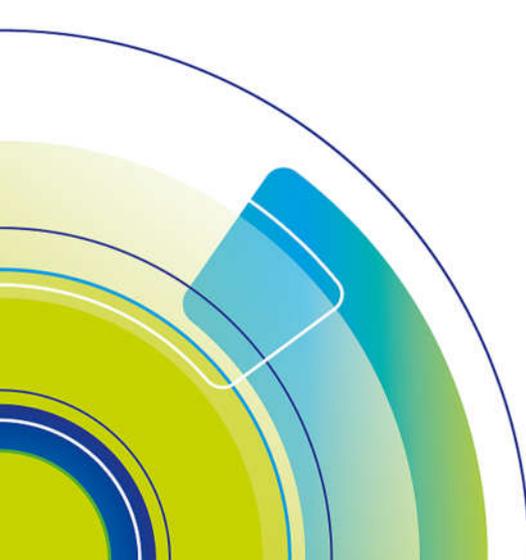




# PVD Update – OUTPERFORM

November 6, 2024

---



## Mr. Hung Phan

(+84 8) 7300 7000 - Ext: 1044

[hungpv@acbs.com.vn](mailto:hungpv@acbs.com.vn)

## Company Update

Recommendation **OUTPERFORM**

HSX: PVD

Drilling service

Target price (VND) **30,200**

Market price (VND) **25,350**

Expected share price return 19.8%

Expected dividend yield 0%

Expected total return **19.1%**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-10.6	-9.2	-3.1	-2.3
Relative	-24.1	-7.3	-8.6	-20.4

Source: Bloomberg



## Ownership

PVN 50,46%

Dragon Capital 10,96%

## Stock Statistics

6-Nov-2024

Bloomberg code **PVD VN**

52-week range (VND) 25,050 - 34,900

Shares O/S (m) 556

Mkt cap (VND bn) 14,064

Mkt cap (USD m) 552

Est. Foreign room left (%) 36.5

Est. free float (%) 46.3

3m avg daily vol (shrs) 3,703,402

VND/USD 25,473

Index: VNIndex / HNX 1261.33/227.76

## PetroVietnam Drilling and Well Service Corp. (PVD VN)

PVD recorded Q3/2024 business results with NPAT of VND180 bn (+35.2% YoY and +38.5% QoQ), lower than our expectations. Cumulatively, 9M2024 NPAT increased by 34% to VND461 bn, completing 121% of its annual plan and 52% of our initial forecast. We revised our 2024 NPAT forecast down by 19% compared to the previous update, primarily due to a lower gross profit margin in the service segment and a drop in profits from joint ventures. As a high rig day rate persists, we forecast 2025 NPAT may reach VND805 bn (+13.2% YoY). Recommendation **OUTPERFORM** with a target price of VND30,200/shr by the end of 2025.

PVD reported revenue of VND2,438 bn (+76.5% YoY) and NPAT of VND180 bn (+35.2% YoY) in Q3/2024. This growth was driven by the following factors:

- Revenue from drilling services increased by 71% YoY due to: (1) additional contribution from two leased rigs Hakuryu-11 and BORR-THOR while there was none in the same period last year, (2) the average jack-up rig day rate is estimated to increase by 16% YoY.
- Revenue from well technical services rose by 41% YoY thanks to the recovery of exploration and exploitation activities in the region.
- NPAT growth would have been even higher if excluding the extraordinary profit of VND70 bn in Q3/2023.

With these results, PVD recorded revenue of VND6,480 bn (+60.6% YoY) and NPAT of VND461 bn (+34% YoY) in 9M2024, driven by an increase in rig rental prices (+16% YoY) and the additional contribution from the two leased rigs. These factors helped offset the decline in profits from joint ventures (-53% YoY) along with absence of extraordinary profits (versus VND140 bn recognized in the same period last year).

