

**PETROVIETNAM TRANSPORTATION CORP (HSX: PVT)**

**Stable growth**

Particulars (VND B)	2Q-FY21	1Q-FY21	+/-qoq	2Q-FY20	+/-yoy
Net revenue	1,873	1,717	9.1%	1,817	3.1%
PAT	213	136	56.2%	194	10.0%
EBIT	275	201	36.5%	192	43.1%
EBIT margin	14.7%	11.7%	295bps	10.6%	410bps

Source: PVT, Rong Viet Securities

**2Q2021 results: gross margin improvement thanks to crude oil tanker**

- 2Q2021 sales increased by 3.1% YoY to VND1,873bn (USD83.2mn). Excluding commercial sales, 2Q2021 revenue decreased by 1.4% YoY to VND1,638bn (USD72.8 mn). The transportation segment recorded VND1,356bn (USD60.24mn) in revenue, up 1.6% YoY while FSO/FPSO's revenue was VND195bn (USD8.6mn), down 11.3% YoY.
- 2Q2021 gross margin improved to 17.3% from 14.3% (in 2Q2020), driven by the transportation segment. Gross profit surged 44.6% to VND363bn (USD16.1mn).
- Lower financial income in 2Q2021, compared to last year due to lower interest income and gain from FX.
- NPATMI posted VND213bn (USD9.4mn, +9.7% YoY) in 2Q2021. 6M NPATMI was VND349 (USD15.5mn, +33.7% YoY), fulfilling 86% of the year guidance.

**2H2021 prospect: fleet expansion and abnormal profit**

PVT's 3Q business will be negatively affected by the low capacity of BSR. In details, crude oil fleets will handle 10 shipments, compared to the normal 18 shipments as PVT Hera was on dock in July and BSR is likely to run about 80% - 90% of its capacity. On the contrary, we expect FSO Dai Hung Queen will apply a higher rate from Q3 2021 as the oil price is above USD 50/barrel. In addition, PVT will book VND10bn (USD0.4mn) from liquidating PVT Jupiter in 3Q2021.

Compared to 3Q, there will be an improvement in 4Q business thanks to new fleets investment and abnormal profit. After buying two chemical tankers, one bulk shipping and one VLGC, PVT will continue to expand its fleet with three to four chemical tankers. Besides, PVT plans to liquidate Athena in 4Q, adding VND150 bn (USD6.7mn) to its 2021 PBT.

Based on these assumptions, we project 2H2021 revenue and NPAT to be VND3,808 (USD169.2mn) and VND402bn (USD17.8mn). For the whole year 2021, revenue and net profit for the parent company will be VND7,407bn (USD329.2mn, +0.3% YoY) and VND 751 bn (USD33.4mn, +12.2% YoY), respectively.

**Valuation and recommendation**

Despite difficulties from BSR, PVT is forecasted to keep growing in 2021 thanks to its fleet expansion strategy and one-off profit. We believe that PVT can maintain this momentum in the next few years. However, the stock price has been rising recently, making it less attractive at this level. With the expected return of **12.6%** (including cash dividend of VND1,000), compared to the closing price on **September 24, 2021**, we recommend to **ACCUMULATE** with a target price of **VND24,570** per share.

**ACCUMULATE +12.6%**

CMP (VND)	22,700
Target price (VND)	24,570
Cash dividend (VND)*	1,000

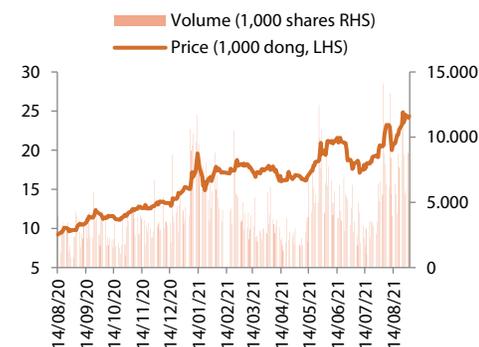
\* Expected in the next 12 months

**Stock info**

Sector	Transportation
Market Cap (VND bn)	7,621
Current Shares O/S	323,656,000
Avg. Daily Volume (in 20 sessions)	7,757,938
Free float (%)	42.8
52 weeks High	24,850
52 weeks Low	10,493
Beta	1.2

