March 14th, 2024

Shinhan Securities



PetroVietnam Transportation Corporation

[Vietnam / OIL & GAS]

Bloomberg Code (PVT VN) | Reuters Code (PVT.HM)

BUY

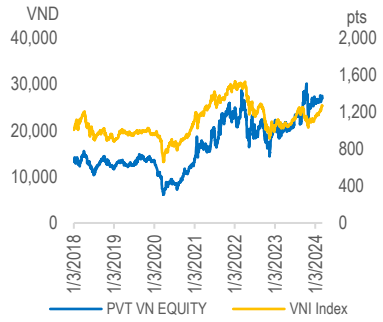
Initiate Coverage

Target price (12 months)	**31,700 VND**
Current price (13/03/23)	27,000 VND
Upside/downside (%)	17.4%

VNINDEX	1,270
HNXINDEX	237
Market Cap (bn VND)	8,748
Outstanding shares (mn)	324
Free-Floating (mn)	158
52-Wk High/Low (VND)	30,850/19,700
90-day avg. trading volume (mn)	4.01
90-day avg. turnover (bn VND)	95
Major shareholders PVN (%)	51

Performance	3T	6T	12T
Absolute (%)	3.7	12.3	25.3
Relative to VN-Index (%)	-8.3	10.9	5.4

Source: Bloomberg



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Go further

Initiate coverage with BUY rating and target price of VND 31,700

PetroVietnam Transportation Corporation (PVT) is one of the largest tanker operator in Viet Nam. Based on DCF method, we value PVT for the first time at 31,700 VND, equivalent to a 17.4% return. In 2024, PVT's profit is driven by (1) Freight rates remaining at a good level and (2) The contribution of 12 new ships purchased from 2023. In the long-term, the growth engine comes from (1) fleet expansion, (2) the main focus on the clean tanker, a segment with stable freight rates and (3) An attractive prospect of the liquefied gas transportation.

The freight rates for crude oil and refined products are expected to remain high in the short-term

Crude oil and oil product freight rates are forecast to remain at good levels due to: (1) the instability in the Middle East could disrupt major shipping routes, (2) the improving oil demand and (3) shipping distances are being stretched but the supply of ships is limited.

The fleet expansion is a long-term growth driver

PVT has become one of the leaders in Vietnam's maritime transportation. In 2023, PVT purchased and chartered 12 more vessels, increasing its total deadweight tonnage (DWT) to 1.4 million, a 150% increase from the current capacity. In the period of 2024-2026, the company plans to invest in an additional 30-34 vessels, increasing the total DWT of the fleet to 2.5 million, 80% higher than the current level.

Fleet expansion with the main focus on the clean tanker, especially the chemical tanker – stable charter rate, rising demand while limited supply

In 2024, PVT will invest in 3 - 4 new vessels. The company's goal is to own 37 chemical ships by 2025 (accounting for about 30% of the total fleets). In the coming years, PVT will narrow down the oil product tanker and expand the chemical tanker. The chemical segments have stable charter rates, strong demand while limited supply.

An attractive prospect of the liquefied gas transportation.

PVT is the leading LPG transportation enterprise in Viet Nam. Domestic demand for LPG is growing rapidly, with a forecast CAGR of 11% per year from 2024 to 2028. In addition, we believe that LNG is also a potential market for PVT to participate in transportation in the future, thanks to the huge demand and development strategy of the power industry.

Risks: (1) the volatility of freight rates, (2) external factors: economy, politics, weather,... and (3) weak demand for oil

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**9,487**	**11,373**	**12,485**	**13,282**	**13,913**
OP (bn VND)	1,428	1,804	1,992	2,180	2,149
NP (bn VND)	**1,239**	**1,489**	**1,687**	**1,888**	**1,915**
EPS (VND)	3,029	3,642	4,126	4,616	4,682
BPS (VND)	22,879	27,480	32,694	38,526	44,443
OPM (%)	15.0%	15.9%	16.0%	16.4%	15.4%
NPM (%)	13.1%	13.1%	13.5%	14.2%	13.8%
ROE (%)	**13.7%**	**13.8%**	**13.1%**	**12.5%**	**11.0%**
PER (x)	10.5	10.5	8.7	7.7	6.9
PBR (x)	1.4	1.2	1.0	0.8	0.7
EV/EBITDA (x)	2.9	2.9	2.4	2.2	1.9

Source: Company data, Shinhan Securities Vietnam

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Company background

History

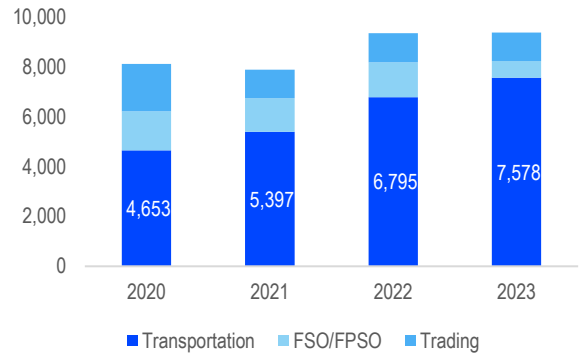
In 2007, PVT was officially listed on HOSE with the ticker "PVT". Being the sole unit doing maritime transportation unit within Vietnam Oil and Gas Group, PV Trans provides professional oil transportation services, including: (1) transportation service of crude oil, refned oil and LPG and (2) FSO/FPSO service. Therein, transportation is still mainstay service accounting for over 70% of total revenue and 90% gross profit.

