May 14th, 2024

Shinhan Securities



Viettel Post Joint Stock Corporation

[Vietnam / Logistics]

Bloomberg Code (VTP VN) | Reuters Code (VTP.HM)

HOLD

Initiate Coverage

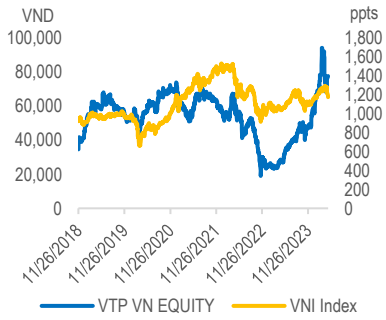
Target price (12 months)	**84,000 VND**
Current price (14/05/24)	79,000 VND
Upside/downside (%)	6.3%

VNINDEX	1,243
HNXINDEX	236
Market Cap (bn VND)	9,260
Outstanding shares (mn)	45.0
Free-Floating (mn)	37.1
52-Wk High/Low (VND)	97,900/27,413
90-day avg. trading volume (mn)	1.02
90-day avg. turnover (bn VND)	104

Major shareholders (%)	Viettel Global Investment JSC	61

Performance	3T	6T	12T
Absolute (%)	16.0	77.3	169.0
Relative to VN-Index (%)	11.6	63.7	152.4

Source: Bloomberg



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Positioning of high-tech logistics enterprises

Initiate coverage with HOLD rating and target price of VND 84,000

Viettel Post Joint Stock Corporation (VTP) is one of the leading courier companies in Vietnam. Based on DCF method, we value VTP for the first time at 84,000 VND, equivalent to a 6.3% return. In the long-term, the growth engine comes from (1) the second largest in terms of coverage in the courier sector, (2) infrastructure and technology investment are key to sustainable development, (3) strengthening fulfillment and expanding supply chain are growth levers for the business, and (4) the strong development of e-commerce brings many opportunities for VTP.

The second largest in terms of coverage in the courier sector

Currently, there are over 700 businesses operating in the delivery sector, nearly double the number in 2018. Among these, VTP ranks second in terms of network coverage, only behind VNPost. VTP has a network spanning 63 provinces and cities nationwide with over 2,000 post offices. VTP's service coverage is 0.12 km/service point, higher than the industry average of 2.9 km/service point. This gives VTP an advantage in terms of operating scope and an edge in the inter-provincial delivery market

Infrastructure and technology investment are key to sustainable development

VTP invests heavily in infrastructure and technology networks, including smart warehouses, network operations centers (NOCs), and process automation to address three main goals: (1) minimize operating costs, (2) shorten cargo processing time from 8-10 hours and minimize error rates, and (3) increase orders and improve service quality.

Viettel Post is the first logistics company in Vietnam to deploy AGV robot technology, thereby increasing the level of automation in the sorting and picking stage

Strengthening fulfillment (order fulfillment services, including all processes from when goods enter the warehouse to when customers receive them) and expanding the supply chain are growth levers for businesses.

Fulfillment strategies optimize for both sellers and shipping companies. Sellers save on storage costs and reduce the workload involved in pre- and post-order activities. Shipping companies can speed up delivery and manage inventory better.

Establishing a network and infrastructure dedicated to this field requires significant investment capital to maintain and operate, and to own warehouses. In this regard, technology and large warehouses are VTP's strengths.

The strong development of e-commerce brings many opportunities for VTP

Vietnam's e-commerce market is valued at USD 15 billion and is expected to grow at a CAGR of 28% per year, reaching USD 52 billion by 2025. The booming e-commerce platform will play a key role in the future development of VTP.

Risks: (1) Price competition from start-up businesses: GHN, GHTK, foreign-invested enterprises: J&T, BEST,... (2) A weak economy affects consumer purchasing power

Year to Dec.	2023	2024F	2025F	2026F	2027F
Revenue (bn VND)	**19,588**	**11,447**	**12,790**	**14,584**	**16,667**
OP (bn VND)	412	454	619	768	983
NP (bn VND)	**380**	**402**	**520**	**642**	**833**
EPS (VND)	3,119	3,301	4,269	5,275	6,843
BPS (VND)	12,984	16,285	20,555	25,830	32,672
OPM (%)	2.1%	4.0%	4.8%	5.3%	5.9%
NPM (%)	1.9%	3.5%	4.1%	4.4%	5.0%
ROE (%)	**24.0%**	**20.3%**	**20.8%**	**20.4%**	**20.9%**
PER (x)	26.9	26.9	25.4	19.6	15.9
PBR (x)	6.5	5.1	4.1	3.2	2.6
EV/EBITDA (x)	3.1	3.1	2.8	2.2	1.7

Source: Company data, Shinhan Securities Vietnam

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Company background

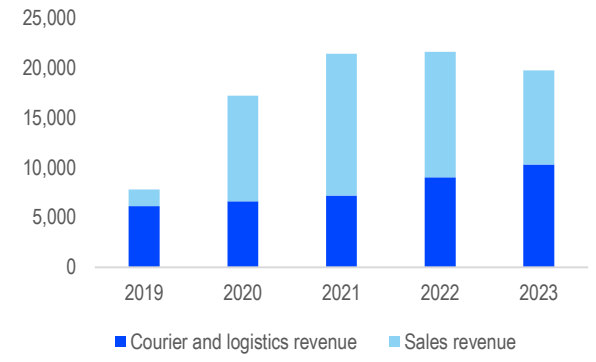
History

In 2018, Viettel Post was officially listed on UPCOM with the ticker "VTP". On March 12, 2024, VTP shares were officially transferred to listing on the HoSE exchange. Viettel Post operates in the fields of express delivery, logistics services and trade services. VTP is one of the main pillars of the Viettel Military Industry Corporation (Viettel).

