

November 19, 2020

Oil & Gas Analyst
 Nguyen Thanh Danh
 danhnt@kbsec.com.vn

Starting as scheduled in 4Q and represents about 15% of Vietnam's total 2019 output

The *Sao Vang* field will begin pumping operations as scheduled in 4Q and is one of two offshore fields in the *Sao Vang-Dai Nguyet* project connected to mainland facilities via the *Nam Con 2* pipeline. Located in the *Nam Con Son* basin off the southern coast and operated by Idemitsu of Japan, the *Sao Vang-Dai Nguyet* fields' proven reserves of 16 billion cubic metres should produce about 1.5 billion cubic metres of natural gas per year or 22% of the entire *Nam Con Son* field and 15% of Vietnam's total annual gas output in 2019.

Start up in line with expectations; maintain Buy and 12-month TP of VND89,200

The *Sao Vang* field's 4Q start up is in line with expectations and currently reflected in our above-consensus forecasts especially for our 2021E outlook. Moreover, we expect the *Dai Nguyet* field – the second field in the *Sao Vang-Dai Nguyet* project – to begin operations in 2022E with GAS to benefit from any additional production output as Vietnam's sole distributor of natural gas. 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. 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).

Buy maintain

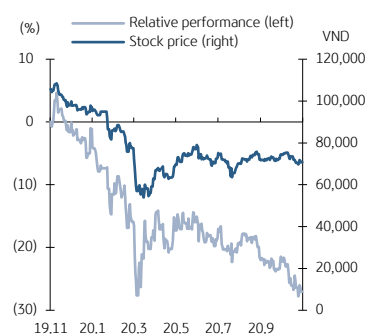
Target Price	VND89,200
Total return (%)	17.0%
Current price (Nov 18)	VND80,000
Consensus target price	VND79,200
Mkt capitalization (USDbn)	USD6,606mn

Trading data	
Free float (%)	4.2%
Avg trading value (3M)	USD2.77mn
Foreign available (%)	46.0%
Major shareholders (%)	PetroVietnam (95.8%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-6.1	-1.5	-3.7	-34.1
Relative	-5.6	-11.2	-14.1	-29.2

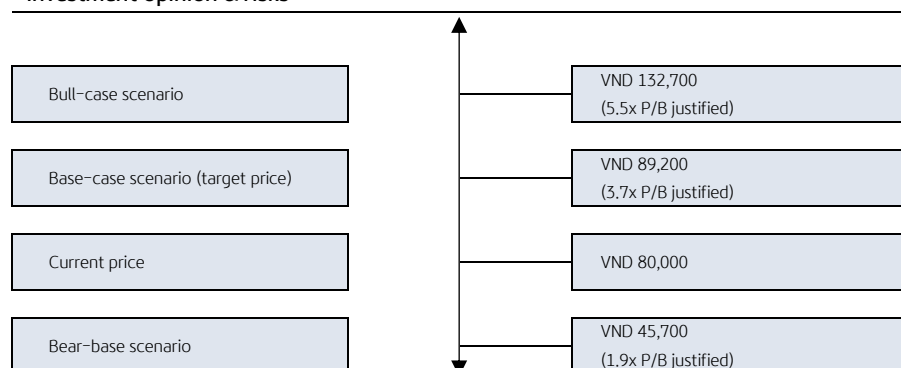
Forecast earnings & valuation

Fiscal year-end	2019A	2020E	2021E	2022E
Revenue (VNDbn)	75,005	64,242	74,820	89,785
EBIT	13,649	9,158	14,114	16,786
NP attributable to parent	11,902	8,092	11,560	13,726
EPS (VND)	6,219	4,228	6,040	7,171
EPS growth (%)	3.9	(32.0)	42.8	18.7
P/E (x)	12.9	18.9	13.2	11.2
EV/EBITDA (x)	8.8	11.5	8.1	6.8
P/B (x)	3.1	3.3	3.1	2.9
ROE (%)	24.7	16.9	24.2	26.7
Div yield (%)	5.5	3.8	5.5	6.5



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Base-case scenario: catalysts

- 1) Brent prices above USD55 in 2021E
- 2) LNG terminal construction underway
- 3) HSFO continued recovery

