

## VIETTEL POST CORPORATION (UPCOM: VTP) MARKET SHARE CONTINUES TO DECLINE

### RECOMMENDATION N/A

|                         |               |
|-------------------------|---------------|
| Current price:          | <b>57,400</b> |
| Previous target price:  |               |
| New target price:       | <b>60,000</b> |
| Dividend yield          |               |
| <b>Upside potential</b> | <b>3%</b>     |

|                                |           |                              |       |
|--------------------------------|-----------|------------------------------|-------|
| Date of writing of the report: | 23/9/2022 | <b>SHAREHOLDER STRUCTURE</b> |       |
| Outstanding shares (mil)       | 104       | VIETTEL GROUP                | 60.8% |
| Capitalization (bil)           | 6,535     | OTHERS                       | 39.2% |
| Average liquidity:             | 319,099   |                              |       |
| Foreign ownership              | 21.4%     |                              |       |

#### Research Department:

Quang Minh Pham (Aviation, Seaport)  
[minhpgq@bsc.com.vn](mailto:minhpgq@bsc.com.vn)

#### PRICING PERSPECTIVES

We do not make recommendations for VTP shares and estimate the fair value of this stock in 2023 at **VND 60,000 per share** based on the **target P/E method = 13x**, lower than the average P/E (2018-2021) = 21-29x due to concerns about **(1)** high competition of the delivery segment on the exchange, **(2)** Slow progress of logistics in the near future. We think that the target P/E = **13x** is in line with **(1)** the overall growth rate of VstP's courier segment = 10-15%/year, **(2)** VNINDEX P/E = 15-16x with average EPS growth = 20%/year

#### FORECASTING BUSINESS RESULTS

In 2022, BSC forecasts VTP to record DTT = **23,277 billion VND (+9% yoy)**, NPATMI = **427 billion VND (+44% yoy)**, equivalent to EPS FW 2022 = 4,126 VND, P/E FW 2022 = 13.9, P/B FWD 2022 = 3.6x. In 2023, BSC forecasts VTP to record DTT = **VND 24,386 billion (+5% yoy)**, NPATMI = **VND 472 billion (+10% yoy)**, equivalent to EPS FW 2023 = VND 4,556, P/E FW 2022 = 12.6, P/B FWD 2022 = 3.0, based on the following main assumptions:

- Commercial segment: Revenue + 2% yoy, profit margin = 0.41% - equivalent to 2021.
- Service segment - Delivery & Logistics:
  - BSC forecasts that the courier industry will grow by **+20-25% per year in 2022-2023**.
  - VTP's market share = **12.4% and 11.3% in 2022/2023** due to lower output growth than the industry average.
  - Gross profit margin = **8.5% in 2022** based on both pricing prices: employee expenses + 13% yoy – based on assumption 1H.2022, NVL costs +31% yoy due to nvl prices increase, service costs purchased out +38% yoy + due to increased gasoline prices. **Compared to 2021, the gross profit margin of the service segment is + 1 percentage point due to the low gross profit base in Q3-4.2021. By 2023, BSC assumes gross profit margin = 8.5%.**
- Assumed new investment value = VND 70 billion in 2022 – 23 based on the assumption of investment costs in 1H.2022. BSC has not included in the forecast of the logistics investment package 2022-2025 = VND 3,500 billion because it is not sure of the disbursement plan.

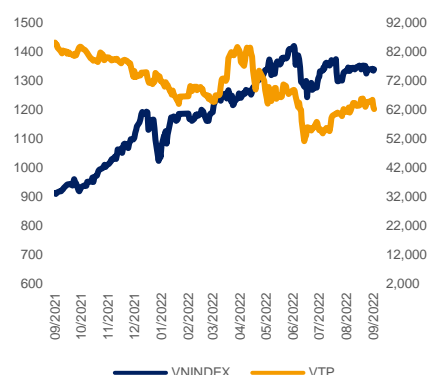
VTP's gross profit margin is **+0.7 points %/0.1 percentage points in 2022/2023** due to an increase in the proportion of the delivery segment with higher gross profit margin.

#### BUSINESS UPDATES

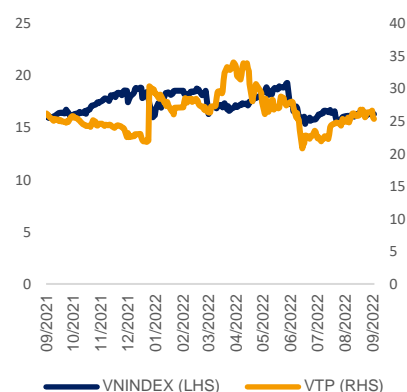
- In 1H.2022, revenue + 9% yoy: In which, delivery segment revenue + 36% yoy due to price +30% yoy, output +5-6% yoy,
- Gross margin decreased **-0.3% yoy** as gross margin of delivery segment decreased by 3.2% yoy, commercial segment +1% yoy.

**CATALYST:** (1) Hose exchange transfer, (2) Viettel divestment at VTP.

#### Price comparison between VTP and VN-Index



#### Bảng so sánh P/E và VN index



| Raito   | 2021 | 2022 | Peer | VN-Index |
|---------|------|------|------|----------|
| PE (x)  | 17.5 | 13.9 | -    | 17.2     |
| PB (x)  | 3.9  | 3.6  | -    | 2.7      |
| ROE (%) | 22%  | 26%  | -    | 15.8%    |
| ROA (%) | 5%   | 7%   | -    | 2.6%     |

|              | 2020   | 2021   | 2022F  | 2023F  |
|--------------|--------|--------|--------|--------|
| Net revenue  | 17,234 | 21,452 | 23,277 | 24,386 |
| Gross profit | 699    | 600    | 803    | 873    |
| NPATMI       | 383    | 296    | 427    | 472    |
| EPS          | 4,615  | 2,857  | 4,126  | 4,556  |
| EPS Growth   | -28%   | -38%   | 44%    | 10%    |

