

Horizon Securities

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CMC CORPORATION

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Stock Profile/Statistics 28-Jan-10

| | | |
|------------------------------|-------------|--------|
| Ticker | CMG | |
| Exchange | HOSE | |
| Sector | Technology | |
| Listing date | 22-Jan-2010 | |
| Stock price (VND) | 28,700 | |
| 52 week High (VND) | 1/22/2010 | 35,000 |
| 52 week Low (VND) | 1/22/2010 | 28,500 |
| Listed shares | 63,536,267 | |
| Shares Outstanding | 72,000,000 | |
| Free float | 21,624,274 | |
| Market Capitalisation (US\$) | 111,697,297 | |

Owership Structure 30-Sep-09

| | |
|---------|--------|
| Local | 97.76% |
| Foreign | 1.98% |

Major shareholders

| | |
|------------------------------|--------|
| MVI Investment Co., Ltd. | 21.03% |
| My Linh Investment Co., Ltd. | 21.03% |
| GELEXIMCO Company | 13.22% |
| Agribank | 5.04% |
| Bao Viet Group | 5.04% |

Company Note

CMC Corporation (CMG): Established in 1993, the group operates three main businesses (information technology, telecommunication and e-business). With a chartered capital of VND720bln (US\$38.9mln), CMG is the second listed company in the technology sector, after FPT Corporation (FPT).

Key points

- The group was equitized in 2007 with 13 founding shareholders and currently has more than 1,600 employees.
- Major shareholders hold more than 65% of CMG, in which MVI Investment Co., Ltd. and My Linh Investment Co., Ltd. are the largest shareholders.
- On January 22, 2010, CMG listed 63.54 million shares (88.2% of total outstanding shares) on HOSE with an initial reference price of VND35,000 (US\$1.89). The free float is around 34% of total listed shares.
- For 2009, the group reported revenues of VND3,428.6bln (US\$185.3mln) and net profits of VND121.7bln (US\$6.6mln), up 71% and 40% compared to 2008, respectively.
- The group projects revenues of VND5,146.6bln (US\$278.2mln) and net income of VND162.3bln (US\$8.8mln) in 2010, up 37% and 29% y-o-y, respectively. EPS is expected to be VND2,254 (US\$0.12) for 2010.
- At the end of 2009, CMG started construction on the CMC Tower project (24,000m²) at Cau Giay Urban Area (Hanoi) and completed the first stage (8,764m²) of an infrastructure project in the Sai Dong Hanel Industrial Zone (Gia Lam Dist., Hanoi).
- At VND28,700 (US\$1.55) per share, CMG will be valued at 12.7x FY2010 P/E, a 34% premium to its regional peers in the technology sector.

Valuation

At VND28,700 (US\$1.55) per share, CMG will be valued at 12.7x FY2010 P/E, a 34% premium to its regional peers in the technology sector. Since its debut on HOSE, CMG has underperformed compared to the market (CMG fell by 18% while VN Index rose by 0.9%). The company listed shares on January 22, 2010 and closed unchanged at the reference price of VND35,000 (US\$1.89) on 117,370 shares (much higher than the 5-day average trading volume of 33,148).

