

Vietnam Oil & Gas

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August 3, 2021

Buy Maintain

Recommendations

PV Gas (GAS)

Current price	VND89,000
Target price	VND107,800

PV Trans (PVT)

Current price	VND18,300
Target price	VND24,000

Binh Son Refinery (BSR)

Current price	VND18,700
Target price	VND22,500

Vietnam oil & gas sector strongly benefited from high oil prices

We maintain our BUY recommendation for oil & gas stocks thanks to a positive outlook on the world oil & gas prices, which are much higher than USD55/barrel breakeven level. We uplifted our 2021F world oil prices to an average of USD67/barrel, which can dramatically boost profit and earnings per share of oil & gas enterprises.

We recommend BUYING GAS, PVT and BSR stocks

We like PV Gas (GAS) because it can strongly benefit from the uptrend of oil prices as well as the prospect of liquefied natural gas (LNG) imports in the coming time. We are also optimistic about PV Transportation (PVT) and Binh Son Refinery (BSR) thanks to the rising demand and energy imports in Vietnam.

2Q profit recorded an impressive increase

2Q profit went up despite the pandemic thanks to recovering oil prices. We take a positive stance on the oil & gas sector in 2H21 driven by high world oil prices. The recovery of crude oil prices from the bottom allowed companies to reverse provisions, contributing to an increase in retail prices of gasoline and diesel (DO). These are the two main reasons for BSR's high profit in 1H21 following overall maintenance in 2020. Meanwhile, PVT should capitalize on the low ship prices in recent years to complete its expansion plan, opening up opportunities for more sustainable growth in 2H21 and the following years. Finally, GAS – our top pick, which benefited directly from the Brent-based domestic gas pricing mechanism, may record more positive business results in 2H21 thanks to surging electricity consumption and the disappearance of La Nina phenomenon from 2Q.

Risks: Delays of equitization & new gas projects approval

The free float of Vietnam oil & gas stocks is quite low due to the delays of equitization and new gas projects approval. Furthermore, the investment in LNG terminals may still face challenges once these projects are put into operation due to possible oversupply as a result of new gas fields' excessive production.

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I. World oil prices outlook

We are optimistic about the oil prices outlook, supported by (1) Growing demand in the wake of countries' gradually reopening their economies after COVID-19 lockdowns; (2) Tight supply not meeting market demand even though OPEC+ has reached an agreement to increase oil supply to 400,000 barrels per day through the end of 2022.

Fig 1. Global – Current & Forecast Brent Oil Prices (USD/barrel)

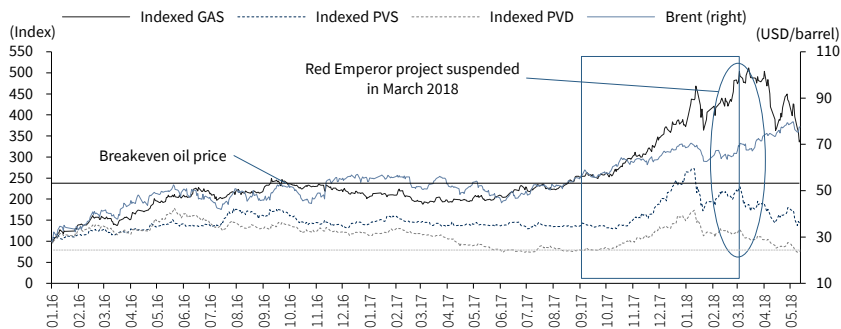


Source: Bloomberg, KB Securities Vietnam

Oil & gas stock prices moved positively when the world oil prices exceeded USD55/barrel breakeven level

In the past, Vietnam oil & gas stocks rebounded after Brent oil prices surpassed the production breakeven level of Southeast Asia at USD55/barrel, following the crashes of oil prices in 2015–2016. The correlation was obvious when oil prices start to recover from the low bottom. Besides, according to historical data, while GAS stock prices seemed to move with Brent oil prices, PV Technical Services (PVS) and PV Drilling (PVD) stock prices appeared to fluctuate. The most recent cycle of oil & gas stocks started in January 2016 when Brent bottomed at USD28 and ended when the Ca Rong Do (Red Emperor) project was suspended in March 2018 and crude oil prices rose to USD70.

Fig 2. Vietnam – Stock and Brent oil prices (Index, USD/barrel)

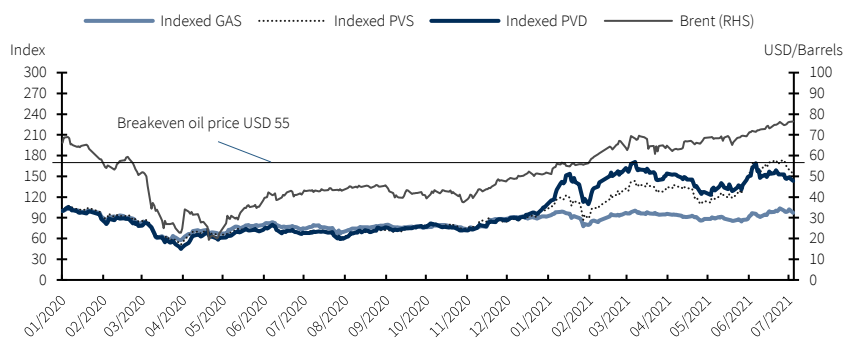


Source: Bloomberg, KB Securities Vietnam

The correlation was also shown in 2020

Brent oil prices dropped to the bottom at USD22.7 per barrel amid COVID-19 but strongly increased after that. The movement of oil and gas stock prices closely followed the recovery of oil prices especially when it surpassed USD55 per barrel.

Fig 3. Vietnam – Stock and Brent oil prices (Index, USD/barrel)



Source: Bloomberg, KB Securities Vietnam

II. Crude oil and natural gas exploration status

We suppose crude oil production to continue to fall

We forecast crude oil production will continue to fall by 5% per year due to (1) Difficult exploration of old fields' reserves; (2) Big challenges in resuming Red Emperor as well discovering new fields in the disputed area.

