

THUDUC HOUSE (TDH – HSX)

The finish line not in sight

Focus on completed projects inventories free-up of. In FY2013, TDH has delayed all of their new investment and laid their focus on clearing their inventory of apartments and residential land plots. Changes in the sales policy accelerated sales so that 18 out of 98 outstanding flats at the beginning of the year at Truong Tho Apartment and 6 out of 15 flats at Phuoc Binh Apartment have found owners. Concerning residential land, the Company has sold 9 out of the remaining 29 plots at Phuoc Long Spring Town – Phase 1. For the second phase TDH plans to offer another 60 plots, which will bring the total number of plots for sale in FY 2014 to 80 plots. For Long Hoi City – Phase 1, 5 plots has found owner whereas 70 are still in stock.

Financial restructure using VND250 bn long-term debt. TDH previously planned to issue VND420 bn worth of bonds to Orient Commercial Bank (OCB), in which VND204 bn will be used to repay its convertible bonds, dueing November 17, 2013. However the firm later changed their mind. According to that the revised plan, TDH has entered a VND250billion, floating rate (13-month-deposit-rate plus 2%, reset every 6 months), long-term debt with Dai A Bank. Dai A has discharged ~VND120 bn for TDH's convertible bond repayment.

Q3FY2013's profit margin increased thanks to sales at Market House B – ThuDuc Agromarket. In Q3FY2013, TDH reported a one-time revenue item from the long-term lease of 38 floors in House B. This business line has a high profit margin which help raised the overall gross profit margin to 51% in Q3FY2013, from the average of 22 – 25% in previous quarters. Currently, the area is fully occupied, for which full revenue has been recognized.

Thanks to the improvement of profit margin, reduced selling expenses and financing cost, TDH reported PBT of ~VND16 bn in Q3FY2013, compare with a loss of VND8.5 bn a year earlier. For the first nine months of 2013, total revenue reached VND284 bn and NPAT VND8 bn, which fulfilled 41% and 14% of the year's revenue and net profit guidance.

TDH may not meet its yearly target without parting with some of its real estate projects and financial investments. Most of TDH's revenue in the first nine months was contributed by residential land and apartment projects such as Binh An, TDH – Truong Tho, TDH – Phuoc Binh, Long Hoi City and Spring Town. Revenue from the real estate business in Q4FY2013 may not come from any other.

Particulars (VND bn)	3QFY13	2QFY13	% Chg. (qoq)	3QFY12	% Chg. (yoy)
Net revenue	93.3	106.1	-12.1%	73.8	26.5%
NPAT	15.3	-8.1	N/A	-8.4	N/A
EBIT	20.5	14.8	38.3%	0.0	N/A
EBIT margin	22.0%	14.0%	801 bps	-0.1%	2205 bps

Source: TDH Financial statement, RongViet Securities' compilation and estimates

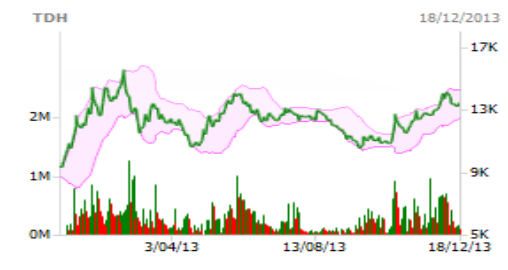
Please refer to important disclosures at the end of this report

MONITOR

CMP (VND) 14,200

Stock Info

Sector	Real Estate
Market Cap (VND bn)	543
Beta	1.1
Free float (%)	72.7
52 weeks High	15,600
52 weeks Low	9,400
Avg. Daily Volume (in 20 sessions)	375,527



Peformance (%)

	3M	1Y	3Y
TDH	21.6	43.6	-59.9
Real Estate	-28.2	-32.5	N/A
VN30 Index	-0.6	20.8	N/A
VNIndex	0.9	28.4	4.1

Shareholders pattern (%)

(HFIC)	8.8
Deutsche Bank AG & Deutsche Asset Management (Asia) Ltd	6.6
J.P Morgan WhiteFriars INC.	6.0
Red River Holding	5.9
Foreigner Investor Room (%)	0.0

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Meanwhile, the transfer of La Sapinette Hotel and Phuc Thinh Duc Apartment as well as the liquidation of TDH's investment in Orient Commercial Bank and Textile Financial Company are still on negotiation table and may not translate into revenue in FY2013.

Regarding to the TDH's associates' operations, 140/200 flats at Cantavil Premier Apartment (owned 40% by TDH's) were sold in FY2012. The Company has not plan to report profit from this project just yet. Hang Xanh Building (TDH's stake is posted at 45%), was completely occupied at an average rent of USD7.5/m²/50-year-period, for which profit will be recorded on lessee's payments. A specific recognition schedule, however, has not been announced yet.

FY2014 plan: Expansion of residential land and farm products trading. Not only has TDH focused on freezing up its inventory of real estate goods, in FY2013, the Company has also made its first step into the businesses of farm product import-export and fertilizer trading. The firm may continue pursuing this strategy in FY2014. Although the profit margins of this new businesses are quite low (3-5%), it will bring low-risk and less volatile revenue. Such expansion is to take advantage of the existing ThuDuc Agromarket to enhance revenue and supplement cash flows given the struggling real estate market.

