



## Company Report: VN Engine & Agri.Machinery (VEA VN)

Phi Cong Linh

(+84) 24 3573 0073 - ext: 704

linhpc@gtjas.com.vn

06 Dec 2022

### Q3 2022 sales update

- NPAT in Q3 2022 recorded a strong growth with VND 1,918 billion, up 55% YoY. For 9 months, NPAT reached VND 5,141 billion, up +31% YoY. VEA's NPAT was contributed most by the income from joint ventures, which reached VND 4,615 billion, up +33% YoY, approximate to VND 4,972 billion in 2019.
- Motorbike sales recover back to the highest point in 2019, meanwhile auto sales indicate strong growth compared to pre-Covid level.
- Except Q1 2022, when most of the measures were maintained, starting in Q3, motorbike sales grew strongly to make up for the loss of sale in previous quarters. In 10 months, total motorbike sale reached to the point equivalent to 2019 level, with total of 1.93 million units sold, compared to approximate of 2 million vehicles in 2019, up + 26.4% YoY.
- In 10 months 2022, Toyota sold about 74 thousand vehicles, Honda sold about 26.8 thousand vehicles and Ford sold over 19.5 thousand vehicles.
- We recommend **Buy** for VEA stock. Our target price is VND57,300/share.

Rating:

**Buy**

Initial

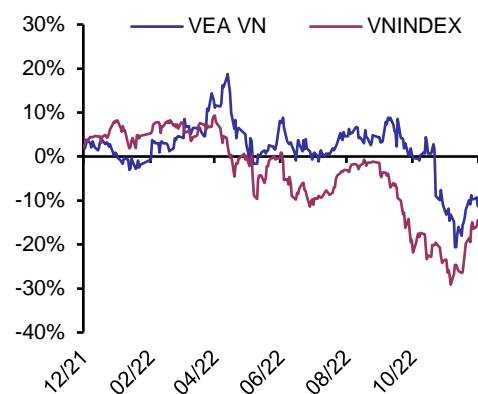
6-18m TP:

**57,300**

Share price:

VND38,500

#### Stock performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	-2.1%	-14.1%	-13%
Rel. % to VNI index	-8.1%	7.4%	1.1%
Avg. share price (VND)	37,332	41,600	43,967

