

VIETNAM NATIONAL PETROLEUM GROUP – PETROLIMEX

12-MONTH RATING

BUY

Close as of 27 June, 2024	₫41.300
Target price (12M)	₫50.400
Upside	22,1%

ROBUST GROWTH IN CORE BUSINESS OPERATIONS

Earnings update:

- Positive Q1/2024 earnings results, with a 11,4% increase in revenue and a 72% increase in PBT:** Revenue reached VND75.106 billion (+11,4% YoY), PBT reached VND1.441 billion (+72% YoY). This growth was mainly driven by growing sales volumes and improved business efficiency, as seen by: 1) Gross profit hit VND4.669 billion (+31,2% YoY); 2) Gross profit margin hit 6.2% (+18% compared to 2023's quarter result of 5,2%). Financial income and financial expenses both experienced a YoY decline of 12,5% and 1,9%, respectively. Profit of associates decreased by 24,2% YoY to VND111 billion. Selling expenses and general & administrative expenses rose by 13,9% YoY and 15,0% YoY, respectively.
- Conservative 2024 guidance plan:** Planned sales volume for 2024 is 13,03 million tons (equivalent to 90,5% of 2023's result); of which 10,23 million tons will be contributed by the Parent company (equivalent to 96% of 2023's result). Planned revenue and PBT is VND188.000 billion (equivalent to 68,5% of 2023's result) and VND2.900 billion (equivalent to 73,8% of 2023's result), respectively.
- Domestic petroleum consumption volume for the first half of 2024 approximated 12,3 million tons:** Specifically, Q1's volume hit roughly 6 million tons; Q2's volume hit roughly 6,3 million tons. 6M2024 data recorded total petroleum production output of 8,7 million tons (+8,9% YTD), imported volumes hit 5,5 million tons (+6,3% YTD), exported volumes hit 1,18 million tons (+6,0% YTD).

Promising outlook

- Petroleum output is forecast to grow by 5%-6% in 2024 and upcoming years:** Given PLX's establish position and capabilities in petroleum trading, we anticipate sustained growth in business performance and operational efficiency as petroleum demand continues to rise throughout 2024.
- Possibility of a 9,2% surge in petroleum demand in 2024:** Ministry of Industry and Trade has mandated that key enterprises in the petroleum trading segment develop projected demand for petroleum in 2024 to reach 28,42 million tons (+2,4 million tons; +9,2% YoY) to guarantee adequate domestic supply.
- Petroleum trading activities continues to be adjusted to closely follow the market:** with Decree No.80/2023/ND-CP amending and supplementing Decree No.95 (2021) and Decree No.83 (2014) effective since 17th November, 2023. Notably, 1) Retail gasoline prices are adjusted weekly on Thursdays to reflect international petroleum market fluctuations; 2) The time taken to review and re-announce transportation costs and premiums added to the base price is shortened from 6 months to 3 months; 3) Retail gasoline agents are allowed to source from up to three sources, instead of a single source as previously mandated.

For the year 2024, we forecast sales volume to reach 15,11 million tons (+5% YoY), revenue to reach VND288.858 billion (equivalent to 105,4% of 2023's result), PBT to reach VND4.195 billion (equivalent to 106,3% of 2023's result). Excluding exceptional gain from the divestment from PGBank in 2023, core business earnings are expected to rise by 28,6%.

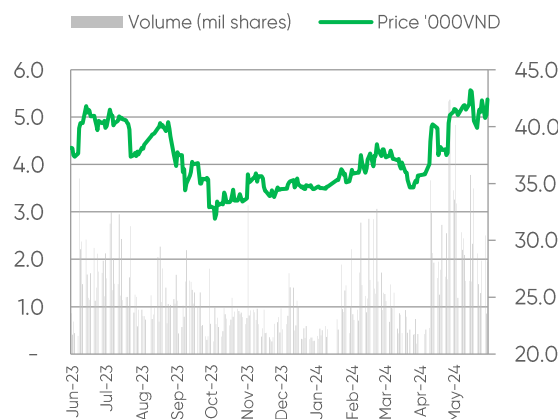
Valuation

Using DCF method, we valued PLX's share at VND50.400/share (+22,1% compared to its market price as of 27th June, 2024. We issue a BUY recommendation.

