[Vietnam / Logistic]

# Viettel Post JSC. (VTP VN)

## Turnaround in eyesight

[Maintain / Maintain target price]

**BUY**

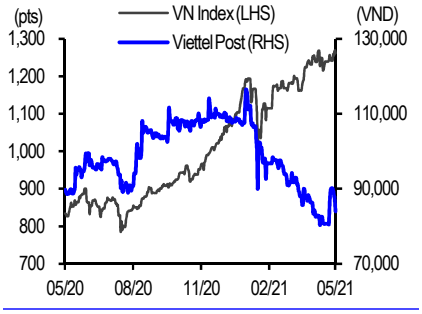
| | |
|---|---|
| **Target Price** (12.months) | **VND113,700** |
| Current Price (May 13th) | VND84,000 |
| Upside/Downside (%) | +35.4 |

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| | | |
|---|---|---|
| VNINDEX | | 1,262 |
| HNXINDEX | | 287 |
| Market cap (bn VND) | | 6,976 |
| Outstanding shares (1mn) | | 83 |
| Free float (1mn) | | 32 |
| 52-week high/low | | 120,000/78,200 |
| 60-day avg. trading volume | | 0.3 |
| 60-day avg. turnover | | 25.2 |
| Foreign ownership (%) | | 19.3 |
| Major shareholders | Viettel Group | 60.8 |

| Performance | 3M | 6M | 12M |
|---|---|---|---|
| Absolute | (13.2) | (22.4) | (7.4) |
| Rel. to VNINDEX | (26.4) | (53.0) | (58.7) |

Performance




Source: Bloomberg

### Maintain BUY rating with target price of VND113,700

We maintain our BUY rating for Viettel Post JSC (VTP VN) and target price of VND113,700 (a potential upside of + 35.4% from the current price of VND84,000), as our full-year earnings forecast largely unchanged. The improving 1Q21delivery volume is mostly reflected in the recent increase of +3.7% in share price from our update report on April 26th 'Riding on a big wave'. However, the long-term growth turnaround seems unlikely to be fully priced in, we expect, thus, the current share price still provides a good entry point.

### 1Q21 earnings review: Higher-than-expected

Viettel Post posted their prelim 1Q21 earnings results with revenue of VND5,158bn (+110% YoY) and net profit of VND109bn (+12.4 YoY). Parcel delivery revenue reached VND1,608 bn (+16% YoY) by a +16% YoY increase in delivery volume, but ASP decreased by ~10%YoY; thus we believe that the company had higher added-value services (logistic, fulfillment) revenue. 1Q21 gross profit increased by +7% YoY, thanks to +5% YoY and +61%YoY growth of gross profit of parcel delivery and telecom service, respectively. Notably, the 1Q21 gross margin of parcel delivery business improved to 11.3% (4Q20: 7.1%), higher than our estimated 2021 gross margin of 11%. Moreover, SG&A-to-sales dropped to 1.3% in 1Q21 (2.8% in 1Q20). Thus, 1Q21 net profit increased by +12% YoY to VND109bn (net profit margin improved to 2.1% from 1.4% in 4Q20).

The company's 1Q21 sales and profit are higher than our expectations, in light of: 1) higher-than-expected revenue growth of parcel delivery service, thanks to increasing added-value services; and 2) cost efficiency (lower COGS- and SG&A-to-sales ratio in 1Q21) which showed the effectiveness of their strategy (leveraging technology and efficient networking).

### Growth turnaround intact

AGM approved the 2020 cash dividend policy of VND1,500/share (paid in 2021, translated into a dividend yield of 1.7%) and a stock dividend of 24.7% (100 current shares will get 24.7 additional shares), thereby undistributed earnings will be used for reinvestment in logistic centers. We believe that this is a right decision in terms of improving the logistics facilities in order to improve efficiency. Moreover, Viettel Post is expected to provide e-fulfillment service at ASP of VND250/order from mid-May 2021, which is relatively lower than the delivery service price. We expect that the e-fulfillment service will attract both big corporates as well as individual clients thanks to the convenience.

