

TASCO JOINT STOCK COMPANY (HUT)

August 11, 2015

INITIATING COVERAGE: **HOLD**



Current price (8/7/2015):	VND	11,500
Long-term value		Under-valued
Target price:	VND	12,800
Short-term trend		Neutral
Mid-term resistance level	VND	12,000
Mid-term support level	VND	10,200
Bloomberg ticker: HUT VN	Exchange:	HNX
Industry:		Construction
Beta		1.1
52w High / Low (VND)		15,000/8,900
Outstanding shares (mn)		128.4
Market cap (VNDbn)		1,477
Free-float (mn shares)		105.5
6M avg trading vol (share)		1,402,000
Foreign-owned ratio (%)		20%

Year	Div. Yield	EPS (VND)
2016 (VPBS forecast)	0%	1,355
2015 (VPBS forecast)	0%	1,007
2014	0%	3,246
2013	0%	244
2012	0%	1,052

	2010-14A CAGR	2015E (VNDbn)	2015-19E CAGR
Revenues	34.7%	2,123	8.3%
EBITDA	57.3%	276	10.7%
Net income	40.1%	132	16.3%

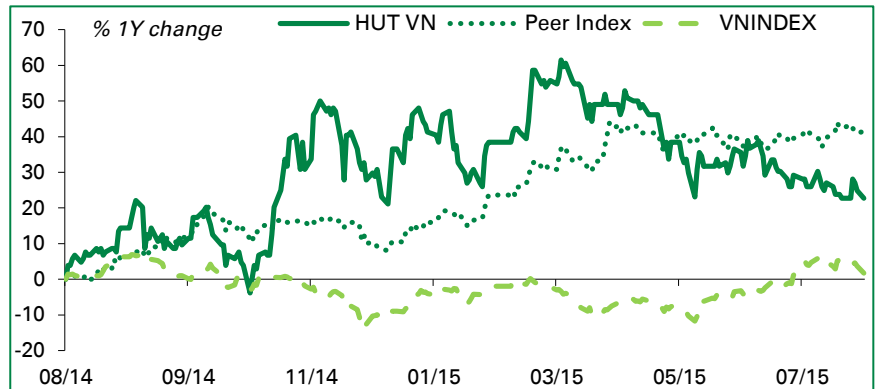
LTM	HUT	Peer	VN-Index
P/E	4.1	9.1	12.4
P/B	0.9	1.1	1.9
EV/EBITDA	8.0	6.3	9.3
Debt/ Equity	2.0	1.1	1.0
Net margin	9.3%	4.2%	11.0%
ROA	4.7%	4.3%	2.9%
ROE	25.6%	13.2%	16.0%

Company description:

Tasco Joint Stock Company (HUT) was established in 1971 and listed its shares on the Ha Noi Stock Exchange in April 2008.

Business activities include infrastructure construction (90.7 percent of 2014 total sales), real estate (0.5 percent), toll collection (3.7 percent), and others including construction materials and consultancy (5.1 percent).

2015 targets: net revenue: VND2,316 billion (USD101.5 million), net income: VND145 billion (USD6.7 million).



We are initiating coverage on Tasco Joint Stock Company (HUT) with a **HOLD** recommendation and a one-year target price of VND12,800 per share. The shares offer good long-term upside potential, but are currently in a downward short-term trend. Investors who do not already own shares should wait to buy at a lower entry point.

2015 business results down significantly: We project 2015 net profit down 49 percent y-o-y. According to 2015's target, the company will mainly record BT39 project (booked a part of revenue and profit in 2011) with total investment of VND1,882 billion (USD86.7 million) while HUT recorded mainly BT21 project with total investment of VND 3,802 billion (VND175.2 million) in 2014.

Toll collection segment is growing strongly with higher toll rates and new gates. HUT doubled the toll rate at Tan De Station on Jan 1, 2015 and opened a new toll station (BOT Highway 1A - Quang Binh) on July 1, 2015. We expect another new tollgate to payback for BOT 39 project to operate from Q1/2016.

Reduced focus on BOT will help lower leverage. According to our discussion with management, HUT will not focus on BOT projects due to their low profit margin and large investment capital. This will help HUT lower its debt ratio level in the future.

Real estate projects will add long-term value. HUT expects to restart construction of the South Building Apartment in Q4/2015 and open about 380 units (phase one) of Xuan Phuong Urban for sale by Q1/2016. Therefore, we have added the residual value of property projects to our valuation model.

High dilution risk in the next two years: Private placement for strategic investors and stock dividends increased HUT's outstanding shares by 36 percent in the first six months of 2015. HUT also plans to issue convertible bonds of VND500 billion (USD23 million) in Q3/2015 which can be converted in 2017.

Forward P/E is higher than peers. HUT's trailing P/E is well below its peers. However, we estimate HUT's 2015 EPS at VND1,007 due to large dilution and declining net profit. At our target price, the stock will trade at a 2015 P/E of 12.7x, higher than its peers' LTM P/E of 9.1x.

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

CONTENTS

VIETNAM CONSTRUCTION SECTOR UPDATE	3
COMPANY OVERVIEW.....	7
Subsidiaries and affiliates	7
Ownership structure	8
Management	8
BUSINESS PERFORMANCE.....	9
2015-2017 BUSINESS PLAN.....	13
VALUATION.....	17
DCF model	17
Comparison method	18
Sensitivity analysis	18
TECHNICAL ANALYSIS.....	19
CONCLUSION	20
 <i>Appendix 1: VPBS projections.....</i>	 <i>21</i>
<i>Appendix 2: List of large transportation infrastructure projects to 2020.....</i>	<i>24</i>
<i>Appendix 3: Toll rate for Tan De, My Loc, and Highway 1A – Quang Binh.....</i>	<i>24</i>

VIETNAM CONSTRUCTION SECTOR UPDATE

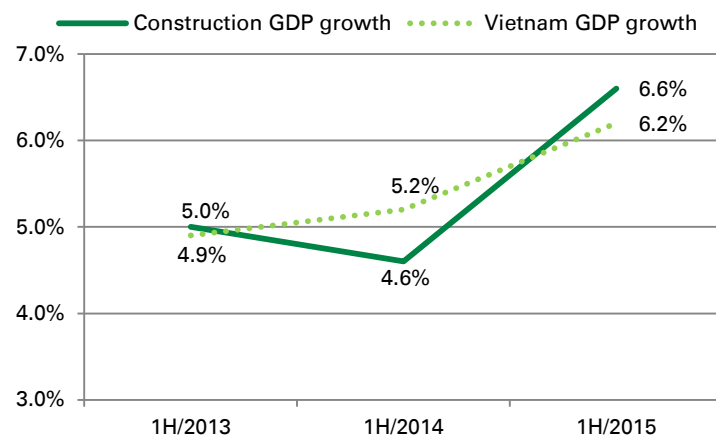
Construction sector continued to grow faster than GDP in 1H2015

The infrastructure sector was the primary contributor to growth of the gross output of construction in Q2/2015.

According to the General Statistics Office (GSO), at 2010 prices the GDP of the construction sector in 1H2015 was VND61.5 trillion (USD2.8 billion). This was an increase of 6.6 percent y-o-y, compared to 4.6 percent y-o-y in 2014. This growth was higher than Vietnam's GDP growth of 6.2 percent y-o-y.

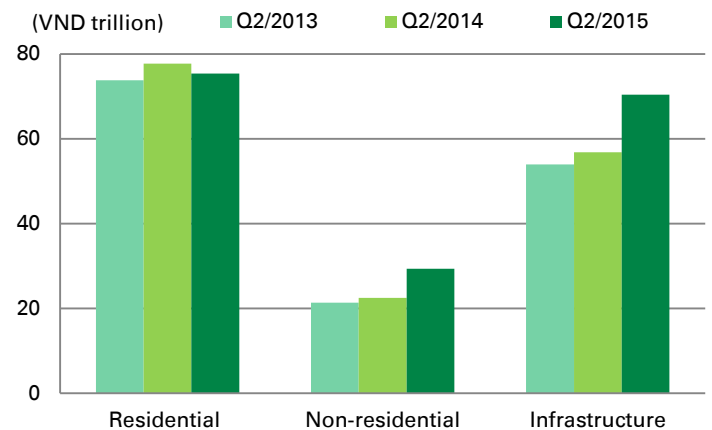
Notably, in Q2/2015, the infrastructure sector increased strongly by 24 percent y-o-y (compared to 5.0 percent y-o-y in Q2/2014), after the Vietnamese government issued a new decree regulating investment in public-private partnerships (Decree No. 15/2015/ND-CP) on February 14, 2015, which we discuss in detail below. Meanwhile, the residential sector declined slightly by 3.0 percent y-o-y in Q2/2015. However, we think this is not a negative sign as residential supply has been increasing quite fast.

GDP construction growth vs. Vietnam GDP growth



Source: GSO

Gross construction output by sector



Source: GSO

Substantial demand for infrastructure improvement

Vietnam's infrastructure system must be improved if the country wants to improve competitiveness in the international market.

In general, Vietnam's transportation infrastructure remains poorly functioning and of insufficient quality. According to the World Bank, Vietnam's network has roughly 222,179 kilometers of roads, only 19 percent of which are paved and approximately 40 percent of the roads are in a degraded state and require significant investment to restore. The mix of traffic with cars, trucks, and slow-moving vehicles such as buses, motorcycles, and even trains causes serious congestion on all major routes.

