

Industry: Retail | RETAIL RESEARCH

Recommendations BUY OIL AND GAS DISTRIBUTION SERVICES JSC(HSX: PSD) NEW STARS

Current price:	41,600	Report writing date:	02/03/2022	SHAREHOLDER STRUCTURE	
Previous target price	-	Outstanding Shares (Million)	30.414	PET	79.97%
New target price:	50,300	Market capitalization (billion VND)	1,265	Le Nguyet Anh	5%
Dividend yield	6%	Average liquidity in 6 months:	157,533		
Potential for price increase	21%	Remaining foreign ownership	41.51%		

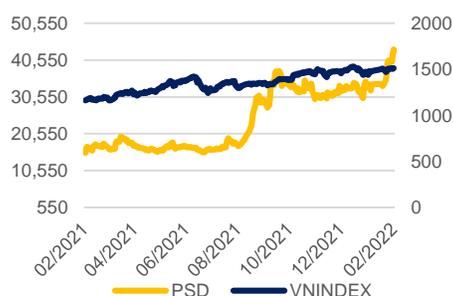
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Recommended price: 49,500 VND
Stop loss price: 38,000 VND

CP price comparison table and VN-Index



VALUATION

We recommend BUY stock symbol PSD at 50,300 VND/share, 21% upside from March 1st, 2022, using P/E method with a target P/E of 9 times - 17 times lower than the median P/E of similar sized firms and 16 times the P/E of DGW (companies in the same industry). 17 times lower than the median P/E of similar sized firms and 16 times the P/E of DGW (companies in the same industry).

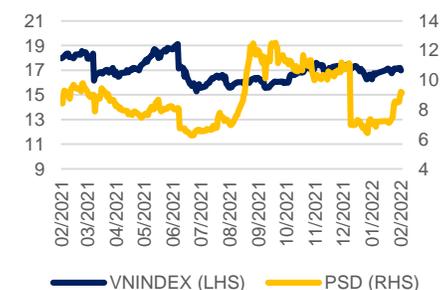
FORECAST OF BUSINESS PERFORMANCE

BSC forecasts net income and NPAT to reach VND 10,552 billion (+24% YoY) and VND 175 billion (+22% YoY). EPS fw = VND 5,592 and P/E fw=7.4 – 9 times lower than average PE from the Apple distribution period, P/B fw =2.

INVESTMENT THESIS

- The growth driver of the phone and laptop segment comes from (1) the contribution of new models of Samsung and Apple; (2) The trend of premiumization thanks to (2.1) the turning off of mobile phones, (2.2) the increasing trend of studying, working online and playing games and (2.3) chip shortage is expected to continue until early 2023 ;
- The new staffing system opens up medium-term growth expectations of the electronics and refrigeration segment and restructures the inefficient business segment.
- Healthy financial structure, stable dividend yield ~6%
- Factors to watch out for: Continued growth through horizontal diversification.

P/E and VN index comparison table



RISKS

- The growth potential of the current brands is saturated;
- Can't sign new brands.
- Low liquidity makes stock price not fully reflect business results

BUSINESS UPDATE

Revenue and N PAT in 2021 will reach VND8,526 billion (+3.6%YoY) and VND139 billion (+237%YoY) respectively. Of which revenue grew by only 3.6%, we expect the contribution of the laptop and mobile phone double-digit growth to be offset by the decrease in Samsung revenue in 2021 due to the high 2020 base.

	2020	2021E	2022F	Peer		2019	2020	2021	2022
P/E (x)	22.8	9.1	7.4	18.6	Net Revenue	8,238	8,526	10,552	11,868
P/B (x)	3.7	2.9	2.2	1.3	Gross profit	340	462	568	645
P/S	12.3	12.4	13.5	0.5	Profit after tax	46	139	175	205
ROA (%)	2.3%	5.5%	6.2%	5%	EPS	1,826	4,586	5,592	6,557
ROE (%)	16.3%	32.7%	30.0%	9%	EPS growth	18%	156%	22%	17%

