November 05th, 2024

Shinhan Securities



PetroVietnam Transportation Corporation

[Vietnam / OIL & GAS]

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

BUY

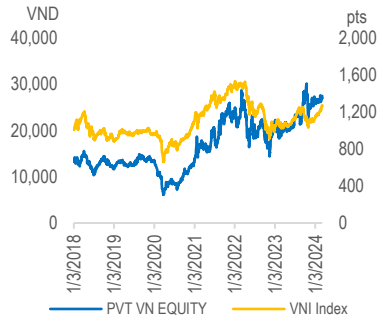
Update Coverage

Target price (12 months)	**32,600 VND**
Current price (04/11/24)	27,500 VND
Upside/downside (%)	18.5%

VNINDEX	1,245
HNXINDEX	225
Market Cap (bn VND)	8,748
Outstanding shares (mn)	356
Free-Floating (mn)	158
52-Wk High/Low (VND)	32,000/19,800
90-day avg. trading volume (mn)	4.01
90-day avg. turnover (bn VND)	95

Major shareholders (%)	PVN		51
Performance	3T	6T	12T
Absolute (%)	-2.5	8.5	27.3
Relative to VN-Index (%)	-4.0	5.7	10.8

Source: Bloomberg



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To bear fruit

Maintain BUY rating and target price of VND 32,600

PetroVietnam Transportation Corporation (PVT) is one of the largest tanker operators in Viet Nam. Accumulated for the first 9 months of 2024, PVT's NPAT reached 1,200 billion VND (+25.3% YoY), exceeding the annual plan by 57.8%. With the outlook of favorable freight rates and the addition of new vessels, we expect PVT to maintain its growth momentum for the remainder of 2024 and throughout 2025. Based on DCF methods, we update PVT's target price at VND 32,600.

Update business results in Q3/2024 and prospects

In Q3/2024, PVT recorded a revenue of VND 2,934 bn (+15.0% YoY) and NPAT of VND 522 bn (+62.6% YoY). The transportation services segment continued to be a significant contributor to PVT's performance. Revenue from transportation services is estimated to reach VND 2,320 bn (+18% YoY), with a gross profit margin of VND 525 bn (+22% YoY). The strong business performance was driven by (1) the high freight rates and (2) contributions from 7 newly acquired vessels since 2023 and the recovery of the dry bulk shipping market. The dry bulk shipping market has rebounded, fueled by iron ore and bauxite exports from the Atlantic region. Additionally, in Q3 2024, PVT disposed of the PVT Synergy vessel, recognizing approximately VND 153 bn.

Accumulated for the first 9 months of 2024, PVT's net revenue reached nearly 8,464 billion VND (+26.1% YoY) and NPAT was approximately 1,200 billion VND (+25.3% YoY). With these results, PVT has achieved 80.5% of our forecast.

Since the beginning of 2024, PVT has successfully added 6 new vessels to its fleet, including product tankers, chemical tankers, LPG carriers, and bulk carriers. This expansion brings the total number of vessels to 58, with a total deadweight tonnage of 1.7 million DWT, and nearly 90% of the fleet has served international markets. We believe that this continued fleet expansion will drive growth in 2025.

The market freight rates for crude oil and refined petroleum products are forecast to remain strong in late 2024 due to (1) the instability in the Middle East that could disrupt important maritime routes and (2) length shipping distances but limited vessel supply. Additionally, freight rates for chemical transportation are also expected to remain stable due to (1) improved chemical production capacity in China, (2) strong demand for clean petroleum products such as aviation fuel and gasoline, and (3) limited vessel supply. However, freight rates are forecast to soften somewhat in 2025 due to an improvement in vessel supply.

