

PetroVietnam Gas JSC

(HOSE: GAS)

Trading Buy

(Update)

Target price
VND 133,600

(Upside: 14.3%)

Block B O Mon to spark growth momentum

Mirae Asset Securities (Vietnam) JSC

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Valuation

Our valuation of PetroVietnam Gas JSC (GAS) is based on its historical earning multiple performance. With a forecast 2022 NPATMI of VND14,445bn, EPS should reach VND7,419. Assessing the current market risk, we estimate that the target P/E of GAS in 2022 will be towards the 5-year average of 18.01x. We raise our target price to VND133,600/share, and maintain our Trading Buy rating.

Investment points

Significant progress in block B - O Mon project

In a meeting between PetroVietnam (PVN) and the Can Tho authority in May, it was reported that the Block B - O Mon gas power plant is expected to be granted a final investment decision in July 2022, which would be the legal basis for construction to begin on the project in the second half of the year. GAS will make a capital contribution of 51% to the Block B - O Mon gas pipeline project, with a total investment of VND28,788bn.

GAS hits 90% annual earnings guidance after only five months

In May, GAS recorded an estimated EBT of VND1,689bn, VND7,982bn of EBT in 5M2022, and completed over 90% of its earnings guidance (within the first five months of 2022). May's results recorded the highest profit before tax since the beginning of the year, 20% higher than the average level of the first quarter, and up by 23% compared with April's results.

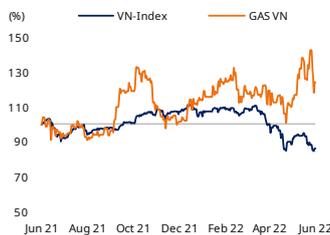
2022 earnings growth forecast raised

Thanks to GAS' solid performance in 5M22 and an estimated average Brent oil price of US\$95/barrel, GAS's 2022 revenue is expected to reach VND112,169bn (up 17.8% compared with the previous forecast). Accordingly, net profit after tax is estimated to be VND14,445bn (+9%), equivalent to an EPS of VND7,419.

Development of LNG projects remain on track

GAS is focusing on construction of the Thi Vai LNG storage tank project, with a total capacity of 1mn tons of LNG/year, and due to start LNG imports in 2023. In 1Q22, GAS established the Son My LNG terminal project company, preparing for implementation of the project in 2023.

Key metrics



Price on 23/06/22 (VND)	116,800	Market cap (VND bn)	223,549
NPAT (22F, VND bn)	14,445	Shares outstanding (mn share)	1,914
EPS growth (22F, %)	66.5	Free float (%)	4.2
Market EPS growth (22F, %)	n/a	Foreign ownership (%)	2.9
P/E (22F, x)	16.7	Beta (12M)	0.9
Market P/E (x)	13.0	52-week low	85,000
VN-Index	1,241	52-week high	134,000

Share performances

(%)	1T	6T	12T
Absolute	10,4	22,0	24,4
Relative	14,0	41,6	38,0

Earnings and valuation metrics

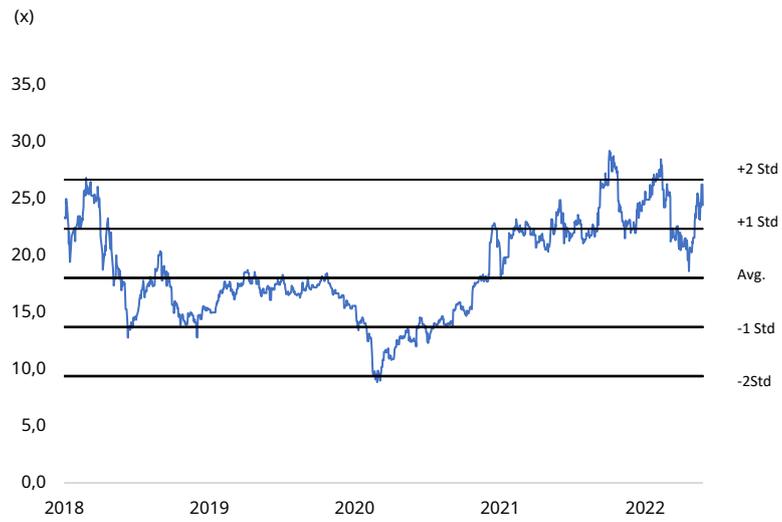
FY (31/12)	2018	2019	2020	2021	2022 (F)	2023 (F)
Revenue (VNDbn)	75,612	75,005	64,135	78,992	112,169	123,386
OP (VNDbn)	14,581	15,072	9,923	11,173	18,363	20,005
OP margin (%)	18.2	18.2	13.6	14.1	16.4	16.2
NP (VNDbn)	11,454	11,902	7,855	8,673	14,445	15,729
EPS (VND)	5,911	6,142	4,028	4,531	7,419	8,074
ROE (%)	26.1	25.1	15.9	17.06	25.21	23.03
P/E (x)	14.7	15.3	22.0	18.5	16.7	15.3
P/B (x)	3.7	3.7	3.5	3.4	3.8	3.2
Dividend yield (%)						

