

Sector: *Petroleum* (Latest report: [Link](#))

Recommendation

BUY

PetroVietnam Gas Joint Stock Corporation (HSX: GAS)
Bright prospect

Current price:	130,000	Date:	08/06/2022	Shareholder structure	
Previous target price:	130,000	Outstanding Shares (Million):	1,914	PVN	95.8%
New target price:	151,400	Market Capitalization (Billion):	248,622	SUMITOMO MITSUI FINANCE	0.13%
Dividend yield:	2%	Avg liquidity in 6 months:	825,378	MIRAE ASSET GLOBAL	0.11%
Upside:	17%	Remaining Foreign Ownership:	3.12%	DAIWA SECURITY GROUP	0.11%

Industry Analyst:

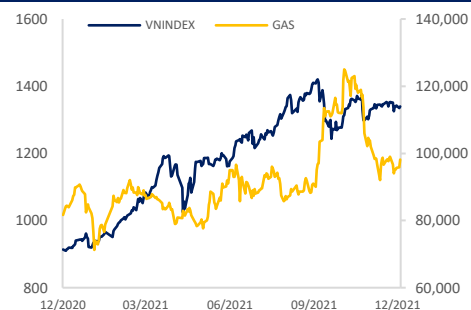
Duong Quang Minh
(Petroleum, Fertilizer)
minhdq@bsc.com.vn

Technical Analyst:

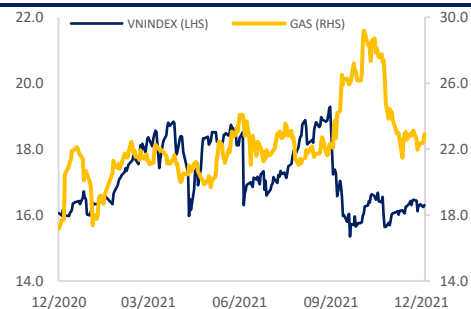
Le Quoc Trung
trunglq@bsc.com.vn

Target price: 144,000 VND
Stop loss price: 120,000 VND

Comparison table between the stock price of GAS and VN-Index



Comparison table between the P/E of GAS and VN-Index



	2020	2021	2022F	VN-Index
PE (x)	18.2	21.2	18.7	12.7
PB (x)	3.4	3.5	4.2	2.0
PS (x)	2.6	2.3	2.3	3.5
ROE (%)	16.1	17.0	22.9	14.7
ROA (%)	12.6	11.2	16.2	6.6
EV/ EBITDA (x)	12.9	12.8	17.2	N/A

VALUATION

- We maintain our **BUY** recommendation for GAS, with the target price in 2022 being 151,400 VND/share (+17% compared to the closing price on June 7, 2022), equivalent to a target P/E of 22x.

FORECASTING BUSINESS PERFORMANCE

- BSC forecasts that the net revenue and profit after tax of GAS in 2022 will reach **105,313 billion VND (+33% YoY)** and **13,438 billion VND (+52% YoY)**, **EPS FW = 6,881 VND/share** with the assumptions (1) Average oil price in 2022 will reach 100 USD/barrel (+37% YoY); (2) Dry gas consumption reach 8.7 billion m2 (+24% YoY), LPG reach 2.1 million tons (+5% YoY).; and (3) The Thi Vai NLG port warehouse has not been put into the forecast in 2022.

INVESTMENT THESIS

- High oil prices in 2022 will help improve the profit of GAS.
- Gas output improves due to the demand for gas mobilization from power plants.
- The LNG segment is a long-term growth driver, helping GAS to be re-evaluated.

RISKS

- Dry gas and fuel prices are lower than estimated.
- Key gas field projects are behind schedule.

BUSINESS PERFORMANCE UPDATE

- The revenue of GAS in Q4/2021 is nearly 21,185 billion VND (+36% YoY) and Profit Before Tax is 1,846 billion VND (-12% YoY). In 2021, GAS's revenue reached 80,000 billion VND (+25% YoY), and NPAT reached 8,380 billion VND (+5% YoY), completing 119% of the plan.
- LNG Thi Vai project was built on schedule, expected to be completed in Q4/2022.

