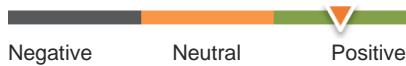


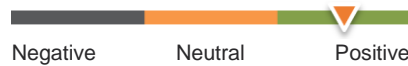
## QUANG NGAI SUGAR JSC (QNS) – UPDATE

<b>Market Price</b> VND41,700	<b>Target Price</b> VND50,000	<b>Dividend Yield</b> 3.0%	<b>Rating</b> ADD	<b>Sector</b> CONSUMER GOODS
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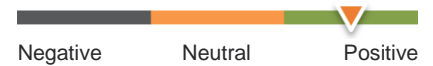
### Outlook – Short term



### Outlook – Long term



### Valuation



20 November 2018

Nguyen Tien Duc

duc.nguyentien2@vndirect.com.vn

### Key changes in the report

- Raise FY18 NPAT forecast by 1.2%
- Increase target price by 12.1%

### Price performance



Source: VNDIRECT

### Key statistics

52w high (VND)	54,213
52w low (VND)	35,500
3m Avg daily volume (shares)	617,648
3m Avg daily value (VND m)	13,849
Market cap (VNDbn)	12,039
Outstanding shares (m)	294
Free float (%)	80
TTM P/E (x)	11.1
Current TTM P/B (x)	2.5

### Ownership

Thanh Phat Trading Ltd.	15.8%
Foremost Worldwide Limited	5.2%
Võ Thanh Đăng	5.0%
Others	74.0%

Source: VNDIRECT

**QNS released its 3Q18 financial report with results tracking slightly above our previous projection. We lift our forecast for both topline and earnings and also raise our target price to reflect the brighter outlook of the sugar and, to a lesser extent, the soymilk segment in 2019. Upgrade to ADD.**

**Positive growth recorded in both sugar and soymilk sales.** In 3Q18, sugar sales rose 23.6% yoy thanks to a 57.8% surge in sales volume on the back of increased capacity while soymilk sales grew by 6.5% yoy, fuelled by new product launches. Net profit grew faster than total revenue (19.1% versus 7.9%) due to blended GPM expansion on lower input prices for the soymilk segment.

**Soymilk sales growth swung into positive territory on release of the new FAMI GO product and an effective marketing campaign.** We believe that higher spending on marketing (+15.4% yoy) in 3Q18 helped QNS to grow its soymilk sales, defying a sharp slowdown in the FMCG sector in Vietnam (Vinamilk reported only 3% sales growth in the quarter). While we do not have volume figures, we believe sales were helped by higher prices of new product Fami Go (+71.4% compared with the original Fami product).

**Positive 3Q18 results led to better-than-expected 9M18 figures.** Total 9M18 revenue and net profit grew 3.5% and 16.0% yoy, respectively, with blended GPM increasing 340bp and net margin expanding by 139bp. Better-than-forecasted sales in the latest quarter facilitated a soymilk sales growth recovery to -0.7% in 9M18 from -4.8% in 1H18.

**We lift our FY18 total revenue/net profit projection by 4.7%/1.2% respectively as we expect multiple tailwinds for QNS in 4Q18,** including (1) increase of domestic sugar prices, on the back of a strong rebound in global sugar prices, (2) a continued slide in soybean prices because of the US-China trade war (3) the ongoing marketing campaign which we believe will continue to support soymilk sales. However, we expect net margin to contract in 4Q18 because of high advertising spend. We also raise our 2019 outlook mainly due to better prospects for the sugar segment on the back of a recovery in global sugar prices driven by major exporter Brazil's pledge to cut output.

**We raise our target price to VND50,000 and upgrade to ADD.** We use a sum-of-parts valuation method, with each part being valued using a target P/E multiple applied to our 2019 forward EPS. Our target P/E multiple for the soymilk, sugar and others segments are 10.1x, 6.9x and 14.5x respectively, in-line with the peer average for each. The new target price is 12.1% higher than our previous target price and equivalent to an upside of 17.1%. Our TP translates into an implied 2018 P/E of 11.1x and a 2019 P/E of 10.2x.

Financial summary (VND)	12-16A	12-17A	12-18E	12-19E
Net revenue (bn)	6,972	7,633	8,195	8,855
Revenue growth	(10.4%)	9.5%	7.4%	8.1%
Gross margin	32.6%	26.2%	28.6%	28.7%
EBITDA margin	27.8%	21.3%	23.3%	22.3%
Net profit (bn)	1,410	1,027	1,144	1,239
Net profit growth	14.6%	(27.2%)	11.4%	8.4%
FD EPS	5,942	4,320	4,818	5,169
FD Adjusted EPS	5,689	4,062	4,503	4,854
BVPS	25,120	21,836	22,774	25,349
ROAE	43.3%	24.5%	22.3%	20.3%

