

TIEN PHONG PLASTIC (NTP VN)

BUY – TARGET PRICE 103,000VND

Duong Pham

(84 8) 3520-2050 - Ext: 8125

duong.t.pham@mekongsecurities.com

Too cheap a price for this #1-in-sector Vietnam construction play

We are initiating coverage on Tien Phong Plastic Company (HNX: NTP), a plastic company with biggest production output in its sector in Vietnam. NTP is a dominating plastic pipe player in the North, accounting for 75% of Northern region consumption and 25% market share nationwide. Our valuation approach is based on multiples, with a 12-month price target of VND103,000 (or adjusted price after coming 60% bonus issue: VND64,400). At our estimated FY10 sales of VND1,866bn (21% growth YoY) and net profit of VND322bn, the 2010 PER of NTP is currently 5.6x, 27% lower than the 7.7x of regional peers; 2010 PBR is 2.5x, versus regional average of 3.2x. As growth of plastic pipes goes along with the growth rate of construction and infrastructure industry, we forecast that sales volumes of NTP will increase by 15% pa. Furthermore, as Northern market leader, NTP has a fair degree of price setting power in passing on material cost rises to customers (eg, as when input costs rose 13% in January 2010). We conservatively assume in our 2010-12 projections that NTP product prices will rise 5% pa.

With current capacity fully used, the company has deposited VND40bn to buy six production lines of PVC and HDPE, including one of HDPE 1200mm pipes (the first ever in Vietnam) worth EUR1.6m (VND45bn) imported from Cincinnati Extrusion (Austria). Five of the six lines have already started operating and the HDPE 1200mm one will do in 1H11, thus raising design capacity to 70,000 tonnes/year compared to the current level of 55,000-60,000 tonnes/year. NTP is also moving its current plant in central Hai Phong to a new and more spacious location 5km from the city - a four-year, VND200bn project, undertaken gradually so as not to disrupt output.

For the existing 3.2ha site, NTP is applying for a change in land use rights to build either an office building or residential development. Detailed plans are not ready yet, but this likely will generate a substantial future non-core profit.

NTP has recently announced a coming 10:6 bonus issue, which may well help the stock's liquidity and remove the erroneous retail investor perception that it is "expensive". NTP is, in fact, the cheapest stock in the plastic sector in Vietnam.

Our forecasted profit progression in 2010-12 looks dull, which is a result of four factors: (i) a tax rebate of VND39bn received this year in respect of prior tax payments; (ii) becoming a full rate 25% taxpayer from 2010 onwards, double the 2009 rate; (iii) the paradoxical boom nature of 2009 for NTP, in which it benefited from global-recession-induced raw material price declines; and (iv) our perhaps conservative assumption of 10% annual raw material price increases versus only 5% annual product price increases.

	2007	2008	2009	2010E	2011E	2012E
Sales (VND bn)	903	1,094	1,547	1,866	2,253	2,721
EBITDA (VND bn)	149	210	400	461	511	560
Net income (VND bn)	125	154	306	322	297	321
Sales growth (%)	26.1%	21.2%	41.3%	20.6%	20.8%	20.8%
ROE (%)	42.7%	41.3%	64.1%	50.6%	40.6%	39.8%
ROA (%)	28.9%	29.3%	42.5%	38.7%	37.0%	34.1%
EPS (VND)	5,755	7,126	14,106	14,859	13,703	14,814
BVPS (VND)	15,570	18,912	25,101	33,610	33,952	40,574
PER (times)	14.33	11.58	5.85	5.55	6.02	5.57
PBR (times)	5.30	4.36	3.29	2.45	2.43	2.03

Source: NTP, Mekong Securities

Company Coverage

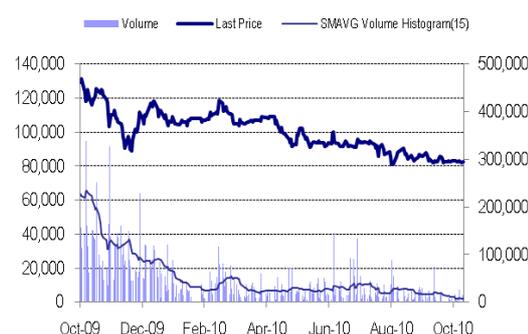
Recommendation

	HOSE: NTP Plastic pipes sector
Price (VND)	82,800
Price target (VND)	103,000
Expected share price return (%)	24.4%
Expected dividend yield (%)	0.00%
Expected total return (%)	24.4%

Stock performance (%)

