

# HO CHI MINH SECURITIES CORPORATION (HSX – HCM)

June 17, 2014

## UPDATE REPORT: HOLD



Current Price (6/17/2014) (VND): 35,500  
Target Price (VND): 38,500

Short-Term Trading Recommendation 38,000

Support Level 30,000

Resistance Level 32,600

Bloomberg ticker: **HCM VN** Exchange: HSX

Industry: Securities industry

Beta: 1.26

52w High / Low (VND) 43,400/16,700

Outstanding Shares (mn) 127.229

Market Cap (VNDbn) 4,529

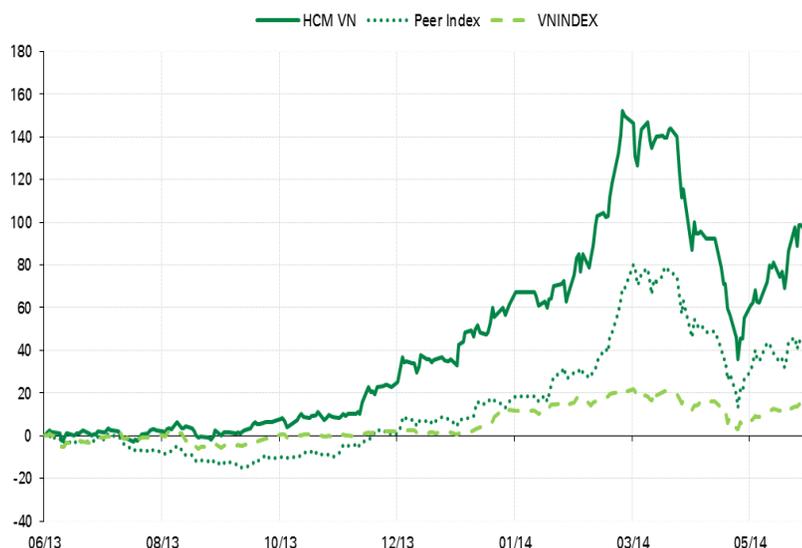
Free Float (mn shares) 47,256

LTM Avg Trading Vol 573,759

Foreign-owned Ratio (%) 49.0%

Year	Div. Yield	EPS
2013E	3.7%	2,471
2012	6.3%	2,443
2011	6.7%	1,947

Ratio	HCM	Peers	VNI
PE	13.2	24.0	13.50
PEG	0.3	Na	Na
P/B	1.93	0.97	1.92
EBIT/I	Na	Na	Na
EV/EBITDA	7.76	5.11	10.28
ROE	14.9%	8.06%	14.4%



In this update report, we keep the HOLD recommendation for HCM with short-term price appreciation and dividend yield potential of 11.52% based on the following:

- ❖ The average market trading value per session in Q1/2014 increased by 109% y-o-y. Accordingly, the forecasted earnings results of HCM are expected to increase significantly.
- ❖ Net income in Q1/2014 was nearly doubled that of Q1/2013
- ❖ HSC's ROE is among the highest in the industry with an average of 12.0% over the past four years.
- ❖ Although losing its first position in terms of HSX brokerage market share to [SSI in Q1/2014, the difference between the two is very marginal (only 0.44%)
- ❖ At the 2014 AGM, HCM shareholders agreed to let the BOD increase the foreign ownership limit to the applicable maximum extent.

## First quarter's earnings results

On April 17, 2014, Ho Chi Minh Securities Corporation (Ticker: HCM – HSX) announced its Q1/2014 results with total revenues of VND226.475 billion, an increase of 50.79% y-o-y and earnings per share of VND945 an increase of 51% y-o-y. The major drivers for this enormous increase in revenue were derived from brokerage and proprietary trading activities. In Q1/2014, thanks to the rally of the VN-index by nearly 15.0% YTD and the increase of 109% y-o-y in average trading value, brokerage revenues of HCM reached VND68.85 billion (Q1/2013: VND48.55 billion), accounting for 30.3% of total revenues this quarter. Notably, revenues from proprietary trading witnessed a tremendous boost with an increase of nearly 200% compared to last year, standing at VND81.39 billion. We deem that this significant increase partly came from the sales of VFM fund certificates. As of the end of 2013, HCM had an amount of VND165 billion invested in fund certificates with unrealized profit of VND57 billion. Therefore, it would be not come as a surprise if investors see declines in proprietary trading revenues in the subsequent periods. With these results, net profit in this quarter was VND120.323 billion (+91.43% y-o-y).

