

# AIRPORTS CORPORATION OF VIETNAM (ACV) IPO REPORT

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## 1. IPO INFORMATION

- Charter capital subsequent to IPO: VND 22,431 bn
- Number of shares for IPO: 77,804,122 shares, equivalent to 3.47% of charter capital
- Deadline for registration and deposit: 16:00, 02 December 2015
- Submitting bidding notes: 15:00 08<sup>th</sup> December 2015
- Time and venue of IPO: 8.30 10<sup>th</sup> December 2015, at Ho Chi Minh Stock Exchange

Shareholder	Number of shares	% stake
State	1,682,323,878	75%
Employees	34,350,803	2%
Strategic investors	44,8619,701	20%
Initial public offering	77,804,122	3%
<b>Total</b>	<b>2,243,098,504</b>	<b>100%</b>

## 2. COMPANY OVERVIEW

### History

The parent company of Airports Corporation of Vietnam's (ACV) predecessor was initially founded in 1976 under the direct management and operation of the Civil Aviation Administration of Vietnam (CAAV) as Northern, Central and Southern Regional Airport Authority. In 1998, the Authorities were transformed into state-owned, public-utility enterprises. After Vietnam joined the WTO in 2007, the Ministry of Transport (MoT) established the Northern Airport Corporation, Central Airport Corporation and Southern Airport Corporation according to the Law on Civil Aviation dated in 2006. ACV was incorporated following a merger of the Northern, Central and Southern Airport Corporation in 2012 by the Minister of Transport. Currently, ACV operates under a parent-subsidiary model and is involve in managing and operating 22 civil airports in Vietnam. The company significantly expanded its operating capacity from 45 mil passengers per year in 2011 to more than 70 mil passengers per year in 2015.

### List of Subsidiaries

Name of Subsidiaries	Investment in subsidiaries(VND bn)	% Stake	Core business
Southern Airport Services JSC	671	51.00%	Commercial Service in airport
Saigon Ground Service JSC	78	55.51%	Ground service in airport
Noi Bai Aviation Fuel Service JSC	66	60.00%	Aviation Fuel
Cam Ranh Aviation Commercial JSC	5	51.00%	Commercial Service in airport

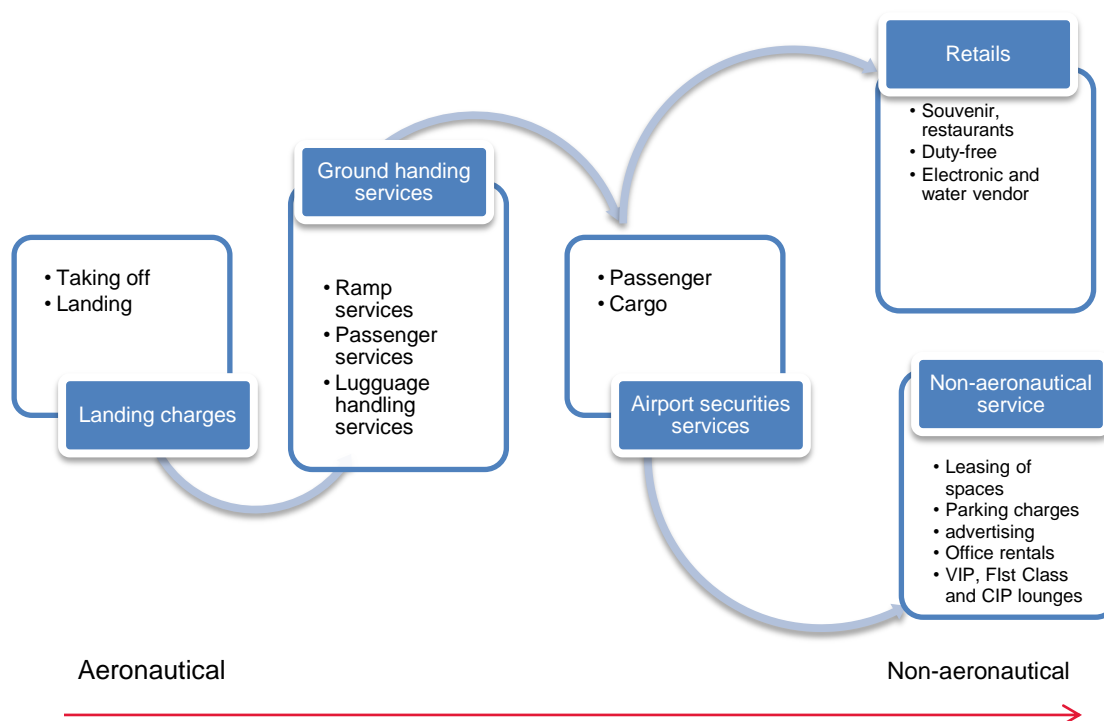
Source: ACV

## List of associates and long-term investments

Name of associates and long term investment	Investment in subsidiaries and associates	% Stake	Core business
Southern Airport Aircraft Maintenance Ltd	15.3	51%	Aircraft Maintenance
Southern Airport Trading JSC	4.9	29.53%	Production of bottled water
Southern Airport Transportation JSC	13.05	30%	Transportation
Hanoi Ground Service JSC	30	20%	Ground Service
Noi Bai Cargo Terminal Service JSC	50	20%	Cargo And Service Solution
Saigon Cargo Service JSC	75	15.63%	Cargo And Service Solution

### 3. BUSINESS MODEL

#### AIRPORT SERVICES VALUE CHAIN



ACV generates revenue through the following services:

#### 3.1. Aeronautical

Most of the revenue from aeronautical services derives from charging users of airport facilities including airlines, passengers and other users. Passenger fees are rank first in revenue contribution to aeronautical services and ACV obtains this fee through indirectly charging on a customer's airline ticket. Landing charges or fees from airlines using the runways, taxiways, illumination systems, meteorological station and instrument landing system, is rank second in income contribution of aeronautical services. The aeronautical service charges are subject to price regulation by Vietnam's government. Revenue growth of this segment is, therefore, prone to passenger traffic volume, cargo traffic volume, and flight movements in and out of the airports.

