

# Southern Waterborne Transport JSC

07/29/2021

Before you invest, ask us!

|                     |               |
|---------------------|---------------|
| <b>Ticker</b>       | <b>SWC</b>    |
| <b>RATING</b>       | <b>BUY</b>    |
| Current price (VND) | <b>28,100</b> |
| Target price (VND)  | <b>35,692</b> |
| Upside              | <b>27.0%</b>  |

|             |                     |
|-------------|---------------------|
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## COMPANY INFORMATION

|                |                           |
|----------------|---------------------------|
| Industry       | Industrial Transportation |
| Stock Exchange | UPCOM                     |

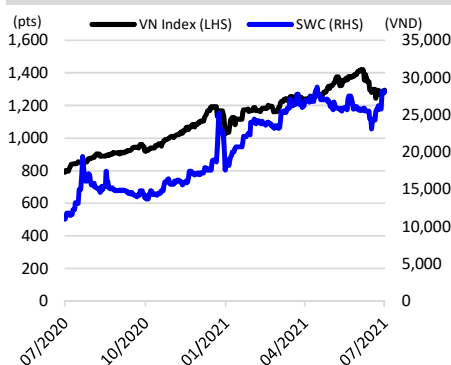
## STOCK TRADING DATA

|                            |        |
|----------------------------|--------|
| VN INDEX                   | 1,294  |
| Market Cap. (bn VND)       | 1,886  |
| Outstanding Shares (1mn)   | 67     |
| Free Floating Shares (1mn) | 4      |
| 52-week High (VND)         | 30,000 |
| 52-week Low (VND)          | 10,400 |
| Avg. Trading Volume (mn)   | 0.1    |
| Avg. Reading T/O (bn VND)  | 2      |

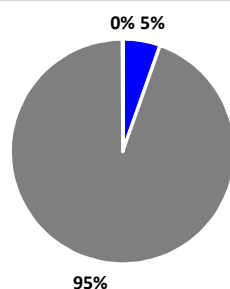
## SWC's PERFORMANCE VS VN INDEX

| (%)       | 3M  | 6M   | 12M   |
|-----------|-----|------|-------|
| Absoluate | 4.5 | 48.7 | 155.5 |
| Relative  | 0.1 | 26.2 | 91.9  |

## STOCK PRICE PERFORMANCE



## SHAREHOLDER STRUCTURE



- Institutional investors
- Other Investors
- Insiders

## INVESTMENT THESIS

**1)Core business:** ICD/depot operation in Long Binh area, barging service

**2)Business position:**

- Operating Sowatco Long Binh port and ICD/depot system in the vicinity, and having the leading market share of inland waterways transportation which connect the Southwest provinces - HCM city - Cai Mep area

- Competitors: Saigon New Port, Transimex

**3)Investment catalyst:**

- Investment and expansion of Sowatco Long Binh port and neighboring ICD/depot system (accounting for 60% of total revenue) will bring impressive growth to the company, which came from: 1) In 2021, with Sowatco Long Binh port, SWC will complete the upgrade of wharf No.1 to a berth of class 5,000-ton (currently there are two berths of class 5,000-ton), through which we expect the port's capacity will increase by 34%; 2) Upgrade the remaining yards behind the wharf, thereby exploiting 100% of these yards (only 70% of the yards have been exploited); 3) Convenient location of the port (next to Dong Nai River and National Highway 1A, located near large industrial parks), and supported by Depot/ICD of parent company -Indo Tran, will help SWC to complete the Port - Warehouse - Depot system, provide a full range of 3PL logistics services for customers and ensure the port's performance.

