

Sector note

16 Dec 2021

OIL & GAS

Rising tide lifts all boats

- We expect average Brent oil price around US\$75/bbl in 2022 as the supply could not rise fast enough to keep pace with the growing demand.
- Our top picks are GAS, PVD and PLX.

We expect average Brent oil price to stay around US\$75/bbl in 2022

For 2022F, we expect oil price to remain high as the demand keep strongly recovering while the supply could not rise fast enough to catch up the demand due to lower new investments for upstream activities during many years, causing to the difficulties in raising oil production. Overall, we assume average Brent oil price around 75 USD/bbl in 2022F.

Strong oil price to enhance upstream companies' fundamental

We believe strong oil price rally to heat up E&P activities globally, boosting drilling market in Southeast Asia and benefiting drilling services companies like PVD. For Vietnam upstream activities in 2022, investors should keep the eyes on Block B – O Mon project, which we expect to kick off in 2H22F after O Mon 3 power plant project is expected to be approved in 1H22F. We consider this project will be the great growth motivation for the industry in coming period.

Midstream: forming the LNG value chain from 2022

In 2022F, LNG Thi Vai will be completed in 2H22F, marking the first LNG projects coming onstream in Vietnam. According to Vietnam's National Energy Development Strategy, the Government highlights the priority in developing the LNG infrastructure for both imports and consumption, turning gas-fired plants into a key power source toward 2030. Riding on this trend, we believe GAS will be the biggest beneficiary as an infrastructure developer and LNG provider.

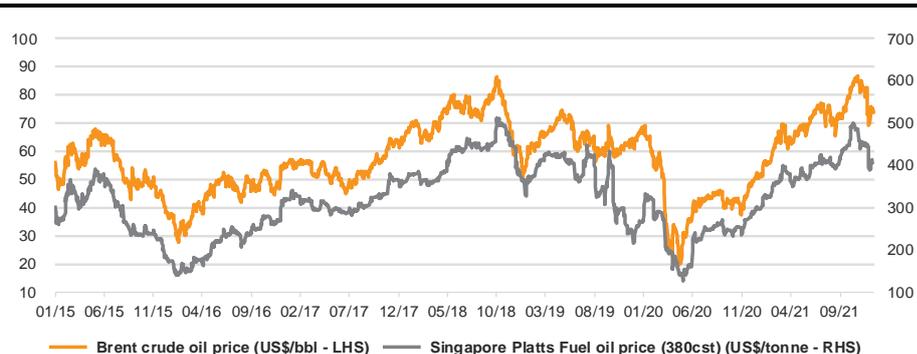
Downstream: riding on petroleum demand rebound

Downstream companies could gain benefits from the domestic demand bounce back when Government eased social distancing and the improvement in crack spread given the expected strong oil price in 2022F. Notably, we believe Vietnam's petroleum consumption has lots of room for growth, supported by (1) low refined products consumption per capita, and (2) the increasing middle-class population to boost automobile demand, benefiting petroleum consumption.

Stock picks: We like GAS, PVD and PLX

Generally, we prefer the players who could ride both the energy infrastructure story in Vietnam and the expected strong oil price like **GAS** and **PVD**. Besides, we also believe a downstream company like **PLX** to gain benefits from the demand recovery. Investment risks include: (1) lower-than-expected oil price, (2) the further delays in key projects, and (3) the prolonged Covid pandemic.

Figure 1: Oil price movements from 2015 to date



Source: BLOOMBERG, VNDIRECT RESEARCH

Analyst(s):



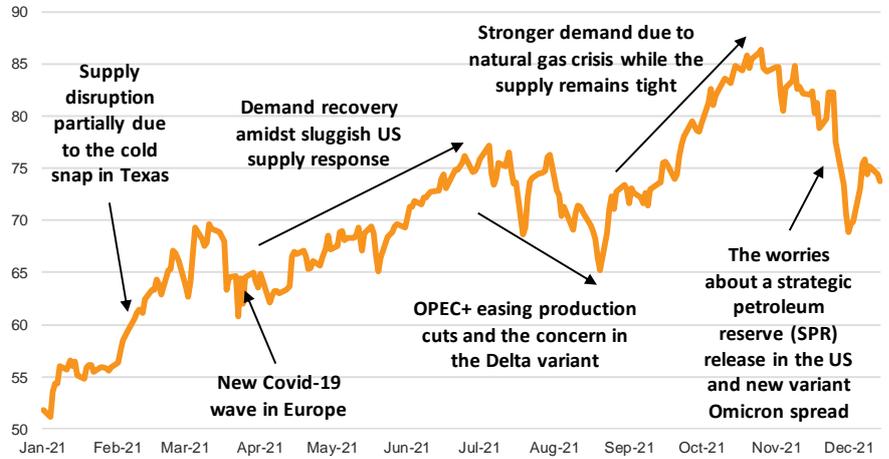
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RISING TIDE LIFT ALL BOATS

We expect average Brent oil price to stay around US\$75/bbl in 2022

Figure 2: Brent oil price movements in 2021 (up to 15 Dec)



