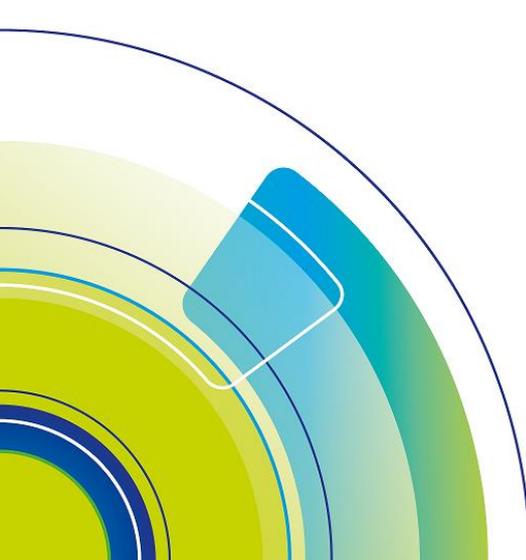




SCS Update report – BUY

November 5, 2024



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Update report

Recommendation

BUY

HOSE: SCS

Air Transportation Support Activities

Target price (VND) 100,800

Market price (VND) 78,300

Expected share price return 27.9%

Expected dividend yield 5.1%

Expected total return 33.0%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	15.1	4.1	-6.7	32.3
Relative	3.3	6.1	-7.9	14.3

Source: Bloomberg



Ownership

Gemadep Corp	35.9%
Vietnam Airlines JSC	14.6%
41 Aircraft Repair Co Ltd	7.6%
PYN Fund Management	4.9%
BBL Asset Management Co Ltd	3.4%

Stock Statistics

05-Nov-2024

Bloomberg code

SCS

52-week range (VND) 63,000-96,000

Shares O/S (m) 95

Mkt cap (VND bn) 7,382

Mkt cap (USD m) 290

Est. Foreign room left (%) 8.6

Est. free float (%) 38.2

3m avg daily vol (shrs) 179,261

VND/USD 25,400

Index: VNIndex / HNX 1,245.8 / 224.8

SAIGON CARGO SERVICE CORPORATION (SCS)

SCS announced its Q3/2024 earnings, showing continued positive growth and achieving 86.9% of its annual pre-tax profit target. With these results, SCS is on track to surpass both the revenue and pre-tax profit forecasts as well as our projections for 2024, with the growth momentum expected to be sustained through 2025-2026. We continue to recommend buying SCS shares, though we have adjusted the 12-month target price down to VND 100,800 per share, mainly due to the incomplete assessment of the impact of the Long Thanh airport project on the overall industry.

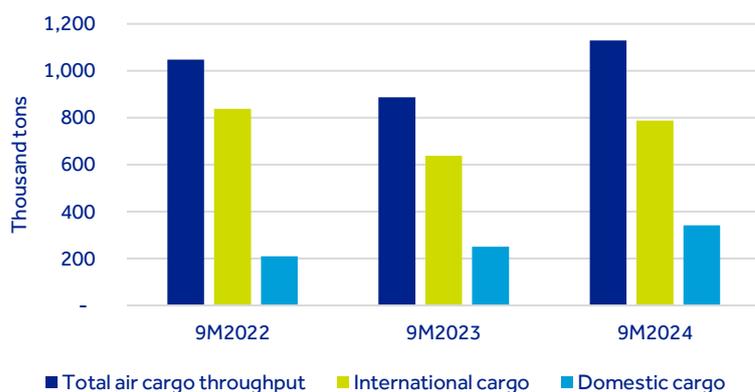
Specifically, from 2027, when Long Thanh International Airport becomes operational, the air cargo market may undergo significant changes due to: (1) a potential shift in cargo volume, especially international cargo, from Tan Son Nhat to Long Thanh, (2) an increase in cargo terminal space, and (3) a likely increase in the number of cargo terminal operators in the South, adding to the current two, SCS and TCS. These factors could affect SCS's revenue, profitability, and long-term growth potential at Tan Son Nhat.

For Q3/2024, SCS maintained robust growth with revenue reaching VND265.9 bn (+55% YoY), where cargo terminal operations accounted for VND249.2 bn (+58% YoY). Gross profit was VND212.8 bn (+59% YoY), with a gross margin of 80%, a 2% increase from Q3/2023. Pre-tax profit for the quarter was VND209.2 bn (+43.8% YoY). Cumulatively over the first nine months, revenue and pre-tax profit were VND742.8 bn and VND590.6 bn, marking increases of 46.8% and 36.6% YoY respectively, and achieving 76.7% and 86.9% of the 2024 plan.

