

PETROVIETNAM TECHNICAL SERVICES CORP (PVS) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND24,000	VND22,400	2.9%	Hold	OIL & GAS

10 March 2021

Outlook – Short term: **Positive**
Outlook – Long term: **Positive**
Valuation: **Neutral**

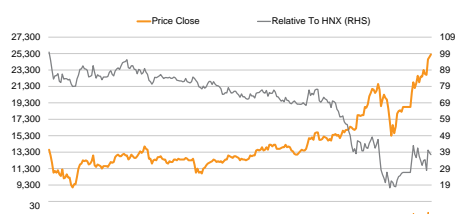
Consensus*: Add:4 Hold:4 Reduce:0

Target price / Consensus: 16.7%

Key changes in the report

➤ FY21-22F EPS lowered by 3.1%-5.7%

Price performance



SOURCE: VND RESEARCH

Key statistics

52w high (VND)	25,200
52w low (VND)	9,000
3m Avg daily value (VNDmn)	209,918
Market cap (VND bn)	11,901
Free float (%)	49
TTM P/E (x)	17.5
Current P/B (x)	0.9

Ownership

PetroVietnam Group	51.4%
Others	48.6%

Source: VND RESEARCH

Analyst(s):


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Fairly priced

- We expect FY20-22F net profit CAGR of 20.5%, driven by a recovery in oil price which could help raise service rates and resume demand for O&G supporting services.
- Downgrade to Hold with higher target price of VND22,400 as share price has ascended to a fair level.

Weak core business performance in 2020

PTSC recorded VND74bn of net profit in 4Q20 (-80.7% yoy), in which a VND517bn maintenance provision reversal partly cushioned the loss in mechanics and construction (M&C) segment and a 90% yoy surge in staff expense. For FY20, net revenue increased by 18.1% yoy while gross profit declined 37.2% due to higher covid-19 related costs across all segments and total VND393bn of maintenance provisions booked for the M&C projects. The bottomline was also supported by the reversal of maintenance provision made for old projects (VND694bn), reporting a 37.2% yoy decrease to VND649bn. Full-year net profit was 11% lower than our forecast as we projected lower income tax expense.

Gradual recovery from FY21 onwards

We forecast the company's net profit to increase 32.1% yoy in FY21F, driven by (1) a 2.5% pts expansion in blended gross margin, especially in M&C segment as PVS books the last revenue stream from Qatar and Sao Vang CPP, and (2) a strong surge in income from FSO/FPSO joint ventures (+159% yoy), with the full-year contribution of FSO Sao Vang (est. annual net profit of VND85bn) and no further provisions at the affiliates. In the short-to-medium term, we expect the oil price recovery (to average US\$70/bbl by 2023F) could help raise service rates and accelerate the resumption of oil and gas activities, translating to PVS's net profit CAGR of 13.2% in FY20-23F period.

Downgrade to Hold with higher target price of VND22,400

We tweak our forecasts for FY21-22F EPS by 3.1%-5.7% due to a lower-than-expected FY20 base. However, we reduce the stock beta from 1.7x to 1.3x (2-yr Bloomberg estimate) and raise target FY21-23F P/E from 8.4x to 11.6x (+1.5 s.d. over 5-yr mean), given an improved investor sentiment amid high oil price and higher market liquidity. Hence, our TP is raised to VND22,400, based on an equal weighting of DCF valuation and P/E valuation. We downgrade our recommendation to Hold, as we believe the current share price rally has priced in the positive factors that could drive market price. Upside risks are oil price rallies due to unexpected events such as the past Feb storms in the US. Downside risks are delays in project tendering/award.

Financial summary (VND)	12-19A	12-20A	12-21E	12-22E
Net revenue (bn)	16,789	19,832	17,698	19,496
Revenue growth	14.7%	18.1%	(10.8%)	10.2%
Gross margin	6.8%	3.6%	6.0%	6.1%
EBITDA margin	11.0%	8.2%	10.4%	10.0%
Net profit (bn)	1,033	649	857	941
Net profit growth	(1.4%)	(37.2%)	32.1%	9.8%
Recurring profit growth	(1.4%)	(37.2%)	32.1%	9.8%
Basic EPS	2,161	1,357	1,793	1,969
Adjusted EPS	1,977	1,194	1,577	1,733
BVPS	25,635	25,462	25,859	25,602
ROAE	8.6%	5.3%	7.0%	7.7%

Source: VND RESEARCH

FAIRLY PRICED

Weak core business performance in FY20

In the 4Q20 financial reports, PVS restated 2019 financial results according to the auditors' opinion. This mainly involved upward revisions in inventories and payable on contract progress, which we think related to the ongoing projects in M&C segment.

