

PETROVIETNAM TECHNICAL SERVICES CORP (PVS) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND26,100	VND30,200	4.05%	ADD	OIL & GAS

17 August 2021

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

Consensus*: Add:4 Hold:4 Reduce:1

Target price / Consensus: 10.9%

Key changes in the report

- Decrease FY21F EPS by 15.2%
- Increase FY22-23F EPS by 2.8%/4.0%

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	30,500
52w low (VND)	12,000
3m Avg daily value (VNDmn)	348,059
Market cap (VND bn)	12,762
Free float (%)	49
TTM P/E (x)	20.3
Current P/B (x)	1.04

Ownership

PetroVietnam Group	51.4%
Others	48.6%

Source: VND RESEARCH

Analyst(s):


Hai Nguyen Ngoc

hai.nguyenngoc2@vndirect.com.vn

Positive outlook intact

- PVS reported a 38.6% yoy drop in 2Q21 net profit (NP) on higher G&A expenses and the absence of provisioning reversal.
- 1H21 net profit subdued 18.4% yoy to VND308bn, fulfilling 33.8% of our full-year forecast.
- Reiterate Add with a higher target price of VND30,200.

Weak 2Q21 result since the absence of provisioning reversal

2Q21 net revenue dropped 44.5% yoy to VND3,063bn mainly due to the lower workload for Mechanics & Construction (M&C) segment. 2Q21 blended gross profit margin (GPM) expanded 4.1% pts yoy to 8.5% trailing oil price rally. Despite strong profit from FSO/FPSO joint ventures (+17.3% yoy) and higher blended GPM, PVS posted a 38.6% yoy decline in 2Q21 net profit to VND164bn on the back of: (1) a 118% surge in G&A expenses to VND238bn, and (2) no recognition of maintenance provision reversal like 2Q20 (VND180bn in 2Q20). Overall, 1H21 net profit subdued 18.4% yoy to VND308bn, fulfilling 33.8% of our full-year forecast.

Renewable energy projects to potentially create more jobs for M&C service

Besides the newly awarded contract in Gallaf Batch 3 project on 29 July, PVS also participated in seismic contracts for major wind projects offshore Vietnam, such as Thang Long and La Gan wind projects. In AGM 2021, the management revealed that PVS aimed to diversify M&C activity in coming times. Hence, we expect these seismic contracts to be the premise for PVS to participate further in other stages of these major projects, especially EPC contractors.

Lower FY21F EPS by 15.2% but raise FY22-23F EPS by 2.8%/4.0%

Due to lower-than-expected workload in M&C and O&M segments combined to the significant surge in G&A expenses in 1H21, we cut FY21F EPS by 15.2%. On the other hand, we slightly raise FY22-23F EPS by 2.8%/4.0% as we incorporate the revenue streams from Gallaf Batch 3 project, which has been awarded in July. Overall, we maintain our optimistic view on PVS outlook with a net profit CAGR forecast of 19.7% in FY21-23F thanks to: (1) the improved prospect of M&C business, and (2) the solid contribution of FSO/FPSO joint ventures due to the expected strong oil price which could trigger a day rate upward revision.

Reiterate Add with a higher target price (TP) of VND30,200

As the current strong oil price could boost the market sentiment on oil & gas stock prices, we upgrade our target FY21-23F P/E from 13.1x to 15.4x (+1.5 std over 4-yr average P/E), which blurs the effect of lower FY21F EPS forecast. Hence, our TP is raised to VND30,200, based on DCF valuation and the target P/E, weighted equally. Potential re-rating catalyst is higher oil price. Downside risks are lower-than-expected oil price and further delays in projects award.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	20,180	15,871	21,777	24,790
Revenue growth	20.2%	(21.4%)	37.2%	13.8%
Gross margin	3.9%	6.1%	5.9%	5.8%
EBITDA margin	8.0%	10.9%	9.5%	8.7%
Net profit (bn)	624	774	1,026	1,071
Net profit growth	(39.6%)	24.0%	32.6%	4.4%
Recurring profit growth	(39.6%)	24.0%	32.6%	4.4%
Basic EPS	1,306	1,619	2,147	2,242
Adjusted EPS	1,149	1,425	1,889	1,973
BVPS	25,411	26,058	24,905	24,110
ROAE	5.1%	6.3%	8.4%	9.1%

 Source: VND RESEARCH¹

POSITIVE OUTLOOK INTACT

Reiterate Add with a higher target price of VND30,200

While lower FY21F by 15.2% to reflect lower-than-expect results in 1H21, we upgrade our target FY21-23F P/E from 13.1x to 15.4x (+1.5 std over 4-yr P/E average) as we believe the current strong oil price could boost the market sentiment on oil & gas stock prices. Hence, we reiterate our Add rating for PVS stock with a higher TP of VND30,200 (+11.4% from previous report), based on DCF valuation and the target FY21-23F P/E of 15.4x, weighted equally.

