May 2016

REE Corp (HSX - REE)

Unwavering long-term prospect

Particulars (VND bn)	Q4-FY15	Q1-FY16	+/- qoq	Q1-FY15	+/- yoy
Net Revenue	552.9	662.2	*-16%*	676.4	*-18%*
PAT	109.9	270.6	*-59%*	148.1	*-26%*
EBIT	132.6	301.8	*-56%*	162.4	*-18%*
EBIT margin (%)	24.0%	45.6%	*-2,159bps*	24.0%	*-3bps*

Source: REE, RongViet Securities

- **Investment profits swayed while core businesses steadied**
- **Substantial long-term growth potential underlined by fast-expanding demand for clean water and office space**
- **Investment profit is to grow despite disruptions in the power market**

Outlook and Valuation:

We like REE for its high sound fundamentals and solid financial positions. The Company experienced a slowdown in earnings growth during 2015 and 1Q2016, largely due to foreign exchange-related losses of PPC, its largest affiliate company. Nonetheless, REE has been able to maintain high profitability in its core businesses.

As opposed to the volatile earnings of electricity companies, recent developments in the real estate and water sectors should improve the stability of REE's performance while adding power to its growth engine in the long term. REE just brought Thu Duc 3 Water Plant (REE holds 40%) into operation in late 2015 and plans to launch Tan Hiep 2 Water Plant (REE owns 32%) for commercial running in 2H2016. We estimate REE will own a total water treatment capacity of up to 340,000 cbm/day by 2017. Furthermore, we hold high opinion of the development of e.town Central (NLA 35,000 sqm) and REE's plan to double the size its office floor by 2020.

2016 will be a difficult year for power companies, including some of REE's largest affiliate companies. Even so, positive earnings growth in core businesses, especially the M&E segment will help offset the drop in the contributions of PPC and the hydropower plants. We forecast REE's NPAT to grow 13% YoY in 2016. Using the total-sum-of-parts method, out target price for the stock of REE in the **LONG TERM** is **VND26,800/share**, 28% higher than the stock's close on 18/05/2016 and translating into a market capitalization of VND8,309 bn. Accordingly, we rate REE as a **ACCUMULATE** in the **LONG TERM.**

Table 1: Key financials

Y/E Dec (VND bn)	FY2014	FY2015	FY2016F	FY2017F
Net Revenues	2,629.4	2,643.4	2,718.1	2,565.4
% chg	*8.9*	*0.5*	*2.8*	*-5.6*
PAT	1,062.0	853.1	960.2	1,043.9
% chg	*8.8*	*-19.7*	*12.6*	*8.7*
EBIT margin (%)	40.4	32.3	35.3	40.7
ROA (%)	13.8	9.5	9.9	10.6
ROE (%)	19.1	13.9	14.6	14.6
EPS (VND)	4,004	3,171	3,097	3,367
Adjusted EPS (VND)	3,425	2,751	3,097	3,367
Book value (VND)	21,965	23,494	22,050	23,914
Cash dividend (VND)	1,600	1,600	1,000	1,500
P/E adjusted (x)	6.5	7.7	6.7	6.2
P/BV (x)	1.0	0.9	1.0	1.1

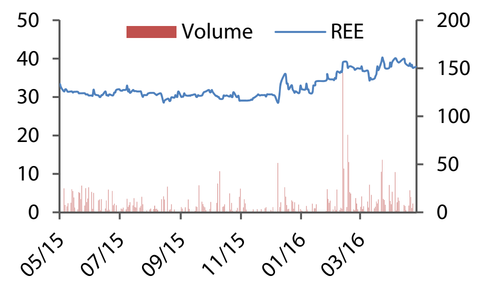
Sources: REE, RongViet Securities; Stock price as of 18 May 2016

ACCUMULATE

CMP (VND)	20,900
Target Price (VND)	26,800
Investment Period	LONG TERM

Stock Info

Sector	General Industrials
Market Cap (VND bn)	6,480
Current Shares O/S	310,056,172
Beta	0.8
Free float (%)	57.2
52 weeks High	23,739
52 weeks Low	22,970
20-day Avg. Volume	334,027



Performance (%)

	3M	1Y	3Y
REE	-16.04	-9.01	9.54
General Industrials	-0.50	21.83	95.42
VN30 Index	10.07	12.84	12.72
VN-Index	12.66	17.68	27.66

Major Shareholders (%)

Platinum Victory Pte. Ptd	22.9
Nguyen Thi Mai Thanh	7.3
HCMC Finance and Investment State-owned Company	7.1
Nguyen Ngoc Hai	5.5
Foreigner Investor Room (%)	0.0

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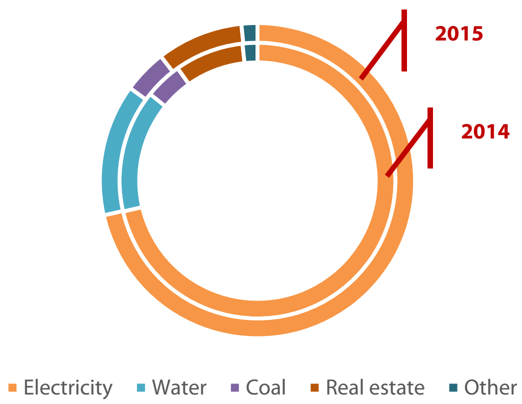
2015 and 1Q2016: Investment profits swayed while core businesses steadied

2015 was a slow year for REE as the Company reported net revenue at VND2,644 bn, down 0.5% yoy as sales from three core businesses, i.e. M&E, Reetech and office leasing were little improved from 2014. Meanwhile, a sharp decline in shared profits in affiliate companies resulted in drop of 20% yoy in profit after tax.