Table 1. Vietnam – Estimated crude oil production & consumption (thousand barrels/day)

Metrics/Year	20	21E	22E	23E	24E	25E	26E	27E	28E	29E
Production (thousand bbl/day)	194	184	175	166	158	150	143	135	129	122
Consumption (thousand bbl/day)	307	377	343	356	398	343	356	398	343	398
Proven reserves (billion barrels)	4.2	4.2	4.1	4.0	4.0	3.9	3.9	3.8	3.8	3.7
Reserves to production (years)	60	62	64	67	69	72	74	77	80	84

Source: KB Securities Vietnam

Crude oil production decreased after its peak in 2015

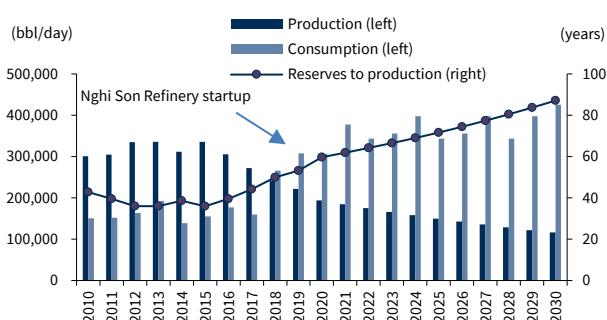
Current oil fields' production of Vietnam has been in decline ever since its record high in 2015. The discovery of the large oil & gas field Red Emperor in the Nam Con Son basin (Crude oil & gas output can reach 30,000 barrels per day and 0.62 billion cubic meters per year, respectively) made the outlook brighter but the project has been suspended under pressure from China since 2017. Besides, the old fields' volume has gradually decreased. In particular, Bach Ho, once the country's largest oil field with 27% of Vietnam's total oil production, has declined in production since 2006 after 30 years of exploration. Other notable fields such as Rang Dong (6%), Su Tu (35%), Dai Hung, Ruby, Te Giac Trang are now in similar situations.

Table 2. Vietnam oil & gas– Estimated crude oil production by field (billion m³/year)

Field/year (thou bbl/day)	20	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Bach Ho	54	50	46	43	39	36	34	31	29	26	24
Rang Dong	14	13	11	10	9	8	7	6	6	5	5
Su Tu	70	63	57	51	46	42	37	34	30	27	25
Others	55	58	61	62	63	64	64	64	64	63	63
Total crude output	194	184	175	166	158	150	143	135	129	122	116

Source: KB Securities Vietnam

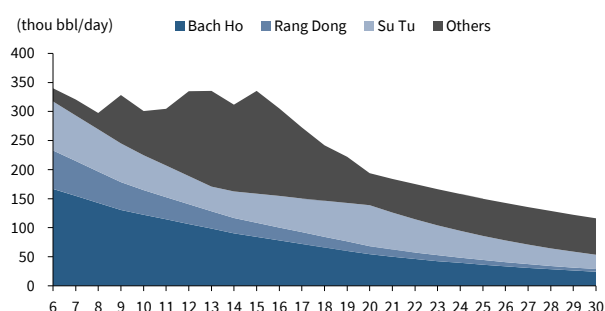
Fig 4. Vietnam – Production, consumption & reserves of crude oil (barrels/day)



Note: Consumption (2010–2019) = Production (P) + Imports (M) – Exports (X)

Source: General Statistics Office of Vietnam, KB Securities Vietnam

Fig 5. Vietnam – Crude oil production (thousand barrels/day)

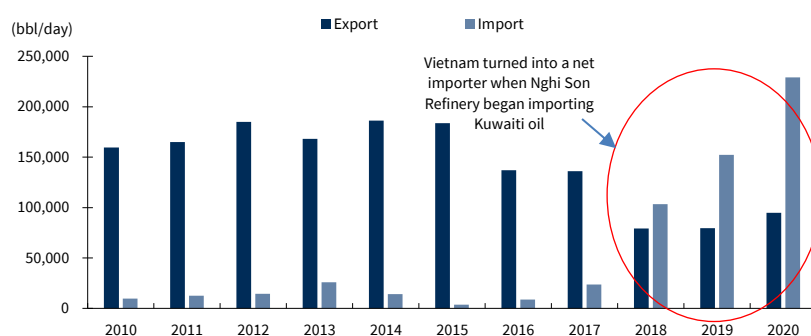


Source: General Statistics Office of Vietnam, KB Securities Vietnam

Vietnam's crude oil import turnover surpassed its export turnover

Vietnam has imported crude oil since 2018 when Nghi Son Refinery completely used Kuwaiti crude oil after coming into operation. In contrast, BSR mainly used domestic oil.

Fig 6. Vietnam – Crude oil imports & exports (barrels/day)



Source: General Statistics Office of Vietnam, KB Securities Vietnam

Natural gas production also showed signs of falling

Similar to oil fields, Vietnam's current gas fields' production has continuously plunged since its peak in 2018. Should no new major gas fields happen to come into operation, Vietnam's gas output may plummet more than half to 5.8 billion cubic meters from 8.8 billion cubic meters facing declining gas reserves. This can lead to an obvious supply-demand mismatch among growing demand for electricity and difficulties in hydroelectric exploitation due to extreme weather in the coming time.

