[Vietnam / Logistic]

Viettel Post JSC. (VTP VN)

Seize the opportunity

[Maintain / Target price raised]

BUY

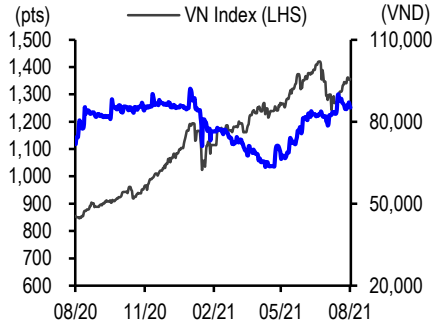
Target Price (12 months)	**VND107,800**
Current Price (May 13th)	VND85,200
Upside/Downside (%)	+26.5

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VNINDEX		1,357
HNXINDEX		337
Market cap (bn VND)		8,823
Outstanding shares (1mn)		103
Free float (1mn)		40
52-week high/low		96,200/62,700
60-day avg. trading volume		0.1
60-day avg. turnover		10.9
Foreign ownership (%)		19.3
Major shareholders	Viettel Group	60.8

Performance	3M	6M	12M
Absolute	26.5	9.8	15.6
Rel. to VNINDEX	18.9	(12.0)	(43.1)

Performance



Source: Bloomberg

Raise target price to VND107,800, maintain BUY rating

We increase the target price for Viettel Post JSC (VTP VN) by +18% to VND107,800 from our previous stock-dividend-adjusted target price of VND91,200, implying a potential upside of + 26.5%. Given a +27% increase in Viettel Post share price from our report 'Turnaround in eyesight' on May 14th, we believe that the long-term growth prospect has not been fully priced in. Thus, there is still ample upside for Viettel Post, although the recent COVID-19 outbreak in Vietnam may impose a tough business environment.

[1H21 review] In-line with our expectation

Viettel Post released their prelim 2Q21 earnings results with revenue of VND5,192bn (+20% YoY, +0.7% QoQ) and net profit of VND106bn (+3% YoY, -2.8% QoQ). Parcel delivery revenue reached VND1,783bn (+12% YoY), thanks to the surging delivery volume. Although ASP decreased by 10%-15% YoY, 2Q21 gross profit increased by +6% YoY, supported by +18% YoY growth of gross profit of parcel delivery. The company's 1H21 sales and profit are in-line with our expectations, with revenue of VND10,351bn (+20% YoY) and net profit of VND214bn (+7%YoY).

In 1H21, Viettel Post continued to promote leveraging technology and efficient networking strategy via: 1) deploying ~1,000 digital post offices across Vietnam (one operator will manage all stages on a smartphone without paperwork); 2) using e-commerce platform Voso to promote the consumption of Vietnamese agricultural products; and 3) implementing the first step of cross border e-commerce business by exporting local lychees to 3 European countries.

[2H21 outlook] COVID-19 impact to subside

The Vietnamese government has been imposing stricter measures to control the COVID-19 outbreak in many key provinces since June, including only granting essential goods to be delivered in epidemic areas. The express delivery businesses have had challenges in such a severe situation. Thus, we lower 2021 delivery sector output 5% points to 20% from our previous forecast of 25% in the scenario that the epidemic can be controlled by end-September. However, we think that Viettel Post may record a brighter prospect, as: 1) Granted as one of two delivery companies by the ministries to operate on "green channel" to transport essential goods in isolated provinces and cities; 2) Promoting their Voso platform to attract consumer goods orders in isolated cities (Hanoi, Hochiminh city, etc.), to offset the declining output of non-essential cargos and maintain volume growth; 3) Taking advantage of the digital postal model to mitigate the risk of blocked post offices due to the epidemic; 4) All employees in Ho Chi Minh City has been vaccinated with the first jab, and the company is proposing that, in the isolated province, the courier will be prioritized for early vaccination to serve the cargo circulation. Thus, we expect the 20201 net profit of Viettel Post to reach VND433 bn (+13% YoY) with stable GPM and OPM as cost efficiency via leveraging technology and efficient networking, compensate the dealing Covid cost.

