RONGVIET SECURITIES

HA DO GROUP (HDG – HSX)

Higher Market Position Thanks to Ha Do Centrosa Garden Project

Established as a construction firm, Ha Do Group (HSX:HDG) expanded its business into real estate property development, which became its core business. As the biggest project, Ha Do Centrosa Garden, was developed since 2016, which not only brings HDG to a higher level in real estate industry but also guarantees healthy and stable cash flow in the next three years. On the other hand, HDG should be more active in accumulating new land bank to develop a large scale projects with prime location like Centrosa Garden to maintain its current position, not to mention its weak relationship with the Ministry of Defense (MoD) after its divestment.

The increased involvement in other two segments, including hydro power and leasing segments, also help maintain stable cash flow by growing its ownership stake in hydro power companies and new launching of leasing projects.

The stock has low liquidity due to its consolidated ownership of members from the Board of Directors (BoD) and the MoD. We believe the divestment by the MoD will be a positive factor that will put significant pressure on the stock price, increase "free float" rate, and capture investors' attention.

*We believe the fair price of HDG is around **VND39,700/share**. This target price, coupled with a VND500 cash dividend, yields a total return of **20.4%** (calculated based on the closing price on September 25, 2017). Therefore, we recommend investors to **BUY** the stock.*

Investment rationale

- Ha Do Centrosa Garden ensures stable cash flow for the next three years
- Low-cost land bank has been drying up puts pressure to acquire new land bank
- Hydroelectric power plants and leasing business lines start to pick up
- Stable cash flow and safe financial leverage

Risk

- Capability to acquire new land bank beyond divestment of the MoD
- Low liquidity and free-float

Key financial ratios

Y/E Dec(VND Bn)	FY2015	FY2016	FY2017F	FY2018F
Net revenue	1,480	1,988	2,070	3,393
%change	102%	33%	4%	64%
PAT	123	236	124	330
% change	-17%	92%	-48%	167%
Net margin (%)	8.3%	11.8%	6.0%	9.8%
ROA (%)	5.2%	5.2%	1.6%	3.6%
ROE (%)	8.5%	8.8%	9.0%	21.0%
EPS (VND)	1,625	3,070	1,613	4,306
Adjusted EPS (VND)	1,625	3,070	1,613	4,306
Book value (VND)	12,887	15,516	16,263	21,322
Cash dividend (VND)	-	500	500	500
P/E (x)	17.5	7.8	22.9*	14.0
P/BV (x)	2.2	1.5	1.9*	1.9

*Source: HDG, RongViet Research estimation, * Based on the price on September 25, 2017.*

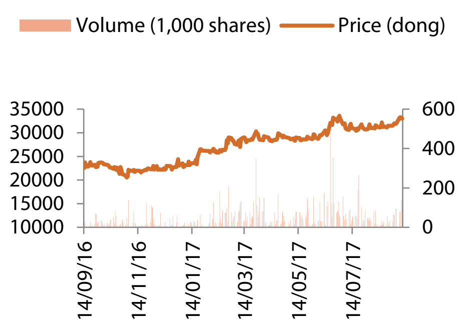
BUY

CMP (VND)	33,400
Target Price (VND)	39,700
Cash Dividend (VND)*	500

** Expected in the next 12 months*

Stock Info

Sector	Real estate
Market Cap (VND billion)	2,392
Share O/S	76
Beta	1.04
Free Float (%)	36
52 weeks high	33,600
52 weeks low	20,539
Average trading volume (20 sessions)	31,826



Performance (%)

	3T	1N	3N
HDG	9%	41%	N/A
Real estate	8%	24%	N/A
VN 30 Index	8%	16%	16%
VN Index	6%	21%	30%

Major sharholders (%)

Mr. Nguyen Trong Thong	35%
Ministry of Defense	10%
Mr. Nguyen Van To	9%
Wareham Group Limited	5%
Foreigner Investor Room (%)	*26%*

Duong Lai

(084) 028- 6299 2006 – Ext 1522

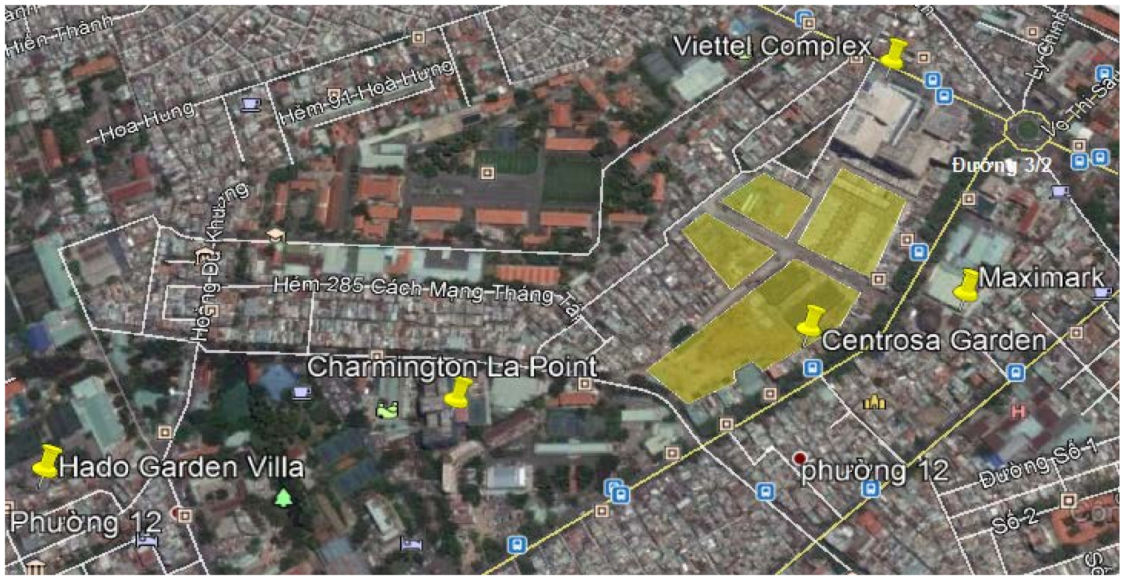
duong.ld@vdsc.com

INVESTMENT RATIONALE

Ha Do Centrosa Garden ensures stable cash flow in the next three years

(1) Ha Do Centrosa Garden has the prime location in District 10, Ho Chi Minh City. It is bordered by 3/2 Street – the largest and most crowded street in this area – and Cao Thang Street. The project is developed in a large 6.9 ha site, composed of low-rise and high-rise structures, with a scale of 115 villas and 2,162 apartment units, respectively.