Source: VNDIRECT

**BETTER 3Q18 LEADING TO BETTER-THAN-EXPECTED 9M18  
BASED ON A STRONG UPTICK IN SUGAR AND SOY MILK SALES.**

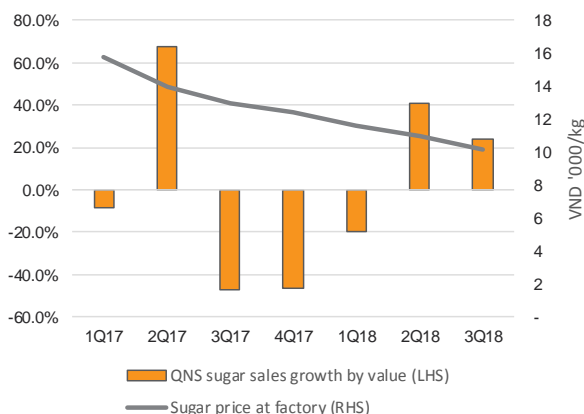
Figure 1: Comparison of Financial Results

FYE (VNDbn)	3Q18	yoy chg	9M18	yoy chg	vs. old forecast	vs. revised forecast	Comments
<b>Net revenue</b>	<b>2,170</b>	<b>7.9%</b>	<b>6,143</b>	<b>3.5%</b>	<b>78.5%</b>	<b>75.0%</b>	
Sugar	582	23.6%	1,755	12.4%	80.9%	74.4%	Sales volume increase outpaced ASP reduction
Soy milk	1,142	6.5%	2,896	-0.7%	77.2%	73.7%	Additional sales from new product launch in September.
Others	446	-4.6%	1,492	2.4%	78.0%	78.2%	Biomass plant temporarily stopped operations. Confectionary and beverage sales decreased as FMCG sector slowdown.
<b>Gross profit</b>	<b>618</b>	<b>29.0%</b>	<b>1,681</b>	<b>18.4%</b>	<b>79.9%</b>	<b>71.8%</b>	
Gross profit margin	28.5%	+47 pts	27.4%	+34 pts			Gross margin improved with lower sugar & soybean prices.
Selling expenses	(289)	35.8%	(638)	17.4%	89.2%	75.2%	Increased advertising to support sales and promote new products amid FMCG sector slowdown.
G&A expenses	(63)	66.6%	(158)	48.3%	105.7%	72.6%	Higher labour expenses as Binh Duong soy milk factory started operations
<b>Operating profit</b>	<b>302</b>	<b>39.3%</b>	<b>885</b>	<b>20.8%</b>	<b>71.4%</b>	<b>69.4%</b>	
Pre-tax profit	265	21.4%	895	18.1%	71.9%	69.3%	
<b>Net profit</b>	<b>231</b>	<b>19.1%</b>	<b>793</b>	<b>16.0%</b>	<b>70.2%</b>	<b>69.3%</b>	

Source: VNDIRECT

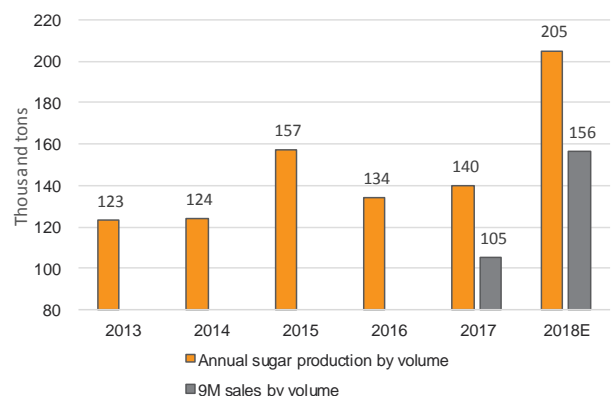
**Sugar sales in 3Q18 rose sharply as volume soared, outpacing price reduction, but still slightly below our expectations.** QNS sugar segment sales increased by 23.6% yoy, despite the fact that Refined Sugar (RS) spot price at the end of Sep 18 was down by 21.9% yoy and down 7.7% versus end of Jun 18, due to a global downtrend. ASP of sugar segment decreased 23.8% yoy. We estimate the company sold 55,000 tons of Refined Sugar (RS) in 3Q18, up 58% yoy thanks to the upgraded An Khe plant which increased RS annual production capacity by 51% to 205,000 tons. We estimate QNS had 48,700 tons RS sugar in inventory by the end of 3Q18. Actual sales volume of 3Q18 is a bit below our forecast of 62,000 tons. This may create extra pressure to boost 4Q18 sales to clear inventory.

