

Nam Long Invest (NLG)

Underpinned by sales bouncing back

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Manager Pham Hoang Bao Nga

ngaphb@kbsec.com.vn

1Q24 sales recovered strongly YoY

1Q24 sales of Nam Long Investment Corporation (NLG) bounced back to VND1,168 billion (+5xYoY) thanks to the apartment segment of Akari City and Mizuki projects. These two recorded good absorption rates with sales reaching VND542 billion and VND246 billion respectively.

Estimated sales in 2024 reach VND5,264 billion (+37%YoY)

KBSV expected 2024F sales of NLG to hit VND5,264 billion (+37%YoY), which is contributable to Akari City, Mizuki Park, Southgate, and EhomeS Can Tho projects. Our forecast is 45% lower than VND9,554 billion in the business's guidance.

2024F NPAT is VND576 billion (+19%YoY)

We forecast that NPAT of the corporation in 2024 will be VND576 billion (+19%YoY), mainly from the handover of the Southgate, Izumi City, and Mizuki Park projects. The Akari City and Can Tho projects will also start handover progress to home buyers. KBSV expected NLG to complete legal procedures to record profits from divestment of 25% of the Paragon project this year.

NEUTRAL rating – Target price VND46,100

We maintain a positive valuation for NLG shares thanks to (1) NLG's solid fundamentals with a safe financial structure and (2) the attraction of mid-range and affordable apartment projects to buyers with owner-occupying needs. However, NLG stock price has gained about 20% YTD and traded at a 2024fw P/B of 1.8x, equivalent to +1std of NLG's five-year average P/B. Based on business prospects and valuation results, we gave a NEUTRAL rating to NLG stock with a target price of VND46,100, 5% higher than the closing price on May 21, 2024.

Neutral change

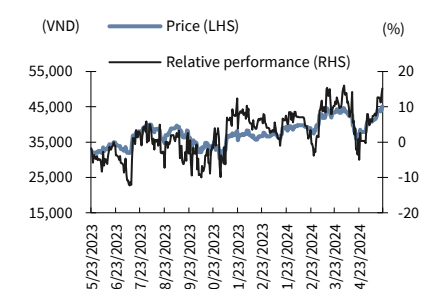
Target price	VND46,100
Upside	5%
Current price (May 21, 2024)	VND44,100
Consensus target price	VND46,300
Market cap (VNDbn/USDmn)	17.4/0.7

Trading data	
Free float	56.2%
3M avg trading value (VNDbn/USDmn)	161.4/6.5
Foreign ownership	49%
Major shareholder	Chairman Nguyen Xuan Khang (12%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	18.9	13.1	15.6	32.4
Relative	11.6	9.0	0.9	13.1

