

June 15, 2020

Oil & Gas & Chemicals Analyst
Nguyen Vinh
vinhn@kbsec.com.vn

Petrolimex (PLX)

Overly cautious guidance

Overly bearish 2020E earnings guidance

— Management released cautious guidance for shareholder approval at VND1,570 billion in pretax income or down 72% YoY on VND122,000 billion in revenue or down 36% YoY (management did not release any indication for net profit). This is in stark comparison to the pretax income consensus of VND4,405 billion and overly cautious guidance reflects management's bearish views on: 1) oil prices that may remain at depressed levels even in the post-pandemic period due to concerns of a US-China trade war; and 2) intense competition between retail gas stations that compete more aggressively on price as they expand locations. That said, a further increase in retail pump prices by approximately 30% should allow PLX to start reversing 1Q's VND1,600 billion in inventory provisions or 4.2% of sales. The estimate for 2020E volume sales was also only 11.5 billion tons or down 17% but this may prove overly conservative as: 1) 1Q's volume sales were already 3.1 billion tons; and 2) the pandemic only impacted half of March and the whole of April, with volume demand already seeing steady recovery. The annual general shareholders' meeting will be held online on June 26.

VND3,000 cash dividend for 2019 & will maintain minimum VND1,200 level for 2020E

— PLX will ask shareholders to approve cash dividends totaling VND3,000 per share for 2019 performance, which means an additional VND1,000 per share after already paying VND2,000 per share in April 2019. Moreover, management will maintain its policy of paying out at least VND1,200 per share for cash dividends or the same policy it announced at last year's annual general shareholders meeting. Importantly, the company's financial conditions remain healthy despite the coronavirus which should allow it to continue its practice of paying cash dividends in excess of this minimum.

HDBank-PGBank merger entering the final stage

— The long-awaited merger between HDBank (HDB) and PGBank (unlisted) is scheduled for completion this year according to investor relations at HDBank. With the swap ratio set at 1 HDBank share for 0.612 shares in PGBank, PLX's 40% holding will be converted into a 6.4% stake in HDBank. PLX plans to sell this stake after the lock up ends on the merger, with the potential for VND1,341 billion in financial income from the sale based on HDBank's current share price of VND26,900 and average purchase price of VN8,900. This stake sale is part of management's strategy to exit from the financial industry and to reallocate more of the company's resources to expand its presence in the downstream oil & gas industry, especially LNG.

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Le Thanh Cong

conglt@kbsec.com.vn

Financials Analyst – Nguyen Thi Thu Huyen

huyenntt@kbsec.com.vn

Equity (Ho Chi Minh)

Head of Equity Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Fisheries & Pharmaceuticals Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

Oil & Gas & Chemicals Analyst – Nguyen Vinh

vinhn@kbsec.com.vn

Research Marketing

Korea Marketing Analyst – Seon Yeong Shin

shin.sy@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da District, Hanoi, Vietnam
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180-192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

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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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