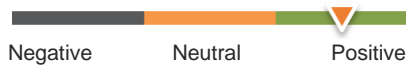


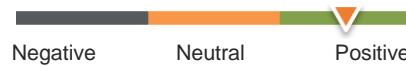
AIRPORT CORPORATION OF VIETNAM (ACV)

Market Price VND89,500	Target Price VND106,000	Dividend Yield 0.65%	Rating ADD	Sector INDUSTRIALS
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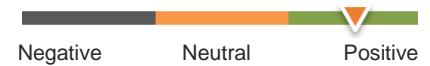
Outlook – Short term



Outlook – Long term



Valuation



14 May 2018

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Key changes in the report

➤ N/A

Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	119,000
52w low (VND)	47,800
3m Avg daily volume (shares)	0.14
3m Avg daily value (VNDmn)	12,238
Market cap (VNDbn)	195,410
Outstanding shares (m)	2,183
Free float (%)	0
TTM P/E	46.6
Current P/B	7.11

Ownership

Ministry of Transport	95.0%
Others	5.00%

Source: VNDIRECT

In 1Q2018, ACV's revenue rose by 10.0% yoy while gross profit rose by a spectacular 55.5% yoy thanks to lower depreciation and maintenance expenses compared to 1Q2017. At ACV's AGM at the end of April, management guided for 2018 passenger traffic growth of 8% which is highly achievable in our opinion. We maintain our TP and reiterate our ADD rating for the stock.

1Q2018 aeronautical and related services revenue surged by 17% yoy to touch VND3,576bn and gross profit rose to VND1,883bn (+82.8% yoy) due to: 1) an 8.0% yoy increase in passenger traffic to 24.2m during Q1 and a 27.0% yoy increase in unit domestic passenger fees to VND80,000; 2) 15.9% yoy decrease in depreciation expense as some assets were fully depreciated; 3) lower maintenance expenses compared to 1Q2017 due to delays in some maintenance activities.

ACV is pushing preparations for HOSE listing which could happen in 2019, according to the company. ACV must reach a consensus with the Ministry of Transportation (MoT) on the accounting treatment of flight assets, namely runways and taxiways. The MoT plans to submit a draft proposal by the end of 2018.

ACV will launch several upgrade and expansion projects in 2018 and beyond. FY18F expected capex is VND7,643bn of which VND4,262bn is related to legacy projects. Based on our operating cash flow forecasts, we believe the company can fund these projects through internal accruals and does not need to raise capital.

Construction of T3 terminal of Tan Son Nhat airport likely to start after 2019. The new terminal will cost VND9,800bn and will have designed capacity of 15m passengers/year. According to ACV, T3 will be located near T1 and T3 while the golf course in the north will be converted to aprons. The completion time is unclear as the project must go through land clearance which is a lengthy process.

We maintain our ADD rating as 1Q18 results are in line with our forecasts. Our TP is based on a target FY18 EV/EBITDA of 21.5x.

Financial summary (VND)	12-16A	12-17A	12-18E	12-19E
Net revenue (bn)	10,691	13,849	18,361	20,511
Revenue growth	(18.8%)	29.5%	32.6%	11.7%
Gross margin	38.0%	41.1%	49.9%	49.7%
EBITDA margin	66.1%	69.7%	71.5%	71.8%
Net profit (bn)	2,696	4,182	6,688	7,541
Net profit growth	59.4%	55.1%	59.9%	12.8%
Recurring profit growth	57.4%	55.1%	59.9%	12.8%
Basic EPS	1,238	1,921	3,072	3,464
Adjusted EPS	1,238	1,921	3,072	3,464
BVPS	10,821	12,580	13,662	15,136
ROAE	12.4%	16.4%	23.4%	24.1%

Source: VNDIRECT

Valuation

We maintain our FY18 projections and TP at VND106,000/share based on a target FY18 EV/EBITDA of 21.5x, around a 12% premium to the peer average TTM EV/EBITDA of 19.2x. We believe that ACV deserves to trade at a 10-15% premium to peers due to its superior EPS growth profile and return on equity, relative to the peer average and also owing to the fact that ACV is a monopoly airport operator in one of the world's fastest-growing aviation markets. Moreover, the migration of ACV's listing from UPCOM to HOSE, expected in 2019, will be a catalyst for the stock price.