Unit: VND million	Q1/13	Q2/13	Q3/13	Q4/13	Q1/14
<b>Net Revenue</b>	<b>150,189</b>	<b>143,662</b>	<b>141,802</b>	<b>199,105</b>	<b>226,475</b>
<i>in which</i>					
- Brokerage	48,549	42,796	44,520	63,239	68,849
- Proprietary trading	27,412	30,943	23,632	70,933	81,389
- Underwriting	-	-	2,656	2,923	-
- Corporate finance, advisory	731	577	13,933	1,157	331
- Depository securities	985	925	899	902	883
- Interest income	31,776	24,695	16,682	17,573	17,772
- Margin lending	36,410	38,609	35,455	39,237	54,149
- Repos	2,793	2,230	1,211	83	1,403
- Others	1,533	2,888	2,814	3,058	1,699
Net revenue growth, q-o-q	-	-4%	-1%	40%	14%
<b>Cost of services</b>	<b>(44,766)</b>	<b>(41,032)</b>	<b>(47,014)</b>	<b>(43,859)</b>	<b>(50,422)</b>
<b>Gross profit</b>	<b>105,423</b>	<b>102,630</b>	<b>94,788</b>	<b>155,247</b>	<b>176,053</b>
Gross profit margin	70%	71%	67%	78%	78%
G&A Expenses	(21,909)	(21,662)	(19,745)	(20,062)	(21,885)
<b>Operating Profit (loss)</b>	<b>83,514</b>	<b>80,968</b>	<b>75,043</b>	<b>135,185</b>	<b>154,168</b>
Operating profit margin	56%	56%	53%	68%	68%
Net other income/(expenses)	80	-	10	627	4
<b>Profit (loss) before tax</b>	<b>83,594</b>	<b>80,968</b>	<b>75,054</b>	<b>135,812</b>	<b>154,172</b>
Income Tax- current	(20,737)	(20,024)	(18,530)	(33,962)	(33,849)
Income Tax- deferred	-	-	-	-	-
<b>Net profit (loss)</b>	<b>62,857</b>	<b>60,945</b>	<b>56,523</b>	<b>101,850</b>	<b>120,323</b>
Net profit margin	42%	42%	40%	51%	53%

