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Equitisation to boost restructuring progress

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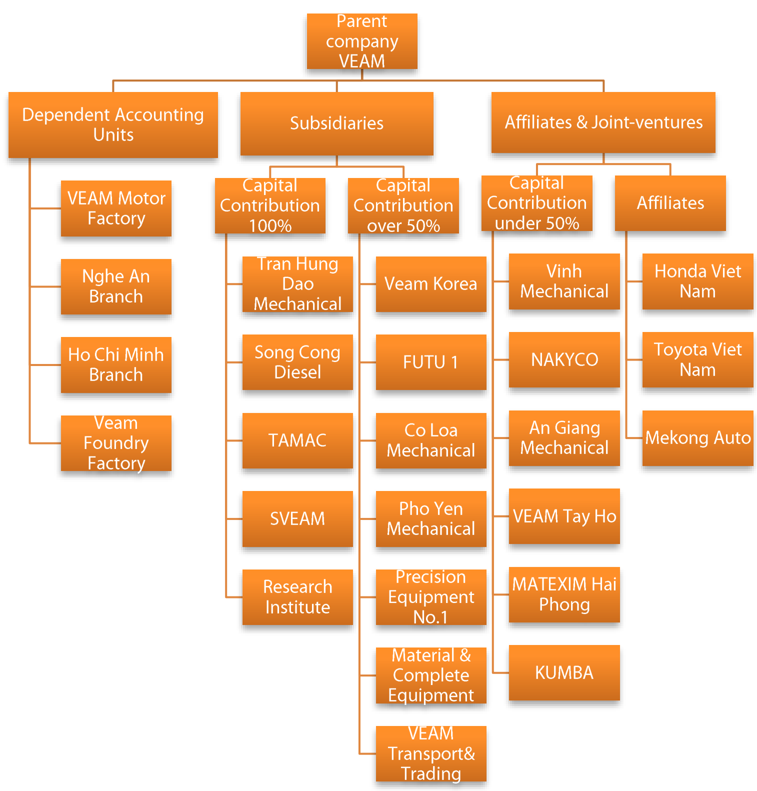
Company overview

Vietnam Engine and Agricultural Machinery Corporation (VEAM) is in the business of engine and agricultural machinery, automobiles and motorbikes and supporting industry products. In particular, agricultural machinery (Figure 2), trucks and automobile parts are traditional products. Being a 100% state owned corporation, VEAM had its IPO on August 29th 2016, sold over 149 million shares to the public at VND 14,291 per share.

Figure 1: VEAM's subsidiaries and joint ventures



Source: VEAM, RongViet Research compiled

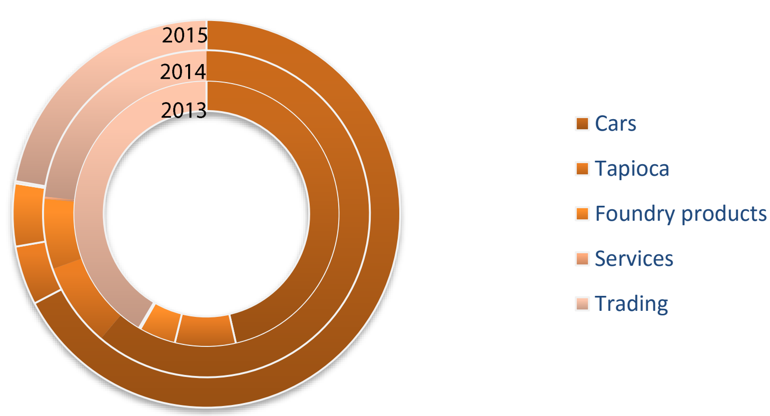
Figure 2: Agricultural machinery products

Source: VEAM, RongViet Research compiled

Agricultural machinery production and distribution

Popular products include 2-wheeled tractors, millers, rice reapers, water pumps, generators, gasoline and diesel engines. At the domesticalisation rate of over 60%, VEAM is considered the leading agricultural machinery in Vietnam, as well as the pioneer in the nation's agriculture business modernisation progress. VEAM has also built a developed distribution network in major agricultural regions in the Centre and the South, which enables the company to acquire 25% of the volume sold by domestic producers and 20% total market share.

Figure 3: Sectors' revenue contribution



Source: VEAM, RongViet Research estimated and compiled

Commercial vehicle assembly and distribution

VEAM operates a factory that assembles 1-to-33-ton trucks at the capacity of over 30,000 units per year. While depending on imports in terms of major truck parts, VEAM is capable of self-supplying cabinet panel components including shaping, welding and painting process. Contribution from the business is increasingly larger, as 2015 sales volume reached 3,400 trucks, 40% higher than the previous year. Even though the current utilisation rate is only 20%, diversifying the product lines has brought about optimistic feedbacks from customers as well as more pre-orders from its distributors.

Figure 4: Trucks assembled by VEAM

Source: VEAM, RongViet Research compiled

Automobile and motorbike component production

VEAM is also in the business of producing mechanical details such as connecting rod, crankshaft, ball bearings and other automobile and motorbike parts. The company is a supplier to Honda, Yamaha and Piaggio, as well as started producing for Japanese orders since 2014 of a total export value of VND 240bn, accounting for 20% of VEAM's revenue from the business.

Figure 5: Mechanical parts

Source: VEAM, RongViet Research compiled

Remarkable potentials in main business, yet investments are needed to develop the production process

Agricultural machinery: Long-term potential based on the automation progress

The government's 1043/2013/QĐ-TTg states that agricultural machinery is among the top 6 priorities in the development plan for 2020-2030 period. At the moment, domestic producers only provide for 25% of total market demand, while the remaining are dominated by Japanese and Korean previously-owned imports, Chinese imports or Chinese-originated products, who prevail in terms of affordability and variety.

Being the leader in the industry, VEAM is likely to benefit from the automation progress and the state's policies regarding production and consumption of agricultural machinery. The business is also the focus of VEAM's investments for the next 5-year period. VEAM is predicted to acquire market shares from smaller producers in order to directly compete against imports.

Commercial vehicles: Tackling the weaknesses to make use of the opportunities

Similar to the agricultural machinery, truck production is in the government's favour list. In the short and intermediate term, the commercial vehicle market is supported by FDI flows and growing international trade. However, in a longer term, weaknesses in technology and domesticalisation, along with rising competition can be a major obstacle for the whole industry.

