

“Vietnam stock market: cheap or expensive?”

- **FPT’ business prospect in the second half of 2014.**
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FPT’ business prospect in the second half of 2014.

Yesterday our industry analyst had a meeting with the representative of FPT Corporation. In term of its business outlook for 2H2014, the high profitability of FPT’s main activities such as Distribution and Retailing, Software outsourcing, Telecom services and Online advertising would support FPT’s revenue and profit to surpass the initial target. However, regarding domestic operations of Technology businesses, the poor performance and mergers & acquisitions caused banks to limit their investment in Information technology, leading to a significant drop in 1H2014 revenue and profit with 21% and 61% respectively.

Since April 2014, despite of an increase in the number of signed integration contracts (+42% compared with last year), it might take long time to conduct. Therefore, following our industry analyst, the revenue from those contracts could be not recognized in 2H2014 yet. Moreover, FPT’s business performance could be affected negatively by Online gaming segment which suffered high competition with illegal games as well as foreign and local large game producers. In the last 6-month, FPT’s strategies mainly focused on developing Mobile Game through its shop chains in order to boost up revenue. FPT’s 2014FY revenue and post-tax profit were expected to be VND 32,433 billion (+20% yoy) and VND 1,775 billion (+10.4%) and its EPS would be VND 5,159.

Remarkably, FPT shops’ coverage expansion took part in pushing up its sale in the first months of 2014, especially for online segment. Until the end of July 2014, revenue from this segment reached VND30 billion, exceeding the initial guidance for whole year and got 4.8x compared with the same period. Therefore, FPT decided to set up the new target at VND45 billion per month, accounting for 8% of total revenue at the end of this year. Especially, the future business strategies for FPT shops would be as follows: (1) coverage expansion up to 250 shops in 2016 at 64 provinces; (2) customer service orientation through improved aftersales services, 7days exchange or return policies, and cooperation with Nielsen to do Mystery shopper; (3) moving to online based on advantages of offline, FPT brand name and modern logistic management system.

Vietnam stock market: cheap or expensive?

Based on reviews about resistance-breaking history, VNIndex seemed to be currently traded at its highest peak since 2009, and we think that many investors are wondering that if the market is expensive or cheap. For this reason, RongViet Research studied few statistics about indexes valuation. Hopefully, it would help investors to have another view about development and prospects in terms of indexes in the stock market.

Figure 1: Compare to historical data

VN-Index	@06/08/2014	Median	Average	Min	Max	History
P/E	14.67	12.89	16.35	7.31	46.08	2006-now
FORWARD P/E	14.60	11.05	11.54	6.92	19.44	2006-now
P/B	2.03	1.96	2.74	1.15	9.88	2006-now
P/FCF	22.60	16.82	31.28	4.97	272.25	2006-now
P/EBITDA	9.10	7.75	9.59	4.31	30.48	2006-now
INDEX	606.7	487.90	535.94	235.50	1170.67	2006-now

HN-Index	@06/08/2014	Median	Average	Min	Max	History
P/E	14.75	12.02	15.21	6.31	51.93	2006-now
FORWARD P/E	8.30	7.76	8.92	4.45	23.24	2006-now
P/B	1.07	1.22	1.65	0.66	6.77	2006-now
P/FCF	47.19	10.20	39.71	2.95	482.88	2006-now
P/EBITDA	4.40	4.12	4.58	1.96	10.02	2006-now
INDEX	80.39	111.32	141.75	50.66	459.36	2006-now

