Superdong Kien Giang High speedboat JSC (SKG – HSX)

Using tailwind for a boost

Particulars (VND bn)	Q4-FY15	Q3-FY15	*+/- qoq*	Q4-FY14	*+/-yoy*
Net revenue	86.8	68.5	27%	63.6	36%
PAT	54.0	37.7	43%	34.8	55%
EBIT	55.7	39.3	42%	36.2	54%
EBIT margin	64.2%	57.3%	689bps	56.9%	731bps

Sources: SKG, RongViet Research

Advantages from the development of Phu Quoc and lowering fuel costs. In 1Q2016, SKG's revenue and NPAT reached VND86.84 billion and VND 54.02 billion respectively, equivalent to an increase of 36.4% and 55.4% yoy. Favorable business performance has been sustained because (1) Adding more capacity from Superdong IX and X in 1Q2016; (2) Phu Quoc – Nam Du has become an attractive destination which enables SKG to maintain high level of boat utilization in three main routes.

2016 Outlook: Optimistic performance

In April 10th, 2016, Kien Giang was the host for the National Tourism Year 2016: Phu Quoc – Mekong Delta. Thus, it seems to be a highlight spot for Mekong Delta's tourism industry and more particularly, Phu Quoc island. Phu Quoc island is expected to welcome more than 2 million tourists, growing at 23% compared to 2015. In the long-run, we suppose that Phu Quoc is going to continue to attract higher numbers of tourists. Therefore, high growth in tourism demand will open up many opportunities for companies operating in compliance with the development of Phu Quoc – Kien Giang.

In 2016, continuing to benefit from the development of Phu Quoc as well as lowering DO price, SKG's earning result is expected to surge thanks to (1) SKG's number of travelers will grow by 36% in 2016 thanks to rising transport demand; (2) DO price (accounting for ~ 40% of COGS) remained low, thus, SKG's GMP likely improve to 70% Under the assumption of average oil price being USD45/barrel in 2016. RongViet Research estimates SKG' s 2016 revenue and NPAT at VND398.4bn (+31% yoy) and VND 235.5bn (+35% yoy), respectively. 2016 EPS is VND 8,071*.

Recommendation and Valuation:

In 1Q2016, SKG's gross profit margin continued to improve compared to previous quarters thanks to rising tourist arrivals and low fuel prices. With performance closely tied to Phu Quoc island developments, SKG's earnings are projected to peak in 2Q2016 and 3Q2016 (from January to August)/ However, direct (Ngoc Thanh and Thanh Thoi ferry) and indirect competition from budget airlines, with expanding capacities, remains a threat to SKG's business.

Combining discounted cash flow (FCFF) and relative valuation (P/E), we believe the appropriate price for SKG share shall be appropriately priced at VND 120,000/share. Based on the closing price on April 27th, 2016, we suppose that this stock will become more reasonable after paying stock dividend. At 2016 AGM, the company approved the 2015 dividend payment plan of 10% in cash and 40% in stock. We expect this will occur in Q2/2017.

**Based on 2016 average share outstanding.*

NEUTRAL

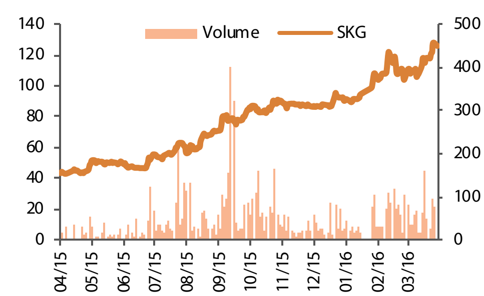
CMP (VND)	122,000
Target Price (VND)	120,000
Investment Period	**Long-term**

Stock Info

Sector	Travel & Leisure
Market Cap (VND bn)	2,154
Current Shares O/S	24.48
Beta	0.42
Free float (%)	31.6
52 weeks High	128,000
52 weeks Low	43,033
Avg. Daily Volume (in 20 sessions)	45,917

	FY15	Current
EPS	**7,267**	**8,502**
EPS Growth	68.92%	38.85%
Diluted EPS	7,267	8,502
P/E	12.1	14.6
P/B	4.18	5.33
EV/EBITDA	14.49	12.76
Cash dividend (on par)	10%	10%
ROE	40.7%	39.65%

Price performance



Major Shareholders (%)

Puan Kwong Siing	22.12
Nguyen Thi Thien Huong	11.21
Quach Hong	7.74
Foreign Investor Room (%)	2.08