	YTD	1m	3m	12m
Abs	-24.82%	0.85%	-11.55%	-29.86%
Rel	-16.53%	0.75%	-2.57%	-15.18%

Source: Bloomberg



Ownership Structure

02-Nov-10

State owned	37.1%
Foreigners	35.7%
Others	27.2%

Stock Statistics

02-Nov-10

Bloomberg code	NTP VN
52-week range (VND)	135,000- 81,000
Shares O/S (m)	21.7
Mkt cap (VND bn)	1,794
Mkt cap (USD m)	92
Foreign room (%)	13.3%
Est. free float (m)	10.8
3m avg daily vol (shrs)	17,753
VND/USD	19,500
Index: VNIndex / HNX	446/110

Source: Bloomberg

BINH MINH PLASTIC (BMP VN)

BUY – TARGET PRICE VND54,500

Duong Pham

(84 8) 3520-2050 - Ext: 8125

duong.t.pham@mekongsecurities.com

Less upside than NTP

We are initiating coverage on Binh Minh Plastic Company (HOSE: BMP), the second biggest player in Vietnam's plastic industry with market share following NTP. BMP is the key plastic pipe supplier in the South of Vietnam, accounting for 40% of Southern region consumption and 20% market share nationwide. Our valuation approach is based on multiples, with a 12-month price target of VND54,500. At our estimated full year revenue of VND1,382bn (21% growth YoY) and net profit of VND232bn, the 2010 PER is 7.2x, 6% below the regional peer average. 2010 PBR is estimated at 2.1x, quite attractive against the regional industry average of 3.0x. Given fiercer industry competitiveness in the South with active peers, BMP is targeting maintained market share, implying perhaps 15% pa volume growth.

In September, BMP signed a lease contract for 15ha in Vinh Loc Industrial Zone (Long An Province) in order to expand capacity by 150,000 tonnes pa (or by 200% of existing capacity), to be undertaken gradually over many years. Like NTP, it is also installing its first 1200mm HDPE line – for its Northern factory in order to target big projects there (as opposed to its Southern business, where it tends to focus on smaller-scale customers).

Rising raw material prices pose a challenge for BMP in 2010; 3Q10 YoY sales growth was still 26%, yet net profit fell 4%. We forecast average ROE and ROA at 26% and 28% respectively over the period 2010-2012, though on a declining trend.

BMP will probably still generate a positive 12 month return for shareholders, helped by its dividend. However, there are a few reasons to favour NTP over BMP. First, the valuation gap – 5.6x versus 7.2x current-year PER – is not negligible. Second, the Northern home base of NTP is a more securely held one than is the Southern one for BMP. As such, BMP's pricing power is less than NTP's, as well as the former being apparently more vulnerable to competitive developments in its region than is the case for NTP. Third, we like NTP's historic use of a modest amount of leverage to grow its business, which helps its return on equity to be superior to BMP's (which typically has had no significant net debt).

Company Coverage

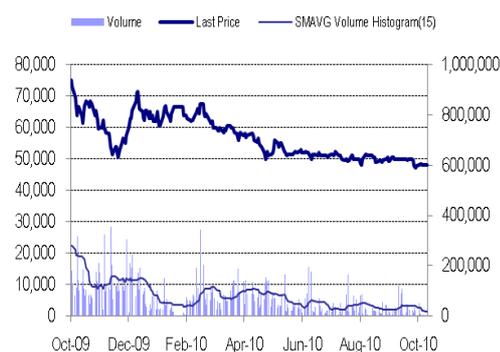
Recommendation

	HOSE: BMP
	Plastic pipes sector
Price (VND)	48,000
Price target (VND)	54,500
Expected share price return (%)	13.5%
Expected dividend yield (%)	4.2%
Expected total return (%)	17.7%

Stock performance (%)

	YTD	1m	3m	12m
Abs	-27.15%	0.81%	-2.16%	-18.20%
Rel	-17.69%	0.81%	8.24%	8.53%

Source: Bloomberg



Ownership Structure 02-Nov-10

State owned	30.7%
Foreigners	47.4%
Others	21.9%

Stock Statistics 02-Nov-10

Bloomberg code	BMP VN
52-week range (VND)	48,000- 75,000
Shares O/S (m)	35
Mkt cap (VND bn)	1,734
Mkt cap (USD m)	89
Foreign room (%)	1.6%
Est. free float (m)	21.9
3m avg daily volume	35,600
VND/USD	19,500
Index: VNIndex / HNX	446/110

Source: Bloomberg

	2007	2008	2009	2010E	2011E	2012E
Sales (VND bn)	680	821	1,143	1,382	1,669	2,015
EBITDA (VND bn)	126	170	328	321	352	382
Net income (VND bn)	96	96	250	232	215	230
Sales growth (%)	35.1%	20.7%	39.2%	20.9%	20.8%	20.8%
ROE (%)	24.1%	21.1%	42.9%	31.4%	24.7%	22.6%
ROA (%)	22.6%	25.6%	40.9%	30.0%	27.7%	25.2%
EPS (VND)	6,838	5,657	7,188	6,664	6,185	6,606
BVPS (VND)	30,026	28,802	19,483	22,951	27,136	31,242
PER (x)	7.30	8.82	6.94	7.49	8.07	7.55
PBR (x)	1.66	1.73	2.56	2.17	1.84	1.60

