

## INITIATING COVERAGE: BUY



Current price (9/22/2015)	VND	20,500
Long-term value		Undervalued
Target price	VND	22,400
Short-term trend		Neutral
Mid-term resistance level		N/A
Mid-term support level		19,000
Bloomberg ticker: <b>NLG VN</b>	Exchange:	HSX
Industry:		Real estate
Beta		0.5
52w High / Low (VND'000)		16.6 - 20.8
Outstanding shares (mn)		141.6
Market cap (VNDbn)		2,902
LTM Avg trading vol		48,539
Foreign-owned ratio (%)		48.8%

Year	Dividend yield	EPS (VND)
2016 VPBS Forecast	3.9%	2,259
2015 VPBS Forecast	3.9%	1,351
2014	2.8%	841
2013	N/A	232
2012	N/A	264

	2010-14 CAGR	2015E (VNDbn)	2016F (VNDbn)
Revenues	0.8%	1,637	2,526
EBITDA	(17.8%)	241	420
Net income	(15.4%)	186	320

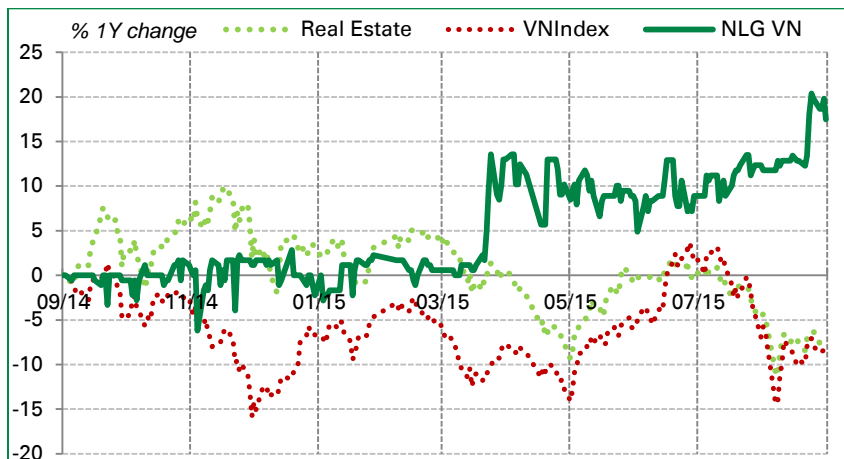
LTM:	NLG	Peers	VNI
P/E	14.5	15.0	11.1
P/B	1.3	0.8	1.7
Debt/Equity	26.5%	40.8%	100.8%
ROE	9.5%	8.0%	15.8%
ROA	4.4%	3.2%	2.9%

### Company description:

NLG was established in 1992 and was one of the very first private construction companies in Vietnam. In 2013, Nam Long's shares were officially listed on Ho Chi Minh Stock Exchange (HSX), and it currently operates with chartered capital of VND1,415 billion (USD 62.9 million).

NLG owns 15 projects in HCMC, and Long An, Binh Duong and Can Tho provinces, with a total land bank of approximately 567 hectares.

1H2015 results: Revenues: VND413 billion (USD18.3 million); Net Income: VND60.7 billion (USD2.8 million); Equity: VND2,069 billion (USD91.9 million).



We initiate coverage of Nam Long Investment Corporation (NLG) with a **BUY** recommendation. Although the short-term trend is neutral, we see good potential for long-term returns.

### Investment thesis:

- ❖ **Earnings will benefit from the improving property market:** Based on current market trends, we believe the affordable housing segment will experience strong demand in 2015-2016. We forecast NLG's net income to surge 95 percent this year and 72 percent in 2016.
- ❖ **Strong brand name in affordable housing:** NLG is one of the pioneer developers of affordable housing in Vietnam, with more than 20 years of experience. EHome is a well-recognized brand for affordable apartments in Vietnam.
- ❖ **Strong foreign partners improve governance and build growth:** NLG has international strategic investors including ASPL, Goldman Sachs, Mekong Capital, and IFC, which can improve its corporate governance and offer the benefit of their experience. NLG recently welcomed Keppel Land, one of the largest foreign real estate developers in the high-end segment, as a strategic shareholder. Keppel has land plots that are more suitable for affordable housing, which is NLG's strength.
- ❖ **Strong balance sheet and land bank:** NLG has a healthy financial situation with low debts. The company also has a high cash position and owns a large, cheap land bank. With its good fundamentals we believe NLG will achieve ROE of 14.2 percent in 2016.
- ❖ **Neutral short-term trend:** After consolidating below the resistance level of VND19,600 for eight sessions, NLG made a strong breakout to close at VND20,800 and set a new high on September 10. NLG has fluctuated below this peak on good volume, but still maintains support of the MA10.

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

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# VIETNAM PROPERTY SECTOR UPDATES

## Apartment transactions increase sharply

*The increase of both apartment prices and transactions implies home buyers are more confident and excited about the real estate market.*

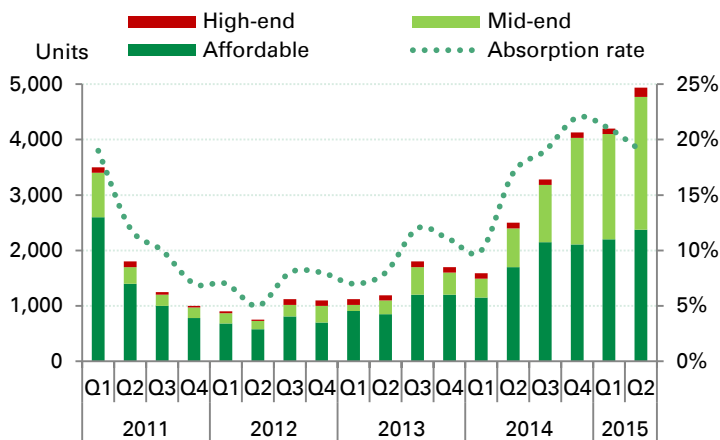
According to preliminary statistics from Savills, apartment sales volume in HCMC was 5,000 units in Q2/2015, up 17 percent q-o-q and 96 percent y-o-y. This is the highest quarterly transaction volume since Q4/2010. The absorption rate in HCMC remained high at 19 percent, down two percentage points from the strong performance of last quarter but up two percentage points y-o-y.

Sales volume in Hanoi for Q2/2015 was 4,630 sold units, down 18 percent q-o-q. The absorption rate in Hanoi was 34 percent, down nine percent q-o-q but up 80 percent y-o-y. In 1H2015, total sales volume in Hanoi reached over 10,000 units, nearly equal to the total sales volume for the whole of 2014.

Apartment prices increased approximately four to six percent y-o-y across several projects. Both the high-end and affordable segments, especially projects close to central business districts or near major under-construction infrastructure developments, enjoyed considerable price rises. The Savills HCMC residential price index was stable y-o-y, while the Hanoi price index went up sharply in Q2/2015 by 27 points q-o-q and 38.7 points y-o-y due to price increases in more than half of existing projects.

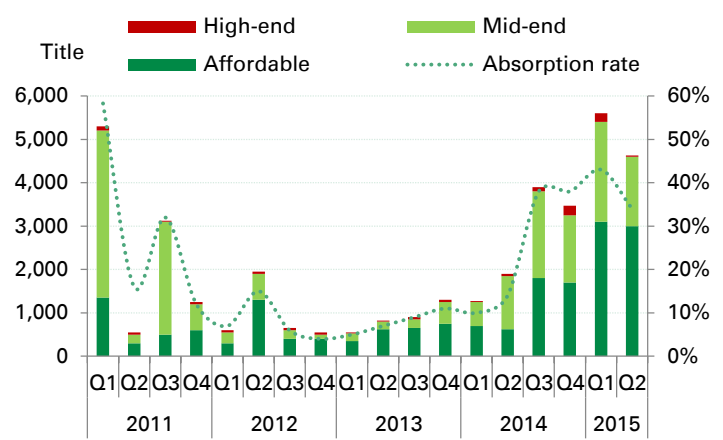
The increase in both apartment prices and transactions implies that home-buyers are more confident and excited about this asset class.

Sold units and absorption rate by grade in HCMC



Source: Savills Research Q1/2011-Q2/2015, VPBS collected

Sold units and absorption rate by grade in Hanoi



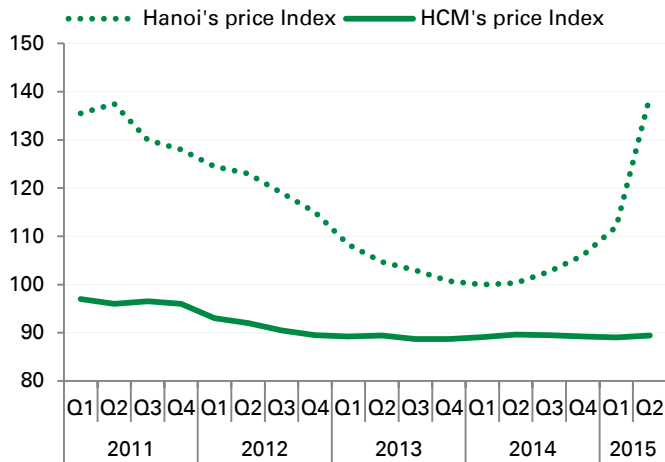
Source: Savills Research Q1/2011-Q2/2015, VPBS collected

## Smaller inventories

*Real estate inventories have sharply declined by 13.7 percent since the end of 2014. We believe that bad debts and real estate inventories are no longer a big problem for the market.*

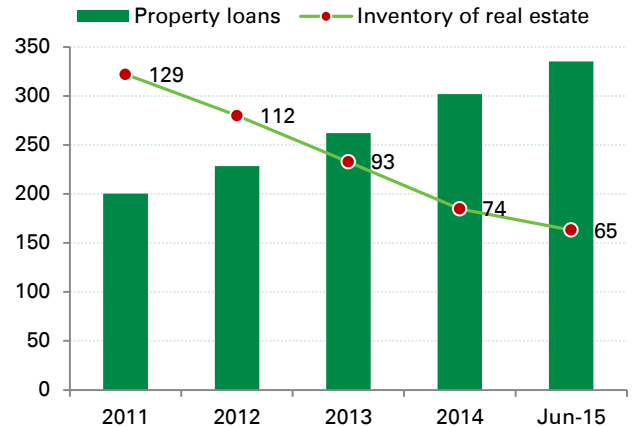
Real estate inventory was around VND63.7 trillion (USD2.9 billion) at the end of July 2015, having sharply declined by 13.7 percent y-t-d, according to the Ministry of Construction. Of this, apartments comprised 11,984 units, worth VND18.4 trillion (USD844 million), and houses comprised 8,790 units, worth VND15.3 trillion (USD702 million). Inventory of housing land lots was 7.9 million m<sup>2</sup>, worth VND25.5 trillion (USD1.2 billion), followed by commercial residential land at 1.6 million m<sup>2</sup>, worth VND4.5 trillion (USD208 million). The real estate market relies heavily on economic performance; we believe that as Vietnam's economic fundamentals have improved, bad debts and real estate inventories have ceased to be a big problem for the market.

