

INVESTMENT HIGHLIGHTS

HDG operates in 3 fields: real estate, construction and hydropower. In particular, revenue mainly comes from real estate and construction sector. In 2013, construction sector accounted for 66.6% of total revenue while the real estate sector accounted for 31.1% of total revenue.

Business performance in Q1/2014: HDG's revenue of 188.7 billion (+30% qoq), net profit of 11.7 billion (increase 2.3 times over the same period) thanks to: (1) Recognition of revenue from projects Nguyen Van Cong; (2) Profit from financial activity and venture companies rose sharply over the same period.

Business Plan in 2014: HDG sets the target net sales of VND 1,500 billion (+ 46% yoy), profit after tax of VND 171 billion (+19.6% yoy) which is mainly attributed from the Nguyen Van Cong project, Ha Do Parkview project and construction sector. BSC forecasts conservatively that HDG's net sale can achieve of 1,500 billion VND, net income of 150 billion, EPS of 2,483 VND. Specifically:

- **Real estate:** Hand over the Ha Do Parkview Apartment, Nguyen Van Cong Apartment in late 2014 and early 2015. During the next 2-3 weeks, Ha Do has schedule to sell 22 duplex apartments at price of VND 41-42 million dong/m2 at Ha Do Parkview project. Besides, HDG plans to sell CC1 condominium, villas at Bao Dai Resort, Ha Do Villas, and landsin Noongtha project. HDG is also making transition from high building to low buildings in An Khanh - An Thuong project. HDG will suspend investment in some projects as Cat Linh, Thanh Thuy, find partners for selling Ha Do Mercure hotel.
- **Construction:** Continue to deploy the current projects. In the period of 2016 - 2020, the construction activity is expected to account for a lower proportion of profit compared with the current period.
- **Hydro segment:** The Company is planning to increase the total capacity from 62MW to 220MW by 2020 through the acquisition of hydropower projects. Hydropower Project 47B will be deploying from September with an investment estimated at 1,100 billion VND.

Investment view: Based on assessment of the prospects and risks of the current projects, HDG is very noticeable with large land area and promising projects. With expected P/E of 2014 about 11 times, reasonable price for HDG is estimated at 27,000 VND / share. **We recommend Buy HDG shares.**

	2011	2012	2013
Net Rev (Bil.VND)	1081.99	930.45	988.68
% y-o-y	18.90%	-14.01%	6.26%
Total Asset (Bil. VND)	1632.22	1826.83	2327.8
Equity (Bil.VND)	693.88	654.07	750.18
Profit after tax (Bil. VND)	165.79	39.14	143.2
% y-o-y	-41.95%	-76.39%	265.87%
EPS (VND/share)	3657	460	2207
Gross margin	22.62%	10.53%	18.55%
ROS	15.32%	4.21%	14.48%
ROE	23.89%	5.98%	19.09%
ROA	10.16%	2.14%	6.15%



Investment Recommendation

Investment view	HOLD
Expected price	27,000
Current price	22,300
Prospect 6 months	Side way
Prospect 12 months	Increase

Trading Information

Outstanding(mil shares)	55687399
Market Capital (bil. VND)	1241.83
Book value (bil. VND)	750.03
Foreign Ownership (%)	7.46%
Current price (VND/share)	22,300
Average trading volume in 10 days (Shares)	201,489
Lowest price in 52 weeks (VND)	8,100
Highest price in 52 weeks (VND)	30,000
+/- 7 days	+8.25%
+/- 1 month	-21.07%

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BUSINESS OUTLOOK IN 2014

The business performance of HDG in 2014 is regarded as quite good. In 2014, HDG's net sales, net profit and EPS are estimated at 1,500 billion, 150 billion and 2,483 dong, respectively. Three main fields will grow.

Real estate: Revenue and net profit are expected at 700 billion and 95 billion respectively. Real estate sales in 2014 will depend on the progress of handing over projects in Nguyen Van Cong in HCM City, Hado Parkview in Hanoi and revenue recognition from Noongtha project in Laos. Some projects' progress will slow due to the slow recovery of demand. Selling progress in some projects including An Khanh, Su Van Hanh Villas, Bao Dai Resort faces many difficulties because these projects are in the premium and luxury segment. We still maintain the positive view on the real estate sector of HDG in 2014 based on the strengths of the group as follows:

- **Owning the large and good land area (2 million m²),** in which company has just exploited 1 million m². Most of them have the good positions in two big cities including Hanoi and Ho Chi Minh City.
- **The projects in cooperation with the Ministry of Defence.** Apartments selling to veterans have low profit margins but stable and HDG has advantages in cost of land and site clearance. Meanwhile, commercial apartments (30 % of projects) have good average profit margin of 27% -30%.
- **In terms of market segment,** most projects in selling period are in mid-segment. This segment has the high real-demand; therefore the sales is very good.
- The progress of construction and housing handover is quickly thanks to new technology application. The time to build 1 floor takes about 6 days (compared with 11-12 days of old technology).

