Saigon Cargo Service Corporation (HSX: SCS)

Gradually Apparent Recovery

(VND bn)	Q3-2020	YoY%	QoQ%	9M-2020	YoY%
Net revenue	167	-10.4%	16.1%	495	-9.7%
PAT-MI	115	-9.9%	15.0%	336	-9.8%
Operating income	116	-12.7%	20.2%	343	-11.1%
Operating income margin	69.3%	-1.8 pps	2.3 pps	69.1%	-1.1 pps

Source: SCS, Rong Viet Securities

Q3-2020 Results: Positive recovery after Covid-19 peak

- SCS's Q3-2020 international cargo volume rebounded from the lows in Q2-2020 thanks to good pandemic responses in Vietnam and some main Asian trading partners of Vietnam. Domestic volume in Q3-2020 grew positively by 4% YoY thanks to Bamboo Airways' launch of a wide-body fleet and Vietnam's full resumption of domestic flight.
- Q3-2020 results showed a positive recover despite remaining low compared to the same period last year. Accordingly, Q3-2020 net revenue reached VND 167 billion (+16% QoQ, -10% YoY). PBT and PAT reached VND 124 billion (+14% QoQ, -9% YoY) and VND 115 billion (+15% QoQ, -10% YoY), respectively.

FY2020 – FY2021 Outlook: Keep the pace of recovery in the new normal

- For FY2020, SCS's international cargo volume is estimated at 150 thousand tons (-10% YoY) after currently good recovery of volume. Thus, revenue and PBT are expected to reach VND 704 billion (-6% YoY) and VND 492 billion (-2% YoY), respectively.
- For 2021-2022, the aviation industry is expected to improve from the lows of FY2020, despite the uncertainty about the recovery speed as it depends on the progress of vaccines production and distribution.

Valuation and recommendation

We maintain our standpoint that SCS has a good competitive advantage thanks to the pure duopoly position in the largest airport in Vietnam - Tan Son Nhat International Airport. The economic moat helps SCS sustain its competitive position, including: (1) limited land funds in the southern airport, (2) infeasible investment of the cargo terminal built in the northern airport after FY2025 due to its far location from passenger terminals. In addition, SCS has huge room for its capacity growth, while its main rival faces difficulty to ramp up its design capacity due to technology and land fund issues. As a result, SCS has achieved high return on capital for many years, supported by a debt-free balance sheet. In our view, the Covid-19 is short-term headwinds for SCS.

*Currently, SCS is trading at a fairly reasonable price, with P/E forward FY2020 of 13.8, corresponding to an earning yield (E/P) of 7.2%, which is higher than the average of VND savings deposit rate of 6.4% in one-year term. We propose SCS's target price of **129,400 VND per share with total return of 19%** (compared to the closing price on October 30/10/2020; including cash dividends) and thus recommend to **ACCUMULATE SCS when buying price ensures high margin of safety.***

ACCUMULATE +19%

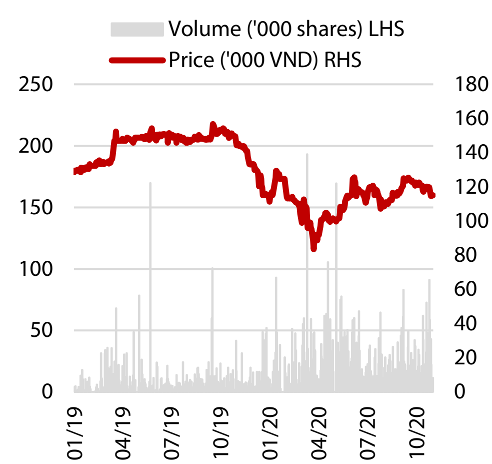
Target price (VND)	129,400
Current market price (VND)	114,600
Cash dividend (VND)*	7,200
(*) Expected in 12 months	

Stock Info

Sector	Air freight
Market Cap (VND Bn)	6,074
Current Shares O/S	50.7
Avg. Daily Volume (in 20 sessions)	33,689
Free float (%)	98.3
52 weeks High	149,500
52 weeks Low	83,471
Beta	0.8

	FY2019	Current
EPS	9,306	9,327
EPS Growth (%)	14.25	-3.0
Diluted EPS	9,306	9,327
P/E	12.9	12.8
P/B	6.5	5.6
EV/EBITDA	10.2	10.8
Cash dividend yield (%)	6.7	0
ROE (%)	53.4	22.6

