

Industry: Seaport | BSC RESEARCH

VIETNAM CONTAINER SHIPPING JSC (HSX: VSC)

RECOMMENDATION N/A TOUGH SHORT-TERM OUTLOOK DUE TO THE SLOWING DOWN OF GLOBAL ECONOMY

Current Price:	30,200	Date of writing:	28/12/2022	Shareholder structure	
Previous target price		Outstanding Shares (Mil)	121	Sea And Air Freight International	4.5%
New target price:	31,000	Capitalization (VND Bil)	3,819	SAO A D.C INVESTMENT CORP	4.96%
Dividend yield		Average liquidity	344,813	TM HOLDING FUND COMPANY LIMITEI	4.33%
Upside potential		Foreign ownership	4.59%		

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PRICING PERSPECTIVES

Our 2023 fair value estimation for VSC is 31,000 VND/share, based on targeted P/E method = 10x, 12% discount from the average P/E for 2021 – 2022 period (11-12x), because of (1) low level of earning growth (2) high interest rate environment in 2023. In long-term, this valuation may be changed, when (1) VSC’s position is up (2) VSC steps into a new growth cycle thanks to efficiently use M&A assets. However, BSC hold a neutral view for short-term outlook because of (1) import/export activities is slowing down (2) M&A progress is unclear.

FORECASTING BUSINESS RESULT

In 2022, BSC forecasts that VSC will record **1,979 billion VND (+5% yoy) in Revenue, 332 billion VND (-5% yoy) in NPATMI**, equivalent to EPS FWD = 3,015 VND/share, P/E FWD = 10.2x, P/B FWD = 1.0x. In 2023, BSC forecasts that VSC will record **1,904 billion VND (-4% yoy) in Revenue, 332 billion VND (+3% yoy) in NPATMI**, equivalent to EPS FWD = 3,110 VND/share, P/E FWD = 9.9x, P/B FWD = 0.9x, based on the following assumption:

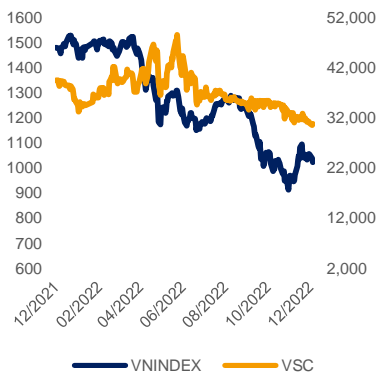
- **Loading and Unloading segment:** Output -4% yoy because of (1) global economic slowdown, (2) high competition in Hai Phong. Price moves sideways in 2022/23.
- **Warehousing, refrigerated container:** Output – 4% yoy because of global economic slowdown, price stays flat in 2022/23
- **Transportation & others:** Transportation revenue is likely -4% yoy in 2022/23 because of the reduction in output which is based on the assumption of its following the loading and unloading output.
- **Gross profit margin = 35.8%** is based on the assumption of DVMN/SL -8% due to downward trend of oil price (oil price assumption in 2023 = 80 USD/BBL (-20% yoy)).
- **Loss from VIMC Dinh Vu = -40 billion VNĐ** in 2023.
- **SG&A/ revenue = 10%**, add +3% due to increase ICD expense.

2023 BUSINESS OUTLOOK: Reduction in output in 2023 because of (1) global economic slowdown, (2) high competition.

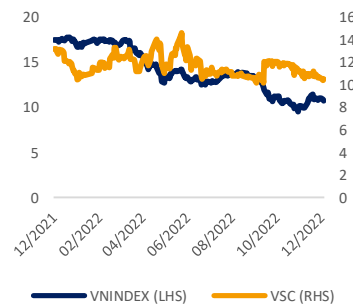
BUSINESS UPDATE

- **Accumulated 9M.2022, VSC record 1,488 billion VND (+7% yoy) in net revenue, 264 billion VND (+2% yoy) in NPATMI.** Inside: (1) Transportation revenue + 23% yoy thanks to increase price; (2) Loading and unloading -5% yoy, due to reduce in output -6% yoy, price stays flat.
- **9M.2022, Gross profit margin increases by 2 percentage point % yoy** thank to reduce outside service expense. In comparison with Q2.2022, gross profit margin in Q3 has decreased by 2 percentage point caused by the loss from new ICD port. **SG&A + 32% yoy** because ICD port has just operated since the beginning of Q3. As expense has dramatically increased, so that net profit just growth +9% yoy.

Price comparison of stock and VNI



Comparison between P/E and VNI



	2021	2022F	Peer	VN-Index
PE (x)	10.2	9.9	10.7	10.0
PB (x)	1.0	0.9	1.3	1.54
ROE (%)	12%	10%	16.3%	15.5%
ROA (%)	11%	9%	12.8%	2.5%

	2020	2021	2022F	2023F
Net revenue	1,689	1,892	1,979	1,904
Gross profit	449	602	664	682
NPATMI	240	350	332	342
EPS	4,349	6,348	3,015	3,110

I. BUSINESS UPDATE 9T.2022

Figure 1: Updated business results of VSC in 9M.2022

	Q3.2021	Q3.2022	%YoY	9M.2021	9M.2022	%YoY	Nhận xét	
Net revenue	474	507	7%	1,386	1,488	7%	Accumulated 9M.2022, VSC record 1,488 billion VND (+7% yoy) in net revenue, 264 billion VND (+2% yoy) in NPATMI. Inside: (1) Transportation revenue + 23% yoy thanks to price increase; (2) Loading and unloading -5% yoy, due to reduce in output -6% yoy, price stays flat.	
Loading and unloading	260	243	-7%	776	740	-5%		
VGR	171	170	-1%	510	513	1%		
Green*	89	73	-18%	266	227	-15%		
Transportation & other	214	265	24%	610	748	23%		
COGS	(307)	(342)	11%	(947)	(983)	4%		
Gross profit	167	165	-1%	438	505	15%		9M.2022, Gross profit margin increases by 2 percentage point over the same period thank to reduce outside service expense. In comparison with Q2.2022, gross profit margin in Q3 has decreased by 2 percentage point caused by the loss from new ICD port
Financial income	4	7	105%	9	23	142%		
Financial expense	(0)	(0)	-93%	(1)	(1)	-38%		
Interest expense	-	-	-	-	-	-		
P/L from joint venture	-	4	-	2	(5)	-301%		
Insurance cost	(13)	(26)	98%	(47)	(59)	26%		
SG&A	(18)	(29)	65%	(53)	(72)	37%		
Operating profit	139	122	-12%	349	391	12%	SG&A + 32% yoy because ICD port has just operated since the beginning of Q3. As expense has dramatically increased, so that net profit just growth +9% yoy.	
Others income	10	(2)	-121%	9	(3)	-132%		
Profit before tax	149	120	-20%	358	388	9%		
Corporate income tax	(23)	(19)	-15%	(50)	(65)	29%		
NPAT	127	101	-21%	307	323	5%		
Minority interest	18	20	12%	49	59	20%		
NPATMI	109	80	-26%	258	264	2%		
Total output	269,291	245,470	-9%	808,082	760,365	-6%		
VIP Green	168,128	164,472	-2%	455,795	496,621	9%		
Green	66,949	68,606	2%	200,267	212,548	6%		
Renting*	34,214	12,392	-64%	152,020	51,196	-66%		
Loading and unloading Price	0.96	0.99	3%	0.96	0.97	1%		
Gross profit margin	35%	33%	-3%	32%	34%	2%		
Net profit margin	27%	20%	-7%	22%	22%	0%		