Construction sector: This sector provides stable revenue because HDG has many construction projects coming from the Department of Defense. Revenue in 2014 is expected to be around 700-800 billion dong which results from the contracts implemented by subsidiaries including Ha Do 1, 2, 3, 4 which specialized in construction activity. The net profit from this sector is forecasted at about 30 billion.

Hydropower sector: HDG will continue to promote hydropower business which provides stable profit. Owning experience in hydropower and construction capability, HDG can accelerate the completion time of hydroelectric projects (average completion time one project is about 2 years) with low investment per MW (approximately 18-20 billion / MW). It is expected that hydropower can bring the turnover of VND 60 billion and net profit of VND 25 billion to the group in 2014.

FINANCIAL ANALYSIS

HDG's performance achieved high growth in the context of the real estate market facing various difficulties: Net sales in 2013 reached 988.6 billion (+6.2% yoy), net profit 143.2 billion (increased 3.6 times more than in 2012). Real estate sector grew sharply(+33% yoy) while construction sector fell slightly (-6% yoy). For the real estate sector, the major contribution to revenue came from selling building CT5 - Nguyen Van Cong projects (contribution of 200 billion in revenue and 50 billion in profit). Construction sector recorded revenue primarily coming from the Department of Defense's projects made subsidiaries including Ha Do 1, 2, 3, 4.

Gross profit margin increased from 10.5% to 18.5% due to sharp increase of revenue from real estate operations over the same period - this sector created high profit margins, while margins from construction was only 8% to 10%.

Good capital structure, low leverage compared to industry: Debt / Total assets was at 63.33%, in which debt primarily came from buyers' payment in advance (over 50%), short-term and long-term debt just over 9% of total debt. Compared to other real estate companies, HDG's financial health is quite good with low leverage and good liquidity. (Interest expense accounted for 2% of sales).



Increasing charter capital to VND 651 billion through the issuance of bonus shares at the rate of 100:17. The additional fund will be invested primarily in N10 of Dich Vong project, Hado Z756 Sai Gon project and 2 Hong Ha, Ho Chi Minh City project.

	2011	2012	2013
Capital structure			
Borrowing/ Equity	0.18	0.49	0.19
Total asset/Equity	2.35	2.79	3.25
Asset structure			
Current asset/ Total Asset	0.81	0.69	0.80
Noncurrent asset/ Total	0.19	0.31	0.20
Solvency ratios			
Quick ratio	0.83	0.52	0.58
Current ratio	1.69	1.29	1.23
Profitability (%)			
Gross margin	22.62%	10.53%	18.55%
ROS	15.32%	4.21%	14.48%
ROE	23.89%	5.98%	19.09%
ROA	10.16%	2.14%	6.15%

Appendix 1: Development time of projects

Dự án	2013	2014	2015	2016	2017	2018	2019	2020
Dich Vong New Urban City- Project:								
• Ha Do Parkview								
• CC1 Apartment								
• Mixed buildings								
• CC3 Serviced House								
• An Khanh New Urban City								
Nguyen Van Cong Apartment								
Ha Do Villas								
Thoi An Urban City								
Tang Nho Phu Apartment								
Hoang Quoc Viet Resident								
Ly Thuong Kiet Resident								
Z756 Project								
Noongtha Urban City								
Ibis Hotel								
Bao Dai Resort								

