Oil & Gas

Mixed narratives across subsectors

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Positive maintain

Recommendations	
PV Drilling & Well Services (PVD)	MUA
Target price	VND30,800
PV Technical Services (PVS)	MUA
Target price	VND48,500
PV Transportation (PVT)	TRUNG LẬP
Target price	VND30,900
PV Gas (GAS)	MUA
Target price	VND82,700
Binh Son Refinery (BSR)	TRUNG LẬP
Target price	VND22,000
Petrolimex (PLX)	MUA
Target price	VND48,000

The crude oil market remains highly unpredictable in 2025

We have lowered our average Brent crude oil price forecast for 2025 from USD80 to USD75 per barrel in the base case scenario. Crude oil prices will largely be influenced by three key factors: (i) China's economic stimulus measures; (ii) the US-China trade war; and (iii) increased US crude oil production.

The product tanker segment is exposed to multiple risks

We hold a cautious view due to the potential influx of product tankers into the market in 2H2025, which could result in a significant oversupply risk. Additionally, improvements in congestion at the Suez Canal pose a major risk to the industry's prospects.

The jack-up rig market will be supported by high extraction efficiency and tight supply

We expect the supply of jack-up (JU) rigs to remain constrained over the next two years, driven by high extraction efficiency and a low number of new rigs being constructed.

The domestic upstream sector is poised for recovery

The Block B – O Mon gas pipeline project began construction in September 2024, with an estimated contract value of USD6.4 billion for the upstream and midstream sectors. Additionally, other projects are expected to contribute another USD2.8 billion to the backlog over the next three years.

The domestic LNG market is on track for major advancements

We expect the pricing framework for LNG storage, regasification, and distribution costs to be finalized in 2025, in line with the progress of the Nhon Trach 3&4 (NT3&4) plants.

The 4th draft would strengthen the position of major oil & gas distributors

We anticipate that these policies, set to be approved in 1H2025, will benefit major distributors through: (i) greater autonomy in setting retail prices; (ii) adjustments to regulated operating costs; and (3) enhanced bargaining power with retailers.

Our top picks for the bull basket are PVD, PVS, GAS, and PLX

PVD, PVS, GAS, and PLX are our top picks. PVD and PVS are poised for robust growth driven by rising demand for oil and gas extraction in the region. Meanwhile, GAS and PLX offer attractive valuations, already factoring in most oil price-related risks, and stand to benefit from supportive domestic energy market policies.

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Business performance in 9M24

9M2024 business performance was strong across upstream, midstream, and downstream companies

In 9M2024, **upstream companies** such as PVD and PVS continued to report strong growth. PVD's revenue jumped by 61% YoY, although net profit (NPAT) increased at a slower pace of 35% YoY. This was driven by high day rates and improved extraction efficiency, but partially offset by increased foreign exchange losses and the absence of one-off gains recognized in 9M2023. PVS also posted solid performance, with revenue and NPAT growing by 12% and 16% YoY, respectively, thanks to robust core operations that helped mitigate significant foreign exchange losses

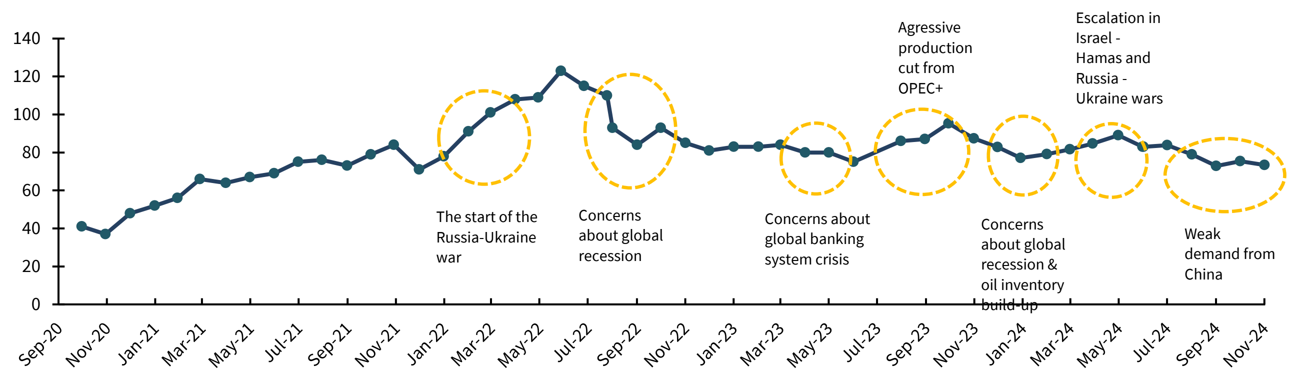
As for **midstream companies**, PVT sustained good growth, with revenue and NPAT up 26% and 28% YoY, respectively, thanks to favorable time charter rates and ongoing fleet expansion.

