

# PV Technical (PVS)

## Block B O Mon expecting early FID

March 13, 2024

Analyst Pham Minh Hieu  
hieupm@kbsec.com.vn

**Revenue in 2023 gained 18.2% YoY while gross profit grew by a mere of 3.7% YoY**

In 2023, revenue of PV Technical Services (PVS) rose 18.2% YoY while gross profit inched up 3.7% YoY. The growth mainly came from the mechanical & construction segment (M&C) with revenue recognition from the foreign projects. The FSO/FPSO segment was stable. The operations & maintenance segment (O&M) prospered in 2H23, underpinned by the positive progress in domestic oil and gas projects. The oil and gas terminals performed well, but the cargo port was hit by weak exports.

**The M&C and O&M segments are expected to benefit from the long-term growth of Vietnam's oil and gas industry**

The final investment decision (FID) of the Block B O Mon should be officially awarded between 1Q and 2Q24, helping PVS to speed up construction and earn a considerable amount in 2024. Other large-scale projects, Golden Camel, Nam Du U Minh, and White Lion 2B will also create a large workload in 2024–2028.

**Potential to record additional backlog from new offshore wind power projects**

In 4Q23, PVS won the M&C contract for the Fengmiao offshore wind power project in Taiwan with an estimated construction value of USD100 million. In February 2024, PVS leaders also said that the company had signed new contracts and was awarded about USD1.5 billion for offshore wind power projects. We temporarily assume the total backlog for potential international offshore wind power projects for PVS in the period 2024–2028 reaches about USD1 billion.

**BUY recommendation with target price of VND47,100/share**

Based on FCFE valuation and the prospects of the business, we recommend BUY for PVS stock. The target price is VND47,100/share, equivalent to an upside of 27.6% compared to the price on March 13, 2024.

**Buy** maintain

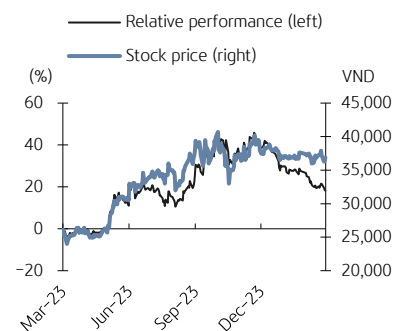
<b>Target price</b>	<b>VND47,100</b>
Upside	27.6%
Current price (Mar 13, 2023)	VND36,900
Consensus market price	VND43,700
Market cap (VNDbn/USDmn)	17,626/734

<b>Trading data</b>	
Free float	48.5%
3M avg trading value (VNDbn/USDmn)	168.79/7.0
Foreign ownership	17.8%
Major shareholder	Petrovietnam (51.38%)

<b>Share price performance</b>				
(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
<b>Absolute</b>	-3.5	-4.2	1.1	39.1
<b>Relative</b>	-7.1	-14.3	-0.6	17.6

