



#### TRADING CHART



#### INVESTMENT VIEW

Investment view	Buy
Target price	90,200
Market price	80,000
Prospect 6 months	Increase
Prospect 12 months	Increase

#### TRADING INFORMATION

Outstanding (mil. Shares)	275.26
Market capital (bil. dong)	23,809.83
Book value (bil. dong)	9,837.72
Foreign ownership (%)	39.73%
EPS adjusted_TTM	80,000
Average trading volume in	573,407
Highest price in 52weeks	38,800
Lowest price in 52 weeks	86,000
+/- in 7 days	+4.88%
+/- in 1 month	+10.97%

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#### INVESTMENT KEYS

The global oil&gas has opportunity to recover, especially in Asia. The increase in the oil&gas demand leads to the rise in the demand of oil&gas exploitation and production and related services. The price of oil&gas services goes up because the oil&gas exploitation and production is boosting, the day rate of rigs is higher than 15% in comparison to the year 2013.

PVD is the largest drilling contractor in Vietnam, accounting for 70% market shares. At the moment, PVD is running 11 rigs with the operating efficiency of 98-99% including 5 owned rigs and 6 hired rigs while the total number of rigs operating in Vietnam is 21 rigs (including 4 nonprofit rigs of Vietsopetro). Moreover, PVD owns the newest rigs with the average age of 5 years (in the world, there are 22% under 5 years old rigs and 61% over 30 years old rigs).

The 2014 business performance is expected to be satisfactory. Base on the current day rate of the area and the continuously operating of 3 owned rigs and over 4 hired rigs in whole the year 2014, BSC expect that the 2014 revenue of PVD will reach 18.386 trillion dong, the profit after tax will reach 2.356 trillion dong (EPS will reach 8,129 dong/share).

#### 2014 Prospects:

- The drilling contract of PVD is signed until the end of the year 2014. PVD provide drilling related services for owned rigs and the hired rigs as well. The day rate of rigs and the price of services are high.
- There are positive signal from oversea market. PV Drilling has corporated with Singapore for building PV Drilling VI. Moreover, PVD provided the full contract of drilling services for Myanmar, set up the new office in Malaysia.

**Investment view:** PVD is a good fundamental stock with the significant growth in recently as well as this is a liquidity blue-chip stock with high Beta on HSX. Furthermore, there is the recovery in oil&gas sector (South East Asia in particular) and highly prospect of the company in 2014. **We recommended that buying PVD in medium-term and long-term with targeted price at VND 90,200 /share**

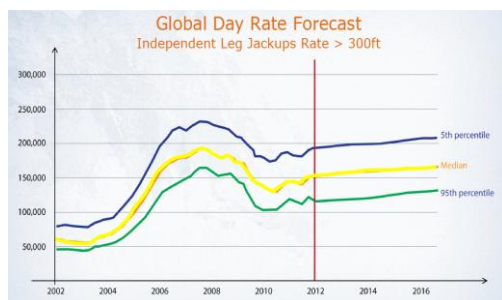
Financial information	2010	2011	2012	2013
Net revenue (Bil. VND)	7,553.06	9,210.84	11,929.46	14,863.25
% y-o-y	84.4%	22.0%	29.5%	24.6%
Total asset (Bil. VND)	15,058.65	18,535.42	19,083.62	21,490.41
Equity (Bil. VND)	5,215.03	6,202.16	6,992.14	9,874.87
No. shares (Mil. Shares)	210	210	210	225
Profit after tax (Bil. VND)	884.72	1072.61	1,447.52	1,994.9
% y-o-y	8.2%	21.2%	35.0%	37.8%
EPS (VND/share)	4,193	5,088	6,290	8,352
Book value (VND/share)	24,182	28,909	32,708	43,378
Gross margin	23.0%	22.3%	22.5%	23.0%
ROS	11.7%	11.7%	12.1%	13.4%
ROE	17.0%	17.3%	20.7%	20.2%
ROA	5.9%	5.8%	7.6%	9.3%

Source: PVD



## PROSPECT OF SECTOR

### Global day rate of jack up rigs



Source: ODSPetrodata

The global oil&gas sector has a change to recover, especially in Asia. The increasing in demand of oil&gas has lead to the high demand in drilling services. This trend has push the services price higher

- Moody Investor Service, one of the best credit rating company forecasted that EBITDA of Asian oil&gas industry will rise more than 5%. The increasing of investment, researching and exploitation the new oil field will improve the revenue and profit of oil&gas companies
- The investment budget of oil exploitation and production is expected at 6% growth in 2014, from USD 682,000 billion to USD 723,000 billion with the maintaining of high rental price of drilling services as current.

The oil& gas sector in Vietnam will continue developing.

