

Duc Giang Chemical Group JSC (HOSE: DGC)

- In 2Q24, net profit reached VND842bn, stay flat in yoy basis but increased 19.6% qoq, showing a positive signal for the recovery of DGC.
- We expect DGC's net profit to improve 13%/23% yoy in 2024/2025 thanks to recovering demand from semiconductor industry.
- Reiterate Add with a lower TP of 128,100VND/share.

DGC showed positive signals in 2Q24 business results

In 2Q24, total revenue reached VND2,504bn (+3.7% yoy) in which agricultural phosphates and others soared 11.2% yoy as WPA factory resumed operations after 3 months of maintenance in 1Q24 while yellow phosphorus chemical revenue decreased 2.5% yoy mainly driven by lower P4 price (-16.7% yoy). Gross margin in 2Q24 expanded 0.3% pts yoy, achieving 39.3% thanks to lower phosphate rock price (Khai Truong 19 operated full capacity in 2Q24), helping gross profit increase 4.6% yoy. However, lower financial income (-8.8% yoy) due to lower deposit interest rate causes 2Q24 net profit (NP) to stay flat (-0.1% yoy). On qoq basis, DGC's 2Q24 NP increased 19.6% qoq mainly thanks to agricultural phosphates and others segment, showing a positive signal for the recovery of DGC. 6M24 NP achieved VND1,515bn (-7.1% yoy), fulfilling 42% and in-line with our FY24F forecast.

A more robust profit growth trajectory in 2025

We expect P4 price to rebound stronger in 2H24 when the semiconductor industry fully recovers. We forecast DGC's P4 price to reach 4,400US\$/ton in 2H24F (+4.6% vs 1H24), and P4 production to achieve 25,000 tons in 2H24 (+25% vs. 1H24). As a result, we forecast DGC's net profit in 2H24F to achieve VND1,985bn (+31.0% vs. 1H24), bringing 2024F NP to VND3,504bn. Moving to 2025F, thanks to the expanding of semiconductor capacity, we forecast DGC's P4 price and sale volume in 2025F to increase 4.5% yoy and 12.7% yoy, reaching 4,600US\$/tons and 51,000 tons, respectively, which help 2025F NP to grow 22.3% to VND4,284bn.

CAV project continues to delay into 2024 due to legal proceedings

DGC has delayed construction of Phase 1 of the chlor-alkali (CAV) project to 4Q24 from 2Q24 due to legal proceeding and no longer pursuing the large Phase 2. Thus, we expect CAV project to come online in 1Q26F and contribute 12% revenue of DGC in FY26F (VND1,500bn).

Reiterate Add with a lower TP of 128,100VND/share

We lower our forecast FY24-25F EPS due to 1) lower financial income and remove CAV project in FY25F. Consequently, our 1-year target price is revised down to VND128,100/share. Upside potential come from 1) stronger expected the increase in yellow phosphorus price in 2024/25 and 2) Aluminum – Bauxite gets investment license and Dai Viet alcohol factory project can operate in 2024. Downside risks include 1) selling price of phosphorus correcting stronger than expected and execution risks of the upcoming CAV project.

Financial indicators	2023	2024F	2025F	2026F
Net revenue	9,748	11,249	12,368	14,430
Net profit	3,100	3,505	4,285	5,093
Net revenue (yoy)	-32.5%	15.4%	9.9%	16.7%
Net profit (yoy)	-44.3%	13.0%	22.3%	18.8%
Gross margin	35.3%	35.7%	40.3%	40.5%
EBITDA margin	39.8%	38.6%	43.3%	43.6%
ROAE	25.0%	25.8%	25.5%	26.5%
ROAA	22.4%	22.3%	24.8%	26.6%
EPS (VND/share)	8,163	9,228	11,283	13,409
BVPS (VND/share)	31,667	39,877	43,099	52,648

Source: MBS Research

ADD

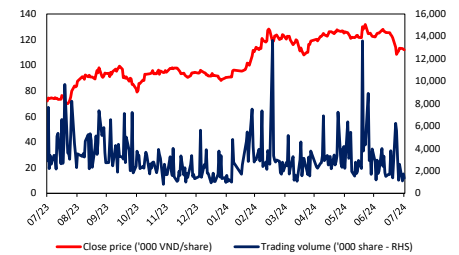
Target price

VND128,100

Upside

20%

Information



Source: Fiiopro, MBS Research

Market price (VND)	107,100
High 52w (VND)	131,800
Low 52w (VND)	67,760
Market cap (VNDbn)	42,687
P/E (TTM)	14.2
P/B	3.9
Dividend yield (%)	2.7
Foreign ownership ratio (%)	18.1