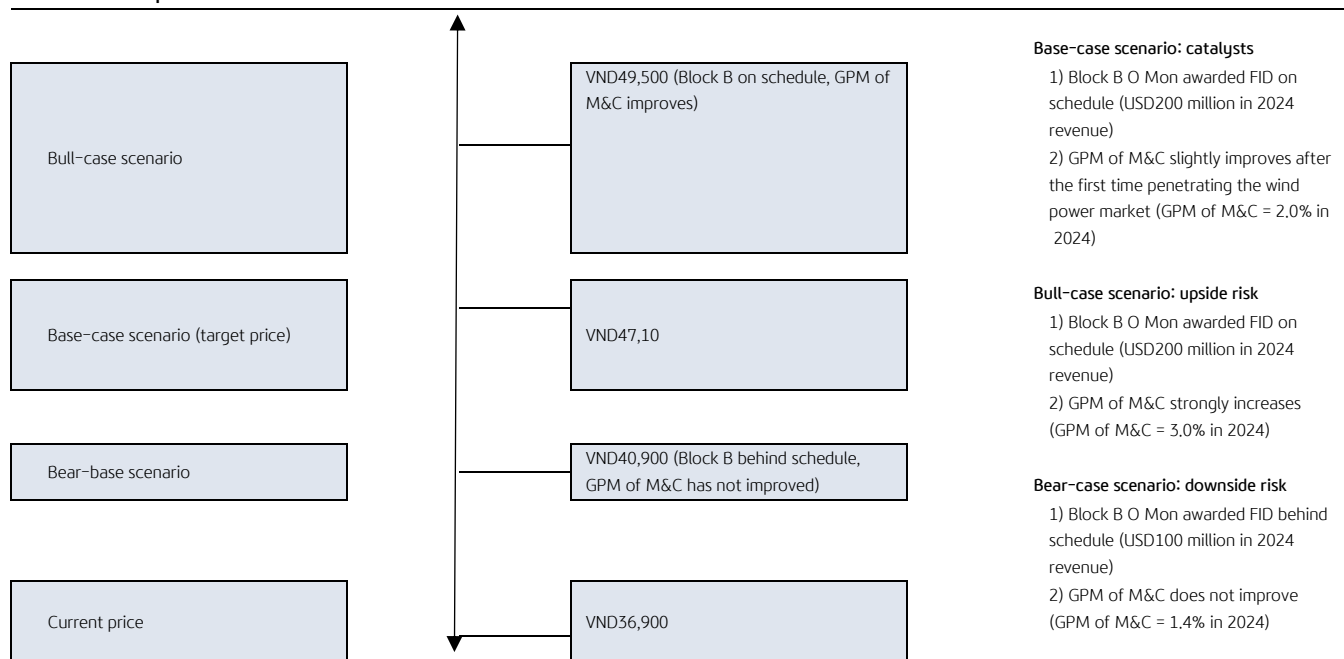
### Forecast earnings & valuation

FY-end	2022A	2023A	2024F	2025F
Revenue (VNDbn)	16,373	19,349	27,759	39,404
Operating income (VNDbn)	1,154	1,253	1,517	1,668
NPATMI (VNDbn)	884	866	1,029	1,131
EPS (VND)	1,575	1,812	2,154	2,366
EPS growth (%)	77.6	15.0	19.0	10.0
P/E (x)	23.4	20.4	17.1	15.6
P/B (x)	1.4	1.3	1.2	1.2
ROE (%)	7.3	6.7	7.6	8.1
Dividend yield (%)	2.4	2.7	2.7	2.7



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Source: KB Securities Vietnam