- In 2014, there is a forecasting of 6.7% rise in oil production and 2% in gas production
- PVN's investment has up to VND 101.6 billion (rise 33% compared with 2013) to increasing the drilling, exploration and exploitation new fields
- There are many refineries will set up and extend in Vietnam with aiming that Vietnam will become the biggest and central oil services of Asia
- The restructure in Petrovietnam will be implemented more quicker as the duel date of its project in 2012-2015 period

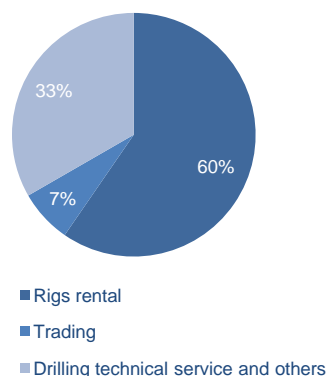
## OPERATION ACTIVITES

### PVD's business performance



Source: PVD, BSC collect

### The revenue structure in 2013



Source: PVD, BSC collect

### PVD is largest drilling contractor in Vietnam with 70% market shares.

The revenue of PVD has rapid increase year by year, in particular gross income increase 24.59% in 2013 due to the increasing in rental price of drilling rig (15%) compared with 2012 since Q3.2013

High and growth profit margin: the profit after tax rose up to 37.81%, net profit margin increased from 12.13% to 12.42%. PVD has provided the specific services which have a high demand in market; hence, the profit margin of PVD is higher than other companies in oil&gas sector. In 2013, PVD recorded the profit of the year 2011 from PVD-Baker Hughes. Moreover, PVD had payback all the debt from PV Drilling 11 project and reducing the total debt; thus, interest expense had drop to 25.35% in 2013.

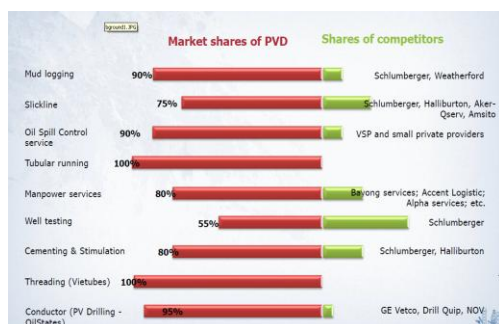
### Drilling rig market and related services analysis

- The demand of drilling rigs in Vietnam is around 14 jack up rigs. The drilling contracts have signed to the end of 2014.
- **The rig rental price of PVD** is equal in Vietnam as well as in global and following its stable increase trend. Specifically, the rental price is jack up rig of PVD is around USD150-160,000/day, the rental price of land rig PV Drilling 11 is USD31,000/day and the rental price of tap rig PV Drilling V is USD205,000/day.
- Investment in oversea had brought many positive result. PV Drilling has corporated with Singapore for building PV Drilling VI. Moreover, PVD had got the full contract of drilling services for Myanmar, set up the new office in Malaysia

### PVD capacity analysis

- PVD is actuating 11 drilling rig at 98-99% power capacity include 5 owned rigs (3 jack up rig, 1 land rig and 1 tap rig), and 6 hired rigs in which 3 jack up rigs and more than 4 hired jack up rigs will be operated continuously in 2014
- PVD got in their hand the newest and high technology drilling rig in market with average age about 5 years compared on global only have 108/473 rigs under 5 year old and it is forecasted that there will be 289/473 rigs stopped in 2015 due to the over date ( more than 30 years)

### Market shares of PVD's services



Source: PVD

- **The PV Drilling IV rig** (belonging to consortium company PV drilling-Oversea, a part of PVD) is supposed to be completed and started in March 2014, raising the number of owned rigs of PVD to 6 rigs. Take advantage from that, the PVD profit margin will have significant improvement because the margin of owned rig is about more than 30% while margin of hired rig is only about 2%.
- The PV Drilling V rig has got tax incentive and support from technological scientific fund ( in cost) in 5 years from 2011 to 2016
- PVD takes a major of market share of drilling services. They also provide drilling services to entire drilling rigs including owned rigs and hired rigs

### Risk analysis

- **The deduction of 50% corporation income tax** for head company from main business and income from 2 drilling rigs PV Drilling II and PV Drilling III and PVD Training (safety training) had finished in 2013
- **The major maintaining for 2 drilling rigs PV Drilling II and PV Drilling III** could happen in 2015 ( average 5 year per time) with delay from 45 to 60 days, cost 5.5 to 6.5 million US dollars while the small maintaining will occur 3years/time and cost around 7 thousand to 1 million US dollars in 15 to 20 days
- **The price-drop in oil risk:** when the oil-price dropping could lead to decrease in demand of exploiters for drilling, it leads to the reduction of drilling rig service prices on over the world.
- **Human risk:** The high technology operations need the high quality employer. At the moment, PV Drilling can do training in medium and normal manpower but hiring the high-top staffs, professional staff from oversea.

