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# Petrolimex (PLX)

## 1H loss despite reversing 90% of 1Q's inventory provision

### 2Q back to profits but still 1H loss despite reversing 90% of 1Q's inventory provision

— Management disclosed preliminary 2Q earnings at VND350 billion (down 72% YoY) and a return to profit after booking VND1,440 billion in provision reversals or 90% of 1Q's total VND1,590 billion in inventory provisions. This implies a 1H results remained at a loss totaling VND1,460 billion and continued weakness in operations (1Q losses were VND1,890 billion). Management failed to give any reason for such poor results despite higher retail pump prices during the quarter. Other takeaways include: 1) additional VND1,000 cash dividend to bring cash dividends to VND3,000 per share for 2019 performance and minimum VND1,200 cash dividend for 2020E; 2) little clarification of the government's divestment plan or any possible strategic investor; and 3) plans to divest PGBank whether the merger with HDBank is successful or not. Shareholders also approved PLX's cautious guidance that expects pretax earnings to fall by 72% to VND1,570 billion on a 36% drop in revenue to VND122,000 billion.

### Government divestment remains uncertain & still no strategic partner for treasury shares

— Management was unable to provide any update on the government's divestment plan to reduce its stake to 51% from 76% but also added that depressed share prices make any stake sale unlikely in the foreseeable future. PLX are still in discussions with JXTG Nippon Oil & Energy Corp (5020 JP) announced in June to sell an additional 15% stake in treasury shares to add to the strategic investor's current 8.0% shareholdings. Moreover, management continues to look for a strategic investor for its remaining 88 million treasury shares (or 82% of current free float). The company wants to secure an operating partner to expand its downstream presence (ie, petrochemicals or jet fuel) as well as acting as an anchor investor to help facilitate a share sale to portfolio investors to increase PLX's liquidity and free float.

### Will consider other options to sell PGBank shares if HDBank merger unsuccessful

— PLX announced that it will consider other options to sell its 40% stake in PGBank (unlisted) and ultimately exit from financial services. The latest target date for the merger with HDBank has been set to August 31 but discussions have dragged on for over two years. Whether this merger is successful or not, PLX plans to sell its stake in PGBank as long as the price is above its VND8,900 per share cost and exit all investments in financial services to focus on the downstream oil & gas industry. The company is also waiting for approval to reduce its stake in PG Insurance PJICO to 35.1% from 40.95%.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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