Downstream companies (BSR, GAS, PLX) displayed mixed results. BSR saw a decline in both revenue and NPAT, falling by 18% and 89% YoY, respectively, mainly due to the impact of a major maintenance shutdown and a sharp drop in refining margins for key products. GAS experienced a 17% YoY increase in revenue, although NPAT decreased by 6% YoY. Despite strong growth in the LPG segment, the decline in the dry gas sector and provisions related to the Phu My - Ho Chi Minh City pipeline impacted profitability. On the other hand, PLX reported a 4% growth in revenue and an 11% increase in NPAT, largely benefiting from adjustments in regulated operating costs.

Crude oil prices experienced significant volatility in 2024

Brent crude oil prices hovered around USD84 per barrel in 1Q2024 due to escalating conflicts in Israel-Hamas and Russia-Ukraine. However, by May 2024, prices dropped sharply as a result of weak economic data from China, the world's largest consumer. In June 2024, OPEC+ announced plans to gradually ease production cuts starting in 4Q2024, but these plans were delayed multiple times due to concerns about global consumption outlook. By November 2024, the outcome of the US Presidential election negatively impacted the oil market, triggering fears of policies under President Trump that could encourage increased production. As of now, Brent crude oil prices have fallen to USD 72 per barrel.

Fig 1. Global – Brent crude oil prices in 2020–2024 (USD/barrel)



Source: Bloomberg, KB Securities Vietnam

Business outlook for 2025

The new US presidential term adds uncertainty to crude oil market outlook in 2025

We have lowered our average Brent crude oil price forecast for 2025 from USD80 to USD75 per barrel in the base case scenario and USD70 per barrel in the bear-case scenario due to concerns over uncertainties in 2025. Both the EIA and IEA forecast that supply growth will outpace demand in 2025. We believe that crude oil prices will be primarily influenced by three key factors: (i) the effectiveness of China's economic stimulus measures; (ii) the impact of the US-China trade war on the global economy; and (iii) whether President Trump can fulfill his commitments to increasing US crude oil production. OPEC+ may continue to delay easing production cuts if the supply-demand outlook remains unfavorable.

Table 2. Global – 2024F-2025F crude oil supply surplus (+) and deficit (-) (million barrels/day)

	Forecast at December 2024	
Organization	2024F	2025F
OPEC	-0.3	-0.3
EIA	-0.3	0.3
IEA	-0.6	0.8
Mean	**-0.4**	**0.3**

	Forecast at September 2024	
Organization	2024F	2025F
OPEC	-0.8	-0.6
EIA	-0.6	0.9
IEA	-0.2	1.2
Mean	**-0.5**	**0.5**

