August 30th, 2024

Shinhan Securities



Vietnam National Petroleum Group Joint Stock Company

[Vietnam / OIL & GAS]

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

BUY

Initiate Coverage

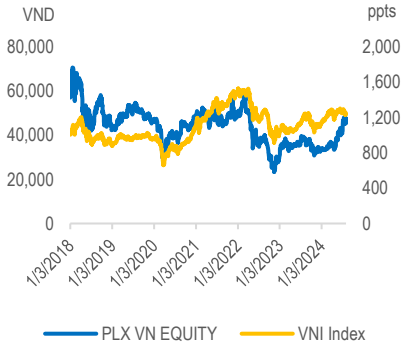
Target price (12 months)	**64,500 VND**
Current price (29/08/24)	49,100 VND
Upside/downside (%)	32.1%

VNINDEX	1,281
HNXINDEX	238
Market Cap (bn VND)	62,386
Outstanding shares (mn)	1,271
Free-Floating (mn)	54
52-Wk High/Low (VND)	51,700/31,300
90-day avg. trading volume (mn)	2.18
90-day avg. turnover (bn VND)	104

Major shareholders (%)	State Capital	75.9
	Eneos Corporation	13.1

Performance	3T	6T	12T
Absolute (%)	18.2	35.6	22.7
Relative to VN-Index (%)	18.3	33.6	23.0

Source: Bloomberg



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A promising future

Initiate coverage with BUY rating and target price of VND 64,500

Vietnam National Petroleum Joint Stock Company (PLX) is a pioneer in Vietnam's petroleum distribution sector. In 2024, PLX's growing driver comes from the stable domestic demand and advantageous government policies. In long-term, we believe the tight control of petrol market and the high growth potential of jet fuel market will enable PLX to increase its market share. Most importantly, with the new draft Decree effective in the upcoming time, PLX is well-positioned to take advantage of the new regulations. Based on DCF method, we value PLX for the first time at VND 64,500, equivalent to a 32.1% return.

PLX is a pioneer in domestic petroleum distribution and holds a 50% market share

PLX is the leading player in terms of distribution network and efficiency. Relating to the distribution network, it has around 2,700 COCO stations (company-owned company-operated) and 2,800 DODO stations (dealer-owned dealer–operated). PLX's station is about 1.5 times the second largest player – OIL. Relating to efficiency, PLX's profit margin is 2.5 times than OIL's profit margin.

The stable domestic demand and the increase in regulated cost

Vietnam's fuel consumption demand is stable and forecasted to achieve a compound annual growth rate (CAGR) of 5.5% during the 2022-2030 period. The expected strong recovery of the tourism industry in 2024-25 will also increase the demand for petroleum products.

The Ministry of Finance and the Ministry of Industry and Trade have adjusted upward the regulated costs of RON95 gasoline and diesel by 5.6% and 13.6%, respectively, compared to the July 2023 adjustment (Official Letter No. 6808/BTC-QLG). Given the increase in regulated costs, we believe PLX has the potential to increase its total gross profit per liter and expand its gross profit margin.

Jet fuel – "high growth potential"

From 2026 onwards, we expect that the aviation fuel segment has significant growth potential, which could have a substantial impact on PLX's profits, thanks to: (1) The 3rd draft Decree suggests a market-based approach where petrol distributors negotiate jet fuel prices with their partners and (2) We expect PLX to supply jet fuel to airlines at Long Thanh Airport.

Tight control of the petrol market creates room for PLX to gain the market share

After the government intensified inspections, many petroleum wholesalers and distributors have had their licenses revoked. The Government's management of petroleum distribution sector in recent years has shown signs of improvement in transparency and market access. We expect PLX to have the opportunity to gain more market share, thanks to stricter control over the operations of petroleum distributors.

Risks (1) Volatile oil price; (2) Exchange rate risk; (3) Supply disruption

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**274,253**	**283,587**	**302,257**	**320,317**	**333,883**
OP (bn VND)	3,802	4,760	5,025	5,435	5,931
NP (bn VND)	**3,052**	**3,951**	**4,157**	**4,475**	**4,860**
EPS (VND)	2,173	2,813	2,960	3,186	3,461
BPS (VND)	21,344	24,398	27,610	31,069	34,825
OPM (%)	1.4%	1.7%	1.7%	1.7%	1.8%
NPM (%)	1.1%	1.4%	1.4%	1.4%	1.5%
ROE (%)	**9.8%**	**11.2%**	**10.4%**	**10.0%**	**9.7%**
PER (x)	27.7	22.9	21.8	20.2	18.6
PBR (x)	2.8	2.6	2.3	2.1	1.8
EV/EBITDA (x)	14	10.4	9.8	9.2	8.6

Source: Company data, Shinhan Securities Vietnam

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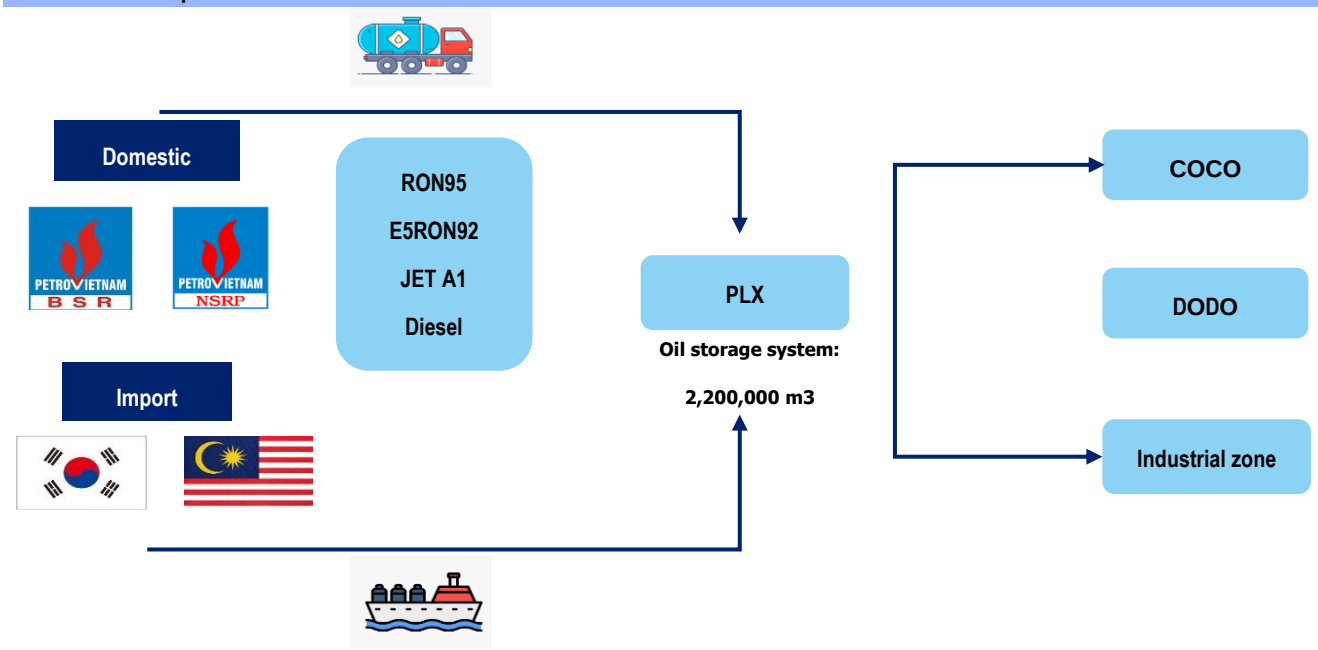
16 **Appendix : Financial statements**

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.

