

25.04.2011  
HOSE - Vietnam  
Real Estate Sector

## Opportunity for long term investment

### Company snapshot

- LCG's real estate business accounts for 50%-70% of total revenues. Their projects concentrated in Dong Nai, HCM city and Ha Noi. Besides, LCG also produces roller compacted concrete at Ban Chat hydropower plant and produces Autoclaved Aerated Concrete and participates in education project with training college in Nov 2011.

### Business performance from 2008 to 2010

- In the 2008-2010 phase, company performed well with revenues and net profit growth rate throughout the years reaching 54%/year.
- However, average capital growth which almost doubled in 2008-2010 made EPS growth rate virtually negative.
- LCG is one of the real estate listed companies which have high rate of return. Its gross profit margin was 28%; meanwhile net profit margin was 32%.
- The company has pretty high asset growth rate, with the average value during 2008-2010 was 81%. Debt over average total asset was 45%, in which long-term debt had relatively significant proportion with the value of 34% short-term debt.
- According to the consolidated and audited report of LCG in 2010, revenue reached above 1,000 billion VND. Although real estate market faced tough time in 2010 and only brought 126 billion VND, accounting for 12% in LCG's revenue, the company was supported from construction activity with revenues at 885 billion VND, accounting for 88% in total revenues.
- In terms of profit structure in 2010, main business got the highest proportion with 56% in profit before tax, worth 149 billion VND. Next contributing were other profits which were worth 87 billion VND, accounting for 33%. Profit from financial activities accounted for 11%, valued at 29 billion VND.

### Business performance in Q1/2011

- According to LCG's report, consolidated revenue in Q1/2011 reached 455 billion VND, increasing by 146% yoy and reach 20% the plan for 2011. This revenue was contributed mainly from construction contracts. However, profit after tax of LCG reached only 53 billion VND, decreasing 14% yoy, equivalent to 21% as plan.

### Valuation

After paying dividend 50% by shares in Jun 21<sup>st</sup>, the current outstanding shares is 56.25 million shares. We still keep our point about business result of LCG in last report and adjust the EPS and book value of LCG along with new outstanding shares. It's expected that P/E will be 5x and P/E will be 0.8x, LCG's target price will be about 20,200 VND per share.

## Overweight

**Price (2011/07/22): 12,700VND**

**Target price: 20,200VND**

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### Key Data

Chartered capital	563 billion VND
Outstanding shares	56.25 mil shares
52-week price range	12,600 VND~ 41,000 VND
Market capital value	714 bil VND
Total asset 2010	2,085 bil VND
Net value 2010	1,221 bil VND
Total room for foreign investors	27.56 mil shares
Current room for foreign investors	21.87 mil shares
Foreign holding	10.12%
EPS 2010	5,811 VND
P/E 2010	2.19
P/B 2010	0.40
Dividend by cash	2,000 VND
Dividend/price	15.75%
ROE 2010	19.54%
ROA 2010	11.69%

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

## Financial abstract

Year	Revenue (billion VND)	Change (%)	Net profit (Billion VND)	Change (%)	Outstanding Shares (million)	EPS (VND)	P/E (x)	ROE	ROA
2007	297	122%	68	2216%	5.65	12.115	1.05	63%	19%
2008	445	50%	135	98%	13.60	9.958	1.28	39%	18%
2009	510	15%	218	61%	25.00	8.734	1.45	28%	15%
2010	1,005	97%	222	2%	38.20	5.811	2.19	20%	12%
2011E	2,200	119%	255	15%	56.25	4.533	2.80	19%	10%

Source: Phu Hung Securities

### **Dividend plan in 2010**

- Cash dividend was paid at 20% and share dividend was 50%. In which cash dividend 20%: last registration date on May 20<sup>th</sup>, implementing date on May 31<sup>st</sup>; share dividend 50%: last registration date on Jun 21<sup>st</sup>, effective listing date on Jul 15<sup>th</sup>, official transaction date on Jul 22<sup>nd</sup>.

### **Business plan in 2011**

- Revenue in 2011 is planned at 2,302 billion VND, profit after tax is 250 billion VND and deducting fund rate is 25%. In which, revenue from Licogi 16 company only is 1,058 billion VND.

