

BIEN HOA SUGAR JSC

Farming & Fishing

BUY

TARGET PRICE **21,700**
LAST TARGET PRICE 21,700
CURRENT PRICE 18,400

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STOCK STATISTICS

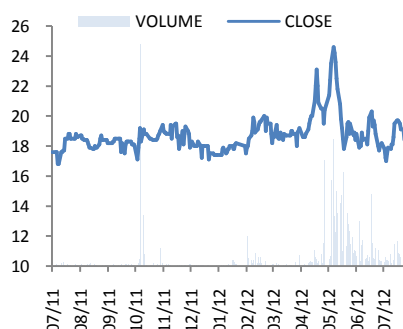
Bloomberg Ticker	BHS VN Equity
Outstanding shares (m)	30
Market Cap (VNDbn)	551.9
52W Price range	22.6-15.2
3M Average Volume	49,649
Beta	1.5
Foreign ownership (%)	0.4

MAJOR SHAREHOLDERS

Bourbon Tay Ninh Sugar	22.7%
Vinasugar II Co, Ltd.	11.3%
Thai Thi Thanh Tuyen	6.2%

STOCK PERFORMANCE

	3M	6M	12M
Relative (%)	-12%	3%	-1%
Absolute	(2.5)	0.6	(0.1)



1H12 earnings in line with preliminary results

2Q12 EAT of VND12 bn (3 times higher y-o-y). The company recorded revenue of VND692 bn (+40% y-o-y) and EBT of VND14 bn, which translated into a triple EAT of VND12 bn (versus that of 2Q11). Better selling volume and the diminution in interest expense were still key factors that bring forth such growths. Within 1H12, BHS has generated a top line of VND1,383 bn (+25% y-o-y) and a corresponding EBT of VND51 bn (+8% y-o-y), thereby achieving 48% and 32% of its FY12 sales and EBT targets, respectively. These figures are similar to their preliminary counterparts which were published on 6 July 2012, except for the actual sales being 8% higher.

Retaining our FY12 earnings forecast. We maintain our projection on BHS's FY12 revenue of VND2,798 bn (+9% y-o-y) with lower ASP and slightly better selling volume. However, most of additional volume will reside in trading activities which has much inferior profit margin compared to that of the main sugar operation. Trading volume reached about 13,370 tonnes in 1H12, which accomplished 76% its full-year target. Thus, the decline of ASP has lessened the contribution from its core-business operation. On the other hand, we expected better financial profit to make up for the remainder of our projected EBT of VND167 bn, rooted in lower than expected interest expense in 1H12. As a result, our forecasted EAT still stood at VND145 bn (alike with FY11 performance).

Maintaining BUY at unchanged target price of VND21,700. We retain our target price for BHS at VND21,700, pegged to a 4.5x P/E (10% discount from the industry P/E due to its illiquidity) and FY12 ESP of VND4,821. Our target price reflects an upside potential of 18% from the current level of VND18,400. Therefore, we uphold our BUY call on BHS.

Year-end Dec 31	FY09	FY10	FY11	FY12F	FY12 - BHS target
Revenue	1,189	2,005	2,565	2,798	2,880
Pre-tax profit	128	166	160	167	162
Net profit	120	146	147	145	-
% change y-o-y		21%	1%	-2%	
EPS (VND)	6,480	7,871	4,908	4,821	
DPS	2,500	3,500	3,500	2,000	
Div Yield	10%	11%	20%	11%	
Book value (VND)	23,124	27,023	18,821	23,508	
ROA	16%	15%	13%		
ROE	32%	31%	28%	20%	
P/E (x)	3.8	4.0	3.5	3.8	
P/BV (x)	1.1	1.2	0.9	0.8	

