

July 21, 2020

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

# Binh Son Refinery (BSR)

## 2Q loss but better outlook for 2H

### Losses continue into 2Q but post-lockdown recovery better reflected in 2H results

— 2Q losses reached VND1,897 billion versus 2019's profits of VND106 billion on revenue of VND13,736 billion that plunged by 50.7% YoY. Weak 2Q results should have largely been expected as they still reflect: 1) the brunt of the pandemic-induced fall in global refinery product demand; and 2) decreased domestic output and consumption due to Vietnam's nationwide lockdown. Losses for 1H were VND4,245 billion versus last year's earnings of VND704 billion but 2Q losses did narrow on inventory provision reversals of VND500 billion with the bounce back in oil prices. Moreover, management indicated that the company returned to profitability in June, which bodes well for continuing recovery into 2H.

### Gasoline prices recovering with reopening

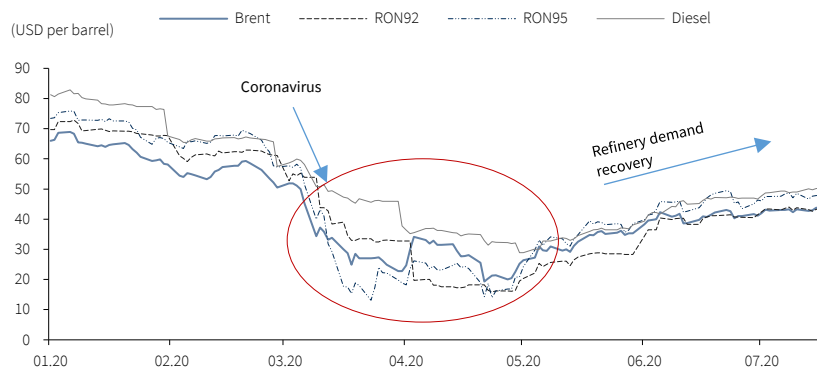
— Earnings performance should improve in the coming quarters alongside recovery in BSR's refining margins. Retail prices for diesel, RON95 gasoline and RON92 gasoline have already rebounded by about 30% from April with the reopening of the economy. This pickup in demand and higher oil prices should sustain steady recovery in ex-factory product prices in 2H and into 2021E.

### No further update on HNX relisting but may require up to five to six months

— Management did not disclose any further details on the move to the Hanoi Stock Exchange (HNX) from the previous indication that the relisting could take anywhere from two to six months. Importantly, BSR submitted documents for approval in early June before booking cumulative losses in shareholders' equity (the HNX requires positive retained earnings to list). Nonetheless, the move may require up to five to six months when looking at the relisting of Vietnam Rubber Group (GVR) – another state-owned company—that moved to the Ho Chi Minh Stock Exchange from UPCoM in March that took five months to complete.



**Fig 1. Global refinery products- Diesel, RON95 & RON92 price movements, Jan 2020 - July 2020 (USD per barrel)**



Source: KBSource

## KB SECURITIES VIETNAM RESEARCH

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**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**

trinhtt@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**

congl@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)

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### 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](mailto:ccc@kbsec.com.vn)  
Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

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### 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

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