Value chain of PLX's petroleum business



PLX distributes domestic petroleum products through 2 main channels: COCO and DODO.

- COCO: It is a retail petrol pump but owned and operated by the company
- DODO: The other type is a franchise petrol pump which is owned and operated by a private individual(s). However the price for sale to the consumer is fixed by the petroleum company.

PLX not only owns the largest storage system but also has diversified oil transportation. Thanks to this outstanding depot system, PLX can optimize costs and actively manage its inventory turnover. PLX has a storage system with a capacity up to 2,200,000 m^3 and more than 570 km of petroleum pipeline. The storage system is distributed along the length of the country to ensure the reserve and supply of petroleum according to the market demand, such as: Duc Giang Oil Depot (Ha Noi); Thuong Ly Oil Depot (Hai Phong); Nha Be Oil Terminal (HCM City),...

Oil storage system (thousand m^3)

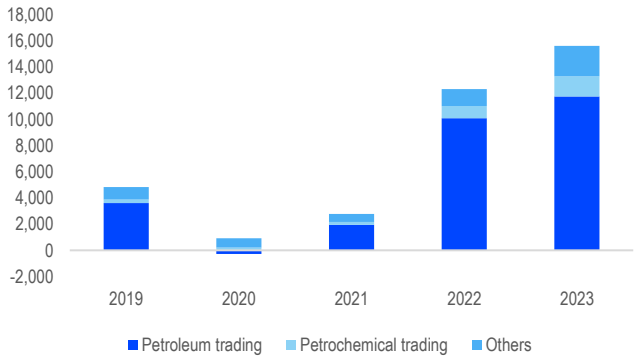


Source: Company data, Shinhan Securities Vietnam

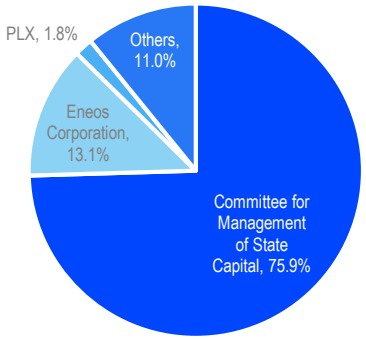
PLX's revenue breakdown by segment (VND bn)



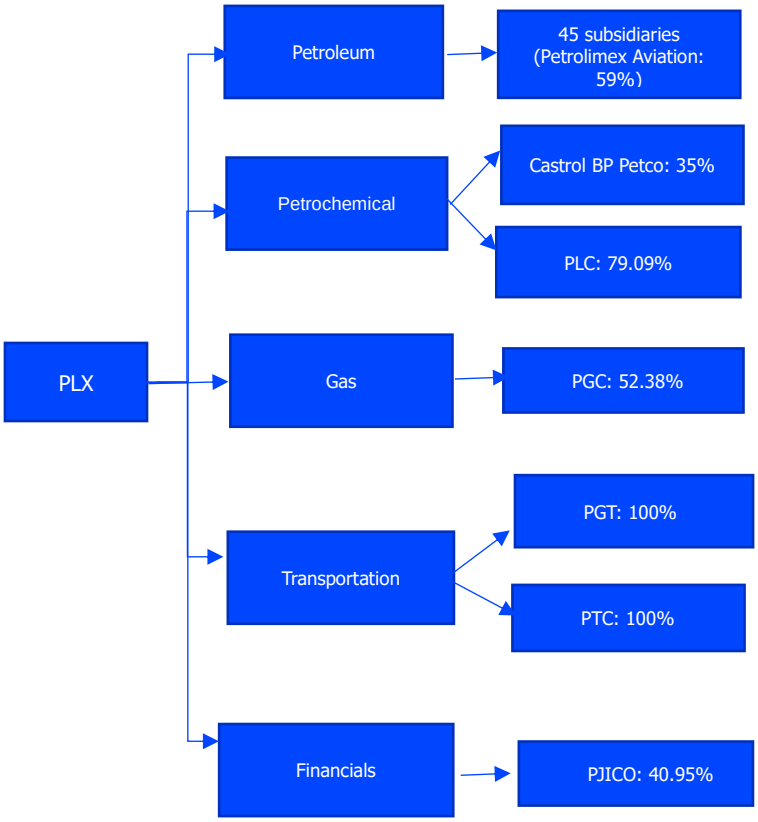
PLX's gross profit breakdown by segment (VND bn)



Shareholder Structure 01/08/2024



Model of Governance

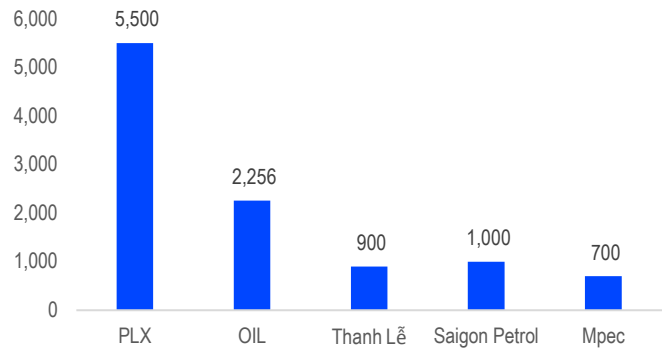


Investment Catalyst & Theses

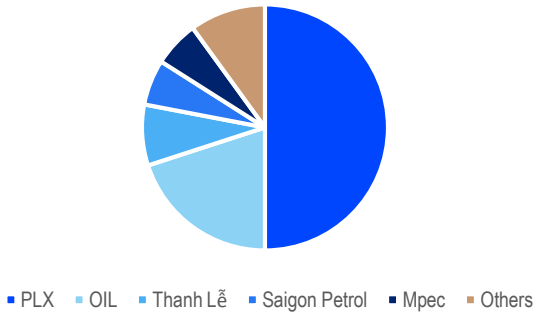
PLX is a pioneer in domestic petroleum distribution and holds a 50% market share

1. PLX is the leading player in terms of distribution network

The station network of petroleum distribution 2023



5 key players hold 88% of the country's petroleum market share



Source: PLX, OIL, Shinhan Securities Vietnam

PLX owns the largest petroleum station network in VietNam. Up to 2024, PLX has around 5,500 stations, including: 2,700 COCO[1] stations and 2,800 DODO[2] stations across 64 provinces/cities nationwide. PLX's station is about 1.5 times the second largest player – OIL.

