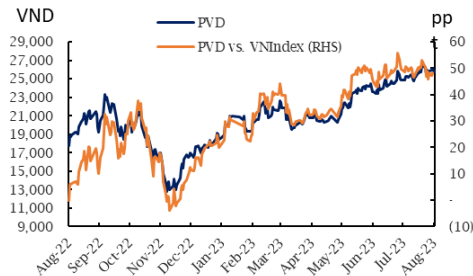


**Vietnam: Oil & Gas**
**9 August 2023**
**BUY**
**TP upside (downside) +39.9%**
**Close 9 Aug 2023**
**Price 25,800**  
**12M Target 36,103**
**Share price performance relative to VNINDEX**


<b>Market cap (USD mn)</b>	<b>604</b>
<b>6M ADT (USD mn)</b>	<b>4.7</b>
<b>Outstanding shares (mn)</b>	<b>556</b>
<b>Free float (%)</b>	<b>33</b>
<b>FINI ownership (%)</b>	<b>21.3</b>
<b>FOL Room (%)</b>	<b>27.7</b>
<b>Major shareholders (%)</b>	<b>67.0</b>
<b>2022 Net debt/equity (%)</b>	<b>10.3%</b>
<b>2023 BVPS (VND)</b>	<b>36.517</b>
<b>2023 P/B (x)</b>	<b>0.7</b>
<b>2023 EV/EBITDA (x)</b>	<b>6.0</b>

**Financial outlook**

Year to Dec	2022A	2023E	2024E	2025E
Sales (VND bn)	5,431	7,628	8,986	9,784
EPS (VND)	n/a	2,875	4,514	5,649
ROE (%)	n/a	8.8	13.2	15.5
Div. yield (%)	-	-	-	-

Sources: Bloomberg, Company data, Yuanta Vietnam

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## PV Drilling (PVD VN): Drilling rig supply to remain tight

### Event

We attended PVD's analyst meeting on Aug 8 for an operating and market update. Management expects the drilling rig supply market in the region to remain tight over the next two years.

### Details

**Utilization should reach 99% in 2023** vs 80% in 2022 given very strong demand and lack of rig supply in the region. PVD's rigs should be nearly fully deployed toward end-2023. All of PVD's self-owned rigs are contracted in the overseas and domestic markets for 2023, and two rigs have secured contracts for 2024.

**PVD expects even better results for 2H23** due to 1) its increased workload, 2) an increase in the average day rate to USD 80,000/day, up +30% YoY, and 3) another USD 3mn one-off contract termination gain. [1H23 PATMI](#) reached VND227bn, rebounding from the VND115bn net loss in 1H22 despite a modest -0.9% YoY slide in revenue, which was due to the lack of hired rig revenue. 1H23 gross margin reached 22.6%, up from 7.3% in 1H22.

**Global drilling rig market is undersupplied.** PVD's data indicates total global capacity of 495 rigs, of which 349 have secured jobs. This leaves 146 rigs idle, among which 63 rigs are not being marketed due to their advanced age. More than 160 rigs globally have been in operation for more than 30 years, resulting in substantial safety concerns.

**Rig supply in Southeast Asia is likely to remain tight in the next two years.** The number of marketed rigs in Southeast Asia is 1-2 rigs less than current demand, a deficit that has resulted because rigs have been moved to the Middle East. Management believes that the undersupply will persist until at least 2025 because building new drilling rigs requires two years.

**Block B should boost the workload for drilling-related services.** PVD has already secured jobs for all its rigs in 2023 and part of 2024, so Block B is unlikely to be a factor for its rigs. However, PVD's drilling-related services are less busy and should benefit if Block B is kicked off. Management expects consolidated profit growth of +30% YoY in the first year after Block B's launch.

**We reiterate BUY with TP of VND 36,103 per share**, equivalent to 2023E PB of 1.1x. Near term catalysts: 1) PAT recovery in 3Q23 vs net loss of VND 33bn in 3Q22; and 2) Block B may reach a final investment decision in early 2024, which would substantially increase PVD's workload especially drilling related business.

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

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