

# VNDIRECT SECURITIES CORPORATION (HNX – VND)

July 28, 2014

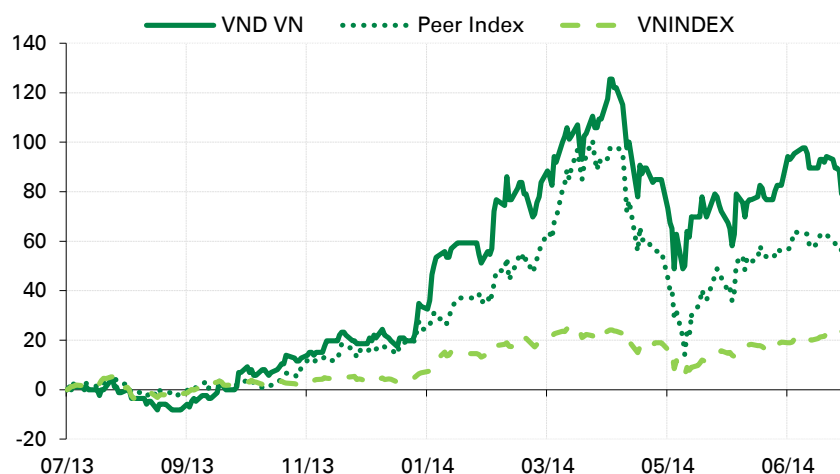
## COMPANY UPDATE: BUY



Current Price (07/28/2014):	VND	15,200	
Target Price:	VND	17,500	
Short-term recommendation:		HOLD	
Resistance level:	VND	17,300	
Support level:	VND	15,700	
Bloomberg ticker: <b>VND VN</b>	Exchange:	HNX	
Industry: Securities			
Beta		1.19	
52w High / Low (VND)		19,800/7,600	
Outstanding Shares (mn)		96.9	
Market Cap (VNDbn)		1,473	
Free Float (mn)		70.9	
LTM Avg Trading Vol		1,594,680	
Foreign-owned Ratio (%)		28.5	
Year	Div.rate	EPS	
2014F	5%	1,457	
2013	5%	1,248	
2012	0%	786	
2011	0%	(2,030)	
Ratio	VNDS	Peers	VNI
P/E	13.83x	13.08x	14.02
P/B	1.21x	1.23x	1.97x
ROE	8.87%	9.78%	14.55%

### Company Description:

- VNDS officially started operations with an initial capital of VND50 billion in 2006, listed on the HNX in 2010.
- VNDS provides full range of securities services, with a focus on brokerage services
- As at 1H2014, total assets are VND2,669 billion (USD106.8 million) and total equity of VND1,220 billion (USD57.4 million), ranking 5<sup>th</sup> and 6<sup>th</sup> respectively in the industry.



In this update report, we maintain our BUY recommendation for VNDirect Securities Corporation (VNDS) with 18.7% total expected return, including 15.1% price appreciation and 3.6% dividend yield. Our recommendation is based on the following:

- ❖ **Growing brokerage market:** The average trading volume on the HSX and HNX for 1H2014 increased by 77%y-o-y, providing greater opportunities for brokerage revenue growth. Accordingly, the forecasted earnings results of VNDS are expected to increase.
- ❖ **Increasing market share:** VNDS's brokerage market share has steadily increased and the company affirmed its second position on the HNX (7.94%) and the fifth position on the HSX (5.32%).
- ❖ **New international partner:** The recently formed partnership with CIMB is expected to help VNDS develop its institutional clientele base and bring new sources of income in the future.
- ❖ **Dilution from new shares:** Maximum of VND1,080 billion additional equity capital is to be raised in 2014 and 2015, making current investors face higher dilution risks.

Please see important disclosure information at the end of this report.

