

PV Drilling & Services (PVD)

Drilling doldrums

July 27, 2020

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Initiate coverage with HOLD rating and target price of VND9,600

We initiate our coverage of PVD with a HOLD rating and a target price of VND9,600. Our target price is based on a discounted cash flow model that reflects weaker cash generating capabilities following the sharp slowdown in Vietnam's upstream E&P activities.

Jack up day rates flat at USD65,000 for 2020E & 2021E

Jack up days rates should remain flat at USD65,000 for 2020E and into 2021E due to: 1) cuts to capital expenditure budgets amid weak oil prices; and 2) fewer contracts from Malaysia after the country agreed to May's OPEC+ production cuts. We expect Malaysian project delays to drop jack up utilization rates to 77% in 2020E and only move up to 85% in 2021E.

Outlook only improves from 2H 2021E when the TAD starts up operations

The *PV Drilling V-Tender Assisted Rig (TAD)* will start up operations in 2H 2021E after sitting idle for the past three years. But mediocre day rates at USD85,000-90,000 should keep any profits unexciting during the six-year contract with Brunei Shell Petroleum. The job will offer a four-year contract and optional two-year extension and day rates can only be renegotiated after an initial four-year lock up period.

HOLD initiate

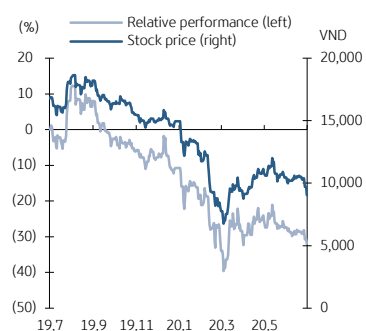
Target Price	VND9,600
Total return (%)	6.3%
Current price (Jul 27)	VND9,030
Consensus target price	VND11,900
Mkt capitalization (USDmn)	USD164mn

Trading data	
Free float (%)	49.4%
Avg trading value (3M)	USD2.25mn
Foreign available (%)	36.9%
Major shareholders (%)	PetroVietnam (50.46%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-13.6	0.1	-39.6	-46.2
Relative	-6.2	-1.7	-23.7	-31.9

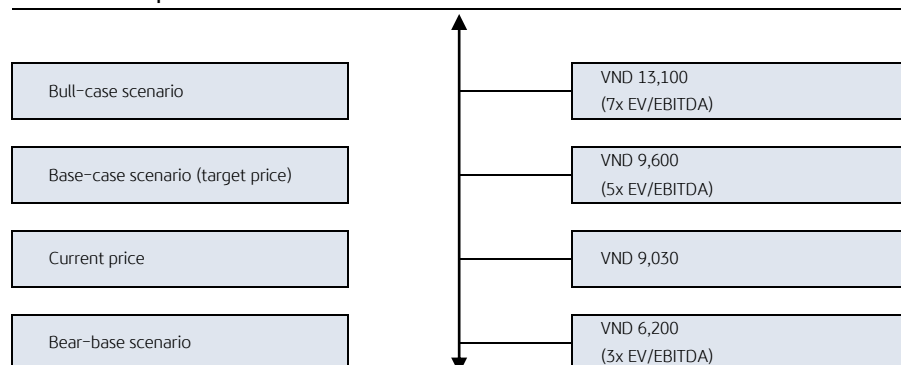
Forecast earnings & valuation

Fiscal year-end	2019A	2020E	2021E	2022E
Revenue (VNDbn)	4,368	5,029	5,709	6,597
EBIT	37	118	135	498
NP attributable to parent	184	132	165	473
EPS (VND)	438	314	392	1,121
EPS growth (%)	(6.3)	(28.3)	24.8	186.3
P/E (x)	20.6	28.8	23.1	8.1
EV/EBITDA (x)	8.8	8.9	8.3	4.9
P/B (x)	0.5	0.3	0.3	0.3
ROE (%)	1.5	0.9	1.1	3.2
Div yield (%)	0.1	0.0	0.0	0.0



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Base-case scenario: catalysts

- 1) Brent prices above USD55 in 2021E
- 2) Jack up day rates at USD65,000
- 3) Tender Assisted Rigs in 2H21

Bull-case scenario: upside risk

- 1) Brent prices above USD55 in 2020E
- 2) Jack up day rates above USD70,000
- 3) Tender Assisted Rigs before 2H21

Bear-case scenario: downside risk

- 1) Coronavirus second wave
- 2) Jack up day rates below USD65,000
- 3) Tender Assisted Rigs after 2H21

Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2020E	2021E	2020E	2021E	2020E	2021E
Revenue						
EBIT						
OP						
NP after MI						

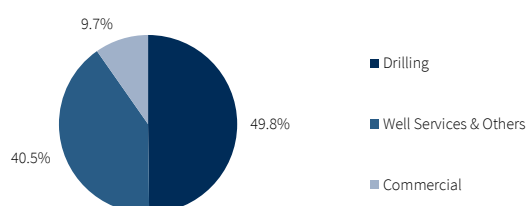
Source: Bloomberg, KB Securities Vietnam

KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2020E	2021E	2020E	2021E	2020E	2021E
Revenue	5,029	5,709	204	206	2,361.2	2,666.8
EBIT	118	135	162	336	(27.0)	(59.7)
OP	54	42	150	221	(64.1)	(80.8)
NP after MI	132	165	107	120	23.7	37.6

