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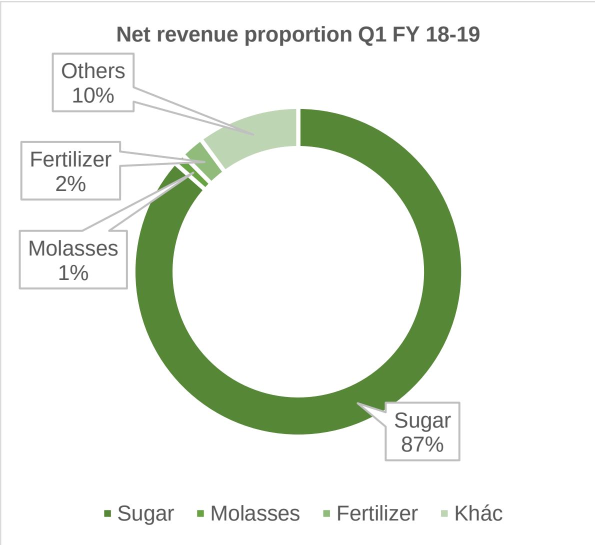
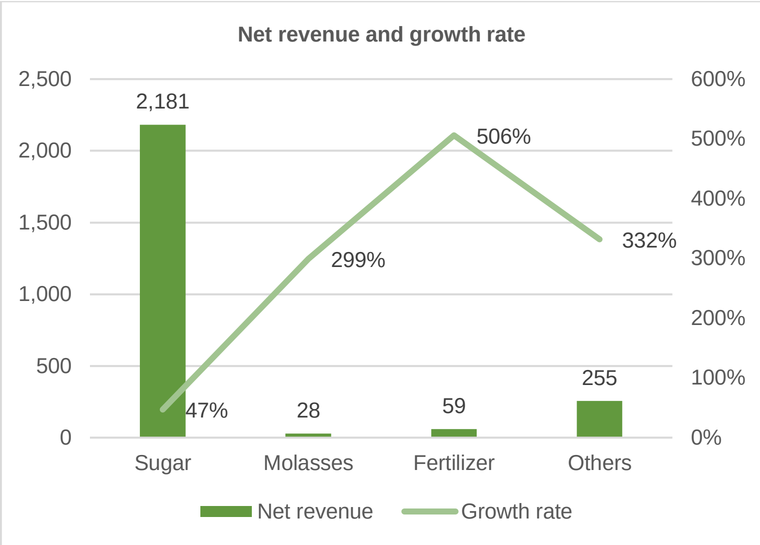
SUGAR CONSUMPTION IN 1st QUARTER OF FISCAL YEAR 2018 - 2019 MAINTAINS ITS GROWTH MOMENTUM

Sugar consumption continues to grow in the context of the sugar industry showing signs of positive change

Financial Statement (FS) of 1st Quarter (Q1) of Fiscal Year (FY) 2018-2019 of Thanh Thanh Cong Bien Hoa Joint Stock Company (TTC Bien Hoa, Company, SBT) recorded Net revenue of over VND 2,523 billion, Profit before tax (PBT) of VND 42 billion and Profit after tax (PAT) of nearly VND 37 billion.

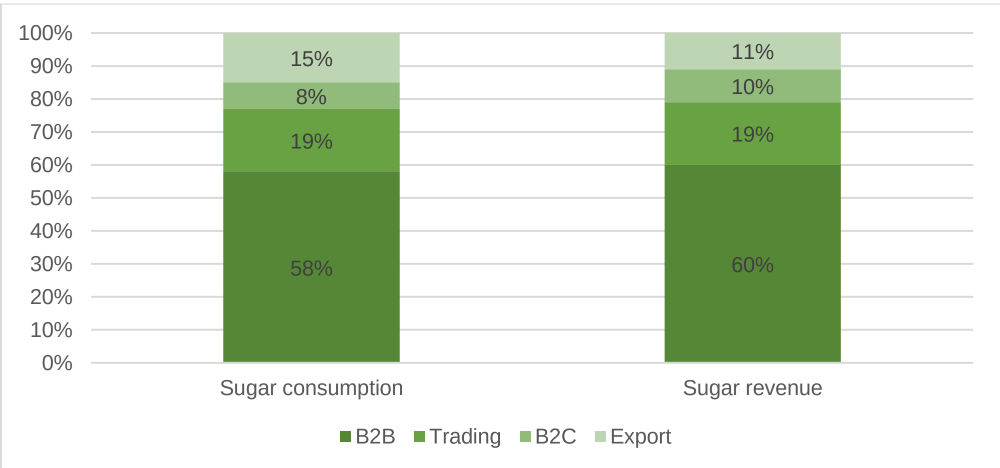
In the 1st quarter, the sugar industry still has certain difficult but positive signs have appeared, suggesting a recovery period in the coming quarters. Sales and sugar consumption had good growth rate compared to same period last year in term of both Sugar and By-products. Sugar consumption reached 174 thousand tons, up 83%. As the factories have not entered into main production period yet therefore the By-products only made modest contribution to Net revenue but recorded good growth when Molasses, Fertilizer and Others (Commercial electricity, rubber, sugarcanes, rice, coconut water, tea) increased by over 290%.





