HOA BINH CORPORATION JSC (HSX:HBC)

A Long Way to Sustainable Growth

- **The domestic construction demand continues to create opportunities**
- **HBC is capable of seizing such opportunities to boost revenue**
- **HBC's operating efficiency needs time to improve**
- **Tremendous changes in working capital components could create risks for future cash flows**

Outlook and Recommendation

HBC Corporation JSC (HSX:HBC) is proving themselves as one of the most reputable construction contractors in the domestic market owing to their capacity and experience. Their backlog and revenue are strongly increasing and their profitability is improving. Taking advantage of the expansion in the real estate market, HBC is capable of winning large and complicated bids in order to secure an abundant amount of jobs for 2017 and 2018.

However, the contrasting colors between HBC's performance and its cash flow generation have recently raised concerns. HBC's surging revenue has been inflating the receivables while the company cannot raise the payables proportionally. Consequently, the working capital needs funding by short-term borrowings. It is observed that HBC has been generating negative cash flows from operation and the situation is likely to prolong for the upcoming quarters.

Therefore, we strongly recommend that investors look into HBC's cash flows to understand fully its intrinsic value in addition to appreciating their business expansion. HBC, as an investment, is attractive owing to its earnings growth potential for 2017 and 2018. HBC's EPS is forecasted at VND6,058 and VND7,314 in 2017 and 2018, respectively. However, we also predict that the company is going to continue generating negative FCFFs in 2017 and 2018 as well as keep borrowing to fund its working capital. Therefore, we are currently having an inactive target price and no recommendation until we observe an essential improvement in the company's operating cash flow.

Key financials

Y/E Dec (VND B)	FY2015	FY2016	H1 FY2017	FY2017E	FY2018F
Net Revenues	5,078	10,766	6,761	17,230	23,341
% chg	44%	112%	66%	60.0%	35.5%
PAT	83	567	380	821	997
% chg	20%	579.3%	174.9%	44.8%	21.3%
PAT margin (%)	1.6%	5.3%	5.6%	4.8%	4.3%
ROA (%)	1.1%	5.0%		5.4%	5.3%
ROE (%)	7.8%	35.1%		35.7%	32.4%
EPS (VND)	583	4,059		6,058	7,314
Book value (VND)	14,202	16,937		17,863	23,877
Cash dividend (VND)	1,500	0		1,000	1,300
P/E (x)	12.7	3.7		9.6	7.5
P/BV (x)	0.8	1.2		3.4	2.4

Sources: HBC, RongViet Research Estimates

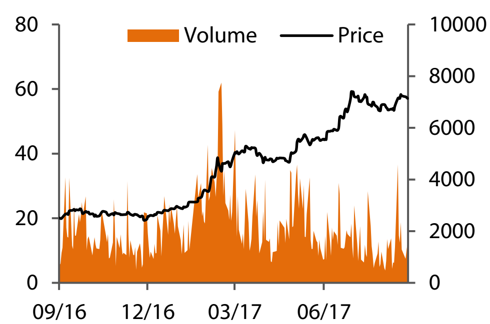
MONITOR

CMP (VND)	61,000
Cash Dividend (VND)*	1,300

(*)Forecasted in the next 12 months

Stock Info

Sector	Construction
Market Cap (VND billion)	7,293
Current Shares O/S (million)	128.9
Beta	1.17
Free float (%)	78.9
52 weeks High	61,000
52 weeks Low	19,368
Avg. Daily Volume (in 20 sessions,'000)	1,386,464



Performance (%)

	3M	1Y	3Y
HBC	28.8	185.1	760.8
Construction & materials	4.8	95.5	208.9
VN30 Index	5.8	21.0	19.7
VN Index	6.6	21.8	30.6

Major Shareholders (%)

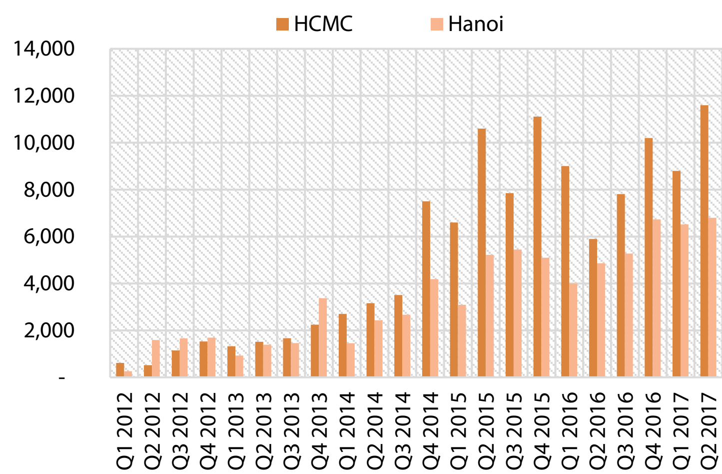
Le Viet Hai (Chairman)	15.08
PYN Elite Fund	14.86
Deutsche Bank AG London	4.58
Foreigner Investor Room (%)	17.83