Source: <https://s24.mbs.com.vn/>

Ownership structure

Dao Huu Huyen	18.4
Ngo Thi Ngoc Lan	6.6
Dao Huu Kha	6.0
Dragon Capital	6.3
Others	62.7

Source: <https://s24.mbs.com.vn/>

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Duc Giang Chemical Group JSC

Investment thesis & Valuation

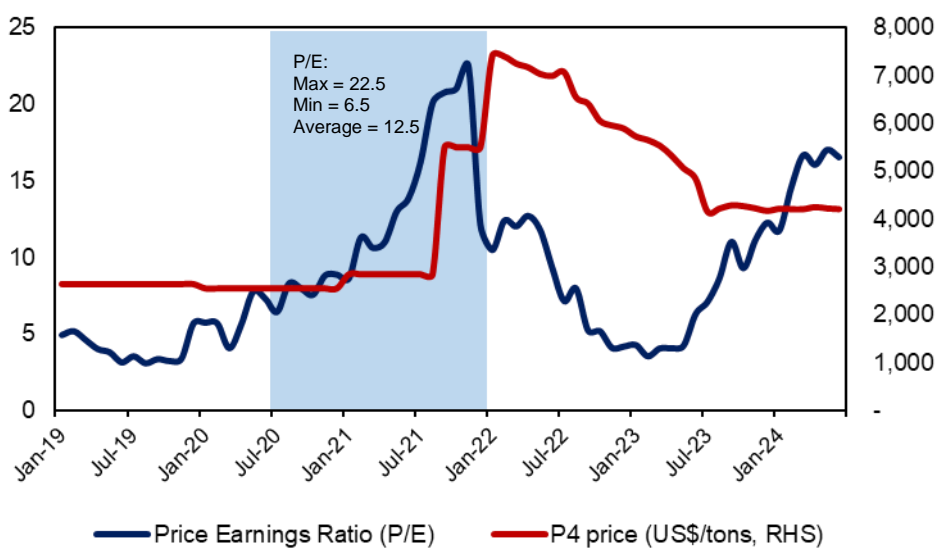
Investment thesis

- DGC is the largest exporter of yellow phosphorus in Asia - an important material in semiconductor manufacturing technology and in the F&B industry. DGC is also the only company in the world that can produce yellow phosphorus from apatite ore in both powder and lump forms.
- We believe 2H24F business results to be more positive than 1H24, and DGC's net profit will grow more strongly in 2025 thanks to recovering demand from the semiconductor market. Yellow phosphorus prices are at a one-year low and are unlikely to fall to 2021 levels due to restrictions on apatite mining in China. We forecast DGC's net profit to increase 13.0%/22.3% yoy in FY24/25F.
- We expect the Nghi Son Caustic Soda (CAV) project to start commercial operation in 1Q26 to be the key growth driver for DGC in 2026. We expect CAV project to contribute 12% of DGC's annual revenue from 2026F.

Valuation

We lower our forecast FY24-25F EPS due to 1) lower financial income and 2) remove CAV project in FY25F. Consequently, our 1-year target price is revised down to VND128,100/share. For P/E method, we use the average P/E of 3Q20-4Q21 (12.5x) as a reference base for the P/E of 2024-2025. We estimate that the bullish cycle of yellow phosphorus will start from Q3/2024. Upside potential come from 1) stronger expected the increase in yellow phosphorus price in 2024/25F and 2) Aluminum – Bauxite gets investment license and Dai Viet alcohol factory project can operate in 2024. Downside risks include 1) sale price of phosphorus correcting stronger than expected, 2) higher input prices (electricity, sulfur, coke) and 3) execution risks of the upcoming CAV project.

