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TUESDAY

"Only USD 154 million for 45.1% of Vinamilk?"

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- **Only USD 154 million for 45.1% of Vinamilk?**
- **Blue-chips failed to reach consensus, capital diverged into mid-cap stocks**

Only USD 154 million for 45.1% of Vinamilk?

It is a question of who and how to buy VNM after the SCIC's divesture announcement. Lately, the information of F&N using USD4 billion, equivalent to VND167,000/share, to buy VNM is a debating topic. Many experts express that it is such a huge amount of money to concern before entering the deal. However, we do not think acquirers need lots of cash for VNM. Instead, a well-known method named LBO (Leveraged buyout) might be a solution for VNM case.

As ranked at the highest position in Vietnam diary industry with stable growth, low debt to total assets (6.7%) at VNM's financial structure makes LBO strategy is more feasible. It is not difficult to find a foreign bank in purpose of financing 90% of the deal value. With an assumption of VND 167,000/share for our estimation, the buyer only uses 10% of USD 4 billion, equivalents to USD 400 million. Then, with the power of major shareholder, they could request VNM to purchase treasury stocks in order to restructure financial structure in which has been not optimized and to recover the initial cash flow. Based on Q3 balance sheet, debt coming from 80% of current assets as well as liquidation of short-term investment, amount for treasury stock repurchasing can reach VND 12,279 billion, equivalents to 73.5 million shares (VND 167,000/share). To maintain the ratio of 45.1%, buyer can get back USD 246 billion. Consequently, net amount paid is only USD 154 million, ~3.9% of the figure of 4 billion USD as mentioned recently.

In terms of the scenario, in spite of purchasing treasury stock, an increase of interest expense and a decrease of financial revenue will reduce 2016 EPS 4.7% compared with our last forecast. In the other hand, debt to assets jumps to 19.2%, so that ROE can be increased by ~3 percentages. Importantly, this debt to total assets will reduce WACC, so indirectly enhance the value of future cash flows.

The hereinabove brief analysis is our own perspective on necessary financial capacity for VNM deal. Deeper look should be taken into consideration for a reasonable price of such company. Two more important elements needed to be scrutinized are branding value and synergy opportunities of the acquirer.

Blue-chips failed to reach consensus, capital diverged into mid-cap stocks

Capital flow is targeting Midcap stocks. Nothwithstanding gains in VNM, markets closed in red with 1.7 losers/gainers. VNIndex shed 5.39 pts while HNIndex lost 0.58 pt. Not much change compared to yesterday session when capital flow targeted mid-cap stocks, evidently seen by 4.5% dropped in order-matching volumes but 10% down in term of value. In Ho Chi Minh Exchange, VNMid recorded a rise of 3%.

Today was "FLC day". Two days in row that FLC post significant volumes of 23 million shares, equivalent to 11% total volumes in HOSE. However, FLC as well as other speculative stocks did not cause much change to the Indexes. As we commented in yesterday AD, margin lending is the majority in this group; hence, market risks are climbing to a higher level. Therefore, short-term investors should be aware of trading activities in such group whereas investors'd better realize profit as soon as target prices revealed. Worse case to mention, act fast to sell these stocks if there are signs of capital outlows.

Blue-chips could not reach consensus. Also, we do not see capital flow choosing these large cap stocks interchangeably. Beside, not much good news to expect at present; however, unflavored pieces of information are existing such as (1) lower world economic growth (IMF reported), (2) deflationary risk of the second-largest economy China and (3) FED having strong support to hike rate in December, which may hurt the capital in emerging markets, thanks to better-than-expected employment data. So, for risk-aversion investors, we keep our recommendation on lowering stocks proportion in portfolios while waiting for more reliable signals from blue-chips to enter markets.

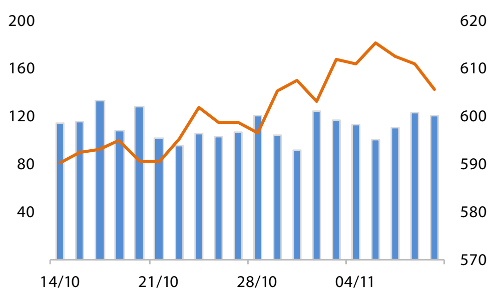
The Congress approved the 2016 socio-economic development plan: GDP increases slightly while higher pressure on payment in national debt budget. According to the plan, most of the expenditures in 2016 are unchanged compare to those in 2015 (*table*). However, the 2016 GDP growth rate is expected to hike at 6.7%, higher rate than the forecasted figure for 2015. We believe that this objective is based on the upward trend of Vietnam economy in this year; at the end 2015, the growth rate is predicted to reach 6.6%. Simultaneously, WB and ADB both predict Vietnam economy will grow slightly next year. Consequently, we believe that the 2016 economic growth rate's target is relatively feasible. Meanwhile, for fiscal policy, the government is standing on pressure of higher debt payment in next year. The objective of budget deficit in 2016 is 4.95%, which is higher than estimation in 2015.