Due to the technology and supporting industry requirements, Vietnamese automobile producers including VEAM, have only reached a narrow domesticalisation rate of under 30%. In the next 5 years, VEAM trucks are continuing to depend on imported parts, which is likely to depress its advantage in price competition against imports and expose the company to FX risks. Moreover, ASEAN-made parts only make up to 40% of the truck's total value, which makes it ineligible for duty exemptions within the ASEAN countries.

The commercial vehicle market is forecast to slowdown in growth after a surge. Subsequent to 2 years of nation-wide truck load control, transportation companies are concluding the progress of shifting to new trucks which adhere to the load standards. Since late-2015, the market has shown saturating signals. Truck sales growth rates went from 44% and 74% in 2014 and 2015 respectively to 36% yoy in 7M2016, being 57,181 units sold.

Figure 6: Car volume and growth forecast

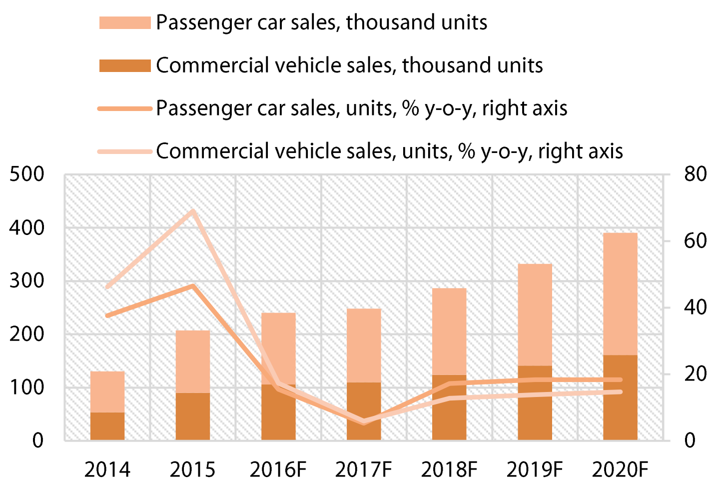
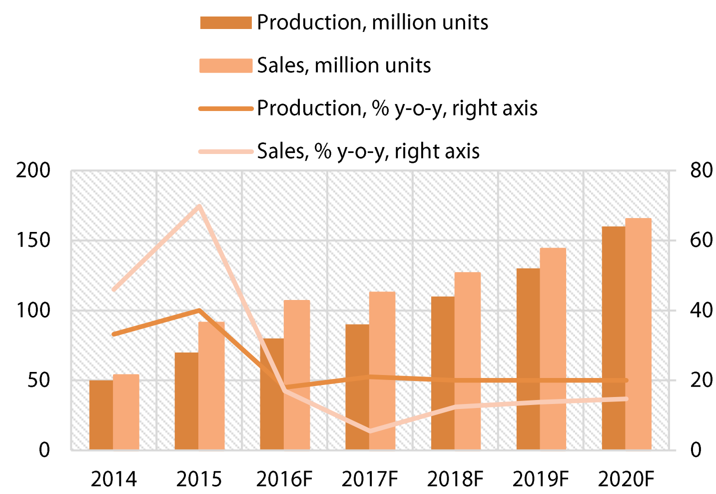


Figure 7: Commercial vehicle production and sales forecast



Source: BMI, RongViet Research compiled

In the case of VEAM, the truck business can grow in term of sales volume thanks to its ability to exploit a niche market. However, profit contribution may not see a material improvement because of the limited added value from the assembly process and low brand recognition. That VEAM can only sell 3,400 units compared to 33,000-unit capacity in 2015 implies that VEAM needs radical upgrades in both production and consumption systems. A large proportion of VEAM's revenue derives from truck sales, thus the ability to improve the business is also considered a growth driver for VEAM.

Mechanical products: Added value from the supporting industry

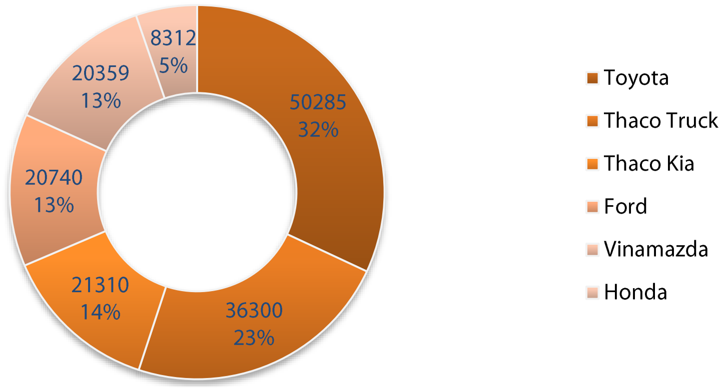
The supporting industry has been facing difficulties due to the lack of governmental policies. Thus, even though VEAM receives orders from overseas such as by Sumitomo, Toshiba and Konishi, products including rubber rollers and bearings are simple and bring insignificant added values. Growth in mechanical product export was 7% in 2015, however in the intermediate term we suppose the business is unlikely to expect strong growth unless VEAM draw a feasible measure to tackle the added value issue.

Passenger cars and motorbikes: Slow growth potential- a threat to affiliates' profits

VEAM is not directly involved in the production and consumption of passenger cars and motorbikes, yet acts as the state's ownership representative at Toyota Vietnam (TMV), Honda Vietnam (HVN) and Ford Vietnam. More importantly, the profit recognition from the first two affiliates plays a significant role in VEAM's profitability, thus the company's business result is dependent of the domestic passenger car and motorbike markets.

The demographic advantage of a 90-million-people population with increasing income per capita is the key driver for the automobile consumption growth in the next 3 years. However, participation in the ASEAN's free trade area (AFTA) may gradually decrease passenger car tariff to 0% in 2018, in favour of car producing nations such as Thailand and Malaysia. It can be observed from price comparison that car prices in Vietnam are currently 18% to 36% higher than those in Thailand and Philippines.

