

# PV GAS (GAS)

## Attractive dividend yields

June 6, 2024

Analyst Pham Minh Hieu  
hieupm@kbsec.com.vn

**1Q gross profit sharply dropped because of unfavorable business situation**

1Q revenue of PetroVietnam Gas JSC (GAS) gained 9.9% YoY mainly thanks to increased LPG trading on the international market. Gross profit saw a steep fall of 23.8% YoY due to disadvantages in input costs, output, and gas consumption.

**Crude oil prices may stay high after the OPEC+ meeting**

OPEC+ has decided to extend the cut of 2.2 million barrels/day until the end of 3Q24 and then will plan to pump back the cut amount to the market within the next 12 months, depending on market supply and demand. Currently, KBSV still maintains the assumption that Brent oil prices will stay high and reach an average of USD83/barrel in 2024.

**LNG projects are making progress, helping to improve long-term LNG consumption prospects**

The Ministry of Industry and Trade officially approved the pre-tax electricity generation price frame for gas thermal power plants using LNG, ranging from VND0 to VND2,590/kWh. The price ceiling is about 15% higher than that for renewable energy sources. We expect this will help remove obstacles and ensure progress for downstream LNG gas power projects in Vietnam.

**Strongly increase cash dividends for 2023**

At the AGM, the management and shareholders agreed on a cash dividend plan of VND6,000/share (100% higher than our expectations), equivalent to a dividend yield of 7.4% compared to the closing price VND80,300/share on June 6, 2024.

**Valuation: BUY rating – target price VND87,100/share**

The target price for GAS is VND87,100/share, 8.5% higher than the closing price VND80,300 on June 6, 2024. We changed to a BUY rating as the dividend yield was raised to 7.4%, creating a total expected return of 15.9%.

**Buy** change

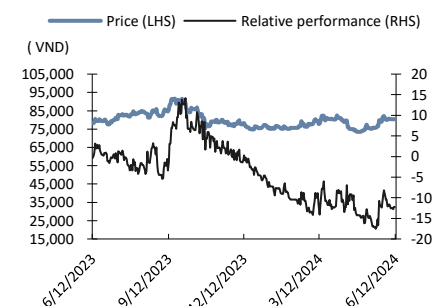
<b>Target price</b>	<b>VND87,100</b>
Upside	8.5%
Current price (Jun 6, 2024)	VND80,300
Consensus target price	VND86,600
Market cap (VNDtn/USDbn)	185.1/7.3

<b>Trading data</b>	
Free float	4.2%
3M avg trading value (VNDbn/USDmn)	102.7/4.1
Foreign ownership	2.1%
Major shareholder	PetroVietnam (PVN, 92.1%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	7.8	0.6	1.0	1.7
<b>Relative</b>	4.3	-1.1	-13.0	-14.2

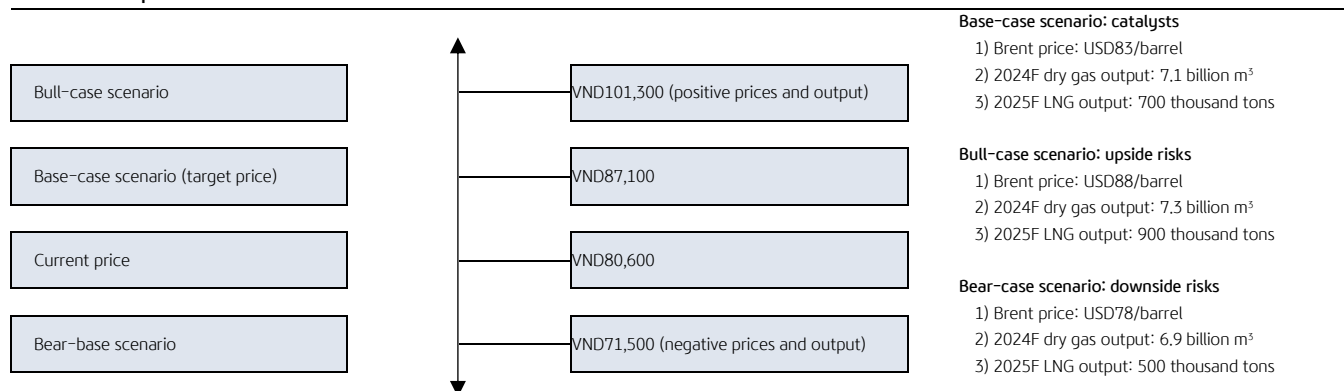
### Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	100,724	89,954	91,309	99,384
Operating income/loss (VNDbn)	17,799	12,906	13,162	14,241
NPAT-MI (VNDbn)	14,794	11,606	11,655	12,347
EPS (VND)	7,647	4,972	5,074	5,375
EPS growth (%)	75.6	-35.0	2.0	6.0
P/E (x)	10.7	16.4	16.1	15.2
P/B (x)	2.6	2.9	2.9	2.6
ROE (%)	24.6	18.1	18.3	17.6
Dividend yield (%)	3.8	3.8	7.4	4.3



