

PETROLIMEX (PLX) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND61,300	VND70,100	4.08%	ADD	OIL & GAS

2 March 2022

Outlook – Short term: Positive
Outlook – Long term: Positive
Valuation: Positive

Consensus*: Add:5 Hold:0 Reduce:0

Target price / Consensus: 6.9%

Key changes in the report

- Decrease FY22F EPS by 4.2%
- Increase FY23-24F EPS by 3.1%/9.6%

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	63,400
52w low (VND)	48,500
3m Avg daily value (VNDmn)	97,224
Market cap (VND bn)	79,158
Free float (%)	6
TTM P/E (x)	28.0
Current P/B (x)	3.17

Ownership

Commission for the Management of State Capital	75.9%
Jx Nippon Oil & Energy Vietnam	8.0%
ENEOS Corporation	5.1%
Others	11.0%

Source: VND RESEARCH

Analyst(s):



Hai Nguyen Ngoc

hai.nguyenngoc2@vndirect.com.vn

Riding on petroleum consumption recovery

- PLX posed 4Q21 net profit (NP) of VND595bn (-37.5% yoy) due to lower domestic sales volume. FY21 NP surged 186.3% yoy to VND2,830bn.
- We expect PLX's NP to grow 47.8%/13.6% yoy in FY22-23F, following the domestic petroleum consumption bounce back.
- Reiterate ADD with a higher target price (TP) of VND70,100.

Recovery momentum was pulled back in 2H21 due to Covid-19 outbreak

PLX's 4Q21 net revenue surged 57.9% yoy to VND49,372bn thanks to higher average selling prices (+c.70% yoy), which offset to a 10% yoy decrease in domestic petroleum sales volume. However, as PLX earned the fixed profit on each liter of petroleum sold, lower sales volume combined to the inventories provision expense of VND199bn led to the 18.1% yoy decrease in 4Q21 gross profit. Besides, 4Q21 affiliates income declined 17.8% yoy due to the lower contribution of Castrol BP Petco, which was also hit by the Delta outbreak in 2H21. As a result, PLX's 4Q21 NP dropped 37.5% yoy to VND595bn.

For 2021, NP surged 186.3% yoy to VND2,830bn mainly thanks to strong 1H21 while 2H21 results were hit by Delta outbreak. FY21 NP just fulfilled 82.8% of our forecast as we projected lower SG&A expenses but higher affiliate income.

Short-term domestic supply shortage is likely to bring the mixed effects

Recently Nghi Son refinery decreased its operation capacity due to financial problems, causing the short-term domestic supply shortage. Accordingly, we see the mixed impact on PLX's activities. On the one hand, PLX is likely increase its sales volume when small players struggle to look for alternative sources. On the other hand, this issue could negatively impact on PLX's GPM as PLX must raise imported sources with high transportation costs. However, we believe Nghi Son will soon increase its capacity as it has received financial support from PVN.

Positive FY22-23F prospect on petroleum sales volume recovery

After hit hard by Delta outbreak in 2H21, we expect PLX's domestic petroleum sales volume to recover in FY22-23F with a CAGR of 7% when Vietnam applies new strategy to "live safely with Covid-19 pandemic" and re-opens the economy. Moreover, we forecast FY22-23F JetA1 sales volume to surged 70%/25% yoy following the aviation activities rebound after the pandemic. Overall, we expect PLX's NP to grow 47.8%/13.6% yoy in FY22-23F, respectively.

Reiterate ADD with a higher TP of VND70,100

We raise our TP by 8.0% on the back of: (1) rolling forward our DCF model to 2022, and (2) lower FY22F EPS forecast by 4.2% but increase FY23-24F EPS forecasts by 3.1%/9.6% mainly due to higher Brent oil price assumptions. Re-rating catalysts include higher-than-expected sales volume and the divestment from PG Bank deal. Downside risk comes from any new Covid-19 waves.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net revenue (bn)	123,919	169,113	193,836	201,495
Revenue growth	(34.6%)	36.5%	14.6%	4.0%
Gross margin	8.1%	7.5%	7.3%	7.5%
EBITDA margin	3.4%	3.9%	4.4%	4.7%
Net profit (bn)	988	2,830	4,183	4,753
Net profit growth	(76.2%)	186.3%	47.8%	13.6%
Recurring profit growth				
Basic EPS	764	2,187	3,233	3,674
Adjusted EPS	764	2,187	3,233	3,674
BVPS	16,356	19,344	20,514	22,084
ROAE	4.5%	12.3%	16.2%	17.2%

