

Vicostone (VCS)

Facing export difficulties on waning demand

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Both revenue and earnings plummeted in 3Q22

Vicostone JSC (VCS) achieved only VND201 billion (-58.5% YoY) in NPAT and VND1,095 billion (-42% YoY) in revenue for 3Q22 due to shrinking exports under the impacts of negative macroeconomic factors. Gross profit margin went down YoY to 31.4%.

VCS has big advantage over others, given superior end-products, known brand, and wide distribution network

VCS can now secure the supply of key inputs like polyester resin (40% of production cost), quartz and cristobalite (38% of production cost) thanks to domestic supplies and its subsidiary, thus reducing production cost. Besides, diverse designs and outstanding characteristics make VCS products superior to other paving stone lines. Furthermore, the enterprise has long export experience, strong market presence, and established brand on the international market, promoting its standing amid increasingly fierce competition in the industry.

The consumption of VCS products in the main export markets would be affected by rising inflation

Rising inflation, especially among critical export markets of VCS such as North America, Australia, and the EU, inevitably reduced the purchasing power and the demand for non-essential goods of consumers. The consumption of VCS products would be affected until inflation is kept in check and the housing market recovers.

We initiate BUY recommendation for VCS stocks with a target price of VND73,000/share

Based on valuation results, business outlook and possible risks, we initiate BUY recommendation for VCS stocks. The target price is VND73,000/share, equivalent to a total return of 44% compared to the closing price on December 12, 2022.

Buy initiate

Target price	VND 73,000
Upside/Downside	51%
Current price (Dec 12, 2022)	VND50,700
Consensus target price	VND117,474
Market cap (VNDtn/USDbn)	8.2/0.34

Forecast earnings & valuation

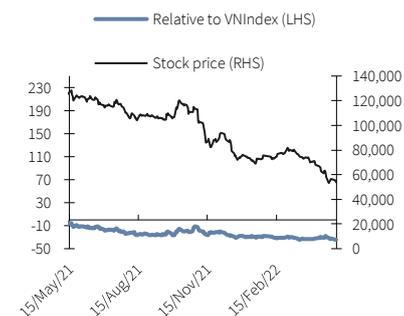
FY-end	2020A	2021A	2022F	2023F
Net revenue (VNDbn)	5,660	7,070	5,630	4,902
Operating income (VNDbn)	1,679	2,116	1,330	1,272
NPAT (VNDbn)	1,428	1,772	1,125	1,078
EPS (VND)	8,928	11,075	7,028	6,737
EPS growth (%)	1%	24%	-37%	-4%
P/E (x)	5.95	4.80	7.74	8.07
P/B (x)	2.07	1.64	1.57	1.65
ROE (%)	39%	41%	20%	18%
Dividend yield (%)	38%	31%	0	0

Trading data

Free float	20%
3M avg trading value (VNDbn/USDmn)	6.9/0.29
Foreign ownership	2.96%
Major shareholder (%)	Phenikaa Group (84.16%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-15	-2	-2	41
Relative	-6	3	0	-10



Source: Bloomberg, KB Securities Vietnam

Overview

1. Formation & Development

Vicostone JSC (VCS) was founded on December 19, 2002, precursor was Vinaconex Advanced Compound Stone Factory. In 2005, the company was equitized with a charter capital of VND30 billion. On December 17, 2007, VCS was listed on the Hanoi Stock Exchange (HNX) under the ticker VCS. In August 2014, VCS restructured and became a subsidiary of A&A Green Phoenix JSC (Phenikaa) (80% ownership). In 2018, VCS raised its charter capital to VND1,600 billion and is now among the Top 3 high-class quartz stone manufacturers in the world.

Fig 1. VCS – History of formation of development



Source: Vicostone, KB Securities Vietnam

2. Core business & Shareholder structure

VCS is the world's leading producer and supplier of engineered quartz stone

VCS's main businesses are producing and trading quartz-based engineered stone products. With six engineered stone production lines applying technology transferred from Brenton S.p.A (Italy), VCS provides about 3 million m² per annum to the market and is one of the world's Top 3 in high-end quartz stone production.

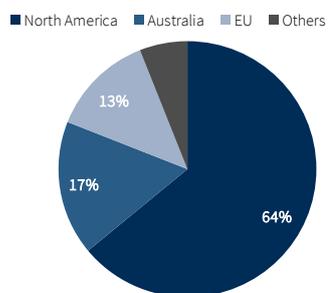
VCS's revenue mainly comes from exports

VCS products are destined to 50 countries around the world, and export turnover usually accounts for a majority of VC's total revenue (approximately 74% in 2021). The principal export markets of the enterprise are North America, Europe, and Australia. In North America, given the support of the parent company Phenikaa Group, VCS not only partnered with big distributors but also set up its direct wholly-owned subsidiaries with various distribution centers under its brand name VICOSTONE.

Shareholder structure

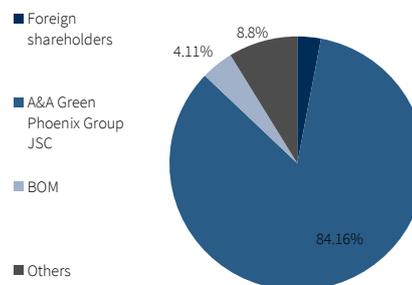
Regarding the shareholder structure, Mr. Ho Xuan Nang is the chairman of VCS cum the chairman of Phenikaa Group. VCS's ownership structure is relatively concentrated. The management holds a 4.11% stake, and Phenikaa Group owns an 84.15% stake. Foreign ownership is 2.97%, and the rest belongs to other investors.