Figure 1. Quick valuation

| As of January 28, 2010, | | VND28,700 | (US\$1.55) | | | |
|-------------------------|---------|-------------|--------------|-----------|-----------|-----------|
| Reference price | | | | | | |
| Shares outstanding | | 72,000,000 | shares | | | |
| Market cap | | VND2,066bln | US\$111.7mln | | | |
| | | 2008A | 2009E | 2010E | 2011E | 2012E |
| Chartered Capital | VND'mln | 635,262 | 635,262 | 720,000 | 720,000 | 800,000 |
| Total Equity | VND'mln | 662,841 | 671,934 | 918,990 | 1,159,056 | 1,576,360 |
| Net revenue (*) | VND'mln | 2,277,864 | 3,755,266 | 5,146,570 | 6,660,344 | 8,126,965 |
| % growth | % | | 64.86% | 37.05% | 29.41% | 22.02% |
| EBIT | VND'mln | 117,733 | 217,332 | 337,359 | 464,688 | 604,962 |
| Pretax profit (*) | VND'mln | 111,238 | 146,966 | 207,425 | 304,084 | 424,607 |
| Net profit | VND'mln | 87,770 | 125,442 | 162,318 | 240,066 | 337,304 |
| % growth | % | | 42.92% | 29.40% | 47.90% | 40.50% |
| EPS | VND | 1,382 | 1,975 | 2,254 | 3,334 | 4,216 |
| Book Value per share | VND | 10,434 | 10,577 | 12,764 | 16,098 | 19,704 |
| ROE | % | 13.24% | 18.67% | 17.66% | 20.71% | 21.40% |
| P/E | x | 20.77x | 14.53x | 12.73x | 8.61x | 6.81x |
| P/B | x | 2.75x | 2.71x | 2.25x | 1.78x | 1.46x |

Source: HRS research, CMG

Note: Assumed there is no cash dividend in 2010-2012

(*) Development project expense of integration area has been reclassified as COGS instead of operation expense, compare to previous financial statements, to suit characteristic of operation and forecast.

Net revenue and COGS include internal revenue and internal COGS.

Company note – CMC Corporation (HOSE: CMG)

Figure 2. Local peers comparison

| Company | Ticker | Mkt Cap | EV | Sales | | Net margin | | ROA | | ROE | | P/E | | P/B | |
|-----------------|--------|---------|-------|-------|--------|------------|--------|------|------|------|------|------|-------|------|-------|
| | | | | 2008 | Growth | 2008 | 9M2009 | 2007 | 2008 | 2007 | 2008 | 2008 | 2009E | 2008 | 2009E |
| | | US\$m | US\$m | US\$m | % | % | % | % | % | % | x | x | x | x | |
| FPT Corporation | FPT | 607.4 | 648.8 | 885.5 | 21.4 | 6.4 | 4.1 | 16.4 | 17.2 | 38.9 | 35.5 | 10.7 | 8.8 | 3.8 | 3.8 |
| CMC Corporation | CMG | 111.7 | 151.1 | 108.2 | 80.6 | 4.3 | 1.8 | 7.5 | 5.2 | 10.9 | 12.9 | 20.8 | 14.5 | 2.8 | 2.7 |

Source: HRS research

Note: P/E and P/B calculations of FPT are based on current market cap.

