



PXM – MIEN TRUNG PETROLEUM CONSTRUCTION JOINT STOCK COMPANY

Company's share is valued at **25,000 VND/share**.

HIGHLIGHTS

- **Revenue rapidly grows over the years:** although company has newly set up in 2007, however, the business activities of PXM has strong growth over the years. Revenue growth rate in the period 2007-2009 reached 200% per year. Additionally, after equitization, firm continued to grow rapidly with an average speed in the period 2010-2015 approximately 51% per year. This is a very fast pace and strong growth in the construction industry.
- **Revenue structure shifted to services:** In the period 2007 – 2009, PXM revenues come primarily from construction activities. But in 2011, revenue will also come from business activities of construction materials, industrial park, and mechanical engineering. It is expected until 2015, revenue from construction accounting for 50% of total revenue.
- **Expanding real estate business:** After first steps of operation, the company has gradually expanded into real estate business. Currently the company has acquired 45% of the capital of Hoa Cam Industrial Zone with an area of 266ha, contribute capital to build golf courses in Nha Trang with the Nha Trang Petroleum Joint Stock Company, as well as implementing big real estate at the Central coastal area, Tay Nguyen, Northern Central, Southern Central
- **Valuation:** PXM's share is valued at about 25,000 VND/share. This price is determined based on 4 methods: FCFE, FCFF, P/E, P/B, equivalent with P/E of 12.61 in 2009, and 15.33 in 2010. This P/E ratio is equal with average P/E of Vietnamese construction industry at this time of 12.5 to 16.
- **Recommendation:** We suggest that investors should buy and hold PXM's share at price below 20,000 VND/share.

RECOMMENDATION: HOLD

Target price:	25,000
Market price:	N/a
Highest in 52 weeks:	N/a
Lowest in 52 weeks:	N/a

STOCK DATA

Market:	HOSE
Par value:	10,000
No of outstanding share	15,000,000
Market cap (bil VND):	N/a
EPS 2009 (VND)	1.982

OWNERSHIP'S INFORMATION

PVX	51%
Real estate Investment and Development Joint Stock Company	10%
Others	39%

KEY FINANCIAL FIGURES

	2007	2008	YoY	2009	YoY	Q1/2010	QoQ
Revenue (mil VND)	30,278	152,530	351%	211,852	55%	36,482	Na
Gross profit (mil dong)	2,084	14,842	612%	24,669	66%	7,365	Na
Profit after tax (mil dong)	965	5,878	509%	9,912	69%	2,810	Na
Owner's equity (mil dong)	50,000	50,000	0%	50,000	0%	150,000	200%
ROA	4.61%	4.02%	-12%	5.31%	32%	1,05%	Na
ROE	100%	11.80%	-88%	18.81%	59%	1,81%	Na
EPS (VND)	Na	1,176	-	1,982	68%	187	Na

Source: PXM

INVESTMENT POSITIVES

Construction output grows strongly each year: PXM is the only member of PetroVietnam Construction Joint Stock Company (PVX) has main office in the Central, so company has big advantage in being the primary constructors for projects of PVN and unit members such as Dung Quat Open Economic Zone, Dung Quat oil refinery, Dung Quat propylene, Dung Quat packaging ... This sets the premises for the company to have stable number of projects at least until 2015, creating opportunity for company to develop in the future

Company is an EPC general contractor: with the growth of construction activity, company has become an EPC general contractor for some projects such as document storage center and Dung Quat oil refinery's office - Phase 1, and expected to do the EPC for Phase 2, as well as EPC for Nha Trang golf course project.

Competitive advantages in the region: Currently in the Central, PXM is although newly established, but has constructed many big projects, becoming a leading construction contractor here. Moreover, company is the only unit in industrial steel construction in the area of Da Nang - Dung Quat, so it has huge advantage in bidding for construction projects.

Profit from projects of materials production, real estate increase: From 2011, revenue from industrial production of construction materials will increase in the revenue structure, as well as revenue from business activities of industrial infrastructure is expected to increase when Hoa Cam Industrial Park's rent price is adjusted, the park is expanded from 137ha to 266ha. Besides Nha Trang Golf Course project is implemented, more revenue can be generated from urban area projects, future resort in the potential tourism Central.