Table: Vietnam's economic indicators, 2013-2016

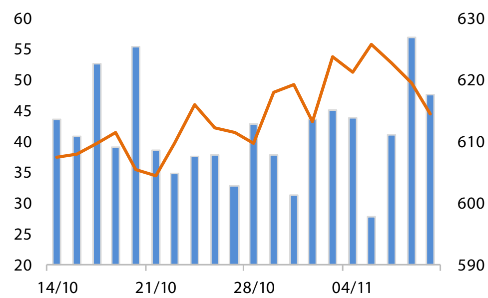
	2013P	2013A	2014P	2014A	2015 P	2015F	2016 P
GDP Growth Rate	5.6%	**5.42%**	5.8%	**5.98%**	6.2%	**6.6%**	6.7%
Inflation rate	8%	**6.04%**	7%	**1.85%**	5%	**<1%**	<5%
Investment/GDP	30%	**30.4%**	30%	**31%**	30-32%	**30%**	31%
Trade deficit/ Total export	8%	**0%**	6%	**0%**	5%	**3%**	5%
Export growth rate	10%	**15.3%**	10%	**13.5%**	10%	**9%**	10%
Government budget deficit/GDP	4.8%	**6.6%**	5.3%	**4.1%**	5%	**4.5%**	4.95%

