

Horizon Securities

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Stock profile/statistics		6-Oct-09	
Bloomberg Ticker		PVT	
Sector	Industrial Transportation		
Price (VND)		19,300	
USD/VND		17,847	
Share Outstanding		147,600,000	
Par (VND)		10,000	
Market Capitalization (VND mln)		2,848,680	
Foreign room/ limit (%)	6.84 /	49	
52 week High/ Low (VND)	26,200 /	12,300	
3-mtn average daily trading value (VND mln)		14,854	

Stock performance (%)	1M	3M	6M
Absolute (%)	-14.22	-4.93	14.88
Relative (%)	-17.88	-21.76	-35.43

Ownership Structure (%)	%
State (Vina Lines)	60%
Foreigners	7%
Local	33%



Company Visit Note

Petro Vietnam Transportation Corp. (PVT): Established in 2002 as a subsidiary of the Vietnam National Oil and Gas (PetroVietnam) the company was privatized in 2006 and listed on HOSE in 2007. The company's principle activities involve; 1) oil transportation, 2) trading of refined oil product, 3) offshore petroleum technical service and 4) logistic operation. In 1H09, oil transportation and trading of refined oil products accounted for 80% of the total revenue.

Keys take away from the meeting

- Although revenue increased 59% in the first half of 2009 compared to the same period last year, the company suffered a loss of VND27,197mln (US\$2mln) as it got hit by a combination of unfavorable market conditions coupled with high depreciation costs and high interest expenses.
- The collapse of the world's economies last year had a devastating impact on the tanker and gas shipping industry. Aframax tanker rates which were about \$50,000/day last year, today average about \$15,000/day. Although there have been slight improvements in rates recently, until we see a sweeping unquestionable recovery tanker rates will remain captive of the world's sickly economic activity.
- As the company took delivery of its vessels towards the end of 2008 and the beginning of 2009, the total depreciation expenses increased to VND164.86bln (US\$9.3mln) in 1H09, up 180% compared with 1H08.
- Fuel prices have always been an important component of determining earnings in the tanker market; fuel prices typically represent 50%-60% of a tanker owner's COGS. In recent months rising fuel costs have exacerbated an already challenged tanker industry faced with weak earnings outlook and depressed demand.
- PVT will continue to be under pressure of low global freight rates and delays at the Dung Quat refinery. As the global economy recovers in 2010, however, so should tanker rates which should benefit PVT's bottom-line.

Company Visit Note – Petro Vietnam Transportation Corp.

1H 2009 Review – The perfect storm

Although revenue increased 59% in the 1H2009 compared to the same period last year, the company suffered a loss of VND27,197mln (US\$2mln) as it got hit by a combination of unfavorable market conditions coupled with high depreciation costs and high interest expenses.

Figure 1: PVT's business performance

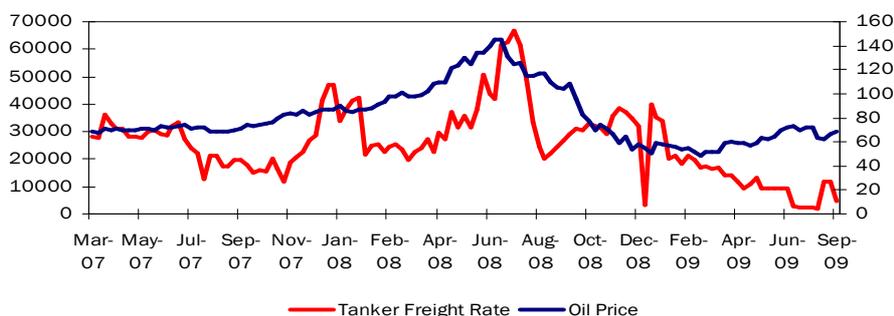
Income Statement	1H08	2H08	1H09	Growth	
	VND'mln	VND'mln	VND'mln	%yoy	%hoh
Sales	391,055	720,832	623,249	59%	(14%)
COGS (incl. depreciation)	(324,980)	(567,414)	(626,895)	93%	10%
Gross profit	66,075	153,418	(3,647)	NM	NM
Sales and admin. expenses	(28,858)	(44,849)	(40,696)	41%	(9%)
EBIT	37,217	108,569	(44,343)	NM	NM
Income from financial activities	47,990	46,817	83,636	74%	79%
Expense from financial activities:	(40,409)	(75,805)	(61,675)	53%	(19%)
In which: Interest expenses	(36,746)	(56,852)	(52,484)	43%	(8%)
Income from JVs & associates	--	--	--	--	--
Other profits	5	1,104	1,299	N/M	18%
Taxes	(13,035)	(26,711)	(6,113)	(53%)	(77%)
Net income	31,768	53,975	(27,197)	(186%)	NM
Depreciation and amortization	58,791	103,860	164,867	180%	59%
EBITDA	196,218	185,925	161,220	(18%)	(13%)
Ratio					
Gross Margin	17%	21%	(1%)		
Net Margin	8%	7%	(4%)		
Chartered Capital	720,000	720,000	1,476,000		