Trinh Nguyen
(084) 028- 6299 2006 – Ext 1331
trinh.nh@vdsc.com.vn

The Domestic Construction Demand Continues to Create Opportunities

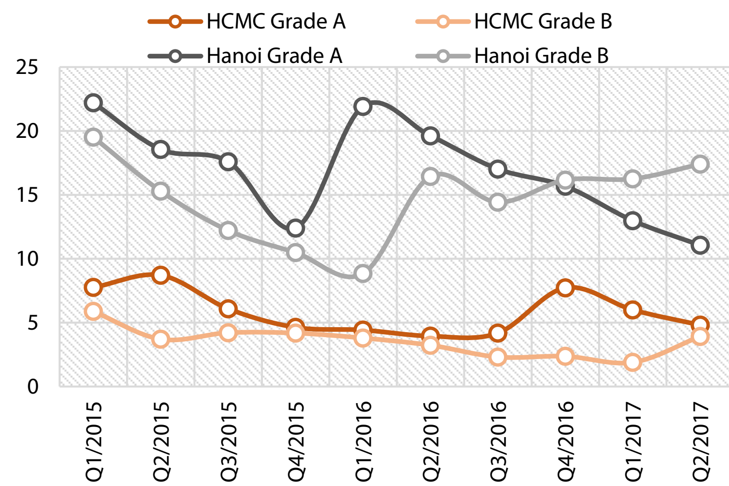
The domestic construction demand has ample room for growth in most segments. Even though the housing sector is predicted to be saturated in the next few years, it could still bring about increasing construction demand. The commercial segment remains to receive great boost from the new firms' office renting demand. The strong growth of retailing activities and the leveling up of income of the Vietnamese people indicate that the demand for lease area is still abundant. Additionally, the industrialization trend and the FDI flow in Vietnam are important factors in determining the construction demand owing to the inclining size of the projects. Moreover, the Government's recent focus on infrastructure development has created a promising amount of work for contractors in the field and the fact that the public-private partnership is increasingly common has brought about potential for private construction contractors.

Figure 01: Quarterly Condo Sales in Ho Chi Minh City and Hanoi



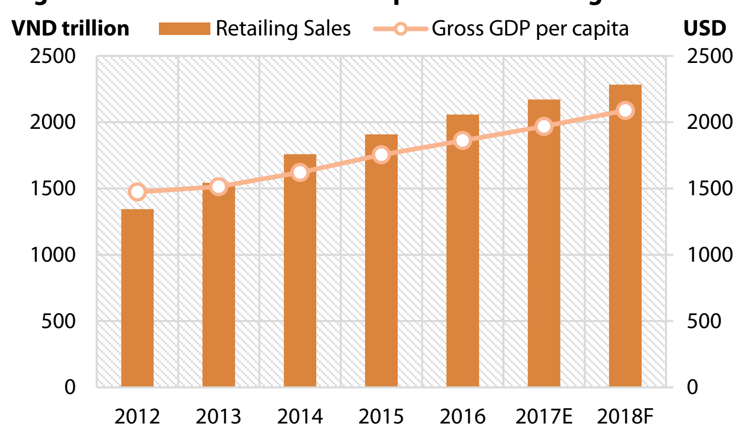
Source: CBRE , RongViet Research

Figure 02: Office Lease Vacancy



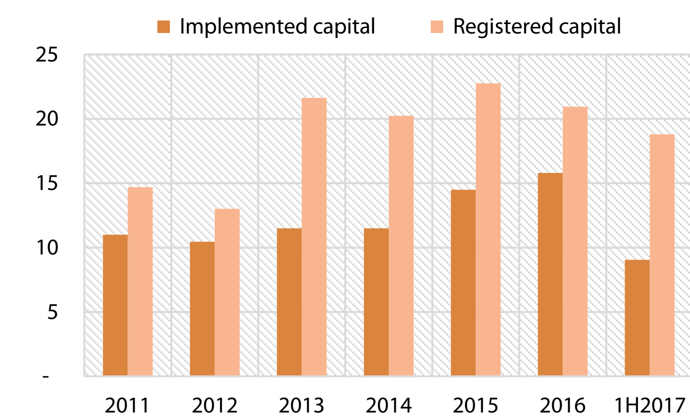
Source: CBRE, RongViet Research

Fugure 03: Vietnam's GDP Per Capita and Retailing Value



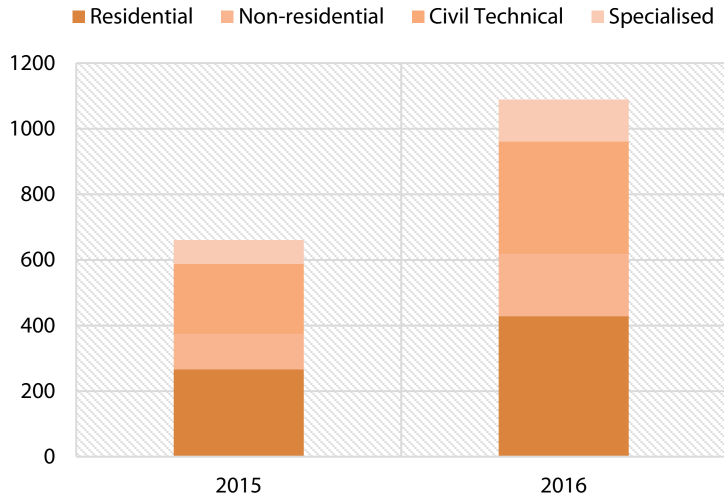
Source: Euromonitor, RongViet Research

Figure 04: FDI Commitments into Vietnam (USD billion)



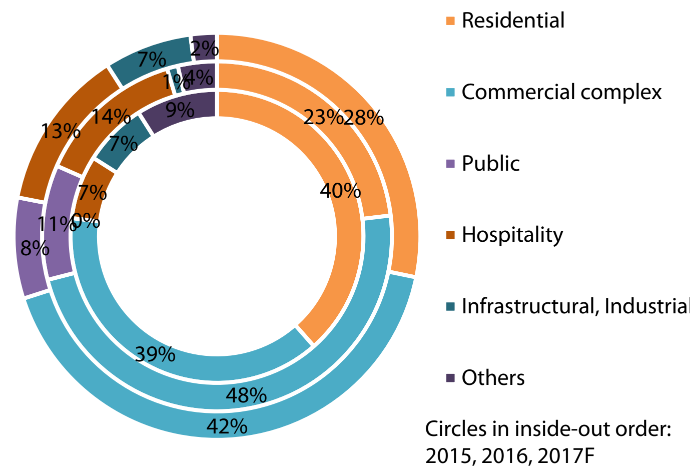
Source: Ministry of Planning and Investment , RongViet Research

Figure 05: Vietnam's Construction Industry Value



Source: GSO, RongViet Research

Figure 06: HBC Revenue Breakdown



Source: HBC, RongViet Research

HBC is Capable of Seizing Such Opportunities to Boost Revenue

HBC as one of the leading construction contractors can take advantage of the growth of domestic construction demand and in fact can be one of the most strongly growing among construction firms in terms of revenue.