Although there has been an improvement compared to 2011, Vietnam's freight infrastructure score is below the worldwide standard in all surveyed transport modes (ranked 112 out of 144 evaluated countries) in 2014 (surveyed by World Bank). This leads to the costs of moving containers from factories to seaports being comparatively higher in Vietnam.

If the synchronization of infrastructure is not improved, reducing unnecessary costs in the commodity circulation process, Vietnam will be challenged in improving economic growth and competitiveness in the international market. Growth has placed more pressure on Vietnam's freight infrastructure, which must be improved if the country is to succeed on the global sourcing stage.

Ranking of infrastructure quality in Vietnam

Year	2011	2012	2013	2014
Quality of roads	123	120	102	104
Quality of railroad	71	68	58	52
Quality of port	111	113	98	88
Quality of air transport	95	94	92	87
Quality overall	123/142	119/144	110/148	112/144

Source: Global Competitiveness Report 2014-2015

Comparison of costs to export and import in Asean

(USD per container)	Cost to export	Cost to import
Malaysia	525	560
Singapore	460	440
Hong Kong	590	565
Thailand	595	760
Vietnam	610	600

Source: The World bank's Doing Business 2015

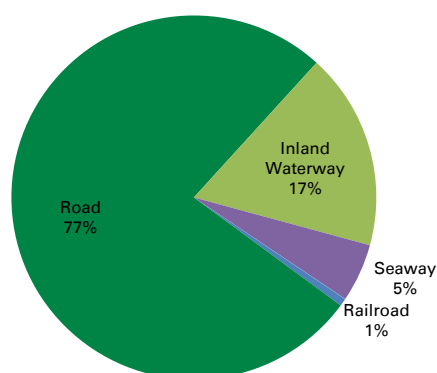
Road transportation has been the backbone of Vietnam freight transport.

Government's plan will improve the road network from 2016 to 2020

The road and bridge industry accounted for 50-55 percent of the industry's value in 2014. According to the development plan for Vietnam's transportation system to 2020, and toward 2030, the capital demand for infrastructure development is about VND200 trillion (USD 9.2 billion) per year, more than double current requirements. Investment capital demand is large, but the Government budget meets only 30-40 percent of the total need. Therefore, the remainder comes from private and foreign sources.

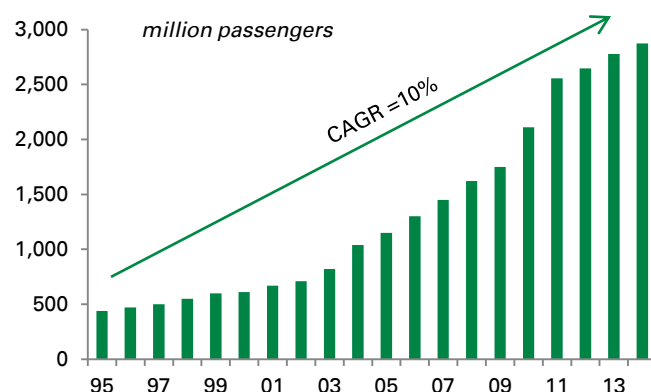
Road transportation has been the backbone of Vietnam freight transport. In 2014, transport by road consistently accounted for at least 77 percent of domestic freight volume. The volume of road passenger transport has increased rapidly over the years, therefore road construction will be a bright spot in the transportation infrastructure segment as the government aims to resolve congestion in major cities.

2014 Volume structure of freight transportation



Source: GSO

Road passenger growth in 1995-2014



Source: GSO

Clearance expenditures have magnified the cost of investment in Vietnam's highway projects. Construction of highways in Vietnam has been found to cost 50 to 100 percent as much as other Asian nations like Thailand, Malaysia, China, and Indonesia, mainly due to clearance issues. Site clearance problems have slowed project implementation and magnified investment costs. Many projects have run behind schedule because of sluggish site clearance, such as Thang Long Highway, which broke ground in 2005 with total capital of VND5,379 billion (USD278 million). It now costs around VND250 billion/km (USD11.5 million) to, up from VND180 billion/km (USD8.3 million) in 2005. Other factors can also increase investment costs, including weak project management; weak terrain; capital sources that depend on loans resulting in high interest expenses; fees for experts, consultants, and

contractors; costs of machines and equipment from Official Development Assistance (ODA) suppliers; etc.

New decree on public-private partnerships (PPP) supports construction progress and demand in the infrastructure sector.

We expect the new decree on PPP to attract capital sources from the private sector for infrastructure projects.

Decree 15/2015/ND-CP on public-private partnerships (PPP) took effective on April 10, 2015, replacing Decision 71/2010/QĐ-TTg and Decree 108/2009/ND-CP. We found that this new PPP legal framework does not fundamentally change the existing legal framework for PPP projects, but rather represents a conscious move by the Government to create a robust PPP program in Vietnam by strengthening the bridge of cooperation between State authorities and private investors. The below table highlights the key aspects and changes found in the new PPP legal framework:

	Under Decision 71 and Decree 108	Under Decree 15
Primary contract types	BOT, BT, Japanese ODA, direct investment under the Investment Law	Additional types: Build-Own-Operate (BOO), Build-Transfer-Lease (BTL), Build-Lease-Transfer (BLT), and Operate-Manage (OM). More flexibility as the PPP decree authorizes “similar contracts” if approved by the Prime Minister
Key sectors	Transportation, power plants, hospitals	Additional sectors: commercial infrastructure (industrial, science, technology, and economic zones), lighting systems, drainage systems, social & resettlement housing, cemeteries, water supply and waste treatment, power transmission, healthcare infrastructure, education, culture, sport, industry, agriculture, and others as decided by the Prime Minister
Minimum investment capital	Not mentioned	Minimum total investment of VND20 billion (USD0.9 million), except for projects developed under OM contracts and agriculture projects
Maximum state investment	Capped at 30 percent of total project investment cost, regardless of the nature or needs of the project, except with Prime Minister’s approval. This had a chilling effect on investor interest in Vietnam’s PPP program.	No pre-set limits; any limits are dependent on project needs
Land use/rental	Exempt from land use/rental for the whole duration of the project	Land use /rental in accordance with the land law
Mortgages of Land use rights	Land use rights can only be mortgaged with a legal opinion from the Ministry of Justice	Land use rights, and other asset and rights, can be mortgaged in accordance with the land law and civil law. Mortgages of land to a foreign lender are not possible under current law.
Foreign exchange	In practice, the Government guaranteed the convertibility, availability, and remittability of foreign currency for some projects.	Important infrastructure projects (which are included in the Government’s Program or approved by the Prime Minister) can obtain FX availability guarantees. Exchange rate guarantees are not mentioned and the guarantee issuer’s identity is vague.
Government guarantees	Full guarantees from the Government	Performance guarantees of state-owned counterparties are possible, but the guarantor will be appointed by the Prime Minister and does not appear to be the Government.
Implementation procedures	Unclear	The procedures for implementation of PPP projects are more transparent (a step-wise PPP project cycle)

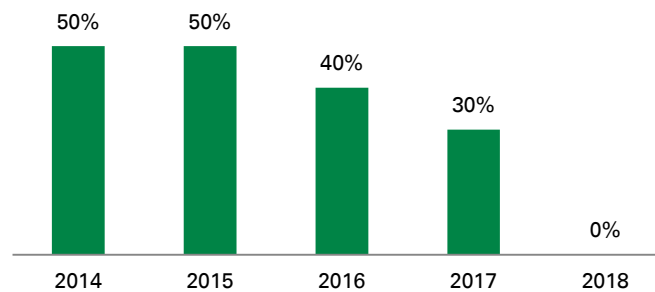
Source: Decree No. 15/2015/ND-CP, Freshfields, VPBS collected

High potential growth in toll collection operations

We expect toll collection operations to improve in the next few years with the decrease in the import tariff on cars from 2016 to 2018.

Under Circular 165/2014/TT-BTC took effect on January 1, 2015, the import tariff on cars from ASEAN will be gradually reduced from its current 50 percent rate starting in 2016, and reaching zero in 2018. We believe this will lead to a strong increase in automobile usage, with a parallel improvement in toll collection operations of infrastructure companies.

Import tariff on cars in 2014 -2018



Source: Circular 165/2014/TT-BTC, MOF

Circular 159/2013/TT-BTC on “Guiding regulations for collection, payment, management, and use of road-use tolls for repayment of road construction investment capital” will help to increase the feasibility of BOT and PPP infrastructure projects.

The implementation process is as follows:

- ❖ In 2014, a maximum toll no greater than 2.5 times the minimum toll (for a group of five vehicles, the rate is no greater than twice the minimum rate)
- ❖ In 2015, a maximum toll of no greater than three times the minimum toll (for a group of five vehicles, the toll is no more than VND180,000/ticket/time)
- ❖ From 2016 onwards, the toll rate may be revised every three years based on situational changes or the price index, and with the recommendation of the Ministry of Transport, the Ministry of Finance will adjust the toll rate regulated in the Circular in accordance with law.

