

BIM SON CEMENT JSC



Recommendation: Hold
Target price: VND 16,100

| | |
|-----------------|--|
| Ticker | BCC |
| Exchange | HNX |
| Industry | Construction Materials - Cement |

FINANCIAL HIGHLIGHTS

| Items | 2008 | 1H'09 | 2009F |
|----------------------------|-----------|-----------|-----------|
| Revenue (VND mil) | 1,936,146 | 1,129,339 | 2,306,913 |
| Cost of goods sold | 1,546,589 | 893,160 | 1,779,064 |
| Gross margin (%) | 20.10% | 20.90% | 22.90% |
| Net profit (VND mil) | 216,011 | 131,871 | 202,446 |
| Outstanding shares (1,000) | 95,661 | 95,661 | 95,661 |
| EPS (VND) | 2,258 | 1,379 | 2,116 |
| BVPS (VND) | 12,349 | 12,523 | 12,523 |
| ROE (%) | 18.3 | | 16.9 |
| P/E | 5 | | 7.8 |
| P/B | 0.9 | | 1.3 |
| Dividend ratio | 10% | | 10% |

Source: HBBS data

MARKET STATISTICS

| Items | |
|------------------------|----------------|
| 52-week range (VND) | 9,400 – 24,800 |
| 30-day volume (shares) | 296,505 |
| 90-day volume (shares) | 296,517 |
| Market cap (VND mil) | 1,559,281 |

Source: Hsx, HBBS data as of 11/08/2009

BACKGROUND INFORMATION

- ✓ **Products and Services:**
 - + Cement PCB30, PCB40, PC40
 - + Clinker
- ✓ **EPS**
 - + 2008: 2,258 VND
 - + 2009F: 2,116 VND
- ✓ **Ownership:**
 - +Vietnam Cement Industry Corporation (VICEM): 73.1%
 - + Others: 26.9%
- ✓ **Main market: Northern Vietnam**
- ✓ **Total market share: 6.5%**
- ✓ **Main competitors:**
 - + But Son Cement JSC, Hoang Thach Cement, etc.
- ✓ **2009 plan:**
 - + Production output: 3 million tons
 - + Revenue: VND 2,383 billion
 - + Profit: VND 142.5 billion

(Date of issue: 11/08/2009)

As of 2Q09, BCC made 47.4% and 92.5% of projected revenue and profit, respectively. We expect the company to fulfill its planned revenue and exceed its targeted profit for the year.

However, as the new factory will start operation in 4Q09, we estimate that 2H09 profit will plunge compared to the first half of the year as the company will recognize several items of expenses incurred for the new factory project in 2H09.

We evaluate BCC-HNX shares at VND 16,100/share, equivalent to the Vietnamese cement industry's PE of 7.6x. The price is recommended to investors in investment decisions in shares of a big, well-known and having-good-market company like BCC.

Business results

6-month revenue and profit fulfilled 47.4% and 92.5% of the year plan

In 2Q09, BCC generated a gross revenue of VND 569.34 billion, increasing 1.7% over 1Q09. Net profit amounted to VND 56.6 billion, dropping 24.8% from 1Q09. For the 6-month period, the company reached revenue of VND 1,129.33 billion and net profit of VND 131.87 billion, respectively making 47.4% and 92.5% of the year plan.

Sales of nearly 1.4 tons of cement: In 1H09, BCC sold around 1.4 million tons of cement, equivalent to 47% of the year plan (of 3 million tons), rising 5.44% over one year, and account for 6.5% of the national market. With the recent annual capacity of 1.8 million tons, the sales reflect the company's production at over designed capacity and huge demand for BCC cement.

Surging COGS: The rise in electricity and petroleum price increased COGS; hence gross profit margin fell from 21.9% in 1Q09 to 19.9% in 2Q09.

Notable issues on the financial reports

High value of inventories: As of 2Q09, inventory stood at over VND 2,389 billion, of which, new factory's machines, equipments and materials (which were recorded as "Inventory materials") totaled to VND 2,000 billion. By the end of 3Q09, the inventory book value may decrease upon the accounting transfer to fixed asset or construction in progress.

Construction in progress is increasing by VND 272.19 billion due to the on-going construction of new cement factory. This item may soar at the end of 3Q09 as the project is in its final phase.

Long term liabilities rose by VND 181 billion to VND 3,258 billion: The company continued to increase long-term borrowings to fund the new project. Total investment capital is expected at VND 4,085 billion, which is financed by owner equity (VND 398 billion) and borrowings (VND 3,577 billion).

In general, there are few changes in the company's business operation and financial condition, except for the increase in debts for financing the new project.

Project implementation progress

The new factory project is in implementation. In Apr'09, the packaging production line has started operation. Necessary machines and equipments for the new factory have been purchased, either being delivered to the company or on the way. The installation is also in progress for completion in 4Q09.

2H09 outlook

It is quite difficult to fulfill the target of 1.6-million-ton sales in 2H09 due to the seasonal factor as sales won't be high in the rainy season of 3Q09.

The new factory will operate in 4Q09 and some expenses will be recorded in 2H09 results. As a result, 2H09 profit may sharply decrease against that of 1H09.

Upon our assessments of BCC's good 1H09 and optimistic cement market conditions, we expect BCC to fulfill its planned revenue and exceed its projected profit for the year.

