

## VIETJET AIR JSC (VJC) – UPDATE

<b>Market Price</b>	<b>Target Price</b>	<b>Dividend Yield</b>	<b>Rating</b>	<b>Sector</b>
VND126,500	VND132,000	0.00%	Hold	INDUSTRIALS

8 August 2022

**Outlook – Short term:** **Neutral**  
**Outlook – Long term:** **Positive**  
**Valuation:** **Neutral**

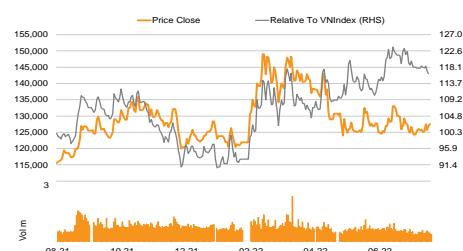
Consensus\*: Add:0 Hold:1 Reduce:0

Target price / Consensus: 11.4%

### Key changes in the report

➤ Lower FY22-23F EPS by 66.1%/47.6%.

### Price performance



Source: VNDIRECT RESEARCH

### Key statistics

52w high (VND)	149,000
52w low (VND)	116,000
3m Avg daily value (VNDmn)	74,189
Market cap (VND bn)	68,839
Free float (%)	55
TTM P/E (x)	381
Current P/B (x)	3.97

### Ownership

Sunflower Sunny Investment Co.	28.6%
Nguyen Thi Phuong Thao	8.8%
Sovico JSC	7.6%
Others	55.00%

Source: VNDIRECT RESEARCH

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## Bumpy recovery

- VJC posted VND180bn in 2Q22 net profit (versus VND6bn in 2Q21 NP), lower than our expectation as recovery was hampered by high fuel price.
- We lower FY22-23F EPS by 66.1%/47.6% following lower FY22-23F in'l pax (67.0%/13.3%) and higher FY22-23F jet fuel price (124.5%/74.0%).
- Downgrade to Hold with a lower TP of VND132,000 following (1) rolling DCF valuation to FY22F, and (2) downward revision of FY22-23F EPS.

### 2Q22 results: increasing fuel prices dented the traffic recovery

2Q22 VJC's total pax increased 200.0% yoy thanks to the strong recovery of domestic air travel, leading to a 292.6% yoy increase in core revenue. However, VJC still recorded core gross loss of VND859bn (versus gross loss of VND1,279bn in 2Q21) mainly due to a 99.7% yoy surge in 2Q22 average Jet A1 fuel price. 2Q22 financial income decreased 86.4% yoy as VJC no more recorded profit from transferring real estate projects as it did in 2Q21, while 2Q22 financial expenses increased 427.2% yoy as (1) interest expenses increased 137.3% yoy due to total debt increasing 59.9% yoy, and (2) provision of investment of VND260bn in 2Q22 versus reversal of provision of VND45bn in 2Q21. Thanks to VND2,467bn revenue from S&LB activities with high gross margin (80.5%), VJC recorded VND180bn in 2Q22 NP (versus VND6bn in 2Q21 NP). 1H22 NP increased 242.1% yoy to VND424bn.

### Recovery overshadowed by high fuel prices and tight financial situation

Following the recovery momentum, we expect VJC's domestic pax to increase 245.4% yoy in FY22F with recovering travel demand. Growth may slow down to 12% yoy in FY23F from the high base of FY22F. In terms of international air traffic, we expect VJC's international pax to reach 2.43m in FY22F (versus 0.1m pax in FY21), and may increase 223% yoy in FY23F to 7.83m pax (97.4% of FY19 base). However, recovery could be overshadowed by high fuel price and tight financial situation. We estimate VJC's fuel cost/ASK to strongly increase in FY22F (+54.3% yoy) before cooling down 7.1% yoy in FY23F. Besides, VJC's leverage ratio has increased and reached the highest level in the past 4 years, which may affect the fleet expansion plan in the coming periods.