Source: BHS and SBS forecasts

REVIEW: 2012/2Q

SBS Investment gateway

VND'bn	2Q12	2Q11	y-o-y	q-o-y	1H12	1H11	y-o-y	Comment on 2Q12 (y-o-y)
Revenue	692	496	40%	0%	1,383	1,108	25%	Revenue improved mainly due to a 41% - 42% increase in selling volume (from 26,300 to 37,280 tonnes).
Gross profit	43	44	-3%	-21%	97	126	-23%	
GPM	6.2%	8.9%			7.0%	11.4%		GPM reduced onwing to: <ul style="list-style-type: none"> GPM of sugar production (accounting for 55% and 69% total sales in 2Q11 and 2Q12 respectively) was down from 8.7% to 7.4% on weaker ASP. Other operation (accounting for 8% and 5% revenue in 2Q11 and 2Q12 respectively) recorded a decrease with GPM of 12% (compared to 45% in 2Q11) as well.
Operating expense ratio (per sales)	3.3%	2.4%			3.7%	3.5%		
Financial profit	(6.4)	(28.2)			6	(40)		The strong reduction of interest expenses (from VND30 bn to VND7.6 bn), thanks to the short-term loans contraction (ave., from VND582 bn to VND222 bn, which was anticipated as a result of (i) limited material inventory and (ii) sales policy change affecting prepayment and lower price.)
EBT	14	4.3	3.2x	-64%	51	47	8%	
Tax rate	14%	10%			13%	10%		Tax rate for manufacturing increased from 7.5% (FY11) to 15% (FY12).
EAT	12	3.9	3.0x	-64%	44	43	4%	
NPM	1.7%	0.8%			3.2%	3.8%		

Source: BHS, SBS



BALANCE SHEET (VND bn)

	2009	2010	2011
Assets	884.7	1,015.2	1,281.7
Current assets	532.6	618.0	752.9
Long-term assets	352.1	397.2	528.9
Fixed assets	263.8	277.5	406.5
Long-term investments	34.4	29.2	30.8
Resources	884.7	1,015.2	1,281.7
Liabilities	456.2	514.4	733.2
Current liabilities	331.8	399.3	628.1
Long-term borrowings and liabilities	124.4	115.2	105.1
Equities	428.5	500.8	548.5
Owner's equity	425.5	496.7	548.5
Contributed capital	185.3	185.3	300.0
Capital surplus	154.5	154.5	39.8
Retained profits/(accumulated losses)	53.0	103.4	125.5

INCOME STATEMENT (VND bn)

	2009	2010	2011
Net sales	1,189.4	2,004.5	2,564.6
COGS	1,027.6	1,755.8	2,295.0
Gross profit /(loss)	161.9	248.7	269.7
Financial income	13.6	17.8	35.0
Financial expense	3.3	46.4	80.4
Interest expense	17.8	42.5	72.2
Selling expenses	18.8	26.0	32.7
G&A expenses	25.5	28.6	42.4
Net operating profit /(loss)	127.9	165.5	149.1
Other income	0.3	4.8	11.4
Other expenses	0.0	4.6	0.5
Profit /(loss) before tax	128.1	165.7	160.0
Corporate income tax	8.0	19.8	12.8
Profit after tax	120.1	145.9	147.2
Net profit/(accumulated losses)	120.1	145.9	147.2

CASHFLOW STATEMENT (VND bn)

	2009	2010	2011
Cash flows from operating activities			
Profit/(loss) before tax	1,219.5	2,181.0	2,726.7
Depreciation and amortisation	(991.4)	(1,401.0)	(1,730.7)
Allowances and provisions	(16.3)	(42.4)	(76.8)
Profits/(losses) from investing activities	2,126.2	3,846.1	460.3
Operating profit before changes in WC	(2,304.8)	(4,350.1)	(1,108.9)
CF from operating activities	(15.3)	146.8	164.7
Cash flows from investing activities			
Receipt/payments for additions to assets	0.0	4.7	2.0
Receipt/payments for investments in entities	(1.2)	(26.3)	(1.9)
CF from investing activities	(25.5)	(40.0)	(105.5)
Cash flows from financing activities			
Proceeds from equity issued	624.6	973.6	1,440.3
Proceeds from long-term borrowings	(498.7)	(1,044.6)	(1,316.9)
CF from financing activities	107.5	(133.5)	60.8
Net CF during the period	66.6	(26.7)	120.0
Cash at the beginning	19.6	86.1	58.8
Cash at the end	86.1	58.8	178.8

