



GAS Update - HOLD

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Update Report

Recommendation

HOLD
HOSE: GAS
Natural Gas Distribution
Current price (VND) 108,000

Target price (VND) 110,000

Expected share price return 1.9%

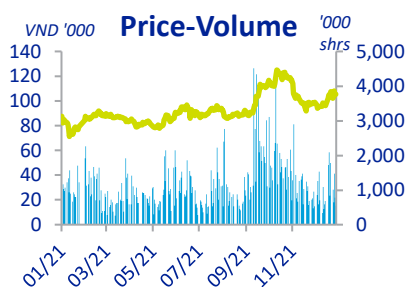
Expected dividend yield 2.8%

Expected total return +4.7%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	12.3	-8.0	10.5	22.3
Relative	15.2	-5.3	11.9	-1.8

Source: Bloomberg



Ownership

PetroVietnam 95.76%

Stock Statistics

15-Mar-22

Bloomberg code	GAS VN
52-week range (VND)	79,800 - 128,400
Shares O/S (m)	1,914
Mkt cap (VND bn)	206,707
Mkt cap (USD m)	8,987
Foreign room left (%)	46.2
Est. free float (m)	4.2
3m avg daily vol (shrs)	1,094,566
VND/USD	23,000
Index: VNIndex / HNX	1452.74/445.91

PetroVietnam Gas Joint Stock Corporation (GAS)

2021 Business results and Expected growth in 2022

GAS recorded business results in 2021 with revenue of VND78,992 billion (+23.2% YoY) and EAT of parent company shareholders VND8,672 billion (+10.4% YoY). Although natural gas sales volume decreased by 18% due to lower demand from gas thermal power plants as social distancing were applied, the average price of Brent oil in 2021 increased by 69% to USD70.6/barrel and strongly support natural gas' selling price as well as revenue of GAS. However, gross profit margin remained at 17.7% due to: (1) the depletion of cheap gas source, (2) increase in depreciation expense from Nam Con Son 2 + Sao Vang Dai Nguyet pipeline and (3) sharing difficulties with customers in the context of the epidemic.

Regard 2022 and onward outlooks, there are some pros and cons to consider:

- + Natural gas's selling volume is expected to increase 18% in 2022 thanks to the increase in economic activity and easing mobility restriction.
- + Average Brent oil price will remain at high range around USD93/barrel in 2022 and supported gas' selling price positively as Russia-Ukraine war is still going on besides sanction on Russia oil & gas export by some countries.
- + Thi Vai LNG storage (phase 1) is expected to operate from Q3/2022: supplying 1.4 billion m3 of gas/year. However, as it will just come into operation, this LNG terminal is expected to support GAS's profit from 2023.
- The gradually decreasing source of low-cost gas along with the participation of renewable energy sources will reduce the competitiveness of gas-fired power plants in the Competitive electricity generation market.
- The construction of LNG gas thermal power plants can face difficulties in negotiating the Power Purchase Agreement (PPA) with EVN, which then affecting the progress of LNG projects.

Regarding the business plan for 2022, GAS sets a target of VND80,000 billion in revenue (+1.3% YoY) and VND7,039 billion in EAT (-20% YoY). This target is relatively conservative as oil prices continued to increase sharply in the first 2 months of the year. Overall, we forecast average Brent oil price at USD93/barrel as well as GAS' 2022 business results with revenue of VND94,256 billion (+19% YoY) and NPAT from parent company VND10,091 billion (+16.3% n/n). Along with the volatile of oil prices as well as ongoing Covid epidemic situation in Vietnam, we maintain our **HOLD** recommendation with a target price of VND 110,000 for 2022.

	2019	2020	2021	2022F	2023F
Net Sales (VNDbn)	75,005	64,135	78,992	94,256	96,188
Growth (%)	-1%	-14%	23%	19%	2%
EBITDA (VNDbn)	16,340	11,248	13,612	15,531	13,948
EBITDA margin (%)	22%	18%	17%	16%	15%
NPAT-MI (VNDbn)	11,902	7,855	8,673	10,091	9,021
Growth (%)	4%	-34%	10%	16%	-11%
EPS (VND)	6,051	3,993	4,409	5,130	4,586
Growth (%)	4%	-34%	10%	16%	-11%
ROE (%)	25%	16%	17%	19%	16%
ROIC (%)	18%	11%	12%	12%	10%
Net debt/EBITDA (x)	-1.6	-2.1	-1.6	-1.7	-2.0
PER (x)	15.0	22.8	20.6	17.7	19.8
EV/EBITDA (x)	9.6	13.9	11.5	10.1	11.2
PBR (x)	3.5	3.5	3.3	3.1	2.9
DPS (VND)	3,000	3,000	3,000	3,000	3,000
Dividend yield (%)	3%	3%	3%	3%	3%

