

**BUY [+28.7%]**

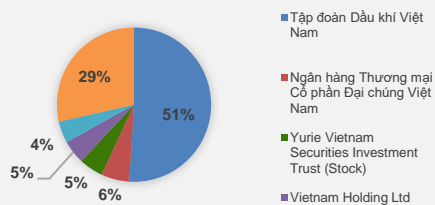
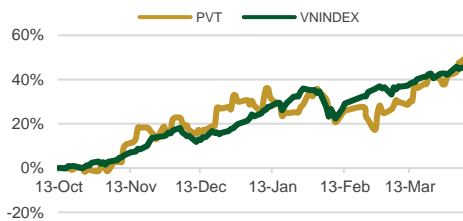
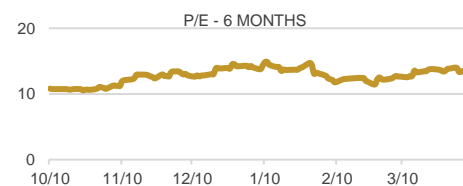
Updated time: 19/04/2018

Target price	26,000	VND
Current price (17.04)	20,100	VND

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**Stock information**

Outstanding share (million)	281.4
Free-float (million)	112.6
Market cap (billion dong)	5,938
3 month average volume	888,311
Foreign owning rate	33.75%
First listing date	10/12/2007

**Major shareholder**

**Price movement comparing to the Index**

**Evaluating history**


Nguồn: FiinPro

**Growing prospect with Binh Son and Nghi Son projects along with coal transporting contracts with PVN**

**2017 business results:** Ending 2017, PVT net revenue is 6,147 billion (-8.7% YoY). The main reason is that Dung Quat refinery is in maintenance period, so transporting volume dropped in 2017. However, gross margin increased from 11.3% in 2016 to 13.8%, PVT's EAT still increased by 10% to 450 billion.

**2018 forecast:** In 2018, we expect that PVT might reach 6,788 billion dong of net revenue (+10.4% YoY). Profit margin will improve further from 13.8% to 14.2%, so EAT will increase strongly to 522 billion (+15.12%), so parent company EPS will be 1,856 dong/share.

**Growing motivation:** With expectation that Dung Quat refinery will not see any regular maintenance like in 2017, and Nghi Son refinery is expected to produce the first products in Q4/2018, we hope that PVT's business results in 2018 will increase again. At the same time, coal transporting demand for thermos-power plants this year will be better along with the relationship between PVN and EVN, PVT might receive more transporting contracts.

**Abnormal profit from Dai Nguyet Sao Vang:** PVT is planning to join in the bidding for FSO/FPSO in Sao Vang – Dai Nguyet project, phase 2, if winning this bid, we hope that PVT's business results will get much better in 2018.

**PVN's divestment:** according to the plan as of 2020, PVN will divest to lower the capital from 51% to 36%, depending on CitiBank, so this might be remarkable information in short-term for PVT.

**Evaluation and recommendation:** By comparing to sector P/E of 14x, we think that PVT's reasonable price is 26,000 dong/share. And the operating plans are quite positive with low risk in the next few years, so this price is quite reasonable and attractive for PVT.

**Risks:** Nghi Son refinery progress is still slow which might see bad influence on PVT's business results as well as targets this year. This is considered the biggest risk for PVT at the moment since other business items are quite stable with low risk.

Financial indicators	2014A	2015A	2016A	2017A	2018F
Net revenue (billion VND)	5,268	5,761	6,734	6,148	6,788
Earnings after tax (billion VND)	402	433	483	534	614
EPS (VND)	1,333	1,439	1,477	1,599	1,856
EPS growth (%)	N/A	7.90%	2.63%	8.31%	16%
Book value (VND)	12,236	13,277	12,696	13,102	13,958
P/E					14x
P/B					1.863
Cash dividend (VND)			8%	10%	10%

## Enterprise prospect

PetroVietnam Transportation Corporation (PVT) mainly operates in: supplying raw oil and petro products transporting services; cargo transporting services; petro marine services; vessel technical management services...