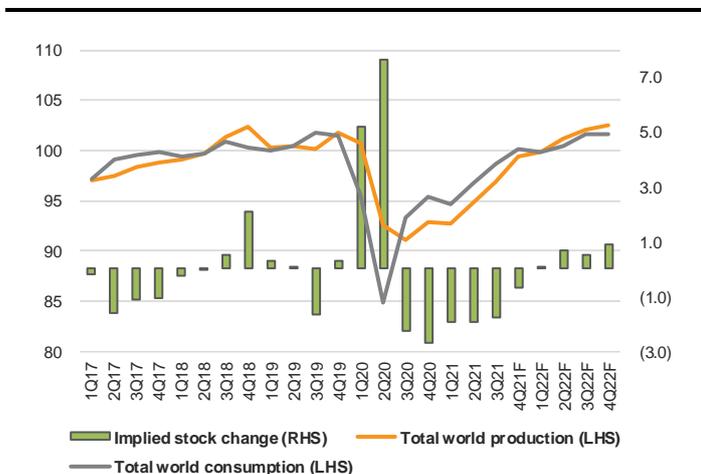
Source: BLOOMBERG, VNDIRECT RESEARCH

Brent oil price reached the peak of US\$86/bbl in October – the highest level since October 2018, averaging c.US\$71.5/bbl for all of 2021 (+65% yoy). The impressive price rally came from global oil demand recovery after the pandemic combined with the natural gas crisis amidst the sluggish supply response.

While global demand is on track to the recovery....

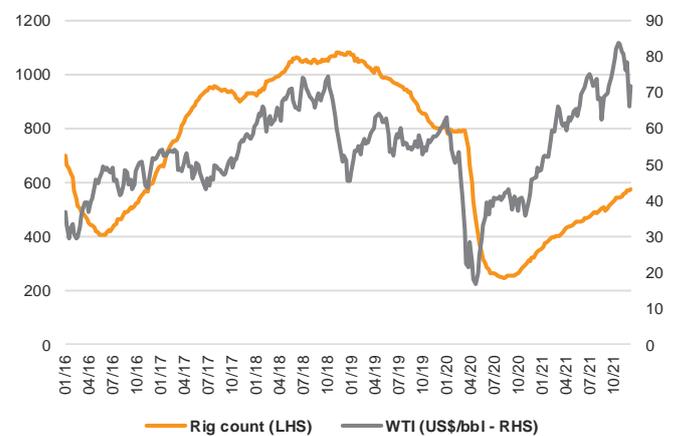
We expect global oil consumption to continue recovering after the pandemic in 2022F. Global oil demand would be strengthening due to robust gasoline consumption and increasing international travel as more countries re-open their borders beside the short-term catalyst coming from gas-to-oil switching in the electric power sector in parts of Asia and Europe. The US Energy Information Administration (EIA) forecasts global demand to increase by 3.3 mbd to the average of 100.9 mbd for all of 2022, equivalent to the pre-Covid level.

Figure 3: Crude oil supply - demand balance (mbd)



Source: EIA, VNDIRECT RESEARCH

Figure 4: The US rig count is lacked direction in response to the strong oil price rally in 2021



Source: BAKER HUGHES, BLOOMBERG, VNDIRECT RESEARCH

... The supply seems to be still tightened due to OPEC+ conservative in raising productions and the slow recovery of the US oil industry.

On the supply side, the price is supported by OPEC+ conservative in raising productions and the slow recovery of the US oil industry. One of the main reasons come from lack of new investments during many years, causing to the difficulties in raising oil production. Actually, OPEC+ compliance with its pledged cuts increased to 116% in November from 113% a month earlier, indicating the group could not supply enough oil to the market as the agreement. In November, major oil consumers led by the US announced to release strategic oil reserve to curb the price rally, but we consider this is just a short-term factor and has limited impact on the global balance. Though a reprieve from the price rally could be on the horizon, we see it could not rise fast enough to keep pace with the demand recovery, supporting for oil price to remain high in the next couple of quarters.

Omicron variant currently put the uncertainties into global oil market

Currently, the arising new variant Omicron has shadowed oil market as it could lead to the new travel restrictions, hampering the oil demand. Hence, due to the unclear effects of the Omicron, we consider three scenarios for our Brent oil price assumption, as follow:

Figure 5: Brent oil price scenario

Scenario	Assumption	Average Brent oil price
Best scenario	Omicron variant is not as dangerous as fears. Hence, the current vaccines will still work well against new Omicron and oil price could quickly rebound	Brent oil price to remain its high level above US\$80/bbl in 2022F
Base scenario	Thanks to vaccine production ability and high vaccination capacity, we believe it just take a few months to address Omicron variant. Global oil demand could be impacted in short-term, before continuing to recover thanks to the increasing international travel activities	We expect Brent oil price to average around US\$75/bbl in 2022F
Worst scenario	The more complication of Omicron variant leads to the stricter travel restrictions worldwide, putting an downward pressure on oil price as global oil demand slumps	The average Brent oil price is expect to be in the range of US\$60-65/bbl in 2022F

Source: VNDIRECT RESEARCH

Generally, we believe Omicron variant to be addressed in a few months ahead (our base scenario) and oil price will be only impacted in short-term before back to its trajectory. We forecast FY22F average Brent oil price to be around US\$75/bbl.

The main concern to our forecast comes from US – Iran nuclear talks as it could lead to the return of Iranian exporter with the additional capacity up to ~2.1 mbd.