| Year to Dec. | 2020 | 2021F | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **Revenue (bn VND)** | **17,234** | **17,754** | **19,619** | **21,924** | **24,584** |
| OP (bn VND) | 429 | 506 | 711 | 989 | 1,210 |
| **NP (bn VND)** | **383** | **426** | **606** | **851** | **1,056** |
| EPS (VND) | 4,056 | 6,227 | 6,789 | 6,912 | 6,912 |
| BPS (VND) | 14,553 | 17,956 | 22,828 | 29,668 | 38,148 |
| OPM (%) | 2.5 | 2.9 | 3.6 | 4.5 | 4.9 |
| NPM (%) | 2.2 | 2.4 | 3.1 | 3.9 | 4.3 |
| **ROE (%)** | **35.2** | **34.8** | **35.8** | **39.1** | **37.5** |
| **PER (x)** | 20.0 | 15.8 | 11.1 | 7.9 | 6.4 |
| PBR (x) | 5.6 | 4.5 | 3.5 | 2.7 | 2.1 |
| EV/EBITDA (x) | 14.0 | 10.9 | 8.1 | 6.1 | 5.1 |

Source: Company data, Bloomberg, Shinhan Securities Vietnam

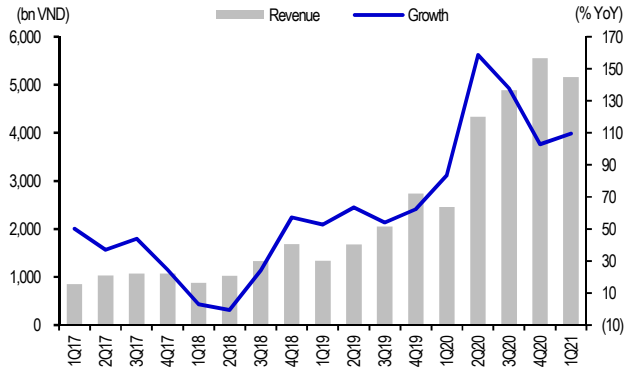
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**Viettel Post – 1Q21 earnings review**

| (Unit: bn VND, %, %pt) | 1Q20A | 2Q20A | 3Q20A | 4Q20A | 1Q21P | Change YoY | Change QoQ | 1Q21F (Shinhan) | Diff (%) |
|---|---|---|---|---|---|---|---|---|---|
| Sales | 2,460 | 4,339 | 4,889 | 5,549 | 5,158 | 109.7 | (7.1) | 5,060 | (1.9) |
| Gross profit | 180 | 175 | 193 | 146 | 193 | 7.2 | 32.0 | 181 | (6.2) |
| Operating profit | 112 | 118 | 122 | 78 | 125 | 12.0 | 59.2 | 123 | (1.6) |
| Net profit | 97 | 103 | 107 | 77 | 109 | 12.4 | 41.3 | 107 | (1.8) |
| GPM | 7.3 | 4.0 | 3.9 | 2.6 | 3.7 | (3.6) | 1.1 | 3.6 | (0.2) |
| OPM | 4.5 | 2.7 | 2.5 | 1.4 | 2.4 | (2.1) | 1.0 | 2.4 | 0.0 |
| NPM | 3.9 | 2.4 | 2.2 | 1.4 | 2.1 | (1.8) | 0.7 | 2.1 | 0.0 |

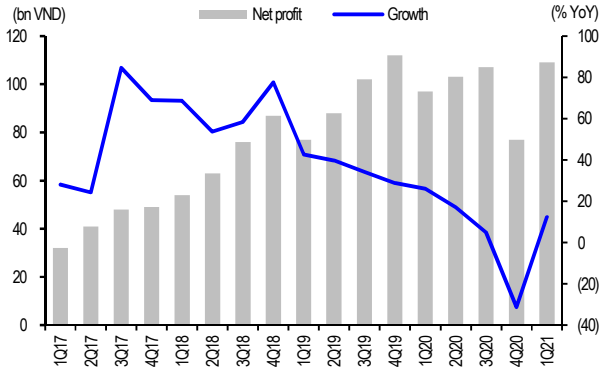
Source: Company data, Shinhan Securities Vietnam estimated