For the real estate business, along with boosting sales at finished projects, TDH will continue to negotiate compensation and offer land plots at Binh Chieu – Phase 2, Long Hoi City – Phase 2 and Spring Town – Phase 2. TDH's S-Home projects (a low-end apartment line), i.e. Phuoc Long Apartment, Binh Chieu Apartment and Spring Town, are still in wait for design approvals which the Company expects to attain in FY2014. The execution of these projects, however, may only be considered once the real estate shows really positive signals.

Outlook:

TDH's business in FY2013 is not much satisfying due to the real estate arm of the Company coming up short of expectations and that the Company has failed to part with some of its real estate projects and financial investments. With FY2013 NPAT forecast of VND17.7 bn, down by 46% y-o-y and fulfilling 30% of the annual target, estimate EPS is about VND468, which translates into forward PE 30,3x. Given the low business results, TDH does not plan to pay cash dividend in FY2013.

Revenue of the real estate business in FY2014 will come mainly from residential land projects. The farm product and fertilizer trading business may enhance revenue and supplement working cash flow but is unlikely to help much in term of profit due to its low margin. Still, we appreciate TDH as a long-term stock due to (1) About 80% of its current land bank is cleared-land; (2) TDH's FY2014 profit and cash flow will be significantly improved if they book revenue from Cantavil Premier, Hang Xanh Office Building and successfully withdraw from its other investments; and, (3) TDH's current per-share book value is 2.6 times higher than market price.

Exhibit 01: Key financials

Y/E Sep (VND bn)	FY2011	FY2012	FY2013E
Net sales	533	200	370
% chg	-4.4	-62.5	85.1
Net profit	45	33	18
% chg	-82.1	-26.6	-45.9
Net margin (%)	8.4	16.4	4.8
EPS (VND)	1,184	870	468
Book value (VND)	34,805	35,388	24,451
Dividend (VND)	1,000	1,000	0
P/E (x)*	12.0	16.3	30.3
P/BV (x)*	0.4	0.4	0.6
ROA (%)	1.9	1.5	1.0
ROE (%)	33.1	24.7	15.6

Source: Source: TDH Financial statement, RongViet Securities' compilation and estimates, *As of 20/12/2013

Projects Inventory

Projects	Description	Beginning inventory FY2013 (plot/flat)	FY2013 sales (plot/flat)	Outstanding (plot/flat)
Long Hội City	Land plot	75	5	70
TDH - Trường Thọ	Apartment	98	18	80
TDH - Phước Bình	Apartment	21	6	15
Phước Long Spring Town - GĐ 1	Land plot	29	9	20
Bình An	Land plot	9	0	9
Tam Bình	Land plot	1	0	1
Bình Chiểu	Land plot	6	0	6

Source: TDH, RongViet Securities database

TDH's Projects

	TDH's ownership	Location	Area (m2)	Description	Processing/Planning
Binh Chieu – 2 nd Phase (*)	100,0%	Thu Duc district, HCMc	40.340	Land plot	- FY2014: Negotiation to compensate the remaining 10% of area, sales offer continuation.
Phuoc Long Spring Town – 2 nd phase (*)	66,9%	District 9, HCMc	60 plot	Land plot	- Infrastructure investment for Phase 2; - 60 plots offered in FY2014.
KDC Trung tâm thị trấn Bến Lức - Giai đoạn 2 (*)	49,0%	Long An province	114.000	Land plot	- Boost compensation of the remaining 5 – 10% of area; infrastructure investment and sales open in FY2014.
Phuoc Long Spring Town (**)	66,9%	District 9, HCMc	37.140	Apartment and shopping center	- Execution when market condition improves.
TDH – Phuoc Long (**)	100,0%	District 9, HCMc	3.573	Low-end apartment	- Finish foundation and basement construction. - Waiting for S-Home design approval. - Invested implementation when seeing the positive signals from real estate market.
TDH – Binh Chieu (Plot I and Plot H) (**)	100,0%	Thu Duc district, HCMc	10.502	Low-income apartment	- Waiting for S-Home designed approval. - Execution when market condition improves..
Hang Xanh Office Building	45,0%	Binh Thanh District	607	Leasable office	- 50-year period leasing contract signed, lease rate at USD7.5 per m2 (no VAT). Revenue not yet recognized.
Cantavil Premier	40,0%	District 2, HCMc	11.170	Luxury apartment	- 140/200 flats sold, revenue not yet recognized..
Centum Wealth	49,0%	District 9, HCMc	11.582	Apartment	- In wait for design approval.
TDH - Tocontap	67,0%	District 9, HCMc	11.634	Apartment	- Delay
La Sapinette - Huế		Hue province	50.000	Resort	- Delay
Dự án 10,3ha phường Hiệp Bình Chánh	100,0%	Thu Duc district, HCMc	103.000		- Delay.
Aquila Plaza	30,0%	District 9, HCMc	12.667		- Delay.
TDH - Phúc Thịnh Đức	70,0%	District 9, HCMc	14.680	Apartment	- On negotiation to transfer.
Phố Minh Khai	14,0%	Ha Noi	28.726	Complex	- Delay
Dự án 1,8 ha phường Hiệp Bình Phước	100,0%	District 9, HCMc	1.800		- Delay
Cao ốc phức hợp VP, TMDV khách sạn và căn hộ cho thuê Lăng cô Huế					- Delay
Khu tái định cư Tam Tân Củ Chi					- Delay
Bình Khánh - Thủ Thiêm					- Delay

Source: TDH, RongViet Securities database

BRIEF UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

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Ratings Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to -5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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