## Property price indices in HCMC and Hanoi



Source: Savills Research Q1/2011 – Q2/2015, VPBS collected  
Note: Base Index in Q1/2009 = 100

## Property loans and inventory of real estate (VNDtn)



Source: SBV, MOC, VPBS collected

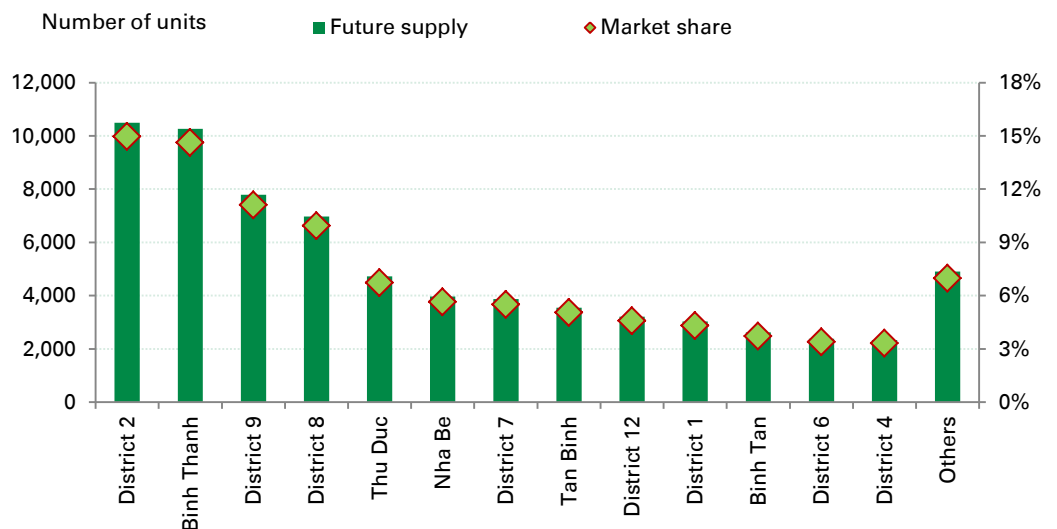
## Strong future supply in the apartment sector

There are more than 59,200 units from 90 projects expected to enter the HCMC market between 2H2015 and 2017. The sharp increase of both apartment supply and demand should maintain selling prices at an equilibrium point.

According to Savills, there are more than 59,200 units from 90 projects expected to enter the HCMC market between 2H2015 and 2017. In Q2/2015, primary stock was 26,000 units, up 27 percent q-o-q and 72 percent y-o-y. Of those, 6,600 units are from new projects entering the primary market, up nine percent q-o-q and 30 percent y-o-y. District 2 and Binh Thanh district are the largest future suppliers, accounting for 30 percent of the total supply between 2015 and 2017, with district 9 the third largest, accounting for 11 percent of total supply over this period.

The sharp increase of future supply creates pressure to lower prices. However, demand is also increasing and home buyers are excited about this asset class, which should maintain selling prices at an equilibrium point. We believe it is unlikely that a real estate bubble will form in the near future.

## Future supply by district in 2015-2017

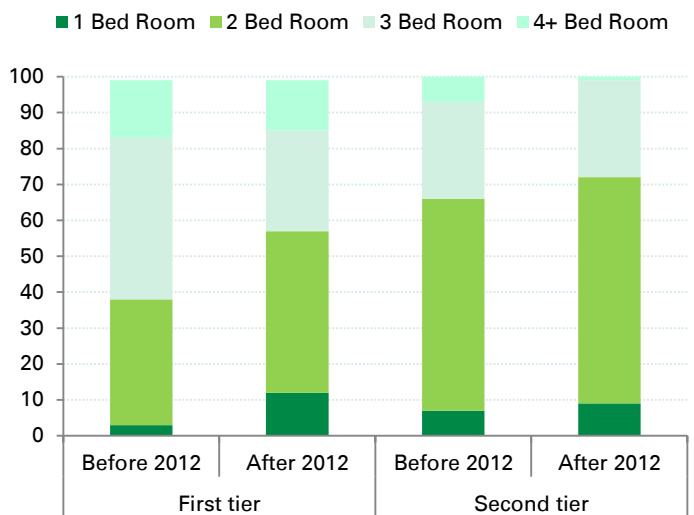
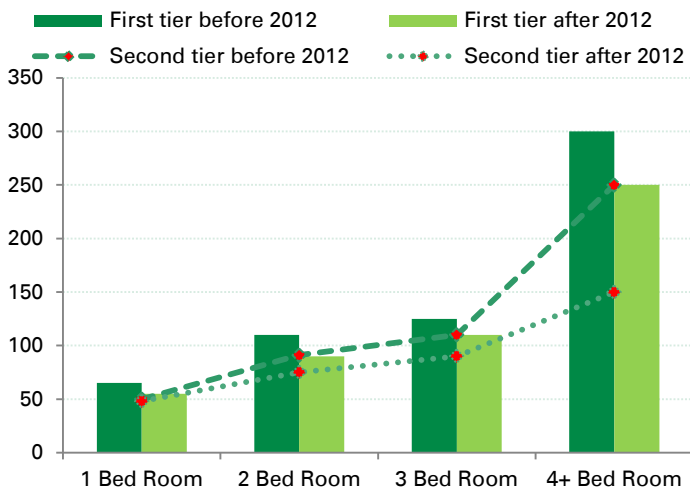


Source: Savills research, VPBS collected

There have been sharp changes in both apartment type and size. According to CBRE, the proportion of one and two bedroom units has increased significantly. After 2012, these units accounted for 57 percent of first tier (luxury and high-end) apartments, and 72 percent of second tier (mid-range and affordable) apartments. Before 2012, these numbers were 38 percent for first tier and 66 percent for second tier. Unit sizes have also fallen, which has lowered entry prices and helped to meet the demands of a wider range of customers.

**Average first & second tier apartment size in HCMC (m<sup>2</sup>)**

**Average first & second tier apartment type in HCMC (%)**



Note: First tier (luxury and high-end) and second tier (mid-range and affordable) apartments. Source: CBRE Research, VPBS collected

### Housing loans have become cheaper and more readily available

*As interest rates fall, interest expenses for bank home loans decrease, creating higher demand for real estate.*

Vietnam's economic fundamentals have continued to improve. GDP growth reached 6.0 percent in 2014 and is expected to reach 6.5 percent in 2015. Inflation in 2014 was 1.8 percent, hitting the lowest level in 13 years, and contributing to the considerable decrease in interest rates from 2014, stimulating cash to flow into other asset classes such as real estate.

Interest rates play an important role in real estate markets. Changes in interest rates strongly influence a customer's ability to purchase a residential property. As interest rates fall, interest expenses for bank home loans decrease, creating higher demand for real estate. As of Q2/2015, short-term deposit interest rates are stable at 5.5-6.0 percent per year, less favorable than apartment rental yields, so real estate is also attractive for investment purposes. We believe that apartment transactions will continue to increase in 2H2015.

*1H2015 credit growth in the real estate sector was higher than the overall credit growth.*

Credit growth in the real estate sector was about 11 percent in 1H2015, higher than overall credit growth of over six percent. Outstanding loans in the property sector at the end of 1H2015 were around VND334 trillion (USD15.7 billion), accounting for 8.3 percent of total credit in the economy.

Investment in Vietnam's property market generally has three main sources: equity, bank loans, and raising capital from customers. Few real estate companies in Vietnam have enough financial capacity to run their projects, and as a consequence are highly dependent on bank loans (over 70 percent). Bad debt issues are now under control, and with the real estate market warming up and credit growth in the real

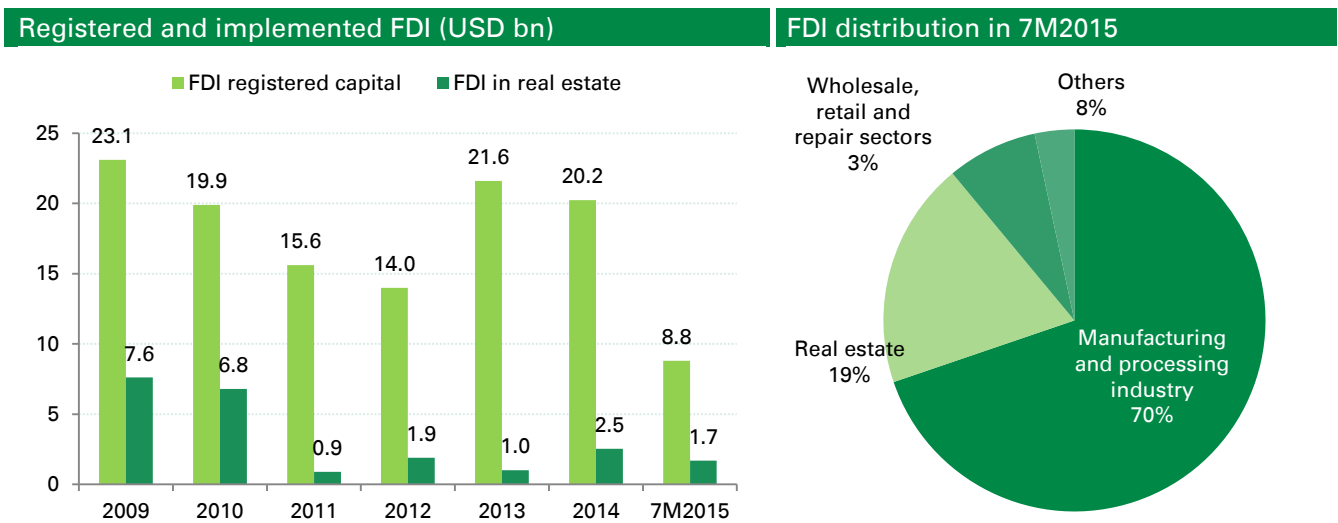
estate sector increasing, we believe the sector has passed its nadir and is starting to enjoy a growth phase.

Circular 36, effective from February 2, 2015, reduced the risk factor applicable to lending for real estate investments from 250 percent to 150 percent. This implies that the State Bank of Vietnam wants to allow more room for credit growth in the real estate sector, increasing fund flows to the real estate market. Before Circular 36, Circular 13 had set the risk factor for real estate investments at 250 percent, which had negative effects on the real estate market from 2010.

### Foreign capital into real estate is rising

According to the Foreign Investment Agency of the Ministry of Planning and Investment, foreign direct investment (FDI) into the real estate sector in Vietnam increased strongly in the first seven months of 2015. The real estate sector attracted USD1.69 billion, accounting for 19.2 percent of total FDI of USD8.8 billion. FDI in real estate went up sharply by 49.5 percent though total FDI decreased 7.6 percent y-o-y.

This increase in FDI affirms the attractiveness of the real estate market following recent improvements in the Revised Housing Law and Real Estate Business Law.