*BSC estimates

Source: VSC

THE SLOWDOWN IN PORT OPERATION AT HOLDING COMPANY

Accumulated 9M.2022, VSC's port output = 760,365 TEUS (-6% yoy). Inside, VIP Green -5% yoy, Green -8% yoy because of **(1)** global economic slowdown, **(2)** VIP Green has lost a service line from Cosco since Q2.

Downward trend in many ports at Cam River, Hai Phong which include VSC, and GMD ([detailed at this report](#)). In 9.2022, VSC's container output has in a down trend since May. Meanwhile, this is a good time for export orders to US and EU as the new years school is coming. In the context of global recession, BSC believes that there are no seasonal effects in Q4.2022. Therefore, BSC forecasts VSC's output will equal to 245,000 TEUS (+0% QoQ) in Q4. For the whole 2022, output = 1,006,000 TEUS (+0% yoy), equivalent to H = 91%.

Figure 2: Port output of the parent company, including Renting

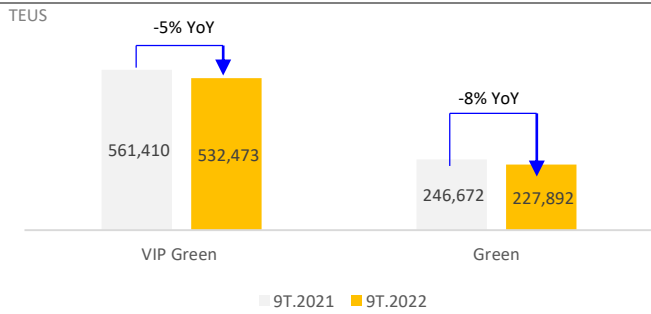


Figure 3: Operational performance, including Renting

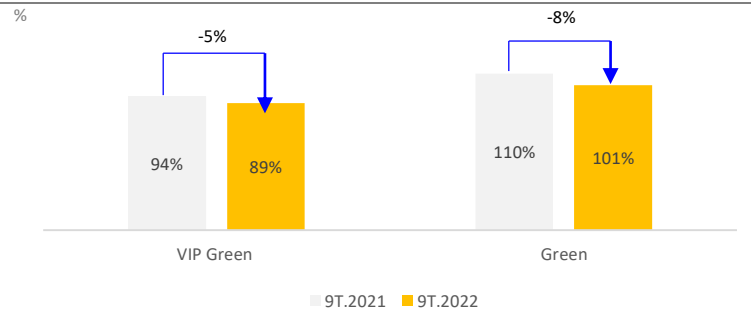


Figure 4: VSC port output (including Renting)

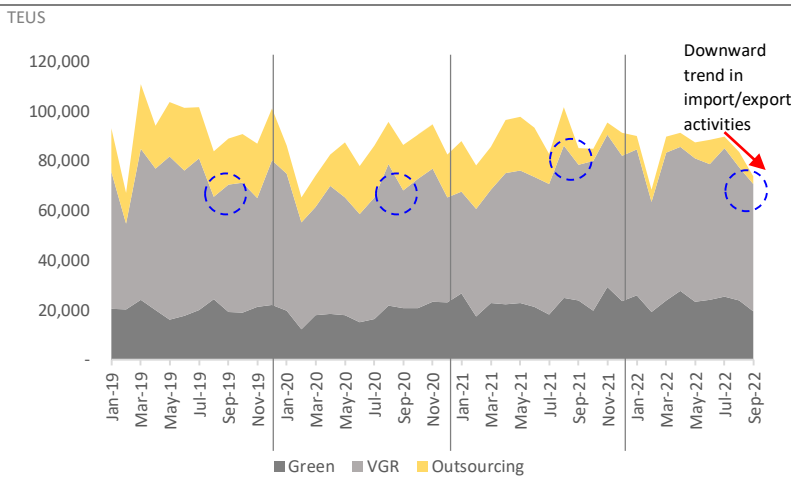


Figure 5: Port output in Hai Phong

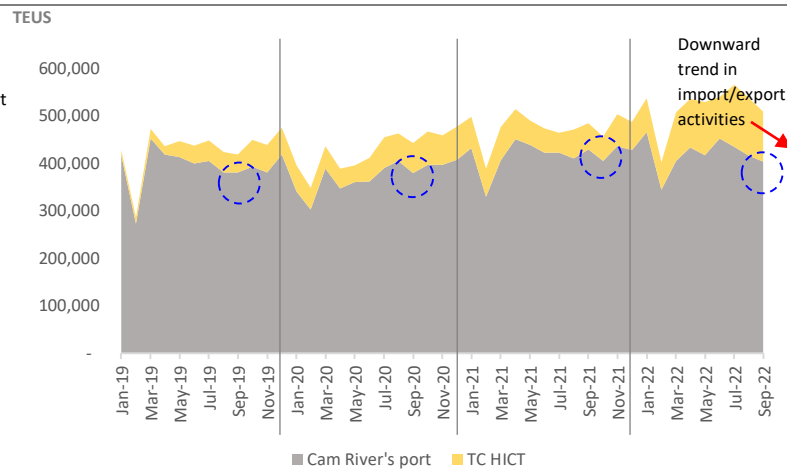


Figure 1: VSC's output in 2022

No	Port	9M	Q4F	2022F	% YoY	Assumption
1	VIP Green	496,621	164,472	661,093	14%	Output in Q4 is equal with Q3.2022
2	Green	212,548	68,606	281,154	13%	
3	Renting	51,196	12,392	63,588	-63%	
Total		760,365	245,470	1,005,835	0%	

