

23 Oct 2024

CNG Vietnam (CNG)

3Q24: Disappointing bottom-line earnings

On 18 Oct, CNG released the financial statements of 3Q24.

3Q24 - Gross profit margin failed expectations

- In 3Q24, CNG saw positive top-line growth, with volume reaching 75mn Sm³ (+24% yoy), and revenue accordingly reaching VND989bn (+26% yoy). Top-line growth beat our expectation, that was 62mn Sm³ volume and VND820bn revenue. This also confirmed the recovery of volume after a long time of being shallow around 62mn Sm³/quarter.
- However, gross profit margin (GPM) was disappointing, reaching only 7.78% (vs 10.84% in 2Q24 and 9.09% in 3Q23) due to significantly more expensive COGS. We believe this could be sourced from insufficient gas supply (input for CNG production), which led to the use of LPG to assure supply obligations with customers. LPG has a much higher COGS price than CNG which can undermine the GPM. As a result, 3Q24 gross profit reached VND76.9bn, grew by only 7.8% yoy and failed our forecast of VND83bn.
- 3Q24 NPAT accordingly recorded a decline of 7.6% yoy, reaching VND27.4bn, and failed our projection of VND38bn. Notably, SG&A also increased to VND42.6bn (+22% yoy)

LNG heads to the North on railways

- On Sept 5, the first LNG batch of 16 ISO tank containers (~300 tonnes or 0.7mn Sm³) was delivered by railways from the South (where the Thi Vai LNG terminal is located) to industrial customers in the North.
- We estimate that, by this method, CNG Vietnam can distribute around 1.2-3.0 thousand tonnes (2-4mn Sm³) to the North this year, equalizing 3-8% of CNG's target gas for the North.

12M rating **Non-rated**

12M TP **N/A**

Stock Statistics

VNIndex (22 Oct, pt)	1,270
Stock price (22 Oct, VND)	32,000
Market cap (USD mn)	44
Shares outstanding (mn)	35
52-Week high/low (VND)	37,894/24,844
6M avg. daily turnover (USD mn)	0.50
Free float / Foreign ownership (%)	44./2.8
Major shareholders (%)	
PV GAS	56
America LLC	4.8

Performance

	1M	6M	12M
Absolute (%)	(5.4)	11.6	13.7
Relative to VNIndex (%p)	(5.5)	2.3	(4.8)

Stock price trend



Source: Bloomberg

	2019A	2020A	2021A	2022A	2023A
Sales (VND bn)	2,130	2,338	3,058	4,185	3,112
chg. (% YoY)	17.1	9.7	30.8	36.9	(25.6)
Operating profit (VND bn)	91	52	105	150	117
Net profit (VND bn)	84	51	82	118	110
EPS (VND)	4,373	2,412	4,253	6,271	3,915
chg. (% YoY)	(28.7)	(44.8)	76.3	47.5	(37.6)
EBITDA (VND bn)	137	85	213	245	183
PE (x)	7.8	10.8	9.9	5.5	11.3
EV/EBITDA (x)	3.2	2.2	6.1	2.0	5.3
PB (x)	1.2	1.1	1.6	1.1	2.1
ROE (%)	15.6	9.7	16.0	21.6	18.8
Dividend yield (%)	10.2	9.8	6.6	8.4	2.6

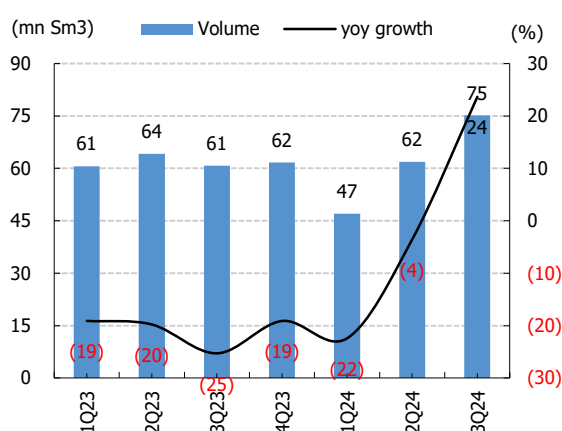
Note: Net profit, EPS and ROE are based on figures attributed to controlling interest
Source: Fiinpro, KISVN

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Risks to be considered: volume recovery could pressure GPM

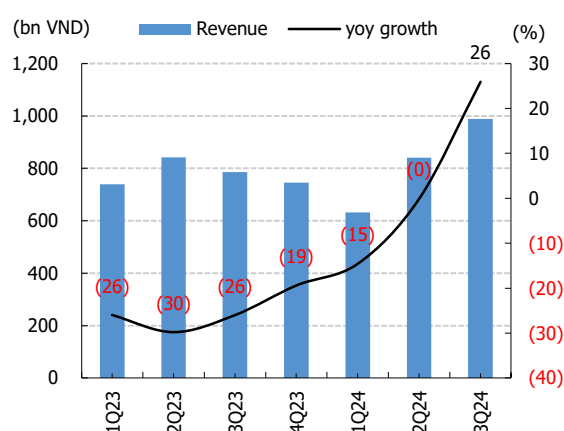
- We assess that volume rising to 75mn Sm³ in 3Q24 is a solid signal for demand recovery, and we expect this trend to continue in upcoming periods. However, we highlight our evaluation that CNG Vietnam may not be receiving enough gas to produce CNG, leading to compensation using LPG as we explained above. Because we expect volume to continue the recovery trend, we think there is a visible risk that CNG may bear larger pressures to assure supply to customers, leading to more intense uses of LPG for compensation. Thus, GPM could remain low or even trend downward in upcoming periods.

Figure 1: 3Q24 volume confirmed the recovery



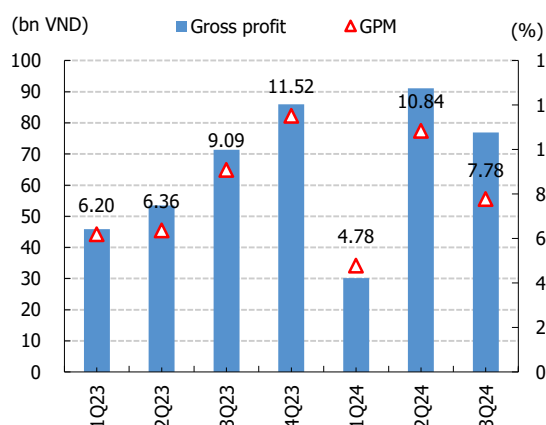
Source: Company data, KISVN

Figure 2. Revenue accordingly surged by 26% yoy



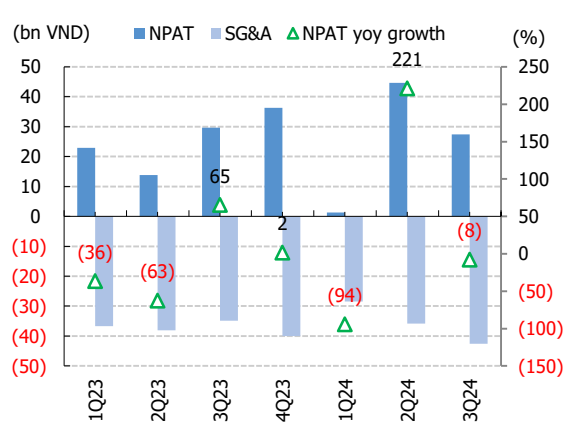
Source: Company data, KISVN

Figure 3. GPM reached only 7.78% because of compensation using LPG ...



Source: Company data, KISVN

Figure 4. ... and together with higher SG&A made NPAT shrank by 8% yoy



Source: Company data, KISVN

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