TRADING INFO

Ticker	HSX: PLX
52W Average shares (mil shares)	1,26
Outstanding shares (mil shares)	1.270,59
52W Range	31.900 ₫ – 43.200 ₫
Market cap (VNDb)	53.873
Beta	0,96

STOCK PRICE MOVEMENT



PRIMARY FINANCIAL INDICATORS

Unit: Billion VND

Indicators	2023	Q1/2023	Q1/2024	2024F
Revenue	273,979	67,432	75,106	288,858
Revenue growth	-9.9%	0.6%	11.4%	5.4%
Gross profit	15,264	3,559	4,669	271,806
PBT	3,947	838	1,441	4,195
PAT	3,077	667	1,133	3,356
EBIT	5,671	1,220	1,816	5,277
EBITDA	7,856	1,750	2,328	7,212
Short-term assets	57,309	44,728	58,284	61,826
Long-term assets	22,367	23,911	22,448	21,265
Total assets	79,676	68,639	80,732	83,091
Liabilities	50,473	40,212	50,419	52,691
Shareholders' Equity	29,202	28,427	30,313	30,400
D/E	1.73	1.41	1.66	1.73
EPS	2,230	488	844	2,474
BV	20,415	19,717	21,249	21,308

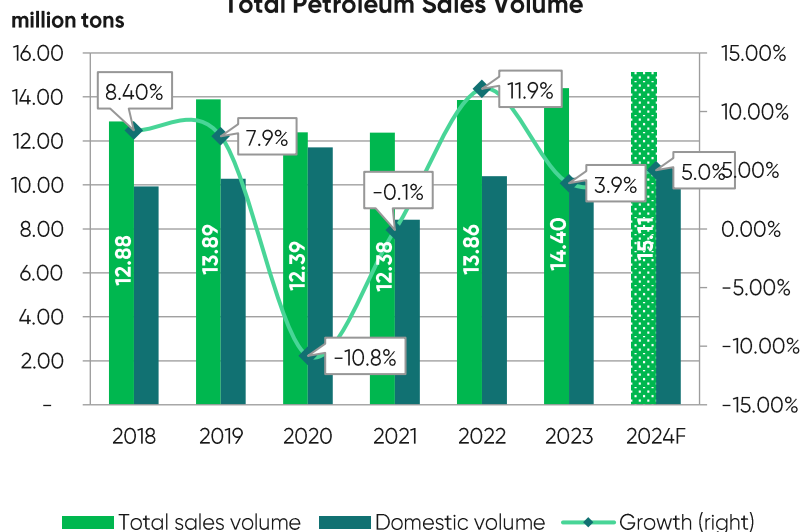
Sources: PLX's FS, VPBankS Research compiled

Analyst
Chu Thế Huynh

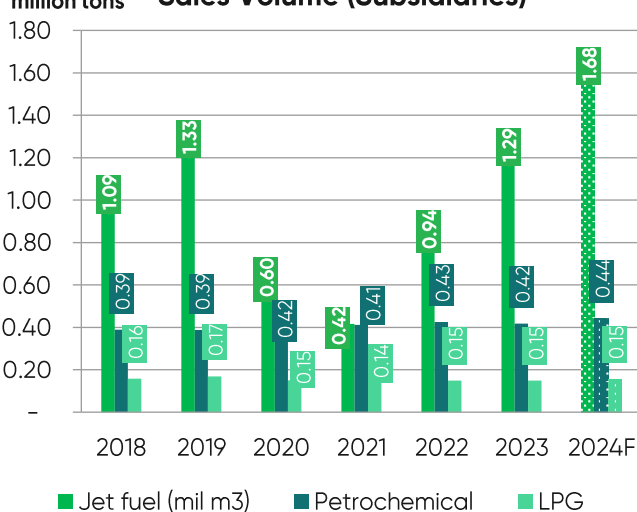
huynhct@vpbanks.com.vn

STABLE OUTPUT GROWTH

Total Petroleum Sales Volume



Sales Volume (Subsidiaries)



Sources: PLX, VPBankS Research compiled and forecast

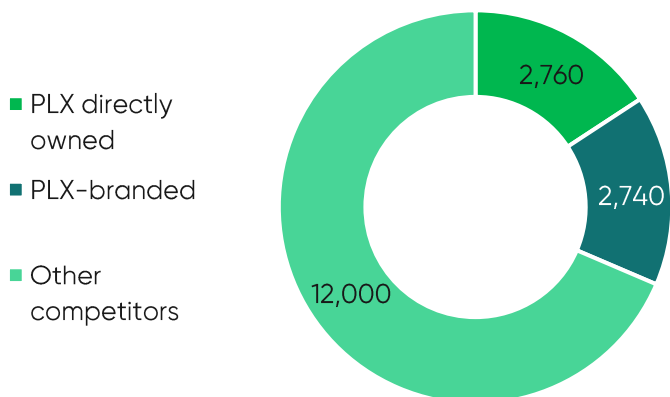
- **Following a robust recovery from the COVID-19 pandemic:** sales volume for all petroleum products reached 14,4 million tons (+3,9% YoY) in 2023. Domestic sales alone accounted for 10,32 million tons (remaining steady at 2022's level). Notably, in 2022, sales volume surged by 11,9%.
- Jet fuel sales volume experienced a substantial growth of 37% in 2023, after a 126% recovery in 2022.

