

MAY

08

FRIDAY

“Early May 2015 stock market – Domestic cash flows are not willing to fall into the market”

ADVISORY DIARY

- **PLC - Q12015 earning results - Impressive from bitumen segment**
- **Early May 2015 stock market – Domestic cash flows are not willing to fall into the market**

PLC - Q12015 earning results - Impressive from bitumen segment

In recent days, PLC just made known Q12015 earning result. Our analyst had a discussion with PLC’s representative related to its segment’s business activities as well as PLC’s Q22015 outlook.

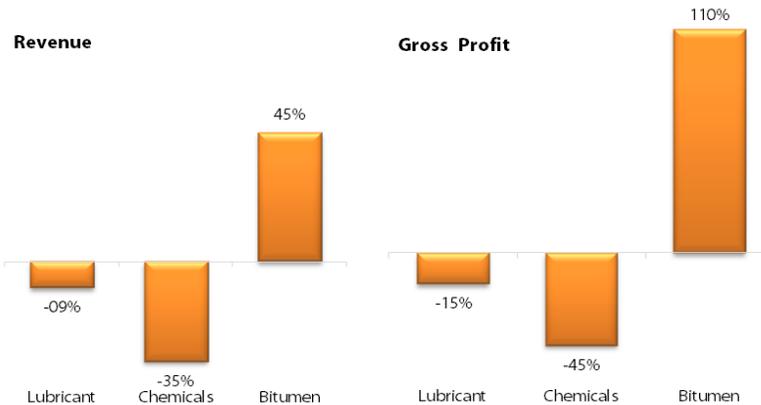
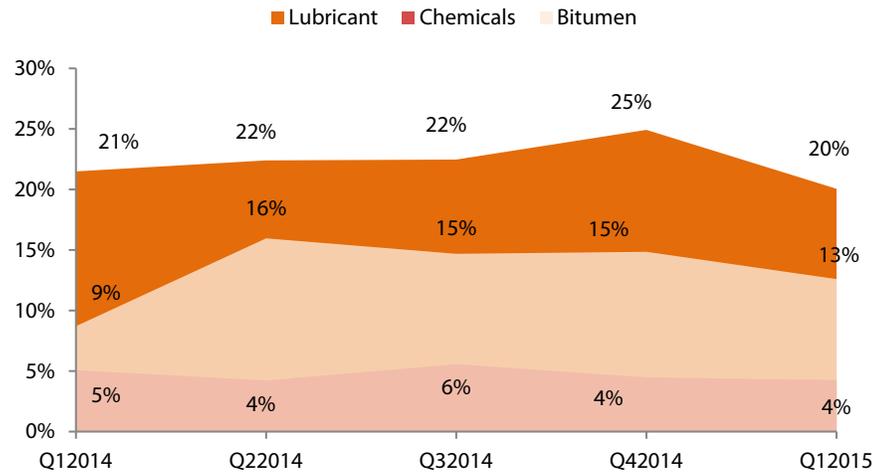
PLC’s revenue reached at VND 1,818 billion, increasing by 9.8% yoy and equivalent to 30% of 2015 plan. This result came from a bulge in the bitumen segment (+45% yoy), meanwhile Lubricants and chemical segment’s revenue decreased by 9.2% and 34.9% respectively. However, compared to Q42014, two major segments’ revenues both went up significantly, with lubricant and Bitumen segments jumped 18.3% and 15.2% respectively.

Bitumen segment. Performance of this segment in Q1/FY2015 recorded a lower result than that of Q1/FY2014 because the company’s loss of the mixing contract with Nippon as well as long Tet holidays, which cause low demand of PLC’s products, fell in Q1. In Q1/FY2015, the company signed new contract to provide lubricant and bitumen products for Railway Locomotives Company and Quang Ninh Thermal Power JSC; which buy only a small output from PLC equivalent to 50-100 tons. Hence, lubricant output in Q1 is estimated at ~22% of the company’s plan. Q1 GPM is lower than GPM in previous quarter as well as Q1/FY2014. The company increased discount rate for customers through deducted selling price or in-kind supporting.