Source: company report

Unfavorable market conditions

The collapse of the world's economies last year had a devastating impact on the tanker and gas shipping industry. Aframax 1) 30% Div/chartered cap (VND100bln) x tanker rates which were about \$50,000 a day last year, today average about \$15,000 a day. Although there have been slight improvements in rates recently, until we see a sweeping unquestionable recovery tanker rates will remain captive of the world's sickly economic activity.

Figure 2: Oil Tanker freight rate and Oil Price



Source: Bloomberg, HRS

Fuel prices have always been an important component of determining earnings in the tanker market; fuel prices typically represent 50%-60% of a tanker owner's COGS. In recent months rising fuel costs have exacerbated an already challenged tanker industry faced with weak earnings outlook and depressed demand.

Company Visit Note – Petro Vietnam Transportation Corp.

High depreciation and interest expenses as PVT invests heavily in its fleet

Before 2008 the company owned a fleet of two crude oil tankers. However, so as to service its commitment to PetroVietnam's Dung Quat's refinery the company undertook an aggressive acquisition endeavor by the end of which it had added seven tankers to its fleet. Today, PV Trans owns three crude oil Aframax tankers, three refined-oil-products tankers and three gas-shipping vessels with a total capacity of 391,689 DWT or 442,442m³ which makes it the biggest Vietnamese tanker owner.

Figure 3: PVT's fleet

Crude oil tanker	Age	Bought	Capacity		Value	
Poseidon M	14	2003	96,125 DWT	107,673 m3	51	mIn US\$
Hercules M	13	2006	96,174 DWT	107,673 m3	51	mIn US\$
PVT Athena	9	2009	105,177 DWT	121,810 m3	54	mIn US\$
Total			297,476 DWT	337,156 m3		

Oil Refine Product	Age	Bought	Capacity		Value	
PVT Dragon	13	2008	8,700 DWT	8,707 m3	19	mIn US\$
PVT Dolphin	5	2008	45,888 DWT	53,797 m3	53	mIn US\$
PVT Eagles	11	2009	33,425 DWT	35,682 m3	24	mIn US\$
Total			88,013 DWT	98,186 m3		

Gas Product, LPG and Chemical	Age	Bought	Capacity		Value	
Cuu Long Gas	N/A	2008	3,000 DWT	3,500 m3		
Hong Ha Gas	N/A	2008	1,600 DWT	1,800 m3		
Viet Gas	N/A	2008	1,600 DWT	1,800 m3		
Total			6,200 DWT	7,100 m3	12	mIn US\$

Source: Company report

As the company took delivery of its vessels towards the end of 2008 and the beginning of 2009, depreciation expenses increased to VND164.86bln (US\$9.3mln) in 1H09, up 180% compared with 1H08.

FY09 earnings have also been impacted by a surge in interest expense. The company used 70% debt financing to make its recent fleet acquisitions in effect increasing interest expenses by 43% yoy to VND52,484mln (US\$3mln).

Investment pipeline and capital raising plan

Management announced that PV Trans will be investing in five main expansion projects from 2009 to 2012 with a total investment of US\$237.4mln (of which PVT will invest US\$148.69 mln or 37% internally). These projects, along with the projects instigated in 2008, are part of the company's plan to become the sole oil transportation provider of the Dung Quat refinery and of the Nghi Son refinery which is expected to come online in 2013.