Figure 3. Regional peers comparison

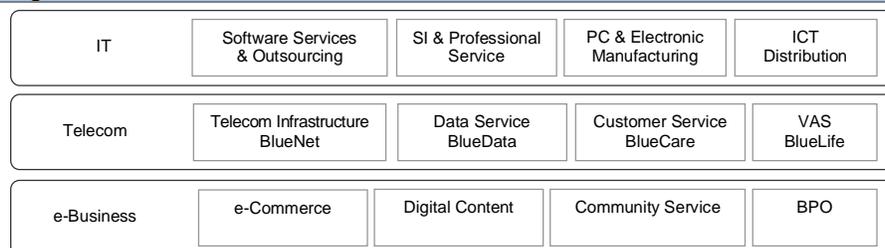
| Company | Country | Mkt Cap | EV | FY2008 | | | | P/E | | | | P/B | | | |
|-------------------------------|----------|---------|-------|--------|--------|------|------|------|------|-------|-------|------|------|-------|---|
| | | | | Sales | Net | ROA | ROE | 2008 | 2009 | 2010E | 2011E | 2008 | 2009 | 2010E | |
| | | US\$m | US\$m | US\$m | margin | % | % | x | x | x | x | x | x | x | x |
| Zensar Technologies Ltd | India | 136.8 | n/a | 194.7 | 8.2 | 13.6 | 22.4 | 8.6 | 8.13 | n/a | n/a | 1.9 | 2.7 | n/a | |
| SinoCom Software Group Ltd | China | 147.8 | 79.3 | 84.5 | 19.9 | 18.0 | 21.5 | 8.8 | 10.5 | 8.6 | 8.6 | 1.9 | 2.2 | 1.4 | |
| Sinotel Technologies Ltd | China | 126.4 | 127.3 | 52.1 | 29.7 | 22.4 | 28.0 | 8.2 | 6.01 | 5.9 | 5.3 | 2.3 | 1.6 | 1.2 | |
| Tanla Solutions Ltd | India | 113.0 | 79.3 | 114.3 | 36.2 | 21.2 | 23.7 | 2.7 | 2.63 | 10.5 | 7.1 | 0.6 | 0.6 | 0.6 | |
| Yucheng Technologies Ltd | China | 120.4 | 112.1 | 99.0 | 12.0 | 8.6 | 14.2 | 10.2 | 11.4 | 7.5 | 6.4 | 1.4 | 1.3 | n/a | |
| Key Asic Bhd | India | 101.5 | 77.4 | 28.5 | 20.8 | 10.7 | 12.0 | 17.1 | 28.3 | 17.2 | 15.9 | 2.0 | 1.9 | n/a | |
| MIC Electronics Ltd | India | 101.2 | 116.9 | 89.4 | 19.4 | 19.3 | 27.1 | 5.8 | 7.45 | 6.6 | 5.7 | 1.6 | 1.4 | 1.1 | |
| Geometric Ltd | India | 82.9 | n/a | 120.8 | 6.6 | 8.0 | 12.6 | 10.4 | n/a | 11.3 | 9.9 | 1.3 | 3.7 | 2.3 | |
| Nucleus Software Exports Ltd | India | 88.7 | n/a | 71.8 | 21.4 | 21.6 | 28.5 | 5.8 | 12.7 | 10.4 | 8.9 | 1.6 | 1.7 | 1.5 | |
| IT City PCL | Thailand | 67.9 | 54.9 | 174.7 | 2.9 | 12.7 | 17.7 | 13.4 | 15.6 | 9.5 | 10.0 | 2.4 | 2.3 | 2.0 | |
| Omnitech InfoSolutions Ltd | India | 47.3 | 50.7 | 32.8 | 19.3 | 20.7 | 28.2 | 7.5 | 6.64 | 5.9 | 5.2 | 2.1 | 1.8 | n/a | |
| SiS Distribution Thailand PCL | Thailand | 52.8 | 81.8 | 360.2 | 1.7 | 10.1 | 26.0 | 8.5 | 8.19 | 9.6 | n/a | 2.2 | 1.9 | 1.8 | |
| MFEC PCL | Thailand | 36.4 | 46.7 | 73.4 | 6.1 | 8.9 | 21.6 | 8.1 | 8.23 | 9.7 | 8.4 | 1.8 | 1.7 | 1.6 | |
| Average | | 94.1 | 82.6 | 115.1 | 15.7 | 15.0 | 21.8 | 8.9 | 10.5 | 9.4 | 8.3 | 1.8 | 1.9 | 1.5 | |
| Max | | 147.8 | 127.3 | 360.2 | 36.2 | 22.4 | 28.5 | 17.1 | 28.3 | 17.2 | 15.9 | 2.4 | 3.7 | 2.3 | |
| Min | | 36.4 | 46.7 | 28.5 | 1.7 | 8.0 | 12.0 | 2.7 | 2.6 | 5.9 | 5.2 | 0.6 | 0.6 | 0.6 | |
| Median | | 101.2 | 79.3 | 89.4 | 19.3 | 13.6 | 22.4 | 8.5 | 8.2 | 9.5 | 8.4 | 1.9 | 1.8 | 1.5 | |
| CMC Corporation | Vietnam | 111.7 | 151.1 | 108.2 | 4.3 | 5.2 | 12.9 | 20.8 | 14.5 | 12.7 | 8.6 | 2.8 | 2.7 | 2.2 | |

Source: HRS research, Bloomberg

The Group

CMC Corporation (CMG), headquartered in Hanoi, was established in 1993 and operates three main businesses: information technology, telecommunication and e-business. In 1996, the group established a branch in Ho Chi Minh City (CMC SG).

