April 26th, 2021



Viettel Post JSC.

[Vietnam / Logistics]

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

BUY

Initiate

Target price (12 mths)	**VND113,700**
Current price (April 26)	VND81,000
Upside (%)	+40.4



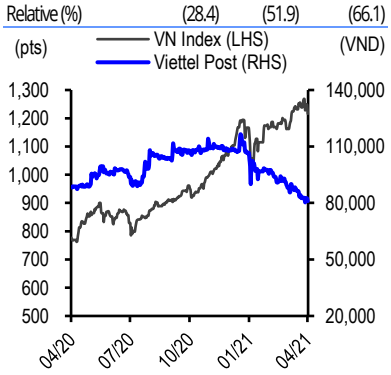
[Analyst]

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VNINDEX		1,216
HNXINDEX		281
Market cap (bn VND)		6,727
Outstanding shares (1mn)		83
Free float (1mn)		32
52-week high/low (VND)		120,000/78,966
60-day avg. trading volume		0.4
60-day avg. turnover (bn VND)		22.5
Foreign ownership (%)		19.1
Major shareholders	Viettel Group	60.8

Performance			
Absolute (%)	(21.4)	(24.0)	(9.5)
Relative (%)	(28.4)	(51.9)	(66.1)



Shinhan Securities

Riding on a big wave

Initiate coverage with BUY call and Target price of VND113,700.

Viettel Post, one of the largest last-mile delivery company in Vietnam and our top pick in transportation sector, given that: 1) the robust e-commerce growth lifts demand for parcel delivery; 2) archiving economy via leveraging technology and network efficiency; and 3) taking advantage of mother company's supporting. Via employing DCF valuation method, we initiate the BUY rating and target price of VND113,700 (a potential upside of + 40.4% from the current price of VND81,000).

Price competition: One step back, Three steps forward

Facing the current price war on parcel delivery sector, we expect that Viettel Post will be the final winner and gain market share from others, thanks to: I) Deep lower-than-market price level, ii) The second largest postal network, iii) Low negative response rate, iv) Integrating logistics solutions for their customers, ranging from orders through fulfillment to delivery and return

Launching Southern logistic center: The new key growth driver

Viettel Post has a step ahead of their competitors by offering E-fulfillment solution in their new Logistic center in HCM city. With the new added-value service for e-commerce sellers, Viettel Post will be responsible for all process to deliver the products from the seller to the buyer. We expect company can attract big customers and maintain market share, while they have ample space to boost revenue. For period 2021-2025, Viettel Post will establish logistic centers in 17 cities and provinces in all 3 regions of Vietnam.

Achieving economy of scale from 2023

With advantages from efficient connection and distribution system, we expect that Viettel Post can decrease their operating cost and labor cost, and improve gross profit margin of delivery business to a higher level of 13% in 2023 from a low of 10% in 2020

Year to Dec.	2019	2020	2021F	2022F	2023F
Revenue (bn VND)	**7,812**	**17,234**	**17,754**	**19,619**	**21,924**
OP (bn VND)	441	429	506	711	989
NP (bn VND)	**380**	**383**	**426**	**606**	**851**
EPS (VND)	4,105	4,056	6,227	6,789	6,912
BPS (VND)	11,655	14,553	17,956	22,828	29,668
OPM (%)	5.7	2.5	2.9	3.6	4.5
NPM (%)	4.9	2.2	2.4	3.1	3.9
ROE (%)	**46.2**	**35.2**	**34.8**	**35.8**	**39.1**
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

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Initiate coverage with BUY call and TP of VND113,700

We initiate coverage Viettel Post (VTP VN), one of the largest last-mile delivery companies in Vietnam, with a BUY rating and target price of VND113,700 (a potential upside of + 40.4% from the current price of VND81,000). Viettel Post is one of our top picks in transportation players, given that: 1) the robust e-commerce growth pushes the demand for parcel delivery; 2) archiving economy of scale via leveraging technology and enhancing; and 3) taking advantage support from their mother company. Consequently, we believe that Viettel Post to gain more market share from new entrants.

Valuation

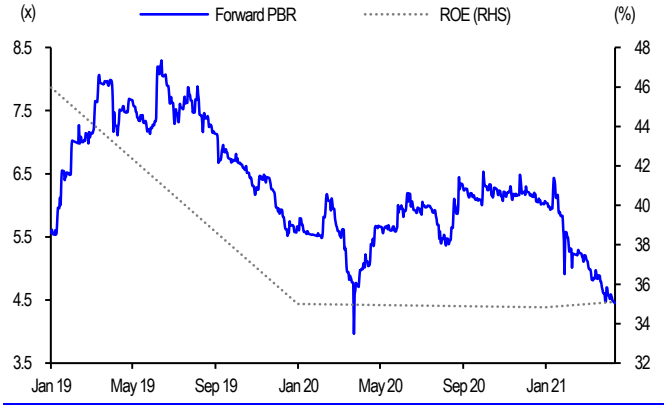
In our view, DCF, PEG, and justified P/E methodologies are acceptable for valuing last-mile delivery company. We decided to employ DCF as our main valuation methodology for Viettel Post, given that: 1) the method is positively related to the growth rate of expected profit and cash flow; 2) accounting risk on growth prospects; and 3) sidestepping the lack of comparability across local peers.

Our DCF valuation-based target price of VND113,700, derived from a terminal growth rate of 0% and cost of equity of 10.2%, which is being translated to 2021F PBR and PER of 6.3x and 22.1x respectively. These multiples are approaching the -2 standard deviation of its 2-year historical average multiples, which is considered as a reasonable entry point for Viettel Post. We believe that the company may enjoy double-digit growth in net profit since 2021 (with an expected 3-year CAGR of 30.5% and a 5-year CAGR of 27.6%).

DCF-based valuation of Viettel Post					
(Unit: VND bn)	**2021F**	**2022F**	**2023F**	**2024F**	**2025F**
Revenue	17,754.0	19,619.0	21,924.4	24,584.0	27,710.7
EBIT	572.1	778.6	1,056.1	1,274.7	1,535.4
Less: Taxes	107.6	153.3	215.2	266.8	327.3
Plus: D&A	142.6	182.6	222.6	262.6	302.6
Less: Net working capital	(156.2)	289.7	(225.2)	280.2	(221.6)
Less: Capex	800.0	400.0	400.0	400.0	400.0
FCFF	**(36.8)**	**118.2**	**888.7**	**590.3**	**1,332.2**
Discount factor	0.9	0.85	0.77	0.70	0.64
PV of FCF	(34.3)	100.38	686.16	414.36	850.13
Sum of PV	2,016.7				
Terminal growth (%)	0.0				
PV of Terminal value	8,505.2				
Enterprise value	**10,521.9**				
Net borrowing	1,080.0				
Equity value	9,441.9				
# of outstanding share	83,047,900				
Value per share (VND)	**113,700**				
Current price	81,000.0				
Upside	40.4				
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 (%)	16.28				
Value of debt (bn VND)	1,095				
Value of equity (bn VND)	6,727				