Table 3. Vietnam – Estimated natural gas production & consumption (billion m³)

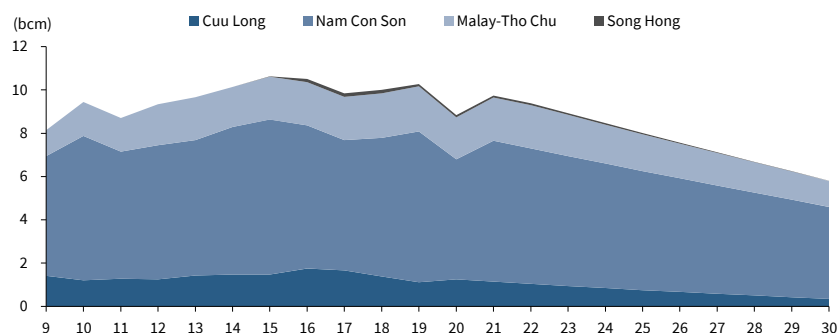
Metrics/Year	20	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Production (bcm)	8.8	11.3	12.0	12.4	15.3	25.5	29.0	29.9	40.3	43.4	42.9
Consumption (bcm)	8.8	14.3	18.3	18.3	31.5	39.3	56.9	59.1	70.9	75.4	81.0
Proven reserves (bcm)	709.2	697.8	685.8	673.4	658.1	632.6	603.6	573.7	533.4	490.0	447.1
Reserves to production (years)	80.2	61.7	57.1	54.2	43.1	24.8	20.8	19.2	13.2	11.3	10.4

Source: KB Securities Vietnam

Table 4. Vietnam – Estimated gas production by tank (assuming no new fields) (billion m³)

Basins/years (bcm)	20	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Cuu Long	1.2	1.1	1.0	0.9	0.8	0.7	0.7	0.6	0.5	0.4	0.3
Nam Con Son	5.5	6.5	6.3	6.0	5.8	5.5	5.3	5.0	4.8	4.5	4.3
Malay-Tho Chu	1.9	2.0	2.0	1.9	1.8	1.7	1.6	1.5	1.4	1.3	1.2
Song Hong	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total gas output	8.8	9.7	9.4	8.9	8.5	8.0	7.6	7.1	6.7	6.2	5.8

Source: KB Securities Vietnam

Fig 7. Vietnam – Gas production (assuming no new fields) (billion m³)

Source: PV Gas, General Statistics Office of Vietnam, KB Securities Vietnam

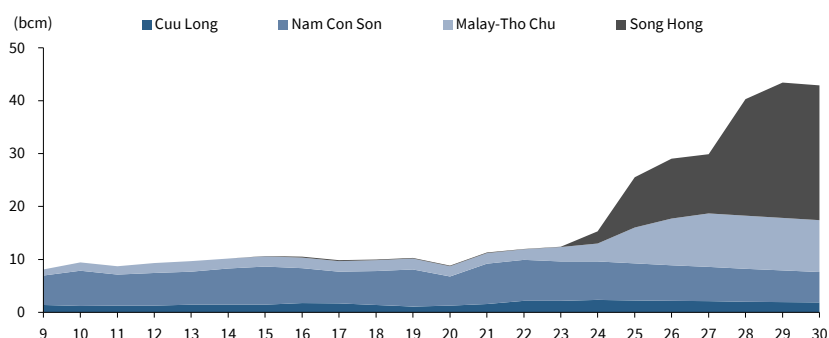
Gas volume can rebound if large-scale gas projects are approved

Gas production outlook may change for the better once new gas projects are approved. However, we do not appreciate this scenario in the short term due to the complicated approval process. Hypothetically, high potential projects like Ca Voi Xanh (Blue Whale) and Block B, if approved, could quadruple production to 42.9 billion cubic meters by 2030 from the end of 2021 level.

Table 5. Vietnam – Estimated gas production (assuming new fields) (billion m³)

Basins/years (bcm)	20	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Cuu Long	1.2	1.6	2.2	2.1	2.3	2.2	2.2	2.1	2.0	1.9	1.8
Nam Con Son	5.5	7.6	7.8	7.5	7.3	7.0	6.8	6.5	6.3	6.0	5.8
Malay-Tho Chu	1.9	2.0	2.0	2.7	3.4	6.8	8.8	10.1	10.0	9.9	9.8
Song Hong	0.1	0.1	0.1	0.1	2.3	9.5	11.3	11.2	22.1	25.6	25.5
Total gas output	8.8	11.3	12.0	12.4	15.3	25.5	29.0	29.9	40.3	43.4	42.9

Source: KB Securities Vietnam

Fig 8. Vietnam – Natural gas production, assuming new fields (billion m³)

Source: PV Gas, General Statistics Office of Vietnam, KB Securities Vietnam

III. Updates on developing gas fields

The first gas flow of White Lion in phase 2A was received

In June 2021, the first gas flow of Su Tu Trang (White Lion) project in phase 2A was received, two quarters behind the Government's initial plan but it was still a positive signal in the sector. The total investment capital of phase 2A was USD138 million with the reserves expected to be 5.5 billion cubic meters of gas and 63 million barrels of condensate. The project will be operated by Cuu Long JOC, which might temporarily handle the shortage of natural gas thanks to its contribution of 1 billion cubic meters per year while old gas fields are becoming more and more difficult to explore.

After the successful launch of phase 2A, White Lion in phase 2B is being developed, which will benefit GAS, the sole natural gas distributor, and PVS. GAS should transport and distribute 2 billion cubic meters of gas per year produced in phase 2B from 4Q23. Meanwhile, PVS is expected to gain the engineering, procurement and construction (EPC) contract with a total investment of USD500 million from 2022 to develop the upcoming phase 2B. However, phase 2B is still likely to be behind schedule as what happened with phase 2A in the past.

Upstream megaproject Block B – O Mon showed signs of resuming

Block B gas project showed signs of resuming after 4 years of delay although it may be uncertain due to the use of ODA capital for the construction of O Mon III factory. However, we expect GAS and PVS to gain certain benefits when Block B are put into operation. In particular, PVS should reach the 1.3-billion-dollar EPC contract within 3 years. Besides, GAS will likely return revenue for distributing 7 billion cubic meters of gas per year or 70% of current gas production from the gas fields. The launch of Block B will bring a brighter future for the oil & gas industry as the total investment of USD10 billion also means more job opportunities will be created for the upstream service companies.

Located in Malay – Tho Chu basin off the Southwest coast, Block B is expected to start the construction in 2H25, in our view. Despite the risk of not being approved by March 2021, we still hope that the project will be carried out soon in the future to make up for Vietnam's current tight gas supply.

