JULY

28

TUESDAY

ADVISORY DIARY

- **Exit or expand strategies?**
- **Cashflows seem reluctant to join the market**

Exit or expand strategies?

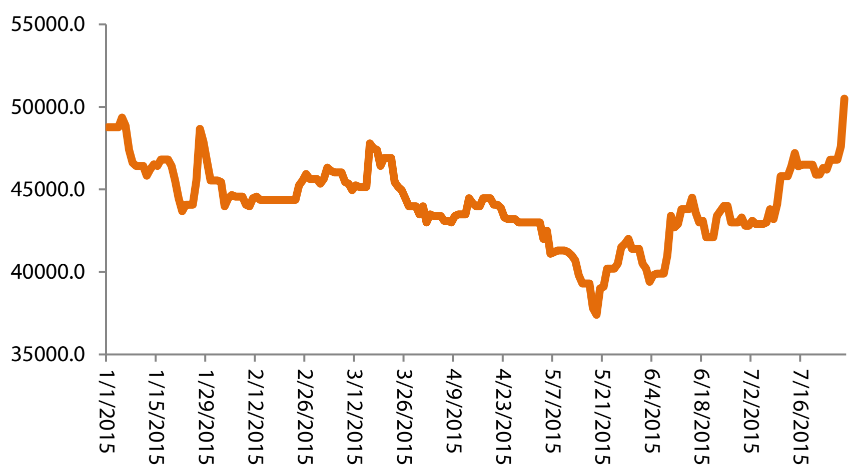
Today, KDC witnessed an eventful trading and closed at ceiling price amid an announcement of dividend payout of 200%. Recently, KDC's actions remind us a theory related to exit strategy.

"Exit strategies" occurs as companies' ownership rate is more concentrated, especially concentrated position received from a family member. One of strategies to consider in managing business includes (1) recapitalization that means ownership may sell most of their proportion to the Company and receive initial capital. The owner continues to manage the business with a significant financial stake. (2) Sale or disposition of non-core business assets; the owner sells nonessential business assets and then directs the company to use the proceeds to pay a large dividend to, or repurchase stock from the owner. The remaining shares determine the Company's subsequent plan. Finally, enterprise risk doesn't accompany with that of ownership. Thus, core business may change with new strategic partners.

Selling its core business then pay "huge" cash dividend and repurchase shares seems to be KDC's story. Thanks to the announcement of cash dividend payout (200%) on 13 August 2015, KDC 's stocks reached celling price at today trading session. Similarly, at the beginning of this year January, when the news about cash dividend gets announced, KDC also reached celling price in the first two days.

"Cashflows seem reluctant to join the market"

Figure: KDC's price movement from the beginning to now



Source: RongViet Research

With a total 200 million shares, KDC has to use over VND 4,700 billion to pay its dividend. Taking an assumption of using VND 6,400 billion coming from Mondelez deal, KDC would maintain its cash level at VND 1,300 billion. Moreover, according to its plan, KDC would increase repurchasing stocks to 30% by purchasing 55,503,763 stocks. If purchasing with the price of ~ VND 30,000 per share and paying 200% cash dividend, KDC will have to spend about VND 1,665 billion. Thus, the majority of money from selling core business segment will be used to cover dividend payment and repurchase stocks.

M&A plans will be funded by cash and deposits which are announced at about VND2,571 billion (by the end of Q1/2015). Two main categories that will be targeted are cooking oil (Vocarimex) and instant noodles (Saigon Vewong). Total capital investment is estimated more than VND1,300 billion. Potential financial resources as it has, KDC finds feasible in acquisition of growing food producers in different segments of Food & Beverage industry; however, new business lines cannot guarantee a high profit margin as the old ones used to do. Besides, DongA Bank disclosed that KDC would become a strategic partner. Our Banking sector analyst stated that despite hard time of Banking had been left behind, small commercial banks still had bunch of work ahead to resolve current weaknesses. Therefore, minor shareholders of KDC are not really jumping for joy at present.

Currently, ownership proportions show no remarkable changes meanwhile the type of repurchasing stocks is not officially announced. Thus, “exit or expand strategies” continues to attract investors by not only new segments but also repurchase stocks.