PLX's orientation is developing stations located in the center of the big city, while OIL has chosen to build stations in rural areas. We believe this creates a competitive advantage thanks to its favorable location and limited land in the city which other entry players can not easily expand their retail network.

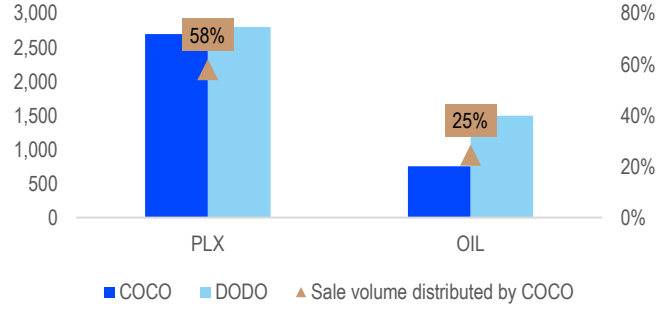
2. PLX is the leading player in terms of efficiency

PLX always achieves an outperforming gross margin compared to industry, thanks to a strategy focuses on the COCO channel.

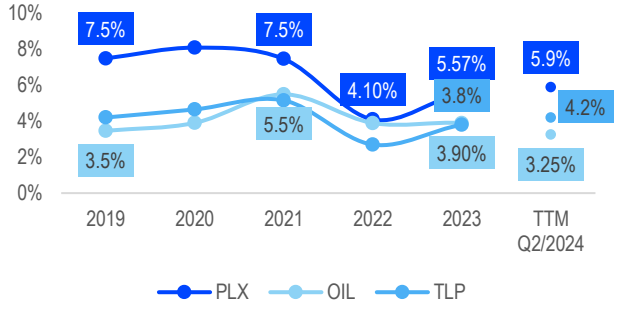
On the COCO channel, the company gains whole the regulated cost and regulated profit. On the DODO channel, the company has to share the regulated cost and regulated profit with its dealers in form of a wholesale method. (Appendix 1: The base retail price calculation)

Among listed companies in the petroleum distribution sector, PLX has the highest proportion of petroleum distributed through the COCO channel.

The station network of petroleum distribution by channel



Gross margin of petroleum distributor



Source: Company data, Shinhan Securities Vietnam

[1] COCO: company-owned company-operated, retail sale
[2] DODO: dealer-owned dealer–operated, wholesale

The stable domestic demand and the increase in regulated cost

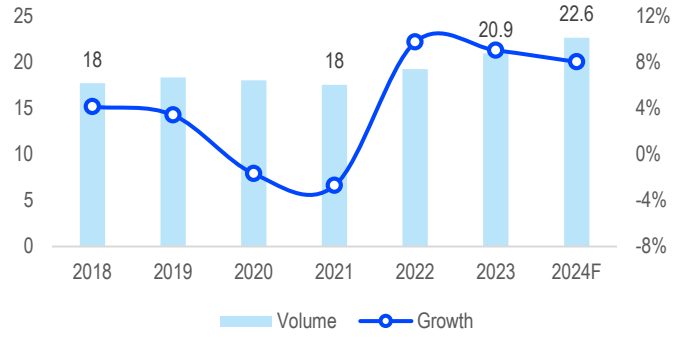
We expect PLX's business performance to significantly improve in 2024, driven by:

(1) The strong domestic fuel consumption in Vietnam and the projected compound annual growth rate of 5.5% from 2022 to 2030;

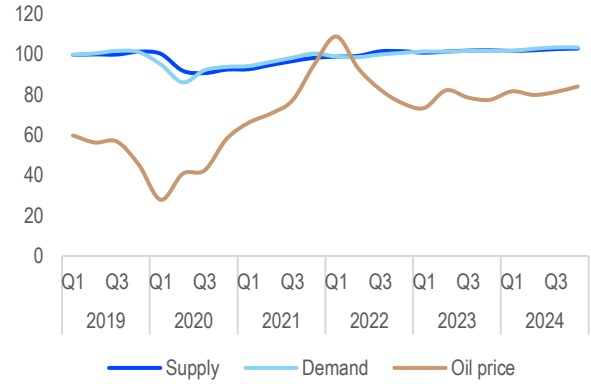
(2) The expected strong recovery of the tourism industry in 2024-25 will also increase the demand for petroleum products and;

(3) Given the increase in regulated costs, we believe PLX has the potential to increase its total gross profit per liter and expand its gross profit margin.

Demand for petroleum consumption in Vietnam (in millions of tons)



Global oil demand and supply



Source: Ministry of Industry and Trade, EIA, Shinhan Securities Vietnam

The Ministry of Finance and the Ministry of Industry and Trade have adjusted upward the regulated costs of RON95 gasoline and diesel by 5.6% and 13.6%, respectively, compared to the July 2023 adjustment (Official Letter No. 6808/BTC-QLG). We note that the gross profit of petroleum distribution companies includes regulated cost and regulated profits. Given the increase in regulated costs, we believe PLX has the potential to increase its total gross profit per liter and expand its gross profit margin.

Jet fuel – "high growth potential"

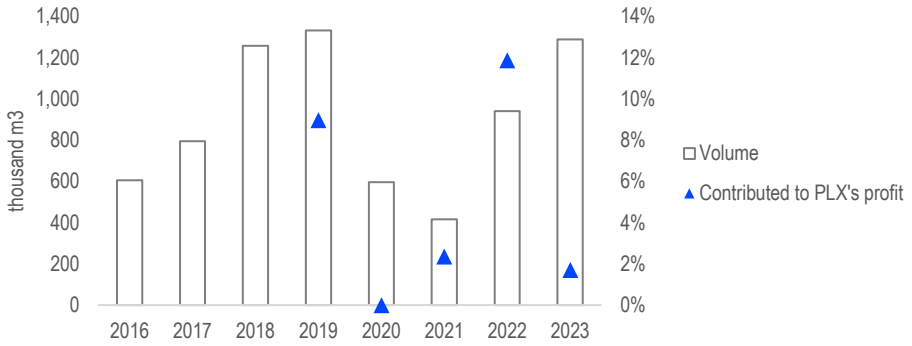
The aviation fuel market in Vietnam is characterized by significant barriers to entry, with Skypec and Petrolimex Aviation (PA) being the two dominant players.

Aviation fuel has distinct characteristics compared to ground fuel, notably in terms of pricing and commercial terms, which adhere to international standards and practices. Additionally, customers place a strong emphasis on the quality of technical infrastructure, equipment, and technology, as well as the quality management and control/supervision processes for the fuel. The workforce involved in these operations is also expected to meet international standards.