Vehicles subject to road-use tolls		New	Old
1	Vehicles with less than 12 seats, trucks with loads of less than two tonnes, public passenger buses	15,000 - 52,000	10,000
2	Vehicles with 12 to 30 seats; trucks with loads from two to less than four tonnes	20,000 - 70,000	15,000
3	Vehicles with 31 seats or more, trucks with loads from four to less than 10 tonnes	25,000 - 87,000	22,000
4	Trucks with loads from 10 to less than 18 tonnes; 20 foot container trucks	40,000 - 140,000	40,000
5	Trucks with loads of 18 tonnes or more; 40 foot container trucks	80,000 - 200,000	80,000

Source: Circular 159/2014/TT-BTC and Circular 90/2004/TT-BTC

The Ministry of Transport has implemented a pilot electronic toll collection (ETC) system at a toll booth on National Highway 1 in central Quang Binh province to prepare for a full roll-out to the entire road system in Vietnam. This system, using radio frequency identification (RFID) technology, will help reduce congestion at toll booths as vehicles will not have to stop to pay tolls. To use the service, vehicle owners will be issued a free identification tag containing details of their vehicles. After the tag has been scanned at the toll booth, the toll be automatically debited from the owner’s account. Mr. Pham Quang Dung, a chairman of HUT - the company in charge of implementing the system, said it will save about VND3,400 billion (USD159.8 million) each year, including the cost of printing paper tickets, fuel costs, and salaries of toll booth operators.

COMPANY OVERVIEW

Tasco Joint Stock Company (HUT) was established in 1971 under the name Nam Ha Bridges. In April 2008, the company listed its shares on the Hanoi Stock Exchange (HNX). HUT is engaged in infrastructure construction (bridge & road), BT, BOT, toll services, and real estate. Currently, the company has been in the sector for over 44 years and executed several large-scale, BT and BOT projects.

HUT's key domestic competitors are Song Da, Vinaconex, HUD, Lung Lo, Licogi, and UDIC. Its main foreign competitors are Japanese, Korean, and Chinese contractors.

Company milestones

1971	<ul style="list-style-type: none"> Established with the name Nam Ha Bridges
2004 - 2007	<ul style="list-style-type: none"> Awarded the Vietnam Quality Prize
2005	<ul style="list-style-type: none"> Established two branches in Nam Dinh and HCMC
2007	<ul style="list-style-type: none"> Renamed Tasco Joint Stock Company
2008	<ul style="list-style-type: none"> Listed on HNX with charter capital of VND55 billion (USD5.3 million)
2008	<ul style="list-style-type: none"> Contracted BT and BOT projects
2010	<ul style="list-style-type: none"> Increased charter capital to VND350 billion (USD16.1 million) Issued VND200 billion (USD9.2 million) of convertible bonds
2011	<ul style="list-style-type: none"> Issued VND175 billion (USD8 million) of convertible bonds
2012	<ul style="list-style-type: none"> Upgraded internal control system and applied risk management system
2013	<ul style="list-style-type: none"> Established Tasco Quang Binh Limited Company and Tasco Thanh Cong Joint Stock Company
2014	<ul style="list-style-type: none"> Issued a private placement of 20 million shares Converted convertible bonds into 10 million shares
2015	<ul style="list-style-type: none"> Increase ownership of Thang Long JSC to 35.41 percent

Source: Annual report

HUT's business operation focus is as follows:

- ❖ Infrastructure construction (90.7 percent of 2014 revenue): This core business activity includes construction of bridges, roads, irrigation, and BT projects. HUT has succeeded in many large-scale and well-known projects in northern Vietnam such as the 490C road (total investment of VND748 billion or USD34.5 million), the 38B road (total investment of VND375 billion or USD17.3 million), the BT21 road (total investment of VND3,802 billion or USD172 million).
- ❖ Toll collection (3.7 percent of 2014 revenue): Currently, HUT has three toll stations at Tan De (started from 2009), My Loc (started from 2009), and Quang Binh (started from July 2015).
- ❖ Real estate (0.5 percent of 2014 revenue): HUT has engaged in the real estate business since 2007. Currently, HUT has four real estate projects under development in Hanoi with total land bank over 38.5 ha.
- ❖ Other services (5.1 percent of 2014 revenue): HUT also manufactures concrete products and trades construction materials.

Subsidiaries and affiliates

HUT has five subsidiaries and three affiliates focusing on the construction and real estate sectors. Their business results were relatively good in 2014.

HUT is one of the leading companies in the infrastructure construction sector in northern Vietnam.

HUT's subsidiaries and affiliates

No.	Subsidiaries	% Ownership	Business area	HUT's invested capital (VNDbn)	2014 Sales (VNDbn)	2014 PAT (VNDbn)
1	Tasco 6 Limited company	100.0%	Service	0.05	102	6
2	Tasco Nam Thai JSC	51.0%	Construction	154.1	0.8	1.3
3	Tasco Quang Binh Limited Company	100.0%	Construction	181.5	-	-
4	Tasco Nam Dinh Limited Company	100.0%	Construction	300.6	1,605	259
5	Tasco Thanh Cong JSC	51.0%	Construction materials	3.0	146	1
No.	Affiliates					
1	Thai An Real Estate JSC	30.0%	Real estate	16.9		
2	Tasco Thang Long JSC	34.51%	Real estate	1.8		
3	D-Tech JSC	20.0%	Construction materials	2.0		
4	Thang Long JSC	35.41%	Construction	133		

Source: Company data

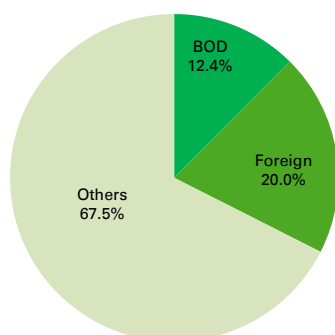
Ownership structure

Mutual Fund Elite is the biggest foreign investor with 9.4 percent.

Mutual Fund Elite purchased five million shares on May 14, 2015 at an average price of VND13,500 per share (adjusted price after payment stock dividend of 12% on par on June 10, 2015 was VND12,000 per share) as part of a 20 million share private placement of HUT. These new shares were listed on HSX on May 19, 2015, and restricted for transfer for one year.

Mutual Fund Elite is the largest foreign investor with a 9.35 percent stake (or 10.7 million shares), followed by Lucerne Enterprise Ltd. (4.5 percent) and Asean Small Cap Fund (3.8 percent).

Ownership structure



Source: Annual report, HSX

Major foreign investors

Foreign investor	Ownership
Mutual Fund Elite	9.4%
Lucerne Enterprise Ltd	4.5%
Asean Small Cap Fund	3.8%
Total	17.7%

Source: Annual report, HSX

Management

Mr. Pham Quang Dung - Chairman started work as a civil servant at the Irrigation Department of Hai Hau District, Nam Dinh, before being invited to work as Deputy Director of Nam Dinh Transport Engineering Company in 1997. Mr. Dung has led HUT from an unprofitable company to become a leading brand in the field of infrastructure construction.

Mr. Hoang Ha Phuong - CEO is a bridge and road engineer with over 10 years' experience in transportation infrastructure construction. Mr. Phuong joined HUT in May 2008 and has filled a number of key positions including Project Director and Director of Tasco Quang Binh. He has helped HUT overcome a difficult period to achieve remarkable results.

Management structure

Name	Position	Year of birth	Stock ownership
Board of Directors			
Mr. Pham Quang Dung	Chairman	1954	5.66%
Mr. Pham Van Luong	Deputy Chairman	1957	3.26%
Mr. Nguyen Ngoc Hung	Member	1975	0.08%
Ms. Pham Thi Nhan	Member	1962	1.20%
Ms. Tran Thi Thanh Tan	Member	1971	1.37%
Mr. Vu Quang Lam	Member	1975	2.26%
Ms. Nguyen Thi Thuy *	Member	1961	0.51%
Board of Management			
Mr. Hoang Ha Phuong	CEO	1979	
Mr. Trinh Xuan Nam	Deputy CEO	1971	
Mr. Nguyen Hong Thang	Deputy CFO	1975	

(*) stake representative of Housing and Urban Development Corporation (HUD)

Source: 1H2015 management report

BUSINESS PERFORMANCE

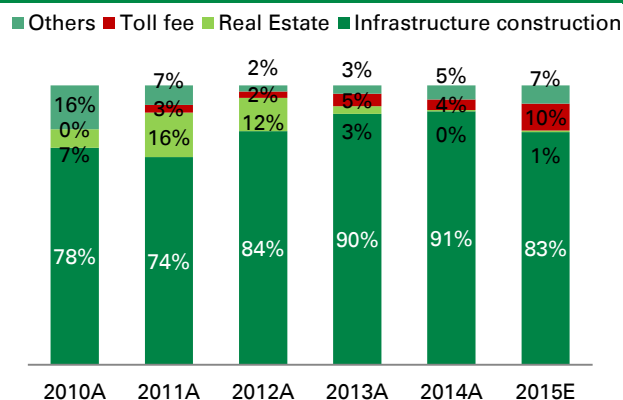
Infrastructure construction is the core business segment

Infrastructure construction accounts for 90.7 percent of total revenues of HUT in 2014.