### Downgrade to Hold with a lower TP of VND132,000

We revise down our DCF-based TP (WACC: 8.69%) by 5.0% to VND132,000 as (1) we roll our DCF valuation to FY22F, and (2) we revise down FY22-23F EPS by 66.1%/47.6%. Due to limit upside, we downgrade VJC to Hold. Upside risk includes higher-than-expected international traffic recovery since FY22F. Downside risks include (1) geo-political uncertainties may affect global air transportation, (2) slower-than-expected construction of aviation infrastructure, and (3) higher-than-expected fuel price leading to higher operating cost.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net revenue (bn)	18,220	12,875	50,385	88,341
Revenue growth	(64.0%)	(29.3%)	291.3%	75.3%
Gross margin	(7.7%)	(15.8%)	4.6%	7.4%
EBITDA margin	1.9%	8.4%	5.0%	5.7%
Net profit (bn)	69	175	1,317	3,533
Net profit growth	(98.2%)	155.6%	651.5%	168.2%
Recurring profit growth	(151.2%)		668.6%	170.4%
Basic EPS	131	335	2,515	6,745
Adjusted EPS	111	284	2,138	5,733
BVPS	28,592	32,136	34,046	40,432
ROAE	0.5%	1.1%	7.6%	18.1%

Source: VNDIRECT RESEARCH

**BUMPY RECOVERY**
**2Q22 results: increasing fuel prices dented the traffic recovery**
**Figure 1: 2Q22 business results summary (Unit: in VNDbn, otherwise noted)**

	2Q22	2Q21	%yoy	1H22	1H21	vs FY22F		Comments
						%yoy	forecast	
Total flights	31,341	13,741	128.1%	51,483	33,883	51.9%	37.6%	
Total passengers (m)	6	2	200.0%	9	6	62.5%	35.3%	2Q22 VJC's total pax increased 200.0% yoy mainly thanks to the strong recovery of domestic air traffic. Vietnam's 2Q22 domestic pax throughput has increased 183% yoy, bringing 1H22 domestic pax to increase 52.0% yoy. In terms of international air traffic, 1H22 international pax surged 5 times yoy to 1.8m and reached 13% of prepandemic level (1H19).
<b>Net revenue</b>	<b>11,590</b>	<b>3,542</b>	<b>227.2%</b>	<b>16,112</b>	<b>7,556</b>	<b>113.2%</b>	<b>28.6%</b>	
Core revenue	9,123	2,324	292.6%	12,752	5,017	154.2%	31.5%	
- Fare	5,620	856	556.8%	7,973	1,937	311.5%		
- Auxilliary & cargo	2,879	1,348	113.7%	3,586	2,864	25.2%		
- Others	623	120	417.8%	1,194	215	455.3%		
S&LB	2,467	1,218	102.6%	3,360	2,574	30.6%	21.2%	We estimated VJC sold 5 aircraft purchase right options with high gross margin (80.5%) in 2Q22.
<b>Gross profit</b>	<b>1,127</b>	<b>(1,278)</b>	<b>-188.2%</b>	<b>871</b>	<b>(2,882)</b>	<b>-130.2%</b>	<b>14.2%</b>	
<b>Excl. S&amp;LB gross profit</b>	<b>(859)</b>	<b>(1,279)</b>	<b>NA</b>	<b>(1,318)</b>	<b>(3,245)</b>	<b>NA</b>		Excluding S&LB activities, VJC has narrowed gross loss to VND859bn in 2Q22 (versus gross loss of VND1,279bn in 2Q21). Loss from core business mainly comes from high fuel price in the period, with average Jet A1 fuel price in 2Q22 surging 99.7% yoy.
Gross margin	9.7%	-36.1%	+45.8% pts	5.4%	-38.1%	+43.5% pts		
- Core GM	-9.4%	-55.0%	+45.6% pts	-10.3%	-64.7%	+54.3% pts		2Q22 core gross margin has improved 45.6% pts yoy in 2Q22 as VJC's domestic air traffic strongly recovered with total flight increasing 128.1% yoy and total pax increasing 200.0% yoy.
- S&LB GM	80.5%	0.1%	+80.4% pts	65.1%	14.1%	+51.0% pts		
Financial income	238	1,757	-86.4%	1,394	3,776	-63.1%	247.2%	2Q22 financial income decreased 86.4% yoy as VJC no more recorded profit from transferring real estate projects as it did in 2Q21 (VND1,358bn).
Financial expenses	777	147	427.2%	1,179	203	479.7%	126.8%	2Q22 financial expenses increased 427.2% yoy as (1) interest expenses increased 137.3% yoy due to total debt increasing 59.9% yoy, and (2) provision of investment of VND260bn in 2Q22 versus reversal of provision of VND45bn in 2Q21.
Selling expenses	235	231	1.7%	364	345	5.5%	23.4%	
G&A expenses	82	91	-10.0%	200	189	5.7%	37.0%	
Net other income	8	12	-37.7%	8	8	0.0%	3.9%	
<b>Net profit</b>	<b>180</b>	<b>6</b>	<b>3026.6%</b>	<b>424</b>	<b>124</b>	<b>242.1%</b>	<b>10.9%</b>	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**FY22-23 outlook: recovery prospect overshadowed by high fuel price and tight financial situation**
**Solid recovery for the domestic air traffic but the recovery of international air traffic is still rough and tough**

