

Vietnam

HOLD (no change)

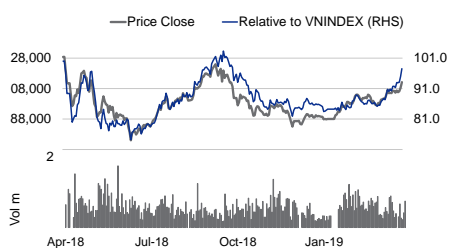
Consensus ratings*: Buy 7 Hold 2 Sell 0

Current price:	VND112,200
Target price:	VND91,600
Previous target:	VND91,600
Up/downside:	-18.4%
CGS-CIMB / Consensus:	-11.3%
Reuters:	GAS.HM
Bloomberg:	GAS VN
Market cap:	US\$9,249m
	VND214,745,184m
Average daily turnover:	US\$2.24m
	VND51,974m
Current shares o/s:	1,914m
Free float:	4.2%

*Source: Bloomberg

Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.3	24.7	-10
Relative (%)	14.4	18.1	0.1

Major shareholders	% held
PetroVietnam Group	95.8
Others	4.2

Analyst(s)

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PetroVietnam Gas JSC

Unclear benefit from higher take-or-pay ASP

- GAS enjoyed higher gas selling price in 1Q19 on top of rising oil price (+8.4% yoy) and increased price applied to take-or-pay (TOP) volume.
- 1Q19 net profit was fairly in line with our expectation at VND3,029bn (+16.2% yoy), accounting for 29.4% of our full-year forecast.
- We maintain our rating and TP for now.

1Q19 results in line with our expectation

GAS reported net revenue of VND18,639bn in 1Q19 (+2.6% yoy), as lower gas supply from the Cuu Long basin was offset by increased volume from Nam Con Son basin and a higher TOP price (est. +5.7% yoy) effective from 20 Mar 2019. Gross margin also improved by 1.3% pts, supported by the 8.4% yoy surge in average fuel oil (FO) price (used as benchmark for gas selling price). At the bottomline, 1Q19 pre-tax profit reached VND3,817bn (+15.3% yoy), thanks to higher interest income (+29.7% yoy) and lower interest expense (-52.8% yoy). 1Q19 pre-tax profit accounted for 40.0% of the company's 2019 target and 28.7% of our full-year forecast.

Unclear benefit from the change in pricing policy for TOP contracts

In Mar, GAS announced changes in its pricing scheme for the TOP volume sold to electricity producers, from one fixed at c.US\$4.1-4.2/mmbtu for 2019 to a market price linked to FO price by the formula of 46% FO + transportation tariff. According to GAS, the new pricing policy contributed to its 1Q revenue and profit growth; however in a previous statement the company also stated that GAS might not benefit from the policy adjustment, with the difference between current and new TOP prices going directly to the State budget. Therefore, the effect of the policy change remains unclear; we await further clarification from the company.

Higher dividend plan approved in 2019 Annual General Meeting

Shareholders approved the proposal to increase the company's 2018 cash dividend from VND4,000/share to VND5,300/share due to its high 2018 profit. VND4,000 has been paid in Aug 2018 and Mar 2019; the remaining VND1,300/share is planned for execution in 2H19. For 2019, management expects cash dividend of VND3,000/share, translating to a dividend yield of approximately 2.8%.

Maintain Hold and TP of VND91,600

Our valuation is based on an equal weighting of DCF valuation and P/E multiple approach (target CY19-21F P/E of 18x). We maintain our forecasts, target price, and rating for now, pending further details on the results. Upside risks to our call are: (1) higher oil price than forecasted, (2) new projects (Nam Con Son Phase 2, Block B-O Mon) starting operation sooner than expected. Downside risks include faster depletion of gas supply and declining oil price.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (VNDb)	64,570	75,627	74,677	80,631	87,774
Operating EBITDA (VNDb)	14,219	17,212	15,797	15,877	17,978
Net Profit (VNDb)	9,577	12,102	10,313	9,555	9,500
Core EPS (VND)	5,004	6,323	5,388	4,992	4,963
Core EPS Growth	36.6%	26.4%	(14.8%)	(7.4%)	(0.6%)
FD Core P/E (x)	22.42	17.74	20.82	22.48	22.61
DPS (VND)	3,796	4,110	4,126	4,179	4,155
Dividend Yield	3.38%	3.66%	3.68%	3.72%	3.70%
EV/EBITDA (x)	13.95	11.21	12.45	12.82	12.12
P/FCFE (x)	16.7	211.0	19.0	27.8	24.1
Net Gearing	(41.7%)	(49.3%)	(43.2%)	(29.3%)	4.9%
P/BV (x)	5.18	4.70	4.90	5.20	5.44
ROE	23.8%	27.8%	23.1%	22.4%	23.5%
CIMB/consensus EPS (x)			0.88	0.83	0.84

