VIETNAM RUBBER GROUP (VNRG) – IPO NOTE

Tho Dien Hong - tho.dienhong@vndirect.com.vn

IPO information

IPO Date	Feb 02, 2018
Price (VND/share)	13,000
Shares offered (mn shares)	475
% of current outstanding shares	11.9%
Structure	Primary and secondary

Key statistics

Market cap @ initial price(VNDbn)	52,000
2017 EPS (VND)	923
2017 ROE	6.2%
2017 P/E (*)	14.1x
2017 P/B (*)	3.1x

(*) Calculated based on IPO starting price

Ownership after IPO

Public	2.5%
Strategic investors	21.2%
ESOP	1.2%
Government stake	75.0%

VNRG, the largest rubber plantation operator in Vietnam, held its IPO auction on February 2nd, 2018. The company's solid core operations will support earnings growth in the future. The IPO valuation was not cheap enough to draw the attention of a local strategic investor or the public, and there will not be any foreign investors in the post-IPO divestment. However, we are looking for a more detailed development plan on around 10k ha of "repurposed" land in highly valuable locations, which could improve VNRG's current poor asset turnover relative to its peer group; this could be a positive price catalyst when announced.

VNRG has a huge land bank, but lacks an execution plan. VNRG is now in possession (through long-term leases) of nearly 520k ha of land, including a 68k ha parcel located in the most active industrial area of the country (Binh Duong, Dong Nai) of which 6,000 ha is already developed as industrial park area in Dong Nai and Binh Duong province; 4,000 ha of this is already under operation with around 70% blended occupancy rates; the remaining undeveloped land bank could be highly valuable for future project development.

The company's young plantation ensures that it will have strong volume growth in the future despite no acreage expansion. Half of VNRG's rubber plantation profile consists of pre-mature fields (40% of total plantations). Most of these plantations will be ready for tapping during 2018-2020, which should drive a 15% CAGR in volume over this period. The total plantation could be capped by the government's nationwide plantation zoning system. Therefore, VNRG will not be able to achieve further volume growth by expanding its acreage.

The company is targeting a 31% CAGR in earnings between 2018-2020, which we believe is achievable. Despite the expectation for moderate growth in rubber prices over the period (5-10%/annum), VNRG can still deliver its targeted 23% CAGR in revenue thanks to strong volume growth. Furthermore, disposable income from its aged rubber fields will contribute to its bottom line, which will be supported by continued favorable rubber wood prices.

The specter of hidden liabilities from past investment failures has been lifted. VNRG has declared its divestment plan for non-core assets, although the amount of financial income that it will generate through these sales is still unclear. It has also now fully explained the core-businesses capital injection and intercompany transactions worth a total of over VND5trl and therefore there are no major obligations to the state in the future. This should alleviate concerns over potential irregularities in past capital allocation decisions, which could have invited regulatory scrutiny and consequent penalties, and consequently tarnished management's image.

Poor IPO performance may hamper efforts to bring in strategic investors. The starting auction price does not appear attractive, equating to a FY18 forward P/E of 9.0x, versus the sector average of 8.6x. The IPO auction closed with registered bids equal to only 21% of the total offer size. The average successful bid price was VND13,011/share with 100.8mn shares matched. The remaining 374.3mn shares will be dumped into a strategic package. It is doubtful that this strategic package will receive interest from the market, as foreign investors will not be allowed to join this round.

COMPANY PROFILE

Complex and sprawling structure has compromised quality of capital allocation

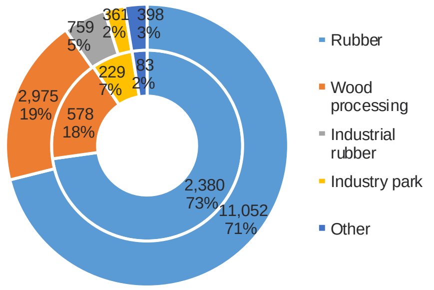
Vietnam Rubber Group (VNRG) was founded in October 2006, and is solely owned by the state of Vietnam and under control of the Ministry of Agriculture and Rural development (MARD). Since its commencement, VNRG has focused on not only rubber plantations and latex production, but has also been extending its activities into rubber products, industrial property, industrial wood and wooden furniture. The company generated substantial cash flow during 2009-2012 due to favorable rubber prices, and some of its cash-rich member companies recklessly dumped their money into other risky sectors outside of its core operations, such as hydropower and tourism. These have now become a dead-weight on the group's profitability due to their inefficient operations and poor earnings.

Complex and sprawling subsidiary structure. The group has been following a centralized business structure, in which the parent company became a shell corporation which has absolute control over critical decisions regarding both financial and operating issues in its subsidiaries. VNRG now directly watches over 104 subsidiaries and ten other associate companies. A major portion of its 88% owner's equity comes from its 67 rubber companies, and the rest from the other 12 segments. The massive entity structure is difficult to monitor and constrains its members' operating flexibility. This also caused a number of noticeable investment failures.