Given the forecast for a sharp rise in gasoline market demand in 2024, fuelled by a robust economic recovery, with PLX's position as the industry leader, we forecast total sales volume to rise by 5%, reaching 15,11 million tons of gasoline products.

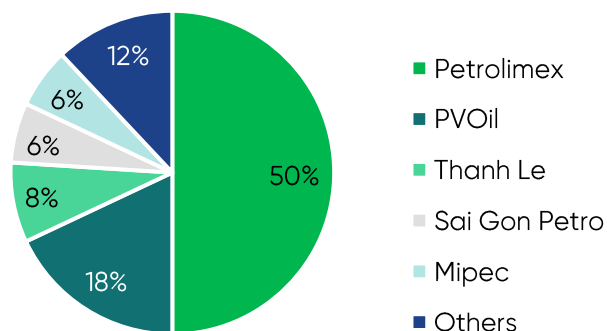
PLX's system of petrol stations

- **By the end of 2023, PLX-branded network of petrol stations consisted of 5.500 units, making up 45% of the nationwide total. Of these, PLX directly owned 2.760 stations, representing 23% of the network.**
- **PLX accounts for 50% of the petroleum trading market:** in 2022, PLX's sales volume made up 50% of the total market volume - of which retail sales accounted for 7,02 million tons, representing 27% of the market sales. This performance underscored PLX's superior operational efficiency per petrol station, exceeding that of competitors by 44%.

PLX's Network of Petrol Stations



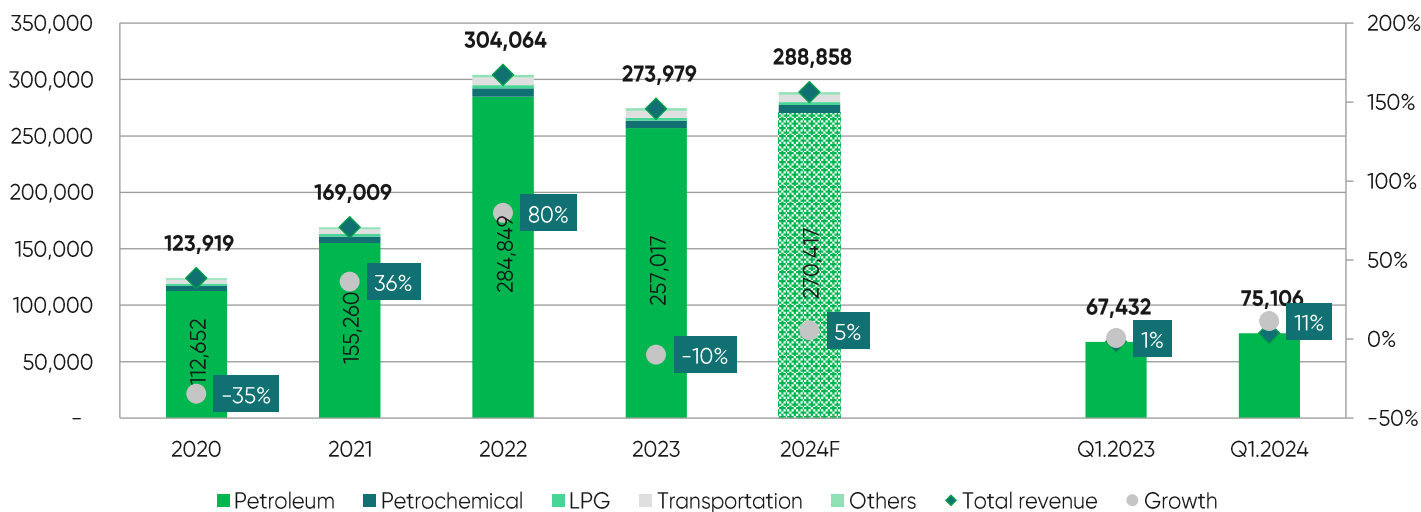
Petroleum Trading Market Share (2022-2023)



