

# PV Drilling (PVD)

## Solid core business in 2Q24

- Revenue surged 60% yoy but NPAT-MI downed by 17% yoy.
- Day rates grew strongly by 25% yoy in 2Q24
- More leased rigs in 3Q24F

### Facts: Revenue and NPAT-MI diverged

PVD's 2Q24 revenue grew by 60% (VND2,254bn), attributed to (1) high day rates and high workload (7 rigs, + 1 leased rig vs last year's 6 rigs and no leased rigs), and (2) 2Q24 average jack-up (JU) rates increase of 25% yoy (+13% qoq), according to the management. Gross profit picked up 31% yoy to VND469bn (Figure 2), implying a 20.8% gross margin (-4.6%p yoy or -4.9%p qoq) due to thinner GM of leased rigs.

However, NPAT-MI declined by 17% yoy to VND136bn (Figure 3) owing to:

- (1) The absence of abnormal profit of VND70.4bn (USD3mn) from contract termination recorded in 2Q23.
- (2) Interest expense of 67.45bn (+22% yoy).
- (3) Joint ventures loss of VND4.9bn (versus VND19bn gain in 2Q23).

If we exclude the abnormal item in 2Q23, NPAT-MI could grow by 40% yoy. Thus, we insist that PVD's earnings remained positive. For 6M24, PVD revenue hit a 52% growth yoy, while NPAT-MI grew by 28% yoy (respectively reaching VND4tn and VND294bn).

### Pros & cons: More leased rigs in 3Q24

According to PVD's drilling schedule (Figure 4), there will be 7.67 rigs working in 3Q24F (+1.67 rigs yoy and +0.67 rigs qoq) with the participation of another leased rig BORR-THOR. We believe this will further boost PVD's revenue and NPAT-MI, with double-digit growths in 3Q24F.

2Q24 PVD's day rates went up faster than global rates growth of 2-5% (Figure 5), sparkling vibrant Exploration & Production activities in Southeast Asia (SEA), especially in Malaysia and Indonesia, amid the constrained supply (Figure 6). Thus, we expect PVD's day rates to sustain momentums in 2H24F, supporting earnings growth in 3Q24F and 4Q24F.

As of July, PVD said the acquisition of a used JU rig, with a total USD90mn investment took could be longer than expected and yet, no further progress was announced. We expect the deal to be completed in 1H25F, and this JU rig could generate revenue in 2026F after a reactivation period.

### Action: BUY with the TP of VND28,800

We maintain BUY rating (TP: VND28,800) for PVD stock. The major downside risks involve (1) further delays of Block B project and PVD fleet extension plans; and (2) higher competition sourced from suspended rigs in Saudi Arabia that may move to SEA.

## Earnings Review

7 Aug 2024

12M rating **BUY**

12M TP **VND28,800**

Up/Downside +9.3%

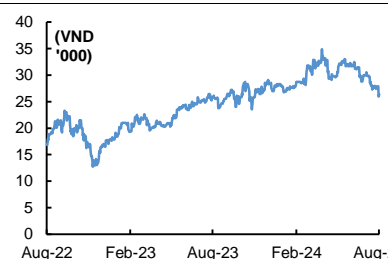
### Stock Data

VNIndex (06 Aug, pt)	1,210
Stock price (06 Aug, VND)	26,350
Market cap (USD mn)	579
Shares outstanding (mn)	556
52-Week high/low (VND)	34,900/23,550
6M avg. daily turnover (USD mn)	6.67
Free float / Foreign ownership (%)	46.1/15.8
Major shareholders (%)	
PVN	50.46
Dragon Capital Foreign Funds	10.96
CTBC Fund	5.49
Norges Bank	2.75
DC Developing Market Strategy Ltd	2.34
VCBS	1.19
Beira Ltd	1.05

