

PV Drilling (PVD)

Keep up the momentum

- 3Q24 earnings met expectations with solid growth of 21% yoy.
- 4Q24 dense workload will boost top-line growth.
- Jack-up rig investment is still pending.

Facts: 3Q24 revenue and NPAT-MI saw solid growth

PVD's 3Q24 revenue grew by 77% yoy (VND2,438bn, 104% of KIS forecast), attributed to high workload (+1.5 leased JU rigs, -1 land rig). 3Q24 average day rate increased by 40% yoy per our estimates including (1) more leased rigs with high day rates and (2) the land rig with low day rate was inactive. Gross profit (GP) picked up 52% yoy to VND449bn (96% of KIS forecast), implying a 18.4% gross margin (GPM) (-3.0%p yoy or -2.5%p qoq) due to thinner GPM of leased rigs vs PVD-owned rigs.

PBT surged by 184% yoy, despite the absence of a VND70bn abnormal profit recorded in 3Q23. Tax expense sit at VND69.5bn, equals to 27.9% of PBT, (2Q24 36.8%) thanks to FX loss¹ reduction to VND38.5bn (-42% qoq). However, 3Q24 tax rate is still incomparable vs 3Q23 implied tax rate (12.9%) as PVD utilized loss carryforward to deduct tax obligations. NPAT-MI, accordingly, rose by 21% yoy to VND182bn, fulfilling 110% of our forecast.

Pros & cons: jack-up rig investment is still pending.

According to PVD's drilling schedule (Figure 5), there will be 6.2 rigs working in 4Q24F (+1.2 leased rigs and -1 land rig yoy). We believe this could continue to boost PVD's top-line with double-digit growth. However, GP and NPAT-MI growth could be slower owing to a relatively high base in 4Q23, per our view.

In the latest analyst meeting on Oct 30, PVD reinstated their investment plan of 1-2 drilling rigs in 2024-26F period, and affirmed that they postponed 2024's investment plan of 1 JU rig as an act of conservativeness when ARAMCO suspends its contracted rigs. We maintain our expectation that this deal could complete 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; +12.3% upside) 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

31 Oct 2024

12M rating **BUY (Maintain)**

12M TP **VND28,800**

Up/Downside +12.3%

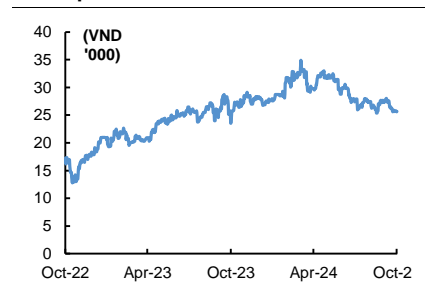
Stock Data

VNIndex (31 Oct, pt)	1,264
Stock price (31 Oct, VND)	25,650
Market cap (USD mn)	564
Shares outstanding (mn)	556
52-Week high/low (VND)	34,900/25,400
6M avg. daily turnover (USD mn)	4.53
Free float / Foreign ownership (%)	46.3/12.8
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	(6.4)	(13.8)	8.9
Relative	(4.3)	(19.7)	(16.5)

Stock price trend



Source: Bloomberg

Research Dept

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¹ FX loss is a non-deductible cost, which would be added back to the PBT to calculate the taxable income

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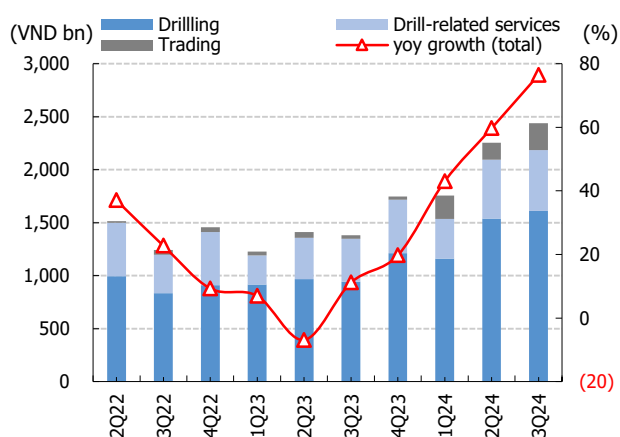
Table 1. Quarterly earning snapshot

