

PV Transportation (PVT)

Positive outlook in the medium term

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PVT's 3Q21 results were less positive due to the impact of the COVID-19 pandemic

PV Transportation (PVT) announced its consolidated financial statement for 3Q21 with VND153 billion in NPAT (-46% QoQ, -9.7% YoY) and VND1,679 billion in revenue (-11.3% QoQ, -9.5% YoY). The reasons behind the subdued performance are: (1) reduced transportation demand during the period of social distancing, and (2) incurred operating costs of Coronavirus prevention.

The main business segment of transportation may face many challenges in the short term

KBSV believes that PVT's transportation segment may still face many challenges at least until mid-2022 because: (1) freight rates remain low as global oil demand cannot rebound quickly to the pre-pandemic levels; and (2) domestic demand from two main oil refineries Dung Quat and Nghi Son is supposed to be moderate as transportation restrictions are hardly removed completely given rising new COVID-19 cases in Vietnam.

PVT increased the number of carriers and liquidated old tankers

Since the beginning of the year, PVT has bought five new ships, including three oil/chemical tankers, one LPG carrier (VLGC), one bulk carrier, and liquidated two old oil/chemical tankers Sea Lion and Jupiter.

We recommend BUYING PVT shares with a target price of VND27,500 apiece

Basing on the discounted cash flow (DCF) valuation method, we maintain our BUY recommendation for PVT shares with a target price of VND27,500, 19% higher than the closing price on December 9, 2021.

Buy maintain

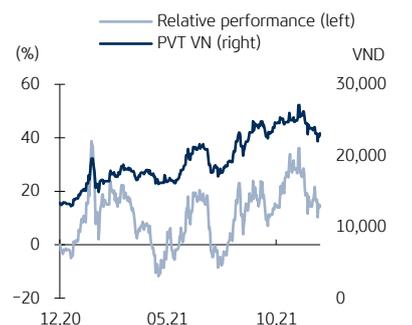
Target price	VND27,500
Upside/downside (%)	19
Current price (Dec 9, 2021)	VND23,100
Consensus target price	VND27,500
Market cap (USDmn)	325

Trading data	
Free float (%)	48.9
3M avg trading value (USDmn)	5.3
Foreign room available (%)	35.9
Major shareholder	PetroVietnam Group (PVN 51%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-14.4	-5.5	16.0	77.4
Relative	-15.6	-5.5	2.1	17.8

Forecast earnings & valuation

FY-end	2020A	2021P	2022P	2023P
Net sales (VNDbn)	7,383	7,910	9,054	11,546
Gross profit (VNDbn)	1,118	1,204	1,554	2,075
Profit attributable to parent (VNDbn)	669	763	885	1,177
EPS (VND)	1,946	2,217	2,573	3,421
EPS growth (%)	-2.9	14	16.1	32.9
P/E (x)	6.9	12.2	11.7	9.9
P/B (x)	0.9	1.8	1.9	2.0
ROE (%)	14.4	15.6	17.8	22.3
Dividend yield (%)	1.5	4.3	4.3	4.3



Source: Bloomberg, KB Securities Vietnam

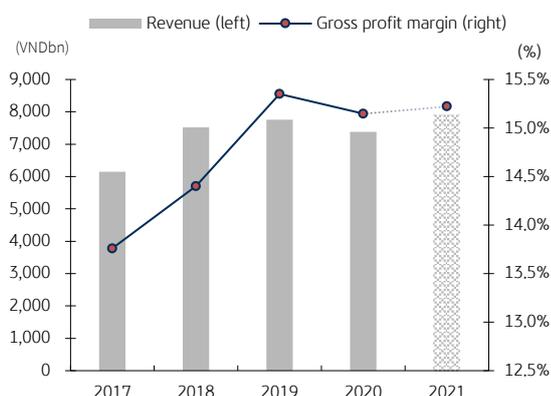
Business performance

PVT's 3Q21 results were less positive due to the impact of the COVID-19 pandemic

PVT announced its consolidated 3Q21 results with NPAT of VND153 billion (-46% QoQ, -9.7 %YoY) and net revenue of VND1,679 billion (-11.3% QoQ, -9.5% YoY). The subdued performance came from: (1) reduced transportation demand during the period of social distancing; and (2) incurred operating costs of Coronavirus prevention.

