

25 April 2024

RECOMMENDATION **HOLD**

Fair price	31,000 VND
Current price	29,750 VND
Upside/downside	4%

STOCK INFORMATION

Outstanding shares (mil)	555.9
Free float (mil)	278
Market cap. (billion VND)	16,704.2
3m avg. volume (shares)	6.6 million
Foreign ownership (%)	18.9%
First listing date	05/12/2006

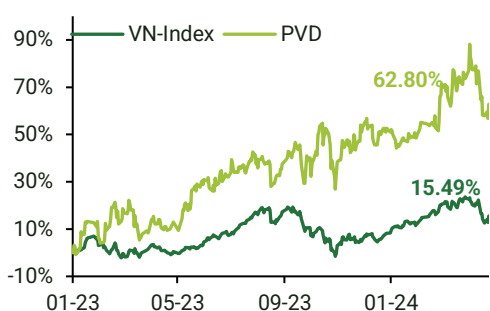
SHAREHOLDER STRUCTURE

PetroVietnam	50.4%
CTBC Vietnam Equity Fund	4.9%
Others	44.7%

KEY ATTRIBUTES

TTM EPS (VND)	1,051
BVPS (VND)	22,405
Debt/Equity (%)	22%
ROA (%)	2.8%
ROE (%)	3.8%
P/E	27.7
P/B	1.1
Dividend yield (%)	0%

PRICE PERFORMANCE



COMPANY PROFILE

PetroVietnam Drilling & Well Service Corporation is a Vietnam-based provider of oil and gas drilling services. The Company's operation is organized under three segments, including Drilling Services segment, which leases oil rigs and performs drilling services on a contract basis; Trading segment, which distributes equipment and supplies for oil drilling businesses, and Other Services segment, which provides diversified related services, such as oil well surveying and mapping, mud logging, oil spill containment, human resources outsourcing and project management.

ANALYST(S)

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Conservative plan ahead of a favorable 2024

- In 1Q2024, the company announced that Revenue and NPAT reached about VND1,700bn and VND200bn, respectively.
- We expect 2024 to be a favorable year for PVD when Revenue and NPAT will grow strongly thanks to the plan to acquire new drilling rigs and especially, the high day rate of jackups.
- We propose HOLD recommendation with potential upside of 4%.

Business plan

The General Meeting of Shareholders has approved the business plan for 2024 based on the following assumptions: 4 jack-up rigs operating with an average price increase of 10%-15% compared to 2023, 1 TAD rig operating throughout the year and 1 land rig (PV Drilling 11) operating for 4 months along with 0.5 jack-up rigs being rented. Accordingly, the Consolidated Revenue is expected to be VND6,200bn (+7% YoY) and NPAT, VND380bn, a drop of 35% compared to 2023.

We believe that this plan is very conservative when all of the jack-up rigs have been leased for the entire year of 2024 thanks to jackups day rate far outpacing levels of 2023 and there are no signs of cooling down as oil prices still maintain a high level (above USD80/barrel). On the assumption, the average day rate of jack-up rigs will increase by 30%, PHS anticipates that the Net Revenue and NPAT will respectively reach VND7,287bn and VND780bn, corresponding to an increase of 25.5% YoY and 42.9% YoY. Gross profit margin and net profit margin will continue to expand to 23% and 11%, marking 2024 as potentially the most favorable year for the company in many years. In fact, the company announced that it had achieved revenue and profit of VND1,700bn and VND200bn in 1Q2024, then complete 23% and 25%, respectively of our forecasts.

CAPEX plan

At the Meeting, an ambitious new CAPEX plan was also approved, with the total amount in 2024 reaching over VND2,438bn, including a new investment in a jack-up rig valued at VND2,115bn (VND600bn of equity capital and over VND1,500bn of borrowings). We see this plan being reasonable as the upstream has gradually warmed up with many offshore projects got started/restarted, notably Lac Da Vang, Ca Tam, and the mega project Block B - O Mon.

Profit distribution plan

In 2024, the company will not pay cash dividends or stock dividends.

Investment highlights

- (1) PVD could benefit from the bustling upstream exploration and exploitation activities due to the high crude oil prices (above 80 USD/barrel) over a long period. In particular, the company may participate in the key project Block B - O Mon alongside many other projects in the region (Malaysia, Indonesia,...).
- (2) The rental price of jackup rigs in Southeast Asia in 1Q2024 has risen to an extraordinary high level (over 7% YoY) due to the accelerated upstream exploration and exploitation thanks to the positive outlook of crude oil prices.

Valuation & recommendation

Using DCF, we derive the fair price of VND31,000 per share. Thus, our recommendation is HOLD with a potential upside of 4%. This valuation has taken into account the acquirement of new drilling rigs, which is expected to take place in 2024 and 2027, according to PHS's forecast, to serve Vietnam's key offshore projects.