

HNX - Vietnam
Delivery Services
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2010 net profit margin unchanged due to large non-core profit

Neutral

Price(2011/04/29): VND 13,000

Target Price: VND 14,500

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Key Data

Chartered capital	VND 82 bn
Outstanding shares	8.2 mil shares
52-week price range	VND 12,500~ VND 23,200
Market cap	VND 107 bn
Total assets (Q1/11)	VND 236 bn
Net Value (Q1/11)	VND 152 bn
Total Room for foreign investors	4 mil shares
Current Room for foreign investors	3.9 mil shares
Foreign Holding	1.2%
EPS 2011E	VND 2,995
P/E	4.3
P/B	0.7
Dividend	VND 2,000
Dividend yield	15.3%
ROE 2011E(%)	15.4%
ROA 2011E(%)	11.9%

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

■ **Company profile:** VGP businesses include seaport services, such as handling and warehousing services. Besides, VGP is also involved in direct import-export activities, such as fertilizers and rice, etc. This year, sales from import-export are expected to account for over 80% of its total sales.

■ **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.

■ **Earnings:** VGP's sales hurt in 2007-2008 as part of the company's operation facility shrank to make room for the construction of the Phu My Bridge. In 2009, sales rebounded to VND 152 bn, up 7% yoy as VGP expanded the import-export sales to offset the decline in port operations. Last year, VGP posted 179.4 bn VND in sales, up 17.5% and net profit of 26.6 bn VND. Although cost of goods sold accounted for a higher portion in sales, at 85% from 78% in 2009, net profit margin was maintained as VGP gained a significant non-core profit of 14.5 bn VND. Though net profit grew by 16.4% yoy to 26.6 bn VND, EPS dropped due to the dilution effect.

■ **2011 outlook:** In Q1/2011, VGP's sales were posted at VND 16.6 bn, up 84.4% yoy and up 7.8% qoq. Q1/11 net profit was VND 5.4 bn, up 28% yoy. This year, we expect VGP could grow 15% in sales and could gain net profit of 24.6 bn VND.

■ **Strengths:** VGP has a favorable location. It can be used as a transition port to transport goods to western provinces.

■ **Weaknesses:** As a large portion of its sales comes from import-export, the depreciation of the VN dong to the USD could cause imported goods have higher COGS.

■ **Valuation:** This stock is traded at VND 13,000/share, near its 52-wk low. We assign a Neutral rating to VGP with a target price of VND 14,500, implying a P/E multiple of 4.8 (x) EPS 2011E.

Financial Abstract:

(VND bn)

Year	Revenue	(%)	Net Profit	(%)	Outstanding Shares	EPS (VND)	P/E (x)	ROE	ROA
2007	195.8	-21.6%	14.2	-10.4%	5,000,000	2,849	16.0	15.0%	11.4%
2008	142.8	-27.1%	20.1	41.2%	6,200,000	3,243	6.0	15.1%	13.7%
2009	152.7	7.0%	22.9	13.7%	6,200,000	3,687	7.0	16.6%	14.3%
2010	179.4	17.5%	26.6	16.4%	8,214,700	3,238	5.5	16.7%	12.9%
2011E	207.2	15.5%	24.6	-7.5%	8,214,700	2,995	4.3	15.4%	11.9%

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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).

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