

**UPDATE REPORT**  
**HOSE - Vietnam**  
**Sugar Industry**
**OVERWEIGHT**

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

Target Price: VND 19,100

 Ms Hoang Thi Hong Lan  
 Tel: (+84-31)3841-810  
[lanhoang@phs.vn](mailto:lanhoang@phs.vn)

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**

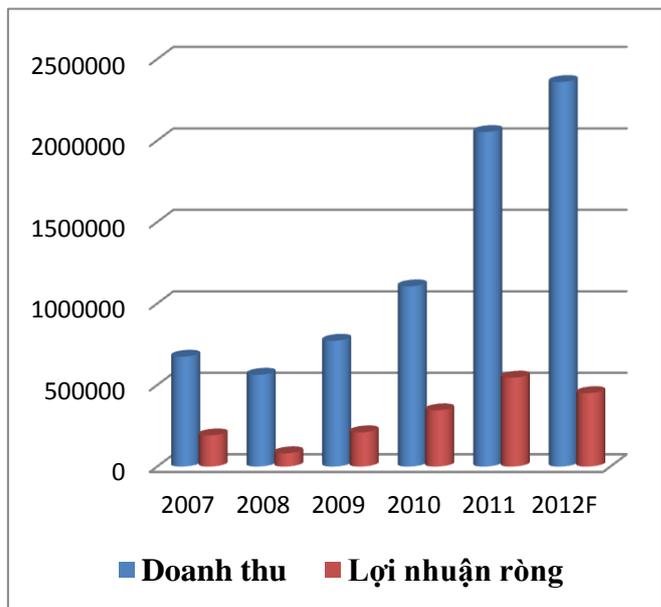
Year	Sales		EAT		Outstanding Shares		EPS	P/E	ROA	ROE
	(Bn dong)	%	(Bn dong)	%	(Mn shares)					
2007	674.35		191.321		141.926	1,348.0	11.57	11.15%	11.88%	
2008	563.32	-16.46%	81.524	-57.39%	141.926	574.4	27.16	4.6%	5.6%	
2009	771.81	37.01%	210.017	157.61%	141.926	1,479.8	10.54	11.38%	12.74%	
2010	1,105.80	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%	

**High and stable growth**

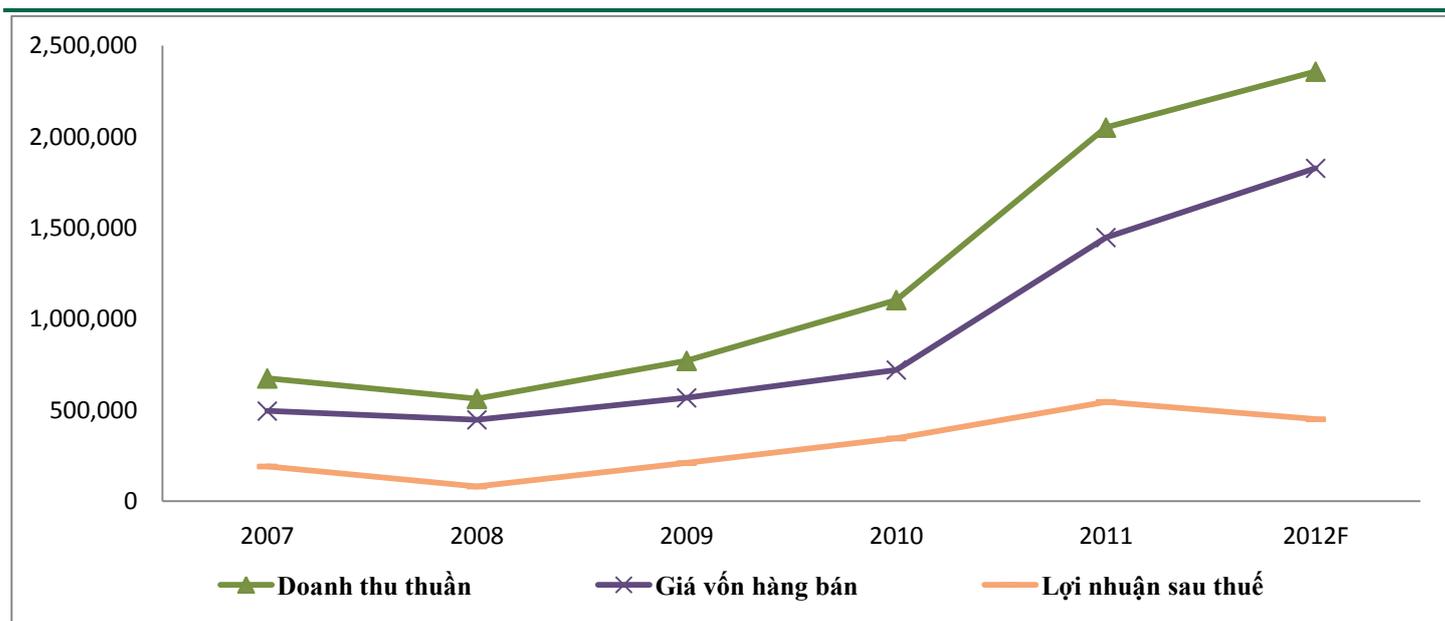
At the moment, SBT is still at the top of Vietnam sugar enterprises with a productivity of 8,000 tons of sugarcane a day, for nearly 1.2 million tons a year. Besides, SBT has a good location, helping the company lowering the purchasing expense of 12,000ha in Tay Ninh.

