

VIETTEL POST JSC (VTP) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND84,800	VND95,300	1.83%	Add	INDUSTRIALS

8 September 2021

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

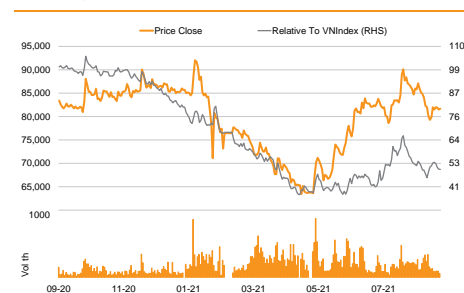
Consensus*: Add:5 Hold:1 Reduce:0

Target price / Consensus: -7.9%

Key changes in the report

➤ FY22-23F EPS increased by 16.1%/13.4%.

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	92,024
52w low (VND)	63,429
3m Avg daily value (VNDmn)	18,008
Market cap (VND bn)	8,447
Free float (%)	28
TTM P/E (x)	17.7
Current P/B (x)	5.61

Ownership

Viettel Group	68.1%
Others	31.9%

Source: VND RESEARCH

Analyst(s):



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Earnings outlook remains positive

- In 2Q21, VTP's net profit (NP) increased modestly 3.1% yoy to VND106bn. 1H21 NP grew 7.3% yoy, fulfilling 48.5% of our full-year forecast.
- We maintain FY21F EPS while revise up FY22/23F EPS forecasts by 16.1%/13.4% to reflect brighter outlook on VTP's delivery segment.
- Reiterate Add with higher DCF-based target price (TP) of VND95,300.

2Q21 delivery services maintained stable growth

In 2Q21, VTP's revenue increased 19.7% yoy on the back of (1) commercial sales increased 23.9% yoy, and (2) delivery services increased 12.4% yoy thanks to the estimated 13.0% yoy increase in delivery volume. However, 2Q21 gross profit only increased 1.1% yoy due to shrinking commercial sales GM. Changes in sale policy of Viettel Telecom led to the 66.8% yoy decrease in commercial sales gross profit while delivery services gross profit increased 17.7% yoy thanks to impacts from increasing economies of scales. As 2Q21 G&A expenses declined 10.8% yoy thanks to technology improvements, 2Q21 NP increased 3.1% yoy to VND106bn. 1H21 NP grew 7.3% yoy, fulfilling 48.5% of our full-year forecast, in-line with our expectation.

Challenges in short-term, longer-term resilience intact

Due to strict social distancing since 3Q21, many last-mile delivery companies have to scale down business, such as Giao Hang Tiet Kiem, Grab, Be or other techbike applications. During the hard time, VTP has seized this opportunity to deploy the digital post office model since Feb-21, which has enhanced convenience for consumers while also help VTP save costs. VTP also promoted Voso.vn to capture the online-demand shopping during social distancing period. We expect the delivery market value to rise at a CAGR of 11.4% over FY21-23F, fuelled by strong growth of ecommerce. Consequently, VPT's delivery revenue is forecasted to grow 12.5%/22.9%/10.4% yoy over FY21-23F.

Reiterate Add with higher DCF-based TP of VND95,300

We revise up our DCF-based TP by 11.9% following a 16.1%/13.4% FY22-23F EPS upgrade as we believe VTP's competitors are facing difficulties and VTP can seize this opportunity to expand its market share based on its comprehensive ecosystem from e-commerce platform to nationwide last-mile delivery infrastructure. Downside risks include: (1) a prolonged global pandemic or external crisis leading to border closures in countries, which will reduce the volume of outbound parcels to be delivered, (2) lower-than-expected ASP due to fierce competition. Potential re-rating catalysts include: (1) higher-than-expected delivery volume and prices, (2) progress on HSX listing plan.

