Yuanta Research

Initiation of Coverage

# Vietnam: Transportation

27 September 2019

## Action

**Hold-Underperform**

**TP upside (downside) +0%**

**Close 26 Sep 2018**

| | |
|---|---|
| Price | VND 76,400 |
| 12M Target | VND 76,400 |
| Previous Target | N/A |
| Change | N/A |

## What's new?

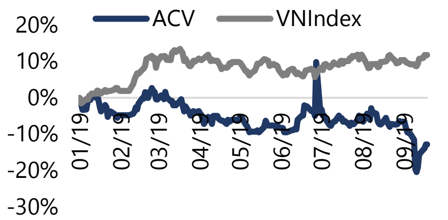
- Aero revenues are cruising at high altitude.
- Non-aero income has been cleared for takeoff.
- But the potential delisting puts the entire flight at risk of cancellation.
- Ultimately, this risk overwhelms our positive fundamental view.

## Our view

- ACV's strong fundamentals are very attractive. We estimate fair value at VND86K (USD3.71), implying a 13.4% 12-month TSR.
- But, the potential "delisting" calls the stock's investability into question.
- A possible cancellation of this plan could catalyze a rating upgrade.

**Company profile:** ACV is the sole operator of all 22 civil airports in Vietnam. Passenger service charges contribute 56% of revenues, whereas income from landing and taking off (as well as the airfield assets) belong to the government. Recently, the authorities announced a plan to repurchase the shares ACV's trades on the Unlisted Public Company Market (UPCom) board, substantially increasing investor uncertainty.

**Share price performance relative to VNI**




| | |
|---|---|
| Market cap | US$7,126mn |
| 6M avg. daily turnover | US$0.3mn |
| Outstanding shares | 2,117mn |
| Free float | 4.6% |
| FINI ownership | 0.0% |
| Major shareholders | 95.4% |
| Net cash/equity | 30% |
| 2019E EV/EBITDA | 14.2 |
| 2019E P/B (x) | 4.7 |
| Trading platform | UPCom |
| FOL Room | 30% |

**Financial outlook (VND bn)**

| Year to Dec | 2018A | 2019E | 2020E | 2021E |
|---|---|---|---|---|
| Sales | 16,090 | 17,893 | 18,577 | 21,981 |
| Op. profit | 6,588 | 7,466 | 7,763 | 9,860 |
| Net profit* | 5,726 | 6,183 | 6,699 | 8,626 |
| EPS (VND) | 2,705 | 2,840 | 3,077 | 3,962 |
| EPS chg (%) | 55% | 5% | 8% | 29% |
| P/E (x) | 33.3 | 27.1 | 25.0 | 19.4 |
| ROE (%) | 21% | 21% | 19% | 20% |
| Div. yield (%) | 1.0% | 1.2% | 0.6% | 0.6% |
| DPS (VND) | 900 | 900 | 500 | 500 |

*Net profit attributable to shareholders (PATMI minus employee welfare contribution).

# Airports Corp of Vietnam (ACV VN)

## Better to be careful than reckless

**Aero revenues are flying.** ACV's aero revenues, which comprise c. 80% of total revenues, have posted attractive CAGR of 24% in FY14-18, supported by strong growth in passenger throughput. Surging traffic and a potential increase in the regulated passenger service charge support confidence in an extended growth runway for this business.

**Non-aero income has been cleared for takeoff.** By focusing on large scale airports, ACV should leverage economies of scale to strengthen non-aero sales. Probable increases in rental rates are supported by strong demand and should improve this segment's performance further.

**Short-term headwinds are a worry.** Unfortunately, the state's buyback proposal presents the risk that the shares may not be publicly traded for much longer. Also, major runway overhauls that we expect to commence in 2H20 could be a drag on next year's results.

**Yuanta vs consensus.** We are in line with the Street's view on FY19 results but more cautious on FY20-21E. This could be due to our flat YoY PAX growth assumption for 2020E, and we also believe current facility capacity limitations will hinder business growth until FY22E.

**We prefer our pilots to be pessimists, not optimists.** Investability, a concern for all UPCom-traded shares, is especially acute for ACV given the potential for the tiny free float to be repurchased by the government.

**We thus initiate with Hold-Underperform** and set our target price (TP) in line with the current market level. Our fair value estimate of VND 86,000 implies 13.4% 12-month total shareholder returns (TSR), but the fundamental story may be superfluous amid the stock's potential removal from UPCom trading. We might change our investment view on ACV if the authorities decide against proceeding with this plan.


**Research Analysts:**

**Quang Vo**

+84 28 3622 6868 ext 3872

quang.vo@yuanta.com.vn

# Our view

In our view, ACV's strong fundamentals and bright growth prospects are attractive, and **we estimate the stock's fair value to be VND86,000**, implying 13.4% total shareholder return (including dividend) from the current level. However, we believe that the potential government repurchase of the ticker outweighs our positive fundamental view.

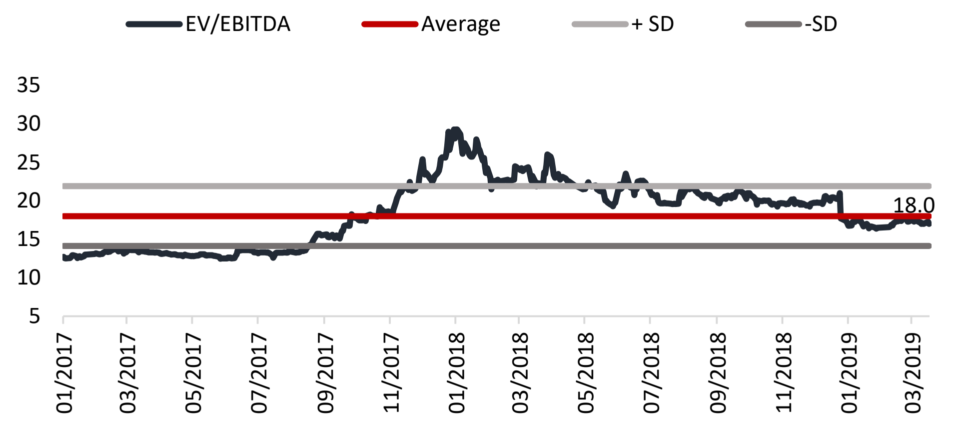
The background to this is that the Ministry of Transport (MOT) has proposed a plan to repurchase all free-floating shares in ACV so as to reinstate the company as a 100% state-owned corporation. This is intended as a possible solution to airfield maintenance issues, as "equitized" entities such as ACV (even those that are 95% government-owned) cannot invest in runway facilities, but it could do so if it were once again a 100% state-owned enterprise.

In this situation, investors are left to ask themselves a crucial question: Is ACV investable? We cannot answer that question decisively for all clients. But the potential liquidity risks, which are present for all shares that trade on the UPCom platform, have obviously been heightened by the possible government delisting* of the company's tiny free float.

Our initiation note on ACV focuses mainly on the business fundamentals rather than the risk that its shares may be removed from trading on the UPCom platform. However, we find it difficult to take a strong view on the stock as an investment proposition due to this existential risk. The bottom line is that we do not know if the stock will persist as a tradeable asset.

Thus, we rely on the admittedly dubious wisdom of the crowd: Although our fair value implies 13.4% total shareholder returns over the next 12 months, **we set our 12-month target at the latest close of VND76.4K, and we initiate coverage with a Hold-Underperform recommendation.**

**Fig 1: ACV's historical EV/EBITDA**



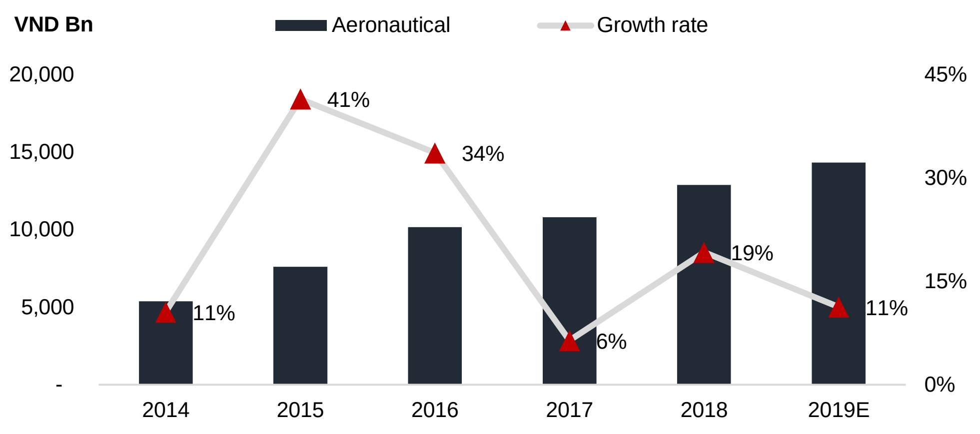

*Source: Bloomberg*

***Note:** We are scratching our heads over what terminology to use here. ACV trades on the Unlisted Public Company Market (UPCom) board. Obviously, an unlisted company cannot be delisted. However, "buyback" and "nationalization" or "renationalization" also have implications that do not seem quite right in the case of ACV. The firm itself would not be buying back shares, and it seems somehow inaccurate to talk of "renationalization" of a stock that is 95% government-owned. For the sake of simplicity, we will go with "delisting" in this report.