Asphalt segment. Positive disbursement in terms of infrastructure investment continued to bring back optimistic business result for this segment. Main provided PLC projects in Q1/2015 included: National Road 1 Thanh Hoa – Nghe An expansion, Ha Noi – Hai Phong highway, Dang Nang – Quang Ngai, Ben Luc – Long Thanh... In Q1/2015, bitumen production reached 50,000 – 60,000 tons (approximately 24% of the plan), to be more specific, polymeric emulsive asphalt accounted for lowest proportion. In 2014, the improvement of insulation system (to control the temperature of asphalt) through inox coating helped increase gross margin of asphalt products. However, despite of the decline in oil price, gross profit margin in Q1/2015 was still lower than recent quarters as the company reduced the selling price for 3 – 5% over the end of 2014 in order to share the benefits with customers. In Q1/2015, the company has not implemented the provision for account receivable in asphalt segment

Chemical segment still recorded losses in Q1/2015, however the situation was not worse than 2014 because the Company entered new input with lower price and the inventory was still at high level. However, we also recognized the sharp increase in term of financial cost in Q1/2015 due to the affect from the exchange rate losses VND22.63 billion from the exchange rate adjustment on Jan 7th, 2015 of the State bank. During Q1/2015, profit after tax reached at VND59.2 billion, increased by 31% y.o.y and equivalent to 21.7% of the plan.

Exhibit: PLC's earning result



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Source: PLC, RongViet Research.

Prospect of Q2/2015 – exchange rate risk and oil price rebound?

From the sharing of the company about prospect of Q2/2015, PLC asserted that sale volume of lubricant due to favorable weather condition in Central region. Meanwhile, asphalt segment still maintained positive results due to high demand. Investors have recently raised concerns about the exchange rate risk and oil price rebound. According to interpretation, material cost of the company have inched up recently, however, because of affectively assessing the situation, the Company have prepared low price inventory at the end of 2014 and beginning of 2015. Therefore, the increase in oil price has not yet affected the business activities. Furthermore, due to the higher sensitivity of asphalt with crude oil than base oil, the Company has slightly adjusted the selling price along with changing the discount factors for asphalt products in 5/2015. With the decision to increase the exchange rate, the company point out that the effect could be prolonged, however, because the inventory level in Q2 is lower, the impact could be lower than previous quarters. In addition, there is a further risk which the Company have not made any provision – account receivable for asphalt in Q1/2015 (such account is usually implemented in Q2/2015). Under the recent condition, we expect the business activities in asphalt segment could still be the highlight for PLC in 2015. Furthermore, according to the plan, the company expected to pay dividend in cash and bonus shares at the end of 6/2015. The progress of project investment was slow during

early quarters but the prospect for improvement is much higher for Q3 and Q4. As a result, our industrial analysts recommend **ACCUMULATE** in **INTERMEDIATE** with PLC.

Early May 2015 stock market – Domestic cash flows are not willing to fall into the market

With the mixing of ups and downs as usual, the week closing session ended with an increase of 0.28% and 0.45% in VNIndex and HNIIndex, respectively. Looking back the first week of May, despite mixing positive and negative news (PMI, exchange rate adjustments, FTA, VKFTA, Chinese oil rig), both indices still did not show the tendency clearly. In details, VNIndex and HNIIndex lost 1.4% and 3%, respectively over the previous week trading session (before holidays) due to “the sharp fall” on Monday. Today’s liquidity had some slightly improvements on Monday and Tuesday, however, this week average trading volume stayed just a little higher than the April’s average. Recently, the market has been received positive support from foreign investors’ cash flow while domestic one “ignored”. Foreign investors continued accumulating some leading stocks (VCB, MSN, PVD) as took place in March 04. By the end of this week, they bought a net VND576.64 billion, bringing the cumulative net purchase \$2,448 billion since early 2015. We believe that the actions of foreign investors could even be more boldly after yesterday SBV’s decision to devalue VND. However, our market analyst believes that while the foreign cash flow continues to flow into Vietnam, it’s likely that domestic cash flows are not willing to falling into market in the context that no industry strong enough to lead the trend.