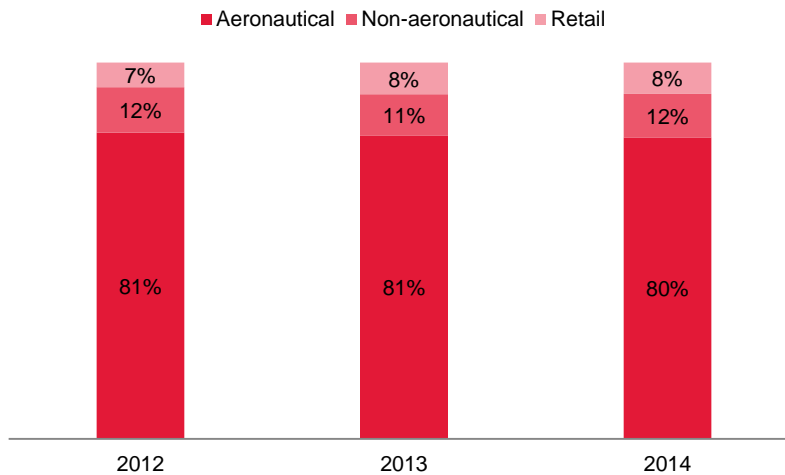
### 3.2. Non-Aeronautical

ACV's second source of revenue derives from rental and commercial activities conducted at its own airports (i.e leasing of space to restaurants and retailers, leasing of space for retailers and officers, advertising and parking charges). Service prices of non-aeronautical services are not regulated by the MoT.

### 3.3. Retail

ACV sells branded goods at duty-free shops, local souvenir shops and restaurants in the territory of its airports.

ACV's revenue structure



Source: ACV

There were no significant changes in revenue structure from 2011-2014. Aeronautical accounted roughly 80-81% of total sales. Non-aeronautical accounted roughly 11-12% of total sales and retail accounted 7%-8% of total sales.

### Capacity

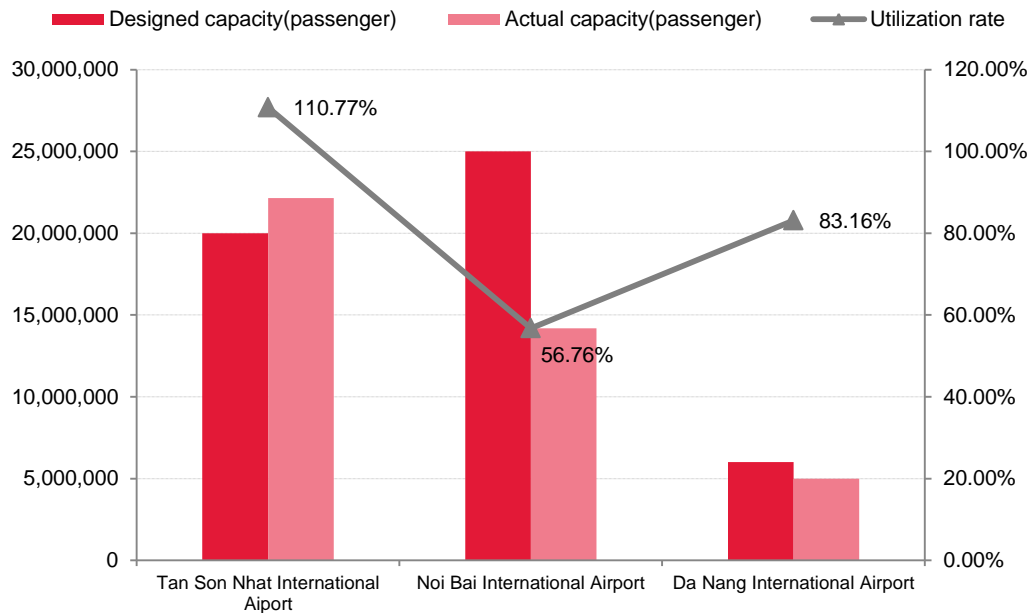
Currently, ACV manages and operates 22 civil airports in Vietnam (7 international airports and 15 domestic airports) with total designed capacity of 69.4 mil passengers per year. 3 of the biggest airports including Tan Son Nhat International Airport in Ho Chi Minh City, Noi Bai International Airport in Hanoi, Danang International Airport in Danang City account for roughly 81% of total terminal passenger traffic. Other key airports serving tourist destinations are Cam Ranh, Phu Quoc and Phu Bai Airport. The remaining airports are located in major cities of Vietnam; however, they are running at relatively low capacity utilization rates due to recent commencement of operation.

ACV's total operating capacity

	2012	2013	2014
Designed capacity	69,400,000	69,400,000	69,400,000
Actual passenger traffic	37,622,789	44,160,843	50,824,431
Utilization rate	54%	64%	73%

Source: ACV

## Operation capacities of the 3 major airports in 2014



Source: ACV

Detailed operation capacities of ACV's 22 airports are found in **Appendix 1**

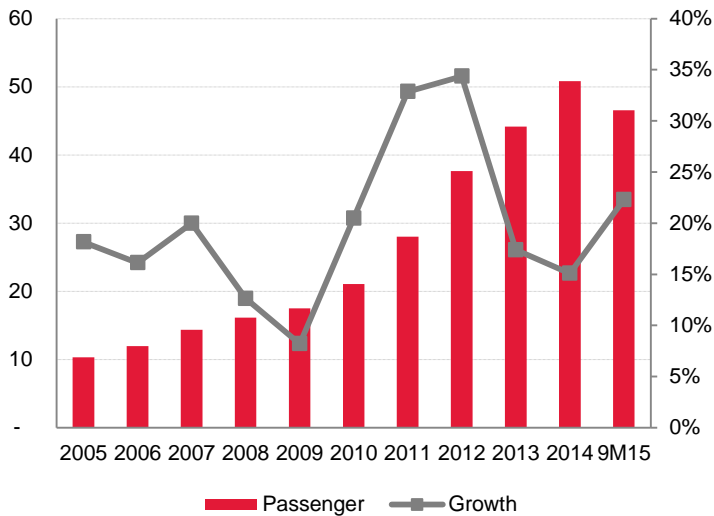
### Crucial Assets:

ACV's principle assets are in the maneuvering space such as runways, taxiways, apron and supporting facilities in the airports, of which book value was VND 1,900 bn as of 30<sup>th</sup> June 2014. After equitization, ACV will return all of these assets to the government due to national security issues. Having said that, ACV will lease these assets to the government for a fee from 2016. The leasing fee will be determined by the MoT, which will be anchored on ACV's proposal. According to ACV, it may propose a leasing fee of VND 100bn - VND 150bn per year, equivalent to 8-12% of annual landing charges of VND 1,200-1,500bn. On the bright side, ACV will no longer book annual depreciation expenses for these assets in the future.

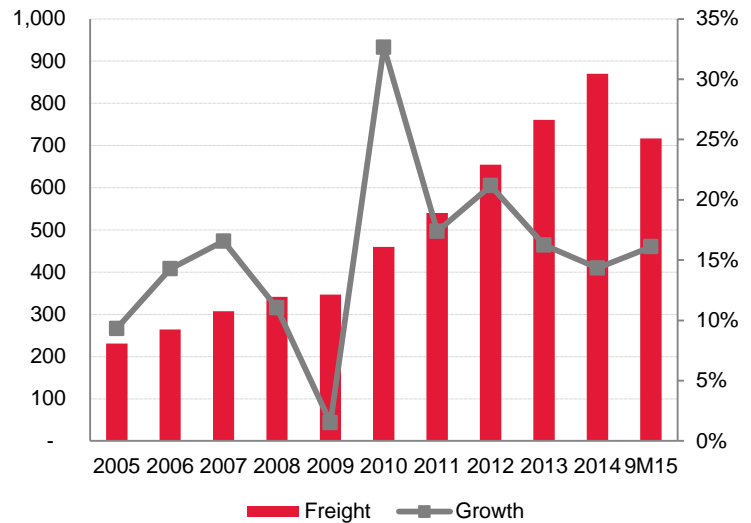
## 4. VIETNAM AVIATION INDUSTRY

ACV is a monopoly airport operator and manager in Vietnam. Passengers and cargo volume passing through its airports are as follows:

**Historical passenger volume**



**Historical air freight volume**



Source: ACV, CAAV

### Fast growth derived from incremental air travel demand

Between 2005 and 2014, CAGR of passenger traffic and air freight passing through ACV's airports were 20% and 16%, respectively. After sluggish total air traffic in 2009 due to worldwide economic crisis, both passenger growth and air cargo recovered and have seen steady growth until now. Notably, in 2014, international passengers and cargo through the airports mildly expanded with growth of 5%YoY and 12%YoY, respectively, lower than previous years due to territorial disputes in the South China Sea, rising regional political tension and Russia economic depression albeit encouraging growth in domestic passengers and cargo of 20%YoY and 18%YoY, respectively. Vietnam aviation contributed USD 6 bn to Vietnam's GDP in 2014.

During 2012-2014, domestic traffic flourished with CAGR of 20% thanks to the launch of VietJet Air – the first domestic low-cost airlines in 2012 coupled with new domestic routes for 3 domestic airlines including Vietnam Airlines, VietJet and Jetstar Pacific in 2013. Vietnam Airlines and other carriers have plans to increase their fleets this year and in upcoming years, hence, air traffic to and from airports is expected to balloon. According to the International Air Transport Association (IATA), air freight accounts for a very small amount of Vietnam's trade by volume; representing 25% of Vietnam's trade by value, achieving USD 29 billion in 2014, leaving untested room for further growth.

### Undeveloped aviation infrastructure together with low quality customer care call for substantial investments

According to Tony Tyler, IATA's Chief Executive Officer, Vietnam is ranked 82nd in the Infrastructure Index of the World Economic Forum's Global Competitiveness Report. Among the ten ASEAN countries, Vietnam is ranked sixth. The low rankings are an incentive for Vietnam to significantly invest and improve aviation infrastructure.

Vietnam announced its plans to increase the current number of airports from 22 to 26 airports by 2020. The new Long Thanh International Airport will be ready by 2020 which is expected to ease the bottleneck at Tan Son Nhat International Airport. Upgrading and constructing new airports are expected to improve aviation infrastructure and in the process boost the industry growth.