Year to Dec.	2020	2021F	2022F	2023F	2024F
Revenue (bn VND)	**17,234**	**17,794**	**19,669**	**21,987**	**24,608**
OP (bn VND)	429	509	715	994	1212
NP (bn VND)	**383**	**433**	**609**	**855**	**1056**
EPS (VND)	3,214	3,625	5,096	7,159	8,843
BPS (VND)	11,670	14,445	18,365	23,873	30,676
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**	**35.4**	**35.8**	**39.1**	**37.4**
PER (x)	**26.6**	**23.6**	**16.8**	**11.9**	**9.7**
PBR (x)	7.3	5.9	4.7	3.6	2.8
EV/EBITDA (x)	17.1	14.1	9.8	7.4	6.2

Source: Company data, Bloomberg, Shinhan Securities Vietnam

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TP raised by +18% to VND107,800

Despite COVID-19 pressure, we believe the company will maintain its delivery volume and even gain market share from other competitors, in light of: 1) crucial role of delivery service in providing essential goods for large-scale lockdown areas; 2) opening new gateways to attract consumer goods orders via e-commerce and cross border delivery service.

As a result, we increase the target price to VND107,800 for Viettel Post (upside +26.5%), derived from discounted cash flow (DCF) method, with key changes in materials as: 1) 1%-point increase market share to 22% in period 2021-2023; 2) delaying VND400bn capex from 2021 to 2022 due to the COVID-19 outbreak; 3) upgrading terminal growth to 0.5% as the current strategy will ensure the long-term double-digit profit growth. We highly appreciate their strategy in focusing on digital transformation to achieve a cost-efficient business model and take advantage of the parent company to maintain business operations even during the lockdown period.

DCF-based valuation of Viettel Post

(Unit: VND bn)	2021F	2022F	2023F	2024F	2025F
Revenue	17,794.2	19,669.2	21,987.2	24,607.6	27,684.2
EBIT	569.2	784.3	1,063.4	1,278.6	1,533.1
Less: Taxes	109.4	153.8	216.1	266.9	326.8
Plus: D&A	102.6	182.6	222.6	262.6	302.6
Less: Net working capital	(227.2)	350.4	(295.3)	334.7	(290.3)
Less: Capex	400.0	800.0	400.0	400.0	400.0
FCFF	**389.6**	**(337.3)**	**965.1**	**539.6**	**1,399.1**
Discount factor	1.0	0.87	0.79	0.72	0.66
PV of FCF	374.4	(294.58)	765.91	389.14	916.92
Sum of PV	2,151.7				
Terminal growth (%)	0.5				
PV of Terminal value	9,658.3				
Enterprise value	**11,810.1**				
Net borrowing	647.8				
Equity value	11,162.2				
# of outstanding share	103,558,466				
Value per share (VND)	**107,800**				
Current price	85,200.0				
Upside	26.5				

WACC calculation		Remark
WACC (%)	10.00	
Risk-free rate (%)	2.80	10-year government bond yield
Equity risk premium (%)	8.21	
Beta	0.90	2018-present beta
Cost of debt (%)	9.00	
Cost of equity (%)	10.19	
Debt to capital ratio (%)	12.44	
Value of debt (bn VND)	1,095	
Value of equity (bn VND)	8,802	

Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post – Earnings trend and outlook

