



PVD Update – Outperform

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Company Update

Recommendation

Outperform

HSX: PVD

Drilling service

Target price (VND) 32,000

Market price (VND) 28,000

Expected share price return 14.2%

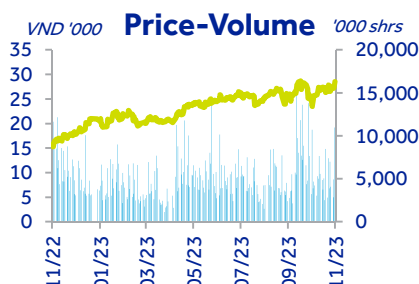
Expected dividend yield 0%

Expected total return 14.2%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	59.9	10.7	13.7	86.6
Relative	48.7	6.4	21.8	77.8

Source: Bloomberg



Ownership

PVN 50,46%

Dragon Capital 10,96%

Stock Statistics

30-Nov-2023

Bloomberg code PVD VN

52-week range (VND) 14,900 - 29,900

Shares O/S (m) 556

Mkt cap (VND bn) 15,870

Mkt cap (USD m) 648

Est. Foreign room left (%) 25.7

Est. free float (%) 45.9

3m avg daily vol (shrs) 5,741,582

VND/USD 24,500

Index: VNIndex / HNX 1094.13/226.15

PetroVietnam Drilling and Well Service Corp. (PVD VN)

PVD has announced positive business results for Q3/2023, with a NPAT-MI of VND150.5 billion (compared to a loss of VND33.7 billion YoY and -6.7% QoQ), in line with our expectations. accumulated 9M2023, NPAT-MI reached VND381 billion (compared to a loss of VND150 billion in 9M2022), fulfilling 381% of PVD's annual plan and 67% of our full-year projection.

In Q3/2023, PVD recorded a revenue of VND1,381 billion (+11.2% YoY) and a NPAT-MI of VND150.5 billion, compared to a loss of VND33.7 billion in Q3/2022. This results attributed to the following factors:

1. The increase of jack-up rig day rates by 33.8% YoY to 79,000 USD/day significantly contributed to this result. This development was attributed to the prolonged high crude oil price, which have stimulated demand for oil exploration and production activities.
2. Additionally, in Q3/2023, PVD continued to record the remaining one-off profit of VND70 billion from the termination agreement of a drilling contract for PVD I rig with the client Valeura Thailand.
3. The well technical services segment also showed good recovery with a 12.4% YoY increase in revenue and a gross profit margin rising to 28% from 24.5% in the same period last year.

These factors overshadowed the negative impact from 52% YoY increase in financial expenses, mainly stemming from foreign exchange loss of VND71.8 billion (+74.7% YoY).

With these results, PVD's 9M2023 revenue reached VND4,033 billion (+2.8% YoY) and a NPAT-MI of VND381 billion (compared to a loss of VND150 billion in 9M2022), achieving 73% and 67% of our adjusted full-year projection, respectively.

Quick comment: For 2023, we have adjusted our projected NPAT-MI to increase by 10% compared to the previous projection, reaching VND571 billion (compared to a loss of VND103 billion in 2022). The main reason for this adjustment is the higher increase in jack-up rig day rates for new contracts. Looking towards 2024, with the continuous increase in rig day rates, we project that PVD will achieve a revenue of VND6,440 billion (+17.2% YoY) and NPAT-MI of VND896 billion (+56.9% YoY). Using the discounted cash flow (DCF) method, **our target price for PVD by the end of 2024 is VND32,000 per share, equivalent to a total return rate of 14.2%. Rating Outperform.**

