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# PV Transportation (PVT)

## 3Q pretax earnings may beat & only be down 18% YoY

### Preliminary 3Q pretax earnings may beat and only be down by 18% YoY

— According to the online *Nguoi Dong Hanh* news, PVT's preliminary 3Q pretax earnings might be down 18% YoY to VND172 billion on revenue of VND1,950 billion or up 12% YoY. This implies that 3Q pretax earnings and revenue might both come in stronger than our estimates by 51% and 24%, respectively, after taking note that these preliminary figures were released even before the end of the quarter. Preliminary pretax earnings for the first nine months were VND393 billion or down 22% YoY and 103% of the company's conservative full-year target on revenue of VND5,345 billion or down 8% YoY or 86% of its full-year target. Although performance for the first nine months of year largely reached full-year objectives – and management is well-known for setting conservative annual targets – these preliminary pretax earnings were 82% of the consensus and 67% of our estimate, while revenue was 83% of the consensus and 75% of our estimate.

### Strong day rates for international routes may explain better-than-expected earnings

— We suspect the beat in top line revenue and pre-tax earnings comes from stronger-than-expected day rates for international routes. Day rates on international routes are still benefitting from the increase in scrapped vessels with the start of IMO 2020 this year. Management planned to shift about 60%–70% of PVT's fleet for charters on international routes during the planned maintenance overhaul at Binh Son Refining's *Dung Quat* refinery between August 12 and October 1. Specifically, two out of four Aframax crude oil tankers were chartered on international routes, while the remaining two were sent to dry dock for repairs. We will review our 2020E earnings when official 3Q results are released.

### Reiterate BUY on PVT & BSR on expectations for strong 4Q earnings recovery

— We reiterate our BUY recommendations on PV Transportation (PVT, BUY, VND16,800) and Binh Son Refinery (BSR, BUY, VND8,100) on expectations for strong recovery in 4Q earnings with the end of the two-month maintenance overhaul at BSR's *Dung Quat* refinery. Although the purchase of additional ships for management's fleet expansion plan has been delayed by the coronavirus, we believe PVT remains the best positioned to benefit from recovery in Vietnam's energy demand once the pandemic ends. Moreover, we are also optimistic on the company's future growth opportunities given Vietnam's increasing reliance on imports to meet its energy needs.

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## Investment ratings & definitions

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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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