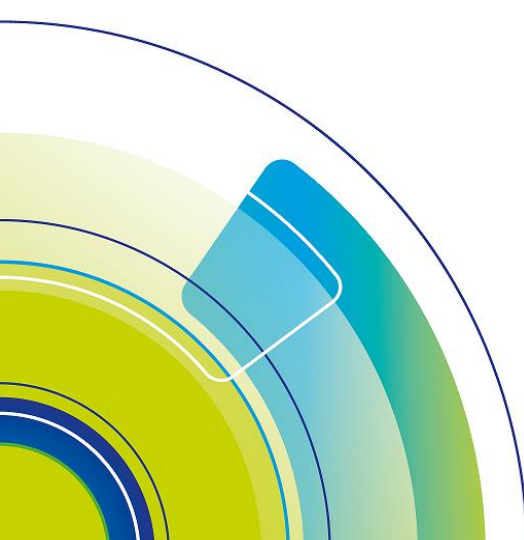




SCS Update - BUY

Monday, April 18, 2022



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Company Update

Recommendation

BUY
HOSE: SCS
Transportation infrastructure
Current price (VND) 173,600

Target price (VND) 201,400

Expected share price return 16.0%

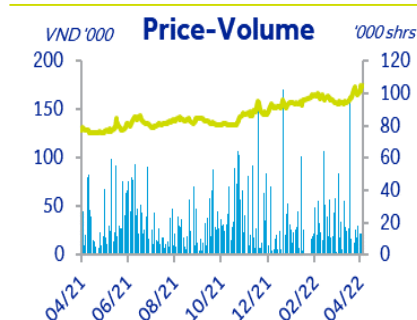
Expected dividend yield 4.6%

Expected total return 20.6%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	8.8	11.3	10.6	38.9
Relative	10.6	9.5	12.1	20.3

Source: Bloomberg



Ownership

Gemadep Corporation (GMD) 31.8%

Airport Corporation of Vietnam (ACV) 12.9%

A41 Aircraft repairing company – preferred shareholder 12.4%

Stock Statistics 15-Apr-22

Bloomberg code SCS VN

52-week range (VND) 125,600–175,000

Shares O/S (m) 51

Mkt cap (VND bn) 8,830

Mkt cap (USD m) 381

Foreign room left (%) 24.8

Est. free float (%) 30.7

3m avg daily vol (shrs) 17,988

VND/USD 23,200

Index: VNIIndex / HNX 1,468.46/422.03

Saigon Cargo Services Corporation (SCS VN)

We reiterate our BUY recommendation with a TP of VND201,400/sh (+20.6% TSR) on the back higher ASP and cargo volume.

Events: SCS ended FY2021 with VND839.1bn of revenue (+21.1% YoY) and surpassed our expectations by 7.3%. Total cargo volume reached 227,940 tonnes, slightly lower than our forecasts by 3.3% but ASP increased by an avg. of 12.6% during the year, mostly thanks to the 4Q2021 contract renewal period. As the result, revenue generated from the core cargo business increased by 22.6% YoY and contributes 94.6% to SCS's blended revenue in 2021. The office rental business remains stable with 1.3% YoY revenue growth and the apron rental segment grew 1.2% YoY to VND1.2bn (still lower than the pre COVID-19 pandemic in 2019 of VND7.4bn). Despite higher cargo fees, SCS's gross margin in 2021 remains stable at 77.7% (vs. 77.6% in 2020) driven by 1) the low revenue generated by the apron rental segment and 2) higher labor costs (~+20% YoY) which we believe is underpinned by COVID-19 tests and prevention measures. SCS's reported VND529.0bn of net profit, +22.9% YoY and 5.5% above our expectations.

Outlook and forecast changes: We factor a 3.5% YoY ASP increase in 2022 as contract renewal is effective from 4Q2021. As stated in our last report, we maintain our belief of higher cargo volume in 2022 on the back of inventory refill post pandemic. As international commercial flights resumed in early 2022, belly cargo will grow again. As 1Q2022, SCS's international cargo volume grew strongly by 40.8% YoY which will be the key catalyst for SCS in 2022. Domestic volume declined by 34.6% YoY in 1Q2022, thus we forecast a 7.0% blended cargo volume growth for SCS in 2022 (243,884 tonnes), 3.1% lower than our previous forecast. With flat outlook for other segments, we expect SCS to deliver VND931.8bn of revenue in 2022 (+11% YoY) and VND591.5bn of net profit (+11.8% YoY), a revise up by 8.1% and 6.2% vs. our previous forecasts respectively thanks to a higher ASP.

Valuation: We continue to value SCS based on DCF methodology and derive a new TP of **VND201,400/sh (+20.6% TSR)** for SCS stock while rolling our valuation to FY2022. We maintain our **BUY** recommendation. We like SCS as a debt free company and its strong positioning in HCMC air cargo business. We also like SCS for its high cash position, ready to expand capacity to meet increasing demand and to participate into the new Long Thanh airport project when needed.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	748	693	839	932	1,054
Growth (%)	10.8	-7.4	21.1	11.0	13.1
EBITDA (VNDbn)	582	525	628	704	805
Growth (%)	12.8	-9.8	19.6	12.1	14.3
Net Profit (VNDbn)	466	430	529	592	699
Growth (%)	20.9	-7.7	22.9	11.8	18.1
EPS (bonus-adjusted, VND)	9,307	8,510	10,425	11,657	13,765
Growth (%)	20.6	-8.6	22.5	11.8	18.1
ROE (%)	49.4	42.6	46.7	44.1	44.2
ROA (%)	45.6	39.7	42.2	39.1	39.6
Net debt/EBITDA (x)	-0.4	-0.5	-0.9	-1.4	-1.6
EV/EBITDA (x)	14.8	16.7	13.9	11.8	10.0
PER (x)	18.7	20.4	16.7	14.9	12.6
PBR (x)	8.7	8.7	7.1	6.1	5.1
DPS (VND)	8,000	8,000	8,000	8,000	8,000
Dividend Yield (%)	4.6	4.6	4.6	4.6	4.6