We revise our 2024 NPAT forecast down by 19% YoY to VND710bn (+31.5% YoY) due to a lower gross profit margin in the service segment and a drop in profit from joint ventures. Looking forward to 2025, as a high rig day rate persists, we forecast NPAT may achieve VND805bn (+13.2% YoY). Using the DCF method, we value PVD at a target price of VND30,200/share by the end of 2025.

	2022	2023	2024F	2025F	2026F
Net Sales (VNDbn)	5,432	5,812	8,395	7,946	7,757
Growth (%)	36%	7%	44%	-5%	-2%
EBITDA (VNDbn)	802	1,565	2,373	2,369	2,296
EBITDA margin	15%	27%	28%	30%	30%
Net income (VNDbn)	(103)	579	701	795	803
Growth (%)	-626%	-663%	21%	13%	1%
EPS (bonus-adjusted, VND)	(185)	1,041	1,259	1,428	1,444
Growth (%)	-626%	-663%	21%	13%	1%
ROE (%)	-1%	4%	5%	5%	5%
ROIC (%)	0%	3%	4%	4%	3%
Net debt/EBITDA (x)	1.7	-0.1	-0.6	-1.5	-2.4
PER (times)	-173.2	30.8	25.4	22.4	22.2
EV/EBITDA (x)	24.7	12.7	8.4	8.4	8.6
PBR (times)	1.3	1.2	1.1	1.1	1.1
DPS (VND)	-	-	-	-	-
Dividend yield (%)	0%	0%	0%	0%	0%

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

PVD business result	Q3/2024	Q3/2023	YoY	9M2024	9M2023	YoY
<b>Revenue (bil VND)</b>	<b>2,438</b>	<b>1,381</b>	<b>76.5%</b>	<b>6,481</b>	<b>4,033</b>	<b>60.6%</b>
Drilling service revenue (bn VND)	1,612	944	70.7%	4,312	2,828	52.4%
<i>Rig day rate (USD/ day)</i>	<i>96,000</i>	<i>83,000</i>	<i>15.6%</i>	<i>94,000</i>	<i>81,000</i>	<i>16.0%</i>
Well technical service revenue (bn VND)	572	405	41.2%	1,502	1,069	40.5%
Goods sold	254	32	693%	633	123	414%
Gross margin	18.4%	21.2%		21.4%	22.2%	
GM of drilling services	18.9%	19.1%		24.2%	18.8%	
GM of well technical service	21.2%	28.0%		20.2%	32.9%	
SG&A/ Revenue	7.1%	8.5%		6.8%	9.3%	
<b>NPAT (bn VND)</b>	<b>180</b>	<b>133</b>	<b>35.2%</b>	<b>461</b>	<b>344</b>	<b>34.0%</b>

Source: PVD, ACBS

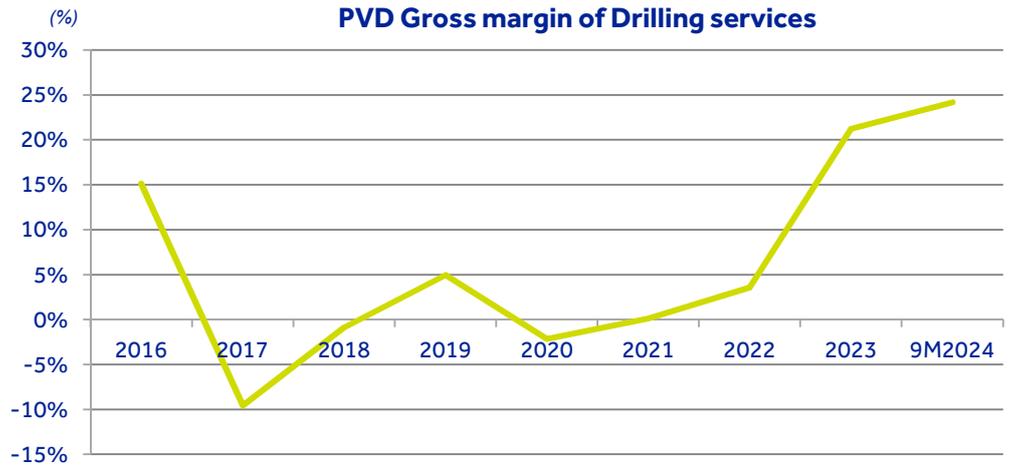
PVD recorded revenue of VND 2,438 bn (+76.5% YoY) in Q3/2024, mostly thanks to growth in the most crucial segments, drilling and well technical services (accounting for 66% and 24% of total revenue, respectively). Specifically:

- Revenue from drilling services jumped by 71% YoY due to: (1) additional contribution from two leased rigs Hakuryu-11 and BORR-THOR while there were none in the same period, and (2) the average jack-up rig rental price is estimated to increase by 16% YoY.
- Revenue from well technical services increased by 41% YoY thanks to the recovery of exploration and exploitation activities in the region.

NPAT reached VND180 bn (+35.2% YoY). Despite support from a decrease in the SG&A expenses/Revenue ratio (Q3/2024: 7% vs. Q3/2023: 8.5%, due to slower growth in SG&A expenses than revenue), the divergence between revenue and NPAT growth was attributed to the following reasons:

- Gross profit margin declined to 18.4% in Q3/2024 from 21.2% in Q3/2023. In particular, gross profit margin of the drilling services segment narrowed slightly to 18.9% from 19.1% YoY owing to additional contribution from two leased rigs which generally have low profit margins of 2-3%.
- There is no extraordinary profit of VND70 bn like Q3/2023 (which came as a result of the termination agreement of a drilling contract for PVD I rig with Valeura Thailand).

With these results, PVD recorded revenue of VND6,480 bn (+60.6% YoY) and NPAT of VND461 bn (+34% YoY) in 9M2024. The prolonged high crude oil prices boosted demand for exploration and production activities in the region. As a result, increased rig day rate combined with additional contribution from leased rigs enabled PVD to post strong performance in 9M2024, offsetting a 53% YoY decrease in profits from joint ventures. The gross profit margin for drilling services reached 24.2%, the highest in the past 10 years.



Source: PVD, ACBS

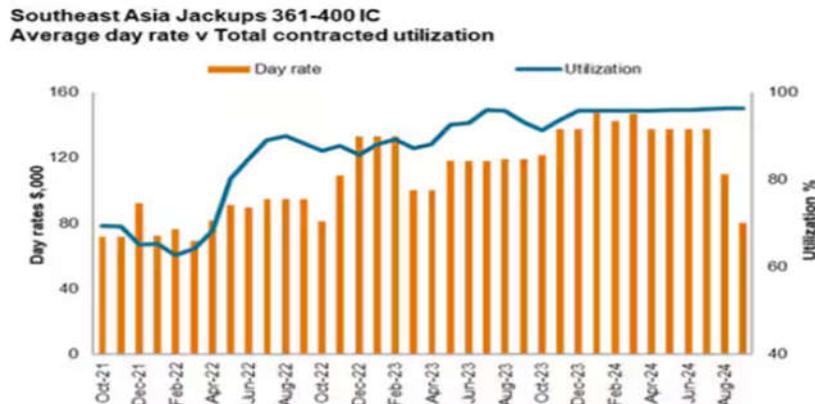
### Update on PVD's drilling rig contract 2024-2025

2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
PVD I	Petronas Malaysia (USD100,000/ day)												
PVD II	Pertamina Hulu Energi Indonesia (USD90,000/ day)												
PVD III	Hibiscus Malaysia (USD100,000/ day)												
PVD V	Shell Petroleum Brunei (USD90,000/ day)												
PVD VI	Petronas Malaysia (USD100,000/ day)												
PVD 11	GBRS Algeria (USD30,000/ day)												
Hakuryu -11						Idemitsu (Vietnam)				Murphy Oil (Vietnam)			
Borr-thor											Hoang Long JOC		
2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
PVD I	Petronas Malaysia (USD100,000/ day)												
PVD II	Pertamina Hulu Energi Indonesia (USD90,000/ day)												
PVD III	Hibiscus Malaysia												
PVD V	Shell Petroleum Brunei (USD90,000/ day)												
PVD VI	Petronas Malaysia (USD100,000/ day)												
PVD 11													

Source: PVD, ACBS

The jack-up rigs (PVD I, II, VI) have all signed contracts until the end of 2025, while the PVD III rig has been employed until 2028. The semi-submersible rig PVD V has been contracted for six years from 2022. The land rig PVD XI was inactive since April 2024 and is expected to sign a new contract in 2025.