## 2023 performance updates

**Table 1. PVS – 2023 business results**

	4Q22	4Q23	YoY%	2022	2023	YoY %	KBSV's notes
<b>Revenue (VNDbn)</b>	<b>5,331</b>	<b>6,758</b>	<b>26.8%</b>	<b>16,373</b>	<b>19,349</b>	<b>18.2%</b>	
Offshore support vessels (OSV)	370	482	30.4%	1,570	1,607	2.4%	
FSO/FPSO operation	495	710	43.5%	1,874	2,207	17.8%	
Survey/repair with remotely operated vehicles (ROV)	76	186	143.4%	510	405	-20.6%	The decline was resulted from (1) low domestic workload and the inability to penetrate the international market and (2) the ongoing restructure.
Port base	446	443	-0.8%	1,456	1,418	-2.6%	The oil and gas terminal operated well. The decline was mainly due to cargo ports being affected by weak exports.
M&C	3,252	4,065	25.0%	8,697	11,150	28.2%	The segment recorded revenue from projects Galaff Batch 3, Shwe Phase 3, Hai Long 2&3 and Greater Chanhua 2a&4.
O&M	505	689	36.3%	1,555	1,911	22.9%	Domestic projects were generally quiet in 1H23, but the situation has improved from 2H23.
Other services	186	183	-1.8%	711	650	-8.6%	
<b>Gross profit (VNDbn)</b>	<b>326</b>	<b>376</b>	<b>15.2%</b>	<b>915</b>	<b>948</b>	<b>3.7%</b>	
OSV	36	76	109.1%	145	198	36.6%	
FSO/FPSO operation	15	98	566.0%	139	157	12.9%	
Survey/repair with ROV	17	19	13.3%	45	45	1.8%	
Port base	89	48	-46.4%	328	261	-20.4%	
M&C	99	72	-27.4%	162	159	-1.4%	
O&M	31	24	-20.9%	34	69	102.3%	
Other services	40	39	-3.0%	63	57	-9.4%	
<b>Gross profit margin (%)</b>	<b>6.1%</b>	<b>5.6%</b>		<b>5.6%</b>	<b>4.9%</b>		
SG&A costs (VNDbn)	-227	-413	81.9%	-907	-1,136	25.2%	There were preparation costs for major projects starting in the coming years.
Operating income (VNDbn)	100	-37	N/A	7	-187	N/A	
Financial income (VNDbn)	123	261	112.2%	489	776	58.6%	Because interest rates and cash balances were larger than the same period in 2022.
Profits from joint ventures/affiliations (VNDbn)	134	153	14.2%	507	657	29.7%	
Financial expenses (VNDbn)	-91	-102	12.1%	-163	-215	32.5%	
Other incomes (net) (VNDbn)	142	53	-62.7%	183	66	-63.9%	
<b>Profit before taxes (VNDbn)</b>	<b>408</b>	<b>328</b>	<b>-19.6%</b>	<b>1,174</b>	<b>1,103</b>	<b>-6.0%</b>	
<b>Profit after taxes (VNDbn)</b>	<b>325</b>	<b>293</b>	<b>-9.8%</b>	<b>945</b>	<b>899</b>	<b>-4.8%</b>	
<b>Net profit margin (%)</b>	<b>6.1%</b>	<b>4.3%</b>		<b>5.8%</b>	<b>4.6%</b>		

Source: PV Technical Services, KB Securities Vietnam

### The M&C and O&M segments are expected to benefit from the long-term growth of Vietnam's oil and gas industry

We maintain the view that the domestic oil and gas industry will enter a long-term growth cycle from 2024 with progress in major projects. In 4Q23, the EPC1, EPC2, and EPC gas pipeline packages of the Block B O Mon project were awarded to PVS with an estimated value of roughly USD1.05 billion. We expect that the FID of the Block B O Mon should be officially awarded between 1Q and 2Q24, helping PVS to speed up construction and earn a considerable amount in 2024. Other large-scale projects such as Golden Camel (received FID), Nam Du U Minh (signed a framework agreement for gas trading) and White Lion 2B (negotiating a new oil and gas production sharing agreement) will also create a large workload for PVS in the period 2024–2028.

### PVS may record additional backlog from new offshore wind power projects

PVS has a great competitive advantage in the offshore wind power construction segment in East Asia and Southeast Asia. In 4Q23, PVS won the M&C contract for the Fengmiao offshore wind power project in Taiwan with an estimated construction value of USD100 million. In February 2024, PVS leaders also said that the company had signed new contracts and was awarded about USD1.5 USD for offshore wind power projects. We temporarily assume the total backlog for potential international offshore wind power projects for PVS in the period 2024–2028 reaches roughly USD1 billion.

### The business has the potential to win FSO/FPSO bidding packages for upcoming domestic projects

In the near future, we expect the FSO/FPSO segment to benefit from the warming of the domestic E&P market. PVS is currently bidding for the Golden Camel project. We forecast that PVS will invest an FSO/FPSO worth USD300 million exclusively for the entire project life cycle (10 years) in the form of capital contribution with partners. In addition, the company is also closely monitoring FSO/FPSO bidding opportunities for the Block B O Mon project.

