

**SHARE INFORMATION**

Listed day	15/07/2011
Exchange	HOSE
Price (VND)	35,000
Number of shares	19,336,371
Market cap (bil VND)	676.8

**FINANCIAL INFORMATION**

Unit: VND billion	2010	2011E
Total assets	577.2	671.4
Owner's equity	490.1	559.1
Chartered capital	193.4	193.4
Revenue	119.6	201.0
Profit after tax	59.7	87.6

**FINANCIAL RATIOS**

Item	2010	2011E
Revenue growth	50%	68%
PAT growth	44.5%	46.8%
Assets growth	30%	51%
Equity growth	56%	14%
EPS growth	9%	7%
Gross margin	68%	70%
Net margin	58%	51%
ROA	10.4%	13.0%
ROE	12.2%	15.6%

**VALUATION RATIOS**

Item	2010	2011E
EPS (VND/share)	4,200	4,500
P/E	8.3	7.8
P/B	1.4	1.2
Dividend	15%	16%

**BUSINESS ACTIVITY**

Century 21 SJC (C21) focuses on the development of affordable housing and operation of commercial and hospitality properties. The Company owns Yoco Building on Nguyen Thi Minh Khai Street (Dist.1), Thap Ba Hot Spring Centre (Nha Trang), Mom Da Chim Resort (Binh Thuan), other beach-front resorts in Vietnam's central region and various residential projects in nearby HCMC.

**INVESTMENT HIGHLIGHTS**

**Stable cash flows and income accounting for large portion in total revenue and gross profit were mainly generated from operating commercial and hospitality properties.**

In 2010, four operating projects added VND 88 bil. into C21's revenue pool (equivalent to 74% total revenue) and gross margin VND 57 bil. (71% total gross margin). Hospitality and offices leasing services generate steadily growing incomes annually. Given current sluggish conditions in the real estate market, such incomes help C21 maintain its on-going operation.

**Low pressure in completion of compensation and project development as cleared land bank accounts for 81% of C21's total land bank.**

Currently, C21's projects land bank is of 125 ha, where its cleared land bank is up to 100 ha (81% total land bank), of which 18% for residential projects, locating in district 7, 9, 12 and Saigon South with current infrastructure connecting to the city centre and the rest for hospitality projects (82%), locating in eco – tourism areas such as Nha Trang, Binh Thuan, Quang Nam, Dong Nai which have great advantages of magnificent beaches and rivers, unique natural resources such as hot spring.

**Cash rich and no bank borrowings**

During the period of increasing interest rate and tightening monetary policy on real estate, C21 has abundant cash and no bank borrowings so that it avoid high-interest borrowings. In addition, its cash amount is quite ample, facilitating them to acquire new land bank and finance the development of their projects. As of 31 March, 2011, the cash & cash equivalents were VND 137 bil. (accounting for 20% of its market cap) which can bring financial income from its time deposit .

**INVESTMENT RECOMMENDATION**

*Based on a sound business model which focuses on hospitality and property development, C21 can generate surprising income when their projects are monetarized or realized. Strong cash flow, stable growth and large cleared land bank promise much potential for C21 stock.*

*Our NAV-based valuation shows a fair value of VND 63,000/share. C21 is going to be listed at the listing reference price of VND 35,000 per share, which is traded at discount of 44% to its revised NAV. Thus, we recommend **BUY** for this stock.*

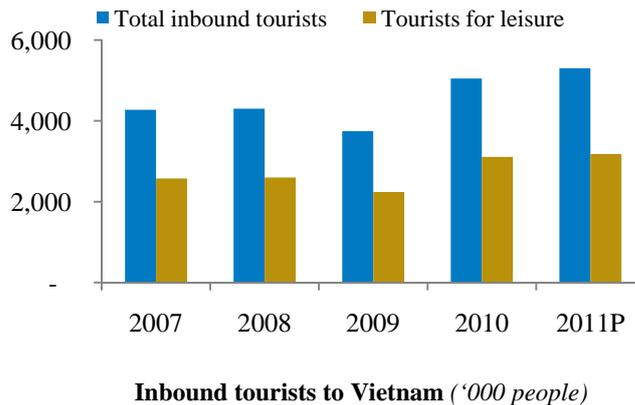
**REAL ESTATE INDUSTRY OVERVIEW**

Century 21 JSC operates in the sector of real estate and hospitality services. The upheaval in the industry will create opportunities as well as challenges affecting the company in the coming time.

