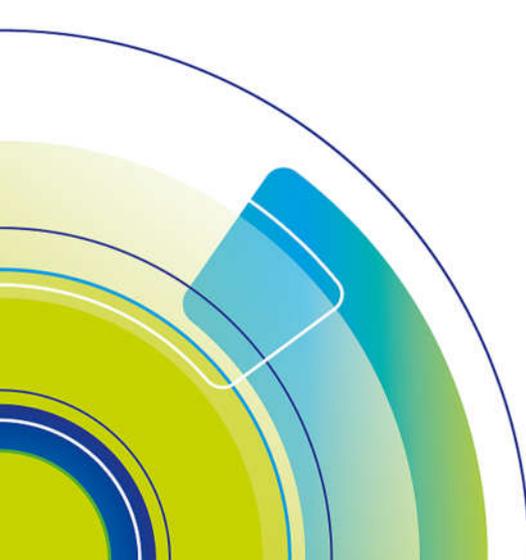




PVD Update – OUTPERFORM

March 3, 2025



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Company Update

Recommendation **OUTPERFORM**

HSX: PVD

Drilling service

Target price (VND) **29,200**

Market price (VND) **24,550**

Expected share price return 18.0%

Expected dividend yield 0%

Expected total return **18.0%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	5.8	4.0	4.5	-14.8
Relative	2.7	0.6	-1.1	-22.4

Source: Bloomberg



Ownership

PVN	50.4%
CTBC Vietnam Equity Fund	4.9%

Stock Statistics

28-Feb-2025

Bloomberg code	PVD VN
52-week range (VND)	21,700 - 34,900
Shares O/S (m)	556
Mkt cap (VND bn)	13,758
Mkt cap (USD m)	538
Est. Foreign room left (%)	39.4
Est. free float (%)	46.8
3m avg daily vol (shrs)	3,137,202
VND/USD	25,560
Index: VNIndex / HNX	1305.36/239.19

PetroVietnam Drilling and Well Service Corp. (PVD VN)

PVD recorded NPAT at VND232 billion (+19.7% YoY) in Q4/2024 and VND694 billion (+27.2% YoY) in 2024, completing 182% of its annual plan and 97.7% of ACBS's forecast. For 2025, NPAT is projected to maintain positive growth at 17.3% YoY. Maintain an **OUTPERFORM** recommendation.

PVD announced Q4/2024 financial statements with revenue reaching VND2,788 billion (+59.6% YoY) and NPAT of VND232 billion (+19.7% YoY). Despite a decrease in gross profit margin to 12.9% from 22.8% in the same period last year, the growth in NPAT did not come from its core business operations but from: (1) a 47.4% YoY decrease in financial expenses to VND41 billion, thanks to lower interest expenses and exchange rate losses, and (2) other profits of VND50.3 billion compared to a loss of VND10.2 billion in the same period last year.

For the full year 2024, PVD achieved revenue of VND9,288 billion (+60% YoY) and NPAT of VND694 billion (+27.2% YoY). The rig day rate of PVD's jack-up rigs is estimated to have increased by 18.3% YoY, and contributions from two leased rigs (Hakuryu-11 and BORR-THOR) supported these results. These factors offset a decline in profit from joint ventures and associates (-25.2% YoY) and the absence of extraordinary profit (compared to VND142 billion in 2023).

PVD acquired a used jack-up rig (PVD VIII) in December 2024 and is currently reactivating it. This process is scheduled to complete by August 2025 and we expect PVD VIII will start to contribute to PVD's profit from Q4/2025.

2025 Outlook: We project PVD will continue to extend growth, with revenue reaching VND9,497 billion (+2.3% YoY) and after-tax profit of VND814 billion (+17.3% YoY). These projections are driven by (1) the projected rental price of self-elevating rigs staying high, (2) PVD's owned rigs along with two outsourced rigs having full operational schedules, (3) the drilling services segment still benefiting from increasing domestic oil and gas activities looking forward.

Using the Discounted Cash Flow (DCF) method, we value PVD at a target price of VND 29,200 per share by the end of 2025, equivalent to a total return of 18.0%.

