

Binh Son Refinery (BSR)

Refinery margin continues its short-term recovery

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4Q24 business performance recovered but was much weaker than 4Q23

In 4Q24, Binh Son Refining & Petrochemical (BSR) recorded VND152 billion in gross profit (-94% YoY), equal to only 8.3% of our expectation. We estimate that the average refinery margin for diesel, gasoline and jet A1 in Asia will rebound 9.1%, 0.1%, and 4.2% respectively, but crude oil prices may drop 5.0% QoQ.

The global crude oil market outlook in 2025 sees many uncertainties

We maintain our view that US policies will have a multi-dimensional impact on the crude oil supply-demand balance, triggering strong volatiles in oil prices in 2025 and putting pressure on refineries. In our base case, we currently assume an average oil price of USD75/barrel in 2025.

Crack spreads may continue to recover in the short term but face many challenges in the long term

We still believe that crack spreads in Asia will recover in 1Q mainly thanks to production cuts by refineries in China. However, there is limited room for upside as product inventories have returned to their three-year average. For the full year of 2025, we expect crack spreads in Asia to increase slightly from last year's low base amid (1) strong fluctuations in crude oil input costs and (2) weakening prospects for gasoline consumption in the US and China due to escalating trade tensions.

Valuation: NEUTRAL rating – Target price VND21,600/share

Our target price is VND21,600, equivalent to an upside of 6.1% compared to the closing price of VND20,350/share on February 7, 2025. We downgraded BSR's rating to NEUTRAL due to the 8.2% increase in market price since the last report. The expected dividend yield is 2.9%. We emphasize that (1) crude oil prices and (2) refinery margins will remain as risks that can significantly change BSR's valuation.

Neutral change

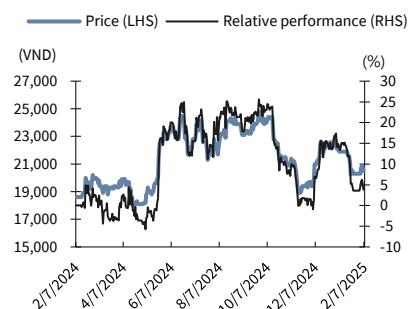
Target price	VND21,600
Upside	6.1%
Current price (Feb 7, 2024)	VND20,350
Consensus target price	VND22,500
Market cap (VNDtn/USDbn)	63.1/2.5

Trading data	
Free float	7.9%
3M avg trading value (VNDbn/USDmn)	78.3/3.1
Foreign ownership	0.5%
Major shareholder	Petro Vietnam (PVN, 92.1%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-6.4	-3.8	-9.7	10.2
Relative	-8.4	-4.7	-14.3	4.1

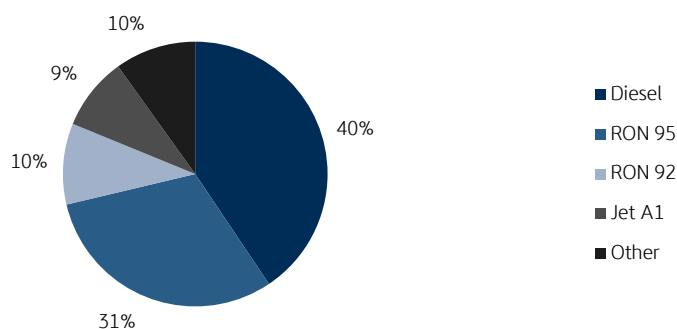
Forecast earnings & valuation

FY-end	2023	2024	2025F	2026F
Net revenue (VNDbn)	147,423	123,027	135,414	136,680
Operating income/loss (VNDbn)	7,948	-778	1,511	2,790
NPAT-MI (VNDbn)	8,511	625	2,802	3,800
EPS (VND)	2,745	202	904	1,226
EPS growth (%)	-42.2	-92.6	348.0	36.0
P/E (x)	7.9	106.9	23.9	17.6
P/B (x)	1.2	1.2	1.2	1.2
ROE (%)	14.8	1.1	5.0	6.6
Dividend yield (%)	2.9	2.9	2.9	2.9



Source: Bloomberg, KB Securities Vietnam

Revenue composition (2024)



Business operation

Binh Son Refining and Petrochemical Company Limited (BSR) was established in 2008 as the management and operations unit for the Dung Quat Oil Refinery. With a total investment capital exceeding USD3 billion and a refining capacity of 6.5 million tons of crude oil per year, BSR currently meets approximately 30% of Vietnam's petroleum demand.

