COMPANY RESEARCH | TP Revision

Maybank Kim Eng

October 26, 2015

PetroVietnam Technical Services (PVS VN)

Share Price: VND22,600	MCap (USD): 452M	Vietnam	BUY (Unchanged)
Target Price: VND29,900 (+32%)	ADTV (USD): 1M	Oil & Gas	

FSO/FPSO JVs Paying Off

- Lower SOTP TP for more conservative oil prices & O&G service assumptions. Cut EPS by 12% for FY15-17.
- Expect not-so-sluggish 3Q15. Lower OSV & Port&base contributions to be partly offset by seismic surveys & FSO/FPSO JVs.
- Reiterate BUY with catalysts expected from block B Omon project. TP still at 6.7x FY15 P/E and 6.5x TP FY16, at a discount to regional peers' 11.5x and 9.4x respectively, in view of PVS' shares being oversold.

What's New

Unconsolidated 3Q15 gross profit, mostly representing the company's OSV and Port&base businesses, declined to VND91b from VND215b in 3Q14. Earlier, PVS also announced a preliminary 9M15 PBT of VND1,500b, which implies a 15% YoY decline for 3Q15. As its actual 9M14 PBT was 11% higher than preliminary estimates, we do not rule out the possibility that the final number this year may again be higher, as:

- Its seismic-survey unit has started to make profits after bearing losses for three consecutive quarters. Its CGG Amadeus vessel is back in service after its mid-2014 lay-off.
- Its five FSO/FPSO JVs, which run bareboat charters and account for 30-40% of PVS' profits, have locked in long-term contracts at fixed day rates. This insulates it from oil-price fluctuations.

Edge in Local O&G Service Supply

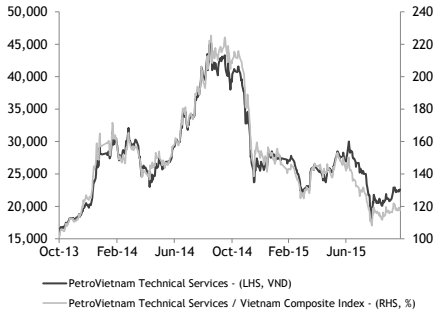
We still like the company's wide range of services in Vietnam's E&P chain and advantages in clinching PetroVietnam's field-development projects. Despite low oil prices, the company will likely enjoy stable/improving cash flows from its FSO/FPSO JVs. Longer-term prospects should be supported by its Block B Omon project, which might start in 2017.

FYE Dec (VND b)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	25,418.5	31,516.2	28,584.5	27,755.2	29,135.7
EBITDA	2,895.7	2,601.6	2,170.8	2,350.4	2,450.4
Core net profit	1,575.6	1,813.4	1,513.5	1,548.6	1,620.3
Core EPS (VND)	3,527	4,060	3,388	3,465	3,627
Core EPS growth (%)	14.6	15.1	(16.5)	2.3	4.7
Net DPS (VND)	1,200	1,200	1,200	1,200	1,200
Core P/E (x)	6.4	5.6	6.7	6.5	6.2
P/BV (x)	1.2	1.1	1.0	0.9	0.8
Net dividend yield (%)	5.3	5.3	5.3	5.3	5.3
ROAE (%)	21.6	20.6	15.4	14.3	13.6
ROAA (%)	7.0	7.2	5.7	5.7	5.6
EV/EBITDA (x)	2.8	3.0	3.0	2.5	2.1
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Key Data

52w high/low (VND)	41,600/18,200
3m avg turnover (USDm)	1.4
Free float (%)	48.4
Issued shares (m)	447
Market capitalization	VND10.1T
Major shareholders:	
-PETRO VIETNAM	51.4%
-FRANKLIN RESOURCES	10.1%
-VAN ECK ASSOCIATES C	5.0%