## I. BUSINESS RESULTS UPDATE Q2.2022

| VND billion                            | Q2.2021      | Q2.2022      | % QoQ      | % YoY      | 1H.2021       | 1H.2022       | % YoY      | Observe  |
|--|--------------|--------------|------------|------------|---------------|---------------|------------|--|
| <b>Sales</b>                           | <b>5,193</b> | <b>5,461</b> | <b>-5%</b> | <b>5%</b>  | <b>10,351</b> | <b>11,232</b> | <b>9%</b>  | <b>In 1H.2022, revenue + 9% yoy:</b><br><ul style="list-style-type: none"> <li>• Delivery segment revenue + 36% YoY due to increased prices and output.</li> <li>• Commercial Revenue -5% YoY</li> </ul> |
| Trade                                  | 3,432        | 3,128        | -11%       | -9%        | 6,982         | 6,663         | -5%        |  |
| Delivery                               | 1,761        | 2,333        | 4%         | 32%        | 3,368         | 4,569         | 36%        |  |
| <b>Gross profit</b>                    | <b>195</b>   | <b>208</b>   | <b>13%</b> | <b>7%</b>  | <b>387</b>    | <b>391</b>    | <b>1%</b>  | <b>Gross margin decreased by -0.3 percentage points svck</b> , primarily due to a delivery segment gross margin of -3.2 percentage points yoy  |
| Trade                                  | 9            | 19           | -3%        | 114%       | 20            | 38            | 84%        |  |
| Delivery                               | 186          | 189          | 15%        | 2%         | 367           | 353           | -4%        |  |
| <b>Gross profit</b>                    | <b>195</b>   | <b>208</b>   | <b>13%</b> | <b>7%</b>  | <b>387</b>    | <b>391</b>    | <b>1%</b>  | The ratio of financial expenses, SG&A to revenue is still under stable control   |
| Financial income                       | 23           | 25           | 3%         | 11%        | 46            | 49            | 8%         |  |
| Financial costs                        | (12)         | (15)         | 22%        | 27%        | (24)          | (27)          | 15%        |  |
| Include: Interest expense              | (12)         | (15)         | 22%        | 27%        | (24)          | (27)          | 15%        |  |
| Profit from joint venture              | -            | -            | -          | -          | -             | -             | -          |  |
| Insurance cost                         | (6)          | (16)         | 10%        | 181%       | (20)          | (30)          | 53%        |  |
| SG&A                                   | (68)         | (81)         | 57%        | 19%        | (122)         | (133)         | 9%         |  |
| <b>Profit from business activities</b> | <b>132</b>   | <b>120</b>   | <b>-6%</b> | <b>-8%</b> | <b>267</b>    | <b>249</b>    | <b>-7%</b> |  |
| Other income                           | 1            | 1            | 44%        | 9%         | 3             | 2             | -25%       |  |
| Other expense                          | 0            | (1)          | 90%        | -382%      | (1)           | (1)           | 25%        |  |
| Other income, net                      | 2            | 1            | 5%         | -65%       | 2             | 1             | -49%       |  |
| <b>Profit before tax</b>               | <b>133</b>   | <b>121</b>   | <b>-6%</b> | <b>-9%</b> | <b>269</b>    | <b>250</b>    | <b>-7%</b> |  |
| Corporate tax                          | (27)         | (24)         | -6%        | -9%        | (54)          | (50)          | -7%        |  |
| <b>Profit after tax</b>                | <b>106</b>   | <b>97</b>    | <b>-7%</b> | <b>-9%</b> | <b>215</b>    | <b>200</b>    | <b>-7%</b> |  |
| Non-controlling interest               | -            | -            | -          | -          | -             | -             | -          |  |
| <b>NPAT</b>                            | <b>106</b>   | <b>97</b>    | <b>-7%</b> | <b>-9%</b> | <b>215</b>    | <b>200</b>    | <b>-7%</b> |  |
| <b>Gross profit margin</b>             | <b>4%</b>    | <b>4%</b>    |            |            | <b>4%</b>     | <b>3%</b>     |            |  |
| Trade                                  | 0%           | 1%           |            |            | 0%            | 1%            |            |  |
| Delivery                               | 11%          | 8%           |            |            | 11%           | 8%            |            |  |
| <b>Net profit margin</b>               | <b>2%</b>    | <b>2%</b>    |            |            | <b>2%</b>     | <b>2%</b>     |            |  |

Source: VTP

### 1H.2022: DELIVERY SEGMENT – THE INCREASE IN LISTED PRICES DUE TO INCREASED OVERALL PRODUCTION COSTS

In 1H.2022, delivery revenue +36% yoy due to (1) increased service prices, (2) output +5-6% yoy. Where :

▪ **In terms of output:** In 1H.2022, the number of orders on the e-commerce platform and light goods = 600,000 – 800,000 orders/day, + 5-6% yoy - lower than the growth rate of the whole Postal industry of +25% yoy. BSC believes that the reason may come from (1) brokers continue to prioritize the allocation of orders to their internal companies, (2) BEST Express continues to maintain the strategy of spending money to win the remaining orders. (Details can be found in part II). At the beginning of Q3.2022, BSC has not seen a new impetus for VTP to grow its output strongly.

▪ **About price:** VTP first increased the price of listed services in early 2022. The BSC attributes the +30% YoY increase in gasoline costs, rather than the easing of competitive pressures. High input costs, have forced transport companies (not just VTP) to raise prices to transfer part of the cost to the selling price. For example, Nhat Tin Logistics applies to charge an additional 25% fuel surcharge from T3.2022; GHTK increases inter-domain courier prices by +20-28% as of T5.2022. However, BSC believes that the actual average rate may not have increased in proportion to the listed price due to high competition.

Figure 1: Comparison of Express service rates

| Weight (g)       | Intracity   |             | % YoY | Hanoi – Da Nang, Ho Chi Minh – Da Nang |             | % YoY |
|------------------|-------------|-------------|-------|--|-------------|-------|
|                  | Form 1/2021 | From 1/2022 |       | From 1/2021                            | From 1/2022 |       |
| 0-50             | 8,000       | 11,000      | 38%   | 9,000                                  | 12,000      | 33%   |
| 50-100           | 8,000       | 11,000      | 38%   | 13,000                                 | 17,000      | 31%   |
| 100-250          | 10,000      | 13,000      | 30%   | 21,500                                 | 28,000      | 30%   |
| 250-500          | 12,500      | 16,000      | 28%   | 28,000                                 | 37,000      | 32%   |
| 500-1,000        | 16,000      | 21,000      | 31%   | 40,900                                 | 53,000      | 30%   |
| 1,000-1,500      | 19,000      | 25,000      | 32%   | 52,800                                 | 68,000      | 29%   |
| 1,500-2,000      | 21,000      | 27,000      | 29%   | 64,100                                 | 83,000      | 29%   |
| Every next 500 g | 1,700       | 2,000       |       | 7,100                                  | 12,000      |       |
| Median           |             |             | 31%   |  |             | 30%   |

Source: VTP

Figure 2: Comparison of E-commerce Delivery service price list (Domestic delivery)

| Weight (g)     | Intracity   |             | % YoY | Inter-region – Savings |             | % YoY | Inter-region – Fast |             | % YoY |
|----------------|-------------|-------------|-------|------------------------|-------------|-------|---------------------|-------------|-------|
|                | From 9/2020 | From 9/2022 |       | From 9/2020            | From 9/2022 |       | From 9/2020         | From 9/2022 |       |
| 0-100          | 16,500      | 16,500      | -     | 26,000                 | 31,000      | 19%   | 28,000              | 38,500      | 38%   |
| 100-250        |             |             | -     |                        | 42,000      | 62%   |                     | 49,000      | 75%   |
| 250-500        |             |             | -     |                        | -           |       |                     | -           |       |
| 500-1,000      |             |             | -     |                        | -           |       |                     | -           |       |
| 1,000-2,000    | 2,500       | 2,500       | -     | -                      | 4,500       |       | -                   | 12,500      |       |
| Every next 500 |             |             | -     |                        | -           |       |                     | -           |       |

