**October 20, 2015**

# PetroVietnam Transportation Corp (PVT – HSX)

## Upside potential outweighs short-term risks

*PVT is the leading tanker operator in Vietnam. Possessing the largest tanker fleet domestically and enjoying the privilege of Petro Vietnam (PVN)'s subsidiary send PVT on board to benefit from upcoming refinery expansion and rising oil and gas consumption. In addition, taking part in coal transport activity for PVN- invested thermal power plants further fosters its transport business growth.*

*PVT's 2015 and 2016 performances could achieve new highs thanks to: (1) increasing production of Dung Quat refinery plant (2) FSO Dai Hung Queen commenced operation in May 2015 and the full recognition of O&M services provision for FPSO Lewak Emas, (3) coal volume to transport doubles and (4) widening profit margin for tanker operation from a time lag between oil prices and freight revision.*

*Using FCFF and relative valuation methods (P/E and EV/EBITDA), we end up with an appropriate price for PVT of **VND15,900/per share**, **42%** higher than the closing price on October 20, 2015. So, we recommend potential investors to **"BUY"** the share with the **"LONG TERM"** perspective. In short and medium term, PVT could possibly encounter 2 major risks: (1) adverse oil prices movement could negatively impact freight and the resulting gross margin and (2) possible unrealized FX loss from the revaluation of USD denominated loans.*

**Investment Consideration**

- Large fleet capacity and dominating market share are the firm's competitiveness
- Higher transport volume for tankers in 2015 and 2016
- FSO/FPSO segment would add growth to 2015 and 2016 bottom-lines
- Long-term business growth driver stems from expanding refinery capacity in Vietnam

**Risks:**

- Longer than expected low oil prices level could put pressure on freight
- Interest expense burden and risk of unrealized FX losses from USD loans

**Key financials**

| Y/E Dec ( VND bn) | FY2013 | FY2014 | FY2015E | FY2016F |
|---|---|---|---|---|
| Net Revenues | 4,961.3 | 5,267.6 | 5,508.8 | 5,782.8 |
| *% chg* | 11.2 | 6.2 | 4.6% | 5.0% |
| PAT | 239.4 | 341.1 | 267.5 | 340.9 |
| *% chg* | 119.0 | 42.5 | -21.6% | 27.5% |
| Net margin (%) | 4.8 | 6.5 | 4.9% | 5.9% |
| ROA (%) | 2.7 | 3.6 | 2.9% | 3.7% |
| ROE (%) | 8.9 | 11.5 | 8.2% | 9.7% |
| EPS (VND) | 1,029 | 1,333 | 1,045 | 1,332 |
| Adjusted EPS (VND) | 858 | 1,212 | 1,045 | 1,332 |
| Book value (VND) | 12,118 | 12,236 | 13,113 | 14,351 |
| Cash dividend (VND) | - | - | | |
| P/E (x) | 10.7 | 10.5 | 10.0 | 7.9 |
| P/BV (x) | 0.9 | 1.1 | 0.8 | 0.7 |

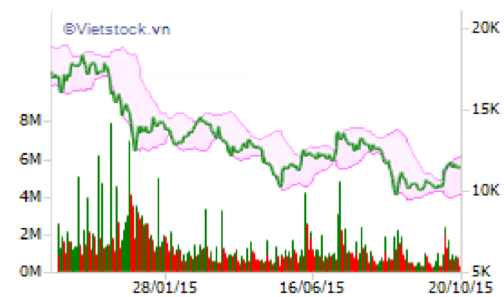
*Source: PVT, RongViet Research estimate. Based on share price on October 20,2015*

## BUY

| | |
|---|---|
| Market price (VND) | 11,200 |
| Target Price (VND) | 15,900 |
| **Investment Horizon** | **Long-term** |

**Stock Info**

| | |
|---|---|
| Sector | Marine Transportation |
| Market Cap ( VND bn) | 2,635.3 |
| Shares O/S | 255,857,524 |
| Beta | 1.2 |
| Free float (%) | 36.5 |
| 52 weeks High | 19,000 |
| 52 weeks Low | 9,800 |
| Avg. Daily Volume (in 20 sessions) | 462,500 |




Source: Vietstock

**Peformance (%)**

| | | | |
|---|---|---|---|
| | -19 | -42 | 171 |
| PVT | 2 | 9 | |
| Marine Transportation | -11 | -12 | |
| VN30 Index | -9 | -8 | 45 |
| HSX Index | -19 | -42 | 171 |

**Major Shareholders (%)**

| | |
|---|---|
| Petro Vietnam | 51 |
| PVcomBank Vietnam | 6.6 |
| ETF VNM | 6.0 |
| *Foreigner Investor Room* | 33.7 |

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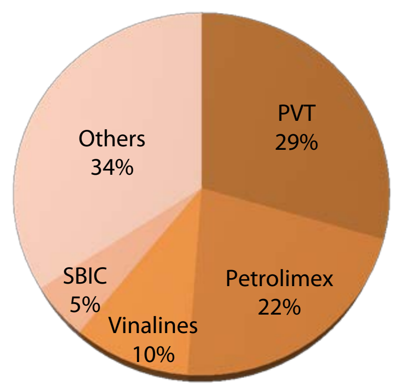
**Investment Rationale**

**Large tanker fleet capacity and dominating market share across cargo types create PVT's competitiveness.**

PVT is Vietnam's largest oil & gas transport company in many facets including chartered capital, market share, fleet capacity and more importantly operation experience for varied cargo types.

**Figure 01: Vietnam tanker fleet capacity in proportion**




*Source: PVT andRongViet Research compiled*

*Crude tanker operation*

PVT is currently the only firm offering crude tanker services in Vietnam. The fleet consists of 3 Aframax vessels weighted totally ~305,000 DWT. At the meantime, the firm is responsible for transporting the entire crude input for Dung Quat refinery plant (Designed capacity of 6.5 million tons/year) from Bach Ho oil field. The relatively high investment cost of crude tankers and Government policy only allowing Vietnam flagged vessels to operate on domestic waterways are barriers for new entrants and hence consolidate PVT's leading position. PVT's crude tanker operation could be divided into two seasons: (1) the firm operates 2 crude tankers domestically and charters the other on international routes (Australia or Middle East) from March to October with favorable weather conditions and (2) deploying entire crude tanker fleet to serve Dung Quat plant for the remaining of the year (bad weather).

**Table 01: Crude tanker fleet**

| Tanker | Capacity (DWT) | Type | Building year | Years of age |
|---|---|---|---|---|
| Hercules | 96,174 | Aframax | 1995 | 20 |
| PVT Athena | 105,177 | Aframax | 2000 | 15 |
| PVT Mercury | 104,000 | Aframax | 2013 | 2 |
| **Total** | **305,351** | | | |

*Source: PVT and RongViet Research compiled*

*Oil product tanker operation*

In contrast, PVT's oil product tanker is sitting third by fleet capacity in Vietnam. The fleet has 7 vessels at the average age of 16 years. Apart from servicing major client like PV Oil, PVT also leases 3 to 4 handy-sized product tankers on international routes (Middle East) to maximize utilization. Although freight remains very competitive on international operation, by chartering out the firm could (1) reduce reliance on domestic client for its product tanker's business (2) accumulate and upgrade operation experience to accepted global standard.

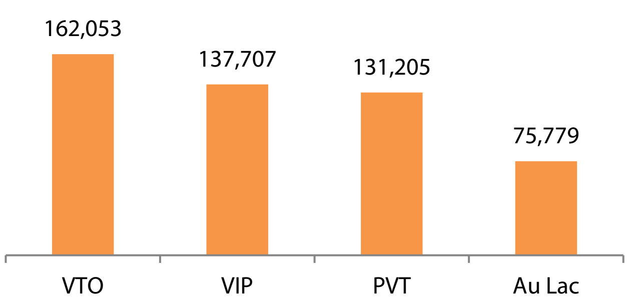
*Due to the fact that major domestic petroleum retailers (PV Oil and Petrolimex) prioritize using tanker services provided by respective subsidiaries under the same corporate umbrella, the product tanker's market share in Vietnam is not fiercely competed and relatively well defined.*

**Table 02: Product tanker fleet**

| Tanker name | Capacity (DWT) | Building year | Years of age |
|---|---|---|---|
| PVT Dragon | 8,700 | 1996 | 19 |
| PVT Dolphin | 45,888 | 2004 | 11 |
| PVT Eagle | 33,425 | 1998 | 17 |
| PVT Sea Lion | 16,187 | 1995 | 20 |
| Phuong Dong Star | 9,045 | 2007 | 8 |
| PV Oil Jupiter | 8,758 | 1996 | 19 |
| PV Oil Venus | 9,202 | 1997 | 18 |
| **Total** | **131,205** | | |

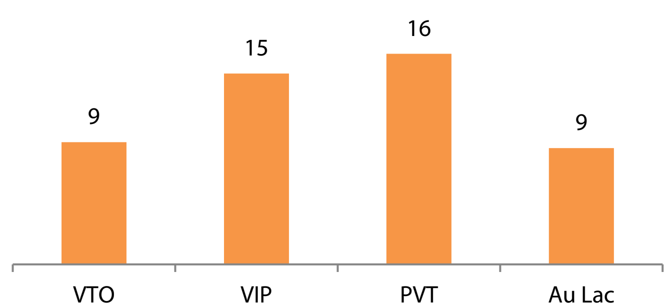
*Source: PVT and RongViet Research compiled*

**Figure 02: Product tanker capacity of major firms (DWT)**




*Source: PVT and RongViet Research compiled*

**Figure 03: Average product tanker fleet's age (years)**




*Source: PVT and RongViet Research compiled*

*LPG tanker business*

LPG tanker operation is currently managed by PVT's subsidiary Gas Shipping JSC (GSP-HSX). GSP is operating 7 LPG vessels with total capacity of ~ 20,000 cubic meters. The company serves more than 90% of domestic demand for LPG transport by vessel given its relatively large fleet capacity. Meanwhile, restricted financial capability and operating experience of industry rivals in Vietnam further supports GSP 's prime position. In fact, fleet capacity of rivals is estimated to be only 40% of GSP's.

