

JANUARY

19

MONDAY

“Market closed early due to a cold”

ADVISORY DIARY

- **Hoa Sen Group and 2015 strategy: “Enhancing position”**
- **Market closed early due to a cold**

Hoa Sen Group and 2015 strategy: “Enhancing position”

Today, our analyst has participated in the AGM of Hoa Sen Group (HSG-HSX). The Board of Directors said that the Company has faced and overcome a variety of obstacles in the fiscal year 2013-2014; moreover, a business strategy for the next fiscal year has been launched at today’s meeting.

According to our analyst, a new plan for the fiscal year of 2015 is quite conservative as net profit margin relatively remained unchanged in comparison with the same period. The plan is established based on the price of hot-rolled steel (HRC) of \$500/tons in fiscal, higher than 12% to that of in China (~\$440/tons, FOB price. In the first quarter, the Company completed 25.8% and 27.8% of revenue and profit’s target. The number of products recorded 243,000 tons in the prior quarter; meanwhile, export volumes constituted of 44% of consumption volumes. However, the Company plans to concentrate on domestic’s market in this fiscal year and reduces the revenue’s proportion in export from 39.6% (2013-2014) to 37%. Furthermore, the Company told that the number of inventories in HRC had been imported at the beginning of the fiscal year with the price of \$540/tons and had been put in operation. Recently, HSG has signed a contract of importing steel material with a price of \$395/tons which is relatively lower than that of in other market.

	2013-2014 Plan	2013-2014 Result	2014-2015 Plan	Result 2013-2014 vs Plan 2013-2014	Plan 2014-2015 vs Result 2013-2014
Volume	737,763	868,256	961,908	17.7%	10.8%
Core product	700,000	810,226	900,000	15.7%	11.1%
Byproduct	37,763	58,030	61,908	53.7%	6.7%
Net revenue	14,000	14,990	16,500	7.1%	10.1%
PAT	600	410	450	-31.7%	9.8%
PAT/Net revenue	4.3%	2.7%	2.7%	-1.6%	0.0%

Source: HSG, VDSC

	2014-2015 Plan	Q1/ 2014-2015	% Result vs Plan
Volume	961,908	243,005	25.3%
Net revenue	16,500	4,414	26.8%
PAT	450	125	27.8%
PAT/Net revenue	2.7%	2.8%	

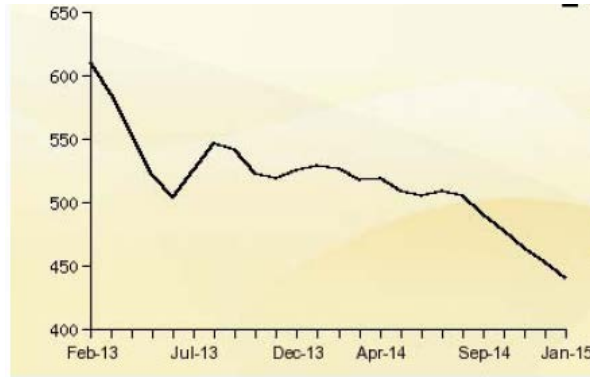
Source: HSG, VDSC

We suppose that in the 2014-2015 fiscal year, HSG’s business prospects will depend on three key elements:

- (1) Competitive pressures from international (trade remedies, rules on anti-dumping, a decline in currencies in the HSG’s export markets...).
- (2) The growth of domestic demand. According to the Vietnam Steel Association, a demand for steel pipelines and galvanized steel sheets are expected to grow by 16-18% in 2015, lower than the high growth rate in 2014.
- (3) The downward trend in steel materials prices should not terminate the point of purchase

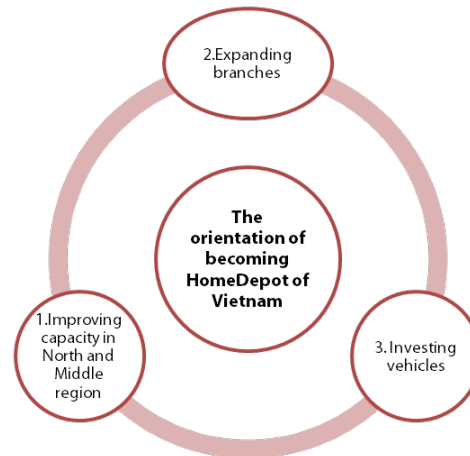
materials will significantly affect the company's profit margin. However, we expect this pressure will decrease compared to the previous year. However, we expect this pressure will decrease compared to the previous year.