(1) Transportation service: accounts for about 80% of revenue and 84% of gross profit. Of which, crude oil transportation contributes 20% of revenue/32% of gross profit, chemical/oil product transportation contributes 27% of revenue/30% of gross profit, and LPG transportation contributes 28% of revenue/ 22% of gross profit.

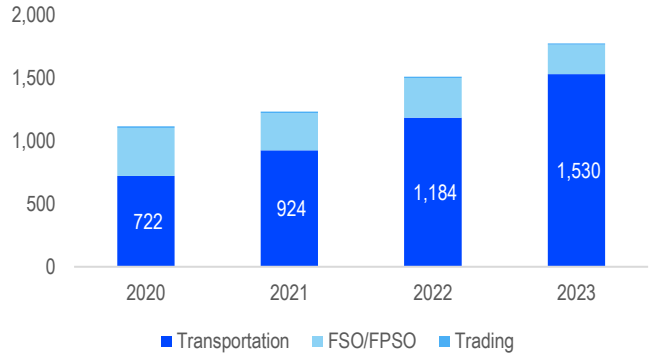
(2) FSO/FPSO (Floating Storage and Offloading /Floating Production Storage and Offloading): FSO/FPSO is a floating production system that receives fluids (crude oil, water,…) from a drilling rig, which then separated, stored and offloaded onto tanker or transported through a pipeline system. This segment accounts for about 6% of revenue and 12% of gross profit.

In addition, PVT is targeting to expand into the international transportation market, with the goal of international revenue accounting for at least 70% of total revenue.

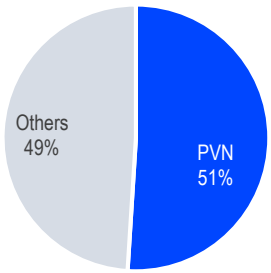
PVT's revenue breakdown by segment (VND bn)



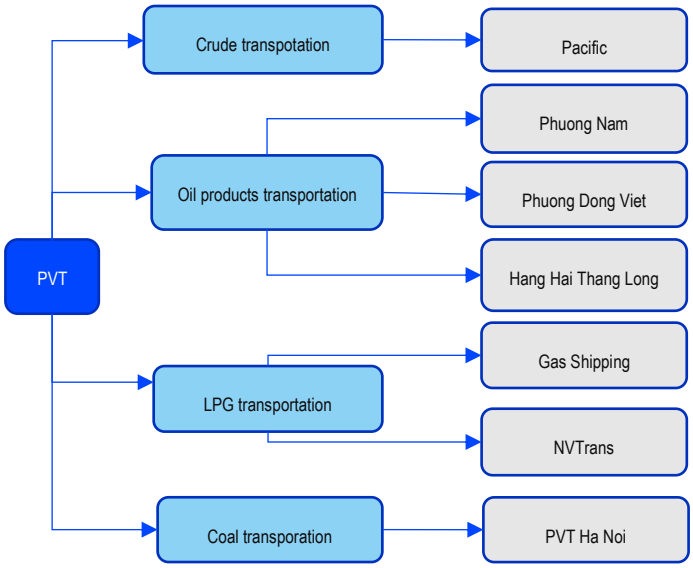
PVT's gross profit breakdown by segment



Shareholder Structure 14/03/2024



Model of Governance

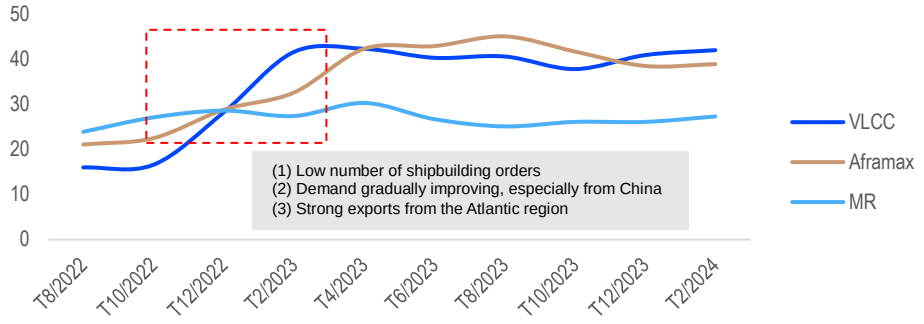


Source: Data Company, Shinhan Securities Company

Investment Catalyst & Theses

The freight rates for crude oil and refined products are expected to remain high in the short-term

Crude & Product Tanker 1-y TC rate (USD thousand/day) [1]



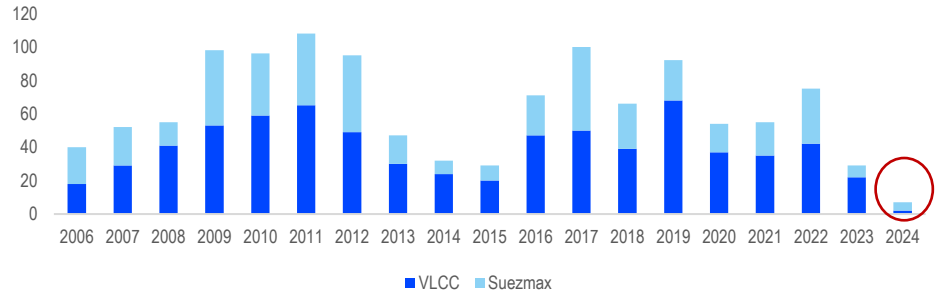
Source: Clarkson, Shinhan Securities Vietnam

Freight rates are forecast to remain at a good level due to:

(1) **The instability in the Middle East could disrupt major shipping routes.** In addition to commercial container ships, many tanker and fuel ship owners worldwide also choose to stay away from this area.