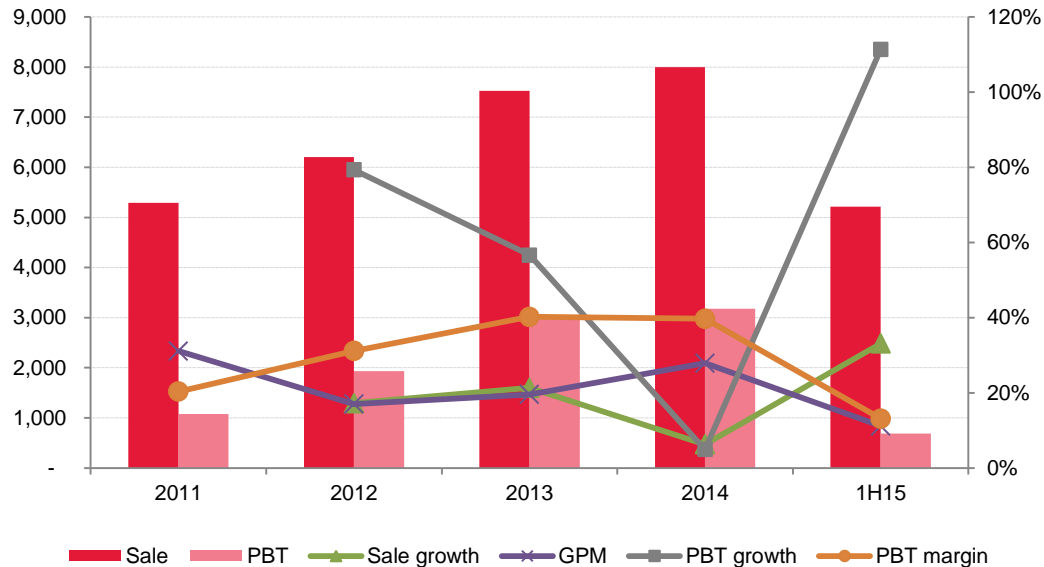
Furthermore, Vietnam aviation industry still lacks quality customer service due to the current visa requirement. It's critical that the current process be scrutinized to attract travelers as well as improving customer service via online and automatic check-ins. Lastly, diseases that spread via air travel such as Ebola, SARS, and etc. will likely hinder the industry growth.

In 9M15, CAAV reported that ACV's traffic volume through its terminals reached 46.56 mil passengers, increasing 22.3% YoY. Cargo and parcel volume recorded 716,557 tons, increasing 16.1% YoY. In 2015, ACV planned to receive roughly 54 mill passengers (+6.3% YoY) and 900,000 tons of cargo and parcel throughput (+3.5% YoY), according to 2015 business target. In our view, the plan is quite conservative.

## 5. BUSINESS PERFORMANCE AND FINANCIAL HIGHLIGHTS

### 5.1. Historical business performance

ACV's historical financial performance



Source: ACV

From 2011-2014, sales CAGR was 15% and PBT CAGR was 43%. 2014 was a unique year as ACV's sales grew modestly by 6%YoY, slower than that of 17%YoY in 2011 and 21%YoY in 2013. This can be explained by territorial disputes in the South China Sea with China, rising regional political tension and Russia economic depression in 2014, which altogether sparked a deep decline in international passenger and international cargo volume despite encouraging volume in domestic air traffic. In fact, aeronautical revenue was noticeably affected as fees charge for international flights are higher from 2x to 8x compared with domestic ones. Additionally, corresponding with weak demand, ACV offered landing charge incentives for carriers to stimulate demand and maintain flight frequency on several key routes. Landing charges accordingly grew slower than that in 2013, increasing by only 1.47% YoY.

ACV's GPM has consistently expanded over the past 3 years and peaked in 2014, reaching 28%. From 2014, the government decided to increase charging fee for aeronautical services, replacing the outdated fee regulation in 2010, and therefore strengthening GPM. Nevertheless, in 1H15, ACV's GPM significantly declined to 11% due to substantial depreciation expense recorded for the Terminal 2 at Noi Bai International Airport.

### 5.2. 1H15 review

In 1H15, ACV posted revenue of VND 5,214bn (+33% YoY) and PBT of VND 685bn (+111% YoY). Encouraging revenue growth was prompted by an increase of 34.8% YoY in aeronautical revenue, reaching VND 4,217bn and 63.6% YoY in retail, reaching VND 551bn. Notably, 1H15 GPM was 11%, significantly lower compared with that of 30% in 1H14. Deteriorating GPM can be attributed to the recording of depreciation expense for the Terminal 2 at Noi Bai International Airport from 2015 within 10 years, which is projected to be roughly VND 1,800bn in 2015 (depreciation expense accounted for roughly 63% of COGs in 1H15 and approximately 33%-36% of ACV's COGs in 2012-2014). However, we expect that ACV's GPM may improve in 2016 because ACV will return the maneuvering

assets to the government and will no longer book depreciation for them after equitization (ACV planned to book roughly VND 740bn in 2015) Additionally, after equitization, from 2016, ACV will apply a normal depreciation schedule instead of the accelerated schedule like before.

Nonetheless, 1H15, PBT grew by 111% YoY thanks to the absence of foreign exchange loss which ACV incurred in 1H14. In 2014, ACV recorded a substantial amount of FX loss of VND 725bn, while this was considerably reduced to only VND 8bn in 1H15. The company's foreign exchange loss/gain correlates with changes in JPY/VND exchange rate as most of its debts are JPY denominated ODA loans. ACV's primary long-term loans include: i) JPY 19bn for Tan Son Nhat Airport with a tenor of 40 years, and ii) JPY 21bn for Terminal 2 at Noi Bai International Airport with a tenor of 40 years with average interest rates of 1-2% per annum. Although the interest rates are relatively low compared with borrowing in VND, the ODA loans are subject to risks such as the high volatility of JPY.

### Strong financial status and outstanding positive cash flow

	2011	2012	2013	2014
<b>Liquidity</b>				
Current ratio	3.50	2.34	2.14	1.79
Acid-test ratio	3.39	2.27	2.05	1.71
Cash ratio	2.47	1.45	1.41	1.38
Net debt/EBITDA	0.33	0.94	1.22	1.48
Interest coverage	12.63	21.94	44.85	50.26
EBITDA/Interest expense	26.56	42.27	74.39	82.44
Inventory period (day)	11.24	16.60	14.82	16.92
Debt/Equity	0.47	0.52	0.51	0.61

ACV maintained healthy liquidity ratio at higher than 1.x. D/E remained relatively low at roughly 0.5x, in which short-term debt/equity is around 0.01x. Most of ACV's long-term debt is in JPY with an average rate of 1%-2% per annum. Correspondingly, interest coverage is very high at around 50.x. Debt/equity ratio is maintained at 0.5x-0.6x. According to ACV, *the company will not borrow more from ODA until commencing the Long Thanh International Airport project in 2018*. During the past 4 years, cash ratio was higher than 1.x, net cash flow was also consistently high thanks to healthy operating cash flow coupled with the fact that investments were mainly funded by Japanese ODA. As of June 2015 and 2014, ACV's net cash flow was unchanged at roughly VND 3,200 bn.

