VIET NAM CONTAINER SHIPPING JSC (VSC)

Current Price	Target Price	Dividend Yield	Recommendation	Sector
VND56,800	VND70,900	1.74%	Add	INDUSTRIALS

Outlook – Short term	Outlook – Long term	Valuation
Negative Neutral Positive	Negative Neutral Positive	Negative Neutral Positive

29 March 2017

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At the AGM held on 24 Mar 2017, the BoD provided a conservative earnings guidance for FY2017, including revenue of VND1,145bn (+6% yoy) and EBT of VND270bn (-13% yoy). We have a reasonable basis for believing that FY2017's earnings prospects would be a lot better than the BoD's guidance. Also at the AGM, the BoD proposed the transfer of a 10% ownership in VIP Greenport (VGP) to Evergreen, which was rejected by a majority of the shareholders at the meeting.

2016: Container throughput up by 70% yoy (610,000 TEU) while revenue DT rose 17% yoy (VND1,082bn). Main reasons: 1) Fewer frozen containers going to China due to strengthened border controls; and 2) Lower handling rates: we expect the average handling rates could have decreased by 3-5%. Ports located in the upstream could have seen rates sink even lower.

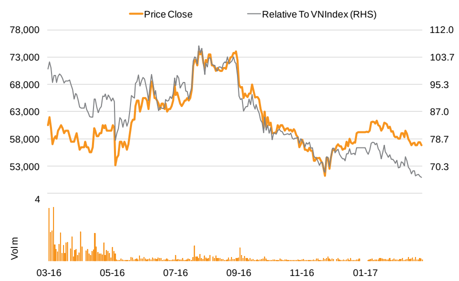
Port business 2016: excellent performance. VGP reached around 350.000 TEU, equivalent to 70% utilization rate. VGP currently serves 9 vessels per week including mostly Evergreen (4 – 5 calls) and Maersk (2 – 3 calls). Greenport (GP) maintains 9 calls per week.

2017 earning prospect: We expect revenue to up by 18% owning to 30% yoy throughput increase and maintaining handling rates. NPAT could up by 20% due to leverage effct of fixed costs related to VGP (depreciation and interest expenses). NPAT margin of VSC could reach 24.7%, an improve of 0.5 pecentage point.

Continuing investments in logistics. In 2017, VSC will upscale Green Depot (GD) from 4.3ha to 10ha and will relocate the depot to Dinh Vu zone. In 2016, GD has revenue of VND63bn and EBT margin of 20%. Ho Chi Minh branch could reportedly come into operation.

Short-term risk: EPS diluted by 12%. VSC will pay cash dividend of 1,000 per share and stock dividend of 10%. Moreover, the company will issue ESOP equivalent to 900,000 shares.

Price performance



Source: VNDIRECT

Key statistics

52w high (VND)	74,000
52w low (VND)	51,200
Average daily turnover (3m)	137,911
Market cap (VND) billion	2,615
Outstanding shares (m)	46.0
Free float (%)	56
Beta	0.80

Ownership

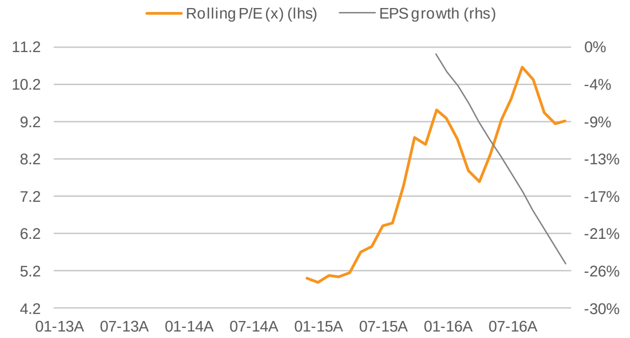
Shareholder	% Ownership
Vietnam Hld Ltd	6.99
Forum One VCG	4.92
Deutsche AM Ltd	4.41
Asean Smallcap Fund	4.24
FTIF	4.02

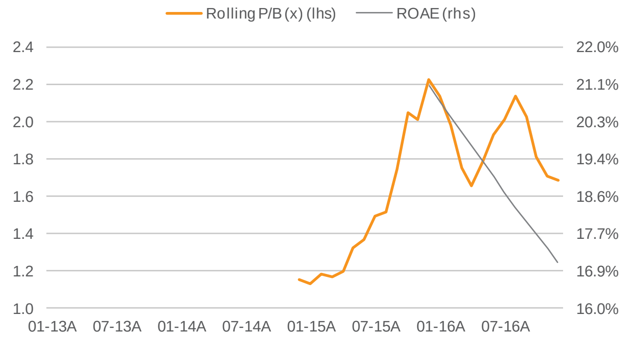
Source: VNDIRECT

Financial summary (VND)	12-14A	12-15A	12-16A	12-17E
Revenue (bn)	891	928	1,082	1,272
Revenue growth		4.1%	16.6%	17.6%
Gross margin	35.0%	39.9%	36.6%	36.9%
Operating EBITDA (bn)	190	232	163	200
Net profit (bn)	235	279	251	302
Net profit growth		19.0%	(10.0%)	20.1%
EPS	8,148	8,085	6,067	6,308
BVPS	35,201	34,556	33,266	35,391
ROAE		21.1%	17.1%	18.3%