Source: BMP, Mekong Securities

Company Overviews

Tien Phong Plastic Co (NTP VN; formerly known as Tien Phong Plastic Factory) was established in 1960, equitized in 2005 and listed on the HNX in December 2006. NTP is based in Hai Phong, a governmental city in the North of Vietnam. It has two subsidiaries: Tien Phong Plastic Co in the South based in Binh Duong Province (51% owned by NTP), and Tien Phong Plastic – SMP, a joint venture in Laos (also 51% owned by NTP).

Binh Minh Plastic Co (BMP VN) was founded in 1977, equitized in 2002, and listed on HoSE in July 2006. In December 2007, BMP advanced into the North with Binh Minh One Member Limited Liability Company based in Pho Noi A Industrial Park, Hung Yen Province.

Market Share

The Vietnamese market for plastic pipes is something of a duopoly between NTP and BMP, each of which dominates their own territory in the North and the South respectively. NTP has 70% Northern market share and 25% national share, BMP 40% Southern share and 20% national share. They are both making moves into the other's region. NTP's total design capacity is 70,000 tonnes of various kinds of products in the North (utilization rate 70%), 10,000 tonnes in the South (utilization rate 60%), and 3,000 tonnes in Laos (utilisation rate 50-60%). BMP's design capacity is lower at 60,000 tonnes in the South (utilization rate 70-75%), and 15,000 tonnes in the North (utilisation rate 20%).

NTP is more dominant in the North than BMP is in the South; the latter market is more competitive and active. Northern peers of NTP are tiny with only a tenth of NTP's capacity, such as Bach Dang Plastic (based in Hai Phong) and De Nhat Plastic (based in Hai Duong). BMP's peers in the South are bigger, such as Dat Hoa Plastic (production capacity 32,000 tonnes pa – half of BMP's capacity - based in Ho Chi Minh City) and Minh Hung Plastic (10,000 tonnes pa – also based in Ho Chi Minh City); they are more active in their branding, marketing and customer service than Northern players, which pushes BMP into maintaining and improving its product quality, after sales service, and distribution network in order to maintain its market share.

Types of Products and Price Setting

Product ranges of NTP and BMP are similar to each other, comprising of plastic pipes (uPVC – polyvinyl chloride, HDPE – high density polyethylene, and PPR – polypropylene) and spare parts. Revenue breakdown is approximately 80% for uPVC plastic pipes and the remaining for HDPE, PPR and others. Though manufacturing the same types of plastic pipes, products of NTP and BMP follow different criteria based on the traditions of each region. For pipes with diameter higher than 60mm, BMP follows both the “inch” (BS 3505:1968) and “metre” (TCVN 6151:1996 - ISO 4422:1990) systems whereas NTP uses only the “metre” system preferred by Northern customers. For pipes with diameter lower than 60mm, BMP have products with the “inch” system only and apply this criteria on their products sold in the North, which makes it somewhat difficult to penetrate the market there among smaller customers; NTP shows more flexibility, using the inch system in their Southern factory for their under-60mm output.

NTP and BMP act as price setters in their respective home regions. BMP's Southern prices used to be about 10% higher than its regional peers but that

Table 1: Price List Comparison for NTP and BMP in the North

Criteria	ISO 4422:1996		
	NTP	BMP	BMP discount to NTP
Pipes			
63x1.6mm	19,500	18,480	5.5%
75x2.2mm	30,900	29,920	3.3%
140x4.1mm	103,500	101,090	2.4%
250x7.3mm	338,700	316,140	7.1%
400x11.7mm	855,300	803,220	6.5%

Source: NTP, BMP, Mekong Securities

difference has fallen to 5% given rising competition. In general, NTP's pricing is about 5% higher than BMP's, but in the South NTP has priced lower than BMP in order to help it get a foothold there.