	2022	2023	2024U	2025F	2026F
Net Sales (VNDbn)	5,432	5,812	9,288	9,497	8,409
Growth (%)	36%	7%	60%	2%	-11%
EBITDA (VNDbn)	802	1,565	2,448	2,447	2,493
EBITDA margin	15%	27%	26%	26%	30%
NPAT-MI (VNDbn)	(103)	579	696	804	825
Growth (%)	-626%	-663%	20%	16%	3%
EPS (bonus-adjusted, VND)	(185)	1,041	1,251	1,446	1,484
Growth (%)	-626%	-663%	20%	16%	3%
ROE (%)	-1%	4%	4%	5%	5%
ROIC (%)	0%	3%	4%	4%	3%
Net debt/EBITDA (x)	1.7	-0.1	0.0	-0.9	-1.6
PER (times)	-173.2	30.8	25.6	22.2	21.6
EV/EBITDA (x)	24.7	12.7	8.1	8.1	8.0
PBR (times)	1.3	1.2	1.1	1.1	1.0
DPS (VND)	-	-	-	-	-
Dividend yield (%)	0%	0%	0%	0%	0%

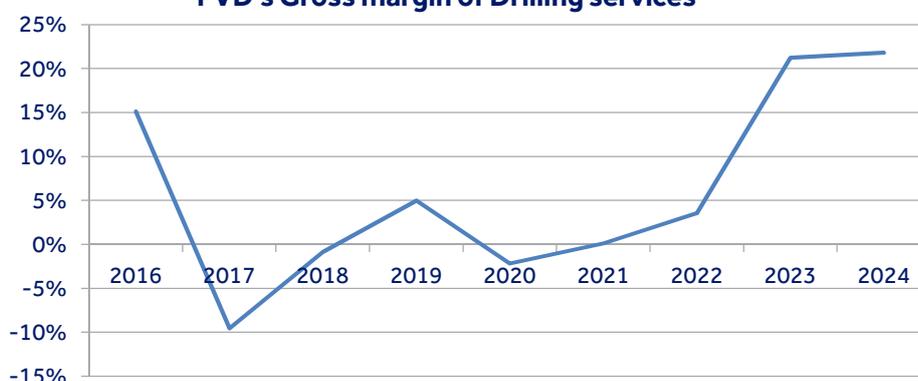
Strong growth maintained in 2024

PVD business results	Q4/2024	Q4/2023	YoY	2024	2023	YoY
Revenue (bn VND)	2,789	1,747	59.6%	9,288	5,804	60.0%
Drilling service revenue (bn VND)	1,290	1,211	6.5%	5,602	4,039	38.7%
<i>Rig day rate (USD/ day)</i>	97,000	92,700	4.6%	97,000	82,000	18.3%
Well technical service revenue (bn VND)	931	506	84.0%	2,433	1,575	54.5%
Goods sold	568	30	1793.3%	1,201	154	679.9%
Gross margin	12.9%	22.8%		18.7%	22.5%	
GM of drilling services	13.5%	26.7%		21.8%	21.2%	
GM of well technical service	20.1%	14.2%		20.2%	26.9%	
GM of Goods sold	-0.4%	12.5%		3.6%	7.8%	
SG&A/ Revenue	6.6%	9.4%		6.8%	9.4%	
NPAT (bn VND)	232	194	19.7%	694	546	27.2%

Source: PVD, ACBS

PVD recorded Q4/2024 revenue of VND2,788 billion (+59.6% YoY) and NPAT of VND232 billion (+19.7% YoY). Gross profit margin dropped to 12.9% in Q4/2024 from 22.8% in Q4/2023, attributed to a reduction in rig day rate for the two leased rigs, which had low margins (2-3%), given a downtrend in rental prices in the Southeast Asia region. Accordingly, the growth in PVD's NPAT did not come from its core business operations but from: (1) a 47.4% YoY decrease in financial expenses to VND41 billion due to lower interest expenses and exchange rate losses, (2) other profits of VND50.3 billion compared to a loss of VND10.2 billion in the same period last year.

