

## BINH SON REFINERY (BSR)

Add (Maintained)

### OIL & GAS

Current Price	VND19,900
52Wk High/Low	VND22,400/VND15,100
Target Price	VND24,600
Previous TP	VND22,900
TP vs Consensus	25.4%
Upside	24.0%
Dividend Yield	3.7%
Total stock return	37.7%

Growth rating	Negative
Value rating	Positive
ST Technical Analysis	<a href="#">Negative</a>

Market Cap	US\$2.48bn
3m Avg daily value	US\$4.7mn
Avail Foreign Room	US\$1,190mn
Outstanding Shares	3,100mn
Fully diluted O/S	3,100mn

	BSR	Peers	VNI
P/E TTM	7.1	49.1	14.7
P/B Current	1.1	0.9	1.8
ROA	10.0%	0.7%	2.0%
ROE	15.1%	1.0%	12.0%

\*as of 09/04/2024

### Share Price performance



Share price (%)	1M	3M	12M
Ordinary share	1.5	5.2	28.1
Relative to index	0.2	7.8	16.9

### Ownership

PetroVietnam	92.1%
Others	7.90%

### Business Description

Binh Son Refining and Petrochemical JSC (BSR) owns Dung Quat Refinery – the first oil refinery of Vietnam with total investment of US\$3bn, coming commercial operation from 2011. The refinery has a design capacity of 6.5 million tonnes of low sulfur crude oil annually (equivalent to 148,000 barrels per day). For the next upgrade and expansion phase, the refinery capacity will be expanded by 17% to 7.6 million tons annually.

### Analyst(s):



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## Attractive valuation as crack spreads remain high

- We retain our ADD rating with 24% upside and a 3.7% dividend yield. We increase our TP by 7% while the share price has increased by 3% compared to our last report.
- Our higher TP is due to the mixed impact of our FY24-25 EPS forecast adjustments and WACC revision.
- BSR trades at an FY24E EV/EBITDA of 4.4x, below the regional peer average of 6.4x.

### Financial Highlights

- 4Q23 net profit grew by 28.5% yoy to VND2,279bn (US\$93m) thanks to improvement of gasoline crack spread, reversal of inventories provision and surge in net interest income.
- BSR accumulated a huge net cash balance of VND38,121bn (US\$1.56bn) at-end 2023 for future capex needs.
- We forecast NP to slide 23.2% yoy in FY24 mainly due to periodic maintenance for c.45 days.

### Investment Thesis

#### Crack spreads to stay high in 2024 due to global geopolitical tensions

In 2024, we expect crack spreads to remain high as supply concerns increase due to escalating geopolitical tensions, especially Ukrainian attacks on Russian refineries. Meanwhile, Red Sea tensions and lower inventory levels of middle distillate products will also support crack spreads. Thus, we expect Asian gasoline and diesel crack spreads to stay high at US\$14.8/bbl and US\$21.5/bbl in FY24 vs US\$15.2/bbl and US\$23.8/bbl in FY23, respectively, which will be the key drivers for BSR's earnings in FY24.

#### Dung Quat will maintain a high utilization rate

Given its policy of prioritizing domestic sources and its strategic location that allows it to dominate the central and southern markets, Dung Quat refinery (DQR) has consistently operated at an average of 102% of design capacity over the past decade and is projected to operate at 112% - 116% going forward after the fifth maintenance period.

#### Expansion is needed in order to meet long-term demand

We also expect BSR's capacity expansion to bolster output growth in the context that both NSR and DQR are running beyond their designed capacity but only meet about 70% of domestic demand. The expansions are set to boost capacity by 17% in 2028, and focus on high-valued refined products (LPG, JetA1) and petrochemical products.

#### No progress last quarter on listing on main bourse

Despite support from HOSE, the listing process is still stalled due to the overdue liabilities of subsidiary BSR-BF (discussed in our previous Update). BSR is still seeking further guidelines and a solution to solve this bottleneck. We expect the company to resolve this issue and complete the listing as soon as possible. This is still a potential re-rating catalyst for BSR's share price in the future.

#### Valuation seems attractive given its high utilization and profitability

Our TP implies a FY24E EV/EBITDA of 6.4x, which is in line with the regional peer average of 6.4x. Despite a 2024 earnings dip from maintenance, this valuation looks attractive due to BSR's higher profitability and utilisation compared to regional peers.