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**	**11,429**	**12,672**	**13,581**	**14,225**
OP (bn VND)	1,428	1,760	1,941	2,234	2,326
NP (bn VND)	**1,239**	**1,454**	**1,645**	**1,928**	**2,058**
EPS (VND)	3,029	3,554	4,022	4,715	5,033
BPS (VND)	22,879	27,370	32,452	38,410	44,769
OPM (%)	15.0%	15.4%	15.3%	16.5%	16.4%
NPM (%)	13.1%	12.7%	13.0%	14.2%	14.5%
ROE (%)	**13.7%**	**13.5%**	**12.9%**	**12.8%**	**11.7%**
PER (x)	10.5	9.2	8.1	6.9	6.5
PBR (x)	1.4	1.2	1.0	0.8	0.7
EV/EBITDA (x)	2.9	2.4	2.2	1.9	1.8

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Maintain BUY rating and target price of VND 32,600

We apply a Discounted Cash Flow (DCF) valuation method to value PVT. We update our BUY recommendation with a target price of VND 32,600, equivalent to a return of 18.5%.

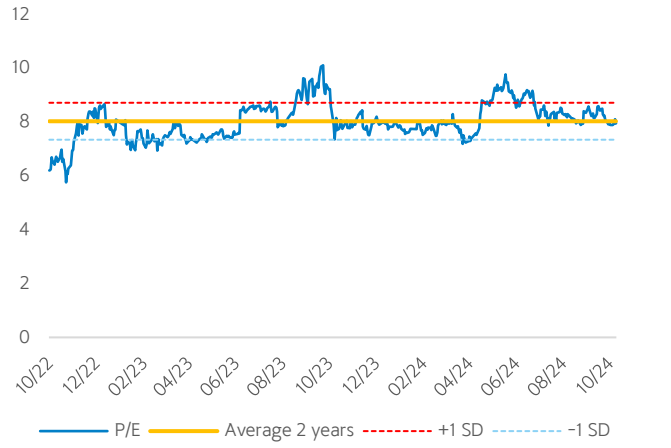
Valuation

DCF valuation					
Unit: billion VND	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
NPAT-Mi	1,295	1,518	1,571	1,701	1,788
Plus: After-tax interest expense	311	301	311	342	373
Plus: Depreciation & Amortization	1,905	2,163	2,468	2,821	3,218
Minus: Change in working capital	-46	-7	-49	-48	-78
Minus: CapEx	2,477	2,811	3,455	3,809	4,344
Free Cash Flow (FCF)	1,080	1,177	944	1,105	1,113
PV of FCF	4,571				
Growth rate	2%				
Present value of long-term value	7,501				
Enterprise value	**12,072**				
Cash and cash equivalents	5,175				
Debt	5,721				
Equity value	**11,508**				
Number of shares outstanding (mn units)	356				
Target price (VND)	**32,600**				

WACC	**12%**
Risk-free rate	2.9%
Equity risk premium	9%
Beta	1.3
Debt cost	8%
The cost of equity	14.6%
Debt-to-equity ratio	65.7%
Total debt (VND bn)	5,721

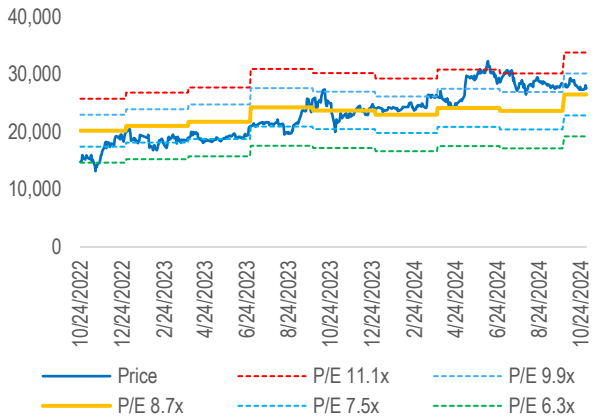
Source: Company data, Shinhan Securities Company

PVT's PER



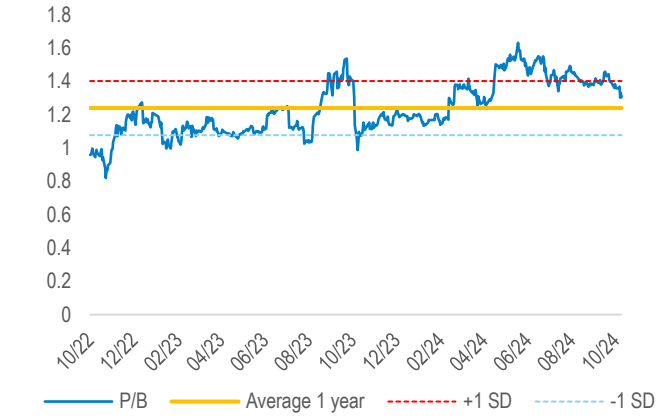
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of PVT