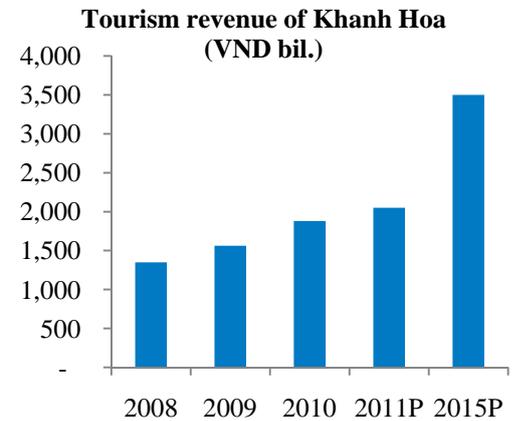
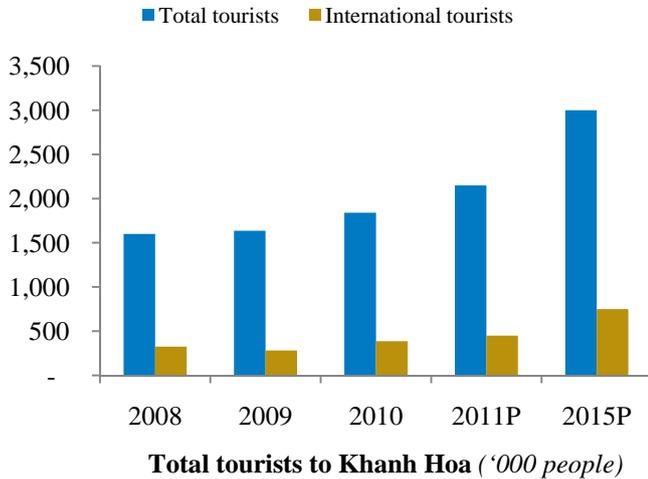
**It is a good time to short-list high-performing companies with promising long-term prospects in the current market condition.** Vietnam’s infrastructure is still in the strong growing phase and the demand for housing remains high. Although the current situation is quite pessimistic, it is time for companies possessing strong financial capacity and large clean land bank to breakthrough. In terms of real estate products, the market segments which have potentials in 2011 include middle and low price housing, commercial real estates and salable land area because these segments are appropriate for the budget of customers who are in real need and the supply is more limited than that of high-class apartments. 18ha of cleared land in the total land bank of C21 is being used to develop residential projects in suburban areas of HCMC (9B-7 Saigon South, Go Sao, Phuoc Long B residential area and the Huynh Tan Phat Office building and Apartment). Starting at the beginning of 2012, C21’s supply of products, mainly salable land and middle class apartments, is consistent with the market trend.

**The slowness in the fee payment for land use right and the credit crunch in real estate sector continue to cause difficulties for both supply and demand side in the coming time.** Decree 69 with the provision of determining the land use fees close to the market prices is likely to cause the project cost to double. In addition, there is no specific guidance on the implementation of this decree, causing the projects which have not paid the land use right fees to be delayed. Four real estate projects of C21, which are about to deploy, all face this problem. Meanwhile, the tightening policies on real estate lending have become a hurdle to both supply (project investors) and demand (property buyers) in the industry. This will cause a negative impact on business operations and revenues of real estate companies in 2011, especially ones with high financial leverage.

**Regarding the tourism property, this is a growing segment in Vietnam supported by the great potential of the tourism industry.** According to the Vietnam National Administration of Tourism, the number of foreign tourists visiting Vietnam in 2010 increased by 40% compared to that of 2009, reaching 5 million people and marking Vietnam as the best operating tourism market in Asia. Domestic tourism also completed the 2010 target, reaching 28 million arrivals. The tourism revenue was 20% above the 2010 target, equating about VND96,000 bln. and 37% higher than that of 2009. In 2011, the target of 5,3 million turns of international tourists and 30-31 million of domestic tourists was set for the industry. In addition, tourist revenue is expected to reach VND110,000 bln., 15% higher than that of 2010 and account for 4,5% of GDP.



