

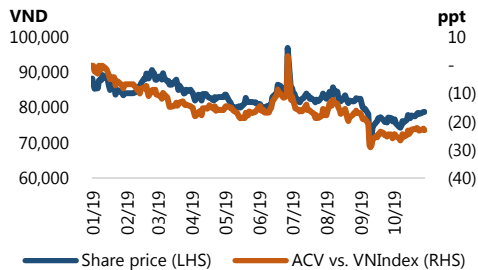
HOLD - Underperform

TP upside (downside) +0%

Close 31 Oct 2019

Price VND 80,000
 12M Target VND 80,000
 Previous target VND 76,400

Share price performance relative to VNINDEX



Market cap (USD bn)	7.4
6M ADT (USD mn)	0.3
Outstanding shares (mn)	2.117
Free float (%)	4.6
FINI ownership (%)	0.0
Major shareholders (%)	95.4
FOL Room (%)	30
Net cash/equity (x)	0.5
BVPS (VND)	15.824
P/B (x)	5.0
P/E (x)	30.9
EV/EBITDA (x)	17.7

Financial outlook

Year to Dec	2018	2019E	2020E	2021E
Sales (VND bn)	16,090	17,893	18,577	21,981
EPS (VND)	2,705	2,840	3,077	3,962
ROE (%)	21.2	20.7	18.8	20.2
Div. yield (%)	1.0	1.2	0.6	0.6

Source: Company data, Yuanta Vietnam

Note: Fully diluted weighted average EPS is based on weighted average number of shares.

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AIRPORTS CORP OF VIETNAM (ACV VN)

3Q19 gross margin beats expectations

Event

ACV released 3Q19 results on October 30 with sales growing by 15.1% YoY, in line with our expectation, while net income (+18.4% YoY) was slightly better than our forecast.

Our take

Passenger service charges (55% of total sales) saw strong performance in 3Q19 with 10.8% YoY growth. As a result, aggregate 9M19 passenger service expanded 7.9% YoY, which is slightly behind our assumption of 8.9% YoY growth for FY19.

Non-aero revenues performed better than our expectation with 16.5% YoY growth in 3Q19 and 13.5% YoY growth for 9M19 (vs. our assumption of 11% for the whole year). While other non-aero income was slightly better than our expectation, floor rental income seems to have lagged behind our assumption (+17% YoY for 9M19 vs. our expectation of 20% YoY growth for 2019); this could indicate that the floor area limitations in ACV's current facilities may be more strident than our assumptions.

Robust gross margin of 53% in 3Q19 (improving by 1.4 ppt YoY). We believe that the improvement in gross margin is the result of economies of scale. This result outperformed our expectation of 51% for 3Q19, and was a key driver of the bottom-line improvement.

We maintain our HOLD-Underperform rating on ACV as the airfield capex problem has not yet been solved. We increase our target price to coincide with the latest close of VND 80,000, but this only reflects the difficulty of arguing in favor of the stock's investability given the overhang of a potential delisting.

Our fair value estimate is higher than our target price. However, we note that our fair value estimate remains unchanged at VND 86,000 (US\$3.72). This implies 16.6x FY2020E forward EV/EBITDA and 8% 12-month total shareholder return from the close of Oct 31.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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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.

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