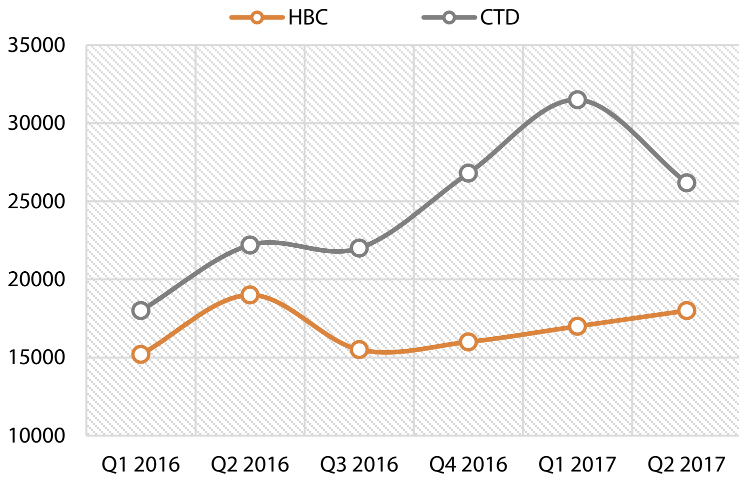
Since nearly two-thirds of HBC's 2016 revenue was derived from construction activities in the housing and commercial projects, its 2017 revenue is forecasted to have an increasing contribution from the segment, which shows that the company is making full use of the real estate market to win contracts. Additionally, HBC's design and building capacity enables the company to win larger bids in these segments, retain higher gross margin, as well as strengthen their position to their clients. Thirdly, we expect the industrial segment to remarkably contribute to HBC's activities, particularly owing to Dung Quat Steel Complex, a $2 billion project developed by Hoa Phat Group (HSX:HPG), in which HBC is going to participate as a Design&Build (D&B) contractor.

It is noticeable that HBC has been improving their relationships with clients, many of which have become loyal. In fact, most of HBC's current projects are existing clients including Keppel, Vingroup, Sun Group and MIK. HBC has become one of their favorite contractors owing to HBC's capacity and bid prices, which consequently can bring about more jobs in the future. The mentioned real estate firms have sufficient resources to initiate more projects with increasing sizes, of which HBC can take advantage to boost their revenue further.

HBC's backlog is capable of providing growth for 2017 and 2018 even though the revenue guidance is already ambitious. In order to achieve the guidance, HBC targeted to sign VND20,000 billion of new contracts and by the end of Q2 2017 it has won VND11,200 billion of new jobs, making the total backlog at the end of Q2 VND18,000 billion, 33% higher than the backlog at the end of 2016. It can be seen from the chart below that HBC's backlog has been narrowing the gap with that of CTD, which implies more potential jobs for HBC.

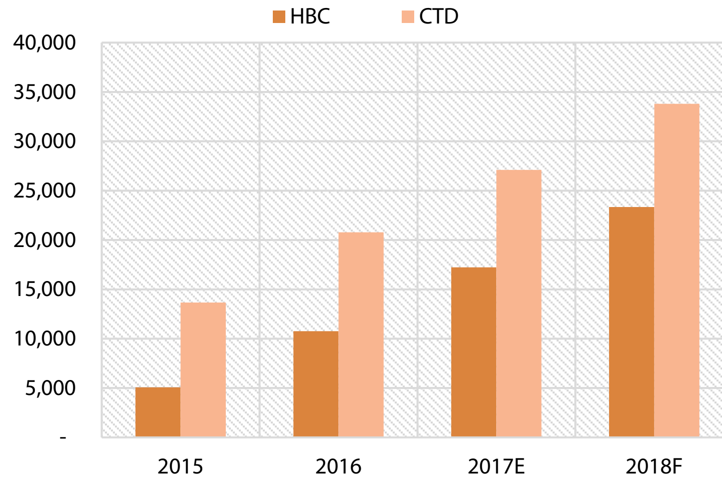
The annual revenue guidance of VND16,000 billion is therefore achievable. Noticeably, the backlog has not yet included the aforementioned Dung Quat Steel Complex contract, even though the two parties have signed a memo. We expect the significant scale of the project and its speedy workflow to offer at least VND10,000 billion of revenue for construction contractors in less than two years. Additionally, there are two announced D&B contractors: Coteccons (HSX:CTD) and HBC. The former has deeper experience in terms of industrial construction. However, we predict that HBC is going to take up the larger share of the work, adding at least a considerable amount of VND5,000 billion to their current backlog. HBC estimates to sign more than VND9,000 billion of new contracts in H2 2017, ensuring the feasibility of 2017 revenue growth rate of 60% as well as forming a firm basis for 2018's revenue growth.

Figure 07: HBC and CTD Backlogs



Sources: CTD, HBC, RongViet Research compiled

Figure 08: Revenue Forecasts of HBC and CTD



Source: CTD, HBC, RongViet Research forecasts

Regarding HBC's strategy, the company has been putting efforts into improving their capacity, by which other achievements can be reached. Firstly, HBC has been known for taking part in some of the largest and most complicated projects including Deustche Haus and being the D&B contractor for Vietinbank Tower. Participation in such projects has helped HBC gain experience and consequently increased the scale of their won bids. Secondly, HBC also focuses on improving their D&B capacity in order to capture a higher gross margin, which is estimated to be 2 to 3 percentage points higher than that of a general contractor. D&B contracts only accounted for 10% of HBC's revenue in H1 2017, implying a considerable room for growth as well as a potential improvement in HBC's future profitability. Lastly, HBC is going to strengthen their power as a constructor to its clients, which can enable them to have construction deposits. According to HBC, the company has started to accept deposits for some of the projects, but it also has to set aside a larger amount for retention purpose, which affects its working capital and liquidity. Therefore, changes in this aspect can bring about improvements regarding HBC's operation.