**Revenue and revenue growth of Viettel Post**



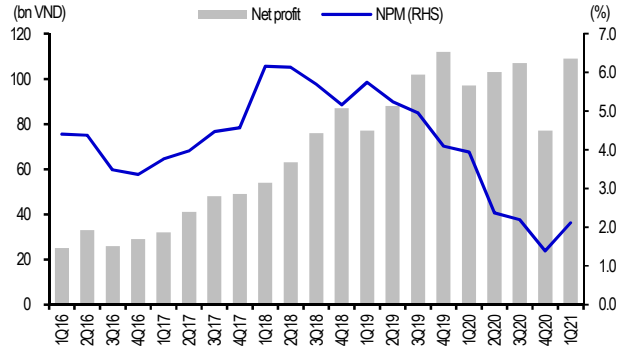

Source: Bloomberg, Shinhan Securities Vietnam

**Net profit and net profit growth of Viettel Post**



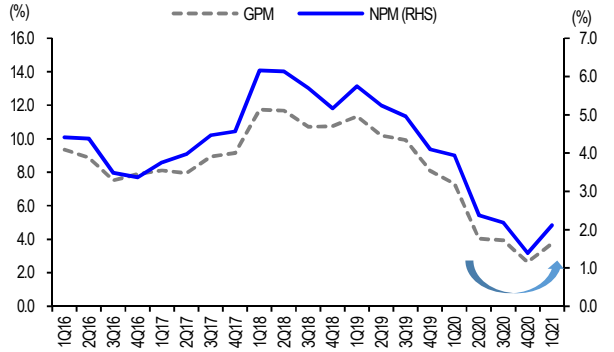

Source: Bloomberg, Shinhan Securities Vietnam

**Net profit and NPM of Viettel Post**



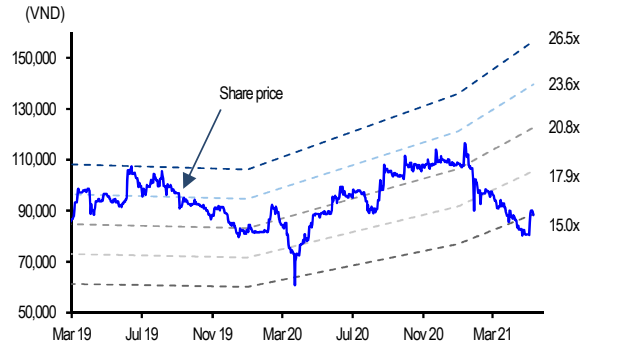

Source: Bloomberg, Shinhan Securities Vietnam

**GPM and NPM of Viettel Post**




Source: Bloomberg, Shinhan Securities Vietnam

**Viettel Post - PER band chart**




Source: Bloomberg, Shinhan Securities Vietnam

**Viettel Post – 12M forward PER**




Source: Bloomberg, Shinhan Securities Vietnam

# Appendix : Financial statements

## Statement of financial position

| Year to Dec. (bn VND) | 2019 | 2020 | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **Total assets** | **3,394** | **4,363** | **4,909** | **5,956** | **6,594** |
| Current assets | 2,858 | 3,919 | 3,803 | 4,633 | 5,093 |
| Cash & equivalents | 347 | 288 | 355 | 392 | 773 |
| Short-term financial asset | 1,276 | 1,572 | 1,620 | 1,790 | 2,000 |
| Accounts receivable | 1,073 | 1,335 | 1,642 | 1,648 | 2,028 |
| Inventories | 48 | 605 | 64 | 667 | 140 |
| Non-current assets | 536 | 444 | 1,106 | 1,323 | 1,501 |
| Net fixed assets | 343 | 372 | 1,034 | 1,251 | 1,429 |
| Investment assets | 84 | - | - | - | - |
| Other long-term assets | 110 | 72 | 72 | 72 | 72 |
| **Total liabilities** | **2,426** | **3,154** | **3,418** | **4,060** | **4,130** |
| Current liabilities | 2,426 | 3,143 | 3,304 | 3,950 | 4,050 |
| Accounts payable | 209 | 339 | 223 | 392 | 287 |
| Short-term borrowings | 815 | 1,085 | 1,321 | 1,631 | 1,631 |
| Others | 1,402 | 1,719 | 1,760 | 1,927 | 2,132 |
| Non-current liabilities | 0 | 11 | 114 | 110 | 80 |
| Long-term borrowings | - | 11 | 114 | 110 | 80 |
| Other financial liabilities | 0 | 0 | 0 | 0 | 0 |
| **Total shareholders' equity** | **968** | **1,209** | **1,491** | **1,896** | **2,464** |
| Capital stock | 596 | 830 | 830 | 830 | 830 |
| Capital surplus | 22 | 22 | 22 | 22 | 22 |
| Other capital | 6 | 7 | 5 | 5 | 5 |
| Retained earnings | 344 | 350 | 634 | 1,038 | 1,606 |
| Non-controlling interest equity | - | - | - | - | - |
| *Total debt | 815 | 1,095 | 1,435 | 1,742 | 1,711 |
| *Net debt (cash) | 468 | 807 | 1,080 | 1,349 | 938 |

