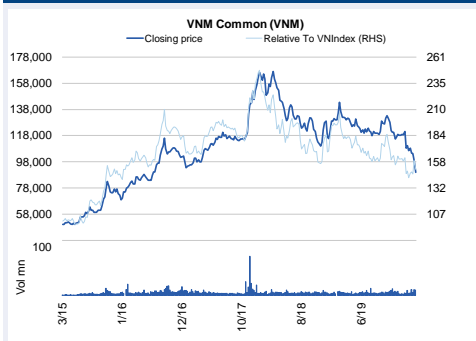


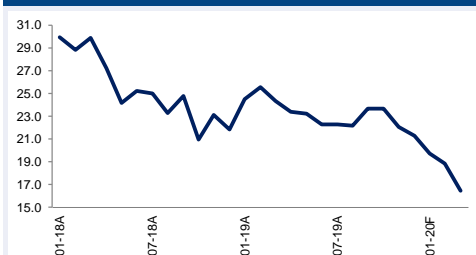
## Price chart



## Stock Data as of 25 March 2020

Price (VND)	92,000
Listed shares (mn)	1,742
Outstanding shares (mn)	1,741
52 week high (VND)	133,972
52 week low VND	83,700
Price change (3 months)	6.8%
Price change (6 months)	3.5%
Price change (12 months)	-1.2%
Free floating shares (mn)	871
Trading value (5 days average – VNDmn)	288,338
Market Cap (VNDmn)	160,206,752
Market Cap (US\$m)	6,874
Total room (mn)	1,742
Current room (mn)	721
Foreign owned ratio (%)	58.6%
Foreign ownership limit (%)	100.0%

## Rolling P/E Chart



**Director**  
Tran Huong My  
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Financial summary	12-19A	12-20F	12-21F
Net sales (VNDbn)	56,318	63,036	66,511
Net sales growth	7.1%	11.9%	5.5%
Gross profit (VNDbn)	26,572	29,005	30,646
Gross profit growth	8.0%	9.2%	5.7%
EBITDA (VNDbn)	14,131	15,711	16,778
EBITDA growth	10.1%	11.2%	6.8%
NPAT (VNDbn)	10,554	11,451	12,148
NPAT growth	3.4%	8.5%	6.1%
Net profit (VNDbn)	10,581	11,394	12,075
Net profit growth	3.5%	7.7%	6.0%
EPS (VND)	5,469	5,889	6,241
EPS diluted (VND)	5,469	5,889	6,241
EPS growth	3.3%	7.7%	6.0%
P/E (x)	16.8	15.6	14.7
P/E diluted (x)	16.8	15.6	14.7
EV/EBITDA (x)	11.7	10.4	9.6
P/B (x)	5.82	5.35	4.98

Source: Company data, (F): HSC forecasts

## Upgrade to Buy; VNM trades at a seven-year low

- We upgrade Vietnam Dairy Products (VNM) to Buy from Hold with a target price of VND111,300 implying an upside of 21.0%.
- VNM is trading at a seven-year low with a compelling valuation. It is excellently managed and is one of the few companies whose earnings appear to be insulated from the COVID-19 outbreak.
- We are marginally more positive about the company earnings outlook and have raised our forecast on FY20 net sales by 5.5% to VND63,036bn, up 11.9%, and revised up our net profit forecast by 0.8% to VND11,394bn, up 7.7% y/y. These revisions are based on higher on sales expectations, improving profit margins at the VNM level excluding GTN, and the increase in sales from the business combination with GTN.
- Domestic sales will be supported by stronger demand of dairy products during the COVID-19 pandemic, especially for yoghurt and milk formula. At the same time, raw milk powder prices have been declining due to less demand from China, supply disruptions in major markets and rising supply, which will help to lift gross margins.
- With a solid balance sheet and strong cash flow, VNM is able to maintain a stable dividend. In 2020, we expect the company will pay VND4,500 per share, translating into payout ratio 68.7% and a dividend yield of 4.9%.
- The stock price has plunged by 29.8% since our last update in November 2019. Our revised target price of VND111,300 suggests an upside of 21.0%.
- The target price is derived from our DCF valuation. VNM is also trading very cheaply on a forward FY20 P/E of 15.6x, a 7-year low.