Figure 4: Projects Pipeline

Projects	Inv. Cap US\$mln	PVT inv. US\$mln	Capacity	2009	2010	2011	2012
Oil Tanker							
Building 01 Aframax tanker	73.03	53.10	105,177 DWT	■	■		
Buying 01 Aframax tanker	70.00	50.90	105,177 DWT	■	■		
Buying 02 oil refine product tanker	48.00	21.84	34,000 DWT	■			
Buying 02 LPG shipping	7.37	2.58	6,000 DWT	■			
Others							
PV Trans International Port	39.00	20.27	300,000 Tonnes		■	■	■
Total	237.40	148.69					

Source: Company. HRS

Last August PV Trans submitted its capital raising plan to its investors according to which the company will raise VND850bln (US\$48mln) through equity or corporate bonds. We will update the result when it is announced.

PV Trans' saving grace – The Dung Quat refinery

The Dung Quat refinery, the first oil refinery in Vietnam, was built by Petro Vietnam at a cost of VND40 trillion (US\$2bln) and was completed in 2008. With a total capacity of 6.5mln tones of crude oil per year, the Dung Quat refinery is expected to meet 30% of the domestic oil & gas demand. The plant was put into operation in February 2009 but production had to be halted in August for repairs. Management expects production to start again in October.

PVT has an exclusive contract with PVN to be the sole provider of all crude oil, oil products and gas shipping for the Dung Quat refinery. By August 2009, PVT had shipped 880,000 tones of crude oil, 188,000 tones of oil products (gasoline, diesel and kerosene) and 31,362 tones of LPG. Once production runs smoothly, PVT expects to ship 6.5mln tones of crude oil, and 4mln of oil products and LPG, adding up to more than three times what it had shipped in 2008.

2H09 and 2010 outlook

Heading into the fourth quarter, it is becoming apparent that the company's performance in FY2009 will most likely not recover from the collapse in freight rates and the delays at the Dung Quat refinery. Two of the three Aframax tankers, namely the Poseidon M and PVT Athena are currently idle.

The company should fair better in 2010 simply because the Dung Quat refinery will be fully operational and so will PVT's vessels. However to which degree earnings will increase will depend on the recovery in freight rates. Like in any capital intensive industry, as most of the company's costs are fixed any improvement in freight rates will come straight to the bottom-line. Although management failed to disclose the rates it had negotiated with Dung Quat, they should essentially track international Aframax rates. Until we see a conclusive world economic recovery we believe freight rates will remain low. We are concerned that an overhang of unfixed vessels coupled with lower demand for oil has kept spot rates at historical lows and threatens forward rates with a bearish trend as well.

The company will continue to invest in its fleet by adding two more Aframax tankers two refined-oil products tankers and two gas shipping vessels. The total investment estimated at US\$128mln will be finance at 70% by debt.

Figure 5: 2H09 and 2010 outlook

Income Statement	2H09E VND'mln	FY09E VND'mln	FY10E VND'mln	Growth %yoy
Sales	779,061	1,402,309	1,840,000	31%
COGS (incl. depreciation)	(749,551)	(1,376,446)	(1,564,979)	14%
Gross profit	29,510	25,863	275,021	963%
Sales and admin. expenses	(40,583)	(81,279)	(85,343)	5%
EBIT	(11,073)	(55,416)	189,678	NM
Income from financial activities	63,678	147,314	76,414	-48%
Expense from financial activities:	(55,940)	(117,615)	(185,736)	58%
In which: Interest expenses	(52,378)	(104,862)	(168,851)	61%
Income from JVs & associates	--	--	--	
Other profits	--	1,299	--	
Taxes	--	(6,113)	(20,089)	229%
Net income	(3,335)	(30,532)	60,266	NM
Depreciation and amortization	173,046	337,913	460,979	36%
EBITDA	161,973	323,193	650,657	101%
Ratio				
Gross Margin	4%	2%	15%	
Net Margin	(0%)	(2%)	3%	
Chartered Capital	1,476,000	1,476,000	1,476,000	
Valuation				
EPS (VND)		NM	408	
P/E (x)		NM	47.76	
P/B (x)		1.90	1.00	
EV/EBITDA (x)		16.98	10.39	

Source: HRS

Company Visit Note – Petro Vietnam Transportation Corp.

