

### ZOMBIE OR RESURRECTION?

I began monitoring VOS several months ago, but it was too soon then to reach a conclusion. However, the picture is a bit clearer now, and VOS is worth examining for investors that are interested in high risk, medium term investments.

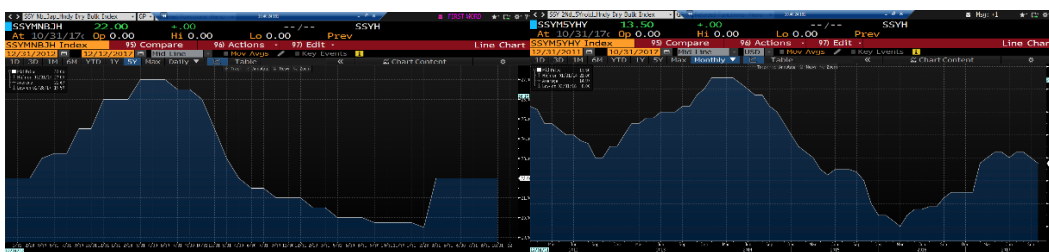
VOSCO – Vietnam Ocean shipping JSC – is the largest ocean shipping company in Vietnam. Their fleet is one of the largest with a total of 16 ships (dry cargo vessels, product tanker, and container vessels). They are also renting 7-10 ships to increase their transportation capacity. The company has a long history and Vinalines is currently a major shareholder, holding a 51% stake in the company.



**Light at the end of the tunnel.** The Baltic Dry Index (BDI) increased due to the rise in demand for ocean transportation, and local demand for ocean shipping is also rising. The cost of building new ships, as well as the cost of buying old ships, has increased, a benefit for companies that are already operating in this area (please have a look at the chart below). VOS's core business remains strong and is improving due to the increase of shipping rates.



BDI - Source: quandl.com



Simpson Spence Young SSY new Build Price Japan Handysize Vessel (Left) and Simpson Spence Young SSY 5 years old handysize Vessel Price (Right)

**Government Support:** The company has a 40-year history and is the dominant company in this industry, so a downturn in the company's performance is in our view similar to "losing face". Therefore, we believe that the government has a strong incentive to improve the image of the company. The government's restructuring plan is to divest from nearly all of Vinalines' subsidiaries, excluding VOS. ([source](#)).

Other supporting factors for its business include the following:

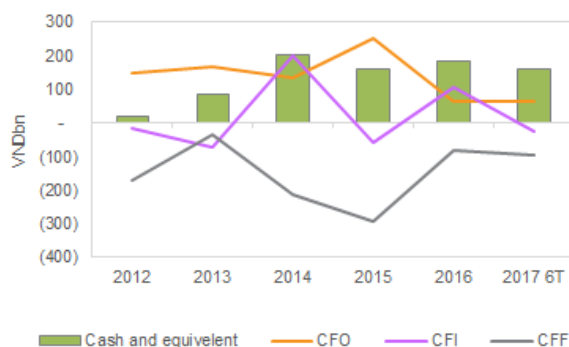
- Vinalines formed a consortium (VOS and three more members) to sign a master agreement with Malaysian corporates: Petronas Chemicals Marketing Ltd and Hemat Marine Sdn Bhd. They expect that the volume will be 1-2 million tons per year beginning in 2018.
- During the beginning of 2017, Vinalines signed the agreement with TKV for coal transportation (exporting)

In recent years, VOS has continued to operate at a loss, but the CFO is still positive. Two of the company's largest costs include depreciation and interest expense. However, with the new restructuring plan, bank loans could be restructured and interest could be lower. If VOS could have its bank loans restructured, its financial pressure would significantly reduce, and we believe that this would be a turning point for VOS. This will become more clear when the company releases its Q4 results.

Could the government possibly **make VOS great again**?

Has the market already begun to notice something? I'm not very sure, although I have noticed that trading volume for VOS has recently increased significantly. This may be a signal of its improving business and favorable terms for the restructuring of its bank loans.

In a recent announcement, the company said "VOS is working with credit institutions to finalized its loan restructuring. VOS's outlook at the end of the year will be much brighter, and VOS will have be profitable".



Source: VNDIRECT

The company is open to meet investors, but their office is in Hai Phong.



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