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Exhibit 1: 1QFY2016

Particulars (VND bn)	1QFY16	4QFY15	%chg (qoq)	1QFY15	%chg (yoy)
Net Revenues	86.8	68.5	26.6%	63.6	36.4%
Gross profits	60.6	28.9	109.6%	41.1	47.3%
SG&AC	8.3	5.8	43.4%	6.3	32.9%
Operating Income	52.3	23.1	126.2%	34.9	49.9%
EBITDA	47.0	58.0	-18.9%	40.7	15.6%
EBIT	55.7	39.3	41.8%	36.2	53.9%
Financial expenses	0.0	0.1	0%	0.0	0.0
- Interest Expenses					
Dep. and amortization	5.6	4.8	16.7%	4.5	24.1%
Non-recurring Items (*)					
Extraordinary Items (*)					
PBT	55.7	39.3	41.8%	36.2	53.9%
PAT	54.0	37.7	43.3%	34.8	55.4%
(*) Adjusted PAT	54.0	37.7	43.2%	34.8	55.3%

Sources: SKG, RongViet Research

Exhibit 2: 1QFY2016 performance analysis

Particulars	1QFY16	4QFY15	% Chg. (qoq)	1QFY15	% Chg.(yoy)
Profitability Ratios (%)					
Gross Margin	69.8%	42.2%	2,765bps	64.6%	520bps
EBITDA Margin	70.6%	64.3%	635bps	63.9%	668bps
EBIT Margin	64.2%	57.3%	689bps	56.9%	731bps
Net Margin	62.3%	55.0%	724bps	54.6%	762bps
Adjusted Net Margin	62.2%	55.0%	720bps	54.6%	759bps
Turnover *(x)					
-Inventories	28.9	20.9	7.9	16.5	12.4
-Receivables	9.5	4.4	5.1	6.1	3.4
-Payables	11.3	23.1	-11.7	9.2	2.1
Leverage (%)					
Total Debt/ Equity	0.0	0.0	0.0	0.0	0.0

Sources: SKG, (*) Annualized turnover

Infographic:

The increasing number of visitors to Phu Quoc Island. In Q1/2016, Phu Quoc welcomed more than 430 thousand tourists, upped 17% yoy. In which, domestic tourists accounted for 83%, upped 20% yoy.

Lower fuel price helps SKG's gross profit margin. According to Hiephoixangdau.vn, 1Q2016 average diesel oil was at VND10,166/litter, downed 36.3% and 25% as compared to 1Q2015 and 4Q2015. Thus, the Q12016 gross profit margin went up by 70%.

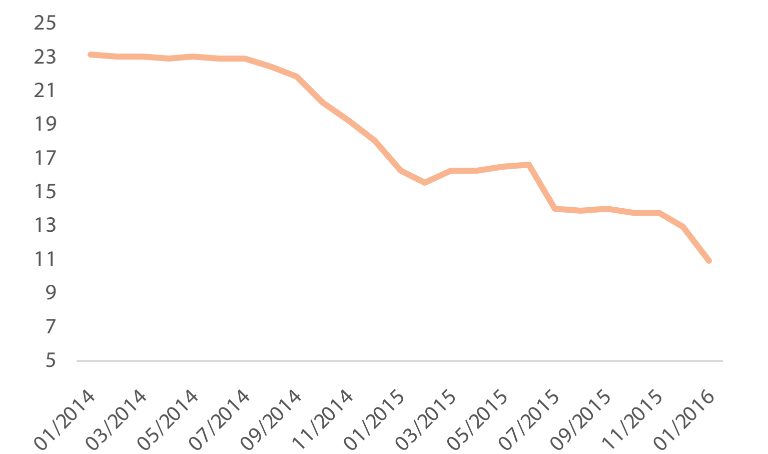
Highlights of main operating routes:

- *Rach Gia – Phu Quoc route*: five boats (Superdong III, IV, V, VIII và X) with high level of boat utilization rates at 80-85%.

- *Ha Tien – Phu Quoc route*: three boats (Superdong VI, VII và IX) with high level of boat utilization rate at 70-75%. The company had plan to add on new boat (Superdong XI) on this route in Q2/2017.

