

UPDATE REPORT
HOSE - Vietnam
Sugar Industry

OVERWEIGHT

Price (2012/03/28): VND 15,600

Target Price: VND 19,100

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Equity	VND 1,274 billion
Outstanding shares	127,405,800
52 week range	VND 9,100 – 16,100
Market Cap (2012/2/29)	VND 1,987.5 billion
Total assets 2011	VND 2,315bn
Capital Source 2011	VND 1,786 bn
Foreign Investors Room	5,454,377
Foreign Investors Own	788,655
Foreign Investors Owning rate	6.19%
EPS (2011) (VND)	4,282
P/E (2011)	3.64 x
P/B (2011)	1.15 x
ROE (2011)	30.54%
ROA (2011)	23.57%

2012 – PROFIT DROPS BUT IT IS STILL POTENTIAL

SBT is known as the biggest market share sugar company in Vietnam, accounting nearly 20% market share, according to Vietnam sugar association. Besides the main activity of producing and trading fine sugar (90% sales), sugar rust and power production contribute 10% sales a year.

SBT can always maintain a stable growth speed in many years. With the advantage of technology and sugar quality compare to other companies in the industry, SBT sees an average sales growth of 25% and net profit of 23% in 2007 – 2011.

2011 – A very impressive growth. After 15 years of operation, the Bourbon withdrew their investment at the end of 2010, Thanh Thanh Cong and Dang Thanh joined in, and in 2011, SBT saw a profit growth of 58%, the highest of 5 recent years. In detail, sales and EBT were 2,053 and 545.65 billion dong, up by 85.66% and 58% YOY. 2011 EPS was 4,282.7 dong.

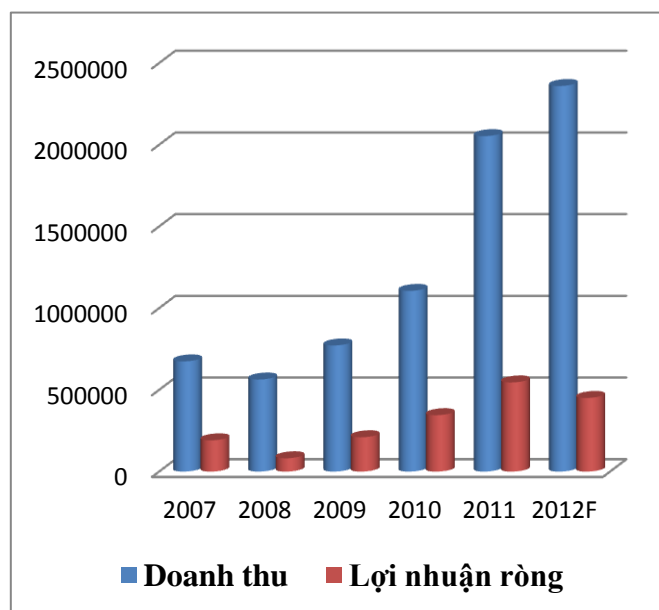
2012 – Profit is expected to drop because of higher input material price. Expectedly 2012 profit will drop. Sales growth is 15% to 2,359 billion dong but EBT will drop by 17% to 450 billion dong.

Being in a potential industry: sugar is considered one of the essential products in consumption and industrial in Vietnam. Meanwhile, domestic manufactories can only meet 75% demand, so the industry is considered highly potential in 2011 – 2015.

Investment recommendation: we recommend to BUY for SBT at a target price of 19,100 dong.

Basic Finance Indexes

Basic Finance Ratios									
	Sales		EAT		Outstanding Shares				
Year	(Bn dong)	%	(Bn dong)	%	(Mn shares)	EPS	P/E	ROA	ROE
2007	674.35		191.321		141.926	1,348.0	11.57	11.15%	11.88%
2008	563.32	-16.46%	81.524	-57.39%	141.926	574.4	27.16	4.6%	5.6%
2009	771.81	37.01%	210.017	157.61%	141.926	1,479.8	10.54	11.38%	12.74%
2010	1,105.80	43.27%	345.232	64.38%	141.926	2,432.5	6.41	17.64%	19.29%
2011	2,052.98	85.66%	545.648	58.05%	127.408	4,282.7	3.64	23.57%	30.54%
2012F	2,359.69	14.94%	450.682073	-17.40%	127.408	3,537.3	4.41	12.37%	14.27%