## **CONTENTS**

<b>HALF YEAR'S PERFORMANCE</b>	<b>3</b>
Revenues increased 44% but net profit dropped 20% y-o-y	3
Market trading value – the key driver of VNDS business results	4
Steady growth of market share in both HSX and HNX	4
Balance sheet varied as a result of fluctuation in investors' cash for transaction	4
New partnership with CIMB expected to improve institutional investment banking services	5
<b>OTHER UPDATES</b>	<b>5</b>
The first cash dividend payment in three years	5
Continue the yet-to-be implemented 2013 equity capital raising plan	5
Three million treasury shares to be sold for additional working capital	6
<b>CHANGES IN KEY ASSUMPTIONS</b>	<b>6</b>
Recent performance	6
Assumption revisions	7
<b>VALUATION AND RECOMMENDATION</b>	<b>7</b>
Valuation	7
Recommendation	9
<b>TECHNICAL ANALYSIS</b>	<b>10</b>

## HALF YEAR'S PERFORMANCE

### Revenues increased 44% but net profit dropped 20% y-o-y

VNDirect Securities Corporation (Ticker: VND – HNX) recently announced its 2Q2014 earnings. Total revenues in the 1H2014 increased 44% y-o-y to reach VND199.55 billion. Brokerage revenue reached VND85.87 billion YTD, contributed 43% to total revenue; and margin lending and interest income totaled VND83.98 billion, constituting another 42%. Proprietary trading, the less focused line of business at VNDS, however, experienced a decline of 44% y-o-y.

In addition to the decline of proprietary trading revenue, the increase of cost of sales (COS) and General and Administrative (G&A) expenses in the first two quarters resulted in a rather disappointing earnings report for the second quarter of only VND31.4 billion, a decline of 32% q-o-q or 55% y-o-y. Notably, in the 2Q2013, VNDS recognized VND16.5 billion of provision reversal for bad debt and investment diminution. The provision reversal helped reduce the proprietary trading expenses, and consequently increased 2Q2013's earnings to a substantially higher level. This, however, was not the case in 2Q2014. And as a result, 2Q2014's COS was VND27.89 billion (USD1.31 million) an enormous increase from the reversed expenses of VND17.83 billion (USD0.84 million) in 2Q2013. Also, as VNDS's staff base increased by 42% from 307 employees in June 2013 to 437 employees in June 2014, salary expenses in the 2Q2014 more than doubled y-o-y, and increased 48% q-o-q. As a result, while 1H2014 revenues totaled VND199.55 billion (USD9.39 million), achieving 77% of the company's full-year target, profit before tax only totaled VND93.89 billion (USD4.42 million), accomplishing only 49% of the full-year target.

Unit: VND mn	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
<b>Revenue</b>						
Brokerage revenue	22,938	18,077	14,030	27,590	47,692	38,174
Proprietary trading revenue	9,213	29,811	9,151	17,423	12,717	14,346
CF, advisory revenue	5	175	471	259	673	852
Interest income	21,612	21,174	18,909	16,097	19,166	19,123
Margin lending	8,182	7,053	8,332	10,453	23,807	21,886
Depository securities	385	363	432	445	505	595
Others	0	11	27	0	10	6
<b>Revenue</b>	<b>62,335</b>	<b>76,664</b>	<b>51,353</b>	<b>72,267</b>	<b>104,568</b>	<b>94,983</b>
<i>Growth q-o-q</i>		23%	-33%	41%	45%	-9%
<b>Expenses</b>						
Cost of services (COS)	(17,486)	17,838	(2,726)	(44,973)	(22,329)	(27,893)
G&A expenses	(18,201)	(17,824)	(20,686)	(26,733)	(23,135)	(32,790)
<b>Operating profit</b>	<b>26,648</b>	<b>76,677</b>	<b>27,941</b>	<b>561</b>	<b>59,104</b>	<b>34,301</b>
<i>Operating profit margin</i>	43%	100%	54%	1%	57%	36%
Net other income/(expense)	627	242	104	134	233	253
<b>Profit before tax (EBT)</b>	<b>27,276</b>	<b>76,920</b>	<b>28,046</b>	<b>695</b>	<b>59,337</b>	<b>34,554</b>
Current tax expense	-	7,041	5,156	(6,086)	(12,983)	(3,164)
<b>Net profit</b>	<b>27,276</b>	<b>83,960</b>	<b>33,201</b>	<b>(5,390)</b>	<b>46,354</b>	<b>31,390</b>
<i>Net profit margin</i>	44%	110%	65%	-7%	44%	33%
<b>Basic EPS (VND)</b>	<b>273</b>	<b>699</b>	<b>229</b>	<b>68</b>	<b>478</b>	<b>324</b>