RongViet Research forecasts that HBC's revenue will grow by 60% in 2017 and 36% in 2018. Subsequently, the growth rate will slow down amid the real estate market's levering out. Our HBC's forecasts are similar to that of CTD, in which we forecast CTD's revenue growth will also slow down from 2020 due to the housing market.

Table 1: HBC's Major Construction Projects

	Major projects	2017 Revenue target (VND billion)
1	SG Center (tower)	930
2	Imperial Sky Garden (Hanoi)	810
3	Thanh Xuan Apartment	494
4	Estella Heights (tower)	409
5	69B Thuy Khue (Hanoi)	477
6	Sunrise City view	400
7	47 Nguyen Tuan (Hanoi)	378
8	Soleil Da Nang	350
9	Song Ngoc Apartment	313
10	Vinhomes Central Park (L4, L5, L6)	464

Source: CTD, HBC, RongViet Research forecasts

HBC's Operating Efficiency Needs Time to Improve

HBC is expected to fortify its position as one of the most reputable construction companies in the domestic market but the company has a lot to do to achieve stability in the long term. Because of HBC's centralized management system and accounting method, the company incurs a considerable amount of selling expense and its G&A expense is highly volatile and seems to grow at a higher rate than revenue growth. As a result, their gross margins, EBIT margins and net margins have been fluctuating and are likely to deteriorate in the future. Meanwhile, CTD, a peer in the industry, incurs no selling expenses and has maintained inclining margins over the last few years. Even though the two companies are considered equivalent in terms of construction technology, HBC faces more difficulties due to its inferior financials compared to CTD who has both a healthy balance sheet and a consistent performance.

HBC might have to compromise its efficiency mainly due to the strong growth in revenue. RongViet Research forecasts that HBC's 2017 gross margin will decline to 9.9% due to the one-time sales at the industrial zone in 2016. However, its construction segment's gross margin is going to improve by 117 basis point YoY and we expect this segment to be the major determinant of HBC's gross margin. With respect to operating efficiency, HBC is going to incur a higher level of G&A expense in 2017 while they may be able to cut the selling expense. Breaking down the administration expense, we predict that HBC will incur VND167 billion in provision for doubtful debts (+30% YoY) and the salary expense will also increase by 50% YoY as they are scaling up its operations. HBC is going to raise its borrowings to fund the working capital, thus its interest expense is forecasted to increase by 58% YoY in 2017.

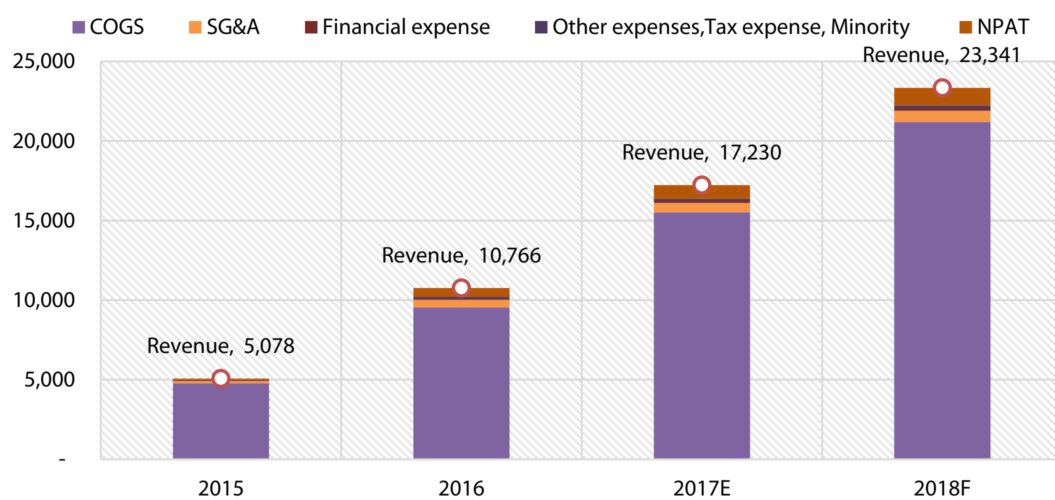
Table 2: HBC and CTD's Efficiency

	HBC			CTD		
FY2016	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Profitability (%)						
Gross profit / Revenue	11.7	5.8	11.4	7.3	8.1	8.7
(EBITDA)/ Revenue	5.7	4.8	8.4	4.9	5.8	7.5
EBIT/Revenue	3.4	3.0	7.0	4.5	5.5	7.2
Earning after tax / Revenue	2.0	1.6	5.3	4.7	5.4	6.8
ROA	1.3	1.3	6.1	7.6	11.6	14.5
ROE	7.1	8.0	39.1	14.8	25.4	30.0
Working capital turnover						
Inventory turnover	8.0	6.4	8.9	27.3	19.0	16.6
Receivables turnover	1.2	1.4	2.0	3.7	5.8	6.8
Payables turnover	1.2	1.5	1.9	3.5	3.8	3.8
Cash conversion cycle (net operating cycle)	62.4	65.5	34.7	7.2	-13.5	-19.6

Sources: CTD, HBC, RongViet Research compiled

In the next few years, the construction business is expected to be the key growth factor for HBC while other segments could experience stagnation. HBC's industrial zone segment is capable of maintaining a stable gross margin of around 50% but is going to plummet in revenue as the Long Hau Hoa Binh industrial park has sold out 90% of the land bank. HBC also expects the real estate businesses to experience deterioration in gross margins because of a strong increase in selling expenses. The revenue of the real estate business is also predicted to fluctuate as it depends on the apartment sales as well as the handover time. We predict that HBC's revenue will grow by 36% in 2018 mostly owing to the increase in construction activities. The remaining areas of the industrial park could bring about a 33% growth rate in 2018 for the segment but the real estate business is likely to account for under 5% in HBC's revenue from 2018 and the company estimates that the segment's gross margin could be under 3% to negative.

