August 2016

Thu Duc House JSC (TDH – HSX)

Small firm, large potential

Particulars (VND bn)	Q2-FY16	Q1-FY16	+/-qoq	Q2-FY15	+/-yoy
Net Revenue	278.0	130.8	113%	184.9	50%
PAT	50.0	13.0	285%	(16.4)	-405%
EBIT	40.6	8.4	385%	(29.8)	-236%
EBIT margin (%)	14.6%	6.4%	819bps	-16.1%	3,073bps

Source: TDH, RongViet Research

- **TDH is an experienced property developer with diversified capabilities**
- **The restructuring plan has paid off**
- **Robust demand for affordable housing**

Outlook and Valuation:

As a renowned property developer in HCMC, TDH has much experience and recognition in the affordable segment. The recent raise of capital plus new partnerships are considered necessary catalysts for growth. Not only is the Company seeing an improved sales outlook, it has also been actively seeking to replenish its land bank with projects at prime locations across HCMC, Nha Trang and Nam Dinh.

We expect a jump in this year's earnings of TDH, supported by the handover of TDH-Phuoc Long and sales finalization of Long Hoi City. The Company will launch two new projects with completed infrastructures and legal works, i.e. Binh Chieu RA and TDH-Tocontap in the fourth quarter. Between 2016 and 2020, TDH will also kick off several mid-end apartment projects, the sales and profits of which would fall between 2018 and 2019. While a surplus of supply has taken a toll on luxury property sales, robust demand in the affordable segment will be the growth driver for TDH in the long term.

Using the discounted dividend model (DDM) and the RNAV approach, we estimate the equity value of TDH at VND1,121 bn or **VND15,8000/share**, 33% higher than the closing price on 24/08/2016. The exclusion of projects to be developed in cooperation with LPTex and FDC, in which TDH's final ownership is unknown, has reduced the firm's RNAVPS by 9%. At the current market price, the dividend yield of TDH is around 8.3%. For the rationales above, we rate the stock of TDH as a **BUY** in the **LONG-TERM**.

Y/E Dec (VND bn)	FY2014	FY2015	FY2016F	FY2017F
Net Revenues	568.3	882.4	615.3	851.5
% chg	38.8	55.3	-30.3	38.4
PAT	51.1	47.1	97.9	79.1
% chg	135.5	-7.7	107.9	-19.2
ROA (%)	2.2	1.9	3.9	3.2
ROE (%)	3.7	3.4	6.6	5.0
EPS (VND)	1,342	1,122	1,187	959
Adjusted EPS (VND)	997	920	1,380	959
Book value (VND)	36,837	32,970	22,260	22,375
Cash dividend (VND)	-	1,000	1,000	1,000
P/E adjusted (x)	10.1	9.9	10.1	12.5
P/BV (x)	0.4	0.3	0.4	0.6

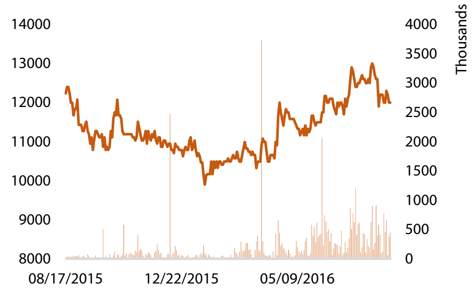
*Source: TDH, RongViet Securities, *as of 24/08/2016*

BUY

Market price (VND)	11,900
Taret price (VND)	15,800
Investment horizon	LONG TERM

Stock Info.

Sector	Real estate
Market Cap (VND bn)	838
Current Shares O/S	70,988,381
Beta	0.72
Free float (%)	84.0
52 weeks High	13,000
52 weeks Low	9,900
20-day Avg. Volume	432,172



Price performance (%)

	3T	1N	3N
TDH	-1.1	2.8	-28.2
Real estate	-1.8	-13.2	n/a
VNMid Index	-9.0	-19.8	n/a
VNIndex	-7.4	-13.8	-7.6

Major Shareholders (%)

KWE Beteilgungen AG	8.49
Viet Thai Son Investment Co. Ltd.	6.12
HFIC	6.00
Foreign room (%)	4.7

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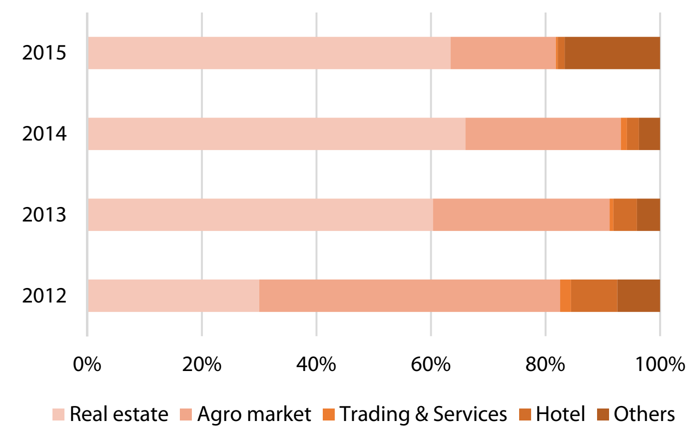
TDH's diversified capabilities and extensive experience have gained a place among HCMC's most renowned property developers

Established in 1999 as a 100% state-owned company, TDH has grown to be one of the most prominent property developers in HCMC. The firm has projects across the city but has established its domain in the Northeastern districts of HCM, i.e. D2, D9, Thu Duc and Binh Thanh. TDH specializes in residential land and affordable apartments. TDH's notable mid-end projects include Phuoc Long Spring Town, TDH-Phuoc Long (Dist.9), TDH-Truong Tho, TDH-Phuoc Binh (Thu Duc District) among others. The firm also has a proven track record in the luxury segment with the completion of Cantavil Hoan Cau (Binh Thanh District) in 2010 and Cantavil Premier (Dist. 2) in 2013.

