

AUGUST

19

TUESDAY

“Profit taking occurred on both bourses”

ADVISORY DIARY

- **KDC – 2Q2014 Result Updates**
- **Profit taking occurred on both bourses**

KDC – 2Q2014 Result Updates

Yesterday, Rong Viet analyst has had been a discussion with Kinh Do Joint Stock Company (ticker: KDC) related to 2Q2014 result updates and a plan of restructuring business segments.

According to the announced 2Q2014 business result, revenue of KDC reached VND 1,004 billion (+11% yoy) and NPBT reached VND 84 billion (+1.3% yoy). For 1H2014, revenue reached approximately VND 1,797 billion, achieved ~35% targeted plan whereas NPBT reached VND 135 billion, achieved 21% of targeted plan. Q2 business result reflected good performance and significant rise in revenue thanks to the implementation of distribution management system (DMS). Previously, the company’s control was only at distributor level or in other words was wholesale channel. Currently, with the assistance of DMS, KDC can control the retail channel of selling process. Hence, the company is able to catch the consumption capacity at different time, then control and propose proper strategies. Especially, for the first 6 months of 2014, KDC have succeeded in carrying out DMS system over the southern of Vietnam, leading to the increase in sales proportion.

However, due to applying DMS system together with advertising on media, selling expenses in 1H2014 increased by almost 11% compared to the same period last year, this expenses per sales was about 23%. We expect selling expenses continue to increase sharply because the Mid-Autumn Festival is coming, but estimated expenses would not increase over 30% yoy. According to KDC, total moon-cake volume for this year Festival is approximately 2,800 tons, up 40% yoy. KDC now is running sales strategy at more than 10,000 outlets and diversifying Moon-cake products such as new products named Mochi. Thus, we expect this segment could contribute a large proportion to this year’ revenue, estimated proportion of 38-40% of total revenue.

The exhibit 1 (*) will summarize the restructuring process of KDC’s product category. According to the Company, it will launch instant noodle products under the KDC brand to the market as soon as the end of this year. Within one year, this product may bring VND400 billions of revenue, said KDC’s representative. Yet marketing and selling expenses may depress profit margins, causing this segment to suffer loss in early periods. Still, KDC stressed that this is an important step that will grant the Company access to this highly competitive market. With a forward EPS of VND2,726, KDC is currently trading at VND65,000/share or 24 times of forward P/E, quite high even for a VN30 member. We figure that in the short term, expectations about improvements in KDC’s operation have been fully reflected in the stock’s market price. However, in the longer term, there is still a lot more of this restructuring scheme to be revealed, which, in our opinion, will need more attention in the upcoming time.

Profit taking occurred on both bourses

After incipient excitement among Mid-caps and Small-caps in previous sessions, profit taking activity happened in today’s session. A remarkably increased selling pressure led to the improvement in liquidity (+12%). The profit taking was much more impressive on HNX, especially “cool-down” heat in Oil and Gas stocks as many tickers decreased such as PVS (-1.6%), PVB (-2.3%), PVC (-1.4%).

An eventful trading in Midcap was shown clearly via its highest declined rate of 0.39%; meanwhile, some stocks in VN 30 still witnessed gains such as PVD (+1%), FPT (+1%), HPG (+1,

8%). Thanks to a support in GAS (+1%), VNIndex decreased slightly at closed time. Thus, the capital flow is forecasted to be transferred among stocks after profit taking activity today.

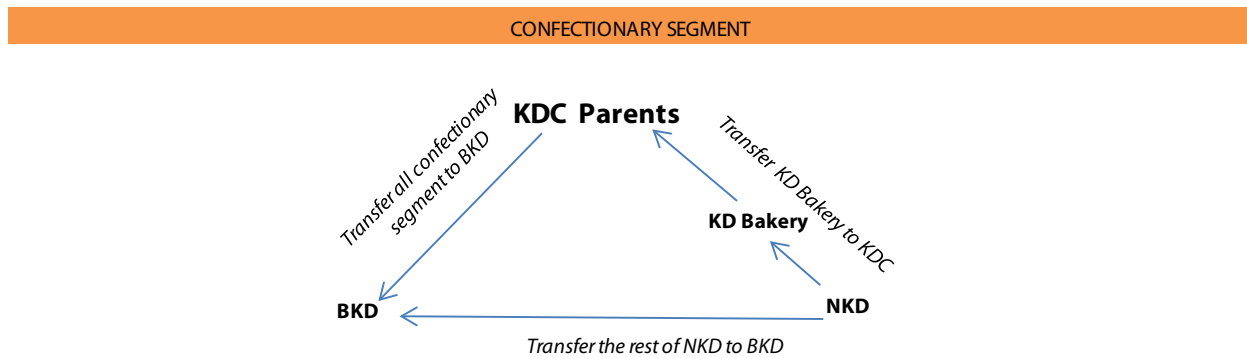
Today, foreign investors kept their net selling by VND 149.121 billion on both bourses. Since the middle of July, net buying value of foreign investors saw a decline of VND 1,488 billion, equivalent to a drop of 20% in comparison with the highest point. However, the withdrawal mainly concentrated in some tickers such as VIC, MSN, KDC, HPG, HAG, DPM, VSH... and unlikely to affect negatively to the these ticker prices (except MSN and DPM). Hence, there was no change of getting cheap stocks for domestic investors.