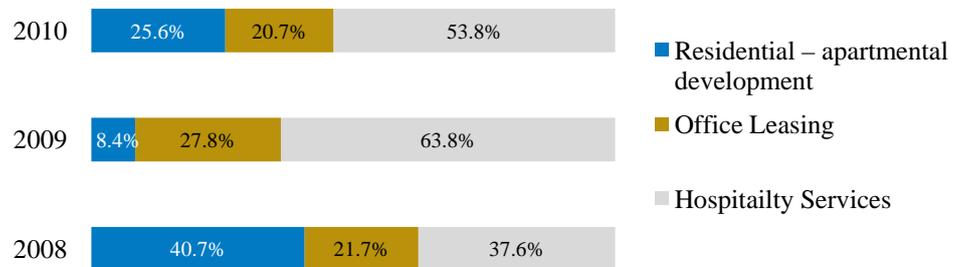
Separately, Khanh Hoa Province welcomed 1.84 million turns of visitors to its resorts in 2010, up by 14.27% compared to 2009, including more than 387,000 arrivals of international visitors, 37.4% higher than that of 2009. According to players in the industry, along with the recovery of the world economy, the number of international visitors to Khanh Hoa is more likely to strongly grow in 2011 as Nha Trang - Khanh Hoa has succeeded in building its brand name in the sea tourism, which is also a key economic sector of the province.



### THE CENTURY 21 CORPORATION

**Century 21 SJC (C21) focuses on the development of affordable housing and operation of commercial and hospitality properties.**

Its revenue structure over the years as follows:



**Commercial Real-estate:** In recent years, the Company has invested in some residential areas with completed infrastructure, salable land subdivision, invested in building the apartment in Binh Thanh district; constructed and operated the office building. The Company's investment strategy in the future is to build apartments in middle-high class standards.

C21's finished projects include: Binh Trung (4.5 ha), Binh Hoa (2.5ha) Residential Area, Ung Van Khiem Apartment (25,000 m2 sfa) and Song Giong Residential Area (18 ha).

**Hospitality Services:** This is the second business branch of C21 in order to diversify operations and bring a stable source of income for the Company. C21 is operating 2 projects: Thap Ba Hot Spring Center in Nha Trang and Mom Da Chim Resort in Binh Thuan province. Both of them are famous tourism sites in Vietnam.

## SHAREHOLDERS STRUCTURE



17.6% belongs to the founders, so far still keep significant positions in BoD with high commitment. They are all former people of Tuoi Tre Newspaper, inheriting wide relationship network which is a big advantage in exploring and developing new projects. Saigon Asset Management (SAM), joined in C21 since late 2010 with 19.1% ownership as strategic partner. They are expected to be a new factor supporting C21 in capital arrangement and developing the projects successfully.

## INVESTMENT HIGHLIGHT

**Stable cash flows and income accounting for large portion in total revenue and gross profit were mainly generated from operating commercial and hospitality properties.**

In 2010, four on-going operating projects added VND 88 bil, into C21's revenue pool (equivalent to 74% total revenue) and gross margin VND 57 bil. (71% total gross margin).

Operating since 2000, Thap Ba Hot Spring Centre (Nha Trang) has a CAGR of 20% in revenue, and brought approx. VND 53 bil. gross profit and gross margin of 79% in 2010. This is a unique business model which well takes advantages from rare natural resources. As it came in to full operation for long time, current operating cost is quite low and capacity reaches optimal level. Thap Ba attracts more than 40% of total tourist arrivals to Khanh Hoa.

Stretching across 6 ha area and operating since 2006, Mom Da Chim Lazi Beach Resort (Binh Thuan) is one of the most high – class resorts in La Gi, Binh Thuan. Currently, depreciation expense is relatively high as the project is still in the first stage of development. Nonetheless, revenue in 2010 reached VND 11 billion and achieved break-even point in Q1 2011.

Both projects contain key characteristics of a successful tourist attraction, including good locations (all are located in the centre of well – known tourist places), suitable designs that fit existing natural landscapes, provision of unique services which enhances competitiveness and attract more visitors.

