

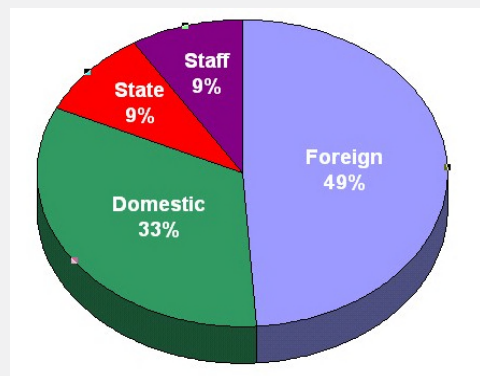
THU DUC HOUSING DEVELOPMENT CORPORATION – TDH

RECOMMENDATION: BUY

GENERAL INFORMATION

Sector	Real Estate
Listed	HOSE
Ticker	TDH
Charter Cap. (VND bn)	252.5
52-week highest price	81,000
52-week lowest price	26,000
Ave. trading vol in 10 days (mn)	15,200

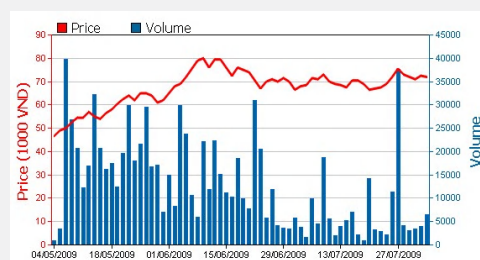
OWNER STRUCTURE



VALUATION MEASURES

Price (1/9/2009)	81,500
Market Capital (VND bn)	2,057.9
EPS 2009 (VND)	9,100
P/E 2009	9.0x
P/B 2009	1.7x
ROA Trailing (%)	15.3
ROE Trailing (%)	24.5

SHARE PRICE PERFORMANCE



Source: HOSE

In this report, we provide an update from our recent visit to TDH and revise our recommendation to BUY and increase our target price from VND 80,000 to VND 100,000.

OVERVIEW

Thu Duc House (TDH), based in HCMC, was officially equitized in 2001 and was listed on HOSE on December 14, 2006. TDH is currently one of the leading real estate developers in HCMC. TDH currently owns 40% in Cantavil JV with Daewon of Korea in developing apartment projects, in addition to strategic partnerships with other companies like Phong Phu Textile, CII, among others.

UPDATE ON COMPANY BUSINESS

On track to targeted profitability in 2009.

- Revenue and net profit for the first six months of 2009 was VND 228bn and VND 102bn respectively, which were sourced mainly from the capital gain of LUR transfer to Cantavil 2 project (79.7bn), Binh Chieu project (73.5bn), Binh An 2 project (29bn), and servicing income (32bn). The Company targets revenue and PAT of VND 550bn and VND 179 bn for 2009, which translate to VND 7,100 EPS.

We upgrade TDH 2009 PAT target to VND 230 bn, translating to an EPS of VND 9,100.

- Key takeaway from our meeting with TDH is their plan to sell profitable investment portfolio in 2H2009 to gain cash flow for their project pipelines. As at end of 1H2009, total long-term financial investment of TDH was VND 685bn, of which listed stock accounted for VND 65.8bn and OTC stock took up VND 260.3bn; of which VND 28bn provision was made. The rest are investment in subsidiary entities, joint-venture companies, and capital contribution for business co-operation. Since most of its portfolios are at low cost under the form of co-founders or strategic investors, recent stock market recovery has created potential gain in their portfolio. In particular, if we look at listed stocks like HCM and CII, TDH investment cost were at around VND 25,500VND/share and VND 16,000VND/share.
- As the sale is expected to take place in 2H2009, we estimate an add-on to bottom line profit of VND 50bn to VND 70bn or a 30% boost to 2009 profit.

Gain from selling treasury stock will further enhance equity.

- TDH announced plans to sell all 1,250,266 shares of its treasury stock held at an average cost of 54,800. The company will raise approximately VND 25bn in capital surplus funds if all shares are sold at the average current market price of VND 75,000.

Accumulation of new land bank is on-going for future development.

- TDH has also recently acquired LUR at 5.5mn/m² at Truong Tho 2 (14,852m²) and Phuoc Long A (14,680m²). In addition, TDH has acquired LUR at approximately VND 5mn/m² for 10ha in Phuoc Long B with the option to acquire another 6ha through a joint venture with Phong Phu Textile to develop a trade and residential center. These new LUR acquisitions will supplement their existing land bank and along with LUR shared with other joint ventures will support future projects to provide a steady revenue stream beyond 2010.
- TDH acquires LUR for inexpensive ready-to-build land in areas ahead of proposed infrastructure build-up to avoid long and often

PROJECTS

Hiep Phu



Cantavil Phase 2



expensive land clearance and compensation costs. Through this strategy, TDH claims a reduction in the turnover cycle of three years to one and half years in some cases.

