



SCS Update report – BUY

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Update

Recommendation

BUY
HOSE: SCS

Air Transportation Support Activities

Target price (VND) 114,300

Market price (VND) 85,500

Expected share price return 33.7%

Expected dividend yield 4.7%

Expected total return 38.6%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	22.1	-6.3	-5.9	24.8
Relative	9.0	-1.9	-2.3	8.7

Source: Bloomberg



Ownership

Gemadep Corp	35.9%
Vietnam Airlines JSC	14.6%
41 Aircraft Repair Co Ltd	7.6%
PYN Fund Management	4.9%
Nguyen Quoc Khanh	1.5%

Stock Statistics 25-Jul-2024

Bloomberg code SCS

52-week range (VND) 59,100-92,000

Shares O/S (m) 101.6

Mkt cap (VND bn) 8,684

Mkt cap (USD m) 341.9

Est. Foreign room left (%) 5.7

Est. free float (%) 36.3

3m avg daily vol (shrs) 325,603

VND/USD 25,400

Index: VNIndex / HNX 1,233.2/235.3

Saigon Cargo Service Corporation (HSX: SCS): Positive growth continued in Q2/2024, 1H2024 earnings completed 56.1% of full year business plan.

In Q2 2024, SCS maintained strong growth with net sales reaching VND 264.1 bn (+53.4% YoY). This growth was primarily driven by terminal operations, which contributed VND 247.1 bn (+55.5% YoY). Gross profit rose to VND 212.8 bn (+58.5% YoY) with a gross profit margin of 80.5%, up 2.5% from Q2/2023. The profit before-tax and profit after-tax were VND 213.3 bn (+44.5% YoY) and VND 189.5 bn (+46.6% YoY), respectively.

For the first half of 2024, SCS achieved net sales of VND 476.9 bn (+42.6% YoY) and profit before-tax of VND 381.5 bn (+37.9% YoY). These results represent 49.3% and 56.1% of the company's business plan, and 51.4% and 53.8% of our projections for 2024.

Total cargo volume throughput for SCS in 6M/2024 reached 128,730 tons (+42.6% YoY), with international cargo at 95,637 tons (+23.9% YoY) and domestic cargo at 33,093 tons (+50.5% YoY).

Quick comment: SCS's strong performance aligns with the import-export recovery trend in the first half of 2024 compared to the low base of 2023. We expect this growth momentum to continue, especially during the peak season in Q3/2024.

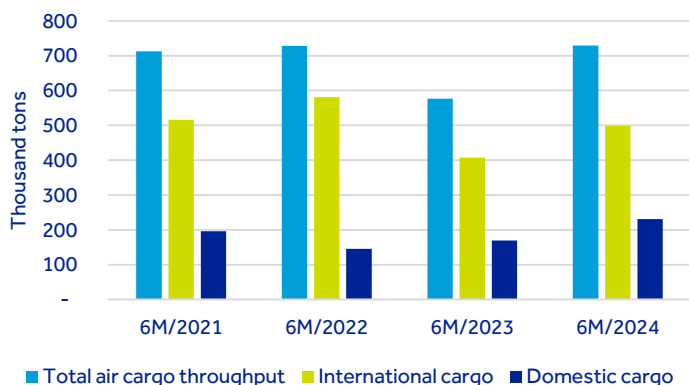
In the coming time, SCS's competitive edge over TCS is the ability in securing new contracts amid trade recovery, along with its capacity expansion potential up to 350,000 tons/year (+75% from the current capacity), are key growth drivers for the second half of 2024 and 2025.

We maintain our forecast for SCS for 2024, projecting net sales of VND 927 bn (+31.5% YoY) and profit after tax of VND 626 bn (+25.7% YoY). The compound annual growth rates for net sales and profit after tax are 18.5% and 16.4%, respectively, for the 2024-2026 period. With these assumptions, fair value for SCS stock at the end of 2024 is estimated at VND 114,300 per share, with a **Buy recommendation**.