Source: VND RESEARCH

RIDING ON PETROLEUM CONSUMPTION RECOVERY

Recovery momentum was pulled back in 2H21 due to Covid-19 outbreak

Figure 1: 4Q21 and FY21 results overview

FYE Dec (VNDbn)	4Q20	4Q21	%yoy	2020	2021	%yoy	% vs. FY21 forecast	Comments
Net revenue	31,271	49,372	57.9%	123,919	169,113	36.5%	102.5%	4Q21 net revenue surged 57.9% yoy mainly thanks to higher average selling prices (+c.70% yoy), which offset to a 10% yoy decrease in domestic petroleum sales volume
Gross profit	3,722	3,049	-18.1%	10,040	12,706	26.6%	99.1%	As PLX earned the fixed profit on each liter of petroleum sold, lower sales volume led to the decrease in 4Q21 gross profit. Besides, PLX also booked the inventories provision expenses of VND199bn in 4Q21 (compared to a reversal of VND42bn in 4Q20)
<i>Gross profit margin (%)</i>	11.9%	6.2%	-5.7% pts	8.1%	7.5%	-0.6% pts		
Selling expenses	(2,502)	(2,385)	-4.7%	(8,591)	(9,157)	6.6%	109.1%	
G&A expenses	(265)	(245)	-7.6%	(820)	(782)	-4.6%	109.5%	
Operating profit	955	419	-56.1%	629	2,767	339.8%		
Net financial income (expenses)	44	30	-31.9%	(35)	163	NA		
Financial income	208	290	39.4%	917	998	8.9%	100.1%	
Financial expenses	(164)	(260)	58.5%	(952)	(835)	-12.3%	92.2%	
Gain/loss from investment in JVs	186	153	-17.8%	597	568	-4.9%	85.0%	4Q21 affiliates income declined 17.8% yoy due to the lower contribution of Castrol BP Petco, which was also hit by the Delta outbreak in 2H21
Net other income	31	227	623.2%	218	283	29.8%		In 4Q21, PLX recognised ~VND100bn income from asset liquidation
Pre-tax profit	1,217	829	-31.9%	1,410	3,781	168.3%	82.6%	
Profit after tax	1,024	701	-31.5%	1,253	3,112	148.4%		
Net profit	951	595	-37.5%	988	2,830	186.3%	82.8%	Below our expectations as we projected lower SG&A expenses but higher affiliates income

Source: VNDIRECT RESEARCH, COMPANY REPORTS

FY22-23F outlook: Positive prospect on the petroleum sales volume recovery

After recording an impressive performance in 1H21, PLX's business was hit hard in the second half due to Delta outbreak, which led to strict social distancing and hurt petroleum consumption. Currently, as the government has applied new strategy to "live safely with Covid-19 pandemic" and re-opens the economy, we expect PLX's petroleum sales volume to strongly rebound from 2022 onwards, in which:

- For domestic petroleum consumption, we expect PLX's sales volume to rebound in FY22F then surpass the pre-Covid level in FY23F, recording a sales volume CAGR of 7% in FY22-23F.
- For jet fuel consumption, we expect JetA1 sales volume to greatly increase by 70%/25% yoy in FY22-23F as the domestic aviation activities is stepping into "normalized", and the government is expected to resume international flights in 2022.

Accordingly, combined to the expected high fuel prices environment, we forecast PLX's petroleum segment revenue to keep growing in FY22-23F with a CAGR of 9.5%, contributing c.91% of PLX's total revenue in the same period. Overall, we estimate PLX's net profit to grow 47.8%/13.6% yoy in FY22-23F, respectively, mainly driven by the petroleum sales volume rebound.

Notably, the Government is currently studying to reduce environmental protection tax on fuel prices. In our view, this is a feasible measure to curb the increasing domestic retail fuel prices, lower the risks of high fuel prices which could hurt the domestic petroleum demand.

FY22-24F earnings forecast revision: We trim FY22F EPS forecast by 4.2%, but increase FY23-24F EPS forecasts by 3.1%/9.6%