Source: Binh Son Refining & Petrochemical, KB Securities Vietnam

Investment Catalysts

Notes

Refinery margins recover in the short term. Crack spreads of products in the Asian region are expected to continue to recover in 1Q25 thanks to reduced supply.

Please find more details [here](#)

2025 business results are expected to grow from a low base. 2024 business results are negatively affected by a major maintenance period lasting 48 days. From 2025, Dung Quat Refinery will operate at maximum capacity.

Please see more details below

Long-term growth momentum comes from the Dung Quat Refinery upgrade and expansion project. The project is expected to be completed in 3Q28, which will help increase capacity by 15.5%, create higher quality products, and handle more diverse input sources.

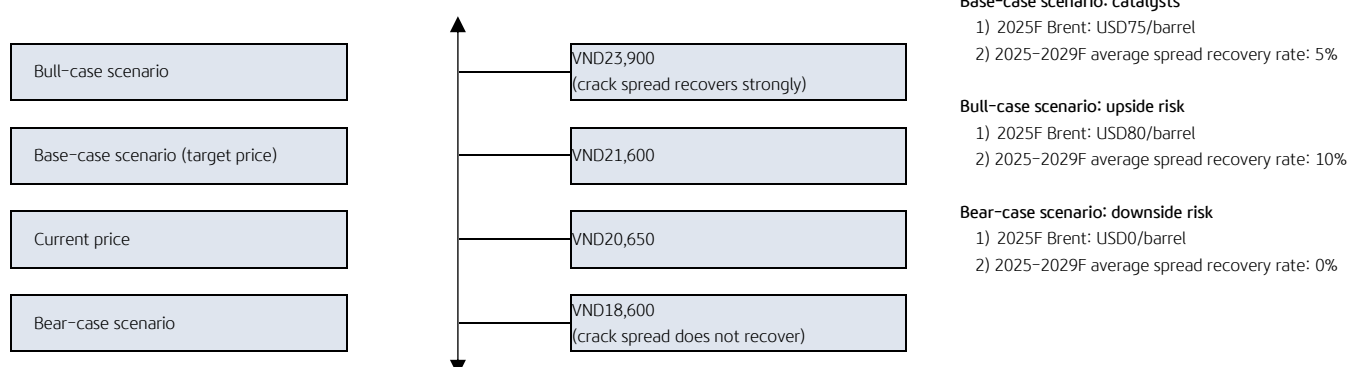
Please see more details below

Revised earnings estimates

(VNDbn)	KBSV estimates		Change vs previous estimates		Consensus*		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	123,027	135,414	2%	0%	125,625	125,723	-2%	8%
EBIT	-778	1,511	N/A	-64%	3,317	3,389	N/A	-55%
NP after MI	625	2,802	-69%	-44%	3,625	3,664	-83%	-24%

Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



4Q24 performance updates

4Q24 business performance recovered but remained much weaker than the same period last year

In 4Q24, BSR recorded a gross profit of VND152 billion (-94% YoY), equivalent to only 8.3% of our expectation. The average refinery margin for Diesel, gasoline and Jet A1 in Asia recovered by 9.1%, 0.1% and 4.2% respectively, but crude oil prices declined by 5.0% compared to 3Q24. For the whole of 2024, BSR's gross profit fell 95.5% YoY as (1) there was an overhaul in 1Q and 2Q24, causing output to decrease by about 14.4% YoY; (2) Brent oil prices dropped 3.6% YoY; and (3) the average annual refinery margin for Diesel, gasoline and JetA1 in Asia is estimated to drop 29.9%, 17.0%, and 28.5% YoY respectively.

