

Oil & Gas

Non-rated

Solid outlook expected in 2Q22F

High revenue growth in 1Q22

The reopening of all industries led oil & gas consumption to grow in 1Q22. Based on our collection, the 1Q22 aggregate earnings growth of 28 listed Oil & gas companies on three bourses decelerated due to a high growth base in 1Q21. Net profit growth edged up 35.1% yoy in 1Q22 vs 31.7% yoy growth in 4Q21. Otherwise, the revenue growth rate in 1Q22 was still brisk at around 66.7% yoy thanks to the higher oil prices.

Selling price boosted the sector topline growth in 1Q22

Average selling prices were the biggest impact on revenue growth engines, in our view. Brent oil and fuel oil prices soared over 60% yoy and 55% yoy respectively in 1Q22 due to uptrend commodity prices and Ukraine and Russian tension, which led the ASP of O&G products which are anchored by oil prices to rocket to an all-time high. Thus, downstream and midstream companies such as PLX, OIL, BSR (Binh Son Refinery), and GAS recorded high revenue growth in 1Q22.

Solid outlook expected in 2Q22F

Thus, we forecast that Brent crude oil prices will average at USD95/barrel in 2Q22F. The full reopening of Vietnam's economy will boost continually oil and gas consumption in 2Q22F. The high global oil prices will lead earnings of midstream and downstream such as GAS, and BSR to grow strongly in 2Q22F thanks to higher selling prices and refining margin expansion. We expect that GAS will lead the sector's net profit growth thanks to an expansion in gross margin and solid gas demand from power plants and industrial park clients.

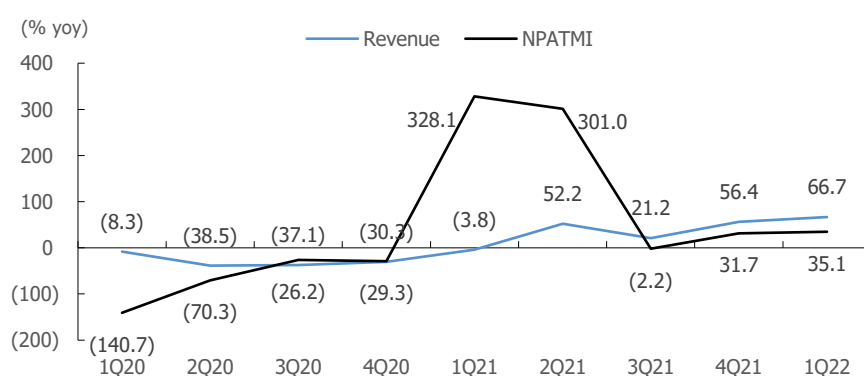
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Table 1. Aggregated earnings of 28 listed O&G companies (VNDbn, %)

	1Q21	4Q21	1Q22	YoY	QoQ
Revenue	105,851	148,615	176,404	66.7	18.7
GP	10,903	12,696	13,263	21.6	4.5
NP	4,962	5,940	6,705	35.1	12.9

Source: Company data, Fiinpro

Based on our collection, the 1Q22 aggregate earnings growth of 28 listed Oil & gas companies on three bourses decelerated due to a high growth base in 1Q21. Net profit growth climbed up 35.1% yoy in 1Q22 vs 31.7% yoy growth in 4Q21. Otherwise, the revenue growth rate in 1Q22 was still brisk at around 66.7% yoy thanks to the higher oil prices. The revenue growth pace was higher than net profit implying there were also other headwinds on net profit growth.

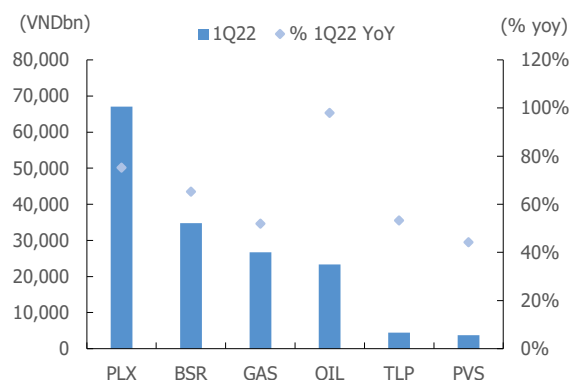
Figure 1. 1Q22 net profit growth of O&G companies spiked sharply