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	17,234	19,127	22,003	23,216
Revenue growth	120.6%	11.0%	15.0%	5.5%
Gross margin	4.1%	4.0%	4.6%	4.7%
EBITDA margin	3.5%	3.6%	4.1%	4.3%
Net profit (bn)	383	443	597	647
Net profit growth	0.8%	15.5%	34.9%	8.3%
Recurring profit growth	(3.9%)	15.6%	35.2%	8.4%
Basic EPS	4,615	4,275	5,765	6,245
Adjusted EPS	3,955	3,664	4,941	5,352
BVPS	14,553	14,221	17,882	21,809
ROAE	35.2%	33.0%	35.9%	31.5%

Source: VND RESEARCH

EARNINGS OUTLOOK REMAINS POSITIVE

Reiterate Add with higher TP of VND95,300

We reiterate our Add rating on VTP with a higher DCF-based TP of VND95,300 (+11.9% vs our previous report) on the back of (1) almost maintaining FY21F EPS despite the difficulties that the current Covid-19 outbreak impacts on the economy, and (2) upward revision of FY22-23F EPS by 16.1%/13.4% as we believe VTP's competitors are facing difficulties and VTP can seize this opportunity to expand its market share based on its comprehensive ecosystem from e-commerce platform to nationwide last-mile delivery infrastructure. Besides, the HSX listing plan is also another VTP's near-term catalyst in 2021.

Downside risks include:

- A prolonged global pandemic or external crisis leading to border closures in countries, which will reduce the volume of outbound parcels to be delivered.
- Lower-than-expected ASP due to fierce competition.

Potential re-rating catalysts include:

- Higher-than-expected delivery volume and prices.
- Progress on HSX listing plan.

Figure 1: Assumptions

Assumptions	Value
Beta	0.70
Market risk premium	11.0%
Risk free rate	3.0%
Cost of equity	10.7%
Cost of debt	6.9%
Corporate tax	20.0%
WACC	9.7%
Permanent growth	1.0%

Source: VNDIRECT RESEARCH

Figure 2: Equity value (Unit: VNDbn)

DCF Method	Value
PV of FCFF	4,856
Present value of terminal value	5,921
Enterprise value	10,778
Less: Total debt	(1,228)
Less: Preferred securities	-
Less: Noncontrolling interest	-
Plus: Cash and Cash Equivalents	324
Implied equity value	9,873
Outstanding shares	103,558,492
Equity value per share (VND)	95,300

Source: VNDIRECT RESEARCH

Figure 3: Discounted cash flow model (Unit: VNDbn)

	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
EBIT	634	833	914	961	999	1,030	1,125	1,223	1,325	1,430
less: Taxes	-112	-151	-163	-171	-177	-181	-198	-216	-234	-253
EBIAT	522	683	750	790	823	850	927	1,007	1,091	1,177
Plus: Depreciation and amortization	63	65	83	83	84	83	83	84	84	84
Less: Capital expenditure	-74	-152	-85	-85	-82	-84	-85	-85	-84	-82
Less: Increase in net working capital	113	-193	-118	-110	-117	-114	-111	-104	-115	-106
Present value of FCF	624	366	524	514	489	463	468	473	467	468