## Investment summary

**We upgrade VNM to Buy from Hold with a target price of VND111,300 implying an upside of 21.0%. Our target price has been cut by 14.2% from VND129,648 due to a change in valuation methodology to DCF from P/E.**

Reasons for the upgrade:

1. We are marginally more positive about VNM earnings outlook in FY20, thanks to strong demand for dairy products, which are believed to be good for the immune system, during the COVID-19 epidemic and a decrease in raw milk prices by 2.3%.

We forecast that FY20 net sales will grow by 11.9% y/y to VND63,036bn and net profit will be VND11,394bn, up 7.7% y/y. Our net sales forecast has been revised up by 5.5% from VND59,770bn, due to (1) expectations of higher domestic sales, (2) higher export sales and (3) additional sales from the business combination with GTN.

Our net profit forecast is raised slightly by 0.8% from VND11,301bn. This is due to higher sales and better profit margins at the VNM level, excluding GTN.

We also introduce our forecast for FY21, with net sales of VND66,511bn, up 5.5% y/y and a net profit of VND12,075bn, up 6.0% y/y.

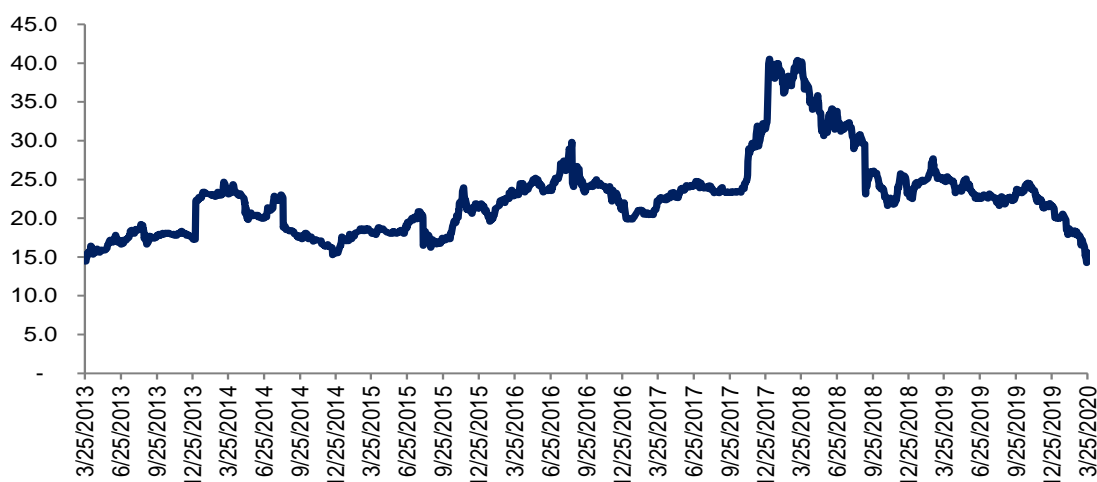
Figure 1: Forecast revision

(in VNDbn)	FY19	FY20F				FY21F	
	Actual	Old forecast	New forecast	% change	y/y%	Actual	y/y%
Net sales	56,318	59,770	63,036	5.5%	11.9%	66,511	5.5%
Net profit	10,581	11,301	11,394	0.8%	7.7%	12,075	6.0%

Source: Company data, (F): HSC forecasts

2. VNM has a solid balance sheet and a very positive cash flow. As of 31 December 2019, VNM had a net cash position of VND9,626bn, accounting for 22% of its total assets. In FY20 we forecast that the company will generate a free cash flow of VND9,543bn and a pay cash dividend of VND7,836bn or VND4,500 per share, translating into a payout ratio of 68.7% and a dividend yield of 4.9%.
3. Stock price has plunged by 29.8% since our last update on November 2019 to VND92,000 currently. Our target price of VND111,300 suggests an upside of 21.0%.
4. VNM is trading on very cheap historic valuations on a forward FY20 P/E of 15.6x, a 7-year low.

Figure 2: VNM 1 year forward P/E from 25 March 2013 to 25 March 2020



Source: Fiiipro, HSC estimates

## Risks to Our Rating and Target Price

**Key upside risk:** (1) Demand for dairy products, including VNM's products, are higher than our expectations, both during and after the COVID-19 epidemic and (2) raw milk powder price is lower than expected.

