

17 Jun 2022

Tan Cang Logistics (TCL)

AGM Briefing: Dismal growth prospect but appealing div yield

AGM Briefing:

- On Jun 16, we attended TCL's AGM presentation briefing for the upcoming business plan. Key issues covered were 2022F guidance and expansion strategy.

2022F: Stay conservative amid tepid container throughput

- In 2021, despite the headwinds from the national lockdown, the company sustained with a resilient revenue of VND1,185.7bn, +8.8% yoy and a firm NPAT of VND113.5bn, +14.1% yoy. They fulfilled 99.9% and 101.8% of their full-year estimates.
- According to the management, TCL currently held 92%, and 65% of market shares in the port operating segment in the Ho Chi Minh region, and Cai Mep area, respectively. TCL also occupied merely 50% of the container for international trades segment.
- On a prudent hope for a robust revival, TCL guides 2022F NPAT to be VND117.7bn, +3.7% yoy driven by a revenue estimate of VND1,242.5bn, +3.4% yoy.
- The company expects cargo throughput volume to inch up by 1.51% yoy in 2022F while the handling rate will go up higher amid the heavier raw material cost.
- Notably, the container throughput could enjoy a less drop by 1.9% yoy in 2022F after declining by 31.8% yoy in 2021. TCL attributes the port congestion and shortage of container box to Vietnamese rice exporters' shifts from container to bulk transportation in 2021.
- On the contrary, volumes in 125 terminal could advance by +19.5% yoy in 2022F, while volumes from Tan Cang-Nhon Trach port continues its upswing (+17.8% yoy).

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

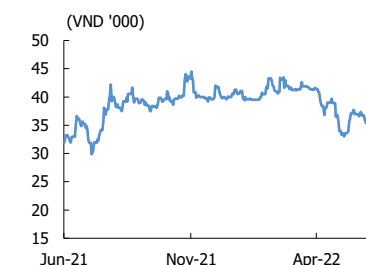
Stock Data

VNIndex (16 Jun, pt)	1,237
Stock price (16 Jun, VND)	36,400
Market cap (USD mn)	47
Shares outstanding (mn)	30
52-Week high/low (VND)	44,500/29,850
6M avg. daily turnover (USD mn)	0.23
Free float / Foreign ownership (%)	48.0/5.0
Major shareholders (%)	
Saigon Newport	51
Deutsche Aktiengesellschaft	7.3

Performance

	1M	6M	12M
Absolute (%)	9.3	(13.1)	14.8
Relative to VNIndex (%p)	3.5	2.6	22.5

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	833.0	887.0	952.0	1,090.0	1,185.7
chg. (% YoY)	1.5	6.5	7.3	14.5	8.8
Operating profit (VND bn)	117.0	120.0	121.0	122.0	140.6
Net profit (VND bn)	97.0	99.0	100.0	100.0	113.5
EPS (VND)	4,126	3,911	2,731	2,684	3,094
chg. (% YoY)	2.3	(5.2)	(30.2)	(1.7)	15.3
EBITDA (VND bn)	160.2	156.2	147.9	163.9	151.3
PE (x)	8.8	9.3	13.3	13.5	9.7
EV/EBITDA (x)	4.0	4.4	6.7	6.6	7.3
PB (x)	1.2	1.1	1.5	1.8	2.0
ROE (%)	15.0	14.0	14.0	19.0	21.0
Dividend yield (%)	5.0	5.0	19.0	14.0	12.0

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

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- The company targets a revenue CAGR of 4.1% and a NPAT CAGR of 2% in 2022F-25F.
- A 42% cash dividend at par could be paid in Sep, 2022, equivalent to a dividend yield of 11.6%.
- TCL is trading at 11.5x TTM PE, and 9.8x 12MF PE, which are both higher than the 5-year PE average of 8.5x.

Catalyst of growth in the next three years seems unclear

- The management blames the expensive land acquisition costs in Nhon Trach commune that forces TCL to seek lease or cooperation instead in the medium term.
- In the short-term horizon, TCL plans to invest a VND66.4bn CAPEX to build a warehouse for refrigerated containers.
- To shore up the expansion plan, TCL is going to raise a VND570bn new debt to cover CAPEX in 2022F-25F. As of end-1Q22, the net gearing stood at -11.2% of total assets.

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