Source: Company data, VPBS collects

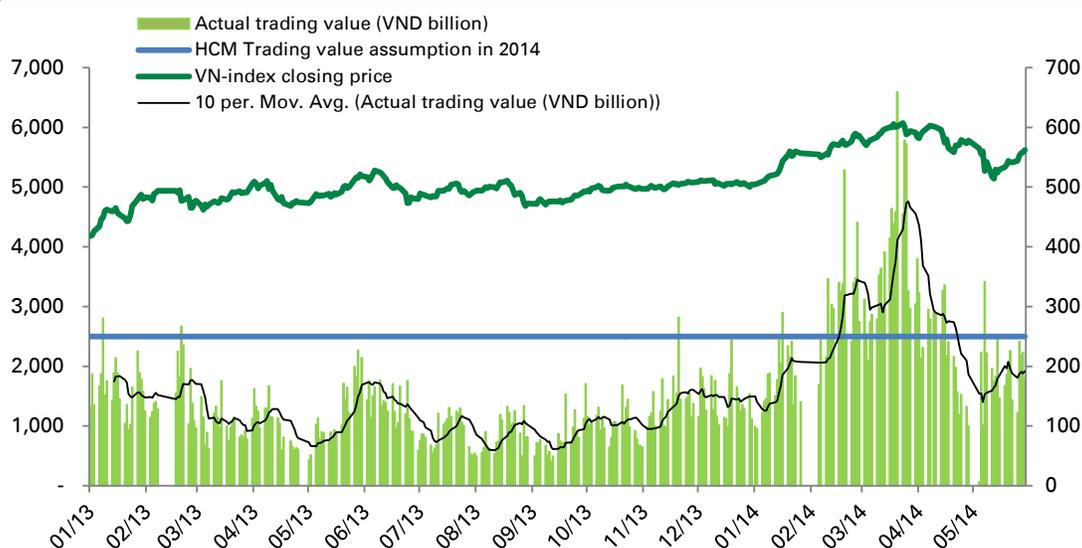
Recently, HCM has announced its estimated 5-month profit before tax (PBT) of VND258 billion, up 81.0% y-o-y and equivalent to 59.0% of the 2014 target PBT. In other words, HCM managed to earn PBT of around VND50 billion each month. Also, the margin ratios of HCM have shown signs of improvement through the quarters, implying the increasing efficiency of HCM's board of management. Given the fact that the proprietary trading activities have been limited in HCM, we could expect this high level of margins to remain for several quarters to come as

HCM focuses on sustainable business activities such as brokerage and margin lending.

## Market trading value will greatly affect HCM business results

With a business model that focuses on brokerage and margin lending activities, the market trading turnover is among the deciding factors in the success of HCM's operation. Brokerage and margin lending contributed over 50% to total revenues from Q1/2013 to Q1/2014.

### VN-index closing price and trading value from 01/01/2013



Source: VPBS

The 2014 business plan of HCM is predicated on several key assumptions, including the assumption that the trading volume of the stock market in 2014 (VND2500 billion/trading session) would be 79.0% higher than that of 2013. What could be drawn from the graph above is that the trading value of the Vietnam stock market is currently below HCM's expectation (the blue line). The average trading value of Vietnam's stock market in May 2014 was on average only VND1962 billion per trading session. Therefore, while HCM has completed 59.0% of the 2014 target PBT by the end of May 2014, HCM would still face the risk of not reaching the 2014 target if the market trading value per trading session is still at current levels.

Other key assumptions of the HCM 2014 business plan include:

- + Brokerage shares for retail and institutional investors would be 7.5% and 4.1% respectively.
- + Interest rates from deposits at banks would fluctuate around 5.5% per annum (2013: on average of 7.5% per annum).
- + Interest rates for margin lending would be 13.0% per annum (2013: 16.9% per annum). Also, the average balance of margin receivables during the year would be VND1500 billion (2013: 922 billion).
- + Corporate income tax (CIT) rate is set at 22.0% as per new regulation.

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## Other updates

### **Best Managed Brokerage House in the APAC region by the Asian Banker**

On May 20, 2014, HCM was awarded The Best Managed Brokerage House in the APAC region in "The Asian Banker Financial Markets Leadership Achievement Awards" held in Malaysia. Also, Mr. Johan Nyvene, HCM's CEO, was also selected as the winner of the CEO Leadership Award. HCM was recognized by The Asian Banker for the long-term strategy of leveraging core competencies in research and technology to constantly provide value-added products.

**2014 dividend was approved at 12.0% on par.** 2013's second phase of dividend was also agreed at 12.0% on par and was executed in May 2014.

### **HCM lost its first position in terms of HSX brokerage market shares in Q1/2014 to SSI.**

However, the difference between the two leading securities companies was very minimal. SSI ranked number one with the HSX brokerage market share of 11.79% while the market share of HCM was 11.35%. In HNX, HCM was still leading the market with the brokerage share of 8.25%, followed up by VNDS with 7.93%.

