

AIRPORT CORPORATION OF VIETNAM (ACV)

Current Price VND50,900	Target Price VND58,600	Dividend Yield 2.77%	Recommendation ADD	Sector INDUSTRIALS
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Outlook – Short term



Not rated

Outlook – Long term



Not rated

Valuation



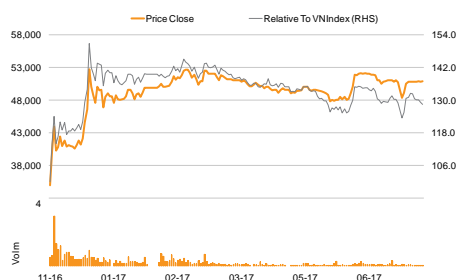
Not rated

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Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	52,700
52w low (VND)	35,000
Average daily turnover (3m)	72,202
Market cap (VND) billion	2,177
Outstanding shares (m)	2,174
Free float (%)	0
Beta	na

Ownership

Shareholder	% Ownership
Ministry of Transport	95.4%
Others	4.6%

Source: VNDIRECT

1H2017: ACV recorded a lower revenue yoy due to returning some assets to the Ministry of Defense such as the airport runway and airport apron. ACV also recorded a lower EAT yoy owing to the absence of VND2,424bn from non-core businesses in 1H2016. However, the company's core businesses continued to grow as 1H2017's passenger traffic grew by 16.9% yoy. ACV is likely to attain our expected EAT of VND3,591bn. We maintain target price and BUY recommendation for the stock.

1H2017: revenue reached VND6,897b (-12.9% yoy) and EAT reached VND2,093b (-18% yoy). The two main reasons for the decline are not related to core businesses: 1) 1H2016, ACV recorded VND2,424bn gains from the reversal of prepaid maintenance expenses and land rental. These items did not appear in 1H2017 income statement; 2) 1H2016 revenue also included revenue from airline runway and airline apron which were removed since 30 April 2016. Revenue from those assets was around VND1,300 bn in 2016.

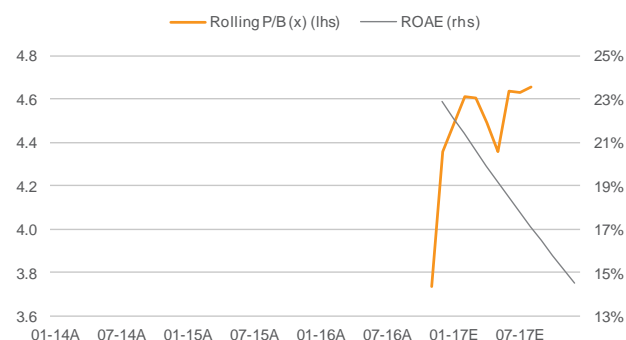
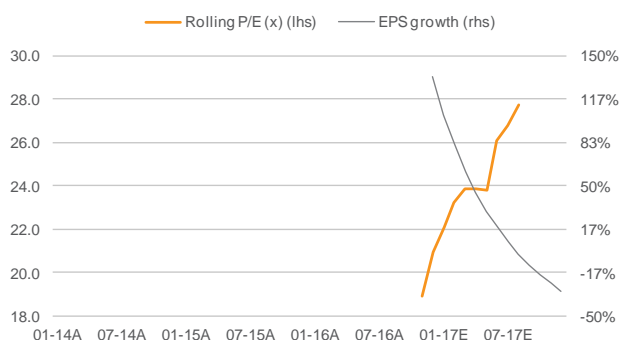
1H2017 passenger traffic grew by 16.6% yoy to 46.3mm. Domestic carriers contributed significantly as 7 more aircrafts were added to the fleet (+36%). We expected passenger traffic to reach 96.9m by the end of FY2017, given Q3 is usually the busiest time of the year

We adjusted our forecast for 2017 outlook: expected revenue and EAT down by 8.4% and 1.8% respectively, compared to our previous forecast. The new forecast reflects accounting changes related to the removal of revenue from airport runway and airport apron. It should be noted that revenue from these assets brings almost no gross profit so EAT barely gets affected by the change. EAT growth declines mainly due to the increase in depreciation expenses (+9.3% yoy). The company intends to spend more than VND6,000b for the maintenance and expansion of Noi Bai, Tan Son Nhat, Phu Quoc, anh Phu Cat airport. Core EAT, compared to 2016 EAT after removing VND2,424b non-core gains, could grow by 6.6% yoy.