INVESTMENT RISKS

Business Risk: Risk in the infrastructure business of Hoa Cam Industrial Park when the project encountered some obstacles from Da Nang city council when applying rents price lower than actual, as well as restrictions on running business of industrial park in this area.

Competitive risks: Currently firm have a big advantage as a member of the PetroVietnam Construction Joint Stock Company (PVX), it was assigned to construct many projects in the Central which is the benefit helped the company to grow strongly. However, this advantage is also a potential risk of losing competitive ability when company takes part in projects outside the industry, in case current projects do not satisfy growth requirement

Financial risks: future projects requires a large amount of investment capital, company has to raise capital by many ways such as loan, so this can lead to interest rate risk for company when market has extraordinary fluctuation..

BUSINESS OPERATION ASSESSEMENT

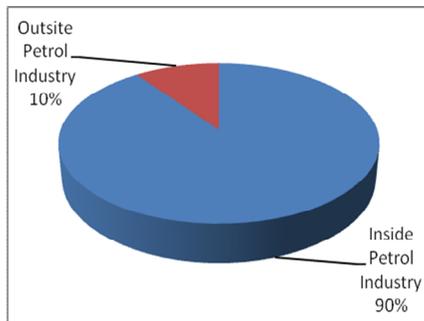
Main business activities of PXM now include: construction, mechanical engineering, building materials, manufacturing and infrastructure - real estate business. However,

from establishment until now, construction activity accounts for major proportion in revenue structure.

Construction activity

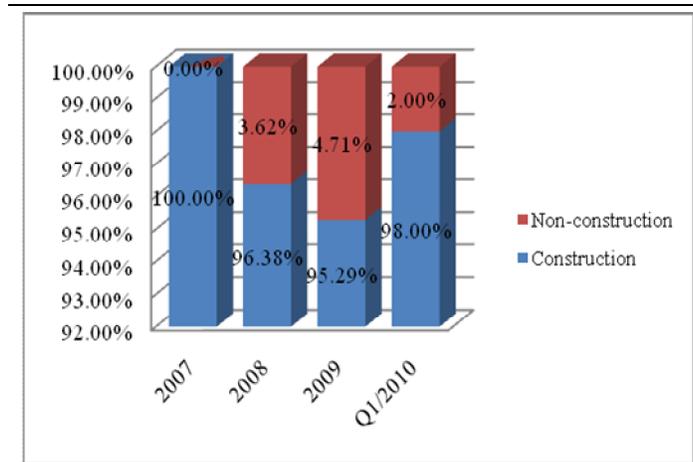
PXM’s construction activity often contributes over 95% of the revenue structure. This is because, company is established by merging the project department of Dung Quat oil refinery and Mien Trung mechanism firm which are all construction units in the Central of PVX. With the inheritance of the traditional business activity of these two firms, the revenue mainly from construction activities in recent times is consistent with the strategic development of PXM with going up from construction, aiming to gradually development in the future.

Graph 1: Construction revenue structure



Source: PXM

Graph 2: Recent year revenue structure



Source: PXM

Currently, PXM is implementing a series of construction projects mainly from member units of PVN. Revenue from the construction for petroleum industry occupies about 90% of total construction revenue structure.

In 2010 and following years, turnover of the company is still mainly from projects of Dung Quat Economic Zone such as appurtenances of Dung Quat oil refinery, housing, urban area for Dung Quat industrial zone, workshop building, steel structure manufacturing factory at Dung Quat, Chu Lai, as well as in the thermal power projects, the No. 2 oil refinery and PVN projects in the Central.