The company also reduced its COGS, which led to a 21.6% upward revision in 2019 net profit to VND1,033bn.

Figure 1: 4Q20 and FY20 results overview

FYE Dec (VNDbn)	4Q20	4Q19	% yoy	FY20	FY19	% yoy	vs. FY20 forecast
Net revenue	5,107	3,220	58.6%	19,832	16,789	18.1%	119.3%
Gross profit	(158)	111	-242.8%	712	1,134	-37.2%	64.3%
<i>Gross profit margin</i>	-3.1%	3.4%	-6.5% pts	3.6%	6.8%	-3.2% pts	
Selling expenses	(40)	(39)	3.2%	(119)	(108)	9.9%	112.2%
G&A expenses	(334)	(87)	284.0%	(718)	(651)	10.4%	135.1%
Operating profit	(532)	(15)	3446.1%	(125)	375	-133.4%	-26.7%
Net financial income (expenses)	77	70	9.2%	258	251	2.9%	131.3%
Gain/loss from investment in JVs	70	170	-58.8%	195	581	-66.5%	129.4%
Net other income	537	255	110.1%	714	129	451.8%	358.1%
Pre-tax profit	152	481	-68.4%	1,042	1,336	-22.0%	102.6%
Profit after tax	100	358	-72.1%	735	996	-26.2%	91.6%
Minority interest	26	(26)	-201.4%	86	(37)	NA	113.2%
Net profit	74	384	-80.7%	649	1,033	-37.2%	89.3%

Source: VND RESEARCH, Company reports

In 4Q20, PVS reported net revenue of VND5,107bn (+58.6% yoy) yet a gross loss of VND158bn (-242.8% yoy), which was mostly driven by the Mechanics and Construction (M&C) segment. This segment contributed 55% of quarter revenue but incurred gross loss of VND266bn (equal to 168.7% of total gross loss) as PVS booked VND228bn of maintenance provision for the Sao Vang Dai Nguyet and Gallaf Qatar projects. In addition, G&A expenses jumped 284% yoy on a surge in staff expense, which put further pressure on profitability. However, the company managed to post 4Q20 net profit of VND74bn (-80.7% yoy), cushioned by the reversal of VND517bn of maintenance provision which boosted net other income.

For FY20, although net revenue increased by 18.1% yoy, gross profit declined 37.2% due to higher covid-19 related costs across all segments and total VND393bn of maintenance provisions booked for the M&C projects. The bottomline was also supported by the reversal of maintenance provision made for old projects (VND694bn), reporting a 37.2% yoy decrease to VND649bn.

Full-year net profit was 11% lower than our forecast as the unexpected strong booking of provision reversal offset a weaker-than-expected performance of core businesses, and we projected lower income tax expense.

FY21-23F outlook: Gradual recovery

Oil price increases could bring about a positive impact

Brent crude oil price remained over US\$50 since mid-Dec 2020, supported by a strong commitment of production cut made by Saudi Arabia and allies and freezing storms that affected U.S. oil supply in Feb. Recent news reported that Saudi Arabia has decided to continue its voluntary 1mbd production cut in April, with insignificant increases in output of other allies. This came as a positive reassurance to oil price. We expect a sustained oil price of average US\$60 in 1H21F to help raise service rates and warm up oil and gas exploration market, which should be beneficial to PVS in the short and medium term.

We expect a gradual recovery in PVS's core businesses in FY21-23F, specifically:

- The offshore vessel and port base could improve their gross margins by 0.5-1.0% pts thanks to the recovery in service rates. We expect these two segments to post gross profit CAGR of 9.3% and 13.0% in FY20-23F period, respectively. We consider the wind power segment to be a potential business for PVS in the next 2-3 years, as the company could provide port and supporting construction services for the clients, given its

established infrastructure throughout the country and experience in carrying out offshore projects. We learn that in Feb 2021 PVS signed an MoU along with three other partners on providing services for the development of La Gan offshore wind power project, which could pave way for PVS to find similar projects later.

