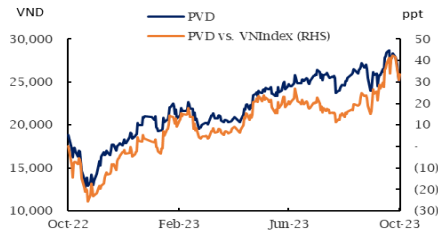


BUY
TP upside (downside) +29.2%
Close 30 Jan 2024
Price 27,950
12M Target 36,103
Share price performance relative to VNINDEX


Market cap (USD mn)	625
6M ADT (USD mn)	5.3
Outstanding shares (mn)	556
Free float (%)	49.6
FINI ownership (%)	22.9
FOL Room (%)	26.1
Major shareholders (%)	50.4
2024 Net debt/equity (%)	Net cash
2024 BVPS (VND)	36.517
2024 P/B (x)	1.0
2024 EV/EBITDA (x)	5.6

Financial outlook

Year to Dec	2022A	2023A	2024E	2025E
Sales (VND bn)	5,431	5,811	8,986	9,784
EPS (VND)	(249)	803	4,514	5,649
ROE (%)	n/a	3.8	13.2	15.5
Div. yield (%)	-	-	-	-

Sources: Bloomberg, Company data, Yuanta Vietnam

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Bloomberg code: YUTA

PV Drilling (PVD VN)

The upcycle is just beginning

Event

We attended today's analyst meeting and came even away even more convinced that PVD's turnaround story is materializing.

Details

4Q23 PATMI of VND 194bn up +28.4% QoQ / +264% YoY. The YoY recovery was driven by +28.5% QoQ / +19.8% YoY in revenue and soaring gross profit margin of 22.7% in 4Q23, up from 17.9% in 4Q22. The 4Q23 improvement was underpinned by increased utilization (i.e., 100%) and higher day rates (\$92.7k/day, +35% YoY).

FY23 PATMI reached VND540bn vs the FY22 net loss of VND154.9bn. As such, PVD beat its full-year PATMI guidance by a rather convincing 5.4x driven by GM expansion to 22.3%, up from 10.6% in FY22, and average day rate increase to \$78.7k (+30% YoY).

Drilling rigs fully deployed until 2025. PVD disclosed that all self-owned jack-up rigs are contracted for 2024–25 and it is now concentrating on 2026 bookings. PVD III has a 3-year contract to 2027 with an optional extension to 2029 and day rate of over \$100k.

Low rig age is a key competitive advantage. ODS Petrodata indicates that 499 rigs are operating globally at 4Q23 (+2 units QoQ), of which 376 rigs have secured jobs. Amongst the 123 uncontracted rigs, 62 are off market due to aging. A total of 163 rigs (33% of total rigs worldwide) are over 30 years old, raising questions about operational safety, whereas PVD's average rig rate is just 13 years.

Strategic shift to longer-term contracts: PVD shared that the company is prioritizing long-term contracts with financially healthy clients, which should ensure stable cashflow in the medium term. In addition, PVD targets overseas opportunities for drilling-related services. PVD is also considering investing in 2 additional jackup rigs for future growth at \$90mn per rig, with 70% debt financing.

Our view: This is just the beginning of an upcycle: We expect further improvement in PVD's financial performance going forward, underpinned by 1) rising average day rates; 2) the commencement of Block B, which would substantially increase PVD's drilling-related business workload from 2025.

We reiterate BUY with TP of VND 36,103 per share, equivalent to 2024E PB of 1.7x. Our 2024 PATMI forecast of VND1.9tn (+253% YoY) reflects our positive assumption of a recovery in drilling-related business operations.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

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Ratings Definitions

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.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

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