According to IATA, Vietnam ranks 1st in terms of domestic air traffic recovery over the world with 1H22 domestic pax has reverted to 106% of pre-pandemic level. VJC has been proactive in restoring all existing flight routes and planning to open new routes to capture the explosive travel demand after the Covid-19 pandemic. Following the recovery momentum, we expect VJC's domestic pax to increase 245.4% yoy in FY22F with recovering travel demand. Growth may slow down to 12% yoy in FY23F from the high base of FY22F.

In terms of international air traffic, the near-term recovery of Vietnam international tourism depends on the entry requirements of the destination country. Almost every country has minimized entry requirements or will minimize soon. The most negative factor to Vietnam tourism recovery is China's zero-covid policy, in which travel to and from China is still strictly limited, however, this risk is lower for VJC because the proportion of Chinese tourists in total VJC's international pax in the pre-pandemic period (FY19) is quite low. In our base case, air traffic between Vietnam and SEA will recover strongly from 2Q22 as the tourism promotion has been implemented, followed by Korea, Europe, Japan

and the U.S in 3Q22F, Taiwan and Russia tourism promotion may be implemented in 4Q22F while China tourism promotion may be implemented in 1Q23F.

**Figure 2: Three scenarios for the re-openings of Vietnam's major air travel markets**

Time to implement bilateral tourism with Vietnam	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Best case		SEA, Korea, Japan, Europe, US	Taiwan, Russia	China				
Base case		SEA	Korea, Europe, Japan, US	Taiwan, Russia	China			
Worst case		SEA	Korea, Europe, US	Japan, Russia	Taiwan		China	

Source: VNDIRECT RESEARCH

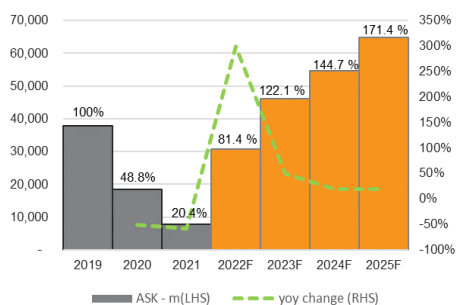
**Figure 3: Recovery rate of VJC's international pax volume estimates, in our base case**

Country	Pre-pandemic weight	1Q22	2Q22	3Q22F	4Q22F	1Q23F	2Q23F	3Q23F	4Q23F
Korea	31%	5%	10%	25%	60%	80%	90%	90%	100%
Taiwan	25%	5%	5%	10%	25%	50%	80%	90%	90%
Thailand	14%	5%	25%	60%	80%	90%	90%	100%	100%
Japan	11%	5%	10%	25%	60%	80%	90%	90%	100%
Singapore	7%	5%	25%	60%	80%	90%	90%	100%	100%
Hongkong	4%	5%	5%	10%	25%	60%	80%	90%	90%
Indonesia	2%	5%	25%	60%	80%	90%	90%	100%	100%
Malaysia	2%	5%	25%	60%	80%	90%	90%	100%	100%
Cambodia	2%	5%	25%	60%	80%	90%	90%	100%	100%
Myanmar	2%	5%	10%	25%	60%	80%	90%	90%	110%
India	0%	10%	25%	60%	80%	90%	90%	100%	100%
<b>Total</b>	<b>100%</b>	<b>6.0%</b>	<b>15.1%</b>	<b>36.1%</b>	<b>63.3%</b>	<b>83.4%</b>	<b>96.1%</b>	<b>102.7%</b>	<b>107.3%</b>
				<b>30.1%</b>				<b>97.4%</b>	

Source: VNDIRECT RESEARCH

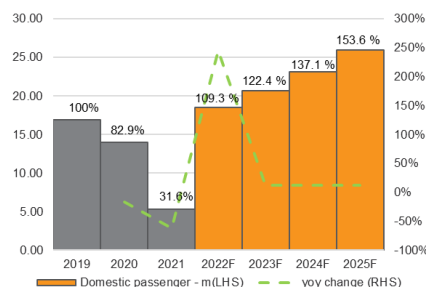
Recently, VJC is the pioneer airline in opening routes between Vietnam and India with 17 routes connecting the two countries. In the base case, we expect VJC's international pax to reach 2.43m in FY22F (versus 0.1m pax in FY21), and may increase 223% yoy in FY23F to 7.83m pax (97,4% of FY19 base). With the solid recovery of domestic pax, we expect total ASK (Available seat kilometers) capacity to increase 299.2%/50.1% yoy in FY22-23F.