Construction revenue in 2010 is mainly from following projects

Projects (bil VND)	No	Revenue	PBT	PAT
Transition building objects/projects	217.23	228.17	18.42	13.82
Dung Quat Oil Refinery	77.11	69.08	6.44	4.83
Manage construction package at Dung Quat Oil Refinery		1.16	0.09	0.07
Protective construction for Dung Quat Refinery	0.4	1.19	0.06	0.04
Document Storage center combine with working office of Dung Quat	41.43	36.35	3.27	2.45
Panorama view introduction center for Dung Quat	5.58	5.43	0.27	0.2

Ground leveling- additional package 02	29.71	24.94	2.74	2.06
Polypropylene factory	3	3.85	0.25	0.19
Civil work	2.71	2.19	0.13	0.1
Surrounding barrier	0.3	1.11	0.08	0.06
Infrastructure steel		0.56	0.05	0.03
Ground leveling for Bio ethanol power factory	3.12	8.91	0.71	0.53
LPG storage and Dung Quat tank truck station	9	8.98	0.54	0.4
Social housing memorial		1.51	0.1	0.07
Da Nang Petroleum financial center	125	135.86	10.39	7.79
Under-construction building objects/projects	247.77	158.09	11.94	8.94
Repair and guarantee Dung Quat factory	5.72	4.29	0.39	0.29
Poly Propylene package manufacturing	36.12			
Construct and upgrade office for Dung Quat Project Management Board	15	11.25	0.9	0.68
Civil work for Bio Ethanol factory	50	37.5	2.25	1.69
Van Tuong housing and kinder garden	0.93	0.84	0.06	0.04
Da Nang Petroleum financial center	40	30.21	2.42	1.81
Infrastructure steel for Anh Son cement factory	50	36.5	3.29	2.46
Vung Ang Thermal Power 1	50	37.5	2.63	1.97
INDUSTRIAL PRODUCTION ACTIVITIES	35	13.25	1.59	1.19
Quarrying activity	10	2	0.24	0.18
Manufacturing and commercial concrete business	25	11.25	1.35	1.01
OTHERS ACTIVITY	0	0.48	0.06	0.05
Office for rent at Chu Lai and Quang Ngai		0.12	0.05	0.04
Concrete Pumping Truck for rent		0.36	0.01	0.01
Total	500	400	32	24

Source: PXM, PSI summary

Vietnamese construction industry

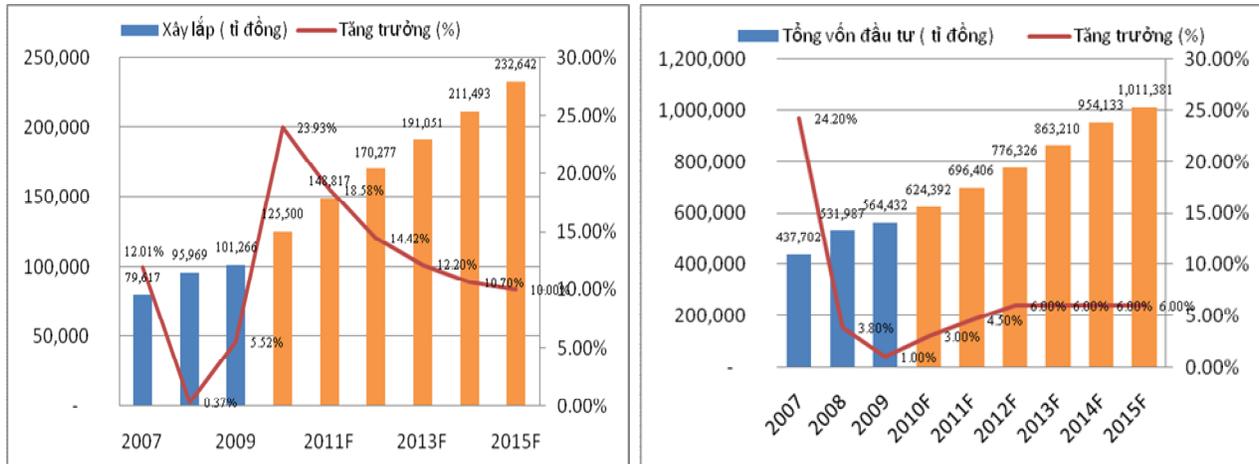
In recent years, Vietnam construction industry contributes significantly to economic growth. Value of the construction industry is estimated at nearly \$ 6 billion in 2009, accounting for about 5.2% of the total GDP of Vietnam. Although industry's scale in GDP is not much but it has created momentum for the growth of some industries such as real estate, building materials manufacturing, basic materials production, as well as other industries when there is requirement for production and business expansion.

