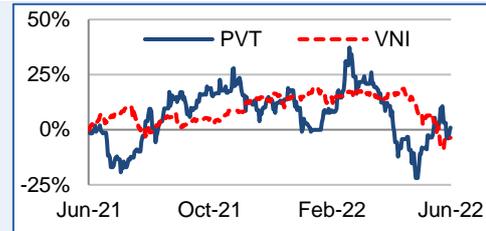


PetroVietnam Transportation (PVT)

AGM Note

Industry:	Oil & Gas		2021	2022F	2023F	2024F
Report Date:	June 30, 2022	Rev Growth	-0.2%	12.5%	8.8%	7.9%
Current Price:	VND20,200	EPS Growth ⁽¹⁾	3.6%	23.3%	9.2%	18.5%
Target Price (TP) ⁽⁴⁾ :	VND27,000	EPS Growth ⁽²⁾	-0.6%	24.2%	-1.5%	18.1%
Upside to TP:	+33.6%	NPAT (VND bn) ⁽²⁾	666	827	814	962
Dividend Yield:	5.0%	EV/EBITDA	4.5x	4.1x	3.8x	2.9x
TSR:	+38.6%	P/E ⁽¹⁾	11.6x	9.4x	8.6x	7.3x
Rating ⁽⁴⁾ :	BUY	P/E ⁽²⁾	10.4x	8.3x	8.5x	7.2x



			PVT	Peers ⁽³⁾	VNI
Market Cap:	USD284.3mn	P/E (ttm) ⁽²⁾	10.1x	4.7x	13.0x
Foreign Room:	USD107.6mn	EV/EBITDA	4.3x	7.3x	N/A
ADTV30D:	USD3.6mn	Net D/E	5.9%	56.5%	N/A
State Ownership:	51.0%	ROE	12.7%	9.3%	15.6%
Outstanding Shares:	323.7 mn	ROA	5.3%	4.6%	2.5%
Fully Diluted Shares:	323.7 mn				
3-year PEG:	0.5				

(1) recurring; (2) reported; (3) regional peer median
(4) TP and rating last updated May 24, 2022

Company Overview

PVT owns the largest liquid tanker fleet in Vietnam and holds a dominant market share for the crude oil transportation of Binh Son Refinery (BSR) (420,000 DWT), 30% for oil products (160,000 DWT), 100% for liquefied petroleum gas (42,500 DWT), 10% for coal transportation (83,000 DWT) and 10% for floating oil storage (FSO).

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

Higher freight rates and tonne-mile demand outlook

- We attended PVT's online AGM on June 30, which discussed H1 2022 preliminary results, freight rates, the transportation demand outlook and capacity expansion.
- Management sees many opportunities for capacity expansion in H2 2022 and 2023; nevertheless, PVT will follow interest rates and the transportation market closely when making investment decisions. Notably, current tanker investment values are only half of the peak in 2007 (before the maritime transport crisis in 2008-2009).
- Shareholders approved 2022 guidance for revenue of VND6.5tn (USD283mn; -11.8% YoY) and NPAT of VND480bn (USD21mn; -42.7% YoY), which we believe is conservative. We note that PVT's actual profit numbers have doubled its targets over the past five years.
- PVT announced preliminary H1 2022 results with revenue of VND4.1tn (USD178mn; +13.5% YoY) and profit before tax (PBT) of VND500bn (USD22mn; -12.0% YoY). H1 2022 PBT completed 40% of our full-year forecast, which we believe was due to the company being conservative in estimating preliminary profit numbers.
- Shareholders approved a 2021 stock dividend of 10% as PVT expects to acquire eight to 10 tankers out of the total 23 new tankers in 2022 plan. Furthermore, PVT plans to resume paying a cash dividend of VND1,000/share for 2022, which is in line with our forecast. When PVT scales up its business over the long term, the company targets to pay a cash dividend of VND1,000-1,500/share. PVT also targets to raise capital over the long term to support additional fleet expansion.
- PVT expects to sell the Athena crude tanker in Q3 or early Q4 2022. We currently forecast non-operating profit of VND100bn in 2022 (USD4.3mn — ~12% of PVT's net profit in 2022) from this sale.