PVD's Gross margin of Drilling services



Source: PVD, ACBS

For the full year 2024, PVD achieved revenue of VND9,288 billion (+60% YoY) and NPAT of VND694 billion (+27.2% YoY). Revenue growth mainly came from drilling services and well technical services (accounting for 60% and 26% of total revenue, respectively), specifically:

- Revenue from drilling serviced increased by 38.7% YoY thanks to: (1) contribution from two newly leased rigs: Hakuryu-11 and BORR-THOR, (2) an estimated 18.3% YoY increase in jack-up rig day rate.
- Revenue from well technical services increased by 54.5% YoY fuelled by a recovery in exploration and exploitation activities in the region.

Meanwhile, despite a lower selling & administrative expenses to net revenue ratio (from 9.4% to 6.8%), a divergence in NPAT and revenue growth was due to:

- Drilling services' gross margin increased slightly to 21.8% from 21.2% thanks to additional contribution from the two leased rigs, which typically have low profit margins of 2-3%.
- Other profits dropped by 80.4% YoY to VND17.8 billion due to an extraordinary profit of VND142 billion recognized in Q3/2023 from an agreement on terminating contract with Valeura Thailand for the PVD I rig.
- Profits from joint ventures and associates declined by 25.2% YoY to VND49.4 billion due to losses in the first half of 2024.

New drilling rig PVD VIII is expected to start operation in Q4/2025

PVD acquired the used jack-up rig West Prospero (PVD VIII) from Seadrill for USD46 million in December 2024. This rig was built in 2007 and has been cold-stacked since 2016. As a result, costs to reactivate the rig will be high, ranging between USD20-40 million depending on its specific condition (according to Westwood).

Currently, PVD VIII is undergoing reactivation, including upgrades, testing, acceptance, and preparations for operation, expected to complete by August 2025. With an expected optimism in oil and gas exploration activities from such projects as Block B O Mon and Yellow Camel, we project that PVD VIII will begin operation in Q4/2025.

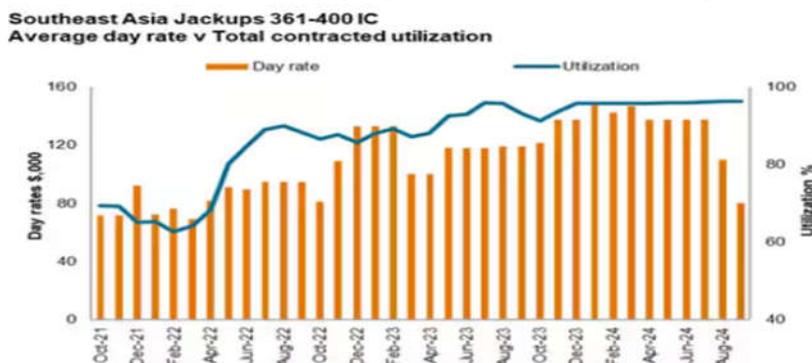
All the drilling rigs already have contracts

The jack-up rigs (PVD I, PVD II, PVD VI) have all signed contracts until the end of 2025, while the PVD II and PVD III rigs have contracts secured until the end of 2028. The semi-submersible rig PVD V has a long-term contract for 6 years, starting from 2022.

2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PVD I	Petronas Malaysia											
PVD II	Pertamina Hulu Energi Indonesia											
PVD III	Hibicus Malaysia											
PVD V	Shell Petroleum Brunei											
PVD VI	Petronas Malaysia											
PVD VII												
Hakuryu -11	To be updated											
Borr-thor												

Source: PVD, ACBS

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.
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After reaching USD140,000-150,000/day in late 2023 and early 2024 due to strong demand from Saudi Aramco, jack-up rate in Southeast Asia have dropped 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 suspension of the company's jack-up 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 be employed 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.

Valuation and 2025 Forecast

For the full year of 2025, we forecast revenue at VND9,497 billion (+2.3% YoY) and NPAT at VND 814 billion (+17.3% YoY). Specifically:

- The jack-up rig day rate is expected to remain high, while all of PVD's jack-up rigs and TAD rig are already in full schedule.
- The PVD VIII rig is expected to begin operation in Q4/2025.
- Two leased rigs (Hakuryu-11 and BORR-THOR) will continue to contribute in 2025.
- The well technical services segment is expected to continue to benefit from increasing domestic oil and gas exploration activities in 2025.

