

COMPANY UPDATE

THU DUC HOUSING DEVELOPMENT
CORPORATION - TDH

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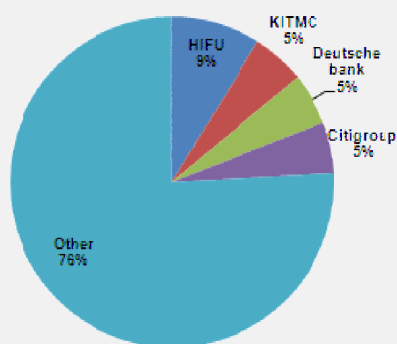


THU DUC HOUSING DEVELOPMENT CORPORATION - TDH

GENERAL INFORMATION

Sector	Real Estate
Listed	HOSE
Ticker	TDH
Charter Cap. (VND bn)	252.5
52-week highest price	119,670
52-week lowest price	26,000
Average trading vol in 10 days	92,968

OWNER STRUCTURE



VALUATION MEASURES

Price (12/02/2009)	32,800
Market Capital (VNDbn)	787
EPS (2008)	7,838
P/E (2008)	4.18
P/B (2008)	0.79
ROE 2008 (%)	18.99
ROA 2008 (%)	13.02

SHARE PRICE PERFORMANCE



Source: Reuters

OVERVIEW

Thu Duc House (TDH), based in HCMC, was officially equitized in 2001 and went listed on HOSE on 14/12/2006. TDH is currently one of the leading real estate developers in HCMC. TDH currently owns 40% in Cantavil JV with Daewon, Korea in developing apartment projects, in addition to strategic partnerships with other companies like Phong Phu Textile, CII, etc.

COMPANY HIGHLIGHTS

- Good performance in 2008.** Albeit a hard year for real estate sector TDH has managed to achieve its financial target in 2008 with VND 598.1bn in revenue and net profit of VND 188.1bn, indicating growth of 317% and 15% respectively. Revenue stream came from the sale recognition of three projects: Thu Duc B market (16.8%), Binh Chieu Project (38.3%) and Hiep Binh Phuoc-Thu Duc (22%). Net profit margin in 2008 was only 31.45% compared to 86.70% in 2007 due to smaller financial income, provision for financial investment at VND 24bn and full tax rate (28%) incurred.
- One of the most transparent companies in the market.** We do like the way TDH exposes to public investors by organizing quarterly analyst meeting and declaring its financial investment portfolio. As of 31 December 2008, total long term financial investment of TDH was VND 642bn, of which listed stock accounted for VND 49.4bn and OTC stock took up VND 294bn (HSC, HDB, OCB, BOO Thu Duc..). The rest was mostly strategic co-operation in developing real estate projects. TDH made provision for financial investment loss at VND 24.5bn. Since most of its portfolio are at low cost under the form of co-founders or strategic investors, we think such provision is quite at length and less risk involves in the company's investment portfolio.
- 2009 earning outlook is clear and firm.** Earning in 2009 will be mainly driven by payment from land-use-right transfer to Catavil-phase 2 JV with Daewon, which we estimate at around VND 104 bn, in addition to the sale of the remaining 15% of Thu Duc Market – Hall B (VND 15.5 bn) and 163 units from Binh Chieu project (VND 70 bn). Other earnings are around VND 36 bn. Moreover, TDH will enjoy a tax rate of only 17.5% as it is eligible under the scheme set out in government stimulus package to support SMEs. Hence, we expect the 2009 net profit to be approx VND 166 bn, equivalent to an EPS of VND 6,917.
- A number of project pipeline promises TDH's future income.** TDH expects to generate VND 500bn cash flow from the sale of project TDH-Truong Tho apartment at price USD1,100/m², of which VND 300bn will come in 2009 and VND 200bn will be posted in 2010. However, the company will record revenue from this project in 2010 when the apartment units are fully transferred to customers. In addition, there are quite a number of projects that are foreseen to contribute cash flow for the company in 2010 and 2011 such as Cantavil 2 JV, La Sapinette Da Lat, Thu Duc Market – Hall C, TDH – Phuoc Binh apartment and TDH – Phuoc Long apartment. Other projects that are planned for the longer terms include: TDH – Hiep Phu apartment, Minh Khai street project in Ha Noi, Dong Mai Industrial zone (or Urban zone), TDH – Truong Tho 2 apartment...

Capital expenditure in 2009 will be funded through new lending and deposit of customers. For the year 2009, TDH may need to mobilize around VND 663bn for its projects. According to TDH's management, will be supplied by a loan from World Bank which TDH gets through HIFU. These are the advantages that not many real estate companies can have in this time.

- **Acquiring land bank from strategic partnership could be a good move.** Instead of accumulating residential land bank through land clearance like before, TDH is now shifting its focus on lands that are already ready for construction and owned by companies that are not capable enough to utilize the potential of the land. By following this way, TDH hopes it can save the land clearance cost and the development time. So far, the company has acquired two projects through strategic partnerships with Phong Phu Textile and Phuc Thinh Textile.
- **Risk:** Recently HAGL, one of the biggest players on Vietnamese real estate market reduced the selling price on their two high-end projects by 40% to around USD1,350/m². Such movement has created down-price pressure on other real estate developers and the question is whether TDH will be able to successfully sell TDH-Truong Tho project at price USD1,100/m² as planned.