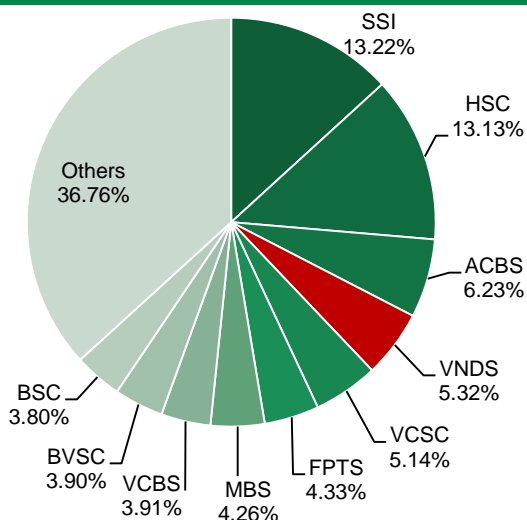
## Market trading value – the key driver of VNDS business results

With a business model that focuses on brokerage and margin lending services, VNDS's performance has been greatly impacted by the market trading value. Thanks to the rally of the stock market, the total trading value of the first and second quarter market (including HSX, HNX, UPCoM) increased 96% and 57% respectively. The rising market turnover resulted in impressive growth in VNDS's brokerage (109% y-o-y) and margin lending (200%y-o-y) revenues.

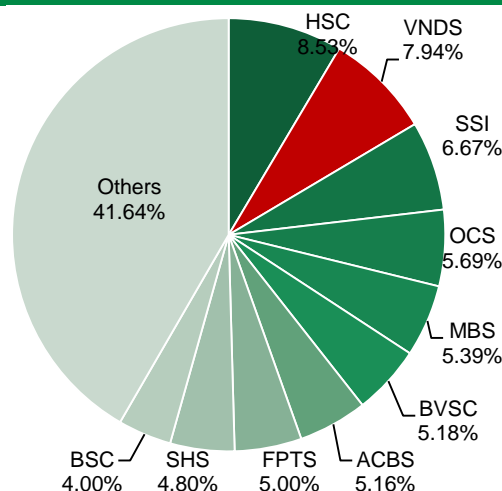
## Steady growth of market share in both HSX and HNX

VND's brokerage market share on both HSX and HNX has been growing steadily over the last five years. In the 2Q2014, VND continued to affirm its second position on the HNX with 7.94% market share and its fifth position on the HSX with 5.32% market share. For VNDS, to achieve 2014's target of 6% market share on the HSX is no easy task due to the fierce competition of remaining companies with similar shares such as VCSC, ACBS or FPTS.

Top ten brokerage market share 2Q2014



Top ten HNX brokerage market share 2Q2014



Source: HSX, HNX

## Balance sheet varied as a result of fluctuation in investors' cash for transaction

Cash and cash equivalents more than doubled in the first quarter, accounting for 2/3 of total assets. Cash and cash equivalents enormous growth mainly came from the surge in investor's cash depository for transactions. In the second quarter, as the market experienced quite a correction from its peak on March 24, the trading value decreased 24% q-o-q. These movements of the market also reflected in the level of investors' cash for transaction, which declined 44% q-o-q. At the same time, short term investment only increased 10% in the first quarter and 5.7% in the second quarter, implying VNDirect's current strategy is to focus on retail brokerage services rather than proprietary trading. Total assets as of 2Q2014 was VND2,669.2 billion, a 37.6% upsurge YTD.

