

3 Nov 2022

PV TRANS (PVT)

Tailwind is still blowing

Other income drove 3Q22 earnings growth

PVT posted decent results in 3Q22 with revenue of VND2,330bn (+39% yoy) and NPAT of VND386bn (+152% yoy). Revenue grew strongly thanks to the growth of its core business transportation (+45% yoy to VND1,807bn in 3Q22), which was driven by higher tanker rates and the contribution from newly-acquired tankers. Meanwhile, the NPAT grew strongly on the back of a VND205bn income arising from the liquidation of the old crude oil tanker - PVT Athena. Overall, in 9M22, the company achieved a VND6,609bn revenue (+25% yoy) and VND832bn NPAT (+38% yoy), fulfilling 102/173% of its 2022F guidance.

Gross margin of transportation improved slightly

Gross margin (GM) of the transportation segment expanded by 3.5%p yoy, resulting in a 1%p yoy increase in blended GM in 3Q22. Meanwhile, thanks to the one-off income from the liquidation of PVT Athena, the net margin swelled 7.5%p yoy to 16.6% in 3Q22. SG&A to sales ratio dropped 0.1%p yoy to 4.4% in 3Q22. We note that 4Q22F net margin could back to normal at 9.6%-11.4% if Regan crude oil tanker could not be liquidated in 4Q22F as planned in AGM 2022.

Foreign exchange rate risk to be noted

PVT's USD-denomination loan balance was USD90mn, 60% of total debt as of end-3Q22 and the majority pegs with 3~6M LIBOR plus 2.5~5%, per management. This means that PVT is susceptible to foreign exchange rate risks and interest rate risk. In 3Q22, the company recorded a foreign exchange rate loss of VND23.7bn (compared to a loss of only VND3.6bn in 3Q21), and interest expense increase of 80% yoy to VND76.7bn.

Keep benefiting from higher tanker rates

We expect tanker rates could sustain in 4Q22F and these heights blow the tailwinds to the marine transportation industry. Also, Dung Quat refinery recently announced to raise capacity to 109% will ensure transportation volume for PVT in the domestic market. Overall, we think PVT's 4Q22F yoy revenue growth could be stellar while the qoq growth could be vulnerable.

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	6,148	603	450	1,230	(16.7)	1,181	14.0	4.5	1.0	11.9	6.3
2018A	7,523	802	652	1,919	56.0	1,402	9.0	4.2	0.9	15.9	6.4
2019A	7,758	928	690	1,658	(13.6)	1,678	10.4	4.0	0.9	15.2	7.0
2020A	7,383	854	669	1,424	(14.1)	1,731	12.1	3.5	0.9	13.9	3.0
2021A	7,460	950	660	1,267	(11.0)	1,880	13.6	3.9	0.8	12.6	6.9

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (03 Nov, pt)	1,020
Stock price (03 Nov, VND)	17,200
Market cap (USD mn)	225
Shares outstanding (mn)	324
52-Week high/low (VND)	29,100/16,300
6M avg. daily turnover (USD mn)	2.30
Free float / Foreign ownership (%)	48.9/14.7
Major shareholders (%)	
Petrovietnam	51.0

Performance

	1M	6M	12M
Absolute (%)	(5.8)	(15.3)	(27.8)
Relative to VNIndex (%p)	0.3	9.4	0.6

Stock price trend



Source: Bloomberg

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1. Other income drove 3Q22 earnings growth

1.1 Higher tanker rates boosted revenue growth

PVT recently released 3Q22 financial statements with remarkable earnings growth. Specifically, revenue grew 39% yoy to VND2,330bn and NPAT spiked +152% yoy to VND386bn. The robust revenue growth was mainly attributed to the improvement of its core business (transportation), which was driven by: (1) higher tanker rates caused by the Russia – Ukraine conflict (Baltic clean and dirty tanker indexes increased 171% yoy and 141% yoy in 3Q22), and (2) the contribution from newly acquired tankers. Meanwhile, the impressive gain in NPAT mostly stemmed from the liquidation of the old crude oil tanker - PVT Athena, which brought in VND205bn in 3Q22.