Figure 8: Passenger car market share in 2015



Source: BMI, RongViet Research compiled

CKD cars account for around 80% of sales volume in the Vietnamese market. Due to costly production and limited domesticalisation rate, local producers are being protected by the tariff and luxury tax system, which mean competition may become overwhelming because of the tariff cut. Furthermore, low-engine capacity cars' luxury tax cut (see Table 1) is likely to heat up the price competition against CBU and to threaten domestic producers' sales volumes. 6M2016, TMV reported 8% in CKD car sales, while that of CBU went up by 24%, implying a vague future for the domestic car producing industry. It is also worth mentioning that Vietnamese consumers tend to favour Thai-made vehicles than the locally made despite the former is costlier. As the tariff is knocked down, the market is likely to become more unattainable for Vietnam-based car assemblers.

Table 1: Luxury tax adjustment (effective since July 2016)

Models	Engine (litre)	Current tax	Selling price in May 2016 (VND million)	New tax	Estimated selling price (VND million)
Mazda 2 Sedan	1.5	45%	609	40%	588
Mazda 3HB	1.5	45%	739	40%	713
Kia Rio	1.4	45%	488	40%	471
Toyota Vios	1.3	45%	649	40%	626
Ford Fiesta	1	45%	659	40%	636
Mercedez A200	1.6	45%	1330	45%	1,330
Mercedez C200	1.9	45%	1470	45%	1,470
Mercedez GLC 300	1.9	45%	1500	45%	1,500
Mercedez E400	3	60%	2800	90%	3,300
Mercedez S500L	3.7	60%	5000	110%	6,600
Mercedez S600 Maybach	5.5	60%	9900	130%	14,300
Toyota Vios	1.3	45%	649	40%	626
Toyota Yaris	1.3	45%	638	40%	616
Toyota Altis	1.8	45%	848	45%	848
Toyota Camry	2.5	50%	1400	50%	1,400
Toyota Innova	2	45%	867	45%	867
Toyota Fortuner	2.7	50%	1121	55%	1,158
Toyota Land Cruiser	4.6	60%	2850	110%	3,700

Source: RongViet Research compiled

Table 2: CKD car price comparison

Models	Vietnam	Philippines	Compared to Vietnam	Thailand	Compared to Vietnam
Yaris E	555	372	-33%	353	-36%
Yaris G	603	413	-32%	385	-36%
Vios E	508	357	-30%	431	-15%
Vios J	487	303	-38%	385	-21%
Vios G	560	406	-28%	459	-18%
Source: VEAM, RongViet Research compiled, prices are non- VAT					

Source: VEAM, RongViet Research compiled

Regarding motorbikes, the sale potential is experiencing the similar story. The increasing income per capita is encouraging car ownership, as VAMA estimates 2015 market consumption to be around 2.75 million units, growing only 7% yoy. The stagnation is clearer when compared to the 2011-2012 period. For instance, 2013 sales was 2.79 million units, 10% lower than that of 2012, while 2013 sales was 3.11 million units, declining 6.6% compared to 2011's.

Figure 9: Motorbike consumption in Vietnam

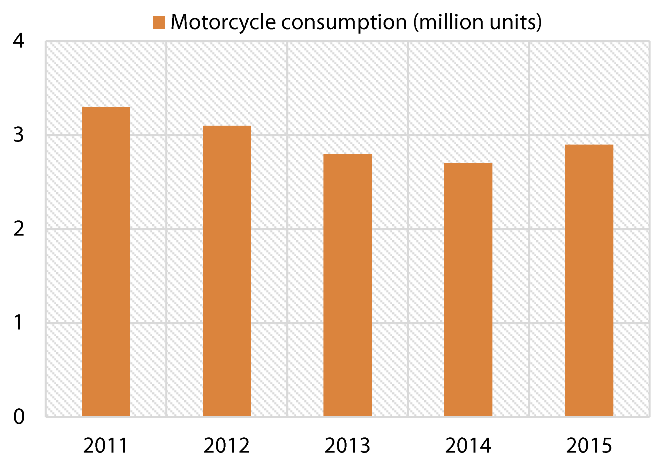
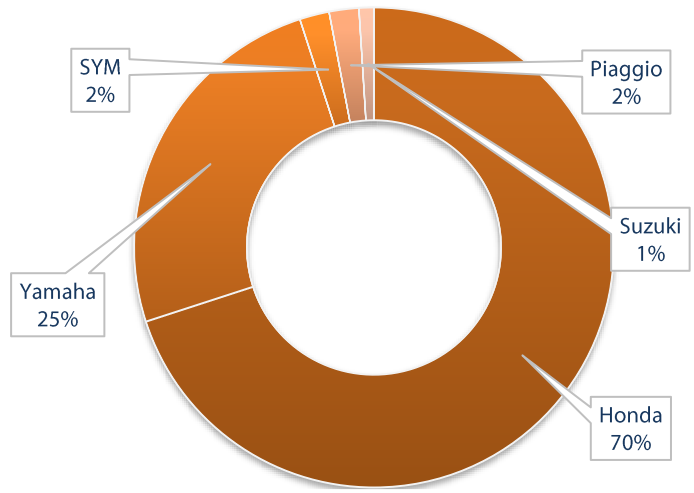


Figure 10: Motorbike market share in 2015



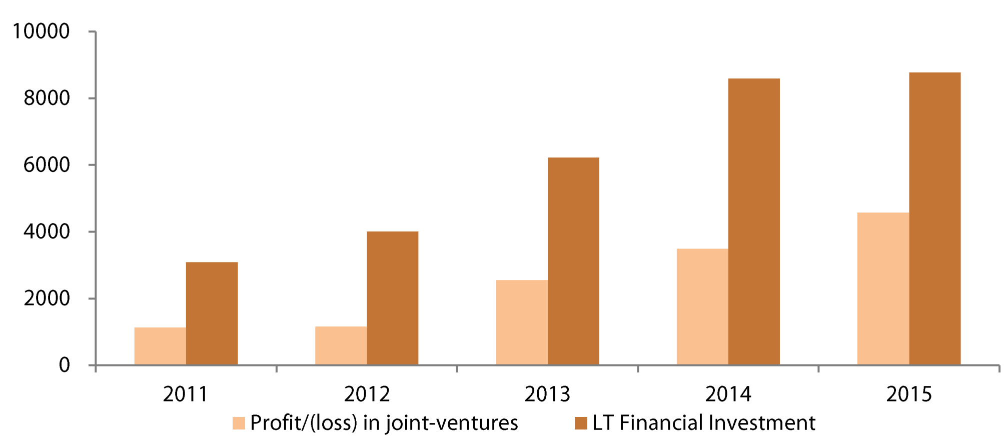
Source: RongViet Research compiled

HVN's 2015 sales volume went down by 16%, being nearly 1.8 million units. The negative trend prolonged to Q1/2016 as the sales was only 402,000 motorbikes, 14% lower yoy. The trend had started since 2014, even though HVN reached 95% domesticalisation rate and expanded to China, India and Indonesia. Since 2012, HVN started to export CBU motorbikes, as total export value has reached USD 320m. 2015 export volume was 91,000 units (USD 245m equivalent, 179% higher yoy). In 2016, export value is forecasted to be around USD 345m, up 41% yoy.