	FY2020	Current
EPS	1,946	2,226
EPS growth (%)	-16.1	22.0
Adjusted EPS	2,372	2,226
P/E	7.2	10.7
P/B	0.9	1.6
EV/EBITDA	2.2	6.2
Cash dividend	400	0
ROE (%)	13.7	11.5

**Price performance**



**Major Shareholders (%)**

PVN	51.0
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Foreign ownership room (%)	35
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**Exhibit 1: 2Q2021 results**

Particulars (VND Bn)	2Q-FY21	1Q-FY21	+/- (QoQ)	2Q-FY20	+/- (YoY)	YTD-FY21	+/- (YoY)
Net revenue	1,873	1,717	9.1%	1,817	3.1%	3,590	5.7%
Gross profit	363	258	40.8%	259	40.3%	620	28.1%
SG&A	88	56	55.9%	66	32.3%	144	25.0%
Operating income	275	201	36.5%	192	43.1%	476	29.6%
EBITDA	466	399	17.0%	403	15.8%	865	9.4%
EBIT	275	201	36.5%	192	43.1%	476	29.1%
Financial expenses	19	46	-58.7%	23	-18.9%	65	-36.4%
- Interest Expenses	21	30	-31.9%	33	-37.9%	51	-38.5%
Dep. and amortization	192	197	-3.0%	211	-9.1%	389	-7.8%
Non-recurring items (*)							
Extraordinary items (*)	4.0	39.0	-89.7%	3.0	33.3%	43.0	2050.0%
PBT	316	234	34.9%	273	15.6%	550	33.8%
PAT	213	136	56.2%	194	10.0%	349	39.8%
(*) Adjusted PAT	209	97	114.6%	191	9.6%	306	

Source: PVT, Rong Viet Securities

**Exhibit 2: 2Q2021 performance analysis**

Particulars	2Q-FY21	1Q-FY21	+/- (QoQ)	2Q-FY20	+/- (YoY)
<b>Profitability ratios (%)</b>					
Gross margin	19.4	15.0%	436bps	14.2%	514bps
EBITDA margin	24.9	23.2	168bps	22.2	273bps
EBIT margin	14.7	11.7	295bps	10.6	410bps
Net margin	11.4	7.9	343bps	10.7	71bps
Adjusted net margin	11.2	5.7	549bps	10.5	66bps
<b>Turnover *(x)</b>					
-Inventories	42.5	45.9	-3.4	43.3	-0.8
-Receivables	5.7	5.8	-0.1	7.2	-1.5
-Payables	3.8	4.1	-0.3	4.3	-0.5
<b>Leverage (%)</b>					
Total debt/ equity	44.4	35.6	879bps	45.1	-68bps

Source: PVT, (\*) Annualized turnover

**Exhibit 3: 3Q2021 performance forecast**

Particulars (VND Bn)	3Q-FY21	+/- (QoQ)	+/- (YoY)
Revenue	1,723	-8.0%	-7.2%
Gross profit	270	-25.6%	-5.6%
EBIT	225	-32.8%	-14.0%
NPAT	121	-52.9%	-28.6%

Source: PVT, Rong Viet Securities

**3Q2021 forecast comment:**

- Crude oil tanker and oil product tanker will be impacted by BSR tank top and PVT Hera's maintenance. LPG tanker business improves thanks to VLGC operation. Revenue and gross profit of transportation segment are forecasted to be VND1,190bn (USD52.9mn, -2% YoY) and VND210bn (USD9.3mn, -9.4% YoY), respectively.
- To book VND10bn (USD0.4mn) from liquidating PVT Jupiter.