PORT OPERATION AT CTLK – VIMC DINH VU HAS OPENED SINCE Q3

VIMC Dinh Vu has opened, and received a service line from Youcheng Kaiyun since the end of 9.2022. Currently, VIMC is renting PHP's Tan Vu port to operate this service line due to the port planing, VSC can not receive container ship. With frequency of 1 trip/week and output is equal to 350 TEUS/trip, BSC estimates VIMC Dinh Vu output will reach 5,800 TEUS, equivalent to H = 1.16% in 2022. Therefore, BSC forecasts that VIMC port will consolidate in VSC's loss of 27 billion VND in 2022, including the loss of 17 billion VND from port operations in Q4.2022, and 10 billion VND in 1H.2022

COST AND PERSONNEL RESTRUCTURING ACTIVITIES

At the end of Q3.2022:

- Cost restructuring has basically completed.** In 2021, VSC had reduced renting, and moved their ship back to their two main ports, which save the cost and improve the gross profit margin. However, BSC believes that the trend has slowed down since Q4.2021. VSC's renting output is currently maintaining at 15 – 20,000 TEUS/quarter in 9M.2022.

With **(1)** stable renting output for 3 consecutive quarters and **(2)** full capacity at VIP Green Port and Green Port, BSC believes that there is not much room for VSC to continue to cut their renting expenses. Therefore, the cost of DVMN in 2023 will heavily depend on the oil price.

Figure 7: VSC's output in renting port estimation

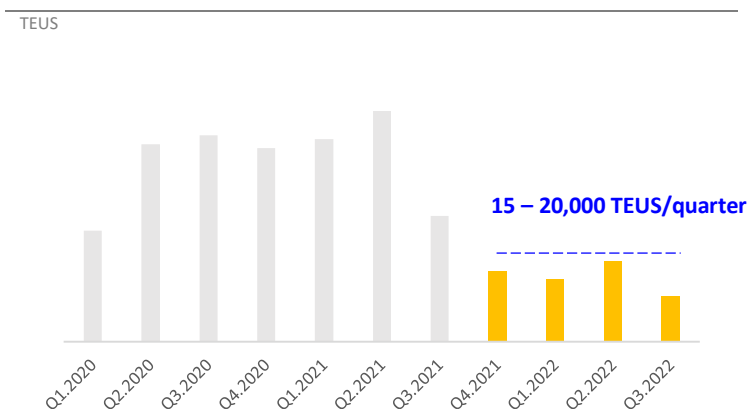
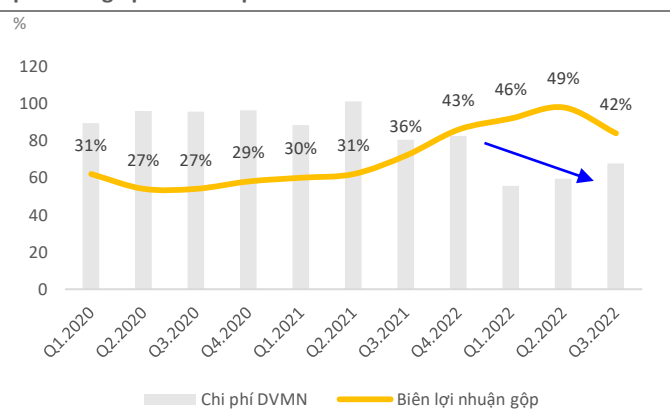


Figure 8: In Q32022, VGR's Gross profit margin improved +15-20 percentage points compared to 2020



BSC's estimation is based on the number of arrived ship in Cam River port (not include HICT)

2. Personnel restructuring is still ongoing. In 9T.2022, the structure of the Board of Directors is still changing significantly. To be specific:

- **Resigning member:** Mr Anh Hoang Nguyen, Mr Tien Quang Tran, Mr Duy The Nguyen had resigned from the BOD.
- **New appointed member:** In Q3, Mr Cuong Trong Cap, and Mr Duc Dung Nguyen had been appointed to the BOD. Inside, Mr Duc Dung Nguyen represents for the group of new shareholders – Thanh Duc Holding JSC. Additionally, Mr Hung Van Phan has been appointed for CFO position, replacing Mr Dung Tien Duong who was nominated by Thanh Duc Holding JSC previously.

Figure 9: The Board of Directors structure in 2020 and 2022

	2020	Q3.2022	Member information
BOD	Mr Nguyễn Thế Duy Mr Nguyễn Hoàng Anh Mr Trần Tiến Dũng Mr Nguyễn Việt Hòa – Chairman Mr Nguyễn Văn Tiến Mr Nguyễn Thế Trọng Mr Nghiêm Tuấn Anh Ms Đặng Trần Gia Thoại Mr Nguyễn Việt Trung	Mr Nguyễn Thế Duy - Resigned since T7.2021 Mr Nguyễn Hoàng Anh – Resigned since T3.2022 Mr Trần Tiến Dũng – Resigned since T3.2022 Mr Nguyễn Văn Tiến – Resigned since T8.2021 Mr Nguyễn Thế Trọng – Resigned since T3.2021 Mr Nghiêm Tuấn Anh – Resigned since T3.2021 Ms Đặng Trần Gia Thoại – Resigned since T3.2021 Mr Nguyễn Việt Hòa – Chairman Mr Cáp Trọng Cường – Appointed since T9.2022 Mr Nguyễn Đức Dũng – Appointed since T9.2022 Mr Bùi Minh Hưng - Appointed since T3.2022 Mr Văn Trần Hoàn Mr Tạ Công Thông Mr Nguyễn Việt Trung	Director at VGR CEO at Thanh Thai Corp (related to new shareholders) Director at Canh Xanh Limited Chairman at Song Hong JSC Heung-A Shipping Limited Company
BOM	Mr Nguyễn Văn Tiến – CEO Mr Trần Xuân Bạo – CFO Mr Nguyễn Thế Trọng – CTO	Mr Nguyễn Văn Tiến – Tổng giám đốc – Resigned since T8.2021 Mr Trần Xuân Bạo – CFO Mr Bùi Minh Hưng – CEO – Appointed since T9.2021 Mr Phan Văn Hưng – CFO – Appointed since T10.2022 Mr Cáp Trọng Cường – COO – Appointed since T3.2022 Mr Tạ Công Thông – CMO – Appointed since T6.2022 Mr Nguyễn Thế Trọng – CTO	Director at Cang Xanh Limited - Director at VGR Heung-A Shipping Limited Company
Chef of accountant	Mr Lê Thế Trung – Chef of accountant	Mr Lê Thế Trung – Chef of accountant	