Source: Bloomberg, KB Securities Vietnam

Revenue composition (2019)



Source: Company reports, KB Securities Vietnam

Peer group comparison

(USDbn, x, %)	Mkt Cap	12m fwd P/E	3y EPS CAGR	12m fwd ROE	12m fwd P/B
PVD VN	0.2	21.9	13.8	0.9	0.3
GAS VN	5.3	14.3	-5.7	17.6	2.4
PLX VN	2.2	19.8	0.0	11.8	1.9
PVS VN	0.2	6.5	-7.5	6.6	0.4
BSR VN	0.8	-6.7	-18.7	2.1	0.6
PVT VN	0.1	5.4	-6.9	9.4	0.4

Source: Bloomberg, KB Securities Vietnam

Drilling doldrums

PV Drilling & Well Services (PVD): Exposed to weak oil prices below Vietnam's USD55.00 breakeven

We initiate our coverage of PVD with a HOLD rating and a target price of VND9,600. Our target price is based on a discounted cash flow model that reflects weaker cash generating capabilities following the sharp slowdown in Vietnam's upstream E&P activities.

Jackup day rates should remain flat at USD65,000 for 2020E and into 2021E due to: 1) cuts to capital expenditure budgets amid weak oil prices; and 2) fewer contracts from Malaysia after the country agreed to May's OPEC+ production cuts. We expect Malaysian project delays to drop jackup utilization rates to 77% in 2020E and only move up to 85% in 2021E.

Our forecasts generate a CAGR of 36.7% between 2020E to 2025E. We expect PVD's average jackup drilling day rates to remain flat at about USD65,000 into 2021E on depressed oil prices. Jobs from Malaysian operators – some of PVD's largest clients – are down after the country agreed to May's extension of OPEC+ production cuts. Moreover, PVD will need to find new drilling contracts for the jackup rigs as most contracts will end by the 2H of 2021E even after factoring in projects that have been pushed back to 2021E. The company may need to rely on the 6-year contract (4-year contract plus 2-year option) with Brunei Shell Petroleum for the TAD rig (Tender-Assisted Drilling) until new drilling contracts are announced.

Table 1. PV Drilling & Well Services (PVD) – Valuation (DCF) & target price (VND, %)

Line item	Notation		Notes
WACC	W	16.0%	$(E/(E+D) * k_E) + ((D/(E+D)) * k_D * (1-t))$
Cost of equity	k_E	18.1%	$r_f + (\beta_E * m)$
Re-levered beta	β_E	1.693	$\beta_A(1+((1-t)*D/E))$
Unlevered beta	β_A	1.459	PVD unlevered beta
Cost of debt	k_D	7.0%	$r_f + (\beta_D * m)$
Debt beta	β_D	0.449	d / m
Assumptions			
Target gearing	D/E	20.0%	Long-term debt/equity ratio
Statutory tax rate	t	20.0%	Marginal corporate tax rate
Debt premium	d	4.0%	Estimated investment grade spread
Market risk premium	m	8.9%	Expected market return – risk free rate
Risk free rate	r_f	3.0%	10-year government bond
<hr/>			
Terminal value as % of firm value		53.7%	
PV of future cash flows (VNDbn)		3,120	
PV of terminal value (VNDbn)		3,616	
PV of Firm (VNDbn)		6,736	
<hr/>			
Total return		6.3%	
Target price (VND)		9,600	
Dividend per share (VND)		0	

Source: KB Securities Vietnam

Our 12-month target price based on a DCF model to reflect the lack of consistent dividend payouts

Our valuations are based on discounted cash flow models (DCF) that utilize the capital asset pricing model (CAPM) to estimate the cost of equity and cost of debt for individual stocks. This allows us to determine the appropriate weighted cost of capital (WACC) to discount projected free cash flows to the firm (FCFF approach). The lack of consistent dividend policies from PVD make our DCF models the preferred method to set our 12-month target prices. That said, we expect the volatility of cash flows – and ability of companies to adopt sustainable dividend payout policies – to improve over our forecast period.

Headline 2Q earnings down 44% YoY but up 27% YoY excluding last year's one-off due to higher jackup days rates and steady utilization

Preliminary headline 2Q earnings were VND61 billion or down 44% YoY but were up 27% YoY excluding last year's one-off on the still vibrant drilling market in Malaysia. Based on our estimates, we believe 2Q earnings benefitted from: 1) 2% QoQ increase in average jackup day rates vs 1Q's 3% QoQ rise (up 10% YoY in 2Q and up 9% YoY in 1Q); and 2) still high utilization at 86% vs 1Q's 97%. PVD recognized one-offs last year after reversing VND60 billion in Malaysian holding taxes. 1H earnings were VND85 billion or up 286% YoY.

Expecting softer earnings in 2H as Malaysian drilling projects are pushed back to 2021E

Conditions in 1H's Malaysian drilling market are unlikely to continue into 2H and management has already warned that several drilling projects will be pushed back to 2021E. We estimate 3Q earnings at VND31 billion or up 14% YoY but down 49% QoQ and 4Q earnings at VND27 billion or down 14% YoY and down a further 13% QoQ due to these delays. We estimate that Malaysia's production cuts will drop PVD's utilization ratio to 77% from 89% at the start of the year.

