

## THACO – TRUONG HAI AUTO CORPORATION - UNLISTED

4 August 2017

Phuong Bien

phuong.bien@vndirect.com.vn

### Key statistics

|                             |        |
|-----------------------------|--------|
| Current price               | NA     |
| EPS                         | 19,372 |
| Average daily turnover (3m) | NA     |
| Market cap (VND) billion    | NA     |
| Outstanding shares (m)      | 414.5  |
| Free float (%)              | NA     |
| Beta                        | NA     |

### Ownership

| Shareholder                           | % Ownership |
|---------------------------------------|-------------|
| Tran Oanh Manufacturing & trading     | 55.4%       |
| Jardine Cycle & Carriage              | 25.1%       |
| Hoang Cuong Investment & Construction | 7.1%        |
| Tran Ba Duong – Chairman              | 6.8%        |
| Vien Dieu Hoa – CEO                   | 5.2%        |
| Others                                | 0.4%        |

Source: VNDIRECT

**THACO has just published its 2Q2017 financial report with net profit sharply fell 39% yoy.**

According to the 2Q2017 financial report, THA recorded net revenue VND12,734 billion and PBT VND1,289 billion, dropped 14% and 39% yoy respectively. Of which, revenue from car sales dropped by 19.7% but revenue from service increased by 238%. We could also see that revenue from service (including real estate) has increased its weighting significantly from 2.1% in 2Q2016 to 8.4% in 2Q2017 (please see table below):

| Revenue breakdown | 2016  | 2017  | Revenue change |
|-------------------|-------|-------|----------------|
| Car sales         | 97.0% | 90.5% | -19.7%         |
| Car accessories   | 0.6%  | 1.0%  | 34.8%          |
| Service           | 2.1%  | 8.4%  | 237.8%         |
| Other services    | 0.2%  | 0.1%  | -42.4%         |

Gross profit fell 25%, down to VND2,348 billion. Gross margin also fell from 21% to 18% in 2Q2017.

**In terms of cost:** financial expenses dropped significantly 62% down to VND188 billion mostly thanks to improving FX loss, from VND347 billion to VND24.5 billion in 2Q2017. However, selling and G&A expenses sharply increased 23% and 92% respectively. Financial income dropped 13% and other incomes also recorded a loss of VND15.4 billion. As a result, PBT only reached VND1,289 billion, sharply fell 39%.

| Financial summary (VND billion) | 2Q2016 | 2Q2017 | Change (%) |
|---------------------------------|--------|--------|------------|
| Net revenue                     | 14,795 | 12,734 | -13.9%     |
| CGOGS                           | 11,686 | 10,386 | -11.1%     |
| Gross profit                    | 3,108  | 2,348  | -24.5%     |
| Financial income                | 99     | 86     | -13.1%     |
| Financial expenses              | 488    | 188    | -61.5%     |
| Selling expenses                | 362    | 446    | 23.2%      |
| GA expenses                     | 257    | 495    | 92.6%      |
| Other incomes                   | 23     | (15)   |            |
| PBT                             | 2,122  | 1,289  | -39.3%     |
| NPAT                            | 1,963  | 1,195  | -39.1%     |

### 1H2017 result: 10% dropped in car sales

As the result, in 1H2017, THA recorded net revenue of VND25,527 billion and PBT of VND2,710 billion, down by 5.4% and 31% yoy respectively.

According to VAMA, in 1H2017, THA sold a total of 47,866 cars (including bus, truck, and commercial), this number is 10% lower yoy.

This is a bad sign for THA because other players such as Toyota, Ford, Honda, Isuzu, Mercedes, GM, Vinamotor recorded positive growth in car sales.

In the 2017 AGM, THA has adopted financial target: total revenue: VND69,994 billion, NPAT: VND5,003 billion, car sales: 112,020. Therefore, THA has just completed 49% of the year target.

## Income statement

| VND billion                                    | 2014            | 2015            | 2016            |
|--|-----------------|-----------------|-----------------|
| <b>Net sales</b>                               | <b>21,928.5</b> | <b>41,494.3</b> | <b>59,163.2</b> |
| Cost of sales                                  | 16,857.9        | 31,345.8        | 47,805.4        |
| Gross Profit                                   | 5,070.6         | 10,148.5        | 11,357.8        |
| Financial income                               | 168.1           | 236.0           | 1,565.7         |
| Financial expenses                             | 447.9           | 807.8           | 1,104.9         |
| of which: interest expenses                    | 267.7           | 244.2           | 509.3           |
| Selling expenses                               | 931.4           | 1,455.3         | 1,800.2         |
| General and admin expenses                     | 526.9           | 764.9           | 1,508.2         |
| <b>Operating profit/(loss)</b>                 | <b>3,332.4</b>  | <b>7,343.0</b>  | <b>8,493.6</b>  |
| Net other income/expenses                      | 48.3            | 49.6            | 37.1            |
| Income from investments in other entities      | -5.0            | 0.0             | 0.0             |
| <b>Net accounting profit/(loss) before tax</b> | <b>3,375.7</b>  | <b>7,392.6</b>  | <b>8,530.7</b>  |
| Business income tax - current                  | 84.0            | 298.8           | 549.1           |
| Business income tax - deferred                 | 11.1            | 17.2            | -11.0           |
| Business income tax expenses                   | 95.1            | 316.0           | 538.1           |
| <b>Net profit/(loss) after tax</b>             | <b>3,280.7</b>  | <b>7,076.6</b>  | <b>7,992.7</b>  |
| Minority interests                             | 12.6            | 38.7            | 93.7            |
| Attributable to parent company                 | 3,268.0         | 7,037.9         | 7,899.0         |

