

# **PV Technical** (PVS)

## Block B O Mon expecting early FID

March 13, 2024

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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 longterm 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 FCFF 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

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

Trading data		
Free float		48.5%
3M avg trading value (VNDbn/USD	mn)	168.79/7.0
Foreign ownership		17.8%
Major shareholder	Petrov	ietnam (51.38%)

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

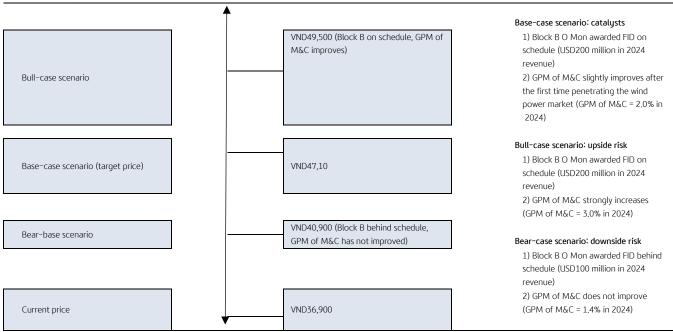
Forecast earnings & valuation	
FY-end	

2022A	2023A	2024F	2025F
16,373	19,349	27,759	39,404
1,154	1,253	1,517	1,668
884	866	1,029	1,131
1,575	1,812	2,154	2,366
77.6	15.0	19.0	10.0
23.4	20.4	17.1	15.6
1.4	1.3	1.2	1.2
7.3	6.7	7.6	8.1
2.4	2.7	2.7	2.7
	16,373 1,154 884 1,575 77.6 23.4 1.4 7.3	16,373 19,349 1,154 1,253 884 866 1,575 1,812 77.6 15.0 23.4 20.4 1.4 1.3 7.3 6.7	16,373     19,349     27,759       1,154     1,253     1,517       884     866     1,029       1,575     1,812     2,154       77.6     15.0     19.0       23.4     20.4     17.1       1.4     1.3     1.2       7.3     6.7     7.6



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
Revenue (VNDbn)	5,331	6,758	26.8%	16,373	19,349	18.2%	
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%	
Gross profit (VNDbn)	326	376	15.2%	915	948	3.7%	
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%	
Gross profit margin (%)	6.1%	5.6%		5.6%	4.9%		
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%	larger than the same period in 2022.
Financial expenses (VNDbn)	-91	-102	12.1%	-163	-215	32.5%	
Other incomes (net) (VNDbn)	142	53	-62.7%	183	66	-63.9%	
Profit before taxes (VNDbn)	408	328	-19.6%	1,174	1,103	-6.0%	
Profit after taxes (VNDbn)	325	293	-9.8%	945	899	-4.8%	
Net profit margin (%)	6.1%	4.3%		5.8%	4.6%		

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)
Being developed		
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
To be developed		
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
Revenue (VNDbn)	19,349	27,759	43.5%	
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%	
Gross profit (VNDbn)	948	1,431	51.0%	
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%	
Gross profit margin (%)	4.9%	5.2%		
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%	
Profit before taxes (VNDbn)	1,103	1,372	24.4%	
Profit after taxes (VNDbn)	899	1,098	22.1%	
Net profit margin (%)	4.6%	4.0%		

Source: KB Securities Vietnam

# Valuation: BUY rating - target price VND47,100

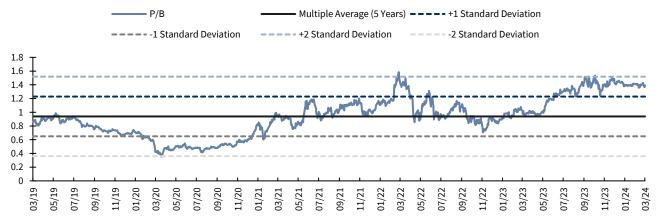
We use an FCFF model to give a BUY rating to PVS with a target price of VND47,100/share, 27.6% higher than the closing price of VND36,900/share on March 13, 2024.

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	Total present value	14,889
Average interest rate	7.0%	Plus: Cash & short-term investments	10,086
Taxes	20.0%	Minus: Net debt	-1,740
Weighted cost of capital	11.1%	Minus: Minority interest	-710
Terminal growth rate	1.5%	Equity value	22,525
		Number of shares outstanding (million shares)	478.00
		Equity value/share (VND)	47,100
		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