SOURCES: VND RESEARCH, COMPANY REPORTS

Unclear benefit from higher take-or-pay ASP

Figure 1: 1Q19 results overview

FYE Dec (VNDbn)	1Q18	1Q19	% yoy	vs. FY19		Comments
				forecast		
Net revenue	18,162	18,639	2.6%	25.0%		Net revenue improved on the back of an 8.4% yoy increase in average FO price and higher sales volume to Genco3/from Nam Con Son basin.
Gross profit	3,993	4,346	8.8%	27.5%		
Gross profit margin	22.0%	23.3%	+1.3% pts			Gross margin increased as a result of the change in pricing policy for TOP volume (c. 3.6 mcm/year) which boosted average selling price.
Selling expenses	617	618	0.2%	23.7%		
G&A expenses	195	248	26.7%	22.2%		
Operating profit	3,181	3,480	9.4%	29.0%		
Financial income	302	394	30.6%	29.3%		Higher interest income (+29.7% yoy)
Financial expenses	172	60	-65.0%	22.6%		Lower interest expense (-52.8% yoy) due to lower long-term debt balance
Pre-tax profit	3,309	3,817	15.3%	28.7%		
Net profit	2,608	3,029	16.2%	29.4%		

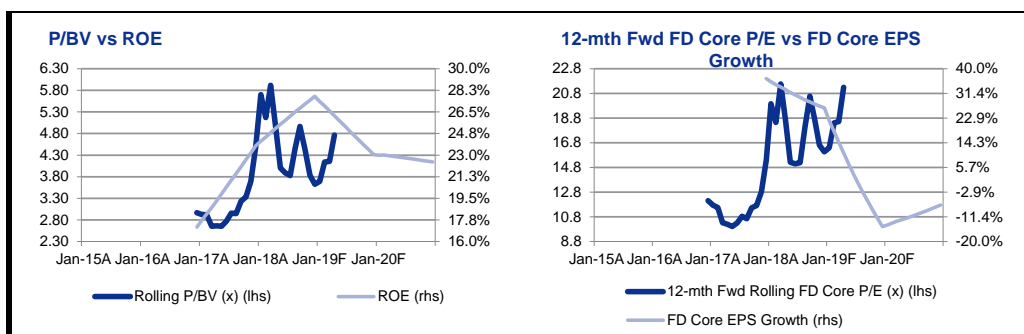
SOURCES: VND RESEARCH, COMPANY REPORTS

Figure 2: Peer comparison

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)			3-year EPS (%)	P/BV (x)			ROE (%)			ROA (%)		
						TTM	CY19F	CY20F		TTM	CY19F	CY20F	TTM	CY19F	CY20F	TTM	CY19F	CY20F
PV GAS	GAS VN	HOLD	108,600	91,600	8,953	18.5	18.3	18.1	-7.8%	4.6	4.3	4.2	26.5%	25.1%	24.1%	18.4%	18.3%	17.6%
PTT PLC	PTT TB	ADD	49.25	55.50	44,098	11.8	10.9	10.6	5.5%	1.6	1.5	1.4	14.1%	13.1%	12.8%	5.2%	5.9%	6.1%
Indraprastha Gas	IGL IN	NOT RATED	314.2	N/A	3,158	30.5	25.9	21.9	16.5%	6.0	5.0	4.2	21.7%	20.9%	0.2	15.5%	14.4%	15.3%
China Gas Holdings	384 HK	ADD	24.70	40.00	15,981	17.8	15.9	13.7	24.9%	4.2	3.6	3.0	25.9%	24.3%	23.9%	8.5%	9.4%	0.1
Toho Gas Ltd	9533 JP	NOT RATED	4,575	N/A	4,348	46.0	29.4	25.5	3.7%	1.5	N/A	N/A	3.3%	5.1%	0.1	1.9%	N/A	N/A
Petronas Gas Bhd	PTG MK	HOLD	17.64	18.50	8,448	19.3	18.7	19.2	1.0%	2.7	2.6	2.5	14.2%	13.9%	13.2%	10.0%	10.7%	0.1
Average (all)					14,164	24.0	19.9	18.1	7.3%	3.5	3.4	3.1	17.6%	17.1%	16.7%	9.9%	11.8%	11.8%
Average (excluding PV GAS)					15,207	25.1	20.2	18.2	10.3%	3.2	3.2	2.8	15.8%	15.5%	15.2%	8.2%	10.1%	10.3%