For the **construction (M&E) business**, last year, REE concluded a number of large contracts, including those of ACE Sanofi Factory, Khatoco Liberty Nha Trang Hotel, Sora Garden 1, T2 Terminal Noi Bai Airport, etc. Since REE generally books higher profit margins in the later stage of a project than in the earlier stage (high-cost equipment are purchased before construction start), this improved the segment's operating margin, i.e. to 19.5% from 15.3% in 2014 and kept operating profit in positive growth despite a slight drop in sales. REE was awarded VND2,249 bn in new contract value in 2015 and reported a robust order book of VND3,500 bn as of 2015 year-end.

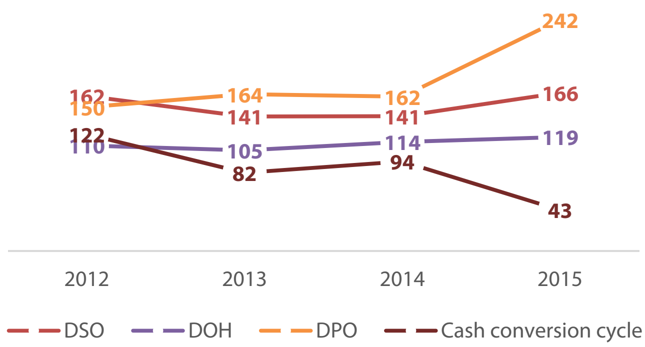
We understand that REE's conservatism in its choice of contracts has put a cap on the growth of the M&E segment. In 2014, the Company recovered VND29 bn from M&C Tower (Dist.1, HCMC) and recognized a gain from bad debt provision reversal. Aside from this one project, provision expenses in the past few years were trivial. As a major player in the M&E market, REE always stands on high grounds when negotiating contract terms, a typical of which require developers to pay REE 30% of the contract value upfront. Combined with efficient working capital management, this has allowed the Company to gather a huge cash pile while keeping the cash conversion cycle at a low level (Figure 2).

Figure 1: Investment portfolio breakdown



Source: REE, RongViet Research

Figure 2: Cash conversion cycle (Unit: day)

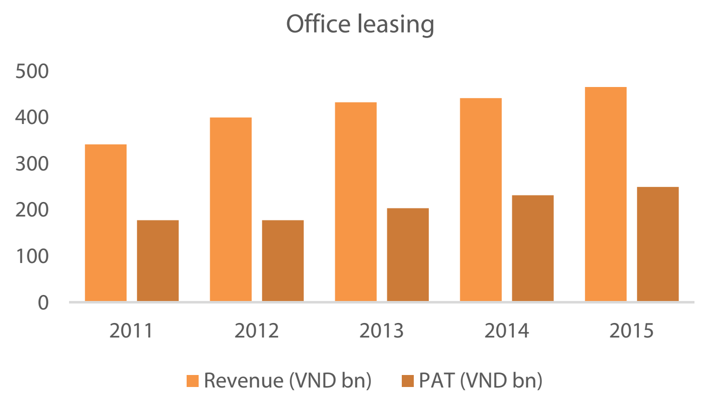


Source: REE, RongViet Research

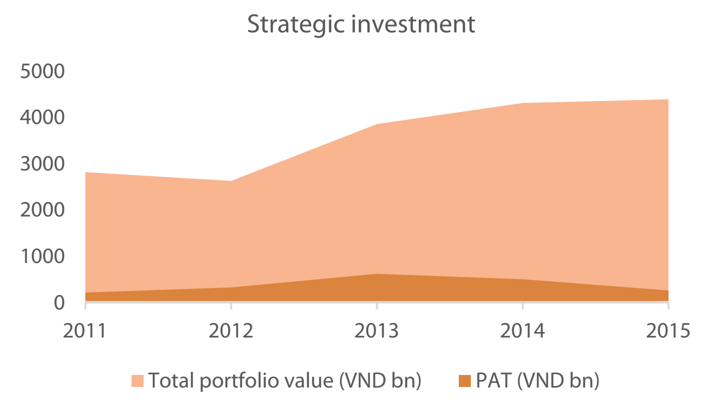
Following some major reorganization, the **air-con segment** (i.e. Reetech) saw a strong recovery in profitability in 2014. 2015 sales were largely unchanged though unit sales climbed 8% from 2014. However, the segment reported an increase of 13.3% yoy in PAT last year. In the retail market, harsh competition against more globally-recognized brands such as LG, Toshiba, Electrolux, Sharp, etc. has been a constraint to air-con sales growth. As a result, REE has shifted its focus to the sales of central air-conditioning systems along with mechanical products and services into commercial buildings where the Company does M&E works. Last year, Reetech exported USD2 mn in air-con products to Cuba. Other potential market in consideration included Myanmar and the Middle East.

