

PETROVIETNAM TECHNICAL SERVICES CORPORATION (HSX: PVS)

Industry	Oil & Gas
RECOMMENDATION	BUY
Target price (VND) – 12 mo	47,247
Previous target price (VND)	40,755
Upside	+15.93%
Date	Apr 02 nd , 2024

Financials	2023	2024F
Unit: VND bn		
Revenue	19,349	24,798
Gross profit	1039	1,262
Gross margin	4.90%	5.09%
Net profit	1060	1,166
Net margin	4.48%	4.51%
EPS (VND)	2,148	2,342
BVPS (VND)	26,852	27,316
ROA (%)	4.01%	3.99%
ROE (%)	7.83%	8.46%

Price chart



Shareholders

Petrovietnam (PVN)	51.38%
Other shareholders	48.62%

Company description

Petrovietnam Technical Services Corporation (PTSC) is a regional industry leader in oil field service (OFS), offering a wide range of services from EPCI for offshore facilities & EPC for industrial plants, FPSO/FSO leasing & operating, port & supply base operations; offshore Operation and Maintenance (O&M), Installation to deep sea operations. In recent years, PTSC has actively promoted research and investment in renewable energy projects, making a significant transition toward renewable energy sector, with a focus on offshore wind power.

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ENTERING A NEW CYCLE – UPDATE REPORT

- PVS's Q4 2023 audited consolidated financial statements posted a net income adjustment of 160.6 billion VND, an increase of 18%.
- Adjusted 2024 targeted P/B to 1.40x from 1.20x, maintained 2024 targeted P/E of 18.29x due to strong company's prospect and healthy balance sheet.
- Solid financial foundation with excess cash reserves of 10,057 billion VND (equivalent to 21,040 VND/share), comprised 38% of PVS's total assets.

Outlook Recap:

All eyes on Block B - O Mon project awaiting Final Investment Decision.

- On 28/03/2024, Petrovietnam together with major oil & gas partners signed a series of commercial agreements, marked a remarkable milestone of the progress of implementing Block B – O Mon gas-topower upstream project.
- Beside two awarded key contracts from Phu Quoc Petroleum Operating
 Company, EPCI#1 \$493 million & EPCI#2 \$300 million, and another
 EPC#3 contract for Block B O Mon midstream gas pipeline,
 Petrovietnam Technical Services Corporation is currently participating in
 an auction for a fourth contract with an estimated value of \$400 million.
- Brent oil price continues to anchor above 80 USD/barrel, acting as a primary driving force for vibrant oil & gas upstream operations.

PVS confirmed contract renewals for offshore renewable energy projects with a total estimated backlog value of 1.5 billion USD during the period of 2024-2028.

Forecast. Based on recent activities surrounding Block B – O Mon progress, we revise our consolidated PVS revenue forecast by 13% to 24,798 billion VND (+28% YoY) and net income by 7% of 1,166 billion VND (+10.04% YoY) for FY24, slight margins expansion with gross margin and net margin increasing to 5.09% and 4.51%, respectively.

Valuation. We adjusted our Buy rating with a 12-mo re-based target price of **47,247 VND/share** (+15.93% from previous recommendation target price of 40,755 VND/share on 02/26/2024) for PVS on a 5-year forecasted period (24′-28′) using the proportional weight of discounted cash flow method (FCFE) and comparative method (P/B, P/E).

Investment case. We continue to believe in PVS short-term and mid-term potential due to: (i) robust M&C segment prospects with growing backlog from offshore wind power and oil & gas projects, domestically and internationally, (ii) high FPSO/FSO utilization rate providing significant earnings growth, and (iii) a strong cash balance. Maintained **BUY**.



Figure 1: CAPM-based WACC assumptions & Capital Structure revisions.

	Previous value	Revision value
Risk-free rate	2.50%	2.50%
Equity risk premium	9.57%	9.00%
Beta	1.39	1.30
Cost of equity	15.81%	14.23%
Cost of debt	3.43%	3.41%
Tax rate	20.00%	20.00%
Cost of debt after tax	2.74%	2.73%
Equity/Total Capital	94.67%	94.67%
Debt/Total Capital	5.33%	5.33%
WACC	15.09%	13.59%

Figure 2: Valuation results

Methodology	Weight	Price (VND)			Target Price (VND)
FCFE	50%	Χ	53,445		
P/E	30%	X	42,843		47,247
P/B	20%	X	38,242		
Previous target price					40,755
Upside/Downside					15.93%
RATING					BUY