Figure 1: Ha Do Centrosa Garden location map in District 10, HCMC

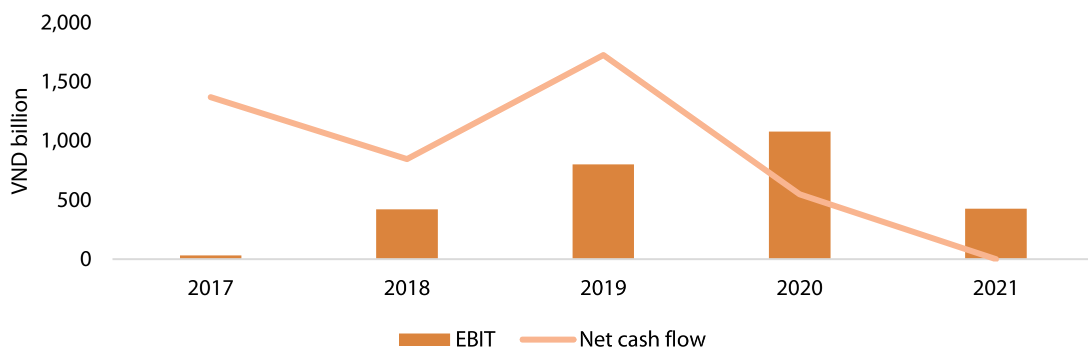


Source: RongViet Research

(2) Solid selling progress, plus low cash collection rate guarantees healthy cash flow. As of 30 June 2017, the selling rate of high-rise part is approximately 90%, whereas low-rise part is being sold out. Additionally, Ha Do has only collected 40% of total contract sales value, which means that the remaining 60% will certainly be collected according to the construction progress from 2018 to 2020.

(3) Construction progress is on the schedule confirms the booking of unrecognized revenue. Half of the low-rise component were delivered at the end of 2016 with 50% of total contract sales value booked as revenue, while the remaining should be handed over in 2017. Based on Ha Do's update in August 2017, two Orchid blocks were completed to be hand-over in 2018; two Jasmine blocks with 8 floors, and underground and parking of Iris tower are completed. As construction is on track, booking of revenue is likely ensured in the next three years.

Figure 2: Ha Do Centrosa Garden project's EBIT and net cash flow forecast

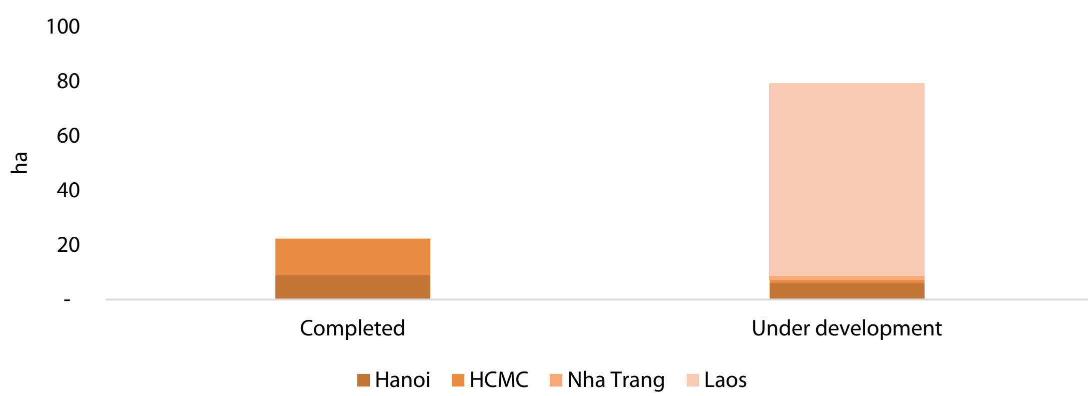


Source: RongViet Research

Low-cost land bank has been drying up puts pressure to acquire new land bank

Ha Do started accumulating low cost land bank since 2003, currently reaching to 102 ha, 77% of which was under development projects.

Figure 3: Ha Do's land bank



Source: RongViet Research

Currently, the company has four under-development projects, including: (1) Dragon City (previously An Khanh – An Thuong), with a total 5 ha of land area remaining; (2) Noong Tha – Lao with a land area of 70 ha; (3) Bao Dai villas located on a site of 1.6 ha; and (4) HH1 project in Dich Vong, Cau Giay District, being developed at a site of 1 ha. Excluding Noong Tha project (of which we don't have details), the company has only 8 ha of cleaned land bank left. In other words, Ha Do's future prospect may be adversely affected because of its difficulty in replenishing current project pipeline, especially since after its biggest project - Centrosa Garden being completed.

During Ha Do's Annual General Meeting (AGM) in 2017, the BoD set a target of acquiring two projects every year, aware of the necessity to expand its current land bank. Some other real estate developers also have difficulties in expanding their land bank, which should be simultaneously large enough and has prime location. Since the beginning of 2017, the company has just added one more new small project, equivalent to 5,000 sqm of land area. Thus, Ha Do still needs at least one more project with larger scale to ensure its long-term growth.

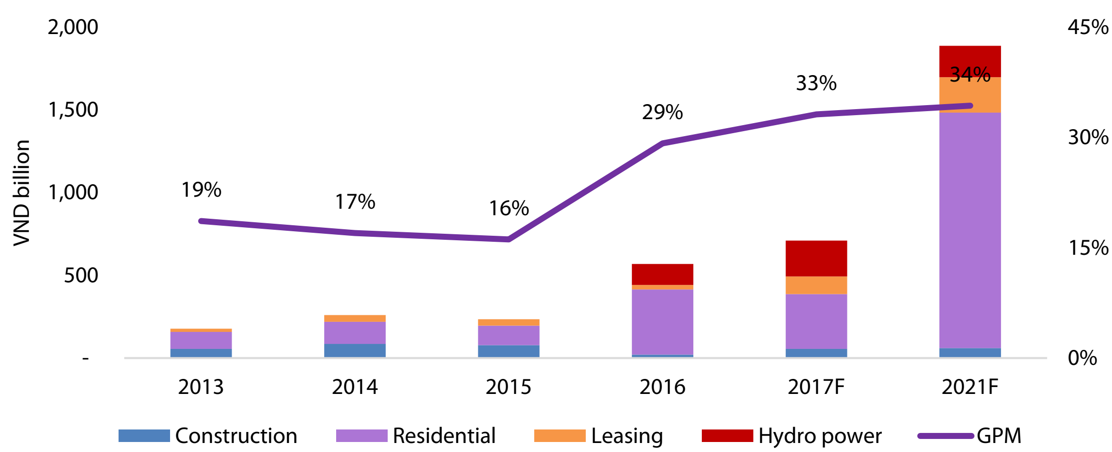
Hydroelectric power plants and leasing business lines start to pick up

Ha Do has increased its involvement in two other segments, including hydro power and leasing segments, to develop a solid source of stable income to compensate for the fluctuating nature of its property development projects.

