

**Valero Energy Corp. (NYSE:VLO)  
26.18**

Market Cap: 14.92 B

Sector : Basic Materials

Industry : Oil & Gas Refining &  
Marketing

William R. Klesse - CEO

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1112

<http://www.valero.com>

**Rating: OUTPERFORM**

**11 July 2011**

VLO - 6 Month Chart



## Company Analysis:

Valero Energy Corp. delivered strong quarterly results as it benefited from higher margins for diesel fuel, improved feedstock discounts and higher production volumes amid improving economy. In addition improved fuel demand across the industry drove the top line of all the companies.

On a positive note, the company is making constant investment to improve its assets quality and to rebalance its portfolio to focus on its core assets for better performance. Furthermore, VLO enhanced its economic project growth rate with the acquisition of Pembroke. We expect these factors will provide positive results moving ahead.

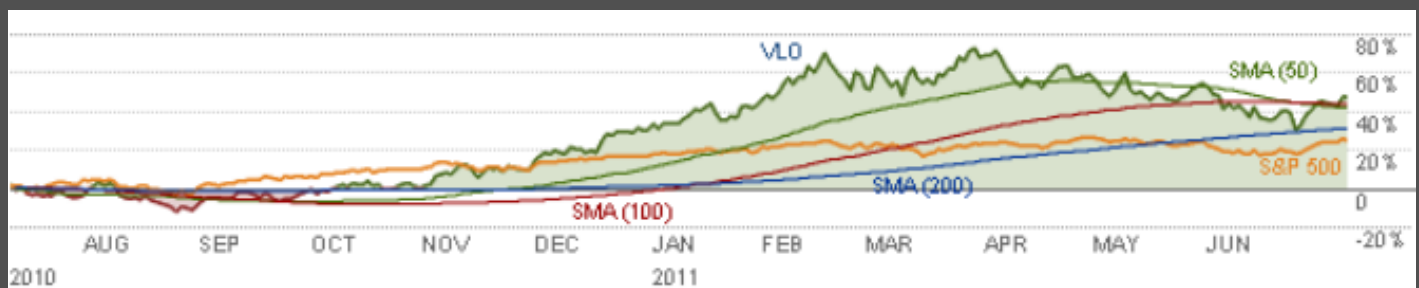
We are also seeing a strong activity in the company with healthier assets under its belt. The company's projects have strong potential and will contribute to healthy cash flows.

However, if the spread between the price of oil and the price of gasoline and diesel decline, then margins would be affected. Oil prices are rising at a faster pace, but gasoline and diesel are not expanding at the same rate.

On the valuation front, the stock is trading at P/E multiple of 13.19 against the industry average of 17.76. The company reported gross profit margin of 8.97 percent and net profit margin of 1.23 percent against the industry average of 15.38 percent and 7.50 percent. Return on equity of 7.41 percent surpassed the industry average of 2.71 percent. Assets of Valero Energy are efficiently deployed and are earning a return of 2.91 percent against the industry average of 0.85 percent.

Factoring the above points, we expect the stock to **OUTPERFORM** the market.

## Company Performance:



■ S&P 500

## VLO's Stance in the Industry

Valero Energy Corp., the largest U.S. independent refining company, delivered healthy results as it continues to rebalance its portfolio. The higher production and improved prices are positive catalysts for the company's growth currently.

Relatively better financials with very attractive a balance sheet position and healthy profits put the stock on the front foot as compared to its peers such as CHK (Chesapeake Energy Corporation) and make VLO an attractive pick.

The stock has a 52-week range of \$15.49 to \$31.12.

## Top Competitors Performance Comparison: VLO

	VLO	XOM	BP	CVX
Last	26.18	82.42	44.51	105.89
Change	-0.14	0.06	-0.03	-0.70
EPS (Mean)	3.528	8.771	6.716	12.913
Revenue	82.23 B	341.58 B	—	189.61 B
Market Capitalization	14.92 B	406.00 B	139.43 B	212.86 B
EPS Change vs. Year Ago	117.7778	41.0129	2.5343	37.8122
5 Year Annual EPS Growth	-37.75435	1.72574	—	7.70754

## Company v/s Peers 6 Month Chart:



This report is a basic sample report on Valero Energy Corp. (NYSE:VLO). For more information on this report or on any of our other services please email [Shinesrooms.com](mailto:Shinesrooms.com) research department on [info@shinesrooms.com](mailto:info@shinesrooms.com).

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