Figure 4. Main business fields



Source: CMG

The group was equitized in 2007 with 13 founding shareholders, currently has a chartered capital of VND720bln (US\$38.9mln) and has more than 1,600 employees.

Figure 5. Subsidiaries and affiliated companies

| No. | Company | Chartered capital VND'bln | Equity capital of CMG |
|-----|--------------------------------------------------|------------------------------|--------------------------|
| 1 | CMC Integration System Co., Ltd. | 50.00 | 100.00% |
| 2 | CMC Software Solutions Co., Ltd. | 20.00 | 100.00% |
| 3 | CMS Computer Co., Ltd. | 50.00 | 100.00% |
| 4 | CMC Distributions Co., Ltd. | 100.00 | 100.00% |
| 5 | CMC Telecommunication Service Corporation | 160.00 | 92.95% |
| 6 | CMC Information Security Corporation | 6.00 | 99.67% |
| 7 | CMC Blue France SAS | 5.40 | 100.00% |
| 8 | Segmenta - CMC Joint Venture Corporation | 10.00 | 50.00% |
| 9 | CMC Telecommunication Infrastructure Corporation | 40.00 | 49.00% |

Source: CMG

In September 2009, the group was approved by the Ministry of Planning and Investment (MPI) to establish CMC Blue France SAS in France. This company will supply CMG's information technology outsourcing (ITO) and business process outsourcing (BPO) products into France and European markets.

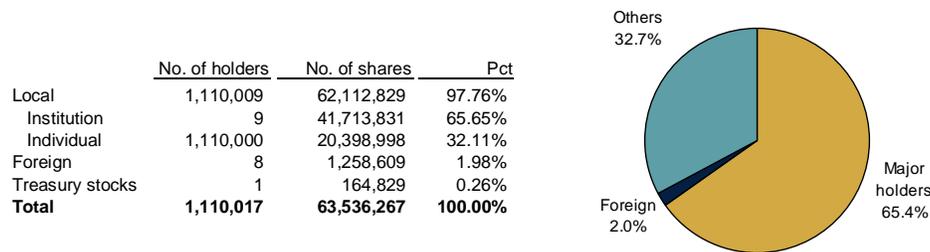
At the general shareholder's meeting, 8.3 million shares (289,510 shares in 2008 employee stock ownership plan (ESOP); 800,000 shares in 2009 ESOP and 7.2 million shares for foreign strategic partners) were approved but have not yet been realized.

The group listed 63.54 million shares (88.2% of total outstanding shares) on HOSE on January 22, 2010 with an initial reference price of VND35,000 (US\$1.89). The group is the second listed company in the technology sector, after FPT Corporation (FPT) with a free float of 21.62 million (34% of total listed shares).

Ownership

MVI Investment Co., Ltd. and My Linh Investment Co., Ltd. are the largest shareholders, each with a 21% in stake in the group. Other major holders include ELEXIMCO Company (13%), Vietnam Bank for Agriculture and Rural Development (5%) and Bao Viet Group (5%).