Hydro power– Potential to enjoy growing

HDG currently owns two hydro power plants with total capacity of 30 MW each, namely Za Hung (Nghe An) and Nam Pong (Quang Nam), which started operating in 2009 and 2013, respectively. In 2016, Ha Do increased its ownership in both plants to over 50%, and consolidated its results into its financial statements. Consequently, it HDG's total gross profit margin improved from 16% in 2015 to 29% in 2016.

Figure 4: Gross profit structure



Source: RongViet Research

According to HDG's execution plan, two more plants, namely Nhac Hac (Nghe An) with a capacity of 58MW and Song Tranh 4 (Nghe An) with a capacity of 48MW, will start operating in 2018 and 2020, respectively, adding more growth to this business line. Similar to the current operating plants, Nhan Hac, comprising of two plant units with capacity under 30MW each, will enjoy the concept of avoidable cost from the government, applicable to small electric plants. Therefore, its output will be prioritized to buy by EVN and electricity's selling price is set annually based on the decision of Ministry of Industry and Trade. When all four plants coming into operation in 2020, total capacity will be 166MW, which is 2.8 times higher than its current level. Given the stable operating nature of hydroelectric plants and the assumption of high gross profit margin level at around 50%, this business line should generate stable profit growth rates and huge potential cash cow for Ha Do in the long run.

Leasing – Continuous expansion plan

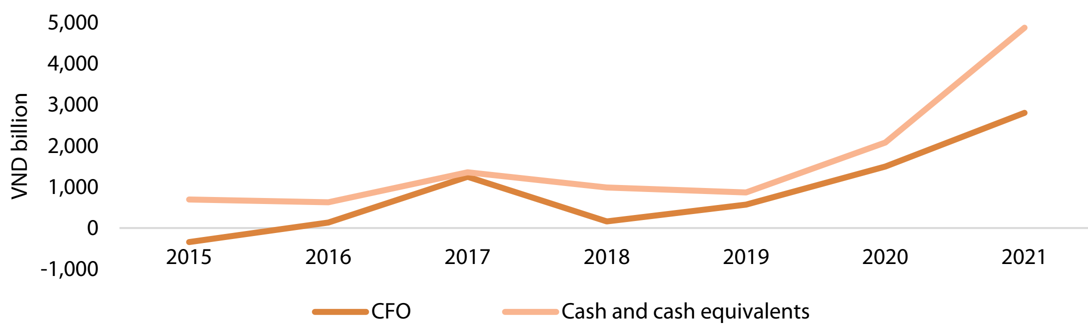
The company also owns real estate projects for leasing, namely South Building and IBIS hotel – Airport Building, a mix-used project, offering 282 hotel rooms and a gross floor area of 10,000sqm for office leasing. As our estimation, the current occupancy rate in hotel and office are 50% and 70%, respectively, and expecting to be gradually improved. We currently project total revenue of VND200 billions annually during its stabilization period.

In 2018, Ha Do expects to launch one new resort and hotel project in Nha Trang City, namely Bao Dai villa, with a scale of 36 villas and 180 hotel rooms. As our assumption, it is expected to generate around VND120 billion annually under stable operation period.

Stable cash flow and safe financial leverage

The company receives frequent cash flow from sale of properties, such as Ha Do Centrosa low-rise, and recurring incomes generated from real estate leasing (opening of IBIS Hotel – Airport Building) and hydroelectric segment (Za Hung plant). As Ha Do maintained cash and cash equivalents at a stable level in 2015 and 2016 (around VND 650 billion), we believe that cash flow coming from residential segments and income-producing properties will also be at a positive level in 2017 onwards.

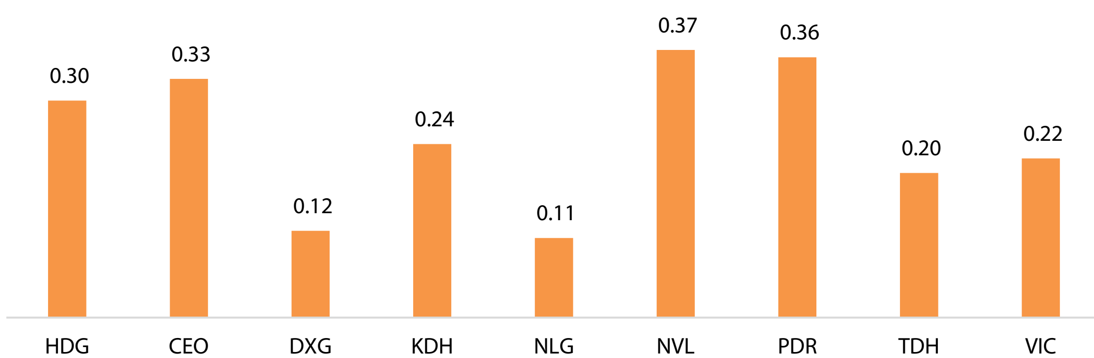
Figure 5: CFO and cash position forecast



Source: RongViet Research

Regarding its debt situation, Ha Do has safe financial leverage and there is large room to increase its current debt level to fund cost of new projects. The overall debt-to-assets ratio in 2016 was 40%, while the real estate segment was almost funded by its own equities and advances from customers. Except for debts and assets of hydroelectric business line, the overall total debt-to-assets ratio was only 30%, which is a safe ratio compared to other real estate companies.

Figure 6: Debt-to-assets ratio of real estate companies *(as of 31 December 2016)*



Source: RongViet Research

RISK

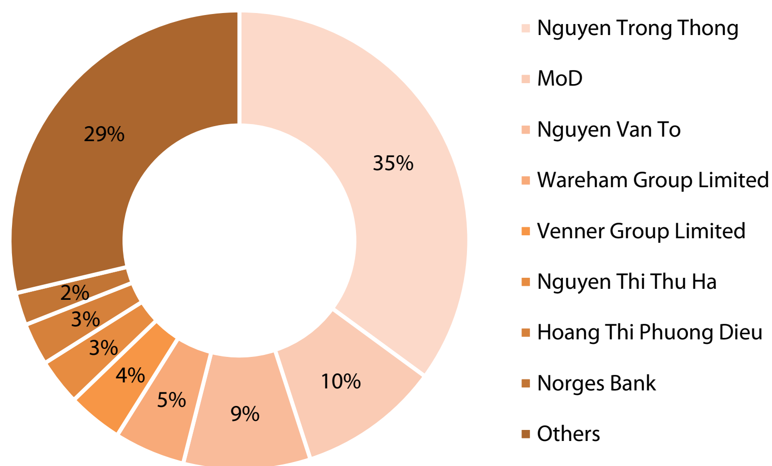
Capability to acquire new land bank beyond divestment of the MoD

Based on updates from Ha Do's management representatives, the MoD will sell its 10% stake in Ha Do. The divestment would have an effect on Ha Do's real estate business prospect, as it will lose its competitive advantage of being wholly owned by the MoD, from which it acquired most of its land bank. On the flipside, the BoD has set a target to acquire at least two projects annually, which could be both a challenge and motivation to maintain its current market position in the following years.