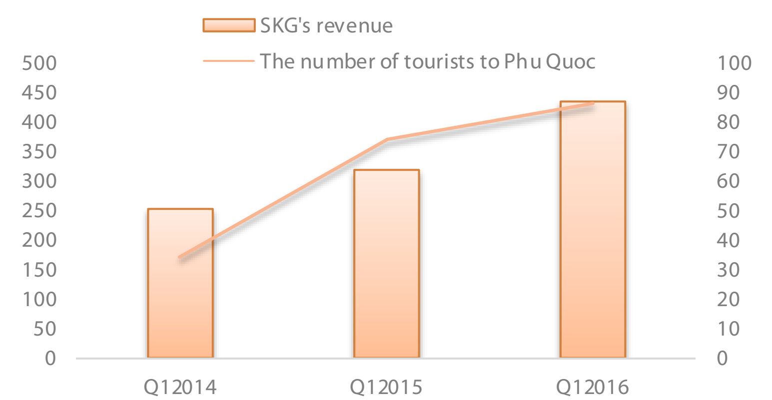
- *Rach Gia –Nam Du route*: this route is opened on June, 2016 with two boats (Superdong I and II). Due to high tourism demand in Nam Du Island, Superdong XII is expected to add on this route in Q2/2017.

DO price movement (area 2) (unit: VND/litter)



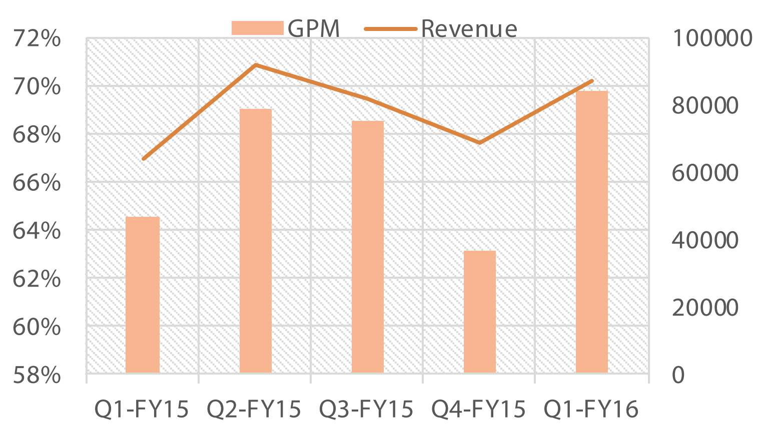
Source: SKG

The number of tourists to Phu Quoc (unit: thousand people)



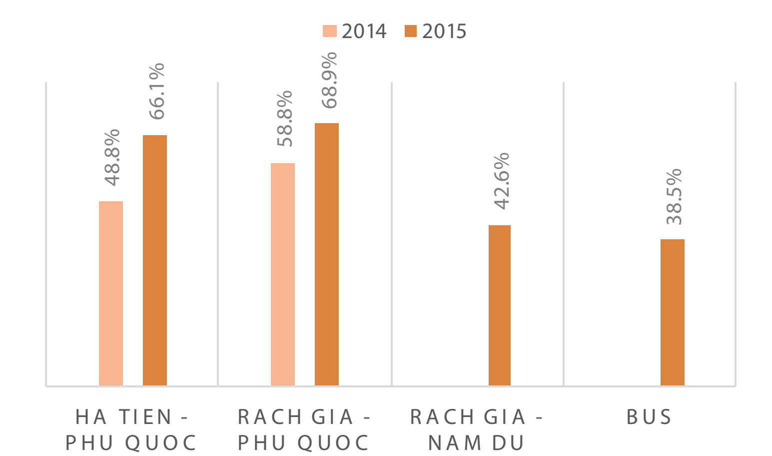
Source: SKG, RongViet Research

Gross profit margin



Source: SKG, RongViet Research

Gross margin by segments



Source: SKG, RongViet Research

Appendix: SKG's speedboat fleet information

Name	Investment (USD)	Route	Horsepower (kw)	Capacity (Passenger)	Time operation	Note
Superdong I	500,000	Ha Tien – Phu Quoc	1,600	171	2008	Move to Rach Gia – Nam Du route since June, 2015.
Superdong II	1,350,000	Ha Tien - Phu Quoc	2,060	261	2008	Move to Rach Gia – Nam Du route since October, 2015.
Superdong III	2,349,175	Rach Gia - Phu Quoc	2,080	306	2010	
Superdong IV	2,200,000	Rach Gia - Phu Quoc	2,080	306	2011	
Superdong V	1,650,000	Rach Gia - Phu Quoc	1,518	275	2012	
Superdong VI	1,581,800	Rach Gia - Phu Quoc	1,518	275	2013	Move to Ha Tien – Phu Quoc route since June, 2014.
Superdong VII	1,450,000	Rach Gia - Phu Quoc	1,518	275	2014	Move to Ha Tien – Phu Quoc route since December, 2014.
Superdong VIII	1,450,000	Rach Gia - Phu Quoc	1,518	275	2015	
Supedong IX	1,490,000	Ha Tien - Phu Quoc	1,518	275	2016	Operates since February, 2016
Superdong X	1,490,000	Rach Gia - Phu Quoc	1,518	275	2016	Operates since February, 2016
Ferry F1	N/a	Ha Tien - Phu Quoc	N/a	400	2016	Has plan to operate in Q4/2016
Superdong XI	1,500,000	Ha Tien - Phu Quoc	1,518	275	2017	Has plan to operate in Q1/2017
Superdong XII	1,490,000	Rach Gia – Nam Du	1,518	275	2017	Has plan to operate in Q2/2017

