

Oil & Gas

Non-rated

Strong demand growth expected in 1Q22F

Revenue recovered in 4Q21

The social distancing measures eased significantly in 4Q21, leading oil & gas consumption to recover from the bottom in 3Q21. Based on our collection, the 4Q21 aggregate earnings momentum of 26 listed Oil & gas companies on three bourses recovered from the bottom of 3Q21 due to gloomy demand in the lockdown period. Net profit growth decelerated to 33% yoy in 4Q21 from the peak of 1Q21. Overall, 2021 outcome was eventually splendid with a 172% yoy net profit and 30% yoy revenue growth.

Selling price led the topline industry growth in 4Q21

Average selling prices was the biggest impact into revenue growth engines. Global fuel oil prices spike over 60% yoy in 2021 despite amid soft demand due to social distancing measures, led ASP of O&G products rocketed. Breaking down O&G aggregate revenue growth by a specific company, OIL (PV Oil) and BSR (Binh Son Refinery) top the influence in the light of their spectacular growth of 120% yoy and 101% yoy in 4Q21 but BSR dominate the full year sector growth with its revenue of VND101tn, equivalent to 75% increase.

Demand back to normal in 1Q22F

We forecast that Brent crude oil price will remain at about USD100/barrel in 1Q22F. The full reopening of Vietnam economy along with remove of harsh lockdown measures will boost energy consumption in 1Q22F. Rising in oil prices will boost immediately and strongly to earnings of midstream and downstream such as GAS, PLX and BSR thanks to higher selling price, inventory gains and refining margin expansion. Meanwhile, we have not seen significant impact of oil prices on upstream companies (PVD & PVS) in 1Q22F. However, we saw there were some positive signals from Block B – O Mon project, which will be a new growth engine for upstream company in coming period.

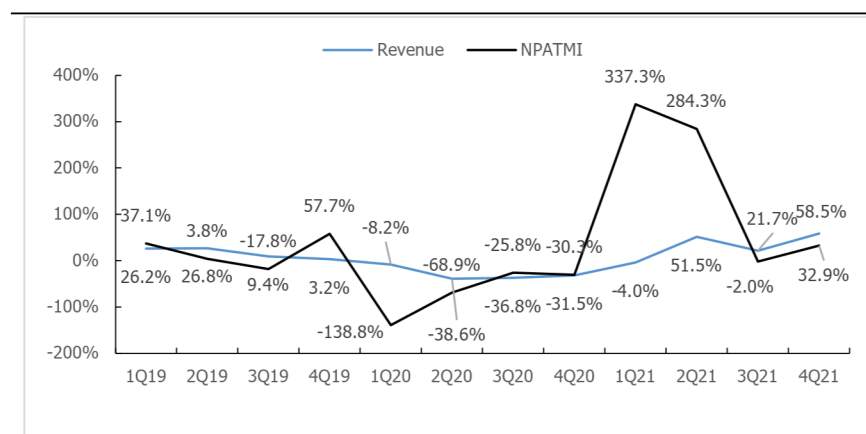
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Table 1. Aggregated earnings of 26 listed companies (VNDbn, %)

	4Q20	3Q21	4Q21	YoY	QoQ
Revenues	90,754	98,767	143,859	58.5%	45.7%
GP	9,509	7,965	12,389	30.3%	55.5%
NP	4,417	3,444	5,872	32.9%	70.5%

Source: Company data, Fiinpro

Based on our collection, the 4Q21 aggregate earnings momentum of 26 listed Oil & gas companies on three bourses recovered from the bottom of 3Q21 due to gloomy demand in the lockdown period. Net profit growth decelerated to 32.9% yoy in 4Q21 from the peak of 1Q21. Overall, 2021 outcome was eventually splendid with a 172% yoy net profit and 30% yoy revenue growth. The revenue growth rate in 4Q21 was at around 58.5% yoy. However, the revenue growth pace was higher than net profit implying there were also other headwinds on net profit growth.

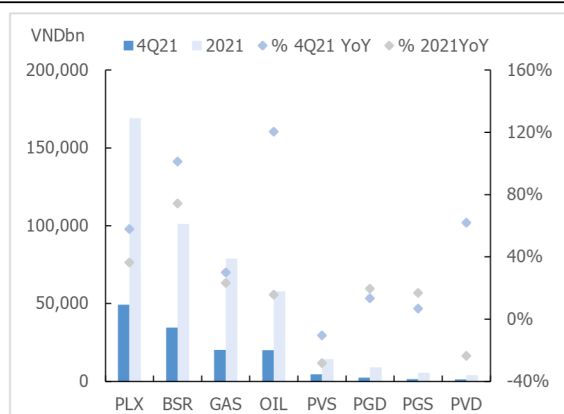
Figure 1. Growth in net profit earned by listed O&G companies in 4Q21