## FINANCIAL ANALYSIS

	2010	2011	2012	2013
<b>Capital structure</b>				
Borrowing/Total	1.21	1.27	0.97	0.57
Total	2.89	2.99	2.73	2.18
<b>Asset structure</b>				
Noncurrent	0.68	0.79	0.73	0.63
Current asset/Total	0.32	0.21	0.27	0.37
<b>Solvency ratios</b>				
Quick ratio	1.09	0.57	0.75	1.01
Current ratio	1.18	0.77	0.89	1.17
<b>Operating ratios</b>				
Day sales	71	74	75	84
Day sales	20	34	35	29
Day payable	89	88	83	68
<b>Profitability (%)</b>				
Gross margin	22.98%	22.34%	22.49%	22.96%
ROS	11.71%	11.65%	12.13%	13.42%
ROE	16.96%	17.29%	20.70%	20.20%
ROA	5.88%	5.79%	7.59%	9.28%

**The financial leverage has fallen steadily**, from 2.73 in 2012 to 2.18 in 2013 because shareholder equity reduced while debt decreased continuously. In 2013, thank to the issue of 38 millions of shares for 4 senior leading shareholders, the equity had added 1453.9 billion VND, while payoff of investment for PV Drilling make the 17.56% decline in debt.

**Asset structure had moved to short-term investment:** in 2 years recently, while long-term asset reduced continuously by depreciating fix asset, the short term asset had rapid growth, especially move to 55. 93 % in 2013, cash has increase 2.45 times because of receiving of 1453.9 billion VND from issuing stocks. Moreover, inventory or account receivable increased more than 30%

**The liquidity ratio has significant improved** from dangerous level in 2011 to safety level in 2013 due to the raped increasing of short term asset such as cash and cash equivalent while short term debt was declined

**Operation capacity:** opposite to the stability in last few years, in 2013, while the day sales of inventory and day sales outstanding reduced, the day payable outstanding increased. The reason of that is the inventory in the end of the year 2012 had significantly drop then rose up back in 2013 while the receivable account had increased sharply every year.

**Profitability:** The operating of PV Drilling V rig since 2012 and the rental rigs grow from Q3/2013; the margin of PVD has increased in last 2 years after slight decrease in 2011. Furthermore, the increase of shareholder equity pushed slight down of ROE while the ROA

was still increased strongly due to reducing debt.

## INVESTMENT VIEW

	Price	Probability
P/E	112,200	50%
P/B	68,100	50%
Target price	90,200	

**Investment view:** PVD is a good fundamental stock with the significant growth in recently as well as this is a liquidity blue-chip stock with high beta (1.49) on HSX. Furthermore, there is the recovery in oil gas sector (South East Asia in particular) and highly prospect of the company in 2014. **We recommended that buying PVD in medium-term and long-term with targeted price at VND 90,200/share**

The report uses P/E and P/B valuation method with the average P/E and P/B of 32 peer companies in Asian emerging countries.

- ✓ **P/E evaluation method**
  - P/E of sector is 13.83
  - Estimated EPS 2014 is 8,129 dong/share
  - The appropriate price is 112,200 dong/ share
- ✓ **P/B evaluation method**
  - P/B of sector is 1.64
  - Estimated book value per share in 2014 is 41524 dong/share
  - The appropriate price is 68,100 dong/ share

## TECHNICAL ANALYSIS



PVD is a strong growth stock with very sustainable up trendline. Since 2013, PVD chart has maintained the upward trend in the MA trendline (15) of the week chart.

PVD's price usually goes up after breaking its MA15. At the moment, PVD is move to MA 15 with the price from 78 to 80. Therefore, the price zone 78-80 is good mid-term entry point. On the other hand, the current decrease of PVD can be considered according to "trades remorse" structure. This structure re-tests the breaking point of last structure (Bullish pennant structure) with the re-test point of 80. At the moment, PVD completed the structure but the trading volume is necessary to confirm the high degree of target price. The stronger the trading volume is, the stronger the stock is. Selling point: it needs to observe the trading volume around 80 price zone. With the current trading volume, it just ensures that PVD will test the top of 88 and hence investors should consider to sell with the price of 88 (If PVD break 88 point, the stock will up until next breaking the trendline of 94, otherwise, the stock will back to test the low trendline again)

### Conclusion.

PVD is a growth stock; hence the movement in the trendline with PVD is a trenline having the axis of MA15. At the moment, PVD had broken the low trendline, hence we recommend that the investor should buy in 80 zone price and observe in 88 zone price ( buy more if over the recommend price and sell when break 94)