Source: Chinhphu.vn, RongViet Research

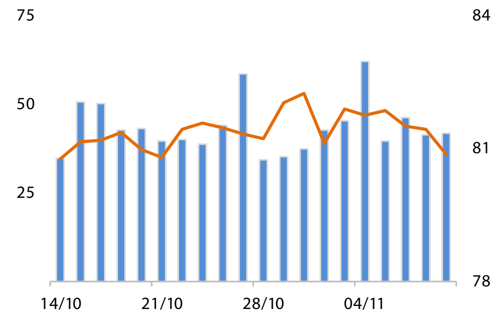
VNINDEX	-0.88%	605.27



VN30	-0.79%	614.56

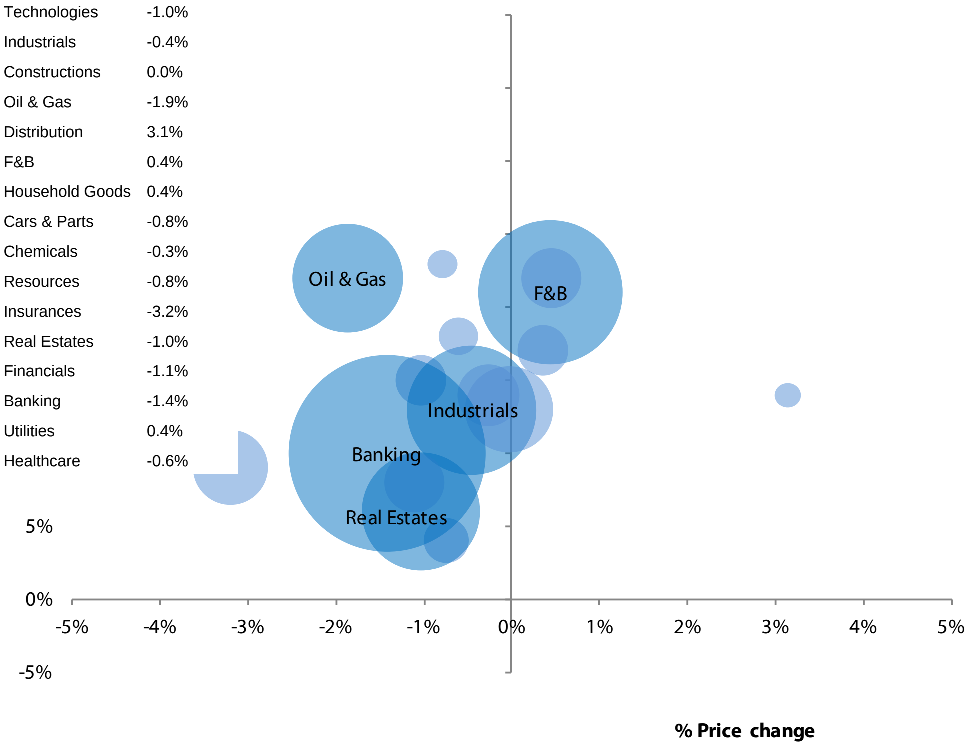


HNXINDEX	-0.71%	80.84

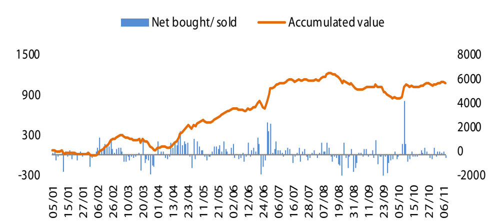


Industry Movement

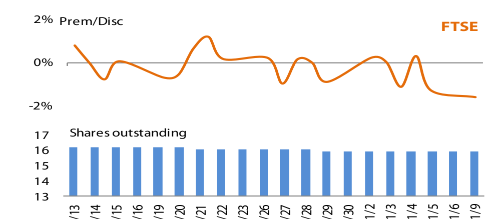
Industry	% change
Technologies	-1.0%
Industrials	-0.4%
Constructions	0.0%
Oil & Gas	-1.9%
Distribution	3.1%
F&B	0.4%
Household Goods	0.4%
Cars & Parts	-0.8%
Chemicals	-0.3%
Resources	-0.8%
Insurances	-3.2%
Real Estates	-1.0%
Financials	-1.1%
Banking	-1.4%
Utilities	0.4%
Healthcare	-0.6%

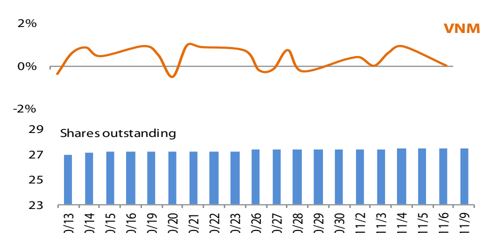


Foreign Investors Trading



ETF

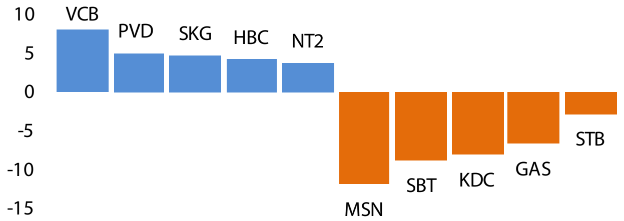




Top net bought/sold by foreigners (VND bn)

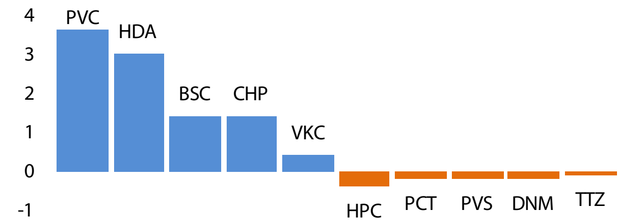
Top Active

HSX



Ticker	Price	Volume	% price change
FLC	7.6	23.14	2.7%
OGC	2.8	5.91	3.7%
CII	21.0	4.63	-1.4%
BGM	2.6	4.34	0.0%
DLG	8.9	2.71	1.1%

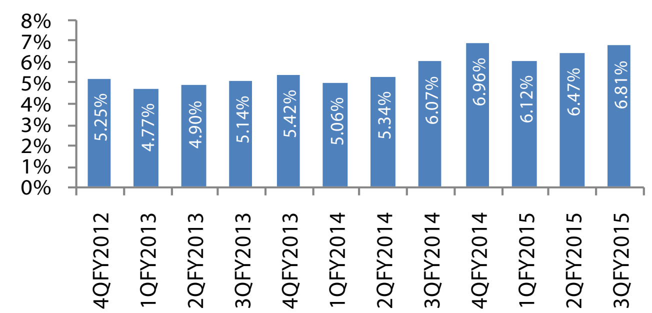
HNX



Ticker	Price	Volume	% price change
KLF	4.3	3.25	-4.4%
SCR	8.1	2.04	0.0%
BAM	1.7	1.91	0.0%
VCG	12.4	1.62	-2.4%
DPS	15.6	1.48	9.9%

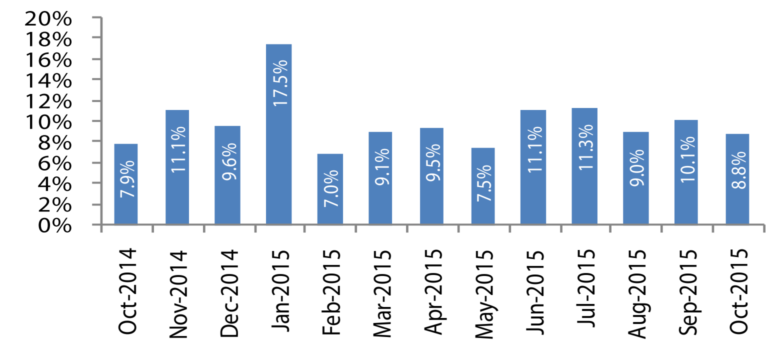
MACRO WATCH

Graph 1: GDP Growth



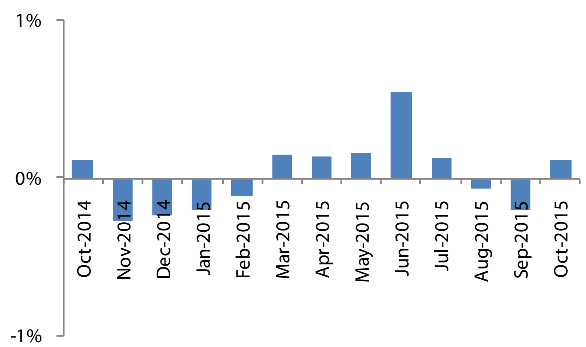
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



