

Industry : Oil and Gas (Last Report: [Link](#))

Recommendations

BUY

PetroVietnam Transport Corporation (HSX: PVT) Gains from Improved Rates

Current Price:	19.850	Date of writing:	30/11/2022	Shareholder structure	
Previous prices:	36.000	Outstanding Shares (Million)	323.65	PVN	51.0%
New target price:	24.300	Capitalization (billion)	5,906	PVcomBank	4.95%
Dividend yield:	- %	Average liquidity 6 months:	2,017,890	Vietnam Holding Ltd	4.32%
Capital gain potential:	22.4%	Foreign ownership	14.46%	Korea Investment Management	4.30%

Industry analysts:

Duong Quang Minh
(Oil & Gas, Electricity)

minhdq@bsc.com.vn

Technical Analyst:

Le Quoc Trung

trunglq@bsc.com.vn

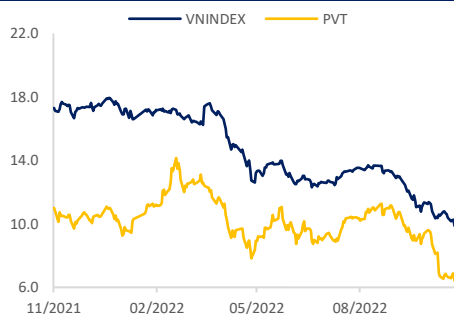
Recommended price: 23.1

Stop loss price: 18.7

Comparison table of PVT and VN-Index prices



P/E and VN index comparison table



Valuation

▪BSC maintains its **BUY** recommendation for PVT, and adjusts its target price for 2023 to **24.300 VND/share** (equivalent to an **upside of 22.4%** compared to the closing price on 29/11/2022 is 19.850 VND/share) based on two valuation methods FCFF and P/E with a weighting of 50% - 50%.

Forecast business results

▪BSC forecasts that PVT's Net Revenue and Profit after tax in 2022 are **VND 8,780 billion (+19.2% YoY)** and **1,113 billion VND (+32.8% YoY)**, **EPS FW = 2,817 VND/share** assuming (1) The average charter price increased by 15% YoY thanks to adjusted T/C contracts with higher rates, and (2) Recorded an additional VND 200 billion in profit from the liquidation of the Athena PVT ship.

▪In 2023, BSC forecasts that PVT's Net Revenue and Profit after tax will respectively reach **VND 11,025 billion (+25.6% YoY)** and **VND 1.202 billion (+8.0% YoY)**, **EPS FW = 3,058 VND/share** with the assumption (1) The time charter price continues to increase by 20% YoY, (2) Dai Hung Queen's daily charter price continues to remain high, (3) Recorded an additional VND 60 billion in profit from the liquidation of Song Hau Eagle and PVT Dragon.

Investment Perspectives

- Charter rates tend to increase due to tight supply and are forecast to maintain a high background soon.
- PVT's freight rate is expected to grow positively in the coming period thanks to the renewal of new contracts from the end of 2022.
- Long-term growth prospects thanks to plans to expand and rejuvenate the fleet.

Risk

- Russia and Europe reach a joint agreement on energy, thereby reducing pressure on gasoline and gas supplies, causing freight rates to fall.
- The economy recovered slowly, affecting transport demand.

Business Updates

▪In Q3/ 2022, PVT's net revenue reached VND 2,330 billion (+39% YoY), of which revenue from transport services reached VND 1,807 billion (+45% YoY), marine services reached VND 202 billion, equivalent to the same period, and commercial and other services reached VND 321 billion (+38% YoY). Meanwhile, PVT's profit after tax increased dramatically, reaching VND 386 billion (+152% YoY) due to other profits of more than VND 200 billion from the liquidation of Athena. Accumulated in 9M/2022, PVT's net revenue reached VND 6,609 billion (+25% yoy), and profit after tax reached VND 838 billion (+37% yoy), respectively completed 102% of the revenue plan, and 173% of the full-year profit plan.