For long-term, we maintain our optimistic view on PVS outlook on the back of (1) oil price is expected to be resilient on a new base in FY21-23F (around US\$70/bbl in our view) which could strengthen all PVS's businesses, and (2) the improved prospect of M&C segment with the new awarded contract (Gallaf Batch 3) and the potential renewable energy projects.

Investment risks:

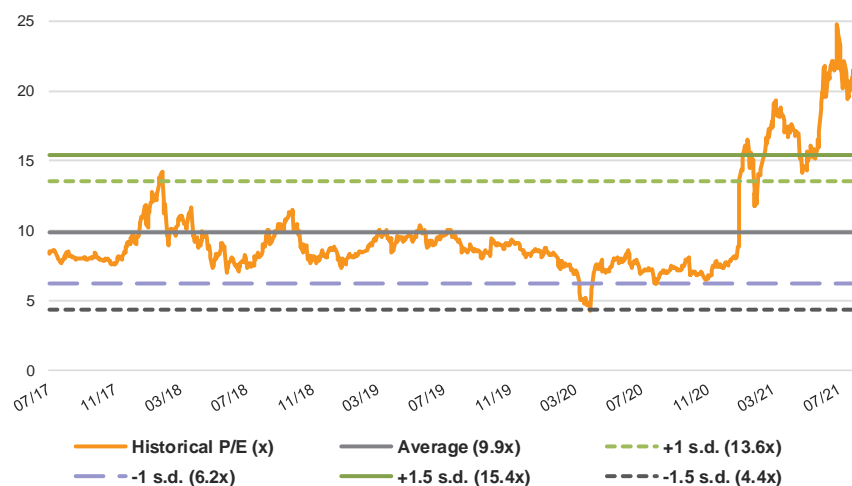
- Potential re-rating catalyst is higher oil price.
- Downside risks come from lower-than-expected oil price and further delays in projects award

Figure 1: Target price

Method	Implied share price (VND)	Weight (%)	Weighted share price (VND)
DCF	29,634	50%	14,817
FY21-23F target P/E of 15.4x	30,838	50%	15,419
Blended value			30,236
Target price			30,200

Source: VNDIRECT RESEARCH

Figure 2: PVS's historical P/E



Source: BLOOMBERG, VNDIRECT RESEARCH

Figure 3: DCF Valuation – Summary of free cash flow (FCF)

VNDbn	FY21F	FY22F	FY23F	FY24F	FY25F	FY30F	FY35F	CAGR 20-35F
Total revenue	15,871	21,777	24,790	26,029	27,201	32,019	35,280	3.8%
% yoy	-21.4%	37.2%	13.8%	5.0%	4.5%	2.7%	1.6%	
COGS & OPEX	(15,733)	(21,376)	(24,371)	(25,590)	(26,742)	(31,479)	(34,684)	
Unlevered profit / EBIT	138	401	418	439	459	540	595	
Operating margin	0.9%	1.8%	1.7%	1.7%	1.7%	1.7%	1.7%	
Effective tax rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	
EBIT * (1-Tax) or NOPAT	109	317	330	347	363	427	470	
+ Depreciation and amortisation	539	514	519	681	711	837	923	
% of revenue	3.4%	2.4%	2.1%	2.6%	2.6%	2.6%	2.6%	
- Capex	(395)	(542)	(617)	(647)	(677)	(796)	(877)	
% of revenue	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	-2.5%	
+ Change in working capital	(56)	(425)	(290)	(407)	(425)	(500)	(551)	
% of revenue	-0.4%	-2.0%	-1.2%	-1.6%	-1.6%	-1.6%	-1.6%	
Interest and other financial activities, net	1,009	1,120	1,170	1,167	1,134	1,335	1,471	
% of revenue	6.4%	5.1%	4.7%	4.5%	4.2%	4.2%	4.2%	
Unlevered free cash flow (UFCF)	1,206	984	1,112	1,141	1,107	1,303	1,435	15.6%

