April 26th, 2024

Shinhan Securities



Vietnam National Petroleum Group Joint Stock Company

[Vietnam / OIL & GAS]

Bloomberg Ticker (PLX VN) | Reuters Ticker (PLX.HM)

BUY

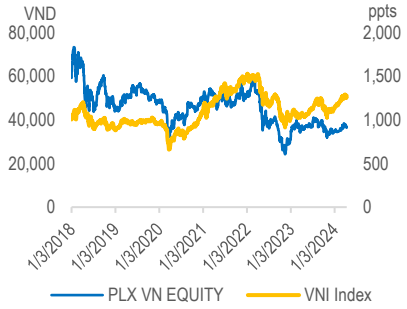
Update Coverage

Target price (12 months)	**43,000 VND**
Current price (26/04/24)	35,700 VND
Upside/downside (%)	20.4%

VNINDEX	1,209
HNXINDEX	226
Market Cap (bn VND)	45,360
Outstanding shares (1mn)	1,270
Free float (1mn)	54
52-week high/low (VND)	44,400/22,950
90-day avg. trading volume (1mn)	0.98
90-day avg. turnover (bn VND)	29

Major shareholders (%)	State Capital	75.9
	Eneos Corporation	13.1

Performance	3M	6M	12M
Absolute (%)	2.0	-0.4	-3.3
Relative to VN-Index (%)	-0.7	-9.6	-19.5



Source: Bloomberg

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The leverage of strength

Update recommendation with BUY rating and target price of VND 43,000

Vietnam National Petroleum Joint Stock Company (PLX) is a pioneer in Vietnam's petroleum distribution sector. Based on DCF methods, we update PLX's target price at VND 43,000. In 2024, PLX's growth prospects will stem from the recovery of demand for gasoline and oil and the anticipation of changes in the draft Decree on Gasoline and Oil Business in 2024.

Plan for 2024: PLX plans to achieve consolidated revenue of VND 188,000 billion and pre-tax profit of VND 2,900 billion, down 32% and 26% respectively from 2023. The plan is based on a sales volume of petroleum products of 13,033 (thousand m^3/ton), down 9% from the previous year. The dividend for 2024 is expected to be maintained at 10%.

The recovery of petroleum demand

In 2023, PLX's oil and gas sales volume reached 14,395 (thousand m^3/ton) (+4% YoY). In 2024, we expect the growth in demand for oil and gas consumption to continue to increase as the economy recovers better. Therefore, we believe that PLX will exceed its plans for this year.

Tight control of the gasoline market creates room for PLX to leverage its strengths

We expect stricter control over the operation of gasoline distributors to create opportunities for PLX to leverage its strengths. As of now, 7 gasoline wholesale enterprises have had their licenses revoked due to not meeting the conditions for gasoline trading (leaving only 34 wholesale enterprises).

Regulations on e-invoices for retail gasoline business activities: PLX is a pioneer in implementing the solution of issuing e-invoices for each sale from July 1, 2023.

The anticipation of changes in the draft Decree on Gasoline and Oil Business in 2024.

The Ministry of Industry and Trade has recently submitted the second draft of revisions to the government, and it has not yet been officially promulgated. However, the draft contains new contents and proposals that we assess will have a significant impact on the oil and gas industry.

Proposal for businesses to set their own gasoline prices. The mechanism for regulating gasoline prices will move closer to a market-based system. The selling price of gasoline by wholesale gasoline traders on the market must not exceed the price calculated according to the formula. Traders have the right to sell below the maximum selling price according to the price formula prescribed in the Decree.

Maximum retail price of gasoline and oil = World gasoline and oil price x Exchange rate + Import tax + Special consumption tax + Environmental protection tax + Value added tax + Business costs, business profit margin.

We assess that changing to a new option would be beneficial for PLX, thanks to good control of business costs, making the selling price more competitive.

Risks: (1) Volatile oil price; (2) Exchange rate risk.

