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Binh Son Refinery (BSR)

HNX listing delayed

HNX listing application withdrawn due to unfavorable oil prices and coronavirus pandemic

— Binh Son Refinery (BSR, BUY, TP VND8,100) officially withdrew its Hanoi Stock Exchange (HNX) listing application after the pandemic's second wave led to weaker-than-expected 3Q results that failed to turn retained losses positive. BSR will need to eliminate 3Q's VND1,215 billion in cumulative losses to meet the HNX's listing requirements – compared to 2019's normalized year-to-September earnings of VND1,325 billion – that arose from 1Q's sharp drop in ex-factory prices and 2Q/3Q's pandemic-induced weakness in global and domestic refinery product demand.

Only a temporary delay and retained earnings should turn positive again by 1Q2021E

— Management has not set any date to reapply for the HNX listing at this stage but, nonetheless, any delay should be short-lived, in our view. We estimate that BSR's retained losses will turn positive again in 1Q2021E after earnings regain momentum in the seasonally-strong 4Q and recovery continues throughout 2021E. Moreover, any delay should not be prolonged as the company needs the HNX listing to facilitate the sell down of Vietnam Oil & Gas Group's (PVN) 92.1% stake to 49% as part of its privatization plan. We continue to believe BSR's earnings turnaround is well underway and should be clearly evident in strong 4Q earnings recovery following 3Q's two-month maintenance shutdown at the *Dung Quat* refinery. Over the mid- to long-term, we believe the expansion/upgrade of the *Dung Quat* refinery will mark BSR's entry into the lucrative and high-demand petrochemical industry, especially with the start of imports for LNG feed stock commencing from 2023E. We maintain our BUY recommendation and 12-month target price of VND8,100.

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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

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