

MARCH

30

MONDAY

“A buying opportunity is coming near”

ADVISORY DIARY

- **2015 real estate business planning: If optimism leads, prudence should follow**
- **A buying opportunity is coming near**

2015 real estate business planning: If optimism leads, prudence should follow

In late March, many real estate firms held AGMs and announced their 2015 business plans. Our analyst just attended last week the AGMs of Phat Dat Real Estate Development JSC (HSX: PDR) and Hoang Quan Real Estate Consulting-Trading-Services JSC (HSX: HQC).

The two owner-managed firms shared a common trait in this year’s business plan: over-the-top optimism and confidence. PDR aims at two-fold revenue growth and 6-time NPAT growth for 2015. The firms said it completed block C of its signature project, i.e. The Everich 2, and booked revenue for 96/130 sold units in late 2014. Infrastructures and overall landscape at The Everich 3 are also ready for the development of block A1 and A2 (536 units sizing from 62 to 75 m²). PDR plans to book revenue and profit for 75 villas in this project in 2015. The Company will also provide sand exploiting services in Cam Ranh and Khanh to solidify profits.

With regard to business plan, HQC made a step further, targeting 10-fold revenue and NPAT growth. The Company might even make VND400 billion of NPAT this year should revenue recognition went smoothly, said HQC’s management. The plan was based upon the possible completion and hand-over at a great many social housing projects the firm currently owns such as HQC Plaza, HQC District 9, HQC Hoc Mon, HQC, Nha Trang, HQC Ho Hoc Lam ...

At the AGMs, both companies did the same thing that was to provide a list of newly incepted projects without forgetting to remark on the projects’ “high potential”. In its 2,5-trillion investment plan, PDR said it would develop The Everich Infinity – a residential-office-commercial complex (450 apartment units and 19,800 m² of GFA) it was handed over from Compensation and Clearance JSC in 2014. Even more surprising, PDR said it would take on the development go Phan Dinh Phung Sport Center in exchange for new land in the city center. HQC raised its shareholders’ eyebrows saying it would develop this year over 20 projects, mainly social houses and land plots in residential areas, including many project the Company just bought in 2014 such Thanh My and Binh Trung Dong Apartment (District 2, HCMC) and Royal Tower (District 7, HCMC)

Failing to have a look at HQC and PDR’s financing plans in this year’s AGMs would be a pity. PDR plans to issue 65.1 million shares at for existing shareholders at face value and pay stock dividends at 5% of share capital. The proceeds will be used to pay down the Company’s outstanding bonds and loans from DongA Bank as well as to finance ongoing projects. HQC is to make a similar move, issuing 63 million shares at face value and granting stock dividends at 6.5%. More importantly, the firms will issue up to 137 million shares to swap with the stocks of 4 target companies, i.e. Hoang Quan Binh Thuan, Hoang Quan Can Tho, Dong Duong Real Estate and Binh Minh Port.

Real estate developers’ rush to announce huge fund-raising and development plans have given us some concerns that there will soon be a supply surge, not only in the housing but also the stock market. For PDR, the stock closed today at VND17,700/share and a P/B ratio of 1.6 times, much higher than many of its peers. Yet given the new issuance price of VND10,000/share, there is still a high chance that the issuance will be success. On the contrary, at BVPS of VND10,430 and share price of VND6,600, HQC’s new issues do not look very cheap after all. However, if there are really strategic investors who will participate in the event current shareholders fail to absorb the new issues, as hinted by the Company’s management, HQC have likely had a backup plan in store.

Speaking of business plan practicality, HQC and PDR both failed to deliver the revenue and profits

they promised in at least 3 years since 2011 (PDR still exceeded its NPAT goal by 5% last year). The Everich 2 came along as soon as the high-end segment of the real estate market subsided and capitalized interest shrank the project's gross margin down to the average of social housing at 15%. For its part, HQC would not have turned around it had not been for the firm's participation in the 30-trillion package. As of 2014 year-end, PDR had a Debt-to-Equity ratio of 188% and HQC 127% (down from 228% in 2013). PDR itself still had over 1,000 of payable interest expense and HQC booked VND745 billion negative operating cash flows last year.

As the market recovers, it is no surprise that firms feel confident in their prospect. However, with an equity base, firms like HQC and PDR are under great pressure from their shareholders to deliver and maintain strong earnings in years to come. Now that the real estate sector is just about to pass the doorway into a new growth phase, it is advised that investors retain all their prudence while closely monitoring how firms' will execute their business plans.