Figure 09: HBC's Revenue and Expenses



Sources: HBC, RongViet Research forecasted and compiled

Tien Phat, HBC's subsidiary in the business of housing project development, is currently operating six projects, probably generating a total revenue of nearly VND2,600 billion until 2019. The sales progress has been in line with HBC's expectations, thus we predict the subsidiary is going to bring about approximately VND1,000 billion each year in 2017 and 2018. Subsequent to the current six projects, Tien

Phat has another four residential ones standing by for initiation. The sum of the projects' value exceeds VND2,700 billion that enables Tien Phat to maintain the operation scale after 2019. However, according to HBC management, the subsidiary incurs a lot of sales costs that puts pressures on the net profit, which implies that the real estate business could be a brand marketing campaign and a market test rather than a strategic profit generator for the consolidated performance.

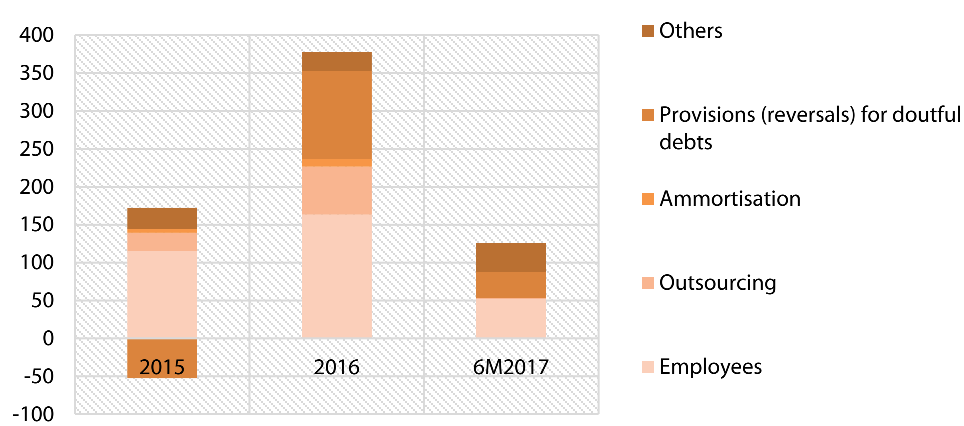
Table 3: HBC's Real Estate Projects

	Real Estate Project	Location	Handover	Sales	Estimated Revenue (VND billion)
1	Grand Riverside	District 4, HCMC	Q4 2017	175/240	580
2	Riva Park	District 4, HCMC	Q2 2017	180/380	550
3	Soho Premier	Binh Thanh, HCMC	Q3 2017	150/168	320
4	Ascent Lakeside	District 7, HCMC	Q4 2019	60/180	670
5	Grand Central	District 3, HCMC	Q4 2018	20/280	297
6	The Penta	Binh Thanh, HCMC	Q3 2019	50/83	180
7	No Trang Long	Binh Thanh, HCMC		(future project)	
8	Tan Thuan Dong	District 7, HCMC		(future project)	
9	Ascent Lakeside	District 7, HCMC		(future project)	
10	1C Ton That Thuyet	District 4, HCMC		(future project)	

Source: HBC, RongViet Research compiled

We also expect HBC to incur an increasing amount of expenses in the next few years due to their rapid expansion. Firstly, its selling expense is estimated to decline in 2017 but increase in 2018 onwards. Secondly, the G&A expense is forecasted to increase strongly in 2017 and to climb at the growth rate of revenue due to the continuous expansion in HBC's operation. More importantly, the administration expense is going to slow down the growth rate because there are less provisions to make for doubtful debts. In fact, several possible reversals could be made, thus we expect the slow down the growth rate in 2017.

Figure 10: G&A Expense Breakdown in 2015, 2016 and 6M2017



Sources: HBC, RongViet Research compiled

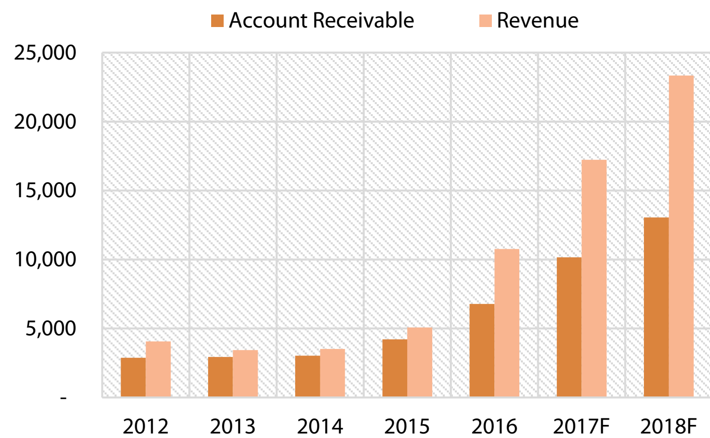
In terms of the bottom line, we predict that HBC's NPAT will growth by 45% and 21% in 2017 and 2018 respectively, equivalent to EPS of VND6,058 and VND7,314. We predict that HBC's net margin is going to decline compared to an extraordinary rate of 5.3% in 2016 but HBC is likely to be able to keep the net margin above 3% in the next two years.