From 2010 to 2014, the infrastructure construction segment has provided the largest contribution to HUT's net revenues and gross profits. Net revenue in 2011 mainly came from expansion of Highway 1A from Km605+00 to Km617+00 (total investment of VND315 billion or USD14 million) and upgraded the 38B Road (total investment of VND374.6 billion or USD17.3 million). In 2012, HUT's projects included the 490C2 road upgrade project (total investment of VND748 billion or USD27 million). In 2013, infrastructure construction segment revenue decreased slightly as the BT21 Road (total investment of VND3,802 billion or USD175.2 million) was not completed to record revenue and profit.

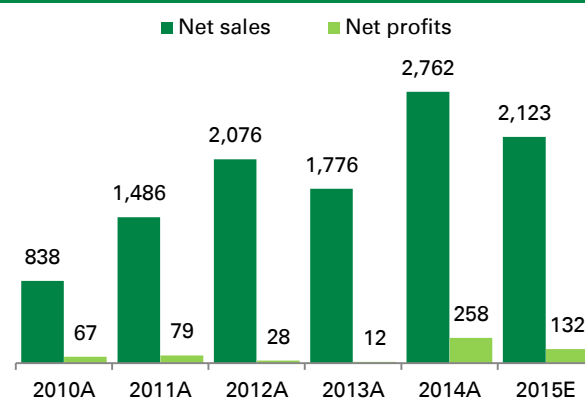
In 2014, net sales reached VND2,762 billion (USD127.3 million), up 56 percent y-o-y, and profit after tax surged to VND258 billion (USD11.9 million). Key projects contributing to revenue growth included the BT21 Road, Pho Lu Bridge (total investment of VND270 billion or USD12.4 million). This gives a CAGR of net revenues from 2010 to 2014 of 35 percent.

Revenue breakdown



Source: Company data, VPBS

Net revenue and profits (VND billion)

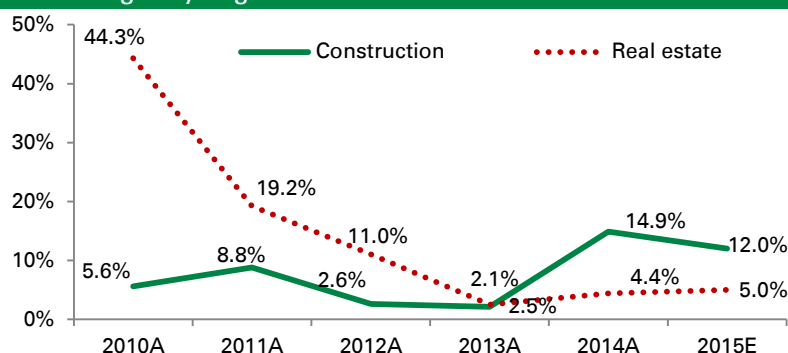


Source: Company data, VPBS

The gross margin of the infrastructure construction segment decreased considerably to 2.6 percent in 2012 and 2.1 percent in 2013 compared to 8.8 percent in 2011. The main reasons were the stagnant real estate market in Vietnam, and the significant fall in State public investment from 2011 to 2013, which required HUT to reduce the selling price of villas at Van Canh project, increasing construction cost while the bid prices for bridge & road projects were not increased to compete with other domestic contractors.

In 2014, HUT reported a steep rise in gross margin of 14.9 percent. According to our discussion with management, this improvement came mainly from recording BT21 Road (gross margin of 14 percent). This gives a CAGR of net profit from 2010 to 2014 of 40 percent.

Gross margin by segment



Source: HUT financial statements, VPBS

HUT has not succeeded in increasing its real estate segment.

The company started to expand its operations to the property segment in 2007. The company has started the Van Canh project (secondary investors) and Xuan Phuong Urban (previously known as Xuan Ngoc Urban) since 2008. However, HUT only traded the Van Canh project from 2008 to 2013 due to a stagnant property market. The proportion of revenue from property projects decreased during the period from 2011 to 2014. Nevertheless, we believe HUT will focus on developing the Xuan Phuong Urban as prospects have improved in the property market, and this segment will contribute a larger portion of total revenue and profit in 2016-2018.

Toll collection segment has brought stable cash flow for HUT.

The proportion of revenue from toll collection has been stable at three to four percent. In 2009, HUT started to collect toll fees at Tan De station to recover costs for this project over 17-18 years (depend on the actual traffic flow) for BOT QL10. From January 1, 2015, the toll rate at Tan De toll collection station was increased 200 percent compared to 2008. In 2009, HUT completed another toll station (My Loc station) to payback for BOT 21, with a repayment period of 17-18 years. From June 1 2013, the toll rate at My Loc station was increased by 100 percent compared to 2009.

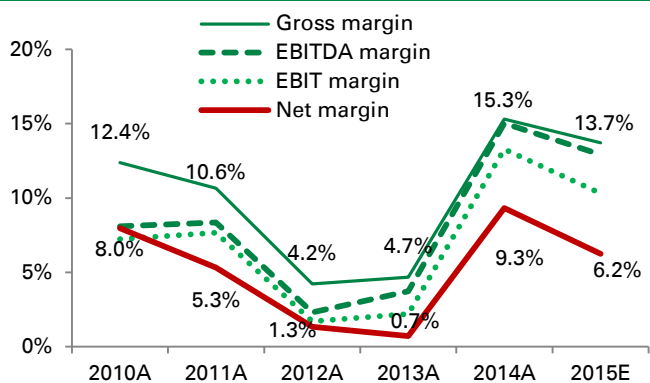
Strong improvements after declining profitability from 2010 to 2013

Profitability had been declining but recovered in 2014.

HUT's net profit margin dropped to 0.7 percent in 2013 from 8.0 percent in 2010 due to the stagnant Vietnam property market, State reductions in public investment, and high competition forcing lower bidding prices and higher interest rates. In 2014, net margin, EBIT, and EBITDA margins were in the same upward trend as gross margin.

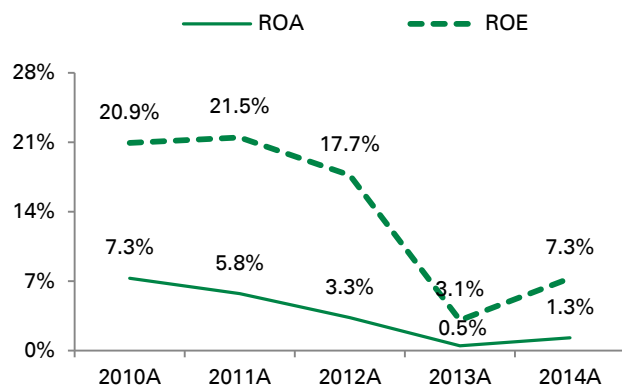
ROA and ROE of the company followed a downtrend from 2010 to 2013, especially in 2013 when its equity increased 85 percent due to a stock dividend and convertible bonds, but net income decreased sharply.

Profit margin



Source: HUT financial statements, VPBS

ROA and ROE



Source: HUT financial statements

We compared HUT's profitability with its local peer group, including the seven listed construction firms who have the most similar business operations to HUT: Cotec Construction JSC (CTD), Hoa Binh Construction & Real Estate Corporation (HBC), Fecon Foundation Engineering and Underground Construction JSC (FCN), Vietnam Electricity Construction JSC (VNE), Song Da No. 5 JSC (SD5), Song Da No. 10 JSC (SDT), and Construction JSC No. 5 (SC5). Gross margin of HUT in 2014 was 15.3 percent, which ranked fourth, and net margin was 9.3 percent, second in its peer group. In general, HUT's profitability is equal to its peer average.

Profitability ratios

	HUT	CTD	HBC	FCN	VNE	SD5	SDT	SC5
Gross margin								
2010	12.4%	8.5%	16.7%	27.6%	21.2%	14.7%	21.9%	7.5%
2011	10.6%	7.7%	13.7%	24.1%	25.6%	15.2%	20.8%	3.3%
2012	4.2%	7.2%	9.3%	26.0%	26.4%	20.7%	23.0%	4.9%
2013	4.7%	7.5%	9.1%	16.9%	21.2%	13.9%	22.2%	2.5%
2014	15.3%	7.3%	11.7%	18.9%	30.1%	12.4%	21.9%	6.3%
Average	9.4%	7.6%	12.1%	22.7%	24.9%	15.4%	21.9%	4.9%
Net profit margin								
2010	8.0%	7.3%	7.9%	14.0%	6.1%	5.6%	9.1%	3.4%
2011	5.9%	4.7%	4.9%	9.5%	4.2%	3.3%	6.1%	1.7%
2012	1.3%	5.2%	3.2%	9.4%	2.4%	2.9%	6.4%	0.6%
2013	0.7%	4.2%	0.8%	8.5%	2.0%	1.3%	5.5%	4.3%
2014	9.3%	4.3%	2.0%	9.6%	8.9%	2.7%	6.1%	2.4%
Average	5.1%	5.1%	3.8%	10.2%	4.7%	3.2%	6.7%	2.5%

Source: Companies' financial statements, VPBS calculated

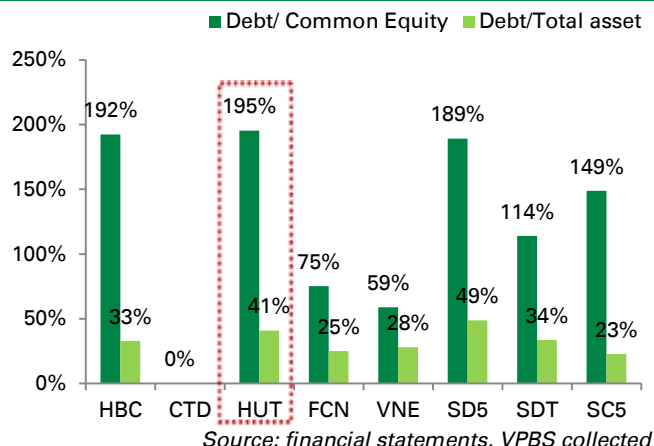
HUT's debt/equity ratio was stable in the period 2010-2014, and debts/total assets is in a downtrend.