Source: VNDIRECT RESEARCH

Figure 4: Cost of equity

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

Source: VNDIRECT RESEARCH

Figure 5: WACC and Long-term growth rate

VNDbn	
Equity Value	10,037
Debt	1,208
Cost of Debt	7.0%
Tax Rate	21.0%
WACC	16.0%
Perpetual Growth Rate	1.0%

Source: VNDIRECT RESEARCH

Figure 6: Sector comparison

Company	Bloomberg Ticker	Recom.	Share Price (local cur.)	Target Price (local cur.)	Market Cap (US\$ m)	P/E (x)			3-yr EPS CAGR (%)		P/BV (x)		ROE (%)		ROA (%)	
						FY21F	FY22F	FY23F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
PV Technical Services	PVS VN	ADD	26,100	30,200	550	16.1	12.2	19.7%	1.0	1.0	6.3%	8.4%	3.1%	4.3%		
Malaysia Marine Eng	MMHE MK	NR	0.40	NA	151	NA	28.6		0.3	0.3	-5.7%	2.0%	-4.1%	1.2%		
Yinson Holdings	YNS MK	NR	4.49	NA	1,129	10.8	11.5		1.6	1.5	15.5%	14.1%	5.6%	5.2%		
Sembcorp Marine	SMM SP	NR	0.11	NA	1,008	NA	NA		0.4	0.4	-9.4%	-3.3%	-5.3%	-1.7%		
Hyundai Engineering	000720 KS	NR	50,400	NA	4,767	12.6	10.3		0.8	0.8	6.7%	7.6%	3.3%	3.9%		
Keppel Corp	KEP SP	NR	5.31	NA	7,116	14.2	11.7		0.8	0.8	6.3%	7.3%	2.3%	2.7%		
Average (all)						13.5	14.8		0.8	0.8	3.3%	6.0%	0.8%	2.6%		
Average (excluding PVS)						12.6	15.5		0.8	0.8	2.7%	5.5%	0.4%	2.3%		

Source: BLOOMBERG, VNDIRECT RESEARCH (DATA AS AT 16 AUG)

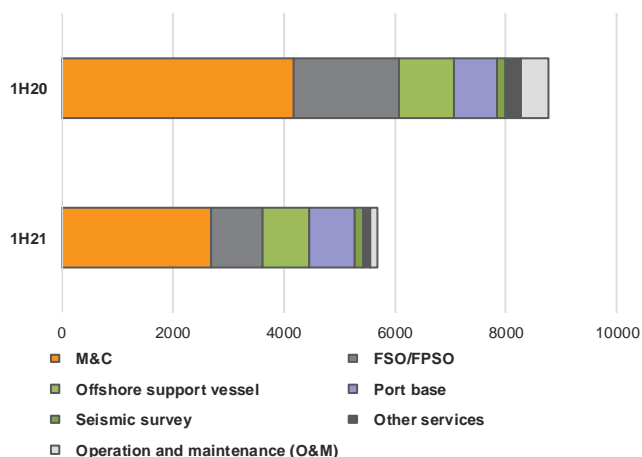
Weak 2Q21 result since the absence of provisioning reversal
Figure 7: 2Q21 and 1H21 results overview