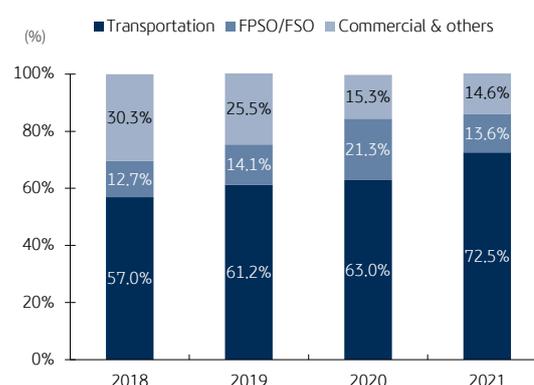
However, in the first nine months of the year, PVT's NPAT reached VND472 billion (+25.7% YoY) on net revenue of VND5,290 billion (+0.8%YoY), completing 151% and 88.2% of the full-year plan for profit and revenue at VND404 billion (-7% YoY) VND6,000 billion (-3% YoY) respectively.

Fig 1. PVT – Revenue & profit margin (VNDbn, %)



Source: PV Transportation, KB Securities Vietnam

Fig 2. PVT – Revenue structure (%)

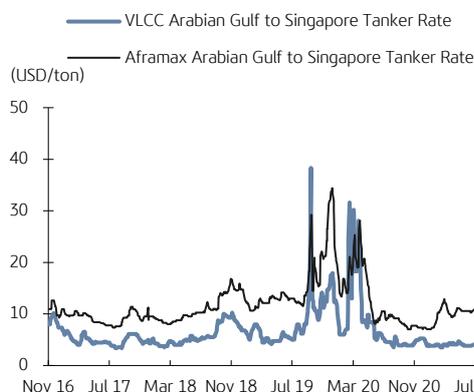


Source: PV Transportation, KB Securities Vietnam

The main business segment of transportation may face many challenges in the short term

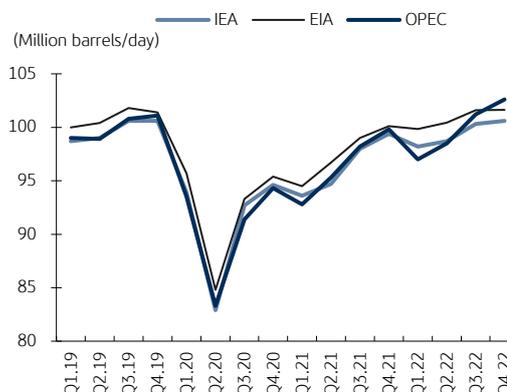
We believe that PVT's transportation segment will still face many challenges at least until mid-2022 because: (1) freight rates remain low (in relation to the freight rates of crude carriers VLCC and Aframax for Arabian Gulf-Singapore route) while global oil demand cannot rebound quickly to the pre-epidemic levels; and (2) domestic demand of two main oil refineries Dung Quat and Nghi Son is supposed to be moderate as transportation restrictions are unlikely to be completely removed given rising new Covid-19 cases in Vietnam. Moreover, the emergence of a new COVID variant called Omicron is regarded as a serious threat to the "new normal" of the world in general and Vietnam in particular, affecting business activities of PVT in the coming time.

Fig 3. World – Freight rates of crude carriers for the Arab Gulf–Singapore route (USD/ton)



Source: Bloomberg, KB Securities Vietnam

Fig 4. World – Projected oil supply and consumption (Million barrels/day)



Source: IEA, EIA, OPEC, KB Securities Vietnam

PVT has expanded the fleet and liquidated old ships this year

Since the beginning of the year, PVT has bought five new ships, including three oil/chemical tankers, one LPG carrier (VLGC) and one bulk carrier, and liquidated two old ships.

In addition, PVT would liquidate the crude oil tanker Athena in 4Q21, helping the company to record an extraordinary profit estimated at more than VND100 billion, which is higher than the initial expectation at VND50 billion at the beginning of the year since the prices of tankers for scrap globally have strongly increased since early 2021.