We expect a 36.7% CAGR between 2020E-2025E driven by the TAD rig (Tender-Assisted Drilling)

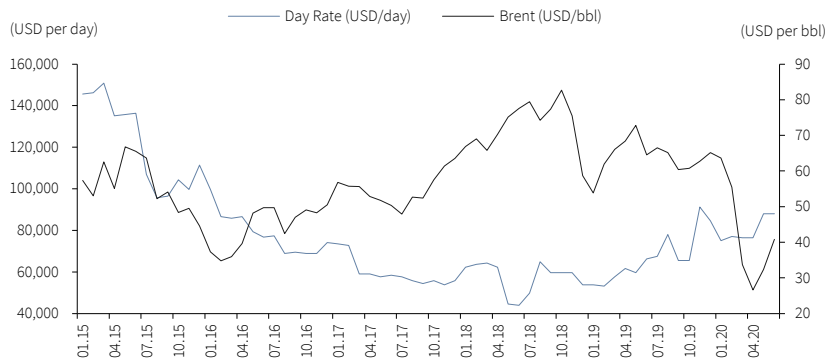
Our forecasts generate a CAGR of 36.7% between 2020E to 2025E. We expect PVD's average jackup drilling day rates to remain flat at about USD65,000 into 2021E as depressed oil prices force many E&P companies to cut capital expenditure budgets. Jobs from Malaysian operators – some of PVD's largest clients – are down after the country agreed to May's extension of OPEC+ production cuts. Moreover, PVD will need to find new drilling contracts for the jackup rigs as most contracts will end by the 2H of 2021E even after factoring in projects that have been pushed back to 2021E. The company may need to rely on the 6-year contract (4-year contract plus 2-year option) with Brunei Shell Petroleum for the TAD rig (Tender-Assisted Drilling) until new drilling contracts are announced.

Table 2. PV Drilling & Well Services (PVD) – Jackup & Tender Assisted Rig (TAD) Projects, Jan 20-Dec 21E

Names	Types	2020E												2021E											
		1Q			2Q			3Q			4Q			1Q			2Q			3Q			4Q		
		1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
PVD I	Jackup	Hibicus												No official plan											
PVD II	Jackup	Petronas						Not announced						Petronas			No official plan								
PVD III	Jackup	Repsol						Cambodia			Kris Energy & Repsol			No official plan											
PVD VI	Jackup	Sapura			Rosneft									No official plan											
TAD	TAD	Idle												Brunei Shell Petroleum											

Source: Company reports & KB Securities Vietnam

Fig 1. PV Drilling & Well Services (PVD) – Southeast Asia jackup drilling day rates, Jan 15–Jun 20 (USD per day, USD per barrel)



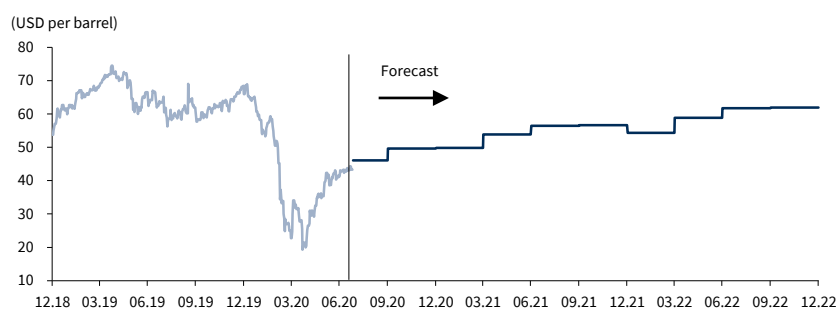
Source: IHS Markit, KB Securities Vietnam

Unwinding the cyclical trade

Bounce back in Brent crude prices largely over and we recommend unwinding trades in the upstream operators PVS & PVD

Our global commodities team at KB Securities in Korea expects a slower recovery trend for crude oil prices for the remainder of 2020E. WTI crude oil prices are likely to average USD40.10 in 3Q and USD43.60 in 4Q vs 2Q's lows of USD28.00. In Brent terms – the more relevant benchmark oil price for Vietnam – these prices would equate to average quarterly prices of USD46.10 for 3Q and USD49.60 for 4Q compared to 2Q's USD33.39. Our house forecasts imply a sharp slowdown in momentum, with recovery at only 7.6% in 4Q compared to the 38.1% rebound between 2Q and 3Q average prices. Moreover, growing signs of a second wave of coronavirus outbreaks in many large economies may put our house view on oil prices at risk of downgrades in the coming weeks.