A buying opportunity is coming near

Today's trading session looked quite negative when VNIndex reached down to almost 545 and HNIIndex lost 1% with an overwhelming number losing stocks in both exchanges. Some familiar stock names such as GAS, BVH, FPT and PVD were to blame for the decline of VNIndex. Not surprisingly, HQC and PDR were among the few stocks to remain on the up side.

In contrast to the tiring trading in the past few sessions, sellers were quite determinant today and were willing to accept lower prices in order to liquidate their holding. However, if we excluding put-through trades, total trading value was only VND1,775 billion today, down by 7% from last week's average. Despite the increase in selling pressure, cash flows were quite reluctant on the buy side. Aside from KDC and VIC with high put-through volume, we also recognized HQC, PDR and even TCM in the many put-through transactions.

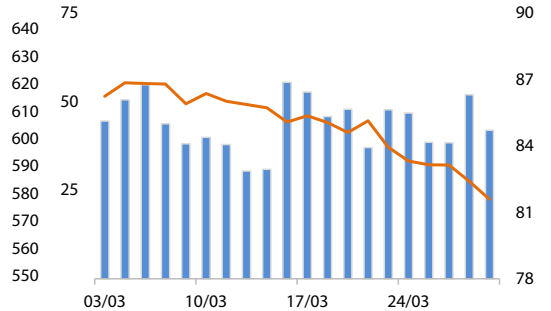
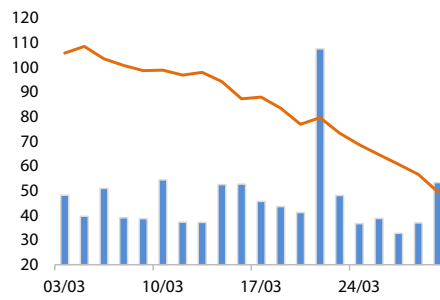
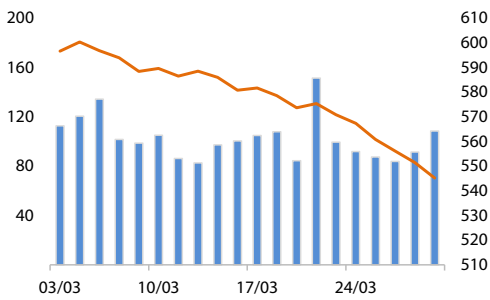
The foreign sector continued selling a net VND178 billion on both exchanges. We also noticed that the media have recently repeated the possibility of foreign ownership extension in the amended Circular guiding the implementation of the Securities Business Law amidst rising concerns over the withdrawal of overseas funds. If the control over foreigners' ownership is lifted, it could provide a huge boost for the stock market. For the time being, however, the market may need a wash-out before it is able to regain the balance between demand and supply. If there are going to be down days like today but with more liquidity, long-term investors who are strong in cash may consider accumulating on stocks with positive business outlook. In our opinion, that day is coming near.