	2021	2022E	2023F	VN-Index
PE (x)	11.1	6.5	6.0	9.9
PB (x)	1.1	0.8	0.7	1.5
PS (x)	1.0	0.7	0.5	2.8
ROE (%)	12.1	14.1	13.5	17.7
ROA (%)	6.7	7.8	7.6	6.5
EV/EBITDA (x)	5.8	4.9	4.3	N/A

	2020	2021	2022E	2023F
Revenue	7,383	7,368	8,780	11,025
Gross profit	1,119	1,250	1,520	1,929
NPATMI	669	666	912	990
EPS	1,946	2,056	2,817	3,058
EPS growth	-16%	6%	37%	9%
Net debt/equity	18%	27%	38%	40%

BUSINESS UPDATES

Table 1: Business update Q 3.2022

Billion VND	Q3/2022	Q3/2021	% YoY	9M2022	9M2021	% YoY
Net sales	2,330	1,680	38.7%	6,609	5,290	24.9%
-Transport	1,807	1,247	44.9%	4,987	3,848	29.6%
- Maritime	202	201	0.5%	766	722	6.1%
- Other Commercial & Services	321	232	38.4%	856	720	18.9%
Gross profit	415	282	47.2%	1,146	921	24.4%
%GPM	17.8%	16.8%		17.3%	17.4%	
Selling expenses	-3	-2	50.0%	-8	-8	0.0%
General & Administration expenses	-100	-74	35.1%	-260	-214	21.5%
%SG&A/Rev	4.4%	4.5%		4.1%	4.2%	
EBIT	312	206	51.5%	878	699	25.6%
Financial revenue	53	34	55.9%	133	118	12.7%
Financial expenses	-102	-47	117.0%	-225	-112	100.9%
Other Income	212	4		230	47	
Profit before tax	481	198	142.9%	1,035	766	35.1%
PROFIT AFTER TAX	386	153	152.3%	838	610	37.4%

Source: PVT, BSC Research

In Q3/2022, PVT's net revenue reached VND 2,330 billion (+39% YoY), while transport services reached VND 1,807 billion (+45% YoY), marine services reached VND 202 billion, equivalent to the same period, and trade & other services reached VND 321 billion (+38% YoY). Meanwhile, **PVT's profit after tax increased dramatically, reaching VND 386 billion (+152% YoY)** due to other profits of more than VND 200 billion from the liquidation of Athena.

Accumulated in 9M/2022, PVT's net revenue reached VND 6,609 billion (+25% yoy), and profit after tax reached VND 838 billion (+37% yoy), respectively completed 102% of the revenue plan, and 173% of the full-year profit plan.

BUSINESS PROSPECTS

World freight rates tend to rise again due to tight supply. According to Fearnleys data, the industry's daily and time charter (T/C) rates have declined to a 4-year low, due to the impact of supply chain disruptions because of the pandemic. However, since June 2022, along with the recovery of gasoline demand, the T/C price has also improved significantly, and surpassed the threshold of 35,000 USD/day. The main reason is that demand for tankers has been rising sharply since the middle of this year, when the European Union imposed sanctions on crude oil on Russia, and this trend will continue soon, as EU sanctions on Russian oil and fuel remain in effect. **Therefore, BSC assesses that the volume of transporting crude oil and finished products by sea will continue its upward trend soon, thereby positively supporting freight and charter rates.**

Figure 1: 5-year T/C price movement (thousand USD)

