



TRADING GRAPH



INVESTMENT RECOMMENDATION

Investment View	Buy
Target price	15,668
Market price	12,000
Prospect 3M	Increase
Prospect 6M	Increase
Prospect 12M	Increase

TRADING INFORMATION

Outstanding (mil shares)	66.24
Market Cap (bil)	735.29
BVPS	10,060
Foreign Ownership (%)	0.98%
Current price (đ/share)	12,000
Avg 10 days (shares)	221,789
Lowest Price 52 Wk (VND)	5,400
Highest Price 52 Wk (VND)	11,600
+/- 7 days	9.90%
+/- 1 Month	18.09%

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CMG – STRONG BUY

We initiated a **STRONG BUY** recommendation in medium and long term for CMG. Our valuation approaches (FCFF and PE) give us a target one year price of VND 15,668 per share which shows a 30.57% increase to the closing price as at 10/04/2015.

Information Technology and Telecommunications sector gradually recover when corporate customers increased disbursement for technology projects. Moreover, Decision 80/2014/QĐ-TTg of the Prime Minister take effect from 15/02/2015. We expect CMG continue to recover and achieve high growth rates. 2015 EPS is forecasted at VND 1,800, CMG shares are trading with PE forward 2015 of 6.67x, which is much lower than the PE of VN-Index currently of 12.41x. Our positive view of CMG based on the following highlights:

(1) Erase accumulated losses in fiscal year 2014: CMG targeted EBT 2014 of VND 118 billion, but the result may exceed the target of VND 17 billion, thus CMG will completely erase accumulated losses. In addition, provision for doubtful accounts of CMG will no longer surge as in recent years, and will only set regular amounts characterized by household telecommunications business (1% of new revenue). We evaluate these regular provisions have insignificant impact on the profitability of the firm.

(2) With telecommunications being the key operations, CMG will develop long-term investment strategies including investment in infrastructure: CMG is investing in infrastructure to improve Telecom segment (CMG will invest in North-South backbone in 2015 and the APG undersea cable - CMG owns 12.5% will be in operation at the end of 2015). Telecom infrastructure will help reducing the cost of leasing line, and boosting the pretax profit margin of this segment to 15% in 2018 when accumulated enough (current margin of about 6%).

2015 performance forecast: Net sales of CMG is forecasted to be VND 3,644 billion (+15.47%yoy). With the pushing up Telecommunications and Outsourcing strategies in 2015, we estimate pre – tax income 2015 of CMG will reach VND 183,64 billion, income after tax of parent company of VND 119 billion, equivalent to EPS = VND 1,800.

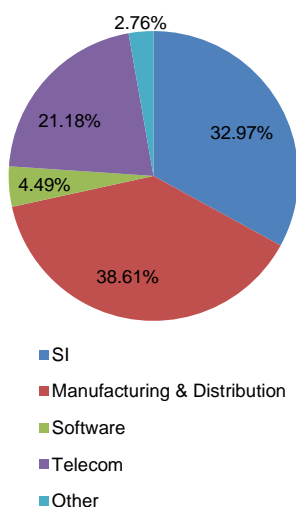
Financial Ratios	2010	2011	2012	2013	9M2014
Net Rev (bil đ)	3,670.43	2,780.07	2,531.41	2,858.61	2,322.85
% y-o-y		-24.26%	-8.94%	12.93%	
Total asset (bil đ)	1,934.68	1,530.01	1,672.33	1,688.81	1,755.04
Equity (bil đ)	688.84	583.09	577.16	587.36	666.60
Charter Capital	635.36	673.42	673.42	673.42	673.42
Gross profit (bil đ)	409.13	262.40	341.33	430.28	356.20
PAT (bil đ)	34.68	(104.06)	9.78	23.37	86.23
Gross margin	11.15%	9.44%	13.48%	15.05%	15.33%
ROE	5.03%	-17.85%	1.70%	3.98%	12.94%
ROA	1.79%	-6.80%	0.59%	1.38%	4.91%

(Source: CMG Financial Report)

OPERATING ACTIVITIES

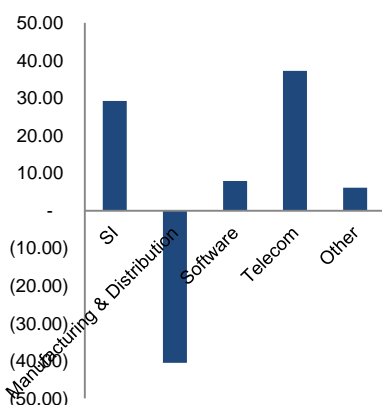
CMG is the second largest capitalization ticker in the IT – Telecommunications sector. Operating activities of CMG experienced many positive changes in the fiscal year 2014 (01/04/2014 - 31/03/2015). We believe that CMG will be likely erase the accumulated losses within this year.