## Statement of comprehensive income

| Year to Dec. (bn VND) | 2019 | 2020 | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **Revenue** | **7,812** | **17,234** | **17,754** | **19,619** | **21,924** |
| Growth (%) | 58.7 | 120.6 | 3.0 | 10.5 | 11.8 |
| **COGS** | **(7,036)** | **(16,536)** | **(16,944)** | **(18,528)** | **(20,460)** |
| **Gross profit** | **775** | **699** | **810** | **1,091** | **1,464** |
| GPM (%) | 9.9 | 4.1 | 4.6 | 5.6 | 6.7 |
| **SG&A** | **(334)** | **(269)** | **(304)** | **(380)** | **(475)** |
| **Operating profit** | **441** | **429** | **506** | **711** | **989** |
| Growth (%) | 39.2 | (2.8) | 18.0 | 40.4 | 39.1 |
| OPM (%) | 5.7 | 2.5 | 2.9 | 3.6 | 4.5 |
| **Non-operating profit** | **36** | **51** | **27** | **49** | **78** |
| Financial income | 94 | 99 | 91 | 114 | 143 |
| Financial expense | (49) | (54) | (66) | (67) | (67) |
| In which: interest expenses | (49) | (54) | (66) | (67) | (67) |
| Net other non-operating profit | (9) | 6 | 1 | 1 | 2 |
| **Pre-tax profit** | **477** | **480** | **534** | **760** | **1,067** |
| Income tax | (97) | (97) | (108) | (153) | (215) |
| **Net profit** | **380** | **383** | **426** | **606** | **851** |
| Growth (%) | 36.2 | 0.8 | 11.1 | 42.4 | 40.4 |
| NPM (%) | 4.9 | 2.2 | 2.4 | 3.1 | 3.9 |
| Controlling interest | 380 | 383 | 426 | 606 | 851 |
| Non-controlling interest | - | - | - | - | - |
| **EBIT** | **490** | **483** | **572** | **779** | **1,056** |
| Growth (%) | 46.0 | (1.5) | 18.4 | 36.1 | 35.6 |
| EBIT Margin (%) | 6.3 | 2.8 | 3.2 | 4.0 | 4.8 |
| **EBITDA** | **547** | **557** | **715** | **961** | **1,279** |
| Growth (%) | 41.7 | 1.8 | 28.3 | 34.5 | 33.0 |
| EBITDA margin (%) | 7.0 | 3.2 | 4.0 | 4.9 | 5.8 |

## Statement of cash flow

| Year to Dec.(bn VND) | 2019 | 2020 | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| **Cash flow from operations** | **(22)** | **(98)** | **628** | **385** | **1,156** |
| Net profit | 380 | 383 | 426 | 606 | 851 |
| Depreciation expense | 57 | 74 | 143 | 183 | 223 |
| Amortization expense | - | - | - | - | - |
| Interest expenses | (49) | (54) | (66) | (67) | (67) |
| Change in working capital | (373) | (373) | 156 | (290) | 225 |
| Others | (37) | (128) | (30) | (47) | (76) |
| **Cash flow from investments** | **(403)** | **(165)** | **(756)** | **(456)** | **(467)** |
| Change in tangible assets | (203) | (89) | (800) | (400) | (400) |
| Change in investment assets | (300) | (212) | (47) | (170) | (210) |
| Others | 100 | 136 | 92 | 115 | 143 |
| **Free cash flow** | **(225)** | **(187)** | **(172)** | **(15)** | **756** |
| **Cash flow from financing** | **338** | **135** | **194** | **108** | **(308)** |
| Change in equity | 33 | - | - | - | - |
| Net borrowing | 367 | 224 | 280 | 229 | (138) |
| Dividends | (62) | (89) | (85) | (121) | (170) |
| **Change in total cash** | **(87)** | **(128)** | **67** | **37** | **381** |
| Beginning cash | 411 | 347 | 288 | 355 | 392 |
| Change in FX rates | - | - | - | - | - |
| Ending cash | 347 | 288 | 355 | 392 | 773 |

