

Viettel Post (VTP)

Gross profit margin improved

September 28, 2023

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In 1H23, VTP posted NPAT of VND173 billion on revenue of VND9,691 billion, completing 46% and 53% of the full-year targets

Vietnam's express delivery market is forecast to grow at a CAGR of 24%, ensuring VTP's long-term growth

VTP expects the margin of the service segment to improve despite rising pressure to lower fees

Delivery volume should maintain its growth momentum of the past 14 months, raising VTP's market share from 18% to 21%

We recommend BUY for VTP with a target price of VND57,200/share

Buy maintain

| | |
|------------------------------|------------------|
| Target price | VND57,200 |
| Upside | 23% |
| Current price (Sep 28, 2023) | VND46,400 |
| Consensus target price | VND46,400 |
| Market cap (VNDbn/USDmn) | 5,650/235 |

Forecast earnings & valuation

| FY-end | 2021A | 2022A | 2023F | 2024F |
|---------------------|--------|--------|--------|--------|
| Net revenue (VNDbn) | 21,452 | 21,629 | 18,645 | 20,950 |
| EBIT (VNDbn) | 365 | 317 | 415 | 620 |
| NPATMI (VNDbn) | 296 | 257 | 337 | 501 |
| EPS (VND) | 2,251 | 1,956 | 2,978 | 4,116 |
| EPS growth (%) | -23% | -13% | 31% | 49% |
| P/E (x) | 20.6 | 23.7 | 15.6 | 11.3 |
| P/B (x) | 6.4 | 2.2 | 3.0 | 2.6 |
| ROE (%) | 22.3% | 18.5% | 19.3% | 23.4% |
| Dividend yield | 2% | 3% | 1% | 2% |

For 2Q23, Viettel Post (VTP) posted net revenue of VND4,938 billion (-10% YoY). In particular, services, the core business, contributed VND2,456 billion (+4% YoY), and trading generated VND2,482 billion (50.3% of total revenue) with its profit margin below 0.5%. Halfway through the year, VTP completed 53% and 46% of the full-year objectives for revenue and earnings, respectively.

According to a recent report by Allied Market Research, Vietnam's delivery market will achieve a compound annual growth rate (CAGR) of 24.1% from now until 2030. As one of the leading businesses in the industry, VTP is expected to benefit significantly from the industry's rapid growth.

Amid an increasingly fierce price war as companies continuously slash service prices, VTP focuses on optimizing costs per order in an attempt to improve the margin of the delivery service to 8-9% this year.

VTP plans to expand the coverage of its delivery segment from 18% to 21% this year by enhancing service and staff quality, applying high technology, and investing in infrastructure to minimize the overall transit time of as well as the rate of damage.

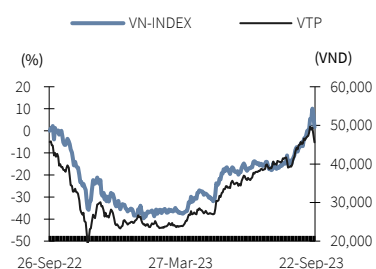
Based on business prospects and valuation results, we recommend BUY for VTP with a target price of VND57,200/share, equivalent to a total return of 23% compared to the closing price on September 28, 2023.

Trading data

| | |
|------------------------------------|--|
| Free float | 39% |
| 3M avg trading value (VNDbn/USDmn) | 43/1.8 |
| Foreign ownership | 7.05% |
| Major shareholder | Viettel Military Industry and Telecoms Group (60.8%) |

Share price performance

| (%) | 1M | 3M | 6M | 12M |
|-----------------|----|----|----|-----|
| Absolute | 14 | 27 | 91 | 0 |
| Relative | 17 | 25 | 81 | 2 |



Business performance

In 2Q23, VTP's business results decreased YoY but improved against 1Q23; core postal service revenue reached its 10-year high

In 2Q23, VTP recorded revenue and PBT of VND4,975 billion (+3.8% QoQ) and VND124 billion (+30.5% QoQ), respectively. Halfway through the year, NPAT reached VND219 billion on revenue of VND9,778 billion, completing 103% and 112% of the targets set for the first half of 2023. In particular, postal services, the core business, eyed revenue hitting a decade-high, 10 times the level seen in the first half of 2014.

