

HOSE - Vietnam
Industrials

**Gross margin to be eroded
from higher COGS**

Neutral

Price(2011/08/31):VND 8,700

Target Price: VND 10,100

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Key Data

Chartered capital (VND bn)	538.2
Outstanding shares (mil shares)	53.8
52-week price range (VND)	8,300~19,200
Market cap (VND bn)	468.2
Total assets (Q1/11) (VND bn)	1,577
Net Value (Q1/11) (VND bn)	723
Total Room for foreign investors (mil shares)	26.4
Current Room for foreign investors (mil shares)	23.8
Foreign Holding (%)	4.8%
EPS 2011E (VND)	-415.0
P/E	-21.0
P/B	0.6
Cash dividend % (Face Value)	0%
Dividend yield (%) (Dividend/Market price)	0%
ROE 2011E(%)	-2.42%
ROA 2011E(%)	-1.27%

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

■ **Company profile:** ALP's businesses include 4 business divisions: industrial production, infrastructure construction, real estate and financial investments. Its industrial production's products are paints, electrical equipment, elevators, and packaging, etc.

■ **Earnings:** ALP's has gone through some upheavals in the last 3 years. Its sales slowed in 2009 due to the impact of economic crisis and recovered in 2010. In spite of that, net profit has showed a 3-year increase. As ALP has continuously increased its capital, EPS has been diluted.

■ **2011 outlook:** In the first 2Q of 2011, ALP posted 1,035 bn VND in sales, up 194% yoy. This huge increase in the top line was attributed to a recent merger. Nonetheless, APL suffered from a net loss of 9.6 bn VND in the first half. 2Q costs of goods sold surged to 91.5% of sales, an increase from the 81% of 2010. Its financials also showed a 4 consecutive quarter increase in COGS. We expect ALP's gross margin might be eroded significantly this year due to higher COGS.

■ **Strengths:** sales growth after merger.

■ **Weaknesses:** Over-diversification might stretch the company's resources thinly and dilute its brand name.

■ **Valuation:** ALP's stock price has been on downward trend since December of last year and now is traded at 8,700 VND/ share, below its par value. Its current price is also near its 52-week low and one-month average trading volume is 5,800 shares. We initiate a Neutral rating on ALP with a target price of VND 10,100, implying a P/B multiple of 0.6 (x) Book value 2011E.

Financial Abstract:

(VND bn)

Year	Revenue	(%)	Net Profit	(%)	Outstanding Shares	EPS (VND)	P/E (x)	ROE	ROA
2008	1,302	141.8%	22.9	-79.7%	34,500,000	663	12.1	3.3%	2.4%
2009	1,077	-17.2%	41.0	79.4%	41,410,200	990	10.3	5.7%	3.8%
2010	1,202	11.6%	68.7	67.5%	43,820,400	1,568	8.2	8.7%	5.0%
2011E	2,133	77.4%	-20.3	-129.5%	48,820,400	-415	-21.0	-2.4%	-1.3%
2012E	2,535	18.8%	60.0	396.3%	53,820,400	1,116	7.8	7.1%	3.5%

Financial Statement Projections (VND bn)

