

PETROVIETNAM TRANSPORTATION CORP (PVT) – EARNINGS UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND18,500	N/A	2.85%	N/A	INDUSTRIALS

02 Aug 2021

Outlook – Short term: Positive
Outlook – Long term: Positive
Valuation: Positive

Consensus*: Add:6 Hold:0 Reduce:0

Target price / Consensus: 8.2%

Key changes in the report

➤ N/A

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	21,600
52w low (VND)	7,912
3m Avg daily value (VNDmn)	81,443
Market cap (VND bn)	5,923
Free float (%)	28
TTM P/E (x)	8.38
Current P/B (x)	1.20

Ownership

PetroVietnam Group	51.0%
Yurie Vietnam Securities	6.2%
PVCom Bank	5.1%
Others	37.7%

Source: VND RESEARCH

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Positive 1H21 performance as expected

- 2Q21 revenue and net profit slightly rose 2.4% yoy to VND1,873bn and 4.4% yoy to VND213bn, respectively.
- PVT posted a 35.5% yoy growth in 1H21 net profit to VND354bn, in line with our expectations at 46.5% of our full-year forecasts.
- PVT continued its expansion fleet plan with a recent purchase of VLGC.

2Q21 GPM improved on the recovery of core businesses

- PVT reported a 2.4% yoy increase in 2Q21 revenue to VND1,873bn thanks to the sharp increase of trading&services (+16.0% yoy) while transportation remained stable (+1.8% yoy) and FSO/FPSO decreased by 11.4% yoy.
- Transportation gross profit margin (GPM) expanded 6.8% pts on the back of: (1) the recovery of charter rate in 2Q21, and (2) no cost incurring to share the Covid-19 burden with domestic customers like 2Q20. This leads to the 5.2% pts amelioration in 2Q21 blended GPM.
- Net financial income dropped 66% yoy to VND24.8bn in 2Q21 as lower interest income (-43% yoy to VND32.5bn) and higher interest expenses (+86% yoy to VND20.7bn).
- 2Q21 pretax profit grew 11.5% yoy, but net profit only rose 4.4% yoy to VND213bn due to a 27% yoy/33% yoy surge in tax expense and minority interest, respectively.

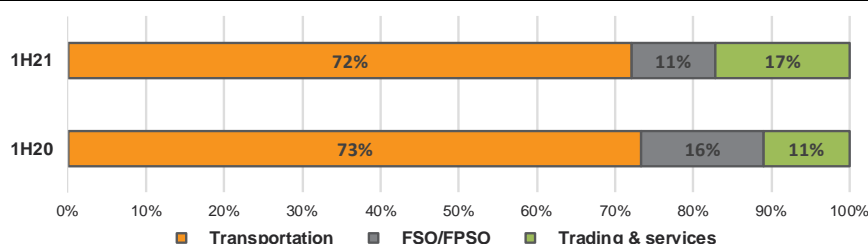
1H21 results: in line with our expectation

- 1H21 net profit increased by 35.5% yoy to VND354bn on the back of the charter rate recovery, earnings contribution from new acquired tankers and other income from vessel liquidation in 1Q21. This positive bottom line is in line with our expectations, fulfilling 46.5% of our FY21F forecasts.
- Notably, PVT has aggressively expanded its fleet in 1H21 with a disbursement of over VND1,400bn to acquire 4 new vessels, compared to the minimal capex of VND6.3bn in 1H20.

New vessels – new growth engines

Beside acquiring 2 new clean tankers in 1Q21 and a dry bulk vessel in May, PVT continues announcing a purchase of very large gas carrier - VLGC (NV Aquamarine – 81,605 cbm) with the est. capex of US\$40m on 1 July. After purchasing, this vessel has been contracted to transport LPG in the international voyages for 2 years, promising to significantly contribute to PVT's performance in coming times. Hence, we maintain our positive view on PVT outlook with a net profit CAGR forecast of 10.2% in FY21-23F. We note that PVT has a capex plan of over VND7,400bn to rejuvenating its fleet in coming times, particularly included the purchase of a very large crude carrier (VLCC) and a VLGC.

Figure 1: Revenue breakdown by segment



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 2: 2Q21 and 1H21 results overview