Table 2: Price List Comparison for Plastic Companies in the South

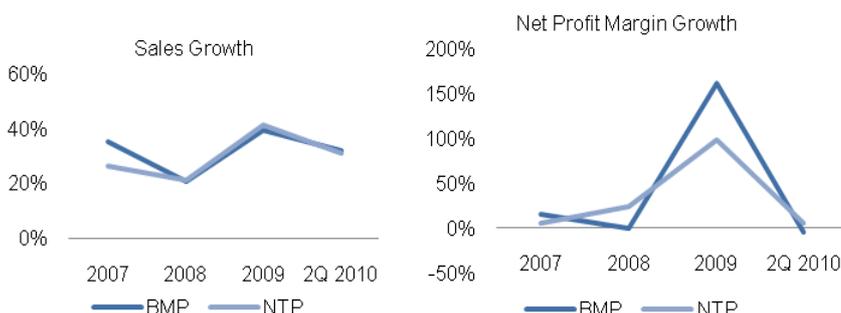
Criteria	BS 3505						
	BMP	NTP	Gap with BMP	Minh Hung	Gap with BMP	Dat Hoa	Gap with BMP
21x1.6mm	5,390	5,280	2.1%	5,100	5.7%	N/A	N/A
27x1.8mm	7,590	7,480	1.5%	7,140	6.3%	7,150	6.2%
49x2.4mm	18,480	18,370	0.6%	18,000	2.7%	17,700	4.4%
90x1.7mm	24,970	24,640	1.3%	22,700	10.0%	22,800	9.5%
168x4.3mm	117,920	117,040	0.8%	115,130	2.4%	117,700	0.2%
220x8.7mm	306,460	305,360	0.4%	300,780	1.9%	N/A	N/A

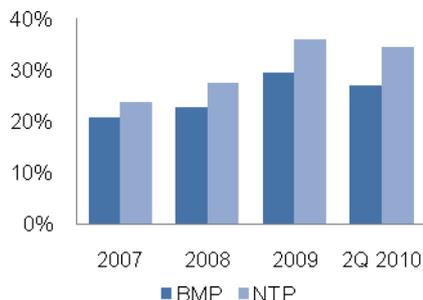
Source: NTP, BMP, Minh Hung Plastic, Dat Hoa Plastic, Mekong Securities

Financial Ratios Analysis

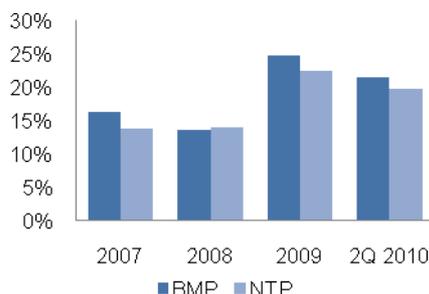
1. Profitability Ratios

Sales growth for both companies has been historically high, peaking in 2009 at 41% for NTP and 39% for BMP. In 2Q 2010, though prices of input materials increased by 13% compared to the full year 2009 average, sales growth of NTP and BMP still stayed over 30%. Profits have been more volatile; in 2009, thanks to low input prices (only \$675/tonne for PVC material in January 2009, nearly the bottom price for the whole period from 2004 – 2010) net profit grew by 98% for NTP and 161% for BMP. However, profits flattened out in 2Q10 (+5% YoY for NTP, -5% for BMP) due to higher materials costs. Gross profit margin of NTP is always higher than BMP, with a gap of about 6%. Raw material accounts for 70%-74% of total COGS at NTP, and 80%-82% at BMP, so BMP is more affected by raw material price swings. BMP, on the other hand, has lower SG&A costs at 6% of sales versus 10% for NTP, as NTP has more spending on promotions and discounts for its agents.

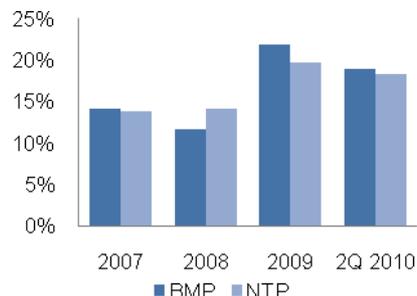




Gross Profit Margin



Operating Profit Margin



Net Profit Margin

Source: NTP, BMP, Mekong Securities

2. Activity Ratios

Regarding receivables turnover, BMP's payment terms are tougher than NTP's: a 2009 average of 35 days versus 75 days. BMP generally offers one month credit to its outlets (sometimes two for special cases) on a collateral basis whereas NTP's customers only have to settle half their outstanding amounts at each month-end. BMP applies its stricter credit terms in the North as well, further hindering its breaking into that market. On inventory turnover NTP is slightly better, but on payment days to suppliers BMP is better (though these are declining of late for both).

Table 3: Activity Ratios Comparison

	2007		2008		2009		2Q 2010	
	BMP	NTP	BMP	NTP	BMP	NTP	BMP	NTP
Receivables turnover (x)	5.3	5.2	6.7	4.8	10.2	4.8	7.2	4.7
Inventory turnover (x)	4.1	5.5	3.9	3.7	3.5	3.7	4.6	5.3
Payables turnover (x)	14.0	17.8	17.7	15.9	12.6	18.2	17.0	24.5

Source: NTP, BMP, Mekong Securities

3. Liquidity Ratios

Both companies have relatively safe liquidity ratios, although BMP is the better of the two.