Financial summary	12-23A	12-24E	12-25E	12-26E
Revenue growth	(11.8%)	(14.2%)	2.8%	(4.3%)
EPS growth	(42.2%)	(23.2%)	(3.8%)	2.3%
Gross margin	6.5%	5.6%	5.7%	6.0%
Net profit margin	5.8%	5.2%	4.8%	5.2%
P/E (x)	7.25	9.44	9.81	9.26
Rolling P/B (x)	1.01			
ROAE	15.7%	11.2%	10.5%	10.5%
Net debt to equity	net cash	net cash	net cash	net cash

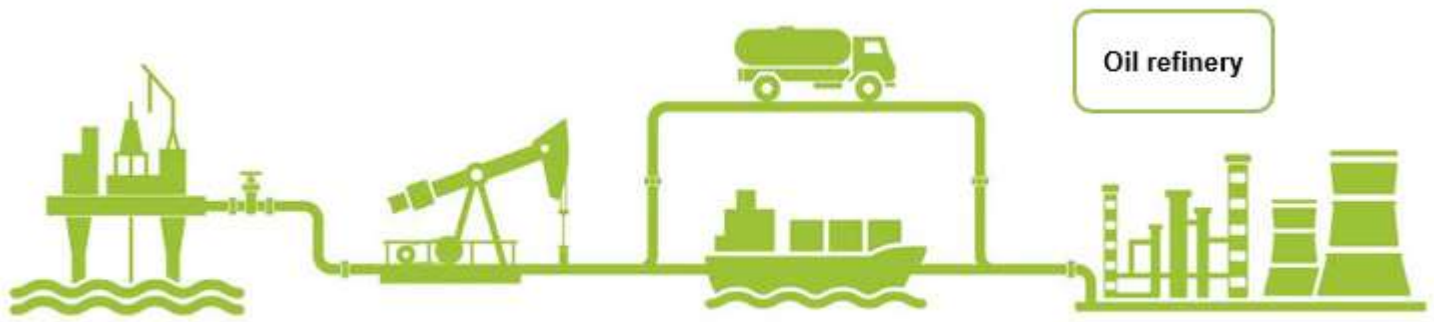
Source: VNDIRECT RESEARCH

**Company Profile:**

**BSR is the first oil refinery in Vietnam, playing a vital role in supplying fuel for the country**

Binh Son Refining and Petrochemical JSC (BSR) owns Dung Quat Refinery – the first oil refinery in Vietnam. It started construction in 2005 with total investment of US\$3bn and began commercial operations from 2011. The refinery has a design capacity of 6.5 million tonnes of low sulfur crude oil annually (equivalent to 148,000 barrels per day). BSR has maintained a high refining utilisation rate at above 100% for many years, playing a vital role in supplying fuel for the country.

Figure 1: BSR is in the downstream segment of the Oil & Gas value chain



Source: RobecoSAM

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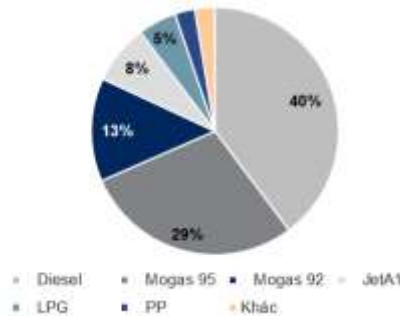
Currently, BSR’s output is mainly refined oil products (including gasoline, diesel, fuel oil and LPG), which account for 96-97% of total production output and contribute c.95% of BSR’s total revenue. Diesel, Mogas 95 and Mogas 92 are the three main products of BSR, meeting ~30-35% of total domestic demand. In 2023, these three products accounted for 82% and 89% of BSR’s total revenue and gross profit, respectively.

Figure 2: BSR’s product mix



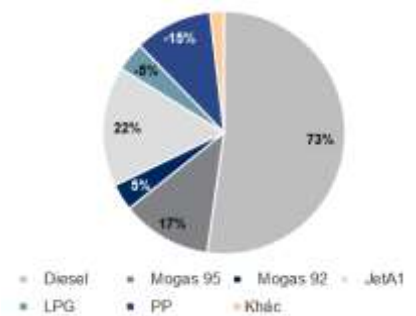
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Revenue by type of product in 2023



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 4: Gross profit by type of product in 2023



Source: VNDIRECT RESEARCH, COMPANY REPORTS

## Upgrade and expansion project should be a long-term driver for BSR

BSR is now conducting a Feasibility Study (FS) for an upgrade and expansion project. After completion and operation from 1Q28, refinery capacity will be expanded by 17% to 7.6 million tons annually (equivalent to 171,000 bbl/day) and its gasoline and diesel products will be upgraded to meet the Euro-V standard. The new refinery will also raise BSR's proportion of high value refined products (LPG, JetA1) and petrochemical products. A gradual transition toward petrochemicals is part of the company's long-term business path.