Low liquidity and free-float

Currently, ownership share of Ha Do group is highly consolidated; around 70% comes from the members of the BoD and the MoD. This is the reason why the liquidity of this stock has been very low, with an average of VND 1.8 billion trading daily since the beginning of 2016. As of 30 September 2017, the MoD plans to divest its 10% stake in Ha Do. Although the form and price has not been disclosed, the divestment is expected to add more liquidity and put pressure on the stock price during this period.

Figure 7: Ha Do's shareholders structure



Source: Ha Do annual report in 2016

INVESTMENT RECOMMENDATION

Established as a construction firm, Ha Do Group expanded its business into real estate property development, which became its core business. As the biggest project, Ha Do Centrosa Garden, was developed since 2016, which not only brings HDG to a higher level in real estate industry but also guarantees healthy and stable cash flow in the next three years. On the other hand, HDG should be more active in accumulating new land bank to develop a large scale projects with prime location like Centrosa Garden to maintain its current position, not to mention its weak relationship with the Ministry of Defense (MoD) after its divestment.

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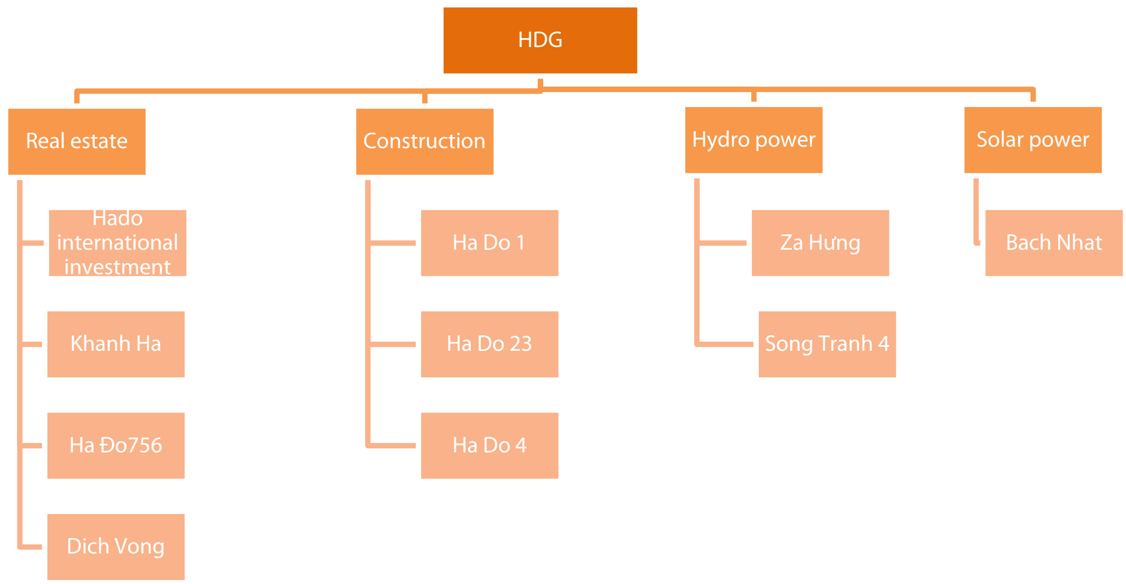
We believe the fair price of HDG is around **VND39,700/share**. This target price, coupled with a VND500 cash dividend, yields a total return of **20.4%** (calculated based on the closing price on September 25, 2017). Therefore, we recommend investors to **BUY** the stock.

COMPANY OVERVIEW

Established in 1992 as a construction firm, which belongs to the Ministry of Defense's (MoD) military technical institute, HDG was privatized in 2004 before being listed in HOSE in 2010. Having competitive advantages for being an associate of MoD, HDG started to acquire large land bank at low costs and expanded its business to multiple types of real estate property development, including residential housing, townships, office leasing, hospitality and resorts.

The company also invests in small hydroelectric plants with expectation to develop a solid source of stable income to compensate for the fluctuating nature of its property development projects. This business line will be a strategic segment of Ha Do Group in the next years.

Figure 8: Ha Do's business structure



Nguồn: RongViet Research

As of 30 June 2017, Ha Do holds majority of the shares in almost all of its real estate projects, except for Ha Do Centrosa Garden in which it has 65% ownership. In 2016, Ha Do increased its stake in Za Hung plant from 37% to 54%, and consolidated its results in a corporate financial report. Consequently, all core business activities held by the parent company will be transparently accounted in HGD's business operation.

In August 2017, Ha Do approved the acquisition of a 75% stake in Bach Nhat Energy Company. This could be considered a strong signal that Ha Do officially entered into the solar power development. Management plans on a new plant with a capacity of 100 MW and an investment cost ratio of VND35 billion–VND40 billion per megawatt. These development in solar power can be a catalyst for the company in the long run.

Table 1: Ha Do's completed projects pipeline

Project Name	Location	Scale	2008	2009	2010	2011	2012	2013	2014	2015	2016
Z751B	Go Vap. HCMC	30 units									
Hoang Sam	Cau Giay, Hanoi	64 units									
Z751	Go Vap, HCMC	203 units									
Hoang Van Thai	Thanh Xuan, Hanoi	504 units, 66 villas									

Project Name	Location	Scale	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nguyen Van Cong	Go Vap, HCMC	431 units									
Ha Do Parkview	Cau Giay, Hanoi	341 units									
Dist.2 Villas	District 2, HCMC	115 units									