**Foreign ownership limit (FOL) is expected to expand.** At the 2014 annual general meeting, HCM's shareholders agreed to allow the Board of Members to raise the FOL to the maximum extent in accordance with upcoming new regulations. Currently, the free float factor of HCM shares is around 37% of total shares outstanding.

## Recent performance

In our report initiating coverage on HCM with a HOLD recommendation published on January 14, 2014, we indicated a long-term target price of VND26,600 for HCM stock.

On March 20, 2014, the stock price reached its 12-month peak of VND43,000 but then fell to a low of VND23,000 on May 14. Since then it has steadily trended upward to its current price of VND35,600. These moves were generally in line with the broader market trends.

## Changes in key assumptions of earning models

Due to better-than-expected operating results of the Vietnam stock market in general and HCM in particular, we adjusted some of our key assumptions as follows:

- Market trading value is expected to increase by 30.0% per annum from 2014 to 2018. In our initiating company report, the trading value increase per annum was set at 20.0% in the above period.
- Percentage of total portfolio investment value in total assets is revised to 65.0%, instead of 58.0% as stated in the initiating report. We believe that with the good prospects of the Vietnam stock market in 2014, HCM would increase the amount invested in securities market.
- Percentage of margin receivables in cash and cash equivalent is increased by 7.0% to 70.0% due to the increasing use of margin by investors.

With these changes, our forecasted earnings results would be as below:

Income Statement (VND million)	Initiating report					Company update report				
	2014F	2015F	2016F	2017F	2018F	2014F	2015F	2016F	2017F	2018F
<b>Revenue</b>										
Brokerage revenue	221,702	256,966	297,839	369,872	459,327	257,332	346,199	340,897	589,658	793,290
Margin lending revenue	185,450	214,948	249,138	348,066	432,247	188,348	253,391	465,756	626,599	842,989
Proprietary trading revenue	106,892	127,755	129,560	139,127	141,806	168,849	197,135	217,464	259,087	291,050
Interest income	70,477	83,384	87,548	136,087	144,331	74,905	91,408	102,947	170,237	188,320
Others	43,996	51,413	57,512	71,842	85,030	51,893	66,849	84,833	123,861	159,242
<b>Total Revenue</b>	<b>628,517</b>	<b>734,466</b>	<b>821,597</b>	<b>1,064,994</b>	<b>1,262,741</b>	<b>741,326</b>	<b>954,983</b>	<b>1,211,897</b>	<b>1,769,442</b>	<b>2,274,892</b>
<b>Gross Profit</b>	<b>446,979</b>	<b>522,326</b>	<b>584,291</b>	<b>759,457</b>	<b>900,588</b>	<b>538,257</b>	<b>693,387</b>	<b>879,926</b>	<b>1,284,744</b>	<b>1,651,738</b>
<b>Net Income</b>	<b>259,309</b>	<b>303,021</b>	<b>338,969</b>	<b>440,589</b>	<b>522,464</b>	<b>314,471</b>	<b>405,105</b>	<b>527,270</b>	<b>769,846</b>	<b>989,756</b>

Source: VPBS forecasts

## Valuation

We adjust target price for HCM from VND26,600 to VND37,300 due to the above-expected prospect of HCM's operating results in 2014. In addition, with regards to valuation method, we use Residual income (RI) model, also known as EVA method, and P/E comparisons with the weight in determining target price of 80% and 20% respectively.

HCM target price	
Method	Value
RI method	39,470
Weight	80%
P/E price	34,458
Weight	20%
<b>Weighted price (VND/share)</b>	<b>38,500</b>
<b>Price as at June 17</b>	<b>35,600</b>
<b>Expected dividend yield</b>	<b>3.69%</b>
<b>Total returns</b>	<b>11.52%</b>

Source: VPBS

## Residual income model

We update some inputs in our residual income model as below:

- Risk free rate is taken from the yield of 5-year local currency Government bond yield, which is 7.3%.
- The expected market return is set at 15.0% for the FY2014, equivalent to the VN-index of 576 points.