Financial health is stable and reasonable for an infrastructure company

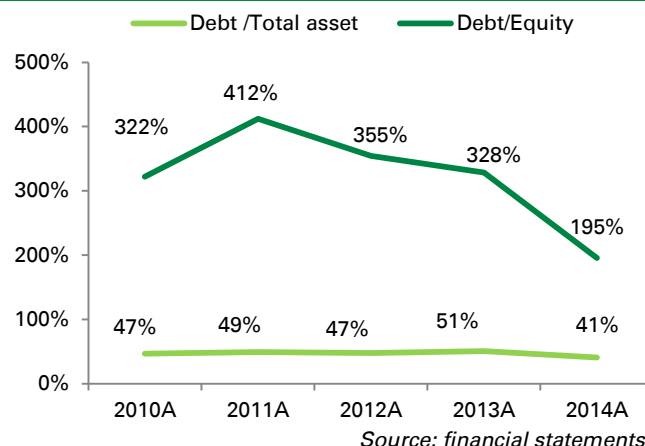
As of March 31, 2015, the total debts of HUT stood at VND2,188 billion (USD101 million), which is mainly long-term debt to finance BT and BOT projects. The company has a reputation for on-time credit payments, even during the period from 2010 to 2013, as they have used the stable cash flow from toll collection for debt payment. According to our calculations, HUT's average interest rate is 12.3 percent, compared to 13.5 percent in 2014.

HUT's debt/equity ratio is stable for the period 2010-2014, and its debts/total assets ratio is the highest of its peer group, but in a downtrend. We think the debt levels are acceptable as HUT is involved in BT and BOT projects.

Peer group's debt ratios as of 2014



Debt ratios



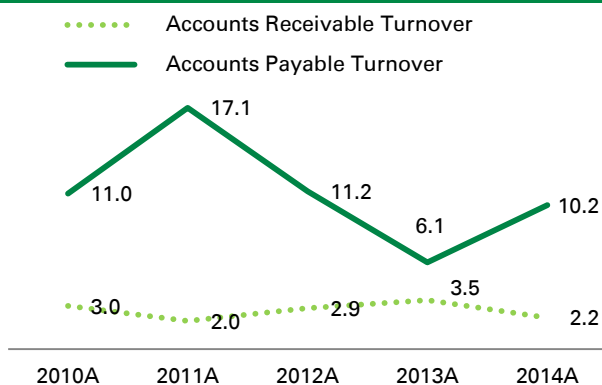
Receivables turnover is above its peer average

HUT has not recorded any provision for doubtful receivables while most of its peers recorded a provision for bad debts in 2014.

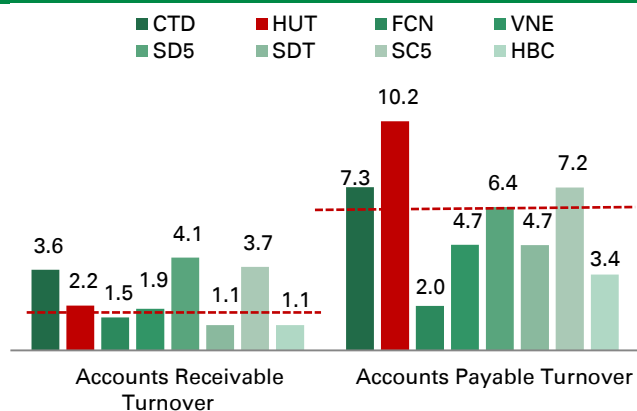
HUT's accounts receivables are primarily from the projects of the State, so the company has recorded a small provision for doubtful receivables. Receivables turnover has stabilized in the range of 2.0x to 3.5x in recent years, higher than its peer average in 2014 (2.0x). Most of its peers recorded a large provision for bad debts, including CTD (VND43 billion or USD2.0 million), VNE (VND23 billion or USD1.1 million), SDT (VND18 billion or USD0.8 million), and HBC (VND157 billion, USD7.4 million) in 2014.

Payables turnover is the highest compared to its peer average of 6.4x in 2014. This means HUT is not occupying the capital of its construction material suppliers, but also shows HUT's liquidity is good.

Liquidity ratios



Peer comparison



2015-2017 BUSINESS PLAN

HUT will continue to focus on the road and bridge segment in the next few years.

HUT's strategy is to focus on the three following segments:

1. Infrastructure construction (road & bridge, irrigation, and BT projects)

Road & bridge construction

HUT is strong in the road construction segment, but weak in bridge construction. As of May 14, 2015, HUT increased its ownership in Thang Long JSC (focusing on bridge construction) to 35.4 percent to improve its capacity for large bridge construction. According to our discussion with management, road and bridge construction will contribute about VND800-900 billion (USD36.7-41.5 million) in 2015 and will grow about 10 percent per year in the next few years; gross margin for these projects is about 5-10 percent.

BT projects

No	BT projects	HUT owns	Location	Progress	Capital (VNDbn)	Road length (km)
1	BT21	100%	Nam Dinh	Completed October 2014	3,802	21.1
2	BT39	51%	Thai Binh	Completed 90% of work	1,882	22.8
3	BT Le Duc Tho	100%	Hanoi	Ongoing	1,000	3.5

Source: HUT, VPBS collected

Currently, HUT is completing BT39 project (through subsidiary Tasco Nam Thai JSC, of which HUT owns 51 percent) with total capital of VND1,882 billion (USD86.7 million). This project will contribute a large portion of the 2015 revenue target. HUT plans to book all revenue and profit of BT39 project in 2015.

HUT is constructing the BT Le Duc Tho project with total capital of VND1,000 billion (USD46 billion). To payback for this BT project, the company will receive the Xuan Phuong urban project (38ha) with a land value of VND600 billion (USD27.6 million), the 48 Tran Duy Hung project, and another land lot. HUT's management said they will continue to engage in BT projects in the future, with payment in cash or land lots.

BOT projects and toll collection

No	BOT projects	HUT owns	Location	Progress	Capital (VNDbn)	Station	Annual sales VNDbn	Payback period
1	BOT Highway 10	100%	Thai Binh	Completed 2012	650	Tan De	70	17-18 years
2	BOT Highway 21	100%	Nam Dinh	Completed 2012	487	My Loc	50	17-18 years
3	BOT Highway 1A	100%	Quang Binh	Completed 6/2015	1,983	Quang Binh	120(*)	17-18 years
4	BOT Highway 39	51%	Thai Binh	Completing 1/2016	500	Thai Binh	60(*)	17-18 years
5	BOT Highway 10	100%	Hai Phong	Q4/2015-Q4/2017	2,815	Hai Phong		

() HUT's forecast Source: HUT, VPBS collected*

HUT will not deploy more BOT projects in the future.

HUT has already completed three BOT projects, and has three toll collection stations to recoup for these projects. The latest completion is BOT Highway 1A – Quang Binh with total capital of VND1,983 billion (USD91.4 million). HUT started collecting toll fees at this station on July 1, 2015. This segment has a stable cash flow but the profit margin is not high and the investment capital requirements are large. According to our discussion with management, HUT's strategy for this segment will change. They will not focus on BOT projects. This means BOT Highway 10 and BOT Highway 32 (HUT owns 30 percent) may be the last BOT projects for HUT.

2. Real estate segment

HUT's management said that they will expand the company's property segment in the future in response to the recent improvements in Vietnam's property market.

No	Property	HUT ownership	Location	Progress	Area	Capital (VNDbn)	Note
1	Xuan Phuong Urban	100%	Tu Liem, Hanoi	Open for sales Q1/2016	38 ha	2,500	> 800 units
2	Housing for People's Newspaper and Government	100%	Tu Liem, Hanoi	Completed 1:500	3.95 ha	1,114	126 units and 6 blocks
3	South Building Apartment	100%	Hoang Mai, Hanoi	Completed basement	2,173 m ²	300	21 stories
4	48 Tran Duy Hung Apartment	100%	Cau Giay, Hanoi	Completed 1:500	2,800 m ²	462	126 units

Source: HUT, VPBS collected

HUT's property segment may achieve some good results in 2016-2018.

Xuan Phuong Urban project is the biggest property project for HUT with total area of 38ha at Ward Tu Liem, Hanoi. HUT expects to complete BT Le Duc Tho in December 2015 and this street will directly connect to the Xuan Phuong Urban. This project includes 800 townhouses with an average land area of 75-100 m² per unit. The company will complete the Xuan Phuong infrastructure in Q1/2016, and open 380 units for sale (phase one) in Q1/2016. The average land price is VND30-40 million (USD1,300-1,800) per m². We believe this price level is reasonable and the project will provide a large portion of revenue and profit for HUT in the period from 2016 to 2018.



