



Financial information

	2011	2012	2013
Ne Rev (Bil. VND)	731.82	801.19	949.78
% y-o-y	156.41%	9.48%	18.55%
Total Asset (Bil. VND)	705.27	623.73	644.89
Equity (Bil. VND)	387.76	380.57	443.51
Net profit (Bil. VND)	203.45	117.93	123.91
% y-o-y	93.19%	-42.04%	5.08%
EPS (VND/share)	10,016	5,339	4,589
Gross margin	37.75%	23.09%	21.64%
ROS	27.80%	14.72%	13.05%
ROE	52.47%	30.99%	27.94%
ROA	28.85%	18.91%	19.21%

Investment recommendation

Investment view	Buy
Expected price	50700
Current market price	45000
Prospect 6 month	Side way
Prospect 12 months	Increase

Exchange information

Outstanding (mil. Shares)	27
Market capital (bil. dongs)	1317.6
Book value (bil. dongs)	443.5
Foreign ownership (%)	27.65%
EPS adjusted_TTM (dongs)	4,589
Average trading volume in 10 days (shares)	58,921
Highest price in 52 weeks (dongs)	27,200
Lowest price in 52 weeks (dongs)	47,600
+/- in 7 days	+5.56%
+/- in 1 month	+4.35%

Assistant Analysts: Ha Vu

Email: havt@bsc.com.vn

Technical Analyst : Nguyen Bien Phong

Email: Phongnb@bsc.com.vn

- ❖ **The company specializes in compressed natural gas (CNG).** The firm takes high competitive advantages in Vietnam market by owing the Phu My CNG factory- the largest factory in only 2 CNG factories in Vietnam. Compressed natural gas CNG is a clean fuel source which is safer and cheaper than LPG, gasoline or oil. The main customers of CNG are the building material producers (over 50%) and food producers (about 40%)
- ❖ **Profit margin decreased but still be high (21.6%):** the net revenue rose strongly 18.55% in 2012 while the net profit just rose 5.08%. Although the output gas price increased significant in the end of 2013, due to the rise of 10% in the input gas price and the dramatic increase in selling expenses and administrative expenses of 62.01% and 48.31% respectively. Therefore, the profit margin reduced strongly from 23.09% to 21.64%. However, owing to the specificity of CNG good, the profit margin has been higher than other gas businesses.
- ❖ **Capital structure is safer, the cash up by 3 times, no more short-term borrowing:** the equity accounted for over 68.77% of total asset and it is rising when up 16.54% in 2013 by new share issuing. In contrast, the borrowing just made up 10% of total asset and it is reducing when down 46.22% in 2013. This also led to a strong fall of 38.06% in interest expenses. Specially, until the end of 2013, CNG paid all of short-term borrowing. The cash went up by 3 times thanks to the decrease in fix asset purchasing; no lending or purchasing debt instruments from other entities and undistributed profit.
- ❖ **High dividend payout ratio:** recently, the dividend rate of CNG has been at 35% of par value. Ending the year of 2013, CNG still has 125.71 billion dongs undistributed profit, accounting for 28% of equity. The dividend rate of CNG is estimated to be 35% in 2013 and 2014 in which CNG paid 15% in 2013.
- ❖ **The profit in 2014 is expected to rise strongly thanks to the decrease of about 34 billion dongs in depreciation expense.** BSC forecasts that the revenue will reach 1,075.15 billion dongs in 2014, up 13% thanks to the new customer development. The profit after tax is predicted to reach 150.44 billion dongs, up 21% (EPS will reach 5,572 dongs/share)

Investment view: with the specificity of compressed natural gas, the company will grow in step with the gas demand of building material producers and the profit is expected to be grown thanks to the decrease in depreciation expenses since 2014. We believe that CNG is a defensive stock and it can be considered for long-term investment in order to receive dividend in 2014.

- High profit margin, safe capital structure, high dividend payout ratio and high growth prospects since 2014 thanks to the decline in depreciation expenses.
- CNG is a defensive stock with high liquidity
- The report uses the P/E method to value CNG stock:
 - The P/E of sector: 9.09
 - EPS 2014 is expected to reach 5,572 dongs/share
 - The appropriate of CNG stock is **50,700 dongs/share**

TECHNICAL ANALYSIS

CNG is in a long-term upward trend. The stock break continuously old tops to improve the growth trend. The stocks having growth trend often continue to accumulate in order to go into higher zone. CNG had a strong grown period in the first of 2014 and it is accumulating in side way in the price zone from 42,000 to 46,000. CNG needs long time to create a new price zone before increasing again.

