

THUDUC HOUSE (TDH – HSX)

Stable for growth

FY2013, net profit after tax down by 10.7% despite stark revenue and gross profit margin increases. Net revenue was VND409.5 bn, up by 104% from FY2012 and including the two main parts, i.e. real estate sales (63%) and service revenue (37%). Real estate sales was recorded VND257 bn, nearly 40% of which came from the recognition of long-term leases contracts in Market House B and C of Tam Binh Agriculture wholesale market. As this segment brought a high gross profit margin, FY2013 overall gross profit margin was raised up to 31.6%, from the average 24.5% in FY2012.

Meanwhile, financial revenue shrank significantly to VND11 bn from VND79 bn in FY2012. There are also a slight decrease of other profits and a VND4 bn of shared loss in associate companies, which also helped cause a slump in TDH's NPAT. By the end of FY2013, NPAT for the parent company's shareholder was VND29.2 bn, down by nearly 11% from FY2012.

Concentrated on developing residential land and S-Home Apartment projects. Along with clearing completed projects' inventories, TDH will focus mainly on the development of residential land projects in FY2014. The Company will also initiate the S-Home Apartment projects.

Inventories	Description	Sale in 2M2014	Remaining units (plot/flat)
Long Hoi City	Residential land	01	70
TDH –Truong Tho	Condo	02	70
TDH –Phuoc Binh	Condo		15
Phuoc Long Spring Town - GD 1	Residential land	04	20
Binh An	Residential land	01	08
Tam Binh	Residential land		01
Binh Chieu	Residential land		06

Source: Rongviet Securities database

The development cost of residential land plot is not substantial as the company only has to finish the infrastructure. In this aspect, most TDH's projects planned for development and sales in FY2014 have been basically completed. Therefore, we see that business in this segment is feasible. Those projects include:

(1) Binh Chieu Project – Phase 2: The main obstacle about this project is that TDH has not reached a compensation agreement with the two remaining residents within the project location with respect to compensation price.

Particulars (VND bn)	Q4FY13	Q3FY2013	+/- qoq	Q4FY12	+/-yoy
Net revenue	86.1	93.3	-7.8%	32.0	168.8%
NPAT	8.8	15.3	N/A	17.6	N/A
EBIT	26.6	20.5	29.5%	36.6	N/A
EBIT margin	30.9%	22.0%	889 bps	114.3%	-8346 bps

Source: TDH Financial statement, RongViet Securities' compilation and estimates

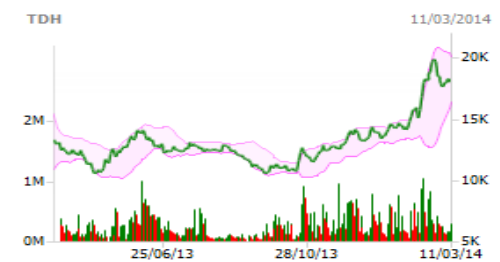
Please refer to important disclosures at the end of this report

MONITOR

CMP (VND) 18,100

Stock Info

Sector	Real Estate
Market Cap (VND bn)	692
Beta	1.23
Free float (%)	72.7
52 weeks High	19,900
52 weeks Low	10,600
Avg. Daily Volume (in 20 sessions)	377,681



Performance (%)

	3M	1Y	3Y
TDH	35.1	41.4	-30.7
Real Estate			
VN30 Index	17.0	20.2	N/A
VNIndex	16.5	23.5	18.9

Shareholders pattern (%)

(HFIC)	8.8
Deutsche Bank AG & Deutsche Asset Management (Asia) Ltd	6.6
J.P Morgan WhiteFriars INC.	6.0
Red River Holding	5.9
Foreigner Investor Room (%)	38.4

Lam Nguyen

(084) 08- 6299 2006 – Ext 318

lam.ntp@vpsc.com.vn

If the real estate market continues to warm up, however, TDH may increase the price and initiate sales in Q3 or Q4 in FY2014.

(2) Phuoc Long Spring Town – Phase 2: After the infrastructure is completed, TDH will open this project for sale in the second half of FY2014.

