

Vietnam  
August 7, 2018 - 5:15 PM

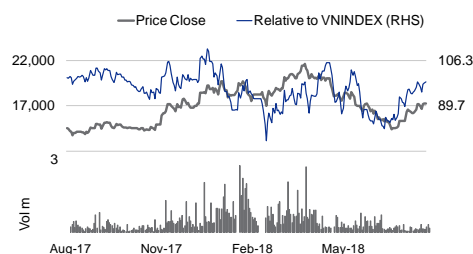
**ADD** (no change)

Consensus ratings*:	Buy 6 Hold 2 Sell 0
Current price:	VND17,250
Target price:	VND29,900
Previous target:	VND29,900
Up/downside:	73.3%
CGS-CIMB / Consensus:	54.9%
Reuters:	PVT.HM
Bloomberg:	PVT VN
Market cap:	US\$208.3m
	VND4,854,843m
Average daily turnover:	US\$0.17m
	VND3,884m
Current shares o/s	281.4m
Free float:	27.6%

\*Source: Bloomberg

**Key financial forecasts**

	Dec-18F	Dec-19F	Dec-20F
Net Profit (VNDb)	546.7	670.2	668.1
Core EPS (VND)	1,943	2,381	2,374
Core EPS Growth	21.5%	22.6%	(0.3%)
FD Core P/E (x)	8.88	7.24	7.27
Recurring ROE	14.2%	16.0%	14.6%
P/BV (x)	1.21	1.11	1.02
DPS (VND)	1,000.0	1,000.0	1,000.0
Dividend Yield	5.80%	5.80%	5.80%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	19	-4.7	19
Relative (%)	14.7	5.2	-1.7

Major shareholders	% held
PetroVietnam	51.0
PVcomBank	6.5
Market Vector VN	5.0

**Analyst(s)**

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# PetroVietnam Transportation Corp

## Strong results driven by crude oil transportation and asset disposals

- 1H revenue reached VND3,881bn while net profit clocked in at VND324b, forming 55% of our revenue forecast and 59% of our net profit forecast for FY18, respectively.
- We therefore maintain our projections for FY18.
- PVT's robust earnings growth in 1H18 reaffirms our Add rating.

### 2Q18 results jumped from a low base in 2Q17

- PVT's 2Q18 revenue rose 46.0% yoy to VND1,999bn and net profit surged 334.0% yoy to VND197bn, thanks to (1) higher crude oil transportation volume for its customer Dung Quat Refinery (DQR) as the refinery was able to operate without interruptions in 1H18 as compared to 1H17, when it underwent maintenance works; (2) stronger financial income from dividends, interest income and foreign exchange gains; and (3) non-recurring profit of c.VND79bn from the liquidation of its crude oil tanker Hercules.

### Revenue from transportation services surged 31% yoy in 2Q18

- Major customer DQR conducted maintenance of its refinery for 27 days in 1H17 (it does this after every three years). With no maintenance works in 1H18, DQR imported more crude oil for its refining business, thus boosting transportation demand. This increased PVT's crude oil transportation volume in 1H18 by 20.2% yoy. For 1H18, PVT's revenue from transportation services rose by 21.3% while gross profit margin for this segment fell from 12.3% in 1H17 to 11.8% in 1H18 due to lower charter rates for oil tankers operating in international waters.

### Stellar growth in financial income

- Financial income in 2Q18 jumped to VND81.4bn (+92.4% yoy) with (1) interest income of VND41.9bn (+21.2% yoy); (2) dividend of VND20.7bn (vs. VND1.3bn in 2Q17) from subsidiaries, notably PVTrans Pacific (PVP, UPCOM), PVTrans Oil (PDV, UPCOM), Southern PetroTrans (Unlisted), Gas Shipping (GSP, HOSE), NVTrans (Unlisted); and (3) gains from foreign exchange of VND18.8bn (vs. VND2.8bn in 2Q17), likely due to VND devaluation against the US\$.
- At end-2Q18, cash and cash equivalents reached VND1,967bn (+0.4% YTD) and short-term financial investments were VND1,152bn (+19.9% YTD). Previously, most of PVT's cash was parked in demand deposits (VND1,638bn), at very low interest rates. In 2018, PVT moved some demand deposits to longer-term deposits and this contributed to a rise in interest income in 2Q18.