Source: Company data, Shinhan Securities Vietnam

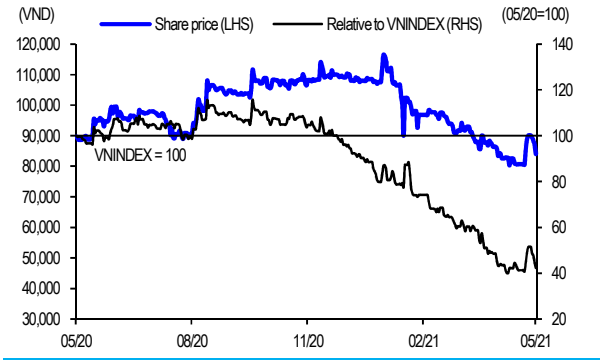
## Key ratios

| Year to Dec. | 2019 | 2020 | 2021F | 2022F | 2023F |
|---|---|---|---|---|---|
| EPS (VND) | 4,105 | 4,060 | 5,128 | 7,302 | 10,253 |
| BPS (VND) | 11,655 | 14,553 | 17,956 | 22,828 | 29,668 |
| DPS (VND) | 1,041 | 1,077 | 1,026 | 1,460 | 2,051 |
| PER (x) | 19.7 | 20.0 | 15.8 | 11.1 | 7.9 |
| PBR (x) | 6.9 | 5.6 | 4.5 | 3.5 | 2.7 |
| EV/EBITDA (x) | 14.3 | 14.0 | 10.9 | 8.1 | 6.1 |
| Dividend payout ratio (%) | 16.3 | 23.3 | 20.0 | 20.0 | 20.0 |
| Dividend yield (%) | 1.3 | 1.3 | 1.3 | 1.8 | 2.5 |
| **Profitability** | | | | | |
| EBITDA margin (%) | 7.0 | 3.2 | 4.0 | 4.9 | 5.8 |
| OPM (%) | 5.7 | 2.5 | 2.9 | 3.6 | 4.5 |
| NPM (%) | 4.9 | 2.2 | 2.4 | 3.1 | 3.9 |
| ROA (%) | 12.2 | 9.9 | 10.1 | 11.2 | 13.6 |
| ROE (%) | 46.2 | 35.2 | 34.8 | 35.8 | 39.1 |
| **Stability** | | | | | |
| Debt to equity ratio (%) | 84.2 | 90.6 | 96.2 | 91.9 | 69.5 |
| Net debt to EBITDA ratio (x) | 0.9 | 1.4 | 1.5 | 1.4 | 0.7 |
| Cash ratio (%) | 14.3 | 9.2 | 10.7 | 9.9 | 19.1 |
| Interest coverage ratio (x) | 10.0 | 8.9 | 8.7 | 11.5 | 15.7 |
| **Activity (%)** | | | | | |
| Working capital turnover (times) | 20.4 | 28.5 | 27.8 | 33.2 | 25.4 |
| Inventory turnover (days) | 4.4 | 7.2 | 7.0 | 13.1 | 7.2 |
| Receivable turnover (days) | 44.5 | 25.5 | 30.6 | 30.6 | 30.6 |

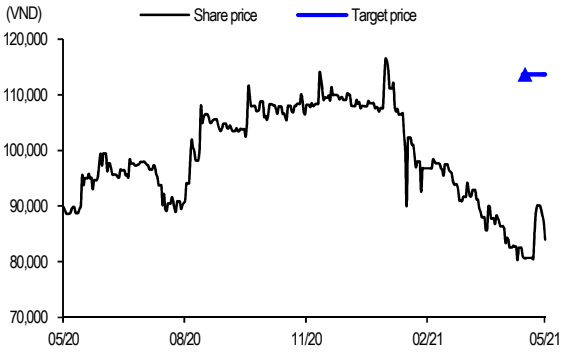
Source: Company data, Shinhan Securities Vietnam

## Viettel Post JSC. (VTP VN)

### Share performance




### Target price




| Date | Rating | Target price (VND) | Target price gap (%) | |
|---|---|---|---|---|
| | | | Average | Max/Min |
| May 13, 2021 | BUY | 113,700 | 12.7 | 7.1/30.5 |
| April 26, 2021 (Initiate) | BUY | 113,700 | 15.1 | 10.4/20.2 |

Note: Calculation of target price gap based on past 6 months

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