## ACV's aero revenues are flying

**Aero revenues, which constitute 80% of company-wide revenues, have posted impressive CAGR of 24% in FY14-18,** backed by strong growth in passenger (PAX) throughput. Surging traffic and potential room for raising regulated passenger service charges (PSC) increases our confidence in ACV's highly attractive long-run growth rate.

**Fig. 2: ACV's aero revenues saw strong growth during FY14-18**

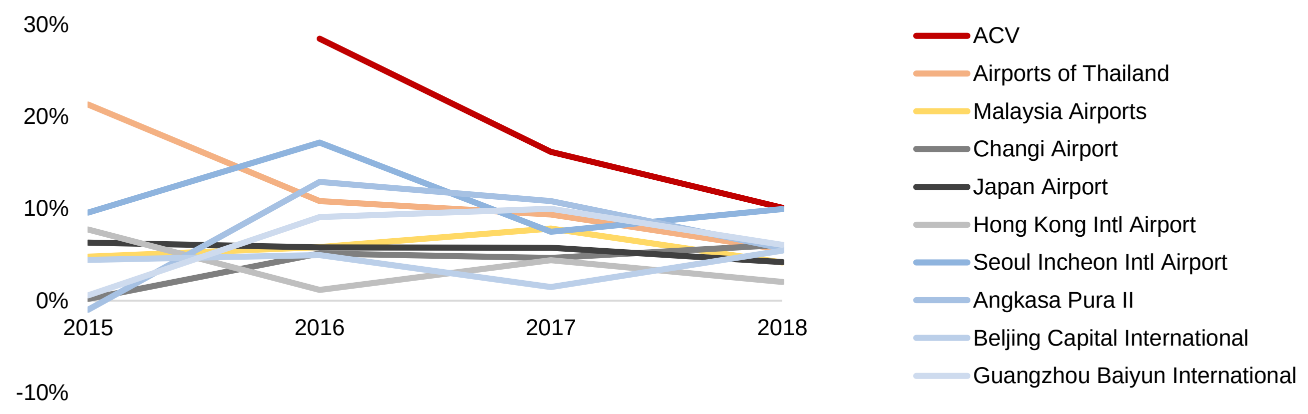



*Source: ACV, Yuanta Vietnam*

### PAX traffic should keep growing strongly

**ACV posted strong PAX throughput growth of 18% CAGR during FY15-18,** which is much higher than the Asian regional average of 7%-10% according to data from the International Air Transport Association (IATA).

**Fig. 3: ACV has seen the highest growth in passenger throughput in the region in the past three years**




*Source: Company data, Yuanta Vietnam*

**We believe the recent decline in Chinese PAX to be a temporary phenomenon**

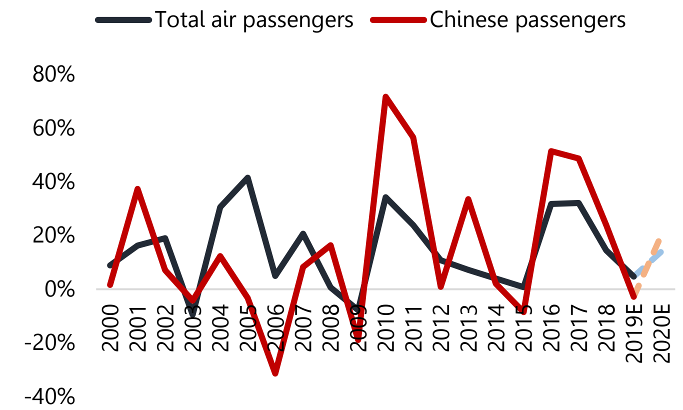
**We believe that ACV should retain high growth rates in the foreseeable future due to:**

**(1) International PAX should retain its rapid growth pace.** Over the past five years, international PAX has risen at a 16% CAGR, backed by the developing Vietnamese tourism industry. For FY19, tourist throughput is likely to slow to 8% YoY, largely due to a decline in Chinese passengers (who account for roughly 32% of total international PAX). We view this decline as a result of China's slowing economy amid the Sino-US trade tensions. Although a short-term impact appears to be unavoidable, we believe that this decline in Chinese PAX is temporary. As exhibited in Fig. 4, the number of foreign visitors to Vietnam is strongly cyclical in nature, and we expect this characteristic to persist for Chinese visitors. Coupled with strong growth in ex-China regional PAX (+13% YoY for 7M19), we think that international passenger growth should rebound and remain strong in upcoming years regardless of the trade war.

**New LLCs and hybrid airlines should unlock more air-travel demand**

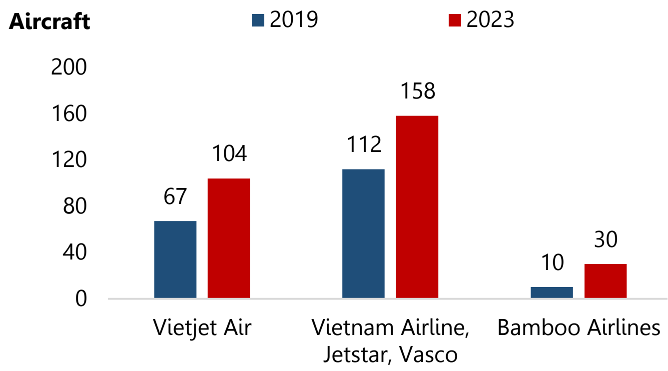
**(2) Low-cost carriers (LCCs) are doing a good job in penetrating air-travel demand from price-sensitive customers.** VietJet Air has been welcomed by Vietnamese customers with growth of 47% CAGR during FY13-18. After the success of VietJet Air, numerous other airlines have been established (both LCCs and hybrid LCC/full-service carriers), including Bamboo Airlines, Vietstar Airlines, and Vietravel Airlines. These new entrants target different consumer groups and we believe will unlock more potential demand for travel services. Given the rapid increase in Vietnam's middle class (+1.5 million people each year, the World Bank reports), we expect to see increasing air travel for many years to come.

**Fig. 4: PAX growth rate is highly cyclical**




*Source: Vietnam National Administration of Tourism, Yuanta Vietnam*

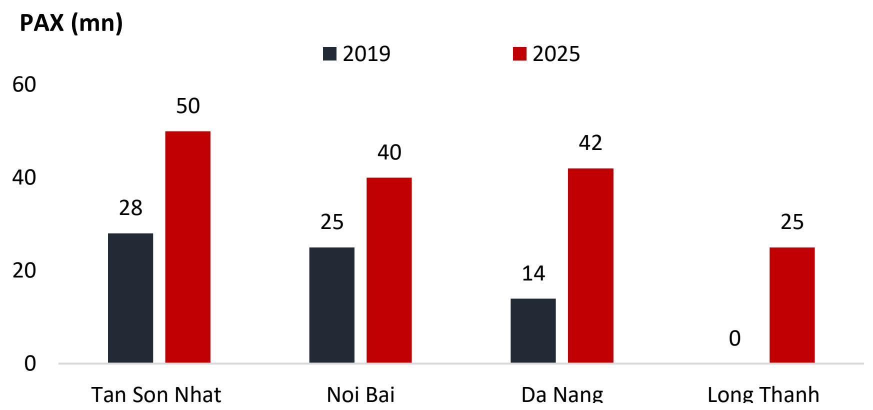
**Fig. 5: Vietnamese airlines have established ambitious fleet growth plans**




*Source: Company data, Yuanta Vietnam*

**(3) ACV plans to double its capacity to nearly 200mn PAX by FY31,** which should meet future traffic demand, based on our estimates.