Fig 2. Oil – Brent crude oil prices & forecasts, Jan 19–Dec 22E (USD per barrel)

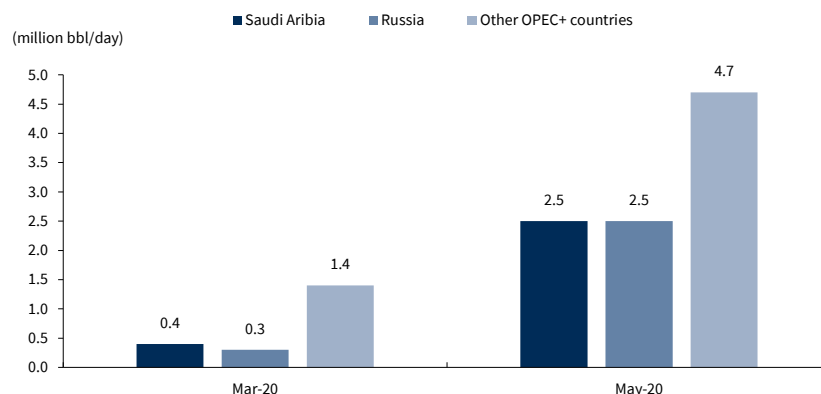


Source: Bloomberg, KB Securities Vietnam

OPEC+ countries unlikely to add to existing production cuts

The OPEC+ countries agreed to a second round of deeper production cuts in May but may be less willing to add to these. May's new production cuts began at a higher level than the original March agreement but are scheduled to be gradually lowered until April 2022. Cuts began at 9.7 million barrels a day for May and June and should fall to 7.7 million barrels per day from July to December; and then 5.8 million barrels a day for the remaining sixteen months of the agreement.

Fig 3. OPEC+ – Agreed production cuts, Mar 2020 & May 2020 (million bbl/day)

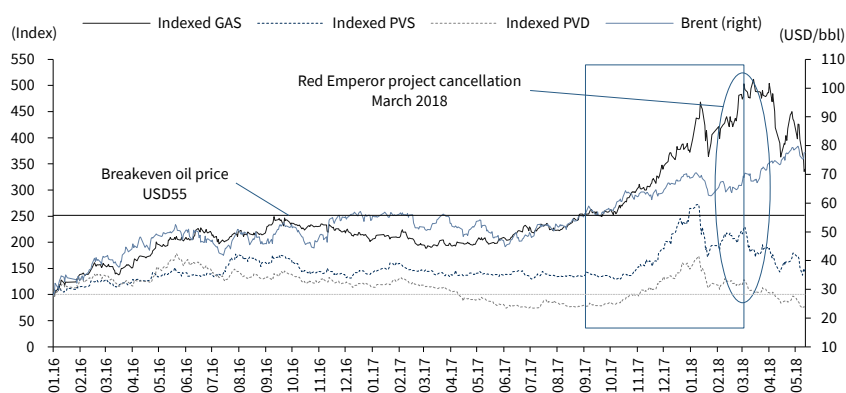


Source: KB Securities Vietnam

Investors should not abandon the oil & gas sector completely as performance only peaks after Brent oil prices recover the USD55.00 breakeven level

We would not recommend that investors abandon all investments in Vietnam's oil & gas sector despite the growing likelihood of a more muted recovery for oil prices. Looking to the most recent downturn in oil prices in 2015–2016 shows that performance for Vietnam's oil & gas stocks only peak after Brent prices move above the USD55.00 level. With Vietnam's oil production becoming profitable above USD55.00, a sustained move above this level usually signals the return of profitability for the sector and provision reversals to boost results further. Strong correlations to Brent usually only last during the initial rebound in oil prices after a severe drop. Historically, PV Gas (GAS) has shown the best ability to fully-track the recovery in oil prices, while PV Technical Services (PVS) and PV Drilling & Well Services (PVD) underperformed against Brent prices. The last cycle for Vietnam's oil & gas stocks began in January 2016 when Brent prices bottomed out at USD28 and ended with the cancellation of the *Red Emperor* project in March 2018 during which oil prices recovered to US70.00

Fig 4. Vietnam oil & gas – Indexed share prices vs Brent, 2016–2017 (USD/bbl)



Source: Bloomberg, KB Securities Vietnam

Early correlations to oil prices break down after the initial recovery bounce in oil prices; switch out of PVS & PVD into GAS

GAS exhibits the most enduring correlation with oil prices during the recovery period

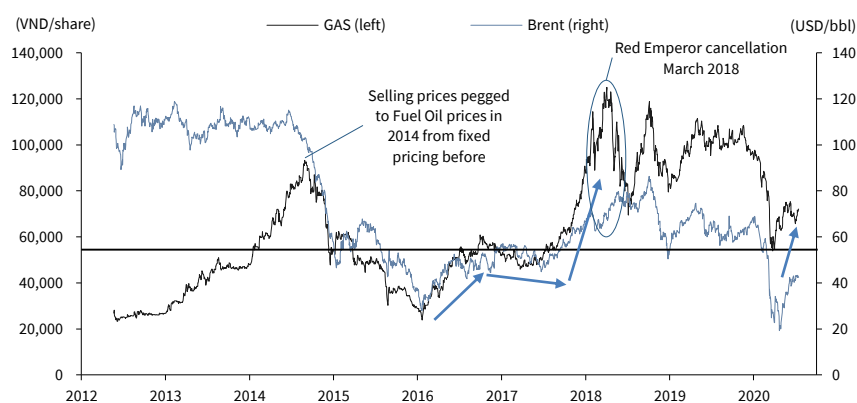
But we do recommend that investors unwind positions in PVS and PVD and switch holdings into GAS. Only GAS has shown the ability to fully track the recovery in oil prices, while PVS and PVD as upstream operators actually deviated quite substantially from oil prices and significantly underperformed the rebound in oil prices. Correlations to oil prices do not last over the entire recovery of oil prices and the short duration of this interaction is clearly seen in previous trading history. Oil & gas stocks have only been able to closely track recovery in Brent prices during the initial recovery bounce that came directly after the steep drop.