In our best case scenario, VNM FY20 net sales would increase by 20% to VND67,582bn and the average price of raw milk powder is USD2,223 per ton, down 20% y/y. Target price in this case would be VND122,373.

**Key downside risk:** (1) Any disruption caused by COVID-19, such as a delay in transportation from factories to point of sales and closure of retail stores, will affect sales of VNM over the short term and (2) raw milk powder price is higher than expected.

In our worst case scenario, VNM FY20 net sales would grow by 3.0% to VND58,008bn and the average price of raw milk powder increases by 20% to USD3,335 per ton. Target price in this case would be VND97,587.

Figure 3: Sensitivity analysis - Impact of net sales and raw milk powder price on valuation

Net sales (VND bn)		Average cost of raw milk powder (USD/ton)		
		2,223	2,716	3,335
	58,008	119,174	109,599	97,587
	63,036	120,854	111,279	99,267
	67,582	122,373	112,798	100,786

Source: HSC estimates

## FY20 forecasts – Net profit forecast is raised by 0.8% to VND11,394bn, up 7.4% y/y

We have revised up our net sales forecast by 5.5% to VND63,036bn (up 11.9% y/y) from VND59,770bn, and our net profit forecast by 0.8% to VND11,394bn (up 7.7% y/y) from VND11,301bn.

Our key assumptions are set out below:

### 1. We raise our forecast for industry sales growth to 6.6% y/y from 6.0% y/y on the back of stronger demand during the epidemic.

Our revisions are driven by the following factors:

- Drinking yoghurt, cup yoghurt and milk formula (powdered milk) for seniors and kids, is seen as nutritious and “good for your immune system”. Demand has risen over the first two months as a result of the virus and is likely to remain high. According to Kantar World Panel, over the four weeks ending on 23 February, sales of drinking yoghurt, adult powdered milk, infant powdered milk and overall dairy surged by 36%, 33%, 14% y/y and 10.3%, respectively. Meanwhile over the eight weeks ending on 23 February, overall dairy sales grew by 8.5% y/y.

We expect that industry sales of drinking yoghurt and cup yoghurt will increase by 15% and 12% y/y respectively in 2020, up from our previous forecasts of 10% and 9% y/y respectively.

We also revise up forecasts for milk formula sales from 2.5% to 4.0% y/y; milk formula is also seen as a nutritionally necessary product.

- Negative factors:

We have seen a reduction of 50% in sales from the school milk program, due to the school closure order in February. We cut our forecast for our school milk sales program by 50% to VND924bn from VND1,848bn, assuming school will start in the 3Q. As a result, we are revising down our forecast for liquid milk sales growth from 8.0% to 6.5%. This 6.5% has reflects rising demand for liquid milk for home consumption.

We have seen lower demand for condensed milk, which is mostly sold through foodservice channels, as a result of the COVID-19 outbreak. We have cut our forecast for condensed milk sales growth in 2020 to 2% from 4%.

Figure 4: Industry sales growth forecast

(in VNDbn)	FY2019	FY20F		Reason for change
	Actual	Old forecast	New forecast	
Drinking yoghurt	9.0%	10.0%	15.0%	rising demand during the epidemic
Cup yoghurt	9.0%	9.0%	12.0%	rising demand during the epidemic
Liquid milk	8.0%	8.0%	6.5%	sales to schools drops; rising demand at home during the epidemic
Milk formula	2.5%	0.0%	4.0%	rising demand during the epidemic
Condensed milk	2.0%	4.0%	2.0%	lower demand at foodservice channel during the epidemic
<b>Whole industry</b>	<b>6.3%</b>	<b>6.0%</b>	<b>6.6%</b>	

Source: HSC estimates and forecasts

### 2. VNM's domestic sales to increase by 7.0% y/y to VND50,907bn

We assume that VNM's market share will increase slightly from 61.2% in FY19 to 61.5% in FY20. Of which, we expect VNM will gain market share in liquid milk and drinking yoghurt, while its market share in other categories will remain unchanged.

Thanks to industry growth of 6.6% and a 0.3% increase in market share, VNM will see a 7% increase in domestic sales (excluding GTN).