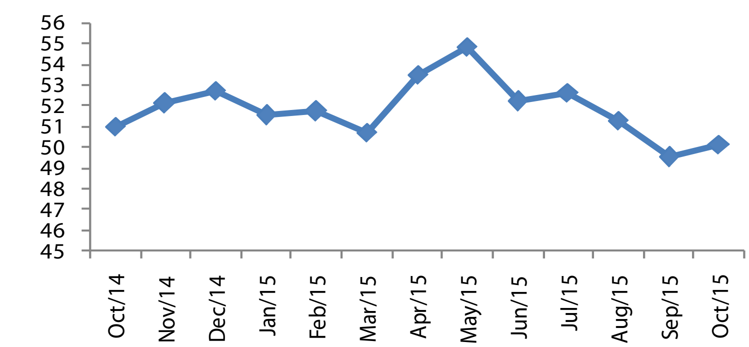
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



Sources: GSO. Rongviet Securities database

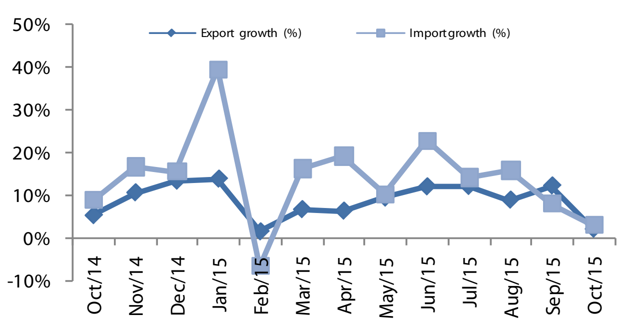
Graph 4: HSBC - PMI



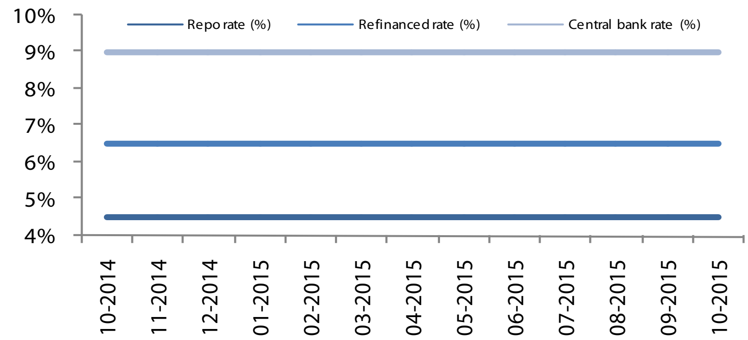
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth

Graph 6: Interest



Sources: GSO. Rongviet Securities database



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
DMC - Restructuring sparks positive changes	October 30th, 2015	Accumulate – Intermediate term	49,000
HSG - New investments: The engine of growth	October 29th, 2015	Accumulate – Long term	52,500
KSB - Rock-solid foothold in the construction stone	October 28th, 2015	Buy – Intermediate term	38,400
HHS - Riding on a rough road	October 28th, 2015	Neutral – Short term	20,100
PVT - Upside potential outweighs short-term risks	October 20th, 2015	Buy – Long-term	15,900

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	20/10/2015	0% - 0.75%	0% - 2.5%	12,030	11,946	0.70%
VEOF	20/10/2015	0% - 0.75%	0% - 2.5%	10,558	10,473	0.81%
VF1	28/10/2015	0.2% - 1%	0.5%-1.5%	23,992	23,909	0.34%
VF4	28/10/2015	0.2% - 1%	0%-1.5%	10,788	10,747	0.38%
VFA	22/10/2015	0.2% - 1%	0%-1.5%	7,438	7,488	-0.67%
VFB	22/10/2015	0.3% - 0.6%	0%-1%	12,421	12,409	0.10%
ENF	23/10/2015	0% - 3%	0%	11,963	11,943	0.17%
MBVF	22/10/2015	1%	0%-1%	11,000	10,965	0.32%
MBBF	28/10/2015	0%-0.5%	0%-1%	12,438	12,445	-0.06%

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