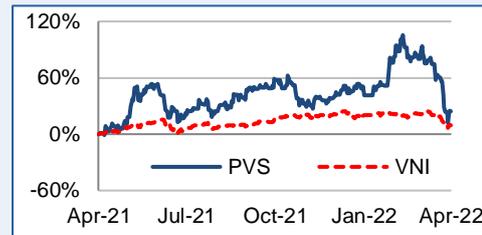


Industry:	Oil & Gas	2021	2022F	2023F	2024F	
Report Date:	April 28, 2022	Rev Growth	-28.3%	12.9%	41.1%	27.8%
Current Price:	VND23,500	EPS YoY <sup>(2)</sup>	-17.7%	9.4%	36.2%	39.5%
Target Price <sup>(1)</sup> :	VND32,800	EPS YoY <sup>(3)</sup>	-7.2%	39.6%	36.2%	39.5%
Upside to TP:	+39.5%	NPAT (VND bn) <sup>(3)</sup>	602	840	1,144	1,596
Dividend Yield:	4.3%	EV/EBITDA	9.5x	3.7x	2.5x	1.3x
TSR:	+43.8%	P/E <sup>(2)</sup>	16.6x	15.2x	11.2x	8.0x
Rating <sup>(1)</sup> :	MARKET PERFORM	P/E <sup>(3)</sup>	21.2x	15.2x	11.2x	8.0x



	USD482.1mn	PVS	Peers <sup>(4)</sup>	VNI	
Market Cap:	USD482.1mn	P/E (ttm) <sup>(2)</sup>	16.6x	17.6x	15.0x
Foreign Room:	USD193.4mn	P/B (curr)	1.0x	0.8x	2.3x
ADTV30D:	USD11.8mn	Net D/E	-60.9%	21.8%	N/A
State Ownership:	51.4%	ROE	5.1%	1.6%	15.8%
Outstanding Shares:	478.0 mn	ROA	2.4%	0.4%	2.6%
Fully Diluted Shares:	478.0 mn				

(1) TP and rating last updated March 3, 2022; (2) Recurring; (3) Reported; (4) Median of regional peers (five-year median for P/E)

### Company Overview

As a member of PetroVietnam Group and the only domestic provider of technical services (excluding drilling services) for the oil & gas industry, PVS enjoys majority market shares in related industries, including offshore support vessels (OSV/ship segment, 97% market share), mechanics & construction (M&C), supply base (port segment, 100%) and floating oil storage (FSO/FPSO, 60%). PVS owns and operates a fleet of 18 vessels, three FSOs and two FPSOs.

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## Transitioning into offshore wind power projects

- We attended PVS's online AGM on April 28. The meeting included discussion on the M&C job outlook in 2022, Block B project, long-term day rate negotiation for floating oil storage, and the company's penetration into the offshore wind power market.
- Management is conservative on the margin of international contracts in 2022 due to uncertainties on the international market. In terms of its long-term outlook, PVS is awaiting job opportunities from the Block B project and preparing to transition into offshore wind power projects.
- Shareholders approved conservative 2022 guidance for revenue of VND10tn (USD435mn; -29.7% YoY) and net profit of VND488bn (USD21mn; -28.0% YoY). The net profit target is 12.9% lower than the company's 2021 guidance, reflecting management's view on the thinner margin of offshore M&C contracts. In our view, this net profit guidance is conservative. PVS's actual profit has been 20%-80% higher than its targets over the past five years.
- Shareholders approved a 2021 cash dividend of VND800/share (3.4% yield) — vs VND700/share previously announced in AGM materials — and 2022 cash dividend guidance of VND700/share (3.0% yield), trailing our current forecast of VND1,000/share for both years.

**Offshore wind project potential.** PVS will participate both as the engineering, procurement and commissioning (EPC) contractor and investor in wind power project development. PVS has already included renewable (wind & solar) power construction and investment as part of its business registration certificate. Also, the company recently signed an MoU with Japanese energy company RENOVA Inc to collaborate on offshore wind power projects. PVS is confident it is the only service provider in the PetroVietnam Group that is qualified for developing these projects in terms of facility capacity as well as legal preparation. As an EPC contractor, PVS provides services for international offshore and domestic onshore wind power projects. Furthermore, the company continues to invest in and upgrade its ports, ships and other facilities to prepare for future contracts.

**PVS has huge potential from the Block B project.** Although PVS has not mentioned the timeline of the Block B project, the company expects a huge workload for its M&C segment and jobs for one new FSO if the project kicks off. We currently expect M&C contracts from Block B to contribute to PVS's earnings starting in late 2023.

**Floating oil storage (FSO/FPSO) contract negotiations.** PVS is still in negotiation with clients regarding a long-term contract for the FPSO Lam Son and a new day rate for the FPSO Ruby II. Thanks to the current high Brent oil prices, management is confident in obtaining a long-term contract extension for these FSO/FPSOs within the next two months.

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED; COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

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