## P/E comparison

Currently, there are over twenty securities companies listed on the stock exchanges but not all of them have the same business model as HCM. Of these listed securities companies, below we identify those companies having a similar business model (i.e., focusing on brokerage division and limiting proprietary trading activities): VND, SSI, BVS and CTS. Using forecasted EPS of HCM in 2014, we will arrive at the expected price as below:

Listed securities companies		
Ticker	Chartered Capital (VND billion)	P/E (price as at June 16, 2014)
HCM	1,272	15.15
SSI	3,537	21.37
BVS	722	10.79
CTS	789	10.12
VND	999	12.30
<b>Average</b>		13.94
<b>Expected price</b>		<b>34,458</b>

Income Statement (VND million)	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
<b>Revenue</b>											
Brokerage revenue	32,601	121,204	151,051	90,904	145,027	199,104	257,332	346,199	340,897	589,658	793,290
Margin lending revenue	-	31,411	142,025	128,196	185,041	149,711	188,348	253,391	465,756	626,599	842,989
Proprietary trading revenue	229,535	267,795	59,435	30,345	29,807	152,919	168,849	197,135	217,464	259,087	291,050
Interest income	62,932	55,390	61,358	168,264	138,976	90,727	74,905	91,408	102,947	170,237	188,320
Others	39,266	15,477	56,979	62,782	63,521	42,298	51,893	66,849	84,833	123,861	159,242
<b>Total Revenue</b>	<b>364,334</b>	<b>491,278</b>	<b>470,849</b>	<b>480,491</b>	<b>562,372</b>	<b>634,759</b>	<b>741,326</b>	<b>954,983</b>	<b>1,211,897</b>	<b>1,769,442</b>	<b>2,274,892</b>
<i>Growth rate, y-o-y</i>		<i>35%</i>	<i>-4%</i>	<i>2%</i>	<i>17%</i>	<i>13%</i>	<i>32%</i>	<i>29%</i>	<i>27%</i>	<i>46%</i>	<i>29%</i>
<b>Cost of Services (COS)</b>											
Reported COS	265,128	131,127	170,486	156,587	165,712	176,670	222,398	286,495	363,569	530,833	682,468
Less: Depreciation included in COS	1,761	3,326	6,941	9,158	5,851	2,692	7,704	9,924	12,594	18,389	23,641
Less: Interest	-	-	-	23,153	18,452	6,238	11,625	14,975	19,003	27,746	35,672
<b>Cost of Goods Sold</b>	<b>263,367</b>	<b>127,801</b>	<b>163,545</b>	<b>124,276</b>	<b>141,409</b>	<b>167,740</b>	<b>203,069</b>	<b>261,596</b>	<b>331,971</b>	<b>484,698</b>	<b>623,154</b>
<b>Gross Profit</b>	<b>100,968</b>	<b>363,477</b>	<b>307,303</b>	<b>356,215</b>	<b>420,963</b>	<b>467,019</b>	<b>538,257</b>	<b>693,387</b>	<b>879,926</b>	<b>1,284,744</b>	<b>1,651,738</b>
<i>Gross Profit Margin</i>	<i>28%</i>	<i>74%</i>	<i>65%</i>	<i>74%</i>	<i>75%</i>	<i>74%</i>	<i>73%</i>	<i>73%</i>	<i>73%</i>	<i>73%</i>	<i>73%</i>
