April 13rd, 2010
**Song Da N° 9 Joint Stock Company (HNX: SD9)**
**Sector:** Construction & Construction materials
**Establishment:** 04/01/2006
**Website**: http://www.songda9.com.vn

**Listed date**: 12/20/2006

# COMPANY VISIT REPORT

## Key information updated

- ✓ Q1 2010 revenue is possibly lower than target and same period last year due to tightly depending on banking disbursement progress for project owner.
- ✓ SD9's construction activities mainly focus on hydroelectric construction. Some of large hydroelectric projects include: Lai Chau Hydroelectric plant, Nam Khanh hydroelectric plant, Hua Na hydroelectric plant, Huoi Quang.
- ✓ Currently, SD9 intends to expand business activities investing into real–estate sector. However, its project is in the planning check list to be authorized and nearly has not been started yet. SD9 is pursuing the only project named Trung Son Tram Urban Center but the courter-parts are not defined.
- ✓ Fixed assets are mainly machines and equipment for construction progress. Although carrying value is rather low, the company focuses much on repair and maintenance (directly recorded into annual costs of sale). This helps ensure high co efficiency of performance after amortization, at around 70 – 80% compared to initial operation.
- ✓ All demanded fixed assets for 2010 construction (of Lai Chau hydroelectric and national highways) are bought in Q1 2010. Total expenses for new machines and equipment are around VND 200 bil. Since then, demand for new machines only rise in case of appearing new big projects.
- ✓ Financial investment mostly focuses on Nam Mu hydroelectric plant, Artech Security, Vietcombank and other Song Da companies such as S91, S96, S99, SDH. In 2010, after receiving high rate of stock dividend from S96 and SDH, SD9 could realized profit by reducing shares owning of these two companies in beneficial condition when stock price increases.
- ✓ SD 9 has no plan of issuing more shares. As Song Da Holding owns 60% of SD6 shares, the maximum dividend yield of parent company cannot excess 1.5 total interest loans, equivalent to the limit ratio of 20%.
- ✓ Potential revenue in 2010 is expected to be VND60 – 70bil, mainly come from Son La, Huoi Quang, Lai Chau hydroelectric projects and a part of revenue from national highway construction project.

## Stock statistics as at 13rd April 2010

| | | | |
|---|---|---|---|
| Market cap (VNDb) | 856.49 | Current price (VND) | 57,100 |
| 30 day av trading vol (Mil) | 129,000 | 52 weeks high | 78,500 |
| Outstanding share (mil) | 15.00 | 52 weeks low | 21,500 |
| Chartered capital (VNDb) | 150 | TTM P/E (x) | 7.55 |
| Adjusted EPS (VND) | 7,575 | P/B(x) | 2.49 |
| Dividend yield (%) | 2.63 | Foreign ownership (%) | 2.09 |

## Stock chart

## Shareholding structure as at 03/15/2010:

| Structure | % ownership (%) |
|---|---|
| Organizational ownership | 60.00 |
| Foreign ownership | 2.09 |
| State ownership | 37.91 |
| **Total** | **100.00** |

| Stock | Q4 Profit (VND m) | EPS (VND) | P/E |
|---|---|---|---|
| SD2 | 27.143 | 5,592 | 6.08 |
| SD3 | 29.504 | 3,595 | 9.35 |
| SD4 | 19.136 | 2,551 | 9.41 |
| SD5 | 68.360 | 11,218 | 5.29 |
| SD6 | 39.983 | 6,664 | 6.95 |
| SD7 | 60.720 | 6,747 | 7.93 |
| SDA | 39.806 | 4,374 | 11.18 |
| SDN | 5.421 | 4,017 | 5.88 |
| SDP | 15.818 | 3,164 | 10.68 |
| SDT | 118.798 | 10,154 | 5.91 |
| SDY | 4.733 | 3,155 | 12.68 |
| Average P/E | | | **8.30** |

SDx stocks have current average P/E of 8.3. Besides, based on 2009 EPS at 7,575 VND/share, SD9 could be able to achieve the upper band price of 60,000 VND/share. So, the current price of about 57,100 VND/share is not very attractive compared to general market's condition and safely for investment.