Tremendous Changes in Working Capital Components Could Create Risks for Future Cash Flows

HBC's cash flows are questionable despite its impressive performance, which we attribute to its treatment for revenue.

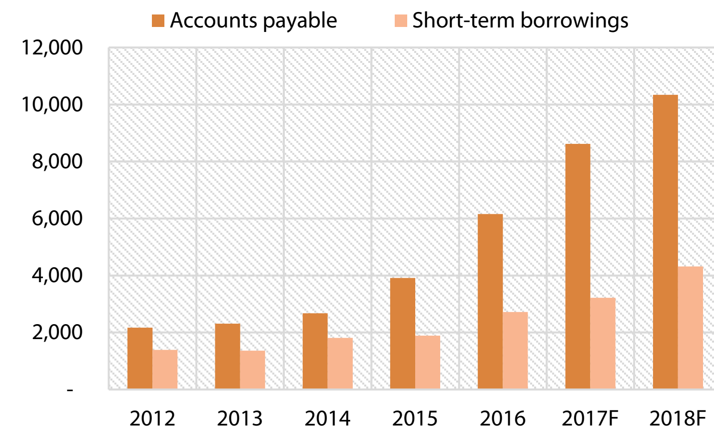
Accordingly, the account receivable goes up as the revenue increases. Breaking down the account at the end of Q2 2017, VND6,286 billion out of VND8,105 billion was HBC's trade account receivable and construction contract in progress receivables. The amount consists of 56% work in progress equivalent to 2.5 months of construction time, 20% retention amount to be claimed later, 12% doubtful debts and another 12% of receivables derived from estimated revenue. The treatment inflates HBC's revenue but it can cause more doubtful debts in the future.

Figure 11: HBC's Account Receivable and Revenue



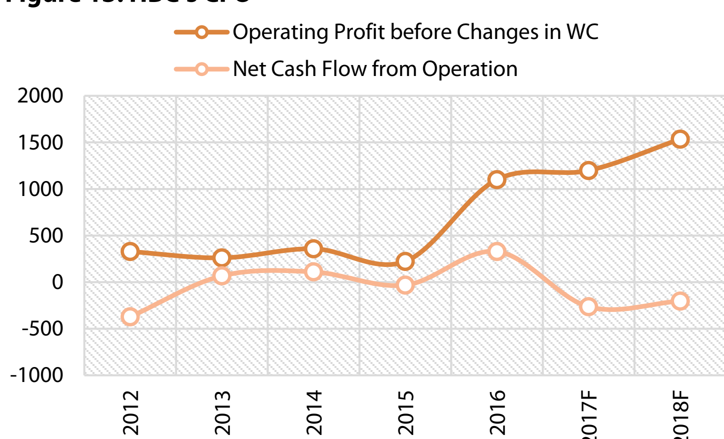
Source: HBC , RongViet Research

Figure 12: HBC's Account Payable and Short-Term Borrowings



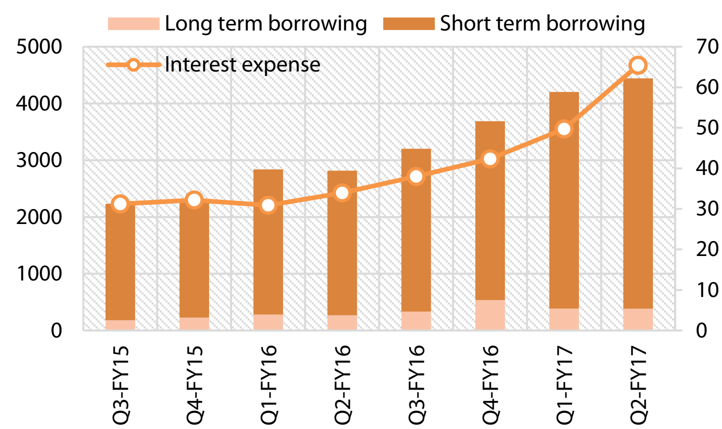
Source: HBC , RongViet Research

Figure 13: HBC's CFO



Source: HBC , RongViet Research

Figure 14: Debts and Interest Expenses



Source: HBC , RongViet Research

Moreover, a surging account receivable puts pressures on HBC's net working capital. Since HBC has not received payments for such estimated revenue, the company has to use its own resources to compensate for the cash outflows in order to continue its operation. As a result, HBC took advantage of suppliers' credit terms as well as borrowed from banks, which was clearly observable. However, their credit to supplier seems to have little room for more deferred payment, as HBC's trade accounts payable at the end of Q2 2017 was at the same level with Q2 2016. The fact that the company was not able to defer their payments to supplier made short-term borrowing a viable option of funding short-term assets. Compared to the same period last year, HBC's short-term borrowings went up by 61%, equivalent to nearly VND1,400 billion to VND3,674 billion, the highest amount of short-term loans HBC had ever took. In short, HBC's working capital could only be made neutral by taking up bank loans.

Consequently, HBC ought to bear the burden of interest payment. Its interest expenses could be seen increasing quarter after quarter, caused by an increasing level of debts. HBC's H1 2017 interest expense was VND115 billion, 77% higher YoY and we forecast that the figure will be VND242 billion for the whole year, 82% higher than 2016. Our estimate is based on the assumption that the situation in H1 2017 is going to prolong, in which both of HBC's payables and advances from customers will not be able to increase. Short-term borrowings are therefore going to increase to compensate for the amount.

HBC's CFO used to be negative when there was a strong increase in its revenue due to the cash used in receivables. Therefore, HBC's FCFF has been negative for two years, which leads to our forecast that consists of HBC's surging account receivables and negative FCFF for 2017 and 2018. Generally speaking, we expect to see contrasting colors between HBC's performance and its cash flow generation.