Bảng 2: Ha Do's under-construction and under-developmemt projects pipeline

Project Name	Location	Scale	Total investment cost (VND billion)	2016	2017	2018	2019	2020	2021
Centrosa Garden	District 10, HCMC	6.85 ha	6,500						
Low-rise		115 villas							
High-rise		2,162 units							
Garden Villas	District 10, HCMC	19 villas	370						
Parkside	Cau Giay, Hanoi	105 apartment units	260						
Riverside	District 12, HCMC	124 villas, 256 units	300						
Dragon City	Hoai Duc, Hanoi	11 ha	600						
Bao Dai	Tran Phu, Nha Trang	36 villas	250						
Garden Home	District 9, HCMC	1 ha	N/A						
Noong Tha	Laos	70 ha	N/A						
HH1	Cau Giay, Hanoi	1 ha and 1,000 units	N/A						

Source: RongViet Research

Table 3: Ha Do's hydro power plants

Plant Name	Location	Start operation	Designed capacity	Total investment cost (VND billion)	Current utilization ratio (%)
Za Hung	Quang Nam	2009	30 MW	503	100%
Nam Pong	Nghe An	2013	30 MW	796	60%
Nhan Hac	Nghe An	2018	59 MW	1,881	-
Song Tranh 4	Nghe An	2020	48 MW	1,700	-

Source: RongViet Research

FINANCIAL ANALYSIS

Positive growth in terms of revenue and net profit

HDG has achieved 26% CAGR of revenue in the last three years, mostly because of contribution of real estate revenue with a CAGR of 57%. Construction segment, a traditional business line of Ha Do, has contributed roughly stable income through the years and achieved high percentage in total revenue. In 2016, Ha Do consolidated its hydro power segment in the corporate financial statements, generating VND194 billion to total revenue.

Gross profit and gross profit margin increased over the years. Despite 31% contribution to sales, the construction sector contributed only 4% to the total gross profit, given its low gross profit margin at around 9%. Growing ownership in hydroelectric companies helped HDG gain high profit, with VND126 billion (22% of total gross profit) in gross profit, resulting in an increase in gross profit margin from 16% in 2015 to 29% in 2016.

Figure 9: Revenue structure in 2015, 2016

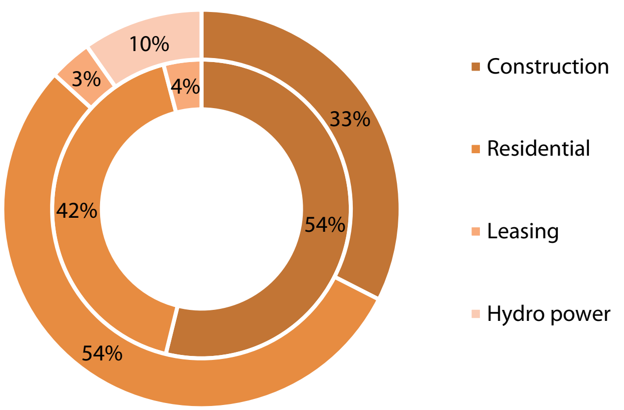


Figure 10: Gross profit structure in 2015, 2016

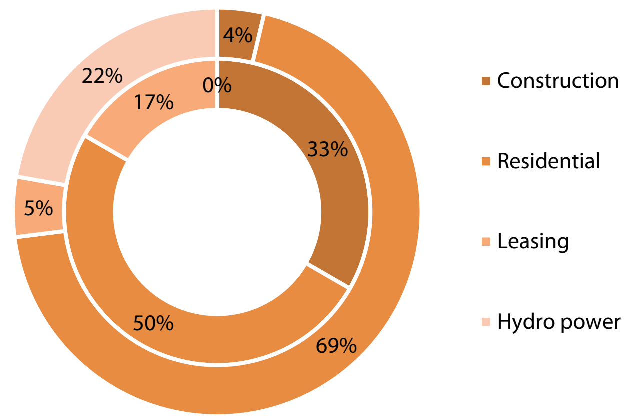
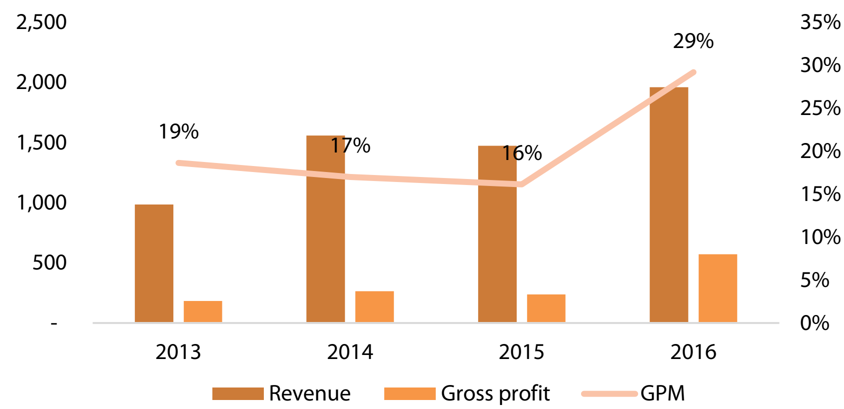


Figure 11: Revenue (VND billion)**, Gross profit** (VND billion) **and Gross profit margin** (%)



Source: Ha Do financial reports

Profitability and liquidity

	2012	2013	2014	2015	2016
Profitability ratio (%)					
Gross profit margin	10.5	18.6	16.3	15.5	28.8
EBITDA margin	5.7	14.3	13.5	12.5	21.0
EBIT margin	3.3	11.1	11.5	10.6	16.7
Net profit margin	4.2	14.5	10.5	9.4	12.7
Activity ratio (x)					
Inventories turnover	1.3	0.9	1.3	1.3	0.8
Receivables turnover	2.7	3.2	4.6	3.5	2.7
Payable turnover	1.2	0.8	1.0	1.2	1.1
Cash conversion cycle (day)	107	68	8	67	232
Dupont analysis					
EBIT/Sales (%)	4.2	14.5	10.5	9.4	12.7
Sales/Total Asset (x)	0.5	0.4	0.7	0.5	0.3
Total Asset/Equity (x)	1.9	2.1	1.7	1.8	2.7
ROE (%)	2.2	8.1	13.0	8.5	8.8

Source: RongViet Research

In 2016, the cash conversion cycle also increased, 3.5 times higher than that of 2015. The main reason was an increase in inventory, with more than VND1,400 billion, equivalent to 2.5 times higher. In particular, this growth was mainly due to Ha Do Centrosa Garden, with more than VND1,300 billion higher than that of 2015.

ROE kept constant at same level over the years, around 8-9% per annum. The ratio is not high because of (1) heavy initial investment cost but little profit contribution from hydroelectric power, (2) and low constribution in real estate segment in the previous years.