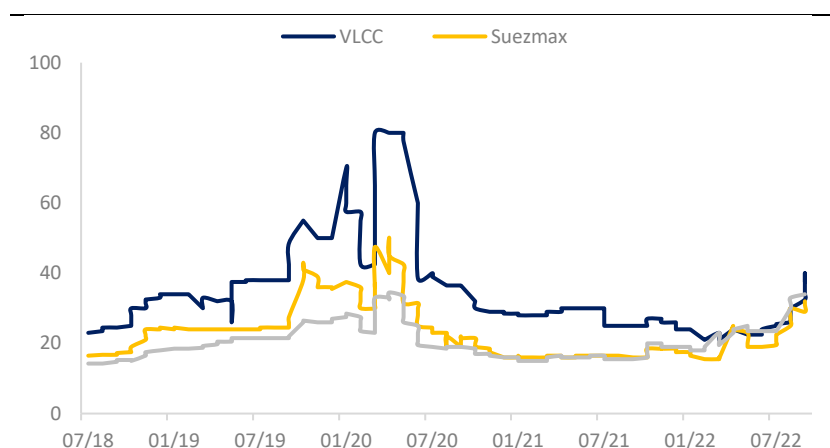
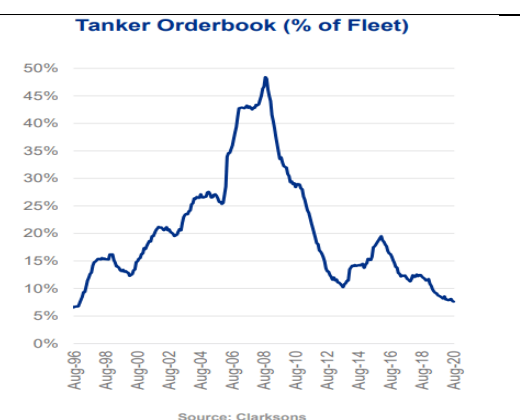


Figure 2: The number of new tankers placed at a low level



Source: BIMCO, Clarksons, BSC Research

PVT's freight rate is expected to grow positively in the coming period thanks to the renewal of new contracts from the end of 2022. The index of freight rates related to PVT's transport activities such as: Crude oil freight (Baltic dirty tanker), freight rate of oil products (Baltic clean tanker) is in a strong upward trend from the beginning of 2022 to now. In addition, as of November, oil freight rates on Southeast Asian routes to countries such as Japan have increased by 37% compared to 1H2022. The majority of PVT's contracts are T/C (fixed-term leases), 3-month leases and 3-month renewal options, and in the year-end period the company will renew these contracts. Therefore, we expect new renewal rates to increase by 20% compared to this year, thereby consolidating PVT's transportation profitability in the late 2022 and next year.

Figure 3: Crude oil/product transport index

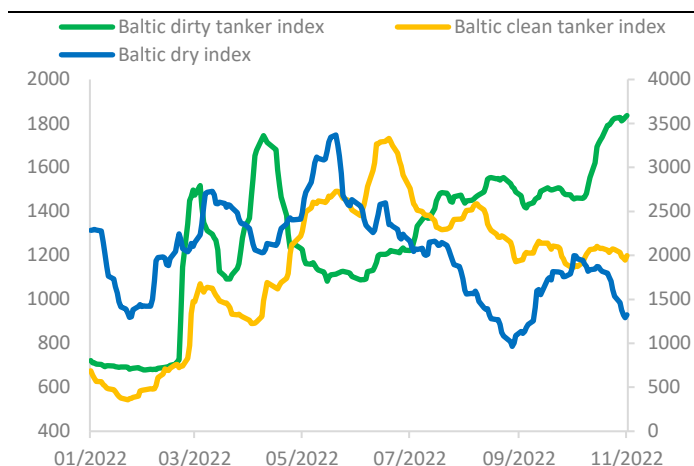
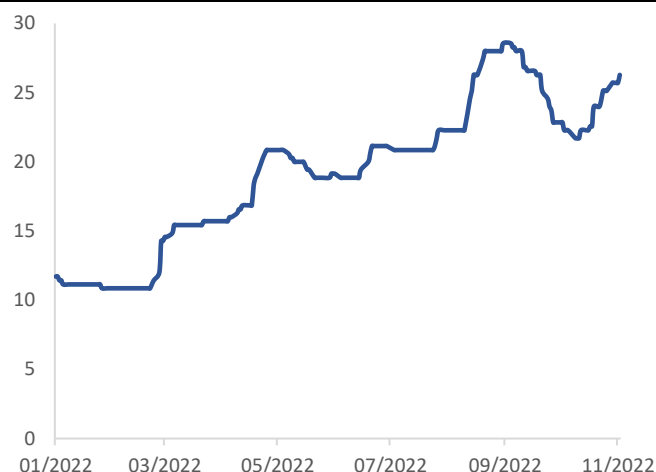