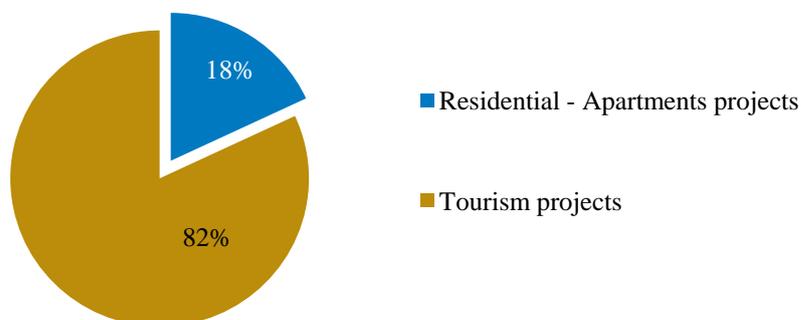
Apart from tourism activities, the Company has office for lease which are Yoco Building (locates on Nguyen Thi Minh Khai Street, Dist,1, HCMC) and the ground floor of Ung Van Khiem Apartment (Binh Thanh Dist.), Yoco Building has 4,176 m<sup>2</sup> sfa (salable floor area) (C21 owns 50%), good location, leased area is often above 95% which most contracts are long term. Operating since 1995, depreciation of the building has almost completed hence that accounts for only 30% of the average leasing fee of USD 25/m<sup>2</sup>/month. Annual gross profit from Yoco Building is c.VND 10 bil. In 2010, the figure reached VND 15 bil. (not yet excludes 50% of Tuoi Tre Newspaper). Besides, 500 m<sup>2</sup> sfa in the ground floor of Ung Van Khiem Apartment contributes annual gross profit of VND 1 billion.

Hospitality and offices leasing services generate steadily growing incomes annually. Given current sluggish conditions in the real estate market, these incomes provide effective buffers for C21 to finance its on-going operation.

**Potential growth due to large cleared land bank and consecutive projects within the next 5 years.**

Currently, all the projects that are being or will be developed occupy a total area of 125 ha, where cleared land bank owned by C21 is up to 100 ha (81% of total land bank), in which 18% for residential purpose and the rest for tourism.

**Cleared Lank Bank**



For the coming times, all the projects will focus on two core activities:

**Residential and mixed-use projects:** 18% of C21’s cleared land bank locate in district 7, 9, 12 and Saigon South. These projects take advantage of current infrastructure connecting to the city centre. Apart from Phuoc Long B project which land clearance site is 75%, all other projects are well cleared, waiting for land transfer decision from the Government before development.

Ongoing and preparing projects	Location	Land area (m2)	% compensated	% C21 owns	Projects’ cleared site (m2)	C21’s cleared site (m2)	Progress	Details
<i>About to finish</i>								
1. Song Giong Residential Area (nearly finish sales)	Dist.2	180,000	100%	100%	2,745 m2 left	2,745 m2 left	25 lot left.	535 lots in total. in which 510 lots sold.
<i>About to start</i>								
2. Huynh Tan Phat condo and office project	Dist. 7	7,481	100%	100%	7,481	7,481	Waiting for construction license.	380 apartments (30,787 m2 sfa) + 11,200 m2 of retails.
3. Saigon South Residential Area 9B-7	Binh Chanh Dist.	59,593	100%	55%	59,593	32,776	Well filled. Await for land transfer decision.	38 villa lots + 282 apartments of mid and high class.
4. Go Sao Residential Area	Dist.12	34,000	100%	50%	17,000	17,000	Cleared site	400 apartments.
5. Phuoc Long B Residential Area	Dist. 9	160,969	75%	100%	122,196	122,197	75% compensated	Villas, street houses, apartments.

**Song Giong Industrial Zone:** developed since 2002, there is currently remaining 2,745 m<sup>2</sup> of NSA which is expected to be the main source of income for C21 in 2011. At the price of VND 30 mil./m<sup>2</sup>, C21 expects a return of VND 82 bil. COGS were recorded before 01/01/2011 already. The Company plans to spend about VND 15 billion in 2011 for public works construction of the project.

**Huynh Tan Phat condo and office project:** Is planned to develop around Q3/2011, starting to bring in income from 2012 or 2013 (c.VND 500 bil.) and a regular income from office – retails leasing from 2013 (about 11,000 m<sup>2</sup> sla). 4,000 m<sup>2</sup> of the Project has paid the fee for changing agricultural land. The fee for the remaining 3,481 m<sup>2</sup> is waiting for final authority decisions, estimated of c.VND 24 billion, the Company said.

**Saigon South Residential Area 9B-7:** C21 owns 55% of the project; the remaining belongs to Nam Long Investment Joint Stock Company. The project is planned to kick off at the end of 2011 and expects to bring revenue of VND 1,100 billion between 2012 and 2015. Not yet paid LUR fee.