Sources: Ministry of Industry and Trade, PLX, VPBankS Research compiled

DIVESTMENT FROM NON-CORE INDUSTRY AND IMPROVED OPERATIONAL EFFICIENCY

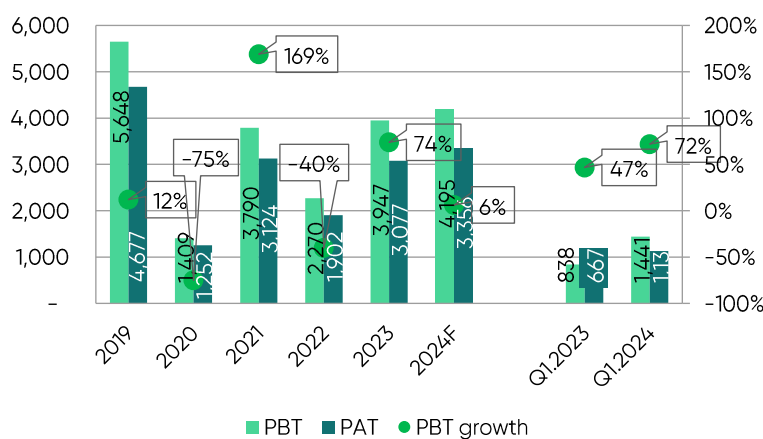
Revenue Structure



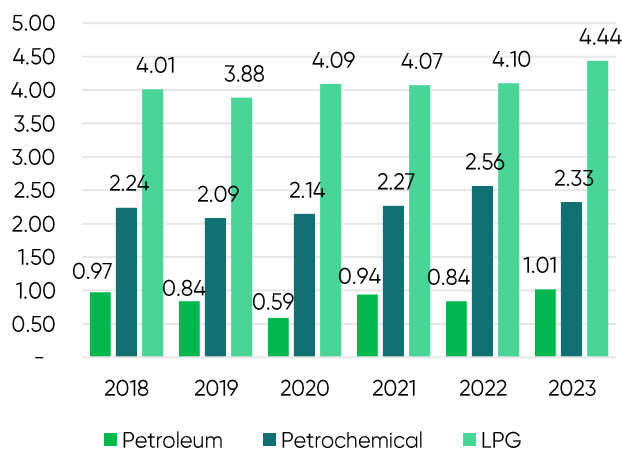
Sources: PLX's FS, VPBankS Research compiled and forecast

- **Q1/2024 revenue increased by 11,4% YoY:** Revenue hit VND75.106 billion (+11,4% YoY), of which petroleum revenue accounted for the majority, while petrochemical revenue reached VND1.598 billion (-19% YoY), PLX's revenue reached VND1.024 billion (+4,7% YoY).
- In 2023, total revenue amounted to VND273.979 billion (-9,8% YoY); while total sales volume increased by 3,9%. The decrease was mainly driven by a significant drop in gasoline prices, with RON 95 and E5 gasoline prices decreasing by 11,5%-12,3% throughout the year.

Profit



Gross Profit Classified by Products (VNDb/ton)



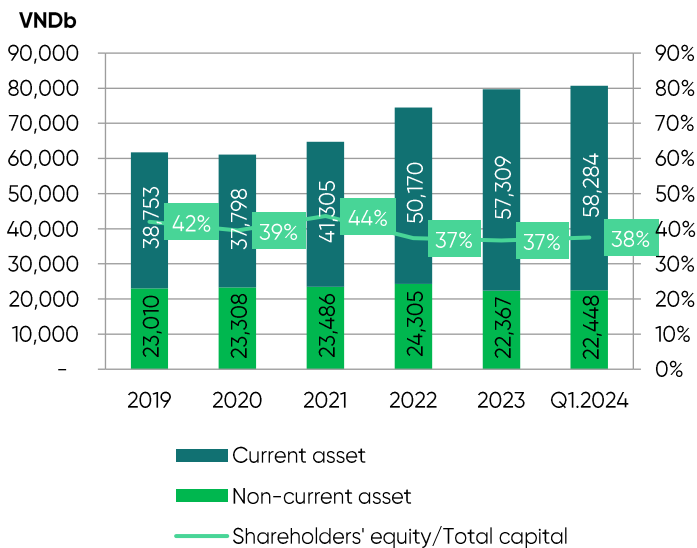
Sources: PLX's FS, VPBankS Research compiled and forecast

- Q1/2024's gross profit reached VND4.669 billion (+31,2% YoY), gross profit margin increased by 18% to 6,2%. Operational efficiency was improved as the petroleum market exhibited greater stability. Financial income and expenses both experienced declines of 12,5% and 1,9%, respectively, in the quarter. During this period, profits from associates and joint ventures also contracted by 24,2%, down to VND111 billion. Selling expenses and general & administrative expenses increased by 13,9% and 15,0%, respectively.
- PBT reached VND1.441 billion (+71,8% YoY), PAT reached VND1.133 billion (+70% YoY). This performance placed PLX on track to achieve 49,7% of its 2024 profit guidance (PLX's PBT in 2023 reached VND3.947 billion (+74% YoY), attributable to the recovery of its petroleum trading activities; PLX also realized a gain of VND685 billion from its divestment from PGBank.

