HOLD (Downgraded)

Share price: VND 40,500
Target price: VND 40,800 (revised)

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Stock Information

Description: KDC is one of the best processed food companies in Vietnam with a 30%-market share of Vietnam's bakery/confectionery market. It is also eyeing the instant noodle and fish sauce businesses.

Ticker:	KDC VN
Shares Issued (m):	158.4
Market Cap (USD m):	305
3-mth Avg Daily Turnover (USD m):	0.3
VN Index:	385
Free float (%):	50

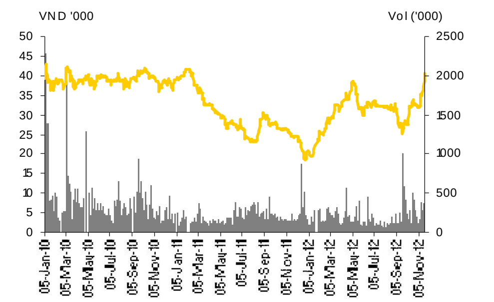
Major Shareholders:

PPK LIMITED COMPANY	11.0
KINH DO INVESTMENT	8.9
DEUTSCHE BANK AG	6.3
EZAKI GLICO	10.5

Key Indicators

ROE – annualised (%)	9.9
Net cash (VND b):	818
NTA/shr (VND):	28,950
Interest cover (x):	3.4

Historical Chart



Performance:

52-week High/Low VND40,917/VND19,250

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	19.1	24.3	17.4	55.3	86.9
Relative (%)	23.2	41.1	32.6	53.0	70.6

(*) KDC paid cash div VND1,200 per share and gave 20% bonus shares at the end of Aug 2012. Thus, its share price has been adjusted accordingly.

Kinh Do Corporation

Growth Fully Priced-In

Outstanding 3Q12 results. KDC's 3Q12 net profit soared 43% YoY to VND316b driven by a 9.4% increase in revenue and a 5ppts YoY expansion in the company's gross margin to 50.4% in 3Q12. The outstanding results are due to 13% and 31% increases in mooncake and ice cream sales, respectively, especially as these two segments carry relatively high gross margins.

Profit growth resumes in 9M12. The 3Q12 profits more than compensated for the losses incurred in 1H12 (due to the disposal of KDC's stake in dairy producer Nutifood). In fact, the company's 9M12 revenue and net profit rose 6% and 25% YoY to VND3,128b and VND307b, respectively. Without the non-recurring loss, the company's 9M12 net profit would have soared 43% YoY to VND368.2b. Gross margins expanded from 40.2% in 9M11 to 44.5% in 9M12.

SG&A concerns abating. In our report dated 23 Aug 2012, we expressed concern about the continuous rise in KDC's SG&A-to-revenue ratio since 2009, though we acknowledged that it was partially due to an 80% increase in their sales force in the last three years. This year, KDC appears to have reversed the trend, as its SG&A to revenue ratio has declined in each quarter (1Q12 : 33.5%; 2Q12 : 31.8%; 3Q12 : 27.9%).

Suspended property projects. KDC suspended work on its main real estate project, the Lavenue Crown project, which represents 20% of its total assets. Construction was originally slated to begin in 3Q12, as announced at its AGM held in Apr 2012, but the company decided to put its real estate activities on hold to focus on the core food business. The future of this project, including a potential sale to KDC's partners or continued development at a later date, is uncertain.

Downgrade to HOLD. We have raised our FY12 and FY13 net profit forecasts by 25% and 19%, respectively, to reflect the good 3Q12 performance. KDC is trading at 12x FY13 PER versus an expected FY13-16 EPS CAGR of 26%. KDC's stock price has risen 34% since our BUY recommendation in our report dated 5 Oct 2012, so we think that the company's superior growth prospects are fully priced-in.

Kinh Do Corporation – Summary Earnings Table

FYE 31 Dec (VND b)	2009	2010	2011	2012E	2013F
Revenue	1,529	1,934	4,247	4,551	5,338
EBITDA	310	283	599	743	787
Recurring Net Profit	293	216	274	462	539
Recurring Basic EPS (VND)	2,521	1,824	1,941	2,948	3,400
EPS growth (%)	212.2	-27.6	6.4	51.9	15.4
PER	16.1	22.2	20.9	13.7	11.9
EV/EBITDA (x)	12.2	19.1	9.0	7.8	7.1
Div Yield (%)	2.3	4.9	2.5	4.9	5.9
P/BV(x)	2.0	1.5	1.5	1.5	1.4
ROE (%)	21.4	17.1	7.2	9.9	11.9
ROA (%)	14.5	12.2	7.2	8.4	9.4

Source: MaybankIB

PROFIT AND LOSS (VND b)

YE 31 Dec	2009	2010	2011	2012E	2013F
Sales	**1,529**	**1,934**	**4,247**	**4,551**	**5,338**
COGS exclude Dep.	(943)	(1,161)	(2,372)	(2,464)	(3,059)
Depreciation	(81)	(87)	(201)	(174)	(211)
Gross profit	**505**	**685**	**1,673**	**1,913**	**2,068**
Operating exp.	(276)	(489)	(1,275)	(1,344)	(1,492)
EBIT	**229**	**196**	**398**	**569**	**576**
Net financial incomes (loss)	73	422	(53)	(35)	46
Net Income (loss) fr. jv	13	35	7	-	-
Net extraodinaries	258	24	(2)	(16)	(12)
PBT	**572**	**676**	**349**	**519**	**610**
Income tax	(49)	(95)	(71)	(108)	(67)
Minority interest	(42)	(56)	(5)	(5)	(4)
Net profit	**481**	**525**	**274**	**405**	**539**
EBITDA	310	283	599	743	787
EPS	4,135	4,436	1,941	2,584	3,400