**Fig. 6: ACV's airport terminals are strengthening their capacity**




*Source: ACV, Yuanta Vietnam*

**For FY19-25E, we estimate that ACV should record 9-10% YoY growth in PAX throughput.** We have penciled in a 7% CAGR for FY25-35. International PAX should be the main driver, with 15-20% YoY growth in FY19-25E.

## Domestic passenger service charges have room to increase

**Based on historical growth momentum and comparisons with other airport operators, we believe that ACV could be permitted to raise PSC by FY22**

An upcoming PSC revision is likely to happen soon, due to:

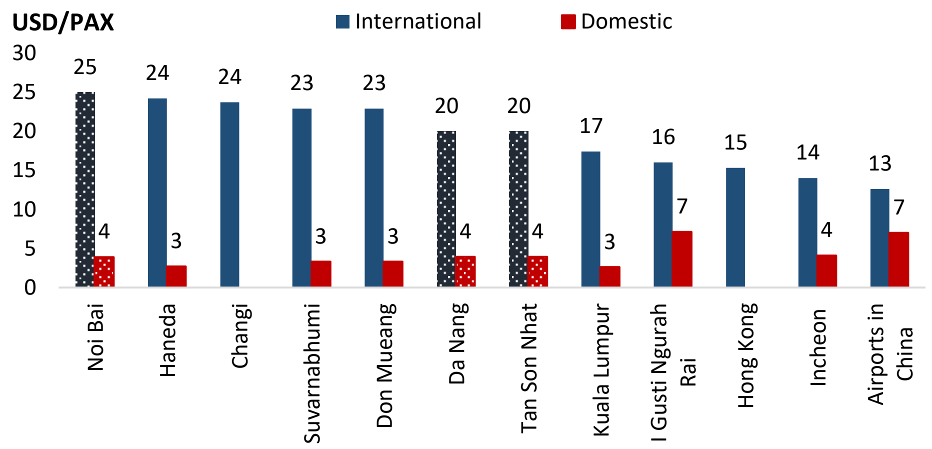
(1) The periods between PSC increases have gradually become shorter: PSC revisions occurred in 2000, then 2006 (a six-year gap), 2010 (four years), 2014 (four years), and 2017 (three years).

(2) The MOT has been in charge of setting the price since 2017, whereas it was previously set by the Ministry of Finance (MOF, up to 2014). The MOT's 95% stake in ACV could be an incentive to continue raising the PSC and doing so more frequently.

**We are more confident in the upside for domestic PSC than for international PSC.** Domestic PSC is starting from a much lower position than that of regional Asian airport operators, especially compared with international PSC (Fig. 7). In addition, domestic PSC has seen much higher growth momentum over the past decade (Fig. 8).

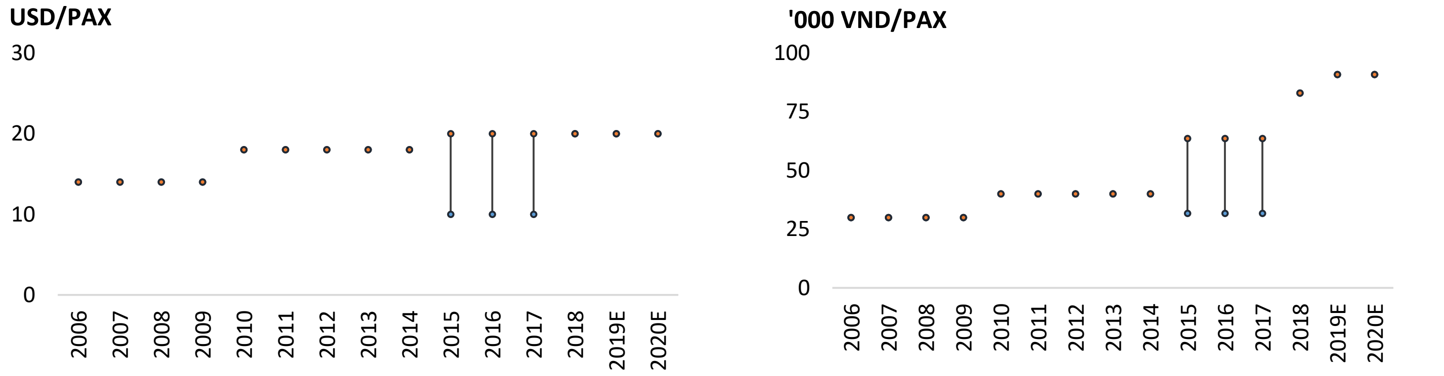
**Thus, we assume that the next revision will occur in FY22 with a 14% increase.** We must emphasize that these assumptions are based only on historical data and relative comparisons with other airport operators in the region; ACV's management does not provide any projection for future revisions.

**Fig. 7: PSC in Tan Son Nhat (HCMC) and Da Nang airports are in the middle of the pack when it comes to passenger service charges**




*Source: Company/airport data, Yuanta Vietnam*

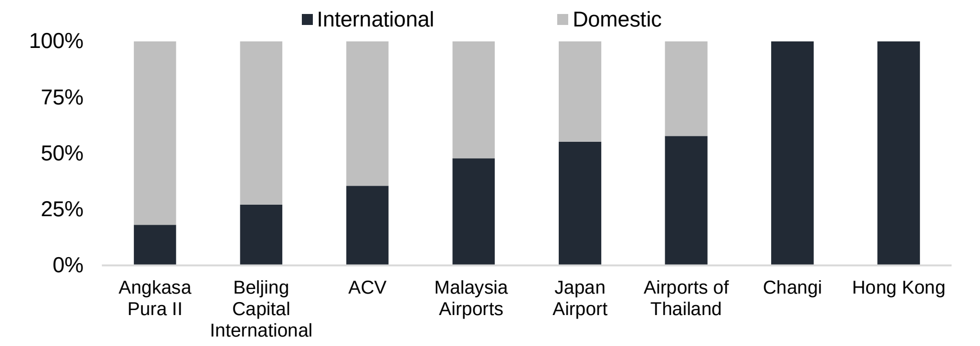
**Fig. 8: PSC at Tan Son Nhat airport for both international (LHS) and domestic (RHS) passengers has been adjusted roughly every 4-5 years recently**




*Source: Ministry of Transport, Ministry of Finance, Yuanta Vietnam*

**Positive changes in the PAX mix should be the main driver for higher average PSC in FY19-21E.** We project the growth rate of international PAX at 20% YoY versus domestic PAX at 5% YoY. This is a low proportion of international PAX in total PAX versus regional peers, leading us to believe that a favorable PAX mix change will occur gradually in upcoming years.

**Fig. 9: International PAX still has a limited contribution to ACV's income, compared to regional peers**



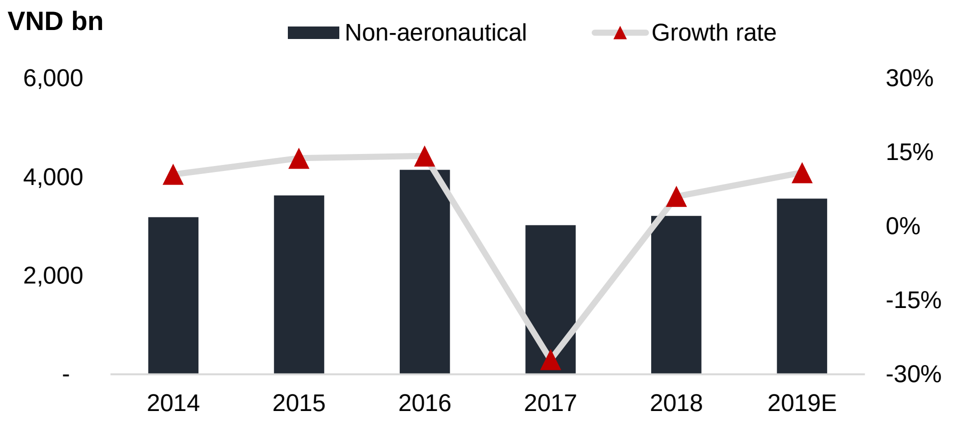

*Source: Company data, Yuanta Vietnam*

We pencil in a 0.5% growth in average PSC during FY19-21E due to a higher proportion of international passengers relative to domestic passengers. We assume 4% YoY growth in FY22E based on our expectation of another increase from the Ministry of Transport in that year. We then project 0.5% YoY growth for PSC for each of the subsequent three years, again due to the shift in passenger mix in favor of international travelers.