REE was able to ensure near-a-hundred-percent occupancy rates in all of its **office buildings** during 2015. A 6% growth rate in rental revenue and 7.8% in PAT last year was largely attributable to an improvement in rental rates and the USDVND exchange rate. In the second quarter, REE started the construction of e.town Central (Dist.4, HCMC), a 25-storey, 5-basement project that will supply nearly GFA 68,000 sqm of grade-B office when it is launched, i.e. late 2017. The pilling for e.town Central were finished in 2015 and major construction works will start this year.

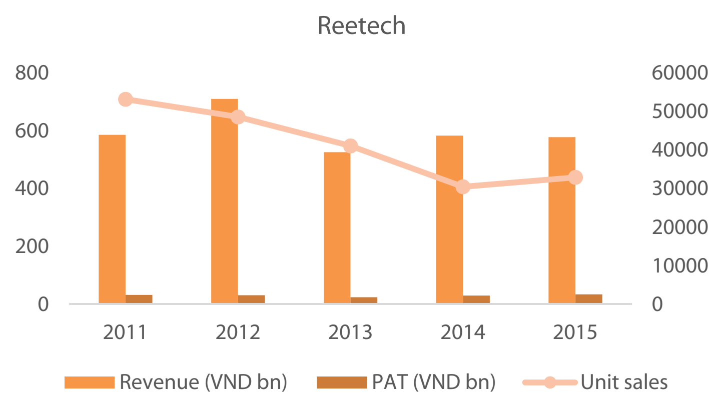
Figure 3: Business performance by segment



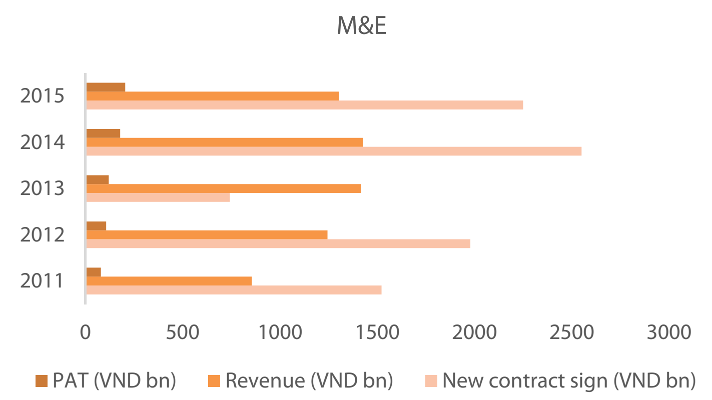
Source: REE, RongViet Research



Source: REE, RongViet Research



Source: REE, RongViet Research



Source: REE, RongViet Research

A sharp decline in PPC's 2015 after-tax profit caused total shared profit in affiliate companies to shrunk by half in 2015. Whereas it booked a sizable gain from late-payment interest in 2014, PPC recorded VND280 bn of unrealized foreign exchange loss and made a VND322bn provision for its investment in Quang Ninh Thermal Power Company in 2015.

As of 2015 year end, REE had 46.4% of stake in Vietnam Infrastructure Investment & Development JSC (VIID) and 28.9% in Saigon Real Estate JSC (SaigonRes). VIID's contribution in REE's PAT rose from VND47 bn in 2014 to VND75bn in 2015 as the affiliate company liquidated two major projects in Hanoi. In mid-2015, SaigonRes launched a 749-unit grade-B condominium project in Binh Thanh District, HCMC. The project will hand over sold units in 1Q2017. SaigonRes is preparing to launch several residential projects this year.

B.O.O Thu Duc Water Treatment Plant and Thu Duc Water Supply JSC continued to made up a large part in total affiliate shared profits in 2015. As it just went into operation in July 2015, Thu Duc III Water Treatment Plant (Thu Duc III) has yet to generate profits.

Table 2: Shared profits and dividends from affiliate companies, 2015 (Unit: VND bn)

	Cost of investment				Accumulated share in post-acquisition profit/loss of the associate					Carrying value	
Name	Beginning balance	Increase	Decrease	Ending balance	Beginning balance	Dividend received	Shared profit (loss)	Decrease	Ending balance	Beginning balance	Ending balance
PPC	719.5	-	-	719.5	548.9	(85.3)	93.3	-	556.8	1,268.3	1,276.3
TMP	306.3	49.5	-	355.8	94.2	(69.2)	80.7	-	105.7	400.5	461.6
Song Ba Ha	368.0	-	-	368.0	-	-	13.9	-	13.9	368.0	381.9
B.O.O Thu Duc	409.9	-	-	409.9	(67.4)	(93.9)	40.3	-	(121.0)	342.5	288.9
VIID	170.2	-	-	170.2	41.4	(26.7)	75.5	-	90.3	211.6	260.5
Srok Phu Mieng	173.3	-	-	173.3	0.5	(7.7)	7.2	-	0.0	173.8	173.3
NBC	59.4	-	-	59.4	35.1	(5.3)	6.2	-	35.9	94.5	95.3
TDN	46.0	-	-	46.0	21.1	(2.3)	13.9	-	32.7	67.2	78.8
TDW	66.1	-	-	66.1	(5.6)	(4.4)	12.3	-	2.4	60.6	68.5
NBP	66.4	-	-	66.4	7.4	(6.8)	1.3	-	1.9	73.8	68.3
SaigonRes	54.5	-	-	54.5	11.1	(3.8)	3.7	-	11.0	65.5	65.5
Tan Hiep Water	24.0	28.8	-	52.8	(0.9)	-	0.9	-	0.0	23.1	52.8
SWIC	61.6	-	-	61.6	(1.0)	-	(9.5)	-	(10.5)	60.6	51.0
Song Ong Hydropower	-	36.4	-	36.4	-	-	1.1	-	1.1	-	37.5
Doan Nhat M&E	11.6	-	-	11.6	13.4	(7.7)	10.1	-	15.8	24.9	27.3
Trung An Water	22.6	-	-	22.6	-	-	1.6	-	1.6	22.6	24.3
Quality M&E	1.2	-	(1.2)	-	1.8	-	-	(1.8)	-	3.0	-
Hop Phat M&E	1.8	-	(1.8)	-	0.4	-	-	(0.4)	-	2.2	-
Total	**2,562.2**	**114.7**	**(3.0)**	**2,673.9**	**700.5**	**(313.2)**	**352.7**	**(2.2)**	**737.8**	**3,262.7**	**3,411.8**