Source: VNDIRECT RESEARCH

Figure 4: Peer comparison

Company name	Ticker	Market Cap (US\$ m)	3-year EPS CAGR (%)	P/E		P/BV		ROE (%)		Dividend yield (%)		EV/EBITDA	
				2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
Express couriers and 3PLs													
Triple I Logisti	III TB	226	1.5	23.9	23.1	4.6	4.1	20.7	18.6	2.3	2.3	27.9	24.0
United Parcel-B	UPS US	197,693	-26.2	17.6	16.9	14.6	9.9	136.4	79.8	2.1	2.5	12.5	12.0
Cj Logistics	000120 KS	3,419	108.9	43.9	19.9	1.0	1.0	2.8	5.3	0.0	0.0	8.7	8.1
Kerry Logistics	636 HK	6,079	14.1	12.9	13.5	1.6	1.4	10.0	9.5	2.5	2.7	NA	NA
Yto Express Gr-A	600233 CH	5,749	5.5	22.1	19.8	1.9	1.8	8.5	9.3	1.2	1.2	10.5	8.6
Sto Express Co-A	002468 CH	2,034	-30.3	NA	59.8	1.3	1.3	-0.7	2.4	1.2	1.3	18.4	9.7
Average				24.6	18.3	5.5	4.1	42.5	28.3	1.7	1.9	16.4	14.7
Postal companies													
Royal Mail	RMG LN	6,847	81.6	7.9	7.9	0.9	0.9	13.1	12.9	4.0	4.7	3.9	3.8
Deutsche Post-Rg	DPW GR	87,216	4.9	15.5	15.2	4.4	3.9	30.5	26.0	2.7	2.9	7.7	7.6
Bpost Sa	BPOST BB	1,948	NA	7.1	7.4	1.9	1.6	34.1	25.4	5.7	5.6	3.5	3.6
Singapore Post	SPOST SP	1,105	543.3	20.6	16.5	1.0	1.0	5.0	5.9	2.6	3.5	11.3	10.0
Average				12.8	11.8	2.0	1.8	20.7	17.6	3.8	4.1	6.6	6.3
Overall average				19.1	20.0	3.3	2.7	26.0	19.5	2.4	2.7	11.6	9.7
Viettel Post Jsc	VTP VN	388	19.1	19.9	14.8	6.0	4.8	33.0	35.9	1.8	1.8	11.6	9.0

Source: VNDIRECT RESEARCH, BLOOMBERG DATA AT Sep 08, 2021

2Q21 results: delivery services maintained stable growth

Figure 5: 2Q21 results overview (Unit: VNDbn)

	2Q21	2Q20	% yoy	1H21	1H20	vs our		Comments
						% yoy	forecast	
Net revenue	5,193	4,337	19.7%	10,351	6,799	52.2%	54.2%	
Commercial sales	3,410	2,751	23.9%	6,960	3,827	81.9%	59.6%	
Delivery services	1,783	1,586	12.4%	3,391	2,972	14.1%	45.8%	VTP's 2Q21 delivery volume was estimated to rise 13% yoy while 2Q21 ASP inched down 0.5% yoy.
Gross profit	185	183	1.1%	378	355	6.5%	47.1%	2Q21 gross profit only increased 1.1% yoy due to shrinking commercial sales GM leading to the 66.8% yoy decrease in commercial sales gross profit while delivery services gross profit increased 17.7% yoy.
Blended GM	3.57%	4.23%	-0.66% pts	3.65%	5.22%	-1.57% pts		
Commercial sales GM	0.35%	1.32%	-0.97% pts	0.34%	1.14%	-0.80% pts		2Q21 commercial sales GM narrowed 0.97% pts yoy due to changes in sale policy of Viettel Telecom.
Delivery services GM	9.72%	9.28%	0.44% pts	10.44%	10.47%	-0.03% pts		Delivery services GM increased 0.44% pts yoy due to impacts from increasing economies of scales.
Financial income	23	25	-7.5%	46	50	-8.1%	36.9%	
Financial expenses	12	14	-15.1%	24	30	-19.2%	30.2%	
Selling expenses	5	(1)	N/A	19	6	240.5%	79.9%	
G&A expenses	60	67	-10.8%	114	120	-4.7%	41.2%	2Q21 G&A expenses declined 10.8% yoy thanks to technology improvements.
Pre-tax profit	133	129	3.1%	268	250	7.2%	48.5%	
Net profit	106	103	3.1%	214	200	7.3%	48.5%	In-line with our expectation.

