

Real Estate

Company visit note

Sept, 2014

Recommendation

Target price (VND)

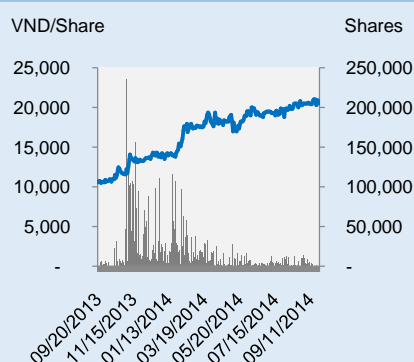
Market price (29/08/2014) **20,500**

Expected return

SHARES INFORMATION

Trading exchange	HSX
52-week price range	9,300-23,000 VND
Market cap	1,168 Bil VND
Outstanding shares	53,851,800 shares
10-day average volume	458,310 shares
% foreign owned	26.51%
Foreign room	49%
Dividend per share	1,000
Dividend yield	4.6%
Beta	1.51
Trading exchange	HSX

PRICE MOVEMENTS



	YTD	1M	3M	6M
ST8	93.7%	1.0%	5.1%	16.4%
VN-Index	26.5%	-4.0%	4.4%	3.8%

Analyst

Phu Truong

(84 8) 3914 6888 ext: 122

truongsyphu@baoviet.com.vn

Sieu Thanh JSC

Sticker : ST8

Reuters: ST8.HM

Bloomberg: ST8 VN

ST8 – Favorable prospect in 2014 – Net profit expected to grow by 31% yoy

- Core business is highly stable.** Sieu Thanh JSC's core business focuses on office equipment sector with its role as the exclusive distributor of Ricoh, a long-standing brandname in Vietnam. This sector, despite limited growth potential, has rather high stability and attractive profit margin when it contributed over 95% of 2013's net profit even with its modest contribution in only 30% of total revenue.
- Increasing investment in automobile trading.** As expected, in the incoming extraordinary AGM dated 26/9/2014, ST8 will propose a shifting to Holding corporate model in order to invest more in automobile sector, preceding the trend of tariff reduction scheduled by AFTA and WTO. Currently, 2 subsidiaries of ST8 namely Kim Thanh and Cuong Thanh are authorized distributors of Honda and Chevrolet in Vietnam. Although the automotive industry has rather positive prospect, automobile distribution is still regarded as highly risky with low profit margin and fierce competition for market share in the coming time. In fact, since Cuong Thanh changed from distributing Nissan products to distributing a new brand called Chevrolet, it needed over 2 years to gain a sufficient market share to make up for its operating expenses; meanwhile, Kim Thanh has been operating stably as a distributor of Honda for awhile but its net profit margin tends to stay below 2%/year.
- 1H/2014's operating results made impressive improvement yoy thanks to recording sales discount.** In 1H, ST8 earned a revenue of VND502 billion (+50% yoy), VND396 billion of which came from automobile trading sector, increasing impressively 73% yoy and reflecting the improvement in nationwide automobile consumption; office equipment sector contributed VND106 billion, nearly unchanged yoy. Accordingly, its total profit reached VND22.7 billion, surging 71% yoy. If eliminating the unusual sales discount of about VND9.7 billion which had been deducted from its Q2/2014's COGS, its 1H profit was about VND15.1 billion, up 14% yoy.
- Favorable prospect in 2014.** Thanks to the stabilization of its automobile trading activity and noticeable improvements in office equipment sector during the past 8 months, we estimate ST8's FY revenue at VND1,060 billion, up 29% yoy, with VND750 billion from automobile trading (+32% yoy) and VND310 billion from office equipment trading (+27%). Accordingly, its FY2014 net profit will be about VND64 billion, up 31% yoy and fulfilling 89% plan, equivalent to an EPS of VND4,240/share.