(Unit: bn VND)	1Q20	2Q20	3Q20	4Q20	1Q21P	2Q21P	3Q21F	4Q21F	1Q22F	2Q22F	3Q22F	4Q22F	2020	2021F	2022F
Revenue	2,460	4,339	4,889	5,549	5,158	5,192	3,504	3,940	5,060	5,007	4,726	4,876	17,237	17,794	19,669
Gross profit	180	175	193	146	193	185	208	229	231	244	298	324	694	815	1,097
Operating profit	112	118	122	78	125	120	135	129	152	165	201	197	430	509	715
Net profit	97	103	107	77	109	106	111	107	133	143	157	176	384	433	609
Growth (%YoY)															
Revenue	83.6	158.7	137.8	102.9	109.7	19.7	(28.3)	(29.0)	(1.9)	(3.6)	34.9	23.8	58.7	120.6	3.0
Gross profit	18.5	2.5	(5.8)	(33.8)	7.2	5.8	8.0	56.6	19.7	31.9	43.3	41.5	41.8	(9.9)	16.0
Operating profit	27.6	17.3	5.1	(41.9)	12.0	1.8	10.9	64.3	21.6	37.5	48.9	52.7	39.2	(2.8)	18.0
Net profit	26.2	17.1	5.2	(31.0)	12.4	3.0	4.0	38.7	22.0	34.9	41.4	64.5	36.2	0.8	11.1
Margin (%)															
GPM	7.3	4.0	3.9	2.6	3.7	3.6	5.9	5.8	4.6	4.9	6.3	6.6	4.0	4.6	5.6
OPM	4.5	2.7	2.5	1.4	2.4	2.3	3.9	3.3	3.0	3.3	4.3	4.0	2.5	2.9	3.6
NPM	3.9	2.4	2.2	1.4	2.1	2.0	3.2	2.7	2.6	2.9	3.3	3.6	2.2	2.4	3.1

Source: Company Data, Shinhan Securities Vietnam

Viettel Post– 2021-2022 key earnings revision

(Unit: tn VND, %, %pt)	New		Previous		Change		Consensus		Diff.	
	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
Revenue	17,794	19,669	17,754	19,619	0.2	0.3	20,664	23,290	(13.9)	(15.5)
① Parcel delivery	*7,071*	*8,839*	*7,031*	*8,789*	*0.6*	*0.6*	-	-	-	-
② Telecom service	*10,723*	*10,830*	*10,723*	*10,830*	-	-	-	-	-	-
Gross profit	815	1,097	810	1,091	0.5	0.6	875	1,105	(6.8)	(0.7)
① Parcel delivery	*775*	*1,057*	*770*	*1,051*	*0.6*	*0.6*	-	-	-	-
② Telecom service	*40*	*41*	*40*	*41*	-	-	-	-	-	-
Operating profit	509	715	506	711	0.5	0.5	513	649	(0.8)	10.1
Net profit	433	609	426	606	1.6	0.3	450	575	(3.7)	5.9
EPS	3,625	5,096	3,566	5,078	1.6	0.3	4,112	5,276	(11.8)	(3.4)
Margin										
GPM	4.6	5.6	4.6	5.6	0.0	0.0	4.2	4.7	0.3	0.8
① Parcel delivery	*11.0*	*12.0*	*11.0*	*12.0*	*0.0*	*(0.0)*	-	-	-	-
② Telecom service	*0.4*	*0.4*	*0.4*	*0.4*	-	-	-	-	-	-
OPM	2.9	3.6	2.9	3.6	0.0	0.0	2.5	2.8	0.4	0.8
NPM	2.4	3.1	2.4	3.1	0.0	0.0	2.2	2.5	0.3	0.6

Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post 2Q21 earnings review

(Unit: bn VND, %, %pt)	2Q20A	3Q20A	4Q20A	1Q21A	2Q21P	Change		2Q21F	Diff (*)
						YoY	QoQ	(Shinhan)	(%)
Sales	4,339	4,889	5,549	5,158	5,192	19.7	0.7	3,688	(29.0)
Gross profit	175	193	146	193	185	5.8	(4.1)	185	0.0
Operating profit	118	122	78	125	120	1.8	(4.0)	121	0.8
Net profit	103	107	77	109	106	3.0	(2.8)	105	(0.9)
GPM	4.0	3.9	2.6	3.7	3.6	(0.5)	(0.2)	3.6	0.0
OPM	2.7	2.5	1.4	2.4	2.3	(0.4)	(0.1)	2.4	0.1
NPM	2.4	2.2	1.4	2.1	2.0	(0.3)	(0.1)	2.1	0.1