Source: GSO, Ministry of Planning and Investment, VPBS collected

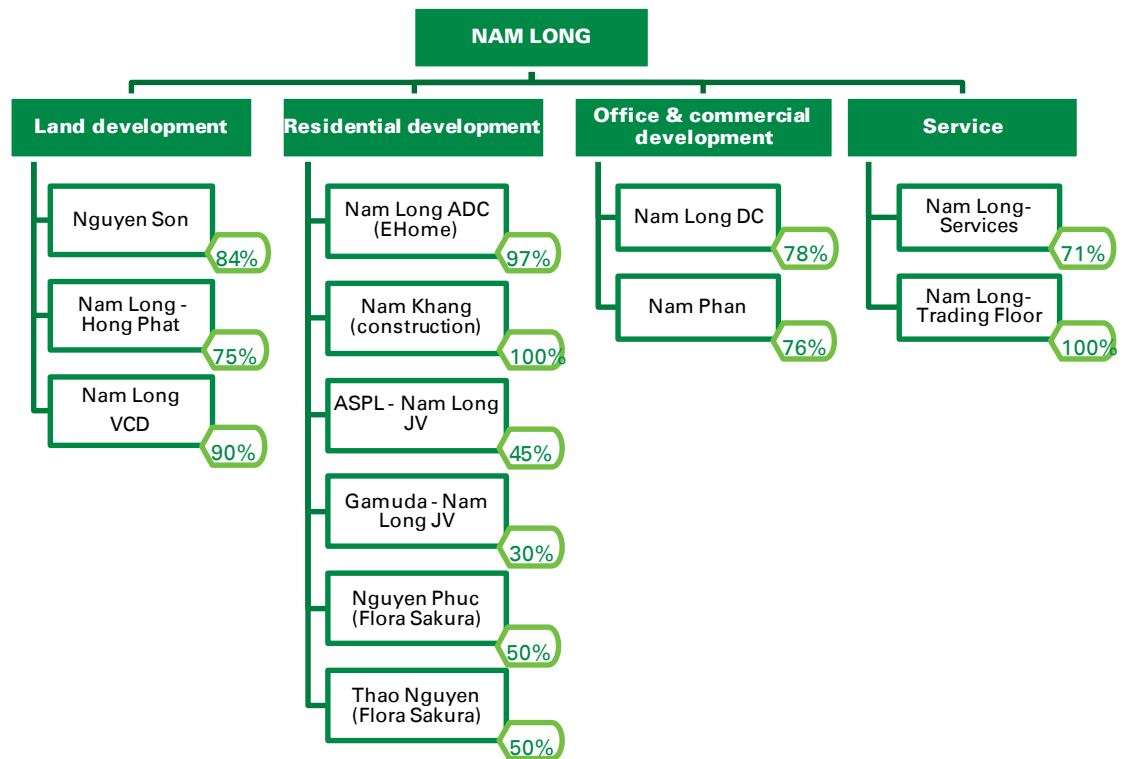
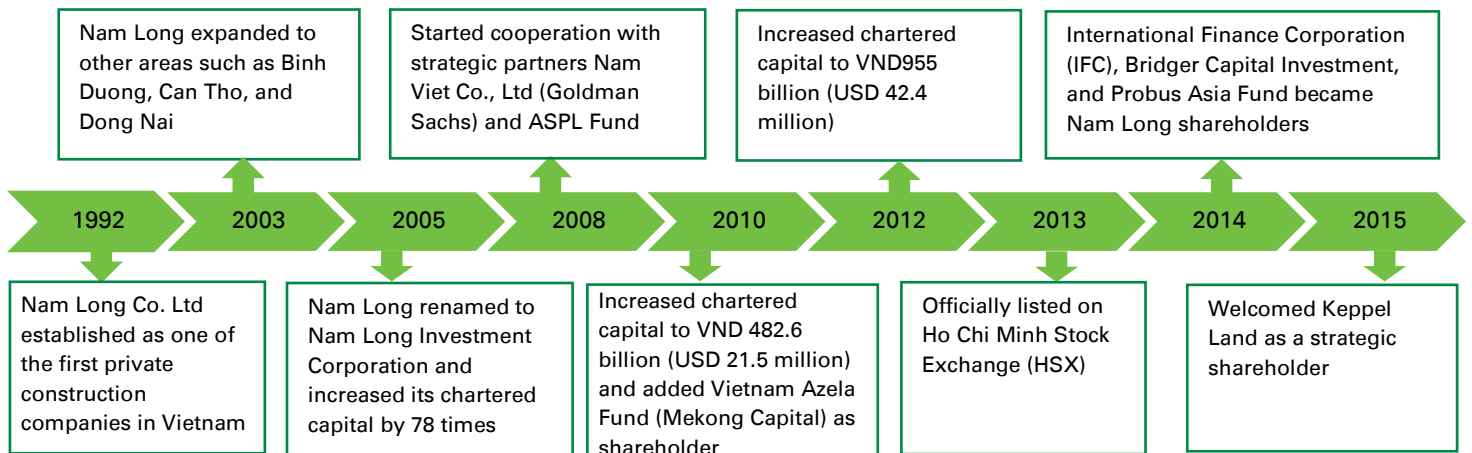
## COMPANY PROFILE

### OVERVIEW

*After more than two decades, NLG is one of ten largest listed real estate companies by market capitalization.*

Nam Long Co., Ltd (NLG) was established in 1992 and was one of the very first private construction companies in Vietnam. Since an organizational restructure in 2004, NLG has issued numerous financial instruments to expand its operations. In 2005, the company was renamed Nam Long Investment Corporation and increased its charter capital by 78 times. In 2013, Nam Long's shares were officially listed on the Ho Chi Minh Stock Exchange (HSX). The company has continued to raise its capital in preparation for an anticipated period of increased development.

## Company's milestones and structure



Source: NLG, VPBS collected

## BUSINESS STRATEGY

NLG is one of the leading companies in the affordable housing segment in Vietnam.

NLG has shown its flexibility in implementing a clear strategy. NLG had previously focused on the high-end segment during the last boom of the real estate market, but since 2009 the company has focused heavily on the affordable housing segment, which targets middle-income and first-time homebuyers. NLG is a leading affordable housing developer, occupying a 16.9 percent market share in HCMC in 2014 (source: NLG) with a well-recognized brand, EHome.

EHome brand was launched in 2006, and represent Economical, Efficient, and Ecological apartments. EHome apartments will be the major source of income for NLG in the next few years. NLG has also diversified product lines, including land

development, residential, office, and property-related services, which help the company to stabilize income streams and shift key products when necessary to meet the demands of the market.

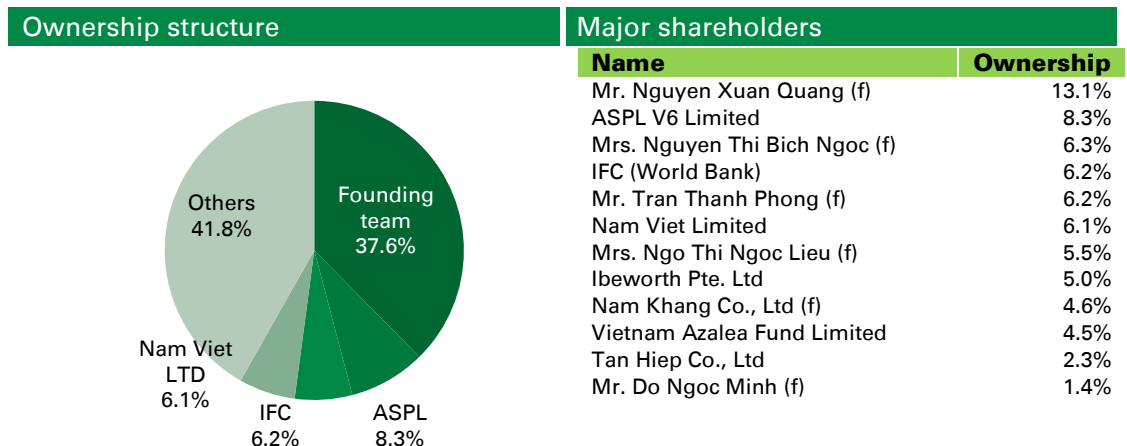
*NLG plans to cooperate with Keppel Land to develop middle and high-end projects.*

Besides EHome apartments, NLG also develops middle and high-end products with the Flora and Nam Long Home brand names respectively. The company recently welcomed Keppel Land, one of Asia’s leading developers as a strategic partner. In July 2015, NLG issued 7.1 million new ordinary shares to Ibeworth Pte., Ltd, fully owned by Keppel Land Limited, through private placement, equivalent to 5.02 percent ownership. The total value of the deal was VND140 billion (USD6.42 million). In Vietnam, Keppel Land is one of the largest foreign real estate developers in the high-end segment. Some of Keppel Land’s key projects are Saigon Sports City, The Estella, and Riviera Point. We believe that Keppel Land’s strength and experience in the high-end segment will help NLG to increase its profit margins and mitigate risks in developing this segment.

## MANAGEMENT AND SHAREHOLDERS

*NLG has five international strategic investors and a strong management team.*

NLG’s shareholder structure is stable, with 37 percent owned by six founding shareholders. The company also has five foreign strategic shareholders, including IFC, Goldman Sachs, Keppel Land, ASPL, and Mekong Capital.



*Source: NLG, VPBS collected (f: founding shareholders)*

The management team at NLG is strong, with both local and foreign experts, a primary difference between NLG and its affordable housing peers. In the next five years the competitive environment in this industry will be harder as new FDI players enter the market. We believe the strong management team is particularly important and adds significant value to the company in maintaining its leading position in affordable housing and township development.

- ❖ Mr. Nguyen Xuan Quang, Chairman: more than 20 years with NLG, with experience in the real estate industry, he is a key person contributing to NLG’s success. Mr. Quang is also the largest NLG shareholder with 13.1 percent ownership.
- ❖ Mr. Tran Thanh Phong, Vice Chairman: nearly 20 years with NLG. Mr. Phong graduated from Ho Chi Minh City University of Technology in 1984. He currently owns a 6.2 percent stake in NLG.
- ❖ Mr. Chu Chee Kwang, CEO: over 30 years of experience in project management and real estate development in Malaysia, Australia, Singapore, and Vietnam.



- ❖ Mr. Lai Voon Hon, Board member: seven years with NLG. He has experience in real estate development in London, Hong Kong, and Malaysia.
- ❖ Mr. Cao Tan Thach, Director of Project and Construction Management: graduated as a Construction Engineer from UC Irvine University (California, USA). Mr. Thach has worked for Linscott, Law & Greenspan Engineers in the USA and joined NLG in 2007. Mr. Thach owns a 0.16 percent stake in NLG.

## NLG's management

Board of Management	Position	Board of Directors	Position
Chu Chee Kwang	C.E.O	Nguyen Xuan Quang	Chairman
Mr. Nguyen Phuc	Director, Project Development and Legal Affairs Division	Tran Thanh Phong	Permanent Vice Chairman
Mr. Cao Tan Thach	Director, Planning and Project Control Divison	Bui Duc Khang	Member of the BOD
Mr. Le Chien Thang	Director, Sales & Marketing Division	Lai Voon Hon	Member of the BOD
Mr. Nguyen Ngoc Huyen	Director, Project and Construction Management Division	Chad Ryan Ovel	Member
Mr. Nguyen Ngoc Thanh	Director, Design Management Division	Trinh Van Tuan	Member
Mr. Nguyen Minh Quang	Director, Investor Relations Divsion	Ziang Tony Ngo	Member
Ms. Nguyen Thanh Huong	C.I.O	Ngian Siew Siong	Member
Mr. Chau Quang Phuc	C.F.O	Cao Tan Thach	Member
Mr. Nguyen Van Sang	C.P.O	Linson Lim Soon Kooi	Member

*Data as of September 14, 2015. Source: NLG*

## PROJECT PIPELINE

*NLG owns 567 hectares of land banks in HCMC, Long An, Can Tho and Binh Duong provinces.*

As of September 2015, NLG owns 15 projects in HCMC and Long An, Binh Duong and Can Tho provinces with a total land bank of approximately 567 hectares, which were acquired before 2010 with low book value. NLG has completed 90 percent of the compensation process and land use fees. Large land banks with low costs will enable the company to generate stable and consistent revenue for the next 10 years.

NLG's project pipeline focuses on affordable housing with three main products: affordable apartments with the EHome brand name, premium affordable apartments with the Flora brand name, and affordable townhouses/villas with the Nam Long Home brand name.