Fig 2. VCS – Revenue breakdown by export market in 2021 (%)



Source: Vicostone, KB Securities Vietnam

Fig 3. VCS – Shareholder structure (%)



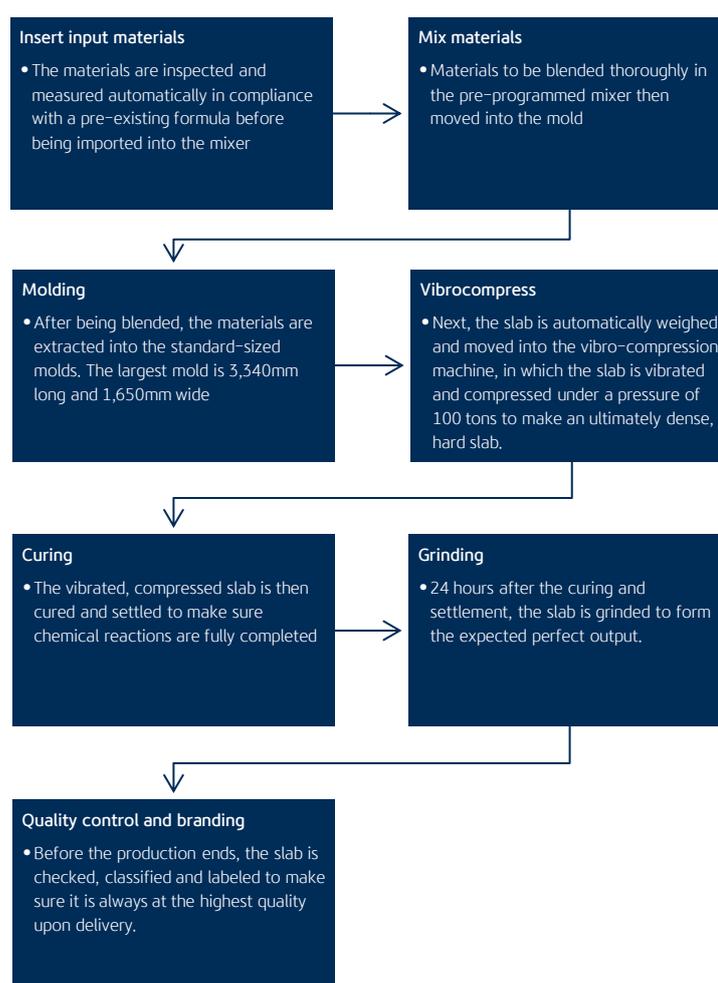
Source: Vicostone, KB Securities Vietnam

II. Business activities

VCS applies technology transferred from Italy coupled with innovations by VCS's engineer team

VCS's quartz-based engineered stone production line utilizes technology transferred from Brenton S.p.A (Italy) combined with groundbreaking innovations by VCS's engineer team. The manufacturing process of quartz-based engineered stone products is as follows:

Fig 4. VCS – The manufacturing process of quartz-based engineered stone

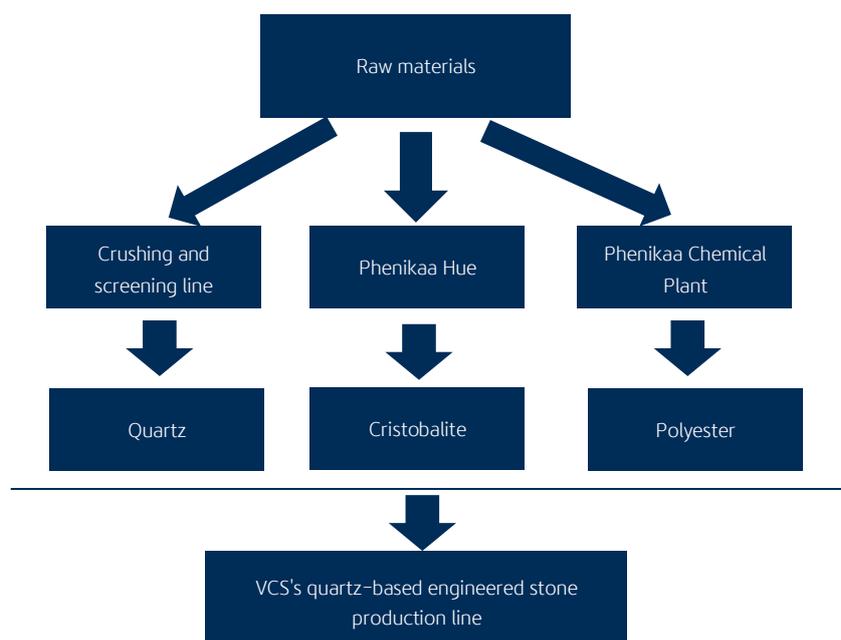


Source: Vicostone, KB Securities Vietnam

Main ingredients for engineered stone production include quartz, cristobalite and polyester resin

The most important ingredients for the production of engineered stone include polyester resin (40% of production cost), quartz and cristobalite (38% of production cost). In 2021, the prices of these two materials surged in line with other commodities against the backdrop of global economic uncertainty and prolonged Russia's war in Ukraine. Still, we see that VCS could well control input costs thanks to reducing its reliance on imported materials and foreign exchange fluctuations.

