

## SIAM BROTHERS VIETNAM JSC (SBV) - UPDATE

**Market Price** VND36,000      **Target Price** VND44,100      **Dividend Yield** 4.2%      **Rating** ADD      **Sector** INDUSTRIALS

### Outlook – Short term



### Outlook – Long term



### Valuation



22 December 2017

Tho Dien Hong

tho.dienhong@vndirect.com.vn

### Key changes in the report

- 4% increase in FY18F rope volume
- 7% increase in FY19F rope volume

### Price performance



Source: VNDIRECT

### Key statistics

52w high (VND)	36,370
52w low (VND)	27,730
3m Avg daily volume (shares)	39,194
3m Avg daily value (VNDmn)	1,774
Market cap (VNDbn)	985
Outstanding shares (m)	27.4
Free float (%)	25
P/E TTM	7.9x
P/B	2.1x

### Ownership

Smart Investment JSC	65.4%
Vietnam Holding Ltd.	3.6%
Others	31.0%

Source: VNDIRECT

Despite the late launch of its new rope factory, SBV is still an attractive growth story due to the significant capacity expansion expected in 2018 and the promising overall prospects of Vietnam's maritime fishing industry. The company's strong brand recall and pricing power will allow it to protect its margins from rising input costs while there is huge scope for expansion into end-user application adjacencies.

**The new factory launch will be behind schedule.** The new factory in Long An was completed, yet it did not begin operating in 4Q2017 as originally planned (Figure 4). The company's management believes that it will be fully operational and begin generating revenue during 1Q2018. Since the equipment was installed late, we expect that SBV will only be able to produce 2,400 tonnes of rope, equivalent to 60% of this factory's capacity, which will result in total rope volume growth of 30% in FY18. SBV will reach its maximum output at 12,000 tonnes in FY19 translating to 15.4% rope volume growth.

**4Q Results should be positive, nonetheless.** SBV reported poor sales and earnings growth during 3Q2017 and in 9M2017 (Figure 3) due to the late start to the fishing season this year. However, there could be a pickup in orders during the final quarter of this year, estimated at VND227bn, which would allow the company to deliver 11.0% sales growth this year, in line with our projections and even without any assumed output from the new factory in 4Q. The company's EAT should rise by 10.5% growth this year.

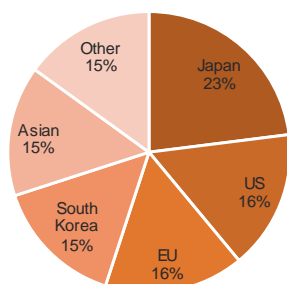
**Big years ahead:** Given the aforementioned volume growth assumptions and our projection that ASP will grow by 3% every year to cover rising input costs, we believe the company's rope sales could soar by 32% in FY18 and 18% in FY19. Combined with the trading segment, SBV could report 30% sales growth in FY18 and 17% in FY19. We project that the company's EAT will soar by 30% in FY18 on the back of its factory launch, and by an additional 13% in the following year when it operates at its full capacity. These projections are based on the assumption that domestic fishing tools demand will grow at a 10% CAGR for the next 5 years.

**We revise up our DCF-based target price by 5% to VND44,100** due to the upward revision of the factory No.4 utilization assumption for 2018 and despite the reduction of our 2017 forecast and the removal of the planned factory No. 5 from our earnings forecast (note that the price is also adjusted for this year's bonus share issuance in the ratio 3:1). We reiterate our ADD recommendation for SBV, as the company is trading at an 18% discount to its intrinsic value.

Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Net revenue (bn)	462	508	564	735
Revenue growth	23.6%	10.1%	11.0%	30.2%
Gross margin	33.9%	42.5%	42.3%	42.5%
EBITDA margin	15.1%	23.0%	23.2%	23.6%
Net profit (bn)	82	114	126	163
Net profit growth	91.6%	38.6%	10.5%	29.6%
Recurring profit growth	91.6%	38.6%	10.5%	29.6%
Basic EPS	4,000	5,545	6,126	7,941
Adjusted EPS	4,000	5,545	6,126	7,941
BVPS	10,778	20,932	20,932	20,932
ROAE	38.2%	35.0%	29.3%	37.9%