VHC is the one of the notable shares when has a positive growth (+4.7%) thanks to optimistic information from the annual general meeting this morning. Particularly, business result for Q1/2015 recorded growth in revenue up to 50% y.o.y, achieved VND1,364 billion. Such positive things came from the boosted exports, especially to US and Europe markets from VHC. At the end of 2014, according to statistics, export volume to US increased by 40% over 2013 thanks to benefits from 0 USD/kg anti-dumping tax rate; meanwhile, market share in European markets still received a positive growth from 11% to 12%. US and Europe are two markets with good selling price; as a result, gross margin in Q1/2015 increase by 10% over 7% of the same period.

Regarding business result in 2015, Collagen segment was seen to be a highlight when the factory started to operate. Expected revenue could contribute VND180 billion with over 9% of net profit margin, relatively high compared to fishery exports. Main consumption markets for such products include both domestic and international markets, using in cosmetic, pharmaceutical nutrition and beverage industries. Furthermore, with the plan for improvement of core business, VHC could withdraw from rice segment which have not brought high profit in past years. In addition, closed production model, scale expansion in order to reduce production cost are also parts of the plan. Such plan could be implemented with capital investment of over VND560 billion to double the capacity and VND90 billion to expanse feeding areas in 2015. Information relating to deep analysis of the business will be updated later.

WEEKLY TECHNICAL VIEW

VN-Index

VN-Index lost 7.89 points (or 1.4%), closed at 554.51. About 427.6 million shares changed hands, equivalent to recent weeks' trading volume.

VN-Index fell sharply on Monday on high volume to 440 area and then recovered slightly. VN-Index cut down the EMA(26) and this moving average is also moving down itself. This signal shows that the short-term trend of VN-Index is down.

Looking at technical indicators, the MACD is moving right below the signal line while the RSI looks neutral around 45. The ADX is quite low, showing that the current trend of VN-Index is weak.

Next week, VN-Index may fluctuate in a narrow range between 545 and 560. Traders should accumulate stocks at low price on corrective sessions.



HNX-Index

HNX-Index fell 2.46 points (or 3%), closed at 80.29 with 206 million shares changed hands.

HNX-Index dropped suddenly to 80 area and then was stable there. The recovery of HNX-Index is not trusted due to low volumes and will be resisted by its EMA(26) (at around 81,5). The EMA(26) is moving down sharply.

A down channel was formed and HNX-Index is now at the middle of this channel.

Looking at technical indicators, both the MACD and the RSI turned bearish. The ADX is rising strongly, showing that the downtrend of HNX-Index is developing.

Next week HNX-Index may fluctuate around 80 for few sessions.



Recommendation:

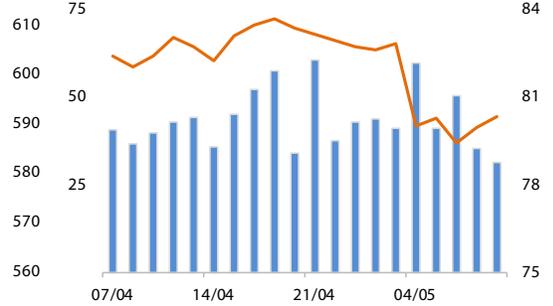
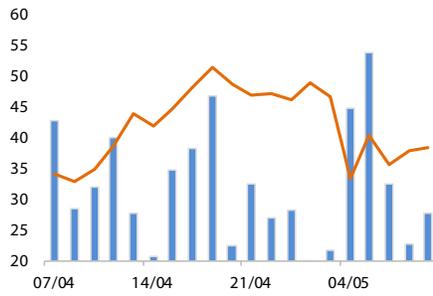
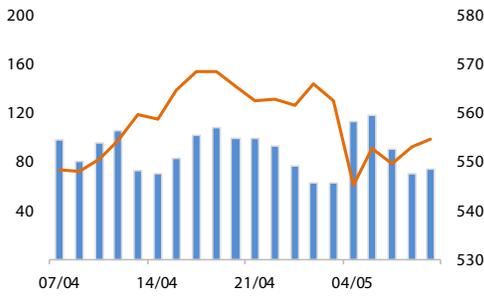
Both VN-Index and HNX-Index fell suddenly to their supports and then recovered slightly. The uptrend reversal has not confirmed yet so that traders should be patient and may disburse partly on corrective sessions.