Fig 5. VCS – Input materials



Source: Vicostone, KB Securities Vietnam

VCS now can wean itself off imported production materials like quartz (domestic supplies) and cristobalite (self-supply)

The key production materials that account for 90% of VICOSTONE stone outputs are quartz and cristobalite. The cost of these two inputs accounts for 38% of the production cost. The manufacturing process begins with selecting raw quartz materials. They are crushed and blended in a ratio of 93% quartz aggregates to 7% polyester resin and other additives. The mixture is compacted into slabs by a vacuum and vibration process of approximately 100 seconds at a pressure of about 100 tons.

VCS can now wean itself off imported quartz thanks to domestic supplies. To enhance the quality of mining and processing raw quartz, VCS cooperated with domestic quartz production units. At the same time, VCS also invested in a new production line to optimize the domestic supply of raw materials. In 2021, VCS researched, deployed, and installed one more crushing line with proprietary technology to improve productivity and reduce consumption of raw materials, thus lowering the price of end-products by 15-20%. We will update the capacity of this production line until further details.

Cristobalite is a high-quality raw material, creating natural whiteness and uniqueness for VICOSTONE engineered stone products. This material is synthetically produced for industrial purposes from pure quartz sand at high temperatures. Currently, cristobalite is provided by Phenikaa Hue Mineral Processing and Investment One-Member Co. Ltd, a wholly owned subsidiary of VCS, with a 72,000 tons/year capacity. Accordingly, 90% of the production output of this factory is prioritized for internal use to fully meet VCS's demand, and the remaining 10% is sold to outsiders.

All things considered, we believe VCS can now better control risks arising from fluctuations in raw material prices and reduce transportation costs thanks to domestic supplies.

Polyester resin is also an indispensable input for quartz-based engineered stone production

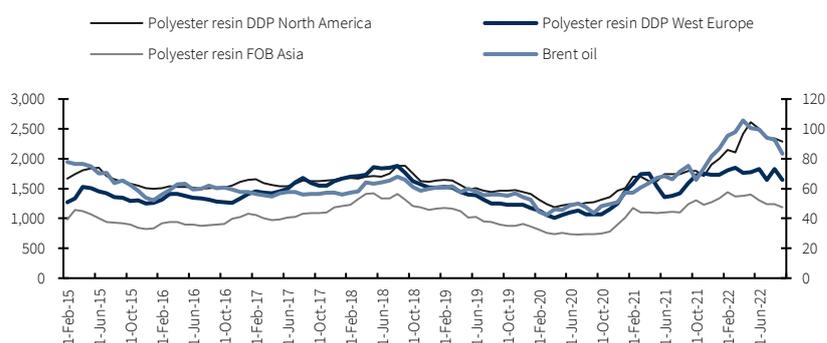
Apart from quartz and cristobalite, polyester resin is also an indispensable input for manufacturing quartz-based engineered stone, synthesized from crude oil, coal, water, ... Therefore, polyester resin price is linked to crude oil price movement, but with lower volatility. Though accounting for only about 7% of VICOSTONE stone outputs, it contributes 40% of production cost. It is estimated that if polyester resin price moves up/down 10%, the cost of goods sold of VCS will go up/down 3–4%.

Also, polyester resin price is forecast to go in line with Brent crude oil price. JP Morgan expects oil prices to trade at USD90/barrel in 2023F and USD98/barrel in 2024F. Meanwhile, Goldman Sachs anticipates oil prices at USD110/barrel next year. We assume Brent to trade at USD90/barrel in 2023F.

Correspondingly, polyester resin price should decrease marginally in 2023 and stabilize in 2024F.

As Phenikaa Chemical Plant can produce polyester resin and VCS does not have to depend on imports, VCS's input cost was reduced. Still, global price fluctuation will somewhat affect VCS's production cost, but expected to be mild.

Fig 6. Global – Prices of polyester resin and Brent (USD/ton, USD/barrel)



Source: Bloomberg, KB Securities Vietnam

VCS has big advantage over others, given superior end-products, known brand, and wide distribution network

VCS products are of high quality and meet international standards for health and safety. VCS offers more than 130 product lines with diversity in color and design. Besides, VCS constantly promotes research and development (R&D) activities. The distinct characteristics of VICOSTONE stone-based engineered products are safety, durability, and resistance to scratch, heat, impact, and corrosive chemical substances such as acids, and common cleaning solvents. That makes VICOSTONE superior to granite, marble, and other natural stones.

VCS has years of experience manufacturing engineered quartz stone and exporting to international markets, especially North America, with a global distribution network and known VICOSTONE brands. VCS not only partnered with big distributors but also set up its direct wholly-owned subsidiaries with 9 distribution centers in North America (5 centers in the US and 4 centers in Canada). Reputable VICOSTONE brands and strong market presence would help promote VCS's standing amid increasingly fierce competition in the industry.