(2) **Shipping distances are being stretched but the supply of ships is limited.** The recent disruptions in the Red Sea have further increased shipping times and caused a shortage of oil tankers. According to shipping service Banchero Costa, only 2 new VLCCs are expected to join the existing fleet in 2024, and only 5 new VLCCs are scheduled for delivery in 2025, a significant drop from the 42 that joined in 2022. This is the lowest number of tanker additions in nearly four decades for the global oil industry, and up to 90% below the average for this millennium.

The number of new tankers being delivered

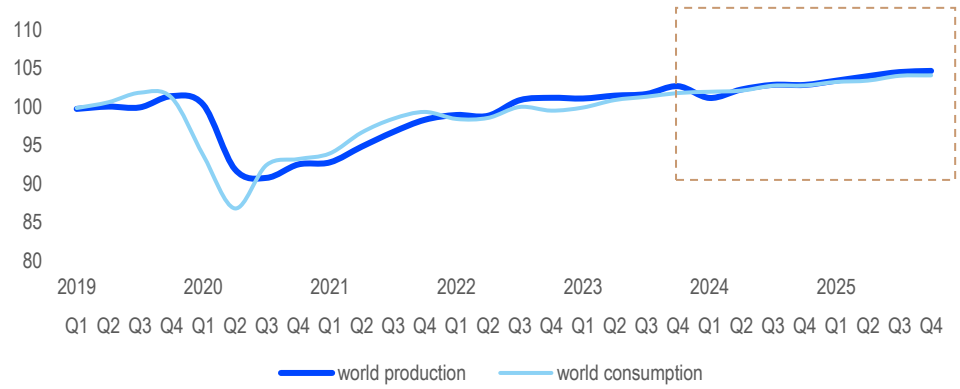


Source: Banchero Costa, Shinhan Securities Vietnam

(3) **Oil demand is forecast to continue to increase,** but at a slower pace than the 10-year average before the COVID-19 pandemic. In 2024, the EIA forecasts that oil consumption will increase by 1.4 million barrels per day, with global oil consumption growth expected to be driven mainly by economic growth and the return of tourism.

[1] VLCC (Very Large Crude Carrier - Tàu chở thô rất lớn) VLCC (Very Large Crude Carrier) is a type of ship that transports super heavy crude oil in the range of 150,000 - 320,000 DWT
Aframax (Average Freight Rate Assessment) is an oil tanker with a deadweight between 80,000 – 120,000 DWT.
MR (Mid-range): tàu chở dầu sản phẩm có cỡ trọng tải từ 40,000 – 50,000 DWT.

World liquid fuels production and consumption balance (million barrels per day)

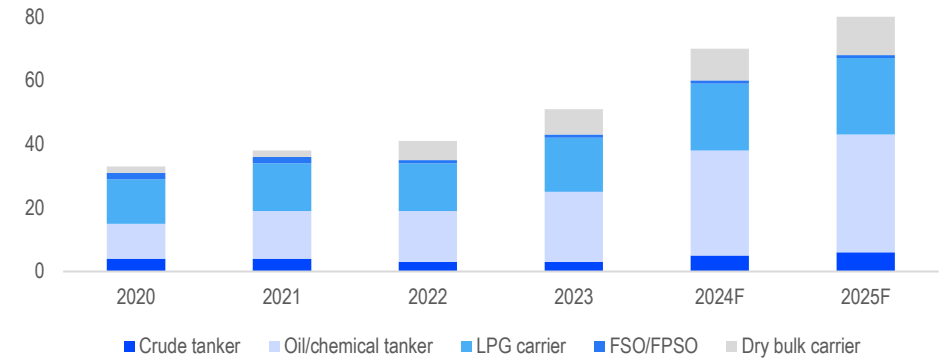


Source: EIA, Shinhan Securities Vietnam

The fleet expansion is a long-term growth driver

PVT owns a modern fleet of liquid transportation of 51 ships, maintaining its position as the enterprise with the largest liquid cargo fleet capacity in Vietnam. PVT holds a dominant market share for the crude oil transportation, LPG and 30% for oil products. Over the past 10 years, PVT has improved the capacity of transportation and rejuvenation to maintain domestic market share and expand foreign market.

Number of fleet expansion by year



Source: Data company, Shinhan Securities Vietnam

In 2023, PVT plans to develop 12 vessels (increasing capacity by 150%), in which half of them will be the chemical tanker. We expect these new vessels to significantly contribute to PVT's profit from 2024.

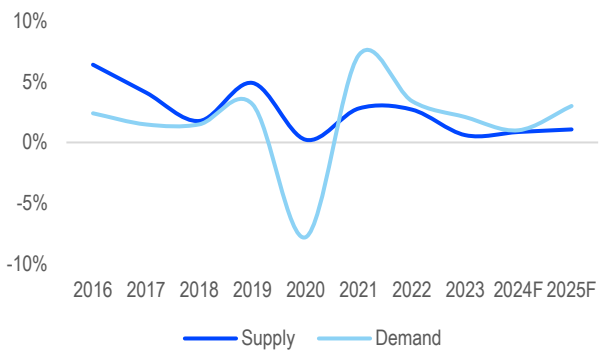
Based on PVT's long-term fleet investment plan, the company will invest in an additional 35-40 vessels in the 2024-2025 period, bringing the total fleet deadweight tonnage (DWT) to 2.5 million, an increase of 80% compared to the current level.