### Performance

	1M	6M	12M
Absolute	(11.9)	(8.9)	1.2
Relative	(6.3)	(11.1)	1.5

### Stock price trend



Source: Bloomberg

## Research Dept

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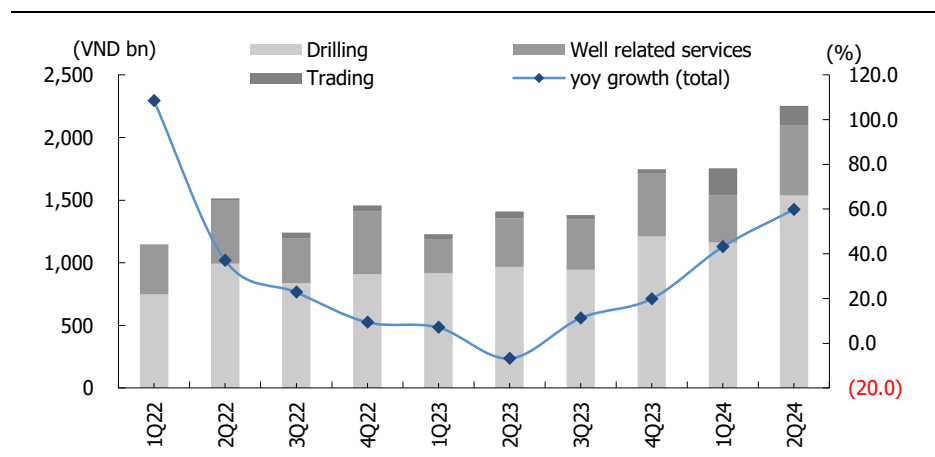
**Table 1. Quarterly earning snapshot**

(VND bn, %, %p)

	2Q23	3Q23	4Q23	1Q24	2Q24	QoQ	YoY
Sales	1,410	1,381	1,747	1,756	2,254	28.4	59.8
OP	161	91	230	227	217	(4.4)	34.7
OP margin	11.4	6.6	13.2	12.9	9.6	(25.5)	(15.7)
EBT	215	153	220	215	206	(4.1)	(4.4)
NPAT-MI	164	151	195	158	136	(14.0)	(17.0)