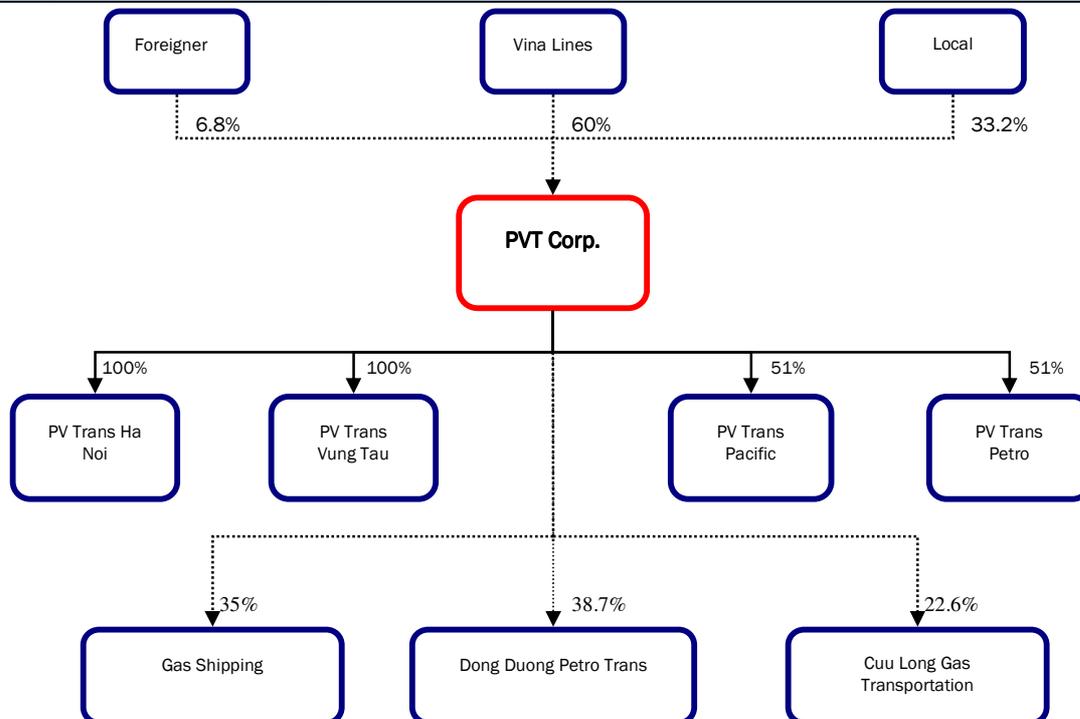
Appendix 1: The Company

Established in 2002 as a subsidiary of the Vietnam National Oil and Gas (PetroVietnam) the company was privatized in 2006 and listed on HOSE in 2007. In the first half of 2009 oil transportation and trading of refined oil products accounted for 80% of total revenue. The company has four subsidiaries and three joint ventures.

PVT is the only domestic shipping company that ships crude oil internationally for PetroVietnam (PVN). The company is also the largest Vietnamese tanker owner with three Aframax, three oil product tankers and three LPG gas shipping vessels. PV Trans was selected by PVN to be the sole provider of all oil transportation services for the Dung Quat refinery and for the Nghi Son refinery expected to come online in 2013.

The State-owned Vietnam National Shipping Lines (Vinalines) is the largest shareholder with a 60% stake.

PVT's Corporate Structure as of Sept. 2009



Source: Company Report, HRS

Appendix 2: Financial Highlights

Income Statement	2006	2007	2008	1H09
	VND'mln	VND'mln	VND'mln	VND'mln
Sales	442,350	313,222	1,109,074	623,249
COGS (incl. depreciation)	(302,599)	(241,649)	(905,468)	(626,895)
Gross profit	139,751	71,573	203,605	(3,647)
Sales and admin. expenses	(41,143)	(25,834)	(60,294)	(40,696)
EBIT	98,608	45,739	143,311	(44,343)
Income from financial activities	8,072	15,969	95,728	83,636
Expense from financial activities	(54,398)	(35,774)	(116,783)	(61,675)
In which: Interest expenses	(44,846)	(34,269)	(93,330)	(52,484)
Income from JVs & associates	-	-	-	-
Other profits	-	-	1,098	1,299
Taxes	(7,320)	(7,385)	(39,354)	(6,113)
Net income	44,962	18,550	84,001	(27,196)
Depreciation and amortization	88,947	59,354	162,651	164,867
EBITDA	187,555	105,093	305,962	120,524