*In short, on the one side, PVT's large and multi-functioned fleet enables it to cater varied clients' demands. On the other side, PVT holds the advantage in participating in oil transport services for major refinery projects co-invested by PVN in years ahead. In addition, Vietnam government's protection policy regarding domestic sea transport (restricted to Vietnam flagged ships) keeps competition in domestic market at bay. These therefore are the vital factors that help PVT s' operation even in crisis times.*

| Table 03: LPG tanker fleet | | | |
|---|---|---|---|
| **Tanker name** | **Capacity (cubic meter)** | **Building year** | **Years of age** |
| Cuu Long Gas | 3,500 | 1996 | 19 |
| Hong Ha Gas | 1,800 | 1993 | 22 |
| Viet Gas | 1,800 | 1992 | 23 |
| Sai Gon Gas | 3,500 | 1996 | 19 |
| Apollo Pacific | 3,438 | 1988 | 27 |
| Aquamarine Gas | 1,904 | 1985 | 30 |
| Oceanus 09 | 4,900 | 1998 | 17 |
| **Total** | **20,842** | | |

*Source: PVT and RongViet Research compiled*

**Dung Quat refinery plant's increasing production in 2015 means higher cargo volume for PVT's oil tankers**

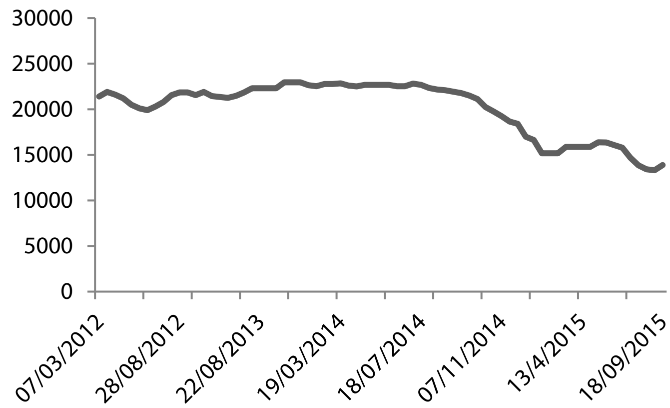
**In 2015, PVT's crude tanker business** expects to see growing transport volume due to (1)Dung Quat increases production to make up revenue losses from falling output prices and (2) undisrupted operation of this refinery in 2015 (2 months maintenance in 2014). In the 1H2015, Dung Quat imported nearly 3.4 million tons of crude (or estimated 6.8 million tons for 2015) compared to the whole 2014 figure of 5.6 million tons. As a result, the fleet's utilization has improved to 8-9 trips/per month compared to average 6 trips/per month last year.

| Table 04: Dung Quat refinery plant | |
|---|---|
| **Designed capacity** | **6.5 million tons/year** |
| **Volume** | |
| Petroleum (Ron 92, 95 A1) | 2.08-2.9 million tons/year |
| Diesel | 2.9-3.2 million tons/year |
| FO | 60-100 thousand tons/year |
| Polypropylene | 130-150 thousand tons/year |
| Propylene | 130-150 thousand tons/year |
| LPG | 400-420 thousand tons/year |

*Source: RongViet Research compiled*

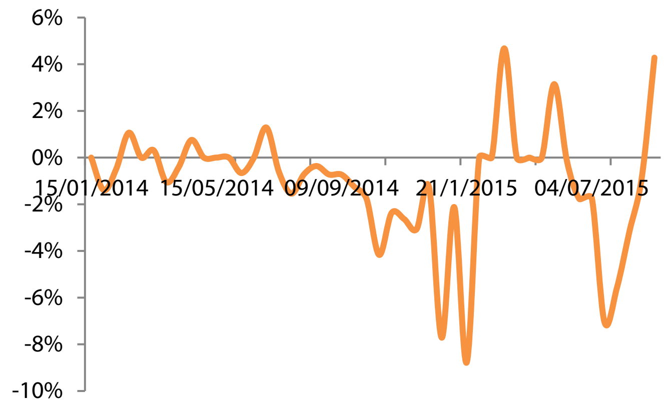
Besides, low prices of petroleum would possibly give the firm's tanker business a profit boost as fuel cost makes up ~40% of total vessel operating cost. Although tanker freight would be revised subject to changes in domestic retailed fuel prices that would only occur for a significant changes in the latest announced fuel prices (usually 10-15%). As observed, fuel prices have fluctuated in ranges of 3-7% since the start of 2015 and expected to sideway in narrow ranges towards year-end. So, given the time lag between tanker freight adjustment and fuel prices movements, profit margin of PVT tanker business would be slightly enhanced this year compared to 2014.

**Figure 04: Diesel prices developments**




*Source: RongViet Research compiled*

**Figure 05: Diesel prices fluctuation by percentage**




*Source: RongViet Research compiled*

To meet increasing crude import demand at Dung Quat, the firm has deployed its entire crude tanker fleet to serve the plant this year. In fact, the relatively higher domestic freight has certainly added steam to PVT's tanker earnings performance in the first 8 months of 2015. As planned, Mercury and Athena crude tanker would undertake major docking in the years' coming final months and hence reduce the contribution of crude tanker operation in the 2H2015. ***However, we believe PVT's 2015 crude tanker operation have all the reasons to fare better than last year. As a result, this operation's 2015 total revenue estimates to achieve VND1,330 billion (or annualized growth of 21%) and projected gross profit of VND 240 billion***. In the long-run, PVT crude tanker's business outlook depends heavily on the inauguration of new refinery projects in Vietnam such as Nghi Son (2017), Dung Quat (expansion phase) and Nam Van Phong.

Not quite similarly, **product tanker** domestic market is participated by many different players from state owned firm's subsidiaries such as Vitaco (VTO-HSX), Vipco (VIP-HSX) to private tankers as the likes Hai Au or Au Lac. Currently, Dung Quat refinery capacity can only meet a third of Vietnam's annual total fuel consumption (2014: 15.4 million tons). Given Petrolimex's dominant domestic petroleum retailing market share of nearly 47%, VTO and VIP (subsidiary of Petrolimex) transport ~60% of oil output from Dung Quat refinery. Therefore, PVT, who serves PVOil, is to take care of approximately 40% oil output transport services from Dung Quat (~2.5 million tons). ***So, PVT's product tanker business is estimated to contribute VND621 billion this year (up by 28% yoy) due to higher transport volume as analyzed***. In the long-run, PVT's product tanker operation is likely to get advantages from its majority fleet made up of medium and small vessels (<16,000DWT) deeming more effective for expected shorter trip length looking forward domestically.