4M2016, HVN and TMV' car sales grew by 14% and 12% yoy, lower than those of 2015 (24% for both brands), illustrating a slowdown in domestic companies' consumption. HVN's motorbike business is also facing up with the market stagnation and rough competition from rival brands.

Generally speaking, advantageous brand recognition, well-developed distribution network and leading power can enable HVN and TMV to stabilise its sales growth rate in 2016 and 2017. However, the figures are projected to decrease from 2018 when tariffs are removed, which can greatly influence VEAM's profitability under the long-term perspective.

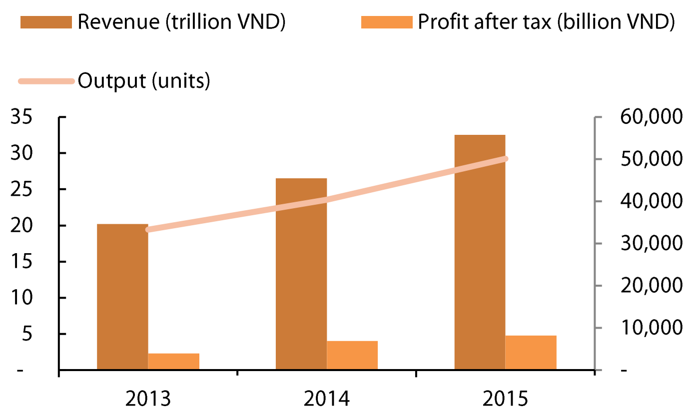
Figure 11: VEAM's profits from joint ventures and long-term investment assets

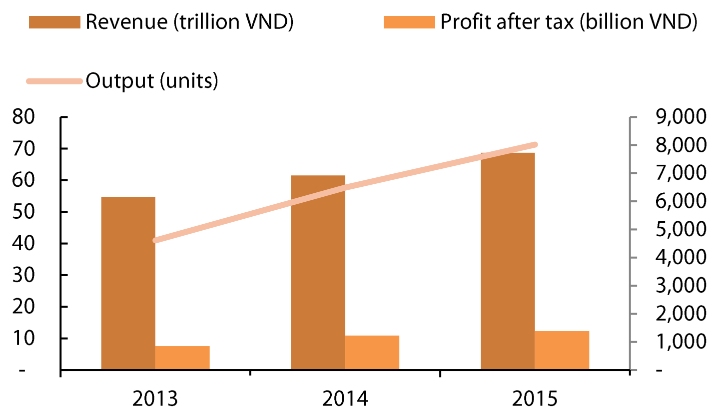


Source: RongViet Research estimated and compiled

Until 2018, VEAM has a considerable amount of time to boost its restructuring process. Gross margin and Operating profit improvements can help minimising the affiliates' negative effects.

Figure 12,13: HVN (left) and TMV (right) business results



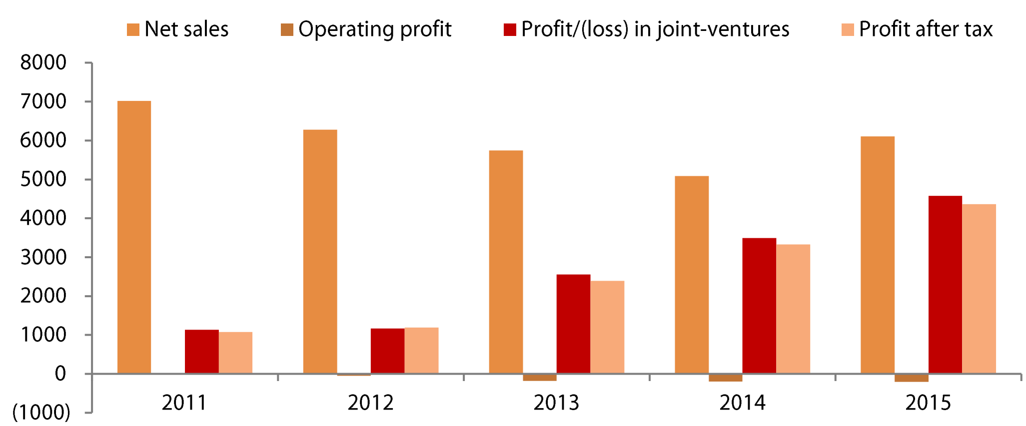


Source: VEAM, RongViet Research compiled

Equitisation is to boost restructuring progress

In the most recent 4 years, VEAM recorded losses from operating activities. Most subsidiaries recognised negative NPAT or low net margins. The consolidated gross margin fluctuated around 7.5%, considered low for a producing firm. NPAT since 2011 has been off-set by profits from TMV and HVN.

