

OVERWEIGHT

Target price VND 14,000
Current price VND 11,500

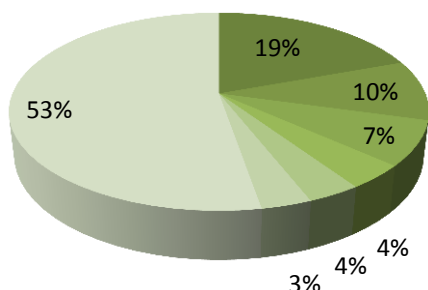
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Co. Profile

Ticker	NHS
Charter Capital (VND bil)	607.5
Outstanding shares (mil)	60.8
Market Capital (VND bil)	729
52W range (VND)	11,500 - 15,700
Ave. trading volume 3M	90,548
Beta	0.32
Foreign Ownership	2.3%
First listing date	2-Jul-2010

Major shareholders

Thanh Thanh Cong Investment JSC.	19.43%
Bourbon Tay Ninh JSC	9.87%
Thuan Thien Investment Co, Ltd	7.27%
Trung Vuong Co, Ltd	3.94%
Tran Yen Duyen	3.49%
Gia Lai Electric JSC	3.29%



Price movement

	3M	6M	12M
Absolute	+2.7	+2.7	+4.2
Percentage (%)	+23.5	+23.5	+36.5



Sailing uptrend in an adverse currency

• **Impressive 9M13 profit surpassed yearly target:** Despite smuggled sugar has caused significant impacts to domestic sugar sector, Ninh Hòa Sugar JSC still reported impressive profit during the first 9 months in 2013. Benefiting from increasing sugar processing capacity which rose from 3,000 tonnes/year to 4,300 tonnes/year and cultivated sugarcane land expansion, *NHS's revenue jumped by 37.4% YoY to 972,600 VNDbn in this period and had accomplished 99.6% of FY13 conservative annual target.* The COGS per sales, on the other hand, stabilized at 85% as that of the previous period thanks to lower electricity bills derived from the innovation of utilizing megass (waste of sugarcane) to generate electric for operation. 9M13 Operating income (EBIT), hence, elevated 21.8% YoY while EBIT margin perceived a slight reduction due to the soaring SG&A expenses for supporting sales promotion. The substantial reduction in financial expense, along with the higher profit recognition from its joint venture investments during the period, also help to boost the earning performance. *The bottom line (EAT), as a result, posts an impressive advance of 39.7% growth YoY to a recorded profit of 95.4 VNDbn, a level surpassing the original FY13 target of 37.6 VNDbn by 2.5 times.*

• **Long-term prospect of Ninh Hoa Sugar remained solid:** Cheaper sugar from trafficking and smuggling has casted a shadow over the prospect of Vietnam sugar sector. Inventory in local manufactories is escalating and farmers are forced to substitute sugarcane for other plants that yield higher return. According to Vietnam Sugar and Sugarcane Association (VSSA), the domestic oversupply is estimated to be 220,000 tonnes currently while illegal sugar smuggling has reached, on average, 500,000 tonnes per year. As a consequence, the excess stock next year, which is expected to be 370,000 tonnes, will continue to suppress the domestic sugar price.

In spite of the gloomy industry prospect, NHS's competitive strategy for the period of 2012-2015 convinced us to retain our positive assumption on the long-term growth momentum of this company. As concerning about the potential shortage of sugarcane which stemmed from shrinking cultivated land, NHS is planning to expand the sugarcane planted area to an approximate 7,000-7,500 hectares by 2015 to ensure the stability of raw input source. Sugar processing capacity, in addition, will also reach 5,200 tonnes/year by the end of this year and 6,000 tonnes/year in 2014. Meanwhile, craving for diversifying its revenue streams, the company is engaging in electricity trading by constructing a 30 MW electric generator to exploit the existing megass. *The core businesses, as a result, are expected to generate 1,121 VNDbn revenues in 2013, a level which exhibits a growth of 20% YoY.*

