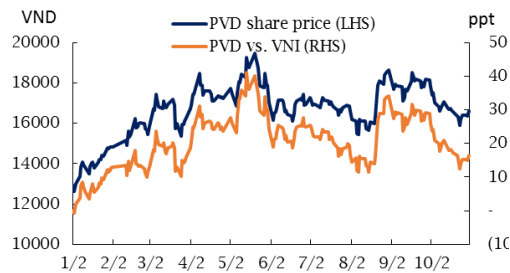


**BUY**
**TP upside (downside) +32.8%**
**Close 29 Oct 2019**

Price	VND16,350
12M Target	VND21,707
Previous target	VND21,707

**Share price performance relative to VNINDEX**


Source: Bloomberg

Market cap (USD mn)	301
6M ADT (USD mn)	2.26
Outstanding shares (mn)	421
Free float (%)	49
FINI ownership (%)	22.8
Major shareholders (%)	50.46
Asset/equity (x)	1.5
BVPS (VND)	33.606
P/B (x)	0.52
P/E (x)	34
EV/EBITDA (x)	5.8
FOL	26.2

Source: Bloomberg

**Financial outlook**

Year to Dec	2018	2019E	2020E	2021E
Sales (VND bn)	5,500	6,156	7,683	8,029
EPS (VND)	198	316	752	892
ROE (%)	1.5	2.3	5.27	5.9
Div. yield (%)	0.0	0.0	0.0	3.8

Source: PVD, YSVN

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## PV Drilling (PVD VN)

### 3Q results dragged down by land rig

#### Event

PVD just released its 3Q19 results, with VND 1.069bn in revenue (-19.8% YoY). Gross profit expanded by 34% YoY on sharply higher gross margin, but net profit fell by 76% due to a JV loss and a slowdown in recoveries relative to 3Q18. 9M19 PATMI reached VND 48.9 bn, a turnaround from the net loss of VND 197bn in 9M18.

#### Our view

**3Q19 revenue fell 19.8% YoY to reach VND1,069 bn.** Drilling services revenue fell by 25% YoY to VND 501.8bn, mostly due to the shutdown of its Algeria land rig (PVD11) in 3Q19.

**3Q19 utilization fell to 91% in 3Q19 from 94% in 3Q18,** largely due to the time taken to move PVD II and PVD VI from Vietnam to Malaysia. We think this may not recur given that all its rigs now have secured jobs in Malaysia. Drilling related services revenue decreased by 30% YoY to VND 432.9 bn. Trading revenue increased by 177% YoY to VND134.7bn.

**3Q19 gross profit increased by 34.1% YoY.** Gross margin expanded to 9.5% in 3Q19, up from 5.7% PCP, mainly because the drilling business exceeded breakeven as day rates improved 6% YoY.

**However, 3Q19 PAT dropped by 75.9% YoY to VND 27.1 bn.** This was mainly attributable to 1) a JV loss of VND 4.2 bn in 3Q19 vs. a gain of VND 71.4bn in 3Q18, and 2) the provision reversal in 3Q19 was just VND 32.2bn, down 66% YoY.

**Still, 9M19 PATMI reached VND 48.9 bn, much improved compared to the loss of VND 197bn in 9M18** as gross margin expanded to 10.2% from 2.0% in 9M18. 9M19 revenue decreased by 26.9% YoY to VND 2,981bn mainly due to a drop in low margin trading activities. Trading revenue fell by 60% YoY to VND 362 bn as there was one-off trading revenue in 2Q18.

**We reiterate BUY with target price of VND21,707.** We may revisit our view after the company's analyst meeting on Monday November 4, where we should get more color on the results and ongoing operations.

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