PVT has been well-prepared for LNG transportation in the coming time

We highly appreciate PVT's fleet rejuvenation with new ships and preparations for LNG transportation in the coming time. In the event of high electricity demand and the plan to increase the proportion of gas power (including LNG power) as per Vietnam's Draft Master Plan VIII, the prospect of LNG consumption will be positive and LNG transportation therefore is considered an important driving force for PVT. It is expected that Thi Vai, the first LNG terminal, will be put into operation at the end of 2022 with a capacity of 1 million tons/year in Phase 1 and then raised to 3–6 million tons/year during 2024–2025.

Table 1. Vietnam Oil & Gas – Projected capacity of LNG terminals (million tons)

LNG Import terminal	Launch	Capacity (MTPA)
Thi Vai	2020 – 2022	1–3 MT
Hon Khoai	2022 – 2025 (phase 1)	1 MT – Phase 1
	Sau 2025 (phase 2)	2 MT – Phase 2
Son My	2023 – 2025 (phase 1)	1–3MT (Phase 1)
	2027 – 2030 (phase 2)	3MT (Phase 2)
	2031 – 2035 (phase 3)	3MT (Phase 3)
Tien Giang	2022 – 2025	4–6MT
Thai Binh FSRU	2026 – 2030	0.2 – 0.5 MT
Cai Hai	2030 – 2035	1–3 MT
Nam Van Phong	2030 – 2035	3 MT
Hai Linh LNG	2021 – phase 1	2–3 (MT)
	2023 – 2025 (phase 2)	6 (MT)

Source: Vietnam Gas Industry Master Plan, KB Securities Vietnam

Forecast business performance

We recommend BUYING PVT shares with a target price of VND27,500 apiece

We forecast PVT's 2021 business results with NPAT at VND928 billion (+11.8% YoY) and revenue at VND7.9 trillion (+7% YoY), assuming that business activities would recover in 4Q after the relaxation of social distancing measures nationwide. In 2022, we expect PVT's NPAT to reach VND1 trillion (+13.8% YoY) and revenue to reach VND9 trillion (+14.5% YoY), reflecting thriving crude oil transportation thanks to recovering world oil demand in the "new normal" period. Besides, we also expect PVT's plan to expand the fleet with new ships to be more favorable, helping the company to capture new opportunities in the transportation sector.

Based on the method of valuation DCF, we maintain our BUY recommendation for PVT shares with a target price of VND27,500 apiece, 19% higher than the closing price on December 9, 2021.

Table 2. PVT – Share price according to DCF method (VND, %)

Line item	Notation		Notes
WACC	W	11.3%	$(w_E * k_E) + (w_D * k_D * (1-t))$
Cost of equity	k_E	12.4%	$r_f + (\beta_E * m)$
Beta	β_E	1.1	stock's volatility in relation to the overall market
Market risk premium	m	8.5%	Expected market return – risk free rate
Risk free rate	r_f	3.0%	10-year government bond
Equity Weight	w_E	84.5%	Market Cap/(Market cap + net debt)
Cost of debt	k_D	7.5%	$r_f + d$
Debt premium	d	4.5%	Estimated investment grade spread
Statutory tax rate	t	20.1%	Marginal corporate tax rate
Debt Weight	w_D	15.5%	Market Cap/(Market cap + net debt)
PV of Firm (VNDbn)		10,232	
Equity value (VNDbn)		8,867	
12M target price (VND/cp)		27,500	