**Figure 5: Upgrade and expansion project**

	Current	After upgrade and expansion
Capex (US\$m)		1,257
Designed capacity (bbl/day)	148,000	171,000
Feedstock	Sweet and light crude oil (mainly from Bach Ho oilfield and its neighbor oilfields)	Sourer and heavier crude oil (with sulfur content in range of 0.12 - 0.34%)
Types of products	Mainly refined oil products (including gasoline, diesel, fuel oil and LPG)	Increase the proportion of petrochemical products and high value refined products like LPG, JetA1
Quality of products	EURO II, EURO III	EURO V
Capital structure		40% equity and 60% debt
Timeline		2024-28F

Source: VNDIRECT RESEARCH, COMPANY REPORTS

## Results Recap: Good growth as GM expands

**Figure 6: 4Q23 and 2023 results review**

VNDbn	4Q23	%yoy	FY23	%yoy	vs. full-year forecasts
Brent oil price (US\$/bbl)	82.9	-6.5%	82.2	-17.0%	96.7%
Consumption volume ('000 tonnes)	2,056	11.4%	7,350	5.0%	104.7%
Production volume ('000 tonnes)	1,883	4.3%	7,360	5.0%	104.8%
Utilisation rate (%)	116%	4.7% pts	113%	5.4% pts	
Net sales	41,933	3.8%	147,423	-11.8%	103.6%
Gross profit	2,529	30.8%	9,608	-40.3%	105.0%
SG&A	599	9.3%	1,660	16.6%	111.2%
Net financial income	608	23.4%	1,504	81.8%	125.4%
PBT	2,546	33.5%	9,484	-39.2%	106.7%
NPAT-MI	2,279	28.5%	8,510	-42.2%	106.4%
GPM	6.0%	1.2% pts	6.5%	-3.1% pts	
NPM	5.4%	1.0% pts	5.8%	-3.0% pts	

Source: VNDIRECT RESEARCH

### Modest 4Q23 revenue growth due to higher sales volume but lower oil prices

4Q23 revenue slightly increased by 3.8% yoy to VND41,933bn (US\$1.7mn) due to mixed impact of higher consumption volume (+11.4% yoy) and lower oil prices (Brent: -6.5% yoy). BSR maintained high refining utilisation in 4Q23, increasing by 4.7% pts yoy to 116%. This translated to FY23 refining utilisation of 113%, a record high.

### Gross profit was supported by improved gasoline crack spread and a reversal of inventories provision

4Q23 gasoline GM improved by 6.8% pts yoy while diesel GM compressed by 3.5% pts yoy amid contradictory trends of Asian gasoline crack spread, which increased from US\$5.9/bbl in October 2023 to US\$14.6/bbl in December 2023, and Asian diesel crack spread, which decreased from US\$31.3/bbl in October 2023 to US\$23.8/bbl in December 2023. This contributed to an increase of VND336bn (US\$13.7m) in 4Q23 gross profit. Gross profit was also supported by an inventory provision reversal of VND640bn (US\$26.1m) in 4Q23 vs VND511bn (US\$20.9m) in 4Q22. As a result, 4Q23 gross profit increased by 30.8% yoy to VND2,529bn (US\$103.2m), equivalent to a 1.2% pts yoy expansion in 4Q23 gross margin.

### Increasing financial income contributed to positive 4Q23 earnings growth

4Q23 net financial income rose 23.4% yoy to VND608bn (US\$24.8m) due to surging net interest income (+37% yoy to VND339) and a higher net FX gain (+4.0% yoy to VND275bn). 4Q23 net profit therefore grew by 28.5% yoy to VND2,279bn (US\$93m).

### FY23 earnings decline was in line with our forecast

For FY23, revenue slid 11.8% yoy to VND147,423bn (US\$6,017m) while net profit plunged 42.2% yoy to VND8,510bn (US\$347m), mainly due to the drop in both oil price and gross refining margin due to the high base of crack spreads in 2022. The results were in line with 103.6%/106.4% of our full-year forecasts, respectively.

### 1H24 revenue will drop due to scheduled maintenance

We continue to expect BSR's revenue and refining utilisation rate to retreat in 1H24 as Dung Quat refinery has temporarily shut down for c.45 days for periodic maintenance beginning March 14.

## FY24-25F outlook: Crack spreads remain high in 2024, partially offsetting impact of periodic maintenance

Figure 7: F24-25F earnings forecast revision

Unit: VNDbn	FY23F				FY25F				Comments
	Actual	Old	New	% Δ	Old	New	% Δ		
The average Brent oil price (US\$/bbl)	82	88	85	-3.4%	83	80	-3.6%	Changes following our latest Brent oil price assumption	
Total consumption volume ('000 tonnes)	7,399	6,171	6,382	3.4%	7,020	7,020	0.0%		
Implied utilisation rate (%)	113.8%	94.9%	98.2%	3.3% pts	108.0%	108.0%	0.0% pts	We expect BSR's utilisation rate to increase to 98% in 2024F due to the shorten periodic maintenance (in around 45days compared to 50 days in previous report)	
GRM (US\$/bbl)	10.1	9.1	9.2	1.8%	7.5	7.5	1.1%	We increase FY24F GRM assumptions by 1.8% as we adjust our assumptions as increase gasoline/diesel/JetA1 crack spread by 2.0%/2.3%/1.5% compare to the previous report	
<b>Net revenue</b>	<b>147,423</b>	<b>124,059</b>	<b>126,446</b>	<b>1.9%</b>	<b>134,480</b>	<b>130,046</b>	<b>-3.3%</b>	We revise up revenue In FY24 as higher GRM and consumption volume assumption.	
Gross profit	9,608	6,837	7,137	4.4%	7,641	7,426	-2.8%	Our FY24F gross profit change due to new GRM assumption	
Gross margin (%)	6.5%	5.5%	5.6%	0.1% pts	5.7%	5.7%	0.0% pts		
Selling expenses	1,034	806	822	1.9%	904	879	-2.8%		
G&A expenses	626	441	537	21.8%	478	552	15.6%		
Operating profit	7,948	5,589	5,778	3.4%	6,259	5,995	-4.2%		
Net financial income/(expenses)	1,504	1,072	1,409	31.5%	853	920	7.9%	We increase financial income forecasts to inline with higher-than-expected cash&short-term investment at-end 2023.	
Net other income	32	24	25	3.2%	26	26	-1.5%		
Pre-tax profit	9,484	6,685	7,212	7.9%	7,138	6,941	-2.8%		
<b>Net profit</b>	<b>8,510</b>	<b>6,017</b>	<b>6,535</b>	<b>8.6%</b>	<b>6,424</b>	<b>6,288</b>	<b>-2.1%</b>		
EPS (VND)	2,745	1,941	2,108	8.6%	2,072	2,028	-2.1%		