- For mechanics and construction segment (M&C), we believe gross margin could improve in 2021F as the majority of project maintenance expenses have been made in 2020 and gross margins usually jump towards the end of projects. We expect this segment's gross profit to record a CAGR of 47.0% in 2020-23F from a low base in 2020, as PVS books the last revenue stream from Sao Vang Dai Nguyet (Dai Nguyet Wellhead platform), Gallaf Qatar, Song Hau thermal plant and execute its backlog from such projects as LNG Thi Vai, Long Son petrochemical complex, etc. Although PVS has not confirmed any new contract award, a huge workload from gas field development projects (White Lion Phase 2, Nam Du U Minh, Block B, etc.), LNG terminal (Thi Vai Phase 2, Son My), and new power plants implies high potential for the company.

Figure 2: PVS's major projects in M&C segment

No. Project	Est. contract value (US\$m)	Est. revenue in 2021	Est. backlog by end-2021	Expected project span	Status
Incorporated in our model					
1 Gallaf Qatar	320	96	-	2019 - 2Q21F	PVS has completed construction and T&I for 3 topside and 3 connecting bridges. The company is in hook-up and trial run stage, with project progress at 87% by end-2020
2 Sao Vang Dai Nguyet (SVDN)	600	60	60	2018 - 2022F	Sao Vang first gas in Nov 2020, Dai Nguyet first gas expected in 3Q22F. Dai Nguyet WHP is being constructed with project progress at 65.5% by end-2020.
3 SVDN intrafield and pipeline connecting to Nam Con Son 2	96	10	-	3Q19 - 2021F	Gas-in in Nov 2020.
4 Nam Con Son 2 Phase 2	40	10	-	3Q19 - 1Q21F	Installation completed, gas-in in Dec 2020
5 LNG Thi Vai terminal	78	16	31	3Q19 - 4Q22F	EPC contract awarded in Jun 2019. Project started in Oct 2019. PVS has a 39% stake in the project.
6 Song Hau thermal plant	250	50	-	2016 - 2021F	Completed 88-90% of workload. Expected commercial operation of first turbine in 2Q21F, second turbine in 3Q21F.
7 Long Son petrochemicals complex	81	27	53	2Q20 - 2Q22F	PVS is the sub-contractor for package A1 relating to the construction of olefin plants. We believe the majority of the workload would fall in 2022F.
8 White Lion Phase 2	250	50	200	2021 - 2023F	FS expected to be approved in 1Q21F. First gas for Phase 2A/2B expected from 2Q21F/4Q23F.
9 Nam Du - U Minh	150	30	120	2021 - 2023F	Jadestone is negotiating a revised gas sales profile and development with the Vietnamese government. The company is also preparing to re-issue a tender for the related FPSO vessel. First gas is expected by late-2022 or 2023.
10 GPP Dinh Co 2	250	25	225	2021 - 2023F	We expect commercial operation for this GPP by end-2022F/early 2023F to process the additional gas from Sao Vang and Dai Nguyet fields.
11 Block B - O Mon pipeline	1,000	-	1,000	2022 - 2024F	EPC tenders were opened in Feb 2020 and extended several times to Mar 2021. First gas expected in Sep 2024 at the earliest.
Unincorporated in our model					
1 Block B - O Mon field	6,700	-	-	2021 - 2024F	FEED contract completed. Tender packages would be opened in line with the progress of downstream gas-fired power plant projects.
2 Blue Whale	NA	-	-	2021 - 2024F	FEED contract awarded to Saipem in Feb 2019. In Jul 2020, PVN and EVN said they were working with ExxonMobil to finalise gas sale and electricity agreements. First gas expected in 4Q23F.
3 Lac Da Vang	NA	-	-	2021 - 2023F	ODP was approved in Sep 2019. Field development plan submitted in 3Q20 and well campaign targeted for 2022F. Murphy is also carrying out exploration work at adjacent fields (Lac Da Trang, Lac Da Nau, etc) and Block 15-2/17.
4 Nhon Trach 3&4 power plants	1,400	-	-	2021 - 2024F	Construction site is being cleared. GSA and PPA under negotiation.
5 LNG Thi Vai 2	212	-	-	2021 - 2023F	FS completed in 2020 for capacity expansion to 3mmtpa.
6 Dung Quat refinery expansion and upgrade	1,800	-	-	2021 - 2024F	PVS bid for the EPC contract in cooperation with Technip Italy, Technip Malaysia and Lilama Vietnam. We expect the result of this bid would be announced in 1H21F for EPC work to start in Aug 2021. We note that PTSC is among the contractors participating in the past three turnarounds of Dung Quat refinery in 2014, 2017, and 2020.