**Update:**

**1H2021 – Core business was good with contribution from vessel demolition**

In 1H 2021, PVT reported VND3,599 bn in revenue (USD159.9mn) and VND349 in NPATMI (USD15.5mn), fulfilling 59.9% and 86% of the year guidance

**Transportation: Revenue of transportation slightly higher along with improvement in gross margin**

In 2Q 2021, transportation segment reported VND1,356bn (USD60.3mn) in revenue, up 1.6% YoY. Gross margin posted 20.2%, compared to 12.7% in the same period last year.

**Crude oil tanker:** 2Q 2021 revenue decreased by 17.1% YoY to VND388bn (USD17.2mn) as there was no contribution from Nghi Son. Gross margin was 31.8%, compared to -3.8% last year.

PVT has not delivered crude oil to Nghi Son since the end of 2020. Regarding to Binh Son, PVT Hera and PVT Mercury handled 18 shipments with 1.35 mn tons of crude oil in 2Q2021. Totally, PVT made 35 shipments with 2.7 mn tons of crude oil (+26.7% YoY) for Binh Son in 1H2021.

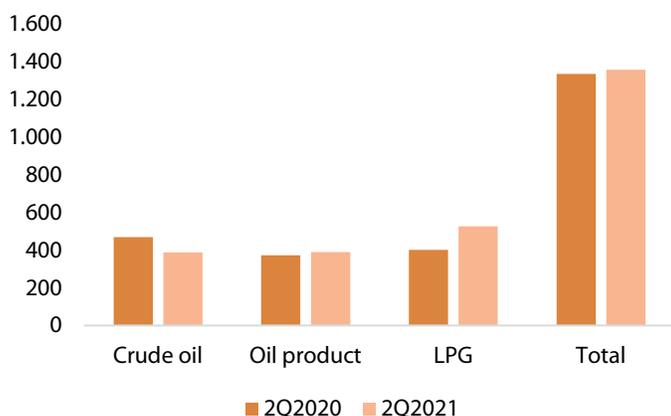
PVT Athena and PVT Apollo are running in the international market. While PVT Athena is under the bareboat contract till the end of 3Q2021, PVT Apollo is running time charter (T/C) contract. Due to PVT Athena was fully depreciation, we thought its profit margin would be high and drove gross margin of crude oil tanker segment.

**Oil product/chemical tanker:** 2Q 2021 revenue increased by 4.8% to VND390 (USD17.3mn) bn due to the bad result of domestic oil product fleets. We believe that the domestic oil product tanker segment was in difficulty because of the low domestic demand, caused by the Covid 19. In details, PVT has transported 1.1 mn m3 of oil product for Binh Son and Nghi Son, decreasing by 9.4% YoY in 1H2021. On the contrary, the chemical tanker performed well due to new added vessel in 1Q2021, including PVT Azura and PVT Dawn.

Currently, most of oil product/chemical tanker of PVT are running under T/C contract in the international market, protecting the fleet from the decreasing spot charter rate and rising VLFSO price. However, other fleets – running spot rate, have been hit, especially the domestic oil product tanker, which all have been hired to transport oil product.

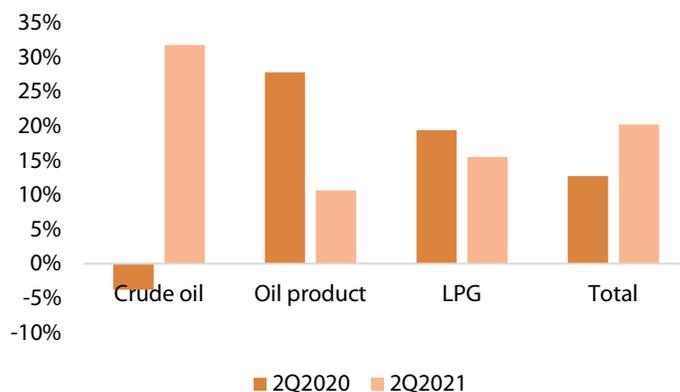
**LPG tanker:** Revenue increased by 31.1% to VND527bn (USD23.4mn) when Nhat Viet has been operating a VLGC (through bareboat contract) since April. However, the gross margin was hit by the rising VLFSO price.