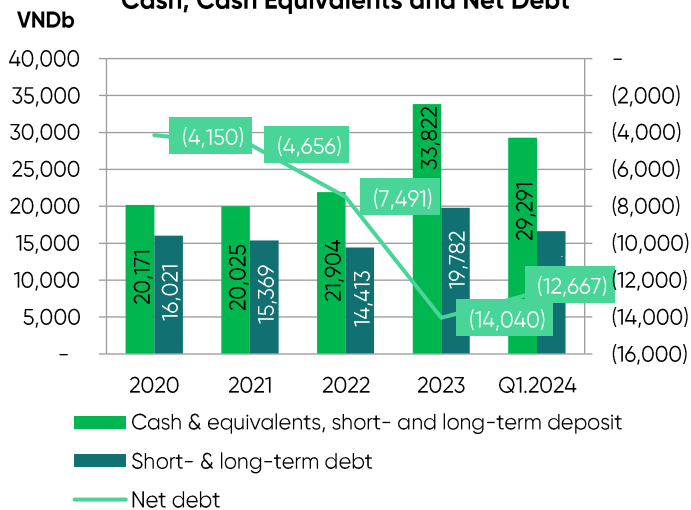
For 2024, we forecast oil price to reach an average of USD82.5/barrel (Brent oil), sales volume of all products to increase by 5%, total revenue to reach VND288.858 billion (+5,4% YoY), PBT to reach VND4.195 billion (+6,3% YoY), PAT to reach VND3.356 billion (+9,1% YoY), EPS to reach VND2.474.

DIVESTMENT FROM NON-CORE INDUSTRY, HEALTHY FINANCIALS

Assets & Capital Structure



Cash, Cash Equivalents and Net Debt

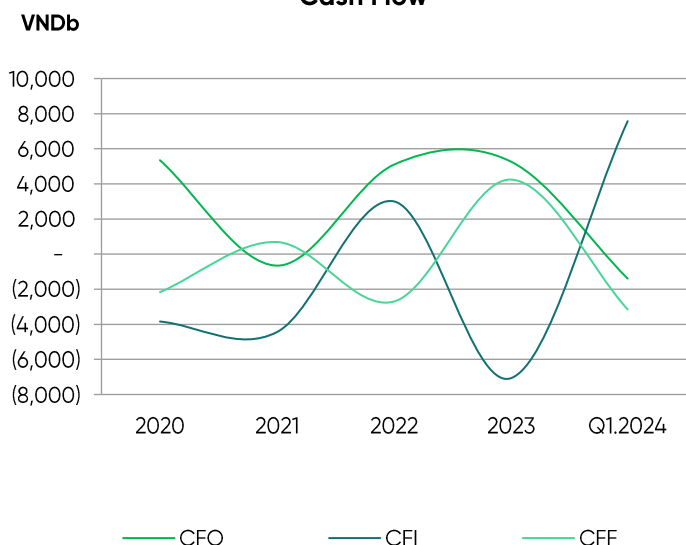


Sources: PLX's FS, VPBankS Research compiled

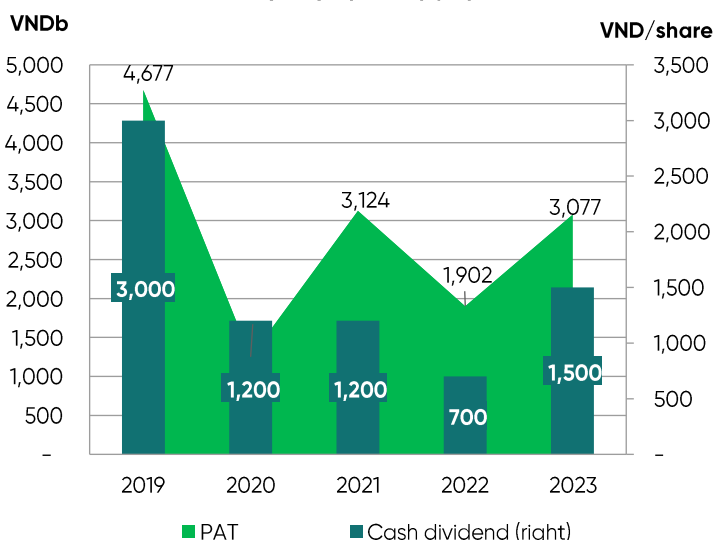
Total assets increased, healthy financial structure

- As of the end of Q1/2024, total assets reached VND80.732 billion (+1,3% YTD), current assets reached VND58.284 billion (+1,7% YTD) – making up 72,2% of total assets; non-current assets reached VND22.448 billion (+0,4% YTD) – making up 27,8% of total assets.
- PLX maintained a substantial amount of cash, cash equivalents, and short- & long-term investment, reaching VND29.291 billion (-13,4% YTD). In terms of capital, PLX reduced both short-term and long-term debt by 16,0%, down to VND16.624 billion. Despite the relatively high debt level at between VND15 trillion and VND20 trillion, PLX consistently maintained a negative net position. The Company also leveraged the use of payables from partners.
- PLX's equity value reached VND30.313 billion (+3,8% YTD), making up 37,5% of total capital. We assess PLX's financial health as stable.
- PLX's robust management is underscored by the substantial positive operating cash flow that has consistently out-paced PAT in previous years (excluding a negative amount in 2021). The negative investing cash flow in 2023 was primarily attributed to the company's strategic increase in financial investments (short-term deposits).