Solid financial position

Ha Do's debt structure is gradually changing from short-term to long-term funding. While short-term liabilities mainly came from advances from customers of real estate projects, accounting for 43% of total short-term loans in 2016, 50% of long-term liabilities was contributed by hydropower sector due to heavy investment. As we mentioned above, excluding electric power's assets and debt, the overall debt-to-assets ratio was only around 30%, within the safe range. Therefore, the company still has large room for debt to finance the development of upcoming projects rather than raising capital, which helps protect current shareholders from dilution risk.

Ratio (%)	2012	2013	2014	2015	2016
Total liabilities/Equity	138.5	174.0	117.6	133.8	265.3
Total liabilities/Total Asset	61.2	63.5	54.2	57.2	72.6
Short term liabilities/Equity	138.5	174.0	117.6	81.6	111.0
Long term liabilities/Equity	19.2	0.3	0.5	52.2	154.3
Short term liabilities/Total Asset	53.8	63.4	53.9	34.9	30.4
Long term liabilities/Total Asset	7.4	0.1	0.3	22.3	42.2

Source: RongViet Research

BUSINESS FORECAST

Figure 12: Revenue and gross profit forecast of each segments

Unit: VND billion	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F
Revenue	**2,031**	**3,393**	**4,292**	**6,310**	**5,730**
Residential	*903*	*2,285*	*2,927*	*4,872*	*4,252*
Real estate leasing	*226*	*248*	*353*	*394*	*412*
Construction	*645*	*658*	*671*	*684*	*698*
Hydro power	*297*	*238*	*353*	*360*	*367*
Gross profit	**673**	**938**	**1,360**	**2,042**	**1,887**
Residential	*331*	*638*	*949*	*1,597*	*1,423*
Real estate leasing	*106*	*117*	*181*	*203*	*214*
Construction	*56*	*57*	*58*	*59*	*60*
Hydro power	*217*	*127*	*176*	*183*	*190*

Source: RongViet Research forecast

Residential

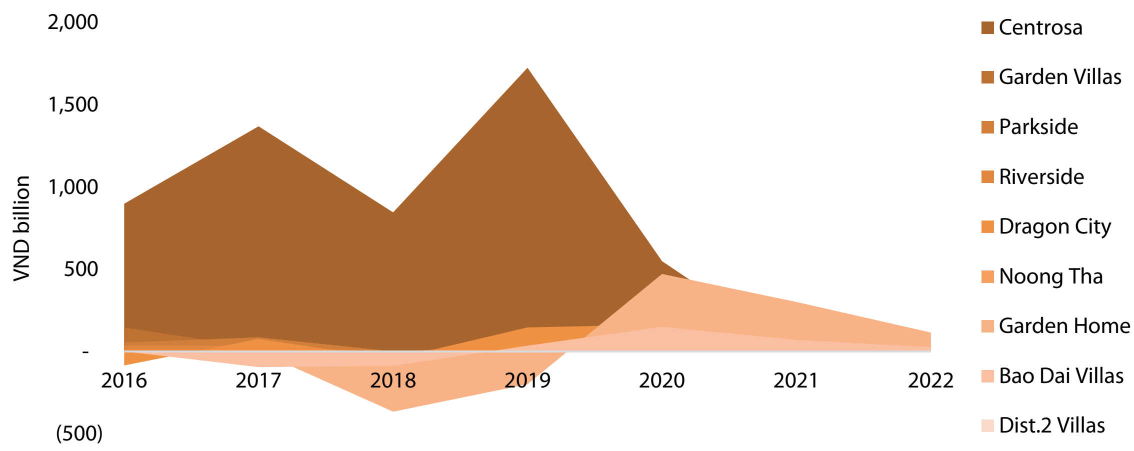
Ha Do Centrosa Garden will ensure stable cash flow for Ha Do in the coming years, with our estimation of accumulated net cash flow at VND5,400 billion. The launching of sales of other projects such as Dragon City Phase 2 or Garden Home, which were delayed before, also add more growth to real estate business in the following years. We expect that total net cash flow from these projects will be around VND650 billion through 2022.

Dragon City first stage was quite successful with 6 ha out of 11 ha saleable area, sold and delivered 10 years ago, of which 5 ha was yet to be constructed. The upgrading of the infrastructure in the West of Hanoi and the new opening of large-scale real estate projects in this area will warm up Hanoi West property market again. Ha Do is expected to open sales launching of the second phase of this project by the end of 2017.

Garden Home project was located in District 9, Ho Chi Minh City, with a land area of 1 ha and offering a gross floor area of 70,000 sqm for sale to the market. The project plan was also delayed for a while. The company is currently finalizing the final legal procedures to launch it to the market. We expect the project to start rolling out in 2018.

Furthermore, in 2017, Ha Do completed the acquisition of a 100% stake in HH1 project in Cau Giay District, Hanoi City from Tu Liem Urban Joint Stock Company. The first approved design of this project is mix-used, including office and apartment, and Ha Do is converting it to only apartment component, with a scale of more than 1,000 units located in 1ha of land area. In terms of development progress, we expect clearance work will to be completed by the end of this year and start rolling out in 2019.

Figure 13: Residential segment's cash flow forecast 2017 – 2022



Nguồn: RongViet Research forecast

Real estate leasing

Until now, Ha Do has operated three leasing projects, which are all located in the Phu Nhuan District and opposite to Tan Son Nhat Airport, comprising of IBIS hotel with 282 rooms, South Office Building with a 17,000 sqm of gross floor area for lease and Airport Office Building with a 10,000 sqm of gross floor area for lease.

We project that total revenue from leasing segment will improve gradually along with higher occupancy rate, since after the first period of opening. By 2020, we predict total revenue and gross profit from these projects will be VND285 billion and VND133 billion, respectively.

It is expected that in the third quarter of 2018, Ha Do will put into operation a new five-star hotel and resort project in Nha Trang, namely Bao Dai villa, with the scale of 180 rooms. The project has a prime location, locating in Tran Phu Street and bordering with Nha Trang sea beach. In many recent years, Nha Trang has always been considered to be one of the most important tourist hubs of Vietnam, achieving a forecasted visitor growth of 12% per annum through 2020. We expect that the project will contribute VND125 billion to HDG's revenue and VND80 billion to HDG's gross profit during its stable operation period.

Construction

This is the traditional business of Ha Do since its inception, generating about VND600 billion–VND700 billion each year. However, the GPM and NPM of construction business is at around 9% and 3%, respectively, which is low compared to other business lines. As of result, it does not have significant effect on Ha Do's cash flow from operating activities. We project that Ha Do will only keep the constant growth rate in this segment of 2% per annum over the long term, especially after the MoD's divestment.