Note: Not Rated forecasts based on Bloomberg consensus estimates; trailing 12 months (TTM)
SOURCES: VND RESEARCH, BLOOMBERG (AS OF APR 22)

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	64,570	75,627	74,677	80,631	87,774
Gross Profit	15,036	18,305	15,801	15,520	16,389
Operating EBITDA	14,219	17,212	15,797	15,877	17,978
Depreciation And Amortisation	(2,713)	(2,676)	(3,716)	(4,374)	(5,962)
Operating EBIT	11,505	14,537	12,080	11,503	12,016
Financial Income/(Expense)	844	861	1,077	665	67
Pretax Income/(Loss) from Assoc.	(3)	(4)	(3)	(4)	(4)
Non-Operating Income/(Expense)	119	(40)	151	163	177
Profit Before Tax (pre-EI)	12,465	15,355	13,305	12,327	12,256
Exceptional Items					
Pre-tax Profit	12,465	15,355	13,305	12,327	12,256
Taxation	(2,622)	(2,999)	(2,777)	(2,573)	(2,558)
Exceptional Income - post-tax					
Profit After Tax	9,843	12,355	10,528	9,754	9,698
Minority Interests	(266)	(253)	(216)	(200)	(199)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	9,577	12,102	10,313	9,555	9,500
Recurring Net Profit	9,577	12,102	10,313	9,555	9,500
Fully Diluted Recurring Net Profit	9,577	12,102	10,313	9,555	9,500

Cash Flow

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	14,219	17,212	15,797	15,877	17,978
Cash Flow from Inv. & Assoc.	(1,225)	(1,620)	(1,176)	(1,187)	(1,256)
Change In Working Capital	3,158	(590)	796	(34)	606
(Incr)/Decr in Total Provisions	99	25	0	0	0
Other Non-Cash (Income)/Expense	(1,631)	(1,858)	(2,491)	(3,549)	(5,722)
Other Operating Cashflow	2,467	2,884	10,102	8,879	14,586
Net Interest (Paid)/Received	(302)	(446)	(267)	(383)	(635)
Tax Paid	(2,400)	(3,113)	(2,777)	(2,573)	(2,558)
Cashflow From Operations	14,386	12,495	19,984	17,030	22,998
Capex	(2,180)	(714)	(5,974)	(8,063)	(17,555)
Disposals Of FAs/subsidiaries	17	0	5	6	7
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(882)	(6,463)	(3,504)	(3,580)	(3,580)
Cash Flow From Investing	(3,044)	(7,178)	(9,473)	(11,638)	(21,128)
Debt Raised/(repaid)	1,555	(4,300)	801	2,331	7,048
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7,265)	(7,866)	(7,896)	(7,999)	(7,953)
Preferred Dividends					
Other Financing Cashflow	(20)	50	50	50	50
Cash Flow From Financing	(5,729)	(12,115)	(7,045)	(5,617)	(854)
Total Cash Generated	5,613	(6,798)	3,466	(225)	1,016
Free Cashflow To Equity	12,897	1,018	11,312	7,724	8,918
Free Cashflow To Firm	11,643	5,763	10,778	5,775	2,505

SOURCES: VND RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	27,079	28,308	25,293	20,532	13,080
Total Debtors	9,175	10,232	9,582	10,346	11,262
Inventories	1,645	1,952	1,848	2,043	2,240
Total Other Current Assets	357	462	462	462	462
Total Current Assets	38,257	40,955	37,184	33,383	27,044
Fixed Assets	15,396	18,540	20,798	24,487	36,080
Total Investments	281	280	280	280	280
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	7,955	2,804	2,804	2,804	2,804
Total Non-current Assets	23,632	21,624	23,882	27,571	39,164
Short-term Debt	1,738	1,490	1,734	2,445	3,906
Current Portion of Long-Term Debt					
Total Creditors	2,529	2,899	2,696	2,911	3,169
Other Current Liabilities	6,645	6,810	6,810	6,810	6,810
Total Current Liabilities	10,912	11,199	11,240	12,166	13,885
Total Long-term Debt	7,312	3,396	3,952	5,573	11,160
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	394	519	519	519	519
Total Non-current Liabilities	7,706	3,915	4,472	6,092	11,679
Total Provisions	0	0	0	0	0
Total Liabilities	18,618	15,114	15,712	18,259	25,565
Shareholders' Equity	41,490	45,687	43,792	41,333	39,480
Minority Interests	1,782	1,778	1,562	1,362	1,164
Total Equity	43,272	47,465	45,355	42,696	40,643

