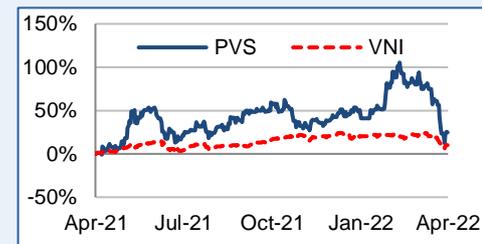


| Industry:                          | Oil & Gas             |                              | 2021       | Q1 22      | 2022F |
|------------------------------------|-----------------------|------------------------------|------------|------------|-------|
| <b>Report Date:</b>                | <b>April 29, 2022</b> | Rev Growth                   | -28.3%     | 44.2%      | 12.9% |
| Current Price:                     | VND24,600             | EPS YoY <sup>(2)</sup>       | -17.7%     | 16.1%      | 9.4%  |
| Target Price (TP) <sup>(1)</sup> : | VND32,800             | EPS YoY <sup>(3)</sup>       | -7.2%      | 49.5%      | 39.6% |
| Upside to TP:                      | +33.3%                | NPAT (VND bn) <sup>(3)</sup> | 602        | 216        | 840   |
| Dividend Yield:                    | 4.1%                  | EV/EBITDA                    | 10.5x      | N/A        | 4.2x  |
| TSR:                               | +37.4%                | P/E <sup>(2)</sup>           | 17.4x      | N/A        | 15.9x |
| Rating <sup>(1)</sup> :            | MARKET PERFORM        | P/E <sup>(3)</sup>           | 22.2x      | N/A        | 15.9x |
| Market Cap:                        | USD504.6mn            |                              | <u>PVS</u> | <u>VNI</u> |       |
| Foreign Room:                      | USD204.2mn            | P/E (ttm) <sup>(2)</sup>     | 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%       |       |



### 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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## 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 |
|--------------------------------|--------------|--------------|--------------|-------------------|
| <b>Revenue</b>                 | <b>2,614</b> | <b>3,769</b> | <b>44.2%</b> | <b>23.5%</b>      |
| <b>Gross profit</b>            | <b>179</b>   | <b>193</b>   | <b>7.8%</b>  | <b>15.0%</b>      |
| Sales & marketing exp          | -22          | -15          | -31.8%       | 14.6%             |
| General admin (GA) exp         | -191         | -150         | -21.2%       | 21.4%             |
| <b>Operating profit (EBIT)</b> | <b>-35</b>   | <b>27</b>    | <b>N.M.</b>  | <b>5.6%</b>       |
| 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%             |
| <b>Reported NPAT-MI</b>        | <b>145</b>   | <b>216</b>   | <b>49.5%</b> | <b>25.7%</b>      |
| <b>Recurring NPAT-MI (*)</b>   | <b>145</b>   | <b>168</b>   | <b>16.1%</b> | <b>20.0%</b>      |

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<br>(Unless stated)      | Q1 2021      | Q1 2022      | YoY growth %    | % of VCSC's<br>2022F |
|--------------------------------|--------------|--------------|-----------------|----------------------|
| <b>Revenue</b>                 | <b>2,614</b> | <b>3,769</b> | <b>44.2%</b>    | <b>23.5%</b>         |
| 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%                |
| <b>Gross profit</b>            | <b>179</b>   | <b>193</b>   | <b>7.8%</b>     | <b>15.0%</b>         |
| 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%                |
| <b>Gross profit margin %</b>   | <b>6.8%</b>  | <b>5.1%</b>  | <b>-1.7 pts</b> |                      |
| OSV                            | 8.3%         | 8.6%         | 0.3 pts         |                      |
| FPSO/FSO management services   | 7.9%         | 12.0%        | 4.1 pts         |                      |
| Seismic survey and ROV         | -16.2%       | -16.6%       | N.M.            |                      |
| Supply base                    | 15.2%        | 22.5%        | 7.2 pts         |                      |
| M&C                            | 3.6%         | 1.8%         | -1.8 pts        |                      |
| O&M                            | 56.3%        | 1.1%         | -55.2 pts       |                      |
| Others                         | 3.1%         | 9.2%         | 6.1 pts         |                      |

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   |
| 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. |
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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.

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