	2019	2020	2021E	2022F
Revenue	64,135	78,992	105,313	64,135
Gross profit	11,406	13,986	20,390	11,406
NPATMI	7,855	8,673	13,169	7,855
EPS	4,028	4,356	6,881	4,028
EPS Growth	-34%	10%	52%	-34%
Net Debt/Equity	28%	51%	41%	28%

BUSINESS PERFORMANCE UPDATE

Table 1: Update business performance of GAS

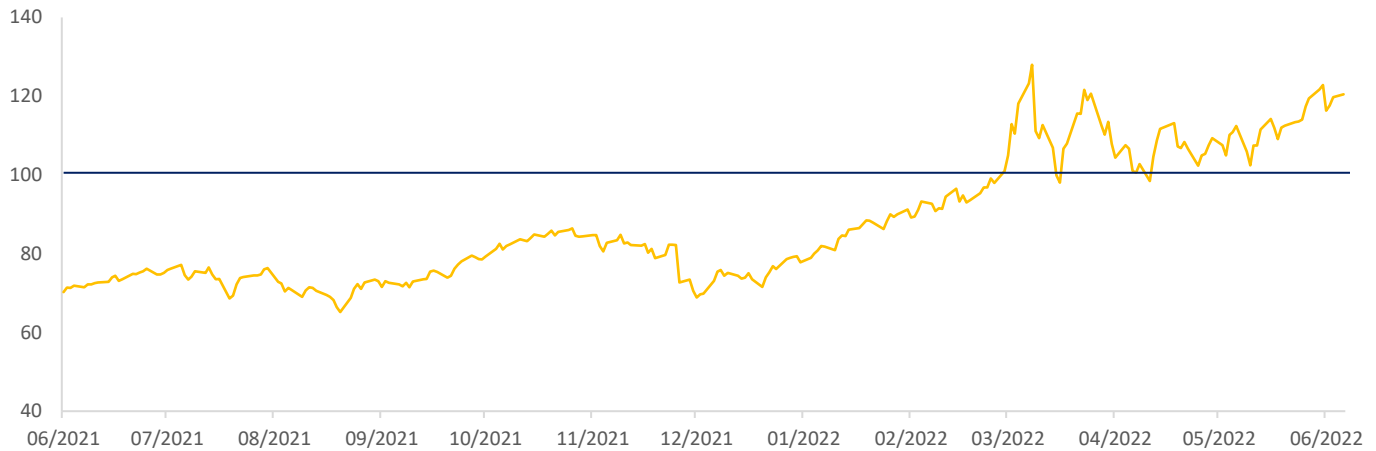
	Q1/2022	Q1/2021	%	Update business performance of GAS in Q1/2022
Net revenue	26,689	17,570	52%	In Q1/2022, the net revenue of GAS reached 26,689 billion VND (+52% YoY), and profit after tax reached 3,494 billion VND (+70% YoY).
Gross profit	5,136	3,269	57%	
<i>Gross profit margin</i>	19.2%	18.6%		In the four months of 2022, the net revenue of GAS reached 37,500 billion VND (+52% YoY), and profit after tax reached 4,540 billion VND (+61% YoY). GAS said that they had provided 2.7 billion m3 of dry gas, producing and trading 760 thousand tons of LPG (537 thousand tons in the domestic market, 223 thousand tons for export and international business); condensate output reached 41 thousand tons.
Selling expenses	601	534	13%	
G&A expenses	351	353	-1%	
SG&A/Rev	3.6%	5.0%		
EBIT	4,184	2,382	76%	In 2022, GAS plans to achieve revenue of 80 trillion VND (+1.3% YoY) and profit after tax of 7,000 billion VND (-20.5% YoY), based on the assumption that Brent oil price is 60 USD/barrel. GAS plans to produce 9 billion m3 of dry gas and 2 million tons of LPG. Thus, by the end of 4 months, GAS has completed 47% of the revenue plan and nearly 65% of the year plan profit.
Financial revenue	262	263	-1%	
Financial expenses	102	56	83%	
Other income, net	39	49	-20%	
Profit before tax	4,381	2,637	66%	The cash dividend for 2021 was approved at the shareholder meeting at the rate of 30%. In 2022, the company plans to pay a cash dividend of 25%.
Profit after tax	3,495	2,057	70%	
Quantity				
Dry gas (mm3)	1,967	1,925	2%	
LPG (1000T)	545	473	15%	
Condensate (1000T)	32	16	98%	

