

APRIL

01

WEDNESDAY

“The market welcomed April Fool’s day with many number two”

ADVISORY DIARY

- **VPH: Profit breakthrough is also the time for land expansion becoming urgency problem**
- **FMC – Many positive changes in 2015**
- **The market welcomed April Fool’s day with many number two**

VPH: Profit breakthrough is also the time for land expansion becoming urgency problem

Yesterday morning (31//2015), our real estate analyst attended the annual meeting of Van Phat Hung JSC. The same issue as many other real estate companies such as HQC and PDR (refers to Advisory Diary 30/3/2015), VPH revolved two major aspects: optimistic revenue and earnings growths and the plan for capital expansion.

In 2015, VPH plans to achieve VND625 billion in revenue, up by 2.2 times compared to 2014 figure of VND81 billion in NPAT, growing spectacularly from only VND2.9 billion last year. In particular, the Company’s result would base primarily on: (1) the successful transfer of block 2 of Lacasa project (land and stake value including apartment and commercial floor area), (2) the successful transfer of Block 5 of the same project (completed in 2014 and might record in 2015), (3) the transfer of 26ha of Nhon Duc land in for Sport Pedagogy University and University of Natural Resources and Environment, (4) exploiting the remaining 10ha of land of Nhon Duc project.

The confidence of VPH leaders derived from the fact that the first three transactions’ legal requirements have nearly completed and the transfer amount received is already up to 25-70 % of the total transaction value. However, our concern lies on the fact that the Company’s land would significantly reduce after these transfer transactions. Currently, VPH could only do business on the remaining 10ha in Nhon Duc project, 4 apartment blocks and 66 slots for townhouses in Lacasa project. Therefore, VPH’s top priority now is to expand land bank.

In order to prepare funds for expansion, VPH also announces its plan to issue additional 15.1 million shares at par value to existing shareholders, raising VPH’s charter capital to VND453billion. After that, VPH could issue stock dividend with 3:1 ratio, increasing charter capital further to VND604 billion. Our industry analyst supposes that those plans are suitable steps for VPH. However, land expansion towards the East of Ho Chi Minh City is not easy as it sees. First of all, district 2 and 9 areas are already occupied by several large real estate companies such as KDH, CII, Novaland, Keppel Land, Dai Quang Minh... Secondly, VPH is not the only company with “East side” strategy. Specifically, CBI’s annual general meeting was hold at the same time; CBI demonstrated the land expansion to the East areas. Thirdly, the area of parcel land is relatively limited while demand is remaining high with the presence of speculators which could drive up the land price in east side in the near future. As a result, finding a suitable location and full legal is quite difficult for VPH.

At this moment, VPH is traded at P/B 0.73x. Assume that next two capital expansions could be successful, VPH’s P/B only increases to 0.79x (excluding 2015 profit after tax), this is still a compelling price comparing to real estate industry average, 1.1x. Under such financial condition and improved business performance, we believe that VPH is a notable real estate stock. However, long-term investors should observe further the plan implementation of VPH in the future.

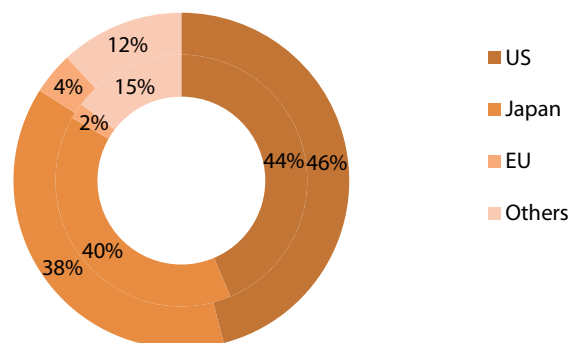
FMC – Many positive changes in 2015

Last week, our analyst visited some seafood companies such as ANV, IDI, ASM and FMC. Among that, FMC (Sao Ta JSC) is likely to have positive outlook due to viable guidance and reposition strategy.