Figure 6: FY22F Brent crude oil price forecasts by some large institutions (US\$/bbl)

No.	Agency	2022F	Time of report
1	Energy Information Administration (EIA)	72.0	Nov-21
2	International Energy Agency (IEA)	79.4	Nov-21
3	Barclays	80.0	Nov-21
4	Goldman Sachs	81.3	Oct-21
5	Bloomberg consensus	72.3	Nov-21

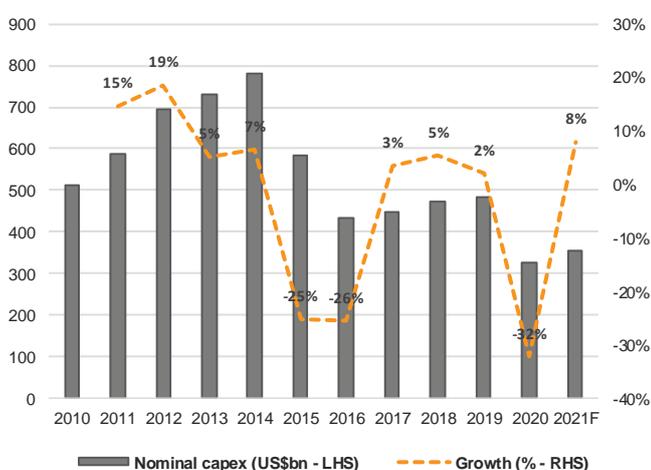
Source: VNDIRECT RESEARCH, BLOOMBERG

Upstream: Strong oil price to positively affect upstream companies' fundamental in coming times

We expect global E&P activities to pick up in 2022 given the expected strong oil price

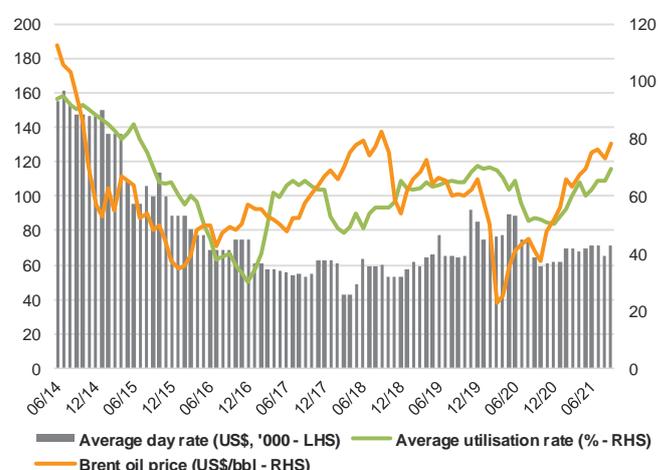
After a sharp decline in 2020, International Energy Agency (IEA) estimates an 8% increase in global upstream investments in 2021, but this remains well below 2019 levels. We expect global spending to continue recovering in the next two years, triggered by the current supply shortage and high-priced environment. Consequently, we believe E&P activities in Southeast Asia (SEA) to be also heated up given the expected strong oil price, leading to the drilling market bounce back in medium term and benefiting for drilling service player like PVD.

Figure 7: Global investments in oil & gas upstream



Source: IEA

Figure 8: JU average day rate and utilisation rate in SEA



Source: IHS MARKIT, BLOOMBERG

Vietnam's natural gas production to take a spotlight thanks to giant projects in coming periods

For 2022, investors should keep the eyes on the local giant project Block B – O Mon. There are signals that the Government still prioritize financing O Mon III power plant by ODA fund. Accordingly, we expect the Government to approve O Mon III project in 2Q22F after promulgating new Decree related to ODA loans, meaning that the related upstream and midstream projects could also have a final investment decision (FID), setting the stage for Block B – O Mon project to kick off in 2H22F. With a total capex of field development and pipeline projects of US\$6.7bn and US\$1.3bn, we believe this would be great growth motivation for companies in Vietnamese oil and gas value chain in long-term, strengthening industry's fundamental and firstly providing job opportunities for local upstream service providers and contractors like PVS and PVD.

Notably, in case of continued delaying in major projects, Vietnam will only produce 7 billion cbm of natural gas in 2025F, rather than the expected 11.1 billion cbm, creating shortage gap between domestic production and the 15.6 billion cbm of expected demand.