## 6. EARNINGS OUTLOOKS

### 6.1. ACV's business plan

Unit VND bn	2016F	2017F	2018F	2019F	2020F
Net sales	9351	9627	9723	10095	10485
YoY		3%	1%	4%	4%
COGs	7664	7965	7915	8060	8167
Gross Profit	1687	1662	1808	2035	2318
Gross margin	18%	17%	19%	20%	22%
Financial income	516	623	683	796	908
Financial expense	93	91	89	87	85
Interest expense	93	91	89	87	85
Selling, G&A expenses	651	673	686	712	740
% of Sales	7%	7%	7%	7%	7%
Operating Profit	1503	1521	1715	2031	2401
Operating margin	16%	16%	18%	20%	23%
Other income	49	50	51	53	55
Other expenses	49	51	50	51	52
PBT	1503	1520	1716	2032	2404
CIT	20%	20%	20%	20%	20%
Net Income	1203	1216	1372	1626	1923
Net margin	13%	13%	14%	16%	18%

Source: ACV

The company targets to pay 5% cash dividend in next 5 years from 2016-2020, however, the actual payout ratio will depend on the BoD's decision after equitization.

### 6.2. CAPEX Plan

Total investment for projects for inside and outside the maneuvering space for the period 2015-2020 is VND 43,374 bn (excluding construction of Long Thanh International Airport). From 2015-2020, ACV will expand Tan Son Nhat International Airport, Danang International Airport, Can Ranh International Airport, Phu Quoc International Airport and Phu Bai International Airport by adding more runways, aircraft parking lots and terminals. We are of the opinion that the expansion of Tan Son Nhat International Airport and the construction of Long Thanh International Airport will significant impact the company's earnings. Details for these two projects are as follows:

- **Tan Son Nhat International Airport:** ACV will expand Tan Son Nhat international terminal in order to receive 30 mil passengers per year in 2020 from the current capacity of 26 mil passengers. According to ACV, Tan Son Nhat Airport's capacity is expected to reach 130% capacity utilization in 2015. The expansion will add 20 additional parking spaces, enabling the airport to add roughly 4 mil passengers for the international terminals. CAPEX is projected at VND 2,000bn and will be funded by ACV's capital. In the next 10 years, Tan Son Nhat International Airport will still serve as a transportation hub for international passengers in Southern Vietnam until Long Thanh International Airport inaugurates in 2025. Once Long Thanh International Airport is completed, Tan Son Nhat International Airport will then become a domestic airport.
- **Long Thanh International Airport:** The project was approved by Vietnam's Party Congress on June 25<sup>th</sup> 2015 with the aim of becoming an international transit hub in the region. Its designed capacity will be 100 mil passengers and 5 million tons of cargo per year. The project is projected to carry a price tag of VND 336,630bn, or roughly USD 16.03bn. Capital will be a combination from the state budget, ODA and capital

raised from the equalization of the aviation industry, ACV's capital, and capital from public-private partnership. The project will undergo 3 phases:

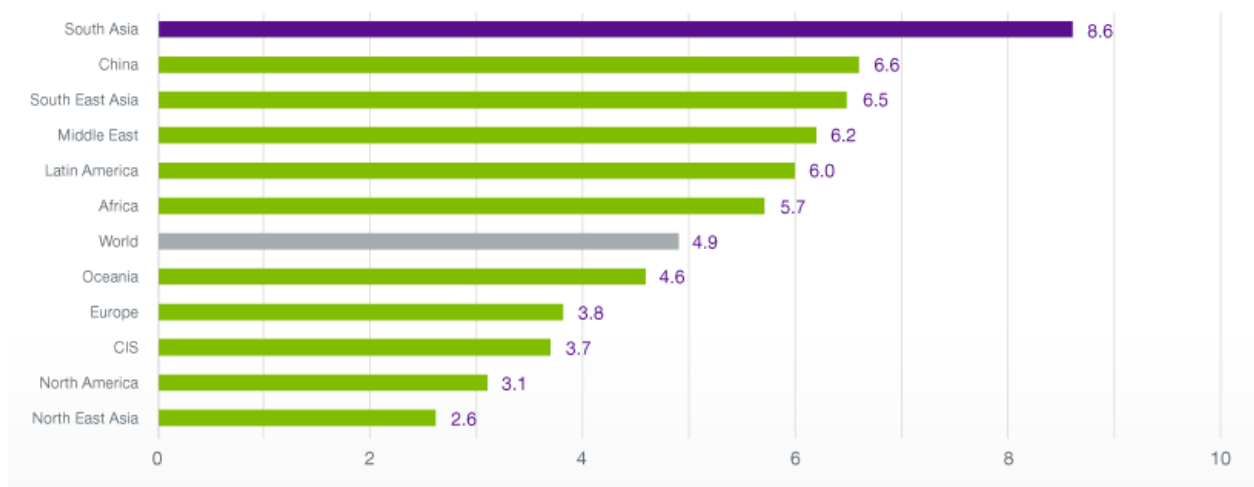
- i) **2018-2025:** Construction of 01 runway and 01 terminal with capacity of 25 mil passengers and 1.2 mil tons of cargo per year. Capital: USD 5.45bn
- ii) **2030-2035:** Addition of 1 runway and 01 terminal to meet capacity of total 50 mil passengers and 1.5 mil tons of cargo per year. Capital: USD 4bn
- iii) **2040-2050:** Conclusion of the project to reach designed capacity of 100 mil passengers and 5 mil tons of cargo per year. Capital: USD 6.5bn.