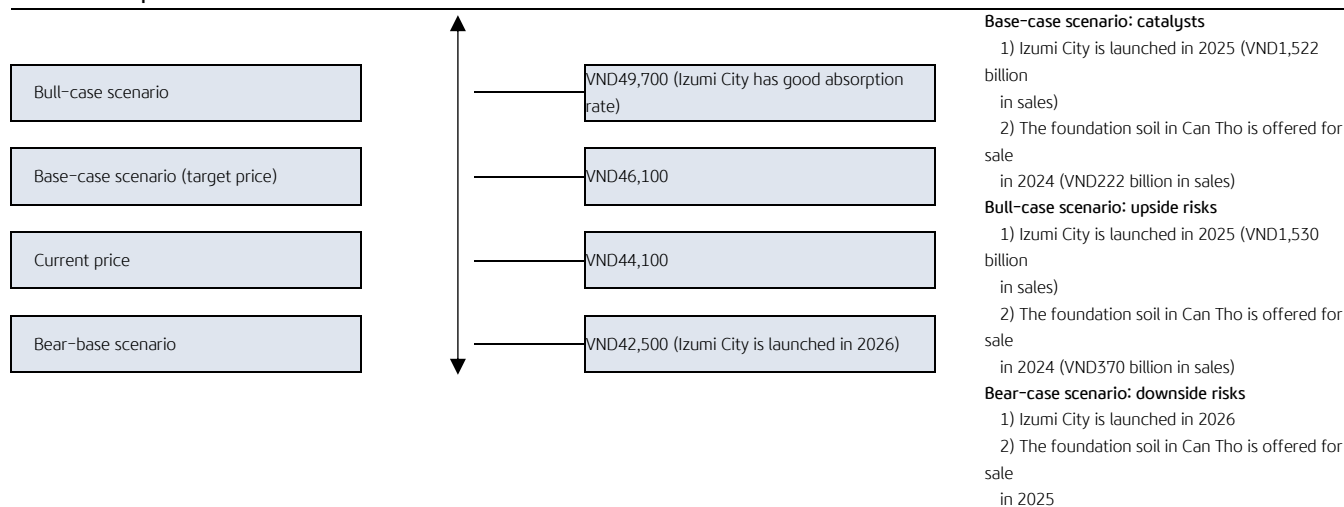
Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	4,339	3,181	5,462	6,901
Operating income/loss (VNDbn)	1,041	942	1,217	1,456
NPAT-MI (VNDbn)	556	484	576	621
EPS (VND)	1,448	1,257	1,496	1,613
EPS growth (%)	-48	-13	19	8
P/E (x)	27.31	36.72	30.14	27.96
P/B (x)	1.69	1.80	1.77	1.69
ROE (%)	4.2	3.6	4.0	4.0
Dividend yield (%)	0	1	1	1



Source: Bloomberg, KB Securities Vietnam

Investment opinion & risks



Revised earnings estimates

(VNDbn, %)	Revised		Previous		Change	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	5,047	6,723	5,462	6,901	8.2	2.6
EBIT	997	1,115	1,085	1,208	8.8	8.3
NP after MI	541	614	576	621	6.4	1.1

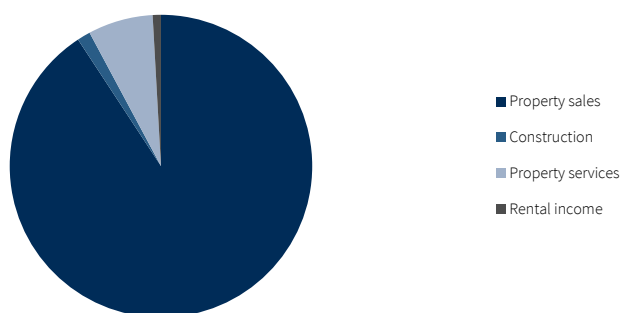
Source: KB Securities Vietnam

KBSV estimate vs consensus

(VNDbn, %)	KBSV estimates		Consensus		Difference	
	2024E	2025E	2024E	2025E	2024E	2025E
Revenue	5,462	6,901	6,313	6,161	(13.5)	12.0
EBIT	1,085	1,208	1,139	1,232	(4.7)	(1.9)
NP after MI	576	621	597	671	(3.5)	(7.4)

Source: Bloomberg, KB Securities Vietnam

Revenue composition (2023)



Business operation

NLG maintains its leading position in housing development in the mid-range and affordable segment. The main product lines are Ehome, Valora, and Flora. NLG currently owns a large land bank of more than 600ha.

