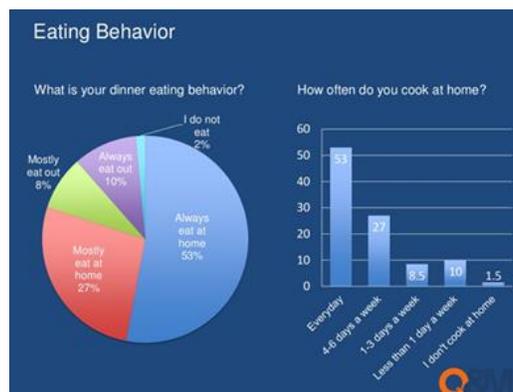


PMG is expected **to list next week**. PMG operates in LPG (Liquefied Petroleum Gas) retail. The company is small (*I expect the market cap will be about \$40mn after listing*) but it's interesting as it has a 60% market share for gas distribution in the middle & southern parts of Vietnam.

VIETNAMESE PREFER TO COOK

I prefer to cook as I feel like I can relieve stress by cooking. Vietnamese enjoy family gatherings, even though it's changing quite fast with busy nuclear families. Some of the statistics by Qandme showed that about 70% of people either always eat at home or mostly eat at home. However, the statistics are 3 years old, and I think this is changing now in the city, while this trend has remained relatively the same in small towns and rural areas.



In big cities like HCM or Hanoi, people have used gas to cook for a long time. For rural areas, gas cooker penetration is still not that high (they instead use wood & straw, biogas, coal). The trend to move to gas for cooking is beginning to grow now:

- Gas cookers are cheap now, and were more expensive in the past. Thanks to local producers, the price now is about \$25 to \$50. Anyone can easily purchase a gas cooker using online stores such as dienmayxanh.com.



\$25 for a gas cooker is affordable for most people

- Average incomes are growing: Using a gas cooker saves more time compared to using wood or coal. This will allow the population to have more time to work or enjoy movies/ social events.
- Gas bottles are cheap now: A 12kg gas bottle is about VND300k. This could last around three months or more for a small family, which is only about VND2k per day (\$0.1).

- Easy to buy: Gas retailers are now almost everywhere, even at small towns and rural areas. They deliver gas bottles by motorbike, and are able to reach any type of location, no matter how small the road is.

PMG OVERVIEW

Petro Center Corporation (PMG) was established in 2007. The company's headquarters are located at Dien Nam –Dien Ngoc Industrial Park, in Quang Nam province. PMG's main business activities include extracting LPG, distributing gas in the Central region, and manufacturing gas cylinders. Currently, the company distributes products under 3 brand names: PMGas, PicnicGas, and Vgas. The company's main customers are households and some big corporations in the region like Dong Tam factory, THACO, etc.



SIMPLE PRODUCTS: WHAT IS THE BUSINESS SECRET?

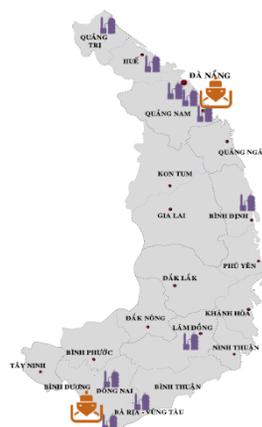
The company's business model is easy to understand: Buying LPG (domestically or importing) => storing LPG => filling LPG in a gas bottle => selling to the end user. However, having strong logistics and investing in infrastructure is the key to success in this business.



PMG – central LPG storage

PMG owns 2 wharves: One of which is located in Dong Nai and the other at Quang Nam (the one at Quang Nam is currently under the design phase). Each wharf can accept vessels of up to 20,000 DWT; these facilities play an important role in receiving large vessels carrying LPG from domestic and international suppliers.

Having its own wharves results in numerous advantages: The company is able to buy larger volume from wholesalers at a better price, storing it at the wharves, which results in the company saving in-land transportation costs.





Wharf



LPG Filling Plant



PMG filling plant

In addition, PMG also owns 3 large warehouses at these wharves and at Dien Nam Industrial Park in Quang Nam, with total capacity of 8,000 tons, making it possible for the company to receive large quantities of product each time and minimize transportation costs.

At Tam Hiep – Nui Thanh – Quang Nam port, PMG began investing in the construction of the third warehouse in June 2015, with storage capacity of nearly 5,000 tons and extraction capacity of up to 36,000 tons p.a.; this project is expected to cost over VND200 billion and the port is expected to begin operating in Q1/2018.

INVESTMENT HIGHLIGHTS

PMG accounts for over **60% of the gas retail market share in this region**, and owns a network of filling plants in large provinces in the central region like Quang Nam and Quang Tri, with total annual filling capacity being nearly 120,000 tons of LPG.

Favorable macroeconomic conditions and consumer habits having changed from traditional cooking methods to using gas, and increasing demand for LPG nationwide will be the main drivers for PMG's revenue growth in the upcoming years.

The provinces that PMG is currently operating in have a **population of 25 million**. The population is not as crowded as Hanoi (where PVG mainly operates) and Hochiminh (where PGS operates) but surely, the competition as well as penetration are both low.

PMG was previously a private company, and is both more flexible and more aggressive than its peers (SOE related). PMG's growth is amazing and truly reflects the entrepreneurial spirit.

<i>(VND million)</i>				
P&L	2014	2015	2016	9M2017
Net revenue	531,166	377,051	447,263	618,643
Gross profit	16,363	41,280	79,896	99,009
Operating profit	(10,685)	10,638	29,272	35,636
Net profit after tax	657	9,365	22,429	38,299
<i>Gross margin (%)</i>	<i>3.1%</i>	<i>10.9%</i>	<i>17.9%</i>	<i>16.0%</i>
<i>Net margin (%)</i>	<i>0.1%</i>	<i>2.5%</i>	<i>5.0%</i>	<i>6.2%</i>
<i>(VND million)</i>				
BALANCE SHEET	2014	2015	2016	9M2017
Current assets	470,120	142,126	397,991	328,647
Non-current assets	114,221	445,911	579,853	968,278
TOTAL ASSETS	584,341	588,037	977,844	1,296,926
Current liabilities	339,751	277,329	386,633	630,618
Non-current liabilities	47,222	101,165	154,984	174,203
Shareholders equity	197,368	209,633	436,227	492,105
<i>ROA (%)</i>	<i>0.1%</i>	<i>1.6%</i>	<i>2.3%</i>	-
<i>ROE (%)</i>	<i>0.3%</i>	<i>4.5%</i>	<i>5.1%</i>	-

PMG key figures

The listing price will be about **VND14,300/ share**. During 9M 2017, the company had VND39.3bn in net

profit after tax, which is equivalent to EPS of VND1,160. According to my estimation, its 2017 EPS will be about VND1,500, which means its trailing P/E is 9.5 (PGS P/E 13.35; PVG P/E 21).

The free float will not be large, as the founder and some big shareholders hold about 50% of the company. However, we would be able to help investors if they are looking for a sizable block. Let us know if you are interested.

	<p>NGUYEN THE TRUNG, ERIC Associate Director Trung.nt@vndirect.com.vn +84 937478432</p> <p>VNDIRECT in alliance with </p>
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