Brighter outlook in 2010.

- In 2010, TDH expects turnover to be VND 600-700bn with projected revenue from Truong Tho Apartments, Cantavil Phase 2, La Sapinette Hotel Market C, and the recognition of LUR transfer in Hiep Phu Apartment JV.

PROJECT PIPELINE

- **Truong Tho Project:** TDH has sold fewer than 30% of available inventory at Truong Tho Apartments. TDH was able to acquire LUR for the 6,994m² land at a cost of VND 12bn. TDH expects to sell the units for VND 15-16mn/m², below original estimates of VND 21mn/m². Construction in progress on final floor on Block A and B (12 and 15 stories each).
- **Phuoc Binh & Phuoc Long Apartments:** TDH plans to begin construction of residential projects in Phuoc Binh, Phuoc Long at the end of 2009. Construction time is said to be within 18 – 24 months, and selling price is targeted at VND 15mn-16mn/m². Gross margin is forecasted at 40%.
- **Hiep Phu Apartment Project:** This is a joint-venture project between TDH (51%) and Daewon (49%), which is planned to kick off at the end of 2009 with the construction period of around two years. Aimed at middle-income buyers, targeted selling price is around USD 1,600/m². TDH acquired the land at a low price of USD 45/m² and will transfer LUR to the JV at land value of USD 750/m². Revenue and profit from the transfer of such land use right will be recorded in 2010.
- **Cantavil Phase 2:** TDH is transferring the land use right to Cantavil JV at total value of USD 8.3mn and expected profit is around VND 87bn, which will be booked in 2009. TDH predicts their Cantavil phase 2 luxury units which they expect to sell for USD\$2200/m² will attract more buyers due to a more favorable location than the nearby Capitaland-developed Vista luxury units being sold for \$1900/m². Construction cost is around USD 650/m².

RECOMMENDATION: BUY

TARGET PRICE: VND100,000

- From TDH's project pipeline and land bank, and potential gain from its investment portfolio, we roughly estimate its NAV at VND 100,000; a 25% premium versus current share price as of 1/09/2009 VND 81,500.
- As a medium but professional real estate company, coupled with stable annual cash flow and low debt ratio, TDH is well-positioned to take advantage of the eminent recovery of the real-estate market. TDH has shown competence in its land acquisition strategy and its ability to align itself strategically with capable foreign companies. TDH is a good long-term investment for those looking for a solid company with strong fundamentals and a well-defined business strategy. At its current price of VND 81,500, TDH is traded at a discount versus its target price. The expected 30% boost in bottom line profit will probably add momentum for this stock to move up in the near future.
- We recommend a BUY as we feel there is still growth potential considering its adequate project pipeline and attractive forward P/E of 9x compared to its peer average of 13x.

PROJECTS SUMMARY

	Project	TDH Ownership	Location	Land Area (m2)	Net Floor Area (m2)	Project Status & Notes
1	TDH - Truong Tho Apartments	100%	Thu Duc	6,994	28,000	30% of 262 units sold to date. Selling price: VND 16mn/m2
					30,000	
2	Cantavil Phase 2 - HCMC	40%	Dis. 2	11,170	24,723	Selling price: USD 2,200/m2
3	La Sapinette Hotel - Da Lat City	39%	Da Lat	7,902	16,000	Construction complete, interior decoration in progress. Estimated completion in Q3/2009.
4	Binh Chieu Apartments	51%	Thu Duc	10,502		In design phase.
5	Market B	100%	Thu Duc	12,078	5,340	Margin 80%
6	Market C	100%	Thu Duc	6,278	1,495	Construction expected to start in Q2/2009.
7	TDH - Phuoc Binh Apartments	100%	District 9	2,314	7,297	In design phase.
8	TDH - Phuoc Long Apartments	100%	District 9	3,573	12,173	Being prepared for construction design
9	TDH - Hiep Phu Apartments	51%	District 9	11,582	44,319	In design phase.
10	Minh Khai Street Project	14%	Hanoi	28,726	46,877	JV with Daewon (35%) and Phong Phu Textile (51%)
11	Phuoc Long B Apartments and Commercial Space	50%	District 9	37,140	n/a	Executing master plan.
12	Ben Luc - Long An Phase 2 Project	49%	Long An	267,00	125,803	Clear 70% of compensation Executing technical infrastructure design
13	Truong Tho 2	95%	Thu Duc	14,852	n/a	Already signed business corporation contract. Executing investment procedures.
14	Phuoc Long A	70%	District 9	14,680	n/a	Already signed business partnership agreement. Executing investment procedures.
15	Long Hai Resort	40%	Vtau	4.3ha	n/a	In planning phase.