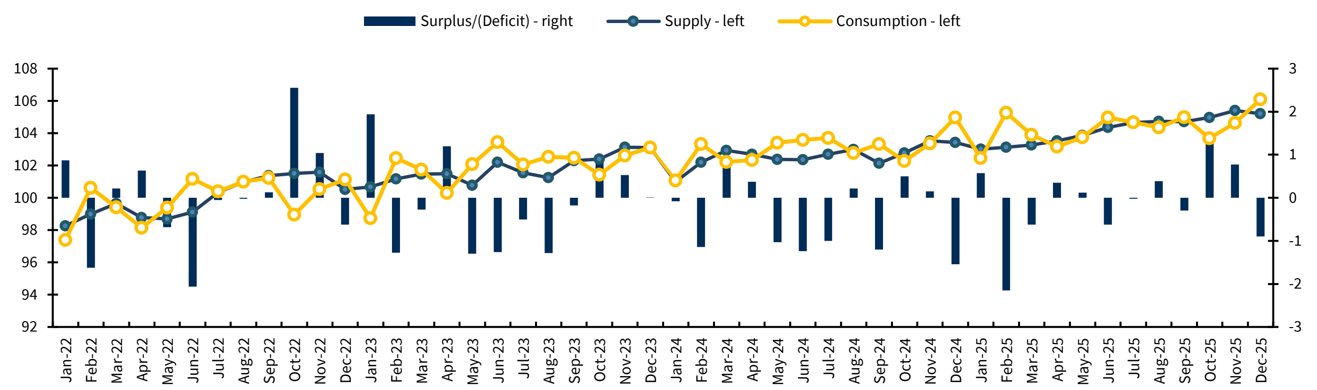
Source: OPEC, EIA, IEA, KB Securities Vietnam

Table 3. Global – 2024F-2025F Brent crude oil price (USD/barrel)

Organization	Forecast date	2024F	2025F
BNP Paribas SA	09/12/2024	81.0	76.0
Citigroup Inc	06/12/2024	80.0	60.0
EIA	05/12/2024	81.0	74.0
Morgan Stanley	05/12/2024	80.3	70.0
Natixis SA	03/12/2024	77.0	73.3
Landesbank	03/12/2024	79.0	71.0
BoA Merrill Lynch	02/12/2024	80.0	65.0
Kshitij Consultancy	02/12/2024	79.4	72.3
JPMorgan Chase & Co	29/11/2024	80.0	73.0
Median		**80.0**	**72.3**
KBSV Assumption		**80.0**	**75.0**

Source: Bloomberg, EIA, KB Securities Vietnam

Fig 4. Global – 2022A-2025F crude oil supply surplus/deficit (million barrels/day)



Source: Bloomberg, KB Securities Vietnam

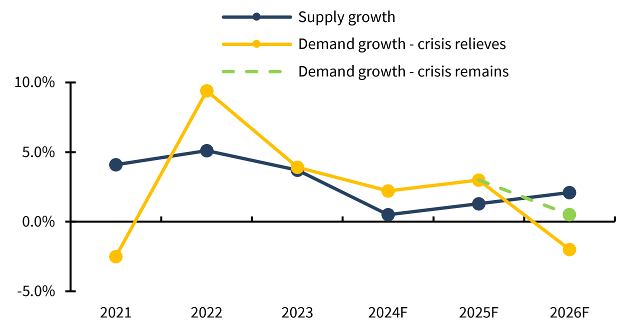
The supply-demand balance for crude oil tankers should remain stable in 2025

We believe that the supply-demand balance for crude oil tankers will remain relatively stable in 2025. BIMCO forecasts that tonne-mile growth (volume adjusted for transport distance) and crude oil tanker supply will increase by 3.0% and 1.3% YoY, respectively.

The product tanker segment is exposed to multiple risks

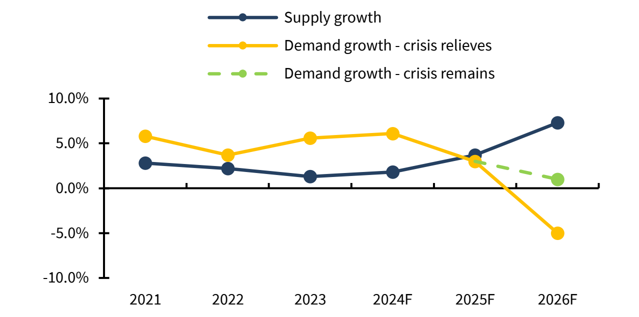
In contrast, we take a more cautious view on the outlook for the product tanker segment. The orderbook-to-total fleet ratio has reached approximately 20% (Clarksons) due to the rapid demand growth from 2021 to 2024, prompting shipping companies to swiftly expand their fleets. BIMCO forecasts a 3.0% YoY growth in tonne-miles for product tankers in 2025, which is outpaced by the 3.7% YoY supply growth. We believe most of the current orderbook will likely be delivered starting in 2H2025, potentially creating a significant oversupply risk. Moreover, improvements in congestion at the Suez Canal could further undermine demand for oil product transportation.