Revenue Breakdown 2013



(Source: CMG, BSC collect and classify)

EBT Breakdown 2013



(Source: CMG, BSC collect and classify)

CMG is the second largest capitalization ticker in the Information and Technology – Telecommunication sector. Established since 1993 in Hanoi, after more than 21 years developing business operations, CMG focused mainly on four areas: (1) Software Service; (2) System integration; (3) Telecommunications and (4) Assembling & Distribution (similar to FPT). The organizational structure of the enterprise consists of 8 subsidiaries and 2 associated companies:

Subsidiaries as at 31/12/2014			
Business scope	Associated companies	% ownership	% voting right
Software Service (CMC Soft)	CMC Software	100.00%	100.00%
	CMC InfoSec	76.00%	76.00%
	CMC Blue France Limited Company (stopped operation)	100.00%	100.00%
System integration (CMC SI)	CMC System Intergration	100.00%	100.00%
	CMC System Intergration Saigon	100.00%	100.00%
Telecommunications (CMC Telecom)	CMC Telecommunication Infrastructure	73.20%	73.20%
Assembling and Distribution (CMC P&T)	CMS Computer	100.00%	100.00%
	CMC Production and Trading	100.00%	100.00%

(Source: CMG annual report 31/12/2014)

Associated companies as at 31/12/2014			
Business scope	Associated companies	% ownership	% voting right
Telecommunications	NetNam	41.14%	41.14%
Software Service	Ciber - CMC	49.90%	49.90%

(Source: CMG annual report 31/12/2014)

Overall, the performance of CMG clearly improved in fiscal year of 2014¹. As at 31/12/2014, 9 months – net sales of CMG reached VND 2,322.85 billion, up 9.91% yoy; while profit after tax increased by 185.82 % yoy, reaching VND 86.23 billion (mainly due to gross profit margin increased from 13.88% to 15.33% and the interest expense decreased by 39.31% yoy). This contributes to reduce the accumulated loss to -16.7 billion. We estimate that CMG will likely erase accumulated losses this financial year (2014) with target EBT is VND118.3 billion².

Among 4 operation segments, Telecommunications service is the main business of CMG, while assembling and distribution is the weakest segment. Specifically, Telecommunications has contributed the most in the EBT in 2013 (93%) and uses the most labor force (51%). Meanwhile Assembling and Distribution is causing a reduction in the growth of the company, despite having the largest contribution in the structure of

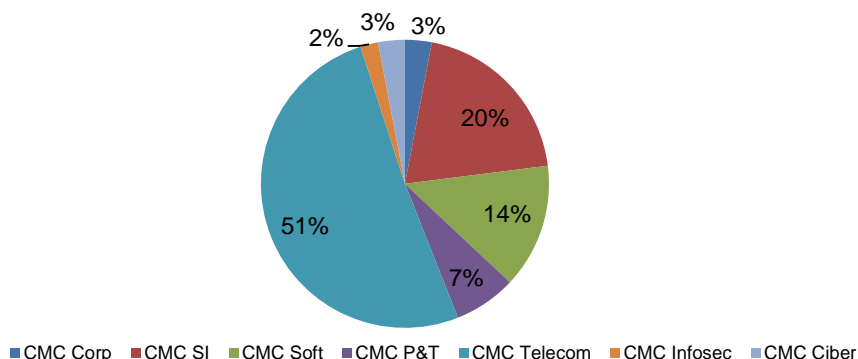
¹ Fiscal year of CMG starts from 01/04 previous year to 31/03 next year. The firm started implementing this fiscal year since 2011.

² As at 31/12/2014.

Current strategy of CMG is to be a full – service provider (Software, System Intergration and Telecommunications) for enterprises.

revenues (38.61%), but because the gross margin of distribution products reduced, especially notebook having -2% gross margin, in addition, provision for devaluation of inventory and bad debt causing EBT at - VND40.5 billion in 2013, CMG aims to be profitable with distribution segment in 2014.

CMG Labour 2013



(Source: CMG, BSC)

Because CMG business is divided into four separate segments, we will conduct a specific analysis as well as assessment of the growth prospects of each sector in the coming years.

I. Telecommunications Service - The key business activity

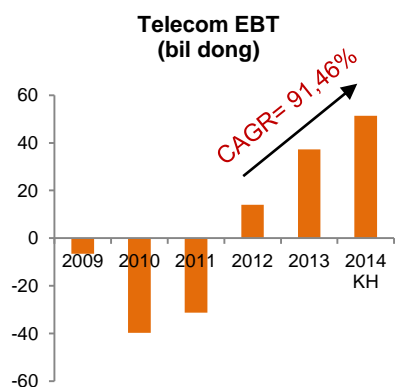
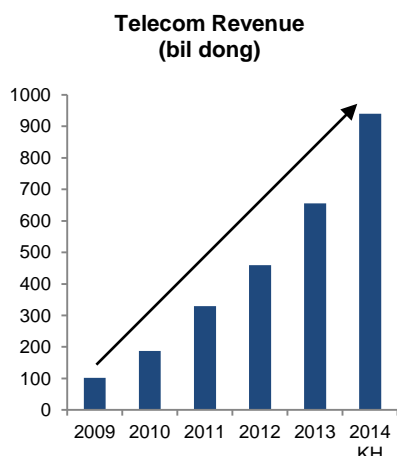
Telecommunications sector is composed of 4 areas: Data Transmission Services, FTTx, VoIP (receiving calls from abroad by means of Voice over IP) and EoC (Ethernet over Cable).

The organization structure of the Telecommunications sector has significant changes since 2012. In fiscal year 2012, CMC Telecommunication Services JSC (with capital of VND 134.94 billion) was merged into its subsidiary CMC Telecom Infrastructure JSC. Then CMC Telecom Infrastructure JSC became a direct subsidiary of CMC and currently CMG's telecom sector only consists of CMC Telecom Infrastructure JSC (direct subsidiary with capital of VND 184.54 billion) and Net Nam JSC (affiliated company with capital of VND 7.26 billion).