PVS - 2022A - 2025F financials

Income Statement (VND billion)	2022	2023	2024F	2025F	Balance Sheet (VND billion)	2022	2023	2024F	
et sales	16,373	19,349	27,759	39,404	CURRENT ASSETS	25,827	26,401	31,050	
cost of sales	-15,458	-18,401	-26,328	-37,606	Cash and cash equivalents	16,388	16,297	20,307	
Gross Profit	915	948	1,431	1,798	Short-term investments	5,219	5,757	5,914	
Financial income	489	776	776	815	Accounts receivable	4,837	4,329	5,502	
Financial expenses	-163	-215	-211	-226	Inventories	5,043	4,160	6,617	
of which: interest expenses	-51	-73	-72	-90	LONG-TERM ASSETS	1,012	1,498	1,803	
Gain/(loss) from joint ventures (from 2015)	507	657	690	725	Long-term trade receivables	9,439	10,104	10,743	
Selling expenses	-79	-85	-104	-126	Fixed assets	124	123	123	
General and admin expenses	-828	-1,050	-1,276	-1,544	Investment properties	3,040	3,361	4,002	
Operating profit/(loss)	841	1,031	1,306	1,442	Long-term incomplete assets	172	391	391	
Other incomes	219	1,579	1,579	1,579	Long-term investments	169	164	162	
Other expenses	37	1,513	1,513	1,513	TOTAL ASSETS	0	0	0	
Net other income/(expenses)	182	66	66	66	LIABILITIES	12,879	13,018	16,540	
ncome from investments in other entities	0	0	1	1	Current liabilities	9,199	9,206	12,748	
Net accounting profit/(loss) before tax	1,023	1,097	1,372	1,508	Trade accounts payable	5,301	3,510	6,312	
Corporate income tax expenses	-229	-204	-274	-302	Advances from customers	214	252	257	
Net profit/(loss) after tax	945	899	1,098	1,206	Short-term unrealized revenue	752	1,176	1,164	
Minority interests	61	33	68	75	Short-term borrowings	3,680	3,812	3,792	
Attributable to parent company	884	866	1,029	1,131	Long-term liabilities	0	0	0	
					Long-term trade payables	781	839	839	
Margin ratio					Long-term advances from customers	190	184	184	
	2022	2023	2024F	2025F	Unrealized revenue	624	564	544	
Gross profit margin	5.6%	4.9%	5.2%	4.6%	Long-term borrowings	12,949	13,384	14,510	
EBITDA margin	9.9%	9.1%	7.9%	5.9%	OWNER'S EQUITY	4,780	4,780	4,780	
EBIT margin	7.1%	6.5%	5.5%	4.2%	Paid-in capital	40	40	40	
Pre-tax profit margin	7.2%	5.7%	4.9%	3.8%	Share premium	3,791	3,888	4,945	
Operating profit margin	5.1%	5.3%	4.7%	3.7%	Undistributed earnings	3,608	3,966	3,967	
Net profit margin	5.8%	4.7%	4.0%	3.1%	Minority interests	730	710	778	
Cash Flow Statement					Key ratios				
(VND billion)	2022	2023	2024F	2025F	-				_
Net profit/(loss) before tax	1,174	1,103	1,372	1,508	Multiple				
Depreciation and amortisation	471	507	661	669	P/E	23.4	20.4	17.1	
Profit/loss from investing activities	-966	-966	-966	-966	P/E diluted	23.4	20.4	17.1	
Interest expense	51	73	72	91	P/B	1.4	1.3	1.2	
Operating profit/(loss) before changes in Norking Capital	920	717	1,139	1,302	P/S	1.1	0.9	0.6	
(Increase)/decrease in receivables	-350	691	-2,457	-2,775	P/Tangible Book	1.4	1.3	1.2	
(Increase)/decrease in inventories	1,083	-414	-305	-773	P/Cash Flow	11.8	-56.7	22.6	
Increase/(decrease) in payables	449	-589	2,802	2,648	EV/EBITDA	8.9	8.1	6.5	
(Increase)/decrease in prepaid expenses	-36	-181	-181	-181	EV/EBIT			9.4	
Net cash inflows/(outflows) from operating		-01		-101		12.6	11.4		
	1,498	-311	780	-340	Operating performance		11.4	3	
activities Purchases of fixed assets and other long	1,498	-311		-340	Operating performance	12.6			
activities Purchases of fixed assets and other long term assets	-498	-311 -901	-694	-340 -985	ROE	7.3%	6.7%	7.6%	
nctivities Purchases of fixed assets and other long erm assets Proceeds from disposal of fixed assets Loans granted, purchases of debt	-498 63	-311 -901 5	-694 0	-340 -985 0	ROE ROA	7.3% 3.7%	6.7% 3.4%	7.6% 3.5%	
Purchases of fixed assets and other long erm assets Proceeds from disposal of fixed assets Loans granted, purchases of debt nstruments Collection of loans, proceeds from sales	-498	-311 -901	-694 0 -5,602	-340 -985 0 -6,079	ROE ROA ROIC	7.3%	6.7%	7.6%	
Purchases of fixed assets and other long erm assets Proceeds from disposal of fixed assets Loans granted, purchases of debt nstruments Collection of loans, proceeds from sales	-498 63	-311 -901 5	-694 0	-340 -985 0	ROE ROA	7.3% 3.7%	6.7% 3.4%	7.6% 3.5%	
Purchases of fixed assets and other long erm assets Proceeds from disposal of fixed assets Loans granted, purchases of debt nstruments Collection of loans, proceeds from sales	-498 63 -6,378	-311 -901 5 -6,257	-694 0 -5,602	-340 -985 0 -6,079	ROE ROA ROIC	7.3% 3.7%	6.7% 3.4%	7.6% 3.5%	
Purchases of fixed assets and other long sterm assets Proceeds from disposal of fixed assets Loans granted, purchases of debt nstruments Collection of loans, proceeds from sales of debts instruments Investments in other entities Proceeds from divestment in other	-498 63 -6,378 4,181	-311 -901 5 -6,257 6,792	-694 0 -5,602 5,259	-340 -985 0 -6,079 5,411	ROE ROA ROIC Financial structure	7.3% 3.7% 9.5%	6.7% 3.4% 9.9%	7.6% 3.5% 11.2%	
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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	Undernerform the market

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