Source: Company data, Fiinpro

Selling prices led the industry topline growth in 1Q22

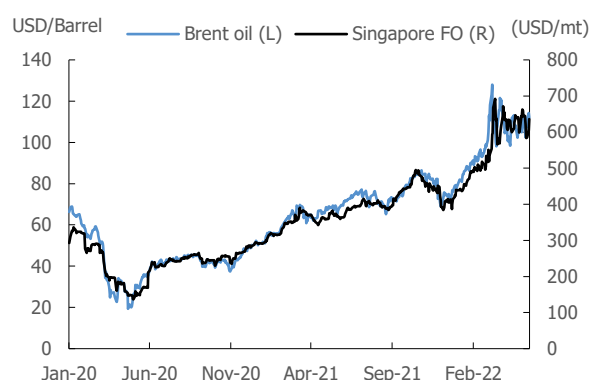
Breaking down O&G's aggregated revenue growth by a specific company, OIL (PV Oil) and PLX (Petrolimex) top the influence in the light of their impressive growth of 98% yoy and 75.2% yoy. GAS (PetroVietnam Gas) kept the revenue growth pace at 51.9% yoy to VND26.7tn in 1Q22. Average selling prices were the biggest impact on revenue growth engines, in our view. Brent oil and fuel oil prices soared over 60% yoy and 55% yoy respectively in 1Q22 due to uptrend commodity prices and Ukraine and Russian tension, which led the ASP of O&G products which are anchored by oil prices to rocket to an all-time high. Thus, downstream and midstream companies such as PLX, OIL, BSR (Binh Son Refinery), and GAS recorded high revenue growth in 1Q22.

Figure 2. OIL revenue growth far exceeded industry in 1Q22



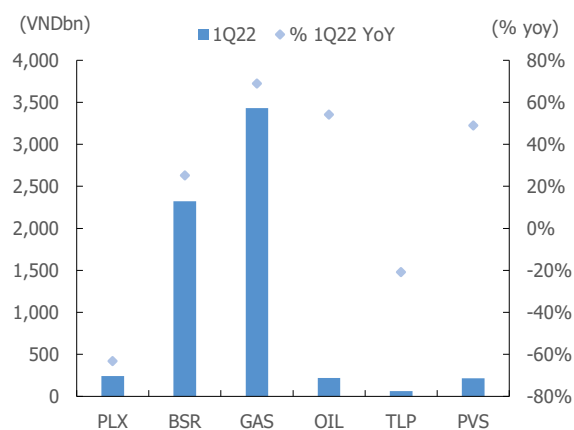
Source: Company data, Fiipro

Figure 3. Brent crude oil price soared up in 1Q22



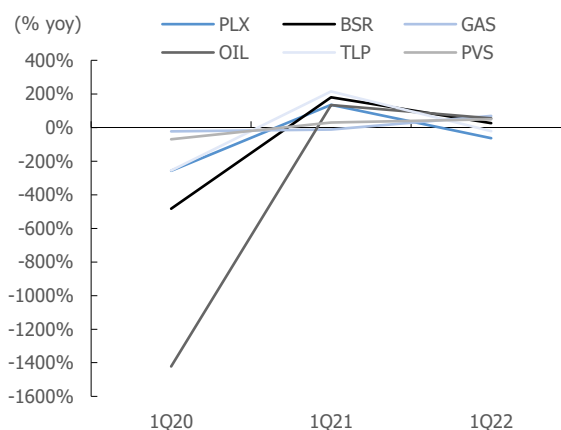
Source: Bloomberg

Figure 4. GAS beat industry net profit growth in 1Q22



Source: Company data, Fiipro

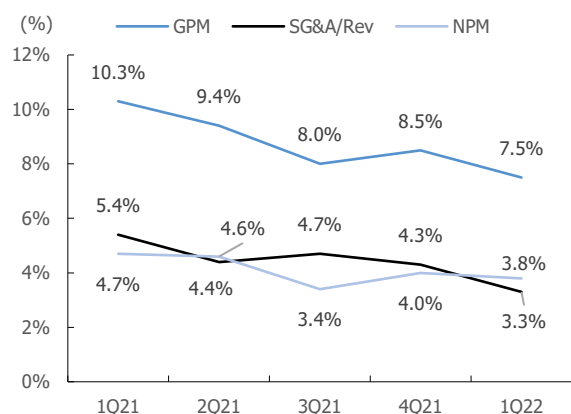
Figure 5. 1Q22 NPAT-MI growth of O&G companies