Potentials from new projects in the future are big

Besides Block B, two other super projects, namely Blue Whale and Ken Bau, have also been considered for exploration. In the future, the full capacity exploration of these three projects can help quadruple Vietnam's natural gas production to 43.1 billion cubic meters by the end of 2030. We believe that these projects will be implemented despite the possibility of delays (except for Ken Bau) and that the initial plans for Block B and Blue Whale were submitted more than 10 years ago. Given the current gas supply situation, we emphasize that putting such large projects into operation is of significant importance because it can greatly affect Vietnam's oil & gas sector.

“Megaprojects” can help the upstream segment to recover, but it is too early to hope for the transformation of upstream businesses.

Upstream exploration and production (E&P) businesses such as PVS and PVD can benefit from the launch of natural gas projects, but it is still too early to say for sure due to some complicated issues and tense maritime delimitation. Also, fierce competition and low oil prices will make the profit margin of PVS and PVD tighter. However, potential contracts mainly come from fields smaller than Blue Whale and Block B including Sao Vang–Dai Nguyet, White Lion in phase 2 and Nam Du Minh. It is likely that Blue Whale and Block B will continue to be delayed. Projects that can be explored in the short term are Dai Nguyet and White Lion in phase 2.

Table 6. Vietnam – Gas projects

Projects	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E
<i>Sao Vang Dai Nguyet</i>		EPC + FSO + JUs (USD600 mn)							
<i>White Lion phase 2</i>					EPC + FSO (USD500 mn)				
<i>Nam Du - U Minh</i>					EPC + FSO (USD850 mn)				
<i>Blue Whale</i>							(Estimated investment value = USD10 billion)		
<i>Block B - O Mon</i>						EPC + FSO + 1 tender barge + 1 JUs (USD1.2 bn)			
<i>Red Emperor</i>	Suspended								

EPC = Engineering, Procurement and Construction Contract; FSO = FSO vessel; JU = Jack-up

Note: Red Emperor Project has been suspended due to maritime territorial dispute

Source: KB Securities Vietnam

IV. Downstream operation status

Demand for petrol & gas is negatively affected in the short term due to the resurgence of COVID-19

The COVID-19 pandemic caused disruptions to production, business, and transportation, which led to a decrease in demand for petroleum and gas. Assuming the vaccination acceleration and better control of COVID-19, we expect a sharp increase in demand by the end of 3Q21 to bring Petrolimex (PLX) – the leading petroleum distributor back to the trajectory.

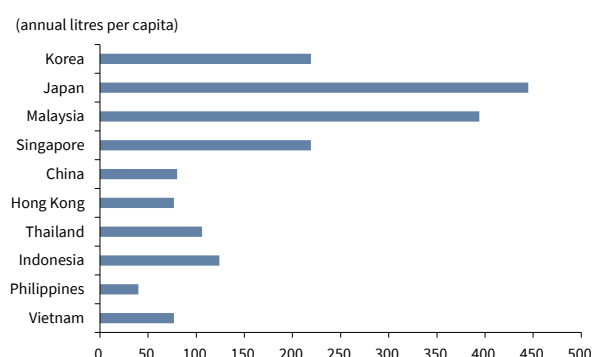
Vietnam's annual per capita gasoline consumption still has room for growth

In the pre-epidemic period, Vietnam's per capita gasoline consumption was only 77 liters compared to 106 liters in Thailand and 124 liters in Indonesia in 2019. This can be attributable to the ratio of gasoline costs to income levels across countries, of which Vietnam needs 12% of monthly income to consume 40 liters of gasoline as compared to 6% in Thailand and 8% in Indonesia. Therefore, when Vietnam's per capita income continues to improve in the near future, Vietnam's gasoline consumption demand will also grow, narrowing down the gasoline consumption gap among Southeast Asian countries.

Increasing auto sales despite the Coronavirus helps oil refineries and gas station operators to maintain growth

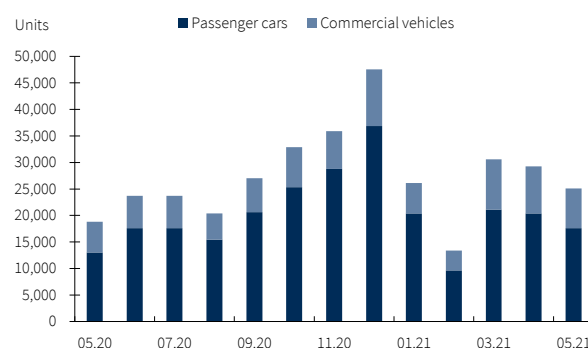
Vietnam is not a large automobile market with just over 200,000 consumed every year. However, the annual consumption has increased over the years due to decreasing car prices thanks to tax cuts from the Decree No. 57/2020/ND-CP and agreements EVFTA and ATIGA. The Vietnam National Assembly would further discuss tax cuts on special consumption, which is proportional to the localization rate of each car model. This may help promote affordable car consumption accordingly. The tax cut under the Decrees and agreements like the Common Effective Preferential Tariff (CEPT) Agreement can boost the car sales, similar to the time when Vietnam reduced the tax from 60% to 50% in 2015 and 40% in 2016 for imported cars from Southeast Asia.

Fig 9. Asia – Gasoline consumption (liters/capita)



Source: Global Petrol Prices, KB Securities Vietnam

Fig 10. Vietnam – Passenger & commercial vehicles (units)

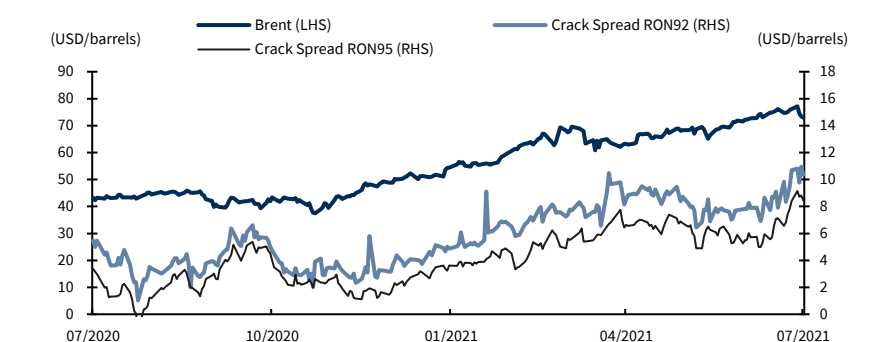


Source: Vietnam Automobile Manufacturers' Association, KB Securities Vietnam

Crude oil crack spread recovered significantly from the 2020 bottom

With the recovery of crack spread due to higher oil prices and recovery of transportation activities, refineries such as Dung Quat with a capacity of 6.5 million tons and Nghi Son with a capacity of 10 million tons may record positive profit from a tremendous loss in 2020. However, please note that the fourth wave of COVID-19 may negatively affect petroleum consumption demand in Vietnam in the short term.