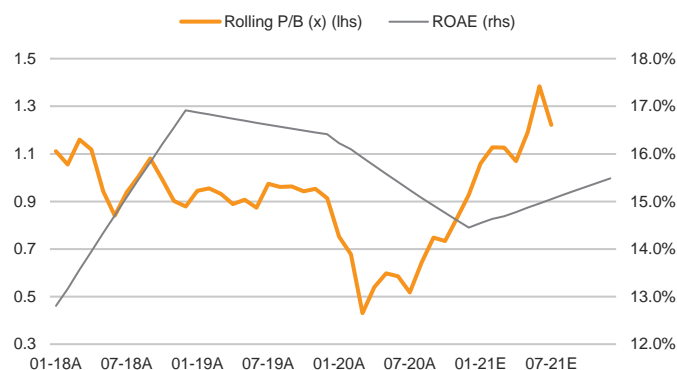
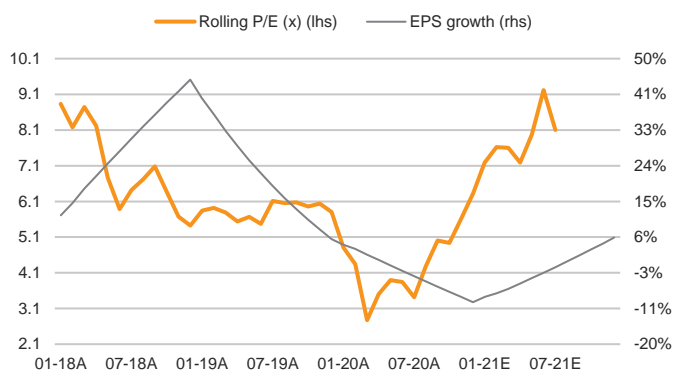
VNDbn	2Q20	2Q21	% yoy	1H20	1H21	% yoy	% vs FY21F forecast	Comment
Net revenue	1,829	1,873	2.4%	3,394.7	3,581.2	5.5%	41.5%	1H21 revenue slightly increased by 5.5% yoy mainly thanks to a 64.4% yoy jump in trading & services revenue. In 1H21, PVT narrowed its trading & services segment to reduce the impact of Covid-19
Transportation	1,332	1,356	1.8%	2,487.6	2,586.2	4.0%		
FSO/FPSO	220	195	-11.4%	531.5	386.3	-27.3%		FSO/FPSO revenue declined in 1H21 mainly as the contract renewal for FSO Dai Hung Queen was signed since mid-2020 amidst the low oil price environment. We expect the stronger oil price to trigger the day rate upward revision in the second half
Trading & services	278	322	16.0%	375.5	617.2	64.4%		
Gross profit	258.5	362.7	40.3%	484.2	628.7	29.8%	47.1%	
Transportation	179.4	274.3	52.9%	314.5	476.4	51.5%		
FSO/FPSO	57.3	54.6	-4.7%	164.4	121.0	-26.4%		
Trading & services	21.8	33.8	54.9%	5.3	23.0	333.7%		
Gross profit margin (%)	14.1%	19.4%	5.2% pts	14.3%	17.6%	3.3% pts		1H21 blended GPM improved 3.3% pts to 17.6% mainly as PVT transportation GPM expanded 5.8% pts on the back of: (1) the contribution of new acquired vessels (2) the charter rate recovery in 2Q21, and (3) no cost incurring to share the Covid-19 burden with domestic customers like 2Q20
Transportation	13.5%	20.2%	6.8% pts	12.6%	18.4%	5.8% pts		
FSO/FPSO	26.0%	28.0%	2.0% pts	30.9%	31.3%	0.4% pts		
Trading & services	7.9%	10.5%	2.6% pts	1.4%	3.7%	2.3% pts		
Selling expenses	2.3	2.4	2.2%	4.4	5.8	32.4%		
G&A expenses	64.1	85.6	33.4%	111.1	138.3	24.5%		
Operating profit	192.0	274.8	43.1%	368.7	484.6	31.4%		
Financial income	87.6	43.6	-50.2%	109.6	82.8	-24.5%		Net financial income dropped 66% yoy to VND 24.8n in 2Q21 as the company disbursed capital for its fleet expansion. As at end-2Q21, total debt increased 19% from end-1Q21 and 29% from end-2020, leading to lower interest income (-43% yoy to VND32.5bn) and higher interest expenses (+86% yoy to VND20.7bn)
Financial expenses	13.2	18.9	42.7%	101.5	64.6	-36.4%		
Net other income	2.8	3.8	36.0%	2.4	43.2	1735.7%		The skyrocket in net other income mainly came from vessel liquidation in 1Q21
Pre-tax profit	283.4	315.8	11.5%	393.3	558.6	42.0%	47.4%	
Net profit	204.1	213.1	4.4%	261.2	353.9	35.5%	46.5%	In line with our expectations

