# AIRPORTS CORPORATION OF VIETNAM (UpCOM: ACV)

## Sweet Spot of Earnings Growth Is Insight

| (VND bn) | Q1-FY23 | Q4-FY22 | +/- (qoq) | Q1-FY22 | +/- (yoy) |
|---|---|---|---|---|---|
| Net revenue | 4,728 | 4,109 | 15% | 2,109 | 124% |
| PAT-MI | 1,634 | 1,283 | 27% | 875 | 87% |
| EBIT | 2,353 | 901 | 161% | 426 | 452% |
| EBIT margin | 49.8% | 21.9% | 27.8 pps | 20.2% | 29.5 pps |

*Source: ACV, Rong Viet Securities*

**Q1-2023 –EBIT thrived on stronger international air pax flow, but FX losses softened net profit growth.**

- Revenue jumped by 124% YoY, which was higher than the growth of total passenger volume (72% YoY) due to a sharp increase in international arrivals volume of 1471% YoY from the low base of the same period in 2022.
- NPAT grew at a slower rate of 87% YoY as (1) ACV recorded an exchange rate loss of VND 775 billion in the period due to the appreciation of JPY while Q1-2022 recorded an exchange rate gain of VND 268 billion and (2) SG&A expenses increased by 156% YoY.

**2023F Outlook – Sweet spot of earnings growth is insight.**

We anticipate that total passenger volume will increase by 20% YoY and reach 118 million pax this year, largely driven by the stronger recovery of international passenger volume (31.7 mn pax, +165% YoY) on the coming back of the Chinese air travelers. Meanwhile, domestic pax volume will be flat at 87 million pax mostly due to record high base in 2022.

On the back of robust international pax volume growth, we project that revenue will amount to VND 19.1 trillion (USD 0.8 Bn, +20%YoY), while PBT will reach VND 10.0 trillion (USD 420 mn, +13% YoY) in 2023F. Excluding profit from airfield assets (VND 1,329 billion) and financial gains (VND 1,264 bn or USD 53 mn), projected core PBT is poised to double in 2023 to VND 7.0 trillionn or USD 300 mn). Adjusted 2023F NPAT/EPS (excluding profit from airfield assets) are VND 6.9 trillion (or USD 300 mn, +12% YoY)/VND 3.200.

**Valuation and recommendation**

*ACV, among other aviation stocks, has been off investors' radar since the pandemic outbreak mostly due to its unjustified valuation. However, the international market is on its trajectory to get back to the pre-covid level over the next two years, driving stronger core earnings growth and bringing ACV's valuation to the level that makes more sense for investment. Current 2023F/24F EV/EBITDA of 14.4x/12.8x respectively presents a 19%/28% discount to the pre-covid (2017-2019) mean level of 17.7x while we project that ACV's core NPAT will recover to 2019 level in this year, before surpassing 2019 figure by 13% in 2024. Furthermore, we believe ACV is the best way to get exposed to not only the continued recovery of the aviation industry in the next two years, but also its attractive long-term development, since ACV is the sole airport operator of Vietnam. As such, we reiterate **BUY** recommendation on ACV with a **TP of VND 96,900** based on DCF approach, offering **24% of expected return as of June 16th, 2023**.*

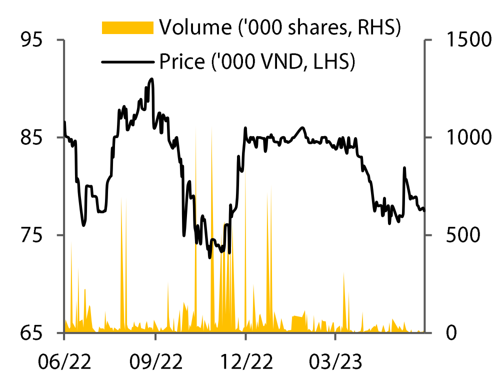
| BUY | +24% |
|---|---|
| Current market price (VND) | 78,000 |
| Target price (VND) | 96,900 |
| Cash dividend | 0 |

**Stock Info**

| | |
|---|---|
| Sector | Transport Infrastructure |
| Market Cap (VND billion) | 169.584,4 |
| Current Shares O/S | 2.177,0 |
| Avg. Daily Volume (in 20 sessions) | 14,600 |
| Free float (%) | 4.6 |
| 52 weeks High | 91,000 |
| 52 weeks Low | 72,700 |
| Beta | 0.20 |

| | FY2022 | TTM |
|---|---|---|
| EPS | 3,687 | 3,620 |
| EPS Growth (%) | 802% | 1046% |
| Diluted EPS | 3,687 | 3,620 |
| P/E | 25.9 | 21.5 |
| P/B | 20,098.7 | 20,706.0 |
| EV/EBITDA | 23.4 | 16.9 |
| Cash dividend yield (%) | 0.0% | 0.0% |
| ROE (%) | 16.3% | 18.3% |

**Price performance**




| Major Shareholders (%) | |
|---|---|
| CMSC | 95.4% |
| *Foreign ownership room (%)* | 4.6% |

**Tung Do**

(084) 028- 6299 2006 – Ext 1521

tung.dt@vdsc.com.vn

**Exhibit 1: Q1-2023 Results**

| (VND Bn) | Q1-FY23 | Q4-FY22 | +/- (qoq) | Q1-FY22 | +/- (yoy) |
|---|---|---|---|---|---|
| Net revenue | 4,728 | 4,109 | 15.1% | 2,109 | 124.2% |
| Gross profit | 2,939 | 1,933 | 52.1% | 655 | 348.8% |
| SG&A | 585 | 1,032 | -43.2% | 228 | 156.3% |
| Operating income | 2,353 | 901 | 161.2% | 426 | 451.9% |
| EBITDA | 2,910 | 1,490 | 95.4% | 1,002 | 190.4% |
| EBIT | 2,353 | 901 | 161.2% | 426 | 451.9% |
| Financial expenses | 793 | 28 | 2703.2% | 21 | 3630.4% |
| *- Interest Expenses* | *18* | *17* | *1.4%* | *20* | *-13.3%* |
| Dep. and amortization | 557 | 589 | -5.3% | 576 | -3.2% |
| Non-recurring items (*) | | | | | |
| Extraordinary items (*) | | | | | |
| PBT | 2,031 | 1,578 | 28.7% | 1,088 | 86.5% |
| PAT | 1,634 | 1,283 | 27.3% | 875 | 86.8% |
| (*) Adjusted PAT | 1,634 | 1,283 | 27.3% | 875 | 86.8% |