Source: Bloomberg, KB Securities Vietnam

## Investment opinion & risks



## Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
<b>Revenue</b>	91,503	96,355	91,309	99,384	(0.2)	3.1
<b>EBIT</b>	13,496	14,081	13,162	14,241	(2.5)	1.1
<b>NP after MI</b>	11,929	12,244	11,655	12,347	(2.3)	0.8

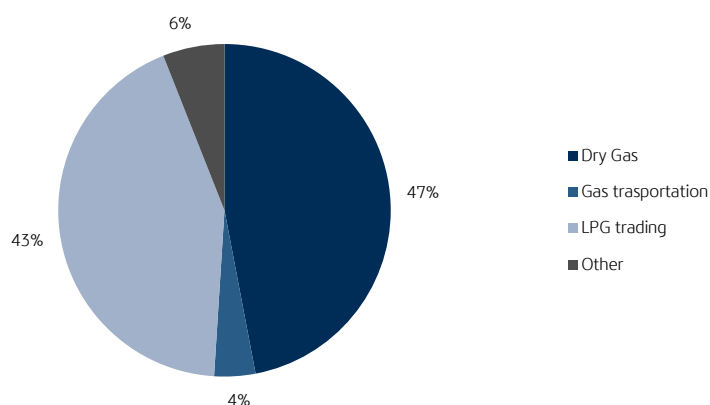
Source: KB Securities Vietnam

## KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
<b>Revenue</b>	91,309	99,384	88,608	94,464	3.0	5.2
<b>EBIT</b>	13,162	14,241	13,045	14,044	0.9	1.4
<b>NP after MI</b>	11,655	12,347	11,245	11,901	3.6	3.7

Source: Bloomberg, KB Securities Vietnam

## Revenue composition (2023)



Source: PetroVietnam Gas, KB Securities Vietnam

## Business operation

PetroVietnam Gas JSC (GAS) was established in 1990 and has been a member unit of the Vietnam National Oil and Gas Group. GAS mainly operates in the fields of collecting, transporting, storing, processing, exporting, importing, and trading gas and gas products. The JSC holds the No. 1 position in supplying dry gas, LPG and LNG in Vietnam.

## 1Q24 performance updates

### 1Q gross profit sharply dropped because of unfavorable business situation

1Q revenue of PetroVietnam Gas JSC (GAS) gained 9.9% YoY mainly thanks to increased LPG trading on the international market. Gross profit saw a steep fall of 23.8% YoY as input and output prices were unfavorable for GAS. The key customer group, gas power plants, also reduced mobilization according to the plan of the Ministry of Industry and Trade.