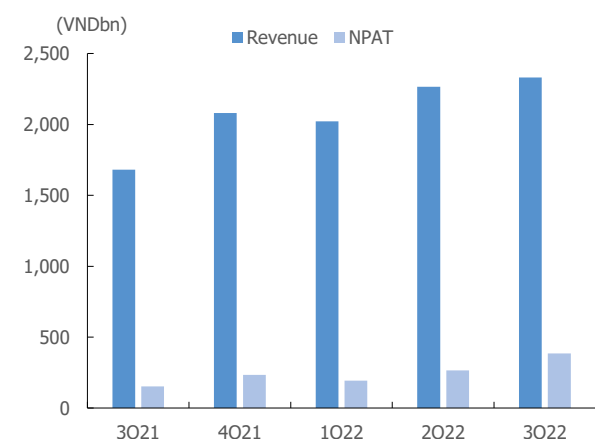
Overall, after the first 9 months of the year, the company achieved VND6,609bn (+25% yoy) in revenue and VND832bn (+38% yoy) in NPAT. With this decent business result, PVT has completed its 2022F guidance after only the first 3 quarters, specifically, fulfilling 102% and 173% in revenue and NPAT.

Table 1. 3Q22 earning

	3Q21	4Q21	1Q22	2Q22	3Q22	% qoq	% yoy
Sales (VNDbn)	1,680	2,080	2,022	2,257	2,330	3.2	38.7
Gross profit (VNDbn)	282	329	292	440	415	(5.7)	47.2
NPAT (VNDbn)	153	234	194	258	386	49.6	152.3
Gross margin (%)	16.8	15.8	14.4	19.5	17.8	(1.7)	1.0
Net margin (%)	9.1	11.3	9.6	11.4	16.6	5.2	7.5

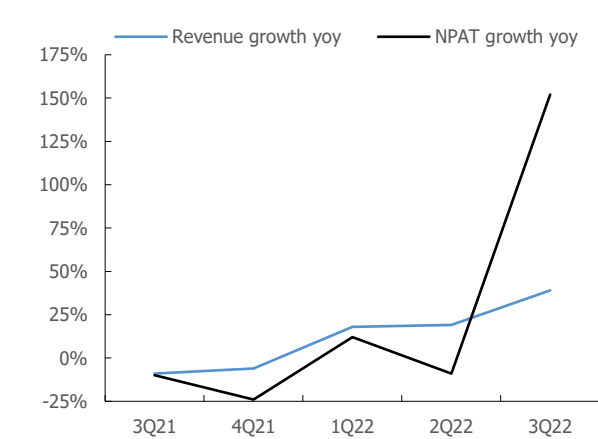
Source: Company data, Korea Investment & Securities

Figure 1. Revenue and NPAT both increased on a yearly basis in 3Q22



Source: Company data, Korea Investment & Securities

Figure 2. Revenue and NPAT growth trend



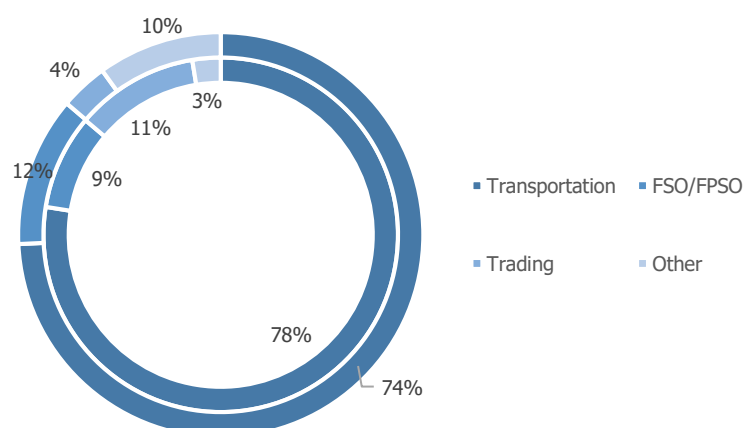
Source: Company data, Korea Investment & Securities

1.2 Transportation segment accounted for the majority of total revenue

In 3Q22, the revenue of the company came from 3 main segments, of which, transportation as the core business, accounted for the majority of total revenue with 78% (compared to 74% in 3Q21). The trading segment overtook the second place of FSO/FPSO in 3Q22 as accounting for 11% of total revenue (thanks to the liquidation of PVT Athena), increasing from only 4% in 3Q21.

FSO/FPSO fell to the third place when contributing only 9% to total revenue, dropping from 12% in 3Q21.