Share Price Performance



	1 Mth	3 Mth	12 Mth
Absolute(%)	3.2	(15.4)	(44.7)
Relative to index (%)	(1.8)	(11.1)	(45.5)

Maybank vs Market

	Positive	Neutral	Negative
Market Recs	2	0	0
	Maybank	Consensus	% +/-
Target Price (VND)	29,900	37,450	(20.2)
'15 PATMI (VNDb)	1,513	1,470	3.0
'16 PATMI (VNDb)	1,549	1,650	(6.1)

Source: FactSet; Maybank

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SOTP valuation

Business	Value attributable to PVS (VNDb)	Assumptions
Equity value excluding FSO/FPSO JVs and M&C	5,589	DCF, WACC of 16.1%, perpetual growth rate of 2%
FSO/FPSO JVs	5,985	NPV (firm + extension), IRR 9% - 15%, Discount rate of 18.1%
M&C	1,781	P/BV @ 1x
Total	**13,351**	
Number of shares (m)	446.7	
Target Price (VND)	**29,900**	

Source: MKE

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Metrics					
P/E (reported) (x)	6.4	5.6	6.7	6.5	6.2
Core P/E (x)	6.4	5.6	6.7	6.5	6.2
P/BV (x)	1.2	1.1	1.0	0.9	0.8
P/NTA (x)	1.2	1.1	1.0	0.9	0.8
Net dividend yield (%)	5.3	5.3	5.3	5.3	5.3
FCF yield (%)	17.8	38.8	nm	10.7	12.9
EV/EBITDA (x)	2.8	3.0	3.0	2.5	2.1
EV/EBIT (x)	4.2	4.8	5.6	4.5	3.7
INCOME STATEMENT (VND b)					
Revenue	25,418.5	31,516.2	28,584.5	27,755.2	29,135.7
Gross profit	2,668.7	2,445.7	1,927.3	2,066.9	2,189.3
EBITDA	2,895.7	2,601.6	2,170.8	2,350.4	2,450.4
Depreciation	(975.4)	(982.7)	(1,018.6)	(1,048.0)	(1,055.1)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,920.3	1,618.9	1,152.2	1,302.4	1,395.2
Net interest income /(exp)	48.0	(95.5)	133.9	103.7	117.7
Associates & JV	319.4	543.8	671.5	718.2	736.6
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	(19.1)	260.5	(75.3)	(75.3)	(75.3)
Pretax profit	2,268.5	2,327.8	1,882.3	2,049.0	2,174.3
Income tax	(568.9)	(504.1)	(353.4)	(388.4)	(419.6)
Minorities	(124.1)	(10.3)	(15.4)	(112.0)	(134.4)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,575.6	1,813.4	1,513.5	1,548.6	1,620.3
Core net profit	1,575.6	1,813.4	1,513.5	1,548.6	1,620.3
BALANCE SHEET (VND b)					
Cash & Short Term Investments	5,856.5	8,203.5	7,902.6	8,846.9	10,032.5
Accounts receivable	7,533.1	7,533.5	6,832.8	6,634.5	6,964.5
Inventory	715.2	898.6	815.0	791.4	830.7
Property, Plant & Equip (net)	5,306.2	4,692.5	5,285.2	5,004.2	4,717.9
Intangible assets	7.2	25.6	1.2	1.2	1.2
Investment in Associates & JVs	3,434.1	3,886.5	4,629.0	5,347.2	6,083.7
Other assets	964.2	1,198.1	1,129.4	1,086.3	1,103.1
Total assets	**23,816.5**	**26,438.4**	**26,595.2**	**27,711.7**	**29,733.8**
ST interest bearing debt	1,052.2	751.8	706.5	859.6	1,029.1
Accounts payable	3,547.1	5,118.3	4,642.2	4,507.5	4,731.7
LT interest bearing debt	2,471.7	1,828.0	2,099.0	2,239.1	2,373.1
Other liabilities	7,049.0	7,953.0	7,367.0	7,202.0	7,477.0
Total Liabilities	**14,120.0**	**15,651.0**	**14,814.9**	**14,807.8**	**15,611.3**
Shareholders Equity	8,271.2	9,351.8	10,329.2	11,340.8	12,425.0
Minority Interest	1,425.3	1,435.7	1,451.1	1,563.1	1,697.5
Total shareholder equity	**9,696.5**	**10,787.5**	**11,780.3**	**12,903.9**	**14,122.5**
Total liabilities and equity	**23,816.5**	**26,438.4**	**26,595.2**	**27,711.7**	**29,733.8**
CASH FLOW (VND b)					
Pretax profit	2,268.5	2,327.8	1,882.3	2,049.0	2,174.3
Depreciation & amortisation	975.4	982.7	1,018.6	1,048.0	1,055.1
Adj net interest (income)/exp	147.7	95.5	112.5	133.5	147.6
Change in working capital	(356.8)	1,660.3	(241.7)	(68.4)	113.8
Cash taxes paid	(542.7)	(504.1)	(353.4)	(388.4)	(419.6)
Other operating cash flow	396.6	(273.0)	(483.3)	(512.9)	(557.9)
Cash flow from operations	2,228.7	5,335.6	706.2	1,850.3	2,069.3
Capex	(434.9)	(1,417.1)	(830.6)	(767.0)	(768.8)
Free cash flow	1,793.8	3,918.5	(124.5)	1,083.3	1,300.5
Dividends paid	(791.9)	(536.0)	(536.0)	(536.0)	(536.0)
Equity raised / (purchased)	1,042.3	0.0	0.0	0.0	0.0
Change in Debt	(1,109.0)	(944.1)	225.8	293.2	303.5
Other invest/financing cash flow	(358.4)	(95.5)	133.9	103.7	117.7
Effect of exch rate changes	4.6	0.0	0.0	0.0	0.0
Net cash flow	146.6	2,342.9	(300.9)	944.2	1,185.7