Source: HUT's website

Housing for People's Newspaper and Government is located in Xuan Phuong Ward, Tu Liem District. This is a resettlement project for staff of the People's Newspaper and Government, therefore the gross margin is not high (about 5-10 percent) but the output for this project is guaranteed. HUT expects to start this project in 2016.

South Building Apartment was started in November 2011, and HUT completed the basement. However, it was postponed as the Vietnam real estate market declined from 2011 to 2013. The company expects to restart this project in Q4/2015.

Apartments at 48 Tran Duy Hung is a project in payback for BT Le Duc Tho, with total area of 2,800 m². HUT expects to start this project in 2016.

In general, HUT's property projects have good locations and a reasonable land cost. Therefore we think that HUT's property segment may achieve good results in 2016-2018. However, the potential for long-term growth is not clear as HUT lacks professional property developing experience and its current land bank is not large.

3. Electronic toll collection (ETC)

According to HUT's management, the company will own 51 percent of this project (BIDV owns 49 percent) with a total investment in phase one of VND1,480 billion (USD68.7 million) and will operate as BOO (Build-Own-Operate). HUT's chairman said that if the toll collection station applies the ETC technology, the Government will save about VND70 billion/year (USD3.2 million) for toll ticket printing, VND230 billion/year (USD10.7 million) for fuel costs when vehicles stop, and VND2,800 billion/year (USD129 million) in toll employee salary.

No	BOO project	HUT ownership	Location	Progress	Capital (VNDbn)
1	ETC - Phase 1	51%	From Highway 1 to Highway 14	On-going, 2015-2016	1,480
2	ETC - Phase 2	51%	National	2017-2018	n/a

Source: HUT, VPBS collected

HUT has successfully piloted the ETC technology for vehicles to pay tolls without stopping at three tollgates including two stations on QL1 are Quang Binh Station, Hoang Mai station, and Toan My station on QL14. In phase 1, HUT expects to apply for ten stations at the end of 2015 and 30 stations in 2016. For phase 2, the company will expand to more than 100 ETC stations nationwide. However, we do not have enough information to evaluate how much this segment will contribute to revenue and profit.

2015 TARGETS

Management expects to reach a revenue target of VND2,316 billion (USD106.7 million) and a net profit target of 145 billion (USD6.7 million), down 16 percent y-o-y and 44 percent y-o-y, respectively. However, we project HUT can meet 92 percent and 91 percent of the revenue and profit after tax targets respectively as construction progress of some projects may not meet company's expectation. Besides, HUT plans to pay 2015 stock dividend of 12 percent on par.

	2014A	HUT's 2015 Target	2015 VPBS forecast
Total revenue (VNDbn)	2,762	2,316	2,123
Profit after tax (VNDbn)	258	145	132
Stock dividend (% on par)	12%	12%	

Source: HUT, VPBS

Plans to raise capital to deploy BOT Highway 10 and ETC

Total capital needed for 2015 is VND4,900 billion (USD225.8 million), of which owner equity will account for 19 percent. HUT plans to release VND500 billion (USD23 million) of convertible bonds, with a maximum term of three years. The coupon rate will equal the average of the 12 month deposit rates of three commercial banks, plus five percent.

6M2015 profit after tax is estimated at VND11 billion (USD0.5 million).

According to our discussion with management, the company achieved profit after-tax of around VND11 billion (USD0.5 million), up 129 percent compared to the same period last year, meeting eight percent of the 2015 profit after tax target. 1H2015 has not recognized revenue for project BT39 (expected to be completed by the end of 2015), nor BOT QL1A - Quang Binh (put into operation in July 2015).

ASSUMPTIONS AND FORECAST

Revenue growth and gross margin:

	2014A	2015F	2016F	2017F	2018F	2019F
Total revenue growth	55.6%	-23.1%	14.9%	6.2%	6.3%	6.3%
Infrastructure construction	57.3%	-29.8%	7.0%	7.0%	7.0%	7.0%
Real estate	-73%	0.0%	0.0%	0.0%	0.0%	0.0%
Toll collection	27%	104.0%	92.4%	5.0%	5.0%	5.0%
Others	163%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	15.3%	13.7%	14.9%	15.7%	15.7%	15.7%
Infrastructure construction	14.9%	12.0%	11.5%	11.5%	11.5%	11.5%
Real estate	4.4%	5.0%	5.0%	5.0%	5.0%	5.0%
Toll collection	40.0%	35.0%	35.0%	40.0%	40.0%	40.0%
Others	5.7%	5.0%	5.0%	5.0%	5.0%	5.0%

Source: VPBS estimated

For the infrastructure construction segment:

We forecast the segment's revenue growth for the next five years based on the following assumptions:

- ❖ In 2015: revenue will decline 30 percent as HUT records primarily from BT39 project.
- ❖ In 2016 onward: HUT will focus on the road and bridge projects and will have stable growth of 7 percent per year.

We assume the segment's gross margin at 12.0 percent in 2015 and 11.5 percent from 2016 onwards, down from 15 percent in 2014 as the average gross margin of BT projects and bridge & road projects are around 11.5 percent.

For the real estate segment:

We assume revenue growth will be zero for the next few years. Gross margin for this segment is five percent, equal to the average of 2013 and 2014.

We do not forecast revenue for Xuan Phuong Urban and other projects because these projects are not open for sale. However, we will add the residual value for these real estate projects into our valuation model.

For the toll collection segment:

- ❖ In 2015: revenue growth rate will be 104 percent as HUT doubles the toll rate at Tan De Station and starts to collect at a new toll collection station (BOT Highway 1A - Quang Binh) on July 1, 2015.
- ❖ In 2016: revenue growth rate will be 92 percent as the BOT Highway 1A - Quang Binh toll collection station operates for a full year.
- ❖ In 2017 onward: we assume annual growth rate of five percent based on the CAGR of road passengers in 1995-2014.

Gross margin declines from 40 percent in 2014 to 35 percent in 2015 and 2016 due to high depreciation. Gross margin is stable at 40 percent from 2017 onwards.

Selling and administration expenses: We assume these expenses will be 3.4 percent of total sales during the forecast period, equal to the average of 2013-2014.

Financial income: mainly consists of profit distributed from interest income. We assume interest income of VND8 billion (USD400,000) in 2015, equal to the average of 2013-2014, and VND10 billion (USD460,000) from 2016 onwards.

Financial expenses: we assume interest expenses of two percent of total debts (equal to 2014).

Capex: We assume HUT will invest for BT, BOO, and BOT projects in the period from 2015 to 2019 as follows:

VNDbn	2015F	2016F	2017F	2018F	2019F
Capex	(900)	(500)	(400)	(100)	(100)

Source: VPBS forecasted

Tax expenses: We assume an effective corporate tax rate of 22 percent for 2015 and 20 percent from 2016 onward, according to Decree No. 218/2013/ND-CP.

VALUATION

Based on the DCF and P/E multiple methods, we derive a fair value for HUT of **VND12,800** per share. We weight the DCF method at 70 percent and the PE method at 30 percent as HUT's cash flow will be stable from the construction and toll fee segments, and HUT's P/E LTM ratio is currently much lower than its peer average. The total potential upside is 11.3 percent; therefore, the stock is **UNDER-VALUED** for the long-term.

Valuation matrix	Fair price	Weighted	VND/share
DCF	14,359	70%	10,051
P/E	9,163	30%	2,749
Fair stock price			12,800

Source: VPBS calculated

DCF model

Our discounted cash flow (DCF) model suggests a target price of VND14,359 per share for HUT stock.

Our inputs for the DCF model are as follows:

- ❖ The risk-free rate is taken from the yield of 5-year local currency Government bond yields, which is equivalent to 6.5 percent.
- ❖ The market risk premium is expected to be 8.67 percent; HUT's beta is 1.10.
- ❖ Cost of equity is estimated to be 15.7 percent using the capital asset pricing model (CAPM).
- ❖ Long-term interest rate is estimated at 12.3 percent; the effective tax rate for HUT is 20 percent.
- ❖ Weighted average cost of capital (WACC) is calculated to be 12.3 percent.
- ❖ HUT's terminal growth rate is assessed to be 5 percent.

VNDbn	2015F	2016F	2017F	2018F	2019F
Free Cash Flow	(525)	(115)	(4)	280	364
PV Factor	1.0	0.8	0.8	0.7	9.2
PV of FCF	(500)	(97)	(3)	188	3,347
Value of Firm	2,936				
Plus: Cash	194				
Less: Debt	(2,188)				
Less: Minorities	32				
Plus: Residual value of property projects	934				
Value of Equity	1,844				
Value per share	14,359	VND/share			

Comparison method

Peers include seven listed companies which have the most similar business operations to HUT and the most stable business results over the last four years.

HUT's LTM P/E was much lower than the peer group as the number of shares increased strongly in Q2/2015, which reduced EPS.

We use the peer average P/E of 9.1x to estimate a fair price of HUT's shares.