PA currently holds approximately 35% of the market share. PA provides fuel and refueling services to over 50 domestic and international airlines, including Vietjet Air, Bamboo Airways, Japan Airlines,...

Thanks to the strong recovery of the aviation industry post-COVID-19, the distribution volume of JetA1 fuel has experienced significant growth. However, some airlines such as VJC and Bamboo are still facing many difficulties, leading to delayed payments to PA, causing the PA's profit in 2023 to be only 25% of that in 2022. We expect that PA will continue to contribute more than 10% of PLX's profits in the future.

PLX's jet fuel consumption (thousand m³)



Source: Company data, Shinhan Securities Vietnam

From 2026 onwards, we believe that the aviation fuel segment has significant growth potential, which could have a substantial impact on PLX's profits, thanks to:

- The 4th draft Decree suggests a market-based approach where petrol distributors negotiate jet fuel prices with their partners.
- We expect PLX to supply jet fuel to airlines at Long Thanh Airport. Long Thanh Airport project has a total investment capital of more than 16 billion USD, divided into 3 investment phases. Of which, phase 1 is expected to be put into operation in 2026. Phase 2, expected to be implemented from 2028-2032. Phase 3 after 2035 will complete the remaining items of the project to achieve a capacity of 100 million passengers.

Tight control of the gasoline market creates room for PLX to gain the market share

Before, there were 36 petrol and oil wholesalers, of which 3 served aviation fuel, and the remaining 33 distributors were responsible for importing and distributing petroleum products to the entire domestic market, from production to consumption. After the government intensified inspections and revoked licenses, only 31 petrol and oil wholesalers remain in the market. We expect PLX to have the opportunity to gain more market share, thanks to stricter control over the operations of petroleum distributors.

The petroleum industry is governed by three decrees, including Decree 83/2014/NĐ-CP (enacted in 2014), Decree 95/2021/NĐ-CP (enacted in 2021) which amended certain provisions of Decree 83/2014/NĐ-CP, and Decree Decree 80/2023/NĐ-CP (enacted in 2023) which amended certain provisions of Decree 83/2014/NĐ-CP and Decree 95/2021/NĐ-CP.

Decree No. 80/2023/ND-CP imposes stricter requirements on the physical facilities and reporting activities to the Ministry of Industry and Trade, as well as amending and supplementing regulations on cases of revoking petroleum distributors licenses. (Appendix 2: Decree comparison)

In the 4rd draft Decree (aimed at completely replacing the three existing Petroleum Business Decrees), the Ministry of Industry and Trade has introduced an additional requirement for petrol and oil distributor:

- The draft regulation requiring petroleum wholesalers and distributors to submit regular reports on their warehouse utilization
- The draft additionally stipulates that businesses must integrate their business data into government regulatory systems. This mandatory data encompasses total sources, consumption, and inventory.
- Specifically, the draft adds a requirement for experience in the petroleum market. To apply for a primary petroleum trader license, applicants must have a proven track record as a petroleum

distributor for a minimum of 3 years.

In addition, the most groundbreaking content of the 4th draft Decree is the allowance for petrol distributors to set their own prices, but not exceeding the ceiling price calculated according to the formula stipulated in the Decree. The draft also simplifies the calculation process for retail gasoline prices by eliminating the regulations on the Petroleum Price Stabilization Fund and allowing more flexible adjustments to regulated costs. (Appendix 3: Decree comparison)

We believe this draft Decree would be beneficial for PLX, thanks to good control of business costs, making the selling price more competitive.

Update business results 2023 and 1H2024

2023

PLX's revenue and profit	2021	2022	YoY	2023	YoY
Net revenue (bn VND)	**169,009**	**304,080**	**79.9%**	**274,253**	**-9.8%**
Operating Profit (bn VND)	3,517	1,927	-45.2%	3,802	97.3%
Net Profit (bn VND)	**3,124**	**1,840**	**-41.0%**	**3,052**	**65.8%**
EPS (VND)	2,194	1,088	-50.4%	2,173	99.6%
BPS (VND)	19,417	18,985	-2.2%	21,344	12.4%
OPM	2.1%	0.6%		1.4%	
NPM	1.8%	0.6%		1.1%	
ROE (%)	**11.1%**	**6.6%**		**9.8%**	
PER (x)	29.3	59.1		29.6	
PBR (x)	3.3	3.4		3.0	
EV/EBITDA (x)	24.2	11		14.6	

Net profit in 2023 reached 3,052 billion VND, a significant increase of 94% compared to the low base of 2022. This growth was attributed to the stabilization of the domestic petroleum market and the abnormal profit from the divestment of PGBank (estimated at 700 billion VND).

1H2024

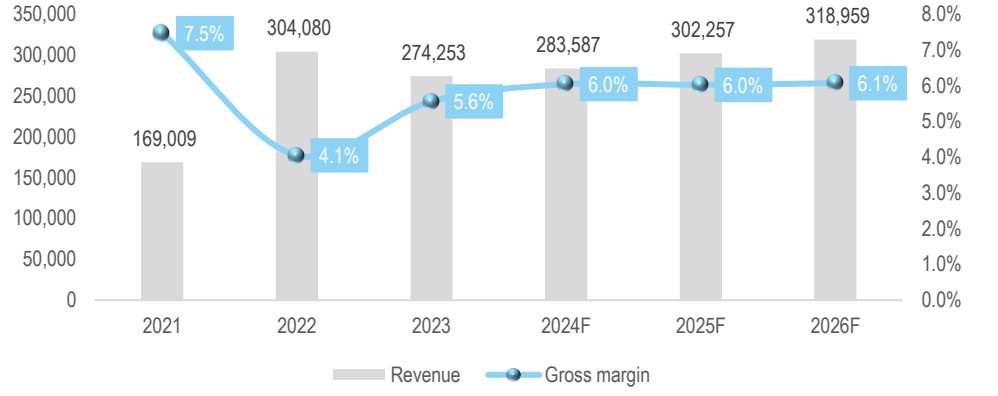
PLX's revenue and profit	Q2 2023	Q2 2024	YoY	1H 2023	1H2024	YoY
Net revenue (bn VND)	**65,750**	**73,837**	**12%**	**133,182**	**148,943**	**12%**
Operating Profit (bn VND)	753	1,159	54%	1,298	2,392	84%
Net Profit (bn VND)	**849**	**1,274**	**50%**	**1,562**	**2,407**	**54%**
EPS (VND)	615	859		1,078	1,621	
GPM	6.0%	6.3%		5.6%	6.2%	
NPM	1.2%	1.6%		1.1%	1.5%	

Net profit in the 1H/2024 reached VND 2,407 billion (+54% YoY). This strong growth was driven by stable petroleum business operations and increased sales volume compared to 2023. The global supply of energy and oil prices remained stable, without the significant fluctuations seen in previous years. The gross profit margin has increased thanks to an upward adjustment in regulated costs.