### Jack-up rig day rate in Southeast Asia region



Data compiled Oct 15, 2024  
Source: Upstream Content, a product of S&P Global Commodity Insights.  
© 2024 S&P Global.

After reaching USD140,000-150,000/day in late 2023 and early 2024 due to strong demand from Saudi Aramco, jackup rate in Southeast Asia have since dropped back to USD80,000-90,000/day. This decline is due to the Saudi government's decision to halt Saudi Aramco's oil production expansion plans, which led to the suspension of the company's jackup rig contracts, resulting in an increase in rig supply within the Southeast Asian market.

According to Westwood Global Energy, many of these rigs have already secured new contracts or are expected to find work by late 2024 or early 2025. Accordingly, we project rig rate may recover soon as rig supply remains limited with only two new rigs scheduled to be delivered in Southeast Asia during the 2024-2026 period. Additionally, demand for rigs in the region remains strong due to several upcoming drilling programs in Indonesia, Malaysia, and Thailand. However, given the uncertainty around whether rig rental prices will recover to their previous high levels, the signing of new rig rental contracts by PVD after 2025 could pose certain risks in terms of rig day rate.

### Investment in new rigs for 2025

Given the expected increase in oil and gas exploration activities from such projects as the Block B O Mon and Yellow Camel fields, PVD's management announced plans to acquire 10-15-year-old jack-up rigs with investment capital of about USD90 mn, rather than purchasing new ones. However, PVD has yet to receive approval from Petrovietnam for this investment and is also exploring other options with better investment terms.

We believe this strategy is appropriate for PVD, as Westwood Global Energy estimates that cost of acquiring a new jackup rig is around USD300 mn, with completion time of 2 to 2.5 years. Moreover, to achieve ROI of 15%, its rate should be USD200,000-230,000/day, with a utilization rate of 90-95% over 25 years.

### Projections for 2024 & 2025

For the full year 2024, we revised our 2024 NPAT forecast down 19% YoY to VND710bn (+31.5% YoY), due to a decline in gross margin in well technical service segment and lower profit from joint ventures.

Looking ahead to 2025, we forecast NPAT may reach VND805bn (+13.2% YoY). Key drivers for this outlook include:

- Jack-up rig day rate will remain high, as PVD's jack-up rigs and TADs are all already contracted.
- PVD 11 (land rig) is expected to secure a new drilling contract.
- The well technical services segment is expected to benefit from the prospect of increased domestic exploitation activities in 2025.
- Negative impacts from exchange rate are expected to diminish compared to 2024.

### Valuation

Using the DCF method, we value PVD with a target price of VND30,200/share by the end of 2025, equivalent to a total return of 19.1%.