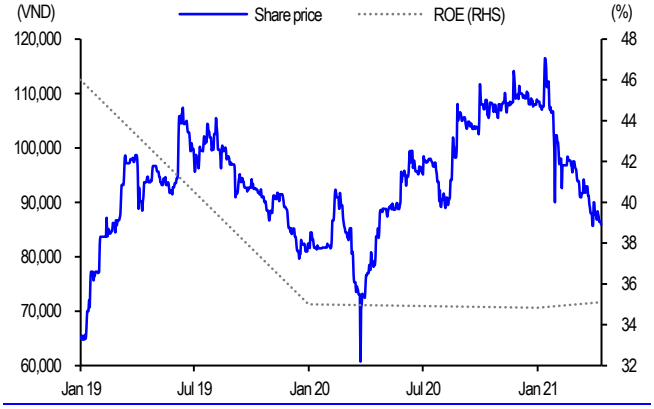
Source: Bloomberg, Shinhan Securities Vietnam

Viettel Post 12M forward PBR versus ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Viettel Post share price versus ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Viettel Post 12M forward PBR



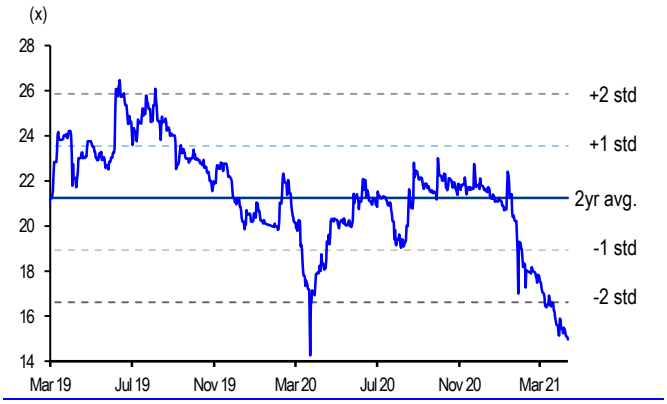
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Viettel Post PBR band chart



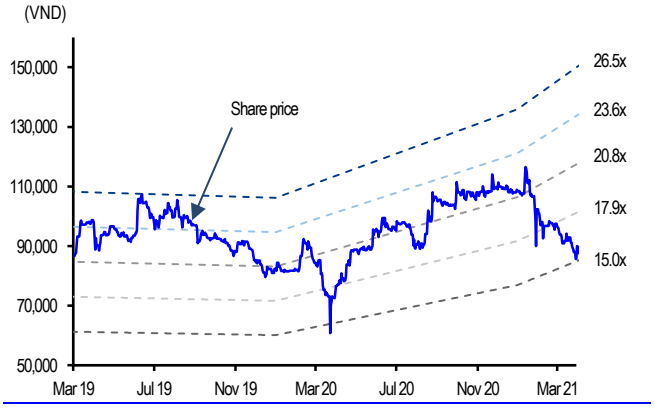
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Viettel Post 12M forward PER



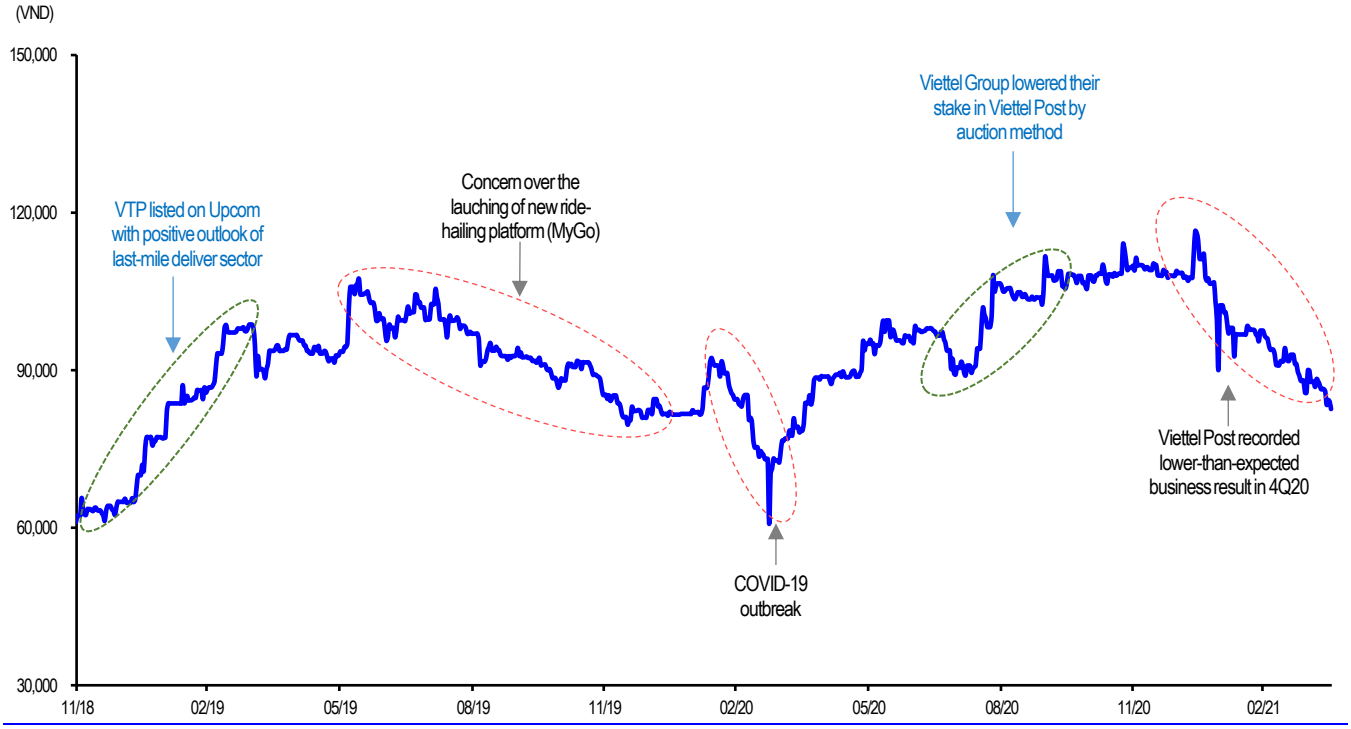
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Viettel Post PER band chart



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of Viettel Post



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Investment Thesis

An outstanding name in fast growing parcel delivery sector

Viettel Post (VTP VN) is the second-largest last-mile delivery company in Vietnam, which stands out with its extensive post office network spanning 63 provinces and cities in Vietnam, and the support of mother company - Viettel Group. The combination of its existing nationwide post office network and high operational capacity provides Viettel Post a strong role in rural areas (the inter-city delivery division accounted for 82% revenue).