OPERATION AND EARNINGS TARGETS

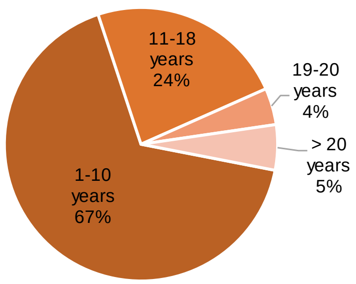
Rubber is still the key to the company's future

Figure 1: Revenue (outside) & EAT (inside) mix in FY2016 (VNDbn)



Source: VNDIRECT, VNRG

Figure 2: Rubber area by tapping age

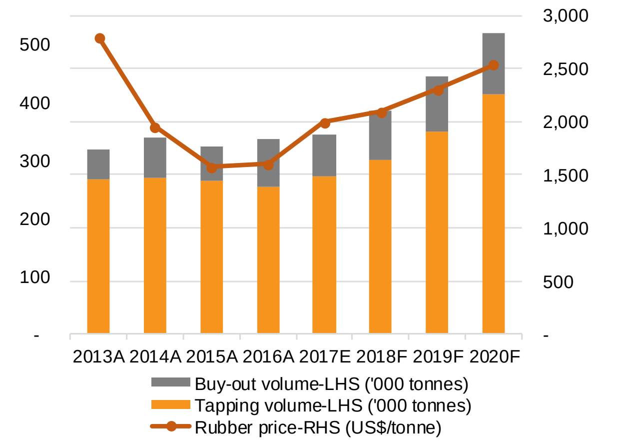


Source: VNDIRECT, VNRG

Earnings still largely depend on the price of rubber. Rubber plantations account for 71% of VNRG's revenue and 73% of its earnings, which results in the company having significant exposure to widely fluctuating rubber prices. Vietnamese rubber producers have no pricing power due to limited scale relative to leading global players (the top three producing countries account for ~70% of the global output). Therefore, VNRG is completely exposed to rubber spot price movements. The price of rubber has declined by 17% on average per year from 2013 to 2016, which mainly explained the 13% decline in EBT (CAGR), despite 2% sales volume CAGR realized during this period. We focus on the internal tapping volume rather than total volume, as the traded latex volume has very limited impact on earnings due to very low gross margins (1-2%).

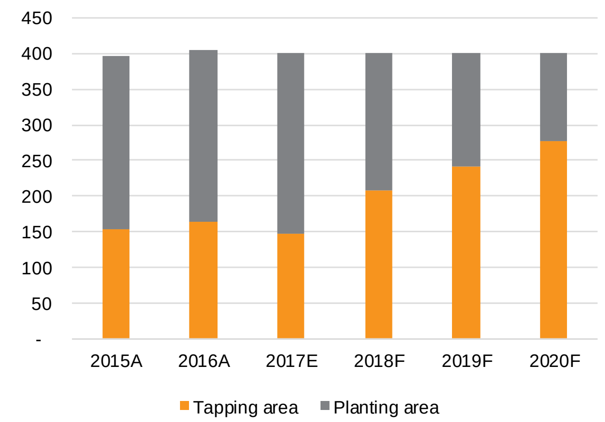
There is not much room for plantation expansion, but total tapping area is still very adequate. VNRG manages nearly 410k hectares of rubber plantation area, which includes a 115k hectare rubber field in Cambodia and Laos. As of the end of 2016, less than 40% of the total plantation acreage. The remaining premature field area was mostly attributed to off-shore projects for new rubber plantations and replanting fields in Vietnam. Most of the rubber fields outside of Vietnam were planted between 2007-2013, which will help VNRG to increase its output during 2014-2020 after 6-7 years of young tree cultivation. This lends credence to management's projections for 15% annual rubber volume growth during 2018-2020. Future expansion of plantation area is capped due to the following factors: 1) The group is reaching the master plan limit for its rubber area in Vietnam; 2) Laos and Cambodia will not provide much additional land for new plantations, based on information disclosed by other rubber companies.

Figure 3: Latex volume and rubber prices: past and targeted



Source: VNDIRECT, VNRG

Figure 4: Rubber field area ('000 ha)

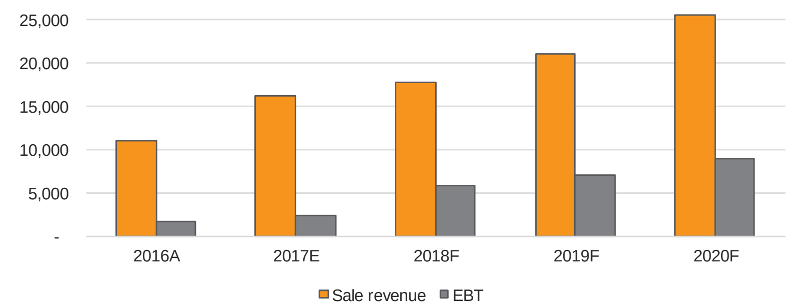


Source: VNDIRECT, VNRG

The company's huge plantation carries huge potential for future rubber wood disposals. According to VNRG's IPO prospectus, the group expects 12 - 14k ha of aged rubber plantation liquidation per annum. Rubber wood is seeing strong demand due to the abundance of wooden furniture producers in the region. We have seen the disposed wood price surge by 60-90% to around VND200 - 250mn/ha for several listed rubber companies, depending on the location and the field density; this translates to VND2,400 - 2,800bn of annual contribution to VNRG's bottom line based on its disposal plan (equivalent to around 30-40% of total targeted earnings). This is likely linked to the strong demand for wood feedstock from newly launched domestic wooden fiber panel factories, as well as the impact of the logging ban in China which has crimped regional timber supply.