Figure: HRC price movement in China



Source: The SteelIndex

In addition, the bright spot for HSG in this year was that the company will begin implementing stronger oriented corporate restructuring as mentioned in previous Advisory Diary. According to HSG's chairman - Le Phuoc Vu, Hoa Sen Group has decided to restructure to become the Group that supplies nationwide building materials (similar to HomeDepot in the US). In this fiscal year, three strategic actions will include:



- 1**

 - Investing the Hoa Sen Binh Dinh steel pipe and Hoa Sen Nghe An tole Plant
 - Increasing steel pipe capacity in 2015 up to 200,000 tons
- 2**

 - Currently, 5 depots and 150 branches in 57 provinces
 - In this fiscal year, open 50 new branches and establish limited company in some provinces to manage effectively opeartion of each branch
- 3**

 - Investing 30 new tractors and 10 trucks for internal transportation demand (estimated over VND 50 billion)
 - Transport tonnage of Hoa Sen transporting and Engineering limited company estimated to increase from 210,000 tons to 1,700,000 tons

Thus, the leading distributor of construction materials in Vietnam is the goal of the Company's main operation in 2014-2015. Manufacturing activity continues to be maintained and expanded under the high competitive industry pressure. Besides, the cash flow may be affected by investment capital expenditure and marketing expense.

"Market closed early due to a cold"

Today market was dominated by blue color from the start of the session; however, the optimism did not last long amid increasing selling pressure especially in late afternoon. VN-Index and HNX-Index were down 3.3 and 0.1 points respectively. We saw the market decline took place on a large scale for various share groups. There were up to 235 tickers in red but the degree of share price fall is not high. The relatively low liquidity combined with a balance in selling and buying make us believe that market would continue to go "sideways " until the AGM season.

Foreign investors remained net sellers of VND75 billion. However, if excluding the abnormal sale of NTP (VND133.5 billion) on HNX, then the transaction value was positive.

For the purpose of improving banking activity, the information of the central bank's implementing drastic measures last week could make a breakout of banking stocks today; however, the market decrease also slowed down this uptrend. Notably, although the M&A deal of Vietcombank and Saigon Bank published officially, VCB could keep the upward momentum and closed with a decrease of 2.5% because of the foreign investors' keeping away. Without the VCB color change "from green to red", banking stocks remained the trend, especially CTG (+2.6%) – the leader of increasing banking stocks. Additionally, the positive banking information has been reflected recently, therefore, these ones seemed to be less attractive showed by a significant decrease of trading volume compared with average previous sessions

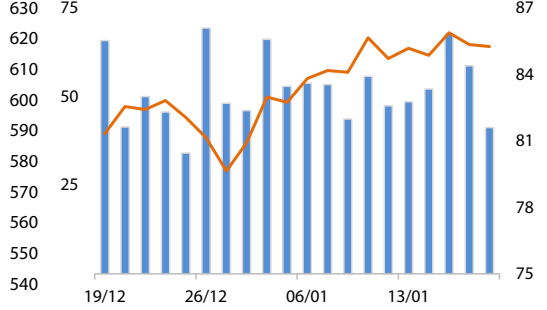
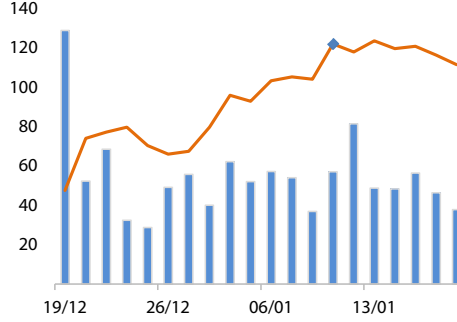
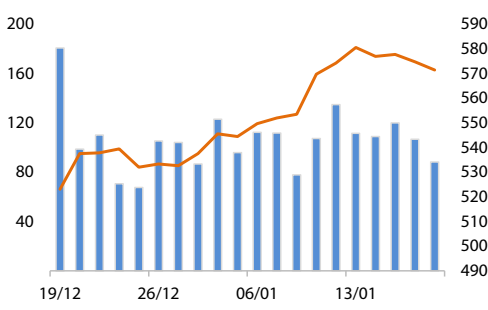
Our covered mid-cap ticker, DHC, was not immune from today's market fall. In a short chat with DHC's people today, the firm's preliminary business result is positive with revenue posting VND543 billion and PAT of VND43 billion. EPS this year is estimated to be VND2,445 and 20% dividend payout ratio still worth for investors to consider accumulating.