(VND bn, %, %p)

	3Q23	4Q23	1Q24	2Q24	3Q24	QoQ	YoY
Sales	1,381	1,747	1,756	2,254	2,438	8.2	76.5
OP	91	230	227	217	257	18.4	184.1
OP margin	6.6	13.2	12.9	9.6	10.6	9.5	60.9
EBT	153	220	215	206	249	21.1	63.5
NPAT-MI	151	195	158	136	182	33.8	20.7

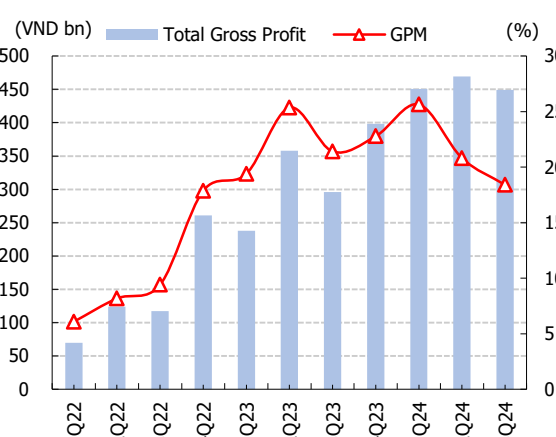
Source: Company data, KIS Research

Figure 1. Revenue grew by 77% yoy thanks to higher drilling workload.



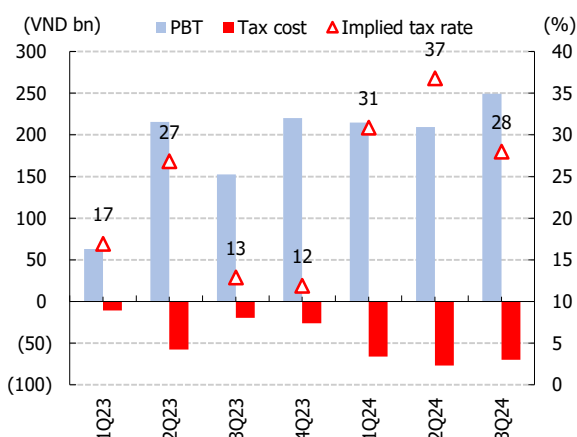
Source: Company data, KIS Research

Figure 2. GP widened by 52% yoy, while GPM contracted by 3.0%p yoy in 3Q24.



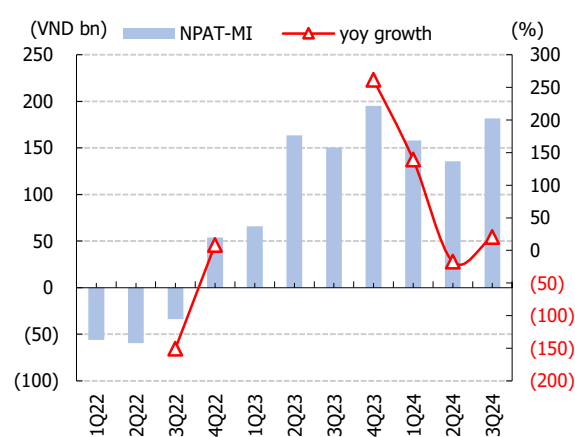
Source: Company data, KIS Research

Figure 3. Implied tax rate improved qoq thanks to less FX loss



Source: Company data, KIS Research

Figure 4. NPAT-MI grew by 21% yoy in 3Q24



Source: Company data, KIS Research

Figure 5. Workload remained high in 4Q24 can boost PVD's top-line earnings

	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												GBRS - Algeria																							
Hakuryu (rent)							Idemitsu						Murphy																							
BORR-THOR (rent)													HIJOC																							

Source: Company data, 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 jackup 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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Prepared by: Research Dept

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