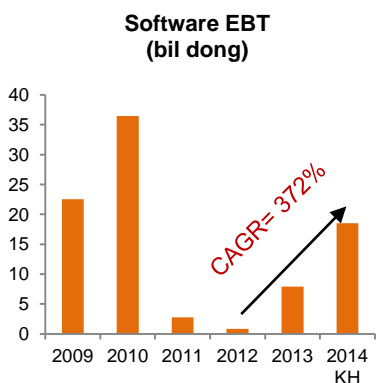
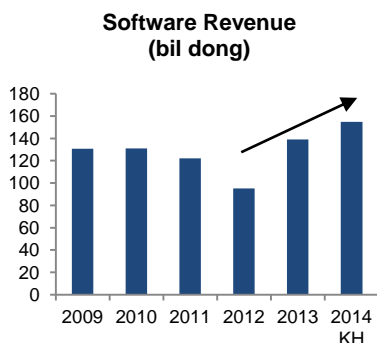
A field that has great growth potentials in the coming years. CMG initiated Telecommunications Service sector from the end of 2007. During the 5-year period from 2009 to 2013, Net revenue generated from the sector grew strongly with CAGR reaching 59.45%. Business activities began to be profitable from 2012 thanks to the deployment of the Cloud Computing service in Vietnam and the expansion of Internet service over cable TV (cooperating with local cable TV stations, especially **VTVcap** – the national Television company which owns the largest market share of and widest infrastructure). In both 2012 and 2013, the EBT of the Telecom sector expanded at very high speed, reaching respectively 145% yoy and 166% yoy. Estimated EBT (not yet consolidated) of the Telecom sector will be VND 59 billion in 2014 fiscal year, exceeding the target at VND 51 billion.

Data transferring services and FTTx for businesses are the long-term spearheads for the Telecommunications sector. The two segments, Data transferring and FTTx for corporate customers (mainly includes financial institutions and government agencies) are the most profitable and will have long-term potentials. CMG will start the operation of the undersea cable APG system and north-south telecom line later this year, which will help improve profit margins. Customers of these two segments are also expanding; CMG accounts for 50% of joint stock commercial banks in Saigon.

Ethernet over Cable (EoC) has a set of large customers, but it will be difficult to grow. CMG is working with VTVcap to implement internet service through household cable TV, mainly in Hanoi and HCMC. The current percentage of revenue share with VTVcap is 25%. In a general review of cable TV market, according to IT white book published in 2014, the total cable TV subscribers were 5.57 million as of the end of 2013 and the number of internet subscribers through cable TV was just 221,966. We



(Source: CMG, BSC)



(Source: CMG, BSC)

assess that although most customers using cable TV already had internet installed, CMG could exploit this group of customers efficiently by developing additional services bundles (similar to FPT with FPT Play HD that provides users warehouse movies and the latest entertainment programs...).

CMG is focusing on promoting the Telecommunications sector by increasing human resources, increasing infrastructure investment and other investment strategies:

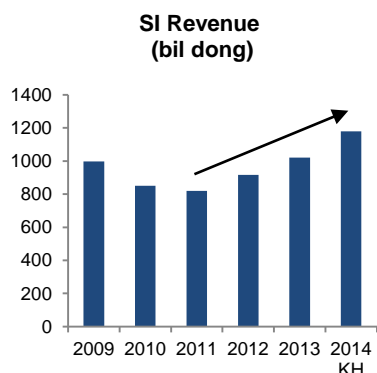
- (1) Increasing investments in Telecommunications infrastructure, aiming at a pretax profit margin of telecom sector of 15% in 2018 (currently 5 - 6%):** The undersea cable project APG (CMG contributed 12.5% of the investment capital) will be completed by the end of 2015. Besides, in 2015, CMG will invest in building domestic north-south line, which will help reduce a third of the leasing channel cost. Currently CMG has international connections through three transmission lines, which are the undersea cable AAG, a transmission line via Hongkong and one via Cambodia. Notably, the traffic of CMG via the undersea cable AAG only accounts for 10%, meaning the recent incident of broken undersea cable does not affect the service quality of CMG. However, CMG has not yet built a north-south transmission line. The company expects to start the investment in domestic lines in this year with CAPEX of about \$4 million.
- (2) HR for Telecommunications accounts for the majority of CMG's human structure:** in 2010, the HR of Telecom segment made up only 25.7% of CMG personnel structure; but by the year 2013 - 2014, the segment accounted for 51% of the company's total workforce. This indicates that CMG is investing in people to promote CMG Telecommunications' development.

II. Software Services - Promote Outsourcing activities

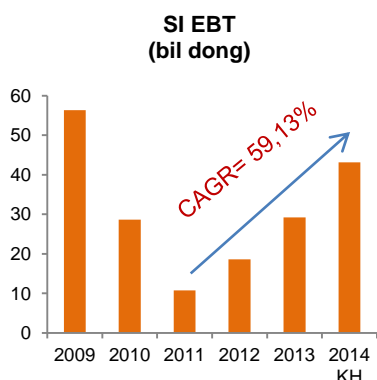
CMC has participated in research and software sector since 1996. Revenue and profit plunged in 2011 and 2012 due to the negative causes of the IT market, especially the reduction in services for government agencies. Operations of the software segment have shown positive shifts since FY 2013, with revenue increasing by 45.84% yoy and EBT growing by 855.18% yoy. Estimatedly, EBT of the software segment can reach VND18-20 billion in 2014 (not yet consolidated).