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Exhibit 1: Summary the restructuring process of KDC's product category



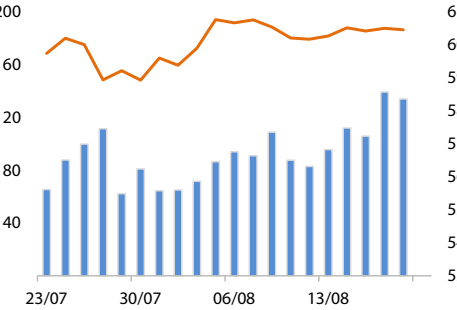
NOODLE SEGMENT	
-Market size	VND20,185 bn
-Average growth	6-8%
-OEM with Sai Gon Vewong	
-First-year estimated revenue	VND400 bn
-Noodle product under Kind Do brand could be launching in the rest of this year.	

COOKING OIL SEGMENT	
-Market size	VND20,743 bn
-Purchase 24% shares of Vocarimex	
-Specific movement could be seen at least 2-3 years	

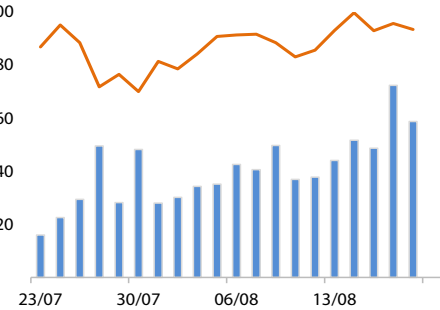
COFFEE SEGMENT	
-Market size	VND4,757 bn
-Average growth	15-20%
-Purchase 60% shares of Phin Deli	
-Specific movement could be seen at least 2-3 years	