- Potential from barge operation on the Southwest Vietnam - HCM route and transshipment to Cai Mep deep-sea port cluster, with: 1) Owning 20 container barges (capacity of 90-250 Teus), with the support tugboats in the southern region, thereby ensuring cargo transportation between HCM-Cai Mep area and the Southwest provinces; 2) In 2021, the company will build 2 new ships (with a capacity of 301 Teus) thereby increasing the total capacity by 40%; 3) By 2023, the company will increase its barge capacity from 14,490 tons to 50,000 tons (equivalent to 2021-2023 CAGR of 51%); 4) With the current blockade of Ho Chi Minh City and Southern provinces, companies will tend to use waterways, instead of roads, to transport agricultural products from the Southwest provinces to Ho Chi Minh, which will boost the output of barge and port operations in the 2H2021

- From 2020, Dong Nai Port Jsc (HSX: PDN) officially becomes an associate of SWC, and we expect this investment will bring profit of VND38.3 bn (+20%YoY) in 2021, supported by upgrading wharfs and expanding yards in the Go Dau/Long Binh Tan area

**4)Risk:**

- Competitive risks: The main competitors (Saigon New Port, Transimex) all have plans to expand warehouse/ICD area in neighboring areas, thereby putting pressure on prices and services among companies and affect the Utilization Rate of SWC 's warehouses/depots

**5) Outlook for 2021-2022**

We forecast the company's business results in 2021-2022 period, with revenue of VND719 bn (+44% YoY) and VND871 bn (+21%YoY), respectively. The company's gross profit is VND201 bn (31% YoY) and VND244 bn (+21%YoY); the parent company's after-tax profit is VND193 bn (+30% YoY) and VND222bn (+15%YoY), equivalent to 2021 EPS of VND2,818/share and 2022 EPS of VND3,245/share. With target P/E ratio of 11, SWC's target price for 2022 is VND35,700/share (upside + 27%).

## FINANCIAL INFORMATION

|                         | 2017       | 2018       | 2019       | 2020       | 2021       |
|-------------------------|------------|------------|------------|------------|------------|
| <b>Sales (bn VND)</b>   | <b>182</b> | <b>250</b> | <b>346</b> | <b>499</b> | <b>719</b> |
| OP (bn VND)             | 18         | 54         | 75         | 134        | 201        |
| Operating profit margin | 10.1       | 21.6       | 21.8       | 26.8       | 28.0       |
| <b>NP(1bn VND)</b>      | <b>501</b> | <b>106</b> | <b>69</b>  | <b>149</b> | <b>193</b> |
| Net profit margin       | 274.4      | 42.3       | 19.8       | 29.8       | 26.8       |
| BPS(VND)                | 17,401     | 15,933     | 13,944     | 16,122     | 16,122     |
| PER(x)                  | 1.7        | 10.1       | 14.2       | 7.8        | 10.0       |
| PBR(x)                  | 0.7        | 1.0        | 1.0        | 1.1        | 1.7        |
| ROE(%)                  | 46.2       | 9.5        | 6.8        | 14.7       | 16.3       |
| EPS (VND)               | 7,459      | 1,577      | 1,022      | 2,217      | 2,814      |