It's by these impacts that construction is one of the industries with highest growth rate in the economy, with over 10% per year. This is in favorable conditions for firms in this industry to develop in the future. Growth speed of the construction industry also depends on the growth rate of total social investment, fluctuations in in-put material prices, volatility of the real estate market. In past years, capital investment both in and outside the country had strong growth with an average growth rate of 6% per year, investment accounts for 34% of GDP annually.

In 2010, the projected growth rate of total investment is about 3%, increase to \$ 624,392 billion. Total value of construction industry is about 125,500 billion; growth rate this year is

estimated at 23.93% due to the recovery of the economy in which the construction industry is the leading field having strong recovery.

Table 3 & 4: Capital investment and construction value



Source: BMI, PSI summary

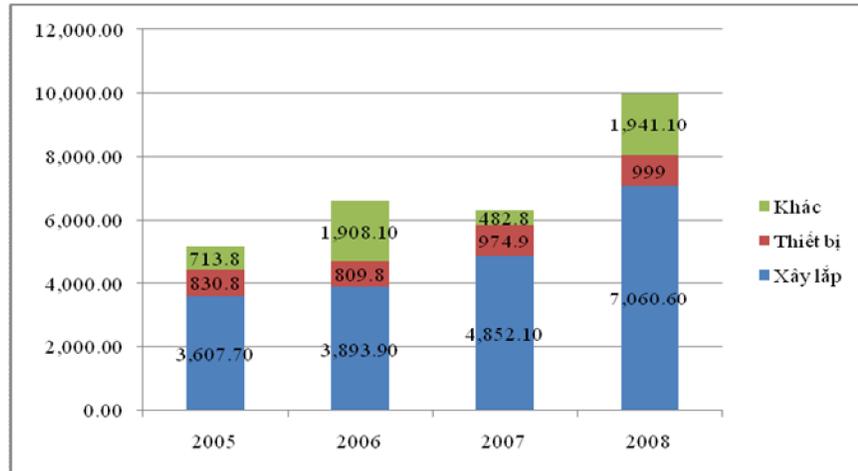
Developing construction activity with PVN as the core

With the orientation is to become the decisive constructor of PVN in the Central region, PXM is executing many large projects in the petroleum industry. With such orientation, construction activities of PXM will be guaranteed in a long time. PVN plans to invest from 16,000 to 20,000 billion dong in construction. This is a stable source of revenue for PXM in the future. According to the assessment of the PSI, at least to 2015, 80% of PSM’s revenue of construction activity will still from the members in the PVN.

Da Nang -young city with great potential for tourism, real estate business.

In recent time, Da Nang is one of the cities with the strongest growth rate in Vietnam, with main focus on developing tourism and real estate. Tourism projects, resorts, new urban areas are growing more and more in the area. Value of construction in the area increased dramatically in recent years with an average speed of 27% per year. This is very favorable conditions for PXM to develop in Da Nang city.

Graph 5: Construction revenue in Da Nang city



Source: PSI summary

In addition, investment in Da Nang in recent time is mainly in real estate investment and tourism. Currently, Da Nang has hundreds of projects with registered investment value worth close to \$ 3 billion; nearly 200 projects are under going. Many of these projects are constructed by non-provincial companies such as PVC, Coteccon, Song Da, Lilama ... Local businesses do not have enough capability to take part in big construction projects in the area. Thus, with strong and fast development, PXM can take geographical advantage and may become the biggest constructor in the future.

Business activity related to industry- real estate

In addition to construction activity, PXM is also a services provider such as industrial production factory, housing and infrastructure, material and equipment supply and zother activities. In 2011, the PP package manufacturing factory of PP PXM will come into operation, expected revenue from packaging and production activities will contribute significantly to the shift of revenue structure of PXM from 2011. Revenue from PP package manufacturing factory is about 136 billion per year, with profit margins around 22%. Business segment of industrial production will account for about 12-15% of the total revenue of PXM.