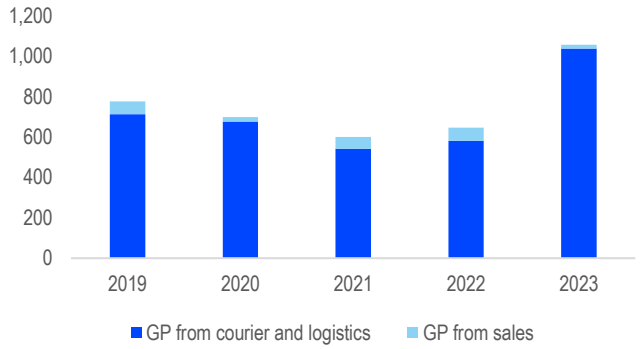
The company is proactively downsizing its low-margin retail segment (mobile phone SIM cards) and focusing on its two core business segments: delivery and logistics services.

- Domestic and international courier services: Express, economy, and rush delivery to meet the needs of B2B and B2C retailers (online marketplaces, B2B customers, public administration).
- Logistics services: transportation services, warehouse rental, forwarding services,… In addition to these core logistics services, VTP also provides a variety of value-added services for e-commerce goods
- Viettel Post proactively downsizes sales segment (sim cards), focusing on the core express delivery sector. The sales segment has had a gross profit margin of around 0.3%-0.5% from 2021 to the present. In contrast, the service segment has a superior gross profit margin, ranging from 6% to 8.5%.

VTP's revenue breakdown by segment (VND bn)

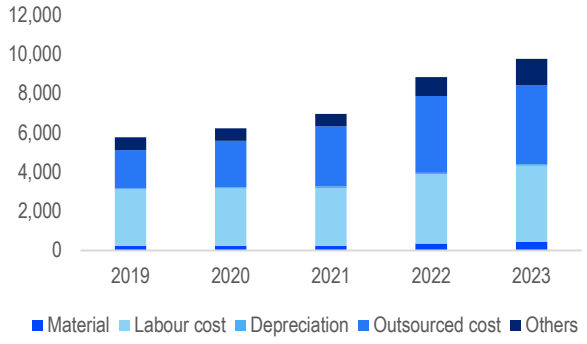


VTP's gross profit breakdown by segment

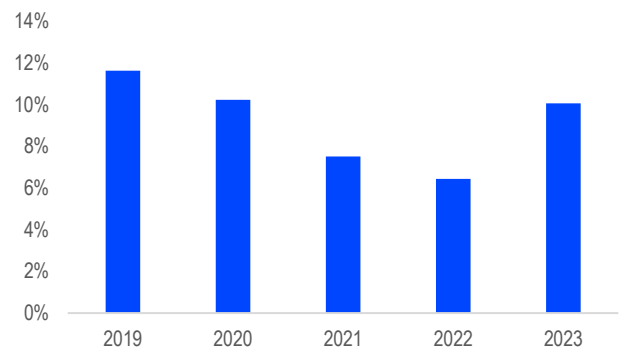


Source: Data Company, Shinhan Securities Company

VTP's cost breakdown (VND bn)