**Table 1. GAS – Updated business results**

(VNDbn, %)	1Q23	1Q24	+/-%YoY	3M23	3M24	+/-%YoY	Notes
Revenue	21,215	23,315	9.9%	21,215	23,315	9.9%	Revenue growth was attributable to a sharp increase in LPG consumption (+64% YoY).
Gross profit	4,842	3,691	-23.8%	4,842	3,691	-23.8%	The sharp decline was because (1) dry gas consumption decreased 13.5% YoY, (2) average output price fell 11% YoY, while (3) raw material costs surged 26.2% YoY.
Gross profit margin	22.8%	15.8%		22.8%	15.8%		
Financial income	536	463	-13.6%	536	463	-13.6%	
Financial expenses	75	181	141.3%	75	181	141.3%	
Profit from affiliates	-0.6	-0.2	-66.7%	-0.6	-0.2	-66.7%	
SG&A	1,063	803	-24.4%	1,063	803	-24.4%	
Operating income/loss	4,240	3,170	-25.2%	4,240	3,170	-25.2%	
Other income	27	1	-96.3%	27	1	-96.3%	
Profit before taxes (PBT)	4,268	3,171	-25.7%	4,268	3,171	-25.7%	
Profit after taxes (NPAT)	3,417	2,544	-25.6%	3,417	2,544	-25.6%	
NPAT after MI	3,350	2,512	-25.0%	3,350	2,512	-25.0%	
NPAT margin	15.8%	10.8%		15.8%	10.8%		
Dry gas consumption (million tons)	1,887	1,632	-13.5%	1,887	1,632	-13.5%	
By power plants	1,372	1,115	-18.7%	1,372	1,115	-19%	Gas power mobilization was low because the Ministry of Industry and Trade prioritized other power sources in 1Q24.
By fertilizer plants	292	299	2.4%	292	299	2%	
By industrial parks	223	218	-2.2%	223	218	-2%	
LPG consumption (thousand tons)	417	683	63.8%	417	683	64%	The growth mainly came from exports.
Brent price (USD/barrel)	83	83	0.0%	83	83	0%	
FO price (USD/ton)	380	439	15.6%	380	439	16%	
LPG price (USD/ton)	706	618	-12.4%	706	618	-12%	

Source: PetroVietnam Gas, KB Securities Vietnam

**KBSV maintains the assumption in which crude oil prices will stay high after the OPEC+ meeting on June 2, 2024**

OPEC+ has decided to extend the cut of 2.2 million barrels/day until the end of 3Q24 and then will plan to pump back the cut amount to the market within the next 12 months. However, this bloc may accelerate or lower the speed of easing, depending on market developments. Therefore, we still maintain the assumption that Brent oil price will average USD83/barrel in 2024.

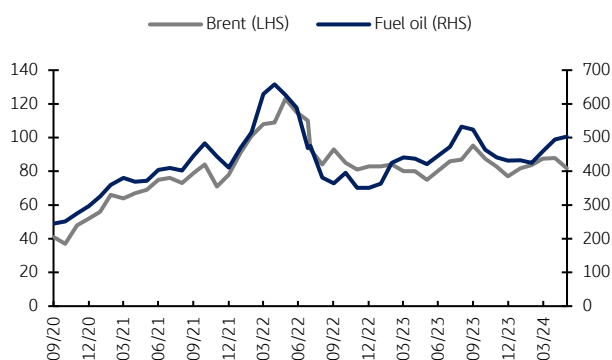
**LNG imported volume is higher than expected**

GAS said it imported 320 million m<sup>3</sup> (~232 thousand tons) of LNG in the first five months of 2024 to serve consumption needs from gas power plants and industrial parks during the peak season. The import value reached more than VND3,500 billion, equivalent to an import price of about USD12.45/mmBTU according to our estimates. Information about LNG selling prices has not yet been disclosed by the company. In the short term, we believe that GAS may have difficulty finding cheap gas sources as Asian LNG prices tend to surge when countries stockpile for the record hot season. The key link in the LNG project, Nhon Trach 3&4 Power Plants, is also facing difficulties in the legal stage of land lease. We temporarily raise our forecast for LNG consumption for 2024 from 40 to 300 thousand tons.

**LNG projects are making progress, helping to improve long-term LNG consumption prospects**

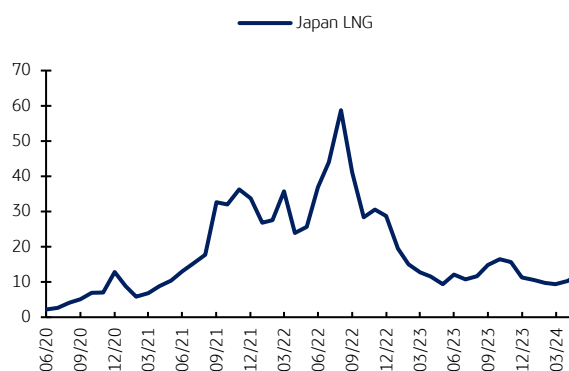
The Ministry of Industry and Trade officially approved the pre-tax electricity generation price frame for gas thermal power plants using LNG, ranging from VND0 to VND2,590/kWh. The price ceiling is about 15% higher than that for renewable energy sources. We expect this will help remove obstacles and ensure progress for downstream LNG gas power projects in Vietnam.