Source: VNDIRECT RESEARCH

### Crack spreads to stay high in 2024 due to supply concerns

We expect crack spreads to stay high on concerns over tighter global supply due to escalating tension in the Middle East and the Russia – Ukraine conflict. Supply concerns have risen after repeated Ukrainian attacks on Russian refineries have stoked fears that Russia will be forced to increase export restrictions for refined oil products, especially middle distillate products.

Additionally, tensions in the Red Sea have led to a significant portion of oil tanker trade diverting around the Cape of Good Hope, increasing voyage times and freight rates, which have pushed refined product crack spreads in Europe high enough to attract exporters. This shift in trade flows is affecting the global refining sector, particularly the middle distillate trade.

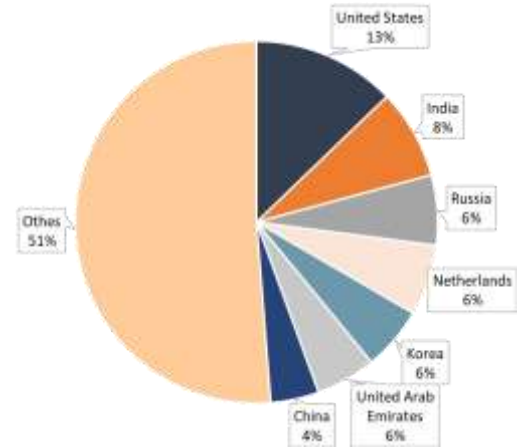


Figure 8: Diesel trade scenario of Wood Mackenzie in 2024



Source: WOOD MACKENZIE

Figure 9: Top world exporters of refined petroleum products in 2022 by value



Source: OEC, VNDIRECT RESEARCH

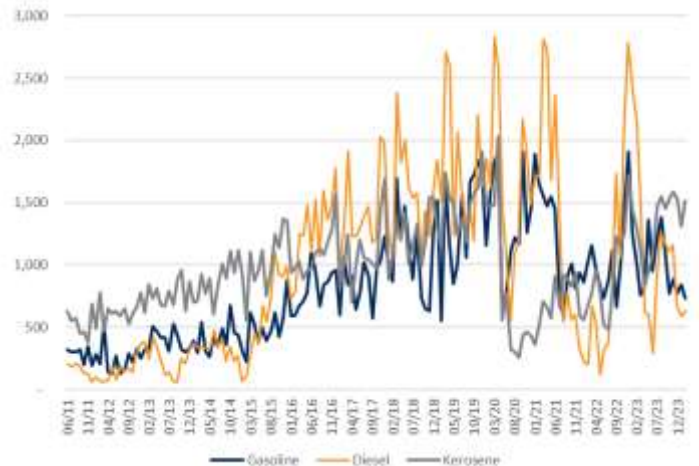
Meanwhile, supply from some major exporting countries is also showing signs of slowing down. In late January and February 2024, US refinery operations were significantly affected by cold winter weather, planned maintenance on the Gulf Coast, and an unexpected outage in the Midwest, which caused a slump in refinery product stocks in this country. Additionally, China's export volume of oil refinery products, such as gasoline and diesel, is also decreasing sharply, which might also support Asian gasoline and diesel crack spreads.