Service products and CMG technology Partner: CMG specializes in researching, developing and providing solutions in the field of banking insurance, customs, taxation, and education: such as document management solutions eDocman, C-office, business accounting software CeAC, human resources management software... CMG has joint ventures with foreign partners to establish Ciber - CMC with the purpose of providing services and human resources for the ERP market. Besides, CMG - Software currently is a technology partner of Microsoft, IBM, Oracle, SAP, etc.

Software Solutions segment won a number of projects in the State sector. Customers are mainly in the state sector such as Ministry of Finance, General Department of Taxation, Technical Pedagogical Vinh University, University of Technical Education Hung Yen; and financial segments such as Techcombank, Vietin Bank. Notably, at the end of 2014,



(Source: CMG, BSC)



(Source: CMG, BSC)

CMG had consecutively won many large projects with the General Department of Taxation, which created a favorable momentum for 2015 operations. Besides, CMG also signed the contract worth VND 22 billion, in which it provides the Document management solution software for the Ministry of Finance. This is considered as a high value contract for the software segment.

Outsourcing segment is developed in 2015. This is CMG's goal in 2015 with the Software department. The principal customers of outsourcing services are South Korea and Japan. Thereby, EBT of Services Software department is expected to rise by 25-30% in fiscal year 2015.

III. Integrated Services - Stable growth

Integration sector accounted for the 2nd largest proportion in the structure of CMG revenue and EBT. We assess this sector's operations very promising in the context of the IT market difficulties, the Government tightening investments in technology, and Integration service enterprises continuing to have negative growth. Meanwhile, in the period 2011 - 2014 (expected), CMG achieves EBT of 59.13% CAGR growth, and is scheduled to reach VND 43 billion in 2014 (+ 47.82% yoy), EBT growth is higher than the growth rate of revenue.

Service products and customers of the the Integration sector: specialize in consulting, design, deployment solutions and integrated IT infrastructure and overall IT solutions for government agencies, business sectors, financial sectors such as information portals, electronic shopping, business management solution cards, loans - loans, ... Customers of the sector in the recent time were Viettel Telecom, Hanoi University of Technology, Vincom, Bao Minh insurance. Also, one more positive signal was that at the end of 2014, CMG has signed a project to deploy ATMs Agricultural Bank worth VND 130 billion.

Expects no significant changes in operations. In 2015, the Integration sector is expected will not have huge surge in core activities, CMG only boosts services segment on the basis of hardware made for customers. Therefore, revenue and profits will stabilize. Estimated EBT grows 10-15% in 2015.

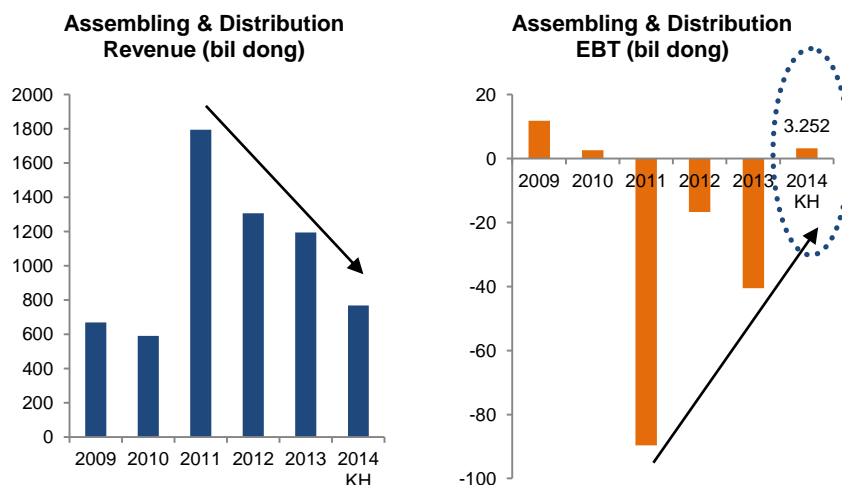
IV. Assembling Distribution Service Sector – Profitable after restructuring

The worst sector in CMG's four business sectors. Since 2011, when the IT market globally and domestically began to fall into a difficult period, CMG Assembling Distribution sector began plunging on both revenue and EBT. The sector had continuous negative profits in the period 2011 - 2013 and was the main driver that reduced the growth of the whole company.

Profits improved significantly in fiscal 2014, moving from losses to profits after restructuring: In recent years, CMG has restructured by merging computer assembling sector and commercial sector into one group, reducing HR. Main activities of assembling distribution sector were assembling CMS computers, distributing computers and accessories through retail chains such as Tran Anh, FPTshop ... Additionally, CMG also offers computers and components for educational –training projects in provinces.

Business activities of the Assembling Distribution sector improved from 2014. According to plan in the Annual Report 2014, CMG aims PBT at VND

3.25 billion, but the actual figure achieved VND 12 billion, in which it already set aside a preventive account of nearly VND 6 billion. Estimated EBT 2015 will reach VND 15-16 billion.



(Source: CMG, BSC)

OUTLOOK FOR TELECOMMUNICATIONS – IT SECTOR

According to IDC forecasts, revenues in the Global Telecommunications sector will grow by 3 % in 2015, reaching USD 1.9 trillion; while Asia Pacific will be the region with the highest growth rate of the world, reaching 5 % in 2015 .