Bull-case scenario: upside risk

- 1) Brent prices above USD55 in 2020E
- 2) New mega gas field approvals
- 3) LNG terminal ahead of schedule

Bear-case scenario: downside risk

- 1) Coronavirus second wave
- 2) Delays on new LNG terminal
- 3) Further delays on new gas fields

Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2020E	2021E	2020E	2021E	2020E	2021E
Revenue					na	na
EBIT					na	na
OP					na	na
NP after MI					na	na

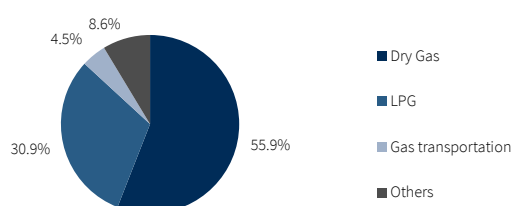
Source: Bloomberg, KB Securities Vietnam

KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2020E	2021E	2020E	2021E	2020E	2021E
Revenue	64,242	74,820	63,001	72,244	2.0	3.6
EBIT	9,158	14,114	9,711	11,923	(5.7)	18.4
OP	10,370	14,885	9,837	11,768	5.4	26.5
NP after MI	8,092	11,560	8,042	9,562	0.6	20.9

Source: Bloomberg, KB Securities Vietnam

Revenue composition (2019)



Source: Company reports, KB Securities Vietnam

Peer group comparison

(USDbn, x, %)	Mkt Cap	12m fwd P/E	3y EPS CAGR	12m fwd ROE	12m fwd P/B
GAS VN	6.8	17.0	-5.3	18.2	3.1
PGAS IJ	2.3	18.8	-16.5	4.2	0.9
GAIL IN	5.7	7.6	1.9	10.8	0.8
PLNG IN	5.3	12.9	14.2	24.6	2.7
9531 JP	11.1	17.4	-5.7	5.5	1.0
9532 JP	8.8	13.6	25.0	6.1	0.9

Source: Bloomberg, KB Securities Vietnam

Table 1. PV Gas (GAS) – Earnings versus consensus estimates, 2020E–2021E (VND billion, %)

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2020E	2021E	2020E	2021E	2020E	2021E
Revenue	64,242	74,820	63,001	72,244	2.0	3.6
EBIT	9,158	14,114	9,711	11,923	(5.7)	18.4
OP	10,370	14,885	9,837	11,768	5.4	26.5
NP after MI	8,092	11,560	8,042	9,562	0.6	20.9

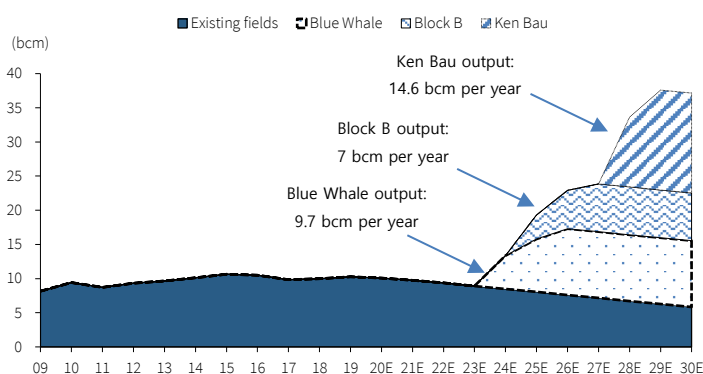
Source: Company reports, KB Securities Vietnam

Table 2. Vietnam oil & gas – Natural gas production by basin & potential additional production from *Ken Bau* field, 2019–2030E (billion cubic metres)

Basins/years (bcm)	19	20E	21E	22E	23E	24E	25E	26E	27E	28E	29E	30E
Cuu Long	1.1	1.0	0.9	1.7	2.1	2.3	2.2	2.2	2.1	2.0	1.9	1.8
Nam Con Son	7.0	7.0	7.5	7.7	7.8	7.5	7.3	7.0	6.8	6.5	6.3	6.0
Malay-Tho Chu	2.1	2.0	2.0	2.0	2.7	3.4	6.8	8.8	10.1	10.0	9.9	9.8
Block B							3.5	5.6	7.0	7.0	7.0	7.0
Song Hong	0.1	0.1	0.1	0.1	0.1	6.7	9.5	11.3	11.2	11.1	11.0	10.9
Blue Whale						4.9	7.8	9.7	9.7	9.7	9.7	9.7
Ken Bau										10.2	14.6	14.6
Total output (existing)	10.3	10.1	10.5	11.4	12.6	19.9	25.8	29.3	30.1	29.6	29.1	28.5
Total output (KBSV est)	10.3	10.1	10.5	11.4	12.6	24.7	37.0	44.6	46.8	46.3	45.8	45.2
Total output (incl. Ken Bau)	10.3	10.1	10.5	11.4	12.6	24.7	37.0	44.6	46.8	56.5	60.4	59.8