Tai Nguyen

+ 84 8 6299 2006 | Ext: 319

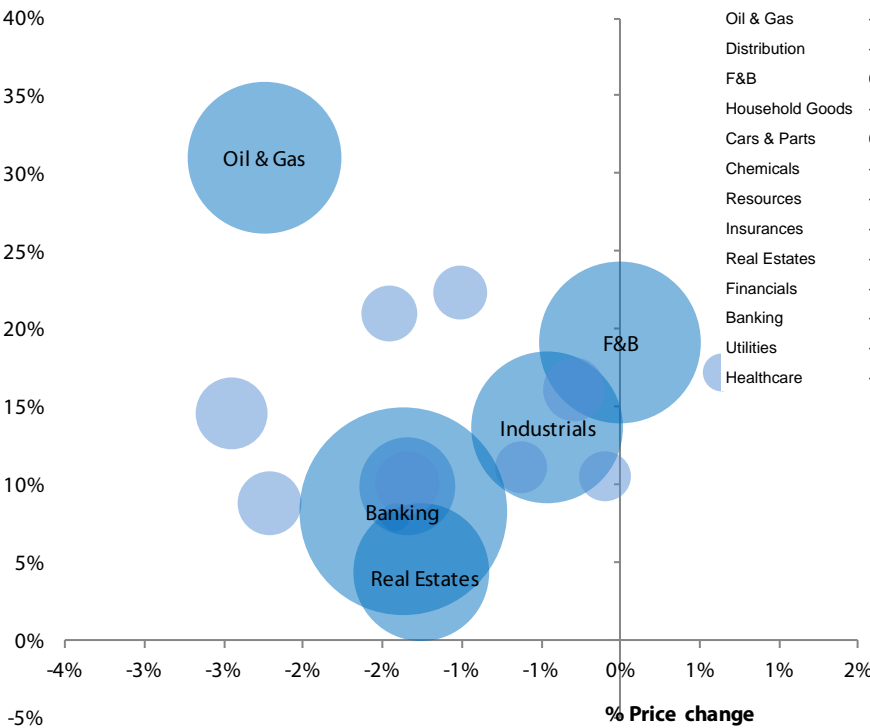
tai.ntp@vdsc.com.vn

VNINDEX -1.13% 545.19 VN30 -1.10% 576.60 HNXINDEX -0.98% 81.59

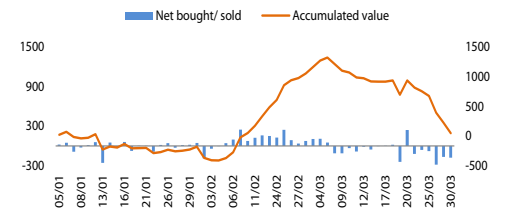


Industry Movement

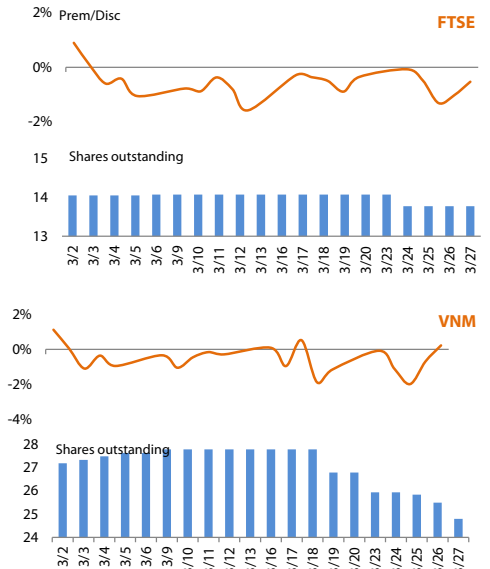
Industry ROE



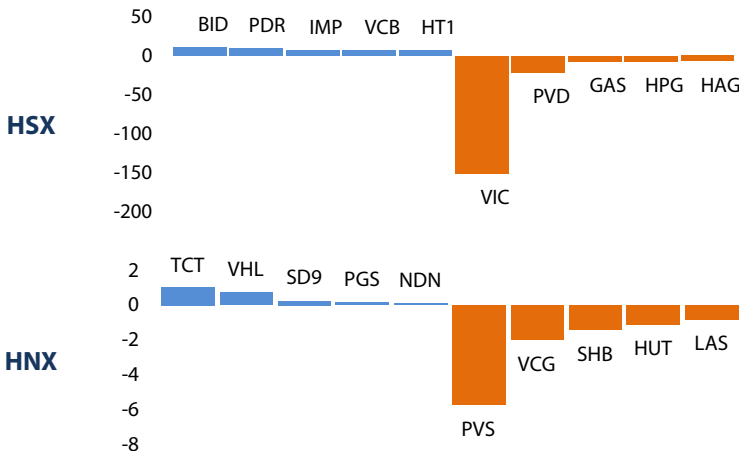
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)

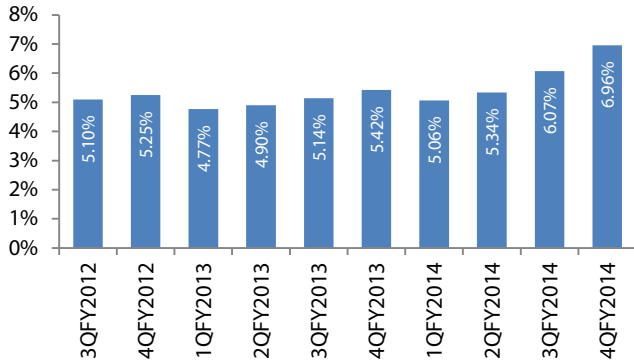


Top Active

Ticker	Price	Volume	% price change
FLC	11.0	12.31	-3.5%
HAI	12.5	6.80	-0.8%
DLG	9.2	4.20	-6.1%
HQC	6.6	3.42	1.5%
ITA	6.9	3.32	-2.8%
KLF	10.0	6.44	-3.8%
FIT	17.5	5.34	-5.4%
PVX	4.4	1.81	-4.3%
SHB	8.5	1.37	0.0%
HUT	15.1	1.36	-5.6%