Source: Bloomberg, Guotai Junan Vietnam

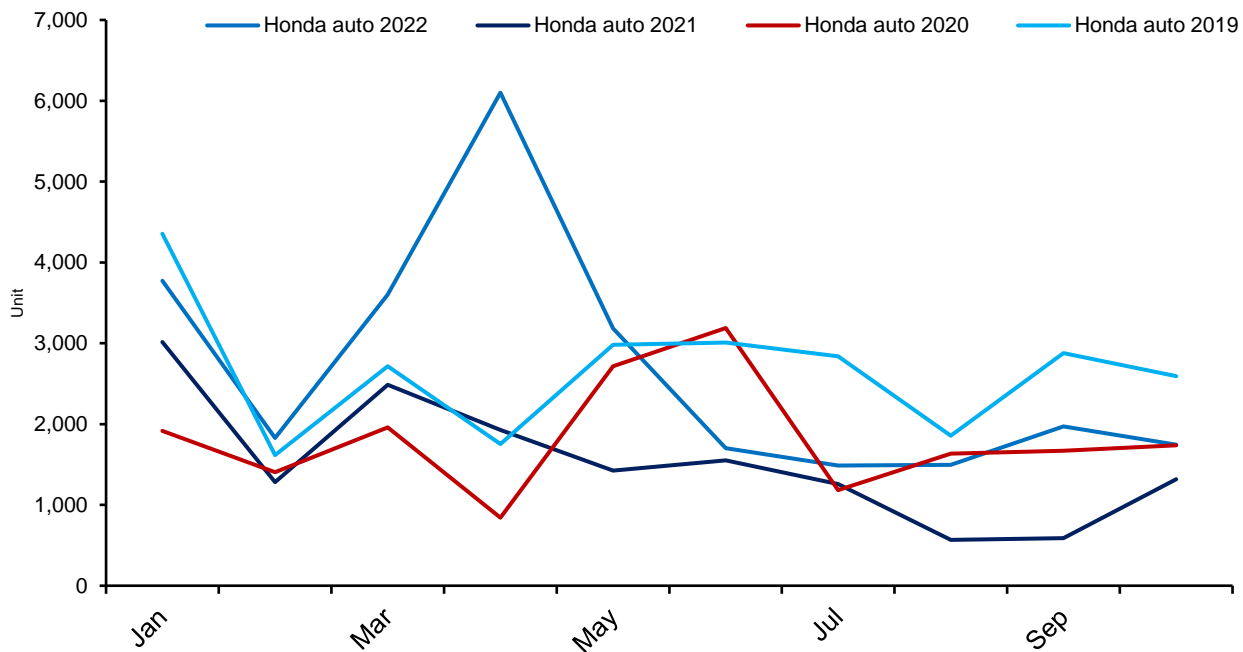
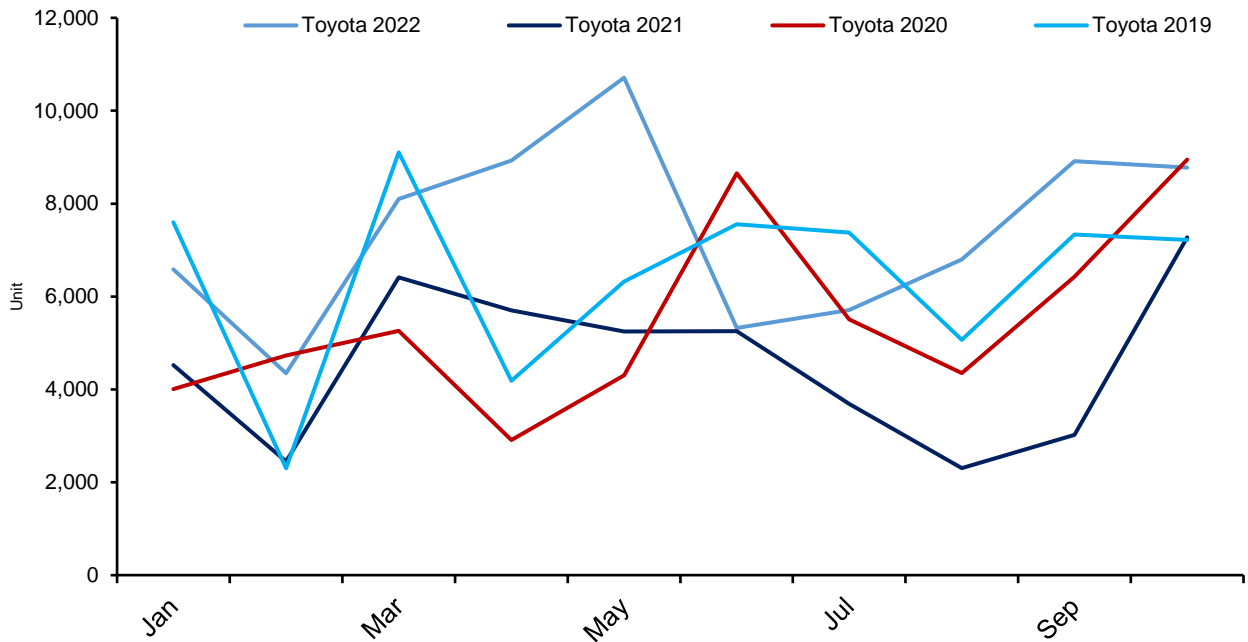
Year End	Revenue	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Dvd Payout	ROE
12/31	(VND bil)	(VND bil)	(VND)	(Δ%)	(x)	(VND)	(x)	(VND)	(%)	(%)
2017A	6,586	5,086	3,797	12%	11	13,836	3.09	370	10%	32
2018A	7,074	7,047	5,229	38%	8	18,543	2.31	3,884	74%	32
2019A	4,497	7,319	5,432	4%	8	20,042	2.14	5,253	97%	28
2020A	3,672	5,594	4,136	-24%	10	18,862	2.27	5,452	132%	21
2021A	4,023	5,792	4,328	5%	10	17,656	2.42	-	0%	23