**Nguyen Truong Son – sonnt2@fpts.com.vn**

**Investment Analysis Department, FPT Securities JSC**

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# COMPANY VISIT REPORT

## COMPANY PROFILES

- ✓ Under Song Da Corporation's management, SD9 operating as the group company in which Song Da Holding currently owns 60% of SD9's equity. SD9 currently has 2 subsidiaries: Song DA 9.01 JSC and Nam Mu Hydroelectric HJS (51% chartered capital).
- ✓ Business activities:
  - Civil construction, industry, traffic and transportation, water resources, hydro-power, post-office, technical infrastructure, electric wire and transformer stations;
  - Construction investment, urban and industry zone infrastructure services;
  - Engineering consultant and building services;
  - Mineral exploiting and construction material manufacturing;
  - Entrepreneur in the investment, operation, exploitation and service in power and cement plant construction;
  - Manufacturing and installing mechanic and construction components, car part and maintenance services of car, construction equipments devices;
  - Exporting and importing materials and technology-construction equipments.

  Among the above segments, SD 9 focuses mostly on hydro- power construction which contributed to over 90% annual turnover.

## BUSINESS HIGHLIGHTS

- ✓ Construction activities mainly focus on hydroelectric plants. Some of SD9's big hydroelectric plant projects include: Lai Chau hydroelectric plant, Nam Khanh hydroelectric plant, Hua Na hydroelectric plant, Huoi Quang. Projects' construction progress is listed on the table below:

| Project | Construction progress up to now and late 2010 |
|---|---|
| Son La Hydroelectric Plant | Finish construction period in late 2010, part of revenue and expenses are realized in 2011 |
| Xekaman 3 | Complete in late 2010. |
| Nam Chien | Complete in late 2010. |
| Huoi Quang | Construction period: 2 – 3 years |
| Nam Khanh | Complete in late 2011 |
| Nam Ngan | Complete in late 2009, the rest revenue and expenses are realized in QI 2010. |
| Lai Chau Hydroelectric Plant | Implemented before Lunar new year, constructing access and site clearance, complete in 2015 |
| Hua Na Hydroelectric Plant | Complete in late 2011 |

  As above, most of projects implemented last year will be completed in late 2010, unrealized revenue and profit from those projects will be recorded partially in 2010 and the rest in 2011. The typical recognition due to characteristic of hydroelectric construction industry (especially for appointed projects): calculate in advance cannot be accounted even when the construction has finished and revenue is recognized in case of billing invoice only.

- ✓ Currently, Lai Chau Hydroelectric plant is considered as a major and long–term project. In average, a hydroelectric construction project has net profit ratio at around 10%/year, but varied depending on the progress of construction (the longer the construction period is, the lower net profit ratio is).
- ✓ SD9 has no plan to increase chartered capital. With 60% stakeholder of Song Da Corporation, the maximum dividend payout ratio defined by the parent company cannot excess 1.5 times of interest loans, equivalent to the ratio of 20% over par value.
- ✓ Potential revenue in 2010 mainly come from Son La, Huoi Quang, Lai Chau hydroelectric projects and a part of revenue from national highway construction project with expected turnover to be VND60 – 70bil.

## INVESTMENT IN FIXED ASSETS

- ✓ Fixed assets are mainly machineries and equipments for construction. All demanded fixed assets for 2010 construction of Lai Chau hydroelectric, highways No. 51 between Ho Chi Minh City – Vung Tau, the highway No.3 and No.6 were bought in Q1 2010. Total cost of assets is around VND 200 bil. Since then, demand for new machines only rise in case of appearing additional large projects.
- ✓ Although most of machines and equipment nearly completed amortization, working capacity of the machines is still at high level around 70% – 80% compared to initial operation thanks to annual careful repair and maintenance. Most of SD9 modern machines are now in free tax duty as they are in encouraged machine list for implementing major national projects. Repair and maintenance cost is recorded directly into costs of goods sold in the year it incurred.