Rubber price and tapping volume will fuel earnings growth. As we believe that there will be a long-term global rubber supply deficit for the next 5 years, rubber prices may see steady growth of 10%/year over the period. VNRG could therefore realize ~25% tapping rubber revenue, based on the aforementioned volume growth targets. However, VNRG is conservative for its rubber sales growth targets, only projecting 10% growth for FY18. This indicates their view that the price of rubber will remain flat in the next year, while volumes will increase. VNRG is aiming for 26% rubber EAT growth in FY18, significantly helped by rubber wood disposals. The group also expects EAT to grow by 19% and 28% in FY19 and FY20, respectively.

Figure 5: Rubber segment performance: actual and targets (VNDbn)



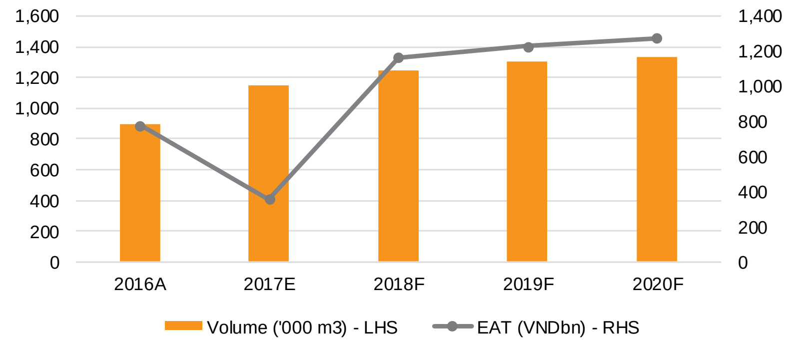
Source: VNDIRECT, VNRG

Tax incentives for overseas projects are still unclear. The company's preferential tax rate on rubber plantation earnings is 15%, but this may be reduced to 10% for specified areas in Vietnam. As seen from the case of DRI, most rubber projects in Laos and Cambodia have not yet delivered a profit, and do not have an incurred tax obligation to the Vietnamese tax office. We expect that there will be official guidance for these projects this year to clarify whether or not these projects will have the same tax policy as applied to projects in Vietnam.

Wood processing is emerging into a growth engine

We are optimistic about the prospects of the timber industry, which could strongly support both disposal earnings and its wood fiber panel (MDF) factories' performance; this is expected to generate VND1,100 - 1,300bn EAT per annum and become the group's second earnings contributor in the next 3 years. The total processing capacity is now 720k m^3/year fulfilling 52% of the estimated domestic MDF demand in 2016. VNRG also believes that there will be 10-15% growth in demand for this product in the next 3 years, but is also concerned about the supply surge from imported MDF from Malaysia and Thailand. VNRG also plans to expand its raw material supply through its own forestry plantations, which will cost around VND286.6bn for the whole planting period (4 - 5 years) over 389.8 ha of planted area. The Melaleuca plantation area in Kieng Giang province will supply input materials for its MDF factories nearby once internal rubber wood generation from disposals likely runs out after 2020.

Figure 6: Wood processing volume and earnings: actual and targets

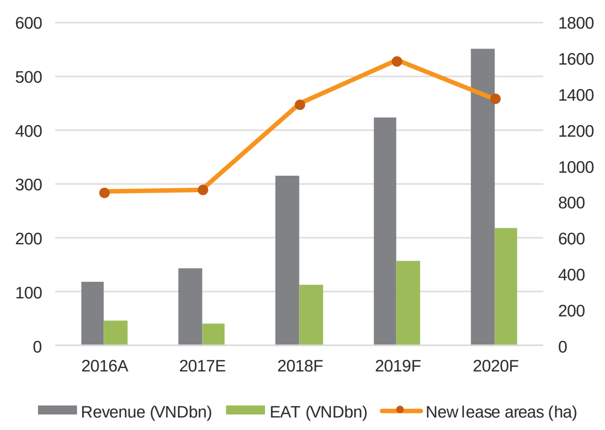


Source: VNDIRECT, VNRG

Industrial Park (IP) segment is still small but seeing strong demand; accounting changes could bring an earnings windfall in the next few years

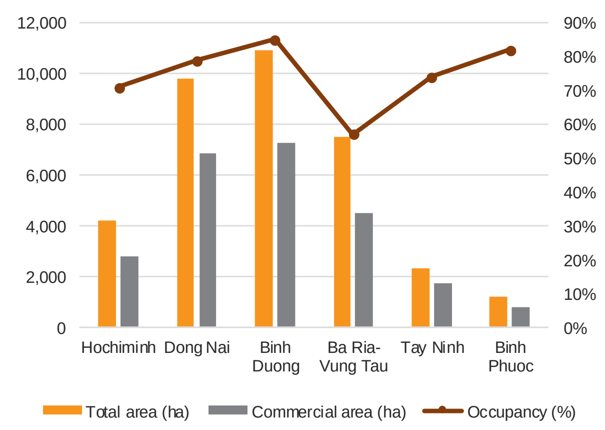
VNRG is running 13 IP projects on a 6,000 ha area, including 2,000 ha of new projects announced recently. Most of the existing projects are located in satellite provinces around HCM city such as Binh Duong, Dong Nai, and Tay Ninh province. The group estimated their average occupancy at 60%, but some projects in Binh Duong and Dong Nai are showing healthier occupancy rates above 70%. Jones Lang La Salle (JLL)'s 4Q17 report also pointed out that the IP vacancy was tight in these areas (Figure 8) given strong and fast growing demand mostly from FDI flow which should ensure good absorption of VNRG's up-coming IP projects. The group's leasing price is now US$60-65/$m^2$ for the whole term (50 years) and this will keep increasing (CBRE, JLL). The group is booking rental and earnings on a recurring, periodic basis, while mostly collecting prepayment for the full lease term. It plans to switch into a onetime upfront revenue recognition for the entire lease term in the next period. This will help improve transparency around lease terms but will also increase earnings volatility in the future.