Source: SKG, RongViet Research

VND billion

INCOME STATEMENT	2014A	2015A	2016E	2017F
Revenue	224	305	398	436
COGS	98	102	121	175
Gross profit	**126**	**203**	**278**	**261**
Selling Expense	16	23	32	37
G&A Expense	7	6	8	9
Finance Income	5	7	8	9
Finance Expense	0	0	0	0
Other profits	0	0	0	0
PBT	**108**	**181**	**245**	**224**
Prov. of Tax	5	6	10	8
Minority's Interest	0	0	0	0
PAT to Equity Shareholder	**103**	**175**	**236**	**216**
EBIT	**108**	**181**	**245**	**224**
EBITDA	124	200	265	247

%

FINANCIAL RATIO	2014A	2015A	2016E	2017F
Growth				
Revenue	36.2%	36.3%	30.6%	9.4%
Operating Income	85.2%	67.9%	36.4%	-9.4%
EBITDA	70.3%	61.0%	32.4%	-6.5%
PAT	85.4%	69.5%	34.6%	-8.3%
Total Assets	32.1%	48.0%	1.5%	18.6%
Equity	31.6%	49.8%	0.8%	18.7%
Internal growth rate	27.5%	35.0%	38.9%	16.8%
Profitability				
Gross profit/Revenue	56.4%	66.7%	69.7%	59.9%
Operating profit/ Revenue	46.4%	57.1%	59.7%	49.4%
EBITDA/ Revenue	55.5%	65.6%	66.5%	56.8%
Net margin	48.5%	59.4%	61.6%	49.5%
ROAA	46.1%	57.4%	59.1%	31.3%
ROAE	34.1%	40.7%	45.5%	32.0%
Efficiency				
Receivable Turnover	5.1	5.5	6.0	5.8
Inventory Turnover	17.7	15.1	16.2	21.5
Payable Turnover	11.4	8.8	9.4	11.8
Liquidity				
Current	15.2	26.5	21.0	24.7
Solvency				
Total Debt/Equity	3.2%	2.3%	2.6%	2.2%
Current Debt/Equity	0.0%	0.0%	0.0%	0.0%
Long-term Debt/ Equity	0.0%	0.0%	0.0%	0.0%

VND billion

BALANCE SHEET	2014A	2015A	2016E	2017F
Cash and short-term investment	113	244	306	305
Receivables	48	62	72	78
Inventories	5	8	7	10
Other current assets	2	2	2	2
Total Current Asset	**168**	**316**	**386**	**395**
Fixed Assets	187	210	245	354
Construction in Progress	0	0	0	0
Long-term Investment	0	0	0	0
Other long-term assets	0	0	0	0
Long-term Asset	**187**	**210**	**245**	**354**
Total Asset	**355**	**526**	**631**	**749**
Payables	2	1	3	4
Current Debt	0	0	0	0
Long-term Debt	0	0	0	0
Other long-term liabilities	0	0	0	0
Total Liability	**11**	**12**	**14**	**16**
Owner's Equity	**344**	**515**	**618**	**733**
Capital	200	245	343	343
Retained Earnings	132	247	247	334
Funds & Reverses	12	12	28	56
Others	**0**	**0**	**0**	**0**
Total Equity	**344**	**515**	**618**	**733**
Minority's Interest	0	0	0	0
TOTAL RESOURCES	**355**	**527**	**631**	**749**

VALUATION RATIO	2014A	2015A	2016E	2017F
EPS (dong)	5,162	7,267	8,017	6,301
P/E (x)	8.52	12.11	N/a	N/a
BV (dong)	17,208	21,055	21,230	27,147
P/B (x)	2.56	4.18	4.15	3.24
DPS (dong/cp)	1,000	1,000	3,000	3,000
Dividend yield (%)	2.3%	1.1%	0.82%	2.4%

VALUATION MODEL	*Price*	*Weight*	*Average*
FCFE	115,239	60%	69,143
P/E	125,072	40%	50,029
Target price (dong/share)			**119,172**

VALUATION HISTORY	*Price*	*Recommendation*	*Period*
05/11/2015	111,000	Neutral	Long-term
05/08/2015	100,000	Accumulate	Intermediate term
14/04/2015	64,300	Buy	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 which 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 / Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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