



# FPT Corp (FPT) [BUY +38.0%]

## Update Report

**Industry:** Technology/Telecom

**Report Date:** April 25, 2019

**Current Price:** VND48,800

**Current Target Price:** VND65,000

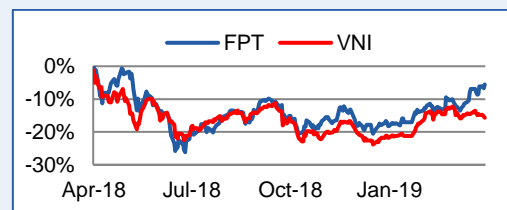
**Previous Target Price:** VND65,000

**Upside to TP:** +33.3%

**Dividend Yield:** +4.7%

**TSR:** +38.0%

	2018	2019F	2020F	2021F
Rev y/y	-45.6%	18.0%	19.6%	17.3%
Core EPS y/y	20.2%	23.1%	24.0%	21.2%
PBT margin	16.6%	16.6%	17.1%	17.5%
NPM	11.3%	11.8%	12.3%	12.8%
EV/EBITDA	6.9x	5.6x	4.6x	3.8x
P/Op CF	7.4x	6.2x	5.6x	4.4x
P/E	12.7x	10.3x	8.3x	6.9x


**Market Cap:** USD1.3bn

**Foreign Room:** USD0.0mn

**ADTV30D:** USD1.5mn

**State Ownership:** 6.0%

**Outstanding Shares:** 613.6 mn

**Fully Diluted Shares:** 613.6 mn

**3-yr PEG (normalized):** 0.6

	FPT	Peers*	VNI
P/E (ttm)	12.2x	28.8x	16.4x
P/B (curr)	2.1x	2.5x	2.5x
Net D/E	-17.1%	-17.2%	N/A
ROE	21.9%	9.5%	15.5%
ROA	11.8%	6.5%	2.5%

\*Including foreign peers

### Company Overview

FPT Corp is a Technology/Telecom conglomerate with a top three market share in Vietnam's broadband Internet market and market-leading position in technology services. Driven by its globalization strategy, its international revenue CAGR reached 27% over the last three years.

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## Core segments bolster bright outlook

- We reiterate a BUY rating on FPT with an unchanged TP. We nudged up our 2019-2021F NPAT-MI by 1%, mostly underpinned by better-than-expected margins in the Domestic IT segment.
- FPT is trading at an attractive three-year PEG of 0.6 against a projected 2018-2021 EPS CAGR of 23%, driven by its fast-growing Software Outsourcing (SO), Telecom and Education segments.
- The above business trio is projected to combine for 84% of 2021 NPAT-MI vs ~72% in 2018.
- Q1 2019 NPAT-MI jumped 23% YoY, led by SO (~47% of Q1 2019 NPAT-MI), which posted solid growth across markets thanks to FPT's prominent cost advantages and improving track record.
- We expect 2019 NPAT-MI to jump 24% YoY, as all three pillars deliver double-digit growth, especially SO (2019F PBT +39% YoY) and Education (2019F PBT +40% YoY).
- Risks to our positive view: insufficient supply of software engineers; failure to extract synergies with Intellinet; fierce competition in telecom from both fixed-line and mobile broadband rivals.

**We expect SO to maintain breakneck growth on the back of significant cost advantages and strengthening capabilities.** In Q1 2019, SO business saw robust revenue growth across key markets, including 27% in Japan, 79% in the US (39% on a like-for-like basis), 31% in the EU and 35% in APAC, as FPT continued to secure new clients while existing contracts were renewed at higher values. During 2018-2021F, we project revenue and PBT CAGRs for this segment of 28% and 32%, respectively, backed by FPT's improving capabilities, especially in consulting and Digital Transformation (DT) projects thanks to the acquisition of Intellinet and the recent hire of Mr. Phuong Tram as FPT Software's Chief Advisor in DT. Previously, Mr. Tram was the renowned CIO of DuPont.