Income statement	2008	2009	2010	2011e	2012e	Cash flow	2008	2009	2010	2011e	2012e
Net Sales	1,301.5	1,077.2	1,202.1	2,132.8	2,534.7	Total profit before tax	35.7	51.4	97.5	(20.3)	68.9
Cost of goods sold	1,149.7	920.9	974.0	1,951.5	2,221.0	Non-cash items	(7.9)	14.6	13.1	16.0	25.6
Gross profit	151.8	156.3	228.0	181.3	313.8	Changes in net working capital	10.3	(30.5)	208.4	87.8	(30.9)
Selling Expenses	15.4	21.7	63.2	102.4	115.2	Net operating cash flow	38.1	35.4	319.0	83.5	63.6
Managing Expenses	33.8	51.7	59.0	98.1	119.6	Net Investing cash flow	(1.0)	(76.4)	79.9	(123.3)	(35.7)
Operating profit	102.6	82.9	105.8	(19.2)	79.0	Net Financing cash flow	(16.4)	65.6	(386.2)	22.9	7.7
Non operating profit	(56.8)	(18.2)	24.2	7.5	-	Net Cash during the period	20.7	24.6	12.7	(17.0)	35.5
Interest expense	10.1	13.3	32.5	8.5	10.1	Cash at beginning of year	7.3	28.1	53.1	77.1	60.1
Total profit before tax	35.7	51.4	97.5	(20.3)	68.9	Cash at end of year	28.0	53.1	77.1	60.1	95.6
Corporate Income Tax	0.4	2.4	12.5	-	8.8						
Profit after Tax	22.9	41.0	68.7	(20.3)	60.0						
Balance sheet	2008	2009	2010	2011e	2012e	Financial ratios	2008	2009	2010	2011e	2012e
Current Assets	458.6	632.3	965.7	1,072.7	1,255.3	Capital Structure					
Cash and Cash Equivalents	28.0	53.1	77.1	60.1	95.6	Current assets/Total assets	48%	53%	62%	65%	69%
Short term financial investment	0.1	0.3	263.4	289.7	318.7	Non-Current assets/Total assets	52%	47%	38%	35%	31%
Short term Account Receivables	261.3	383.0	382.8	407.9	477.8	Liabilities/Total assets	26%	40%	45%	50%	52%
Inventory	157.1	171.0	231.3	301.0	350.4	Equity/Total assets	74%	60%	55%	50%	48%
Other Current Assets	12.1	24.9	11.1	14.0	12.8	Interest coverage ratio	4.6	4.8	4.0	(1.4)	7.8
Non-current Assets	494.5	563.3	585.6	573.1	559.1	Liquidity					
Long term Account Receivables	-	-	-	-	-	Current ratio	1.9	1.4	1.7	1.5	1.5
Fixed assets	84.7	112.8	107.1	93.3	81.8	Quick ratio	1.3	1.0	1.3	1.1	1.1
Real estate investments	6.2	49.5	2.6	6.0	8.0	Cash conversion cycle (Days)	108.0	133.6	167.6	95.9	90.9
Long term Financial Investments	352.1	311.5	407.9	407.9	408.6	Operating CF/Sales	0.0	0.0	0.3	0.0	0.0
Other long term assets	51.5	89.5	68.0	66.0	60.7	Operating CF/Interest expense	3.8	2.7	9.8	9.8	6.3
Total Assets	953.1	1,195.6	1,551.3	1,645.8	1,814.4	Operating CF/Short term debt	0.2	0.1	0.6	0.1	0.1
Liabilities	246.0	473.2	695.2	824.8	951.3	Free CF (VND bn)	38.1	35.4	319.0	83.5	63.6
Short term Liabilities	240.4	463.3	570.7	724.9	849.0	Efficiency					
Long term Liabilities	5.6	9.9	124.5	99.8	102.3	Inventory Days	49.2	66.8	85.5	55.5	56.8
Owners equity	707.1	722.4	856.1	821.1	863.2	Receivables Days	72.3	128.0	114.6	68.8	67.9
Common stocks	390.0	438.2	438.2	538.2	538.2	Current assets turnover	2.8	1.7	1.2	2.0	2.0
Expenditures and Other Funds	317.1	284.2	417.9	282.9	325.0	Fixed assets turnover	15.4	9.6	11.2	22.9	31.0
Total Equity	953.1	1,195.6	1,551.3	1,645.8	1,814.4	Total assets turnover	1.4	0.9	0.8	1.3	1.4
DuPont Analysis (ROE Breakdown=1x2x3)	2008	2009	2010	2011e	2012e	Profitability					
Net profit margin (1)	0.02	0.04	0.06	-0.01	0.02	Gross margin	11.7%	14.5%	19.0%	8.5%	12.4%
Total assets turnover (2)	1.37	0.90	0.77	1.30	1.40	Operating margin	7.9%	7.7%	8.8%	-0.9%	3.1%
Leverage (3)	1.35	1.65	1.81	2.00	2.10	Net profit margin	1.8%	3.8%	5.7%	-1.0%	2.4%
Investment Valuation ratios	2008	2009	2010	2011e	2012e	Effective tax rate	1.0%	4.8%	12.8%	0.0%	12.8%
P/S	0.2	0.3	0.3	0.2	0.2	ROE	3.3%	5.7%	8.7%	-2.4%	7.1%
P/B	0.4	0.5	0.4	0.5	0.5	ROA	2.4%	3.8%	5.0%	-1.3%	3.5%
P/CF (Operating)	7.9	10.2	1.2	5.1	7.4						
PEG 1 ratio (PE/Sales growth)	na	na	0.3	(1.2)	0.2						
PEG 2 ratio (PE/EPS growth)	na	na	0.2	0.1	1.9						

Source: ALP and PHS's estimates

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