

# Company Visit Note

## PVT - General Corporation of Petroleum Transportation

Date

# BSC

### Recommendation: **HOLD**

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Target price	19,080
Current price	18,350
Upside	4.0%

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Target price
Cut loss

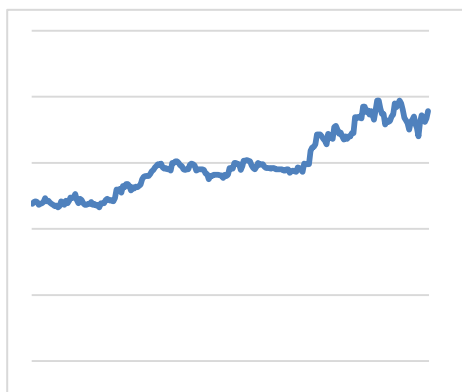
### Market Data

Outstanding share	281
Mkt Cap	5,094
High of 52w	20,200
Avg Vol 10 days (share)	574,020
Foreign ownership	32.18%

### Major shareholder

PVN	51%
Pvcom Bank	6%
Vietnam Holding	5%
ETF	5%

### Chart (1 year)



### Overview

PVT is the sole enterprise transporting crude oil in the domestic market, accounting for 90% of LPG transport. In the next five years, PVT will focus on developing its fleet of crude oil, finished products and coal, while reducing capital in non-core businesses.

### Other report

### Valuation

We expect PVT will record EPS of around 1,820 VND/share, corresponding to PE fw = 10.08x. On 5/3/2018, PVT was traded at 18,350 VND/share. This is fairly close to the price we have recommended in the recent update. With the outlook of 2018, we recommend to HOLD PVT.

In long term, we estimate that PVT has plenty rooms for growth which comes from demand from Nghi Son refining and plans to reduce PVN's ownership to below 51% (expected in 2019).

### Catalyst

When the refinery goes into operation, it will help boosting the quantity of crude oil shipments. However, according to the update, PVT only can carry crude oil for Nghi Son from Q3/2018.

### Investment highlights

(1) In 2018, crude oil output will grow sharply from around 6.06 million tonnes in 2017 to about 7.2 million tonnes as Dung Quat refinery has completed regular major repairs and CDU capacity of the plant can operate at 109% capacity (the capacity before maintenance is only about 102-103%). (2) Nghi Son refinery has been put into commercial operation. However, we think that the profit from this plant in 2018 is not large because PVT plans to rent ships for service, the gross profit is not high. (3) FSO / FPSO continues to be a stable source of revenue for PVT. Thanks to the autonomy of personnel operations, gross profit margin of PVT is expected to increase slightly in 2018

**Caution in 2018 business plan.** According to our statistics, in 3 recent years, PVT tended to set up the business plan quite low compared to actual implementation. With growth in liquid cargo demand in 2018, we think that PVT's 2018 plan is significantly lower than its potential.

	2015	2016	2017	2018
DT KH	5.085	5.000	5.013	5.250
DT thực	5.761	6.733	6.128	
Chênh	13%	35%	22%	
LN KH	191	280	328	357
Ln thực	401	457	497	
Chênh	110%	63%	52%	

f VND 6,521 billion (+7.7% yoy) and a net profit of VND 660 billion (+33% yoy), equivalent to EPS of VND 1,792. This prediction is based on these assumptions:

- (1) Crude oil output for Binh Son Refinery reached 7.2 million tons with the expectation that BSR will operate at maximum capacity post-maintenance, while transport costs will remain stable compared to 2017. In addition, Nghi Son refinery will go into commercial operation in mid-2018, half year later than the number of previous announcement. According to information from PVT, PVT will transport crude oil for Nghi Son from Q3/2018. So we assume PVT will transport about 975,000 tonnes of crude oil (capacity of Nghi Son refinery is 9 million tonnes of crude oil per year).
- (2) Oil transport: Thanks to not being affected by maintenance, output of finished oil for Binh Son in 2018 is forecasted to reach 2.3 million tons (35% of total BSR production), and that number of Nghi Son is about 1.1 million tons (equivalent to 20% of total products).
- (3) Transportation of coal and LPG. As the commercial operation time of Thai Binh 2 thermal power plant is still unclear, so we do not reflect the quantity of output transported for this plant in 2018. Total coal output transported in 2018 is forecasted at 1.5 million tonnes, thanks to contracts signed with EVN and PVT plants that they will purchase colliers in 2018.
- (4) FSO/FPSO uptime rate will remain at 100% in 2018, mainly due to fluctuation of USD/VND exchange rate (assuming 2% increase compared to 2017).