Table 4: Liquidity Ratios Comparison

	2007		2008		2009		2Q 2010	
	BMP	NTP	BMP	NTP	BMP	NTP	BMP	NTP
Current ratio (x)	4.6	2.0	4.4	1.7	3.8	1.8	5.8	2.1
Quick ratio (x)	2.2	1.2	1.4	0.8	1.6	1.1	2.9	1.3
Cash ratio (x)	0.1	0.1	0.2	0.1	0.6	0.0	1.1	0.1

Source: NTP, BMP, Mekong Securities

4. Dupont Analysis

NTP's ROE was about 2x higher in 2007 and 2008 and 1.5x higher in 2009 and 2Q10 than that of BMP. Higher ROE of NTP results from higher asset turnover, but also from higher leverage; these are slightly offset by lower NPMs for NPT.

Table 5: Dupont Analysis

	2007		2008		2009		2Q 2010	
	BMP	NTP	BMP	NTP	BMP	NTP	BMP	NTP
ROE (AxBxC) (%)	24%	43%	21%	41%	43%	64%	36%	57%
Net profit margin (A) (%)	14%	14%	12%	14%	22%	20%	19%	18%
Asset turnover (B) (x)	1.48	2.05	1.54	1.71	1.64	1.78	1.65	1.93
Equity multiplier (C) (x)	1.15	1.51	1.17	1.71	1.19	1.82	1.14	1.62

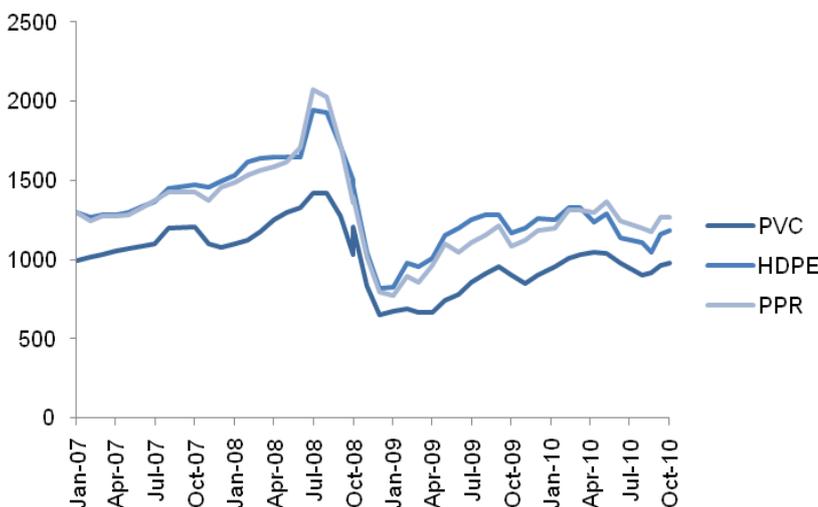
Source: NTP, BMP, Mekong Securities

Risk Factors

1. Reliance on imported materials

Vietnam’s capacity to produce plastic compound (PVC resin and PVC compound, to be precise) is quite limited when there are currently only two manufacturers capable of producing this product at the total capacity of approximately 400,000 tonnes/year (200,000 tonnes each for Thai Plastic & Chemicals – TPC and Phu My Plastic & Chemicals – PMPC). PVC resin and compound is derived from natural gas, for which Vietnam still heavily relies on imports. NTP imports 90% of its raw material from Thailand, China and Korea; BMP buys raw material from the two domestic PVC resin suppliers (TPC and PMPC). Prices in raw materials of the two companies depend on global price movements of oil and gas.

Vietnam’s first polypropylene (PPR) factory in Dung Quat Economic Zone (from July 2010) uses internally sourced propylene gas from the Dung Quat refinery, but PPR is only used in a small portion of plastic pipes.



Global Price Trend for Plastic Materials (USD/ton)

Source: www.plastemart.com

2. Foreign exchange risk

90% of raw materials are imported for NTP and prices for plastic materials from BMP’s domestic suppliers are also closely adjusted to the exchange rate, so

dong devaluation represents a key cost risk. The impact is softened by the use of forward contracts.

3. Economic risk

Construction and infrastructure is forecast to enjoy a 15%-20% growth rate in Vietnam through 2015, suggesting a strong growth backdrop for the plastic pipes business. However, the sector is strongly related to overall economic growth rates.

Conclusion

Both NTP and BMP are leading, quality companies operating in a growth environment. We rate both a buy, but the valuation gap suggests NTP is the stock with higher upside. NTP also has an edge in the extent to which it dominates its home region, and in its higher ROE which partly emanates from the use of some modest gearing on its balance sheet.