### Appendix 01: The reference companies listing

STT	Ticker	Market Cap	Tot Assets LF	EPS T12M	P/E	P/B
1	SMTC MK Equity	5,422,550,876,160	2,914,422,988,338	1007.841	1.28	0.78
2	SVOG IN Equity	231,798,505,472	23,253,494,133,334	1856.362	2.96	0.04
3	DOEI IN Equity	516,315,774,976	2,385,300,197,164	10772.56	3.15	0.54
4	GVH IN Equity	81,949,802,496	1,927,782,610,146	1879.375	3.43	0.43
5	OIL IN Equity	664,331,419,648	2,203,940,719,103	3112.127	5.31	0.76
6	RUIS IJ Equity	297,898,180,608	2,310,329,068,802	80.65307	5.46	0.64
7	PVS VN Equity	10,988,830,064,640	23,816,512,208,896	3269.862	7.52	1.33
8	JDDL IN Equity	2,125,580,861,440	3,038,544,016,863	10486.15	7.70	0.85
9	ABAN IN Equity	7,898,035,388,416	NA	24145.55	7.74	NA
10	SEAM IN Equity	1,190,613,483,520	2,063,643,890,550	4571.868	8.46	0.72
11	196 HK Equity	16,736,349,847,552	49,558,601,772,482	581.4577	8.97	1.04
12	PVC VN Equity	760,000,020,480	2,181,915,607,040	1558	9.76	0.90
13	PVD VN Equity	22,020,649,648,128	21,537,288,271,360	8163.526	9.77	2.23
14	DEEPI IN Equity	430,327,922,688	1,153,472,930,732	1775.818	10.16	0.72
15	600583 CH Equity	113,156,953,210,880	97,884,590,625,717	2307.787	11.26	2.02
16	QLT TB Equity	696,786,485,248	288,844,723,658	594.3897	12.64	2.93
17	3303 HK Equity	2,925,610,401,792	4,993,281,480,000	276.4178	14.55	0.86
18	1623 HK Equity	17,802,580,721,664	16,743,298,278,168	706.5672	15.04	1.98
19	200053 CH Equity	10,108,161,490,944	14,949,594,802,827	2782.674	15.83	2.11
20	AMRB MK Equity	8,570,162,642,944	10,092,928,282,350	671.0676	16.50	2.16
21	MMT SP Equity	12,843,617,353,728	15,070,108,839,479	556.502	16.67	1.16
22	839 HK Equity	3,972,969,267,200	10,159,356,240,000	211.7395	18.91	0.51
23	APEX IJ Equity	20,678,898,089,984	16,672,403,374,080	388.3099	19.97	NA
24	DLUM MK Equity	6,707,537,772,544	3,214,373,684,699	2200.37	20.88	4.28
25	DEHB MK Equity	19,775,170,281,472	6,324,243,714,332	1149.016	21.60	4.58
26	PETR MK Equity	9,032,111,751,168	7,594,946,934,603	576.3872	21.82	2.44
27	MPL BD Equity	8,214,557,491,200	9,646,792,698,067	3738.088	21.85	NA
28	3337 HK Equity	29,687,782,834,176	20,785,525,964,138	607.667	22.50	3.78
29	UZMA MK Equity	5,132,724,469,760	1,560,241,046,094	1702.076	23.56	NA
30	RH MK Equity	6,086,265,405,440	5,759,981,863,941	248.6982	24.60	1.22
31	MMHE MK Equity	40,439,650,451,456	30,405,761,226,092	992.6794	26.17	2.42
32	MJL BD Equity	4,687,935,832,064	2,954,332,778,688	696.1027	26.62	2.40
Average					13.83	1.64



**Rating System:** Our recommendations are relative to the market development and are based on the difference between the current price and our 12-month price target includes dividends over the period (Unless otherwise specified). This structure applies from 1st Jan 2014.

**Valuation Methodology:** The selection of methods depends on the industry, the company, the stock. Our valuations are based on a single or a combination of one of the following valuation methods: 1) Relative models (P/E, P/B, EV/EBIT, EV/EBITDA); 2) Discount models (DCF, DVMA, DDM); 3) Asset-based evaluation methods (NAV, RNAV).

Rating System	Note
<b>STRONG BUY</b>	If the target price is 20% higher than the market price
<b>BUY</b>	If the target price is 5% to 20% higher than the market price
<b>HOLD</b>	If the target price is 5% higher or lower than the market price
<b>SELL</b>	If the target price is more than 5% lower than the market price
<b>NOT RATED</b>	The investment rating and target price have been removed pursuant to BSC policy when BSC is acting in an advisory capacity, in a merger or strategic transaction involving this company, and in case BSC do not have enough material to perform valuation.

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