Balance Sheet	2006	2007	2008	1H09
	VND'mln	VND'mln	VND'mln	VND'mln
Cash & equivalents	284,908	256,228	1,997,076	814,785
Short-term investments	-	-	112,296	84,971
Account receivables	21,940	44,997	201,048	173,292
Inventories	11,005	13,385	23,733	39,937
Others	3,171	11,956	167,513	36,000
Current assets	321,024	326,566	2,501,665	1,148,984
Non-current assets	1,087,082	1,434,609	3,373,385	4,582,793
Total assets	1,408,106	1,761,175	5,875,050	5,731,778
Trade payables	16,839	-	101,468	73,429
Short term borrowings	48,876	68,857	1,415,619	686,306
Others	49,833	383,919	885,989	115,478
Current liabilities	115,548	452,776	2,403,076	875,213
Non-current liabilities	776,978	548,143	1,885,899	2,533,067
Total liabilities	892,526	1,000,919	4,288,975	3,408,280
Paid in capital	448,550	720,000	720,000	1,476,000
Retained earnings	-	18,545	67,130	10,692
Other funds	67,030	21,711	(38,721)	(13,596)
Owners' equity	515,580	760,256	748,409	1,473,096
Minority interest	-	-	837,667	850,402

Cashflow Statement	2006	2007	2008	1H09
Indirect	VND'mln	VND'mln	VND'mln	VND'mln
Pretax income	52,282	25,935	123,355	(21,087)
Pretax income after adjustment	189,573	103,403	340,002	161,846
Change in receivables	(26,293)	98,172	(200,587)	(164,469)
Change in inventories	1,555	1,197	(10,347)	(16,204)
Change in payables	12,433	(91,471)	579,373	1,018,873
Change in prepaid expenses	1,668	8,593	(10,790)	1,800
Interest paid	(37,872)	49,346	(75,864)	(71,308)
Enterprise income tax paid	(5,426)	5,484	(8,955)	(28,608)
Other CF from operating	(3,840)	(3,960)	(134,420)	(21,165)
Net CF from operating	131,798	170,763	478,412	880,765
Net CF from investing	(566,141)	(217,766)	(2,148,484)	(1,368,672)
Net CF from financing	527,802	(190,556)	3,422,670	(694,383)
Net change in cash	93,459	(237,558)	1,752,598	(1,182,290)
Cash at beginning of year	191,449	493,786	256,228	1,997,076
Exchange rate fluctuation	-	-	(11,751)	-
Cash at end of year	284,908	256,228	1,997,076	814,785

Ratio Analysis	2006	2007	2008	1H09
Revenue Growth (%)	103.83%	(29.19%)	254.09%	59.38%
Gross Margin (%)	31.59%	22.85%	18.36%	NM
Operating Margin (%)	22.29%	14.60%	11.58%	NM
Net Margin (%)	10.16%	5.92%	7.57%	NM
Net Income Growth (%)	94.98%	(58.74%)	352.85%	NM
Accts Receivable days	9.18	36.94	25.40	33.08
Accts Payables days	19.40	25.43	40.90	25.54
Inventory Turnover days	14.21	18.42	7.48	9.30
Current Ratio (x)	2.78	0.72	1.04	1.31
Cash to Debt (%)	246.57%	56.59%	87.78%	102.80%
Debt to Equity (%)	173.11%	131.66%	573.08%	231.37%
Net Debt Per Share (VND)	13,546	10,343	30,272	16,995
Book Value Per Share (VND)	11,383	10,559	10,390	9,962
Return on Assets (%)	9.96%	2.89%	3.36%	NM
Return on Equity (%)	25.62%	7.17%	17.03%	NM

Source: Company report, HRS

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