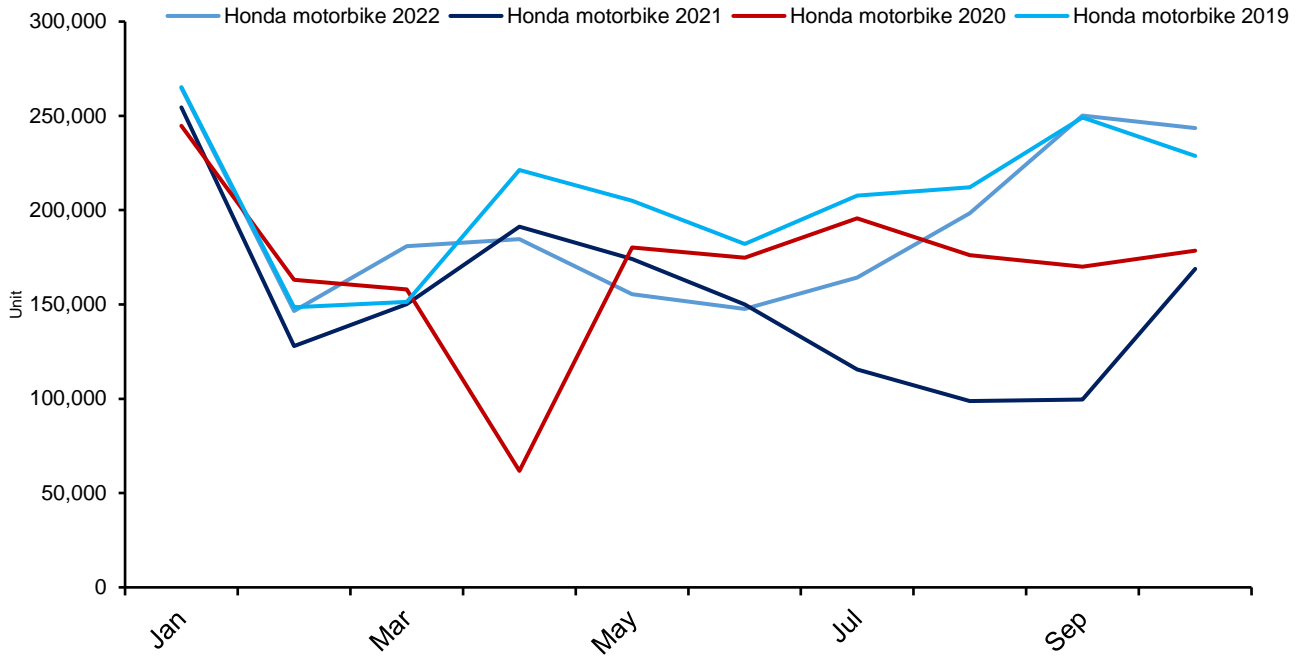
Shares in issue (m)	1,3287.8	Major shareholder	Ministry of Industry and trade	88.47%
Market cap. (VNĐ m)	51,742,140	Free float (%)		15.0
3-month average vol. ('000)	347.1	FY21 Net gearing (%)		32.0
52 Weeks high/low (VNĐ)	31,500 / 47,124			

Source : the Company, Guotai Junan Vietnam.