YEARLY RATIOS

	2009	2010	2011
Growth rate			
Revenue growth rate	50.5%	68.5%	27.9%
Gross profit growth rate	221.7%	53.6%	8.4%
Net profit growth rate	377.5%	21.5%	0.9%
Total asset growth rate	47.8%	14.7%	26.3%
Equity growth rate	28.5%	16.7%	10.4%
Profitability ratios			
Gross profit margin	13.6%	12.4%	10.5%
EBIT margin	12.3%	10.4%	9.1%
Profit before tax margin	10.8%	8.3%	6.2%
Net profit margin	10.1%	7.3%	5.7%
ROA	13.6%	14.4%	11.5%
ROE	28.2%	29.4%	26.8%
Dupont Analysis			
Net profit margin(1)	10.1%	7.3%	5.7%
Asset turnover (2)			
Equity multiplier (3)	207.9%	204.4%	233.7%
ROE = (1)x(2)x(3)	28.2%	29.4%	26.8%
Management ratios			
Receivable outstanding days	25.1	7.8	6.7
Inventory outstanding days	71.5	62.2	53.0
Payable outstanding days	2.6	10.3	21.0
Asset turnover	1.3	2.0	2.0
Long-term asset turnover	3.4	5.0	4.8
Fix asset turnover	4.5	7.2	6.3
Liquidity ratios			
Current ratio	1.6	1.5	1.2
Quick ratio	1.0	0.8	0.7
Cash ratio	0.3	0.1	0.3
Capital Structure			
Total debt/Total Equity	107.2%	103.6%	133.7%
Total debt/Total Asset	51.6%	50.7%	57.2%
Total asset/Total Equity	207.9%	204.4%	233.7%
Index per share			
PE	2.95	2.43	3.15
PBV	0.83	0.71	1.04
PS	0.30	0.18	0.18
EPS (VND per share)	6,480	7,871	6,068
Revenue/share (VND/share)	64,185	108,168	105,694
Book value (VND/share)	22,959	26,801	18,285

BALANCE SHEET (VNDbn)