## REAL ESTATE INVESTMENT

- ✓ Regarding Real – estate segment, some other analysis reports point out many projects that SD9 involved such as North – West Tan Tao project, Trung Son Tram New Urban project, 268 Trung Kinh project, Yen Phong II Industrial Zone, Ngoc Khanh urban project, etc. However, as discussed with SD9's management, most of these projects were performed by S99 and SDH (Sico). SD9 is now following the Trung Son Tram New Urban project only. The project is in the checking-up list of Hanoi People Committee and has not been licensed yet. Thus, it is expected to start land compensation and clearance not before late of 2010. Duration for the project is 2 years.
- ✓ The Trung Son Tram Urban Center is now in the planning check list to be authorized and nearly has not been started yet. Thus, the courter-parts are not defined. Money flow from this project can not be generated in 2010.

## FINANCE INVESTMENT

- ✓ Financial investment mostly focuses on Nam Mu hydroelectric plant, Artech Securities JSC, Vietcombank and other Song Da Corporation's subsidiaries such as S91, S96, S99, SDH. In 2010, after receiving high rate of stock dividend from S96 and SDH, SD9 might reduce shares owning of these two companies in beneficial condition when stock price increases.

| Some major investment | Volume | Sell price | Current price | Investment value | Undo captital surplus |
|---|---|---|---|---|---|
| **S91** | 802,500 | 10,000 | 35,200 | 8,025,000,000 | 20,223,000,000 |
| **S96** | 1,975,000 | 10,000 | 43,400 | 19,750,000,000 | 65,965,000,000 |
| **S99** | 778,600 | 10,000 | 60,000 | 7,786,000,000 | 38,930,000,000 |
| **SDH** | 517,500 | 10,000 | 86,000 | 5,175,000,000 | 39,330,000,000 |
| **HJS** | 3,060,000 | 10,000 | 15,900 | 30,600,000,000 | 18,054,000,000 |
| **Vietcombank** | 100,000 | 103,000 | 47,000 | 10,300,000,000 | (5,600,000,000) |
| **SD1** | 250,000 | 10,000 | N/A | 2,500,000,000 | N/A |
| **Artech Securities** | 2,000,000 | 10,000 | N/A | 20,000,000,000 | N/A |
| **Total** | | | | **104,136,000,000** | |

In portfolio above, the investment into S96 has been performed with ratio of 1:2.95 par value. In case of good market condition and S96's stock price reach expected level, SD9 will realize profit. The shares volume intended to transfer has not been announced yet.

## PLANS OF RAISING CAPITAL AND DIVIDEND PAYOUT

- ✓ As projects are overlapping, highway construction is implemented after hydroelectric plant projects have finished; in 2010, the current resources are enough for SD9 to operate effectively. Thus, new issuance is only necessary when SD9 implement Urban Center project at the end of 2010.
- ✓ As Song Da Holding owns 60% of SD6 shares, the maximum dividend yield of parent company cannot excess 1.5 total interest loans (at about 12%), equivalent to the ratio of 18%, the maximum is not excess 20% of owner's equity. The final dividend ratio will be decided in annual shareholder meeting happening on 04/24/2010.

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# COMPANY VISIT REPORT

## FINANCIAL FIGURES

### GROWTH

Unit: VND'm

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Chartered capital | 70,000 | 70,000 | 150,000 | 150,000 | 150,000 |
| Equity | 77,190 | 97,485 | 241,219 | 264,659 | 344,332 |
| Total assets | 886,567 | 887,846 | 1,018,226 | 1,077,629 | 1,249,649 |
| *% growth* | | *0.14%* | *14.69%* | *5.83%* | *15.96%* |
| Net sales | 467,390 | 335,974 | 456,091 | 622,581 | 592,338 |
| *% growth* | | *-28.12%* | *35.75%* | *36.50%* | *-4.86%* |
| Profit before tax | 15,730 | 29,748 | 67,673 | 64,011 | 135,997 |
| *% growth* | | *89.12%* | *127.49%* | *-5.41%* | *112.46%* |
| Profit after tax | 15,441 | 29,626 | 66,801 | 56,833 | 119,494 |
| *% growth* | | *91.86%* | *125.48%* | *-14.92%* | *110.25%* |
| Profit after tax of parent company's shareholders | 10,160 | 23,985 | 61,312 | 51,679 | 113,950 |
| *% growth* | | *136.07%* | *155.62%* | *-15.71%* | *120.49%* |

