

DABACO GROUP (DBC) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND78,000	VND74,000	1.30%	Hold	CONSUMER GOODS

4 March 2022

Outlook – Short term: Neutral
Outlook – Long term: Positive
Valuation: Neutral

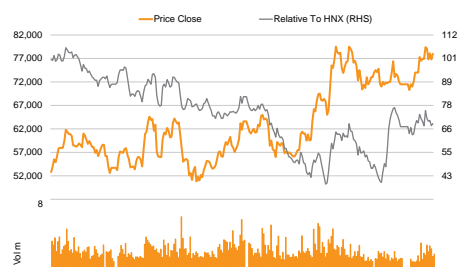
Consensus*: Add:3 Hold:0 Reduce:0

Target price / Consensus: 0.8%

Key changes in the report

- Increase FY22F EPS forecast by 0.4%
- Decrease FY23F EPS forecast by 8.3%

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	79,500
52w low (VND)	50,800
3m Avg daily value (VNDmn)	97,240
Market cap (VND bn)	8,850
Free float (%)	62
TTM P/E (x)	10.8
Current P/B (x)	1.91

Ownership

Nguyen Nhu So (Chairman)	18.3%
SSI Securities Company	11.0%
Fraser Investment Holding	8.7%
Others	62.0%

Source: VND RESEARCH

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Bright outlook but valuation looks fair

- In FY21, DBC's revenue grew 7.9% yoy to VND10,813bn while net profit (NP) plunged 40.8% yoy to VND830bn.
- We forecast DBC's NP to grow 8.4%/15.1% yoy in FY22-23F.
- We raise TP to VND74,000 but downgrade to HOLD as market price is close to fair value.

FY21 business results: Hurt by higher material cost

DBC recorded 7.0% yoy increase in core business revenue (Feed-Farm-Food) in FY21 to VND9,821bn as 1) animal feed price increased sharply ~25% yoy in FY21 due to higher material costs, and 2) live hog prices decreased by 23.9% yoy due to increasing supply and lower consumption demand amid the Covid-19 pandemic. FY21F gross margin narrowed down by 8.4% pts yoy mainly due to the increasing input price for the animal feed (60.4%/44.5% yoy in corn/soybean price). Overall, DBC enjoyed a 7.9% yoy growth in FY21 revenue while its NP plunged 40.8% yoy.

Meat demand to recover, bolster revenue growth in FY22F

In FY22-23F, we expect animal feed revenue to grow 6.0%/0.9% yoy thanks to a 6.0%/3.0% yoy increase in sales volume. In addition, farm and food record a 11.0%/7.8% yoy growth in revenue as sales volume increase by 17.2/3.0% yoy thanks to demand recovery while ASP decline by 5.8% yoy in FY22F due to high base in 1H21 and improve 4.0% yoy in FY23F. Overall, DBC's net revenue increase 7.0%/8.0% yoy in FY22-23F and we expect blended GM narrow by 0.8% pts yoy in FY22F before recovering 0.2% pts yoy in FY23F.

Recent stock price rally to corresponding with ASF vaccine expectation

We believe that DBC's recent price increase is a result of investors' expectations of higher live hog prices and its revenue from anti-ASF (African Swine Fever) vaccines production. We expect with the success vaccine, by 2024, the ASF disease can be controlled in Vietnam and the pig herd will be restored to pre-epidemic levels. However, the vaccine's information is still limited, and it will not be commercially produced until end-2022F. Thus, we believe vaccines will not contribute a large proportion of DBC's 2022F results and need more information to account vaccine production into our model.

Downgrade to Hold with a higher TP of VND74,000

We increase our TP by 15.6% following the rollover to FY22F and target P/E of 9.0x apply on average FY22-23F EPS. However, we think current stock valuation has fully reflected the bright FY22-23F outlook. Upside risk includes higher-than-expected pork prices. Downside risks include a faster-than-expected fall in pork prices and a higher-than-expected prices of input material for animal feed.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net revenue (bn)	10,022	10,813	11,575	12,503
Revenue growth	39.4%	7.9%	7.0%	8.0%
Gross margin	25.5%	17.1%	16.3%	16.6%
EBITDA margin	23.2%	15.3%	14.1%	14.3%
Net profit (bn)	1,400	830	899	1,035
Net profit growth	358.9%	(40.8%)	8.4%	15.1%
Recurring profit growth				
Basic EPS	14,337	7,559	7,823	9,006
Adjusted EPS	14,167	6,796	7,353	8,465
BVPS	40,257	40,846	44,170	53,147
ROAE	38.7%	18.6%	18.4%	18.5%

Source: VND RESEARCH

POSITIVE OUTLOOK BUT VALUATION LOOKS FAIR

Investment thesis

We raise 1-year TP to VND74,000, basing following factors

We raise DCF valuation by 13.8% based on the rollover to FY22F and 0.4% increase in FY22F EPS. Beside we also reduce short term note as % revenue and long-term borrowing as % revenue to 11%/5% from 15%/12% in the previous forecast to in line with 2021 figures.