Price performance



Major Shareholders (%)

GMD	31.8
ACV	12.9
PYN Elite Fund	5.3
Remaining Foreign Room (%)	*27.0*

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Exhibit 1: Q3-2020 Results

(VND bn)	Q3-2020	Q2-2020	QoQ%	Q3-2019	YoY%
Net revenue	167	144	16.1%	187	-10.4%
Gross profit	131	110	18.5%	149	-12.2%
SG&A	15	14	6.5%	16	-8.6%
Operating income	116	97	20.2%	133	-12.7%
EBITDA	129	110	17.8%	147	-11.7%
EBIT	116	97	20.2%	133	-12.7%
Financial expenses	-	0	-100.0%	-	-
- Interest Expenses	-	-	-	-	-
Dep. and amortization	13	13	0.4%	14	-2.9%
Non-recurring items					
Extraordinary items					
PBT	124	109	13.8%	136	-9.3%
PAT-MI	115	100	15.0%	127	-9.9%
Adjusted PAT	115	100	15.0%	127	-9.9%

Source: SCS, Rong Viet Securities

Exhibit 2: Q3-2020 Performance Analysis

Particulars	Q3-2020	Q2-2020	QoQ%	Q3-2019	YoY%
Profitability Ratios					
Gross Margin	78.1%	76.5%	1.6 pps	79.7%	-1.7 pps
EBITDA Margin	0.0%	76.2%	-76.2 pps	78.5%	-78.5 pps
EBIT Margin	69.3%	66.9%	2.3 pps	71.1%	-1.8 pps
Net Margin	73.7%	75.3%	-1.5 pps	72.9%	0.9 pps
Adjusted Net Margin	68.5%	69.1%	-0.7 pps	68.1%	0.3 pps
Turnover (x)					
-Inventories	-	-	-	-	-
-Receivables	3	3	0	10	-7
-Payables	1	1	0	3	-3
Leverage					
Total Liabilities/ Equity	7.5%	36.2%	-28.6 pps	6.3%	1.2 pps

Source: Rong Viet Securities

Exhibit 3: Q4-2020 Performance Forecast

Particulars (VND bn)	Q4-2020	QoQ%	YoY%
Net sale	173	3.5%	-13.0%
Gross profit	136	3.7%	-15.2%
EBIT	121	3.8%	-14.9%
PAT-MI	106	-7.5%	-21.8%

Source: Rong Viet Securities

Q4-2020 forecast assumptions:

- The number of regular international commercial flights in Q4 hardly recovers to the precrisis level.
- Covid-19 responses in Vietnam is expected to remain good, thus the number of domestic flights keeps fully resumed.
- Q4 international and domestic cargo volume are estimated at 40 thousand tons (-8% YoY, +5% QoQ) and 14 thousand tons (+4% YoY, +2% QoQ), respectively.
- Apron leasing new contract could not been completed till next year.

Q3-2020 Update

Q3-2020 Results was more positive than the lows of Q2-2020 thanks to cargo volume recovery, which is in line with our forecast

Table 4: Q3-2020 & 9M-2020 Results

Unit: VND bn	Q3-2020	YoY%	QoQ%	9M-2020	YoY%	% Plan	% Forecast
Net sales	**167**	**-10.4%**	**16.1%**	**495**	**-9.7%**	**75.1%**	**70.4%**
1. Cargo terminal services	156	-10.5%	16.9%	495	-9.7%		75.4%
2. Apron leasing	0	-95.1%	7.5%	0	-95.1%		74.9%
3. Offices leasing and related services	11	2.5%	8.3%	34	3.5%		74.7%
Gross profit	**131**	**-12.2%**	**18.5%**	**387**	**-11.0%**		**69.4%**
SG&A	-15	-8.6%	6.5%	-45	-10.1%		
Operating income	**116**	**-12.7%**	**20.2%**	**343**	**-11.1%**		**68.8%**
Financial revenue	8	105.4%	-37.9%	21	137.5%		
Financial expenses	0	-	-100%	0	187%		
PBT	**124**	**-9.3%**	**13.8%**	**362**	**-7.8%**	**80.3%**	**68.6%**
PAT-MI	**115**	**-9.9%**	**15.0%**	**336**	**-9.8%**		**68.2%**
GPM	*78.1%*	*1.6 pps*	*1.6 pps*	*78.2%*	*-1.1 pps*		
EBIT	*69.3%*	*-1.8 pps*	*-0.8 pps*	*69.1%*	*-1.1 pps*		
PBT margin	*73.7%*	*0.9 pps*	*2.3 pps*	*73.0%*	*1.5 pps*		
Net margin	*68.5%*	*0.3 pps*	*-1.5 pps*	*67.8%*	*-0.1 pps*		