Fleet expansion with the main focus on the clean tanker, especially the chemical tanker – stable charter rate, rising demand while limited supply

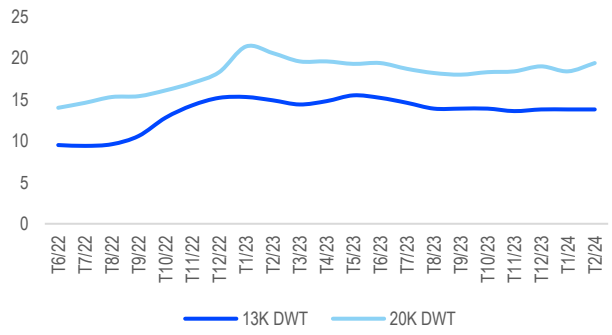
In 2024, PVT will invest in 3 – 4 new vessels. The company's goal is to own 37 chemical ships by 2025 (accounting for about 30% of the total fleets). In the coming years, PVT will narrow down the oil product tanker and expand the chemical tanker. The chemical segments have stable charter rates, strong demand while limited supply. Besides, PVT provides that the chemical segment has stable charter rate and gross margin is better than oil product segment.

Generally, in 2024 – 2025, the product tanker market outlook remains positive, which is mainly driven by the improving supply/demand balance driven by strong chemical demand from Asia, especially China, amid limited supply growth over the past few years.

Supply and Demand Balance (DWT and tonne-mile)



Chemical freight rates (USD thousand/day)

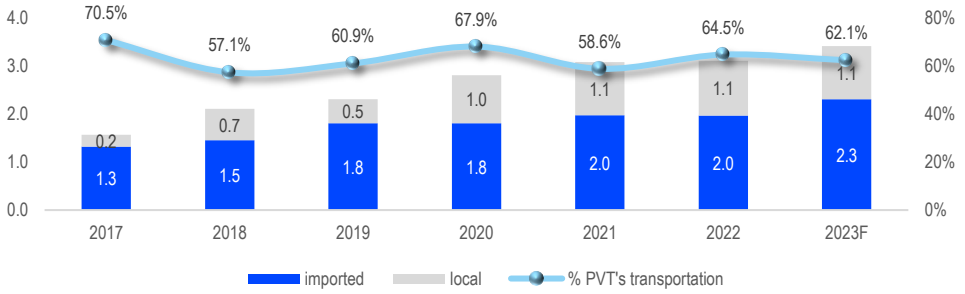


Source: Clarkson, Shinhan Securities Vietnam

An attractive prospect of the liquefied gas transportation

- **Maintaining a dominant position in the domestic market:** PVT is the largest LPG transportation company in Vietnam by volume, transporting over 1.2 million tons per year and holding a 100% market share in Vietnam.
- **Strong demand from industry and households:** The driving force supporting PVT's growth in the coming years will be the increasing demand for LPG consumption for domestic and industrial purposes in the country, which is forecast to grow at a CAGR of 11%/year in 2024-2028.

Vietnam LPG consumption (million tons/year)

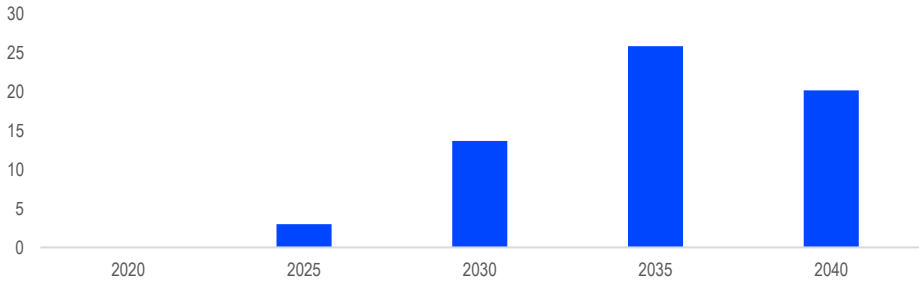


Source: Data company, Shinhan Securities Vietnam

In addition, we assess that LNG is also a potential market for PVT to participate in transportation in the near future, thanks to the large demand and development strategy of the electricity industry.

(1) Large LNG demand: According to the national energy master plan, Vietnam's LNG demand is forecast to reach 25,683 billion m3, an increase of 3.5 times compared to the current gas demand in 2035.

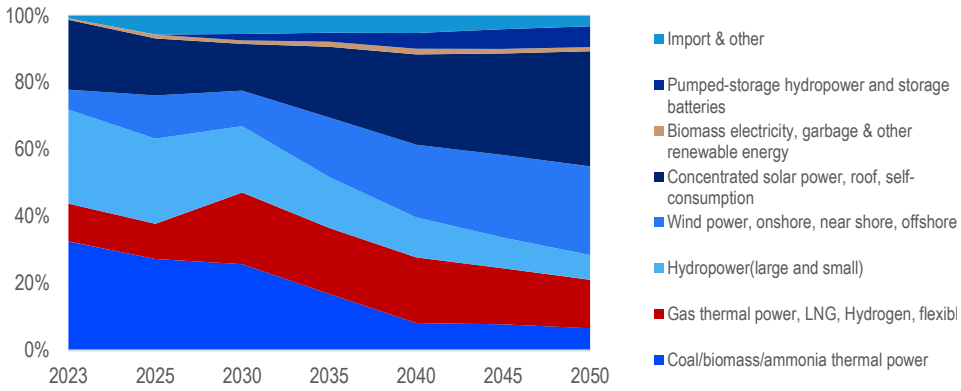
LNG demand forecast for Vietnam(billion m3)