Source: VTP

**Gross profit margin of delivery segment = 8.1%, down 3 percentage points over the same period, due to a sharp increase in overall production costs. In particular, (1) the cost of purchasing services in addition to +70% yoy due to rising gasoline prices, and (2) labor costs +19% yoy, (3) NVL costs +25% due to increased paper prices. In 2H.2022, BSC believes that VTP's gross profit margin will improve thanks to the expected decrease in gasoline costs compared to the beginning of the year.**

Figure 3: Delivery's COGS

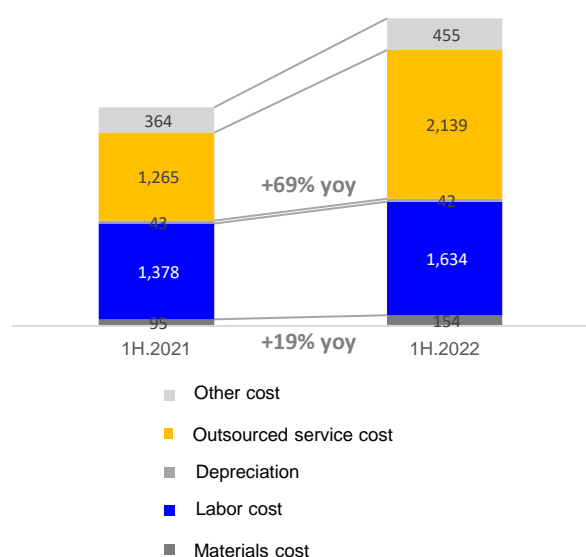
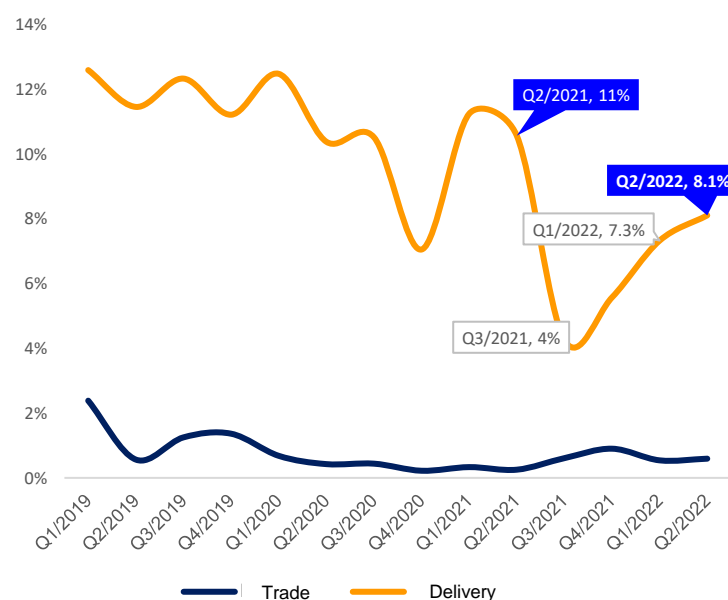
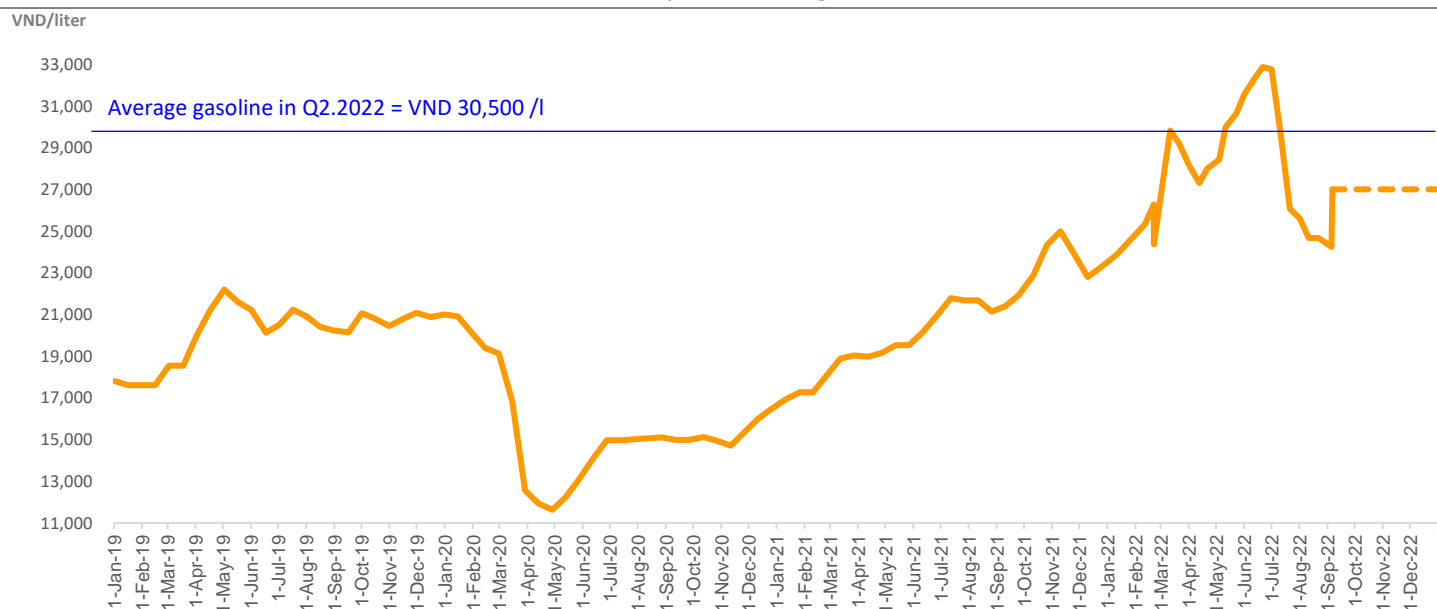