## Non-aero revenues – Cleared for takeoff

In contrast to aero revenues, non-aero revenues still play a limited role in ACV's consolidated income. However, we believe this could be set to change for the better going forward.

**Fig. 10: ACV's non-aero revenues were highly volatile during FY14-18**




*Source: ACV, Yuanta Vietnam*

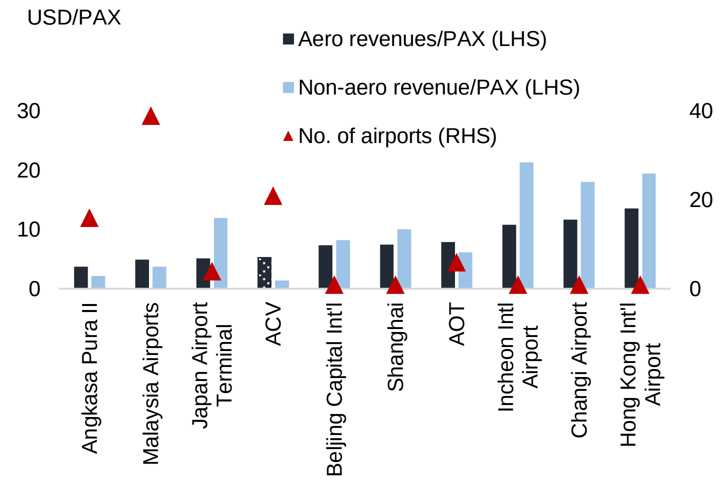
**Non-aero revenue per PAX has been stuck in the hangar…**

(1) ACV mainly depends on aero income, which is supported by Vietnam's relatively high PSC. However, non-aero revenues appear to have been underexplored. Our analysis of airport operator performance across Asia reveals some potential reasons for why this is the case:

(2) Airport operators that report low non-aero revenues/PAX tend to manage a large number of airports. Typical examples are Angkasa Pura II (16 airports in Indonesia), Malaysia Airports (39), and ACV (22).

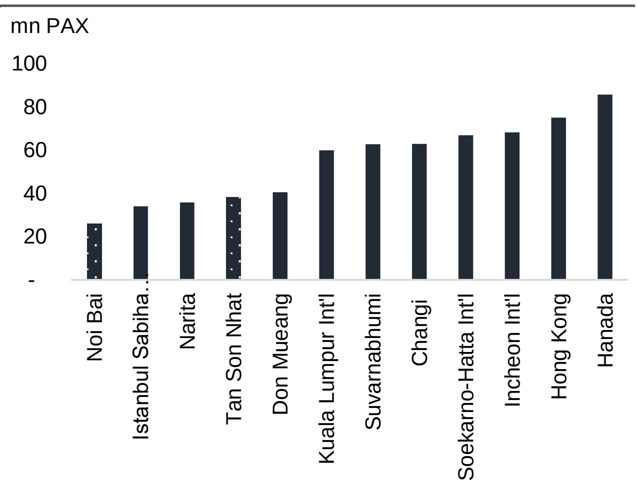
ACV's two largest airports (Tan Son Nhat in Ho Chi Minh City and Noi Bai in Hanoi) have only limited capacity compared to other more efficient airports across Asia.

**Fig. 11: ACV's revenues/PAX is among the lowest in Asia, while it operates a relatively high number of airports**




*Source: Company/airport data, Yuanta Vietnam*

**Fig. 12: Noi Bai (Hanoi) and Tan Son Nhat (HCMC) have limited capacity vs other regional airports**




*Source: Company/airport data, Yuanta Vietnam*

Non-aero income depends heavily on economies of scale because of the required floor area for retail/F&B rentals, advertising, and self-operated duty-free shops. Thus, we believe the reason for ACV's historically low non-aero sales/PAX is the fact that it manages a large number of airports, with smaller facilities handling less than 1mn PAX/year. This lack of economies of scale may have resulted in (1) inefficient operations overall and (2) probable underinvestment in the large airports.

**… But we believe ACV's non-aero revenues have finally been cleared for takeoff**

**We expect ACV's three major airports to be the main contributors to the company's non-aero revenues**

**ACV is focusing on investment in large-scale airports.** The company plans to nearly double capacity at the three largest airports it operates – Tan Son Nhat, Noi Bai, and Danang – by 2025. In addition, Long Thanh Airport will have the capacity to handle up to 100mn PAX/year when completed. Although completion of the new HCMC airport is a long way off, its first stage should add 25mn in annual PAX capacity by FY25E.

That said, ACV is a state-owned company and thus has to fulfill social obligations that are not necessarily profitable. The company plans to raise the number of airports in its portfolio from 22 to 28 to meet travelling demand in less-developed regions of Vietnam. With the exception of Long Thanh, we assume that the other new airports will drag on ACV's profitability (although these regional airports will be small and thus their negative effects should be limited).

**Current rental rates at Vietnam's major airports are far below rental rates of regional airports. Current domestic demand should support substantially higher rates**

**Increasing rental rates should also help to improve non-aero revenues.** Airport rental rates are regulated by the MOT and are well below rental rates in regional airports. Based on our research, monthly rental rates per square meter (rates/m2/month) for commercial space are around USD500-650 in the international terminals at Suvarnabhumi and Don Mueang International Airports (run by AOT TB) in Thailand, and more than USD250 in Kuala Lumpur Airport in Malaysia. These regional peer rates are substantially higher than the USD25-38 at Da Nang Airport, USD60-90 at Tan Son Nhat, and USD70-105 at Noi Bai. ACV's management has proposed raising the upper limit of its rates to USD150 for some international airport terminals, which it believes should be supported by the current strong demand.

In our model, we pencil in 11-13% CAGR for non-aero service revenues during FY19-25E. From FY25E onwards, we assume the segment will record 20% growth rates annually as new and much larger terminals commence operations.

# Short-term fundamental headwinds

**Some key runways are in urgent need for major maintenance, but are hindered by regulatory, jurisdictional issues**

## Urgent runway maintenance needs could adversely affect ACV's performance in FY20E

Two runways (out of a total of four) in Tan Son Nhat and Noi Bai Airports are in poor condition and require major maintenance overhauls that should last for around four months each. This is a significant issue given that these two airports handle roughly 60% of ACV's PAX traffic. However, issues related to the legal mechanism for runway maintenance have hindered its execution. Since equitization on 1 April 2016, all responsibilities related to the maintenance of runways and taxiways have been the duty of the government. ACV, which then became a public company (despite the tiny free float and massive 95% MOT ownership), has no right to invest in public assets.

The problem is that the government did not include such the maintenance capex charge in its public-investment guidance for FY2016-20. As a result, the government has been unable to provide a capital source to finance the project. The MOT has proposed some solutions, but all of these proposals are waiting for approval.

We expect the problems should be solved in 2020E, as safety concerns are likely to trump the legal/regulatory frictions.

As a result of our expectation for the maintenance to be carried out in 2020E, we have penciled in zero growth in passenger traffic for FY20E. This does not affect our positive view on long-run PAX traffic (indeed, it bolsters the long-term story) but it could be a key differentiating factor between our forecasts and those of the consensus.

# Proposed delisting puts the whole flight at risk of cancellation

## Key investment risk: MOT proposal to purchase ACV's UPCom-traded shares to recreate its 100%-state-owned status.

The original equitization plan had the MOT selling a 30% stake of ACV by 2020, thereby reducing its ownership rate to 65%. However, the MOT more recently expressed its intention to repurchase the free-floating shares so that ACV would return to its original status as a 100%-state-owned corporation. This was proposed as a solution for the airfield maintenance issues because ACV as a 100% SOE would have the right to invest in the runway assets without any legal violations.

Although we see ACV's fundamentals as highly attractive, we are obviously cautious over the proposal given that "investability" for institutions, which was already limited given the stock's UPCom-trading status, would clearly be called into question by this plan. It also increases the potential risk of a retail investor sell-off, the price effect of which would be exacerbated by ACV's extremely low free float.