Figure 3. Breakdown of revenue by segment

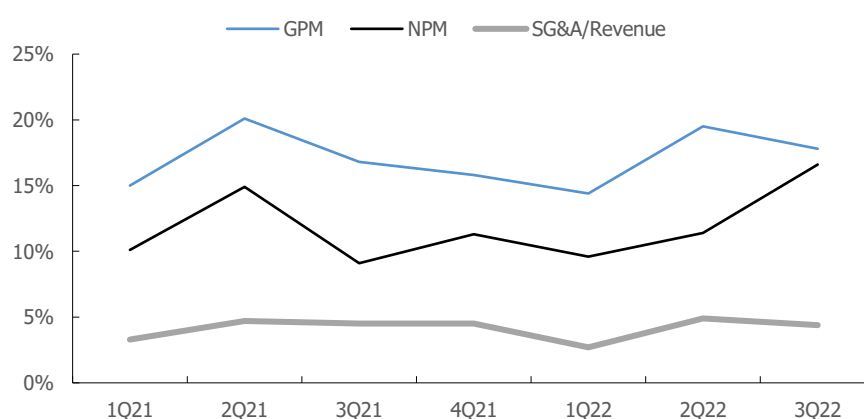


Source: Company data, Korea Investment & Securities, *inside: 3Q22, *outside: 3Q21

2. Gross margin of transportation improved slightly

The transportation segment performed well in 3Q22, benefiting from the uptrend in the global tanker market, which has resulted in higher rates across all types of carriers (crude oil, oil/chemicals, LPG and others). Specifically, the GPM of the transportation segment increased from 16.0% in 3Q21 to 19.5% in 3Q22. As a result, the company's blended GPM rose 1.0%p yoy to 17.8%. Meanwhile, thanks to the one-off income from the liquidation of PVT Athena oil tanker, the NPM of PVT swelled 7.5%p yoy to 16.6% in 3Q22. Besides, the SG&A/Revenue ratio dropped 0.1% to 4.4% in the same period.

Figure 4. Gross profit margin and net profit margin



Source: Company data, Korea Investment & Securities

3. Foreign exchange rate risk to be noted

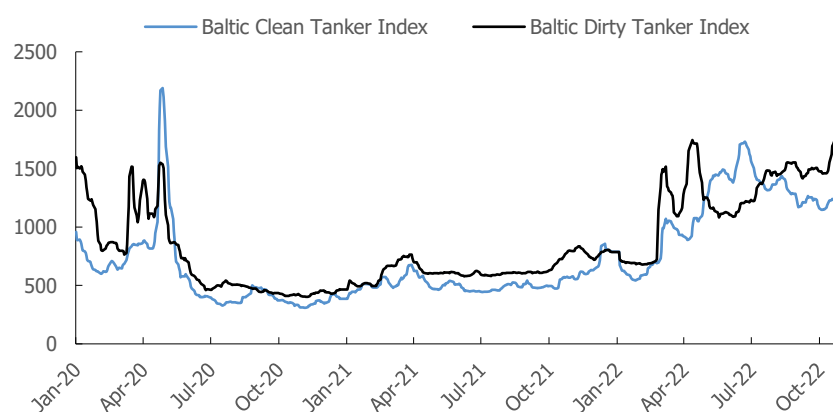
PVT's loan balance in USD at the end of 3Q22 was nearly USD90mn, of which, the majority were long-term loans for oil tanker investment with one-year interest rates based on 3~6-month LIBOR plus a range of 2.5~5%. This means

that PVT is susceptible to foreign exchange rate risks amid the current rising interest rates environment. Specifically, in 3Q22, the company recorded a foreign exchange rate loss of VND23.7bn (compared to a loss of only VND3.6bn in 3Q21), and interest expense increased by 80% yoy to VND76.7bn.

4. Keep benefiting from higher tanker rates

Demand for both dirty and clean tankers has been climbing since the EU imposed sanctions on Russia, and we expect this trend to continue in the coming months as the EU sanctions come into effect at the end of this year. Moreover, the diversion of Russian oil and fuels has changed the shipping routes, making the voyages longer and putting pressure on the global tanker shipping market. We expect tanker rates could sustain in 4Q22F and these heights blow the tailwinds to the marine transportation industry. Also, Dung Quat refinery recently announced to raise capacity to 109% will ensure transportation volume for PVT in the domestic market. Overall, we think PVT's 4Q22F yoy revenue growth could be stellar while the qoq growth could be vulnerable.