Figure 5: VNM sales forecast

(in VNDbn)	FY19	FY20F			FY21F		
	Actual	Old forecast	New forecast	% change new vs old	y/y%	Forecast	y/y%
Domestics sales	47,555	50,647	50,907	0.5%	7.0%	53,611	5.3%
Export sales	5,175	5,209	5,641	8.3%	9.0%	5,923	5.0%
Oversea subsidiaries	3,588	3,914	3,579	-8.6%	-0.3%	3,980	11.2%
<b>Net sales, without GTN</b>	<b>56,318</b>	<b>59,770</b>	<b>60,127</b>	<b>0.6%</b>	<b>6.8%</b>	<b>63,515</b>	<b>5.6%</b>
<b>GTN</b>	<b>-</b>	<b>-</b>	<b>2,909</b>	<b>-</b>	<b>5.2%</b>	<b>2,996</b>	<b>3.0%</b>
<b>Total net sales</b>	<b>56,318</b>	<b>59,770</b>	<b>63,036</b>	<b>5.5%</b>	<b>11.9%</b>	<b>66,511</b>	<b>5.5%</b>

Source: Company data, (F): HSC forecasts

**3. We raise our forecast for VNM's total net sales by 5.5% to VND63,036bn, up 11.9% y/y. Growth is driven by both organic growth (+6.8%) and the consolidation of GTN into VNM (which is expected to contribute 5.2% to VNM's total net sales growth).**

- Export sales are forecast to grow by 9.0%, given the strong growth achieved in 2M. VNM is still expected to see strong demand from Iraq and other export markets.
- Overseas subsidiary sales are expected to fall marginally by 0.3%, due to a decrease of 10% in sales by the US-based subsidiary Driftwood. This business is affected by school closures. Angkor Milk, the Cambodian subsidiary, will continue to grow at 20%. Last year Angkor Milk made an impressive growth of 27.3%.
- Net sales, without consolidating GTN, will come to VND60,027bn, which is 0.6% above our old forecast and implies an organic growth of 6.8%.
- Sales of GTN, consolidated from end-FY19, is projected at VND2,909bn for FY20, down 2.1% y/y.

**4. Gross margin (excluding GTN), is revised up to 47.4% from 45.8% due to lower raw milk costs.**

- Raw milk powder costs is forecast to be 2.3% cheaper than last year.

We note that prices of skimmed milk powder (SMP), whole milk powder (WMP) and anhydrous milk fat (AMF) are currently declining. On 17 March 2020, prices of these raw milk products had dropped by -16.5%; -11.2% and -12.1% YTD. Industry experts forecast that this downtrend is likely to continue due to reduced demand from China, supply chain disruptions in major markets and rising supply.

Figure 6: VNM raw milk cost

	FY19	FY20F	y/y%
Skim milk powder (USD per ton)	2,370	2,527	6.6%
Whole milk powder (USD per ton)	3,048	2,797	-8.2%
Anhydrous Milk Fat (USD per ton)	4,698	4,331	-7.8%
<b>Raw milk powder imported (USD per ton)</b>	<b>2,779</b>	<b>2,716</b>	<b>-2.3%</b>
<b>Raw fresh milk sourced from VNM owned farms and local farmers (VND per 1,000 litres)</b>	<b>12,239,906</b>	<b>12,107,584</b>	<b>-1.1%</b>

Source: HSC estimates

In our model for VNM, we forecast that the company's average cost of raw milk powder will decrease by 2.3% to USD2,716 from USD2,779 per ton. In our previous forecast, we assume raw milk price increased by 7.7% from USD2,779 to USD2,993 per ton. That's why gross margin (excluding GTN) is revised up to 47.4% from 45.8% previously.

- We forecast that the cost of raw fresh milk sourced locally from independent farmers will decrease by 1.1% to VND12,108, due to higher contributions from VNM owned farms, which have lower production costs. Contributions from VNM's owned farms will increase to 36.8% this year from 35.1% last year.