**Go Sao Residential Area:** C21 owns 50% of the project, the remaining belongs to Gia Cu Investment Development Company Limited. The project is waiting for approval of 1/500 design and has paid the fee for changing agricultural land.

**Phuoc Long B Residential Area:** Land clearance has reached 75%. The remaining 25% could be up to VND 200 billion if the Company paid at the requested rate of current local residents.

In short, most projects provide saleable land areas for the middle and upper – middle segments, which are relatively liquid in the market at the moment in comparison with the other ones. Due to the original characteristics of land – “scarcity” - compared to apartments, prospects of these products are quite optimistic in the future.

**2. Tourism projects:** locating in eco – tourism areas such as Nha Trang, Binh Thuan, Quang Nam, Dong Nai which are characterized by magnificent beaches and rivers, unique natural resources (e.g., hot spring). Approvals to develop eco – tourism projects of C21 on such landmarks are of great advantages, leading to an income leap in the coming years.

Tourism projects – About to kick off	Location	Land area (m <sup>2</sup> )	% C21 owns	Cleared land area of C21 (m <sup>2</sup> )	Est. Invested capital (VND bil.)	Progress	Details
1. Dien Ngoc Resort	Quang Nam	108,510	25%	27,128	108	Constructed fr. 2007. 48 rooms done.	200 rooms
2.Mom Da Chim - Phase II	Binh Thuan	39,027	100%	38,496	100	Waiting for construction license.	60 villas (timeshare)
3. Cam Ranh Tourism Site (Bai Dai Resort)	Nha Trang	165,941	100%	165,941	400	Waiting for construction license.	200 rooms. 20 villas
<b>Total</b>				<b>239,065</b>			

### Cash rich cow and no bank borrowings

As of 31 March 2011, the cash balance was VND 137. The sudden increase in cash balance was contributed by the proceeds (US\$5mil) from new share issuance to Saigon Asset Management and the deposit from Indochina Capital to acquire 75% stake in Dien Ngoc resort (located at Dien Ngoc Beach on the Da Nang – Hoi An Coast and bordered by Da

Nang and Dien Ban – Quang Nam). This amount of cash is used to finance the development of Huynh Tan Phat condo and office project, the Saigon South Residential Area 9B-7 and to complete the compensation for Phuoc Long B project, District 9.

Total liabilities were VND 86 bil., which consist deposits from office tenants and the contribution of Tuoi Tre Newspaper and Nam Long for doing business. C21 has no debts. Thus, when the interest rate has been rising, C21 can avoid interest burden. In addition, they can also use their cash to carry out their projects.

### **COMPANY RISKS**

The company scope of business is property development and hospitality which is very sensitive to the macro changes. Year 2011 is too severe for C21 as the Decision 69 and 71 still trouble real estate sector. In addition, the SBV's directive about slowing loan growth and reducing non-manufacturing credit continues to affect both supply and demand for property market.

Regarding supply, in a recent proposal of Ministry of Construction to the Prime Minister, they purported that land lot and unfinished house sales should not be allowed in urban housing development project. If the proposal is passed, it will affect the real estate companies dramatically.

In addition, CBRE indicated that the office for lease in Q2/2011 accounted for 16.6% and it showed no signal of lower unoccupied space meanwhile the supply becomes higher due to the recent launch of Bitexco Financial Tower, A&B Tower and The Flemington. Total available floor areas for lease are sqm mil. The oversupply surly drives lower rent rate and slows down the occupation rate.

Land lot and commercial building projects of C21 are available for use in 2012 and 2013 respectively. We expect to see a better local economy in coming years and this will positively support the property market.

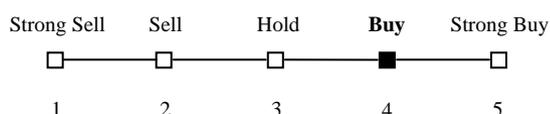
### **INVESTMENT RECOMMENDATION**

*Based on a sound business model which focuses on hospitality and property development, C21 can generate surprising income when their projects are monetarized or realized. Strong cash flow, stable growth and large cleared land bank promise much potential for C21 stock.*

Our NAV-based valuation shows a fair value of VND 63,000/share. After re-appraising the inventories of C21, we make an upward revaluation of VND 383.8 bil (Inventories book was VND 247.7 bil). The adjustment comes from the re-apprising 3 projects which consist high-rise building in Huynh Tan Phat, 9B-7 Saigon South residential project and Phuoc Long B residential project.