FYE Dec (VNDbn)	2Q20	2Q21	% yoy	1H20	1H21	% yoy	% vs. FY21F forecast	Comments
Net revenue	5,518	3,063	-44.5%	8,759	5,677	-35.2%	33.2%	2Q21 net revenue declined mainly due to the lower M&C and O&M workload, which dropped 46.7% yoy and 71.4% yoy in 2Q21, respectively. We expect higher M&C contribution in quarters ahead when PVS would recognise revenue from its major projects, especially the new awarded project Qatar Gallaf Batch 3
Offshore support vessel	458	469	2.5%	979	827	-15.5%		
FSO/FPSO	1,363	472	-65.4%	1,912	930	-51.4%		2Q21 FSO/FPSO significantly dropped as PVS booked one-off revenue from Ca Rong Do project in 2Q20
Seismic survey	76	84	10.8%	152	143	-6.2%		
Port base	412	455	10.6%	784	825	5.2%		
Mechanics & construction (M&C)	2,756	1,470	-46.7%	4,173	2,698	-35.4%		
Operation & maintenance (O&M)	299	85	-71.4%	494	118	-76.1%		
Other services	155	27	-82.6%	264	136	-48.4%		
Gross profit	245	261	6.3%	437	439	0.6%	41.6%	
Offshore support vessel	26	35	35.0%	56	64	15.2%		
FSO/FPSO	40	21	-47.3%	63	57	-9.1%		
Seismic survey	13	18	36.4%	8	8	5.9%		
Port base	49	78	58.2%	119	134	13.0%		
Mechanics & construction (M&C)	64	74	16.8%	125	119	-5.0%		
Operation & maintenance (O&M)	39	25	-35.1%	50	43	-13.1%		
Other services	15	10	-34.6%	17	13	-20.6%		
<i>Gross profit margin</i>	<i>4.4%</i>	<i>8.5%</i>	<i>4.1% pts</i>	<i>5.0%</i>	<i>7.7%</i>	<i>2.8% pts</i>		Blended GPM ameliorated by 4.1% pts in 2Q21 as all segment GPM improved on the oil price rally
Selling expenses	(22)	(27)	21.2%	(47)	(50)	5.3%	46.9%	
G&A expenses	(109)	(238)	118.6%	(233)	(429)	84.3%	69.0%	G&A expenses significantly increased by 118.6% yoy in 2Q21 as: (1) PVS classified employee costs of indirect departments into G&A expenses, leading to a 60% increase in staff expenses in 2Q21 and (2) the company booked a provision expense of VND10bn for bad debt in 2Q21 compared to a reversal of VND25bn in 2Q20
Operating profit	114	(5)	-104.3%	157	(39)	-125.2%		
Net financial income (expenses)	33	50	54.9%	109	107	-1.6%	40.0%	
Financial income	72	64	-10.4%	182	140	-23.2%		
Financial expenses	(39)	(14)	-64.5%	(74)	(33)	-55.1%		
Gain/loss from investment in JVs	129	151	17.3%	161	308	91.5%	52.4%	The affiliate income was still the stellar spot in 2Q21, recording a 17.3% yoy growth. Overall, the affiliate income surged 91.5% yoy in 1H21 to VND308bn, equivalent to 100% of PVS's net profit in 1H21
Net other income	154	10	-93.4%	180	53	-70.8%		Net other income slumped 93.4% yoy in 2Q21 as the company did not recognise the guaranteed provision reversal for old projects like 2Q20 (VND180bn)
Pre-tax profit	429	207	-51.8%	606	428	-29.4%	31.6%	
Profit after tax	292	183	-37.1%	412	347	-15.9%		
Minority interest	25	20	-21.6%	35	39	11.7%		
Net profit	266	164	-38.6%	378	308	-18.4%	33.8%	Lower than our expectation

Source: VNDIRECT RESEARCH, COMPANY REPORTS

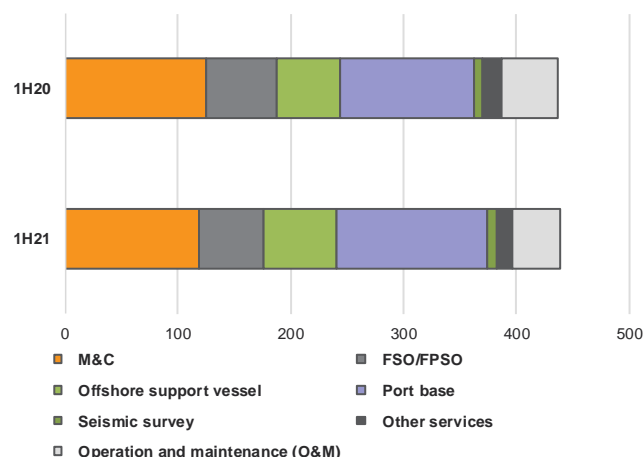
For 1H21, PVS's net revenue and NP decreased to VND5,677bn (-35.2% yoy) and VND308bn (-18.4% yoy), respectively. In 1H21, the affiliate income was the main contributor with a 91.5% yoy growth to VND308bn (equivalent to ~100% of 1H21 net profit), partially offsetting to higher G&A expenses (+84.3% yoy) and lower net other income (-70.8% yoy) in 1H21. The bottom line was lower than expectations at 33.8% of our full-year forecast.