Figure 4: VTP gross profit margin movement



Source: VTP

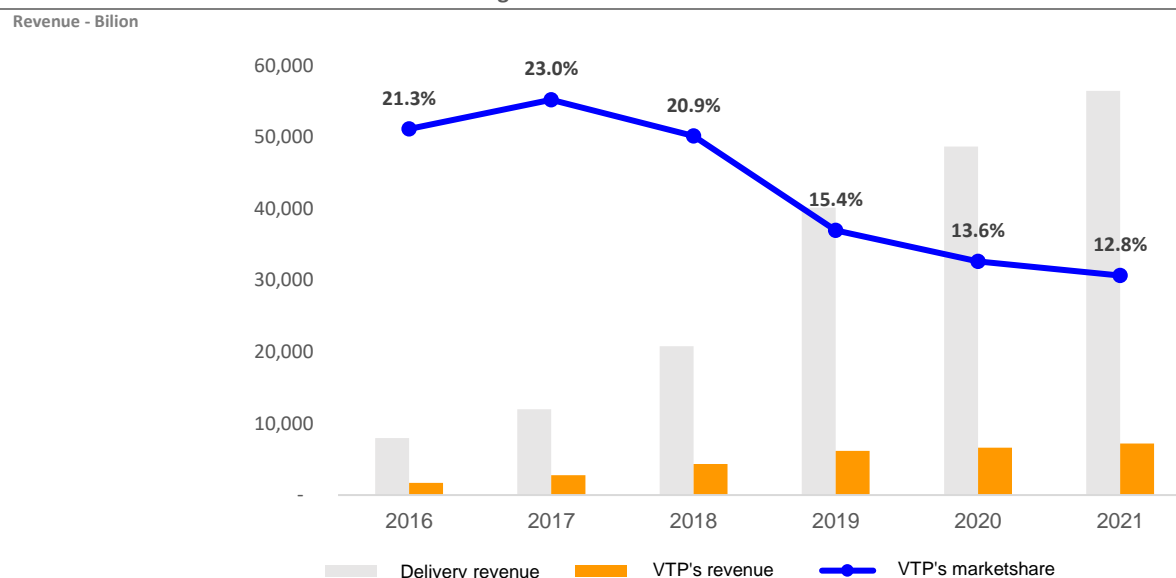
Figure 5: Ron 95-III gasoline price movement – BSC forecast gasoline price in 2H.2022 = 27,500 VND/liter (-10% compared to Q2.2022) – helping to improve LNG margin



Source: PLX

**VTP's revenue share has declined.** By the end of 2021, VTP's market share = 12.8%, down 0.8 percentage points compared to 2020. In 1H.2022, BSC thinks that VTP's market share may be reduced when VTP's order output is only +5-6% yoy, while the industry's postal output is 25% yoy – according to MOIT data.

Figure 6: Estimation of VTP revenue market share



Source: BSC Research

In summary, with the view **that (1)** the price level will still be maintained in 2H.2022 due to high gasoline costs, **(2)** delivery output has no incentive for strong growth, **(3)** gross profit margin improves, **BSC forecasts 2H.2022 KQKD about 220-230 billion VND – up 2.8-3 times over the same period – due to the low background level in 2021.**

## II. BUSINESS PROSPECTS 2H.2022 - 2023

VTP's delivery contract is divided into 2 main segments: **(1)** Delivery for e-commerce platforms, communication mail, light goods off the floor (<30 kg); **(2)** Logistics – Fulfillment & large cargo delivery (>30 kgs).

### DELIVERY FOR E-COMMERCE/LIGHT GOODS/MAIL PLATFORMS – HIGH COMPETITION

In 2022-2023, BSC said that delivery on the floor may still face difficulties due to:

- E-commerce platforms are prioritizing** the allocation of orders to internal companies. In 2020 – 2021, e-commerce platforms such as Shopee, Lazada, Tiki, Sendo, . . prioritizing order pushing (mainly intra-provincial and inter-provincial mainlines with high profit margins) to their in-house companies. For the remaining orders, the exchanges will distribute to about 5-7 external delivery companies (3PL) because **(1)** the warehouse / post office system of the floor cannot cover all provinces, and **(2)** must be outsourced to serve the peak days of the month.

**In 2022, there are signs that brokers want to push the proportion of orders for internal companies to optimize profits:**

- As of 2H.2021, Shopee does not allow buyers to choose a courier as before, and for sellers to choose Shopee Express as the default shipping unit.
- Exchanges are still promoting the development of internal logistics systems to increase cargo handling capacity. For example: since T7/2021, Tiki applies Robots to optimize warehouse operation.

**BSC believes that the shift of orders from other forwarding companies to internal units will continue in 2022-23 and in the long term** when the exchanges are still promoting the Logistics segment to optimize profits from the customer base available on the floor.

- With the remaining applications on the floor, BEST Express continues its strategy of spending money to gain market share.** At the end of Q2.2022, BSC found that BEST Express is still maintaining a price policy 15-20% lower than VTP, J&T Express and GHN, equivalent to GHTK. There is no signal yet that BEST Express will rise in price again. Therefore, BSC thinks that competition remains high in 2022.

Figure 7: BEST Express rates are 15% lower than VTP

| Weight (g)     | Inter-region – Savings (HN- HCM) |              |              |              |              |              |
|----------------|----------------------------------|--------------|--------------|--------------|--------------|--------------|
|                | BEST Express                     | J&T Express  | Ninja Van    | Viettel Post | GHTK         | GHN          |
|                | From T5/2022                     | From T5/2022 | From T6/2022 | From T9/2022 | From T5/2022 | From T9/2022 |
| 0-100          | 31,900                           | 33,500       | 22,000       | 31,000       | 30-32,000    | 29-39,000    |
| 100-250        |                                  |              |              | 42,000       |              |              |
| 250-500        |                                  |              |              | 46,500       |              |              |
| 500-1,000      | 36,900                           | 39,800       | 27,000       | 51,000       | 42,000       | 49,000       |
| 1,000-1,500    | 41,900                           | 50,800       |              | 55,500       | 47,000       | 54,000       |
| 1,500-2,000    | 46,900                           | 61,900       |              | 4,500        | 5,000        | 5,000        |
| Every next 500 | -                                | 4,500        | 5,000        | 4,500        | 5,000        | 5,000        |

Figure 8: List of delivery companies for e-commerce platforms

| TT | Đơn vị       | Shopee | Lazada | Sendo | Tiki | Titkok |
|----|--------------|--------|--------|-------|------|--------|
| 1  | Internal     |        |        |       |      |        |
| 2  | Viettel Post |        |        |       |      |        |
| 3  | VN Post      |        |        |       |      |        |
| 4  | GHTK         |        |        |       |      |        |
| 5  | GHN          |        |        |       |      |        |
| 6  | J&T Express  |        |        |       |      |        |
| 7  | Ninja Van    |        |        |       |      |        |
| 8  | Best Express |        |        |       |      |        |
| 9  | DHL          |        |        |       |      |        |
| 10 | Ship 60      |        |        |       |      |        |
| 11 | ZTO          |        |        |       |      |        |

\*BLUE: SERVICE PROVIDE

Soure: [BSC Research](#)

