

APRIL

17

FRIDAY

“Rally week of an accumulating period”

ADVISORY DIARY

- **HAG- AGM update**
- **Rally week of an accumulating period**

HAG- AGM update

This week, Rongviet analyst attended the AGM of the HAG, which is undertaking restructuring towards agricultural sector. This year meeting attracted the attention of many investors evidenced by the double number of attendees. Perhaps, this stems from the plan in agricultural market, especially the potential project of HAG’s cow farms. Therefore, we today would offer investors some updates on 2014’s results and outlook for 2015.

2014’s earning result recorded improvements.

Firsts, sugar and construction businesses (constituting nearly 60 % revenue structure) grew significantly as to last year. Sugar production segment saw revenue and output growth relatively at 24% and 38%. However, gross profit margin decreased from 64 % to 53 % as sales price down 10.2 % and COGS up by 18%. In addition, construction segment grew by 43.4 % yoy due to revenue recorded from two airport projects in Laos including 22% of total Attapeu airport progress and 20% of Nongkhang airport investment.

Secondly, operating costs and operating cash flow improvement results from the company’s business restructuring. The entire divestment in minerals business helps decrease selling expenses by over 35% over the same period. At the same time, admin expense also fell 13% resulting from the restructuring of non-core business activities. Operating cash flow also improved, up 4 times over the same period. Overall 2014 earnings promises more potential for HAG future as the company joins agricultural sector.

In 2015, the emphasis in business plan is from the expansion of the agribusiness sector with focusing on beef products and from the real estate projects’ results in Myanmar.

At the AGM, the Company has set a target business with high growth with strong expectations on the success of the beef business. HAG targeted a revenue growth of 41% (yoy) and a gross profit increased by 79% (yoy), with nearly 46% of revenue and 42% of gross profit from beef. Currently, HAG is raising 42,000 cows in Vietnam (46 cages), Laos (23 cages), Cambodia (18 cages). Moreover, at the end of 2015, the Company will raise beef cows and cattle breeds to 100,000 and will be expected to consume about 60,000 beef cows in 2015. According to our industry analyst, with the above figures, the estimated daily consumption of HAG will be about 200 cows, relatively low compared to the average consumption of the Vietnam market, currently about 4,000 cows/day. The expanding method is to import cows weighing at 250kg cow and sell when they reach 550-600kg. This method helps the quantity of cows to increase quickly and improve working capital turnover in this business. In addition, to ensure the consumer market, the Company also has collaborative links with Vissan, the leading food suppliers in Vietnam.

Recently, the investors are often interested in terminating the agreement 50% stake sale Construction and Development Corporation home Hoang Anh (HAGL Land) for Rowsley with an estimated value of USD 275 million (~ VND 5.900 billion). Related to this information, the Company is considering two alternatives which are cooperating with partners in Hong Kong for resale 50% stake in HAGL Land, or selling 30-40% of apartments at a price of USD 2,500-3,000/unit. Both alternatives are evaluated to receive the same amounts of capital. Therefore, the impact of the termination agreement with Rowsley is unlikely to affect the cattle investment.

Another highlight in the business plan of HAG in 2015 is the result of the Myanmar real estate business, which is predicted to account for 20% of gross margin of HAG. To reach this goal, in 2015, the Company intends to lease the trading center (area square of 38,365 m², with price of 62 USD/m²) in April 2015, lease the office tower (including 2 office block of 85,701 m² at price of USD/m²) in June 2015 and in September 2015 they will launch their five star hotel with 406 rooms at price of USD 250/room/day.

Table. The 2015 business plan.

Segment	2015's guidance	2015's gross profit	2015's gross profit margin
Beef	2,475	920	37%
Construction	785	300	38%
Real estate	769	423	55%
Sugar	749	393	52%
Rubber	214	83	39%
Goods	194	54	28%
Services	161	28	17%
Total	5,347	2,201	41%

Tuan Huynh

+ 84 8 6299 2006 | Ext: 326

Tuan.hm@vdsc.com.vn

According to HAG's investment projects in recent years, our analyst suppose that HAG would like to earn profit from 2016 in terms of agricultural segment such as beef, sugar, palm oil, rubber and real estates in Myanmar. However, the commodity prices' movement in 2015 does not support for HAG, with a drop in sugar, palm oil and rubber price. Therefore, it seems that HAG's expectation this year would come from beef and real estates. Therefore, with the main expectation of this year comes the beef cattle and real estate. The business results of early quarters will be the basis for investors to evaluate the operations of the two segments. With the closing price at VND 20,600, HAG is trading at the P/E (based on the after tax profit estimated as the HAG's guidance) of 8.8x. If comparing to leading companies, this P/E seems rational but investors still concern on the negative operating cash flow and the high debt outstanding.

