

# PV Drilling (PVD)

## Rising pressures

- 4Q24 GPM of Drilling plummeted owing to weaker day rates.
- Abnormal income and FX gain pushed 4Q24 NPAT-MI.
- Challenges for day rates as for rig over-supply in 2025F.

### Facts: weaker gross margin sourced from Drilling segment

PVD's 4Q24 revenue grew by 60% yoy (VND2,789bn, 112% of KIS forecast), but gross profit (GP) plummeted 10% yoy to VND359bn (71% of KIS forecast). Gross margin (GPM) also plunged to a 2-year bottom, at 12.9%. Specifically:

- (1) *Drilling*: 4Q24 revenue failed our expectation, sit at VND1,290bn (+6.5% yoy, 82% of KIS forecast). GPM also hit a record low of 13.5%, with GP sit at a 2-year low at VND174bn (-43% qoq, -46% yoy), that drove whole company GP down. We believe this could be sourced from the shrinkage of owned rigs' day rates under unfavorable market.
- (2) *Drill-related services*: revenue from this segment pegged high at VND931bn (+84% yoy, 135% of KIS forecast). GPM was stable at 20.1% (-1.1%p qoq, +5.9%p yoy) that is in-line with our expectation of 21%. Thus, GP surged to VND187bn (+54% qoq, +161% yoy) and partly compensated the poor performance of Drilling.
- (3) *Trading*: revenue from Trading was at an all-time high of VND568bn, but its GPM turned negative at -0.4% (vs 3Q24: 8.9%, 4Q23: 12.5%)

Despite unfavorable GPM, 4Q24 PBT still rose by 16.5% yoy thanks to (a) less financial expense pressure when the PVD recorded a gain in FX of VND6.2bn instead of loss and (b) a one-off other earning of VND61.8bn in 4Q24.

Implied tax rate saw strong improvement to 9.4% (vs 3Q24: 27.9%, 4Q23: 11.9%), which we think thanks to (c) lower taxable income as FX loss turned to FX gain and a loss carried-forward of VND30bn could have been utilized and (d) PVD usually records a high deferred tax in the fourth quarter. 4Q24 NPAT-MI sit at VND216bn (+11% yoy, 118% of our forecast).

Overall, 2024 revenue grew by 60% yoy to VND9.29tn, NPAT-MI rose by 19% yoy to VND696bn, respectively fulfilling 104% and 106% of our forecast.

### Pros & cons: day rates are in difficulties

The fact that GPM of Drilling shrank in 4Q24 seems to be contradict with our previous view on [2025F Oil & Gas Outlook](#) that PVD's day rate could be resilient despite an over-supply of jack-up rig in Southeast Asia (SEA). Per SP Global's analysis on Oct-24, SEA jack-up marketed surplus was expected to peg high until Aug-25F. Thus, this could potentially impact our forecast for PVD for 2025F. In late-2024, PVD has successfully obtained a deal on purchasing a used jack-up rig. The new rig will be under reactivation and will start its first drilling job in Vietnam in 4Q25F. We think this rig could register a favorable day rate when marketed surplus cooled down.

### Action: BUY with the TP of VND28,600

We maintain BUY rating (TP: VND28,600; +22% upside) for PVD stock. The major downside risks involve (1) further delays of Block B project; and (2) high marketed surplus in SEA could put pressures on PVD's day rates

## Earnings Review

3 Feb 2025

12M rating **BUY (Maintain)**

12M TP **VND28,600**

Up/Downside +22%

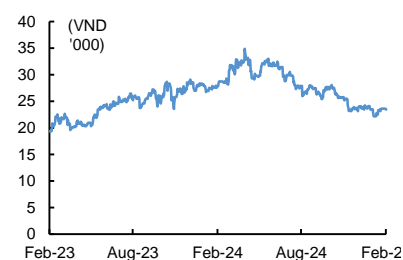
### Stock Data

VNIndex (03 Feb, pt)	1,253
Stock price (03 Feb, VND)	23,400
Market cap (USD mn)	514
Shares outstanding (mn)	556
52-Week high/low (VND)	34,900/22,150
6M avg. daily turnover (USD mn)	3.45
Free float / Foreign ownership (%)	46.5/9.8
Major shareholders (%)	
PVN	50.46
CTBC Fund	5.58
Norges Bank	1.62
Korea Investment Holding	1.30
DC Developing Market Strategy Ltd	1.24
Hanoi Investment Holding	0.94
Van Eck	0.79