Img 1. VCS – Quartz-based engineered stone



Source: Vicostone

Img 2. VCS – Quartz-based engineered stone



Source: Vicostone

III. Business performance & Financial status

1. Business performance

2021A business results

VCS's 2021A net revenue was VND7070.1 billion (+25% YoY). In particular, exports contributed the largest share to revenue and earnings growth, touching VND5,521.6 billion or 74% of net revenue, as VCS eyed positive growth in its major markets such as North America, Australia and Europe.

On the other hand, the COVID-19 pandemic triggered a sharp fall in domestic consumption of VCS products due to weak demand for construction materials. Lower income also made people spend less on high-end products. Besides, VCS faces stiff competition from other manufacturers applying Chinese technology with lower production cost, namely Phu Son Stone, Mikado, or Khang Minh Conslab Thach Anh.

Last year, VCS's gross profit margin was 34.6%. Despite swings in revenue and earnings over the years, the gross profit margin has remained stable at above 30%/year ever since 2018. VCS's 2021A NPAT was VND1,772 billion (+24% YoY).

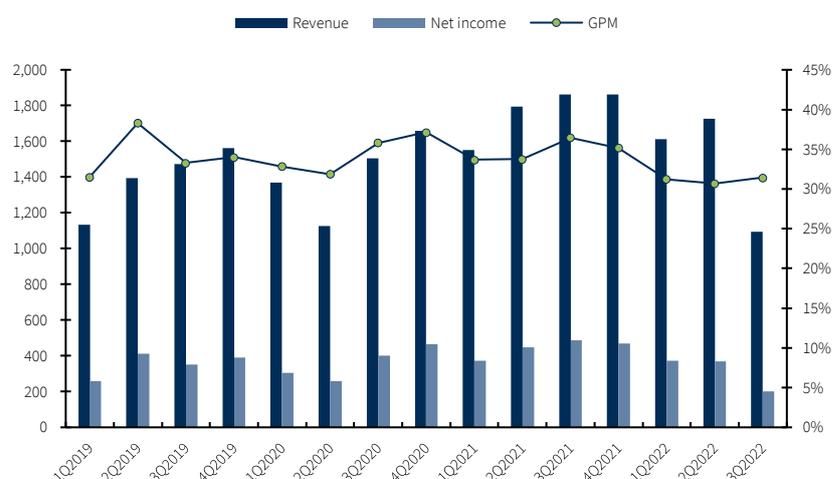
VCS's dividend payout ratio is normally high, and it was 36.2% last year. We consider such dividend payment reasonable, given no new investment projects and abundant cash flow from production and business activities.

VCS's 9M22 NPAT and revenue recorded VND941.87 billion (-27.7% YoY) and VND4,443.54 billion (-15% YoY), respectively

VCS's 9M22 NPAT was VND941.87 billion (-27.7%) on revenue of VND4,443.54 billion (-15% YoY). Gross profit margin contracted to 30% from 35% in 9M21. It was attributable to high oil prices, which led to surging raw material prices, especially polyester resin prices, which put pressure on the gross profit margin. Revenue and earnings fell sharply since export activities were affected by negative macroeconomic factors. Rising inflation reduced demand for non-essential goods, and rising interest rates have affected the real estate and construction markets. Consumption of VCS products in major markets such as North America and Europe dropped substantially.

To be more specific, 3Q22 NPAT narrowed down to VND201 billion (-58.5% YoY) on revenue of only VND1,095 billion (-42% YoY). Gross profit margin was 31.4% against 34.8% of 3Q21.

Fig 7. VCS – Net revenue, NPAT, gross profit margin (VNDbn, %)



Source: Vicostone, KB Securities Vietnam

Table 1. VCS – 9M22 business results

VND bn	9M2021	9M2022	%YoY	Notes
Revenue	5,206.38	4,436.54	-15%	Exports still contributed the highest share to total revenue. Export prices remained flat.
Gross profit	1,807.45	1,377.37	-24%	
Gross profit margin (%)	35%	30%		Gross profit margin decreased due to surging input material prices, especially polyester resin prices which are linked to Brent crude oil price surge.
Selling expense	(188.57)	(186.93)		
% Selling expense/revenue	3.6%	4.2%		
SG&A	(32.15)	(45.30)		
% SG&A/revenue	0.6%	1%		
Operating income	1,552.75	1,116.02		
Financial income	35.58	72.22		
Financial expense	(69.56)	(101.33)	45%	Financial expense increased due to foreign exchange loss.
Net other income	(11.02)	2.72		
Profit before tax	1,541.73	1,118.74	-27.4%	
Profit after tax	1,304.39	941.87	-27.7%	
Net profit margin (%)	25%	21.2%		