Figure 8: Revenue breakdown by segment (VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 9: Gross profit breakdown by segment (VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

FY21-23F outlook: positive M&C prospect thanks to the newly awarded contract and the potential renewable energy projects

The newly signed contract to create more jobs for M&C activities

We also see the positive signals in M&C segment when PVS has announced it had been awarded a contract to deliver two wellhead platforms for the Gallaf Batch 3 project (package 5) with an est. value of US\$360m on 29 July. This oil production project belongs to the Qatar's largest offshore oil field - Al-Shaheen field. Under the contract, PVS would carry out the design, procurement, manufacturing, pre-commissioning, launching, transportation, and installation, test connection, and offshore completion with a total volume of about 19,000 tons for two wellhead platforms. The project should provide more jobs for the company until end-2023.

For Block B – O Mon project, there are some signals that the Prime Minister would make a final decision about O Mon III power plant project in 4Q21F, meaning that the related upstream and midstream projects could also have a final investment decision (FID) in 2022F, setting the stage for Block B multi-projects to kick off.

Overall, we forecast M&C revenue to decline 25.5% yoy in FY21, before accelerating in FY22-23F with the segment revenue CAGR of 40% thanks to the contribution from major confirmed/potential projects like Gallaf Batch 3, Block B – O Mon pipeline and Nam Du U Minh.

Tapping into renewable energy projects

In May 2021, PTSC G&S (a subsidiary of PVS) has signed a contract to supply, install and operate a floating LiDAR at the site of the Thang Long Wind project (a capacity of 3.4GW) offshore Vietnam. The company would collect detailed wind resource, meteorological, and oceanographic data across the project site over the next 12 months. Moreover, a consortium led by Vietsovetro, PTSC G&S and Fugro have also been awarded an offshore geotechnical contract for La Gan wind farm (a capacity of 3.5GW) in July.

In AGM 2021, the management revealed that PVS aimed to diversify M&C activities in coming times. Hence, we expect that these seismic contracts could be the premise for PVS to participate further in other stages of these major projects, especially EPC contractors. In early-2021, La Gan project investor also signed Memoranda of Understanding (MoUs) covering foundation supply and harbour services with four local contractors, including PVS. The wind farm with

an est. capex of US\$10bn is planned to be built in two phases until 2030. We highlight that green energy transition is a global trend and it would open the new opportunities for PVS's M&C business in coming times.

Overall, there are some supermajor projects, such as Block B field (an est. capex of US\$6.7bn), Blue Whale (US\$4.6bn) and La Gan wind farm (US\$10bn) that we have not taken into our model due to the lack of detail information. In case of approval, these projects would provide a huge backlog for PVS until 2030, becoming the strong re-rating catalysts for PVS stock.

Figure 10: PVS's key 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, expecting finish the contract in 2021.
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 the project progress at 85.66% by end-2Q21.
3 SVDN intrafield and pipeline connecting to Nam Con Son 2	96	10	-	3Q19 - 2021F	Gas-in in Nov 2020.
4 LNG Thi Vai terminal	78	16	31	3Q19 - 3Q22F	Project started in Oct 2019. PVS has a 39% stake in the project. Until 1Q21, the progress reached 66.47% by end-2Q21, expecting to complete in 3Q22
5 Song Hau thermal plant	250	25	-	2016 - 2021F	Completed 95% of workload in 1Q21. Expected commercial operation of first turbine in 2Q21F, second turbine in 3Q21F.
6 Long Son petrochemicals complex	81	27	53	2Q20 - 2Q22F	PVS is the sub-contractor for package A1 relating to the construction of olefin plants with the project progress at 51.27% by end-2Q21. We believe the majority of the workload would fall in 2022F.
7 Gallaf Batch 3	360	72	288	2Q21 - 4Q23F	PVS is responsible for an EPC contractor of Gallaf Batch 3 project (package 5) with a total volume of about 19,000 tons for 2 wellhead platforms. The project would ensure jobs in the company until end-2023.
*8 White Lion Phase 2	250	25	225	2021 - 2024F	Phase 2A first gas in July 2021. Feasibility study (FS) for 2B expected to be approved in 2021F. First gas for phase 2B expected from 2024F.
*9 Nam Du - U Minh	150	-	150	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	-	250	2022 - 2023F	We expect commercial operation for this GPP by 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	EPCI tenders were opened in Feb 2020 and extended several times. Latest, EPCI bidding packages will expire in bid validity (4th extension) in October 2021. First gas expected in Sep 2024 at the earliest.
Unincorporated in our model					
1 Block B - O Mon field	6,700			2022 - 2025F	FEED contract completed. Tender packages would be opened in line with the progress of downstream gas-fired power plant projects.
2 Blue Whale	4,600			2022 - 2025F	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.
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. EPC contract is expected to be bidded in Aug 2021, and PVS will participate a bid as a sub-contractor in joint venture with Korean general constructor.
5 LNG Thi Vai 2	212			2022 - 2024F	FS is under appraisal stage for capacity expansion to 3mmtpa.
6 La Gan wind farm (3.5 GW)	10,000			2021 - 2030F	The wind farm is planned to be built in two phases, with the first 500 MW to 600 MW phase to be up and running until 2024, and the remaining 3,000 MW being added between 2026 and 2030. In Feb 2021, La Gan project investor signed MoUs covering foundation supply and harbour services with 4 local contractors, including PVS.