Figure 2: FY22-24F earnings forecast revision

VNDbn	2022F			2023F			2024F			Comments
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	
Brent crude oil price (US\$/bbl)	72	83	15.3%	73	75	2.7%	67	72	7.5%	We apply our latest average Brent oil price assumption in FY22-24F
Domestic sales volume ('000 m3.tons)	9,528	9,079	-4.7%	10,005	9,714	-2.9%	10,505	10,200	-2.9%	We revise down our FY22-24F sales volume assumptions as the petroleum consumption recovered slower-than-expected in 4Q21, and the current Covid-19 wave could slow down the re-opening pace
Jet fuel sales volume ('000 m3.tons)	1,000	944	-5.6%	1,200	1,180	-1.7%	1,320	1,357	2.8%	
Net revenue	182,257	193,836	6.4%	196,642	201,495	2.5%	195,235	204,918	5.0%	
Gross profit	13,953	14,174	1.6%	14,763	15,087	2.2%	14,649	15,310	4.5%	
<i>Gross profit margin (%)</i>	<i>7.7%</i>	<i>7.3%</i>	<i>-0.3% pts</i>	<i>7.5%</i>	<i>7.5%</i>	<i>0.0% pts</i>	<i>7.5%</i>	<i>7.5%</i>	<i>0.0% pts</i>	GPM assumptions are decreased as the impact of lower domestic petroleum sales volume assumptions outweigh the impact of fuel price changes
Selling expenses	8,338	8,681	4.1%	8,827	8,936	1.2%	8,954	9,019	0.7%	We raise FY22F selling expenses to reflect higher-than-expected 2021 numbers
G&A expenses	710	755	6.4%	766	785	2.5%	760	798	5.0%	Adjusted in line with revenue
Operating profit	4,906	4,738	-3.4%	5,170	5,367	3.8%	4,935	5,492	11.3%	
Financial income	1,062	1,062	0.0%	1,110	1,107	-0.2%	1,115	1,151	3.3%	
Financial expenses	1,049	1,029	-1.9%	1,085	1,055	-2.8%	1,100	1,087	-1.2%	
Gain/loss from investment in JVs	704	674	-4.2%	737	743	0.8%	735	753	2.4%	Adjusted in line with 2021 numbers
Pre-tax profit	5,841	5,639	-3.4%	6,167	6,391	3.6%	5,918	6,542	10.6%	
Net profit	4,367	4,183	-4.2%	4,609	4,753	3.1%	4,424	4,848	9.6%	
EPS (VND)	3,375	3,233	-4.2%	3,562	3,674	3.1%	3,419	3,747	9.6%	

Source: VNDIRECT RESEARCH

Reiterate ADD with a higher TP of VND70,100

Our DCF-based TP is raised to VND70,100 (+8.0% versus previous forecast) on the back of: (1) rolling forward our DCF model to 2022, and (2) lower FY22F EPS forecast by 4.2% but increase FY23-24F EPS forecasts by 3.1%/9.6%. Thus, we maintain our ADD rating for PLX as we believe in the company's prospect, following the petroleum consumption bounce back in Vietnam from 2022F.

Investment risks:

- Re-rating catalysts include higher-than-expected sales volume, and the divestment from PG Bank deal which could bring the non-recurring income up to over VND1,500bn.
- Downside risks come from the negative oil price fluctuations, and any new Covid-19 waves as this could hurt the demand for petroleum and other related products in Vietnam.

Figure 3: DCF-based target price

DCF method	
Total present value of FCF (VNDbn)	52,511
Present value of Terminal Value (VNDbn)	38,188
Total present value of Operations (VNDbn)	90,699
Plus: Cash and Short-term investment (VNDbn)	18,025
Less: Debt (VNDbn)	(14,800)
Less: Minority Interest (VNDbn)	(3,206)
Equity Value (VNDbn)	90,717
Shares Outstanding (m)	1,294
Equity Value per share (VND)	70,113
Target price (VND)	70,100

Source: VNDIRECT RESEARCH

Figure 4: DCF Valuation – Summary of free cash flow (FCF)

VNDbn	Dec-22F	Dec-23F	Dec-24F	Dec-25F	Dec-30F	Dec-35F	CAGR21-35F
Total revenue	193,836	201,495	204,918	215,164	283,569	337,492	5.1%
<i>% growth yoy</i>	14.6%	4.0%	1.7%	5.0%	4.8%	2.8%	
COGS & OPEX	(189,098)	(196,129)	(199,426)	(209,578)	(276,208)	(328,730)	
Unlevered profit / EBIT	4,738	5,367	5,492	5,586	7,361	8,761	8.6%
<i>Operating margin</i>	2.4%	2.7%	2.7%	2.6%	2.6%	2.6%	
<i>Tax rate (%)</i>	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	-20.0%	
EBIT * (1-Tax) or NOPAT	3,791	4,293	4,394	4,469	5,889	7,009	8.5%
+ D&A	2,259	2,320	2,408	2,503	2,969	3,533	
<i>% of revenue</i>	1.2%	1.2%	1.2%	1.2%	1.0%	1.0%	
- CapEx	(2,245)	(2,334)	(2,374)	(2,492)	(2,535)	(3,017)	
<i>% of revenue</i>	-1.2%	-1.2%	-1.2%	-1.2%	-0.9%	-0.9%	
+ Δ WC	1,291	(1,084)	344	1,076	476	(270)	
<i>% of revenue</i>	0.7%	-0.5%	0.2%	0.5%	0.2%	-0.1%	
Financial and other income / expense, net	901	1,024	1,050	1,122	1,478	1,760	
<i>% of revenue</i>	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
UFCF	5,997	4,220	5,822	6,677	8,278	9,015	