Figure 10: US stocks of refinery products



Source: EIA, VNDIRECT RESEARCH

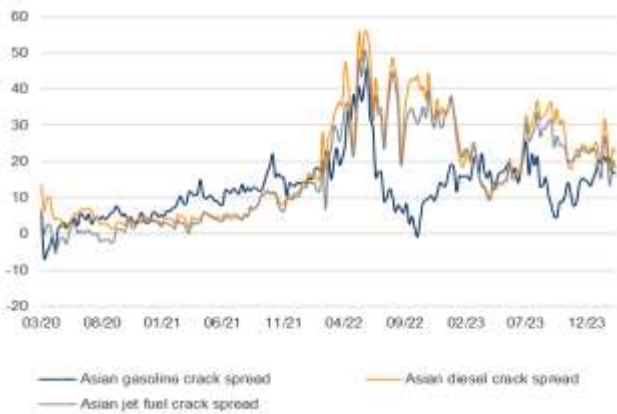
Figure 11: China gasoline/diesel export volume decreases below post-Covid level ('000 tonnes)



Source: BLOOMBERG, VNDIRECT RESEARCH

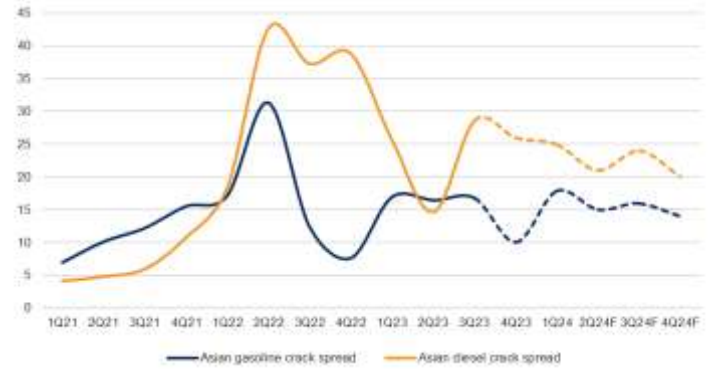
Consequently, we expect Asian gasoline, diesel, and jet fuel crack spreads to stay high at US\$14.8/bbl, US\$21.5/bbl and US\$20.3/bbl in FY24E vs US\$15.2/bbl, US\$23.8/bbl and US\$22.6/bbl in FY23, respectively, which will be the key drivers for BSR's earnings in FY24.

Figure 12: Asian refined product crack spreads (US\$/bb)



Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 13: We expect diesel crack spread to stay high in 2024 and continue to be main supporter of BSR's earnings going forward (US\$/bb)



Source: BLOOMBERG, VNDIRECT RESEARCH

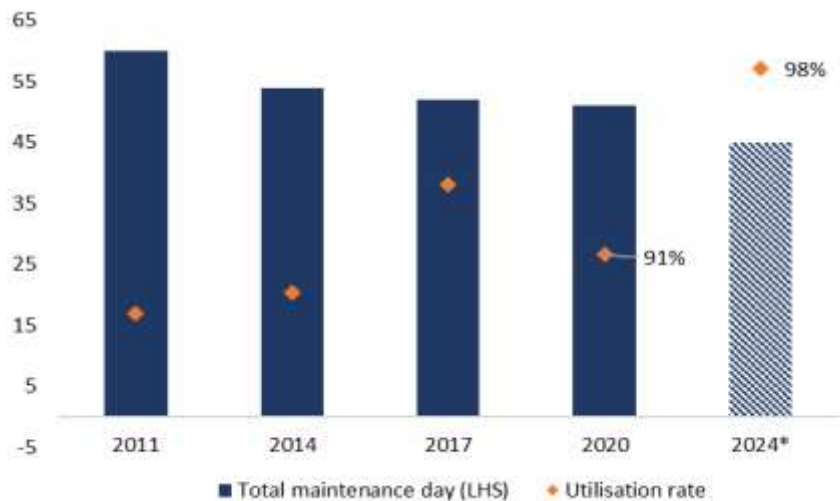
**The refinery's maintenance has begun as scheduled, weighing on BSR's earnings this year**

BSR shut down its refinery on March 14 for periodic maintenance. Management currently aims to shorten this maintenance period to c.45 days and increase the maintenance cycle to four to five years instead of the current 3.5 years.

The maintenance will negatively affect the company's FY24 results due to a lower FY24 refining utilisation rate (-15.6% pts yoy), lower output volume (-13.7% yoy, per our estimation), and costs incurred in the maintenance period (VND650bn/US\$26.7m, which reduced GM by 0.52% pts). However, we believe that the NP retreat has already been reflected in BSR's share price, as this is an expected maintenance.

Hence, we forecast BSR's FY24F revenue to decrease by 14.2% yoy. For the bottom line, combining the 1.8% yoy increase in FY24F gross refining margin (GRM) and the lower polypropylene profit due to the slow recovery in PP price, we estimate FY24F NP to slide 23.2% yoy.

Figure 14: BSR's maintenance info. Efforts to shorten maintenance period will improve the company's refining utilization as well as save costs



\*Planned maintenance period

Source: Company report, VNDIRECT RESEARCH

## Valuation

### Reiterate ADD with a higher TP of VND24,600

We maintain our ADD rating for BSR with a TP of VND24,600, based on an equal weighting of DCF valuation and FY24F target EV/EBITDA of 6.4x (regional peer average). Our TP increases by 7% due to impact of: 1) FY24-25F EPS forecasts revision; and 2) lower WACC assumptions from 13.6% to 12.5% as we lowered our risk-free rate from 2.7% to 2.24% (based on 10-yr bond yield as of December 30, 2023) and [equity risk premium](#) from 9.6% to 9.0%.

