

Vietnam

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ADD (no change)

Consensus ratings*: Buy 5 Hold 2 Sell 0

Current price:	VND18,700
Target price:	VND29,900
Previous target:	VND29,900
Up/downside:	59.9%
CGS-CIMB / Consensus:	29.8%
Reuters:	PVT.HM
Bloomberg:	PVT VN
Market cap:	US\$225.4m
	VND5,262,931m
Average daily turnover:	US\$0.14m
	VND3,324m
Current shares o/s	281.4m
Free float:	27.6%

*Source: Bloomberg

Key financial forecasts

	Dec-18F	Dec-19F	Dec-20F
Net Profit (VNDm)	546,724	670,200	668,064
Core EPS (VND)	1,943	2,381	2,374
Core EPS Growth	21.5%	22.6%	(0.3%)
FD Core P/E (x)	9.63	7.85	7.88
Recurring ROE	14.2%	16.0%	14.6%
P/BV (x)	1.32	1.20	1.11
DPS (VND)	1,000.0	1,000.0	1,000.0
Dividend Yield	5.35%	5.35%	5.35%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.1	26.8	28.1
Relative (%)	2.7	17.7	5.5

Major shareholders	% held
PetroVietnam	51.0
PVcomBank	6.5
Market Vector VN	5.0

Analyst(s)

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PetroVietnam Transportation Corp

Preliminary numbers show weak 3QFY18

- PVT's preliminary numbers show 3QFY18 earnings fell both qoq and yoy.
- 9MFY18 results were robust, thanks to a strong 1HFY18 performance.

PVT's 3QFY18 earnings weaker both qoq and yoy

- For 3QFY18, PVT announced preliminary revenue at VND1,825bn (+28% yoy and -13% qoq) and pretax profit at VND65bn (-53% yoy and -77% qoq). These results are surprisingly weak, especially given the fact that PVT's transportation volume in 3QFY17 was abnormally low due to a 52-day maintenance shutdown of Binh Son Refinery Plant (BSR VN, Non Rated) which is PVT's main client for oil products transportation services.
- We believe the key reasons for the weak 3QFY18 results are: (1) PVT Athena, one of PVT's three crude oil transportation vessels, underwent dry dock maintenance for ~40 days which interrupted the operations of PVT Athena and also incurred an expense of ~VND18bn in 3QFY18 and (2) gross profit margin of the coal transportation business likely fell from ~10% in 2QFY18 to ~3% in 3QFY18 due to intense competition from small-scale private transporters.

9MFY18 robust, thanks to strong 1HFY18 performance

- For 9MFY18, PVT said its preliminary consolidated revenue was VND5,700bn (+28% yoy) and pretax profit reached VND540bn (+47% yoy), 8% and 23% above its FY18 targets, respectively.
- PVT's robust revenue and earnings growth in 9M18 was largely driven by a strong performance in 1HFY18. PVT was awarded a charter rate hike for FSO Dai Hung Queen (up from US\$46,000/day to US\$56,000/day) in 2QFY18.
- However, we also note that PVT's 1HFY17 results were abnormally low due to the fact that two of PVT's three crude oil transportation vessels (PVT Mercury and PVT Hercules) halted operations for periodic maintenance in 2QFY17.

Contribution from Nghi Son Refinery Plant is still insignificant

- Nghi Son Refinery Plant (NSRP, Unlisted) is still operating on a trial basis and contributed insignificant transportation volume to PVT in 3QFY18, in our view.
- NSRP is expected to start commercial operations in Nov 2018 and PVT will transport ~20% of NSRP's output volume (~2.5m tonnes of oil products). NSRP will therefore only start contributing considerably to PVT's transportation volume from 2019.

New contract in FPSO/FSO business segment

- In 3QFY18, PVT won a contract to provide operation and maintenance (O&M) services for FSO Sao Vang Dai Nguyet from 2QFY20. We expect this O&M contract to generate aggregate revenue of ~VND800bn over a 10-year period.

Maintain Add

- Maintain Add and VND29,900 TP, based on a blended valuation of DCF and FY19F EV/EBITDA of 4.8x. Potential catalysts are: (1) NSRP to start contributing significantly to PVT's transportation volume from FY19 and (2) recovery of tanker market amid a surge in oil price. Key downside risk is higher competition from small-scale private transporters. We will revisit our forecasts once official 3QFY18 results are released.

Figure 1: PVT's 3QFY18 preliminary results

FYE (VNDbn)	3QFY2017	3QFY2018	9M17	9M18	vs. FY2018 forecast
Revenue	1,425	1,825	4,447	5,700	80%
% yoy growth	-11%	28%	-9%	28%	
% qoq growth	4%	-13%	N/a	N/a	
Pretax profit	139	65	367	540	66%
% yoy growth	-2%	-53%	-18%	47%	
% qoq growth	76%	-77%	N/a	N/a	