Fig 11. Vietnam – Brent oil prices and Crack spread (USD/barrel)



Source: Bloomberg, KB Securities Vietnam

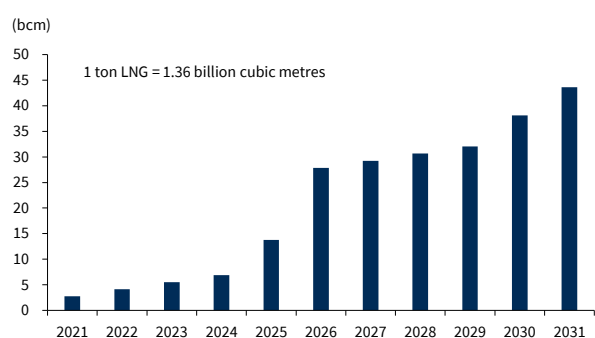
Petrochemical projects will be built or resumed

Long Son Petrochemicals (LSP) will come into commercial operations from 2023 to meet the great demand for petrochemicals. Besides, Dung Quat and Nghi Son will reach their full capacity after the tough year 2020. Dung Quat completed its 2-month maintenance in October 2020 and Nghi Son also gradually increased its utilization efficiency to 80% in 2021 vs. 70% in 2019 when it was put into operation. We believe that PVT will strongly benefit from this due to the increasing demand for crude oil transportation to refineries.

V. LNG long-term growth potential

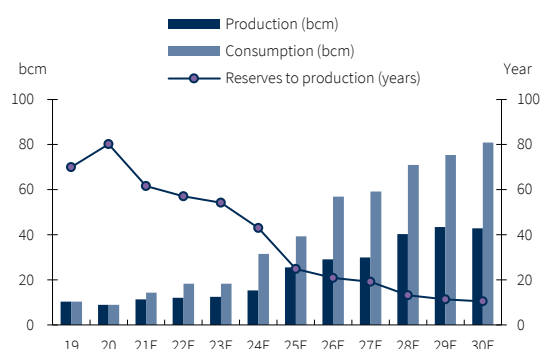
Given the increasing demand for energy and electricity to build new thermal power plants of Vietnam Electricity (EVN) while the domestic supply is limited, we believe importing LNG is the most effective way to mitigate the situation. This will also help Vietnam oil & gas sector to grow in the long term, solving the shortage of gas supply. GAS and PVT would be the two pioneers to catch up with this trend as GAS is the investor of a large number of new terminals in Vietnam and PVT signed a strategic agreement with GAS to deliver imported LNG to GAS's terminals.

Fig 12. Vietnam – LNG volume from new terminals (billion m³)



Source: Vietnam Gas Industry Master Plan, KB Securities Vietnam

Fig 13. Vietnam – Natural gas (billion m³)



Source: KB Securities Vietnam

GAS would be the first to import LNG

GAS would invest in nine out of 14 LNG terminals during 2022–2035. If it is carried out as planned, we estimate Vietnam will import 38.1 million tons of LNG per year or 47% of its 2030E gas demand. Hai Linh LNG terminal of Hai Linh Company Limited will be the first LNG terminal to go into operation in 2021. Thi Vai terminal of GAS will quickly follow and come into operation in 2022. Moreover, GAS also opened a bid for Thi Vai in phase 2 to soon come into operation in 2023 as the construction of Thi Vai in phase 1 was ahead of schedule.

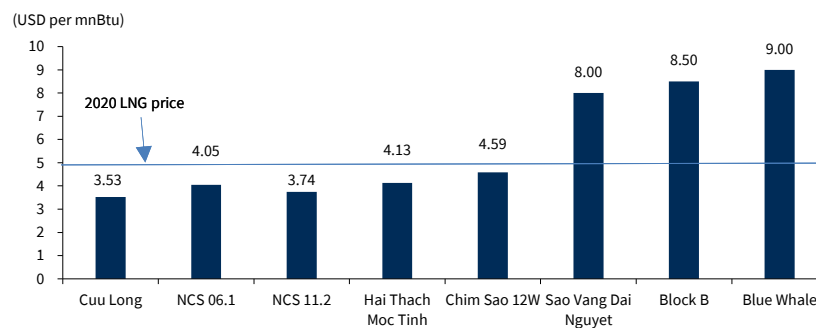
Table 8. Vietnam oil & gas – LNG terminals

LNG import terminal	Launch	Main investors	Capacity (MTPA)
Thi Vai (Ba Ria Vung Tau)	2022		1-3 MT
Hon Khoai (Ca Mau)	2022-25 (phase 1) 2025 - (phase 2)		1MT (phase 1) 2MT (phase 2)
Tien Giang (Tien Giang)	2022-25		4-6 MT
Son My (Binh Thuan)	2023-25 (phase 1) 2027-30 (phase 2) 2031-35 (phase 3)	PV Gas (GAS)	1-3 MT (phase 1), 3 MT (phase 2) & 3 MT (phase 3)
Thai Binh FSRU	2026-30		0.2-0.5 MT
My Giang (Khanh Hoa)	2030-35		3 MT
Cat Hai (Hai Phong)	2030-35		1-3 MT
Nam Van Phong (Khanh Hoa)	2025	Petrolimex (PLX)	1 MT
Hai Linh LNG (Vung Tau)	2021 (phase 1) 2023-25 (phase 2)	Hai Linh Limited (unlisted)	2-3 MT (phase 1) 6 MT (phase 2)

Source: Vietnam Gas Industry Master Plan, KB Securities Vietnam

LNG has been exported to the US and Russia at USD6.50/million BTUs. Industry experts reported the wellhead price was USD10.50/million BTUs for Block B, USD9/million BTUs for Blue Whale and USD8/million BTUs for Sao Vang Dai Nguyet. Even with additional 30% of transportation and gasification costs, imported LNG is still very competitive and suitable for power plants.