Earnings estimates

In 2024, we forecast PLX's revenue and net profit to reach VND 283,587 bn (+2.6% YoY) and VND 3,909 bn (+28.1% YoY), respectively. The above result is based on the assumption that stable domestic sales volume and the increasing regulated costs.

Forecast of PLX' s revenue, profit and gross profit margin



Source: Company data, Shinhan Securities Company

Assumption	2023	2024F	YoY	
Domestic volume (million tons/ year)	10.3	10.7	4%	Vietnam's demand for petroleum products has been growing steadily.
Gasoline, diesel & jet fuel (average price)				According to Official Letter No. 6808/BTC-QLG, the Ministry of Finance and the Ministry of Industry and Trade have adjusted upward the regulated costs, with RON95 gasoline increasing by 5.6% and diesel increasing by 13.6% compared to the July 2023 adjustment.
Ron95 price (VND/litre)	22,913	22,619	+3.2%	
Ron95 regulated operating cost	1,080	1,140	5.6%	
Diesel price	18,155	18,858	+3.9%	
Diesel regulated operating cost	1,030	1,170	14.5%	
Gross margin	5.6%	6.0%		The gross profit margin has improved thanks to the improvement in regulated costs.

PLX's revenue and profit outlook	2023	2024F	YoY	2025F	YoY
Net revenue (bn VND)	**274,253**	**283,587**	**3.4%**	**302,257**	**6.6%**
Operating Profit (bn VND)	3,802	4,760	25.2%	5,025	5.6%
Net Profit	**3,052**	**3,951**	**29.5%**	**4,157**	**5.2%**
EPS (VND)	2,173	2,813		2,960	
BPS (VND)	21,344	24,398		27,610	
OPM	1.4%	1.7%		1.7%	
NPM	1.1%	1.4%		1.4%	
ROE (%)	**9.8%**	**11.2%**		**10.4%**	
PER (x)	29.6	22.9		21.8	
PBR (x)	3.0	2.6		2.3	
EV/EBITDA (x)	12.6	10.4		9.8	

Valuation and Recommendation

Initiate coverage with BUY rating and target price of VND 64,500

We initiate coverage (PLX) with a buy recommendation and a target price of VND 64,500, corresponding to an increase of 32.1% from the current price. For a long-term view, PLX is an investment that can be considered with following advantages:

1) PLX is a pioneer in domestic petroleum distribution and holds a 50% market share.

2) The stable domestic demand and the increase in regulated cost

3) Jet fuel – "high growth potential"

4) Tight control of the petrol market creates room for PLX to gain the market share

Valuation

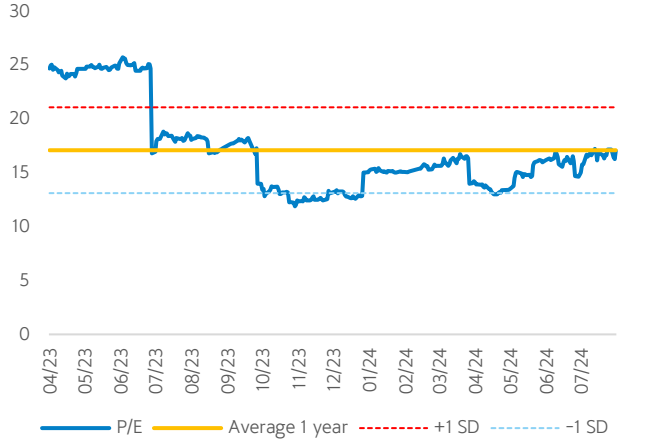
We apply a Discounted Cash Flow (DCF) valuation method to value PLX.

DCF valuation					
Unit: billion VND	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
NPAT-Mi	3,640	3,830	4,291	4,486	4,389
Plus: After-tax interest expense	877	907	955	997	1,022
Plus: Depreciation & Amortization	2,347	2,499	2,660	2,828	3,005
Minus: Change in working capital	26	-73	-56	-46	-43
Minus: Capex	1,877	2,000	2,128	2,263	2,404
Free Cash Flow (FCF)	4,961	5,309	5,834	6,094	6,055
PV of FCF	22,523				
Growth rate	2%				
Present value of long-term value	50,404				
Enterprise value	**72,927**				
Debt	17,713				
Cash and cash equivalents	26,766				
Number of shares outstanding (mn units)	1,271				
Target price (VND)	**64,500**				

WACC	**10%**
Risk-free rate	2.9%
Equity risk premium	9%
Beta	0.95
Debt cost	8%
The cost of equity	12%
Debt-to-equity ratio	33%
Total debt (VND bn)	17,713

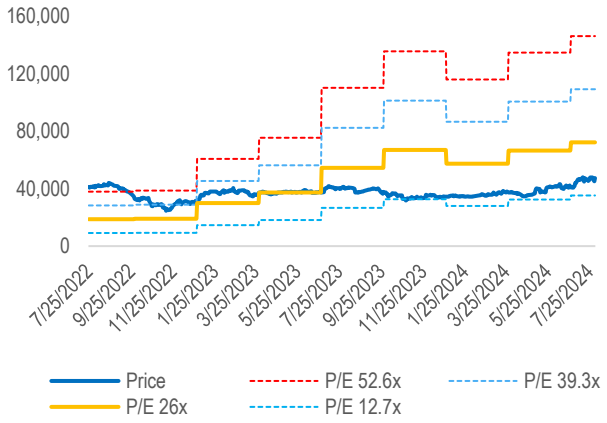
Source: Company data, Shinhan Securities Company

PLX's PER



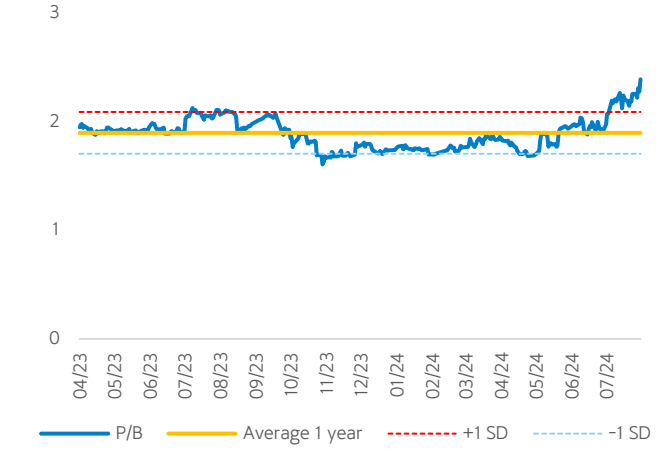
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of PLX