**PVT's long-term growth prospect would hinge upon participating in oil transport for new refinery projects**

Vietnam petroleum association (VINPA) forecasted total domestic petroleum demand would grow by 6% (yoy) to 16.5 million tons in 2015. On that basis, we believe that petroleum demand in Vietnam and South East Asia could experience an average annualised growth of 3-4% in the next coming years which subsequently leads to greater need for oil transport services. In 2017, the commercial operation of Nghi Son refinery plant could result in major changes in petroleum import activity with priority placed upon using oil product from domestic refinery. In August 2015, Nghi Son refinery project is progressing as schedule with 45% of planned works being completed. Hence, if commencing operation as plan, the Nghi Son refinery plant would play a strategic role in PVT's long-term growth outlook as the company looks to provide crude transport services for 1/3 of the plant's total crude need. (2-3 million tons/year)

In the long-run, the prospect of oil refinery capacity expansion in Vietnam would promise a chapter of high growth for Oil&Gas transport demand in the country. The Government decision to retain the dominant 51% ownership of PVN at PVT (instead of reducing to 36%) further shows PVN commitment to PVT's long-term business in the future. As of the Government long-term plan in 2015-2025 period, Vietnam refinery capacity would rise from 6.5 million tons/per year to 48 million tons/per year in 2025 with five approved projects as followed:

Table 05: Government approved refinery projects

| Refinery projects | Designed | Location | Crude input | Estimated | Total cost and investors |
|---|---|---|---|---|---|
| Nghi Son | 10 mil tons/year | Thanh Hoa | Middle East | 7/2017 | ~USD 9 bil, 25.1% from PVN |
| Dung Quat (Phase 2) | 10 mil tons/year | Quang Ngai | Bach Ho | Before 2020 | ~ USD 2 bil, PVN and JV partners |
| Long Son | 10 mil tons/year | Vung Tau | Import | 2020 | USD 7-8 bil, PVN and JV partners |
| Vung Ro | 8 mil tons/year | Phu Yen | Import | 2017 | USD 3.2 bil, Technocrat Management |
| Nam Van Phong | 10 mil tons/year | Khanh Hoa | Import | 2020 | USD 4.8 bil , Petrolimex and partners |
| **Total** | **48 mil tons/year** | | | | |

*Source: RongViet Research compiled*

In preparation for strong growth in domestic oil transport demand, PVT plans to invest in 3 new vessels including 1 bulk carrier (~30,000DWT), 1 LPG tanker and 1 oil product tanker. The current low vessel's selling prices across international markets expect to make these investments more attractive. However, due to the slow recovery of oil prices globally, we think PVT would only purchase one bulk carrier in the final months of 2015 to serve the coal transport contract for Vung Ang 1 power plant. In 2016, if the firm went ahead with the investment of one LPG tanker (~7300 cubic meter) and one product tanker (13,000DWT), total LPG and product tanker fleet capacity would leap by 32% and 10% to the current level. The increased capacity is mainly to reduce chartered vessels from outside. **As a result, revenue from oil product tanker operation could only start growing by ~11% as Nghi Son plant runs at its maximum capacity.**

Regarding plan to expand the crude tanker fleet, PVT is considering the investment of a VLCC at the estimated cost of USD80-100 million to import oil for Nghi Son refinery (capacity: 10 million tons/year) from the Middle East. As far as we concerned Nghi Son project is likely to commence operation in late 2017 as schedule and PVN would have a 25% ownership at this project. So, with a new VLCC (~200,000DWT), PVT's current crude tanker fleet could increase its capacity by 65%. Assuming the new refinery was running at 50-60% its designed capacity during trial stage, **the company's crude tanker operation revenue could grow by 20% in 2017**. In 2018, that growth figure would likely be 44% when Nghi Son refinery operates a whole year long.

To finance these investments, we believe the company would carry on the current funding allocation of 30% by equity and 70% by loans. In fact, PVT's capital structure (Debt/Assets) has remained stable at the industry range from 41-45%. Assuming PVT to maintain the above leverage ratio and its projected average revenue and PAT growth of 6.4% and 4.2% respectively during 2015-2017period, the firm is absolutely able to go ahead with its planned expansion without threatening its financial stability.

| Table 06: Fleet expansion plan in 2016-2020 period | | | |
|---|---|---|---|
| **Vessels** | **Capacity (DWT)** | **Total** | **Total cost (USD mil)** |
| VLCC | 200,000-250,000 | 2 | 160-200 |
| Oil product tanker | 13,000 | 1 | 15 |
| Chemical tanker | < 10,000 | 2 | 18 |
| LPG, LNG tanker | 4,000-50,000 | 6 | 109 |
| Barges | 500-700 | 4 | 10 |
| Bulk carriers | 2,000-80,000 | 18 | 194 |
| Total | | **33** | **506-546** |

*Source: PVT and RongViet Research compiled*

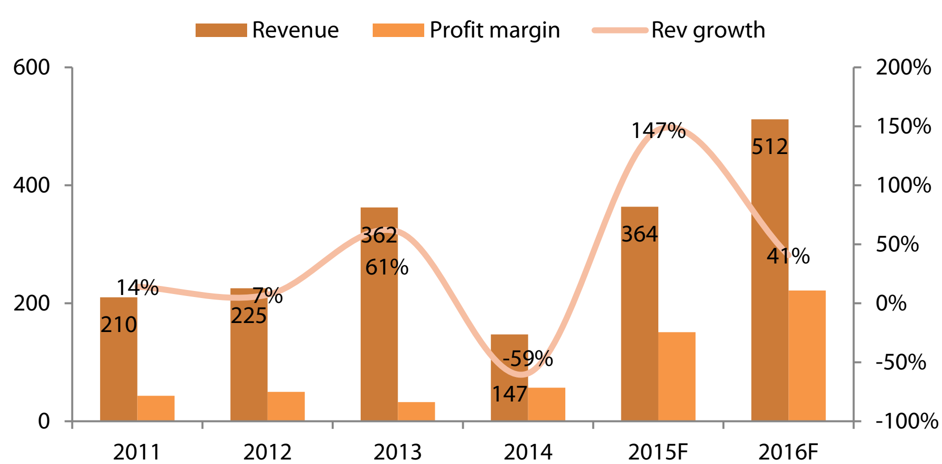
| Table 07: Estimated required investment (VND bil) | | | | | |
|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** |
| Dry bulk vessel | 180 | | | 190 | 195 |
| Product tanker | | 320 | | | |
| Crude tanker | | | 1,800-2,000 | | |
| LPG tanker | | 200 | | | |
| Barges | | | | 120 | 120 |
| **Total** | **180** | **520** | **1,800-2,000** | **310** | **315** |

*Source: PVT and RongViet Research compiled*

**Profit-after-tax growth catalyst in the short-run would stem from the FSO/FPSO and O&M services**

FSO/FPSO and O&M services basically include the leasing of floating storage tanker and the provision of related operation and maintenance services in offshore location. There are currently three FSO/FPSO operators in Vietnam being Vietsopetro, PetroVietnam Technical Services Corporation (PVS-HSX) and PetroVietnam Transportation Corporation (PVT-HSX). Competition and relative market share for these services are clearly defined and managed under PetroVietnam discretion. In particulars, PVS and Vietsopetro serve respectively 60% and 30% total demand and PVT taking part with one FSO since 2009. Despite the humble contribution in total yearly revenue (~3% in 2014), PVT's FSO/FPSO activity grew impressively at the average rate of 25%/year in 2010-2013 period

**Figure 06: FSO/FPSO earnings performance ( including O&M from 2015)**




*Source: PVT and RongViet Research compiled*

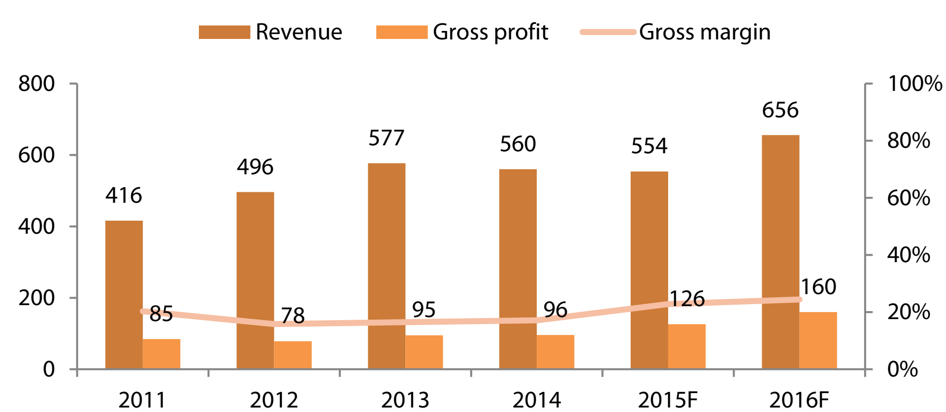
Since May 2015, PVT has commenced the operation of new FSO Dai Hung Queen at Dai Hung oil field subsequent to the sale of FSO Kamari in August last year. In addition, from 2015, PVT is responsible for the entire provision of the O&M services for FPSO Lewis Emas at Chim Sao oil field instead via a joint venture as previously. Therefore, this segment's gross profit is likely to improve considerably from this additional recognition. Despite the 1H2015 result declining 65% to last year's same period as FSO Dai Hung Queen has only operated for ~40 days to 30 June 2015, this segment's gross margin has increased to 36% compared to 25.2% in 1H2014. So, we expect this segment would make a great contribution to PVT's earnings result in the 2H2015 thanks to: (1) the higher freight charge for FSO Dai Hung Queen and (2) additional revenue recognized from O&M services would enhance gross profit. ***For 2015, FSO/FPSO revenue (including O&M services) is estimated to record VND364 billion and gross profit of VND 151 billion.***

In 2016, the whole year operation of FSO Dai Hung Queen would expect to be a growth factor for PVT's FSO/FPSO earnings. In particulars, we expect a year-over-year revenue growth of 36% for this operation in 2016. Due to the high technical sophistication and stable nature of floating storage facility to a particular oil field operation, such FSO/FPSO and O&M services are usually provided on long-term contracts at pre-determined service fees. Hence, we forecasted this operation revenue would experience annualized growth of 2-3% from 2016 onwards.