- Gross profit margin (GPM) in 2Q23 improved from 3.6% a year ago to 4.8%, the highest since 1Q20.
- This is the second consecutive quarter that postal margin increased sharply QoQ, reaching 9.4%, the highest over the past two years.

Table 1. VTP – 1H22–1H23 business results

| (VNDbn) | 2Q2022 | 2Q2023 | +/-%YoY | 1H2022 | 1H2023 | +/-% YoY | Comments |
|---------------------|--------------|--------------|-------------|---------------|--------------|-------------|---|
| Net revenue | 5,460 | 4,938 | -10% | 11,232 | 9,691 | -14% | Completed 52.5% of 2023 revenue guidance (VND18,464 billion) |
| -Trading | 3,094 | 2,482 | -20% | 6,629 | 5,156 | -22% | Driven by a sharp fall in mobile phone card revenue (due to the popularity of digital payment methods) |
| -Services | 2,366 | 2,456 | +4% | 4,603 | 4,535 | -1% | Driven by lower service fees |
| Gross profit | 198 | 236 | +19% | 380 | 412 | +8% | |
| Gross profit margin | 3.6% | 4.8% | +1.2ppt | 3.4% | 4.3% | +0.9ppt | Higher GPM was due to increased contribution of the service segment with high profit margin. The gross margin of the service segment increased compared to 2022 due to (1) VTP's restructuring and cost optimization on each order and (2) falling gasoline prices in 2Q23 from their peak in 2022. |
| Financial income | 25 | 35 | +40% | 50 | 65 | +30% | Driven by rising interest from bank deposits, reaching more than VND25 billion |
| Financial expenses | 14 | 17 | +21% | 27 | 34 | +26% | |
| SG&A | 87 | 125 | +44% | 151 | 222 | +47% | Driven by rising staff costs (due to pay increase) (up VND50 billion or up 65% YoY) and administrative costs to improve service quality |
| PBT | 121.8 | 123.8 | +2% | 251 | 219 | -13% | |
| NPAT | 97.3 | 97.6 | 0.3% | 201 | 173 | -14% | Completed 46% of 2023 NPAT guidance (VND376 billion) |

Source: Viettel Post, KB Securities Vietnam

The expected high growth of Vietnam's express delivery market ensures VTP's long-term growth of the core service segment

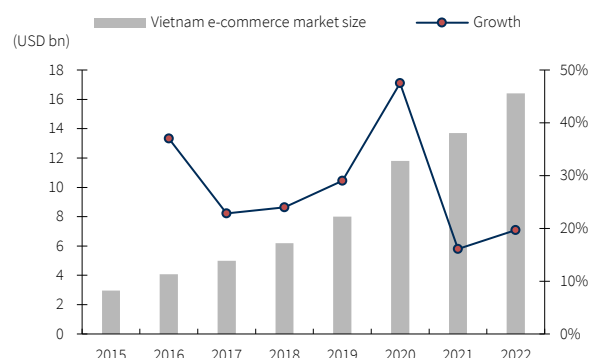
According to a recent report by Allied Market Research, Vietnam's delivery service market will achieve a CAGR of 24.1% from now until 2030 due to the strong development of the e-commerce market. With widespread market coverage and being the third-largest delivery enterprise, VTP may benefit significantly from the uptrend of the domestic delivery industry.

Fig 2. Global – Retail e-commerce sales and growth (USDbn, %)



Source: statista.com

Fig 3. Vietnam – E-commerce market size and growth (USDbn, %)



Source: statista.com

Thanks to restructuring and cost optimization, VTP still maintains positive earnings in the context of fierce competition

VTP's revenue this year is forecasted to decrease YoY for: (1) delivery rates keep falling amid a fierce price war and (2) delivery volume, despite a slight recovery after China's reopening, stays low in an unstable macro environment.

Despite a slump in revenue, VTP maintained a positive gross margin and net profit thanks to restructuring efforts and effective cost optimization per order. VTP has invested in high technology to improve service quality and customer experience, boosting operational efficiency and productivity.