**Telecom Services makes firm strides as broadband subscriber base expands rapidly.** In Q1 2019, broadband revenue advanced 16% YoY mainly thanks to estimated high-double-digit subscriber growth, beating our expectation. As such, we revise up our assumption for broadband subscriber CAGR from 11% previously to 15% during 2018-2021F, as FPT is gaining market share on the back of its superior services and competitive pricing. Meanwhile, we assume ASP to decline by 2%-2.5%/year as FPT continues to expand in tier-2 and tier-3 cities.

**We expect stable Telecom Services margins in the next three years.** We expect the above ASP reduction to be offset by (1) dwindling losses from Pay TV, aided by economies of scale, (2) lower provisions for the Vietnam Public Utility Fund (VTF) in 2019 vs 2018, and (3) gradually easing last-mile costs/revenue, which are typically allocated over 12 months for new subscribers.

**Impressive new enrollments propel Education while solidifying SO's long-term prospects.** We project Education PBT to jump 40% YoY in 2019 thanks to strong new enrollments in 2018 (+55% YoY). This also bodes well for SO's engineer pool, as we estimate that Education can supply ~60% of FPT Software's annual recruitment in four years, compared to 30%-40% currently.

## Q1 2019 recap: Software Outsourcing catapulted earnings

Figure 1: FPT's Q1 2019 results

PBT (VND bn)	Q1 2018	Q1 2019	YoY	VCSC comments
Telecom Services	288	315	10%	*Number of broadband subscribers advanced by high double digits YoY. *PBT growth trailed top line growth (+19% YoY) due to higher last-mile costs for new subscribers. These last-mile costs are typically allocated over 12 months, as such, margins from new subscribers tend to improve materially from the second year.
Technology	249	361	45%	
- Outsourcing	235	329	40%	Robust revenue growth across markets (Japan: +27%, US: +79%, EU: +31% and APAC: +36%) as FPT's competitive labor costs and strengthening track record are enabling it to consistently grow its contract book. Revenue from the US market would grow 39% on a like-for-like basis if we exclude the contribution from Intellinet, which was acquired by FPT in July 2018.
- Domestic IT	14	32	129%	Off a low Q1 2018 base.
Trading and retail	84	85	1%	*FPT Retail (FRT): flat NPAT vs Q1 2018. *FPT Synnex (FTG): NPAT +2% vs Q1 2018 based on our estimates.
Others	160	200	25%	Mainly driven by the Education segment.
<b>PBT</b>	<b>781</b>	<b>961</b>	<b>23%</b>	
<b>NPAT-MI</b>	<b>509</b>	<b>626</b>	<b>23%</b>	