Figure 7: Industrial park performance: past and targets



Source: VNDIRECT, VNRG

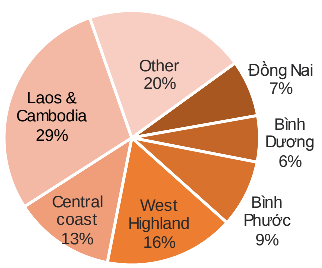
Figure 8: Industrial park performance 4Q 2017



Source: VNDIRECT, JLL

Colossal land bank and post-IPO land recall plan could contain hidden catalysts for a re-rating

Figure 9: Share of land bank by location



Source: VNDIRECT, VNRG

VNRG is monitoring more than a 500k ha land bank including 115k ha of rubber fields in Laos and Cambodia, making it one of the biggest land holders in Vietnam along with Becamex (IJC VN) and HAG (HAG VN). However, the large share of plantation land carries less profit potential compared to the non-agri land bank. VNRG's IP area is just 9% of the total 68,000 ha land area located in Binh Duong and Dong Nai. That being said, this land has very strong potential for the development of both residential and infrastructure projects.

The group may restructure its land bank to transfer or repurpose the land for infrastructure development. Specifically, a 27,940 ha land area will be returned to the local authorities, causing the group's total land bank to shrink by 5% to reach 491k ha. Per the details of the land recall schedule, there will be some valuable portions of this recalled land area such as a 10,000 ha land parcel in Dong Nai, which could generate significant compensation for the group in the future. PHR's disclosure that the compensation for rubber land in Binh Duong is around VND1bn/ha provides a price reference or benchmark that can be applied for VNRG's land in Dong Nai, but this has not yet been confirmed by VNRG.

The reorganization of its subsidiaries and divestment of non-core assets could improve investor sentiment on the company

VNRG attracted a lot of attention due to the state's requirement to divest its non-core activities and other investments identified in a state inspection in 2014. The inspection results also pointed out a total of VND8,367bn value from inappropriate investments and financial practices in the period of 2006-2011. Because of this, VNRG was required to report back to the prime minister for clarification or resolution. The details of this amount are below:

1) VND5,000bn of unreported capital injection into its solely owned subsidiaries, which has been approved and included into the company's IPO valuation with no further action requested.

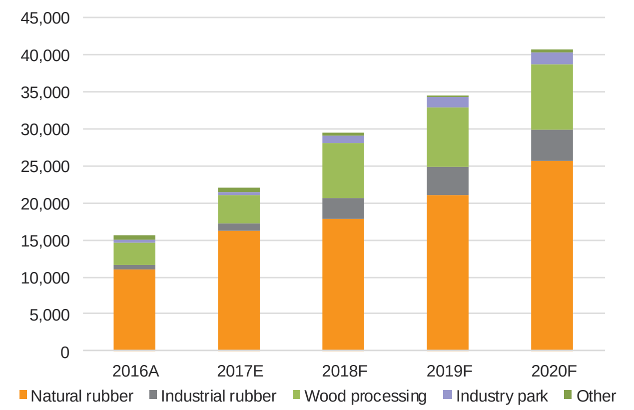
2) VND1,656bn of non-core investments: VNRG plans to clear ~VND1000bn in hydro-power projects and expects a consideration of VND1,400bn within this year and after its IPO. The remaining will be executed within 2019-2020.
3) VND645bn of bad-debt was handed over to VAMC and excluded from VNRG's book value.
4) The remaining amount mostly related to internal transactions and tax issues, which have been declared and approved by the state.

We believe that this investigation damaged management's image and could have been partly responsible for the weak IPO demand. However, more clarity and an imminent clean-up should lift some of this negative sentiment in coming years.

2017 earnings growth estimated to be robust

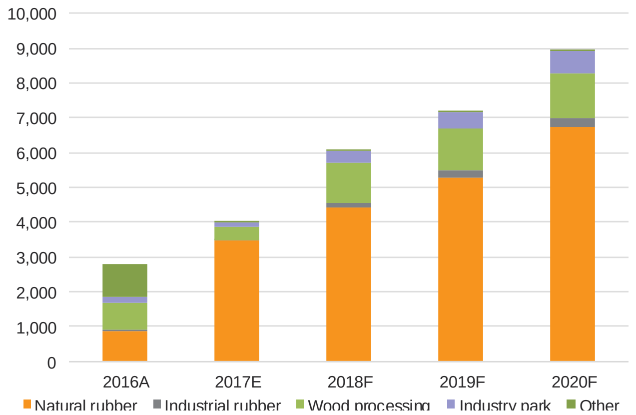
Based on VNRG's estimates, the company's FY17 revenue may touch VND22,000bn (+42%) due to the major support from the rubber price recovery in the beginning of last year. The company's bottom line is also estimated at VND4,000bn for FY17, surging 43%. The company's management also attributed part of the earnings surge to the 60-70% increase in the rubber wood price, which helped the group to increase its rubber field disposal proceeds last year. Based on its announced business plan for 2018-2020, the company's topline should grow at a 23% CAGR and its earnings should rise at a 31% CAGR over the period. This heady growth would largely be driven by the rubber segment, which we expect to improve in both volume and ASP terms as mentioned earlier. From our observations, most of the listed rubber companies usually commit to their annual volume target in normal planting conditions and there is rarely too much variance between actual performance and targets. Given the conservative ASP assumptions inherence in management's outlook, we believe VNRG will likely be able to deliver what they promised to the public and strategic investors.