Source: VNDIRECT

**Figure 1: Vietnam’s seafood export value by destination market in 2016**



Source: VNDIRECT, GSO

**Threat from IUU “yellow card” is still unclear.**

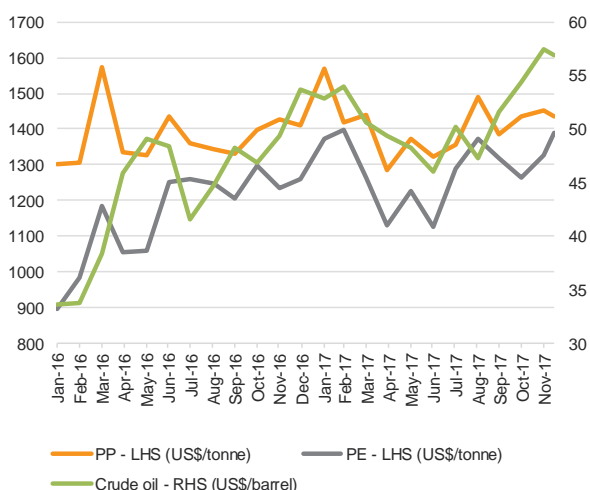
Vietnam received its first warning for its current illegal and unregulated fishing and VASEP recently highlighted the risk that Vietnamese seafood may disappear in European supermarkets and restaurants if a red card is issued. Vietnamese seafood exporters could be banned in the EU market, which accounted for nearly 16% of the country’s total seafood exports in 2016. However, these companies could still reallocate this volume to select other markets with strong demand such as Japan and US. Fishermen may be also subsidized by government to keep the fishing schedule tight or expand the fishing fleet due to the current geopolitics in the Asia-Pacific and there is currently no official regulatory change that would reduce the boat fleet.

If, on the other hand, any such regulation does go through, it may actually require fishermen to move further out to sea to prevent near-shore overfishing and this could require boat and equipment upgrades which could boost demand for the type of ocean-fishing equipment that SBV specializes in. We therefore believe it is still too early to conclude that the IUU warnings will have a negative impact on the demand for fishing ropes and nets and, consequently, on SBV’s future prospects.

**Input material cost impact is under control**

In 9M2017, SBV paid around VND27mn for every tonne of polypropylene (PP), 4% higher than in the same period last year. However, the company successfully increased its ASP by 3% in April 2017 to counter the incremental input cost and was able to keep its margins at similar levels to the previous year. The price of PE and PP have continued to increase in the past two months, but only by between 1-3%. In addition, the global ethylene market is still relatively oversupplied (Bloomberg), which could place a lid on future prices (we believe another 5% increase is possible, at most). SBV should be able to withstand this due to its strong brand recall and pricing power.

**Figure 2: Crude, PE and PP prices**



Source: VNDIRECT, Bloomberg

**Figure 3: Key performance factors**

VNDbn	3Q 2017	3Q 2016	%Δ	9M 2017	9M 2016	%Δ
Net sales	130	135	-4%	344	338	2%
COGS	73	74	-1%	203	195	4%
Gross profit	56	61	-7%	140	143	-2%
Gross margin	43.4%	44.9%	-2%	40.8%	42.4%	-2%
Selling expense	10	11	-12%	24	23	6%
G&A expense	11	12	-6%	33	31	7%
Financial income	0	1	-68%	2	2	-4%
Financial expense	1	3	-78%	5	9	-49%
Interest expense	1	2	-63%	5	6	-24%
Other incomes	0	0	800%	0	(1)	-157%
EBT	35	36	-1%	80	82	-3%
Tax expense	4	5	-26%	9	13	-29%
EAT	31	30	3%	71	69	3%