Table 1. BSR – 2024 business results

(VNDbn)	4Q23	4Q24	+/-%YoY	2023	2024	+/-%YoY	Notes
Revenue	37,756	35,968	-4.7%	147,424	123,027	-16.5%	4Q24 revenue declined mainly due to a sharp fall in crude oil prices and crack spreads compared to the same period last year.
Diesel	12,350	14,910	20.7%	57,736	49,930	-13.5%	
A95 gasoline	10,491	11,260	7.3%	42,239	37,632	-10.9%	
A92 gasoline	2,998	3,126	4.3%	19,900	12,406	-37.7%	
Jet A1	2,619	3,103	18.5%	11,954	10,527	-11.9%	
FO	256	416	62.5%	1,893	1,495	-21.0%	
LPG	1,838	2,013	9.5%	7,451	6,607	-11.3%	
Gross profit	2,529	152	-94.0%	9,610	437	-95.5%	In 4Q24, BSR reported a gross loss as the average Brent crude oil price decreased from USD84 per barrel in July 2024 to USD73 per barrel in September 2024. The crack spreads for Diesel, gasoline, and JetA1 are estimated to have fallen by 35.8%, 9.2%, and 38.2% YoY respectively.
Gross profit margin	6.7%	0.4%		6.5%	0.4%		
Financial income	959	410	-57.2%	2,658	2,230	-16.1%	
Financial expenses	351	280	-20.2%	1,154	799	-30.8%	
Profits from affiliates	0	0	N/A	0	0	N/A	
SG&A	599	391	-34.7%	1,660	1,213	-26.9%	
Operating income/loss	2,538	-109	N/A	9,454	655	-93.1%	
Other income	8	8	0.0%	31	28	-9.7%	
Profit before taxes (PBT)	2,546	-101	N/A	9,485	683	-92.8%	
Profit after taxes (NPAT)	2,269	-89	N/A	8,453	586	-93.1%	
NP after MI	2,279	-90	N/A	8,509	625	-92.7%	
NPAT margin	6.0%	-0.3%		5.8%	0.5%		
Consumption (million tons)	2,028	1,746	-13.9%	7,256	6,211	-14.4%	Production for 2024 was lower due to a 48-day maintenance shutdown that began in mid-March and was completed in 2Q24.
Diesel	886	732	-17.4%	2,990	2,613	-12.6%	
A95 gasoline	567	514	-9.3%	1,947	1,792	-8.0%	
A92 gasoline	219	204	-6.8%	953	662	-30.5%	
Jet A1	114	120	5.3%	514	502	-2.3%	
FO	35	31	-12.6%	129	111	-14.0%	
LPG	117	81	-30.8%	473	344	-27.3%	
Brent crude oil price (USD/barrel)	83	74	-10.5%	83	80	-3.6%	

Source: Binh Son Refining & Petrochemical, KB Securities Vietnam

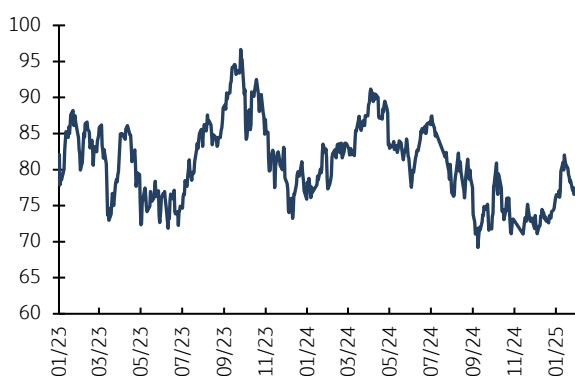
The global crude oil market outlook in 2025 sees many uncertainties

Brent oil prices surged to USD 82/barrel in the first half of January 2025, after the US imposed additional sanctions on Russian tankers. However, oil prices quickly fell to USD 75/barrel as US-China trade tensions dent the outlook for global crude oil consumption. Meanwhile, the most recent OPEC+ meeting kept the current policy unchanged, in line with our expectations. We maintain our view that US policies will have a multi-dimensional impact on the crude oil supply-demand balance, leading to strong fluctuations in oil prices in 2025 and putting pressure on refineries. In our base case, we currently assume an average oil price of USD 75/barrel for 2025.