The company has eight projects in HCMC with 75 hectares, located in District 9 and in Binh Chanh and Binh Tan districts. These projects are next to key infrastructure such as the Long Thanh-Dau Giay and Trung Luong expressways. They are about 10 to 15 km from the city center, making them suitable for developing affordable housing.

NLG also has revenues from the office and real estate services segments. In 2009, the company opened its first office building in District 7, The Capital Tower. This is a 14-floor grade C office building with an approximate floor area of 6,000 m<sup>2</sup>. It is currently 100 percent occupied. This segment contributed 2.3 percent to total revenues in 2014.

## Projects in Ho Chi Minh City

### Ngoc Cung Binh Chanh – Aquamarine Residences

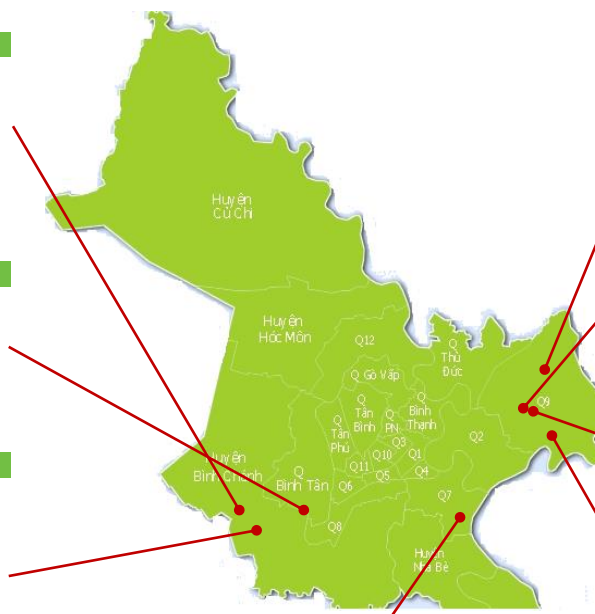
- Apartments: 4,991 units
- Villas and townhouses: 216 units
- Size: 374,123 m<sup>2</sup>
- Status: Land development

### Tien Hung - EHome 3 West Sai Gon

- Apartment: 2,204 units
- Size: 63,891 m<sup>2</sup>
- Status: On-going construction

### Camellia Garden

- Apartments: 282 units
- Villas: 282 units
- Size: 59,125 m<sup>2</sup>
- Status: On-going construction



### Long Thanh My – The Greenhill

- Apartments: 108 units
- Size : 8,572 m<sup>2</sup>
- Status: Pre-construction

### Flora Anh Dao

- Apartment: 500 units
- Size: 11,628 m<sup>2</sup>
- Status: On-going construction

### Phuoc Long B – Waterside Estate

- Apartments: 460 units
- Villas: 37 units
- Size: 56,212 m<sup>2</sup>
- Status: Pre-construction

### Phu Huu – Eastgate Residences

- Apartment: 2,024 units
- Villas: 289 units
- Size: 178,287 m<sup>2</sup>
- Status: Pre-construction

### Tan Thuan Dong - The Bridgeview

- Size: 20,158 m<sup>2</sup>
- Status: On-going construction

Source: NLG, VPBS collected

*The biggest project, Waterpoint, is located in Long An province, near HCMC. The province still has great potential for growth.*

Long An province accounts for 68 percent of NLG's total land banks with 390 hectares, including the Waterpoint project (355 hectares) and the An Thanh residences project (35.5 hectares). These are located in Ben Luc Ward and are around 30km from HCMC. NLG had aimed to develop a new urban center, including township, marina bay, and a golf course to provide a high standard of living. However, due to the slowdown of real estate in recent years, this project is not attractive in the short-term, and the capital requirement is too large to execute at present.

Long An province is located in the Mekong Delta region and in the key economic area of Southern Vietnam. It has an area of 4,500 km<sup>2</sup> with a population of over 1.4 million. Long An is adjacent to Cambodia and Tay Ninh province to the north, Ho Chi Minh city to the east and northeast, Tien Giang province to the south, and Dong Thap province to the southwest. Long An's economy is continually improving and developing. The province experienced phenomenal growth of 11 percent per year over the last three years, and GDP reached USD912 million in 2014. Long An's economic structure has changed from agriculture-industry-services to industry-services-agriculture. The industry sector accounts for 41.5 percent, the services sector for 31 percent, and agriculture for more than 27 percent of the province's GDP. In 2014, total FDI in the region was boosted to USD336 million (48 new FDI projects with total investment of USD290 million) and ranked 14 of 54 provinces nationwide in terms of attracting FDI.

Long An's infrastructure has recently shown exceptional development. Substantial transport infrastructure has been constructed, including Highway 1A, Highway N1, Highway N2, Highway 50, the Ho Chi Minh – Trung Luong Expressway, Ring Road 3, and Ring Road 4; and the Ben Luc – Long Thanh Expressway is also under construction. The upcoming expressway will connect the west and southeast regions avoiding transit through Ho Chi Minh City. This will lower traffic pressure on Highways 1A and 51, and also shorten the travelling time from Long An to Ho Chi Minh city, Dong Nai, and Ba Ria – Vung Tau.

We believe that Long An province still has great potential for development, and the housing demands in this area will continue to experience a positive growth rate.

Other projects are located in Can Tho and Binh Duong provinces with 72 hectares and 11 hectares, respectively.

### Projects in other provinces

#### Nam Long Hung Thanh

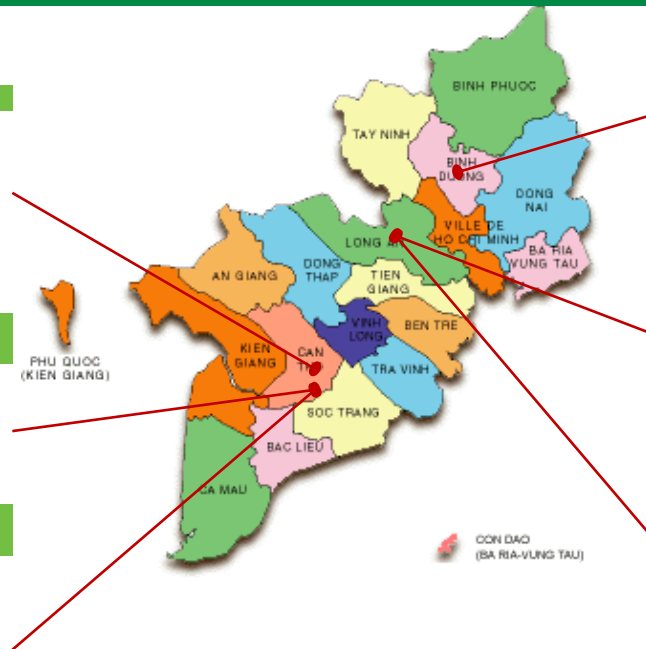
- Size: 234,725 m<sup>2</sup>
- Status: On-going construction

#### Can Tho 43 – Nam Long 3 Residential Area

- Villas 287 units
- Size: 430,000 m<sup>2</sup>
- Status: Land development

#### Nam Long Hong Phat - Nam Long 2 Residential Area

- Size: 154,215 m<sup>2</sup>
- Status: Land development



#### Vinh Phu Binh Duong – EHome 4 North Sai gon

- Apartment: 2,567 units
- Villas: 536 units
- Area: 126,825 m<sup>2</sup>
- Status: On-going construction

#### Vam Co Dong Urban Area - Waterpoint

- Size: 3,551,435 m<sup>2</sup>
- Status: Pre-construction

#### An Thanh Residential Area

- Villas: 1,719 units
- Size: 355,401 m<sup>2</sup>
- Status: On-going construction

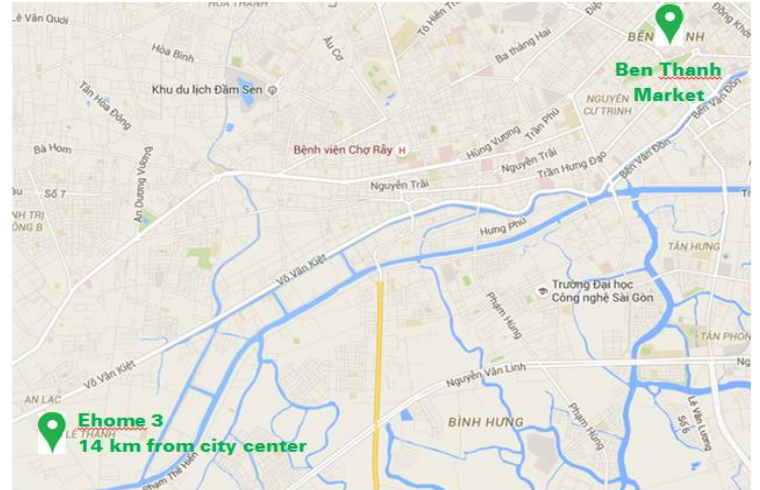
Source: NLG, VPBS collected

## 1. Construction in progress

### 1.1 West Saigon (EHome 3)

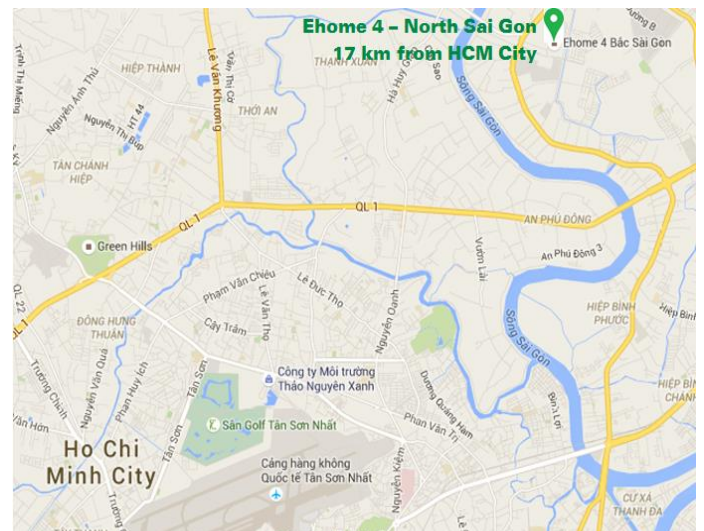
NLG currently has seven construction projects in progress, of which EHome 3 and EHome 4 are key projects.

- ❖ Location: Binh Tan District, near the Western Bus Station, one of the main bus stations in HCMC; 14 km from HCMC
- ❖ Size: 14 blocks of 9 floor apartments with 2,204 units; average size from 47 to 63 m<sup>2</sup>.
- ❖ Current progress: The project has three phases of development. Phases one and two, comprising seven blocks, have been completed and handed over. Phase three started in 2014, with three blocks scheduled for handover in 2015 and four in 2016.
- ❖ Selling price: USD29,000 to USD43,000 per unit; 78 percent of the project has been sold.



### 1.2 North Saigon (EHome 4)

- ❖ Location: Thuan An commune, which is known as the most dynamic development center in Binh Duong province; 17 km from HCMC
- ❖ Size: eight blocks of 5-6 floor apartments with 1,308 units, and villas and townhouses with 536 units.
- ❖ Current progress: The project has two phases of development. Phase one has been completed and sold 100 percent. Phase two started in 2014 and is scheduled for handover of over 800 apartments and 142 townhouses in 2015 and 2016.