*Unconfirmed projects

Source: VND RESEARCH, News report

- We expect FSO/FPSO segment gross profit to recover from a low base in 2020F, mostly driven by the full-year contribution of Sao Vang FSO from 2021F onwards. PVS won the US\$176m contract for operating the Sao Vang FSO for seven firm years in 2018, translating to an average day rate of US\$68,900. This FSO has started operation from Nov 2020 and we expect the segment's CAGR gross profit at 16.5% in FY20-23F. We also note that the owner Jadestone of Nam Du U Minh project is preparing to re-issue the related FPSO contract tender, which could be a potential job for PVS from 2023F onwards. We consider this project award to be an upside risk to our forecast.
- Income from FSO/FPSO affiliates is projected to recover from FY21F, reporting a 159% yoy growth to VND505bn, as PVS no longer needs to make provisions for the MV12 FSO (for solving technical issues) and Lam Son FPSO (for risk of contract termination) like in 2020.

Figure 3: Segment forecast summary

Unit: VNDbn	FY20	FY21F	FY22F	FY23F
Net revenue	19,832	17,698	19,496	21,204
Offshore support vessel	1,883	1,977	2,076	2,180
FSO/FPSO	2,985	2,131	2,172	2,214
Seismic survey & ROV	420	546	600	630
Port base	1,582	1,661	1,744	1,832
Mechanics & construction (M&C)	10,812	9,594	11,025	12,384
Operation and maintenance (O&M)	1,410	1,128	1,151	1,174
Other services	739	660	727	791
Gross profit	712	1,071	1,195	1,218
Offshore support vessel	114	127	141	149
FSO/FPSO	100	153	156	159
Seismic survey & ROV	16	20	22	23
Port base	213	249	292	306
Mechanics & construction (M&C)	136	384	441	433
Operation and maintenance (O&M)	87	106	108	110
Other services	46	31	35	38
Gross profit margin (%)	3.6%	6.0%	6.1%	5.7%
Offshore support vessel	6.0%	6.4%	6.8%	6.8%
FSO/FPSO	3.4%	7.2%	7.2%	7.2%
Seismic survey & ROV	3.7%	3.7%	3.7%	3.7%
Port base	13.4%	15.0%	16.7%	16.7%
Mechanics & construction (M&C)	1.3%	4.0%	4.0%	3.5%
Operation and maintenance (O&M)	6.2%	9.4%	9.4%	9.4%
Other services	6.3%	4.8%	4.8%	4.8%

Source: VND RESEARCH, Company reports

Overall, we forecast PVS's net profit to increase 32.1% yoy in FY21F, driven by (1) a 2.5% pts expansion in blended gross margin, especially in M&C segment, and (2) a strong surge in income from FSO/FPSO joint ventures (+159% yoy), with the full-year contribution of FSO Sao Vang (est. annual net profit of VND85bn).