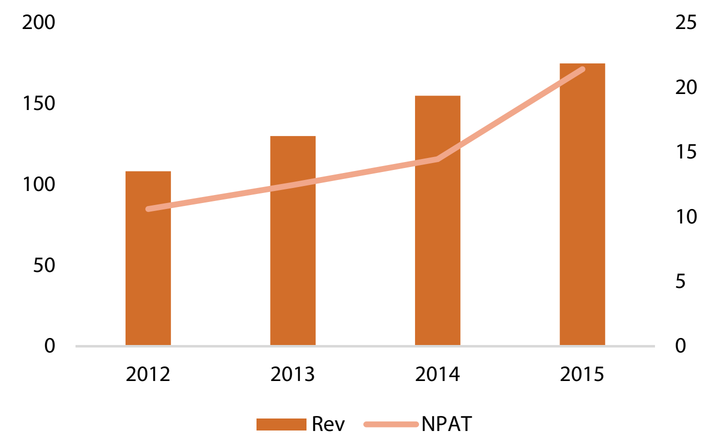
Between 2009 and 2015, TDH acquired stakes in several joint ventures and BCCs. Aside from the two-phased Cantavil complex where TDH hold 40% of stakes, the Company also works together with Daewon in other high-end projects, i.e. Centum Wealth (Dist.9, HCMC) and Green Pearl (Hai Ba Trung District, Hanoi). Separate from the joint ventures, the Company also holds 65% in TDH-Tocontap, a mixed residential project in Thu Duc, HCMC and Long Hoi City, a land-only project in Long An Province.

Figure 1: Revenue breakdown by business line 2011-2015



Source: TDH, RongViet Research

Figure 2: ThuDuc Agro Market business results, 2012-2015



Source: TDH, RongViet Research

TDH is also the developer and managing company of Thu Duc Agro Market, one of the four largest veggie and fruit trading hubs in Vietnam. Through a subsidiary (i.e. TDAM), TDH rents kiosks and provides utilities and logistics services within the market. Apparently, it was TDAM that provided the income stream to sustain its parent company through the difficult years of the housing market. Last year, TDAM reported VND174 bn in revenue or 18% of TDH's net revenue and VND21in NPAT or 45% of consolidated net income.

From our view, TDH's diversified capacity is the firm's strength but also its weakness. TDH's relatively small capital base and the lack of focus in business operations clearly has had a disminishing effect on the Company's growth potential. For this reason, however, we believe recent changes in the Company's directions, which entailed a raise of equity capital as well as efforts to rid of unprofitable investments and replenish the land bank, should put TDH on a faster growth track in the upcoming years.

Table 1: TDH's property portfolio

Project	Ownership	Location	Investment	Area	Description	Progress
			APARTMENT			
TDH – Phuoc Long	100%	Thu Duc Dist., HCMC	VND162 bn	3,573 m^2	GFA 11,252 m^2, 168 units	- 92% sold; - Average sale price VND17.5mn/sqm; - Handover 3Q2016.
TDH – Phuoc Binh	100%	Thu Duc Dist., HCMC	VND109 bn	2,325 m^2	GFA 12,885m^2, 13 floors, 86 units	- 90% sold; - Average sale price VND17.5mn/sqm; - Handover 4Q2011.
TDH – Trường Thọ	100%	Thu Duc Dist., HCMC	VND314 bn	6,994 m^2	GFA 39,857 m^2, one 12 -storey block & one 15-storey block with a total 262 units	- 96% sold - Average sale price VND16mn/sqm; - Handover 4Q2010.
Binh Chieu Apartment block I	100%	Thu Duc Dist., HCMC	VND288 bn	6,748 m^2	GFA 33,186 m^2, 405 units	- LUR acquired; deisgn in progress; - Launch in 2017.
Binh Chieu Apartment block H	100%	Thu Duc Dist., HCMC	VND162 bn	3,754 m^2	GFA 3,754 m^2, 218 units	- LUR acquired; deisgn in progress; - Launch in 2017.
TDH - Tocontap	65%	Dist.9, HCMC	VND196 bn	3,760 m^2	GFA 22,000 m^2, 223 units hộ	- Infrastructures under construction; design in progress; - Launch in 2017.
Centum Wealth	49%	Dist.9, HCMC	USD50 mn	11,582 m^2	GFA 38,444 m2, 547 units for sale, 36 serviced apartments, 1 shopping mall	- LUR acquired; design in progress.
Cantavil Premier	40%	Dist.2, HCMC	USD60 mn	11,170 m^2	GFA 49,863 m^2, 184 units, 2 floors of retail area	- 91% sold; - Retail and office area launched in Jan 2014; - Office lease rate ~USD16/sqm/sqm; - Average apartment sale price ~VND37mn/sqm.
Green Pearl	14%	Hai Ba Trung Dist., Hanoi	VND1.618 bn	28,736 m^2	- Low-rise area 12,928m^2, 61 plots - High-rise area 10.334 m^2, 500 units	- Land filling and clearance finished; - Construction started April 2016;
TDH – Phuc Thinh Duc*	5%	Dist.9, HCMC	VND912 bn	14,680 m^2	GFA 51,619m^2, 935 units	- Land-use tax paid; request for investment cerfticate under processing; - 95% of stakes in the project company sold to FDC in 4Q2015; - Project design progress; expected launch in 2017.

			RESIDENTIAL LAND			
Phuoc Long Spring Town	66,9%	Dist.9, HCMC	VND862 bn	37,140 m^2	- Low-rise area 1,579m^2, 95 plots for rowhouses - High-rise area 12.627m^2, 4 blocks	- 100% sold; - Average selling VND16-28 mn/m2; - LUR acquired, infrastructures finished; - Land for high-rise development (1.2ha) sold to Hung Thinh Land in 3Q2015; - Low-rising area under construction.
Long Hoi City	65%	Ben Luc, Long An	VND266.9 bn	20,35 ha	- Section 1: 15.25 ha, 424 plots, 1 shopping mall - Section 2: 5.1 ha, 142 plots	- 100% sold; - Average selling price VND5mn/sqm; - Section 1: infrastructure finished; - Section 2: 100% compensated with 1/500 planning.
TDH – Tocontap RA	65%	Dist.9, HCMC	VND160 bn	16,594 m^2	Sellable area 4,690 m^2, 40 plots for rowhouses	- Land allocation decision acquired; - Launch in 2017.
Binh Chieu RA Phase 2	n/a	Thu Duc Dist., HCMC	VND373 bn	39,412 m^2	Sellable area 14,553 m^2, 145 plots for rowhouses	- Infrastructure under construction; - Launch in 3Q2016.
			OTHER PROJECTS			
La Sapinette Lang Co	75%	Lang Co, Hue	VND173 bn	3.92 ha	Resort 3.732 m^2, service area 5,811 m^2	- LUR acquired; - Land filling and clearance finished.
Hang Xanh Building	45%	Binh Thanh Dist., HCMC	VND42,2 bn	607 m^2	GFA 3,306m^2	- 100% occupied

Source: TDH, RongViet Research

TDH has been actively acquiring new projects at prime locations

The expansion of the project pipeline has always been an ongoing mission of TDH. As compared to other prominent developers the like of BCI, KDH or NLG, TDH is not a big company when it comes to the land bank. The Company has around 30-40ha in HCMC, which consists mostly of small projects, with residential land projects starting at 4ha and apartments at 3,000 sqm. Although the Company finds little competition in the outskirts of the city, it had no projects in or close to the CBD until recently.