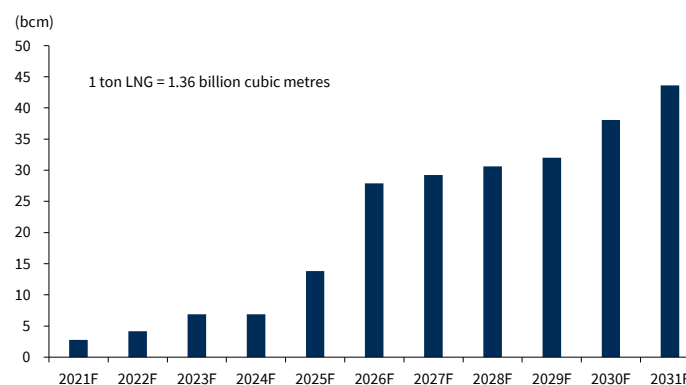
Source: PV Gas, KB Securities Vietnam

Fig 1. Vietnam oil & gas – Natural gas production by basin for existing fields & potential output from new mega projects, 2019–2030E (billions of cubic metres)



Source: PV Gas, KB Securities Vietnam

Fig 2. Vietnam oil & gas – LNG output from new LNG terminals, 2021E–2031E (billion cubic metres)



Source: Vietnam Gas Master Plan, KB Securities Vietnam

PV Gas (GAS) – Summarized financials & forecasts, 2019–2022E

Income statement					Balance sheet				
(VNDbn)	2019A	2020E	2021E	2022E	(VNDbn)	2019A	2020E	2021E	2022E
Net sales	75,005	64,242	74,820	89,785	Total assets	62,179	58,843	67,797	78,454
Cost of sales	58,087	52,326	56,905	68,472	Current assets	41,815	35,401	41,309	48,831
Gross Profit	16,919	11,916	17,915	21,312	Cash & equivalents	4,476	14,471	16,755	19,714
Financial income	1,665	1,518	1,442	1,725	ST investments	24,915	10,230	12,249	14,351
Financial expenses	241	295	667	833	Accounts receivable	10,359	8,841	10,167	12,200
of which: interest expenses	198	143	379	473	Inventory	1,575	1,427	1,641	1,970
Gain/(loss) from joint ventures	(1)	(11)	(4)	(5)	Other current assets	491	432	497	597
Selling expenses	2,394	1,914	2,478	2,873	Long-term assets	20,363	23,442	26,488	29,623
General & admin expenses	875	844	1,323	1,653	LT trade receivables	128	114	131	157
Operating profit/(loss)	15,072	10,370	14,885	17,673	Fixed assets	15,850	17,077	21,497	26,614
Other income	16	42	92	110	Investment properties	23	23	23	23
Other expense	20	25	45	54	LT incomplete assets	3,021	4,743	3,547	1,232
Net other income/(expenses)	(4)	17	47	57	LT investments	405	451	557	729
Pretax profit/(loss)	15,068	10,387	14,932	17,730	Goodwill	83	37	16	6
Income tax	2,983	2,127	3,079	3,656	Other LT assets	854	997	718	862
Net profit/(loss)	12,086	8,259	11,853	14,073	Liabilities	12,564	12,888	18,405	24,935
Minority interests	183	167	293	348	Current liabilities	9,964	9,915	11,147	13,036
Net profit after MI	11,902	8,092	11,560	13,726	Trade accounts payable	6,839	7,048	8,105	9,726
					Advances from customers	203	140	161	194
					ST borrowings	1,341	1,194	1,194	1,194
					Special reserves	425	507	507	507
					Other current liabilities	1,157	1,025	1,179	1,415
					Long-term liabilities	2,600	2,974	7,259	11,899
					LT payables	22	24	28	33
					LT borrowings	1,456	2,472	6,681	11,206
					Other LT liabilities	1,121	478	550	660
					Shareholders' equity	49,615	45,955	49,392	53,519
					Paid-in capital	19,140	19,140	19,140	19,140
					Share premium	211	211	211	211
					Treasury stock	0	0	0	0
					Undistributed earnings	10,109	6,491	9,927	14,055
					Reserve & others	18,851	18,860	18,860	18,860
