COMPANY NOTE

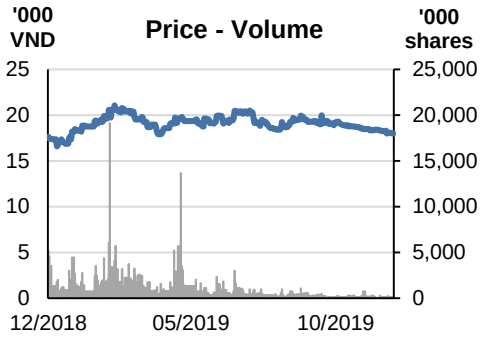
21-Jan-20

true friend KIS Viet Nam Securities Corporation

VGC (HOSE) 4Q19 tile and industrial park continues to bear fruit

Properties-related

Market price (VND)	18,000



Stock performance (%)

	YTD	1M	3M	12M
Absolute	-2%	-1%	-5%	-4%
Relative	-2%	-1%	-2%	-11%

Source: Bloomberg, compare to VNIndex

Stock Statistics 21-Jan-20

52-week range (VND)	17.9k-21.1k
Shares o/s (m)	448
Mkt cap (VND bn.)	8,070
Mkt cap ($m)	348
% Foreign owned	13.4%
Est. free float (ml. shares)	55.2
3m avg. daily vol. (shares)	172,211
VND/USD	23,180
Index: VN-Index/HNX	960/104

Source: Bloomberg, KIS

Ownership 21-Jan-20

Ministry of Construction	53.4%
Gelex	25.0%

Source: Bloomberg, KIS

Mr. Vinh Chu

Real Estate - Associate

(+84 28) 3914 8585 - Ext: 1462

vinh.cd@kisvn.vn

4Q19 tile and industrial park continues to bear fruit

Viglacera reported Q4 FY2019 results with revenue of VND2,734bn, up 12.2% YoY, and net profit of VND146bn, up 5.0% YoY. For building material segment, tile, terracotta, glass and sanitary ware revenues are published at VND790bn (+42% YoY), VND545bn (-3.5% YoY) and VND614bn (+3.7% YoY), respectively. In addition, thanks to industrial park contribution, properties and construction segment's revenue is reported at VND575bn, up +31% YoY.

However, gross margin contracted to 23.6% in 4Q2019, compared with 26.3% in 3Q2019 and 25.2% in 4Q2018.

And FY2019 business result fulfills target plan

For full year 2019, net revenue was reported at VND10,116bn, surpassing 109% of its target plan and 102% of our estimation. PBT was recorded at VND970bn, fulfilling 102% of target plan and 88% of our forecast.

Although the results are slightly lower than our projection, Viglacera still has a strong growth potential in the long term and thus we are going to make no significant adjustment to our forecast for Viglacera in 2020.

VNDbn	4Q18	4Q19	2018	2019U	2019 Plan
Net revenue	2,438	2,734	8,812	10,116	9,300
Growth YoY	*2.0%*	*12.2%*	*-4.2%*	*14.8%*	*5.5%*
Gross profit	615	644	2,044	2,422	
Gross margin	*25.2%*	*23.6%*	*23.2%*	*23.9%*	
EBIT	186	219	910	1,102	
Growth YoY	*2.2%*	*17.8%*	*-9.5%*	*21.0%*	
EBIT margin	*7.6%*	*8.0%*	*10.3%*	*10.9%*	
Interest expenses	35	43	173	171	
PBT	185	201	847	970	950
PBT margin	*7.6%*	*7.4%*	*9.6%*	*9.6%*	*10.2%*
NPAT	139	146	667	758	
Growth YoY	*77.0%*	*5.0%*	*7.3%*	*13.6%*	
NPAT margin	*5.7%*	*5.4%*	*7.6%*	*7.5%*	