Table 2: Liquidation of stakes in subsidiaries and affiliate companies

No.	Affiliate/Subsidiary	Pre-sale ownership	Post-sale ownership	Note
1	Thong Duc	71.5%	71.5%	- Investor of Hotel La Sapinette Da lat; - Sold to Fideco for VND161.4 bn
2	Phuc Thinh Duc	100%	95%	- Investor of TDH-Phuc Thinh Duc - TDH sold 65% and its subsidiary (TDAM) 30% of stakes in Phuc Thinh Duc to Fideco for VND195.7bn.
3	CTCP Dau tu Phuoc Long	61.94%	53.44%	- Partner of TDH in Phuoc Long Spring Town; - Merged Vinatex ITC under a new name of Lien Phuong Textile in late 2015
4	Gia Dinh Star	30%	30%	- Investor of Aquila Plaza - Sold 3.3 million shares at a minimum VND20,000/share
5	Phong Duc Construction	47.75%	47.75%	
6	Vinatex Finance	3,450,000	3,450,000	

Source: TDH, RongViet Research

In 4Q2015, TDH sold 95% of stakes in Thong Duc JSC and 71.5% in Phuc Thinh Duc SJC to Fideco (HSX – FDC) for a price of VND357 bn. The Company also reduced its holding of Phuoc Long Investment JSC (now Lien Phuong Textile JSC - LPTex) from 61.94% to 8.5%. In January, TDH announced it would liquidate 30% of interest in Gia Dinh Star JSC, the developer of Aquila Plaza Apartment for VND66 bn On the other hand, TDH acquired 24.9% of FDC and announced its strategic partnership with FDC and LPTex in several projects across HCMC, Nha Trang and Nam Dinh in late 1Q2016.

1) *HCMC Foreign Trade Development and Investment Corporation (HSX – FDC) or Fideco* is an ex-SOE conglomerate, who operates both as a property developer and a trading company. FDC has projects in Dist.1, Dist.2 and Can Gio Commune. Of FDC's property, the "golden land" at 28 Phung Khac Khoan (2,282 sqm, Dist.1) is viewed as a much potential project given its very prime location and the rising demand for office in the CBD. Holding 24.9% of FDC, TDH has become strongly involved in the management of the acquired firm so there is a high chance TDH will take complete control of and increase its stakes in FDC soon.

2) *Lien Phuong Textile JSC (previously Phuoc Long Investment JSC)* is a member company in Vietnam Textile Group or Vinatex. Although it specializes in the textile and garment production and material trading, LPTex possesses several tracts of land in HCMC. Facing Vo Van Kiet Boulevard, the 24-storey V-Building is a prime-location apartment with more than 12,000sqm in GFA.

Table 3: Co-developing projects with Fideco and LPTex

Project	Location	Investment	Description	Progress
V-Building	39-41-43 Vo Van Kiet, Dist.1, HCMC	VND400 mn	Land area: 1,000sqm, 24 floors; GFA: 12,000sqm, 50% for apartments, 50% for office	Construction starts in 3Q2016 Hoàn thành sau 24 tháng
Lien Phuong Apartment	18 Tang Nhon Phu, Dist.9, HCMC	VND200 mn	Land area: 5,600sqm, 2 floors, 300 units, 42-60 sqm per unit	Construction starts in 1Q2017 Completion expected in 1Q2019
Nam Dinh Textile Urban Area	43 To Hieu, Nam Dinh City	VND412 mn	Land area: 24.8ha, 103 villas, 833 rowhouses	Construction starts in 3Q2016 Completion expected in 2020
Vinh Hai Apartment	68A 2/4 Street, Nha Trang City	VND150 mn	Land area: 1.742sqm, 19 floors, 200 units or aparment, 45-90sqm per unit and 10 townhouses	Construction starts in 3Q2016 Completion expected in 2020
Phung Khac Khoan Complex	28 Phùng Khắc Khoan, Dist.1, HCMC	VND530 mn	Land area: 2.282 sqm - Block 1: 1.238 sqm for office (GFA 3.473 sqm), apartments (GFA 3.268 sqm) and (GFA 1.127 sqm) - Block 2: 1.044 sqm, 89 units of apartments of sales	LUR acquired for Block 1, legal works for Block 2 under procressing
Can Gio RA	Long Hoa Commune, Can Gio, HCMC	n/a	Land area 29.8ha, mostly for villas and townhouses	Land filling for Phase 1 in progress and legal works under processing;

Source: TDH, RongViet Research

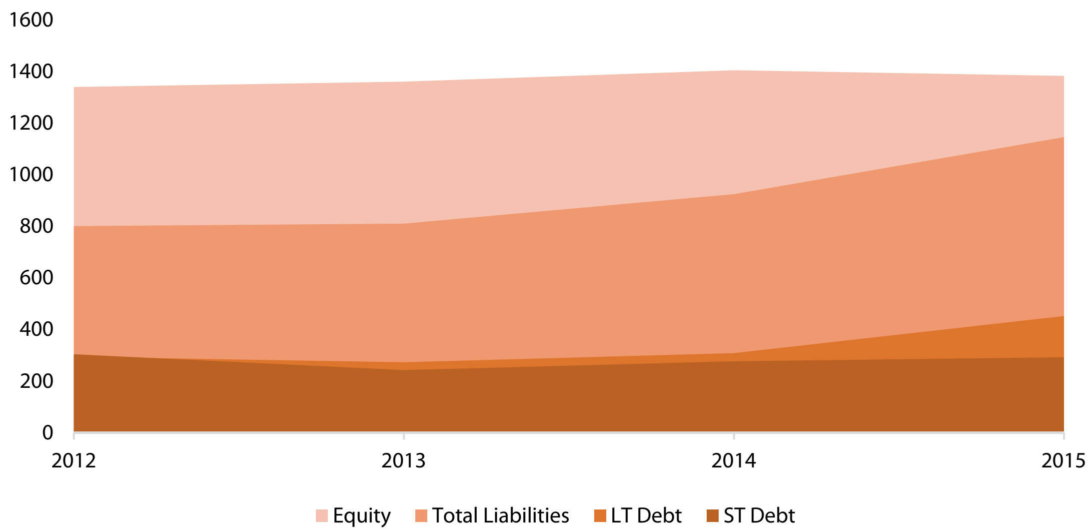
We believe the abovementioned transactions has brought TDH beyond immediate cash flows. By pushing illiquid assets off its balance sheet, the Company managed to improve its financial status. Without too much effort, TDH also shook hands with FDC and LPTex and gained access to these companies' project pipeline, thereby overcame its weakness in the land bank.