Source: Nam Long Investment, KB Securities Vietnam

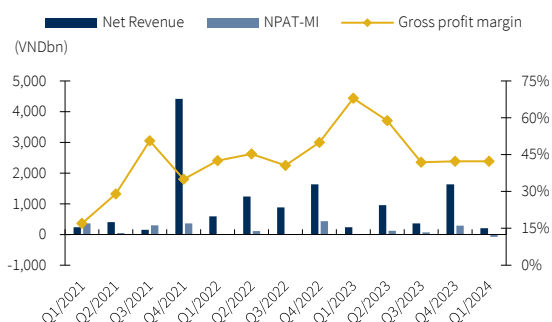
Business performance

Table 1. NLG – 1Q24 updated results

(VNDbn, %)	4Q22	4Q23	+/-%YoY	Notes
Net revenue	235	205	-13%	
Property sales	175	162	-7%	The sales of real estate properties in 1Q24 reached VND162 billion, mainly from the handover of (1) four Valora villas and 37 Ehome apartments at the Southgate project (VND56 billion and VND42 billion in revenue respectively) and (2) nine apartments at Izumi City project (VND62 billion in revenue).
Gross profit	160	87	-46%	
<i>Gross profit margin</i>	68%	42%	-26pp	GPM decreased YoY due to the higher contribution of Valora villas (with high GPM) in 1Q23.
<i>Property sales</i>	96%	50%	-46pp	
Financial income	46	26	-44%	
Financial expenses	-77	-51	-34%	
Profit from associates	78	24	-69%	Profit came from handing over 32 units at the Mizuki Park project with a revenue of VND184 billion, which is a sharp decrease YoY because in 1Q23, NLG handed over 413 units at the Mizuki Park project with a revenue of VND1,317 billion.
SG&A	-178	-145	-19%	
Operating income/loss	29	-59	-	
Profit before taxes	34	-47	-	
<i>PBT margin</i>	15%	-	-	
Profit after taxes	16	-65	-	
NP after MI	7	-77	-	
<i>NPAT margin</i>	3%	-	-	

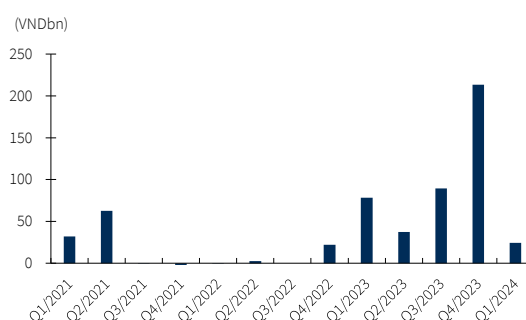
Source: Nam Long Investment, KB Securities Vietnam

Fig 2. NLG – Business results in 2021–2024 (VNDbn)



Source: Nam Long Investment, KB Securities Vietnam

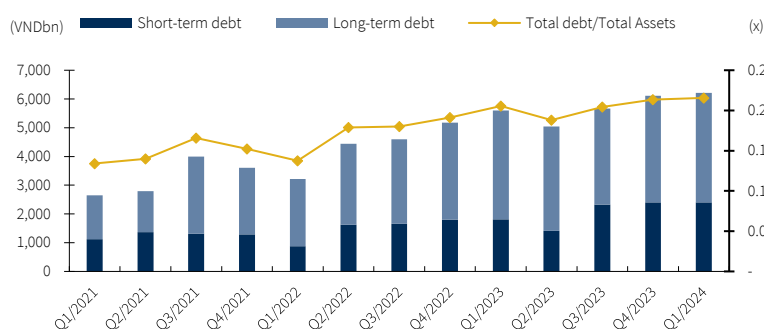
Fig 3. NLG – Profit from joint ventures in 2021–2024 (VNDbn)



Source: Nam Long Investment, KB Securities Vietnam

Fig 4. NLG – Loan status in 2021–2024 (VNDbn)

By the end of 1Q, the total value of NLG’s debt was VND6,214 billion, gaining 2% YTD. The debt to total assets ratio is 0.22x, which is equal to the average level of real estate businesses.



Source: Nam Long Investment, KB Securities Vietnam

1Q24 sales bounced back strongly from 1Q23 level

1Q sales recovered strongly to VND1,168 billion (+5xYoY) thanks to the apartment segment of Akari City and Mizuki. These two recorded good absorption rates with sales reaching VND542 billion and VND246 billion respectively thanks to (1) targeting the right product segment, especially in the context of oversupply, and meeting the needs of customers who want to occupy the house themselves; (2) reasonable prices and flexible sales policy to support customers; and (3) project implementation progress according to plan.