### 6.3. Outlooks

#### World Aviation and Southeast Asia Aviation Industry outlook

According to the IATA, forecasted passenger numbers of world aviation is expected to reach 7.3 billion by 2034 with CAGR of 4.1% annually. In terms of regional air traffic growth, Boeing forecasts future growth for the period from 2015-2034 specifically as follows:

Traffic growth (%) CAGR, 2015–2034



Source: Boeing

**Southeast Asia is one of commercial aviation's strongest growth regions thanks to** GDP growth and young and dynamic population that is slowly evolving into a middle class, contributing to the industry growth and travel demand. According to Boeing, passenger traffic in from and to the region is expected to grow at 6.5% annually over the next 20 years. The forecast is anchored on the following assumptions:

- **Regional economic growth bolsters air travel demand.** According to long term market outlook by Boeing, CARG of economic growth in Southeast Asia is 5% annually for the past 10 years and is forecasted to expand at 4.6% through 2034, as increasing urban and expatriate population will support the industry growth and travel demand.
- **The adoption of the ASEAN Single Aviation Market and the surge in low-cost carriers will strongly support efficiencies and industry growth.** The ASEAN Single Aviation Market will liberalize the region's

air services, specifically among ASEAN countries, benefiting both passengers and airlines. Southeast Asia is considered as a dynamic sub-region for medium-haul low-cost carriers, which is a strong growth potential business model.

### **Vietnam Aviation Industry Outlook: Strong growth forecast**

According to the IATA's industry forecast for 2015-2034, IATA projects overall Vietnam aviation will continue to grow at an annual rate of 7.3%, being the seventh fastest growing market. International freight will grow at an annual rate of 6.6% from 2014-2017. Growth will mainly derive from:

- **International passenger and cargo volume will continue expanding** thanks to i) tourism growth, ii) economic integration, and iii) and the easing of visa requirements bilaterally and regionally.
- **Domestic passenger and cargo volume** will grow at a higher rate thanks to improving living standards, ii) strengthening of a middle class, and iii) increasing number of aircrafts and routes.
- **Improvement in aviation infrastructure and first-class quality customer service for travelers.** Vietnam airports' capacity is expected to increase to 90.8 million passengers by 2020 by way of expansion of major airports such as Tan Son Nhat, Noi Bai, Danang, Cam Ranh and Phu Quoc. After expanding major airports, ACV will then shift its focus to improve efficiency and customer services at airports via introduction of self-check-in and/or automatic check-in, self-tagging of baggage, document check, flight re-booking, and self-boarding and bag recovery. New services are expected to save time and empower self-service initiatives.
- **Incentive policies for airlines ceased to be effective from 31/12/2014, enhancing aeronautical revenue.**

### **Earnings outlook**

We believe that after the changes in fee charging scheme in 2014, ACV's charging fee for aeronautical services will remain stable moving forward. As a result, increases in passenger volume, air cargo volume and flight movements will boost revenue growth.

In 2015, we forecast that ACV's revenue may reach VND 9,365bn (+17.1% YoY). Based on fore-mentioned 9M15 growth in air passenger volume and cargo put through, our assumptions for 2015 are anchored on the following:

- Passenger volume may increase by 22.6% YoY, receiving 62 mil passengers. Cargo volume will increase by 6.6% YoY, reaching 927K tons. Currently, 3 major airports contribute roughly 81% of total passenger traffic, however, Tan Son Nhat International Airport is currently exceeding capacity together with limited space for expansion, and Danang International Airport is forecasted to run at full capacity in 2015. ACV's future growth will mainly arise from the new Terminal 2 at Noi Bai International Airport.
- We expect that ACV will book VND 3,814bn in depreciation expense in 2015, accounting for 45% of COGs (a substantial increase compared with averages of 33-36% in 2012-2014).
- GPM will remain at 11%, similar to 1H15's figure, due to the recording of additional depreciation expense for the Terminal 2 at Noi Bai International Airport.
- Additionally, in 3Q15, the JPY depreciated by roughly 3% against the VND, hence, we think that ACV may incur exchange rate loss of VND 434bn in 2015.

Accordingly, 2015 PBT may reach VND 751bn, down 76% YoY. It should be noted that in 2014, ACV recorded a substantial FX gain of VND 1,483bn. If this one-off income is excluded, 2015 PBT would decline by 45% due to deteriorating GPM.

In 2016, we expect ACV's revenue will reach VND 10,944bn (+16.9% YoY) and PBT to reach VND 1,524bn (+103% YoY). Our upbeat revenue and PBT projections are anchored on the following assumptions:

- Increases in passenger volume and cargo and parcel volume of 20.8% YoY and 6.6% YoY, respectively, thanks to the new Noi Bai Terminal 2 and the commencement of Tan Son Nhat Airport International Terminal expansion in 2Q16. We expect that the expansion will enable Tan Son Nhat International Airport to receive an additional 2 mil passengers in 2016.
- According to ACV, after equitization, it will return maneuvering assets worth VND 1,900bn to the government and incur a leasing fee of VND 100-150bn per year for allowing the government to use these assets. Accordingly, it will reduce an amount of VND 740bn in depreciation expense in 2016. As such, we believe that ACV may book a total amount of VND 3,079bn in depreciation.
- GPM will improve to 15% in 2016 thanks to: i) increasing capacity at Noi Bai International Airport with the commencement of Terminal 2, ii) an increase at Tan Son Nhat International Airport's capacity after its expansion in 2016, and iii) reduction in depreciation expense of the maneuvering assets as we mentioned above.

Accordingly, in 2016, ACV's PBT and net income may reach VND 1,524bn (+103% YoY) and VND 1,219bn (+108% YoY) (assuming that ACV is applied CIT of 20% in 2016), translating to an EPS of VND 544. We have conservatively taken into account FX risk on ACV's JPY denominated loans. In our 2016 forecast, we assume that in 2016, JPY will depreciate 3%, resulting in a FX loss of roughly VND 431bn.