Source: Vietnam National Energy Master Plan, Shinhan Securities Vietnam

(2) Power development strategy: increasing the proportion of gas-fired power (including LNG) in the draft Power Plan VIII

The Draft Power Plan VIII



Source: The Draft Power Plan VIII, Shinhan Securities Vietnam

Earnings estimates

❖ Updated business results in 2023:

PVT's net revenue reached nearly VND 3,845 billion (-1.3% YoY) and the parent company's profit after tax reached about VND 980 billion (+14% YoY). This is the 12th year that PVT has grown profits steadily compared to the previous year. In 2023, gross profit of the transportation segment increases (+12% YoY) thanks to the stability of freight rates and increased efficiency of fleet operations.

❖ Business performance forecast for 2024:

In 2024, PVT's revenue and NPAT are projected to reach VND 11,373 billion (up 19.9% YoY) and VND 1,489 billion (up 20.2% YoY). We forecast that PVT will maintain its 20% profit growth in 2024, thanks to high charter rates and the contribution of newly acquired vessels.

PVT's revenue and profit outlook	2023	YoY	2024F	YoY
Net revenue (bn VND)	9,487	4.9%	11,373	19.9%
Operating Profit (bn VND)	1,428	15.7%	1,804	26.4%
Net Profit	1,239	7.2%	1,489	20.2%
EPS (VND)	3,029	14.3%	3,642	20.2%
BPS (VND)	22,879	23.3%	27,480	20.1%
OPM	15.0%		15.9%	
NPM	13.1%		13.1%	
ROE (%)	13.7%		13.8%	
PER (x)	10.8		8.7	
PBR (x)	1.4		1.2	
EV/EBITDA (x)	2.9		2.4	

Source: Company data, Shinhan Securities Company

PVT's revenue breakdown	2023	2024F	YoY	Assumption
Transportation Revenue (VND bn)	7,495	8,814	17.6%	
Transportation crude oil	1,803	1,709	-5.2%	We project a slight decrease in crude oil transportation revenue due to the Dung Quat refinery maintenance in 2024, leading to a decrease in refined product output.
Transportation oil/chemical product	2,561	3,602	40.6%	We estimate that revenue from the refined oil/chemical transportation segment will increase thanks to the contribution of 6 newly purchased vessels in 2023, which will help increase the deadweight tonnage of refined oil/chemical tankers by 67% and stabilize freight rates.
Transportation LPG	2,656	3,104	16%	We project that LPG shipping revenue will increase thanks to the contribution of 2 newly acquired vessels in 2023, which will help increase LPG fleet capacity by 57% and meet the stable demand growth of 11%/year.
Transportation dry bulk	474	400	-15.7%	We assume a slight decrease in dry bulk revenue compared to the same period last year due to the modest outlook for the dry bulk market in 2024. Clarkson predicts that the 1.6% growth in demand for dry bulk vessels may be lower than the 2.3% growth in the fleet in 2024.

Valuation and Recommendation

Initiate coverage with BUY rating and target price of VND 31,700

We initiate coverage PetroVietnam Transportation Corporation (PVT) with a BUY recommendation and a target price of VND 31,700, corresponding to an increase of 17.4% from the current price. For a long-term view, PVT is an investment that can be considered with following advantages:

1) Fleet expansion is the key driver of growth.

2) Fleet expansion with the main focus on the clean tanker, especially the chemical tanker – stable charter rate, rising demand while limited supply.

3) An attractive prospect of the liquefied gas transportation.

Valuation

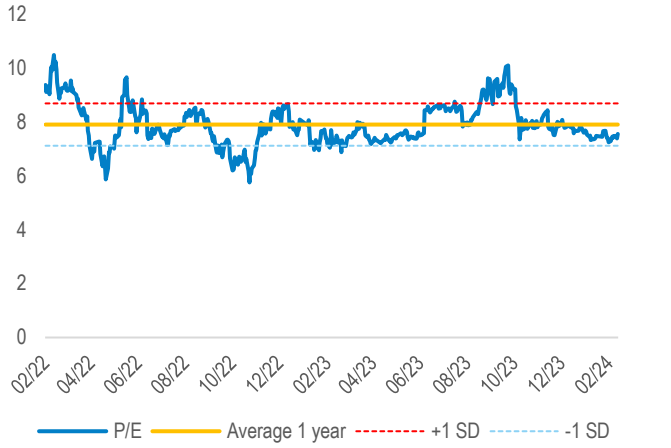
We apply a Discounted Cash Flow (DCF) valuation method to value PVT.