## Cash flow

| Indirect - VND billion                                       | 2014            | 2015            | 2016             |
|--|-----------------|-----------------|------------------|
| <b>Net profit/(loss) before tax</b>                          | <b>3,375.7</b>  | <b>7,392.6</b>  | <b>8,530.7</b>   |
| Depreciation and amortisation                                | 482.0           | 605.6           | 1,242.2          |
| Amortisation of goodwill                                     | 0.0             | 0.0             | 0.0              |
| Provisions   | 30.3            | 45.7            | 469.8            |
| Unrealized foreign exchange gain/(loss)                      | -10.0           | 237.0           | 170.4            |
| Profit/(loss) from liquidating fixed assets                  | 0.0             | 0.0             | 0.0              |
| Profit/(loss) from investing activities                      | -9.1            | -31.4           | -720.8           |
| Interest expense   | 267.7           | 244.2           | 509.3            |
| <b>Operating profit/(loss) before changes in WC</b>          | <b>4,136.6</b>  | <b>8,493.7</b>  | <b>10,201.5</b>  |
| Increase/(decrease) in receivables                           | -1,015.5        | -2,432.3        | 3,079.3          |
| Increase/(decrease) in inventories                           | -2,626.0        | -6,636.0        | -2,805.7         |
| (Increase)/decrease in payables                              | 648.5           | 241.0           | 3,720.2          |
| Increase/(decrease) in prepaid expenses                      | -314.8          | 6.3             | 27.7             |
| Increase/(decrease) in trading securities                    | 0.0             | -300.3          | 0.0              |
| Interest paid  | -309.9          | -235.3          | -1,308.8         |
| Business Income Tax paid                                     | -66.2           | -221.8          | -458.8           |
| Other receipts from operating activities                     | 2.3             | 0.0             | 0.0              |
| Other payments on operating activities                       | -5.4            | -0.8            | -2.9             |
| <b>Net cash inflows/(outflows) from operating activities</b> | <b>449.7</b>    | <b>-1,085.6</b> | <b>12,452.4</b>  |
| Purchases of fixed assets and other long term assets         | -1,073.2        | -2,929.0        | -4,707.6         |
| Proceeds from disposal of fixed assets                       | 6.2             | 10.6            | 115.5            |
| Loans granted, purchases of debt instruments                 | -107.2          | -130.6          | -42.0            |
| Collection of loans, sales of debts instruments              | 59.3            | 5.6             | 3.0              |
| Investments in other entities                                | -101.0          | -2.7            | -9,025.8         |
| Proceeds from divestment in other entities                   | 0.0             | 93.7            | 0.0              |
| Dividends and interest received                              | 11.1            | 9.0             | 17.7             |
| <b>Net cash inflows/(outflows) from investing activities</b> | <b>-1,204.7</b> | <b>-2,943.3</b> | <b>-13,639.2</b> |
| Proceeds from issue of shares                                | 660.0           | 1,024.0         | 1,357.4          |
| Payments for share returns and repurchases                   | 0.0             | 0.0             | 0.0              |
| Proceeds from borrowings                                     | 18,385.8        | 32,874.8        | 47,170.6         |
| Repayment of borrowings                                      | -17,529.0       | -27,750.2       | -45,779.3        |
| Finance lease principal payments                             | 0.0             | 0.0             | 0.0              |
| Dividends paid   | -772.9          | -1,924.9        | -1,258.0         |
| Interests, dividends, profits received                       | 0.0             | 0.0             | 0.0              |
| <b>Net cash inflows/(outflows) from financing activities</b> | <b>743.9</b>    | <b>4,223.7</b>  | <b>1,490.8</b>   |
| Net increase in cash and cash equivalents                    | -11.1           | 194.9           | 304.0            |
| <b>Cash and cash equivalents at the beginning of period</b>  | <b>504.8</b>    | <b>491.5</b>    | <b>685.9</b>     |
| Effect of foreign exchange differences                       | -2.2            | -0.5            | 0.0              |
| <b>Cash and cash equivalents at the end of period</b>        | <b>491.5</b>    | <b>685.9</b>    | <b>989.9</b>     |