Note: Net profit refers to net profit attributable to controlling interests

Source: company data, Bloomberg, Mirae Asset Vietnam Research

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GAS' 5-year historical P/E



Source: Bloomberg

PetroVietnam Gas JSC (HOSE: GAS)

Comprehensive Income Statement (Summarized)				
(VNDbn)	2021	2022F	2023F	2024F
Revenue	78,992	112,169	123,386	129,555
COGS	(65,007)	(91,978)	(102,410)	(106,724)
Gross profit	13,986	20,190	20,976	22,831
SG&A	(3,612)	(3,198)	(3,174)	(3,328)
Operating profit	11,158	18,363	20,005	21,828
Operating profit (adjusted)	11,158	18,363	20,005	21,828
Non-Operating Profit	32	-	-	-
Net Financial Income	784	1,370	1,161	1,116
Net Gain from Inv in Associates	15	-	-	-
Pre-tax Profit	11,205	18,363	20,005	21,828
Income Tax	(2,304)	(3,673)	(4,001)	(4,366)
Profit from Continuing Operations	11,158	18,363	20,005	21,828
Other Profit	32	-	-	-
Net Profit	8,673	14,445	15,729	17,148
Net profit of the parent Company	8,494	14,200	15,454	16,833
Minority interest	179	245	275	315
NPAT	8,673	14,445	15,729	17,148
Net profit of the parent Company	8,494	14,200	15,454	16,833
Minority interests	179	245	275	315
EBITDA	13,869	21,451	23,300	25,499
FCF (Free Cash Flow)	(152)	4,432	9,219	8,793
EBITDA Margin (%)	17.6	19.1	18.9	19.7
Operation Profit Margin (%)	14.1	16.4	16.2	16.8
Net Profit Margin (%)	10.8	12.7	12.5	13.0

Cashflows (summarized)				
(VNDbn)	2021	2022F	2023F	2024F
Cash Flow from the operating Activities	7,026	10,369	17,798	18,427
Pre-tax profit	11,205	18,363	20,005	21,828
Non-cash expense	2,555	3,819	3,641	4,140
Depreciation	2,968	3,467	3,738	4,193
Amortization				
Others	-413	352	-97	-53
Chg. In Working Capital	-4,429	-8,140	-1,847	-3,176
Chg. In AR & Other Receivable	-6,682	-4,875	-2,817	-2,630
Chg. In Inventories	-1,579	-675	-797	-524
Chg. In AP & Other payables	3,831	-2,590	1,767	-22
Income Tax Paid	-2,304	-3,673	-4,001	-4,366
Cash Flow from Inv Activities	-6,561	-6,002	-8,474	-9,637
Chg. In PP&E	1,635	-6,000	-6,642	-7,353
Chg. In Intangible Assets	0	0	0	0
Chg. In other Long-term Inv	-21	-490	0	0
Chg. In other Non-current Assets	-8,175	488	-1,832	-2,285
Cash Flow from Fin Activities	-102	-4,434	-1,655	-1,816
Chg. In Financial liabilities	5,014	-472	3,321	2,105
Issued Shares	0	0	0	0
Dividend Paid	-6,699	-6,699	-6,699	-6,699
Others	1,583	2,738	1,723	2,778
Increase (Decrease) in Cash	363	-67	7,669	6,974
Beginning Balance	5,237	5,600	5,534	13,203
Ending Balance	5,600	5,534	13,203	20,177

