

Technology

AGM Note

Apr, 2015

Ticker: ST8

Reuters: ST8.HM

Bloomberg: ST8 VN

AGM Notes 2015

Recommendation	-
Target price (VND)	-
Market price (22/4/2015)	26,500
Expected profit	-

SHARES INFORMATION

Trading exchange	HSX
52-week price range	17,000-28,600
Market cap	364 bil VND
Outstanding shares	13,740,385 Shares
10-day average volume	7,672 Shares
% foreign owned	12.72%
Foreign room	49%
Dividend per share	1,000 VND/Share
Dividend yield	3.8%
Beta	0.5

PRICE MOVEMENTS


	YTD	1M	3M	6M
ST8	44.1%	19.4%	21.0%	16.2%
VN-Index	0.8%	1.1%	-1.2%	-3.1%

Analyst

Truong Sy Phu

(84 8) 3914 6888 ext: 122

truongsyphu@baoviet.com.vn

FY2014 operating results – Auto trading revived

Norm	Unit	2014 Realized	% plan	YoY
Net revenue	Bil VND	1,158	96%	+40%
- Office equipment	Bil VND	255	85%	+4%
- Auto trading	Bil VND	903	100%	+57%
Net profit	Bil VND	55	76%	11%
Charter capital	Bil VND	138		
EPS	VND/share	4,000		
Dividend	%	10%		

(Source: ST8)

Ending the fiscal year of 2014, ST8 obtained gross revenue of VND1,158 billion (+40% yoy), finishing 96% of the full-year plan. Ricoh office equipment segment still recorded low growth as in the previous years while the auto trading segment posted an impressive growth of 57%, reflecting the revival of the auto market. Specifically, Honda Kim Thanh recorded revenue growth of 56% while Chevrolet Cuong Thanh recorded 53% in revenue growth and started to make profit. As a result, ST8's net profit reached VND55 billion, up 11% and fulfilling 76% of the full-year plan.

2015 Plan – Auto trading segment is on focus

Norm	Unit	2015 Plan	YoY
Net revenue	Bil VND	1,436	+24%
- Office equipment	Bil VND	288	+13%
- Auto trading	Bil VND	1,148	+27%
Net profit	Bil VND	70	+27%
Charter capital	Bil VND	166	
EPS	VND/share	4,200	
Dividend	%	10%	

(Source: ST8)

ST8 targets revenue of VND1,436 billion (+24% yoy), with 13% growth in office equipment segment and 27% growth in auto trading segment which will continue to be a growth driver. Net profit is expected to reach VND70 billion (+27%).

Other outstanding news:

- Approve to pay a cash dividend rate at 10% using retained profit source.
- Approve to issue bonus shares at 20%, scheduled in Q2/2015.
- Approve to issue shares to existing shareholders at a 1-for-2 ratio at VND10,000/share, scheduled in late 2015 or Q1/2016. Of the proceeds, VND20 billion will be allocated to equipment and machine agents, VND50 billion for auto trading agents and the remaining for working capital.

Investment recommendation

BVSC cautiously revises down the growth forecast for Ricoh office equipment segment from 13% to 5% equal to 2014. Accordingly, ST8's gross revenue and net profit this year are estimated to reach VND1,416 billion (+ 22%) and VND64 billion (+ 16%) respectively. The forward EPS is VND4,600, equivalent to a forward P/E at 5.8x, relatively low compared with the average P/E at 9x of other auto trading companies. We recommend ST8 for buy-and-hold strategy for individual investors because: (1) ST8 records steady growth from office equipment segment and potential growth from the auto trading segment; (2) its annual dividend payout rate is steadily at minimum 20%; (3) financial structure is healthy, without borrowed capital though the auto trading segment requires much working capital.

OWNERSHIP INFORMATION

State owned	0%
Foreign owned	49%
Others	51%

MAJOR SHAREHOLDERS

David Cam Hao Ong	24.97 %
Yung Cam Meng	23.77 %
Phạm Thị Mai Duyên	20.79 %
Võ Văn Chính	5.80 %

FINANCIAL RATIOS
Profit and loss statement

Unit (VND billion)	2011	2012	2013	2014
Revenues	725	579	814	1,142
Cost of goods sold	572	422	640	939
Gross profit	153	157	174	203
Financial income	4	7	5	4
Financial expenses	3	0	0	0
Net income	35	47	50	55

Balance sheet

Unit (VND billion)	2011	2012	2013	2014
Cash and cash equivalents	82	62	84	101
Accounts receivable – short-term	37	36	52	60
Inventories	48	59	68	98
Tangible fixed assets	66	64	57	34
Long-term investments	8	8	8	8
Total assets	326	310	354	389
Short-term loans	-	-	-	-
Long-term debt	-	-	-	-
Owners' equity	235	234	259	288
Total resources	326	310	354	389

Financial ratios

Items	2011	2012	2013	2014
Growth				
Revenue growth (%)	-13.0%	-20.1%	40.6%	40.3%
Net profit growth (%)	-26.0%	36.9%	4.6%	11.1%
Yield				
Gross profit margin (%)	21.2%	27.2%	21.4%	17.8%
Net profit margin (%)	4.8%	8.2%	6.1%	4.8%
ROA (%)	10.2%	14.9%	14.9%	14.8%
ROE (%)	15.0%	20.2%	20.1%	20.1%
Capital structure				
Total liabilities to total asset (%)	0.16	0.13	0.17	0.14
Total liabilities to owners' equity (%)	0.22	0.17	0.23	0.18
Per shares				
EPS (VND/share)	2,891	3,958	3,944	3,984
Book value (VND/share)	19,651	19,532	20,655	20,870

