July 13th, 2023

Shinhan Securities



Vietnam National Petroleum Group Joint Stock Company

[Vietnam / OIL & GAS]

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

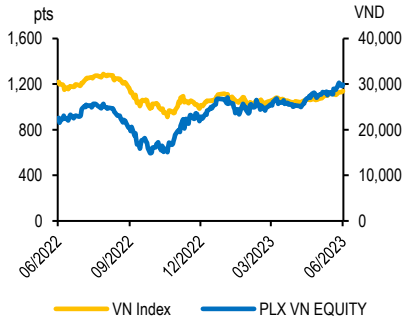
HOLD

Update Coverage

Target price (12 months)	**45,100 VND**
Current price (12/07/23)	41,500 VND
Upside/downside (%)	8.6%
VNINDEX	1,154
HNXINDEX	228
Market Cap (bn VND)	52,705
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 (%)	8.1	16.1	4.5
Relative to VN-Index (%)	2.7	8.8	7.8



Source: Bloomberg

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The completion of PGBank divestment

Update recommendation with HOLD rating and target price of VND 45,100

Vietnam National Petroleum Joint Stock Company (PLX) is a pioneer in Vietnam's petroleum distribution sector. We joined the AGM of PLX and pointed out some of the key notes, plans of the company. Based on DCF methods, we update PLX's target price at VND 45,100. We believe a strong rebound of PLX's profit in 2023, which is supported by the stability of oil supply and the abnormal profit from PGB divestment. Besides, we expect PLX will benefit from the revision of petroleum decree in the near future.

The revision of Decree 95/2021/ND-CP is expected to create many opportunities for distributors like PLX

On May 18, the Ministry of Industry and Trade sent the draft 95/2021/ND-CP Decree to the Ministry of Justice for final evaluation. The contents of the revision of Decree 95 are assessed to have some new points: (1) The reduction of the price adjustment cycle: the domestic price is up to date with the world price, (2) The permission for retailers to have more than one supplier and (3) The permission for distributors to set their own retail price: the authority manages import prices and taxes; the companies add operating cost, transportation cost and premium to set the retail price.

The stability of oil supply in 2023

PLX has ensured alternative imports (ASEAN countries and Asian countries) to mitigate the impact of Nghi Son Refinery shutdown for maintenance. Nghi Son will be shut down for 55 days starting August 25, 2023 for maintenance. In spite of the risks of petroleum market, but we expect the oil supply will not be disrupted as in 2022.

The completion of PGB divestment

PLX completed the PGB divestment on April 2023 and received preceeds of VND 2,568 bn. We estimate that pre-tax financial gain of VND 700 bn. In Q3/2023, PLX expects to realize profit from this divestment. We have included this profit in our forecast in 2023.

We believe that PLX's profit plan 2023 is conservative. We forecast PBT to reach VND 4,494 bn (+97% y.o.y), 39% higher than PLX's 2023 target plan for PBT.

Business results in Q1/2023: Revenue and NPAT reached VND 67,458 bn and VND 838 bn, corresponding (+4% y.o.y and +46.8% y.o.y). The result is driven by (1) gross profit increased by 28.1% y.o.y thanks to the stability of oil supply and (2) financial profit increased by 520% y.o.y thanks to a foreign exchange gain.

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

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**304,080**	**208,763**	**229,618**	**238,764**	**264,463**
OP (bn VND)	1,927	3,982	4,556	5,184	5,550
NP (bn VND)	**1,840**	**3,543**	**3,981**	**4,493**	**4,791**
EPS (VND)	1,088	2,484	2,791	3,149	3,358
BPS (VND)	18,985	21,724	24,801	28,273	31,976
OPM	0.6%	1.9%	2.0%	2.2%	2.1%
NPM	0.6%	1.7%	1.7%	1.9%	1.8%
ROE	**6.6%**	**11.2%**	**11.0%**	**11.0%**	**10.4%**
PER (x)	41.2	18.0	16.0	14.2	13.3
PBR (x)	2.4	2.1	1.8	1.6	1.4
EV/EBITDA (x)	13.5	8.0	6.8	6.3	6.2

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Maintain HOLD rating and target price of VND 45,100

We apply a Discounted Cash Flow (DCF) valuation method to value PLX. We update our HOLD recommendation with a target price of VND 45,100, equivalent to a return of 8.6%.

