

Recommendation	BUY
<i>Target price</i>	48,000
<i>Current price</i>	6,000 VND
<i>Investment horizon</i>	5 years.

BRIEF REPORT**Highlights**

- ❖ SDH was established in 2012 based on a branch of SD9. The company originally is a subsidiary of Song Da Corporation. The biggest shareholders of the company are Lucerne Enterprise Ltd and Asean Small Cap Fund who are holding 10.53% and 8.85% respectively.
- ❖ In the revenue composition of SDH, 40% comes from soft land/ground construction, 40% comes from real estate and industrial parks.
- ❖ Yen Phong II Industrial Park has total area of 500ha (3 phases). The industrial park is located on the National Highway No. 8 and the National Highway No. 12. Sumimoto is interested in investing in this project. With expected profit of 15\$ per m2, we value the first phase of this project (270ha) has NAV of 864 bil VND.
- ❖ SDH has not announced the financial statement of 2013 yet. However, according our information from the chief accountant, the company has recorded significant increase in return of Q4 and has positive profit in 2013. This is a signal of the company's recovery from economic recession.
- ❖ Although the company record loss in recent quarter, its cash flow from operation is positive and cash available increased significantly recently.

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GENERAL INFORMATION

Basic Information	
Price on March 01 (k VND)	6.0
EPS trailing (k VND)	-0.6
P/E	-9.83
Book value per share (k VND)	7.02
Beta	2.33
Average trading volume	374,910
Outstanding shares	21,238,100
Market Cap (bil VND)	127.43

listed in the board of management.

SDH was established in 2012 based on a branch of SD9. The company originally is a subsidiary of Song Da Corporation. However, at this moment, Song Da Corporation is not a shareholder of SDH anymore.

SDH has been listed in HNX since Oct 19 of 2009. The biggest shareholders of the company are Lucerne Enterprise Ltd and Asean Small Cap Fund who are holding 10.53% and 8.85% respectively. Other big shareholder is Ms. Chu Thi Thu Trang and Mr. Nguyen Viet Cuong who is not

COMPANY ANALYSIS

Business Model

In the revenue composition of SDH, 40% comes from soft land/ground construction, 40% comes from real estate and industrial parks.

Soft land construction

SDH has 3 groups of equipments and has handled soft land for many big projects such as Sam Sung Thai Nguyen Industrial Park, Vung Ang – FOMOSA Economic Zone (expect to finish in this March), Ho Guom Plaza...

At the moment, SDH is processing soft land for a project in Le Van Luong Street, Mong Duong Factory; they are only using 30% capacity of the equipments.

Yen Phong II Industrial Park

Yen Phong II Industrial Park has total area of 500ha (3 phases). The industrial park is located on the National Highway No. 8 and the National Highway No. 12, 15 km far from North Thang Long Industrial Park (this industrial park is hired by companies who manufacture electric components for Sam Sung).

Sumimoto would like to invest in Yen Phong II because at this moment, North Thang Long does not have vacancy. Other Taiwan company is interest in this project, might co-invest with SDH and attract new clients.

SDH is currently constructing the first phase of this project (270ha ~ 60 mil USD). The company has already have investment certificate and clear 10ha). The company expects to receive 15\$ profit per square meter.

Growth

Unit: Bil VND	2009	2010	2011	2012	TTM Q3
Sales	140.39	361.35	445.33	309.04	854.60
Growth rate of sales		157.4%	23.2%	-30.6%	176.5%
Net income	17.68	37.06	(1.07)	(70.73)	(7.29)
Growth rate of net income		109.6%	-102.9%	6520.1%	-89.7%
Total asset	287.18	535.01	611.02	559.29	545.02
Growth rate of total asset		86.3%	14.2%	-8.5%	-2.6%
Owner equity	83.61	256.94	215.73	146.05	149.13
Growth rate of owner equity		207.3%	-16.0%	-32.3%	2.1%

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Extract from cash flow statement

Bil VND	Q3/12	Q4/12	Q1/13	Q2/13	Q3/13
Earnings before tax	-7	13.7	-14.2	1.3	-1.6
CF from operation	-12.1	24.5	-2	10.6	16.3
CF from investment	-1.4	1.6	23.3	-2.8	1
CF from finance	10	-35.8	-20.4	-10.6	-6.1
Cash available	15.6	6	7	4.2	15.3

Please note that although the company record loss in recent quarter, its cash flow from operation is positive and cash available increased significantly recently. This indicates that the company still received cash from its clients but hasn't recorded revenue, yet.

Financial Ratios

Ratios	2009	2010	2011	2012	TTM Q3
Liquidity Ratios					
Current Ratio	1.27	1.87	1.32	1.12	1.26
Quick Ratio	1.05	1.52	0.96	0.70	0.76
Cash Ratio	0.08	0.02	0.04	0.02	0.05
Solvency Ratios					
Long term Debt/Total Asset	0.06	0.06	0.03	0.02	0.01
Debt/Total Asset	0.19	0.20	0.29	0.24	0.21
Liability/Total Asset	0.69	0.44	0.57	0.66	0.64
Activity Ratios					
Day of sales outstanding	252	192	207	270	344
Day of inventory on hand	102	65	86	165	338
Number of days of payable	108	77	54	94	211
Cash conversion cycle	247	180	238	340	470
Profitability Ratios					
Gross profit margin	16.7%	15.9%	12.0%	6.0%	10.4%
Operating profit margin	6.2%	11.6%	0.5%	-25.4%	-0.5%
Pretax profit margin	15.9%	13.4%	-0.1%	-21.9%	-0.4%
Net profit margin	12.6%	10.3%	-0.2%	-22.9%	-3.6%
ROA	8.3%	9.0%	-0.2%	-12.1%	-1.3%
ROE	23.3%	21.8%	-0.5%	-39.1%	-4.9%

As many other distress securities, SDH has low liquidity ratios, high leverage, and low profitability. However, it has some positive feature such as gross profit margin is always positive, debt/total asset is low while overall leverage ratio is high.

VALUATION

Calculation of NAV

Items / Bil VND	BV	S	Expected Profit	Revaluation
Inventories				
Work on progress				
Yen Phong II Industrial Park	24.48	270 ha/phase I	15 USD per m2	864.00 bil
Total Asset	545.02			1,384.54
Liabilities	350.79			350.79
Owner equity	149.13			1,033.75
Outstanding shares	21,238,100			21,238,100
Book value/NAV per share (VND)	7,200			48,674
Market price	6,000			6,000
Discount	16.7%			87.7%

SDH is trading at discount of 16.7% on BV and 87.7% on NAV. We can expect a potential upside of ~ 711% in next 5 years.

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