Shareholders approved conservative guidance for 2022. PVT announced 2022 guidance for revenue of VND6.5tn (USD283mn; -11.8% YoY) and NPAT of VND480bn (USD21mn; -42.7% YoY). These 2022 targets are 8.3% and 18.8% higher than the guidance numbers in 2021, reflecting management's expectation for a recovery in 2022. Meanwhile, PVT's 2022 revenue and net profit targets are equivalent to 78.4% and 46.8% of our respective full-year forecasts, which we believe is due to the company's conservativeness in setting guidance. We note that PVT's actual net profit numbers have doubled guidance numbers over the past five years.

PVT sees a higher international transportation demand outlook, which is driven by tonne-mile demand. While the quantities of goods transported throughout the world have not increased, the Russia-Ukraine conflict has created a structural change in transportation routes for crude oil, oil

products, chemicals, LPG and coal, accordingly, boosting tonne-mile demand due to longer travel distances.

The current rally of international tanker rates will benefit PVT's H2 2022 and 2023 earnings.

Tanker rates for crude, oil products and chemicals have soared since March 2022. Presently, 80% of PVT's tanker fleet works internationally, accounting for 60% of PVT's total revenue. Among PVT's international contracts, most are time charter contracts, while a few are under spot contracts that have immediately benefited from increased tanker rates. Nevertheless, as time charter freight rates have also been in an uptrend following spot freight rates, PVT expects the higher rates to reflect in its earnings in H2 2022 and 2023. Overall, the company expects better freight rates in 2022-2023 vs 2021.

PVT aims for an aggressive capacity expansion in 2022, though under careful consideration regarding interest rate and market conditions.

PVT has set an aggressive capacity expansion plan with an investment in six tankers for the parent company and 17 new tankers for its subsidiaries. We note that PVT usually plans for ambitious capex at the beginning of the year to obtain shareholder approval in advance and then execute the plan when market conditions are favorable. While PVT shared that tanker investment values have been increasing since 2021 and that the rising interest rate environment could be a challenge, the company still sees opportunities in the chemical and coal tanker segments and expects it could successfully acquire eight to 10 tankers out of the total 23 new tankers in the 2022 plan.

PVT's 2022 capex plan for parent company

	Capacity (DWT)	Capex (VND bn)
1 bulk tanker (or 1 chemical tanker)	50,000 - 85,000 (or 10,000 - 25,000)	452
1 crude tanker	100,000-120,000	643
1 oil product tanker	10,000-25,000	452
1 oil product tanker	20,000-75,000	476
2 chemical tankers	10,000-25,000	904
Capital injection in subsidiaries and equipment purchase		404
Total		3,331

Source: PVT

LNG carrier is a long-term story. According to PVT, Vietnam's increasing LNG imports represent long-term potential for PVT. However, as the investment value for an LNG carrier is high (USD150-200mn for newly built LNG carrier and USD80-100mn for 10-year-old carrier), PVT will consider investment under a bareboat charter agreement with a purchase option (i.e., lease first and then buy later — typically after five years) when LNG transportation demand in Vietnam is sufficient enough.

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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

Head Office

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 Ham Nghi

16th Floor, Doji Tower, 81-83-83B-85 Ham Nghi 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
- Nga Ho, Analyst, ext 516

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Consumer

Nam Hoang, Manager, ext 124

- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173
- Nhan Nguyen, Analyst, ext 139

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Thang Hoang, Analyst, ext 196

Real Estate and Infrastructure

Hong Luu, Senior Manager, ext 120

- Dang Thai, Senior Analyst, ext 149
- Thuc Than, 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