# Yuanta vs the consensus

Although we are very much in line with the Street in our expectations for ACV's FY19E results, we are more cautious on the company's FY20-21E performance. For FY20E, our assumption for PAX growth (flat YoY) due to much-needed major runway maintenance is likely to be the key reason. We also believe that ACV's current limited-capacity facilities will hinder business growth until FY22E.

| Yuanta vs consensus | 2019E | 2020E | 2021E | 2018-20E (CAGR) |
|---|---|---|---|---|
| **Revenues (VND bn)** | | | | |
| Yuanta | 17,893 | 18,577 | 21,981 | 11% |
| Consensus | 17,382 | 19,835 | 24,764 | 15% |
| Differential | 2.9% | -6.3% | -11.2% | |
| **EBITDA (VND bn)** | | | | |
| Yuanta | 11,784 | 12,273 | 14,456 | 11% |
| Consensus | 11,656 | 13,336 | 16,935 | 17% |
| Differential | 1.1% | -8.0% | -14.6% | |
| **Net profit (VND bn)** | | | | |
| Yuanta | 6,867 | 7,268 | 9,216 | 15% |
| Consensus | 6,449 | 8,020 | 10,503 | 20% |
| Differential | 6.5% | -9.4% | -12.3% | |
| **EPS (VND)** | | | | |
| Yuanta | 2,840 | 3,077 | 3,962 | 14% |
| Consensus | 2,934 | 3,350 | 4342 | 17% |
| Differential | -3% | -8% | -9% | |

*Source: Bloomberg, Yuanta Vietnam*

## Valuations

We use a FCFE and 2020E EV/EBITDA multiple method to evaluate ACV's fair value. We assign a 70% weighting to the FCFE method as we believe our low expectations for ACV's FY20E performance does not reflect its long-term fundamental value. Indeed, the FCFE methodology results in a fair value of VND90,058, implying a 18% upside from the current share price and potentially reflects the longer-term possibilities. However, our weighted approach generates a fair value of **VND86,200 per share**, implying a **16.6x 2020E EBITDA**, which we see as reasonable.

**Fair value vs target price.** We would be overjoyed to set our TP at fair value, and indeed this is our typical practice in analyzing companies. However, given the existential risks of the proposed delisting, we have to question the stock's investability. We cannot predict the outcome of the delisting plan with any confidence, and thus we simply set our TP at the current market price. A clearly communicated decision to return to the original equitization plan and to refrain from delisting would likely catalyze a share price rally and might also cause us to revisit our recommendation and TP.

### Table 1: Key assumptions

| Key assumptions | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | **17,893** | **18,577** | **21,981** | **24,606** | **28,193** | **30,577** | **35,395** | **39,783** | **44,673** | **51,355** | **56,288** | **61,148** |
| **YoY growth** | **11%** | **4%** | **18%** | **12%** | **15%** | **8%** | **16%** | **12%** | **12%** | **15%** | **10%** | **9%** |
| Aeronautical | 14,333 | 14,624 | 17,610 | 19,556 | 22,487 | 24,200 | 27,492 | 30,292 | 33,386 | 38,945 | 42,637 | 46,284 |
| YoY growth | 11% | 2% | 20% | 11% | 15% | 8% | 14% | 10% | 10% | 17% | 9% | 9% |
| Non-aeronautical | 3,560 | 3,953 | 4,371 | 5,050 | 5,706 | 6,377 | 7,903 | 9,491 | 11,288 | 12,410 | 13,651 | 14,864 |
| YoY growth | 11% | 11% | 11% | 16% | 13% | 12% | 24% | 20% | 19% | 10% | 10% | 9% |
| **Gross margin** | **48.7%** | **48.8%** | **51.9%** | **32.4%** | **37.7%** | **40.5%** | **44.7%** | **52.9%** | **54.9%** | **57.3%** | **58.5%** | **59.7%** |
| **EBITDA margin** | **65.9%** | **66.1%** | **65.8%** | **66.0%** | **66.3%** | **66.4%** | **66.3%** | **66.0%** | **66.0%** | **66.1%** | **66.1%** | **66.2%** |
| Number of domestic PAX (mn) | 68.9 | 68.2 | 75.0 | 78.0 | 81.6 | 85.6 | 90.8 | 94.4 | 97.2 | 100.1 | 103.2 | 106.2 |
| YoY growth | 3% | -1% | 10% | 4% | 4% | 5% | 6% | 4% | 3% | 3% | 3% | 3% |
| Number of int'l PAX (mn) | 43.3 | 42.9 | 62.2 | 74.6 | 85.8 | 94.4 | 115.1 | 132.4 | 152.3 | 170.5 | 191.0 | 210.1 |
| YoY growth | 18% | -1% | 45% | 20% | 15% | 10% | 22% | 15% | 15% | 12% | 12% | 10% |

### Table 2: FCFE valuation summary

| DCF Analysis | 2019E | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Net profit | 6,867 | 7,268 | 9,216 | 5,686 | 7,059 | 7,937 | 9,660 | 13,396 | 16,204 | 20,254 | 23,790 | 27,179 |
| Net margin | 38.4% | 39.1% | 41.9% | 23.1% | 25.0% | 26.0% | 27.3% | 33.7% | 36.3% | 39.4% | 42.3% | 44.4% |
| Depr & Amor (+) | 4,318 | 4,511 | 4,596 | 9,743 | 9,743 | 9,743 | 9,743 | 7,632 | 7,632 | 7,632 | 7,632 | 7,632 |
| Working cap investment (-) | (758) | 1,022 | (1,042) | 2,985 | (284) | 1,515 | (2,349) | (3,496) | (934) | (1,367) | (967) | (1,009) |
| Capex (-) | (1,925) | (1,925) | (18,117) | (54,352) | - | - | (76,453) | (11,816) | (11,816) | (11,816) | (11,816) | (11,816) |
| Net borrowing (+) | 849 | 797 | 19,302 | 17,476 | 17,785 | 18,338 | (1,900) | (1,991) | (2,076) | (2,163) | 16,340 | 14,462 |
| FCFE | 9,352 | 11,673 | 13,954 | (18,462) | 34,304 | 37,532 | (61,298) | 3,724 | 9,010 | 12,539 | 34,979 | 36,449 |
| Terminal growth rate | 4.1% | | | | | | | | | | | |
| **Terminal value** | | | | | | | | | | | | **484,746** |
| Cost of equity | 11.9% | | | | | | | | | | | |
| Total equity value | 196,072 | | | | | | | | | | | |
| **FCFE-derived value per share** | **90,058** | | | | | | | | | | | |

*Implied 2020E EV/EBITDA* *17.3*

**Table 3: Peer comparisons summary**

| Airport operators | Country | Market cap (USD Mn) | EV/EBITDA | | EBITDA margin | | EBITDA growth | | Net Debt/EBITDA |
|---|---|---|---|---|---|---|---|---|---|
| | | | FY19E | FY20E | FY19E | FY20E | FY19E | FY20E | Trailing 12 months |
| Airport of Thailand | Thailand | 34,404 | 25.6 | 23.7 | 60% | 61% | 13% | 8% | (1.6) |
| Malaysia Airports | Malaysia | 3,409 | 8.9 | 8.4 | 41% | 41% | -8% | 6% | 2.0 |
| Japan Airport Terminal | Japan | 3,525 | 12.0 | 12.7 | 17% | 15% | 93% | -5% | 2.8 |
| Beiljing International Capital | China | 3,938 | 6.4 | 8.0 | 43% | 38% | -20% | -19% | 0.3 |
| Shanghai International | China | 22,617 | 21.9 | 19.1 | 59% | 58% | 20% | 15% | - |
| Guangzhou Baiyun International | China | 5,818 | 14.7 | 12.3 | 35% | 38% | -12% | 19% | - |
| Shengzhen International | China | 3,029 | 13.0 | 11.2 | 35% | 37% | 9% | 16% | - |
| Grupo Aeroportuario del Pacífico | Mexico | 5,412 | 11.3 | 10.2 | 66% | 64% | 12% | 10% | 0.7 |
| Grupo Aeroportuario del Sureste | Mexico | 4,615 | 10.2 | 9.4 | 62% | 59% | 9% | 9% | 1.0 |
| Auckland International Airport | New Zealand | 6,991 | 22.7 | 23.5 | 75% | 74% | -46% | -4% | 2.7 |
| Sydney Airport Holdings | Australia | 12,348 | 20.5 | 19.5 | 81% | 82% | -4% | 5% | 8.4 |
| **Mean** | | | **15.2** | **14.4** | **52%** | **52%** | **6%** | **6%** | **1.5** |
| **Median** | | | **13.0** | **12.3** | **59%** | **58%** | **9%** | **8%** | **0.7** |
| **ACV** | **Vietnam** | **7,126** | **13.4** | **11.7** | **66%** | **66%** | **12%** | **4%** | **(0.9)** |

