Hold (unchanged)

Share price: VND 51,000
Target price: VND 51,800

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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 also will enter the instant noodle and fish sauce businesses.

Ticker:	KDC VN
Shares Issued (m):	167.6
Market Cap (USD m):	429.3
3-mth Avg Daily Turnover (USD m):	0.1
VN Index:	507.7
Free float (%):	50

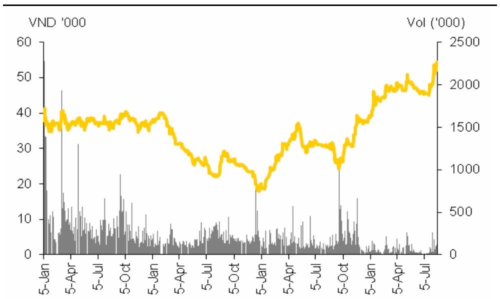
Major Shareholders:

PPK LIMITED COMPANY	10.5
KINH DO INVESTMENT	8.5
DEUTSCHE BANK AG	8.8
EZAKI GLICO	10.2

Key Indicators

ROE – annualised (%)	11.0
Net cash (VND b):	890
NTA/shr (VND):	25,332
Interest cover (x):	6.0

Historical Chart



Performance:

52-week High/Low VND55,500/VND24,200

	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	17.5	10.3	18.5	72.6	36.3
Relative (%)	14.4	6.2	14.9	45.9	10.6

Kinh Do Corporation

Excellent Results But SG&A Is A Concern

1H13 results. KDC's 1H13 revenue increased 10% YoY to VND1,706b, mainly due to a sales volume increase. KDC recorded a net profit of VND78b in 1H13, versus a loss of VND9b in 1H12, as the company suffered a non-recurring loss during that period (see below). In 1H13, KDC achieved excellent results in its core business, with EBIT increasing 41% to VND123b.

Business restructuring. KDC is in the process of restructuring its business. In 1H12, the company divested some of its financials assets, including Nutifood and Tribeco, which resulted in a net financial loss of VND71b. KDC also plans to divest its property assets. We believe that these divestments will free up resources and allow KDC to focus on its core business.

Better gross margins, but SG&A remains a concern. KDC's 1H13 gross margins rose 100bps YoY to 39%, driven by a higher revenue from the ice cream segment, which carries high gross margins of 56%. However, KDC's SG&A-to-revenue ratio reached 32% in 1H13. The steady increase in SG&A-to-sale ratio (2008: 18%; 2009: 2010: 25.3%; 2011: 30%; 2012: 30.4%) is a concern (VNM's SG&A-to-sales ratio is only c.10%). Our sensitive analysis shows that, if KDC manages to decrease its SG&A-to-revenue ratio by 1ppt, the company's EPS would increase 5%.

Mooncake season. KDC's mooncake season has started two weeks ago and will last for two months. The company forecasts that mooncake revenue will increase 15% YoY this year, driven by a 10-12% increase in sales volume and a 3-5% increase in selling prices. We expect the mooncakes, which generate a 52% gross margin, to contribute 35% to total net profit in FY13.

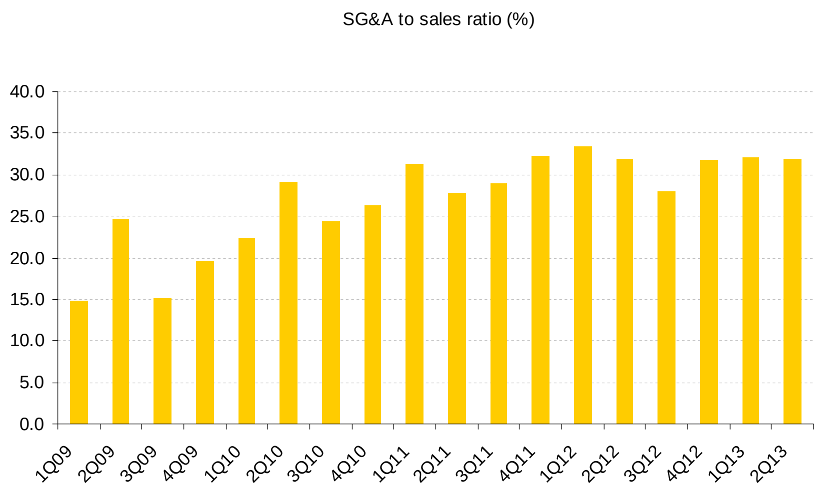
Valuation. We expect KDC's FY13 revenue and earnings to grow 14% and 41% YoY to VND4,873b and VND501b, respectively. However, we think the expected earnings growth is already fully priced-in, as KDC stock price has risen c.20% in the last month. KDC is trading at 17x FY13 PER, versus an expected FY13-16 EPS CAGR of 15%. Maintain HOLD.

KDC– Summary Earnings Table

FYE 31 Dec (VND b)	2009	2010	2011	2012	2013F
Revenue	1,529	1,934	4,247	4,286	4,873
EBITDA	310	283	599	782	752
Recurring Net Profit	293	216	276	411	501
Recurring Basic EPS (VND)	2,521	1,824	1,959	2,619	3,046
EPS growth (%)	212.2	-27.6	7.4	33.7	16.3
DPS (VND)	1,600	2,000	2,000	2,000	2,400
PER	20.2	28.0	26.0	19.5	16.7
EV/EBITDA (x)	16.2	24.3	11.5	9.7	9.2
Div Yield (%)	3.1	3.9	3.9	3.9	4.7
P/BV(x)	2.5	1.9	1.9	2.0	1.7
Net Gearing (%)	-40.4	-9.6	-9.0	-12.1	-31.9
ROE (%)	21.4	17.1	7.3	9.0	11.1
ROA (%)	14.5	12.2	7.2	7.9	9.2