### Positive results may accelerate divestment of the state's ownership

- Vietnam Oil & Gas Group (PetroVietnam, PVN, Unlisted) plans to reduce its stake in PVT from 51% currently to 36% before 2020. We expect an accelerated divestment, given the positive business results in 1H18 and the slight improvement in stock market sentiment from a month ago. We believe this will enhance PVT's efficiency as the company will have greater decision-making freedom.

### PVT is trading at c.50% discount to peers

- At the current price, we view PVT's FY18F P/E of 8.9x and EV/EBITDA of 4.1x as attractive compared to global peers' average of 15.9x (P/E) and 11.1x (EV/EBITDA).
- We maintain our Add rating and target price, which is based on a blended valuation method of DCF (RFR: 4.1%, LTG: 3.0%) and target FY19F EV/EBITDA of 7.2x. Potential re-rating catalyst is higher transportation demand from Nghi Son Refinery. Key downside risk is the dependence on DQR as any disruption to the refinery's operation could affect PVT's earnings.

**Figure 1: 2Q/1H18 results comparison**

FYE (VNDbn)	2QFY18	yoy chg	1HFY18	yoy chg	FY18F forecast	% vs forecast	Comments
<b>Revenue</b>	<b>1,999</b>	<b>46.0%</b>	<b>3,881</b>	<b>28.5%</b>	<b>7,112</b>	<b>54.6%</b>	Slightly above our expectations due to higher trading revenue. Nghi Son Refinery commissioning in June will boost transportation revenue from 3Q2018
Transportation	961	31.1%	1,860	21.3%	4,184	44.5%	
Maritime services	115	-38.7%	368	-1.2%	843	43.7%	Slightly below our expectations due to lower than expected FSO/PPSO day-rate
Others	80	614.3%	91	227.4%	55	165.5%	
Commercial	843	93.1%	1,462	34.5%	2,030	72.0%	Higher purchases of downstream products such as gasoline, LPG and urea on behalf of customers (such as PVN and PVN's subsidiaries) driven by both volume and unit price increases.
Financial income	81	92.4%	116	19.4%	156	74.2%	Higher interest income from deposits and unexpected forex gains on trading activities due to VND depreciation against the USD
Financial expenses	35	-7.8%	73	-5.4%	180	40.6%	
Operating profit	182	205.2%	363	70.0%	750	48.4%	
<b>Net profit</b>	<b>198</b>	<b>334.1%</b>	<b>324</b>	<b>113.8%</b>	<b>547</b>	<b>59.3%</b>	
EPS (sem)							
(VND/share)	702		1,153	1,944	1,943	59.3%	

SOURCES: VND RESEARCH, COMPANY REPORTS

**Figure 2: Global peer sector comparison**

Company	Bloomberg Ticker	Recom.	Share Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY18F	CY19F		CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
PVTrans	PVT VN	ADD	17,250	29,900	208	8.9	7.2	14.1%	1.2	1.1	14.2%	16.0%	4.1	3.9	5.8%	7.1%
MISC Bhd	MISC MK	HOLD	6.52	6.80	7,131	19.0	18.8	-9.3%	0.8	0.8	4.4%	4.4%	9.5	9.1	4.4%	4.4%
PTT Pcl	PTT TB	NOT RATED	51.50	N/A	44,112	10.9	10.6	-2.9%	1.6	1.5	15.5%	14.0%	5.7	5.3	4.1%	4.2%
Ship Finance	SFL US	NOT RATED	14.80	N/A	1,815	14.6	12.6	12.3%	1.3	1.3	9.5%	10.6%	11.5	10.5	9.5%	9.5%
Capital Product	CPLP US	NOT RATED	3.06	N/A	389	19.0	10.0	21.5%	0.4	0.4	2.3%	5.1%	6.7	5.4	10.5%	11.1%
Tsakos Energy	TNP US	NOT RATED	3.54	N/A	309	N/A	47.2	0.45	0.2	0.2	-4.7%	-0.6%	11.5	8.4	5.7%	5.8%
Teekay Corp	TK US	NOT RATED	6.98	N/A	701	N/A	29.1	N/A	0.4	0.4	-4.1%	1.4%	N/A	N/A	3.2%	3.2%
Ardmore Shipping	ASC US	NOT RATED	6.80	N/A	225	N/A	13.3	N/A	0.6	0.6	-6.2%	2.3%	14.5	7.4	0.7%	1.0%
Nordic American Tnk	NAT US	NOT RATED	2.34	N/A	332	N/A	N/A	N/A	0.5	0.6	-10.5%	-5.8%	18.0	6.4	2.7%	3.3%
Average (all)					6,136	14.5	18.6	13.4%	0.8	0.8	2.3%	5.3%	10.2	7.0	5.2%	5.5%
Average (excluding PVTrans)					6,877	15.9	20.2	13.3%	0.7	0.7	0.8%	3.9%	11.1	7.5	5.1%	5.3%