### LOGISTICS – FULFILLMENT & LARGE DELIVERY – IMPLEMENTATION PROGRESS IS STILL SLOW

**VTP is changing its strategy to find new growth forces.** Since the beginning of 2021, VTP has launched a restructuring plan. Accordingly, VTP will divide its business into 3 SBU including: **(1)** Domestic Express, **(2)** Fulfillment & Logistics of large goods and **(3)** Telecommunications and E-commerce. In particular, Fulfillment & Logistics of large goods will be the main growth engine in the coming period – revenue is expected to increase from 10% to 55% in the structure of total revenue. **BSC believes that VTP's Board of Directors has significantly changed its strategic position since 2021:**

- VTP is focusing on finding output, instead of directly competing on price and service quality as before.** VTP actively cooperates with units with a large customer base, providing a complete service package including order

processing, warehouse, . . . instead of mere delivery. The evidence is that in 2021, VTP signed an MOU in association with Tan Cang to provide logistics services for import and export goods, and cooperated with JD.com to transport goods from China to Vietnam. In 2022, VTP is also working with IPP Air Cargo to provide logistics services from the airport to the provinces. **BSC believes that the strategy of linking with units will help VTP get a stable source of goods and avoid direct competition with other forwarding companies.**

2. **VTP will gradually target large customers with large volumes and sizes, instead of small and medium customers as before.** The reason is due to legal problems because Vietnam does not have an E-Commerce Law - when implementing fulfillment systems for small and medium customers before.

Figure 9: Comparison of VTP strategies before and after 2021

| Criteria             | Before 2021                             | 2021-2025   |
|----------------------|---|---|
| Business activities  | Delivery                                | <ul style="list-style-type: none"> <li>Logistics (55%)</li> <li>Delivery</li> </ul>   |
| Services provided    | Mainly single delivery services         | Service package includes: <ul style="list-style-type: none"> <li>Delivery</li> <li>Warehouse</li> <li>Order fulfillment</li> <li>...</li> </ul>   |
| Merchandise          | Medium and small                        | Diversified   |
| Customer             | Individually on the floor/off the floor | Off-floor customers with large volumes of goods   |
| Competitive strategy | Price + guaranteed service              | <ul style="list-style-type: none"> <li>Price + guaranteed service</li> <li>Technology</li> <li>Associated with the Company with a large customer base such as Tan Cang, JD.com, Supermarket, . . .</li> </ul> |

Source: BSC Research

Figure 10: Shipping units expanding to fulfillment

|    | Carriers            | Fulfillment | Customer                    | Affiliates/Advantages                             |
|----|---------------------|-------------|-----------------------------|---|
| 1  | Floor internal unit |             |                             |   |
|    | -Shopee Express     | Have        | Small and medium customers  | Powered by Shopee/ShopeeMall Only                 |
|    | - Lazada Express    | Have        | Small and medium customers  | Supported by Lazada/Lazada Mall only              |
|    | -Tiki Express       | Have        | Small and medium customers  | Tiki Support/TikiMall Only                        |
| 2  | <b>Viettel Post</b> | Have        | Large customers             |   |
| 3  | VN Post             | Not         |                             |   |
| 4  | GHTK                | Have        | Small and medium customers  | Advantages from the previous Shopee customer base |
| 5  | GHN                 | Have        | Small and medium customers  |   |
| 6  | J&T Express         | Not         |                             |   |
| 7  | Ninja Van           | Not         |                             |   |
| 8  | Best Express        | Not         |                             |   |
| 9  | Dhl                 | Have        | Large customers             |   |
| 10 | Ship 60             | Have        | Small and medium customers  |   |
| 11 | ZTO                 | Not         |                             |   |
| 12 | Nhat Tin            | Have        | Big customers - enterprises | Support from Tin Thanh                            |

Source: BSC Research

**BSC believes that the Logistics segment will not have significant changes in 2022-2023 due to:**

- The progress of new investment is relatively slow.** New investment value in 6M.2022 = 39 billion VND, much lower than the 2022 capital plan = 1,200 billion VND, and the 2022-2025 plan = 3,500 billion VND.
- VTP is in the process of transferring the Executive Board.** Mr. Hoang Trung Thanh – former CEO of Viettel Telecom, was appointed General Director of VTP, replacing Mr. Tran Trung Hung. Therefore, BSC believes that it will take time for the new Executive Board to stabilize its current operations, before focusing on investing in new projects.
- Affiliates are still limited.** In 2022, VTP transports goods from China to Vietnam for JD.com from May 5, however, the output is negligible. In addition, VTP is currently working with IPP Air Cargo to transport goods from the airport to the provinces, however, the progress of implementation is also uncertain.

#### In summary:

With **(1)** Delivery on the traditional e-commerce/light/postal floor may still face difficulties due to high competition, **(2)** The implementation of Logistics – Fulfillment & large goods delivery segment is still slow, **BSC has not seen any incentive for VTP to improve its market share in terms of output in the near future.** Accordingly, BSC forecasts:

- In 2022, the courier industry +25% yoy** comes from **(1)** increased production and **(2)** price increases due to companies raising prices to shift input costs. **VTP's market share = 12.4% - down 0.4 percentage points in 2021** due to a much lower increase in output than the industry average, VTP's selling price may have increased slightly.
- In 2023, the courier industry +20% yoy** comes from increased output, prices are flat as input costs remain high. **VTP's market share = 11.3% - down 1.1 percentage points compared to 2022** due to lower growth output than the industry average. BSC assumes VTP yield + 10% yoy, prices are flat in 2023.