Expansion plans find strong support from an improved financial base

In 2Q2016, TDH issues nearly 20 million shares at an average price of VND12,500 per share, raising its chartered capital from VND420 bn to VND617 bn. Technically, the expansion in equity allowed the Company to take on more debt without having to raise leverage. TDH's outstanding short and long-term debts increased 27% during 2015 yet by the end of Q2, its Debt-to-Equity ratio remained at 42%, versus the industry average of 49%.

Given the improved capital base, TDH has been more aggressive in its expansion plans. Besides those projects that it has accessed through LPTex and Fideco, TDH has recently approached a lot more land in Dist.1, 2, 3 and 4 of HCMC. Though the firm has not officially announced new projects since April, prepaid for project acquisition was reported as Short-term receivables in Q2 balance sheet with a total amount of VND516 bn.

Figure 3: TDH's capital structure 2012-2015



Source: RongViet Research

We notice TDH has maintained its Debt-to-Equity ratio around 40% since 2012. In addition, it was one of the few real estate companies able to pay cash dividends in the last 2 years. At the current market, TDH's shares are yielding over 8%, higher than both the market and industry averages. On top of unfavorable market conditions, the maintenance of cash dividends and low leverage was the main reason for TDH's slow growth between 2012 and 2014. We believe the recent increase capital along with an expanded project pipeline will jumpstart the growth engine and put TDH back alongside HCMC's biggest developers.

Table 4: Comparison of listed real estate companies

Ticker	Mar. cap (VND bn)	Trailing P/E (x)	P/B (x)	D/E (x)	ROE (%)	ROA (%)	Div. yield (%)
KBC	8,596.61	11.19	1.14	0.27	9.47	5.53	0.00
HAG	5,055.36	14.56	0.34	1.56	2.07	0.73	0.00
KDH	4,788.00	12.07	1.39	0.52	9.48	4.90	5.64
ITA	4,597.78	30.36	0.44	0.17	1.48	1.10	0.00
NLG	2,984.40	10.89	1.28	0.25	11.17	5.50	2.38
PDR	2,623.53	16.32	1.13	1.43	7.06	2.02	0.00
IJC	2,358.07	24.99	0.82	0.65	3.22	1.28	13.95
SJS	2,317.58	6.70	1.12	0.55	17.47	6.01	6.41
SCR	2,062.15	29.73	0.67	0.32	2.30	1.22	10.53
BCI	2,055.27	7.06	1.01	0.23	14.41	8.70	4.22
HDG	2,036.87	12.90	1.99	1.70	11.37	4.47	5.08
DIG	1,784.05	-257.38	0.69	0.63	-0.26	-0.13	10.39
DXG	1,781.52	4.87	1.05	0.21	18.94	9.57	0.00
QCG	1,238.08	50.98	0.33	0.59	0.62	0.30	0.00
DRH	1,078.00	20.82	1.90	0.34	8.84	5.72	0.00
CEO	1,060.24	6.23	0.89	0.71	12.28	5.18	9.71
NBB	1,047.27	256.53	0.87	0.92	0.33	0.11	4.44
TDH	851.86	6.13	0.52	0.42	8.29	4.62	8.33
ITC	816.89	104.33	0.55	0.53	0.52	0.31	0.00
FDC	717.86	116.39	1.49	0.00	1.30	1.04	3.46
LDG	682.50	3.67	0.66	0.05	18.18	8.05	0.00
LHG	624.25	7.59	0.92	0.12	12.35	5.66	0.00
NTL	597.70	7.38	0.68	0.00	8.97	6.17	10.20
HDC	563.22	11.21	0.90	0.74	7.99	4.08	7.30
Average		**13.79**	**0.96**	**0.59**	**7.59**	**3.76**	**3.36**

Source: FiinPro, RongViet Research

Large potential for the affordable housing in HCMC

According to World Bank, only the top three household income groups in Vietnam, i.e. the first 60% of household by monthly income, can afford houses. In HCMC, any household in the second income quintile lower can only afford a house less than VND600 mn or USD26.9k. This means there is still a large demand for affordable housing in Vietnam.

Table 5: Average savings capacity by household income quintiles, 2014 (thousand VND/month)

Vietnam urban		Average household income	Average household expenditures	Difference (incl. savings)
Household income quintile	Q5	29,805	21,330	8.475
	Q4	14,279	12,628	1.651
	Q3	10,315	9,353	963
	Q2	7,325	7,270	55
	Q1	3,982	4,338	-356
TOTAL			**13,134**	**2,155**

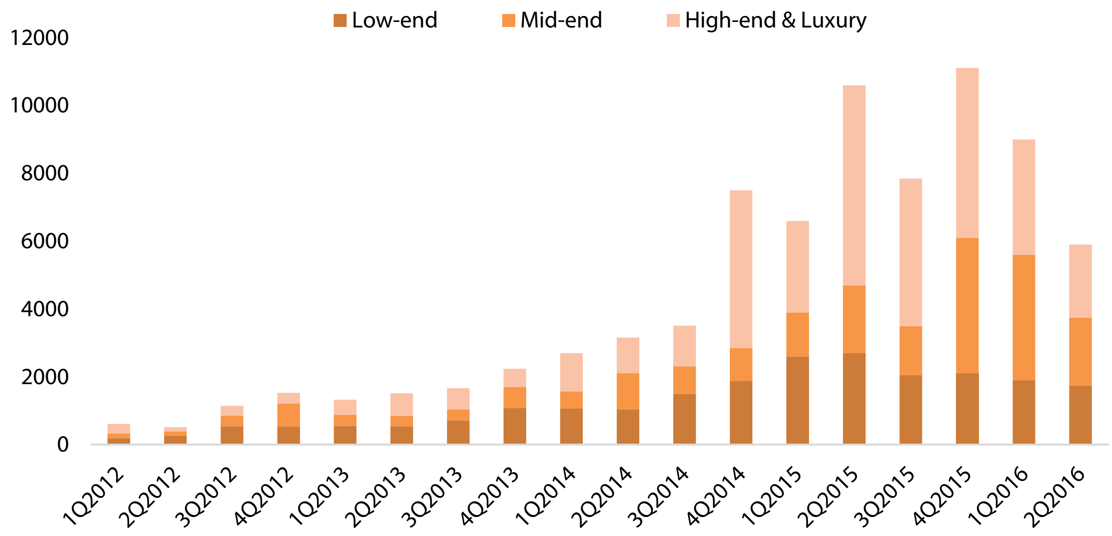
Table 6: Effective Demand forHousing by Household Income in HCMC, 2014 (thousand VND)