Figure 1: DGC's P/E ratio and P4 price in 2019-24



Source: Bloomberg, MBS Research

Valuation

Figure 1: Blended target price

Method	Price	Weight	Weight price (VND)
FCFF	128,041		64,021
P/E	128,190	50%	64,095
Average price (vnd)			128,116
Target price (rounded)			128,100

Source: MBS Research

Figure 2: Multiples (P/E)

Valuation method	
Forecasted Net profit in 2024F (VNDbn)	3,505
Forecasted Net profit in 2025F (VNDbn)	4,285
Number of fully diluted shares in FY24F	379,778,413
FY24EPS (VND/ share)	9,228
FY25F EPS (VND/ share)	11,283
Average FY24-25F EPS (VND/share)	10,255
Target P/E (x)	12.5
Target price (VND/ share)	128,190

Source: MBS Research

Figure 3: FCFF valuation

FCFF valuation	
Present value of free cash flow firm	24,530
Present value of Terminal value (VNDbn)	14,679
Enterprise value (VNDbn)	39,209
Net cash (VNDbn)	9,421
Equity value (VNDbn)	48,630
No. of outstanding share 2024 (million)	379
Equity value per share (VND/share)	128,041

Source: MBS Research

Figure 4: WACC and long-term growth

WACC and long-term growth	
Risk free rate	3.0%
Beta	1.3
WACC	13.4%
Cost of debt	6.0%
Cost of equity	15.5%
Long term growth	1.5%

Source: MBS Research

Figure 5: Cash flow forecast DCF method

	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F
EBIT	3,327	4,197	4,962	5,089	5,237	5,455	5,685	6,174	7,259
Depreciation & Amortization	368	474	502	531	559	588	616	644	673
CAPEX	(633)	(1,833)	(283)	(283)	(283)	(283)	(283)	(283)	(283)
Change in Working capital	(299)	(168)	(289)	(140)	(131)	(151)	(165)	(173)	(266)
Free Cash Flow (FCF)	2,763	2,670	4,891	5,196	5,382	5,609	5,853	6,363	7,382
Tax	(275)	(337)	(400)	(422)	(447)	(480)	(517)	(586)	(360)
Free cash flow to firm	2,488	2,333	4,491	4,775	4,935	5,129	5,336	5,777	7,022
PV of FCFF	2,488	2,058	3,494	3,277	2,988	2,739	2,513	2,400	2,573
PV of Terminal Value									14,679

Source: DGC, MBS Research

Figure 6: Peer comparison

Company	Sticker	Market cap	P/E (x)		P/B (x)		ROA (%)		ROE (%)	
			Bloomberg	tr USD	2024F	2025F	2024F	2025F	2024F	2025F
Hubei Xingfa Chemicals Group Co Ltd	600141 CH	4,239	13.2	10.8	1.1	1.0	4	4.2	11.4	11.4
Yunnan Yuntianhua Ltd	600096 CH	912	6.4	7.6	2.4	1.6	8.5	9	21.9	22.3
Hubei Yihua Chemical Industry Co Ltd	000422 CH	745	7.2	13.8	2.8	1.6	6.3	7.0	19.4	18.3
Anhui Sierte Fertilizer Industry Ltd Co	002538 CH	211	12.9	na	1.3	na	na	na	na	na
Kunming Chuan Jin Nuo Chemical Co Ltd	300505 CH	401	na	na	na	na	na	na	na	na
China General Plastics Corp	1305 TT	326	26.2	24.3	1.1	1	2.1	3.5	4	4
Petrovietnam Fertilizer and Chemical Corp	DPMVN	529	18.2	17.3	na	na	5.6	na	na	na
Petrovietnam Camau Fertilizer JSC	DCMVN	740	11.2	10.3	1.7	1.6	12.3	13.3	14.4	15.2
Average			13.6	14.0	1.7	1.4	6.5	7.4	14.2	14.2
Duc Giang Chemical Group JSC	DGC VN	1,579	12.2	10	2.7	2.5	22.3	24.8	25.5	26.5

Source: DGC, MBS Research

DGC showed positive signals in 2Q24 business results

Figure 7: 2Q24 business results (VNDbn)