Source: FPT and VCSC

## 2019 outlook: We expect growth momentum to continue

Figure 2: VCSC's 2019 forecasts

VND bn	2018	2019F (old)	2019F (new)	2019F vs 2018	VCSC comments on 2019F
<b>Revenue</b>	<b>23,214</b>	<b>26,940</b>	<b>27,402</b>	<b>18%</b>	
Telecom Services	8,293	9,422	9,745	18%	*We project the broadband subscriber base to broaden by 20% YoY (vs 12% in the previous report). *We assume ARPU to shrink 2.5% because FPT Telecom is penetrating deeper into tier-2 and tier-3 cities. *Non-broadband revenue to rise 20%, mainly thanks to Pay TV. *Forecast revised up as broadband subscriber base expansion in Q1 2019 overshot our expectation.
Software Outsourcing	8,443	11,198	11,336	34%	*Projected revenue growth by markets: Japan +30%, US +50% (30% excluding Intellinet), EU +30% and APAC +30%. FPT is banking on its cost competitiveness, improving reputation and upgraded capabilities to grow its contract book. *2019 projection nudged up mostly because the EU market is exceeding our expectation.
Others	6,478	6,321	6,321	-2%	*We expect Education revenue to surge 40% to VND1.6tn (USD67mn), underpinned by vibrant new enrollments (+55% YoY in 2018). *We forecast Domestic Technology revenue to fall 15% to VND4.5tn (USD193mn) due to fewer new project signings in 2018 vs 2017.
<b>PBT</b>	<b>3,852</b>	<b>4,575</b>	<b>4,561</b>	<b>18%</b>	
Telecom Services	1,142	1,402	1,326	16%	We project a slight PBT margin contraction of 20 bps in 2019 to 13.6% due to higher last-mile costs/revenue % owing to expected strong new subscribers in 2019. Having said that, profits for the new subscribers typically step up significantly in the second year of the contracts when the allocation of last-mile costs has finished.
Software Outsourcing	1,360	1,870	1,894	39%	Margin expansion premised on (1) an improvement in the US market as we expect added capabilities from Intellinet will bring more full-package projects, ranging from consulting to implementation, and (2) a projected five ppt increase in revenue contribution from high-value DT services to 25% in 2019.
Trading and Retail (associate companies)	388	329	326	5%	*We project FTG's standalone PBT to edge up 3% to VND397bn (USD17mn) thanks to its product portfolio extension. *We forecast FRT's standalone PBT at VND462bn (USD20mn, +6% YoY) as we expect the weakness of new iPhone sales will dampen its margins in 2019. See our full FRT update reports " <a href="#">New iPhone weakness weighs on margins</a> " dated February 14, 2019, and " <a href="#">Share price correction overdone</a> " dated April 3, 2019 for more details.
Others	962	974	1,014	-2%	*We project Domestic Technology PBT to climb 18% to VND189bn (USD8mn) despite smaller revenue. This is thanks to FPT's focus on higher-margin services rather than hardware integration projects. *Education: we forecast PBT to soar 40% to VND427bn (USD18mn), assuming flat PBT margin in 2019 vs 2018. *Online: flat PBT (VND315bn/USD14mn) as we do not see any notable expansion in FPT's website portfolio. *Forecast is raised, mostly underpinned by the higher PBT projection for Domestic Technology.
<b>NPAT</b>	<b>3,228</b>	<b>3,950</b>	<b>3,946</b>	<b>22%</b>	
<b>NPAT-MI</b>	<b>2,615</b>	<b>3,201</b>	<b>3,236</b>	<b>24%</b>	

Source: VCSC

## Valuation

Our valuation for FPT is comprised of five-year DCF (80% weighting) and PER-based sum-of-parts (SoTP, 20% weighting) methods. We attribute a large weighting to DCF because this method better captures our medium and long-term views on the company, while we also adopt the SoTP method due to of FPT's diversified businesses.

We attribute the large discrepancy between our DCF and SoTP-derived fair values to the large projected capex during 2019-2023, which amounts to a total of VND21tn (USD901mn), equivalent to 72% of total 2019-2023F NPAT pre-MI. FPT's planned capex is mainly for the expansion of its core businesses, such as new campuses for Software Outsourcing and Education, as well as continued infrastructure upgrades and new investments in data centers for the Telecom business.

**Figure 3: Summary of VCSC's valuation for FPT**

Method	Fair value (VND/sh)	Weighting	Contribution (VND/sh)
DCF	61,356	80%	49,085
SoTP	79,778	20%	15,956
<b>Target price</b>			<b>65,041</b>
2019F PER @ TP			13.9x

Source: VCSC

**Figure 4: DCF valuation for FPT**

Cost of Capital	Previous Report	Revised	FCFF (Five Year)	VND bn
Beta	1.0	1.0	PV of Free Cash Flows	8,784
Mkt Risk Premium %	8.4	8.4	PV of Terminal Val (3.5% g)	28,066
Risk Free Rate %	4.5	4.5	<b>PV of FCF and TV</b>	<b>36,850</b>
Cost of Equity %	12.9	12.9	+ Cash & ST investments	9,494
Cost of Debt %	7.0	7.0	- Debt	-6,970
Debt %	25.0	25.0	- Minority Interest	-6,287
Equity %	75.0	75.0	+ FTG, FRT and TPBank stakes	4,752
Corporate Tax Rate %	13.5	13.0*	<b>Equity Value</b>	<b>37,839</b>
<b>WACC %</b>	<b>11.2</b>	<b>11.2</b>	Shares (mn)	617
			<b>Value per share, VND</b>	<b>61,356</b>

