

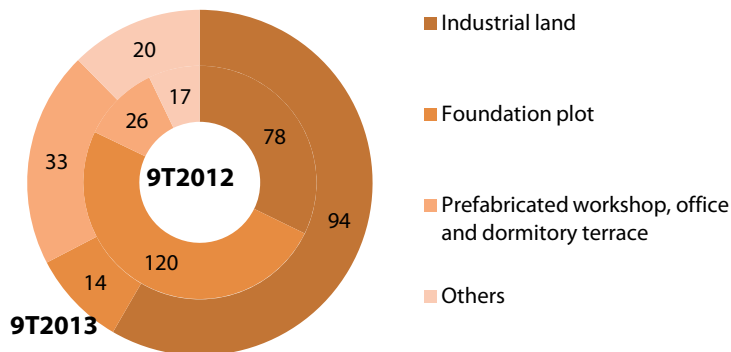
LHG CORP (FPT – HNX)

The finish line not in sight

Loss witnessed in Q3FY2013 due to financial activities. LHG's revenue reached VND32.3 bn in Q3, down by more than 47% y-o-y. The decrease resulted from a significant decline of resident land plot sales, which was over VND30 bn lower than the amount recorded a year earlier. Meanwhile, rents from workshops, office buildings and the dormitory terrace were mostly stable and industrial land rent was up 20% y-o-y.

LHG divested from a long-term investment in Vinh Tuong Industrial Joint Stock Company for nearly VND8 bn in Q3 but had to record a loss of VND5 bn for the divestiture. Combined with high interest expense, the loss from financial activities mounted to VND15.8 bn, which resulted in a bottom-line loss ~VND11 bn in Q3.

Graph 01. Revenue of business segments (VND bil)



Source: LHG, Rongviet Securities database

For the nine-month period, LHG's revenue was posted VND161.1 bn, down by 29% y-o-y and fulfilling 44% of the annual guidance. Due to a reduced portion of land plot sales and a higher contribution of industrial land and prefabricated workshop rents, the profit-before-tax margin was up to 33% from 27%. As a result, PBT reached up 18% y-o-y to VND31.4 bn. NPAT, however, slightly decreased over the same period of last year VND14.5 bn.

LHG may fulfill only 69% of its whole year revenue target. LHG signed a contract for the rent of 3.3 ha of its industrial land in October. The deal may add about VND60 bn to LHG's sales in Q42013.

Regarding to land plots, LHG has opened another 200 plots (transferred from specialist condominium project) for sale since the end of September and has sold 70 ones.

Particulars (VND bn)	3QFY13	2QFY13	% Chg. (qoq)	3QFY12	% Chg. (yoy)
Net revenue	32.3	73.5	-56.0%	60.7	-46.7%
NPAT	-11.4	12.1	n/a	7.1	n/a
EBIT	5.2	36.1	-85.6%	21.5	-75.8%
EBIT margin	16.1%	49.1%	-3298 bps	35.4%	-1932 bps

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

MONITOR

CMP (VND) 9,400

Stock Info

Sector	Real Estate
Market Cap (VND bn)	245
Beta	1.06
Free float (%)	100.0
52 weeks High	15,100
52 weeks Low	6,900
Avg. Daily Volume (in 20 sessions)	48,828



Performance (%)

	3M	1Y	3Y
LHG	20.5	-35.2	-71.3
Real Estate			
VN30 Index	2.9	27.4	n/a
VNIndex	2.8	33.7	10.0

Shareholders pattern (%)

IPC	45.6
Jaccar Holdings	17.1
Viet Au Joint stock company	12.7
Sadeco	10.0
Foreigner investor room (%)	31.1

Lam Nguyen

(084) 08- 6299 2006 – Ext 318

lam.ntp@vdsc.com.vn

However, the payment is made in seven installments and the Company may not book revenue until customers have finished 95% of the total payment. Consequently, Q4FY2013 may only see revenue booked for 25 plots that had been sold previously. We expect the rents from prefabricated workshops and dormitory terraces to remain stable in the period.