Table 5. NLG – 1Q and 2024E sales

(VNDbn)	1Q23	1Q24	2024F objectives
Mizuki Park	96	246	2,352
Akari City	76	542	1,741
Southgate	66	283	2,206
Ehome Southgate			604
Can Tho		97	2,021
Others			630
Total	238	1,168	9,554

Source: Nam Long Investment, KB Securities Vietnam

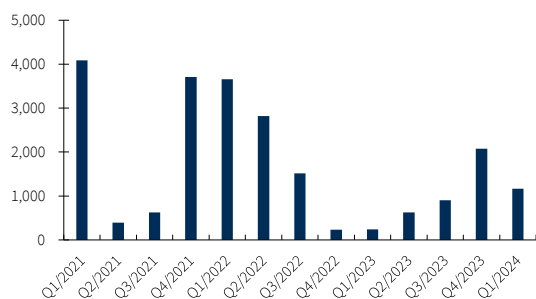
Sales target in 2024 reaches VND9,554 billion (+148%YoY)

At the 2024 AGM, NLG approved the business plan with a sales target of VND9,554 billion (+148%YoY). This revenue comes from continuing sales at the Akari City, Mizuki Park, and Southgate projects and starting sales of low-rise products at the Central Lake Can Tho project.

KBSV estimates 2024 sales of NLG to hit VND5,264 billion (+37%YoY)

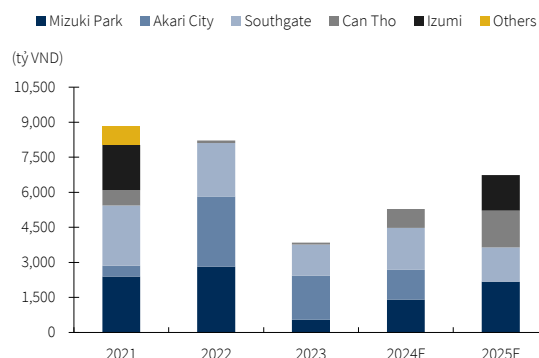
However, KBSV’s estimate is more conservative with a forecast of 2024 sales reaching VND5,264 billion (+37%YoY), coming from Akari City, Mizuki Park, Southgate, and Can Tho projects. Our forecast is 45% lower than NLG’s objective as we realize that the inner-city apartment projects Akari City and Mizuki Park will continue to maintain good absorption rates thanks to suitable product segments, on-schedule handover progress, and meeting the needs of owner-occupied house buyers. Meanwhile, the absorption rate of townhouse/villa projects in provinces such as Long An and Can Tho needs more time to recover.

Fig 6. NLG – Quarterly sales in 2021–2024 (VNDbn)



Source: Nam Long Investment, KB Securities Vietnam

Fig 7. NLG – 2021–2025F sales (VNDbn)



Source: Nam Long Investment, KB Securities Vietnam

Fig 8. NLG – Waterpoint project

The project covers an area of 165ha, located in Ben Luc, Long An.

- Phase 1: Launched low-rise subdivisions Rivera 1 and The Aqua in 4Q19 (handed over)
- Phase 2:
 - In 2021, Rivera 2, Aquaria 2, and Ehome Southgate Phase 1 were launched (handed over)
 - In August 2022, Ehome Southgate Phase 2 was opened for sale for the first time (sold out and handed over).
 - Subdivisions The Aqua 1 & 2 continue to be opened for sale.
 - In 4Q23, the low-rise subdivision Park Village (96 units) was opened for sale, construction on Ehome Southgate Phase 3 comprising three blocks with 580 apartments (handover expected in 2025) started, bulk sale transaction for a third of block A2 at Ehome was carried out.