Source: Bloomberg

Figure 2: Compare to other frontier and emerging markets

		P/E	Forward P/E	P/B	P/FCF	P/EBITDA
Vietnam	VN- Index	14.67	14.60	2.03	22.60	9.10
Vietnam	HN- Index	14.75	8.30	1.07	47.19	4.40
Indonesia	JCI Index	19.99	16.33	2.53	15.51	8.67
Malaysia	FBMEMAS Index	16.64	16.15	1.98	17.02	9.10
Thailand	SET Index	17.88	15.25	2.18	12.58	8.82
Philippines	PCOMP Index	21.62	19.57	2.84	11.51	10.83
Taiwan	TWSE Index	19.07	14.87	1.86	16.12	14.95
Argentina	MERVAL Index	8.37	13.52	1.48	7.72	4.61
Ukraine	PFTS Index	60.70	6.49	0.78	4.38	8.06
Nigeria	NGSEINDX Index	13.72	11.85	2.48	15.62	11.00
Kazakhstan	KZKAK INDEX	16.02	-	0.89	17.96	3.54
Saudi Arabia	SASEIDX INDEX	20.08	16.61	2.54	14.72	11.02
Qatar	DSM INDEX	16.26	14.88	2.20	23.67	-
Egypt	CASE INDEX	-	13.37	1.99	9.60	5.27
Pakistan	KSE INDEX	12.61	8.34	0.30	10.74	6.66
Kenya	KNSMIDX INDEX	16.11	14.08	3.05	18.75	-

Source: Bloomberg

Dung Tran

+ 84 8 6299 2006 | Ext: 349

dung.tt@vdsc.com.vn

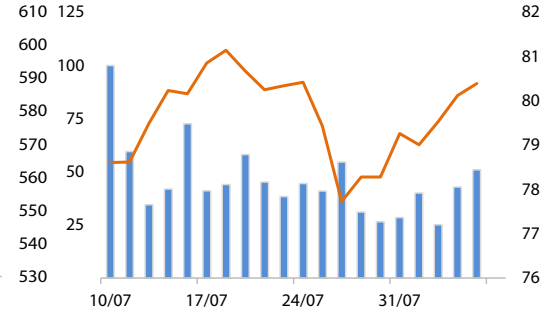
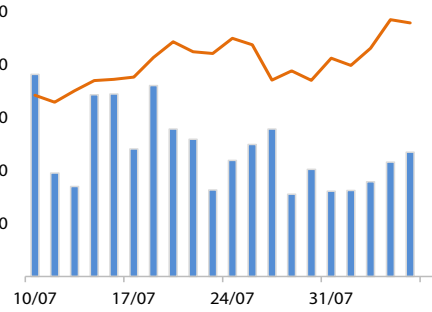
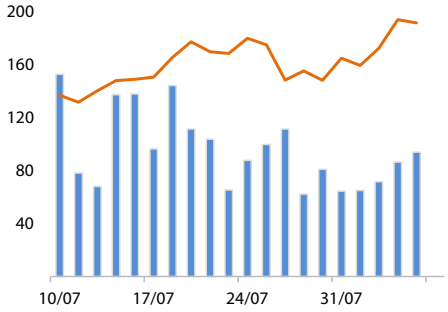
Based on the above table which showed comparison between current and historical data, ratios P/E, P/B, P/FCF and P/EBITDA of VNIndex and HNIndex were though higher than the means, but still lower than the averages of the period from 2006 till now. Besides, in comparison with Southeast Asia Area and other emerging countries, Vietnam's stock market was supposed to be undervalued at the attracting price.

Moreover, P/E of Vietnam's stock market was said to stand at the level of 14.7 which could possibly be less attractive to foreign investors. In the nearest sessions, there was an increase in foreigners' sale volume up to VND240 billion. The narration of external investment cash flow would reduce the growth rate of Vietnam's stock markets. Particularly in today's session, VN-Index once exceeded the foundation of 610 but turned out to close at 606.7 (-1.03 compared with yesterday). Foreign investors sold such large tickers as MSN (-VND129 billion), VIC (-VND31 billion) and GAS (-VND 8.8 billion).