(3) Ben Luc Residential Area – Phase 2: The project is in the same situation with Binh Chieu – Phase 2. If the real estate market continues to warm up, however, TDH may increase the price and initiate sales in Q3 or Q4 in FY2014.

(4) TDH – Tocontap: This project was first designed as an apartment building but is now being redesigned to set aside 50% of the area for residential land and the remaining area for apartment development. TDH will initiate the project right after receiving the approval for conversion, expect in last two quarters of FY2014.

Two other S-Home apartment projects to be developed this year are TDH – Phuoc Long and TDH – Binh Chieu (Plot I and H). The Company expects to receive the approval document soon and has planned to initiate the projects by the end of the year.

	TDH owner	Location	Area (m2)	Description	Progress
Binh Chieu – Phase 2	100.0%	Thu Duc wholesale market	40,340	Residential land	The compensation agreement with the two remaining residents are not yet reached
Phuoc Long Spring Town - Phase 2	66.9%	District 9		Residential land	After infrastructure completion, TDH will open for sell in 2 nd half of FY2014.
Ben Luc residential area - Phase 2	49.0%	Long An	114,000	Residential land	The compensation agreement with remaining residents are not yet reached
TDH – Tocontap	67.0%	District 9	11,634	Residential land /Apartment	This project has been re designed to set aside 50% of the area for residential land and the remaining area for apartment development. TDH will initiate project right after receiving approval document, expected in last two quarters of FY2014.
TDH - Phuoc Long	100.0%	District 9	3,573	S-Home	Pending for the approval document soon; should be initiated by the end of the year.
TDH –Binh Chieu (Plot I & H)	100.0%	Thu Duc	10,502	S-Home	Pending for the approval document soon; should be initiated by the end of the year.

Source: Rongviet Securities database

Outlook:

Seeing the difficulties of the real estate market, TDH’s BOD has delayed the development of new projects, which in effect should not raise any more liabilities burden for the Company.

With 6 projects mentioned above, the required investments in FY2014 is ~VND300 bn. Currently, TDH has two options for raising capital, borrowing from banks or raising through stock issuance. Of the two,

we think bank loans would be easier to obtain since TDH has good relationships with some commercial banks and the Company's remaining credit limit is still large. If it is to raise capital in the stock market, TDH would have to come up with a price attractive enough to investors, many of whom are not much interested in additional stock issuance these days/.

However, we see that TDH is a stock that should be closely monitored in FY2014, because:

- (1) TDH's business has been stable. Aside from real estate business, the Company has expanded to agricultures import-export trading. This strategy may not bring huge profits, but will help TDH to maintain its cash flows and its business while waiting for the real estate market to bright up.
- (2) The majority of TDH's land bank is clean land, distributed mostly in residential land or low-mid income apartment projects in the outskirts of HCMC. These projects could suit real estate investors' taste in the early phase of market recover.
- (3) TDH's book value per share is 2 times higher than its market price.

Exhibit 01: Key financials

Y/E Sep (VND bn)	FY2011	FY2012	FY2013E
Net sales	533	200	409
% chg	0.0	0.0	0.0
Net profit	45	33	29
% chg	0.0	0.0	0.0
Net margin (%)	8.4	16.4	7.1
EPS (VND)	1,184	870	771
Book value (VND)	34,805	35,388	35,877
Dividend (VND)	1,000	1,000	0
P/E (x)*	15.3	20.8	23.5
P/BV (x)*	0.5	0.5	0.5
ROA (%)	1.9	1.5	1.3
ROE (%)	33.1	24.7	21.6

Source: Source: TDH Financial statement, RongViet Securities' compilation and estimates, *As of 11/03/2014

BRIEF UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings / Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to -5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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Network

Headquarter

Address: Floor 1-2-3-4, Viet Dragon Tower, 141 Nguyen Du, Ben Thanh Ward, Dist.1, Tp.HCM

Phone: 84.8 6299 2006 Fax: 84.8 6291 7986

Website: www.vdsc.com.vn

Ha Noi Branch

2C Thai Phien – Hai Ba Trung District
– Ha Noi

Nha Trang Branch

50Bis Yersin - Nha Trang

Can Tho Branch

08 Phan Dinh Phung –Cần Thơ

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