SCS FINANCIALS MODEL	Price (VND):	173,600	Target (VND):	201,400	Mkt cap (VND bn):	8,830
(VND bn except where stated)	2019	2020	2021	2022E	2023E	2024E
Total Net Sales	748	693	839	932	1,054	1,141
<i>Sales growth (%)</i>	<i>10.8%</i>	<i>-7.4%</i>	<i>21.1%</i>	<i>11.0%</i>	<i>13.1%</i>	<i>8.2%</i>
CoGS ex-dep'n	105	110	140	151	165	181
SG&A	68	65	78	84	92	101
<i>SG&A as % of sales</i>	<i>9.1%</i>	<i>9.3%</i>	<i>9.3%</i>	<i>9.1%</i>	<i>8.7%</i>	<i>8.8%</i>
EBITDA	582	525	628	704	805	866
<i>EBITDA margin (%)</i>	<i>77.8%</i>	<i>75.8%</i>	<i>74.8%</i>	<i>75.5%</i>	<i>76.3%</i>	<i>75.9%</i>
Depreciation	48	45	47	47	48	51
Operating profit	527	473	574	649	749	808
<i>Operating profit margin (%)</i>	<i>70.4%</i>	<i>68.3%</i>	<i>68.4%</i>	<i>69.7%</i>	<i>71.0%</i>	<i>70.8%</i>
Net interest expense	-14	-29	-35	-28	-52	-78
<i>as % of avg, net debt</i>	<i>5.5%</i>	<i>12.1%</i>	<i>6.4%</i>	<i>2.8%</i>	<i>4.0%</i>	<i>4.8%</i>
Tax	36	35	42	47	64	88
<i>Effective tax rate (%)</i>	<i>6.6%</i>	<i>7.0%</i>	<i>6.9%</i>	<i>7.0%</i>	<i>8.0%</i>	<i>10.0%</i>
Minorities	-	-	-	-	-	-
Net profit	466	430	529	592	699	760
<i>Net profit margin (%)</i>	<i>62.3%</i>	<i>62.1%</i>	<i>63.0%</i>	<i>63.5%</i>	<i>66.3%</i>	<i>66.6%</i>
Cash earnings	521	482	584	646	754	818
Number of shares (m)	50.4	50.7	50.7	50.7	50.7	50.7
EPS (VND)	9,307	8,510	10,425	11,657	13,765	14,967
Bonus factor (x)	1.0	1.0	1.0	1.0	1.0	1.0
Adjusted EPS (VND)	9,307	8,510	10,425	11,657	13,765	14,967
<i>EPS growth (%)</i>	<i>20.6%</i>	<i>-8.6%</i>	<i>22.5%</i>	<i>11.8%</i>	<i>18.1%</i>	<i>8.7%</i>

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E	2024E
Increase in working capital	2	-12	5	209	-1	4
Capex	14	4	6	13	48	47
Change in investment in affiliates	-	-	-	-	-	-
Other cashflow items	-203	-114	-334	-58	-50	-48
Free cash flow	539	469	585	854	696	743
Share issues (m)	0.4	0.3	0.3	-	-	-
Dividends paid	367	439	271	406	406	406
Increase in net debt	-169	9	-301	-436	-299	-370
Net debt, end of year	-246	-237	-538	-974	-1,273	-1,643
Enterprise value	8,497	8,572	8,272	7,836	7,536	7,167
Shareholders' equity	1,004	1,016	1,249	1,435	1,727	2,081
BVPS (VND)	19,939	20,016	24,619	28,276	34,041	41,007
Net debt / equity (%)	-24.5%	-23.3%	-43.1%	-67.9%	-73.7%	-78.9%
Net debt / EBITDA (x)	-0.4	-0.5	-0.9	-1.4	-1.6	-1.9
Total assets	1,073	1,094	1,416	1,610	1,915	2,283

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E	2024E
ROE (%)	49.4%	42.6%	46.7%	44.1%	44.2%	39.9%
ROA (%)	45.6%	39.7%	42.2%	39.1%	39.6%	36.2%
ROIC (%)	44.6%	37.6%	40.0%	37.6%	37.3%	33.2%
WACC (%)	11.1%	11.1%	11.1%	11.1%	11.1%	11.0%
EVA (%)	33.5%	26.6%	28.9%	26.6%	26.2%	22.1%
PER (x)	18.7	20.4	16.7	14.9	12.6	11.6
EV/EBITDA (x)	14.8	16.7	13.9	11.8	10.0	8.8
EV/FCF (x)	15.8	18.3	14.1	9.2	10.8	9.6
PBR (x)	8.7	8.7	7.1	6.1	5.1	4.2
PSR (x)	11.7	12.7	10.5	9.5	8.4	7.7
EV/sales (x)	11.4	12.4	9.9	8.4	7.1	6.3
Dividend yield (%)	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%

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DISCLAIMER

Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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