Table 4. VTP – Interprovincial delivery rates

| (VND) | GHN | GHTK | VNPost | J&T | Viettel Post |
|-------------------------------|--------|--------|--------|--------|--------------|
| Interprovincial rate (<0.5kg) | 29,000 | 31,000 | 30,000 | 33,500 | 32,000 |
| Fee for each following 500gr | 5,000 | 5,000 | 10,000 | 9,900 | 4,500 |

Source: KB Securities Vietnam

Table 5. VTP – Inner-city delivery rates

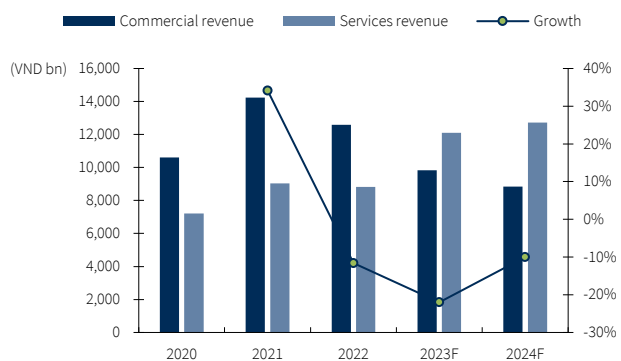
| (VND) | GHN | GHTK | VNPost | J&T | Viettel Post |
|------------------------------|--------|--------|--------|--------|--------------|
| <500g | 21,000 | 22,000 | 23,000 | 23,800 | 22,000 |
| <1000g | 23,500 | 22,000 | 23,000 | 27,500 | 22,000 |
| <1500g | 26,000 | 22,000 | 23,000 | 31,800 | 22,000 |
| <2000g | 28,500 | 22,000 | 23,000 | 35,800 | 22,000 |
| Fee for each following 500gr | 2,500 | 2,500 | 2,500 | 5,500 | 2,500 |

Source: KB Securities Vietnam

VTP expects to the delivery market share to reach 21% by the end of this year

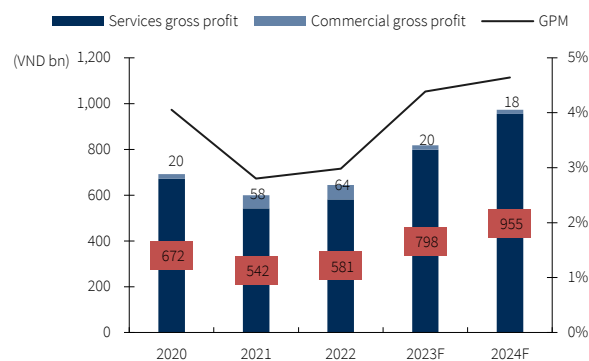
VTP aims to reach 1 million orders/day by December 2023, expanding the coverage of the delivery segment to 21% from 18% recorded earlier this year. We anticipate that VTP's delivery market share will increase at a rate slower than the company's plan, however, VTP will likely reach its target soon in 2024 due to: (1) delivery volume has been increasing continuously for more than 1 year at a faster rate than the general growth rate of the industry, (2) enhancing service and staff quality will help VTP regain the customer base it lost to competitors, and (3) the cooperation with big customers, especially e-commerce platforms, will be the driving force for VTP's rapid recovery.

Fig 6. VTP - 2020A-2024F revenue and growth (VNDbn, %)



Source: Viettel Post, KB Securities Vietnam

Fig 7. VTP - 2020A-2024F gross profit and GPM (VNDbn, %)



Source: Viettel Post, KB Securities Vietnam

Forecast & Valuation

Table 8. VTP – 2022A–2023F business results

| (VNDbn) | 2022A | 2023F | +/-%YoY | Comments |
|---------------------|---------------|---------------|-------------|---|
| Net revenue | 21,629 | 18,645 | -14% | Completed the full-year revenue guidance |
| -Trading | 12,594 | 9,823 | -22% | Driven by a sharp fall in mobile phone card sales at stores |
| -Services | 9,035 | 8,821 | -2% | Delivery rates decreased due to fierce price war. Delivery and logistics revenue are forecast at VND8,380 billion and VND441 billion, respectively. |
| Gross profit | 646 | 818 | 27% | |
| Gross profit margin | 3% | 4.4% | +1.4ppt | Driven by: restructuring and cost optimization per order; increased contribution of high-margin business segments. Trading margin contracted by 0.2%. The gross margin of delivery and logistics segments was 9% and 35%, respectively. |
| Financial income | 105 | 114 | 9% | |
| Financial expenses | 56 | 70 | 25% | |
| SG&A | 337 | 447 | 33% | Administrative expense increased due to organization restructure and pay rise for staff to improve service quality. |
| PBT | 323 | 421 | 30% | |
| NPAT | 257 | 337 | 31% | Completed 89% of the full-year profit guidance |

Source: Viettel Post, KB Securities Vietnam

We recommend BUY for VTP with a target price of VND57,200/share

We forecast that VTP's 2023F revenue will reach VND18,645 billion, of which delivery and logistics revenue will decrease slightly by 2% to VND8,821 billion (gross margin of the delivery and logistics segments is estimated at 9% and 35%, respectively), trading revenue may drop sharply due to the increasing popularity of digital payment methods, leading to a steep fall in mobile phone card sales at stores.