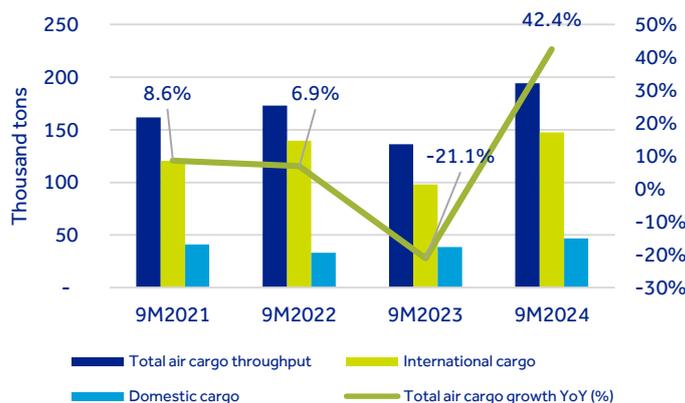
SCS's cargo handling for 9M2024 remained aligned with annual projections, with a growth rate of 30% YoY and an anticipated compound annual growth rate of 16.3% for the 2024-2026 period. Thanks to the global economic recovery in 2024, Vietnam's air cargo transport regained momentum with total throughput reaching 1.128 million tons (+27.2% YoY), which included 788,000 tons of international cargo (+23.6% YoY) and 341,000 tons of domestic cargo (+36.3% YoY). SCS's throughput for 9M2024 also showed positive results with 194,000 tons handled (+42.4% YoY), completing 78.7% of the projected plan. This included 147,000 tons of international cargo (+50.6% YoY) and 46,000 tons of domestic cargo (+21.6% YoY).

	2022	2023	2024F	2025F	2026F
Net Sales (VND bn)	851	705	944	1,052	1,173
Growth (%)	1%	-17%	34%	11%	12%
EBITDA (VND bn)	740	612	804	898	1,012
Growth (%)	12%	-17%	31%	12%	13%
Profit after-tax	646	498	668	724	821
Growth (%)	15%	-23%	34%	8%	13%
EPS (bonus-adjusted, VND)	6,362	4,907	6,530	7,077	8,019
Growth (%)	15%	-23%	33%	8%	13%
ROE (x)	0.5	0.4	0.5	0.4	0.4
ROA (x)	0.4	0.3	0.4	0.4	0.4
Net debt/EBITDA (x)	-	-	-	-	-
EV/EBITDA (x)	13.8	16.7	12.7	11.4	10.1
P/E (x)	12.4	16.1	12.1	11.1	9.8
P/B (x)	5.9	5.8	5.5	4.7	4.0
DPS (VND)	5,500	3,500	4,000	4,000	4,000
Dividend yield (%)	8%	5%	5%	5%	5%

Vietnam air cargo throughput



SCS air cargo throughput



Sources: ACV, SCS, ACBS

The key growth driver for SCS in the upcoming periods remains its competitive edge over TCS in securing new customer contracts amid a recovering trade environment. This advantage is bolstered by the potential to expand operational capacity by up to 75% from current levels, reaching 350,000 tons per year. Additionally, with a slight increase in cargo handling fees at the terminal and optimized cost efficiencies when operating above capacity, we have adjusted the revenue forecast upward by 1.8%, achieving VND944 bn (+33.9% YoY). The gross margin is expected to rise by 3% from previous projections, reaching 80%. Net income is projected to increase by 6.7%, reaching VND668 bn (+34.1% YoY). For the period 2024-2026, the compound annual growth rates for revenue and net income are estimated at 18.5% and 18.1% respectively, an adjustment from the previous forecasts of 18.5% and 16.4%.

Unit: VNDbn	Q3/2024	% YoY	9M2024	% YoY	2024 Forecast (pre-adjusted)	Complete pre-adjusted 2024	2024 Forecast (adjusted)	Complete adjusted 2024	2025 Forecast
Volume (tons)	65,568	42%	194,298	42%	246,778	79%	246,778	79%	271,455
Revenue	266	55%	743	47%	927	80%	944	79%	1.052
Gross profit	213	59%	594	52%	716	83%	752	79%	843
Gross profit margin	80%		80%		77%		80%		80%
Pre-tax profit	186	46%	523	41%	715	73%	759	69%	852

Regarding Long Thanh airport project, which includes Phase 1 of cargo terminal with designed capacity of 550,000 tons per year, ACV will invest 100% of the capital, equivalent to VND4,000 bn. In terms of terminal operations, ACV plans to collaborate or grant concessions, then collect concession fees and infrastructure usage fees from bidding companies such as ACSV, SCS, TCS, etc. We believe that once the Long Thanh airport becomes operational, the monopoly position of SCS and TCS in the southern region could be challenged by new industry entrants, and an increase in terminal space will impact the competitive pricing of handling fees as well as operational efficiency.

Given these risks, we have lowered the long-term growth rate of SCS to 1.25% from the initial 2%, due to the inability to fully assess the impact of the Long Thanh airport on the company's long-term growth potential.

Using the discounted cash flow method, we determine the fair value of SCS over the next 12 months to be VND100,800 per share, a decrease of 11.8% from the previous valuation. Compared to the closing price on November 4, 2024, of VND78,900 per share, this price represents a potential price increase of 33%, including a cash dividend of VND4,000 per share, with a 2024 P/E of 12.1x and a P/B of 5.5x.

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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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