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**274,253**	**253,890**	**270,807**	**320,580**	**345,787**
OP (bn VND)	3,802	3,996	4,349	4,092	3,951
NP (bn VND)	**3,052**	**3,358**	**3,632**	**3,433**	**3,323**
EPS (VND)	2,173	2,391	2,586	2,444	2,366
BPS (VND)	21,344	23,939	26,746	29,399	31,967
OPM	1.4%	1.6%	1.6%	1.3%	1.1%
NPM	1.1%	1.3%	1.3%	1.1%	1.0%
ROE	**9.8%**	**9.7%**	**9.4%**	**8.1%**	**7.2%**
PER (x)	20.2	18.3	16.9	17.9	18.5
PBR (x)	2.1	1.8	1.6	1.5	1.4
EV/EBITDA (x)	9.6	7.5	7.1	7.5	7.9

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Maintain BUY rating and target price of VND 43,000

We apply a Discounted Cash Flow (DCF) valuation method to value PLX. We update our BUY recommendation with a target price of VND 43,000, equivalent to a return of 20.4%.

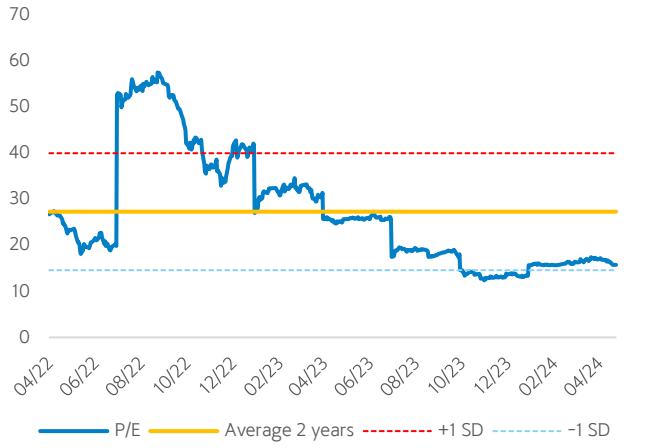
Valuation

DCF valuation					
Unit: billion VND	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Net profit	3,093	3,346	3,162	3,062	2,196
Plus: After-tax interest expense	832	814	911	1,022	1,070
Plus: Depreciation & Amortization	2,347	2,499	2,660	2,828	3,005
Minus: Change in working capital	140	-64	-239	-128	-97
Minus: CapEx	1,877	2,000	2,128	2,263	2,404
Free Cash Flow (FCF)	4,254	4,724	4,845	4,777	3,964
PV of FCF	17,276				
Growth rate	2%				
Present value of long-term value	33,164				
Enterprise value	**50,440**				
Debt	24,394				
Cash and cash equivalents	29,611				
Number of shares outstanding (mn units)	1,270				
Target price (VND)	**43,000**				

WACC	**9.7%**
Risk-free rate	2.9%
Equity risk premium	9.0%
Beta	0.9
Debt cost	8%
The cost of equity	11%
Debt-to-equity ratio	78.4%
Total debt (VND bn)	24,394

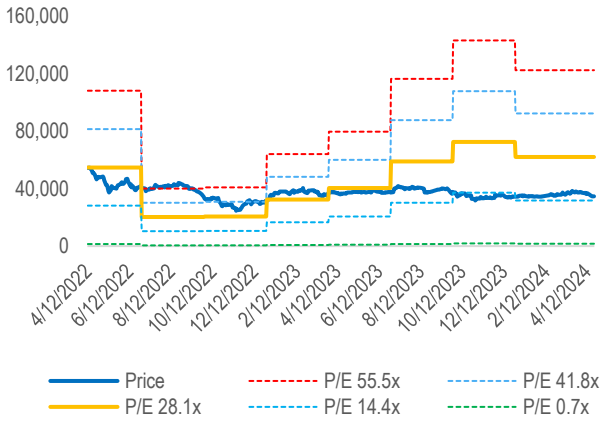
Source: Company data, Shinhan Securities Company

