

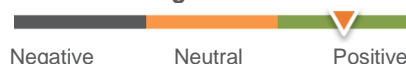
VIET NAM CONTAINER SHIPPING JSC (VSC)

Current Price VND55,600	Target Price VND69,000	Dividend Yield 3.6%	Recommendation Add	Sector INDUSTRIALS
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Outlook – Short term



Outlook – Long term



Valuation



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Price performance



Key statistics

52w high (VND)	74,000
52w low (VND)	51,200
Average daily turnover (3m)	125,027
Market cap (VND) billion	2,533
Outstanding shares (m)	45.6
Free float (%)	56
Beta	0.8

Ownership

Shareholder	% Ownership
Vietnam Holding Ltd	6.9
Forum One – VCG Partner	4.9
Deutsch AM Ltd	4.4
Asean Smallcap	4.2
FTIT – Templeton Frontier Mk	4.0

Source: VNDIRECT

1H2017: Revenue grew 20.6% yoy. Gross profit margin (GM) depressed by 4.6% pts to 31.2% due to higher operating costs. We slightly adjusted target price to VND69,000 from VND70,900 to reflect these negative impacts. We maintain the recommendation as 2017 EAT growth prospect remains bright.

1H2017 revenue achieved VND606.9b (+20.6% yoy) while EAT retreated to VND135.1b (-10.6% yoy). The main reasons for negative yoy EAT growth were: 1) higher fuel costs related to trucking business; 2) higher depreciation expenses as VIP Greenport (VGP) brought a new quay crane into operation at the end of 2016. Moreover, the increase of interest expense by VND6.2b (+32% yoy) and decrease of income from affiliates by VND6.6b (-71.7% yoy) contributed to the drop of EAT.

The industrial production picture of Haiphong is brighter compared to 1H2016: the Industrial Products Index stood at 24.6% vs 16.6% of 1H2016. Import and export value grew by 22.3% yoy, reaching US\$6.4b. LG Electronics, one of the largest manufacturers, has household appliances output grew by 160.4% yoy (94,600 products) and electronic devices volume increased by 49.4% yoy (3.5m products). Bridgestone, the famous tire maker, reached 1.3m products (+88.9% yoy). These FDI manufacturers will generate more throughput for ports as they accelerate their production chains.

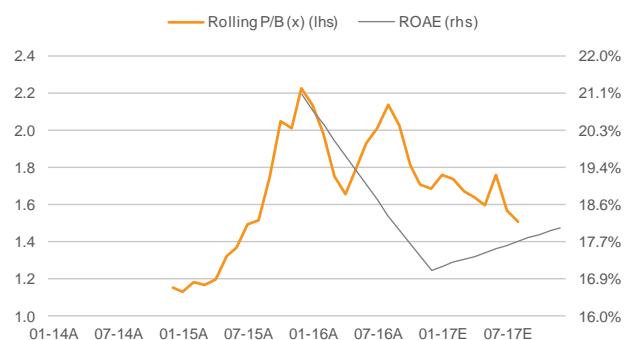
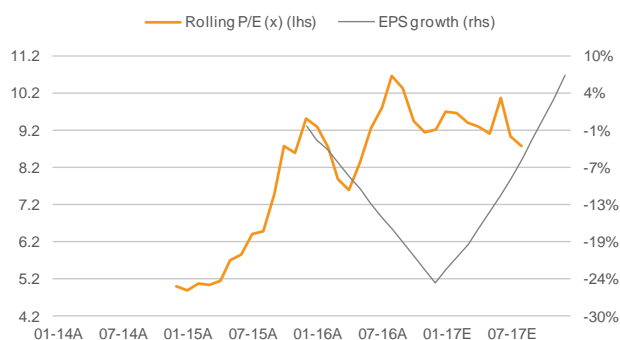
Restructuring Greenport (GP): the division will gradually withdraw from container handling activities to become a distribution center. We appreciate this move as GP does not have the right conditions to successfully compete against downstream ports. Compared to Green Logistics Center (GLC), GP has similar size (9 ha). GLC is quite profitable: 2016 revenue of VND140.6b and EBT margin of 27.1%.

We revise expected revenue to VND1,344b (+5.7% vs previous forecasts) because VGP could handle more throughput compared to our last expectation. Expected EAT could reach VND309b (-1.9% vs previous forecasts), barely changes due to higher fuel costs and depreciation expenses.

Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Revenue (bn)	928	1,082	1,344	1,480
Revenue growth	4.1%	16.6%	24.2%	10.1%
Gross margin	39.9%	36.6%	34.3%	35.4%
Operating EBITDA (bn)	232	163	192	242
Net profit (bn)	279	251	296	356
Net profit growth	19.0%	(10.0%)	17.8%	20.2%
Adjusted EPS	8,085	6,067	6,496	7,809
BVPS	34,556	33,266	38,803	45,652
ROAE	21.1%	17.1%	18.0%	18.5%

Source: VNDIRECT

Valuation



Income statements

(VNDbn)	12-16A	12-17E	12-18E
Revenue	1,082	1,344	1,480
Cost of sales	(686)	(883)	(957)
Gen & admin expenses	(53)	(66)	(73)
Selling expenses	(11)	(14)	(15)
Operating profit	331	381	435
Operating EBITDA	163	192	242
Depreciation and amortisation	168	189	193
Operating EBIT	331	381	435
Interest income	17	22	24
Financial expense	(44)	(49)	(43)
Net other income	1	0	0
Income from associates & JVs	6	7	8
Pre-tax profit	311	361	424
Taxation	(49)	(52)	(53)
Minority interests	(11)	(13)	(15)
Net profit	251	296	356
Adj. net profit to ordinary	251	296	356
Ordinary dividends	0	(46)	(46)
Retained earnings	251	250	310

Cash flow statement

(VNDbn)	12-16A	12-17E	12-18E
Pretax profit	311	361	424
Depreciation & amortisation	168	189	193
Other non cash gains/(losses)	0	0	0
Other non operating gains/(losses)	(24)	(29)	(32)
Tax paid	(50)	(52)	(53)
Other operating cash flow	104	0	0
Change in working capital	(191)	167	15
Cash flow from operations	318	636	547
Capex	(461)	(47)	(52)
Proceeds from assets sales	0	0	0
Others	(14)	29	32
Other non-current assets changes	26	101	114
Cash flow from investing activities	(448)	83	94
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	218	403	(153)
Other financing cash flow	0	2	0
Dividends paid	(89)	(46)	(46)
Cash flow from financing activities	129	360	(198)
Cash and equivalents at beginning of period	332	331	1,421
Total cash generated	(1)	1,078	443
Cash and equivalents at the end of period	332	1,410	1,864

Balance sheets

(VNDbn)	12-16A	12-17E	12-18E
Cash and equivalents	331	1,421	1,864
Short term investments	32	32	32
Accounts receivables	130	195	214
Inventories	9	17	18
Other current assets	102	70	75
Total current assets	605	1,735	2,205
Fixed assets	1,226	1,084	943
Total investments	105	105	105
Other long-term assets	461	361	246
Total assets	2,397	3,285	3,498
Short-term debt	58	52	47
Accounts payable	63	165	178
Other current liabilities	177	293	321
Total current liabilities	297	510	546
Total long-term debt	585	994	846
Other liabilities	(0)	2	3
Shareholders' equity	1,515	1,768	2,080
Minority interests	0	11	24
Total liabilities & equity	2,397	3,285	3,498

Key ratios

	12-16A	12-17E	12-18E
Dupont			
Net profit margin	23.2%	22.0%	24.0%
Asset turnover	0.47	0.47	0.44
ROAA	10.9%	10.4%	10.5%
Avg assets/avg equity	1.57	1.73	1.76
ROAE	17.1%	18.0%	18.5%
Efficiency			
Days account receivable	38.2	44.4	44.4
Days inventory	4.94	7.03	7.03
Days creditor	33.4	68.3	67.8
Fixed asset turnover	0.95	1.16	1.46
ROIC	11.6%	10.5%	11.9%
Liquidity			
Current ratio	2.04	3.40	4.04
Quick ratio	2.01	3.37	4.01
Cash ratio	1.23	2.85	3.48
Cash cycle	9.7	(16.9)	(16.4)
Growth rate (yoy)			
Revenue growth	16.6%	24.2%	10.1%
Operating profit growth	3.1%	15.1%	14.1%
Net profit growth	(10.0%)	17.8%	20.2%
EPS growth	(25.0%)	7.1%	20.2%
Share value			
EPS (VND)	6,067	6,496	7,809
BVPS (VND)	33,266	38,803	45,652
DPS (VND)	0	1,000	1,000

Source: VNDIRECT

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