## Key ratios

|                    | 2014   | 2015   | 2016   |
|--------------------|--------|--------|--------|
| <b>Dupont</b>      |        |        |        |
| Net profit margin  | 15.0%  | 17.1%  | 13.5%  |
| Gross margin       | 23.1%  | 24.5%  | 19.2%  |
| ROA                | 17.3%  | 23.0%  | 14.8%  |
| ROE                | 39.1%  | 48.4%  | 34.3%  |
| <b>Efficiency</b>  |        |        |        |
| Days AR            | 38.0   | 36.1   | 36.8   |
| Days Inventories   | 111.1  | 113.7  | 152.9  |
| Days AP            | 69.2   | 40.5   | 41.1   |
| <b>Liquidity</b>   |        |        |        |
| Current ratio      | 1.1    | 1.3    | 1.3    |
| Quick ratio        | 0.4    | 0.5    | 0.3    |
| Cash cycle         | 79.9   | 109.3  | 148.6  |
| <b>Growth rate</b> |        |        |        |
| Revenue            | 64.8%  | 70.9%  | 42.6%  |
| Operating profit   | 197.6% | 120.4% | 15.7%  |
| Net profit         | 192.6% | 115.7% | 12.9%  |
| <b>Share value</b> |        |        |        |
| EPS                | 9,307  | 18,405 | 19,283 |
| BVPS               | 23,804 | 37,996 | 56,153 |

## Balance sheet

| VND billion                 | 2014            | 2015            | 2016            |
|-----------------------------|-----------------|-----------------|-----------------|
| <b>CURRENT ASSETS</b>       | <b>10,449.1</b> | <b>20,809.8</b> | <b>34,768.1</b> |
| Cash and cash equivalents   | 491.5           | 685.9           | 989.9           |
| Short-term investments      | 25.3            | 454.1           | 496.0           |
| Accounts receivable         | 2,185.3         | 6,022.7         | 5,908.1         |
| Inventories                 | 6,409.5         | 13,040.6        | 26,463.2        |
| Other current assets        | 1,337.5         | 606.5           | 910.9           |
| <b>LONG-TERM ASSETS</b>     | <b>8,481.6</b>  | <b>10,000.3</b> | <b>19,180.9</b> |
| Long-term trade receivables | 0.0             | 144.3           | 124.2           |
| Fixed assets                | 5,533.8         | 6,382.4         | 8,156.4         |
| Tangible fixed assets       | 2,885.1         | 3,572.9         | 4,164.5         |
| Cost                        | 4,505.0         | 5,716.4         | 6,851.2         |
| Accumulated depreciation    | -1,619.9        | -2,143.5        | -2,686.7        |
| Finance lease assets        | 0.0             | 0.0             | 0.0             |
| Cost                        | 0.0             | 0.0             | 0.0             |
| Accumulated depreciation    | 0.0             | 0.0             | 0.0             |
| Intangible fixed assets     | 2,236.4         | 2,809.5         | 3,991.9         |
| Cost                        | 2,290.3         | 2,881.2         | 4,097.8         |
| Accumulated depreciation    | -54.0           | -71.7           | -105.9          |
| Construction in progress    | 412.4           | 0.0             | 0.0             |
| Long-term investments       | 2,088.9         | 2,056.9         | 27.2            |
| Good will (before 2015)     | 240.7           | 0.0             | 0.0             |
| Other long-term assets      | 618.1           | 816.7           | 6,037.0         |
| <b>TOTAL ASSETS</b>         | <b>18,930.7</b> | <b>30,810.1</b> | <b>53,949.0</b> |
| <b>LIABILITIES</b>          | <b>10,497.0</b> | <b>16,200.7</b> | <b>30,673.4</b> |
| Current liabilities         | 9,582.6         | 15,805.6        | 27,140.4        |
| Short-term borrowings       | 0.0             | 0.0             | 0.0             |
| Long-term liabilities       | 914.4           | 395.1           | 3,533.0         |
| Other long-term payables    | 18.4            | 5.6             | 10.4            |
| Long-term borrowings        | 894.3           | 372.3           | 3,125.9         |
| <b>OWNER'S EQUITY</b>       | <b>8,390.8</b>  | <b>14,609.4</b> | <b>23,275.6</b> |
| Capital and reserves        | 8,390.8         | 14,609.4        | 23,275.6        |
| Paid-in capital             | 3,525.0         | 3,845.0         | 4,145.0         |
| Common shares               | 0.0             | 3,845.0         | 4,145.0         |
| Share premium               | 1,244.6         | 1,948.6         | 2,998.6         |
| Owner's other capital       | 0.0             | 3.3             | 5.2             |
| Treasury shares             | -6.8            | -6.8            | -6.8            |
| Undistributed earnings      | 3,629.5         | 8,741.8         | 15,393.3        |
| MINORITY INTERESTS          | 42.8            | 0.0             | 0.0             |
| <b>TOTAL RESOURCES</b>      | <b>18,930.7</b> | <b>30,810.1</b> | <b>53,949.0</b> |

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

---

### **VNDIRECT Securities Corporation**

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

Tel: +84 439724568

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

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