Rally week of an accumulating period

After more than two accumulated weeks, market has rallied with a 17 points increase in VNIndex. This recovery supported strongly from oil and gas stocks and the net strong buy by foreigner investors.

Oil and gas stocks recorded a significant increase of nearly 10%, especially in PVD, GAS, PVS. Regarding to PVD, the news relating to repurchase treasury stocks was likely to affect quite well on PVD's price. Simultaneously, the crude oil price in this week also rose by 8.5% as consequence of many reasons mentioned in our Wednesday advisory daily.

Surprisingly, foreign investors came back to the net bought position of more than VND 1,000 billion, including about 22% from the ETFs. Reviewing the foreigner's transaction last year, these investors started their strong buy period in Vietnam market after the middle of April, specifically since 14/4/2014 the foreign investors had purchased consecutively by middle of July 2014. With fluctuations of foreigner's transactions in recent months in the tendency of reducing the holding duration, our market analyst said that beside the macroeconomic factors on foreign investors, they would probably consider Vietnam market in the shorter investment term due to concerns on the possibility of similar risk as 2014.

Simultaneously, strong buy of foreign investors may affect positively on domestic investors. Indeed, the trading value improved, with the value increasing by 15% compared to previous week. The market concentrated on “speculative stocks” such as FLC, HAI,... and attractive industry stocks such as CII (infrastructure construction industry), HHS (automobile retailing industry).

Although the market are supported by foreign investor’s strong buy and improvement in liquidity, VNIndex is in front of the resistance at 570 points, which was also the strong supporting level of the January 2015. Therefore, in short term view, speculative investors would probably consider to restructure portfolios in positive sessions next week.

WEEKLY TECHNICAL VIEW

VN-Index

VN-Index jumped 14.29 points (or 2.6%), closed at 568.32. Trading volume remains equal to previous weeks with 409 million shares changed hands.

VN-Index gained points in 4 of 5 sessions of the week and broke above the EMA(26) (at around 560). The EMA(26) also turned up itself. Therefore, VN-Index might turn from bearish to bullish in a short-term.

Looking at technical indicators, the MACD turned up and cut above the signal line while the RSI was above 50. The +DI also cut above the -DI showing that the uptrend is developing while the downtrend is weakening.

At around 570, the selling forces were stronger. A doji and a hammer candlestick appeared together with a rising gap, hinting that VN-Index may correct to retest the EMA(26) at 560.

Short-term traders should take profits partly and wait for VN-Index to retest the 560 threshold successfully.



HNX-Index

HNX-Index gained 0.63 points (or 0.76%), closed at 83.61. The liquidity increased 24%, up to 211 million shares.

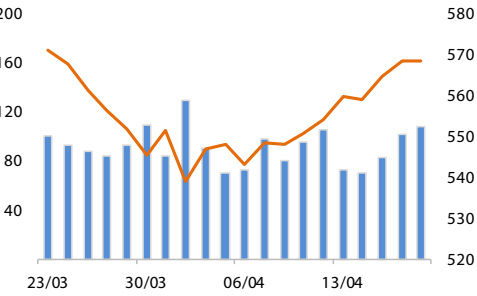
HNX-Index retreated when it reached the EMA(26) but then turned up on rising volumes and conquered the EMA(26) successfully. The volumes increased day by day together with the price, showing that the buying forces dominated over the selling forces.

Looking at technical indicators, both the MACD and the RSI turned bullish. The +DI kept rising while the -DI continued going down. The bull is prevailing over the bear.

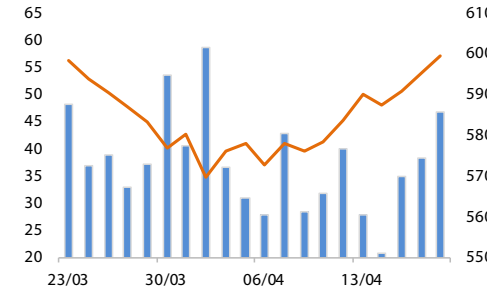
The developing of HNX-Index may be resisted at around 85 where it meets the 200-day moving average.