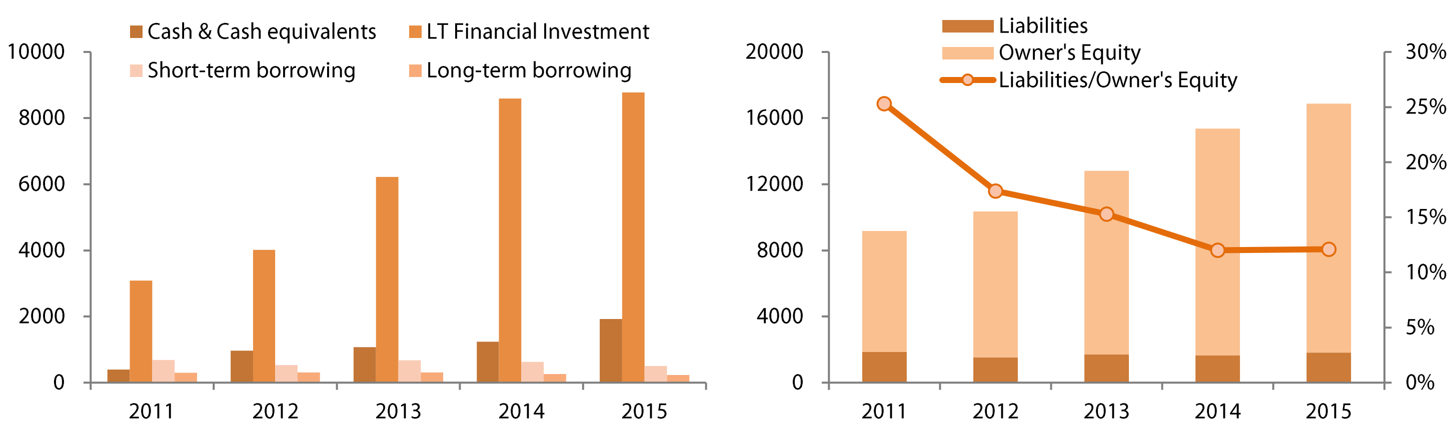
Figure 9: VEAM's business results, 2011-2015 (VND bn)



Source: VEAM, RongViet Research compiled

Despite the fact that the core business has been inefficient, VEAM's financial strength is considered sustainable because of the minimum debt amounts and large cash holding. VEAM is a typical example of an SOE, meaning inefficient operation, in need of a capable strategic partner who can make use of the capital as well as realise the full potential of a 51% state owned enterprise.

Figure 10,11: Key financials (VND bn)



Source: VEAM, RongViet Research estimated and compiled

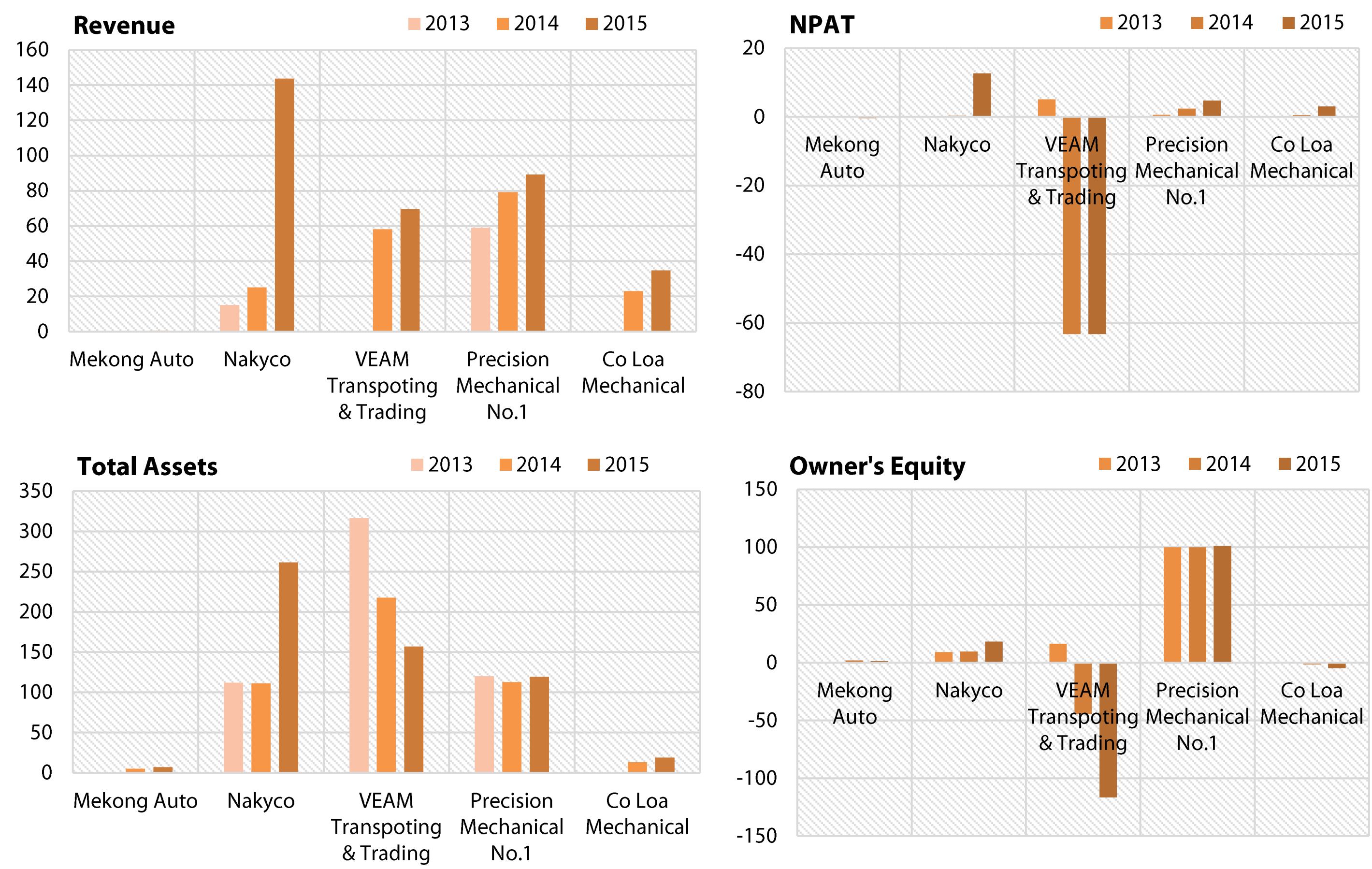
Divestment schedule is unlikely to improve NPAT

Table 3: VEAM's divestment plan

Company	Owner's equity (billion VND)	Ownership before divestment (%)	Ownership after divestment (%)
Mekong Auto	446.6	18.0	0
An Giang Mechanical	32.9	47.4	36
Nakyco	8.2	49.0	36
VEAMTRANCO	12.5	51.0	36
Precision Mechanical No.1	8.0	51.0	36
Co Loa Mechanical	6.0	53.6	36
VEAM Korea	24.3	89.0	0