• **Better cost control will be rewarded with high profit:** The introduction of farm mechanization, in an attempt to reduce labour costs and increase productivity, will potentially benefit the company's GPM in the future. Interest expenses, meanwhile, is also expected to decline since NHS now is more relied on internal capital and equity than long-term debt to improve the company's operating flexibility in the long run. *FY13 consolidated net profit, therefore, will offer a betterment of 45.3% YoY to 118.5 VNDbn, outperforming the planned target by 3 times.*

• **Overweight rating with a target price of 14,000.** Our target price is based on multiple valuation method with P/E (60% weight with P/E 3.8x and forecasted EPS) and P/B (40% weight with P/B 0.6x and forecasted BVPS). *Given the fact that the company is still in the fast-growth phase and attractive FY13 cash dividend payout of 15%, we maintain bullish on Ninh Hoa Sugar stock with a target price of 14,000, which implies 21.7% upside potential.*

Financial Snapshot

(bil. VND)	9M11	9M12	9M13	FY13 Co. plan	2013E
Net Revenue	741,132	707,950	972,600	976,689	1,121,540
% gross margin	18.9%	15.1%	14.7%		14.1%
% OP margin	16.5%	11.5%	10.2%		10.0%
EBT	90,973	81,508	118,104	50,170	144,340
% EBT margin	12.3%	11.5%	12.1%		13.8%
Net profit	68,602	68,335	95,435	37,630	118,500
% growth YoY	-13.6%	-0.4%	39.7%		45.3%
EPS (TTM)	2,259	2,250	3,142		3,901
BVPS	34,987	12,224	19,295		23,709
P/E	5.22	5.25	3.76		3.02
P/B	0.34	0.97	0.61		0.5

Company description

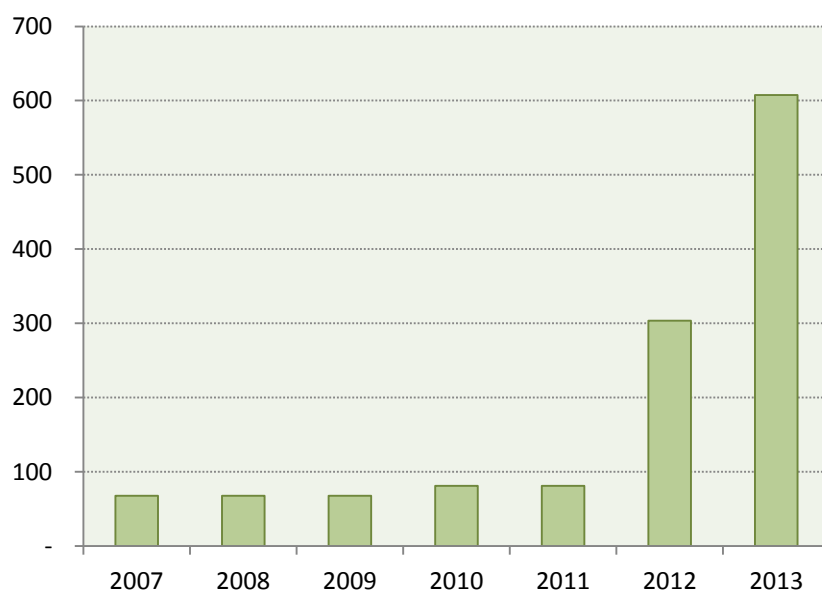
Ninh Hoa Sugar Joint Stock Company is a Vietnam-based company engaged in the food processing industry. It is involved in the manufacture and wholesale and retail trading of refined sugar, along with sugarcane farming and harvesting. The Company also manufactures syrup, as well as manufactures and sells fertilizers to other companies engaged in sugarcane farm operations. In addition, it is engaged in electricity generation from sugarcane residue, along with electricity trading. Other activities include the trading of farm supplies and the provision of warehousing services and trucking services. As of December 31, 2012, the Company had one subsidiary and three affiliates.



