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As of 09/03/2017, CMG stocks are trading at 14,750 VND/share, corresponding to P/E Trailing = 8,14x.

We maintain a mid and long term buy recommendation for CMG with a target price of 18,900 VND/share. CMG expects its 2016 revenue (01/04/2016 – 31/03/2017) to be VND 4,446 billion (+20.3% YoY) and its PAT to be VND 189.9 billion (+18.5% YoY). BSC estimates that 2016 PAT of the parent company's shareowners to be approximately VND 120 billion, corresponding to the 2016 EPS of 1,812 VND.

Telecommunication segment – Improve competitive advantages thanks to the fact that APG sea fiber cable is in operation. The APG fiber cable line is certain to start operating during the beginning period of 2017 which is promised to fulfill high speed Internet demands for the upcoming years and reduce mistake probability thanks to a high speed of 54 Tbps in comparison to the two current cable line: AAG (2 Tbps) and IA (3.84 Tbps). Only three Vietnamese corporate investors participated in this project and agreed to distribute the bandwidth allocation in accordance to their contribution proportion. They are Viettel (USD 25 million), FPT (USD 10 million) and CMG (USD 5 million). In addition, the project of North-South Backbone network (VND 200 billion), which belongs to CMG, is expected to be finished on July and that in turn, will reduce the leasing fees of the current transmission line (approximately VND 100 billion/year) down to a depreciation of VND 20 billion/year.

The 2016 revenue of telecommunication segment is expected to be VND 1,261 billion (+27% YoY), PAT is estimated to be VND 127 billion (+22.1% YoY), in which 88% of the revenue is contributed by more than 1,000 corporate customers. The advantages of CMG originate from providing service package that enhance security protection, data storage and administration... aside from providing regular bandwidth services. As a result, ARPU of the corporate customers is maintained at a high rate of 30-50 million/month.

We evaluate that the CAGR of the Telecommunication segment would range from 25-30% in the forthcoming years thanks to technical infrastructure and advance security protection, that provides the solution to CMG's competitive pricing strategy so that the corporation can gain additional market share in its corporate customers market.

Integration segment – Positive development.

CMG expect its 2016 revenue of integration segment to be VND 2,116 billion (+39% YoY), and its PAT to be VND 57.9 billion (+23.7% YoY) due to its competitive pricing strategy in order to gain market share, which set the foundation for providing more services in the forthcoming years. In Vietnam, CMC is currently holding the 1st position of providing system infrastructure in the following sectors: Finance – Banking (Core Banking), Government and Education thanks to the capability of providing a comprehensive solution & security package. CMC is the only unit member that can offer a secure and administrative system to the Public Security Ministry and the Defense Ministry. Backlog of CMC for this segment is approximately VND 700 billion.

CMG set the goal of developing the integration segment with a CAGR = 30% in the forthcoming period (2017-2020). With this rate, we evaluate that CMG would certainly close the distance and catch up with the peer leader of this industry, that is FPT (VND 2,800 billion revenue).

Software segment – Continues to stimulate software enhancement export

CMG expects to encourage the enhancement export operations in the upcoming years through the following factors:

- Establishing CMG Global in the next 4 months, expecting to have representative offices in Japan and Singapore.
- Focusing on training to increase the software manpower from 120 staffs in 2016 to 200 staffs in 2017 and eventually, 1,000 staffs in 2020.
- Setting Asia as the main target market, including Japan (60%) and other developed countries in the region (40%).

2016 Revenue of software segment is expected to be approximately VND 257 billion (+32.4% YoY), and PAT to be VND 11.3 billion (+182.5% YoY).

Production allocation – Continue to be constrained in term of scale.

2016 revenue is expected to be VND 301.8 billion (-23% YoY), with the loss of VND 3.5 billion due to constrained scale. We evaluate that CMG has been on a proper way since two years ago when the assemble computer market started its downtrend movement, and the VAT contribution of this field is not much. Moreover, maintenance fee is a major burden that causes this segment's business results to be either break-even or loss. We expect CMG to continue divested its capital out of this segment so that the corporation can focus on other potential segments.