<b>Selling, General &amp; Admin Expenses</b>											
Salaries	15,993	22,606	32,133	37,999	41,986	45,264	48,939	63,044	80,005	116,812	150,180
Rents	5,416	9,765	18,409	21,585	20,586	16,215	23,178	29,858	37,891	55,323	71,127
External services	10,551	8,738	12,391	14,031	12,021	13,972	18,695	24,082	30,561	44,621	57,368
Depreciation and Amortization	2,176	2,901	4,583	6,448	6,700	5,132	7,131	9,187	11,658	17,021	21,883
Other	41,523	(5,737)	5,016	6,323	8,682	2,795	17,816	22,951	29,125	42,525	54,672
<u>Reported SGA</u>	<u>75,659</u>	<u>38,273</u>	<u>72,532</u>	<u>86,385</u>	<u>89,974</u>	<u>83,378</u>	<u>115,760</u>	<u>149,123</u>	<u>189,240</u>	<u>276,303</u>	<u>355,230</u>
Less: Depreciation included in SG&A	2,176	2,901	4,583	6,448	6,700	5,132	7,131	9,187	11,658	17,021	21,883
<b>Total General &amp; Admin Expenses</b>	<b>73,483</b>	<b>35,372</b>	<b>67,949</b>	<b>79,937</b>	<b>83,274</b>	<b>78,246</b>	<b>108,629</b>	<b>139,936</b>	<b>177,583</b>	<b>259,281</b>	<b>333,346</b>
<b>EBTDA</b>	<b>27,484</b>	<b>328,105</b>	<b>239,354</b>	<b>276,277</b>	<b>337,689</b>	<b>388,773</b>	<b>429,628</b>	<b>553,451</b>	<b>702,343</b>	<b>1,025,463</b>	<b>1,318,391</b>
Other income	166	14,434	70	102	302	718	-	-	-	-	-
Other expenses	171	-	-	733	144	-	-	-	-	-	-
<b>Net other income/(expenses)</b>	<b>(4)</b>	<b>14,434</b>	<b>70</b>	<b>(630)</b>	<b>158</b>	<b>718</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Interest on bond issues/ long-term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,153</b>	<b>18,452</b>	<b>6,238</b>	<b>11,625</b>	<b>14,975</b>	<b>19,003</b>	<b>27,746</b>	<b>35,672</b>
<b>Depreciation &amp; Amortization</b>	<b>3,937</b>	<b>6,226</b>	<b>11,524</b>	<b>15,606</b>	<b>12,551</b>	<b>7,824</b>	<b>14,835</b>	<b>19,111</b>	<b>24,252</b>	<b>35,410</b>	<b>45,525</b>
<b>EBT</b>	<b>23,543</b>	<b>336,313</b>	<b>227,901</b>	<b>236,888</b>	<b>306,844</b>	<b>375,429</b>	<b>403,168</b>	<b>519,365</b>	<b>659,087</b>	<b>962,307</b>	<b>1,237,195</b>
Income Tax Expense	-	58,194	45,589	42,468	60,464	93,253	88,697	114,260	131,817	192,461	247,439
<i>Effective Tax Rate</i>	<i>0%</i>	<i>17%</i>	<i>20%</i>	<i>18%</i>	<i>20%</i>	<i>25%</i>	<i>22%</i>	<i>22%</i>	<i>20%</i>	<i>20%</i>	<i>20%</i>
<b>Net Income</b>	<b>23,543</b>	<b>278,119</b>	<b>182,312</b>	<b>194,420</b>	<b>246,381</b>	<b>282,176</b>	<b>314,471</b>	<b>405,105</b>	<b>527,270</b>	<b>769,846</b>	<b>989,756</b>
<i>Net Profit Margin</i>	<i>6%</i>	<i>57%</i>	<i>39%</i>	<i>40%</i>	<i>44%</i>	<i>44%</i>	<i>42%</i>	<i>42%</i>	<i>44%</i>	<i>44%</i>	<i>44%</i>