SOURCES: COMPANY NEWS, VNDIRECT RESEARCH

BY THE NUMBERS

Profit & Loss				
(VNDm)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	6,147,640	7,111,964	8,139,247	8,088,050
Gross Profit	845,986	1,054,384	1,326,467	1,279,678
Operating EBITDA	1,181,315	1,368,864	1,660,386	1,637,418
Depreciation And Amortisation	(577,822)	(595,010)	(654,971)	(676,772)
Operating EBIT	603,494	773,854	1,005,416	960,646
Financial Income/(Expense)	36,324	1,179	(60,070)	(22,372)
Pretax Income/(Loss) from Assoc.	27,116	30,073	34,416	34,200
Non-Operating Income/(Expense)	3,974	10,267	20,322	24,985
Profit Before Tax (pre-EI)	670,908	815,373	1,000,084	997,458
Exceptional Items				
Pre-tax Profit	670,908	815,373	1,000,084	997,458
Taxation	(137,222)	(167,134)	(205,443)	(205,349)
Exceptional Income - post-tax				
Profit After Tax	533,686	648,239	794,641	792,109
Minority Interests	(83,575)	(101,514)	(124,441)	(124,045)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	450,111	546,724	670,200	668,064
Recurring Net Profit	450,111	546,724	670,200	668,064
Fully Diluted Recurring Net Profit	450,111	546,724	670,200	668,064

Cash Flow				
(VNDm)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	1,181,315	1,368,864	1,660,386	1,637,418
Cash Flow from Inv. & Assoc.	(9,116)	(26,636)	(15,207)	89
Change In Working Capital	73,797	6,155	65,883	264
(Incr)/Decr in Total Provisions	39,133	0	0	0
Other Non-Cash (Income)/Expense	(186,299)	(221,329)	(165,744)	(170,506)
Other Operating Cashflow	(86,746)	196,036	145,370	155,051
Net Interest (Paid)/Received	(151,581)	(154,517)	(150,702)	(118,239)
Tax Paid	(115,369)	(167,134)	(205,443)	(205,349)
Cashflow From Operations	745,133	1,001,439	1,334,544	1,298,727
Capex	(354,528)	(1,292,960)	(1,485,844)	(327,554)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	790,650	180,690	(343,156)	174,602
Cash Flow From Investing	436,122	(1,112,270)	(1,829,000)	(152,952)
Debt Raised/(repaid)	(249,316)	322,564	(540,189)	(535,357)
Proceeds From Issue Of Shares	49,000	281	281	281
Shares Repurchased	0	0	0	0
Dividends Paid	(304,140)	(281,440)	(345,002)	(343,903)
Preferred Dividends				
Other Financing Cashflow				
Cash Flow From Financing	(504,456)	41,405	(884,910)	(878,978)
Total Cash Generated	676,799	(69,425)	(1,379,366)	266,797
Free Cashflow To Equity	931,939	211,733	(1,034,645)	610,419
Free Cashflow To Firm	1,332,837	43,686	(343,754)	1,264,014

Balance Sheet				
(VNDm)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	2,875,482	3,113,923	1,812,630	1,917,322
Total Debtors	727,512	932,979	1,067,068	1,060,472
Inventories	95,340	121,976	137,183	137,095
Total Other Current Assets	196,790	180,516	193,770	193,110
Total Current Assets	3,895,124	4,349,395	3,210,652	3,307,998
Fixed Assets	4,960,980	5,477,330	6,308,203	6,117,199
Total Investments	238,624	238,624	238,624	238,624
Intangible Assets	5,543	5,543	5,543	5,543
Total Other Non-Current Assets	103,271	142,239	651,140	647,044
Total Non-current Assets	5,308,418	5,863,737	7,203,510	7,008,411
Short-term Debt	536,916	483,225	434,902	391,412
Current Portion of Long-Term Debt				
Total Creditors	867,470	1,062,365	1,193,408	1,190,511
Other Current Liabilities	568,504	569,239	651,703	647,888
Total Current Liabilities	1,972,890	2,114,828	2,280,013	2,229,811
Total Long-term Debt	2,153,038	2,529,293	2,037,427	1,545,560
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	415,913	540,509	618,583	614,692
Total Non-current Liabilities	2,568,950	3,069,803	2,656,010	2,160,252
Total Provisions	0	0	0	0
Total Liabilities	4,541,840	5,184,631	4,936,022	4,390,063
Shareholders' Equity	3,687,487	3,996,845	4,376,070	4,754,087
Minority Interests	974,215	1,031,656	1,102,069	1,172,259
Total Equity	4,661,702	5,028,500	5,478,139	5,926,345

Key Ratios				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	(9.4%)	15.7%	14.4%	(0.6%)
Operating EBITDA Growth	18.9%	15.9%	21.3%	(1.4%)
Operating EBITDA Margin	19.2%	19.2%	20.4%	20.2%
Net Cash Per Share (VND)	659	360	(2,344)	(70)
BVPS (VND)	13,102	14,201	15,549	16,892
Gross Interest Cover	3.98	5.01	6.67	8.12
Effective Tax Rate	20.5%	20.5%	20.5%	20.6%
Net Dividend Payout Ratio	67.6%	51.5%	51.5%	51.5%
Accounts Receivables Days	40.17	41.56	43.40	46.59
Inventory Days	6.25	6.55	6.94	7.37
Accounts Payables Days	46.03	44.11	44.44	47.09
ROIC (%)	10.0%	13.0%	15.0%	11.5%
ROCE (%)	10.8%	12.1%	13.7%	13.4%
Return On Average Assets	5.53%	6.67%	8.16%	7.81%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	

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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.

Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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