Maybank Kim Eng

Vietnam

Company Visit Note

22 March 2013

Hold (unchanged)

Share price: VND 47,700
Target price: VND 50,000

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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):	165
Market Cap (USD m):	373.4
3-mth Avg Daily Turnover (USD m):	0.12
VN Index:	481
Free float (%):	50

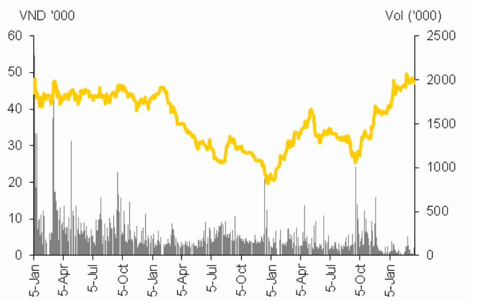
Major Shareholders:

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 VND51,000/VND24,700

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	3.0	21.5	87.4	41.1	18.5
Relative (%)	0.1	-1.8	51.0	28.2	-0.1

Kinh Do Corporation

Glico Products – New Growth Driver

Outstanding FY12 results. KDC's FY12 net profit soared 31% YoY to VND357b, while FY12 revenue only increased 1% YoY to VND4,289. The discrepancy is due to a 4.5-ppt YoY expansion in gross margins to 44%, which was mainly driven by 13% and 31% YoY increases in mooncake and ice cream sales respectively, as these two segments carry relatively high gross margins. However, note that KDC's EPS only rose 17% YoY, due to a dilution from the 14m shares issued to Glico at the beginning of 2012.

Glico product distribution – new growth driver. The first step in the strategic cooperation between KDC and Glico, Japan's leading confectionery firm, was the distribution of Glico's Pocky product in Vietnam from Oct 2012. This year, KDC will distribute other Glico products, such as Pretz and Collon, which are expected to yield a 25% gross margin. KDC expects a net margin of 17% for the distribution of Glico's products, as Glico will bear all marketing expenses (KDC's own products, for which it bears all SG&A expenses, typically earn a 40% gross margin and 10% net margin).

SG&A concerns abating. KDC's SG&A-to-revenue ratio rose between 2009 and 2011, driven by an 80% increase in its sales force during that period. However, the ratio appears to have stabilized in 2012 (see graph below). To further improve its SG&A-to-sales ratio, KDC plans to enhance its sales management, by giving each of its sales teams specific sales targets for all its products, including new strategic low-margin products, such as instant noodles (in the past, KDC's sales team were given overall, non-specific sales targets). In doing so, KDC's management believes that the company will leverage its branding and effectively control inventory, whilst reducing its SG&A-to-sales ratio.

FY13 forecast. We expect KDC's FY13 revenue and earnings to grow 18% and 44% YoY to VND5,054b and VND517b, respectively. Note that, in FY12, KDC suffered a non-recurring loss of VND57b, arising from the disposal of Nutifood and Tribeco. KDC is trading at 15x FY13 PER versus an expected FY13-16 EPS CAGR of 20%. Maintain HOLD.

KDC– Summary Earnings Table

FYE 31 Dec (VND b)	2009	2010	2011	2012	2013
Revenue	1,529	1,934	4,247	4,289	5,200
EBITDA	310	283	599	696	703
Recurring Net Profit	293	216	274	414	517
Recurring Basic EPS (VND)	2,521	1,824	1,941	2,640	3,152
EPS growth (%)	212.2	-27.6	6.4	36.0	19.4
DPS (VND)	1,600	2,000	2,000	2,000	2,400
PER	19.0	26.3	24.7	18.2	15.2
EV/EBITDA (x)	15.1	22.8	10.8	10.2	10.3
Div Yield (%)	3.3	4.2	4.2	4.2	5.0
P/BV(x)	2.3	1.8	1.8	1.9	1.8
Net Gearing (%)	-40.4	-9.6	-9.0	-12.0	-16.3
ROE (%)	21.4	17.1	7.2	9.1	12.3
ROA (%)	14.5	12.2	7.2	7.9	10.6

Source: Maybank IB

SG&A to sales ratio

Nguồn: Company data, MBKE

PROFIT AND LOSS (VND b)

31 Dec	2009	2010	2011	2012	2013
Sales	**1,529**	**1,934**	**4,247**	**4,289**	**5,200**
COGS exclude Dep.	(943)	(1,161)	(2,372)	(2,282)	(2,936)
Depreciation	(81)	(87)	(201)	(122)	(34)
Gross profit	**505**	**685**	**1,673**	**1,885**	**2,229**
Operating exp.	(276)	(489)	(1,275)	(1,311)	(1,560)
EBIT	**229**	**196**	**398**	**574**	**669**
Net financial incomes (loss)	73	422	(53)	(60)	(1)
Net Income (loss) fr. jv	13	35	7	-	-
Net extraodinaries	258	24	(2)	(13)	0
PBT	**572**	**676**	**349**	**501**	**669**
Income tax	(49)	(95)	(71)	(138)	(134)
Minority interest	(42)	(56)	(5)	(6)	(18)
Net profit	**481**	**525**	**274**	**357**	**517**
EBITDA	310	283	599	696	703
EPS	4,135	4,436	1,941	2,277	3,152