PLX's PER



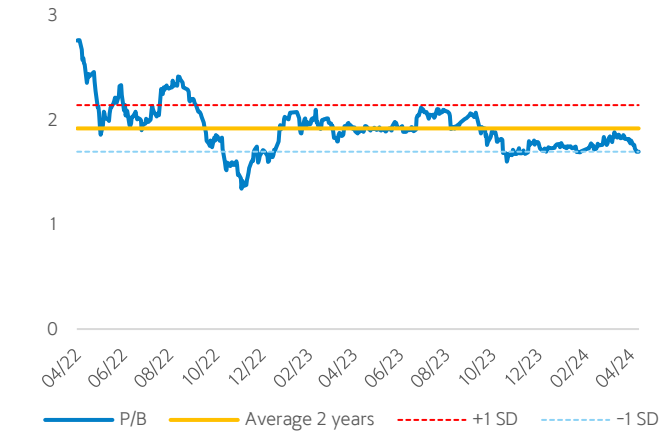
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of PLX



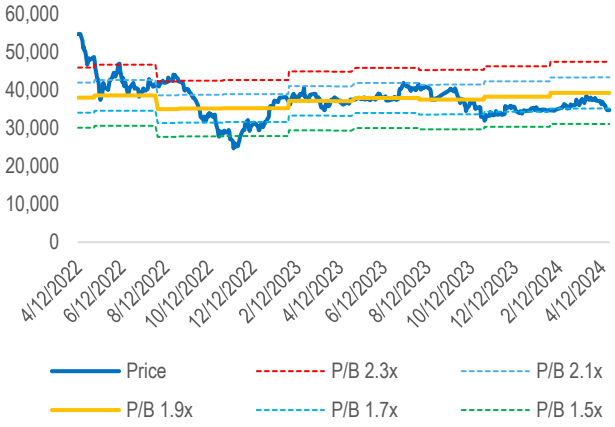
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PLX's PBR from 2017



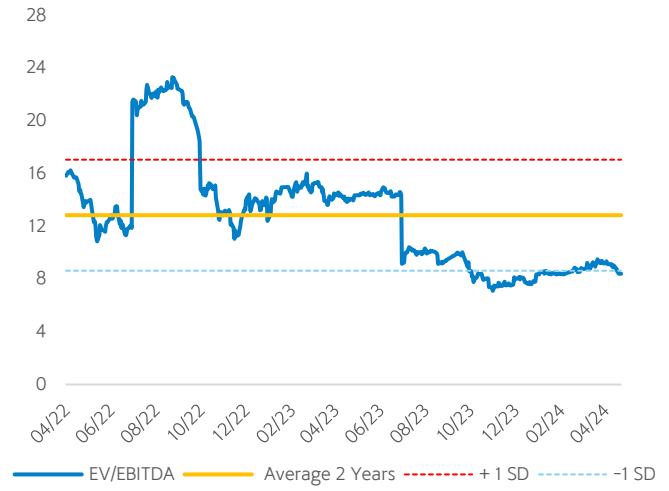
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of PLX



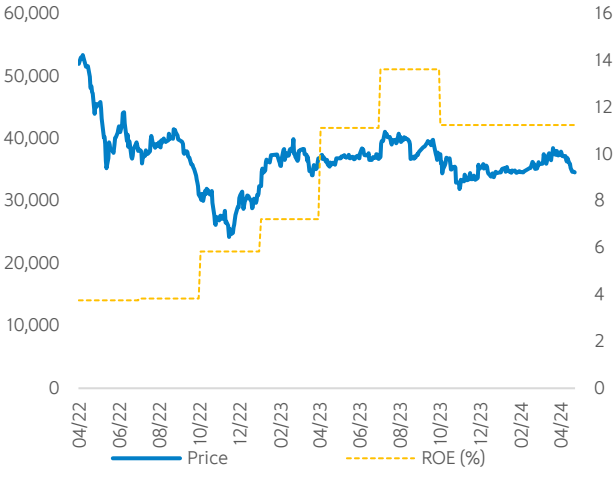
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PLX's EV/EBITDA from 2017