*Source: ACV, RongViet Securities*

**Exhibit 2: Q1-2023 Performance Analysis**

| Particulars | Q1-FY23 | Q4-FY22 | +/- (qoq) | Q1-FY22 | +/- (yoy) |
|---|---|---|---|---|---|
| **Profitability Ratios (%)** | | | | | |
| Gross Margin | 62.1% | 47.0% | 15.1 pps | 31.1% | 31.1 pps |
| EBITDA Margin | 61.6% | 36.3% | 25.3 pps | 47.5% | 14.0 pps |
| EBIT Margin | 49.8% | 21.9% | 27.8 pps | 20.2% | 29.5 pps |
| Net Margin | 34.5% | 31.2% | 3.3 pps | 41.5% | -6.9 pps |
| Adjusted Net Margin | 34.5% | 31.2% | 3.3 pps | 41.5% | -6.9 pps |
| **Turnover*(x)** | | | | | |
| -Inventories | 16.2 | 21.5 | -5.3 | 19.7 | -3.5 |
| -Receivables | 2.7 | 2.6 | 0.1 | 2.0 | 0.8 |
| -Payables | 1.9 | 2.0 | -0.1 | 2.6 | -0.7 |
| **Leverage (%)** | | | | | |
| Total Liabilities/Equity | 7.6% | 12.1% | -4.6 pps | 6.0% | 1.6 pps |

*Source: RongViet Securities, * Annualized*

**Exhibit 3: Q2-2023 Forecast**

| Particulars (VND Bn) | Q2-FY23 | +/- (qoq) | +/- (yoy) |
|---|---|---|---|
| Revenue | 5,431 | 15% | 58% |
| Gross profit | 3,751 | 28% | 136% |
| EBIT | 3,261 | 39% | 167% |
| NPAT | 3,066 | 88% | 19% |

**Commentaries**

- We project that total air passenger volume will reach 29.0 mn pax, inching up by 4% YoY, in which international pax volume will be more than 4x YoY, amounting at 8.3 mn pax while domestic pax volume is estimated at 20.8 mn pax, declining -20% YoY from last year's record high.
- The robust flow of international pax will drive revenue and EBIT significantly by 58% YoY and 167% YoY, respectively.
- Lower unrealized FX gain will again soften net profit annual growth to 19% YoY.

*Source: RongViet Securities*

**Update**

## Q1-2023 Results: Gross profit margin widened on continued recovery of int'l passenger volume while exchange rate losses and provision for receivables slowed net profit growth

International air passenger volume continued its recovery, growing 32% QoQ to 7.1 million, while domestic volume grew more slowly at 6% QoQ to 20.6 million. Thereby, the total air passenger volume reached nearly 28 million in Q1-2023, equivalent to the level of Q1-2019 but with a different international/domestic mix (26%/74% compared with 38%/62%). Currently, international passenger volume is at 67% of Q1-2019 level (Figure 1).

The above volume development bolsters net revenue to jump by 124% YoY. Meanwhile, COGS only increased by 23% YoY, due to its high proportion of fixed costs, in which depreciation expenses (accounting for 1/3 of COGS) stayed unchanged and another main group of expenses, namely labor cost, only increased by 27% YoY, much lower than the pace of revenue growth. As a result, ACV's GPM (excluding landing/take-off) increased to 61% - the company's historic high, and gross profit, thereby, increased by 349% YoY.

However, ACV's Q1-2023 NPAT growth was dragged down to 87% YoY due to:

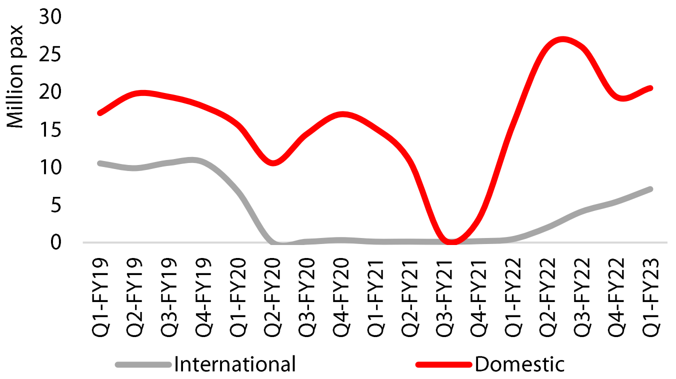
- Creating provisions of VND 272 billion for bad debts from local airlines despite the recovery of the industry. Even so, this figure was significantly lower than in the previous quarter (Figure 3). Except for receivables from Vietnam Airlines (HSX: HVN), doubtful receivables from VietJet Air (HSX: VJC), Bamboo Airways and Pacific Airlines continued to be provisioned in the quarter. Currently, VJC accounts for nearly 50% of ACV's total bad receivables, followed by Bamboo Airways (24%), Vietnam Airlines (15%), and Pacific Airlines (13%).
- Incurring a financial loss of VND 377 billion compared to a financial gain of VND 642 billion in Q1-2022 mostly due to an unrealized exchange rate loss of VND 775 billion. JPY appreciation against VND is a notable downside factor to ACV's profit this year as we have mentioned in previous reports.