Financial plan	Income quintile	Monthly income	Payment capacity	Monthly payment	Loan term	Rate	Loan amount	Self-financing ratio	Self-financing amount	House value
Market-rate reducing balance loans	Q5	41,306	40%	**16,522**	20	12%	**1,500,518**	30%	643,079	**2,143,598**
	Q4	15,639	30%	**4,692**	20	12%	**426,125**	30%	182,625	**608,750**
	Q3	11,760	25%	**2,940**	15	12%	**244,966**	30%	104,985	**349,951**
Market-rate reducing-balance loans	Q5	41,306	40%	**16,522**	20	10%	**1,537,495**	30%	658,926	**2,196,421**
	Q4	15,639	30%	**4,692**	20	10%	**436,626**	30%	187,125	**623,751**
	Q3	11,760	25%	**2,940**	15	10%	**273,589**	30%	117,252	**390,841**
30-trillion program	Q4	15,639	30%	**4,692**	15	5%	**593,328**	30%	254,283	**847,611**
	Q3	11,760	25%	**2,940**	15	5%	**371,778**	30%	159,334	**531,112**

Source: WorldBank, adjusted for inflation (13%, 2012 - 2014), assuming Q5 households do not borrow from the 30-trillion program

In its latest quarterly report of 2Q2016, CBRE said the number of sold apartments in HCMC dropped 45% yoy and 30% qoq in the second quarter. While the transaction volume in the high-end market fall 60% yoy, the mid-end or affordable market saw a decrease of only 20% yoy. From the market research company's statistics, the number of handovers in luxury and high-end apartments will have increased six times by 2017. The contraction in liquidity and absorption rate last quarter was partly because many high-end developers purposely delayed new launches to avoid competition and a sudden surge in supply. The negative sentiment following the distribution of the Draft Circular 06 also took its toll on market transactions in the second quarter.

Figure 5: Quarterly apartment sales in HCMC (units)



Source: CBRE

However, the State Bank of Vietnam issued the official Circular 06 in early July, which effectively said that the curb on mortgage lending and lending for property development will not begin until 2017 and be phased out between 2017 and 2018. However, we see it unlikely that demand for high-end properties will pick up strongly in months to come. Driven by real demand, the affordable segment should remain resilient nonetheless.

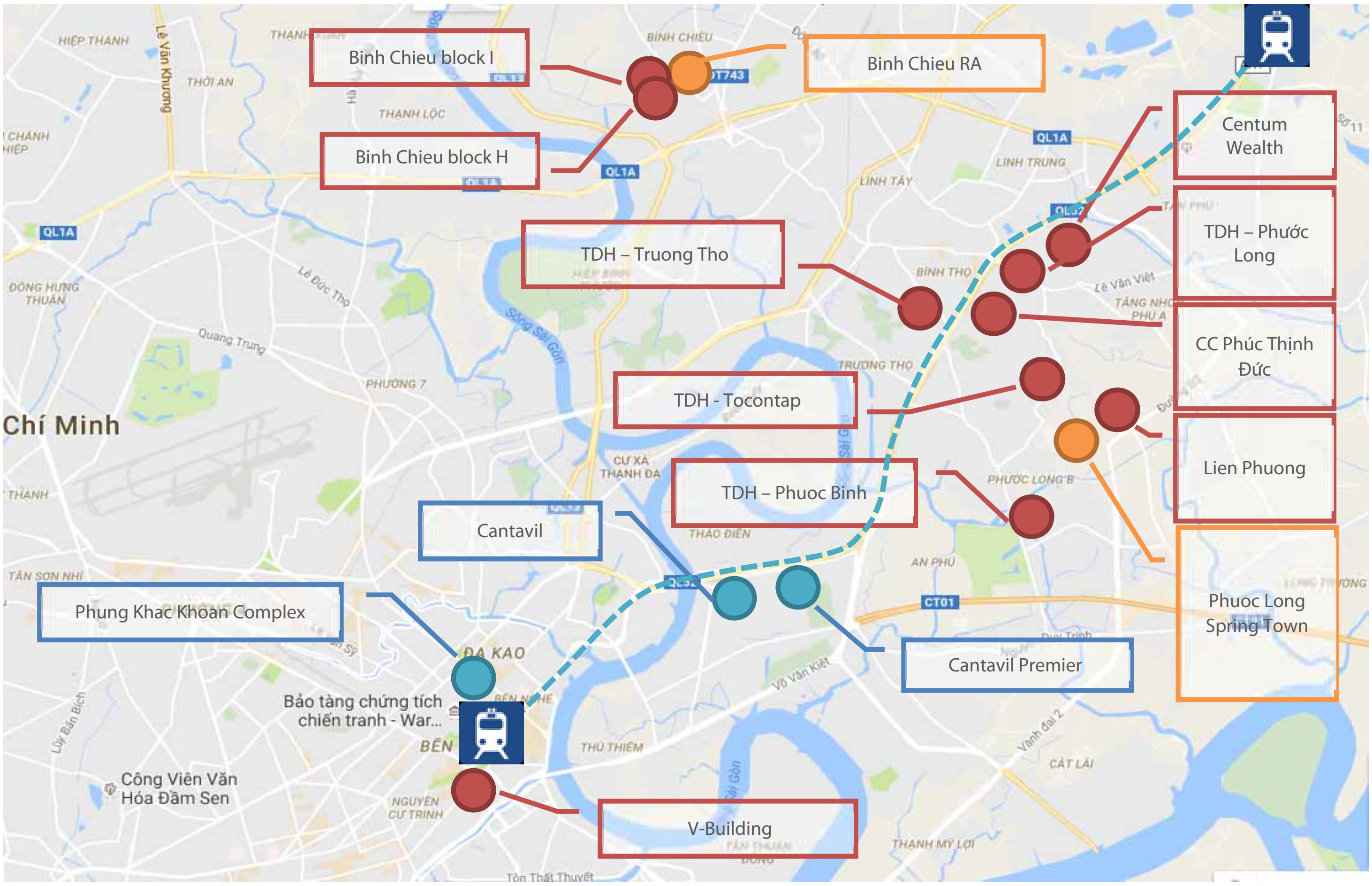
Figure 6: Project timeline

Project	2015	2016	2017	2018	2019
TDH - Phuoc Long	Launch + Sales	Handover			
TDH - Phuc Thinh Duc	Legal works + Pilling		Launch + Sales	Handover	
Binh Chieu block I	Legal works + Pilling		Launch + Sales	Handover	
Binh Chieu block H	Legal works + Pilling		Launch + Sales	Handover	
TDH - Tocontap	Legal works + Pilling			Launch + Sales	Handover

Source: TDH, RongViet Reseach

Nearly three years ago, TDH launched its own line of affordable condos called S-home, which offer apartments sizing from 45 sqm to 80 sqm per unit at prices ranging from VND17 mn to VND20 mn per sqm. The brand now has 4 ongoing projects in HCMC: TDH-Binh Chieu Block I and Block H, TDH-Phuc Thinh Duc and TDH-Phuoc Long. TDH-Phuoc Long has been sold up to 92% by the end of July and will hand over sold units in 3Q2016 while the other projects will begin construction in early 2017. Beside robust demand for reasonably-priced houses, the completion of the Ben Thanh – Suoi Tien Metro line plus the establishment of the new financial hub in the East of Saigon will be a big upgrade for these projects in term of connectivity.