Figure 6. Shareholder structure as of September 30, 2009

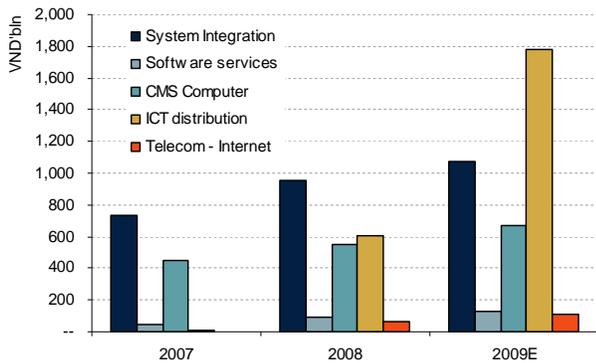


Source: CMG

2008-2009 results

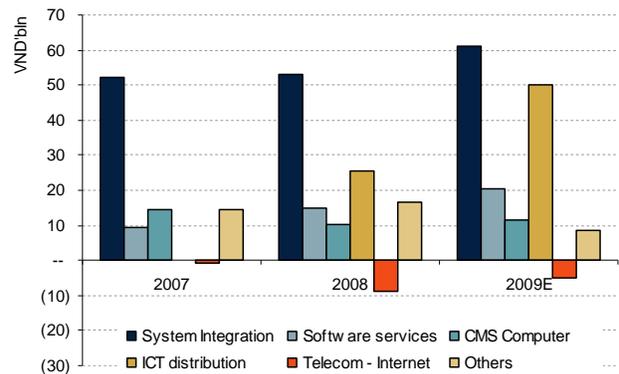
In 2008, the group recorded VND2,001.2bln (US\$108.2mln) in net revenues and VND86.9bln (US\$4.7mln) in net profits, largely due to strong revenue growth from systems integration (+30% y-o-y) and computer production (+23% y-o-y) segments. Revenues from these two segments accounted for 42% and 24% of total net revenues in 2008, respectively. In addition, IT-telecom contributed 27% of net revenues to the group in its first year of operations in 2008.

Figure 7. Revenue breakdown



Source: CMG

Figure 8. Net income breakdown



For 2009, the group reported revenues of VND3,428.6bln (US\$185.3mln) and net profits of VND121.7bln (US\$6.6mln), up 71% and 40% compared to 2008, respectively. For the year, systems Integration revenues are expected to grow only 12% compared to management's 30% target mainly due to the delay of public finance projects (total value of VND200bln (US\$10.8mln)). On the other hand, ICTs product distribution (laptops, mobiles, and peripherals) segment surged in 2009 (+191% y-o-y in revenue and +98% y-o-y in profit), driven by the development of a strong distribution network and market share growth.

Figure 9. 2009E business results

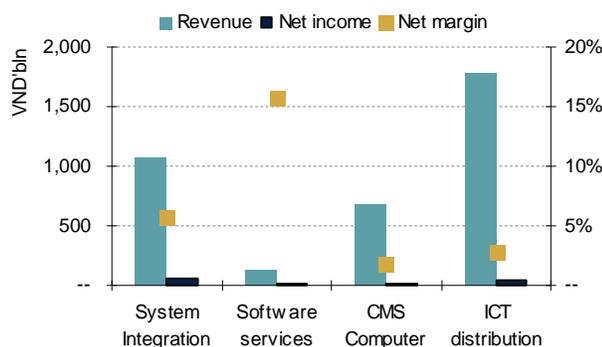
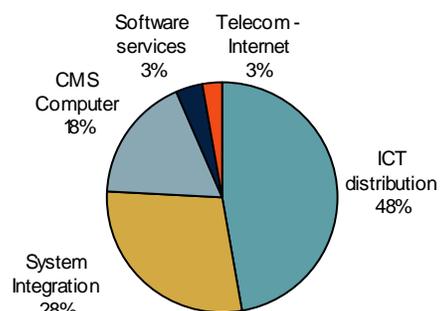


Figure 10. 2009E revenue breakdown

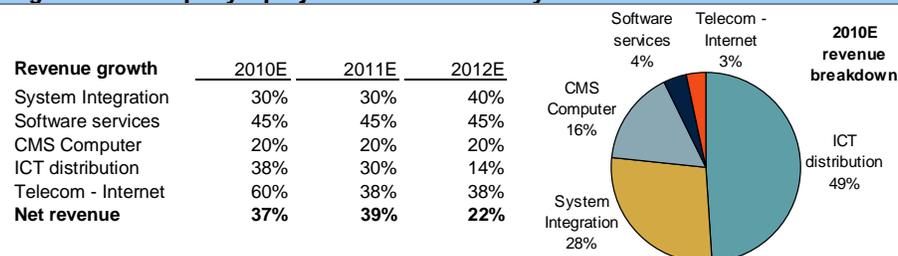


Source: CMG

2010-2012 targets

The group projects revenues of VND5,146.6bln (US\$278.2mln) and net income of VND162.3bln (US\$8.8mln) in 2010, up 37% and 29% y-o-y, respectively. EPS is expected to be VND2,254 (US\$0.12) for 2010, which values the group at 12.7x P/E.

