Sep 13th , 2010
Kinh Do Corporation (HOSE: KDC)
Sector: Food Producers
Establishment: Mar 2nd , 2003
Website: www.kinhdo.vn

Listed date: Dec 12th, 2005

Fpt Securities

Business highlights

- **Key business activities:** 4 strategic businesses
  - Food processing
  - Retailing
  - Real Estate
  - Financial Investment
- **Shareholding structure:** As at Sep 13th, 2010:

Structure	Number of shares held	% ownership
Domestic owners	70,012,505	69.73
Foreign Investors	31,264,083	30.87
Total	**101,276,588**	**100.00**

Some of the leading shareholders are

Shareholders	No. of shares held	%	As at
Kinh Do Construction and Food Processing Co., Ltd.	8,784,000	11.04	24/07/2008
Tran Le Nguyen	6,500,160	8.17	24/07/2008
Tran Kim Thanh	5,494,405	6.91	16/09/2009
Deutsche bank AG & Deutsche Asset Mgmt (Asia) Ltd	3,939,017	4.95	19/01/2010
Vietnam Ventures Ltd	3,762,924	4.73	06/01/2010
Citigroup Global Market Ltd & Citigroup Global Market Financial Products Ltd	2,626,162	3.3	24/07/2008

(Source: cafeF.vn)

- **Business performance** :

✓ **Confectionary**:

In terms of revenue and production, KDC is the leader in the domestic market with estimated market share of about 30%, revenue growth stably over years at approximately 20%.

The distribution network of KDC is widely spread , KDC has over 200 distributors, 40 Kinh Do Bakery shops, over 75,000 retail points and 1,000 sales staffs nationwide.

Including main fields: crackers, cookies, snacks, bread, sponge cake, candies and etc.

✓ **Financial Investment**:

Short term *(unit: VND1,000)*

Items	NAV as at Jun 30th, 2010
Short term securities	23,113,382
Provisions	*15,233,367*
Loans for Kinh Do Investment Co., Ltd.	537,100,000
Loans for Sacombank Securities JSC	100,000,000
Loans for Beta Securities JSC	50,000,000
Loans for Khai Sang JSC	21,500,000
Loans for KIDO'S	19,000,000
Loans for NKD	12,000,000
Loans for Tribeco Binh Duong	8,000,000
Invmt authorization for Kinh Do Invmt Co., Ltd.	50,000,000

(Source: reviewed 1H2010 KDC financial statement notes)

Stock statistics as at Sep 13th , 2010

Market cap (VNDb)	7,190.64	Current price (VND)	71,000
30 day av trading volume	464,287	52 weeks high	101,000
Outstanding share (mil)	101.28	52 weeks low	49,600
Chartered capital (VNDb)	1,013	TTM P/E (x)	10.69
Adjusted EPS (VND)	6,639	P/B(x)	2.60
Dividend yield (%)	3.38	Foreign ownership (%)	31.06

Technical Price Chart

Source: http://www.fpts.com.vn/user/chart

Long term *(unit: VND1,000)*

Items	NAV as at Jun 30th, 2010
Tan An Phuoc Co., Ltd.	198,000,000
KIDO	50,594,264
Securities	426,815,999
Government Bonds	10,000
Investment in Tribeco Binh Duong	43,837,500
Investment Authorization for An Phuc Fund Mgmt JSC	35,986,114
Provisions	*96,482,857*

(Source: reviewed 1H2010 KDC financial statement notes)

✓ **Real estate**:

- Tan An Phuoc apartments: area of 5,000 m2 at Hiep Binh Phuoc ward, Thu Duc dist. At this point in time, the leveling has finished. It is expected that the construction can be commenced in the 4th quarter of this year. Cash flows from this project can be realized in 2011, 2012 and 2013.
- SJC Tower: the contributed capital of KDC has been transferred to an individual early in the first quarter of this year. Financial income from this transaction has been recorded accordingly in Q1 2010.
- The 141 Nguyen Du building: was completed and the company has relocated to this building.

Other events:

Most noticeable news of KDC is the acquisition of NKD, KIDO JSC and Vinabico to KDC. According to the resolution of shareholders' general meeting on May 8th, 2010, the acquisition has been approved by 100% shareholders:

+ KIDO JSC: the method of acquisition is exchanging stocks in that stockholders of KIDO will receive KDC stock at the 1.1:1 ratio. The target company will then operate as one member limited company that belongs 100% to KDC.

+ NKD: the acquisition scheme is similar to that of the KIDO JSC.

In total, the number of shares KDC has planned to issue in order to acquire KIDO JSC and NKD is 18,244,743 shares. The acquisition is expected to complete in quarter 3 of 2010. It is the first step of the plan of expansion and transform to a group of multi businesses in which food processing is still the major and investment in real estate will be carried out selectively. Further, KDC has a plan to list on international market, the first is Hong Kong.

The company's shareholders have also approved for the acquisition of Vinabico.