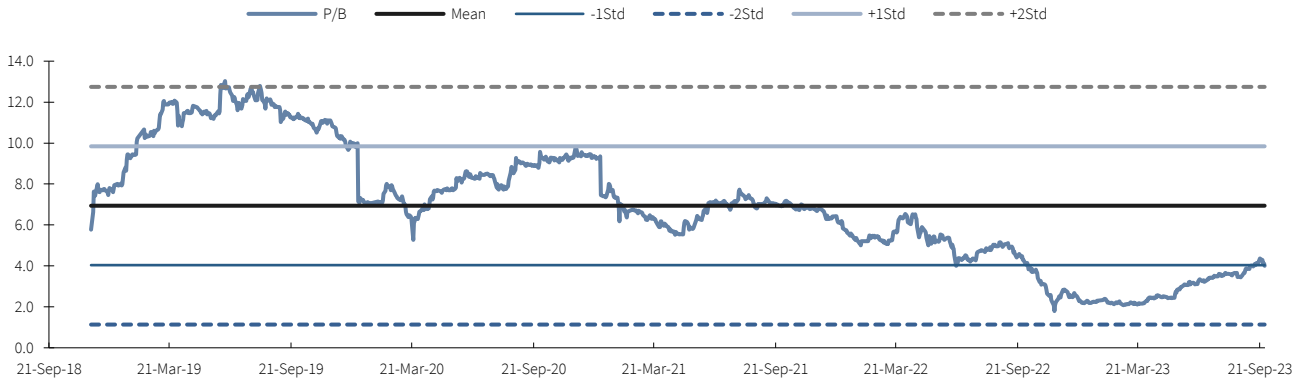
We utilize two valuation approaches, free cash flow to equity (FCFE) and P/E comparable, to assess VTP's value. We give VTP a target P/E of 17.6x. With wide coverage and high-tech adoption as advantages, we expect VTP to regain market share following its efforts to restructure and enhance service quality. With an equal combination of the two abovementioned methods, business prospects, as well as possible risks, we recommend BUY for VTP. The target price of VND57,200/share, equivalent to a total return of 23% compared to the closing price of VND49,500/share on September 28, 2023.

Table 10. VTP – Valuation results

| Valuation method | Forecast price | Weighting | Weighted price |
|---------------------------------|----------------|-----------|----------------|
| FCFE | 62,100 | 50% | 31,050 |
| P/E | 52,300 | 50% | 26,150 |
| Target price (VND) | | | 57,200 |
| Current price (VND) | | | 46,400 |
| Total shareholder return | | | 23% |

Source: KB Securities Vietnam

Fig 11. VTP – Historical P/B in 2018–2023 (x)