**Widening gross margin for LPG operation from new docking expense allocation policy and full depreciation of 2 vessels (Hong Ha and Viet Gas)**

Likewise, GSP, operating under PVN corporate structure, enjoys the privilege of the leading sea transport services provider for entire LPG output from major refineries: Dung Quat (300,000 tons/year), Dinh Co gas refinery (280,000 tons/year) and upcoming oil refinery expansion. In 2015, we expect LPG tanker fleet's utilization rate to increase by 20% thanks to undisrupted operation of Dung Quat compared to 2014. However, it is likely that tanker freight could be revised as the oil prices downtrend lasts longer than expected. We estimate this operation revenue is likely to fall 1.1% yoy to VND553.8 billion due to declining freight pressure. On profitability front, the new method of vessel docking expense treatment and the fully depreciated Hong Ha and Viet Gas vessel this year would more than offset the above impact and lead the operation's gross margin to rise to 23% from 17% in 2014. *(Please refer to RongViet Research's GSP company report dated on May 11, 2015).*

**Figure 07: LPG tankers performance**




*Source: PVT and RongViet Research compiled*

Looking forward, Vietnam Gas Association looks very optimistic on green energy use from household and manufacturing. Demand for green energy (LPG) is projected to be 3-4% during 2015-2012 period.

Therefore, PVT, given its industry leader position, would expect to benefit first from future rising demand. From 2016, the growth catalyst of LPG tanker operation would mainly derive from: (1) fleet expansion plan and (2) new refinery capacity expansion progress. As that, PVT's LPG tanker operation would likely achieve VND656 billion in revenue (+18% yoy) in 2016.

**Participating in coal transporting for PVN invested power plants adds further growth to PVT performance**

Apart from Oil&Gas transport, PVT also diversified revenue stream by participating in coal transport by vessel for PVN invested power plants since late 2014. In 2014, PVT delivered10 transport trips carrying totally ~500k tons of coal to Vung Ang 1 power plant (running from August 2014). In 2015, PVT and Vinacomin signed a deal where PVT is expected to provide transport services for 1 million tons out of total coal demand of 1.8 million tons from this plant. However, given the spot nature contracted, trip freight is depending on the fuel prices developments at the time of services delivery.

So, PVT's coal transport activity in 2015 is estimated to achieve revenue and gross profit of VND133 billion (+78% yoy) and VND9 billion respectively. Regardless of its current small contribution (3% in total revenue), this activity has a strong growth potential as coal transport demand is forecast to surge strongly with more thermal power plants coming into operation. In 2016, assuming Vung Ang 1 running at its maximum capacity and Thai Binh 2 going into operation (estimated in 2Q/2016), PVT's projected coal volume to transport could reach 2 million tons and achieve VND266 billion (+100% yoy) in revenue. As a result, revenue proportion of coal transport could therefore increase gradually from 4.6% in 2015 and 8.2% in 2016.

Table 08: PetroVietnam invested thermal power plants

| Project | Capacity | Required volume | Origin of coal | Estimated time of operation | Total investment cost |
|---|---|---|---|---|---|
| Vung Ang 1 | 1,200 MW | ~3.2 mil tons/year | Domestic | 4Q2014 | ~USD1.2bil |
| Thai Binh 2 | 1,200 MW | ~ 3 mil tons/year | Domestic | 2Q and 4Q2016 | ~ USD1.7bil |
| Long Phu 1 | 1,200 MW | ~ 3 mil tons/year | Import | 2018 | ~ USD1.2bil |
| Song Hau 1 | 1,200 MW | ~ 3 mil tons/year | Import | 2Q and 4Q2019 | ~ USD2bil |
| Quang Trach 1 | 1,200 MW | ~ 3 mil tons/year | Import | 2020 | ~ USD1.7bil |
| **Total** | | **~15.2 mil tons/year** | | | |

*Source: RongViet Research compiled*

## RISK

**Oil prices risk:** though benefiting from declining fuel prices, PVT's tanker business may face downward pressure on freight from clients if oil prices fell further. Other services could be affected from remote risk of scaling down oil and gas exploration activities.

**Financial expense risk:** 40% of PVT assets are financed by debt which is made up of 70% from USD denominated loans. With high capex requirement, PVT's debt structure is likely to increase especially USD debt to fund future fleet expansion. So, possible risk of unrealized FX losses may have negative impact on the company's results.

## OUTLOOK

PVT is the leading tanker operator in Vietnam capitalizing on advantages of being the subsidiary of PetroVietnam (PVN) and possessing the largest tanker fleet domestically. The firm is currently the only provider of crude tanker services and hold more than 90% of LPG transport market share by vessel in Vietnam. Despite a small contribution in total revenue, FSO/FPSO operation and O&M services are growing at a quick rate and play an important role in total gross profit.

Large fleet capacity, which is continued to expand, send PVT on board to benefit from increasing production at Dung Quat refinery plant this year and upcoming operation of Nghi Son refinery in 2017. Apart from diversifying revenue by transporting coal for PVN-invested thermal power plants, steady rising fuel demand in the future is key support to the firm's fleet utilization and transport order in the long-run.

**In 2015, PVT's earnings performance is expected to fare better than last year thanks to:**

(1) Increasing production at Dung Quat refinery plant means higher transport volume for PVT's tankers,

(2) FSO Dai Hung Queen began operation in May 2015 and the full provision of O&M services for FPSO LewakEmas would add to earnings this year,

(3) Doubled coal volume to transport for Vung Ang 1 power plant (2014: 500k tons) and

(4) Potentially higher operating profit for tanker operation taking advantage of the time-lag between oil prices and freight revisions.

For short and medium term outlook, PVT would likely face two major risks: (1) slow recovery of oil prices may put downward pressure on tanker freight and growth prospect of oil and gas exploration activities and (2) high interest expense burden and possible unrealized FX loss from USD denominated loans revaluation. Considering the above analyses, we think that PVT share shall be appropriately valued at **VND15,900/per share**, or **42% upside potential** from October 20, 2015 closing price. So, we recommend potential investors to **"BUY"** the share in the**"LONG TERM".**

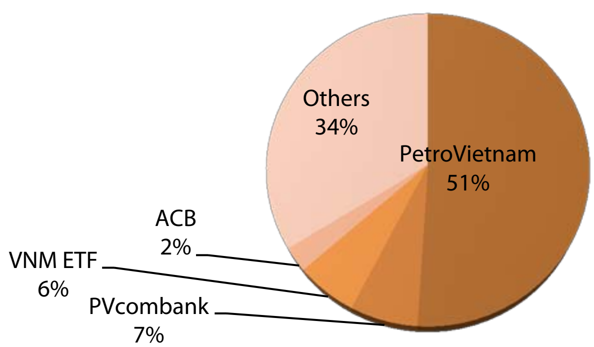
## COMPANY OVERVIEW

**Establishment, ownership structure and subsidiaries**

PetroVietnam Transportation Corporation (HSX-PVT) is one of PetroVietnam (PVN)'s most important subsidiaries. PVT was established in 2002 and privatized in 2007. The establishment and development of PVT have played a strategic role in reducing reliance on foreign transportation services for Vietnam Oil&Gas industry and subsequently maintaining the country's energy security.

PVT's ownership structure includes controlling shareholder PetroVietnam, institutional investors and others. The share free-float at 30 June 2015 was ~36.5%. PVT share has a relatively high trading volume (average daily volume of 500k/session) with high beta and is included in ETF Vietnam Market Vector basket. The share presence in ETF basket list makes it more attractive to foreign investors. However, this also implies PVT shareprice development is highly volatile from market wide risks.

**Figure 08: PVT ownership structure on 30 June 2015**




*Source: PVT*

On 30 June 2015, PVT has totally 09 subsidiaries and 02 associate firms. Of which, Gas Shipping JSC (GSP-HSX) and Delta Petroleum Transport JSC (PCT-HSX) have been listed. Focusing on core-operation investments helps PVT and its related members to enhance effectiveness of resources allocation as opposed to situation at other state funded transport firms such as Vinalines and SBIC.