Fig 5. 2024F-2026F crude oil tanker supply-demand growth (%)



Source: Clarksons, BIMCO, KB Securities Vietnam

Fig 6. Global – 2024F-2026F product tanker supply-demand growth of (%)

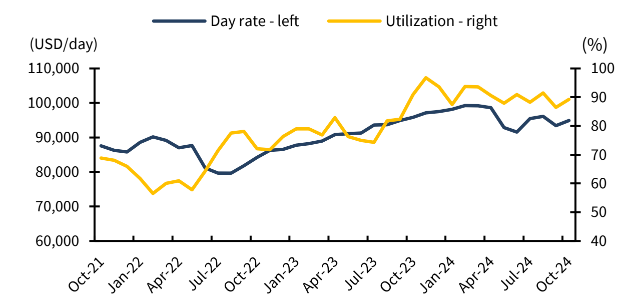


Source: Clarksons, BIMCO, KB Securities Vietnam

The jack-up rig market will be supported by high extraction efficiency and tight supply

Day rates and utilization rates of JU rigs across various markets declined in 3Q2024 due to Saudi Aramco temporarily halting some rig contracts to adjust its extraction plans. S&P Global expects the supply surplus in Southeast Asia to peak at 11 rigs in September 2024, after which it will gradually adjust to an average of 6 rigs during the 2025-2026 period. We believe that rig supply will remain tight over the next two years, as extraction efficiency remains high while the construction of new rigs continues to be limited.

Fig 7. Global – Day rate & extraction efficiency of IC 350+ jack-up rig (USD/day, %)



Source: Bloomberg, KB Securities Vietnam

Table 8. Global – Current jack-up rig supply benchmarked against the Peak of the Last Cycle in 2014

		2014	2024	Change
A	Marketed supply	453	439	-14
B	Orderbook	141	12	-129
C=B/A	**Orderbook/Marketed supply**	**31.1%**	**2.7%**	**-28.4%**
D	Contracted	420	364	-56
E=D/A	**Current utilization**	**92.7%**	**82.9%**	**-9.8%**
F=D/(A+B)	**Expected utilization**	**70.7%**	**80.7%**	**10.0%**

Source: PV Drilling & Well Services, S&P Global Petrodata, KB Securities Vietnam

The domestic upstream sector is poised for recovery

We are optimistic about the outlook for the upstream segment in 2025-2027. The Block B – O Mon project, which began construction in September 2024, is expected to generate USD6.4 billion in contract value for the upstream and midstream segments, matching the total investment in the entire industry from 2016 to 2023. However, the absence of a final investment decision (FID) could increase the risk of delays in fund disbursement. Additionally, projects such as Kinh Ngu Trang, Lac Da Vang, Thien Nga – Hai Au, and Su Tu Trang 2B may contribute an additional USD2.8 billion to the backlog in the 2025-2027 period.

Table 9. Vietnam – Progress of major upstream projects

Projects	Estimated Capex (USDmn)	Recoverable reserves	Progress in 2024	Expected first oil/gas					
				2025	2026	2027	2028	2029	2030
Dai Hung Phase 3	400	22 mn bbl of oil 21.4 bcm of gas	Achieved first oil						
Kinh Ngu Trang – Kinh Ngu Trang Nam	650	6.8 mn bbl	Installed the Central Processing Platform (CPP)						
Lac Da Vang	693	63 mn bbl	Received FID (Final Investment Decision) and awarded the EPCIC contract.						
Thien Nga – Hai Au	350	7.4 bcm	Signed the Heads of Agreement (HOA) for the connection of the Thien Nga – Hai Au and Rong Doi – Rong Doi Tay fields						
Block B O Mon	7,000	107 bcm	Awarded the full contracts for EPCI 1, EPCI 2 packages and officially broke ground in September 2024						
Su Tu Trang 2B	1,300	20 bcm	Facilitated the signing of the oil and gas product sharing agreement						
Nam Du U Minh	N/A	5.6 bcm	Signed the Heads of Agreement (HOA) on gas sales and purchase						
Khanh My – Dam Doi	N/A	4 bcm	Signed the Memorandum of Understanding (MOU) on gas sales and purchase						
Ca Voi Xanh	4,600	150 bcm	Signed the Heads of Agreement (HOA) on gas sales and purchase in 2023. No progress has been made in 2024 due to delays from ExxonMobil.						
Ken Bau	N/A	230 bcm	Exploring						
Bao Vang – Bao Den	1,321	58 bcm	Exploring						