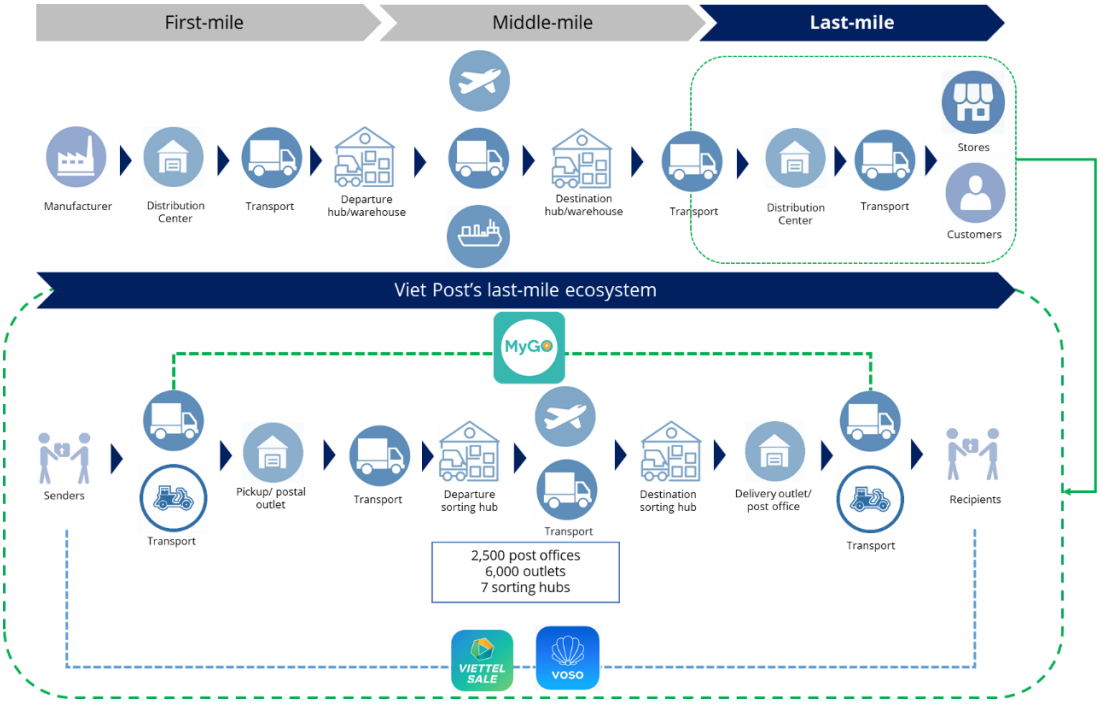
We expect that the net profit of Viettel Post will exhibited a CAGR of 27.6% during 2020-2025, in light of:

- The robust growth of Vietnam last-mile delivery sector is driven by the huge potential of Vietnam e-commerce market size (2020-2025 CAGR of 34%, according to Bain Analysis);
- Viettel Post is expected to gain more market share from its rivals via offering lower-than-average service prices and fulfillment service despite facing with a harsh price competition amongst express delivery companies;
- Employing hub-and-spoke network model, with an efficient postal system and improving distribution process, Viettel Post is able to achieve economy of scale and increase their profit margins;
- Viettel Post receives technology transferring from Viettel Group and salesman from Viettel solutions as supporting from the parent company.

Moreover, Viettel Post recorded significant revenue from telecom services (60% of revenue and 6% of gross profit in 2020), mostly in terms of selling sim/phone cards in Viettel Telecom stores; and we expect stable revenue from this business (the 2020-2025 CAGR of 1%).

Viettel Post developed multi-function platforms in other to expand its ecosystem, including: 1) VOSO (an e-commerce platform that focuses on agricultural products), 2) MyGo (ride-hailing platform), and 3) Viettel Sales (omnichannel e-commerce platform). They also have a plan to develop cross border e-commerce business but have not been disclosed the details.

Value chain of Viettel Post



Source: Viettel Post, Shinhan Securities Vietnam

Key components in ecosystem of Viettel Post

Product/service name	Business area
My Go	• An original ride-hailing app, was upgraded as a multi-purpose app for both cargo and passenger transportation • MyGo is able to be used for: delivery, package delivery, taxi, bike ride-hailing, forwarding, etc.
Viettel Sales	• An app provides multi-channel shopping and sales management solution, including: Facebook shopping, offline kiosks, website, livestream, applications, warehouse management, etc.
VOSO	• An e-commerce platform for both individual and corporates for direct trading • VOSO focuses in agriculture product trading, Vietnamese specialties, and others

Source: Company data, Shinhan Securities Vietnam

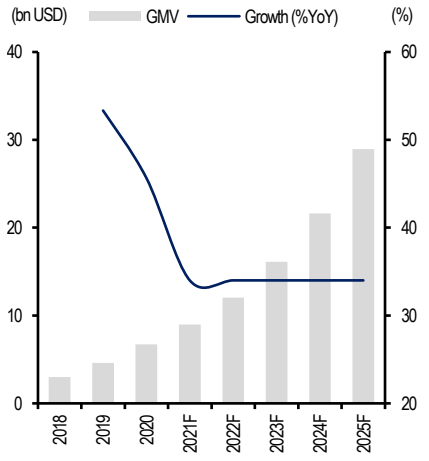
Riding on a rising competition wave

Rising competition in last-mile delivery sector

Last-mile logistics is the last stretch of a business-to-consumer (B2C) parcel delivery. It takes place from the order penetration point - OPP (i.e., fulfillment center, online sellers) to the destination point (i.e., end-customers' home, cluster/collection point). There have been significant changes in local clients' demand for online shopping rather than offline stores, that re-shapes the express delivery sector. As a result, this sector is important for e-commerce business because it interacts directly with end customers.

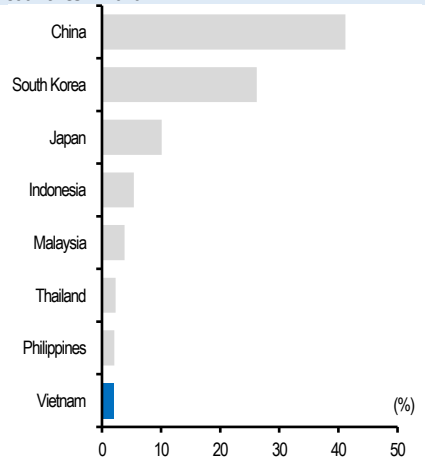
We expected the delivery volume will grow 25% per year, which is in line with the 2020-2025 CAGR at 34% of Vietnam's e-commerce market size, cited data from Bain Analysis. The growth potential of last-mile delivery is mainly driven by the fact that the lowest e-commerce penetration in Vietnam and parcel per capita amongst South East Asian countries.

