

CASUMINA

Tires

➔ NOT RATED

TARGET PRICE

LAST TARGET PRICE

CURRENT PRICE 27,000

Vo Bach Ngoc Anh Thu

Thu.vbna@sbsc.com.vn

Ext: 8851

STOCK STATISTICS

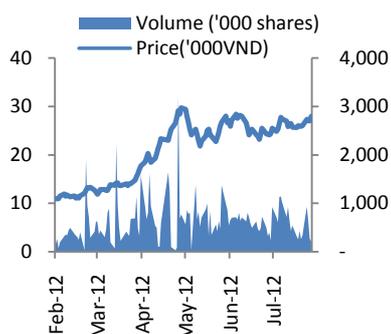
Bloomberg Ticker	VN CSM Equity
Outstanding shares (m)	52
Market Cap (VNDbn)	1,421
52W Price range	30.6-7.7
3M Average Volume	628,818
Beta	1.17
Foreign ownership (%)	10.9

MAJOR SHAREHOLDERS

Vinachem	41.2%
Franklin Resources Inc	4.0%
KITMC	3.9%
SSI vision Fund	3.1%
Templeton Frontier MK	3.0%

STOCK PERFORMANCE

	3M	6M	12M
Relative (%)	(2.2)	143.3	135.4
Absolute	(600)	16,022	15,643



Bouncing back on the fall of natural rubber price

Strong performances in 2Q-1H12. Casumina (CSM) reported 2Q12's net profit of VND70 bn (+946% y-o-y or +80% q-o-q) on the back of net revenue of VND819 bn (+12% y-o-y or +17% q-o-q). Cumulatively, within 1HFY12, CSM posted net revenue of VND1,521bn (+9% y-o-y) and a net profit of VND109bn (+663% y-o-y).

Lower natural rubber price provided good supporting ground for improvement of margins. Gross profit margin was pushed up to 23% (+3.9% q-o-q and 14.7% y-o-y) in 2Q2012

Almost completing FY12 target. The company has been successfully following its FY12 targets due to the low costs of raw material, achieving 51% its revenue target. Over the first half of 2012, the Company has earned VND145 bn in profit before tax, fulfilling 97% its initial plan.

Less debt burden in 2H12. We noted that company significantly lowered its short term debts due to new shares issuance of VND100 bn in July 2012. At the end of June 2012, short term debts decreased 32% y-o-y to VND363 bn. We expect that the smaller debt will help the company reduce its interest burden, which will subsequently improve its bottom line in 2H12.

7.8x FY12, 5% FY gross dividend yield. We followed up with higher estimates on CSM thinking the Company may have better sales and lower cost of rubber in the second half of the year. Therefore, we have estimated revenue of VND3,000 and net profit of VND181 bn in 2012. The company will thereby have an EPS (2012) of VND 3,465 and a forward PE of 7.8 times.

Year-end Dec 31	FY09	FY10	FY11	FY12F	FY13F
Revenue (VNDbn)	2,504	2,701	2,939	3,000	3,150
Net profit (VNDbn)	291	141	39	181	198
% change yoy	3141%	-52%	-72%	361%	10%
EPS (VND)	6,181	3,388	751	3,465	3,799
BV (VND)	22,240	16,407	14,649	16,024	18,623
DPS (VND)	1,200	1,200	1,200	1,200	1,200
Div yield	3%	4%	13%	5%	5%
ROA	30%	17%	10%	13%	18%
ROE	70%	23%	6%	24%	22%
P/E (x)	4.4	8.0	29.1	7.8	7.1
P/BV (x)	1.2	1.6	1.8	1.7	1.4