DCF valuation					
Unit: billion VND	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Net profit	1,179	1,335	1,494	1,515	1,727
Plus: After-tax interest expense	322	310	299	309	340
Plus: Depreciation & Amortization	1,678	1,905	2,163	2,455	2,787
Minus: Change in working capital	-66	-42	-21	-54	-29
Minus: CapEx	2,182	2,477	2,811	3,191	3,623
Free Cash Flow (FCF)	1,063	1,116	1,165	1,143	1,261
PV of FCF	4,307				
Growth rate	2%				
Present value of long-term value	7,506				
Enterprise value	**11,711**				
Cash and cash equivalents	4,466				
Debt	5,928				
Equity value	**10,248**				
Number of shares outstanding (mn units)	324				
Target price (VND)	**31,700**				

WACC	**11.1%**
Risk-free rate	2.5%
Equity risk premium	9%
Beta	1.2
Debt cost	8%
The cost of equity	14.4%
Debt-to-equity ratio	65.7%
Total debt (VND bn)	5,928

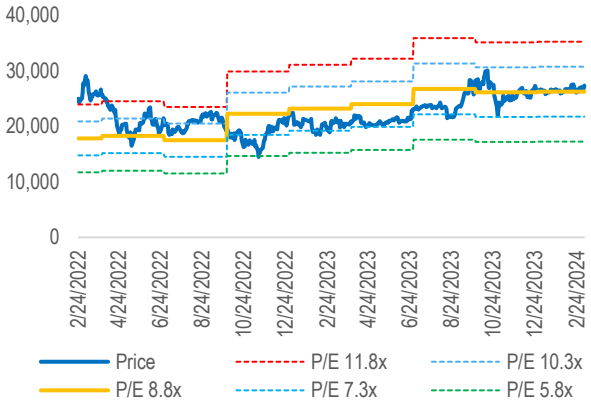
Source: Company data, Shinhan Securities Company

PVT's PER 1 year



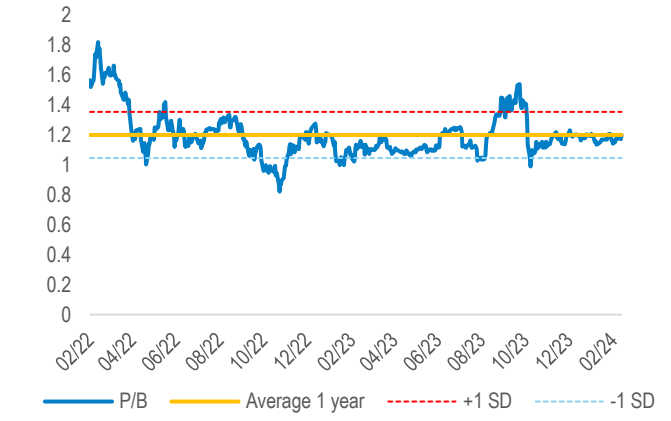
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of PVT



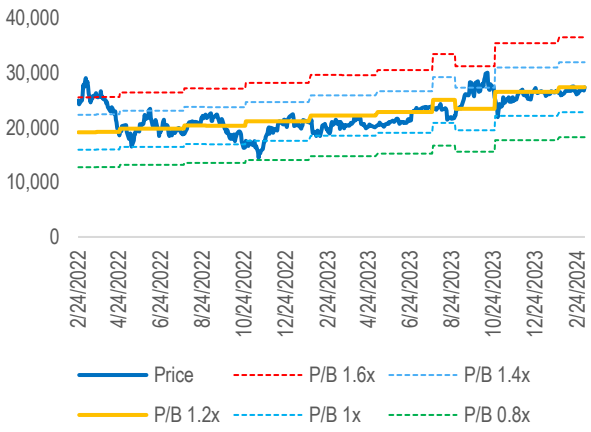
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PVT's PBR 1 year



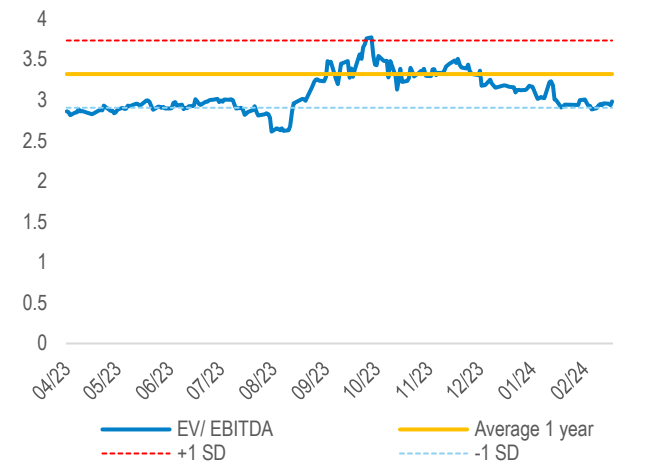
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of PVT



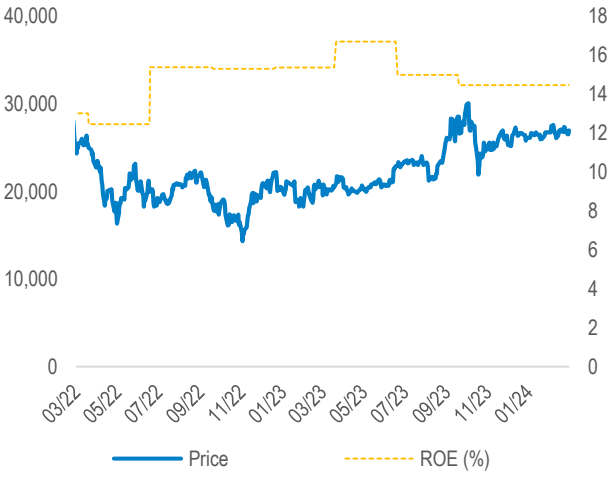
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PVT's EV/EBITDA 1 year