Table 2. PVS – List of potential projects

Projects	Expected period	Contract value (USDmn)
<b>Being developed</b>		
Galaff Batch 3 (Qatar)	2022–2024	380
Shwe Jacket Phase 3 (Myanmar)	2022–2023	200
Hai Long 2&3 (Taiwan)	2023–2024	80
Greater Changhua 2a & 4 (Taiwan)	2023–2025	300
Thi Vai LPG tanker	2023–2024	32
<b>To be developed</b>		
Sư Tử trắng Phase 2	2024–2026	250
Block B O Mon	2024–2028	1,600
Golden Camel A	2024–2026	245
Golden Camel B	2025–2027	38
Nam Du U Minh	2025–2028	850
Blue Whale	2028–2030	850
Baltica 2 (Poland)	2024–2026	180
Fengmiao (Taiwan)	2024–2026	100
Thi Vai LNG Terminal Phase 2	2025–2027	300
Son My LNG Terminal Phase 1	2025–2027	300
Other potential wind power projects	2024–2028	1,000

Source: PV Technical Services, KB Securities Vietnam

## Forecast & valuation

**Table 3. PVS – 2024F performance**

	2023	2024F	YoY %	KBSV's notes
<b>Revenue (VNDbn)</b>	<b>19,349</b>	<b>27,759</b>	<b>43.5%</b>	
Offshore support vessels (OSV)	1,607	1,687	5.0%	The domestic E&P market is expected to become busier from 2024.
FSO/FPSO operation	2,207	2,317	5.0%	
Survey/repair with remotely operated vehicles (ROV)	405	405	0.0%	
Port base	1,418	1,531	8.0%	The cargo port segment should improve in 2024.
M&C	11,150	18,628	67.1%	PVS will record revenue from projects Galaff Batch 3, Hai Long 2&3, and Greater Chanhua 2a&4. More revenue from projects Block B, Golden Camel A, White Lion 2B, Baltica, and Fengmiao should be expected from 2024.
O&M	1,911	2,553	33.6%	The segment is forecast to improve as the domestic market warms up.
Other services	650	637	-2.0%	
<b>Gross profit (VNDbn)</b>	<b>948</b>	<b>1,431</b>	<b>51.0%</b>	
OSV	198	203	2.2%	
FSO/FPSO operation	157	185	18.0%	
Survey/repair with ROV	45	36	-19.6%	
Port base	261	345	31.9%	It should rebound from low bases in 2023.
M&C	159	466	192.2%	Revenue may surge, and GPM improves thanks to optimization of the offshore wind power segment.
O&M	69	140	103.5%	The segment should rebound from low bases.
Other services	57	56	-1.6%	
<b>Gross profit margin (%)</b>	<b>4.9%</b>	<b>5.2%</b>		
SG&A costs (VNDbn)	-1,136	-1,380	21.5%	The costs should increase due to the sharp increase in workload.
Operating income (VNDbn)	-187	51	N/A	
Financial income (VNDbn)	776	776	0.0%	
Profits from joint ventures/affiliations (VNDbn)	657	690	5.0%	
Financial expenses (VNDbn)	-215	-211	-2.0%	
Other incomes (net) (VNDbn)	66	66	0.0%	
<b>Profit before taxes (VNDbn)</b>	<b>1,103</b>	<b>1,372</b>	<b>24.4%</b>	
<b>Profit after taxes (VNDbn)</b>	<b>899</b>	<b>1,098</b>	<b>22.1%</b>	
<b>Net profit margin (%)</b>	<b>4.6%</b>	<b>4.0%</b>		