Figure 10: Revenue by business segment (VNDbn)



Source: VNDIRECT, VNRG

Figure 11: Earnings after tax segment (VNDbn)



Source: VNDIRECT, VNRG

Note: The industrial park revenue and earnings plans do not factor in the proposed change in the revenue and earnings recognition policy

IPO results and initial divestment plan

VNRG issued 120mn shares to increase its charter capital from VND38,803bn to VND40,000bn. The IPO will help the group to fund its development plan for its core operations in 2018-2020, which requires more than VND5,800bn in capital investment. The state divestment will be a 2-stage process of which phase 1 has already been completed:

1) On the 2nd of Feb 2018, 100.8mn primary shares (21% of total offer) were publicly sold to investors at an average matching price of VND13,011/share. The remaining 375mn shares will be re-allocated to the strategic package in order to finally reduce the state holding to 75%. The weak demand from public investors was widely attributed to the absence of foreign investors in the next divestment stage. The stock will initially be listed on UPCOM in the next two months before moving to the mainboard.

2) After the auction, the combination of 475.1mn shares and unsold shares in the IPO will be offered to strategic investors, which are required to be a domestic investors with a minimum of VND5,000bn in the prior year's charter capital, positive EAT in the last 3 years and positive retained earnings; or at least VND1,000bn of the prior year's charter capital, positive EAT in the last 3 years, positive retained earnings and operations in similar business segments. The shares offered to strategic investors will be locked up for 5 years from the IPO date. The last package of 50mn shares (1.2% holdings) will be offered to laborers, contractual farmers, and labor unions, with an offering price that is 60% of the lowest matched bidding price or 60% of the matched price of the strategic investor package.

Figure 12: Tentative IPO & divestment plan

Pre IPO			Post IPO			Post strategic divestment		
Shareholder	No. of Share (mn share)	Ownership	Shareholder	No. of Share (mn share)	Ownership	Shareholder	No. of Share (mn share)	Ownership
State	4,000.0	100.0%	State	3,899.2	97.5%	State	3,000.0	75.0%
			Public	100.8	2.5%	Public	100.8	2.5%
						Labour	48.6	1.2%
						Contractual farmer	0.3	0.0%
						Labour Union	0.8	0.0%
						Strategic investor	849.5	21.2%
Total	**4,000.0**	**100.0%**		**4,000.0**	**100.0%**		**4,000.0**	**100.0%**

Source: VNDIRECT, VNRG

If the public package or the last package are not fully sold, the unsold shares will be offered to a strategic investor to keep the state holdings at 75%. All of the shares will be listed on UPCOM first and it will then take 2-3 months to move to the mainboard, once all the listing requirements are satisfied.

Investment thesis

VNRG's premature rubber fields should help ensure 15% volume growth in the long-term, while we forecast that the price of rubber will stay strong for the next 4 years. We also like the prospects created by rubber wood disposals since rubber wood prices have been soaring this year; we believe that this type of wood will be in demand in the long-term, providing sustained price support. The compensation from the land recall by the authorities constitutes substantial upside but is unquantifiable at the present. Based on the company's earnings target and the starting IPO price, the FY18 forward PE works out to 9.0x, slightly above its local peers, however did reflect the long-term growth or any potential benefit discussed above. Solely based on its performance, VNRG does not look attractive at the price of VND13,000/share in mid-term, and the high possibility of an unsuccessful strategic divestment creates some uncertainty in post-listing liquidity of the stock. If the strategic divestment fail, the offer would be closed and the state will sell their stake directly in the stock exchange. Therefore, we advocate keeping an eye on the company but waiting until the company is listed before making an investment decision.

Figure 13: Peer valuation

Company	Country	Market Cap (US$mn)	TTM NPAT growth	TTM EPS growth	ROA	ROE	D/E (x)	TTM P/E (x)	P/B (x)
PHR VN	Vietnam	165.2	32.5%	30.6%	6.2%	12.4%	28.5%	13.4	1.7
DPR VN	Vietnam	75.1	179.6%	179.7%	4.5%	11.4%	8.3%	6.4	0.8
RTB VN	Vietnam	42.6	66.5%	N/A	3.8%	9.2%	25.7%	10.8	0.9
DRI VN	Vietnam	39.3	N/A	N/A	N/A	N/A	45.7%	5.3	1.2
TRC VN	Vietnam	39.0	104.4%	104.3%	4.1%	7.5%	9.9%	6.2	0.6
TNC VN	Vietnam	10.7	19.5%	19.4%	8.1%	8.6%	0.0%	9.1	0.8
BRC VN	Vietnam	5.7	-31.0%	-23.0%	7.8%	10.5%	18.5%	8.6	0.7
Peer average		**53.9**	**61.9%**	**62.2%**	**5.7%**	**9.9%**	**19.5%**	**8.6**	**1.0**
Peer Median		**39.3**	**49.5%**	**30.6%**	**5.3%**	**9.9%**	**18.5%**	**8.6**	**0.8**
VNRG (*)	Vietnam	2,290.7	43.0%	43.0%	3.6%	6.2%	54.4%	14.1	3.1