**Figure 4: VJC's medium-term ASK capacity, in our estimates**



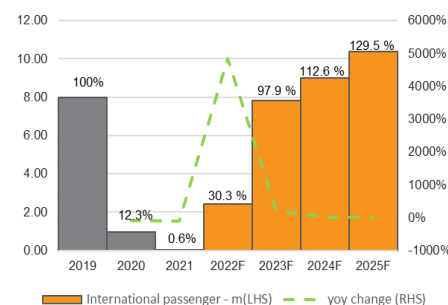
Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 5: VJC's medium-term domestic passengers, in our estimates**



Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 6: VJC's medium-term international passengers, in our estimates**

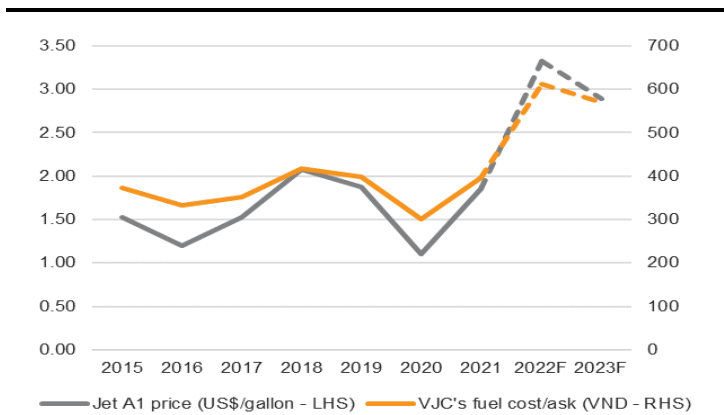


Source: VNDIRECT RESEARCH, COMPANY REPORTS

**High fuel prices still weigh on core gross margin in near-term**

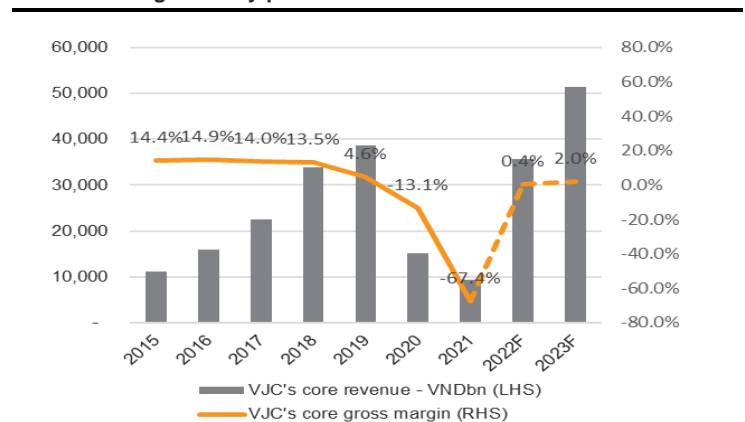
Amidst the already global crude oil market tightness, the tension between Russia and Ukraine exacerbated this situation, boosting Brent oil price to touch the highest level since 2008. Currently, there are many unpredictable factors that could make oil prices maintain at high levels. We expect global Jet A1 fuel price to surge 114.0% yoy in 2022F before cooling down 13.0% yoy in 2023F. Jet fuel price in 2022-23F maintains at the highest level since 2015, imposing many difficulties for the airlines. Giving the fuel price hike, we estimate VJC's fuel cost/ASK to strongly increase in FY22F (+54.3% yoy), lower than the growth of global Jet A1 fuel price thanks to the tax reducing policy on environmental protection of jet fuel from VND3,000 to VND1,000. VJC's fuel cost/ASK may cool down 7.1% yoy in FY23F following the cooling down of global fuel price and commodities. This could negatively affect VJC's core gross margin when the aviation is entering a strong recovery phase in the coming periods.