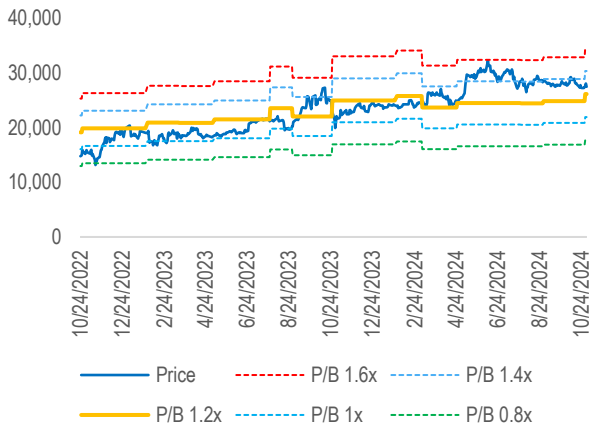
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PVT's PBR



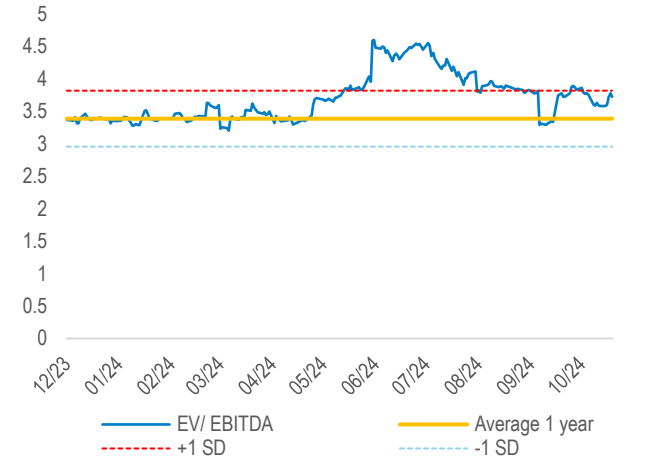
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PBR band chart of PVT



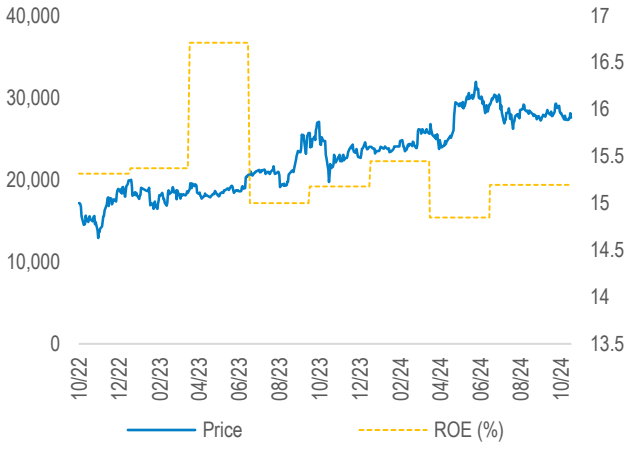
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PVT's EV/EBITDA



