Vincom JSC (HSX: VIC)

CB Issuance Note

06 April 2012

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NOT RATED

Target price Na
Upside/Downside Na

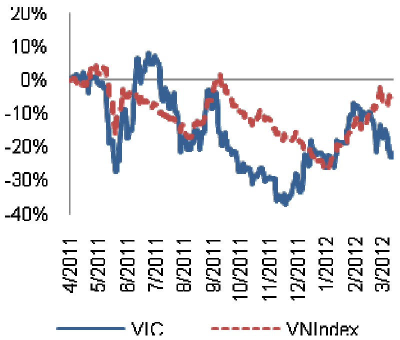
Real estate

Key Indicators

Price @ 06 April 2012	94,000
52-week low	80,000
52-week high	137,000
Average 30 day trading volume	178,059
Outstanding shares (mn)	549
Market capitalization (VND bn)	51,642
Market capitalization (USD mn)	2,459
Foreign ownership	11

Valuation	2009	2010	2011
EPS (basic)	5,623	8,063	2,149
EPS growth %	350.8%	43.4%	-73.3%
Dividend yield	0.0%	5.6%	0.0%
P/E (market)	16.7	11.7	43.7
P/B (market)	7.3	3.9	5.5
EV / EBITDA	11.4	11.1	21.8
ROE	41.9%	36.9%	12.1%
ROA	10.8%	12.0%	3.5%
ROIC	12.0%	14.3%	5.5%
Debt-to-equity %	254.6%	120.2%	121.6%

Performance	3M	6M	12M
Absolute %	-12.1%	1.6%	-26.0%
Relative %	-12.9%	-5.0%	-22.8%



Ownership structure

Mr. Pham Nhat Vuong (direct & indirect)	54.64%
Vingroup	14.32%
Sinh Thai JSC	9.06%
Foreign	11.37%

See important disclosure at the end of this document

VIC issues USD185mn international CB

We had an opportunity to meet with Vincom regarding the issuance of USD185mn worth international convertible bonds. The successful issuance of these bonds is good news for Vietnam in light of the Vinashin debacle and may pave the way for other companies looking to raise cash on the international market.

In addition, it appears investors are betting on the recovery of the Vietnam real estate sector by putting money into the hands of the largest listed property group. Given the conditions attached, we believe investors are more interested in becoming shareholders of VIC and the instrument is therefore more equity-like. After all, we believe investors have made quite a nice return from participating in the 2009 CB issuance and they might be betting history will repeat. Below are further details provided to us by VIC and the book-runner and lead manager Credit Suisse:

Price: The bonds were issued at par value. The issuance has an upsize of USD65mn which may be exercised until May 3rd 2012. As the transaction close date was April 3rd, we would expect to see the cash impact of the issuance on the financial statements of Vingroup in Q2.

Coupon rate: The initial range set by VIC was 4.5% to 5%, based on a number of factors including Vietnam CDS, VIC share turnover and volatility. The final coupon rate was offered at 5%, paid semiannually as explained by VIC in order to increase the subscription size.

Collateral: The bond is unsecured and there is no credit hedge associated with the transaction. We understand, however, that there have been equity swap arrangements associated with the 2 prior international convertible debt issuances in 2009 and 2011 and we expect there could be a similar one this time.

Options: Put Option - There is only a 1-time put option at the end of the 2nd year (in April 2014) at a price of 104.215% to result in an effective yield of 7% (the effective yield was initially set in the range of 6.5% to 7%). Bondholders have about 1 month before this date to inform the company of the put intention. Call Option - The bonds are non-callable for the first 2 years. From there until maturity the bonds are callable at 130%.

Conversion price: is initially set at VND112.2K/shares (10% premium to prevailing price at the date of issuance). The conversion price will be reset every 6 months (1st reset date will be on 3rd October 2012) to the volume weighted average price of the 10 consecutive days before and including the reset date, subject to a floor of VND89.76K/share (80% initial conversion price).

Conversion period: The bonds can be converted at any time 41 days after the close of the issuance, which falls on May 14, 2012. There is no lock-up period associated and investors can expect 20 days for the conversion procedure to be completed and the converted shares become tradable.

Negative pledge: The outstanding of the bonds will not allow VIC and its subsidiaries to enter into ABS type indebtedness against the interest of the Trustees of the CB issuance. Bank loans are excluded from this restriction.

Buyers of the issuance: In total there were over 40 investors who bought the CB of which 22 also took part in the 2009 CB issuance. The total winning amount of this group of investors is 78% of the total issue value. The top 6 investors bought nearly 40% of the total issue. Out of these 6 investors, 2 are first time investors.

Listing: The USD185mn worth CB have been listed in Singapore since April 4th. Currently the bonds are trading at discount (97-98%).

Use of proceeds: We expect about USD41.5mn will be used to early retire the convertible debt issued to Credit Suisse in July 2011 as the new bonds have lower coupon rates.

Analyst Certification

I, Phuong Ton, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC Rating System and Valuation Methodology

Absolute performance, long term (fundamental) rating key: The recommendation is based on implied absolute upside/downside for the stock from the target price, defined as (target price – current price)/current price, and is not related to market performance. This structure applies from 1 November 2010.

Equity rating key	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10-20% lower than the market price
SELL	If the target price is 20% lower than the market price
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.

Unless otherwise specified, these performance parameters only reflect capital appreciation and are set with a 12-month horizon. Future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation, thus these performance parameters should be interpreted flexibly.

Small Cap Research: VCSC Research covers companies with a market capitalisation of up to USD50mn, inclusively. Clients should note that coverage may not be consistent and that VCSC may drop coverage of small caps at any time without notice.

Target price: In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock, provided the necessary catalysts were in place to effect this change in perception within the performance horizon. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Valuation Methodology: To derive the target price, the analyst may use different valuation methods, including, but not limited to, discounted free cash-flow and comparative analysis. The selection of methods depends on the industry, the company, the nature of the stock and other circumstances. Company valuations are based on a single or a combination of one of the following valuation methods: 1) **Multiple-based models** (P/E, P/cash flow, EV/sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, and historical valuation approaches; 2) **Discount models** (DCF, DVMA, DDM); 3) **Break-up value approaches** or asset-based evaluation methods; and 4) **Economic profit approaches** (Residual Income, EVA). Valuation models are dependent on macroeconomic factors, such as GDP growth, interest rates, exchange rates, raw materials, on other assumptions about the economy, as well as risks inherent to the company under review. Furthermore, market sentiment may affect the valuation of companies. Valuations are also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

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