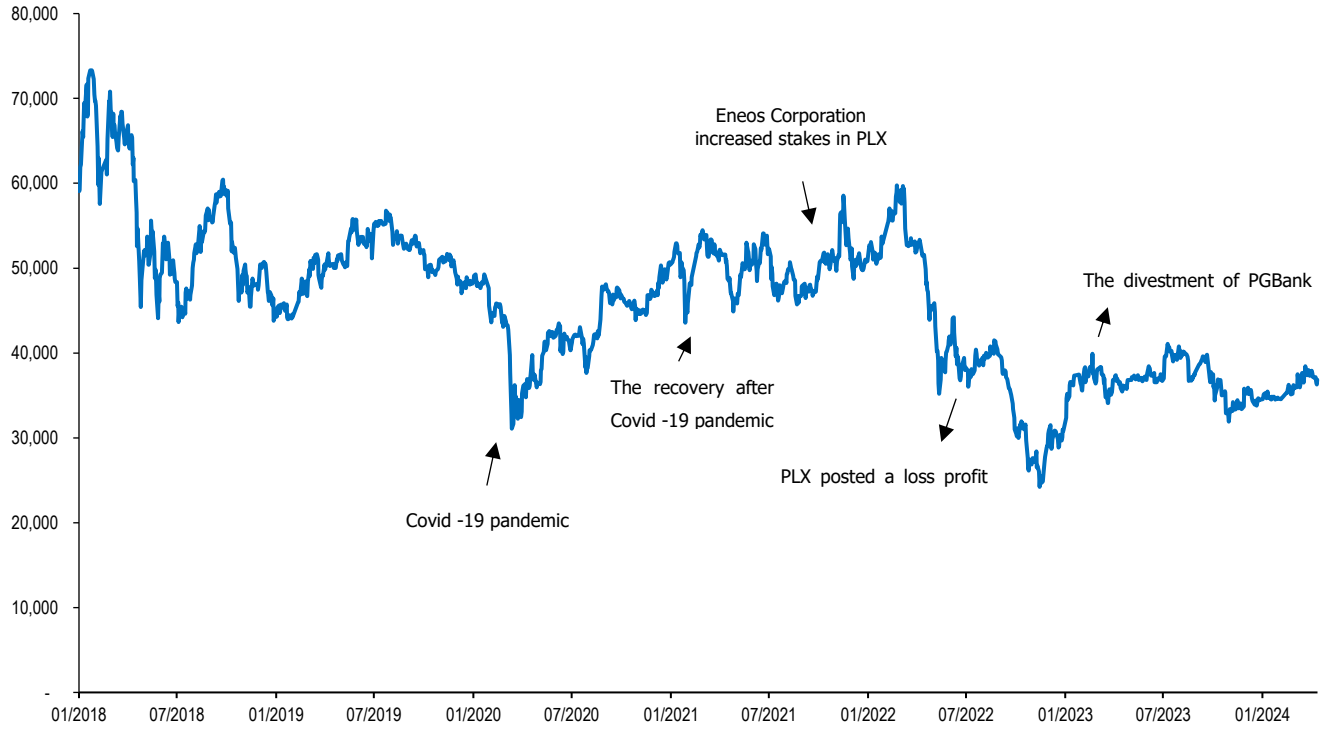
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of PLX