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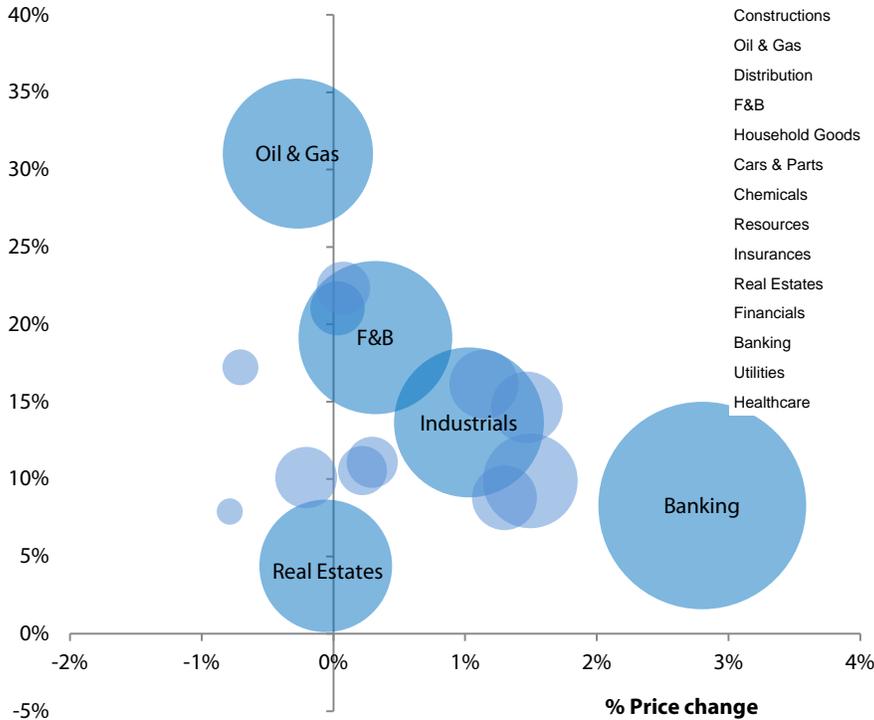
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VNINDEX 0.28% 554.51 VN30 0.09% 582.91 HNXINDEX 0.44% 80.29