Cash Flow



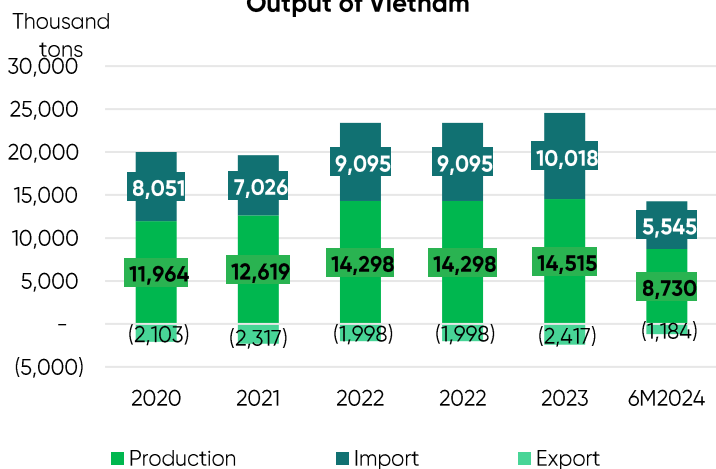
Profit and Dividend



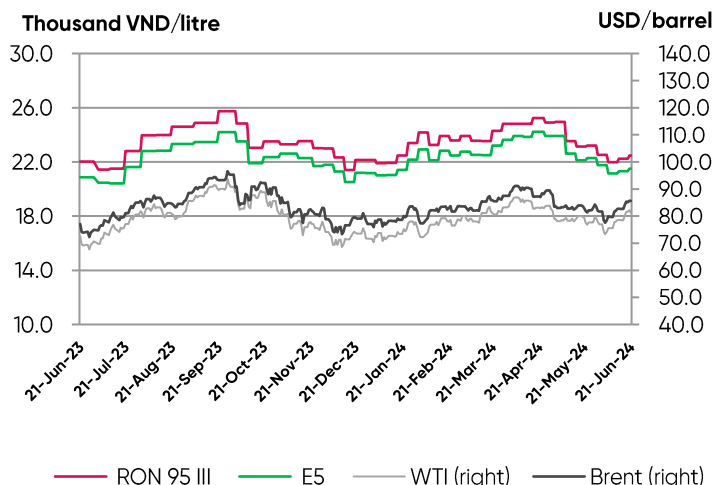
Sources: PLX's FS, VPBankS Research compiled

DOMESTIC PETROLEUM MARKET

Petroleum Production, Import and Export Output of Vietnam



Domestic Retail Petroleum Price



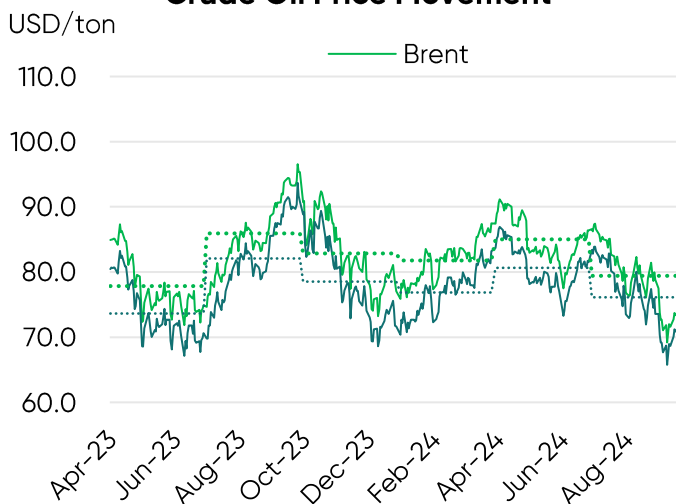
Sources: GSO, MOIT, VPBankS Research compiled

Petroleum supply remained stable: 6M2024 data recorded total petroleum production output of 8,73 million tons (+8,9% YoY), total import of 5,55 million tons (+6,3% YoY), total export of 1,18 million tons (+6% YoY).