**Figure 7: Rising fuel price imposes many difficulties for VJC**



Source: VNDIRECT RESEARCH

**Figure 8: VJC's core gross margin to be affected when the aviation enters a strong recovery phase**

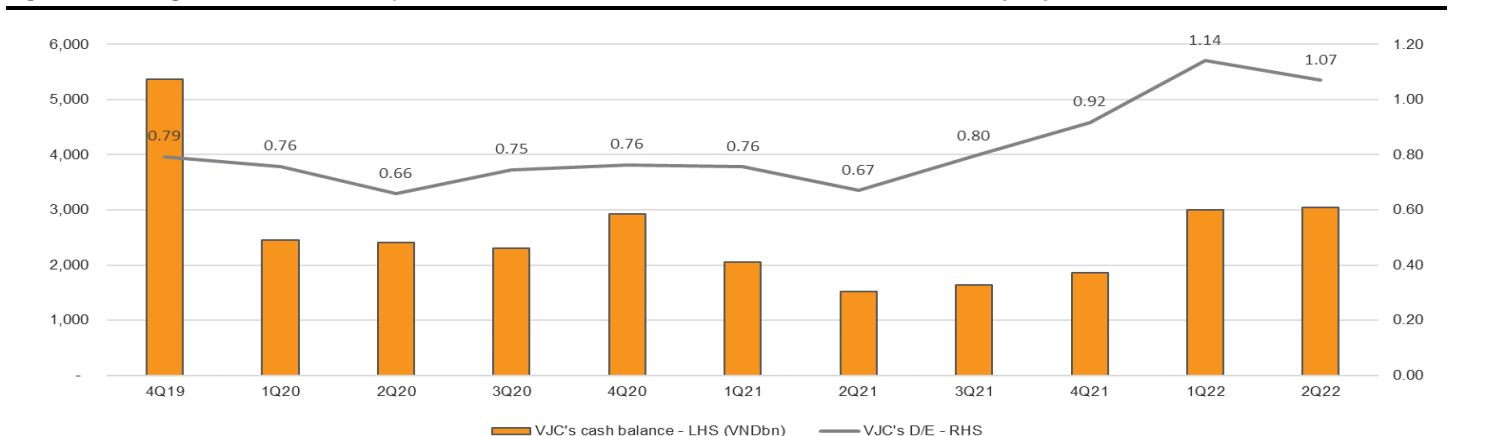


Source: VNDIRECT RESEARCH

**Tight financial situation may slow the fleet expansion plan**

Moving to the endemic, VJC has increased its debt to finance its operations. Since 2021, VJC has raised VND10,000bn corporate bonds (interest rates of 9.5%/year) and this caused VJC's leverage ratio to increase and reach the highest level in the past 4 years. An important foundation for VJC to ensure its fleet expansion plan and meet its development strategy in the future is the order of 200 Boeing 737 aircrafts, which VJC has reached an agreement with Boeing on restructuring and continuing to execute the contract, however, the current tight financial situation may affect the expansion plan in the coming periods.

**Figure 9: Although there are recent improvements, VJC's situation is much more difficult than the pre-pandemic level**



Source: VNDIRECT RESEARCH

In order to finance the fleet expansion plan while still ensuring the leverage ratio, VJC plans to issue private shares and convertible bonds in 2022F:

- Regarding to the private placement of shares, VJC plans to issue 10% of current outstanding shares with the aim of raising VND6,960bn (US\$300m). Purpose of raised capital: fleet expansion (US\$250m), increasing working capital (US\$ 50m).
- Regarding to the convertible bond issuance, VJC plan to raise VND6,960bn (US\$300m) in convertible bonds. Purpose of raised capital: fleet expansion (US\$200m), increasing working capital (US\$ 100m).

If the fundraising is successful, we believe VJC can improve its financial health as well as ensure its fleet expansion plan, however the convertible bond issuance may be difficult to assess the diluted impact and imposes potential dilution risks for existing shareholders.