Figure 6: TDH project map



Source: TDH, RongViet Reseach

Robust earnings growth in the upcoming years

TDH witness a strong improvement in earnings in the first half of 2016. Whereas H1 net sales grew 6% yoy to VND408 bn, NPAT was reported at VND63 bn versus a loss of VND8.5 bn in 1H2015. Real estate sales expanded 76% yoy in the six months ended in June to VND287 bn with the recognition of Long Hoi City and Binh Chieu RA Phase 1, the former of which just finished selling in Q1.

Table 7: 1H2016 unit sales by projects

Project	Total units	Sold in Q1	Sold in Q2	Accumulation	Inventory*
TDH - Truong Tho	262	3	5	254	8
TDH - Phuoc Binh	86	1		74	12
TDH - Phuoc Long	168	19	15	157	11
Phuoc Long Spring Town	57	2		56	1
Long Hoi City	247	102		247	0
Total	**820**	127	20	**768**	**52**

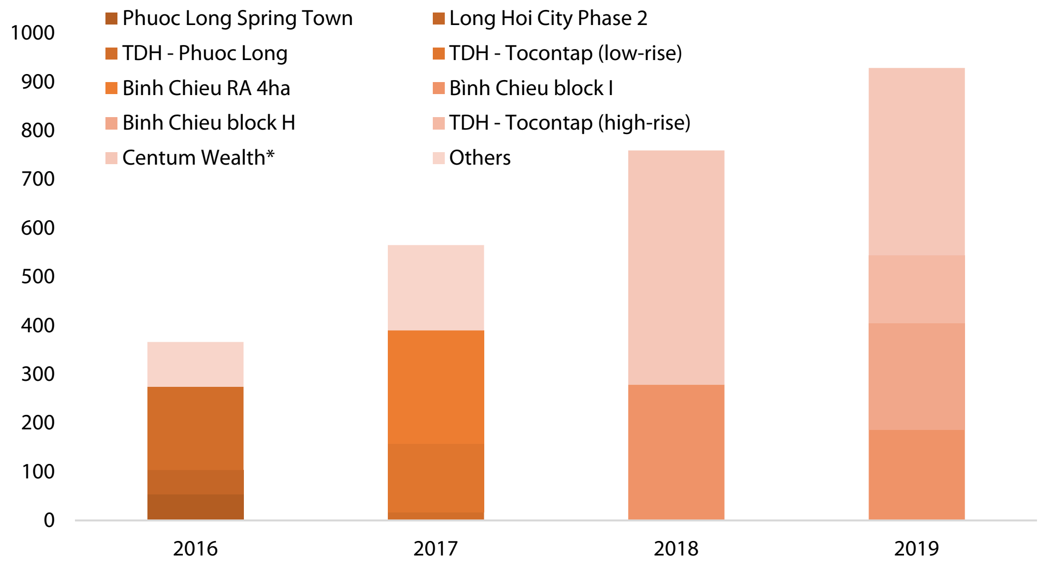
Table 8: 2Q2016 and YTD results

VND bn	Q2-FY16	Q1-FY16	*+/- (qoq)*	Q2-FY15	*+/- (yoy)*	Lũy kế đến HT	*+/-(yoy)*
Net Revenue	278.0	130.8	*112.5%*	184.9	*50.3%*	408.8	*6.0%*
Gross profit	91.6	17.6	*420.7%*	18.7	*390.0%*	109.2	*62.7%*
SG&AC	-21.4	-18.1	*18.5%*	-24.4	*-12.1%*	-39.5	*-21.2%*
Operating Income	113.1	35.7	*216.8%*	43.1	*162.3%*	148.8	*n/a*
EBITDA	40.6	8.4	*384.5%*	-29.8	*n/a*	49.0	*n/a*
EBIT	40.6	8.4	*384.5%*	-29.8	*n/a*	49.0	*n/a*
Financial expenses	-23.2	-8.8	*164.3%*	-23.9	*-3.1%*	-31.9	*-18.7%*
- Interest Expenses	-21.9	-7.7	*183.1%*	-14.5	*51.1%*	-29.7	*14.5%*
Dep. and amortization	-2.0	-2.6	*-22.8%*	-2.9	*-30.3%*	-4.6	*-22.7%*
Non-recurring income							
Extraordinary income							
PBT	62.5	16.1	*287.8%*	-15.3	*n/a*	78.6	*n/a*
NPAT	50.0	13.0	*285.1%*	-16.4	*n/a*	63.0	*n/a*
(Adjusted NPAT	50.0	13.0	*285.1%*	-16.4	*n/a*	63.0	*n/a*

Source: TDH, RongViet Reseach

In the second half, we expect TDH to recognize VND164 bn of sales from TDH – Phuoc Long, which will begin handing over sold units in Q3 and maybe a little bit from Binh Chieu RA (Phase 2) which is supposed to be launched in early September but has by now sold out all “booking tickets”. We suppose the larger part of sales in Binh Chieu RA and TDH-Tocontap will be recognized in 2017 given the projects’ late launches. For FY2016, we estimate Net revenue may fall 30% yoy to VND615 bn; however, NPAT could jump 108% yoy to VND97 bn or VND1,380/share thanks to an improvement in profitability. Last year, TDH sold 1.2ha in Phuoc Long Spring Town to Hung Thinh Land at a substantial discount to retail prices.

