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PV Transportation (PVT)

New ship purchases delayed to 2H

Expanding overseas operations & plans VND1,000 cash dividend for 2020E performance

— Main takeaways from this year's annual general shareholders' meetings are: 1) approval of conservative earnings guidance; 2) only a 15% stock dividend for 2019 but potential to declare a VND1,000 cash dividend for 2020E performance; and 3) delay in new vessel purchases to 2H. Shareholders approved cautious guidance for a 47% YoY drop in earnings to VND 433 billion on revenue of VND 6,200 billion or down 20% YoY. Management also warned that 2020E will be tough year due to lower oil shipments arising from: 1) the 50-day maintenance overhaul at Binh Son Refinery's *Dung Quat* facilities in August; and 2) slow ramp up of the *Nghi Son Refinery*. That said, management will use its low operating cost structure to expand overseas operations to reduce its dependence on local refineries. About 70% of PVT's vessels operated in overseas markets in Asia and the Middle East in 2019. Moreover, management plans to declare a VND1,000 cash dividend for 2020E performance to make up for suspending cash dividends this year.

Management unsure whether to remain as exclusive transporter for Binh Son Refinery

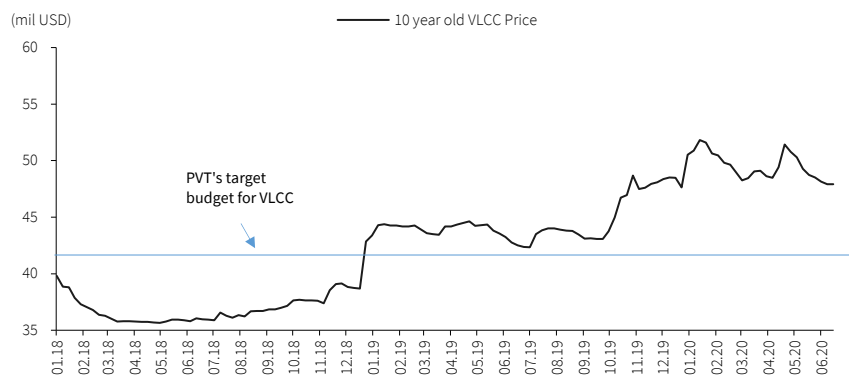
— PVT could lose about VND150 billions of earnings when the Binh Son Refinery's *Dung Quat Refinery* diversifies 3.45 million tons of crude oil imports to overseas suppliers. Currently, the Binh Son Refinery sources all of its 6.5 million tons of crude oil from the local *Bach Ho* oil field and PVT is the sole transporter of these supplies. But lower national crude reserves will inevitably force the Binh Son Refinery to import about 3.45 million tons of crude or 53% of its capacity from overseas markets in the coming years. Management stated that the company will need to examine the profitability of transporting this imported oil, with stable imports from a few oil fields offering better profitability but transporting oil from several oil fields providing little profits.

New vessel purchases delayed to 2H

— PVT made no new vessel purchases in 1H despite its sizable USD300 million capital expenditure budget for 14-16 new ships. Management attributed this delay to high vessel prices due to crude oil stockpiling arising from COVID-19 lockdowns. PVT plans to acquire six new ships in 2H - including a Very Large Crude Carrier (VLCC) valued at around USD42 million - on hopes that weaker financial conditions at shippers in the post-pandemic period will lead to lower prices for VLCCs. After completing its VLCC purchases, management will consider acquiring two Very Large Gas Carriers (VLGCs) by either purchasing 10-year old vessels or the sale-leaseback of new ships ordered from Japanese and Korean shipbuilders.



Fig 1. VLCCs – Vessel prices for 10-year old tankers, Jan 18 – Jun 20 (USDmn)



Source: Bloomberg, KB Securities Vietnam

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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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