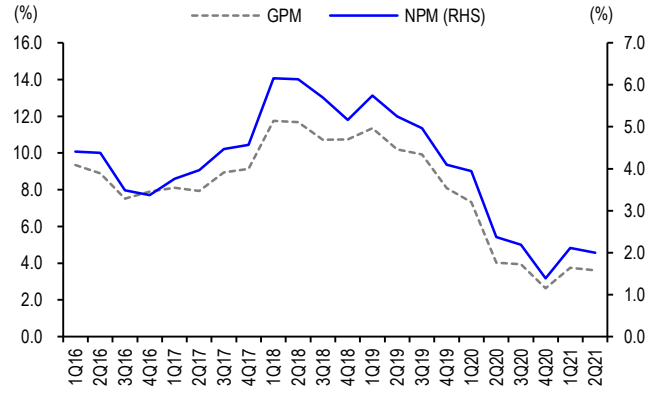
Source: Company data, Shinhan Securities Vietnam estimated, (*) Note: Prelim actual result against forecast figure

Viettel Post 1H21 earnings review

(Unit: bn VND, %, %pt)	1H20A	2H20A	1H21P	Change (YoY)	1H21 (Shinhan)	Diff. (%)
Revenue	6,799	10,438	10,350	52.2	8,748	18.3
Gross profit	355	339	378	6.5	366	3.3
Operating profit	229	200	245	6.8	244	0.4
Net profit	200	184	215	7.5	212	1.4
Margin						
GPM	5.2	3.2	3.7	(1.6)	4.2	(0.5)
OPM	3.4	1.9	2.4	(1.0)	2.8	(0.4)
NPM	2.9	1.8	2.1	(0.9)	2.4	(0.3)

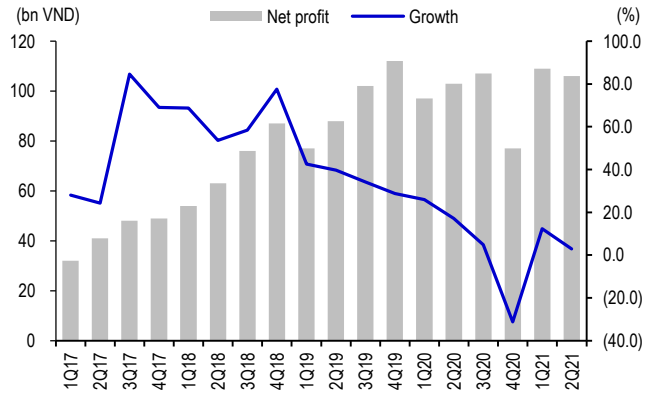
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post GPM and NPM



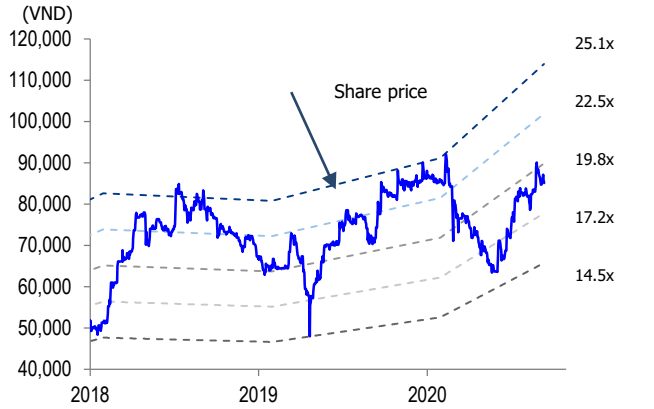
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post Net profit and net profit growth