Figure 4: Estimated cost of Aframax oil transport on Indonesia-Japan route (USD/ton)



Source: Fearnleys, Bloomberg, BSC Research

Continued fleet expansion is PVT's long-term growth driver. With its leading position in the industry, the increase in the number of ships will help PVT's long-term prospects be more secure thanks to new ships running international routes with the advantage of cheaper labor costs compared to foreign shipowners. Regarding the plan to buy VLCC ships, the price of 10-year-old VLCC ships is hovering around 57 million USD, 20% higher than PVT's original investment plan (about 47 million USD). Therefore, the purchase of VLCC ships this year may face many difficulties in deployment. Therefore, we forecast that in 2023 PVT will invest in about 4 new ships, including 1 MR finished petroleum tanker, 1 VLGC ship, 1 bulk cargo ship and barge to serve coal shipping for the Song Hau 1 thermal power project.

Figure 4: Prices of some 10-year-old crude oil tankers

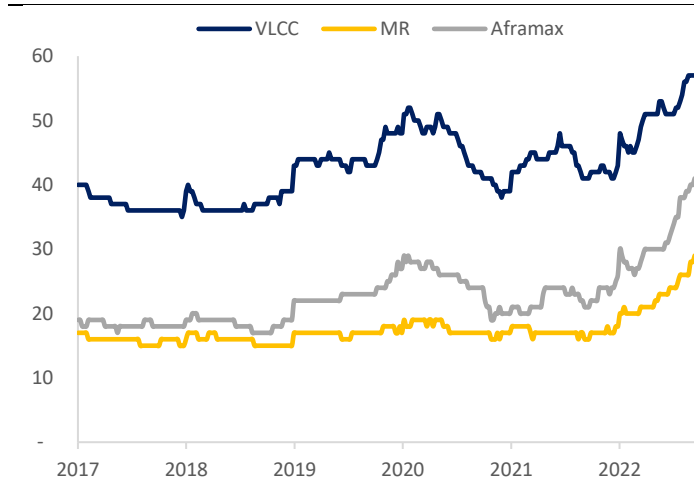
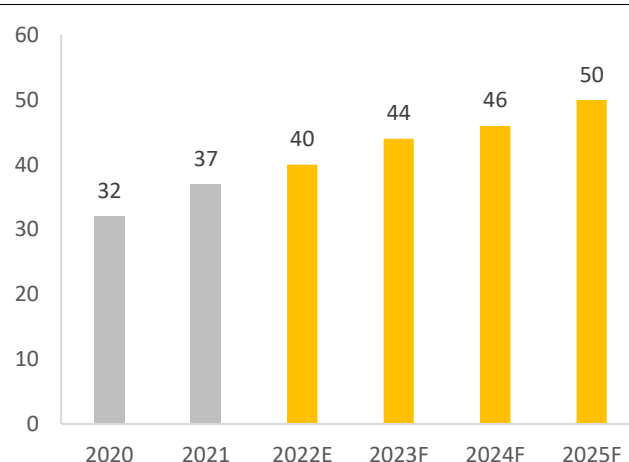


Figure 5: PVT's fleet expansion plan



Source: Bloomberg, PVT, BSC Research

FORECAST BUSINESS RESULTS

PVT's projected revenue and net profit in 2022 are **8,780 billion VND (+17.9% YoY)** and **1,113 billion VND (+31% YoY)**, **EPS FW = 2.799 VND/SHARE** thanks to (1) Average charter prices rose 15% YoY on the back of a positive second-half outlook as T/C contracts were revised to higher rates; (2) Dai Hung Queen's FSO/FPSO daily rental rate continues to remain high due to positive developments from world oil prices; and (3) Profit reached VND 225 billion from the liquidation of PVT Athena.