NTP FINANCIALS MODEL	Price (VND):	82,700	Target (VND):	103,000	Mkt cap:	1,792,026
Analyst	Duong Pham					
(VND mil except where stated)	2007	2008	2009	2010e	2011e	2012e
Total Net Sales	903,295	1,094,482	1,546,900	1,865,993	2,253,186	2,720,722
<i>Sales growth (%)</i>	26.1%	21.2%	41.3%	20.6%	20.8%	20.8%
CoGS ex-dep'n	666,046	771,495	955,754	1,178,930	1,469,542	1,830,881
Gross profit	215,447	300,178	557,343	634,438	721,020	816,217
<i>Gross profit margin (%)</i>	23.9%	27.4%	36.0%	34.0%	32.0%	30.0%
SG&A	88,613	113,101	191,499	225,884	272,755	329,351
<i>SG&A as % of sales</i>	9.8%	10.3%	12.4%	12.1%	12.1%	12.1%
EBITDA	148,636	209,886	399,647	461,179	510,890	560,490
<i>EBITDA margin (%)</i>	16.5%	19.2%	25.8%	24.7%	22.7%	20.6%
<i>EBITDA growth rate (%)</i>	-3.0%	41.2%	90.4%	15.4%	10.8%	9.7%
Depreciation	21,802	22,809	33,803	52,625	62,625	73,625
Bad debt provs, other costs (net)	0	0	0	0	0	0
Other Income (net)	148	370	2,948	-	-	-
Operating profit	126,982	187,447	368,792	408,554	448,265	486,865
<i>Operating profit margin (%)</i>	14.1%	17.1%	23.8%	21.9%	19.9%	17.9%
Finance Income, net	(1,233)	(11,002)	(3,751)	-	-	-
Net interest expenses	1,035	22,038	13,708	31,561	52,361	58,861
<i>Interest as % of avg net debt</i>	2.1%	13.8%	6.0%	18.0%	-507.6%	-31.0%
<i>Interest cover (x)</i>	122.7	8.5	26.9	12.9	8.6	8.3
Tax	-	-	45,670	55,008	98,976	107,001
<i>Effective tax rate (%)</i>	0.00%	0.00%	13.00%	14.59%	25.00%	25.00%
Minorities	0	0	0	0	0	0
Net profit	124,714	154,407	305,663	321,985	296,928	321,003
Cash earnings	146,516	177,216	339,466	374,610	359,553	394,628
Number of shares (m)	22	22	22	22	22	22
EPS (VND)	5,755	7,126	14,106	14,859	13,703	14,814
<i>EPS growth (%)</i>	-30.1%	23.8%	98.0%	5.3%	-7.8%	8.1%
Cash EPS (VND)	6,762	8,178	15,666	17,288	16,593	18,212
Key cashflow and balance sheet items	2007	2008	2009	2010e	2011e	2012e
Increase in working capital	27,132	7,126	88,530	95,852	-29,952	107,118
Capex inc acquisitions	43,767	47,222	179,820	100,000	100,000	110,000
Other cashflow items	0	0	0	0	0	0
Free cash flow	75,617	122,868	71,116	178,758	289,505	177,510
Share issues (m)	0	0	0	0	0	0
Dividends paid	(28,892)	(69,381)	(103,998)	(43,338)	(54,173)	(54,173)

Increase in net debt	-46,725	-53,487	32,882	-135,420	-235,333	-123,338
Net debt, end of year	104,604	213,648	242,771	107,351	-127,982	-251,319
Enterprise value	1,896,630	2,005,674	2,034,797	1,899,378	1,664,045	1,540,707
Shareholders' equity	337,381	409,804	543,911	728,289	735,711	879,205
BVPS (VND)	15,570	18,912	25,101	33,610	33,952	40,574
Net debt / equity (%)	31.0%	52.1%	44.6%	14.7%	-17.4%	-28.6%
Net debt / EBITDA (x)	0.7	1.0	0.6	0.2	-0.3	-0.4
Total assets	543,535	734,348	999,856	1,113,515	1,312,227	1,543,962

Key return and valuation ratios	2007	2008	2009	2010e	2011e	2012e
ROE (%)	42.7%	41.3%	64.1%	50.6%	40.6%	39.8%
ROA (%)	28.9%	29.3%	42.5%	38.7%	37.0%	34.1%
ROIC (%)	22.9%	21.0%	30.7%	31.5%	26.3%	24.3%
WACC (%)	16.3%	15.7%	16.1%	16.3%	15.8%	15.9%
EVA (%)	6.6%	5.3%	14.7%	15.2%	10.5%	8.4%
PER (x)	14.4	11.6	5.9	5.6	6.0	5.6
EV/EBITDA (x)	12.8	9.6	5.1	4.1	3.3	2.7
EV/FCF (x)	25.1	16.3	28.6	10.6	5.7	8.7
PBR (x)	5.3	4.4	3.3	2.5	2.4	2.0
PSR (x)	2.0	1.6	1.2	1.0	0.8	0.7
EV/sales (x)	2.1	1.8	1.3	1.0	0.7	0.6