Company history

- Precursor of Ninh Hoa Sugar JSC was Ninh Hoa Sugar Factory, a division of Khanh Hoa Sugar company.
- 4/1996, the first factory established with preliminary capacity of 1,250 tonnes/day
- 3/2006, Ninh Hoa Sugar factory officially became Ninh Hoa Sugar Joint Stock Company, with primary chartered capital of 67,8 VNDbn.
- 7/2010, first listing day on HOSE trading exchange. Chartered capital at that time was 303.75 VNDbn.

Capital increase process (VND'mil)



Financial ratio(bil VND)

Income statement	2010	2011	2012	2013E	Financial ratios	2010	2011	2012	2013E
Net sales	437	782	935	1,122	Growth rate				
Cost of goods sold	316	640	801	965	Revenue growth rate	55%	79%	19%	20%
Gross profit	121	143	134	157	Gross profit growth rate	58%	18%	-6%	17%
Selling expenses	20	19	38	45	EAT growth rate	38%	-9%	1%	45%
Operating profit	101	124	96	112	Total asset growth rate	100%	41%	53%	26%
Total profit before tax	102	98	101	144	Equity growth rate	55%	16%	100%	32%
Corporate Income Tax	13	18	16	26	Profitability ratios				
Profit after Tax	89	80	82	119	Gross profit margin	28%	18%	14%	14%
Balance sheet	2010	2011	2012	2013E	EBT margin	23%	13%	11%	13%
Total asstes	422	597	913	1,151	Net profit margin	20%	10%	9%	11%
Current assets	153	193	293	358	ROA	31%	24%	18%	14%
Cash & equivalent	0	3	40	103	ROE	38%	30%	15%	16%
Receivables	112	149	187	187	DuPont Analysis				
Inventories	37	36	63	57	Net profit margin(1)	20%	10%	9%	11%
Long-term assets	269	404	620	793	Asset turnover (2)	1.04	1.31	1.02	0.97
Tangible fixed assets	186	282	325	426	Equity multiplier (3)	1.79	2.19	1.68	1.60
Resources	422	597	913	1,151	ROE = (1)x(2)x(3)	38%	30%	15%	16%
Liabilities	187	325	365	431	Management ratios				
Short-term loans	31	127	177	212	Receivable outstanding days	70	61	66	61
Long-term loans	107	118	92	101	Inventory outstanding days	41	21	23	23
Equities	236	272	545	720	Payable outstanding days	16	12	12	12
Chartered capital	81	81	304	304	Asset turnover	1.38	1.53	1.24	1.09
Retained profit	49	76	117	172	Long-term asset turnover	2.29	2.32	1.82	1.59
Cash flow	2010	2011	2012	2013E	Tangible fixed asset turnover	3.24	3.34	3.08	2.99
Net operating cash flow	23	40	(9)	77	Liquidity ratios				
Net profit after tax	89	80	82	119	Current ratio	1.94	0.94	1.09	1.10
Plus depreciation	39	65	85	96	Quick ratio	1.47	0.76	0.85	0.92
Net Investing cash flow	(148)	(108)	(152)	(220)	Cash ratio	0.00	0.01	0.15	0.31
Net Financing cash flow	120	70	198	206	Capital Structure				
Net Cash Flows	(5)	2	37	63	Total debt/Total Equity	59%	90%	49%	43%
Cash at the end	0	0	0	4	Total debt/Total Asset	33%	41%	29%	27%
Cash at the begin	0	3	40	103	Total asset/Total Equity	179%	219%	168%	160%
					Index per share				
					PE	0.99	1.19	2.78	3.02
					PBV	0.37	0.35	0.42	0.50
					PS	0.20	0.12	0.24	0.32
					EPS	11,915	9,927	4,242	3,901
					Cash earning/share	2,068	(33,097)	9,515	5,163
					Book value	31,663	33,603	28,310	23,709

Source: NHS and PHS's expectation

Analyst Certification

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Ratings Definition

Overweight (OW) = Expected to outperform the current market by >10%

Neutral (N) = Expected to in line with the current market by +10%~ -10%

Underweight (UW) = Expected to underperform the current market by >10%.

Performance is defined as 12-month total return (including dividends).

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