Financial results (VND)	2Q2017	1H2017	% guidance	2017E
Revenue (b)	2,850	6,897	52%	17,122
% growth yoy	-27%	-13%		5%
Gross margin	47%	43%		39%
Net profit (b)	1,321	2,076	72%	3,466
% growth yoy	na	-18%		-32%
EPS	606	961		1,592

Source: VNDIRECT

Valuation



Income statements

(VNDtrm)	12-16A	12-17E	12-18E
Revenue	14.6	17.1	21.8
Cost of sales	(8.8)	(10.5)	(11.6)
Gen & admin expenses	(1.3)	(1.5)	(1.9)
Selling expenses	(0.7)	(0.8)	(1.0)
Operating profit	3.8	4.3	7.3
Operating EBITDA	8.2	9.0	12.1
Depreciation and amortisation	(4.4)	(4.8)	(4.8)
Operating EBIT	3.8	4.3	7.3
Interest income	1.4	1.2	1.2
Financial expense	(1.0)	(0.8)	(0.8)
Net other income	2.4	(0.1)	(0.1)
Income from associates & JVs	0.0	0.0	0.0
Pre-tax profit	6.6	4.5	7.6
Taxation	(1.4)	(0.9)	(1.5)
Minority interests	(0.2)	(0.1)	(0.2)
Net profit	5.1	3.5	5.8
Adj. net profit to ordinary	5.1	3.5	5.8
Ordinary dividends	(3.1)	(4.4)	(4.4)
Retained earnings	2.0	(0.9)	1.5

Cash flow statement

(VNDtrm)	12-16A	12-17E	12-18E
Pretax profit	6.61	4.49	7.57
Depreciation & amortisation	4.36	4.77	4.80
Other non cash gains/(losses)	0.00	0.00	0.00
Other non operating gains/(losses)	(3.81)	(1.06)	(1.09)
Tax paid	(1.73)	(0.90)	(1.52)
Other operating cash flow	(2.50)	0.00	0.00
Change in working capital	0.44	(1.01)	0.41
Cash flow from operations	3.38	6.29	10.16
Capex	(3.26)	(6.05)	(5.88)
Proceeds from assets sales	0.00	0.00	0.00
Others	(0.14)	1.06	1.09
Other non-current assets changes	0.35	(0.23)	(0.43)
Cash flow from investing activities	(3.04)	(5.22)	(5.22)
New share issuance	0.00	0.00	0.00
Shares buyback	0.00	0.00	0.00
Net borrowings	0.80	0.47	(0.20)
Other financing cash flow	0.56	0.01	0.02
Dividends paid	(3.07)	(4.35)	(4.35)
Cash flow from financing activities	(1.71)	(3.87)	(4.53)
Cash and equivalents at beginning of period	4.47	3.17	0.37
Total cash generated	(1.37)	(2.80)	0.41
Cash and equivalents at the end of period	3.10	0.37	0.78

Balance sheets

(VNDtrm)	12-16A	12-17E	12-18E
Cash and equivalents	3.2	0.4	0.8
Short term investments	13.6	13.6	13.6
Accounts receivables	4.2	4.4	5.0
Inventories	0.7	0.8	0.9
Other current assets	0.4	0.6	0.8
Total current assets	22.2	19.9	21.1
Fixed assets	21.7	23.1	24.3
Total investments	1.2	1.2	1.2
Other long-term assets	2.2	2.4	2.7
Total assets	47.3	46.5	49.3
Short-term debt	0.3	0.2	0.2
Accounts payable	1.3	1.6	1.7
Other current liabilities	6.7	5.9	7.0
Total current liabilities	8.3	7.7	8.9
Total long-term debt	14.0	14.5	14.3
Other liabilities	0.1	0.1	0.1
Shareholders' equity	24.3	23.6	25.2
Minority interests	0.8	0.7	0.8
Total liabilities & equity	47.3	46.5	49.3

Key ratios

	12-16A	12-17E	12-18E
Dupont			
Net profit margin	34.5%	20.2%	26.8%
Asset turnover	0.32	0.36	0.45
ROAA	11.0%	7.4%	12.2%
Avg assets/avg equity	2.09	1.96	1.97
ROAE	22.9%	14.5%	23.9%
Efficiency			
Days account receivable	42.5	38.3	38.3
Days inventory	29.9	29.1	29.1
Days creditor	54.2	54.6	54.4
Fixed asset turnover	0.69	0.76	0.92
ROIC	12.9%	8.9%	14.4%
Liquidity			
Current ratio	2.68	2.58	2.37
Quick ratio	2.60	2.47	2.27
Cash ratio	2.04	1.82	1.62
Cash cycle	18.1	12.8	13.0
Growth rate (yoy)			
Revenue growth	11.2%	16.9%	27.4%
Operating profit growth	103.8%	11.3%	70.8%
Net profit growth	198.6%	(31.4%)	68.4%
EPS growth	134.4%	(31.4%)	68.4%
Share value			
EPS (VND)	2,320	1,592	2,680
BVPS (VND)	11,159	10,821	11,571
DPS (VND)	1,412	2,000	2,000

Source: VNDIRECT

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