With 19 ships in operation, accounting 17% total Vietnam shipping capacity, PVT is the only enterprise working in sea transport section in PVN group.

	PVT ship crew capacity comparing to the country	Market share	Number of ship
Raw oil ship	100%	100%	3
Oil product ship	26%	30%	7
LPG ship	52%	90%	7
FSO/FPSO ship	14%	10%	2

(Source: PVT 2016 report)

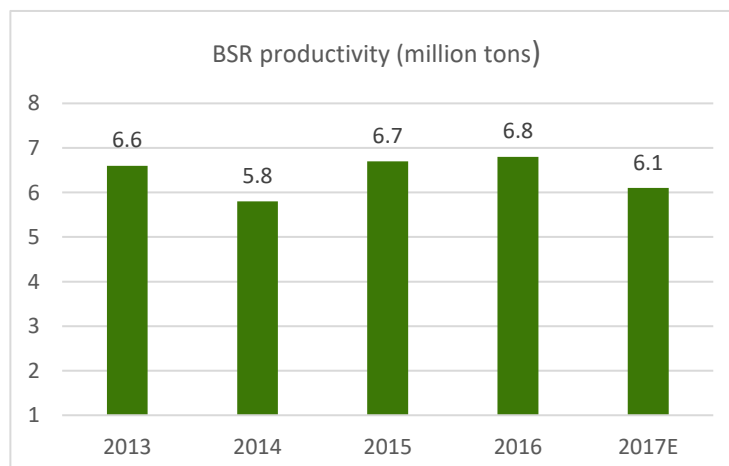
With the support from parent company PVN group, PVT enjoys many priorities from raw oil and oil products transporting contracts as well as coal transporting for therm-power plants.

Therefore, although sea transport saw trouble in previous years, PVT still stood solidly with rather stable business results during the section's crisis time.

We think that PVT will stay positive because of low oil price risk core business which is well supported from parent company PVN. Business results in the next few years will be supported by:

### Dung Quat refinery sees no more maintenance in 2018

In 2017, Dung Quat refinery saw 3 year periodical maintenance, so the productivity dropped from 6.5 to about 6.1 million tons.



(Source: BSR, PHS estimation)

In 2018, Dung Quat refinery will return to stable operation at designed capacity, the raw oil volume that PVT transports for Dung Quat might return to the level of 2016 of 7 million tons. So transportation section might see a growth of 15% comparing to 2017.

### Coal transporting demand is forecasted to be positive in near future

According to Power Plan number VII (adjusted), from now until 2020, coal power capacity increases from 33.4% to 42.7% total source. So, coal transporting demand will be rather positive in near future.

Year	2015	2020	2025	2030
<b>Number of plant</b>	19	31	47	52
<b>Capacity (MW)</b>	13,157	25,787	45,152	55,252
<b>Coal thermos-power weight over total capacity (%)</b>	33.4	42.7	49.3	42.6
<b>Total power generation (million kWh)</b>	56.4	130.9	220.1	304.4
<b>Weight in total power generation (%)</b>	34.3	49.3	55	53.2

(Source: EVN, Ministry of Industry and Trade)

In 2018 – 2020, coal demand is good since coal thermos-power plants invested by PVN will come to operation in near future, so coal demand will increase strongly from 3.3 to nearly 18 million tons in 2020. So with the support from parent group, transporting contracts with these thermos-power plants might be completely conducted by PVT.

For EVN's coal thermo-power projects, with the relationship between EVN and PVN, and the ship crew that can meet transporting regulations, PVT will have coal transporting contracts since EVN has planned to import more coal in near future (world coal price is considered lower with higher quality than Vietnam coal).