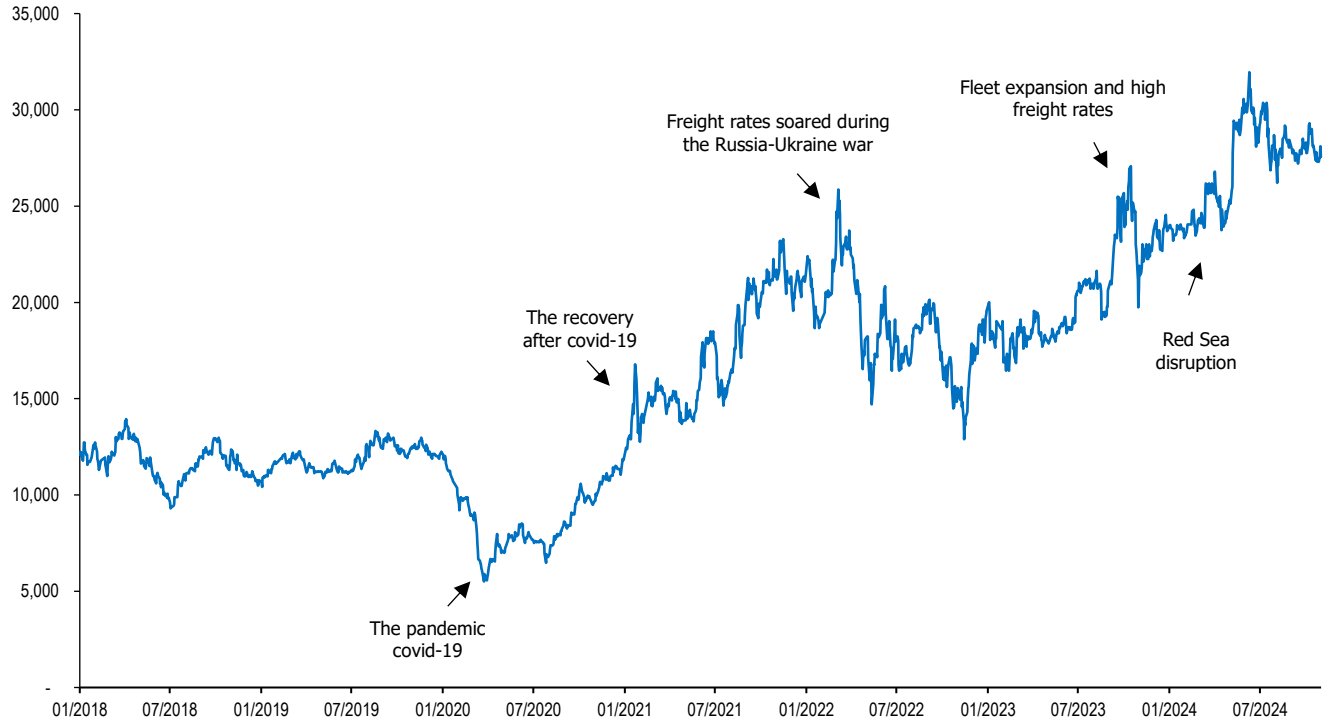
Source: Bloomberg, Company data, Shinhan Securities Vietnam

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

Appendix: Company background

History

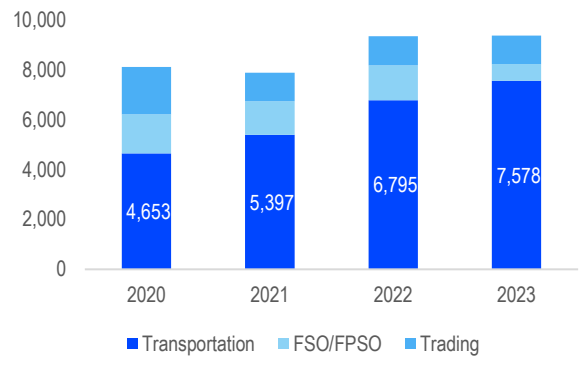
In 2007, PVT was officially listed on HOSE with the ticker "PVT". Being the sole unit doing maritime transportation unit within Vietnam Oil and Gas Group, PV Trans provides professional oil transportation services, including: (1) transportation service of crude oil, refned oil and LPG and (2) FSO/FPSO 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.

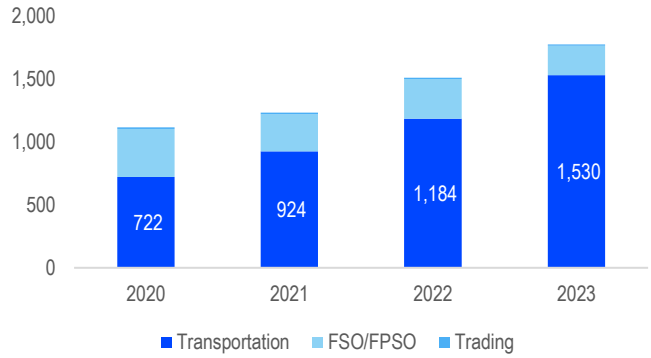
(2) FSO/FPSO (Floating Storage and Offloading /Floating Production Storage and Offloading): FSO/FPSO is a floating production system that receives fluids (crude oil, water,…) from a drilling rig, which then separated, stored and offloaded onto tanker or transported through a pipeline system. This segment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

