Present value of long-term value	16,637				
Enterprise value	**44,588**				
Debt	8,954				
Cash and cash equivalents	25,025				
Equity value	**60,659**				
Number of shares outstanding (mn units)	3,100				
Target price (VND)	**19,300**				

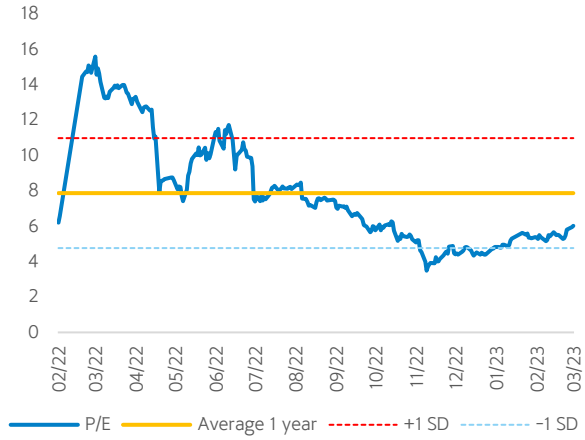
WACC	**15.9%**
Risk-free rate	3.5%
Equity risk premium	11.13%
Beta	1.89
Debt cost	8%
The cost of equity	17.5%
Debt-to-equity ratio	17.6%
Total debt (VND bn)	8,954

Source: Company data, Shinhan Securities Company

Scenario for Brent Oil Price

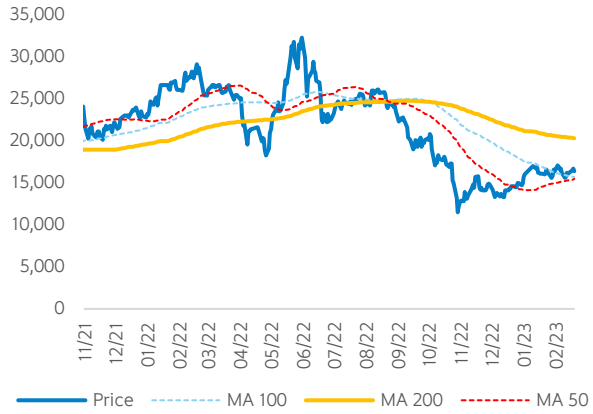
Assumption					
			Base case		
Oil price (USD/barrel)	68	78	**88**	98	108
Oil price change compare to base case (%)	-22.7%	-11.4%		11.3%	22.7%
Valuation					
Target price (VND/share)	16,500	17,900	**19,300**	21,398	22,747
Target price change compare to base case (%)	-18.1%	-8.9%		9.7%	16.6%
P/E	3.5	3.8	**4.2**	4.6	5

BSR's PER 1 year



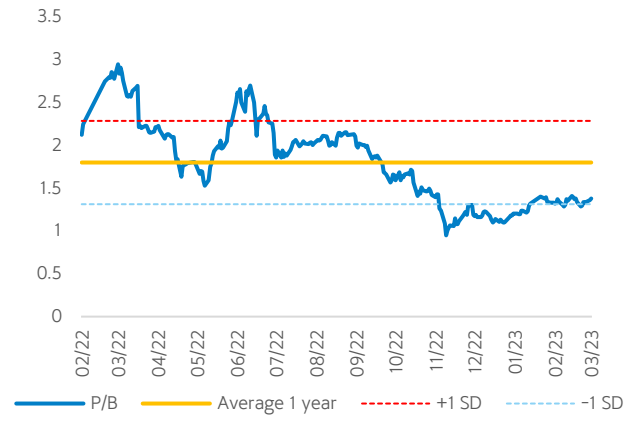
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation between stock price and MA 1 year



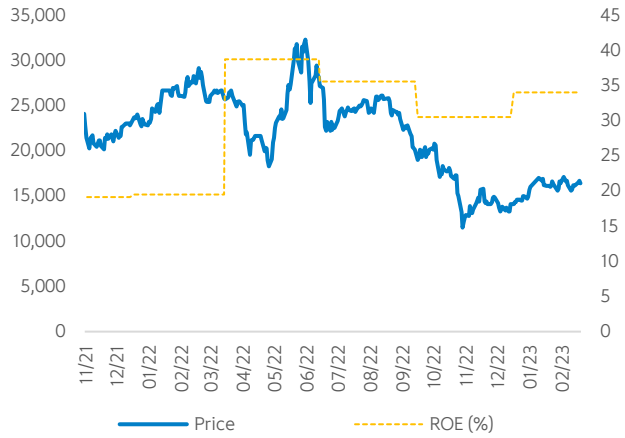
Source: Bloomberg, Company data, Shinhan Securities Vietnam