Source: VNDIRECT

Valuation





Income statements

(VNDbn)	12-15A	12-16A	12-17E
Revenue	927.8	1,082.2	1,272.2
Cost of sales	(557.3)	(686.3)	(802.7)
Gen & admin expenses	(41.2)	(53.4)	(62.8)
Selling expenses	(8.1)	(11.1)	(13.0)
Operating profit	**321.3**	**331.3**	**393.7**
Operating EBITDA	231.5	163.4	200.4
Depreciation and amortisation	**89.7**	**168.0**	**193.3**
Operating EBIT	**321.3**	**331.3**	**393.7**
Interest income	14.5	17.5	20.5
Financial expense	(1.7)	(43.8)	(47.2)
Net other income	2.0	0.6	0.0
Income from associates & JVs	10.0	5.7	6.7
Pre-tax profit	**346.1**	**311.2**	**373.7**
Taxation	(69.4)	(49.2)	(59.1)
Minority interests	2.6	(10.7)	(12.9)
Net profit	**279.3**	**251.3**	**301.8**
Adj. net profit to ordinary	279.3	251.3	301.8
Ordinary dividends	0.0	0.0	(45.6)
Retained earnings	**279.3**	**251.3**	**256.2**

Balance sheets

(VNDbn)	12-15A	12-16A	12-17E
Cash and equivalents	332	331	969
Short term investments	79	32	32
Accounts receivables	93	130	183
Inventories	10	9	15
Other current assets	72	102	66
Total current assets	**586**	**605**	**1,267**
Fixed assets	1,042	1,226	1,078
Total investments	109	105	105
Other long-term assets	487	461	341
Total assets	**2,224**	**2,397**	**2,790**
Short-term debt	7	58	52
Accounts payable	204	63	150
Other current liabilities	163	177	275
Total current liabilities	**375**	**297**	**477**
Total long-term debt	418	585	527
Other liabilities	0	(0)	2
Shareholders' equity	**1,431**	**1,515**	**1,774**
Minority interests	0	0	11
Total liabilities & equity	**2,224**	**2,397**	**2,790**

Cash flow statement

(VNDbn)	12-15A	12-16A	12-17E
Pretax profit	**346.1**	**311.2**	**373.7**
Depreciation & amortisation	89.7	168.0	193.3
Other non cash gains/(losses)	(0.0)	0.0	0.0
Other non operating gains/(losses)	(26.5)	(23.7)	(27.2)
Tax paid	(72.4)	(50.1)	(59.1)
Other operating cash flow	(147.8)	103.5	0.0
Change in working capital	**130.7**	**(190.8)**	**150.3**
Cash flow from operations	**319.8**	**318.0**	**631.0**
Capex	(589.9)	(460.6)	(44.5)
Proceeds from assets sales	22.1	0.5	0.0
Others	(17.8)	(13.8)	27.4
Other non-current assets changes	6.0	26.1	120.0
Cash flow from investing activities	**(579.6)**	**(447.9)**	**102.9**
New share issuance	22.9	0.0	0.0
Shares buyback	0.0	0.0	0.0
Net borrowings	411.6	218.4	(64.3)
Other financing cash flow	0.0	0.0	2.2
Dividends paid	(58.8)	(89.2)	(45.6)
Cash flow from financing activities	**375.7**	**129.3**	**(107.6)**
Cash and equivalents at beginning of period	216.0	332.4	331.5
Total cash generated	**115.9**	**(0.6)**	**626.2**
Cash and equivalents at the end of period	331.9	331.8	957.7

Key ratios

	12-15A	12-16A	12-17E
Dupont			
Net profit margin	30.1%	23.2%	23.7%
Asset turnover	0	0	0
ROAA	15.0%	10.9%	11.6%
Avg assets/avg equity	1	2	2
ROAE	21.1%	17.1%	18.3%
Efficiency			
Days account receivable	32	38	44
Days inventory	7	5	7
Days creditor	134	33	68
Fixed asset turnover	1	1	1
ROIC	15.0%	11.6%	12.8%
Liquidity			
Current ratio	2	2	3
Quick ratio	2	2	3
Cash ratio	1	1	2
Cash cycle	(95)	10	(17)
Growth rate (yoy)			
Revenue growth	4.1%	16.6%	17.6%
Operating profit growth	21.8%	3.1%	18.8%
Net profit growth	19.0%	(10.0%)	20.1%
EPS growth	(0.8%)	(25.0%)	4.0%
Share value			
EPS (VND)	8,085	6,067	6,308
BVPS (VND)	34,556	33,266	35,391
DPS (VND)	0	0	909

Source: VNDIRECT

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