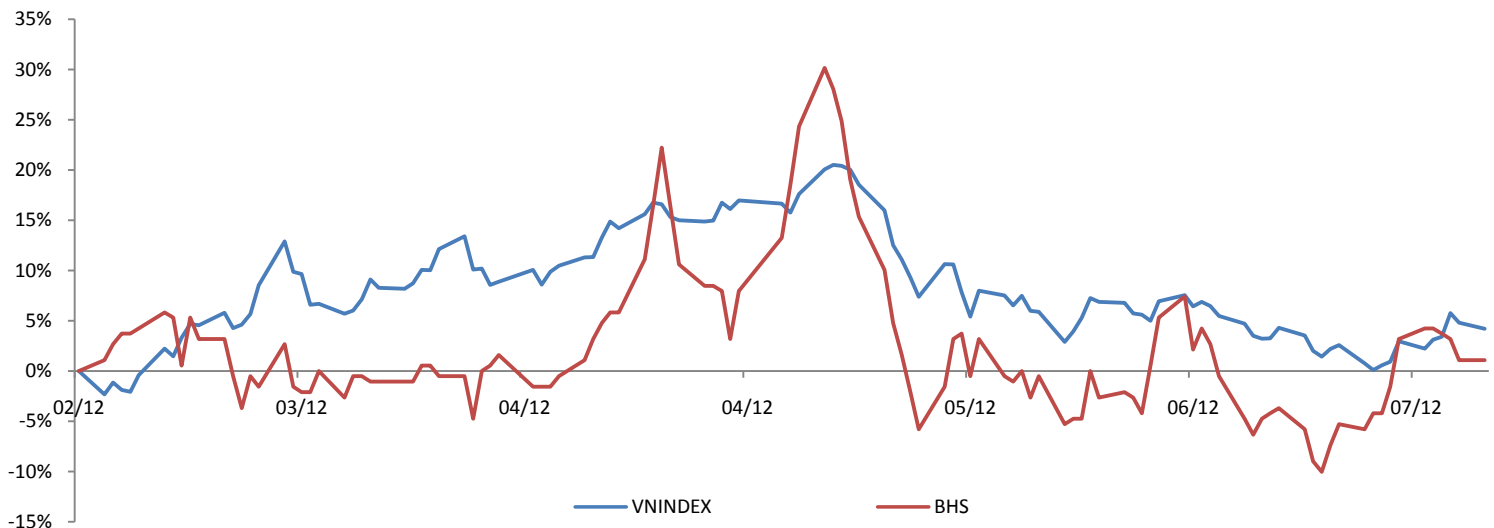
	QIII-11	QIV-11	QI-12	QII-12
Assets	1,356.2	1,281.7	1,256.3	1,099.2
Current assets	857.6	769.8	740.9	571.7
Long-term assets	498.6	512.0	515.4	527.5
Fixed assets	364.8	406.5	406.7	412.5
Long-term investments	29.6	30.8	9.0	9.0
Resources	1,356.2	1,281.7	1,256.3	1,099.2
Liabilities	824.1	733.2	675.7	556.3
Current liabilities	695.7	628.1	569.8	441.7
Long-term liabilities	128.4	105.1	105.9	114.5
Equities	532.1	548.5	580.5	542.9
Equity	532.1	548.5	580.5	542.9
Contributed capital	185.3	300.0	300.0	300.0
Capital surplus	154.5	39.8	39.8	39.8
Retained profits	109.1	125.5	157.5	90.1

INCOME STATEMENT (VNDbn)

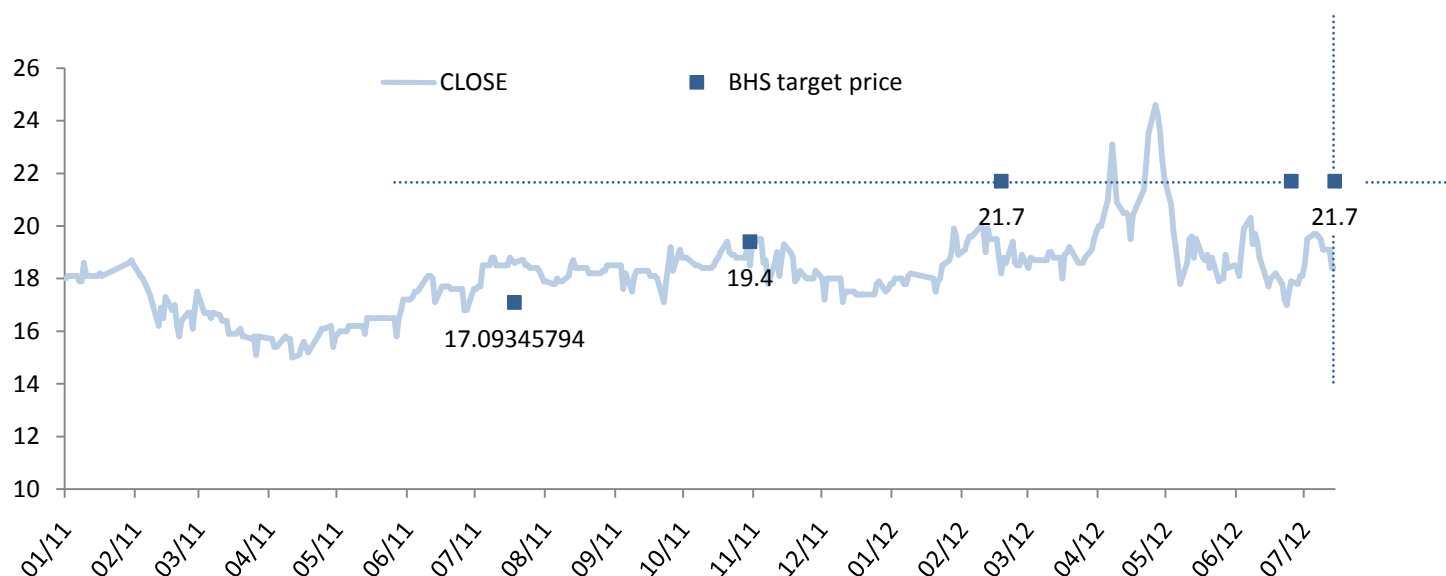
	QIII-11	QIV-11	QI-12	QII-12
Total Revenue	518.2	939.1	690.9	692.6
Net sales	517.9	938.7	690.5	692.2
COGS	450.2	862.6	636.4	649.2
Gross profit /(loss)	67.7	76.1	54.1	43.0
Financial income	3.0	16.4	17.7	1.3
Financial expense	16.3	8.5	5.7	7.8
Interest expense	18.4	7.5	7.7	7.6
Selling expenses	5.5	11.8	19.2	14.0
G&A expenses	7.4	11.9	9.1	8.9
Net operating profit	41.6	60.2	37.8	13.6
Other income	0.8	10.5	0.4	0.1
Other expenses	0.1	0.4	0.4	0.1
Profit /(loss) before tax	42.4	70.3	37.7	13.5
Corporate income tax	4.7	3.2	5.0	1.9
Profit after tax	37.7	67.0	32.7	11.7
Net profit	37.7	67.0	32.7	11.7