**Fig 2. Global – Brent crude oil price (USD/barrel) & FO price (USD/ton)**



Source: Bloomberg, KB Securities Vietnam

**Fig 3. Japan – LNG price (USD/mmBTU)**



Source: Bloomberg, KB Securities Vietnam

**Approved investment plan for 2024 is much lower than expected**

We estimate GAS's investment needs in 2024–2030 to reach VND50 trillion. For 2024, we adjusted our Capex forecast because GAS only set an investment plan of VND1.9 trillion (27.2% of the forecast in the last report).

**GAS strongly increased cash dividends for 2023**

At the AGM, the management and shareholders agreed on a cash dividend plan of VND6,000/share (100% higher than our expectations), equivalent to a dividend yield of 7.4% compared to the closing price VND80,300/share on June 6, 2024. For 2024, GAS plans to pay cash dividends of VND2,000/share and increase charter capital by 2% through stock dividends.

## Forecast & valuation

**Table 4. GAS – 2024–2025F business results**

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Notes
Revenue	89,954	91,309	1.5%	99,384	8.8%	The 0.2% decrease compared to the last report is due to a 4.8% decline in dry gas consumption but an increase in LNG gas consumption forecast from 40 to 300 thousand tons.
Gross profit	16,925	17,241	1.9%	18,906	9.7%	
Gross profit margin	18.8%	18.9%		19.0%		The forecast for input gas prices was increased by 5% compared to the last report.
Financial income	2,273	2,273	0.0%	2,273	0.0%	
Financial expenses	587	604	2.9%	801	32.6%	The forecast was lowered by 20.1% due to adjusting the company's planned investment capital and loan capital forecast for 2024.
Profit from affiliates	27	27	1.1%	27	0.0%	
SG&A	4,019	4,079	1.5%	4,438	8.8%	
Operating income/loss	14,619	14,858	1.6%	15,967	7.5%	
Other income	-13	0	-100.0%	0	N/A	
Profit before taxes (PBT)	14,606	14,858	1.7%	15,740	5.9%	
Profit after taxes (NPAT)	11,793	11,886	0.8%	12,592	5.9%	
NPAT after MI	11,606	11,655	0.4%	12,347	5.9%	
NPAT margin	12.9%	12.8%		12.4%		
Dry gas consumption (million tons)	7,300	7,114	-2.6%	7,345	3.3%	The forecast was downgraded 4.8% compared to the last report due to a decrease in consumption from electricity and industrial customers.
By power plants	5,189	4,908	-5.4%	5,215	6.2%	The forecast declined 3.4% compared to the last report due to weaker-than-expected 1Q24 results. In 2024, the Ministry of Industry and Trade will increase mobilization from coal power and renewable energy. However, we expect that gas power mobilization output may improve in 2Q24 as the Ministry of Finance adjusted the electricity generation capacity plan by 1.4%.
By fertilizer plants	1,132	1,209	6.8%	1,102	-8.9%	We expect more stability from the low base in 2023. There is no major maintenance in 2024.
By industrial parks	980	996	1.6%	1,028	3.3%	The projection was adjusted down 11.1% compared to the last report due to weaker-than-expected 1Q24 results.
LPG consumption (thousand tons)	2,450	2,450	0.0%	2,450	0.0%	
Brent price (USD/barrel)	83	83	0.0%	80	-3.6%	
FO price (USD/ton)	442	442	0.0%	426	-3.6%	
LPG price (USD/ton)	577	577	0.0%	566	-1.8%	

Source: PetroVietnam Gas, KB Securities Vietnam

### Valuation: BUY rating – target price VND87,100/share

We used a combination of FCFF and P/E comparison to value GAS and give a target price at VND87,100/share, 8.5% higher than the closing price of VND80,300/share on June 6, 2024. The target P/E level of 16.3x is chosen according to the median P/E of GAS in five years. We gave a BUY rating to GAS because the dividend yield has been raised to 7.4%, creating a total expected return of 15.5%.

