

HOSE - Vietnam  
Materials and Construction  
2011.06.22

## Overweight

Price(2011/06/21):VND 12,000  
Target Price: VND 16,800

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### Key Data

Chartered capital (VND bn)	329
Outstanding shares (mil shares)	32.9
52-week price range (VND)	11,700 ~26,800
Market cap (VND bn)	394.8
Total assets (Q1/11) (VND bn)	1,382
Net Value (Q/11) (VND bn)	426
Total Room for foreign investors (mil shares)	16.121
Current Room for foreign investors (mil shares)	13
Foreign Holding (%)	9.5%
EPS 2011E (VND)	3,593
P/E	3.3
P/B	0.9
Cash dividend % (Face Value)	15%
Dividend yield (%) (Dividend/Market price)	13%
ROE 2011E(%)	16.3%
ROA 2011E(%)	6.8%

*\*The holding cap for foreign strategic investors is 49%. For banking sector the cap is 30%.*

## 2011 interest expense to increase due to higher loans last year

- **Company profile:** BT6 businesses include manufacturing building materials (57% of sales) and construction (37%).
- **Industry overview:** To maintain the average GDP growth rate of 7% per annum from 2011-2015, local infrastructure will gain an investment priority as it is one of the bottlenecks for Vietnam's economic development.
- **Earnings:** BT6's sales in 2007-2010 grew 15% per annum while that of net profit grew at a faster pace of 63%. BT6's 2010 sales were reported at 1,113 bn VND, up 48% yoy and net profit was posted at 95.8 bn VND, up 21% yoy.
  - Last year, building materials prices increased, partly resulting from inflation, making COGS accounting for more percentage in sales. Besides, there was management expense hike, most of which came from pay rise and increased office leases. These two effects reduced 2010 net profit margin to 8.6% from 10.5% a year earlier. ROE increased a little. However, DuPont analysis showed that ROE rise was mainly due to using financial leverage.
- **2011 outlook:** In Q1/2011, financial numbers from parent company showed its sales reached 246 bn VND, up 118% yoy and net profit in parent company was 16.9 bn VND, down 17% yoy. We expect that in 2011 BT6 could continue its sales growth but net profit could have a decline due to interest expense burden resulting from using financial leverage last year.
- **Strengths:** BT6 is a growing company in a growing industry in Vietnam.
- **Weaknesses:** BT6's sales grew 48% yoy in 2010 while account receivables increased very fast at 78% yoy. This led to high receivable build-up and part of this was financed by loans. This contributed to higher debt and 2011 interest expenses would be higher than that of last year.
- **Valuation:** We initiate an Overweight rating on BT6 with a target price of VND 16,800, implying a P/E multiple of 5 (x) EPS 2011E.

### Financial Abstract:

(VND bn)

Year	Revenue	(%)	Net Profit	(%)	Outstanding Shares	EPS (VND)	P/E (x)	ROE	ROA
2008	844.2	22.4%	36.1	-3.7%	10,997,800	3,284	18.0	11.6%	5.3%
2009	748.8	-11.3%	78.9	118.6%	10,997,800	7,178	8.6	22.6%	12.0%
2010	1,113.1	48.7%	95.8	21.3%	10,997,800	8,709	8.0	22.8%	10.0%
2011E	1,255.2	12.8%	78.9	-17.7%	21,948,900	3,593	3.3	16.3%	6.8%
2012E	1,357.1	8.1%	100.4	27.3%	32,900,000	3,050	3.9	19.1%	9.0%

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**Financial Statements (VND bn)**