Table 09: List of PVT's subsidiary and associate firms

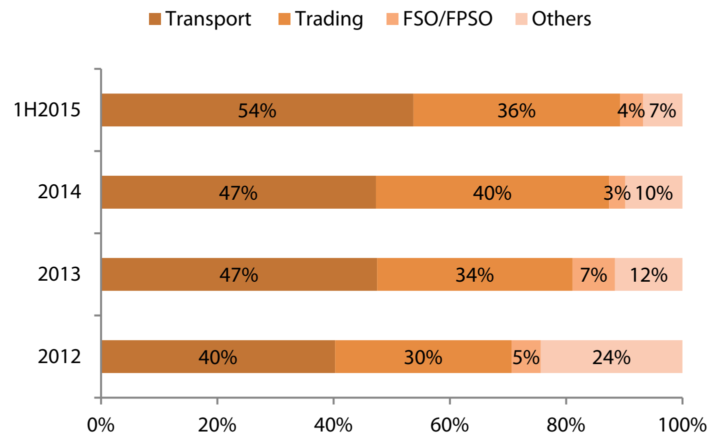
| | Subsidiaries | Ownership | Voting right |
|---|---|---|---|
| 1 | Vung Tau Oil&Gas Transport JSC | 99.85% | 99.85% |
| 2 | Ha Noi Oil&Gas Transport JSC | 99.72% | 99.72% |
| 3 | Phuong Nam Petroleum Transport JSC | 69.63% | 69.63% |
| 4 | Pacific Oil&Gas Transport JSC | 64.92% | 64.92% |
| 5 | Gas Shipping JSC (GSP-HSX) | 67.74% | 67.74% |
| 6 | Dong Duong Oil&Gas Transport JSC | 38.67% | 73% |
| 7 | Delta Petroleum Transport (PVT-HSX) | 22.63% | 60% |
| 8 | Phuong Dong Viet Oil Transport JSC | 67.99% | 62.30% |
| 9 | Quang Ngai Oil&Gas Transport JSC | 97.44% | 97.44% |
| | **Associates** | **Chartered capital (VND bil)** | **Ownership** |
| 1 | PVTrans Emas Ltd., Co | 2.05 | 50% |
| 2 | PetroVietnam Technical Services Corporation | 200 | 49% |

*Source: PVT*

**Main operations by revenue**

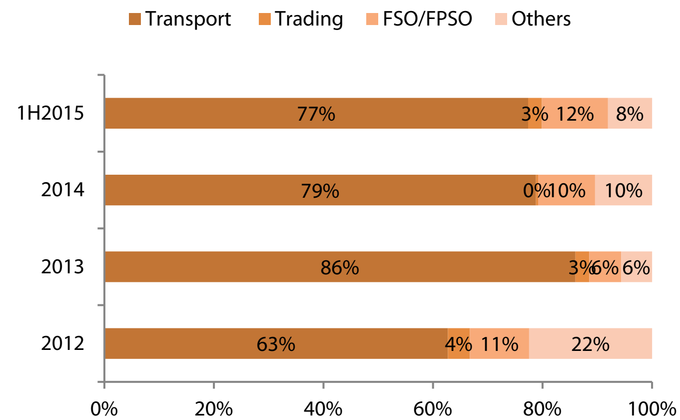
PVT's business could be categorized into 4 main segments: (1) Transportation services (crude, oil product, LPG tankers and dry bulk marine transport), (2) FSO/FPSO inclusive of Operation and Maintenance (O&M) services, (3) Commercial trading (mainly for petroleum trading) and (4) Others (customs paper, marine brokerage, material supply and vessel repairing).

**Figure 09: PVT's revenue structure**




*Source: PVT*

**Figure 10: PVT's gross profit structure**




*Source: PVT*

Oil and gas transport services has been PVT's major revenue contributor over the past years. PVT has been able to produce positive earnings performance over the past difficult years when many operating in the same industry suffered huge losses or ceased operation (dry bulk carriers). The difference in transport cargo played a pivotal role in defining marine transport firms' performance in crisis time.

Moreover, FSO/FPSO operation (starting from 2009) saw robust growth rate of 25% per annum during 2010-2013 period. Although accounting for only 5-7% in total revenue, this operation which in nature requires high level of technical sophistication would possess better operating profit margin relatively to tanker services. In 2014, PVT sold FSO Kamari after Dai Hung oil field went into maintenance in August 2014 making FSO/FPSO revenue go down ~60% compared to 2013. In 2015, the firm has commenced the operation of FSO Dai Hung Queen in May 2015.

## FINANCIAL ANALYSIS

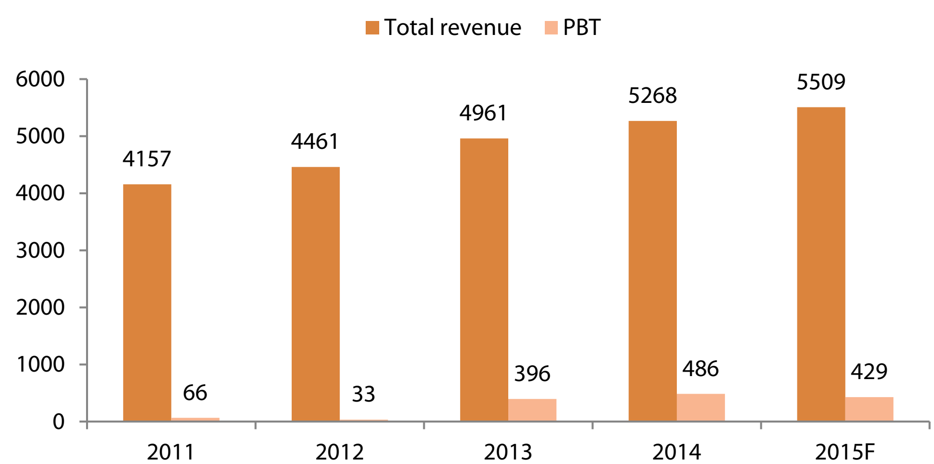
### *Earnings results were stabilized after period of strong fluctuation from 2011 to 2013*

Despite adverse business conditions globally, PVT managed to achieve pretty encouraging results with total revenue recording average annual growth rate of 10% across 2011-2014 period. In particulars, the company's revenue growth slowed down (<10%) in respective 2012 and 2014 as Dung Quat's operation was disrupted due to maintenance.

Meanwhile, Profit before tax (PBT) figures were on such a bumpy road from 2011 through to 2013. In 2012, the firm accounted the entire unrealized FX losses of VND370 billion accumulated in preceding years and recorded one-off profit from Poisedon tanker sale (~VND150 billion). That consequently caused 2012 PBT to decline by 5% to VND33.2 billion from VND65.6 billion in 2011. Thereafter, the firm's earnings started to stabilize from 2013 when VND/USD rate was less volatile. In 2014, PVT had FSO Kamari sold for a profit of VND85 billion. If excluding the tanker sale profit, the firm's PBT still saw a slight growth of 2% to 2013's.

In 2015, the non-stopped operation of Dung Quat refinery plus contribution from O&M services promises to foster the firm to achieve VND5,505 billion in revenue (+4.5% yoy) and VND710 billion in gross profit (30% yoy).However, risk from unfavorable VND development against USD could bring negative effects to PVT's bottom-line.

**Figure 11: PVT's total revenue and PBT over the years (VND billion)**




*Source: PVT*

### *High and potentially increasing interest payment liability plus risk of unrealized FX losses from USD debt laden capital structure.*

Being one of capital intensive industries, PVT's operating results have had to deal with great burden of financial expense from annual debt interest payment and FX losses from USD loans revaluation (mostly unrealized). In fact, the company's leverage ratio (Debt/Assets) has been decreasing from 54% in 2011 to 42% in 2014. At the end of 2014, the total debt amount was VND3,867 billion which 80% contribution was long-term vessel financing debt. However, the fact that some of PVT vessels were funded by free-interest loans (from PVN) or low interest foreign loans (4% on average) resulted in an average lower debt cost of capital (4%) for the firm in relative to industry peers (7-8%).

During 2010-2014, PVT capitalized annually VND50-60 billion worth interest expense from the under-constructing FSO Dai Hung Queen. Therefore, as FSO Dai Hung Queen was put into operation in May

2015, **additional annual interest expense derived from this project is forecast to make PVT's total interest expense in 2015 to increase by 2.4% yoy**. Based on the firm's expected investment plan (Table 06 and 07) and its debt repayment schedule, PVT's total debt amount is expected to fall to its lowest ~VND3,250 billion at the end of 2016. However, from the 2H2017, PVT's debt amount figure could see a big jump due to increasing borrowings need to finance varied fleet expansion projects (especially for VLCC). This in consequence implies a heavier debt interest burden for the company from 2017 onwards.

Figure 10: Expected total debt amount and annual interest expense (VND million)

| | 2013 | 2014 | 2015F | 2016F | 2017F | 2018F | 2019F |
|---|---|---|---|---|---|---|---|
| **Total debt** | 4,303,367 | 3,867,673 | 3,405,985 | 3,251,533 | 4,017,191 | 3,733,853 | 3,365,807 |
| **Interest expense** | 114,121 | 94,650 | 96,893 | 149,731 | 163,448 | 193,675 | 177,389 |

*Source: RongViet Research estimates*

Nevertheless, PVT is able to minimize its realized FX losses using USD freight revenue. However, the company's results remain highly exposed to adverse impact from possible unrealized FX losses (derived from foreign loans revaluation). After recording a huge FX losses of VND280 billion in 2011 (VND depreciated 8% against USD), the less volatile VND/USD rate played a crucial role in keeping the company's financial expense in check during 2012-2014 period.