Source: Bloomberg, KB Securities Vietnam

VTP – 2021A–2024F financials

| Income Statement | | | | | Balance Sheet | | | | |
|---|--------|--------|--------|--------|-----------------------------------|-------|-------|-------|-------|
| (VND billion) | 2021 | 2022 | 2023F | 2024F | (VND billion) | 2021 | 2022 | 2023F | 2024F |
| Net sales | 21,452 | 21,629 | 18,645 | 20,950 | TOTAL ASSETS | 5,430 | 5,731 | 5,377 | 5,677 |
| Cost of sales | 20,851 | 20,983 | 17,827 | 19,977 | CURRENT ASSETS | 4,951 | 5,157 | 4,735 | 4,991 |
| Gross Profit | 601 | 646 | 818 | 972 | Cash and cash equivalents | 337 | 460 | 400 | 350 |
| Financial income | 94 | 105 | 114 | 112 | Short-term investments | 1,902 | 1,856 | 1,856 | 1,856 |
| Financial expenses | 48 | 58 | 70 | 49 | Accounts receivable | 2,189 | 2,295 | 2,043 | 2,296 |
| of which: interest expenses | 48 | 56 | 70 | 49 | Inventories | 384 | 342 | 309 | 347 |
| Gain/(loss) from joint ventures | 0 | 0 | 0 | 0 | LONG-TERM ASSETS | 479 | 574 | 642 | 686 |
| Selling expenses | 40 | 39 | 37 | 38 | Long-term trade receivables | 5 | 23 | 23 | 23 |
| General and admin expenses | 242 | 337 | 410 | 377 | Fixed assets | 320 | 268 | 316 | 360 |
| Operating profit/(loss) | 365 | 317 | 415 | 620 | Long-term incomplete assets | 9 | 10 | 10 | 10 |
| Other incomes | 9 | 9 | 0 | 0 | Long-term investments | 34 | 150 | 150 | 150 |
| Other expenses | 3 | 2 | 0 | 0 | Goodwill | 0 | 0 | 0 | 0 |
| Net other income/(expenses) | 6 | 6 | 6 | 6 | LIABILITIES | 4,104 | 4,341 | 3,632 | 3,531 |
| Net accounting profit/(loss) before tax | 371 | 323 | 421 | 627 | Current liabilities | 4,103 | 4,329 | 3,619 | 3,518 |
| Corporate income tax expenses | 75 | 67 | 84 | 125 | Trade accounts payable | 452 | 334 | 362 | 421 |
| Net profit/(loss) after tax | 296 | 257 | 337 | 501 | Short-term unrealized revenue | 15 | 35 | 0 | 0 |
| Minority interests | 0 | 0 | 0 | 0 | Short-term borrowings | 1,166 | 1,297 | 1,025 | 599 |
| Attributable to parent company | 296 | 257 | 337 | 501 | Long-term liabilities | 1 | 12 | 12 | 12 |
| | | | | | Long-term trade payables | 0 | 0 | 0 | 0 |
| | | | | | Long-term advances from customers | 0 | 0 | 0 | 0 |
| | | | | | Unrealized revenue | 0 | 0 | 0 | 0 |
| | | | | | Long-term borrowings | 0 | 0 | 0 | 0 |
| | | | | | OWNER'S EQUITY | 1,326 | 1,390 | 1,746 | 2,147 |
| | | | | | Paid-in capital | 1,036 | 1,132 | 1,218 | 1,218 |
| | | | | | Share premium | 22 | 22 | 22 | 22 |
| | | | | | Undistributed earnings | 266 | 236 | 270 | 401 |
| | | | | | Other funds | 0 | 0 | 0 | 0 |
| | | | | | Minority interests | 0 | 0 | 0 | 0 |

| Margin ratio | | | | |
|-------------------------|------|------|-------|-------|
| (%) | 2021 | 2022 | 2023F | 2024F |
| Gross profit margin | 2.8% | 3.0% | 4.4% | 4.6% |
| EBITDA margin | 2.1% | 2.0% | 2.9% | 3.5% |
| EBIT margin | 1.9% | 1.8% | 2.6% | 3.2% |
| Pre-tax profit margin | 1.7% | 1.5% | 2.3% | 3.0% |
| Operating profit margin | 1.7% | 1.5% | 2.2% | 3.0% |
| Net profit margin | 1.4% | 1.2% | 1.8% | 2.4% |

