

Recommendation: HOLD

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Target price	45,354
Current price	42,100
Upside	7.7%

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Target price	45,000
Cut loss	34,400

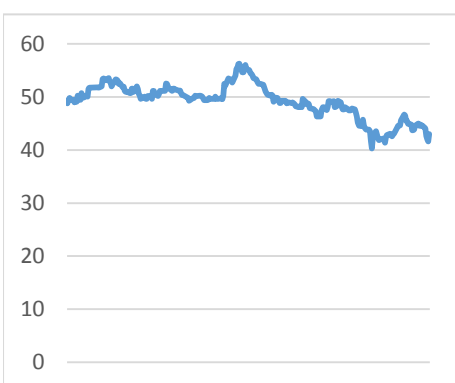
Market Data

Outstanding share	50
Mkt Cap	2,139
High of 52w	56,959
Avg Vol 10 days (share)	373,675
Foreign onwership	37.43%

Major shareholder

VCG forum one	5%
Vietnam Holding	5%
Deutsche Asset manager	4%
Asean Small cap	4%

Chart (1 year)



Overview

VSC is a seaport company in Hai Phong. VSC operates and manages two ports (Vip Green and Green) with a total capacity estimated at 800,000 TEUs per year.

Other report

Valuation

In 2018, we forecast VSC's EPS will come to VND 4,628 per share. As of 7/3/2018, VSC is traded at VND 42,700 per share, equivalent to a PE of 9.2x. In 2017, VSC was valued at an average PE of 9.8x. So in 1-year period, we recommend to Hold VSC with a target price of VND 45,354 / share

We expect that the participation of GMD's Nam Dinh Vu Port will not have much impact on Vip Green's resources as VSC is a highly reputable port operator in the region. In the history, there are no fleet that moving to other ports

Forecast business results

In 2018, we forecast VSC will record net sales of VND 1,447 billion (+10% yoy) and EAT of VND 313 billion (+23.7% yoy), corresponding to EPS of VND 4,628

Catalyst

- (1) Expected average service prices will not fall sharply as in 2017.
- (2) Vip-green port increases capacity and container throughput

Investment highlights

- (1) Vip-Green port expects to increase the number of customers from 8 per week to 10 weekly, so that throughput can reach about 600,000 teus. Meanwhile, Green port will continue to have difficulties and throughput may reach only 250,000 teus.
- (2) Depot of about 8 hectares (GIC) will be in use by the end of 2017, which will increase the capacity of Vip-Green Port to 800,000 TEUs per year.
- (3) The CPTPP signed on 8/3/2018 is a momentum to increase the demand for import and export of goods through ports.
- (3) Investment risk: Competition continues to increase sharply from new ports, so service price trends are unlikely to increase in the medium term.

Investment risk.

We believe that the biggest risk to VSC's business is when Lach Huyen comes into operation. According to some port enterprises in Hai Phong, Sai Gon New Port will be able to put some cranes at Cat Lai Port to be exploited in Lach Huyen in 2018, but the plan has not been agreed by the Japanese partners. . With VSC, it is possible that in 2019, two flights a week of Evergreen can be put into operation in Lach Huyen.

Capacity expansion of Vip-Green port by 8 ha. In 11/2017, VSC put into operation a depot of 8 ha to increase the speed of container traffic in Vip-Green Port. As a result, the Vip-Green port could increase capacity to about 800,000 TEUs a year (previously only 600,000 TEUs per year). In addition, by the end of 2017, VSC will also invest in one rotary crane and 14 containers in order to serve large vessels of Maserk Lines.

2018 Perspectives and Forecasts. According to the update from the port enterprises in Hai Phong, Nam Dinh Vu port can be put into operation in 5/2018 with the designed capacity of 500,000 Teus in phase 1, which is expected to fill 50% in 2018. Therefore competition between ports in Hai Phong in general and ports in Dinh Vu peninsula in particular will increase. However, we think that the operation of Nam Dinh Vu Port will not have a big impact on Vip-Green of VSC due to: (1) VSC is a reputable business with customers; There is no case of customers moving to exploit in rival ports. (2) Nam Dinh Vu Port is a port with offshore bridges, so the cost of construction is nearly double compared to other ports in the Dinh Vu peninsula, so we consider that Nam Dinh Vu does not have price advantage.