VGC FINANCIAL MODEL					
Unit: VNDbn	**2016**	**2017**	**2018**	**2019**	**2020E**
Net Revenue	**8,139**	**9,197**	**8,812**	**9,899**	**10,026**
Sales growth (%)	*4%*	*13%*	*-4%*	*12%*	*1%*
Tile	*1,966*	*2,047*	*2,640*	*2,760*	*2,824*
Terracotta	*2,059*	*2,261*	*2,197*	*2,109*	*2,088*
Glass	*1,167*	*1,311*	*1,057*	*826*	*826*
Sanitary ware	*977*	*1,012*	*1,029*	*1,036*	*1,121*
Industrial Park	*593*	*1,345*	*1,072*	*2,689*	*2,638*
Other properties	*1,025*	*864*	*478*	*104*	*154*
Others	*341*	*355*	*340*	*375*	*375*
COGS	**6,160**	**7,056**	**6,768**	**7,606**	**7,732**
Gross margin (%)	*26.0%*	*23.0%*	*21.0%*	*16.8%*	*18.2%*
SG&A	1,111	1,136	1,135	1,193	1,205
EBITDA	**1,302**	**1,459**	**1,403**	**1,517**	**1,505**
EBITDA margin (%)	*16.0%*	*15.9%*	*15.9%*	*15.3%*	*15.0%*
Depr'n & Amort'n	434	454	493	416	416
Operating profit	**868**	**1,005**	**910**	**1,100**	**1,088**
Operating margin (%)	*10.7%*	*10.9%*	*10.3%*	*11.1%*	*10.9%*
Net interest expenses	143	96	93	108	104
As % of avg. net debt	11%	24%	278%	41%	-64%
Interest cover (x)	6.1	10.4	9.8	10.2	10.5
Other profit/loss	44	5	30	12	-
Tax	148	192	174	206	202
Effective tax rate (%)	19%	21%	21%	21%	21%
Net profit	**621**	**722**	**673**	**798**	**782**
Net margin (%)	7.6%	7.9%	7.6%	8.1%	7.8%
Minorities	107	122	102	102	102
Net attributable profit	**514**	**600**	**571**	**697**	**680**
Number of shares (m)	307	448	448	448	448
EPS (VND, bonus-adjusted)	**710**	**1,295**	**1,196**	**1,458**	**1,424**
EPS growth (%)	50%	82%	-8%	22%	-2%
DPS (VND)	400	950	950	1,000	1,000
Payout ratio	*26%*	*73%*	*79%*	*69%*	*70%*

EBITDA = Net revenue – (COGs -Depr'n&Amort'n)– SG&A expenses

EBIT = EBITDA – Depr'n&Amort'n

Net interest expenses = interest expenses – interest income

Other profit/loss consists of other financial income/expenses, profit share from JVs/associates and other income/loss

Payout ratio = Dividend paid / Net attributable profit

BS & CF ITEMS (VNDbn)	2016	2017	2018	2019	2020E
Increase in WC	662	495	265	583	19
Capex	83	381	543	543	543
Other cash flow items	298	707	481	-	-
Free cash flow	**10**	**-407**	**-123**	**598**	**1,145**
Share issues	563	2,274	-	-	-
Dividends paid	134	516	481	448	448
Increase in net debt	-440	-1,351	604	-149	-697
Net debt, end of year	**1,082**	**-269**	**336**	**186**	**-510**
Enterprise value	9,859	8,630	9,336	9,288	8,693
Total equity	**6,720**	**9,180**	**9,336**	**9,643**	**9,935**
Minority interests	482	604	706	807	909
Shareholder's equity	**6,238**	**8,576**	**8,630**	**8,836**	**9,026**
BVPS (VND, bonus-adjusted)	9,245	19,128	19,249	19,708	20,131
Net debt / equity (%)	*16%*	*-3%*	*4%*	*2%*	*-5%*
Net debt / EBITDA (x)	*0.8*	*-0.2*	*0.2*	*0.1*	*-0.3*
Total assets	**16,034**	**18,511**	**18,669**	**18,870**	**18,507**

Net debt = debts – cash & equivalent

Working capital (WC): include long-term incomplete assets of industrial park segment