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	9.2%	17.1%	(1.3%)	8.0%	8.9%
Operating EBITDA Growth	20.6%	21.1%	(8.2%)	0.5%	13.2%
Operating EBITDA Margin	22.0%	22.8%	21.2%	19.7%	20.5%
Net Cash Per Share (VND)	9,420	12,238	10,244	6,539	(1,038)
BVPS (VND)	21,678	23,870	22,881	21,596	20,627
Gross Interest Cover	41.07	33.00	73.00	49.81	28.54
Effective Tax Rate	21.0%	19.5%	20.9%	20.9%	20.9%
Net Dividend Payout Ratio	75.9%	65.0%	76.6%	83.7%	83.7%
Accounts Receivables Days	59.50	46.83	48.42	45.23	44.93
Inventory Days	10.82	11.45	11.78	10.94	10.95
Accounts Payables Days	17.57	15.87	15.88	14.39	14.19
ROIC (%)	31.7%	45.9%	39.8%	35.4%	31.6%
ROCE (%)	25.4%	30.6%	26.0%	24.7%	23.9%
Return On Average Assets	15.5%	18.7%	15.6%	15.1%	15.2%

Key Drivers

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Oil Price (US\$/bbl)	54.0	72.0	65.0	68.0	70.0
Volume Growth (%)	-4.6%	-0.5%	-0.8%	0.4%	-0.2%
Ratio Of Up To Downstream (x)	N/A	N/A	N/A	N/A	N/A
Operating Cash Cost (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Ratio Of High To Low Margin (x)	N/A	N/A	N/A	N/A	N/A

SOURCES: VND RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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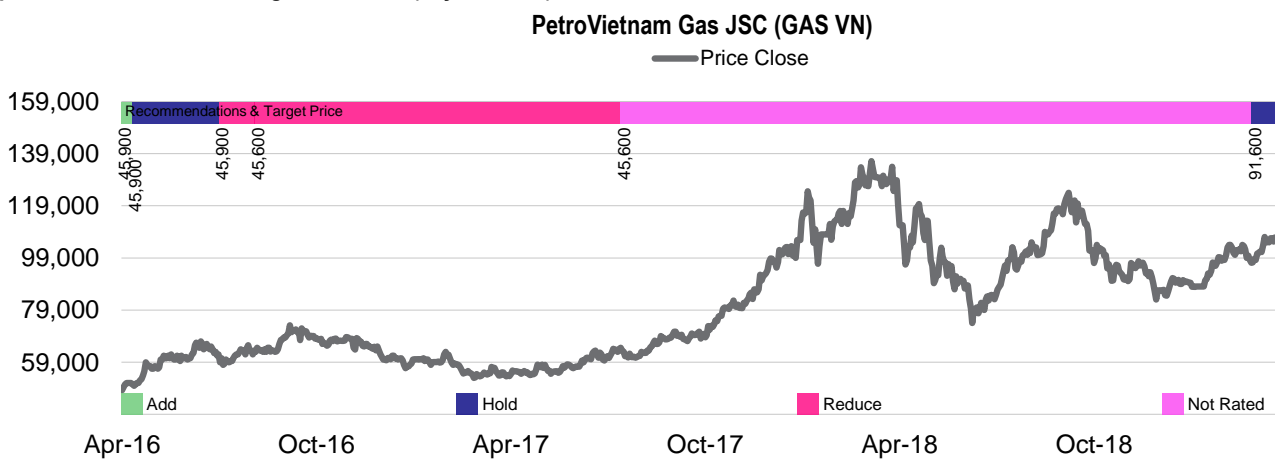
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Distribution of stock ratings and investment banking clients for quarter ended on 08 April 2019		
771 companies under coverage for quarter ended on 08 April 2019		
	Rating Distribution (%)	Investment Banking clients (%)
Add	57.8%	4.0%
Hold	27.0%	2.1%
Reduce	15.2%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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- Companies certified by CAC

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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