We forecast 2018 net sales of PVS will reach VND 1,447 billion (+10% yoy). The parent company's EAT is VND 313 billion (+23.7% yoy), equivalent to EPS of VND 4,628, based on these assumptions :

- The output of Green port is decreased slightly compared to 250,000 TEUs in 2017 as the Bach Dang bridge has been completed by the end of 2017 and can be put into use from the third quarter of 2018. VSC has a strategy to turn this port into a warehouse and distribution center.
- Vip-Green port expects throughput to reach 600,000 TEUs (+15.3% yoy). We forecast that in 2018, VSC will be able to find two more new customers, increasing the number of trips to 10 times a week.
- Due to the competitive level still high in the area, especially when Lach Huyen (2019) and Nam Dinh Vu (5/2018) come into operation, we believe that the average service price may decrease 5% compared to the number of 2017.
- The efficiency at the Vip-Green port has helped to improve the gross profit margin compared to 2017, raising to around 32%.
- The proportion of selling and administrative expenses on net sales is unchanged compared to 2017

VSC - VIETNAM CONTAINER SHIPPING CORPORATION

Financial analysis

BSC

Unit: billions	2014	2015	2016	2017	2018E
Net sales	891	928	1,082	1,303	1,429
Gross profit	312	371	396	408	457
Financial income	16	14	17	10	11
Financial exps	8	(2)	(44)	(50)	(50)
interest exps	(0)	(1)	(44)	(50)	(50)
Sell exps	(3)	(8)	(11)	(15)	(15)
G&A exps	(45)	(41)	(53)	(61)	(58)
Operating profit	301	344	311	298	346
Net other income	1	2	1	0	0
EBT	302	346	311	298	346
Net income	248	277	262	264	287
Minority interests	-	(3)	11	27	29
Parents	248	279	251	237	258
EPS	6,464	6,069	4,964	4,261	4,628

Revenue increased 20% thanks to the expansion of Vip Green port and increase the number of customers. Total throughput reached about 800,000 TEU, of which Vipgreen reached 520,000 TEUs (+68% yoy), while Green Port only reached 285,000 TEUs (-6% yoy) due to the impact of Bach Dang Bridge

Financial costs increase as part of the crane purchase loan is no longer capitalized

Selling and administrative expenses / net revenue ratio did not change much in 2017

Current asset	480	586	605	492	837
Cash and CE	216	332	331	212	529
Short-term investment	52	79	32	49	54
Accounts receivable	159	93	130	155	170
Inventories	7	10	9	13	15
Other current assets	46	72	102	62	68
Non-current asset	1,009	1,556	1,782	1,912	1,805
LT receivables	-	0	0	0	0
Fixed assets (fa)	415	959	1,215	1,202	1,095
Tangible fa					
Finance lease fa	-	-	-	-	-
Intangible fa	180	164	183	186	396
TS dở dang dài hạn		-	-	-	-
Long-term investment	100	109	105	112	112
Other LT assets	493	487	461	598	598
Total asset	1,495	2,224	2,397	2,479	2,641
Total liabilities	279	793	882	769	700
Current liabilities	270	375	297	369	286
ST borrowings	4	7	58	120	131
Non-current liabilities	10	418	585	400	414
LT borrowings	9	418	585	400	414
Owner's equity	1,216	1,431	1,515	1,710	1,941
Paid-in cap	345	414	456	501	501
Retained earnings	234	251	275	258	488
Total resources	1,495	2,224	2,397	2,479	2,641

Cash and CE are abundant, accounting for approximately 43% of current assets

Non-current assets increased by 7.3% mainly due to the construction of the depot for Vip-green Port. This is a 8 hectares area (built and put into use 5ha) which was purchased in early 2017.

% yoy Revenue		4%	17%	20%	10%
Gross margin	35.0%	39.9%	36.6%	31.3%	32.0%
Ir.exps / sale	0.0%	0.1%	4.0%	3.8%	3.5%
Sell exps / sale	0.3%	0.9%	1.0%	1.1%	1.0%
Admin exps / sale	5.1%	4.4%	4.9%	4.7%	4.1%
Net profit margin	27.8%	29.8%	24.2%	20.2%	20.1%

gross profit margin dropped sharply from 36.6% to 31.3% mainly due to a decrease in average service prices by about 10% compared to 2016 which due to high competition when the Bach Dang Bridge was completed.

FINANCIAL RATIO

2013 2014 2015 2016 2017

1. Liquidity ratio

Current ratio	2.06	1.78	1.56	2.04	1.33
Quick ratio	2.02	1.75	1.54	2.01	1.30

The liquidity ratios are at a very safe level, mainly due to stable business operations that bring good returns. This shows that VSC is capable of paying the debt on time

2. Capital structure ratio

Ca/TA	0.44	0.32	0.26	0.25	0.20
NCA/TA	0.56	0.67	0.70	0.74	0.77
Liabilities/TA	0.22	0.19	0.36	0.37	0.31
Liabilities/TE	0.28	0.23	0.55	0.58	0.45
CL/TA	0.27	0.22	0.26	0.20	0.22
NCL/TA	0.01	0.01	0.29	0.39	0.23

The proportion of non-current assets are likely to increase as the VSC is still in the investment phase of the Vip-Green port. We expect this trend to decline over the next two years when Vip-Green moves to operation phase

3. Operating efficiency ratio

Inventory turnover	46.7	64.7	63.6	70.4	78.0
Receivable turnover	6.4	6.3	7.3	9.6	9.0
Payable turnover	5.6	5.5	3.4	8.6	9.1
Days of inventory	7.7	5.6	5.7	5.1	4.6
Days of receivables	55.8	57.3	49.5	37.6	40.0
Days of payables	64.4	65.8	106.8	42.0	39.7

4. Profitability ratio

Net income/NSale	30.4%	27.8%	29.8%	24.2%	20.2%
ROE	27.2%	20.4%	19.3%	17.3%	15.4%
ROA	21.2%	16.6%	12.4%	10.9%	10.6%
Oper profit/NSale	36.4%	33.8%	37.1%	28.7%	22.9%

Profitability ratios tended to decrease due to: (1) The construction of Bach Dang Bridge significantly reduced the output through Green port. (2) High competition in Hai Phong will reduce the loading and unloading fee by 10% in 2016, 2017

5. Dupont analysis

TA/TE	0.8	0.8	0.8	0.8	0.9
NSale/TA	1.0	1.0	1.0	0.9	0.9
EBIT/NSale	0.4	0.3	0.4	0.3	0.3
EBT/EBIT	0.7	0.6	0.4	0.5	0.5
Net income/EBT	1.3	1.2	1.6	1.6	1.5

6. Valuation multiples

EPS	7,511	6,464	6,069	4,964	4,261
BVPS	30,665	35,201	34,556	33,266	34,114

7. Growth (%yoy)

TA	32%	49%	8%	3%
Liabilities	12%	184%	11%	-13%
Sale	13%	4%	17%	20%
GP	3%	19%	7%	3%
NI	103%	112%	95%	101%
EPS	-14%	-6%	-18%	-14%

Total assets increased sharply in 2015, 2016 because this was the time for VSC to build Vip-Green port, with an investment capital of about VND 900 billion (excluding the amount of land purchase). In 2017, VSC will invest only in depot 8 ha and spinning cranes.

Technical highlights:

- Current Trend: Long-term downtrend, short-term rebound
- The MACD is above the 0 line and diverging above the signal line, together with the RSI is rising, a sign of a short-term uptrend.
- Liquidity: Average liquidity in 10 trading sessions was about VND 27 billion, not lower than the general market. Liquidity of stocks increased sharply in the trading session on 9/3.

Comment:

VSC has been in the long-term downtrend since late 2017 and currently supported at the price of 34.5. In recent trading sessions, the stock price rebounded and approached the resistance at 45. In the 9/3 trading session, stock prices fell after price almost reached the resistance level with high liquidity, showing strong profit taking pressure.

Khuyến nghị: Investors can take advantage of the correction of VSC to the support level at MA (45) line around 40 to increase the proportion, expecting the stock to maintain a short-term uptrend. Reasonable price 40, target 45, cut loss if VSC lost the support level at 34.5.

Chart



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