### **New partnership with CIMB expected to improve institutional investment banking services**

In the past, most of the VNDirect revenues came from retail customers while revenue from investment banking services such as underwriting, corporate finance, and advisory services has been insignificant. With a new partnership with CIMB International Securities (Singapore), VNDirect aims to develop a high standard research team to provide better services to its institutional customer and compete with SSI and HSC.

CIMB Group is a universal bank headquartered in Kuala Lumpur. It is currently the largest Asia Pacific based investment bank (excluding Japan) and one of the world's largest Islamic banks. CIMB International Securities represents the retail securities businesses of CIMB Group. CIMB Group, RHB Cap and MBSB recently announced they had entered into a 90-day exclusive agreement to discuss a merger of their businesses, after receiving regulatory approval from Malaysia's Central Bank. If the merger eventually goes through, the post-merger entity will be the largest banking group by assets in Malaysia.

The newly formed partnership of VNDS with CIMB and the potential merger of CIMB Group are positive stimuli to bring in new foreign institutional investors and new sources of revenues for VNDS going forward. It should be noted, however, it would likely come with higher operating expenses.

## **OTHER UPDATES**

### **The first cash dividend payment in three years**

On May 22, 2014, VNDirect paid 5% of par (VND500 per share) dividend, which is equivalent to a 3.36% dividend yield. After two years in which they did not pay any cash dividend due to huge losses of almost VND203 billion that occurred in 2011, last year VNDirect bypassed the accumulated loss status and was able to pay dividends to shareholders from its net income. Ms. Pham Minh Huong, the Chairwoman of VNDirect, mentioned that the company would strive to pay dividends for shareholders at a rate of 10% of par in the coming years.

### **Continue the yet-to-be implemented 2013 equity capital raising plan**

In the 2013 Annual General Meeting, the BOD of VNDirect set a plan to increase its capital by a maximum amount of VND1,500 billion, including VND500 billion straight bonds, VND500 convertible bonds, and VND500 common equity capital. However, to date, the company has not succeeded in implementing any part of this plan.

As the thirst for capital has yet to be solved, VNDirect continues to move forward with its plan to increase its charter capital from VND1,000 billion to the maximum amount VND2,080 billion by the end of 2015. Additional capital raised will be allocated to margin lending, proprietary trading, underwriting and potential M&A. The detailed plan includes:

- Issuing VND500 billion convertible bonds with maturity of over 12 months and estimated interest of 5% to institutional investors, strategic partners, and existing shareholders.

- Issuing VND500 billion common stocks to existing shareholders at a price not lower than par value of VND10,000 in 2014 or 2015.
- Issuing ESOP with maximum volume equaling 3% of the company's total shares at the time of issuance. Issue price equals VND10,000 per share and the time frame is 2014 and/or 2015.
- Issuing nearly five million share bonuses in 2014 with a ratio of 20:1 for existing share holder. The share bonuses will be issued in 2014 and taken from retained earnings and capital surplus.

Raising significant equity capital creates the risk of diluting earnings per share and lower ROE if the funds are not deployed productively. With no additional returns, the addition of VND500 billion of equity capital would dilute our forecasted 2014 EPS by 15% and would lower ROE to 11%. It is therefore important to examine VNDS's expected uses of additional capital to see what additional value can be added.