Source: Nam Long Investment, KB Securities Vietnam

Fig 9. NLG – Waterpoint project



Source: Nam Long Investment, KB Securities Vietnam

Fig 10. NLG – Ehome Southgate project



Source: Nam Long Investment, KB Securities Vietnam

Fig 11. NLG – Mizuki Park project

The project covers an area of 26ha, located in Binh Chanh, Ho Chi Minh City, with more than 4,000 units.

- Phase 1: Handed over 1,400 Flora MP 1-5 apartments
- Phase 2:
 - MP 6, 7, and 8 were opened for sale in April 2021, topped off in August 2022, and handed over three months ahead of schedule at the end of 2022. NLG accelerated handovers in 4Q22 instead of the initially planned 1Q23.
 - MP 9 and 10 were launched in 4Q21, topped off in early 2023, and started deliveries in June 2023.
 - Mizuki Panorama was opened for sale in April 2022, topped off in early 2023, and started deliveries in July 2023.
 - In 1Q24, NLG continued to hand over at Flora Panorama and The Mizuki.



Source: Nam Long Investment, KB Securities Vietnam

Fig 12. NLG – Mizuki Park project



Source: Nam Long Investment, KB Securities Vietnam

Fig 13. NLG – Subdivisions Flora Panorama & The Mizuki



Source: Nam Long Investment, KB Securities Vietnam

The project covers an area of 8.5 ha, located in Binh Tan, Ho Chi Minh City.

- Phase 1: Sold out and delivered 1,800 products
- Phase 2:
 - Launched block AK 7, 8 in March 2022, AK 9 in July 2022, and block AK NEO (AK 10) in 3Q23.
 - On November 21, 2023, NLG topped out all four blocks under Phase 2, with the commencement of handovers scheduled from 4Q24.
 - By the end of 1Q24, NLG sold 1,150 out of the total 1,690 units.

Fig 14. NLG – Akari City project



Source: Nam Long Investment, KB Securities Vietnam

The project covers an area of 170ha, located in Dong Nai.

- First introduced in 4Q21 with 270 products in 1A subdivision booked, totaling a contract value of VND1,929 billion
- Handed over 175 products in subdivision 1A in 4Q23 and 1Q24
- NLG is suspending the launch plan to adjust the design and waiting for 1/5000 planning.

Fig 15. NLG – Izumi City project



Source: Nam Long Investment, KB Securities Vietnam

Table 16. NLG – Other projects

Project	Location	Scale	Progress
Paragon Dai Phuoc	Dong Nai	45 ha	Awaiting 1/5000 planning approval The recognition of profits from the divestment of a 25% stake in the Paragon Dai Phuoc project is postponed until 2024 as NLG has to wait for the completion of procedures to update the investment certificate.
VSIP Hai Phong	Hai Phong	21 ha	Expected to be launched in 2025 Started construction and selling towers 1 & 2
Can Tho	Can Tho	43 ha	The EhomeS social housing project was opened for sale in 4Q23 for ~VND16 million/m ² and should be handed over by the end of 2024 or 2025. (The project covers an area of 3.8ha, comprising 12 blocks, with a maximum height of nine floors and a total of 1,602 apartments).
EhomeS Nguyen Son*	Ho Chi Minh City		Completed and handed over 1,436 units in 2018–2019 Block C was topped off in October 2023 (242 units)