Fig 14. Vietnam – Wellhead prices (USD/mnBtu)



Source: PV Gas, Bloomberg, KB Securities Vietnam



Companies

PV Gas (GAS)

PV Trans (PVT)

Binh Son Refinery (BSR)



PV Gas (GAS)

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1H21 earnings were positive

GAS announced 2Q21 earnings of VND2,301 billion (+26% YoY) on revenue of VND22,701 billion (+46% YoY). Its 1H21 earnings were VND4,358 billion (+4.3% YoY) on revenue of VND40,272 billion (+23.2% YoY). 2H21 should be more positive given increasing Brent oil prices and gas demand, contributing to PVS production with estimated earnings of VND10,582 billion (+32.7% YoY) by the end of 2021.

The roadmap for exploring new gas fields is positive

Putting White Lion in phase 2A in operation can contribute additional 1.0 billion cubic meters of oil per year and temporarily solve the lack of natural gas while old gas fields are more difficult to explore. We forecast the production volume of 10.22 million tons in 2021 (+14.2% YoY).

Gas consumption should surge compared to it in 1H21

In our opinion, natural gas demand will surge in 2H21 thanks to increasing electricity consumption, assuming that La Nina will fade away. This would help contribute to an increase in gas power proportion of EVN from 3Q21.

We maintain BUY recommendation with a target price of VND107,800 per share

We maintain BUY recommendation for GAS stocks with a target price of VND107,800 per share, 21.1% higher than that on July 27, 2021 based on business outlook and possible risks.

Buy maintain

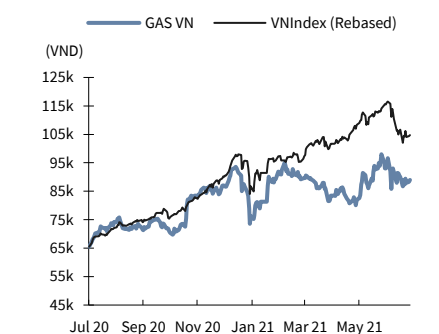
Target price	VND107,800
Total return (%)	21.1
Current price (July 27)	VND89,000
Consensus target price	VND102,800
Mkt capitalization (USDmn)	7,400

Trading data	
Free float (%)	4.2%
Avg trading value (3T)	USD3.6mn
Foreign available (%)	46.2%
Major shareholder (%)	PetroVietnam (95.8%)

Share price performance				
(%)	1M	3M	6M	12M
GAS	4.4	-4.8	10.4	33.3
VN Index	15.9	-9.0	4.1	57.3

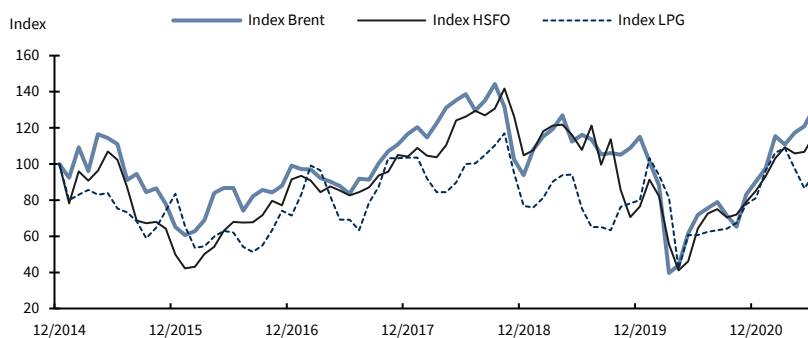
Forecast earnings & valuation

FY-end	2019A	2020A	2021E	2022E
Revenue (VNDbn)	75,005	64,135	80,440	86,123
EBIT	13,648	8,682	12,431	13,330
NP attributable to parent	11,902	7,855	10,370	11,231
EPS (VND)	6,142	4,028	5,418	5,868
EPS growth (%)	-34.4	34.5	8.3	16.8
P/E (x)	14.1	20.8	19.9	21.3
EV/EBITDA (x)	8.8	12.5	12.5	13.7
P/B (x)	3.5	3.2	3.8	4.0
ROE (%)	28.7	17.7	21.9	23.1
Dividend yield (%)	5.2	3.6	2.8	3.2



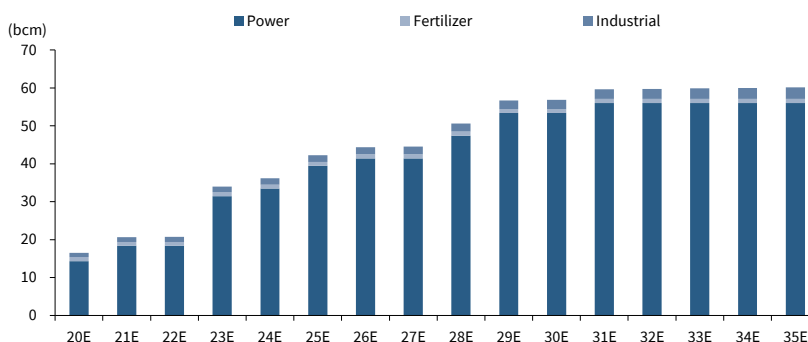
Source: KB Securities Vietnam

Fig 15. Global – Brent, HSFO & LNG, 2015–2021 (Index)