Based on above estimations, we expect the LHG's Q4 sales to be around VND90 bn and the whole-year figure at VND253 bn or 69% of the Company's annual target. NPAT is expected at VND51.4 bn, equivalent to EPS of VND1,972.

Table 01. Land plot sales and dormitory terrace

	Description	Total land area (ha)	Salable area (ha)	Salable in FY2013	Remaining
Residence area - Resettlement	Resettlement	37	6		
	Commercial		12	40 plots	0
Land plot – converted from specialist condominium: available for sale since the end of September 2013				200 plots	130 plots
Worker dormitory terrace			300 rooms		0

Source: LHG, RongvietSecurities database

Large undeveloped industrial land bank, book-value-per-share 2.7 times higher than market price and retained earnings 1.13 times the size of shareholders' equity are the long-term investment attractions for LHG. Currently, along with two operating industrial zones namely Long Hau Industrial Zone (90 ha rentable area) and Extended Long Hau Industrial Zone (87 ha rentable area), LHG has 2.400 ha of land reserved for future development of Long Hau Industrial Zone. LHG's book-value-per-share as of December 31, 2012 was VND24,289 per share, 2.7 times higher than the market price on December 4, 2013 and its retained earnings at the end of 3QFY2013 was as much as VND295 bn. We consider these factors as the long-term investment attractions for the stock of LHG.

Table 02. Industrial Zones

	Description	Total land (ha)	Rentable area (ha)	Renting	Remaining	Rental price
Long Hau Current	Industrial land	141,9	90	80	10	105 USD/m2/rent period
	Prefabricated workshop		50	50	0	5 USD/m2/month
Long Hau Expand	Industrial land	108,5	87	47	40	105 USD/m2/rent period
	Prefabricated workshop		5	0	5	5 USD/m2/month
Long Hau 3	Postponed	2.400				

Source: LHG, RongvietSecurities database

Outlook

To individual investors, stocks of industrial land developers are often less attractive than those other real estate firms. That explains why they have been standing on the sideline of the in last rally of real estate stocks. Besides, as with the abovementioned forecast, there is a high chance that LHG will not meet its revenue target for FY2013 and EPS will likely go down. Such factors may restrain the stock from climbing high in the short-term. However, with its large undeveloped industrial land bank, high book value and substantial retained earnings, we consider LHG a potential candidate for long-term investment.

Exhibit 01: Key financials

Y/E Sep (VND bn)	FY2011	FY2012	FY2013E	FY2014F
Net sales	365.2	259.1	252.7	278.0
% chg	-7	-29	-2	10
Net profit	92.8	53.2	51.4	54.2
% chg	-42	-43	-3	5
Net margin (%)	25.4	20.5	20.4	19.5
EPS (VND)	3,571	2,042	1,972	2,079
Book value (VND)	23,557	24,289	24,203	24,217
Dividend (VND)				
P/E (x)*	2.6	4.6	4.8	4.5
P/BV (x)*	0.4	0.4	0.4	0.4
ROA (%)	5.5	3.1	1.9	1.4
ROE (%)	16.0	8.5	8.1	8.6

Source: LHG Financial statement, RongViet Securities' compilation and estimates, *As of 04/12/2013

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%

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, Satra, 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

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

DISCLAIMERS

This report is prepared in order to provide information and analysis to Rong Viet's clients only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase or subscribe for any investment. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. The readers should be aware that Rong Viet may have a conflict of interest with investors when does this research. Investors are advised make their own financial decisions based on their independent financial advisors as they believe necessary and based on their particular financial situation and investment objectives. Rong Viet will not take any responsibility for any loss/damages occurred as a result of using the information herein.

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

The information herein is believed by Rong Viet to be reliable and is based on public sources believed to be reliable. We do not warrant its accuracy or completeness. Opinions, estimations and projection expressed in this report represent the current views of the author as of the original publication date appearing on this report only and the information, including the opinions contained herein, are subject to change without notice.

Copyright 2013 Viet Dragon Securities Corporation. This report shall not be copied, reproduced, published or redistributed by any person for any purpose without the express permission of Rong Viet in writing.

Copyright 2013 Viet Dragon Securities Corporation.