Quarrying activity primarily serves the construction activity of company, so the revenues, profit of this activity will hide in the turnover and profit of construction.

Housing and infrastructure business operation will have revenues in 2010 when the company officially acquired 45% capital of Hoa Cam Industrial Park Joint Stock Investment Company. Estimated revenue in 2010 of the Hoa Cam Industrial Park is about 10 billion, the first phase of the park has been completed with total area of 137ha, filled about 80%. However, business activities of industrial of company are facing with difficulties due to the different regulations of the People's Committee of Da Nang on the business which impact on industrial park business activity in Da Nang. Currently besides Hoa Cam Industrial Park, Da Nang also has a number of other industrial parks such as Da Nang, Lien Chieu, Da Nang IZ DVTS. These are the direct competitors of the Hoa Cam Industrial Park.

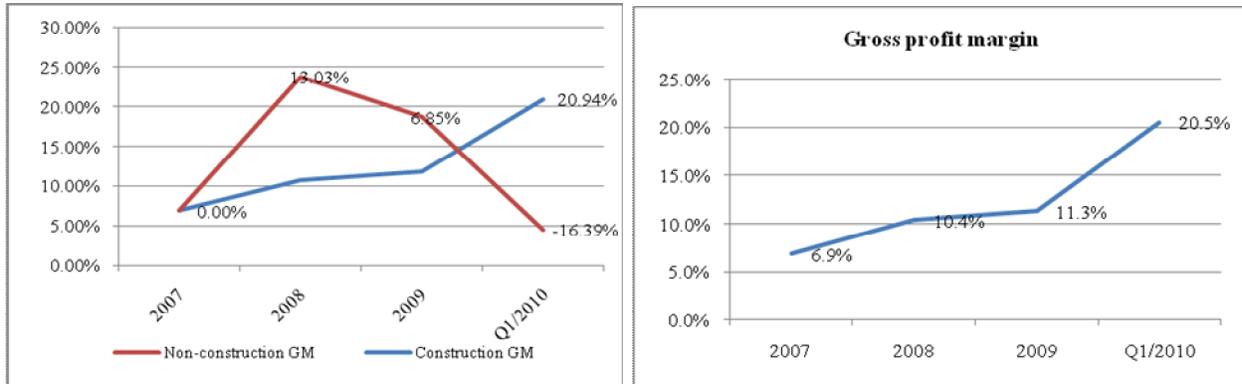
In addition to industrial park projects, now company is promoting the capital contribution in Nha Trang Golf Course project, and other real estate projects in the area.

Real estate and infrastructure businesses are expected to take over about 5% of the revenue structure of PXM.

Profit margin of PXM is quite high in construction sector

Although company is newly established, but business operations is quite effective with the high profit margin from construction activity. This is also the profit margin in construction companies today.

Graph 5,6: Profit margin of PXM



Source: PXM

Comparing business operations of PXM with other company in same construction industry listed on stock exchanges.

We could see that gross profit margin of company is higher than equivalent company and higher than the industry average. ROE is also higher than the industry average.

Table: Compare the business operation with some companies

2008	PXM	DCC	ICG	L10	PHH	Average
Revenue (mil VND)	136.530	471,685	260,025	327,838	404,324	-
COGS (mil VND)	121.687	432,685	231,047	284,032	375,446	-
% COGS/Revenue	89.1%	91.73%	88.85%	86.64%	92.86%	90.02%
Profit after tax (mil VND)	5.878	11,708	28,968	22,179	6,523	-
ROA	4.02%	3.23%	7.20%	6.24%	2.37%	4.76%
ROE	11.80%	6.12%	16.08%	19.45%	12.82%	13.62%
EPS (VND)	1.176	1,158	1,931	2,492	3,262	-