Figure 2: QNS quarterly sales value increased despite continued fall in sugar prices



Source: QNS, Agromonitor

Figure 3: QNS sugar production and sales volume in 2018 have increased sharply

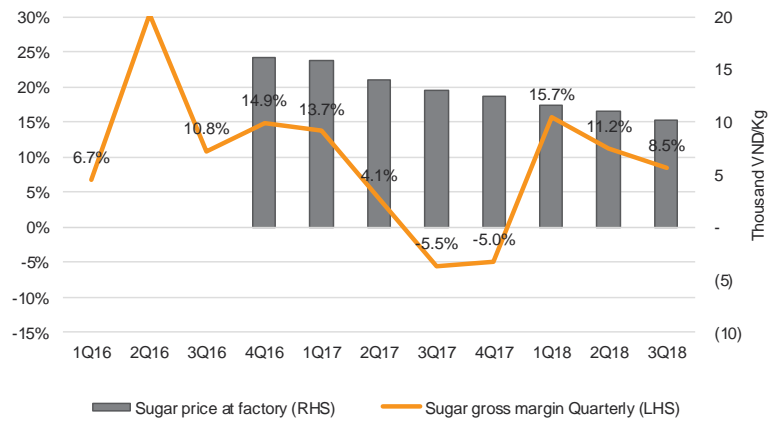


Note: 9M sales volume data prior to 2017 is not available

Source: VNDIRECT

**Sugar segment margins were higher than last year, but have contracted sharply (qoq) due to continued sugar price declines.** This development is aligned with our forecast. Sugar prices fell sharply since the middle of the 2016-17 crop season leading to a negative profit margin in 2H17. QNS subsequently reduced its sugar cane purchasing price in order to adapt to the lower output price level. This led to a sharp gross margin recovery in 1Q18. However, as output prices kept falling, the sugar gross margin slid to 8.5% in 3Q18, the lowest level, year-to-date.

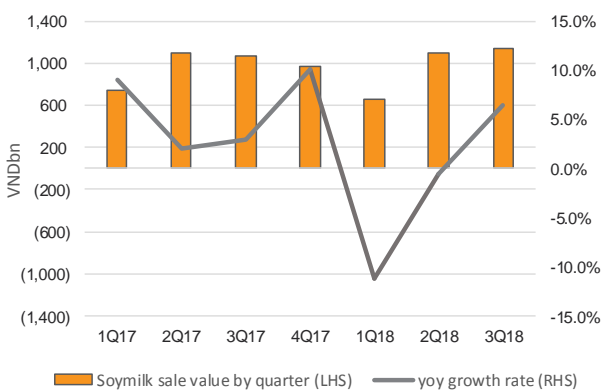
**Figure 4: Sugar GPM in 3Q18 lower than in previous quarter due to lower sugar price.**



Note: Sugar segment GPM data for period prior to 4Q16 is not available  
Source: Vndirect

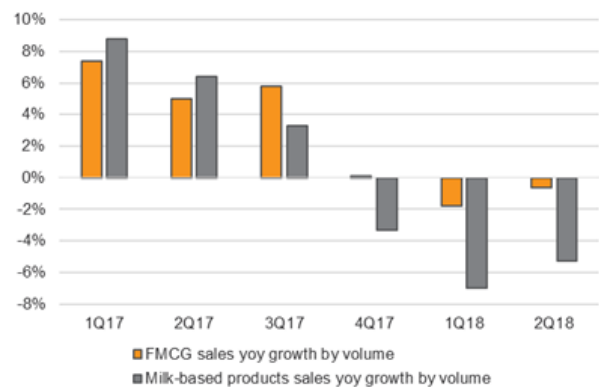
**Soymilk sales grew yoy after two consecutive negative quarters thanks to the launch of the new FAMI GO product.** The launch of a new product in mid-September 2018 boosted soymilk sales revenue by 6.5% yoy in 3Q18, despite a broad FMCG sales slowdown in Vietnam since 4Q17. The soymilk sales figure was better than we had forecasted as sales from this new product was not factored in our previous projections because the company kept delaying its product launch after announcing the planned launch in late-2017.

**Figure 5: Soymilk sales increases again after two negative quarters**



Source:QNS

**Figure 6: Since 4Q17, milk-based product sales in Vietnam have dipped faster than the broad slowdown in FMCG sales**

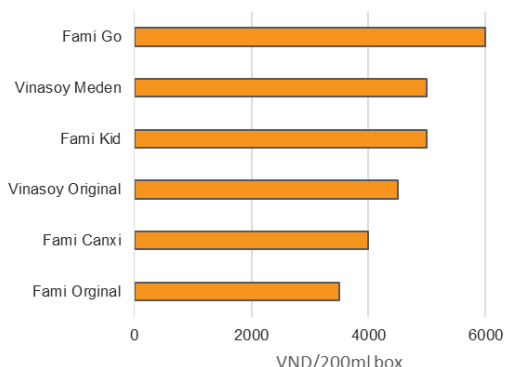


Source: Euromonitor

**Fami GO offers a quick, drinkable breakfast substitute with ample nutrients in one compact 200ml box.** The new product contains 50% more protein as compared with normal soymilk and is cholesterol-free. Now people can drink breakfast instead of eating breakfast. The

