

Analysis Gazprom PJSC update Oct. 4th, 2021

RDSB WKN: A0ER6S / ISIN: GB00B03MM408

The following article is is not a recommendation or proposal to do anything. The data written in this article is not guaranteed. It is my private personal opinion. I`m not independent as I own a position of Gazprom shares.

Gazprom is the biggest integrated natural gas producer of the world accounting for 16% of global, 70% of Russia's gas reserves and about 11% of the global gas production.

Conclusion

All in all GAZPROM is blessed with some of the most valuable assets in the world. It could generate cash like hell. Gazprom is not a western Enterprise like Exxon or P&G, with the objective to maximize profits. Its main purpose is as well not to make foreign shareholders happy. It is an instrument of the Russian government/Putin. It is used for political targets as well as social welfare in Russia. Gazprom has to sell about half of the produced gas for domestic use, has to provide district heating and electricity for regulated (low) prices which is not really transparent to foreigners. The Russian politics usually follows the long term power interests of the country. Thus it seems likely that the Russian Government will not weaken Gazprom. It seems likely that the foreign shareholder – the governmental budget (1/2 of the shares are owned by the government) - will get kept at mood by comfortable dividends. If someone is willing to invest in such a situation Gazprom is a good investment.

Risks & Chances

Gazprom runs a strong pipeline network within the former Soviet Union and to Western Europe. Most of the profit is generated by the sale of 220 bcm of gas annually to Western Europe. European domestic production is declining, Groningen the biggest domestic gas field in Western Europe will become given up latest in 2030. Even if Europe enjoy a very crazy, destructive politics (ESG) it seems very likely that gas consumption remains at least stable for many years. Western Europe – Germany - is the cash cow of Gazprom.

Growth comes from gas sales to China. The "Power of Siberia" pipeline is built. Some compressor stations will become finished soon. A contract about a delivery of 38 bcm/yr. is signed. The Gazprom pipeline network in Siberia is by far less developed as it is in West Siberia/Europe. There is no connection yet from the "Power of Siberia" pipeline to the rich gas fields of Western Siberia nor to Sachalin. That means the next decades Gazprom will most probably spend plenty 10`s of bn\$ of capex to develop the Asian business.

Another growth opportunity for Gazprom is LNG Export. LNG terminals and pipelines are capex intensive as well. Thus the pipelines are perhaps the better choice for Gazprom.

All in all Gazprom as a company sitting on the worlds biggest gas reserves has bright opportunities but high capex requirements. The target is not to maximize profits. The positive is that as long as Gazprom needs western financing it might treat foreign shareholders well.

Observations

Some Data

		2020	Q1/21	Q2/21	2021e
Ex. Rate app	RUB/\$	76	73.7	73.5	
Gas Sales	bcm	454.5	168	104	
Gas Sales Abroad	bcm	219	64.1	56	
Gas Reserves	tcm	33.6			
Coverage	years	74			
Revenues	Bn \$	83	31	26.1	
Net Debt	Bn \$	51		46.2	
Capex	Bn \$	19.7	5.6	5.67	
Free Cash Flow	Bn \$	5.2			
Net Income att.	Bn \$	1.78	6.32	7.21	
Number of Shares	M	23645	23645	23645	23645
EPS/Share	c(USD)	37	26	30	
Dividend	Rub	12.55			
Dividend	c(USD)	17			

The Gazprom Share

PJSC Gazprom's share capital is divided into 23,673,512,900 ordinary registered shares. The Company has no preferred shares.

PJSC Gazprom Owner Structure as of December 31, 2020:

Shareholders	Stake, %
The Russian Federation represented by the Federal Agency for State Property Management	38.37
ROSNEFTEGAZ*	10.97
Rosgazifikatsiya*	0.89
ADR holders **	16.71
Other legal entities and individuals	33.06

*Controlled by the Russian Government

**Mostly Foreigners

Some News

References:

(1) 2021/07/27

https://www.gazprom.de/f/posts/99/107431/map_sila_sib_g2019-12-24.png