MACRO WATCH

Graph 1: GDP Growth



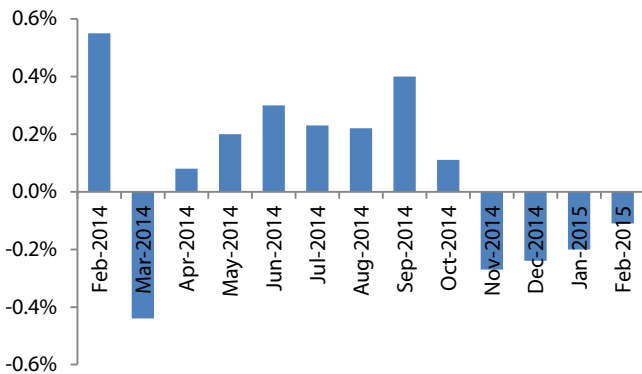
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



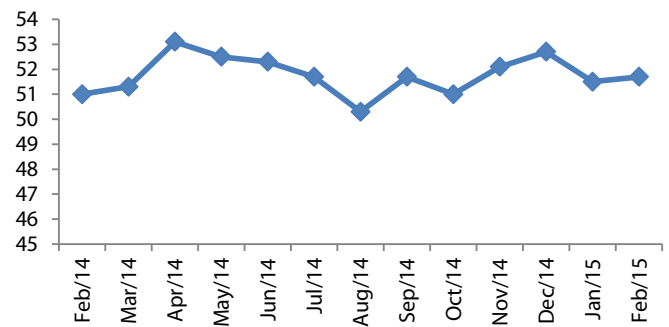
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



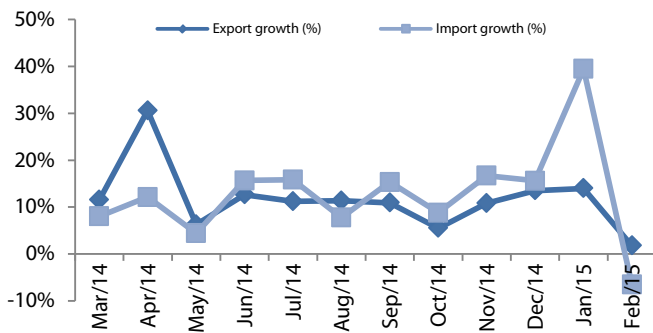
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



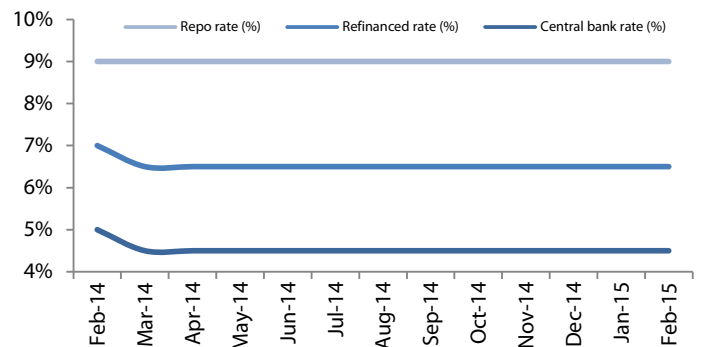
Sources: GSO. Rongviet Securities database

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	17/03/2015	0%-0.75%	0%-2.5%	11,734	11,730	0.03%
VEOF	17/03/2015	0%-0.75%	0%-2.5%	9,840	9,871	-0.31%
VF1	26/03/2015	0.2% - 1%	0.5%-1.5%	20,996	21,086	-0.43%
VF4	18/03/2015	0.2% - 1%	0%-1.5%	9,403	9,530	-1.33%
VFA	20/03/2015	0.2% - 1%	0%-1.5%	7,301	7,402	-1.36%
VFB	20/03/2015	0.3% - 0.6%	0%-1%	12,201	12,187	0.12%
ENF	20/03/2015	0% - 3%	0%	10,851	10,923	-0.66%
MBVF	12/03/2015	1%	0%-1%	11,143	11,173	-0.27%
MBBF	18/03/2015	0%-0.5%	0%-1%	12,040	12,032	0.07%

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: 320

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



This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report. The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

This research report is copyrighted by Rong Viet Securities. All rights reserved. Therefore, copy, reproduction, republish or redistribution by any person or party for any purpose is strictly prohibited without the written permission of VDSC.