Source: SCS, Rong Viet Securities

SCS's international cargo volume in Q3-2020 recovered strongly compared to the lows in Q2-2020. Covid-19 responses in Vietnam and some main Asian trading partners of Vietnam (China, Korea, ASEAN) in Q3-2020 is generally better than the pandemic peak in Q2. Thus, SCS's international cargo volume improved substantially, reaching 38 thousand tons (+22.8% QoQ), but keeping low compared to the same period last year (-8.3% YoY). Accumulated 9M-2020, international cargo volume decreased by more than 10% YoY, reaching 110 thousand tons.

Q3-2020 domestic cargo volume demonstrated remarkable resilience. The volume recovered strongly compared to Q2-2020 and recorded positive growth of nearly 4% YoY, helping accumulated 9M-2020 domestic volume reach precrisis level of FY2019. Compared to Q2-2020, domestic cargo volume ramped up by 22.8% QoQ thanks to a 23% QoQ increase of domestic flights of Vietjet Air and Bamboo Airways (two domestic customers of SCS). Compared to the same period of 2019, SCS's domestic cargo volume grew markedly by nearly 4% thanks to Bamboo Airways's launch of 3 wide-body aircrafts (Boeing 787-9 Dreamliner) in early 2020, and full resumption of domestic flights.

We note that the belly capacity on Bamboo's wide-body Boeing 787-9 Dreamliner is nearly five times higher than the narrow-body Airbus A321 and six times higher than Airbus A320. Therefore, the cargo capacity on one flight of this wide-body fleet can reach 60% of a narrow-body fleet of 23 Airbus aircraft, which greatly ramps up belly capacity of Bamboo Airways.

Accumulated 9M-2020, SCS's domestic cargo volume reached nearly the same level as the same period of 2019, with the volume reaching 39 thousand tons (-0.2% YoY).

Table 5: SCS cargo volume in Q3-2020 and 9M-2020 (thousand tons)

	Q3-2020	YoY%	QoQ%	9M-2020	YoY%	% Plan
Total cargo volume	**52**	**-5.4%**	**21.7%**	**149**	**-7.8%**	**78.4%**
International cargo volume	38	-8.3%	21.3%	110	-10.2%	76.6%
Domestic cargo volume	14	3.7%	22.8%	39	-0.2%	83.9%

Source: SCS, Rong Viet Securities

Accordingly, Q3-2020 net revenue increased positively at 16% compared to Q2-2020, reaching VND 167 billion, but decreased by more than 10% YoY. The main revenue source is the cargo terminal operation contributing 93% of total revenue in Q3-2020. It recorded positive revenue compared to Q2-2020, reaching VND156 billion (+16.9% QoQ, -10.5% YoY). Correspondingly, SCS's total operating profit recovered significantly, reaching VND 116 billion (+20.2% QoQ, -12.7% YoY).

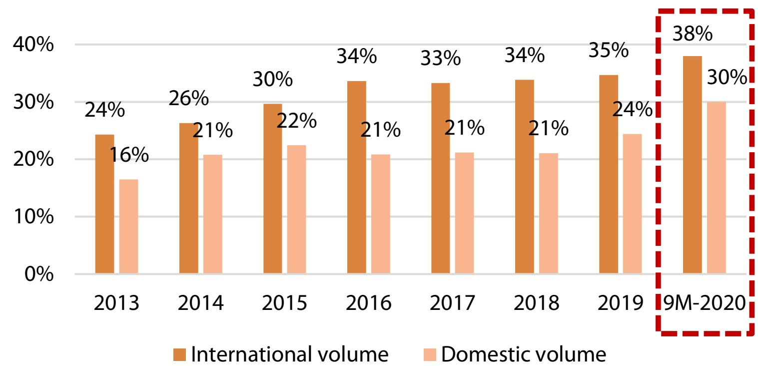
Q3-2020 financial revenue decreased by nearly 38% QoQ due to the decrease in bank deposit balance (approx VND 134 billion) for cash dividend payment (approx VND 254 billion) in July 2020. SCS recorded financial revenue in Q3 of VND 8 billion which is mainly deposit interest of VND 5 billion, down sharply from VND 9 billion in Q2-2020. However, thanks to lending VND 165 billion to GMD and