Balance sheet (summarized)				
(VNDbn)	2021	2022F	2023F	2024F
Current Assets	51,395	55,703	66,670	77,401
Cash and Cash Equivalents	5,600	5,534	13,203	20,177
AR and Other Receivables	16,921	21,796	24,613	27,243
Inventories	3,241	3,916	4,713	5,237
Others	25,633	24,457	24,141	24,744
Non-Current Assets	27,373	29,908	34,644	40,088
Short-term Investment	390	880	880	880
Property, Plant and Equipment	17,688	20,720	23,895	27,510
Other non-current assets	9,295	8,307	9,869	11,698
Total assets	78,768	85,610	101,314	117,489
Current liabilities	16,561	12,318	14,193	14,651
AP & other Payable	6,631	3,740	4,349	4,907
Short-term Financial Liabilities	485	948	817	750
Other Current Liabilities	9,446	7,630	9,028	8,994
Non-Current Liabilities	10,010	10,891	12,946	15,151
Long-term Financial Liabilities	7,510	9,012	10,815	12,977
Other Non-current Liabilities	2,500	1,879	2,131	2,173
Total Liabilities	26,572	23,209	27,139	29,801
Current liabilities	52,186	62,401	74,175	87,687
AP & other Payable	19,140	19,140	19,140	19,140
Short-term Financial Liabilities	-	-	-	-
Other Current Liabilities	32,868	43,017	54,760	68,233
Non-Current Liabilities	179	245	275	315
Long-term Financial Liabilities	8,494	14,200	15,454	16,833

Forecast/valuations (summarized)				
	2021	2022F	2023F	2024F
P/E (x)	23.55	14.08	12.94	11.88
P/CF (x)	550.8	-3005.0	26.1	28.7
P/B (x)	3.8	3.2	2.7	2.3
EPS (VND)	4,438	7,419	8,074	8,795
CFPS (VND)	190	-35	4,007	3,644
BPS (VND)	27,266	32,604	38,755	45,815
DPS (VND)	3,500	3,500	3,500	3,500
Payout Ratio (%)	79%	47%	43%	40%
Dividend Yield (%)	3.35%	3.35%	3.35%	3.35%
Revenue Growth (%)	23.17%	42.00%	10.00%	5.00%
EBITDA Growth (%)	-124.20%	54.67%	8.62%	9.44%
Inventory Turnover (x)	20.06	29.55	27.11	25.57
Day Inventory Outstanding (days)	18.20	12.35	13.46	14.27
Account Receivable Turnover (x)	5.82	5.79	5.32	5.00
Day Receivable Turnover (days)	62.75	62.99	68.64	73.05
Account Payable Turnover (x)	6.00	7.77	9.31	8.98
Day Payable Turnover (days)	60.79	46.99	39.21	40.63
ROA	12.22%	17.58%	16.83%	15.67%
ROE	17.06%	25.21%	23.03%	21.19%
ROIC	17.04%	23.80%	22.56%	22.29%
Liabilities to Equity Ratio (%)	52.27%	40.51%	39.74%	36.82%
Current Ratio (%)	3.10	4.52	4.70	5.28
Net Debt to Equity Ratio (%)	15.32%	15.96%	15.68%	15.65%
Interest coverage ratio (x)	35.84	47.46	44.21	40.80

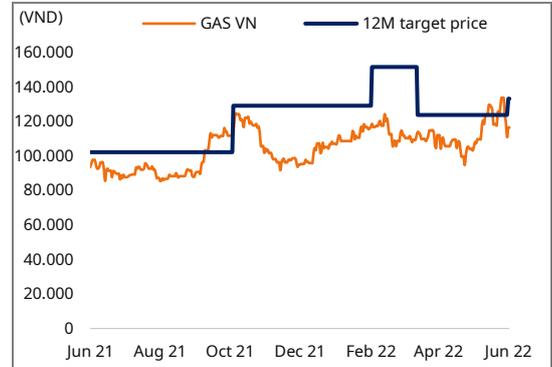
Source: company data, Bloomberg, Mirae Asset Vietnam Research

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
PetroVietnam Gas JSC (GAS VN)	14/07/20	Hold	65,500
PetroVietnam Gas JSC (GAS VN)	24/11/20	Trading Buy	95,000
PetroVietnam Gas JSC (GAS VN)	06/04/21	Trading Buy	102,500
PetroVietnam Gas JSC (GAS VN)	26/08/21	Trading Buy	102,500
PetroVietnam Gas JSC (GAS VN)	26/10/21	Trading Buy	129,500
PetroVietnam Gas JSC (GAS VN)	24/02/22	Buy	152,000
PetroVietnam Gas JSC (GAS VN)	04/05/22	Trading Buy	124,100
PetroVietnam Gas JSC (GAS VN)	23/06/22	Trading Buy	133,600



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

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