Project	Capacity	2018	2019	2020	Notes
Long phu 1	1200MW	0.43	3	3.43	Phase 1 is operated in Oct 8, 2018, phase 2 is operated in March 2019
Song hau 1	1200MW		3.43	3.43	The project is expected to start from 2019
Long Phu 3	1800MW			5.14	Expected to work from 2020-2021
Vung Ang	1200MW	2.9	2.9	2.9	The plant has been stably in operation since late 2017
Thai Binh 2	1200MW		1.5	3	Phase 1 is expected to start in 2019, phase 2 is in 2020
Total		3.33	10.83	17.90	

Source: PVN, PHS summarization and

estimation)

### Nghi Son refinery is expected to be in operation from the middle and end of 2018.

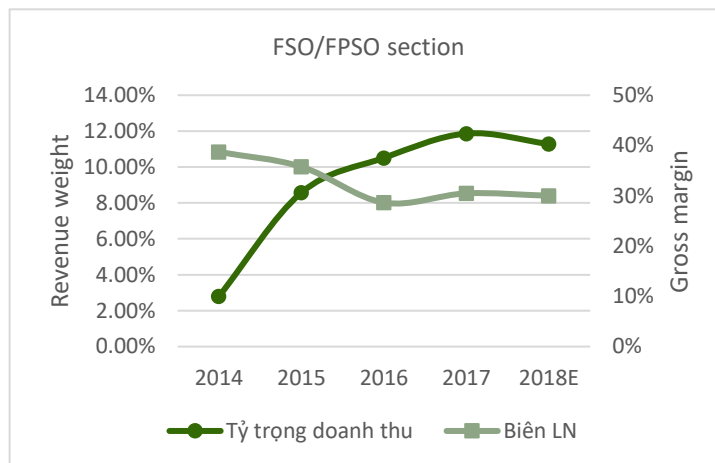
Nghi Son refinery total capacity is 10 million tons a year (over 1.5 times higher than Binh Son) and will be operated from the end of 2018 which will contribute in the growth of PVT.

However, we carefully think that in 2018, the operation from Nghi Son will not see any remarkable contribution to PVT's business. So our evaluation in 2018 didn't account much of this issue.

However, it is a remarkable point for PVT business in the next few years since PVN owns about 25% capital in Nghi Son which will help PVT winning raw oil and LPG transporting contracts to this factory, and PVT might be in charge of transporting 25% Nghi Son factory's oil refinery products (2.5 million tons of oil products). Currently, PVT has planned to buy more ships to serve this project this year.

### FSO/FPSO section is still stable

FSO/FPSO section is carried out by Dai Hung Queen and LEWEK EMAS ships with rather stable operation in recent years. Although the weight in revenue structure is low (~10%), the gross margin is high, so the contribution in the enterprise's gross profit is quite stable.



In 2018, we think that FSO/FPSO section will see a slight growth of 5% because of recent favourable situation with better operating leasing price, and gross margin might be stable at 30% like in 2017. So this section will contribute 230 billion dong of gross profit for PVT.

However, PVT is also planning to bid in FSO/FPSO for Sao Vang Dai Nguyet project phase 2, if winning the FSO/FPSO contract from this project, we think that PVT's business results this year will increase strongly. So, this might also be remarkable information to follow on PVT at the moment.

Besides, the divestment of PVN to 36% in 2019 is also a remarkable point for PVT's situation in near future.

### Evaluating details and recommendation

With above assumptions, we think that PVT might reach 6,788 billion dong of net revenue (+10.4% YoY), so parent company EAT will be about 522 billion (+15.2% YoY), EPS forward 2018 is 1,856 dong/share

Unit: bil dong	2015	2016	2017	2018E
Net revenue	5,761	6,734	6,148	6,788
%YoY	9.4%	16.9%	-8.7%	10.4%
Gross profit	777	762	846	964
%YoY	41.7%	-1.9%	11.0%	13.9%
Gross margin	13.49%	11.32%	13.76%	14.20%
Operational margin	9.48%	8.94%	10.91%	11.31%
Earnings after tax	433	483	534	614
Parent company EAT	368	416	450	522
%YoY	8%	12%	10%	15%

With the price 20,900 dong/share, PVT is being traded at P/E forward 2018 of 11.26x, quite low comparing to section average of about 14x. So we recommend Overweight on PVT with 2018 P/E target of 14x, so the price is 26,000 dong per share.