**Table 4: Summary valuation**

| Final results | Equity value/share | Weighting |
|---|---|---|
| FCFE | 90,058 | 70% |
| EV/EBITDA = 15 | 77,290 | 30% |
| **SUM** | **86,228** | **100%** |

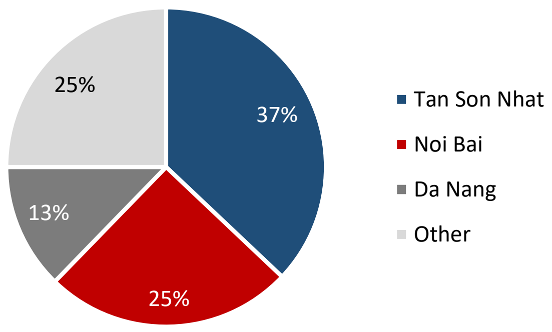
## RISKS TO OUR FAIR VALUE ESTIMATE

- Slower-than-expected international traffic growth
- Potential capex overhang
- Longer-than-expected time frame to complete major runway maintenance
- Higher interest rate on loans for the Long Thanh project
- Longer than expected time for the MOT to adjust aero and non-aero charges

# ACV Company Profile

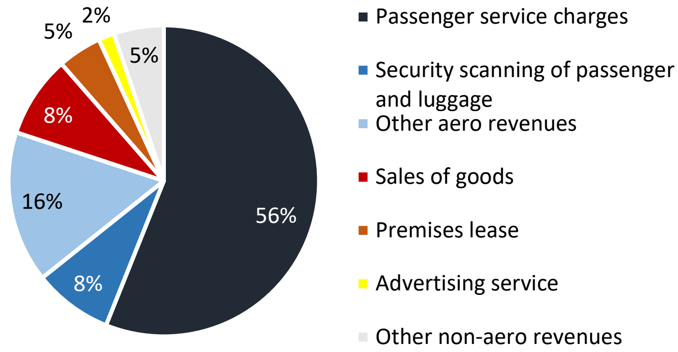
**ACV operates all 22 civil airports in Vietnam,** with Tan Son Nhat (HCMC), Noi Bai **(**Hanoi**)**, and Da Nang handling 75% of total combined passengers**.** Aero revenues contribute c. 80% of total income, with passenger service charges as the main source.

**Fig. 13: Tan Son Nhat, Noi Bai, and Da Nang are the key airports in ACV's portfolio (in terms of PAX numbers)**




*Source: ACV, Yuanta Vietnam compiles*

**Fig. 14: Passenger service charges (PSC) are ACV's main income source**




*Source: ACV*

**Passenger service charges** are fees levied on passengers departing from airports. The fee is currently regulated by the MOT, which is also ACV's main shareholder with a 95.4% stake. The current PSC is based on Decision 2345/QD-BGTVT, which took effect on 1 Oct 2017.

**Sales of goods** include duty-free shops, F&B, and others. ACV operates this business in several airports, most notably Noi Bai, Da Nang, and Phu Quoc.

**Premises lease income** is the rental fees charged to airport space tenants**.** The rental rate is also regulated by the MOT, with the current rate set by Decision 4224**/**QD-BGTVT, effective on 1 Jan 2017.

**ACV manages airfields (i.e., runways and taxiways) under management contracts** in which it collects revenue on behalf of the government. As a result, ACV has not consolidated landing and takeoff fees in its financial statements from April 2016 onwards. As a public company, ACV also cannot conduct any major investment in these assets. As of 30 June 2019, ACV had accumulated roughly VND2tn in landing/takeoff fees on the government's behalf.

**Three solutions have been proposed by the MOT to deal with the maintenance issue:**

(1) ACV could sign a lease contract with the government, in which it would have the right to operate airfields in return for paying an annual fee. Investment would remain the responsibility of the public.

(2) ACV could bid for a long-term concession contract, in which it would have the right to operate, maintain, and carry out investment in the airfields.

(3) The MOT could raise its stake in ACV to 100%. Asked by domestic media for a schedule for this plan, the MOT officials said that it would be carried out only if approved, and after 2025. It is unclear how this would resolve the issue of runways that urgently require maintenance now.

## SWOT analysis (compared to regional airport operators)

| Strengths | Weaknesses |
|---|---|
| - Strong PAX throughput growth<br>- High PSC | - ACV manage numerous small airports, some of which handle less than 1mn PAX/year<br>- Most large airports are suffering from traffic congestion |
| **Opportunities** | **Threats** |
| - Tourism industry offers tremendous room for growth<br>- Regulated fees for both aero and non-aero services are likely to be raised to meet current demand | - Huge capex for upcoming projects could be delayed by lack of financial resources, which would probably result in operational downside<br>- Sino-US trade tension could adversely affected PAX arrivals for longer than we expect |

| PROFIT AND LOSS (VND bn) | | | | | |
|---|---|---|---|---|---|
| *FY Dec 31 (VND'bn)* | 2017A | 2018A | 2019E | 2020E | 2021E |
| **Revenue** | **13,830** | **16,090** | **17,893** | **18,577** | **21,981** |
| *Aeronautical* | *10,804* | *12,880* | *14,333* | *14,624* | *17,610* |
| *Non-aeronautical* | *3,026* | *3,210* | *3,560* | *3,953* | *4,371* |
| Cost of goods sold | (8,182) | (8,318) | (9,174) | (9,514) | (10,582) |
| **Gross profits** | **5,648** | **7,772** | **8,718** | **9,063** | **11,399** |
| Operating expenses | (1,102) | (1,184) | (1,252) | (1,300) | (1,539) |
| **Operating profits** | **4,546** | **6,588** | **7,466** | **7,763** | **9,860** |
| Net interest expenses | (606) | (756) | (731) | (764) | (641) |
| Net investments income/(loss) | 257 | 321 | 321 | 321 | 321 |
| Net other incomes | 25 | 59 | - | - | - |
| **Pretax profits** | **5,343** | **7,575** | **8,584** | **9,085** | **11,520** |
| Income taxes | (1,222) | (1,427) | (1,717) | (1,817) | (2,304) |
| Minority interests | 21 | 13 | - | - | - |
| **Net profits** | **4,101** | **6,135** | **6,867** | **7,268** | **9,216** |
| EBITDA | 8,711 | 10,549 | 11,784 | 12,273 | 14,456 |
| EPS (VND) | 1,743 | 2,705 | 2,840 | 3,077 | 3,962 |

| KEY RATIOS | 2017A | 2018A | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|
| **Growth (%YoY)** | | | | | |
| Sales | (5.6) | 16.3 | 11.2 | 3.8 | 18.3 |
| *Aeronautical* | *6.4* | *19.2* | *11.3* | *2.0* | *20.4* |
| *Nonaeronautical* | *(27.0)* | *6.1* | *10.9* | *11.0* | *10.6* |
| Operating profit | 18.3 | 44.9 | 13.3 | 4.0 | 27.0 |
| EBITDA | 8.1 | 21.1 | 11.7 | 4.2 | 17.8 |
| Net profit | (19.7) | 49.6 | 11.9 | 5.8 | 26.8 |
| EPS (VND) | (23.2) | 55.1 | 5.0 | 8.3 | 28.8 |
| **Profitability ratio (%)** | | | | | |
| Gross margin | 39.8 | 40.8 | 48.3 | 48.7 | 48.8 |
| Operating margin | **26.2** | **32.9** | **40.9** | **41.7** | **41.8** |
| EBITDA margin | 55.0 | 63.0 | 65.6 | 65.9 | 66.1 |
| Net margin | 34.9 | 29.6 | 38.1 | 38.4 | 39.1 |
| ROA | 11.5 | 8.6 | 12.0 | 12.1 | 11.4 |
| ROE | 23.5 | 15.9 | 21.2 | 20.7 | 18.8 |
| **Stability** | | | | | |
| Net debt/equity (x) | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 |
| Int. coverage (x) | 3.7 | 7.5 | 8.7 | 10.2 | 10.2 |
| Int. &ST debt coverage (x) | 6.2 | 11.5 | 11.6 | 13.4 | 12.1 |
| Cash conversion days | (179.5) | (149.0) | (139.3) | (130.0) | (170.0) |
| Current ratio (X) | **2.8** | **3.7** | **4.3** | **4.4** | **4.3** |
| Quick ratio (X) | 2.7 | 3.7 | 4.3 | 4.4 | 4.2 |
| Net cash)/debt (VND mn) | (11,061) | (13,162) | (14,556) | (14,811) | (15,830) |
| **Efficiency** | | | | | |
| Days receivable outstanding | **99** | **151** | **148** | **150** | **150** |
| Days inventory outstanding | **30** | **25** | **19** | **20** | **20** |
| Days payable outstanding | 309 | 325 | 307 | 300 | 340 |