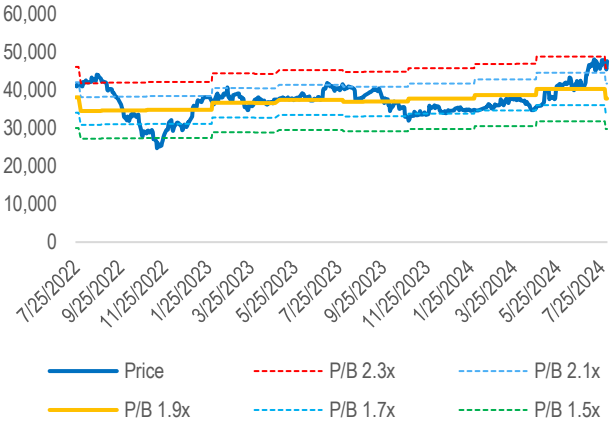
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PLX's PBR



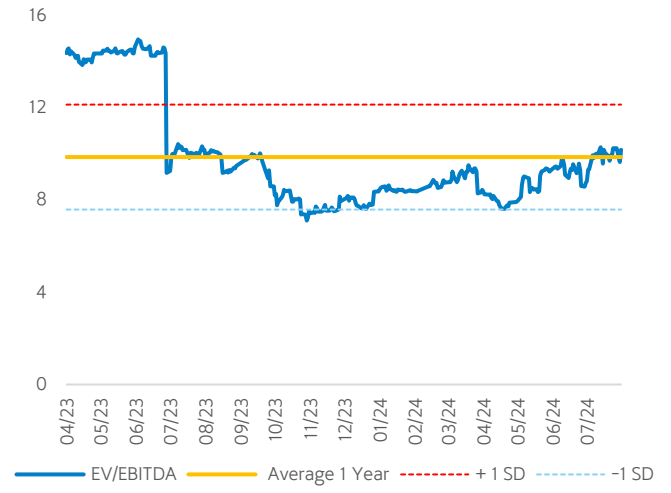
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of PLX



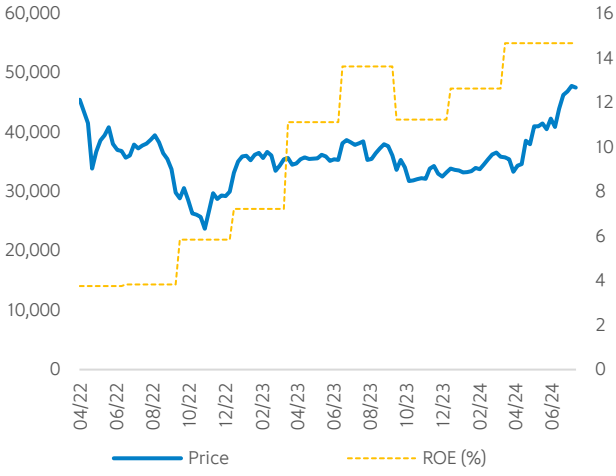
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PLX's EV/EBITDA



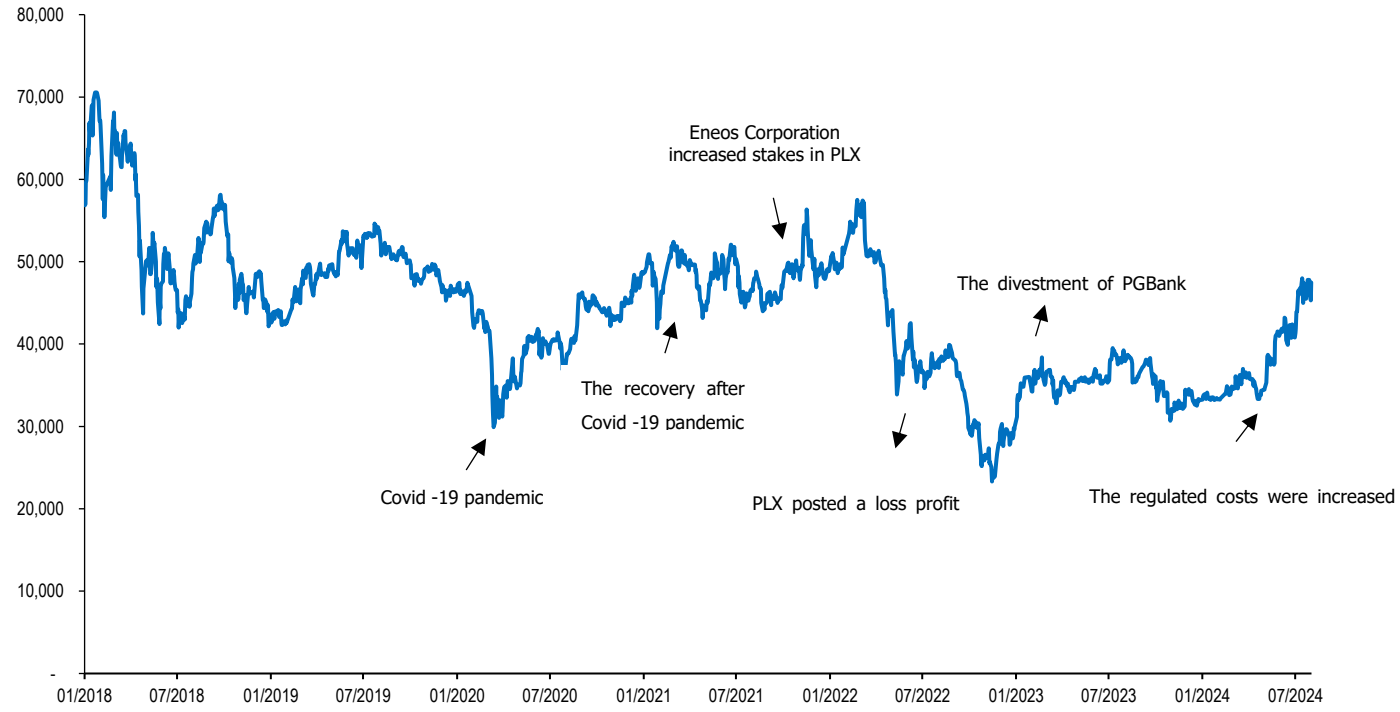
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of PLX