Source: VNDIRECT RESEARCH, COMPANY REPORTS

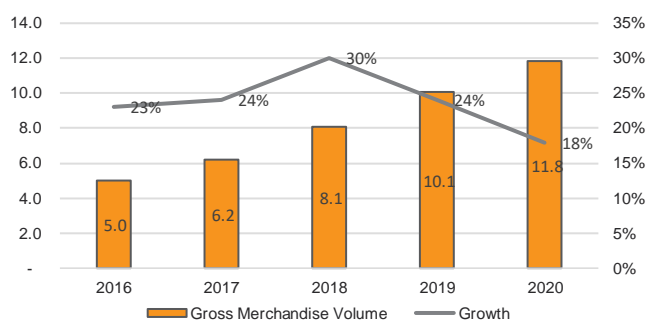
FY21-23F Outlook: Challenges in short-term, longer-term resilience intact

The pandemic creates great opportunities for the delivery industry in serving online shopping

Although Covid-19 caused many difficulties for the economy, Vietnam e-commerce still achieved a high growth of 18% yoy to US\$11.8bn in terms of Gross Merchandise Volume (GMV) in 2020. The number of online shoppers also increased by 10.0% yoy to 49.3m in 2020. The reasons for the growth come from the social distancing regulations of the government, which have caused consumers to adapt to online shopping instead of direct shopping. Amid the pandemic, the shopping behavior of Vietnamese consumers had certain changes such as:

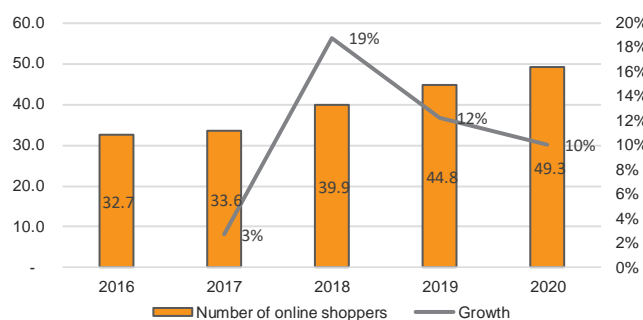
- In the pre-pandemic period, consumers spent 3.7 hours/day for online shopping but during the pandemic this number increased to 4.7 hours/day. The number is expected to slightly reduced to 4.2 hours/day in the post-pandemic period, according to Vietnam E-commerce White Book 2021.
- The percentage of internet user participating in shopping online increased from 77% in 2019 to 88% in 2020.

Figure 6: Vietnam's e-commerce GMV 2016-20 (Unit: US\$bn)



Source: VNDIRECT RESEARCH, VN E-commerce White Book 2021

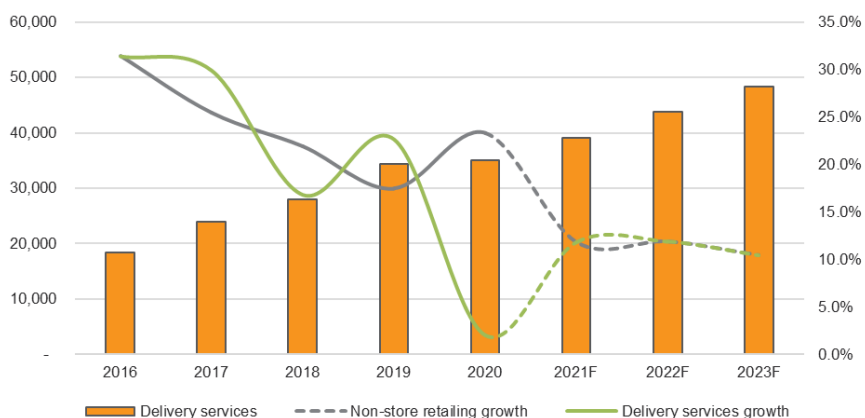
Figure 7: Vietnam's online shoppers (Unit: m)



Source: VNDIRECT RESEARCH, VN E-commerce White Book 2021

Delivery service is the last leg to fulfill the online shopping process. According to Euromonitor's forecast and the high correlation between delivery services growth and non-store retailing growth, we expect the delivery services market value to rise at a CAGR of 11.4% over FY21-23F, fuelled by the strong growth of online shopping.