For 2023, BSC forecasts PVT's revenue and profit after tax to reach **VND 11,025 billion (+25.6% YoY)** and **1,202 billion VND (+8.0% YoY)**, **EPS FW = 3,058 VND/SHARE** with the assumption:

- Charter prices continued to recover by 20% YoY thanks to increased demand for crude oil shipments.
- PVT invests in buying 4 new ships in 2023 including: 1 VLCC ship, 1 Aframax ship, 2 finished petroleum tankers and 1 bulk cargo ship
- LNG shipping revenue has not been included in the forecast
- Other profits reached VND 55 billion from the liquidation of Song Hau Eagle and PVT Dragon vessels.

Although PVT's profit after tax in 2023 is expected to increase by less than 10% over the same period, however, we note that 2022 recorded extraordinary profits from the liquidation of old ships. If this profit is separated, **PVT's core business income will grow by 24% YoY.**

Table 3: PVT's income statement projections

Unit: VND billion	2020	2021	2022E	2023F
Net sales	7,383	7,368	8,780	11,025
-Transport	4,653	5,279	6,388	8,467
- FSO/FPSO	1,576	940	1,052	1,170
- Other Commercial & Services	1,154	1,152	1,340	1,388
Cost of goods sold	(6,264)	(6,118)	(7,260)	(9,096)
Gross profit	1,119	1,250	1,520	1,929
-Transport	721	933	1,156	1,524
- FSO/FPSO	381	276	316	351
- Other Commercial & Services	17	41	48	54
Selling expenses	(14)	(10)	(12)	(15)
General & Administration expenses	(251)	(277)	(330)	(414)
Profit/loss on operations	854	963	1,178	1,500
Financial revenue	272	181	182	175
Financial expenses	(174)	(157)	(220)	(262)
Profit from joint ventures and associates	34	30	26	34
Other income	58	38	225	55
Profit before tax	1,040	1,050	1,391	1,502
Profit after tax	830	838	1,113	1,202
Minority interest	161	172	201	212
Profit after tax – minority interest	669	666	912	990
EPS	1,946	2,056	2,817	3,058

Source: PVT, BSC Research

VALUATION AND RECOMMENDATIONS

BSC maintains its **BUY** recommendation for PVT, with a target price for 2023 of **24.300 VND/SHARE** (equivalent to an **upside of 22.4%** compared to the closing price on 29/11/2022 is 19.850 VND/SHARE) based on two valuation methods FCFF and P/E with a weighting of 50% - 50%. PVT currently has a relatively attractive valuation with a forward P/E of about 6 times, 1.5 times lower than the 10-year average PE. In addition, **we believe that PVT has high growth potential in the coming years** thanks to (1) improved freight rates due to tight supply, and (2) the potential to expand and rejuvenate the PVT fleet. Downside risks include (1) Russia and Europe reaching a mutual agreement on energy, thereby reducing pressure on petroleum and gas supplies, causing freight rates to fall; and (2) The economy recovered slowly, causing demand for oil to fall, affecting transportation demand.