Forecast revision

Figure 4: Forecast revision

VNDbn	2021F			2022F			2023F		Comment
	Old	New	% Δ	Old	New	% Δ	New		
Net revenue	17,198	17,698	2.9%	23,171	19,496	-15.9%	21,204	We delay part of Block B O Mon revenue stream from 2022F to 2023F, as first gas timeline has been delayed to Sep 2024 at the earliest.	
Gross profit	1,173	1,071	-8.7%	1,474	1,195	-18.9%	1,218	We slightly trim the gross margins of some segments due to lower-than-expected 2020 base. However, we still project a recovery in blended gross margin from FY21F as we believe the recovery in oil price, supported by a return of O&G demand as vaccines are rolled out, could help revive the E&P activities globally from 2H21F and boost service rates.	
Selling expenses	(109)	(106)	-3.2%	(147)	(117)	-20.8%	(127)		
G&A expenses	(658)	(641)	-2.6%	(857)	(706)	-17.6%	(768)		
Operating profit	406	324	-20.2%	469	372	-20.7%	323		
Net financial income (expenses)	187	264	41.7%	155	262	69.4%	242	We raise interest income assumption in FY21-22F due to higher-than-expected interest income in FY20.	
Gain/loss from investment in associates	513	505	-1.7%	587	566	-3.6%	723		
Pre-tax profit	1,237	1,270	2.7%	1,387	1,395	0.5%	1,394		
Net profit	884	857	-3.1%	998	941	-5.7%	940	We observe that the company often incurs high deferred tax expense and the net deferred tax payable by end-2020 was VND444bn. Hence, we raise effective tax rate assumption from 21% to 25.5% in FY21-22F (equal to 2019 level), given a higher-than-expected deferred tax expense in 2020.	
EPS (VND)	1,850	1,793	-3.1%	2,089	1,969	-5.7%	1,968		

Source: VND RESEARCH

Downgrade to Hold with higher target price of VND22,400

While our FY21-22F EPS forecasts is trimmed by 3.1%-5.7%, we revise the stock beta from 1.7x to 1.3x (using 2-yr Bloomberg estimate), hence our DCF-based fair value increases 10% to VND22,645. In addition, we raise our target FY21-23F P/E from 8.4x (5-yr average P/E) to 11.6x (+1.5 s.d. over mean), due to (1) improved sentiment amid the surge in oil prices, (2) higher overall market liquidity as new investors enter the market (2M21 liquidity increased 2.5 times yoy). Our TP is raised to VND22,400, based on an equal weighting of DCF valuation and P/E valuation.

Figure 5: DCF valuation summary

VNDbn	Dec-19A	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-25F	Dec-30F	Dec-35F	CAGR 20-35F
Total revenue	16,789	19,832	17,698	19,496	21,204	23,266	27,388	30,177	2.8%
% yoy	14.7%	18.1%	-10.8%	10.2%	8.8%	4.5%	2.7%	1.6%	
COGS & OPEX	(16,414)	(19,958)	(17,374)	(19,124)	(20,881)	(22,911)	(26,970)	(29,716)	
Unlevered profit / EBIT	375	(125)	324	372	323	355	418	460	
Operating margin	2.2%	-0.6%	1.8%	1.9%	1.5%	1.5%	1.5%	1.5%	
Effective tax rate	25.5%	29.5%	25.5%	25.5%	25.5%	21.0%	21.0%	21.0%	
EBIT * (1-Tax) or NOPAT	279	(88)	241	277	241	280	330	363	
+ Depreciation and amortisation	471	526	526	506	498	546	643	708	
% of revenue	2.8%	2.7%	3.0%	2.6%	2.3%	2.3%	2.3%	2.3%	
- Capex	(786)	(461)	(411)	(453)	(493)	(541)	(637)	(701)	
% of revenue	-4.7%	-2.3%	-2.3%	-2.3%	-2.3%	-2.3%	-2.3%	-2.3%	
+ Change in working capital	1,161	(912)	(486)	(221)	(161)	(360)	(424)	(467)	
% of revenue	6.9%	-4.6%	-2.7%	-1.1%	-0.8%	-1.5%	-1.5%	-1.5%	
Interest and other financial activities, net	961	1,167	946	1,023	1,071	1,175	1,383	1,524	
% of revenue	5.7%	5.9%	5.3%	5.2%	5.0%	5.0%	5.0%	5.0%	
Unlevered free cash flow (UFCF)	2,087	232	816	1,132	1,155	1,100	1,295	1,427	12.9%

Source: VND RESEARCH

Figure 6: Cost of equity assumption

Cost of equity	
Risk Free Rate	3.0%
Beta	1.3
Risk Premium	11.0%
Cost of Equity	17.3%

Source: VND RESEARCH

Figure 7: WACC and terminal growth

VNDbn	
Equity Value	6,516
Debt	1,208
Cost of Debt	4.4%
Tax Rate	21.0%
WACC	15.1%
Perpetual Growth Rate	1.0%