Source: Vietnam Gas Industry Master Plan, KB Securities Vietnam

PVT – 2020A–2023E financials

Income Statement					Balance Sheet				
(VND)	2020A	2021A	2022P	2023P	(VND)	2020A	2021A	2022P	2023P
Net sales	7,382,693,923,902	7,910,149,120,257	9,053,612,049,514	11,545,590,019,853	Total assets	11,089,584,286,462	12,739,614,828,068	14,327,124,513,748	16,319,087,576,934
Cost of sale	(6,264,470,736,315)	(6,706,112,640,775)	(7,499,606,768,571)	(9,470,158,113,567)	Cash, ST & LT investment	3,530,736,748,096	3,738,438,098,680	3,792,528,705,662	4,746,392,211,938
Gross profit	1,118,223,187,587	1,204,036,479,481	1,554,005,280,942	2,075,431,906,286	Receivables	1,123,138,707,509	1,203,381,143,889	1,377,337,627,754	1,756,445,436,583
Financial income	272,212,217,378	238,404,534,287	244,893,344,360	269,876,628,279	Inventory	112,296,418,440	127,416,140,175	142,492,528,603	179,933,004,158
Financial expenses	(173,689,228,736)	(165,787,435,421)	(245,058,145,721)	(287,921,612,694)	Other current assets	120,416,937,861	129,020,103,624	147,670,789,392	188,316,705,300
Gain/(loss) from joint ventures	29,649,082,386	31,767,355,571	36,359,531,130	46,367,376,627	Fixed assets	5,860,054,469,445	7,173,916,980,166	8,446,536,344,247	8,911,684,304,084
SG&A	(264,528,266,603)	(283,802,033,059)	(324,827,442,203)	(414,235,164,304)	Other LT assets	342,941,005,111	367,442,316,534	420,558,518,090	536,315,914,871
Operating profit/(loss)	981,866,992,012	1,004,618,900,859	1,265,372,568,509	1,689,519,134,194	Liabilities	4,810,694,224,956	6,344,579,087,412	7,694,730,577,790	9,127,643,525,639
Net other income/(expenses)	57,614,076,937	57,614,076,937	57,614,076,937	57,614,076,937	Payables	947,464,389,562	1,014,260,132,575	1,134,271,456,924	1,432,305,769,123
Pretax profit/(loss)	1,039,481,068,949	1,162,232,977,796	1,322,986,645,446	1,747,133,211,131	Advances from customers	32,932,288,021	35,285,129,223	40,385,821,587	51,501,890,750
Income tax	(209,056,484,432)	(233,608,828,537)	(265,920,315,735)	(351,173,775,437)	ST borrowings	615,118,710,370	799,654,323,481	1,039,550,620,525	1,351,415,806,683
Net profit/(loss)	830,424,584,517	928,624,149,259	1,057,066,329,711	1,395,959,435,694	Other current liabilities	1,025,810,672,953	1,099,099,525,979	1,257,981,431,290	1,604,236,826,013
Minority interests	160,940,462,793	166,113,131,525	172,018,628,941	219,366,210,377	LT borrowings	1,987,479,904,866	3,179,967,847,786	3,974,959,809,732	4,372,455,790,705
Net profit after MI	669,484,121,724	762,510,177,734	885,047,700,770	1,176,593,225,317	Other LT liabilities	201,888,259,184	216,312,128,369	247,581,437,730	315,727,442,365
EBIT	883,344,003,370	952,001,801,994	1,265,537,369,869	1,707,564,118,609	Shareholders' equity	6,278,890,061,506	6,395,035,740,656	6,632,393,935,958	7,199,144,051,295
EBITDA	1,636,384,498,328	1,639,439,291,273	1,994,618,005,788	2,444,416,158,772	Paid-in capital	3,236,512,460,000	3,236,512,460,000	3,236,512,460,000	3,236,512,460,000
EPS	1,946	2,217	2,573	3,421	Undistributed earnings	875,710,420,302	903,460,140,325	1,046,516,879,086	1,463,917,956,445
BVPS	15,096	15,180	15,622	17,039	Reserve & others	2,166,667,181,204	2,255,063,140,330	2,349,364,596,872	2,491,013,634,850
Dividend yield (%)	15%	4.3%	4.3%	4.3%	Total liabilities & equity	11,089,584,286,462	12,739,614,828,068	14,327,124,513,748	16,319,087,576,934