Sources: GAS, BSC Research

BUSINESS OUTLOOK

High oil prices support the profits of GAS. Since 2022, the oil price has continued to increase enormously. It has maintained around the threshold of 120 USD/barrel in the first period of June. In a recent report ([link](#)), BSC has comments and views on oil prices that will remain high and reach 100 USD/barrel on average in 2022. According to BSC, the positive prospect of oil prices will positively affect the main business segments of GAS. According to GAS management, GAS's revenue and profit before tax of GAS will increase by VND 1,500 billion and VND 500 billion for every \$5 increase in crude oil price. With an average crude oil price of USD 100/barrel (+37% YoY), we forecast that the profit margin of the dry gas segment will increase by 2%YoY, and the LPG segment is expected to increase by 0.8%YoY.

Figure 1: The world crude oil price remains above 100 USD/barrel



Sources: Bloomberg, BSC Research

Output recovered due to increased mobilization from gas-fired power plants. According to EVN, input materials for EVN's coal-fired power plants only reached 76.8% of the plan in Q1/22, resulting in lower operating capacity than expected. We believe that coal-fired power plants will face a supply shortage due to the high coal prices from the impact of the Russia-Ukraine war. Therefore, gas-fired power may be mobilized to replace coal-fired power from self-sufficiency in domestic supply, thereby indirectly benefiting GAS. **BSC expects that the dry gas consumption of GAS can reach 8.7 billion m3 (+24% YoY) in 2022** due to (1) Demand for industrial electricity recovers after the epidemic, and (2) Gas power is prioritized to mobilize because of the high price of input coal.

Figure 2: Fuel coal prices remain high, causing difficulties for coal-fired power plants

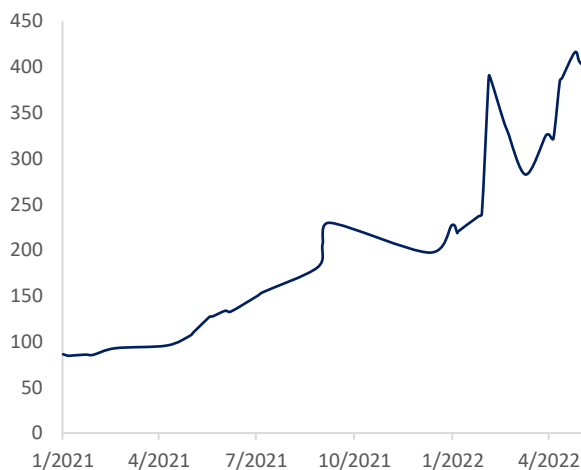
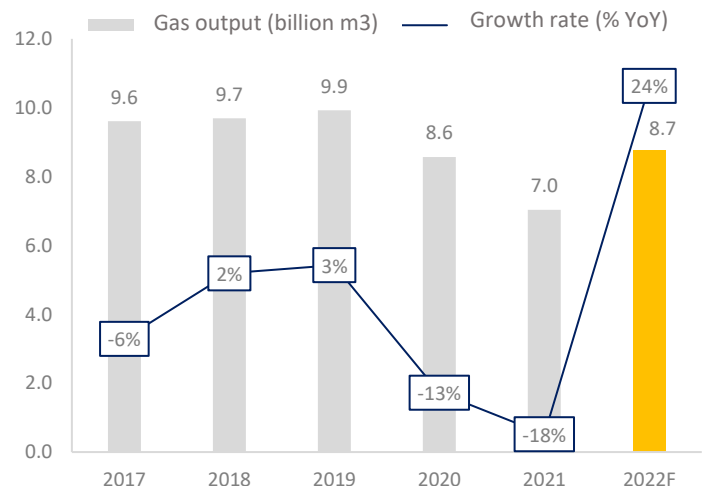


Figure 3: Gas consumption volume of GAS is expected to increase 24%YoY



Sources: GAS, Bloomberg, BSC Research

We have not included LNG Thi Vai in our forecast for this year. LNG Thi Vai Terminal is expected to operate from Q4/2022. However, GAS has not yet planned to import LNG because the Nhon Trach 3 and 4 LNG power plant projects have not been completed (expected to operate from 2024). Most power plant projects using LNG in Vietnam are still in the investment stage (see table below). Therefore, BSC believes that LNG projects will contribute to the profit of GAS from 2024.