Figure 15: Target price

Method	Implied share price (VND)	Weight (%)	Weighted share price (VND)
FY24F target EV/EBITDA of 6.4x	25,329	50%	12,665
DCF	23,921	50%	11,960
Blended value			24,625
<b>Target price</b>			<b>24,600</b>

Source: VNDIRECT RESEARCH

Figure 16: DCF Valuation – Summary of free cash flow (FCF)

VNDbn	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
<b>Total revenue</b>	<b>126,446</b>	<b>130,046</b>	<b>124,393</b>	<b>126,277</b>	<b>114,005</b>	<b>139,527</b>	<b>140,743</b>
% growth yoy	-14.2%	2.8%	-4.3%	1.5%	-9.7%	22.4%	0.9%
COGS & OPEX	(120,668)	(124,051)	(118,257)	(120,109)	(108,230)	(132,375)	(133,752)
Unlevered profit / EBIT	5,778	5,995	6,136	6,168	5,775	7,152	6,991
Operating margin	4.6%	4.6%	4.9%	4.9%	5.1%	5.1%	5.0%
Tax rate (%)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
EBIT * (1-Tax) or NOPAT	5,200	5,396	5,522	5,551	5,197	6,437	6,292
+ D&A	2,250	2,280	2,284	2,302	3,884	3,198	3,052
% of revenue	1.8%	1.8%	1.8%	1.8%	3.4%	2.3%	2.2%
- CapEx	(3,228)	(7,893)	(8,038)	(8,198)	(5,074)	(1,054)	(1,345)
% of revenue	-2.6%	-6.1%	-6.5%	-6.5%	-4.5%	-0.8%	-1.0%
+ Δ WC	(1,854)	(412)	1,047	(221)	759	(1,538)	(904)
% of revenue	-1.5%	-0.3%	0.8%	-0.2%	0.7%	-1.1%	-0.6%
Financial and other income / expense, net	1,434	945	969	780	728	868	1,044
% of revenue	1.1%	0.7%	0.8%	0.6%	0.6%	0.6%	0.7%
UFCF	3,803	316	1,785	213	5,494	7,911	8,139

Source: VNDIRECT RESEARCH

Figure 17: Cost of equity

<b>Cost of equity</b>	
Risk Free Rate	2.2%
Beta	1.3
Risk Premium	9.0%
<b>Cost of Equity</b>	<b>14.0%</b>

Source: VNDIRECT RESEARCH

Figure 18: WACC and Long-term growth rate

VNDbn	
Equity	57,255
Debt	10,970
Cost of Debt	5.0%
Tax Rate	10.0%
<b>WACC</b>	<b>12.5%</b>
<b>Perpetual growth rate</b>	<b>1.0%</b>

Source: VNDIRECT RESEARCH



Figure 19: Sensitivity analysis table for DCF valuation

		Cost of equity (%)					
		13.0%	13.5%	Our case 14.0%	14.5%	15.0%	
Long-term growth rate (%)	Our case	0.6%	25,021	24,253	23,542	22,883	22,271
		0.8%	25,247	24,457	23,728	23,053	22,426
		1.0%	25,481	24,669	<b>23,921</b>	23,228	22,586
		1.2%	25,724	24,889	24,120	23,410	22,752
		1.4%	25,976	25,117	24,327	23,597	22,923

Source: VNDIRECT RESEARCH

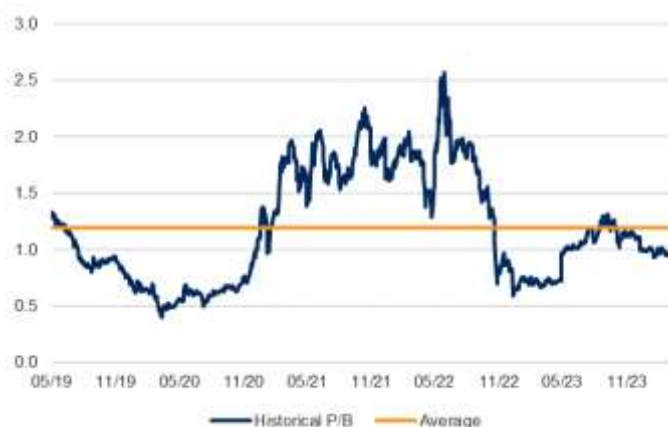
BSR trades at FY24 EV/EBITDA of 4.4x, below the regional peer average of 6.4x. Despite an earnings retreat expected in 2024, this valuation looks attractive given the company’s high utilisation (remaining above 100% for many years and expected to continue to do so going forward) and higher profitability compared to regional peers.