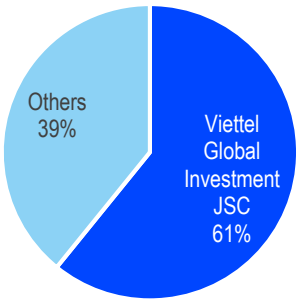


VTP's gross profit margin

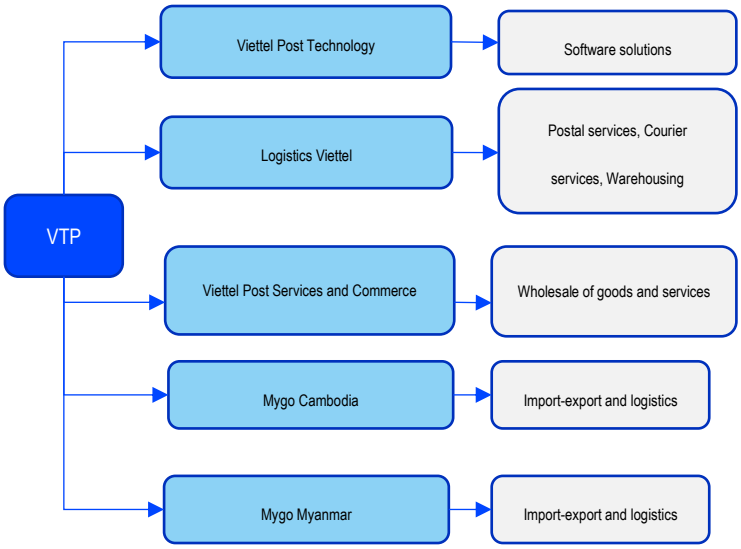


Source: Data Company, Shinhan Securities Company

Shareholder Structure 15/05/2024



Model of Governance



Source: Data Company, Shinhan Securities Company

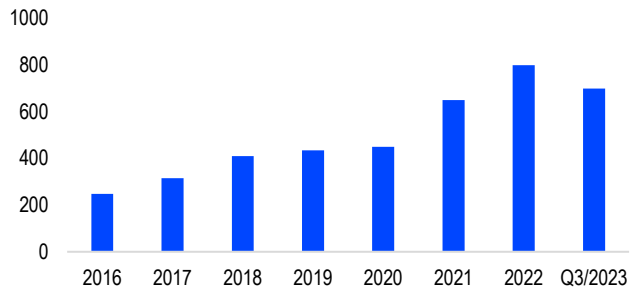
Investment Catalyst & Theses

The second largest in terms of coverage in the courier sector

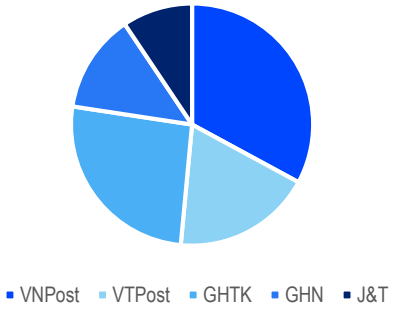
Over the past 5 years, the number of postal enterprises entering the market has increased by 10-15% each year, with more than 700 enterprises nationwide, nearly double that of 2018. Despite the diversity of businesses, the market share of postal enterprises in Vietnam is quite concentrated.

In terms of revenue market share: Viettel Post is the 3rd largest postal service provider in Vietnam with a market share of 18.6%. In 2024, VTP aims to capture 20% of the express delivery market share in Vietnam and gradually move to the number 1 position in the market.

The number of businesses in the courier industry



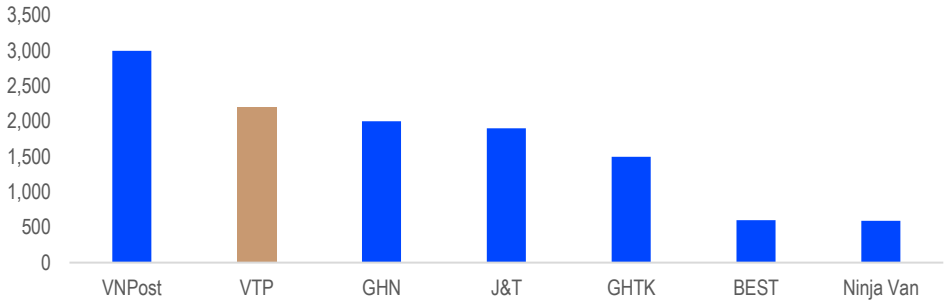
The market share of postal companies by revenue in Q2/2023



Source: Clarkson, Shinhan Securities Vietnam

In terms of network market share: VTP ranks second in network coverage, only after VNPost. VTP owns a network that spans 63 provinces and cities nationwide with over 2,000 post offices. VTP's service coverage reaches 0.12 km/service point, higher than the industry average of 2.9 km/service point. This gives VTP an advantage in terms of operating scope and dominance in the inter-provincial delivery market.

The number of post offices of some courier companies



Source: MIC, Shinhan Securities Vietnam

Infrastructure and technology investment are key to sustainable development

VTP boasts a technologically advanced logistics system across 3 regional distribution centers, 4 fulfillment centers, and 98 provincial distribution centers nationwide, with a total warehouse area of nearly 740,000 square meters.

VTP heavily invests in infrastructure and technology networks, including smart warehouses, a network operations center (NOC), and process automation to address three main goals: (1) minimize operating costs, (2) shorten cargo processing time from 8-10 hours and minimize error rates, and (3) increase orders and improve service quality.

Viettel Post is the first logistics company in Vietnam to use AGV Robot technology, automating 100% of

sorting at distribution centers, increasing productivity by 3.5 times, shortening delivery time by 8-10 hours, and optimizing 60% of labor costs.

VTP has now surpassed the milestone of 1 million orders per day, reaching nearly 2 million orders on peak days. After investing in the system, Viettel Post has increased its processing capacity to 4 million orders per day, equivalent to 50% of the e-commerce industry's capacity in Vietnam.