QUARTERLY RATIOS

	QIII-11	QIV-11	QI-12	QII-12
Growth rate				
Revenue growth rate (Y-o-y)	1.5%	44.4%	12.8%	39.6%
Gross profit growth rate (Y-o-y)	1%	0%	-34%	-3%
Net profit growth rate (Y-o-y)	5%	13%	-15%	202%
Profitability ratio				
Gross margin	13.1%	8.1%	7.8%	6.2%
EBIT margin	11.7%	8.3%	6.6%	3.1%
Net profit margin	7.3%	7.1%	4.7%	1.7%
ROA (4Q)	10.3%	10.4%	10.4%	11.9%
ROE (4Q)	27.3%	28.1%	26.2%	27.1%
Management ratio				
Receivable outstanding days	11	5	5	14
Inventory outstanding days	112	35	57	31
Payable outstanding days	44	14	34	1
Liquidity ratio				
Current ratio	1.8	1.8	1.4	1.8
Quick ratio	0.4	0.7	0.6	0.8
Cash ratio	0.0	0.3	0.2	0.1
Capital Structure				
Total debt/Total equity	154.9%	133.7%	116.4%	102.5%
Total debt/total asset	60.8%	57.2%	53.8%	50.6%
Total asset/total equity	254.9%	233.7%	216.4%	202.5%
Index per share				
PE	2.5	2.8	3.3	3.5
EPS (VND per share)	7526	6881	5823	5496



Reports issued	Date	Recommendation	12M Target price	Market price at issuing date
Company note	04/09/2008	N/A	N/A	VND 20,000
Company Update	29/07/2011	SELL	VND 29,500	VND 32,100
Company Update	10/11/2011	NEUTRAL	VND 19,400	VND 18,500
Company Update	29/02/2012	NEUTRAL	VND 21,700	VND 18,800
Company Update	06/07/2012	BUY	VND 21,700	VND 17,900
Company Update	26/07/2012	BUY	VND 21,700	VND 18,400



SBS Research Guide to Investment Ratings

Buy: Share price may exceed 15% over the next 12 months

Neutral: Share price may fall within the range of +/- 15% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 15% over the next 12 months

Not Rated (NR): Stock is not within regular research coverage

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