Figure 8: Vietnam's delivery services market value is forecast to post FY21-23F CAGR of 11.4% (Unit: VNDbn)



Source: VNDIRECT RESEARCH, GSO, Euromonitor

However, only a few businesses including VTP can seize the opportunity

Due to strict social distancing since 3Q21, many last-mile delivery businesses had to reduce operations or halt, such as:

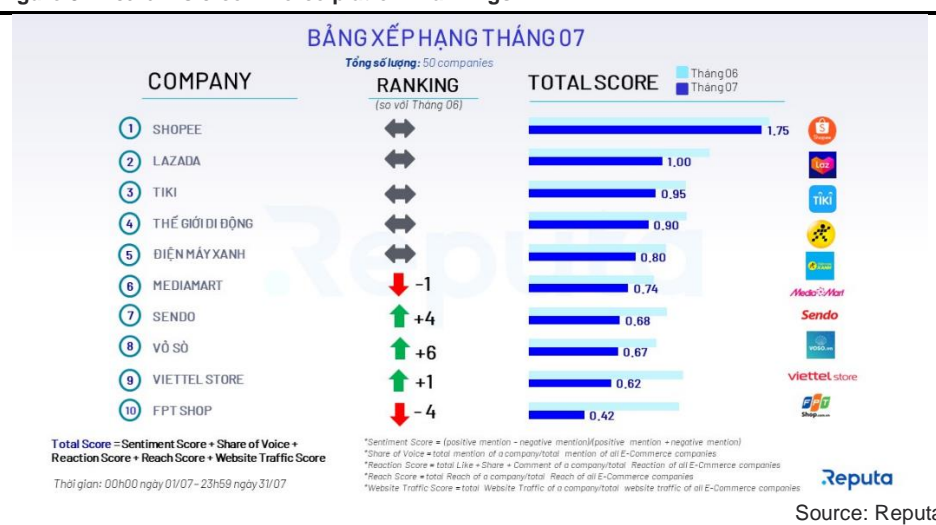
- Giao Hang Tiet Kiem (GHTK), one of the main competitors of VTP, has stopped accepting orders in Hanoi, Ho Chi Minh city and other southern provinces since Aug-21 due to system problem.
- Grab, Be or other techbike applications also had to stop operations in Aug-21 due to government regulations. These business are allowed to re-operate since Sep-21 but shippers must ensure to have valid Covid-

19 negative-testing certificates. This largely limits the operating capacity of these units as their shippers are business partners but not company's employees, therefore it is hard to manage shippers' certificates.

In this difficult situation, VTP has seized the opportunity, in which:

- VTP strictly abided by the regulations of the government, fully completed Covid-19 testing certificates for employees. Therefore, VTP has exceeded its capacity since Jul-21 when the consumer increased online shopping while VTP's competitors are restricted.
- VTP has deployed the digital post office model since Feb-21, in which each digital post office has only one postmaster fully equipped with digital technology to serve customers. This model helps customers not have to go the post offices to send goods, and also helps VTP save the cost of renting, utilities, labor, and optimize the process. Currently, VTP has 600 digital post offices nationwide.
- Voso.vn, VTP's e-commerce platform, has witnessed its ranking rise to 8th in Jul-21 from 14th in Jun-21, according to Reputa's e-commerce platform rankings. Recently, voso.vn has been one of the most active e-commerce platform in supporting groceries and necessities in Ho Chi Minh city and southern regions during social distancing period. In early Sep-21, voso.vn has launched the online-demand shopping nationwide with the ability to supply 500-600 tonne of goods per day.

Figure 9: Vietnam's e-commerce platform rankings



We believe the expansion strategy of VTP while the competitors are facing difficulties will help increase VTP's market share in the delivery market in the coming periods, which is a solid for basis for a strong growth in FY22-23F. We expect VPT's delivery services revenue to grow 12.5%/22.9%/10.4% yoy in FY21-23F.