Source: Company data, Fiinpro

Selling price led the topline industry growth in 4Q21

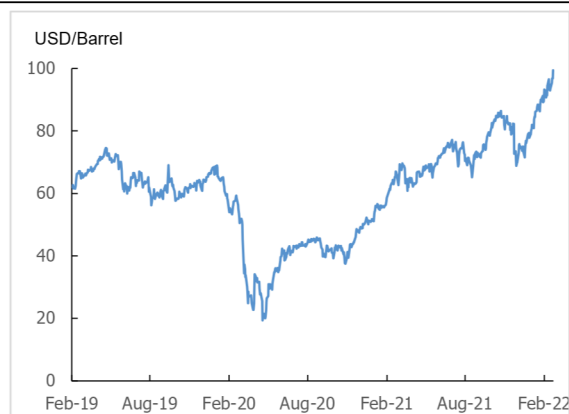
Breaking down O&G aggregate revenue growth by a specific company, OIL (PV Oil) and BSR (Binh Son Refinery) top the influence in the light of their spectacular growth of 120% yoy and 101% yoy in 4Q21 but BSR dominate the full year sector growth with its revenue of VND101tn, equivalent to 75% increase. Deep diving analysis into revenue growth engines, average selling prices were the biggest impact. Global fuel oil prices spike over 60% yoy in 2021 despite amid soft demand due to social distancing measures, led ASP of O&G products rocketed. Meanwhile, GAS (PetroVietnam Gas) and PLX also recorded weaker sales volume compared to 4Q20.

Figure 2. OIL revenue growth far exceeded industry in 4Q21



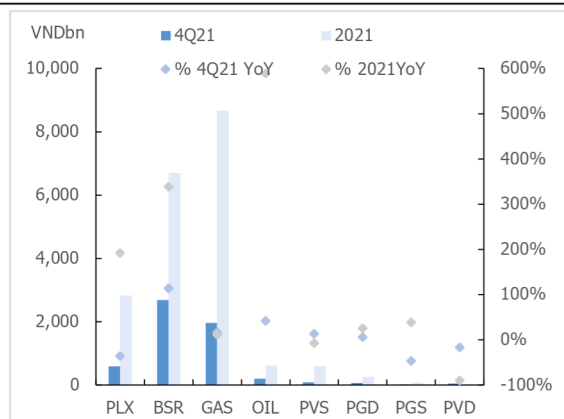
Source: Company data, Fiiipro

Figure 3. Brent crude oil prices soared up in 2021



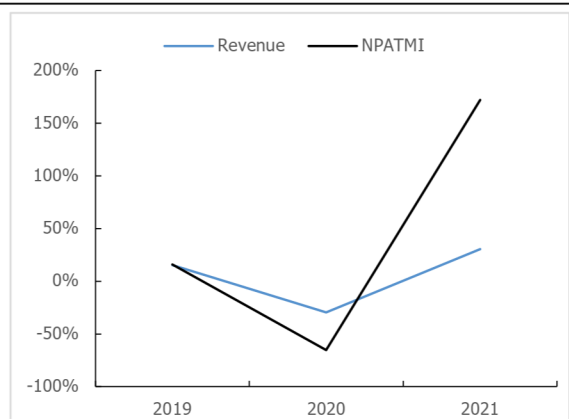
Source: Bloomberg

Figure 4. BSR beat industry net profit growth in 2021



Source: Company data, Fiiipro

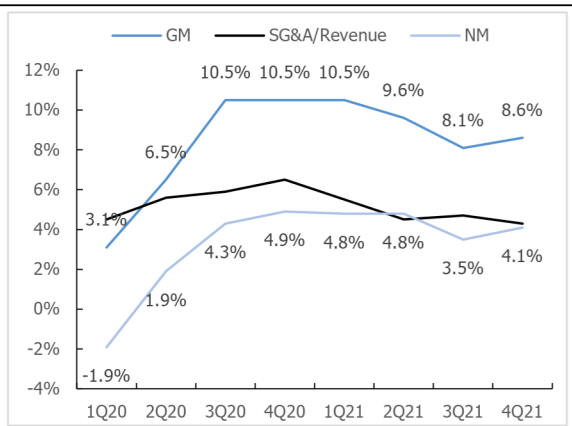
Figure 5. NPATMI of sector rocketed in 2021