### FY22- 23F Earnings forecast revision

Figure 10: FY22-23F earnings revision

	FY21	FY22F			FY23F		
		Old forecast	New forecast	Changes	Old forecast	New forecast	Changes
Total passenger (m)	5.40	25.76	20.91	-18.8%	28.93	28.53	-1.4%
Domestic (m)	5.35	18.41	18.48	0.4%	19.89	20.70	4.1%
International (m)	0.05	7.35	2.43	-67.0%	9.04	7.83	-13.3%
Net revenue (VNDbn)	12,875	56,368	50,385	-10.6%	85,646	88,341	3.1%
Core revenue (VNDbn)	9,276	40,515	35,718	-11.8%	49,610	51,491	3.8%
S&LB revenue (VNDbn)	3,599	15,853	14,667	-7.5%	36,036	36,851	2.3%
Gross profit (VNDbn)	(2,039)	6,129	2,335	-61.9%	9,536	6,538	-31.4%
Excl. S&LB gross profit	(6,256)	3,767	151	-96.0%	4,167	1,051	-74.8%
Financial income (VNDbn)	4,033	564	1,504	166.6%	856	883	3.2%
Financial expenses (VNDbn)	806	930	1,391	49.6%	1,406	1,975	40.5%
Net other income (VNDbn)	8	214	33	-84.6%	325	58	-82.2%
Net profit (VNDbn)	175	3,887	1,317	-66.1%	6,739	3,533	-47.6%
<b>EPS (VND)</b>	<b>335</b>	<b>7,420</b>	<b>2,515</b>	<b>-66.1%</b>	<b>12,865</b>	<b>6,745</b>	<b>-47.6%</b>

Source: VNDIRECT RESEARCH

We change our forecasts on VJC's business as followed:

- We increase FY22-23F domestic pax by 0.4%/4.1% following brighter prospect of domestic air traffic.
- We lower FY22-23F international pax by 67.0%/13.3% as the international air traffic recovery is bumpier than expected.
- We increase FY22-23F jet fuel price by 124.5%/74.0% following the current high oil price context.
- As a result, we lower core revenue forecast by 11.8% in FY22F. However, we increase FY23F revenue by 3.8% as higher fuel price may lead to higher fare revenue. Due to (1) lower international pax (revenue from international air traffic accounted for 60% of VJC's core revenue) and (2) high fuel price assumptions, VJC's gross profit excluding S&LB activities dropped by 96.0%/74.8%.
- We increase FY22F financial income by 166.6% to adjust in-line with 1H22 results.
- We increase FY22-23F financial expenses by 49.6%/40.5% due to increasing total debt and provision from investment.
- We lower FY22-23F net other income by 84.6%/82.2% to adjust in-line with 1H22 results.
- Overall, we lower FY22-23F EPS by 66.1%/47.6%.

### Downgrade to Hold with lower TP of VND132,000

We revise down our DCF-based TP (WACC: 8.69%) by 5.0% to VND132,000 as (1) we roll our DCF valuation to FY22F, and (2) we revise down FY22-23F EPS by 66.1%/47.6%. Due to limit upside, we downgrade VJC to Hold. We still maintain an optimistic outlook for VJC in the long term thanks to its leading position in Vietnam's air carrier market and VJC could ride on the recovery and growth of Vietnam aviation and tourism industry in the long-term.

#### Investment risks:

Upside risk includes higher-than-expected international traffic recovery since FY22F.

Downside risks include:

- Geo-political uncertainties may affect global air transportation.
- Slower-than-expected construction of aviation infrastructure.
- Higher-than-expected fuel price leading to higher operating cost.

Figure 11: Discounted cash flow model (Unit: VNDbn)

	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
<b>EBIT</b>	<b>2,326</b>	<b>4,839</b>	<b>6,331</b>	<b>8,835</b>	<b>8,160</b>	<b>13,202</b>	<b>19,579</b>	<b>25,649</b>	<b>35,598</b>
less: Taxes	0	0	0	0	0	859	1,747	2,911	4,267
<b>EBIAT</b>	<b>2,326</b>	<b>4,839</b>	<b>6,331</b>	<b>8,835</b>	<b>8,160</b>	<b>12,343</b>	<b>17,832</b>	<b>22,738</b>	<b>31,332</b>
Plus: Depreciation and amortization	181	219	262	312	371	439	519	612	706
Less: Capital expenditure	5,884	7,761	4,412	5,963	6,872	8,062	9,117	10,764	12,007
Less: Increase in net working capital	-2,584	-1,584	2,326	3,431	4,123	4,461	14,118	7,811	9,121
<b>Unlevered free cash flow (FCFF)</b>	<b>-793</b>	<b>-1,120</b>	<b>-146</b>	<b>-246</b>	<b>-2,464</b>	<b>259</b>	<b>-4,884</b>	<b>4,775</b>	<b>10,909</b>
Present value of FCF	-793	-1,031	-123	-192	-1,766	171	-2,963	2,666	5,603
<b>Cumululative present value of FCFF</b>	<b>1,571</b>								

Source: VNDIRECT RESEARCH

Figure 12: Assumptions

DCF key input	
Cost of equity	14.07%
Cost of debt	5.21%
Target D/(D+E)	0.54
Effective tax rate	20%
WACC	8.69%
Long term growth	2.00%