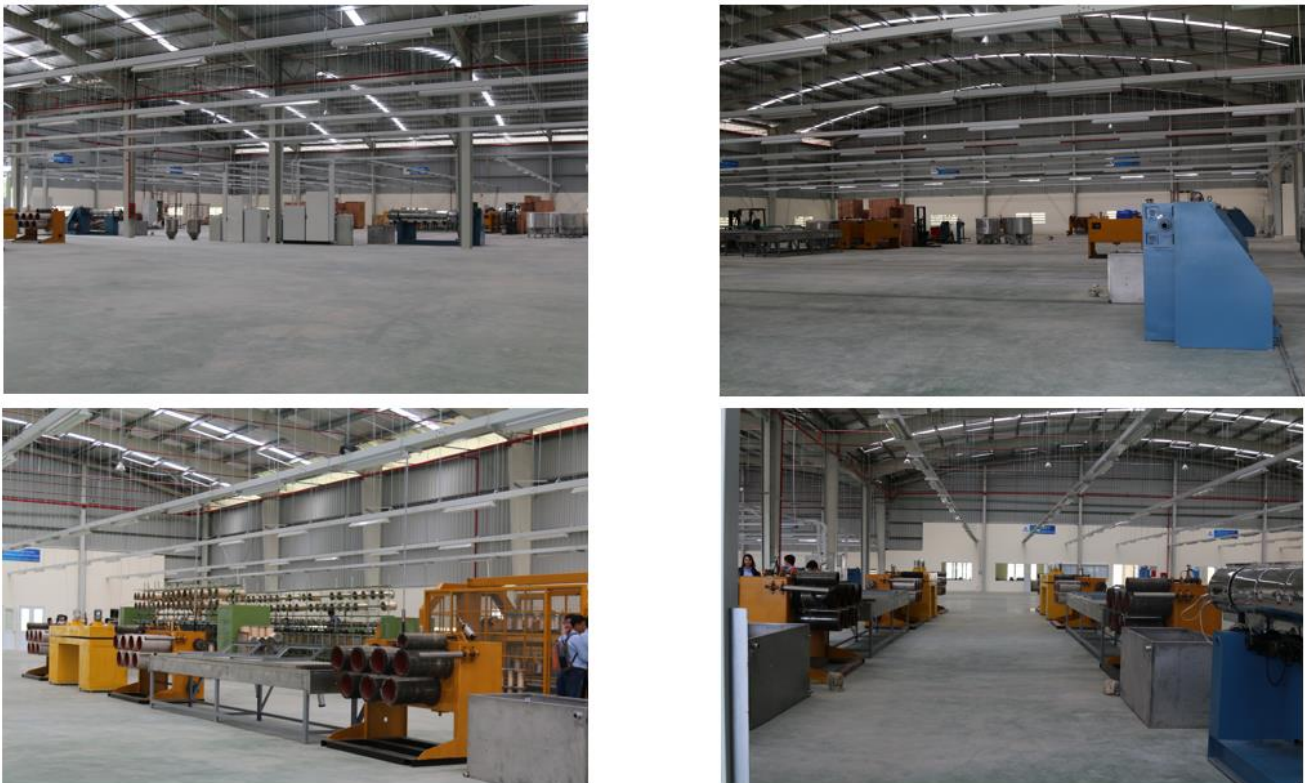
Source: VNDIRECT, SBV

**The new factory launch is delayed but not beyond 1Q2018**

We observed in our recent visit that only 2 out of the total 9 production lines at the new factory were installed and ready. This is because the supplier delayed delivery of the machinery and equipment, which was originally supposed to be completed in 4Q2017. It will take more time to install more equipment and for all of the lines to begin running at the maximum output; we believe this will not occur until at least after 2Q2018. Factory No.4's utilization should therefore average around 60% next year, and approach 100% in subsequent years as it begins to focus more on increasing volume in order to benefit from the local tax incentives. Note that this new factor is organized differently from legacy factories with dedicated lines for each product type, thereby eliminating production downtime due to changeovers. As a result, the new factory will be able to function at close to 100% of designed capacity, unlike the older factories.

We also removed the planned factory No.5 from our forecast horizon (Figure 5) as the company has not provided a clear plan specifying if and when it will go ahead with construction of this factory in the future.