**Figure 1: Sales of transportation segment (VND bn)**



Source: PVT, Rong Viet Securities

**Figure 2: Gross margin of transportation segment (%)**



Source: PVT, Rong Viet Securities

**Oil gas services: O&M for CPP Sao Vang added revenue on the back of lower contribution from Dai Hung Queen in 2Q**

Revenue of oil and gas services (FSO and O&M) posted VND195bn (USD8.7mn), down 11.3% YoY in 2Q2021. We infer that new day rate (from May 2020 to June 2021) of FSO Dai Hung Queen may be lower and there was no contribution from FPSO Song Doc. But the oil and gas services has been supported by the O&M service for CPP Sao Vang. In term of gross margin, PVT maintained it at 28%.

**Despite Covid 19, PVT is expected to experience a good 2021 year**

In 2021, we forecast the company's revenue and NPATMI at VND7,407bn (USD 329.2mn, +0.3% YoY) and VND 751 bn (USD33.4mn, +12.2% YoY) respectively.

### The transportation segment to drive the company's sales growth and gross margin improvement

Particularly, we forecast the transportation segment will post revenue of VND5,100bn (USD226.7mn) in 2021, up 8.5% YoY while gross profit is forecasted to be up 25.4% YoY to VND908bn (USD40.3mn).

#### Crude oil tanker – higher crude oil demand from Binh Son

In 2021, BSR prefers using domestic crude oil to imported one and the factory will not perform the turn-around, meaning that the crude oil demand of BSR will turn to the normal of 6.5 mn tons per year. In which, 5 mn tons will be supplied by the domestic crude oil or PVT will be in charge of this volume. However, we believe that only **4.7 mn tons** will be transported due to the tank top of BSR, **or 2.0 mn tons** in the 2H 2021 (-8.7% YoY).

In term of international market, PVT Apollo's maintenance and PVT Athena's contract till 3Q2021 will impact on the total revenue of crude oil segment in 2H2021.

#### Oil product/chemical tanker – new chemical vessels will net off the stagnant domestic oil product fleets

As our mention above, the domestic oil product fleets have been impacted by the low oil product demand as well as the rising VLFSO price. Therefore, we project the domestic transportation volume to decrease by 12% to **2.2 mn tons** in 2021. Nevertheless, the new chemical vessels will net off the bad performance of domestic oil product tanker given PVT plans to add three new vessels in 2H2021.

#### LPG tanker – VLGC operation will be a plus

Since July 2021, Nhat Viet has invested a VLGC and operated with a 2-year T/C contract. We estimate that the charter rate of this vessel is 40,000 USD/day and its gross margin will be higher than that of current LPG fleets. Thanks to the new VLGC, the gross margin of LPG segment will improve in the last two quarters.

#### Oil services: Day rate of Dai Hung Queen will increase amid the high oil price

As the oil price has reached above 50 USD/barrel, we think that FSO Dai Hung Queen will increase its rate from June 2021. Hence, 2H2021 revenue of oil services is anticipated to be higher than that of 1H2021. **However, we project oil and gas services to drop 40% YoY to VND947bn (USD42.1mn) as PVT have no revenue from FPSO Song Doc in 2021. The gross profit will decrease to VND319bn (USD14.2mn, -16.2% YoY)** with the assumption that Brent oil price will stay above 50 USD/barrel in 2H2021.

#### Vessel demolition to drive PVT's PBT in the H2 2021

After finishing the contract at the end of 3Q 2021, PVT Athena will be liquidated, adding VND150bn (USD6.7mn) to PVT's PBT. Besides, PVT will book VND10bn (USD0.4mn) from selling PVT Jupiter in 3Q2021. It can be said that vessel demolition will drive the 2H2021 profit of PVT when contributing 24% of 2H2021 PBT. Totally, PVT will report VND200bn (USD8.9mn) in other profit in 2021.