Source: REE, RongViet Research

Foreign-exchange loss continued to put a drag in REE's earnings in 1Q2016. Last quarter, consolidated net revenue dropped and 18% yoy to VND553 bn and PAT 26% yoy to VND110 bn. Gross profit margin jumped to 41.6% in the three-month period ended March 2016 as compared to 26.9% in 1Q2015, largely thanks to an expansion in M&E segment's profitability. Meanwhile, PPC continued to book large fx loss in Q1 as the JPY gain significant strength against the local currency. As a result, REE book a negative VND114 bn of shared profits in affiliate companies last quarter.

Table 3: 1QFY2016 and YTD Results

Particulars (VND bn)	Q1-FY16	Q4-FY15	*+/- % (qoq)*	Q1-FY15	*+/- % (yoy)*
Net Revenues	552.9	662.2	*-16.5*	676.4	*-18.3*
Gross profits	230.6	254.3	*-9.3*	182.0	*26.7*
SG&AC	-47.6	-80.1	*-40.6*	-49.7	*-4.2*
Operating Income	278.2	334.4	*-16.8*	231.7	*20.1*
EBITDA	164.7	333.6	*-50.6*	197.6	*-16.7*
EBIT	132.6	301.8	*-56.1*	162.4	*-18.3*
Financial expenses	-19.6	-21.8	*-10.3*	-16.6	*17.7*
- Interest Expenses	-16.4	-18.6	*-11.6*	-15.5	*5.9*
Dep. and amortization	-32.1	-31.9	*0.6*	-35.2	*-8.9*
Non-recurring Items (*)	-114.8	46.4	*-347.4*	14.2	*-909.7*
Extraordinary Items (*)					
PBT	149.0	320.4	*-53.5*	177.9	*-16.2*
NPAT	98.8	262.3	*-62.3*	144.9	*-31.8*
(*) Adjusted NPAT	98.8	262.3	*-62.3*	144.9	*-31.8*

Source: REE, RongViet Securities

Table 4: 1QFY2016 performance analysis

Particulars	Q1-FY16	Q4-FY15	*+/- % (qoq)*	Q1-FY15	*+/- % (yoy)*
Profitability Ratios (%)					
Gross Margin	41.7	38.4	330bps	26.9	1.479bps
EBITDA Margin	29.8	50.4	-2.060bps	29.2	57bps
EBIT Margin	24.0	45.6	-2.159bps	24.0	-3bps
Net Margin	19.9	40.9	-2.099bps	21.9	-201bps
Adjusted Net Margin	19.9	40.9	-2.099bps	21.9	-201bps
Turnover *(x)					
-Inventories	-2.2	-3.4	1.2	-3.5	1.3
-Receivables	1.7	2.0	-0.3	2.5	-0.9
-Payables	1.3	1.6	-0.4	4.6	-3.4
Leverage (%)					
Total Debt/ Equity	0.4	0.4	0.0	0.4	0.0

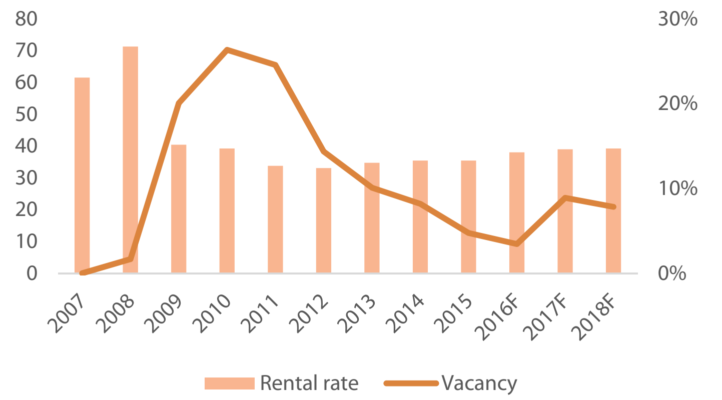
Source: REE (*) Annualised turnover

Substantial intermediate and long-term growth potential underlined by fast growing demand for clean water treatment and office space

