



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

Phi Cong Linh

(+84) 24 3573 0073 - ext: 704

linhpc@gtjas.com.vn

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2022 Financial result update

- VEA announced Q4/2022 financial results that are quite close to our estimation: Net profit increased strongly by 33.8% YoY to VNĐ 2,512 billion – a record quarterly profit. For the whole year of 2022, VEA's net revenue and net profit reached VNĐ 4,748 billion (+18.1% YoY) and VNĐ 7,602 billion (+32.2% yoy) respectively.
- Car and motorbike output exceeded our forecast. VEA's profit from joint ventures in Q4/2022 increased sharply by 38.6% YoY, reaching VNĐ 2,369 billion. This good result was achieved by a strong recovery in car and motorcycle consumption.
- Automobile sale: Total sales from 3 joint ventures of VEA (Toyota, Honda and Ford) in Q4/2022 reached 45,908 vehicles, equivalent to the same period.
- Motorcycle sale: Honda's motorcycle sales in Q4 reached 715,118 units, up 14.6% YoY thanks to improved supply and customer demand. We recommend **Buy** for VEA stock. Our target price is VNĐ57,300/share.

Rating:

Buy

Initial

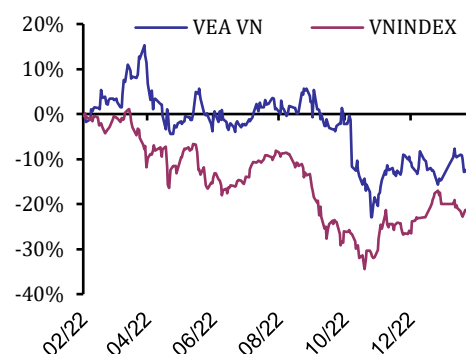
6-18m TP:

57,300

Share price:

VNĐ38,500

Stock performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	3.4%	7.4%	-11.3%
Rel. % to VNI index	4.0%	-7.7%	25.8%
Avg. share price (VNĐ)	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	(VNĐ bil)	(VNĐ bil)	(VNĐ)	(Δ%)	(x)	(VNĐ)	(x)	(VNĐ)	(%)	(%)
2018A	7,074	7,047	5,229	38%	7.4	18,543	2.09	3,884	10%	32%
2019A	4,497	7,319	5,432	4%	7.1	20,042	1.93	5,253	14%	28%
2020A	3,672	5,594	4,136	-24%	9.4	18,862	2.06	5,452	14%	21%
2021A	4,023	5,792	4,294	4%	9.0	17,656	2.20	4,493	12%	23%
2022A	4,754	7,672	5,721	33%	6.8	18,806	2.06	-	0%	31%

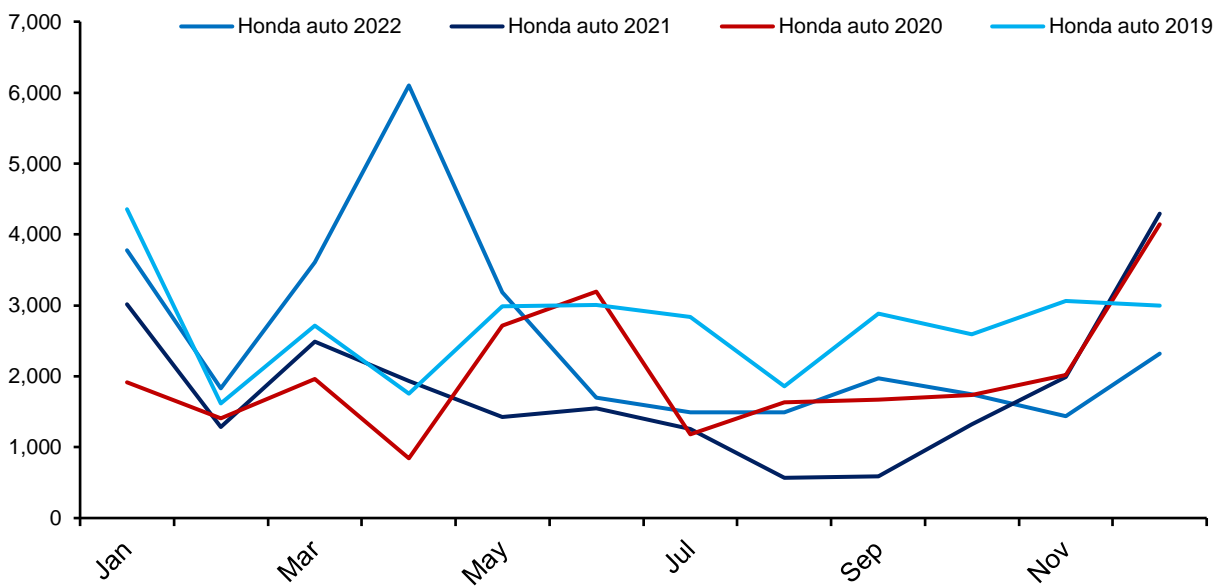
Shares in issue (m)	1,3287.8	Major shareholder	Ministry of Industry and trade	88.47%
Market cap. (VNĐ m)	51,510,930	Free float (%)		15.0
3-month average vol. ('000)	181.1	FY21 Net gearing (%)		4.0
52 Weeks high/low (VNĐ)	31,500 / 47,124			