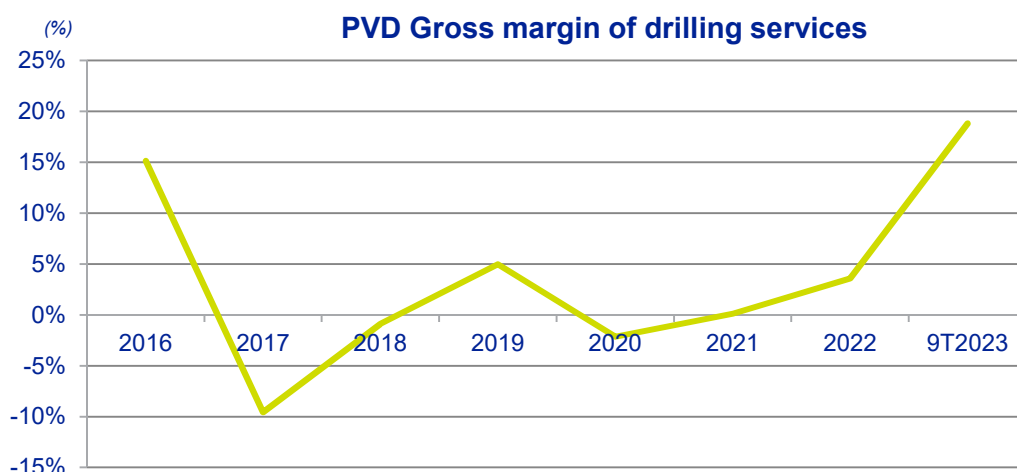
	2021	2022	2023F	2024F	2025F
Net Sales (VNDbn)	3,995	5,432	5,495	6,440	6,645
Growth (%)	-24%	36%	1%	17%	3%
EBITDA (VNDbn)	459	802	2,005	2,426	2,464
EBITDA margin	11%	15%	36%	38%	37%
Net income (VNDbn)	20	(103)	571	896	1,005
Growth (%)	-80%	-521%	-449%	67%	12%
EPS (bonus-adjusted, VND)	35	(185)	1,026	1,610	1,806
Growth (%)	-89%	-626%	-655%	57%	12%
ROE (%)	0%	-1%	4%	6%	6%
ROIC (%)	0%	0%	3%	5%	4%
Net debt/EBITDA (x)	6.1	2.2	0.6	-0.4	-1.4
PER (times)	615.5	-154.3	27.8	17.7	15.8
EV/EBITDA (x)	38.9	22.3	8.9	7.4	7.3
PBR (times)	0.9	1.1	1.1	1.0	1.0
DPS (VND)	-	-	-	-	-
Dividend yield (%)	0%	0%	0%	0%	0%

Business results improved significantly due to a sharp increase in rig day rate.

In Q3/2023, PVD recorded a revenue of VND1,381 billion (+11.2% YoY) and a NPAT-MI of VND150.5 billion, compared to a loss of VND33.7 billion in Q3/2022. Gross profit margin also improved to 21.4% from 9.4% compared to the same period last year. The greatest contribution came from the drilling services segment, with the gross profit margin increasing to 19.1% from 2.8% in Q3/2022. This is also the highest gross profit margin for this segment in many years. The average jack-up rigs day rate in Q3/2023 increased by 33.8% YoY to 79,000 USD/day and significantly supported the aforementioned results. This development was due to the sustained high crude oil prices over a period, which have stimulated demand for oil exploration and production activities.

PVD business results	Q3/2023	Q3/2022	+/- YoY	9M2023	9M2022	+/- YoY
Rig day rate (USD/ day)	79,000	59,000	33.8%	74,000	57,000	29.8%
Drilling service revenue (bil VND)	944	836	12.8%	2,828	7,573	9.9%
GM of drilling services (bil VND)	19.1%	2.8%	n/a	18.8%	-1.1%	n/a
Well technical service revenue (bil VND)	405	360	12.4%	1,069	1,253	-14.6%
GM of well technical service	28.0%	24.5%	n/a	32.9%	26.0%	n/a

Source: PVD, ACBS



Source: PVD, ACBS

The well technical services segment also showed good recovery with a 12.4% YoY increase in revenue and a gross profit margin rising to 28% from 24.5% in the same period last year. Additionally, in Q3/2023, PVD continued to record the remaining one-off profit of VND70 billion from the termination agreement of a drilling contract for PVD I rig with the client Valeura Thailand. Therefore, the compensation of USD6 million has been fully recognized by PVD in 9M2023.