Source: VNDIRECT RESEARCH

Figure 13: DCF valuation model

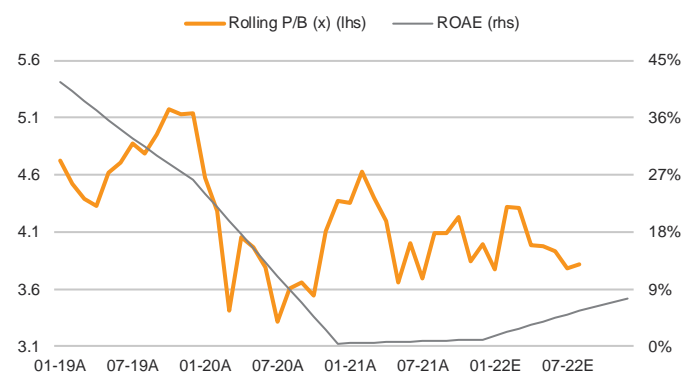
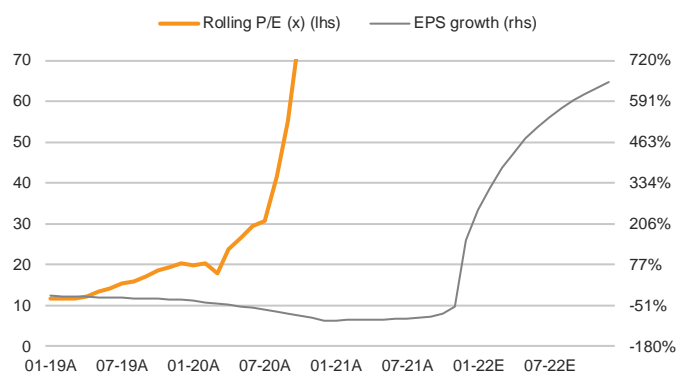
Unit	VNDbn
<b>Terminal FCFF</b>	<b>10,909</b>
Growth	2.0%
<b>Terminal value</b>	<b>166,443</b>
Discount factor	0.51
<b>Present value of terminal value</b>	<b>85,486</b>
<b>Enterprise Value</b>	<b>87,057</b>
Enterprise value	87,057
Less: Total debt	20,055
Plus: Cash and Cash Equivalents	4,490
<b>Implied equity value</b>	<b>71,492</b>
Outstanding shares	541,611,334
<b>Equity value per share</b>	<b>132,000</b>

Source: VNDIRECT RESEARCH

**Figure 14: Peer comparison**

Company name	Ticker	Price	Target price	Recomm.	Mkt cap	P/E		3-year EPS	P/BV		ROE (%)		EV/EBITDA	
		LC\$	LC\$			US\$m	2022F	2023F	CAGR (%)	2022F	2023F	2022F	2023F	2022F
<b>Low cost carriers</b>														
VIETJET AVIATION JSC	VJC VN	126,500.0	132,000	HOLD	2,856.8	51.4	19.1	-40.6	3.9	3.2	7.6	18.1	34.5	17.3
AIRASIA GROUP BHD	AAGB MK	1	N/A	NR	830.0	NA	NA	NA	NA	NA	47.2	21.1	NA	12.6
CEBU AIR INC	CEB PM	53	N/A	NR	662.4	NA	29.4	NA	1.9	1.5	-45.5	24.4	57.0	4.4
ASIA AVIATION PCL	AAV TB	3	N/A	NR	429.9	NA	NA	NA	1.2	1.3	-26.8	-0.3	NA	10.7
<b>Average</b>						<b>52.7</b>	<b>22.8</b>		<b>2.2</b>	<b>1.9</b>	<b>-4.5</b>	<b>16.1</b>	<b>45.8</b>	<b>10.1</b>

