

SAM SACOM DEVELOPMENT & INVESTMENT CORPORATION (HOSE)

13,400 VNĐ

-0.1 (-0.7%)

Code	Exchange	Industry	Movement of 52 weeks
SAM	HOSE	Telecommunication devices	7,300 - 14,800

Company overview

SAM's core businesses included: cable manufacture and sales, real estate investment and sales, financial investment. In particular, cable manufacture and sales is the main activity that accounted for 90% revenue and 60% profit after tax.

Cable manufacture and sales: copper cable (capacity: a pair of 1.5m km cable/year) and 1.2m km optical fiber cable/year is 2 main products of this company.

Real estate investment and sales: SAM's real estate projects including Giai Viet (220 apartments), Hoang Anh Riverview (70 apartments), Samlan Riverview, resort-golf Dalat project, Nhon Trach project and leasing office building Sacom Brilliant Chip in high tech zones. Financial investments: financial investment portfolio of SAM at the end of 3Q2014 lost to the value of VND55.7bn. In particular, SAM's biggest investment is Wall Street Securities JSC (VND20bn) and Momota JSC (VND13.5bn). In 2014, this company sold its investments in Quoc Cuong Gia Lai JSC.

Overview

Price

Outstanding shares (m)	130.8
Market cap (VNDbn)	1,765
Average trading vol (3M)	1,719,125

Financial indicators

P/E	24.8
P/B	0.7
EPS 4Q	1,186
Book Value	18,353
ROA	2.3%
ROE	2.9%
Beta	0.7
Foreign-owned (%)	11.07%

Plan 2014

Revenue (VNDbn)	1,243
Profit	135
Dividend	6%

	2011	2012	2013	Q3.2014
PE	-9.64	16.75	14.68	24.8
P/BV	0.79	0.76	0.72	0.74
Outstanding shares (million shares)	130.8	130.8	130.8	130.8
Market Capital (VNDbn)	1,766	1,766	1,766	1,766
Foreign holding	-	-	11.1%	11.1%
EPS (VND)	-1,401	806	920	544
Book Value (VND)	17,076	17,848	18,773	18,354
Cash / Short-term liabilities	0.3	0.87	0.89	0.33
Long-term borrowings/ Total asset	-	0.01	0.03	0.03
ROE	-7.85%	4.62%	5.02%	2.93%
ROA	-6.98%	3.91%	4.19%	2.35%

Business result 3Q2014 and 9M2014

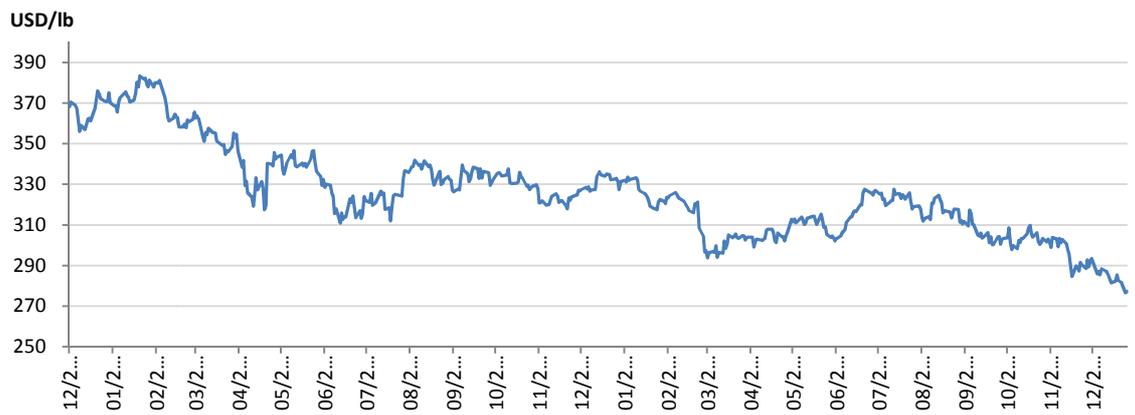
Revenue in 3Q2014 reached VND294bn, increased 26% (y-o-y). However, gross profit in 3Q2014 reached only VND31bn, decreased 5% (y-o-y). Gross profit margin decreased to 10.6% from 14.2% of 3Q2013. The main reason of this decline came from the decline of gross profit margin in cable manufacture and sales (main business, accounting for over 90% total revenue) from 14% in the same period last year to 10% in 3Q2014. Other core businesses, real estate services and construction also showed the decline of the gross profit margin from 53% and 6% to 20% and 4% respectively in 3Q2014. Net profit reached VND6.4bn, declined 66 % (y-o-y) and 47% (q-o-q) due to cable manufacture and sales is unprofitable this quarter.

Accumulated 9M2014, revenues reached VND1,141bn, increased 54% (y-o-y), gross profit reached VND104bn, slightly decrease 2% (y-o-y). Gross margin 9M2014 fell sharply to 9% from 14% of 9M2013. In 9M2014 this company has sold part of Giai Viet Project, recorded over VND50bn in revenue of real estate construction and sales, earned about VND2bn in net profit. Financial income fell sharply from VND47bn in 9M2013 to VND5bn in 9M2014 due to bank interest income, dividends, especially income from the dissolution of a subsidiary, Saigon Cable JSC in 2013, has not been recorded on financial statements this year. Moreover, selling expenses and administration expenses increased 15% (y-o-y) so operating profit and net profit plummeted to VND46bn and VND32bn or 52% and 60% (y-o-y) respectively.