Source: Vicostone, KB Securities Vietnam

2. Financial status

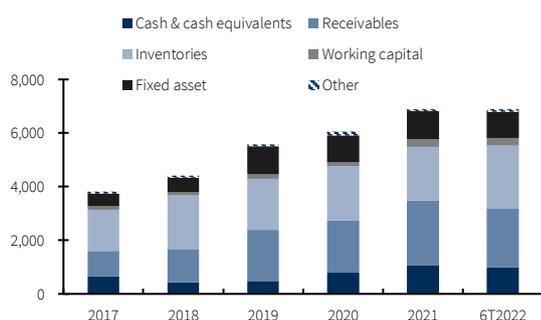
Asset structure

In general, VCS's total assets have increased steadily over the years. Short-term assets contribute 85% to total assets, with abundant cash and cash equivalents of VND975.8 billion or 14% of total assets. With huge total assets, VCS's cash asset ratio is higher than that of other building material businesses such as CMC JSC (CVT) (13%), Tien Phong Plastic JSC (NTP) (12%), Quang Tri Minh Hung JSC (GMH) (3%). Abundant cash flow helps VCS to be able to pay off current liabilities. Besides, receivables and inventories make up 32% and 34% of total assets, much higher than other companies in the industry. In our view, it is reasonable for an enterprise with export-led growth like VCS to maintain high receivables and inventories to ensure fast delivery. VCS's long-term assets constitute only 15% of total assets, largely factory machinery and engineered stone production lines.

Capital structure is quite safe

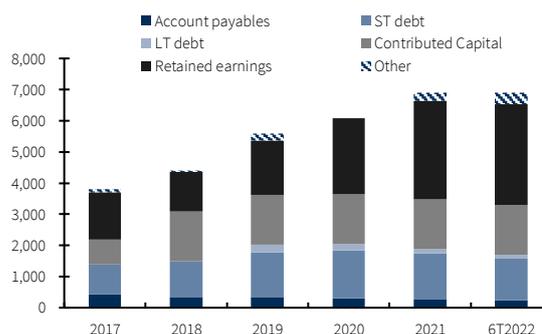
VCS has a healthy financial structure with low debt proportion. Owner's equity accounts for 72% of total assets, equivalent to VND4,945 billion. Debt to total assets ratio is 21%, much lower than other enterprises in the same industry. Most debts have short terms (19% of total assets or VND1,367 billion). The risk related to the payment of short-term debt obligations of VCS is low as the company holds a large amount of cash and abundant cash flows for business production and business activities. Long-term loans only accounted for a small part (VND120 billion or 2% of total assets). We rate this as a safe debt ratio to the company. VCS has strong financial potential and can fully invest in research and implementation of future projects with its own capital.

Fig 8. VCS – Asset structure



Source: Vicostone, KB Securities Vietnam

Fig 9. VCS – Capital structure



Source: Vicostone, KB Securities Vietnam

IV. Investment catalysts

VCS's prospect depends on artificial stone and real estate market

The main products of VCS are mainly finished artificial quartz stone and materials in the production of artificial stone. The business outlook of VCS will be directly linked to the global artificial stone consumption prospect. In addition, consumption of VCS is also affected by the cycle of the real estate industry (new construction, home repair or commercial and service projects in different countries as exports account for a major proportion in the revenue structure).

Overview of import of raw quartz slabs into the US market in 9M22

1. Consumption on the US market

The US imported raw quartz slabs from 40 different countries in 2022. 9M22 import turnover of artificial stone reached USD1.3 billion (+7% YoY), equivalent to 15.9 million m² (+16% YoY). Vietnam ranks top in terms of output and export turnover of raw quartz slabs to this country. In recent years, Vietnam has recorded positive growth in the export of artificial stone to the US while the country has imposed anti-dumping duties on countries such as China, India and Turkey since 2019. China alone is subject to a 45% tax rate, while India and Turkey are only subject to a rate of more than 4%.

Although the export of artificial stone to the US is still growing in the first nine months of 2022, VCS is still facing many challenges due to increasingly fierce competitive pressure. In addition, inflation also affected the demand for VCS's high-end quartz products.

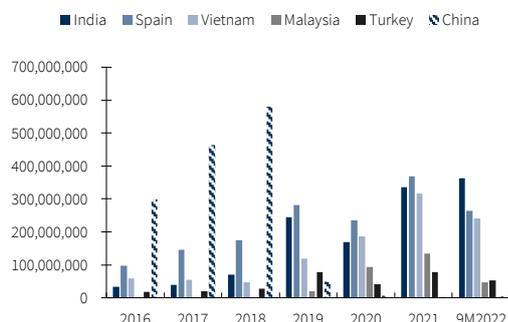
The risks related to peer competition in the industry and tax

The estimated price of Vietnam's artificial quartz stone exported to the US is USD97.8/m² in 3Q22, higher than the average price of imported quartz in this country. We believe that the price of VCS's finished products will be even higher when targeting the mid-high-end segments.

However, the estimated average export price to the US as slowed down in recent years. One of the reasons is the fierce competition in the industry when many domestic manufacturers have paid attention to this potential market. Most of the artificial stone factories in Vietnam use low-cost technology from China. In addition, Chinese factories are also located in Vietnam to dodge high anti-dumping duty imposed by the US (about 45%).

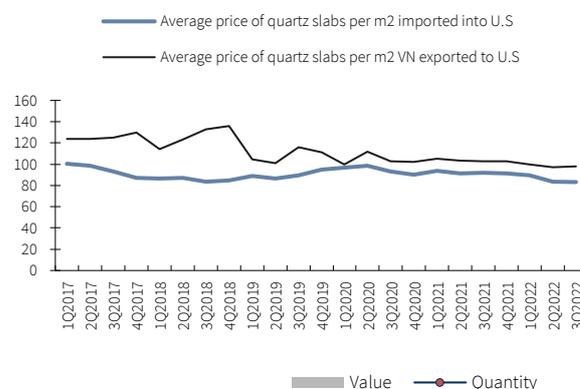
All of this can lead to the risk of the US imposing tariffs on Vietnamese products given our country's artificial quartz import volume into the US has increased significantly since 2019.