Trien Le

+ 84 8 6299 2006 | Ext: 325

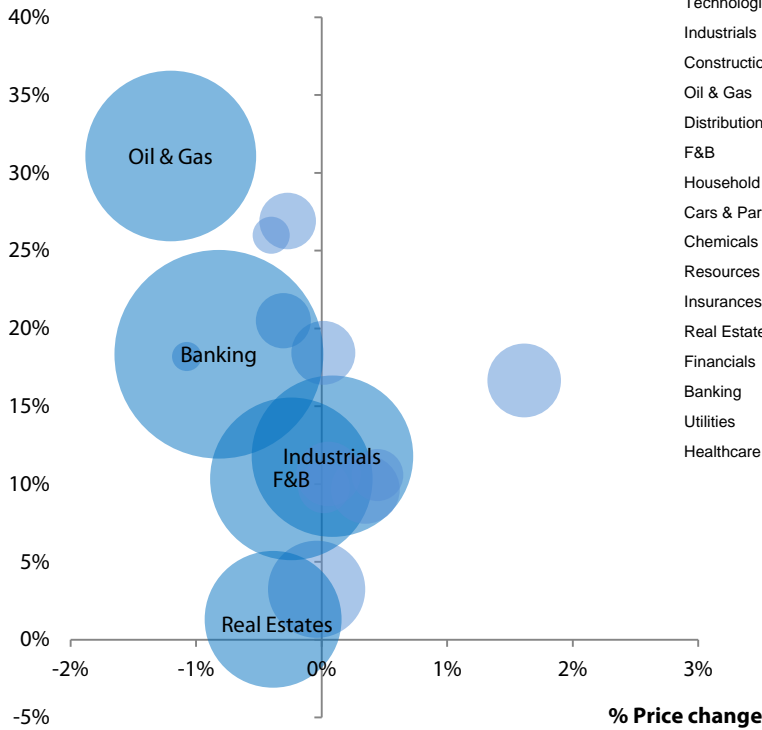
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VNINDEX -0.57% 571.51 VN30 -0.50% 611.64 HNXINDEX -0.11% 85.26