GAS FINANCIALS MODEL

(VND bn except where stated)	2017	2018	2019	2020	2021	2022F	2023F
Total Net Sales	64,522	75,612	75,005	64,135	78,992	94,256	96,188
<i>Sales growth (%)</i>	9%	17%	-1%	-14%	23%	19%	2%
CoGS ex-dep'n	46,646	55,292	55,395	50,175	61,769	74,577	77,816
SG&A	3,535	3,767	3,270	2,712	3,612	4,147	4,425
<i>SG&A as % of sales</i>	5%	5%	4%	4%	5%	4%	5%
EBITDA	14,341	16,553	16,340	11,248	13,612	15,531	13,948
<i>EBITDA margin (%)</i>	22%	22%	22%	18%	17%	16%	15%
Depreciation	2,713	2,829	2,691	2,554	3,238	3,349	3,361
Operating profit	11,627	13,725	13,649	8,694	10,374	12,182	10,587
<i>Operating profit margin (%)</i>	18%	18%	18%	14%	13%	13%	11%
Net interest expense	-939	-1004	-1401	-1226	-637	-903	-1096
<i>as % of avg, net debt</i>	6%	5%	6%	5%	3%	4%	4%
Tax	2,650	2,831	2,983	2,006	2,353	2,729	2,437
<i>Effective tax rate (%)</i>	21%	19%	20%	20%	21%	21%	21%
Minorities	253	255	183	117	179	185	156
Net profit	9,685	11,454	11,902	7,855	8,673	10,091	9,021
<i>Net profit margin (%)</i>	15%	15%	16%	12%	11%	11%	9%
Cash earnings	12,651	14,537	14,777	10,526	12,090	13,625	12,538
Number of shares (m)	1914	1914	1914	1914	1914	1914	1914
EPS (VND)	4,924	5,823	6,051	3,993	4,409	5,130	4,586
Bonus factor (x)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Adjusted EPS (VND)	4,924	5,823	6,051	3,993	4,409	5,130	4,586
<i>EPS growth (%)</i>	38%	18%	4%	-34%	10%	16%	-11%

KEY CASHFLOW AND BS ITEMS	2017	2018	2019	2020	2021	2022F	2023F
Increase in working capital	(3,521)	159	1,504	(139)	915	(232)	1,248
Capex	2,614	637	270	5,508	3,898	4,223	3,604
Other cashflow items	1000	1000	1000	1000	1000	1000	1000
Free cash flow	14,559	14,741	14,003	6,157	8,276	10,634	8,685
Share issues (m)	0	0	0	0	0	0	0
Dividends paid	7265	7656	8230	6850	5742	5742	5742
Increase in net debt	-7294	-7086	-5773	693	-2535	-4892	-2943
Net debt, end of year	(18,030)	(23,422)	(26,594)	(23,869)	(22,105)	(26,346)	(27,994)
Enterprise value	155,948	150,556	147,384	150,109	151,873	147,632	145,984
Shareholders' equity	43,272	46,867	49,615	49,500	52,193	56,907	59,778
BVPS (VND)	22,608	24,487	25,923	25,863	27,270	29,733	31,233
Net debt / equity (%)	-42%	-50%	-54%	-48%	-42%	-46%	-47%
Net debt / EBITDA (x)	-1.3	-1.4	-1.6	-2.1	-1.6	-1.7	-2.0
Total assets	61,889	62,614	62,179	63,208	78,768	79,780	80,179

KEY RETURN AND VALUATION RATIOS	2017	2018	2019	2020	2021	2022F	2023F
ROE (%)	23.6%	26.0%	25.1%	16.1%	17.4%	18.8%	15.7%
ROA (%)	19.6%	22.0%	21.9%	13.9%	14.6%	15.4%	13.2%
ROIC (%)	15.6%	17.6%	17.7%	11.2%	11.8%	12.1%	10.4%
WACC (%)	12%	12%	12%	12%	12%	12%	12%
EVA (%)	3.7%	5.7%	5.8%	-0.7%	-0.1%	0.2%	-1.5%
PER (x)	18.5	15.6	15.0	22.8	20.6	17.7	19.8
EV/EBITDA (x)	10.9	9.4	9.6	13.9	11.5	10.1	11.2
EV/FCF (x)	10.7	10.6	11.2	25.4	18.9	14.7	18.0
PBR (x)	4.0	3.7	3.5	3.5	3.3	3.1	2.9
PSR (x)	2.7	2.3	2.3	2.7	2.2	1.8	1.8
EV/sales (x)	2.4	2.1	2.1	2.4	2.0	1.7	1.6
Dividend yield (%)	4.2%	4.4%	3.3%	3.3%	3.3%	3.3%	3.3%

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Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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