VNINDEX -0.17% 606.70

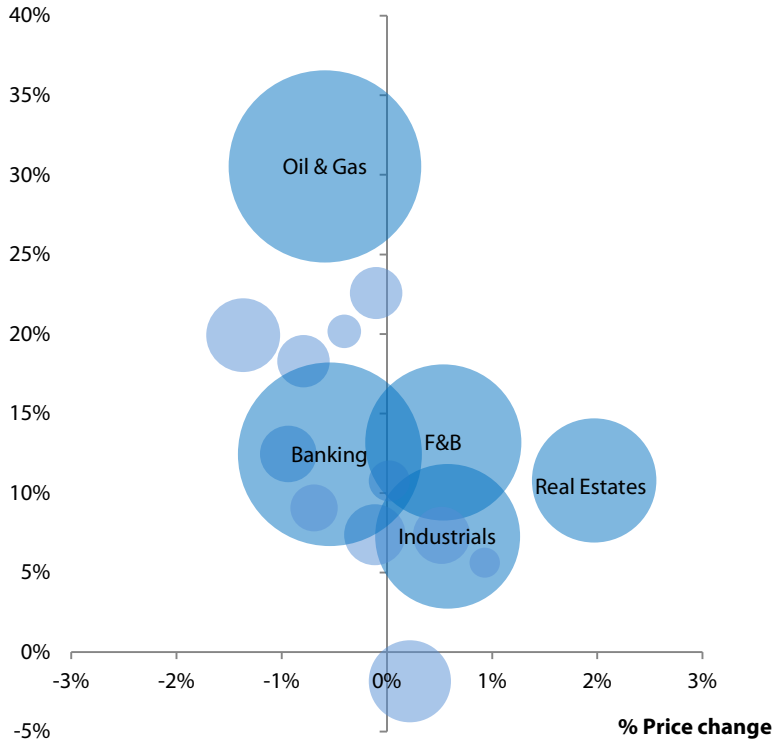
VN30 0.07% 644

HNXINDEX 0.34% 80.39



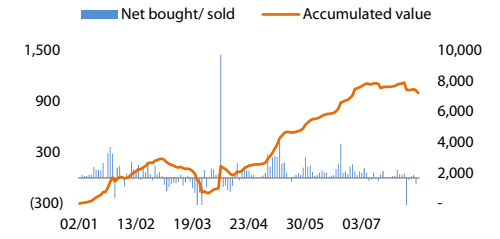
Industry Movement

Industry ROE

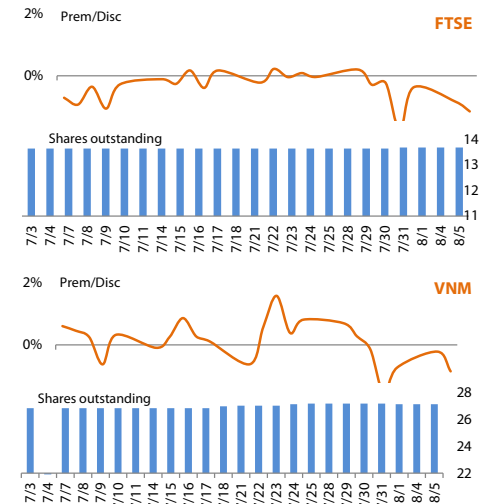


Industry	% change
Technologies	-0.8%
Industrials	0.6%
Constructions	0.2%
Oil & Gas	-0.6%
Distribution	0.9%
F&B	0.5%
Household Goods	0.0%
Cars & Parts	-0.4%
Chemicals	-0.9%
Resources	-0.1%
Insurances	-1.4%
Real Estates	2.0%
Financials	-0.1%
Banking	-0.5%
Utilities	0.5%
Healthcare	-0.7%

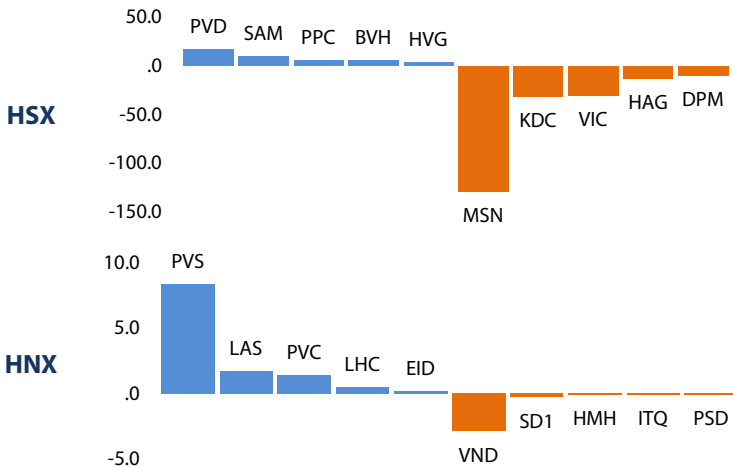
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)