*Source: Company data, Yuanta Vietnam*

| BALANCE SHEET (VND bn) | | | | | |
|---|---|---|---|---|---|
| *FY Dec 31 (VND'bn)* | 2017A | 2018A | 2019E | 2020E | 2021E |
| **Total assets** | **49,163** | **53,524** | **59,720** | **67,951** | **95,710** |
| Cash & cash equivalents | 1,314 | 638 | 1,232 | 1,011 | 683 |
| ST Investment | 17,563 | 23,730 | 24,730 | 29,730 | 29,730 |
| Accounts receivable | 6,958 | 6,126 | 7,353 | 7,634 | 9,033 |
| Inventories | 404 | 470 | 503 | 521 | 580 |
| Other current assets | 105 | 300 | 315 | 330 | 347 |
| Net fixed assets | 19,625 | 18,970 | 21,952 | 24,741 | 51,005 |
| Others | 3,195 | 3,290 | 3,636 | 3,983 | 4,332 |
| **Total liabilities** | **21,778** | **22,775** | **24,132** | **26,257** | **45,980** |
| Current liabilities | 7,095 | 7,189 | 7,692 | 9,113 | 9,509 |
| Accounts payable | 6,947 | 7,038 | 7,541 | 8,862 | 9,278 |
| ST debts | 148 | 151 | 151 | 251 | 231 |
| Long-term liabilities | 14,683 | 15,586 | 16,441 | 17,144 | 36,472 |
| Long-term debts | 14,328 | 15,043 | 15,892 | 16,590 | 35,911 |
| Others | 356 | 543 | 548 | 554 | 560 |
| **Shareholder's equity** | **27,337** | **30,696** | **35,535** | **41,642** | **49,677** |
| Share capital | 21,786 | 21,786 | 21,786 | 21,786 | 21,786 |
| Treasury stocks | - | - | - | - | - |
| Others | 16,938 | 15,426 | 10,725 | 4,763 | (3,088) |
| Retained earnings | 4,849 | 6,360 | 11,062 | 17,023 | 24,874 |
| **Minority interest** | **47** | **53** | **53** | **53** | **53** |

| CASH FLOW (VND bn) | | | | | |
|---|---|---|---|---|---|
| *FY (VND'bn)* | 2017A | 2018A | 2019E | 2020E | 2021E |
| **Operating cash flow** | **4,393** | **7,933** | **10,413** | **12,785** | **12,753** |
| Net income | 4,101 | 6,135 | 6,867 | 7,268 | 9,216 |
| Dep, & amortization | 3,781 | 3,945 | 4,318 | 4,511 | 4,596 |
| Change in working capital | (674) | 102 | 502 | 1,322 | 416 |
| Others | (1,703) | (3,539) | (1,732) | (1,833) | (2,321) |
| **Investment cash flow** | **(4,825)** | **(6,732)** | **(3,271)** | **(7,272)** | **(18,466)** |
| Net capex | (756) | (3,334) | (1,950) | (1,951) | (18,145) |
| Change in LT investment | (5,405) | (6,264) | (1,321) | (5,321) | (321) |
| Change in other assets | 257 | 321 | - | - | - |
| Cash flow after invt. | 1,079 | 2,545 | - | - | - |
| **Financing cash flow** | **(1,421)** | **(1,875)** | **(6,549)** | **(5,733)** | **5,385** |
| Change in share capital | - | - | - | - | - |
| Net change in debt | 249 | 719 | 849 | 797 | 19,302 |
| Change in other LT liab. | (1,669) | (2,594) | (7,398) | (6,530) | (13,917) |
| **Net change in cash flow** | **(1,852)** | **(675)** | **593** | **(221)** | **(328)** |
| Beginning cash flow | 3,166 | 1,314 | 639 | 1,232 | 1,011 |
| **Ending Cash Balance** | **1,314** | **639** | **1,232** | **1,011** | **683** |

| KEY METRICS | 2017A | 2018A | 2019E | 2020E | 2021E |
|---|---|---|---|---|---|
| PE (x) | 62.2 | 33.3 | 27.1 | 25.0 | 19.4 |
| Diluted PE (x) | 62.2 | 33.3 | 27.1 | 25.0 | 19.4 |
| PB (x) | 8.6 | 6.4 | 4.7 | 4.0 | 3.4 |
| EBITDA/share | 4,001 | 4,845 | 5,413 | 5,637 | 6,640 |
| DPS (VND) | 600 | 900 | 900 | 500 | 500 |
| Dividend yield (%) | 0.55 | 1.00 | 1.2 | 0.6 | 0.6 |
| EV/EBITDA (x) | 27.1 | 18.6 | 14.2 | 13.7 | 11.6 |
| EV/EBIT (x) | 52.0 | 29.7 | 22.5 | 21.6 | 17.0 |