Figure 7: Cost of raw fresh milk sourced locally

	FY2018	FY2019	FY2020F	FY2021F
% contribution from VNM owned farms	35.1%	35.1%	36.8%	38.6%
% contribution local farmers	64.9%	64.9%	63.2%	61.4%
Average cost - VNM owned farms (VND per litre)	10,670	10,100	9,898	9,700
Average cost- independent farmers (VND per litre)	13,395	13,395	13,395	13,395
<b>Average cost per litre</b>	<b>12,438</b>	<b>12,240</b>	<b>12,108</b>	<b>11,970</b>
<b>y/y%</b>	<b>-1.6%</b>	<b>-1.6%</b>	<b>-1.1%</b>	<b>-1.1%</b>

Source: HSC estimates and forecasts

- We expect sugar costs will go up by 5%, reflecting movements in the sugar market.
- We do not expect any increase in selling prices during this year.
- Although gross margin excluding GTN is high at 47.4%, increasing from the actual 47.2% last year and our old forecast of 45.8%, overall gross margin in FY20 is forecast to be 46.0% which is lower than the FY level of 47.2%. This is due to the consolidation with GTN, which delivers lower margins at just 18% as per our forecast.

Figure 8: Gross margin forecast

(in VNDbn)	FY19		FY20F		y/y%	FY21F	
	Actual	Old forecast	New forecast	% change new vs old		Actual	y/y%
<b>Gross profit, VNM consolidated</b>	<b>26,572</b>	<b>27,361</b>	<b>29,005</b>	<b>6.0%</b>	<b>9.2%</b>	<b>30,646</b>	<b>5.7%</b>
Gross profit, VNM without GTN	26,572	27,361	28,482	4.1%	7.2%	30,047	5.5%
Gross profit, GTN			524			599	14.4%
<b>Gross margin, VNM consolidated</b>	<b>47.2%</b>	<b>45.8%</b>	<b>46.0%</b>			<b>46.1%</b>	
Gross margin, VNM without GTN	47.2%	45.8%	47.4%			47.3%	
Gross margin, GTN			18.0%			20.0%	

Source: Company data, (F): HSC forecasts

- Selling expenses/sales is projected at 22.1%, lower than 23.1% in FY19, and selling expenses will come to VND13,993bn. Although the ratio comes down, the increase in absolute amount is quite aggressive, at VND917bn, higher than VND727bn and VND729bn seen in FY19 and FY18. We believe such an amount is enough to boost sales.
- G&A expense is forecast to surge by 30.1% to VND1,817bn. We forecast VNM will book VND157bn of goodwill amortization expenses related to the acquisition of GTN. They will also consolidate GTN's G&A of VND166bn. Beside those, the G&A expense of VNM itself, excluding GTN, will increase by 7.0%, in-line with sales growth.

## FY21 forecasts – Net profit to grow by 6.0%

HSC introduces FY21 forecasts with net sales of VND66,511bn, up 5.5% y/y and net profit of VND12,075bn, up 6.0% y/y.

Our forecasts are based on following assumptions:

1. Industry growth will slow to 5.2% as consumption of milk stabilizes after the pandemic.
2. VNM's market share will rise gently to 61.52% and domestic sales will grow 5.3%.
3. Export and overseas subsidiary sales will grow by 5.0% and 5.6% respectively.
4. The price of key raw materials is not expected to change from 2020 and gross margins are stable at 46.1%.
5. No change is forecasted for selling prices.
6. SG&A rises by 4.7% y/y, a bit lower than sales growth of 5.5%.

## Valuation

Our target price is VND111,300 per share, based on DCF. Our DCF valuation assumes a 9.6% WACC and a 4.0% terminal growth rate. We assume a CAGR of 5.6% in net sales and 5.6% in NOPLAT over the 2019-29 period. Our target price implies an FY20 P/E of 18.9x.

Trading at an FY20 P/E of 15.6x, VNM is cheaper than the median P/E range of regional peers, which is 22.7x.