BUSINESS UPDATE

	Q4/2021	Q4/2020	%YoY	2021	2020	%YoY
Net Revenue	2,541	1,875	36%	8,526	8,227	3.6%
Gross profit	130	99	31%	462	340	35.6%
GPM	5.1%	5.3%		5.4%	4.1%	
Selling expenses	(40)	(34)	18%	(150)	(131)	14.9%
Management costs	(25)	(53)	-53%	(136)	(108)	26.3%
SG&A/Rev	2.6%	4.6%		3.4%	2.9%	
EBIT	65	12	419%	175	101	72.2%
EBIT Margin	3%	1%		2%	1%	
Financial revenue	16	10	54%	46	26	78.5%
Financial expenses	(9)	(12)	-22%	(31)	(55)	-44.4%
Other income, net	0	0	40%	4	1	363.2%
PBT	72	11	529%	194	73	166.8%
NPAT	51	(5)	N/A	139	41	236.9%
Parent company's NPAT	56	(1)	N/A	231	104	120.7%

Sources: BSC Research

Revenue and NPAT in 2021 will reach VND8,526 billion (+3.6%YoY) and VND139 billion (+237%YoY) respectively. Of which revenue grew by only 3.6%, we expect the contribution of the laptop and mobile phone double-digit growth to be offset by the decrease in Samsung revenue in 2021 due to the high 2020 base.

Net profit margin increased from 1.3% to 2.7% in 2021 thanks to

(1) Gross profit margin increased from 4.1 to 5.4% mainly due to improvement in profit margin of distribution segment due to chip shortage problem, causing IoT product manufacturers to focus on high-margin mid-range Better profits and reduced promotional activities in 2021

(2) Net financial income increased from -25 billion dong to 15 billion dong thanks to (2.1) effective use of funding for current assets, increasing revenue from deposits +97%YoY and contributing 8 billion dong VND from one-time revenue due to exchange rate difference (+103%YoY) and (2.2) financial expenses decreased by -26%YoY mainly due to reduction of short-term debt from VND 1,357 billion to VND 997 billion.

(3) CIT tends to decrease from 41% to 28% thanks to more efficient operation from chain of subsidiaries. We note that PSD's high CIT is due to provisioning for bad debts and consolidation of past loss-making businesses.

2022 OUTLOOK

BSC forecasts net income and NPAT to reach VND 10,552 billion (+24% YoY) and VND 175 billion (+22% YoY). EPS fw = VND5,592 and P/E fw=7.4 – 9 times lower than average PE from the Apple product distribution period, P/B fw =2.2, based on assumptions about

(i) Phone segment increased by +20%YoY (mainly from Samsung) and IT increased by +27% (from laptop and Apple brands – excluding Iphone) compared to the forecast for business segments in 2021 thanks to

(1) the high-end trend is maintained when the chip shortage is expected to continue until 2023 and the demand for online learning and working in combination with gaming is expected to expand in the face of complicated developments of the epidemic. disease (2) Turning off 2g signal will create a trend of switching to smartphones in the short and medium term (3) Market share of portable Apple products is expected to continue to shrink due to the support policy on smartphones. early delivery times and the expansion of mono store chains; along with tightening sales policy and shipping costs, helping distributors like PSD have room to expand market share.

(ii) the electronics and refrigeration segment grew by 30% compared to the low base level of 2021, thanks to the recovery in consumer demand for electronic and electronic products after the epidemic, the contribution of many new brands and the re-start of the commercial real estate industry, are the factors that promote the growth of the industry group.

(iii) the medical equipment segment is expected to no longer contribute revenue in 2021 due to the company's successful divestment of Green Technology JSC at the end of 2021.

In addition, BSC noted that the provisioning ratio for receivables increased sharply from 1%-2% (2017-2019) to 8%-9% (2020-2021), due to flexible sales and debt collection policies. for the new distribution industry, especially Apple products - The fragmented market is occupied by about 30%-40% of the market share by small stores selling handmade goods. We expect that in 2022, PSD can better control operating costs and reduce the provision for receivables (the ratio of SG&A/Revenue expenses will decrease from 3.28% (2021) to 3.08% (2022)); thanks to the expectation of the new personnel apparatus and completion of the divestment of the ineffective subsidiary in 2021.