Source : the Company, Guotai Junan Vietnam.

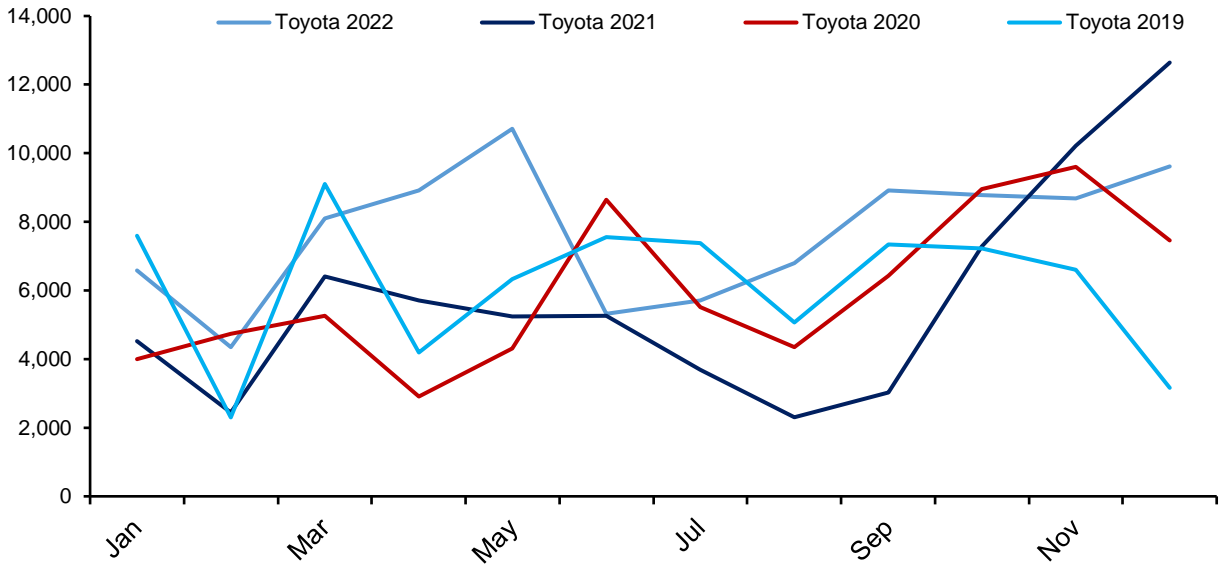
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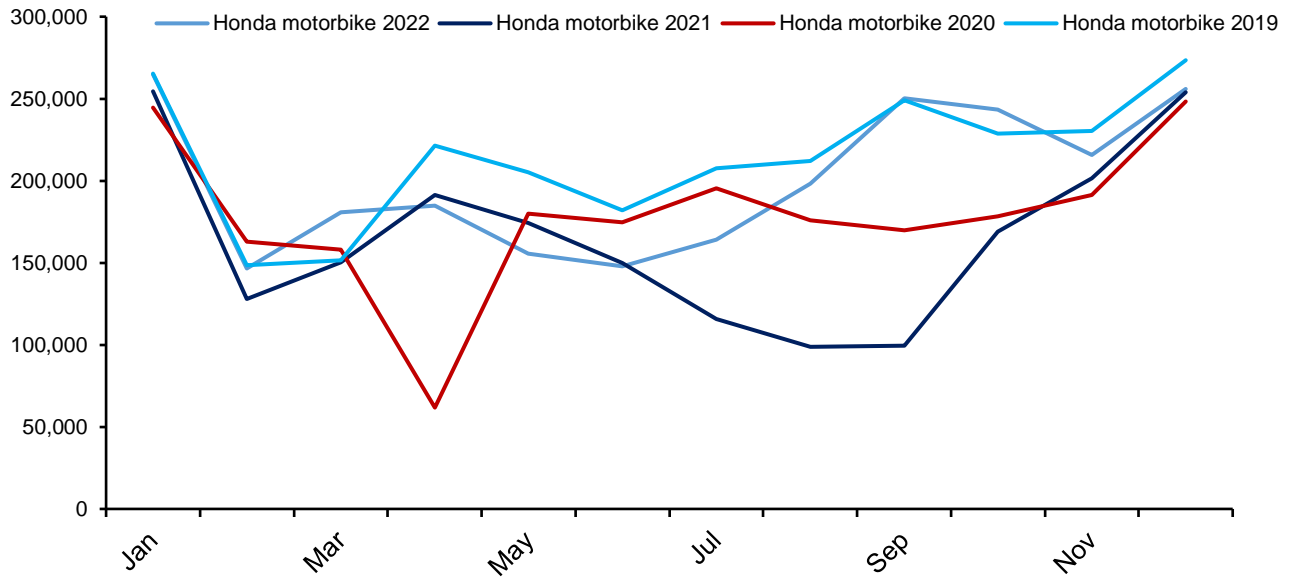
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Source: VAMA, Guotai Junan Vietnam