(*) All VNRG pricing information is based on IPO starting price of VND13,000/share
Pricing information for all other tickers are based on closing prices as of 28th January, 2018

Source: Bloomberg, VNDirect

DISCLAIMER

The content of this report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by and belongs to VNDIRECT Securities Corporation, and is distributed by CGS-CIMB or CIMB Investment Bank Berhad ("CIMB"), as the case may be, pursuant to an arrangement between VNDIRECT Securities Corporation and CGS-CIMB. VNDIRECT Securities Corporation is not an affiliate of CGS-CIMB or CIMB.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CGS-CIMB or CIMB, as the case may be.

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report.

VNDIRECT Securities Corporation may or may not issue regular reports on the subject matter of this report at any frequency and may cease to do so or change the periodicity of reports at any time. None of VNDIRECT Securities Corporation, CGS-CIMB or CIMB is under any obligation to update this report in the event of a material change to the information contained in this report. None of VNDIRECT Securities Corporation, CGS-CIMB or CIMB has any and will accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant, (ii) ensure that the content of this report constitutes all the information a prospective investor may require, (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, VNDIRECT Securities Corporation, CGS-CIMB and CIMB and their respective affiliates and related persons including China Galaxy International Financial Holdings Limited ("CGIFHL") and CIMB Group Sdn. Bhd. ("CIMBG") and their respective related corporations (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof. In particular, VNDIRECT Securities Corporation, CGS-CIMB and CIMB disclaim all responsibility and liability for the views and opinions set out in this report.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of CGS-CIMB, CIMB, or VNDIRECT Securities Corporation, or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) to any person to buy or sell any investments.

CGS-CIMB, CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates and related corporations (including CGIFHL, CIMBG and their respective related corporations), their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CGS-CIMB, CIMB and/or VNDIRECT Securities Corporation, and/or their respective affiliates and their respective related corporations (including CGIFHL, CIMBG and their respective related corporations) do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

CGS-CIMB, CIMB and/or VNDIRECT Securities Corporation and/or their respective affiliates (including CGIFHL, CIMBG and their respective related corporations) may enter into an agreement with the company(ies) covered in this report relating to the production of research reports. CGS-CIMB, CIMB and/or VNDIRECT Securities Corporation may disclose the contents of this report to the company(ies) covered by it and may have amended the contents of this report following such disclosure.

The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously. No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. The analyst(s) who prepared this research report is prohibited from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality,

available on request.
The term “VNDIRECT Securities Corporation” shall, unless the context otherwise requires, mean VNDIRECT Securities Corporation and its affiliates, subsidiaries and related companies. The term “CGS-CIMB” shall denote, where appropriate, the relevant entity distributing or disseminating the report in the particular jurisdiction referenced below, or, in every other case except as otherwise stated herein, CIMB Securities International Pte. Ltd. and its affiliates, subsidiaries and related corporations.

CGS-CIMB

Country	**CGS-CIMB Entity**	**Regulated by**
Hong Kong	CGS-CIMB Securities Limited	Securities and Futures Commission Hong Kong
India	CGS-CIMB Securities (India) Private Limited	Securities and Exchange Board of India (SEBI)
Indonesia	PT CGS-CIMB Sekuritas Indonesia	Financial Services Authority of Indonesia
Singapore	CGS-CIMB Research Pte. Ltd.	Monetary Authority of Singapore
South Korea	CGS-CIMB Securities Limited, Korea Branch	Financial Services Commission and Financial Supervisory Service
Thailand	CGS-CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

CIMB

Country	**CIMB Entity**	**Regulated by**
Malaysia	CIMB Investment Bank Berhad	Securities Commission Malaysia

(i) As of 7 February 2018 VNDIRECT Securities Corporation has a proprietary position in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:
(a) -
(ii) As of 7 February 2018, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report:
(a) -

This report does not purport to contain all the information that a prospective investor may require. CGS-CIMB, and VNDIRECT Securities Corporation and their respective affiliates (including CGIFHL, CIMBG and their related corporations) do not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report. None of CGS-CIMB, CIMB and VNDIRECT Securities Corporation and their respective affiliates nor their related persons (including CGIFHL, CIMBG and their related corporations) shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.
This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CGS-CIMB's, CIMB's and their respective affiliates' (including CGIFHL's, CIMBG's and their respective related corporations') clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments or any derivative instrument, or any rights pertaining thereto.
Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.
Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited. This research is only available in Australia to persons who are “wholesale clients” (within the meaning of the Corporations Act 2001 (Cth) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a “wholesale client”. This research is of a general nature only and has been prepared without taking into account the objectives, financial situation or needs of the individual recipient. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited do not hold, and are not required to hold an Australian financial services license. CIMB Securities (Singapore) Pte. Ltd. and CIMB Securities Limited rely on “passporting” exemptions for entities appropriately licensed by the Monetary Authority of Singapore (under ASIC Class Order 03/1102) and the Securities and Futures Commission in Hong Kong (under ASIC Class Order 03/1103).
Canada: This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. For any research report distributed by CIBC, further disclosures related to CIBC conflicts of interest can be found at https://researchcentral.cibcwm.com.
China: For the purpose of this report, the People's Republic of China (“PRC”) does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region or Taiwan. The distributor of this report has not been approved or licensed by the China Securities

