

**VIET NAM OCEAN SHIPPING JOINT STOCK  
COMPANY**

<b>Ticker</b>	<b>VOS</b>
<b>Exchange</b>	<b>HOSE</b>
<b>Industry</b>	<b>Marine Transportation</b>


**FINANCIAL HIGHLIGHTS**

ITEMS	2008	2009	3Q10
Revenue (VND mil)	2,816,652	1,939,410	2,576,454
Gross profit	524,415	130,451	426,250
Gross profit margin (%)	18.6%	6.7%	16.54%
Profit after tax (VND mil)	289,124	52,576	208,283
Total assets (VND mil)	4,417,712	4,634,428	4,893,744
Equity (VND mil)	1,428,867	1,424,563	1,530,752
Outstanding shares ('000)	140,000	140,000	140,000
EPS (VND)	2,065	376	1,488
BVPS (VND)	10,206	10,175	10,934
P/E	N/A	N/A	7.3

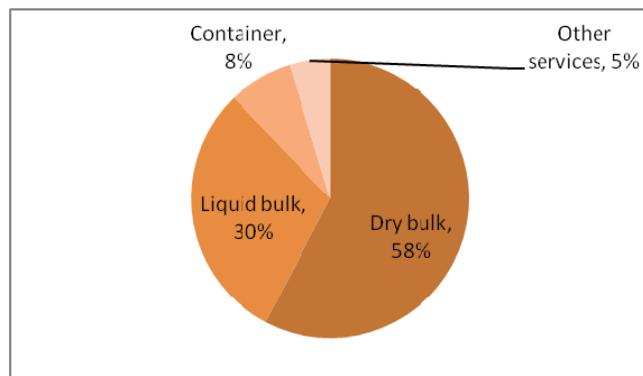
Source: HBBS data

EPS Q3'10 and ROE were calculated on PAT of 4 latest quarters.

**MARKET STATISTICS**

Items	
52 Week High - Low (VND)	16,500 – 8,800
1-month average volume (shares)	317,724
3-month average volume (shares)	304,841
Market Capitalization (VND million)	1,504,000

Source : Bloomberg, 24/12/2010

**REVENUE BREAKDOWN**

**Targets for 2010:**

- Revenue: VND 2,419 billion
- Profit before tax: VND 100 billion

**Business performance in 2010**

- The business performance of 2010 is quite favorable as 11-month revenue reached VND 2,625 billion, equal to 108.6% of the year target. Of which, transportation contributed VND 2,364 billion, 9.95% higher than the year forecast. The company expected revenue for 2010 at VND 2,860 billion, 18% higher than the initial target. Profit before tax is estimated at VND 150 billion, up 50% over the year target.
- Dry bulk shipping is the first segment to recover and is the main contributor to total revenue and profit. Container and clean tanker transportations were still in the red. According to the company, in Jan-Oct period, dry bulk earned over VND 244 billion while 2 clean tankers lost VND 13.6 billion and two container vessels lost VND 29.2 billion. Dry bulk shipping earned 17.4% of gross profit margin in Jan-Oct.
- Vosco vessels operate at quite high capacity at around 300 days/year in 2010 and often with full load.

**Investment and vessel liquidation in 2010**

- In 2010, the company has disposed of 2 single hulled clean tankers, Dai Long and Dai Hung due to IMO's regulations of prohibiting single hulled vessels from international shipping. The disposal of two vessels brought Vosco USD 6.04 million revenue which was recorded in 3Q10.
- In Apr'10, the company bought the 52,500 DWT dry bulk vessel, Vosco Sky for USD 26 million. The building of another vessel Blue Star, worth around VND 374 billion, was also completed in the year and the vessel was handed over to Vosco in Jul'10. Accordingly, the total capacity of dry bulk fleet has been raised to 409,000 DWT.
- Vessel purchases are normally funded by 85% debt and 15% equity. With good bank relations, loans to Vosco are often charged at favorable interest rates.

**Future plans**

- The company expected to pay 2010 dividend at a minimum of 7.5%/chartered capital. However, if approved by the BOM and the shareholders' meeting, the dividend rate may reach 10%.
- The company plans to sell two dry bulk vessels, (i.e 6,479 DWT, 28 year-old Vinh Long and 6,502 DWT, 26 year old Song Tien) in 2011.
- As planned, in 2011, Vosco will invest in 1 dry bulk and 1 clean tanker vessel. The company is speeding up the purchase of 2004 Japanese-built 53,500 DWT dry bulk vessel, Vosco Unity for USD 30 million. The vessel will be put on line in 2Q11 if possible. The company expected to raise the total capacity to 1 million DWT from the current capacity of 560,000 DWT. We believe that the company will be able to fulfill the plan with its current pace of investment.
- According to Vosco, sea shipping rates in 2011 will see recovery with dry bulk transportation leads the trend. Clean tanker transportation may not be the company's advantage as Vosco has to search for its own customers without the injection of orders from Vinalines as other carriers. Container transportation is in testing operation, thus, a remarkable improvement is not quite likely to happen.

**Comments:** Vosco is operating at low profitability with little chances in significant improvements while financial leverage is high. Moreover, at the current speed of investment, it is likely that the company will still have to rely on debts, especially those in foreign currencies, which will create a notable pressure on financial expenses in the coming years. Vosco used to enjoy quite low interest rates on foreign currencies loans, but the interest rates are increasing. Pressure from loss from forex difference (around VND 85 billion in 2010) is another notable issue. Trailing PE is currently at 7.3x – which is quite attractive. However, as pre-tax profit is estimated at VND 150 billion in 2010, we forecast 2010 EPS will stay around VND 850, equivalent to the forward PE of 13x – which is not an attractive price. Therefore, we do not recommend investments in VOS shares at the moment. However, we also note that the market price of Vosco's fleet is much higher than the book value, based on Vosco's opinion. Total insurance value of the fleet is around USD 312 million (about VND 6 trillion) while its book value is only standing at VND 4 trillion

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