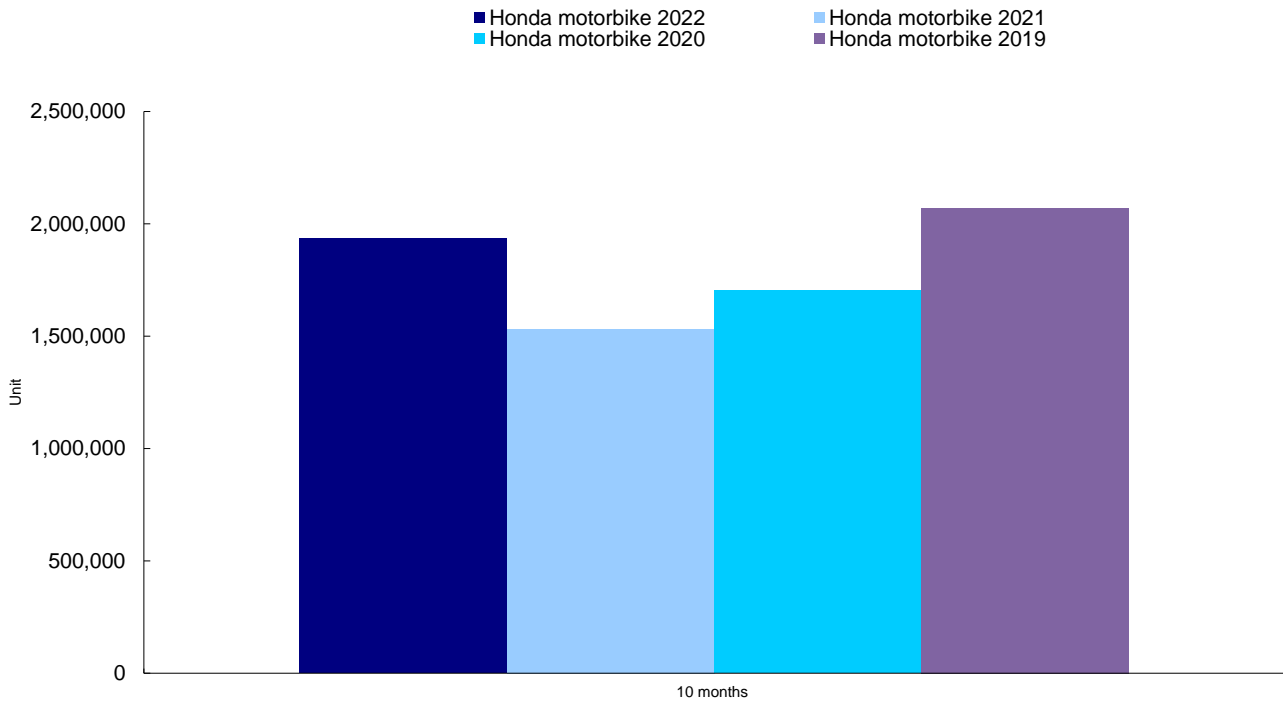
**10 months sale update.** As per our mentions in the last report, motorbike market show resilience right after Covid-19 restrictions were lifted. Motorbike sales recover back to the highest point in 2019, meanwhile auto sales indicate a strong growth compared to pre-Covid level. Except Q1 2022, when most of the measures were maintained, from Q3, motorbike sales have grown strongly to make up for the loss of sales in the 2 previous quarters. In 10 months, total motorbike sales reached the point equivalent to 2019 level, with total of 1.93 million units sold, compared to approximate of 2 million vehicles sold in 2019, up + 26.4% YoY. In Q3 2022, Honda's motorbikes account for 80.1% Vietnam market share, higher than 74.4% at the end of Q2 2022.

