



Company Visit Note

PV Gas South JSC (HNX)

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Sep 28th 2016, PGS is trading at VND 16,500/ share, equivalent to P/E trailing of 8.1x (BSC estimates,excluding abnormal profit and profit contributed by CNG Vietnam) and P/B of 0.84x.

Oil price rallies by 5.03% due to the agreement to the need to cut output by OPEC. On Sept 29th 2016, OPEC approved the outline to cut oil output. The cut is expected to be 75 thousand barrels per day, equivalent to 2% of current output, with more details decided on Nov 30th 2016. The agreement has boosted up WTI price by 5.03% to \$47.05/barrel.

9M2016, LPG volume of PGS reached 173 thousand m3 (+10% yoy), in which 73 thousands m3 of bulk LPG (+22% yoy); and 120 thousand m3 of civil LPG (+4% yoy). CNG volume reached 72 million m3, +10% compared with sale volume of the PGS parent company in 9M2015 (excluding sales from CNG Vietnam). Pre-tax profit for 3Q2016 is expected at VND30 Bil.

Gross margin had good growth compared with 2015, from 17% to 20%, for both LPG and CNG due to: (1) the input price of LPG decrease thanks to the higher percentage pegged to FO price, which benefit the company as oil price falls; (2) the contract with CNG is negotiated every 6 months, and PGS has negotiated with good prices for the first round of 2016. The company expects profit margin maintains the good level in 2016.

The proceeds from the divestment from CNG Vietnam is used to expand the distribution system and enhance the company's brand to thrive the civil LPG segment. Specifically, the company will focus on advertising and marketing the products, therefore we expect sale cost of the company will tend to increase in the near future.

Promising prospects for both CNG and LPG segment. In Q1/2016, the company divested ownership in CNG Vietnam, the subsidiary that contributed 50% of gross profit of PGS in previous years. Many investors, therefore, were concerned for PGS business result. However, the capital raised from divestment will enable PGS to focus more on developing the LPG segment. For CNG, a few major customers will increase output in 2017: Nam Kim factory 3 of 4 mil M3 and Samsung of about 15 Mil m3. The increase is equivalent to 20% growth in CNG output in 2017.

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