The operating plan is quite clear and the sections do not depend much on oil price, 2018-2020 will be impressive growing period for PVT. So current price is quite attractive.

### Risks

Business operation is benefited from the support of PVN so this might also be a risk if there is any problem in the contracts assigned by the group.

Coal thermo-power plants as well as Nghi Son oil refinery are seeing delayed progress which see influence on PVT's transporting section.

The influence from world oil price although it is not too strong.

The risk on exchange rate might see influence on the enterprise, however, PVT's financial structure is quite healthy, so it is not necessary to worry.

## Company profile

PetroVietnam Transportation Corporation – PVTrans Corp, originally Petro Transportation Company, State Owned enterprise, member of PetroVietnam (now Vietnam Petro Group), was established on May 27<sup>th</sup>, 2002, under the decision number 358/QĐ-VPCP of Ministry of Government Office.

After nearly 5 years of operation under SOE model, PVTrans was equitized from March 2006 under the decision number 758/QĐ-BCN of Ministry of Industry on March 30<sup>th</sup>, 2006 and was officially transformed into PetroVietnam Transportation Corporation from June 23<sup>rd</sup>, 2007 (under Business registration certificate number 4103006624 issued by HCMC Department of Planning and Investment), according to that, PetroVietnam holds 60% charteredcủa capital.

In order to carry out the general strategy of Petro Vietnam, PVTrans is assigned for setting up and developing the ship crew for transporting raw oil, and petro products, and other business models to meet larger and larger demand of Petro section in Vietnam and the region.



## Capital raising progress (billion dong)



Source: PVT and PHS estimation

**Finance statement (billion dong)**

Business results	2014 A	2015A	2016A	2017A	2018E	Q1/2017	Q2/2017	Q3/2017	Q4/2017
Net revenue	5,268	5,761	6,734	6,148	6,788	1,652	1,370	1,425	1,681
Cost of goods sell	4,719	4,984	5,971	5,302	5,824	1,465	1,246	1,244	1,367
Gross profit	549	777	762	846	964	187	124	181	314
Selling expense	6	8	9	10	14	1	3	1	5
Management expense	190	212	227	233	238	47	67	47	72
Operational profit	353	558	527	603	713	139	54	133	237
Financial profit	159	132	159	188	171	54	43	38	52
Loan interest profit	94.7	96.7	123	152	80	37	37	39	39
Earnings before tax	486	546	602	671	768	163	79	139	265
Earning after tax	402	433	483	534	614	127	68	118	187
Parent company's EAT	341	368	416	450	522	107	52	102	162
Balance sheet	2014 A	2015A	2016A	2017A	2018E	Q1/2017	Q2/2017	Q3/2017	Q4/2017
<b>Current asset</b>	3,258	3,628	3,723	3,895	3,868	4,142	3,510	3,720	3,935
Cash and equivalent	1,719	2,237	1,339	1,959	1,833	1,948	1,957	1,897	2,003
Short-term finance investment	681	402	1,560	961	1,018	1,091	845	983	918
Short-term receivables	775	978	808	926	957	1,008	575	703	855
Inventory	103	106	87	96	101	69	86	77	95
Other current asset	112	36	35	63	70	27	47	61	65
<b>Non-current asset</b>	6,092	6,028	5,347	5,308	5,363	5,232	5,490	5,499	5,257
Long-term receivables	-	13	8	9	-	8	9	9	15
Fixed asset	4,047	5,523	5,062	4,967	4,417	4,948	5,216	5,196	4,920
Invested real estate	9	9	-	-	-	0	0	0	0
In progress construction	1,543	0	0	1	604	2	5	13	7
Long-term finance investment	-	-	-	240	240	241	228	232	239
Other non-current asset	115	113	42	92	102	33	33	50	76
Good will	-	-	-	-	-	0	0	0	0
<b>Total asset</b>	9,350	9,656	9,070	9,204	9,231	9,374	9,001	9,219	9,192
<b>Payables</b>	5,377	5,331	4,737	4,542	4,236	4,959	4,725	4,832	4,546
Short-term debt	1,522	2,178	1,874	1,973	1,695	2,171	1,979	2,073	2,044
Long-term debt	3,856	3,153	2,862	2,569	2,541	2,788	2,746	2,759	2,502
<b>Equity capital</b>	3,131	3,397	3,573	3,687	3,928	4,415	4,276	4,387	4,645
Chartered capital	2,559	2,559	2,814	2,814	2,814	2,814	2,814	2,814	2,814
Minority benefit	842	929	760	974	1,066	769	877	890	972
<b>Total resource</b>	9,350	9,656	9,070	9,204	9,231	9,374	9,001	9,219	9,192