**Figure 4: Rope factory No.4 is not ready yet but is highly likely to come on-stream in 1Q2018**



Source: SBV, VNDIRECT

Forecast revision

Figure 5: Forecast revision

VNDbn	2017F			2018F			2019F			2020F			2021F		
	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ
Net revenue, including:	574	564	-2%	657	735	12%	745	862	16%	871	886	2%	1,017	911	-10%
<i>Fishing robe &amp; net</i>	536	532	-1%	610	703	15%	689	829	20%	804	854	6%	936	878	-6%
<i>Other</i>	39	32	-17%	47	32	-31%	56	32	-42%	67	32	-52%	80	32	-60%
Gross profit	240	239	-1%	271	312	15%	307	364	19%	359	371	4%	418	379	-9%
G&A expenses	(54)	(53)	-2%	(61)	(69)	12%	(69)	(80)	16%	(81)	(83)	2%	(95)	(85)	-10%
Operating profit	153	153	0%	171	200	17%	194	233	20%	226	237	5%	263	240	-9%
EBT	145	143	-1%	165	188	14%	186	216	16%	217	217	0%	252	219	-13%
Tax expense	(23)	(17)	-26%	(24)	(25)	3%	(30)	(32)	5%	(41)	(36)	-11%	(42)	(36)	-12%
EAT	122	126	3%	141	163	16%	156	184	18%	176	181	3%	210	182	-13%
Sale volume (tonnes)	8,800	8,000	-9%	10,000	10,400	4%	11,200	12,000	7%	12,320	12,000	-3%	14,000	12,000	-14%
Total capacity (tonnes)	14,000	10,000	-29%	14,000	14,000	0%	14,000	14,000	0%	19,600	14,000	-29%	19,600	14,000	-29%

Source: VNDIRECT

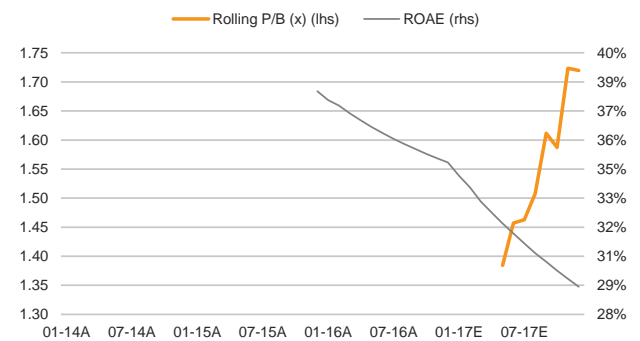
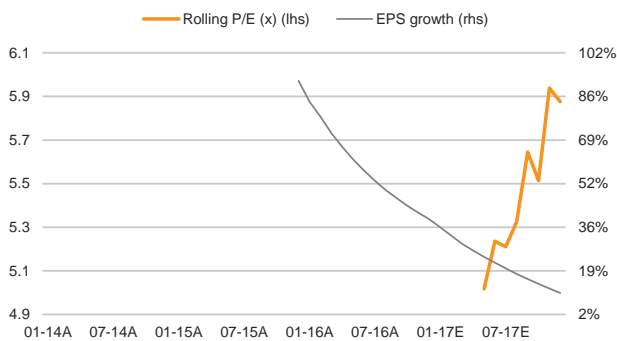
Figure 6: FCFE Valuation

VNDbn	2017F	2018F	2019F	2020F	2021F
CFO	150	132	170	197	200
Less: FCInvestment	(120)	(0)	(21)	(22)	(24)
Add: Net borrowings	15	44	34	8	8
Free cash flow	45	176	184	182	184
Terminal value	1,471				
PV of total cash flow (Equity value)	1,206				
Outstanding shares (mn)	27.4				
Target price (VND/share)	44,055				
<b>Assumption</b>	<b>Value</b>				
Risk premium	9.8%				
Risk free	5.5%				
Tax rate	12.0%				
Beta (peer average)	1.00				
Cost of equity	15.3%				
Terminal growth rate	2.5%				

Source: VNDIRECT



**Valuation**



**Income statement**

(VNDbn)	12-16A	12-17E	12-18E
Net revenue	508	564	735
Cost of sales	(292)	(325)	(422)
Gen & admin expenses	(47)	(53)	(69)
Selling expenses	(30)	(33)	(43)
<b>Operating profit</b>	<b>139</b>	<b>153</b>	<b>200</b>
Operating EBITDA	115	131	174
<b>Depreciation and amortisation</b>	<b>23</b>	<b>22</b>	<b>27</b>
<b>Operating EBIT</b>	<b>139</b>	<b>153</b>	<b>200</b>
Interest income	4	4	4
Financial expense	(12)	(13)	(16)
Net other income	2	0	0
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>131</b>	<b>143</b>	<b>188</b>
Taxation	(18)	(17)	(25)
Minority interests	0	0	0
<b>Net profit</b>	<b>114</b>	<b>126</b>	<b>163</b>
Adj. net profit to ordinary	116	126	163
Ordinary dividends	(71)	(91)	(101)
<b>Retained earnings</b>	<b>43</b>	<b>35</b>	<b>62</b>