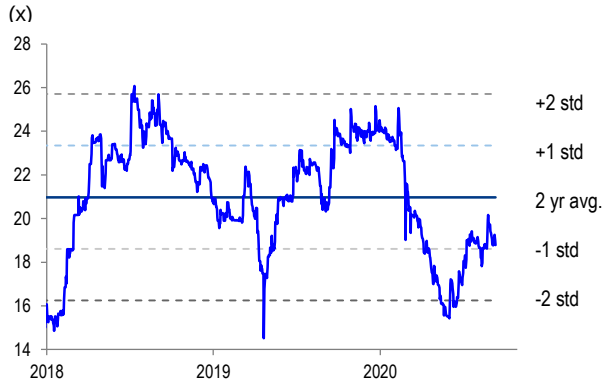
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post - PER band chart



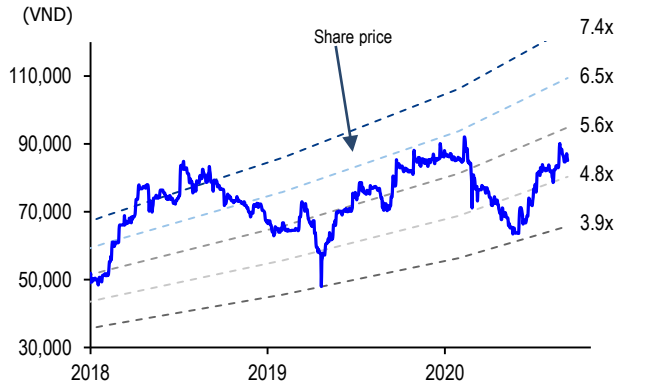
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post – 12M forward PER



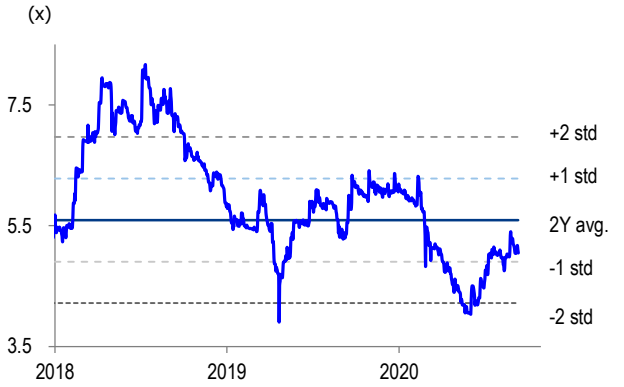
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post - PBR band chart



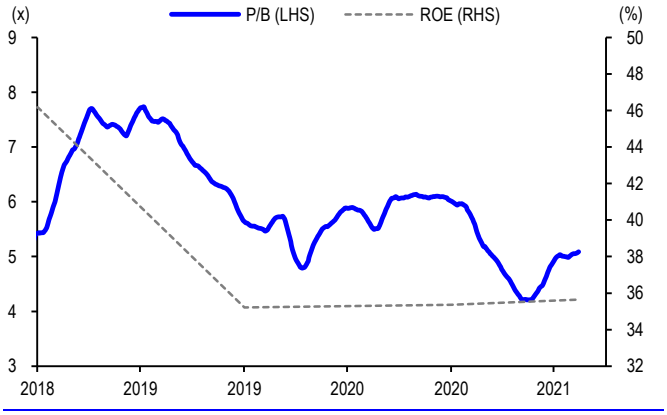
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post – 12M forward PBR



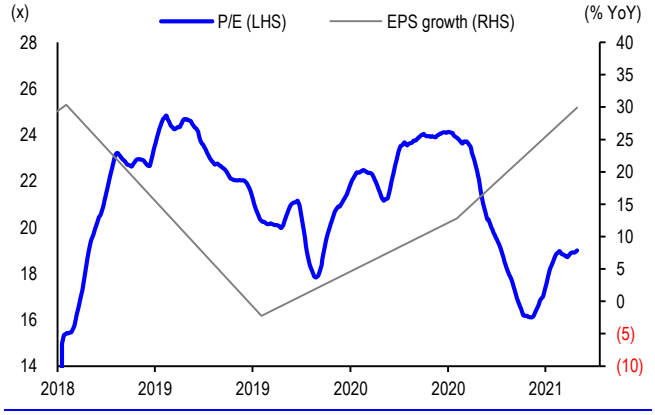
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post - trailing average PBR and ROE



Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post – trailing average PER and EPS growth



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**	**4,629**	**5,996**	**6,639**
Current assets	2,858	3,919	3,883	4,633	5,098
Cash & equivalents	347	288	497	393	846
Short-term financial asset	1,276	1,572	1,623	1,794	2,006
Accounts receivable	1,073	1,335	1,574	1,641	1,953
Inventories	48	605	65	668	142
Non-current assets	536	444	746	1,363	1,541
Net fixed assets	343	372	674	1,291	1,469
Investment assets	84	-	-	-	-
Other long-term assets	110	72	72	72	72
Total liabilities	**2,426**	**3,154**	**3,133**	**4,094**	**4,167**
Current liabilities	2,426	3,143	3,072	3,957	4,060
Accounts payable	209	339	224	392	288
Short-term borrowings	815	1,085	1,085	1,634	1,634
Others	1,402	1,719	1,764	1,932	2,138
Non-current liabilities	0	11	61	137	107
Long-term borrowings	-	11	60	137	107
Other financial liabilities	0	0	0	0	0
Total shareholders' equity	**968**	**1,209**	**1,496**	**1,902**	**2,472**
Capital stock	596	830	1,036	1,036	1,036
Capital surplus	22	22	22	22	22
Other capital	6	7	5	5	5
Retained earnings	344	350	433	839	1,410
Non-controlling interest equity	-	-	-	-	-
*Total debt	815	1,095	1,145	1,771	1,740
*Net debt (cash)	468	807	648	1,377	895

Statement of comprehensive income

Year to Dec. (bn VND)	2019	2020	2021F	2022F	2023F
Revenue	**7,812**	**17,234**	**17,794**	**19,669**	**21,987**
Growth (%)	58.7	120.6	3.2	10.5	11.8
COGS	**(7,036)**	**(16,536)**	**(16,979)**	**(18,572)**	**(20,515)**
Gross profit	**775**	**699**	**815**	**1,097**	**1,472**
GPM (%)	9.9	4.1	4.6	5.6	6.7
SG&A	**(334)**	**(269)**	**(306)**	**(382)**	**(478)**
Operating profit	**441**	**429**	**509**	**715**	**994**
Growth (%)	39.2	(2.8)	18.6	40.5	39.1
OPM (%)	5.7	2.5	2.9	3.6	4.5
Non-operating profit	**36**	**51**	**33**	**47**	**77**
Financial income	94	99	92	115	144
Financial expense	(49)	(54)	(60)	(69)	(69)
In which: interest expenses	(49)	(54)	(60)	(69)	(69)
Net other non-operating profit	(9)	6	1	1	2
Pre-tax profit	**477**	**480**	**542**	**762**	**1,071**
Income tax	(97)	(97)	(109)	(154)	(216)
Net profit	**380**	**383**	**433**	**609**	**855**
Growth (%)	36.2	0.8	12.9	40.6	40.5
NPM (%)	4.9	2.2	2.4	3.1	3.9
Controlling interest	380	383	433	609	855
Non-controlling interest	-	-	-	-	-
EBIT	**490**	**483**	**569**	**784**	**1,063**
Growth (%)	46.0	(1.5)	17.8	37.8	35.6
EBIT Margin (%)	6.3	2.8	3.2	4.0	4.8
EBITDA	**547**	**557**	**672**	**967**	**1,286**
Growth (%)	41.7	1.8	20.6	43.9	33.0
EBITDA margin (%)	7.0	3.2	3.8	4.9	5.8