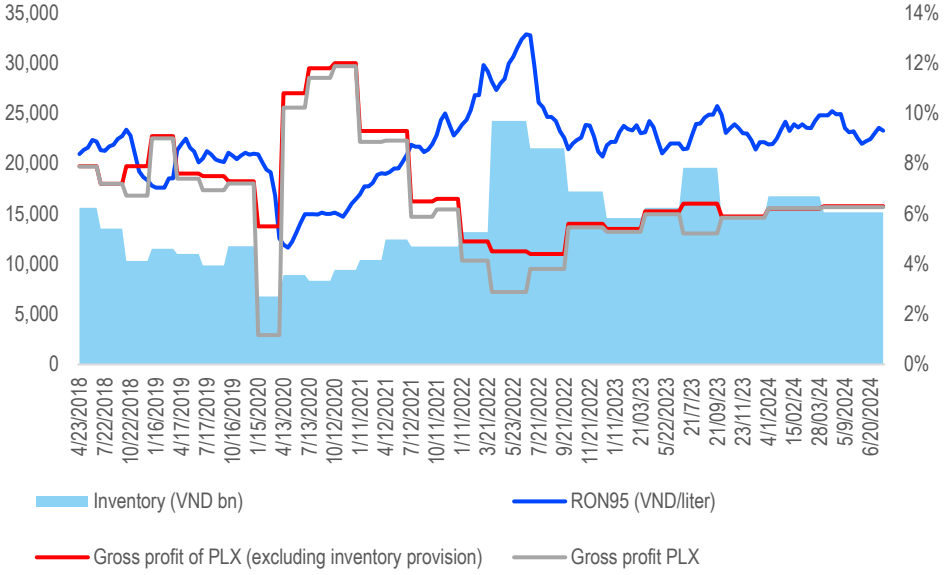
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Adversely volatile oil price

Due to maintaining a high inventory of petroleum, the fluctuation of oil price directly affects PLX's performance. Fluctuations in crude oil prices directly impact PLX's profits.

The impact of fluctuations in fuel prices on PLX's gross profit margin



Source: Company data, Shinhan Securities Vietnam

Under stable fuel consumption, fluctuations in fuel prices have little impact on PLX's profits. However, in a situation where consumption decreases significantly and inventory levels are high, gross profit will correlate directly with price fluctuations

Exchange rate risk

As input prices are anchored to USD while selling prices are based on VND, PLX is affected by a variation in the exchange rate.

Supply disruption

In the event that domestic supply is unable to meet the planned production volume of gasoline and oil, PLX will be forced to seek out alternative supply sources, such as importing oil at spot prices. This will result in an increase in PLX's input costs.

Appendix 1: The base retail price calculation

According to decree 80/2023/NĐ-CP, the base retail price includes:

Base retail price = imported petroleum price * weight of import petroleum (%) + domestic petroleum price * weight of domestic petroleum (%). In which:

(1) Imported petroleum price = global price + (freight & insurance cost to transport fuel to Vietnam +/- premium) + Regulated cost + Amount to "Petrol price stabilization fund" + Regulated profit + Environment tax + Other fees and tax

(2) Domestic petroleum price = global price +/- premium+ the cost of bringing petroleum from domestic refineries' gate to port (if any) + Regulated cost + Regulated profit + Amount to "Petrol price stabilization fund" + Other fees and tax

•The global price shall be determined by the Ministry of Industry and Trade of Vietnam, and is the mean price for the period between two base price announcements on the international market

•Freight & insurance cost to transport fuel to Vietnam/the cost of bringing petroleum from domestic refineries' gate to port: MOF reviews and adjusts the cost every 3 months.

•The premium applied to calculate the price of import petroleum price is a price adjustment factor in petroleum import contracts, insurance costs, transportation costs and other incurred costs.

•The premium applied to calculate the price of domestic petroleum price (if any) is a price adjustment factor in the purchase and sale contract between a petroleum wholesale trader and a petroleum production wholesaler or an enterprise authorized to distribute all petroleum products of a refinery.

•Regulated cost: is adjusted every year following the MOF's calculation of the inflated cost of petroleum storage, trading and retailing in Vietnam

• Price stabilization fund: is fixed at VND 300 per litre for all types of petroleum products and can be changed between price regulating dates following the government's price/CPI regulating goals.

• Regulated profit: is fixed at VND 300 per litre for all types of petroleum products. Normative unit profit is adjusted every year following the MOF's calculation of the inflated cost of petroleum storage, trading, and retailing in Vietnam, while normative unit profit

• Excise tax, environmental protection tax, VAT, and other fees are all provided by the MOF.

(Back to: PLX is a pioneer in domestic petroleum distribution and holds a 50% market share)

Appendix 2: The Decree comparison

	Decree 83/2014/NĐ-CP (Decree 83)	Decree 95/2021/NĐ-CP (Decree 95)	Decree 80/2023/NĐ-CP (Decree 80)
A certificate of eligibility for petrol and oil distributor	The Ministry of Industry and Trade of Vietnam shall have the jurisdiction to revoke the certificate of eligibility for petrol and oil distributor. A certificate of eligibility for petrol and oil distributor shall be revoked in the following cases The trader no longer acts as a petrol and oil distributor The trader has ceased its petrol and oil trading operation for at least one (1) month The trader goes bankrupt in accordance with law The trader fails to meet one of the conditions for acting as a petrol and oil distributor prescribed in Article 13 of this Decree The trader repeatedly violates or relapses into violating regulations on assurance of volume and quality of marketed petrol and oil, increase or decrease of petrol and oil selling prices in this Decree, and other cases prescribed by law	No modifications/ additions have been made	The Ministry of Industry and Trade of Vietnam shall have the jurisdiction to revoke the certificate of eligibility for petrol and oil distributor. A certificate of eligibility for petrol and oil distributor shall be revoked in the following cases The trader stops acting as a petrol and oil distributor and has requested the Ministry of Industry and Trade of Vietnam in writing to revoke its certificate of eligibility for petrol and oil distributor The trader has ceased all of its petrol and oil trading activities for 90 days or more. The trader is dissolved or declared bankrupt in accordance with regulations of law. The trader has committed violation(s) against regulations on minimum stocks of petrol and oil and failed to remedy such violation(s) within 90 days from the issue date of the decision to impose administrative penalties. **The trader has violated the regulations on minimum mandatory fuel reserves and failed to remedy such violation(s) within 90 days from the issue date of the decision to impose administrative penalties.** The trader that is facing penalties for a violation against regulations on quantity and quality of petrol and oil sold on the market, regulations on increasing/decreasing of petrol and oil prices, and other relevant regulations of law on quality re-commits such a violation
Petrol and oil distributors	Having a laboratory capable of inspecting and testing petrol and oil quality according to national technical regulations and announced applicable standards under its ownership or co-ownership or on a lease under a contract with a state agency.	No modifications/ additions have been made	Have a laboratory, which is either under its ownership or leased from another organization, capable of performing inspection and testing activities as prescribed
Petrol and oil retails	No regulation	No regulation	To comply with electronic invoicing requirements and provide electronic invoice data as stipulated in the Tax Law, the Ministry of Finance's guidelines, and tax regulations

(Back to: Tight control of the gasoline market creates room for PLX to gain the market share)

Appendix 3: The Decree comparison

	Decree 80/2023/NĐ-CP	The 4th draft Decree
Price calculation	Base retail price = imported petroleum price * weight of import petroleum (%) + domestic petroleum price * weight of domestic petroleum (%). In which Imported petroleum price = global price + (freight & insurance cost to transport fuel to Vietnam +/- premium) + Regulated cost +/- Amount to "Petrol price stabilization fund" + Regulated profit + Environment tax + Other fees and tax (2) Domestic petroleum price = global price +/- premium+ the cost of bringing petroleum from domestic refineries' gate to port (if any) + Regulated cost + Regulated profit + Amount to "Petrol price stabilization fund" + Other fees and tax	Price = [(Global price +/- premium)* exchange rate + freight & insurance cost + Environment tax + Special Consumption Tax + Imported Tax] + Regulated cost + Regulated profit + VAT
Regulated profit	300 VND/liter	300 VND/liter
Regulated cost	The regulated cost is determined based on the actual cost reports submitted by the main petroleum distributor Before the 1st of July each year, the Ministry of Finance announces the regulated business costs to be used by the Ministry of Industry and Trade in calculating the base price of petroleum products.	Regulated cost is adjusted annually based on the increase or decrease of the Consumer Price Index (CPI).