Figure 11: Estimation of VTP's revenue market share

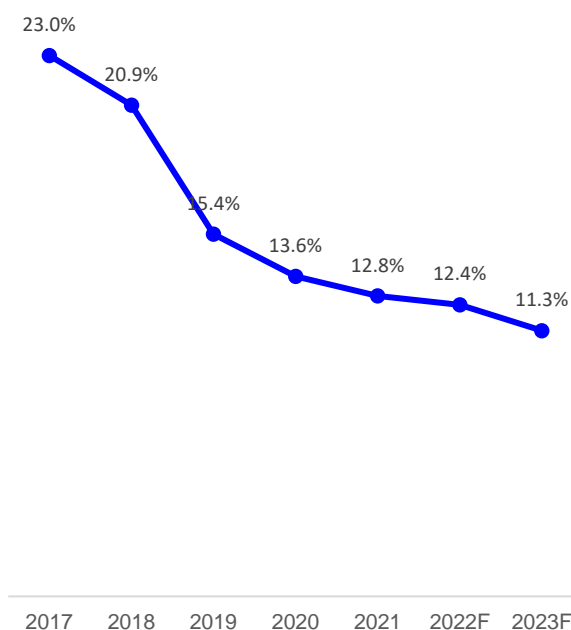
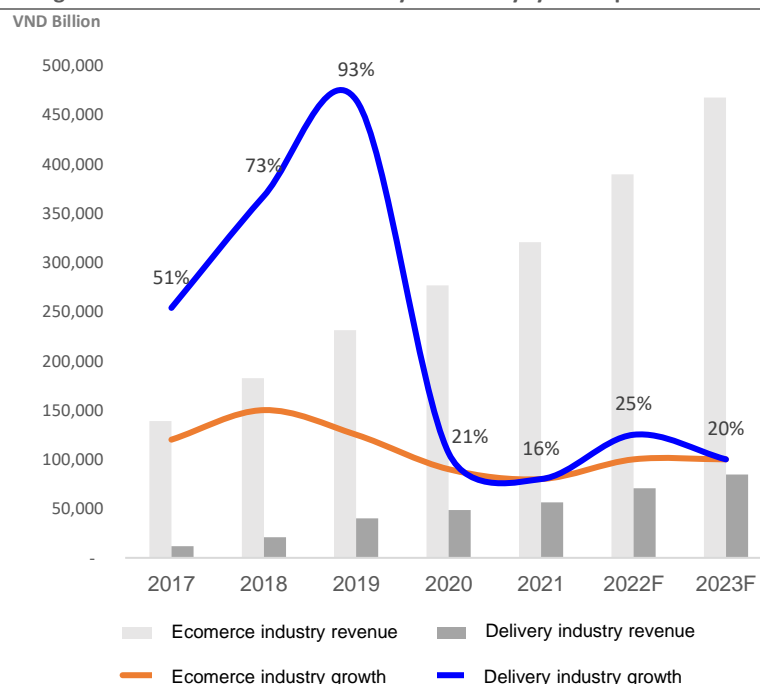


Figure 12: BSC forecasts CPN industry +22- 25% yoy in the period 2022-2023



Source: VTP

### III. FORECASTING BUSINESS RESULTS

In 2022, BSC forecasts VTP to record DTT = 23,277 billion VND (+9% yoy), NPATMI = 427 billion VND (+44% yoy), equivalent to EPS FW 2022 = 4,126 VND, P/E FW 2022 = 13.9, P/B FWD 2022 = 3.6x. In 2023, BSC forecasts VTP to record DTT = 24,386 billion VND (+5% yoy), NPATMI = 472 billion VND (+10% yoy), equivalent to EPS FW 2023 = 4,556 VND, P/E FW 2022 = 12.6, P/B FWD 2022 = 3.0, based on the following main assumptions:

- Commercial segment: Revenue + 2% yoy, profit margin = 0.41% - equivalent to 2021.
- Service segment - Delivery & Logistics:



- BSC forecasts that the courier industry will grow by +20-25% per year in 2022-2023.
- VTP's market share = 12.4% and 11.3% in 2022/2023 due to lower output growth than the industry average.
- Gross profit margin = 8.5% in 2022 based on both pricing prices: staff costs + 13% yoy – based on assumption 1H.2022, NVL cost +31% yoy due to NVL price increase, external service cost +38% yoy + due to increased gasoline price (Assuming average RON 95 – III price = 27,000 VND/liter in 2022). Compared to 2021, the gross profit margin of the service segment is + 1 percentage point due to the low gross profit base in Q3-4.2021. By 2023, BSC assumes gross profit margin = 8.5%.

3. Assumed new investment value = VND 70 billion in 2022 – 23 based on the assumption of investment costs in 1H.2022. BSC has not included in the forecast of the logistics investment package 2022-2025 = VND 3,500 billion because it is not sure of the disbursement plan.

VTP's gross profit margin is +0.7 points %/0.1 percentage points in 2022/2023 due to an increase in the proportion of the delivery segment with higher gross profit margin.

Figure 13: Forecast of VTP's business results

| I.S – VND billion               | 2018         | 2019         | 2020          | 2021          | 2022F         | 2023F         |
|---------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|
| <b>Assumption</b>               |              |              |               |               |               |               |
| Express delivery                | 20,792       | 40,117       | 48,656        | 56,441        | 70,552        | 84,662        |
| % YoY                           | 73%          | 93%          | 21%           | 16%           | 25%           | 20%           |
| VTP's market share              | 20.9%        | 15.4%        | 13.6%         | 12.8%         | 12.4%         | 11.3%         |
| VTP's delivery revenue          | 4,344        | 6,178        | 6,617         | 7,208         | 8,748         | 9,567         |
| % YoY                           | 58%          | 42%          | 7%            | 9%            | 21%           | 9%            |
| <b>Net revenue</b>              | <b>4,922</b> | <b>7,812</b> | <b>17,234</b> | <b>21,452</b> | <b>23,277</b> | <b>24,386</b> |
| Trade                           | 579          | 1,634        | 10,617        | 14,244        | 14,529        | 14,820        |
| Service                         | 4,344        | 6,178        | 6,617         | 7,208         | 8,748         | 9,567         |
| COGS                            | (4,376)      | (7,036)      | (16,536)      | (20,852)      | (22,475)      | (23,513)      |
| <b>Gross profit</b>             | <b>547</b>   | <b>775</b>   | <b>699</b>    | <b>600</b>    | <b>803</b>    | <b>873</b>    |
| Trade                           | 8            | 19           | 22            | 58            | 59            | 60            |
| Service                         | 538          | 757          | 677           | 542           | 744           | 813           |
| Gross profit margin             | 11%          | 10%          | 4%            | 3%            | 3%            | 4%            |
| Trade                           | 1%           | 1%           | 0%            | 0%            | 0%            | 0%            |
| Service                         | 12%          | 12%          | 10%           | 8%            | 9%            | 9%            |
| Financial income                | 49           | 94           | 99            | 94            | 112           | 123           |
| Financial expense               | (19)         | (49)         | (54)          | (48)          | (52)          | (63)          |
| Include: Interest expense       | (19)         | (49)         | (54)          | (48)          | (52)          | (63)          |
| P/L from joint venture          | -            | -            | -             | -             | -             | -             |
| Insurance cost                  | (30)         | (49)         | (22)          | (39)          | (42)          | (44)          |
| SG&A                            | (200)        | (285)        | (248)         | (242)         | (291)         | (305)         |
| Profit from business activities | 347          | 487          | 474           | 365           | 529           | 585           |
| Other income, net               | 3            | (9)          | 6             | 6             | 6             | 6             |
| <b>Profit before tax</b>        | <b>350</b>   | <b>477</b>   | <b>480</b>    | <b>371</b>    | <b>535</b>    | <b>591</b>    |
| Corporate tax                   | (71)         | (97)         | (97)          | (75)          | (108)         | (119)         |
| <b>Profit after tax</b>         | <b>279</b>   | <b>380</b>   | <b>383</b>    | <b>296</b>    | <b>427</b>    | <b>472</b>    |
| Non-controlling interest        | -            | -            | -             | -             | -             | -             |
| Profit's parent company         | 279          | 380          | 383           | 296           | 427           | 472           |
| <b>EPS</b>                      | <b>6,744</b> | <b>6,376</b> | <b>4,615</b>  | <b>2,857</b>  | <b>4,126</b>  | <b>4,556</b>  |
| Gross profit margin             | 6%           | 5%           | 2%            | 1%            | 2%            | 2%            |
| Net profit margin               | 11%          | 10%          | 4%            | 3%            | 3%            | 4%            |

Source: BSC Research

Risks of changing forecasts in 2023:



- The growth rate of the delivery/e-commerce industry is faster than forecast.
- VTP's delivery market share fell more sharply than forecast due to high competition.