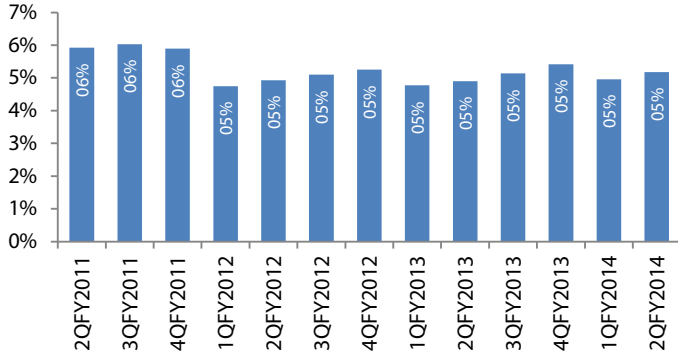


Top Active

Ticker	Price	Volume	% price change
FLC	13.20	12.01	-1.5%
SAM	11.30	4.32	-1.7%
HQC	7.70	4.05	-1.3%
IJC	14.10	3.32	2.2%
SSI	26.20	3.23	0.0%
KLF	12.30	9.26	4.2%
PVX	4.60	7.23	-2.1%
SCR	8.70	3.77	0.0%
KLS	11.30	3.76	-0.9%
FIT	14.20	2.74	0.7%

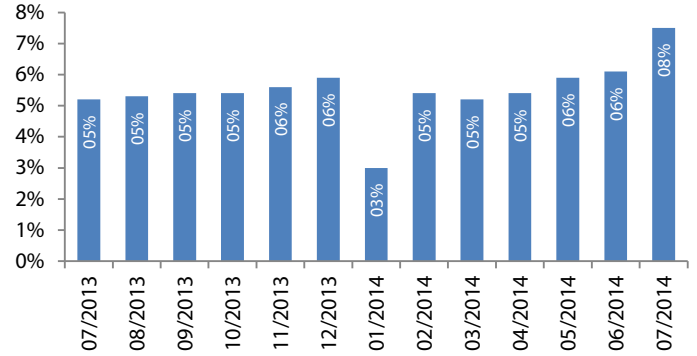
MACRO WATCH

Graph 1: GDP Growth



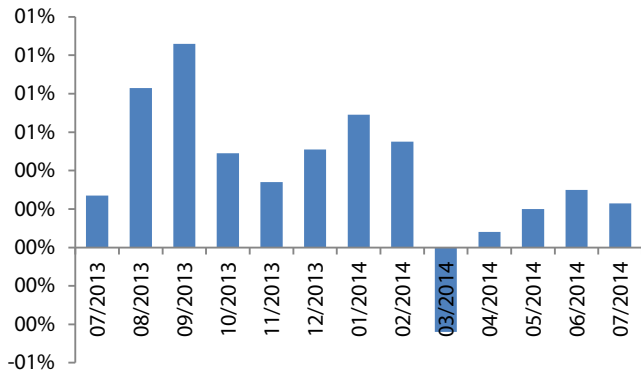
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



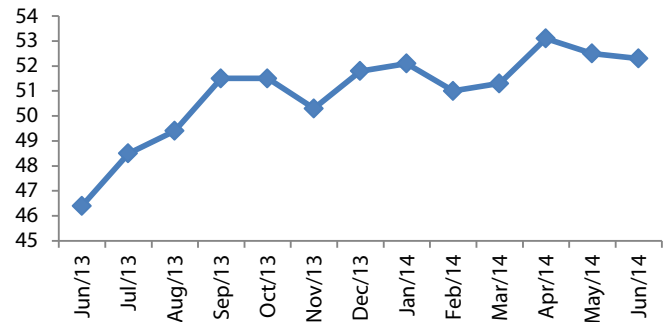
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