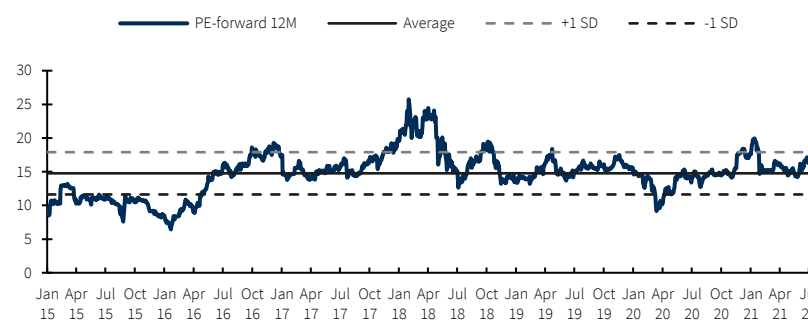
Source: Bloomberg, KB Securities Vietnam

Fig 16. Vietnam – 2020–2035E demand by sector (billion m³)



Source: Bloomberg, KB Securities Vietnam

Fig 17. GAS – PE (Forward 1y), 2015–2021 (billion m³)



Source: Bloomberg, KB Securities Vietnam



PV Transportation (PVT)

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August 3, 2021

Business performance unchanged in 1H21 but should improve in 2H21

PVT estimated its 2Q21 pre-tax earnings of VND186 billion (-31.9% YoY) on revenue of VND 1,781 billion (-1.8% YoY). Its 1H21 pre-tax earnings were VND420 billion (+6.9% YoY) on revenue of VND3,500 billion (+3.1%). 2H21 should be more positive with estimated earnings of 921 billion (+10.9% YoY) due to growing gas transportation thanks to better control of the pandemic.

PVT planned to rejuvenate the fleet

In 2020, PVT announced its ambitious plan to invest more than VND7,400 billion in rejuvenating the fleet, which was behind the schedule due to COVID-19. In 1H21, PVT resumed this plan by receiving new vessels PVT AZURA (Oil/chemical tanker), PVT DAWN (Oil/chemical tanker), PVT DIOMAND (Bulk carrier) and VLGC vessel (Gas carrier). Therefore, we expect PVT to accelerate the disbursement during 2021 – 2023 for purchasing 12–15 vessels to take advantage of low prices, ready for the increasing demand for petroleum transportation after the pandemic, and make a plan for transporting imported LNG with great potential in the near future.

We maintain BUY recommendation with a target price of VND24,000 per share

By using P/E method, we maintain our BUY recommendation for PVT stocks with a target price of VND24,000 per share, 31.1% higher than that on July 27, 2021. This reflects our expectation on improved profit and benefits from LNG imports.

Buy maintain

Target price	VND24,000
Total return (%)	31.1
Current price (July 27)	VND18,300
Consensus target price	VND22,300
Mkt capitalization (USDmn)	300

Trading data	
Free float (%)	44%
Avg trading value (3T)	USD3.7mn
Foreign available (%)	33.6%
Major shareholders (%)	PVT (51%)

Share price performance				
(%)	1M	3M	6M	12M
PVT	31.1	-15.0	13.6	121.0
VN Index	15.9	-9.0	4.1	57.3

Forecast earnings & valuation

FY-end	2019A	2020A	2021E	2022E
Revenue (VNDbn)	7,758	7,383	8,316	9,177
EBIT	962	883	1,066	1,196
NP attributable to parent	690	669	783	849
EPS (VND)	2,320	1,946	2,419	2,622
EPS growth (%)	6.3	(16.1)	24.3	8.4
P/E (x)	6.1	7.2	8.3	8.6
EV/EBITDA (x)	3.5	3.0	4.8	5.0
P/B (x)	0.7	0.7	0.9	1.0
ROE (%)	15.2	13.9	13.9	14.0
Dividend yield (%)	7.0	2.9	5.0	4.4

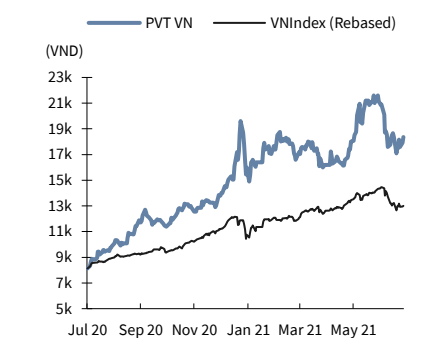
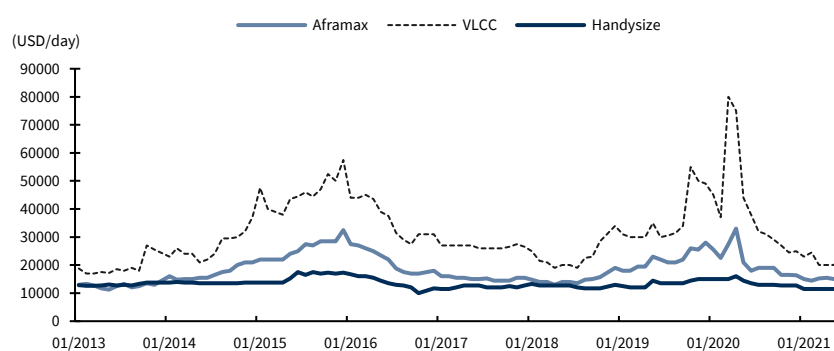


Table 9. PVT – Projected fleet expansion plan

	2020A	2021E	2022E	2023E	2024E	2025E
Crude oil	4	5	5	6	6	7
Finished petroleum products	11	13	14	16	16	16
LPG	14	15	16	16	16	16
Cargo & coal	2	3	4	4	4	4
FPO/FPSO	2	2	2	2	2	2
Total Ships	33	38	41	44	44	45
Added	1	6	3	3	0	1
Removed	1	1				

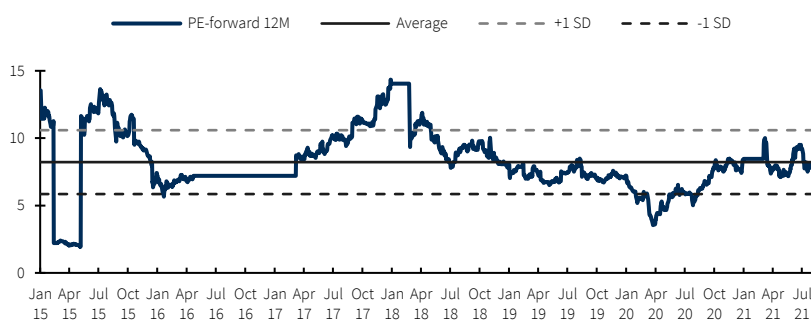
Source: PV Transportation, KB Securities Vietnam

Fig 18. PVT – Fixed rental prices for some types of vessels (USD/day)



Source: Bloomberg, KB Securities Vietnam

Fig 29. PVT – PE (Forward 1y), 2015–2021



Source: Bloomberg, KB Securities Vietnam



Binh Son Refinery (BSR)

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August 3, 2021

1H21 earnings were positive

BSR posted 1H21 earnings of VND3,527 billion (up from the loss of VND4,527 billion YoY) on revenue of VND48,909 billion. We forecast 2H21 earnings will be positive as estimated at VND6,147 compared to the loss of VND2,858 billion YoY thanks to higher oil prices and better control of inventory.