**Dividend planning and investment in fleet.** In 2018, PVT will submit to the shareholders' meeting to pay 10% cash dividend. At the same time, PVT also said they would invest in an Aframax tanker and a collier for thermal power plants.

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## Financial analysis

### SUMMARY OF FINANCIAL STATEMENT

Unit: billions	2014	2015	2016	2017	2018E
<b>Net sales</b>	<b>5,268</b>	<b>5,761</b>	<b>6,734</b>	<b>6,129</b>	<b>6,521</b>
<b>Gross profit</b>	<b>549</b>	<b>777</b>	<b>762</b>	<b>806</b>	<b>946</b>
Financial income	159	132	159	187	199
Financial exps	(146)	(227)	(150)	(160)	(150)
interest exps	(95)	(97)	(123)	(160)	(112)
Sell exps	(6)	(8)	(9)	(10)	(10)
G&A exps	(190)	(212)	(227)	(233)	(248)
<b>Operating profit</b>	<b>367</b>	<b>462</b>	<b>535</b>	<b>591</b>	<b>736</b>
Net other income	91	52	40	28	30
<b>EBT</b>	<b>486</b>	<b>514</b>	<b>575</b>	<b>646</b>	<b>865</b>
<b>Net income</b>	<b>402</b>	<b>401</b>	<b>457</b>	<b>497</b>	<b>665</b>
Minority interests	61	65	68	78	105
Parents	341	336	389	418	560
EPS	1,200	1,182	1,243	1,338	1,792
<b>Current asset</b>	<b>3,258</b>	<b>3,628</b>	<b>3,723</b>	<b>3,935</b>	<b>3,807</b>
Cash and CE	1,719	2,237	1,339	2,003	1,812
Accounts receivable	678	402	1,560	918	918
Short-term receivables	646	850	703	855	910
Inventories	103	103	86	95	99
Other current assets	112	36	35	65	69
<b>Non-current asset</b>	<b>6,091</b>	<b>6,028</b>	<b>5,347</b>	<b>5,257</b>	<b>5,250</b>
LT receivables	-	13	8	15	16
Fixed assets (fa)	4,047	5,523	5,062	4,920	4,920
Tangible fa					
Finance lease fa	-	-	-	-	-
Intangible fa	180	164	183	186	396
LT incomplete assets	1,543	-	-	-	-
Other LT assets	501	492	277	315	315
<b>Total asset</b>	<b>9,349</b>	<b>9,656</b>	<b>9,070</b>	<b>9,192</b>	<b>9,057</b>
<b>Total liabilities</b>	<b>5,347</b>	<b>5,331</b>	<b>4,737</b>	<b>4,546</b>	<b>4,574</b>
Current liabilities	1,493	2,132	1,807	2,044	2,025
ST borrowings	629	902	530	537	571
Non-current liabilities	3,855	3,153	2,856	2,502	2,548
LT borrowings	3,238	2,716	2,432	2,153	2,182
<b>Owner's equity</b>	<b>3,131</b>	<b>4,325</b>	<b>3,573</b>	<b>4,645</b>	<b>4,342</b>
Paid-in cap	2,559	2,559	2,814	2,814	2,814
Retained earnings	426	678	581	606	1,189
<b>Total resources</b>	<b>9,320</b>	<b>9,656</b>	<b>9,070</b>	<b>9,192</b>	<b>9,021</b>
% yoy Revenue		9%	17%	-9%	6%
Gross margin	10.4%	13.5%	11.3%	13.2%	14.5%
lr.exps / sale	1.8%	1.7%	1.8%	2.6%	1.7%
Sell exps / sale	0.1%	0.1%	0.1%	0.2%	0.2%
Admin exps / sale	3.6%	3.7%	3.4%	3.8%	3.8%
Net profit margin	7.6%	7.0%	6.8%	8.1%	10.2%

Revenue of 2017 decreased 9% due to: (1) PVT actively reduced 34% of revenue from operation. This is a business segment that does not bring a large profit to the business with only 1-2% gross profit margin. (2) crude oil output reached only 6.06 million tons (the number of 2016 was 7.5 million tons) due to the maintainance of Dung Quat. FSO/FPSO continued to operate stably with 99% uptime. However, we estimate rental prices may fall by about 10% due to low oil prices.