Fig 10. US – Quartz slabs imported from five leading countries and China (m²)



Source: USITC, KB Securities Vietnam

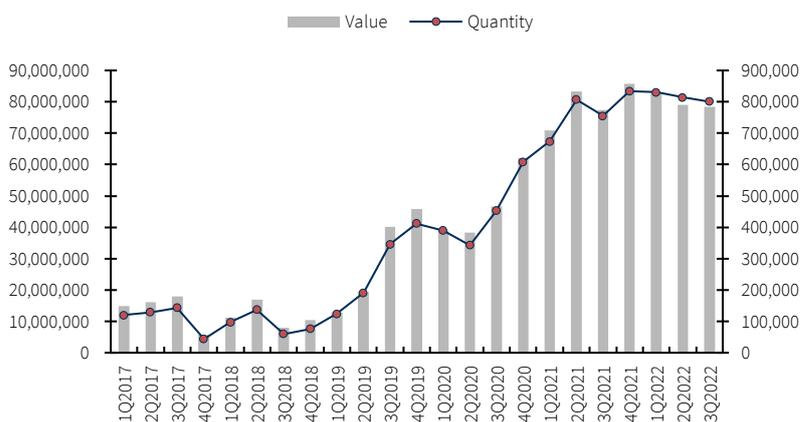
Fig 11. US – Average price of quartz imported from Vietnam (USD/m²)



Source: USITC, KB Securities Vietnam

Vietnamese quartz exported to the US has surged since 2019

Fig 12. Vietnam – Quartz volume & value exported to the US (USD thousand, m²)

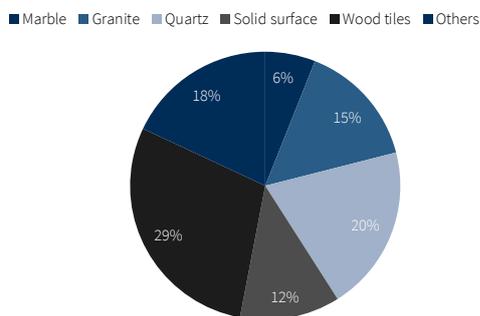


Source: USITC, KB Securities Vietnam

The market share of quartz ranks second in the US market of countertop materials

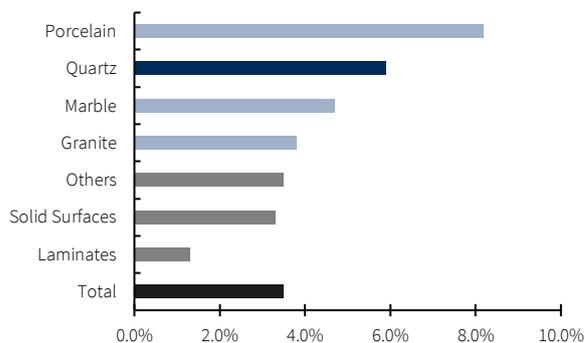
In the countertop market in the US, artificial quartz ranks second in terms of market share. According to Ceasarstone, the CAGR of quartz in the period 2020–2025 is at about 5.9%. This growth rate is faster than most other common materials such as Laminates (1.3%), Granite (3.8%) and Marble (4.7%). The countertop material market will tend to favor materials with high durability such as natural stone and artificial stone (like Marble, Granite and Quartz) instead of low-cost ones. VCS has many advantages in the US market thanks to its product quality, brand, sales experience, and distribution system.

Fig 13. US – Countertop material market share (%)



Source: Freedonia, KB Securities Vietnam

Fig 14. US – CAGR of countertop materials in 2020–2025 (%)



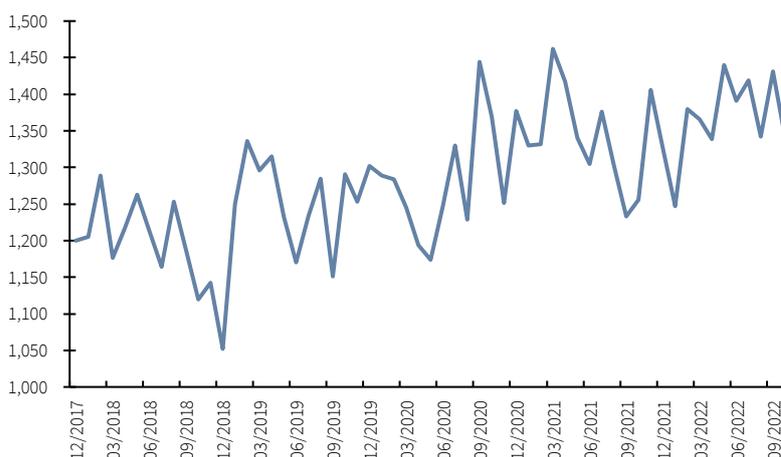
Source: Freedonia, Ceaserstone, KB Securities Vietnam

However, the real estate and construction market in the US shows signs of deceleration

According to US Census data, the real estate and construction market in the US is slowing. Home sales recorded 4.43 million units (-28.4% YoY), showing a decline from the beginning of the year. The number of houses registered for new construction permits in October also recorded 1,339 million units (-3% YoY).