Ticker	Name	LTM EPS (% y-o-y)	Market cap (VNDbn)	P/E	P/B	D/E	ROE	ROA
CTD	Cotec Construction JSC	14%	3,876	12.1	1.5	0%	13.7%	7.3%
HBC	Hoa Binh Construction and Real Estate Corp	153%	1,260	11.5	1.2	192%	10.3%	1.9%
FCN	FECON Foundation Engineering & Underground Const. JSC	-1%	1,001	7.6	1.4	75%	19.2%	6.7%
VNE	Vietnam Electricity Construction JSC	907%	826	6.8	1.1	59%	16.5%	7.3%
SD5	Song Da No 5 JSC	-16%	426	6.4	0.8	189%	12.9%	2.7%
SDT	Song Da No10 JSC	-37%	607	7.2	0.7	114%	8.5%	2.5%
SC5	Construction JSC No 5	-38%	402	11.7	1.4	149%	11.3%	1.8%
Median		-1%	826	7.6	1.2	114%	12.9%	2.7%
Average		140%	1,200	9.1	1.1	111%	13.2%	4.3%
HUT	Tasco JSC	1308%	1,477	4.1	0.9	195%	25.6%	4.7%

Source: Bloomberg, VPBS. Data as of August 7, 2015

Sensitivity analysis

Sensitivity of target stock price to WACC and terminal growth rate

		Terminal growth rate						
		3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%
WACC	11.4%	11,900	13,069	14,407	15,954	17,762	19,904	22,482
	11.7%	11,109	12,182	13,403	14,807	16,436	18,350	20,631
	12.0%	10,376	11,363	12,482	13,760	15,233	16,953	18,983
	12.3%	9,695	10,605	11,632	12,800	14,139	15,690	17,508
	12.6%	9,059	9,901	10,847	11,918	13,139	14,544	16,179
	12.9%	8,465	9,246	10,120	11,104	12,221	13,499	14,977
	13.2%	7,910	8,635	9,444	10,351	11,376	12,543	13,884

Sensitivity of target stock price to revenue growth and gross margin of the infrastructure construction segment

		2015 Gross margin of infrastructure construction segment						
		10.5%	11.0%	11.5%	12.0%	12.5%	13.0%	13.5%
Revenue growth from 2016	0.0%	11,925	12,105	12,286	12,467	12,647	12,828	13,009
	3.0%	12,104	12,284	12,465	12,646	12,826	13,007	13,188
	5.0%	12,194	12,374	12,555	12,736	12,916	13,097	13,278
	7.0%	12,258	12,439	12,619	12,800	12,981	13,161	13,342
	10.0%	12,302	12,482	12,663	12,843	13,024	13,205	13,385
	12.0%	12,292	12,472	12,653	12,834	13,014	13,195	13,376
	15.0%	12,213	12,394	12,575	12,755	12,936	13,117	13,297

TECHNICAL ANALYSIS

The technical chart of HUT showed a mid-term downtrend when it broke down the MA50 days on April 27, 2015 and traded below this resistance level for three months.

The price of HUT is now trading below the short-term resistance level of the MA10 days as well as MA20 days, combining with decreasing volume, which indicated that both of supply and demand was weak. After successful testing the support level at about VND10,000 per share, HUT rebounded recently.

Therefore, we believe that HUT shares are trading in a neutral trend at the time of issuing this report.

HUT	(VND/share)
Horizon analytic	3 to 6 months
3M highest price	13,800
3M lowest price	10,200
Current MA50 days	12,000
Current MA100 days	11,500
Mid-term resistance	12,000
Mid-term support	10,200
Current trend	NEUTRAL



CONCLUSION

HUT is ranked as one of the leading companies in the transportation infrastructure construction industry in northern Vietnam. The company has a good reputation and strong brand name with its construction experience over 44 years. Notably, HUT will be the biggest domestic constructor to deploy e-toll collection systems in the next three years.

With construction capacity and building quality that can compete with foreign contractors, we believe HUT will continue to win more contracts for road, bridge, and BT projects as the demand for expanding and improving Vietnam's road & bridge networks is large.

We expect HUT to receive good profits when it opens the Xuan Phuong Urban project for sale from 2016-2018. However, we are still cautious as HUT wants to expand to the property segment, but lacks professional development experience, and its land bank is quite small compared to its peers.

We issue a **HOLD** recommendation for HUT stock with a one-year target price of VND**12,800** per share. The key fundamental risks to our view include:

- 1) Dilution risk over the next two years.
- 2) Unforeseen renewed postponement of the Xuan Phuong Urban project.
- 3) Lower-than-expected collection progress from the State for infrastructure projects.
- 4) Lower-than-expected recoupment of road construction investment capital due to lower-than-expected vehicle traffic flow and consequent lower traffic charges.
- 5) Lower-than-expected construction, clearance, and legal progress in future infrastructure projects.

Appendix 1: VPBS projections

INCOME STATEMENT (VNDbn)	2010A	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F
Infrastructure construction	651	1,103	1,733	1,593	2,505	1,760	1,883	2,015	2,156	2,307
Real Estate	55	238	249	49	13	13	13	13	13	13
Toll fee	0	41	46	80	102	208	401	421	442	464
Other	132	104	47	54	142	142	142	142	142	142
Revenues	838	1,486	2,076	1,776	2,762	2,123	2,439	2,591	2,753	2,926
% y-o-y		77.3%	39.7%	-14.4%	55.6%	-23.1%	14.9%	6.2%	6.3%	6.3%
COGS	734	1,328	1,988	1,693	2,339	1,831	2,074	2,183	2,320	2,467
Gross profits	104	158	87	83	423	292	365	408	432	459
SG&A expenses	43	46	51	44	56	72	94	99	106	112
EBIT	61	112	37	39	368	220	271	308	327	346
Depreciation & amortization	7	10	13	27	48	56	62	66	67	69
EBITDA	68	122	50	66	416	276	333	375	394	415
Financial income	18	24	17	5	11	8	10	10	10	10
Financial expense	8	22	10	29	39	55	59	59	55	53
Net other incomes / (expenses)	16	2	(4)	0	(5)	(2)	0	0	0	0
Income from associates	(0)	2	(2)	(0)	(1)	0	0	0	0	0
Profits before tax	86	117	38	15	334	170	222	259	282	303
Tax expense	18	25	10	3	76	37	44	52	56	61
Effective tax rate	21.3%	21.1%	24.8%	20.3%	22.6%	22.0%	20.0%	20.0%	20.0%	20.0%
Profits after tax	68	93	29	12	259	133	178	207	226	243
Minority interest	1	14	1	(0)	1	0	1	1	1	1
Net income	67	79	28	12	258	132	177	207	225	242
% margin	8.0%	5.3%	1.3%	0.7%	9.3%	6.2%	7.3%	8.0%	8.2%	8.3%
EPS (VND)	3,418	2,492	1,052	244	3,246	1,007	1,355	1,586	1,728	1,860
Number of shares (million)	19.55	31.70	26.28	50.90	79.42	128.40	128.40	128.40	128.40	128.40

Note: EPS is adjusted for the bonus and welfare fund according to Circular 200

BALANCE SHEET (VNDbn)	2010A	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F
Current assets										
Cash & near cash items	125	155	63	299	360	100	109	72	83	322
Short term investments	68	46	5	39	76	76	76	76	76	76
Accounts receivables	275	746	719	512	1,243	955	1,002	994	980	962
Inventories	170	212	238	119	60	73	83	87	93	92
Other current assets	867	778	471	382	228	228	228	228	210	193
Total current assets	1,505	1,937	1,496	1,351	1,967	1,433	1,498	1,457	1,442	1,646
Long-term assets										
Net fixed assets	1,650	2,438	2,618	3,360	4,107	4,951	5,389	5,723	5,755	5,787
Long-term investments	0	7	23	7	115	247	247	247	247	247
Other long term assets	24	41	31	52	24	36	37	32	35	35
Total long-term assets	1,674	2,486	2,672	3,419	4,246	5,234	5,673	6,002	6,037	6,069
Total assets	3,179	4,422	4,168	4,770	6,213	6,667	7,172	7,459	7,480	7,714
Current liabilities										
Accounts payable	67	78	178	276	230	195	248	261	278	322
Short-term borrowings	391	266	291	604	365	318	366	389	413	439
Other short term liabilities	715	614	469	292	973	389	393	397	401	405
Total current liabilities	1,173	958	938	1,173	1,568	902	1,007	1,047	1,092	1,166
Long-term liabilities										
Long-term borrowings	1,091	1,913	1,684	1,818	2,166	2,455	2,578	2,568	2,318	2,209
Other long-term liabilities	421	972	935	1,006	1,152	1,652	1,752	1,802	1,802	1,828
Total long-term liabilities	1,512	2,885	2,618	2,824	3,318	4,107	4,329	4,369	4,119	4,037
Total liabilities	2,684	3,843	3,556	3,997	4,886	5,009	5,336	5,416	5,211	5,203
Equity										
Share capital & APIC	422	422	422	652	950	1,284	1,284	1,284	1,284	1,284
Retained earnings	38	106	135	86	346	341	518	725	950	1,191
Total Equity	461	529	557	737	1,296	1,625	1,802	2,009	2,234	2,475
Minority interest	34	51	55	36	32	33	34	34	35	36
Total liabilities and equity	3,179	4,422	4,168	4,770	6,213	6,667	7,172	7,459	7,480	7,714

CASH FLOW STATEMENT (VNDbn)	2010A	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F
Cash from operation activities	(63)	123	225	121	894	332	338	349	336	422
Cash from investing activities	(1,175)	(754)	(140)	(427)	(1,334)	(1,032)	(500)	(400)	(100)	(100)
Cash from financing activities	1,197	660	(176)	542	501	440	171	14	(225)	(82)
Net changes in cash	(42)	29	(91)	235	61	(260)	9	(37)	11	240
Beginning cash balance	167	125	155	63	299	360	100	109	72	83
Ending cash balance	125	154	63	299	360	100	109	72	83	322
Free cash flow to firm	(1,201.9)	(657.3)	26.8	(177.1)	(305.6)	(524.6)	(114.9)	(3.6)	279.9	364.1