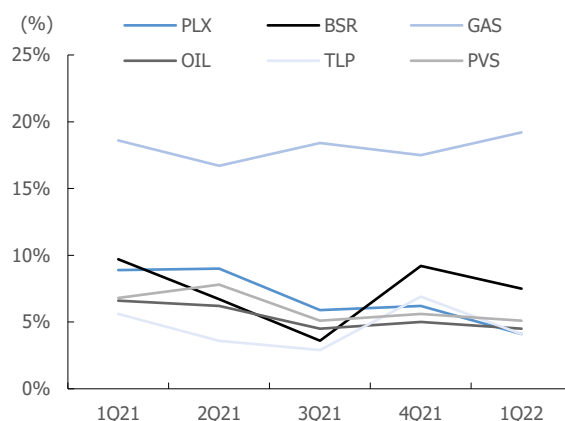
Source: Company data, Fiipro

1Q22 net margin mixed in O&G companies

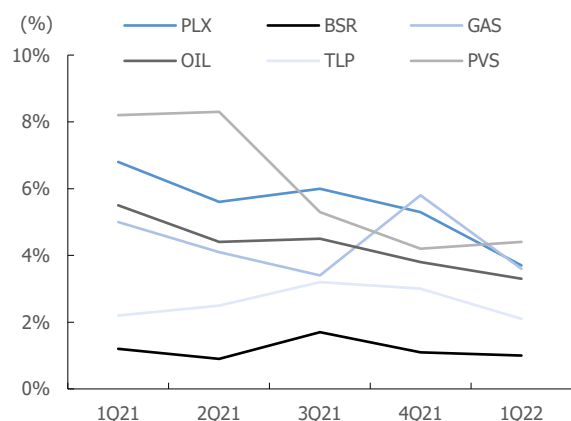
The net profit was recorded well in 1Q22 thanks to GAS's NPAT-MI of VND3,429bn (+69% yoy) and BSR's NPAT-MI of VND2,324bn (+25.2% yoy). In contrast, NPAT-MI of PLX dropped 63.2% yoy to VND243bn in 1Q22 due to inventory provision expense and the negative impact of Nghi Son refinery unexpectedly reducing its utilization. In 1Q22, we saw that net margin was suppressed in most O&G companies. GAS is an outlier, net margin of GAS expanded to 12.8% in 1Q22 compared to 11.6% and 9.7% in 1Q21 and 4Q21, respectively. Breaking down into details, the blended net margin was flat by a combination of a 1.0%p qoq gross margin decrease and a 1.0%p qoq SG&A/sales decrease in 1Q22. The 1Q22 blended net margin was stable at 3.8% compared to 4.0% in 4Q21 but it was worse than 4.7% in 1Q21.

Figure 6. Blended GM subdued in 1Q22

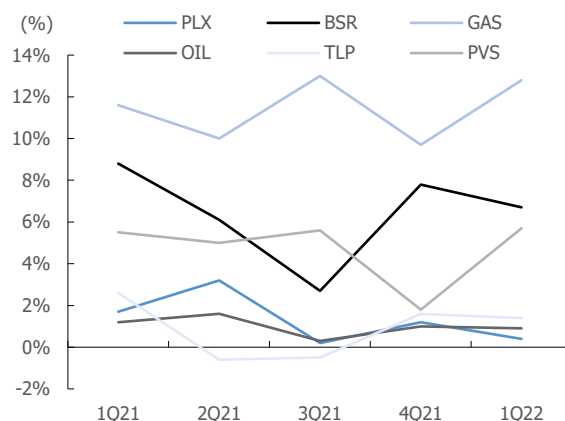
Source: Company data, Fiiipro

Figure 7. GAS's GM expanded in 1Q22

Source: Company data, Fiiipro

Figure 8. SG&A/Revenue tended to narrow at most O&G companies

Source: Company data, Fiiipro

Figure 9. GAS remained high NM in 1Q22

Source: Company data, Fiiipro

Solid outlook in 2Q22F

EIA forecasts world oil demand growth to slow in 2Q22 due to severe new lockdown measures amid surging Covid cases in China. It has led to a downward revision in expectations for global oil demand in 2Q22 and for the year as a whole. Additionally, a weaker-than-expected demand in OECD countries at the start of the year added to the decline. Thus, we forecast that Brent crude oil prices will average at USD95/barrel in 2Q22F.

In 2Q22F, the full reopening of Vietnam's economy will boost continually oil and gas consumption. The high global oil prices will lead earnings of midstream and downstream such as GAS, BSR to grow strongly in 2Q22F thanks to higher selling prices, and refining margin expansion. We expect that GAS will lead the sector's net profit growth thanks to an expansion in gross margin and solid gas demand from power plants and industrial park clients. Meanwhile, we expect the revenue and earnings of upstream companies (PVS & PVD) to improve slightly in 2Q22F due to a bigger workload and higher average jack-up day rate.

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