Regulatory Commission or any other relevant regulatory authority or governmental agency in the PRC. This report contains only marketing information. The distribution of this report is not an offer to buy or sell to any person within or outside PRC or a solicitation to any person within or outside of PRC to buy or sell any instruments described herein. This report is being issued outside the PRC to a limited number of institutional investors and may not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Germany: This report is only directed at persons who are professional investors as defined in sec 31a(2) of the German Securities Trading Act (WpHG). This publication constitutes research of a non-binding nature on the market situation and the investment instruments cited here at the time of the publication of the information.

The current prices/yields in this issue are based upon closing prices from Bloomberg as of the day preceding publication. Please note that neither the German Federal Financial Supervisory Agency (BaFin), nor any other supervisory authority exercises any control over the content of this report.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities Limited. The views and opinions in this research report are of VNDIRECT Securities Corporation as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Conduct Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK.

CHK does not make a market on other securities mentioned in the report.

India: This report is issued and distributed in India by CIMB Securities (India) Private Limited ("CIMB India") which is registered with the National Stock Exchange of India Limited and BSE Limited as a trading and clearing member under the Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992. In accordance with the provisions of Regulation 4(g) of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, CIMB India is not required to seek registration with the Securities and Exchange Board of India ("SEBI") as an Investment Adviser. CIMB India is registered with SEBI as a Research Analyst pursuant to the SEBI (Research Analysts) Regulations, 2014 ("Regulations").

This report does not take into account the particular investment objectives, financial situations, or needs of the recipients. It is not intended for and does not deal with prohibitions on investment due to law/jurisdiction issues etc. which may exist for certain persons/entities. Recipients should rely on their own investigations and take their own professional advice before investment.

The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of CIMB India and they have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues, client feedback and competitive factors. Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed or proposed to be performed by CIMB India or its affiliates.

CIMB India has not received any investment banking related compensation from the companies mentioned in the report in the past 12 months.

CIMB India has not received any compensation from the companies mentioned in the report in the past 12 months.

Indonesia: This report is issued and distributed by PT CIMB Sekuritas Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. CIMBI has no obligation to update its opinion or the information in this research report. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable Indonesian capital market laws and regulations.

This research report is not an offer of securities in Indonesia. The securities referred to in this research report have not been registered with the Financial Services Authority (Otoritas Jasa Keuangan) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market law and regulations.

Ireland: CGS-CIMB is not an investment firm authorised in the Republic of Ireland and no part of this document should be construed as CGS-CIMB acting as, or otherwise claiming or representing to be, an investment firm authorised in the Republic of Ireland.

Malaysia: This report is distributed by CIMB solely for the benefit of and for the exclusive use of our clients. CIMB has no obligation to update, revise or reaffirm its opinion or the information in this research reports after the date of this report.

New Zealand: In New Zealand, this report is for distribution only to persons who are wholesale clients pursuant to section 5C of the Financial Advisers Act 2008.

Singapore: This report is issued and distributed by CIMB Research Pte Ltd ("CIMBR"). CIMBR is a financial adviser licensed under the Financial Advisers Act, Cap 110 ("FAA") for advising on investment products, by issuing or promulgating research analyses or research reports, whether in electronic, print or other form. Accordingly CIMBR is a subject to the applicable rules under the FAA unless it is able to avail itself to any prescribed exemptions.

Recipients of this report are to contact CIMB Research Pte Ltd, 50 Raffles Place, #16-02 Singapore Land Tower, Singapore in respect of any matters arising from, or in connection with this report. CIMBR has no obligation to update its opinion or the information in this research report. This publication is strictly confidential and is for private circulation only. If you have not been sent this report by CIMBR directly, you may not rely, use or disclose to anyone else this report or its contents.

If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMBR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. If the recipient is an accredited investor, expert investor or institutional investor, the recipient is deemed to acknowledge that CIMBR is exempt from certain requirements under the FAA and its attendant regulations, and as such, is exempt from complying with the following :

(a) Section 25 of the FAA (obligation to disclose product information);

(b) Section 27 (duty not to make recommendation with respect to any investment product without having a reasonable basis where you may be reasonably expected to rely on the recommendation) of the FAA;

(c) MAS Notice on Information to Clients and Product Information Disclosure [Notice No. FAA-N03];

(d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];

(e) Section 36 (obligation on disclosure of interest in securities), and

(f) any other laws, regulations, notices, directive, guidelines, circulars and practice notes which are relates to the above, to the extent permitted by applicable laws, as may be amended from time to time, and any other laws, regulations, notices, directive, guidelines, circulars, and practice notes as we may notify you from time to time. In addition, the recipient who is an accredited investor, expert investor or institutional investor acknowledges that a CIMBR is exempt from Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA, the recipient will also not be able to file a civil claim against CIMBR for any loss or damage arising from the recipient's reliance on any recommendation made by CIMBR which would otherwise be a right that is available to the recipient under Section 27 of the FAA.

CIMBR, its affiliates and related corporations, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMBR, its affiliates and its related corporations do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report.