At the end of 2014, USD denominated debt constituted 70% of PVT's total debt. Assuming PVT investing one dry bulk sea carrier in the final months of 2015, the firms' 2015 total USD debt figure estimates to be VND 2,500 billion or the resulting total liability amount in USD of VND4,180 billion. Therefore, the net USD liability amount for the year could end up at VND2,380 billion. The possible 5% devaluation of the VND against USD (3% fall reference rate and 2% trading range widening) could negatively affect the firm's earnings result this year. **Assuming the worst case scenario of VND/USD falling by 5% as to 31/12/2014, PVT could record VND 119 billion for unrealized FX losses.** Nevertheless, these unrealized losses stem from the revaluation of mostly USD denominated liability amounts on balance sheet at financial year-end and hence do not mean immediate payment liability for PVT.

Table 11: FX losses sensitivity analysis (VND mil)

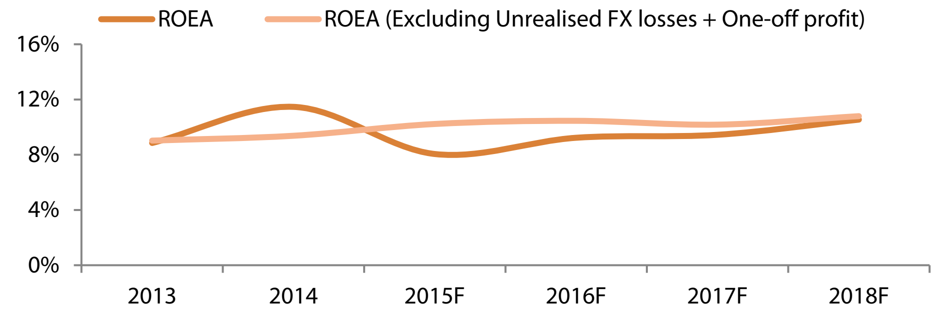
| | | | | |
|---|---|---|---|---|
| Assumed VND/USD rate | 22,475 | 23,374 | 23,842 | 24,319 |
| ***Change %*** | ***3%*** | ***4%*** | ***5%*** | ***6%*** |
| Est. unrealized FX losses in 2015 | 71,319 | 95,172 | 119,065 | 142,997 |
| Est. unrealized FX losses in 2016 | 63,694 | 85,841 | 107,551 | 107,952 |

*Source: RongViet Research estimates*

### *Operating profitability (excluding extraordinary events) does show improvements*

In order to measure PVT's real return on equity (ROE) from core-operations, we isolated impacts of unrealized FX losses and extraordinary profit from asset liquidations to re-compute annual profit after tax. By doing so, the firm's annual ROE (ROEA) from 2015 onwards would end up 1 to1.5 percentage points higher than the un-adjusted figures. In addition, EBITDA/total asset profitability measure looks to carry on the upward trend after previous years of turbulence and economic downturn from 10% (2014) to 11% (2015) and 13% (2016).

**Figure 12: PVT's return indicators**




*Source: PVT and RongViet Research estimates*

## EARNINGS FORECAST

Table 12: Main assumptions

| Revenue growth | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Transport | *16%* | *12%* | *15%* | *30%* | *1%* |
| FSO/FPSO | *147%* | *41%* | *2%* | *2%* | *2%* |
| Trading | *-10%* | *-10%* | *5%* | *8%* | *8%* |
| Others | *-30%* | *-10%* | *5%* | *5%* | *5%* |
| **Profit margin** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Transport | *18%* | *18%* | *17%* | *17%* | *16%* |
| FSO/FPSO | *42%* | *40%* | *40%* | *40%* | *40%* |
| Trading | *1%* | *1%* | *1%* | *1%* | *1%* |
| Others | *12%* | *12%* | *12%* | *12%* | *12%* |

*Source: RongViet Research estimates*

For the 1H2015, PVT's consolidated revenue and PAT achieved VND2,531.8 billion (-2% yoy) and VND175.5 billion (+3.3% yoy) respectively. So, the firm has basically completed 50% and 92% the 2015 target revenue and PAT. In the 2H2015, contribution by FSO/FPSO operation would more than make up for revenue loss from tanker business when 2 crude tankers undertakes scheduled docking (estimated 1 month/ a tanker). However, PCT's overall transport business would perform better than the preceding year thanks to growth in cargo volume (both oil & gas and coal) plus low fuel prices. Revenue from trading and other activities could see a year-over-year fall given the continued low petroleum prices.

**So, we forecast PVT's consolidated revenue and Profit before tax (PBT) at the end of 2015 could be VND5,509 billion (+4.6% yoy) and VND429 billion (-11.7% yoy).** Excluding extraordinary profit from Kamari tanker sale (~VND85 billion), 2015 PBT would still grow by ~5.7% yoy. Considering the vessel investment plan and assumed slight freight recovery, the firm's consolidated revenue and PAT could well see an average growth rate of 8.6% and 8.8% during 2015-2020 period.

Table 13: Earnings forecast (VND billion)

| | FY2013 | FY2014 | FY2015E | FY2016F |
|---|---|---|---|---|
| **Total revenue** | **4,961** | **5,268** | **5,509** | **5,783** |
| COGS | 4,402 | 4,719 | 4,792 | 4,934 |
| Gross profit | 559 | 549 | 717 | 849 |
| Selling expense | 11 | 6 | 10 | 10 |
| Admin expense | 176 | 190 | 204 | 214 |
| Financial income | 164 | 159 | 135 | 152 |
| Financial expense | 178 | 146 | 235 | 251 |
| Other profit | 16 | 91 | 26 | 21 |
| **Profit before tax** | **396** | **486** | **429** | **546** |
| Income tax | 82 | 84 | 94 | 120 |
| Minority interest | 74 | 61 | 67 | 85 |
| **Profit after tax** | **239** | **341** | **267** | **341** |
| EBIT | 510 | 580 | 526 | 696 |
| EBITDA | 878 | 978 | 1,020 | 1,224 |

*Source: RongViet Research estimates*

## VALUATION

**Table 14: Valuation matrix**

| Valuation matrix | Price | Weighting | Average |
|---|---|---|---|
| FCFF | 17,556 | 40% | 7,022 |
| P/E (adjusted for unrealized FX losses) | 12,950 | 30% | 3,885 |
| EV/EBITDA | 16,785 | 30% | 5,035 |
| **Estimated share price (VND)** | | | **15,900** |

*Source: RongViet Research estimates*

Analyst derived the share price from combined valuation methods of discounted cash flow (FCFF) and relative valuation measures of P/E and EV/EBITDA at the relative ratio 40:30:30. For this method, the WACC used during 2015-2019 is 10.7% and 11.2% for 2019 onwards. Long-term growth rate is projected to be 3.5% in addition.

For P/E and EV/EBITDA valuation, analyst has used reference P/E (adjusted for extraordinary amount) of 10x and EV/EBITDA of 6x based on a portfolio of selected South East Asian marine shipping companies.

Combining there valuation methods, we estimate the appropriate price for PVT share shall be **VND15,900 /share**, **42%** higher than October, 20 2015 closing price. Therefore, we recommend investors to **BUY** the share under **LONG-TERM** horizon.

**Table 15: P/E and EV/EBITDA of industry peers**

| Tickers | Trailing **P/E (adjusted for extraordinary factors)** | Trailing **EV/EBITDA** |
|---|---|---|
| SHIN MK | 34 | 7 |
| EATECH MK | 14 | 15 |
| RCL TB | 14 | 6 |
| MISC MK | 18 | 13 |
| GSP VN | 8 | 2 |
| VTO VN | 10 | 3 |
| TMAS IJ | 7 | 3 |
| SKG VN | 12 | 10 |
| PVT VN | 8 | 6 |
| SOCI IJ | 4 | 6 |
| **Average** | **14** | **8** |
| **Median** | **11** | **7** |

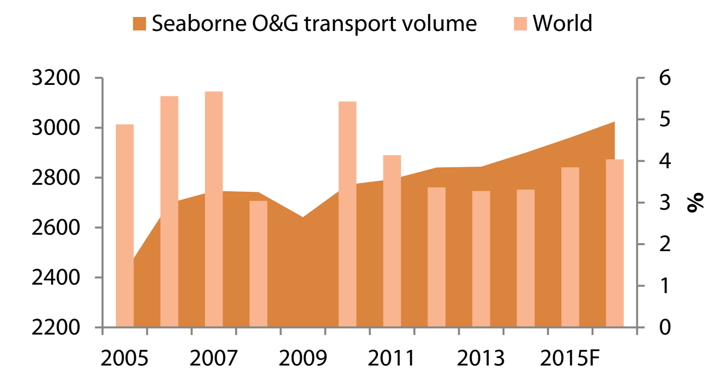
*Source Rongviet Research compiled. Based on closing share prices on 20/10/2015*

