

## Quang Nam Rubber Investment Jsc. (VHG/HSX)

Nov. 18, 2015

## Chart



Factor	Value	Signal
Price	7,900	
MACD(12,26)	-0.1	Descending
Stochastic(15.3)	44.4	Neutral
RSI(15)	50.7	Neutral
ADX(14)	16.2	The downtrend is still not really strong

### Comments

After an accumulating period (from early October to middle of November 2015) closing to the upper boundary of downward channel (starting from the end of January 2015), along with the positive divergence of MACD and the price, VHG strongly rebound from the downtrend zone with positive trading volume.

Escaping the downtrend, VHG can move forward to test again the 9,600-9,900 range where does exist a presence of MA200 and Fibonacci Retracement is 78.6% if trading volumes is maintained high level.

However, VHG may encounter a near-term resistance at 8,300-8,400 due to the presence of MA100 and Fibonacci Retracement 38.2%

### Actions

Investors can consider buying at the current price level or in correcting span when testing again 8,300-8,400. Also, should restrict a chasing high prices. Cutting loss quickly when falling out 7,100 level.

### Fundamental view

**VHG (Mkt cap: VND1.2trn) – Margin contracts while no significant financial gain in the third quarter.**

Revenue jumped 43% YoY to VND444bn in 9M2015. While fertilizer trading remained almost unprofitable, margin from rubber trading contracted, making gross margin of core business lines drop to 7% from 26% of the same period last year. Operating profit plunged 70% YoY to VND22bn only.

Thanks to a huge amount of cash received from the stock issuances in the past 2 years, interest income surpassed interest expenses. The 40% stake divestment from Develyn Investment JSC, which invests in D'evelyn complex building in Da Nang, brought around VND45bn financial gain to VHG in 1H2015 while the divestment away from Que Viet – Quang Nam Ltd, which invests in D'evelyn resort in Quang Nam, generated negligible profit in the last quarter. As a result, net attributable profit dropped just 19% YoY to VND66bn, equivalent to VND437 per share. 2015 AGM has agreed to divest the remaining stake of 49% in D'evelyn Investment JSC, which may result in around VND50bn financial gain for VHG in the coming quarters. At the market price of VND7.9k per share, VHG is trading at TTM PER of 15.7x and PBR of 0.7x.

The stock issuances have brought a lot of cash to the company, turning net debt to negative. But at the same time, outstanding short-term receivables also spiked as of the end of last September to VND720bn, accounting for 40% of total assets and increasing risk of bad debts. The company is in a business and finance restructuring progress, aiming to the engagement in both upstream and downstream rubber industry. The cash amount from the two recent stock issuances quadrupling the company charter capital to VND1.5trn is used for M&A activities in the industry, which is still seeking its bottom.

Unit: VNDbn	9M2104	9M2015	%YoY	TTM
<b>Net sales</b>	<b>309</b>	<b>444</b>	<b>43%</b>	<b>529</b>
<b>EBIT</b>	<b>75</b>	<b>22</b>	<b>-70%</b>	<b>-16</b>
<i>Margin (%)</i>	<i>24%</i>	<i>5.1%</i>		<i>n/a</i>
<b>Net interest expenses</b>	<b>0.9</b>	<b>-3.9</b>	<i>n/a</i>	<b>-5.1</b>
<b>Net profit</b>	<b>81</b>	<b>66</b>	<b>-19%</b>	<b>76</b>
<i>Margin (%)</i>	<i>26%</i>	<i>15%</i>		<i>14%</i>
<b>Net attributable profit</b>	<b>82</b>	<b>66</b>	<b>-20%</b>	<b>76</b>
<b>EPS (bonus-adjusted, VND)</b>	<b>1,089</b>	<b>437</b>	<b>-60%</b>	<b>504</b>
<b>PER (x)</b>				<b>16x</b>
<b>PBR (x)</b>				<b>0.7x</b>
<b>Net debt/ Equity (%)</b>				<b>-27%</b>

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## CONTACT INFORMATION

### Head Office

Level 3, Maritime Bank Tower  
180 -192 Nguyen Cong Tru, District 1, Ho Chi Minh  
City.  
Tel: (848) 3838 6068 – 3914 8585. Fax: (848) 3821  
6898 – 3821 6899

### Ha Noi Branch

Level 6, CTM Tower, 299 Cau Giay, Cau Giay  
District, Ha Noi.  
Tel.: (844) 3974 4448. Fax: (844) 3974 4501

### Research Department

Research manager  
Bach An Vien  
[vien.ba@kisvn.vn](mailto:vien.ba@kisvn.vn)

Head of Equity  
Hoang Huy  
[huy.hoang@kisvn.vn](mailto:huy.hoang@kisvn.vn)

Technical Analyst  
Tu Vi Tri  
[tri.tvi@kisvn.vn](mailto:tri.tvi@kisvn.vn)