## 7. VALUATION AND INVESTMENT VIEW

### Comparable companies

Companies	Market	Revenue	P/E	P/B	EV/EBITDA
Belgrade Nikola Tesla Airport (AERO SG)	Serbia	65,088,448	11.34	1.55	8.15
Vienna International Airport (FLU AV)	Austria	1,746,625,228	20.10	1.83	8.36
TAV Airport Holding (TAVHL TI)	Turkey	920,435,700	13.33	1.83	9.15
Beijing Capital International Airport Co Ltd (694 HK)	China	1,196,717,951	19.77	1.73	11.84
Malaysia Airports Holdings Bhd (MAHB MK)	Malaysia	794,284,205	12.14	1.15	12.19
HNA Infrastructure Company Ltd (357 HK)	HongKong	135,305,090	9.88	1.29	7.88
<b>Average</b>			<b>14.43</b>	<b>1.56</b>	<b>9.60</b>
<b>Median</b>			<b>12.73</b>	<b>1.64</b>	<b>8.76</b>
<b>Airport Corporation of Vietnam</b>	<b>Vietnam</b>	<b>363,579,503</b>			

Source: ACV, Bloomberg

At the starting bidding price of VND 11,800, ACV is being traded at 2015 and 2016 P/B of 1.3x, which is quite low. We believe that ACV desires a P/B of 1.5x and EV/EBITDA of 9.2x in 2016 thanks to the above mentioned supportive catalysts and encouraging future growth of the aviation industry. Based on the multiple method, fair value of ACV comes to VND 15,396, or 30.5% higher than the starting bidding price of VND 11,800. As such, we suggest investors to offer bidding prices ranging from VND 13,000-15,000, and not exceed our estimated share value of VND 15,000/share as stated.

### Investment view

#### Positive

- ACV is a monopoly airport manager and operator in Vietnam and has been guaranteed investment capital by the State budget and low bearing interest loan sources. ACV provides investors with an opportunity to invest in a sector that continues to be shaped by growing demand and that is profoundly supported by the government.
- Increasing air travel and airfreight demand in the next 20years.
- Experienced management team.
- 3 major airports are Tan Son Nhat, Noi Bai and Danang International Airport will primarily contribute to the company's earnings as the remaining airports will still record losses or breakeven in the coming years due to high depreciation expenses and low capacity utilization.

#### Negative

- Significant depreciation expense for expansion projects and the mega Long Thanh International Airport project will impact ACV's GPM and the bottom line.
- After 2018, Long Thanh International Airport will be mainly funded by ODA. Accordingly, ACV's debt ratio will thus significantly increase. However, interest expense will be capitalized until the project commences operation.
- Substantial foreign exchange loss due to heavy dependent on Japanese ODA loans. Currency risk is difficult to forecast and measure.

- After IPO, according to the new Circular 180/2015/TT-BTC, ACV has to list on UpCom within 73 days and the deadline will be 1st January 2017. In fact, ACV's listing timeline is still unknown which will affect the company's transparency.

## APPENDIX 1: ACV'S AIRPORTS CAPACITY IN 2014

Airports	Designed capacity(passenger)	Current Capacity(passenger)	Utilization rate
Tan Son Nhat International Airport	20,000,000	22,153,349	110.77%
Noi Bai International Airport	25,000,000	14,190,675	56.76%
Da Nang International Airport	6,000,000	4,989,687	83.16%
Cam Ranh International Airport	1,500,000	2,062,494	137.50%
Phu Quoc International Airport	2,650,000	1,002,750	37.84%
Vinh Airport	2,000,000	1,222,698	61.13%
Phu Bai International Airport	1,500,000	1,159,499	77.30%
Cat Bi Airport	1,200,000	927,001	77.25%
Buon Me Thuoc Airport	1,000,000	695,149	69.51%
Lien Khuong Airport	2,000,000	675,607	33.78%
Phu Cat Airport	750,000	420,520	56.07%
Can Tho International Airport	2,000,000	305,015	15.25%
Pleiku Airport	600,000	300,471	50.08%
Con Dao Airport	400,000	188,549	47.14%
Tho Xuan Airport	600,000	163,270	27.21%
Dong Hoi Airport	500,000	117,656	23.53%
Dien Bien Airport	250,000	81,564	32.63%
Tuy Hoa Airport	550,000	64,037	11.64%
Chu Lai Airport	500,000	40,198	8.04%
Rach Gia Airport	200,000	33,544	16.77%
Ca Mau Airport	200,000	30,698	15.35%
Na San Airport	0	0	0.00%