Source: VNDIRECT RESEARCH, BLOOMBERG

**Valuation**

**Income statement**

(VNDbn)	12-21A	12-22E	12-23E
Net revenue	12,875	50,385	88,341
Cost of sales	(14,914)	(48,050)	(81,803)
Gen & admin expenses	(366)	(403)	(581)
Selling expenses	(608)	(732)	(1,339)
<b>Operating profit</b>	<b>(3,012)</b>	<b>1,200</b>	<b>4,618</b>
Operating EBITDA	(2,914)	1,381	4,837
<b>Depreciation and amortisation</b>	<b>(98)</b>	<b>(181)</b>	<b>(219)</b>
<b>Operating EBIT</b>	<b>(3,012)</b>	<b>1,200</b>	<b>4,618</b>
Interest income	4,033	1,504	883
Financial expense	(806)	(1,391)	(1,975)
Net other income	8	33	58
Income from associates & JVs	(42)	(27)	(47)
<b>Pre-tax profit</b>	<b>180</b>	<b>1,319</b>	<b>3,537</b>
Tax expense	0	0	0
Minority interest	(5)	(1)	(4)
<b>Net profit</b>	<b>175</b>	<b>1,317</b>	<b>3,533</b>
Adj. net profit to ordinary	175	1,317	3,533
Ordinary dividends	0	0	0
<b>Retained earnings</b>	<b>175</b>	<b>1,317</b>	<b>3,533</b>

**Balance sheet**

(VNDbn)	12-21A	12-22E	12-23E
Cash and equivalents	1,868	4,490	8,305
Short term investments	859	872	880
Accounts receivables	23,261	24,768	23,199
Inventories	811	920	1,305
Other current assets	67	539	766
<b>Total current assets</b>	<b>26,867</b>	<b>31,589</b>	<b>34,455</b>
Fixed assets	1,158	1,244	1,339
Total investments	149	149	149
Other long-term assets	23,479	30,547	43,172
<b>Total assets</b>	<b>51,654</b>	<b>63,529</b>	<b>79,115</b>
Short-term debt	7,320	7,554	10,890
Accounts payable	3,241	3,336	2,597
Other current liabilities	4,961	9,538	10,904
<b>Total current liabilities</b>	<b>15,522</b>	<b>20,428</b>	<b>24,391</b>
Total long-term debt	8,140	12,501	15,447
Other liabilities	11,137	12,744	18,073
Share capital	5,416	5,416	5,416
Retained earnings reserve	11,281	12,599	16,132
<b>Shareholders' equity</b>	<b>16,834</b>	<b>17,835</b>	<b>21,180</b>
Minority interest	20	21	25
<b>Total liabilities &amp; equity</b>	<b>51,654</b>	<b>63,529</b>	<b>79,115</b>

**Cash flow statement**

(VNDbn)	12-21A	12-22E	12-23E
<b>Pretax profit</b>	<b>180</b>	<b>1,319</b>	<b>3,537</b>
Depreciation & amortisation	98	181	219
Tax paid	(11)	0	0
Other adjustments	1,959	(330)	(196)
<b>Change in working capital</b>	<b>(8,794)</b>	<b>2,584</b>	<b>1,584</b>
<b>Cash flow from operations</b>	<b>(6,568)</b>	<b>3,754</b>	<b>5,144</b>
Capex	(175)	(5,884)	(7,761)
Proceeds from assets sales	1	0	0
Others	(709)	157	151
Other non-current assets changes	0	0	0
<b>Cash flow from investing activities</b>	<b>(883)</b>	<b>(5,728)</b>	<b>(7,610)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	4,044	4,595	6,282
Other financing cash flow	2,349	0	0
Dividends paid	0	0	0
<b>Cash flow from financing activities</b>	<b>6,393</b>	<b>4,595</b>	<b>6,282</b>
Cash and equivalents at beginning of period	2,926	1,868	4,490
<b>Total cash generated</b>	<b>(1,058)</b>	<b>2,621</b>	<b>3,816</b>
Cash and equivalents at the end of period	1,868	4,490	8,305

**Key ratios**

	12-21A	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	1.4%	2.6%	4.0%
Asset turnover	0.27	0.87	1.24
ROAA	0.4%	2.3%	5.0%
Avg assets/avg equity	3.04	3.32	3.66
ROAE	1.1%	7.6%	18.1%
<b>Efficiency</b>			
Days account receivable	324.7	73.6	42.0
Days inventory	19.9	7.0	5.8
Days creditor	79.3	25.3	11.6
Fixed asset turnover	12.82	41.94	68.41
ROIC	0.5%	3.5%	7.4%
<b>Liquidity</b>			
Current ratio	1.7	1.5	1.4
Quick ratio	1.7	1.5	1.4
Cash ratio	0.2	0.3	0.4
Cash cycle	265.2	55.2	36.2
<b>Growth rate (yoy)</b>			
Revenue growth	(29.3%)	291.3%	75.3%
Operating profit growth	18.1%		284.9%
Net profit growth	155.6%	651.5%	168.2%
EPS growth	155.6%	651.5%	168.2%

Source: VND RESEARCH



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### RECOMMENDATION FRAMEWORK

#### Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

#### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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