

December 2, 2019

Oil & Gas & Chemicals Analyst
Nguyen Vinh
vinhn@kbsec.com.vn

Azeri oil & MFO start up (BSR)

Improving business performance expected for 2020

PetroVietnam (PVN) signs crude oil import contract with Azerbaijan

- PetroVietnam (PVN) signs agreement with Azeri state energy company SOCAR on November 29th to import 5 million barrels of crude oil from Azerbaijan to supply Binh Son Refining & Petrochemical Co's (BSR) Dung Quat Refinery. The import of 5 million barrels in 1H2020 increases BSR's total crude oil imports to 11.6 million barrels or equivalent to 1.58 million tons or 24% of the company's total capacity output
- Operational benefits to BSR should include securing stable oil supply to make up for falling reserves from Bach Ho and other domestic oil fields, while financial benefits are likely a positive boost to gross margins as BSR reduces its mix of higher-priced Vietnamese crude oil supply with cheaper imported oil as well as the additional benefit from the elimination of the 5% crude oil import tax from November 1, 2019 after the government issued *Decision No. 28/2019/QĐ-TTg*.
- We estimate cost savings for BSR at VND800 billion or a VND250 increase in EPS

Launching Marine Fuel Oil (MFO) sales that meets IMO 2020 standards

- BSR has already manufactured and sold 6,000 tons of MFO to BB Energy Singapore customers with a sulfur content of less than 0.05% that meets IMO 2020 standards effective from January 1, 2020
- We expect spreads on MFO to widen as the demand for low sulfur fuel oil products jumps with the launch of IMO 2020 (albeit BSR's proportion of low sulfur MFO is quite low at only about 2-3% of production, sales & gross profit)

November performance inline but December looking weaker

- Production reached 6.4 million tons for the year until November or 107% of capacity in the absence of any maintenance shutdowns in 2019. Estimated revenue until November reached VND92,848 trillion or 94.7% of BSR's 2019 plan and October and November revenue recorded VND18,922 billion (or 82.2% of 3Q's revenue). However, gasoline and diesel prices are showing signs of weakness (gasoline falling & diesel moving sideways) and we expect a weak December to make it unlikely for BSR to reach its full-year revenue target for 2019
- We expect better performance for 2020 as gasoline and diesel spreads widen due to IMO 2020 and reduced trade war tensions. Despite BSR's scheduled 3-year maintenance (2-month shutdown), we expect strong product pricing to keep earnings flat to slightly higher in 2020

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

congltt@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276
Email: ccc@kbsec.com.vn
Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.