Using the DCF method, we value PVD at a target price of VND 29,200 per share by the end of 2025, representing a total return of 18.0%.

PVD FINANCIALS MODEL

(VND bn except where stated)	2022	2023	2024U	2025F	2026F
Total Net Sales	5,432	5,812	9,288	9,497	8,409
<i>Sales growth (%)</i>	<i>36%</i>	<i>7%</i>	<i>60%</i>	<i>2%</i>	<i>-11%</i>
CoGS ex-dep'n	4,119	3,702	6,209	6,386	5,252
SG&A	510	544	631	665	664
<i>SG&A as % of sales</i>	<i>9%</i>	<i>9%</i>	<i>7%</i>	<i>7%</i>	<i>8%</i>
EBITDA	802	1,565	2,448	2,447	2,493
<i>EBITDA margin (%)</i>	<i>15%</i>	<i>27%</i>	<i>26%</i>	<i>26%</i>	<i>30%</i>
Depreciation	735	809	1,338	1,329	1,435
Operating profit	67	756	1,109	1,118	1,057
<i>Operating profit margin (%)</i>	<i>1%</i>	<i>13%</i>	<i>12%</i>	<i>12%</i>	<i>13%</i>
Net interest expense	109	183	142	106	13
<i>as % of avg, net debt</i>	<i>8%</i>	<i>32%</i>	<i>-241%</i>	<i>-10%</i>	<i>0%</i>
Tax	16	115	238	271	278
<i>Effective tax rate (%)</i>	<i>-12%</i>	<i>18%</i>	<i>26%</i>	<i>25%</i>	<i>25%</i>
Minorities	(52)	-39	(1)	10	10
NPAT-MI	(103)	579	696	804	825
<i>Net profit margin (%)</i>	<i>-2%</i>	<i>10%</i>	<i>7%</i>	<i>8%</i>	<i>10%</i>
Cash earnings	580	1,350	2,033	2,143	2,271
Number of shares (m)	556	556	556	556	556
EPS (VND)	-185	1,041	1,251	1,446	1,484
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0
Adjusted EPS (VND)	(185)	1,041	1,251	1,446	1,484
<i>EPS growth (%)</i>	<i>-626%</i>	<i>-663%</i>	<i>20%</i>	<i>16%</i>	<i>3%</i>

KEY CASHFLOW AND BS ITEMS	2022	2023	2024U	2025F	2026F
Increase in working capital	627	(321)	335	(800)	61
Capex	722	667	2,298	919	287
Other cash flow items	150	150	150	150	150
Free cash flow	(619)	1,154	(450)	2,174	2,072
Share issues (m)	0	0	0	0	0
Dividends paid	3	3	3	0	0
Increase in net debt	53	-1525	268	-2197	-1989
Net debt, end of year	1,332	(193)	75	(2,121)	(4,110)
Enterprise value	19,161	17,636	17,904	15,708	13,719
Shareholders' equity	14,079	14,894	16,049	16,565	17,349
BVPS (VND)	25,308	26,774	28,850	29,777	31,187
Net debt / equity (%)	9%	-1%	0%	-13%	-24%
Net debt / EBITDA (x)	1.7	-0.1	0.0	-0.9	-1.6
Total assets	20,704	21,650	23,719	24,560	24,414

KEY RETURN AND VALUATION RATIOS	2022	2023	2024U	2025F	2026F
ROE (%)	-1.1%	3.7%	4.5%	5.0%	4.9%
ROA (%)	0.3%	3.6%	4.9%	4.6%	4.3%
ROIC (%)	-0.4%	3.2%	3.5%	3.7%	3.5%
WACC (%)	14.9%	15.4%	14.5%	15.4%	15.4%
EVA (%)	-15.2%	-12.2%	-11.0%	-11.7%	-11.9%
PER (x)	-173.2	30.8	25.6	22.2	21.6
EV/EBITDA (x)	24.7	12.7	8.1	8.1	8.0
EV/FCF (x)	-32.0	17.2	-44.0	9.1	9.6
PBR (x)	1.3	1.2	1.1	1.1	1.0
PSR (x)	0.0	0.0	0.0	0.0	0.0
EV/sales (x)	3.7	3.4	2.1	2.1	2.4
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%

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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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