Cashflows seem reluctant to join the market

Yesterday, TPP information spread its positive effects to almost every sector; on contrary, profit takers took the lead today. Not only did small and mid cap stocks fall back but large cap stocks also dropped significantly, for example VNM, VIC and BVH. VCB moved up 1% but did not manage to become a pillar for VNIndex. As the result, VNIndex closed at 631, which equaled to a drop of 4 points. However, liquidity recorded a decent increase of 26%. The fact that profit taking occurred but demand remained relatively strong implied positive sentiment of investors.

The fisheries and textile had increased sharply and profit taking began to occur; specifically, TCM (-1.5%), VHC (-0.2%). Gain momentum, however, remained stable in stocks such as IDI, FMC, HVG. As mentioned in previous advisory diary, intrinsic value in individual company determines whether to advance the benefit from TPP; in which FMC is one of RongViet favorite list. The stock runs toward the target price of 27,000 VND/ share as our report released at 23 July 2015.

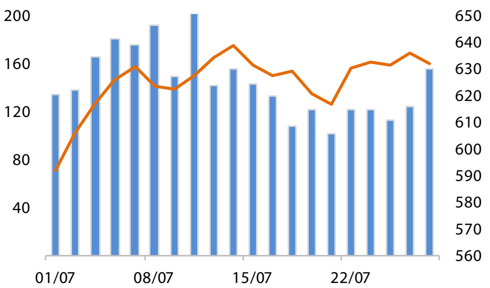
From viewpoint of our market specialist, “easy come, easy go” sentiment has led cashflow to rotate quickly between different groups of stocks. Foreign investors remained net sellers today to the tune of VND88 billion. Some “players” showed their impatience as having driven some stocks to ceiling prices; however, we believe that these actions will not last in upcoming sessions. After this period, market will enter a “reluctant mode” or in other words, a tug of war between bidders and askers will take place before a new trend confirmed.

