Viet Nam Container Shipping Joint Stock Company (VSC)

HOSE - Vietnam
Transportation
2011.06.02

Overweight

Price(2011/06/02):VND 30,100
Target Price: VND 37,000

Thai Thanh Tung
(+84-8) 5413-5479
tungthai@phs.vn

Key Data	
Chartered capital	VND 237 bn
Outstanding shares	23.7 mil shares
52-week price range	VND 29,000 ~ VND 38,700
Market cap	VND 729 bn
Total assets (Q1/11)	VND 853 bn
Net Value (Q1/11)	VND 542 bn
Total Room for foreign investors	5.9 mil shares
Current Room for foreign investors	8 shares
Foreign Holding	49%
EPS 2011E	VND 8,389
P/E	3.6
P/B	1.3
ROE 2011E(%)	35.5%
ROA 2011E(%)	23.6%

The holding cap for foreign strategic investors is 49%. For banking sector the cap is 30%.

Steady sales growth

- **Company profile**: VSC's businesses include seaport and transport services in Hai Phong city, such as transport, warehousing and agency services. The state-owned maritime corporation is its major shareholder with a holding percentage of 23%.
- **Industry overview**: (1) Export growth is a key catalyst: Last year, export growth was reported at 25% yoy
(2) According to an evaluation of VMA (Vietnam Marine Agency), the demand for transportation by sea has developed faster than expected. If in 1995, it was predicted that by 2010 the volume of transport by sea of Viet Nam would be 200 million tons, while the actual figure of 200 million tons was already achieved in 2008. From 2000-2009, freight in marine transport grew at 17%/year.
(3) There are few deep-water ports to receive big ships.
- **Earnings**: In the last 3 years, VSC's sales grew very steadily while net profit growth slowed down. VSC is a growing company. Last year, sales were posted at VND 548 bn, up 19.8% yoy. Although COGS accounted for a bigger share in sales at 64%, from 61% a year earlier, net profit margin almost remained intact as there was an increase in non-core profit and a reduction in management costs. Net profit margin has been maintained at 33%-34% during the last 3 year. Net profit therefore was reported at VND 179 bn, up 15.4% yoy.
- **2011 outlook:** in Q1/2011, VSC gained VND 132 bn in sales, up 8.8% yoy and earned VND 42.7 bn in net profit, up 16% yoy. We expect VSC to continue its sales growth this year. EPS this year will drop due to dilutive effect.
- **Strengths**: High profitability. The port service sector is in its growth stage.
- **Weaknesses:** Selling expenses were almost unremarkable last year. We believe VSC could have had a higher growth if the company had had some marketing activities.
- **Valuation:** Due to good fundamental ratios, we retain Overweight rating to VSC with a target price of VND 37,000, implying a P/E multiple of 4.4 (x) EPS 2011E. We suggest VSC as a value investment.

Financial Abstract: (VND bn)

Year	Revenue	(%)	Net Profit	(%)	Outstanding Shares	EPS (VND)	P/E (x)	ROE	ROA
2007	234.7	42.3%	65.1	44.2%	6,910,000	9,416	27.0	32.8%	20.4%
2008	312.8	33.3%	104.3	60.3%	8,825,000	11,820	4.0	38.7%	26.3%
2009	457.5	46.3%	155.0	48.6%	10,825,000	14,323	6.0	43.1%	28.6%
2010	548.0	19.8%	179.0	15.4%	12,030,000	14,879	4.2	33.2%	22.1%
2011E	600.1	9.5%	199.0	11.2%	23,727,902	8,389	3.6	35.5%	23.6%

This report is for reference only and investors should be responsible for their own investment decisions.

Vietnam
www.phs.vn

Analyst Certification

Each research analyst(s), strategist(s) or research associate(s) responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to each issuer or security that the research analyst, strategist or research associate covers in this research report, all of the views expressed by that research analyst, strategist or research associate in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s), strategist(s) or research associate(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst, strategist or research associate in this research report.

Ratings Definition

Overweight (OW) = Expected to outperform the local market by >10%
Neutral (N) = Expected to in line with the local market by +10%~ -10%
Underweight (UW) = Expected to underperform the local market by >10%.
Not Rated (NR) = The stock is not rated in Phu Hung's coverage universe or not listed yet.
Performance is defined as 12-month total return (including dividends).

Disclaimer

This information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. Phu Hung Securities and its affiliates and their officers and employees may or may not have a position in or with respect to the securities mentioned herein. Phu Hung Securities (or one of its affiliates) may from time to time perform investment banking or other services or solicit investment banking or other business for any company mentioned in this report. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

© Phu Hung Securities Corporation.

5th Fl., Lawrence S. Ting Bldg., 801 Nguyen Van Linh St, Tan Phu Ward, Dist 7, HCMC
Tel: (+84-8) 5413-5479 – Fax: +84 8 54135472 Web: www.phs.vn