VND(bn)	2Q24	2Q23	qoq growth (%)	yoy growth (%)	1H24	1H23	yoy growth (%)	% vs FY24F forecast	Comments
Revenue	2,504	2,414	5.0%	3.7%	4,889	4,897	0.2%	43.0%	
Yellow phosphorus chemicals	1,290	1,322	-12.7%	-2.4%	2,767	3,095	-10.6%	38.3%	The average price of yellow phosphorus reached US\$4,225/ton (+1% qoq and -16.7% yoy), yellow phosphorus sales volume fell 21.4% qoq and increased 1.1% yoy as DGC focus on producing WPA after Q1 factory maintenance
Agricultural phosphates and others	1,214	1,092	33.7%	11.2%	2,122	1,888	12.4%	51.2%	Agricultural phosphates and others increased 11.2% yoy mainly driven by WPA factory resumed operations after 3 months of maintenance in 1Q24.
Gross profit	983	940	28.3%	4.6%	1,749	1,831	-4.5%	43.6%	
Gross profit margin	39.3%	38.9%	7.2% pts	0.3% pts	35.8%	37.4%	-1.6% pts		Gross margin in 2Q24 expanded 0.3% pts yoy thanks to lower phosphate rock price (Khai Trung 19 operated full capacity in 2Q24).
Selling expenses	117	108	11.4%	8.3%	222	223	-0.4%	43.9%	
G&A expenses	53	37	32.5%	43.2%	94	71	32.4%	56.0%	
Financial income	165	181	0.1%	-8.8%	330	345	-4.3%	42.1%	
Financial expense	16	25	-11.1%	-35.2%	33.9	44.7	-24.2%	42.0%	
Pre-tax profit	953	953	23.9%	0.0%	1,722	1,837	-6.3%	42.8%	
Net profit	842	843	19.6%	-0.1%	1,515	1,630	-7.1%	42.3%	DGC's net profit in 2Q24 reached 842VNDbn (-0.1% yoy), in-line with our forecast.

Source: DGC, MBS Research

We maintain our view that yellow phosphorus sales volume and prices will recover from 2H24

Strong demand from semiconductor support for yellow phosphorus outlook from 2H24

Prior to 2021, yellow phosphorus was primarily used in the fertilizer industry. However, with the growing demand for semiconductors and lithium phosphate batteries—used in electric vehicles—the future of yellow phosphorus is expected to align with the promising outlooks of the semiconductor and lithium battery industries. Currently, about 20% of the demand for phosphorus is driven by the semiconductor sector, and 30% of DGC's product revenue is generated to serve this industry.

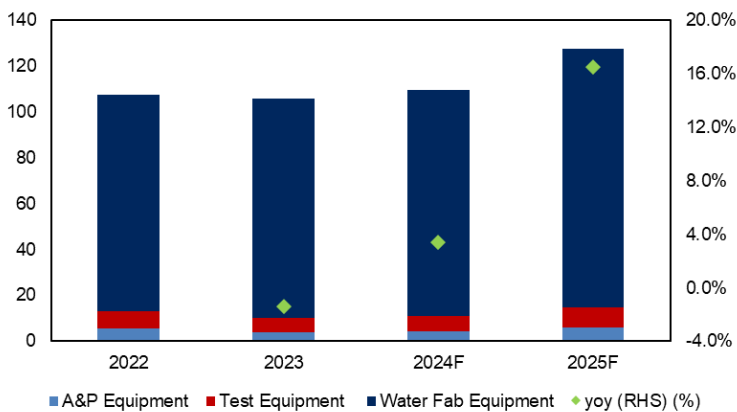
Figure 8: Global semiconductor sales for the month reached US\$49.1bn, (+4.1% mom and +19.3% yoy) in May-24



Source: World Semiconductor Trade Statistics, MBS Research

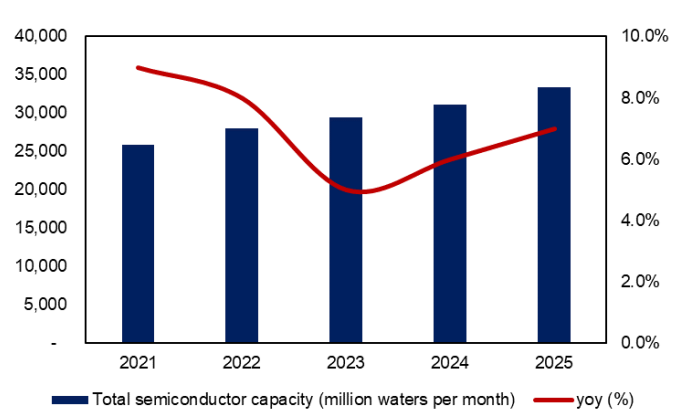
In May-2024, the global semiconductor industry maintained its upward momentum, achieving yet another consecutive yoy sales growth. The Semiconductor Industry Association reported that global semiconductor sales for the month reached US\$49.1bn, (+4.1% mom and +19.3% yoy). Sales in May increased yoy by the largest percentage since April 2022. The substantial yoy growth was primarily driven by robust performances in the Americas (+43.6% yoy), China (+24.2% yoy), and the Asia Pacific/All other regions (+13.8% yoy).