**Table 1: ACV's Q1-2023 results**

| *Unit: VND Billion* | Q1-2023 | YoY % | QoQ % | % 2023 Guidance | % 2023F |
|---|---|---|---|---|---|
| Total air passenger volume (million pax) | **27.7** | **72%** | **11%** | **23%** | **25%** |
| International | 7.1 | 1471% | 32% | 22% | 33% |
| Domestic | 20.6 | 32% | 6% | 24% | 23% |
| **Take-off/Landing** | **179,666** | **47%** | **9%** | **23%** | **25%** |
| **Net revenue** | **4,728** | **124%** | **15%** | **24%** | **27%** |
| 1. Aviation service | 3,301 | 157% | 16% | | 22% |
| 2. Non-aviation service | 549 | 61% | 11% | | 29% |
| 3. Retail sales | 282 | 264% | 12% | | 31% |
| 4. Take-off/Landing fee | 599 | 47% | 5% | | 26% |
| **Gross profit** | **2,939** | **349%** | **52%** | | **31%** |
| From the airfield assets | 409 | 90% | 55% | | |
| ACV | 2,530 | 476% | 52% | | |
| Financial income | 416 | -37% | -34% | | 28% |
| Financial expenses | -793 | 3630% | 2703% | | 253% |
| Gain from joint ventures | 52 | 164% | -16% | | 22% |
| **SG&A expenses** | **-585** | **156%** | **-43%** | | |
| **EBIT** | **2,353** | **452%** | **161%** | | |
| EBIT from the airfield assets | 409 | 90% | 55% | | |
| ACV's EBIT | 1,944 | 822% | 206% | | |
| **PBT** | **2,031** | **87%** | **29%** | **24%** | **23%** |
| PBT from the airfield assets | 415 | 91% | 57% | | |
| ACV | 1,616 | 85% | 23% | | |
| **NPAT** | **1,634** | **87%** | **27%** | | **23%** |
| NPAT from the airfield assets | 332 | 91% | 57% | | |
| ACV | 1,302 | 86% | 21% | | |

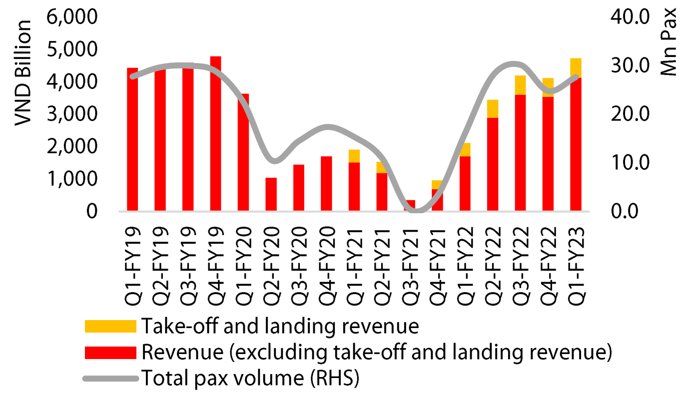
*Source: ACV, RongViet Securities*

**Figure 1: Int'l arrivals are now two-thirds of pre-epidemic levels, while domestic pax vol remains high**



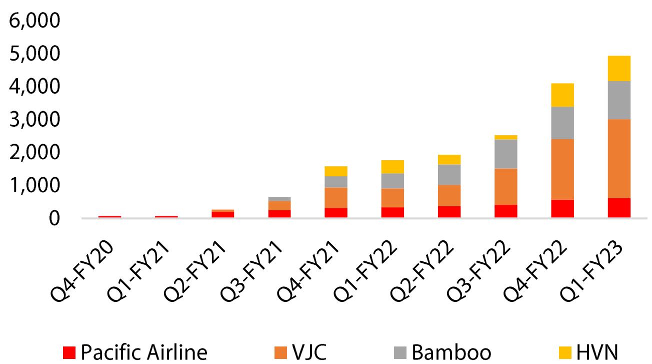

*Source: ACV, RongViet Securities*

**Figure 2: Core revenue is approaching the pre-pandemic level at 93% of Q1-2019 level**



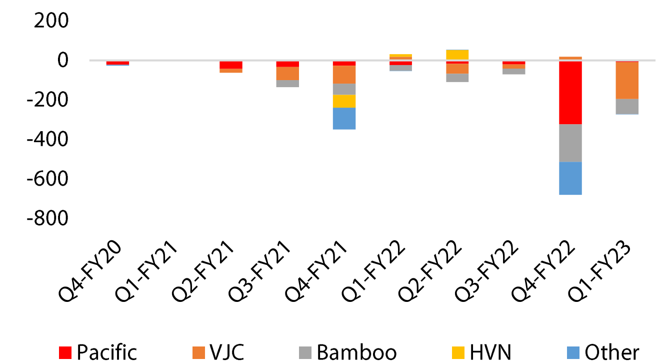

*Source: ACV, RongViet Securities*

**Figure 3: Doubtful receivables accounts (VND Bn)**




*Source: ACV, RongViet Securities*

**Figure 4: Provision for bad debts by airline (VND billion)**



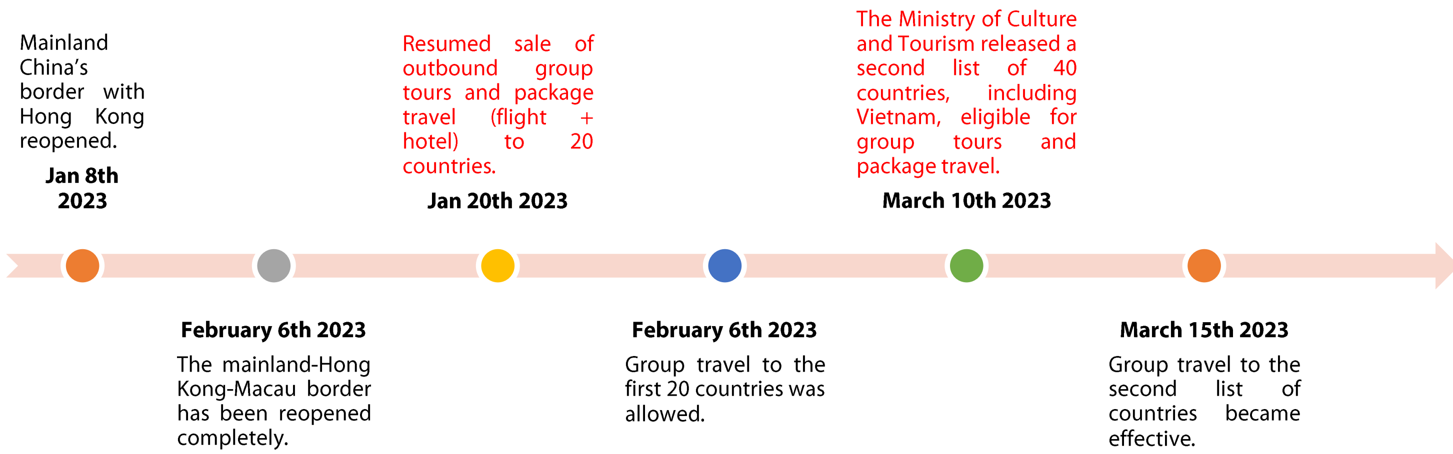

*Source: ACV, RongViet Securities*

## Outlook

**No significant headwind in sight for the positive development of international air passenger volume**

From the end of November 2022, China's State Council has made several announcements that signal an end to China's Zero COVID policy, with a move towards mitigation rather than containment. On 20 January 2023, China's Ministry of Culture and Tourism announced that sale of outbound group tour and package travel (from a minimum of a flight + hotel package) could resume, for travel on or after 6 February 2023. On Mar 10th, 2023, sales of outbound group tours to Vietnam were allowed, followed by the travel permit on Mar 15th, 2023.

