

Recommendation: Tracking

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Target price N/A
 Current price (27/3) 15,900

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Giá mục tiêu
 Giá cut loss

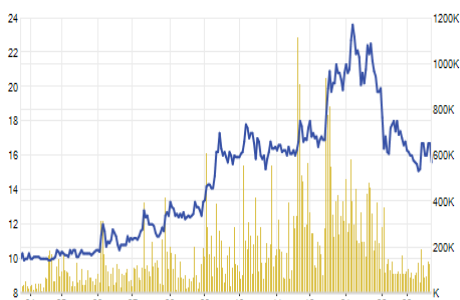
Market Data

Outstanding share 21.60
 Mkt Cap 343
 High of 52w 24,100
 Avg Vol 10 days (share) 122.99
 Foreign onwership 9.93%

Shareholders

GAS 52.94%
 Samarang Ucits 9.85%
 Tran Duc Minh 0.10%
 Pham Ngoc Minh 0.03%

Chart (1 year)



Overview

Other link

[\(link\)](#)

Back to the sea

Valuation

We recommend TRACKING PVB. On 27/3/2018, PVB were traded at 15,900 VND/share, equivalent to PE 2018 = 17x and PB 2018 = 0.81x (2018 business results excluded the effect from Ca Rong Do project)

Forecast business results

In 2018, PVB set a revenue target of VND 287 billion and after tax profit of VND 28 billion. We note that the revenue of pipeline coating segment includes the works of the Ca Rong Do project planned to be carried out in Q4/2018, if we exclude the Ca Rong Do project (VND 80 billion) revenue, PVB reached VND 207 billion, EAT was VND 20 billion, EPS 2018 = VND 935 and BVPS = VND 19,639.

Catalyst

Winning the bid of Ca Tam project of Vietsovpetro (estimated revenue of VND 160 billion), implemented in the first six months of 2018.

Risk

- The delay of the Ca Rong Do project, Block B-O Mon, Nam Con Son 2 2nd phase
- Bad debt is about VND 20.9 billion of DK project
- NCS 2 1st phase has not been finalized

Company Update

Start profitable from core business. In 2018, PVB set a revenue target of VND 287 billion and after tax profit of VND 28 billion. BSC believes that the core business of PVB is positively changing as its 2018 pipeline coating segments revenue is projected at VND 240 billion (the number of 2017 was VND 7.37 billion, and VND 0 in 2016)

Winning the bid of Ca Tam project of Vietsovpetro. Due to the coating season usually around May-June-July, BSC believes that the high probability of project will be completed in the first two quarters.

The Ca Rong Do Project has many difficulties. Expected output value in Q4/2018 is VND 80 billion, the remaining VND 120 billion will be implemented in 2019. Most of the negotiation for the project has been completed. Recent information has been postponed

Prospects for future projects:

- Lot B, Nam Con Son 2 will be deployed 2019-2023
- The Su Tu Trang project is expected to begin at the end of 2019 (70km)
- The Golden Estuary project is expected to begin in 2020 (30 km)
- Exxon Mobil's Ca Voi Xanh project, PVB has provisioned the value of coating (88km, 36 inch)

Start profiting from core business. In 2018, PVB set a revenue target of VND 287 billion and after tax profit of VND 28 billion. BSC believes that the core business of PVB is positively changing as its 2018 pipeline coating segments revenue is projected at VND 240 billion (the number of 2017 was VND 7.37 billion, and VND 0 in 2016) and the remaining revenue from the anti-corrosion coating project is nearly VND 50 billion corresponding to the construction quantity of 140,000m².

We note that the pipeline coating revenue includes the works of the Ca Rong Do Project planned to be carried out in Q4/2018, if we exclude the Ca Rong Do project (VND 80 billion), the 2018 expected revenue of PVB reached VND 207 billion, EAT was VND 20 billion, EPS 2018 = VND 935 and BVPS = VND 19,639. On 27/3/2018, PVB were traded at 15,900 VND/share, equivalent to PE 2018 = 17x and PB 2018 = 0.81x..

Winning the bid of Ca Tam project of Vietsovetro. Package 1 of the project worth about VND 90 billion was signed and implemented from the end of 2017, PVB handed over the pipe to Vietsovetro in 3/2018. Package 2 of the project worth about VND 70 billion is currently waiting for implementation. Due to the coating season usually around May-June-July, BSC believes that the high probability of project will be completed in the first two quarters.

The Ca Rong Do Project has many difficulties. Expected output value in Q4/2018 is VND 80 billion, the remaining VND 120 billion will be implemented in 2019. Most of the negotiation for the project has been completed. Recent information has been postponed. To be cautious, we temporarily removed revenue and profit from CRD in 2018.

Prospects for future projects:

- Lot B, 2nd phase of Nam Con Son 2 will be deployed in 2019-2023. 2nd phase of NCS 2 has a 160km pipeline, will be deployed in 5 months. Lot B is 450km long, PVN is working with foreign banks about capital.
- The Su Tu Trang project is expected to begin at the end of 2019 (70km pipeline)
- The Golden Estuary project is expected to begin in 2020 (30 km pipeline)
- Exxon Mobil's Ca Voi Xanh project, PVB has provisioned the value of coating (88km, 36 inch). The time of project implementation is unclear due to many obstacles from the macro.