Share performance at GAS is the most closely related to underlying Brent prices largely due to the floating price system adopted in 2014. Product prices are pegged to High Sulphur Fuel Oil (HSFO) prices based on the following formula:

$$\text{Selling price} = \text{Max [46\% HSFO price, wellhead price]} \\ + \text{transportation \& tariffs (including markup)}$$

This pricing formula gives GAS the most direct relationship to Brent oil prices among the oil & gas stocks, with the direction of earnings determined by HSFO prices helping to sustain the close relationship between the share prices and the recovery in oil prices.

Fig 5. Vietnam oil & gas – GAS vs Brent, 2012–2020 (VND, USD/bbl)

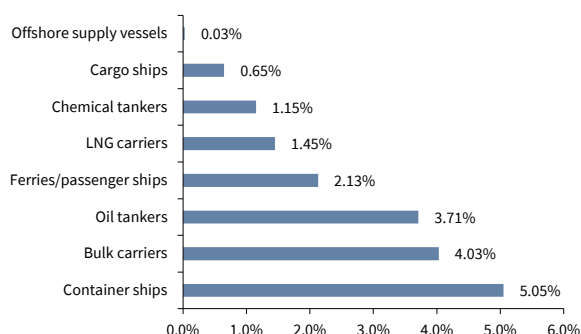


Source: Bloomberg, KB Securities Vietnam

We also believe HSFO prices have bottomed

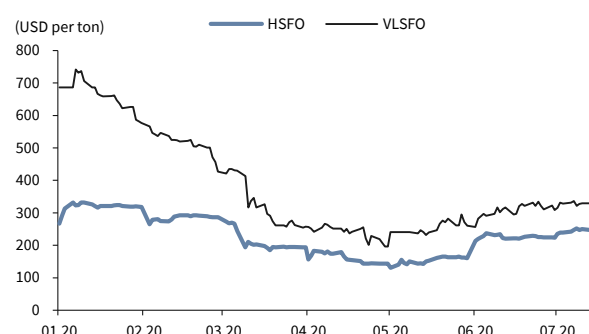
HSFO prices should recover from lows seen with the introduction of IMO2020 (International Maritime Organization 2020) in January that forced vessels to lower sulfur emissions. This pressured earnings at GAS as falling HSFO prices also lowered domestic dry gas selling prices. Scrubber installations should also increase as higher-priced Very Low Sulphur Fuel Oil (VLSFO) encourage shipping companies to add the devices to lower sulphur emissions and allow the use of HSFO for bunkering. Currently, about 4,000 vessels or 6% of the global fleet are equipped with scrubbers.

Fig 6. Global shipping – Scrubber installations by vessel type, 2019 (% of global fleet)



Source: Statistics, KB Securities Vietnam

Fig 7. Global commodities – HSFO & VLSFO prices, Jan 2020 – Jul 2020 (USD per ton)



Source: Bloomberg, KB Securities Vietnam

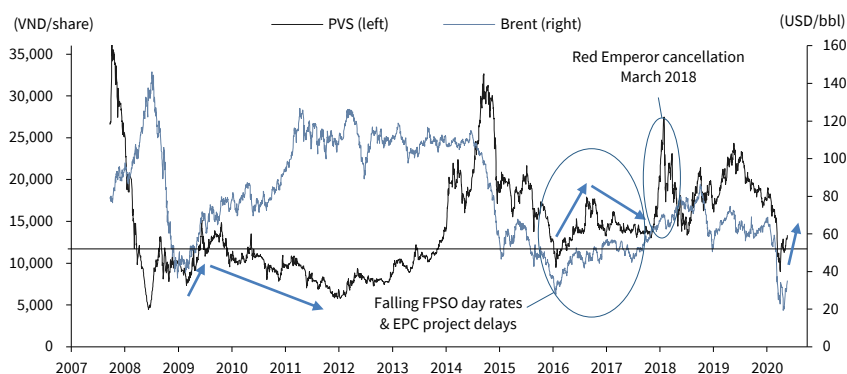
PVS & PVD share prices impacted more by upstream day rates and prevented both stocks from fully tracking the recovery in Brent prices in the past

Share prices and earnings at PVS and PVD are more influenced by day rates in the upstream market. Moreover, pricing mechanisms for day rates are complex and usually require that oil prices remain above extraction costs to boost rig utilization before recovery can be realized. This was seen during the previous two oil recessions, when lackluster day rates from plunging oil prices led to weak earnings at PVS and PVD and prevented both from keeping pace with the recovery in Brent prices.

Falling FPSO day rates and weak pricing on EPC contracts for new oil projects could see PVS underperform oil prices again

Specifically, day rates for FPSO (Floating Production Storage & Offloading) services are the most relevant for PVS. This means the current weakness in FPSO day rates could see PVS repeat the disappointing performance of past. PVS already took provisions in 1Q against the growing likelihood of lower day rates on its FPSOs after operations were hit with lower production output from production cutbacks; the sharp drop off in demand; and storage facilities at full capacity. Moreover, prices for EPC (Engineering, Procurement & Construction) contracts on new oil development projects also play an important role for earnings, exposing share prices to event risk in the case of project delays or cancellations. With EPC contracts already in a downturn for the past five years, extended periods of oil prices trading below breakeven threatens additional project delays or cancellations.