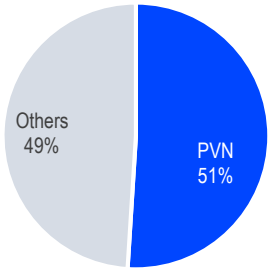
PVT's revenue breakdown by segment (VND bn)



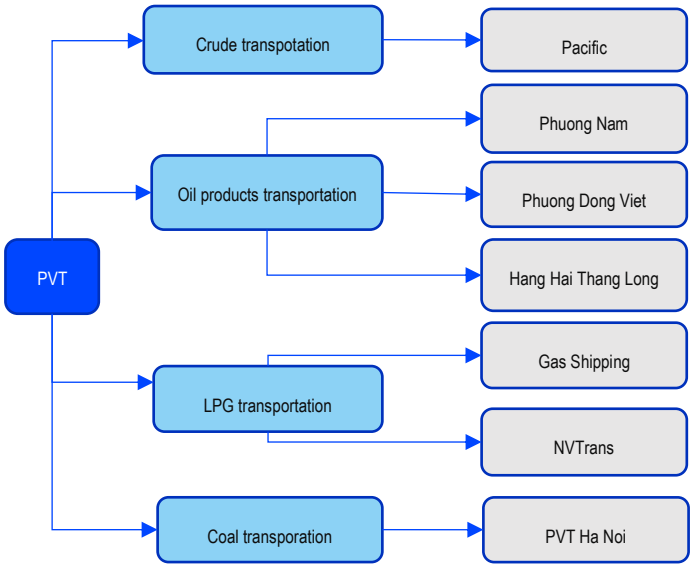
PVT's gross profit breakdown by segment



Shareholder Structure 14/03/2024



Model of Governance



Source: Data Company, Shinhan Securities Company

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Total assets	14,252	17,464	19,338	21,413	23,667
Current assets	6,286	6,279	7,021	7,857	8,575
Cash & equivalents	1,794	969	1,424	2,076	2,663
Short-term financial asset	2,707	3,496	3,496	3,496	3,496
Accounts receivable	1,377	1,183	1,426	1,580	1,694
Inventories	179	225	270	299	316
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	8,555	8,642	8,566
Current liabilities	3,055	3,201	3,617	4,003	4,227
Accounts payable	812	794	954	1,057	1,117
Short-term borrowings	1,099	1,326	1,375	1,524	1,610
Others	1,144	1,081	1,288	1,422	1,500
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	10,783	12,771	15,101
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	3,913	5,557	7,485
Non-controlling interest equity	2,012	1,622	1,925	2,268	2,670
*Total debt	3,691	5,928	5,677	5,526	5,312
*Net debt (cash)	(810)	1,463	757	(46)	(847)

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	9,047	9,487	11,429	12,672	13,581
Growth	21.3%	4.9%	20.5%	10.9%	7.2%
COGS	7,392	7,634	9,166	10,160	10,736
Gross profit	1,655	1,853	2,263	2,511	2,845
GPM	18.3%	19.5%	19.8%	19.8%	21.0%
SG&A	421	426	503	570	611
Operating profit	1,235	1,428	1,760	1,941	2,234
Growth	30.0%	15.7%	23.3%	10.3%	15.1%
OPM	13.6%	15.0%	15.4%	15.3%	16.5%
Non-operating profit	-93	-95	-130	-70	-6
Financial income	221	373	390	435	487
Financial expense	314	469	519	505	493
In which: interest expenses	214	355	406	392	379
Net other non-operating profit	288	203	203	203	203
Pre-tax profit	1,457	1,562	1,833	2,074	2,431
Income tax	301	323	379	429	503
Net profit	1,156	1,239	1,454	1,645	1,928
Growth	38.5%	7.2%	17.4%	13.2%	17.2%
NPM	12.8%	13.1%	12.7%	13.0%	14.2%
Controlling interest	857	980	1,150	1,302	1,526
Non-controlling interest	299	258	303	343	402
EBIT	1,671	1,917	2,239	2,466	2,811
Growth	41.3%	14.7%	16.8%	10.1%	14.0%
EBIT Margin	18.5%	20.2%	19.6%	19.5%	20.7%
EBITDA	2,867	3,271	3,917	4,371	4,973
Growth	35.7%	14.1%	19.7%	11.6%	13.8%
EBITDA margin	31.7%	34.5%	34.3%	34.5%	36.6%