Appendix 2: Progress of the projects

No	Project	Location	Scale	Total Investment	Progress	Development time	Recognized revenue/profit
1	Dich Vong New Urban City. Main projects:	Dich Vong, Cau Giay District, Ha Noi	22,5 ha				
	N04B2 Apartment				Completed in 2009		
	Hado ParkView Apartment: 32 floors- 341 apartments		5,262 m2	650billion	28 th floor finished and will handover in Q4/2014. Sold out with average price 26,5 mil VND/m2	2013-2015	Revenue estimated 920 bil VND. Revenue until Q1/2014 600 bil VND
	CC1 Apartment: 17 floors- 135 apartments		2,206 m2	181 billion	Base being built, plan to sale June, 2014 with price 30 mil VND/m2	2014 - 2016	
	CC3 Serviced House		5,500 m2		Currently leased as a tennis court.	2017 - 2019	
	Mixed buildings: HDG owned 50%		9,865 m2			2016 - 2018	
	Villas: HDG owned 50%		6,784 m2		Handed over to customers in 2010.		
2	183 Hoang Van Thai Apartment: Apartment Building with 18 - 20 floors with 504 apartments và 66 houses	Thanh Xuan District, Ha Noi	21, 136 m2	780 billion	Handed over to customers in 2011		
3	An Khanh- An Thuong Urban City. Main projects:	Ha Noi	30,02 ha	6,500 billion		2013 - 2017	
	Condominiums (6,78ha)				Remained 2.8 ha unsold, recognized revenue in land sales, not yet in raw house.		
	Apartment buildings (6ha)				Have plan to change to condominiums		

4	Ha Do- Nguyen Van Cong Apartments: 5 buildings- 13 floors- 431 apartments	Nguyen Van Cong, Go Vap District, Ho Chi Minh City	8,906 m2	500 billion	Building CT1- CT4 for veterans already finished, will handover in Q1/2014. Sale price: 13mil VND/m2. CT5 handed over in Q4/2013.	2013-2014	Revenue and profit before tax estimate 600 bil VND and 80 bil VND (recognized 2013-2014) 260 bil VND accounted in revenue from CT5 in 2013
5	Ibis Hado Hotel: 13 floors, 3 basements. Main works:	Tan Binh District, Ho Chi Minh City	3,496 m2	450 billion		2014 - 2016	
	3 star hotel: 334 rooms						
	Commercial center: 2,500 m2						
	Office for lease: 5,500 m2						
6	Ha Do Z756 Sai Gon Project. Main works:	Ho Chi Minh City	6,85 ha	391 mil USD	Plan to sale in 2015	2013 - 2020	
	Condominium: 33,660 m2- 115 condos- 4-5 floors						
	Apartments buildings: 10,628 m2, 8 buildings with 300 floors						
	Area for public and school: 16,163m2						
	Area for parks, infrastructure: 1,1715m2						
7	Ha Do Villas	766 Su Van Hanh, District 10, Ho Chi Minh City	7,174 m2	110,5 billion	Completed in 2010. The project is opened to sell		19 villas for lease with revenue 17 bil VND per year and profit 8bil VND/year
8	Hado South Building	Truong Son, Tan Binh District, Ho Chi Minh City	7,500 m2	115 billion	Completed in 2012		Revenue for lease 26 bil VND per year and profit 12 bil VND/year

9	Bao Dai Resort.	Nha Trang City	8,92 ha	554 billion	Plan to sell villas in 2014	2013 - 2017	
	Main projects:						
	5 star hotel: 180 rooms						
	Restaurant: 150 seats						
	Conference Center: 200 seats						
	Villa for lease: 5 villas						
	Villa for sale: 36 villas						
	Marina						
10	Noongtha Project: Villas, Garden houses, Townhouses	Vientiane, Laos	74,3 ha	4,000 billion	Sold 7 ha. Problems of administrative documents for project residents still unresolved.	2013 - 2017	Recognized revenue 150 bil VND in 2014
11	Za - Hung Hidropower Plant Project	Quang Nam	Capacity 30MW. COGs 18-20 bil VND/MW	600billion	Completed in 2009. Electric output of about 130 million KWH / year		Contributed 22bil VND revenue in 2013
12	Nam Pong Hidropower Plant Project	Nghe An Province	Capacity 32MW.	740 billion	Generator starting in November, 2013		



BSC RATING SYSTEM AND VALUATION METHODOLOGY

Rating System: Our recommendations are relative to the market development and are based on the difference between the current price and our 12-month price target includes dividends over the period (Unless otherwise specified). This structure applies from 1st Jan 2014.

Valuation Methodology: The selection of methods depends on the industry, the company, the stock. Our valuations are based on a single or a combination of one of the following valuation methods: 1) Relative models (P/E, P/B, EV/EBIT, EV/EBITDA); 2) Discount models (DCF, DVMA, DDM); 3) Asset-based evaluation methods (NAV, RNAV).

Rating System	Note
STRONG BUY	If the target price is 20% higher than the market price
BUY	If the target price is 5% to 20% higher than the market price
HOLD	If the target price is 5% higher or lower than the market price
SELL	If the target price is more than 5% lower than the market price
NOT RATED	The investment rating and target price have been removed pursuant to BSC policy when BSC is acting in an advisory capacity, in a merger or strategic transaction involving this company, and in case BSC do not have enough material to perform valuation.

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