



Company Update Note

PJT – Petrolimex Joint Stock Tanker Company (HNX)

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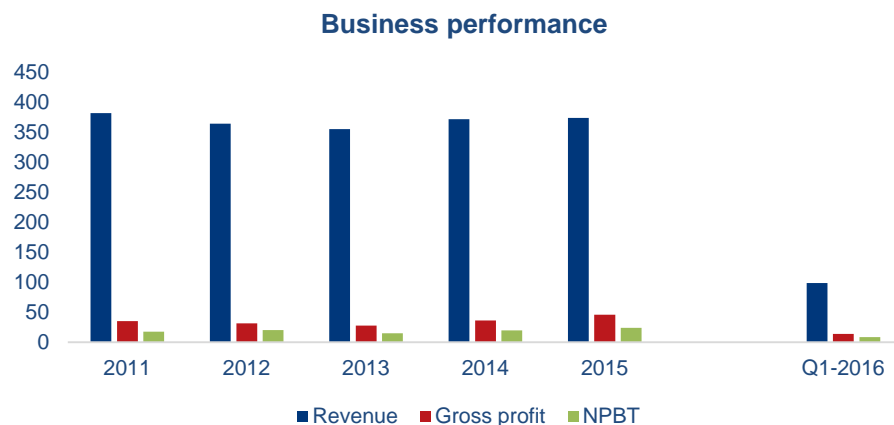
On July 28th 2016, PJT was traded at price of 11.000 dong/share, equivalent to P/E trailing 5.64x which was considered to be quite attractive compared with average P/E of market. Even though being a small oil tanker transportation firm, PJT has recorded quite stable business performance with EPS of 1.444 dong/share and ROE steady increased from 14.95% to 17.21% in period 2011-2015. The downside risk at the moment of PJT is low in average trading volume of 10 sessions which stood at only 2,530.

PJT is subsidiary of Petrolimex, specializing in clean oil inland water transportation. While fleets of VTO and VIP (also Petrolimex's subsidiaries) are mostly used to transport import-export oil product, PJT concentrates on domestic routes- coastal and inland water lines. As at the end of 2015, PJT owns 16 vessels in which 9 vessels are inland water ship and 7 vessels are coastal ship. Total capacity is 35.000 DWT, much lower than VTO and VIP capacities standing at 162.000 dwt and 137.000 dwt respectively.

Stable business performance. In the first quarter 2016, PJT recorded revenue of VND 99 bil (+5%yoy), NPAT standing at VND 7 bil (+49%yoy). The strong increase in NPAT was blamed for following reasons: (1) the low oil price helped GPM increase from 12.58% in Q1-2015 to 14.44% in Q1-2016. (2) The interest expense and foreign exchange loss (realized and unrealized) decreased about VND 1 bil compared over the same period 2015.

Investors take notice that part of PJT's fleets are used in time charter contracts with parent company with stable transportation demand and rate, resulting in stable performance in the period 2011-2015 as can be seen in the chart below.

However, not as VTO and VIP with their fleets are used for time charter contracts with Petrolimex, PJT is maintaining part of its fleets' capacity in spot contracts in domestic routes as well as inland water route linking Vietnam and Cambodia. In 2015, cargo transported on spot contracts accounted for about 30% of PJT's total cargo.



Source: PJT

Domestic clean oil transportation demand is forecasted to increase significantly in the last 6M2016. The clean oil imported in the first 5 months recorded rapid growth of 27.6%yoy, standing at 5.4 mil ton. Despite the fact that clean oil import volume increased sharply, the import value actually went down for 20.2% yoy reaching only USD 1.96 bil. We believe that this upward trend will be continued in the following months for the following reasons: (1) Vietnamese refinery currently just supplies about 30% total domestic clean oil demand. (2) low oil price boost demand for oil used in civil consumption as well as manufacturing industries. This trend will benefit the domestic oil tanker, especially PJT as the main oil tanker in domestic routes. As such, cargo transported in spot contracts should account for at least the same percentage as it did in 2015 (30%), boosting PJT's business growth.