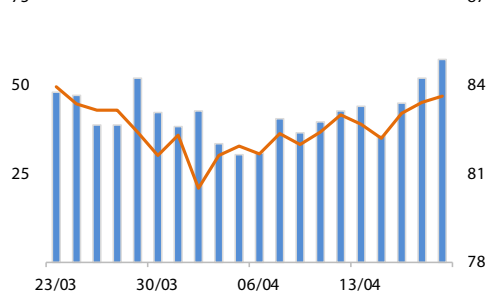
VNINDEX 0.01% **568.32**



VN30 0.68% **599.12**

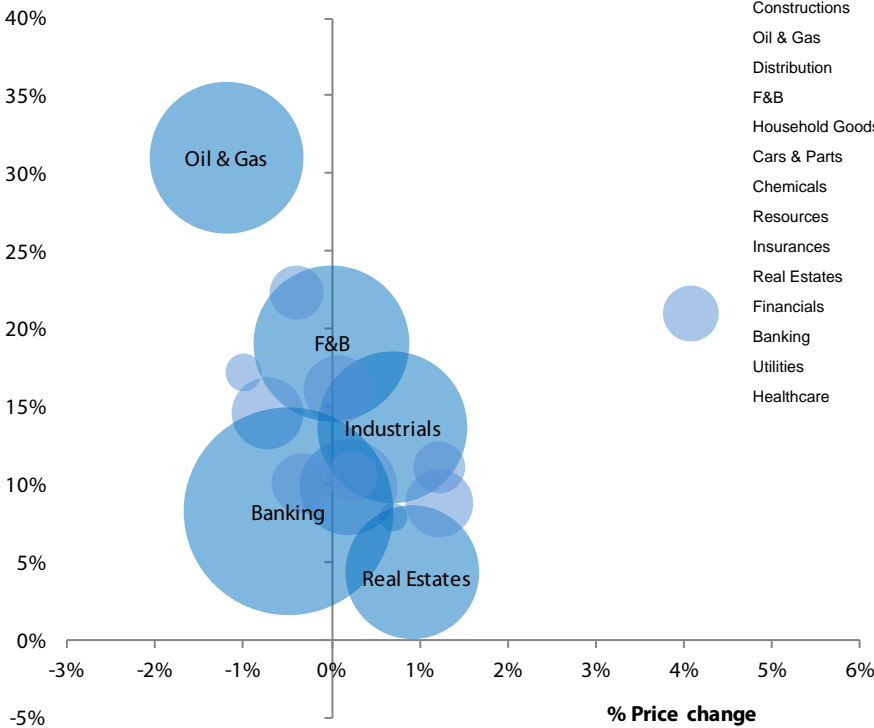


HNXINDEX 0.25% **83.61**



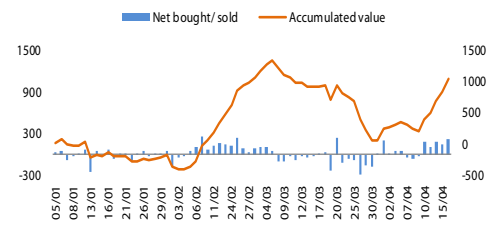
Industry Movement

Industry ROE

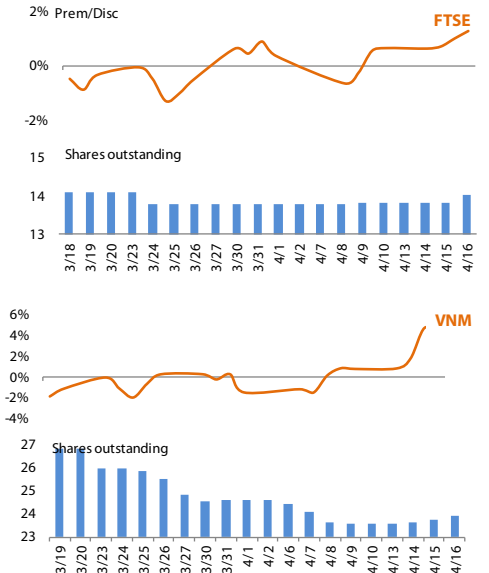


Industry	% change
Technologies	4.1%
Industrials	0.7%
Constructions	0.2%
Oil & Gas	-1.2%
Distribution	0.7%
F&B	0.0%
Household Goods	1.2%
Cars & Parts	-1.0%
Chemicals	0.1%
Resources	-0.4%
Insurances	-0.7%
Real Estates	0.9%
Financials	1.2%
Banking	-0.5%
Utilities	-0.3%
Healthcare	0.2%