Source: Summary from company's reports

Table: Business operation comparison in 2009

2009	PXM	DCC	ICG	L10	PHH	Average
Revenue (mil VND)	211,852	404,267	323,661	480,847	674,056	-
COGS (mil VND)	187,182	378,436	279,565	430,177	623,221	-
% COGS/Revenue	88.4%	93.61%	86.37%	89.46%	92.46%	90.485
Profit after tax (mil VND)	9,912	21,112	39,738	23,975	20,114	-

ROA	5.31%	5.82%	8.40%	4.90%	4.75%	5.97%
ROE	18.81%	10.54%	20.45%	19.18%	19.69%	17.74%
EPS (VND)	1,982	2,133	2,649	2,694	5,489	-

Source: Summary from company's reports

FINANCIAL PERFORMANCE EVALUATION

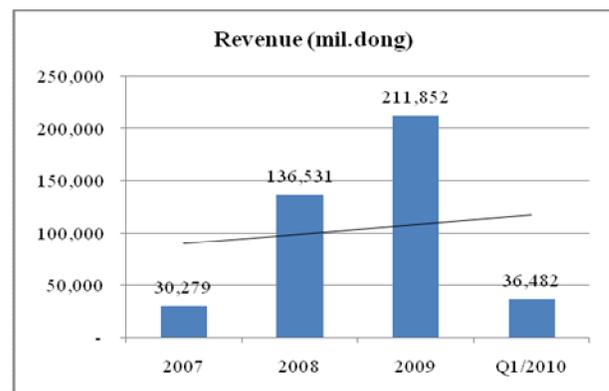
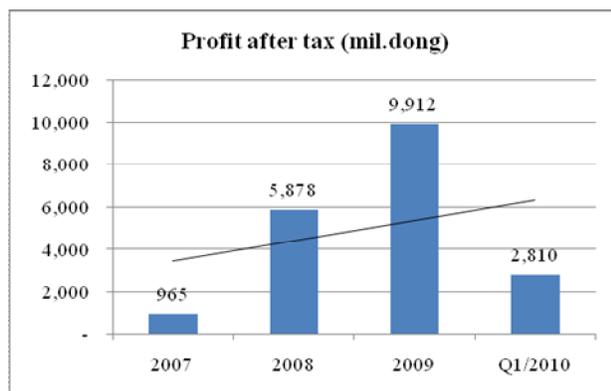
In 2007, company changed its business model to limited company; the operating capital is restrained so financial ratio of company is relatively bad. Since 2008, we see the financial ratio was much better due to the additional capital. In 2010, capital increased to 150 billion helping company significantly improve the safe financial ratio, payment ratio. The debt/total asset is much reduced and stays at the safe level of construction industry.

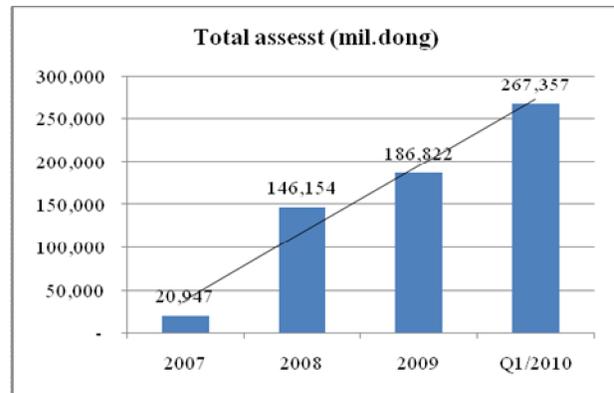
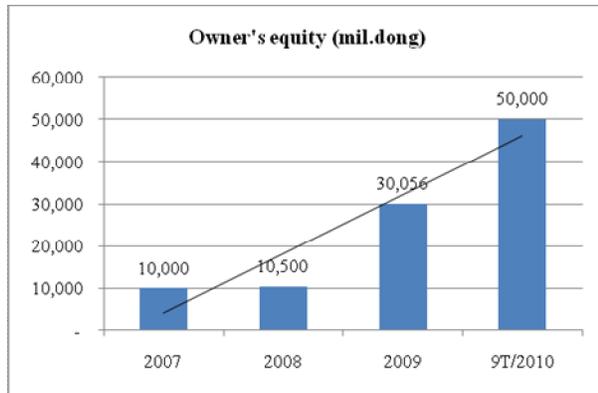
Performance of the Company is quite good compared with other companies in the industry, ROE is 18.81% - higher than the industry average of about 17%, profit after tax margin also increased from 4.68% 2009 to 7.70% in quarter 1/2010. The financial indicators are improved showing a healthy financial situation of the company, business activities are more effectively than in the past.