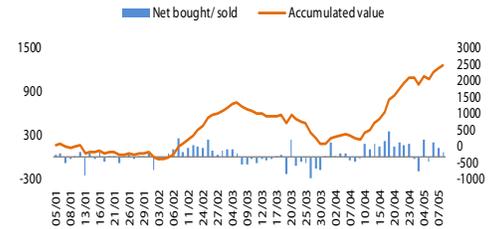
Industry Movement

Industry ROE

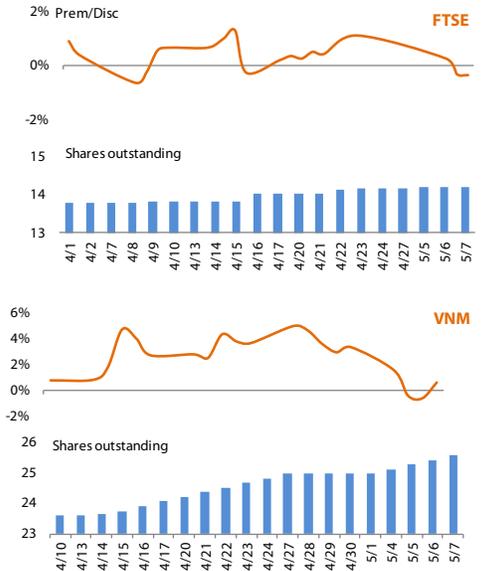


Industry	% change
Technologies	0.0%
Industrials	1.0%
Constructions	1.5%
Oil & Gas	-0.3%
Distribution	-0.8%
F&B	0.3%
Household Goods	0.3%
Cars & Parts	-0.7%
Chemicals	1.1%
Resources	0.1%
Insurances	1.5%
Real Estates	-0.1%
Financials	1.3%
Banking	2.8%
Utilities	-0.2%
Healthcare	0.2%

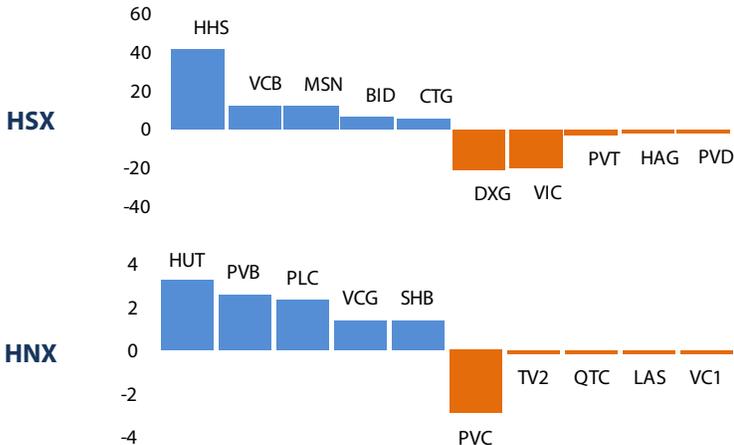
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



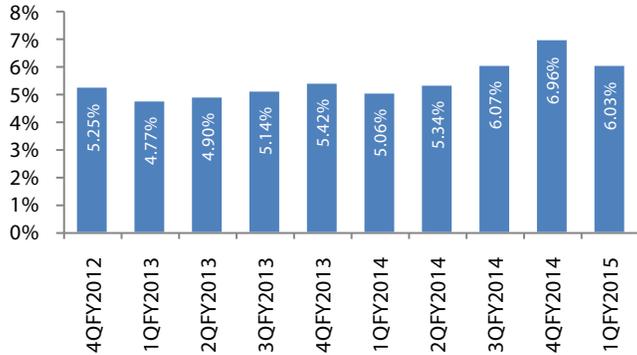
Top Active

Ticker	Price	Volume	% price change
FLC	10.0	12.25	5.3%
HAI	9.3	3.82	6.9%
HQC	5.6	3.55	1.8%
DLG	8.1	2.73	3.8%
ITA	6.4	2.57	1.6%

Ticker	Price	Volume	% price change
KLF	7.6	5.38	5.6%
FIT	13.2	3.63	4.8%
PVS	25.2	2.08	-1.2%
SHB	8.1	0.99	0.0%
KVC	17.9	0.90	-6.8%

MACRO WATCH

Graph 1: GDP Growth



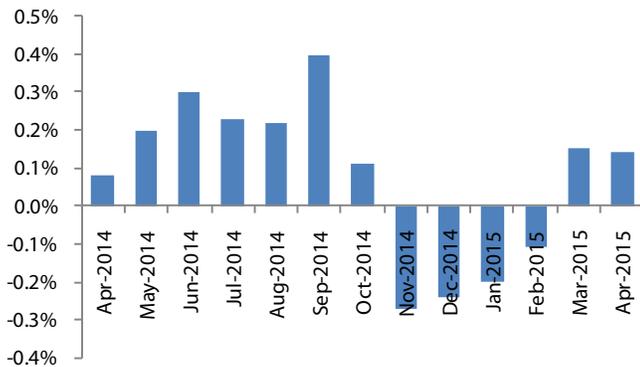
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



