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On Oct 6th, 2016, TRA stock was traded at 130,000 VND/share, equivalent to P/E FW = 21.6x.

Business results update: The estimated 3rdQ revenue is about VND 535 billion (+12% YoY), and the projected PAT of parent company reaches around 52.5 billion (+14% YoY). The accumulated 9-month revenue is expected to be around VND 1,557 billion (+7.9% YoY), equivalent to 74% of the 2016 plan, while the accumulated PAT is around VND 153.5 billion (+25.8% YoY), equivalent to 73% of annual planned PAT. We forecast that TRA will achieve the 2016 plan with the revenue of VND 2,100 billion and the PAT of VND 210 billion, ESP2016 = 6,027 VND/share.

70% revenue and 93% gross profit of TRA comes from its self-produced products. In which, the revenue from traditional medicines accounts for 77% with two major products: (1) Boganic, which occupies 22% of the liver tonic market and (2) Hoat Huyet Duong Nao with its 12% share of the nerve tonic market. The total revenue from these two products contributes 50% to the TRA self-produced revenue. Meanwhile, the contribution from Western medicines is 23% with cough drops and T-B mouthwash as the main products.

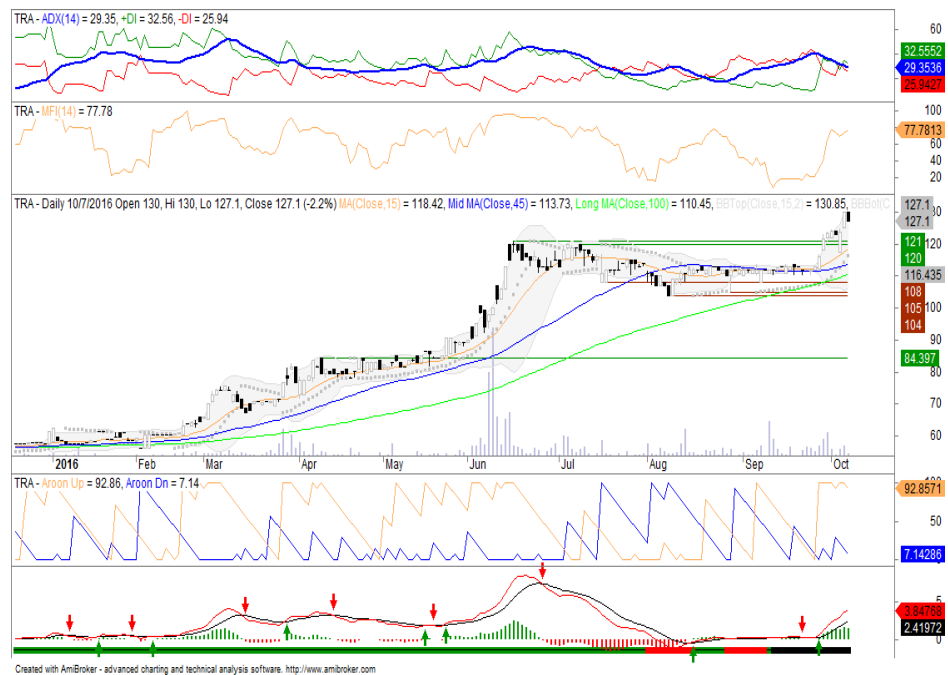
TRA mainly distributes through pharmacies channel (OTC), which accounts for 87% of total sales. TRA has a huge distribution system with 20 branches, 30 major dealers and a large customer base of 23,000 drugstores, which spreads to rural communes. The northern area is still the major market with 57% contribution to TRA's revenue. Meanwhile, the proportion of hospital distribution channel (ETC) decreased to 13% compared with 19% in the same period last year as the winning bid number of TRA has slowed down recently.

The Hung Yen Traphaco Pharmaceutical Factory is expected to be completed within this year. According to the company, the factory infrastructure has been completed and the disbursement has been over VND 100 billion on the total investment of VND 477 billion. The installation of machinery is scheduled to be completed in the 4thQ. However, it takes from 6 months to 1 year for the factory to be tested and licensed before putting into operation. The factory's standard is expected to be GMP – WHO.

Technical highlights

- Trend: breakout medium term cumulative trend established mid mid 6/2016.
- Technical Indicators: MACD positive divergence, MFI and RSI are in overbought zone, Aroon and ADX support the uptrend.
- Liquidity: maintain at low level.

Conclusion: TRA is currently trading at peak zone after breaking out cumulative zone formed since June. Along with the positive technical indicators, TRA is expected to continue rising in the short term to the target price of 138. investors can buy in correction, cut loss when the price falls below 113.



Disclosure

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