


Company Note

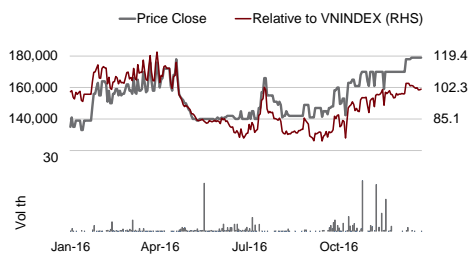
Vietnam

HOLD (previously ADD)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price: VND179,000
 Target price:  VND176,400
 Previous target: VND176,400
 Up/downside: -1.5%
 CIMB / Consensus: na

Reuters: VCF.HM
 Bloomberg: VCF.VN
 Market cap: US\$210.8m
 VND4,757,666m
 Average daily turnover: US\$0.01m
 VND261.3m
 Current shares o/s: 26.58m
 Free float: 5.0%
 *Source: Bloomberg

Key changes in this note Not applicable.

Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	5.3	21.8	30.7
Relative (%)	0.5	21.6	8.2

Major shareholders	% held
Masan Beverage	68.5
Gaoling Fund	23.3

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Vinacafe' Bien Hoa JSC**Masan's influence boosted Vinacafe's revenue and stock price**

- VCF's revenue grew by about 12% in FY16, supported by 13% coffee consumption in Vietnam and the introduction of new products – under MSN's guidance
- The company's share price increased by more than 20% since early 3Q16, partly because Masan increased its VCF ownership stake in December
- We maintain our DCF-based target price (15% WACC), but downgrade VCF to a Hold rating, as its stock price hit our target, after a 30% run-up over the last year

“No Soybean” marketing campaign gaining traction

Vinacafe launched its “No Roasted Soybean” campaign in the middle of last year, in response to a modest food safety scandal, in which it was discovered that local instant coffee makers had used roasted soybeans as a filler in their instant coffee products (many local consumers believe this could pose a health risk). Vinacafe committed to abandon this practice, unlike its two main rivals in the local market – Nescafe and Trung Nguyen – which helped drive revenue growth last year.

New products support revenue growth

VCF introduced two new product lines last year: Vinacafe Chat, a 3-in-1 product (coffee, sugar and powdered milk), and Café de Nam, a capsule coffee product that is currently still only sold in proper cafes, but will likely be sold for home use later this year. VCF is a well-oiled machine -- it designs products suitable to the local market, crafts marketing messages that resonate with consumers, and h.

We expect double digit revenue growth in FY17F

We expect VCF's revenues to grow 12% in FY17, driven by the factors discussed above. VCF derives nearly 70% of its revenues from the sale of instant coffee, nearly 20% from sales of canned coffee/energy drinks, and c.10% from a unique cereal drink product that is fairly popular in Vietnam. We expect instant coffee sales growth to accelerate from 8% in FY16 to 10% in FY17, which would help drive 17% EPS growth and help the company generate a ~17% ROE.

Benefitting from disarray at Trung Nguyen

VCF, Trung Nguyen and Nescafe have comparable shares of Vietnam's instant coffee market, but dysfunctional developments at Trung Nguyen, are hampering the company (the divorce of the company's husband & wife owners is tearing the company apart).

Masan's stake increase helped pushed VCF's share price higher

VCF's share price rose by more than 20% from late 2016 to early 2017, driven higher by better-than-expected earnings and an increase in MSN's ownership stake in the company from 60% in Feb. 2016 to 69% by the end of last year (Masan first acquired a 50% stake in 2011, boosting that to 53% by end-2012 and 60% in Feb 16). Masan guided that VCF's performance is likely to outstrip expectations this year; we are encouraged it is “putting its money where its mouth is”.

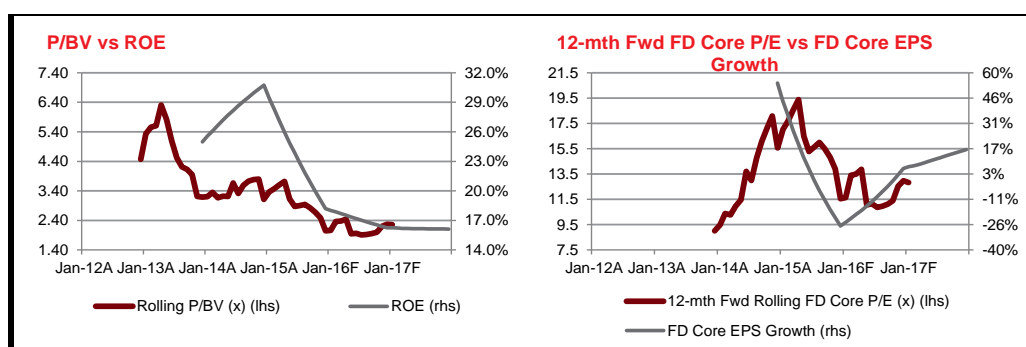
Downgrade to Hold following 30% run-up in VCF's stock price