Increased investments in office space to capitalize on growing demand

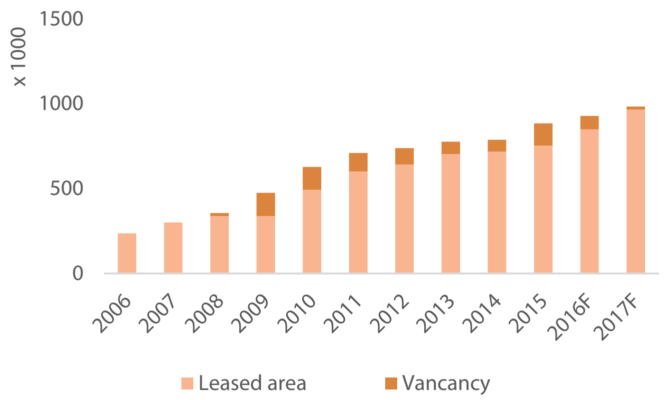
As an experienced developer and contractor, REE has made office leasing one of its most profitable businesses. A network of near prime-location office buildings across HCMC has provided the Company with strong and steady cash flows over the year. While supply experienced little growth, demand for the quality office space in HCMC witnessed on strong recovery in 2015, evidenced by marked increase in lease rates and high occupancy city-wide. Improving business conditions plus the increasing number of FDI-company branches and representative offices was the main motivation for the rebound in office demand in HCMC. Market research firm Savills expects the lease rates in Grade-A and Grade-B buildings to climb 4% in 2016 and 9% in 2017 where the rates in HCMC's CBD may pick up as much as 10% as compared to 2015.

Figure 4: HCMC average grade-A office rental rates and vacancy (Unit: USD/sqm/month)



Source: CBRE, RongViet Research

Figure 5: HCMC office demand (Unit: sqm)



Source: Savills, RongViet Research

In late 2015, REE started the construction of e.town Central at 11 Doan Van Bo, Dist. 4, HCMC. For a total investment of ~VND1,100bn, the office building will have approximately 67,700 sqm of GFA and 34,000 sqm of NLA on a land area of 5,000 sqm. The lease rate for non-CBD grade-B buildings areas now range from USD18 to 22 per month per sqm. We expect e.town Central to be in the higher end of that spectrum thanks to REE's reputation and construction quality. We also believe e.town Central, like the adjacent REE Tower (2011), will reach full occupancy within a year after completion. Assuming an average lease rate of USD22/month/sqm, we estimate e.town Central's first-year revenue at VND130bn and second-year revenue at VND200bn. The project is scheduled to be finished in late 2017 and begin to accept tenants in early 2018.

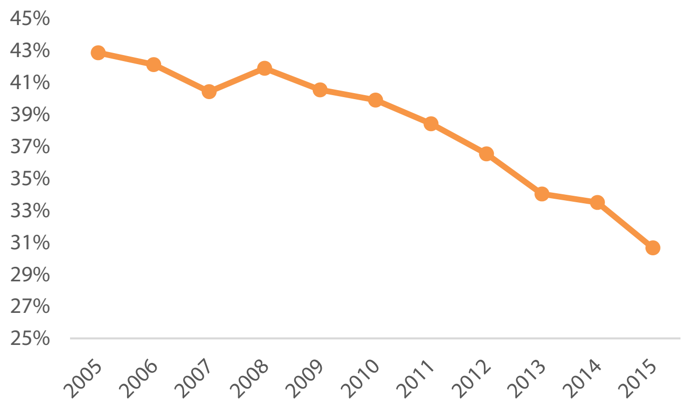
e.town Central will increase the total NLA under REE's management by 35% from the current 100,000 sqm. This one project is just part of the Company's plans to double its NLA over the next 5 years. Aside from e.town Central, REE will expand the net floor area in e.town Cong Hoa by another 20,000sqm. While REE's experience would help secure a high profit margin for the new projects, we believe a combination of capacity expansion and growing demand in the office leasing segment will contribute significantly to consolidated revenue and profit growth as soon as REE brings those projects online.

Holding of large water treatment capacity is critical long-term advantage

In addition to the electricity segment, REE has also invested in a number of water distribution companies and partaken in the construction of 03 treatment plants, the total design capacity of which is 900,000m^3/day. According to the plan of HCMC's municipal, the city's current demand for clean water is around 2.7-2.8 million cbm/day but will have increased by 30% to 3.6 million cbm/day by 2025 whereas current supply is now just around 2.1 million cbm. On the other hand, nonrevenue water as a percentage of total supply in HCM averaged over 30% or 490,000 cbm/day in 2015. Even though the loss rate has continuously declined over the past ten years, it is still significantly higher than other provinces and other Asian cities. To keep up with growth in water demand, the HCMC needs to invest substantially in new water treatment facilities and improvement of the current water distribution networks and a major part of the funding will have to come from the private sector.

According to Decree No.15/2015/NĐ-CP, the use of the public-private partnership framework is encouraged in various type of infrastructure projects, including water treatment and distribution. In fact, Thu Duc III is a PPP project developed by a joint venture of REE, WASECO and SAWACO - the SOE that holds the monopoly of water supply in HCMC. We believe on top of a solid financial base, REE's close connections with SAWACO will allow the Company to penetrate this highly potential sector.