Source: VCSC, \*revised in accordance with our new projections

**Figure 5: Cash flow projections for FPT**

VND bn	2019F	2020F	2021F	2022F	2023F
EBIT	4,190	5,080	6,092	7,203	8,547
- Tax	-545	-660	-792	-936	-1,111
+ Depreciation	1,370	1,639	1,923	2,253	2,634
- Capex	-3,014	-3,605	-4,230	-4,866	-5,690
- Working cap increase	-162	-713	-597	-759	-832
Free Cash Flows	1,840	1,740	2,396	2,894	3,549
Present Value of FCF	1,654	1,407	1,743	1,893	2,087
<b>Total PV of FCF</b>	<b>1,654</b>	<b>3,062</b>	<b>4,804</b>	<b>6,697</b>	<b>8,784</b>

Source: VCSC

**Figure 6: Sensitivity analysis of our target price for FPT in relation to DCF's WACC and terminal growth rate, ceteris paribus**

FPT Target Price (VND)		WACC				
Terminal growth (g)		9.2%	10.2%	11.2%	12.2%	13.2%
	1.5%	59,730	58,321	56,974	55,684	54,448
	2.5%	63,568	62,022	60,543	59,128	57,772
	3.5%	68,404	66,685	<b>65,041</b>	63,467	61,960
	4.5%	74,684	72,740	70,881	69,102	67,398
	5.5%	83,169	80,921	78,771	76,715	74,746

Source: VCSC

**Figure 7: Sum-of-parts valuation for FPT**

VND bn	Standalone 2019F NPAT	Target PER (x)	FPT's ownership	Attributed equity value	Notes to VCSC's target PER
Software Outsourcing	1,705	19.2	100%	32,702	* Justified by bright growth prospects. * 20% discount to the average of five-year peer median PER of 24.1x due to FPT's inferior scale and a higher proportion of revenue from simple coding work.
Domestic IT	170	9.6	100%	1,635	50% discount to Software Outsourcing due to muted medium-term prospects in line with sluggish domestic IT spending, especially from Government bodies. Domestic IT margins are also far inferior to those of Software Outsourcing.
Telecom Services	1,061	10.0	46%	4,847	30% discount to the average of five-year peer median PER of 14.3x as FPT Telecom only operates in fixed-line broadband (most peers also do mobile broadband) and its scale pales in comparison to peers.
Online	252	10.0	52%	1,311	On par with Telecom Services.
Retail	369	13.2	47%	2,292	Justified by the positive medium-term prospects of FRT's mobile phone business thanks to new sales initiatives and its recent foray into pharmacy.
Trading	318	6.6	48%	998	50% discount to the Retail segment due to inferior growth outlook, given the structural trend of large retailers increasingly seeking to work directly with vendors and bypassing distributors in the process.
Education	427	15.0	100%	6,400	Fast-growing business.
<b>Total</b>				<b>50,186</b>	
+ net cash at parent company level				2,242	
+ TPBank shares				1,630	Based on our house valuation.
<b>Total equity value</b>				<b>54,057</b>	
Share count (mn)				617	
<b>Value per share (VND)</b>				<b>79,778</b>	

Source: VCSC

## Comparable peers

We select leading software and telecom players in other Asian countries to form a comparable universe for FPT.

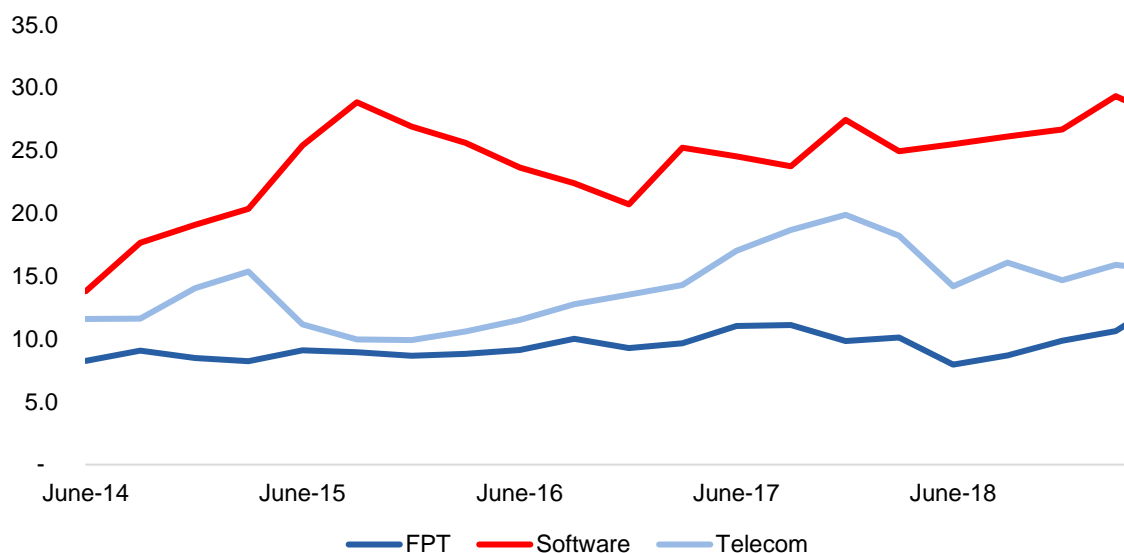
Against a broadening profit contribution from Software Outsourcing in the coming years, we believe FPT's PER should be re-rated to narrow its current discount to peers.