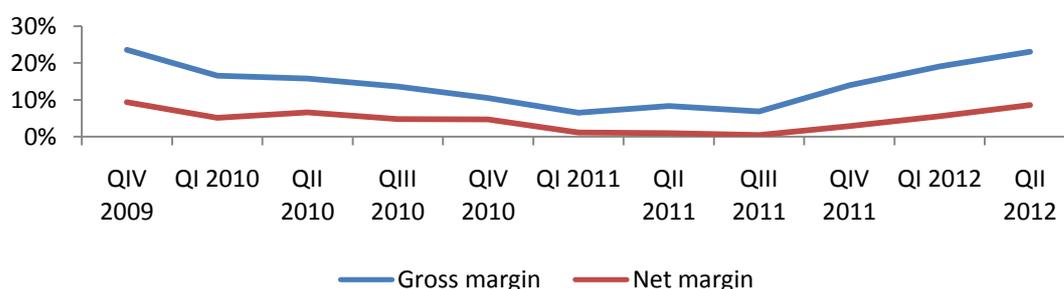
Source: CSM, SBS estimates

Benefiting from the fall of natural rubber price

Casumina (CSM) reported 2Q12's net profit of VND70 bn (+ 946% y-o-y or +80% q-o-q) on the back of net revenue of VND819 bn (+12% y-o-y or +17% q-o-q). Cumulatively, in 1HFY12, CSM posted net revenue of VND1,521bn (+9% y-o-y) and a net profit of VND109bn (+663% y-o-y). Net revenue seemed to align with the Company's full-year target, which set at VND3,000 bn, while net profits outweighed the targets, premised on the steep fall of natural rubber price that normally accounts for more than 60% of the production costs.

Lower natural rubber price provided good supporting ground for improvement of margins. Gross profit margin was pushed up to 23% (+3.9% q-o-q and 14.7% y-o-y) in 2Q2012. Net profit margin was pegged to 7.2% (+6% y-o-y) in 1H2012, compared with the 1% in 1H2011. This net profit margin was also better than the Company's full-year expectation of 3.8%.

FIGURE 1: MARGINS ARE IMPROVING



Source: CSM, SBS

FIGURE 2:
MARGIN (%)

	2Q11	2Q12	Y-O-Y%	YTD 12	YTD 11
Gross profit margin	8%	23%	14.7%	21%	7%
EBITDA margin	5%	15%	10.5%	14%	6%
EBIT margin	3%	13%	10.6%	12%	3%
EBT margin	1%	11%	10.2%	10%	1%
Effective tax rate	25%	25%	0.0%	25%	22%
Net profit margin	1%	9%	7.7%	7%	1%

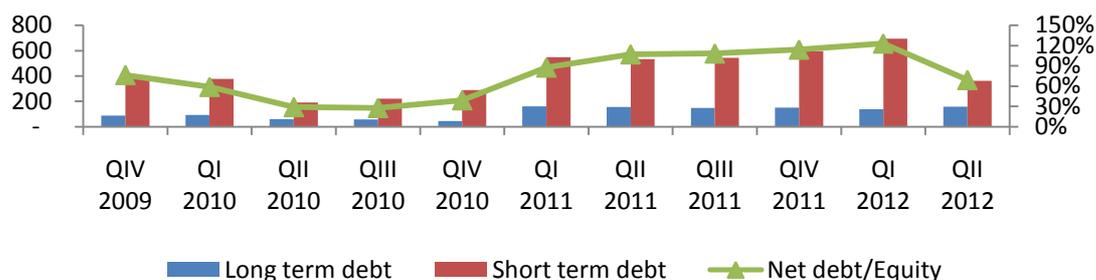
Source: CSM, SBS

On a y-o-y basis, the weight of Selling and Admin expenses over Revenue has almost doubled, which is not surprising because the Company has been implementing a vigorous sales boosting strategy since early this year. Borrowing interest (VND45 bn) was the main contributor to the net financial loss of VND43 bn in 1H12. As compared to the same period of last year, borrowing interest had surged by 37% premised on higher average borrowing balance.

To sum up, for the first 6 months, CSM has fulfilled 51% its full-year revenue and 97% its after-tax profit targets.

Less debt burden in 2H12

We noted that company significantly lowered its short term debts due to the new shares issuance of VND100 bn in July 2012. At the end of June 2012, short term debts decreased 32% y-o-y to VND363 bn, while long term debts increased 2.9% y-o-y to VND160 bn. We expect the contracted debt to help the company reduce its interest burden, which will subsequently improve its bottom line in 2H12.