Figure 9: Potential gas exploration projects in pipeline

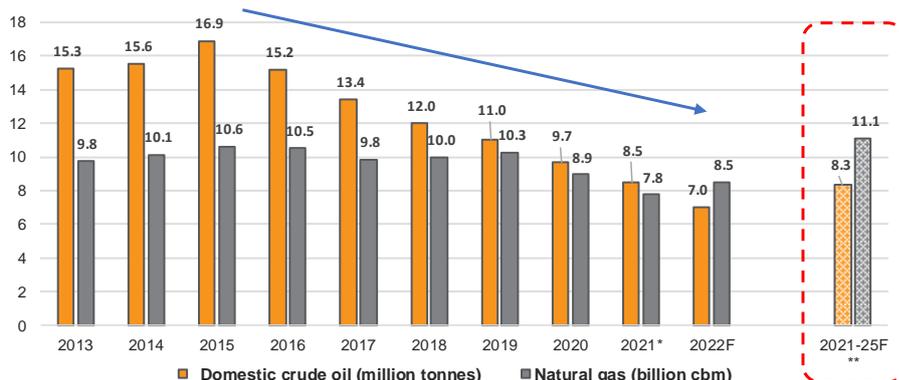
Project	Expected commission	PSC owners	Est. Capex (US\$m)	Estimated reserves	Status
Su Tu Trang Phase 2A/2B	2021-2023F	PVEP (50%), Perenco Cuu Long (23.25%), KNOC (14.25%), SK (9%), Geopetrol VN (3.5%)	2,000	2P reserves of 317 bcf and 435m bbl of condensate	First gas of phase 2A is in June 2021. Phase 2B involves the construction of a central gas facility (CGF) with 16 wells, connecting to ST-PIP platform, with expected capacity of 52bcf annually. In Aug 20, the gas sale and purchase agreement for Phase 2A has been signed among partners. First gas of Phase 2B are expected from 2024.
Nam Du - U Minh	2022-2023F	Jadestone (100%)	NA	2C reserves: 171 bcf (+31 bcf)	In early-2021, Jadestone revealed that its approach is to agree on a gas production profile for the development as a precursor to a gas sales contract and ultimately attaining government sanction for the field development. Concurrently, Jadestone is preparing to re-issue the related FPSO contract tender. The expected first gas date for the project will be no earlier than 2023.
Lac Da Vang	2023F	Murphy Oil (40%), PVEP (35%), SK Innovation (25%)	NA	100 mmbbl of recoverable reserves	ODP was approved in Sep 2019. Well campaigned is targeted for 2023F. Murphy is also carrying out exploration work at adjacent fields (Lac Da Trang, Lac Da Nau, etc) and Block 15-2/17.
Block B - O Mon	2024-2025F	PVN (42.38%), MOECO (25.62%), PVEP (23.5%), PTTEP (8.5%)	6,700	2.7 tcf (trillion cubic feet) of gas	FEED contract completed. Tender packages would be opened in line with the progress of downstream gas-fired power plant projects. We expect the Government to solve the bottleneck in O Mon 3 project in 1H22F, setting the stage for Block B multi-projects to kick off in 2H22F. First gas is expected in late-2025F.
Blue Whale	2024-2025F	Exxonmobil (64%)	10,000	5.3 tcf of gas	FEED contract was completed in Apr 2020. In Jul 2020, PVN and EVN said they were working with ExxonMobil to finalise gas sale and electricity agreements. First gas expected in 2025F. However, there is currently news that Exxon is keen to divest its 64% share of Blue Whale after failing to agree satisfactory commercial terms with the Vietnamese government following years of negotiations. This could lead to further delay in this giant project.
Ken Bau	2027-2028F	ENI (50%), ESSAR (50%)	NA	7-9 tcf of raw gas and 400-500m bbl of condensate	This field is under exploration process. The first two exploration wells drilled in Jul 2019 and Jul 2020 confirmed a significant hydrocarbon accumulation on Ken Bau discovery, potentially ranging between 7 and 9 tcf of raw gas and 400-500m bbl of condensate.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

For 2021, total domestic oil and gas production is estimated to decrease by c.12.7% yoy to 18.4 million tons of oil equivalent (mtoe). Looking further, domestic oil production has been continuously falling at CAGR of 10.8% since 2015. We see the main reason caused by no major oil and gas exploration during recent years. Meanwhile, most of the existing fields in Vietnam have been already in their final stages, with production outputs naturally declining by 15%-25% annually.

Currently, there is c.50% of oil and gas reserves which is unexploited in Vietnam, in which gas reserves account for 60-70% of total. According to Draft of National Energy Development Plan for 2021-30, natural gas production is planned to outweigh crude oil production in FY21-25F period with the averaging outputs of 11.1 billion cbm p.a. Hence, we believe gas fields development to take a spotlight in coming period. In addition, due to the expectedly growing electricity demand in Vietnam with power consumption CAGR of 8.1% in FY21-30F period, we also highlight the intensive pressure in implementing major gas fields projects like Block B – O Mon, Nam Du – U Minh in 2022, particularly when the gas supply autonomy is extremely important after the recent global natural gas crisis.

Figure 10: Domestic crude oil and natural gas production



(*) estimated

(**) based on Draft of National Energy Development Plan for 2021-30

Source: PVN, MOIT, VNDIRECT RESEARCH

Midstream: Gradual transition toward providing LNG from 2022

Along with the expectation in major gas fields development, we see LNG imported as the feasible measure to offset to the quick depletion of mature fields amid the growing electricity in Vietnam in coming years. Power generation currently consumes 80% of total domestic natural gas in Vietnam. According to Vietnam's National Energy Development Strategy, the Government highlights the priority in developing the LNG infrastructure for both imports and consumption, turning gas-fired plants into a key power source toward 2030 (making up 23% of total system capacity in 2030F from the current 12%). Overall, we see high potential in the LNG-related segment thanks to its stability in power generation and the ability to increase capacity through import.

Figure 11: LNG terminal project pipeline

Terminal name	Location	Capacity (mmtpa)	Op. Year	Investors	Power plant
Relating power plants included in revised Power Development Plan 7 (PDP 7)					
Hai Linh	Ba Ria - Vung Tau	2-3	2021	Hai Linh Ltd	Hiep Phuoc, EVN's plants
Thi Vai	Ba Ria - Vung Tau	1-3	2022-2024	PVGas	Nhon Trach 3 & 4
Son My Phase 1	Binh Thuan	3	2024-2025	PVGas, AES Group (US)	Son My 2
Bac Lieu	Bac Lieu	3	2024	Delta Offshore Energy (Singapore)	Bac Lieu
Long Son Phase 1	Ba Ria - Vung Tau	3.5	2025-2026	GTTP (group of VN investors), Mitsubishi Corp, General Electric	Long Son complex
Ca Na Phase 1	Ninh Thuan		2025-2026	Trung Nam Group (VN)	Ca Na complex
Long An	Long An	1-3	2025-2027		Long An 1, 2
LNG Quang Ninh	Quang Ninh	NA	2026-2027	Tokyo Gas, Marubeni, Colavi, PVPower	Quang Ninh
LNG Hai Lang	Quang Tri	1.5	2026-2027	T&T, Hanwa, KOSPO and KOGAS	Hai Lang
Relating power plants are being proposed for inclusion in PDP 8					
Cai Mep Ha	Ba Ria - Vung Tau	9	2023-2030	GenX Energy, T&T (US)	Cai Mep Ha
Chan May	Hue		2024-2027	Chan May LNG JSC	LNG Chan May
Vung Ang 3	Ha Tinh	1.5	2025-2028	Vingroup (VN)	LNG Vung Ang 3
Ke Ga	Binh Thuan	1.5	2025	ECV (US), KOGAS (Korea), Excelerate Energy (US)	Ke Ga
My Giang	Khanh Hoa	3	2025	Petrolimex	My Giang
Tien Lang	Hai Phong	6	2026-2030	Exxon Mobil (US), JERA (Japan)	LNG Tien Lang
Cai Trap	Hai Phong	1-3	2025-2028	Vingroup (VN)	LNG Cai Trap
Long Son 2	Ba Ria - Vung Tau	NA		NA Marubeni (Japan)	Long Son (inside Long Son Petroleum Industrial Zone)