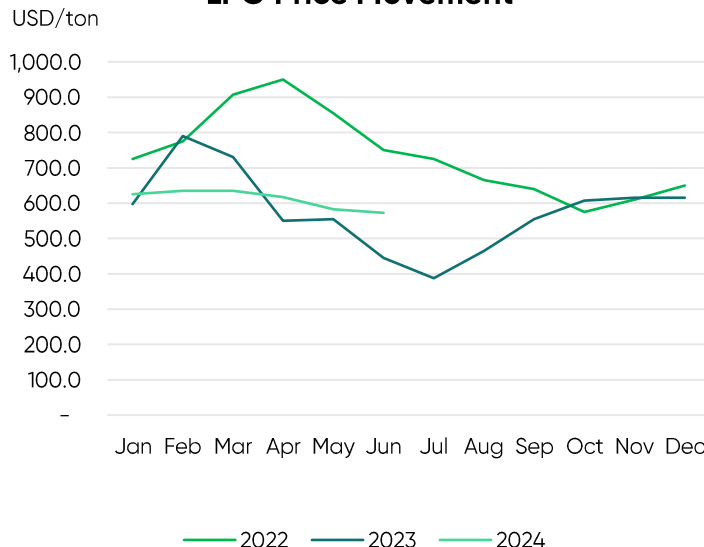
Domestic petroleum consumption in the first half of 2024 approximated 12,3 million tons: Specifically, Q1 data recorded total consumption of 6 million tons, Q2 data recorded total consumption of 6,3 million tons.

The trading of petroleum products were continually adjusted to follow the market: Decree No.80/ND-CP amending and supplementing Decree No.95 (2021) and Decree No.83 (2014) has been in effect since 17th November 2023. This has resulted in a weekly adjustment of petroleum prices every Thursday to align with the fluctuations in the global petroleum market. **In the first half of the year, there were 25 adjustments to retail petroleum prices, with 14 increases and 11 decreases.**

Crude Oil Price Movement



LPG Price Movement



Sources: Bloomberg, VPBankS Research compiled

FORECAST AND VALUATION

Assumptions

- We assume a growth rate of 5%-6% for the company petroleum sales volume in the years 2024-2030, coupled with a steady improvement in operational efficiency and a stable gross profit margin of 5,9%-6,0%.
- The company's business operations remain well-managed, with receivables and inventories maintained at a healthy level of 20-25 days and 14-16 days, respectively. PLX's strong relationship with its partners can enable it to maintain payables at the current level (40-45 days).
- PLX continues its 2024 investment plan for fixed assets, allocating approximately VND1.000 billion per year until 2028.

Valuation

- Cost of equity is determined at 11.6% using a risk-free rate of 2.6% (based on 10-15 years Government bonds rate in April-May 2024), a market risk premium of 9%, and a PLX stock beta of 0.96 in the years 2022-2024. WACC is calculated at 10,11%. Free cash flow growth after 2028 is 1,5%.

Using DCF method, we valued PLX's share at VND50.400/share (+22,1% compared to its market price as of 27th June 2024). We issued a BUY recommendation.

DCF_FCFE

Indicators	Unit	Value
Cost of equity	%	11.60%
Net cash flow growth after 2028	%	1.50%
Present value of net cash flow in 2024E-2028E	VNDb	16,813
Present value of net cash flow after 2028E	VNDb	38,642
Cash and equivalents at the end of 2024	VNDb	32,081
Enterprise value	VNDb	87,536
Debt at the end of 2024	VNDb	20,282
Shareholders' equity	VNDb	63,928
Number of outstanding shares	mil shares	1,271
Value per share	VND	50.313

DCF_FCFE

Indicators	Unit	Value
WACC	%	10.11%
Net cash flow growth after 2028E	%	2%
Present value of net cash flow in 2024E-2028E	VNDb	14,247
Present value of net cash flow after 2028E	VNDb	43,471
Cash and equivalents at the end of 2024	VNDb	29,193
Enterprise value	VNDb	86,910
Debt at the end of 2024	VNDb	20,282
Shareholders' equity	VNDb	64,182
Number of outstanding shares	mil shares	1,271
Value per share	VND	50.514

Average value per share

Valuation method	Value
- FCFE	50.313
- FCFE	50.514
Average value per share	50.414