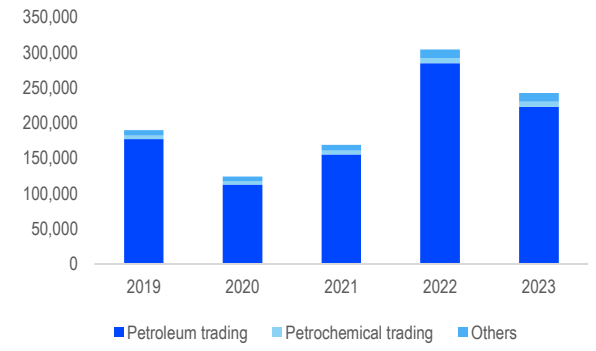
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Company background

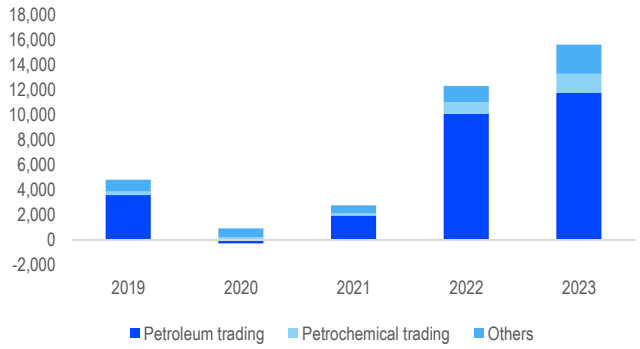
History

In 2017, Petrolimex was officially listed on Ho Chi Minh Stock Exchange (HSX) with the sticker "PLX". PLX is the dominant petroleum distributor with a nationwide network of more than 5,500 petroleum stations, occupying nearly 50% of the total market share. PLX is operating in the field of importing/exporting and trading petroleum, refinery and petrochemical products and other related services. Therein, petroleum trading is an essential part and made up 85% of gross profit.

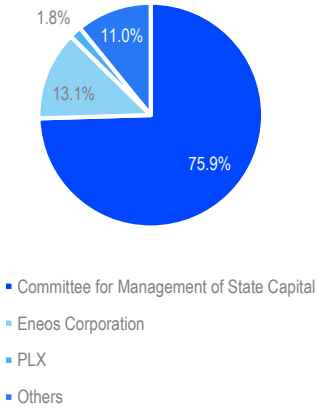
PLX's revenue breakdown by segment (VND bn)



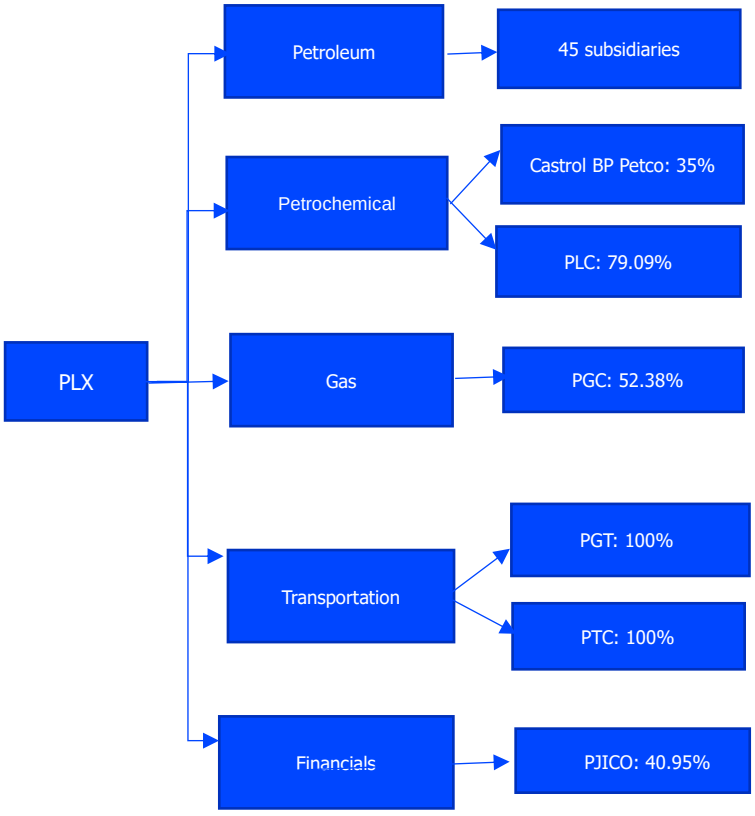
PLX's gross profit breakdown by segment (VND bn)