Source: VEAM, RongViet Research compiled

Figure 12,13,14,15: Divestment firms' Revenue, NPAT, Total Assets and Owner's Equity



Source: VEAM, RongViet Research compiled
No information on VEAM Korea and An Giang Mechanical

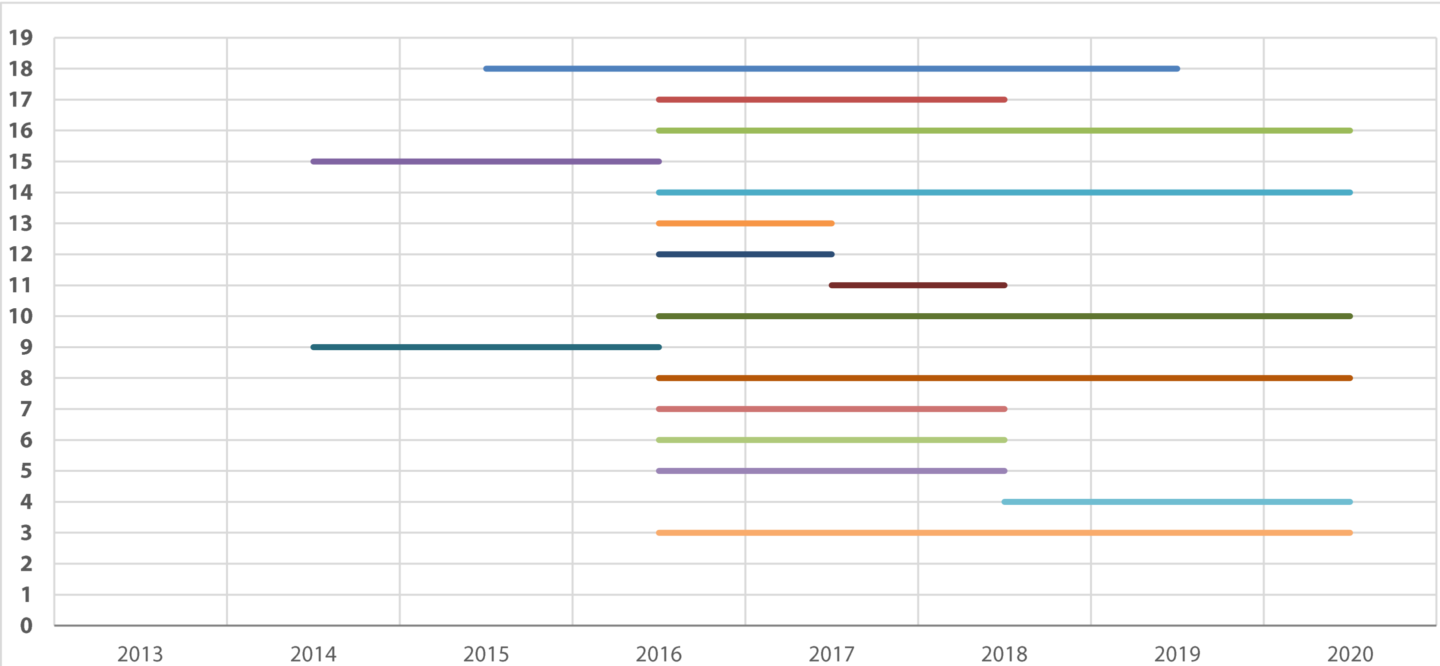
Assuming An Giang Mechanical and VEAM Korea JV' owner's equity equal to their owner's contribution, VEAM is expected to have VND 43.2bn proceeds from divestments from the above 7 companies (writing off the investments in VEAMTRANCO and Co Loa Mechanical due to negative owner's equity). VEAM is also known to divest 100% from NAKYCO, who NPAT has been improving, while divest only partly from VEAMTRANCO, a subsidiary with accumulated loss and negative VND 116bn in owner's equity in 2015. To sum up, the proceeds from divestment are inconsiderable, while there can be no radical change in VEAM's consolidated bottom lines.

The investment schedule has not been well planned

Table 4: Investment schedule

No	Projects	Investor	Design capacity	Capital investment (billion VND)	
I	**Projects are directly invested by the Corporation**				**2,983**
18	Project of manufacturing medium sized 4 wheels	VEAM	10.000 4-wheeled tractors/year	1,495	
17	Project of producing light truck cabin – Veam motor	VEAM Motor Factory	Adding punching mold	80	
16	Project of enhancing manufacturing capability of VEAM Motor Factory	VEAM Motor Factory	Enhancing manufacturing capability	500	
15	Project of investing in fresh molding auto-lines	VEAM Foundry Factory	8.600 tons/year	237	
14	Project of manufacturing agricultural machines	VEAM	10.000 machines of each type per year	500	
13	Project of supplementing investment to satisfy design requirement, product producing and testing, training for VEAM's R&D department	VEAM	Supplement investment, enhance capability	59	
12	Project of repairing, renovation and supplement exploiting capacity of VEAM Hotel - Cua Lo	VEAM branch in Nghe An	Repairing and renovating the hotel	35	
11	Program for improving product quality after molding	VEAM Foundry Factory	Supplement investment, enhance capability	45	
10	Project of enhancing manufacturing capacity for VEAM Foundry Factory (including molding simulator software, Magma 5.3)	VEAM Foundry Factory	Supplement equipment, software	32	
II	**Projects are invested by SVEAM**				**298.13**
9	Project of entirely investing to enhance manufacturing capability of diesel engines and small sized tractors	SVEAM	60.000 diesel engines and 10.000 2-wheeled tractors/year	126	
8	Project of enhancing SVEAM capability for period of 2016-2020	SVEAM	Enhancing capability	172	
III	**Projects are invested by Song Cong Diesel Co.Ltd**				**654.91**
7	Project of investing in new molding factory	DISOCO	6.000 tons of molding products/year	150	
6	Project of investing in hot stamping lines for automobiles parts	DISOCO	Supplement equipment	84	
5	Project of enhancing fabrication capability of ironing billet	DISOCO	Supplement equipment	78	
4	Project of investing in mechanical processing and thermal annealing factories	DISOCO	Processing some main details of 35-150 HP engine; productivity of 15,000 engines/year	227	
3	Project of repairing and upgrading equipment and factory	DISOCO	Repair, upgrade and supplement equipment	116	
IV	**Project is invested by TAMAC**				**437**
1	Project of moving and build new manufacturing factory for 2 and 4 wheels tractors	TAMAC	20.000 2-wheeled tractors and 2.000 four-wheels tractors/year	437	
V	**Project is invested by Tran Hung Dao Mechanical Co. Ltd**				**507**
1	Project of moving and build new mechanical factory	Tran Hung Dao Mechanical Co.Ltd.	50.000 engines/year	507	
		TOTAL			**4,880**