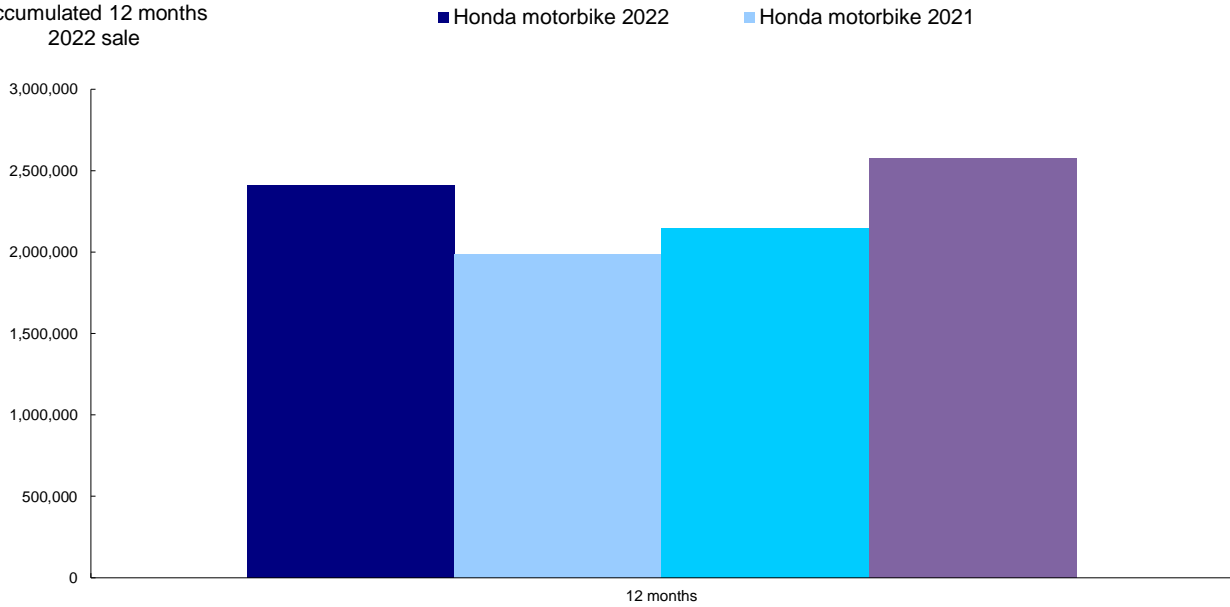


Source: VAMA, Guotai Junan Vietnam



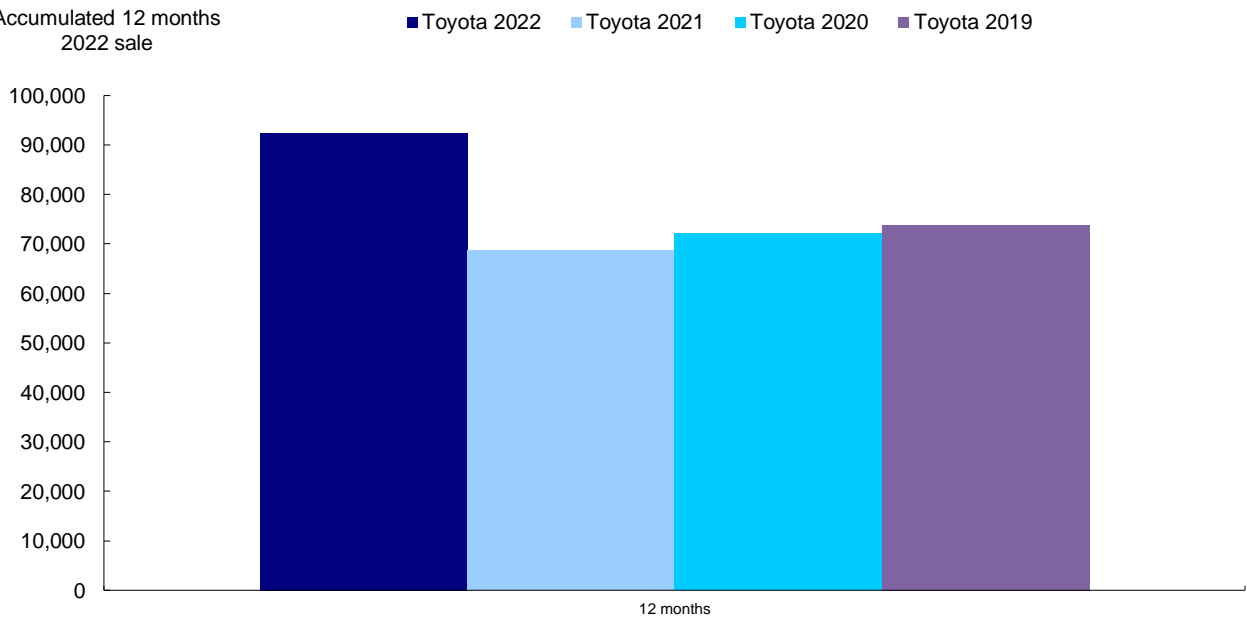
Source: Honda, Guotai Junan Vietnam

Accumulated 12 months
 2022 sale

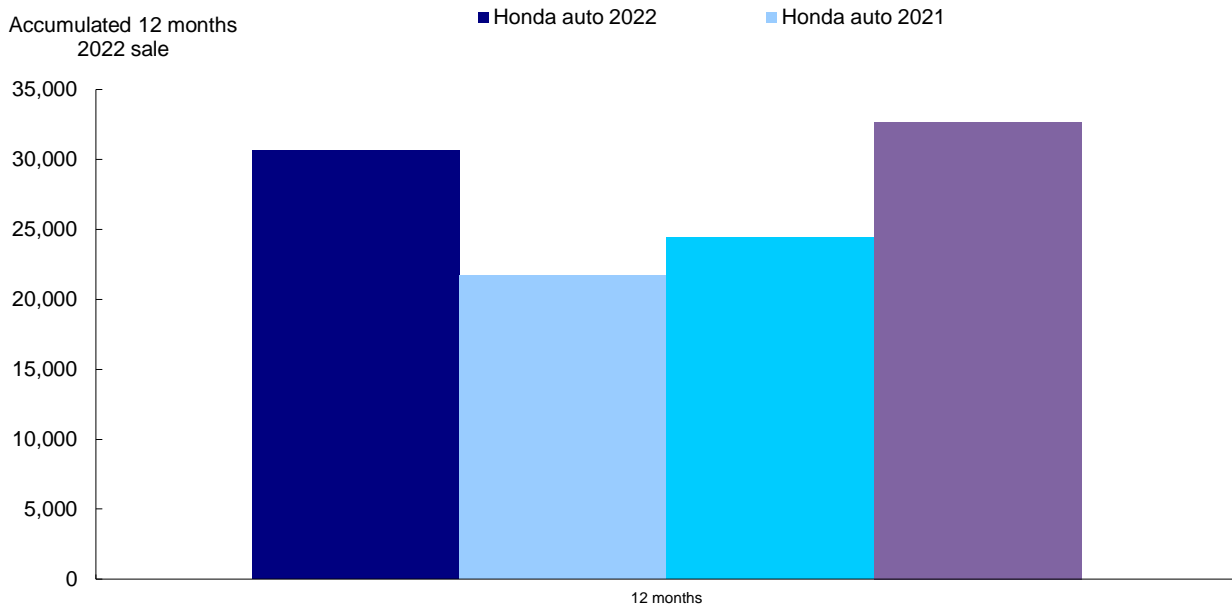


Nguồn: Honda, Guotai Junan Vietnam

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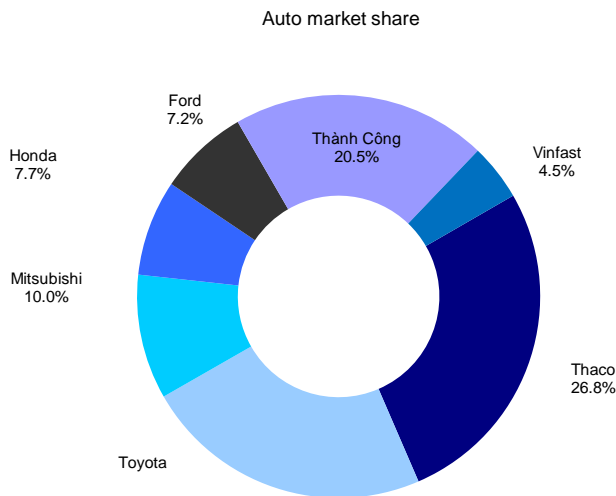
Source: VAMA, Guotai Junan Vietnam



Nguồn: VAMA, Guotai Junan Vietnam

Cumulative 12 months, Toyota sold more than 92,000 cars, Honda sold more than 30,000 cars and Ford sold 28,000 cars. These figures are all higher than before the epidemic, creating growth momentum for the following years.

In terms of auto market share, Thaco leads the race with Kia, Mazda and Peugeot cars accounting for a total of 26.8% market share. Toyota is second with 21% market share and Honda and Ford have 14% market share.



Source: VAMA, Guotai Junan Vietnam

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 estimate that cash dividend for 2023 would be VNĐ 5,500. This will increase value of stock.

We recommend Buy for VEA stock.