### Performance

	1M	6M	12M
Absolute	(0.4)	(16.1)	(15.8)
Relative	(0.3)	(18.4)	(24.6)

### Stock price trend



Source: Bloomberg

### Research Dept

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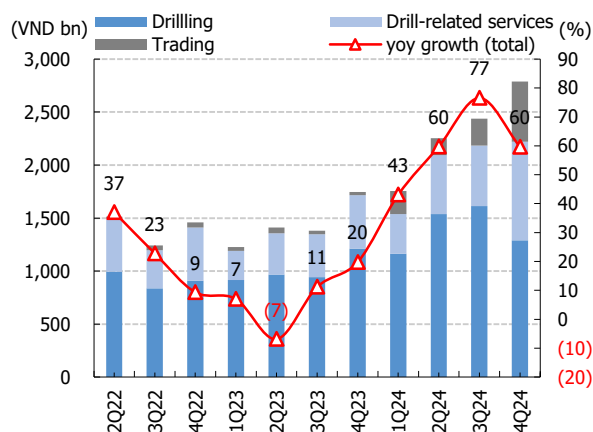
**Table 1. Quarterly earning snapshot**

(VND bn, %, %p)

	4Q23	1Q24	2Q24	3Q24	4Q24	QoQ	YoY
Sales	1,747	1,756	2,254	2,438	2,789	14.4	59.6
OP	230	227	217	257	206	(19.9)	(10.5)
OP margin	13.2	12.9	9.6	10.6	7.4	(3.2)	(5.8)
PBT	220	215	206	249	257	2.9	16.5
NPAT-MI	195	158	136	182	216	19.0	10.8