### 1.3 The Bridgeview (EHome 5)

- ❖ Location: Tan Thuan Dong Ward, District 7, next to Phu My Hung New Urban Area
- ❖ Size: two blocks of apartments with 578 units. The average unit size is 55m<sup>2</sup> to attract single and newly-wed buyers.
- ❖ Current progress: Phase one has been completed and handed over. Phase two has started and is scheduled for handover of 364 apartments in 2015 and 2016.

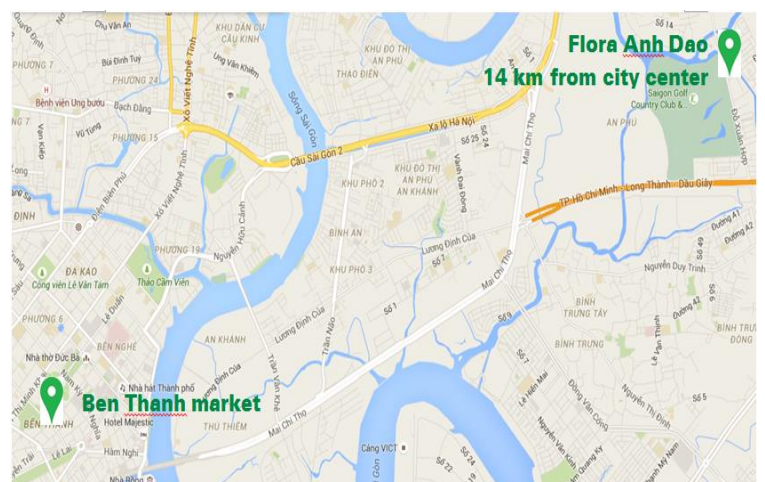


#### 1.4 An Thanh Residence

- ❖ Location: Ben Luc commune, Long An province, 30 km from HCMC
- ❖ Size: 1,791 townhouses to provide resettlement for current tenants in the area of the Waterpoint Township project.
- ❖ Current progress: Land lots for resettlement have been handed over.

#### 1.5 Flora Anh Dao

- ❖ Location: center of District 9, 500m from Long Thanh-Dau Giay expressway, 14 km from HCMC. Traffic in this project is improved due to the completion of the Phu My bridge and Thu Thiem tunnel.
- ❖ Size: 16 floor apartment building with 500 units; average size from 54 to 67 m<sup>2</sup>.
- ❖ Current progress: Flora Anh Dao is a new concept for NLG, focusing on middle income home buyers (USD1,000-1,500 per month).
- ❖ Selling price: USD50,000 to USD75,000 per unit; 150 units of the project have been sold.



### 1.6 Camellia Garden

- ❖ Location: Binh Chanh district, near Nguyen Van Linh Boulevard, 4 km from Phu My Hung Urban Area and China Town
- ❖ Size: 282 middle and high-end apartments, as well as 38 villas

### 1.7 Nam Long Resident Area 1

- ❖ Location: 2 km from Can Tho city.
- ❖ Size: 4,348 m<sup>2</sup> allotted to affordable apartments, and 78,972 m<sup>2</sup> to townhouses and villas
- ❖ Current progress: Land lots have been sold.

## **2. Pre-construction**

There are four projects of 379 ha in the 'pre-construction' phase.

*Waterpoint is the biggest project and will add value for NLG in the long-term.*

No.	Project	Location	Type	Site area (ha)
1	The Greenhill	HCMC	Apartments	0.8
2	Eastgate Residences	HCMC	Villas, townhouses, apartment	17.5
3	Waterpoint	Long An	Villas, townhouses, apartment	355.1
4	Waterside Estate	HCMC	Villas, restaurants	5.6

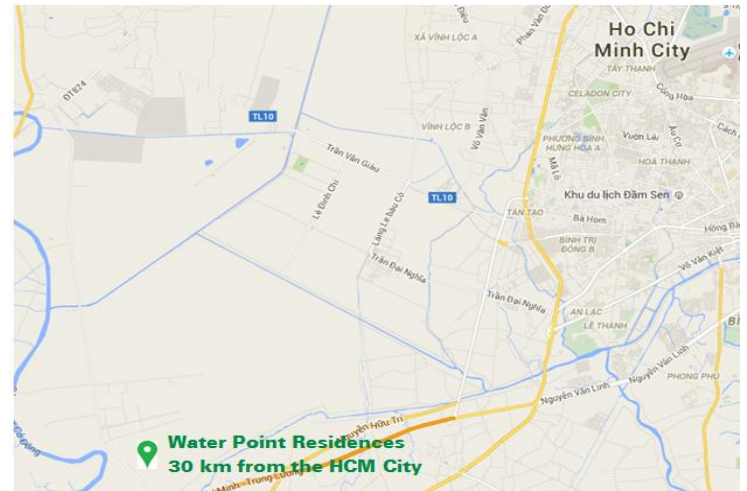
*Source: NLG, VPBS collected*

### Waterpoint: NLG's largest project to date

- ❖ Location: Ben Luc ward, Long An province, surrounded by the Vam Co Dong River, around 30 km from HCMC. The location has potential, easy access to HCMC via National Highway 1A, and is close to the first opened section of the Ho Chi Minh City-Trung Luong highway.
- ❖ NLG's ambition was to develop 350 hectares of this project to become a second Phu My Hung, with a high standard of living including a golf course, retail area, townhouses, apartments, villas, marina, entertainment area, and international education area. Total capital requirement was expected to be over USD2 billion. The size of this project is large, such that a main part of the capital requirement needs to be met by other investors. This project had been planned during the boom in the real estate market in HCMC. After 10 years it is still pending as NLG has not found partners to co-develop.

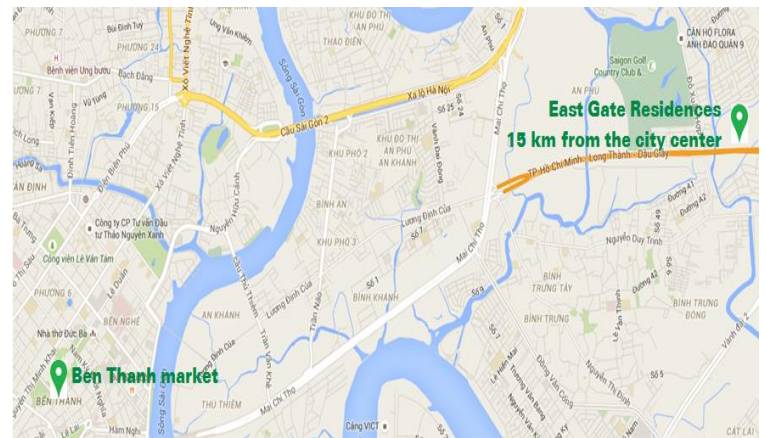
This project is also currently unattractive as Long An province is unsuitable for developing a high-end townhouse project at this time. The company plans to subdivide this project, and NLG will use 50-100 hectares to develop high-tech and logistics projects to meet the demands of the market. This project will not contribute to the company's earnings in next three years; however, we believe that the low-cost land bank will support the sustainable development of NLG in the long-term due to the potential growth of Long An province, described below.

- ❖ Status: compensation ratio of 98 percent, land use rights of 299.8 hectares. Backfilling phase 1 completed for 100 hectares.



**Eastgate Residences:**

- ❖ Location: District 9, near Long Thanh-Dau Giay expressway. The project is also close to HCMC’s Metro line 1.
- ❖ Size: 2,024 mid-range apartments and 289 townhouses and villas
- ❖ Status: compensation completed, preparing to backfill in Q3/2015



**3. Land development**

*There are three land development projects, of which Aquamarine residences is the most important.*

There are three projects with 113.5 ha in the ‘land development’ phase. Of these, Aquamarine residences is the key project.

No.	Project	Location	Type	Site area (ha)
1	Aquamarine residences	Binh Chanh, HCMC	Villas, townhouses, apartments	37.4
2	Nam Long 2 residential area Can Tho	Can Tho	Villas, townhouses	15.4
3	Nam Long 3 residential area Can Tho	Can Tho	Villas, townhouses	43.8
4	Ho Tram - The Oceana	Ba Ria Vung Tau	Villas, hotels, restaurants	0 <sup>(*)</sup>

*(\*) Sold 100 percent. Source: NLG, VPBS collected*

**Aquamarine Residences:**

- ❖ Location: Binh Chanh District (HCMC), around 10 km from the center and 4 km from Phu My Hung urban area and China Town.
- ❖ Size: 216 villas and townhouses, and 4,991 apartments
- ❖ Status: compensation is at 96 percent and is expected to finish in 2015. Infrastructure will be built in Q3/2015.

## HISTORICAL PERFORMANCE

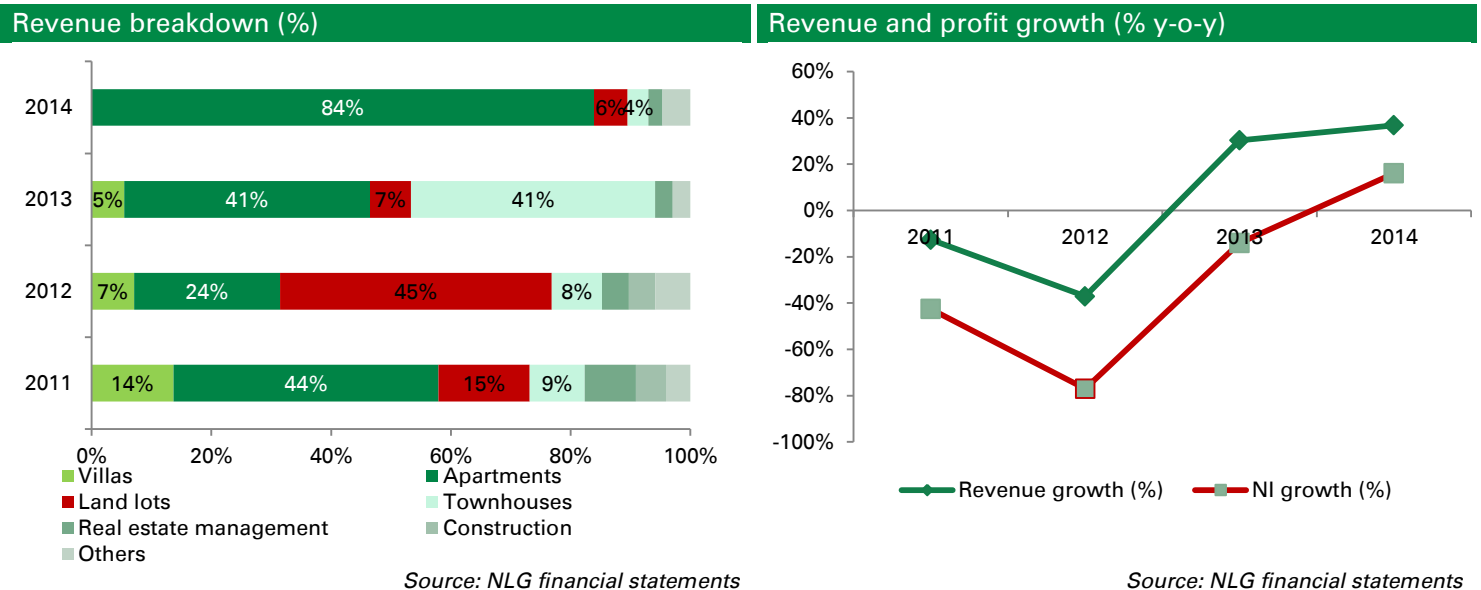
Revenues and profits decreased between 2011 and 2013, but went up strongly from 2014.