Gross merchandise value (GMV) of Vietnam e-commerce market



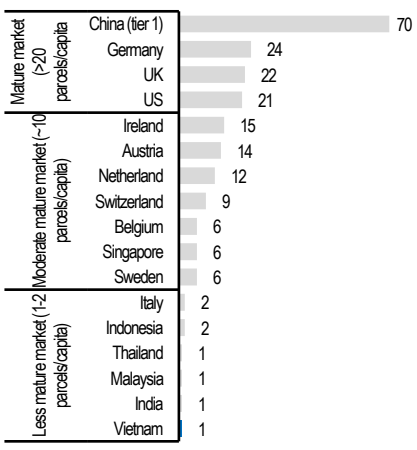
Source: Bain Analysis, Temasek, Shinhan Securities Vietnam

The penetration ratio of e-commerce of Asian countries in 2020



Source: eMarketer, Shinhan Securities Vietnam

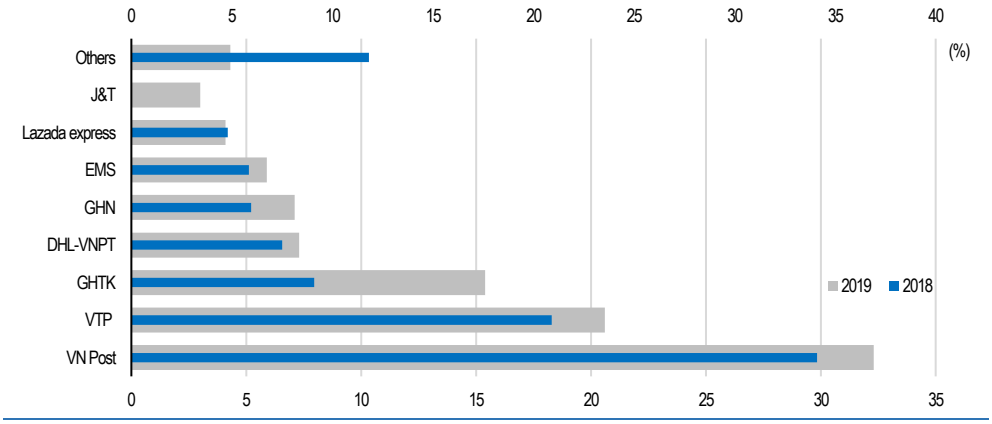
E-commerce-relevant parcel penetration, 2017



Source: McKinsey

However, in such an impressive growth market with low entry barrier (low fixed asset and capital intensive, weak difference of products/services and fees), there has been mounting competition among current players and new entrants. Currently, there are 555 companies operating in the Vietnamese postal market, in which 8 firms accounted for 96% of market share by end-2020. Thus, this market is still at the early stage of a defragmented. We believe that there will be a structural change of this market in the upcoming years, in which around 3-4 biggest players to hold 80% market share.

Market share of major players in last-mile delivery sector, based on revenue (2018-2019)



Source: MIC, Company data, Shinhan Securities Vietnam

The local last-mile sector can be divided into 3 groups that providing similar services (economy delivery, express delivery, COD, etc.). These companies are competing based on 4 factors to gain market share: 1) low service fee; 2) high quality (time and reliability); 3) wide geographical coverage; and 4) added-value service (sale management, fulfillment, etc.). We expect that traditional postal service providers, which have competitive advantages (extensive post office network, strong financial position, and technology), will acquire more market share. In this case, Viettel Post seems likely to be one of the most potential winner.

Main groups of players in the last-mile delivery sector

Group	Key players	Business strategy
Traditional postal service providers	VN Post, Viettel Post (VTP VN), EMS (EMS VN)	• Taking advantage of their nationwide post office network in order to focus on inter-city segment and Small and medium-sized enterprises (SMEs) • Collaborating with e-commerce platforms to avoid losing market share • Developing their mobile application to expand their client base
Delivery parcel start-ups	GHN, GHTK, Lazada Express	• Collaborating with e-commerce platforms, offering large discounts to gain more customers • Combination of mobile apps platforms, via using financial resources from investors' fund rising to provide lower ASPs than traditional postal service providers • Then, expanding their post office network to compete in the inter-city delivery segment
International players	J&T Express, BEST (BEST US), DHL (DPW GR)	• Employing financial resources and technology support from the mother company • Using both strategies in order to gain market share: 1) expanding post office network using franchise model, and 2) providing service with lower ASPs.

Source: Company data, Shinhan Securities Vietnam

Price competition: One step back, three steps forward

Viettel Post's revenue exhibited a CAGR of 43% between 2015 and 2020, thanks to the booming e-commerce market to push demand for last-mile delivery. In 2020, delivery volume of the company continued to grow by +20% YoY; however, their revenue growth was merely at +7.1% YoY, which is mainly due to a -10.8% YoY decline in ASP. Viettel Post had to scarify its top-line growth of delivery services in 2H20, in order to maintain their market share and face the price war from foreign competitors (As J&T and BEST has been offering lower-than-average service prices by 10%).

We expect that Viettel Post will gain market share from others, thanks to:

① Viettel Post is offering ecommerce packaging at 10-20% lower ASP than competitors, and do not charge fee for cash-on-delivery (COD) service. We think that it is difficult for foreign competitors to accept a such a low price strategy, as these companies are still recording huge cumulative losses while they still need to expand their postal network. As a result, we believe that ASP will decrease by -15% YoY in 2021;

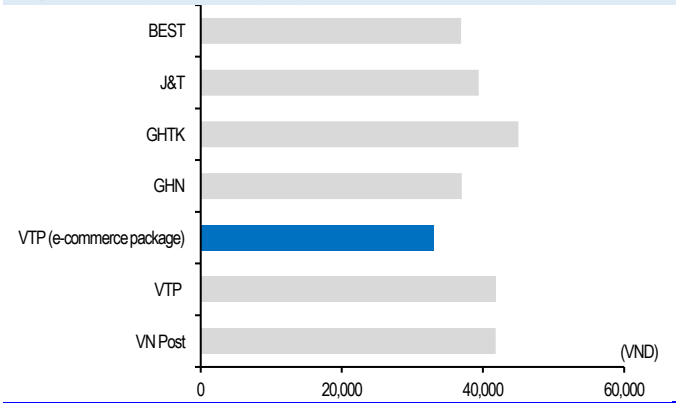
② The company currently owns the second-largest postal network, including its available post offices and transferred Viettel Telecom stores, covering all 63 provinces in Vietnam;

③ Relatively low negative response rate of Viettel Post against other competitors. According to Reputa, the negative feedback in the 1H20 is mainly due to relatively high fees, which was improved in 2H20;

④ In the long run, parcel logistics providers will have to integrate logistics solutions for their customers, ranging from orders through fulfillment to delivery and return. And Viettel Post has a step ahead of their competitors by offering fulfillment service in their new logistic center.

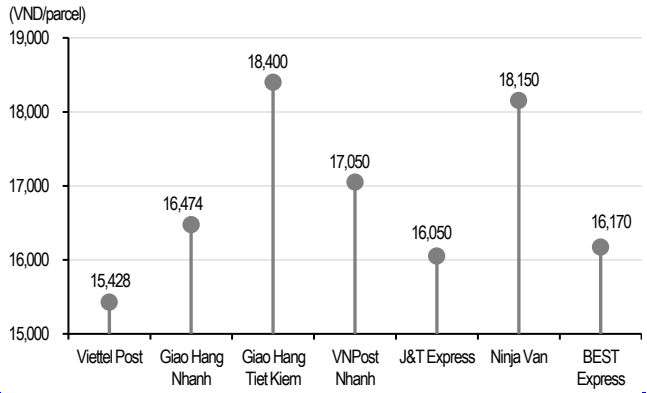
For delivery service outlook in 2021-2025 of Viettel Post, we expect that: 1) their market share will be consolidated at 21% in period 2021-2023, equivalent to an average growth rate of 25% per year in delivery volume; 2) when the market becomes more consolidated since 2023, as a market leader, their market share will increase to 23% (2024) and 25% (2025), equivalent to the delivery volume growth of +36.9% YoY (2024) and +35.9% YoY (2025).

