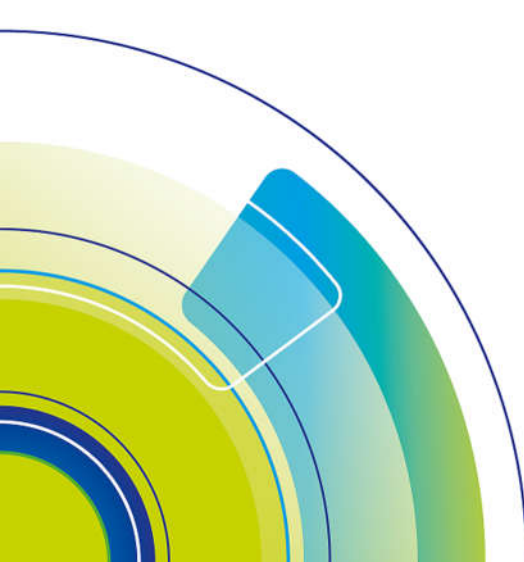




PVS Flash note – Outperform

July 31, 2024



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Flash Note

Recommendation

Outperform
HSX: PVS

Support Activities for O&G Operations

Target price (VND) 46,800

Market price (VND) 40,600

Expected share price return 15.2%

Expected dividend yield 1.7%

Expected total return 16.9%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	6,8	0	2,3	20,2
Relative	-3,9	-0,5	-1,2	17,9

Source: Bloomberg



Ownership

PVN 51,38%

Stock Statistics 31-July- 2024

Bloomberg code PVS VN

52-week range (VND) 31.400 - 45.800

Shares O/S (m) 478

Mkt cap (VND bn) 19.405

Mkt cap (USD m) 769

Est. Foreign room left (%) 27

Est. free float (%) 50

3m avg daily vol (shrs) 4.493.941

VND/USD 25.230

Index: VNIndex / HNX 1251,51/235,36

PetroVietnam Technical Services Corporation (HNX: PVS)

PVS announced business results for Q2/2024, with a NPAT-MI of VND195 billion (-13% YoY and -35.2% QoQ), in line with our expectations. Accumulated 6M2024, NPAT-MI increased by 12.9% YoY, reaching VND495 billion, completing 78% of PVS's annual plan and 44% of our forecast. Using DCF method, we derive the fair value of PVS by the end of 2025 at VND46,800/share, implying 16.9% potential upside from the current market price, rated Outperform.

PVS recorded revenue in Q2/2023 of VND5,577 billion (+18.4% YoY) and NPAT-MI of VND195 billion (-13% YoY and -35.2% QoQ). Revenue increased mainly due to the increase in revenue of the Offshore support vessels (OSV) segment and the Operations & Maintenance (O&M) segment. The increase in these two segments offset the decrease in revenue from the Mechanical and Construction (M&C) segment (-8% YoY). Meanwhile, the decrease in profit was due to:

- Gross margin of -1% of the M&C segment compared to 1% in the same period.
- G&A expenses increased by 32.6% YoY to VND308 billion due to increased labor and outsourcing costs.
- Financial income decreased by 10.7% YoY to VND139 billion due to a decrease in deposit interest while financial expenses increased 102.7% YoY to VND30.3 billion.

The above factors overshadowed the positive impact from Profit from joint ventures and associates with an increase of 26.4% YoY to VND223 billion. This increase was due to (1) PVS signing a higher rental price for the FSO Bien Dong contract extension and (2) the increase in USD/VND exchange rate.

With this result, in 6M2024, PVS recorded revenue of VND9,287 billion (+10.4% YoY) and NPAT-MI of VND495 billion (+12.9% YoY), respectively completing 37% and 44% of our full-year forecast. This development is partly due to the fact that the M&C segment usually records revenue/profit mainly in Q4.

In addition, regarding the Block B O Mon project, up to now, PVS has been awarded limited leasehold (LLOA) for the EPCI#1, EPCI#2 and 3 contracts with a total value of 1.2 billion USD. However, as this project has not received the Final Investment Decision (FID), the implementation speed as well as the growth of revenue/profit in the M&C segment is still slow.

Conclusion: We increase PVS's revenue forecast by 7% from VND23,846 billion to VND25,538 billion (+32% YoY), however, we maintain our net profit forecast of VND1,139 billion (+11% YoY) for the whole year 2024. Offshore oil and gas projects (Block B O Mon, Yellow camel, White lion II) and wind power are considered potential factors that will actively support PVS's business activities in the period 2024-2030.