Balance Sheet (VND million)	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F	2017F	2018F
<b>Current Assets</b>											
Cash & Near Cash Items	134,722	826,815	1,239,485	673,986	1,794,203	1,007,874	1,488,597	1,563,714	1,409,423	1,407,846	1,066,060
Short Term Investments	179,622	267,505	176,895	96,376	152,323	352,083	450,263	525,694	579,903	690,898	776,134
Accounts & Notes Receivable	98,966	888,641	916,025	1,580,921	634,679	1,402,016	941,738	1,266,957	1,704,487	2,293,114	3,085,018
Other Current Assets	11,203	9,075	3,982	4,905	3,905	6,262	6,387	6,515	6,645	6,778	6,913
<b>Total Current Assets</b>	<b>424,513</b>	<b>1,992,037</b>	<b>2,336,387</b>	<b>2,356,188</b>	<b>2,585,110</b>	<b>2,768,235</b>	<b>2,886,985</b>	<b>3,362,880</b>	<b>3,700,459</b>	<b>4,398,636</b>	<b>4,934,125</b>
<b>Long-Term Assets</b>											
Gross Fixed Assets	22,152	30,810	48,108	54,568	62,822	60,395	75,967	95,889	121,033	157,424	204,027
Accumulated Depreciation	6,445	12,622	21,061	38,775	50,911	53,025	67,860	86,971	111,223	146,633	192,158
Net Fixed Assets	15,707	18,188	27,047	15,793	11,911	7,370	8,107	8,918	9,809	10,790	11,869
Long Term Investments	1,029,297	52,671	20,597	123,484	475,294	229,371	519,534	606,570	669,119	797,190	895,539
Other Long Term Assets	9,694	26,641	140,948	132,742	126,620	122,805	48,937	65,432	81,408	107,986	128,727
<b>Total Long-Term Assets</b>	<b>1,054,697</b>	<b>97,500</b>	<b>188,592</b>	<b>272,020</b>	<b>613,826</b>	<b>359,545</b>	<b>576,578</b>	<b>680,919</b>	<b>760,337</b>	<b>915,967</b>	<b>1,036,136</b>
<b>Total Assets</b>	<b>1,479,210</b>	<b>2,089,537</b>	<b>2,524,979</b>	<b>2,628,208</b>	<b>3,198,935</b>	<b>3,127,781</b>	<b>3,463,563</b>	<b>4,043,799</b>	<b>4,460,796</b>	<b>5,314,603</b>	<b>5,970,261</b>
<b>Current Liabilities</b>											
Accounts Payable	191	161	16	136	1,840	1,465	9,228	12,338	15,351	20,363	24,274
Short Term Borrowings	-	-	-	-	-	-	-	-	-	-	-
Other Short Term Liabilities	154,237	539,202	933,971	387,309	924,581	878,968	984,444	1,102,578	1,234,887	1,383,073	1,549,042
<b>Total Current Liabilities</b>	<b>154,427</b>	<b>539,363</b>	<b>933,987</b>	<b>387,444</b>	<b>926,421</b>	<b>880,433</b>	<b>993,672</b>	<b>1,114,916</b>	<b>1,250,238</b>	<b>1,403,436</b>	<b>1,573,316</b>
<b>Long Term Liabilities</b>											
Long Term Borrowings	-	-	-	210,000	110,000	-	71,071	83,629	118,229	156,828	186,951
Other Long Term Liabilities	1,335	1,782	1,820	1,796	-	-	784	1,048	1,304	1,730	2,062
Total Long Term Liabilities	1,335	1,782	1,820	211,796	110,000	-	71,854	84,677	<b>119,533</b>	<b>158,558</b>	<b>189,013</b>
<b>Total Liabilities</b>	<b>155,762</b>	<b>541,146</b>	<b>935,808</b>	<b>599,240</b>	<b>1,036,421</b>	<b>880,433</b>	<b>1,065,527</b>	<b>1,199,593</b>	<b>1,369,771</b>	<b>1,561,994</b>	<b>1,762,329</b>
<b>Equity</b>											
Share Capital & APIC	394,634	394,634	599,997	998,486	1,008,486	1,272,568	1,272,568	1,527,081	1,527,081	1,832,497	1,832,497
Retained Earnings	132,269	328,805	356,020	378,563	477,987	515,972	657,485	839,782	1,077,053	1,423,484	1,868,874
Other Equity	796,544	824,952	633,154	651,918	676,040	458,808	467,984	477,344	486,891	496,629	506,561
<b>Total Shareholders' Equity</b>	<b>1,323,448</b>	<b>1,548,392</b>	<b>1,589,171</b>	<b>2,028,968</b>	<b>2,162,514</b>	<b>2,247,348</b>	<b>2,398,036</b>	<b>2,844,207</b>	<b>3,091,025</b>	<b>3,752,610</b>	<b>4,207,932</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,479,210</b>	<b>2,089,537</b>	<b>2,524,979</b>	<b>2,628,208</b>	<b>3,198,935</b>	<b>3,127,781</b>	<b>3,463,563</b>	<b>4,043,800</b>	<b>4,460,796</b>	<b>5,314,604</b>	<b>5,970,261</b>