Express delivery fees for 1kg cargo of Hanoi – Hochiminh city route



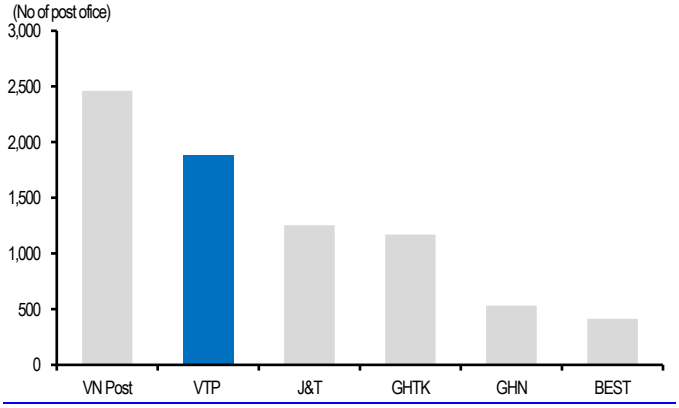
Source: Company data, Shinhan Securities Vietnam

Viettel Post offered the lowest delivery fee on the Shopee platform



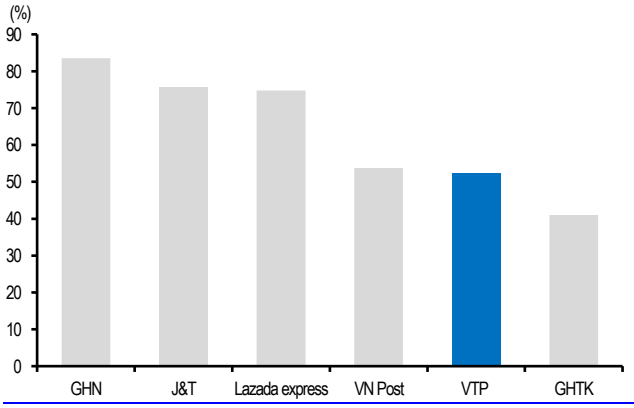
Source: Shopee, Shinhan Securities Vietnam

Postal network comparison (end of 2020) – an advantage for Viettel Post



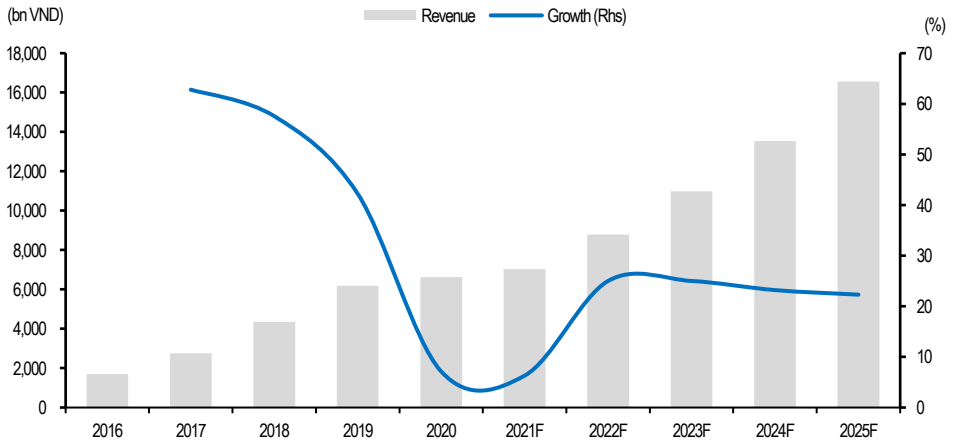
Source: Company data, Shinhan Securities Vietnam

Viettel Post received low negative response rate



Source: Reputa, Shinhan Securities Vietnam

Revenue from delivery service (2016-2025) – Turnaround ahead



Source: Company data, Shinhan Securities Vietnam estimates

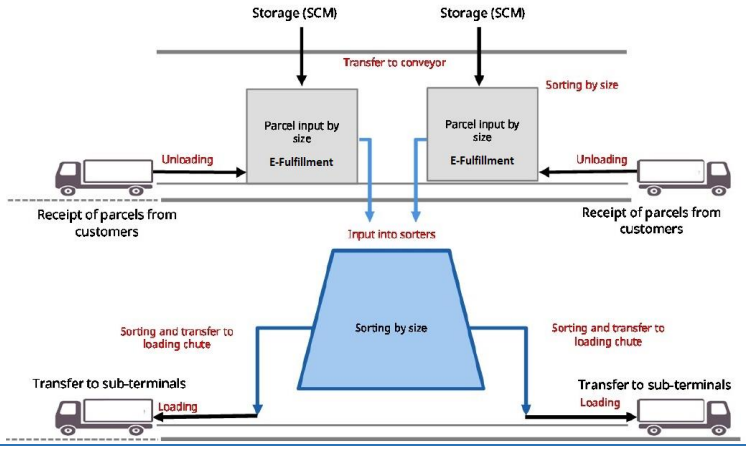
Lauching Southern logistics center: The new key growth driver

There is a popular trend in Asian countries in recent years that the ecommerce supergiants (i.e. Amazon, Alibaba, Shopee, etc.) has started to totally in-source their parcel logistics. Thus, this trend pushes traditional postal service providers to expand their scope of businesses from the sole delivery in order to survive. And Viettel Post has a step ahead of their competitors by offering outstanding services in their new Logistic center in HCM city, which is commenced operation in January 2021:

1) E-fulfillment solution is an added-value service for ecommerce platforms, as Viettel Post will be responsible for all processes of delivering products from sellers to buyers. This service will help sellers to optimize operations, cost, and delivery time, while they can focus on boosting sales. We think that this is a suitable step for Viettel Post, in light of: i) attractting big customers and maintaining market share, ii) e-fulfillment service – which take 33% of ecommerce revenue pool and only lower than last-mile delivery service, according to McKinsey - has ample space to boost revenue of Viettel Post.
2) The automatic sorting hub with capacity of 42,000 parcels per hour (higher than local peers' sorting hubs), as well as a fulfillment center that equipped with new high technology (AGV robots, AI, etc.); with such modern technology, Viettel Post can optimize 91% of human resources that greatly reduce labor costs.

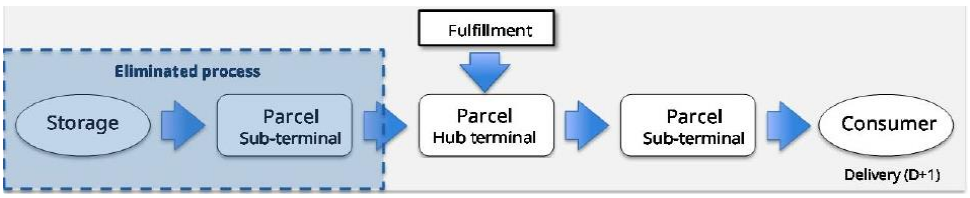
For 2021-2025, Viettel Post will establish logistic centers in 17 cities/provinces scattering in 3 regions of Vietnam, thereby helping companies to offer full-logistic-service and gain more market share from other competitors.