Bil VND	2019	2020	2021	2022
Net Revenue	5,699	8,238	8,526	10,552
%YoY		44.6%	3.5%	23.8%
Gross profit	278	340	462	568
GPM	4.87%	4.13%	5.41%	5.38%
Selling expenses	123	130	150	175
Management costs	64	109	136	158
SG&A/net revenue	3.24%	2.84%	3.28%	3.08%
EBIT	91	101	175	235
Financial revenue	25	30	46	36
Financial expenses	51	55	31	30
PBT	63	77	194	244
NPAT	48	56	143	175
%YoY		17.7%	156.1%	22.0%
Net Profit Margin	0.83%	0.67%	1.64%	1.62%
Basic EPS (VND)	1,551	1,826	4,586	5,592
P/E fw	26.8	22.8	9.1	7.4
ROE	14.7%	16.3%	32.7%	30.0%
ROA	2.4%	2.3%	5.5%	6.2%

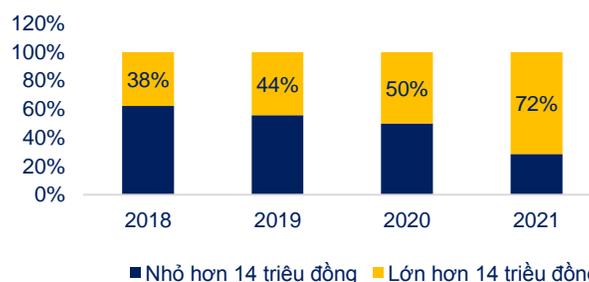
Sources: BSC Research

Expected revenue structure of PSD



Sources: PSD, BSC forecast

The trend of mid-high-end smartphone and laptop products is driven by a global chip shortage



Sources: GFK

VALUATION

We recommend **BUY** stock **PSD** at 50,300 VND/share, 21% upside from the price on 01/03/2022, using the P/E method with a target P/E of 9 times - lower than P/E The median of similar sized firms is 17 times and the P/E of DGW (companies in the same industry) is 16 times .

P/E method	
EPS 2022 (VND/share)	5,592
Target P/E (times)	9
Target price for 2022 (VND)	50,300
Potential for price increase	21%
P/E peer	18.6
P/E Trailing	8.5

Sources: BSC Research

Summary of enterprises in the same industry

Name	P/E	P/B	P/S	ROE	ROA	EV/EBITDA T12M	Modified Beta	Capitalization (billion VND)
Median	18.6	1.3	0.5	9%	5%	10.8	1.0	1,400
Kuen chaang uppertech corp	21.1	1.2	1.1	6%	5%	8.8	1.1	1,325
Howteh technology co ltd	11.1	1.4	0.4	13%	6%	10.2	1.0	1,274
Professional computer tech	11.0	1.2	0.4	11%	7%	8.8	0.8	1,400
Radiant globaltech ltd	32.8	3.3	1.8	11%	7%	16.0	1.0	1,313
Twz corp pcl	31.0	0.3	0.3	0%	0%	16.4	0.7	1,247
Unitrontech co ltd	19.2	1.3	0.2	7%	2%	17.8	1.4	1,465
D-link india ltd	15.6	1.8	0.7	12%	8%	6.4	1.0	1,477
Hauman technologies corp	26.8	1.5	1.6	6%	4%	10.8	0.6	1,197
Omesti bhd	N/A	1.0	0.7	-4%	-1%	7.6	1.0	1,132
Metro systems corp pcl	11.7	1.2	0.3	9%	5%	6.0	0.8	1,582
Simat technologies pcl	28.6	2.5	2.1	10%	4%	14.7	0.4	1,674
Niching industrial corp	17.1	2.7	1.7	16%	9%	11.2	1.0	1,655
Honey hope honesty enterpris	17.9	0.8	0.4	5%	3%	7.0	1.3	1,707
Sunnic technology & merchand	27.9	1.1	0.1	4%	1%	15.6	1.0	860
Digiworld corp	16.4	6.1	0.5	45%	14%	15.2	1.0	10,873
PSD	9.1	3.0	0.2	37%	6%	5.1	0.9	1,265