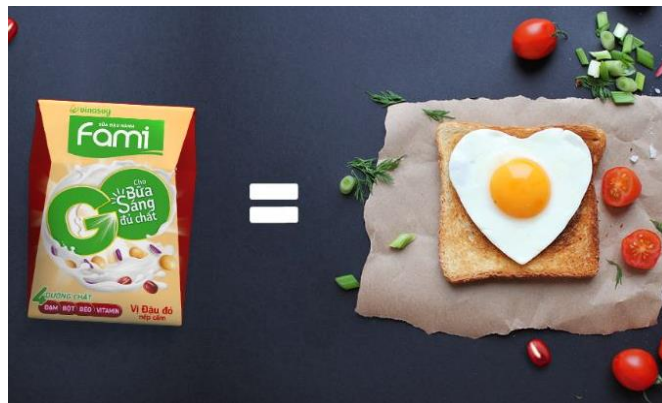
product targets young customers with not enough time for a proper meal in the morning. It now competes with Milo from Nestle and Ovaltine from Friesland Campina. [TVcommercial link](#)

Figure 7a: FAMI GO is priced at a premium to QNS' soymilk product portfolio



Source: VnDirect

Figure 7b: FAMI GO's promotion image



Source: www.vinasoy.com.vn

**Soymilk gross margin in 3Q18 improved by 512 bp yoy due to lower input price.** We estimate that lower sugar prices contributed around 270bp yoy of GPM expansion while lower soybean prices contributed another 200bp yoy and the remaining 32bp was contributed by other factors. At end-Sep 18, global soybean prices had decreased 4% yoy and 8% from Jun 18. The soybean price downtrend is caused by oversupply outside China because US soybean manufacturers have found it hard to supply into China (the world's biggest consumer of soybean) after US import tariffs on soybeans were raised 25% following trade war tensions. Consequently, soybean prices have slid down to USD383 per ton and the price is expected to continue to fall further.

Figure 8: Soymilk gross profit increased significantly with better sales and improved gross margin

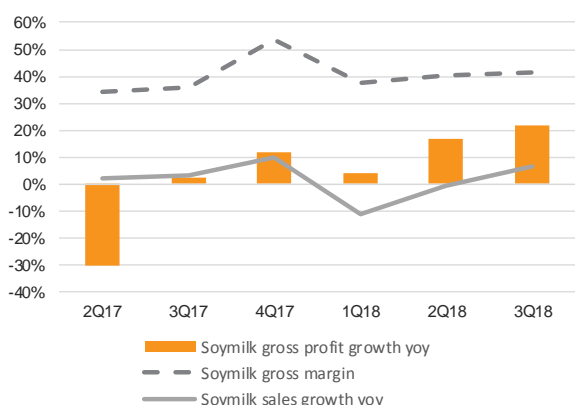
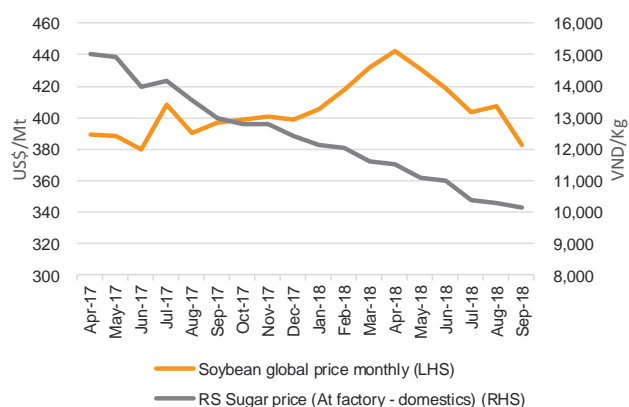


Figure 9: Sugar & Soybean prices decreased in 3Q18

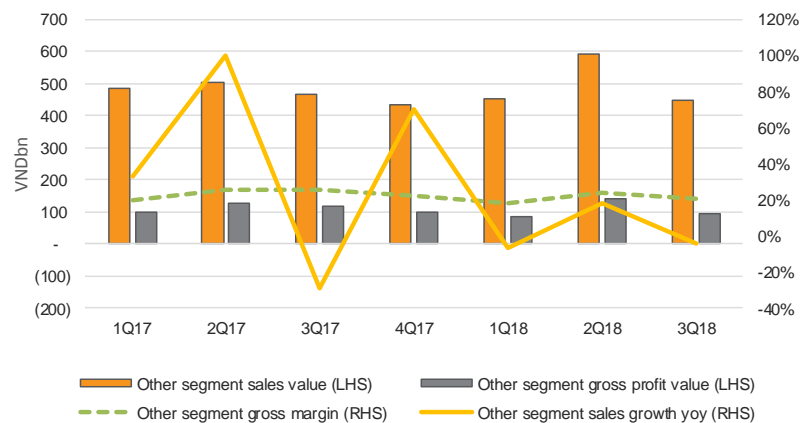


Source: QNS

Source: Worldbank, Agromonitor

**Other segment decreased with FMCG slowdown and no contribution from bioenergy.** QNS' biomass plant was shut down since the 2017-18 sugar cane crop season ended in 2Q18 and was not operational in 3Q18, thus not generating sales in the period. Confectionary and beverage sales fell slightly in line with the broad weakness in FMCG sales alluded to earlier. The result is in line with our previous forecast.

