

Shifting toward LNG business

31 May 2024

RECOMMENDATION

	HOLD
Fair price	82,900 VND
Current price	80,100 VND
Upside/downside	3%

STOCK INFORMATION

Outstanding shares (mil)	2,296.7
Free float (mil)	115
Market cap. (billion VND)	184,428.2
3m avg. volume (shares)	1.3 million
Foreign ownership (%)	2.8%
First listing date	21/05/2012

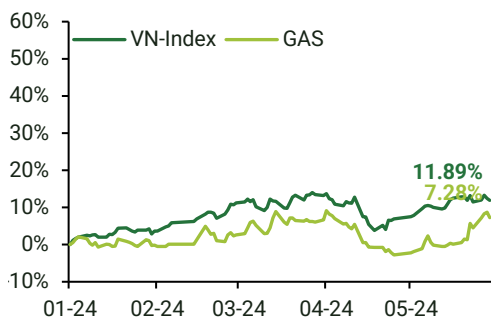
SHAREHOLDER STRUCTURE

PetroVietnam	96.2%
Others	3.8%

KEY ATTRIBUTES

TTM EPS (VND)	4,688.1
BVPS (VND)	40,080.5
Debt/Equity (%)	8%
ROA (%)	12.2%
ROE (%)	16.7%
P/E	17.3
P/B	2.8
Dividend yield (%)	3.7%

PRICE PERFORMANCE



COMPANY PROFILE

PetroVietnam Gas (GAS) is the only dry gas supplier in Vietnam and accounts for the majority of LPG and Condensate sales in this market. The company holds a monopoly position in Vietnam market with a complete gas infrastructure system, including gas collection system at sources, distribution and transportation pipelines, storage system and gas processing plants.

ANALYST(S)

Nguyen Thien Nhan
nhannnguyen@phs.vn

- In the first 5 months of 2024, GAS achieved Net revenue and PBT of VND41.5tn and VND5.2tn, respectively, through the consumption of 3bcm of dry gas and over 1.2mn tons of LPG.
- At the meeting, the company uncovered its plan and determination to grow sustainably in the future by focusing on LNG business.
- The shareholders' meeting also approved a cash dividend plan with a rate of 60% on charter capital (VND6,000 per share).
- GAS stock has already increased by more than 10% in May and is currently trading at P/E ratio of 17.2. We recommend HOLD (from BUY) for GAS with a potential upside of 3%.

Business plan

At the Annual General Meeting of Shareholders (AGM), the financial results for 2024 were approved based on the following assumptions: The avg. Brent crude price in 2024 is projected to reach USD70/barrel. Dry gas consumption is expected to decline to 6.3bcm, a nearly 14% decrease compared to 2023. The company attributes this decline to unstable consumption from the electricity customers (facing strong competition from coal-fired and renewable energy sources) and ongoing challenges for the industrial customers due to external factors and declining gas supply from existing fields. Additionally, consumption targets for LPG and condensate are also reduced by 25% and 11%, respectively, relative to 2023, reaching 1,854 tons and 76.4 tons.

Accordingly, the consolidated revenue is planned to be VND70,176bn (-22% YoY), and the NPAT would be VND5,798bn, a 51% decline compared to 2023.

We deem this plan to be conservative, given the Brent crude prices remaining above USD80/barrel. This price level is supported by the upcoming tourist season in the US and the determination of OPEC+ to maintain high oil prices. Assuming that dry gas consumption in the current year (including LNG) decreases slightly by 4% compared to 2023, and LPG consumption continues to grow steadily, PHS forecasts that Net revenue will remain flat at VND90,071bn, while NPAT will drop slightly to VND11,115bn. Then, Gross margin and Net profit margin could be 18% and 12% respectively, both lower than in 2023.

In fact, during the first 5 months of 2024, GAS reported revenue and PBT of VND41.5tn and VND5.2tn, achieving 46% of our forecasts.

Promoting LNG consumption as domestic supply declines

At the meeting, PVGas reported that in the first 5M2024, the company imported 320mcm of LNG, valued at around VND3,500bn and primarily supplied industrial customers and the Phu My 3 power plant, also planned to supply Phu My 2.2 power plant (via the Thi Vai - Phu My pipeline).

In the near future, GAS will focus on delivering LNG to two new LNG power plants, Nhon Trach 3 and 4, with a total capacity of 1,500 MW. These plants are expected to be completed and undergo testing in Q4/2024. The company is negotiating long-term LNG contracts to meet 35% of the electricity production for the two power plants.