Operation of an e-commerce logistic center - All process is automated



Source: CJ Logistic, Shinhan Securities Vietnam

The delivery process with the e-fulfillment system – Saving time and cost for the seller



Source: CJ logistic, Shinhan Securities Vietnam

Leveraging technology and efficient networking: Keys for achieving economy of scale

Viettel Post is using a hub-and-spoke network model to operate their business: a delivery would therefore start in one of the locations and be taken to the sorting center (as a "hub"), whereby it would either be stored or distributed directly to another location within the network (as a "spoke"). For this business model, they have advantages to promote the effectiveness in order to achieve economy of scale, in light of:

1) **Improving connection system efficiency.** The company currently has over 1,800 post offices (including available post offices, and transferred Viettel Telecom stores), which lead to high store density and

increase the outside service cost (renting cost). As a result, the company is in the process of optimizing their network, with the closure of inefficient post offices and Viettel Telecom stores will become pick-up outlets. We think that this to be an appropriate strategy, which will be evident from 2021 when the company reduces its outside service cost-to-sales ratio.

2) **Leveraging technology is a key hint.** Resources are focused to improve distribution efficiency, in this case, is their sorting hubs and logistic centers where have the highest quantity of traffic. Currently, Viettel Post has 7 sorting hubs in all 3 regions, of which 4 hubs have been automated with the highest capacity on the market. In the future, the company will continue to expand and automate its sorting hubs, thereby optimizing the flow of goods, and reducing the labor cost.

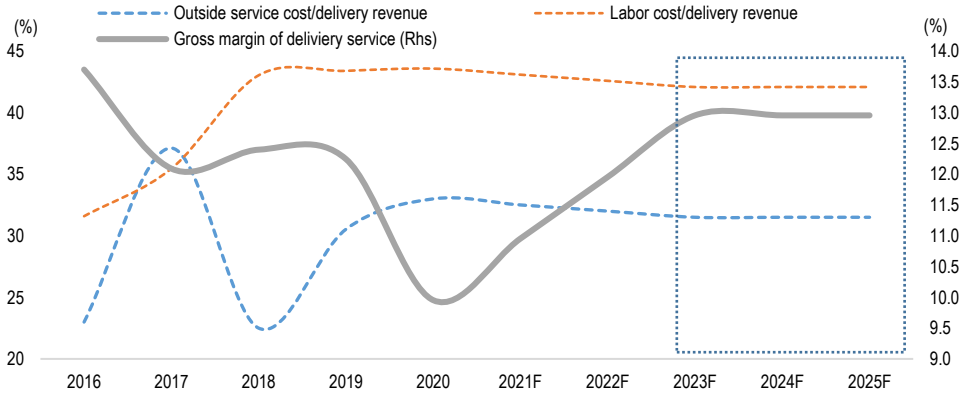
As a result, with advantages from efficient connection and distribution system, we expect that Viettel Post can decrease their cost of goods sold, with outside service cost per delivery revenue will decrease to 31% in 2025 from 33% in 2020, while labor cost per delivery revenue will decrease to 41.6% (2025) from 43.6% (2020). Thereby, the company can improve the gross profit margin of the delivery business to a higher level of 13% in 2023 from a low of 10% in 2020.

Sorting hub system of delivering companies – Viettel Post is the outstanding name

Company	No. of sorting hubs	No. of automated sorting hubs	Total sorting capacity (parcels/hour)
VN Post	8	3	54,000
VTP (VTP VN)	7	4	132,000
GHN	2	2	76,000
J&T Express	32	N/A	N/A
BEST (BEST US)	8	1	36,000

Source: Company data, Shinhan Securities Vietnam

Gross margin of delivery service (2016-2025) – Achieving economy of scale from 2023



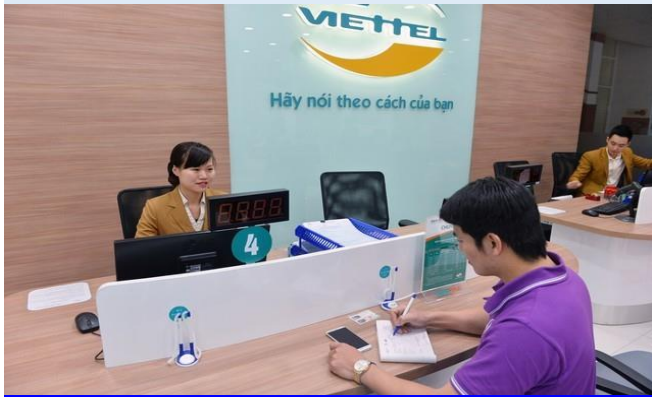
Source: Company data, Shinhan Securities Vietnam estimates

Viettel Post's automatic sorting hub



Source: Company data, Shinhan Securities Vietnam

Viettel Telecom store



Source: Company data, Shinhan Securities Vietnam

Backed by the mother company (Viettel Group) is the remarkable factor

Viettel Post is the subsidiary of Viettel Group (unlisted, non-rate), one of the largest telecommunications group in Vietnam, and also one of the leading corporations in development and application of digital transformation, such as artificial intelligence (AI), internet of things (IoT), etc. During development, Viettel Group will transfer these solutions to their subsidiaries, including Viettel Post; and the company has started to apply directly to their business products: 1) applying AI on Viettel Sales platform to make suggestions for sellers to boost sales, and 2) the Southern Logistic center is using AI to support for e-fulfillment process and supervising cargo flow. We believe that this as a long-term competitive advantage in attracting large customers and optimizing operating costs.

From 2021, Viettel Post also receives 1,154 salesmen of Viettel Solution's SMEs sector, through which Viettel Post will sell information technology solutions to SMEs, and at the same time, they will offer extra services (i.e., postal delivery, fulfillment). Thereby, Viettel Post can expand its customer base and avoid dependence on e-commerce platforms (Shopee, Tiki, Lazada, etc.).

In April 2021, Viettel Group has entered a strategic partnership with New Port Sai Gon (unlisted, non-rate), one of Vietnam's largest port operators owned by the military, in which the agreement mentioned the cross-use of services between SNP Logistics and Viettel Post, as well as the cooperation in expanding smart warehouse, logistics centers in key economic regions. We think this is an advantage for logistic centers expansion plan of Viettel Post, thanks to SNP's land bank.