Figure 9: Free cash flow

(VND millions)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Revenue	63,036	66,511	69,696	72,889	76,117	79,923	83,919	88,115	92,521	97,147
EBIT Margin	21.1%	21.3%	21.4%	21.8%	22.1%	22.1%	22.1%	22.1%	22.1%	22.1%
EBIT	13,277	14,184	14,911	15,873	16,828	17,669	18,552	19,480	20,454	21,477
- Adjusted Taxes	2,568	2,852	3,169	3,398	3,670	3,534	3,710	3,896	4,091	4,295
NOPLAT	10,709	11,332	11,742	12,474	13,157	14,135	14,842	15,584	16,363	17,181
+ Depreciation & Amortization	2,434	2,594	2,754	2,914	3,074	3,228	3,389	3,559	3,736	3,923
- Net Inc/(Dec) in Working Capital	(1,337)	(756)	(652)	(754)	(1,083)	(1,105)	(1,127)	(1,149)	(1,172)	(1,196)
- Capital Expenditure	(2,250)	(2,000)	(2,000)	(2,000)	(2,000)	(2,040)	(2,081)	(2,122)	(2,165)	(2,208)
Other Non-cash Adjustments	0	0	0	0	0	0	0	0	0	0
<b>Free Cash Flow</b>	<b>9,557</b>	<b>11,170</b>	<b>11,843</b>	<b>12,634</b>	<b>13,148</b>	<b>14,218</b>	<b>15,023</b>	<b>15,871</b>	<b>16,763</b>	<b>17,701</b>
Weighted Average Cost of Capital	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
<b>Present Value</b>	<b>8,906</b>	<b>9,499</b>	<b>9,190</b>	<b>8,946</b>	<b>8,496</b>	<b>8,384</b>	<b>8,083</b>	<b>7,792</b>	<b>7,510</b>	<b>7,236</b>

Source: HSC estimates

Figure 10: Discounted Cash Flow Valuation

Item	Unit	Value
Present Value of Free Cash Flows	VNDbn	84,044
Present Value of Terminal Value	VNDbn	102,339
Value of Non-core Operations/Investments	VNDbn	0
Net cash/(debt)	VNDbn	7,399
<b>DCF Value</b>	<b>VNDbn</b>	<b>193,782</b>
Shares O/S	No.	1,741,407,855
<b>DCF Value per Share</b>	<b>VND</b>	<b>111,279</b>

Source: HSC estimates

Figure 11: Terminal Value Calculation

Item	Unit	Value
Terminal Cash Flow	VNDbn	17,700,820
Terminal WACC		9.6%
Terminal Growth		4.0%
WACC-Growth		5.6%
TCF*(1+Growth)/(WACC-Growth)	VNDbn	329,453,730
Present Value	VNDbn	102,339,205
Terminal EBITDA Multiple		11.8x

Source: HSC estimates

Figure 12: WACC Calculation

Item	Value
Equity Weight	90.0%
Beta	0.83
Risk Free Rate	3.1%
Risk Premium	8.8%
<b>Cost of Equity</b>	<b>10.4%</b>
Debt Weight	10.0%
Tax Rate	18.3%
Cost of Debt	3.2%
<b>After-tax Cost of Deb</b>	<b>2.6%</b>
<b>WACC</b>	<b>9.6%</b>

Source: HSC estimates

Figure 13: VNM regional peers valuation

Company name	Market capitalisation (US\$m)	ROE	EBITDA margin	1Y forward sales growth	1Y forward net profit growth	P/E 2020	EV/EBITDA 2020
Bright Dairy & Food Co., Ltd	1,825	6.4%	8.9%	5.9%	11.6%	23.6	6.8
China Mengniu Dairy Ltd	13,528	12.7%	8.2%	4.2%	2.9%	20.8	12.9
Inner Mongolia Yili Industrial	24,662	24.3%	11.3%	11.5%	7.4%	22.5	15.7
Dutch Lady Milk Industries Bhd	603	82.4%	38.8%	-0.5%	2.4%	23.2	
Ultrajaya Milk Indonesisa	1,087	16.0%	22.1%			17.6	10.2
Fraser & Neave Holdings	2,460	17.0%	15.4%	6.7%	3.8%	22.8	14.2
Yakult Honsha Co. Ltd.	8,740	9.9%	16.9%	7.9%	4.3%	23.3	13.3
Meiji Holding	991	12.2%	11.6%	4.5%	3.9%	13.9	7.3
<b>Median</b>	<b>2,143</b>	<b>14.3%</b>	<b>13.5%</b>	<b>5.9%</b>	<b>3.9%</b>	<b>22.7</b>	<b>12.9</b>
<b>Vinamilk</b>	<b>13,278</b>	<b>40.8%</b>	<b>21.6%</b>	<b>7.1%</b>	<b>3.5%</b>	<b>15.6</b>	<b>10.3</b>