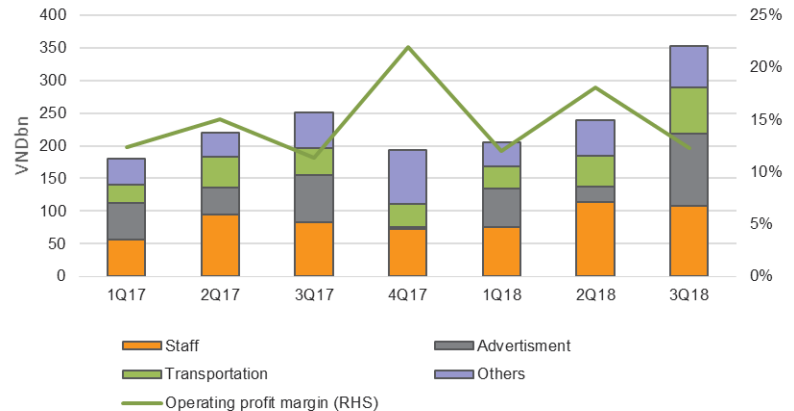
Figure 10: Other segment sales & profit in 3Q18 decreased slightly



Source: QNS

3Q18 operating profit margin decreased compared with 2Q18 due to higher advertisement expenses but was still higher than same period last year. QNS spent VND111bn (+54% yoy or +377% qoq) on a massive marketing campaign. Video clip advertising for the new FAMI GO product appeared everywhere from national TV channels, to small display screens in elevators as well as on social media. Operating profit margin thus contracted by 580bp qoq but still +89bp higher than 3Q17.

Figure 11: QNS spent more on advertising in 3Q18 leading to a lower operating profit margin



Source: QNS

### WE RAISE OUR FORECAST FOR 2018

**We lift both revenue and net profit forecast for FY18 due to better-than-expected performance of both sugar and soymilk in 4Q18.** We adjust our forecast for FY18 revenue up 4.7% based on several changes to our projections: (1) 4Q18 forecasted sugar sales is 48.9% higher than our previous forecast due to a 20.2% volume increase and a 20.0% price increase leading to an 8.8% upward adjustment in segment annual sales compared with our last forecast; (2) Adjusted 4Q18 soymilk sales forecast increased by 11.2% from previous forecast due to both higher volume and ASP price with the positive impact of the Fami Go product, resulting in a 4.8% lift in our segment annual sales forecast compared with previous forecast. Full-year EAT is expected to rise at a lower pace than EBT given a higher tax rate in 4Q18. To sum up, QNS is likely to realize VN8,195bn (+7.4%) in

revenue and VND1,144bn in net profit (+1.2%) in FY18. Our new 2018 EPS forecast is VND4,503.

Figure 12: Earnings revision - - A lift in 4Q18 forecasts leads to a higher 2018 forecast