Table 2: Some LNG power plant projects in Vietnam

Project	Wattage	Operation time
Nhon Trach 3&4 LNG Power Plant	1,500 MW	2024 – 2025
Son My 1, 2 Thermal Power Plant	4,000 MW	2024 – 2027
Ca Na LNG Power Center Phase 1	1,500 MW	2025 – 2026
LNG Long Son Power Center Phase 1	1200-1500MW	2025 – 2026
LNG Bac Lieu Thermal Power Center	Phase 1: 800 MW Phase 2: 2,400 MW	2024 – 2025 2026 – 2027
Quang Ninh LNG gas power plant	1,500 MW	2027 – 2028
Cai Mep Ha LNG Power Project	1,600 MW	N/A
Van Phong 2 LNG gas power project	3,000 MW	N/A
Long An LNG Power Center	2,800 MW	N/A
Quang Nam LNG gas power plant	4,000 MW	N/A
Quang Tri 1, 2 LNG Thermal Power Plant	3,000 MW	N/A

Sources: National electricity planning VIII, BSC Research

GAS plans to contribute capital of 51% to the Block B - O Mon gas pipeline project. At the Annual General Meeting of Shareholders in 2022, the company's management shared that the company is planning to contribute capital to the Block B - O Mon Gas Pipeline Project (with a total investment equivalent to 28,788 billion VND). It is expected that the Block B - O Mon gas-electricity project chain will have an investment decision in Q3/2022 and have the first gas flow in Q4/2025 (refer to [oil and gas industry report](#)). As the largest investor (51% of total investment), GAS will be the primary beneficiary of this project due to the additional gas source from Block B and gas transportation charges. BSC believes that the Block B gas field with an estimated gas reserve of 107 billion m3 will ensure gas supply for power generation, replacing some gas fields in the final stage of GAS exploitation.

FORECAST OF BUSINESS PERFORMANCE

BSC forecasts that the net revenue and profit after tax of GAS in 2022 will reach **105,313 billion VND (+33% YoY)** and **13,438 billion VND (+52% YoY)**, equivalent to **EPS FW = 6,881 VND/share** based on assumptions:

- The average Brent oil price in 2022 will reach 100 USD/barrel (+37% YoY).
- Dry gas consumption reached 8.7 billion m2 (+24% YoY), and LPG reached 2.1 million tons (+5% YoY).
- The LNG Thi Vai port warehouse has not been included in the forecast for 2022.

We expect the positive business performance of GAS in 2022 due to (1) world oil prices remaining high and (2) Gas output recovering due to the mobilization demand of industrial parks and power plants increasing again after the epidemic. We believe GAS is the bright spot in the medium and long term as it has become the largest LNG supplier since 2023.

Table 3: Forecasting Business Performance of GAS

Unit: Billion VND	2019	2020	2021	2022F
Net revenue	75,005	64,135	78,992	105,313
Gross profit	16,919	11,406	13,986	20,390
<i>Gross profit margin</i>	<i>23%</i>	<i>18%</i>	<i>18%</i>	<i>19%</i>
Selling expenses	-2,394	-1,943	-2,133	-2,815
SG&A expenses	-875	-769	-1,479	-1,573
EBIT	15,266	8,682	11,509	17,183
Financial revenue	1,665	1,451	1,187	1,330
Financial expenses	-241	-169	-403	-559
Other revenue	-4	14	32	24
Profit before tax	15,068	9,978	11,205	16,797
Profit after tax	12,086	7,972	8,852	13,438
Profit after tax margin	<i>16%</i>	<i>12%</i>	<i>11%</i>	<i>13%</i>
EPS	6,142	4,028	4,356	6,881