Enhancing production ability. The total farming area of FMC is approximately 160ha, serving 10% of the material. Based on the experience of the Company, small pond bottom could give better productivity compared to other forms so FMC plans to renovate 16 large ponds into 40 small ponds at a cost of VND10 billion this year. At the same time, the chain is also gradually maximize capacity and extended. Specifically, the breaded production line could increase 50% capacity in 2015. The An San factory has been operating in Q1 with a total capacity of 7,500 tons/year, raising the overall design capacity to more than 50%. Exploiting new factory will somehow solve the shortage of production capacity as the previous year.

Reposition the market. It can be seen that the US and Japan still accounted for the two most major proportions of FMC market (more than 80% of revenue), but the contribution of the Japanese market went down while EU, the US, and South Korea make some breakthrough. In Japanese market, the main products of FMC are almost high added value, with contributing to 40-50% of revenues and 60% of gross profit. Although still remaining positive in gross profit margin, the unfavorable depreciation of JPY leads to the decline in its contribution. FMC also made known that they will continue to maintain the Japanese market in 2015, but also expand to other markets (EU, South Korea, Canada) to offset the decline in revenues due to the exchange rate. However, FMC still has some positive signal in terms of a decrease in anti-dumping duty on shrimp from 6.37% to 0%. This is only the preliminary results according POR9 so if the results remain the same during the upcoming official announcement, the ability to grow production and sales in the US market will remain quite high. Due to the risks arising from the issue of anti-dumping duty, FMC said it would unlikely to focus on this market. Due to the expansion market program in EU, South Korea, Canada, the company has many advantages. Firstly, Vietnamese shrimp also enjoy preferential tariffs in EU while Thailand shrimp will end the incentive tax program in 2015. Secondly, the ability to sign FTA with EU and South Korea will bring more opportunity for seafood export companies. Thirdly, because of the superior product segment, accounting for over 95% revenue structure from the FMC, the influence of the exchange rate in FMC's market is not a big trouble.

Graph: Export structure



Source: FMC, RongViet Research

2015 achievable plan

In recent Annual General Meeting, the shareholders have approved the guidance of US\$170mil (+25%) in revenue and VND100 billion in EBT (+27%). Based on market analysis and business

ability, our analyst believes that FCM could achieve this plan. Therefore, 2015 EPS could reach approximately VND3,900/share, equivalent to P/E forward of 6.4x, lower than industry average of 7x.

Our industry analyst also concerns about investment provision in Cai Con industrial complex (Soc Trang). It is said that, before 2009, FMC advanced VND15.6 billion for clearance compensation in above industrial complex. However, this project has postponed but FMC has not received the advance payment from Soc Trang authorities. In 2014, the Company received approximately VND2 billion and the provision decreased to VND13 billion. If the payment collection is favorable, it would likely record outstanding revenue in 2015. In addition, FMC could rise its ownership at HVG to 50% while HVG is expanding to the shrimp industry. Those issues could bring great expectation in term of development in FMC management strategy in the future.

The market welcomed April Fool's day with many number two

Today, VNIndex lost 12.22 points, equivalent to 2.22% decrease; HNIIndex also plunged 2.2% and close to 80 points. The number of ups and down had big difference and no stocks in VN30 or HNX 30 rose in price. If not because of GAS, VNIndex should not experience too strong decrease. Although the last day for purchasing treasury stock had gone, GAS only bought 6% of registered amount (~600,000 shares).

In contract, today's liquidity had some improvement with matching value at VND2,084 billion, up 28% compared to yesterday. The foreign investors kept net selling of VND198.4 billion but most from put through transaction of CII.

HSBC has announced PMI in March with less optimistic results. Accordingly, purchasing manager index (PMI) reached 50.7 points, 1 point lower than the previous month. HSBC said that the improvement of PMI's components (production, orders) maintained the index's upside momentum within the 19th consecutive months. However, the fall in input and output prices due to lower oil and commodity prices continue to impact on PMI this month. Another notable point is that the decline in employment index in manufacturing sector (after increase in 6 prior months). The figure gives an alert for the business operation in March.