BSR's PBR 1 year



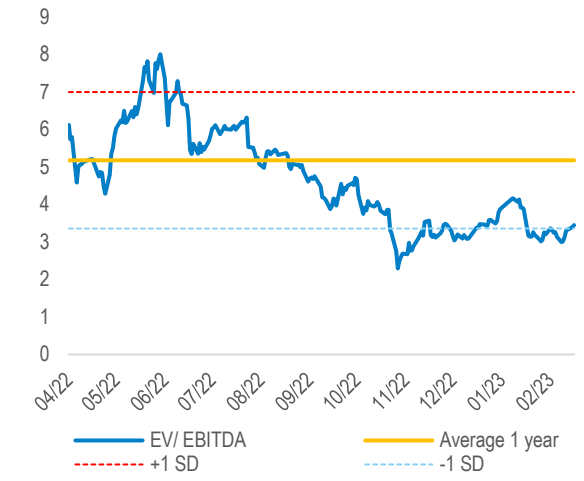
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation between stock price and ROE



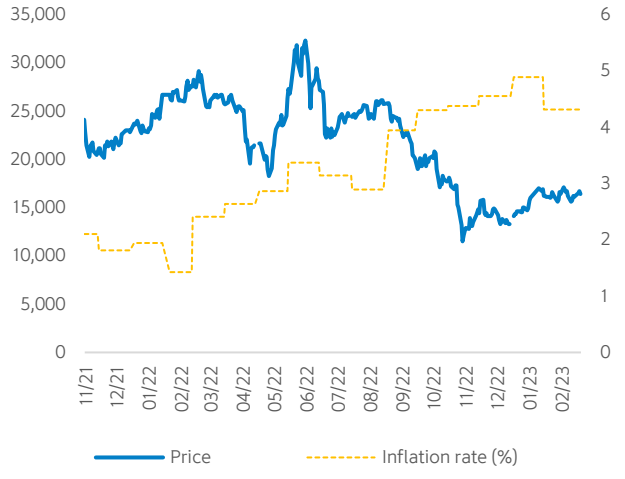
Source: Bloomberg, Company data, Shinhan Securities Vietnam