Figure 9: Semiconductor manufacturing equipment sales is forecasted to soar 17% yoy in 2025



Source: SEMI Equipment Market Data Subscription (EMDS), MBS Research

Figure 10: Total semiconductor capacity is expected to increase 7% yoy in 2025



Source: SEMI, MBS Research

On July 9th, SEMI released its Mid-Year Total Semiconductor Equipment Forecast – Original Equipment Manufacturer (OEM) Perspective, forecasting a record-breaking US\$109bn in global sales for semiconductor manufacturing equipment by OEMs in 2024 (+3.4% yoy). Sales are projected to surge to a new peak of 128US\$bn, driven by advancements in both front-end and back-end technologies in 2025 (+17.7% yoy). In addition, in Jun-24, SEMI's latest quarterly World Fab Forecast reported that to keep pace with unremitting growth in chip demand, **the global semiconductor manufacturing industry was expected to increase capacity by 6% in 2024 and post a 7% gain in 2025**, reaching a record capacity high of 33.7 million wafers per month (wpm: eight-inch equivalent).

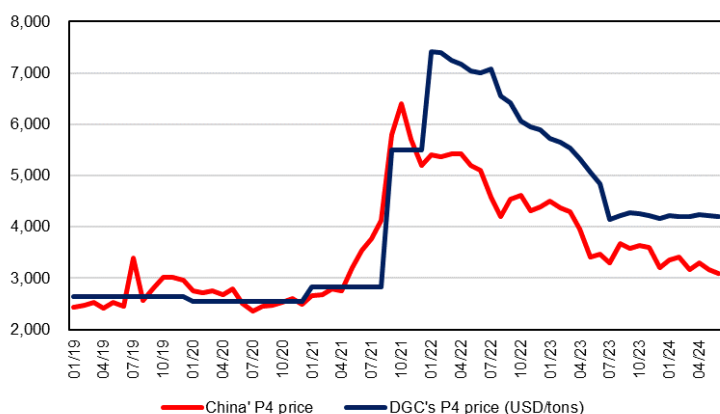
China's P4 export restrictions are key driver for DGC to increase production

Yellow phosphorus is a high-energy-consuming industry with heavy pollution, prominent environmental risks, and long-term overcapacity problems. In recent years, China has successively issued a series of policies to promote the yellow phosphorus industry to develop in a green, energy-saving and low-carbon direction. Thus, the introduction of these policies has strictly restricted the production of yellow phosphorus in China, and at the same time promoted the gradual withdrawal of some backward production capacity from the market. Moreover, since 2018, China has almost stopped exporting phosphorus and only produces for domestic consumption. We think that this is opportunity for large phosphorus exporters such as DGC.

DGC currently has only two main competitors in the P4 segment in the market including Kazphosphate (KAZ) (Kazazstan, 120,000ton/year capacity) and Bayer (USA, 200,000 tons/year capacity). In which, KAZ's P4 is of lower quality than DGC due to low quality of the phosphate rock and production technology. As a result, we expect DGC's P4 production to increase significantly when semiconductor demand recovers.

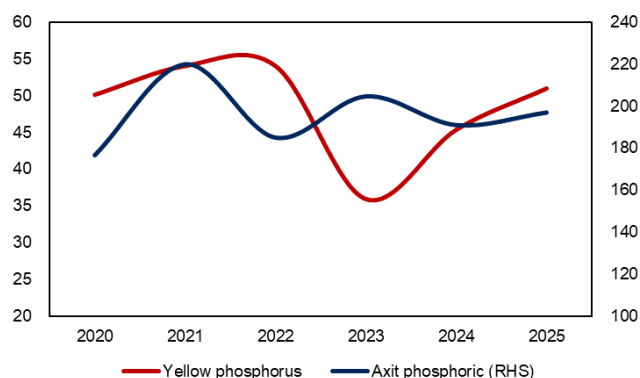
2H24F business results to be more positive than 1H24, bringing 2024F NP to grow 13% yoy before a robust profit growth in 2025F