Source: VND RESEARCH

Figure 8: Blended target price

Method	Implied share price (VND)	Weight (%)	Weighted share price (VND)
DCF	22,645	50%	11,322
FY21-23F target P/E of 11.6x	22,152	50%	11,076
Blended value			22,398
Target price			22,400

Source: VND RESEARCH

Figure 9: PVS's historical P/E from 2016 to date



Source: VND RESEARCH, BLOOMBERG

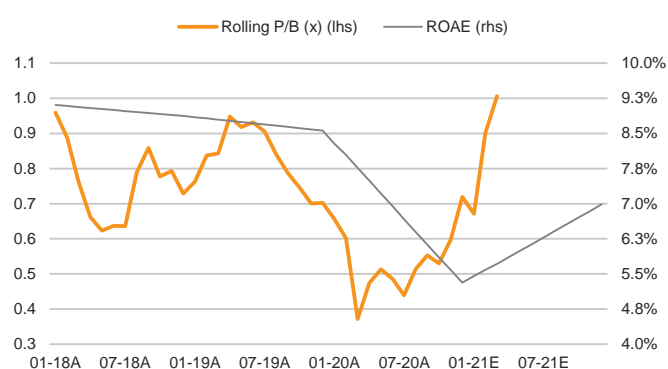
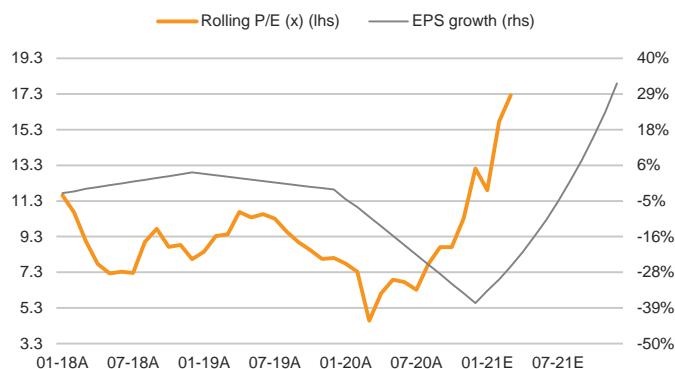
In the past, PVS's P/E generally trails the movement of oil prices, as shown in Figure 9. However, from the beginning of 2021, the company's TTM P/E has risen at a quicker pace than oil price to a 7-year peak. Therefore we think the current stock price is fair and we downgrade our recommendation to Hold.

Downside risks to our forecasts are the delay in progresses of large projects such as Block B - O Mon and Blue Whale, and PVS fails to replenish its backlog with new contracts.

Figure 10: Peer comparison

Company	Bloomberg		Share Price (local curr)	Target Price (local curr) (US\$ m)	Market Cap (US\$ m)	P/E (x)			3-yr fw EPS CAGR (%)	P/BV (x)			ROE (%)			ROA (%)		
	Ticker	Recom.				TTM	FY21F	FY22F		TTM	FY21F	FY22F	TTM	FY21F	FY22F	TTM	FY21F	FY22F
PV Technical Services	PVS VN	HOLD	24,000	22,400	493	17.5	13.4	12.2	13.2%	0.9	0.9	0.9	5.4%	7.0%	7.7%	2.5%	3.4%	3.8%
Malaysia Marine Eng	MMHE MK	NR	0.52	NA	201	NA	40.0	23.6	NA	0.4	0.4	0.4	-18.3%	1.1%	2.0%	-12.5%	0.9%	1.5%
Yinson Holdings	YNS MK	NR	5.38	NA	1,383	18.8	13.1	12.7	29%	1.6	2.0	1.8	8.6%	16.8%	15.8%	3.0%	4.2%	4.5%
Sembcorp Marine	SMM SP	NR	0.16	NA	1,509	NA	NA	NA	NA	0.6	0.4	0.4	-19.9%	-3.4%	-1.1%	-6.7%	-1.5%	-0.7%
Hyundai Engineering	000720 KS	NR	39,200	NA	3,819	35.8	10.4	8.8	69%	0.6	0.6	0.6	3.4%	6.1%	6.9%	1.2%	2.9%	3.3%
Keppel Corp	KEP SP	NR	5.17	NA	6,980	NA	13.3	11.0	NA	0.9	0.8	0.8	-1.7%	6.3%	7.4%	-0.6%	2.2%	2.7%
Average (all)					2,398	24.0	18.0	13.7	36.9%	0.8	0.9	0.8	-3.8%	5.6%	6.5%	-2.2%	2.0%	2.5%
Average (excluding PVS)					2,778	27.3	19.2	14.0	48.7%	0.8	0.8	0.8	-5.6%	5.4%	6.2%	-3.1%	1.7%	2.3%