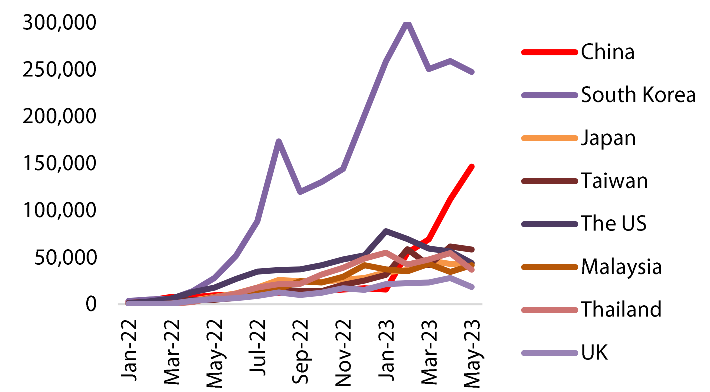
**Figure 5: The development of China's outbound group tours policy**




*Source: Dragon Trail International, RongViet Securities*

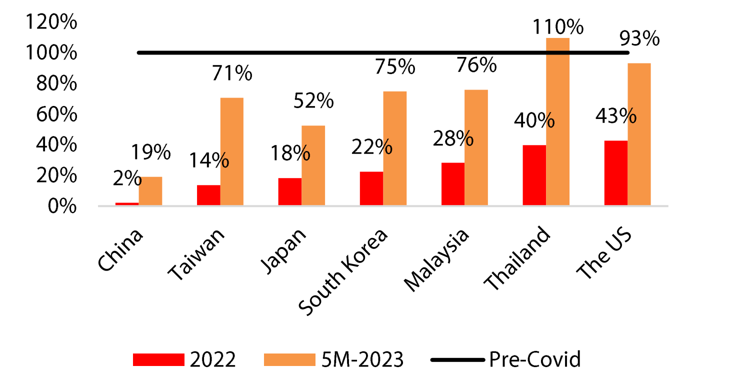
So far, the initial impact of China's travel relaxation on Vietnam's inbound tourist figure have been vibrant. Accordingly, the number of Chinese tourists to Vietnam has witnessed a surge since March, reaching nearly 147,000 arrivals in May and about 400,000 in 5M-2023, quickly becoming the second largest source of Vietnam inbound tourist markets only after two months of group tour sales permit. Meanwhile, other main international tourist markets still consist of Korea, Japan, and ASEAN countries, owing to Vietnam's visa waiver policy for citizens of these countries as well as the early lift of travel restrictions between these countries. Currently, tourists from Korea account for the largest proportion of total inbound arrivals (25% in 2022 and 29% in 5M-2023).

**Figure 6: The number of Chinese travelers to Vietnam quickly rose to 2nd place in May, just two months after the group tour travel permit**




*Source: GSO, RongViet Securities*

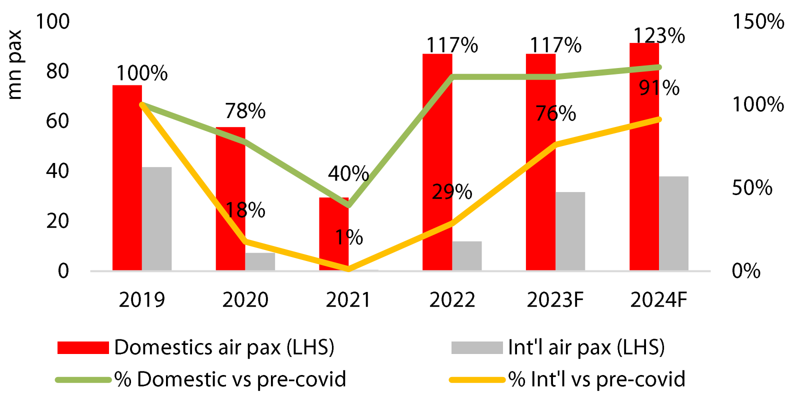
**Figure 7: Recovery rate vs pre-covid level of Vietnam's key inbound tourism markets**




*Source: GSO, RongViet Securities*

With the recovery trajectory of international tourist arrivals to Vietnam remaining intact, we project that the total number of international inbound pax this year will return to nearly 11 million travelers or to 61% of the 2019 level from 2022's of 20%. Currently, 5M-2023 international tourists inbound have reached 4.6 mn travelers (12x YoY). We project that the total international volume at ACV's airports is forecasted to reach about 31.7 million in 2023F (+165% YoY) followed by a 20% growth in 2024F. The recovery rate compared to pre-pandemic level fro 2023F/24F is or 76%/91%.

**Figure 8: Air passenger volume forecasts**




*Source: ACV, RongViet Securities*

The robust growth of international flights will be the key drivers for core earnings over the forecast period given higher fees from international passengers/flights. Coupled with a 0%/5% growth of the domestic passenger volume in 2023F/24F, we project that total passenger volume will total approximately 119 mn (+20% YoY)/129mn (+9% YoY), resulting in net sales of VND 19,141 bn (or USD 0.8 bn, +38% YoY)/ VND 24,432 bn (or USD 1.0 bn, +28% YoY) in 2023F/24F. This high growth in sales will respectively translate into an 85% YoY and +42% YoY growth in EBIT over the next two years, implying an operating leverage of 2.2x and 1.5x respectively. However, net profit growth will be lower as we believe ACV's financial gains is poised to reduce due to:

(1) **Lower interest income**. The CAPEX for the Long Thanh International Airport project will likely put pressure on ACV's current term deposit (VND 30.5 trillion or USD 1.3 bn bn) over the course of the project construction since the projected CAPEX is VND 100 trillion (or USD 4.2 bn) and capital funding structure between equity/debt is 30%/70%.