Fuel demand should grow once the pandemic is under control

In 1H21, Brent crack spread benefited from the recovering trend of oil prices, fuel and transportation demand. In 2021, it is expected that Brent crack spread of RON95, RON92 and Diesel will be between USD6–8/barrel (+70% YoY).

Petrochemical production begins once facility upgrade is completed in 2022

Vietnam can produce petrochemical products once factories are commissioned in 2023. BSR upgraded facilities to manufacture petrochemical products. We believe that this is an important first step, marking the beginning of the increasing petrochemical volume ahead of the country's LNG imports.

We maintain BUY recommendation with a target price VND22,500 per share

Based on free cash flow to firm (FCFF) valuation, business prospects as well as possible risks, we maintain our BUY recommendation for BSR stocks with a target price of VND22,500 per share, 20.3% higher than that on July 27, 2021.

Buy maintain

Target price	VND22,500
Total return (%)	20.3%
Current price (July 27)	VND18,700
Consensus target price	VND17,200
Mkt capitalization (USDmn)	USD2,600mn

Trading data	
Free float (%)	7.9%
Avg trading value (3T)	USD13.6mn
Foreign available (%)	7.9%
Major shareholders (%)	PetroVietnam (92.12%)

Share price performance				
(%)	1M	3M	6M	12M
BSR	91.9	-12.0	32.9	206.5
VN Index	15.9	-9.0	4.1	57.3

Forecast earnings & valuation

FY-end	2019A	2020A	2021E	2022E
Revenue (VNDbn)	102,824	57,959	102,915	104,851
EBIT	2,869	-3,046	6,324	7,087
NP attributable to parent	2,914	-2,819	6,186	7,261
EPS (VND)	898	-909	1,995	2,342
EPS growth (%)	(54.99)	(201.22)	(319.50)	17.38
P/E (x)	9.1	-10.9	10.6	9.8
EV/EBITDA (x)	5.7	-86.5	8.4	8.3
P/B (x)	0.7	1.0	1.9	1.9
ROE (%)	8.78	(8.78)	18.58	19.83
Dividend yield (%)	0.0	0.0	1.4	1.7

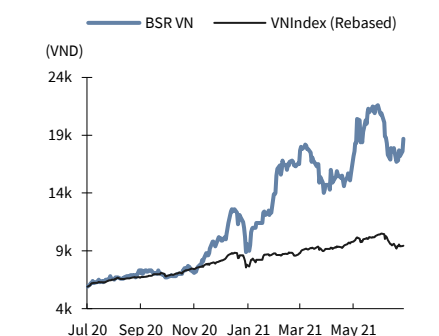
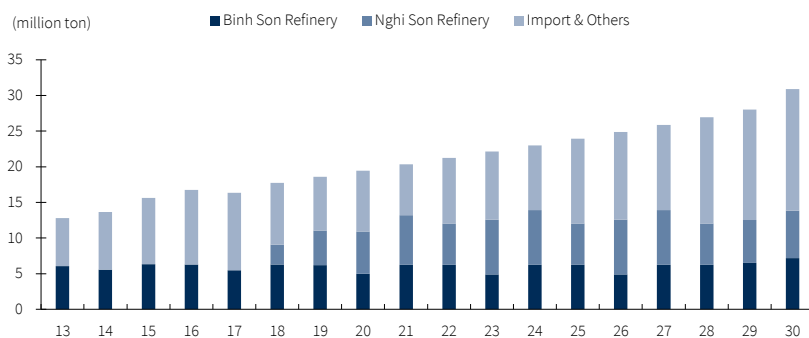


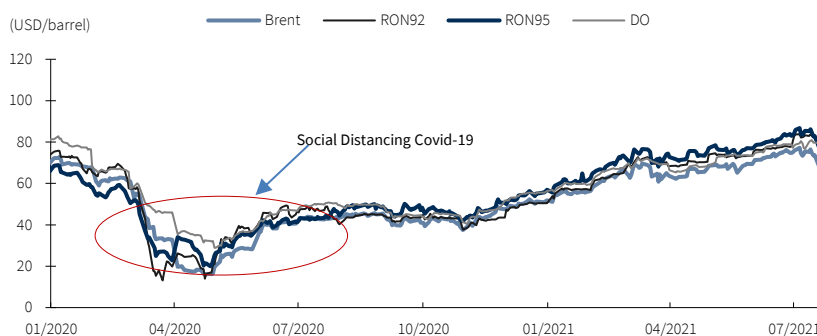
Fig 20. BSR – Projected production volume (million tons)



Source: Binh Son Refinery, KB Securities Vietnam

Fig 21. Global – Singapore RON92, RON95 and Diesel prices (USD/barrel)

Oil price = Average of Singapore market prices in 5, 10 or 15 days (number of days depends on buyer or contract) + premium (under agreement)



Source: Bloomberg, KB Securities Vietnam

Table 10. BSR – Valuation using Discounted Cash Flow method (%)

Assumption	Valuation
Risk-free rate	2.4%
R _e	10.6%
Premium	8.2%
Beta	1.47
Average interest rate	6.5%
Tax rate	5%
Long-term growth	2%
Duration	5 years

Source: KB Securities Vietnam

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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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