Source: TTC Bien Hoa

Sugar consumption structure and net revenue by the channel are gradually moving in line with the company's long-term development goals, leading by the B2B (Business to business), Trading, B2C (Business to customer) and Export.



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As one of the channels having a lot of potential to exploit as well as being driven in the strategic move for the next few years, Q1 FY 18-19 marked many export activities of the SBT. In September, the Company has penetrated one of the large 24-hour shopping center for the 1st time in Singapore, Mustafa Center - Singapore, by exporting a container of 15 types such as Organic sugar, Rock sugar, Diet sugar... after becoming the 1st Vietnamese enterprise exporting sugar to the United States with strict standards at the end of June 2018.

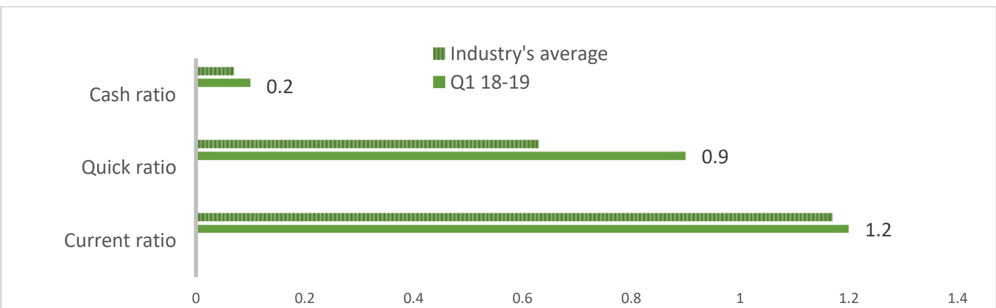
Q1 FY 18-19, gross margin was lower than the same period last year due to still stay in fluctuation period of sugar industry, causing decrease in selling price and affecting directly to revenue. Meanwhile, the cost of goods sold increased due to consuming inventory of previous periods when the cost is still high. In the period, the Company also recorded nearly VND 220 billion in financial income, an increase of 76% yoy, of which VND 146 billion gained from liquidation of investments and divestments from other entities. In addition, the company recorded other income of VND 67 billion, mostly from liquidation of fixed asset. In such a tough period when the Sugar industry has many ups and downs and not yet recovered, revenue from non-recurring activities contributed significantly to the achievement of the target.

On the positive side, overcoming this turbulent period is the opportunity for the Company to expand its market share because many small competitors with under-performing businesses will not be able to withstand market pressure and might be forced to close. According to the statistics of the Vietnam Sugarcane and Sugar Association, out of 41 factories currently operating in the country, 22 factories with a capacity of less than 3,000 TCD, one has closed since the end of 2017, the remaining ones use outdated technology and are at risk of closing when ATIGA comes into effect.

After the M&A, SBT's strategy is to expand its market share in B2C channel through its longstanding brand equity, distribution system, customer portfolio as well as the value chain that BHS owns. However, the proportion of Selling, General & Administrative expense on Net revenue is still controlled well when it is only 6.0% compared to 7.2% of the whole FY 17-18.

The structure of capital improved in a good way, starting activities of restructure capital
Total assets decreased slightly by 2% compared to the end of FY 17-18, equivalent to VND 17,321 billion, partly due to good control of Inventory. This figure dropped 36%, maintaining at VND 2,547 billion; Liabilities decreased by 4%, reducing the burden of interest expenses after the M&A. The reduction of Inventory in Total assets from 22% to 15% is in line with the operating cycle as the Company prepares for new production period at the end of October, which helps reduce the high cost of Inventory in the previous period as well as maintain quality of sugar.