BALANCE SHEET (SGD m)

31 Dec	2009	2010	2011	2012	2013
Total assets	**4,248**	**5,032**	**5,809**	**5,518**	**5,784**
Current assets	2,532	2,328	2,559	2,299	2,547
Cash	985	672	967	829	882
ST investment	518	160	374	235	235
Inventories	162	434	398	319	538
Trade receivable	161	241	288	377	354
Others	706	820	531	538	538
Other assets	1,716	2,704	3,251	3,219	3,237
LT Investment	995	1,163	1,256	1,271	1,271
Net fix assets	656	1,279	1,431	1,458	1,500
Others	65	262	564	490	466
Total liabilities	**1,772**	**1,176**	**1,959**	**1,460**	**1,324**
Current liabilities	1,638	1,045	1,784	1,357	1,222
Trade payable	163	307	310	301	348
ST borrowings	407	381	883	530	347
Others	1,067	358	591	526	526
Long-term liabilities	135	131	176	102	102
Long-term debts	119	94	114	53	53
Others	15	38	62	50	50
Shareholders' equity	**2,475**	**3,855**	**3,850**	**4,059**	**4,460**
Paid in capital	2,054	3,007	2,992	3,134	3,200
Reserve	360	732	823	887	1,204
Other provisions	-	-	-	-	-
Minority interests	62	116	35	38	56

CASH FLOW (SGD m)

31 Dec	2009	2010	2011	2012	2013
Operating cash flow	**1,211**	**(450)**	**950**	**411**	**402**
Net profit	481	525	274	357	517
Depreciation	81	87	201	122	34
Change in working capital	556	(1,032)	515	(90)	(149)
Others	93	(30)	(40)	22	0
Investment cash flow	**(222)**	**(717)**	**(962)**	**48**	**(52)**
Net capex	12	(710)	(353)	(149)	(76)
Change in investment	(255)	189	(306)	123	-
Change in other assets	21	(196)	(303)	74	24
Cash flow after Investment	989	(1,167)	(12)	459	350
Financing cash flow	**(211)**	**855**	**307**	**(597)**	**(298)**
Change in share capital	(101)	954	(15)	142	66
Net change in debt	35	(52)	522	(415)	(182)
Others	(10)	76	(57)	(9)	18
Div paid	(135)	(123)	(143)	(315)	(200)
Net cash flow	**778**	**(312)**	**295**	**(138)**	**52**

KEY RATIOS

31 Dec	2009	2010	2011	2012	2013
Growth (YoY %)					
Sales	5.1	26.4	119.6	1.0	21.2
EBIT	99.7	(14.4)	102.8	44.2	16.7
EBITDA	73.0	(8.7)	111.6	16.1	1.1
Net profit	463.2	9.2	(47.9)	30.6	44.7
EPS	470.7	7.3	(56.2)	17.3	38.4
Profitability (%)					
Gross margin	33.0	35.4	39.4	43.9	42.9
EBIT margin	15.0	10.1	9.4	13.4	12.9
EBITDA margin	20.3	14.6	14.1	16.2	13.5
Net margin	31.4	27.1	6.4	8.3	9.9
ROA	14.5	12.2	7.2	7.9	10.6
ROE	21.4	17.1	7.2	9.1	12.3
Stability					
Gross debt/equity (%)	21.8	12.7	26.1	14.5	9.1
Net debt/equity (%)	(40.4)	(9.6)	(9.0)	(12.0)	(16.3)
Interest coverage (x)	5.2	4.6	3.4	6.2	8.2
Interest & ST debt coverage (x)	0.6	0.4	0.5	0.7	1.3
Operating CF interest coverage	27.7	(10.6)	8.1	4.4	4.9
Operating CF int. & ST	2.9	(1.0)	1.3	0.5	0.8
Current ratio (x)	1.5	2.2	1.4	1.7	2.1
Quick ratio (x)	1.4	1.8	1.2	1.4	1.6
Net cash (debt) (VND bn)	976.0	358.4	344.4	482.7	717.0
Per share data (VND)					
EPS	4,135	4,436	1,941	2,277	3,152
OCFPS	10,419	(3,802)	6,739	2,621	2,453
BVPS	20,490	26,299	26,830	25,377	26,443
SPS	13,159	16,342	30,132	27,335	31,716
EBITDA/share	2,670	2,393	4,251	4,435	4,291
Cash Div/share	1,600	2,000	2,000	2,000	2,400

Source: Company, Maybank KE

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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
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EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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