Source: VND RESEARCH, BLOOMBERG (DATA AS AT 09 MAR)

Valuation

Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	19,832	17,698	19,468
Cost of sales	(19,120)	(16,627)	(18,322)
Gen & admin expenses	(718)	(641)	(705)
Selling expenses	(119)	(106)	(116)
Operating profit	(125)	324	323
Operating EBITDA	400	849	830
Depreciation and amortisation	(526)	(526)	(506)
Operating EBIT	(125)	324	323
Interest income	399	383	362
Financial expense	(141)	(119)	(101)
Net other income	714	177	195
Income from associates & JVs	195	505	566
Pre-tax profit	1,042	1,270	1,345
Tax expense	(307)	(323)	(342)
Minority interest	(86)	(90)	(95)
Net profit	649	857	907
Adj. net profit to ordinary	649	857	907
Ordinary dividends	(526)	(335)	(335)
Retained earnings	122	522	573

Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	5,182	4,515	4,298
Short term investments	3,341	3,341	3,341
Accounts receivables	5,661	4,595	5,062
Inventories	2,190	1,551	1,707
Other current assets	289	258	285
Total current assets	16,664	14,261	14,693
Fixed assets	3,135	3,021	2,968
Total investments	5,119	5,018	5,023
Other long-term assets	1,453	1,425	1,398
Total assets	26,371	23,725	24,082
Short-term debt	734	499	422
Accounts payable	6,164	3,973	4,375
Other current liabilities	2,799	2,498	2,751
Total current liabilities	9,696	6,969	7,548
Total long-term debt	474	455	454
Other liabilities	3,292	3,292	3,292
Share capital	4,780	4,780	4,780
Retained earnings reserve	3,995	4,530	4,390
Shareholders' equity	12,170	12,360	12,237
Minority interest	739	649	550
Total liabilities & equity	26,371	23,725	24,082

Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
Pretax profit	1,042	1,270	1,345
Depreciation & amortisation	526	526	506
Tax paid	(221)	(164)	(174)
Other adjustments	(1,139)	(884)	(923)
Change in working capital	(912)	(486)	(222)
Cash flow from operations	(704)	262	533
Capex	(461)	(411)	(452)
Proceeds from assets sales	8	8	8
Others	62	62	62
Other non-current assets changes			
Cash flow from investing activities	(390)	(341)	(382)
New share issuance	0	0	0
Shares buyback			
Net borrowings	(147)	(254)	(77)
Other financing cash flow			
Dividends paid	(526)	(335)	(335)
Cash flow from financing activities	(673)	(588)	(412)
Cash and equivalents at beginning of period	6,949	5,182	4,515
Total cash generated	(1,767)	(667)	(261)
Cash and equivalents at the end of period	5,182	4,515	4,255

Key ratios

	12-20A	12-21E	12-22E
Dupont			
Net profit margin	3.3%	4.8%	4.7%
Asset turnover	0.75	0.71	0.82
ROAA	2.5%	3.4%	3.8%
Avg assets/avg equity	2.16	2.04	1.94
ROAE	5.3%	7.0%	7.4%
Efficiency			
Days account receivable	104.5	94.8	94.8
Days inventory	41.9	34.0	34.0
Days creditor	118.0	87.2	87.0
Fixed asset turnover	6.26	5.75	6.50
ROIC	4.6%	6.1%	6.7%
Liquidity			
Current ratio	1.7	2.0	1.9
Quick ratio	1.5	1.8	1.7
Cash ratio	0.9	1.1	1.0
Cash cycle	28.4	41.6	41.8
Growth rate (yoy)			
Revenue growth	18.1%	(10.8%)	10.0%
Operating profit growth	(133.4%)		(0.1%)
Net profit growth	(37.2%)	32.1%	5.9%
EPS growth	(37.2%)	32.1%	5.9%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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