FIGURE 3: DEBTS (VND BN)


Source: CSM, SBS

FIGURE 4: P&L (VND BN)

	2 Q11	1 Q12	2 Q12	y-o-y%	q-o-q%	YTD 12	YTD 11	y-o-y%
Net revenue	731	701	820	12.1%	16.9%	1,521	1,395	9.1%
Operating Expenditure	(711)	(625)	(710)	-0.1%	13.6%	(1,335)	(1,347)	-0.8%
as % of sales	97.21%	89.13%	86.60%	-10.6%	-2.5%	87.77%	96.56%	-8.8%
Cost of goods sold (COGS)	(671)	(568)	(631)	-5.9%	11.2%	(1,199)	(1,291)	-7.1%
% COGS on revenue	91.7%	80.9%	77.0%	-14.7%	-3.9%	78.8%	92.6%	-13.7%
Selling expenses	(21)	(28)	(35)	63.9%	24.6%	(63)	(32)	97.4%
% on revenue	2.9%	4.0%	4.3%	1.3%	0.3%	4.1%	2.3%	1.8%
Administration expenses	(19)	(29)	(44)	128.9%	48.6%	(73)	(24)	205.2%
% on revenue	2.6%	4.2%	5.3%	2.7%	1.1%	4.8%	1.7%	3.1%
EBITDA	36	91	126	251.1%	38.4%	217	80	173.3%
Depreciation	(16)	(15)	(16)	4.9%	9.3%	(31)	(31)	-0.8%
EBIT	20	76	110	439.0%	44.1%	186	48	287.5%
Financial gain/((loss)	(13)	(26)	(17)	22.9%	-36.3%	(43)	(33)	31.1%
Other income	2	1	1	-71.6%	-55.4%	2	3	-35.4%
Interest	(17)	(27)	(18)	9.9%	-31.5%	(45)	(33)	37.3%
Profit before tax	9	52	94	945.6%	82.2%	145	18	686.9%
Tax	(2)	(13)	(23)	944.5%	87.4%	(36)	(4)	769.1%
Net profit	7	39	70	946.0%	80.5%	109	14	663.2%

Source: CSM, SBS

PIPELINE PROJECTS

Investing into projects at a slow pace

Construction in progress has been expanded from VND161bn to VND178bn (+11% YTD and 5.7% q-o-q), mostly as the capital injections for the two projects: Apartment in district 9 and Radial project.

By schedule, the radial project in Binh Duong province will start operation by 4Q2013 with capacity of 1,000,000 units per year. So far, CSM has invested only VND11bn in this project (+91% YTD), meeting only 0.7% first phase total investment (estimated at VND1,500 bn, in which VND1,000 bn is equipment cost).

The apartment in District 9 has been constructed since May 2011. At the end of June, CSM has invested VND155 bn in this project (+6% YTD). Weak demand and limited funding have been the reasons behind the slowing progress of the project.

FIGURE 5: P&L (VNDBN)

	2 Q11	1 Q12	2 Q12	y-o-y%	q-o-q%
Current assets	1,156	1,189	1,132	-2.1%	-4.8%
Cash and cash equivalents	30	26	24	-20.3%	-8.0%
Inventories	677	785	631	-6.8%	-19.7%
Non-Current assets	338	460	455	34.6%	-1.1%
Construction in progress	19	168	178	836.8%	5.7%
TOTAL ASSETS	1,494	1,649	1,587	6.2%	-3.7%
Liabilities	902	992	863	-4.2%	-13.0%
Short-term loans and borrowings	534	694	363	-32.0%	-47.6%
Long-term loans and debts	155	139	160	2.9%	14.6%
Equity	593	657	724	22.1%	10.2%

Source: CSM, SBS

New shares issuance

In July 2012, the Company had successfully increased its chartered capital by 24% from VND422 bn to VND522 bn through the issuance of 9,850,181 shares to at price of VND10,000/share.

SBS's Estimation

We expect the trending improvement to carry through the 2nd half of FY2012. We followed up with higher estimates on CSM thinking the Company may have better sales and lower cost of rubber in the next two quarters. Therefore, we have estimated revenue of VND3,000 and net profit of VND181 bn in 2012. The company will thereby have an EPS (2012) of VND3,465 and a forward PE of 7.8 times.

Figure 6: P&L (VNDbn)	Company Initial Plan	SBS forecast	% change
Net revenue	3,000	3,000	0%
Profit before tax	150	241	61%
Net profit	113	181	61%
EPS	2,153	3,465	61%

Source: CSM, SBS



BALANCE SHEET (VND bn)

	2009	2010	2011
Assets	1,162.4	1,181.3	1,522.9
Current assets	771.4	829.6	1,059.6
Long-term assets	390.9	351.7	463.3
Fixed assets	338.3	294.0	415.0
Long-term investments	47.6	55.8	46.0
Resources	1,162.4	1,181.3	1,522.9
Liabilities	606.3	488.1	904.0
Current liabilities	511.6	438.0	751.2
Long-term borrowings and liabilities	94.7	50.1	152.8
Equities	556.0	693.2	618.9
Owner's equity	554.9	675.5	618.9
Contributed capital	250.0	422.5	422.5
Capital surplus			
Retained profits/(accumulated losses)	287.9	169.9	98.3

