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# PV Gas (GAS)

## Modest miss to preliminary full-year earnings

### Preliminary 4Q earnings down 46% YoY and small miss to full-year expectations

— Preliminary 4Q earnings (before minorities) for GAS could be down by 46% YoY to VND1,636 billion on a 3% YoY increase in revenue to VND17,557 billion. Should this estimate reflect actual results, 4Q earnings would miss our forecast by 19% amid a shortfall in wet natural gas output. The General Statistics Office of Vietnam estimated that wet natural gas output fell by 21% YoY in October and 16% YoY in November. That said, selling prices have remained firm and should more than offset lower volumes to explain topline sales that beat our quarterly forecast by 12%. On an annual basis, preliminary earnings before minorities of VND7,883 billion would be down 35% YoY and miss our 2020E forecast by 4.6%, while sales of VND66,183 billion would be down 12% YoY but 3% ahead of our forecast and consensus. Full-year performance would also exceed the company's annual target by 19% but the company is well-known for beating guidance by 40%–50%.

### Maintain Buy and 12-month target price of VND89,200; switch to GAS from PVS & PVD

— We continue to recommend switching into PV Gas (GAS, BUY, TP VND89,200) from both PV Technical Services (PVS, HOLD, TP VND11,000) and PV Drilling & Well Services (PVD, HOLD, TP VND9,600). PV Gas remains our top pick for the oil & gas sector as Vietnam shifts to natural gas and LNG imports as the country's principal energy source for power generation. Recovery in natural gas volumes is already underway, with the *Nam Con Son 2* pipeline project entering full operations in December following November's startup of the *Sao Vang* field. Moreover, phase one of GAS's *Thi Vai* LNG terminal is ahead of schedule and should begin commercial operations by 2022E. In contrast, we remain cautious on upstream operators such as PVS and PVD due to the slow recovery in oil prices – which are still below South East Asia's USD55.00 breakeven – that risks project delays that may negatively impact the profitability of upcoming project contracts.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

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

Buy:	Hold:	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

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