		2008	2009	Q1/2010
Revenue	Profit after tax margin	4.31%	4.68%	7.70%
	ROA	4.02%	5.31%	1.05%
	ROE	11.80%	18.81%	1.81%
Operation	Asset turnover	0.93	1.13	0.14
	Inventory turnover	2.55	3.70	0.52
	Receivable turnover	3.29	3.32	1.68
Liquidity	Current ratio	1.07	1.00	1.83
	Quick ratio	0.10	0.08	0.43
Capital structure	Total liabilities/Total asset	0.66	0.69	0.72
	Total liabilities/Owner's equity	1.93	2.22	2.55

Source: PXM

Graph 7,8,9 &10: PXM financial situation





Source: PXM

SOME INVESTMENT ACTIVITIES

Some non- construction potential projects can bring revenue & profit: PP package manufacturing, Nha Trang golf ...

Projects	Capital (bil VND)	Completion
Project of improving production capacity and buying construction equipment in 2009	21,26	2010
Propylene package manufacturing factory	138,03	2011
Investing to improve mining capacity from 120.000m ³ to 200.000m ³	16,84	2010
Financial investment in Hoa Cam Industrial Park (45% capital), area of 266 ha	22,8	2010
Capital contribution in golf course project with Nha Trang Petroleum Joint Stock Company (15%)	45	2014
Total	243,93	

FINANCIAL FORECAST

Revenue, COGS, Profit assumptions:

Based on information collected about business operations of the PXM, the forecasts on the development of construction industry, petroleum sector development plan, as well as the social-economical development of Da Nang, ... we cautiously forecast result of business activities of PXM as follows:

Revenue in 2010, we rely on the results of the signed contracts and new-signed contracts, as well as progress of construction contract to forecast revenue. COGS of firm slightly decreased as some of raw material inputs are ready-made: building stone, commercial cement ...

The other business revenue will increase due to the advantages of company in the mechanical engineering, when there is no mechanical engineering operating at

Dung Quat area currently. In addition to, the under-construction PP package manufacturing factory will officially go into operation in 2011 which will help sales of industrial production increase sharply.

Turnover from financial activities were calculated based on the progress of capital withdraw, shares investment in others companies, bank deposits every year on the balance sheet

Financial cost based on forecasted short-term and long-term loan on annual balance sheet.

Detail assumptions:

- Revenue growth in 2010 is approximately 93%; in 2011 is about 103% and 53% in 2012, from 2013 to 2015 average of about 19% per year. Estimating for long-term period from 2016 afterward it is about 8% per year...
- COGS/Revenue will be 88% in period of 2010-2015, and stable at about 89% from 2016 afterward.
- Management expenses take over average of 5% total revenue in 2010-2011, and reduce gradually to 4% in 2015
- Fixed assets increased as planned, the depreciation period is expected to about 7 years, straight line method.
- Registered capital will increase to 150 billion in 2010 and increased 500 billion in 2015.
- Dividend at 15% per year.

	2010E	2011E	2012E	2013E	2014E	2015E
Construction productivity	500,000					
Revenue (mil VND)	407,948	828,758	1,270,910	1,563,494	1,864,596	2,134,114
COGS (mil VND)	358,419	729,452	1,122,354	1,380,210	1,652,493	1,906,474
<i>COGS/Revenue</i>	87.9%	88.0%	88.3%	88.3%	88.6%	89.3%
Gross profit (mil VND)	49,528	99,306	148,556	183,284	212,102	227,639
<i>Gross profit/Revenue</i>	12.1%	12.0%	11.7%	11.7%	11.4%	10.7%
Profit after tax (mil VND)	24,452	49,632	73,345	94,341	110,727	122,288
<i>Profit after tax /Revenue</i>	6.0%	6.0%	5.8%	6.0%	5.9%	5.7%
ROA	5.74%	6.55%	6.95%	7.45%	7.17%	6.81%
ROE	15.77%	18.58%	18.91%	19.97%	19.58%	18.45%
Owner equity (mil VND)	150,000	250,000	350,000	400,000	450,000	500,000
EPS (VND)	1,630	1,985	2,096	2,359	2,461	2,446