NLG has diversified product lines and a flexible strategy. The apartment segment with EHome products has generated the largest revenue for NLG.

During the last five years, NLG's annual sales and net profits have been unstable and volatile, parallel with the industry's business cycle. Net revenues decreased strongly from 2011 to 2012 due to the frozen state of the real estate market. Revenues started to recover from 2013, whereas net profit hit bottom in 2013 and increased strongly in 2014. In 2014, NLG achieved total net sales of VND866.9 billion (USD35.5 million), up 44 percent y-o-y, and net profit of VND96 billion (USD4.3 million), up 353 percent y-o-y, indicating the company has turned the corner.

While the real estate market was enjoying growth, NLG focused on the villas and townhouses segments, which have higher profit margins. In 2010, many real estate developers faced challenges when the Government tightened monetary policies. The company ingeniously shifted its key product segments to the affordable housing segment to adapt to the business cycle. Revenue from villas decreased significantly in this period and did not generate revenue in 2014. Conversely, revenues from EHome products have increased consistently, accounting for 84 percent of total revenues in 2014.

Apartments (EHome) generate the largest revenue for NLG, followed by land lots and townhouses. Revenues from EHome products have gone up consistently, accounting for 24 percent, 41 percent, then 84 percent in 2012, 2013, and 2014. In 2015, EHome projects are expected to contribute 75 percent of total revenues, mainly from the three projects EHome 3, 4, and 5.

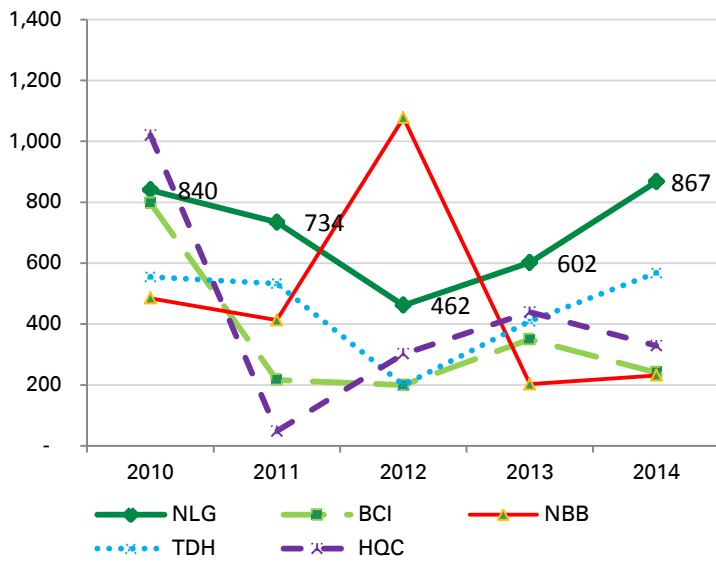


Thanks to focusing on affordable housing, NLG's earnings were less volatile, and recovered better, than selected peers.

We selected developers that have residential projects in the affordable and mid-range housing segments in HCMC to compare with NLG. Most of the selected developers do not focus completely on affordable housing as NLG does. Revenues and profits of the peer group went down significantly from 2010 to 2013. Thanks to its solid strategy, NLG's revenues and profits were less volatile than its peers. In 2010, NLG's profit was the second lowest in this group; however, the company recovered better and had the strongest profitability in 2014.

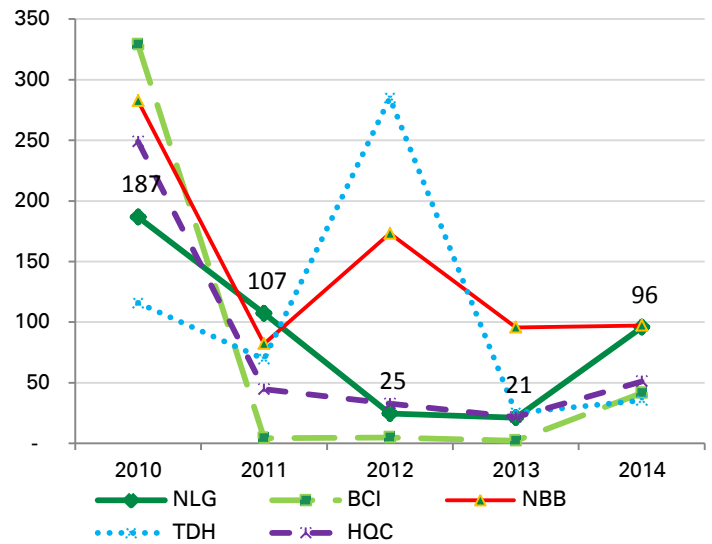


### Selected peers' revenue (VNDbn)



Source: VPBS collected

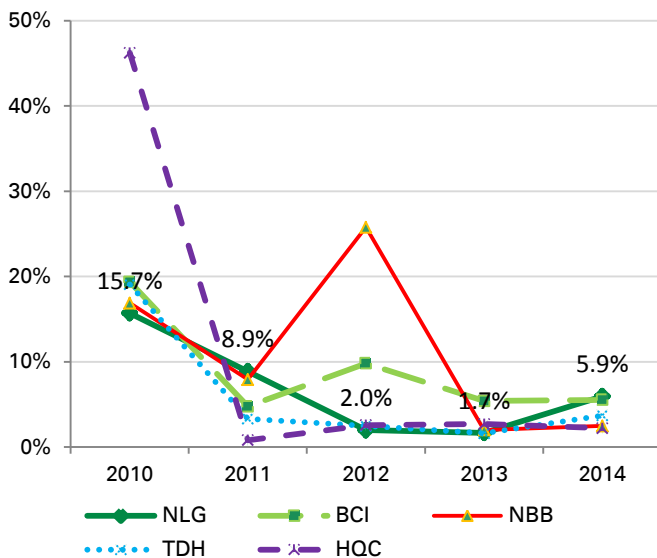
### Selected peers' net income (VNDbn)



Source: VPBS collected

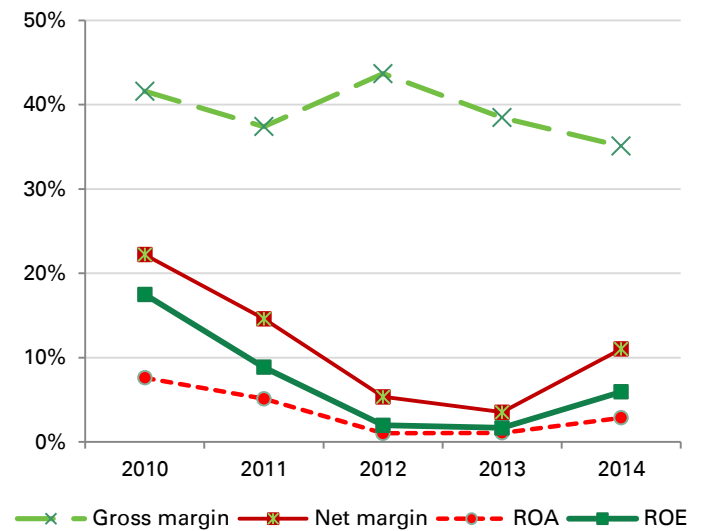
**NLG's profitability declined from 2010 to 2013 and has recovered from 2014.** Gross margin decreased from 41.6 percent in 2010 to 35.1 percent in 2014 due mainly to the change in product strategy from high-end development to EHome affordable housing products, which have lower margins. ROA and ROE of the company also followed a downtrend, especially in 2013, when net income hit its lowest level of the last five years. The company's ROE started to increase in 2014, reaching 5.9 percent in 2014 and 9.5 percent over the last twelve months, the highest among the selected peers.

### Selected peers' ROE



Source: VPBS collected

### NLG's profitability ratios

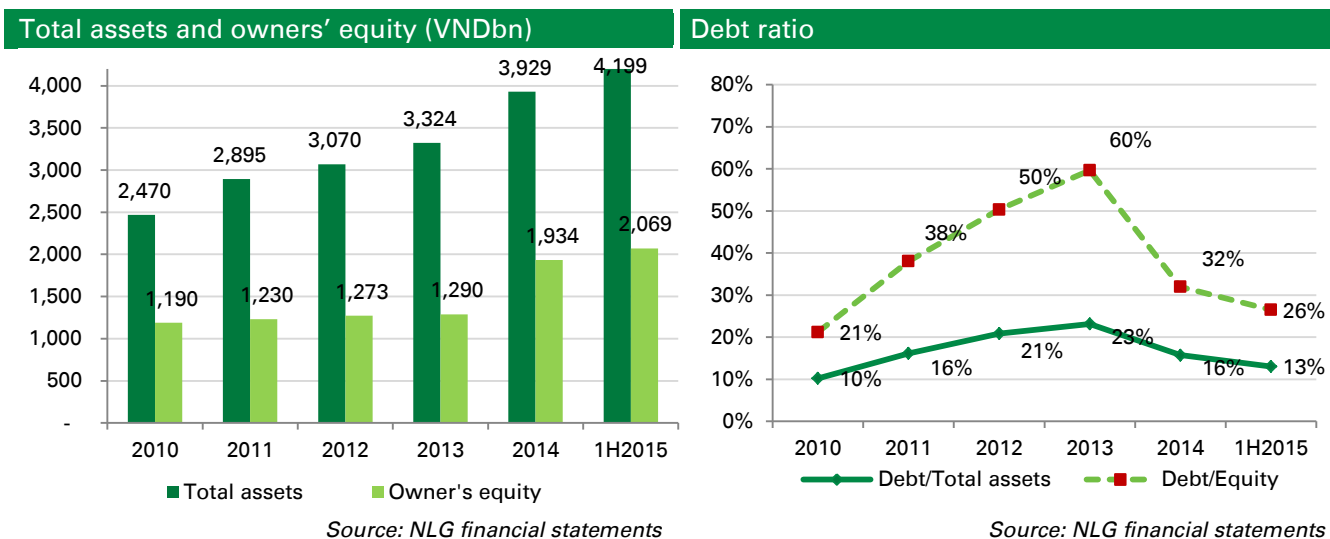


Source: VPBS calculated

Debt ratios decreased significantly in 2014 and are currently low compared to peers.

**Debt-to-equity ratio of 26.5 percent is low compared to peers.** The majority of debts are bonds to Orient Bank (OCB), and long-term borrowing from banks with interest rates of around 10 percent. The company also holds a high cash position, which improves financial health. Real estate companies in Vietnam are usually dependent on bank loans to finance their projects. However, for those whose leverage ratios are high, interest expenses significantly erode profitability, as experienced from 2011-2014. NLG also had high leverage ratios in 2012-2013 due to the slowdown in selling progress, which reduced cash amounts advanced by customers and required the company to use more debt to finance its activities. In 2014, NLG’s sales, profits, and cash flows improved strongly. The company also increased its charter capital by 40 percent, which sharply decreased the debt-to-equity ratio.

In 2015, though interest rates have decreased and the real estate market is warming up, some real estate companies are unable to enjoy the spring phase of the business cycle as they must first solve the recurring problem caused by high leverage. NLG, due to healthy finances, has the flexibility to allocate a suitable proportion of debt to maximize its intrinsic value.



**Chartered capital increased significantly.** To expand land banks and finance developing projects, NLG’s chartered capital has been grown significantly since 2005. NLG has usually raised equity from foreign strategic shareholders, which can improve its corporate governance as well as add value to the company with the experience of those strategic shareholders.

In the last three years, NLG paid cash dividends with ratios from 2.58 percent to 5.71 percent on par.