					Minority interests	1,108	1,057	1,057	1,057
					Total liabilities & equity	62,179	58,843	67,797	78,454
Operating ratios					Key ratios				
(%)	2019A	2020E	2021E	2022E	(x, %, VND)	2019A	2020E	2021E	2022E
Revenue growth	(0.8)	(14.3)	16.5	20.0	Valuations				
EBIT growth	(0.6)	(32.9)	54.1	18.9	P/E	12.9	18.9	13.2	11.2
EBITDA growth	3.6	(27.9)	44.4	20.2	P/E diluted	12.9	18.9	13.2	11.1
NP after MI growth	3.9	(32.0)	42.8	18.7	P/B	3.1	3.3	3.1	2.9
Gross profit margin	22.6	18.5	23.9	23.7	P/S	2.0	2.4	2.0	1.7
EBITDA margin	22.9	19.3	23.9	24.0	EV/EBITDA	8.9	12.4	8.6	7.1
EBIT margin	18.2	14.3	18.9	18.7	EV/EBIT	11.2	16.7	10.8	9.1
Pre-tax profit margin	20.1	16.2	20.0	19.7	Dividend yield, ordinary (%)	5.5	3.8	5.5	6.5
Net profit margin	15.9	12.6	15.5	15.3	EPS	6,219	4,228	6,040	7,171
					BVPS	25,923	24,011	25,806	27,963
					SPS	39,189	33,565	39,092	46,911
					DPS (annual, ordinary)	4,382	3,000	4,400	5,200
					Dividend payout ratio (%)	70.4	70.9	72.8	72.5
					Operating performance				
					ROE	24.7	16.9	24.2	26.7
					ROA	19.1	13.4	18.3	18.8
					ROIC	23.9	17.7	30.1	31.1
					Financial structure				
					Total liab/equity	25.3	28.0	37.3	46.6
					Net debt/equity	(3.4)	(23.5)	(18.0)	(13.7)
					Current ratio (x)	4.2	3.6	3.7	3.7
					Interest coverage (x)	69.1	64.1	37.3	35.5
					Activity ratios				
					Asset turnover	1.2	1.1	1.2	1.2
					Receivables turnover	7.3	6.7	7.9	8.0
					Inventory turnover	42.6	42.8	48.8	49.7
					Payables turnover	9.3	9.0	9.7	9.9

Source: Company reports, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Head of Research – Nguyen Xuan Binh

binhnx@kbsec.com.vn

Macro/Strategy

Head of Macro & Strategy – Tran Duc Anh

anhtd@kbsec.com.vn

Macro Analyst – Thai Thi Viet Trinh

trinhhtt@kbsec.com.vn

Market Strategist – Le Anh Tung

tungla@kbsec.com.vn

Equity analyst – Tran Thi Phuong Anh

anhttp@kbsec.com.vn

Equity (Hanoi)

Head of Equity Research (Hanoi) – Duong Duc Hieu

hieudd@kbsec.com.vn

Information Technology & Logistics Analyst – Nguyen Anh Tung

tungna@kbsec.com.vn

Property Analyst – Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

Power & Construction Material Analyst – Nguyen Ngoc Hieu

hieunn@kbsec.com.vn

Equity (Ho Chi Minh)

Head of International Research (Ho Chi Minh) – Harrison Kim

harrison.kim@kbf.com

Consumer & Retailing Analyst – Dao Phuc Phuong Dung

dungdpp@kbsec.com.vn

Oil & Gas & Fisheries Analyst – Nguyen Thanh Danh

danhnt@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels G, M, 2 & 7, Sky City Tower, 88 Lang Ha Street, Dong Da 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:	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

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.