Financial figures

(*)Profit & loss (VNDm)	1H2010	2009	2008	2007
Net sales	585,164	1,529,355	1,455,768	1,230,802
Gross profit	165,405	505,393	369,789	321,978
Financial income	614,339	63,854	118,538	97,000
Financial expense	222,156	(8,807)	313,379	44,309
Net operating profit	404,585	301,789	(80,112)	206,274
Profit before tax	425,173	572,309	(61,689)	222,469
Taxation	104,631	60,919	-	-
Profit after tax	320,542	522,943	(60,602)	224,127
(*)Balance sheet VNDm)	**30/06/2010**	**31/12/2009**	**31/12/2008**	**31/12/2007**
Cash & cash equivalent	381,823	984,611	206,808	530,438
Short term fin. invmts	805,480	518,184	584,291	522,518
Current receivables	865,958	825,183	489,407	560,318
Inventories	143,209	162,476	181,656	136,272
Other current assets	32,466	19,621	12,271	5,082
Other long term A/R	682	22,553	31,059	30,911
Fixed asset	638,848	656,085	749,092	480,860
Goodwill	30,095	32,036	38,428	-
Long-term investments	658,761	994,535	673,385	797,350
Other long-term assets	30,624	32,318	17,012	3,725
TOTAL ASSETS	**3,587,945**	**4,247,601**	**2,983,410**	**3,067,474**
Short-term liabilities	638,641	1,632,683	663,885	467,800
Long-term liabilities	117,558	134,757	172,041	125,713
Owners' equity	2,761,593	2,418,021	2,075,923	2,453,494
Minority Interest	70,154	62,140	71,561	20,468
TOTAL RESOURCES	**3,587,945**	**4,247,601**	**2,983,410**	**3,067,474**
Ratios	**1H2010**	**2009**	**2008**	**2007**
Growth				
Sales (%)	9.85	5.05	18.28	23.31
Net profit (%)	202.41	962.91	(127.04)	31.33
Owner's equity (%)	14.21	16.48	(15.39)	319.18
Total assets (%)	(15.53)	42.37	(2.74)	227.59
Gross profit margin (%)	28.27	33.05	25.40	26.16
Net profit margin (%)	69.14	19.73	(5.50)	16.76
ROA (%)	8.39	14.46	(2.03)	11.20
ROE (%)	12.29	23.27	(2.92)	14.75
Basic EPS (VND)	6,639	N/A	N/A	N/A
Current ratio (x)	3.49	1.54	2.22	3.75
Interest bearing debt/E	0.15	0.20	0.24	0.08
Total debt/equity (x)	0.27	0.73	0.40	0.24

(*): Sourced from financial statements of KDC (B/S is reviewed)

For more details of information regarding this stock, please log on to our Ezsearch website at https://ezsearch.fpts.com.vn

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Financial Comparables as at Sep 13th, 2010

Stock (VNDm)	BBC	HHC	NKD
Market Cap (VNDb)	355.05	233.24	607.88
P/E (x)	8.43	11.18	8.20
P/B (x)	0.67	1.98	2.30
Dividend yield (%)	6.93	3.52	5.83
ROA (%)	8.31	11.07	13.61
ROE (%)	10.77	17.45	30.48
EPS (VND)	2,740.00	3,812.00	5,024.00
Gross profit (%)	28.56	16.32	29.32
Net Profit (%)	8.51	4.44	10.38
LT debt / equity (x)	2.41	1.73	0.91
Current ratio	0.34	0.64	1.27

Source: reviewed financial statements of BBC, HHC and NKD

Financial highlights

Growth:

- In the first quarter of 2010, KDC has a considerably high financial income value at about VND582 bn. This is the income from the transfer of contributed capital of KDC into the Sai Gon Kim Cuong JSC. In case this income was excluded from the half year 2010 P/L, we realize that despite of the high financial expenses (transferring expenses), revenue from primary activities is still adequate to compensate and assure the profitability of KDC.
- In quarter 2, Revenue slightly decreases due to the highly seasonal factor of the company's products. Quarter 2 is the lowest point annually. However, the decrease of revenue is not so high and there is also a small growth compared to that of the corresponding period in 2009.
- Additionally, the second quarter has incurred the provisions for the long term financial investment of EIB that leading to the increase in financial expenses (valued at about VND64 bn in which interest payments are only VND15.5 bn) and further is the loss in financial activities. Therefore, although the result from the primary business is not so low, the company experiences a more than VND35 bn loss.
- The 3rd quarter, second half of quarter 4 to the first half of quarter 1 are the most lucrative season of KDC in terms of both revenue and earnings. At the same time, since the provisions of investment in EIB are non – recurring, we expect the loss will be made up in quarter 3 and quarter 4 of this year.

Asset quality:

- In KDC's balance sheet, the current receivables item take the highest proportion of total asset all the time which is mostly other receivables. According to the financial statement's note of 1H 2010, this is mostly the advance to board members and the interest incomes from Kinh Do Investment Co., Ltd.
- Financial investments items of KDC account for a considerably high fraction of total assets. With respect to short term financial investments, KDC has almost no change in its portfolio from its previous statement at the end of 2009. Total value of the long – term investment accounts for about 70% of owners' equity in which 40% is securities investment. These investments have significant impact on the company's earnings after tax therefore it could be risky for KDC if they cannot handle well its financial investments especially when the capital market is unfavorable.
- Short term and long term liabilities have no significant fluctuation. KDC has a sound and safe financial structure up to this point in time. In short term liabilities, the other payables item is relatively high in 1H 2010. This is the contributed capital to the cooperation contract with Tan An Phuoc Co., Ltd., a real estate company, and the authorization of investment to NKD.

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