**Figure 8: Comparable peers**

(USD mn) Company names	Ticker	Mkt cap	TTM Net Sales	Y-o-Y %	TTM NPAT	Y-o-Y %	Debt/ Equity %	ROE %	ROA %	TTM P/E	LQ P/B
<b>Software &amp; IT Services</b>											
Oracle Financial Services Software	OFSS IN	4,381.1	702.3	2.3	191.9	4.4	0.0	31.0	20.7	24.6	6.5
Shenzhen Ysstech Info-tech	300377 CH	1,603.3	105.7	60.9	37.2	39.9	0.3	9.2	8.3	44.3	4.0
Beijing SuperMap Software Co.	300036 CH	1,177.1	227.6	21.5	25.4	-14.6	4.5	9.0	6.1	47.0	4.1
Shenzhen Das Intellitech Co.	002421 CH	1,304.6	390.6	-1.8	39.8	-17.1	25.5	8.5	4.4	34.0	2.8
NIIT Technologies Limited	NITEC IN	1,157.2	511.0	18.4	56.2	31.7	1.3	20.7	14.6	21.0	4.1
Birlasoft Limited	BSOFT IN	383.6	568.3	10.4	39.2	6.0	17.0	14.9	9.6	7.4	1.0
eClerx Services Limited	ECLX IN	629.4	210.1	1.8	45.0	-18.1	0.5	24.0	20.5	15.5	3.6
COSCO SHIPPING Technology	002401 CH	570.7	148.0	6.0	12.6	2.8	1.1	9.8	4.3	45.2	4.3
Anhui Wantong Technology Co Ltd.	002331 CH	681.2	187.8	25.1	16.0	27.9	N/A	5.8	4.2	40.6	2.4
Sasken Technologies Limited	SASKEN IN	181.9	19.4	-73.1	3.9	-66.7	0.0	4.2	3.6	46.1	1.8
<b>Median</b>		<b>919.2</b>	<b>218.8</b>	<b>8.2</b>	<b>38.2</b>	<b>3.6</b>	<b>1.1</b>	<b>9.5</b>	<b>7.2</b>	<b>37.3</b>	<b>3.8</b>
<b>Telecom</b>											
China Telecom	728 HK	42,006.6	57,055.9	2.9	3,208.9	13.8	27.8	6.3	3.2	13.2	0.8
Telekom Malaysia Berhad	T MK	2,600.8	2,929.2	-2.2	38.0	-83.5	122.2	2.0	0.6	69.8	1.4
Dr. Peng Telecom & Media Group	600804 CH	2,461.4	1,082.9	-16.8	77.3	-34.1	58.5	7.2	2.2	33.1	2.4
Jasmine International Public Company	JAS TB	1,437.9	557.0	3.2	152.1	82.4	39.4	31.8	9.5	8.9	2.6
TIME dotCom Berhad	TDC MK	1,278.3	243.7	14.3	71.5	64.6	6.9	12.1	9.2	18.3	2.1
Kazakhtelecom JSC	KZTK KZ	804.9	646.7	5.6	125.3	74.3	52.0	11.7	6.9	6.9	0.8
<b>Median</b>		<b>1,949.6</b>	<b>864.8</b>	<b>3.1</b>	<b>101.3</b>	<b>39.2</b>	<b>45.7</b>	<b>9.5</b>	<b>5.0</b>	<b>15.7</b>	<b>1.8</b>
<b>FPT Corp</b>	<b>FPT VN</b>	<b>1,283.6</b>	<b>1,035.6*</b>	<b>-23.9*</b>	<b>117.2</b>	<b>20.7</b>	<b>47.2</b>	<b>21.9</b>	<b>11.8</b>	<b>12.2</b>	<b>2.1</b>