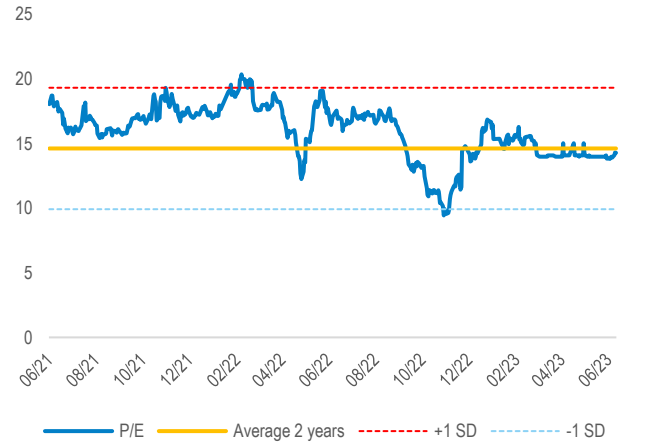
Valuation

DCF valuation					
Unit: billion VND	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
Net profit	3,214	3,611	4,075	4,345	4,377
Plus: After-tax interest expense	614	742	785	836	911
Plus: Depreciation & Amortization	2,203	2,335	2,472	2,615	2,764
Minus: Change in working capital	223	-138	-21	-170	-152
Minus: CapEx	1,542	1,634	1,730	1,830	1,935
Free Cash Flow (FCF)	**4,266**	**5,191**	**5,622**	**6,136**	**6,269**
PV of FCF	20,063				
Growth rate	2%				
Present value of long-term value	44,164				
Enterprise value	**64,222**				
Debt	14,344				
Cash and cash equivalents	9,071				
Number of shares outstanding (mn units)	1,270				
Target price (VND)	**45,100**				

WACC	**11%**
Risk-free rate	3%
Equity risk premium	11.1%
Beta	0.78
Debt cost	8%
The cost of equity	12%
Debt-to-equity ratio	33%
Total debt (VND bn)	14,344

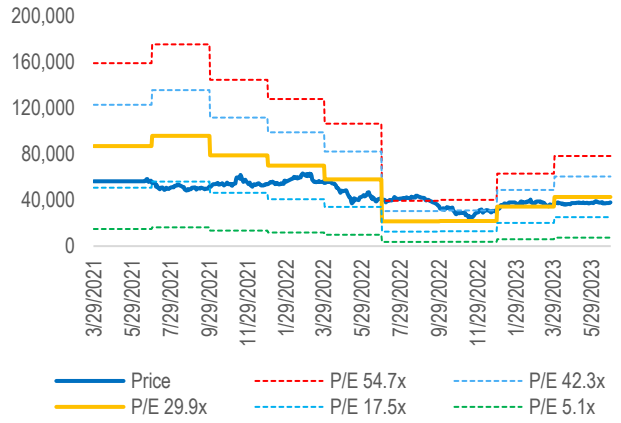
Source: Company data, Shinhan Securities Company

PLX's PER



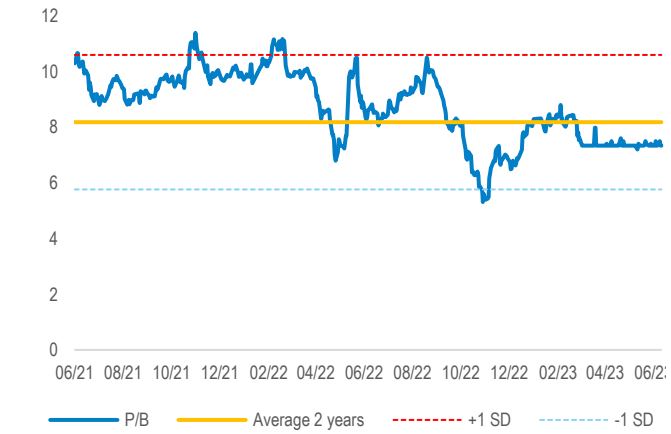
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of PLX