#### Catalyst

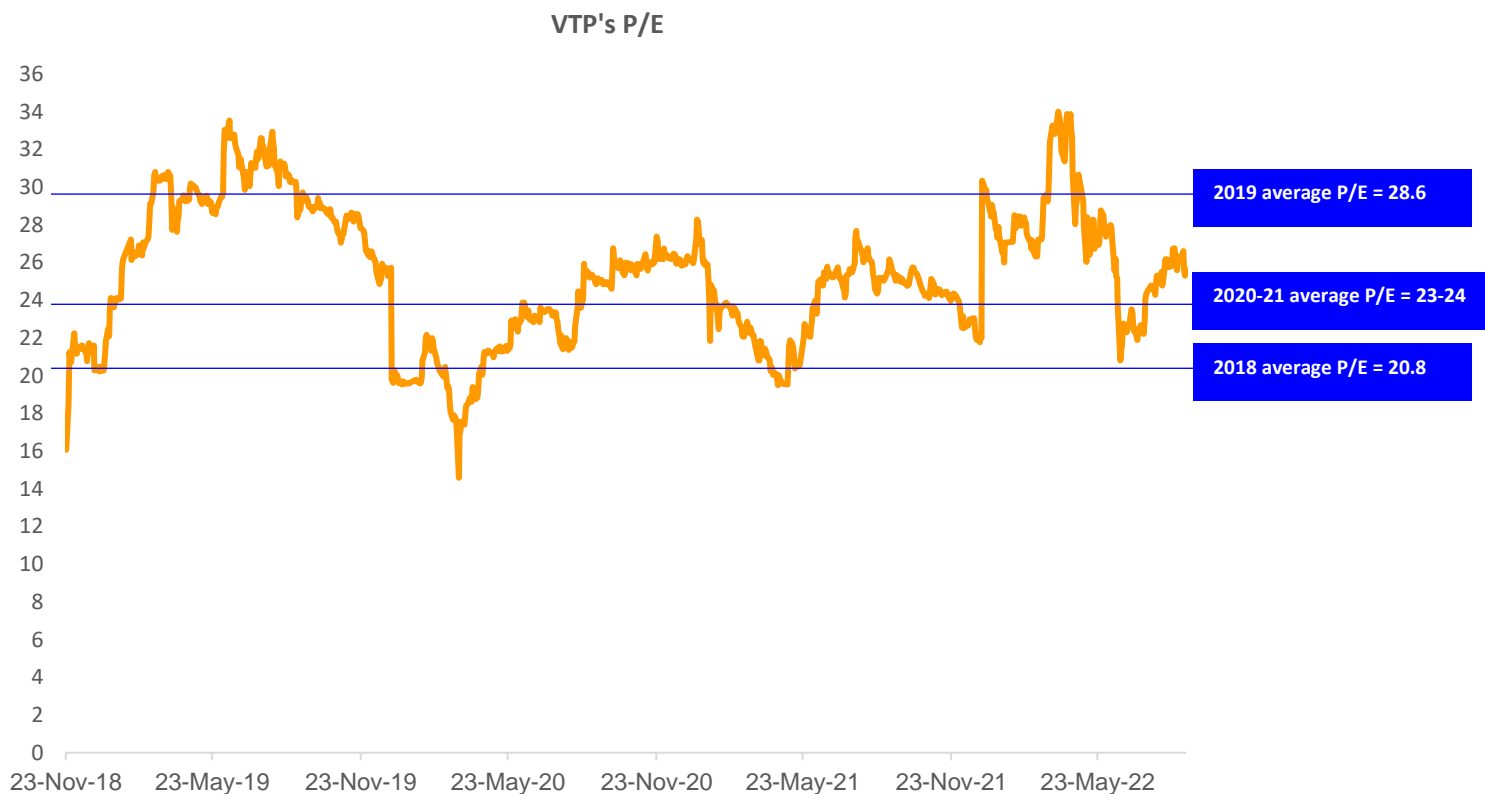
- **HOSE floor transfer:** VTP expects to move floor in 2H.2022.
- **Viettel divests:** Viettel owns 60.8% of VTP shares, plans to reduce its ownership to 51% in the period 2021-2025.

## IV. PRICING AND RECOMMENDATIONS

We estimate the fair value of **VTP** shares in 2023 to be **60,000 VND/SHARE** based on **the target P/E method = 13x**, lower than the average P/E (2018-2021) = 21-29x due to concerns about **(1)** high competition of the delivery segment on the floor, **(2)** slow progress of logistics in the near future. We believe that the target P/E = **13x** is in line with **(1)** the overall growth rate of VTP's courier segment = 10-15%/year, **(2)** VNINDEX P/E = 15-16x with average EPS growth = 20%/year.

| P/E method   | Value            |
|--------------|------------------|
| EPS FW 2022  | 4,556            |
| Target = 13x | 13x              |
| Fair value   | VND 60,000/share |

Source: BSC Research



## APPENDIX

| Income statement(VND bil)       | 2020         | 2021         | 2022F        | 2023F        |
|---------------------------------|--------------|--------------|--------------|--------------|
| Net sales                       | 17,234       | 21,452       | 23,277       | 24,386       |
| COGS                            | (16,536)     | (20,852)     | (22,475)     | (23,513)     |
| <b>Gross profit</b>             | <b>699</b>   | <b>600</b>   | <b>803</b>   | <b>873</b>   |
| Financial income                | 99           | 94           | 112          | 123          |
| Financial expense               | (54)         | (48)         | (52)         | (63)         |
| Include: interest cost          | (54)         | (48)         | (52)         | (63)         |
| P/L from joint venture          | -            | -            | -            | -            |
| Insurance cost                  | (22)         | (39)         | (42)         | (44)         |
| SG&A                            | (248)        | (242)        | (291)        | (305)        |
| Profit from bussines activities | 474          | 365          | 529          | 585          |
| Other income, net               | 6            | 6            | 6            | 6            |
| <b>Profit before tax</b>        | <b>480</b>   | <b>371</b>   | <b>535</b>   | <b>591</b>   |
| Corporate tax                   | (97)         | (75)         | (108)        | (119)        |
| <b>Profit after tax</b>         | <b>383</b>   | <b>296</b>   | <b>427</b>   | <b>472</b>   |
| Noncontrolling interest         | -            | -            | -            | -            |
| <b>Profit for ACV</b>           | <b>383</b>   | <b>296</b>   | <b>427</b>   | <b>472</b>   |
| <b>EPS</b>                      | <b>4,615</b> | <b>2,857</b> | <b>4,126</b> | <b>4,556</b> |

| Balance Sheet (VND bil)                    | 2020         | 2021         | 2022F        | 2023F        |
|--|--------------|--------------|--------------|--------------|
| Cash and cash equivalents                  | 317          | 337          | 463          | 755          |
| Short-term invesment                       | 1,572        | 1,902        | 1,997        | 2,097        |
| Current accout receivables                 | 1,302        | 2,189        | 2,368        | 2,481        |
| Inventory                                  | 606          | 384          | 414          | 433          |
| Other current assets                       | 119          | 143          | 233          | 244          |
| <b>Short-term assets</b>                   | <b>3,916</b> | <b>4,955</b> | <b>5,475</b> | <b>6,010</b> |
| Non-current account receivable             | 5            | 5            | 5            | 5            |
| Tangible assets                            | 591          | 683          | 683          | 683          |
| Accumulated depreciation                   | (277)        | (363)        | (452)        | (541)        |
| Investment assets                          | -            | -            | -            | -            |
| Accumulated depreciation                   | -            | -            | -            | -            |
| Long-term assets in progress               | 62           | 9            | 79           | 149          |
| Long-term investments                      | -            | 34           | -            | -            |
| Other long-term assets                     | 68           | 111          | 233          | 244          |
| <b>Long-term assets</b>                    | <b>450</b>   | <b>479</b>   | <b>547</b>   | <b>540</b>   |
| <b>Total assets</b>                        | <b>4,367</b> | <b>5,434</b> | <b>6,022</b> | <b>6,549</b> |
| Current liabilities                        | 2,063        | 2,942        | 2,992        | 3,039        |
| Short-term debt                            | 1,088        | 1,166        | 1,400        | 1,531        |
| <b>Total short-term liabilities</b>        | <b>3,151</b> | <b>4,108</b> | <b>4,391</b> | <b>4,570</b> |
| Long-term debt                             | 7            | -            | -            | -            |
| Other long-term liabilities                | 0            | 1            | 1            | 1            |
| <b>Total long-term liabilities</b>         | <b>7</b>     | <b>1</b>     | <b>1</b>     | <b>1</b>     |
| <b>Total liabilities</b>                   | <b>3,158</b> | <b>4,109</b> | <b>4,392</b> | <b>4,570</b> |
| Share capital                              | 830          | 1,036        | 1,036        | 1,036        |
| Capital premium                            | 22           | 22           | 22           | 22           |
| Other capital                              | 6            | 2            | 2            | 2            |
| Undistributed earnings                     | 350          | 266          | 571          | 920          |
| Non-controlling interests                  | -            | -            | -            | -            |
| <b>Total Owner's equity</b>                | <b>1,209</b> | <b>1,326</b> | <b>1,630</b> | <b>1,979</b> |
| <b>Total Liabilites and owner's equity</b> | <b>4,367</b> | <b>5,434</b> | <b>6,022</b> | <b>6,549</b> |

| Cash flow (VND bil)                       | 2020         | 2021         | 2022F        | 2023F        |
|---|--------------|--------------|--------------|--------------|
| (Loss)/Profit after tax                   | 480          | 371          | 535          | 591          |
| D&A                                       | 74           | 89           | 89           | 89           |
| Working capital changes                   | 504          | 410          | 677          | 743          |
| Other changes                             | (50)         | (49)         | 52           | 63           |
| <b>Net CFO</b>                            | <b>(69)</b>  | <b>431</b>   | <b>146</b>   | <b>454</b>   |
| Purchase and construction of fixed assets | (37)         | (97)         | (70)         | (70)         |
| Other invesment                           | (116)        | (262)        | (61)         | (100)        |
| <b>Net CFI</b>                            | <b>(154)</b> | <b>(359)</b> | <b>(131)</b> | <b>(170)</b> |
| Dividend paid                             | (88)         | (123)        | (123)        | (123)        |
| Net borrowing fund                        | 281          | 71           | 233          | 131          |
| Other changes                             | -            | -            | -            | -            |
| <b>Net CFF</b>                            | <b>192</b>   | <b>(52)</b>  | <b>111</b>   | <b>8</b>     |
| <b>Beginning cash flow</b>                | <b>347</b>   | <b>317</b>   | <b>337</b>   | <b>463</b>   |
| Cash flow in year                         | (30)         | 20           | 126          | 292          |
| <b>Ending cash flow</b>                   | <b>317</b>   | <b>337</b>   | <b>463</b>   | <b>755</b>   |

| Raito                             | 2020  | 2021  | 2022F | 2023F |
|-----------------------------------|-------|-------|-------|-------|
| <b>Liquidity</b>                  |       |       |       |       |
| Current raito                     | 1.2   | 1.2   | 1.2   | 1.3   |
| Quick raito                       | 1.0   | 1.1   | 1.1   | 1.2   |
| <b>Capital struture</b>           |       |       |       |       |
| Debt/ Total assets                | 72%   | 76%   | 73%   | 70%   |
| Debt/Equity                       | 261%  | 310%  | 269%  | 231%  |
| <b>Efficiency</b>                 |       |       |       |       |
| Day sales of inventory            | 13    | 7     | 7     | 7     |
| Day sales outstand ing            | 28    | 37    | 37    | 37    |
| <b>Profit margin</b>              |       |       |       |       |
| Gross                             | 4%    | 3%    | 3%    | 4%    |
| Net                               | 2%    | 1%    | 2%    | 2%    |
| ROE                               | 31.7% | 22.3% | 26.2% | 23.8% |
| ROA                               | 8.8%  | 5.4%  | 7.1%  | 7.2%  |
| <b>Growth</b>                     |       |       |       |       |
| Net revenue growth                | 121%  | 24%   | 9%    | 5%    |
| EBIT growth                       | 2%    | -22%  | 41%   | 11%   |
| EBT growth                        | 1%    | -23%  | 44%   | 10%   |
| EPS growth                        | -28%  | -38%  | 44%   | 10%   |
| Number of outstanding share (mil) | 83    | 104   | 104   | 104   |

Source: BSC Research

## Disclosure

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### BSC Head Office

8th & 9<sup>th</sup> Floor Thai Holdings Building

210 Tran Quang Khai

Tel: +84439352722

Fax: +84422200669

### BSC Ho Chi Minh Branch

9th Floor Building 146 Nguyen Cong Tru,  
District 1, Ho Chi Minh city

Tel: +84838218885

Fax: +84838218510

<https://www.bsc.com.vn>

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