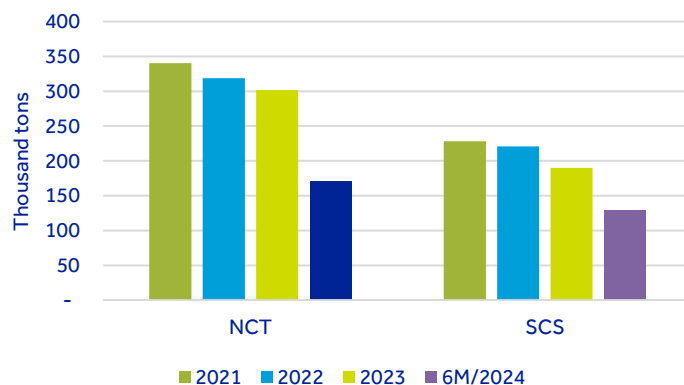
	2022	2023	2024F	2025F	2026F
Net Sales (VND bn)	851	705	927	1,043	1,174
Growth (%)	1%	-17%	32%	12%	13%
EBITDA (VND bn)	740	612	776	873	972
Growth (%)	12%	-17%	27%	12%	11%
Profit after-tax	646	498	626	687	787
Growth (%)	15%	-18%	26%	10%	15%
EPS (bonus-adjusted, VND)	6,362	4,907	6,120	6,714	7,688
Growth (%)	15%	-23%	25%	10%	15%
ROE (x)	0.5	0.4	0.4	0.4	0.4
ROA (x)	0.4	0.3	0.4	0.4	0.4
Net debt/EBITDA (x)	-	-	-	-	-
EV/EBITDA (x)	14.3	17.2	13.6	12.1	10.9
P/E (x)	9.9	12.9	18.7	17.0	14.9
P/B (x)	4.4	4.8	7.6	6.6	5.6
DPS (VND)	5,500	3,500	4,000	4,000	4,000
Dividend yield (%)	8.0%	5.0%	4.7%	4.7%	4.7%

In 6M/2024, the global trade recovery trend became more apparent following a challenging in 2023. By the end of the first six months of 2024, the total air cargo volume in Vietnam reached 729 thousand tons (+25.7% YoY). In which, international cargo accounted for 498 thousand tons (+22.3% YoY), and domestic cargo reached 231 thousand tons (+36.4% YoY).

Vietnam air cargo throughput



Air cargo throughput for NCT and SCS

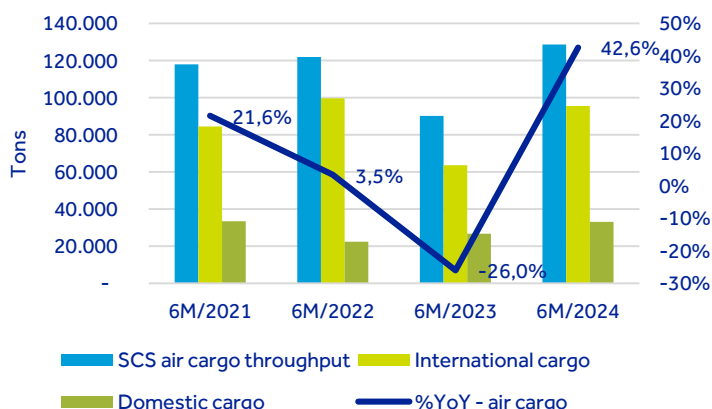


Source: ACV, SCS, NCT

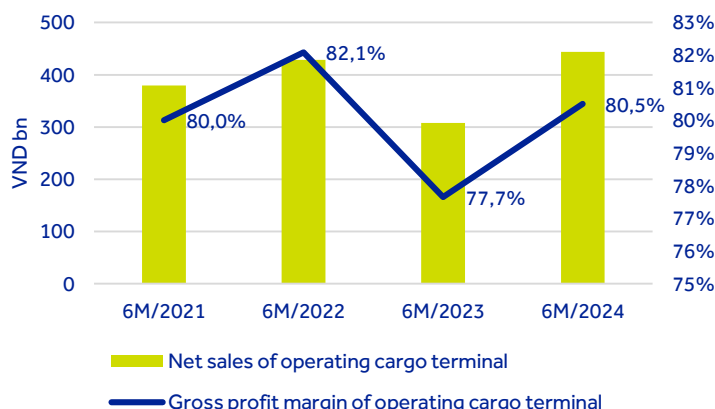
With the impressive recovery of the air cargo transportation sector in general, SCS also recorded positive results with a total cargo volume of 128,730 tons (+42.6% YoY), including 95,637 tons of international cargo (+23.9% YoY) and 33,093 tons of domestic cargo (+50.5% YoY). However, the gross profit margin for terminal operations in the first half of 2024 was 80.5%, which is 1.6% lower than the first half of 2022, due to a 4.1% decrease in international cargo volume.

Unit: VND bn	Q2/2023	Q2/2024	% YoY	6M/2023	6M/2024	% YoY	2023	2024 plan	% 2024 plan
Air cargo throughput (tons)	46,749	70,298	50.4%	90,270	128,730	42.6%	189,730	248,000	51.9%
Net sales	172	264	53.4%	334	477	42.6%	705	968	49.3%
Gross profit	134	212	58.5%	257	381	48.2%	535	N/A	N/A
Gross profit margin	77.9%	80.5%		76.9%	79.9%		76.0%		
Financial income	25	16	-38.5%	45	29	-35.2%	88	N/A	N/A
G&A expenses	11	13	18.6%	24	27	15.2%	52	N/A	N/A
Profit after-tax	129	189	46.6%	242	337	39.0%	498	680	49.5%
PAT margin	75.0%	71.7%		72.5%	70.6%		70.7%	70.2%	

SCS accumulated cargo throughput in 6M/2024



SCS cargo terminal operation



Source: SCS

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BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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