Estimation and prospects in 2015

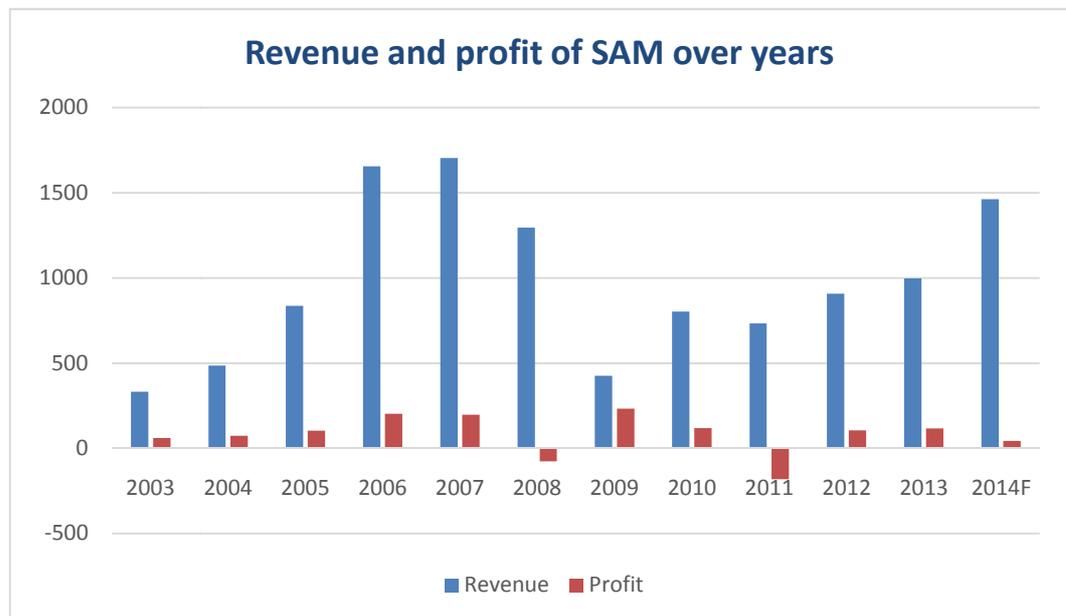
Main products of this company are copper cable and fiber optic cables. In the past, copper cable is the main input product of telecommunication service suppliers. However, they have gradually changed to use fiber optic cable due to its premier features such as data transmission speed and durability. Although SAM is the national leader of telecommunication cable manufacture with fiber optic cable (accounted for large proportion), copper cable and it is also the supplier of telecommunication services suppliers such as VNPT or Viettel; SAM have to face up to fierce competition from Chinese products with cheaper price. The competition makes the main business of SAM meet a lot of difficulties and SAM have to lower prices to compete so its gross profit also dropped down. Revenues 9M2014 increased 54% (y-o-y) but gross profit margin declined 9% (y-o-y), showed difficulties that this company has been suffering. SAM must cut its selling prices to maintain its market share due to the fierce competition and lower demand of copper cable. The price of material copper has declined 25% in 2014 (y-o-y) but this did not make any positive change in gross profit margin of the company against the sharp decline of copper cable demand. Specifically, in 3Q2014, cables and telecommunication materials sales did not bring any profit for the company, just contributed VND397m to total net profit after tax VND6.09bn.

Price of material cooper:



On real estate segment, SAM will not record high revenue this year due to the projects of golf-court and villas at Tuyen Lam Lake in Da Lat have been delayed. Giai Viet project with 200 apartments in District 8 that can bring most of the revenue is a mid-size project with average selling price VND1.5bn per 78m2 apartment. The future projects of SAM can bring significant revenue and profit since 2016.

In 2014, we estimated that SAM’s revenue will reach VND1,463bn, gross profit margin is still at a low level around 10% due to the drop of copper cable demand. This year financial income contributed insignificantly to total profits the decrease of interest income from bank deposits and dividends. As a result, profit before tax and profit after tax in 2014 estimated to reach VND59bn and VND43bn respectively, so EPS in 2014 around VND330/share.



Despite a difficult year for doing businesses, the growth of SAM stock last year is very good with an increase of 80% from the early 2014. SAM is one among the first 2 listed shares on Vietnam stock market. Until now this stock still attracts a lot of attention from investors. In December last year, some foreign institutions have sold huge quantity of SAM when this stock touched the peak at VND14,000-15,000/share but selling pressure has reduced now and market price of SAM has been stable around VND13,500/share. The shareholder structure of SAM change significantly in the end of last year: HFC reduced their holding ratio to 19.2% and Wall Street JSC has bought about 13m shares to become the major shareholder with holding ratio around 13%.

This company is preparing for an extraordinary shareholder meeting about its restructuring with

the forthcoming strategy of the company will focus much more on real estate segment and election new member of Board of Directors after a significant change in structure of major shareholders.

Recommendation

SAM is traded on the market at VND13,400/share with EPS for 2014 and 2015 are VND330/share and 320/share respectively. Thus, estimated PE for 2014 and 2015 are so high, 40.9 and 42 respectively. However, P/BV ratio of SAM is only 0.74. SAM is preparing for its restructuring so we need to wait to evaluate development strategy of this company for coming years, especially the real estate sector has a lot of potential to grow. We recommend: continue watching this stock.



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