Figure 20: BSR’s historical EV/EBITDA since 2019



Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 21: BSR’s historical P/B since 2019



Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 22: Oil refinery sector comparison

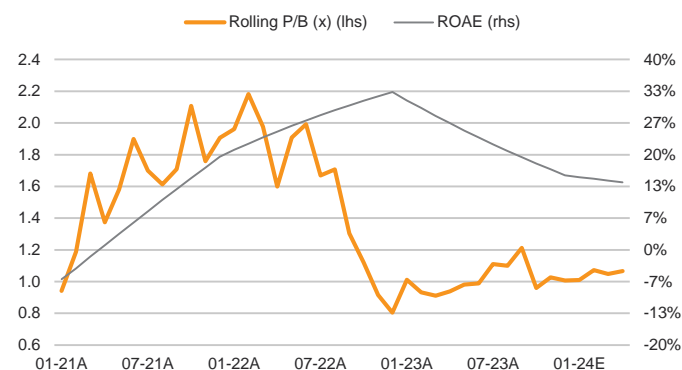
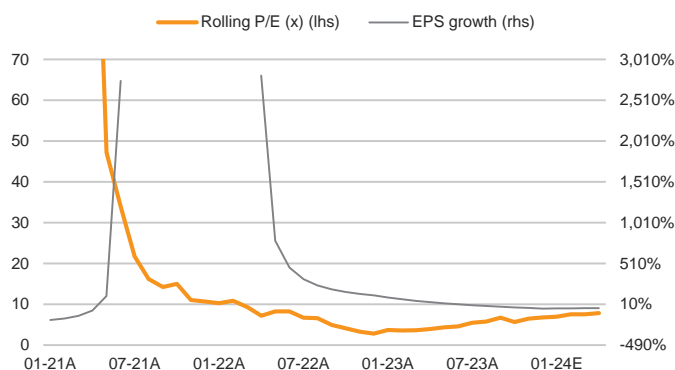
Company	Ticker	Price	Target price	Mkt Cap	P/E (x)		EV/EBITDA (x)		P/B (x)		ROE (%)		ROA (%)		Net D/E
		LC\$	LC\$		US\$ m	TTM	FY24F	TTM	FY24F	Current	FY24F	FY24F	FY24F		
Thai Oil	TOP TB	58.5	NA	3,585	6.7	8.4	8.1	5.8	0.8	0.7	9.1%	3.7%		89.0%	
IRPC	IRPC TB	2.0	NA	1,099	NA	23.3	16.2	6.7	0.5	0.5	2.4%	1.2%		85.5%	
Star Petroleum Refining	SPRC TB	8.7	NA	1,035	NA	7.6	23.3	4.1	1.0	0.9	12.6%	7.4%		34.4%	
PTT Global Chemical	PTTGC TB	40.0	NA	4,948	176.2	23.4	10.5	7.3	0.6	0.6	3.1%	1.3%		82.3%	
GS Holdings Corp	078930 KS	48,200	NA	3,303	3.4	3.0	3.6	4.2	0.3	0.3	10.2%	4.8%		50.2%	
S-Oil Corp	010950 KS	81,900	NA	6,801	10.1	6.7	6.3	4.9	1.0	0.9	14.6%	6.8%		42.6%	
Hindustan Petroleum	HPCL IN	457	NA	7,792	NA	4.1	4.7	7.0	2.0	1.4	42.1%	10.3%		201.0%	
<b>Average</b>						49.1	10.9	10.4	6.4	0.9	0.8	13.4%	5.1%		83.6%
<b>Binh Son Refinery</b>	<b>BSR VN</b>	<b>19,900</b>	<b>24,600</b>	<b>2,472</b>	<b>7.1</b>	<b>10.3</b>	<b>3.3</b>	<b>5.8</b>	<b>1.1</b>	<b>1.0</b>	<b>15.7%</b>	<b>8.2%</b>		<b>-47.4%</b>	

Source: BLOOMBERG, VNDIRECT RESEARCH (DATA AS AT 09 April 2024)

**Upside catalysts and downside risks:**

- Potential upside catalysts include higher-than-expected crack spreads and potential listing on the main bourse.
- Downside risks are lower-than-expected crack spreads as well as a drop in oil prices.

## Valuation



## Income statement

(VNDbn)	12-23A	12-24E	12-25E
Net revenue	147,423	126,446	130,046
Cost of sales	(137,815)	(119,309)	(122,620)
Gen & admin expenses	(626)	(537)	(552)
Selling expenses	(1,034)	(822)	(879)
<b>Operating profit</b>	<b>7,948</b>	<b>5,778</b>	<b>5,995</b>
Operating EBITDA	10,217	8,028	8,275
<b>Depreciation and amortisation</b>	<b>(2,269)</b>	<b>(2,250)</b>	<b>(2,280)</b>
<b>Operating EBIT</b>	<b>7,948</b>	<b>5,778</b>	<b>5,995</b>
Interest income	2,658	2,101	1,510
Financial expense	(1,154)	(692)	(590)
Net other income	32	25	26
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>9,484</b>	<b>7,212</b>	<b>6,941</b>
Tax expense	(1,031)	(721)	(694)
Minority interest	57	43	42
<b>Net profit</b>	<b>8,510</b>	<b>6,535</b>	<b>6,288</b>
Adj. net profit to ordinary	8,510	6,535	6,288
Ordinary dividends	(2,164)	(2,170)	(1,550)
<b>Retained earnings</b>	<b>6,346</b>	<b>4,364</b>	<b>4,738</b>