VALUATION

- We applied NAV method in a conservative manner to evaluate TDH by calculating the market land price of the company. The below table indicates NAV of TDH at VND 52,856. With current share price of VND 32,800, the stock is trading at 38% discount versus its NAV. Given its project pipeline, feasible project cash flow and its estimated NAV, current market price is reasonable for long term investors to tap in.

	Projects	Owner ship	Total area (SqM)	Land/Units to be valued	Est VND/SqM	Total Estimate Value (VND)
1	Binh Chieu Project	100		There are 163 units to be sold in 2009, each of which has a size of 120 sqm	6,500,000	127,140,000,000
2	Cantavil - phase 2	40	11,170	The land is valued at VND 12 Mn/sqm to be sold to the joint venture with Daewon	10,000,000	111,700,000,000
3	Thu Duc Market - Hall B	100	9,202	Expected revenue is VND 200 bn, of which 85% has been sold, hence 15% is available for sell.	N/A	30,000,000,000
4	Thu Duc Market - Hall C	100	6,278	Land value to be estimated at VND 12 Mn/sqm	9,000,000	56,502,000,000
5	TDH - Truong Tho Apartment	100	6,994			62,946,000,000
6	TDH - Phuoc Binh Apartment	100	2,500			22,500,000,000
7	TDH - Phuoc Long Apartment	100	3,573			32,157,000,000
8	TDH - Hiep Phu Apartment	100	11,582			104,238,000,000
9	Truong Tho 2 Project	90	14,852	TDH holds 90% of the land	9,000,000	120,301,200,000
				Total estimated market value		667,484,200,000
				<i>Less current inventory</i>		<i>389,263,617,729</i>
				<i>Plus current book value</i>		<i>990,331,835,599</i>
				NAV		1,268,552,417,870
				Total shares outstanding		24,000,000
				Estimated NAV/share (VND)		52,856
				Market price per share (VND) (12/02/2009)		32,800

SUMMARY OF HISTORICAL FINANCIAL STATEMENTS

INCOME STATEMENT (VND Mn)	2006A	2007A	2008A
Revenue	141,091	188,512	598,191
Cost of goods sold	96,897	108,346	290,502
Gross profit	44,193	80,166	307,689
Operating Profit	42,637	170,806	269,158
Profit before tax	92,784	187,004	280,871
Profit after tax	79,859	163,449	188,104

BALANCE SHEET (VND Mn)	2006A	2007A	2008A
Cash and cash equivalents	59,078	9,062	82,759
Short-term investment	75,398	43,764	101,340
Receivables	90,399	117,304	120,985
Inventory	398,648	387,283	389,267
Other current assets	7,865	210	486
Fixed assets	30,361	8,998	82,089
Long-term investment	194,385	441,794	642,977
Other non-current assets	3,568	32,177	9,781
Total assets	859,703	1,040,592	1,444,566
Short-term debt	139,314	171,290	14,000
Long-term debt	168,611	145,712	66,536
Chartered capital	170,000	170,000	252,500
Paid-in surplus	271,434	355,836	509,143
Retained earning	48,918	141,286	158,890
Total capital	859,703	1,040,592	1,444,566

FINANCIAL RATIO	2006A	2007A	2008A
Revenue growth (%)	(41.82)	33.61	217.32
Net profit growth (%)	96.97	104.67	15.08
Gross profit margin (%)	31.32	42.53	51.44
Operating profit margin (%)	30.22	90.61	44.00
ROA (%)	9.29	15.71	13.02
ROE (%)	15.59	21.86	18.73
EPS (VND)	4,698	9,615	7,838
EPS growth (%)	(65.24)	104.66	(18.48)

COMPARABLE	TDH	LCG	NTL	SC5
Chartered Cap (VND Mn) - 2008	252,500	136,000	164,000	103,200
Price (VND) 12/02/2009	32,800	35,600	30,400	18,400
Market Cap (VND Mn)	792,850	484,160	498,560	189,888
PERFORMANCE				
Revenues (VND Mn)	598,191	438,995	435,502	824,506
<i>growth</i>	217.32%	47.68 %	(3.3%)	6.75%
Net profit (VND Mn)	188,104	151,604	98,729	34,826
<i>growth</i>	15.08%	121.48%	(24.93%)	(43.24%)
Net profit margin	31.45%	34.53%	22.67%	4.22%
ROE 2008	18.99%	28.94%	33.25%	19.20%
ROA 2008	13.02%	17.04%	9.93%	2.87%
D/E 2008	8.13%	22.85%	33.68%	139.97%
VALUATION MEASURES				
P/E 2007	2.96	1.17	2.62	4.79
P/E 2008	4.18	2.77	5.21	5.75
P/B 2008	0.79	0.80	1.73	1.10
EPS 2008 (VND)	7,838	11,328	6,051	3,375
EPS 2008 growth	(18.48%)	(7.99%)	(62.28%)	(52.70%)

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