**Table: Monthly sales of Honda and Toyota**

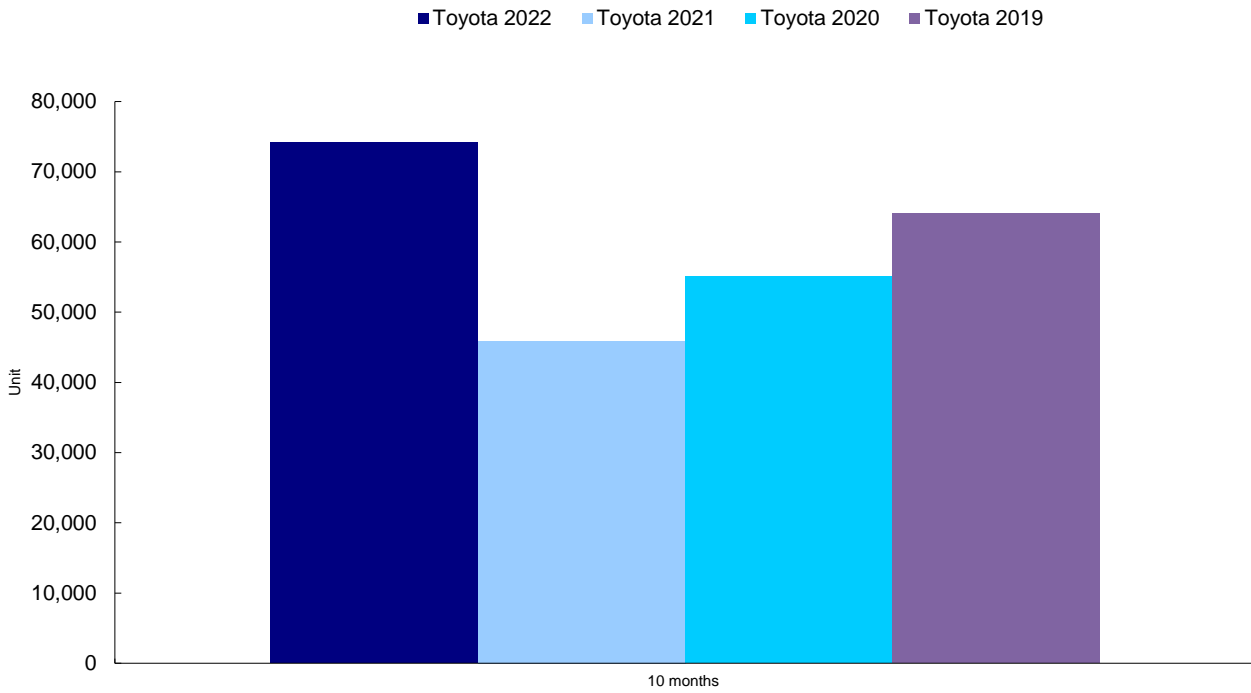




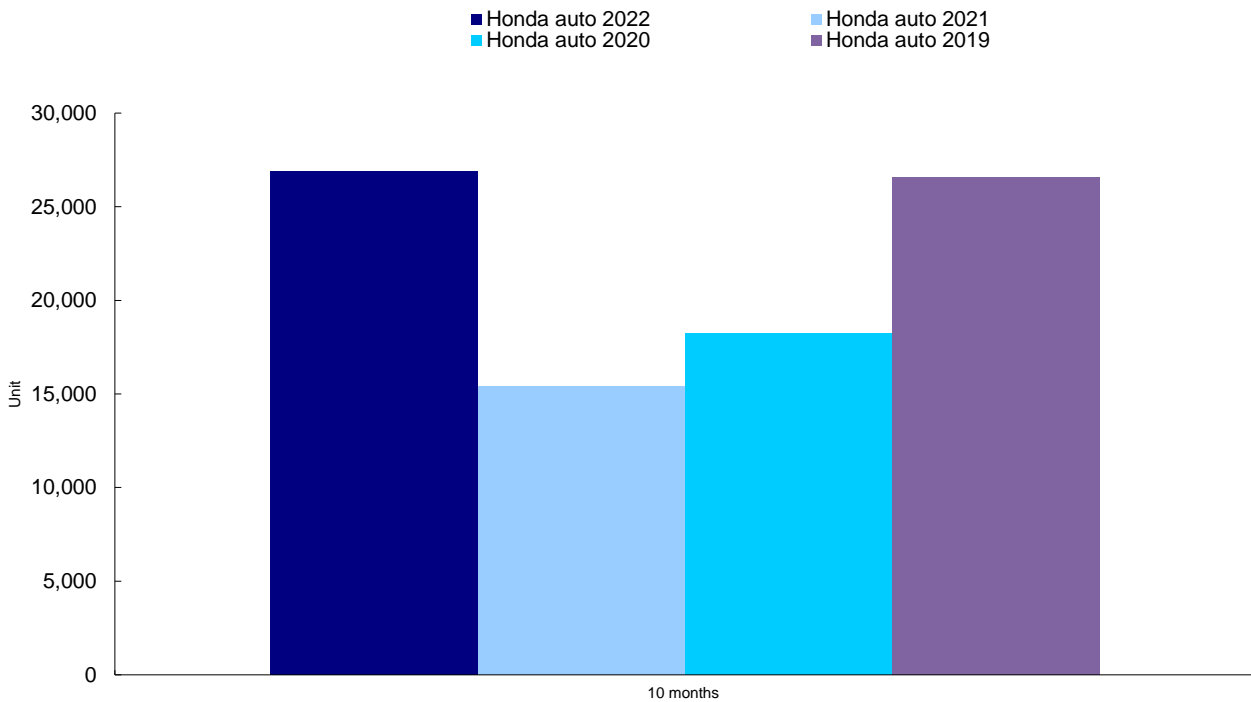
Source: VAMA, Guotai Junan Vietnam



Source: VAMA, Guotai Junan Vietnam



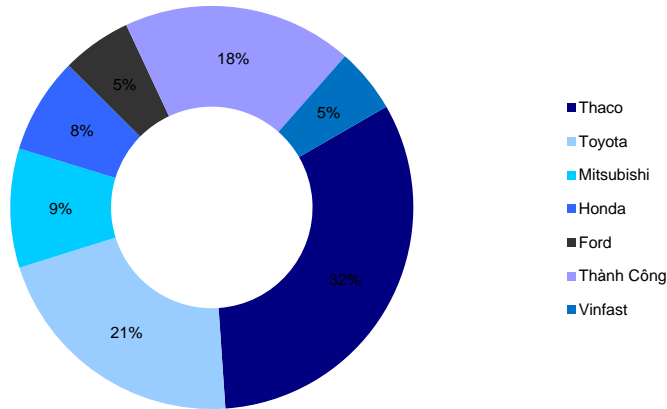
Source: VAMA, Guotai Junan Vietnam



Source: Honda, Guotai Junan Vietnam

In 10 months 2022, Toyota sold about 74 thousand vehicles, Honda sold about 26.8 thousand vehicles and Ford sold over 19.5 thousand vehicles. All these figures are beyond pre-covid level. Thaco is leading the game, accounting for 32.3% of market share with Kia, Mazda and Peugeot brands, Toyota is in second position with 21% of market share, Honda and Ford join for 13.6% of market share.

Auto market share 2022



Source: VAMA, Guotai Junan Vietnam

NPAT in Q3 2022 recorded strong growth with VND 1,918 billion, up 55% YoY. For 9 months, NPAT reached VND 5,141 billion, up +31% YoY. VEA's NPAT were contributed most by the income from joint ventures, which reached VND 4.615 billion, up +33% YoY, approximate to VND 4,972 billion in 2019.