Figure 6: Nonrevenue water as a percentage of water supply in HCMC



Source: IB-NET DB, RongViet Research

Table 4: Water coverage and Non Revenue Water in cities of East Asia

City - Nation	NRW (%)	Water coverage (%)
Delhi – India	52.4	n/a
HCMC – Vietnam	40.5	83.5
Hanoi – Vietnam	32.6	82.7
Karachi Pakistan	27.9	90.0
Kualar Lumpur - Malaysia	33.0	100.0
Manila Water – The Philippinnes	17.5	99.0
Shenzhen – China	13.5	99.0
Jamshedpur – India	12.5	74.4
Singapore	4.8	100.0
Sydney - Australia	2.7	100.0

Source: IB-NET DB, "Issues and Challenges of Reducing Non-Revenue Water", ADB, 2009, RongViet Research

Table 5: HCMC Water Stress Index

Indicator	Unit	1995	2000	2010	2025
Population*	Million	4.1	5.1	7.4	13.2
Renewable freshwater availability per capita (1)	L/capita/d	5,058	4,483	2,944	1,715
Total water demand	Million m^3/d	1.42	1.84	2.84	5.2
Total water demand per capita (2)	L/capita/d	347	360	384	394
WSI = (2)/(1)	%	6.9	8.0	13.0	23.0

** Dong Nai River Basin*
Source: Cornelis J van Leeuwen, Nguyen P Dan, Carel Dieperink, "The Challenges of Water Governance in Ho Chi Minh City", SETAC, 2015

Our statistics show that most listed water distribution companies have solid profitability ratios (gross and net margins, ROE and ROA), minimal debts and many are consistent dividend payers. First launched in 2009, BOO Thu Duc Water Plant has reported stable annual around VND300-330bn in recent years with an annual net profit margin of over 30%; the project also contributed significantly to REE's dividend income in 2014 and 2015.

Table 6: Key financials of selected water companies

Ticker	Exchange	Mar. Cap (VND bn)	ROE (%)	ROA (%)	Debt/Ttl. Asset (x)	2015 Gross profit margin (%)	2015 EBITDA margin (%)	2015 Net profit margin (%)	2015 Revenue growth (%)	2015 NPAT growth (%)	2014 Dividend (VND/share)
BTW	UPCOM	167,54	5,45	3,95	0,00	20,89	4,91	1,94	3,58	-64,71	1.150
CLW	HOSE	236,60	13,20	7,24	0,03	4,40	8,61	3,24	7,45	-9,74	1.100
GDW	UPCOM	172,90	9,20	6,41	0,00	39,48	7,55	3,13	2,18	-38,56	1.200
LAW	UPCOM	170,80	8,47	4,28	0,37	36,75	40,55	11,37	0,00	0,00	
NTW	UPCOM	272,25	19,56	17,29	0,00	37,65	43,26	26,92	4,28	-21,55	2.500
PJS	UPCOM	122,40	8,21	5,82	0,00	32,59	9,37	3,47	1,85	-43,08	1.150
TDW	HOSE	221,00	17,30	6,89	0,15	33,94	14,22	4,89	13,76	7,03	1.200
THW	UPCOM	62,50	12,11	6,52	0,00	12,15	7,15	4,12	38,87	0,77	

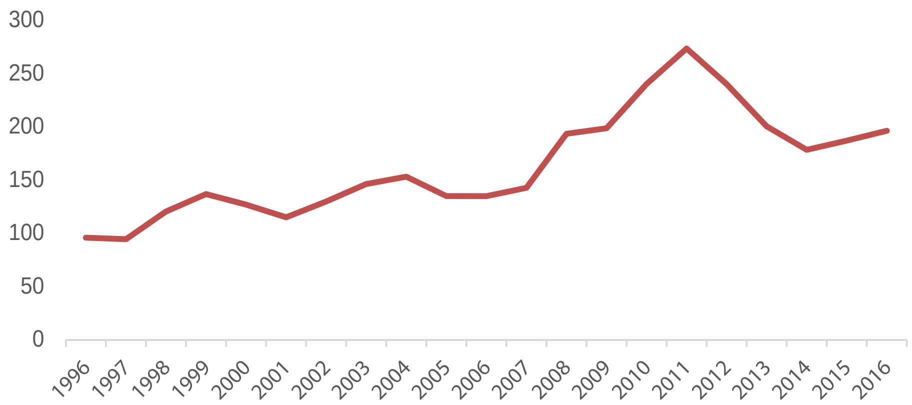
Source: RongViet Research

In July 2015, REE launched Thu Duc 3 Water Plant, a water treatment plant developed by Saigon Water Investment Company (SWIC), an affiliate firm owned 40% by the Company. Thu Duc 3 has a design capacity of 300,000m^3/day and a total investment of VND1,200 bn. REE plans to put its third water treatment plant, i.e. Tan Hiep II Water Treatment Plant (300,000m^3/day) into operation in late 2016. As clean water demand is being driven by rapid urbanization and robust manufacturing activities, HCMC has significant potential for large water treatment facilities. We believe in the intermediate and long term, when new plants like Tan Hiep 2 and Thu Duc 3 operate to their full capacity, the water sector will take a more significant part in REE's earnings while being a diversifier against the volatile power sector.