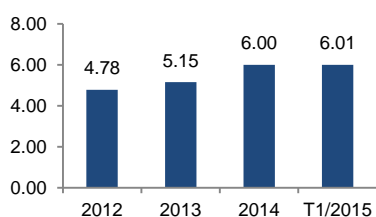
SECTOR OVERVIEW

According to the White Book on Telecommunications – IT of Vietnam was published on 27/10/2014, despite the economic condition in recent years were difficult, the investment for Information Technology – Telecommunications was cuts but the sector still maintain fast growth and sustainability.

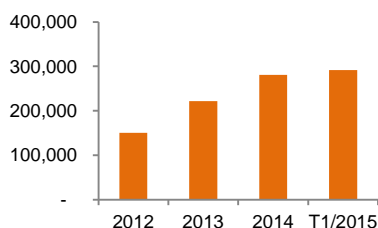
We believe that the Telecommunications – IT will have good growth prospects in 2015 when the group of domestic corporate customers start to disburse back investment into technology and Decision 80/2014/QĐ - TTg of Prime Minister on outsourced IT services in state agencies officially take effect from 15/02/2015 will help to reduce costs for state agencies and create growth opportunities for the technology market.

In this report, we will focus on analyzing three areas are Software, Systems Integration and Telecommunications - fixed broadband Internet, the core business segments of CMG. Specifically:

Total subscribers of fixed broadband Internet (million subscribers)



Number of subscribers accessing the Internet through cable television systems



(Source: Department of

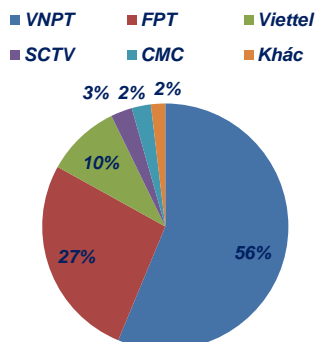
(1) Software: In the period 2009-2013, the revenue growth of the software industry reached 12.49% of CAGR, and rising from USD 850 million in 2009 to USD 1.36 billion in 2013. In addition, we believe that the software industry will maintain good growth momentum in the coming years as Vietnam is still among the top 10 the most attractive outsourcing countries in Asia - Pacific, in which, Ho Chi Minh City and Hanoi continued in the top 20 and 30 the most attractive outsourcing cities all over the world.

(2) System Integration: In recent years, due to the difficult economic situation, investment in technology cuts so enterprises which are operating in the field of system integration difficulties (slow project implementation, slow disbursement, ..., especially of state projects, projects of financial institutions and banks).

We believe that the situation will improve more positively in 2015

Telecommunication)

The market share of fixed broadband Internet - 2013
(Department of Telecom)



when the Vietnamese Government has begun disbursing back to IT infrastructure investments since late 2014. In addition, for customer segmentation of small and medium enterprises (the current segment of the CMG) will also continue to grow. According to the IDC, spending on technology by small and medium enterprises will be increased by an average of 5.1% globally and 6.5% in Asia Pacific.

(3) **Telecommunications – Fixed broadband:** the total number of subscribers of fixed broadband grew by 12.1% in the period from 2012 to 2014, and currently reaches over 6 million subscribers by the end of the month 1/2015. We identified the market of fixed broadband Internet will continue sustainable growth while domestic infrastructure is being expanded businesses and completed over the years, the proportion of new internet users account for 37% of the population the country (according to the White Book IT 2014), along with that of Vietnam internet rates near the lowest worldwide, is ranked 8/148 (according to ratings published in the report of the World Economic Forum) will be the driving force for growth.

Internet businesses through cable TV system: In recent 3-year periods, the number of subscribers to access the Internet via cable TV systems achieved growth of 36.9% (2012-2014) and reached number 291,841 subscribers at the end of closing month 1/2015.

POSITION OF CMG

In total 16 shares listed on the HNX and HSX of the Telecommunications - IT sector, FPT is the only enterprise business operations similar to CMG on business areas and major customers.

Enterprise	Share Equity (Bil VND) 31/12/14	Total Assets (Bil VND) 31/12/14	Net Revenue 12m 2014 (Bil VND)	Profit Margin Based on Revenue (01/01/2014 – 31/12/2014)					ROA 12T2014	ROE 12T2014	PE 23/03/2014	PB 23/03/2014
				Gross Profit	Selling Expenses	General & Administrative expenses	Interest expenses	Net Profit After Tax				
CMG	673	1,755	3,159	14.75%	7.14%	4.16%	1.26%	2.68%	4.82%	12.68%	9.55	1.13
FPT	3,440	22,658	32,645	19.22%	5.22%	6.69%	0.51%	6.37%	9.18%	26.27%	10.43	2.15

(Source : BSC consolidated)

	2014	CMG	FPT
Telecom	Revenue	939.99	4,822.27
	PBT	51.30	936.03
	PBT / Revenue	5.46%	19.41%
Software	Revenue	154.94	4,360.85
	PBT	18.51	603.32
	PBT / Revenue	11.95%	13.83%
SI	Revenue	1,180.00	2,918.52
	PBT	43.13	136.68
	PBT / Revenue	3.65%	4.68%
Assembling & Distribution	Revenue	768.72	22,851.20
	PBT	3.25	588.83
	PBT / Revenue	0.42%	2.58%

Note to compares the business divisions of CMG and FPT:

(1) Figures which are in table compare the business divisions for fiscal 2014 and unconsolidated. For FPT is the

financial period from 01/01/2014 - 31/12/2014 and with CMG is from 01/04/2014 – 31/03/2015.