Income statement	2008	2009	2010	2011e	2012e	Cash flow	2008	2009	2010	2011e	2012e
Net Sales	844.2	748.8	1,113.1	1,255.2	1,357.1	Total profit before tax	47.3	105.0	135.7	105.0	133.6
Cost of goods sold	738.6	612.4	930.6	1,038.6	1,125.1	Non-cash items	43.7	5.7	29.1	52.9	41.9
Gross profit	105.6	136.4	182.5	216.6	232.0	Changes in net working capital	(131.9)	98.0	(178.8)	(150.8)	(43.2)
Selling Expenses	-	0.9	12.2	15.0	13.8	Net operating cash flow	(40.9)	208.7	(13.9)	7.2	132.3
Managing Expenses	24.6	38.2	68.1	106.6	109.0	Net Investing cash flow	(22.5)	(65.2)	(92.3)	(125.6)	31.5
Operating profit	81.0	97.3	102.2	94.9	109.2	Net Financing cash flow	36.0	(121.4)	180.8	99.2	(149.6)
Non operating profit	(22.2)	11.5	53.9	47.7	51.6	Net Cash during the period	(27.4)	22.0	74.6	(19.3)	14.2
Interest expense	11.5	3.7	20.3	37.7	27.1	Cash at beginning of year	37.2	9.8	47.5	122.0	102.8
Total profit before tax	47.3	105.0	135.7	105.0	133.6	Cash at end of year	9.8	31.8	122.0	102.8	117.0
Corporate Income Tax	10.4	28.8	33.2	26.1	33.3	<b>Financial ratios</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>
Profit after Tax	36.1	78.9	95.8	78.9	100.4	<b>Capital Structure</b>					
<b>Balance sheet</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	Current assets/Total assets	64%	55%	63%	69%	74%
<b>Current Assets</b>	416.0	366.4	787.6	755.4	829.5	Non-Current assets/Total assets	36%	45%	37%	31%	26%
Cash and Cash Equivalents	9.8	31.8	122.0	102.8	117.0	Debt/Total assets	51%	43%	59%	54%	52%
Short term financial investment	7.7	10.0	26.0	-	-	Equity/Total assets	49%	57%	37%	46%	48%
Short term Account Receivables	258.3	245.0	469.9	474.6	513.1	Interest coverage ratio	5.1	29.2	7.7	3.8	5.9
Inventory	139.1	77.8	159.1	162.2	175.7	<b>Liquidity</b>					
Other Current Assets	1.1	1.8	10.6	15.8	23.7	Current ratio	1.7	1.5	1.2	1.4	1.5
<b>Non-current Assets</b>	234.3	301.5	453.1	337.3	296.1	Quick ratio	1.1	1.2	0.9	1.1	1.2
Long term Account Receivables	-	-	0.4	-	-	Cash conversion cycle (Days)	150.0	134.5	143.0	128.0	118.5
Fixed assets	87.4	81.1	200.6	132.8	86.5	Operating CF/Sales	(0.0)	0.3	(0.0)	0.0	0.1
Real estate investments	-	9.7	6.5	12.3	6.5	Operating CF/Interest expense	(3.6)	56.0	(0.7)	0.2	4.9
Long term Financial Investments	145.8	207.5	179.0	179.0	179.0	Operating CF/Short term debt	(0.2)	0.9	(0.0)	0.0	0.2
Other long term assets	1.1	3.2	25.5	25.5	30.6	Free CF (VND bn)	(143.9)	105.7	(116.9)	(95.8)	29.4
<b>Total Assets</b>	650.3	667.9	1,240.8	1,092.6	1,125.6	<b>Efficiency</b>					
<b>Liabilities</b>	332.7	286.8	730.6	585.7	584.1	Inventory Days	67.8	45.8	61.6	56.2	56.2
Short term Liabilities	249.3	241.0	681.3	545.7	560.1	Receivables Days	110.1	117.8	152.0	136.1	136.1
Long term Liabilities	83.4	45.9	49.3	40.0	23.9	Current assets turnover	2.0	2.0	1.4	1.7	1.6
<b>Owners equity</b>	317.6	381.1	457.9	506.9	541.5	Fixed assets turnover	9.7	9.2	5.5	9.5	15.7
Common stocks	110.0	110.0	110.0	329.0	329.0	Total assets turnover	1.3	1.1	0.9	1.1	1.2
Expenditures and Other Funds	207.6	271.1	347.9	177.9	212.5	<b>Profitability</b>					
<b>Total Equity</b>	650.3	667.9	1,240.8	1,092.6	1,125.6	Gross margin	13%	18%	16%	17%	17%
<b>DuPont Analysis (ROE Breakdown=1x2x3)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	Operating margin	10%	13%	9%	8%	8%
Net profit margin (1)	0.04	0.11	0.09	0.06	0.07	Net profit margin	4%	11%	9%	6%	7%
Total assets turnover (2)	1.30	1.12	0.90	1.15	1.21	Effective tax rate	22%	27%	24%	25%	25%
Leverage (3)	2.05	1.75	2.71	2.16	2.08	ROE	12%	23%	23%	16%	19%
<b>Investment Valuation ratios</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011e</b>	<b>2012e</b>	ROA	5%	12%	10%	7%	9%
P/S	0.2	0.2	0.1	0.2	0.3						
P/B	0.4	0.3	0.3	0.5	0.7						
P/CF (Operating)	(3.2)	0.6	(9.5)	36.8	3.0						
PEG 1 ratio (PE/Sales growth)	na	na	0.5	0.2	0.2						

Source: BT6 and PHS's estimates

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**Overweight (OW)** = Expected to outperform the local market by >10%

**Neutral (N)** = Expected to in line with the local market by +10%~ -10%

**Underweight (UW)** = Expected to underperform the local market by >10%.

**Not Rated (NR)** = The stock is not rated in Phu Hung's coverage universe or not listed yet.  
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