Source: Maybank IB

SG&A to sales ratio



Nguồn: Company data, MBKE

PROFIT AND LOSS (VND b)

31 Dec	2009	2010	2011	2012	2013F
Sales	**1,529**	**1,934**	**4,247**	**4,286**	**4,873**
COGS exclude Dep.	(943)	(1,161)	(2,375)	(2,202)	(2,564)
Depreciation	(81)	(87)	(199)	(215)	(129)
Gross profit	**505**	**685**	**1,673**	**1,869**	**2,180**
Operating exp.	(276)	(489)	(1,273)	(1,302)	(1,556)
EBIT	**229**	**196**	**400**	**567**	**624**
Net financial incomes (loss)	73	422	(53)	(57)	53
Net Income (loss) fr. jv	13	35	7	-	-
Net extraodinaries	258	24	(2)	(20)	(19)
PBT	**572**	**676**	**352**	**490**	**657**
Income tax	(49)	(95)	(71)	(132)	(158)
Minority interest	(42)	(56)	(5)	(3)	2
Net profit	**481**	**525**	**276**	**354**	**501**
EBITDA	310	283	599	782	752
EPS	4,135	4,436	1,959	2,256	3,046

BALANCE SHEET (VND b)

31 Dec	2009	2010	2011	2012	2013F
Total assets	**4,248**	**5,032**	**5,832**	**5,515**	**6,556**
Current assets	2,532	2,328	2,559	2,289	3,376
Cash	985	672	967	829	2,073
ST investment	518	160	374	237	242
Inventories	162	434	398	317	304
Trade receivable	161	241	288	375	138
Others	706	820	531	531	620
Other assets	1,716	2,704	3,274	3,225	3,180
LT Investment	995	1,163	1,256	1,271	1,271
Net fix assets	656	1,279	1,454	1,452	1,428
Others	65	262	564	502	481
Total liabilities	**1,772**	**1,176**	**1,959**	**1,469**	**1,492**
Current liabilities	1,638	1,045	1,784	1,353	1,192
Trade payable	163	307	310	312	310
ST borrowings	407	381	883	530	461
Others	1,067	358	591	511	421
Long-term liabilities	135	131	176	116	300
Long-term debts	119	94	114	53	240
Others	15	38	62	64	61
Shareholders' equity	**2,475**	**3,855**	**3,873**	**4,045**	**5,064**
Paid in capital	2,054	3,007	2,992	3,134	3,868
Reserve	360	732	846	877	1,194
Other provisions	-	-	-	-	-
Minority interests	62	116	35	35	1

CASH FLOW (VND b)

31 Dec	2009	2010	2011	2012	2013F
Operating cash flow	**1,211**	**(450)**	**970**	**479**	**667**
Net profit	481	525	276	354	501
Depreciation	81	87	199	215	129
Change in working capital	556	(1,032)	515	(82)	68
Others	93	(30)	(19)	(8)	(31)
Investment cash flow	**(222)**	**(717)**	**(982)**	**(30)**	**(87)**
Net capex	12	(710)	(374)	(213)	(105)
Change in investment	(255)	189	(306)	121	(4)
Change in other assets	21	(196)	(303)	62	21
Cash flow after Investment	989	(1,167)	(12)	449	579
Financing cash flow	**(211)**	**855**	**307**	**(586)**	**664**
Change in share capital	(101)	954	(15)	142	734
Net change in debt	35	(52)	522	(415)	118
Others	(10)	76	(57)	2	(37)
Div paid	(135)	(123)	(143)	(315)	(152)
Net cash flow	**778**	**(312)**	**295**	**(138)**	**1,243**

KEY RATIOS

31 Dec	2009	2010	2011	2012	2013F
Growth (YoY %)					
Sales	5.1	26.4	119.6	0.9	13.7
EBIT	99.7	(14.4)	104.0	41.7	9.9
EBITDA	73.0	(8.7)	111.6	30.6	-3.8
Net profit	463.2	9.2	(47.4)	28.2	41.6
EPS	470.7	7.3	(55.8)	15.2	35.0
Profitability (%)					
Gross margin	33.0	35.4	39.4	43.6	44.7
EBIT margin	15.0	10.1	9.4	13.2	12.8
EBITDA margin	20.3	14.6	14.1	18.3	15.4
Net margin	31.4	27.1	6.5	8.3	10.3
ROA	14.5	12.2	7.2	7.9	9.2
ROE	21.4	17.1	7.3	9.0	11.1
Stability					
Gross debt/equity (%)	21.8	12.7	26.0	14.5	13.8
Net debt/equity (%)	(40.4)	(9.6)	(9.0)	(12.1)	(31.9)
Interest coverage (x)	5.2	4.6	3.4	6.0	11.2
Interest & ST debt coverage (x)	0.6	0.4	0.5	0.7	1.1
Operating CF interest coverage	27.7	(10.6)	8.3	5.1	12.0
Operating CF int. & ST	2.9	(1.0)	1.3	0.6	1.2
Current ratio (x)	1.5	2.2	1.4	1.7	2.8
Quick ratio (x)	1.4	1.8	1.2	1.4	2.5
Net cash (debt) (VND bn)	976.0	358.4	344.4	484.8	1,613.9
Per share data (VND)					
EPS	4,135	4,436	1,959	2,256	3,046
OCFPS	10,419	(3,802)	6,884	3,052	4,052
BVPS	20,490	26,299	26,991	25,313	30,200
SPS	13,159	16,342	30,132	27,316	29,615
EBITDA/share	2,670	2,393	4,251	4,987	4,572
Cash Div/share	1,600	2,000	2,000	2,000	2,400

Source: Company, Maybank KE

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CAGR = Compounded Annual Growth Rate
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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