GMD's subsidiary (V.N.M General Transportation Services) with interest rate of over 8% per year, SCS recorded a 105% increase in financial revenue compared to the same period last year. As a result, PBT and PAT were more positive than the previous quarter but still decreased markedly over the same period, 124 billion (+13.8% QoQ, -9.3% YoY) and 115 billion (+15.0% QoQ, -9.9% YoY, respectively).

A new airport leasing contract with ACV will be signed when regular commercial international flights return to normal. SCS hardly recorded revenue from apron leasing in 9M-2020 due to the previous contract expired in early February 2020 and ACV has not negotiated a new contract owing to Covid-19 impact. Accumulated 9M-2020, SCS has recorded a loss of nearly VND 4 billion in this business segment.

SCS's market share has improved positively, demonstrating its competitive position in keeping and attracting customers. According to BoD, the international market share of SCS in 9M-2020 reached 38% (up 3 pps compared to the beginning of the year), the domestic market share reached 3 00% (up 6 pps compared to the beginning of the year). SCS's international market share improved thanks to new contracts with six new airlines from May 2020, including the 4th largest airline in the world in terms of cargo ton-kilometers - UPS Air Cargo. New customers in the Covid-19 context reinforces our view of SCS's competitive advantage in meeting the selection criteria of airlines, thereby supporting SCS's long-term prospect.

Figure 1: SCS's market share in Tan Son Nhat International Airport



Source: SCS, ACV, Rong Viet Securities

Q4-2020 Forecast

SCS's international volume remains low due to insufficient cargo capacity and Vietnamese government's entry suspension policy

Insufficient cargo capacity causes global cargo demand to recover slowly, hence affecting SCS. According to IATA, air cargo demand (measured by seasonally adjusted cargo ton-kilometers) increased for the fourth consecutive month. However, the pace of improvement slowed, decreasing from 8.8% MoM in May to around 1% MoM in August, continuing to remain relatively low compared to the same period last year (-13% YoY). The reason is that international belly capacity is still scarce and airlines has not been able to raise dedicated freighters capacity as much as needed, causing global belly freight capacity (measured by Available cargo ton-kilometers) to plummet compared to the pre-Covid-19 level. Accumulated 8T-2020, global cargo capacity slumped 25% YoY.

Table 6: Global cargo ton-kilometers (CTKs)and Available cargo ton-kilometers (ACTKs)

	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020
Global air cargo demand (CTKs)								
YoY%	-3.3	-1.4	-15.2	-27.7	-20.3	-17.6	-13.5	-12.6
YTD%	-3.3	-2.7	-7.7	-12.7	-13.8	-14.5	-14.1	-14.0
Global air cargo capacity (ACTKs)								
YoY%	0.9	-4.4	-22.7	-42.0	-34.7	-34.1	-31.2	-29.4
YTD%	-0.9	-1.7	-9.5	-16.7	-20.9	-23.2	-24.2	-24.8

Source: IATA, Rong Viet Securities

SCS's cargo volume is heavily dependent on resumption of regular international commercial flights. SCS's customers are mostly passenger airlines, accounting for 57% of total customers. According to BoD, the cargo volume of these passenger airlines accounted for around 60% of SCS's total cargo volume in pre-pandemic periods. Therefore, SCS is heavily dependent on the resumption of regular international commercial flights to guarantee a recovery in the coming period.

SCS is influenced by the entry suspension policy of the Vietnamese government. The number of Vietnam's inbound and outbound regular international commercial flights can not reach to FY2019 precrisis level at least until the end of this year due to the entry suspension policies of the Vietnamese government to all foreigners with limited exemptions, thereby affecting belly capacity.