(\*) Database information provided by Bloomberg

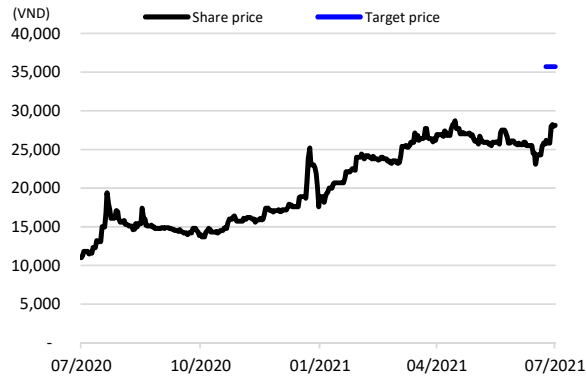


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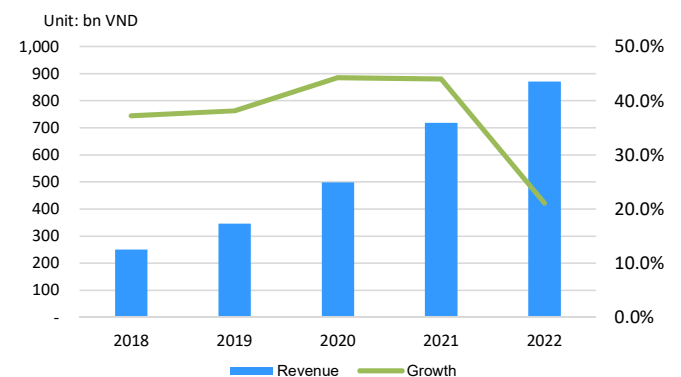
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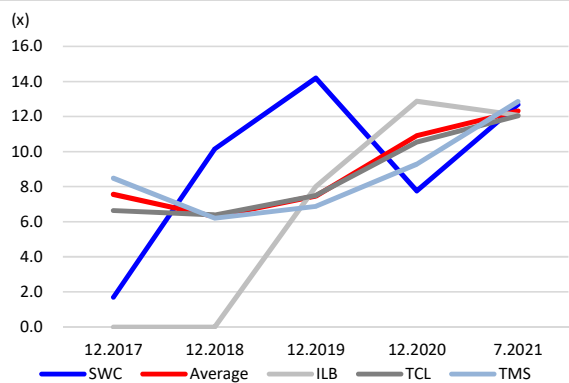
## Recommendation History



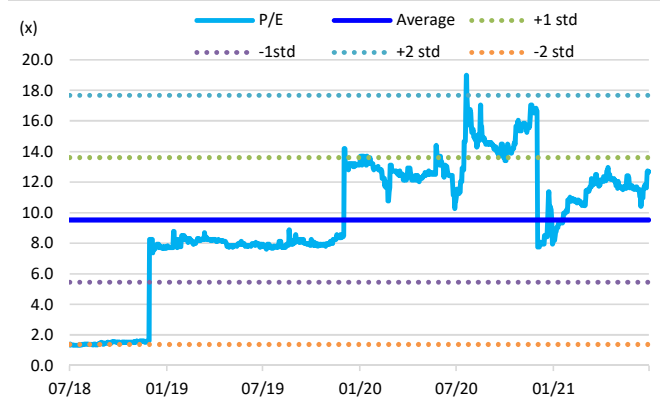
## Maintaining the double-digit growth



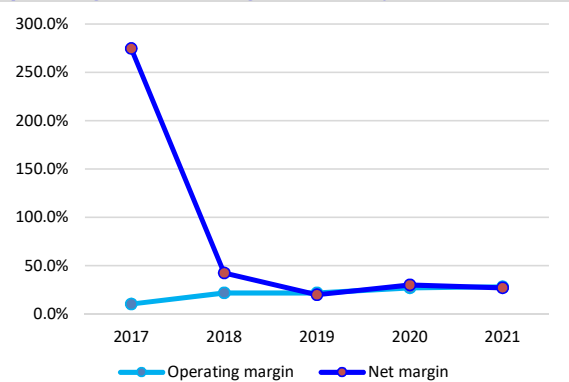
## Relative valuation peers' PE



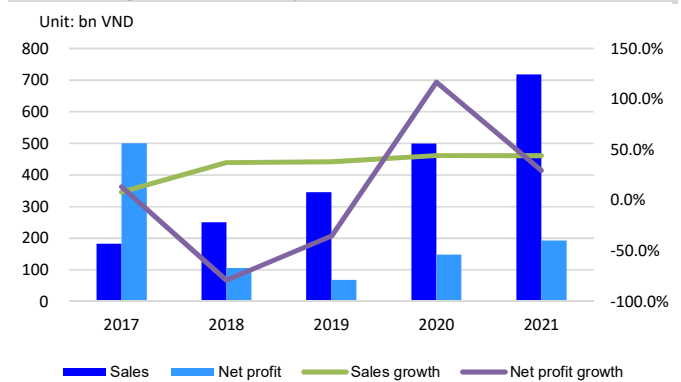
## Average P/E 3 years of SWC



## Operating and net margin over the years



## Revenue - profit over the years



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