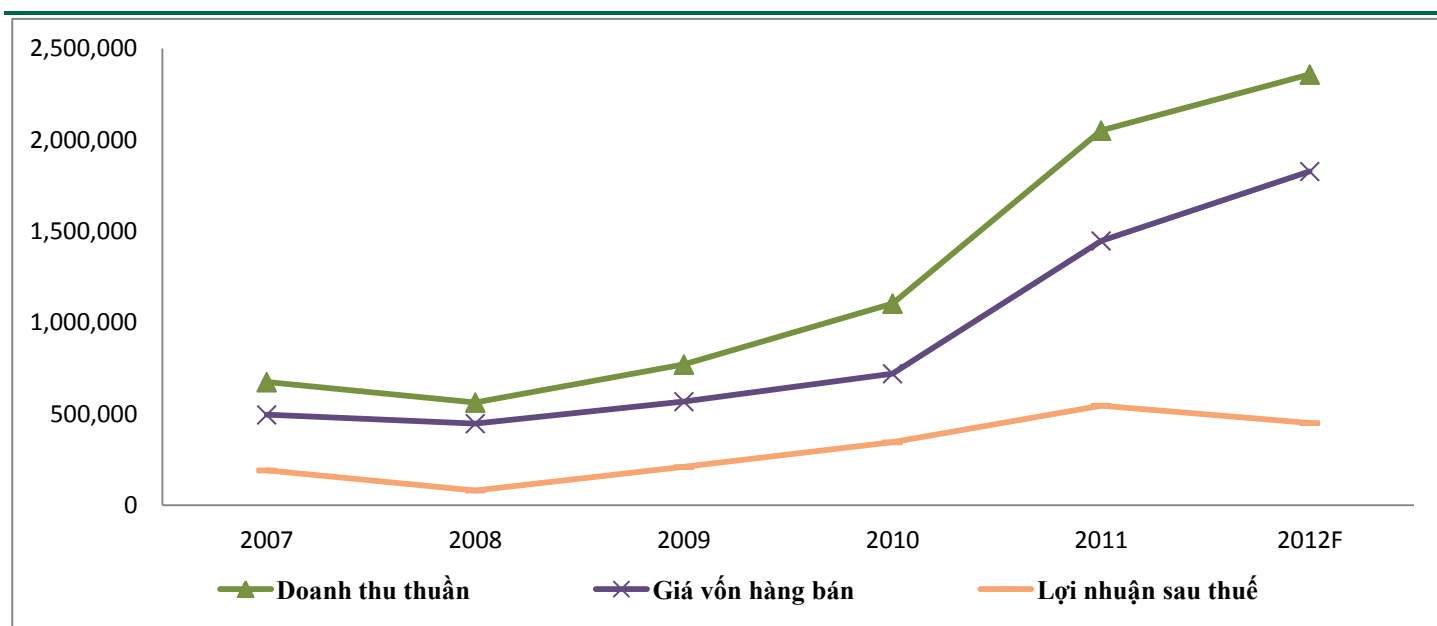
Source: SBT; PHS's estimation

High and stable growth

At the moment, SBT is still at the top of Vietnam sugar enterprises with a productivity of 8,000 tons of sugarcane a day, for nearly 1.2 million tons a year. Besides, SBT has a good location, helping the company lowering the purchasing expense of 12,000ha in Tay Ninh.

Moreover, SBT owns one of the most comprehensive and innovative production lines of France, helping the company maintaining the profit over sales of about 25.6% - higher than other companies in the industry. Also, the company utilizes the secondary products including sugar rust and sugarcane megass to produce the power and sell to the EVN. As the power price increasing, this is an important point, helping the company lowering the expense.

This helped SBT maintaining the average sales growth of 25%, higher than the COGS of 23.8% so the profit is high. Debt structure is always at a low level – this is the best strength of SBT under the tough economic crisis last year.



Source: SBT

2011- abnormal growth.

In 15 years of operation, 2010-2011 season is considered the most successful season of SBT with a productivity of 933,168 tons of sugarcane, 101,500 tons of RE sugar, and 49,000 MWh of power.

Besides, because of the owning structure changes, the Bourbon – France has transferred all 97,081,628 shares or 68.41% capital in the beginning of December 2010 to Thanh Thanh Cong and Dang Thanh.

This change was marked with an abnormal high business result of 2011. Sales and EAT were 2,053 and 545.65 billion dong, up by 85.66 and 58% YOY. 2011 EPS was 3,974 dong.

Major shareholder	Shares owned	Owning rate
Thanh Thanh Cong JSC	35,247,600	24.95%
Dang Thanh Ltd. Co.	35,055,670	24.70%
Bourbon Tay Ninh JSC (Treasury share)	14,000,000	9.86%
Vinamilk	7,096,290	5.00%

Source: summarized by PHS

2012 – expects a lower profit.

In 2011-2012 production season, SBT has finished the project raising the productivity from 8,000 tons of sugarcane a day to 9,000 tons. The company expects to expand the domestic market and look toward the foreign markets.

However, the sugar industry risk is still the problem for the production enterprises including (1) sugar price changes seasonally, (2) the material source is instable, (3) productivity and sales depend much on the weather, and (4) the increase of the illegal sugar import from Thailand.