Fig 8. Vietnam oil & gas – PVS vs Brent, 2007–2020 (VND, USD/bbl)

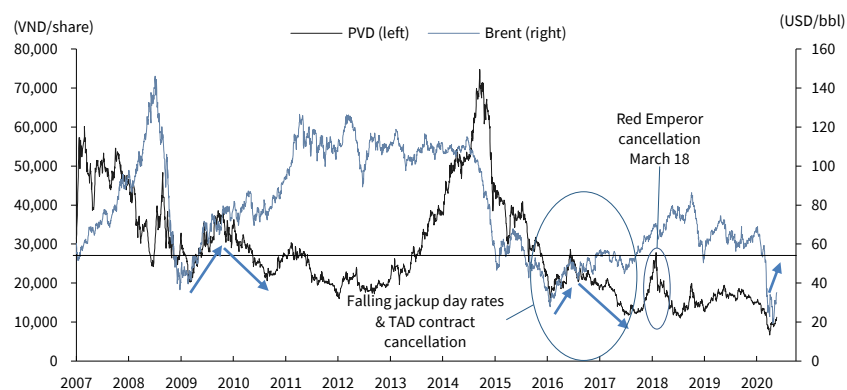


FPSO: Floating Production, Storage & Offloading, EPC: Engineering, Procurement & Construction
Source: Bloomberg, KB Securities Vietnam

Lackluster day rates on jackup rigs are the biggest risk to share price performance and has often plagued PVD in the past

Day rates for jackup rigs usually play the largest role in determining earnings and share prices for PVD. At present, day rates for jack-up rigs have not only been negatively impacted by the crash in oil prices but the coronavirus has also led to another round of production cuts from the OPEC+ countries. This should not only limit the ability of day rates to rebound alongside recovering oil prices but also make it harder for PVD to match the gains in oil prices. Similar occurrences happened during the previous downturns as Brent prices below breakeven led to production cutbacks and new project cancellations. Moreover, the bulk of PVD's drilling contracts end in 2020E and the company will need to sign new job contracts in the coming months.

Fig 9. Vietnam oil & gas– PVD vs Brent, 2007–2020 (VND, USD/bbl)

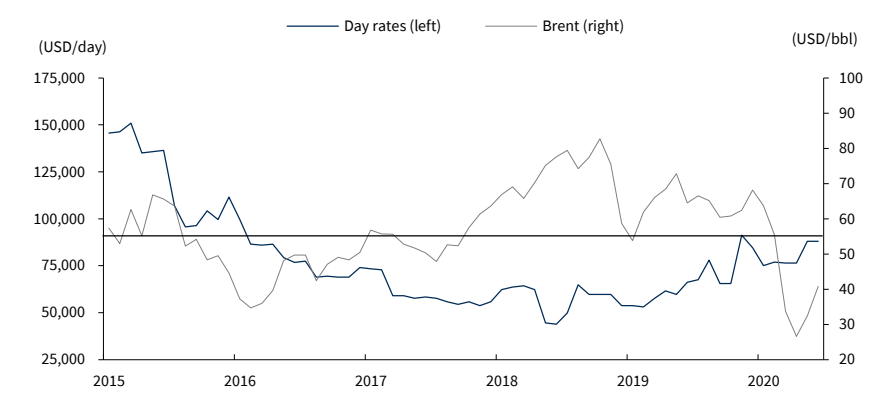


TAD: Tender-Assisted Drilling for deepwater projects.
Source: Bloomberg, KB Securities Vietnam

Renewed and deeper OPEC+ production cuts may reverse the shallow recovery in jackup day rates

Vietnam's oil & gas markets could be facing a similar situation to past oil price downturns where weak upstream day rates put PVS and PVD at risk of weakening the correlation with oil price recovery. Early signs of recovery in day rates for jackup rigs ahead of expectations for the original March expiry of OPEC+ production cuts have been cut short by the sharp drop off in production demand and the new round of production cuts announced in April due to the coronavirus. Moreover, major global oil companies have already reduced capex budgets for E&P projects this year which should negatively impact the outlook for production output.

Fig 10. Vietnam oil & gas – Day rates for jackup rigs, 2015– 2019 (USD/day, USD/bbl)