Sources: GAS, BSC Research

VALUATION AND RECOMMENDATION

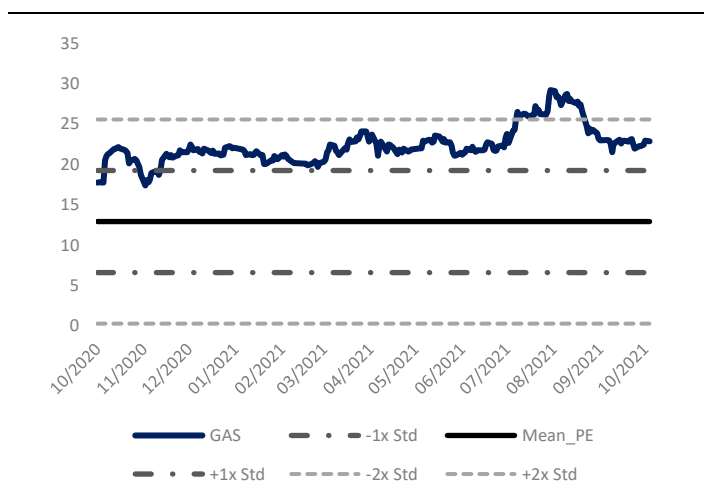
BSC still recommends **BUY** for GAS and raises the target price in 2022 to **151,400 VND/Share** (upside of 17% compared to the closing price on 07/06/2022 is 130,000 VND/Share), equivalent to the target P/E of 22x. The base scenario assumes that the average oil price in 2022 will reach \$100/barrel. We remain optimistic about the prospects of GAS in the coming years due to its leading position in gas processing and distribution, the recovering trend of oil prices, and the long-term outlook for the LNG segment. Downside risks come from lower oil prices than expected and delays in developing key gas fields.

Table 4: Oil price scenario & valuation

Brent oil price in 2022	90	95	100	105	110
Target price	142,400	146,900	151,400	155,900	160,400
Upside (%)	9.6%	13.1%	16.5%	20.0%	23.5%

Source: BSC Research

Stock PE



Stock PB



Source: Bloomberg, BSC Research

Stock price movement compared to recommendation price of BSC



Sources: GAS, BSC Research

APPENDIX

	2019	2020	2021E	2022F		2019	2020	2021E	2022F
Net revenue	75,005	64,135	78,992	105,313	(Loss)/NPAT	15,068	9,978	11,205	16,797
Cost of goods sold	-58,087	-52,729	-65,007	-84,924	Depreciation & amortization	2,691	2,554	3,073	3,088
Gross profit	16,919	11,406	13,986	20,390	Change in working capital	-4,511	-4,939	-6,489	-5,503
Selling expenses	-2,394	-1,943	-2,133	-2,815	Other adjustments	-568	-263	-194	377
G&A expenses	-875	-769	-1,479	-1,573	Cash flow from operating activities	12,681	7,330	7,595	14,759
Operating income	13,649	8,694	10,374	16,002	Fixed assets investment	-2,690	-4,174	-4,747	-6,319
Financial Revenue	1,665	1,451	1,187	1,330	Other investment	-3,504	4,246	-2,189	-545
Financial Expenses	-241	-169	-403	-559	Cash flow from investing activities	-4,722	99	-6,755	-6,864
Interest Expenses	-198	-101	-304	-386	Dividend paid	-8,230	-6,850	-5,865	-6,699
Profit from joint ventures	-1	-11	15	0	Cash from net borrowing	-1,950	182	5,091	919
Other profit/loss	-4	14	32	24	Other revenue	0	0	0	0
Profit before tax	15,068	9,978	11,205	16,797	Cash flow from financial activities	10,188	-6,668	-774	-5,780
Corporate income tax	-2,983	-2,037	-2,304	-3,359	Cash flow at the beginning of the period	6,706	4,476	5,237	5,300
Profit after tax	12,086	7,972	8,852	13,438	Money in the period	-2,229	761	65	2,115
Minority shareholders	183	117	179	269	Cash flow at the end of the period	4,476	5,237	5,300	7,416
Profit after tax - Minority shareholders	11,902	7,855	8,673	13,169					
EBITDA	12,575	9,736	11,130	14,095					
EPS	6,142	4,028	4,356	6,881					