(2) **Lesser depreciation of JPY against VND in 2023 than in 2022.** BoJ is likely to keep its ultra-easy monetary policy stance for the next two years to achieve its 2% inflation target in stable manner since they see recent inflation overshooting over 2% was driven by imports sources and not by domestic demand and expecting that inflation will slow below 2%. However, as the Fed is not far from its terminal interest rates, the upward pressure on USD/JPY due to yield differentials should be limited, implying a stronger performance of the JPY than in 2022.

Overall, we forecast ACV's NPAT-MI to reach VND 8,027 bn (or USD 340 mn, +13% YoY) and VND 10,373 bn (or USD 440 mn, +29% YoY) in 2023F and 2024F respectively.

**Table 3: 2023F-2024F Forecasts**

| *Unit: VND Billion* | 2023F | YoY % | 2024F | YoY % |
|---|---|---|---|---|
| **Net sales** | **19,141** | **38%** | **24,432** | **28%** |
| 1. Aviation services | 16,117 | 71% | 20,829 | 29% |
| 2. Non-aviation services | 2,050 | 22% | 2,335 | 14% |
| 3. Retail sales | 975 | 40% | 1,269 | 30% |
| **Gross profit** | **10,899** | **66%** | **14,899** | **37%** |
| Financial income | 1,454 | -65% | 1,079 | -26% |
| Financial expenses | -190 | +109% | -542 | 186% |
| Gain from joint ventures | 235 | 20% | 282 | 20% |
| SG&A expenses | -2,412 | 23% | -2,810 | 17% |
| EBIT | 8,488 | 85% | 12,089 | 42% |
| **NPAT-MI** | **8,027** | **13%** | **10,373** | **29%** |
| NPAT-MI (excluding Landing/Take-off) | 6,979 | 12% | 9,403 | 35% |
| **EPS (VND)** | **3,687** | **13%** | **4,765** | **29%** |

*Source: RongViet Securities*

## Valuation

We employ a 10-year FCFF method (WACC: 6.7%, terminal growth rate: 1.0%) to capture its long-term growth potential more effectively given huge CAPEX for Long Thanh International Airport will impact the reliability of a 5Y DCF valuation. **We arrive at a one-year target price for ACV of 96,900 VND per share, implying a total expected return of 24% as of June 16th, 2023.**

Our target price implies a 2023F EV/EBITDA ratio of 17.7x, which is equal to its pre-covid mean. We believe this valuation is justified as ACV's operation and business results are heading toward 2019 level in 2023 (2023F EBIT is 101% 2019 EBIT) and will likely further improve in 2024.

**Table: FCFF assumptions**

| WACC Calculation | | Implied Equity Value (VND bn) and target price (VND) | |
|---|---|---|---|
| 10Y Risk Free Rate | 3.0% | **Enterprise Value** | **191,677** |
| Equity risk premium | 13.0% | Less: Total Debts | 11,815 |
| Adjusted Beta | 0.6x | Plus: Cash and Cash Equivalents | 31,141 |
| **Cost of Equity** | **10.7%** | Less: Minority interest | 50 |
| **After-tax Cost of Debt** | **0.6%** | **Implied Equity Value** | **210,953** |
| % Equity / Total assets | 63% | Number of shares (mn shares) | 2,177 |
| % Total Debts / Total assets | 37% | **Price per Share** | **96,900** |
| Tax Rate | 20% | *Implied Forward EV/EBITDA* | *17.7x* |
| **WACC** | **6.7%** | *Implied Forward P/E* | *26.3x* |

*Source: RongViet Securities*

**Table 4: Regional peers comparison**

| Companies | Country | Market cap (USD mn) | 2022 Sales (USD mn) | 2022 PBT (USD mn) | 3Y CAGR (%) | | | 2022 ROE (%) | P/E | P/B | EV/EBITDA | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Sales | EPS | PBT | | | | Current | 2023E |
| **ACV** | **VN** | **7,221** | **589.7** | **375.4** | **-9.0** | **-1.9** | **36.7** | **17.4** | **23.9** | **3.9** | **23.5** | **12.3** |
| AIRPORTS OF THAILAND | TH | 29,147 | 483.4 | -399.5 | -35.9 | n.a | -113.3 | -1.3 | n.a | 9.8 | 104.1 | 40.4 |
| ADP | FR | 15,030 | 4,937.8 | 712.0 | -0.1 | n.a | -13.8 | 12.0 | 27.2 | 3.5 | 12.0 | 11.5 |
| AUCKLAND INTL AIRPORT | NZ | 7,813 | 204.2 | -19.2 | -26.0 | -33.1 | 3.5 | 0.9 | 148.4 | 1.6 | 46.8 | 37.1 |
| FRANKFURT AIRPORT | GE | 4,699 | 3,364.6 | 116.5 | -4.8 | -32.0 | -22.3 | 0.5 | 20.1 | 1.1 | 17.1 | 12.4 |
| GUANGZHOU BAIYUN AIRPORT | CH | 4,623 | 590.5 | -217.4 | -21.6 | n.a | -18.8 | -5.4 | n.a | 1.9 | n.a | 13.2 |
| JAPAN AIRPORT TERMINAL CO | JN | 4,436 | 836.2 | -86.8 | -23.2 | n.a | -64.1 | -2.3 | n.a | 4.1 | 41.2 | 17.7 |
| BEIJING CAPITAL INTL AIRPO | CH | 3,163 | 331.8 | -575.8 | -40.9 | n.a | -110.1 | -18.6 | n.a | 1.4 | n.a | 21.9 |
| MALAYSIA AIRPORTS HLDGS | MA | 2,489 | 711.6 | 38.1 | -15.7 | n.a | -41.7 | 4.4 | 39.0 | 1.8 | 11.5 | 8.0 |
| SHENZHEN AIRPORT CO-A | CH | 1,990 | 397.2 | -214.8 | -11.1 | n.a | -17.5 | -8.8 | n.a | 1.3 | n.a | 23.9 |
| XIAMEN INTERNATIONAL AIR-A | CH | 824 | 149.6 | -0.5 | -17.4 | -62.7 | 9.5 | -0.3 | 61.2 | 1.5 | n.a | 6.6 |
| SYDNEY AIRPORT | AU | n.a | 466.3 | -365.4 | -26.8 | n.a | -31.6 | -20.9 | n.a | n.a | 91.3 | n.a |
| **Median** | | 29,147 | 483.4 | -399.5 | -35.9 | n.a | -113.3 | -1.3 | n.a | 9.8 | 104.1 | 40.4 |
| **Average** | | 15,030 | 4,937.8 | 712.0 | -0.1 | n.a | -13.8 | 12.0 | 27.2 | 3.5 | 12.0 | 11.5 |