BSR's EV/EBITDA 1 year



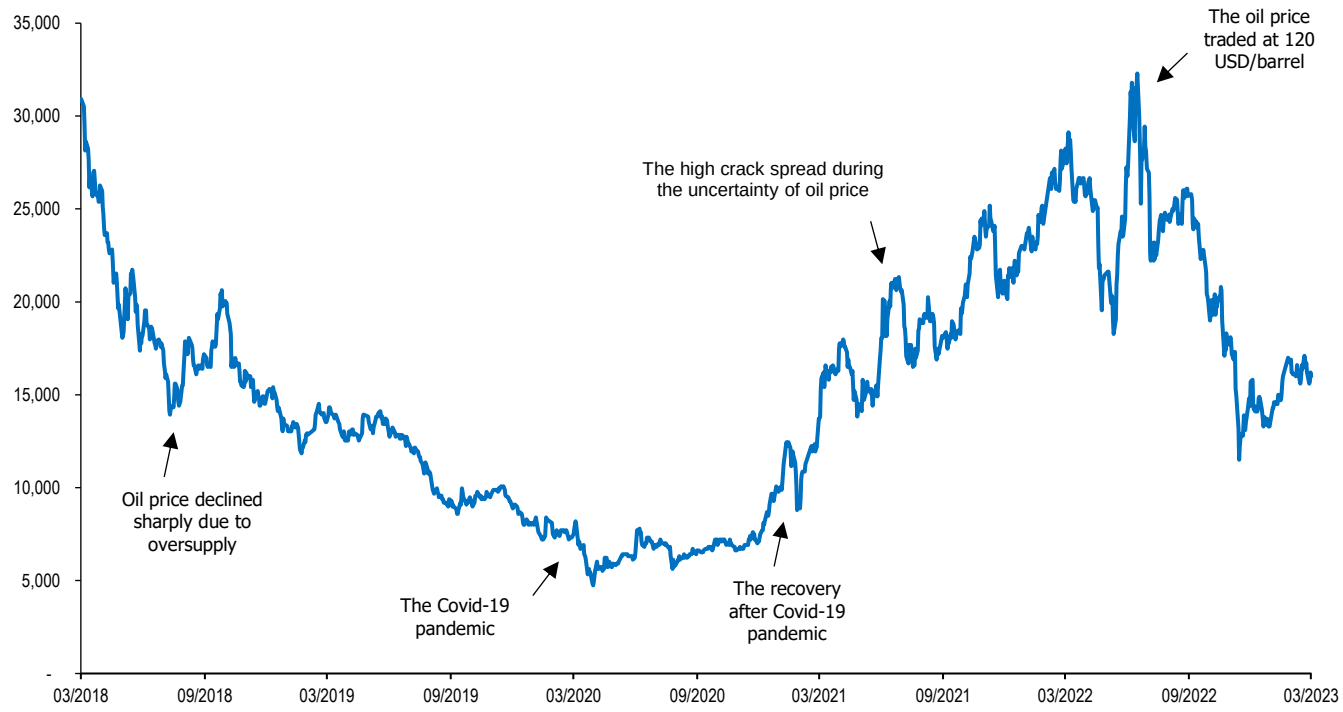
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation between stock price and Vietnam inflation rate



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of BSR



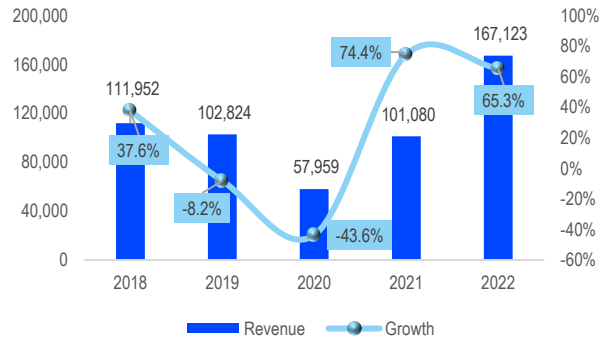
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Company background

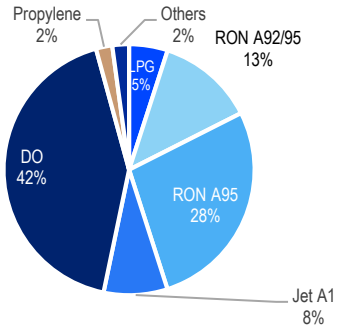
History

Binh Son Refining and Petrochemical Joint Stock Company (BSR) was established in 2008. BSR was assigned to manage and operate Dung Quat Refinery by Viet Nam Oil and Gas group in 2008. Dung Quat Refinery Project is a national focal work regarding oil and gas. In 2018, Binh Son was officially listed on Upcom with the ticker "BSR". BSR is one of only two refineries in VietNam, which provides 35% of its petroleum needs. BSR is operating in the field of RON 92/95, diesel, liquefied petroleum gas and polypropylene. Therein, gasoline and diesel are still mainstay products accounting for over 90% of total production volume and revenue.

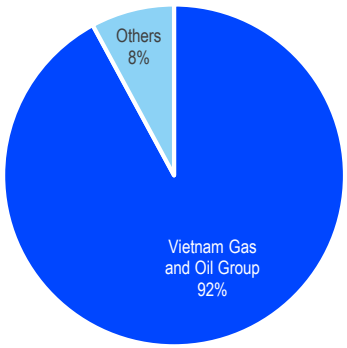
Revenue (bn VND)