Cash flow	2014 A	2015A	2016A	2017A	2018E	Q1/2017	Q2/201	Q3/2017	Q4/2017
Operational net cash flow	590	791	1,231	745	827	174	309	124	384
Investment net cash flow	(359)	72	(1,208)	381	(661)	516	23	-161	-370
Financial net cash flow	(508)	(346)	(921)	(504)	(292)	-80	-324	-21	92
Net cash flow during the period	(277)	517	(898)	621	(127)	610	8	-59	106
Cash and equivalent at the beginning	1,995	1,719	2,237	1,339	1,959	1,339	1,948	1,957	1,897
Cash and equivalent at the end	1,995	1,719	2,237	1,339	1,959	1,948	1,957	1,897	2,003
Financial indicators (%)	2014 A	2015A	2016A	2017A	2018E	Q1/2017	Q2/201	Q3/2017	Q4/2017
<b>Growth</b>									
Revenue	N/A	9.4%	16.9%	-8.7%	10.4%	8%	-21%	-11%	-12%
Earnings after tax	N/A	8%	12%	10%	15.12%	44%	-56%	-6%	44%
Total asset	N/A	3.3%	-6.1%	1.5%	0.3%	-3%	-6%	-3%	1%
Total equity	N/A	8.5%	5.2%	3.2%	6.5%	0%	0%	4%	7%
<b>Profitability</b>									
Gross margin	10%	13%	11%	14%	14%	11%	9%	13%	19%
EBIT margin	9%	9%	9%	11%	11%	8%	4%	9%	14%
EBITDA margin	6%	6%	6%	7%	8%	15%	12%	18%	30%
Net margin	4%	4%	4%	5%	6%	6%	4%	7%	10%
ROA	11%	11%	12%	12%	14%	1%	1%	1%	2%
ROE	10%	13%	11%	14%	14%	3%	2%	3%	4%
<b>Efficiency</b>									
Receivables days	6.80	6.57	7.54	7.09	7.21	1.64	1.73	2.23	2.16
Inventory days	45.73	47.56	61.79	57.93	59.23	21.05	15.90	15.09	15.77
Payables days	10.04	7.59	7.99	7.94	11.28	1.83	1.84	2.10	2.04
<b>Liquidity</b>									
Current ratio	2.14	1.67	1.99	1.97	2.28	1.91	1.77	1.79	1.93
Quick rator	2.07	1.62	1.94	1.93	2.22	1.88	1.73	1.76	1.88
<b>Financial structure</b>									
Total debt/Total asset	0.41	0.37	0.33	0.29	0.29	0.53	0.52	0.52	0.49
Total debt/Equity	1.24	1.07	0.83	0.73	0.67	1.12	1.11	1.10	0.98
Short-term debt/Equity	0.49	0.70	0.60	0.63	0.49	0.49	0.45	0.47	0.46
Long-term debt/Equity	1.23	0.93	0.80	0.70	1.23	0.63	0.62	0.62	0.57

Source: PHS



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Hold = Expected to in line with the local market by +10%~ -10%

Sell = Expected to underperform the local market by >10%.

Not Rated = The stock is not rated in Phu Hung's coverage universe or not listed yet.

Performance is defined as 12-month total return (including dividends)

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