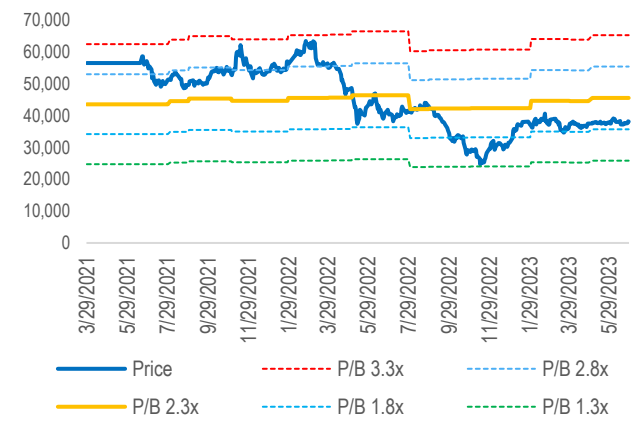
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PLX's PBR from 2017



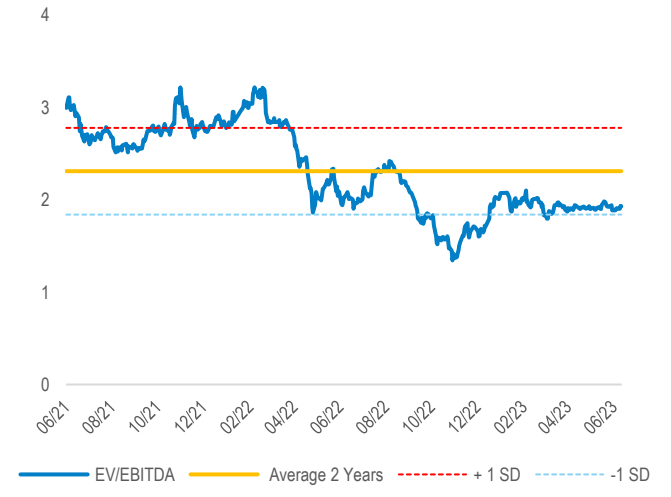
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of PLX



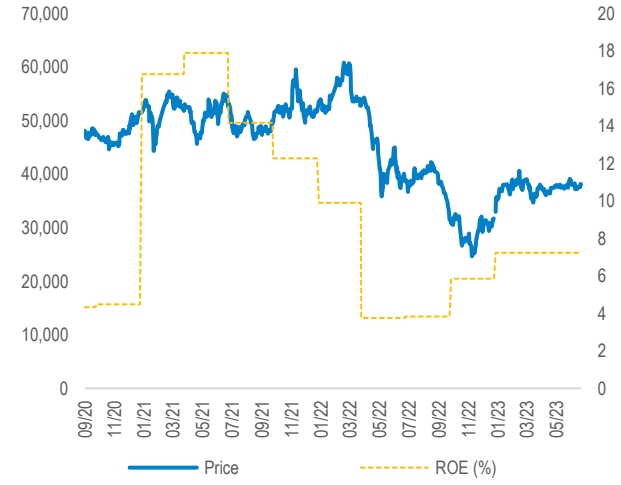
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PLX's EV/EBITDA from 2017