Figure 16: Investment timeline (No. according to Table 3)



Source: VEAM, RongViet Research compiled

According to the plan, the agricultural business accounts for half of the total investments, while business performance is unlikely to improve in the short term because of the lengthy investment period. In contrast, investments in truck assembly mainly targets volumes increase instead of developing a longer production process. At the direction, VEAM is going to keep assembling trucks and producing only the cabinet panels. Consequently, sales volumes might improve in line with the industry growth, yet the unclear comparative advantage may cost VEAM an opportunity to raise its margin from the truck business. 2016 Capex is estimated at VND 576bn, while 2017's is around VND 536bn.

Private placements may play an important role in the equitisation plan

Table 5: Change in number of outstanding shares

Shareholders	Before IPO	After IPO	%
State shareholders	677,688,000	677,688,000	51.00
Employees	0	5,669,100	0.43
Strategic investors	0	478,368,000	36.00
Public shareholders	0	167,074,900	12.57
Total	**677,688,000**	**1,328,800,000**	**100.00**

Source: VEAM, RongViet Research compiled

Motor N.A Ltd (Vinamco) has been a prominent name in the list, who registers to buy the whole amount intended to offer to strategic ownership. Vinamco is a VND 2,000-billion capital company in the business of car, motorbike and mechanic part retails. The company is also known to have stakes in Vinamotor, who assembles and distributes buses.

Accordingly, Vinamco is expected to support VEAM in assembling technology and distribution network for commercial vehicles, as well as increasing auto and motorbike parts consumptions. In spite of the difference in the product lines (trucks for VEAM and passenger cars and buses for Vinamco), VEAM's experience and distribution network are supposed to be improved by the feasible participation of Vinamco's group.

On the other hand, RongViet Research also predicts that Vinamco would exploit VEAM's existing advantage in terms of truck distribution network, as well as the stakes in the mentioned affiliates. Being an SOE, VEAM has a number of distribution centers and commercial areas that Vinamco can make use of in order to further expand its operation. Moreover, indirect ownership at TMV and HVN might enable Vinamco, a passenger car retailer to approach the producers, established as a connection along the supply chain.

Regarding proceeds from the equitisation process, assuming VEAM manages to issue all 478,368,000 shares in private placements at the starting price of VND 10,050 per share, taking into account the fact that it has issued 149,496,500 shares to the public at VND 14,291 per share, the company is going to receive over VND 6,993 bn, supposedly to be utilised in 3 purposes.

- ✓ VND 6,335 bn, the par value amount can be invested in assets, working capital for the sake of operation.
- ✓ Around VND 7bn is used for employment restructuring and equitisation expenses.
- ✓ The remaining VND 651bn is transferred to the corporation arrangement support fund. As VEAM is going to be a 51% state owned company, it may retain only the par value amount of the proceeds.

Therefore, VEAM can only access VND 6,335bn, while the surplus is going to be under the state's management. Based on VEAM's investment schedule (Table 3), RongViet Research considers the retained proceeds to be sufficient for its investments in the 2016-2020 period. At the above Capex estimates, VEAM's financial strength is likely to be stable.

Overview and evaluation

VEAM is a leading company in the mechanical industry. Ownerships in affiliates such as Honda Vietnam (HVN) and Toyota Vietnam (TMV) have been bringing about considerable financial income, especially during the period of passenger car market's strong growth.

VEAM's core business, consisting of agricultural machinery, mechanical parts and truck assembly, distribution have not obtained efficiency due to the underdeveloped production process, low domesticalisation rates and high SG&A expenditures. However, they are all industries that the government is in favour of, which possess long-term potential, especially when the reformation progress is boosted by participating strategic partners.

We forecast that VEAM can grow its NPAT during 2016 and 2017. From 2018, due to competition against CBU cars as 0% tariff is committed under ATIGA's terms, HVN and TMV' profits might be affected. Nonetheless, VEAM would be able to maintain NPAT stable and hovering around VND 3,200 to 3,500bn annually thanks to the improvement in its core business. In addition, cash flows from joint ventures, VEAM is also capable of attractive dividend policies, in which 2016's cash dividend is scheduled to be VND 1,800 per share, equivalent to 12.6% yield at the successful bid price (VND 14,291 per share).

Table 6: Dividend policy plan

Year	2016	2017	2018	2019
Cash dividend (VND per share)	1,800	1,600	1,200	1,300

Source: VEAM, RongViet Research compiled

Based on the fact that affiliates play an important role in VEAM's earnings, we use SOTP method over two "blocks" of assets: (1) assets used in the core business and (2) investments in affiliates.

Regarding (1), we use EV/EBITDA method at a prudent multiple of 5x because of the fact that the core business has been causing losses from operating activities to VEAM. Improvement is expected to be a slow progress until finally contribute a positive figure to the results, thus is heavily discounted.

(VND million)	2015
EBITDA	65,738
Debts	742,818
Minority interest	206,108
- Cash and equivalents	1,972,892
- Investments in JVs	8,780,104
- Honda Vietnam	7,098,423
- Toyota Vietnam	1,160,888
- Others	520,793
No. of shares outstanding	1,328,800,000

EV/EBITDA	EV (VND million)	Asset value per share (VND)
13	854,594	1,414
12	788,856	1,364
11	723,118	1,315
10	657,380	1,265
9	591,642	1,216
8	525,904	1,166
7	460,166	1,117
6	394,428	1,067
5	**328,690**	**1,018**

With regard to (2), we use P/B to estimate the market value of VEAM's ownerships at TMV and HVN. It is observed in the listed market that companies with ROEs equal to those of TMV and HVN are trading at high P/B (Appendix 1), most of which are service providers whose assets are mainly working capital and other current assets of high liquidity. As the automobile assembly business requires massive investments in fixed assets such as machinery, equipment and factories, 2.5x P/B is considered suitable for TMV and HVN.