* Blue represents new members and red represents resigned members

OTHER UPDATE – M&A PLAN

VSC has canceled the plan to privately issue 40 million shares, at the rate of 33% and expected price of 20,000 VND/share (45% discount compared to the market value of VSC), in order to raise capital for purchasing 49% shares of Vinaship Shipping Joint Stock Company (VNA). However, at the moment, there is no further update about the replacing source for this M&A plan.

VSC plans to raise VND 2,250 billion through bond issue and bank loans to invest in a seaport company in Hai Phong. It is probably a private company which has a port in Cam River because we see that there are no state-owned ports (VIMC) having plan to divest in the near future.

Figure 10: List of some ports in Cam River

No	Seaport	Owned company	Shareholders	Capacity (TEUS)
1.	DAU 19-9	19-9 JSC	State	-
2.	TAN VU	PHP	State	1,300,000
3.	VIP GREEN	VSC	Private	800,000
4.	DINH VU	PHP	Private	500,000
5.	NAM HAI DINH VU	GMD	Private	687,500
6.	NAM DINH VU	GMD	Private	500,000
7.	PTSC DINH VU	PVS	State	300,000
8.	TC-HICT	Saigon Newport Corporation	State	1,100,000
9.	TAN CANG 128	Saigon Newport Corporation	State	300,000
10.	TAN CANG 189	Saigon Newport Corporation	State	200,000
11.	MIPEC	TMS	Private	300,000
12.	VIMC DINH VU	VSC	Private	500,000
13.	GREEN PORT	VSC	Private	300,000
14.	CHÙA VỄ	PHP	State	500,000
15.	DOAN XA	DXP	Private	150,000
16.	TRANSVINA	Transvina	Private	100,000
17.	NAM HAI	GMD	Private	200,000
18.	HẢI AN	HAH	Private	280,000

Source: BSC Research synthetic

GENERAL ASSESSMENT

With the current assets portfolio and M&A plan after having new shareholders, BSC believes that:

- VSC is a company with valued asset. The scale of VSC ranks second among the private ports in Hai Phong.** To be specific, VSC current owns 4 ports in Hai Phong which are VIP Green Port, Green Port, VIMC Dinh Vu và PTSC Dinh Vu. If we exclude PTSC Dinh Vu port (as VSC is likely to divest from the 36% shares investment of this port) and VIMC Dinh Vu port (as it is general port), **the total capacity of VSC will be equal 1.1 triệu TEUS, (market share = 12%), (right after GMD – market share of 17%).** VIP Green port and Green port operation are at full capacity and give VSC a stable cash flow (400 – 600 billion VND/year).

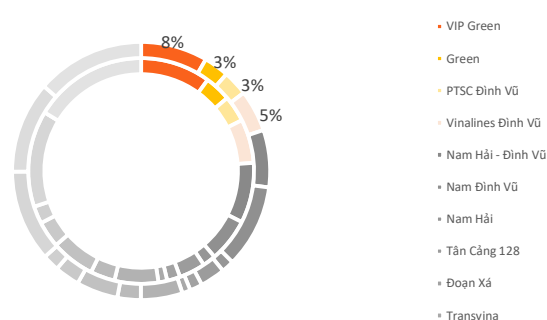
Figure 11: List of VSC's ports

Port	Ownership (%)	Capacity (TEUS)	2021 Output (TEUS)	H% 2021
VIP Green Port	100%	800,000	750,700	94%
Green Port	100%	300,000	336,000	112%
VIMC Đình Vũ	36%	500,000	-	-
PTSC Đình Vũ	20%	500,000	259,300	52%
TỔNG		2,100,000	1,346,000	64%

Output in 2021 is included the output from renting port

Figure 12: VSC's port market share in Hai Phong in 2022-2025

% . inside 2022, outside: 2025



Source: BSC Research synthetic

2. VSC's position and operation efficiency has been improved since having new shareholders.

Higher position: Within the period from 2015 to 2020, there is no growth in VSC's business result (NPATMI = 250-300 billion VND/year). Market share decreased from 19% in 2015 to 15% in 2020 because of VGR, and Green port was at full capacity. **However, BSC see that the participation of new shareholders wil solve that problem in the upcoming period.** Since 2021, VSC has activiely carry out M&A new assets with the direction of becoming a holding company in Logistics industry. The company had aquired ICD Quang Dinh (Invested capital = 430 billion VND), VIMC Dinh Vu (Invested capital = 400 billion VND, own 36%), planned to buy VNA (Invested capital = 800 billion VND), proposed to invest in Cat Hai and another port in Hai Phong in 2023 - 2024. If their investments are success:

- I. **VSC will become the largest private seaport company in Hai Phong in 2026 – 2030** thanks to Cat Hai and others seaport project (detailed in Figure 15-16). BSC estimates that Cat Hai project and new seaports will add 3.0 million TEU to VSC's capacity and take over 23% market share in 2030.
- II. **VSC is likely to turn into a new growing cycle in long-term if they use the above asset effectively.**

Figure 13: VSC strategy comparison after having new shareholders

Year	2020	2022
Position	Seaport company <ul style="list-style-type: none"> ▪ Seaport & Depot ▪ Road transportation 	Holdings company in Logistics industry <ul style="list-style-type: none"> ▪ Sea transportation ▪ Seaport & Depot ▪ Road transportation
Earning growth	No growth	Earning can grow if the M&A assets are well used
New project	Don't have any new project	

Source:VSC, BSC Research synthetic

Figure 14: Update of VSC's investment projects

No	New investment	Sector	Invested Capital (billion VND)	Updated progress at T11.2022
1	ICD Quang Binh	Depot	430	Acquisition complete
2	VIMC Dinh Vu	Port	400	Acquisition complete
3	Hai Phong Seaport	Port	2,000-3,000	Bond issue for raising capital, expected to M&A in 2023
4	Cat Hai	Seaport	4,000-5,000	Proposal, ask for investment permission from government
5	VNA	Sea transportation	700	Expected to M&A in 2023