**Table 1: 2H2021 and 2021 forecast**

Unit: VND bn	1H2021	2H2021 *	+/- YoY**	2021 *
<b>Revenue</b>	<b>3,599</b>	<b>3,808</b>	<b>-6.3%</b>	<b>7,407</b>
Transportation	2,556	2,545	17.6%	5,100
Oil gas services	386	711	-34.5%	1,097
<b>Gross profit</b>	<b>620</b>	<b>646</b>	<b>4.6%</b>	<b>1,267</b>
Transportation	446	466	11.9%	912
Oil gas services	121	221	-10.7%	342
<b>PAT</b>	<b>430</b>	<b>521</b>	<b>8.7%</b>	<b>951</b>
Minority interest	81	119	9.9%	200
<b>NPATMI</b>	<b>349</b>	<b>402</b>	<b>8.3%</b>	<b>751</b>

Source: Rong Viet Securities, \* forecast, \*\* 2H 2021 vs 2H2020

## Valuation

We combine P/E and FCFF to evaluate the PVT share price. In terms of P/E method, we use the multiple P/E of 11x, higher than its recent average. The stock is worth to have a higher valuation as PVT has remained a stable growth for 10 years. Giving 2021 EPS of VND2,182 then we come up with a fair price of VND 24,007. In term of FCFF, we value PVT's share at the price of VND25,141 based on the WACC of 9.6%. With 50% proportion for each method, we think the fair price for PVT should be **VND24,570** per share.

**Table 2: Valuation summary**

Method	Weight	Price (VND)
FCFF (WACC 9.6%, Exit EV/EBITDA 5.5x)	50%	12,571
P/E (PER 11x, 2021 EPS VND2,182)	50%	12,004
<b>Total</b>		<b>24,574</b>

Source: Rong Viet Securities

**Table 3: FCFF forecast**

	2021F	2022F	2023F	2024F	2025F
<b>Net profit</b>	<b>751</b>	<b>780</b>	<b>829</b>	<b>895</b>	<b>975</b>
+ Depreciation	962	1,121	1,188	1,267	1,340
- Interest expense * (1-Tax)	144	177	187	164	157
+ Financial income	206	265	267	290	325
- Abnormal income	200	30	30	30	30
- Change in working capital	283	-135	18	14	-1
- CAPEX	3,203	2,385	1,002	1,180	1,095
<b>FCFF</b>	<b>-2,035</b>	<b>-467</b>	<b>887</b>	<b>812</b>	<b>1,024</b>

Source: Rong Viet Securities

**Figure 3: Historical P/E of PVT and its average**



Source: Bloomberg, Rong Viet Securities

VND in billions

<i>Income statement</i>	FY2019	FY2020	FY2021F	FY2022F
Revenue	7,758	7,383	7,407	8,342
COGS	6,567	6,264	6,140	6,933
<b>Gross profit</b>	<b>1,191</b>	<b>1,118</b>	<b>1,267</b>	<b>1,408</b>
Selling expense	14	14	13	15
G&A expense	249	251	283	274
Financial income	221	272	206	265
Financial expense	193	174	203	254
Other income/loss	26	58	200	30
Gain/(loss) from JV	34	30	30	30
<b>PBT</b>	<b>1,016</b>	<b>1,039</b>	<b>1,204</b>	<b>1,190</b>
Tax expense	195	209	253	250
Minority interests	131	161	200	160
<b>PAT</b>	<b>690</b>	<b>669</b>	<b>751</b>	<b>780</b>
EBIT	928	854	971	1,119
EBITDA	1,678	1,731	1,934	2,240