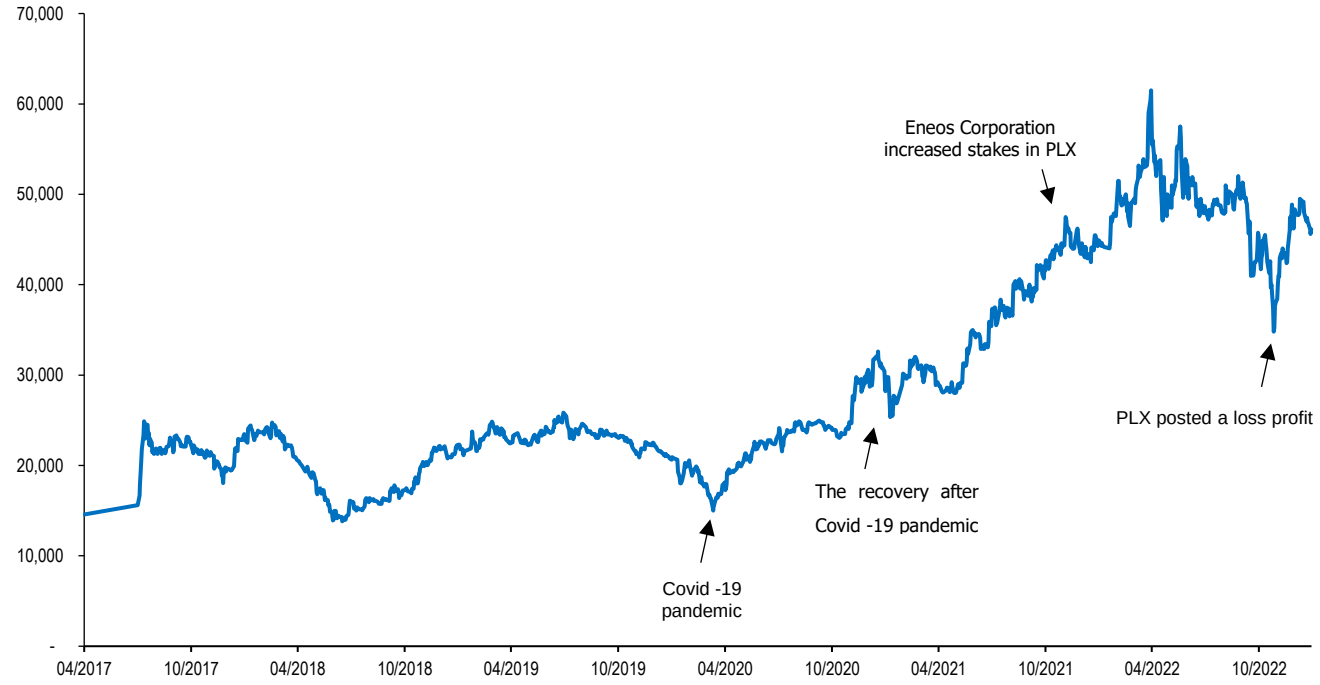
Source: Bloomberg, Company data, Shinhan Securities Vietnam

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.

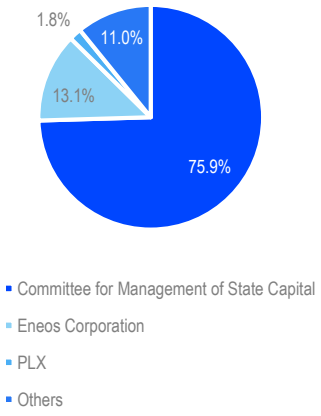
PLX's revenue breakdown by segment (VND bn)