We assume that 75% of additional capital raised will be allocated to margin lending (14.8% expected return) and the remaining 25% will be in cash (7% expected return) and available for short-term investment, underwriting services, potential M&A. Given our forecast of the stock market trading value in 2014 and 2015, which increases 50% and 30%, respectively, and our estimate of VNDS's growing market share, we think that VNDS can increase its margin lending balance 60% and 35%, respectively. With these assumptions, we estimate that the amount of margin lending increases in the next two years will be approximately VND470 billion. Therefore, with a rough estimation, we think that if VNDS raises more than VND640 billion, it is likely that the company will have to allocate the surplus capital toward the lower expected return instrument (cash) or the riskier business activities (short term investment, M&A). As VNDS currently earned only 12.28% on its equity capital, we think that the new capital will mostly be value creation. However, investors need to watch out for dilution risk if the company raises more than VND640 billion.

Until now, we still have not heard any further details regarding issuance plan from VNDS.

### **Three million treasury shares to be sold for additional working capital**

VNDirect plans to sell 3,062,000 treasury shares during this month of July. These shares were bought last year at an average price of VND10,010 per share. As VNDirect shares are now trading at VND15,000 – VND16,000 per share, if this plan is successfully implemented, about VND50 billion can be added to VNDirect working capital, boosting margin lending and interest income. As this amount of share is equivalent to only 3.2% of total current share outstanding, the dilution risk resulting from this corporate action is low.

## **CHANGES IN KEY ASSUMPTIONS**

### **Recent performance**

In our report initiating coverage on VND with a BUY recommendation published on March 11, 2014, we indicated a target price of VND18,900 for VND stock. At that time the stock price was VND16,000. On April 10, 2014, the stock price reached its 12-month peak of VND19,800 but then fell sharply to VND12,600 within one month.

Since then it has steadily trended upward to its current price of VND16,300. These moves were in sync with the broader market trends but their ranges have been much wider. VNDS's share price movements have been more in line with its peer group of securities companies.

### Assumption revisions

VNDirect has set an ambitious plan for 2014. While VNDS seems to have no problem in accomplishing its net revenue target thanks to growing market trading turnover, VNDS seems to struggle in controlling expenses to reach its target figure for profit. Nevertheless, we consider VNDS 2014's targets plausible.

Indicator	2014	2013	Growth
Net revenues (VND bn)	258.7	190	36%
Operating expenses (VND bn)	67.1	57	18%
Profit before tax (VND bn)	191.6	133	44%
# of brokers	250	166	51%

In addition, due to better-than expected operating results of the Vietnam stock market, we adjusted our assumption regarding the growth of market trading value. Particularly, 2014's growth is revised from 30% to 50%. VNDS's 2014 to 2015 capital raising plan is too ambitious in our opinion, and we forecast only half of the expected total amount will be raised in time. We also revise our estimation regarding their dividend payout policy, where we expect VNDS will continue paying dividends in the next five years with a payout ratio of approximately 40%.

## VALUATION AND RECOMMENDATION

### Valuation

We adjust the target price for VNDS from VND18,900 to VND17,500 after incorporating the above revised assumptions into our valuation models. The two methods used for stock valuation is residual income and market multiple (P/E).

Method	Value	Weight
Residual income	17,095	80%
P/E	19,064	20%
<b>Target price</b>	<b>17,489</b>	

### Residual income

We use residual income method to value VNDS share price and this model suggests a fair price of **VND17,095** per share for VNDS and incorporated the following inputs:

- The *risk-free rate* is taken from the recent one month average yield of 5-year local currency Government bond yield, which is equivalent to 7.0% (updated on July 24, 2014)
- The *expected market return* is expected to be 15.0%.
- VNDS's *adjusted beta* is estimated to be 1.19.
- Cost of equity is estimated to be 16.5% by using the capital asset pricing model (CAPM).



- VNDS's *long-term growth rate* of residual income is the sustainable growth rate taking average ROE and retention ratio from 2014 to 2018 into consideration, and is estimated to be 11%.