Investment profit is expected to grow despite disruptions in the power market

The weather patterns of 2016 will not be favorable to REE's investments in hydroelectricity, i.e. Thac Ba (TBC), Thac Mo (TMP), Song Ba Ha, Srok Phu Mien. Historically-low rainfall during the rainy season of 2015 has made it impossible for many hydropower plant to retain sufficient water for power generation. Song Ba Ha and Thac Mo would continue to affected by extreme droughts in the central Vietnam and southern provinces. The impact would be milder for TBC, which is located in the North as China opened the floodgates of several dams in Mekong upstream last month under pressure of neighboring countries who have suffered from water shortage. TBC's location will give the plant an advantage against its peers in term of output volume. TBC targets higher sales and production but a slight decrease in NPAT (9% yoy) in 2016.

Figure 7: VNDJPY exchange rate movements



Source: Bloomberg, RongViet Research

For PPC, we expect the affiliate firm's core operations to remain largely stable in 2016. Although the dry weather and a shortage of water could suppress hydropower output and have a positive impact on electricity price, EVN has imposed a much lower volume (Qc) in the power purchasing contract with PPC. Also, the JPY is forecasted to maintain or even strengthen against the USD while the VND may depreciate around 5% against the greenback in 2016. In our base-case scenario where the VND weakens 10% against the JPY, PPC may book a foreign exchange loss around VND400bn. Without large provision expense as in 2015, however, the power plant could maintain this year's PAT little changed from 2015.

In summary, an improvement in the profitability of core business segments, especially M&E, would help offset the decline in shared profits in power companies. We estimate REE's total shared profits in affiliate companies can reach around VND335bn, down 5% yoy in 2016. Net revenue is forecast at VND2,718bn, up by 3% yoy and NPAT at VND960bn, up by 13% yoy.

Outlook

We like REE as a company for its high sound fundamentals and solid financial positions. The Company experienced a slowdown in earnings growth during 2015 and 1Q2016, largely due to foreign exchange-related losses of PPC, its largest affiliate company. Nonetheless, REE has been able to maintain high profitability in its core businesses.

Thu Duc 3 Water Plant (REE holds 40%) just went into operation in late 2015 whereas Tan Hiep 2 Water Plant (REE owns 32%) will start running in 2H2016. We estimate, REE will own a total water treatment capacity of 340,000 cbm/day by 2017. Furthermore, we hold high opinion of the addition of e.town Central (NLA 35,000 sqm) and REE's plan to double the size its office floor by 2020. As opposed to the volatile earnings of electricity companies in REE's holding, these developments will add more stability to REE's business performance while improving its growth power.

2016 is set to be a difficult year for power companies, including some of REE's largest affiliate companies. Even so, positive earnings growth in core businesses will help offset the drop in the contributions of PPC and the hydropower plants. We forecast REE's PAT to grow 13% YoY in 2016. Using the total-sum-of-parts method, out target price for the stock of REE is **VND26,800/share**, 28.2% higher than the stock's close on 18/05/2016 and translating into a market capitalization of VND8,309 bn. Accordingly, we recommend **ACCUMULATE** REE in the **LONG TERM.**

APPENDIX

Table 7: HCMC water demand forecast

Demand	2015 (m^3/ day)	2025 (m^3/ day)
Household water demand	1,420,000	1,887,000
Industrial water demand	165,000	246,000
Other demand	340,000	589,000
Nonrevenue water	825,000	848,000
Total demand	**2,750,000**	**3,570,000**

Source: Decision 729/QĐ-TTg

Table 8: HCMC water supply planning

Water plant	Design capacity (m^3/day)		
	2010	2015	2025
Dong Nai River Basin/Tri An Lake			
Thu Duc Water Plant	750,000	750,000	750,000
Thu Duc II (BOO)	300,000	300,000	300,000
Thu Duc III (2012)		300,000	300,000
Thu Duc IV (after 2018)			300,000
Thu Duc V (2024)			500,000
Binh An Water Plant	100,000	100,000	100,000
Capacity	**1,150,000**	**1,450,000**	**2,250,000**
Sai Gon River Basin/Dau Tieng Lake			
Tan Hiep I	300,000	300,000	300,000
Tan Hiep II (2015)		300,000	300,000
Tan Hiep III (2020)			300,000
Kenh Dong I Water PLant (2012)		200,000	200,000
+ Inner-city		150,000	150,000
+ Cu Chi		50,000	50,000
Kenh Dong II Water PLant II (2015, supply for Cu Chi and Long An)		150,000	250,000
Capacity	**300,000**	**950,000**	**1,350,000**
Underground water			
Capacity	**694,861**	**440,000**	**100,000**
HCMC Total Capacity	**2,144,861**	**2,840,000**	**3,700,000**