Source: Nam Long Investment, KB Securities Vietnam

Forecast & valuation

Table 17. NLG – 2024–2025F results

(VNDbn, %)	2023	2024F	+/-%YoY	2025F	+/-%YoY	Notes
Net revenue	3,181	5,462	72%	6,901	26%	
Property sales	2,905	5,011	74%	6,303	26%	Sales of real estate properties in 2024 mainly comes from the Akari City project (accounting for 55%), Can Tho project (accounting for 24%), and two projects Southgate and Izumi City.
Gross profit	1,562	2,653	70%	3,262	23%	
<i>Gross profit margin</i>	<i>49%</i>	<i>49%</i>	<i>0.6pp</i>	<i>47%</i>	<i>2pp</i>	
<i>Property sales</i>	<i>53%</i>	<i>49%</i>	<i>-4pp</i>	<i>41%</i>	<i>-8pp</i>	
Financial income	238	328	38%	173	-47%	Financial profit comes from the transfer of 25% stake of the Paragon Dai Phuoc project to foreign partners.
Financial expenses	-296	-327	10%	-339	4%	
Profit from associates	418	131	-69%	415	216%	Profit comes from the handover at Mizuki Park project.
SG&A	-980	-1,568	60%	-2,054	31%	
Profit before taxes	968	1,217	26%	1,456	20%	
<i>PBT margin</i>	<i>30%</i>	<i>22%</i>	<i>-8pp</i>	<i>21%</i>	<i>-1pp</i>	
Profit after taxes	800	1,029	29%	1,205	17%	
NP after MI	484	576	19%	621	8%	
<i>NPAT margin</i>	<i>15%</i>	<i>11%</i>	<i>-4pp</i>	<i>9%</i>	<i>-2pp</i>	

Source: Nam Long Investment, KB Securities Vietnam

Valuation: NEUTRAL rating – Target price VND46,100

Using the RNAV method, we set a target price for NLG stock at VND46,100/share, 5% higher than the closing price on May 21, 2024.

We maintain a positive valuation for NLG shares thanks to (1) NLG's solid fundamentals with a safe financial structure and (2) the attraction of mid-range and affordable apartment projects to buyers with owner-occupying needs. The progress of projects is guaranteed according to schedule.

However, we also note that the issue of approval of legal procedures at the Izumi City and Paragon Dai Phuoc projects could significantly affect NLG's business results.

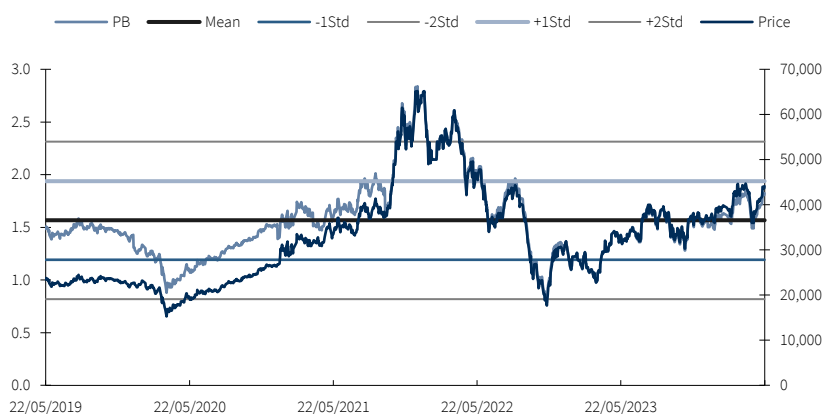
NLG stock price has gained about 20% YTD and traded at a 2024fw P/B of 1.8x, equivalent to +1std of NLG's five-year average P/B. Based on business prospects and valuation results, we gave a NEUTRAL rating to NLG stock with a target price of VND46,100, 5% higher than the closing price on May 21, 2024.