Source: KB Securities Vietnam

### Valuation: BUY rating – target price VND47,100

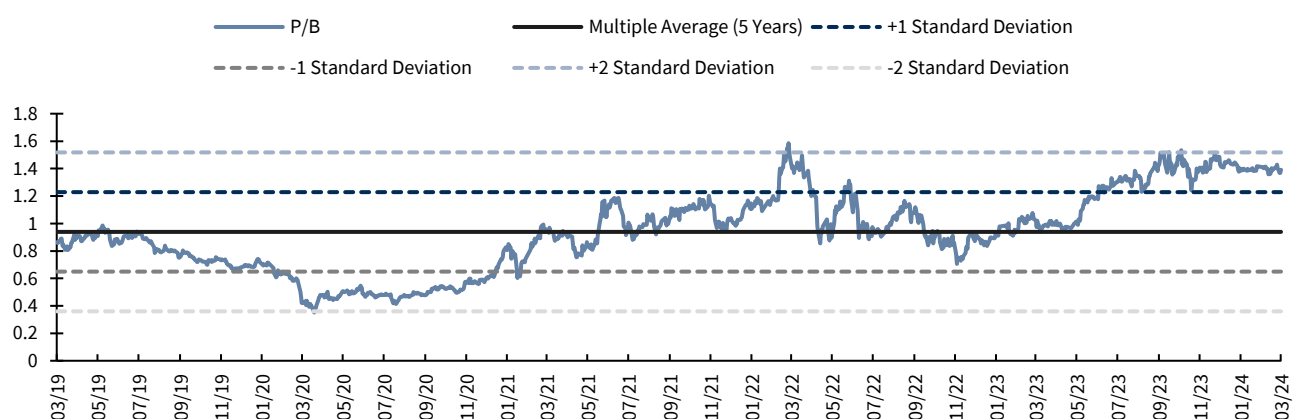
We use an FCFF model to give a BUY rating to PVS with a target price of VND47,100/share, 27.6% higher than the closing price of VND36,900/share on March 13, 2024.

Table 4. PVS – FCFF valuation

Risk-free rate	4.7%	Present value of terminal value (VNDbn)	11,363
Equity risk premium	7.6%	Total present value for the period 2024–2028	3,526
Beta	1.15	<b>Total present value</b>	<b>14,889</b>
Average interest rate	7.0%	Plus: Cash & short-term investments	10,086
Taxes	20.0%	Minus: Net debt	-1,740
<b>Weighted cost of capital</b>	<b>11.1%</b>	Minus: Minority interest	-710
Terminal growth rate	1.5%	<b>Equity value</b>	<b>22,525</b>
		Number of shares outstanding (million shares)	478.00
		<b>Equity value/share (VND)</b>	<b>47,100</b>
		Current price (September 22, 2023)	36,900
		Upside	27.6%

Source: Bloomberg, KB Securities Vietnam

Fig 5. PVS – P/B in 2019–2024 (x)



Source: Bloomberg, KB Securities Vietnam



**Nguyen Xuan Binh – Head of Research**  
binhnx@kbsec.com.vn

## Equity

### Banks, Insurance & Securities

**Nguyen Anh Tung – Manager**  
tungna@kbsec.com.vn

**Pham Phuong Linh – Analyst**  
linhpp@kbsec.com.vn

### Real Estate, Construction & Materials

**Pham Hoang Bao Nga – Senior Analyst**  
ngaphb@kbsec.com.vn

**Nguyen Duong Nguyen – Analyst**  
nguyennd1@kbsec.com.vn

### Retails & Consumers

**Nguyen Truong Giang – Analyst**  
giangnt1@kbsec.com.vn

### Industrial Real Estate, Logistics

**Nguyen Thi Ngoc Anh – Analyst**  
anhntn@kbsec.com.vn

### Oil & Gas, Chemicals

**Pham Minh Hieu – Analyst**  
hieupm@kbsec.com.vn

**Research Division**  
research@kbsec.com.vn

## Macro/Strategy

**Tran Duc Anh – Head of Macro & Strategy**  
anhhd@kbsec.com.vn

### Macroeconomics & Banks

**Ho Duc Thanh – Analyst**  
thanhhd@kbsec.com.vn

**Vu Thu Uyen – Analyst**  
uyenvt@kbsec.com.vn

### Strategy, Investment Themes

**Nghiem Sy Tien – Analyst**  
tiens@kbsec.com.vn

**Nguyen Dinh Thuan – Analyst**  
thuannd@kbsec.com.vn

## Support team

**Nguyen Cam Tho – Assistant**  
thonc@kbsec.com.vn

**Nguyen Thi Huong – Assistant**  
huongnt3@kbsec.com.vn



## KB SECURITIES VIETNAM (KBSV)

---

### Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

### Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

### Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

### Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

## CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: [ccc@kbsec.com.vn](mailto:ccc@kbsec.com.vn)

Website: [www.kbsec.com.vn](http://www.kbsec.com.vn)

## 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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.