

Neutral

Target price VND 16,500
Current price VND 15,300

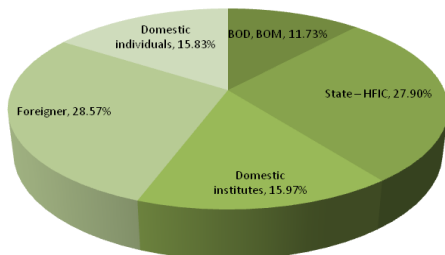
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Company Profile

Ticker	BCI
Charter Capital (VND bil)	722.67
Outstanding shares (mil)	72.267
Market Capital (VND bil)	1,105.69
52W range (VND)	12,740 – 23,600
Ave. trading volume 3M	1,200
Beta	0.45
Foreign Ownership	28.57%
First listing date	16 March 2009

Major shareholders

BOD, BOM	11.73%
State – HFIC	27.9%
Domestic institutes	15.97%
Foreigner	28.57%
Domestic individuals	15.83%



Price movement

	3M	6M	12M
Absolute (VND)	-2,900	-9,900	+300
Percentage (%)	-15.9	-39.3	+2



Profit goes beyond annual target

- BCI's profit in the first 9 months exceeded its annual target while the revenue may not follow suit. The company is likely missing its annual revenue plan. BCI announced Q3/2012 earnings result with VND 23.04 bil of Net Revenue and VND 4.29 bil of Profit after Tax. Net Revenue in the first 9 months was VND 122.78 bil, down by 18.7% YoY, and reached 40.38% yearly target. Sales from land lots and apartments contributed the highest proportion, equal to 61% of total revenue or VND 75.03 bil; while the incomes from transferring land use right and service supply of Le Minh Xuan industrial park accounted for VND 38.25 bil. The rest VND 9.49 bil came from other services operation. Meanwhile, EAT for the past 9 months accumulated VND 157.47 bil, up by 195% YoY and 5% higher than yearly target. This impressive result was achieved thanks to recognize the extraordinary financial income generating from (i) selling all of the company's 70% shares in Phong Phu industrial park JSC, which generated VND 362.40 bil. (ii) interest and dividend income of VND 94.62 bill. Hence, BCI reported a total VND 443 bil in 9M2012, compared with only about VND 10 bil at the same period in 2011. Since the real estate market is still gloomy, we expect that BCI may not be able to achieve its annual revenue target in 2012.

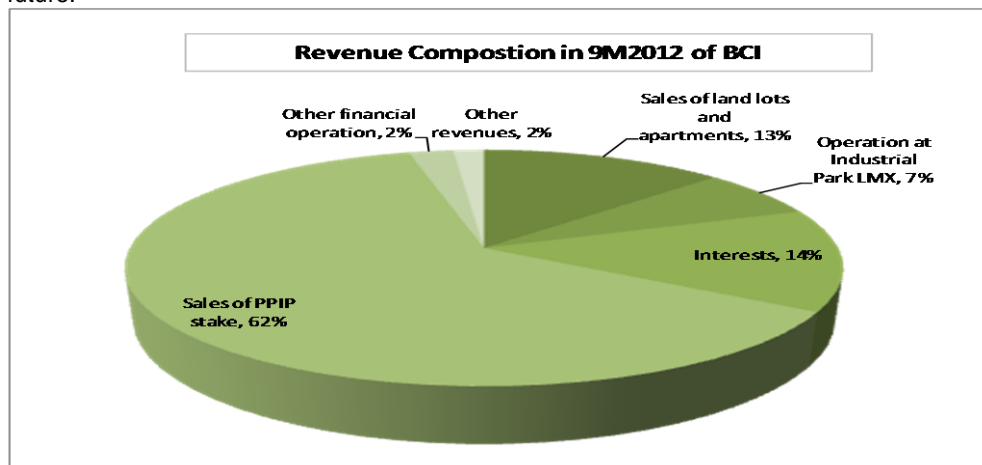
- Investment activities** FY2012, the company continued carrying out their residential projects including (i) PhongPhu 4 and 11A projects: now at the stage of compensating for land and building technical infrastructures (ii) Phong Phu 2: compensating for land only. The investments in other property projects are temporarily postponed to wait for the recovery of the real estate market.

- Strengths** BCI has good prestige and experiences in developing real estate projects. It also has great land reserves obtained with reasonable cost. Apartment in projects like Nhat Lan and Tan Tao 1 was positioned at middle and low-end segment and can be affordable by most of people. Besides, the company has landlot products in Phong Phu 4 residential projects which might be sold if the apartment segment is still flat in the future and a stable revenue from transferring land use right and leasing land in Le Minh Xuan industrial park.

Recommendation On the reporting date, BCI traded at VND 15,300 per share, implied P/E of 5.8x and P/B of 0.62x. Compared to BCI's average historical P/B in the last 4 years, the current price is reasonable for long-term investment. However, the liquidity risk of the company operation is our biggest concern because the gloomy condition of the real estate market might last longer than expected. Moreover, the 3-month average trading volume is quite low due to the high holding of institute investors and down trend of whole market. We recommend Neutral rating in this moment for BCI. Investors should be patient and wait until real estate market see clear recovery signs.