These factors overshadowed the negative impact from 52% YoY increase in financial expenses, mainly stemming from foreign exchange loss of VND71.8 billion (+74.7% YoY) as USD/VND increased by 3.6% YTD in Q3/2023. In addition, interest expenses also increased by 37% YoY to VND62 billion due to the 3-month LIBOR interest rate increasing to 5.6% from 3.6% in the same period last year. This is the expense related to PVD's outstanding foreign currency debt balance of USD146 million at the end of Q3/2023.

With these results, PVD's 9M2023 revenue reached VND4,033 billion (+2.8% YoY) and a NPAT-MI of VND381 billion (compared to a loss of VND150 billion in 9M2022), achieving 73% and 67% of our full-year projection, respectively. In addition to the 29.8% increase YoY in rig day rate, the rig utilization rate in 9M2023 also improved thanks to the signing of longer-term drilling contracts which then help saving time and rig towing costs.

Update on PVD's drilling rig contract 2024-2025

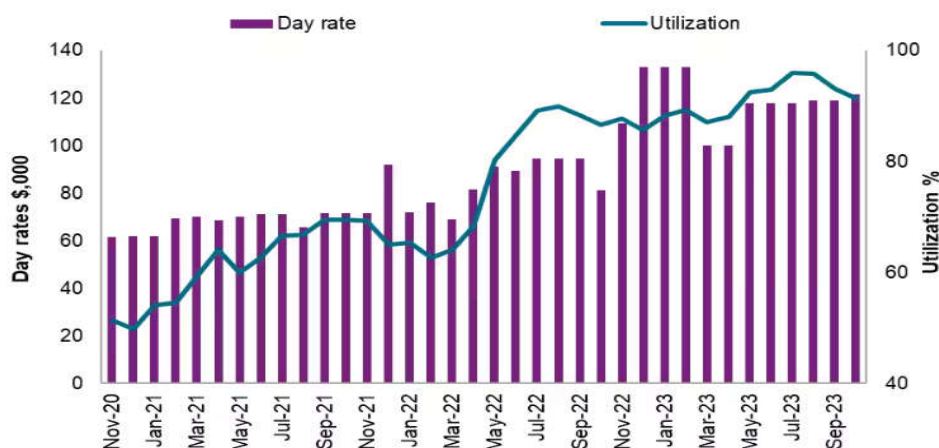
2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PVD I												
PVD II												
PVD III												
PVD V												
PVD VI												
PVD 11												
2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PVD I												
PVD II												
PVD III												
PVD V												
PVD VI												
PVD 11												

Source: PVD, ACBS

Most of PVD's drilling rigs have signed contracts for 2024. Of which, even rigs I, II, V, VI have work until the end of 2025. Two rigs PVD III and 11 are also expected to sign new contracts after the end of their current contracts.