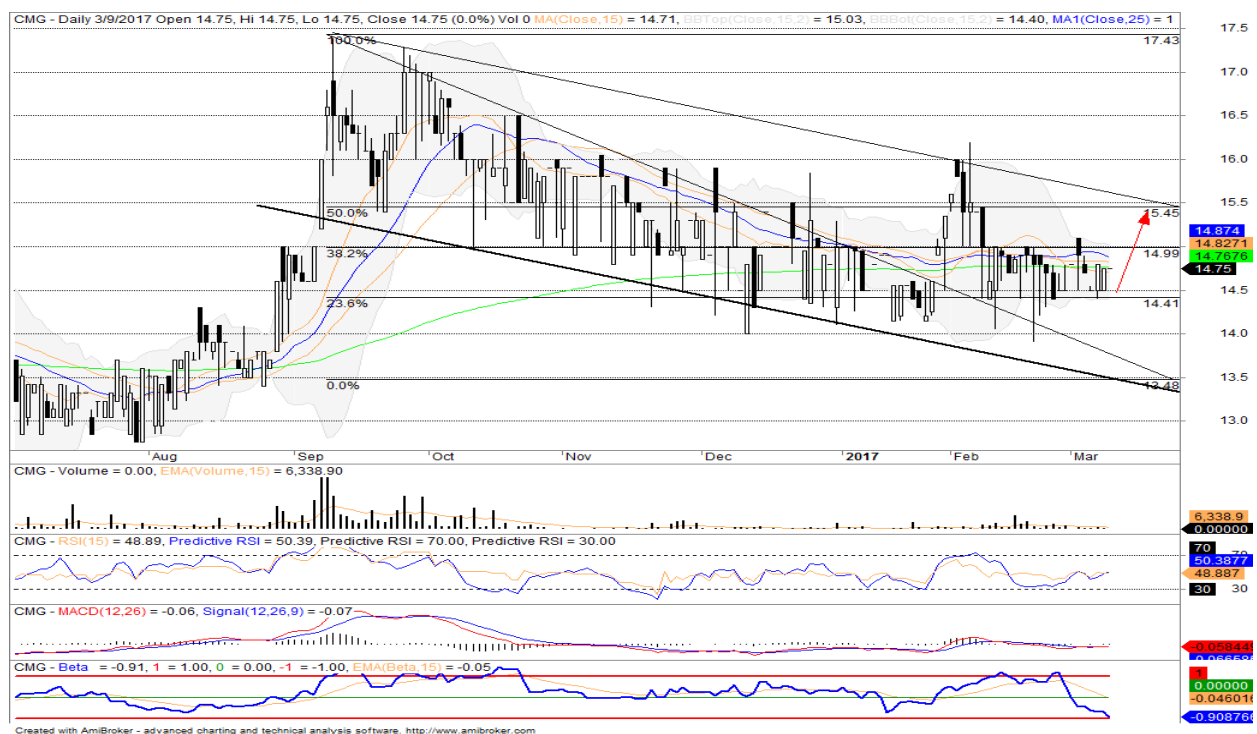
Technical Highlights:

- Current trend: sideways in small margin (short term supportive level is 14.4- short-term resistance level is 15), downtrend in middle and long period (historical supportive of 13.5)
- MACD indicator has a rebound signal when it slightly pass the lagging indicator, however, MACD's trend is not clear, RSI indicator moved sideways around the 50 level.
- Liquidity: narrow liquidity during the last 5 months.

Analysis: About pricing development, CMG stocks fluctuated stably in a short supportive-resistance marginal range from 14.4-15. Beta indicator moved close to -1, with a trend that is going to return to the 0 level. This phenomenon indicates that CMG was very elastic and in the reversal reaction state of market indicator.

Recommend: Recovery trend is not going to occur soon for CMG if its market liquidity continued to be narrowed. If the price rebounds, CMG is certain to confront with the next resistance level of 15.5. BSC recommends buying the stock at 14.5 level, executing loss cut in the case that the market price moves down to 14, and being cautious of liquidity risk.

Technical analysis graph of CMG



Disclosure

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