**Positive earnings reported in 1H2015.** NLG recorded net revenues of VND413 billion (USD18.3 million), up 78 percent y-o-y due to the growth of all business segments, especially the residential segment which accounted for 95 percent of total sales. NLG’s profit after tax was VND60.5 billion (USD2.8 million), surging 537 percent y-o-y and fulfilling 30 percent of the full-year earnings target. This is the first time in three years the company has had positive earnings in 1H.

NLG's management is confident it will meet the full-year earnings target as the company usually records the highest revenues and profits in Q4, and unrecognized revenues are high at VND857 billion (USD39.3 million) as of the end of June 2015.

NLG's total assets reached VND4,199 billion (USD186.6 million), up slightly by 6.9 percent y-t-d. This was mainly due to the increase in inventory. There was also a slightly increase in liabilities and equity due to advances from customers, suggesting that selling progress is positive. Short-term borrowings decreased significantly by 30 percent, whereas long-term borrowings went down slightly y-t-d.

## 1H2015 business results

VND million	1H2015	1H2014	% y-o-y	2015 Plan	% Plan	2015 VPBS Forecast	% Forecast
<b>Net revenue</b>	413,004	231,906	78.1%	1,459,000	28.3%	1,637,408	25.2%
Sales of land, houses, and apartments	393,507	212,684	85.0%	1,425,000		1,594,849	24.7%
Lease of property	11,336	9,239	22.7%	34,000		19,813	57.2%
Other services	8,160	9,982	-18.3%			22,746	35.9%
<b>Gross profit</b>	138,189	63,008	119.3%			463,910	29.8%
Sales of land, houses, and apartments	130,300	55,232	135.9%			446,558	29.2%
Lease of property	5,537	5,018	10.3%			9,542	58.0%
Other services	2,352	2,759	-14.7%			7,810	30.1%
<b>Gross margin</b>	33.46%	27.17%				28%	
Financial income	12,756	7,480	70.5%			32,899	39.3%
<b>Net income</b>	60,682	(16,827)	160.6%	179,000	33.9%	186,111	32.6%

Source: NLG's consolidated financial statements, VPBS

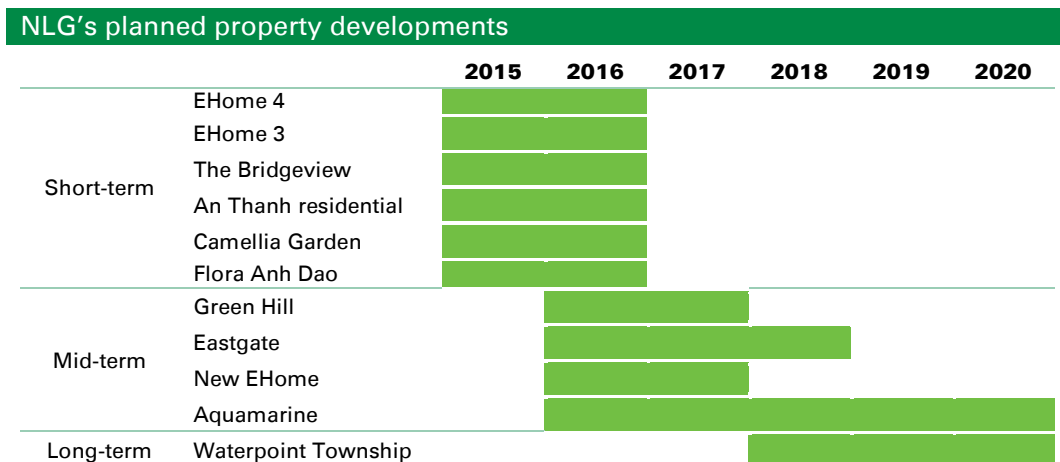
# VALUATION

## FORECASTS AND ASSUMPTIONS

In 2015 and 2016, NLG focused on EHome 3, EHome 4, The Bridgeview, Flora Anh Dao Camellia, and Eastgate projects. As of August 2015, 78 percent of the 2,204 apartments of EHome 3 had been sold at an average selling price of VND15.4 million/m<sup>2</sup> (USD700). The selling progress of EHome 4 and The Bridgeview projects looks positive with 90 percent and 100 percent of products sold respectively. Revenues and profits from these projects will be recorded in both 2015 and 2016.

Flora Anh Dao, which has been open for sale since April 2015, has sold 150 of 500 units at an average selling price of VND20.4 million/m<sup>2</sup> (USD925). NLG plans to hand over all 500 units in 2016. The Calmellia project, in cooperation with Century 21 Joint Stock Company, will be launched in December 2015 and record revenues in 2016. NLG will accelerate the handover process of the EHome 3 and EHome 4 projects to meet the 2015 earnings plan.

The company plans to acquire 6-8 hectares of land banks per year, 8-10 km away from the center of HCMC, to develop more affordable housing projects in the city. Current NLG land banks in HCMC are enough for the company to develop projects for the next 8-10 years.



Source: VPBS collected

For 2015, we project that NLG's revenue will reach VND1,637 billion (USD72.8 million), up 89 per cent y-o-y, and net income will reach VND186 billion (USD8.3 million), up 95 percent. We have assumed that NLG will hand over around 30 percent of the EHome 3 and EHome 4 projects, as well as 40 percent of the Bridgeview project, in 2015. These are the main profit generators this year.

For 2016, we estimate that NLG will hand over 40 percent of the EHome 3 project, 33 percent of the EHome 4 project, and 100 percent of the Flora Anh Dao (500 units) and Camellia Garden (194 units) projects. The Eastgate project and a new EHome project will be developed and hand over around 1,000 units in 2016.

### Detailed estimates for key projects

VND billion	2015F	2016F
<b>Revenue</b>	<b>1,595</b>	<b>2,480</b>
<b>EHome 3</b>	<b>611</b>	<b>815</b>
Sold (%)	90%	10%
Handover (%)	30%	40%
<b>EHome 4</b>	<b>361</b>	<b>232</b>
Sold (%)	95%	5%
Handover (%)	30%	33%
<b>The Bridgeview</b>	<b>590</b>	<b>74</b>
Sold (%)	100%	0%
Handover (%)	40%	5%
<b>Flora Anh Dao</b>	<b>0</b>	<b>297</b>
Sold (%)	60%	40%
Handover (%)	0%	100%
<b>Camellia Garden</b>	<b>0</b>	<b>389</b>
Sold (%)	0%	100%
Handover (%)	0%	100%
<b>Other projects</b>	<b>33</b>	<b>673</b>

Source: VPBS

### Total revenues and earnings forecast

VND billion	2014	2015F	2016F
<b>Net revenue</b>	<b>887</b>	<b>1,637</b>	<b>2,526</b>
Sales of land, houses, and apartments	828	1,595	2,480
Lease of property	18	20	22
Other services	21	23	25
<b>Gross profit</b>	<b>304</b>	<b>464</b>	<b>713</b>
Gross profit margin	35%	28%	28%
Net financial income	9	18	22
Profit before tax	139	272	457
<b>Net income</b>	<b>80</b>	<b>186</b>	<b>321</b>

Source: VPBS

*Using the Net Asset Value (NAV) method, we arrive at a valuation for NLG of VND22,400 per share.*

## NET ASSET VALUE (NAV) METHOD

NLG's intrinsic value depends highly on the values of land banks and projects that NLG is currently developing, as well as planned projects. Earnings of real estate companies usually fluctuate and are highly dependent on the business cycle of the industry and the economy. As the real estate industry has turned the corner, we expect that NLG's net income will increase strongly in the next three years. Therefore we believe the P/E valuation approach is not suitable for NLG. NLG also owns large land banks which have been held for a long time. The book value therefore does not capture the company's fair value. We believe that the net asset value (NAV) approach will reflect NLG's intrinsic value better than other methods.

We estimate the NAV of eight projects – EHome 3, EHome 4, The Bridgeview, An Thanh, Camellia, Flora Anh Dao, Nam Long Hung Thanh, and Eastgate Residences – as these projects have been under development, or will be developed in the next year. For other real estate projects in the pre-construction and land development phases we use the cost appraisal method to estimate a fair value.

For Capital Tower we use the DCF technique to value the business segment. The annual growth rate is assumed to be two percent to take inflation into account. Projected cash flows are from 2015 to 2056. The WACC of 10.6 percent is used as the discount rate in our DCF model. The WACC is calculated from the following assumptions: risk-free-rate is taken from the yield of 5-year local currency Government bond yields, equivalent to 6.7 percent; beta is 0.5; market risk premium is 9.3 percent; interest expense of 10 percent is NLG's average loan interest rate; and the effective tax rate for NLG is 22 percent.

Project	NLG ownership	Valuation method	NAV (VND bn)
<b>Residential portfolio</b>			<b>1,220</b>
1 EHome 4 North Sai Gon	100%	NAV	389
2 EHome 3 West Sai Gon	100%	NAV	212
3 The Bridgeview	100%	NAV	119
4 An Thanh residential area	100%	NAV	11
5 Camellia Garden	60%	NAV	104
6 Flora Anh Dao	50%	NAV	46
7 Nam Long Hung Thanh	100%	NAV	5
8 East Gate Residences	76%	NAV	335
<b>Other projects</b>			<b>2,386</b>
9 Aquamarine residences	83.7%	Cost appraisal	345
10 Nam Long Hong Phat	75.3%	Cost appraisal	89
11 Nam Long 3 residential area Can Tho	100%	Cost appraisal	88
12 Waterpoint	99.9%	Cost appraisal	1,638
13 Water side estate	45%	Cost appraisal	26
15 Nhon Trach	N/a	Cost appraisal	12
16 Others	N/a	Cost appraisal	13
17 Capital tower	100%	DCF	175
<b>Gross asset value</b>			<b>3,606</b>
Cash + ST investments (as June 30 2015)			223
Debt (as June 30 2015)			548
Minority Interest (as June 30 2015)			112
<b>NAV</b>			<b>3,169</b>
Current share number			142
<b>NAV per share (VND)</b>			<b>22,377</b>

Source: VPBS

## SENSITIVITY ANALYSIS

NLG's intrinsic value is highly correlated with the valuation of the Waterpoint project, as this project currently accounts for 32.5 percent of NLG's total assets and 45.4 percent of NLG's gross asset value.

We conservatively apply a premium of 20 percent over book value for this project. The company acquired this land bank in 2007 at a low cost. We believe it is reasonable to add more premium for this project to reflect the increase of land compensation expenses during the last eight years. A sensitivity analysis of target stock price to premiums of the Waterpoint project is as follows:

10%	15%	20%	25%	30%	35%
21,413	21,895	22,377	22,859	23,341	23,824

## TECHNICAL ANALYSIS

NLG has been stuck below the strong resistance level of VND19,600 since April this year. Each failed attempt to cross this level preceded a sharp dip. However, on the bright side, NLG still maintained the uptrend thanks to support of the MA100.

After consolidating itself under this level for eight sessions, NLG made a strong breakout of this resistance level to close at VND20,800 and set a new high on September 10. NLG has fluctuated below this peak on good volume, but still maintains support of the MA10.

Therefore, we hold a NEUTRAL view towards NLG at the time of updating this report.