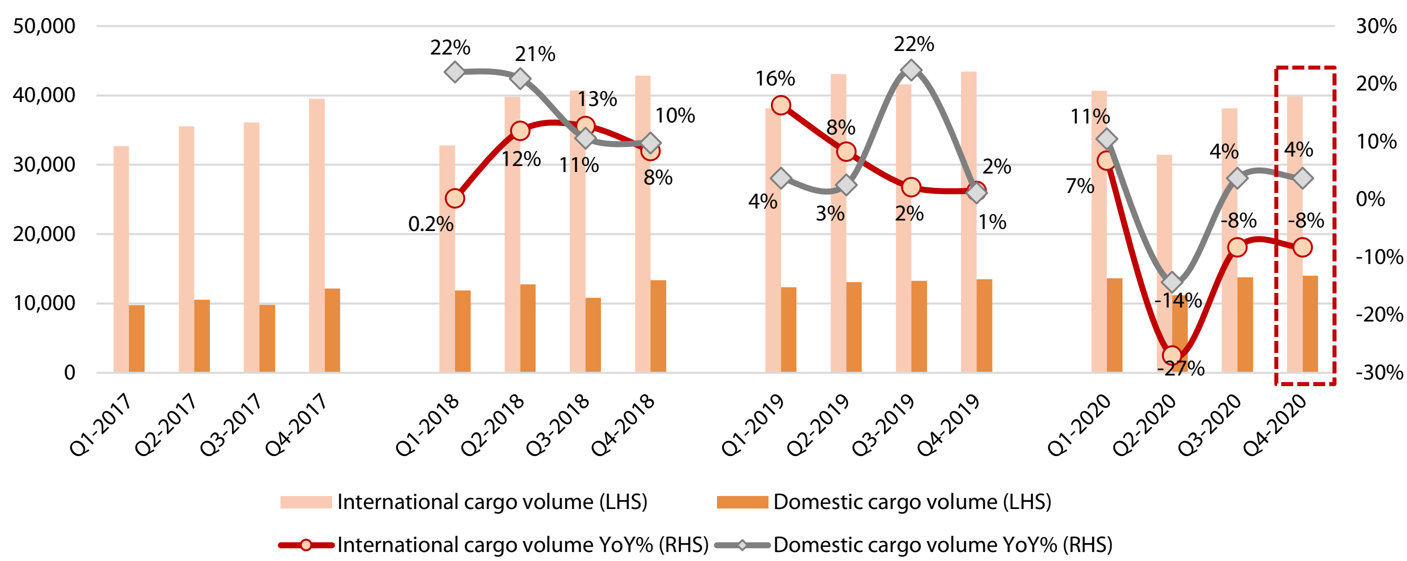
In addition, in our view, despite the completion of the process of entry and quarantine between Vietnam and a few countries in coming periods, the international pax will still decrease sharply, making it hard for regular commercial international flights to bounce back to pre-pandemic level. According to the IATA survey, above 80% of travelers will not fly if they have to quarantine on arrival. In addition, the Vietnamese government requires that all entrants into Vietnam will be placed under medical surveillance for at least 28 days. Thus, the quarantine has the same impact as border closures and social distancing to volume of passengers and cargo. Therefore, it will seriously affect the air travel demand.

In summary, we estimate that the international volume in Q4-2020 of SCS could not bounce back to the level of Q4-2019. The volume will reach about 40 thousand tons (-8.3% YoY, +4.5% QoQ), accounting for 74% of total volume.

Domestic cargo volume outlook maintains positive thanks to resuming domestic flights and year-end shopping peak season

The number of domestic flights in Q3-2020 shows a clear recovery with the number of domestic flights increasing sharply by 30% QoQ. The full resumption of domestic flights helped SCS's domestic cargo volume continue to recover in Q4-2020. In addition, Q4 is usually the peak time of cargo volume due to year-end shopping season. Accordingly, domestic cargo volume in Q4-2020 is estimated at 14 thousand tons (+3.7% YoY, +1.7% QoQ).

Figure 2: Quarterly SCS's international and domestic volume (thousand tons)



Source: SCS, Rong Viet Securities

FY2020 Outlook

Accumulated in FY2020, we forecast the SCS's international cargo volume would reach around 150 thousand tons (-9.7%YoY) after its recently apparent recovery, but keeping low compared to the same period last year. Accordingly, revenue and PAT reached VND 669 billion (-10.6% YoY) and VND 454 billion (-9.6% YoY), respectively.