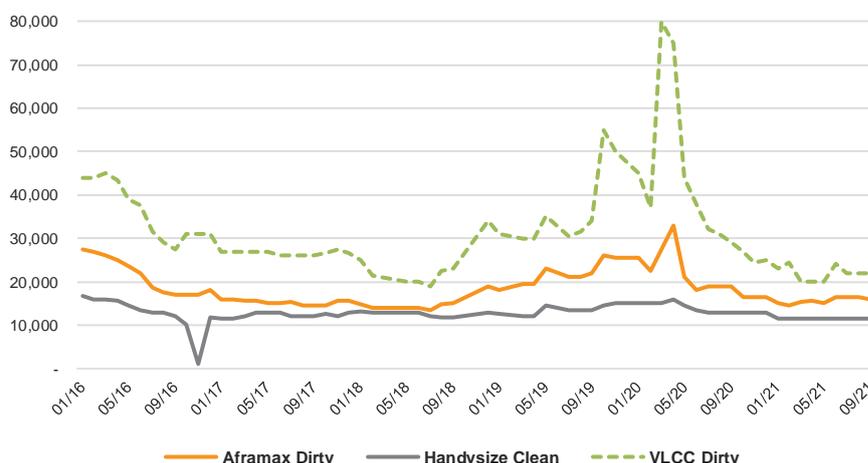
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Among the mentioned projects (Figure 11), LNG Thi Vai terminal would be completed in 2H22F, marking one of the first LNG-related projects coming online in Vietnam. This terminal would supplement gas supply for the users in Southeast region, before providing to two new gas-fired power plants in Nhon Trach in late-2023. Riding on this LNG story, we believe GAS would be the biggest beneficiary as an infrastructure developer as well as LNG provider.

On the other hand, we also see some critical obstacles related to LNG projects development, as following:

- Risks of imported sources dependence as well as the uncertainty of LNG price. The global events like recent gas crisis could negatively affect the economic efficiency of LNG-related projects in Vietnam.
- The unclear regulations on the settlement of integrated LNG projects regarding gas sales and electricity selling prices, which could lead to the further delay in projects progress.

Figure 12: Tanker shipping - Time charter rate remained low despite oil price hike in 2021 (US\$ per day)



Source: BLOOMBERG, VNDIRECT RESEARCH

Moving to oil and gas transportation, we see the rise in crude tanker shipping demand is likely to be underwritten by the increase in demand for crude oil, which EIA forecasts to exceed pre-Covid-19 levels by 3Q22F. We expect global oil producers to respond by pumping more crude, and this should materialize into the crude tanker shipping markets in FY22F, potentially leading to higher freight rates. According to Clarksons' forecasts, the balance between supply and demand for crude tanker vessels may look better in 2022F versus the extremely poor 2021F. Moreover, for domestic shipping firms, we believe LNG investment trend to be likely open a new business path in long-term and PVT could dominate the market if entering this sub-segment due to its leading position.

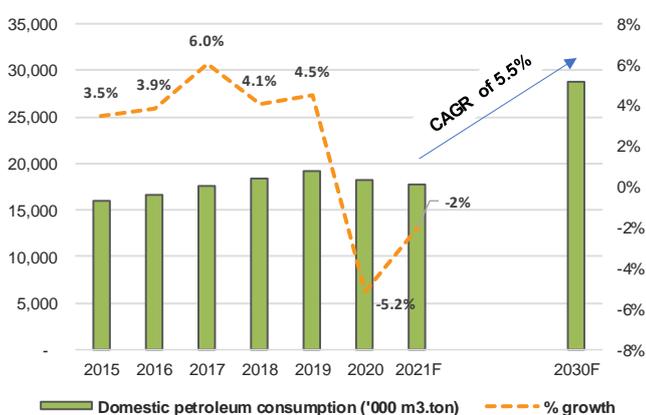
Downstream: Benefiting from demand recovery after the pandemic

Petroleum distribution: Riding on the domestic petroleum consumption bounce back in endemic

In 2021, the recovery pace of petroleum trading companies has been slowed down in 2H21 due to the Delta variant outbreak. However, we believe Vietnamese petroleum trading market has lots of room for growth in FY22F, supported by (1) Vietnam's community mobility and manufacturing activities

recovery from 4Q21F onwards as the Government eases social distancing, and (2) low refined products consumption per capita compared to regional countries. Besides, as a developing country with high GDP growth of around 7% p.a. and the increasing middle-class population, we believe automobile demand to pick up once the pandemic is under control from 4Q21F, benefiting for the giant petroleum distributors like PLX and PV Oil (OIL, Not rated). According to Draft of National Energy Development Plan for 2021-30, the Government guides for Vietnamese petroleum demand to grow 5.5% p.a. in the same period, much higher than global annual growth rate of 1.3%. Notably, due to total inventories of petroleum to strongly increase due to weak domestic consumption in 3Q21, we believe this could help petroleum distributors improve its GPM in the next quarter amid the fuel retail prices upward trend.

