

BSC RESEARCH

Equity Analyst

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At 10/03/2017, HAX is trading at VND 47,000, EPS 2016= VND 5,553

With PE trailing = 8.46x, BSC suppose that HAX has lots of room for growth thanks to the expansion business in Ha Noi, along with the increase of Mercedes consumption as a result of introducing new car model. HAX's selling volume was expected to increase by 64.74% in 2017

HAX have raising capital plan which will be approve in AGM 2017.

HAX – Intensive growth in 2017

HAX is one of three authorized dealers of Mercedes-Benz Vietnam (MBV). In current, MBV has three authorized dealers, namely Haxaco, Vietnam Star, and Andu with 12 sales center (Autohaus), in which, Haxaco has 4 Autohaus at Ho Chi Minh City and Ha Noi, Vietnam Star has 4 Autohaus at HCMC, Ha Noi, Nha Trang and Andu work at Ha Noi, Hai Phong and Da Nang market. The opening and expansion of Autohaus at those market is depend on their distributors, at once it have to undergo the survey process of MBV.

As regards of cash payment between distributors and MBV, from 2017, distributors have to pay full value of car to MBV before receiving its products. When selling car, the customer also have to pay full cash before receiving car. In terms of installment sales method, the customer must pay 10-20% value of car, after that a bank will complete the money transfer process to distributors within one week.

Area	Merce' volume (PC)	Market share
Southern area	2,057	46.74%
Middle area	484	11.00%
Northern area	1,860	42.26%

Source: Selling volume of Mercedes in 2016, VAMA

The intense – potential growth rate in 2017 after expanding in Ha Noi. In terms of HAX, its car selling volume in 2016 was 1,214 units (+35.79% YoY), in which the car selling volume at each Autohaus followed that Dien Bien Phu was 584 cars, Vo Van Kiet and Lang Ha was 348 and 282 respectively. Thanks to Autohaus Lang Ha has been upgraded from 300 to 600 in December/2016 and Autohaus was putted into operation from February/2017 (after PTM - Auto Services Company's the purchase of HAX in 09/2016), we expect that the selling volume car will have a change to improve significantly, HAX set a target of selling 2,000 car in 2017.

HAX	2010	2011	2012	2013	2014	2015	2016
The selling volume	747	573	447	323	518	894	1.214
The number of car repair	10.469	10.062	9.460	8.194	8.569	12.050	N/A
Revenue from selling car VND (bil)	1.002	908	538	585	1.108	1.666	2.699
Revenue from repairing car VND(bil)	91	105	102	101	112	146	177
Bonus from MBV VND(bil)	14,49	16,96	5,25	7,94	20,32	43,16	86,42

Bonus/ Revenue from selling car	1.45%	1.87%	0.98%	1.36%	1.83%	2.59%	3.20%
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The gross margin was improved in 2016, reached 2.77% (increased compared with 1.42% of its level in 2015). The increase of gross margin depend on selling product structure. If HAX sell more preferred model, they will have high premium and the faster turnover. It will lead to the high margin, but it isn't a stable catalyst for a car distributor.

The most important aspects of HAX's business are bonuses from MBV. As regards of the bonus policy of MBV, there are consists of directly and indirectly payment. In terms of directly payment, there are a directly discount to selling price from MBV to distributor. As regards of indirectly payment, based on the selling volume each year (The distributor will commit the selling volume car in its year to MBV at early year). If the selling volume car is 80% of target. HAX will receive quarter/half of year/the end of year and a part of Q1 in next year bonus.

BSC supposed that HAX have a high chance to complete the business plan thanks to a positive condition on Mercedes's consumption which related tax of Euro Auto (BMW) and a new special consumption tax that applied from 07/2016. The selling volume car of Mercedes Benz (PC) in 01/2017 was 483 units (+53.33% YoY). We expected that Mercedes (PC)'s selling volume will reach 1,000 units in 2M/2017, increased significantly compared with 517 units of level in 2M/2016.

The impact of preferential import tax policy of Atiga. In current, besides of MBV models. 25%-30% of MBV's imported vehicles are imported complete unit from Europe and are not imported from Southeast Asia. Hence, the growth of Mercedes consumption isn't tax benefits of Atiga. HAX supposed that the preferential import tax policy of Atiga which will reduce to 0% in 2018 won't have strong impact to domestic car if other cost increase considerably in order to compensate for reducing tax.

TECHNICAL VIEW

Technical highlights

Current trend: Uptrend

MACD indicator: Neutral

RSI indicator: Neutral

Recommendation: HAX is still in the uptrend channel and narrow width.HAX will likely continue to move in the upper price channel before breaking to complete the triangle pattern. The investor can consider to buy in a level of 41-42. Cut loss if HAX lose support level of 39.



Disclosure

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