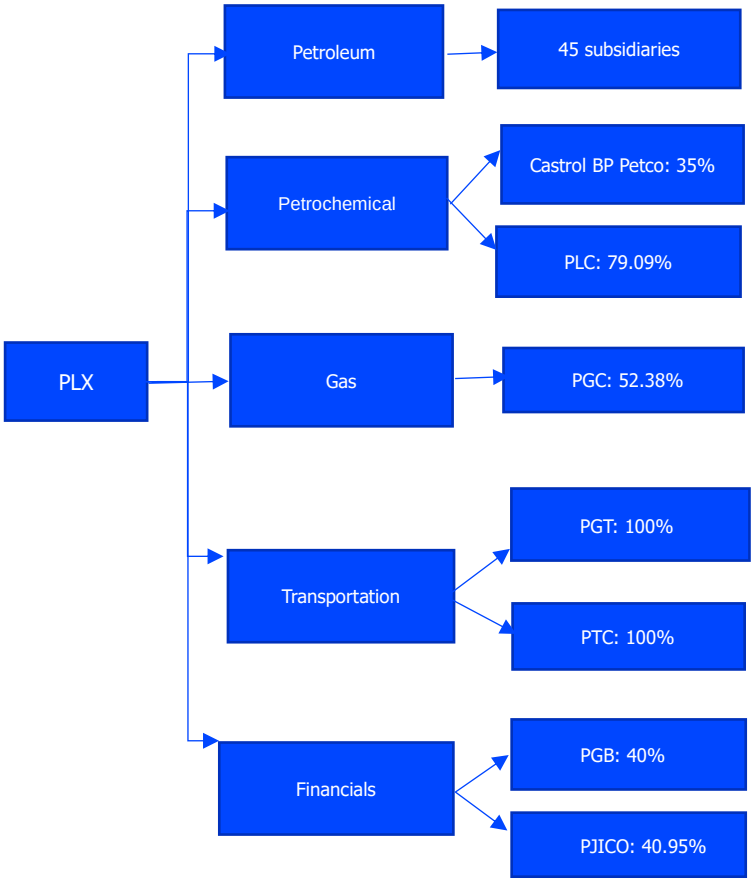
PLX's gross profit breakdown by segment (VND bn)



Shareholder Structure 01/02/2023



Model of Governance



Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	**64,791**	**73,808**	**78,415**	**86,890**	**93,533**
Current assets	41,304	49,477	53,123	60,664	66,333
Cash & equivalents	6,192	11,611	18,695	23,631	28,221
Short-term financial asset	11,832	7,092	7,092	7,092	7,092
Accounts receivable	7,600	11,983	9,489	10,437	10,853
Inventories	13,163	17,234	16,293	17,950	18,614
Non-current assets	23,488	24,334	24,225	24,077	23,889
Net fixed assets	14,907	14,405	14,297	14,149	13,960
Investment assets	587	553	553	553	553
Other long-term assets	7,994	9,376	9,376	9,376	9,376
Total liabilities	**36,531**	**46,003**	**46,808**	**51,277**	**52,974**
Current liabilities	35,207	45,010	45,804	50,428	52,280
Accounts payable	15,883	24,043	19,950	21,980	22,792
Short-term borrowings	14,225	14,034	19,551	21,540	22,336
Others	5,099	6,932	6,303	6,909	7,152
Non-current liabilities	1,324	993	1,004	849	694
Long-term borrowings	1,144	823	834	679	524
Other financial liabilities	180	170	170	170	170
Total shareholders' equity	**28,260**	**27,807**	**31,606**	**35,612**	**40,558**
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	1,352	1,296	1,296	1,296	1,296
Retained earnings	3,474	2,970	6,446	10,111	14,636
Non-controlling interest equity	3,137	3,243	3,566	3,907	4,328
*Total debt	15,370	14,858	20,386	22,219	22,861
*Net debt (cash)	2,655	3,845	5,401	8,503	12,452

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	**169,009**	**304,080**	**208,763**	**229,618**	**238,764**
Growth (%)		79.9	-31.3	10.0	4.0
COGS	**156,386**	**291,758**	195,512	215,399	223,363
Gross profit	**12,623**	**12,322**	**13,251**	**14,218**	**15,401**
GPM (%)	7.5	4.1	6.3	6.2	6.5
SG&A	**9,839**	**11,337**	9,603	10,562	10,983
Operating profit	**3,517**	**1,926**	**3,899**	**4,168**	**5,224**
Growth (%)		-45.2	102.4	6.9	25.3
OPM (%)	2.1	0.6	1.9	1.8	2.2
Non-operating profit	**164**	**242**	**-519**	**-336**	**-126**
Financial income	1,000	1,932	1,201	1,526	1,783
Financial expense	836	1,690	1,720	1,861	1,909
In which: interest expenses	603	647	676	818	865
Net other non-operating profit	272	334	370	334	334
Pre-tax profit	**3,789**	**2,260**	**4,269**	**4,501**	**5,557**
Income tax	666	420	793	836	1,032
Net profit	**3,124**	**1,840**	**3,476**	**3,665**	**4,525**
Growth (%)		-41.1	88.9	5.4	23.5
NPM (%)	1.8	0.6	1.7	1.6	1.9
Controlling interest	2,839	1,408	3,153	3,324	4,104
Non-controlling interest	285	432	323	341	421
EBIT	**2,784**	**985**	**3,648**	**3,656**	**4,418**
Growth (%)		-64.6	270.4	0.2	20.8
EBIT Margin (%)	1.6	0.3	1.7	1.6	1.9
EBITDA	**5,032**	**3,108**	**5,851**	**5,991**	**6,889**
Growth (%)		-38.2	88.3	2.4	15.0
EBITDA margin (%)	3	1	2.8	2.6	2.9

