

BSC RESEARCH

Analyst

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On 31/8/2017, JVC stock was traded at 3,600 VND / share, equivalent to P / B of 0.79x. We attended the 2017 AGM and have the following notes:

Business results in 2016: Net sales reached VND 499 billion (-1.56% yoy). The company recorded an after tax loss of VND 32 billion (2015 loss of VND 1,336 billion). Excluding the company's provisioning expense, the company's after-tax loss is VND9 billion (VND 29 billion in 2015). Remarkably, since the third quarter of 2016 (equivalent to Q4/2016 calendar year), the company has recorded profits. Business results in 1H2016 (according to JVC's financial year) are losses as the company has to sell inventories at low prices and make provisions for the receivables.

JVC's business results in 2016.

Units: VND. Bil.

	2015	2016	% yoy
Revenue	508	450	-1.6%
Sales	385	339	-12.12%
Co-operation activities	106	140	32%
Services	16	21	30 %
Finance	1	0	-34%
Operating profit	-130	87	
Sales	10	64	513%
Co-operation activities	-14	21	
Services	7	9	31%
Finance	-133	-7	

Sources: JVC

Business plan in 2017: The company sets a net revenue target of VND 630 billion, + 26% yoy and a net profit of VND 19 billion.

Operational restructuring

- **Change in the structure of shareholders and leadership.** According to the representative of JVC's board of directors, Mr. Le Van Huong and his relates were not JVC's shareholders. Currently, DI, Vietnam Medical Equipment JSC (Vinamed) and its relates owns approximately 51% of JVC. Vinamed's chairman is also chairman of JVC. Representative of DI fund confirmed that Di keep its percentage holders and support JVC business.

- **Change the business model:** The main business of the company is selling medical equipment and consumable products, co-operation with

hospitals, mobile clinics. JVC abandoned its business model as procurement for medical devices. Instead, the company operates in the form of importing medical equipment from large manufacturers (usually exclusively distributed by region, mainly in the North) to supply to procurement firms. The company also consolidates the operations of functional units such as sales, accounting, reengineering, and so on.

JVC has restructured and regained trust from suppliers, customers and banks. Many partners have lost confidence and do not want to cooperate with JVC after the crisis. Hitachi, Fujilm wondered whether they would continue to cooperate with JVC or not. Typically, in 2016, Hitachi even cut the exclusive distribution contract with JVC in the southern market, JVC lost about VND 14.6 billion. After restructuring, with the efforts of the leadership and executive boards, the partners have returned to work with JVC. From March 31, 2017, Hitachi agreed to let JVC become an exclusive distributor in the South. JVC are an exclusive distributor in the North of Fujifilm. The company also expanded its product portfolio and suppliers with potential products such as the Sakura's infection control system, Sonosite's Ultrasound, ... At the same time, the company also focused on establishing relationships with customers, hospital by providing good services and doing marketing programs, etc. Some banks have re-opened credit lines for the company, the current limit of VND 150 billion, from BIDV, Techcombank and Tienphongbank.

Continue handling the backlog problem. In 2016, the company made a provision of VND 23 billion, made effort to push "partners" to confirm and pay receives. However, it's difficult to collect receives. The company paid VND 58 billion of tax obligations in 2016, basically handled the tax backlog. JVC offers two ways to handle the big losses. Option 1, making profit which will net off accumulated losses. JVC currently does this option. Option 2, separating JVC's operations into two companies, of which JVC holds almost all of its capital. One of them will hold high quality assets and performs basic business operations of JVC. The remaining owns bad assets, actively collect debts and handle the backlog. However, some major shareholders did not approve this option.

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