Statement of cash flow

Year to Dec.(bn VND)	2019	2020	2021F	2022F	2023F
Cash flow from operations	**(22)**	**(98)**	**666**	**326**	**1,229**
Net profit	380	383	433	609	855
Depreciation expense	57	74	103	183	223
Amortization expense	-	-	-	-	-
Interest expenses	(49)	(54)	(60)	(69)	(69)
Change in working capital	(373)	(373)	227	(350)	295
Others	(37)	(128)	(37)	(46)	(75)
Cash flow from investments	**(403)**	**(165)**	**(359)**	**(856)**	**(468)**
Change in tangible assets	(203)	(89)	(400)	(800)	(400)
Change in investment assets	(300)	(212)	(51)	(171)	(211)
Others	100	136	92	115	144
Free cash flow	**(225)**	**(187)**	**266**	**(474)**	**829**
Cash flow from financing	**338**	**135**	**(98)**	**426**	**(309)**
Change in equity	33	-	-	-	-
Net borrowing	367	224	(11)	548	(138)
Dividends	(62)	(89)	(87)	(122)	(171)
Change in total cash	**(87)**	**(128)**	**209**	**(104)**	**452**
Beginning cash	411	347	288	497	393
Change in FX rates	-	-	-	-	-
Ending cash	347	288	497	393	846

Source: Company data, Shinhan Securities Vietnam

Key ratios

Year to Dec.	2019	2020	2021F	2022F	2023F
EPS (VND)	3,286	3,214	3,625	5,096	7,159
BPS (VND)	9,347	11,670	14,445	18,365	23,873
DPS (VND)	1,041	1,077	836	1,175	1,651
PER (x)	26.0	26.6	23.6	16.8	11.9
PBR (x)	9.1	7.3	5.9	4.7	3.6
EV/EBITDA (x)	17.4	17.1	14.1	9.8	7.4
Dividend payout ratio (%)	16.3	23.3	20.0	20.0	20.0
Dividend yield (%)	1.2	1.3	1.0	1.4	1.9
Profitability					
EBITDA margin (%)	7.0	3.2	3.8	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	10.5	11.5	13.5
ROE (%)	46.2	35.2	35.4	35.8	39.1
Stability					
Debt to equity ratio (%)	84.2	90.6	76.6	93.1	70.4
Net debt to EBITDA ratio (x)	0.9	1.4	1.0	1.4	0.7
Cash ratio (%)	14.3	9.2	16.2	9.9	20.8
Interest coverage ratio (x)	10.0	8.9	9.5	11.3	15.4
Activity (%)					
Working capital turnover (times)	20.4	28.5	22.4	26.5	25.7
Inventory turnover (days)	4.4	7.2	7.0	13.1	7.2
Receivable turnover (days)	44.5	25.5	29.8	29.8	29.8

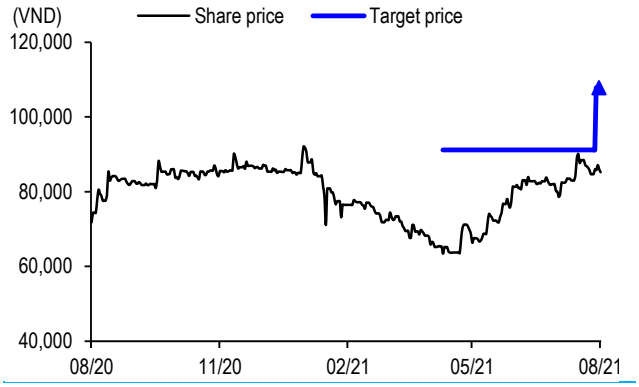
Source: Company data, Shinhan Securities Vietnam

Viettel Post JSC. (VTP VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
May 13, 2021	BUY	107,800	18.6	5.1/54.3
May 13, 2021	BUY	91,200	12.7	7.1/30.5
April 26, 2021 (Initiate)	BUY	91,200	15.1	10.4/20.2

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

Shinhan Securities Vietnam Ratings

Stock

- **BUY:** Expected 12-month gain of 15% or more
- **Trading BUY:** Expected 6-month gain of 15% to loss of 15%
- **HOLD:** Expected 6-month loss of 15% to 20%
- **SELL:** Expected 6-month loss of 20% or more

Sector

- **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 Trading BUY or HOLD
- **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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