Source: Decision 729/QĐ-TTg

VND Billion

PERFORMANCE	FY2013	FY2014	FY2015E	FY2016F
Revenue	2,413.4	2,629.4	2,643.4	2,718.1
COGS	1,810.3	1,826.8	1,752.1	1,810.6
Gross profit	**603.1**	**802.6**	**891.3**	**958.2**
Selling Expense	49.6	45.4	54.5	59.8
G&A Expense	166.2	131.3	181.8	192.4
Finance Income	352.7	459.5	429.8	486.4
Finance Expense	86.2	42.2	83.3	69.6
Other profits	5.1	52.7	6.9	5.8
PBT	**1,087.6**	**1,262.4**	**1,045.7**	**1,058.3**
Prov. of Tax	111.8	163.8	157.6	144.6
Minority's Interest	-0.1	36.7	35.0	33.7
PAT to Equity Shareholder	**975.8**	**1,062.0**	**853.1**	**960.2**
EBIT	**1,144.7**	**1,299.8**	**1,119.6**	**1,113.1**
EBITDA	1,205.8	1,361.0	1,252.4	1,240.3

Unit: %

FINANCIAL RATIO	FY2013	FY2014	FY2015E	FY2016F
Growth				
Revenue	0.7	8.9	0.5	2.8
Operating Income	-2.7	61.6	4.7	7.8
EBITDA	37.8	12.9	-8.0	-1.0
EBIT	37.2	13.6	-13.9	-0.6
PAT	48.6	8.8	-19.7	12.6
Total Assets	5.8	20.8	14.3	1.0
Equity	23.3	13.7	7.2	7.9
Internal growth rate	11.8	11.4	6.9	9.9
Profitability				
Gross profit/Revenue	25.0	30.5	33.7	35.3
Operating profit/ Revenue	16.0	23.8	24.8	26.0
EBITDA/ Revenue	50.0	51.8	47.4	45.6
EBITDA/ Revenue	47.4	49.4	42.4	41.0
Net margin	40.4	40.4	32.3	35.3
ROAA	14.4	13.8	9.5	9.9
ROIC or RONA	21.7	21.0	15.7	14.5
ROAE	20.7	19.1	13.9	14.6
Efficiency				
Receivable Turnover	2.6	2.6	2.2	2.2
Inventory Turnover	3.5	3.2	3.1	3.3
Payable Turnover	2.2	2.3	1.5	1.2
Liquidity				
Current	1.8	1.9	1.7	2.0
Quick	1.4	1.5	1.4	1.6
Solvency				
Total Debt/Equity	33.7	34.9	46.2	36.0
Current Debt/Equity	5.5	5.1	6.8	6.8
Long-term Debt/ Equity	4.6	6.9	8.9	8.5

VND Billion

BALANCE SHEET	FY2013	FY2014	FY2015E	FY2016F
Cash and equivalents	536	1,037	1,420	1,301
Short-term investment	417	250	381	458
Receivables	1,003	1,031	1,369	1,060
Inventories	544	598	547	565
Other current assets	63	50	30	31
Total Current Asset	**2,562**	**2,967**	**3,747**	**3,415**
Tangible Fixed Assets	21	494	450	298
Intangible Fixed Assets	14	35	34	29
Construction in Progress	7	34	316	632
Investment Property	688	635	585	527
Long-term Invest ment	3,629	4,117	4,369	4,588
Other long-term assets	34	41	108	219
Goodwill	0	79	0	0
Long-term Asset	**4,393**	**5,437**	**5,862**	**6,293**
Total Asset	**6,954**	**8,403**	**9,609**	**9,708**
Payables	731	887	1,439	960
Other current liabilities	403	363	356	318
Current Debt	285	301	430	462
Long-term Debt	238	410	561	581
Other long-term liabilities	95	104	139	139
Total Liability	**1,752**	**2,065**	**2,926**	**2,460**
Owner's Equity	**5,197**	**5,910**	**6,334**	**6,837**
Capital	2,637	2,691	2,696	3,101
Retained Earnings	1,354	1,939	2,350	2,767
Funds & Reverses	203	236	237	323
Others	**0**	**0**	**0**	**0**
Total Equity	**5,197**	**5,910**	**6,334**	**6,837**
Minority's Interest	5	428	349	410
TOTAL RESOURCES	**6,953**	**8,403**	**9,609**	**9,708**

CASH FLOW STATEMENT	FY2013	FY2014	FY2015E	FY2016F
Profit before tax	1,087.6	1,262.4	1,045.7	1,058.3
-Depreciation	61.2	57.1	132.7	127.2
-Adjustments	*-648.5*	*-632.6*	*-380.7*	*20.4*
+/- Working capital	-540.9	-38.2	-23.4	-372.9
Net Operating CFs	**-40.7**	**648.8**	**774.4**	**833.0**
+/- Fixed Asset	-9.7	-43.4	-322.7	-231.0
+/- Deposit, equity investment	-1,455.9	-339.8	-307.6	-379.4
Interest, dividend, cash profit	320.9	360.9	457.4	-18.4
Net Investing CFs	**-44.1**	**-22.4**	**-172.9**	**-628.8**
+/- Capital	0.8	32.7	1.0	0.0
+/- Debt	168.4	263.1	288.4	102.4
Dividend paid& other	-382.3	-419.8	-509.8	-425.5
Net Financing CFs	**-213.2**	**-124.0**	**-220.4**	**-323.1**
+/- cash & equivalents	-298.0	502.3	381.1	-118.9
Beginning cash & equivalents	**834.7**	**535.8**	**1,036.7**	**1,419.7**
Impact of exchange rate	-0.9	-1.5	2.0	0.0
Ending cash & equivalents	**535.8**	**1,036.7**	**1,419.7**	**1,300.9**

COMPANY REPORT

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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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