Source: Rong Viet Research compiled

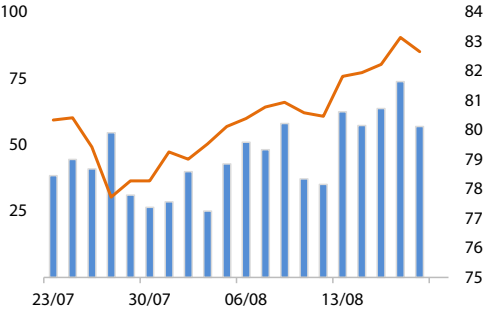
VNINDEX -0.07% 604.64



VN30 -0.24% 645.46

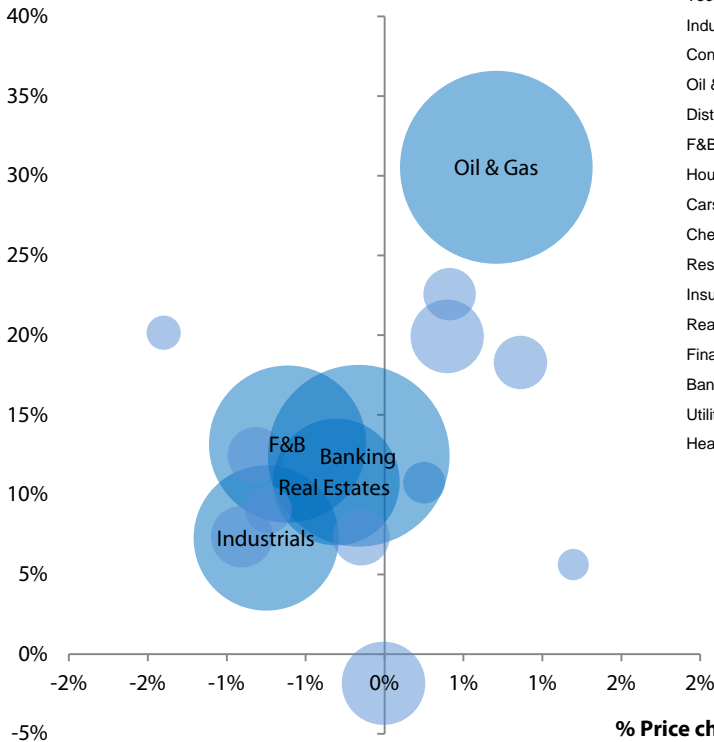


HNXINDEX -0.58% 82.66



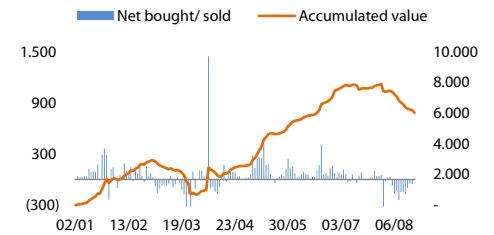
Industry Movement

Industry ROE

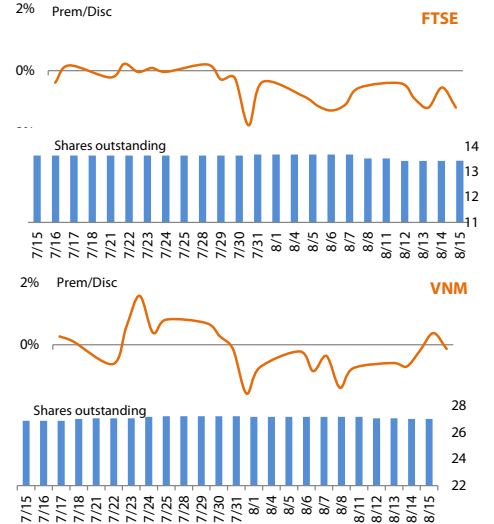


Industry	% change
Technologies	0.9%
Industrials	-0.7%
Constructions	0.0%
Oil & Gas	0.7%
Distribution	1.2%
F&B	-0.6%
Household Goods	0.3%
Cars & Parts	-1.4%
Chemicals	-0.8%
Resources	0.4%
Insurances	0.4%
Real Estates	-0.3%
Financials	-0.9%
Banking	-0.2%
Utilities	-0.1%
Healthcare	-0.7%

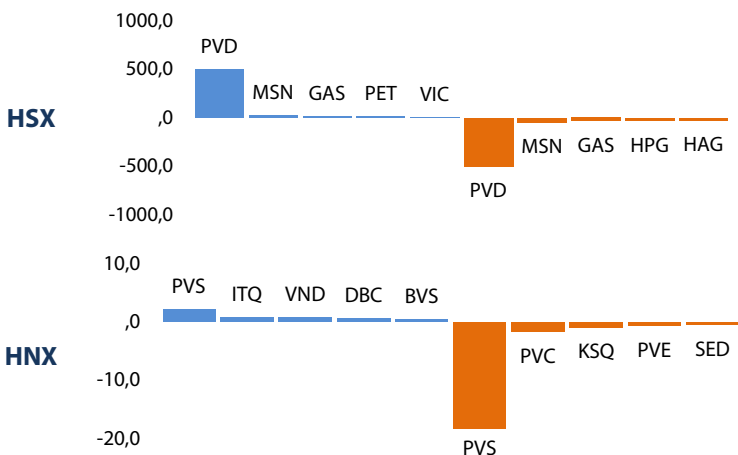
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



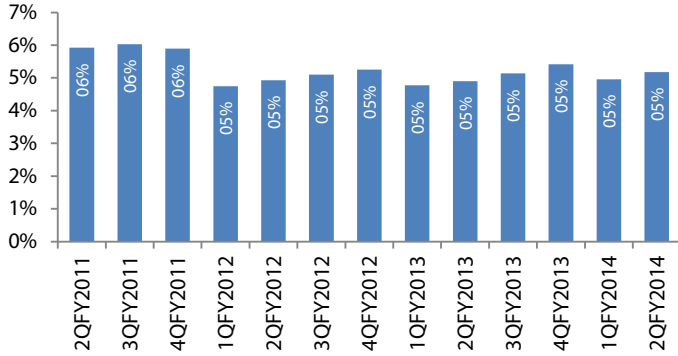
Top Active

Ticker	Price	Volume	% price change
FLC	13.2	15.78	-0.8%
HQC	8.0	7.54	-1.2%
SAM	11.4	6.76	-1.7%
OGC	12.0	4.26	1.7%
SSI	27.4	4.22	-0.7%

Ticker	Price	Volume	% price change
PVX	4.8	7.00	2.1%
KLF	12.6	0.50	-2.3%
SCR	9.9	4.83	-1.0%
PVS	36.9	4.07	-1.6%
SHS	9.1	3.10	-2.2%

