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

Petrolimex (PLX)

3Q earnings miss by 20% on delayed recovery

3Q earnings miss by 20% as second wave pushes back volume recovery

— PLX's 3Q earnings of VND853 billion (down 5% YoY) missed our expectations by 20% due to delayed volume recovery following Vietnam's second wave. Selling volumes were 15% lower than our expectations – causing revenue to miss our estimate by 18% after falling 44% YoY to VND27,462 billion – while average selling prices (ASPs) were largely inline. Performance for nine months did manage to turn positive to VND37 billion but were still down 99% YoY after 1H's VND816 billion in losses and are only at about 10% of management's full-year target. Year-to-date earnings are also 2.9% of our 2020E estimate and 2.8% of consensus. Revenue during the same period was VND92,704 billion or down 34% YoY but on track to meet management guidance at 76% of its full-year target and 68% of our estimate and 67% of the consensus.

Submitted proposal to build fuel storage facilities for *Long Thanh* airport

— PLX recently submitted a proposal to People's Committee of *Dong Nai* province and Airports Corporation Vietnam (ACV, Not Rated) to build a 30,000 deadweight tonnage (DWT) or 300,000 cubic-metre storage facility to supply fuel oil for the new *Long Thanh* airport. Should this proposal be successful, we expect the new facilities to allow PLX to expand wholesale volumes especially when kerosene demand normalizes and strengthens significantly when the economy and tourism reopen after the coronavirus pandemic. Currently, PLX's wholesale segment only represents about 10% of total selling domestic volumes at gross profit margins of 9%–11% versus the 11%–13% margins from COCO stations (company-owned, company-operated) and 6%–9% of DODO stations (dealer-owned, dealer-operated).

Maintain Buy and 12-month target price of VND59,800; near term recovery is underway

— Despite the push back in recovery, we continue to expect a sharp rebound in retail and wholesale fuel demand in the upcoming quarters rather than a shallow recovery in volumes. We maintain our BUY rating on PLX with 12-month target price of VND59,800 on expectations for continued benefits from the growth in retail energy demand, expansion of more profitable directly owned gas stations and greater use of convenience stores to boost revenue from the gas station network. We do believe near-term recovery is underway with both domestic & re-export volumes likely to begin the normalization process from 4Q.

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

congltt@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@kbfq.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

Investment ratings & definitions

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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