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; PHS's estimation



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.

<b>Major shareholder</b>	<b>Shares owned</b>	<b>Owning rate</b>
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%
<b>Average price</b>	<b>19,132</b>	

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
<b>Industry</b>	<b>3.15</b>	<b>8264.83</b>	<b>0.22</b>	<b>0.39</b>	<b>1.06</b>	<b>237,329,960</b>	<b>19,947,249</b>	<b>4,735</b>

Source: summarized by PHS

## FINANCE REPORT

*(unit: mn dong)*

<b>BALANCE SHEET</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012F</b>
<b>Flowing assets and short-term investments</b>	<b>758,882</b>	<b>658,962</b>	<b>576,133</b>	<b>839,270</b>	<b>1,010,219</b>	<b>1,524,635</b>
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
<b>Fixed assets and long-term investments</b>	<b>956,767</b>	<b>1,107,121</b>	<b>1,269,881</b>	<b>1,117,612</b>	<b>1,305,205</b>	<b>2,118,065</b>
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
<b>TOTAL ASSETS</b>	<b>1,715,649</b>	<b>1,766,083</b>	<b>1,846,014</b>	<b>1,956,882</b>	<b>2,315,424</b>	<b>3,642,700</b>
<b>Liabilities</b>	<b>105,069</b>	<b>321,168</b>	<b>197,681</b>	<b>167,279</b>	<b>528,794</b>	<b>483,781</b>
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
<b>Equity source</b>	<b>1,610,579</b>	<b>1,444,915</b>	<b>1,648,333</b>	<b>1,789,603</b>	<b>1,786,630</b>	<b>3,158,919</b>
Equity	1,610,579	1,444,915	1,648,333	1,789,603	1,786,630	3,158,919
<b>TOTALN CAPITAL</b>	<b>1,715,649</b>	<b>1,766,083</b>	<b>1,846,014</b>	<b>1,956,882</b>	<b>2,315,424</b>	<b>3,642,700</b>
<b>BUSINESS RESULT</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012F</b>
<b>Total operational sales</b>	<b>674,345</b>	<b>563,323</b>	<b>771,807</b>	<b>1,105,797</b>	<b>2,052,983</b>	<b>2,359,694</b>
Sales deduction	73	517	1,189	1,545	2,678	2,486
<b>Net sales</b>	<b>674,272</b>	<b>562,805</b>	<b>770,617</b>	<b>1,104,252</b>	<b>2,050,306</b>	<b>2,357,207</b>
COGS	495,247	447,551	567,746	720,466	1,446,937	1,826,797
<b>Gross profit</b>	<b>179,025</b>	<b>115,255</b>	<b>202,871</b>	<b>383,786</b>	<b>603,369</b>	<b>530,411</b>
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
<b>Operational net profit</b>	<b>191,028</b>	<b>83,978</b>	<b>222,728</b>	<b>369,893</b>	<b>560,710</b>	<b>509,014</b>
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
<b>Total EBT</b>	<b>191,321</b>	<b>84,351</b>	<b>225,901</b>	<b>370,360</b>	<b>562,746</b>	<b>512,139</b>
Enterprise income tax	0	2,827	15,884	25,128	17,098	61,457
<b>EAT</b>	<b>191,321</b>	<b>81,524</b>	<b>210,017</b>	<b>345,232</b>	<b>545,648</b>	<b>450,682</b>

This report is for reference only and investors should be responsible for their own investment decisions.

---

### Analyst Certification

Each research analyst(s), strategist(s) or research associate(s) responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to each issuer or security that the research analyst, strategist or research associate covers in this research report, all of the views expressed by that research analyst, strategist or research associate in this research report accurately reflect their personal views about those issuer(s) or securities. Each research analyst(s), strategist(s) or research associate(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst, strategist or research associate in this research report.

---

### 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.

Performance is defined as 12-month total return (including dividends).

---

### Disclaimer

This information has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. Phu Hung Securities and its affiliates and their officers and employees may or may not have a position in or with respect to the securities mentioned herein. Phu Hung Securities (or one of its affiliates) may from time to time perform investment banking or other services or solicit investment banking or other business for any company mentioned in this report. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

© Phu Hung Securities Corporation.

5th Fl., Lawrence S. Ting Bldg., 801 Nguyen Van Linh St, Tan Phu Ward, Dist 7, HCMC

Tel: (+84-8) 5413-5479 – Fax: +84 8 54135472 Web: www.phs.vn

This report is for reference only and investors should be responsible for their own investment decisions.