	2014F	2015F	2016F	2017F	2018F
Net Income	174,169	191,689	247,824	333,300	426,634
Shareholders' Equity	1,196,974	1,521,143	1,852,833	2,001,527	2,201,507
Capital Charge	198,059	251,698	306,582	331,186	364,276
Residual Net Income	(23,890)	(60,009)	(58,759)	2,114	62,358
Present Value Factor	0.86	0.74	0.63	0.54	9.75
PV Residual Net Income	(20,498)	(44,179)	(37,117)	1,146	608,095
Total Projected EVA	507,446				
Current Book Value Equity	1,196,974				
Value of Equity	1,704,420				
Number of Shares	99,701,144				
Share Value	<b>17,095</b>				

Sensitivity of: (1) the cost of equity  $K_e$  and (2) the growth rate of the Vietnam stock market trading value to the target stock price:

		Average growth rate of the Vietnam stock market trading value				
		22%	24%	26%	28%	30%
$K_e$	14.2%	22,069	26,475	33,456	42,318	56,331
	15.4%	16,189	18,970	23,017	27,795	34,468
	16.6%	12,474	14,419	<b>17,095</b>	20,146	24,134
	17.7%	9,923	11,377	13,294	15,442	18,133
	18.9%	8,071	9,208	10,657	12,267	14,225

### Market-based valuation

Currently, there are over twenty securities companies listed on the stock exchanges but not all of them have the same business model as VNDS (focusing on brokerage division and limiting proprietary trading activities). We identify the following companies as VNDS's peers as they share a similar business model. VNDS's valuation multiples (i.e. P/E and P/B) appear to be on par with its peer group. The peer group's average P/E ratio has increased from 11.1x in our previous report to 13.08x today. Therefore using the peer group P/E as a benchmark and our estimate of VNDS 2014's EPS of VND1,457, we value VNDS's share price at VND19,064.

	VNDS	Average	HCM	SSI	BVS	CTS
Last price	15,200		34,000	25,500	12,200	8,300
Mkt Cap	69.43	<b>174.29</b>	203.83	421.43	41.51	30
P/E	13.83	<b>13.08</b>	11.53	20.67	9.77	10.36
P/S	4.57	<b>5.87</b>	5.75	9.67	3.60	4.47
P/B	1.21	<b>1.23</b>	1.89	1.65	0.69	0.70
OPM 12M	50.96	<b>54.50</b>	60.61	47.38	55.50	N/A
PM 12M	47.38	<b>51.08</b>	45.19	59.99	55.22	43.94
ROA 12M	4.93	<b>6.26</b>	10.05	4.78	4.91	5.31
ROE 12M	8.87	<b>9.78</b>	16.95	8.03	7.36	6.76

Source: Bloomberg



### **Recommendation**

Overall, given VNDS's strong position in brokerage, competitive technological platform, first quarter and half year operating results that are on track, and its recent partnership with CIMB, we think that VNDS can enjoy a higher than average growth compared to its peers over the next five years.

The stock is currently trading at VND15,200, 15.1% lower than our target price. Combined with expected dividend yields of 3.6%, our total expected return for VND over a one year horizon is 18.7%. Therefore our recommendation for VNDS at the time of issuing this update report is a BUY.

## TECHNICAL ANALYSIS

The technical chart indicates the price of VND reduced from 15,900 in April 25 to the lowest price at 11,200 in May 13, 2014. After bottoming at this level, VND has rebounded in a slightly uptrend channel to its highest price at 17,300 in July 7. Recently, the stock is accumulating in a sideways band from 16,000 to 17,000, above the support range around 15,700, formed by the MA50 days and the MA100 days. The trading volume currently is lower than the MA10 day to support this accumulating phase.

Therefore, we recommend to HOLD for VND at the time of updating our report.