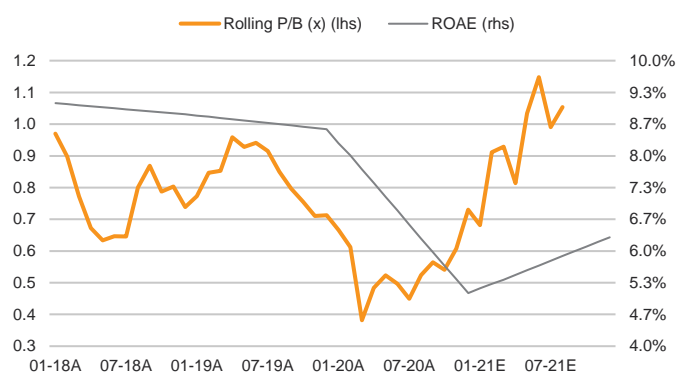
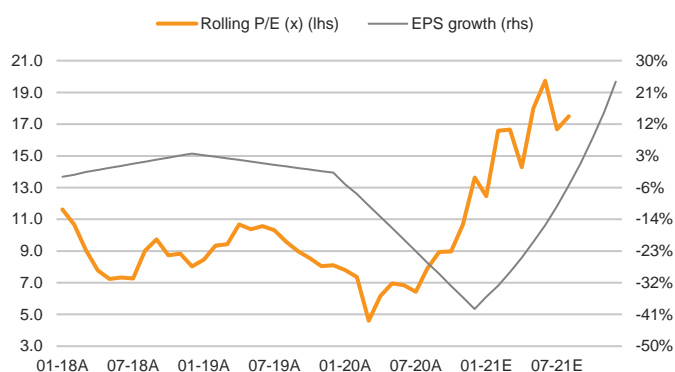
*Unconfirmed Projects

Source: VNDIRECT RESEARCH

We lower FY21F EPS by 15.2% but raise FY22-23F EPS by 2.8%/4.0%
Figure 11: Forecast revision

VNDbn	2021F			2022F			2023F			Comments
	Old	New	% Δ	Old	New	% Δ	Old	New	% Δ	
Net revenue	17,093	15,871	-7.1%	19,248	21,777	13.1%	21,717	24,790	14.1%	While incorporated the new contract Qatar Gallaf Batch 3, we defer revenue recognition in some projects that are likely to be delayed in 2021F. Besides, we also reduce FY21F O&M revenue by 25% to reflect lower-than-expected workload in 1H21 as the major projects have passed the peak stage
Gross profit	1,055	967	-8.4%	1,194	1,288	7.9%	1,284	1,427	11.1%	
Selling expenses	(106)	(98)	-7.1%	(113)	(120)	5.8%	(128)	(136)	6.8%	
G&A expenses	(622)	(730)	17.3%	(693)	(767)	10.6%	(782)	(873)	11.6%	We raise FY21F G&A expenses to reflect higher-than-expected G&A expenses in 1H21
Operating profit	327	138	-57.7%	388	401	3.5%	375	418	11.6%	
Net financial income (expenses)	267	263	-1.7%	268	270	0.8%	245	247	0.9%	
Gain/loss from investment in associates	587	587	0.0%	632	632	0.0%	799	799	0.0%	
Pre-tax profit	1,352	1,147	-15.2%	1,480	1,521	2.8%	1,527	1,588	4.0%	
Net profit	912	774	-15.2%	999	1,026	2.8%	1,030	1,071	4.0%	
EPS (VND)	1,908	1,619	-15.2%	2,089	2,147	2.8%	2,156	2,242	4.0%	