Concentration on main core business- clean oil transportation. From 2013, PJT has lowered share of oil commercial trading in its total business due to low oil price. Until recently, PJT mostly focus on clean oil transportation which in our opinion is appropriate strategy since large capital investment is required for fleet purchase plans in the next 5 years.

Aggressive investment plans in the next 5 years. In 2016, PJT is planning to purchase a ship with capacity of 10.000 DWT, increase PJT's total capacity by about 28%. With the strong increase in demand forecasted in the last 6 months 2016 and in 2017, this vessel is believed to bring out positive business performance for PJT. Facts have shown that 2 ships purchased in the past- Long Phu 10 and Long Phu 18, have been operated quite efficiently. Therefore, we believe that the new investment will boost PJT's business performance right after being into operation.

	2016	2017	2018	2019	2020
Vessel Type	Coastal ship	Inland water ship	Coastal Ship	Inland water ship	Coastal ship
Capacity	9.000-10.000 DWT	2.000 ton	9.000-10.000 DWT	2.000 ton	10.000-12.000 DWT
Investment amount (mil USD)	8 to 10	0.5	9 to 11	0.55	12 to 15
Funding structure (Equity/debt)	30%/70%	100%	30%/70%	100%	30%/70%

Source: PJT

	Long Phu 10 (7.725 dwt)	Long Phu 18 (4.999 dwt)
Revenue	91.02	66.58
Gross Profit	9.5	7.19
Investment amount	132.65	70.38
NPBT	2.51	3.12

Source: PJT

Corporate Finance.

Financial Ratios	2011	2012	2013	2014	2015
Operation efficiency					
Gross Revenue (Bil đ)	382	364	355	372	373
% Growth rate y-o-y		-5%	-3%	5%	1%
NPAT (Bil đ)	13	15	11	15	19
% Growth rate y-o-y		23%	-27%	36%	22%
EPS (đ/cp)	1,495	1,831	1,164	1,415	1,721
Gross profit margin	9%	9%	8%	10%	12%
ROS	3.29%	4.23%	3.17%	4.12%	4.98%
ROE	14.95%	18.31%	11.64%	14.15%	17.21%
ROA	9.25%	10.94%	4.80%	5.35%	6.45%
Asset quality					
BVPS (đ/share)	11,840	12,964	12,208	11,783	11,942
Total Asset (Bil đ)	136	141	234	286	289
Total Equity (Bil đ)	99	109	118	127	129
Outstanding shares (Mil share)	8.40	8.40	9.66	10.82	10.82
Liquidity ratio					
Debt/Equity	0.36	0.29	0.99	1.25	1.23
PP&E/ Total Asset	31%	42%	73%	75%	64%
Quick ratio	2.19	2.23	1.31	1.06	1.17
Current ratio	2.58	2.58	1.70	1.36	1.42
Operation efficiency					
Receivable day outstanding	25.58	20.16	28.17	30.13	29.42
Inventory day outstanding	14.84	12.17	16.45	17.10	20.34
Payable day outstanding	34.47	31.82	23.73	31.18	49.19

Source: PJT

Profitability ratios were at high level compared with industry average. In 2015, PJT recorded ROE of 17.21%, which was higher than industry average of just 8.05%. With stable business performance in the period 2011-2015, the high leverage ratio has been bringing out positive consequences for PJT while it was considered the main driver of PJT's attractive ROE (The leverage ratio had increase from 1.99 in 2013 to 2.23 in 2015).

Liquidity ratios were at safety level. Current ratio and quick ratio in the period 2011-2015 always stayed at quite safe level of above 1. This demonstrates strong financial position of PJT, making it easier to meet debt obligation as well as raise funds in the future.

Foreign exchange risk will not be a big concern for PJT. As at the end of 2015, PJT had USD loan outstanding of nearly USD 3 mil. Added USD 7 mil used to purchase new ship, total USD loan outstanding might reach USD 10 mil. Forecasting USD/VND rate will increase by 5% in 2016, PJT might record foreign exchange loss of just VND 3.67 bil.

Disclosure

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