Risks:

- Bad debts are about VND 20.9 billion which were for heavy duty steel pipes for the construction of the DK platform of Department of Defense, and PVB made a provision of VND 6.3 billion, expecting to be returned this year from the government
- 1st phase of NCS 2 project has not been officially finalized, BSC believes that there is a risk of additional costs

PVB - Petrovietnam Coating Joint Stock Company

Financial Analysis

28/3/2018

BSC

Unit: billions	2013	2014	2015	2016	2017
Net sales	533	1,001	900	6	83
Gross profit	114	259	116	(72)	(34)
Financial income	3	5	2	4	7
Financial exps	(21)	(12)	(10)	(1)	(0)
interest exps	(18)	(11)	(6)	(1)	-
Sell exps	-	-	-	-	-
G&A exps	(18)	(61)	(49)	(29)	(38)
Operating profit	78	190	59	(98)	(66)
Net other income	1	0	39	44	123
EBT	78	190	98	(54)	57
Net income	59	148	75	(54)	56
Minority interests	-	-	-	-	-
Parents	59	148	75	(54)	56
EPS	2,717	6,830	2,680	(2,499)	2,605

Net sales from pipeline coating reached VND 7.37 billion. Thus, PVB has been looking for more work from construction and anti-corrosion coatings with Nippon Steel, of which PVB's work is the anti-corrosion paint for pipeline of the pier (non-standard pipe)

Core business recorded losses (expected to positively changes in 2018)

Gross profit 2017 comes from reversal of provision for guarantee of construction works (VND 46.52 billion) and excess after settlement the balance sheet of the project (VND 78.51 billion, of which VND 30 billion is the value of ore imported in previous years which remains high useage value for incoming projects.

Current asset	364	859	520	343	351
Cash and CE	81	181	93	97	81
Accounts receivable	128	407	313	49	70
Inventories	117	265	90	103	151
Other current assets	37	6	24	19	19
Non-current asset	343	209	126	101	87
LT receivables	-	-	-	-	-
Fixed assets (fa)	339	194	118	100	86
Tangible fa	339	194	117	99	85
Finance lease fa	-	-	-	-	-
Intangible fa	-	-	1	1	1
LT incomplete assets	-	-	6	-	-
Other LT assets	4	15	2	0	1
Total asset	707	1,068	646	444	438
Total liabilities	396	671	180	96	34
Current liabilities	213	535	127	96	34
ST borrowings	81	101	25	-	-
Non-current liabilities	183	137	52	-	-
LT borrowings	101	30	6	-	-
Owner's equity	311	397	467	348	404
Paid-in cap	216	216	216	216	216
Retained earnings	78	154	224	105	161
Total resources	707	1,068	646	444	438

Bad debts are about VND 20.9 billion which were for heavy duty steel pipes, and PVB made a provision of VND 6.3 billion

PVB no longer has loans and debt, so there is no pressure to pay interest and debt

% yoy Revenue		88%	-10%	-99%	1207%
Gross margin	21.5%	25.9%	12.8%	N/A	-41.8%
Ir.exps / sale	3.4%	1.1%	0.6%	12.1%	0.0%
Sell exps / sale	0.0%	0.0%	0.0%	0.0%	0.0%
Admin exps / sale	3.4%	6.1%	5.4%	459.6%	47.4%
Net profit margin	11.0%	14.7%	8.3%	N/A	66.3%

In the coming years, when petroleum projects are re-started, PVB's core businesses will continue to improve. However, we recognize that profit margins of the projects may not be as good as in the previous period, as PVN is in the process of reforming and changing the way of bidding.

Financial Analysis

28/3/2018

Financial Analysis

2013 2014 2015 2016 2017

1. Liquidity ratio

Current ratio	1.71	1.61	4.08	3.57	9.87
Quick ratio	0.98	1.10	3.19	2.30	5.10

2. Capital structure ratio

Ca/TA	0.51	0.80	0.80	0.77	0.80
NCA/TA	0.49	0.20	0.20	0.23	0.20
Liabilities/TA	0.56	0.63	0.28	0.22	0.08
Liabilities/TE	1.27	1.69	0.38	0.28	0.09
CL/TA	0.30	0.50	0.20	0.22	0.08
NCL/TA	0.26	0.13	0.08	-	-

3. Operating efficiency ratio

Inventory turnover	3.2	3.9	4.4	0.8	0.9
Receivable turnover	24.5	12.5	3.9	0.0	1.4
Payable turnover	7.8	12.6	11.7	7.7	14.2
Days of inventory	113.1	94	83	451	393
Days of receivables	14.9	29	94	N/A	266
Days of payables	46.9	29	31	47	26
CCC	81.1	94	145	N/A	634