Source: KB Securities Vietnam

The domestic LNG market is on track for major advancements

The growing consumption of LNG in Vietnam is an inevitable trend, although it faces risks from volatile import gas prices, while LNG-fueled electricity prices remain unattractive. In 2024, the Ministry of Industry and Trade set a ceiling price for LNG power plants at VND2,590.85/kWh (10.57 cents/kWh) and capped LNG prices (excluding VAT, storage, regasification, and distribution costs) at USD12.9792/mmBTU. We expect the pricing framework for LNG storage, regasification, and distribution costs to be finalized in 2025, aligned with the NT3&4 plant progress.

The 4th draft of the Decree on Petroleum Business would strengthen the position of major oil & gas distributors

The 4th draft proposes grating greater autonomy to major/wholesale distributors in setting retail prices. Regulated costs are set to be adjusted annually based on CPI. Major distributors' bargaining power may increase significantly as retailers face limited supply sources to reduce intermediary costs in the gasoline price structure. We expect the draft decree to be approved in 1H2025.

The outlook for upstream companies is promising

PVD and PVS remain our top picks for 2025, given stable regional demand and attractive valuations. PVD's net profit is expected to grow by 42% YoY, driven by: (i) favorable supply-demand dynamics for rigs, resulting in a 2% YoY increase in day rates; (ii) the expected operation of a new rig from 4Q2025; and (iii) a vibrant domestic E&P market, leading to a 35% YoY growth in its well services for LNG. However, exchange rate risk will be a factor to watch for PVD. PVS's net profit is forecast to increase by 33% YoY, primarily driven by growth in its gross profit margin of construction and maintenance segments, with increases of 112% and 35% YoY, respectively, fueled by upstream oil and gas and offshore wind power projects. The primary risk for PVS is potential delays in domestic oil and gas project timelines.

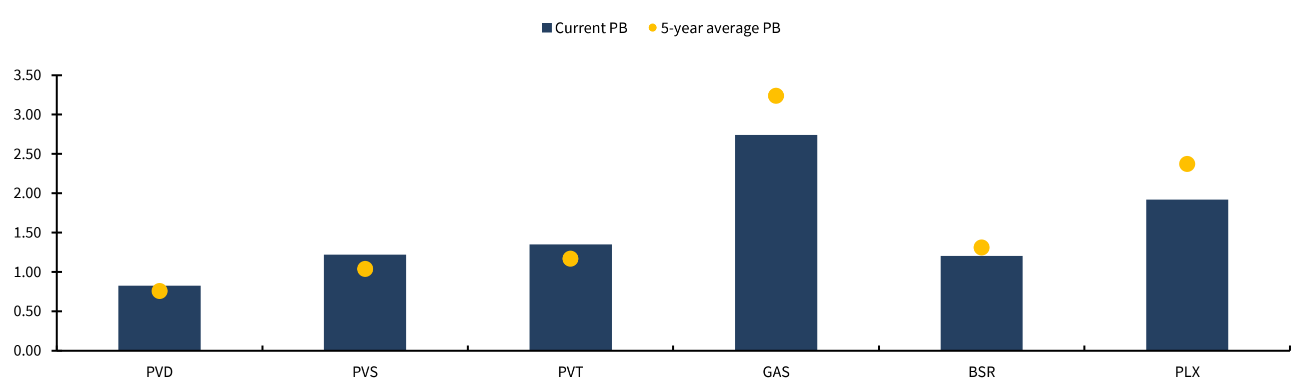
Midstream companies may face oversupply

Midstream companies, particularly PVT, will experience growth driven by: (i) a 14% YoY increase in total deadweight tonnage; (ii) a 3% YoY rise in crude oil tanker rates; and (iii) a 5% YoY recovery in dry bulk rates in 2025. However, international product tanker and LPG tanker rates may decline by 5% YoY due to a large influx of new tankers into the market. PVT's core net profit is expected to decrease by 8.7% YoY. We believe the stock is currently trading at a relatively reasonable level.