Figure 3. Peers comparision

Country	Company	Ticker	Mkt Cap (VND tn)	EV (VND tn)	E\ 2021	//EBITDA 2022	2023	P/E (x)	P/B (x)	ROA (%)	ROE (%)	ROIC (%)
Holands	SBM Offshore NV	SBMO NA	68.28	324.17	12.21	11.07	10.77	5.03	0.67	2.97	13.77	7.46
Malaysia	Yinson Holdings BHD	YNS MK	37.70	100.25	8.20	8.90	9.40	12.36	1.32	3.42	11.57	6.51
Malaysia	Bumi Armada Berhad	BAB MK	17.96	37.26	6.31	5.61	7.69	8.52	0.52	4.23	10.08	6.73
Oman	Abraj Energy Services SAOG	ABRJ OM	15.54	20.77	-	-	6.56	11.60	1.70	5.93	11.41	8.77
Malaysia	Dayang Enterprise Holdings Bhd	DEHB MK	14.47	14.40	-	5.26	4.13	11.30	1.50	8.97	14.13	11.24
Median					6.31	5.61	7.69	11.30	1.32	4.23	11.57	7.46
Vietnam	PTSC	PVS VN	17.97	10.33	11.85	3.97	22.16	17.51	1.40	4.01	7.83	23.30

RISKS

- (1) Oil price downside volatility.
- (2) Subdued domestic exploration and production activities.
- (3) Arising competition in the region

RECOMMENDATION

Based on provided event catalysts, and valuation methodology, we recommend a **BUY** stand for PVS stock price with a 12-month re-based target price of **47,247 VND/share**, upside of 15.93% comparing to our previous recommendation price of 40,755 VND/share on 02/26/2024.