Source: PXM plan, PSI forecast

VALUATION
Valuation method

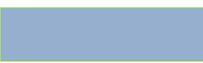
We combine 4 methods includes: FCFE, FCFF, P/E, P/B to determine target price for PXM. The indicators are compared with the average in construction industry, business real estate and similar scale construction company in Vietnam. The average price we estimate prudently about 25,000 VND/share.

Valuation result following comparison way

P/E		P/B		DCF	
EPS forward 2010 (VNĐ)	1,630	BV forward 2010 (VNĐ)	10,325	FCFE	33,830
P/E forward	12.40	P/B forward	2.03	FCFF	25,282
Share price	20,927	Share price	20,908		

Source: PSI

Valuation summary

Tổng hợp định giá					
Vùng giá của cổ phiếu PXM					Mức PE Forward năm 2010
Phương pháp FCFE		26.533		43.668	16,27% - 26,79%
Phương pháp FCFF	19.342			33.315	11,86% - 20,44%
Phương pháp PE	18.886			23.072	11,58% - 14,15%
Phương pháp PB	18.869			23.051	11,57% - 14,14%

Source: PSI forecast

PHỤ LỤC: BÁO CÁO TÀI CHÍNH

<i>Unit: mil VND</i>	2008	2009	2010E	2011E	2012E
Total revenues	136.530	211.852	407.948	828.758	1.270.910
COGS	121.687	187.182	358.419	729.452	1.122.354
Gross profit	14.842	24.669	49.528	99.306	148.556
Financial income	987	392	2.537.368	189.300	264.655
Financial expenses	1.766	1.877	6.931.338	7.728.565	9.598.251
Selling expenses	9	-	-	-	-
General and Administration expenses	7.245	11.324	20.397	41.437	61.003
Net operating profit	6.809	11.860	24.736	50.329	78.218
Profit/(loss) from other activities	27	70	-5	-12	-18
Profit before tax	6.836	11.930	28.150	57.156	85.040
Net profit	5.878	9.912	24.452	49.632	73.345
TOTAL ASSETS	146.153	186.822	426.041	758.200	1.055.569
Current assets	103.450	134.012	280.998	573.616	849.571
Cash and cash equivalents	9.507	10.676	3.155	4.410	4.975
Account receivable short-term	43.720	68.012	134.078	274.261	418.967
Inventories	47.772	50.528	126.468	259.804	379.742
Other current assets	2.449	4.794	17.296	35.139	45.886
Long-term assets	42.703	52.810	145.042	184.583	205.997
Account receivable long-term	-	-	-	-	-
Fixed assets	33.446	40.999	56.845	63.685	64.527
Tangible fixed assets	24.453	40.799	56.628	63.447	64.265
-Cost	39.432	60.882	85.235	102.283	114.557
-Accumulated depreciation	(14.978)	(20.082)	(28.607)	(38.835)	(50.291)
Long-term investment	-	-	67.800	95.400	109.598
Other long-term assets	9.256	11.810	20.397	25.496	31.870
TOTAL LIABILITIES	146.153	186.822	426.041	758.200	1.055.569
Current liabilities	96.349	133.382	262.298	480.691	655.123
Trade payable	57.107	67.183	142.803	283.656	391.407
Long-term liabilities	-2	743	8.669	10.403	12.485
Equity	49.805	52.695	155.073	267.105	387.860
Owners' equity	50.000	50.000	150.000	250.000	350.000
Capital surplus	-	-	-	-	-
Retained profit	-	2.920	4.873	17.005	37.850
Others funds	-194	-224	199	100	110
Minority interest	-	-	-	-	-

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