Crack spreads may continue to recover in the short term but face many challenges in the long term

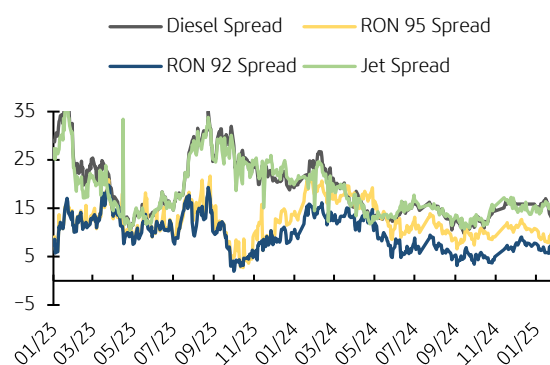
We maintain our expectation that crack spreads in Asia will recover in 1Q25, mainly due to production cuts by refiners in China. However, there is limited room for upside as product inventories have returned to their three-year average. For the full year of 2025, we expect crack spreads in Asia to increase slightly from last year low bases mainly due to (1) strong volatility in crude oil input costs and (2) weakening prospects for gasoline consumption in the US and China amid escalating trade tensions.

Fig 2. Global – Brent crude oil prices (USD/barrel)



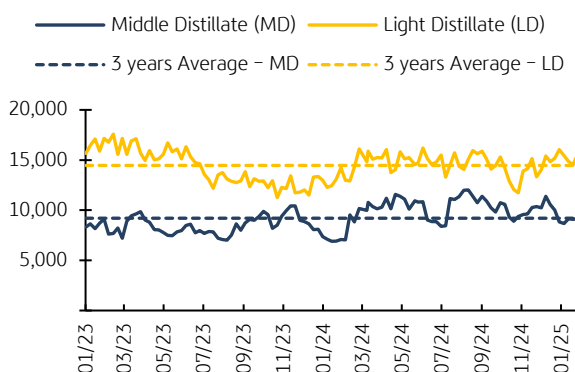
Source: Bloomberg, KB Securities Vietnam

Fig 3. BSR – Crack spread for some key products (USD/barrel)



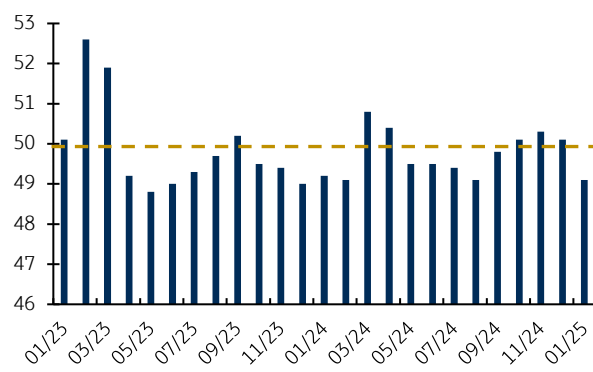
Source: Bloomberg, KB Securities Vietnam

Fig 4. Asia –Middle Distillate (Diesel, FO, Jet A1) & Light Distillate (A95, A92 gasoline) stockpiles (thousand barrels)



Source: Bloomberg, KB Securities Vietnam

Fig 5. China – PMI after post-Covid economic reopening



Source: Bloomberg, KB Securities Vietnam

Forecast & valuation

Table 6. BSR – 2023A–2025F business performance

(VNDbn)	2024	2025F	+/- %YoY	2026F	+/- %YoY	Assumptions
Revenue	123,027	135,414	10.1%	136,680	0.9%	2024 revenue declined mainly due to negative impact from 48-day overhaul. 2025 revenue recovers from the low base thanks to normal operation of refineries.
Diesel	49,930	55,678	11.5%	56,574	1.6%	
A95 gasoline	37,632	41,587	10.5%	42,311	1.7%	
A92 gasoline	12,406	14,717	18.6%	14,514	-1.4%	
Jet A1	10,527	11,248	6.8%	11,584	3.0%	
FO	1,495	1,581	5.8%	1,380	-12.7%	
LPG	6,607	6,236	-5.6%	6,116	-1.9%	
Gross profit	436	2,848	553.2%	4,139	45.3%	2025 LNG rebounds from low base given stable operation. Average refinery margin may recover with 2025–2029 CARG reaching 5% in the base case.
Gross profit margin	0.4%	2.1%		3.0%		
Financial income	2,230	2,437	9.3%	2,460	0.9%	
Financial expenses	800	873	9.1%	1,069	22.5%	
Profits from affiliates	0	0	N/A	0	N/A	
SG&A	1,214	1,337	10.1%	1,349	0.9%	
Operating income/loss	652	3,075	371.6%	4,181	36.0%	
Other income	28	28	0.0%	28	0.0%	
Profit before taxes (PBT)	680	3,103	356.3%	4,209	35.6%	
PBT margin	0.6%	2.3%		3.1%		
Profit after taxes (NPAT)	585	2,793	377.2%	3,788	35.6%	
NPAT margin	0.5%	2.1%		2.8%		
NP after MI	625	2,802	348.0%	3,800	35.6%	2024 output declines sharply due to major maintenance. Consumption may rebound from 2025 thanks to stable operation.
Consumption (million tons)	6,211	7,410	19.3%	7,410	0.0%	
Diesel	2,613	3,128	19.7%	3,143	0.5%	
A95	1,792	2,168	21.0%	2,183	0.7%	
A92	662	779	17.7%	764	-1.9%	
Jet A1	502	619	23.3%	634	2.4%	
FO	111	118	6.3%	103	-12.7%	
LPG	344	413	20.1%	405	-1.9%	
Brent crude oil price (USD/barrel)	80	75	-6.3%	75	0.0%	

