



GAS Update - HOLD

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Update Report

Recommendation

HOLD
HOSE: GAS
Natural Gas Distribution
Current price (VND) 112,500

Target price (VND) 119,000

Expected share price return 5.7%

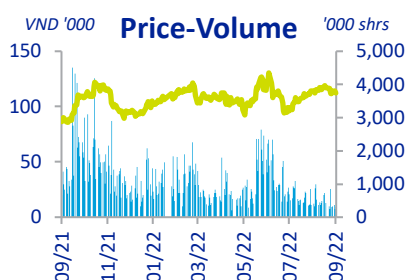
Expected dividend yield 2.7%

Expected total return +8.4%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	21.7	-1.7	-8.2	29.9
Relative	37.6	0.0	-9.7	35.9

Source: Bloomberg



Ownership

PetroVietnam 95.76%

Stock Statistics

14-Sep-22

Bloomberg code	GAS VN
52-week range (VND)	86,300 - 134,000
Shares O/S (m)	1,914
Mkt cap (VND bn)	217,999
Mkt cap (USD m)	9,397
Foreign room left (%)	46.0
Est. free float (m)	4.2
3m avg daily vol (shrs)	775,955
VND/USD	23,700
Index: VNIndex / HNX	1247.26/280.15

PetroVietnam Gas Joint Stock Corporation (GAS)

6M2022 Business results and outlooks

GAS recorded 2Q2022 business results with revenue of VND27,553 billion (+21.8% YoY) and NPAT of parent company's shareholders increased sharply to VND5,086 billion (+124.8% YoY). Although selling volume did not change, the average Brent oil price in Q2 increased strongly by 65% YoY, which has positively supported the gas selling price as well as the revenue of GAS. To explain this, the gas selling price of GAS is based on fuel oil (FO) price, which has a high correlation with Brent oil price. As a result, GAS's contribution margin also increased to 25%, higher than 16.6% in the same period last year. With this result, GAS recorded 6M2022 revenue of VND54,342 billion (+34.9% YoY) and NPAT of parent company's shareholders at VND8,515 billion (+98% YoY); completing 68% and 121% of GAS's full year plan respectively.

Regard 2H022 and onward outlooks, there are some pros and cons to consider:

+ Brent oil price is expected to cool down but still remain at high level of 85-95 USD/barrel for the rest of the year as Russia-Ukraine war is still going on besides sanction on Russia oil & gas export by some countries => still supported natural gas' selling price positively.

+ Thi Vai LNG storage (phase 1) is expected to operate in 2023: supplying 1.4 billion m3 of gas/year and support GAS's profit from mid-2023 as it will just come into operation

– However, the sharp increase in the global price of LNG will affect the import speed of LNG as well as the construction of LNG gas power plants that may face many difficulties in negotiating the Power Purchase Agreement (PPA) with EVN.

– 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.

Overall, we forecast average Brent oil price at USD93/barrel as well as GAS' 2022 business results with revenue of VND102,644 billion (+30% YoY) and NPAT from parent company VND13,595 billion (+56.7% n/n). Along with the volatile of oil prices as well as concerns about inflation and global recession, we maintain our **HOLD** recommendation with a target price of VND 119,000 for 2022.