Financial Statements and Ratios

Income Statement					
Year end Dec (VND bil)	2018A	2019A	2020A	2021A	2022A
Revenue	7,074	4,497	3,672	4,023	4,754
yoy(%)	12%	-36%	-18%	10%	18%
Cost of services	-6,467	-4,422	-3,480	-3,453	-4,096
Gross profit	603	65	187	566	651
yoy(%)	-5%	-89%	186%	202%	15%
SGA expenses	-657	-557	-478	-493	-660
Other (losses) / gains, net	-9	-101	-8	-17	81
Financial income	416	903	977	713	818
Finance costs	-79	-22	-7	-7	-23
Share of profits of associates and JCEs	6,852	7,126	5,124	5,177	6,984
Profit before income tax	7,126	7,415	5,795	5,940	7,852
yoy(%)	58%	4%	-22%	2%	32%
Income tax expense	-79	-96	-201	-147	-180
Profit after tax	7,047	7,319	5,594	5,792	7,672
yoy(%)	57%	4%	-24%	4%	32%
Minority interest	37	39	42	42	70
Net profit	7,010	7,280	5,552	5,751	7,602
yoy(%)	56%	4%	-24%	4%	32%
EPS(VND)	5,276	5,479	4,178	4,328	5,721
yoy(%)	56%	4%	-24%	4%	32%

Cash Flow Statement					
Year end Dec (VND bil)	2018A	2019A	2020A	2021A	2022A
Profit before income tax	7,126	7,415	5,795	5,940	7,852
Adjustments	-6,971	-7,490	-5,555	-5,645	-7,401
change in WC	-4,285	583	41	-481	-349
Cash from operations	-4,129	508	282	-187	101
Capital expenditure	-196	-185	-127	-80	-131
Cash from investing	2,504	4,991	5,896	8,148	5,143
Common stock (purchase) or sale	0	0	0	0	0
Other	-521	-263	-11,450	-7,985	-5,230
Cash from financing	-521	-263	-11,450	-7,985	-5,230
Cash & cash equivalents at 1st January	2,488	342	5,576	306	280
Net change in cash	-2,146	5,236	-5,271	-24	14
Cash & cash equivalents at 31st December	342	5,576	306	280	294

Source: the Company, Guotai Junan (Vietnam).

Balance Sheet					
Year end Dec (VND bil)	2018A	2019A	2020A	2021A	2022A
Current assets	16,408	22,987	19,269	17,287	18,209
Cash & equivalents	342	5,576	306	280	294
Short term investment	9,650	11,265	13,265	11,799	12,593
Receivable	4,011	4,186	4,278	3,598	3,636
Inventory	2,306	1,826	1,309	1,477	1,541
Non-current assets	9,998	10,302	7,955	7,719	9,246
Property plant & equipment	2,302	2,077	2,045	1,829	1,661
Intangible assets	46	76	77	75	71
Work in progress	113	320	90	86	99
Prepayment and other receivables	373	385	429	473	510
Investment in an associated co.	6,949	7,432	5,303	5,245	6,893
Other investment	21	21	66	66	66
Total assets	51,304	119,689	197,241	215,326	230,418
Current liabilities	1,399	6,300	1,887	1,263	2,169
Account payable	35	24	29	49	24
Short-term borrowing	384	180	164	248	1,014
Non-current liabilities	158	151	55	60	56
Long-term borrowings	116	78	0	0	0
Total liabilities	1,556	6,451	1,942	1,322	2,225
Minority interest	195	198	213	215	236
Share capital	13,288	13,288	13,288	13,288	13,288
Other reserves and retained earnings	11,366	13,352	11,780	10,181	11,706
Total equity	24,850	26,838	25,282	23,683	25,230
yoy (%)	87%	8%	-6%	-6%	7%

Financial Ratio					
	2018A	2019A	2020A	2021A	2022A
Gross margin (%)	8.5	1.5	5.1	14.1	13.7
Operating margin (%)	100.7	164.9	157.8	147.6	165.2
Net margin (%)	99.1	161.9	151.2	142.9	159.9
ROA (%)	13.7	6.1	2.8	2.7	3.3
ROE (%)	28.4	27.3	22.1	24.5	30.4
Net gearing ratio (%)	2.0	1.0	0.6	1.0	4.0
Current ratio(x)	11.7	3.6	10.2	13.7	8.4

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

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

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GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

Phí Công Linh

Equity Analyst- Real estate sector

linhpc@gtjas.com.vn

(024) 35.730.073 – ext:704

Võ Thế Vinh

Head of Research

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 st Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	4 th 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: info@gtjas.com.vn Website: www.gtjai.com.vn	Fax: (024) 35.730.088	Fax: (028) 38.239.696