Source: Bloomberg, VCSC, \*total revenue, including intra-company transactions

**Figure 9: Historical median PER of regional software/telecom peers vs FPT**



Source: Bloomberg

## Recommendation History

**Figure 10: Historical VCSC target prices vs share prices (adjusted for share splits)**



Source: Bloomberg, VCSC



## Financial Statements

P&L (VND bn)	2018	2019F	2020F	2021F	B/S (VND bn)	2018	2019F	2020F	2021F
<b>Revenue</b>	<b>23,214</b>	<b>27,402</b>	<b>32,775</b>	<b>38,458</b>	Cash & equivalents	3,926	3,893	3,541	3,589
COGS	-14,490	-17,105	-20,459	-24,006	ST investment	5,568	5,568	5,568	5,568
<b>Gross Profit</b>	<b>8,723</b>	<b>10,297</b>	<b>12,316</b>	<b>14,452</b>	Accounts receivables	5,561	6,006	7,004	7,902
Sales & Marketing exp	-2,048	-2,202	-2,444	-2,622	Inventories	1,341	1,383	1,654	1,941
General & Admin exp	-3,559	-4,201	-5,025	-5,896	Other current assets	1,977	1,977	1,977	1,977
<b>Operating Profit</b>	<b>3,117</b>	<b>3,895</b>	<b>4,848</b>	<b>5,933</b>	<b>Total Current assets</b>	<b>18,373</b>	<b>18,827</b>	<b>19,745</b>	<b>20,977</b>
Financial income	607	611	628	649	Fixed assets, gross	12,567	15,581	19,186	23,417
Financial expenses	-368	-416	-443	-471	- Depreciation	-4,878	-6,248	-7,887	-9,810
- o/w interest expense	-238	-279	-279	-279	Fixed assets, net	7,689	9,333	11,299	13,607
Associates	439	441	520	563	LT investment	2,203	2,527	2,916	3,339
Net other income/(loss)	58	31	41	55	LT assets other	1,461	1,461	1,461	1,461
<b>Profit before Tax</b>	<b>3,852</b>	<b>4,561</b>	<b>5,594</b>	<b>6,729</b>	<b>Total LT assets</b>	<b>11,352</b>	<b>13,322</b>	<b>15,676</b>	<b>18,407</b>
Income Tax	-624	-616	-749	-901	<b>Total Assets</b>	<b>29,726</b>	<b>32,149</b>	<b>35,421</b>	<b>39,384</b>
<b>NPAT before MI</b>	<b>3,228</b>	<b>3,946</b>	<b>4,845</b>	<b>5,828</b>	Accounts payable	2,511	2,836	3,392	3,980
Minority Interest	-614	-710	-812	-916	Short-term debt	6,603	6,603	6,603	6,603
<b>NPAT less MI, reported</b>	<b>2,615</b>	<b>3,236</b>	<b>4,033</b>	<b>4,912</b>	Other ST liabilities	5,318	5,318	5,318	5,318
<b>NPAT less MI, adjusted<sup>(1)</sup></b>	<b>2,615</b>	<b>3,236</b>	<b>4,033</b>	<b>4,912</b>	Total current liabilities	14,432	14,757	15,313	15,902
EBITDA	4,281	5,265	6,486	7,856	Long term debt	367	367	367	367
EPS reported, VND	3,840	4,728	5,864	7,106	Other LT liabilities	164	164	164	164
EPS adjusted <sup>(1)</sup> , VND	3,840	4,728	5,864	7,106	<b>Total Liabilities</b>	<b>14,963</b>	<b>15,288</b>	<b>15,844</b>	<b>16,433</b>
EPS diluted, adj <sup>(1)</sup> , VND	3,840	4,728	5,864	7,106	Preferred Equity	0	0	0	0
DPS, VND	2,000	2,200	2,530	2,910	Paid in capital	6,136	6,167	6,198	6,229