## PVD FINANCIALS MODEL

(VND bn except where stated)	2022	2023	2024F	2025F	2026F
<b>Total Net Sales</b>	<b>5,432</b>	<b>5,812</b>	<b>8,395</b>	<b>7,946</b>	<b>7,757</b>
<i>Sales growth (%)</i>	36%	7%	44%	-5%	-2%
CoGS ex-dep'n	4,119	3,702	5,274	4,869	4,771
SG&A	510	544	747	707	690
<i>SG&amp;A as % of sales</i>	9%	9%	9%	9%	9%
<b>EBITDA</b>	<b>802</b>	<b>1,565</b>	<b>2,373</b>	<b>2,369</b>	<b>2,296</b>
<i>EBITDA margin (%)</i>	15%	27%	28%	30%	30%
Depreciation	735	809	1,224	1,296	1,309
<b>Operating profit</b>	<b>67</b>	<b>756</b>	<b>1,150</b>	<b>1,073</b>	<b>987</b>
<i>Operating profit margin (%)</i>	1%	13%	14%	14%	13%
Net interest expense	109	183	142	70	-24
<i>as % of avg, net debt</i>	8%	32%	-17%	-3%	1%
Tax	16	115	237	268	271
<i>Effective tax rate (%)</i>	-12%	18%	25%	25%	25%
Minorities	(52)	-39	10	10	10
<b>NPAT-MI</b>	<b>(103)</b>	<b>579</b>	<b>701</b>	<b>795</b>	<b>803</b>
<i>Net profit margin (%)</i>	-2%	10%	8%	10%	10%
Cash earnings	580	1,350	1,934	2,101	2,122
Number of shares (m)	556	556	556	556	556
<b>EPS (VND)</b>	<b>-185</b>	<b>1,041</b>	<b>1,259</b>	<b>1,428</b>	<b>1,444</b>
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0
<b>Adjusted EPS (VND)</b>	<b>(185)</b>	<b>1,041</b>	<b>1,259</b>	<b>1,428</b>	<b>1,444</b>
<i>EPS growth (%)</i>	-626%	-663%	21%	13%	1%

KEY CASHFLOW AND BS ITEMS	2022	2023	2024F	2025F	2026F
Increase in working capital	627	(321)	279	(151)	(64)
Capex	722	667	436	259	262
Other cash flow items	150	150	150	150	150
<b>Free cash flow</b>	<b>(619)</b>	<b>1,154</b>	<b>1,369</b>	<b>2,142</b>	<b>2,075</b>
Share issues (m)	0	0	0	0	0
Dividends paid	3	3	0	0	0
Increase in net debt	53	-1525	-1318	-2036	-1965
<b>Net debt, end of year</b>	<b>1,332</b>	<b>(193)</b>	<b>(1,511)</b>	<b>(3,547)</b>	<b>(5,512)</b>
Enterprise value	19,161	17,636	16,318	14,282	12,317
<b>Shareholders' equity</b>	<b>14,079</b>	<b>14,894</b>	<b>15,322</b>	<b>16,077</b>	<b>16,840</b>
BVPS (VND)	25,308	26,774	27,544	28,901	30,272
Net debt / equity (%)	9%	-1%	-10%	-22%	-33%
<i>Net debt / EBITDA (x)</i>	<i>1.7</i>	<i>-0.1</i>	<i>-0.6</i>	<i>-1.5</i>	<i>-2.4</i>
<b>Total assets</b>	<b>20,704</b>	<b>21,650</b>	<b>22,989</b>	<b>23,152</b>	<b>23,620</b>

KEY RETURN AND VALUATION RATIOS	2022	2023	2024F	2025F	2026F
<i>ROE (%)</i>	<i>-1.1%</i>	<i>3.7%</i>	<i>4.7%</i>	<i>5.1%</i>	<i>4.9%</i>
<i>ROA (%)</i>	<i>0.3%</i>	<i>3.6%</i>	<i>5.2%</i>	<i>4.7%</i>	<i>4.2%</i>
<i>ROIC (%)</i>	<i>-0.4%</i>	<i>3.2%</i>	<i>3.7%</i>	<i>3.7%</i>	<i>3.4%</i>
<i>WACC (%)</i>	<i>14.9%</i>	<i>15.4%</i>	<i>15.4%</i>	<i>15.4%</i>	<i>15.4%</i>
<i>EVA (%)</i>	<i>-15.2%</i>	<i>-12.2%</i>	<i>-11.7%</i>	<i>-11.7%</i>	<i>-12.0%</i>
<i>PER (x)</i>	<i>-173.2</i>	<i>30.8</i>	<i>25.4</i>	<i>22.4</i>	<i>22.2</i>
<i>EV/EBITDA (x)</i>	<i>24.7</i>	<i>12.7</i>	<i>8.4</i>	<i>8.4</i>	<i>8.6</i>
<i>EV/FCF (x)</i>	<i>-32.0</i>	<i>17.2</i>	<i>14.5</i>	<i>9.3</i>	<i>9.6</i>
<i>PBR (x)</i>	<i>1.3</i>	<i>1.2</i>	<i>1.1</i>	<i>1.1</i>	<i>1.1</i>
<i>PSR (x)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>EV/sales (x)</i>	<i>3.7</i>	<i>3.4</i>	<i>2.4</i>	<i>2.5</i>	<i>2.6</i>
<i>Dividend yield (%)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