Investment recommendation

Based on its role as an exclusive distributor for long-standing brandname at Vietnam, Ricoh and a wide and loyal customer network, ST8 is one good fundamental company with high stability in operation. Moreover, financial risk can hardly exist when the company nearly has not used any leverage and its cash flows from operating activities are always high. However, the biggest problem of ST8 share is its liquidity when its 10-day average volume was only 1,662 shares. Therefore, we think ST8 is only suitable for long-term oriented individual investors who priority safe investments that are capable of providing yearly dividend yield of 10%. ST8's price closed at VND20,300/share as at 24/09/2014, equivalent to a P/E forward of about 4.8x, rather reasonable for one company with small market capitalization and stable operation.

Company Visit note

OWNERSHIP INFORMATION

State owned	0%
Foreign owned	49%
Others	51%

MAJOR SHAREHOLDERS

David Cam Hao Ong	22.7%
Yung Cam Meng	21.6%
Pham Thi Mai Duyen	20.4%
Pham Hong Thuy	5.5%

FINANCIAL RATIOS

Profit and loss statement

Unit (VND billion)	2010	2011	2012	2013
Revenues	832.91	724.96	579.11	814.30
Cost of goods sold	651.50	571.50	421.84	640.40
Gross profit	181.41	153.46	157.28	173.90
Financial income	1.39	3.53	6.59	5.18
Financial expenses	1.78	2.86	0.09	0.00
Net income	46.70	34.58	47.33	50

Balance sheet

Unit (VND billion)	2010	2011	2012	2013
Cash and cash equivalents	37.14	81.60	62.31	83.72
Accounts receivable – short-term	46.54	36.75	36.30	51.93
Inventories	94.92	47.84	58.90	67.84
Tangible fixed assets	148.35	66.23	63.68	56.74
Long-term investments	8.08	8.08	8.08	8.08
Total assets	352.77	325.80	310.07	353.96
Short-term loans	6.50	-	-	-
Long-term debt	-	-	-	-
Owners' equity	226.02	234.99	233.56	259.27
Total resources	352.77	325.80	310.07	353.96

Financial ratios

Items	2010	2011	2012	2013
Growth				
Revenue growth (%)	2.89%	-12.96%	-20.12%	40.61%
Net profit growth (%)	-25.49%	-25.97%	36.89%	4.59%
Yield				
Gross profit margin (%)	21.78%	21.17%	27.16%	21.36%
Net profit margin (%)	5.61%	4.77%	8.17%	6.08%
ROA (%)	13.78%	10.19%	14.89%	14.91%
ROE (%)	21.19%	15.00%	20.20%	20.09%
Capital structure				
Total liabilities to total asset (%)	25.29%	15.87%	13.10%	16.67%
Total liabilities to Owners' equity (%)	39.47%	22.00%	17.39%	22.76%
Per shares				
EPS (VND/share)	3,906	2,891	3,958	3,944
Book value (VND/share)	18,901	19,651	19,532	20,655

Report's notes

Target price is the price set by specialists based on analysis of company's operating activities, development potentials and potential risks, The methods used for identifying expected value are the generally accepted ones such as: discounted cash flow methods (FCFE, FCFF, DDM); net asset value method NAV; equal comparison method based on ratios (P/E, P/B, EV/EBIT, EV/EBITDA,...), The application of these methods is different in each sector, each enterprise and each share, Moreover, market sentiment can have influence on the specification of share's target price,

RECOMMENDER SYSTEM OF BVSC

The recommender system of BVSC, built based on the absolute increase/decrease of share price to reach the target price, has 5 level based on the difference ranked from the lowest to the highest, Investors should note that these investment recommendations can change every quarter-end after BVSC performs corporate revaluation.

Levels of recommendations	
Recommendation	Define
OUTPERFORM	Market price is lower than target price 15%
NEUTRAL	Market price is lower than target price 0% - 15%
UNDERPERFORM	Target price is lower than market price



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RESEARCH AND CONSULTANT DEPARTMENT

Bao Viet Securities Company

Head office: 8 Le Thai To, Hoan Kiem Dist., Hanoi

Tel: (84 4) 3 928 8080 Fax: (8 44) 3 928 9888

Branch: 233 Dong Khoi, Dist,1, Ho Chi Minh City

Tel: (84 8) 3 914 6888 Fax: (84 8) 3 914 7999