## GLOBAL OIL TANKERS INDUSTRY OVERVIEW

**Global economic recovery would stimulate oil transport demand**

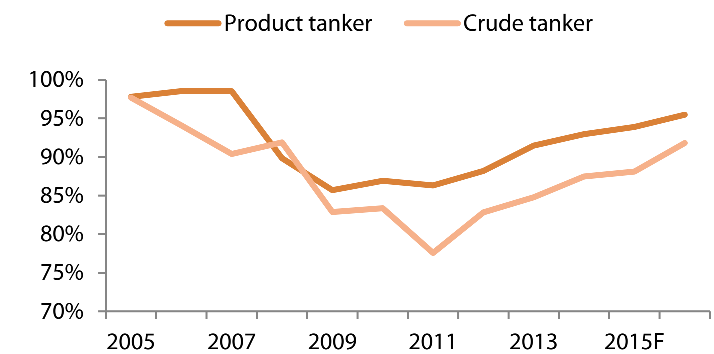
Global economic growth has proved to be a determining factor for oil consumption and transporting demand. After a boiling growth period, oil tanker operation globally suffered a steep decline in demand as the world economy entered the downturn. Depressing demand situation was further exacerbated by serious surplus in vessel supply as a result of rapid expansion in world's tanker capacity during 2008-2009 period. Consequently, crude tanker freight index (BDTI) fell to its lowest USD500 in 2009 from the peak of USD2000 in 2007 and languished in the following four years. However, global tanker demand started to pick up slightly thanks to recovery of major economies in 2014. In fact, total seaborne oil transport volume went up to 2.9 billion tons in 2014 (Figure 13).

**Figure 13: Global GDP growth and total seaborne oil transport volume (million tons)**




*Source: UNCTAD & IMF*

**Figure 14: World oil tankers' utilization**




*Source: Deutsche Bank*

IMF estimated global economy could grow ~3.84% in 2015 (2014: 3.31%) with the US and Chinese GDP growth to increase 3.09% (yoy) and 7.10% (yoy) respectively. To achieve those targets, total oil consumption in the US and China are projected to grow 2.6% and 3% in 2015 (according to IEA). As a result, UNCTAD estimated total seaborne oil transport volume would rise 4% reaching 3 billion tons in 2015.

**Unexpanded vessel supply in short-term is a supporting factor for global oil tanker operation**

Global tanker fleet currently consists of 9,033 vessels (both crude and product tankers) with the total capacity of 482 million DWT. Vessel supply growth slowed to 3% in 2013 and 1.9% in 2014 from a high 8% in 2010. Therefore, the distribution of vessel supply and demand has been more balanced since 2011.

The average age of global tanker fleet has fallen nearly 10% compared to that in 2010. In addition, vessel operators are observed to maximize operation effectiveness by using larger tankers (70k-100k DWT), which account for 80% of the global oil tanker. On the other hand, smaller tankers transporting on shorter journeys such as ASEAN-China-Australia, Mediterranean – West Africa could have a better freight due to slacker competition.

Also, the number of demolished tankers in 2014 decreased slightly by 4.9% compared to 2013. On the one hand, this signals the increasing vessel demand. On the other hand, little changes on the number of old tankers and slowing vessel demolishing rate would have no impact on the supply side of vessel.

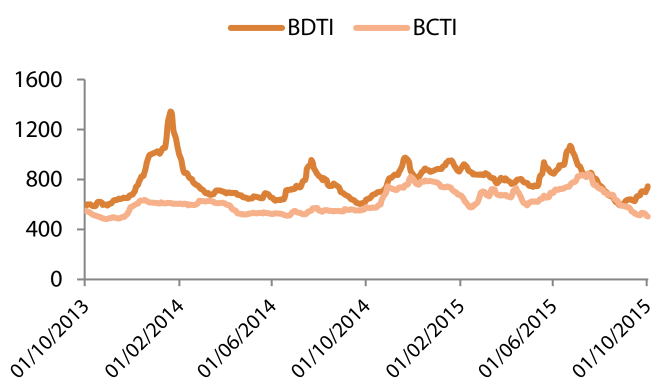
Therefore, tanker freight could depend majorly on: (1) pick-up in world's oil transport demand and (2) new supply of vessels.

**Recovering tanker utilization and freight signal the recovery of oil transport demand**

One of the important tanker performance indicators is average tanker speed. Actually, shipping firms would likely increase vessel speed if transport order increases and freight is profitable enough and vice versa. Actually, tanker utilization has showed sign of recovery from mid-2014 reflected by the higher speed of vessels increasing on average of 13% in the 2H2014 compared to 1H2014 (from 7.5 nautical miles/hour to 8.5 nautical miles/hour). In fact, the refinery expansion activities in the US, China and East Asia region have pushed up oil transport demand, especially crude transport. In addition, falling oil prices certainly support shipping liners by reducing operating expense since the end of 2014.

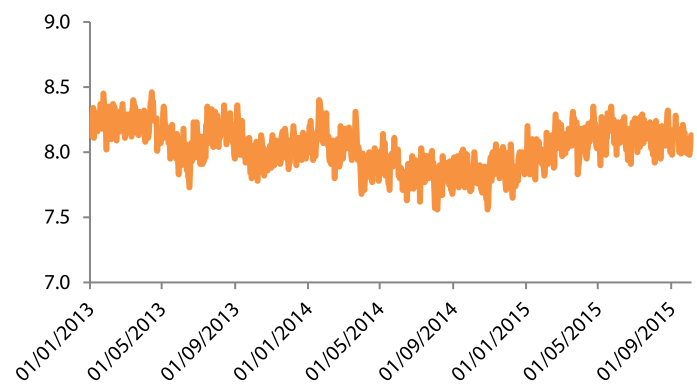
After a strong recovery in early 2014, BDTI fell to 700-800USD and went sideway till the year end. During the 1H2015, both BDTI and BCTI grew 13% and 16% respectively compared to the preceding 6 month period. The fact that it would take 1 to 3 years to erect a new vessel plus the low new vessel building order in the last years mean tanker freight could well see further recovery in the next 1-2 years.

**Figure 17: Tanker freights over the years (USD)**




*Source: Baltic Exchange*

**Figure 18: Crude tanker's average speed (nautical miles/hour)**

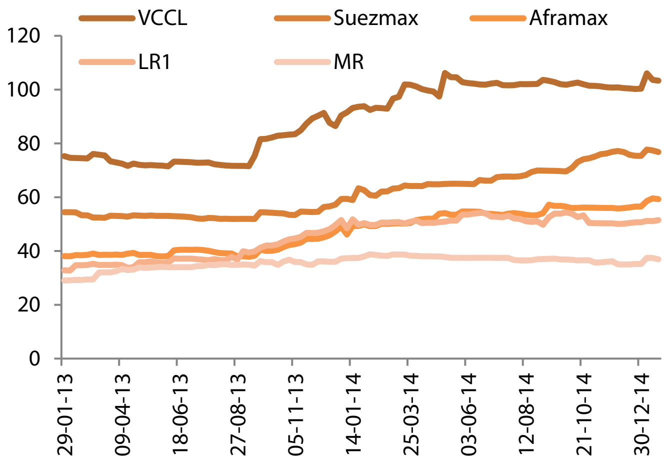



*Source: Baltic Exchange*

**Positive tanker operation outlook as shipping firms increase investments**

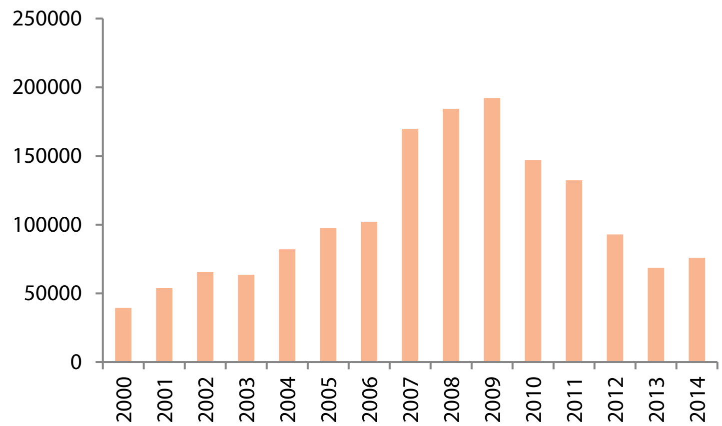
In 2014, the number of new tanker order returned to a growth of 10.5% (yoy) after falling successively from 2009. Increasing tanker order leads to higher tanker price with MR (25.000-54.999 DWT), LR1 (50.000 – 79.999 DWT) and VLCC (200.000-315.000DWT) prices going up by 27%, 57% and 37% respectively compared to early 2013. This could indicate a positive tanker market outlook from vessel owners. However, we think that the addition of new vessel supply would take at least 1-2 years to materialize and hence freight is likely to recover further.