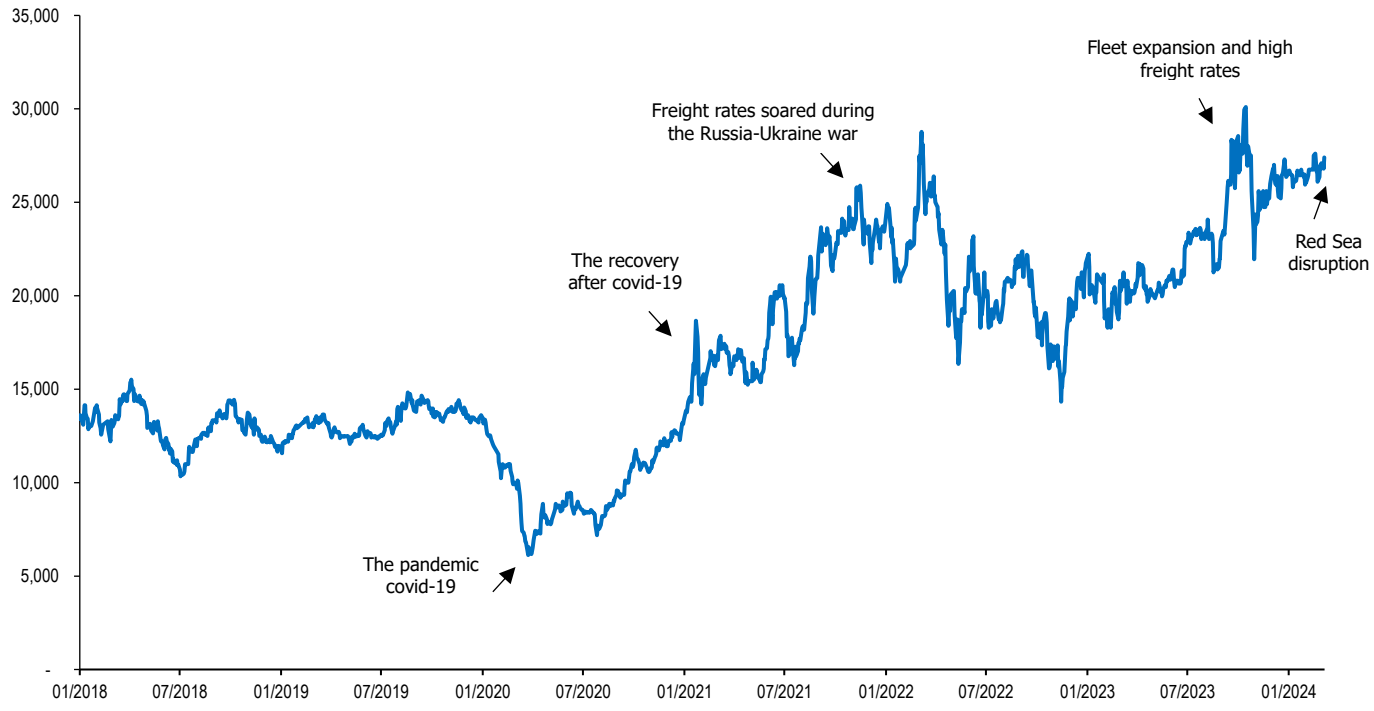
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of PVT's price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of PVT



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

The volatility of freight rates

The shipping market fluctuates with the trend of freight rates. The increase in freight rates reflects the increase in fuel costs, the volume of goods transported, and the demand for transportation in ton-miles due to longer distance.

External factors

The price trend is affected by many unpredictable factors such as economic, political, weather, seasonal,...

Weak demand for oil

Weak economic lead to a decline in the demand for gasoline and oil for production and transportation, affecting PVT's business.

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Total assets	14,252	17,464	19,343	21,418	23,623
Current assets	6,286	6,279	7,018	7,846	8,522
Cash & equivalents	1,794	969	1,431	2,095	2,655
Short-term financial asset	2,707	3,496	3,496	3,496	3,496
Accounts receivable	1,377	1,183	1,419	1,557	1,657
Inventories	179	225	267	293	309
Non-current assets	7,965	11,185	11,694	12,270	12,923
Net fixed assets	7,260	10,083	10,591	11,168	11,821
Investment assets	22	5	5	5	5
Other long-term assets	683	1,098	1,098	1,098	1,098
Total liabilities	6,238	8,440	8,517	8,553	8,476
Current liabilities	3,055	3,201	3,579	3,914	4,137
Accounts payable	812	794	943	1,033	1,093
Short-term borrowings	1,099	1,326	1,360	1,490	1,576
Others	1,144	1,081	1,275	1,391	1,469
Non-current liabilities	3,182	5,238	4,938	4,638	4,338
Long-term borrowings	2,591	4,602	4,302	4,002	3,702
Other financial liabilities	591	636	636	636	636
Total shareholders' equity	8,014	9,026	10,826	12,866	15,147
Capital stock	3,237	3,237	3,237	3,237	3,237
Capital surplus	0	0	0	0	0
Other capital	1,276	1,709	1,709	1,709	1,709
Retained earnings	1,489	2,459	3,948	5,636	7,523
Non-controlling interest equity	2,012	1,622	1,932	2,284	2,678
*Total debt	3,691	5,928	5,662	5,492	5,277
*Net debt (cash)	(810)	1,463	735	(100)	(874)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	9,047	9,487	11,373	12,485	13,282
Growth	21.3%	4.9%	19.9%	9.8%	6.4%
COGS	7,392	7,634	9,069	9,931	10,504
Gross profit	1,655	1,853	2,304	2,554	2,778
GPM	18.3%	19.5%	20.3%	20.5%	20.9%
SG&A	421	426	500	562	598
Operating profit	1,235	1,428	1,804	1,992	2,180
Growth	30.0%	15.7%	26.4%	10.4%	9.5%
OPM	13.6%	15.0%	15.9%	16.0%	16.4%
Non-operating profit	-93	-95	-129	-67	-3
Financial income	221	373	390	437	487
Financial expense	314	469	519	504	490
In which: interest expenses	214	355	406	390	377
Net other non-operating profit	288	203	203	203	203
Pre-tax profit	1,457	1,562	1,878	2,128	2,380
Income tax	301	323	389	440	493
Net profit	1,156	1,239	1,489	1,687	1,888
Growth	38.5%	7.2%	20.2%	13.3%	11.9%
NPM	12.8%	13.1%	13.1%	13.5%	14.2%
Controlling interest	857	980	1,179	1,335	1,494
Non-controlling interest	299	258	311	352	394
EBIT	1,671	1,917	2,283	2,518	2,757
Growth	41.3%	14.7%	19.1%	10.3%	9.5%
EBIT Margin	18.5%	20.2%	20.1%	20.2%	20.8%
EBITDA	2,867	3,271	3,962	4,423	4,920
Growth	35.7%	14.1%	21.1%	11.7%	11.2%
EBITDA margin	31.7%	34.5%	34.8%	35.4%	37.0%