Source: VNDIRECT RESEARCH

Figure 5: Cost of equity

Cost of equity	
Risk Free Rate	3.0%
Beta	0.9
Risk Premium	11.0%
Cost of Equity	12.7%

Source: VNDIRECT RESEARCH

Figure 6: WACC and Long-term growth rate

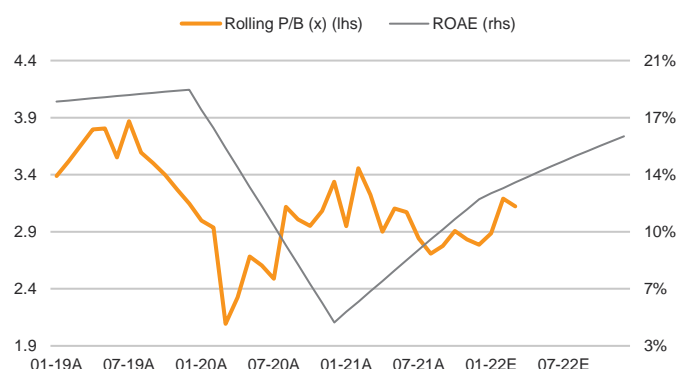
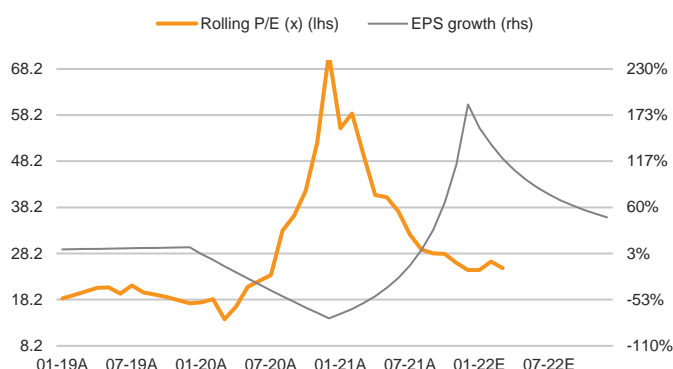
VNDbn	
Equity	21,163
Debt	16,021
Cost of Debt	5.0%
Tax Rate	20.0%
WACC	8.9%
Perpetual growth rate	1.7%

Source: VNDIRECT RESEARCH

Figure 7: Sector comparison

Company	Bloomberg		Share Price (local cur)	Target Price (local cur)	Market Cap (US\$ m)	P/E (x)		3-yr EPS CAGR (%)	P/B (x)		ROE (%)		ROA (%)	
	Ticker	Recom.				FY22F	FY23F		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Petrolimex	PLX VN	ADD	61,300	70,100	3,414	19.0	16.7	19.7%	3.0	2.8	16.2%	17.2%	6.3%	6.8%
PVOil	OIL VN	NR	20,000	NA	906.7	43.9	41.1		1.9	1.9	4.5%	5.0%	1.7%	1.7%
PTT Oi I& Retail	OR TB	NR	26	NA	9,662	23.1	21.4		2.7	2.6	12.0%	12.5%	6.0%	6.0%
Petronas Dagangan Bhd	PETD MK	NR	20	NA	4,832	25.6	24.1		3.6	3.8	13.9%	15.0%	7.8%	7.8%
Thai Oil PCL	TOP TB	NR	54	NA	3,348	10.9	8.1		0.8	0.8	7.8%	8.2%	2.8%	2.8%
Pilipinas Shell Petroleum Corp	SHLPH PM	NR	18	NA	580.4	4.9	5.0		0.9	NA	18.1%	16.6%	NA	NA
Hindustan Petroleum	HPCL IN	NR	273	NA	5,130	5.3	4.8		0.9	0.8	17.5%	17.3%	6.5%	6.5%
ENEOS Holding	5020 JP	NR	457	NA	12,847	7.2	6.0		0.5	0.5	7.4%	8.3%	2.7%	2.7%
Average (all)						17.5	15.9		1.8	1.9	12.2%	12.5%	4.8%	4.9%
Average (excluding PLX)						17.3	15.8		1.6	1.7	11.6%	11.9%	4.6%	4.6%

Source: BLOOMBERG, VNDIRECT RESEARCH (DATA AS AT 01 MAR)