Another risk that needs emphasizing is the one that concerns interest rates

Since HBC's debt ratio has always been high, its profit is volatile depending on the interest rate as well. According to our sensitivity analysis, the favorable case includes both short and long-term interest rates going down by 2 percentage points and the worst case is both rates increasing by 2 percentage points. The results are an increase or a decrease of over 9% in HBC's NPAT compared to our forecast of VND821 billion. In particular, HBC's net profit can reach VND900 billion in the best case while it can decrease to below VND750 billion in the worst case. However, even in the pessimistic case, HBC's 2017 net profit would still be 31% higher YoY.

Table 4: Interest Rate Sensitivity of HBC's 2017 Net Profit

Change in NPAT		Change in long-term interest rate				
		-2 pps	**-1 pps**	**0 pps**	**1 pps**	**2 pps**
Change in short-term interest rate	**-2 pps**	9.3%	8.8%	8.3%	7.7%	7.2%
	-1 pps	5.1%	4.6%	4.1%	3.6%	3.1%
	0 pps	1.0%	0.5%	0.0%	-0.5%	-1.0%
	1 pps	-3.1%	-3.6%	-4.1%	-4.6%	-5.2%
	2 pps	-7.3%	-7.8%	-8.3%	-8.8%	-9.3%

Changes in interest rates are measured in percentage points *Source: RongViet Research forecasted*

Contrary between earning growth and cash flow creates differences among valuation methods

After all, it is the cash flows that create value for a business. Hence, the discount cash flow method should also be studied in order to have a thorough understanding about HBC's business model. Conducting an FCFF valuation on HBC stock in addition to using P/E, we found out that there is a significant gap between the two results. The major cause is emphasized in our assumption, as stated above that HBC is going to generate negative operating cash flows in 2017 and 2018 because its increasing receivables are funded by borrowings. Another determinant is the significantly high discount rate, which is affected by HBC's intensive leverage compared to regional peers.

As HBC is currently in a strong growth phase, forecasts regarding key performance indicators need looking carefully into. Additionally, considering the low FCFF valuation as a benchmark for HBC's long-term intrinsic value, we strongly recommend investors holding HBC as a long-term investment to monitor HBC's debtor accounts closely in order to understand fully the risks involved.

Table 5: Summary of Performance Forecasts

	2017E	2018F
Net Revenue (VND billion)	**17,230**	**23,341**
In which:		
Construction	15,892	22,265
Land property sales	911	604
Industrial park sales	150	199
Real estate sales	167	151
Trading	19	21
Others	91	100
Growth in Net Revenue	*60%*	*35%*
Backlog at the beginning of year VND billion)	**16,000**	**18,770**
Gross Profit Margin	**10%**	**9%**
In which:		
Construction's Gross Profit Margin	9.3%	8.8%
NPAT (VND billion)	**867**	**1,117**
EPS (VND)	*6,380*	*8,156*

Source: RongViet Research forecasted

Outlook and Recommendation

HBC Corporation JSC (HSX:HBC) is proving itself as one of the most reputable construction contractor in the domestic market owing to their capacity and experience. Its backlog and revenue are strongly increasing and its profitability is also improving. Taking advantage of the expansion in the real estate market, HBC is capable of winning large and complicated bids in order to secure an abundant amount of jobs for 2017 and 2018.

However, the contrasting colors between HBC's performance and its cash flow generation have recently raised concerns. HBC's surging revenue has been inflating the receivables while the company cannot raise the payables proportionally. Consequently, the working capital needs funding by short-term borrowings. It is observed that HBC has been generating negative cash flows from operation and the situation is likely to prolong for the upcoming quarters.

Therefore, we strongly recommend that investors look into HBC's cash flows to understand fully its intrinsic value in addition to appreciating its business expansion. HBC, as an investment, is attractive owing to its earnings growth potential for 2017 and 2018. HBC's EPS is forecasted at VND6,058 and VND7,314 in 2017 and 2018, respectively. However, we also predict that the company is going to continue generating negative FCFFs in 2017 and 2018 as well as keep borrowing to fund its working capital. Therefore, we are currently having an inactive target price and no recommendation until we observe an essential improvement in the company's operating cash flow.

VND Billion

INCOME STATEMENT	2015	2016	2017E	2018F
Revenue	5,078	10,766	17,230	23,341
COGS	4,782	9,534	15,524	21,191
Gross profit	296	1,232	1,706	2,149
Selling Expense	26	105	86	117
G&A Expense	120	378	500	593
Finance Income	87	103	123	136
Finance Expense	132	153	242	281
Other profits	7	11	17	18
PBT	120	715	1,022	1,316
Prov. of Tax	38	147	153	197
Minority's Interest	-1	1	1	1
PAT to Equity Shareholder	83	567	867	1,117
EBIT	150	750	1,120	1,439
EBITDA	246	907	1,296	1,658

FINANCIAL RATIO	2015	2016	2017E	2018F
Growth (%)				
Revenue	44.3	112.0	60.0	35.5
EBITDA	23.1	269.2	42.9	27.9
EBIT	23.9	399.6	49.3	28.5
PAT	17.7	579.3	53.0	28.8
Total assets	25.6	57.0	34.1	24.9
Total equity	7.7	50.6	45.0	37.7
Profitability (%)				
Gross margin	5.8	11.4	9.9	9.2
EBITDA margin	4.8	8.4	7.5	7.1
EBIT margin	3.0	7.0	6.5	6.2
Net margin	1.6	5.3	5.0	4.8
ROA	1.1	5.0	5.7	5.8
ROCE	10.1	29.1	31.9	31.9
ROE	7.8	35.1	37.0	34.6
Efficiency (x)				
Receivables turnover	1.2	1.6	1.7	1.8
Inventories turnover	5.2	7.8	9.7	10.7
Payables turnover	1.2	1.5	1.8	2.0
Liquidity (x)				
Current	1.1	1.1	1.1	1.2
Quick	0.9	1.0	1.0	1.1
Finance Structure (%)				
Total debt/equity	190.7	195.1	160.7	150.6
ST debt/equity	176.1	168.2	137.4	133.9
LT debt/equity	14.6	26.8	23.3	16.7