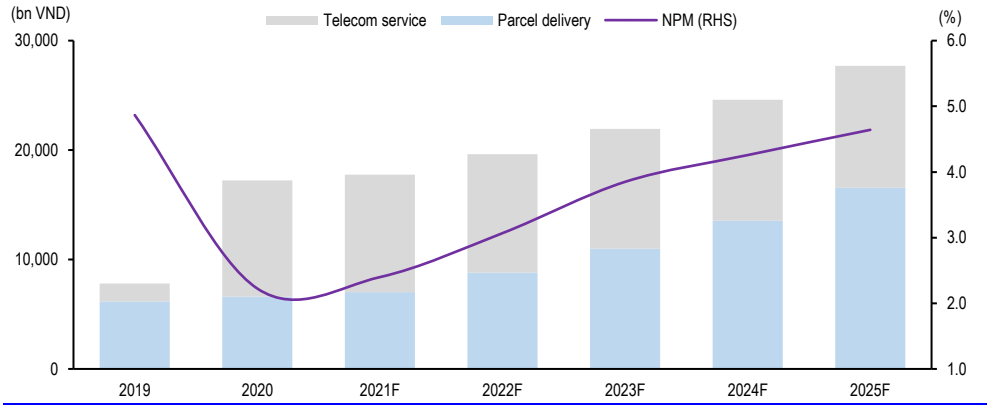
Earnings estimates

Regaining growth momentum from 2022

We believe Viettel Post's delivery revenue to exhibit CAGR of 20.1% between 2021 and 2025, which is mostly driven by: 1) the robust growth of the Vietnam last-mile delivery sector, 2) Viettel Post is the final winner on the current price war and gain market share from others. Especially in 2024-2025, we forecast that their market share will increase to 23% (2024) and 25% (2025) while their ASP will decrease by -10% YoY, equivalent to the delivery sales growth of 23.2% and 22.3%, respectively. For telecom services, we expect the revenue to exhibit a 2021-2025 CAGR of 1%. In 2021, we expected that Viettel Post's revenue and net profit will arrive at VND187.8n (+3% YoY) and VND426bn (+11.1%YoY), respectively.

Thanks to advantages from efficient connection and distribution system, the NPM of Viettel Post will be improved from 2022, and we expect that net profit will record a 2021-2025 CARG of 27.4%.

Sales and net profit margin (2019-2025F)



Source: Company data, Shinhan Securities Vietnam

Viettel Post's annual earning trend and outlook

(Unit: bn VND)	2019	2020	2021F	2022F	2023F	2024F	2025F
Sales	**7,812**	**17,234**	**17,754**	**19,619**	**21,924**	**24,584**	**27,711**
① Parcel delivery	6,178	6,617	7,031	8,789	10,986	13,536	16,552
② Telecom service	1,634	10,617	10,723	10,830	10,939	11,048	11,159
GP	775	699	810	1,091	1,464	1,795	2,186
① Parcel delivery	757	659	770	1,051	1,423	1,753	2,144
② Telecom service	19	40	40	41	41	42	42
OP	441	429	506	711	989	1,210	1,470
Net profit	**380**	**383**	**426**	**606**	**851**	**1,056**	**1,295**
Margin (%)							
GPM	9.9	4.1	4.6	5.6	6.7	7.3	7.9
OPM	5.7	2.5	2.9	3.6	4.5	4.9	5.3
NPM	4.9	2.2	2.4	3.1	3.9	4.3	4.7
Growth (%YoY)							
Sales	58.7	120.6	3.0	10.5	11.8	12.1	12.7
GP	41.8	-9.9	16.0	34.7	34.2	22.6	21.8
OP	39.2	-2.8	18.0	40.4	39.1	22.3	21.6
NP	36.2	0.8	11.1	42.4	40.4	24.0	22.7

Source: Company data, Shinhan Securities Vietnam

Viettel Post's quarterly earning trend and outlook

(Unit: bn VND)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21F	2Q21F	3Q21F	4Q21F	2019	2020	2021F
Revenue	**1,340**	**1,677**	**2,056**	**2,735**	**2,460**	**4,339**	**4,889**	**5,549**	**5,060**	**3,688**	**4,400**	**4,606**	**7,808**	**17,237**	**17,754**
Gross profit	152	171	204	221	180	175	193	146	181	185	227	217	748	694	810
Operating profit	87	100	116	135	112	118	122	78	123	121	143	119	439	430	506
Net profit	**77**	**88**	**102**	**112**	**97**	**103**	**107**	**77**	**107**	**105**	**118**	**96**	**378**	**384**	**426**
Margin (%)															
GPM	11.3	10.2	9.9	8.1	7.3	4.0	3.9	2.6	3.6	5.0	5.2	4.7	9.6	4.0	4.6
OPM	6.5	6.0	5.6	4.9	4.5	2.7	2.5	1.4	2.4	3.3	3.3	2.6	5.6	2.5	2.9
NPM	5.7	5.2	4.9	4.1	3.9	2.4	2.2	1.4	2.1	2.8	2.7	2.1	4.8	2.2	2.4
Growth (% YoY)															
Sales	52.7	63.4	54.1	62.3	83.6	158.7	137.8	102.9	105.7	(15.0)	(10.0)	(17.0)	58.7	120.6	3.0
GP	47.6	42.0	42.9	22.2	18.5	2.5	(5.8)	(33.8)	0.6	5.8	17.8	48.4	41.8	(9.9)	16.0
OP	40.9	38.6	33.0	40.5	27.6	17.3	5.1	(41.9)	10.3	2.7	17.5	51.6	39.2	(2.8)	18.0
NP	42.4	39.6	33.2	29.3	26.2	17.1	5.2	(31.0)	10.4	2.0	10.5	24.4	36.2	0.8	11.1

Source: Company data, Shinhan Securities Vietnam

Shinhan estimate versus Bloomberg concensus

(unit: bn VND, %)	Shinhan estimates			Bloomberg consensus			Diff (%/%p)		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Revenue	17,754	19,619	21,924	20,355	24,422	27,905	(12.8)	(19.7)	(21.4)
Gross profit	810	1,091	1,464	1,038	977	1,200	(22.0)	11.7	22.0
Operating profit	506	711	989	560	516	619	(9.6)	37.8	59.8
Net profit	426	606	851	512	456	562	(16.8)	32.9	51.4
GPM	4.6	5.6	6.7	5.1	4.0	4.3	(0.5)	1.6	2.4
OPM	2.9	3.6	4.5	2.7	2.1	2.2	0.1	1.5	2.3
NPM	2.4	3.1	3.9	2.5	1.9	2.0	(0.1)	1.2	1.9

Source: Company data, Shinhan Securities Vietnam

Risks

Worse and longer-than-expected pricing competition. The harsher competition from potential new entrants may push the price war in to a new level, thus the company seems likely to see a lower-than-expected revenue growth in this worst scenario. We believe that this risk comes from the following factors: 1) foreign companies (BEST, J&T, etc.) may accept large accumulated loss to reduce service price to lower than Viettel Post, 2) e-commerce platforms are also developing their own logistics systems, which can offer a lower-than-average service fee (based on inner-relationship with the platform) and directly compete with delivery companies.

Weaker-than-expected market share gains. If the company is not able to deliver consistent market share gains, it could prompt investors to reconsider from holding Viettel Post shares. We believe that this downside risk may come from the factor: the growth in the size of assets (sorting hub, logistic center, etc.) and amount of couriers will not correspond to the market growth. Consequently, the company would face with increasing delivery times, declining service quality and losing market share to their competitors. However, we expect that this worst case may not happen.