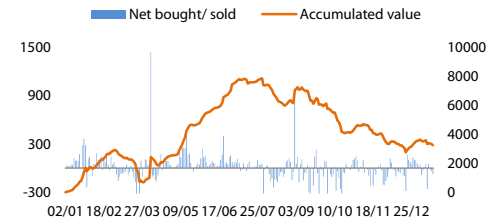


Industry Movement

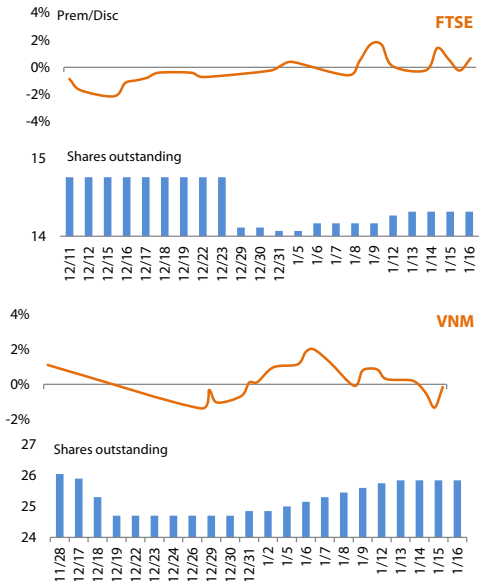
Industry ROE



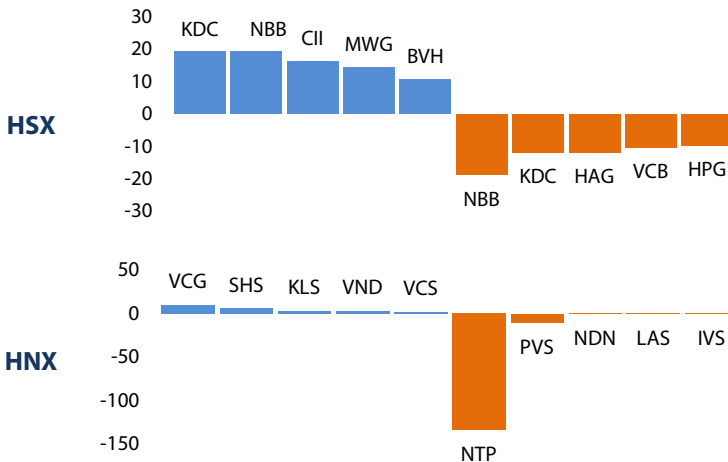
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



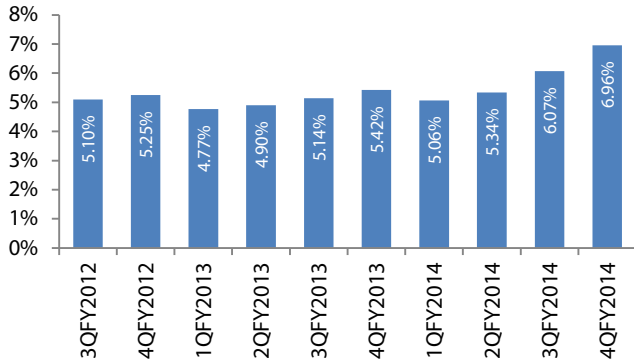
Top Active

Ticker	Price	Volume	% price change
FLC	10.8	7.26	-2.7%
VHG	12.6	4.39	-1.6%
ITA	7.8	4.36	-2.5%
OGC	6.2	3.37	-1.6%
BID	16.4	3.22	1.2%

Ticker	Price	Volume	% price change
KLF	11.5	7.84	-1.7%
SCR	9.0	3.69	-2.2%
SHB	8.7	2.99	0.0%
PVX	5.0	2.34	0.0%
SHS	11.0	1.76	0.9%

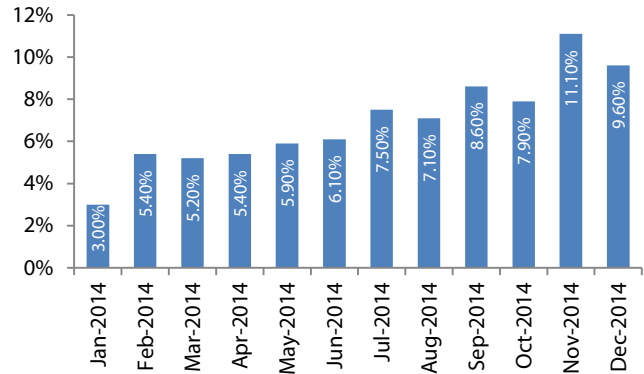
MACRO WATCH

Graph 1: GDP Growth



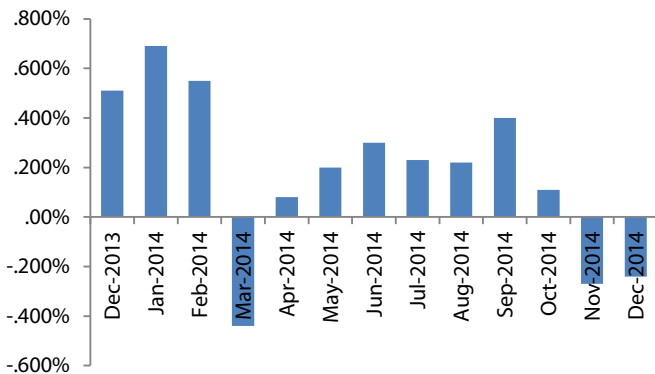
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