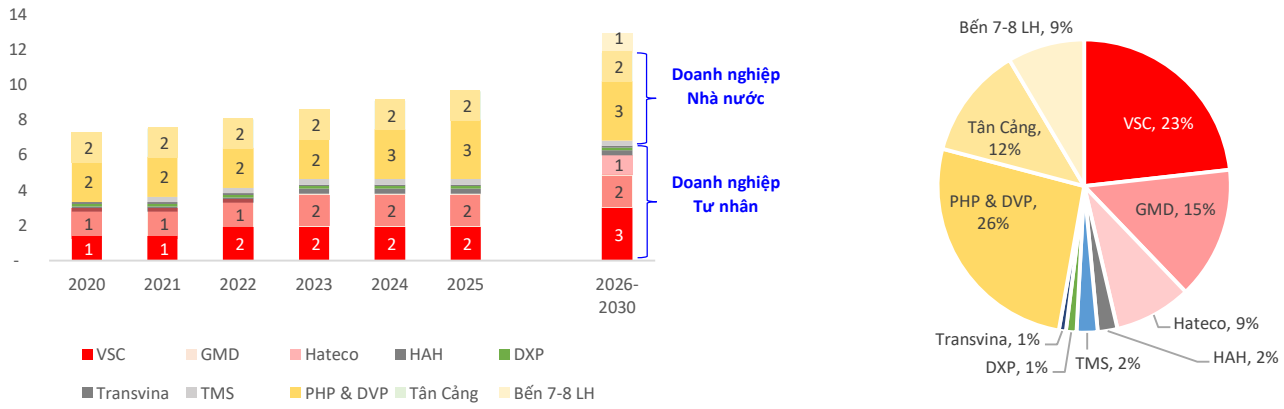
Source:VSC, BSC Research synthetic

Figure 15: Expected port capacity in the long term 2026-2030

Triệu TEUS

Figure 16: Expected market share of port operators in the long term 2026-2030

%

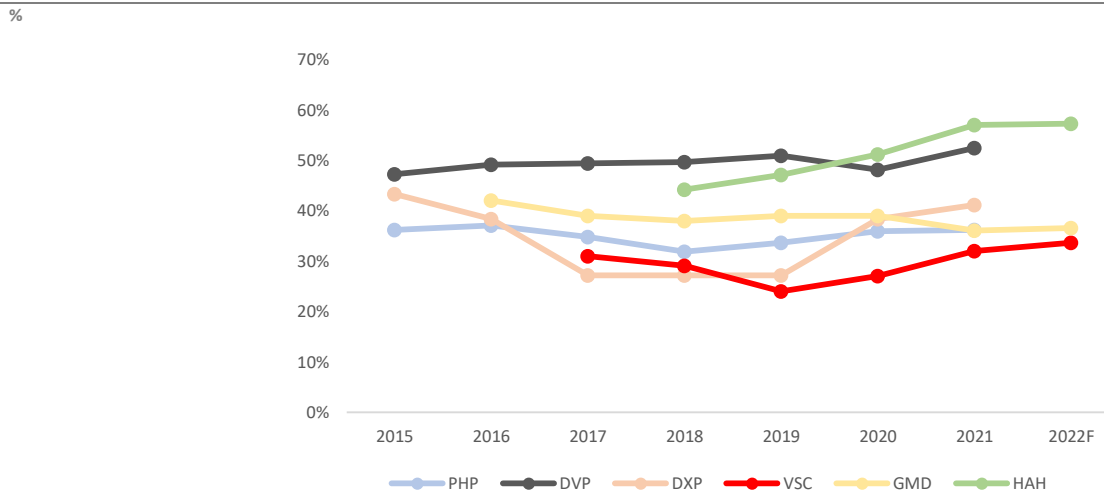


Not including the new seaport VSC intends to M&A due to lack of accurate information

Source: BSC Research synthetic

Hiệu quả hoạt động tốt lên: Biên Gross profit khai thác cảng của VSC tăng lên từ 25-29% giai đoạn 2017-2019 lên 32-35% giai đoạn 2020-2022 nhờ tiết giảm dịch vụ mua ngoài. BSC cho rằng VSC đang hoạt động hiệu quả hơn với chính doanh nghiệp trong quá khứ, và dần tiệm cận với trung bình ngành.

Figure 17: Gross profit margin of companies in the same industry in the period 2015-2019



DVP, HAH have higher gross profit margin than industry average due to lower depreciation expense.

Source: BSC Research synthetic

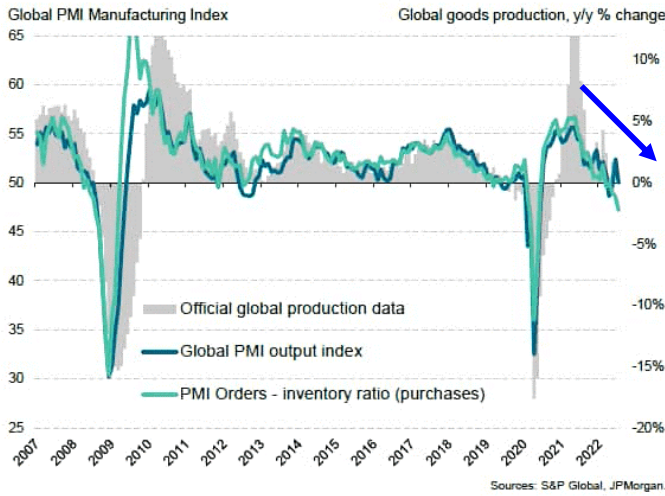
II. 2023 BUSINESS OUTLOOK

For the short and medium-term 2023 outlook, BSC believes that VSC port operation will face difficulties due to:

- Global economic slowdown.** Q3.2022, PMI and the new order index was recorded at a lower level than average. BSC believes that the slowdown in the major economies is likely to continue in 2023 because of high inflation which negatively impact on global import/export activities

Figure 2: % Global PMI change YoY

Figure 3: New order index



Source: S&P Global, BSC Research synthetic

1. **High competition in 2023 due to 25% over capacity in Hai Phong.** A part from VIP Green Port whose shareholder is EverGreen, the majority of ports in the downstream of Cam River are in price competition. Therefore, with (1) high over-supply situation, (2) VIMC Dinh Vu, Green don't have any special advantages, BSC believes that these VSC's port will face a strong competitive force in 2023