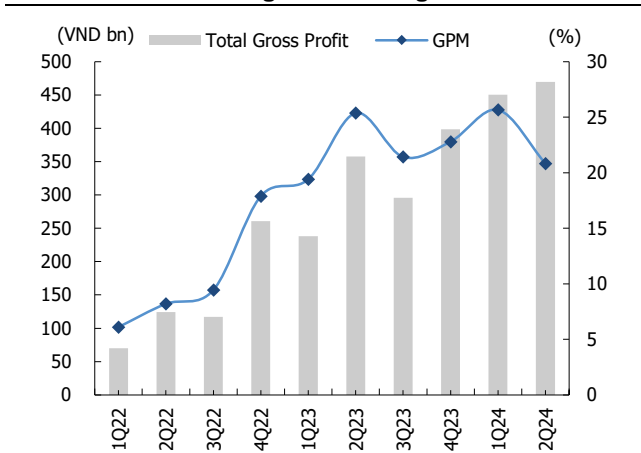
Source: Company data, KIS Research

**Figure 1: Revenue grew by 60% yoy thanks to higher drilling workload.**



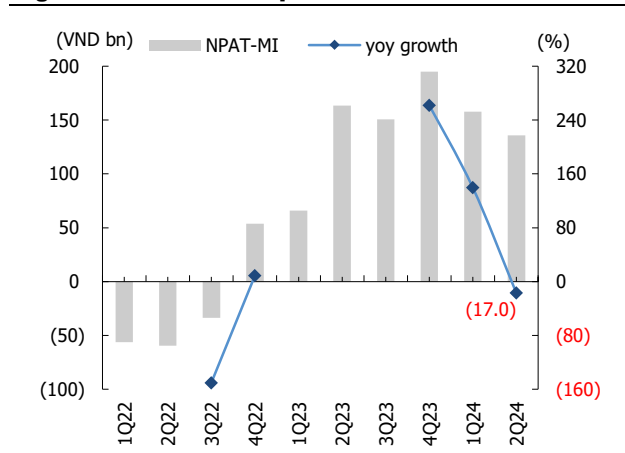
Source: Company data, KIS Research

**Figure 2. Gross profit increased by 30% yoy, while GPM contracted owing to leased rigs.**



Source: Company data, KIS Research

**Figure 3. NPAT declined by 17% yoy owing to the high base of abnormal profit in 2Q23.**



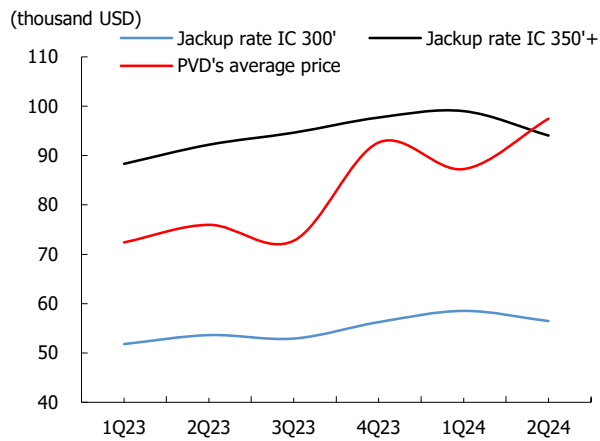
Source: Company data, KIS Research

**Figure 4. Higher workloads yoy in 2024 thanks to leased rigs Hakuryu and BORR-THOR**

	2023												2024												2025											
	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
PVD I	Vietsov			JVPC			Valeura (TL)			Petronas - Malaysia																										
PVD II	Pertamina - Indonesia																																			
PVD III	Hibicus - Malaysia												Pertamina - Indonesia																							
PVD V (TAD)	Shell - Brunei																																			
PVD VI	Premier Oil			PVEP			SK			Petronas - Malaysia																										
PVD 11 (land rig)	GBRS - Algeria																																			
Hakuryu (rent)	higher workloads thanks to leased rigs												Idemitsu			Murphy																				
BORR-THOR (rent)													HIJOC																							

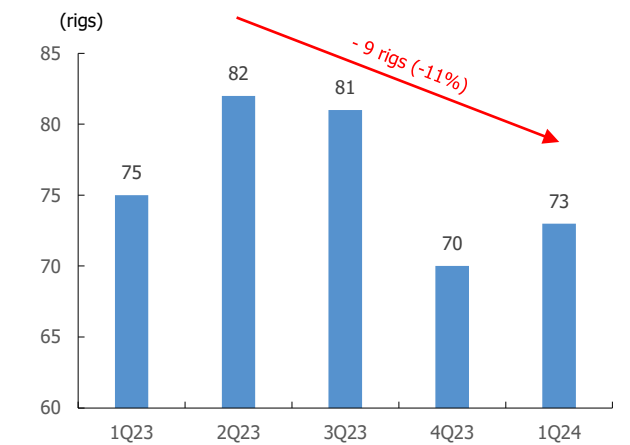
Source: Company data, KIS Research.

**Figure 5. PVD's day rates increased more aggressively than global which may reflect remained high demand...**



Source: Bloomberg, KIS Research

**Figure 6. ...while rig supply in SEA is restricted**



**Number of active offshore rigs in Southeast Asia countries**  
Source: Baker Hughes, KIS Research

■ **Company overview**

PV Drilling (PVD), a subsidiary of PetroVietnam (PVN), is a leading firm in offshore drilling and well services in Vietnam and Southeast Asia. PVD owns a fleet of 6 drilling rigs, including 4 jack up rigs, 1 TAD rig and 1 land rig, that are currently operating abroad. PVD is expected to play essential roles in the Block B natural gas project with its drilling and well services competencies.

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