NOTE: AS OF 06 AUG 2018

SOURCES: VND RESEARCH, BLOOMBERG

## BY THE NUMBERS

### Profit & Loss

(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
<b>Total Net Revenues</b>	<b>6,148</b>	<b>7,112</b>	<b>8,139</b>	<b>8,088</b>
<b>Gross Profit</b>	<b>846</b>	<b>1,054</b>	<b>1,326</b>	<b>1,280</b>
<b>Operating EBITDA</b>	<b>1,181</b>	<b>1,369</b>	<b>1,660</b>	<b>1,637</b>
Depreciation And Amortisation	(578)	(595)	(655)	(677)
<b>Operating EBIT</b>	<b>603</b>	<b>774</b>	<b>1,005</b>	<b>961</b>
Financial Income/(Expense)	36	1	(60)	(22)
Pretax Income/(Loss) from Assoc.	27	30	34	34
Non-Operating Income/(Expense)	4	10	20	25
<b>Profit Before Tax (pre-EI)</b>	<b>671</b>	<b>815</b>	<b>1,000</b>	<b>997</b>
Exceptional Items				
<b>Pre-tax Profit</b>	<b>671</b>	<b>815</b>	<b>1,000</b>	<b>997</b>
Taxation	(137)	(167)	(205)	(205)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>534</b>	<b>648</b>	<b>795</b>	<b>792</b>
Minority Interests	(84)	(102)	(124)	(124)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>450</b>	<b>547</b>	<b>670</b>	<b>668</b>
Recurring Net Profit	450	547	670	668
<b>Fully Diluted Recurring Net Profit</b>	<b>450</b>	<b>547</b>	<b>670</b>	<b>668</b>

### Balance Sheet

(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	2,875	3,114	1,813	1,917
Total Debtors	728	933	1,067	1,060
Inventories	95	122	137	137
Total Other Current Assets	197	181	194	193
<b>Total Current Assets</b>	<b>3,895</b>	<b>4,349</b>	<b>3,211</b>	<b>3,308</b>
Fixed Assets	4,961	5,477	6,308	6,117
Total Investments	239	239	239	239
Intangible Assets	6	6	6	6
Total Other Non-Current Assets	103	142	651	647
<b>Total Non-current Assets</b>	<b>5,308</b>	<b>5,864</b>	<b>7,204</b>	<b>7,008</b>
Short-term Debt	537	483	435	391
Current Portion of Long-Term Debt				
Total Creditors	867	1,062	1,193	1,191
Other Current Liabilities	569	569	652	648
<b>Total Current Liabilities</b>	<b>1,973</b>	<b>2,115</b>	<b>2,280</b>	<b>2,230</b>
Total Long-term Debt	2,153	2,529	2,037	1,546
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	416	541	619	615
<b>Total Non-current Liabilities</b>	<b>2,569</b>	<b>3,070</b>	<b>2,656</b>	<b>2,160</b>
Total Provisions	0	0	0	0
<b>Total Liabilities</b>	<b>4,542</b>	<b>5,185</b>	<b>4,936</b>	<b>4,390</b>
Shareholders' Equity	3,687	3,997	4,376	4,754
Minority Interests	974	1,032	1,102	1,172
<b>Total Equity</b>	<b>4,662</b>	<b>5,029</b>	<b>5,478</b>	<b>5,926</b>