## CONTACTS

### Ho Chi Minh City Head Office

117 Nguyen Dinh Chieu, Dist. 3, Ho Chi Minh City  
Tel: (+84 28) 7300 7000  
Fax: (+84 28) 7300 3751

### Hanoi Office

10 Phan Chu Trinh, Hoan Kiem Dist., Ha Noi  
Tel: (+84 4) 3942 9395  
Fax: (+84 4)3942 9407

## RESEARCH DEPARTMENT

### Head of Research

#### Trang Do

(+84 28) 7300 7000 (x1041)  
[trangdm@acbs.com.vn](mailto:trangdm@acbs.com.vn)

#### Manager – Properties

**Truc Pham**  
(+84 28) 7300 7000 (x1043)  
[trucptt@acbs.com.vn](mailto:trucptt@acbs.com.vn)

#### Manager – Financials

**Hung Cao**  
(+84 28) 7300 7000 (x1049)  
[hungcv@acbs.com.vn](mailto:hungcv@acbs.com.vn)

#### Manager – Consumer-related, Technology

**Chi Luong**  
(+84 28) 7300 7000 (x1042)  
[chiltk@acbs.com.vn](mailto:chiltk@acbs.com.vn)

#### Associate – Oil & Gas

**Hung Phan**  
(+84 28) 7300 7000 (x1044)  
[hungpv@acbs.com.vn](mailto:hungpv@acbs.com.vn)

#### Associate – Industrials

**Trung Tran**  
(+84 28) 7300 7000 (x1045)  
[trungtn@acbs.com.vn](mailto:trungtn@acbs.com.vn)

#### Analyst – Utilities

**Toan Pham**  
(+84 28) 7300 7000 (x1051)  
[toanpd@acbs.com.vn](mailto:toanpd@acbs.com.vn)

#### Associate – Macro & Money Market

**Minh Trinh Viet**  
(+84 28) 7300 7000 (x1046)  
[minhtvh@acbs.com.vn](mailto:minhtvh@acbs.com.vn)

#### Associate - Logistic

**Hung Nguyen**  
(+84 28) 7300 7000 (x1047)  
[hungnt@acbs.com.vn](mailto:hungnt@acbs.com.vn)

#### Associate – Construction

**Dat Do**  
(+84 28) 7300 7000 (x1048)  
[datdt@acbs.com.vn](mailto:datdt@acbs.com.vn)

#### Analyst – Technical

**Huu Vo**  
(+84 28) 7300 7000 (x1052)  
[huvvp@acbs.com.vn](mailto:huvvp@acbs.com.vn)

#### Analyst – Market data

**Anh Mai**  
(+84 28) 7300 7000 (x1110)  
[anhmd@acbs.com.vn](mailto:anhmd@acbs.com.vn)

## INSTITUTIONAL CLIENT DIVISION

### Director

#### Huong Chu

(+84 28) 7300 7000 (x1083)  
[huongctk@acbs.com.vn](mailto:huongctk@acbs.com.vn)  
[groupis@acbs.com.vn](mailto:groupis@acbs.com.vn)

#### Associate

##### Huynh Nguyen

(+84 28) 7300 6879 (x1088)  
[huynhntn@acbs.com.vn](mailto:huynhntn@acbs.com.vn)

#### Associate

##### Thanh Tran

(+84 28) 7300 6879 (x1120)  
[thanhtt@acbs.com.vn](mailto:thanhtt@acbs.com.vn)

## 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

### Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

### Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

### Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

**Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.**

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

**This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).**

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2024). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.