[FLASHNOTE]

Viettel Post JSC.

01/29/2021

Shinhan Securities

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RATING	BUY
Current price (VND)	99,800

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COMPANY INFORMATION

Industry	Industrial Transportation
Ticker	VTP
Stock Exchange	UPCOM

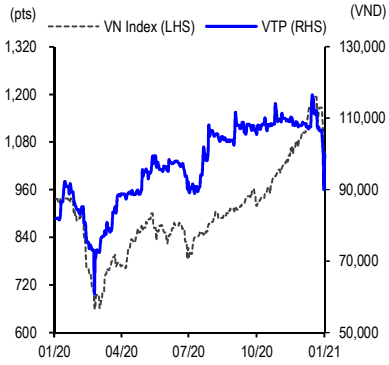
STOCK TRADING DATA

VN INDEX	1,060.9
Market Cap. (bn VND)	8,288.2
Outstanding Shares (1mn)	83.0
Free Floating Shares (1mn)	32.0
52-week High (VND)	120,000
52-week Low (VND)	58,866
Avg. Trading Volume (mn)	0.15
Avg. Reading T/O (bn VND)	17.4

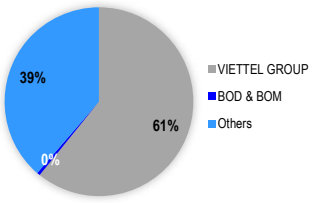
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	(5.4)	10.4	20.9
Percentage	(20.8)	(23.7)	13.9

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Core Businesses: Parcel delivery services (40% of revenue and 94% of gross profit), commercial (60% of revenue and 6% of gross profit)

2. Business Position: #2 in parcel delivery services in Vietnam

- Target customers: Individual, SME
- Partners: Viettel group (Viettel Post take over the Viettel Telecom's point-of-sale and stores from 2020, they also receive technology transfer from mother company)
- Competitors: domestic companies (VNPost), Vietnamese start-up companies (Giao hang nhanh, Giao hang tiet kiem, etc.) and international players (Grab express, J&T,etc.)

3. Investment Thesis

- The e-commerce's growth in Vietnam (with expected CAGR in period 2020-2025 is 34%, according to Temaseck) will push the revenue of parcel delivery companies (including Viettel Post, one of the market leader)
- Viettel Post is using hub-and-spoke business model, with Logistic centers - equipped with auto sorting and e-fulfillment system - as the main hubs, automatic sorting centers as the sub-hubs and spokes are more than 1,800 post offices and Viettel Telecom stores - The amount of post office is only lower than VNPost. As the result, they can promote competitive advantage over other delivery companies - especially in the intercity segment, achieve economies of scale, decrease labor cost and being the most cost-competitive player (currently their delivery gross margin ~12.3% is also higher than other competitors).
- Their new Logistic center in HCM city, which is opened since 2021, has an automatic sorting hub with an hourly capacity of 42,000 parcels as well as a fulfillment center that equipped with new technology such as robots and artificial intelligence. With such modern technology, Viettel Post can optimise 91% of human resources - greatly reduce labor costs - and providing automatic order completion solutions for customers.
- With those competitive advantages, we expected that Viettel Post can gain market share from other competitors and archive their target for period 2020-2025: a high annual growth rate of 22% in revenue and 17.2% in profits. With 2021 P/E forward is 15.5x, the price of VTP stock is attractive compared with its business prospects
- VTP has a strong balance sheet and a good business efficiency: total borrowing/equity is at acceptable level (87% in Q3.2020), while there is no long-term borrowing; ROE is maintained above 40% since 2016.

4. Risks

- Fierce competition in deliver service will lead to the worse-than-expected pricing pressure and the decline of profit margin. E-commerce platforms are also developing their own logistics systems, which will directly compete with Viettel Post
- Weaker-than-expected market share gains: If the company cannot deliver consistent market share gains, it could prompt investors to reconsider their investment thesis and potentially trigger a de-rating of the stock.

FINANCIAL INFORMATION

	2016	2017	2018	2019	4Q TTM
Sales (tr VND)	**2,928**	**4,031**	**4,922**	**7,812**	**7,812**
OP (tr VND)	139	194	317	441	441
Pre-tax (tr VND)	147	214	350	477	477
NP(1mn VND)	**117**	**170**	**279**	**380**	**380**
EPS(VND)	N/A	2,909	3,156	4,105	4,105
BPS(VND)	N/A	8,372	8,331	11,655	11,655
PER(x)	N/A	N/A	21.0	20.3	24.3
EV/EBITDA(x)	N/A	N/A	11.8	12.3	12.3
PBR(x)	N/A	N/A	7.9	7.1	8.6
ROE(%)	42.4	39.8	44.0	40.7	40.7

(*) Database information provided by Bloomberg

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