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
Key Ratios					
Growth ratios (%)					
Revenue growth	3.3	24.0	(9.3)	(2.9)	5.0
EBITDA growth	16.3	(10.2)	(16.6)	8.3	4.3
EBIT growth	63.3	(15.7)	(28.8)	13.0	7.1
Pretax growth	21.4	2.6	(19.1)	8.9	6.1
Reported net profit growth	31.6	15.1	(16.5)	2.3	4.6
Core net profit growth	31.6	15.1	(16.5)	2.3	4.6
Profitability ratios (%)					
EBITDA margin	11.4	8.3	7.6	8.5	8.4
EBIT margin	7.6	5.1	4.0	4.7	4.8
Pretax profit margin	8.9	7.4	6.6	7.4	7.5
Payout ratio	34.0	29.6	35.4	34.6	33.1
DuPont analysis					
Net profit margin (%)	6.2	5.8	5.3	5.6	5.6
Revenue/Assets (x)	1.1	1.2	1.1	1.0	1.0
Assets/Equity (x)	2.9	2.8	2.6	2.4	2.4
ROAE (%)	21.6	20.6	15.4	14.3	13.6
ROAA (%)	7.0	7.2	5.7	5.7	5.6
Liquidity & Efficiency					
Cash conversion cycle	51.3	42.4	36.1	34.5	33.1
Days receivable outstanding	92.6	86.1	90.5	87.3	84.0
Days inventory outstanding	10.7	10.0	11.6	11.3	10.8
Days payables outstanding	52.0	53.7	65.9	64.1	61.7
Dividend cover (x)	2.9	3.4	2.8	2.9	3.0
Current ratio (x)	1.4	1.4	1.4	1.5	1.5
Leverage & Expense Analysis					
Asset/Liability (x)	1.7	1.7	1.8	1.9	1.9
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	17.0	na	na	na
Debt/EBITDA (x)	1.2	1.0	1.3	1.3	1.4
Capex/revenue (%)	1.7	4.5	2.9	2.8	2.6
Net debt/ (net cash)	(2,332.7)	(5,623.7)	(5,097.1)	(5,748.1)	(6,630.3)

Source: Company; Maybank

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