Figure 11: DGC's P4 price increase 1% qoq in 2Q24, reaching 4,225 US\$/tons (unit: US\$/tons)



Source: Sunsir, MBS Research

Figure 12: Yellow phosphorus and axit phosphoric production in 2025 is expected to increase 12.3%/3.1% yoy (unit: '000 ton)



Source: DGC, MBS Research

We expect P4 price to rebound stronger in 2H24F when the semiconductor industry fully recovers. We forecast DGC's P4 price to reach 4,400US\$/ton in 2H24F (+4.6% vs 1H24), and P4 production to achieve 25,000 tons in 2H24 (+25% vs. 1H24) . As a result, we forecast DGC's net profit in 2H24F to achieve VND1,985bn (+31.0% vs. 1H24), bringing 2024F NP to VND3,504bn

Moving to 2025F, thanks to the expanding of semiconductor capacity, we forecast DGC's P4 price and sale volume in 2025F to increase 4.5% yoy and 12.7% yoy, reaching 4,600US\$/tons and 51,000 tons, respectively, which help 2025F NP to grow 22% to VND4,284bn

CAV project continues to delay into 4Q24 due to legal proceedings

DGC has delayed construction of Phase 1 of the chlor-alkali project to 4Q24 from 2Q24 due to legal proceeding and is no longer pursuing the large Phase 2. According to DGC's management board, the project will start construction, install equipment and conduct testing during the period from 4Q24 to 1Q26. The project has an investment of about 100US\$m. With abundant cash (net cash VND9,410bn as of 30/6/24), we estimate that DGC will use 75% of the investment capital from equity. Therefore, we increase the financial expense in 2025 by 13.6% versus previous forecast due to the change in the progress of the CAV project. We expect CAV project to come online in 1Q26 and contribute 12% revenue of DGC in FY26F. DGC also ordered VND400bn of equipment for

Nghi Son factory in 3Q24. Thus, we remove DGC's revenue from CAV in 2025 and forecast DGC's revenue in CAV segment to reach VND1,500bn in FY26F.

Figure 13: CAV project

CAV	Q4/24	Q1/25	Q2/25	Q3/25	Q4/25	Q1/26
Factory constructions						
Complete equipment installation						
Test run and handover						
Come online						