Figure 11. Company's projection in next three years



Source: CMG

Investment projects

At the end of 2009, CMG started construction on the CMC Tower project (24,000m²) at Cau Giay Urban Area (Hanoi) and completed the first stage (8,764m²) of an infrastructure project in the Sai Dong Hanel Industrial Zone (Gia Lam Dist., Hanoi). The infrastructure project is a business cooperation between CMC Corporation (CMG) and Hanoi Electronics Corporation (Hanel). The second stage (4,382m²) of the project will begin in 2014 and provide space for technicians, application programmers and developing BPO services.

Figure 12. Infrastructure investment projects

| Unit: VND/bln | CMC Tower Project | Project in Sai Dong Hanel IZ | |
|-------------------------------|-------------------|------------------------------|-----------|
| | | 1st stage | 2nd stage |
| Total investment capital | 326.68 | 56.31 | 18.58 |
| Capital resource | | | |
| Own fund (35%) | 114.34 | 19.71 | 6.50 |
| Borrowings (65%) | 212.34 | 36.60 | 12.08 |
| Effectiveness | | | |
| Net present value (NPV) | 155.01 | 9.05 | |
| Internal rate of return (IRR) | 21.95% | 16.63% | |
| Payback period | 7 years | | |

Source: CMG

Financial Highlights

| CONSOLIDATED INCOME STATEMENT | | | | CONSOLIDATED CASHFLOW STATEMENT | | | |
|------------------------------------|-----------|-------------|-------------|-----------------------------------|-------------|-------------|-------------|
| | FY2007 | FY2008 | 9M2009 | | FY2007 | FY2008 | 9M2009 |
| Sales | 1,108,066 | 2,001,186 | 2,091,062 | Collections from AR | 1,156,447 | 2,109,925 | 2,795,464 |
| COGS | (917,977) | (1,682,441) | (1,818,544) | Payment for AP | (1,045,871) | (2,035,153) | (2,547,278) |
| Gross profit | 190,090 | 318,745 | 272,518 | Payment for employees salaries | (36,886) | (68,334) | (86,379) |
| S&A expense | (98,366) | (201,109) | (183,942) | Payment for interest expense | (17,509) | (22,029) | (41,042) |
| EBIT | 91,723 | 117,636 | 88,576 | Payment for enterprise tax | (3,691) | (19,222) | (20,951) |
| Financial income | 14,343 | 26,743 | 11,697 | Other cashflow s from operating | (191,401) | (363,758) | (124,496) |
| Financial expense | (17,803) | (32,972) | (54,301) | Net cash flow s from operating | (138,911) | (398,571) | (24,683) |
| Other Profits | 1,754 | 866 | 225 | Purchase of fixed assets | (16,351) | (110,364) | (116,459) |
| Income from JVs and associates | -- | (1,036) | (2,871) | Disposals of fixed assets | 1,711 | 276 | - |
| EBITDA | 54,837 | 49,303 | 2,197 | Loans to other entities | (394,500) | (386,242) | (7,194) |
| EBT | 90,017 | 111,238 | 43,326 | Collections from other entities | 150,000 | 626,858 | 10,700 |
| Tax expense | (17,664) | (24,300) | (6,379) | Payments for investments | (3,728) | (188,917) | (78,613) |
| Net profit | 72,353 | 86,938 | 36,947 | Proceeds from sale of investments | 10,218 | 16,500 | - |
| EPS (VND) | 3,246 | 2,564 | n/a | Interest and dividends received | 8,680 | 22,362 | 1,592 |
| | | | | Net cash flow s from investing | (243,970) | (19,525) | (189,973) |
