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Saigon Cargo Service (SCS)

Little impact to cargo volumes from COVID-19

Steady growth in cargo volumes deliver solid 1Q results

— 1Q earnings up 8.6% from the previous year at VND121.5 billion on the 7.6% YoY increase in overall cargo volume at 54,310 tons. Revenue was VND183.6 billion (up 6.3% YoY) and the gross profit margin increased slightly to 79.6% from 78.9% during the same period last year. Growth in cargo volume was across the board, with international cargo up 6.7% YoY and domestic cargo up 10.5% YoY. The ability to deliver solid earnings results despite COVID-19 can mainly be attributed to: 1) the boost in import-export activities at major clients, especially in February, amid worries of trade lockdowns; and 2) airlines converting fleets to transport more cargo following the cancellation of passenger flights.

Business plans immune from COVID-19

— SCS is well on track to meet its 2020 cargo volume target of 204,500 tons or down 6.4% from 2019. At this level of cargo volume, management guides 2020 pretax profit of VND500.6 billion (down 6.4% YoY) on revenue of VND725 billion (down 4.9% YoY). Even factoring in the full impact of COVID-19 on March performance, 1Q results show that the company should be well-positioned to meet its full-year targets. Moreover, investments for the SCSC-2 building remain on schedule for 2020 and should add to profitability and generate stable cash flows as already seen with the SCSC-1 project.

ESOP approved for key personnel

— The Board of Directors approved the company's most recent ESOP on April 16th and will issue 320,000 shares or 0.75% of outstanding at VND32,000 per share to key staff members. The shares will carry a two-year lockup and only half of the holdings will be available for sale in the second year. The company should implement the ESOP in 2Q.

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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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