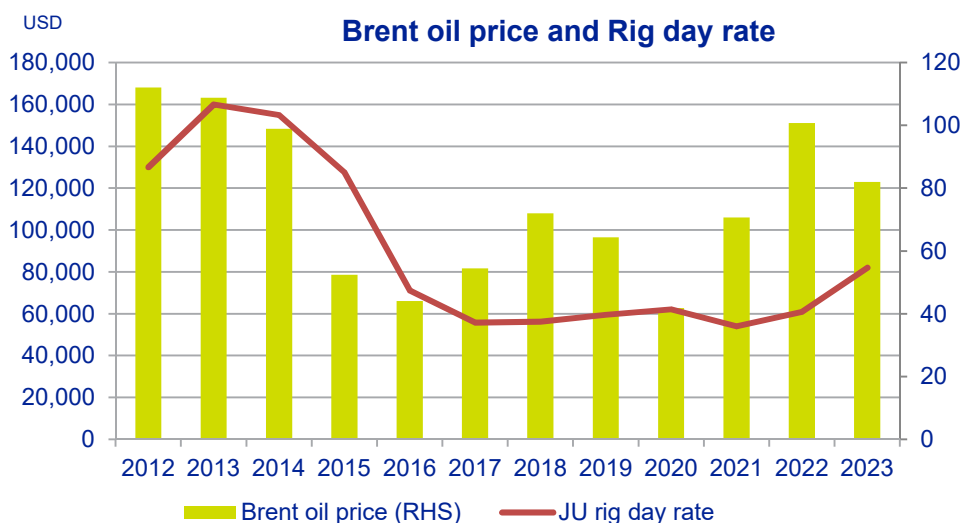
Jack-up rig day rate in Southeast Asia region is currently quoted around 120,000-130,000 USD/day and are expected to remain high in 2024 due to high demand for rig in the Middle East region. The current high rig day rate in this area will help PVD continue to sign contracts at high prices in 2024-2025.

Southeast Asia Jackups 361-400 IC
Average day rate v Total contracted utilization

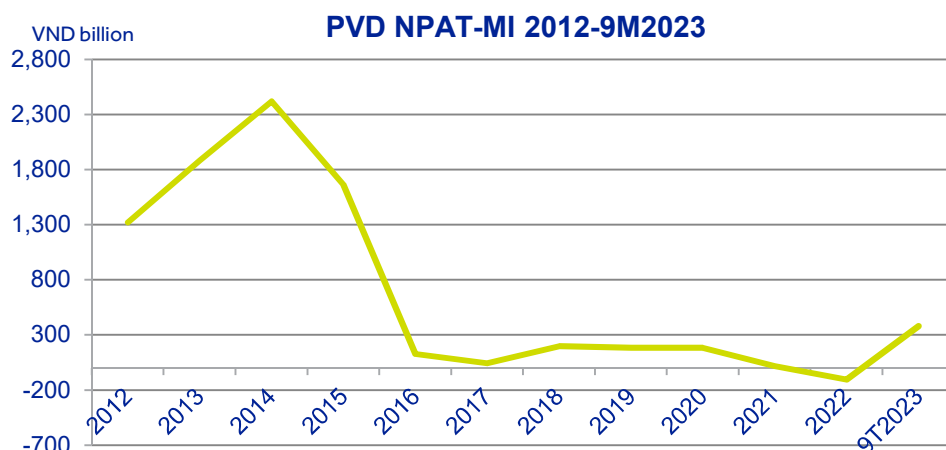


Data compiled Nov.15, 2023.
Source: S&P Global Commodity Insights upstream E&P content (Petrodata Rigs).
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Source: PVD, ACBS



Source: PVD, EIA



Source: PVD, ACBS

Projections for 2023 & 2024

For 2023, we have adjusted our projected revenue and NPAT-MI to increase by 6% and 10% respectively compared to the previous projection. From there, the latest forecast for revenue 2023 is VND5,495 billion (+1% YoY) and NPAT-MI is VND571 billion (compared to a loss of VND103 billion in 2022). With that, Q4 profit is expected to increase compared to Q3/2023 thanks to the signing of new drilling contracts with higher rig day rate.

Looking towards 2024, we adjusted net profit up 12% due to the following factors:

- The average jack-up rig day rate in 2024 is expected to increase by 18%YoY to USD97,000/day. The rates for PVD V and the land rig PVD 11 remain the same.
- The well technical services segment is expected to benefit from domestic exploitation projects such as Camel Vang, Dai Hung phase 3 and Block B O Mon.