Figure 1: Valuation

Valuation method	Amount	Unit
FY18F EBITDA	10,583	VND bn
Target EV/EBITDA multiple	21.5x	
Enterprise value	227,531	VND bn
Cash and equivalent	18,877	VND bn
Net debt	14,476	VND bn
Market value of equity	195,075	VND bn
No of shares outstanding	2,177,173,236	share
Target price	106,246	VND/share

Source: VNDIRECT

Figure 2: ACV 2018 expected revenue breakdown

	VND bn
Revenue	18,290
Aeronautical services	14,929
Take off, landing services	567
Ground services	422
Passenger services	11,371
Others	2,567
Non aeronautical services	1,826
Surface rental	471
Billboard rental	209
Parking	481
Others	665
Commercial	1,478
Others	57
Assumptions	
Passenger traffic mn	108
Growth rate	15%
International passengers	35
Domestic passengers	73
Average international passenger fees, VND/passenger	134,208
Growth rate	0%
Average domestic passenger fees, VND/passenger	91,250
Growth rate	43%

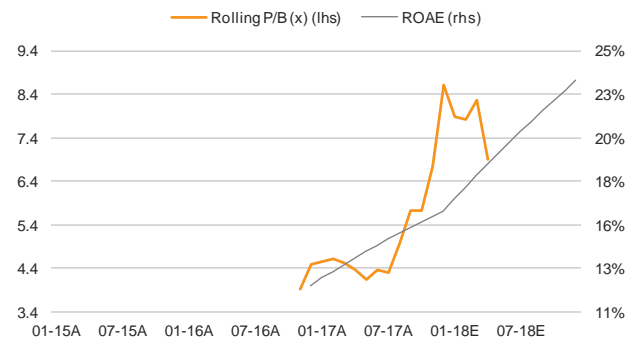
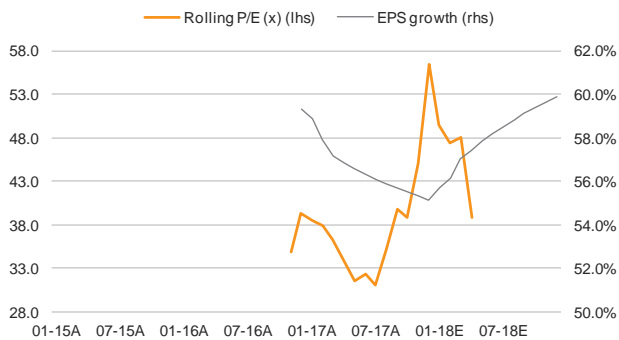
Source: VNDIRECT

Figure 3: Peer comparison

Name	Country	Market cap (US\$m)	TTM NPAT growth (%)	TTM EPS growth (%)	ROA (%)	ROE (%)	D/E (x)	TTM P/E (x)	P/B (x)	TTM EV/EBITDA (x)
Airports of Thailand	Thailand	31,191.5	22.3	23.6	12.4	16.5	0.2	45.7	7.3	28.1
Shanghai Airports	China	16,693.8	28.6	29.3	14.0	15.9	0.0	27.0	4.1	na
Malaysia Airports	Malaysia	3,629.2	-16.4	0.0	1.1	1.9	0.6	97.4	1.8	10.2
Average		17,171.5	11.5	26.4	9.1	11.4	0.3	56.7	4.4	19.2
Median		16,693.8	22.3	26.4	12.4	15.9	0.2	45.7	4.1	19.2
ACV	Vietnam	8,559.3	55.2	55.2	11.1	21.8	0.5	47.5	7.1	26.6