### **Implementing projects in 2011**

#### **Real estate field**

- 50 ha Long Tan residential project – 1<sup>st</sup> phase: the rest 139 thousand m<sup>2</sup>.
- 27 ha Long Tan residential project – 2<sup>nd</sup> phase: completing legal procedure to grant the “red book” (certificate) to each parcel, deliver to households and collect the 5% remaining. Remaining land area of this project is 110 thousand m<sup>2</sup>.
- 83 ha Long Tan – Phu Hoi residential project – 3<sup>rd</sup> phase: LCG contribute 30% in capital. LCG will coordinate with Phu Hoi limited company to complete the legal files.
- 50 ha Long Tan residential project – 4<sup>th</sup> phase: LCG contributed 95% capital. At present, the project is deploying compensation and completing legal files. Cash flow will generate in 2012 and 2013.
- Nam An apartment project in Binh Hung Hoa ward, Binh Tan district: total area is 8,662 m<sup>2</sup>. LCG is waiting for official approval.
- Apartment project in Hiep Thanh ward, district 12: compensated the remaining 2.5 ha. They expect to complete infrastructure construction and capital contribution in quarter 3-2011.
- Investment project in the construction of mix extended on Nguyen Phong Sac Street, District Cau Giay, Ha Noi. Prepare legal documents to start in Sep 2011 and deliver apartment in quarter 4 2011.
- New urban project on Ly Thuong Kiet street, Bao Loc, Lam Dong: perform legal procedures.
- Completing legal documents: Trung Kenh- Ha Noi new urban project; apartment CT7 project in Thinh Liet new urban – Ha Noi; old apartment improving project at Khuong Thuong – Ha Noi.

#### **Manufacturing field**

- Roller compacted concrete equipment project in Ban Chat hydropower plant: estimated to reach 1 million cubic of concrete.
- Investing project in Autoclaved Aerated Concrete manufacturing plant: LCG contribute 51% in capital. The plant can produce 150,000 m<sup>3</sup> per year.

## ■ Financial statement

### Income Statement

<i>Unit: VND millions</i>	2008	2009	2010
<b>Net Sales</b>	<b>444,594</b>	<b>509,980</b>	<b>1,005,270</b>
Cost of goods sold	318,004	324,348	806,080
<b>Gross Profit</b>	<b>126,590</b>	<b>185,632</b>	<b>199,190</b>
Financial income	39,269	3,618	40,536
Financial expense	16,672	29,732	37,499
In which: Interest expenses	1,614	19,343	25,940
Selling expenses	-	-	-
General administration expenses	15,626	20,895	24,452
<b>Profit from operating activities</b>	<b>133,561</b>	<b>138,623</b>	<b>177,775</b>
Other income	81,743	122,263	91,311
Other expenses	32,187	9,433	4,119
<b>Profit from other activities</b>	<b>49,557</b>	<b>112,830</b>	<b>87,192</b>
<b>Associates</b>	<b>186,694</b>	<b>262,910</b>	<b>264,967</b>
<b>Profit before tax</b>	<b>51,260</b>	<b>44,566</b>	<b>42,995</b>
Income tax expenses – current	-	-	-
Income tax benefit – deferred	-	-	-
Minority shareholders benefit	135,434	218,344	221,972
<b>Profit after tax</b>	<b>444,594</b>	<b>509,980</b>	<b>1,005,270</b>

### Balance sheet

	2008	2009	2010
<b>A. Current Assets</b>	<b>787,824</b>	<b>998,634</b>	<b>1,203,910</b>
Cash and Cash Equivalents	17,292	128,942	24,039
Short term financial investment	504	221,655	-
Short term Account Receivables	438,701	373,384	474,409
Inventory	310,515	239,381	635,874
Other current Assets	20,811	35,272	69,588
<b>B. Non-current Assets</b>	<b>334,690</b>	<b>713,237</b>	<b>880,751</b>
Long-term Account Receivables	-	-	-
<b>Fixed assets</b>	<b>198,577</b>	<b>292,383</b>	<b>265,228</b>
- Tangible Fixed Assets	15,247	20,209	211,326
- Finance lease T.F.A	4,489	-	-
- Intangible Fix Assets	981	975	22,230
- Construction in progress	177,860	271,199	31,672
Long-term Financial Investment	117,248	403,087	557,868
Other non-current assets	5,185	17,767	57,655
<b>Total asset</b>	<b>1,122,514</b>	<b>1,711,871</b>	<b>2,084,661</b>
<b>A. Liabilities</b>	<b>609,297</b>	<b>661,338</b>	<b>863,688</b>
Current liabilities	490,649	506,299	589,052
Long-term liabilities	118,648	155,039	274,636
<b>B. Shareholder's Equity</b>	<b>513,216</b>	<b>1,050,533</b>	<b>1,220,973</b>
Capital sources and fund	497,412	1,018,169	1,180,078
Expenditure and Other funds	15,804	32,364	40,895
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total resource</b>	<b>1,122,514</b>	<b>1,711,871</b>	<b>2,084,661</b>

### Financial Ratio

	2008	2009	2010
Gross profit margin	30%	27%	18%
Net profit margin	30%	43%	22%
EPS growth	-17.8%	-12.3%	-23.1%
Current payment ratio	1.61	1.97	2.04
Quick payment ratio	0.97	1.50	0.96
Cash payment ratio	0.04	0.25	0.04
Inventory turnover	2.4	1.9	2.3
Receivable turnover ratio	8.1	7.2	5.9
Debt/Equity	0.54	0.39	0.41
Long-term debt / Short-term debt	24.2%	30.6%	46.6%

Source: Phu Hung Securities Corporation

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