

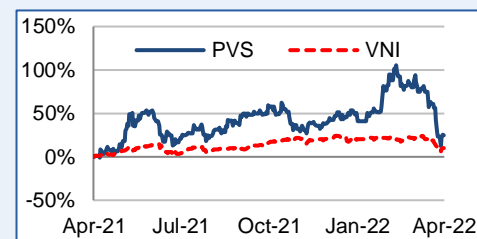


PetroVietnam Technical Services (PVS)

Earnings Flash

Industry:	Oil & Gas		2021	Q1 22	2022F
Report Date:	April 29, 2022	Rev Growth	-28.3%	44.2%	12.9%
Current Price:	VND24,600	EPS YoY ⁽²⁾	-17.7%	16.1%	9.4%
Target Price (TP) ⁽¹⁾ :	VND32,800	EPS YoY ⁽³⁾	-7.2%	49.5%	39.6%
Upside to TP:	+33.3%	NPAT (VND bn) ⁽³⁾	602	216	840
Dividend Yield:	4.1%	EV/EBITDA	10.5x	N/A	4.2x
TSR:	+37.4%	P/E ⁽²⁾	17.4x	N/A	15.9x
Rating ⁽¹⁾ :	MARKET PERFORM	P/E ⁽³⁾	22.2x	N/A	15.9x
Market Cap:	USD504.6mn		PVS	VNI	
Foreign Room:	USD204.2mn	P/E (ttm) ⁽²⁾	16.9x	15.2x	
ADTV30D:	USD11.8mn	P/B (curr)	1.0x	2.4x	
State Ownership:	51.4%	Net D/E	-66.2%	N/A	
Outstanding Shares:	478.0 mn	ROE	5.6%	15.8%	
Fully Diluted Shares:	478.0 mn	ROA	2.7%	2.6%	

(1) TP and rating last updated March 3, 2022; (2) Recurring;
(3) Reported



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.

Tram Ngo
Manager
tram.ngo@vcsc.com.vn
+84 28 3914 3588 ext. 135

Duong Dinh
Senior Manager
duong.dinh@vcsc.com.vn
+84 28 3914 3588 ext. 140

Q1 2022 recovery within our expectation

- PVS announced Q1 2022 results with revenue and recurring NPAT-MI increasing 44.2% YoY and 16.1% YoY, respectively, as they were driven by 1) a bigger workload for the M&C segment and 2) resilient profit from the FSO/FPSO segment. Reported NPAT-MI surged 49.5% YoY thanks to one-off profit of ~VND50bn (USD2mn) from asset liquidation.
- The divergence between revenue and recurring NPAT-MI growth was due to a higher revenue contribution from international contracts with thinner margin. In Q1 2022, PVS had jobs from the Thi Vai LNG terminal and a new workload from international contracts, including the Gallaf Phase 2 & 3, Shwe and Hai Long wind power projects.
- Profit from FSO/FPSO joint ventures in Q1 2022 completed 43.4% of our full-year forecast, which we believe was due the temporarily high day rate for the FPSO Ruby II; the long-term contract negotiation for this FPSO has not been finalized.
- Q1 2022 revenue and recurring NPAT-MI fulfilled 23.5% and 20.0% of our respective full-year forecasts and were broadly in line with our expectations.
- We foresee insignificant changes to our 2022F current forecasts as we expect profit from the M&C segment to improve in future quarters, pending a fuller review.

Figure 1: PVS's Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY %	% of VCSC's 2022F
Revenue	2,614	3,769	44.2%	23.5%
Gross profit	179	193	7.8%	15.0%
Sales & marketing exp	-22	-15	-31.8%	14.6%
General admin (GA) exp	-191	-150	-21.2%	21.4%
Operating profit (EBIT)	-35	27	N.M.	5.6%
Net financial income	75	86	13.8%	25.6%
Net financial expense	-19	-22	13.7%	21.4%
Income from FSO/FPSO JVs	157	162	3.7%	43.4%
Net other income/loss	42	58	36.2%	57.7%
Reported NPAT-MI	145	216	49.5%	25.7%
Recurring NPAT-MI (*)	145	168	16.1%	20.0%

Source: PVS, VCSC estimates. Note: (*) Recurring NPAT-MI excludes the impact of provision expenses for the technical issue at FSO MV12 and provision expenses for risk of contract termination of FPSO Lam Son. We treat expense/profit from M&C warranty provisions/reversal (booked in other profit) as a recurring item as this is recurring activity for any contractor.

Figure 2: PVS's revenue, gross profit and gross margin breakdown in Q1 2022

VND bn (Unless stated)	Q1 2021	Q1 2022	YoY growth %	% of VCSC's 2022F
Revenue	2,614	3,769	44.2%	23.5%
Offshore support vessels (OSV)	358	321	-10.2%	17.0%
FPSO/FSO management services	458	433	-5.6%	18.2%
Seismic survey and ROV	59	75	26.8%	26.2%
Supply base	369	314	-15.1%	18.2%
Mechanics & construction (M&C)	1,228	2,048	66.8%	25.9%
Operation & maintenance (O&M)	32	425	1,209.9%	34.4%
Others	110	154	40.9%	23.9%
Gross profit	179	193	7.8%	15.0%
OSV	30	28	-7.1%	18.4%
FPSO/FSO management services	36	52	42.7%	21.9%
Seismic survey and ROV	-10	-12	N.M.	N.M.
Supply base	56	70	25.1%	20.4%
M&C	44	36	-17.6%	9.2%
O&M	18	5	-74.7%	3.9%
Others	3	14	319.2%	54.7%
Gross profit margin %	6.8%	5.1%	-1.7 ppts	
OSV	8.3%	8.6%	0.3 ppts	
FPSO/FSO management services	7.9%	12.0%	4.1 ppts	
Seismic survey and ROV	-16.2%	-16.6%	N.M.	
Supply base	15.2%	22.5%	7.2 ppts	
M&C	3.6%	1.8%	-1.8 ppts	
O&M	56.3%	1.1%	-55.2 ppts	
Others	3.1%	9.2%	6.1 ppts	

Source: PVS, VCSC estimates

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
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Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 15th Floor
2 Hai Trieu Street, District 1, HCMC
+84 28 3914 3588

Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor
10 Nguyen Hue Street, District 1, HCMC
+84 28 3914 3588 (417)

Transaction Office Dong Da

9 Nguyen Ngoc Doan
Dong Da District, Hanoi
+84 24 6262 6999

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588 (400)

Transaction Office ABS

Sailing Tower, 8th Floor
111A Pasteur Street, District 1, HCMC
+84 28 3914 3588 (403)

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Alastair Macdonald, Head of Research, ext 105

alastair.macdonald@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Consumer

Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Duc Le, Analyst, ext 196

Real Estate and Infrastructure

Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

Materials and Industrials

Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Brokerage and Institutional Sales & Trading

Tuan Nhan Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107

tuan.nhan@vcsc.com.vn

Quynh Chau Managing Director Brokerage

+84 28 3914 3588, ext 222

quynh.chau@vcsc.com.vn

Dung Nguyen Director Institutional Sales & Trading

+84 28 3914 3588, ext 136

dung.nguyen@vcsc.com.vn