We raise P/E valuation by 16.7% following a rollover to average FY22-23F EPS. In addition, we upgrade target P/E to 9.0x to better reflect the current market sentiment. DBC is trading at P/E of 10.7x - lower than regional peers with MML's P/E of 19.8x, CP Thailand's P/E of 16.9x. Thus, we believe as one of the leading 3F business in the livestock industry with clear competitiveness, double digit earnings growth, and numerous capacity expansion projects, DBC deserves to be further rerated to P/E FY22F of 9.0x to fully reflect the company's strengths. Consequently, we apply target P/E of 9.0x for DBC in FY22F.

Figure 1: Blended target price

Methodology	Price (VND)	Weight	Weighted price (VND)
FCFF	76,264	50%	38,132
P/E	71,022	50%	35,511
1-year TP (round down)			74,000

SOURCE: VNDIRECT RESEARCH

Figure 2: Multiples (P/E) approach

2022F NPAT attribute to common share holder (VNDbn)	909
2022F No. of outstanding share (m)	115
Average 2022-23F EPS (VND)	7,891
Target P/E (x)	9.0
Target price 2022	71,022

SOURCE: VNDIRECT RESEARCH

Figure 3: Discounted cash flows - future cash flows to firm (FCFF) approach

Present value of Future Cash Flows to Firm (VNDbn)	7,928
Present value of Terminal value (VNDbn)	2,069
Enterprise Value (VNDbn)	9,997
Net debt (VNDbn)	(1,208)
Equity Value	8,789
No. of Outstanding Share (million)	115
Equity value per share (VND)	76,264
WACC	11.7%
Cost of Equity	14.2%
Long-term growth	1.0%

SOURCE: VNDIRECT RESEARCH

Figure 4: Discounted cash flow model

	2020	2021	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
EBIT	1,554	980	998	1,149	1,126	963	1,009	1,056	1,088	1,122	1,158	1,195	1,232
Add: Depreciation	466	492	516	555	595	637	680	725	771	819	868	917	966
Less Capital expenditure	(569)	(319)	(564)	(552)	(565)	(579)	(594)	(609)	(625)	(642)	(643)	(644)	(645)
Changes in Working Capital	(76)	(802)	511	(634)	(118)	(128)	(133)	(138)	(108)	(111)	(115)	(118)	(122)
Free Cash Flow (FCF)	1,376	350	1,462	518	1,038	893	962	1,034	1,126	1,188	1,268	1,349	1,432
Less Taxes Paid	(154)	(150)	(99)	(114)	(111)	(95)	(100)	(104)	(108)	(111)	(115)	(118)	(122)
Free Cash Flows to Firm	1,222	200	1,363	405	927	798	863	929	1,018	1,077	1,153	1,231	1,310
Terminal Value													7,821
PV of FCFF	1,222	200	1,363	362	742	572	554	534	523	495	475	454	432
PV of Terminal Value													2,069

SOURCE: VNDIRECT RESEARCH

However, we downgrade DBC to HOLD as current valuation is relatively fair

Recently, DBC surged 54.7% since the beginning of 2021, leading to 10.7x TTM PE. We think stock price to reflect the bright FY22-23F outlook.

- DBC has long-term growth potential thanks to expanding capacity in the pork segment, penetrating deeper into the edible oil segment with the phase 2 factory starting operations at 4Q22F and investing in real estate projects in Bac Ninh.
- It's 3F (Feed-Farm-Food) business model helps the company to ease the damage caused by incurable swine diseases, thus ensuring DBC's livestock activities amid the Africa Swine Fever (ASF).
- The company has the ability to increase the animal feed ASP to reduce the burden on the GPM due to higher input materials cost.
- DBC will record revenue from Huyen Quang condominium real estate project in 2022F.
- We expect DBC to enjoy earning growth of 8.4%/15.1% yoy in FY22-23F.

Upside risk includes higher-than-expected pork prices. Downside risks include a faster-than-expected fall in pork prices and a higher-than-expected prices of input material for animal feed.

Figure 5: Peer comparison (Data at 01 Mar)

3F producer	Bloomberg code	Recom.	Target price (VND)	Market cap (US\$m)	3-year EPS CAGR (%)	P/E (x)		P/B (x)		ROE (%)		ROA (%)	
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Japfa Comfeed Indonesia Tbk PT	JPFA IJ	NR	N/a	1,285	20.4	8.6	7.1	1.4	1.2	14.6	15.9	6.8	7.6
Thaifoods Group PCL	TFG TB	NR	N/a	739	33.3	9.6	8.9	N/a	N/a	18.6	17.1	6.7	6.0
Charoen Pokphand Foods PCL	CPF TB	NR	N/a	6,429	2.9	10.0	11.0	0.9	0.9	8.3	7.8	2.7	2.6
Wellhope Foods Co Ltd	603609 CH	NR	N/a	1,463	39.6	11.0	8.4	1.3	1.1	9.4	13.4	2.7	N/a
WH Group Ltd	288 HK	NR	N/a	9,011	(2.0)	7.0	6.5	0.9	0.9	13.4	13.7	6.7	6.9
COFCO Joycome Foods Ltd	1610 HK			1,802	N/a	8.1	4.6	1.1	0.9	15.0	21.6	9.3	13.6
Average					18.4	9.0	7.7	1.1	1.0	13.2	14.9	5.8	7.3
Median					18.1	9.1	7.7	1.1	0.9	14.0	14.8	6.7	6.9
Dabaco Group	DBC VN	HOLD	74,000	401.8	99.3	9.7	8.4	1.9	1.6	18.3	18.9	8.3	9.5