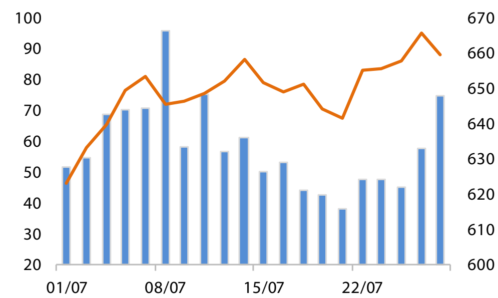
Tam Bui

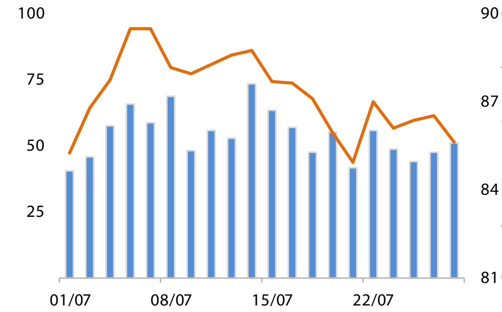
+ 84 8 6299 2006 | Ext: 1315

tam.bt@vdsc.com.vn

VNINDEX	-0.63%	631.47	VN30	-0.91%	659.60	HNXINDEX	-1.06%	85.58

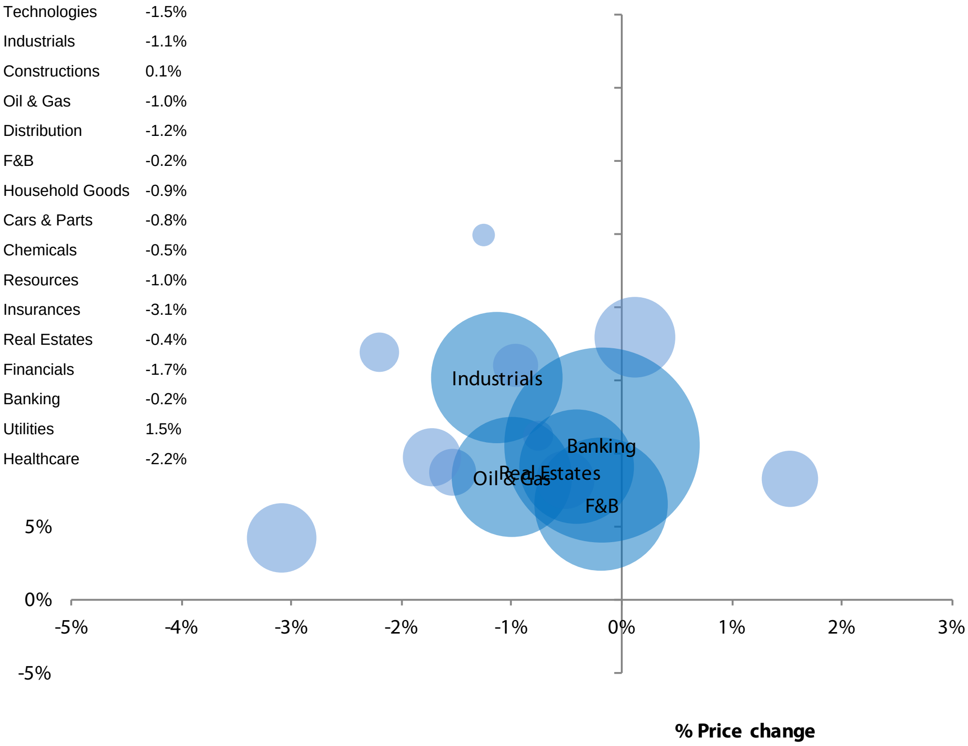




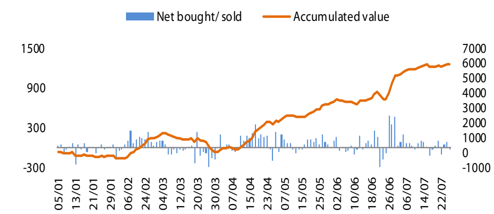


Industry Movement

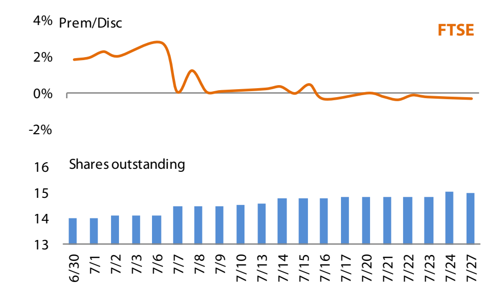
Industry	% change
Technologies	-1.5%
Industrials	-1.1%
Constructions	0.1%
Oil & Gas	-1.0%
Distribution	-1.2%
F&B	-0.2%
Household Goods	-0.9%
Cars & Parts	-0.8%
Chemicals	-0.5%
Resources	-1.0%
Insurances	-3.1%
Real Estates	-0.4%
Financials	-1.7%
Banking	-0.2%
Utilities	1.5%
Healthcare	-2.2%

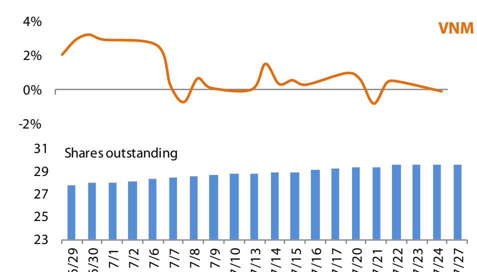


Foreign Investors Trading



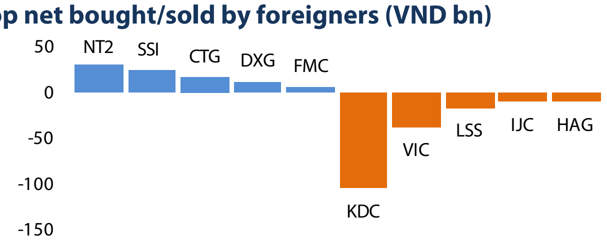
ETF



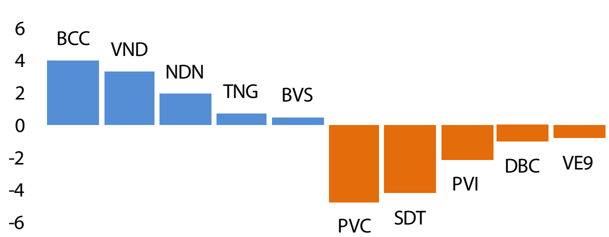


Top net bought/sold by foreigners (VND bn)