Figure 13: Vietnamese petroleum consumption is projected to grow 5.5% annually in FY21-30F



Source: MOIT, VNDIRECT RESEARCH

Figure 14: Decree No. 95/2021/ND-CP amending and supplementing number of conditions on petroleum trading officially takes effect from 2 January 2022

	Decree 83	Decree 95	Comments
Base price	Based on international sources	Based on both domestic and international sources (quarterly basis)	Consistent to reality as domestic sources currently account for 70-75% of total domestic consumption (compared to under 30% before 2017)
Required inventory days (day)	30	20	Reduce inventory pressure, improve cash flow for companies
Price adjustment time (day)	15	10	Domestic price movements get closer to global oil fluctuations

Source: MOIT, VNDIRECT RESEARCH

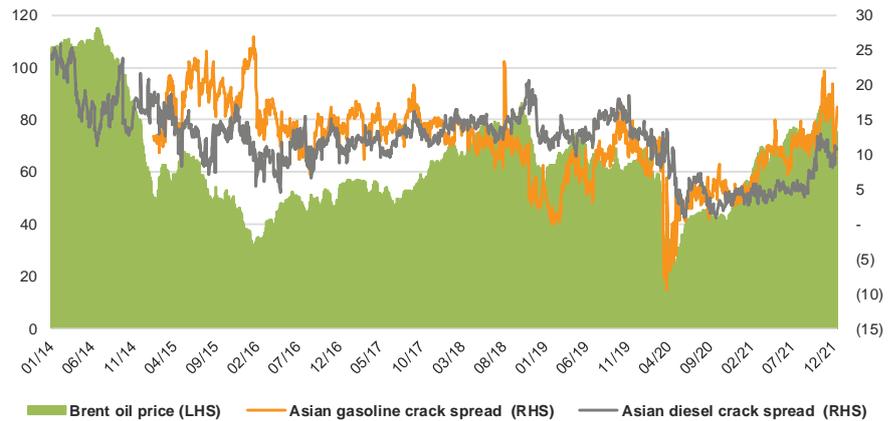
Moreover, the Government has recently issued Decree No. 95/2021/ND-CP amending and supplementing number of conditions on petroleum trading, replacing to Decree 83. Figure 14 shows some critical changes of new Decree on petroleum trading. We expect that these changes will be likely help petroleum distributors like PLX, OIL reduce the negative impact of inventories loss in case of global oil slump like 1H20.

Refinery: Expecting in the crack spread improvement

We also believe the refineries, including Dung Quat refinery (BSR, Not Rated; the capacity of 6.5m tons) and Nghi Son refinery (the capacity of 10m tons), to gain benefits in 2022 following the crack spread improvement on the expected strong oil price and the recovery in transportation activities after the pandemic. Accordingly, we expect BSR could returns to operate at full capacity while Nghi Son refinery could ameliorate to a higher utilisation rate (~90%) in 2022.

Similar to petroleum distributors, BSR’s inventories surged 56% qoq and 108% ytd in 3Q21. These low-priced materials could bring a potential profit for BSR in near-term given strong oil price, in our view.

Figure 15: Gasoline crack spread has been trailed with Brent oil price (US\$/bbl)

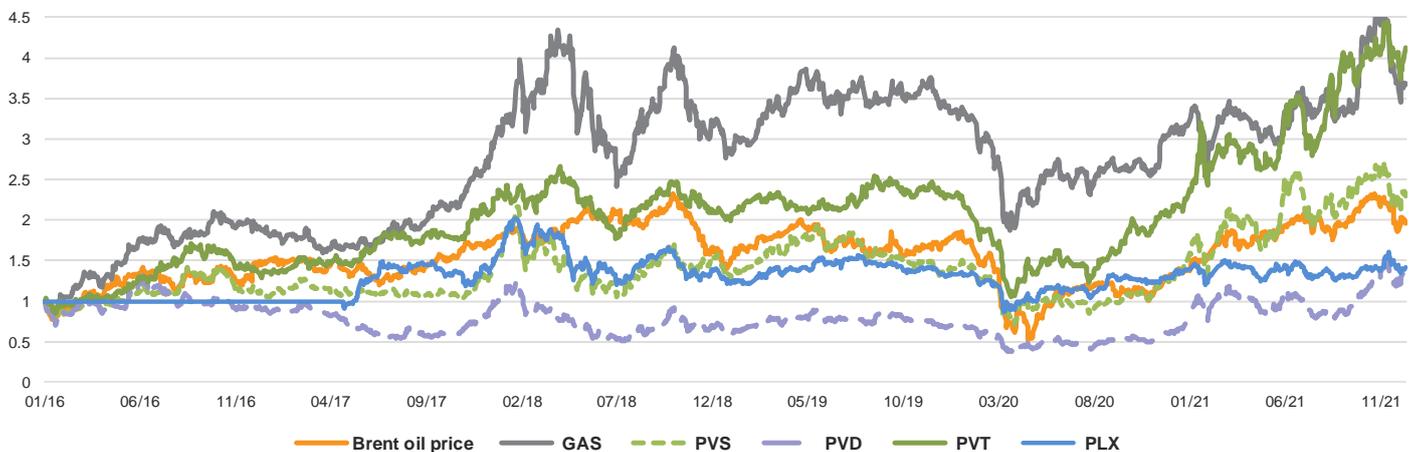


Source: BLOOMBERG, VNDIRECT RESEARCH

Stock picks: We prefer the players who could ride both the energy infrastructure story in Vietnam and the expected strong oil price

Due to the high correlation to Brent oil price (Figure 16), we consider oil price would still be one of key drivers for oil & gas stocks next year. The expected strong oil price will not only drive share prices sentiments in short-term, but also improve the industry’s fundamental in coming years as it could give more incentives for relevant units to restart the major projects in Vietnam, firstly providing huge opportunities for upstream companies like PVD and PVS.

Figure 16: Share price vs. Brent oil price since 2016



(*) Index: 01/16 = 1: oil price was at the previous cycle’s trough after falling from the level of US\$100/bbl in 2014

Source: BLOOMBERG, VNDIRECT RESEARCH

Generally, we prefer the players who could ride both the energy infrastructure story in Vietnam and the expected strong oil price like **GAS** and **PVD**. Besides, we also believe a downstream companies like **PLX** to gain benefits from the recovery in petroleum consumption in Vietnam after the pandemic.

Figure 17: Target price sensitivity to average Brent oil price in long-term. Our target prices are based on the average Brent oil price to be resilient around US\$75/bbl in the next two year assuming that new variant Omicron is quickly controlled

Average oil price (US\$/bbl)	60	65	70	75	80	85	Investment catalysts
GAS	107,800	116,600	123,200	130,800	139,100	144,800	Our stock pick is GAS as we believe the company to benefit from all of two key industry's catalysts in 2022F. Currently, GAS is the key investors for major energy projects in Vietnam, including Su Tu Trang pipeline, Block B – O Mon pipeline and LNG terminals (Thi Vai, Son My). Hence, we are optimistic in GAS's outlook in coming years, driven by dry gas sales volume to strongly recover from 2022 onwards combined to the high energy prices environment. Notably, GAS is expected to start recognizing revenue from LNG Thi Vai terminal which comes online in 2H22F. Overall, we forecast GAS to post a revenue CAGR of 18.2% and a net profit CAGR of 18.9% in FY21-23F.
<i>Potential upside</i>	10%	19%	25%	33%	42%	47%	
PVD	23,000	26,300	29,200	32,800	36,100	39,400	We like PVD as we believe the company's fundamental to be strengthened due to high oil price environment. For FY22F, PVD's TAD rig officially start the drilling program for Shell Brunei with a long-term contract (6-year contract and 4-year optional extension) after over 4-year cold stacking, potentially opening a new chapter for the company. Generally, we expect PVD to pose the strong breakout in FY22-23F with a net profit growth of 487.4%/28.1% yoy, respectively, on the back of: (1) the recovery in both jack-up utilisation rate and day rate trailing the oil price rally, and (2) the TAD rig contribution.
<i>Potential upside</i>	-18%	-6%	5%	18%	29%	41%	
PLX	53,100	56,600	61,500	64,900	67,600	69,700	We also believe a downstream company like PLX to gain benefits from Vietnamese petroleum consumption recovery after the pandemic. We expect PLX's domestic petroleum sales volume will be back to grow 5% p.a. during FY22-23F given Vietnam's community mobility and manufacturing activities to be back to "new normal" situation from 4Q21 onwards. Moreover, we forecast FY22F JetA1 sales volume to greatly increase by 65% yoy following the aviation activities bounce back. These would drive PLX's net profit CAGR of 16.1% in FY22-23F. Notably, we see PLX's performance is dependent on sales volume rather than fuel prices.
<i>Potential upside</i>	-3%	4%	13%	19%	24%	28%	
PVS	23,700	26,500	29,400	31,200	33,400	35,600	Given the strong oil price rally, we believe in PVS's positive outlook with a net profit CAGR forecast of 21.2% in FY21-23F, driven by: (1) the solid contribution of FSO/FPSO joint ventures due to the expected strong oil price which could trigger a day rate upward revision, and (2) the improved prospect of M&C business from 2022 following newly awarded contract in 2021 and potential backlog from major gas field projects like Block B - O Mon.
<i>Potential upside</i>	-10%	1%	12%	19%	27%	36%	
PVT	23,200	25,100	26,800	28,200	29,400	30,800	The strong oil price rally and the expected global oil demand could give the confidence to OPEC+ to increase production, benefiting tanker freight rates. Besides, we expect the transportation demand to recover in coming times, particularly in domestic market when social mobility bounces back after the pandemic. Overall, we forecast PVT's NP to grow 14.2%/11.8% in FY22-23F, driven by the actively fleet rejuvenation and the recovery in O&G transportation demand.
<i>Potential upside</i>	-5%	3%	10%	16%	21%	26%	

Source: VNDIRECT RESEARCH (DATA AS AT 15 DEC)

Investment risks

In our view, the main downside risks to Vietnam's oil and gas industry come from:

- Lower-than-expected oil price as the decline in oil price would hamper the industry's fundamental recovery.
- Further delays in major projects possibly caused by a lack of financial resources, as it could lead to gas supply shortage in coming years.
- The prolonged Covid-19 pandemic, which could hurt the demand for oil and gas related products.