SUMMARY OF FINANCIAL STATEMENTS

Income Statement (VND bn)	2023	2024F	2025F	Balance sheet (VND bn)	2023	2024F	2025F
Revenue	19,374	24,798	27,278	CURRENT ASSETS			
Cost of good solds	18,335	23,536	25,829	Cash & cash equivalents	5,757	4,865	5,957
Gross profit	1,039	1,262	1,449	Short-term investment	4,329	5,048	4,438
Selling expenses	(85)	(114)	(120)	Accounts receivable	4,185	6,971	5,809
General & administration expenses	(967)	(1,141)	(1,187)	Inventories	1,470	1,864	1,415
Financial income	790	600	535	Other current assets	548	473	546
Financial expense	(216)	(154)	(185)	Total current assets	16,290	19,220	18,166
Including: Interest expense	73	52	62				
Profit sharing from associates/JVs	651	744	777	NON-CURRENT ASSETS			
Net operating profit	1,211	1,198	1,270	Historical cost	13,385	14,076	14,470
Net other income	66	277	304	Accumulated depreciation	(10,028)	(10,534)	(11,054)
Net accounting profit before tax	1,277	1,474	1,574	Tangible fixed assets	3,357	3,542	3,416
Corporate income tax	(219)	(295)	(315)	Construction in progress	303	125	89
Net profit after tax	1,060	1,166	1,279	Other assets & investments	6,035	5,958	6,080
Non-controlling interests	34	47	47	Total non-current assets	10,126	9,993	9,934
Owners of the parent Company	1,026	1,120	1,232	Total assets	26,416	29,213	28,100
Shares outstanding (mil)	478	478	478				
EPS (VND)	2,148	2,342	2,578	Current liabilities	9,060	11,763	10,435
BVPS (VND)	26,852	27,316	27,855	Accounts payable	3,513	5,894	5,021
				Short-term borrowings	1,176	992	1,091
Cash Flow Statement (VND bn)	2023	2024F	2025F	Accrued expense & other liabilities	2,427	2,836	2,263
OPERATING CASH FLOW				Non-current liabilities	3,812	3,812	3,670
Net accounting profit before tax	1,277	1,474	1,574				
Operating profit before changes in WC	(1,120)	(1,150)	(1,226)	Shareholders' equity	13,544	13,780	14,040
Depreciation and amortization	493	506	520	Shareholders' capital	4,780	4,780	4,780
Interest expense	(0.8)	0.1	1.4	Retained earnings	4,048	4,244	4,319
Corporate income tax	(172)	(295)	(315)	Investment & development fund	3,451	3,600	3,786
Change in working capital	(627)	(241)	157	Non-controlling interests	710	724	726
Provisions	142	(363)	(149)	Total Capital	26,416	29,213	28,100
Adjustments and other payments	(276)	(222)	(219)				
Net cash flow Operating Activities	(285)	(291)	343	Financial ratios	2023	2024F	2025F
INVESTING CASH FLOW				Current ratios			
Purchases of fixed assets	(899)	(600)	(453)	Current ratio	1.80	1.63	1.74
Proceeds from disposals of fixed assets	_	07				1.48	1.61
(Increase)/decrease in investments	5	87	95	Quick ratio	1.64	21.10	
Tobacca be altered and an effect of the second	5 508	87 (718)	95 610	Quick ratio Operating ratios	1.64	20	
Interest, dividend and profit received				•	1.64 4.63	3.56	4.70
Net cash flow Investing Activities	508	(718)	610	Operating ratios			
·	508 1,204	(718) 959	610 1,023	Operating ratios Receivables turnover	4.63	3.56	4.70
Net cash flow Investing Activities	508 1,204	(718) 959	610 1,023	Operating ratios Receivables turnover Inventories turnover	4.63 13.18	3.56 13.30	4.70 19.27
Net cash flow Investing Activities FINANCING CASH FLOW	508 1,204 818	(718) 959 (272)	610 1,023 1,274	Operating ratios Receivables turnover Inventories turnover Assets turnover	4.63 13.18	3.56 13.30	4.70 19.27
Net cash flow Investing Activities FINANCING CASH FLOW Net borrowing	508 1,204 818 509	(718) 959 (272) 208	610 1,023 1,274 208	Operating ratios Receivables turnover Inventories turnover Assets turnover Leverage ratios	4.63 13.18 0.73	3.56 13.30 0.85	4.70 19.27 0.97
Net cash flow Investing Activities FINANCING CASH FLOW Net borrowing Repayments of borrowings	508 1,204 818 509 (163)	(718) 959 (272) 208 (226)	610 1,023 1,274 208 (285)	Operating ratios Receivables turnover Inventories turnover Assets turnover Leverage ratios Total debt-to-equity ratio	4.63 13.18 0.73	3.56 13.30 0.85	4.70 19.27 0.97
Net cash flow Investing Activities FINANCING CASH FLOW Net borrowing Repayments of borrowings Dividends paid in cash	508 1,204 818 509 (163) (378)	(718) 959 (272) 208 (226) (335)	610 1,023 1,274 208 (285) (478)	Operating ratios Receivables turnover Inventories turnover Assets turnover Leverage ratios Total debt-to-equity ratio Total liabilities-to-equity ratio	4.63 13.18 0.73	3.56 13.30 0.85	4.70 19.27 0.97
Net cash flow Investing Activities FINANCING CASH FLOW Net borrowing Repayments of borrowings Dividends paid in cash Net cash flow Financing Activities	508 1,204 818 509 (163) (378) (32)	(718) 959 (272) 208 (226) (335) (353)	610 1,023 1,274 208 (285) (478) (555)	Operating ratios Receivables turnover Inventories turnover Assets turnover Leverage ratios Total debt-to-equity ratio Total liabilities-to-equity ratio Profitability	4.63 13.18 0.73 0.13 0.95	3.56 13.30 0.85 0.12 1.12	4.70 19.27 0.97 0.13 1.00
Net cash flow Investing Activities FINANCING CASH FLOW Net borrowing Repayments of borrowings Dividends paid in cash Net cash flow Financing Activities Net cash flow	508 1,204 818 509 (163) (378) (32) 501 5,219	(718) 959 (272) 208 (226) (335) (353) (916) 5,757	610 1,023 1,274 208 (285) (478) (555) 1,062 4,865	Operating ratios Receivables turnover Inventories turnover Assets turnover Leverage ratios Total debt-to-equity ratio Total liabilities-to-equity ratio Profitability Gross margin	4.63 13.18 0.73 0.13 0.95	3.56 13.30 0.85 0.12 1.12 5.09%	4.70 19.27 0.97 0.13 1.00
Net cash flow Investing Activities FINANCING CASH FLOW Net borrowing Repayments of borrowings Dividends paid in cash Net cash flow Financing Activities Net cash flow Beginning Cash Balance	508 1,204 818 509 (163) (378) (32) 501	(718) 959 (272) 208 (226) (335) (353) (916)	610 1,023 1,274 208 (285) (478) (555) 1,062	Operating ratios Receivables turnover Inventories turnover Assets turnover Leverage ratios Total debt-to-equity ratio Total liabilities-to-equity ratio Profitability Gross margin Net profit margin	4.63 13.18 0.73 0.13 0.95 5.36% 5.47%	3.56 13.30 0.85 0.12 1.12 5.09% 4.70%	4.70 19.27 0.97 0.13 1.00 5.31% 4.69%



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