P/B	Revaluated investment value	Asset value per share (VND)

5.0	43,900,519	33,038
4.0	35,120,415	26,430
3.5	30,730,364	23,126
3.0	26,340,312	19,823
2.5	**21,950,260**	**16,519**
2.0	17,560,208	13,215
1.8	15,804,187	11,894
1.7	14,926,177	11,233
1.6	14,048,166	10,572
1.5	13,170,156	9,911

Core business	1,018
Investments in JVs	16,519
Sum of the parts	**17,500**

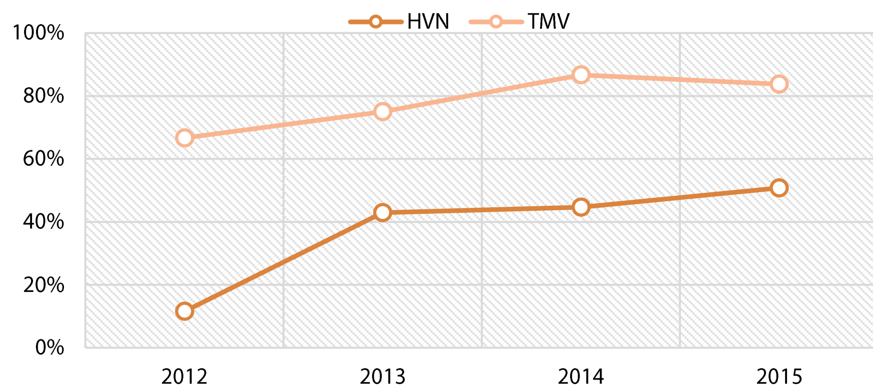
Under the SOTP method, VEAM's fair price is estimated at **VND 17,500** per share, **22%** higher than the IPO price of VND 14,291 per share. The company possesses valuable advantages, yet we would like to emphasise that the restructuring process may take time in order to decrease VEAM's dependence on affiliates. Therefore, as an investment choice, VEAM is suitable for strategic investors who are capable of participating in the reformation progress and commercialise the unrealised values rather than those who are mere financial investors.

Appendix 1: P/B (4Q trailing) of listed companies with ROE equal to or higher than 50%

	ROE	P/B
HTL	55%	4.1
MAS	86%	7.1
MWG	55%	6.9
NCT	68%	6.6
NKG	51%	1.9
NNC	53%	3.6
SLS	59%	2.7
VCS	51%	5.2
Average P/B		**4.8**

Source: RongViet Research compiled

Appendix 2: HVN and TMV' ROEs



Source: VEAM, RongViet Research compiled

Unit: VND bn

INCOME STATEMENT	2014	2015	2016F	2017F
Revenue	5,086.4	6,102.8	6,591.8	7,054.3
COGS	4,660.4	5,474.2	5,912.8	6,327.7
Gross profit	**426.0**	**628.6**	**679.0**	**726.6**
Selling Expense	188.5	225.8	243.9	261.0
G&A Expense	435.5	610.3	555.8	634.7
Finance Income	16.4	61.2	54.3	74.2
Finance Expense	44.1	141.2	39.5	43.7
Other profits	77.3	40.3	58.5	69.9
Profits from JVs	**3,492.2**	**4,574.8**	**5,032.3**	**4,780.7**
PBT	**3,343.9**	**4,327.7**	**4,984.9**	**4,712.0**
Prov. of Tax	18.8	-32.0	8.5	4.9
Minority's Interest	-4.6	0.0	83.6	90.0
NPAT	**3,329.7**	**4,359.7**	**4,892.8**	**4,617.1**
EBIT	**-113.4**	**-211.8**	**-16.1**	**-34.1**
EBITDA	65.7	43.8	235.1	254.4

Unit: VND bn

BALANCE SHEET	2014	2015	2016F	2017F
Total Current Asset	**4,541**	**5,314**	**11,389**	**9,954**
Receivables	1,304	1,428	1,554	1,727
Inventories	1,802	1,801	1,949	2,119
Other current assets	1,434	2,086	7,886	6,108
Long-term Asset	**11,076**	**11,758**	**16,093**	**20,211**
Tangible Fixed Assets	1,859	2,269	2,415	2,575
Intangible Fixed Assets	9,217	9,489	13,679	17,636
Total Asset	**15,616**	**17,072**	**27,482**	**30,165**
Current Debt	1,368	1,534	1,419	1,567
Long-term Debt	280	287	333	330
Total Liability	**1,648**	**1,821**	**1,751**	**1,897**
Owner's Equity	**13,666**	**15,004**	**23,821**	**26,312**
TOTAL RESOURCES	**15,616**	**17,072**	**27,482**	**30,165**

Unit: %

GROWTH	2014	2015	2016F	2017F
Growth	-11.4	20.0	8.0	7.0
Revenue	7.5	4.8	-41.8	40.1
Operating Income	-52.3	-33.4	437.1	8.2
EBITDA	60.2	86.7	-92.4	112.0
EBIT	39.5	30.9	12.2	-5.6
PAT	19.6	9.3	61.0	9.8
PROFITABILITY				
Gross profit/Revenue	8.4	10.3	10.3	10.3
Operating profit/ Revenue	-3.9	-3.4	-1.8	-2.4
EBITDA/ Revenue	1.3	0.7	3.6	3.6
EBIT/ Revenue	-2.2	-3.5	-0.2	-0.5
Net margin	65.5	71.4	74.2	65.5
ROAA	23.2	26.7	22.0	16.0
ROIC or RONA	-0.9	-1.4	-0.1	-0.1
ROAE	26.8	30.3	24.1	17.2

EFFICIENCY (x)	2014	2015	2016F	2017F
Receivable Turnover	3.7	4.5	4.4	4.3
Inventory Turnover	2.8	3.0	3.2	3.1
Payable Turnover	6.4	6.2	6.2	6.7
LIQUIDITY (x)	**2014**	**2015**	**2016F**	**2017F**
Current	3.3	3.5	8.0	6.4
Quick	2.0	2.3	6.7	5.0

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 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% to10%	-15% to- 5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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