# List of our reports

| Date | Country | Detail |
|---|---|---|
| 26/09/2019 | Taiwan | **Chunghwa Precision Test Tech Co Ltd (6510 TT) HOLD-OPF – Expectations could be too high** – Although two months ago we foresaw the recent share price rebound, its magnitude is way ahead of our expectation and may have already "priced-in perfection", as the stock is already trading at ~30x our Street-high 2020F EPS. Evens so, we raise 2020F EPS by 19% to NT$28.5, with a new TP of NT$855 to factor in the recoup 100% of Apple's next-gen orders and maintained GM at 50-55%. Read More<br><br>**CTCI Corp (9933 TT) Non Rated – Bottom has been plumbed** – CTCI is the largest Engineering, Procurement and Construction services provider in Taiwan, with the ability to take on megaprojects valued at more than USD1.0 bn. The market expects 2020 sales to beat 2019's due to a historically high value of new contracts awarded in 2018 (double 2017's amount). CTCI has been paying at least NT$2 in cash dividend for the past five years. We expect the company to maintain its dividend policy.<br>Read More<br><br>**Nike Inc (NKE US) Non Rated – Momentum continues to 'just do it' in main markets** – Nike posted FY1Q20 results on 25 Sep. Sales and earnings beat market expectations by 2.1%/22%, and the share price rose 5% after-hours. The company's innovations were popular with customers in FY1Q20 as shown in sales momentum that was sustained in main markets in FY2020. Nike's robust outlook should continue to support the Taiwan and Hong Kong footwear and apparel industry.<br>Read More |
| 26/09/2019 | Hong Kong | **Nine Dragons Paper (Holdings) Ltd (2689 HK) Reiterate SELL – Results for full year show dragons lack fire** – We cut our FY2020/21F EPS estimates to 3%/8% to mainly reflect our lower profit margin assumptions. Our rating is a Reiterated SELL due to its limited pricing power and adverse impacts from the cut in the foreign recycled paper import quota. Read More |
| 26/09/2019 | Thailand | **Advanced Info Service Public Co Ltd (ADVANC TB) BUY – Users get back on the phones** – We expect a strong 3Q19 as lower TOT costs lead to upgrade. Normalized profit in 3Q19 should expand QoQ and YoY and the uptrend in ARPU continues. Net profit is expected to reach THB8.8bn. Meanwhile, excluding TOT's telecom tower rental expenses of THB400mn, normalized profit is projected to be THB8.4bn (+5% QoQ, +24% YoY). We Rollover our TP to THB260.00.<br>Read More |
| 26/09/2019 | Indonesia | **Buyung Poetra Sembada (HOKI IJ) Non Rated – Volume-led, stable and sustainable growth in consumer staple** – HOKI is expanding its capacity. Indonesia consumes about 30mn tonnes of rice per year. With changing preferences and growing modern trade channels, there is plenty of room to grow for branded rice. Since 2017, GPM has stayed at an average 14.0%. Management believes it can maintain profitability at that level. Management targets 15% YoY top- and bottom-line growth for FY19F. Read More |
| 26/09/2019 | Vietnam | **Initiate**<br>**HDBank (HDB VN) HOLD-Underperform – Wait for clarity on the PG Bank deal** – HDB's acquisition of PG Bank is a short-term overhang. Investors may get a better entry opportunity after the deal is complete, possibly in 4Q19. Merger effects are likely to include some share dilution, increased NPLs, and reduced cost efficiencies. PG Bank shareholders may be sellers after the deal is done – watch this space. But the bank's CAR, CASA, and credit growth quota should all rise post-merger. Read More |
| 25/09/2019 | Taiwan | **AU Optronics (2409 TT) HOLD-UPF – Fundamentals have yet to bottom out:** Although panel prices could hit a bottom or see a small rebound in the near term, the overall industry outlook remains challenging as most TV set makers now expect end-demand to remain soft. Read More<br><br>**Tofu Restaurant (2752 TT) NOT RATED – Multi-brand, multicultural eatery operator continues to spread its tables.** And it will likely continue to: expand its market share in chain restaurants at malls, introducing non-Korean restaurants at home in 2H19, and take more of its Korean brands overseas. Management says SSS growth will remain stable and net profit margin to remain flat in 2019. For 1H19, sales rose 30% YoY to NT$654 mn, thanks to it increasing its total store number by four. Read More<br><br>**Stainless Steel Industry (Sector) – Potential 2H19 GM expansion on nickel-price uptrend**, especially for downstream players: The overall steel market outlook remains conservative given the weak macro conditions in 2019. However, we see some highlights in stainless steel given the nickel price rally, with inventory gains benefitting 2H19 GM for related players, especially those downstream. Read More |
| 25/09/2019 | Hong Kong | **Chow Tai Fook Jewellery (1929 HK) Maintain BUY – CTFJ's sizeable exposure to the Chinese market (72% of FY2019 total operating profit from China)** should enable it to mitigate the adverse impacts from poor HK/Macau business performance. Even so, the company's share price has fallen 17% from its recent peak in mid-July this year. Read More |

| Date | Country | Detail |
|---|---|---|
| 25/09/2019 | Thailand | **Home Product Center (HMPRO TB) HOLD – Stormy weather but positive catalysts ahead.** The combination of rain, flooding and other seasonality issues have hurt purchasing power. Although the weakening SSS growth will pressure QoQ profit in 3Q19, we expect SSS growth and earnings to recover in 4Q19, supported by high season and government stimulus measures. Read More<br><br>**Zen Corporation Group (ZEN TB) BUY – Happy hour for premium dishes.** ZEN is set to benefit from the government's travel and shopping campaign. Its share price dip offers a good accumulative opportunity as it will soon enjoy an S-Curve growth cycle. Food delivery will support sales and lower costs. It is trading at a PER2020 of 19x with expected profit growth of 62% vs peers' 22-23x. It estimates SSS growth to fall 7%, only to recover to the positive in a first for five quarters, in 4Q19. Read More |
| 25/09/2019 | Indonesia | **Sumber Alfaria Trijaya (AMRT IJ) NOT RATED – Focus shifts to service range and quality at its convenience store chains.** AMRT manages store concepts under the brands Alfamart, Alfamidi, Lawson and Dan+Dan. In aggregate, it held No. 2 spot in market share with 34.6% in 1H19, second to the Indomaret chain. It targets sales growth of 9-10% in FY19. As of 1H19, it has booked SSS growth of 7% due to festive seasons in 2Q19, while SSS growth is expected to reach 5-6% in FY19. Read More |
| 24/09/2019 | Taiwan | **Poya International Company Limited (5904 TT) – Improved homes and visibility via new hardware unit.** This retailer has seen 4.4% gains in SSS growth QTD with traffic resuming positive advances on the back of its active marketing promotions; the first Poya Home retail hardware store has proven to be a hit, with the first month of operations spurring management to lift its 2020F store-opening guidance from 10-20 to 25 stores. Read More<br><br>**Accton Technology Corporation (2345 TT) – Higher 2019/20 sales & earnings forecasts**, with fair valuation: We feel good about Accton's long-term prospects, with the consensus expects 2019/20 sales to rise 28%/12% YoY to new highs, benefiting from 400G switches, 100G switches for carriers and SD-WAN/accelerator cards for edge computing. Read More<br><br>**Handset Industry (sector) – Apple names back in focus: For iPhone**, the lower-than-expected price of iPhone 11 and better discount trade-in policy have lifted investor and the supply chains' iPhone sales expectations in 4Q19. Read More |
| 24/09/2019 | Economic | **The Not-So-Dismal Science – Future global economy and market landscape.** Most people vaguely understand economics as if the theory was a truth that never changes, while in fact mainstream economic thought often reflects the changing current economic landscape. Here we look at past theory to understanding the future landscape. We then identify four trends in the post-supply-side era. But it isn't all doom and gloom for global financial markets. Read More |
| 24/09/2019 | Thailand | **The Siam Commercial Bank Public Company Limited (SCB TB) – SCB is our favorite big bank and our BUY call comes as it is about to sell its insurance unit.** We like its digital platform, which will strengthen long-term growth. Our GGM-TP of THB153 offers a 29.8% upside. An additional upside is the extra profit to be made from the sale of SCBLIFE. Read More |
| 24/09/2019 | Indonesia | **Bumi Serpong Damai (BSDE IJ) – Good things come in smaller packages.** From the creators of the self-sufficient living community west of central Jakarta known as BSD City comes the housing cluster, FleekHauz, BSDE's first foray into micro-housing. The project is already very popular as it is set to profit from the doubled YoY local millennial demand for affordable and stylish places to live (utilizing ideas from the tiny-house movement). The regulatory environment is also more helpful. Read More |
| 23/09/2019 | Taiwan | **Gemtek (4906 TT) – Outlook for 2020F is still positive; neutral on 2H19 sales growth:** We have a positive outlook for Gemtek in the long term, and management anticipates a good 2020, but with some concerns over capacity tightness at its Vietnam plant. Read More |
| 23/09/2019 | Hong Kong | **Shenzhou International Group (2313 HK) – Disposal of existing shares: Controlling shareholders (the Ma family) sold a total of 31.7mn** existing shares (2.1% of total issued shares as of end-Aug 2019) at HK$102/share on 20 Sep. Read More |
| 23/09/2019 | Thailand | **BCPG (BCPG TB) – Initiate coverage with a BUY.** FY2019 core profit will likely soften 4.1% after selling two projects in Japan to IFFs. In 2020, core profit should expand 10.5%. BCPG posted 1H19 core profit of THB878mn (+17.8% YoY), comprising of 50.3% of our yearly forecast of THB1.481.2bn (-4.1% YoY). Read More<br><br>**DTAC (DTAC TB) - Revised recommendation to BUY.** Our new TP for 2020 is THB66.00/ share. We project 3Q19 normalized profit to be THB1.7bn (-1.2% QoQ but it has shifted from a loss of THB37mn)) A flat net profit QoQ is due to recovery in revenue. However, YoY growth is due to the low-net-profit-base in 3Q18. Read More |
| 23/09/2019 | Indonesia | **Indosat (ISAT IJ) – Walks the line in the right direction.** Earnings upgrade leads to new TP of IDR4,330. We have raised our EBITDA forecast 16.1% for FY19 and 13.4% for FY20, driven mainly by improvement in data. But the increase in data revenue was hampered by the drop in voice and SMS as the substitution effect took hold. We revised our revenue estimates up 4.0% for FY19 and 5.5% for FY20. Read More |

# Appendix A: Important Disclosures

**Analyst Certification**

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

**Ratings Definitions**

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.
HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.
HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.
SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.
Under Review: We actively follow the company, although our estimates, rating and target price are under review.
Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) – 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam