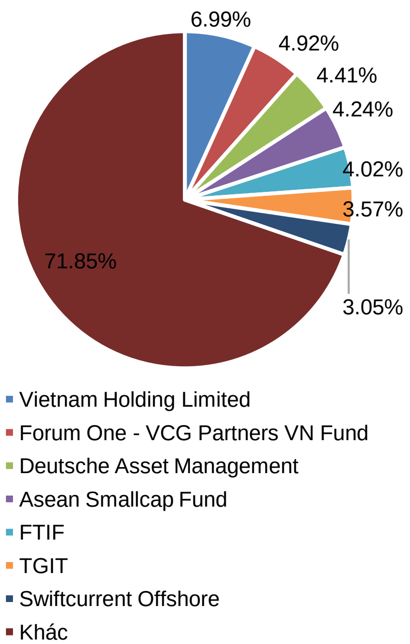
Vietnam Container JSC (HOSE – VSC) – Updates

Industry: Logistics (Logistic support)

Mkt cap (VND bil)	2,892.88	Average trading volume 10 days	**189,858**	Free float	44.9%
Charter cap (VND bil)	455.57	Price range 52W:	51-73	Outstanding shares:	45,557,142

Recommend	**BUY**
Target price	**73,600**
Upside	**16%**
Current price	63,600

Shareholder Structure



Chairman	Nguyễn Việt Hòa
CEO	Nguyễn Văn Tiến
CFO	Trần Xuân Bạo

What we think?

- With important seaport location advantages, VSC is benefiting from the double digits growth of cargo throughputs in Hai Phong. Vip Green Port will be fully operational this year, actively contributing to port revenue.
- New contract with Maersk Line increases the number of vessels entering Vip Green to 7-8 vessels/week, which improves operation results from Q2.
- We forecast FY2017 earnings will be better than planed with revenue reach VND1,298 bil and profit VND309 bil, increasing 20% and 18% respectively yoy. EPS VND6,400 per share after dilution.

What should the investors do?

- We recommend BUY and HOLD midterm and longterm for VSC at price range VND62,500 – VND64,000 per share with PE Forward ~~is~~ at 10.x, which is lower than industry average; we also expect a 16% upside in the next 6 months with target price at VND73,600 per share and P/E at 11.5x
- After 4 months of being traded within VND57,000 – VND61,000 price range, VSC stock has surpassed VND61,000 and we expect Q2 result will further drive up stock price.

What's happening to VSC?

- **Modest business plan for 2017:** the company estimated that the port's capacity would reach 760,000 TEU in 2017, increased 25% yoy. However, planed revenue was estimated at only VND1,145 bil (+6% yoy) and net profit VND260 bil (-16% yoy).
- **Underperformed Q1/2017:** VSC reported its Q1 revenue of VND270 bil (-9% yoy) and net profit of VND57 bil (-35% yoy). Key reasons of the decline included: (1) lower port service fees (down 7-10% in Q1) due to weaker market and stronger competition from other ports and (2) from 2017, VSC has to bear higher interest expenses as CIP is converted into fixed assets.
- **Improved Q2/2017:** A new contract was signed with the world's largest shipping line, Maersk Line, in late March. This contract would bring 2-3 more vessels, or an additional of 1,500 – 1,800 TEU of cargo, to VSC, increasing the number of vessels to 7-8 vessels/week and help Vip Green Port to reach its maximum capacity. As a results,Q2's performance will be clearly improved.
- VSC established Green Development & Services Investment JSC (GIC) to operate container shipyard with an investment of VND219 bil (accounted for 77% total investment budget in 2017) including the purchase of 10 ha land use right in Dinh Vu Industrial Zone. This is a good move for VSC in order to meet the increasing cargo throughputs in Hai Phong area and reduce the risk of high rents. Expected operation date is Q3/2017.
- VSC for the first time issues 900,000 ESOP shares for employees with the offer price at VND15,000/share. Transfer of these shares will be restricted for 2 years. The AGM also adopted 2016 dividend (10% cash, 10% share), dividend date has not been disclosed.

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