HSX



HNX



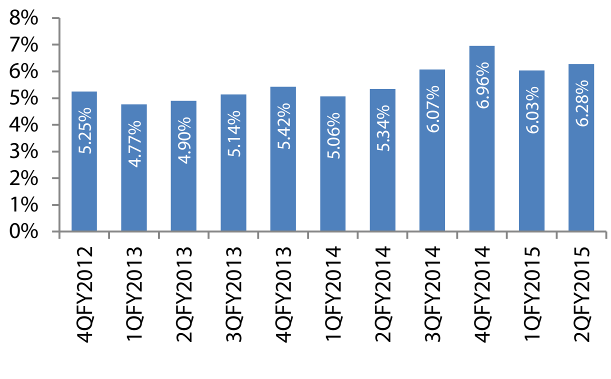
Top Active

Ticker	Price	Volume	% price change
NT2	24.2	10.59	5.2%
KDC	50.5	8.06	6.1%
SSI	28.0	7.18	-1.1%
MBB	16.0	6.83	-1.2%
FLC	7.8	6.78	-3.7%

Ticker	Price	Volume	% price change
KLF	5.7	4.25	-5.0%
SHB	8.6	3.82	-1.1%
FIT	10.8	3.44	-4.4%
SCR	8.6	2.94	-2.3%
PVX	3.8	2.04	0.0%

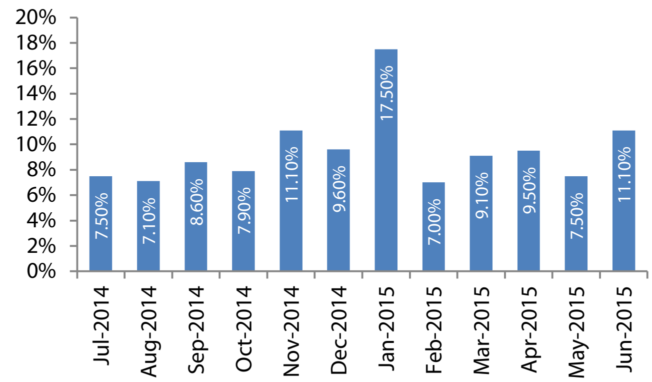
MACRO WATCH

Graph 1: GDP Growth



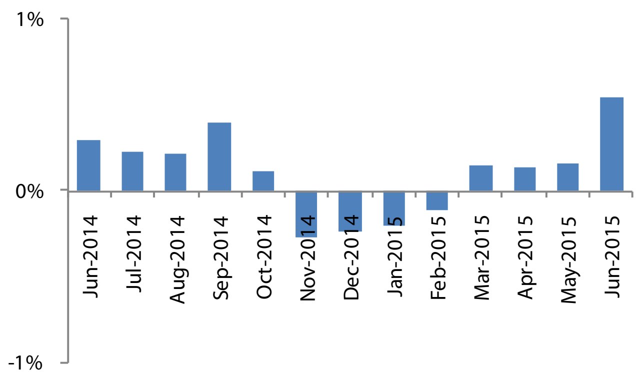
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



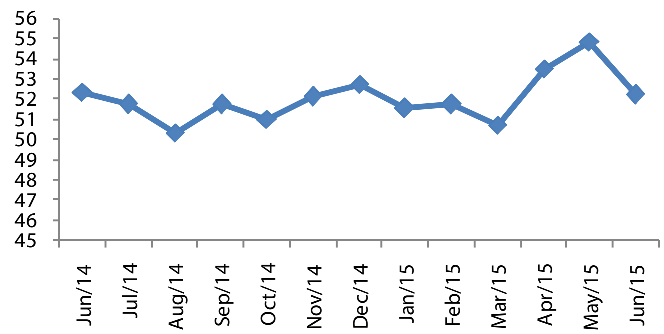
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



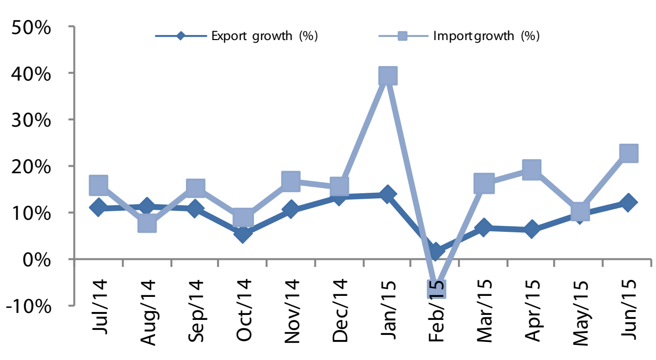
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