Valuation

Income statement

(VNDbn)	12-21A	12-22E	12-23E
Net revenue	169,113	193,836	201,495
Cost of sales	(156,407)	(179,663)	(186,408)
Gen & admin expenses	(782)	(755)	(785)
Selling expenses	(9,157)	(8,681)	(8,936)
Operating profit	2,767	4,738	5,367
Operating EBITDA	4,914	6,997	7,687
Depreciation and amortisation	(2,147)	(2,259)	(2,320)
Operating EBIT	2,767	4,738	5,367
Interest income	998	1,062	1,107
Financial expense	(835)	(1,029)	(1,055)
Net other income	283	194	229
Income from associates & JVs	568	674	743
Pre-tax profit	3,781	5,639	6,391
Tax expense	(670)	(984)	(1,120)
Minority interest	(282)	(472)	(517)
Net profit	2,830	4,183	4,753
Adj. net profit to ordinary	2,830	4,183	4,753
Ordinary dividends	(1,523)	(3,235)	(3,882)
Retained earnings	1,307	949	872

Balance sheet

(VNDbn)	12-21A	12-22E	12-23E
Cash and equivalents	6,189	8,433	8,254
Short term investments	11,836	11,244	10,682
Accounts receivables	7,089	8,127	8,448
Inventories	13,161	12,957	13,444
Other current assets	2,522	2,891	3,005
Total current assets	40,797	43,653	43,833
Fixed assets	14,758	14,744	14,758
Total investments	5,311	6,851	8,838
Other long-term assets	3,432	3,500	3,570
Total assets	64,298	68,748	71,000
Short-term debt	13,804	14,606	15,129
Accounts payable	15,937	15,401	15,457
Other current liabilities	5,093	7,322	6,581
Total current liabilities	34,835	37,329	37,168
Total long-term debt	996	1,172	1,286
Other liabilities	232	255	281
Share capital	12,939	12,939	12,939
Retained earnings reserve	3,391	4,537	4,538
Shareholders' equity	25,029	26,543	28,573
Minority interest	3,206	3,449	3,692
Total liabilities & equity	64,298	68,748	71,000

Cash flow statement

(VNDbn)	12-21A	12-22E	12-23E
Pretax profit	3,781	5,639	6,391
Depreciation & amortisation	2,147	2,259	2,320
Tax paid	(421)	(984)	(1,120)
Other adjustments	(5,205)	(2,287)	(1,936)
Change in working capital	(78)	1,291	(1,084)
Cash flow from operations	224	5,919	4,572
Capex	(1,384)	(2,245)	(2,334)
Proceeds from assets sales	135	135	135
Others	(3,543)	693	693
Other non-current assets changes			
Cash flow from investing activities	(4,792)	(1,418)	(1,506)
New share issuance	2,888	0	0
Shares buyback			
Net borrowings	(1,221)	978	637
Other financing cash flow			
Dividends paid	(1,523)	(3,235)	(3,882)
Cash flow from financing activities	145	(2,257)	(3,244)
Cash and equivalents at beginning of period	10,612	6,189	8,433
Total cash generated	(4,423)	2,244	(179)
Cash and equivalents at the end of period	6,189	8,433	8,254

Key ratios

	12-21A	12-22E	12-23E
Dupont			
Net profit margin	1.7%	2.2%	2.4%
Asset turnover	2.70	2.91	2.88
ROAA	4.5%	6.3%	6.8%
Avg assets/avg equity	2.71	2.58	2.54
ROAE	12.3%	16.2%	17.2%
Efficiency			
Days account receivable	15.3	15.3	15.3
Days inventory	30.7	26.3	26.3
Days creditor	37.2	31.3	30.3
Fixed asset turnover	11.15	13.14	13.66
ROIC	6.6%	9.1%	9.8%
Liquidity			
Current ratio	1.2	1.2	1.2
Quick ratio	0.8	0.8	0.8
Cash ratio	0.5	0.5	0.5
Cash cycle	8.8	10.3	11.4
Growth rate (yoy)			
Revenue growth	36.5%	14.6%	4.0%
Operating profit growth	339.8%	71.2%	13.3%
Net profit growth	186.3%	47.8%	13.6%
EPS growth	186.3%	47.8%	13.6%

Source: VND RESEARCH

DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

- Add The stock’s total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock’s total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock’s total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Hien Tran Khanh – Research Director

Email: hien.trankhanh@vndirect.com.vn

Dzung Nguyen – Senior Analyst

Email: dung.nguyentien5@vndirect.com.vn

Hai Nguyen Ngoc – Analyst

Email: hai.nguyenngoc2@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>