Source: DGC, MBS Research

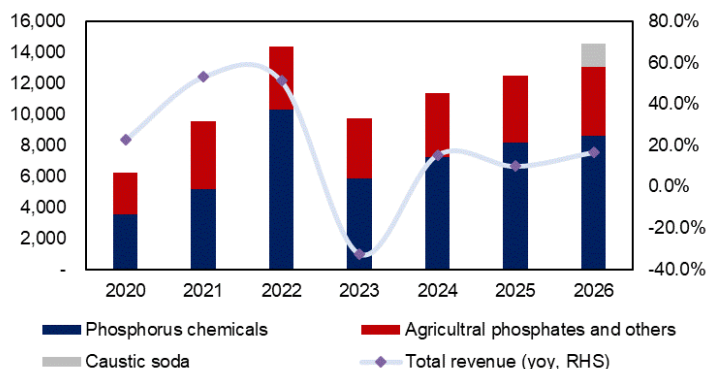
FY24-25F earnings revision

Figure 14: DGC's earnings forecast in 24-25

	2023	2024F				2025F				Comments
		Old	New	%yoy	%change	Old	New	%yoy	%change	
VNDbn										
Phosphorus ASP (VNDmn/tonne)	103	110	110	6.8%	0.0%	117	117	6.4%	0.0%	
Net revenue	9,748	11,249	11,249	15.4%	0.0%	13,656	12,368	9.9%	-9.4%	We decrease FY25F DGC's revenue by 9.4% versus previous forecast as we remove DGC's revenue from CAV in 2025F as legal proceedings.
Phosphorus chemicals	5,858	7,218	7,218	23.2%	0.0%	8,279	8,177	13.3%	-1.2%	
Agricultural phosphates	3,789	3,507	3,507	-7.4%	0.0%	4,191	4,191	19.5%	0.0%	
Caustic soda						1,200				
Gross profit	3,440	4,013	4,013	16.7%	0.0%	5,257	4,988	24.3%	-5.1%	
Gross margin (%)	35.3%	35.7%	35.7%	-7.8%pts	0.0%	38.5%	40.3%	+4.7%pts	+1.9%pts	We increase gross margin in FY25 by 1.9%pts versus previous forecast due to lower gross margin from CAV project
Financial income	739	784	702	-5.01%	-10.46%	838	737	5.0%	-12.0%	We decrease FY24F/25F financial revenue by 10.4%/12% versus previous forecast due to lower interest rate
Financial expense	(98.5)	(101)	(95)	-3.25%	-5.86%	(108)	(123)	29.2%	13.6%	
Selling expense	(436)	(506)	(506)	16.2%	0.0%	(656)	(594)	17.3%	-9.5%	
G&A expense	(159)	(169)	(180)	13.5%	6.5%	(219)	(198)	9.9%	-9.6%	
EBT	3,485	4,028	3,940	13.0%	-2.2%	5,120	4,817	22.3%	-5.9%	
Net profit	3,100	3,583	3,505	13.0%	-2.2%	4,554	4,285	22.3%	-5.9%	
EPS (VND)	8,356	9,658	9,446	13.0%	-2.2%	12,275	11,550	22.3%	-5.3%	We decrease EPS 2024/25 by 2.2%/5.3% versus previous forecast mainly driven by 1) remove DGC's revenue from CAV project in 2025 as legal proceedings and 2) lower interest rate

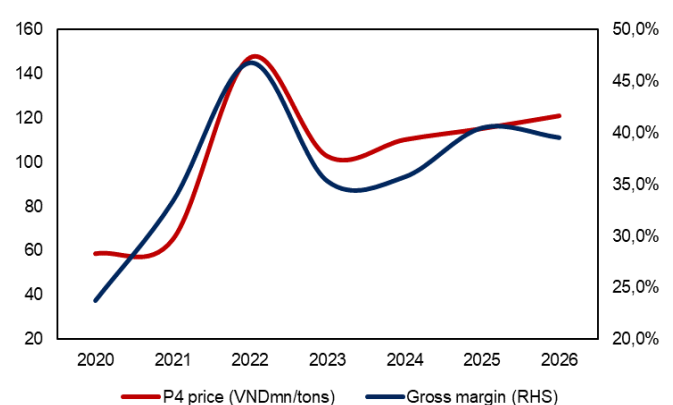
Source: DGC, MBS Research

Figure 15: Revenue by segment (units: VNDbn)