FYE (VNDbn)	2017A	2018F			Comments
		Old	New	%change	
<b>Net revenue</b>	<b>7,633</b>	<b>7,830</b>	<b>8,195</b>	<b>4.7%</b>	
<i>Net revenue growth</i>	<i>9.5%</i>	<i>2.6%</i>	<i>7.4%</i>	<i>480 bp</i>	
<i>Sugar</i>	<i>1,867</i>	<i>2,169</i>	<i>2,359</i>	<i>8.8%</i>	4Q ASP increased by 20% and Sales volume increased by 20.2% from previous forecast
<i>Soymilk</i>	<i>3,885</i>	<i>3,749</i>	<i>3,929</i>	<i>4.8%</i>	4Q volume sales unchanged but higher ASP compared with previous forecast due to new FAMI GO product
<i>Other</i>	<i>1,880</i>	<i>1,912</i>	<i>1,908</i>	<i>-0.2%</i>	
<b>Gross profit</b>	<b>1,996</b>	<b>2,104</b>	<b>2,343</b>	<b>11.4%</b>	
<b>Gross profit margin</b>	<b>26.2%</b>	<b>26.9%</b>	<b>28.6%</b>	<b>172 bp</b>	
<i>Sugar</i>	<i>3.3%</i>	<i>8.4%</i>	<i>14.0%</i>	<i>561 bp</i>	4Q18 ASP increased by 20% from previous forecast
<i>Soymilk</i>	<i>39.2%</i>	<i>39.2%</i>	<i>40.8%</i>	<i>164 bp</i>	Soybean price is 8% lower than previous forecast
<i>Other</i>	<i>23.2%</i>	<i>23.7%</i>	<i>21.2%</i>	<i>-255 bp</i>	
<b>SG&amp;A</b>	<b>843</b>	<b>865</b>	<b>1,067</b>		
<i>%SG&amp;A</i>	<i>11.0%</i>	<i>11.0%</i>	<i>13.0%</i>	<i>200 bp</i>	4Q18 Marketing expense up by 26% from previous forecast to support sales of FAMI GO product
<b>EBIT</b>	<b>1,153</b>	<b>1,239</b>	<b>1,276</b>	<b>3.0%</b>	
<i>EBIT margin</i>	<i>15.1%</i>	<i>15.8%</i>	<i>15.6%</i>	<i>-25 bp</i>	
<b>EBT</b>	<b>1,138</b>	<b>1,245</b>	<b>1,291</b>	<b>3.7%</b>	
<b>Net profit</b>	<b>1,027</b>	<b>1,130</b>	<b>1,144</b>	<b>1.2%</b>	
<b>EPS (VND)</b>	<b>4,320</b>	<b>4,447</b>	<b>4,503</b>	<b>1.2%</b>	

Source: VNDIRECT

### 2019 OUTLOOK POSITIVE, SUPPORTED BY BOTH SOYMILK AND SUGAR SEGMENT IMPROVEMENT

**RS sugar production may increase slightly in 2019 - Refined extra sugar (RE) plant is yet to contribute.** Existing QNS sugar factories have been running at full capacity in 2018. However, we believe QNS is capable of increasing production by at least 5% in 2019 by extending its days of operation if the sugar price is favourable. The new RE plant is under construction, but total disbursement on construction was very low in 9M18. We expect the plant to be completed in 4Q19 and start operating from 1Q20 after a test run. The plant will thus not contribute to next year's production.

**Sugar price is expected to recover slowly as Brazil prioritises ethanol over sugar production.** Global sugar prices have fallen so far due to oversupply conditions. These conditions are also forecast to be prolonged. The Brazilian President-elect has announced Brazil's intention to regain global leadership in ethanol production, leading to reduced sugar supply as mills switch to biofuel production. We expect average global sugar prices to increase by 5% yoy in 2019 and QNS revenue to increase by the same pace based on unchanged volume expectations.

**Soymilk sales are forecast to grow slightly with strong competition among traditional beverage products.** The FAMI GO new product is not likely to boost long-term sales. Traditional soymilk product sales is facing headwinds because there is strong competition from both domestic and foreign players such as Vinamilk, Nutifood, Dutch Mills and Vitasoy, coupled with an overall slowdown of milk-based product sales in Vietnam as discussed earlier. FAMI GO has three key weaknesses: (1) we have tasted the product and think that it contains too much sugar to attract adult customers or modern parents who believe that too much sugar is unhealthy, (2) it is too expensive compared with a similar-sized original FAMI soymilk product (price is 70% higher) to attract young customers or customers

in rural areas and, (3) it is very different to the Vietnamese concept of a healthy breakfast. However, we believe QNS will be able to keep its soymilk sales growth rate at 5% yoy in 2019 based on our expectation for continued heavy investment in marketing.

**Our 2019 forecasted revenue and net profit growth are 8.1% and 8.4%, respectively, mainly based on improved contribution from sugar sales.** We maintain our SG&A expense projection as we expect that QNS will continue to spend aggressively on promotions in order to support soymilk sales amid a challenging FMCG environment in Vietnam. The tax rate will remain at the same level as 2018 as QNS relies on imported soybeans and will probably continue doing so as global soybean prices are still low due to continuing trade tensions between the US and China. Our 2019 EPS forecast is VND4,879 per share.

### VALUATION – WE UPGRADE TO ADD RECOMMENDATION

Our new target price for QNS share is VND50,000. The new target price is 12.3% higher than our previous target and equivalent to an upside of 17.1% from latest close price. We use a sum-of-parts valuation method, with each part being valued using a target P/E multiple applied to our 2019 forward EPS. Our target P/E multiple for the soymilk, sugar and others segments are 10.1x, 6.9x and 14.5x respectively, in-line with the peer average for each. Our TP translates into an implied 2018 P/E of 11.1x and a 2019 P/E of 10.2x.