COMPARABLES

COMPARABALE (VND BN.)	TDH	DIG	HAG	BCI	SJS	LCG
Outstanding shares	25,250,000	60,000,000	176,510,076	54,200,000	39,750,000	20,400,000
Charter cap.	252.5	600.0	1,798.1	542.0	400.0	204.0
Shares price (01/09/2009)	81,500	99,500	101,000	56,500	150,000	79,000
Market capitalization	2,058	5,970	17,828	3,062	5,963	1,612
Revenue 2008	608	718	1,885	485	314	445
Profit 2009	230	450	1,050	145	450	160
ROA Trailing	15.36%	7.80%	7.37%	4.99%	12.70%	18.08%
ROE Trailing	24.51%	25.06%	16.12%	11.71%	16.50%	33.29%
P/E 2009	8.95	13.27	16.98	21.12	13.25	10.07
P/B 2009	1.78	4.77	4.02	2.59	3.94	2.38
EPS 2009F	9,109	7,500	5,949	2,675	11,321	7,843

SUMMARY OF HISTORICAL AND PROJECTED FINANCIAL STATEMENTS

INCOME STATEMENT (VND mil.)	2006A	2007A	2008A	1H-2009	2009F*
Revenue of sales & services	145,002	189,216	608,309	228,170	553,004
COGS	96,897	108,346	287,683	113,324	N/A
Gross profit	44,193	80,166	311,845	111,391	N/A
Net operating profit	42,018	170,806	269,152	119,241	N/A
Profit before tax	92,784	187,004	282,185	123,364	243,364
Profit after tax	81,262	164,511	212,040	102,463	192,463
After tax profit of shareholders	79,859	163,449	198,377	99,633	179,633

BALANCE SHEET (VND mil.)	2006A	2007A	2008A	1H-2009
Assets	631,388	605,984	703,520	859,447
Cash & cash equivalents	59,078	13,994	103,749	112,746
Short-term financial investment	75,398	14,464	80,808	88,446
Account receivables	90,399	127,468	123,011	238,901
Inventories	398,648	447,430	395,311	416,608
Other short-term assets	7,865	2,628	641	2,746
Long-term assets	228,314	503,899	729,460	783,044
Long-term receivables	-	-	-	14
Fixed assets	30,361	48,350	76,629	70,547
Investment properites	-	31,629	10,750	10,409
Long-term financial investment	194,385	421,352	624,494	685,278
Goodwill	-	1,335	7,459	7,382
Other long-term assets	3,568	1,233	10,128	9,414
TOTAL ASSET	859,702	1,109,883	1,432,980	1,642,491

Current liabilities	139,314	192,393	200,874	393,182
Long-term liabilities	168,611	146,158	210,814	206,468
Shareholder Equity	542,869	755,810	1,001,009	1,027,016
Chartered capital	170,000	170,000	252,500	252,500
Paid-in surplus	271,434	355,836	509,136	509,135
Treasury stocks	(42,593)	-	(68,488)	(70,809)
Business development fund	60,846	69,894	112,781	204,845
Financial provision fund	3,300	10,149	27,540	27,540
Retained earnings	48,918	141,286	153,111	87,418
Other funds	30,964	8,645	14,429	16,387
Minority interest	8,908	15,522	20,283	15,825
TOTAL CAPITAL	859,702	1,109,883	1,432,980	1,642,491

FINANCIAL RATIOS	2006A	2007A	2008A	1H-2009	2009F*
Revenue growth (%)	-	30.49%	221.49%	-	-9.09%
Net profit growth (%)	-	306.51%	57.58%	-	N/A
Gross profit margin (%)	-	42.53%	52.02%	49.57%	N/A
Operating profit margin (%)	-	90.61%	44.89%	53.06%	N/A
ROA Trailing(%) 4 Quarters	-	16.60%	15.60%	15.36%	11.04%
ROE Trailing (%) 4 Quarters	-	25.17%	22.58%	24.51%	16.27%
EPS (VND)	4,698	9,615	8,266	4,151	7,485
EPS growth (%)	-	104.67%	-14.03%	-	-9.45%
Outstanding shares	17,000,000	17,000,000	24,000,000	24,000,000	24,000,000

*: TDH's plan

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