On September 22, 2015	NLG (VND/share)
Horizon analytic	3 to 6 months
3-month highest price	20,800
3-month lowest price	18,100
Current MA50 days	19,200
Current MA10 days	19,600
Mid-term resistance level	N/A
Mid-term support level	19,000
<b>Recommendation</b>	<b>NEUTRAL</b>

### NLG price movement



Source : VPBS

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## CONCLUSION

After more than 20 years of operation, NLG is a leading Vietnamese affordable housing developer with a proven track record and a well-recognized brand, Ehome. Large land banks, located near major infrastructure developments, are a sustainable basis for the company for an upcoming period of development. We have a positive long-term view for NLG as the company owns large clean land banks of approximately 567 ha in Ho Chi Minh City and Binh Duong and Can Tho and Long An provinces, and NLG's earnings are expected to increase considerably in the next three years.

In the short-term, NLG will focus on developing affordable housing projects in Ho Chi Minh City to take advantage of the warming real estate market. A long-term mission of NLG's management is to unlock the value of potential land banks, especially in Long An province, to increase the intrinsic value of the company. We believe that the large land banks with low costs are a big competitive advantage for NLG in the long-term, although some have not yet generated revenues or profits.

We also highly rate NLG's boards of directors and management. The directors and the management team have a long history at NLG, suggesting a commitment to contributing to the long-term growth of the company. They have extensive experience and knowledge of how to develop and manage the business, and are familiar with local laws which have been updated repeatedly in recent years. The company also has five foreign strategic shareholders – IFC, Goldman Sachs, Keppel Land, ASPL, and Mekong Capital – which help the company improve its corporate governance and integrate international standards.

In terms of financial health, NLG has low debts and a high cash position. Although profitability ratios over the last three years were not attractive, they have improved strongly since 2014. With the sale and handover progress of current and future projects, we believe that NLG's earnings will be very positive in the next three years.

Based on our analysis and assumptions, we calculate NLG's fair price to be VND22,400 per share, a 9.8 percent upside potential compared to the current market price. Thus, we give a BUY recommendation for this stock.



<b>INCOME STATEMENT (VNDmn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015F</b>	<b>2016F</b>
Sales of lands, houses, villas and apartments	667,237	298,307	568,295	828,239	1,594,849	2,479,620
Services	48,819	35,012	14,940	20,678	22,746	25,020
Real Estate Rental	17,433	15,466	17,066	18,012	19,813	21,794
Others	514	112,965	1,445	-	-	-
<b>Revenues</b>	<b>734,004</b>	<b>461,750</b>	<b>601,747</b>	<b>866,929</b>	<b>1,637,408</b>	<b>2,526,435</b>
% y-o-y	276.8%	-53.6%	0.5%	44.1%	88.9%	54.3%
COGS	459,440	260,014	370,251	562,756	1,173,498	1,813,054
<b>Gross profits</b>	<b>274,563</b>	<b>201,735</b>	<b>231,496</b>	<b>304,173</b>	<b>463,910</b>	<b>713,381</b>
Selling expense	34,668	25,932	35,369	70,841	90,057	138,954
G&A Expenses	125,215	100,134	110,878	127,402	146,388	168,203
<b>EBIT</b>	<b>114,681</b>	<b>75,670</b>	<b>85,248</b>	<b>105,931</b>	<b>227,464</b>	<b>406,223</b>
Depreciation & amortization	9,706	12,349	11,788	11,509	13,227	13,717
<b>EBITDA</b>	<b>124,387</b>	<b>88,018</b>	<b>97,036</b>	<b>117,440</b>	<b>240,691</b>	<b>419,940</b>
Financial income	17,652	7,140	10,413	27,529	32,899	34,415
Financial expense	28,822	75,973	39,794	18,155	14,255	13,647
Net other incomes / (expenses)	87,943	52,358	(321)	23,832	26,216	28,837
Income from associates	1,827	397	82	156	180	207
<b>EBT</b>	<b>193,280</b>	<b>59,591</b>	<b>55,627</b>	<b>139,294</b>	<b>272,504</b>	<b>456,035</b>
Tax expense	56,108	29,046	21,135	35,740	70,851	109,448
Effective tax rate	29.0%	48.7%	38.0%	25.7%	26.0%	24.0%
<b>Profits after tax</b>	<b>137,172</b>	<b>30,545</b>	<b>34,492</b>	<b>103,554</b>	<b>201,653</b>	<b>346,587</b>
Minority interest	29,971	5,904	13,318	7,981	15,542	26,712
<b>Net income</b>	<b>107,202</b>	<b>24,641</b>	<b>21,175</b>	<b>95,573</b>	<b>186,111</b>	<b>319,874</b>
% margin	14.6%	5.3%	3.5%	11.0%	11.4%	12.7%
EPS (VND)	1,182	264	232	841	1,351	2,259

<b>BALANCE SHEET (VNDmn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015F</b>	<b>2016F</b>
<b>Current assets</b>						
Cash & near cash items	141,618	113,502	166,988	373,997	489,344	511,829
Short term investments	0	1,800	3,000	16,000	16,800	17,640
Accounts receivables	179,215	264,853	275,646	319,821	367,794	422,963
Inventories	2,058,999	2,197,834	2,359,797	2,610,300	2,871,329	3,158,462
Other current assets	23,880	26,541	59,735	70,769	74,307	78,023
Total current assets	2,403,712	2,604,530	2,865,166	3,390,886	3,819,575	4,188,917
<b>Long-term assets</b>						
Net fixed assets	43,062	46,040	42,235	42,697	43,671	44,578
Long-term investments	270,434	264,502	259,658	289,982	325,431	355,975
Other long term assets	177,498	154,682	156,657	205,856	221,100	234,190
Total long-term assets	490,994	465,224	458,550	538,535	590,202	634,743
<b>Total assets</b>	<b>2,894,707</b>	<b>3,069,754</b>	<b>3,323,716</b>	<b>3,929,421</b>	<b>4,409,777</b>	<b>4,823,660</b>
<b>Current liabilities</b>						
Accounts payable	72,916	100,815	91,837	99,905	160,753	248,364
Short-term borrowings	295,415	518,147	510,923	180,196	198,216	218,037
Other short term liabilities	815,425	738,683	846,174	1,195,546	1,361,728	1,488,130
Total current liabilities	1,183,756	1,357,645	1,448,934	1,475,647	1,720,697	1,954,531
<b>Long-term liabilities</b>						
Long-term borrowings	172,747	122,716	258,785	438,281	401,986	347,431
Other long-term liabilities	25,686	34,159	33,827	24,280	25,494	26,768
Total long-term liabilities	198,434	156,875	292,612	462,561	427,480	374,199
<b>Total liabilities</b>	<b>1,382,189</b>	<b>1,514,520</b>	<b>1,741,546</b>	<b>1,938,208</b>	<b>2,148,176</b>	<b>2,328,730</b>
<b>Equity</b>						
Share capital & APIC	1,047,774	1,096,755	1,096,755	1,762,485	1,902,485	1,902,485
Retain earnings	188,092	181,867	198,919	218,912	294,807	501,423
Treasury shares	-18,360	-18,360	-18,360	-60,464	-60,464	-60,464
Other equities	12,109	12,432	12,713	12,758	12,758	12,758
<b>Total Equity</b>	<b>1,229,615</b>	<b>1,272,694</b>	<b>1,290,027</b>	<b>1,933,691</b>	<b>2,149,585</b>	<b>2,356,202</b>
Minority interest	282,902	282,541	292,143	57,522	112,016	138,728
<b>Total liabilities and equity</b>	<b>2,894,707</b>	<b>3,069,754</b>	<b>3,323,716</b>	<b>3,929,421</b>	<b>4,409,777</b>	<b>4,823,660</b>

<b>CASH FLOW STATEMENT (VNDmn)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015F</b>	<b>2016F</b>
Cash from operation activities	(198,506)	(202,723)	(115,828)	108,987	97,854	187,903
Cash from investing activities	(29,150)	2,167	10,511	(145,908)	(48,508)	(44,139)
Cash from financing activities	163,069	172,440	158,804	243,929	66,001	(121,279)
<b>Net changes in cash</b>	<b>(64,587)</b>	<b>(28,116)</b>	<b>53,487</b>	<b>207,009</b>	<b>115,347</b>	<b>22,485</b>
Beginning cash balance	206,205	141,618	113,502	166,988	373,997	489,344
<b>Ending cash balance</b>	<b>141,618</b>	<b>113,502</b>	<b>166,988</b>	<b>373,997</b>	<b>489,344</b>	<b>511,829</b>

<b>RATIO ANALYSIS</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014A</b>	<b>2015F</b>	<b>2016F</b>
<b>Valuation Ratios</b>						
Price Earnings				24.5	15.2	9.1
PEG				6.8	9.5	5.5
EV to EBIT				29.2	13.6	7.6
EV to EBITDA				26.3	12.9	7.4
Price to Sales				3.2	1.8	1.2
Price to Book				1.4	1.4	1.2
Dividend Yield				2.8%	3.9%	3.9%
<b>Profitability ratios</b>						
Gross margin	37.4%	43.7%	38.5%	35.1%	28.3%	28.2%
EBITDA margin	17.2%	19.1%	16.1%	13.6%	14.7%	16.6%
Operating margin	15.6%	16.4%	14.2%	12.2%	13.9%	16.1%
Net profit margin	14.6%	5.3%	3.5%	11.0%	11.4%	12.7%
Return on avg. Assets	5.1%	1.0%	1.1%	2.9%	4.8%	7.5%
Return on avg. Equity	8.9%	2.0%	1.7%	5.9%	9.1%	14.2%
<b>Leverage ratios</b>						
Interest coverage ratio (EBIT/I)	5.2x	1.0x	2.8x	9.8x	21.7x	41.1x
EBITDA / (I + capex)	4.9x	1.0x	3.0x	5.7x	4.1x	7.8x
Total debt/capital	27.6%	33.5%	37.4%	24.2%	21.8%	19.4%
Total debt/equity	44.1%	33.7%	48.3%	53.4%	24.1%	20.5%
<b>Liquidity ratios</b>						
Asset turnover	0.3x	0.2x	0.2x	0.2x	0.4x	0.5x
Accounts receivable turnover	4.1x	1.7x	2.2x	2.7x	4.5x	6.0x
Accounts payable turnover	6.3x	2.6x	4.0x	5.6x	7.3x	7.3x
Inventory turnover	0.2x	0.1x	0.2x	0.2x	0.4x	0.6x
Current ratio	2.0x	1.9x	2.0x	2.3x	2.2x	2.1x
Quick ratio	0.3x	0.3x	0.3x	0.5x	0.6x	0.5x

## GUIDE TO RATINGS DEFINITION

VPBank Securities (VPBS) ratings are based on a combination of short-term and long-term analysis.

We use the following long-term ratings system:

**Undervalued:** Expected return, including dividends, over the next 12 months is greater than 10 percent.

**Fully-valued:** Expected return, including dividends, over the next 12 months is from zero to 10 percent.

**Overvalued:** Expected return, including dividends, over the next 12 months is below zero.

We then form a short-term outlook by combining macroeconomic factors with our technical analysis scoring system. This system generates bullish, neutral or bearish signals based on analysis of trending indicators, such as moving average, PSAR, and MACD, and momentum indicators, such as RSI and MFI.

Our overall recommendation is based on the following combinations of short-term and long-term views:

Recommendation	Long-Term Value	Short-Term Trend
<b>BUY</b>	Undervalued	Bullish or Neutral
	Fully-valued	Bullish
<b>HOLD</b>	Undervalued	Bearish
	Fully-valued	Neutral
	Overvalued	Bullish
<b>SELL</b>	Fully-valued	Bearish
	Overvalued	Neutral or Bearish

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