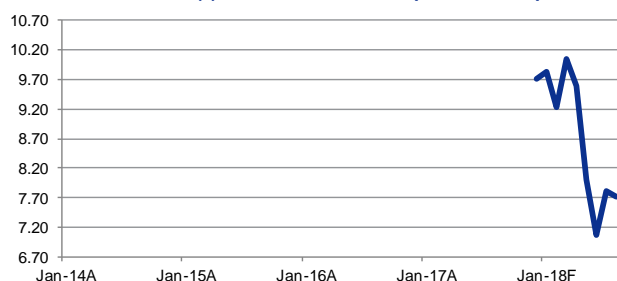
### Cash Flow

(VNDb)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	1,181	1,369	1,660	1,637
Cash Flow from Inv. & Assoc.	(9)	(27)	(15)	0
Change In Working Capital	74	6	66	0
(Incr)/Decr in Total Provisions	39	0	0	0
Other Non-Cash (Income)/Expense	(186)	(221)	(166)	(171)
Other Operating Cashflow	(87)	196	145	155
Net Interest (Paid)/Received	(152)	(155)	(151)	(118)
Tax Paid	(115)	(167)	(205)	(205)
<b>Cashflow From Operations</b>	<b>745</b>	<b>1,001</b>	<b>1,335</b>	<b>1,299</b>
Capex	(355)	(1,293)	(1,486)	(328)
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	791	181	(343)	175
<b>Cash Flow From Investing</b>	<b>436</b>	<b>(1,112)</b>	<b>(1,829)</b>	<b>(153)</b>
Debt Raised/(repaid)	(249)	323	(540)	(535)
Proceeds From Issue Of Shares	49	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(304)	(281)	(345)	(344)
Preferred Dividends				
Other Financing Cashflow				
<b>Cash Flow From Financing</b>	<b>(504)</b>	<b>41</b>	<b>(885)</b>	<b>(879)</b>
Total Cash Generated	677	(69)	(1,379)	267
<b>Free Cashflow To Equity</b>	<b>932</b>	<b>212</b>	<b>(1,035)</b>	<b>610</b>
<b>Free Cashflow To Firm</b>	<b>1,333</b>	<b>44</b>	<b>(344)</b>	<b>1,264</b>

### Key Ratios

	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	(9.4%)	15.7%	14.4%	(0.6%)
Operating EBITDA Growth	18.9%	15.9%	21.3%	(1.4%)
Operating EBITDA Margin	19.2%	19.2%	20.4%	20.2%
Net Cash Per Share (VND)	659	360	(2,344)	(70)
BVPS (VND)	13,102	14,201	15,549	16,892
Gross Interest Cover	3.98	5.01	6.67	8.12
Effective Tax Rate	20.5%	20.5%	20.5%	20.6%
Net Dividend Payout Ratio	67.6%	51.5%	51.5%	51.5%
Accounts Receivables Days	40.17	41.56	43.40	46.59
Inventory Days	6.25	6.55	6.94	7.37
Accounts Payables Days	46.03	44.11	44.44	47.09
ROIC (%)	10.0%	13.0%	15.0%	11.5%
ROCE (%)	10.8%	12.1%	13.7%	13.4%
Return On Average Assets	5.53%	6.67%	8.16%	7.81%

### 12-mth Fwd FD P/E (x) - PetroVietnam Transportation Corp



### Key Drivers

	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Petroleum TCE rate (yoy chg %)	14.8%	7.2%	0.0%	2.3%
Chemical TCE rate (yoy chg %)	N/A	N/A	N/A	N/A
Fleet Size (no. Of Vessels)	22.0	23.0	25.0	25.0
No. Of LNG Tankers	10	15	15	15
No. Of Petroleum Tankers	12	15	16	16
No. Of Chemical Tankers	N/A	N/A	N/A	N/A

SOURCES: VND, COMPANY REPORTS

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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.

### Country Ratings

#### Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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