Source: MBS Research

Figure 16: DGC's P4 price and gross margin



Source: MBS Research

Financial statements

Income statement	31/12/23	31/12/24	31/12/25	31/12/2026	Cash flow statement	31/12/23	31/12/24	31/12/25	31/12/2026
Net revenue	9,748	11,249	12,368	14,430	Pre-tax profit	3,485	3,940	4,817	5,725
Cost of sales	(6,308)	(7,236)	(7,379)	(8,588)	Depreciation & amortization	358	368	474	502
Gross profit	3,440	4,013	4,988	5,842	Tax paid	(265)	(275)	(337)	(400)
Gen & admin expenses	(169)	(180)	(198)	(231)	Other adjustments	-	56	56	55
Selling expenses	(436)	(506)	(594)	(649)	Change in working capital	(299)	(168)	(289)	(140)
Operating profit	2,846	3,327	4,197	4,962	Cash flow from operations	3,186	5,728	4,743	7,232
Operating EBITDA	3,875	4,338	5,349	6,291	Capex	(251)	(633)	(1,833)	(283)
EBIT	3,517	3,970	4,875	5,789	Proceeds from assets sales	1	1	1	1
Interest income	739	702	737	885	Cash flow from investing activities	(2,338)	(2,890)	(1,950)	(3,102)
Financial expense	(32)	(30)	(58)	(63)	New share issuance	-	-	-	-
Net other income	(1)	6	6	7	Net borrowings	853	(776)	(1,015)	(501)
Income from associates	-	-	-	-	Other financing cash flow	763	-	-	-
Pre-tax profit	3,485	3,940	4,817	5,725	Dividends paid	485	702	737	885
Tax expense	(243)	(275)	(337)	(400)	Cash flow from financing activities	(920)	(1,915)	(2,154)	(1,640)
NPAT	3,242	3,665	4,481	5,325	Cash and equivalents at beginning of period	1,535	1,061	1,356	1,457
Minority interest	(142)	(160)	(196)	(233)	Total cash generated	(475)	295	102	1,763
Net profit	3,100	3,505	4,285	5,093	Cash and equivalents at the end of period	1,061	1,356	1,457	3,221
Ordinary dividends	-	(1,139)	(1,139)	(1,139)					
Retained earnings	3,100	2,365	3,146	3,954					
					Các chỉ số cơ bản	31/12/23	31/12/24	31/12/25	31/12/2026
Balance sheet	31/12/23	31/12/24	31/12/25	21/12/2026	Net revenue growth	-32.5%	15.4%	9.9%	16.7%
Cash and equivalents	1,061	1,356	1,457	3,221	EBITDA growth	-42.0%	12.0%	23.3%	17.6%
Short term investments	9,342	10,743	10,206	11,227	EBIT growth	-52.6%	16.9%	26.1%	18.2%
Accounts receivables	718	847	932	1,087	Pre-tax profit growth	-45.3%	13.0%	22.3%	18.8%
Inventories	855	941	1,035	1,138	Net profit growth	-44.3%	13.0%	22.3%	18.8%
Total current assets	12,467	14,164	14,229	16,637	EPS growth	-44.3%	13.0%	22.3%	18.8%
Tangible fixed assets	2,133	2,521	3,987	3,796	Gross profit margin	35.3%	35.7%	40.3%	40.5%
Construction in progress	225	248	273	300	EBITDA margin	39.8%	38.6%	43.3%	43.6%
Investment properties	-	-	-	-	Net profit margin	33.3%	32.6%	36.2%	36.9%
Long-term investments	-	-	-	-	ROAE	25.0%	25.8%	25.5%	26.5%
Investments in subsidiaries	-	-	-	-	ROAA	22.4%	22.3%	24.8%	26.6%
Other non-current assets	669	356	392	457	ROIC	11.0%	14.5%	17.4%	18.4%
Non current assets	3,069	3,126	4,651	4,553	Asset turnover ratio	0.8	0.6	0.7	0.7
Total assets	15,536	17,290	18,880	21,190	Dividend payout ratio	36.7%	32.5%	26.6%	22.4%
Short-term debt	1,328	1,172	1,289	1,443	D/E	110%	8.0%	10.5%	7.2%
Short-term borrowings	190	241	246	286	Net debt to total equity	-75.5%	-71.9%	-60.7%	-65.0%
Trade accounts payable	1,261	746	869	1,163	Net debt to asset	-58.4%	-63.0%	-52.7%	-61.4%
Current liabilities	3,493	2,665	2,968	3,555	Interest coverage ratio	110.1	132.0	84.3	91.5
Long-term debt	-	40	432	-	Days account receivable	26.5	27.1	27.1	27.1
Other non-current liabilities	171	171	171	171	Days inventory	48.8	46.8	50.5	47.7
Total long-term liabilities	16	43	436	5	Days account payable	7.0	7.7	7.2	7.1
Total liabilities	3,509	2,709	3,404	3,559	Current ratio	2.1	4.4	3.3	4.5
Common shares	3,798	3,798	3,798	3,798	Quick ratio	3.3	5.0	4.4	4.4
Share premium	1,787	1,787	1,787	1,787	Cash ratio	0.3	0.5	0.5	0.9
Treasury shares	(0)	(0)	(0)	(0)					
Undistributed earnings	5,989	9,490	10,566	13,950	Valuation				
Investment and development	973	366	448	533	EPS	8,163	9,228	11,283	13,409
Shareholders' equity	7,899	10,794	11,952	15,420	BVPS	31,667	39,877	43,099	52,648
Minority interest	330	554	620	778	P/E	13.8	12.2	10.0	8.4
Total shareholders' equity	12,027	15,145	16,369	19,996	P/B	3.6	2.8	2.6	2.1
Total liabilities & equity	15,536	17,290	18,880	21,190					

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MBS RECOMMENDATION FRAMEWORK

Stock Ratings

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Add	The stock's total return is expected to reach 15% or higher over the next 12 months
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

Segment Ratings

Positive	Stocks in the segment have, on a market cap-weighted basis, a positive absolute recommendation
Neutral	Stocks in the segment have, on a market cap-weighted basis, a neutral absolute recommendation.
Negative	Stocks in the segment have, on a market cap-weighted basis, a negative absolute recommendation.

ABOUT MBS

Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

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Ly Nguyen Quynh

Industrials – Energy

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