

AIRPORT CORPORATION OF VIETNAM (ACV)

Market Price VND60,000	Target Price VND76,000	Dividend Yield 2.72%	Rating ADD	Sector AVIATION
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Outlook – Short term



Outlook – Long term



Valuation



21 September 2017

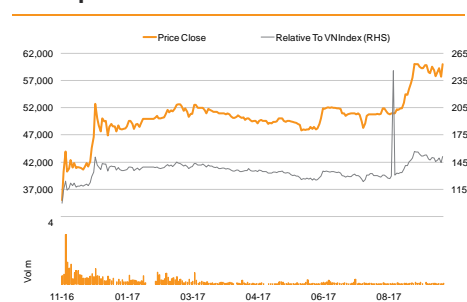
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Key changes in the report

- We raise our target price by 30%

Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	60,000
52w low (VND)	35,000
3m Avg daily volume (shares)	66,214
3m Avg daily value (VND mn)	7,541
Market cap (VND bn)	128,366
Outstanding shares (m)	2,139
Free float (%)	0

Ownership

Ministry of Transport	95%
Others	5%
Total	100.00%

Source: VNDIRECT

After the official decision to raise airport service prices, the stock price has rallied by 15%, beating our previous target of VND58,600. The FY18 earnings prospects are more visible based on the fare hike decision and we therefore now base our valuation on a multiple of 2018 EBITDA instead of 2017 EBITDA, previously, leading to a 30% upward revision in our target price to touch VND76,000. Our earnings forecasts, however, remain unchanged.

2018 expected earnings surge now on solid footing: We expect revenue to reach VND21,686b (+27.4% yoy) and EAT to reach VND5,120b (+46.0% yoy) in 2018. Revenue growth will be driven by 1) an 18% increase in total passenger traffic; 2) 42.7% yoy growth in domestic passenger services fee rates which is equivalent to VND2,204b of incremental revenue. As a result, gross profit margin should improve by 4.1 percentage points to 41.8% in 2018. Net margin should touch 23.6%, 3 percentage points higher than the 2017 margin.

The government has officially agreed on the divestment plan of the Ministry of Transport which will boost float. The state's ownership in ACV will be reduced to 75% by the end of 2018 and to 65% by the end of 2020 from 95% currently. The divestment could boost free float for the stock which will be a strong price catalyst in our opinion.

Valuation still attractive: ACV currently trades at 12M EV/EBITDA 12.7x which is attractive compared to peers such as Airport of Thailand (19.8x) and Sydney Airport (21.3x). Moreover, ACV has stronger earnings growth prospects than peers given that Vietnam currently has higher passenger traffic growth rates compared to these markets.

Fee adjustments, VND per passenger

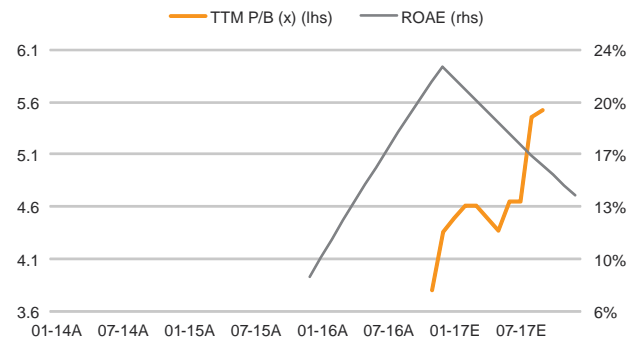
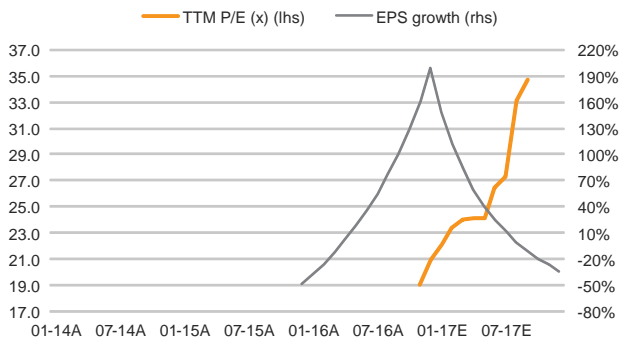
Period	Group A	% increase	Group B	% increase
4Q2017	75,000	15.3	70,000	7.7
1Q2018	80,000	6.7	75,000	7.1
2Q2018	85,000	6.3	75,000	0
1H2018	100,000	17.6	80,000	6.7

Group A includes airports operating 24/7: Tan Son Nhat, Noi Bai, Danang, Can Tho, Cat Bi, Vinh, Cam Ranh, Lien Khuong, Phu Quoc, Buon Ma Thuot, Phu Bai.

Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Net revenue (bn)	13,173	14,650	17,021	21,686
Revenue growth	24.8%	11.2%	16.2%	27.4%
Gross margin	26.7%	39.8%	37.7%	41.8%
EBITDA margin	45.2%	76.0%	54.4%	52.1%
Net profit (bn)	1,692	5,105	3,384	4,941
Net profit growth	(34.3%)	201.8%	(33.7%)	46.0%
Recurring profit growth	(33.4%)	92.1%	4.1%	46.0%
Basic EPS	777	2,345	1,554	2,269
Adjusted EPS	777	2,345	1,554	2,269
BVPS	9,108	11,159	10,783	11,122
ROAE	8.4%	23.1%	14.2%	20.7%

Source: VNDIRECT

Valuation



In 2016, ACV reversed prepaid expenses of around VND2,424b which boosted FY16 EPS growth. Without the non-recurring gain, FY16 EPS would have touched VND1.462 (+49% yoy) and FY17 EPS should grow at 4% yoy to VND1,522.

Income statement

(VNDbn)	12-16A	12-17E	12-18E
Net revenue	14,650	17,021	21,686
Cost of sales	(8,824)	(10,603)	(12,623)
Gen & admin expenses	(1,282)	(1,484)	(1,876)
Selling expenses	(700)	(813)	(1,036)
Operating profit	3,844	4,121	6,152
Operating EBITDA	8,207	8,889	10,948
Depreciation and amortisation	(4,363)	(4,768)	(4,796)
Operating EBIT	3,844	4,121	6,152
Interest income	1,385	1,149	1,128
Financial expense	(1,036)	(839)	(831)
Net other income	2,424	(95)	(95)
Income from associates & JVs	53	53	53
Pre-tax profit	6,669	4,388	6,407
Taxation	(1,379)	(882)	(1,287)
Minority interests	(185)	(122)	(179)
Net profit	5,105	3,384	4,941
Adj. net profit to ordinary	5,105	3,384	4,941
Ordinary dividends	(3,074)	(4,354)	(4,354)
Retained earnings	2,032	(971)	587

Balance sheet

(VNDbn)	12-16A	12-17E	12-18E
Cash and equivalents	3,166	304	51
Short term investments	13,640	13,640	13,640
Accounts receivables	4,248	4,394	5,072
Inventories	721	846	1,007
Other current assets	376	606	772
Total current assets	22,151	19,791	20,542
Fixed assets	21,708	23,085	24,263
Total investments	1,240	1,240	1,240
Other long-term assets	2,237	2,360	2,695
Total assets	47,337	46,476	48,739
Short-term debt	263	210	168
Accounts payable	1,308	1,589	1,893
Other current liabilities	6,684	5,911	7,280
Total current liabilities	8,255	7,710	9,341
Total long-term debt	13,964	14,487	14,333
Other liabilities	64	74	95
Share capital	21,772	21,772	21,772
Retained earnings reserve	2,509	1,690	2,429
Shareholders' equity	24,295	23,476	24,215
Minority interests	759	729	756
Total liabilities & equity	47,337	46,476	48,739

Cash flow statement

(VNDtrn)	12-16A	12-17E	12-18E
Pretax profit	6.61	4.33	6.35
Depreciation & amortisation	4.36	4.77	4.80
Tax paid	(1.73)	(0.87)	(1.28)
Other adjustments	(6.31)	(1.05)	(1.03)
Change in working capital	0.44	(0.99)	0.67
Cash flow from operations	3.38	6.18	9.51
Capex	(3.26)	(6.05)	(5.88)
Proceeds from assets sales	0.00	0.00	0.00
Others	(0.14)	1.05	1.03
Other non-current assets changes	0.35	(0.22)	(0.43)
Cash flow from investing activities	(3.04)	(5.22)	(5.28)
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	0.26
Total cash generated	(1.37)	(2.91)	(0.30)
Cash and equivalents at the end of period	3.10	0.26	(0.04)

Key ratios

	12-16A	12-17E	12-18E
Dupont			
Net profit margin	34.5%	19.6%	22.6%
Asset turnover	0.32	0.36	0.46
ROAA	11.0%	7.1%	10.3%
Avg assets/avg equity	2.09	1.96	2.00
ROAE	22.9%	14.0%	20.6%
Efficiency			
Days account receivable	42.5	38.3	38.3
Days inventory	29.9	29.1	29.1
Days creditor	54.2	54.7	54.7
Fixed asset turnover	0.69	0.76	0.92
ROIC	12.9%	8.6%	12.4%
Liquidity			
Current ratio	2.68	2.56	2.19
Quick ratio	2.60	2.45	2.08
Cash ratio	2.04	1.80	1.46
Cash cycle	18.1	12.8	12.7
Growth rate (yoy)			
Revenue growth	11.2%	16.2%	27.4%
Operating profit growth	103.8%	7.3%	49.3%
Net profit growth	198.6%	(33.9%)	46.5%
EPS growth	198.6%	(33.9%)	46.5%
Share value			
Basic EPS (VND)	2,320	1,534	2,248
BVPS (VND)	11,159	10,763	11,081

Source: VNDIRECT

VNDIRECT RECOMMENDATION FRAMEWORK

The recommendation is based on the total expected return of the stock, calculated by the percentage difference between the target price and the market price at the date of the report. Unless otherwise specified, stock recommendations have an investment horizon of 12 months.

Recommendation

ADD	Target price is 15% or more higher than current market price
HOLD	Target price is between 10% below to 15% above current market price
REDUCE	Target price is 10% or more lower than current market price

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