Figure 7: Project sales recognition



Source: RongViet Reseach

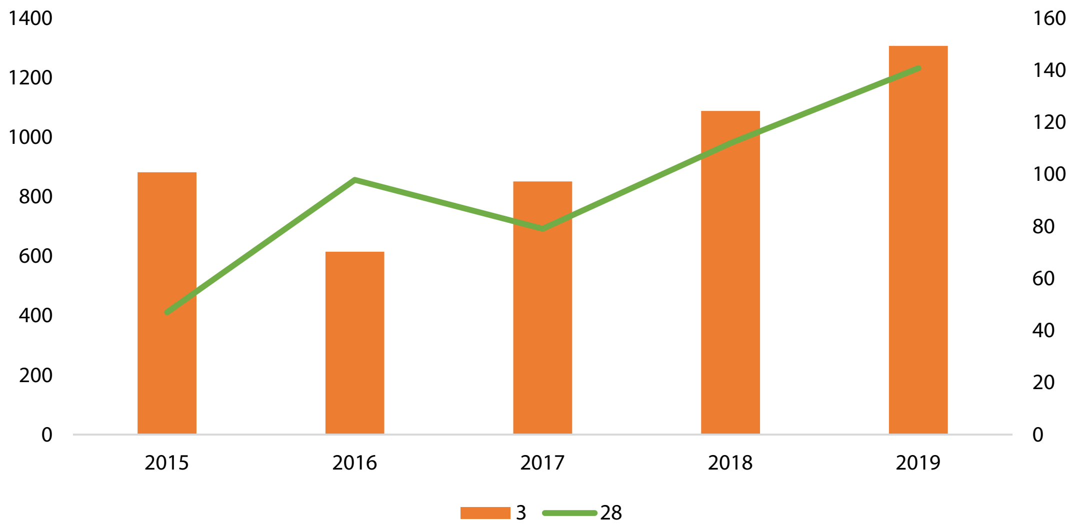
From our forecast, the revenue from the 4 apartment projects, i.e. Centum Wealth, TDH-Tocontap, Binh Chieu block I and block H will fall most heavily between 2018 and 2019, creating strong support towards TDH's business performance in this period. Nonetheless, cash flows from these projects should come as early as 2H2017. We also expect projects developed under collaboration with FDC and LPtex to start contributing to TDH's profits in 2018. Since the stakes of TDH in these project remains unknown, however, we have yet to the incorporate them in our forecasts.

Table 9: Real estate cash flow projection 2016-2020**

	2016	2017	2018	2019	2020
TOTAL	**219,331**	**193,501**	**61,420**	**245,753**	**401,220**
Phuoc Long Spring Town	53,642				
Long Hoi City Phase 2	49,722				
TDH - Phuoc Long	44,455	40,381	-	-	-
TDH - Tocontap (land)	(53,702)	45,600	27,824	7,035	-
Binh Chieu 4ha	24,076	95,611	-	-	-
Binh Chieu blcok I	-	(102,504)	(9,956)	119,650	83,629
Binh Chiểu block H	-	(55,800)	(8,503)	16,905	100,854
TDH - Tocontap (apartment)	-	(10,900)	(21,800)	(13,581)	93,034
Centum Wealth	-	29,403	(28,916)	82,997	117,611
Other	101,139	151,710	102,771	32,748	6,093

*Source: RongViet Reseach, *TDH owns 51% since July 2016, **Net cash flows equal collection minus investments*

Figure: Revenue and NPAT forecast, 2016-2019 (VND bn)



Source: RongViet Reseach

Attractive valuation, lucrative cash dividends

We have determined the equity value for TDH using the revalued net asset valuation (RNAV) method. In this RNAV approach, we revalue the real estate projects in the TDH's pipeline, taking into account additional investments necessary to make projects available for sale. As the exact ownership of TDH in the joint projects with LPTex and FDC remains unknown, these projects were not excluded from the recalculation of TDH's equity value. We also apply a twenty-percent discount against TDH's short and long-term investment and receivables.

TDH has consistently paid out cash dividends. Given the strong sales prospect its projects, we believe the firm will be able to maintain its dividend policy in years to come. For that reason, we also combine the discounted-dividend model (DDM) to estimate of the Company's equity value.

We estimate TDH's equity at VND1,121bn or VND15,800 per share, about 0.6 times the Company's BVPS. Real estate stocks are trading at a weighted average P/B ratio of 1.08x.

Table 10: Revaluation of TDH's real estate projects (VND bn)

Project	Carrying value	Revaluation	Difference
TDH-Phuoc Long	110,392	75,514	(34,879)
TDH-Tocontap (land)	3,539	14,503	10,965
TDH-Tocontap (apartment)		23,298	23,298
Binh Chieu RA	86,662	103,905	17,242
Binh Chieu Apartment Block I		40,180	40,180
Binh Chieu Apartment Block H		22,010	22,010
Centum Wealth	95,550	143,002	47,452
Green Pearl	62,717	90,641	27,925
Others	180,151	218,474	38,323
TOTAL	**539,011**	**731,527**	**192,516**

Source: RongViet Reseach

Table 11: Revaluation of TDH's equity (VND mn)

Item	30/06/2016	Revaluation
Cash and cash equivalents	194,281	194,281
Short-term investments	59,875	59,875
Receivables	966,030	772,824
Inventory	397,288	561,879
Other short-term assets	2,117	2,117
Tangible fixed assets & construction in progress	26,783	26,783
Intangible fixed assets	64,942	64,942
Investment property	66,231	66,231
Long-term investments	551,069	468,780
Other long-term assets	23,277	23,277
Long-term receivables	486,766	389,412
Goodwill	74	74
Total	**2,838,731**	**2,630,474**
Liabilities	1,208,281	1,208,281
Minority shareholders' interest		
Net asset value	**1,630,449**	**1,422,193**
Total outstanding shares		70,988,381
Net asset value per share (VND)		**20,034**

Source: RongViet Reseach

Table 12: Valuation matrix

Method	Price (VND)	Weight	Weighted price (VND)
NAV	**20,034**	50%	**10,017**
DDM	**11,612**	50%	**5,806**
TOTAL			**15,823**

Source: RongViet Research

Table 13: Listed real estate companies' P/B ratios

Ticker	Mar. cap (VND bn)*	P/B (x)*
KDH	4,788	1.4
NLG	2,984	1.3
PDR	2,624	1.1
IJC	2,358	0.8
SJS	2,318	1.1
SCR	2,062	0.7
BCI	2,055	1.0
DIG	1,784	0.7
HDG	2,037	2.0
DXG	1,782	1.1
QCG	1,238	0.3
NBB	1,047	0.9
CEO	1,060	0.9
ITC	817	0.5
FDC	718	1.5
NTL	598	0.7
LHG	624	0.9
HDC	563	0.9
Average		**1.08**

Source:FiinPro, RongViet Securities, as of 24/08/2016

Outlook:

Being a renowned property development in HCMC, TDH has much experience as well as the brand-recognition advantage in the affordable segment. The recent raise of chartered capital plus new partnership with Fideco and LPTex can be the catalysts for stronger growth. Not only has the Company's sales outlook been improved, it has been actively seeking to replenish its land bank with projects at prime location across HCMC, Nha Trang and Nam Dinh.