(2) Data from the CMG is planned figures of the 2014 Annual report taken in 2013.

Low profit margin of CMG is mainly due to lack of infrastructure Telecommunications, low subscriber numbers and lower margin from assembling division: It can be clearly seen when compared to FPT, current Gross Profit margin and Net Profit margin of CMG are much lower. We believe that the main reason due to (1) CMG has insufficient infrastructure compared to FPT Telecom (north-south axis and international axis) and also have to rent the infrastructure of other businesses, the margin range is relatively large. We expect margins of CMG will be improved when the telecommunications system axis is invested and put into operation in the coming years, aiming profit margin reached 15% Telecommunications sector in 2018. (2) With a market share of fixed broadband Internet accounts for about 2%, the number of subscribers of CMG is a lot lower than FPT (FPT accounts for about 27%), leading to the proportion of expenses on sales of CMG is higher. (3) In addition, the profit margin of the assembling division is very low while this division has the largest contribution in the revenue structure of the CMG.

Ratio between operating expenses of CMG over Gross Revenue is at the same rate as FPT: Percentage of Selling expenses and General and Administration expenses accounted for approximately 11.31% of the Gross Revenue while this ratio was 11.9% in 2014 for FPT. The proportion of FPT is higher because in the past year FPT has opened 63 new retail stores (FPTshop).

CMG has profitable growth at a very high level: Considering the period 2012 - 2014 (comparative figures of CMG were moved to the same period of fiscal year FPT), the assets of CMG fell 2.03% but the growth of Gross Revenue reached 7.83% of CAGR. Notably, Gross Profit reached growth of 30.41% of CAGR and net profit after tax increased from a loss of 56 billion in 2012 to a rate of 84.6 billion in 2014. This indicates that the process of restructuring the business department has brought good results.

With FPT, although FPT also grew well with certain figures like Gross Revenue and Gross Profit of 15.21% and 15.63% respectively, but net profits growth was only 2.33% of CAGR.

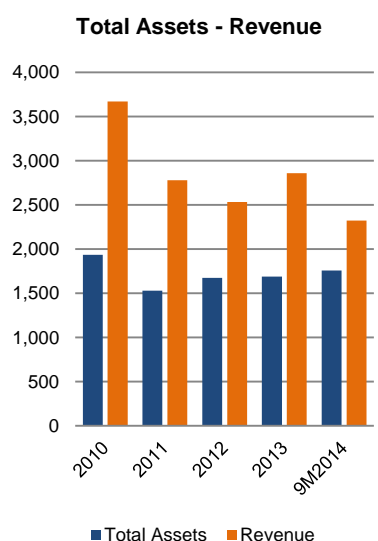
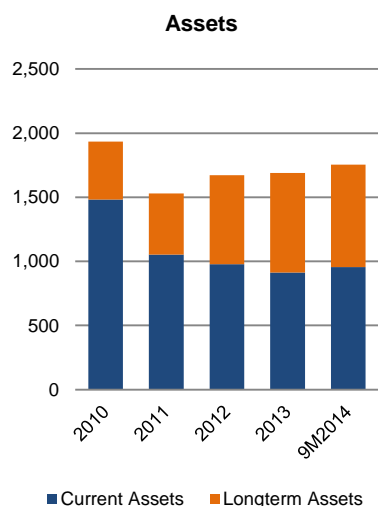
Notably, the integration division of CMG achieved strong growth in the difficult period of market: the period 2011 - 2014, EBT rose from VND 10.7 billion to VND 43 billion, equivalent to CAGR = 59.13%. Meanwhile, IS EBT of FPT fell sharply from VND 395.5 billion, down to VND 136.7 billion, corresponding to 65.44% of CAGR decline. Due to the general difficult period of the IT industry, so most IS business segment of companies in Vietnam have decreased.

CORPORATE FINANCE

CMG's fiscal year begins each year from 01/04 to 31/03. The company began implementing this fiscal year from FY 2011.

To evaluate the effectiveness of business operations as well as the recovery after a difficult period (2011 - 2012) of the IT and Telecommunications industry in general and CMG in particular, we will focus our analysis on three main points: (1) Assets structure, (2) Profitability and (3) Operational capacity.

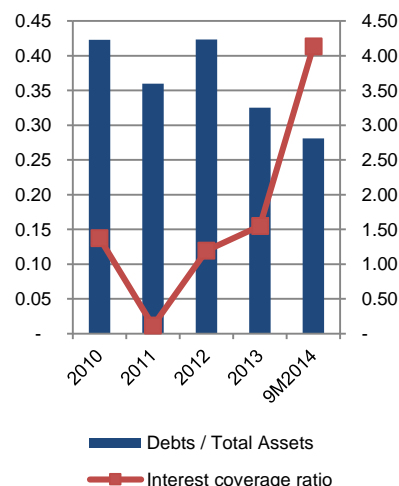
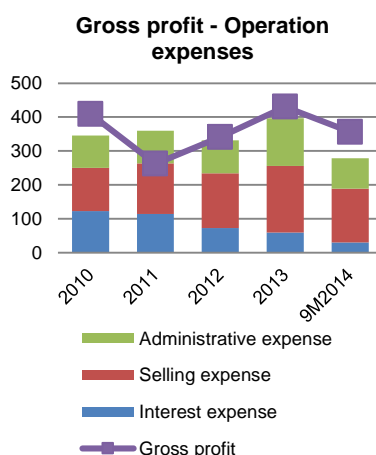
Assets structure – The long-term asset proportion in increasing trend: The proportion of short-term assets in the assets structure decreased from 76% to about 54% within 5 recent years. This is explained by the increase in the proportion of investment in telecommunications infrastructure and it is