Source: Binh Son Refinery, KB Securities Vietnam

Valuation: NEUTRAL rating –
Target price VND21,600/share

We use a combination of FCFF and P/B comparison to derive a target price for BSR shares. The target price is VND21,600/share, equivalent to an upside of 6.1% compared to the closing price of VND20,350/share on February 7, 2025. We downgrade our recommendation to NEUTRAL due to an 8.2% increase in market price compared to the time of the last report with an expected dividend yield of 2.9%.

Table 7. BSR – FCFF model assumptions

Risk-free rate	4.7%	Present value of terminal value (VNDbn)	36,874
Market risk premium	7.9%	Total present value for the 2025–2029 period	3,042
Beta	1.44	Total present value	39,916
Average interest rate	7.0%	Plus: Cash & Short-term investments	49,550
Taxes	10.0%	Minus: Net Debt	-27,053
WACC	13.2%	Minus: Minority interest	24
Terminal growth rate	1.5%	Equity value	62,437
		Number of shares outstanding (million shares)	3,100.5
		Equity value/share (VND)	20,100

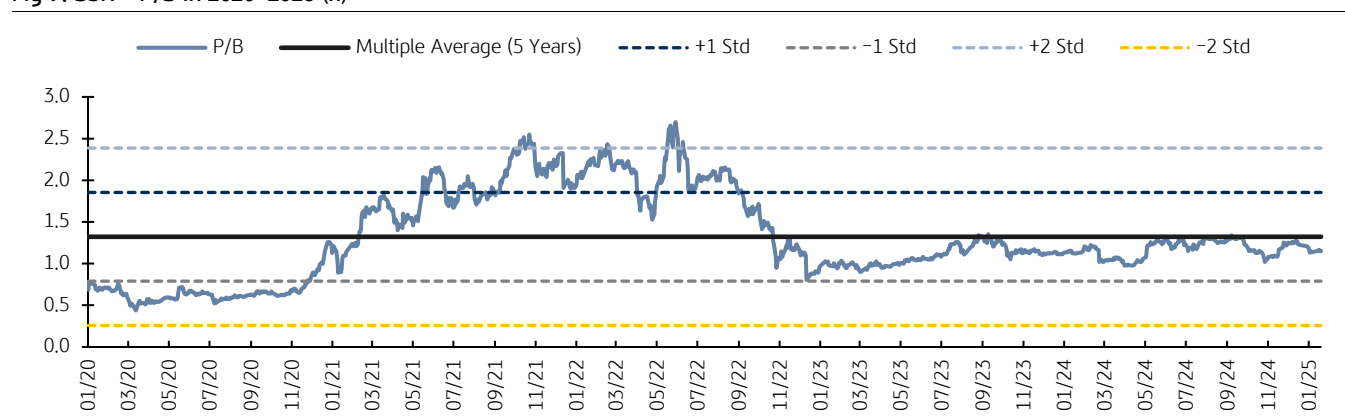
Source: KB Securities Vietnam

Table 8. BSR – Valuation results

Valuation method	Forecast price	Weighting	Weighted price
FCFF	20,100	50%	10,050
P/B (1.29x)	23,094	50%	11,547
Target price (rounded)			21,600
Current price (Nov 19, 2024)			20,350
Upside			6.1%

Source: KB Securities Vietnam

Fig 9. BSR – P/B in 2020–2025 (x)



Source: Bloomberg, 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:	Neutral:	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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