We expect a jump in this year's core earnings or TDH, supported by the handover of sold units in TDH-Phuoc Long and the finalization of sales in Long Hoi City. In addition, the Company will launch two new residential land projects, i.e. Binh Chieu (Phase 2) and TDH-Tocontap in the second half of 2016. With a small number of units and complete legal works, the projects should sell quickly and allow TDH to book sales in 2H2016 and 2017.

Between 2016 and 2020, TDH will launch several projects in its brand of mid-end apartments called S-Home. The sales and profits of these projects should fall mostly between 2018 and 2019. While a surplus of supply has taken a toll on sales of luxury residential properties, the affordable segment has remained robust. We believe this is the main growth driver for TDH in the long term.

Using the discounted-dividend model (DDM) and the RNAV approach, we estimate the reasonable equity value of TDH at VND1,121 bn or **VND15,8000/share**, 33% higher than the closing price on 24/08/2016. At the current market price, the dividend yield of TDH is around 8.3%, well above the industry and market averages. For the rationales above, we rate the stock of TDH as a **BUY** in the **LONG-TERM.**

Unit: VND bn

PERFORMANCE	FY2014	FY2015	FY2016E	FY2017F
Revenue	568.3	882.4	615.3	851.5
COGS	471.9	754.5	425.0	673.6
Gross profit	**96.3**	**127.9**	**190.3**	**177.9**
Selling Expense	9.3	10.9	7.9	11.1
G&A Expense	65.2	95.0	70.8	85.2
Finance Income	49.4	90.8	64.9	55.8
Finance Expense	36.9	71.4	59.9	49.7
Other profits	12.8	5.5	5.8	6.4
PBT	**52.3**	**46.4**	**122.4**	**98.9**
Prov. of Tax	4.6	0.5	24.5	19.8
Minority's Interest	-3.4	-1.2	0.0	0.0
PAT to Equity Shareholder	**51.1**	**47.1**	**97.9**	**79.1**
EBIT	**102.7**	**99.4**	**182.4**	**148.7**
EBITDA	114.3	111.0	193.9	161.5

Unit: %

FINANCIAL RATIO	FY2014	FY2015	FY2016E	FY2017F
Growth				
Revenue	38.8	55.3	-30.3	38.4
Operating Income	-69.8	0.7	407.6	-26.8
EBITDA	31.1	-3.2	74.7	-16.7
EBIT	31.1	-3.2	83.4	-18.5
PAT	135.5	-7.7	107.9	-19.2
Total Assets	7.9	3.7	-1.7	-2.8
Equity	3.2	-1.5	14.2	0.5
Internal growth rate	0.9	0.4	1.8	0.5
Profitability				
Gross profit/Revenue	17.0	14.5	30.9	20.9
Operating profit/ Revenue	3.8	2.5	18.1	9.6
EBITDA/ Revenue	18.1	11.3	31.5	19.0
EBITDA/ Revenue	18.1	11.3	29.6	17.5
Net margin	9.0	5.3	15.9	9.3
ROAA	2.2	1.9	3.9	3.2
ROIC or RONA	5.6	5.2	9.5	7.7
ROAE	3.7	3.4	6.6	5.0
Efficiency				
Receivable Turnover	1.3	1.8	0.9	1.1
Inventory Turnover	0.8	1.4	1.0	1.6
Payable Turnover	1.9	2.5	1.3	2.3
Liquidity				
Current	2.2	2.1	2.7	2.6
Quick	1.0	1.5	1.9	1.9
Solvency				
Total Debt/Equity	65.8	82.8	57.4	52.1
Current Debt/Equity	19.7	21.1	15.7	13.9
Long-term Debt/ Equity	21.9	32.7	21.5	16.0

Unit: VND bn

BALANCE SHEET	FY2014	FY2015	FY2016E	FY2017F
Cash and equivalents	94	305	168	146
Short-term investment	22	63	62	62
Receivables	388	618	736	766
Inventories	675	402	467	376
Other current assets	10	3	4	4
Total Current Asset	**1,189**	**1,391**	**1,436**	**1,354**
Tangible Fixed Assets	203	19	10	27
Intangible Fixed Assets	70	66	65	63
Construction in Progress	6	6	6	6
Investment Property	75	68	64	60
Long-term Invest ment	833	445	347	347
Other long-term assets	46	535	560	560
Goodwill	20	0	0	0
Long-term Asset	**1,251**	**1,139**	**1,051**	**1,063**
Total Asset	**2,439**	**2,529**	**2,487**	**2,417**
Payables	173	142	128	121
Other current liabilities	83	214	147	186
Current Debt	277	292	248	221
Long-term Debt	308	452	339	254
Other long-term liabilities	84	45	45	45
Total Liability	**925**	**1,146**	**907**	**828**
Owner's Equity	**1,405**	**1,384**	**1,580**	**1,588**
Capital	382	420	710	710
Retained Earnings	74	74	47	55
Funds & Reverses	519	494	520	520
Others	**0**	**0**	**0**	**0**
Total Equity	**1,405**	**1,384**	**1,580**	**1,588**
Minority's Interest	109	0	0	0
TOTAL DEBT & EQUITY	**2,439**	**2,529**	**2,487**	**2,417**

CASH FLOW STATEMENT	FY2014	FY2015	FY2016E	FY2017F
Profit before tax	613.7	713.3	122.4	98.9
-Depreciation	0.0	0.0	11.6	12.9
-Adjustments	*0.0*	*0.0*	*0.0*	*-4.8*
+/- Working capital	-502.0	-330.4	-315.7	74.2
Net Operating CFs	**111.7**	**382.9**	**-181.7**	**181.2**
+/- Fixed Asset	8.0	-5.5	8.2	-18.7
+/- Deposit, equity investment	38.5	-297.8	48.1	-50.0
Interest, dividend, cash profit	20.3	7.8	45.0	49.3
Net Investing CFs	**66.8**	**-295.6**	**101.3**	**-19.4**
+/- Capital	2.9	0.0	196.7	0.0
+/- Debt	-136.9	161.5	-156.9	-112.1
Dividend paid& other	3.8	-38.2	-95.7	-71.3
Net Financing CFs	**-130.2**	**123.4**	**-55.9**	**-183.4**
+/- cash & equivalents	48.4	210.7	-136.4	-21.6
Beginning cash & equivalents	**46.1**	**94.4**	**305.1**	**167.9**
Impact of exchange rate	0.0	0.0	0.0	0.0
Ending cash & equivalents	**94.4**	**305.1**	**167.9**	**146.2**

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