Statement of cash flow

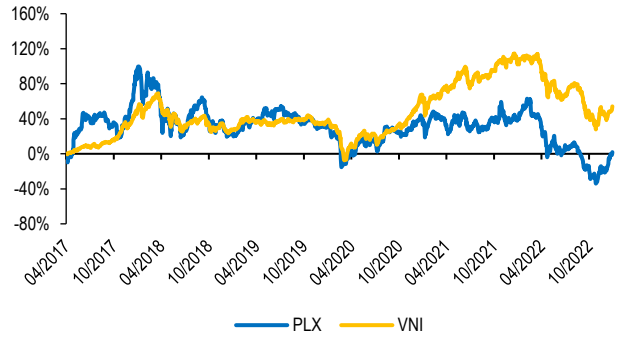
Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	**5,349**	**6,033**	**4,069**	**5,689**	**6,552**
Net profit	2,839	1,408	3,153	3,324	4,104
Depreciation expense	2,147	2,123	2,203	2,335	2,472
(Gain) from investing activities	0	0	0	0	0
Change in working capital	1,850	2,502	-1,287	30	-24
Others	-1,486	0	0	0	0
Cash flow from investments	**-3,843**	**-263**	**-1,542**	**-1,634**	**-1,730**
Change in fixed assets	-1,775	-1,635	-1,542	-1,634	-1,730
Change in investment assets	-2,068	1,382	0	0	0
Others	0	0	0	0	0
Cash flow from financing	**-2,171**	**-1,958**	**4,557**	**881**	**-232**
Change in equity	1,343	106	323	341	421
Net borrowing	457	-512	5,528	1,834	641
Dividends	-3,971	-1,553	-1,294	-1,294	-1,294
Change in total cash	**-664**	**3,811**	**7,084**	**4,936**	**4,590**
Beginning cash	10,612	6,192	11,611	18,695	23,631
Change in FX rates	0	0	0	0	0
Ending cash	9,948	10,004	18,695	23,631	28,221

Key ratios

Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	2,194	1,088	2,437	2,569	3,172
BPS (VND)	18,985	21,458	21,671	24,504	28,001
DPS (VND)	1,200	1,000	1,000	1,000	1,000
PER (x)	20.4	41.0	18.5	17.6	14.2
PBR (x)	2.3	2.4	2.1	1.8	1.6
EV/EBITDA (x)	8.4	13.5	7.2	7.0	6.1
Dividend payout ratio (%)	40	92	41	39	32
Dividend yield (%)	2.9	1.8	2.2	2.2	2.2
Profitability					
EBITDA margin (%)	3	1	2.8	2.6	2.9
OPM (%)	2.1	0.6	1.9	1.8	2.2
NPM (%)	1.8	0.6	1.7	1.6	1.9
ROA (%)	4.8	2.5	4.4	4.2	4.8
ROE (%)	11.1	6.6	11	10.3	11.2
Stability					
Debt to equity ratio (%)	54.4	53.4	64.5	62.4	56.4
Net debt ratio (%)	-52.8	-123.7	92.3	141.9	180.7
Cash ratio (%)	17.6	25.8	40.8	46.9	54.0
Interest coverage ratio (x)	4.6	1.5	5.4	4.5	5.1
Activity (%)					
Working capital turnover (times)	10	6	10	10	10
Inventory turnover (days)	31	22	30	30	30
Receivable turnover (days)	16	14	17	17	17

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

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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