Figure 20: Forecast of output/capacity of the downstream of Cam River port

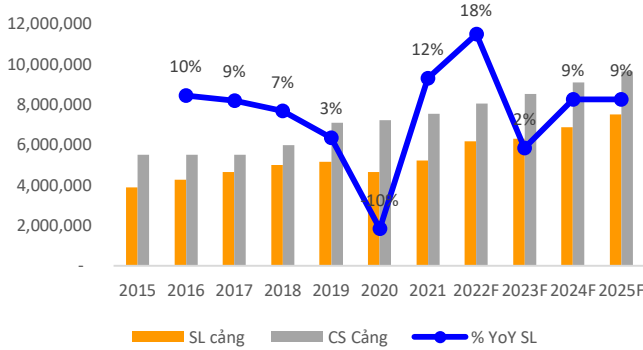
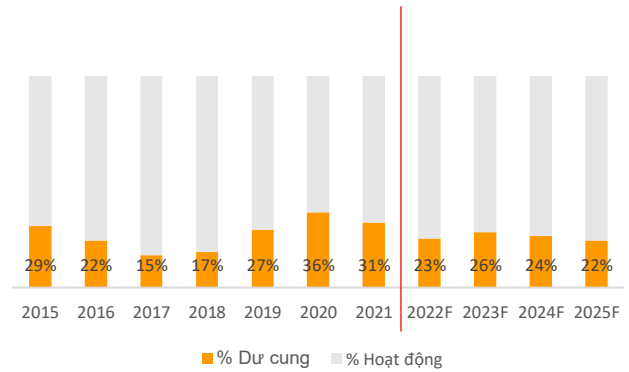


Figure 21: Oversupply in Hai Phong



Source: BSC Research synthetic

With the above view, BSC is relatively cautious in forecasting the output of VSC. BSC 2023 forecast:

1. **Holdings company output = 965,600 TEUS (- 4% yoy) – equivalent to H =.** To be specific, VGR -4% yoy, Green – 4% yoy, renting port -4% yoy due to global economic slowdown, high competition in Hai Phong
2. **VIMC Dinh Vu output = 30,000 TEUS,** equivalent to H = 6%, thanks to the Youcheng Kaiyun service line in 2023. We also expect that VIMC will have one more service line in 2023.

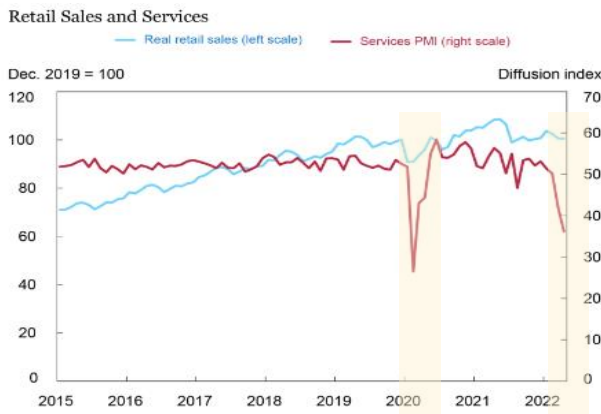
2 tracking factors for VSC's 2023 Business outlook:

1. **China reopen will have a positively effect on port output.** Since the beginning of 12/2022, BSC see some positive signal of easing Zero-covid policy from Chinese government:
 - Allow people with mild symptoms to isolate for 7 days at home
 - Reduce frequency of widespread testing, no negative certificate required
 - Cancel the suspension of international flights due to detection of infections.

As the closed-door policy has been maintained for 3 consecutive years, China's production and business activities have been severely affected. BSC believes that economic pressure will be the driving force for China to continue to ease

the Zero-covid policy in 2023. Therefore, we expect China will reopen after Lunar New Year Festival (middle Q1 – Q2/2023). China’s reopen will be a recovery of ports output as the majority of service line in Hai Phong is to China.

Figure 22: Impact of retail activity after each lockdown



Yellow area shows lockdown time in China

Figure 23: Impact of production and construction activities after each lockdown



Source: NBS, S&P Global, BSC Research synthetic

2. Revenue recognition from the new M&A companies. VSC plans to acquire VNA and a new seaport which will impact on the earning of Holdings Company.

For China reopen, BSC has run Sensitive analysis for NPATMI based on the port operating performance. For M&A, BSC does not take into business result forecast due to lack of information. ([Detailed in Business result forecast](#)).

III. BUSINESS RESULT FORECAST

In 2022, BSC forecasts that VSC will record 1,979 billion VND (+5% yoy) in Revenue, 332 billion VND (-5% yoy) in NPATMI, equivalent to EPS FWD = 3,015 VND/share, P/E FWD = 10.2x, P/B FWD = 1.0x. In 2023, BSC forecasts that VSC will record 1,904 billion VND (-4% yoy) in Revenue, 332 billion VND (+3% yoy) in NPATMI, equivalent to EPS FWD = 3,110 VND/share, P/E FWD = 9.9x, P/B FWD = 0.9x

Figure 4: VSC Business result forecast

	Forecast				% Change		Main assumptions for 2022, 2023
	2020	2021	2022F	2023F	2022F	2023F	
Main assumption							1. Loading and unloading
Loading and unloading output (mil TEUS)	1.011	1.012	1.006	0.966			<ul style="list-style-type: none"> Output +0.4% yoy/-4% yoy in 2022/23 because of (1) global economic slowdown, (2) high competition in HP Price stays flat in 2022/23.
% yoy	-13.8%	0.0%	-0.6%	-4.0%			
Price (VNĐ/TEU)	1,071,804	932,850	932,850	932,850			2. Warehousing, reefer
% yoy	6%	-13%	0%	0%			<ul style="list-style-type: none"> Output + 14% yoy in 2022 thanks to VIP Green, Green port reduce their renting port, move their inventory to main port and DEPOT. In 2023, Output – 4% yoy because of global economic slowdown Price stays flat in 2022/23
SG&A/revenue	-8%	-7%	-10%	-10%			3. Transportation & other
Net revenue	1,689	1,892	1,979	1,904	5%	-4%	<ul style="list-style-type: none"> Transportation revenue + 11% yoy/-4% yoy in 2022/23 based on the assumption of transportation revenue will follow loading and unloading output.
Loading and unloading	1,084	944	938	901	-1%	-4%	
Warehousing, reefer	193	150	175	171	16%	-2%	
Transportation	229	455	507	487	11%	-4%	
Others	183	343	358	345	5%	-4%	
COGS							4. Gross profit
	(1,240)	(1,290)	(1,315)	(1,222)	2%	-7%	
Gross profit	449	602	664	682	10%	3%	