Source: IHS Markit, KB Securities Vietnam

PV Drilling & Well Services (PVD) – Discounted cash flow model

DCF VALUATION

Terminal value (VND in billions)						Terminal value (US\$ in millions)				
	4,557	6,076	7,595	9,114	10,633	197	262	328	393	459
Present value of firm						Present value of firm				
WACC	3.0x	4.0x	5.0x	6.0x	7.0x	3.0x	4.0x	5.0x	6.0x	7.0x
14.0%	5,487	6,276	7,065	7,854	8,642	235	269	303	337	371
15.0%	5,386	6,141	6,896	7,651	8,406	230	263	295	328	361
16.0%	5,290	6,013	6,736	7,459	8,183	226	257	289	320	351
17.0%	5,199	5,891	6,584	7,277	7,970	222	252	282	312	342
18.0%	5,112	5,776	6,440	7,104	7,768	218	247	276	304	333
Present value of equity per share						Present value of equity per share				
WACC	3.0x	4.0x	5.0x	6.0x	7.0x	3.0x	4.0x	5.0x	6.0x	7.0x
14.0%	6,700	8,500	10,400	12,300	14,200	0.30	0.40	0.40	0.50	0.60
15.0%	6,400	8,200	10,000	11,800	13,600	0.30	0.30	0.40	0.50	0.60
16.0%	6,200	7,900	9,600	11,400	13,100	0.30	0.30	0.40	0.50	0.60
17.0%	6,000	7,600	9,300	10,900	12,600	0.30	0.30	0.40	0.50	0.50
18.0%	5,800	7,400	8,900	10,500	12,100	0.20	0.30	0.40	0.40	0.50

Projected Unlevered Free Cash Flows

(VNDbn)	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
EBIT	2,939	2,146	161	-396	100	37	118	135	498	486	591	650
Taxes on EBIT @ 20.0%	588	429	32	-79	20	7	24	27	100	97	118	130
Earnings before interest	2,351	1,717	129	-317	80	29	95	108	398	388	473	520
Depreciation & provisions	1,162	1,643	921	791	501	576	587	788	970	1,021	997	966
(Profit)/loss from investing	-387	-372	-231	-143	-163	-223	-145	-154	-167	-180	-194	-210
Other adj for oper activities	-180	-1	-462	-707	-154	-153	88	139	220	226	238	242
Cash flow from operations	2,946	2,987	356	-376	263	229	625	881	1,421	1,456	1,513	1,519
Change in working capital	113	-252	641	139	-193	-450	269	-141	-21	-13	-14	-9
Capital expenditures	-1,801	-4,418	-635	-55	-163	-44	-651	-336	-212	-200	-187	-174
Decrease in investments	342	16	-6	64	-27	-63	-52	-56	-61	-65	-71	-76
Unlevered free cash flow	1,599	-1,667	356	-228	-119	-328	191	347	1,127	1,177	1,242	1,259
Forecasted exchange rate	21,388	22,445	22,761	22,698	23,175	23,173	23,266	23,359	23,453	23,547	23,641	23,736
Unlevered FCF (US\$m)	75	-74	16	-10	-5	-14	8	15	48	50	53	53

Firm Value Calculations

WACC	16.0%	PV of future cash flows (VNDbn)	3,120	2020E Total debt (VNDbn)	4,521
DCF period	5 Yrs	PV of terminal value (VNDbn)	3,616	2020E Cash (VNDbn)	1,846
Terminal EBITDA (VNDbn)	1,519	PV of Firm (VNDbn)	6,736	Terminal value as % of firm value	53.7%
Terminal multiple (x)	5.0x	Current exchange rate (VND)	23,180	Current shares outstanding (mn)	421.5

Cost of Capital Calculations

WACC	16.0%	Re-levered beta	1.693	Risk free rate	3.0%
Cost of equity	18.1%	Debt beta	0.449	Market risk premium	8.9%
Cost of debt	7.0%	Unlevered beta	1.459	Target gearing	20.0%
		Statutory corporate tax rate	20.0%	Debt premium	4.0%

Memorandum

(VNDbn, USDmn)	2014A	2015A	2016A	2017A	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Discount Factor	0.00	0.00	0.00	0.00	0.00	0.00	1.08	1.25	1.45	1.68	1.95	2.27
Present value in VND	0	0	0	0	0	0	177	277	776	699	636	555
Present value in US\$	0	0	0	0	0	0	8	12	33	30	27	23

Source: Company reports, KB Securities Vietnam

PV Drilling & Well Services (PVD) – Summarized financials & forecasts, 2019–2022E