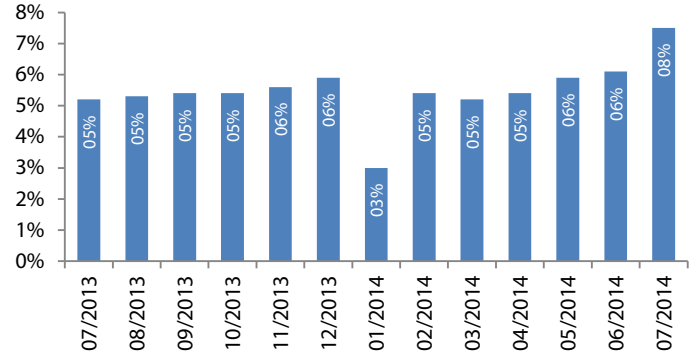
MACRO WATCH

Graph 1: GDP Growth



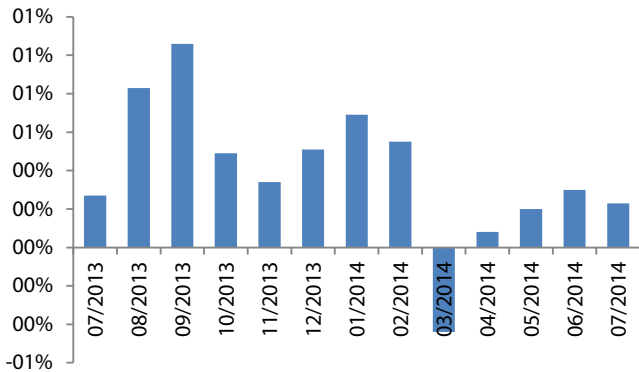
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



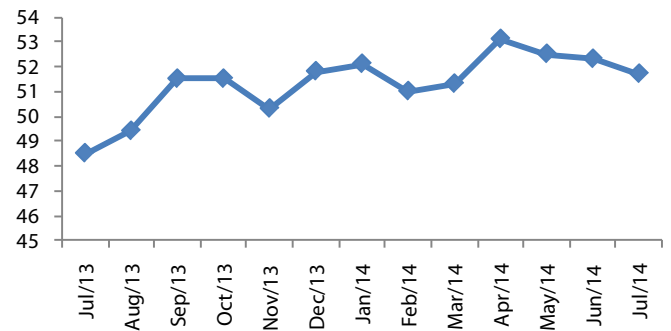
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



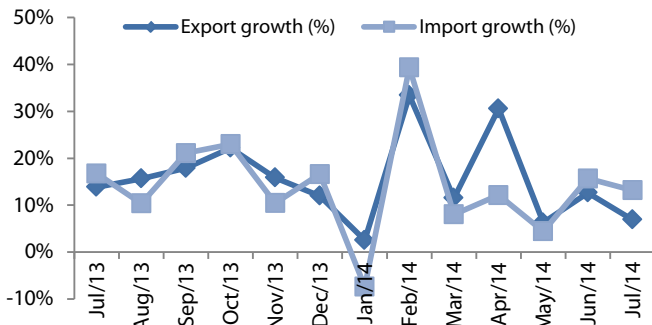
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



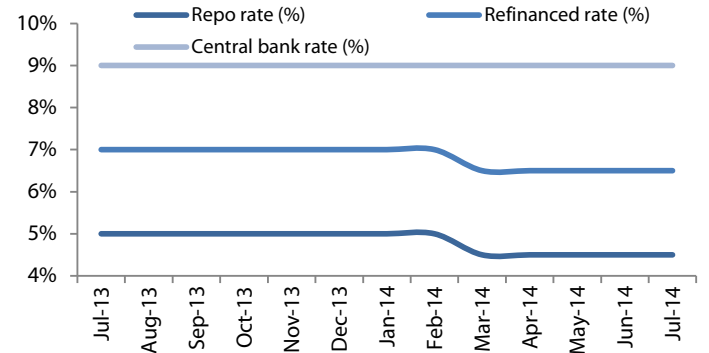
Sources: GSO, Rongviet Securities database

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
HPG - On the way to dominate nationwide' market shares	Aug 12 nd , 2014	Accumulated – Intermediate-term	66,400
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

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	05/08/2014	0-0.75%	0-2.5%	11,182	11,053	1.17%
VF1	07/08/2014	0.20% - 1.00%	0.50%-1.50%	22.263	21.759	2,32%
VF4	06/08/2014	0.20% - 1.00%	0.00%-1.50%	10.211	9.946	2,67%
VFA	08/08/2014	0.20% - 1.00%	0.00%-1.50%	7.537	7.422	1,55%
VFB	08/08/2014	0.30% - 0.60%	0.00%-1.00%	11.120	11.002	1,08%
ENF	01/08/2014	0.00% - 3.00%		10,152	10,233	-0.79%

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