Hydro power

Revenue of hydro power segment in H1 2017 was up 90% over the same period, due to an increase in rainfall level in that period. At the end of this year, the rainfall level is forecasted to fall by 10-15% compared to the same period in 2016, which means that the growth in whole year of revenue is around 35%. In the coming years, given the stable operating nature of hydroelectric plants, total output of two current plants, namely Za Hung and Nam Pong, will be expected to remain at 180 million kWh per year.

The opening of two new plants, namely Nhan Hac and Song Tranh 4, will increase the total capacity to 118 MW and 166 MW in 2018 and 2020, respectively. The revenue generated from Nhan Hac plant is projected at VND150 billion per year, because the capacity is twice as much as Za Hung, but the annual average amount of flowing water here is only 50% compared to that of Za Hung. Song Tranh 4 plant has not been implemented so we have not factored it into our valuation model.

Forecast overview

Totally, we estimate revenue to increase by 4% to VND2,070 billion, but PAT drops by 47% to VND124 billion, equivalent to 2017 EPS forward of VND1,613 (based on the 76 million outstanding shares).

Table 4: Earning forecast

Unit: VND billion	FY2016	FY2017E	FY2018F	FY2019F	FY2020F
Revenue	**1,990**	**2,070**	**3,393**	**4,292**	**6,310**
COGS	(1,415)	(1,360)	(2,455)	(2,931)	(4,268)
Gross profit	**575**	**710**	**938**	**1,360**	**2,042**
SG&A expense	(241)	(313)	(134)	(294)	(256)
Financial income	19	16	19	15	23
Financial expense	(118)	(150)	(162)	(123)	(87)
Other income/loss	52	17	17	17	17
Gain/(loss) from JV	-	-	-	-	-
PBT	**293**	**299**	**696**	**990**	**1,756**
Tax expense	(41)	(50)	(149)	(219)	(323)
Minority interests	17	125	216	389	495
PAT	**236**	**124**	**330**	**382**	**938**

Source: RongViet Research forecast

VALUATION

To determine a fair per-share value for HDG, we use the Net Asset Value (NAV) method to revalue each of the real estate projects that the company is developing upon the consideration of all additional investments needed from now until the project is completed. It's only for Noong Tha project that we assess by current book value due to lack of its detailed plan.

For other segments, including real estate leasing, hydroelectric and construction segments, we apply free cash flow for the firm (FCFF) method for each projects to evaluate. It's only for Song Tranh 4 project that we also use its book value because it has not quite been implemented.

Table 5: Ha Do projects valuation

Unit: VND billion	NAV	% Stake	Effective NAV
Residential	**3,173**		**2,432**
Centrosa Garden	2,468	65%	1,604
Garden Villas	2	100%	2
Parkside	25	100%	25
Riverside	30	100%	30
Dragon City	176	100%	176
Garden Home	53	100%	53
Bao Dai Villas	56	100%	56
HH1	362	100%	362
Leasing	**1,202**		**1,067**
IBIS Hotel	274	100%	274
Bao Dai Hotel	388	65%	252
South building	192	100%	192
Airport building	320	100%	320
Construction	**233**	60%	**140**
Hydro power	**3,408**		**1,307**
Za Hung	1,022	52%	532
Nam Pong	534	52%	278
Nhan Hac	957	52%	498
BOOK VALUE	**398**		**167**
Noong Tha	135	100%	135
Song Tranh	63	50%	32
TOTAL	**8,413**		**4,989**
(+) Cash and cash equivalents			627
(-) Debts			(2,599)
Enterprise value			**3,017**
Total outstanding shares *(million)*			76
Price per share *(VND)*			**39,718**

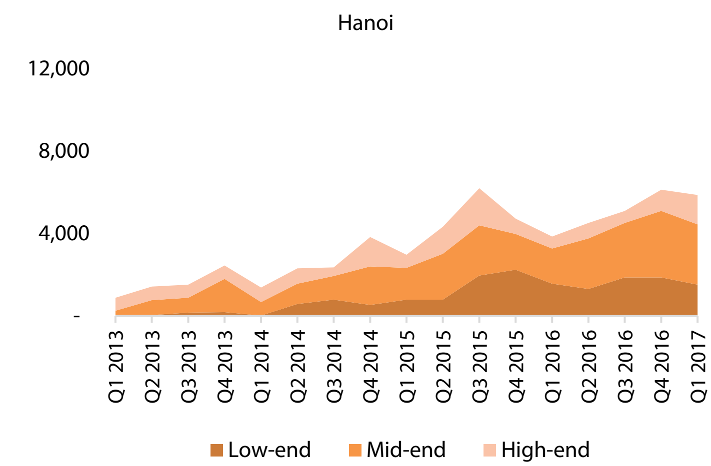
Source: RongViet Research forecast

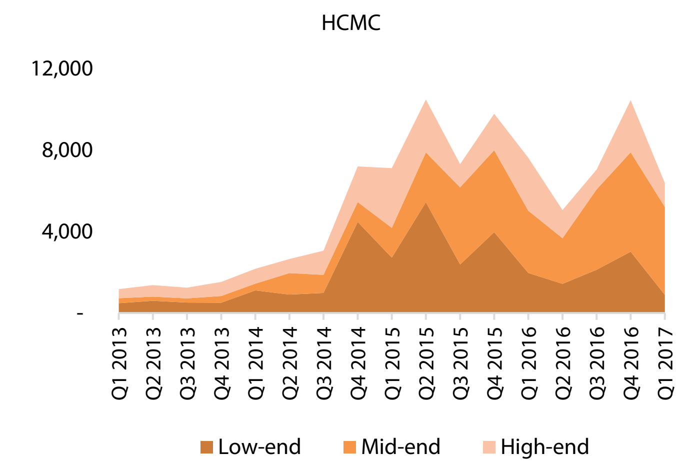
We believe the fair price of HDG is around **VND39,700/share**. This target price, coupled with a VND500 cash dividend, yields a total return of **20.4%** (calculated based on the closing price on September 25, 2017). Therefore, we recommend investors to **BUY** the stock.

REAL ESTATE OVERVIEW

Vietnam residential market is in the uptrend. Both Hanoi and HCMC residential transactions is on the rise with high- and mid-end prices reaching a 4-year high. However, this trend is moving to low-end segment and affordable housing to meet the real demand of Vietnamese people.