	2019	2020	2021E	2022F		2019	2020	2021E	2022F
Cash and cash equivalent	4,476	5,237	5,300	6,300	Liquidity				
Short-term investment	24,915	21,613	24,800	26,211	Current ratio	3.33	2.88	1.93	2.14
Short-term receivables	10,359	10,239	16,920	17,201	Quick ratio	3.20	2.76	1.81	2.00
Inventory	1,575	1,663	3,241	3,480	Capital structure				
Other current assets	491	720	1,133	-1,140	Debt/Assets	20%	22%	34%	29%
Short-term assets	41,815	39,472	51,395	52,052	Debt/Equity	25%	28%	51%	41%
Tangible assets	48,514	54,739	56,069	57,594	Working capital				
Depreciation	-33,076	-35,404	-38,381	-41,435	Inventory days	11.51	11.68	14.19	14.93
Long-term assets in progress	3,021	2,303	4,871	9,635	Receivable days	22.68	29.21	37.38	35.60
Long-term investments	405	379	400	440	Payable days	14.48	15.86	25.50	26.85
Other long-term assets	937	1,096	3,794	3,984	CCC	19.72	25.02	26.06	23.69
Long-term assets	20,363	23,736	27,373	30,873	Margin				
Total assets	62,179	63,208	78,768	82,925	Gross margin	23%	18%	18%	19%
Account payables	1,914	2,677	6,631	5,906	NPAT margin	16%	12%	11%	13%
Short-term loans	1,341	1,017	485	2,106	ROE	24%	16%	17%	23%
Other current liabilities	6,710	6,055	9,446	9,478	ROA	19%	13%	11%	16%
Current Liabilities	9,964	9,749	16,561	17,490	Valuation				
Long-term loans	1,456	1,964	7,510	4,321	PE	16.8	18.2	21.2	18.7
Other noncurrent liabilities	939	1,803	2,263	2,484	PB	4.2	3.4	3.5	4.2
Non-current liabilities	2,600	3,960	10,014	6,804	Growth				
Total liabilities	12,564	13,709	26,575	24,294	Net revenue growth	-1%	-14%	23%	33%
Capital	19,140	19,140	19,140	19,140	EBIT growth	2%	-34%	14%	49%
Surplus equity	0	0	0	0	EBT growth	4%	-34%	12%	50%
Retained earnings	10,109	10,029	10,487	16,253	EPS growth	4%	-34%	10%	52%
Other equity	19,258	19,267	21,467	21,871					
Minority shareholders	1,108	1,064	1,098	1,367					
Total equity	49,615	49,500	52,193	58,631					
Total Liabilities & Equity	62,179	63,208	78,768	82,925					
Number of outstanding shares (million)	1,914	1,914	1,914	1,914					

Sources: GAS, BSC Research

TECHNICAL ANALYSIS

Current price: 144

Cut loss price: 120

Technical highlights:

- Current trend: Upward
- MACD trend indicator: MACD is above the signal line
- RSI indicator: is in the overbought zone

Comment: GAS is entering an uptrend after a correction period. The price is already above MA20 and MA50. The MA20 is trending to cut above the MA50, which is the consensus for the stock's price increase. Liquidity is still good as the volume is higher than the average of the last 20 sessions. The technical indicators RSI and MACD are positive when the MACD is still above the signal line, and the RSI is in an uptrend and fluctuates around 70.

Recommendation: BSC recommends that medium-term investors may consider opening a position at 129, take profit at 144, and cut loss if the stock drops below 120.



Source: BSC Research

DISCLOSURE

The information, statements, forecasts, and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable, but their accuracy, completeness, or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration, and they were based upon the best information then known to us and, in our opinion, are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors, and employees may have positions, effect securities transactions of companies mentioned herein, and perform or seek to perform investment banking services for these companies. This document is for private circulation, not for publication in the press or elsewhere. BSC accepts no liability for any direct or consequential loss arising from any use of this or its content. The use of any information, statements, forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied, or duplicated in any form (ii) redistributed without the prior written consent of BIDV Securities Company.

BSC Headquarter

10th&11th Floor, BIDV Tower
35 Hang Voi, Hoan Kiem, Ha Noi
Tel: +84439352722
Fax: +84422200669

BSC Ho Chi Minh

9th Floor, 146 Nguyen Cong Tru
District 1, Ho Chi Minh City
Tel: +84838218885
Fax: +84838218510

<https://www.bsc.com.vn>
<https://www.facebook.com/BI, DVSecurities>

Bloomberg: RESP BSCV <GO>