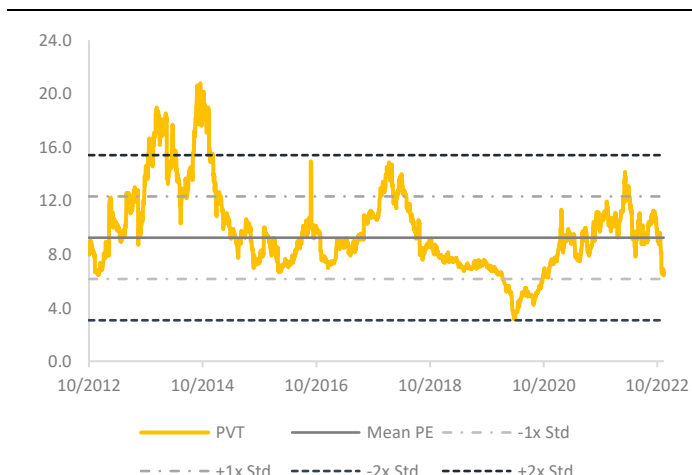
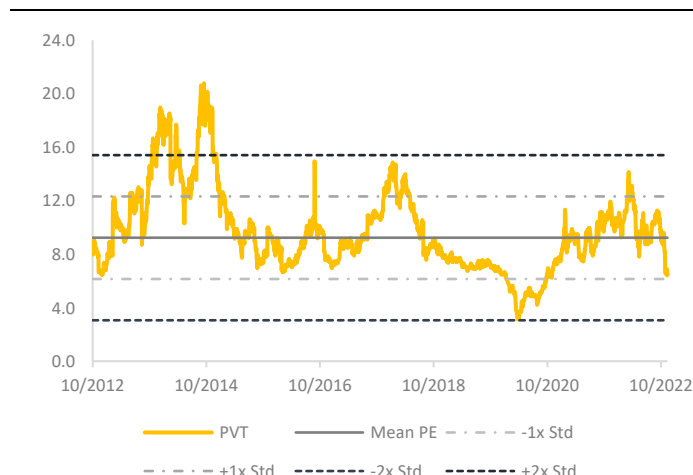
Method	Pricing (VND/SHARE)	Weighting (%)	Average price
P/E with target P/E 8.x	2 4.46 0	50%	12,230
FCFF	2 4.19 0	50%	12,095
Target price (VND/SHARE)			24,300
Closing price on 29/11/2022			19,850
Upside			22.4%

FCFF method	2022	2023	2024	2025	2026	Assumptions	
Corporate Free Cash Flow (FCFF)	-79	-101	1,708	2,286	2,245	Rf	5%
Free cash flow discounted value	-69	-77	1,124	1,306	1,117	Beta	1.0
PV of the terminal value (TV)	8,763					Ke	17.0%
Total discounted value	1 2,164					Kd	12.0%
(+) Money & short-term investments	2,141					WACC	15. 0%
(-) Debt	6,476					g	2%
Total company value	7,829						
Outstanding shares (million)	323.7						
Fair value	24,190						

Source: Bloomberg, BSC Research

Stock PE

Stock PB



Source: Bloomberg, BSC Research

ADDENDUM

	2020	2021	2022E	2023F
Net revenue	7,383	7,368	8,780	11,025
Cost of goods sold	-6,264	-6,118	-7,260	-9,096
Gross profit	1,119	1,250	1,520	1,929
Selling expenses	-14	-10	-12	-15
General & Administration expenses	-251	-277	-330	-414
Profit/loss on operating activities	854	963	1,178	1,500
Financial revenue	272	181	182	175
Financial costs	-174	-157	-220	-262
Interest expense	-143	-147	-220	-262
Profit from joint ventures and associates	34	30	26	34
Other profits/losses	58	38	225	55
Profit before tax	1,040	1,050	1,391	1,502
Corporate Income Tax	-209	-212	-278	-300
Profit after tax	830	838	1,113	1,202
Minority interest	161	172	201	212
Profit after tax – minority interest	669	666	912	990
EBITDA	1,707	1,768	2,141	2,423
EPS	1,946	2,056	2,817	3,058