INCOME STATEMENT (VND bn)

	2009	2010	2011
Net sales	2,496.3	2,699.7	2,923.8
COGS	1,865.4	2,328.2	2,661.2
Gross profit /(loss)	630.9	371.4	262.6
Financial income	52.6	18.6	17.3
Financial expense	74.9	41.9	106.2
Interest expense	45.7	37.5	75.9
Selling expenses	184.6	92.1	73.4
G&A expenses	96.1	80.7	59.7
Net operating profit /(loss)	327.9	175.3	40.6
Other income	5.8	11.5	11.5
Other expenses	0.1	1.5	0.8
Profit /(loss) before tax	333.5	185.3	51.2
Corporate income tax	42.3	44.4	12.0
Profit after tax	290.6	140.9	39.3
Net profit/(accumulated losses)	290.6	140.9	39.3

CASHFLOW STATEMENT (VND bn)

	2009	2010	2011
Cash flows from operating activities			
Profit/(loss) before tax	333.5	185.3	51.2
Depreciation and amortisation	85.1	75.1	66.8
Allowances and provisions	3.2	(7.8)	12.4
Profits/(losses) from investing activities	(58.4)	(30.1)	(28.8)
Operating profit before changes in WC	409.2	260.1	177.6
Net cash generated from (pay to) operating	254.5	145.3	(208.3)
Cash flows from investing activities			
Payments for investments in other entities	(73.3)	(32.3)	(191.0)
Collections on investments in other entities	(13.0)	(10.6)	(2.6)
CF from investing activities	(27.9)	10.9	(141.9)
Cash flows from financing activities			
Payments to settle debts	29.2	172.5	
Payments of dividends	1,630.6	1,724.6	2,558.4
Net cash generated from (pay to) financing	(273.7)	(139.5)	328.4
Net cash flows during the period	(47.1)	16.7	(21.7)
Cash at the beginning	93.2	46.0	63.2
Cash at the end	46.0	63.2	42.5

YEARLY RATIOS

	2009	2010	2011
Growth rate			
Revenue growth rate	16.2%	8.1%	8.3%
Gross profit growth rate	153.2%	-41.1%	-29.3%
Net profit growth rate	3140.5%	-51.5%	-72.1%
Total asset growth rate	1.0%	1.6%	28.9%
Equity growth rate	105.9%	21.7%	-8.4%
Profitability ratios			
Gross profit margin	25.3%	13.8%	9.0%
EBIT margin	15.2%	8.3%	4.3%
Profit before tax margin	13.4%	6.9%	1.8%
Net profit margin	11.6%	5.2%	1.3%
ROA	25.0%	11.9%	2.6%
ROE	52.4%	20.9%	6.3%
Dupont Analysis			
Net profit margin(1)	11.6%	5.2%	1.3%
Asset turnover (2)			
Equity multiplier (3)	209.5%	174.9%	246.1%
ROE = (1)x(2)x(3)	52.4%	20.9%	6.3%
Management ratios			
Receivable outstanding days	22.5	33.6	32.0
Inventory outstanding days	96.1	70.9	97.0
Payable outstanding days	1.2	0.4	0.4
Asset turnover	2.1	2.3	1.9
Long-term asset turnover	6.4	7.7	6.3
Fix asset turnover	7.4	9.2	7.0
Liquidity ratios			
Current ratio	1.5	1.9	1.4
Quick ratio	0.5	0.9	0.5
Cash ratio	0.1	0.1	0.1
Capital Structure			
Total debt/Total Equity	109.3%	72.3%	146.1%
Total debt/Total Asset	52.2%	41.3%	59.4%
Total asset/Total Equity	209.5%	174.9%	246.1%
Index per share			
PE	2.05	6.32	28.52
PBV			1.19
PS	0.24	0.33	0.38
EPS (VND per share)	12,917	4,190	929
	110,947		
Revenue/share (VND/share)		80,287	69,204
Book value (VND/share)	22,196	15,988	14,649

BALANCE SHEET (VNDbn)