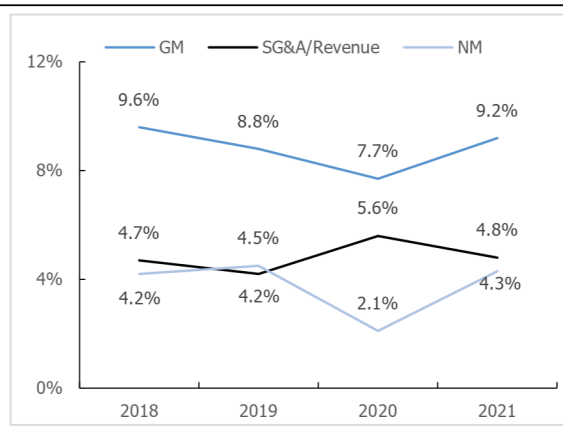
Source: Company data, Fiiipro

4Q21 net margin mixed in O&G

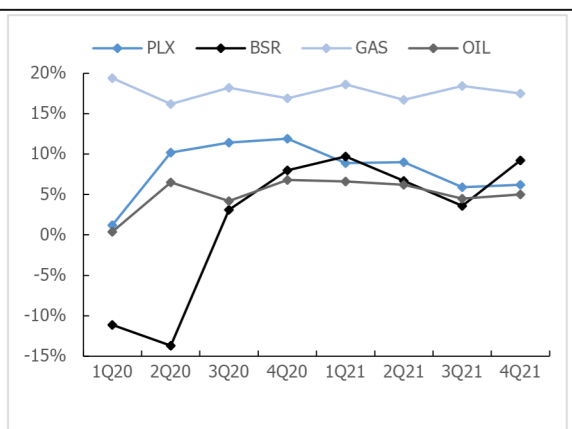
The net profit was boded well in 4Q21 thanks to GAS growth of 16.7% yoy and OIL growth of 42.3% yoy but BSR led the sector net profit in Q421, driven by its record growth of 114% to VND2.684bn. In contrast, NPATMI of PLX dropped 36.3% yoy in 4Q21 due to provision for devaluation of inventory. In 4Q21, we saw that net margin recovered in most O&G companies from the bottom of 3Q21. Average net margin expanded to 4.1% in 4Q21 from 3.5% in 3Q21 but slumped by 0.8p% compared to 4Q20. Therefore, the overall picture of 2021 is brisk, 2021 net profit growth was attributed to the net margin expansion which in turn was driven by the gross margin stretch. Into details, net margin rise of 2.2% point was boosted by a combination of a 1.5%p yoy gross margin increase. Blended gross margin expanded in 2021 thanks to increasing APS followed by the global oil prices.

Figure 6. 4Q21 GM recovered from the bottom of 3Q21

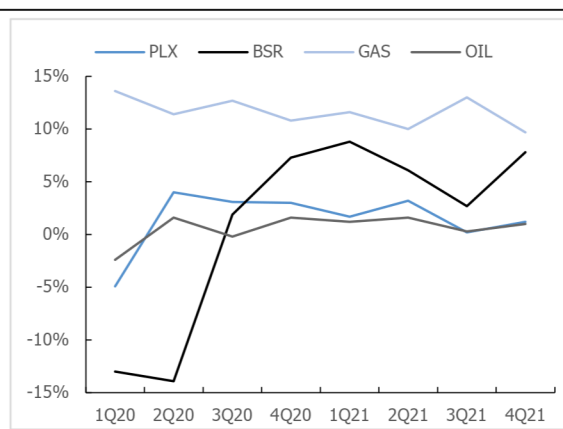
Source: Company data, Fiinpro

Figure 7. GM of sector rebounded in 2021

Source: Company data, Fiinpro

Figure 8. GAS remained GM stable

Source: Company data, Fiinpro

Figure 9. BSR's NP expanded fastest in 4Q21

Source: Company data, Fiinpro

Demand back to normal in 1Q22F

EIA forecast that global consumption of petroleum and liquid fuels will average 100.6 million barrels per day for all of 2022, which is up 3.5 million barrels per day from 2021, equivalent to the pre-pandemic demand. Meanwhile, while the supply could not rise fast enough in short term to catch up the demand due to lower new investments for exploitation activities in 2021. Addition, the Russia – Ukraine tensions also boosted oil prices surged in 1Q22F. Thus, we forecast that Brent crude oil prices will remain at about USD100/ barrel an 1Q22F.

In 1Q22F, the full reopening of Vietnam economy along with remove of harsh lockdown measures will boost energy consumption. Rising in oil prices will boost immediately and strongly to earnings of midstream and downstream such as GAS, PLX and BSR thanks to higher selling price, inventory gains and refining margin expansion. Meanwhile, we have not seen significant impact of oil prices on upstream companies (PVD & PVS) in 1Q22F. However, we saw there were some positive signals from Block B – O Mon project, which will be a new growth engine for upstream company in coming period. We also expect that GAS will lead the sector net profit growth thanks to an expanding in gross margin and strong recovery gas demand for power plants and industrial park clients.

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