We suppose that the plunge in market today brand many stocks to attractive price for medium and long-term investor. However, we feel that the market is still not familiar with stock leading team while ample humors. This leads to conservative sentiment in previous trading sessions. Our market analyst believes plunging or jumping scenarios could hardly happen but slow recovery could come true.

Huong Pham

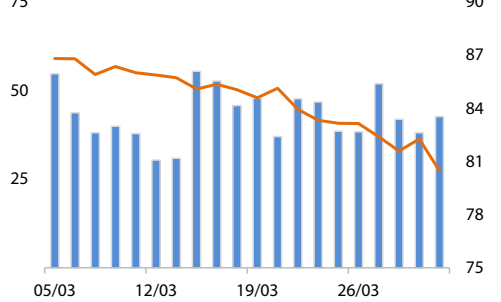
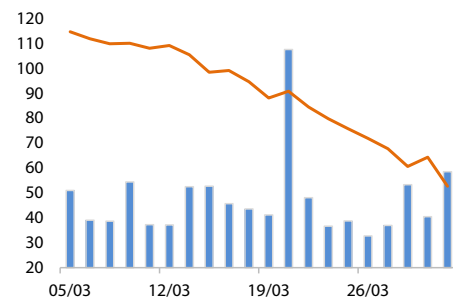
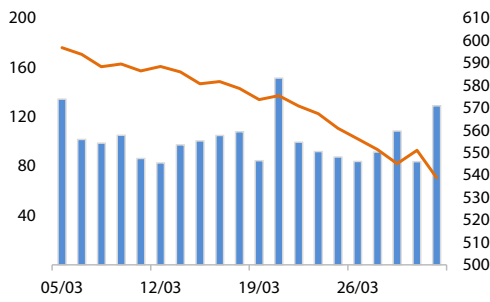
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VNINDEX -2.22% 538.91