In the opposite direction, Cash and Cash equivalents increased by over 50% to VND 489 billion. Maintaining a reasonable amount of cash on hand will enable the Company to be more flexible in its operations, while ensuring liquidity and timely seize business opportunities. Liquidity ratios were controlled at a safe level and higher than industry average, recording a growth rate of 6%, 33% and 29% respectively.



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For Liabilities, Short-term liabilities reduced to VND 8,502 billion, down 4% compared to the beginning of the period, in which Short-term Borrowings decreased by VND 142 billion. Long-term liabilities recorded a decrease of 2%, in which Long - term Borrowings reduce VND 63 billion. The capital structure indicators are therefore improved, slightly down from 1.9% to 5.2%. This is considered as one of the first efforts of the company in the process of restructuring its capital in a sustainable way, which helps carefully prepare for the cooperation with long term foreign strategic partners.

SBT share recovered and grew steadily

In October, the VNIndex has been down for 9 consecutive sessions and only closed at 888.69 points, the liquidity decreased with the total trading volume of 133 million shares, equivalent to VND 2,936 billion; in the opposite direction, SBT is one of the few stocks that has grown steadily and is not significantly affected by the overall impact of the market; mostly came from the confidence of foreign investors in SBT when they continued to net buy more than 7.8 million shares in October with total value of VND 160 billion. For the period from October 1st to October 30th, SBT share price was kept at a stable level of VND20,000 +/- 5%. At the end of October 30th, 2018, SBT shares reached VND 20,600 with the highest liquidity in sugarcane industry of 2.4 million shares, compared to its peers with an average of only 90.6 thousand shares; SBT also has highest market capitalization of VND 10,206 billion, equivalent to $ 446 million.

Sugar price prospect - Opportunities for change in Q2 FY 18-19

One of the encouraging signs for the Vietnam Sugar Industry is the World Sugar price after hitting the bottom in May 2018 has showed signals to rebound in the second half of October 2018, especially in the context of world sugar supply is expected to decrease in the coming years.

Nation	Rank	Situation
Brazil	- The largest sugar producer in the world - The largest sugar exporter in the world	- Consumption of FY 18-19 is expected to decrease 22% to 30 million tons due to: + Drought + Plants increase production of Ethanol because of higher demand and greater profits + World sugar prices fell, oil prices increased significantly within a year - Sugar output from Brazil's main production sector fell 43% in the first half of October: + The processing of sugarcane decreased + The plants continue to increase production of Ethanol
India	- The 2nd sugar producer in the world - Top 4 sugar exporter in the world - The largest sugar consumption in the World: 25 million tons	- Drought slows sugarcane plantings in Maharashtra and other area in Indian peninsula will: + Significantly reduce the output of sugar in FY 19-20 + Helps reduce pressure on global sugar prices as India starts net export in a few years
Thailand	- The 3rd sugar producer in the world - The 2nd sugar exporter in the world	- The government considers the possibility of increasing the use of sugarcane juice for ethanol production: + Ethanol production from cassava is less competitive, cassava price has doubled in the same period + Increasing demand for this kind of agricultural products in the livestock sector - Sugar output is expected to decrease by 6%, from the record of 14.7 million tons in FY 17-18 to 13.8 million tons in FY 18-19. - According to OCSB, export is forecasted to fall sharply by 40-50% in 2019, as sugarcane crops have been committed for use in the biochemical sector.
China	- Top 5 sugar producer in the world - The largest sugar importer in the world	- Demand stable at 17 million, deficit ~ 6 million tons - Forecasted FY18-19 continues to deficit

Sources: Worldatlas, Nasdaq, The Economic Times, The Saigon Times, CafeF, BVSC

Although Vietnam is not in the list of leading countries in sugar production and export activities, SBT's export activities become more dynamic day by day. On October 26th, 2018, SBT held a strategic cooperation signing ceremony with ED&F Man Sugar (the UK) on the sale of organic sugar produced in Laos and other TTC Bien Hoa's sugar product in FY 18-19 to the European market. After meeting strict requirements and being certified by Control Union under the standards of the US Department of Agriculture (USDA) and the EU, TTC Bien Hoa became the first and only sugarcane company in Vietnam which could meet outstanding standards to be able to export to many world's most difficult markets.

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