Source: ACV

## APPENDIX 2: ANNUAL FINANCIAL STATEMENTS

VND Billion	2013	2014	2015F	2016F
<b>Balance Sheet</b>				
+ Cash	1,850	3,206	3,257	3,263
+ Short-term investments	9,848	10,523	10,523	10,523
+ Account receivables	5,292	3,288	3,769	4,077
+ Inventories	245	288	417	465
+ Other current assets	484	478	561	656
<b>Total Current Assets</b>	<b>17,720</b>	<b>17,784</b>	<b>18,529</b>	<b>18,985</b>
+ LT Receivables	0	0	0	0
+ Net Fixed Assets	14,664	22,705	23,891	26,287
+ Investment properties	0	0	0	0
+ LT Investments	1,022	922	922	922
+ Goodwill	0	0	0	0
+ Other LT Assets	365	397	86	97
<b>Total Long-Term Assets</b>	<b>16,050</b>	<b>24,024</b>	<b>24,899</b>	<b>27,306</b>
<b>Total Assets</b>	<b>33,770</b>	<b>41,808</b>	<b>43,427</b>	<b>46,290</b>
+ Current Liabilities	8,269	9,954	10,902	13,842
<i>In which: short-term debt</i>	<i>149</i>	<i>131</i>	<i>189</i>	<i>211</i>
+ Non-current Liabilities	8,563	12,027	12,113	11,938
<i>In which: long-term debt</i>	<i>8,523</i>	<i>12,008</i>	<i>12,086</i>	<i>11,907</i>
<b>Total Liabilities</b>	<b>16,832</b>	<b>21,981</b>	<b>23,015</b>	<b>25,780</b>
+ Contributed capital	10,611	11,996	11,996	22,431
+ Share premium	0	0	0	0
+ Retained earnings	1,804	3,137	3,723	-2,267
+ Other capital/fund	4,523	4,694	4,694	346
<b>Owners' Equity</b>	<b>16,938</b>	<b>19,827</b>	<b>20,413</b>	<b>20,511</b>
NCI	0	0	0	0
<b>Total Liabilities &amp; Equity</b>	<b>33,770</b>	<b>41,808</b>	<b>43,427</b>	<b>46,290</b>
<b>Cash Flow</b>				
CF from operating activities	3,779	2,358	4,915	8,059
CF from investing activities	-6,632	-6,201	-5,000	-6,775
CF from financing activities	2,782	5,189	136	-1,278
<b>Net increase in cash</b>	<b>-71</b>	<b>1,345</b>	<b>51</b>	<b>6</b>
Beginning cash	1,918	1,850	3,206	3,257
<b>Ending cash</b>	<b>1,850</b>	<b>3,206</b>	<b>3,257</b>	<b>3,263</b>
<b>Liquidity Ratios</b>				
Current ratio	2.14	1.79	1.70	1.37
Acid-test ratio	2.05	1.71	1.61	1.29
Cash ratio	1.41	1.38	1.26	1.00
Net debt / EBITDA	1.22	1.48	1.94	1.91
Interest coverage	44.85	50.26	12.55	24.74
Days of receivables	39.3	40.6	40.2	40.6
Days of payables	167.3	115.7	67.1	69.2
Days of inventory	14.8	16.9	15.4	17.3
<b>Capital Structure</b>				
Equity/Total asset	0.50	0.47	0.47	0.44
Liabilities/Total Assets	0.50	0.53	0.53	0.56
Liabilities/Equity	0.99	1.11	1.13	1.26
Debt/Equity	0.51	0.61	0.60	0.59
ST Debt/Equity	0.01	0.01	0.01	0.01

VND Billion	2013	2014	2015F	2016F
<b>Income Statement</b>				
<b>Net Sales</b>	<b>7,470</b>	<b>7,973</b>	<b>9,365</b>	<b>10,944</b>
COGS	-6,009	-5,750	-8,335	-9,302
<b>Gross Profit</b>	<b>1,461</b>	<b>2,223</b>	<b>1,030</b>	<b>1,642</b>
Financial Income	2,679	2,508	998	1,077
Financial Expense	-90	-463	-433	-428
Selling Expense	-46	-47	-48	-55
Admin Expense	-947	-1,044	-843	-766
<b>Income from business operation</b>	<b>3,058</b>	<b>3,178</b>	<b>704</b>	<b>1,470</b>
Net Other Income	-32	-4	47	55
Income from associates	0	0	0	0
Profit Before Tax	3,026	3,174	751	1,524
<b>Net Income</b>	<b>2,229</b>	<b>2,437</b>	<b>586</b>	<b>1,220</b>
Minority interest	0	0	0	0
<b>NI attributable to shareholders</b>	<b>2,229</b>	<b>2,437</b>	<b>586</b>	<b>1,220</b>
<b>Growth</b>				
Sales	21.3%	6.7%	17.5%	16.9%
EBITDA	31.6%	3.5%	-12.8%	0.8%
EBIT	52.9%	4.7%	-74.8%	94.6%
NI	53.7%	9.3%	-76.0%	108.1%
Equity	14.6%	17.1%	3.0%	0.5%
Chartered Capital	69.2%	13.0%	0.0%	87.0%
Total assets	14.8%	23.8%	3.9%	6.6%
<b>Valuation</b>				
PER	N/A	N/A	0.0	0.0
PBR	0.0	0.0	0.0	0.0
P/Sales	N/A	N/A	0.0	0.0
Dividend yield	N/A	N/A	N/A	N/A
EV/EBITDA	-0.6	-0.3	0.0	0.0
EV/Sales	-0.4	-0.2	0.0	0.0
<b>Profitability Ratios</b>				
Gross Margin	19.6%	27.9%	11.0%	15.0%
Operating Margin	30.0%	29.9%	-0.3%	6.3%
Net Margin	29.8%	30.6%	6.3%	11.1%
Selling exp./Net sales	0.6%	0.6%	0.5%	0.5%
Admin exp./Net sales	12.7%	13.1%	9.0%	7.0%
ROE	14.1%	13.3%	2.9%	6.0%
ROA	7.1%	6.4%	1.4%	2.7%
ROIC	9.5%	8.6%	2.0%	3.9%

Source: ACV, SSI Research

## 1. ANALYST CERTIFICATION

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The research analyst(s) on this report certifies that (1) the views expressed in this research report accurately reflect his/her/our own personal views about the securities and/or the issuers and (2) no part of the research analyst(s)' compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

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Industry Rating: We provide the analyst' industry rating as follows:

- ❖ **Overweight:** The analyst expects the performance of the industry over the next 6-12 months to be attractive vs. the relevant broad market
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- ❖ **Underweight:** The analyst expects the performance of the industry over the next 6-12 months with caution vs. the relevant broad market.

*\*The market required rate of return is calculated based on 5-year Vietnam government bond yield and market risk premium derived from using Relative Equity Market Standard Deviations method. Our rating bands are subject to changes at the time of any significant changes in the above two constituents.*

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