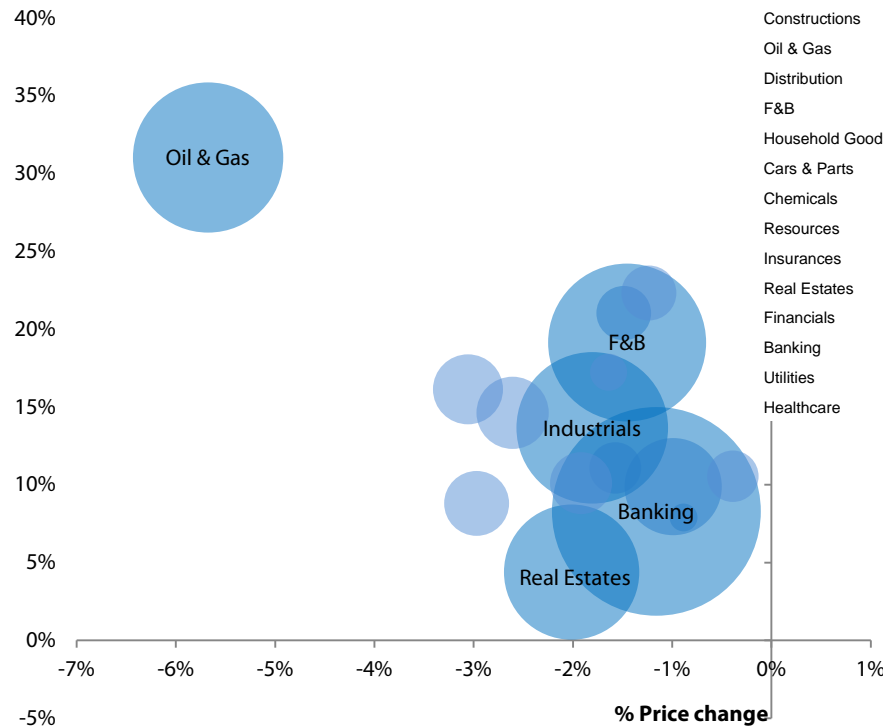
VN30 -1.81% 569.48

HNXINDEX -2.19% 80.47

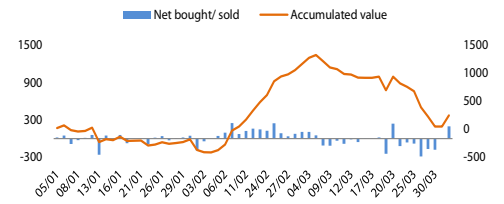


Industry Movement

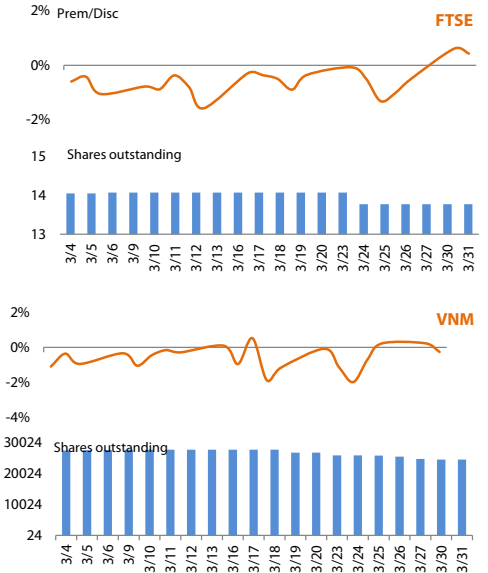
Industry ROE



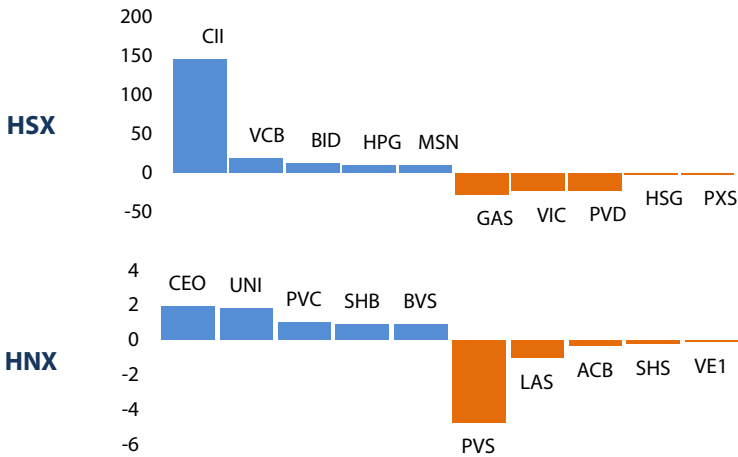
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



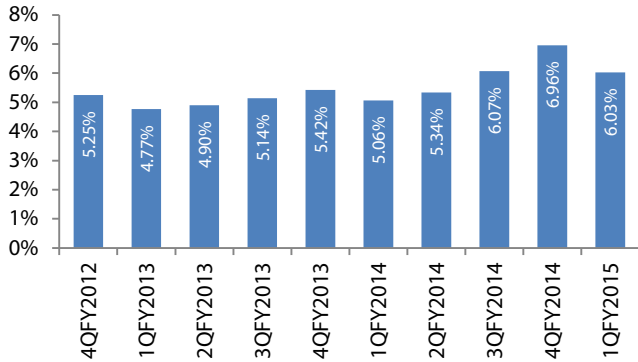
Top Active

Ticker	Price	Volume	% price change
FLC	10.5	24.45	-6.2%
HAI	11.3	9.19	-6.6%
VHG	10.8	3.89	-5.3%
OGC	4.4	3.11	-4.3%
ITA	6.7	3.00	-2.9%

Ticker	Price	Volume	% price change
KLF	9.0	8.67	-3.2%
FIT	16.0	3.37	-9.1%
PVX	4.5	2.80	0.0%
SHB	8.4	2.72	-2.3%
SCR	6.9	1.57	-4.2%

