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Binh Son Refinery (BSR)

1Q loss on COVID-19 double whammy

1Q loss as COVID-19 double whammy hits both product prices & refinery demand

— 1Q loss at VND2.3 trillion vs 2019's 597.8 billion in earnings as COVID-19 hits product pricing and refinery demand. Revenue fell by 10.8% YoY to VND19.9 trillion. Prices for RON 92, RON 95 and Singapore diesel prices also fell by 16.6%, 8.9%, and 15.5%, respectively, during 1Q and led to a 21.9% drop in revenue for these main products to VND17.9 trillion. Losses were seen at the gross profit level (GPM was minus 11.9%) as the sharp drop in oil prices failed to fully offset the impact from lower product pricing. Cost of goods sold actually exceeded sales and were only down 10.8% to VND19.9 trillion (as seen before in 4Q 2018 when Brent oil prices fell by 20%). BSR's inventory turnover numbers 30 days, which delayed the recognition of 1Q's 29% drop in Brent prices. Crude oil represents 94% of BSR's total operating costs (COGS + SG&A).

Going into maintenance turnaround in 2Q or 3Q

— BSR will conduct its maintenance turnaround (done every three years) between 2Q and 3Q for about two months. The utilization rate should fall to 98% (from 110% normally) and lower total annual output by about 20%.

No resolution on the financing plans for upgrading facilities and additional capacity

— BSR still needs to raise USD1.8 billion in financing to expand and upgrade its refining assets in 2020E. This project will not be backed by the government according the plan stated in its IPO. The company has submitted three plans to the Petro Vietnam Oil & Gas Group (PVN) parent, including: 1) directly raising funds via an overseas loan; 2) taking a loan from the PVN parent; or 3) the PVN parent guaranteeing a loan for BSR. Even if BSR is unable to raise the full amount, management has stated that will need USD300 million to upgrade its current capacity to meet the Euro V standard. Should the company fail to raise capital this year then management has already stated that it may need to delay any expansion and upgrading investments to next year.

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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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