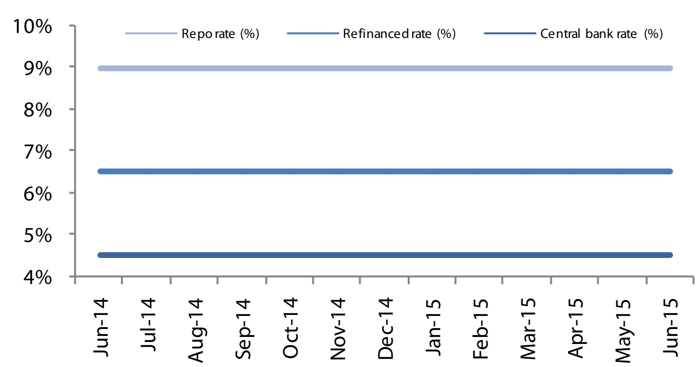
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
LCG - A new cycle begins	July 16th, 2015	Accumulate – Intermediate term	9,500
PVD - Well-positioned in the industry but still early to expect upturn	July 14th, 2015	Accumulate – Intermediate term	61,700
PGS - Favorable time to grow	July 10th, 2015	Buy – Intermediate term	27,000
DNP - Cash flowing in pipes	July 09th, 2015	Buy – Long term	21,900
BMI - Solid base for a bright future	July 08th, 2015	Accumulate – Long term	22,800

Please find more information at http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	07/07/2015	0% - 0.75%	0% - 2.5%	11,750	11,729	0.18%
VEOF	07/07/2015	0% - 0.75%	0% - 2.5%	10,022	9,821	2.05%
VF1	16/07/2015	0.2% - 1%	0.5%-1.5%	23,097	23,391	-1.26%
VF4	15/07/2015	0.2% - 1%	0%-1.5%	10,591	10,578	0.12%
VFA	10/07/2015	0.2% - 1%	0%-1.5%	7,579	7,426	2.06%
VFB	10/07/2015	0.3% - 0.6%	0%-1%	12,233	12,211	0.18%
ENF	10/07/2015	0% - 3%	0%	11,584	11,424	1.40%
MBVF	09/07/2015	1%	0%-1%	10,530	10,563	-0.31%
MBBF	08/07/2015	0%-0.5%	0%-1%	12,157	12,133	0.20%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 1308

truc.dtt@vdsc.com.vn

Hoang Nguyen

+ 84 8 6299 2006 | Ext: 1319

Hoang.nh@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 1313

lam.ntp@vdsc.com.vn

Tuan Huynh

+ 84 8 6299 2006 | Ext: 1318

Tuan.hm@vdsc.com.vn

Kien Nguyen

+ 84 8 6299 2006 | Ext: 1320

Kien.nt@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 1309

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 1310

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 1311

my.ttd@vdsc.com.vn

Van Banh

+ 84 8 6299 2006 | Ext: 1316

Van.btt@vdsc.com.vn

Thien Bui

+ 84 8 6299 2006 | Ext: 1321

Thien.bv@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 1317

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 1315

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 1314

huong.pt@vdsc.com.vn

Nam Huynh

+ 84 8 6299 2006 | Ext: 1312

Nam.hk@vdsc.com.vn

HỘI SỞ TẠI TP. HCM
Tầng 1-2-3-4 toà nhà Viet Dragon
141 Nguyễn Du, P. Bến Thành, Q.1, TP. HCM
T + 84 8 6299 2006
F + 84 8 6291 7896
E info@vdsc.com.vn
W www.vdsc.com.vn

CHI NHÁNH HÀ NỘI
2C Thái Phiên, Q. Hai Bà Trưng, Hà Nội
T + 84 4 6288 2006
F + 84 4 6288 2008
E info@vdsc.com.vn
W www.vdsc.com.vn

CHI NHÁNH NHA TRANG
50 Bis Yersin, Tp. Nha Trang, Khánh Hòa
T + 84 058 3820 006
F + 84 058 3820 008
E info@vdsc.com.vn
W www.vdsc.com.vn

CHI NHÁNH CẦN THƠ
08 Phan Đình Phùng, Q. Ninh Kiều, Tp. Cần Thơ
T + 84 0710 381 7578
F + 84 0710 381 7789
E info@vdsc.com.vn
W www.vdsc.com.vn