| | | | | Issuance of shares | 544,756 | 12,202 | - |
| | | | | Capital redemption | (3,163) | - | (1,748) |
| | | | | Borrow ings received | 655,879 | 1,182,637 | 1,764,332 |
| | | | | Borrow ings repaid | (788,945) | (612,660) | (1,576,545) |
| | | | | Dividends paid | (15,664) | (79,700) | (14,452) |
| | | | | Net cash flow s from financing | 392,863 | 502,479 | 171,587 |
| | | | | Net increase (decrease) in cash | 9,982 | 84,383 | (43,069) |
| | | | | Cash at beginning | 83,125 | 93,126 | 177,375 |
| | | | | Impact of exchange rate | 19 | (133) | 107 |
| | | | | Cash at end of year | 93,126 | 177,375 | 134,413 |
| | | | | | | | |
| CONSOLIDATED BALANCE SHEET | | | | KEY RATIOS | | | |
| | FY2007 | FY2008 | 9M2009 | | FY2007 | FY2008 | |
| Current assets | 935,239 | 1,334,977 | 1,316,482 | <i>FY ended, 31 December</i> | | | |
| Cash | 93,126 | 177,375 | 134,413 | Revenue Growth (%) | n/a | 80.60% | |
| Short term investment | 244,500 | 4,008 | 10,398 | Gross Margin (%) | 17.16% | 15.93% | |
| Account receivable | 452,172 | 617,363 | 716,659 | Operating Margin (EBIT) (%) | 8.28% | 5.88% | |
| Inventory | 129,668 | 485,708 | 403,172 | Net Margin (%) | 6.53% | 4.34% | |
| Other current assets | 15,774 | 50,523 | 51,841 | Net Income Growth (%) | n/a | 20.16% | |
| Non current assets | 34,513 | 333,705 | 446,789 | Receivable turnover (days) | 148.95 | 97.54 | |
| Long- term receivables | | | 422 | Payable turnover (days) | 49.58 | 35.21 | |
| Fixed assets | 20,112 | 132,191 | 243,241 | Inventory Turnover (days) | 51.56 | 66.75 | |
| Long-term investments | 2,877 | 173,941 | 182,184 | Current Ratio (x) | 3.09 | 1.46 | |
| Other long-term assets | 11,523 | 27,572 | 20,942 | Cash to Current Debt (%) | 30.75% | 19.36% | |
| TOTAL ASSETS | 969,752 | 1,668,682 | 1,763,272 | Debt to Equity (%) | 45.79% | 147.05% | |
| Current liabilities | 302,806 | 915,962 | 851,534 | Cash Per Share (VND) | 2,739 | 2,792 | |
| Short term debt | 104,866 | 607,351 | 652,532 | Net Debt (Cash) Per Share (VND) | 6,187 | 12,760 | |
| Account payable | 124,704 | 199,855 | 135,808 | Book Value Per Share (VND) | 19,495 | 10,576 | |
| Advances from customers | 15,404 | 34,099 | 33,948 | Return on Assets (%) | 7.46% | 5.21% | |
| Other current liabilities | 57,832 | 74,657 | 29,246 | Return on Equity (%) | 10.92% | 12.94% | |
| Non current liabilities | 691 | 72,133 | 214,286 | | | | |
| Long-term loan & debt | 319 | 68,976 | 211,582 | | | | |
| Other long-term liabilities | | 2,339 | 2,172 | | | | |
| Provision | 371 | 819 | 533 | | | | |
| Owner's Equity | 662,841 | 671,934 | 691,246 | | | | |
| Chartered capital | 340,000 | 635,363 | 635,363 | | | | |
| Share premium | 248,000 | 14,774 | 14,776 | | | | |
| Treasury shares | (163) | -- | (1,748) | | | | |
| Undistributed earnings | 71,108 | 21,502 | 44,622 | | | | |
| Other funds | 3,897 | 295 | (1,766) | | | | |
| Minority interest | 3,414 | 8,653 | 6,205 | | | | |
| TOTAL LIABILITIES & OWNER'S EQUITY | 969,752 | 1,668,682 | 1,763,271 | | | | |

Unit: VND/mIn

FY ended, 31 December

Source: CMG

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