Item	3Q11	9M11	3Q12	9M12	Target 2012
Net Revenue (VND billion)	42.436	150.896	23.041	122.775	966
% gross margin	58.2%	58.6%	44.9%	-105.4%	
% OP margin	35.9%	29.6%	-26.2%	183.7%	
EBT (VND billion)	21.803	63.736	1.906	247.957	197
EAT (VND billion)	17.709	52.464	4.288	157.474	150
% growth YoY	-74%	-70%	-77%	197%	
% growth QoQ	20%		-96%		
EPS TTM (VND)	2,263		2,620		
BVPS (VND)	23,616		24,657		
P/E (based on market price)	6.8		5.8		
P/B (based on market price)	0.65		0.62		

Risks: The real estate market prospect in Q4/2012 and 2013 still see no bright spots owing to high inventory and wait-and-see sentiments of the buyers. Offering price is seeing the potential risk of further dropping if current situation ongoing. Most developers want to sell out unsold apartments to take money back. For BCI's middle-end landlots segment, although the offering price has not seen the sharp decline, but the liquidity is rather low. For its apartment segment, the selling speed of Nhat Lan and Tan Tao 1 projects is also slower than expected. According to financial statement on September 30th 2012, the company's total bank loan was VND 492.55 bil in which short-term bank loan and long-term bank loan reported VND 99.08 bil and VND 393.47 bil respectively. Total short-term liabilities were VND 535.23 bil while the available cash was VND 364.65 bil. How to properly cope with liquidity risk is the first priority of real estate companies like BCI during current hard period. BCI may take some measures to improve its liquidity such as (i) transferring a part of its projects, (ii) launching attractive promotion programs to push the selling speed of existing apartment projects, or (iii) introducing new products that meet market appetite in the coming future.



IMPLEMENTATION PROGRESS OF ON-GOING PROJECTS BY BCI

No.	NAME OF ON-GOING PROJECTS	AREA (m2)	PROJECT PURPOSE	IMPLEMENTATION PROGRESS
1	Phong Phu 4 Residential Area	839,997	Residential area	Till May 2011, 82% of technical infrastructure have been finished. The salable land area is 40ha. In Jan. 2012, landlots have been handed over to the buyers for house construction. 70% of 20 ha have been sold, the rest of 20ha is under negotiation to be sold to a South Area Management Board. Till Sep. 2012, unearned revenue was recorded with VND 339.5 billion
2	Phong Phu 2 Residential Area (Green Village)	1,329,200	Residential area	44,5% of total land area have been collected. The main infrastructures are being under construction.
3	11A Residential Area (Corona City)	166,400	Residential area	91,14% of total land area have been collected. The main infrastructures are being under construction. Project are being called for investment cooperation.
4	Tan Tao Residential Area	3,200,000	Residential area	44,8% of total land area have been collected.
5	An Lac High-rise building Plaza	7,553	03 high-end apartment buildings with 59,240 m2 of floorage and 284 apartments	Till Aug. 2012: The underground construction have been finished. Project are being called for investment cooperation.
6	BCCI Office Building (15-floor)	2,526	Office building for rent with 17,277 m2 of construction floorage.	The project has been postponed because of change in investment purpose.
7	BCCI Apartment Building	4,701	Low-end apartment building with 28,000 m2 of floorage.	The first-phase design is being prepared to make investment project.
8	Nhat Lan Apartment Building (12-floor)	12,425	02 apartment buildings with 25,482 m2 of floorage and 166 apartments.	The apartments have been handed over to the buyers at the end of 2010, the rest of 06 unsold apartments are still being offered for sales. Till Sep. 2012, unearned revenue was recorded with VND 6.08 billion.
9	Tan Tao 1 Apartment Building	12,621	04 apartment buildings with 57,868 m2 and 480 apartments	Till Sep. 2012: The draft construction of 240 apartments have been completed. BCI have plan to dividing building into 340 smaller apartments. The sales are in progress and 80 apartments have been sold. Till Sep. 2012, unearned revenue was recorded with VND 33.73 billion.
10	Le Minh Xuan Industrial Park (completed)	1,000,000	Industrial Park	The total land area have been sold or rented.
11	Le Minh Xuan Industrial Park-extended area	1,090,000	Industrial Park	61,7% of total land area have been collected.
12	Phong Phu Industrial Park	1,480,000	Industrial Park	The stake in project have been sold in 2nd quarter of 2012

Financial Ratio (VND mil)