Downstream companies are likely to recover, but will need higher discount given volatile oil price risk

We believe GAS and PLX are currently trading at attractive price levels, factoring in the risks associated with oil prices. GAS's net profit is forecasted to grow by 8.2% YoY, primarily driven by the expansion of its LNG segment. This growth excludes potential one-off gains from: (i) the reversal of provision expenses and (ii) the completion of LNG tariff mechanisms. We expect PLX's net profit to grow by 32.6% YoY, benefiting from the expansion of its LNG business as new regulated operating cost levels, while transportation and labor costs may decrease by 1% YoY. BSR's net profit is expected to recover strongly by 145% YoY from a low base in 2024, but risks related to oil prices and declining refining margins remain high. As BSR's stock price is approaching our target for 2025, we have downgraded our recommendation to Neutral.

Fig 10. Vietnam – Current P/B vs. 5-year average P/B across oil & gas companies



Source: Bloomberg, KB Securities Vietnam

Companies

PV Gas (GAS)

Petrolimex (PLX)

PV Gas (GAS)

Attractive valuation

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December 12, 2024

9M24 business performance is positive thanks to LPG segment

In 9M24, revenue and gross profit of GAS grew 16.7% and 5.8% YoY thanks to positive LPG consumption volume and prices, offsetting the 16.3% YoY decline in gas consumption from power plants. However, SG&A expenses surged 32% YoY due to provisions related to the Phu My - Ho Chi Minh City gas pipeline.

We lowered crude oil price assumptions due to the possibility of volatility in the new US presidential term

China's crude oil consumption outlook may soften due to the risk of a trade war with the US. While OPEC+ continues to maintain production cuts through the end of 1Q25, global supply is likely to experience a strong rally driven by US oil exploration incentives. In the base case scenario, we lower our 2025 average oil price assumption from USD80 to USD75/barrel.

Strong fluctuations in LNG input prices may worsen GAS's 2025 outlook

We expect the global LNG market to face supply shortages in 2025 due to (1) rising Asian demand; (2) limited supply growth; and (3) a potential Russia-Europe pipeline shutdown by the end of 2024. For GAS, 2025 is expected to mark a period of accelerated LNG consumption. However, we maintain a cautious outlook for this segment, primarily due to concerns over volatility in LNG input costs. In the base case scenario, we estimate the 2025 LNG input price for GAS at USD 12/mmBTU.

Valuation: BUY rating - Target price VND82,700

We set a target price for GAS shares at VND82,700, representing a 20.7% upside. We upgrade our recommendation for GAS to BUY, driven primarily by the stock's 10.3% decline (post-dividend adjustment) since our latest report, bringing it to an attractive valuation. The expected dividend yield is 4.8%.

Buy change

Target price	VND82,700
Upside	20.7%
Current price (Dec 12, 2024)	VND68,500
Consensus target price	VND85,300
Market cap (VNDtn/USDbn)	160.5/6.3

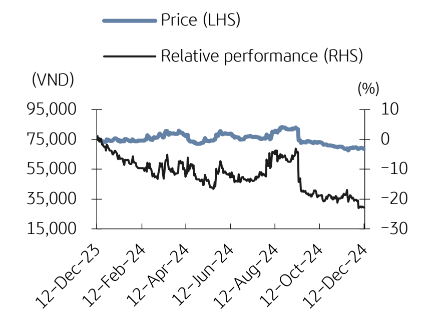
Trading data	
Free float	4.2%
3M avg trading value (VNDbn/USDmn)	47.4/1.9
Foreign ownership	1.8%
Major shareholder	PetroVietnam (PVN, 95.8%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-1.6	-16.2	-12.8	-10.4
Relative	-3.5	-17.2	-10.4	-22.9