## FINANCIAL REPORTS AND COMPARATIVES

| Profit & loss (VNDm) | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Net sales | 592,338 | 622,581 | 456,091 | 335,974 |
| Gross profit | 153,542 | 153,358 | 87,958 | 97,398 |
| Financial income | 65,331 | 21,307 | 56,640 | 8,673 |
| Financial expense | 41,193 | 73,480 | 58,582 | 62,237 |
| Net operating profit | 134,541 | 61,839 | 59,116 | 22,998 |
| Profit before tax | 135,997 | 64,011 | 67,673 | 29,748 |
| Taxation | 16,503 | 6,991 | 743 | - |
| Profit after tax | 119,494 | 56,833 | 66,801 | 29,626 |

| Balance sheet (VNDm) | 30/12/2009 | 31/12/2008 | 31/12/2007 | 31/12/2006 |
|---|---|---|---|---|
| Cash & cash equivalent | 99,303 | 80,811 | 81,222 | 36,224 |
| Short-term investments | 10,000 | - | - | - |
| Current receivables | 184,424 | 133,238 | 165,791 | 106,173 |
| Inventories | 274,290 | 251,266 | 271,223 | 264,401 |
| Other current assets | 14,802 | 14,179 | 11,370 | 12,485 |
| Fixed asset | 566,983 | 499,794 | 410,706 | 433,545 |
| Goodwill | - | 1,349 | 2,149 | - |
| Investment properties | 15,396 | 17,236 | 19,077 | 20,917 |
| Long-term investments | 82,825 | 79,160 | 54,589 | 11,970 |
| Other long-term assets | 1,626 | 597 | 2,098 | 2,130 |
| **TOTAL ASSETS** | **1,249,649** | **1,077,629** | **1,018,226** | **887,846** |
| Short-term liabilities | 485,118 | 479,957 | 507,668 | 479,145 |
| Long-term liabilities | 354,481 | 277,650 | 220,179 | 265,220 |
| Owners' equity | 344,332 | 264,659 | 241,219 | 97,485 |
| Minority Interest | 65,718 | 55,363 | 49,160 | 45,995 |
| **TOTAL RESOURCES** | **1,249,649** | **1,077,629** | **1,018,226** | **887,846** |

| Ratios | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Gross profit margin (%) | 25.92 | 24.63 | 19.29 | 28.99 |
| Net profit margin (%) | 22.71 | 9.93 | 12.96 | 6.85 |
| ROA (%) | 10.27 | 5.42 | 7.01 | 3.34 |
| ROE (%) | 39.24 | 22.47 | 39.44 | 33.92 |
| Basic EPS (VND) trailing | 7,575 | 3,445 | 7,143 | N/A |
| Current ratio (x) | 1.20 | 1.00 | 1.04 | 0.88 |
| Total debt/Equity (x) | N/A | 2.10 | 2.07 | 5.59 |
| Total liabilities/Equities (x) | 2.44 | 2.86 | 3.02 | 7.64 |

| Comparables as at 16th March 2010 | SD7 | SD6 | SDT |
|---|---|---|---|
| Market Cap (VNDb) | 507.60 | 281.40 | 720.03 |
| P/E (x) | 18.09 | 9.55 | 14.87 |
| P/B (x) | 1.51 | 1.51 | 1.97 |
| Dividend yield (%) | 2.84 | 3.20 | 2.91 |
| ROA (%) | 6.57 | 5.26 | 13.01 |
| ROE (%) | 18.05 | 19.78 | 31.39 |
| EPS (VND) | 3,118.00 | 4,909.00 | 4,155.00 |
| Gross profit (%) | 12.72 | 12.99 | 17.83 |
| Net Profit (%) | 6.75 | 5.99 | 12.66 |
| Current ratio | 1.18 | 0.95 | 1.35 |
| Total Liabilities/ equity (x) | 1.50 | 2.79 | 1.40 |
| Foreign ownership (%) | 3.32 | 1.00 | 4.46 |