### Valuation and Recommendation

With strong brand name and favorable business condition, in the long term, we are quite confident about Honda and Toyota competitive advantage and pricing power. We predict that 10% growth per year for Honda's motorbikes and 15%-20% growth per year for Honda's auto and Toyota. We value VEA's stock at **VND 57,300/share**. We note that because VEA's profit mostly comes from Honda and Toyota as dividend payment. Therefore, from the investing's perspective, VEA stock may not increase in price more than fair value. Instead, return from VEA stock will mostly be derived from dividend. VEA will pay out more dividend in the future, instead of 66% on average in the last 5 years, as we suppose the new management will adjust the dividend payout policy. This will increase value of stock.

**We recommend Buy for VEA stock.**

## Financial Statements and Ratios

Income Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	2021A
Revenue	6,586	7,074	4,497	3,672	4,023
yoy(%)	4.1%	7.4%	-36.4%	-18.3%	9.6%
Cost of services	(5943)	(6467)	(4422)	(3480)	(3453)
Gross profit	620	603	65	187	566
yoy(%)	-2.8%	-2.8%	-89.1%	186.4%	202.0%
SGA expenses	(878)	(657)	(557)	(478)	(493)
Other (losses) / gains, net	(3)	(9)	(101)	(8)	(17)
Financial income	254	416	903	977	713
Finance costs	(42)	(79)	(22)	(7)	(7)
Share of profits of associates and JCEs	5170	6852	7126	5124	5177
Profit before income tax	5122	7126	7415	5795	5940
yoy(%)	13.51%	39.13%	4.05%	21.84%	2.49%
Income tax expense	(36)	(79)	(96)	(201)	(147)
Profit after tax	5086	7047	7319	5594	5792
yoy(%)	13.2%	38.6%	3.9%	-23.6%	3.5%
Minority interest	40	37	39	42	42
Net profit	5046	7010	7280	5552	5751
yoy(%)	12.0%	38.9%	3.8%	-23.7%	3.6%
EPS(VND)	3,797	5,276	5,479	4,178	4,328
yoy(%)	12.0%	38.9%	3.8%	-23.7%	3.6%

Cash Flow Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	2021A
Profit before income tax	5122	7126	7415	5795	5940
Adjustments change in WC	(4838)	(6971)	(7490)	(5555)	(5645)
Cash from operations	(541)	(4129)	508	282	(187)
Capital expenditure	(462)	(196)	(185)	(127)	(80)
Cash from investing	3125	2504	4991	5896	8148
Common stock (purchase) or sale	0	0	0	0	0
Other	(3894)	(521)	(263)	(11450)	(7985)
Cash from financing	(3894)	(521)	(263)	(11450)	(7985)
Cash & cash equivalents at 1st January	3799	2488	342	5576	306
Net change in cash	(1311)	(2146)	5236	(5271)	(24)
Cash & cash equivalents at 31st December	2488	342	5576	306	280

Balance Sheet					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	2021A
Current assets	10,987	16,408	22,987	19,269	17,287
Cash & equivalents	2,488	342	5,576	306	280
Short term investment	2,152	9,650	11,265	13,265	11,799
Receivable	2,610	4,011	4,186	4,278	3,598
Inventory	3,503	2,306	1,826	1,309	1,477
Non-current assets	12,374	9,998	10,302	7,955	7,719
Property plant & equipment	2,287	2,302	2,077	2,045	1,829
Intangible assets	46	46	76	77	75
Work in progress	301	113	320	90	86
Prepayment and other receivables	317	373	385	429	473
Investment in an associated co.	9,244	6,970	7,432	5,303	5,245
Other investment	21	21	21	66	66
Total assets	51,304	119,689	197,241	215,326	230,418
Current liabilities	4,563	1,399	6,300	1,887	1,263
Account payable	24	35	24	29	49
Short-term borrowing	285	384	180	164	248
Non-current liabilities	223	158	151	55	60
Long-term borrowings	175	116	78	0	-
Total liabilities	4,786	1,556	6,451	1,942	1,322
Minority interest	169	195	198	213	215
Share capital	13,288	13,288	13,288	13,288	13,288
Other reserves and retained earnings	5,118	11,366	13,352	11,780	10,181
Total equity	18,575	24,850	26,838	25,282	23,683
yoy (%)	39.6%	33.8%	8.0%	-5.8%	-6.3%