Table 7: Q4-2020 and FY2020 Result Estimation

Unit: VND bn	Q4-2020	YoY%	FY2020	YoY%
Total volume (thousand tons)	**54**	**-5.4%**	**203**	**-7.2%**
International volume (thousand tons)	40	-8.3%	150	-9.7%

Domestic volume (thousand tons)	14	3.7%	53	0.8%
Net sale	**173**	**-13.0%**	**669**	**-10.6%**
Gross profit	136	-15.2%	523	-12.1%
Operating income	121	-14.9%	463	-12.1%
PBT	127	-12.5%	489	-9.1%
PAT-MI	**118**	-12.8%	**454**	**-9.6%**
EPS (VNĐ) *	**2,329**	**-13.4%**	**8,310**	**-16.7%**

*Source: SCS, Rong Viet Securities, *adjusted for preferred dividend, ESOP & Bonus and welfare fund.*

Expected recovery in FY2021 - FY2022 from the low base in FY2020

In FY2021 - FY2022, we expect the aviation industry bounce back from FY2020 level, despite uncertainty about the speed of recovery. The pace of recovery depends on the progress of vaccines production and distribution. In addition, psychological impact of Covid-19 on travel behaviors and travel decisions in the next normal are difficult to predict, thus, we construct scenarios for international cargo volume growth from FY2021 as follows:

Table 8: International volume growth scenarios

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	Note
Base Case		-9.7%	**5%**	**7%**	**10%**	**10%**	Volume is not fully recovered until FY2022, which means it takes 2 year for full recovery to the precrisis level, based on cautious assumptions that the number of regular commercial international flights could not bounce back in FY2021 because of Covid-19 psychological impact on travel decisions
Volume (thousand tons)	166	150	158	169	186	204	
Best Case		-9.7%	**10%**	**10%**	**10%**	**10%**	Volume rebounds quickly to FY2019 level next year
Volume (thousand tons)	166	150	165	182	200	220	
Worst Case		-9.7%	**1%**	**3%**	**7%**	**7%**	Volume recovers slowly and takes three years (until FY2023) to reach FY2019 level
Volume (thousand tons)	166	150	152	156	167	179	

Source: Rong Viet Securities

Table 9: FY2021 - FY2022 Forecast – Base Case

Unit: VND bn	FY2021	YoY%	FY2022	YoY%
Total cargo volume (thousand tons)	**214**	**5.8%**	**230**	**7.3%**
International cargo volume (thousand tons)	158	5.0%	169	7.0%
Domestic cargo volume (thousand tons)	57	8.0%	61	8.0%
Net sale	**751**	**6.7%**	**804**	**7.0%**
Gross profit	598	7.2%	643	7.5%
Operating income	534	7.2%	575	7.6%
PBT	571	8.4%	617	7.9%
PAT-MI	**534**	**8.4%**	**576**	**7.9%**
EPS (VND/ share) *	**9,071**	**9.2%**	**9,846**	**8.6%**

*Source: SCS, Rong Viet Securities, *adjusted for preferred dividend, ESOP & Bonus and welfare fund*

Table 10: FY2021 - FY2022 Forecast – Best Case

Unit: VND bn	FY2021	YoY%	FY2022	YoY%
Total cargo volume (thousand tons)	**222**	**9.5%**	**243**	**9.5%**
International cargo volume (thousand tons)	165	10.0%	182	10.0%
Domestic cargo volume (thousand tons)	57	8.0%	61	8.0%
Net sale	**775**	**10.2%**	**846**	**9.1%**
Gross profit	620	11.3%	682	9.9%
Operating income	555	11.4%	610	10.0%
PBT	592	12.4%	652	10.2%
PAT-MI	**553**	**12.4%**	**609**	**10.2%**
EPS (VND/ share) *	**9,424**	**13.4%**	**10,458**	**11.0%**

*Source: SCS, Rong Viet Securities, *adjusted for preferred dividend, ESOP & Bonus and welfare fund*

Table 11: FY2021 - FY2022 Forecast – Worst Case

Unit: VND bn	FY2021	YoY%	FY2022	YoY%
Total cargo volume (thousand tons)	**208**	**2.8%**	**218**	**4.4%**
International cargo volume (thousand tons)	152	1.0%	156	3.0%
Domestic cargo volume (thousand tons)	57	8.0%	61	8.0%
Net sale	**732**	**3.9%**	**763**	**4.3%**
Gross profit	580	3.9%	605	4.4%
Operating income	518	3.9%	540	4.4%
PBT	555	5.3%	582	4.9%
PAT-MI	**518**	**5.3%**	**544**	**4.9%**
EPS (VND/ share) *	**8,787**	**5.7%**	**9,257**	**5.3%**

*Source: SCS, Rong Viet Securities, *adjusted for preferred dividend, ESOP & Bonus and welfare fund*

Valuation

SCS is trading at a fairly reasonable price, with P/E forward FY2020 of 13.8, corresponding to an earning yield (E/P) of 7.2%, which is higher than the average of VND savings deposit rate of 6.4% in one-year term. SCS's high ROE and ROIC and show improvement year by year, reaching 50% and 67% in 2019, respectively. In addition, SCS has a strong balance sheet with no debt outstanding.