Noticeably, we re-appraise 2 hospitality sites and 1 land site which contribute a significant increase in value, Thap Ba Hot Spring Centre and Mom Da Chim Resort, which currently in good operation due to their uniqueness, generating dozen of VND billion in revenue annually and still counting. They worth VND 283 bil., while book value was VND 62.3 bil. Another valuable asset of C21 is its 50% land use right of the land locates their headquarters – Yoco Building. With a quite small area (712 m2, C21 owns 50%) but locates on one of the most expensive street in Dist.1, this site worths c.VND 84 bil., instead of c.VND 12 bil. in BV.

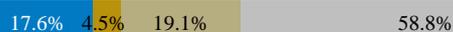
C21 is going to be listed at the price of VND 35,000 per share, which is traded at a discount of 44% to its revised NAV. Thus, we recommend **BUY** for this stock.

**BVSC RECOMMENDATION**


History    Updated    Projected price Recommendation

**OWNERSHIP INFORMATION**

■ BoD    ■ Tuoi Tre Newspaper    ■ SAM Fund    ■ Others


**FINANCIAL STATEMENT**

Unit (VND mil)	2009	2010	Q1/2011
<b>Income statement</b>			
Revenue	79,903	119,579	25,386
COGS	26,662	37,992	9,157
Gross margin	53,240	81,587	16,229
Financial revenue	3,304	2,970	5,620
Financial expenses	-	26	-
Profit before tax	63,621	95,122	15,481
Profit after tax	41,307	59,714	8,391
<b>Balance sheet</b>			
Current assets	287,029	394,555	392,849
Cash & cash equivalent	25,910	139,683	137,183
Receivables	14,791	6,452	5,576
Inventory	244,503	246,396	247,715
Other current assets	1,824	1,610	1,960
Non current assets	156,597	182,624	184,684
Tangible fixed assets	54,916	49,246	47,915
Construction in progress	1,172	3,891	7,217
LT financial investment	54,137	83,299	83,284
Other non current assets	14,563	13,372	13,951
Total assets	443,626	577,179	577,533
Liabilities	124,909	81,252	86,355
Short term debts	49,303	31,694	30,224
Long term debts	75,606	49,559	56,132
Owner's equity	315,134	490,052	483,920
Chartered capital	137,121	193,364	193,364
Other funds	-	-	-
Total resources	443,626	577,179	577,533

**FINANCIAL INDICATORS**

Items	2009	2010	2011
<b>Growth</b>			
Revenue growth (%)	-30	50	68
Net profit growth (%)	26	45	47
EPS growth (%)	12	9	7
Total assets growth (%)	32	30	16
Owner's equity growth (%)	32	56	14
<b>Profitability</b>			
Gross margin (%)	67	68	77
Net margin (%)	64	58	50
ROA (%)	11	10.4	13
ROE (%)	16	12.2	15.6
<b>Capital structure</b>			
Total debt/Total assets (%)	28	13	-
Total debt/Total owner's equity (%)	40	17	-
<b>Settlement</b>			
Current ratio (%)	582	1,454	-
Quick ratio (%)	86	546	-
<b>Operation efficiency</b>			
Inventory turnover (time)	3,301	3,301	-
Payables turnover (time)	32	57	-
Receivables turnover (time)	67	70	-
<b>EPS</b>			
EPS (VND/share)	3,841	4,200	4,500
Book value (VND/share)	22,982	25,343	28,909
<b>Valuation</b>			
P/E	9.1	8.3	7.8
P/B	1.5	1.4	1.2



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## RESEARCH AND ANALYSIS DEPARTMENT

Bao Viet Securities Company

Head office: 8 Le Thai To, Hoan Kiem Dist, Hanoi

Tel: (844) 3 928 8080

Fax: (844) 3 928 9888

Branch: 233 Dong Khoi, Dist. 1, Ho Chi Minh City

Tel: (848) 3 914 6888

Fax: (848) 3 914 7999

### Analyst:

Nguyen Thi Yen Vy ext: 492

[nguyenthiyenvy@baoviet.com.vn](mailto:nguyenthiyenvy@baoviet.com.vn)

### Content responsibility:

Le Chi Thanh ext: 131

[lechithanh@baoviet.com.vn](mailto:lechithanh@baoviet.com.vn)