Gross profit margin	27%	32%	34%	36%	5%	7%	<ul style="list-style-type: none"> • Gross profit margin = 33.6% in 2022 based on the assumption of DVMN & other expense/output -9% yoy (expense/output equivalent to 1H.2022), the other expense stays flat, depreciation +40 billion VND due to ICD investment. • In 2023, Gross profit margin = 35.8% base of the assumption of DVMN/SL -8% due to oil price reduction (oil price assumption 2023 = 80 USD/BBL (-20% yoy)). <p>5. P/L from joint venture Earning from VIMC Dinh Vu = -27 billion VND/-41 billion VND in 2022/23 – detailed above. SG&A/ revenue = 10% in 2022/23, tăng +2.5% in comparison with 2021 due to increasing expense from ICD.</p>
Financial income	11	13	29	39	122%	35%	
Financial expense	(2)	(2)	(2)	(2)	0%	0%	
Interest expense	(0)	-	-	-	-	-	
P/L from joint venture	2	4	(24)	(39)	650%	58%	
Insurance cost	(56)	(48)	(89)	(86)	85%	-4%	
SG&A	(73)	(81)	(99)	(105)	22%	6%	
Operating profit	331	488	479	490	-2%	2%	
Other income, net	5	(6)	4	4	-	-4%	
					169%		
EBIT	336	483	483	494	0%	2%	<p>Therefore, EBIT +2% yoy, mainly because of increasing SG&A from ICD, loss from VIMC Dinh Vu</p>
Corporate tax	(39)	(69)	(73)	(71)	6%	-3%	
NPAT	296	414	410	422	-1%	3%	
Minority interest	57	64	78	80	22%	3%	
NPATMI	240	350	332	342	-5%	3%	
EPS	4,349	6,348	3,015	3,110	-53%	3%	
Gross profit margin	27%	32%	33.6%	35.8%			
Net profit margin	18%	22%	21%	22%			

BSC has not included VNA and Seaport Company in the forecasts because the success of M&A deals is unsure

Hình 5: VIMC Dinh Vu Business Result forecasts

	2022F	2023F	Main assumption
Revenue	6	29	<ul style="list-style-type: none"> • Output = 5,800 TEUS in 2022, thanks to Youcheng Kaiyun service line in Q4. Output = 30,000 TEUS (+417% yoy) thanks to continue operating current service line, and expect to have one more in 2023 • Variable cost take proportion of 60% revenue, equivalent to VGR. • Depreciation = 22 billion/87 billion VND in 2022/23 based on the assumption of depreciation time = 15 years. • Interest expense = 26 billion/37 billion VND in 2022/23 based on the assumption of debt capital of 200-300 billion VND.
COGS	(25)	(105)	
Gross profit	(20)	(76)	
Financial income	-	-	
Financial expense	(26)	(37)	
Interest expense	(26)	(37)	
SG&A	(0)	-	
Operating profit	(46)	(1)	
Other income, net	(28)	-	
EBIT	(74)	(114)	
Corporate tax	-	-	
NPATMI	(74)	(114)	
Earning back to VSC	(27)	(41)	

Source: BSC Research forecasts

The possibility of increase/decrease forecast in 2023:

- Output decreases stronger than forecast **(1)** high-competition in HP, **(2)** Global economy in recession.
- Potential to increase selling price as the Government is considering to raising the floor price of seaport services.
- Consolidated business result of new M&A (such as VNA, seaport companies, . .).

BSC run sensitive analysis of NPATMI in 2023 based on VSC's port performance:

Figure 6: Sensitive analysis table

		VSC's port performance (VIP Green + Green + renting port)				
		80%	84%	88%	92%	96%
CTLK VIMC performance ^e	18%	321	334	347	361	374
	14%	319	332	346	359	372
	10%	317	331	344	357	370
	6%	316	329	342	355	369
	2%	314	327	340	354	367

Source: BSC Research estimates

IV. RISK

- In Quarter 3, 2022, VSC had a plan of private issue with a dilution rate of 33%, expected issue price = 20,000 VND/share – 45% lower than market value at the time of announcement.
- **Personnel risk:** The BOM has changed dramatically after the participation of new shareholders. The old members have a strong experience in operating seaport and their resign may affect on the operating activities of VSC.

Figure 7: BOM summary

No	Member	Position	Experience
1	Mr Nguyễn Việt Hòa	Chairman	Work in VSC since 1984
2	Mr Bùi Minh Hưng	CEO	Work at VSC >15 years Former director at Canh Xanh Limited (Subsidiary of VSC)
3	Mr Cáp Trọng Cường	COO	Work in VSC since 2004 Former CTO at VSC, VGR
4	Mr Nguyễn Thế Trọng	CTO	Work at VSC >10 years Former CTO at VSC, GREEN DEVELOPMENT AND INVESTMENT SERVICE JSC
5	Mr Nguyễn Việt Trung	Member of BOD	More than 20 years of experience in seaport sector Former director at VSC, Transvina, Blue Star Sea Transportation