Using the FCFF Cash Flow Discount method (WACC 11.1%, FCFF terminal growth of 3.0%), we propose a target price of SCS of VND 129,400 per share at our Base Case scenario, equivalent to P/E forward FY2020 of 15.6 (E/P 6.4%) and P/E forward FY2021 is 14.3 (E/P 7.0%). The rate of return accordingly reaches 19% (compared to the closing price on 30/10/2020; including cash dividends), **we recommend to ACCUMULATE this stock for one-year investment horizon when buying price range ensures a high and reasonable margin of safety.**

We estimate that SCS's cash dividend for FY2020 would be around VND 7,200 per share, down from 8,000 VND per share last year, corresponding to a dividend payment rate of 80%. SCS can afford to pay VND 365 billion in dividends thanks to the free cash flow in FY2020 - FY2021 of around VND 500 bn per annum when CAPEX demand is low due to the SCSC-2 building project (about VND 200 bn of CAPEX) is waiting for approval from Ministry of Defense.

Table 12: DCF Summary

Unit: VND bn			
Risk-free rate	1.6%	Enterprise Value (VND bn)	6,509
Equity risk premium	11.4%	Less: Total Debt (VND bn)	-
Adjusted Beta	0.8	Plus: Cash and Cash Equivalents (VND bn)	59
Cost of Equity	**11.1%**	Less: Minority interest (VND bn)	-
After-tax Cost of Debt	**5.5%**	**Implied Equity Value (VND bn)**	**6,567**
% Market value of Equity / Total assets	100%		
% Total Debt / Total assets	0%	Number of outstanding shares (million shares)	50.7
WACC	**11.1%**	**Target price (VND/ share)**	**129,418**

Source: Rong Viet Securities

Table 13: Sensitivity analysis

		FCFF terminal growth rate				
		1.0%	**2.0%**	**3.0%**	**4.0%**	**5.0%**
WACC	**9.1%**	120,801	128,518	137,779	149,098	163,247
	10.1%	117,158	124,588	133,504	144,402	158,025
	11.1%	113,674	120,831	**129,418**	139,914	153,034
	12.1%	110,342	117,237	125,510	135,622	148,262
	13.1%	107,153	113,797	121,771	131,516	143,698

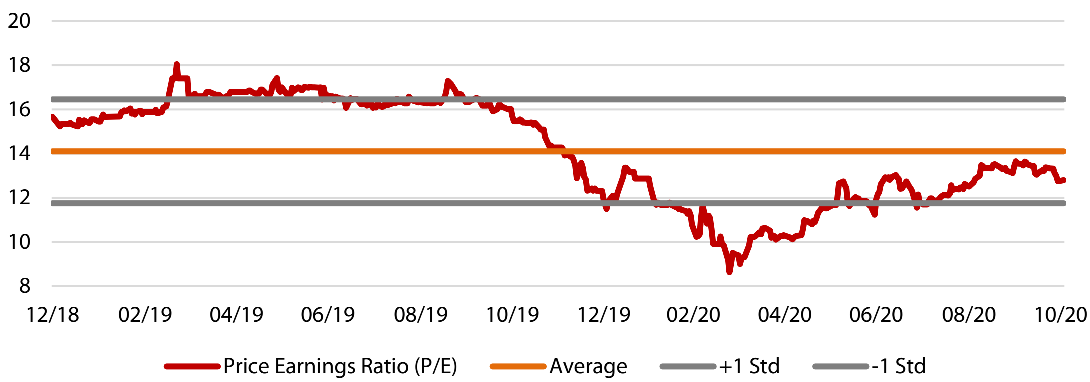
Source: Rong Viet Securities

Table 14: Scenarios summary (VND/ share)