	2020	2021	2022E	2023F
Cash & cash equivalents	1,473	1,349	983	743
Short-term investments	1,853	1,726	1,553	1,398
Short-term receivables	1,103	1,421	1,371	1,661
Inventory	112	142	151	189
Other short-term assets	121	160	191	239
Short-term Assets	4,662	4,798	4,591	4,431
Tangible assets	5,859	6,975	9,030	10,788
Depreciation	-4,680	-5,329	-6,076	-7,016
Construction in Progress	156	2	2	2
Long-term investment	205	194	194	194
Other long-term assets	187	357	357	357
Long-term Assets	6,428	7,639	9,694	11,452
Total Assets	11,090	12,437	14,285	15,883
Short-term payables	745	617	746	936
Short-term loans	615	777	743	771
Other short-term liabilities	767	735	735	735
Total Current Liabilities	2,419	2,483	2,613	2,894
Long-term loans	1,987	2,465	3,220	3,515
Other long-term debt	404	534	534	534
Total Long-Term Liabilities	2,391	2,999	3,754	4,049
Total Liabilities	4,811	5,483	6,367	6,943
Contributed capital	3,237	3,237	3,237	3,237
Share premium	0	0	0	0
Undistributed profits	876	926	1,641	2,451
Other equity	773	1,014	1,062	1,062
Minority shareholders	1,393	1,777	1,978	2,190
Total Equity	6,279	6,954	7,918	8,940
Total Capital	11,090	12,437	14,285	15,883
Number of shares outstanding (millions)	324	324	324	324

	2020	2021	2022E	2023F
(Loss)/Profit after tax	1,039	1,050	1,391	1,502
Depreciation	877	930	1,028	1,221
Change in working capital	-365	73	-324	-609
Other adjustments	-15	-286	-177	-154
Cash Flow from Operating Activities	1,536	1,767	1,918	1,960
Cash spent on buying fixed assets	-176	-2,105	-2,737	-2,988
Cash received from other investments	-138	-235	-184	550
Cash Flow from Investing Activities	-326	-2,353	-2,921	-2,438
Dividend payouts	-169	-373	-324	-324
Net borrowing	-777	595	721	323
Other receipts	0	239	239	239
Cash Flow from Financing Activities	-945	460	636	238
Cash at the beginning of the period	1,208	1,473	1,350	983
Net increase in Cash	265	-123	-367	-240
Cash at the end of the period	1,473	1,350	983	743

	2020	2021	2022E	2023F
Liquidity				
Current ratio	1.93	1.93	1.76	1.53
Quick ratio	1.83	1.81	1.50	1.31
Capital structure				
Debt/Total Assets	10%	15%	21%	22%
Debt/Equity	18%	27%	38%	40%
Operating performance				
Number of days of inventory	6.96	7.58	7.36	6.82
Days receivable	48.67	62.50	58.03	50.21
Days payable	33.33	33.73	28.34	27.84
CCC	22.30	36.35	37.05	29.19
Profit margin				
Gross profit	15%	17%	17%	18%
Net Profit	11%	11%	13%	11%
ROE	13%	12%	14%	13%
ROA	7%	7%	8%	8%
Valuation				
PE	5.05	11.07	6.5	5.98
PB	0.51	1.06	0.75	0.66
Growth				
Net revenue growth	-5%	0%	19%	26%
EBIT growth	-8%	13%	22%	27%
Profit before tax Growth	2%	1%	33%	8%
EPS growth	-16%	6%	37%	9%

Source: BSC Research

TECHNICAL ANALYSIS

PVT_POSITIVE

Technical highlights:

- Current trend: Recovery.
- MACD trend indicator: crossed up the signal line.
- RSI indicator: neutral zone, uptrend.

Opinions:

PVT is in a spectacular recovery from the bottom zone of 13.5, liquidity generally favors the stock's rally. However, after a strong rally, the stock will probably need to trade in a narrow range to find an equilibrium, besides the RSI is also close to reaching the overbought threshold. PVT may have accumulation sessions in the 19.5 - 19.9 zone in the short term, investors can enter orders at 20 when PVT breaks out of the medium-term downtrend trendline, take profits at the resistance level of 23.1 and stop loss when PVT loses support 18.7.



Source: BSC Research

Recommendations for use

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BSC Head Office

10th & 11th Floor BIDV Tower
35 Hang Lime, Hoan Kiem, Hanoi
Tel:+84439352722
Fax:+84422200669

BSC Ho Chi Minh Branch

9th Floor, 146 Nguyen Cong Tru Building
District 1, Ho Chi Minh City
Tel:+84838218885
Fax:+84838218510

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