Income statement					Balance sheet				
(VNDbn)	2019A	2020E	2021E	2022E	(VNDbn)	2019A	2020E	2021E	2022E
Net sales	4,368	5,029	5,709	6,597	Total assets	20,892	21,401	23,871	24,618
Cost of sales	3,918	4,512	5,034	5,455	Current assets	5,705	6,084	8,852	10,244
Gross Profit	450	517	675	1,141	Cash & equivalents	1,890	1,846	1,684	2,351
Financial income	165	167	199	215	ST investments	1,033	1,992	3,799	4,357
Financial expenses	241	286	351	391	Accounts receivable	1,907	1,563	2,345	2,462
of which: interest expenses	158	146	201	230	Inventory	835	645	967	1,015
Gain/(loss) from joint ventures	111	55	59	63	Other current assets	39	37	56	59
Selling expenses	17	10	11	13	Long-term assets	15,187	15,317	15,019	14,374
General & admin expenses	397	389	528	630	LT trade receivables	15	14	20	21
Operating profit/(loss)	71	54	42	385	Fixed assets	13,936	13,775	13,272	12,375
Other income	130	117	171	198	Investment properties	0	0	0	0
Other expense	12	17	17	20	LT incomplete assets	28	233	284	424
Net other income/(expenses)	118	100	154	178	LT investments	1,051	1,192	1,287	1,390
Pretax profit/(loss)	189	154	197	563	Goodwill	0	0	0	0
Income tax	17	35	39	113	Other LT assets	157	104	156	164
Net profit/(loss)	172	119	157	450	Liabilities	6,923	7,114	9,427	9,724
Minority interests	(12)	(13)	(8)	(23)	Current liabilities	2,862	2,921	4,809	4,957
Net profit after MI	184	132	165	473	Trade accounts payable	1,305	1,141	1,712	1,798
					Advances from customers	18	45	68	71
					ST borrowings	521	869	1,769	1,769
					Special reserves	96	77	77	77
					Other current liabilities	923	789	1,184	1,243
					Long-term liabilities	4,061	4,193	4,617	4,766
					LT payables	0	0	0	0
					LT borrowings	3,230	3,653	3,807	3,915
					Other LT liabilities	831	540	810	851
					Shareholders' equity	13,968	14,287	14,444	14,894
					Paid-in capital	4,215	4,215	4,215	4,215
					Share premium	2,434	2,434	2,434	2,434
					Treasury stock	(21)	(21)	(21)	(21)
					Undistributed earnings	3,805	3,925	4,082	4,532
					Reserve & others	3,288	3,489	3,489	3,489
					Minority interests	247	245	245	245
					Total liabilities & equity	20,892	21,401	23,871	24,618
Operating ratios					Key ratios				
(%)	2019A	2020E	2021E	2022E	(x, %, VND)	2019A	2020E	2021E	2022E
Revenue growth	(20.6)	15.1	13.5	15.5	Valuations				
EBIT growth	(63.2)	223.1	14.5	267.3	P/E	20.6	28.8	23.1	8.1
EBITDA growth	8.3	12.6	27.5	58.8	P/E diluted	20.4	28.5	22.8	8.0
NP after MI growth	(6.3)	(28.3)	24.8	186.3	P/B	0.3	0.3	0.3	0.3
Gross profit margin	10.3	10.3	11.8	17.3	P/S	0.9	0.8	0.7	0.6
EBITDA margin	14.7	14.4	16.2	22.2	EV/EBITDA	5.9	5.3	4.1	2.6
EBIT margin	0.8	2.4	2.4	7.5	EV/EBIT	104.0	32.2	28.1	7.7
Pre-tax profit margin	4.3	3.1	3.4	8.5	Dividend yield, ordinary (%)	0.1	0.0	0.0	0.0
Net profit margin	4.2	2.6	2.9	7.2	BVPS	438	314	392	1,121
					BVPS	33,136	33,892	34,265	35,333
					SPS	10,362	11,930	13,543	15,648
					DPS (annual, ordinary)	7	0	0	0
					Dividend payout ratio (%)	1.5	0.0	0.0	0.0
Cash flow					Operating performance				
(VNDbn)	2019A	2020E	2021E	2022E	ROE	1.3	0.9	1.1	3.2
Net profit	172	119	157	450	ROA	0.9	0.6	0.7	1.9
Plus: depreciation & amort	576	587	788	970	ROIC	0.2	0.6	0.6	2.3
Plus: investing (profit)/loss	(223)	(145)	(154)	(167)	Financial structure				
Change in working capital	(450)	269	(141)	(21)	Total liab/equity	49.6	49.8	65.3	65.3
(Inc)/dec – receivables	(294)	345	(788)	(118)	Net debt/equity	13.3	18.7	26.9	22.4
(Inc)/dec – inventory	(76)	191	(322)	(48)	Current ratio (x)	2.0	2.1	1.8	2.1
(Inc)/dec – other curr assets	(15)	2	(19)	(3)	Interest coverage (x)	0.2	0.8	0.7	2.2
Inc/(dec) – payables	(34)	(164)	571	86	Activity ratios				
Inc/(dec) – advances	(12)	28	23	3	Asset turnover	0.2	0.2	0.3	0.3
Inc/(dec) – other curr liab	(19)	(133)	395	59	Receivables turnover	2.5	2.9	2.9	2.7
Other adj for operations	(1)	(462)	(707)	(154)	Inventory turnover	5.5	6.8	7.1	6.7
Operating cash flow	(77)	918	789	1,452	Payables turnover	3.2	4.0	3.8	3.6
ST investments	(21)	(959)	(1,807)	(558)					
Capital expenditures	(44)	(651)	(336)	(212)					
Investment properties	0	0	0	0					
Investment in subsidiaries	(63)	(52)	(56)	(61)					
Other assets	(356)	(36)	(91)	(50)					
Other adj for investments	262	970	1,035	1,117					
Investing cash flow	(223)	(728)	(1,256)	237					
Free cash flow	(122)	267	452	1,240					
Issuance/(repayment) of debt	(247)	422	155	108					
ST debt	158	348	900	0					
Other liabilities	(46)	(291)	270	41					
Issuance/(retirement) of equity	383	0	0	0					
Dividends paid	(3)	0	0	0					
Less: changes in equity	(434)	199	0	0					
Other adj for financing	114	(912)	(1,019)	(1,171)					
Financing cash flow	(75)	(234)	306	(1,022)					
Net increase in cash & equivalents	(375)	(44)	(162)	667					
Cash & equivalents – beginning	2,265	1,890	1,846	1,684					
Cash & equivalents – ending	1,890	1,846	1,684	2,351					

Source: Company reports, 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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