Loss of exchange rate difference is not significant thanks to stable USD / VND

Cash and CE are plentiful, accounting for about 50% of short-term assets, while short-term and long-term liabilities vary a little, which is suitable for PVT's investment in buying new vessels in the near future.

Gross profit margin increased sharply from 11% to 13% in 2017 due to: (1) a slight reduction in the proportion of commercial sales with low gross profit margin (only 1-2%). (2) Although Dung Quat refinery was repaired, PVT actively took the fleet to international market to offset the operating costs and depreciation of the fleet.

Selling expenses, management expenses/revenue remains stable compared to 2016

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## Financial analysis

### FINANCIAL RATIO

2013 2014 2015 2016 2017

#### 1. Liquidity ratio

Current ratio	1.90	2.18	1.70	2.06	1.93
Quick ratio	1.84	2.11	1.65	2.01	1.88

#### 2. Capital structure ratio

Ca/TA	0.36	0.35	0.38	0.41	0.43
NCA/TA	0.64	0.65	0.62	0.59	0.57
Liabilities/TA	0.62	0.57	0.55	0.52	0.49
Liabilities/TE	2.10	1.71	1.23	1.33	0.98
CL/TA	0.64	0.48	0.49	0.51	0.44
NCL/TA	1.46	1.23	0.73	0.80	0.54

#### 3. Operating efficiency ratio

Inventory turnover	9.2	8	8	6	6
Receivable turnover	48.9	45	47	42	46
Payable turnover	73.5	60	78	69	84
Days of inventory	39.1	43	48	62	58
Days of receivables	7.4	8	8	9	8
Days of payables	4.9	6	5	5	4
CCC	(15.3)	(6)	(23)	(21)	(31)

#### 4. Profitability ratio

Net income/NSale	6.3%	7.6%	7.0%	6.8%	8.1%
ROE	11.1%	12.8%	9.3%	12.8%	10.7%
ROA	3.3%	4.3%	4.2%	5.0%	5.4%
Oper profit/NSale	7.2%	7.0%	8.0%	8.0%	9.6%

#### 5. Dupont analysis

TA/TE	0.23	0.79	0.83	0.78	0.79
NSale/TA	0.20	0.78	0.84	0.84	0.82
EBIT/NSale	0.04	0.10	0.11	0.11	0.10
EBT/EBIT	0.56	0.52	0.56	0.60	0.74
Net income/EBT	3.06	3.39	2.99	2.23	2.54

#### 6. Valuation multiples

EPS	926	1,200	1,182	1,243	1,338
BVPS	12,118	12,236	16,906	12,696	16,506

#### 7. Growth (%yoy)

TA		-2%	4%	-6%	1%
Liabilities		-10%	0%	-11%	-4%
Sale		6%	9%	17%	-9%
GP		-2%	42%	-2%	6%
NI		28%	0%	14%	9%
EPS		0%	-1%	5%	8%

The liquidity ratios are at a very safe level, mainly due to stable trading activities which bring good profitability. This shows that PVT is capable of paying the debt on time

The proportion of long-term assets decreased gradually because PVT did not make new investments in the fleet. However, in the next two years, this rate will change in the direction of increasing due to the purchase of new ships for Nghi Son refinery and thermal power projects.

Although the industry has been affected by high input costs and demand, PVT still maintains stable profitability ratios, mainly due to the characteristics of PVT which is doing the time charter for parents company with stable profit margin. Cost management is the key factor for PVT to improve its business.

High leverage, however, tends to decrease. High leverage is a characteristic of shipping companies. Comparing with the VIP and VTO, PVT's leverage is low.

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## Technical highlights:

- Current trend: Long term uptrend
- MACD trend is close to level 0 and just cut the signal line, together with RSI indicator is rising up but still in downtrend, the signal is in the trend of accumulation in medium term.
- Liquidity: the average liquidity of 10 sessions reached nearly 12 billion, not lower than the general market.

## Outlook:

PVT is in the long term uptrend from the end of 2016 and can not conquer the resistance at 20.2. At present, stock price fluctuations are quite large around 17-19, with liquidity surging in recent sessions.

**Recommendation:** Investors can take advantage of short-term corrections of PVT price at around 17.5 - 18 to increase the stock exposure and expect stocks to maintain long-term upward momentum. Purchase price 17.5 - 18, target 20.2, cut losses if PVT lost support threshold 17.

## Technical Chart



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