4. Profitability ratio

Net income/NSale	11.0%	14.7%	8.3%	N/A	66.3%
ROE	18.9%	37.2%	16.1%	-15.5%	13.7%
ROA	8.3%	13.8%	11.6%	-12.2%	12.6%
Oper profit/NSale	14.6%	19.0%	6.6%	N/A	-81.0%

5. Dupont analysis

TA/TE	2.27	2.69	1.38	1.28	1.09
NSale/TA	0.75	0.94	1.39	0.01	0.19
EBIT/NSale	0.18	0.20	0.12	(8.36)	0.67
EBT/EBIT	0.81	0.95	0.94	1.01	1.00
Net income/EBT	0.75	0.78	0.76	1.00	0.98

6. Valuation multiples

PE	6.6	2.6	6.6	(7.1)	7.0
PB	1.2	1.0	0.8	1.1	1.0
EPS	2,717	6,830	2,680	(2,499)	2,552
BVPS	14,385	18,380	21,613	16,099	18,650

7. Growth (%yoy)

TA		51%	-39%	-31%	-1%
Liabilities		70%	-73%	-46%	-63%
Sale		88%	-10%	-99%	1207%
GP		127%	-55%	-162%	-52%
NI		151%	-49%	-172%	-202%
EPS		151%	-61%	-193%	-202%

Good financial liquidity: The payment ratio of PVB is very good, however, the company will not pay cash dividends due to the need for capital reserve for upcoming projects and finalization of 1st phase of NCS 2 project.

Operational capacity. In recent years PVB's core business is almost nothing, so we temporarily do not use performance metrics to measure corporate performance.

Profitability dropped sharply. Oil prices are down, delaying oil and gas projects, PVB must seek more construction projects, coatings to maintain jobs for workers.

PVB share price have increased sharply at the end of 2017 and early 2018 based on oil price prospects and accelerated deployment of oil and gas projects. As 27/3/2018, PVB was traded with PE 2018 = 17x, which is relatively reasonable compared to the company's outlook in 2018.

Technical Analysis

28/3/2018

Technical highlights

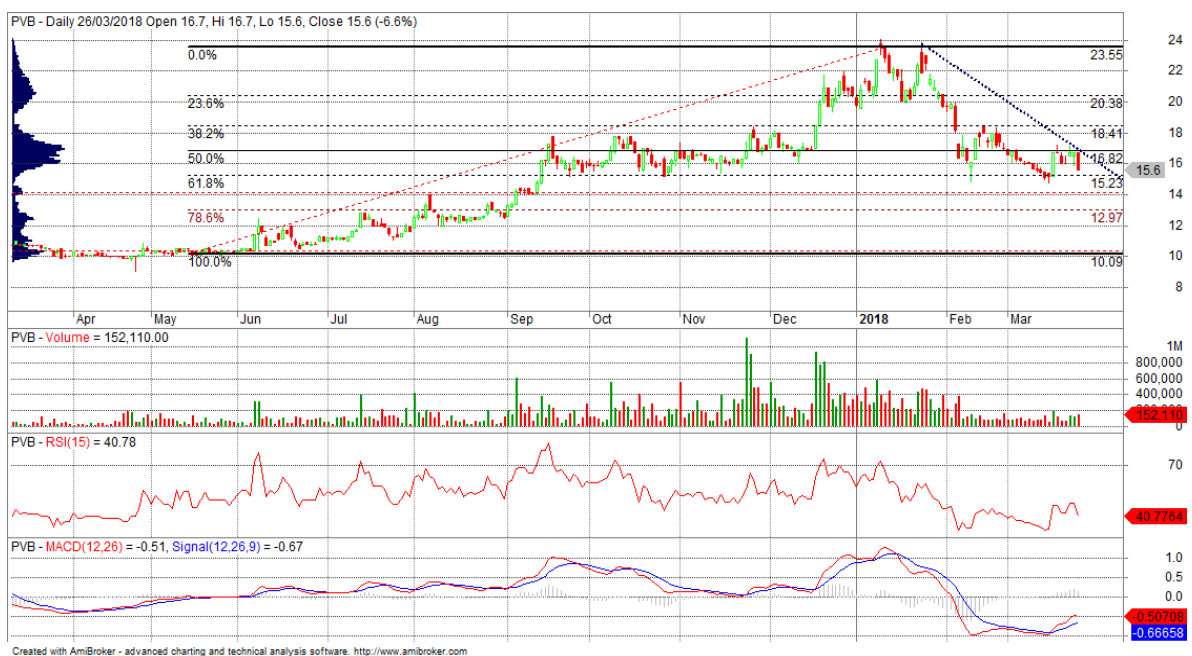
- Current Trend: Long term downtrend
- The MACD is declining and diverging below the signal, together with the downtrend of the RSI, confirming the long term bearish trend.
- Liquidity: The average liquidity value of 10 sessions was about 1.8 billion VND/session, tending to decrease.

Comment

PVB shares are in the long-term downtrend. The nearest support level is at 15. However, long-term technical indicators indicate a possibility to continue correcting stock prices in the coming time.

Recommend Investors continue to follow the progress of the stock. Expecting share price to breach the support at 15, and move to the next support at 14.

Technical chart



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