<b>Cash Flows (Unit: VND million)</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Net Income	314,471	405,105	527,270	769,846	989,756
Depreciation & Amortization	14,835	19,111	24,252	35,410	45,525
Changes in Working Capital	468,042	(322,109)	(434,518)	(583,615)	(787,992)
Other Non-Cash Adjustments	180,003	101,775	116,458	121,901	145,424
<b>Cash From Operation Activities</b>	<b>977,351</b>	<b>203,882</b>	<b>233,463</b>	<b>343,542</b>	<b>392,713</b>
Decrease in Investments	-	-	-	-	-
(Capital Expenditures) net of disposals	(15,572)	(19,922)	(25,144)	(36,391)	(46,604)
(Increase in Investments)	(388,343)	(162,466)	(116,759)	(239,066)	(183,584)
<b>Cash From Investing Activities</b>	<b>(403,916)</b>	<b>(182,388)</b>	<b>(141,903)</b>	<b>(275,457)</b>	<b>(230,188)</b>
(Dividends Paid)	(172,959)	(222,808)	(289,998)	(423,415)	(544,366)
Increase (Decrease) in Short Term Borrowings	-	-	-	-	-
Increase (Decrease) in Long Term Borrowings	71,071	12,558	34,600	38,599	30,123
Increase (Decrease) in Capital Stocks	9,176	263,873	9,547	315,154	9,933
Other Financing Activities	-	-	-	-	-
<b>Cash From Financing Activities</b>	<b>(92,712)</b>	<b>53,624</b>	<b>(245,851)</b>	<b>(69,662)</b>	<b>(504,311)</b>
Beginning Cash Balance	1,007,874	1,488,597	1,563,714	1,409,423	1,407,846
Net Changes in Cash	480,723	75,118	(154,292)	(1,577)	(341,786)
<b>Expected Ending Cash Balance</b>	<b>1,488,597</b>	<b>1,563,714</b>	<b>1,409,423</b>	<b>1,407,846</b>	<b>1,066,060</b>

## Technical Analysis

The technical chart has shown the price of the HCM declining from 43,000 at the end of March 2014 to 23,000 in the middle of April 2014. After bottoming at this level, the price of HCM has created an uptrend and this stock is now traded around the MA50 days, settled at 32,600. This support level has been successfully double checked a few days ago.

Thus, we expect HCM could continue the rally, in a mid-term horizon, to around 38,000. Given it closes today at 35,600, we recommend to hold HCM at the time of issuing report.

Ticker	HCM
Horizon analytic	3 to 6 months
3 months highest price	43,000
3 months lowest price	23,000
MA50 days	32,600
MA100 days	31,300
Mid-term resistance level	32,600
Mid-term support level	30,000
<b>Recommendation</b>	<b>HOLD</b>



## Guide to Ratings Definition

VPBank Securities uses the following ratings system:

**Buy:** Expected return, including dividends, over the next 12 months is greater than 15%.

**Hold:** Expected return, including dividends, over the next 12 months is from -10% to + 15%.

**Sell:** Expected return, including dividends, over the next 12 months is below -10%.

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