

20 Oct 2020

Saigon Cargo Service (SCS)

3Q20 Earning Brief: Domestic Cargo maintain

Decline due to gloomy aviation outlook

- SCS reported its 3Q20 results. Following, revenue reached VND167bn and profit before tax (PBT) reached VND124bn, declining 10% YoY and 9.3% YoY, respectively.
- In general, 9M2020 SCS's revenue was VND495bn while PBT was VND362bn. It was completed 75% revenue and 80.4% PBT of the plan.

Covid-19 serious affect international cargo

- In 1Q20, international and domestic cargo maintain grew well with 10.5% YoY and 6.7% YoY, respectively. But, extensive pandemic in 2Q20 and 3Q20 has caused cargo transportation drops when flights are limited.
- Specifically, international cargo plunge 27% YoY and domestic cargo slump 14.3% YoY. The cargo volume decline was mainly driven by travel restrictions that started in mid-March. Domestic travel restriction lifted in mid-May, however, international travel is still restricted until the end of 2Q20.
- Thanks to airline flexibility, cargo volume escaped the drop when converting passenger aircraft to cargo aircraft by airlines.
- In 3Q20, domestic cargo was recovered when reached 13,754 tons and grow 3.7% YoY but international cargo reached 51,908 tons, lower than 3Q19 declined 5.4% YoY.
- All, 9M2020 total cargo volume was 148,884 tons, -7.8% YoY.

	3Q19	3Q20	9M19	9M20
Sales (VND bn)	187	167	549	495
chg. (% YoY)	7.7	(10.4)	12.5	(9.7)
Operating profit (VND bn)	133	116	385	343
Net profit (VND bn)	127	115	373	336
EPS (VND)	9,617	9,324	-	-
chg. (% YoY)	16.2	(3.0)	-	-
EBITDA (VND bn)	147	129	-	-
PE (x)	12.4	12.8	-	-
EV/EBITDA (x)	14.6	11.4	-	-
PB (x)	7.0	6.3	-	-
ROE (%)	52.5	45.7	-	-
Dividend yield (%)	-	-	-	-

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

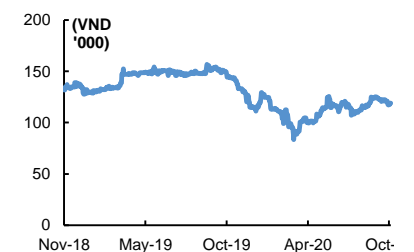
Stock Data

VNIndex (Oct 20, pt)	944
Stock price (Oct 20, VND)	118,700
Market cap (USD mn)	260
Shares outstanding (mn)	50.7
52-Week high/low (VND)	151,287/83,471
6M avg. daily turnover (USD mn)	0.15
Free float / Foreign ownership (%)	98.3/29.0
Major shareholders (%)	
Gemadept Corporation	32.6
ACV	13.1
41 Aircraf Repairing	12.6
PYN Elite Fund	6.2

Performance

	1M	6M	12M
Absolute (%)	(5.0)	14.7	(20.1)
Relative to VNIndex (%p)	(10.1)	(5.4)	(17.4)

Stock price trend



Source: Bloomberg

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Expected 4Q20 will fully recover

- IATA: Cargo is following a fairly typical recession recovery cycle. In a recovery cycle, businesses need to increase inventories, component productions and facilities to supply recovering production demand such as Vietnam's FDI business.
- International cargo will be supported by trade activities when EVFTA has been approved and entered into force on Aug 1, 2020.
- Currently, travel restriction has been lifted but passenger travel is still neutral when quarantine regulations aren't completed, airlines could continue to ramp up cargo transportation to offset passenger volume.