Figure 18: Sector comparison

Company	Bloomberg Ticker	Share Price (local cur.)	Target Price (local cur.)	Market Cap (US\$ m)	P/E (x)		3-yr EPS CAGR (%)	P/BV (x)		ROE (%)		ROA (%)		
					FY21F	FY22F		FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	
Gas distribution companies														
PV GAS	GAS VN	ADD	97,700	130,800	8,114	19.6	15.7	18.9%	3.7	3.4	19.2%	22.6%	14.4%	16.4%
Indraprastha Gas	IGL IN	NR	496.5	NA	4,560	21.5	17.4		4.7	4.0	23.1%	24.0%	NA	NA
Toho Gas Ltd	9533 JP	NR	3,115	NA	2,892	31.9	21.4		0.9	0.9	3.3%	4.2%	2.0%	2.6%
Petronas Gas Bhd	PTG MK	NR	16.9	NA	7,918	16.3	17.0		2.6	2.6	15.6%	14.6%	11.2%	10.5%
China Gas Holdings	384 HK	NR	14.9	NA	10,542	8.2	7.0		1.2	1.1	15.9%	16.5%	6.5%	6.9%
PTT Plc	PTT TB	NR	37.5	NA	32,054	9.7	9.3		1.1	1.1	11.2%	11.1%	4.8%	4.7%
Average - Gas distribution peers (excluding GAS)						17.5	14.4		2.1	1.9	13.8%	14.1%	6.1%	6.2%
Oil services companies														
PTSC	PVS VN	ADD	26,200	31,200	543	17.3	12.5	21.2%	1.1	1.1	6.1%	8.6%	3.0%	4.3%
Malaysia Marine Eng	MMHE MK	NR	0.38	NA	144	NA	28.6		0.3	0.3	-9.2%	0.9%	-5.0%	0.4%
Yinson Holdings	YNS MK	NR	5.58	NA	1,407	13.7	13.8		2.0	1.7	15.8%	15.5%	5.2%	4.7%
Sembcorp Marine	SMM SP	NR	0.08	NA	1,904	NA	NA		0.6	0.7	-18.3%	-3.2%	-11.1%	-2.2%
Hyundai Engineering	000720 KS	NR	47,450	NA	4,449	12.9	10.5		0.8	0.7	6.1%	7.3%	3.1%	3.7%
Keppel Corp	KEP SP	NR	5.16	NA	6,863	13.7	11.5		0.8	0.8	6.0%	7.3%	2.1%	2.6%
Average - Oil services peers (excluding PVS)						13.4	16.1		0.9	0.9	0.1%	5.6%	-1.2%	1.8%
Offshore drilling companies														
PV Drilling	PVD VN	ADD	27,900	32,800	510	138.1	23.5	50.8%	0.9	0.8	0.6%	3.6%	0.4%	2.4%
Borr Drilling Ltd	BORR NO	NR	15.20	NA	229	NA	NA		0.3	0.3	-22.4%	-20.4%	NA	NA
Velesto Energy Bhd	VEB MK	NR	0.12	NA	233	NA	24.0		0.4	0.5	-6.9%	1.2%	-5.8%	0.7%
Sapura Energy Bhd	SAPE MK	NR	0.05	NA	189	NA	NA		0.1	0.1	-17.3%	-7.3%	-7.5%	-1.5%
Valaris Ltd	VAL US	NR	34.03	NA	2,407	NA	8.8		2.6	2.4	32.9%	0.8%	NA	NA
Transocean	RIG US	NR	3.22	NA	1,888	NA	NA		0.2	0.2	-3.0%	-3.8%	-2.0%	-1.8%
Average - Offshore drilling peers (excluding PVD)						NA	16.4		0.7	0.7	-3.4%	-5.9%	-5.1%	-0.8%
Transportation companies														
PVTrans	PVT VN	ADD	24,350	28,200	342	10.7	9.4	11.9%	1.7	1.6	15.2%	17.2%	6.3%	6.6%
Vietnam Petroleum Trans	VIP VN	NR	11,750	NA	35	NA	NA		NA	NA	NA	NA	NA	NA
Vietnam Tanker JSC	VTO VN	NR	13,000	NA	44	NA	NA		NA	NA	NA	NA	NA	NA
Buana Lintas Lautan Tbk PT	BULL U	NR	234	NA	219	3.4	3.4		NA	NA	12.0%	12.5%	5.8%	6.8%
Thoresen Thai Agencies PCL	TTA TB	NR	9	NA	507	5.2	8.5		0.9	0.8	14.1%	9.0%	9.1%	6.2%
MISC Bhd	MISC MK	NR	7	NA	7,092	17.9	14.9		0.9	0.9	5.2%	6.1%	3.3%	3.8%
Average - Transportation peers (excluding PVT)						8.8	8.9		0.9	0.9	10.4%	9.2%	6.1%	5.6%
Petroleum distribution companies														
Petrolimex	PLX VN	ADD	54,600	64,900	3,010	20.7	16.2	67.1%	3.3	3.2	16.0%	19.9%	5.6%	7.0%
PVOil	OIL VN	NR	16,300.00	NA	731	28.9	35.1		1.6	1.5	5.6%	4.5%	NA	NA
PTT Oi I& Retail	OR TB	NR	25.25	NA	9,068	26.9	23.7		3.1	2.9	16.3%	12.4%	6.7%	6.2%
Petronas Dagangan Bhd	PETD MK	NR	19.56	NA	4,601	33.6	27.3		3.5	3.4	10.3%	12.6%	5.9%	7.0%
Thai Oil PCL	TOP TB	NR	49	NA	2,991	9.2	11.4		0.8	0.8	8.1%	7.2%	3.0%	2.9%
Hindustan Petroleum	HPCL IN	NR	300.90	NA	5,600	6.3	5.6		1.1	1.0	17.7%	18.0%	5.4%	6.0%
Average - Petroleum distribution peers (excluding PLX)						21.0	20.6		2.0	1.9	11.6%	10.9%	5.3%	5.5%

Source: BLOOMBERG, VNDIRECT RESEARCH (DATA AS AT 15 DEC)

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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