Valuation

For the whole year 2024, we forecast PVD to achieve revenue of VND6,440 billion (+17.2% YoY) and NPAT-MI of VND896 billion (+56.9% YoY). Using the discounted cash flow (DCF) method, our target price for PVD by the end of 2024 is VND32,000 per share, equivalent to a total return rate of 14.2%. **Rating Outperform.**

PVD FINANCIALS MODEL

(VND bn except where stated)	2019	2020	2021	2022	2023F	2024F	2025F
Total Net Sales	4,368	5,228	3,995	5,432	5,495	6,440	6,645
<i>Sales growth (%)</i>	-21%	20%	-24%	36%	1%	17%	3%
CoGS ex-dep'n	3,327	4,411	3,138	4,119	2,967	3,446	3,594
SG&A	414	331	399	510	523	568	586
<i>SG&A as % of sales</i>	9%	6%	10%	9%	10%	9%	9%
EBITDA	627	485	459	802	2,005	2,426	2,464
<i>EBITDA margin (%)</i>	14%	9%	11%	15%	36%	38%	37%
Depreciation	591	488	487	735	1,241	1,275	1,277
Operating profit	37	(3)	(27)	67	763	1,151	1,187
<i>Operating profit margin (%)</i>	1%	0%	-1%	1%	14%	18%	18%
Net interest expense	47	9	-13	109	146	100	5
<i>as % of avg, net debt</i>	3%	0%	0%	5%	10%	48%	0%
Tax	17	19	26	16	135	226	254
<i>Effective tax rate (%)</i>	9%	10%	41%	-12%	20%	20%	20%
Minorities	-12	-4	17	-52	-30	10	10
Net profit	184	184	20	(103)	571	896	1,005
<i>Net profit margin (%)</i>	4%	4%	0%	-2%	10%	14%	15%
Cash earnings	763	669	523	580	1,782	2,180	2,292
Number of shares (m)	422	422	422	556	556	556	556
EPS (VND)	438	437	46	-185	1,026	1,610	1,806
Share split factor (x)	0.8	0.8	0.8	1.0	1.0	1.0	1.0
Adjusted EPS (VND)	332	331	35	(185)	1,026	1,610	1,806
<i>EPS growth (%)</i>	-7%	0%	-89%	-626%	-655%	57%	12%

KEY CASHFLOW AND BS ITEMS	2021	2022	2023F	2024F	2025F
Increase in working capital	(185)	627	309	33	(268)
Capex	542	722	672	51	51
Other cash flow items	-179	150	150	150	150
Free cash flow	(30)	(619)	951	2,247	2,659
Share issues (m)	0	0	0	0	0
Dividends paid	3	3	0	0	0
Increase in net debt	33	-1067	-481	-2132	-2546
Net debt, end of year	2,823	1,756	1,275	(857)	(3,402)
Enterprise value	18,706	17,639	17,157	15,026	12,480
Shareholders' equity	13,832	14,079	14,392	15,243	16,197
BVPS (VND)	32,812	25,308	25,870	27,400	29,116
Net debt / equity (%)	20%	12%	9%	-6%	-21%
Net debt / EBITDA (x)	6.1	2.2	0.6	-0.4	-1.4
Total assets	20,761	20,704	21,160	22,184	23,191

KEY RETURN AND VALUATION RATIOS	2021	2022	2023F	2024F	2025F
ROE (%)	0.3%	-1.1%	3.8%	6.1%	6.5%
ROA (%)	-0.1%	0.3%	3.6%	5.3%	5.2%
ROIC (%)	0.1%	-0.4%	3.1%	4.5%	4.5%
WACC (%)	13%	14%	15%	15%	15%
EVA (%)	-12.6%	-14.6%	-11.7%	-10.9%	-10.9%
PER (x)	615.5	-154.3	27.8	17.7	15.8
EV/EBITDA (x)	38.9	22.3	8.9	7.4	7.3
EV/FCF (x)	-598.9	-28.9	18.8	8.0	6.7
PBR (x)	0.9	1.1	1.1	1.0	1.0
PSR (x)	0.0	0.0	0.0	0.0	0.0
EV/sales (x)	4.5	3.3	3.3	2.8	2.7
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

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DISCLAIMER

Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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