2012 average sugarcane price is expected to be lower than the high price. If the average sugar price in December 2011 maintains at over 18,000 dong/kg, the price in the beginning of 2012 is 17,000 dong/kg. Moreover, the high fuel expense and purchasing price is expected in 2012. This will make the sales and profit growth drop. In 2012, the sales will grow by 15% to 2,359 billion dong but the EBT will drop by 17% to 450 billion dong.

Investment recommendation

However, sugar is still a potential industry in near future. 2011 is considered a tough year for many enterprises with the economic crisis, however the sugar enterprises (6 listing companies in Vietnam stock market: SBT, LSS, BHS, SEC, NHS, and KTS) still saw a high profit margin as the average ROE and ROA are 39% and 22%.

Besides, SBT is among VN30 and is the enterprise with the largest market cap among 6 listing sugar enterprises. Also, the P/E is very low of nearly 4 times.

We use 3 valuation methods of FCFF, FCFE, and P/E with reasonable weight to come to the target price of 19,100 dong. Therefore, PHS research department recommend BUY for this code at the present price for middle and long-term investments.

Valuation method	Price	Weight
FCFF	21,340	40%
FCFE	20,300	40%
P/E	12,381	20%
Average price	19,132	

STT	PE	EPS	ROA	ROE	P/B	Total Value	Foreign Own	Market Cap
SBT	3.95	3,954	0.24	0.31	1.15	127,405,800	9,970,950	1,988
LSS	3.36	8,298	0.19	0.30	1.01	50,000,000	8,596,020	1,535
BHS	3.85	4,908	0.11	0.27	1.04	29,997,580	1,225,724	570
SEC	3.35	5,376	0.15	0.37	1.22	17,406,580	41,695	310
NHS	2.41	9,928	0.13	0.30	0.74	8,100,000	112,860	200
KTS	1.97	17,125	0.51	0.78	1.19	3,900,000	-	132
Industry	3.15	8264.83	0.22	0.39	1.06	237,329,960	19,947,249	4,735

Source: summarized by PHS

FINANCE REPORT

(unit: mn dong)

BALANCE SHEET	2007	2008	2009	2010	2011	2012F
Flowing assets and short-term investments	758,882	658,962	576,133	839,270	1,010,219	1,524,635
Cash and equivalent	94,472	161,286	36,210	126,500	88,726	204,500
Short-term finance investments	376,204	108,448	104,224	140,251	126,377	284,625
Short-term receivables	129,898	149,657	133,420	274,224	511,999	507,222
Inventory	155,888	233,307	299,758	291,791	280,343	519,883
Other current assets	2,419	6,264	2,520	6,504	2,775	8,406
Fixed assets and long-term investments	956,767	1,107,121	1,269,881	1,117,612	1,305,205	2,118,065
Long-term receivables	0	0	100000	100000	100000	100,000
Fixed assets	830,497	768,466	749,377	680,321	652,896	1,359,303
Long-term finance investments	117,974	330,647	404,035	332,021	545,438	658,762
TOTAL ASSETS	1,715,649	1,766,083	1,846,014	1,956,882	2,315,424	3,642,700
Liabilities	105,069	321,168	197,681	167,279	528,794	483,781
Short-term liabilities	72,092	289,559	169,162	140,984	504,287	419,912
Long-term liabilities	32,978	31,609	28,519	26,295	24,507	63,868
Equity source	1,610,579	1,444,915	1,648,333	1,789,603	1,786,630	3,158,919
Equity	1,610,579	1,444,915	1,648,333	1,789,603	1,786,630	3,158,919
TOTALN CAPITAL	1,715,649	1,766,083	1,846,014	1,956,882	2,315,424	3,642,700

BUSINESS RESULT	2007	2008	2009	2010	2011	2012F
Total operational sales	674,345	563,323	771,807	1,105,797	2,052,983	2,359,694
Sales deduction	73	517	1,189	1,545	2,678	2,486
Net sales	674,272	562,805	770,617	1,104,252	2,050,306	2,357,207
COGS	495,247	447,551	567,746	720,466	1,446,937	1,826,797
Gross profit	179,025	115,255	202,871	383,786	603,369	530,411
Finance sales	43,652	56,995	31,830	54,492	128,916	150,654
Finance expense	1,734	53,488	-21,477	25,295	107,836	68,477
In which: interest expense	1,484	1,954	7,706	19,966	48,666	50,693
Selling expense	14,986	15,295	14,677	16,876	25,352	45,307
Management expense	14,930	19,489	18,772	26,214	38,387	58,267
Operational net profit	191,028	83,978	222,728	369,893	560,710	509,014
Other income	574	607	4,851	1,438	7,493	6,213
Other expense	280	233	1,678	972	5,456	3,086
Other profit	293	373	3,173	466	2,037	3,125
Total EBT	191,321	84,351	225,901	370,360	562,746	512,139
Enterprise income tax	0	2,827	15,884	25,128	17,098	61,457
EAT	191,321	81,524	210,017	345,232	545,648	450,682

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