Ticker	VND
Horizon analytic	3 to 6 months
3 months highest price	17,300
3 months lowest price	11,200
Current MA50 days	15,500
Current MA100 days	15,700
Mid-term resistance level	17,300
Mid-term support level	15,700
<b>Recommendation</b>	<b>HOLD</b>

Unit: VND per share



<b>Income Statement (VND mn)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
<b>Revenues</b>							
Brokerage revenue	61,981	82,634	179,015	231,463	299,277	386,959	500,330
Margin lending revenue	44,269	51,632	102,141	133,900	166,015	261,065	337,552
Proprietary trading revenue	32,114	62,116	71,006	99,056	134,614	168,267	210,268
Interest income	100,969	63,664	55,612	77,856	101,213	126,517	158,146
Others	1,544	2,574	2,703	2,838	2,980	3,129	3,285
<b>Total Revenue</b>	<b>240,877</b>	<b>262,619</b>	<b>410,476</b>	<b>545,113</b>	<b>704,099</b>	<b>945,937</b>	<b>1,209,580</b>
<b>Cost of Services (COS)</b>	<b>96,983</b>	<b>47,279</b>	<b>123,143</b>	<b>163,534</b>	<b>211,230</b>	<b>283,781</b>	<b>362,874</b>
<b>Gross Profit</b>	<b>143,894</b>	<b>215,340</b>	<b>287,333</b>	<b>381,579</b>	<b>492,869</b>	<b>662,156</b>	<b>846,706</b>
<b>Gross Profit Margin</b>	<b>60%</b>	<b>82%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>	<b>70%</b>
<b>Expenses</b>							
General & Admin Expenses	55,946	75,437	92,461	120,223	156,312	221,399	285,858
Net other income/(expense)	533	1,108	-	-	-	-	-
Depreciation & amort	9,843	8,007	10,158	16,055	19,712	15,085	16,537
<b>EBT</b>	<b>78,638</b>	<b>133,005</b>	<b>184,714</b>	<b>245,301</b>	<b>316,844</b>	<b>425,672</b>	<b>544,311</b>
<b>Operating margin</b>	<b>33%</b>	<b>51%</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>
Income tax expense	-	8,578	10,678	53,966	69,706	93,648	119,748
<b>Net Income</b>	<b>78,638</b>	<b>124,427</b>	<b>174,037</b>	<b>191,335</b>	<b>247,139</b>	<b>332,024</b>	<b>424,563</b>
<b>Net Profit Margin</b>	<b>33%</b>	<b>47%</b>	<b>42%</b>	<b>35%</b>	<b>35%</b>	<b>35%</b>	<b>35%</b>

<b>Balance Sheet (VND mn)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
<b>Assets</b>							
Cash & Near Cash Items	974,318	1,115,372	1,782,204	1,999,866	2,266,461	3,024,698	3,324,370
Short Term Investments	335,384	360,622	500,506	698,602	910,920	1,138,650	1,423,313
Accounts & Notes Receiv	265,184	383,836	690,139	904,729	1,121,722	1,450,363	1,875,289
Other Current Assets	2,257	10,041	8,033	6,025	4,016	2,008	-
<b>Total Current Assets</b>	<b>1,577,144</b>	<b>1,869,870</b>	<b>2,980,881</b>	<b>3,609,221</b>	<b>4,303,120</b>	<b>5,615,719</b>	<b>6,622,972</b>
Net Fixed Assets	48,941	60,192	55,035	40,255	30,300	16,710	11,618
Long Term Investments	75	1,950	-	-	-	-	-
Other Long Term Assets	8,800	12,365	19,525	28,784	40,755	56,233	76,247
<b>Total LT Assets</b>	<b>57,817</b>	<b>74,507</b>	<b>74,561</b>	<b>69,039</b>	<b>71,055</b>	<b>72,944</b>	<b>87,864</b>
<b>Total Assets</b>	<b>1,634,960</b>	<b>1,944,377</b>	<b>3,055,442</b>	<b>3,678,261</b>	<b>4,374,175</b>	<b>5,688,663</b>	<b>6,710,837</b>
<b>Liabilities</b>							
Accounts Payable	599	593	653	718	790	869	956
Short Term Borrowings	-	133,299	-	-	-	-	-
Other ST Liabilities	531,010	613,511	1,533,779	1,825,197	2,372,756	3,487,951	4,255,300
<b>Current Liabilities</b>	<b>531,609</b>	<b>747,404</b>	<b>1,534,431</b>	<b>1,825,915</b>	<b>2,373,546</b>	<b>3,488,820</b>	<b>4,256,256</b>
Long Term Liabilities	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>531,609</b>	<b>747,404</b>	<b>1,534,431</b>	<b>1,825,915</b>	<b>2,373,546</b>	<b>3,488,820</b>	<b>4,256,256</b>
<b>Equity</b>							
Share Capital & APIC	1,094,990	1,094,990	1,294,990	1,494,990	1,494,990	1,494,990	1,494,990
Retained Earnings	(10,413)	101,422	225,459	356,794	505,078	704,292	959,029
Other Equity	18,775	562	562	562	562	562	562
<b>Total Equity</b>	<b>1,103,351</b>	<b>1,196,974</b>	<b>1,521,011</b>	<b>1,852,346</b>	<b>2,000,629</b>	<b>2,199,843</b>	<b>2,454,581</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,634,960</b>	<b>1,944,377</b>	<b>3,055,442</b>	<b>3,678,261</b>	<b>4,374,175</b>	<b>5,688,663</b>	<b>6,710,837</b>