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	100,724	89,954	104,065	106,367
Operating income/loss (VNDbn)	17,799	12,906	12,990	13,922
NPAT-MI (VNDbn)	14,794	11,606	11,118	11,819
EPS (VND)	7,647	4,972	4,840	5,145
EPS growth (%)	75.6	-35.0	-3.0	6.0
P/E (x)	9.1	13.9	14.3	13.5
P/B (x)	2.2	2.5	2.6	2.4
ROE (%)	24.6	18.1	18.0	17.8
Dividend yield (%)	4.5	8.7	4.5	4.8



Source: Bloomberg, KB Securities Vietnam

Petrolimex (PLX)

Well-positioned to capitalize on industry trends

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December 9, 2024

A sharp fall in oil prices weighed on 3Q2024 performance

In 3Q2024, PLX's revenue and gross profit fell 11.2% and 9.1% YoY, respectively, largely due to significant drops in Brent crude oil and Asian gasoline prices, which shrank by 13.6% and 18.9% YoY. However, increases in regulated operating costs in July 2023 and July 2024 contributed to an improvement in GPM for 9M2024.

Petroleum consumption is poised for strong long-term growth

Vietnam's petroleum consumption has benefited from the overall economic recovery. PetroVietnam (PVN) forecasts a compound annual growth rate (CAGR) of 4.0% in national petroleum consumption from 2022 to 2030. We anticipate that the growing trend of "automobilization" and increased air transport traffic will further boost petroleum demand in the coming years.

The 4th draft of the Decree on Petroleum Business could enhance the business environment for major distributors

The 4th draft of the Decree on Petroleum Business proposes grating greater autonomy to major/wholesale distributors in setting retail prices. Regulated costs are set to be adjusted annually based on CPI. Major distributors' bargaining power may increase significantly as retailers face limited supply sources.

PLX's competitive edge positions it as the prime beneficiary of industry trends

PLX holds the largest market share in Vietnam's petroleum sector, supported by its superior infrastructure compared to industry peers. These competitive edges will help PLX sustain market leadership and leverage favorable industry developments.

We recommend BUY for PLX with a target price of VND48,000

We BUY recommend BUY for PLX with a target price of VND48,000/share at the horizon of 2025, 19.6% higher than the closing price on December 9, 2024

Buy maintain

Target price	VND48,000
Upside	19.6%
Current price (Dec 9, 2024)	VND40,150
Consensus target price	VND49,400
Market cap (VNDtn/USDbn)	51.0/2.0

Trading data

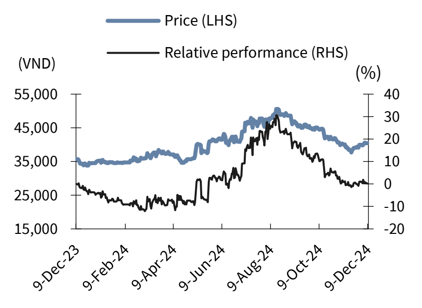
Free float	41.7/1.7
3M avg trading value (VNDbn/USDmn)	17.9%
Foreign ownership	CMSC (77.0%)
Major shareholder	

Share price performance

(%)	1M	3M	6M	12M
Absolute	1.0	-12.9	-2.5	13.5
Relative	-0.4	-13.1	-1.2	0.5

Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Net revenue (VNDbn)	304,064	273,979	279,134	289,881
Operating income/loss (VNDbn)	997	2,175	2,913	4,068
NPAT-MI (VNDbn)	1,450	2,834	2,841	3,767
EPS (VND)	1,497	2,422	2,428	3,220
EPS growth (%)	-39.1	61.8	0.3	32.6
P/E (x)	26.8	16.6	16.5	12.5
P/B (x)	1.8	1.7	1.7	1.6
ROE (%)	6.8	10.5	10.3	13.0
Dividend yield (%)	6.3	4.1	6.1	6.2



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