Table 18. NLG – Valuation

Project	Valuation method	Value (VNDmn)
Waterpoint 1	DCF	2,576,702
Waterpoint 2	DCF	2,950,908
Mizuki	DCF	3,438,893
Akari City	DCF	1,575,933
Nam Long Dai Phuoc	DCF	1,315,230
Waterfront	DCF	6,402,754
Nam Long Hai Phong	DCF	1,005,961
Nam Long Can Tho	DCF	2,192,452
		21,458,833
+ Cash		2,473,299
- Total debt		6,214,431
RNAV		17,717,701
Outstanding shares		384,080,300
Value per share (VND)		46,100

Source: KB Securities Vietnam

Fig 29. NLG – P/B in 2019–2024 (x)



Source: KB Securities Vietnam

NLG – 2022A–2025F financials

Income Statement					Balance Sheet				
(VND billion)	2022	2023	2024F	2025F	(VND billion)	2022	2023	2024F	2025F
Net sales	4,339	3,181	5,462	6,901	CURRENT ASSETS	23,720	25,313	26,211	28,656
Cost of sales	-2,355	-1,619	-2,809	-3,639	Cash and cash equivalents	3,773	2,540	1,462	1,775
Gross Profit	1,984	1,562	2,653	3,262	Short-term investments	987	1,050	1,050	1,050
Financial income	386	238	328	173	Accounts receivable	3,570	3,637	4,315	5,704
Financial expenses	-199	-296	-327	-339	Inventories	14,830	17,353	18,403	18,713
of which: interest expenses	-148	-278	-306	-318	LONG-TERM ASSETS	3,365	3,298	4,090	5,032
Gain/(loss) from joint ventures (from 2025)	25	418	131	415	Long-term trade receivables	11	13	13	13
Selling expenses	-511	-418	-681	-884	Fixed assets	154	141	947	1,894
General and admin expenses	-644	-562	-888	-1,170	Investment properties	337	305	290	285
Operating profit/(loss)	1,041	942	1,217	1,456	Long-term incomplete assets	26	44	44	44
Other incomes	29	27	0	0	Long-term investments	2,136	2,220	2,220	2,220
Other expenses	42	47	0	0	TOTAL ASSETS	27,085	28,611	30,301	33,688
Net other income/(expenses)	-14	-20	0	0	LIABILITIES	19,770	15,078	15,910	18,269
Income from investments in other entities	0	0	0	0	Current liabilities	8,851	9,886	10,607	12,851
Net accounting profit/(loss) before tax	1,070	968	1,217	1,456	Trade accounts payable	981	1,175	1,095	1,121
Corporate income tax expenses	51	104	188	252	Advances from customers	3,271	3,815	2,663	3,477
Net profit/(loss) after tax	866	800	1,029	1,205	Short-term unrealized revenue	7	8	0	0
Minority interests	309	317	453	584	Short-term borrowings	1,804	2,402	2,522	2,648
Attributable to parent company	556	484	576	621	Long-term liabilities	4,919	5,192	5,303	5,418
					Long-term trade payables	0	0	0	0
					Long-term advances from customers	0	0	0	0
					Unrealized revenue	354	260	260	260
					Long-term borrowings	3,375	3,705	3,817	3,931
					OWNER'S EQUITY	13,315	10,594	14,039	15,315
					Paid-in capital	3,841	3,848	3,848	3,848
					Share premium	2,643	2,643	2,643	2,643
					Undistributed earnings	2,493	2,879	3,263	3,692
					Minority interests	0	0	0	0

Margin ratio	2022	2023	2024F	2025F
Gross profit margin	34.2%	45.7%	49.1%	48.6%
EBITDA margin	15.6%	19.9%	19.8%	21.4%
EBIT margin	15.0%	19.1%	18.3%	19.9%
Pre-tax profit margin	31.5%	24.7%	30.4%	22.3%
Operating profit margin	23.1%	24.0%	29.6%	22.3%
Net profit margin	28.4%	19.9%	25.2%	18.8%