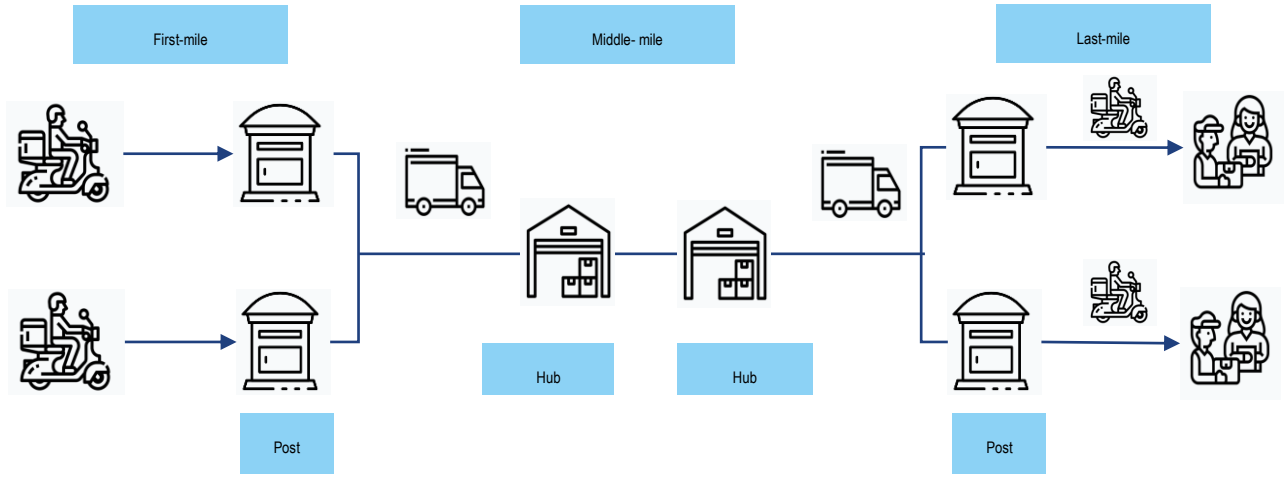
During the 2024-2025 period, VTP plans to invest VND 3,000 billion to expand its warehouse infrastructure and sorting system. In particular, the company will focus on building logistics infrastructure and supply chains for 4 product categories: dry food, pharmaceuticals, milk, and cosmetics. Currently, VTP is finalizing its logistics warehouse in Da Nang, which is expected to be operational from Q4 2024.

Strengthening fulfillment (order fulfillment services, including all processes from when goods enter the warehouse to when customers receive them) and expanding the supply chain are growth levers for businesses.

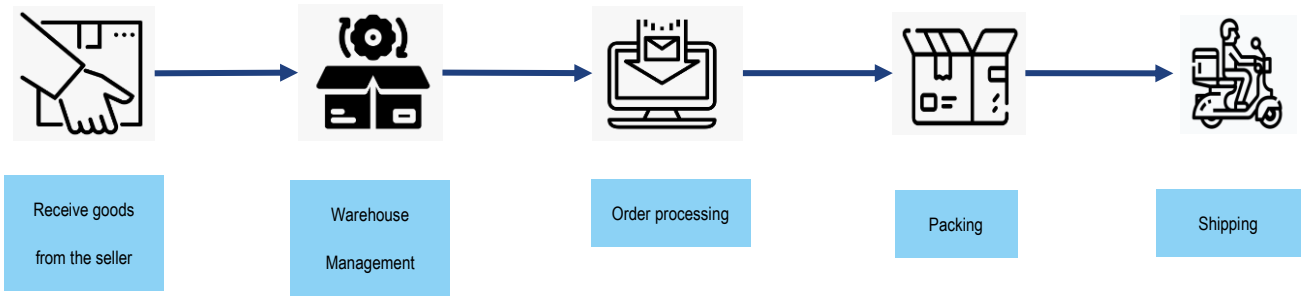
VTP's future strategy will focus on fulfillment and logistics, creating a competitive advantage in the industry.

- Fulfillment services encompass the entire process from the moment goods enter the warehouse until they reach the hands of the customer. In other words, fulfillment acts as an extension of the seller, handling all aspects of inventory management, order processing, and shipping to ensure products reach customers faster.

Traditional business services (Seller brings goods to the post office or calls the call center to have staff come to pick them up)



Fulfillment service (replace the seller to do all the work related to inventory management, order processing and shipping)



Source: VTP, Shinhan Securities Vietnam

Fulfillment strategies optimize for both sellers and shipping companies. Sellers save on storage costs and reduce the workload involved in pre- and post-order activities. Shipping companies can speed up delivery

and manage inventory better.

Establishing a network and terminals for this specific sector requires significant investment capital for maintenance and operation, as well as ownership of large warehouses. In this regard, technology and large warehouses are precisely VTP's strengths.

- Logistics services: VTP aims to become a logistics company, providing a full range of services from warehousing, customs clearance, delivery, and more.

  In 2023, VTP operated fulfillment and distribution for major brands such as Guardian, Bibomart, and Unilever, achieving a growth rate of 295% YoY. In 2024, VTP will put into operation domestic railway transportation with 12 trains transporting goods from North to South, and pilot cross-border transportation between Vietnam and China.

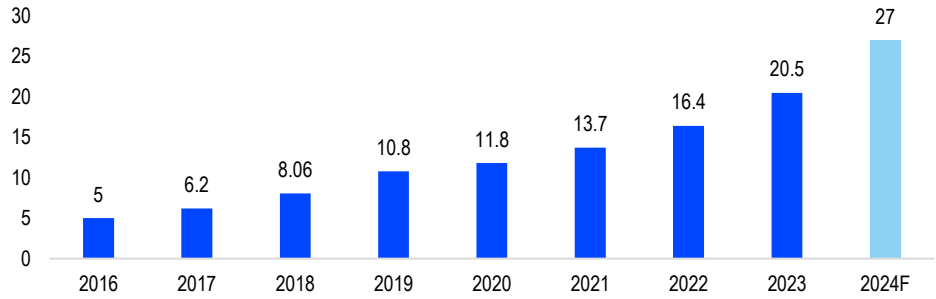
We believe that supply chain expansion strategy will position VTP as a giant in the transportation indu stry and further strengthen our core express delivery business.