*Source: Bloomberg, RongViet Securities, data as of June 1st, 2023*

*VND Billion*

| ***INCOME STATEMENT*** | FY2021 | FY2022 | FY2023E | FY2024F |
|---|---|---|---|---|
| Revenue | 4,752 | 13,834 | 19,140 | 24,431 |
| COGS | 5,537 | 7,276 | 8,241 | 9,532 |
| **Gross profit** | -785 | 6,558 | 10,899 | 14,899 |
| Selling Expense | 85 | 220 | 306 | 366 |
| G&A Expense | 1,232 | 1,744 | 2,105 | 2,443 |
| Finance Income | 3,254 | 4,120 | 1,454 | 1,079 |
| Finance Expense | 204 | 91 | 190 | 542 |
| Gain/(loss) from JVs | 33 | 196 | 235 | 282 |
| **PBT** | **990** | **8,833** | **9,987** | **12,909** |
| Prov. of Tax | 201 | 1,706 | 1,950 | 2,525 |
| Minority's Interest | 0 | 6 | 10 | 10 |
| **PAT to Equity S/H** | **790** | **7,122** | **8,027** | **10,373** |
| EBIT | -2,102 | 4,594 | 8,488 | 12,089 |
| EBITDA | 428 | 6,933 | 10,801 | 14,453 |

%

| ***FINANCIAL RATIO*** | FY2021 | FY2022 | FY2023E | FY2024F |
|---|---|---|---|---|
| **Growth (%)** | | | | |
| Revenue | -67.6 | 191.1 | 38.4 | 27.6 |
| Operating Income | -94.7 | 1520.8 | 55.8 | 33.8 |
| EBITDA | -154.7 | -318.6 | 84.7 | 42.4 |
| PAT | -84.5 | 801.8 | 12.7 | 29.2 |
| Total Assets | 24.5 | 9.2 | 26.9 | 44.7 |
| Equity | 59.6 | 16.3 | 32.8 | 16.1 |
| **Profitability (%)** | | | | |
| Gross margin | -16.5 | 47.4 | 56.9 | 61.0 |
| EBITDA margin | 9.0 | 50.1 | 56.4 | 59.2 |
| EBIT margin | -44.2 | 33.2 | 44.3 | 49.5 |
| Net margin | 16.6 | 51.5 | 41.9 | 42.5 |
| ROA | 1.4 | 11.9 | 10.5 | 9.4 |
| ROE | 2.1 | 16.3 | 13.8 | 15.4 |
| **Efficiency** | | | | (times) |
| Receivable Turnover | 1.3 | 2.2 | 2.8 | 2.8 |
| Inventory Turnover | 19.1 | 16.2 | 20.0 | 20.0 |
| Payable Turnover | 1.9 | 1.5 | 1.5 | 1.5 |
| **Liquidity** | | | | (times) |
| Current | 11.3 | 7.8 | 5.6 | 4.3 |
| Quick | 11.3 | 7.8 | 5.6 | 4.3 |
| **Finance Structure (%)** | | | | |
| Total Debt/Equity | 37.0 | 25.6 | 20.3 | 52.4 |
| Current Debt/Equity | 1.0 | 0.8 | 0.8 | 0.7 |
| Long-term Debt/Equity | 36.1 | 24.8 | 19.5 | 51.7 |

*VND Billion*

| ***BALANCE SHEET*** | FY2021 | FY2022 | FY2023E | FY2024F |
|---|---|---|---|---|
| Cash and cash equivalents | 573 | 2,497 | 1,316 | 453 |
| Short-term investments | 32,717 | 30,498 | 24,000 | 19,000 |
| Accounts receivable | 3,660 | 6,410 | 6,817 | 8,702 |
| Inventories | 290 | 449 | 412 | 477 |
| Other current assets | 328 | 367 | 386 | 405 |
| Property, plant & equipment | 14,194 | 16,427 | 39,614 | 77,251 |
| Acquired intangible assets | 1 | 1 | 1 | 1 |
| Long-term investments | 2,707 | 2,816 | 3,051 | 3,333 |
| Other non-current assets | 509 | 574 | 574 | 574 |
| **Total assets** | **54,979** | **60,037** | **76,169** | **110,194** |
| Accounts payable | 2,950 | 4,761 | 5,392 | 6,237 |
| Short-term borrowings | 362 | 366 | 449 | 453 |
| Long-term borrowings | 13,566 | 10,834 | 11,355 | 34,896 |
| Other non-current liabilities | 73 | 78 | 0 | 0 |
| Bonus and Welfare fund | 376 | 192 | 822 | 1,120 |
| Technology-science, dev. fund | 0 | 0 | 0 | 0 |
| **Total liabilities** | **17,327** | **16,232** | **18,018** | **42,706** |
| Common stock and APIC | 21,786 | 21,786 | 21,786 | 21,786 |
| Treasury stock (enter as -) | -3 | -3 | -3 | -3 |
| Retained earnings | 9,793 | 15,940 | 23,164 | 32,500 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| Inv. and Dev. Fund | 6,035 | 6,035 | 13,156 | 13,156 |
| **Total equity** | **37,611** | **43,758** | **58,104** | **67,440** |
| **Minority Interest** | **42** | **48** | **48** | **48** |