**Balance sheet**

(VNDbn)	12-16A	12-17E	12-18E
Cash and equivalents	202	131	157
Short term investments	5	5	5
Accounts receivables	203	220	269
Inventories	42	47	62
Other current assets	17	18	18
<b>Total current assets</b>	<b>469</b>	<b>421</b>	<b>511</b>
Fixed assets	101	198	171
Total investments	0	0	0
Other long-term assets	47	47	47
<b>Total assets</b>	<b>617</b>	<b>666</b>	<b>729</b>
Short-term debt	133	148	192
Accounts payable	11	11	14
Other current liabilities	36	70	86
<b>Total current liabilities</b>	<b>180</b>	<b>229</b>	<b>292</b>
Total long-term debt	7	7	7
Other liabilities	0	0	0
Share capital	205	205	205
Retained earnings reserve	116	116	116
<b>Shareholders' equity</b>	<b>430</b>	<b>430</b>	<b>430</b>
Minority interests	0	0	0
<b>Total liabilities &amp; equity</b>	<b>617</b>	<b>666</b>	<b>729</b>

**Cash flow statement**

(VNDbn)	12-16A	12-17E	12-18E
<b>Pretax profit</b>	<b>131</b>	<b>143</b>	<b>188</b>
Depreciation & amortisation	23	22	27
Tax paid	(15)	(17)	(25)
Other adjustments	27	(10)	(12)
<b>Change in working capital</b>	<b>(78)</b>	<b>13</b>	<b>(46)</b>
<b>Cash flow from operations</b>	<b>89</b>	<b>150</b>	<b>132</b>
Capex	(43)	(120)	(0)
Proceeds from assets sales	20	0	0
Others	6	4	4
Other non-current assets changes		0	0
<b>Cash flow from investing activities</b>	<b>(16)</b>	<b>(116)</b>	<b>4</b>
New share issuance	136	0	0
Shares buyback	0	0	0
Net borrowings	16	15	44
Other financing cash flow	(11)	0	0
Dividends paid	(71)	(120)	(155)
<b>Cash flow from financing activities</b>	<b>69</b>	<b>(105)</b>	<b>(111)</b>
Cash and equivalents at beginning of period	58	202	131
<b>Total cash generated</b>	<b>142</b>	<b>(71)</b>	<b>25</b>
Cash and equivalents at the end of period	200	131	157

**Key ratios**

	12-16A	12-17E	12-18E
<b>Dupont</b>			
Net profit margin	22.4%	22.3%	22.2%
Asset turnover	0.95	0.88	1.05
ROAA	21.3%	19.6%	23.4%
Avg assets/avg equity	1.64	1.49	1.62
ROAE	35.0%	29.3%	37.9%
<b>Efficiency</b>			
Days account receivable	106	105	105
Days inventory	52.1	52.6	53.9
Days creditor	14.2	12.2	12.2
Fixed asset turnover	4.97	3.78	3.98
ROIC	20.0%	21.5%	25.9%
<b>Liquidity</b>			
Current ratio	2.61	1.84	1.75
Quick ratio	2.37	1.63	1.53
Cash ratio	1.15	0.60	0.55
Cash cycle	144	146	147
<b>Growth rate (yoy)</b>			
Revenue growth	10.1%	11.0%	30.2%
Operating profit growth	46.4%	10.3%	31.1%
Net profit growth	38.6%	10.5%	29.6%
EPS growth	38.6%	10.5%	29.6%
<b>Share value</b>			
Basic EPS (VND)	5,545	6,126	7,941
BVPS (VND)	20,932	20,932	20,932

Source: VNDIRECT

## DISCLAIMER

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to VNDIRECT Securities Corporation, and is distributed by CIMB pursuant to an arrangement between VNDIRECT Securities Corporation and CIMB. VNDIRECT Securities Corporation is not an affiliate of CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. VNDIRECT Securities Corporation may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. VNDIRECT Securities Corporation and CIMB are under no obligation to update this report in the event of a material change to the information contained in this report. VNDIRECT Securities Corporation and CIMB have no, and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, VNDIRECT Securities Corporation and CIMB, or any of their respective affiliates, or its related persons (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, VNDIRECT Securities Corporation and CIMB disclaim all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CIMB or VNDIRECT Securities Corporation or their respective affiliates to any person to buy or sell any investments.

