

PETROVIETNAM TECHNICAL SERVICES CORPORATION (HSX: PVS)

Industry
Oil & Gas
ENTERING A NEW CYCLE – UPDATE REPORT
RECOMMENDATION
BUY

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

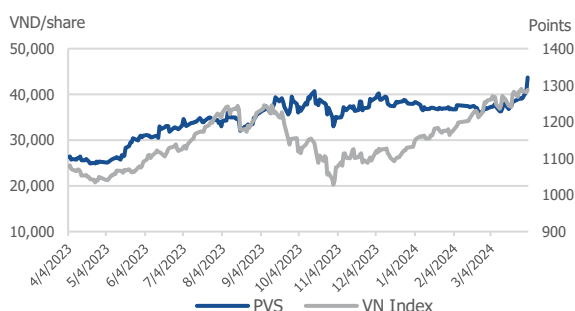
- PVS's Q4 2023 audited consolidated financial statements posted a net income adjustment of 160.6 billion VND, an increase of 18%.
- Adjusted 2024 targeted P/B to 1.40x from 1.20x, maintained 2024 targeted P/E of 18.29x due to strong company's prospect and healthy balance sheet.
- Solid financial foundation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

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%

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-to-power 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.

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.

Senior Analyst
Tri Nguyen
trinp@psi.vn
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%	X	53,445	→	47,247
P/E	30%	X	42,843		
P/B	20%	X	38,242		
Previous target price					40,755
Upside/Downside					15.93%
RATING					BUY

Figure 3. Peers comparison

Country	Company	Ticker	Mkt Cap (VND tn)	EV (VND tn)	EV/EBITDA			P/E (x)	P/B (x)	ROA (%)	ROE (%)	ROIC (%)
					2021	2022	2023					
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.

CONTACT US

PETROVIETNAM SECURITIES INCORPORATED

Hanoitourist Tower, No. 18 Ly Thuong Kiet Street, Hoan Kiem District, Hanoi

Tel: + 84 4 3934 3888 - Fax: +84 3934 3999

Website: www.psi.vn

Ho Chi Minh City Office

1st floor, PVFCCo Tower, No. 43 Mac Dinh Chi Street, Da Kao Ward, District 1, Hochiminh City
Tel: (84-8) 3914 6789
Fax: (84-8) 3914 6969

Vung Tau Office

5th floor, Silver Sea Tower, No. 47 Ba Cu, Vung Tau City
Tel: (84-64) 254520/22/23/24/26
Fax: (84-64) 625 4521

Da Nang Office

G floor and 1st floor, PVcomBank Danang Tower, Lot A2.1 30/4 Street, Hoa Cuong Bac Ward, Hai Chau District, Danang City.
Tel: (84-236) 389 9338
Fax: (84-236) 38 9933

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