Shareholder Structure 01/02/2023



Model of Governance



Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Total assets	73,808	83,199	82,414	89,277	102,167
Current assets	49,474	57,271	54,750	60,535	72,392
Cash & equivalents	11,611	22,519	22,013	26,191	33,257
Short-term financial asset	7,092	7,092	7,092	7,092	7,092
Accounts receivable	11,983	10,808	10,005	10,672	12,633
Inventories	17,234	15,299	14,086	15,026	17,856
Non-current assets	24,334	24,297	24,380	24,433	24,453
Net fixed assets	14,405	14,368	14,452	14,504	14,525
Investment assets	553	553	553	553	553
Other long-term assets	9,376	9,376	9,376	9,376	9,376
Total liabilities	46,003	52,099	47,692	50,638	59,825
Current liabilities	45,010	51,095	46,843	49,944	59,286
Accounts payable	24,043	21,344	19,652	20,963	24,911
Short-term borrowings	14,034	23,559	21,463	22,894	27,206
Others	6,932	6,192	5,728	6,088	7,170
Non-current liabilities	993	1,004	849	694	539
Long-term borrowings	823	834	679	524	369
Other financial liabilities	170	170	170	170	170
Total shareholders' equity	27,807	31,100	34,721	38,639	42,342
Capital stock	12,939	12,939	12,939	12,939	12,939
Capital surplus	7,359	7,359	7,359	7,359	7,359
Other capital	1,296	1,296	1,296	1,296	1,296
Retained earnings	2,970	6,022	9,380	13,012	16,445
Non-controlling interest equity	3,243	3,483	3,747	4,033	4,303
*Total debt	14,858	24,394	22,142	23,418	27,575
*Net debt (cash)	(3,845)	(5,217)	(6,963)	(9,865)	(12,774)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	304,080	274,253	253,890	270,807	320,580
Growth (%)	79.9%	-9.8%	-7.4%	6.7%	18.4%
COGS	291,758	259,001	238,473	254,375	302,284
Gross profit	12,322	15,252	15,417	16,432	18,295
GPM (%)	4.1%	5.6%	6.1%	6.1%	5.7%
SG&A	11,337	13,069	12,187	12,999	15,388
Operating profit	1,927	3,802	3,996	4,349	4,092
Growth (%)	-45.2%	97.3%	5.1%	8.9%	-5.9%
OPM (%)	0.6%	1.4%	1.6%	1.6%	1.3%
Non-operating profit	242	1,019	165	316	585
Financial income	1,932	2,741	2,055	2,184	2,577
Financial expense	1,690	1,722	1,890	1,867	1,992
In which: interest expenses	647	904	1,072	1,049	1,174
Net other non-operating profit	334	130	330	330	330
Pre-tax profit	2,260	3,932	4,325	4,679	4,422
Income tax	420	880	968	1,047	989
Net profit	1,840	3,052	3,358	3,632	3,433
Growth (%)	-41.1%	65.8%	10.0%	8.2%	-5.5%
NPM (%)	0.6%	1.1%	1.3%	1.3%	1.1%
Controlling interest	1,408	2,812	3,093	3,346	3,162
Non-controlling interest	432	240	264	286	270
EBIT	2,907	4,836	5,397	5,728	5,596
Growth (%)	-33.8%	66.4%	11.6%	6.1%	-2.3%
EBIT Margin (%)	1.0%	1.8%	2.1%	2.1%	1.7%
EBITDA	5,030	7,041	7,744	8,228	8,256
Growth (%)	-24.3%	40.0%	10.0%	6.3%	0.3%
EBITDA margin (%)	1.7%	2.6%	3.1%	3.0%	2.6%