Source: BSC Research estimates

V. VALUATION AND RECOMMENDATION

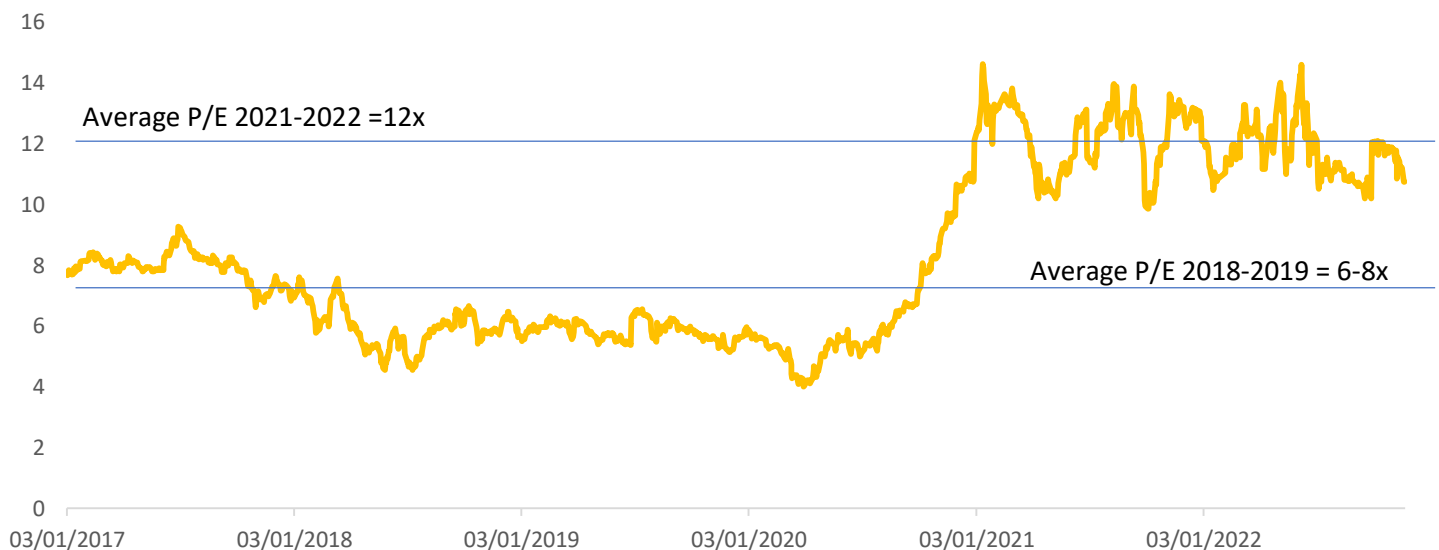
Our 2023 fair value estimation for VSC is **31,000 VND/share**, based on targeted P/E method = 10x, 12% discount from the average P/E for 2021 – 2022 period (11-12x), because of **(1)** low level of earning growth **(2)** high interest rate environment in 2023. In long-term, this valuation may be changed, when (1) VSC’s position is up (2) VSC steps into a new growth cycle thanks to efficiently use M&A assets. However, BSC hold a neutral view for short-term outlook because of (1) import/export activities is slowing down (2) M&A progress is unclear

Figure 8: Valuation

P/E	Value
EPS FW 2023	3,110
Targeted P/E	10x
Fair value	31,000 VND/share

Source: BSC Research forecasts

Figure 9: Historical valuation of VSC in 2017 - 2022



APPENDIX

Business result (bil VND)	2020	2021	2022F	2023F
Net revenue	1,689	1,892	1,979	1,904
COGS	(1,240)	(1,290)	(1,315)	(1,222)
Gross profit	449	602	664	682
Financial income	11	13	29	39
Financial expense	(2)	(2)	(2)	(2)
Interest expense	(0)	-	-	-
P/L from joint venture	2	4	(24)	(39)
Insurance cost	(56)	(48)	(89)	(86)
SG&A	(73)	(81)	(99)	(105)
Operating profit	331	488	479	490
Other income, net	5	(6)	4	4
EBIT	336	483	483	494
Corporate tax	(39)	(69)	(73)	(71)
Net profit	296	414	410	422
Minority interest	57	64	78	80
Net profit of VSC	240	350	332	342
EPS	4,349	6,348	3,015	3,110

Cash Flow (bil VND)	2020	2021	2022F	2023F
(Loss)/Profit after tax	336	483	483	494
D&A	233	200	241	241
Working capital changes	555	667	748	773
Other changes	(14)	(16)	24	39
Net CFO	529	645	694	714
Purchase and construction of fixed assets	(94)	(92)	(224)	(25)
Other investment	8	(469)	(4)	(4)
Net CFI	(86)	(562)	(228)	(29)
Dividend paid	(171)	(112)	(82)	(84)
Net borrowing fund	(76)	-	-	-
Other changes	-	549	-	-
Net CFF	(247)	437	(82)	(84)
Beginning cash flow	297	493	1,014	1,398
Cash flow in year	197	520	384	600
Ending cash flow	493	1,014	1,398	1,998

Balance Sheet (bil VND)	2020	2021	2022F	2023F
Cash and cash equivalents	493	1,014	1,398	1,989
Short-term investment	8	99	103	107
Current account receivables	268	232	237	228
Inventory	24	21	21	21
Other current assets	102	77	79	76
Short-term assets	896	1,442	1,838	2,422
Non-current account receivables	1	2	2	2
Tangible assets	2,269	2,328	2,552	2,577
Accumulated depreciation	(1,347)	(1,517)	(1,758)	(1,998)
Investment assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Long-term assets in progress	-	2	2	2
Long-term investments	118	506	482	443
Other long-term assets	522	502	482	462
Long-term assets	1,562	1,824	1,763	1,489
Total assets	2,458	3,266	3,601	3,911
Current liabilities	287	269	276	261
Short-term debt	-	-	-	-
Total short-term liabilities	287	269	276	261
Long-term debt	-	-	-	-
Other long-term liabilities	0	1	1	1
Total long-term liabilities	0	1	1	1
Total liabilities	287	270	277	262
Share capital	551	1,100	1,100	1,100
Capital premium	36	36	36	36
Other capital	797	826	826	826
Undistributed earnings	413	660	910	1,158
Non-controlling interests	374	374	451	529
Total Owner's equity	-	-	-	-
Total Liabilities and owner's equity	2,171	2,996	3,324	3,649

Ratio	2020	2021	2022F	2023F
Liquidity				
Current ratio	3.1	5.4	6.7	9.5
Quick ratio	2.7	5.0	6.3	9.1
Capital structure				
Debt/ Total assets	12%	8%	8%	7%
Debt/Equity	13%	9%	8%	7%
Efficiency				
Day sales of inventory	7	6	6	6
Day sales outstanding	58	45	44	44
Profit margin				
Gross	27%	32%	34%	36%
Net	18%	22%	21%	22%
ROE	11%	12%	10%	9%
ROA	10%	11%	9%	9%
Growth				
Net revenue growth	-6%	12%	5%	-4%
EBIT growth	-6%	44%	0%	2%
EBT growth	-2%	44%	0%	2%
EPS growth	2%	46%	-53%	3%
Number of outstanding share (mil)	55	55	110	110
Liquidity				
Current ratio	39,379	54,354	30,208	33,280

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