

## DRY CELL & STORAGE BATTERY JSC (PAC – HSX)

### Overcome a difficult time and make positive changes in business

**3Q2013, revenue increased slightly over the same period in 2012.** PAC - Dry Cell & Storage Battery Joint Stock Company has just announced the parent company's financial statement for the 3Q2013, which did not offer many variations from the consolidated one. For 3Q2013, revenue reached VND480 billion (+3.6% yoy), of which exports made up about 17% or VND80 billion. By the end of September, PAC had fulfilled 66% of its 2013 revenue target.

**Q3 gross profit margin slid but is slowly improving.** The price of input lead for PAC climbed 12% yoy after the global lead price increased 10% and the fee charged by distributors jumped from USD 110/ton to USD 160/ton. Accordingly, Q3 gross profit margin dipped to 19.3% from 21.2% a year ago. Though slowly, the gross profit margin did improve during the first 9 months of 2013 now that lead price has declined constantly from the peak of USD 2.450/ton in February and is now fluctuating around USD 2.040/ton.

**Q3 NPAT increased 24% yoy due to tighter management over operating and financial expenses.** The cut in long-term debt and decrease of short-term borrowing cost were the main reasons behind lower financial expenses in Q3. Combined with trimmed SG&A expenses, these helped bring 3Q2013 NPAT up 24% yoy to VND18.1 billion. For 9M2013, accumulated EBT was recorded at VND64.4 billion (+17% yoy) or 76% of PAC's plan for 2013FY (VND 85 billion).

**Increased capacity of the complete-maintenance-free (CMF) battery line will be in place at the end of this month.** By the end of Oct 2013, PAC will have finished installing the CMF production line, valued around VND 40 billion, effectively doubling the capacity of the line from 80,000 units per month to 160,000 units per month. In the last 2 months of the year, the new line is expected to operate at only 30-35% of its design capacity and should not contribute much to this year's earnings. However, this can be a growth driver for PAC in 2014.

**Positive business result is expected for FY2013.** Q4 consumption likely increases as the result of bolstered exports and contribution of the new CMF line. Falling lead price may help the gross profit margin reach as high as 20%. Besides, tighter management over SG&A expenses and financial expenses should be kept well in place. Accordingly, 2013 revenue and EBIT is expected around VND1.909 billion (+ 2.1% yoy) and VND90.7 billion (+6.8% yoy). The corresponding forward EPS should be VND 2,520/share.

Particulars (VND bn)	3QFY13	2QFY13	% Chg. (qoq)	3QFY12	% Chg. (yoy)
Net revenue	550.0	705.1	-22.0%	548.9	0.2%
NPAT	61.0	99.8	-38.9%	61.8	-1.3%
EBIT	85.3	140.1	-39.1%	95.4	-10.6%
EBIT margin	15.4%	20.0%	460bps	17.4%	200bps

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

### NEUTRAL

CMP (VND)	19,500
Target Price (VND)	20,700

Investment Period	Intermediate
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### Stock Info

Sector	Automobile Parts
Market Cap (VND bn)	519
Beta	0.87
Free float (%)	39.3
52 weeks High	20,400
52 weeks Low	11,600
Avg. Daily Volume (in 20 sessions)	172,723



### Performance (%)

	3M	1Y	3Y
PAC	14.0	52.3	-37.9
Automobile Parts	6.3	N/A	N/A
HN30 Index	0.4	19.4	N/A
HNX Index	-1.1	26.1	12.4

### Shareholders pattern (%)

Vietnam National Chemical Group (Vinachem)	52.03
KITMC Worldwide Vietnam RSP Balanced Fund	8.7
Foreigner Investor Room (%)	21.9

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**2014 revenue and NPAT are forecasted to increase 4.0% and 15.8%, respectively.** Revenue growth should come mainly from increased consumption of motorbike and car batteries, especially the new CMF products, and boosted exports. Lead price in 2014 is forecasted at an average USD 2.050/ton and SG&A and financial expenses should remain well controlled as in 2013 so that the NPAT may grow about 15.8%. Estimated 2014 EPS is thus VND 2,920/share.

### Outlook

From our viewpoint, PAC has overcome a difficult time and is making positive changes in its business. Recently, PAC share price has reacted quite positively to the favorable earnings, which is consistent with our opinions in the previous update, dated 07/22/2013. At market price on October 21th of VND19,500/share, PAC is only 6% lower than our target price of VND 27,000/share. Therefore, we revise our recommendation for the stock from "BUY" to "NEUTRAL" in medium term. Investor should continue monitoring lead price in early 2012 and information on the efficiency of the new product line so as to make the appropriate decision in the long-term.

### Exhibit 01: Key financials

Y/E Sep ( VND bn)	FY2011	FY2012	FY2013E	FY2014F
Net sales	1,978.9	1,869.7	1,909.1	1,985.4
% chg	18.8	-5.5	2.1	4.0
Net profit	96.9	64.1	68.0	78.7
% chg	-25.6	-33.8	6.0	15.8
Net margin (%)	4.9	3.4	3.6	4.0
EPS (VND)	3,975	2,409	2,520	2,917
Book value (VND)	20,367	19,641	20,230	22,038
Dividend (VND)	1,500	2,000	1,500	2,000
P/E (x)*	4.9	8.1	7.7	6.7
P/BV (x)*	1.0	1.0	1.0	0.9
ROA (%)	8.2	5.6	6.0	6.8
ROE (%)	17.4	11.9	12.2	13.2

Source: PAC Financial statement. RongViet Securities' compilation and estimates. \*As of 22/10/2013

### BRIEF UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

### RATING GUIDANCE

Ratings Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate-term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to -5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

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