	QII-11	QIII-11	QIV-11	QI-12
Assets	1,494.2	1,426.4	1,521.9	1,649.0
Current assets	1,156.1	957.7	1,059.0	1,189.1
Long-term assets	338.1	468.7	462.9	459.8
Fixed assets	278.8	409.5	414.7	411.6
Long-term investments	58.2	58.2	46.0	46.0
Resources	1,494.2	1,426.4	1,521.9	1,649.0
Liabilities	901.6	830.5	903.0	992.4
Current liabilities	742.3	680.4	750.2	851.0
Long-term liabilities	159.3	150.1	152.8	141.5
Equities	592.6	595.9	618.9	656.5
Equity	592.6	595.9	618.9	656.5
Contributed capital	422.5	422.5	422.5	422.5
Capital surplus				
Retained profits	73.3	76.7	98.2	137.3

INCOME STATEMENT (VNDbn)

	QII-11	QIII-11	QIV-11	QI-12
Total Revenue	732.0	785.3	758.2	709.8
Net sales	731.4	779.9	749.7	701.5
COGS	670.6	726.2	644.9	567.8
Gross profit /(loss)	60.8	53.7	104.9	133.7
Financial income	5.8	0.5	2.5	2.5
Financial expense	19.3	22.2	37.0	28.6
Interest expense	16.8	22.2	20.7	26.9
Selling expenses	21.3	17.2	24.2	28.0
G&A expenses	19.1	12.3	23.4	29.5
Net operating profit	6.9	2.5	22.7	50.2
Other income	2.8	1.8	5.7	1.8
Other expenses	0.7	0.0	0.1	0.4
Profit /(loss) before tax	9.0	4.3	28.3	51.5
Corporate income tax	2.2	1.1	6.7	12.5
Profit after tax	6.7	3.3	21.6	39.0
Net profit	6.7	3.3	21.6	39.0

QUARTERLY RATIOS

	QII-11	QIII-11	QIV-11	QI-12
Growth rate				
Revenue growth rate (Y-o-y)	23.7%	19.2%	-8.9%	7.0%
Gross profit growth rate (Y-o-y)	-35%	-40%	20%	210%
Net profit growth rate (Y-o-y)	-83%	-90%	-45%	413%
Profitability ratio				
Gross margin	8.3%	6.9%	14.0%	19.1%
EBIT margin	3.5%	3.4%	6.5%	11.2%
Net profit margin	0.9%	0.4%	2.9%	5.6%
ROA (4Q)	6.4%	4.0%	2.6%	4.6%
ROE (4Q)	13.1%	8.9%	6.3%	11.5%
Management ratio				
Receivable outstanding days	31	35	31	39
Inventory outstanding days	92	73	100	126
Payable outstanding days	0	0	0	0
Liquidity ratio				
Current ratio	1.8	1.8	1.4	1.8
Quick ratio	0.6	0.6	0.5	0.5
Cash ratio	0.0	0.0	0.1	0.0
Capital Structure				
Total debt/Total equity	152.1%	139.4%	145.9%	151.2%
Total debt/total asset	60.3%	58.2%	59.3%	60.2%
Total asset/total equity	252.1%	239.4%	245.9%	251.2%
Index per share				
PE	13.2	19.8	28.6	15.9
EPS (VND per share)	2003	1341	927	1670

Reports issued	Date	Recommendation	12M Target price	Market price at issuing date
Company visit note	14/10/2011	Not Rated	NA	VND 12,600

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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Sacombank Securities Company

Head office

278 Nam Ky Khoi Nghia street, District 3 Ho Chi Minh City Vietnam
Tel: +84 (8) 6268 6868
Fax: +84 (8) 6255 5957
www.sbsec.com.vn

Research Division

Tel: +84 (8) 6268 6868 (Ext: 8763)
Email: sbs.research@sbsec.com.vn

Hanoi

6th-7th Floor, 88 Ly Thuong Kiet Street
Hoan Kiem District
Hanoi
Vietnam
Tel: +84 (4) 3942 8076
Fax: +84 (8) 3942 8075
Email: hanoi@sbsec.com.vn

Cambodia

Sacombank Securities (Cambodia) PLC
56 Preah Norodom Blvd
Sangkat CheyChumneas, Khan Daun
Penh,
Cambodia
Tel: +855 23 999 890
Fax: +855 23 999 891

Laos

Lanexang Securities Public Company
5th Floor, LSX Building, Ban Phonthan
Vientiane Capital
The Lao P.D.R