Financial Ratio					
	2017A	2018A	2019A	2020A	2021A
Gross margin (%)	9	9	1	5	14
Operating margin (%)	78	101	165	158	148
Net margin (%)	76.6	99.1	161.9	151.2	142.9
ROA (%)	9.8	5.9	3.7	2.6	2.5
ROE (%)	27.4	28.4	27.3	22.1	24.5
Net gearing ratio (%)	2.5	2.0	1.0	0.6	1.0
Current ratio(x)	2.4	11.7	3.6	10.2	13.7

Source: the Company, Guotai Junan (Vietnam).

### COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

### SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

### DISCLAIMER

The views expressed in this report accurately reflect personal views on securities codes or the issuer of the analyst(s) in charge of the preparation of the report. Investors should consider this report as reference and should not consider this report as securities investment consulting content for making decisions on investments and Investors shall be responsible for the investments decisions. Guotai Junan Securities (Vietnam) Corp. may not be responsible for the whole or any damages, or an event(s) considered as damage(s) incurred from or in relation to the act of using all or part of the information or opinions stated in this report.

The analyst(s) responsible for the preparation of this report receive(s) remuneration based upon various factors, including the quality and accuracy of the research, clients' feedbacks, competitive factors and the revenue of the company. Guotai Junan Securities (Vietnam) Corp. and/or its members and/or its General Director and/or its staffs may have positions in any securities mentioned in this report (or in any related investments).

The analyst(s) responsible for the preparation of this report endeavours to prepare the report based on information believed to be reliable at the time of publication. Guotai Junan Securities (Vietnam) Corp. makes no representations, warranties and covenants on the completeness and accuracy of the information. Opinions and estimates expressed in this report represent views of the analyst responsible for the preparation of the report at the date of publication only and shall not be considered as Guotai Junan Securities (Vietnam) Corp.'s views and may be subject to change without notice.

This report is provided, for information providing purposes only, to Investor including institutional investors and individual clients of Guotai Junan Securities (Vietnam) Corp. in Vietnam and overseas in accordance with laws and regulations explicit and related in the country where this report is distributed, and may not constitute an offer or any specified recommendations to buy, sell or holding securities in any jurisdiction. Opinions and recommendations expressed in this report are made without taking differences regarding goals, needs, strategies and specified situations of each and every Investor(s) into consideration. Investors acknowledge that there may be conflicts of interests affecting the objectiveness of this report.

The content of this report, including but not limited to this recommendation shall not be the basis for Investors or any third party to refer to with the aim to requiring Guotai Junan Securities (Vietnam) Corp. and/or the analyst responsible for the preparation of this report to perform any obligations towards Investors or the third party in relation to the investment decisions of Investors and/or the content of this report.

This report may not be copied, reproduced, published or redistributed by any person(s) for any purposes unless upon a written acceptance by a competent representative of Guotai Junan Securities (Vietnam) Corp. Please cite sources when quoting.



## GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

### Phí Công Linh

Equity Analyst- Real estate sector

[linhpc@gtjas.com.vn](mailto:linhpc@gtjas.com.vn)

(024) 35.730.073 – ext:704

### Võ Thế Vinh

Head of Research

[vinhvt@gtjas.com.vn](mailto:vinhvt@gtjas.com.vn) - ext:701



CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)  
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1 <sup>st</sup> Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	4 <sup>th</sup> Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: <a href="mailto:info@gtjas.com.vn">info@gtjas.com.vn</a> Website: <a href="http://www.gtjai.com.vn">www.gtjai.com.vn</a>	Fax: (024) 35.730.088	Fax: (028) 38.239.696