aimed it as the key business department of CMG in recent years. We believe that the share of long-term assets to total assets will increase in coming years due to CMG continue to increase investment in Telecommunications infrastructure. The Asset Turnover is always greater than 1 indicates positive business situation.

Profitability – Gross profit and EBT achieved an impressive growth: CMG's gross profit margin improved significantly, from only 9.44% margin in fiscal year 2011, is increasing over the years and reached 15.33% in 9M2014. In addition, the total value of operating expenses (Interest expense, Cost of sales, Management Cost) on gross profit fell from 1.37 (2011) to 0.78 (9M2014) showed the efficiency of core business operation. Therefore, EBT grew impressively from 101.56 billion of loss (2011) to 95 billion of profit (9M2014).

Repayment ability (interest coverage ratio) was also improved from 0.11 (2011) to 4.13 (9M2014), higher than the decrease of Debt over total assets, imply that the repayment ability have improved positively, ensure financial security for Enterprise.



(Source: CMG, BSC)

Operating capacity – Improved by reducing Cash Conversion Cycle and Provision: evaluating the period of time 2011 - 2013, Cash conversion cycle plummeted from 100 days to 52 days imply that the ability to convert into cash from business operation is more positive. Notably, the company said that the provision for doubtful receivable would not spike like the past year. It will increase steadily only about 1% each year of new revenue of the newly developed Family Telecommunications Services (this is the specific provision of Telecommunications Industry with Family Service due to the situation when customers move their home, avoid the contract... but do not pay service charges).

BUSINESS INCOME FORECAST

The assumptions we used in the earnings forecasts base on the development strategy of CMG as well as the data in the past. We booked assumptions with careful perspective.

We forecast that CMG will achieve and may exceed the EBT target of fiscal year 2014. We estimate in cautious level, Net Revenue in 2014 could reach 3,156 billion (+ 10.4% yoy), with gross profit margin was 15.3% and the operating costs did not surge, EBT of CMG is expected to reach 122 billion dong (exceeding 4 billion compared to the 118 billion EBT target). The parent company's EAT is estimated at 97.77 billion, equivalent to EPS in 2014 = 1,478 VND.

With fiscal year 2015, CMG will have many investment strategies for Telecommunications sector. In particular, APG sea optical fiber cable lines will be put into operation (at year-end), CMG will also make the investments in North - South axis to reduce telecom leasing expenses. Thereby, we expect that the Revenue and EBT of Telecommunications sector will increase. Aside from that, Outsourcing Sector will be accelerated; the remaining business segments are growing steadily.

We forecast the 2015 Net Revenue will reach 3,644 billion (+ 15.47% yoy), EBT is expected to reach 183.64 billion in 2015, the parent company's EAT may reach 119 billion, equivalent to EPS in 2015 = 1,800.

In the years 2016 – 2019, with the completion of investment in telecommunications infrastructure (sea optical fiber cable and North - South axis), we forecast that pretax profit margin of Telecommunications sector will significantly increase from 5-6% currently to 15% from 2018 when this business achieves accumulation. In addition, we also pay attention to Outsourcing sector of CMG software will continue to promote due to the development orientation of the Group and the advantage that Vietnam is still in the top of the Outsourcing markets in the World.

We expect that CMG will start paying dividends from 2016, the dividend rate will increase gradually from 5% to 30% in 2019.

VALUATION AND RECOMMENDATION

With two valuation methods is FCFF and PE, we put weights each method is 50-50 to determine the fair price of 1 share CMG is 15,668 VND / share.

Weighted Average Cost of Capital (WACC)	
Rm	11.75%
Rf	5.75%
beta	0.6
ke	9.35%
kd	10.50%
E/A	40.61%
D/A	59.39%
Tax rate	15%
WACC	9.08%
g	3.00%

(Source: BSC)

Investment point of view: We recommend STRONG BUY the stock CMG in medium and long term with 1 year-target price is 15,668 dong / share, an increase of 30.57% compared to the closing price on 10/04/2015.

FCFF valuation method:

We use FCFF with 2 phases are 2015 - 2019 period and the period after 2019.

Phase 1 (2015 - 2019): As mentioned in the Forecast of Business Income, in this phase, the profit margin of CMG will improve significantly due to putting the self-owned telecommunication axes on operation, help to reduce telecom leasing costs. In our opinion, the Telecommunications sector and Outsourcing sector will be developed in this period.

Phase 2 (after 2019): in the long term, we assume that long-term growth rate of CMG is 3%.

According FCFF valuation methods, the fair value of 1 CMG share will be 15,138 VND.

PE valuation method:

Considering the group of IT industry Telecommunications Sector listed on HSX and HNX, median PE is around 9.55, a moderate compared to the current market situation.