## Balance sheet

(VNDbn)	12-23A	12-24E	12-25E
Cash and equivalents	17,001	10,384	14,807
Short term investments	21,122	23,234	19,749
Accounts receivables	14,999	13,857	14,252
Inventories	15,352	13,729	14,110
Other current assets	73	62	64
<b>Total current assets</b>	<b>68,546</b>	<b>61,266</b>	<b>62,981</b>
Fixed assets	16,059	17,037	22,650
Total investments	10	10	9
Other long-term assets	1,839	1,765	1,709
<b>Total assets</b>	<b>86,453</b>	<b>80,076</b>	<b>87,349</b>
Short-term debt	10,970	5,533	6,092
Accounts payable	14,617	10,393	10,689
Other current liabilities	2,851	2,446	2,515
<b>Total current liabilities</b>	<b>28,439</b>	<b>18,372</b>	<b>19,296</b>
Total long-term debt	0	1,937	6,092
Other liabilities	884	910	938
Share capital	31,005	31,005	31,005
Retained earnings reserve	16,202	17,975	20,186
<b>Shareholders' equity</b>	<b>57,255</b>	<b>59,028</b>	<b>61,239</b>
Minority interest	(124)	(170)	(214)
<b>Total liabilities &amp; equity</b>	<b>86,453</b>	<b>80,076</b>	<b>87,349</b>

## Cash flow statement

(VNDbn)	12-23A	12-24E	12-25E
<b>Pretax profit</b>	<b>9,484</b>	<b>7,212</b>	<b>6,941</b>
Depreciation & amortisation	2,269	2,250	2,280
Tax paid	(887)	(721)	(694)
Other adjustments	(2,463)	(3,265)	(3,319)
<b>Change in working capital</b>	<b>3,792</b>	<b>(1,854)</b>	<b>(412)</b>
<b>Cash flow from operations</b>	<b>12,195</b>	<b>3,622</b>	<b>4,796</b>
Capex	(230)	(3,228)	(7,893)
Proceeds from assets sales	1	0	0
Others	(17,646)	(1,340)	4,357
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(17,874)</b>	<b>(4,568)</b>	<b>(3,536)</b>
New share issuance	0	0	0
Shares buyback			
Net borrowings	1,989	(3,500)	4,713
Other financing cash flow			
Dividends paid	(2,164)	(2,170)	(1,550)
<b>Cash flow from financing activities</b>	<b>(175)</b>	<b>(5,671)</b>	<b>3,163</b>
Cash and equivalents at beginning of period	22,853	17,001	10,384
<b>Total cash generated</b>	<b>(5,854)</b>	<b>(6,617)</b>	<b>4,423</b>
Cash and equivalents at the end of period	16,999	10,384	14,807

## Key ratios

	12-23A	12-24E	12-25E
<b>Dupont</b>			
Net profit margin	5.8%	5.2%	4.8%
Asset turnover	1.79	1.52	1.55
ROAA	10.3%	7.8%	7.5%
Avg assets/avg equity	1.52	1.43	1.39
ROAE	15.7%	11.2%	10.5%
<b>Efficiency</b>			
Days account receivable	37.1	40.1	40.0
Days inventory	40.7	42.1	42.0
Days creditor	38.7	31.9	31.8
Fixed asset turnover	8.64	7.64	6.55
ROIC	12.5%	9.9%	8.6%
<b>Liquidity</b>			
Current ratio	2.4	3.3	3.3
Quick ratio	1.9	2.6	2.5
Cash ratio	1.3	1.8	1.8
Cash cycle	39.1	50.3	50.2
<b>Growth rate (yoy)</b>			
Revenue growth	(11.8%)	(14.2%)	2.8%
Operating profit growth	(45.8%)	(27.3%)	3.8%
Net profit growth	(42.2%)	(23.2%)	(3.8%)
EPS growth	(42.2%)	(23.2%)	(3.8%)

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## RECOMMENDATION FRAMEWORK

### Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Growth Ratings

Definition:

- Positive We forecast the company to have stronger earnings growth than peers over the investment horizon.
- Neutral We forecast the company's earnings growth to be in line with peers over the investment horizon.
- Negative We forecast the company to have weaker earnings growth than peers over the investment horizon.

### Value Ratings

Definition:

- Positive The current share price is lower than peers on the basis of historical P/E, P/B or another ratio specified.
- Neutral The current share price is in-line with peers on the basis of historical P/E, P/B or another ratio specified.
- Negative The current share price is higher than peers on the basis of historical P/E, P/B or another ratio specified.

### Sector Ratings

Definition:

- Overweight Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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