Peer Comparison

| Industry player | Market Cap (VND mil.) | Rolling 4-quarter Revenue (VND mil.) | Rolling 4-quarter Profit (VND mil.) | PE | PB |
|-------------------------|-----------------------|--------------------------------------|-------------------------------------|------------|------------|
| BCC | 1,578,413 | 2,130,436 | 233,575 | 6.8 | 1.3 |
| BTS | 1,299,586 | 1,307,213 | 120,827 | 10.8 | 1.1 |
| SCJ | 312,256 | 268,088 | 41,288 | 7.6 | 1.8 |
| SDY | 34,650 | 265,068 | 5,962 | 5.8 | 1 |
| TBX | 20,026 | 97,919 | 5,357 | 3.7 | 1.1 |
| HT1 | 1,442,701 | 2,644,706 | 150,568 | 9.6 | 1.4 |
| HT2 | 1,434,400 | 768,326 | 151,560 | 9.5 | 1.4 |
| CCM | 97,350 | 193,959 | 13,464 | 7.2 | 1.9 |
| Industry average | | | | 7.6 | 1.4 |

FINANCIAL STATEMENTS

| INCOME STATEMENT (VND mil) | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Net revenue | 473,436 | 452,438 | 548,659 | 560,004 | 569,335 |
| Cost of goods sold | 404,881 | 373,699 | 432,636 | 437,109 | 456,051 |
| Gross profit | 68,555 | 78,739 | 116,023 | 122,896 | 113,283 |
| Financial income | 411 | 194 | 698 | 362 | 793 |
| Financial expenses | 7,895 | 5,054 | 13,468 | 7,259 | 75 |
| Interest | | 5,054 | 13,468 | 7,259 | 75 |
| Net financial income | -7,483 | -4,861 | -12,770 | -6,897 | 718 |
| Selling expenses | 812 | 14,711 | 32,134 | 18,771 | 22,638 |
| Administrative expenses | 17,813 | 18,072 | 19,379 | 22,403 | 27,192 |
| Net operating profit | 42,447 | 41,096 | 51,740 | 74,825 | 64,170 |
| Other incomes | 3,739 | 3,454 | 11,090 | 2,592 | 2,751 |
| Other expenses | 2,082 | 1,656 | 4,020 | 2,145 | 2,259 |
| Net other income | 1,657 | 1,798 | 7,070 | 447 | 492 |
| Profit before tax | 44,105 | 42,894 | 58,810 | 75,272 | 64,662 |
| Income tax | | | | | 8,063 |
| Net profit | 44,105 | 42,894 | 58,810 | 75,272 | 56,599 |

| BALANCE SHEET (VND mil) | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| ASSETS | | | | | |
| Short-term assets | 2,304,028 | 2,561,840 | 2,747,071 | 2,937,418 | 2,804,976 |
| Cash and equivalent | 26,383 | 22,137 | 84,828 | 92,387 | 52,066 |
| Short-term receivables | 455,458 | 446,251 | 338,332 | 522,778 | 331,400 |
| Inventories | 1,808,598 | 2,078,581 | 2,298,511 | 2,310,155 | 2,389,937 |
| Other short-term assets | 13,589 | 14,871 | 25,401 | 12,098 | 31,572 |
| Long-term assets | 1,340,915 | 1,529,042 | 1,907,896 | 1,931,653 | 2,183,106 |
| Fixed assets | 1,335,778 | 1,523,608 | 1,902,395 | 1,926,586 | 2,177,986 |
| <i>Tangible fixed assets</i> | 752,403 | 718,996 | 700,171 | 668,377 | 648,241 |
| <i>Intangible fixed assets</i> | 91,654 | 90,336 | 89,013 | 87,724 | 87,069 |
| Construction in progress | 491,722 | 714,275 | 1,113,211 | 1,170,485 | 1,442,675 |
| Long-term financial investments | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Other long-term assets | 137 | 435 | 501 | 67 | 121 |
| TOTAL ASSETS | 3,644,942 | 4,090,882 | 4,654,966 | 4,869,071 | 4,988,082 |
| EQUITY | | | | | |
| Liabilities | 2,467,485 | 2,874,374 | 3,479,740 | 3,620,986 | 3,790,162 |
| Short-term liabilities | 363,013 | 407,652 | 489,599 | 543,649 | 531,642 |
| Long-term liabilities | 2,104,471 | 2,466,723 | 2,990,141 | 3,077,337 | 3,258,519 |
| Equity | 1,177,458 | 1,216,508 | 1,175,227 | 1,248,085 | 1,197,920 |
| Owners' capital contribution | 956,614 | 956,614 | 956,614 | 956,614 | 956,614 |
| Share premium | 56,614 | 56,614 | 56,614 | 57,007 | 57,007 |
| Other funds | | | 6,437 | 6,437 | 6,437 |
| Forex difference | -41,959 | -41,959 | -138,604 | -138,657 | -138,604 |
| Retained earnings | 107,938 | 150,796 | 209,579 | 290,735 | 124,011 |
| Funds and reserves | 98,251 | 94,443 | 84,587 | 75,948 | 192,455 |
| TOTAL LIABILITIES AND EQUITY | 3,644,942 | 4,090,882 | 4,654,966 | 4,869,071 | 4,988,082 |

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