	2019	2020	2021	2022F	2023F
Net Sales (VNDbn)	75,005	64,135	78,992	102,644	101,003
Growth (%)	-1%	-14%	23%	30%	-2%
EBITDA (VNDbn)	16,340	11,248	13,447	20,049	16,975
EBITDA margin (%)	22%	18%	17%	20%	17%
NPAT-MI (VNDbn)	11,902	7,855	8,673	13,596	11,477
Growth (%)	4%	-34%	10%	57%	-16%
EPS (VND)	6,051	3,993	4,409	6,912	5,834
Growth (%)	4%	-34%	10%	57%	-16%
ROE (%)	25%	16%	17%	24%	18%
ROIC (%)	18%	11%	12%	16%	13%
Net debt/EBITDA (x)	-1.6	-2.1	-1.6	-1.5	-2.0
PER (x)	18.5	28.0	25.4	16.2	19.2
EV/EBITDA (x)	12.0	17.5	14.6	9.8	11.6
PBR (x)	4.3	4.3	4.1	3.5	3.2
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	102,644	101,003
<i>Sales growth (%)</i>	9%	17%	-1%	-14%	23%	30%	-2%
CoGS ex-dep'n	46,646	55,292	55,395	50,175	61,933	78,798	79,786
SG&A	3,535	3,767	3,270	2,712	3,612	3,798	4,242
<i>SG&A as % of sales</i>	5%	5%	4%	4%	5%	4%	4%
EBITDA	14,341	16,553	16,340	11,248	13,447	20,049	16,975
<i>EBITDA margin (%)</i>	22%	22%	22%	18%	17%	20%	17%
Depreciation	2,713	2,829	2,691	2,554	3,073	3,349	3,361
Operating profit	11,627	13,725	13,649	8,694	10,374	16,699	13,615
<i>Operating profit margin (%)</i>	18%	18%	18%	14%	13%	16%	13%
Net interest expense	-939	-1004	-1401	-1226	-637	-903	-1230
<i>as % of avg, net debt</i>	6%	5%	6%	5%	3%	3%	4%
Tax	2,650	2,831	2,983	2,006	2,353	3,678	3,101
<i>Effective tax rate (%)</i>	21%	19%	20%	20%	21%	21%	21%
Minorities	253	255	183	117	179	249	198
Net profit	9,685	11,454	11,902	7,855	8,673	13,596	11,477
<i>Net profit margin (%)</i>	15%	15%	16%	12%	11%	13%	11%
Cash earnings	12,651	14,537	14,777	10,526	11,925	17,194	15,036
Number of shares (m)	1914	1914	1914	1914	1914	1914	1914
EPS (VND)	4,924	5,823	6,051	3,993	4,409	6,912	5,834
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	6,912	5,834
<i>EPS growth (%)</i>	38%	18%	4%	-34%	10%	57%	-16%

KEY CASHFLOW AND BS ITEMS	2017	2018	2019	2020	2021	2022F	2023F
Increase in working capital	(3,521)	159	1,504	(139)	914	333	1,038
Capex	2,614	637	270	5,508	3,898	4,223	3,604
Other cash flow items	1000	1000	1000	1000	1000	1000	1000
Free cash flow	14,559	14,741	14,003	6,157	8,112	13,638	11,393
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	-2370	-7897	-5651
Net debt, end of year	(18,030)	(23,422)	(26,594)	(23,869)	(22,105)	(29,694)	(33,735)
Enterprise value	196,333	190,940	187,768	190,493	192,257	184,668	180,628
Shareholders' equity	43,272	46,867	49,615	49,500	52,193	60,920	66,007
BVPS (VND)	22,608	24,487	25,923	25,863	27,270	31,829	34,488
Net debt / equity (%)	-42%	-50%	-54%	-48%	-42%	-49%	-51%
Net debt / EBITDA (x)	-1.3	-1.4	-1.6	-2.1	-1.6	-1.5	-2.0
Total assets	61,889	62,614	62,179	63,208	78,768	84,783	86,886

KEY RETURN AND VALUATION RATIOS	2017	2018	2019	2020	2021	2022F	2023F
ROE (%)	23.6%	26.0%	25.1%	16.1%	17.4%	24.5%	18.4%
ROA (%)	19.6%	22.0%	21.9%	13.9%	14.6%	20.4%	15.9%
ROIC (%)	15.6%	17.6%	17.7%	11.2%	11.8%	16.1%	12.5%
WACC (%)	12%	12%	12%	12%	12%	12%	12%
EVA (%)	3.7%	5.7%	5.8%	-0.7%	-0.1%	4.2%	0.6%
PER (x)	22.7	19.2	18.5	28.0	25.4	16.2	19.2
EV/EBITDA (x)	13.7	11.9	12.0	17.5	14.6	9.8	11.6
EV/FCF (x)	13.5	13.3	14.0	31.9	24.2	14.4	17.3
PBR (x)	5.0	4.6	4.3	4.3	4.1	3.5	3.2
PSR (x)	3.3	2.8	2.9	3.3	2.7	2.1	2.1
EV/sales (x)	3.0	2.6	2.6	3.1	2.5	1.9	1.9
Dividend yield (%)	3.4%	3.6%	2.7%	2.7%	2.7%	2.7%	2.7%

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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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