Figure 14: Hanoi and HCMC residential transactions

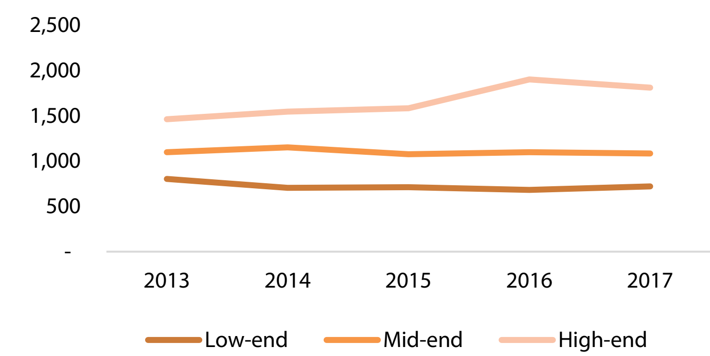


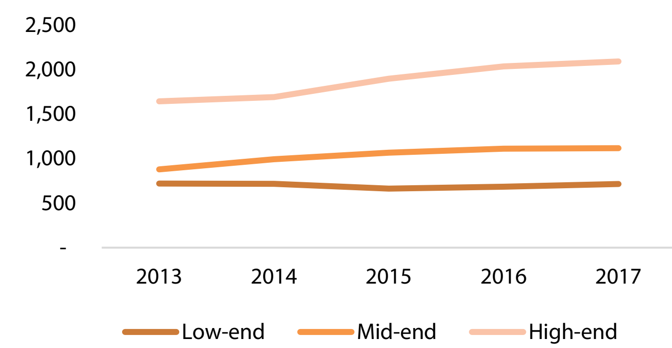


Source: CBRE

Source: CBRE

Figure 15: Average selling price (USD psm)





Source: CBRE

Source: CBRE

Real estate market continues showing irresistible appeal to foreign investors. As the population is growing and available land plots are drying up, firms with greater land banks and strong financial strength will continue to boost their real estate business. Thus, M&A is a tool for firms wishing to develop rapidly. Many investors as Singaporean company, Hong Kong or Japanese investors are increasing involvement in Vietnam.

Improvement in infrastructure condition is a good signal for real estate market. In HCMC, new projects is being implemented to solve infrastructure issues, as flooding and traffic congestion. Or infrastructure improvement quickens in the increasingly busy West in Hanoi.

Unit: VND billion

INCOME STATEMENT	2015A	2016A	2017F	2018F
Revenue	1,480	1,988	2,070	3,393
COGS	1,250	1,415	1,360	2,455
Gross profit	**230**	**573**	**710**	**938**
Selling expense	2	146	172	59
G&A expense	71	95	142	75
Financial income	12	19	16	19
Financial expense	13	118	150	162
Other income/loss	2	52	17	17
Gain/(loss) from JV	0	0	0	0
PBT	**185**	**293**	**299**	**696**
Tax expense	46	41	50	149
Minority interests	16	17	125	216
PAT	**123**	**236**	**124**	**330**
EBIT	157	332	359	804
EBITDA	186	418	434	883

Unit: %

FINANCIAL RATIO	2015A	2016A	2017F	2018F
Growth				
Revenue	-4.8	34.4	4.1	63.9
EBITDA	-11.8	125.1	12.9	87.2
EBIT	-12.3	111.6	119.4	202.6
PAT	-16.7	90.8	-47.5	167.4
Total Asset	33.2	119.3	28.5	1.8
Total Equity	24.3	40.4	6.6	15.7
Profitability				
Gross profit margin	15.5	28.8	34.3	27.6
EBITDA margin	12.5	21.0	22.8	26.0
EBIT margin	10.6	16.7	19.0	23.7
Net profit margin	9.4	12.7	6.0	9.8
ROA	5.2	5.2	1.6	3.6
ROIC or RONA	28.1	15.2	18.5	61.2
ROE	8.5	8.8	9.0	21.0
Efficiency (x)				
Receivables turnover	3.5	2.7	2.5	5.2
Inventories turnover	1.3	0.8	0.5	0.6
Payables turnover	1.2	1.1	1.0	1.2
Liquidity (x)				
Current	2.1	2.0	1.2	1.2
Quick	1.2	0.9	0.3	0.3
Financial Structure				
Total debt/ Equity	62.6	144.1	129.9	84.8
ST debt / Equity	9.9	19.4	17.8	14.3
LT debt/ Equity	52.7	124.8	111.1	70.5

Unit: VND billion

BALANCE SHEET	2015A	2016A	2017F	2018F
Cash and cash equivalents	695	627	1,356	986
Short term investment	61	55	70	62
Accounts receivable	462	1,009	615	695
Inventories	985	2,391	3,326`	4,620
Other current assets	37	64	37	46
Tangible Fixed Assets	413	2,352	2,806	3,064
Intangible Fixed Assets	0	0	0	0
Long term investment	203	13	131	115
Other non current assets	123	177	64	79
Total Asset	**3,055**	**6,700**	**8,170**	**8,983**
Account Paybale	570	238	3,343	4,088
Short term borrowings	126	349	343	346
Long term borrowings	675	2,250	2,149	1,711
Other non-current liabilities	4	577	-	-
Bounus and Welfare fund	2	3	3	3
Technology – Science dev fund	3	3	3	3
Total Liabilities	**1,773**	**4,894**	**6,236**	**6,556**
Common stock and APIC	684	760	760	760
Treasury stock	0	0	0	0
Retained Earnings	262	385	469	847
Other comprehensive income / (loss)	6	4	4	4
Investment and Development Fund	27	31	32	40
Total Equity	**953**	**1,149**	**1,235**	**1,619**
Minority Interest	327	655	698	808
Total Resources	**1,280**	**1,804**	**1,933**	**2,427**

CASH FLOW STATEMENT	2015A	2016A	2017F	2018F
Profit before tax	185	293	299	696
Depreciation	26	86	75	79
Adjustment	0	0	0	0
Working capital	(535)	(280)	863	(606)
Net Operating CFs	**(342)**	**134**	**1,249**	**163**
Fixed Asset	(6)	(1,489)	(443)	(538)
Deposit. equity investment	5	196	-	63
Interest. dividend. cash profit received	28	-	-	-
Net Investing CFs	**(185)**	**(1,198)**	**(443)**	**(475)**
Capital	33	76	-	-
Debt	750	1,798	(47)	(29)
Dividend paid & other	(14)	(44)	(31)	(30)
Net Financing CFs	**871**	**998**	**(77)**	**(59)**
Net Cash flow	617	(872)	729	(371)
Beginning cash & equivalents	**348**	**694**	**627**	**1,356**
Effect of exchange rate	0,0	0,0	0,0	0,0
Ending cash & equivalents	**694**	**627**	**1,356**	**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.

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

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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
- Infrastructure
- 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

Tri Nguyen
Analyst
tri.nt@vdsc.com.vn
+ 84 28 6299 2006 (1511)
- Logistics

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)

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