As of 7 February 2018, CIMBR does not have a proprietary position in the recommended securities in this report.

CIMBR does not make a market on the securities mentioned in the report.

South Korea: This report is issued and distributed in South Korea by CIMB Securities Limited, Korea Branch ("CIMB Korea") which is licensed as a cash equity broker, and regulated by the Financial Services Commission and Financial Supervisory Service of Korea. In South Korea, this report is for distribution only to professional investors under Article 9(5) of the Financial Investment Services and Capital Market Act of Korea ("FSCMA").

Spain: This document is a research report and it is addressed to institutional investors only. The research report is of a general nature and not personalised and does not constitute investment advice so, as the case may be, the recipient must seek proper advice before adopting any investment decision. This document does not constitute a public offering of securities.

CGS-CIMB is not registered with the Spanish Comision Nacional del Mercado de Valores to provide investment services.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Switzerland: This report has not been prepared in accordance with the recognized self-regulatory minimal standards for research reports of banks issued by the Swiss Bankers' Association (Directives on the Independence of Financial Research).

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Co. Ltd. ("CIMBT") based upon sources believed to be reliable (but their accuracy, completeness or correctness is not guaranteed). The statements or expressions of opinion herein were arrived at after due and careful consideration for use as information for investment. Such opinions are subject to change without notice and CIMBT has no obligation to update its opinion or the information in this research report.

CIMBT may act or acts as Market Maker, and issuer and offerer of Derivative Warrants and Structured Note which may have the following securities as its underlying securities. Investors should carefully read and study the details of the derivative warrants in the prospectus before making investment decisions.

AAV, ADVANC, AMATA, ANAN, AOT, AP, BA, BANPU, BBL, BCH, BCP, BCPG, BDMS, BEAUTY, BEC, BEM, BJC, BH, BIG, BLA, BLAND, BPP, BTS, CBG, CENTEL, CHG, CK, CKP, COM7, CPALL, CPF, CPN, DELTA, DTAC, EA, EGCO, EPG, GFPT, GLOBAL, GLOW, GPSC, GUNKUL, HMPRO, INTUCH, IRPC, ITD, IVL, KBANK, KCE, KKP, KTB, KTC, LH, LHBANK, LPN, MAJOR, MALEE, MEGA, MINT, MONO, MTLS, PLANB, PSH, PTL, PTG, PTT, PTTEP, PTTGC, QH, RATCH, ROBINS, S, SAWAD, SCB, SCC, SCCC, SIRI, SPALI, SPRC, STEC, STPI, SUPER, TASCO, TCAP, THAI, THANI, THCOM, TISCO, TKN, TMB, TOP, TPIPL, TRUE, TTA, TU, TVO, UNIQ, VGI, WHA, WORK.

Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBT does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom and European Economic Area (EEA): In the United Kingdom and European Economic Area, this material is also being distributed by CIMB Securities (UK) Limited ("CIMB UK"). CIMB UK is authorized and regulated by the Financial Conduct Authority and its registered office is at 27 Knightsbridge, London, SW1X7YB. The material distributed by CIMB UK has been prepared in accordance with CGS-CIMB's policies for managing conflicts of interest arising as a result of publication and distribution of this material. This material is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of CIMB UK; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"), (c) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order; (d) are outside the United Kingdom subject to relevant regulation in each jurisdiction, material(all such persons together being referred to as "relevant persons"). This material is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

Where this material is labelled as non-independent, it does not provide an impartial or objective assessment of the subject matter and does not constitute independent "research" (cannot remove research from here under the applicable rules of the Financial Conduct Authority in the UK. Consequently, any such non-independent material will not have been prepared in accordance with legal requirements designed to promote the independence of research (cannot remove research from here) and will not subject to any prohibition on dealing ahead of the dissemination of research. Any such non-independent material must be considered as a marketing communication.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S. registered broker-dealer and a related company of CIMB Research Pte Ltd, PT CIMB Sekuritas Indonesia, CIMB Securities (Thailand) Co. Ltd, CIMB Securities Limited, CIMB Securities (India) Private Limited, and is distributed solely to persons who qualify as "U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors whose ordinary business activities involve investing in shares, bonds, and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not a U.S. Institutional Investor or Major Institutional Investor must not rely on this communication. The delivery of this research report to any person in the United States of America is not a recommendation to effect any transactions in the securities discussed herein, or an endorsement of any opinion expressed herein. CIMB Securities (USA) Inc, is a FINRA/SIPC member and takes responsibility for the content of this report. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

CIMB Securities (USA) Inc. does not make a market on other securities mentioned in the report.

CIMB Securities (USA) Inc. has not managed or co-managed a public offering of any of the securities mentioned in the past 12 months.

CIMB Securities (USA) Inc. has not received compensation for investment banking services from any of the company mentioned in the past 12 months.

CIMB Securities (USA) Inc. neither expects to receive nor intends to seek compensation for investment banking services from any of the company mentioned within the next 3 months.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

RECOMMENDATION FRAMEWORK

Stock Ratings	Definition:
Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the:(i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

Anirban Lahiri – Head of Research
Email: anirban.lahiri@vndirect.com.vn

Tho Dien Hong – Analyst
Email: tho.dienhong@vndirect.com.vn

VNDIRECT Securities Corporation
1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi
Tel: +84 2439724568
Email: research@vndirect.com.vn
Website: https://vndirect.com.vn