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# FINANCIAL ANALYSIS

## REVENUE AND PROFIT GROWTH

- ✓ As at the end of 2009, realized revenue declined nearly 5% against 2008. Most of SD9's revenue comes from hydroelectric construction with overlapping stages of which money flow is stable, thus the surge revenue hardly happens.
- ✓ In 2010, although realized revenue in Q1 2010 might low as being affected by bank disbursement progress, the real revenue will be remarkably higher realized revenue. The unrealized revenue and profit will be realized when money flow is broaden in Q II and Q III.
- ✓ Potential revenue in 2010 is expected to be VND60 – 70bil, mainly come from Son La, Huoi Quang, Lai Chau hydroelectric projects and a part of revenue from national highway construction project.

## GROWTH OF ASSETS

- ✓ In 2009, increase in fixed assets is mostly from infrastructure construction of Nam Ngan hydroelectric plant. As at August, Nam Ngan hydroelectric plants construction completed and started operation, construction in progress value is transfer into historical cost of fixed assets and accumulated depreciation. The plant's productivity is around 13.5 MW.
- ✓ In 2010, SD9 focus on investing additional machines and equipment for Lai Chau hydroelectric plant construction and assets for national highway projects. Thus, other current assets and long – term assets structures have no sudden changes.

## GEARING & LIQUIDITIES

- ✓ As at March 31st, SD9 remains high gearing ratio in which total debts is 2.5 times higher than owner's equity, mostly by short – term liabilities to finance for current resources and purchasing materials. However, gearing ratio in 2009 has considerably decreased compared to previous years.

| Liabilities structure | 31/12/2009 | Total Liabilities/ equity | Total Liabilities/ Total Resources |
|---|---|---|---|
| Short-term liabilities | 485,118 | 1.43 | 0.39 |
| Long-term liabilities | 354,481 | 1.05 | 0.28 |
| Total Liabilities | 839,599 | 2.48 | 0.67 |
| Equity | 338,750 | | |
| Total Resources | 1,249,651 | | |

- ✓ Long – term liabilities has increased, mostly focus on financing for Nam Ngan hydroelectric project. When the plant operates, revenue from electric generation will gradually repay this long – term liabilities.

## P/E VALUATION

- ✓ SDx stocks have current average P/E of 8.3. Besides, based on 2009 EPS at 7,575 VND/share, SD9 could achieve the upper band price of 60,000 VND/share. So, the current price of about 57,100 VND/share is not very attractive compared to general market's condition and safely for investment.
- ✓ Regarding the 2010 EPS, it is not difficult for SD9 to meet the target as SD9 gained projects of constructing several national highways: N° 51 Hochiminh city – Vung Tau; N° 6 and N° 3 beside continuing implementing hydroelectric plant projects from 2009. Surge profit might occur if SD 9 realizes profit from financial investment into SDx in prosperous condition of stock market at the second half 2010, as once happened in 2009.

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**FPT Securities Joint Stock Company**
Head quarter

Level 2, Spring Garden building
71 Nguyen Chi Thanh street,
Ba Dinh district,
Ha Noi
Vietnam
Tel: (84-4) 3773 7070 / 271 7171
Fax: (84-4) 3773 9058

**FPTS Securities Joint Stock Company**
Ho Chi Minh branch

31 Nguyen Cong Tru
Nguyen Thai Binh ward,
District I
Ho Chi Minh city
Vietnam
Tel: (84-8) 6290 8686
Fax: (84-8) 6290 6070