DPS/EPS (%)	52%	47%	43%	41%	Share premium	49	49	49	49
<sup>(1)</sup> Adjusted for one-off items					Retained earnings	5,290	6,647	8,520	10,948
<b>RATIOS</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>	Other equity	986	986	986	986
<b>Growth</b>					Minority interest	2,302	3,012	3,823	4,739
Revenue growth	-45.6%	18.0%	19.6%	17.3%	<b>Total equity</b>	<b>14,763</b>	<b>16,861</b>	<b>19,577</b>	<b>22,951</b>
Op profit (EBIT) growth	-1.4%	25.0%	24.5%	22.4%	<b>Liabilities &amp; equity</b>	<b>29,726</b>	<b>32,149</b>	<b>35,421</b>	<b>39,384</b>
PBT growth	-9.3%	18.4%	22.6%	20.3%	Y/E shares out, mn	613.6	616.7	619.8	622.9
EPS growth, adjusted	20.2%	23.1%	24.0%	21.2%	Y/E treasury shares, mn	0.1	0.1	0.1	0.1
<b>Profitability</b>					<b>CASH FLOW (VND bn)</b>	<b>2018</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
PBT Margin	16.6%	16.6%	17.1%	17.5%	<b>Beginning Cash Balance</b>	<b>3,481</b>	<b>3,926</b>	<b>3,893</b>	<b>3,541</b>
Op Profit, (EBIT) Margin	13.4%	14.2%	14.8%	15.4%	Net Income	2,615	3,236	4,033	4,912
EBITDA Margin	18.4%	19.2%	19.8%	20.4%	Dep, & amortization	1,165	1,370	1,639	1,923
NPAT-MI Margin, adj,	11.3%	11.8%	12.3%	12.8%	Change in Working Cap	130	-162	-713	-597
ROE	21.9%	24.6%	27.3%	28.9%	Other adjustments	148	385	423	493
ROA	11.8%	12.8%	14.3%	15.6%	<b>Cash from Operations</b>	<b>4,058</b>	<b>4,829</b>	<b>5,382</b>	<b>6,731</b>
<b>Efficiency</b>					Capital Expenditures, net	-2,454	-3,014	-3,605	-4,230
Days Inventory On Hand	29.5	29.5	29.5	29.5	Investments, net	-1,717	0	0	0
Days Accts, Receivable	83.4	80.0	78.0	75.0	<b>Cash from Investments</b>	<b>-4,170</b>	<b>-3,014</b>	<b>-3,605</b>	<b>-4,230</b>
Days Accts, Payable	60.5	60.5	60.5	60.5	Dividends Paid	-1,708	-1,878	-2,160	-2,484
Cash Conversion Days	52.4	49.0	47.0	44.0	Δ in Share Capital	27	31	31	31
<b>Liquidity</b>					Δ in ST debt	-198	0	0	0
Current Ratio x	1.3	1.3	1.3	1.3	Δ in LT debt	2,486	0	0	0
Quick Ratio x	1.0	1.0	1.1	1.1	Other financing C/F	-49	0	0	0
Cash Ratio x	0.7	0.6	0.6	0.6	<b>Cash from Financing</b>	<b>558</b>	<b>-1,848</b>	<b>-2,129</b>	<b>-2,453</b>
Debt / Assets	23.4%	21.7%	19.7%	17.7%	<b>Net Change in Cash</b>	<b>446</b>	<b>-33</b>	<b>-352</b>	<b>48</b>
Debt / Capital	32.1%	29.2%	26.3%	23.3%	<b>Ending Cash Balance</b>	<b>3,926</b>	<b>3,893</b>	<b>3,541</b>	<b>3,589</b>
Net Debt / Equity	-17.1%	-14.8%	-10.9%	-9.5%					
Interest Coverage x	13.0	14.0	17.4	21.3					



## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
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Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

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