Operating ratios					Valuation				
(VND)	2020A	2021A	2022P	2023P	(VND, X, %)	2020A	2021A	2022P	2023P
Pretax profit	1,039,481,068,949	1,162,232,977,796	1,322,986,645,446	1,747,133,211,131	Valuations				
Depreciation & amort	753,040,494,958	687,437,489,279	729,080,635,919	736,852,040,162	P/E	6.9	12.2	11.7	9.9
Tax	(209,056,484,432)	(233,608,828,537)	(265,920,315,735)	(351,173,775,437)	P/B	0.9	1.8	1.9	2.0
Change in Working capital	79,330,453,304	38,472,113,363	76,310,363,964	198,211,575,791	P/S	0.6	1.1	1.1	1.0
(Inc)/Dec - receivables	(244,339,766,699)	(80,242,436,380)	(173,956,483,865)	(379,107,808,829)	Operating performance				
(Inc)/Dec - inventory	14,705,859,954	(15,119,721,735)	(15,076,388,428)	(37,440,475,555)	ROEA	14.4%	15.6%	17.8%	22.3%
(Inc)/Dec - other curr assets	41,783,071,217	(8,603,165,763)	(18,650,685,768)	(40,645,915,908)	ROAA	6.1%	6.4%	6.5%	7.7%
(Inc)/Dec - payables	113,585,622,311	66,795,743,013	120,011,324,349	298,034,312,199	Operating performance				
(Inc)/Dec - advances	(6,113,761,528)	2,352,841,202	5,100,692,365	11,116,069,162	Current ratio	1.9	1.8	1.6	1.5
(Inc)/Dec - other curr liab	169,709,428,049	73,288,853,026	158,881,905,311	346,255,394,723	Total liab/equity	76.6%	99.2%	116.0%	126.9%
Change in non-curr assets	(180,151,385,407)	(24,501,356,423)	(53,116,156,556)	(115,757,396,781)	Net debt/equity	4.14%	62.2%	75.6%	79.6%
Change in non-curr liab	68,051,245,440	14,423,869,185	31,269,309,362	68,146,004,635	Net debt/Total assets	23.5%	31.2%	35.0%	35.1%
Operating cashflow	1,550,695,392,812	1,644,456,264,663	1,840,610,482,400	2,283,411,659,502	Growth				
CAPEX	168,077,183,126	(2,001,300,000,000)	(2,001,700,000,000)	(1,202,000,000,000)	Revenue growth	-4.8%	7.1%	14.5%	27.5%
Change in ST & LT investments	(380,420,721,979)	-	-	-	EBIT growth	-8.2%	7.8%	32.9%	34.9%
Investing cashflow	(212,343,538,853)	(2,001,300,000,000)	(2,001,700,000,000)	(1,202,000,000,000)	EBITDA growth	-2.8%	0.2%	21.7%	22.6%
Change in LT borrowings	(431,437,209,228)	1,192,487,942,920	794,991,961,946	397,495,980,973	NP after MI growth	-2.9%	13.9%	16.1%	32.9%
Change in ST borrowings	(399,433,986,488)	184,535,613,111	239,896,297,044	311,865,186,158	Gross profit margin	15.1%	15.2%	17.2%	18.0%
Dividend	(112,576,064,800)	(323,651,246,000)	(323,651,246,000)	(323,651,246,000)	EBITDA margin	22.2%	20.7%	22.0%	21.2%
Other adj for financing	(129,924,249,115)	(488,827,224,110)	(496,056,888,409)	(513,258,074,357)	Net profit margin	9.1%	9.6%	9.8%	10.2%
Financing cashflow	(1,073,371,509,631)	564,545,065,921	2,151,801,244,582	(12,548,153,226)	Operating ratios				
Cash & equivalents - beginning	1,207,921,258,308	1,472,901,602,636	1,680,602,953,220	1,734,693,560,202	Asset turnover	0.7	0.7	0.7	0.8
Net increase in cash & equivalents	264,980,344,328	207,701,350,584	54,090,606,982	953,863,506,276	Receivables turnover	7.4	6.8	7.0	7.4
Cash & equivalents - ending	1,472,901,602,636	1,680,602,953,220	1,734,693,560,202	2,688,557,066,478	Inventory turnover	52.4	56.0	56.6	58.7
					Payable turnover	6.4	6.2	5.8	6.2

Source: PV Transportation, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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