Cash Flow Statement				
(VND billion)	2022	2023	2024F	2025F
Net profit/(loss) before tax	1,070	968	1,217	1,456
Depreciation and amortisation	36	49	83	159
Profit/loss from investing activities	-410	-655	0	0
Interest expense	148	296	306	318
Operating profit/(loss) before changes in Working Capital	843	688	1,606	1,933
(Increase)/decrease in receivables	-2,435	-57	-678	-1,388
(Increase)/decrease in inventories	-593	-2,428	-1,050	-310
Increase/(decrease) in payables	1,665	220	-80	26
(Increase)/decrease in prepaid expenses	-154	142	0	0
Net cash inflows/(outflows) from operating activities	-1,031	-2,343	-264	1,349
Purchases of fixed assets and other long term assets	452	405	-854	-1,085
Proceeds from disposal of fixed assets	-73	-24	0	0
Loans granted, purchases of debt instruments	0	0	0	0
Collection of loans, proceeds from sales of debts instruments	-277	0	0	0
Investments in other entities	0	36	0	0
Proceeds from divestment in other entities	-534	-174	0	0
Dividends and interest received	1,181	338	0	0
Net cash inflows/(outflows) from investing activities	154	228	-854	-1,085
Proceeds from issue of shares	1,241	705	0	0
Payments for share returns and repurchases	187	0	0	0
Proceeds from borrowings	0	0	231	241
Repayment of borrowings	3,595	3,129	0	0
Finance lease principal payments	-2,021	-2,237	0	0
Dividends paid	0	0	-192	-192
Interests, dividends, profits received	-521	-187	0	0
Net cash inflows/(outflows) from financing activities	0	0	39	49
Net increase in cash and cash equivalents	662	-1,233	-1,078	313
Cash and cash equivalents at the beginning of period	3,112	3,773	2,540	1,462
Cash and cash equivalents at the end of period	3,773	2,540	1,462	1,775

Key ratios				
	2022	2023	2024F	2025F
Multiple				
P/E	27.3	36.7	30.1	28.0
P/E diluted	27.3	36.7	0.0	0.0
P/B	17	18	18	17
P/S	3.5	5.3	3.2	2.5
P/Tangible Book	11	13	12	11
P/Cash Flow	-14.7	-7.6	-65.8	12.9
EV/EBITDA	24.2	39.1	23.0	20.0
EV/EBIT	25.2	42.4	24.7	22.6
Operating performance				
ROE	4.18	3.57	4.00	4.03
ROA	4.67	3.15	5.65	5.96
ROIC	2.05	1.69	1.90	1.84
Financial structure				
Cash Ratio	0.4	0.3	0.1	0.1
Quick Ratio	0.9	0.7	0.6	0.7
Current Ratio	2.7	2.6	2.5	2.2
LT Debt/Equity	0.3	0.3	0.3	0.3
LT Debt/Total Assets	0.1	0.1	0.1	0.1
Debt/Equity	0.7	0.7	0.7	0.8
Debt/Total Assets	0.3	0.3	0.4	0.4
ST Liabilities/Equity	0.7	0.7	0.7	0.8
ST Liabilities/Total Assets	0.3	0.3	0.4	0.4
Total Liabilities/Equity	10	11	11	12
Total Liabilities/Total Assets	0.5	0.5	0.5	0.5
Activity ratios				
Account Receivable Turnover	16	0.9	14	14
Inventory Turnover	0.2	0.1	0.2	0.2
Account Payable Turnover	3.0	15	2.5	3.3

Source: Nam Long Investment, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Banks, Insurance & Securities

Nguyen Anh Tung – Manager
tungna@kbsec.com.vn

Pham Phuong Linh – Analyst
linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Manager
ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst
nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst
giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst
anhntn@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst
hieupm@kbsec.com.vn

Research Division
research@kbsec.com.vn

Macro/Strategy

Tran Duc Anh – Head of Macro & Strategy
anhtd@kbsec.com.vn

Vu Thu Uyen – Analyst
uyenvt@kbsec.com.vn

Nghiem Sy Tien – Analyst
tienss@kbsec.com.vn

Nguyen Dinh Thuan – Analyst
thuannd@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant
thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant
huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

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

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

Investment Ratings for Sectors

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

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

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