(Back to: Tight control of the gasoline market creates room for PLX to gain the market share)

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Total assets	73,808	83,199	88,509	96,270	104,239
Current assets	49,474	57,271	60,799	67,439	74,294
Cash & equivalents	11,611	22,519	25,238	30,103	35,248
Short-term financial asset	7,092	7,092	7,092	7,092	7,092
Accounts receivable	11,983	10,808	11,175	11,911	12,623
Inventories	17,234	15,299	15,739	16,779	17,778
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	53,147	56,424	59,567
Current liabilities	45,010	51,095	52,298	55,730	59,028
Accounts payable	24,043	21,344	21,957	23,408	24,802
Short-term borrowings	14,034	23,559	23,980	25,564	27,087
Others	6,932	6,192	6,360	6,758	7,140
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	35,362	39,845	44,672
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	9,973	14,130	18,605
Non-controlling interest equity	3,243	3,483	3,794	4,121	4,473
*Total debt	14,858	24,394	24,660	26,089	27,456
*Net debt (cash)	(3,845)	(5,217)	(7,671)	(11,106)	(14,884)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	304,080	274,253	283,587	302,257	320,317
Growth (%)	79.9%	-9.8%	3.4%	6.6%	6.0%
COGS	291,758	259,001	266,447	284,050	300,961
Gross profit	12,322	15,252	17,140	18,208	19,356
GPM (%)	4.1%	5.6%	6.0%	6.0%	6.0%
SG&A	11,337	13,069	13,045	14,055	15,055
Operating profit	1,927	3,802	4,760	5,025	5,435
Growth (%)	-45.2%	97.3%	25.2%	5.6%	8.2%
OPM (%)	0.6%	1.4%	1.7%	1.7%	1.7%
Non-operating profit	242	1,019	66	273	534
Financial income	1,932	2,741	2,013	2,260	2,585
Financial expense	1,690	1,722	1,948	1,987	2,051
In which: interest expenses	647	904	1,130	1,169	1,233
Net other non-operating profit	334	130	330	330	330
Pre-tax profit	2,260	3,932	5,090	5,355	5,765
Income tax	420	880	1,139	1,198	1,290
Net profit	1,840	3,052	3,951	4,157	4,475
Growth (%)	-41.1%	65.8%	29.5%	5.2%	7.6%
NPM (%)	0.6%	1.1%	1.4%	1.4%	1.4%
Controlling interest	1,408	2,812	3,640	3,830	4,123
Non-controlling interest	432	240	311	327	352
EBIT	2,907	4,836	6,220	6,524	6,997
Growth (%)	-33.8%	66.4%	28.6%	4.9%	7.3%
EBIT Margin (%)	1.0%	1.8%	2.2%	2.2%	2.2%
EBITDA	5,030	7,041	8,566	9,023	9,657
Growth (%)	-24.3%	40.0%	21.7%	5.3%	7.0%
EBITDA margin (%)	1.7%	2.6%	3.0%	3.0%	3.0%

Statement of cash flow

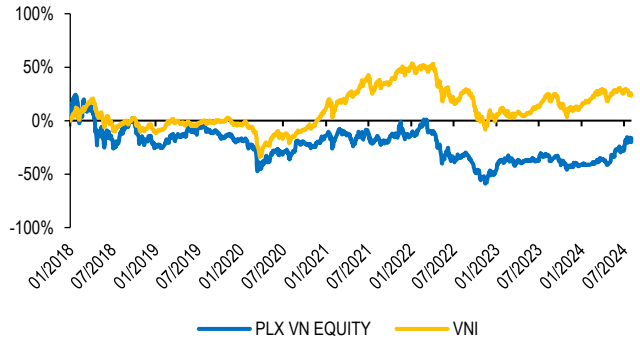
Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	4,422	4,689	6,116	6,321	6,489
Net profit	1,408	2,812	3,815	3,753	3,627
Depreciation expense	2,123	2,206	2,347	2,499	2,660
(Gain) from investing activities					
Change in working capital	792	-329	-46	69	202
Others	0	0	0	0	0
Cash 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	-1,538	216	2,571
Change in equity	0	240	326	320	310
Net borrowing	-512	9,536	77	1,189	3,555
Dividends	-1,525	-1,941	-1,941	-1,294	-1,294
Change in total cash	5,422	10,908	2,701	4,537	6,932
Beginning cash	6,192	11,611	22,519	25,219	29,757
Change in FX rates					
Ending cash	11,611	22,519	25,219	29,757	36,689

Key ratios

Year to Dec.	2022	2023	2024F	2025F	2026F
EPS (VND)	1,088	2,173	2,948	2,900	2,804
BPS (VND)	18,985	21,344	24,544	27,692	30,735
DPS (VND)	700	1,500	1,500	1,000	1,000
PER (x)	54.1	27.1	20.3	20.7	21.4
PBR (x)	3.1	2.8	2.4	2.2	2.0
EV/EBITDA (x)	8.4	9.6	6.3	6.4	6.8
Dividend payout ratio (%)	64%	69%	51%	34%	36%
Dividend yield (%)	1.6%	3.3%	3.3%	2.2%	2.2%
Profitability					
EBITDA margin (%)	1.7%	1.6%	2.4%	2.2%	1.8%
OPM (%)	0.6%	1.4%	1.8%	1.7%	1.4%
NPM (%)	0.6%	1.1%	1.5%	1.4%	1.2%
ROA (%)	2.5%	3.7%	4.7%	4.3%	3.7%
ROE (%)	6.6%	9.8%	11.6%	10.2%	8.9%
Stability					
Debt to equity ratio (%)	53.4%	78.4%	68.8%	64.2%	66.1%
Cash ratio (%)	25.8%	44.1%	48.6%	54.3%	58.4%
Interest coverage ratio (x)	1.5	2.4	3.9	3.5	2.8
Activity (%)					
Working capital turnover (times)	6	4	6	6	6
Inventory turnover (days)	19	22	22	22	22
Receivable turnover (days)	11	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
30/08/2024 (Initiation)	BUY	64,500	57.7	27.7/106

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

Shinhan Securities Vietnam

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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