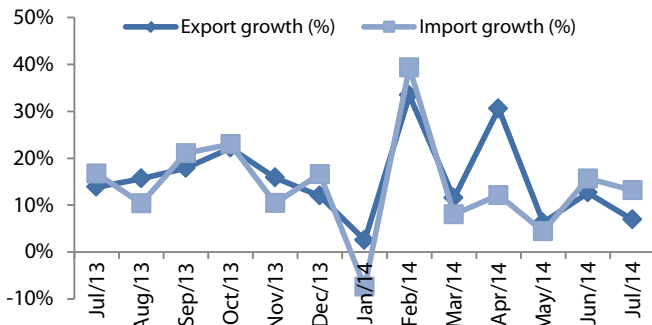
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



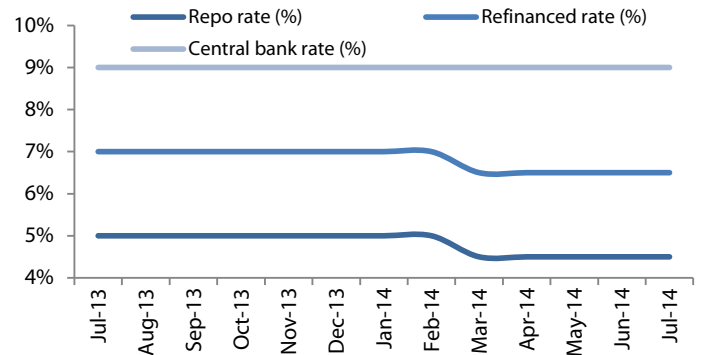
Sources: GSO, Rongviet Securities database

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
DBC-Benefit from decline in material price	May 27 th , 2014	Buy – Long-term	28,000
FPT-Leaping revenue	May 27 th , 2014	Accumulate – Intermediate-term	51,600
NBB-Strengthened cash flows	May 07 th , 2014	Buy – Long-term	36,300
DIG-Reboot	April 28 th , 2014	Accumulated – Long-term	19,200
HPG-Sustainable Development	April 24 th , 2014	Accumulated – Intermediate-term	55,100

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	22/07/2014	0.75%	0.75%	11,065	11,000	0,59%
VF1	24/07/2014	0.20% - 1.00%	0.50%-1.50%	22,261	21,961	1,36%
VF4	23/07/2014	0.20% - 1.00%	0.00%-1.50%	10,157	9,975	1,83%
VFA	25/07/2014	0.20% - 1.00%	0.00%-1.50%	7,516	7,479	0,50%
VFB	25/07/2014	0.30% - 0.60%	0.00%-1.00%	10,982	10,975	0,07%
ENF	18/07/2014	0.00% - 3.00%		10,105	10,009	0,96%

ANALYSTS

Truc Doan – Head of Research

+ 84 8 6299 2006 | Ext: 314

truc.dtt@vdsc.com.vn

Thuy Nguyen

+ 84 8 6299 2006 | Ext: 317

thuy.nt@vdsc.com.vn

Huy Nguyen

+ 84 8 6299 2006 | Ext: 344

huy.nt@vdsc.com.vn

Tai Nguyen

+ 84 8 6299 2006 | Ext: 315

tai.ntp@vdsc.com.vn

My Tran

+ 84 8 6299 2006 | Ext: 348

my.tth@vdsc.com.vn

Lam Nguyen

+ 84 8 6299 2006 | Ext: 318

lam.ntp@vdsc.com.vn

Dung Tran

+ 84 8 6299 2006 | Ext: 349

dung.tt@vdsc.com.vn

Tam Bui

+ 84 8 6299 2006 | Ext: 348

tam.bt@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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