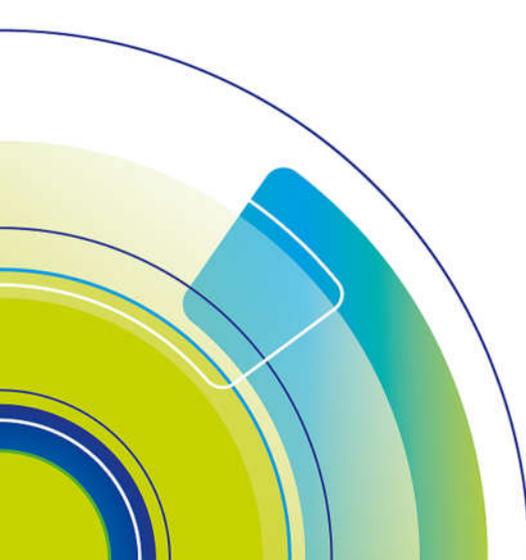




# **GAS Flash note – NEUTRAL**

**May 16, 2024**

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## Earnings Flash note

Recommendation **Neutral**

HSX: **GAS**

Natural Gas Distribution

Target price (VND) **79,200**

Market price (VND) **75,200**

Expected share price return **5.3%**

Expected dividend yield **3.9%**

Expected total return **9.2%**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-0.8	-5.6	-0.7	1.1
Relative	-12.0	-3.1	-4.6	-17.4

Source: Bloomberg



## Ownership

PVN 95.76%

## Stock Statistics 14-May-24

Bloomberg code	GAS VN
52-week range (VND)	73,000 - 93,250
Shares O/S (m)	2,297
Mkt cap (VND bn)	172,026
Mkt cap (USD m)	6,751
Foreign room left (%)	46.7
Est. free float (m)	4.2
3m avg daily vol (shrs)	1,140,559
VND/USD	25,482
Index: VNIIndex / HNX	1252.90/238.38

## PetroVietnam Gas Joint Stock Corporation (GAS VN)

**GAS announced Q1/2024 business results with net profit of VND2,511 billion (-25% YoY), quite similar to our expectations. With this result, GAS completed 43.8% of 2024 plan and 24.8% of our forecast.**

GAS recorded Q1/2024 revenue reaching VND23,314 (+9.9% YoY) and VND2,511 billion of net profit (-25% YoY). The increase in revenue is thanks to the 63.8% YoY growth in LPG segment's output which usually contributes about 42% of GAS's revenue. LPG growth driver is from export & international trading, despite the LPG selling price dropped 11% compared to the same period high, triggered by the demand shortage due to the LPG factories' maintenance in the Middle East.

However, the dry gas segment - the main contributor to GAS's revenue and profit - declined, in which:

- Dry gas consumption decreased by 14% YoY due to the fall in demand from electricity customers (-18.7% YoY) while demand from fertilizer and industrial customers remained stable. This is due to the Decision 3110 issued by the Ministry of Industry and Trade (MoIT), which approved the natural gas supply in 2024 for electricity production of 4.19 - 4.47 billion m<sup>3</sup> (down 11% - 17% YoY compared to GAS's actual output for electricity production in 2023) while increasing mobilization from coal thermal power sources.
- Along with the estimated increase in gas input costs of 3% YoY, gross profit margin in gas sales and transportation decreased to 15.7% from 22.7% in the same period last year.

Regarding LNG business activities, the deployment of current and upcoming LNG terminals (increasing Thi Vai LNG capacity and constructing Son My LNG) will actively support GAS's business activities in the long term when power plants using LNG come into operation (typically NT3 and NT4 are expected to operate from mid-2025). However, for 2024, the LNG segment will not contribute to GAS's PAT, due to the low operating capacity.

National electricity consumption demand in 4M2024 increased sharply by 12.4% YoY. With prolonged hot weather, electricity demand will continue to increase and is expected to help improve GAS's business output in the coming quarters. As a result, the MoIT has just issued Decision No. 924/QD-BCT to increase the total electricity production plan of power plants in 2024 by 1.4% vs the previous decision.

**Quick comment:** As a results, we reduce our forecast for 2024 business results by 9.6% compared to the most recent forecast, with expected revenue reaches VND85,938 billion (-4.5% YoY) and net profit VND10,070 billion (-13.2% YoY). Our target price for GAS in 12 months is 79,200 VND/share, equivalent to a total profit margin of 9.2%.

	2022	2023	2024F	2025F	2026F
Net Sales (VNDbn)	100,724	89,954	85,938	89,668	93,324
Growth (%)	28%	-11%	-4%	4%	4%
EBITDA (VNDbn)	20,822	16,166	14,744	15,164	14,921
EBITDA margin (%)	21%	18%	17%	17%	16%
Net Profit (VNDbn)	14,798	11,606	10,071	10,364	10,285
Growth (%)	71%	-22%	-13.2%	2.9%	-0.8%
EPS (bonus-adjusted, VND)	6,271	4,919	4,268	4,392	4,359
Growth (%)	71%	-22%	-13%	3%	-1%
ROE	27%	19%	15%	15%	14%
ROIC	18%	12%	10%	10%	9%
Net debt/EBITDA (times)	-1.4	-2.1	-2.5	-2.3	-2.2
PER (times)	10.0	15.3	17.6	17.1	17.3
EV/EBITDA (times)	6.1	7.8	8.6	8.3	8.5
PBR (times)	2.4	2.6	2.5	2.4	2.3
DPS (VND)	3,000	3,000	3,000	3,000	3,000
Dividend yield (%)	4%	4%	4%	4%	4%

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**OUTPERFORM:** Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

**NEUTRAL:** Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

**UNDERPERFORM:** Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

**SELL:** Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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