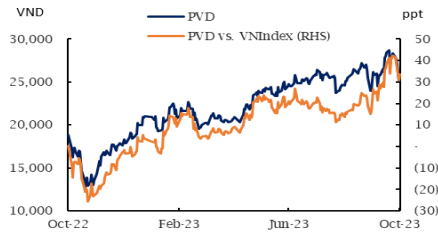


Vietnam: Oil & Gas
30 October 2023
BUY
TP upside (downside) +39.9%
Close 30 Oct 2023
Price 25,800
12M Target 36,103
Share price performance relative to VNINDEX


Market cap (USD mn)	585
6M ADT (USD mn)	5.6
Outstanding shares (mn)	556
Free float (%)	39.2
FINI ownership (%)	22.1
FOL Room (%)	26.9
Major shareholders (%)	61.8
2023 Net debt/equity (%)	0.8%
2023 BVPS (VND)	36.517
2023 P/B (x)	0.7
2023 EV/EBITDA (x)	6.0

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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Bloomberg code: YUTA

PV Drilling (PVD VN): Strong 3Q23 results

Event

PVD announced continued improvements in both workload and average dayrate in 3Q23, resulting in strong 3Q23 business results.

Details

3Q23 PATMI of VND 151bn was down -8.0% QoQ but reversed the net loss VND33bn in 3Q22. The YoY recovery was driven by an 11.3% YoY increase in revenue and surging gross profit margin to reach 21.4%, up from 9.4% in 3Q22. Management attributed the positive operational momentum to increased utilization and average day rates (to USD 90,000/day, up +32% YoY), and a USD 3mn one-off gain from contract termination.

9M23 PATMI reached VND 381 vs the 9M22 net loss of VND 149bn. 9M23 earnings has reached 3.8x full-year guidance. This is mainly driven by profit margin expansion to 22.2%, up from just 8.0% in 9M23. The 9M23 day rate rose by 28% YoY.

Drilling rigs are fully deployed to end-2024. PVD shared that almost all its self-owned rigs are contracted for 2024-2025 and it is now concentrating on 2026 bookings. PVD 3 and PVD 6 jackup rigs renewed day rates have exceeded US\$100k since October.

Global drilling market is tight. ODS Petrodata indicates that 497 rigs are operating globally (+2 units QoQ), of which 361 rigs have secured jobs. Amongst the 136 uncontracted rigs, 62 are off market due to aging. A total of 163 rigs (33% of total rigs worldwide) are more than 30 years old, which may not be safe for operations. PVD's JUs are just 13 years old on average.

Rig supply in SEA to remain tight in the next two years. S&P Global expects a rig deficit of 0.2 units in 2024 as the average jackup rig demand rose to 38.4 units in 2024, up from 32.7 in 2023.

Block B to boost drilling-related services revenues. PVD's related revenue rose by +12.5% YoY in 3Q23, but it expects +30% YoY increase in drilling services revenue once Block B is kicked off.

Near term catalysts: 1) further improvement in average day rate; 2) Block B may reach a final investment decision in early 2024, which would substantially increase PVD's workload especially drilling related businesses. While Block B has been long delayed, the Engineering/ Procurement/Construction/Installation contract for the project has been initiated with investment of up to USD 1bn. **We reiterate BUY with TP of VND 36,103 per share, equivalent to 2023E PB of 1.1x.**

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

SELL: We have a negative 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 reduce their position.

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