Ratio Analysis	2010A	2011A	2012A	2013A	2014A	2015F	2016F	2017F	2018F	2019F
Valuation Ratios										
Price Earnings					3.5	11.4	8.5	7.3	6.7	6.2
PEG					0.3	36.8	6.3	6.2	6.1	5.7
EV to EBIT					9.5	15.8	12.8	11.3	10.6	10.0
EV to EBITDA					8.4	12.6	10.4	9.3	8.8	8.4
Price to Sales					0.3	0.7	0.6	0.6	0.5	0.5
Price to Book					0.7	0.9	0.8	0.7	0.7	0.6
Dividend Yield			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Profitability Ratios										
Gross Margin	12.4%	10.6%	4.2%	4.7%	15.3%	13.7%	14.9%	15.7%	15.7%	15.7%
EBITDA Margin	8.1%	8.2%	2.4%	3.7%	15.0%	13.0%	13.6%	14.5%	14.3%	14.2%
Operating Margin	7.2%	7.7%	1.7%	2.2%	13.3%	10.3%	11.1%	11.9%	11.9%	11.8%
Profit Margin	8.0%	5.3%	1.3%	0.7%	9.3%	6.2%	7.3%	8.0%	8.2%	8.3%
Return on Avg. Assets	3.1%	2.4%	0.7%	0.3%	4.7%	2.1%	2.6%	2.8%	3.0%	3.2%
Return on Avg. Equity	21.9%	16.0%	5.1%	1.9%	25.4%	9.1%	10.3%	10.8%	10.6%	10.3%
Leverage Ratios										
Interest Coverage Ratio (EBIT/I)	8.3	5.5	3.6	1.4	9.3	4.0	4.6	5.2	6.0	6.5
EBITDA / (I + Cap Ex)	0.1	0.1	0.2	0.2	0.3	0.3	0.6	0.8	2.5	2.7
Tot Debt/Capital	76%	80%	78%	77%	66%	63%	62%	60%	55%	52%
Tot Debt/Equity	322%	412%	355%	328%	195%	171%	163%	147%	122%	107%
Liquidity Ratios										
Asset Turnover	0.3	0.3	0.5	0.4	0.4	0.3	0.3	0.3	0.4	0.4
Accounts Receivable Turnover	3.05	1.99	2.89	3.47	2.2	2.2	2.4	2.6	2.8	3.0
Accounts Payable Turnover	11.0	17.1	11.2	6.1	10.2	9.4	8.4	8.4	8.4	7.7
Inventory Turnover	4.3	6.2	8.3	14.0	38.5	24.3	24.3	24.3	24.3	26.1
Current Ratio	1.3	2.0	1.6	1.2	1.3	1.6	1.5	1.4	1.3	1.4
Quick Ratio	1.1	1.8	1.3	1.1	1.2	1.5	1.4	1.3	1.2	1.3

Appendix 2: List of large transportation infrastructure projects to 2020

No	Projects	Value (USDmn)	Method	Cost per Km (USDmn)	Cost per Km (VNDbn)
1	North South Highway: Ninh Binh - Thanh Hoa, Thanh Hoa - Nghi Son	1,867	PPP	15.4	334.5
2	Dau Giay - Phan Thiet Highway	757	PPP	7.7	166.4
3	Bien Hoa - Vung Tau Highway	1,175	PPP, ODA	15.1	327.4
4	HCMC ring road 3 (Tan Van - Nhon Trach)	400	BOT, ODA	23.5	510.6
5	Trung Luong - My Thuan Highway	1,381	PPP, ODA	25.6	555.0
6	Noi Bai - Ha Long Highway	1,762	PPP, BOT	11.9	258.3
7	Cam Lo - La Son Highway	1,095	PPP, BOT	10.7	233.0
8	Ha Noi ring highway 3: Mai Dich - Nam Thang Long	250	PPP, BOT	46.6	1,012.1
9	Road linking Quang Ngai center and Dung Quat port II	71	PPP		-
10	Infrastructure project of non-tariff zone- Dong Dang border gate	28	PPP		-
11	Dau Giay - Lien Khuong Highway	3,520	PPP	17.6	381.9
12	Investment project of railway to Hai Phong International Port	1,600	PPP, BOT	28.1	609.1
13	Bien Hoa - Vung tau Railway	5,000	BOT	41.5	899.9
14	Upgrading and renovating Ha Noi - TPHCM railway	2,300	BOT, ODA		-
15	Urban railway number 6 (from HN city center to Noi Bai airport)	1,356	PPP	28.9	626.1
16	Long Thanh international airport (phase 1)	5,620	PPP, BOT		-

Appendix 3: Toll rate for Tan De, My Loc, and Highway 1A – Quang Binh

Toll station	Vehicles subject to road use toll	Fee from 4/21/15
Quang Binh	Vehicles with less than 12 seats, trucks with loads of less than two tonnes, public buses	30,000
	Vehicles with 12 to 30 seats; trucks with loads from two to less than four tonnes	40,000
	Vehicles with 31 seats or more, trucks with loads from four to less than 10 tonnes	50,000
	Trucks with loads from 10 to less than 18 tonnes, and 20 foot container trucks	80,000
	Trucks with loads from 18 tonnes; 40 foot container trucks	160,000

Toll station	Vehicles subject to road use toll	Fee from 3/1/10	Fee from 1/1/13
My Loc	Vehicles with less than 12 seats, trucks with loads of less than two tonnes, public buses	10,000	20,000
	Vehicles with 12 to 30 seats; trucks with loads from two to less than four tonnes	15,000	30,000
	Vehicles with 31 seats or more, trucks with loads from four to less than 10 tonnes	22,000	40,000
	Trucks with loads from 10 to less than 18 tonnes, and 20 foot container trucks	40,000	80,000
	Trucks with loads from 18 tonnes; 40 foot container trucks	80,000	160,000

Toll station	Vehicles subject to road use toll	Fee from 1/1/13	Fee from 1/1/15	Fee from 1/1/16
Tan De	Vehicles with less than 12 seats, trucks with loads of less than two tonnes, public buses	15,000	30,000	35,000
	Vehicles with 12 to 30 seats; trucks with loads from two to less than four tonnes	23,000	40,000	50,000
	Vehicles with 31 seats or more, trucks with loads from four to less than 10 tonnes	33,000	50,000	75,000
	Trucks with loads from 10 to less than 18 tonnes; and 20 foot container trucks	60,000	80,000	140,000
	Trucks with loads from 18 tonnes; 40 foot container trucks	120,000	160,000	200,000

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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.

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Recommendation	Long-Term Value	Short-Term Trend
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	Fully-valued	Bullish
HOLD	Undervalued	Bearish
	Fully-valued	Neutral
	Overvalued	Bullish
SELL	Fully-valued	Bearish
	Overvalued	Neutral or Bearish

CONTACT INFORMATION

For further information regarding this report, please contact the following members of the VPBS research department:

Barry David Weisblatt

Head of Research

barryw@vpbs.com.vn

Luu Bich Hong

Director - Fundamental Analysis

honglb@vpbs.com.vn

Nguyen Quang Minh

Research Analyst

minhqn@vpbs.com.vn

For any questions regarding your account, please contact the following:

Marc Djandji, CFA

Head of Institutional Sales and Brokerage
& Foreign Individuals

marcdjandji@vpbs.com.vn

+848 3823 8608 Ext: 158

Ly Dac Dung

Director of Retail Sales and Brokerage

dungld@vpbs.com.vn

+844 3974 3655 Ext: 335

Tran Cao Dung

Director, Head of Wealth Advisory

Prestige VP Private Banking

dungtc@vpbs.com.vn

+848 3910 0868

Vo Van Phuong

Vice President of Retail Sales and Brokerage
Nguyen Chi Thanh 1 - Ho Chi Minh City

phuongvv@vpbs.com.vn

+848 6296 4210 Ext: 130

Domalux

Vice President of Retail Sales and Brokerage
Nguyen Chi Thanh 2 - Ho Chi Minh City

domalux@vpbs.com.vn

+848 6296 4210 Ext: 128

Tran Duc Vinh

Vice President of Retail Sales and Brokerage
Lang Ha - Hanoi

vinhtd@vpbs.com.vn

+844 3835 6688 Ext: 369

Nguyen Danh Vinh

Associate Vice President of Retail Sales and Brokerage
Le Lai - Ho Chi Minh City

vinhnd@vpbs.com.vn

+848 3823 8608 Ext: 146

**Hanoi Head Office**

362 Hue Street,
Hai Ba Trung District, Hanoi
T - +84 (0) 4 3974 3655
F - +84 (0) 4 3974 3656

Ho Chi Minh City Branch

76 Le Lai Street,
District 1, Ho Chi Minh City
T - +84 (0) 8 3823 8608
F - +84 (0) 8 3823 8609

Danang Branch

112 Phan Chau Trinh Street,
Hai Chau District, Danang
T - +84 (0) 511 356 5419
F - +84 (0) 511 356 5418



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