



What's new?

- ▶ WTI entered negative territory due to weakening demand and lack of available storage.
- ▶ Natural gas price still remains stable.
- ▶ It will be extremely challenging for O&G companies to fulfill their 2020 guidance.
- ▶ Expect downward revisions to guidance and Street forecasts.

Market outlook

- ▶ Guidance from PVN and its subsidiaries was based on assumed average Brent price of 50-60 dollars in 2020.
- ▶ We think it nearly impossible for Brent to recover to that point this year.
- ▶ O&G firms are thus substantially affected by the oil prices crash.
- ▶ Beneficiaries include transportation, electricity generation, and fertilizer.

Oil price crash hits O&G stocks

Oil price has crashed, but natural gas has not. On April 20, WTI fell into negative territory to fall as low as -37.63 USD per barrel due to pressure from futures contracts expiry on April 21. As we write, WTI then rebounded and is trading at 13.6 USD / barrel, down from c.60 USD per barrel in early 2020. Even if the negative price effect is short-lived, low prices are likely to persist given weak demand due to COVID-19 and lack of storage availability. However, natural gas prices have been relatively stable. Natural gas is trading at 1.96 USD / mmbTU, which is up +8.35% YTD (albeit down -22.0% YoY).

O&G companies are not likely to achieve 2020 guidance. PVN and the majority of its subsidiaries in Vietnam built their 2020 business plans based on assumed oil prices of 50-60 USD / barrel (for Brent), as indicated in their recently published annual reports. Currently Brent is trading at 19.6 USD / barrel, down 73.6% YoY. [We reiterate our view](#) that it is nearly impossible for Brent to recover to levels where it averages USD 50-60 per barrel this year, which in turn implies underperformance against the O&G sector's initial guidance.

O&G businesses are negatively affected by oil prices but the magnitude depends on the business model. We view upstream companies (i.e., mining, exploration) as most directly impacted by the oil price crash. However, some businesses have secured contracts to provide core services for the whole year of 2020, such as PVD (HOLD O/P, TP VND 10.425). In such cases, the impact of the oil price crash should be limited in the short-term. Gas distribution companies (GAS, not rated) will see limited impact from the oil price plunge because they earn the gap between purchasing and selling prices as transportation fees. Retail-oriented fuel companies (PLX and OIL, both Not Rated) are affected in the short term due to high inventory costs.

Beneficiaries of oil price crashes are sectors that have oil and gas as inputs, such as transportation (PVT-Not Rated), electricity generation firms through their non-Qc business (POW-Buy; NT2-Hold-O/P), and fertilizer suppliers (DPM and DCM, both Not Rated) in terms of input prices. Additionally, companies that have inputs the prices of which are highly correlated with oil should also benefit. These include plastics companies (BMP, NTP, and AAA – all Not Rated) which may benefit from lower related input prices.

	GAS	PVS	PVD
FY19 EBITDA (VND bn)	16,340	619	627
Growth YoY (%)	-1.2	-3.4%	-11.4
FY19 PATMI (VND bn)	11,940	731	189
Growth YoY (%)	4.2	-30.2	-4.4
2019 PE (x)	10.4	6.6	22.2
2019 PB (x)	2.5	0.5	0.3
ROE	24.7	6.7	1.3
ROA	19.1	3.5	0.9

Source: FIINPro, Yuanta Vietnam

Binh Truong

Deputy Head of Research

+84 28 3622 6868 ext. 3845

binh.truong@yuanta.com.vn

<http://yuanta.com.vn>

Bloomberg code: YUTA

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD–Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD–Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2019 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

matthew.smith@yuanta.com.vn

Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

tam.nguyen@yuanta.com.vn

Institutional Sales

Huy Nguyen

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

Huy.nguyen@yuanta.com.vn

Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

binh.truong@yuanta.com.vn

Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (3874)

tanh.tran@yuanta.com.vn

Duyen Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

duyen.nguyen@yuanta.com.vn