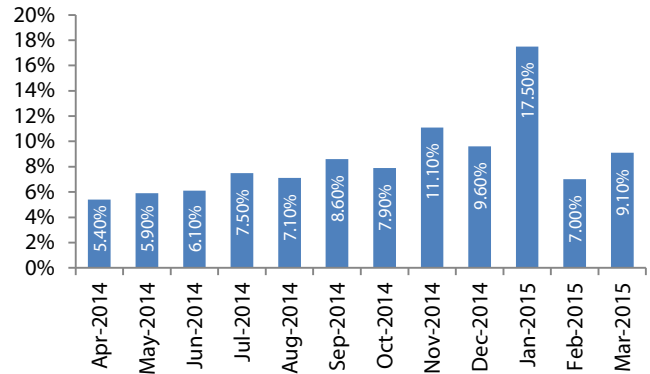
MACRO WATCH

Graph 1: GDP Growth



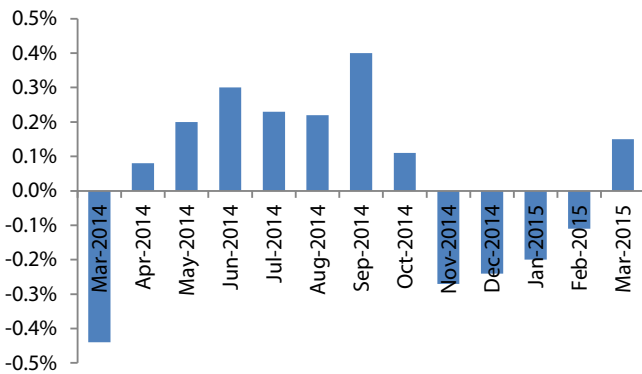
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



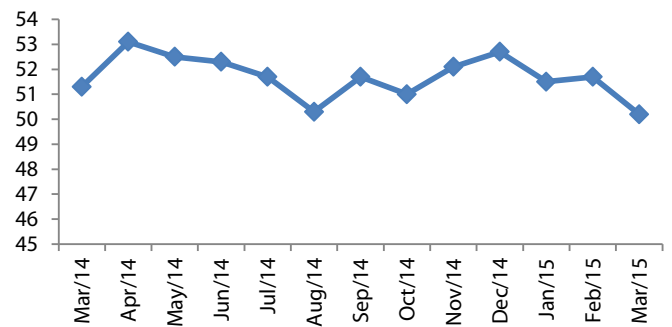
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



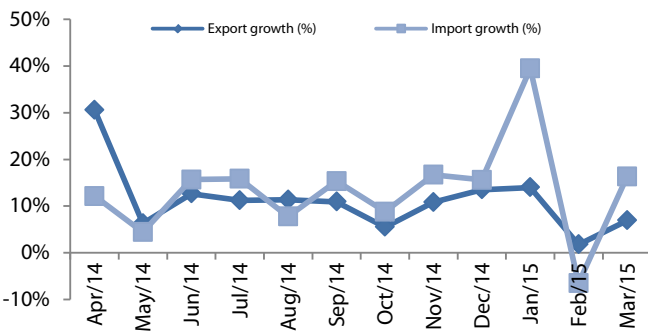
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



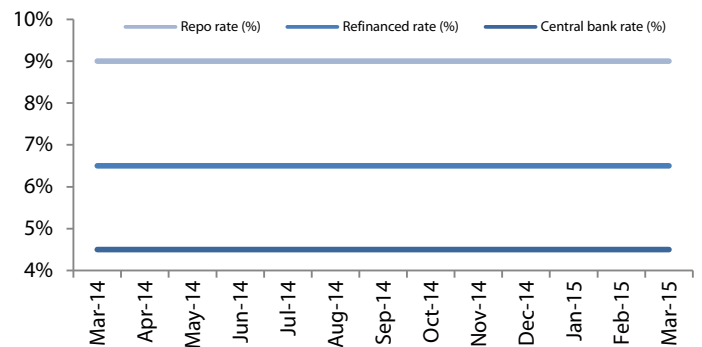
Sources: GSO. Rongviet Securities database

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%

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