BMP FINANCIALS MODEL	Price (VND):	48,000	Target (VND):	54,500	Mkt cap:	1,668,917
Analyst	Duong Pham					
(VND mil except where stated)	2007	2008	2009	2010e	2011e	2012e
Total Net Sales	679,999	820,964	1,143,154	1,382,089	1,668,873	2,015,164
<i>Sales growth (%)</i>	35.1%	20.7%	39.2%	20.9%	20.8%	20.8%
CoGS ex-dep'n	514,737	598,028	761,674	982,053	1,221,243	1,517,988
Gross profit	141,976	187,037	336,551	345,522	383,841	423,184
<i>Gross profit margin (%)</i>	20.9%	22.8%	29.4%	25.0%	23.0%	21.0%
SG&A	39,173	53,002	53,719	78,989	95,380	115,171
<i>SG&A as % of sales</i>	5.8%	6.5%	4.7%	5.7%	5.7%	5.7%
EBITDA	126,089	169,934	327,761	321,047	352,250	382,005
<i>EBITDA margin (%)</i>	18.5%	20.7%	28.7%	23.2%	21.1%	19.0%
<i>EBITDA growth rate (%)</i>	4.2%	34.8%	92.9%	-2.0%	9.7%	8.4%
Depreciation	23,286	35,899	44,929	54,514	63,789	73,992
Bad debt provs, other costs (net)	0	0	0	0	0	0
Other Income (net)	856	2,239	1,507	-	-	-
Operating profit	103,659	136,274	284,339	266,533	288,461	308,014
<i>Operating profit margin (%)</i>	15.2%	16.6%	24.9%	19.3%	17.3%	15.3%
Finance Income, net	7,909	(11,906)	3,054	-	-	-
Net interest expenses	298	10,236	2,229	1,745	1,745	1,745
<i>Interest as % of avg net debt</i>	-0.6%	72.5%	88.7%	-1.6%	-0.7%	-0.4%
<i>Interest cover (x)</i>	347.8	13.3	127.6	152.7	165.3	176.5
Tax	15,262	18,209	35,245	33,098	71,679	76,567
<i>Effective tax rate (%)</i>	13.72%	15.95%	12.36%	12.50%	25.00%	25.00%
Minorities	0	0	0	0	0	0
Net profit	96,008	95,923	249,919	231,689	215,037	229,701
Net profit margin	14%	12%	22%	17%	13%	11%
Cash earnings	119,294	131,822	294,848	286,203	278,826	303,693
Number of shares (m)	14	17	35	35	35	35
EPS (VND)	6,838	5,657	7,188	6,664	6,185	6,606
<i>EPS growth (%)</i>	14.7%	-17.3%	27.1%	-7.3%	-7.2%	6.8%
Cash EPS (VND)	8,496	7,774	8,480	8,232	8,019	8,735
Bonus factor	1.0	1.2	2.0			
Adjusted EPS	2,849	2,357	3,594	6,664	6,185	6,606
Adjusted EPS growth		-17.3%	52.5%	85.4%	-7.2%	6.8%
Key cashflow and balance sheet items	2007	2008	2009	2010e	2011e	2012e
Increase in working capital	-40,460	-8,340	139,436	75,250	109,287	106,770

Capex inc acquisitions	109,377	104,302	92,631	100,000	100,000	110,000
Other cashflow items	0	0	0	0	0	0
Free cash flow	50,377	35,860	62,781	110,953	69,539	86,923
Share issues (m)	0	0	0	0	0	0
Dividends paid	(0)	(0)	(0)	52,154	69,538	86,923
Increase in net debt	-50,377	-35,860	-62,781	-163,106	-139,077	-173,845
Net debt, end of year	-2,941	31,167	-26,139	-189,245	-328,322	-502,168
Enterprise value	1,665,976	1,700,084	1,642,778	1,479,671	1,340,595	1,166,749
Shareholders' equity	421,586	488,356	677,422	797,991	943,490	1,086,268
BVPS (VND)	30,026	28,802	19,483	22,951	27,136	31,242
<i>Net debt / equity (%)</i>	<i>-0.7%</i>	<i>6.4%</i>	<i>-3.9%</i>	<i>-23.7%</i>	<i>-34.8%</i>	<i>-46.2%</i>
<i>Net debt / EBITDA (x)</i>	<i>0.0</i>	<i>0.2</i>	<i>-0.1</i>	<i>-0.6</i>	<i>-0.9</i>	<i>-1.3</i>
Total assets	497,736	566,008	824,248	952,443	1,129,598	1,311,058

