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HOSE - Vietnam
Real Estate Sector

Opportunity for long term investment

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%.

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 21st, 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/B will be 0.8x, LCG's target price will be about 20,200 VND per share.

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 20th, implementing date on May 31st; share dividend 50%: last registration date on Jun 21st, effective listing date on Jul 15th, official transaction date on Jul 22nd.

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 – 1st phase: the rest 139 thousand m².
- 27 ha Long Tan residential project – 2nd 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 m².
- 83 ha Long Tan – Phu Hoi residential project – 3rd 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 – 4th 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 m². 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 m³ per year.

■ Financial statement

Income Statement

| <i>Unit: VND millions</i> | 2008 | 2009 | 2010 |
|---|----------------|----------------|------------------|
| Net Sales | 444,594 | 509,980 | 1,005,270 |
| Cost of goods sold | 318,004 | 324,348 | 806,080 |
| Gross Profit | 126,590 | 185,632 | 199,190 |
| 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 |
| Profit from operating activities | 133,561 | 138,623 | 177,775 |
| Other income | 81,743 | 122,263 | 91,311 |
| Other expenses | 32,187 | 9,433 | 4,119 |
| Profit from other activities | 49,557 | 112,830 | 87,192 |
| Associates | 186,694 | 262,910 | 264,967 |
| Profit before tax | 51,260 | 44,566 | 42,995 |
| Income tax expenses – current | - | - | - |
| Income tax benefit – deferred | - | - | - |
| Minority shareholders benefit | 135,434 | 218,344 | 221,972 |
| Profit after tax | 444,594 | 509,980 | 1,005,270 |

Balance sheet

| | 2008 | 2009 | 2010 |
|---------------------------------|------------------|------------------|------------------|
| A. Current Assets | 787,824 | 998,634 | 1,203,910 |
| 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. Non-current Assets | 334,690 | 713,237 | 880,751 |
| Long-term Account Receivables | - | - | - |
| Fixed assets | 198,577 | 292,383 | 265,228 |
| - 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 |
| Total asset | 1,122,514 | 1,711,871 | 2,084,661 |
| A. Liabilities | 609,297 | 661,338 | 863,688 |
| Current liabilities | 490,649 | 506,299 | 589,052 |
| Long-term liabilities | 118,648 | 155,039 | 274,636 |
| B. Shareholder's Equity | 513,216 | 1,050,533 | 1,220,973 |
| Capital sources and fund | 497,412 | 1,018,169 | 1,180,078 |
| Expenditure and Other funds | 15,804 | 32,364 | 40,895 |
| Minority Interest | - | - | - |
| Total resource | 1,122,514 | 1,711,871 | 2,084,661 |

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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Ratings Definition

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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