Statement of cash flow

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	2,172	2,069	2,908	3,260	3,696
Net profit	1,156	1,239	1,454	1,645	1,928
Depreciation expense	1,195	1,354	1,678	1,905	2,163
(Gain) from investing activities					
Change in working capital	78	12	79	53	7
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	-272	-131	-297
Change in equity	0	120	303	343	402
Net borrowing	399	1,871	-251	-151	-214
Dividends	-40	-272	-324	-324	-485
Change in total cash	511	-828	454	652	587
Beginning cash	1,283	1,794	969	1,424	2,076
Change in FX rates					
Ending cash	1,794	969	1,424	2,076	2,663

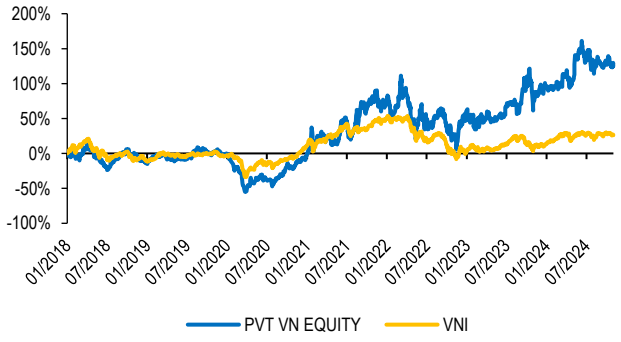
Key ratios

Year to Dec.	2022	2023F	2024F	2025F	2026F
EPS (VND)	2,649	3,029	3,554	4,022	4,715
BPS (VND)	18,546	22,879	27,370	32,452	38,410
DPS (VND)	800	1,000	1,000	1,000	1,500
PER (x)	12.0	10.5	9.2	8.1	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%	33%	28%	25%
Dividend yield (%)	1.8%	2.2%	3.8%	3.8%	5.7%
Profitability					
EBITDA margin	31.7%	34.5%	34.3%	34.5%	36.6%
OPM	13.6%	15.0%	15.4%	15.3%	16.5%
NPM	12.8%	13.1%	12.7%	13.0%	14.2%
ROA	8.1%	7.1%	7.5%	7.7%	8.1%
ROE	14.4%	13.7%	13.5%	12.9%	12.8%
Stability					
Debt to equity ratio	46.1%	65.7%	52.6%	43.3%	35.2%
Cash ratio	58.7%	30.3%	39.4%	51.9%	63.0%
Interest coverage ratio (x)	5.8	4.0	4.3	5.0	5.9
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

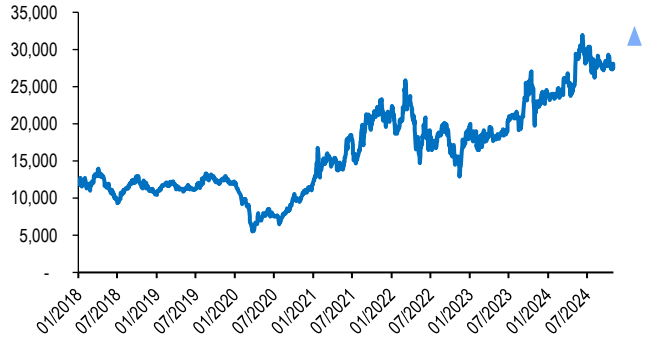
Source: Company data, Shinhan Securities Vietnam

PetroVietnam Transportation Corporation (PVT VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
14/03/2024 (Initiation)	BUY	28,800	25.4	2.7/60.9
05/11/2024 (Update)	BUY	32,600	25.8	1.8/64.6

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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