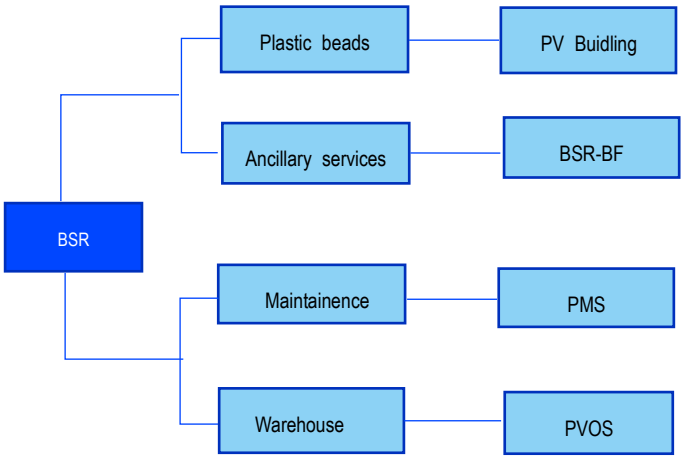
BSR's revenue breakdown by segment (%)



Shareholder Structure 15/03/2023



Model of Governance



Source: Data Company, Shinhan Securities Company

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	66,796	77,796	90,278	89,385	95,518
Current assets	44,544	57,779	69,266	69,690	76,959
Cash & equivalents	16,346	22,853	38,408	44,822	50,912
Short-term financial asset	4,190	2,172	2,172	2,172	2,172
Accounts receivable	13,601	16,324	14,084	10,969	11,513
Inventories	10,358	16,349	14,521	11,647	12,281
Non-current assets	22,251	20,017	19,944	19,811	19,857
Net fixed assets	20,136	18,075	18,002	17,869	17,915
Investment assets	1,206	1,275	1,275	1,275	1,275
Other long-term assets	910	667	667	667	667
Total liabilities	29,232	26,881	30,595	25,054	26,522
Current liabilities	26,940	25,600	29,014	23,273	24,541
Accounts payable	9,450	10,004	8,713	6,988	7,369
Short-term borrowings	9,829	8,954	13,756	11,033	11,635
Others	7,661	6,641	6,545	5,252	5,538
Non-current liabilities	2,291	1,281	1,581	1,781	1,981
Long-term borrowings	943	0	300	500	700
Other financial liabilities	1,349	1,281	1,281	1,281	1,281
Total shareholders' equity	37,564	50,915	59,683	64,331	68,995
Capital stock	31,005	31,005	31,005	31,005	31,005
Capital surplus	0	0	0	0	0
Other capital	3	5,599	5,599	5,599	5,599
Retained earnings	6,562	14,376	22,972	27,529	32,102
Non-controlling interest equity	-6	-65	107	198	289
*Total debt	10,772	8,954	14,056	11,533	12,335
*Net debt (cash)	-9,763	-16,071	-26,525	-35,461	-40,749

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	101,080	167,123	140,842	109,689	115,134
Growth		65.3%	-15.7%	-22.1%	5.0%
COGS	93,381	151,233	130,688	104,819	110,533
Gross profit	7,699	15,890	10,155	4,870	4,601
GPM	7.6%	9.5%	7.2%	4.4%	4.0%
SG&A	1,188	1,421	1,901	1,481	1,554
Operating profit	6,511	14,470	8,253	3,389	3,046
Growth		122.2%	-43.0%	-58.9%	-10.1%
OPM	6.4%	8.7%	5.9%	3.1%	2.6%
Non-operating profit	396	743	809	1,369	1,729
Financial income	1,015	1,664	1,771	2,365	2,702
Financial expense	619	920	963	996	974
In which: interest expenses	407	253	295	328	306
Net other non-operating profit	34	86	74	86	86
Pre-tax profit	6,941	15,299	9,136	4,844	4,861
Income tax	257	905	540	287	288
Net profit	6,684	14,394	8,596	4,557	4,573
Growth		115.4%	-40.3%	-47.0%	0.4%
NPM	6.6%	8.6%	6.1%	4.2%	4.0%
Controlling interest	6,716	14,450	8,424	4,466	4,482
Non-controlling interest	-32	-56	172	91	91
EBIT	7,347	15,552	9,432	5,172	5,167
Growth		111.7%	-39.4%	-45.2%	-0.1%
EBIT Margin	7.3%	9.3%	6.7%	4.7%	4.5%
EBITDA	9,899	17,745	11,677	7,519	7,623
Growth		79.3%	-34.2%	-35.6%	1.4%
EBITDA margin	9.8%	10.6%	8.3%	6.9%	6.6%