<b>Cash Flows (VND mn)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>
Net Income	78,638	124,427	174,037	191,335	247,139	332,024	424,563
Depreciation & Amortization	9,843	4,352	10,158	16,055	19,712	15,085	16,537
Changes in Working Capital	286,676	-	(306,244)	(214,525)	(216,921)	(328,562)	(424,839)
Other Non-Cash Adjustments	(33,289)	(11,901)	915,115	284,168	537,596	1,101,725	749,344
<b>Cash From Operations</b>	<b>341,868</b>	<b>116,878</b>	<b>793,065</b>	<b>277,033</b>	<b>587,526</b>	<b>1,120,272</b>	<b>765,605</b>
Reduction of Accum Depreciation	136	(1)	-	-	-	-	-
Decrease in Investments	17,180	-	-	-	-	-	-
(Capital Expenditures) net of disposals	(15,745)	(15,603)	(5,000)	(1,275)	(9,757)	(1,496)	(11,444)
(Increase in Investments)	(75)	(27,113)	(137,934)	(198,096)	(212,318)	(227,730)	(284,663)
<b>Cash From Investing</b>	<b>1,497</b>	<b>(42,716)</b>	<b>(142,934)</b>	<b>(199,372)</b>	<b>(222,075)</b>	<b>(229,226)</b>	<b>(296,107)</b>
(Dividends Paid)	-	-	(49,999)	(59,999)	(98,855)	(132,810)	(169,825)
Increase (Decrease) in Short Term	-	133,299	(133,299)	-	-	-	-
Increase (Decrease) in Long Term	-	-	-	-	-	-	-
Increase (Decrease) in Capital Stocks	-	(18,213)	200,000	200,000	-	-	-
Other Financing Activities	-	(1)	-	-	-	-	-
<b>Cash From Financing</b>	<b>-</b>	<b>115,085</b>	<b>16,701</b>	<b>140,001</b>	<b>(98,855)</b>	<b>(132,810)</b>	<b>(169,825)</b>
Beginning Cash Balance	630,954	974,318	1,115,372	1,782,204	1,999,866	2,266,461	3,024,698
Net Changes in Cash	343,364	189,247	666,832	217,662	266,596	758,236	299,673
<b>Ending Cash Balance</b>	<b>974,318</b>	<b>1,163,565</b>	<b>1,782,204</b>	<b>1,999,866</b>	<b>2,266,461</b>	<b>3,024,698</b>	<b>3,324,370</b>

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**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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