

PETROVIETNAM TECHNICAL SERVICES (PVS VN EQUITY): AGM TAKEAWAYS

Potential backlog expansion

Not Rated

Current price: VND 23,000

Target price: **N/A**

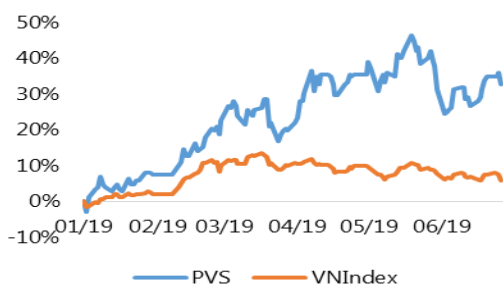
Upside: **N/A**

We attended PVS's AGM on 28 June, at which management discussed its previously-released 1H19 results and full-year guidance. Prelim 1H19 PBT of VND 650bn represents 93% of full-year guidance of VND 700bn in PBT (down 11.2% YoY). Management did not convince us (or, we think, other meeting participants) that such conservative full-year guidance is likely to be accurate given the solid YTD run-rate. Also, several significant projects were named that could potentially be added to its existing project backlog.

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52-week Price Range (VND)	Market Capitalization	FY19E Dividend Yield	Remaining Foreign Room	Free-float	ADTV-3month
13,925-25,300	USD 467mn	3.1%	24.3%	17.9%	USD3.5mn

Price performance



Key takeaways

- 1H2019 preliminary PBT increased by 18.5% YoY.
- The company's disclosed project backlog reaches out until 2021.
- Several additional projects could potentially be added to the backlog.

Risks

- E&P activities may be disrupted by geopolitics.
- Inspections could cause further delays to E&P projects.
- Oil price fluctuations could impact stock price performance.

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Company profile: PVS is an oil and gas contractor providing engineering services along the value chain including Mechanics & Construction (M&C, 50% of revenue), FSO/FPSO services (11%), OSV (13%), and supply base (11%). The firm's competitive advantages include its ownership of 345 hectares of supply bases throughout the country.

PVS reiterated its modest FY2019 guidance of VND 13 trillion in revenue (down 11.2% YoY) and VND 700bn in PBT (down 28.3% YoY), mainly attributable to M&C projects including Sao Vang Dai Nguyet and Gallaf-Al Shaheen. We think these targets are quite modest given preliminary 1H19 PBT of VND 650bn (+18.5% YoY), which is equivalent to 93% of its annual guidance.

PVS's short-term workload is relatively certain. The project backlog to 2021 includes Sao Vang Dai Nguyet (USD 600mn), Gallaf-Al Shaheen (USD 300mn), LNG Thi Vai (USD 200mn), and Long Son Refinery (USD 300mn). In the longer term (2022 and beyond), management are confident on adding projects to its backlog including Block B (USD 1.3bn), Nam Con Son 2 Phase 2 Gas Pipeline (USD 500mn), Nam Du-U Minh (USD 100 mn), and Salman Development (USD 500 mn). PVS's main competitive advantage in the domestic market is its large area (345 ha) of supply bases throughout the country.

Valuations & yield. The AGM included the approval of a 23% payout of FY2018 earnings, equivalent to a cash dividend yield of 3.1%. PVS is trading at 0.9x PBR.

Key metrics	2018A	2019 Guidance	YoY Growth (%)
Revenue (VND bn)	14,638	13,000	-11
PBT (VND bn)	976	700	-28
PAT (VND bn)	573	560	-2
NPAT growth (%)	44.6	2.3	
GPM (%)	7.6		
Net Debt/Equity (%)	56		
ROAE (%)	8.1		
ROAA (%)	4.4		
EPS (VND/share)	2,997		
PS growth (%)	80		
PE (x)	7.6		
PB (x)	0.9		

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Ratings	Total expected return within the next 12 months
BUY	Above 10%
HOLD	Between -10% to +10%
SELL	Below 10%

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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