Company background

History

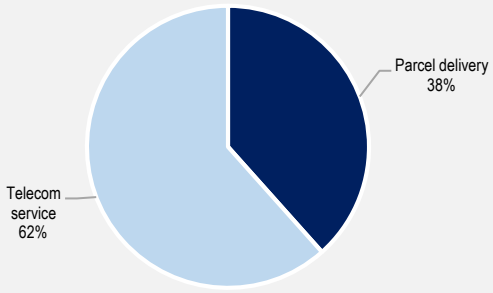
Viettel Post was established in 1997 as The Press Release Division, with the initial task of serving military agencies in the Ministry of Defense. In 2006, the company was restructured as a state-owned company named Viettel Post Ltd, a subsidiary of Viettel Group and owned by the Vietnam Ministry of Defense.

In 2009, the company was equitized and changed its name to Viettel Post JSC., with a charter capital was VND60bn. Viettel Post shares were listed on the Unlisted Public Company Market (UPCOM) in 2018.

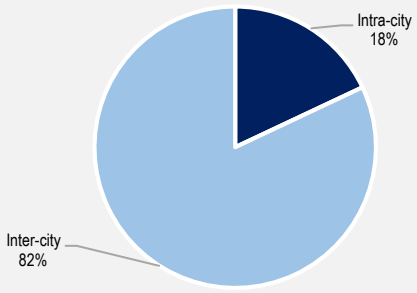
Business mixed

Viettel Post is the second-largest last-mile delivery company in Vietnam, in terms of market share and number of post offices. The wide range of delivery services that the company is providing to its customers includes: economical delivery, express delivery, same-day express, e-commerce delivery package, truck shipping service; with existing nationwide post office network and high operational capacity allow the company to play a strong role in inter-city segment. They also record significant revenue from telecom services, mostly in terms of selling sim/phone cards, on Viettel Telecom stores.

Revenue breakdown in 2020



Delivery revenue breakdown by geographical properties in 2020



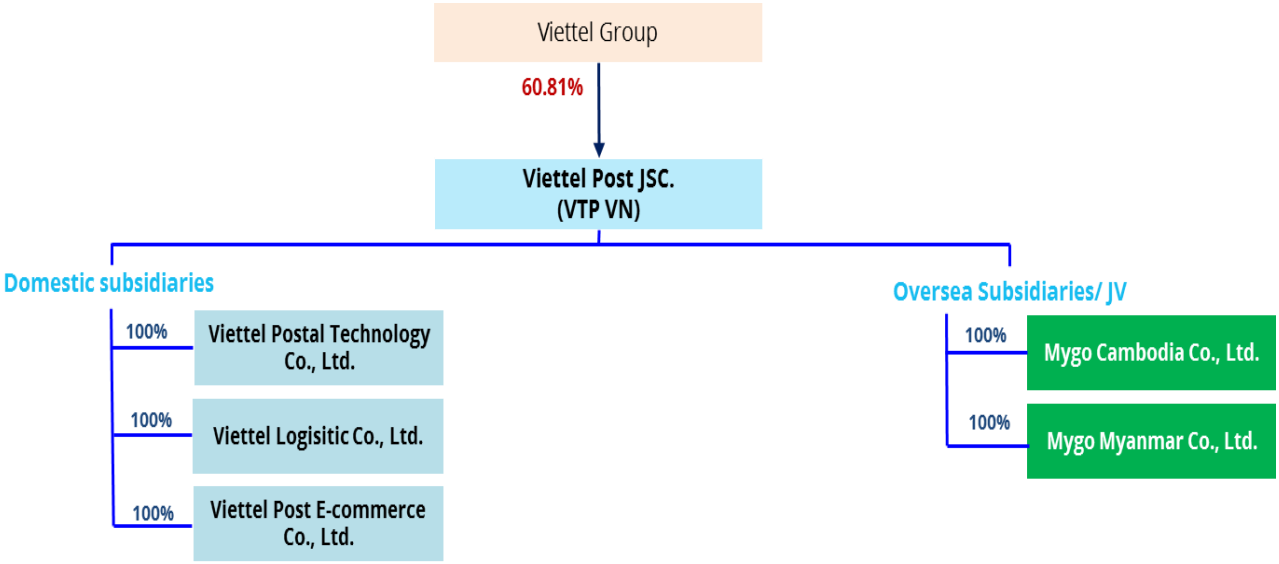
Source: Company Data, Shinhan Securities Vietnam

Shareholder structure

As a former SOE, the state still holds a majority stake of 60.8% via the representative of Viettel Group. In 2020, Viettel Group sold 4.98 million shares of Viettel Post by auction method; the next divestment roadmap will be implemented in the new restructuring period of the Group, between 2021 and 2025, which will decrease the ownership to 51%.

By the date of (report date), the total foreign ownership of the company is at 19.1%, while the limitation is at 49%.

Viettel Post's corporate governance structure in 2021



Source: Company data, 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

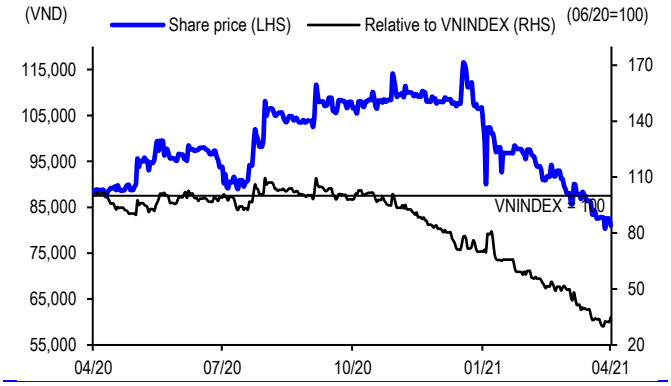
Key ratios

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

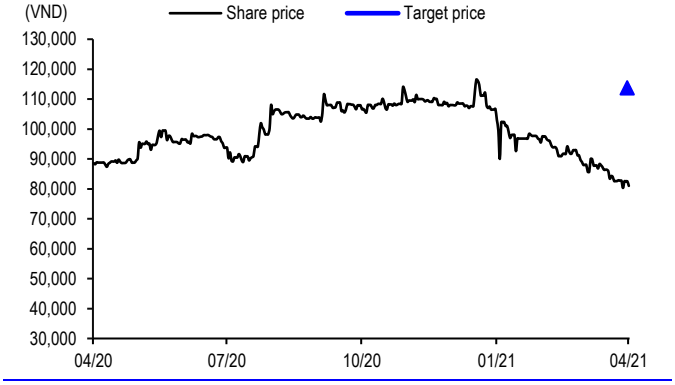
Source: Company data, Shinhan Securities Vietnam

Viettel Post JSC. (VTP VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%)	
			Average	Max/Min
April 26, 2021 (Initiate)	BUY	113,600	15.1	10.4/20.2

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

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 6-month gain of 20% or more ◆ **Trading BUY:** Expected 6-month gain of 10% to loss of 10% ◆ **HOLD:** Expected 6-month loss of 10% to 20% ◆ **REDUCE:** Expected 6-month loss of 20% 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 Trading BUY or HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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