Maintain FY21F EPS while increase FY22-23F EPS by 16.1%/13.4%

We change our forecasts for VTP's business as follows:

- We increase FY21-23F delivery services revenue by 0.6%/10.6%/10.6% as we believe VTP would successfully expand its delivery market share thanks to its expansion strategy in FY21F.

- We reduce FY21F delivery GM by 0.54% pts to 9.97% due to cost incurred from Covid-19 testing and increased transportation cost from social distancing.
- We reduce FY21-23F G&A expenses by 13.0%/4.5%/4.6% thanks to the deployment of technology improvements which helps reduce labor costs.

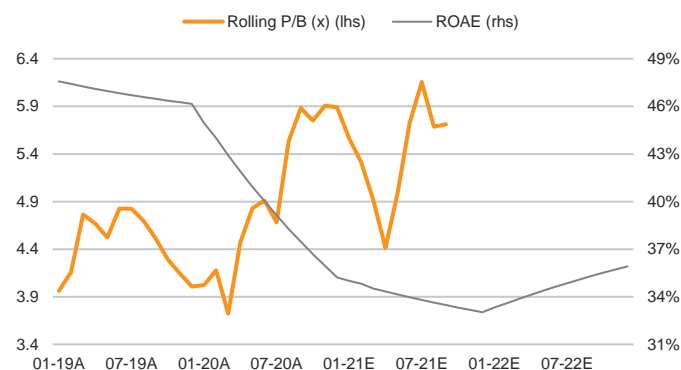
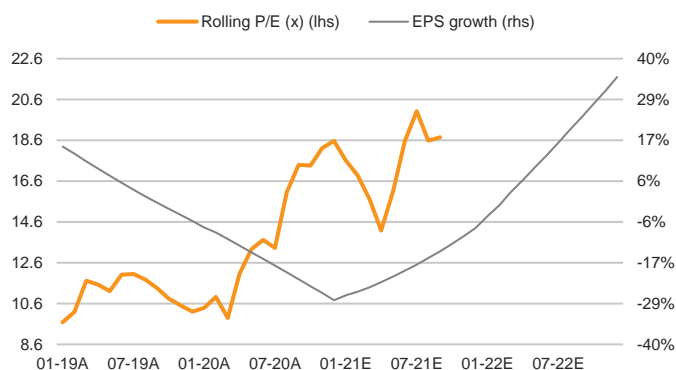
Based on the above adjustments, we almost maintain FY21 EPS but increase FY22-23F EPS by 16.1%/13.4%.

Figure 10: FY21-23F earnings revision

	FY20	FY21F			FY22F			FY23F		
		Old forecast	New forecast	Changes	Old forecast	New forecast	Changes	Old forecast	New forecast	Changes
Net revenue	17,237	19,081	19,127	0.2%	21,129	22,003	4.1%	22,250	23,216	4.3%
Commercial sales	10,618	11,680	11,680	0.0%	12,848	12,848	0.0%	13,105	13,105	0.0%
Delivery services	6,619	7,401	7,447	0.6%	8,281	9,155	10.6%	9,145	10,111	10.6%
Gross profit	701	803	768	-4.4%	904	1,002	10.9%	999	1,093	9.4%
Commercial sales	23	25	25	0.0%	28	28	0.0%	28	28	0.0%
Delivery services	678	778	743	-4.5%	876	974	11.2%	971	1,065	9.7%
Financial income	99	124	125	0.2%	150	149	-0.6%	172	171	-0.5%
Financial expenses	54	79	80	0.6%	81	86	6.1%	94	104	10.8%
Selling expenses	22	24	24	0.6%	27	30	10.6%	30	33	10.6%
General & admin expenses	248	277	241	-13.0%	310	296	-4.5%	342	326	-4.6%
Net profit	383	442	443	0.1%	514	597	16.1%	570	647	13.4%
EPS (VND)	3,701	4,271	4,275	0.1%	4,964	5,765	16.1%	5,506	6,245	13.4%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Valuation