Source: VNDIRECT, Bloomberg

Valuation



Income statement

(VNDbn)	12-17A	12-18E	12-19E
Net revenue	13,849	18,361	20,511
Cost of sales	(8,157)	(9,208)	(10,320)
Gen & admin expenses	(824)	(1,077)	(1,207)
Selling expenses	(295)	(391)	(437)
Operating profit	4,574	7,685	8,547
Operating EBITDA	8,736	12,310	13,694
Depreciation and amortisation	(4,162)	(4,625)	(5,147)
Operating EBIT	4,574	7,685	8,547
Interest income	1,219	1,275	1,406
Financial expense	(701)	(796)	(716)
Net other income	61	0	0
Income from associates & JVs	249	249	249
Pre-tax profit	5,402	8,413	9,485
Tax expense	(1,198)	(1,691)	(1,906)
Minority interest	(21)	(34)	(38)
Net profit	4,182	6,688	7,541
Adj. net profit to ordinary	4,182	6,688	7,541
Ordinary dividends	(1,306)	(4,354)	(4,354)
Retained earnings	2,876	2,333	3,187

Balance sheet

(VNDbn)	12-17A	12-18E	12-19E
Cash and equivalents	914	1,774	3,811
Short term investments	17,963	17,963	17,963
Accounts receivables	7,300	6,959	7,301
Inventories	402	696	780
Other current assets	88	550	614
Total current assets	26,667	27,942	30,469
Fixed assets	19,618	20,592	20,680
Total investments	2,691	2,691	2,691
Other long-term assets	186	247	276
Total assets	49,161	51,472	54,115
Short-term debt	148	119	95
Accounts payable	1,133	1,374	1,505
Other current liabilities	6,033	6,170	6,901
Total current liabilities	7,315	7,663	8,501
Total long-term debt	14,328	13,895	12,462
Other liabilities	84	111	124
Share capital	21,772	21,772	21,772
Retained earnings reserve	5,602	7,957	11,166
Shareholders' equity	27,388	29,744	32,953
Minority interest	47	59	76
Total liabilities & equity	49,161	51,472	54,115

Cash flow statement

(VNDbn)	12-17A	12-18E	12-19E
Pretax profit	5,402	8,413	9,485
Depreciation & amortisation	4,162	4,625	5,147
Tax paid	(1,726)	(1,691)	(1,906)
Other adjustments	(836)	(1,523)	(1,655)
Change in working capital	(1,432)	(36)	371
Cash flow from operations	5,570	9,787	11,443
Capex	(2,578)	(5,600)	(5,234)
Proceeds from assets sales	17	0	0
Others	(4,315)	1,523	1,655
Other non-current assets changes	475	(61)	(29)
Cash flow from investing activities	(6,402)	(4,137)	(3,608)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	249	(462)	(1,456)
Other financing cash flow	(652)	27	13
Dividends paid	(1,306)	(4,354)	(4,354)
Cash flow from financing activities	(1,709)	(4,789)	(5,798)
Cash and equivalents at beginning of period	3,166	914	1,774
Total cash generated	(2,541)	860	2,037
Cash and equivalents at the end of period	625	1,774	3,811

Key ratios

	12-17A	12-18E	12-19E
Dupont			
Net profit margin	30.2%	36.4%	36.8%
Asset turnover	0.29	0.36	0.39
ROAA	8.7%	13.3%	14.3%
Avg assets/avg equity	1.89	1.76	1.68
ROAE	16.4%	23.4%	24.1%
Efficiency			
Days account receivable	53.9	44.2	44.2
Days inventory	18.0	27.6	27.6
Days creditor	50.7	54.5	53.2
Fixed asset turnover	0.65	0.91	0.99
ROIC	10.0%	15.3%	16.5%
Liquidity			
Current ratio	3.65	3.65	3.58
Quick ratio	3.59	3.56	3.49
Cash ratio	2.58	2.58	2.56
Cash cycle	21.1	17.3	18.5
Growth rate (yoy)			
Revenue growth	29.5%	32.6%	11.7%
Operating profit growth	73.4%	68.0%	11.2%
Net profit growth	55.1%	59.9%	12.8%
EPS growth	55.1%	59.9%	12.8%
Share value			
Basic EPS (VND)	1,921	3,072	3,464
BVPS (VND)	12,580	13,662	15,136

Source: VNDIRECT

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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