Nguồn :BSC research

APPENDIX

Business results (Billion VND)	2020	2021	2022	2023	Cash flow (Billion VND)	2020	2021	2022	2023
Net Revenue	8,238	8,526	10,552	11,868	(Loss)/PAT	56	143	175	205
COGS	7,898	8,065	9,984	11,223	Depreciation and amortization	3	3	2	2
Gross profit	340	462	568	645	Change in working capital	498	262	(40)	(22)
Selling expenses	130	150	175	191	Other adjustments	(139)	(211)	-	-
Management costs	109	136	158	178	Cash flow from operating activities	418	197	137	185
Operating profit/loss	101	175	235	276					
Financial revenue	30	46	36	40	Cash for purchase of fixed assets	(1)	(1)	(1)	(1)
Financial expenses	55	31	30	33	Other investment	(24)	69	-	-
Interest expenses	54	26	25	28	Cash flow from Investment Contract	(25)	68	(1)	(1)
Profits from Joint Ventures/Associates	-	-	-	-					
Other profit/loss	1	4	4	4	Cash flow from Investment Contract	(31)	(30)	(31)	(31)
PBT	77	194	244	287	Cash from net borrowing	5,596	3,464	(25)	112
Corporate income tax	31	55	69	81	Other revenue	(5,102)	(3,791)	-	-
NPAT	46	139	175	205	Cash flow from Finance Activity	460	(357)	(56)	81
Minority Shareholders NPAT - Minority Shareholders	(10)	(5)	-	-					
EBITDA	104	177	237	278	Cash flow at the beginning of the period	(817)	1,081	989	1,069
EPS	1,826	4,586	5,592	6,557	Money in the period	853	(92)	80	264
					Cash flow at the end of the period	1,081	989	1,069	1,333

Balance Sheet (Bil VND)	2020	2021	2022	2023	Ratio (%)	2020	2021	2022	2023
Cash and cash equivalents	1,081	989	1,069	1,333	Solvency				
Short term investment	102	100	100	100	Short-term payment ratio	1.16	1.19	1.27	1.31
Short-term receivables	866	886	949	1,034	Quick Payout Factor	0.57	0.50	0.52	0.57
Inventory	349	589	745	837					
Other current assets	4	31	5	6	Capital structure				
Short-term assets	2,403	2,595	2,868	3,311	Debt Ratio/Early Payment	0.56	0.38	0.34	0.33
Tangible assets	3	2	2	2	Ratio of Debt/Equity	4.43	3.26	3.18	3.54
Depreciation	3	3	3	2					
Long-term unfinished assets	-	-	-	-	Operational capacity				
Long-term investment	-	-	-	-	Number of days Inventory	26.42	21.23	27.23	27.23
Other long-term assets	14	12	10	(41)	Number of days receivable	37.7	37.0	32.0	31.0
Long-term assets	20	17	15	(37)	Number of days to pay CCC	28.1	31.3	37.3	37.3
Total assets	2,420	2,611	2,831	3,268					
Liabilities must pay	1,357	998	973	1,084	Profit rate				
Short-term loans	523	902	1,037	1,157	Gross profit	4.1%	5.4%	5.4%	5.4%
Other short-term debt	189	280	247	277	Profit after tax	0.7%	1.6%	1.6%	1.7%
Total current liabilities	2,069	2,180	2,256	2,519	ROE	16.3%	32.7%	30.0%	27.1%
Long-term loans	-	-	-	-	ROA	2.3%	5.5%	6.2%	6.3%
Other long-term debt	1	2	2	2					
Total Long-term Debt	1	2	2	2	Valuation				
Total liabilities	2,070	2,182	2,258	2,520	PE	22.78	9.07	7.44	6.34
Capital	307	307	307	307	PB	3.71	2.91	2.19	1.69
Surplus equity	-	-	-	-					
Undistributed profit	42	136	280	455					

Other equity	-	-	-	-	Growth				
The contents of a presentation	(5)	(5)	(5)	(5)	GDP growth	17.7%	156.1%	22.0%	17.3%
Total Equity	344	438	583	757	EBIT Growth	11.8%	72.2%	34.5%	17.6%
Total capital	2,420	2,611	2,831	3,268	EBT growth	22.5%	150.3%	26.2%	17.3%
Number of shares outstanding	31	31	31	31	EPS growth	17.7%	156.1%	22.0%	17.3%

Sources: BSC research

TECHNICAL ANALYSIS

Target price: 49.5

Stop Loss Price: 38.0

Technical highlights:

- Current Trend: Accumulation
- MACD Trend Indicator: MACD is above the signal line but is trending sideways
- RSI indicator: in neutral zone and trending down

Comment: PSD is in an accumulation trend after a period of increasing price, the price has been above MA20, MA50 with increasing volume in recent sessions. The liquidity is still maintaining at a good level as the volume is higher than the average of the last 20 sessions. Technical indicators RSI and MACD are relatively positive when MACD is still above the signal line and the RSI line is trending back to 60. The nearest resistance range is 43-45.

Recommendation: BSC recommends that medium-term investors can open a position with the stock at 41.0, take profit at 49.5, and cut loss at 38.0.



Sources: BSC research

Disclosure

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