Source: VNDIRECT RESEARCH

Valuation

Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	20,180	15,638	20,710
Cost of sales	(19,402)	(14,680)	(19,466)
Gen & admin expenses	(798)	(719)	(735)
Selling expenses	(119)	(97)	(122)
Operating profit	(138)	141	388
Operating EBITDA	401	680	901
Depreciation and amortisation	(539)	(539)	(513)
Operating EBIT	(138)	141	388
Interest income	400	368	355
Financial expense	(143)	(105)	(90)
Net other income	715	156	207
Income from associates & JVs	191	587	632
Pre-tax profit	1,025	1,148	1,493
Tax expense	(315)	(292)	(380)
Minority interest	(86)	(81)	(106)
Net profit	624	775	1,007
Adj. net profit to ordinary	624	775	1,007
Ordinary dividends	(526)	(335)	(335)
Retained earnings	98	440	672

Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	5,212	4,903	4,611
Short term investments	3,311	3,311	3,311
Accounts receivables	5,662	4,241	5,451
Inventories	2,111	942	1,498
Other current assets	306	237	315
Total current assets	16,603	13,634	15,185
Fixed assets	3,135	2,985	2,988
Total investments	5,114	5,008	5,023
Other long-term assets	1,426	1,374	1,323
Total assets	26,279	23,001	24,519
Short-term debt	735	497	424
Accounts payable	6,178	3,556	4,975
Other current liabilities	2,890	2,240	2,966
Total current liabilities	9,803	6,293	8,365
Total long-term debt	474	448	468
Other liabilities	3,119	3,119	3,119
Share capital	4,780	4,780	4,780
Retained earnings reserve	3,971	4,656	4,167
Shareholders' equity	12,146	12,485	12,015
Minority interest	739	657	552
Total liabilities & equity	26,279	23,001	24,519

Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
Pretax profit	1,025	1,148	1,493
Depreciation & amortisation	539	539	513
Tax paid	(221)	(131)	(170)
Other adjustments	(1,068)	(951)	(983)
Change in working capital	(940)	(31)	(347)
Cash flow from operations	(666)	573	506
Capex	(502)	(389)	(515)
Proceeds from assets sales	8	8	8
Others	96	96	96
Other non-current assets changes			
Cash flow from investing activities	(398)	(285)	(411)
New share issuance	0	0	0
Shares buyback			
Net borrowings	(147)	(263)	(53)
Other financing cash flow			
Dividends paid	(526)	(335)	(335)
Cash flow from financing activities	(673)	(598)	(387)
Cash and equivalents at beginning of period	6,949	5,212	4,903
Total cash generated	(1,737)	(309)	(292)
Cash and equivalents at the end of period	5,212	4,903	4,611

Key ratios

	12-20A	12-21E	12-22E
Dupont			
Net profit margin	3.1%	5.0%	4.9%
Asset turnover	0.77	0.63	0.87
ROAA	2.4%	3.1%	4.2%
Avg assets/avg equity	2.15	2.00	1.94
ROAE	5.1%	6.3%	8.2%
Efficiency			
Days account receivable	102.7	99.0	96.1
Days inventory	39.8	23.4	28.1
Days creditor	116.5	88.4	93.3
Fixed asset turnover	6.37	5.11	6.93
ROIC	4.4%	5.5%	7.5%
Liquidity			
Current ratio	1.7	2.2	1.8
Quick ratio	1.5	2.0	1.6
Cash ratio	0.9	1.3	0.9
Cash cycle	26.0	34.0	30.9
Growth rate (yoy)			
Revenue growth	20.2%	(22.5%)	32.4%
Operating profit growth	(136.8%)		174.8%
Net profit growth	(39.6%)	24.1%	30.0%
EPS growth	(39.6%)	24.1%	30.0%

Source: VND RESEARCH

DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

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.

Hien Tran Khanh – Head of Research

Email: hien.trankhanh@vndirect.com.vn

Dzung Nguyen – Senior Analyst

Email: dung.nguyentien5@vndirect.com.vn

Hai Nguyen Ngoc – Analyst

Email: hai.nguyenngoc2@vndirect.com.vn

VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: research@vndirect.com.vn

Website: <https://vndirect.com.vn>