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INTRODUCTION

While the relationship between financial ratios and firm performance has been widely researched, the empirical evidence has provided mixed results over the world. For Vietnam, the research on the subject are still few and cover a short period.

Price to Earning ratio is one of the most essential financial ratios which contributes to achieve the highest return with the lowest risk, so it has become the noticeable topic for the investors. Most researchers were attempted to explain to the phenomenon that the P/E play as empirical measurement of company performance, and how P/E can illustrate listed companies' growth rate and market trend.

Among the main studies, The article "Is Forward P/E Ratio a Good Predictor for Market Returns?" (Elizabeth Francis, January 16, 2013) shows that lower P/E ratios are typically followed by a rising market, while higher P/E ratios have predicted negative returns. Besides, the previous theoretical and empirical literatures (S. Basu, June 1977) indicated that returns on stocks with low P/E ratios tends to be larger than warranted by the underlying risks. In addition, the financial ratios as empirical predictors seem to play unique and complementary roles on stock return predictability (Sina Kheradyyar, Prof. Izani Ibrahim, 2011). However, there are few to none articles or research's been done regarding this topic in Viet Nam even though Viet Nam is a potential market that would be a lucrative market for investors .The Vietnam stock market, VN-Index increased significantly in 2013 with a growth rate of over 20% and secured the top place in Southeast Asia. Because of lacking of adequate information about this relation, the topic therefore is worthy of studying further on Vietnam stock market.

After Governance study series: Women CEO, State , Foreign ownership, IFRC continues with new topic: relation between Fundamental ratio and corporate performance, and Fundamental Ratio is the first one of the series. The purpose of this study is to examine the relation between Price to Earning Ratio and performance of about 600 companies listed on Ho chi Minh and Hanoi Stock Exchanges since 2009. By taking into account the various factors such as the market (exchange), the size (capitalization) and the sector, we provide an in-depth understanding and outstanding knowledge about Viet Nam market. The next step will extend the study period to 2000.

This paper is structured as follows: first, we introduce the data description, the research method then we report empirical results to finally conclude this paper.

STATE OWNERSHIP DATA is provided by