| ***VALUATION RATIO (*)*** | FY2021 | FY2022 | FY2023E | FY2024F |
|---|---|---|---|---|
| EPS (VND) | 363 | 3,271 | 3,687 | 4,765 |
| P/E (x) | 239.8 | 25.9 | 21.1 | 16.3 |
| BV (dong) | 17,275 | 20,099 | 26,688 | 30,976 |
| P/B (x) | 5.0 | 4.2 | 2.9 | 2.5 |
| DPS (dong/cp) | 0 | 0 | 0 | 0 |
| Dividend yield (%) | 0% | 0% | 0% | 0% |

| ***VALUATION MODEL*** | ***Price*** | ***Weight*** | ***Average*** |
|---|---|---|---|
| FCFF | 96,900 | 100% | 96,900 |
| **Target price (VND)** | **96,900** | **100%** | **96,900** |

| ***VALUATION HISTORY*** | ***Price*** | ***Recommendation*** | ***Period*** |
|---|---|---|---|
| Feb 2023 | 96,900 | BUY | 1 year |
| Aug 2022 | 100,400 | BUY | 1 year |
| Feb 2022 | 98,000 | ACCUMULATE | 1 year |

## 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% |

## ABOUT US

**RongViet Securities Corporation (RongViet**) was established in 2006. licensed to perform the complete range of securities services including brokerage. financial investment. underwriting. financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders. also our strategic partners. are reputable institutions. i.e Eximbank. Viet Dragon Fund Management. etc... Along with a team of the professional and dynamic staffs. RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially. RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy. securities market and investment strategy along with industry and company reports and daily and weekly market reviews.

## ANALYSIS & INVESTMENT ADVISORY DEPARTMENT

**Lam Nguyen**
***Head of Research***
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)

**Vu Tran**
***Senior Manager***
vu.thx@vdsc.com.vn
+ 84 28 6299 2006 (1512)
- O&G
- Fertilizer

**Tam Pham**
***Manager***
tam.ptt@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Bank
- Insurance
- Construction materials

**Tung Do**
***Manager***
tung.dt@vdsc.com.vn
+ 84 28 6299 2006 (1521)
- Aviation
- Logistics
- Market Strategy

**An Nguyen**
***Senior Analyst***
an.ntn@vdsc.com.vn
+ 84 28 6299 2006 (1541)
- Food & Beverage
- Automotive & Spare parts

**Lam Do**
***Senior Analyst***
lam.dt@vdsc.com.vn
+ 84 28 6299 2006
- Real Estate

**Loan Nguyen**
***Analyst***
loan.nh@vdsc.com.vn
+ 84 28 6299 2006 (1531)
- Retails
- Fishery
- F&B

**Thao Nguyen**
***Analyst***
thao.nn@vdsc.com.vn
+ 84 28 6299 2006 (1524)
- Utilities
- Bank

**Quan Cao**
***Analyst***
quan.cn@vdsc.com.vn
+ 84 28 6299 2006 (2223)
- Sea ports
- Pharmaceuticals

**Hoai Trinh**
***Analyst***
hoai.ttt@vdsc.com.vn
+ 84 28 6299 2006 (1545)
- Utilities
- Textiles

**Hung Le**
***Analyst***
hung.ltq@vdsc.com.vn
+ 84 28 6299 2006 (1546)
- Industrial RE
- Market Strategy

**Ha My Tran**
***Senior Consultant***
my.tth@vdsc.com.vn
+ 84 28 6299 2006
- Macroeconomics

**Chinh Nguyen**
***Analyst***
chinh.nd@vdsc.com.vn
+ 84 28 6299 2006
- Bank

**Bernard Lapointe**
***Senior Consultant***
bernard.lapointe@vdsc.com.vn
+ 84 28 6299 2006

**Trinh Nguyen**
***Senior Consultant***
trinh.nh@vdsc.com.vn
+ 84 28 6299 2006

**Ha Tran**
***Assistant***
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

**Khanh Bui**
***Assistant***
khanh.bdc@vdsc.com.vn
+ 84 28 6299 2006

**DISCLAIMERS**

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.



**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

**Additional Disclosures**

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.

**RESEARCH DISCLOSURES**

**Third Party Research**

This is third party research. It was prepared by Rong Viet Securities Corporation (Rong Viet), with headquarters in Ho Chi Minh City, Vietnam. Rong Viet is authorized to engage in securities activities according to its domestic legislation. This research is not a product of Tellimer Markets, Inc., a U.S. registered broker-dealer. Rong Viet has sole control over the contents of this research report. Tellimer Markets, Inc. does not exercise any control over the contents of, or the views expressed in, research reports prepared by Rong Viet.

Rong Viet is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and other "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Tellimer Markets, Inc., located at 575 Fifth Avenue, 27th Floor, New York, NY 10017. A representative of Tellimer Markets, Inc. is contactable on +1 (212) 551 3480. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Rong Viet. Tellimer Markets, Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

None of the materials provided in this report may be used, reproduced, or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission from.

Rong Viet is the employer of the research analyst(s) responsible for the content of this report and research analysts preparing this report are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer. The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Tellimer Markets, Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Tellimer Markets, Inc. or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, and does not expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Tellimer Markets, Inc. has never owned any class of equity securities of the subject company. There are no other actual, or potential, material conflicts of interest of Tellimer Markets, Inc. at the time of the publication of this report. As of the publication of this report, Tellimer Markets, Inc. does not make a market in the subject securities.

**About Tellimer**

Tellimer is a registered trade mark of Exotix Partners LLP. Exotix Partners LLP and its subsidiaries ("Tellimer") provide specialist investment banking services to trading professionals in the wholesale markets. Tellimer draws together liquidity and matches buyers and sellers so that deals can be executed by its customers. Tellimer may at any time, hold a trading position in the securities and financial instruments discussed in this report. Tellimer has procedures in place to identify and manage any potential conflicts of interests that arise in connection with its research. A copy of Tellimer's conflict of interest policy is available at www.tellimer.com/regulatory-information.

**Distribution**

This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Tellimer. Tellimer shall accept no liability whatsoever for the actions of third parties in this respect. This report is for distribution only under such circumstances as may be permitted by applicable law.

This report may not be used to create any financial instruments or products or any indices. Neither Tellimer, nor its members, directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

**United Kingdom:** Distributed by Exotix Partners LLP only to Eligible Counterparties or Professional Clients (as defined in the FCA Handbook). The information herein does not apply to, and should not be relied upon by, Retail Clients (as defined in the FCA Handbook); neither the FCA's protection rules nor compensation scheme may be applied.