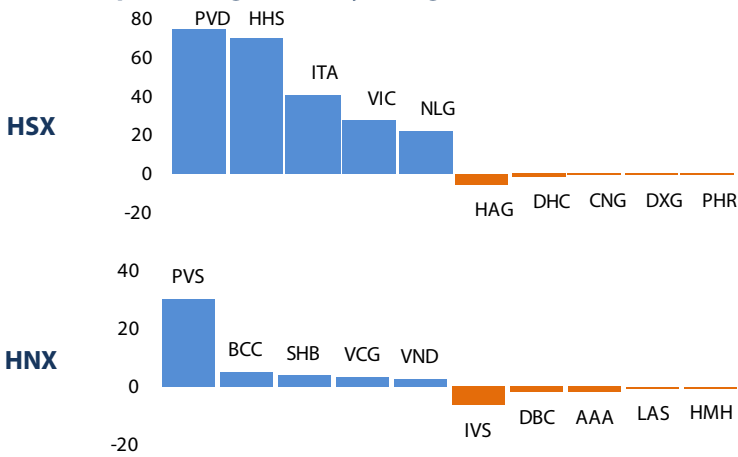
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



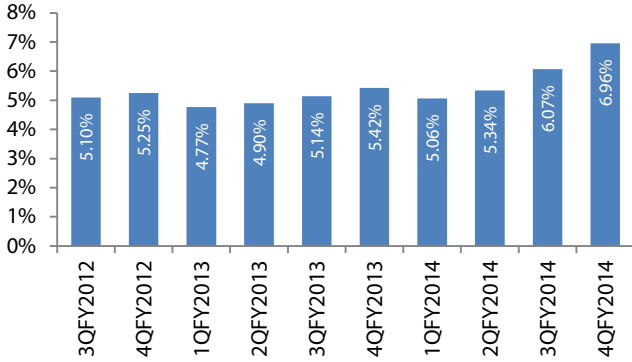
Top Active

Ticker	Price	Volume	% price change
ITA	7.2	10.58	4.3%
FLC	10.6	8.06	0.0%
HAI	11.2	5.54	3.7%
HHS	20.7	5.41	6.2%
HQC	6.6	4.27	1.5%

Ticker	Price	Volume	% price change
FIT	14.6	9.24	3.5%
KLF	8.9	7.13	1.1%
CEO	13.1	3.40	2.3%
PVS	25.8	3.13	1.2%
SHB	8.6	1.52	0.0%

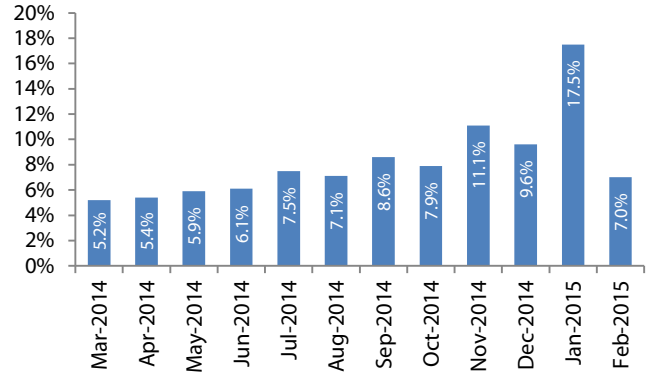
MACRO WATCH

Graph 1: GDP Growth



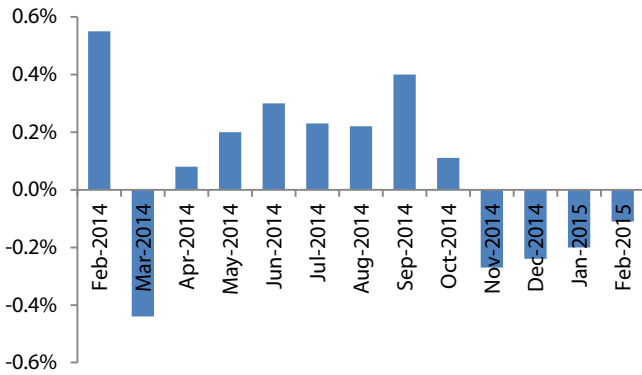
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



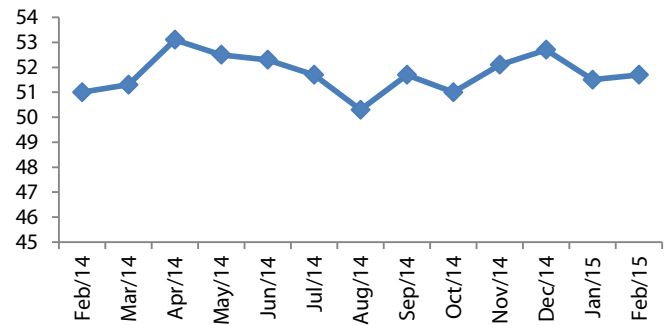
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