BALANCE SHEET (VND b)

YE 31 Dec	2009	2010	2011	2012E	2013F
Total assets	**4,248**	**5,032**	**5,809**	**6,073**	**6,397**
Current assets	2,532	2,328	2,559	2,802	3,256
Cash	985	672	967	706	906
ST investment	518	160	374	257	257
Inventories	162	434	398	696	792
Trade receivable	161	241	288	588	745
Others	706	820	531	555	555
Other assets	1,716	2,704	3,251	3,271	3,140
LT Investment	995	1,163	1,256	1,304	1,304
Net fix assets	656	1,279	1,431	1,446	1,350
Others	65	262	564	521	487
Total liabilities	**1,772**	**1,176**	**1,959**	**1,679**	**1,652**
Current liabilities	1,638	1,045	1,784	1,569	1,542
Trade payable	163	307	310	624	694
ST borrowings	407	381	883	283	185
Others	1,067	358	591	662	662
Long-term liabilities	135	131	176	110	110
Long-term debts	119	94	114	54	54
Others	15	38	62	56	56
Shareholders' equity	**2,475**	**3,855**	**3,850**	**4,394**	**4,745**
Paid in capital	2,054	3,007	2,992	3,445	3,445
Reserve	360	732	823	909	1,256
Other provisions	-	-	-	-	-
Minority interests	62	116	35	40	44

CASH FLOW (VND b)

YE 31 Dec	2009	2010	2011	2012E	2013F
Operating cash flow	**1,211**	**(450)**	**950**	**341**	**566**
Net profit	481	525	274	405	539
Depreciation	81	87	201	174	211
Change in working capital	556	(1,032)	515	(236)	(183)
Others	93	(30)	(40)	(3)	(0)
Investment cash flow	**(222)**	**(717)**	**(962)**	**(78)**	**(81)**
Net capex	12	(710)	(353)	(189)	(115)
Change in investment	(255)	189	(306)	68	
Change in other assets	21	(196)	(303)	43	34
Cash flow after Investment	989	(1,167)	(12)	263	486
Financing cash flow	**(211)**	**855**	**307**	**(524)**	**(285)**
Change in share capital	(101)	954	(15)	453	
Net change in debt	35	(52)	522	(660)	(97)
Others	(10)	76	(57)	(2)	4
Div paid	(135)	(123)	(143)	(316)	(192)
Net cash flow	**778**	**(312)**	**295**	**(262)**	**200**

KEY RATIOS

YE 31 Dec	2009	2010	2011	2012E	2013F
Growth (YoY %)					
Sales	5.1	26.4	119.6	7.2	17.3
EBIT	99.7	(14.4)	102.8	43.1	1.1
EBITDA	73.0	(8.7)	111.6	24.1	5.8
Net profit	463.2	9.2	(47.9)	48.2	32.9
EPS	470.7	7.3	(56.2)	33.1	31.6
Profitability (%)					
Gross margin	33.0	35.4	39.4	42.0	38.7
EBIT margin	15.0	10.1	9.4	12.5	10.8
EBITDA margin	20.3	14.6	14.1	16.3	14.7
Net margin	31.4	27.1	6.4	8.9	10.1
ROA	14.5	12.2	7.2	8.4	9.4
ROE	21.4	17.1	7.2	9.9	11.9
Stability					
Gross debt/equity (%)	21.8	12.7	26.1	7.7	5.1
Net debt/equity (%)	(40.4)	(9.6)	(9.0)	(14.4)	(19.6)
Interest coverage (x)	5.2	4.6	3.4	6.0	12.1
Interest & ST debt coverage (x)	0.6	0.4	0.5	0.8	2.0
Operating CF interest coverage	27.7	(10.6)	8.1	3.6	11.9
Operating CF int. & ST	2.9	(1.0)	1.3	0.5	2.0
Current ratio (x)	1.5	2.2	1.4	1.8	2.1
Quick ratio (x)	1.4	1.8	1.2	1.3	1.6
Net cash (debt) (VND bn)	976.0	358.4	344.4	626.2	923.7
Per share data (VND)					
EPS	4,135	4,436	1,941	2,584	3,400
OCFPS	10,419	(3,802)	6,739	2,171	3,574
BVPS	20,490	26,299	26,830	27,483	29,395
SPS	13,159	16,342	30,132	29,008	33,692
EBITDA/share	2,670	2,393	4,251	4,738	4,965
Cash Div/share	933	2,000	1,000	2,000	2,400

Source: Company, Maybank KE

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Capex = Capital Expenditure
CY = Calendar Year
DCF = Discounted Cashflow
DPS = Dividend Per Share
EBIT = Earnings Before Interest And Tax
EBITDA = EBIT, Depreciation And Amortisation
EPS = Earnings Per Share
EV = Enterprise Value
FCF = Free Cashflow
FV = Fair Value
FY = Financial Year
FYE = Financial Year End
MoM = Month-On-Month
NAV = Net Asset Value
NTA = Net Tangible Asset
P = Price
P.A. = Per Annum
PAT = Profit After Tax
PBT = Profit Before Tax
PE = Price Earnings
PEG = PE Ratio To Growth
PER = PE Ratio
QoQ = Quarter-On-Quarter
ROA = Return On Asset
ROE = Return On Equity
ROSF = Return On Shareholders' Funds
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