Scenarios	Target price	Return (dividend included)	Return (dividend excluded)
Base Case	129,400	19.2%	12.9%
Best Case	136,300	25.2%	18.9%
Worst Case	119,500	10.6%	4.3%
Reward/ risk ratio		*2.4*	*4.4*

Source: Rong Viet Securities

Figure 3: Historical T12M P/E Multiple



Source: Bloomberg, Rong Viet Securities

VND bn

INCOME STATEMENT	FY2018	FY2019	FY2020F	FY2021F
Revenue	675	748	704	751
COGS	147	153	146	153
Gross profit	528	595	558	598
Selling expenses	0	0	0	0
G&A expenses	67	68	60	64
Financial income	8	14	29	37
Financial expense	0	1	0	0
Other income/loss	-2	-2	0	0
PBT	**467**	**538**	**527**	**571**
Tax expense	30	35	35	38
Minority interests	0	0	0	0
PAT	**437**	**502**	**492**	**534**
EBIT	461	527	498	534
EBITDA	516	582	548	585

%

FINANCIAL RATIO	FY2018	FY2019	FY2020F	FY2021F
Growth				
Revenue	14.8%	10.8%	-5.9%	6.7%
EBITDA	16.5%	12.7%	-5.9%	6.7%
EBIT	19.1%	14.2%	-5.4%	7.2%
PAT	21.4%	14.9%	-2.0%	8.4%
Total assets	-1.9%	10.6%	1.9%	9.5%
Total equity	-3.2%	13.5%	1.8%	9.8%
Profitability				
Gross margin	78.2%	79.5%	79.2%	79.6%
EBITDA margin	76.5%	77.8%	77.8%	77.8%
EBIT margin	68.3%	70.4%	70.8%	71.1%
Net margin	64.7%	67.1%	69.9%	71.1%
ROA	45.0%	46.8%	45.0%	44.5%
ROE	49.4%	50.0%	48.1%	47.5%
Efficiency				
Receivables turnover	5.1	5.9	6.7	6.7
Inventories turnover	60.422	54.724	-	-
Payables turnover	2.0	2.9	2.2	2.2
Liquidity				
Current	3.6	8.0	7.3	8.9
Quick	3.6	8.0	7.3	8.9
Finance Structure				
Total debt/equity	0.0%	0.0%	0.0%	0.0%
ST debt/equity	0.0%	0.0%	0.0%	0.0%
LT debt/equity	0.0%	0.0%	0.0%	0.0%

VND bn

BALANCE SHEET	FY2018	FY2019	FY2020F	FY2021F
Cash and cash equivalents	47	66	168	251
Short-term investments	30	180	201	251
Accounts receivable	133	127	106	113
Inventories	0	0	0	0
Other current assets (inc. non-trade receivables)	58	42	7	2
Property, plant & equipment	631	588	542	512
Acquired intangible assets (inc. Goodwill)	5	3	3	2
Long term investments	0	0	0	0
Other non-current assets	67	68	68	68
Total assets	**971**	**1,073**	**1,094**	**1,198**
Accounts payable	74	52	66	69
Short-term borrowings	0	0	0	0
Long-term borrowings	0	0	0	0
Other non-current liabilities	12	4	6	6
Bonus and Welfare fund	0	13	0	0
Technology-science development fund	0	0	0	0
Total liabilities	**86**	**69**	**72**	**75**
Common stock and APIC (additional paid in capital)	592	611	611	611
Treasury stock (enter as -)	0	0	0	0
Retained earnings / accumulated deficit	284	385	403	504
Other comprehensive income / (loss)	0	0	0	0
Investment and Development Fund	9	9	9	9
Total equity	**885**	**1,004**	**1,022**	**1,123**
Minority Interest	0	0	0	0

VALUATION RATIO	FY2018	FY2019	FY2020F	FY2021F
EPS (VND/ share)	9,971	8,310	9,071	9,846
P/E (x)	12.9	13.3	12.2	11.3
BV (VND/ share)	19,939	20,146	22,127	24,092
P/B (x)	6.0	5.9	5.4	5.0

VALUATION MODEL	Price	Weight	Average
DCF	129,418	100%	129,418

Target price (VND/ share)

VALUATION HISTORY	Price	Recommendation	Period
Nov 2018	147,000	ACCUMULATE	Long-term
Mar 2020	122,500	BUY	Long-term
Jul 2020	130,000	ACCUMULATE	Long-term

RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report. we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information. investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

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