**UAE:** Distributed in the Dubai International Financial Centre by Exotix Partners LLP (Dubai) which is regulated by the Dubai Financial Services Authority ("DFSA"). Material is intended only for persons who meet the criteria for Professional Clients under the Rules of the DFSA and no other person should act upon it.

**Other distribution:** The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

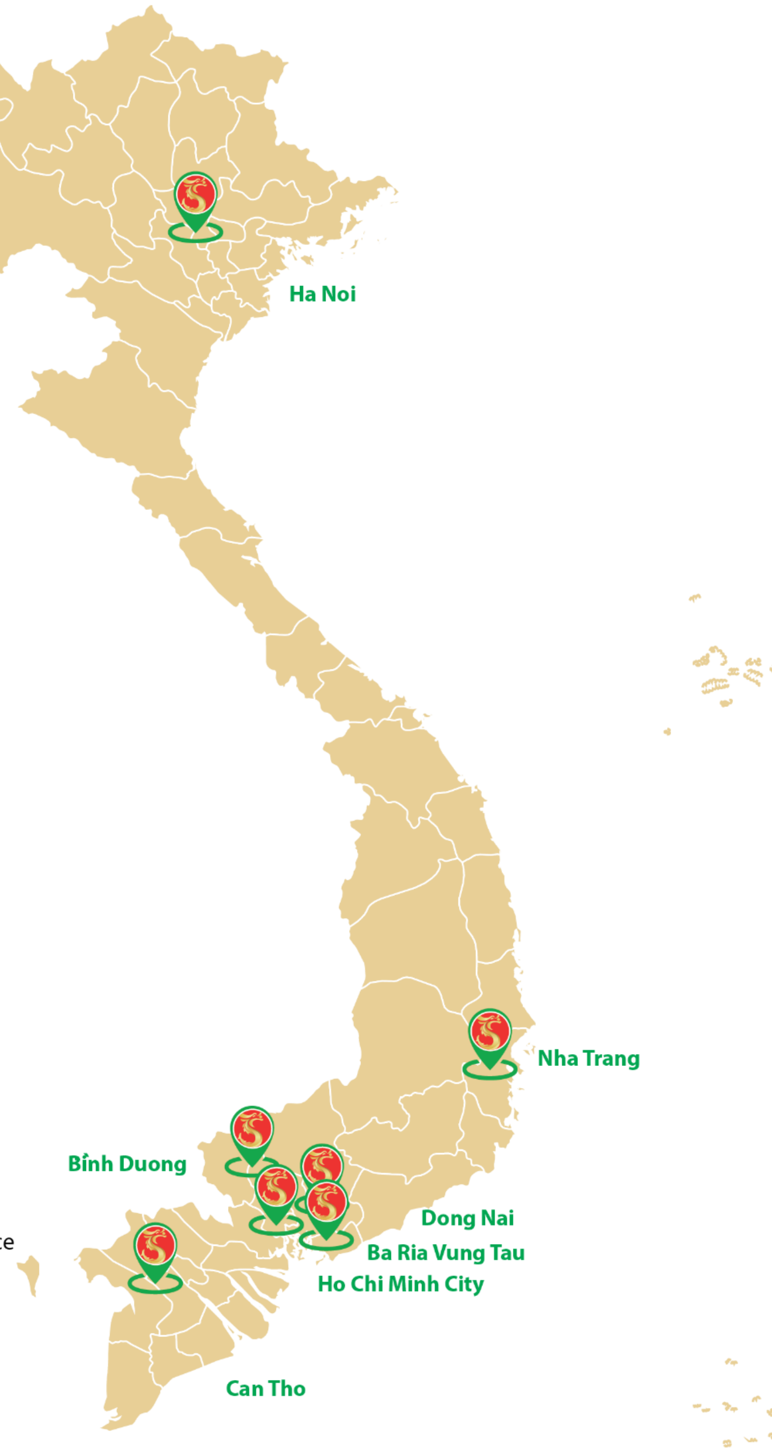
**Disclaimers**

Tellimer and/or its members, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Tellimer may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups of Tellimer.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Frontier and Emerging Market laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Frontier and Emerging Market securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Frontier and Emerging Market securities may also be affected by fluctuations in available currency rates and exchange control regulations. Not all of these or other risks associated with the relevant company, market or instrument which are the subject matter of the report are necessarily considered.

# OPERATING NETWORK




**HEADQUARTER IN HO CHI MINH CITY**
Floor 1-2-3-4, Viet Dragon Tower, 141 Nguyen Du,
Ben Thanh Ward, District 1, Ho Chi Minh City
T (+84) 28 6299 2006 E info@vdsc.com.vn
F (+84) 28 6291 7986 W www.vdsc.com.vn
Tax code 0304734965

**HANOI BRANCH**
10th floor, Eurowindow Tower, 2 Ton That Tung,
Trung Tu Ward, Dong Da District, Hanoi
T (+84) 24 6288 2006
F (+84) 24 6288 2008

**NHA TRANG BRANCH**
7th floor, 76 Quang Trung, Loc Tho Ward,
Nha Trang City, Khanh Hoa
T (+84) 25 8382 0006
F (+84) 25 8382 0008

**CAN THO BRANCH**
8th floor, Sacombank Tower, 95-97-99, Vo Van Tan,
Tan An Ward, Ninh Kieu District, Can Tho City
T (+84) 29 2381 7578
F (+84) 29 2381 8387

**VUNG TAU BRANCH**
2nd floor, VCCI Building, 155 Nguyen Thai Hoc,
Ward 7, Vung Tau City, Ba Ria – Vung Tau Province
T (+84) 25 4777 2006

**BINH DUONG BRANCH**
3rd floor, Becamex Tower, 230 Binh Duong Avenue,
Phu Hoa Ward, Thu Dau Mot City, Binh Duong Province
T (+84) 27 4777 2006

**DONG NAI BRANCH**
8th floor, TTC Plaza, 53-55 Vo Thi Sau,
Quyet Thang Ward, Bien Hoa City, Dong Nai Province
T (+84) 25 1777 2006