Statement of cash flow

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	2,172	2,069	2,922	3,283	3,677
Net profit	1,156	1,239	1,489	1,687	1,888
Depreciation expense	1,195	1,354	1,678	1,905	2,163
(Gain) from investing activities					
Change in working capital	78	12	66	42	21
Others	0	0	0	0	0
Cash flow from investments	-2,020	-4,616	-2,182	-2,477	-2,811
Change in fixed assets	-1,271	-4,152	-2,182	-2,477	-2,811
Change in investment assets	-748	-464	0	0	0
Others	-21	46	0	0	0
Cash flow from financing	359	1,719	-279	-142	-306
Change in equity	0	120	311	352	394
Net borrowing	399	1,871	-266	-171	-214
Dividends	-40	-272	-324	-324	-485
Change in total cash	511	-828	462	664	560
Beginning cash	1,283	1,794	969	1,431	2,095
Change in FX rates					
Ending cash	1,794	969	1,431	2,095	2,655

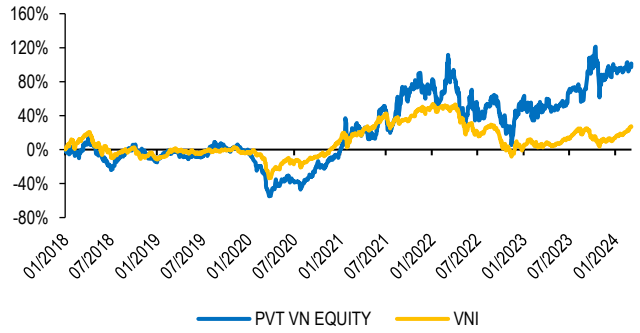
Key ratios

Year to Dec.	2022	2023F	2024F	2025F	2026F
EPS (VND)	2,649	3,029	3,642	4,126	4,616
BPS (VND)	18,546	22,879	27,480	32,694	38,526
DPS (VND)	800	1,000	1,000	1,000	1,500
PER (x)	12.0	10.5	8.7	7.7	6.9
PBR (x)	1.7	1.4	1.2	1.0	0.8
EV/EBITDA (x)	3.3	2.9	2.4	2.2	1.9
Dividend payout ratio (%)	30%	33%	27%	24%	32%
Dividend yield (%)	1.8%	2.2%	2.2%	2.2%	3.3%
Profitability					
EBITDA margin	31.7%	34.5%	34.8%	35.4%	37.0%
OPM	13.6%	15.0%	15.9%	16.0%	16.4%
NPM	12.8%	13.1%	13.1%	13.5%	14.2%
ROA	8.1%	7.1%	7.7%	7.9%	8.0%
ROE	14.4%	13.7%	13.8%	13.1%	12.5%
Stability					
Debt to equity ratio	46.1%	65.7%	52.3%	42.7%	34.8%
Cash ratio	58.7%	30.3%	40.0%	53.5%	64.2%
Interest coverage ratio (x)	5.8	4.0	4.4	5.1	5.8
Activity					
Working capital turnover (days)	24	18	18	18	18
Inventory turnover (days)	9	11	11	11	11
Receivable turnover (days)	56	46	46	46	46

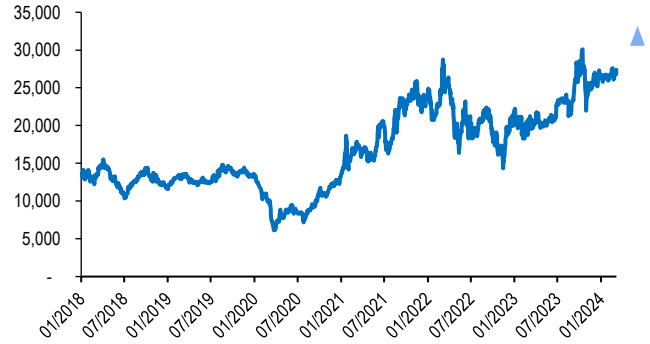
Source: Company data, Shinhan Securities Vietnam

PetroVietnam Transportation Corporation (PVT VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
14/03/2024 (Initiation)	BUY	31,700	19.8	-6.4/66.7

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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