Statement of cash flow

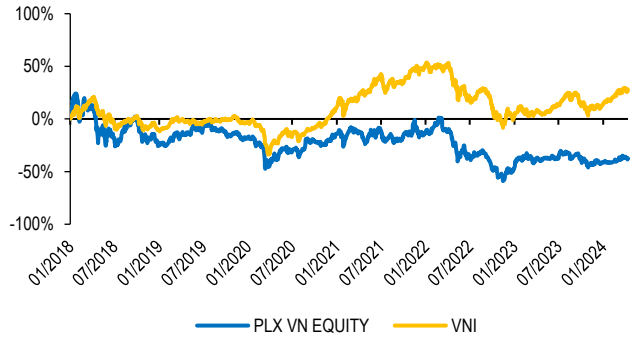
Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	4,422	4,689	5,300	5,910	6,061
Net profit	1,408	2,812	3,093	3,346	3,162
Depreciation expense	2,123	2,206	2,347	2,499	2,660
(Gain) from investing activities					
Change in working capital	792	-329	-140	64	239
Others	0	0	0	0	0
Cash flow from investments	3,036	-1,616	-1,877	-2,000	-2,128
Change in fixed assets	-1,373	-1,616	-1,877	-2,000	-2,128
Change in investment assets	4,409	0	0	0	0
Others	-10	0	0	0	0
Cash flow from financing	-2,037	7,835	-3,928	268	3,133
Change in equity	0	240	264	286	270
Net borrowing	-512	9,536	-2,252	1,276	4,157
Dividends	-1,525	-1,941	-1,941	-1,294	-1,294
Change in total cash	5,422	10,908	-506	4,178	7,066
Beginning cash	6,192	11,611	22,519	22,013	26,191
Change in FX rates					
Ending cash	11,611	22,519	22,013	26,191	33,257

Key ratios

Year to Dec.	2022	2023	2024F	2025F	2026F
EPS (VND)	1,088	2,173	2,391	2,586	2,444
BPS (VND)	18,985	21,344	23,939	26,746	29,399
DPS (VND)	700	1,500	1,500	1,000	1,000
PER (x)	40.3	20.2	18.3	16.9	17.9
PBR (x)	2.3	2.1	1.8	1.6	1.5
EV/EBITDA (x)	8.4	9.6	7.5	7.1	7.5
Dividend payout ratio (%)	64%	69%	63%	39%	41%
Dividend yield (%)	1.6%	3.3%	3.3%	2.2%	2.2%
Profitability					
EBITDA margin (%)	1.7%	1.6%	2.2%	2.2%	1.7%
OPM (%)	0.6%	1.4%	1.6%	1.6%	1.3%
NPM (%)	0.6%	1.1%	1.3%	1.3%	1.1%
ROA (%)	2.5%	3.7%	4.1%	4.1%	3.4%
ROE (%)	6.6%	9.8%	9.7%	9.4%	8.1%
Stability					
Debt to equity ratio (%)	53.4%	78.4%	63.8%	60.6%	65.1%
Net debt ratio (%)	76.5%	118.9%	124.8%	166.3%	229.4%
Cash ratio (%)	25.8%	44.1%	47.0%	52.4%	56.1%
Interest coverage ratio (x)	1.5	2.4	3.0	3.3	2.5
Activity (%)					
Working capital turnover (times)	6	6	6	6	6
Inventory turnover (days)	22	22	22	22	22
Receivable turnover (days)	14	14	14	14	14

Vietnam National Petroleum Group Joint Company (PLX VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
06/02/2023 (Initiation)	BUY	45,100	1.5	-31.5/96.5
13/07/2023 (Update)	HOLD	45,100	22.0	1.5/96.5
26/04/2024 (Update)	BUY	43,000	17	1.8/37.3

Note: Calculation of target price gap based on past 12 months

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Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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