

13th October 2017

PETROLIMEX – THREAT OF NEWCOMERS ?

MARKET NEWCOMERS



Mr. Hiroaki Honjo – CEO IQ8 – showed his gratitude to clients

IQ8 (JV between Japanese Idemitsu Kosan and Kuwait Petroleum International) has just joined Vietnamese gasoline retailer market by opening its first gas station in Hanoi. Local news spammed with the picture of IQ8's CEO himself showed his gratitude to the clients which is very strange and new to Vietnamese. Somehow, people got more excited on the topic of new “services” and comparing Japanese “gasoline” products quality to local quality.

On the other side, some of PLX's gas stations were spotted with the banner “Vietnamese use Vietnamese products”, which is very normal slogan in Vietnam. We have been using that slogan for years. However, it became a bad time for PLX using that slogan (more likely a normal routine activity rather than to counter IQ8) because just last weekend, people made jokes on Vinasun (HSX: VNS) as running a “not-very-smart” marketing campaign. VNS's campaign directly targeted Uber and Grab and turned out negative result. Somehow, Uber and Grab got more attention and supports from the commuters. With that mentality, now, people explain the slogan as “PLX is worry about the newcomer” and the event even went viral on social networks. (I attached one comics at the end of the note).



“Vietnamese use Vietnamese products” – “stop piloting Uber and Grab”

ENTRY BARRIERS ARE EXTREMELY HIGH

Gasoline retailer is heavily regulated and applying for new license is super hard. In center districts of HN and HCM, it is mostly impossible. Beside, “lobbying” costs also need to be considered. Meaning, newcomers could open one or two gas station for “fun” but it takes forever to achieve a sizable scale of network. Even buying stations from small companies will also take years as the market is high concentrated with top 3 retailers own more than 2/3 of market shares, the rest is shared between hundreds of small companies (or family business).

Owning **50% market shares with 5,200 sales points**, PLX's position is as solid as mountain. It's an easy guess that

newcomers will not affect PLX's position. Who would be PLX's most fearsome enemy? Not even PV Oil (22% market shares, 500 sales points), Saigon Petro (1000 sales points), Mippec (200 sale points), Petimex (1500 sale points) or, Thalexim (900 sales points).

Another important point to add, It's not service quality (or petro quality) that get you more customers. It's the **POSITION**. Vietnamese will not travel a few more kilometers to enjoy a nice service. They will buy gasoline when they need at the very first gas station they saw (or know).

MAXIMIZING HUGE LAND BANK – UNLOCK THE POTENTIAL

Huge land bank using for gas station, especially in the big city, is the perfect asset for developing distribution channel for grocery, convenient store or mini mart. PLX has plan to maximize these assets. Although no clear detail plan has been published but it is not too hard to foresee upside in revenue in upcoming years. PLX has quite a few options: (i) to rent out; (ii) to run a new grocery chain or (iii) to cooperate with an experience partner. And believe me, whatever options will be surely contributed significantly to bottom line in the forthcoming time.

GOODTIME TO BUY



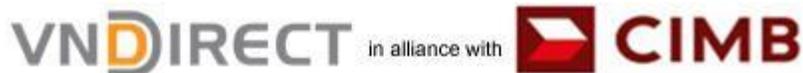
Local retail investors are selling as (i) PLX Q3 is expected to be so-so (ii) some other sectors look “good” for short term trading. Current price (~60k) is a reasonable range for mid and long term investor to accumulate.

Is there any reason to say NO to the giant of the gasoline retailer? Current selling force and “social misunderstanding” is (I believe) the best time to accumulate PLX in the year.

- **7th largest Market Cap – USD3bn**
- **Dominating position – HUGE distance from the 2nd player**
- **Entry barriers are extremely high.**
- **BUY demand from any petro companies that want to have footprint in Vietnam (to become strategic partner)**



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