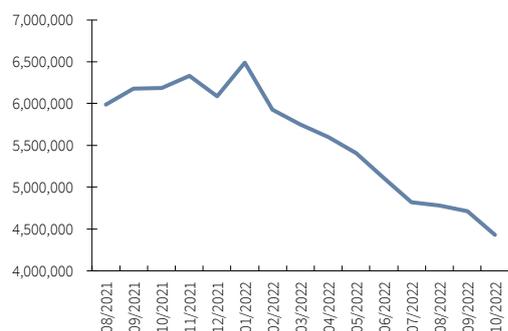
GlobalData forecast construction growth in North America will slow to 2.4% in 2022 from 4.5% due to pressure from a less favorable macroeconomic environment. Growth expectations could improve to 3.7% in 2023 as inflationary pressures and supply chain disruptions ease. The deceleration of the real estate market will significantly affect the consumption of construction materials, including quartz.

Fig 25. US – Owner-occupied house number (thousands)



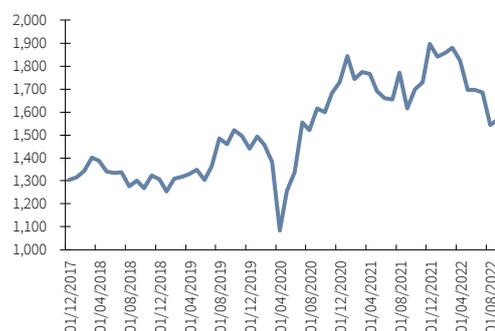
Source: US Census, KB Securities Vietnam

Fig 16. US – Sold housing units (unit)



Source: Freedonia, KB Securities Vietnam

Fig 17. US – New housing unit authorized (thousands)



Source: Freedonia, Ceaserstone, KB Securities Vietnam

VCS's consumption in the US is affected by the macro situation

Rising inflation in the US erodes people's real income, which translates into a decrease in consumption demand. Furthermore, quartz is a consumer discretionary, so the demand is sharply reduced. This material also faces high competition from natural stone products like ceramics and porcelain. Besides, the Fed has decided to raise interest rates continuously to control inflation, making it more difficult for the real estate sector.

Inflation, fierce competition, and a decline in demand for finished construction negatively affect VCS's export prospects to the US. We expect the demand for artificial quartz in the country may decrease in the end of 2022 and recover when the inflation situation has stabilized.

Overview of the countertop market in the Australia

2. Consumption on the Australian market

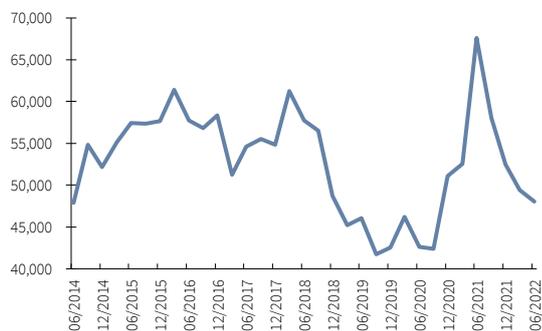
Quartz stone is quite popular in Australia. Freedonia's data said quartz accounted for 46% of the market share of countertop materials in this country and ranked first in this field.

The forecast also assumes that the CAGR of quartz is 4.1% in 2020–2025. However, regulations related to silicosis control in the production and processing of artificial stone may lower the forecast to below 4.1%.

The export outlook of VCS to Australia market is less positive

The estimated export value from VCS to Australia market increases quite slowly in 2017–2021. The prospect of exports to Australia will be less positive from the weak consumption because **(1)** both the repair and new construction in Australia have a bleak outlook, while the demand for quartz mainly comes from this segment. The civil construction in Australia tends to go down. The value of new residential construction also peaked in 2018 and has shown a downward trend since then. The value of repair activities is almost in a sideways trend in recent years. **(2)** Inflation in Australia is also at a high level (7.3%). Artificial quartz is not a consumer staple, and the segment VCS aimed at is mid-end and high-end, so consumption will be affected. **(3)** Warning of silicosis in the production and processing of artificial stone in Australia would have negative impacts on the business activities of VCS. This policy incurs additional costs for artificial stone businesses. Distributors or processors tend to choose other materials to adhere to strict regulations on silica dust quality control.

Fig 18. Australia – The number of newly built houses (unit)



Source: Australian Bureau of Statistics, KB Securities Vietnam

Fig 19. Australia – The value of newly built houses (USD mn)



Source: Australian Bureau of Statistics, KB Securities Vietnam

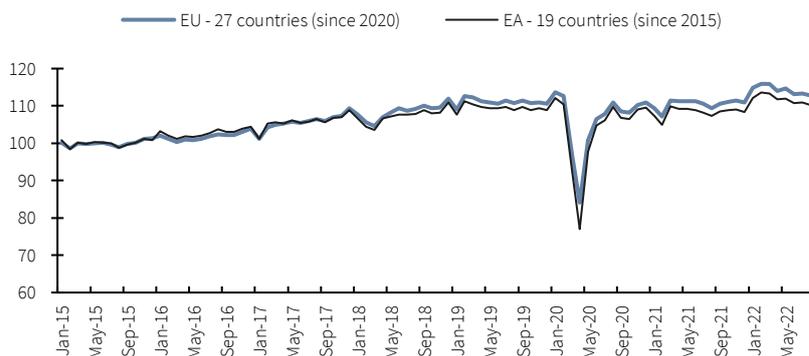
Inflation affects VCS's export prospects to Europe

3. Consumption on the Europe market

Inflation in the EU is even worse than in the US and Australia. November estimated CPI in Europe is 10%. Skyrocketing prices make people in these countries cope with difficulties in spending. Therefore, the demand for consumer discretionary such as artificial quartz will decrease significantly. The European Central Bank (ECB) interest rate hikes negatively affected the real estate market and construction demand in this region.