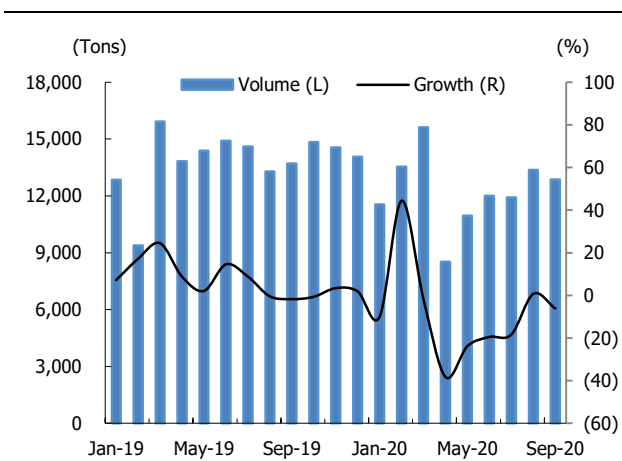
Table 1. Cargo volume (Quarterly)

(Unit: tons, %)

	2019			2020			YoY
	Domestic	International	Total	Domestic	International	Total	
1Q	12,328	38,130	50,458	13,620	40,690	54,310	7.6
2Q	13,073	43,095	56,168	11,201	31,465	42,666	(24.0)
3Q	13,265	41,588	54,853	13,754	38,154	51,908	(5.4)
4Q	13,494	43,453	56,947				-

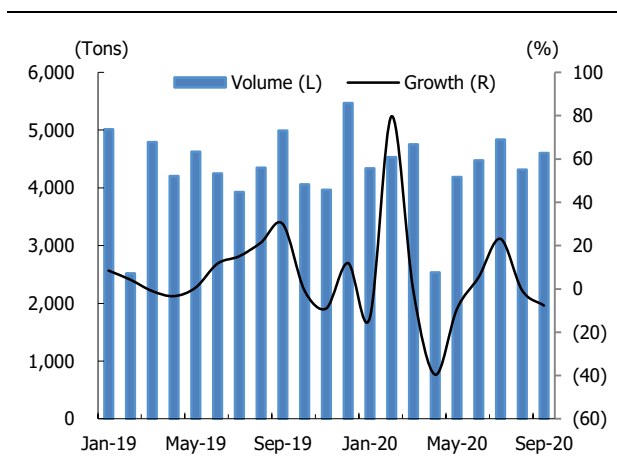
Source: Company data, KIS

Figure 1. International cargo – monthly



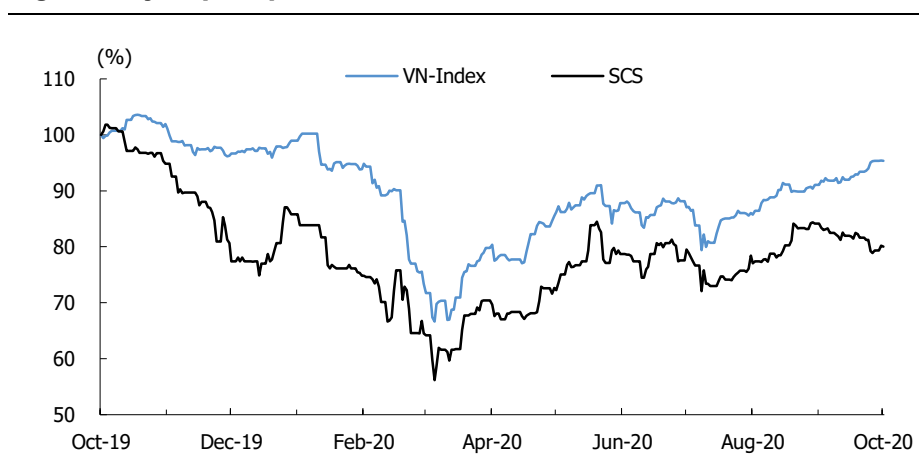
Source: Company data, KIS

Figure 2. Domestic cargo – monthly



Source: Company data, KIS

Figure 3. 1-year price performance



Source: Bloomberg, KIS

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