The strong development of e-commerce brings many opportunities for VTP

According to the Department of E-commerce and Digital Economy, the scale of Vietnam's retail e-commerce market is expected to reach USD 20.5 billion in 2023, an increase of about USD 4 billion (equivalent to 25%) compared to 2022. Vietnam's e-commerce growth rate is ranked among the top 10 countries with the fastest e-commerce growth rate in the world (as of December 2023, according to Statista).

E-commerce growth, along with the development of logistics infrastructure, will be a long-term growth driver for e-logistics businesses like VTP in the coming time.

E-commerce revenue in Vietnam (bn USD)



Source: E-commerce and Digital Economy Department (Ministry of Industry and Trade), Shinhan Securities Vietnam

Earnings estimates

❖ Updated business results in Q1/2024:

In the first quarter of 2024, Viettel Post recorded net revenue of nearly VND 4.7 trillion (-2% YoY) and profit after tax of VND 58 billion (-23% YoY). The sharp decline in profit was due to a 26% drop in revenue from prepaid card sales and telecommunications channel operation revenue compared to the same period in 2023. At the same time, the company increased its selling expenses by 14% to develop customers for courier services. On a positive note, delivery and logistics revenue continued to grow by 30%.

❖ Business performance forecast for 2024:

In 2024, VTP's revenue and profit after tax are projected to reach VND 11,447 billion (-41.6% YoY) and VND 402 billion (+5.8% YoY). We forecast a sharp decline in revenue as VTP is actively narrowing its sales segment, focusing on the core express delivery field. NPAT will increase slightly due to cost savings and increased transportation volume.

PVT's revenue and profit outlook	2023	YoY	2024F	YoY
Net revenue (bn VND)	19,588	-9.4%	11,447	-41.6%
Operating Profit (bn VND)	412	42.6%	454	10.4%
Net Profit	380	48.5%	402	5.8%
EPS (VND)	3,119	38.0%	3,301	5.8%
BPS (VND)	12,984	5.8%	16,285	25.4%
OPM	2.1%		4.0%	
NPM	1.9%		3.5%	
ROE (%)	24.0%		20.3%	
PER (x)	27.0		25.6	
PBR (x)	6.5		5.2	
EV/EBITDA (x)	3.1		2.8	

Source: Company data, Shinhan Securities Company

Revenue forecast by segment	2023	2024F	YoY	Assumption
Total revenue	19,588	11,447	-41.6%	
Delivery and logistics segment	10,320	11,447	11%	We project that our delivery segment volume will continue to grow by 20% driven by the strong growth of e-commerce in Vietnam. However, we cautiously assume that freight rates will decrease by 10% due to intense competition in the industry.
Sales segment	9,443	0	-100%	VTP proactively shrinks the sales segment, focusing on the core express delivery sector.

Valuation and Recommendation

Initiate coverage with HOLD rating and target price of VND 84,000

We initiate coverage Viettel Post Joint Stock Corporation (VTP) with a HOLD recommendation and a target price of VND 84,000, corresponding to an increase of 6.3% from the current price. For a long-term view, VTP is an investment that can be considered with following advantages:

1) The second largest in terms of coverage in the courier sector

2) Infrastructure and technology investment are key to sustainable development

3) Strengthening fulfillment (order fulfillment services, including all processes from when goods enter the warehouse to when customers receive them) and expanding the supply chain are growth levers for businesses

4) The strong development of e-commerce brings many opportunities for VTP

Valuation

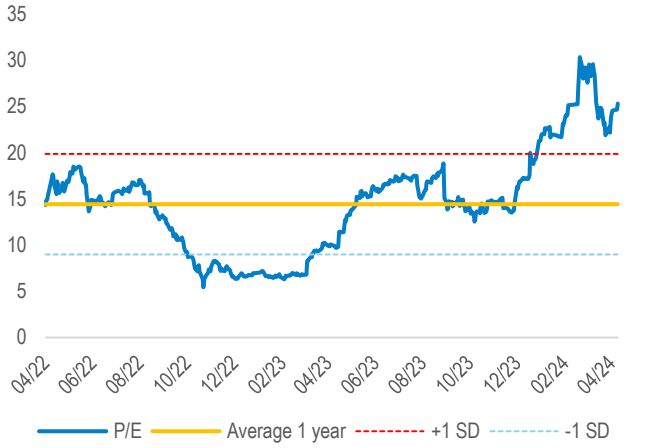
We apply a Discounted Cash Flow (DCF) valuation method to value VTP.

DCF valuation					
Unit: billion VND	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**
Net profit	402	520	642	833	1,083
Plus: After-tax interest expense	50	45	53	62	73
Plus: Depreciation & Amortization	107	178	245	298	360
Minus: Change in working capital	233	-13	-28	-26	-31
Minus: CapEx	482	799	416	506	612
Free Cash Flow (FCF)	-157	-43	552	713	935
PV of FCF	1,354				
Growth rate	2%				
Present value of long-term value	7,972				
Enterprise value	**9,326**				
Debt	1,711				
Cash and cash equivalents	2,593				
Equity value	**10,208**				
Number of shares outstanding (mn units)	122				
Target price (VND)	**84,000**				

WACC	**9.2%**
Risk-free rate	2.9%
Equity risk premium	9%
Beta	0.8
Debt cost	8%
The cost of equity	10.3%
Debt-to-equity ratio	108%
Total debt (VND bn)	1,711

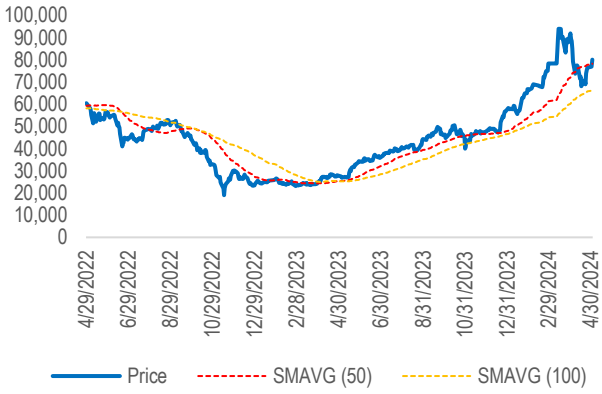
Source: Company data, Shinhan Securities Company

VTP's PER 1 year



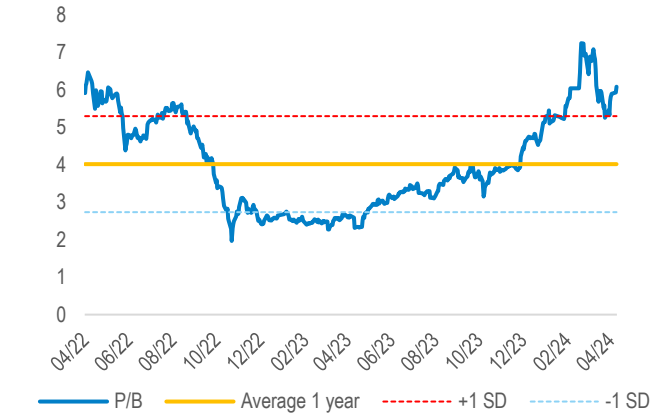
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation between stock price and SMA



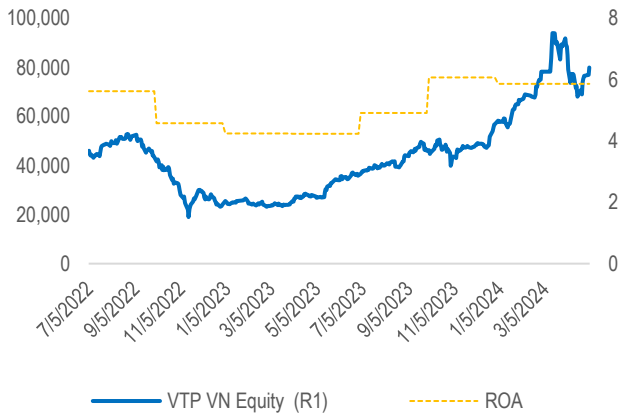
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VTP's PBR 1 year



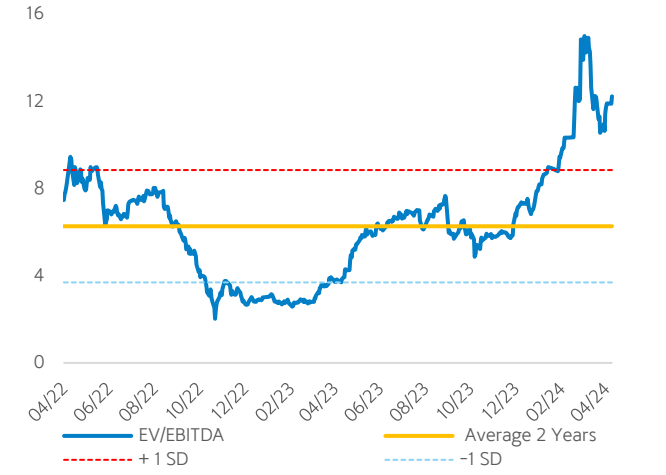
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of VTP's price and ROA



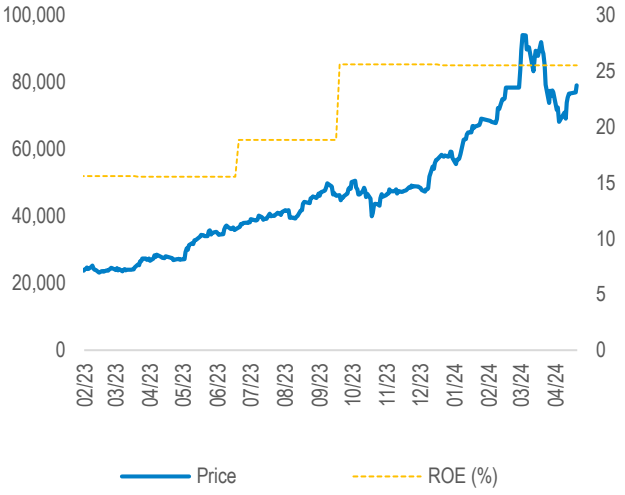
Source: Bloomberg, Company data, Shinhan Securities Vietnam

VTP's EV/EBITDA 1 year



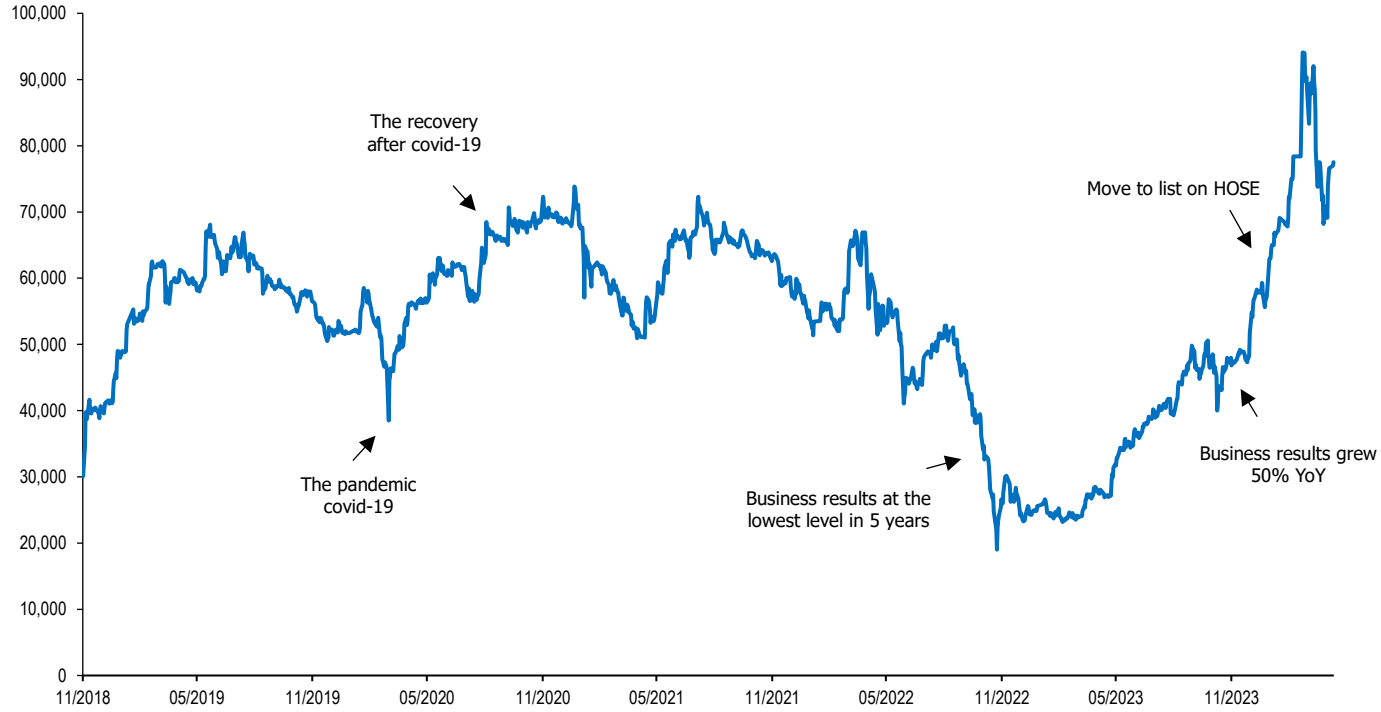
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of VTP's price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of VTP



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Risks

Price competition

Chinese e-commerce and delivery groups (Alibaba, Tencent, J&T, ZTO, SF, Ninjavan…) are intensifying price competition to enter the Vietnamese market, while Vietnamese companies such as Giao hàng tiết kiệm, Giao hàng nhanh, J&T, Best… are also competing on promotions, pushing profit margins in the delivery sector to just around 3%.

A weak economy affects consumer purchasing power

The impact of inflation has led to consumers tightening their spending, declining purchasing power, and consequently, a decrease in the revenue of delivery companies.

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Total assets	5,735	6,435	4,999	5,925	7,095
Current assets	5,160	5,496	3,565	3,747	4,563
Cash & equivalents	460	895	67	71	647
Short-term financial asset	1,856	1,698	1,698	1,698	1,698
Accounts receivable	2,298	2,245	1,312	1,466	1,672
Inventories	342	398	228	252	286
Non-current assets	575	939	1,397	2,102	2,356
Net fixed assets	268	374	832	1,536	1,791
Investment assets	10	83	83	83	83
Other long-term assets	297	482	482	482	482
Total liabilities	4,346	4,853	3,016	3,422	3,950
Current liabilities	4,333	4,800	2,863	3,169	3,596
Accounts payable	333	485	277	307	349
Short-term borrowings	1,297	1,671	1,071	1,185	1,345
Others	2,703	2,644	1,515	1,676	1,902
Non-current liabilities	12	53	153	253	353
Long-term borrowings	0	41	141	241	341
Other financial liabilities	12	13	13	13	13
Total shareholders' equity	1,389	1,581	1,983	2,503	3,146
Capital stock	1,132	1,218	1,218	1,218	1,218
Capital surplus	22	21	21	21	21
Other capital	0	1	1	1	1
Retained earnings	235	342	744	1,264	1,906
Non-controlling interest equity	0	0	0	0	0
*Total debt	1,297	1,711	1,211	1,426	1,686
*Net debt (cash)	-1,019	-881	-553	-343	-659

Statement of comprehensive income

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Revenue	21,629	19,588	11,447	12,790	14,584
Growth	0.8%	-9.4%	-41.6%	11.7%	14.0%
COGS	20,981	18,707	10,706	11,851	13,452
Gross profit	647	881	741	939	1,132
GPM	3.0%	4.5%	6.5%	7.3%	7.8%
SG&A	372	469	286	320	365
Operating profit	275	412	454	619	768
Growth	-13.7%	49.6%	10.4%	36.3%	24.0%
OPM	1.3%	2.1%	4.0%	4.8%	5.3%
Non-operating profit	48	70	55	39	44
Financial income	105	136	120	97	113
Financial expense	58	66	65	59	69
In which: interest expenses	56	64	63	57	67
Net other non-operating profit	6	-4	-4	-4	-4
Pre-tax profit	329	478	506	654	809
Income tax	73	98	104	135	166
Net profit	256	380	402	520	642
Growth	-13.6%	48.5%	5.8%	29.3%	23.6%
NPM	1.2%	1.9%	3.5%	4.1%	4.4%
Controlling interest	256	380	402	520	642
Non-controlling interest	0	0	0	0	0
EBIT	385	542	569	711	876
Growth	-8.0%	41.0%	4.9%	25.0%	23.1%
EBIT Margin	1.8%	2.8%	5.0%	5.6%	6.0%
EBITDA	469	625	676	889	1,120
Growth	-7.5%	33.4%	8.2%	31.5%	26.0%
EBITDA margin	2.2%	3.2%	5.9%	6.9%	7.7%

Statement of cash flow

Year to Dec. (bn VND)	2022	2023	2024F	2025F	2026F
Cash flow from operations	91	177	276	710	915
Net profit	256	380	402	520	642
Depreciation expense	84	83	107	178	245
(Gain) from investing activities					
Change in working capital	-97	-177	-233	13	28
Others	0	0	0	0	0
Cash flow from investments	55	-28	-482	-799	-416
Change in fixed assets	-29	-372	-482	-799	-416
Change in investment assets	84	345	0	0	0
Others	12	0	0	0	0
Cash flow from financing	-23	285	-622	93	77
Change in equity	0	-1	0	0	0
Net borrowing	130	415	-500	214	260
Dividends	-153	-128	-122	-122	-183
Change in total cash	123	435	-828	4	576
Beginning cash	337	460	895	67	71
Change in FX rates					
Ending cash	460	894	67	71	647

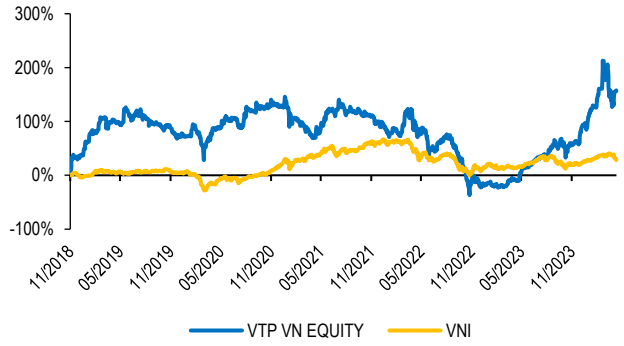
Key ratios

Year to Dec.	2022	2023F	2024F	2025F	2026F
EPS (VND)	2,259	3,119	3,301	4,269	5,275
BPS (VND)	12,268	12,984	16,285	20,555	25,830
DPS (VND)	1,500	1,150	1,000	1,000	1,500
PER (x)	37.1	26.9	25.4	19.6	15.9
PBR (x)	6.8	6.5	5.1	4.1	3.2
EV/EBITDA (x)	4.1	3.1	2.8	2.2	1.7
Dividend payout ratio (%)	66%	37%	30%	23%	28%
Dividend yield (%)	3.3%	2.5%	2.2%	2.2%	3.3%
Profitability					
EBITDA margin	2.2%	3.2%	5.9%	6.9%	7.7%
OPM	1.3%	2.1%	4.0%	4.8%	5.3%
NPM	1.2%	1.9%	3.5%	4.1%	4.4%
ROA	4.5%	5.9%	8.0%	8.8%	9.1%
ROE	18.4%	24.0%	20.3%	20.8%	20.4%
Stability					
Debt to equity ratio	93.4%	108.2%	61.1%	57.0%	53.6%
Cash ratio	10.6%	18.6%	2.3%	2.2%	18.0%
Interest coverage ratio (x)	5.0	6.4	7.2	10.9	11.5
Activity					
Working capital turnover (days)	39	40	40	40	40
Inventory turnover (days)	6	8	8	8	8
Receivable turnover (days)	39	42	42	42	42

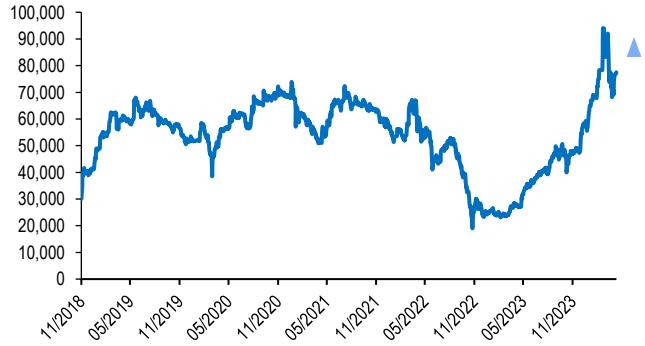
Source: Company data, Shinhan Securities Vietnam

Viettel Post Joint Stock Corporation (VTP VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
15/05/2024 (Initiation)	BUY	31,700	19.8	-6.4/66.7

Note: Calculation of target price gap based on past 12 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 15% or more ◆ **HOLD:** Expected 12-month loss of 15% to gain of 15% ◆ **SELL:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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