Figure 13: SOTP valuation

	%EBT FY19	EBT FY19	Tax rate	NPAT FY19	EPS FY19	Target P/E(x)	Target Price (VND)
Soymilk	66%	926	15%	785	3,091	10.1	31,133
Sugar	18%	246	3%	239	941	6.9	6,533
Others	16%	226	5%	215	847	14.5	12,316
						<b>Target price</b>	<b>49,982</b>

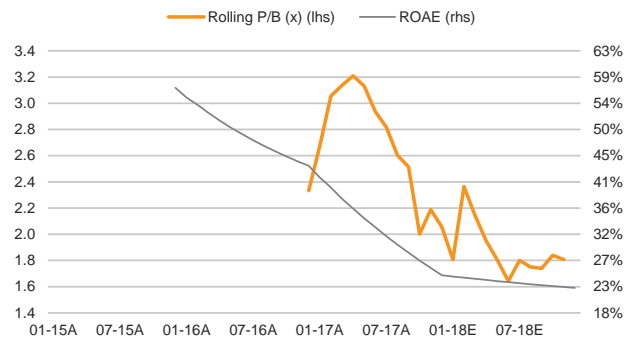
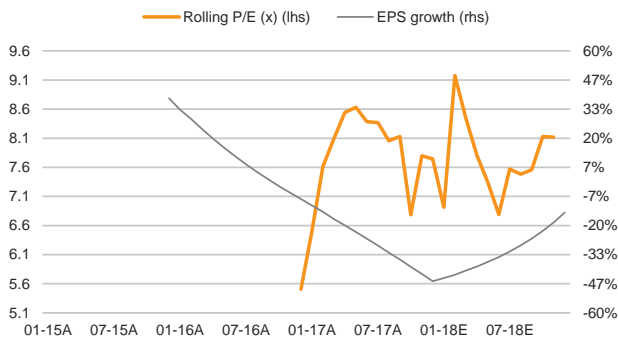
Source: VNDIRECT

Figure 14: Peer comparison (Data as 16 November 2018)

Peers	Market	Market cap (US\$ m)	TTM NPAT growth (%)	TTM EPS growth (%)	TTM ROA (%)	TTM ROE (%)	D/E (x)	TTM P/E (x)	TTM P/B (x)
<b>Dairy - Soymilk and Nutrient drinks</b>									
VNM	Vietnam	8,602.0	-1.4%	-1.4%	27.6%	37.7%	0.3x	20.7x	7.9x
VCF	Vietnam	175.3	1.3%	1.3%	28.3%	65.5%	0.7x	6.3x	3.4x
SKH	Vietnam	29.9	35.4%	35.4%	17.9%	26.6%	0.5x	7.2x	1.8x
SKV	Vietnam	19.9	-0.1%	-0.1%	15.5%	28.1%	1.2x	6.0x	1.6x
<b>Average</b>								<b>10.1x</b>	<b>3.7x</b>
<b>Sugar</b>									
SLS	Vietnam	26.1	-7.7%	-7.7%	8.6%	23.0%	1.4x	5.7x	1.2x
KTS	Vietnam	3.2	1.3%	1.3%	2.1%	6.0%	1.9x	8.2x	0.5x
<b>Average</b>								<b>6.9x</b>	<b>0.9x</b>
<b>Others</b>									
<b>Beer</b>									
BSP	Vietnam	11.7	-6.6%	-6.6%	11.2%	17.8%	0.6x	6.4x	1.1x
THB	Vietnam	5.9	-63.9%	-63.9%	0.9%	1.7%	1.3x	46.2x	0.8x
HAT	Vietnam	5.1	-10.3%	-12.6%	18.8%	52.3%	1.8x	3.9x	1.8x
<b>Mineral water</b>									
QHW	Vietnam	20.7	19.5%	19.5%	10.7%	15.6%	0.4x	10.6x	1.6x
<b>Electricity</b>									
HJS	Vietnam	22.1	5.4%	5.4%	10.1%	15.8%	0.5x	11.1x	1.8x
QPH	Vietnam	20.7	19.5%	19.5%	10.7%	15.6%	0.4x	10.6x	1.6x
<b>Confectionary</b>									
BBC	Vietnam	49.4	-5.9%	-8.0%	8.4%	10.9%	0.3x	12.8x	1.3x
<b>Average</b>								<b>14.5x</b>	<b>1.4x</b>
<b>QNS</b>		<b>531.9</b>	<b>3.4%</b>	<b>3.4%</b>	<b>14.6%</b>	<b>23.5%</b>	<b>0.6x</b>	<b>11.1x</b>	<b>2.5x</b>