| Cash Flow Statement | | | | |
|---|---------|---------|---------|---------|
| (VND billion) | 2021 | 2022 | 2023F | 2024F |
| Net profit/(loss) before tax | 371 | 323 | 421 | 627 |
| Depreciation and amortisation | 89 | 84 | 28 | 36 |
| Profit/loss from investing activities | 95 | 104 | 0 | 0 |
| Interest expense | 48 | 56 | 70 | 49 |
| Operating profit/(loss) before changes in Working Capital | 410 | 363 | 519 | 711 |
| (Increase)/decrease in receivables | -892 | -183 | 252 | -253 |
| (Increase)/decrease in inventories | 222 | 42 | 32 | -37 |
| Increase/(decrease) in payables | 932 | 116 | 28 | 59 |
| (Increase)/decrease in prepaid expenses | -59 | -70 | 1 | 29 |
| Interest expense | -53 | -43 | 0 | 0 |
| Net cash inflows/(outflows) from operating activities | 431 | 90 | 265 | 557 |
| Purchases of fixed assets and other long term assets | -121 | -28 | -72 | -80 |
| Proceeds from disposal of fixed assets | 23 | 0 | 0 | 0 |
| Loans granted, purchases of debt instruments | -464 | -209 | 0 | 0 |
| Collection of loans, proceeds from sales of debts instruments | 100 | 149 | 0 | 0 |
| Investments in other entities | 0 | -10 | 0 | 0 |
| Proceeds from divestment in other entities | 0 | 0 | 0 | 0 |
| Dividends and interest received | 102 | 154 | 0 | 0 |
| Net cash inflows/(outflows) from investing activities | -359 | 56 | -72 | -80 |
| Proceeds from issue of shares | 0 | 0 | 86 | 0 |
| Payments for share returns and repurchases | 0 | 0 | 0 | 0 |
| Proceeds from borrowings | 17,991 | 17,462 | 16,741 | 13,718 |
| Repayment of borrowings | -17,920 | -17,332 | -17,012 | -14,144 |
| Finance lease principal payments | 0 | 0 | 0 | 0 |
| Dividends paid | -123 | -153 | -67 | -100 |
| Interests, dividends, profits received | 0 | 0 | 0 | 0 |
| Net cash inflows/(outflows) from financing activities | -52 | -23 | -253 | -526 |
| Net increase in cash and cash equivalents | 20 | 123 | -60 | -50 |
| Cash and cash equivalents at the beginning of period | 317 | 337 | 460 | 400 |
| Cash and cash equivalents at the end of period | 337 | 460 | 400 | 350 |

| Key ratios | | | | |
|--------------------------------|--------|--------|--------|--------|
| (x, %, VND) | 2021 | 2022 | 2023F | 2024F |
| Multiple | | | | |
| P/E | 22.0 | 25.3 | 16.6 | 12.0 |
| P/E diluted | 22.0 | 25.3 | 16.6 | 12.0 |
| P/B | 6.4 | 2.2 | 3.2 | 2.8 |
| P/S | 0.4 | 0.1 | 0.3 | 0.3 |
| P/Tangible Book | 6.6 | 2.2 | 3.3 | 2.9 |
| P/Cash Flow | 19.6 | 33.6 | 21.1 | 10.8 |
| EV/EBITDA | 18.6 | 7.2 | 10.3 | 8.2 |
| EV/EBIT | 20.2 | 8.0 | 11.4 | 8.9 |
| Operating performance | | | | |
| ROE | 22.3% | 18.5% | 19.3% | 23.4% |
| ROA | 5.4% | 4.5% | 6.3% | 8.8% |
| ROIC | 19.4% | 16.9% | 20.6% | 28.0% |
| Financial structure | | | | |
| Cash Ratio | 54.6% | 53.5% | 62.3% | 62.7% |
| Quick Ratio | 76.9% | 111.0% | 105.0% | 101.9% |
| Current Ratio | 107.9% | 106.5% | 118.8% | 128.0% |
| LT Debt/Equity | 0.0% | 0.0% | 0.0% | 0.0% |
| LT Debt/Total Assets | 0.0% | 0.0% | 0.0% | 0.0% |
| ST Debt/Equity | 88.0% | 93.3% | 58.7% | 27.9% |
| ST Debt/Total Assets | 21.5% | 22.6% | 19.1% | 10.5% |
| ST Liabilities/Equity | 309.6% | 311.5% | 207.3% | 163.9% |
| ST Liabilities/Total Assets | 75.6% | 75.5% | 67.3% | 62.0% |
| Total Liabilities/Equity | 309.6% | 312.4% | 208.1% | 164.5% |
| Total Liabilities/Total Assets | 75.6% | 75.7% | 67.5% | 62.2% |
| Activity ratios | | | | |
| Account Receivable Turnover | 9.8 | 9.4 | 9.1 | 9.1 |
| Inventory Turnover | 54.3 | 61.4 | 57.7 | 57.7 |
| Account Payable Turnover | 49.2 | 53.3 | 51.2 | 51.2 |

Source: Viettel Post, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

| Buy: | Hold: | Sell: |
|--------------|--------------|--------------|
| +15% or more | +15% to -15% | -15% or more |

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

| Positive: | Neutral: | Negative: |
|-----------------------|---------------------------------|-------------------------|
| Outperform the market | Perform in line with the market | Underperform the market |

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