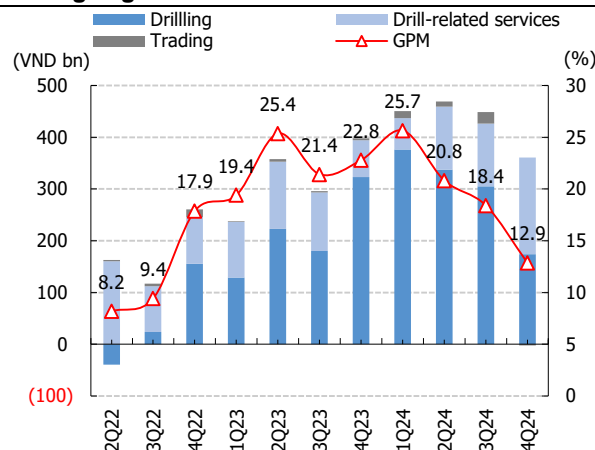
Source: Company data, KIS Research

**Figure 1. Revenue grew by 60% yoy, led by non-Drilling revenue while Drilling weakened qoq**



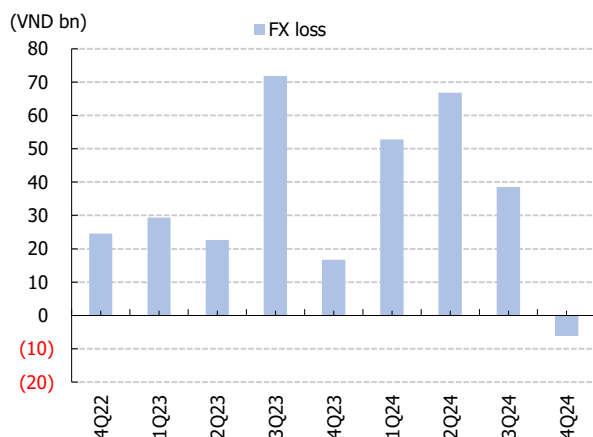
Source: Company data, KIS Research

**Figure 2. GPM shrank to a 2-year low, driven by Drilling segment**



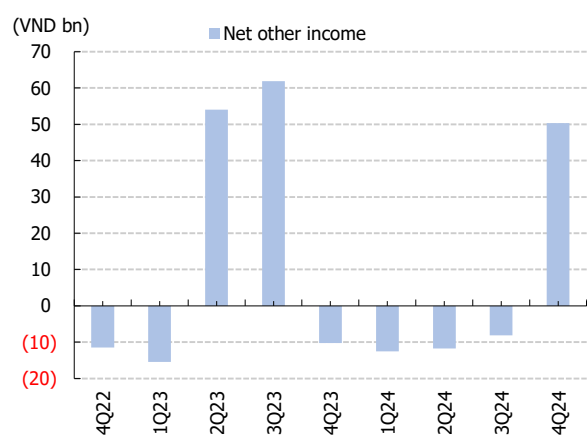
Source: Company data, KIS Research

**Figure 3. FX loss turned to FX gain released pressures on earning and reduced taxable income**



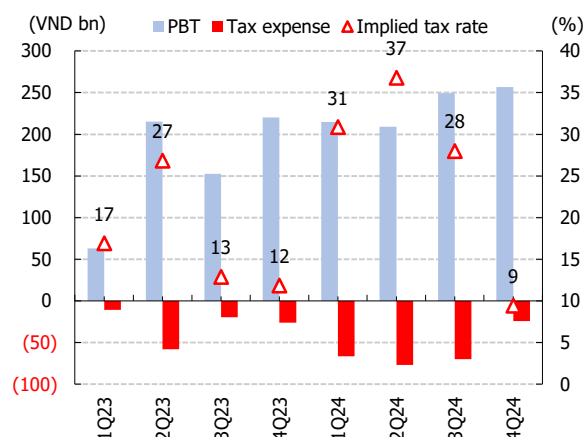
Source: Company data, KIS Research

**Figure 4. Other income boosted 4Q24 earning**



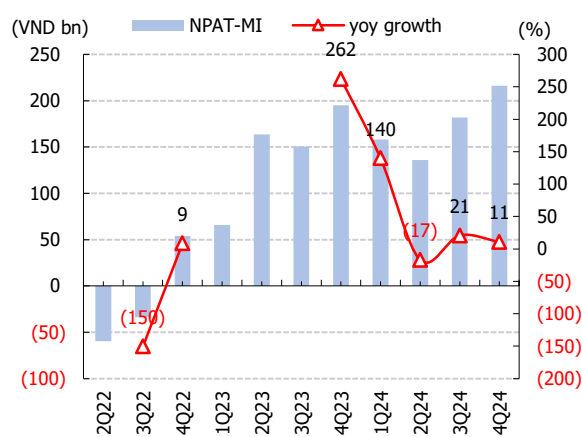
Source: Company data, KIS Research

**Figure 5. Implied tax rate improved**



Source: Company data, KIS Research

**Figure 6. NPAT-MI grew by 11% yoy in 4Q24**



Source: Company data, KIS Research

**Figure 7. PVD drilling schedule 2024-25F**

	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
PVD I	Petronas - Malaysia																							
PVD II	Pertamina - Indonesia																							
PVD III	Hibiscus - Malaysia						Hibiscus - Indonesia						Pertamina											
PVD V (TAD)	Shell - Brunei																							
PVD VI	Petronas - Malaysia																							
PVD 11 (land rig)	GBRS - Algeria						Stack																	
New jack-up rig																								Vietnam
Hakuryu (rent)	Idemitsu						Murphy																	
BORR-THOR (rent)							HLJOC																	

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 7 drilling rigs, including 5 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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