With estimated 2015 EPS of VND1,800 and PE to value stock CMG is 9.00, reasonable price for a stock CMG will be 16,199 VND / share.

Combination of 2 valuation methods:

We put each method is weighted 50-50 to determine the fair price of 1 share CMG is 15,668 VND / share.



APPENDIX 1

Valuation of CMG according to FCFF method

Sensitive Analysis	g	WACC						
		7.58%	8.08%	8.58%	9.08%	9.58%	10.08%	10.58%
Stock price	0.5%	12,018	9,816	7,908	6,242	4,777	3,481	2,330
	1.0%	14,124	11,610	9,451	7,580	5,946	4,510	3,240
	1.5%	16,576	13,678	11,213	9,096	7,261	5,658	4,250
	2.0%	19,468	16,085	13,242	10,825	8,749	6,949	5,378
	2.5%	22,929	18,924	15,605	12,818	10,447	8,410	6,645
	3.0%	27,146	22,321	18,392	15,138	12,403	10,078	8,080
	3.5%	32,397	26,461	21,728	17,874	14,681	11,999	9,718
	4.0%	39,116	31,615	25,792	21,148	17,368	14,236	11,604
	4.5%	48,016	38,210	30,852	25,138	20,583	16,874	13,801
	5.0%	60,367	46,947	37,326	30,106	24,501	20,031	16,392
	5.5%	78,660	59,071	45,903	36,463	29,379	23,878	19,492

(Source: BSC forecast)

APPENDIX 2 – Business Income Forecast

Unit: Billion dong	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
3. Net Revenue from Goods and Services	3,155.91	3,644.22	4,255.45	4,752.81	5,240.42	5,796.08
4. Cost of goods sold	2,673.06	3,030.17	3,532.02	3,925.82	4,244.74	4,665.85
5. Gross profit	482.85	614.05	723.43	826.99	995.68	1,130.24
6. Financial Revenue	5.86	5.38	5.38	5.14	5.18	5.29
7. Financial Expense	47.99	55.76	49.83	46.19	41.26	43.68
- Interest expense	40.35	47.78	42.02	38.30	33.41	35.81
8. Selling Expenses	215.35	248.67	290.38	324.32	357.60	395.51
9. Administrative Expenses	121.79	140.63	164.22	183.41	202.23	223.67
10. Net profit from operating	103.59	174.36	224.38	278.20	399.78	472.67
11. Other Income	13.51	5.94	6.94	7.75	8.54	9.45
12. Other Expense	3.35	6.20	7.23	7.13	7.86	8.69
13. Other Profit	10.16	(0.25)	(0.30)	0.62	0.68	0.76
14 Profit (loss) in Joint Venture	8.25	9.53	11.13	12.43	13.71	15.16
15. Earning before tax	122.01	183.64	235.21	291.25	414.17	488.58
16. Income tax expense	12.40	28.10	44.76	55.38	79.58	93.66
17. Deferred Income tax expense	1.24	-	-	-	-	-
18. Earning After Tax	108.36	155.54	190.45	235.87	334.59	394.92
18.1 Minority Interest	10.45	36.32	51.34	71.46	129.80	150.63
18.2 Parent Company Earning After Tax	97.91	119.23	139.11	164.41	204.79	244.30
17. EPS (VND)	1,478	1,800	2,100	2,482	3,091	3,688

(Source: BSC forecast)



APPENDIX 3 – Balance Sheet

Unit: Billion dong	2014 F	2015 F	2016 F	2017 F	2018 F	2019 F
I – CURRENT ASSETS	1,092.91	1,243.31	1,430.19	1,569.92	1,802.36	2,175.10
1. Cash and equivalents	126.98	182.23	218.11	264.10	265.05	327.23
2. Short-term financial investments	19.93	21.92	24.11	26.53	179.18	392.10
3. Short-term receivable	597.22	689.62	779.81	823.42	855.50	899.84
4. Inventory	184.33	159.64	186.42	208.20	229.56	253.91
5. Other Assets	164.45	189.90	221.75	247.66	273.07	302.03
II – LONGTERM ASSETS	844.32	932.83	981.04	1,057.36	1,110.35	1,005.35
1. Long-term Receivable	0.16					
2. Fixed Assets	699.79	786.22	835.37	911.27	964.53	859.34
3. Goodwill	5.31	5.35	5.62	5.43	5.47	5.50
4. Real Estate Invesments						
5. Long-term financial investments	16.95	16.95	16.95	16.95	16.95	16.95
6. Other long-term assets	122.10	124.30	123.10	123.70	123.40	123.55
Total Assets	1,937.23	2,176.14	2,411.24	2,627.27	2,912.71	3,180.45
I – DEBT	1,112.35	1,195.72	1,273.49	1,353.02	1,436.36	1,507.90
1. Short-term Debt	880.44	975.56	1,053.50	1,123.04	1,196.37	1,317.91
2. Long-term Debt	231.91	220.17	219.98	229.98	239.98	189.98
II – EQUITY	764.52	883.74	989.73	1,054.77	1,127.08	1,172.64
1. Equity	764.52	883.74	989.73	1,054.77	1,127.08	1,172.64
2. Funding sources and other funds						
III – MINORITY INTEREST	60.36	96.68	148.02	219.48	349.28	499.91
Total Debt and Equity	1,937.23	2,176.14	2,411.24	2,627.27	2,912.71	3,180.45

(Source: BSC forecast)

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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