- ❖ **Buying point:** break over 46,000 (retangular box is observed zone, with the stock growing in investment strategy such as CNG, the invesment approach is buying at the break point of congestion zone. The red arrow on the chart determines the buying point in the past)
- ❖ **Selling point:** 69,000 (in medium-term) – based on the increasing model in the past (rising from 20,000 to 30,000 and from 31,000 to 45,000 - the probability of 50%)
- ❖ **Fail break out:** returning to congestion zone (fall back to 46,000)
- ❖ **Cut loss:** price decrease to under 41,000 (under the accumulated rectangular box)

Investment view: *CNG has a growth trend and it is accumulating in the price zone from 42,000 to 46,000. The investor should buy when its price rises over the accumulated top of 46,000 with the medium target price of 69,000.*

FUNDAMENTAL ANALYSIS

❖ Prospects:

- **The depreciation expense will down strongly since 2014:** because the accelerated depreciation period in 3 years since 2011 was ended. If the company has no new purchase of fix asset, the tangible fixed asset will be fully depreciated in the third quarter in 2014. At the moment, the depreciation expense is about 30 billion dongs/ quarter, making up 20% of operating costs.
- **The business of CNG is reduced 50% in corporate income tax from 2011 to 2016**
- EIA expects that the world average natural gas price will increase by 10% in 2014. Hence **the selling CNG in Vietnam will increase in step with the increase of world gas price.**
- **CNG demand will increase:** thanks to the advantages of clean and cheap fuel source, the use of CNG is supported strongly by the Government, especially in the transportation and industrial zones. In addition, the project of producing 300 buses powered by CNG and starting to run in April 2014 of Hochiminh City had been approved. This will contribute to increase the CNG demand in 2014.

❖ Risks

- **The input gas price rise 10%/year** according to the contract signed with PGD in order to reach the world price in 2017. And then the input gas price is forecasted to increase stronger than 10% due to the pressure from the rise in world gas price.
- **CNG consumption is just effective within a radius less than 200 km.** Therefore, the market expansion depends on the building of gas stations. Moreover, equipments using CNG are more expensive than equipments using other fuels.



BSC RATING SYSTEM AND VALUATION METHODOLOGY

Rating System: Our recommendations are relative to the market development and are based on the difference between the current price and our 12-month price target includes dividends over the period (Unless otherwise specified). This structure applies from 1st Jan 2014.

Valuation Methodology: The selection of methods depends on the industry, the company, the stock. Our valuations are based on a single or a combination of one of the following valuation methods: 1) Relative models (P/E, P/B, EV/EBIT, EV/EBITDA); 2) Discount models (DCF, DVMA, DDM); 3) Asset-based evaluation methods (NAV, RNAV).

Rating System	Note
STRONG BUY	If the target price is 20% higher than the market price
BUY	If the target price is 5% to 20% higher than the market price
HOLD	If the target price is 5% higher or lower than the market price
SELL	If the target price is more than 5% lower than the market price
NOT RATED	The investment rating and target price have been removed pursuant to BSC policy when BSC is acting in an advisory capacity, in a merger or strategic transaction involving this company, and in case BSC do not have enough material to perform valuation.

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Sales & Advisory**Hoa Nguyen**

Tel: 0439352722 (155)

Email: hoant@bsc.com.vn**Head of Research****Long Tran**

Tel: 0439352722 (118)

Email: longtt@bsc.com.vn**Institutional Sales & Advisory****Anh Nguyen**

Tel: 0439352722 (175)

Email: anhnn@bsc.com.vn**CONTACT INFORMATION****BSC Head Office**

10th, 11th Floor – BIDV Tower
35 Hang Voi – Hoan Kiem – Hanoi
Tel: 84 4 39352722
Fax: 84 4 22200669
Website: www.bsc.com.vn

BSC Ho Chi Minh Branch

9th Floor – 146 Nguyen Cong Tru Str
District 1, Ho Chi Minh City
Tel: 84 8 3 8218885
Fax: 84 8 3 8218510
Website: www.facebook.com/BIDVSecurities

BIDV Securities Company (BSC)

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