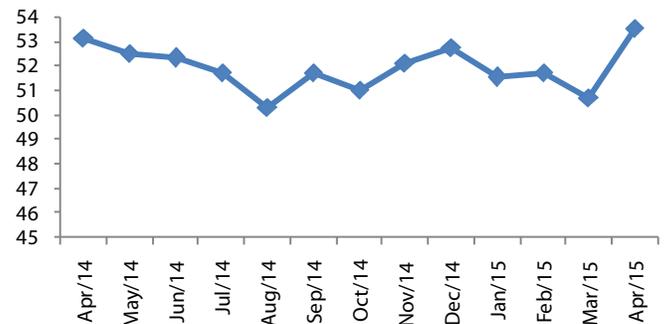
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



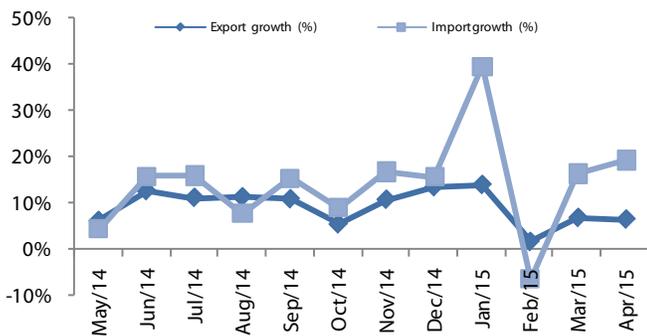
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



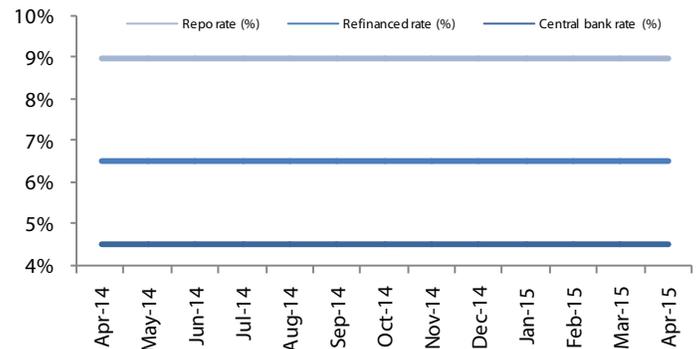
Sources: GSO. Rongviet Securities database

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
DHC-Giao Long factory (phase 2) adds lights to the long-term plan	April 24 th , 2015	Buy – Intermediate term	26,200
PLC - A firm foothold	April 14 th , 2015	Accumulate – Intermediate term	40,000
BT6 - Restructuring scheme to bring a brighter prospect	Jan 27 th , 2015	Monitor	
PAC- Opportunities along with challenges	Jan 14 th , 2015	Accumulate – Intermediate term	27,500
HMH - Positive outlook from various supporting factors	Jan 06 th , 2015	Accumulate – Long term	33,800

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

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	21/04/2015	0% - 0.75%	0% - 2.5%	11,741	11,793	-0.44%
VEOF	21/04/2015	0% - 0.75%	0% - 2.5%	9,630	9,607	0.24%
VF1	24/04/2015	0.2% - 1%	0.5%-1.5%	21,052	21,178	-0.59%
VF4	22/04/2015	0.2% - 1%	0%-1.5%	9,166	9,097	0.76%
VFA	24/04/2015	0.2% - 1%	0%-1.5%	7,168	7,217	-0.68%
VFB	24/04/2015	0.3% - 0.6%	0%-1%	12,049	12,154	-0.86%
ENF	17/04/2015	0% - 3%	0%	10,826	10,798	0.26%
MBVF	09/04/2015	1%	0%-1%	10,267	10,854	-5.41%
MBBF	15/04/2015	0%-0.5%	0%-1%	12,080	12,083	-0.02%

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