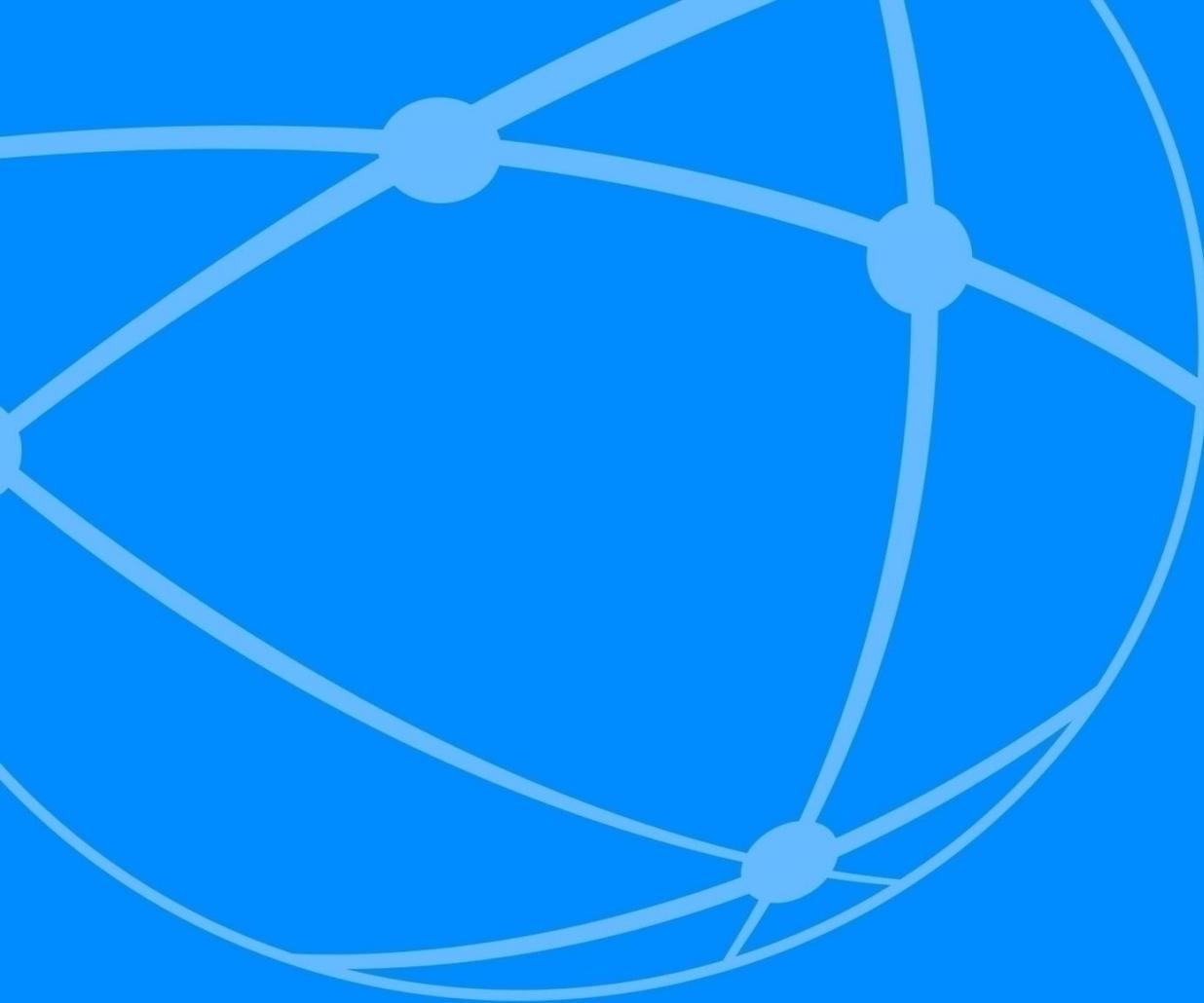
REPORT COMMENTARY

Target price is the analyst's valuation based on analysis of the company's business performance, potentials, development prospects and potential risks to determine the share price. Valuation methods commonly used include discounted cash flow (FCFE, FCFF, DDM); NAV-based valuation; comparative indicators (P/E, P/B, EV/EBIT, EV/EBITDA...). Selecting any method will depend on each industry, company and share features. Market sentiment also can affect the valuation of the target price.

RECOMMENDATION SYSTEM

BVSC's recommendation system is based on the increase/decrease of the share price to the target price. There are three levels of recommendation with the corresponding difference in magnitude from low to high. Investors should be noticed that investment recommendations can be changed at the end of each quarter after BVSC's corporate reappraisal.

Recommendation levels	
Recommendation	Explanation
OUTPERFORM	Target price above 15% higher than market price
NEUTRAL	Target price between 0% and 15% higher than market price
UNDERPERFORM	Target price lower than market price



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RESEARCH & INVESTMENT ADVISORY DEPARTMENT

Bao Viet Securities Joint Stock Company

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

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

Branch: Floor 8, 233 Dong Khoi, Dist. 1, HCM City

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