**Figure 19: Tanker purchase prices (million USD)**




*Source: UNCTAD, Clarksons*

**Figure 20: New order book (thousand DWT)**




*Source: UNCTAD, Clarksons*

**South East Asia (SEA)'s tanker market has strong growth potential**

IMF believed oil consumption in South East Asia would rise substantially as the on-going relocation of manufacturing houses to Vietnam from China pacing up. Accordingly, oil demand is forecast to have an average annualized growth of 2.3% during 2011-2020. However, limited capability in offshore oil & gas exploration and tension in the South China sea mean ASEAN countries would likely have to depend on crude import from overseas. EIA projected the potential oil reserve in ASEAN region in 2014 to be ~13.6 billion barrels (accounting for only 1% of the world's total oil reserve) which is believed to run out within 14 years if exploration speed remains at 2.7 million barrels/day.

On the other hand, ASEAN countries' refinery expansion activity is another important factor to support transport demand in the region. Gaffney, Cline &Associates projected Asia's refinery capacity would rise to 6 million barrels/day during 2014-2018 period or having the CARG of 3.48%. In particulars, Vietnam would see a 10 folds increase in refinery capacity to 60 million tons/year from 8 refinery projects including Dung Quat expansion phase, Nghi Son, Nhon Hoi, Vung Ro and Long Son. Likewise, Indonesia has planned to expand its oil refinery by 60% from 1.04 million barrels/day to 1.68 million barrels/day within the next 10 years as domestic petroleum demand increases.

To sum up, oil transport activities in the region would have 2 major trends: (1) ASEAN countries having limited oil reserve would push up crude imports from the Middle East and America; (2) ASEAN countries with large refinery capacity in reverse would likely become petroleum exporters in the future. This promises to make ASEAN a busy region for oil transport activities and a long-term growth driver for oil tanker transport.

*VND Billion*

| *INCOME STATEMENT* | 2013A | 2014A | 2015E | 2016F |
|---|---|---|---|---|
| Revenue | 4,961 | 5,268 | 5,509 | 5,783 |
| COGS | 4,402 | 4,719 | 4,792 | 4,934 |
| **Gross profit** | **559** | **549** | **717** | **849** |
| Selling Expense | 11 | 6 | 10 | 10 |
| G&A Expense | 176 | 190 | 204 | 214 |
| Finance Income | 164 | 159 | 135 | 152 |
| Finance Expense | 178 | 146 | 235 | 251 |
| Other profits | 16 | 91 | 26 | 21 |
| **PBT** | **396** | **486** | **429** | **546** |
| Prov. of Tax | 82 | 84 | 94 | 120 |
| Minority's Interest | 74 | 61 | 67 | 85 |
| **PAT to Equity Shareholder** | **239** | **341** | **267** | **341** |
| EBIT | **510** | **580** | **526** | **696** |
| EBITDA | 878 | 978 | 1,020 | 1,224 |

%

| *FINANCIAL RATIO* | 2013A | 2014A | 2015E | 2016F |
|---|---|---|---|---|
| **Growth** | | | | |
| Revenue | 8,1 | 8,3 | 4,1 | 5,0 |
| Operating Income | -43,3 | -34,8 | 237,7 | 13,3 |
| EBITDA | -41,2 | -42,9 | 226,1 | 16,4 |
| EBIT | | | | |
| PAT | -51,7 | -72,1 | 546,6 | 29,9 |
| Total Assets | 54,8 | 28,9 | 21,3 | 52,2 |
| Equity | 8,6 | -7,7 | 52,7 | 31,3 |
| Internal growth rate | 20,3 | 6,1 | 26,0 | 17,8 |
| **Profitability** | | | | |
| Gross profit/Revenue | 13,8 | 9,0 | 23,2 | 25,7 |
| Operating profit/ Revenue | 7,4 | 4,4 | 14,4 | 15,5 |
| EBITDA/ Revenue | 8,3 | 4,3 | 13,6 | 15,1 |
| EBITDA/ Revenue | | | | |
| Net margin | 5,2 | 1,3 | 8,3 | 10,3 |
| ROAA | 11,9 | 2,6 | 13,7 | 11,7 |
| ROIC or RONA | 19,0 | 5,0 | 21,5 | 15,4 |
| ROAE | 20,3 | 6,1 | 26,0 | 25,7 |
| **Efficiency** | | | | |
| Receivable Turnover | 9,6 | 10,3 | 7,2 | 5,6 |
| Inventory Turnover | 5,2 | 3,8 | 2,8 | 3,4 |
| Payable Turnover | 15,6 | 20,0 | 8,2 | 8,2 |
| **Liquidity** | | | | |
| Current | 1,9 | 1,5 | 2,0 | 2,0 |
| Quick | 0,9 | 5,4 | 4,5 | 3,8 |
| **Solvency** | | | | |
| Total Debt/Equity | 70,4 | 138,0 | 89,0 | 119,0 |
| Current Debt/Equity | 41,6 | 93,3 | 39,0 | 29,9 |
| Long-term Debt/ Equity | 6,6 | 23,5 | 20,6 | 66,2 |

*VND Billion*

| *BALANCE SHEET* | 2013A | 2014A | 2015E | 2016F |
|---|---|---|---|---|
| Cash and equivalents | 1,995 | 1,719 | 1,663 | 1,613 |
| Short-term investment | 577 | 678 | 571 | 625 |
| Receivables | 665 | 646 | 661 | 694 |
| Inventories | 111 | 103 | 105 | 109 |
| Other current assets | 97 | 112 | 80 | 96 |
| **Total Current Asset** | **3,445** | **3,258** | **3,081** | **3,137** |
| Tangible Fixed Assets | 4,478 | 4,045 | 5,618 | 5,704 |
| Intangible Fixed Assets | 3 | 2 | 2 | 2 |
| Construction in Progress | 1,108 | 1,543 | 0 | 0 |
| Investment Property | 9 | 9 | 9 | 9 |
| Long-term Invest ment | 357 | 378 | 321 | 350 |
| Other long-term assets | 147 | 114 | 153 | 138 |
| Goodwill | 1 | 1 | 0 | 0 |
| **Long-term Asset** | **6,102** | **6,092** | **6,103** | **6,202** |
| **Total Asset** | **9,548** | **9,350** | **9,184** | **9,339** |
| Payables | 649 | 502 | 527 | 543 |
| Other current liabilities | 359 | 390 | 358 | 376 |
| Current Debt | 812 | 629 | 661 | 694 |
| Long-term Debt | 3,491 | 3,238 | 2,745 | 2,558 |
| Other long-term liabilities | 614 | 617 | 575 | 534 |
| **Total Liability** | **5,925** | **5,377** | **4,867** | **4,704** |
| ***Owner's Equity*** | **2,819** | **3,131** | **3,355** | **3,672** |
| Capital | 2,326 | 2,559 | 2,559 | 2,559 |
| Retained Earnings | 286 | 426 | 656 | 954 |
| Funds & Reverses | 207 | 146 | 140 | 159 |
| ***Others*** | **0** | **0** | **0** | **0** |
| **Total Equity** | **2,819** | **3,131** | **3,355** | **3,672** |
| Minority's Interest | 804 | 842 | 962 | 962 |
| **TOTAL RESOURCE** | **9,548** | **9,350** | **9,184** | **9,339** |

| *CASH FLOW STATEMENT* | 2013A | 2014A | 2015E | 2016F |
|---|---|---|---|---|
| *Net Income* | 396 | 486 | 429 | 546 |
| -Depreciation | 368 | 397 | 494 | 528 |
| *-Adjustments* | *-136* | *-32* | *48* | *2* |
| +/- Working capital | -15 | -150 | -176 | -173 |
| **Net Operating CFs** | **612** | **701** | **795** | **903** |
| +/- Fixed Asset | -238 | -153 | -524 | -704 |
| +/- Deposit, equity investment | -435 | -1,096 | -72 | -103 |
| Interest, dividend, cash profit received | 111 | 189 | 145 | 156 |
| **Net Investing CFs** | **257** | **-192** | **-452** | **-652** |
| +/- Capital | 25 | 0 | 0 | 0 |
| +/- Debt | 398 | -489 | -1,166 | -787 |
| Dividend paid | -27 | -19 | 1,665 | 487 |
| **Net Financing CFs** | **396** | **-508** | **499** | **-300** |
| +/- cash & equivalents | 1,266 | 1 | 843 | -49 |
| **Beginning cash & equivalents** | **1,089** | **1,995** | **820** | **1,663** |
| Impact of exchange rate | 1 | 1 | 0 | 0 |
| **Ending cash & equivalents** | **1,995** | **820** | **1,663** | **1,613** |

## COMPANY RESEARCH REPORT

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

**RATING GUIDANCE**

| Ratings / Return Potential | BUY | ACCUMULATE | NEUTRAL | REDUCE | SELL |
|---|---|---|---|---|---|
| Intermediate- term (up to 6 months) | >20% | 10% to 20% | -5% to10% | -15% to- 5% | <-15% |
| Long-term (over 6 months) | >30% | 15% to 30% | -10% to 15% | -15% to -10% | <-15% |

## ABOUT US

**RongViet Securities Corporation (RongViet**) was established in 2007, licensed to perform the complete range of securities services including: brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.eEximbank, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

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