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 3: Sector comparison

Company	Bloomberg Ticker	Recom.	Share Price (local cur.)	Target Price (local cur.)	Market Cap (US\$ m)	P/E (x)			3-yr EPS CAGR (%)	P/BV (x)			ROE (%)			ROA (%)		
						TTM	FY21F	FY22F		TTM	FY21F	FY22F	TTM	FY21F	FY22F	TTM	FY21F	FY22F
PVTrans	PVT VN	ADD	18,500	24,100	245	8.4	7.9	7.4	10.2%	1.20	1.21	1.14	14.5%	15.5%	15.8%	6.1%	6.5%	6.2%
Vietnam Petroleum Trans	VIP VN	NR	7,590	NA	22	47.8	NA	NA		0.46	NA	NA	4.7%	NA	NA	3.4%	NA	NA
Vietnam Tanker JSC	VTO VN	NR	9,150	NA	31	7.9	NA	NA		0.68	NA	NA	8.6%	NA	NA	5.1%	NA	NA
Pakistan National Shipping Corp	PNSC PA	NR	78.00	NA	63	4.6	NA	NA		0.29	NA	NA	6.5%	NA	NA	5.0%	NA	NA
Shipping Corp of India Ltd	SCI IN	NR	111	NA	694	7.4	22.6	18.5		0.63	NA	NA	8.9%	3.0%	3.6%	5.1%	NA	NA
Great Eastern Shipping Co Ltd/The Average	GESCO IN	NR	336	NA	664	18.7	10.8	6.9		0.64	NA	NA	12.7%	10.1%	11.0%	6.6%	NA	NA
Average (excl. PVT)						15.8	13.8	10.9		0.65			9.3%	9.5%	10.1%	5.2%		
						17.3	16.7	12.7		0.54			8.2%	6.6%	7.3%	5.0%		

Source: BLOOMBERG, VNDIRECT RESEARCH (DATA AS AT 30 JUL)

Valuation

Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	7,383	8,632	9,361
Cost of sales	(6,264)	(7,298)	(7,871)
Gen & admin expenses	(251)	(285)	(309)
Selling expenses	(14)	(16)	(17)
Operating profit	854	1,033	1,163
Operating EBITDA	1,731	1,941	2,145
Depreciation and amortisation	(877)	(908)	(982)
Operating EBIT	854	1,033	1,163
Interest income	272	247	264
Financial expense	(174)	(214)	(247)
Net other income	58	78	29
Income from associates & JVs	30	35	38
Pre-tax profit	1,039	1,179	1,246
Tax expense	(209)	(236)	(249)
Minority interest	(161)	(183)	(189)
Net profit	669	760	807
Adj. net profit to ordinary	669	760	807
Ordinary dividends	(169)	(129)	(324)
Retained earnings	501	631	484

Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	1,473	2,055	2,487
Short term investments	1,853	1,390	1,320
Accounts receivables	1,103	1,151	1,248
Inventories	112	139	150
Other current assets	120	138	150
Total current assets	4,662	4,873	5,355
Fixed assets	5,860	6,851	7,647
Total investments	225	229	234
Other long-term assets	343	377	415
Total assets	11,090	12,330	13,651
Short-term debt	615	811	979
Accounts payable	745	788	855
Other current liabilities	1,059	1,326	1,437
Total current liabilities	2,419	2,925	3,271
Total long-term debt	1,987	2,721	3,285
Other liabilities	404	283	283
Share capital	3,237	3,237	3,237
Retained earnings reserve	876	925	1,262
Shareholders' equity	4,886	4,935	5,272
Minority interest	1,393	1,466	1,539
Total liabilities & equity	11,090	12,330	13,651

Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
Pretax profit	1,039	1,179	1,246
Depreciation & amortisation	877	908	982
Tax paid	(209)	(236)	(249)
Other adjustments	(138)	(348)	(345)
Change in working capital	(33)	(31)	(42)
Cash flow from operations	1,537	1,472	1,592
Capex	(176)	(1,899)	(1,779)
Proceeds from assets sales	30	30	30
Others	(180)	180	180
Other non-current assets changes			
Cash flow from investing activities	(326)	(1,689)	(1,569)
New share issuance	0	0	0
Shares buyback			
Net borrowings	(777)	929	733
Other financing cash flow			
Dividends paid	(169)	(129)	(324)
Cash flow from financing activities	(945)	799	409
Cash and equivalents at beginning of period	1,208	1,473	2,055
Total cash generated	265	582	433
Cash and equivalents at the end of period	1,473	2,055	2,487

Key ratios

	12-20A	12-21E	12-22E
Dupont			
Net profit margin	9.1%	8.8%	8.6%
Asset turnover	0.67	0.74	0.72
ROAA	6.1%	6.5%	6.2%
Avg assets/avg equity	2.38	2.38	2.55
ROAE	14.4%	15.5%	15.8%
Efficiency			
Days account receivable	54.7	48.7	48.7
Days inventory	6.6	7.0	7.0
Days creditor	43.6	39.4	39.6
Fixed asset turnover	1.17	1.36	1.29
ROIC	7.5%	7.7%	7.3%
Liquidity			
Current ratio	1.9	1.7	1.6
Quick ratio	1.9	1.6	1.6
Cash ratio	1.4	1.2	1.2
Cash cycle	17.7	16.2	16.0
Growth rate (yoy)			
Revenue growth	(4.8%)	16.9%	8.4%
Operating profit growth	(8.0%)	21.0%	12.6%
Net profit growth	(2.9%)	13.6%	6.2%
EPS growth	(9.7%)	6.2%	6.2%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

- Add The stock’s total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock’s total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock’s total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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