Capex: material segment only

Key ratios & Valuation	2016	2017	2018	2019	2020E
ROE (%) (excl minority interest)	*10.1%*	*8.1%*	*6.6%*	*8.0%*	*7.6%*
ROA (%)	*3.9%*	*3.9%*	*3.6%*	*4.2%*	*4.2%*
ROIC (%)	*10.7%*	*9.6%*	*8.0%*	*9.1%*	*9.0%*
WACC (%)	*14.1%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
PER (x)	*26.1*	*14.3*	*15.5*	*12.7*	*13.0*
PBR (x)	*0.6*	*1.0*	*1.0*	*0.9*	*0.9*
PSR (x)	*1.0*	*0.9*	*0.9*	*0.8*	*0.8*
EV/EBITDA (x)	*7.6*	*5.9*	*6.7*	*6.1*	*5.8*
EV/Sales (x)	*1.2*	*0.9*	*1.1*	*0.9*	*0.9*
Dividend yield (%) (bonus-adjusted)	*1.0%*	*5.1%*	*5.1%*	*5.4%*	*5.4%*

Contacts

HCM City Head Office

Level 3, Maritime Bank Tower
180-192 Nguyen Cong Tru St., District 1, HCM City
Tel: (+84 28) 3914 8585
Fax: (+84 28) 3821 6898

Pham Ngoc Thach Transaction Office

Level 3, 62A Pham Ngoc Thach, District 3, HCM City
Tel: (+84 28) 7108 1188
Fax: (+84 28) 3820 9229

Hanoi Branch

Level 6, CTM Tower
299 Cau Giay, Cau Giay District, Hanoi
Tel: (+84 24) 3974 4448
Fax: (+84 24) 3974 4501

Ba Trieu Transaction Office

Level 6, 74 Ba Trieu, Hoan Kiem District, Hanoi
Tel: (+84 24) 7106 3555
Fax: (+84 24) 3632 0809

Lang Ha Transaction Office

Level 5, TDL Tower, 22 Lang Ha, Dong Da District, Hanoi
Tel (+84 24) 7108 1188
Fax: (+84 24) 3244 4150

Research Department

Mr. Huy Hoang

Head of Research
(+84 28) 3914 8585 (x1450)
huy.hoang@kisvn.vn

Institutional Sales

Ms. Uyen Lam

Head of Institutional Sales
(+84 28) 3914 8585 (x1444)
uyen.lh@kisvn.vn

Recommendation System

BUY: where we believe prospective 12 months VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -5% to 15%.

SELL: where we believe it will be -5% or less.

Disclaimer

This report has been issued by the **KIS VN Securities Corporation (KIS)** with the instructional contributions of **KIS VN Securities Corporation** whose employees are specified in the publication. This report is for information of its institutional and professional customers.

This report is and should not be construed as an offer to sell or a solicitation of an offer to purchase or subscribe for any investment. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient. Investors are advised make their own financial decisions based on their independent financial advisors as they believe necessary and based on their particular circumstances such as their financial situation, investment objectives and other considerations.

In preparing this report, we have relied upon and assumed the accuracy and completeness of all information available from public and other sources which we believe to be reliable, but which we have not independently verified. **KIS** makes no express or implied guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of such information.

Opinions, estimates, and projections expressed are current opinions of the authors as of the original publication date appearing on this report only and the information, including the opinions contained herein, and are subject to change without notice.

KIS and its affiliates may from time to time perform investment banking or other services for, or solicit investment banking or other business from, companies mentioned herein. Further, **KIS** and its affiliates, and/or their officers, directors and employees involved in the preparation or issuance of this report may, from time to time, have long or short positions in, and buy or sell, the securities, or derivatives (including options) thereof, of companies mentioned herein, or related securities or derivatives in a manner that may be consistent or inconsistent with this report and opinions expressed therein. As a result, investors should be aware that **KIS** and its affiliates and/or their officers, directors and employees may have a conflict of interest that could affect this report.

This report shall not be copied, reproduced, distributed (in whole or in part) or disclosed by recipients to any other person without the express permission of **KIS** in writing.