Figure 5. Baltic clean & dirty tanker indexes



Source: Company data, Korea Investment & Securities

■ Company overview

Petrovietnam Transportation (PVT) provides professional oil and gas transportation services, including the transportation of crude oil, refined oil/chemicals, gas, and bulk cargo, maritime services, logistics, technical ship management services, and the supply of manpower. Over the past 17 years, PVTrans has become a leader in Vietnam's maritime transportation which is well-known in both local and international markets with a 100% domestic market share in crude oil and LPG transportation and a 30% market share of domestic petroleum/chemical transportation.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Current assets	3,895	4,249	3,841	4,662	4,850
Cash & cash equivalents	2,920	2,851	2,687	3,326	3,073
Accounts & other receivables	816	1,088	865	1,103	1,477
Inventory	95	151	127	112	142
Non-current assets	5,308	5,953	7,157	6,428	7,643
Fixed assets	4,967	5,627	6,781	5,860	6,976
Investment assets	241	192	199	360	196
Others	155	284	325	308	520
Total assets	9,204	10,202	10,997	11,090	12,493
Advances from customers	9	18	49	33	28
Unearned revenue	1	8	1	2	19
Trade payables	682	775	603	745	677
Others	1,160	1,274	1,220	1,428	1,560
ST debt & due bonds	537	663	1,015	615	778
LT debt & bonds	2,153	2,325	2,419	1,987	2,468
Total liabilities	4,542	5,063	5,306	4,811	5,530
Controlling interest	3,687	4,023	4,381	4,886	5,195
Capital stock	2,814	2,814	2,814	3,237	3,237
Capital surplus	0	0	0	0	0
Other reserves	253	362	576	773	1,015
Retained earnings	620	847	991	876	944
Minority interest	974	1,117	1,310	1,393	1,768
Shareholders' equity	4,662	5,140	5,691	6,279	6,963

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
C/F from operations	745	931	1,179	1,536	829
Net profit	534	780	821	830	835
Dep'n & Amort'n	578	600	750	877	930
Net incr. in W/C	(366)	(449)	(392)	(172)	(936)
C/F from investing	381	(1,663)	(1,523)	(326)	(1,599)
Capex	(426)	(1,399)	(1,823)	(176)	(1,936)
Incr. in investment	806	(265)	300	(150)	336
C/F from financing	(504)	49	274	(945)	583
Incr. in equity	49	49	127	0	239
Incr. in debt	(249)	311	488	(777)	726
Dividends	(304)	(310)	(340)	(169)	(383)
C/F from others	0	0	0	0	0
Increase in cash	621	(683)	(70)	264	(188)

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Sales	6,148	7,523	7,758	7,383	7,460
COGS	5,302	6,440	6,567	6,264	6,222
Gross profit	846	1,083	1,191	1,118	1,238
SG&A expenses	242	281	263	265	288
Operating profit	603	802	928	854	950
Financial income	188	208	221	272	180
Interest income	144	154	149	168	129
Financial expenses	161	158	193	174	156
Interest expenses	152	122	169	143	143
Other non-operating profit	13	97	26	58	42
Gains (Losses) in associates, subsidiaries and JV	27	26	34	30	25
Earnings before tax	671	975	1,016	1,039	1,040
Income taxes	137	195	195	209	206
Net profit	534	780	821	830	835
Net profit of controlling interest	450	652	690	669	660
EBITDA	1,181	1,402	1,678	1,731	1,880

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020A	2021A
Per-share data (VND, adj.)					
EPS	1,230	1,919	1,658	1,424	1,267
BPS	16,564	18,262	20,221	19,400	21,515
DPS	1,081	1,103	1,209	521	1,182
Growth (%)					
Sales growth	(8.7)	22.4	3.1	(4.8)	1.1
OP growth	14.6	32.9	15.7	(8.0)	11.3
NP growth	8.3	44.9	5.8	(2.9)	(1.5)
EPS growth	(16.7)	56.0	(13.6)	(14.1)	(11.0)
EBITDA growth	124.4	18.7	19.7	3.2	8.6
Profitability (%)					
OP margin	9.8	10.7	12.0	11.6	12.7
NP margin	8.7	10.4	10.6	11.2	11.2
EBITDA margin	19.2	18.6	21.6	23.4	25.2
ROA	5.8	8.0	7.7	7.5	7.1
ROE	11.9	15.9	15.2	13.9	12.6
Dividend yield	6.3	6.4	7.0	3.0	6.9
Dividend payout ratio	87.8	57.5	72.9	36.6	93.3
Stability					
Net debt (VND bn)	(231)	137	747	(723)	174
Net debt/equity (%)	(4.9)	2.7	13.1	(11.5)	2.5
Valuation (x)					
PE	14.0	9.0	10.4	12.1	13.6
PB	1.0	0.9	0.9	0.9	0.8
EV/EBITDA	4.5	4.2	4.0	3.5	3.9

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- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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