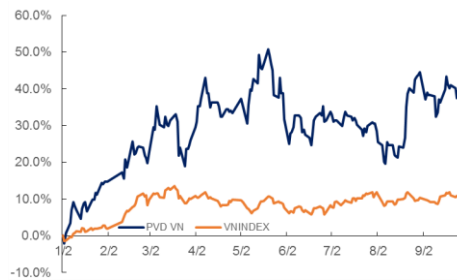


**BUY**
**TP upside (downside) +19.6%**
**Close 30 Sep 2019**

Price	18,150
12M Target	21,707
Previous target	21,707

**Share price performance relative to VNINDEX**


Market cap	US\$329 mn
6M avg. daily turnover	US\$2.5 mn
Outstanding shares	421 mn
Free float	49.5%
FINI ownership	22.8%
Major shareholders	50.4%
Net debt/equity	4.2%
BVPS	VND 33,606
P/B	0.5 x
P/E	24.2x
EV/EBITDA	11x

**Financial outlook**

Year to Dec	2018	2019E	2020E	2021E
Sales (VND bn)	5,500	6,156	7,683	8,029
EPS (VND)	469	750	1,782	2,116
ROE (%)	1.4	2.3	5.2	5.8
Div. yield (%)	-	-	-	3.9

Note: Fully diluted weighted average EPS is based on weighted average number of shares.

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## PV DRILLING (PVD VN)

### Victory in Brunei PVD V wins a six-year deep water project

#### Event

PVD has announced the signing of a six-year deep water project contract in Brunei with two optional two-year extensions. All of PVD's self-owned rigs have now obtained contracts overseas. Thus, the dependence of PVD's performance on geopolitically sensitive domestic exploration & production is extremely limited.

#### Our view

**PVD won deep water projects.** In 2H2020, PVD will move its PVD V to Brunei for a six-year deep water project with day rate of about USD90K. This is below our assumption of USD 130K, but the rig will be operational by 01 April 2021, which is three months earlier than our assumption of 1 Jul 2021. PVD's key advantages in winning the contract include the rig age of 7 years or less than half that of the other bidder, respectable operating efficiency of 96%, and six years of Zero Lost Time Incidents.

**In addition to drilling, we believe that the company has opportunity to offer other related services** that typically have higher margin than drilling services. Also, the new client – Brunei Shell Petroleum (BSP) – should enhance PVD's image as a regional operator and thus promote future business opportunities.

**As mentioned in our earlier report, four jack up rigs will remain employed until end-2020.** Four jackup rigs will remain utilized to end-2020, equivalent to 95–97% utilization and slightly better than our conservative 2020 utilization assumption of 93.4%. PVD also expects an uptrend in jackup rig average day rates from USD 59k in 2019 to USD 65k in 2020 and USD 75k 2021.

**Not just a domestic driller anymore.** In our view, PVD has progressed to a different level and is now a global driller with all rigs utilized in overseas projects with little exposure to geopolitically risky domestic E&P activities. PVD is regionally competitive given that it has the second youngest drilling rig fleet in the region (average 8.5 years vs 8 years of the youngest peer) and a respectable safety track record.

**We reiterate BUY** with target price of VND 21,707 (implying 0.61x FY2020E PBR). We think the Street has failed to factor in PVD's Brunei contract and expect earnings upgrades going forward.

**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

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## Appendix A: Important Disclosures

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