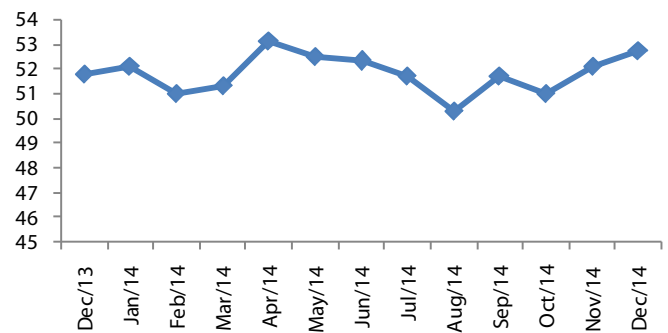
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



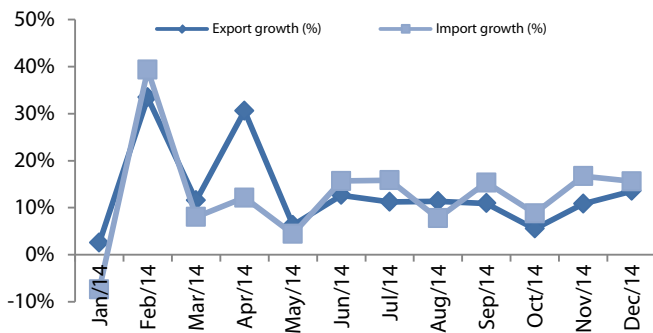
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



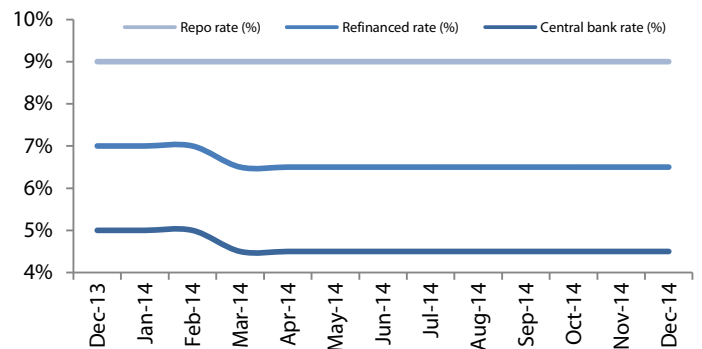
Sources: GSO. Rongviet Securities database

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
<u>VFF</u>	06/01/2015	0%-0.75%	0%-2.5%	11,403	11,370	0.29%
<u>VEOF</u>	06/01/2015	0%-0.75%	0%-2.5%	9,353	9,065	3.18%
<u>VF1</u>	14/01/2015	0.2% - 1%	0.5%-1.5%	21,250	21,133	0.55%
<u>VF4</u>	07/01/2015	0.2% - 1%	0%-1.5%	9,017	8,799	2.48%
<u>VFA</u>	09/01/2015	0.2% - 1%	0%-1.5%	7,345	7,313	0.43%
<u>VEB</u>	09/01/2015	0.3% - 0.6%	0%-1%	11,887	11,877	0.09%
<u>ENE</u>	09/01/2015	0% - 3%	0%	10,738	10,605	1.25%
MBVF	08/01/2015	1%	0%-1%	11,307	11,234	0.65%
MBBF	07/12/2014	0%-0.5%	0%-1%	11,924	11,908	0.13%

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

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: 321

my.ttd@vdsc.com.vn

Van Binh

+ 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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