%

<i>Financial ratio</i>	FY2019	FY2020	FY2021F	FY2022F
<b>Growth (%)</b>				
Revenue	3.1	-4.8	0.3	12.6
Operating income	19.7	3.2	11.7	15.9
EBITDA	15.7	-8.0	13.8	15.2
PAT	5.8	-2.9	12.2	3.8
Total assets	7.8	0.8	15.8	10.4
Equity	8.9	11.5	7.8	10.8
<b>Profitability (%)</b>				
Gross margin	15.4	15.1	17.1	16.9
EBITDA margin	21.6	23.4	26.1	26.9
EBIT margin	12.0	11.6	13.1	13.4
Net margin	8.9	9.1	10.1	9.4
ROA	6.3	6.0	5.9	5.5
ROE	15.7	13.7	14.3	13.4
<b>Efficiency (x)</b>				
Receivable turnover	9.0	6.7	6.1	7.8
Inventory turnover	51.7	55.8	56.2	56.2
Payable turnover	4.7	3.7	4.1	4.6
<b>Liquidity (x)</b>				
Current	1.6	2.0	2.0	2.1
Quick	1.5	2.0	2.0	2.0
<b>Solvency (%)</b>				
Total debt/equity	78.4	53.3	74.5	76.7
Current debt/equity	23.2	12.6	9.6	8.7
Long-term Debt/equity	55.2	40.7	64.9	68.1

VND in billions

<i>Balance sheet</i>	FY2019	FY2020	FY2021F	FY2022F
Cash and cash equivalents	1,208	1,473	1,693	1,872
Short term investment	1,479	1,853	1,000	1,000
Accounts receivable	865	1,103	1,218	1,074
Inventories	127	112	109	123
Other current assets	162	120	120	120
Tangible fixed assets	6,778	6,014	8,255	9,519
Intangible fixed assets	4	1	1	-5
Long term investment	199	205	234	264
Other non-current assets	177	207	207	207
<b>Total asset</b>	<b>10,997</b>	<b>11,090</b>	<b>12,838</b>	<b>14,174</b>
Account payable	1,401	1,686	1,514	1,520
Short term borrowings	1,015	615	506	505
Long term borrowings	2,419	1,987	3,420	3,974
Other non-current liabilities	365	404	404	444
Bonus and welfare fund	107	118	132	137
Technology -science dev fund	0	0	0	0
<b>Total liabilities</b>	<b>5,306</b>	<b>4,811</b>	<b>5,976</b>	<b>6,581</b>
Common stock and APIC	2,814	3,237	3,237	3,237
Treasury stock	0	0	0	0
Retained earnings	991	876	1,108	1,523
Other income / (loss)	47	47	47	47
Investment and development fund	529	726	877	1,033
<b>Total equity</b>	<b>4,381</b>	<b>4,886</b>	<b>5,268</b>	<b>5,840</b>
Minority interest	1,310	1,393	1,593	1,753
<b>Total resources</b>	<b>10,997</b>	<b>11,090</b>	<b>12,838</b>	<b>14,174</b>

<i>Valuation ratio</i>	FY2019	FY2020	FY2021F	FY2022F
EPS (VND)	2,320	1,946	2,182	2,265
P/E (x)	7.2	7.2	10.4	10.0
BV (VND)	15,567	15,096	16,278	18,043
P/B (x)	1.1	0.9	1.4	1.3
DPS (VND/cp)	1,000	400	1,000	500
Dividend yield (%)	6.0	2.9	4.4	2.2

<i>Valuation model</i>	Price	Weight	Average
P/E	24,007	50%	12,004
FCFF	25,141	50%	12,571
<b>Target price (VND)</b>			<b>24,574</b>

<i>Valuation history</i>	Price	Recommendation *
01/04/2020	9,990*	BUY
28/06/2019	16,260*	BUY

\* Adjusted price

**RESULTS UPDATE**

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

**RATING GUIDANCE**

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

**ABOUT US**

**RongViet Securities Corporation (RongViet)** was established in 2007, licensed to perform the complete range of securities services including brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e Eximbank, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews.

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