VND Billion

BALANCE SHEET	2015	2016	2017E	2018F
Cash and cash equivalents	149	572	850	986
Short-term investments	800	1,198	839	1,258
Accounts receivable	4,212	6,775	10,164	13,048
Inventories	923	1,229	1,604	1,978
Other current assets	62	126	133	139
Property, plant & equipment	671	1,067	1,268	1,260
Acquired intangible assets	9	102	99	94
Long-term investments	276	177	181	185
Other non-current assets	189	203	214	224
Total assets	**7,291**	**11,450**	**15,351**	**19,171**
Accounts payable	3,915	6,155	8,617	10,340
Short-term borrowings	1,890	2,720	3,220	4,320
Long-term borrowings	156	434	547	540
Other non-current liabilities	255	300	390	488
Bonus and Welfare fund	1	11	3	4
Tech-sci. dev. fund	0	0	0	0
Total liabilities	**6,217**	**9,620**	**12,777**	**15,691**
Common stock and APIC	862	985	1,319	1,319
Treasury stock (enter as -)	0	0	0	0
Retained earnings	115	535	928	1,811
Other comprehensive income	0	0	0	0
Inv. and Dev. Fund	96	96	96	96
Total equity	**1,073**	**1,617**	**2,343**	**3,227**
Minority Interest	**1**	**214**	**231**	**254**

CASH FLOW STATEMENT	2015	2016	2017E	2018F
Profit before tax	120	715	1,022	1,316
-Depreciation	68	133	177	219
-Adjustments	33	252	-	(0)
+/- Working capital	(254)	(771)	(1,462)	(1,738)
Net Operating CFs	**(32)**	**329**	**(264)**	**(203)**
+/- Fixed Asset	(332)	(573)	(260)	(361)
+/- Deposit, equity investment	15	(444)	4	4
Interest, div, cash profit rec.	8	4	0	0
Net Investing CFs	**(310)**	**(1,013)**	**(256)**	**(357)**
+/- Capital	292	199	-	-
+/- Debt	129	1,107	387	1,107
Dividend paid & other	(281)	(199)	405	(411)
Net Financing CFs	**140**	**1,107**	**792**	**696**
Beginning cash & equivalents	**351**	**149**	**578**	**850**
+/- cash & equivalents	(202)	423	272	136
Ending cash & equivalents	**154**	**578**	**850**	**986**

Company Report

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 that 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	BUY	NEUTRAL	SELL
Total Return including Dividends in 12-month horizon	>20%	-20% to 20%	<-20%

ABOUT US

RongViet Securities Corporation (RongViet) was established in 2007, licensed to perform the complete range of securities services including brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e Eximbank, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

ANALYSIS & INVESTMENT ADVISORY DEPARTMENT

Truc Doan
Head of Research
truc.dtt@vdsc.com.vn
+ 84 28 62992006 (1308)

Ha My Tran
Deputy Manager
my.tth@vdsc.com.vn
+ 84 28 62992006 (1309)
- Macroeconomics

Lam Nguyen
Senior Strategist
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)
- Banking
- Conglomerates

Thien Bui
Senior Analyst
thien.bv@vdsc.com.vn
+ 84 28 6299 2006 (1321)
- Market Strategy
- Financial Services
- Personal Goods

Hoang Nguyen
Senior Analyst
hoang.nh@vdsc.com.vn
+ 84 28 6299 2006 (1319)
- Transportation
- Industrial Real Estates

Hieu Nguyen
Senior Analyst
hieu.nd@vdsc.com.vn
+ 84 28 6299 2006 (1514)
- Market Strategy
- Pharmaceuticals
- Durable Household Goods

Duong Lai
Senior Analyst
duong.ld@vdsc.com.vn
+ 84 28 6299 2006 (1522)
- Real Estates
- Building Materials

Vu Tran
Senior Analyst
vu.thx@vdsc.com.vn
+ 84 28 6299 2006 (1518)
- Oil & Gas
- Food & Beverage

Trinh Nguyen
Analyst
trinh.nh@vdsc.com.vn
+ 84 28 6299 2006 (1331)
- Steel
- Construction
- Technology

Quang Vo
Analyst
quang.vv@vdsc.com.vn
+ 84 28 6299 2006 (1517)
- Market Strategy
- Basic Materials
- Personal Goods

Son Phan
Analyst
son.pnt@vdsc.com.vn
+ 84 28 6299 2006 (1519)
- Utilities
- Natural Rubber

Thu Le
Analyst
thu.lta@vdsc.com.vn
+ 84 28 6299 2006 (1521)
- Automobiles and Parts

Ha Tran
Assistant
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

DISCLAIMERS

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Rosenblatt Securities Inc., 40 Wall Street 59th Floor, New York, NY 10005, a registered broker dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through VDSC. Rosenblatt Securities Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Rosenblatt Securities Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Ownership and Material Conflicts of Interest

Rosenblatt Securities Inc. or its affiliates does not 'beneficially own,' as determined in accordance with Section 13(d) of the Exchange Act, 1% or more of any of the equity securities mentioned in the report. Rosenblatt Securities Inc, its affiliates and/or their respective officers, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Rosenblatt Securities Inc. is not aware of any material conflict of interest as of the date of this publication.

Compensation and Investment Banking Activities

Rosenblatt Securities Inc. or any affiliate has not managed or co-managed a public offering of securities for the subject company in the past 12 months, nor received compensation for investment banking services from the subject company in the past 12 months, neither does it or any affiliate expect to receive, or intends to seek compensation for investment banking services from the subject company in the next 3 months.

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.