	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	14,198	16,373	19,374	25,538	33,526
Growth (%)	-28%	15%	18%	32%	31%
EBITDA (VNDbn)	396	292	447	617	988
EBITDA margin	3%	2%	2%	2%	3%
Net income (VNDbn)	601	884	1,026	1,139	1,358
Growth (%)	-7%	47%	16%	11%	19%
EPS (bonus-adjusted, VND)	1,162	1,708	1,984	2,201	2,624
Growth (%)	-7%	47%	16%	11%	19%
ROE (%)	5%	7%	8%	9%	10%
ROIC (%)	2%	3%	3%	3%	4%
Net debt/EBITDA (x)	-18.1	-29.7	-18.7	-12.9	-9.8
PER (times)	35.5	24.1	20.8	18.7	15.7
EV/EBITDA (x)	33.8	45.8	29.9	21.7	13.5
PBR (times)	1.6	1.5	1.5	1.4	1.3
DPS (VND)	1,000	800	700	700	700
Dividend yield (%)	3%	2%	2%	2%	2%

PVS business results	Q2/2024	Q2/2023	YoY	6T2024	6T2023	YoY
Revenue (billion VND)						
Mechanical & Construction services (M&C)	2,603	2,834	-8.1%	4,406	4,965	-11.3%
FSO/FPSO	563	523	7.7%	1,111	970	14.4%
Supply base service	307	366	-16.3%	642	662	-3.1%
Offshore support vessels (OSV)	632	390	62.1%	1,054	726	45.1%
Operations and Maintenance (O&M)	593	361	64.2%	990	745	32.9%
Seismic Survey services (ROV)	121	42	189.9%	226	67	235.2%
Others	763	196	289.9%	863	279	209.9%
Gross profit margin (%)						
Mechanical & Construction services (M&C)	-1.0%	1.0%		0.6%	2.0%	
FSO/FPSO	4.3%	4.6%		4.1%	6.1%	
Supply base service	19.7%	17.4%		22.0%	17.9%	
Offshore support vessels (OSV)	8.8%	11.2%		9.8%	11.4%	
Operations and Maintenance (O&M)	6.1%	5.4%		7.0%	4.1%	
Seismic Survey services (ROV)	31.7%	17.6%		22.5%	-6.2%	
Others	5.8%	0.2%		6.4%	1.8%	
SG&A expense	328	249	31.7%	555	439	26.4%
NPAT-MI	195	224	-12.9%	495	439	12.7%

PVS FINANCIALS MODEL

(VND bn except where stated)	2021	2022	2023	2024F	2025F
Total Net Sales	14,198	16,373	19,374	25,538	33,526
<i>Sales growth (%)</i>	-28%	15%	18%	32%	31%
CoGS ex-dep'n	13,001	15,173	17,874	23,785	31,046
SG&A	802	907	1,052	1,136	1,492
<i>SG&A as % of sales</i>	6%	6%	5%	4%	4%
EBITDA	396	292	447	617	988
<i>EBITDA margin (%)</i>	3%	2%	2%	2%	3%
Depreciation	422	285	461	461	520
Operating profit	(26)	7	(13)	156	468
<i>Operating profit margin (%)</i>	0%	0%	0%	1%	1%
Net interest expense	-156	-207	-391	-359	-291
<i>as % of avg, net debt</i>	2%	3%	5%	4%	3%
Tax	200	229	217	284	339
<i>Effective tax rate (%)</i>	23%	20%	17%	19%	19%
Minorities	76	61	34	73	87
Net profit	677	944	1,060	1,211	1,444
<i>Net profit margin (%)</i>	5%	6%	5%	5%	4%
Cash earnings	1,099	1,229	1,521	1,672	1,964
Number of shares (m)	478	478	478	478	478
EPS (VND)	1,162	1,708	1,984	2,201	2,624
Share split factor (x)	1.00	1.00	1.00	1.00	1.00
Adjusted EPS (VND)	1,162	1,708	1,984	2,201	2,624
<i>EPS growth (%)</i>	-7%	47%	16%	11%	19%

KEY CASHFLOW AND BS ITEMS	2021	2022	2023	2024F	2025F
Increase in working capital	(185)	(1,095)	163	(784)	(886)
Capex	266	561	904	1,547	600
Other cash flow items	767	905	1204	300	300
Free cash flow	1,786	2,668	1,658	1,209	2,550
Share issues (m)	0	0	0	0	0
Dividends paid	554	430	378	335	335
Increase in net debt	(1232)	(2239)	(1280)	(874)	(2215)
Net debt, end of year	(7,179)	(8,681)	(8,346)	(7,959)	(9,672)
Enterprise value	12,513	11,011	11,346	11,733	10,020
Shareholders' equity	12,534	12,949	13,544	13,796	14,694
BVPS (VND)	26,224	27,091	28,337	28,863	30,742
Net debt / equity (%)	-57%	-67%	-62%	-58%	-66%
Net debt / EBITDA (x)	-18.1	-29.7	-18.7	-12.9	-9.8
Total assets	24,845	25,828	26,416	28,574	33,204

KEY RETURN AND VALUATION RATIOS	2021	2022	2023	2024F	2025F
ROE (%)	5.3%	7.4%	8.0%	8.9%	10.1%
ROA (%)	-0.1%	0.0%	-0.1%	0.6%	1.5%
ROIC (%)	2.2%	3.1%	2.9%	3.4%	4.0%
WACC (%)	15%	15%	15%	15%	15%
EVA (%)	-13%	-12%	-12%	-12%	-11%
PER (x)	35.5	24.1	20.8	18.7	15.7
EV/EBITDA (x)	33.8	45.8	29.9	21.7	13.5
EV/FCF (x)	7.5	5.0	8.1	11.1	5.2
PBR (x)	1.6	1.5	1.5	1.4	1.3
PSR (x)	0.0	0.0	0.0	0.0	0.0
EV/sales (x)	0.9	0.8	0.7	0.5	0.4
Dividend yield (%)	2.8%	2.2%	1.9%	1.7%	1.7%

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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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