We maintain our DCF-based VCF target price (15% WACC, 13x implied FY17F P/E, 25% discount to its regional peers). However, given the stock's recent strengthening, we downgrade our rating to Hold. Potential re-rating catalysts include the success of its latest marketing campaign and stronger-than-expected FY16 results. Downside risks include poor trading liquidity in the name, which could distortion VCF's valuation.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (VNDb)	2,976	3,000	3,355	3,759	4,218
Operating EBITDA (VNDb)	411.5	348.1	357.1	440.1	516.6
Net Profit (VNDb)	401.4	295.4	312.9	364.9	434.5
Core EPS (VND)	15,101	11,112	11,772	13,728	16,348
Core EPS Growth	54.1%	(26.4%)	5.9%	16.6%	19.1%
FD Core P/E (x)	11.85	16.11	15.21	13.04	10.95
DPS (VND)	1,200	0	0	0	1,994
Dividend Yield	0.67%	0.00%	0.00%	0.00%	1.11%
EV/EBITDA (x)	9.53	10.31	9.27	7.63	6.01
P/FCFE (x)	7.30	87.76	22.09	NA	18.52
Net Gearing	(56.7%)	(66.1%)	(69.5%)	(57.3%)	(58.5%)
P/BV (x)	3.22	2.69	2.29	1.94	1.68
ROE	30.8%	18.2%	16.3%	16.1%	16.5%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.00	1.00	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

BY THE NUMBERS



Profit & Loss

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Net Revenues	2,976	3,000	3,355	3,759	4,218
Gross Profit	1,093	1,076	1,173	1,346	1,516
Operating EBITDA	412	348	357	440	517
Depreciation And Amortisation	(42)	(61)	(67)	(103)	(117)
Operating EBIT	369	287	290	337	399
Financial Income/(Expense)	(9)	(12)	57	68	83
Pretax Income/(Loss) from Assoc.	0	0	0	0	0
Non-Operating Income/(Expense)	60	35	0	0	0
Profit Before Tax (pre-EI)	420	311	348	405	483
Exceptional Items					
Pre-tax Profit	420	311	348	405	483
Taxation	(19)	(15)	(35)	(41)	(48)
Exceptional Income - post-tax					
Profit After Tax	401	295	313	365	435
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	401	295	313	365	435
Recurring Net Profit	401	295	313	365	435
Fully Diluted Recurring Net Profit	401	295	313	365	435

Cash Flow

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
EBITDA	411.5	348.1	357.1	440.1	516.6
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(5.3)	103.6	(147.9)	(26.8)	(32.5)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(13.0)	(2.6)			
Other Operating Cashflow	23.0	37.0	180.0	50.0	30.0
Net Interest (Paid)/Received	(9.2)	(11.8)	(11.7)	(8.3)	(7.2)
Tax Paid					
Cashflow From Operations	406.9	474.3	377.6	455.0	506.9
Capex	(58.3)	(144.3)	(100.0)	(500.0)	(200.0)
Disposals Of FAs/subsidiaries	1.7	0.1			
Acq. Of Subsidiaries/investments	0.0	0.0			
Other Investing Cashflow					
Cash Flow From Investing	(56.6)	(144.2)	(100.0)	(500.0)	(200.0)
Debt Raised/(repaid)	301.6	(275.9)	(62.2)	(50.0)	(50.0)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(31.9)	0.0	0.0	0.0	(53.0)
Preferred Dividends					
Other Financing Cashflow	(0.6)	0.8			
Cash Flow From Financing	269.1	(275.1)	(62.2)	(50.0)	(103.0)
Total Cash Generated	619.4	55.0	215.4	(95.0)	203.9
Free Cashflow To Equity	651.9	54.2	215.4	(95.0)	256.9
Free Cashflow To Firm	359.5	341.9	289.2	(36.7)	314.1

SOURCE: CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS... cont'd

Balance Sheet

(VNDb)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	1,370	1,425	1,641	1,546	1,750
Total Debtors	40	44	64	72	81
Inventories	335	292	359	397	444
Total Other Current Assets	27	14	14	14	14
Total Current Assets	1,772	1,775	2,077	2,028	2,288
Fixed Assets	699	708	592	989	1,072
Total Investments	0	1	1	1	1
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	18	46	46	46	46
Total Non-current Assets	717	754	638	1,035	1,118
Short-term Debt	533	194	132	145	95
Current Portion of Long-Term Debt			63	0	0
Total Creditors	194	240	179	198	222
Other Current Liabilities	284	261	261	261	261
Total Current Liabilities	1,011	695	635	604	578
Total Long-term Debt	0	63	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1	3	3	3	3
Total Non-current Liabilities	1	66	3	3	3
Total Provisions	0	0	0	0	0
Total Liabilities	1,012	761	638	607	580
Shareholders' Equity	1,477	1,769	2,082	2,446	2,828
Minority Interests					
Total Equity	1,477	1,769	2,082	2,446	2,828

Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	29.5%	0.8%	11.8%	12.1%	12.2%
Operating EBITDA Growth	44.0%	(15.4%)	2.6%	23.2%	17.4%
Operating EBITDA Margin	13.8%	11.6%	10.6%	11.7%	12.2%
Net Cash Per Share (VND)	31,506	43,958	54,401	52,708	62,260
BVPS (VND)	55,551	66,545	78,317	92,045	106,399
Gross Interest Cover	39.90	24.37	24.88	40.61	55.51
Effective Tax Rate	4.51%	4.95%	10.00%	10.00%	10.00%
Net Dividend Payout Ratio	7.6%	NA	NA	NA	11.0%
Accounts Receivables Days	4.88	5.12	5.93	6.62	6.62
Inventory Days	48.53	59.46	54.53	57.12	56.80
Accounts Payables Days	28.23	41.21	35.18	28.56	28.40
ROIC (%)	60.1%	44.9%	48.2%	53.2%	37.8%
ROCE (%)	21.9%	14.2%	16.7%	17.0%	17.8%
Return On Average Assets	20.9%	12.9%	11.1%	11.7%	12.3%

Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	2.0%	3.0%	3.0%	3.0%	3.0%
Unit sales grth (% , main prod./serv.)	4.0%	3.0%	3.0%	3.0%	3.0%
Util. rate (% , main prod./serv.)	65.0%	70.0%	75.0%	80.0%	80.0%
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Total Export Sales Growth (%)	N/A	N/A	N/A	N/A	N/A
Export Sales/total Sales (%)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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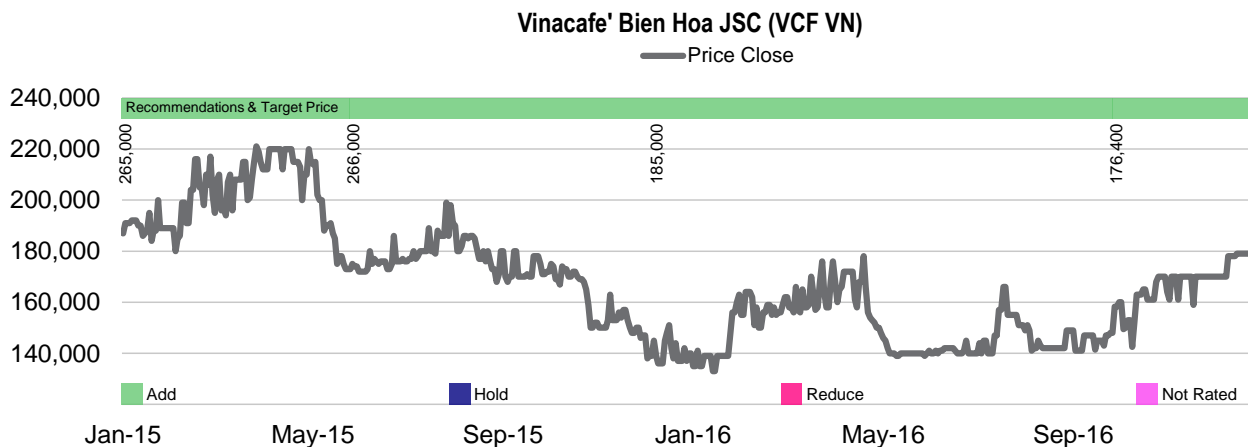
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2016

1626 companies under coverage for quarter ended on 31 December 2016

	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	5.4%
Hold	29.6%	1.4%
Reduce	11.6%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BGP** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** – Good, n/a, **BH** – Good, Declared, **BIGC** – Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Good, n/a, **GFPT** – Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Very Good, Declared, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Declared, **ICHI** – Very Good, Declared, **INTUCH** – Excellent, Certified, **ITD** – Good, n/a, **IVL** – Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KGI** – Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Declared, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Declared, **M** – Very Good, Declared, **MAJOR** – Good, n/a, **MAKRO** – Good, Declared, **MALEE** – Very Good, Declared, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Declared, **MEGA** – Very Good, Declared, **MINT** – Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Very Good, Declared, **PSH** – not available, n/a, **PSL** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Declared, **RATCH** – Excellent, Certified, **ROBINS** – Very Good, Declared, **RS** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Good, Declared, **SCCC** – Excellent, Declared, **SIM** – Excellent, n/a, **SIRI** – Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Very Good, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, Declared, **TCAP** – Excellent, Certified, **THAI** – Very Good, Declared, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Very Good, Certified, **TICON** – Very Good, Declared, **TISCO** – Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TIPIP** – not available, n/a, **TRUE** – Very Good, Declared, **TTW** – Very Good, Declared, **TU** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more 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.