Key return and valuation ratios	2007	2008	2009	2010e	2011e	2012e
<i>ROE (%)</i>	<i>24.1%</i>	<i>21.1%</i>	<i>42.9%</i>	<i>31.4%</i>	<i>24.7%</i>	<i>22.6%</i>
<i>ROA (%)</i>	<i>22.6%</i>	<i>25.6%</i>	<i>40.9%</i>	<i>30.0%</i>	<i>27.7%</i>	<i>25.2%</i>
<i>ROIC (%)</i>	<i>19.3%</i>	<i>17.2%</i>	<i>30.4%</i>	<i>24.5%</i>	<i>19.2%</i>	<i>17.6%</i>
<i>WACC (%)</i>	<i>16.9%</i>	<i>16.6%</i>	<i>16.9%</i>	<i>16.9%</i>	<i>16.9%</i>	<i>16.9%</i>
<i>EVA (%)</i>	<i>2.4%</i>	<i>0.7%</i>	<i>13.5%</i>	<i>7.6%</i>	<i>2.3%</i>	<i>0.7%</i>
<i>PER (x)</i>	<i>7.0</i>	<i>8.5</i>	<i>6.7</i>	<i>7.2</i>	<i>7.8</i>	<i>7.3</i>
<i>EV/EBITDA (x)</i>	<i>13.2</i>	<i>10.0</i>	<i>5.0</i>	<i>4.6</i>	<i>3.8</i>	<i>3.1</i>
<i>EV/FCF (x)</i>	<i>33.1</i>	<i>47.4</i>	<i>26.2</i>	<i>13.3</i>	<i>19.3</i>	<i>13.4</i>
<i>PBR (x)</i>	<i>1.6</i>	<i>1.7</i>	<i>2.5</i>	<i>2.1</i>	<i>1.8</i>	<i>1.5</i>
<i>PSR (x)</i>	<i>2.5</i>	<i>2.0</i>	<i>1.5</i>	<i>1.2</i>	<i>1.0</i>	<i>0.8</i>
<i>EV/sales (x)</i>	<i>2.4</i>	<i>2.1</i>	<i>1.4</i>	<i>1.1</i>	<i>0.8</i>	<i>0.6</i>

Contacts:

Ho Chi Minh City Office

Floor 9, 9 Dinh Tien Hoang Street,
Dist 1, Ho Chi Minh City
Tel: +84 8 39111 276
Fax: +84 8 3822 8014

HCMCTransactions Office

Floor 3, 26-28 Ham Nghi Street,
Dist 1, Ho Chi Minh City
Tel: +84 8 3821 4041
Fax: +84 8 3921 2322

Hanoi Office

Floor 21, 191 Ba Trieu Street,
Hai Ba Trung Dist, Ha Noi
Tel: +84 4 3974 8318
Fax: +84 4 3974 8317

Hanoi Transactions Office

Floor 2, 39A Ngo Quyen
Street,
Hoan Kiem Dist, Ha Noi
Tel: +84 4 3938 6622
Fax: +84 4 3939 3150

Research

Head of Research

David Kadarauch
+84 8 3520 2050 (ext 8142)
davidkadarauch@mekongsecurities.com

Senior Analyst

Thanh Quan
+84 8 3520 2050 (ext 8132)
thanht.quan@mekongsecurities.com

Analyst

Thu Vo
+84 8 3520 2050 (ext 8158)
thuavo@mekongsecurities.com

Analyst

Duong Pham
+84 8 3520 2050 (ext 8125)
duongt.pham@mekongsecurities.com

Analyst

Ly Vu
+84 8 3520 2050 (ext 8111)
lytvu@mekongsecurities.com

Head of Retail Research

Quyên Luong
+84 8 3520 2050 (ext 8137)
quyen.luong@mekongsecurities.com

Retail Research

Minh Bui
+84 8 3520 2050 (ext 8135)
minhbui@mekongsecurities.com

Sales and Trading

Head of Institutional Sales

Peter Pham
+84 8 3520 2050 (ext 8107)
peter.pham@mekongsecurities.com

Chief Operating Officer

Esmond Baring
+84 8 3520 2050 (ext 8169)
esmond.baring@mekongsecurities.com

Disclaimer

Copyright 2010 Mekong Securities. All rights reserved.

Mekong Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This research document is prepared on the basis of information believed to be reliable at the time of publication. Mekong Securities makes no representation or warranty regarding the completeness or accuracy of such information. Opinions, estimates and projections expressed in this document are subject to change without notice. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. Neither the information nor any opinion expressed in this research constitutes an offer or solicitation to purchase or sell any securities or derivative instruments in any jurisdiction. Directors, associates, employees and affiliates of Mekong Securities may have a financial interest in securities mentioned in this research or in related instruments and also undertake brokerage, investment banking and advisory services for companies described herein.

This document may not be copied, reproduced, published or redistributed by any person for any purpose without the express consent of an authorized representative of Mekong Securities. Please cite sources when quoting.