Source: Bloomberg, HSC estimates



# FINANCIAL RATIOS

## Company Update

26 March 2020

Income statement (VNDbn)	12-20F	12-21F	Cashflow statement (VNDbn)	12-20F	12-21F
Net sales	63,036	66,511	Operating cashflow	12,406	13,146
COGS	(34,031)	(35,865)	Investing cashflow	(2,915)	(2,088)
<b>Gross profit</b>	<b>29,005</b>	<b>30,646</b>	Financing cashflow	(9,836)	(10,707)
Net financial income	742	815	<b>Net cashflow</b>	<b>(345)</b>	<b>351</b>
SG&A	(15,728)	(16,462)	Cash & equivalents at period start	2,665	3,478
<b>Operating profit</b>	<b>14,019</b>	<b>15,000</b>	Forex effects	0	0
EBITDA	15,711	16,778	<b>Cash &amp; equivalents at period end</b>	<b>2,321</b>	<b>3,829</b>
PBT	14,019	15,000			
NPAT	11,451	12,148			
Net profit	11,394	12,075			
Balance sheet (VNDbn)	12-20F	12-21F	Key ratios	12-20F	12-21F
<b>Assets</b>			<b>Valuation</b>		
<b>Current assets</b>	<b>28,930</b>	<b>31,394</b>	EPS (VND)	5,889	6,241
Cash & cash equivalents	3,478	4,679	EPS diluted (VND)	5,889	6,241
Short-term investments	13,936	14,936	EBITDA (VNDbn)	15,711	16,778
Receivables	5,982	6,122	BVPS (VND)	17,209	18,484
Inventories	5,389	5,505	DPS (VND)	4,500	5,000
Other current assets	145	153	P/E (x)	15.6	14.7
<b>Long-term assets</b>	<b>19,547</b>	<b>18,955</b>	P/E diluted (x)	15.6	14.7
Long-term receivables	24	25	EV/EBITDA (x)	10.4	9.6
Fixed assets	13,645	13,293	P/B (x)	5.35	4.98
Investment properties	57	51	Dividend yield	4.9%	5.4%
Long-term investments	987	987	<b>Profitability</b>		
Other long-term assets	2,834	2,598	Gross margin	46.0%	46.1%
Goodwill	0	0	EBITDA margin	24.9%	25.2%
<b>Total assets</b>	<b>48,477</b>	<b>50,349</b>	Pretax margin	22.2%	22.6%
<b>Liabilities and equity</b>			Net margin	18.1%	18.2%
<b>Liabilities</b>	<b>16,224</b>	<b>15,805</b>	SG&A/sales	25.0%	24.8%
Current Liabilities	15,726	15,306	ROAE	39.7%	38.9%
Long-term Liabilities	498	498	ROAA	24.5%	24.4%
<b>Owners' equity</b>	<b>29,968</b>	<b>32,187</b>	<b>Liquidity</b>		
Share capital	17,417	17,417	Current ratio	1.84	2.05
Retained earnings	12,551	14,770	Quick ratio	1.50	1.69
Funds and other capital	0	0	<b>Leverage</b>		
Minority interest	2,284	2,357	Total debt/equity	14.9%	10.8%
<b>Total liabilities and equity</b>	<b>48,477</b>	<b>50,349</b>	Total debt ratio	33.5%	31.4%
			EBIT interest coverage ratio	50.7	51.9
			<b>Efficiency</b>		
			Days sales outstanding	30.4	33.2
			Days in inventories	55.8	55.4
			Days payables outstanding	42.5	44.5
			Cash conversion cycle (days)	43.7	44.2

Source: Company data, (F): HSC forecasts

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### Explanation of Institutional Equity Research Ratings

Buy: Expected to rise by more than 20% on an absolute basis in the next 12 months  
Add: Expected to rise by between 5% and 20% on an absolute basis in the next 12 months  
Hold: Expected to rise or decline by less than 5% on an absolute basis in the next 12 months  
Reduce: Expected to decline by between 5% and 20% on an absolute basis in the next 12 months  
Sell: Expected to decline by more than 20% on an absolute basis in the next 12 months



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