CIMB and/or VNDIRECT Securities Corporation, their respective affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB and/or VNDIRECT Securities Corporation, their respective affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CIMB and/or VNDIRECT Securities Corporation or their respective affiliates may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CIMB and/or VNDIRECT Securities Corporation may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "VNDIRECT Securities Corporation" shall, unless the context otherwise requires, mean VNDIRECT Securities Corporation and its affiliates, subsidiaries and related companies. The term "CIMB" shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case, CIMB Group Holdings Berhad ("CIMBGH") and its affiliates, subsidiaries and related companies.

Country	CIMB Entity	Regulated by
Hong Kong	CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia
Singapore	CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

(i) As of 22 December 2017 VNDIRECT Securities Corporation has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

(ii) As of 22 December 2017, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:

(a) -

This report does not purport to contain all the information that a prospective investor may require. CIMB and/or VNDIRECT Securities Corporation or any of their respective affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. Neither CIMB and/or VNDIRECT Securities Corporation nor any of their respective affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

**Australia:** Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a "wholesale client". This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services licence. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on "passporting" exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).

**China:** For the purpose of this report, the People's Republic of China ("PRC") does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

**France:** Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

**Germany:** This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

**Hong Kong:** This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate

finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are not our own but of VNDIRECT Securities Corporation as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.

CIMB Securities Limited does not make a market on other securities mentioned in the report.

**India:** This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with SEBI as a stock-broker under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, the Securities and Exchange Board of India (Research Analyst) Regulations, 2014 (SEBI Registration Number INH000000669) and in accordance with the provisions of Regulation 4 (g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with SEBI as an Investment Adviser.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from equity stock broking and merchant banking of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

**Indonesia:** This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

**Ireland:** CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

**Malaysia:** This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB") solely for the benefit of and for the exclusive use of our clients. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

**New Zealand:** In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

**Singapore:** This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #19-00 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

- (a) Section 25 of the FAA (obligation to disclose product information);
- (b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;
- (c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];
- (d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];
- (e) Section 36 (obligation on disclosure of interest in securities), and
- (f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising



from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMB Research Pte Ltd ("CIMBR"), its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMBR, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of 22 December 2017, CIMB Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

CIMB Research Pte Ltd, CIMB Securities Singapore Pte Ltd and CIMB Bank Berhad, Singapore branch do not make a market on the securities mentioned in the report.

**South Korea:** This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

**Spain:** This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

**Sweden:** This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

**Switzerland:** This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

**Taiwan:** This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer or a placement within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

**Thailand:** This report is issued and distributed by CIMB Securities (Thailand) Company Limited ("CIMBS") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBS has no obligation to update its opinion or the information in this research report.

If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient are unaffected.

**United Arab Emirates:** The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

**United Kingdom and European Economic Area (EEA):** In the United Kingdom and European Economic Area, this material is also being disseminated by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material (all such persons together being referred to as "relevant persons"). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons. Where this material is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent research" under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent material will not have been prepared in accordance with legal requirements designed to promote the independence of research and will not be subject to any prohibition on dealing ahead of the dissemination of research. Any such non-independent material must be considered as a marketing communication.

**Other jurisdictions:** In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

## 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.

#### Anirban Lahiri – Head of Research

Email: [anirban.lahiri@vndirect.com.vn](mailto:anirban.lahiri@vndirect.com.vn)

#### Phuong Nguyen Mai, CFA – Director

Email: [phuong.nguyenmai@vndirect.com.vn](mailto:phuong.nguyenmai@vndirect.com.vn)

#### Tho Dien Hong – Analyst

Email: [tho.dienhong@vndirect.com.vn](mailto:tho.dienhong@vndirect.com.vn)

#### VNDIRECT Securities Corporation

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>