Source: VNDIRECT, FinPro

**Valuation**



**Balance sheet**

(VNDbn)	12-17A	12-18E	12-19E
Cash and equivalents	528	789	764
Short term investments	751	951	751
Accounts receivables	289	489	474
Inventories	320	470	620
Other current assets	19	160	450
<b>Total current assets</b>	<b>1,907</b>	<b>2,859</b>	<b>3,060</b>
Fixed assets	4,852	4,980	6,192
Total investments	0	0	0
Other long-term assets	240	255	175
<b>Total assets</b>	<b>6,999</b>	<b>8,093</b>	<b>9,426</b>
Short-term debt	1,404	1,338	1,488
Accounts payable	540	500	618
Other current liabilities	401	364	325
<b>Total current liabilities</b>	<b>2,345</b>	<b>2,202</b>	<b>2,431</b>
Total long-term debt	145	79	529
Other liabilities	27	27	27
Share capital	2,438	2,926	2,926
Retained earnings reserve	2,135	2,871	3,438
<b>Shareholders' equity</b>	<b>4,482</b>	<b>5,785</b>	<b>6,439</b>
Minority interest	0	0	0
<b>Total liabilities &amp; equity</b>	<b>6,999</b>	<b>8,093</b>	<b>9,426</b>

**Income statement**

(VNDbn)	12-17A	12-18E	12-19E
Net revenue	7,633	8,195	8,855
Cost of sales	(5,637)	(5,853)	(6,310)
Gen & admin expenses	(146)	(218)	(236)
Selling expenses	(697)	(849)	(917)
<b>Operating profit</b>	<b>1,153</b>	<b>1,276</b>	<b>1,393</b>
Operating EBITDA	1,567	1,824	1,972
<b>Depreciation and amortisation</b>	<b>(414)</b>	<b>(548)</b>	<b>(579)</b>
<b>Operating EBIT</b>	<b>1,153</b>	<b>1,276</b>	<b>1,393</b>
Interest income	38	62	67
Financial expense	(78)	(76)	(92)
Net other income	26	28	31
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>1,138</b>	<b>1,291</b>	<b>1,399</b>
Tax expense	(112)	(147)	(159)
Minority interest	0	0	0
<b>Net profit</b>	<b>1,027</b>	<b>1,144</b>	<b>1,239</b>
Adj. net profit to ordinary	1,027	1,144	1,239
Ordinary dividends	(366)	(328)	(585)
<b>Retained earnings</b>	<b>661</b>	<b>815</b>	<b>654</b>

**Cash flow statement**

(VNDbn)	12-17A	12-18E	12-19E
<b>Pretax profit</b>	<b>1,138</b>	<b>1,291</b>	<b>1,399</b>
Depreciation & amortisation	414	548	579
Tax paid	(116)	(147)	(159)
Other adjustments	57	15	6
<b>Change in working capital</b>	<b>131</b>	<b>(537)</b>	<b>(177)</b>
<b>Cash flow from operations</b>	<b>1,625</b>	<b>1,170</b>	<b>1,648</b>
Capex	(874)	(676)	(1,967)
Proceeds from assets sales	0	0	0
Others	(196)	(200)	200
Other non-current assets changes	19	15	80
<b>Cash flow from investing activities</b>	<b>(1,051)</b>	<b>(861)</b>	<b>(1,687)</b>
New share issuance	(0)	0	0
Shares buyback	0	0	0
Net borrowings	222	280	600
Other financing cash flow	(64)	0	0
Dividends paid	(339)	(328)	(585)
<b>Cash flow from financing activities</b>	<b>(182)</b>	<b>(48)</b>	<b>15</b>
Cash and equivalents at beginning of period	137	528	789
<b>Total cash generated</b>	<b>391</b>	<b>261</b>	<b>(25)</b>
Cash and equivalents at the end of period	528	789	764

**Key ratios**

	12-17A	12-18E	12-19E
<b>Dupont</b>			
Net profit margin	13.5%	14.0%	14.0%
Asset turnover	1.16	1.09	1.01
ROAA	15.6%	15.2%	14.1%
Avg assets/avg equity	1.56	1.47	1.43
ROAE	24.5%	22.3%	20.3%
<b>Efficiency</b>			
Days account receivable	1.04	3.19	3.78
Days inventory	20.7	29.3	35.9
Days creditor	34.9	31.2	35.7
Fixed asset turnover	1.70	1.67	1.59
ROIC	17.0%	15.9%	14.7%
<b>Liquidity</b>			
Current ratio	0.81	1.30	1.26
Quick ratio	0.68	1.08	1.00
Cash ratio	0.55	0.79	0.62
Cash cycle	(13.2)	1.4	3.9
<b>Growth rate (yoy)</b>			
Revenue growth	9.5%	7.4%	8.1%
Operating profit growth	(24.0%)	10.7%	9.1%
Net profit growth	(27.2%)	11.4%	8.4%
EPS growth	(28.6%)	10.8%	7.8%
<b>Share value</b>			
FD adj EPS (VND)	4,062	4,503	4,854
BVPS (VND)	21,836	22,774	25,349

Source: VNDIRECT



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## RECOMMENDATION FRAMEWORK

### Stock Ratings

Definition:

- 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.

*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.*

### Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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