Statement of cash flow

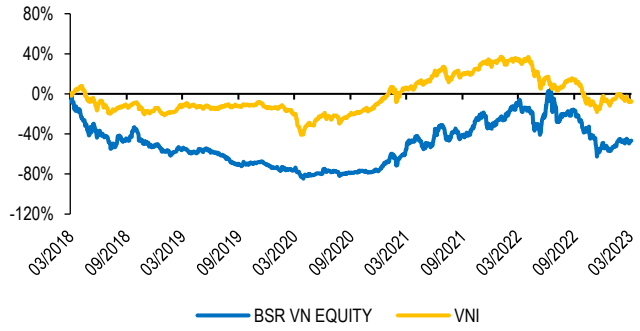
Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	425	7,433	13,350	9,784	6,424
Net profit	6,716	14,450	8,424	4,466	4,482
Depreciation expense	2,552	2,193	2,245	2,347	2,456
(Gain) from investing activities					
Change in working capital	1,295	-9,211	2,681	2,972	-513
Others	-10,138	0	0	0	0
Cash flow from investments	-753	-433	-898	-939	-1,228
Change in fixed assets	-170	-123	-898	-939	-1,228
Change in investment assets	-583	-242	0	0	0
Others	0	-68	0	0	0
Cash flow from financing	4,770	-1,877	3,103	-2,432	893
Change in equity	0	-59	172	91	91
Net borrowing	4,772	-1,817	5,102	-2,523	801
Dividends	-2	0	-2,170	0	0
Change in total cash	4,442	5,123	15,555	6,414	6,090
Beginning cash	12,793	16,346	22,853	38,408	44,822
Change in FX rates					
Ending cash	17,235	21,469	38,408	44,822	50,912

Key ratios

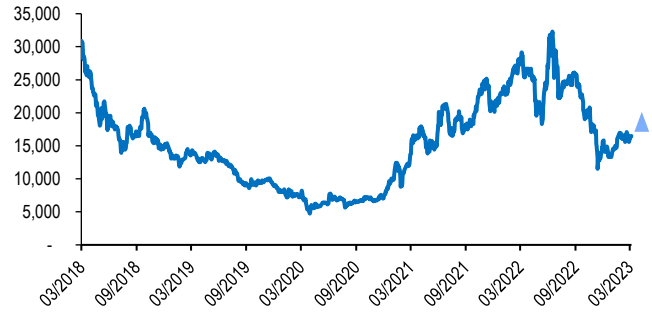
Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	2,166	4,661	2,717	1,440	1,445
BPS (VND)	12,117	16,443	19,215	20,685	22,160
DPS (VND)	0	0	700	0	0
PER (x)	9.0	4.2	7.2	13.6	13.5
PBR (x)	1.6	1.2	1.0	0.9	0.9
EV/EBITDA (x)	6.5	3.6	6.1	11.2	11.7
Dividend payout ratio (%)	0%	0%	26%	0%	0%
Dividend yield (%)	0.0%	0.0%	1.6%	0.0%	0.0%
Profitability					
EBITDA margin	9.8%	10.6%	7.5%	5.2%	4.8%
OPM	6.4%	8.7%	5.9%	3.1%	2.6%
NPM	6.6%	8.6%	6.1%	4.2%	4.0%
ROA	10.0%	18.5%	9.5%	5.1%	4.8%
ROE	17.8%	28.3%	14.4%	7.1%	6.6%
Stability					
Debt to equity ratio	28.7%	17.6%	23.6%	17.9%	17.9%
Net debt ratio	98.6%	90.6%	252.6%	618.3%	740.7%
Cash ratio	60.7%	89.3%	132.4%	192.6%	207.5%
Interest coverage ratio (x)	16.0	57.1	27.9	10.3	9.9
Activity					
Working capital turnover (days)	53	51	53	53	53
Inventory turnover (days)	40	39	41	41	41
Receivable turnover (days)	49	36	37	37	37

Binh Son Refining and Petrochemical Company (BSR VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
15/03/2023 (Initiation)	BUY	19,300	-11	-41.7/9.6
20/04/2023 (Update)	BUY	19,300	-11	-41.7/9.6

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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