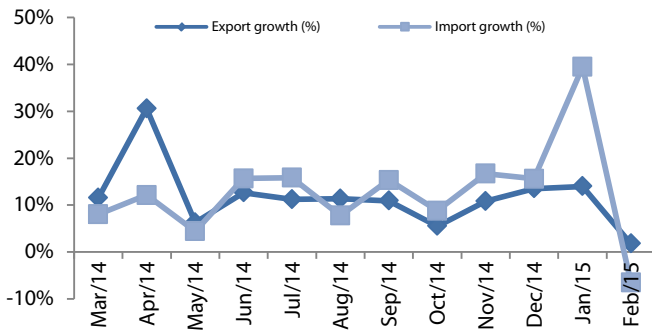
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



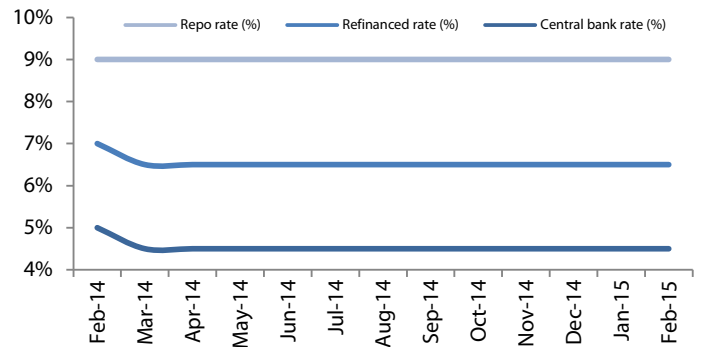
Sources: GSO. Rongviet Securities database

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
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
DPM - Tail wind from crude oil	Dec 26 th , 2014	Buy – Intermediate term	36,100
VNM - 2014 - At the pit stop	Dec 19 th , 2014	Accumulate – Long term	110,000
PCT – Restructuring	Dec 11 th , 2014	Monitor	

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	10/03/2015	0%-0.75%	0%-2.5%	11,730	11,725	0.04%
VEOF	10/03/2015	0%-0.75%	0%-2.5%	9,871	9,695	1.82%
VF1	16/03/2015	0.2% - 1%	0.5%-1.5%	21,715	21,772	-0.26%
VF4	11/03/2015	0.2% - 1%	0%-1.5%	9,530	9,552	-0.23%
VFA	13/03/2015	0.2% - 1%	0%-1.5%	7,402	7,457	-0.73%
VFB	13/03/2015	0.3% - 0.6%	0%-1%	12,187	12,179	0.06%
ENF	06/03/2015	0% - 3%	0%	10,951	10,868	0.76%
MBVF	26/02/2015	1%	0%-1%	11,081	11,100	-0.17%
MBBF	11/03/2015	0%-0.5%	0%-1%	12,032	11,966	0.55%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 355

truc.dtt@vdsc.com.vn

Hoang Nguyen

+ 84 8 6299 2006 | Ext: 328

Hoang.nh@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 323

lam.ntp@vdsc.com.vn

Tuan Huynh

+ 84 8 6299 2006 | Ext: 326

Tuan.hm@vdsc.com.vn

Kien Nguyen

+ 84 8 6299 2006 | Ext: 326

Kien.nt@vdsc.com.vn

Ha My Tran

+ 84 8 6299 2006 | Ext: 319

my.tth@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 319

tai.ntp@vdsc.com.vn

Diem My Tran

+ 84 8 6299 2006 | Ext: 320

my.ttd@vdsc.com.vn

Van Banh

+ 84 8 6299 2006 | Ext: 324

Van.btt@vdsc.com.vn

Trien Le

+ 84 8 6299 2006 | Ext: 325

trien.lh@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 324

tam.bt@vdsc.com.vn

Huong Pham

+ 84 8 6299 2006 | Ext: 323

huong.pt@vdsc.com.vn

Nam Huynh

+ 84 8 6299 2006 | Ext: 321

Nam.hk@vdsc.com.vn

HỘI SỞ TẠI TP.HCM

Tầng 1-2-3-4, tòa nhà Viet Dragon
141 Nguyễn Du, P.Bến Thành, Q.1, TP.HCM

- T +84 8 6299 2006
- F +84 8 6291 7986
- 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



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