APPENDIX – FINANCIAL STATEMENTS

Profit & Loss Statement				Cash Flow Statement			
	2022A	2023A	2024F		2022A	2023A	2024F
Revenue	304,064	273,979	288,858	Cash flow from operating activities	5,092	5,274	3,951
COGS	-291,744	-258,715	-271,806	Cash flow from investing activities	3,004	-7,075	3,726
Gross profit	12,320	15,264	17,052	Cash flow from financing activities	-2,706	4,244	-1,644
Financial income	1,949	2,743	1,887	Cash flow from operating activities			
Financial expense	-1,706	-1,724	-1,742				
Selling expense	-10,500	-12,140	-12,565				
General & Administrative expense	-823	-949	-1,011				
Net operating profit	1,942	3,818	4,058				
Pre-tax profit	2,270	3,947	4,195				
Net profit after tax	1,902	3,077	3,356				
Net profit attributable to Parent	1,450	2,834	3,144				
Net profit attributable to minority interest	452	243	212				
Balance Sheet				Financial Ratios			
	2022A	2023A	2024F		2022A	2023A	2024F
Current assets	50,170	57,309	61,826	Efficiency ratios			
Cash & cash equivalents	11,606	14,049	20,081	Gross profit margin	4.05%	5.57%	5.9%
Short-term investments	7,098	16,496	12,000	EBITDA Margin	2.02%	2.53%	2.5%
Short-term receivables	12,674	10,976	12,662	Net profit margin	0.63%	1.12%	1.2%
Inventory	17,232	14,640	15,638	ROE	6.12%	9.48%	10.0%
Other current assets	1,560	1,148	1,444	ROA	2.55%	3.86%	4.0%
Non-current assets	24,305	22,367	21,265	Growth ratios			
Fixed assets	14,405	13,769	12,733	Revenue growth	79.9%	-9.9%	5.4%
Long-term construction-in-progress	557	920	1,103	PBT growth	-40.1%	73.9%	6.3%
Other non-current assets	9,343	7,679	7,429	PAT growth	-48.9%	95.4%	10.9%
Total assets	74,475	79,676	83,091	EPS growth	-48.9%	95.4%	11.9%
Liabilities	46,693	50,473	52,691	Liquidity ratios			
Short-term liabilities	45,695	49,660	51,301	Current ratio	1.10	1.15	1.21
Short-term payables	32,078	30,513	32,021	Quick ratio	0.72	0.86	0.90
Short-term debt	13,590	19,135	19,135	Debt/Assets	0.63	0.63	0.63
Other short-term liabilities	27	12	144	Debt/Shareholders' equity	1.68	1.73	1.73
Long-term liabilities	998	813	1,390	Interest coverage ratio	2.95	3.42	3.10
Long-term debt	823	647	1,147				
Other long-term liabilities	175	166	243	Valuation ratios			
Shareholders' equity	27,782	29,202	30,400	Dividend yield	1.9%	3.6%	4.8%
Owners' contributed capital	12,939	12,939	12,939	EPS (VND)	799	2,211	2,474
Investment and development fund	8,848	8,806	9,126	BVPS (VND)	19,277	20,415	21,308
Retained earnings	2,706	4,195	5,009				
Non-controlling interest	3,289	3,263	3,326				
Total capital	74,475	79,676	83,091				

Sources: PLX's FS, VPBankS Research compiled and forecast

DISCLAIMER

VPBank Securities JSC (VPBankS) has issued this report for information purposes only. This report is intended for circulation amongst VPBankS and its affiliates' clients generally or such persons as may be deemed eligible by VPBankS to receive this report and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. This report is not intended, and should not under any circumstances be construed as, an offer or a solicitation of an offer to buy or sell the securities referred to herein or any related financial instruments. This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by VPBankS's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the applicable laws or regulations. All the information contained herein is based upon publicly available information and has been obtained from sources that VPBankS believes to be reliable and correct at the time of issue of this report. However, such sources have not been independently verified by VPBankS and/or its affiliates and this report does not purport to contain all information that a prospective investor may require. The opinions expressed herein are VPBankS's present opinions only and are subject to change without prior notice. VPBankS is not under any obligation to update or keep current the information and opinions expressed herein or to provide the recipient with access to any additional information. Consequently, VPBankS does not guarantee, represent or warrant, expressly or impliedly, as to the adequacy, accuracy, reliability, fairness or completeness of the information and opinion contained in this report. Whilst every effort is made to ensure that statement of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable and must not be construed as a representation that the matters referred to therein will occur. Different assumptions by VPBankS or any other source may yield substantially different results and recommendations contained on one type of research product may differ from recommendations contained in other types of research. This report may contain comments, estimates, projections, forecasts and expressions of opinion relating to macroeconomic research published by VPBankS economists of which should not be considered as investment ratings/advice and/or a recommendation by such economists on any securities discussed in this report. This report does not purport to be comprehensive or to contain all the information that a prospective investor may need in order to make an investment decision. The recipient of this report is making its own independent assessment and decisions regarding any securities or financial instruments referenced herein. Any investment discussed or recommended in this report may be unsuitable for an investor depending on the investor's specific investment objectives and financial position. This report may contain forward-looking statements which are often but not always identified by the use of words such as "believe", "estimate", "intend" and "expect" and statements that an event or result "may", "will" or "might" occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to VPBankS and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. VPBankS expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events

CONTACTS

VPBank Securities JSC

FL21&25, VPBANK Tower, 89 Lang Ha St, Dong Da Dist, Hanoi

Tel: 1900 636679

Email: cskh@vpbanks.com.vn

Website: www.vpbanks.com.vn

Equity Research Department

Email: research@vpbanks.com