Income statement

(VNDbn)	12-21E	12-22E	12-23E
Net revenue	19,127	22,003	23,216
Cost of sales	(18,359)	(21,001)	(22,123)
Gen & admin expenses	(241)	(296)	(326)
Selling expenses	(24)	(30)	(33)
Operating profit	503	676	734
Operating EBITDA	565	742	817
Depreciation and amortisation	(63)	(65)	(83)
Operating EBIT	503	676	734
Interest income	125	149	171
Financial expense	(80)	(86)	(104)
Net other income	7	8	9
Income from associates & JVs	0	0	0
Pre-tax profit	555	748	810
Tax expense	(112)	(151)	(163)
Minority interest	0	0	0
Net profit	443	597	647
Adj. net profit to ordinary	443	597	647
Ordinary dividends	(155)	(155)	(155)
Retained earnings	287	442	491

Balance sheet

(VNDbn)	12-21E	12-22E	12-23E
Cash and equivalents	324	398	440
Short term investments	2,018	2,277	2,661
Accounts receivables	1,256	1,543	1,704
Inventories	686	837	925
Other current assets	134	163	181
Total current assets	4,417	5,219	5,911
Fixed assets	395	499	511
Total investments	0	0	0
Other long-term assets	83	102	113
Total assets	4,896	5,820	6,534
Short-term debt	1,228	1,499	1,657
Accounts payable	386	474	520
Other current liabilities	1,808	1,995	2,099
Total current liabilities	3,423	3,968	4,276
Total long-term debt	0	0	0
Other liabilities	0	0	0
Share capital	1,036	1,036	1,036
Retained earnings reserve	409	788	1,194
Shareholders' equity	1,473	1,852	2,259
Minority interest	0	0	0
Total liabilities & equity	4,896	5,820	6,534

Cash flow statement

(VNDbn)	12-21E	12-22E	12-23E
Pretax profit	555	748	810
Depreciation & amortisation	63	65	83
Tax paid	(112)	(151)	(163)
Other adjustments	(178)	(211)	(256)
Change in working capital	113	(193)	(118)
Cash flow from operations	440	257	356
Capex	(74)	(152)	(85)
Proceeds from assets sales	0	0	0
Others	(321)	(110)	(212)
Other non-current assets changes	(17)	(35)	(20)
Cash flow from investing activities	(412)	(298)	(317)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	133	270	158
Other financing cash flow			
Dividends paid	(125)	(155)	(155)
Cash flow from financing activities	8	115	3
Cash and equivalents at beginning of period	288	324	398
Total cash generated	36	75	42
Cash and equivalents at the end of period	324	399	440

Key ratios

	12-21E	12-22E	12-23E
Dupont			
Net profit margin	2.3%	2.7%	2.8%
Asset turnover	4.12	4.11	3.76
ROAA	9.5%	11.1%	10.5%
Avg assets/avg equity	3.46	3.22	3.01
ROAE	33.0%	35.9%	31.5%
Efficiency			
Days account receivable	17.3	18.5	19.4
Days inventory	13.6	14.5	15.3
Days creditor	7.7	8.2	8.6
Fixed asset turnover	49.55	49.20	45.99
ROIC	16.4%	17.8%	16.5%
Liquidity			
Current ratio	1.3	1.3	1.4
Quick ratio	1.1	1.1	1.2
Cash ratio	0.7	0.7	0.7
Cash cycle	23.3	24.8	26.1
Growth rate (yoy)			
Revenue growth	11.0%	15.0%	5.5%
Operating profit growth	17.1%	34.6%	8.5%
Net profit growth	15.5%	34.9%	8.3%
EPS growth	(7.4%)	34.9%	8.3%

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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