Revenues	2009	2010	2011	9M2012	Cash Flows	2009	2010	2011	9M2012
Revenues from sales and services	441,273	797,289	216,873	122,775	Net cash flows from operating activities	-48,586	-462,203	144,229	-97,436
Net revenues from sales and services	441,273	797,289	216,873	122,775	Net cash flows from investing activities	-19,293	-96,101	7,367	323,537
Cost of goods sold	185,127	387,398	98,802	252,231	Net cash flows from financing activities	199,393	556,206	-35,297	-156,795
Gross profit	256,146	409,891	118,071	-129,456	Net cash flows during the period	131,514	-2,098	116,299	63,306
Financial income	8,479	9,372	21,667	457,090	Cash and cash equivalents at beginning of period	49,818	181,332	179,234	295,341
Financial expenses	-16,517	12,733	22,392	65,368	Cash and cash equivalents at end of period	181,332	179,234	295,533	364,647
Of which: Interest expenses	7,421	7,963	7,176	58,493	Growth	2009	2010	2011	9M2012
Selling expenses	15,819	13,246	3,512	1,846	Net Revenue	-9%	81%	-73%	-19%
General & administrative expenses	34,808	47,662	45,460	34,628	Gross profit	19%	60%	-71%	-246%
Net operating profit	230,515	345,622	68,374	225,590	Net profit	65%	36%	-72%	200%
Other profit	1,088	-6,844	-7,231	-3,924	Total asset	22%	27%	11%	-15%
Profit or loss from joint ventures	16,254	28,081	36,126	26,290	Total equity	10%	45%	0%	4%
Profit before tax	247,857	366,860	97,268	247,956	Profitability	2009	2010	2011	9M2012
Current corporate income tax expenses	41,051	85,719	18,112	91,278	Gross Profit Margin	58%	51%	54%	-105%
Deferred income tax expenses	-224	-	-	-	Operating Profit margin	52%	43%	32%	184%
Net profit after tax	207,030	281,140	79,156	156,678	EBT margin	56%	46%	45%	202%
Benefits of minority shareholders	-328	-1,376	-	-795	Net profit margin	47%	35%	36%	128%
Benefits of parent company shareholders	207,358	282,516	79,156	157,473	ROA	7.5%	8.2%	1.9%	5%
Balance Sheet	2009	2010	2011	9M2012	ROE	18.3%	19.3%	4.6%	10.7%
A - Short-term Assets	1,929,212	2,635,483	2,999,429	2,857,402	Liquidity	2009	2010	2011	9M2012
I. Cash and cash equivalents	181,332	179,234	295,341	364,647	Cash ratio	0.28	0.22	0.25	0.68
II. Short-term financial investments	1,150	1,150	1,438	1,149	Quick ratio	0.59	0.62	0.45	1.08
III. Short-term accounts receivables	173,130	301,436	227,242	213,819	Current ratio	3.02	3.27	2.53	5.34
IV. Inventories	1,554,729	2,135,687	2,462,033	2,271,636	Leverage	2009	2010	2011	9M2012
V. Other short-term assets	18,870	17,976	13,374	6,149	Assets/Equity	2.54	2.23	2.48	2.03
B - Long-term assets	1,095,399	1,215,975	1,294,702	766,062	Debt/Assets	0.55	0.5	0.55	0.48
II. Fixed assets	916,834	1,014,208	1,060,469	527,785	Debt/Equity	1.39	1.12	1.37	0.98
1. Tangible fixed assets	42,298	36,120	30,510	25,416	Efficiency	2009	2010	2011	9M2012
3. Intangible fixed assets	375	242	542	358	Inventory turnover	0.13	0.21	0.04	0.08
4. Construction in progress	874,160	977,846	1,029,417	502,010	Receivables turnover	5.49	4.47	0.96	0.86
III. Real estate investments	109,264	105,697	103,000	100,928	Assets turnover	0.16	0.23	0.05	0.05
IV. Long-term financial investments	67,088	95,062	130,835	137,333	DuPont Analysis	2009	2010	2011	9M2012
V. Other long-term assets	2,214	1,008	399	14	Net margin (1)	47%	35%	36%	128%
TOTAL ASSETS	3,024,611	3,851,458	4,294,131	3,623,464	Asset turnover (2)	0.16	0.23	0.05	0.05
A - Liabilities	1,650,183	1,929,289	2,371,215	1,754,489	Leverage (3)	2.54	2.23	2.48	2.03
I. Short-term liabilities	639,462	805,760	1,183,218	535,230	ROE = (1)x(2)x(3)	18.3%	19.3%	4.6%	10.7%
II. Long-term liabilities	1,010,722	1,123,529	1,187,998	1,219,258	Valuation	2009	2010	2011	9M2012
B - Owner's equity	1,189,220	1,729,585	1,733,536	1,781,900	EPS	3,826	3,909	1,095	2,620
I. Owner's equity	1,189,209	1,729,574	1,733,524	1,781,888	BPS	21,941	23,933	23,988	24,657
C - Benefits of minority shareholders	185,207	192,584	189,380	87,074	P/E	15.97	8.05	13.6	5.8
TOTAL RESOURCES	3,024,611	3,851,458	4,294,131	3,623,464	P/B	2.78	1.31	0.62	0.62

Nguồn: BCI và PHS

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