Quartz accounts for a small proportion in the structure of countertop materials in the EU because consumers here are not familiar with the use of this material. The customer segment VCS is targeting is middle and high-end. Therefore, the prospect of exporting to this market will remain not positive until inflation is contained and demand for construction and real estate recovers.

Fig 20. EU – Construction index for production (unit)



Source: Eurostatistics, KB Securities Vietnam

VCS has attractive valuation when the stock price has already experienced sharp falls since 2Q

We believe that VCS's business results will face many difficulties in the coming time due to rising inflation and interest rates in many countries. However, the sharp drops in VCS stock price since the beginning of June partly reflect concerns about the gloomy outlook of VCS in major export markets such as North America and Australia. VCS's current P/E is around 6.x, much lower than the five-year average P/E (about 11x). P/B has returned to 1.x, lower than the bottom of 2020. This valuation is quite attractive for the world's third largest quartz exporter with many competitive advantages and stable financial status.

Fig 23. VCS – P/B (x)



Source: Bloomberg, KB Securities Vietnam

V. Risks

Risks related to input material prices	Although VCS is almost completely self-efficient in input materials for production, raw material prices will still fluctuate in line with the market but with a smaller margin. In particular, the price of polyester resin (accounting for 40% of COGS) fluctuates in the same direction as that of Brent oil, so a part of VCS's GPM will be narrowed if oil prices are as high as it was recently.
Tariff risk	VCS's main activity is to export artificial quartz to the world. Therefore, tariff and protectionist policies in importing countries significantly affect VCS. Especially in the US market (accounting for 64% of VCS revenue), the volume of imported quartz has increased significantly since 2019. Risks of the US imposing tariffs on quartz products from the Vietnamese market is worth noting.
Environmental risks	VCS products or production activities may be affected by policies on environmental protection and human health. Recently in Australia, there are control policies related to silicosis that will have a certain impact on VCS's consumption in this market.
Competition risk	Currently, competition in the artificial stone market is becoming increasingly fierce as many manufacturers open new factories and domestic production lines with the aim of penetrating into the potential market US and replacing China in this area. These new competitors mainly use technology from China with cheaper production costs, aiming to sell low-end products. VCS is mainly aimed at the mid to high-end segment. The company always proactively optimizes the value chain and invests in research and product improvement.

VI. Forecast & valuation

Forecast of VCS's business results in 2023

We expect VCS's 2023 revenue and NPAT to reach VND4,929 billion (-12% YoY) and VND 1,108 billion (-3% YoY). GPM should go down 30% due to concerns over weak consumption of quartz stone in the main export markets and increasing input material costs.

BUY recommendation for VCS stock with the target price of VND73,000/share

In general, global inflation and interest rate hikes have greatly affected VCS's export prospects in the near future. We assess that VCS is still an enterprise with a distinct competitive advantage thanks to its good control and self-sufficiency of input factors, its research and production capacity, and strong global brand.

Based on the average of 2 valuation methods P/E and FCFF, we recommend BUY for VCS stocks with the target price of VND73,000/share, upside 44% compared to closing price on December 12/2022:

- According to the P/E method, we downgrade VCS's target P/E forecast for 2022 to 7.9x due to concerns about weak demand and increased competition in the industry. 2022F EPS is VND7,028 /share. The corresponding valuation reaches VND55,552/share.
- According to the DCF method, we value VCS at VND90,500/share.

Table 2. VCS – 2019A–2023F business performance

VNDbn	2019A	2020A	2021A	2022F	2023F
Net revenue	5,562.76	5,659.59	7,070.13	5,630	4,902
Revenue growth (%)	23%	2%	25%	-20%	-13%
COGS	-3,650.65	-3,695.77	-4,607.62	-3920.6	-3410.9
Gross profit	1,912.11	1,963.83	2,462.50	1,710	1,491
GPM (%)	34%	35%	35%	30%	30%
Financial expense	-68.02	-92.88	-89.49	-136.1	-66.3
Selling expense	-154.06	-160.51	-272.15	-261.8	-151.2
General & admin expense	-62.39	-71.48	-47.35	-64.7	-51.2
NPAT	1,410.11	1,428.42	1,772.06	1,125	1,078
NPAT growth (%)	26%	1%	24%	-37%	-4%
NIM (%)	25%	25%	25%	20%	22%

Source: Vicostone, KB Securities Vietnam

Fig 4. VCS - P/E (x)



Source: Bloomberg, KB Securities Vietnam

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Investment ratings & definitions

Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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