**Table 5. GAS – FCFF valuation**

Risk-free rate	4.7%	Present value of terminal value (VNDbn)	128,004
Equity risk premium	7.6%	Total present value for the period 2024–2028	39,869
Beta	0.69	<b>Total present value</b>	<b>167,873</b>
Average interest rate	7.5%	Plus: Cash & Short-term investments	44,258
Taxes	20.0%	Minus: Net Debt	-6,206
<b>Weighted cost of capital</b>	<b>9.1%</b>	Minus: Minority interest	-1,481
Terminal growth rate	1.5%	<b>Equity value</b>	<b>204,444</b>
		Number of shares outstanding (million shares)	2,297.00
		<b>Equity value/share (VND)</b>	<b>89,000</b>

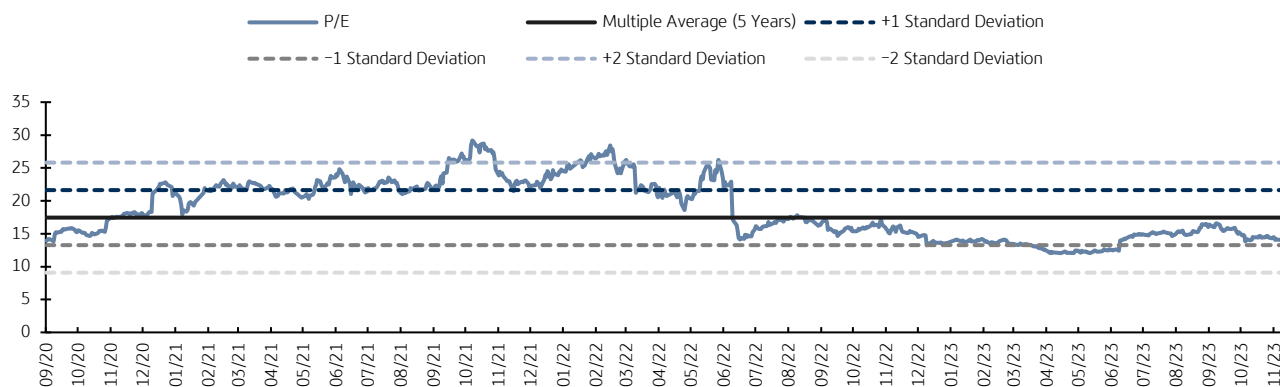
Source: Bloomberg, KB Securities Vietnam

**Table 6. GAS – Final valuation**

Valuation method	Forecast price	Weighting	Price per weight
FCFF	89,000	70%	62,300
P/E (16.3x)	82,706	30%	24,812
<b>Target price (rounded)</b>			<b>87,100</b>
Current price (Jun 6, 2024)			80,600
Upside			8.1%
Dividend yield			7.4%
Total return			15.5%

Source: Bloomberg, KB Securities Vietnam

**Fig 7. GAS – P/E in 2020–2024 (x)**



Source: Bloomberg, KB Securities Vietnam



## KB SECURITIES VIETNAM RESEARCH

---

### Nguyen Xuan Binh – Head of Research

binhnx@kbsec.com.vn

### Banks, Insurance & Securities

#### Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

#### Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

### Real Estate, Construction & Materials

#### Pham Hoang Bao Nga – Manager

ngaphb@kbsec.com.vn

#### Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

### Retails & Consumers

#### Nguyen Truong Giang – Analyst

giangnt1@kbsec.com.vn

### Industrial Real Estate, Logistics

#### Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

### Oil & Gas, Chemicals

#### Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

### Research Division

research@kbsec.com.vn

### Macro & Strategy

#### Tran Duc Anh – Head of Macro & Strategy

anhtd@kbsec.com.vn

#### Vu Thu Uyen – Analyst

uyenvt@kbsec.com.vn

#### Nghiem Sy Tien – Analyst

tienss@kbsec.com.vn

#### Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

### Support team

#### Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

#### Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn



## KB SECURITIES VIETNAM (KBSV)

---

### Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam  
Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam  
Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam  
Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

### CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656  
Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276  
Email: ccc@kbsec.com.vn  
Website: www.kbsec.com.vn

## Investment ratings & definitions

---

### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.