SOURCE: VNDIRECT RESEARCH, BLOOMBERG

4Q21 & FY21 recap: Gross margin hurt by higher materials cost in animal feed and lower live hog price

Figure 5: 4Q21 and FY21 results comparison

VNDbn	4Q21	4Q20	%yoy	FY21	FY20	%yoy	FY21F forecast	% vs our FY21F forecast	Comment
Revenue	3,061	2,867	6.8%	10,813	10,022	7.9%	11,538	93.7%	
3F chains	2,393	2,529	-5.4%	9,821	9,175	7.0%	9,688	101.4%	In our view, 3F segment revenue recorded negative growth of 5.4% yoy in 4Q21 mainly due to live hog price bottoming below VND40,000 in Oct 2021 as the results of weak demand impacted by the 4th Covid wave.
Others	708	440	60.8%	1,351	1,198	12.8%	1,849	73.1%	Other revenue recorded a substantial increase of 60.8% yoy mainly thanks to the impressive growth of the real estate segment of 104.7% yoy in 4Q21. We believe the positive result came from the Lotus Center real estate project that has been handover and recorded revenue. Meanwhile, commercial revenue decreased by 15.3% yoy due to the complicated epidemic affecting DBC's restaurant and hotel business.
Gross profit	370	589	-37.2%	1,853	2,558	-27.6%	2,401	77.2%	
Gross margin	12.1%	20.5%	-8.5% pts	17.1%	25.5%	-8.4% pts	20.8% pts	-3.7% pts	
3F Chains	8.5%	21.1%	-12.6% pts	18.5%	28.9%	-10.4% pts	21.0% pts	-2.5% pts	Animal feed prices increased by 10-15% yoy in 4Q21 to offset for high input material costs (maize prices rose 36.0% yoy and soybean prices increased 10.4% yoy). Meanwhile, domestic hog price dropped 36.7% yoy in 4Q21 due to weak consumption. Thus, 3F chains' gross margin narrowed by 12.6% pts yoy in 4Q21.
Others	29.3%	35.6%	-6.3% pts	29.0%	21.7%	7.4% pts	20.0% pts	9.0% pts	
SG&A	193	213	-9.5%	750	720	4.1%	1,061	70.7%	
SG&A as % revenue	6.3%	7.4%	-1.1% pts	6.9%	7.2%	-0.3% pts	9.2% pts	-2.3% pts	
EBIT	177	376	-53.0%	1,103	1,838	-40.0%	1,340	82.3%	
EBIT margin	5.8%	13.1%	-7.3% pts	10.2%	18.3%	-8.1% pts	11.6% pts	-1.4% pts	
Pre-tax profit	164	323	-49.3%	980	1,553	-36.9%	1,182	82.9%	
Pre-tax margin	5.3%	11.3%	-5.9% pts	9.1%	15.5%	-6.4% pts	10.2% pts	-1.1% pts	
Tax	52	60	-12.9%	150	154	-2.3%	118	127.2%	
Effective tax rate	31.8%	18.5%	13.3% pts	15.3%	9.9%	5.4% pts	10.0% pts	5.3% pts	
Net profit	112	263	-57.6%	830	1,400	-40.8%	1,064	78.0%	Lower than our forecast
Net margin	3.6%	9.2%	-5.5% pts	7.7%	14.0%	-6.3% pts	9.2% pts	-1.5% pts	
FD EPS (VND)	969	2,515	-61.5%	7,199	13,366	-46.1%	9,547	75.4%	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

FY22-23F outlook: Earnings growth recovery is just around the corner

Animal feed: Input material price pressure likely to ease

We believe that the government's "Living with Covid" policies - allowing restaurants, kitchens, and manufacturing to reopen - will help increase food consumption, thereby creating a better prospect for the feed industry. Mordor Intelligence forecasts the Vietnamese animal feed to reach a CAGR of 4.6% in the period 2021-2026F, in which the largest contribution come from the poultry feed market due to higher poultry consumption demand with production costs and lower product prices. In 2022, the Department of Livestock Production aims to increase the average livestock production value by 4%, of which pork reaches c.3.95m tons (+3.6% yoy) and poultry meat reaches c.1.79m tons (+5.1% yoy). In our view, with the increase in livestock products, the demand for domestic animal feed will also be boosted. As the pioneer in 3F business (Feed – Farm –

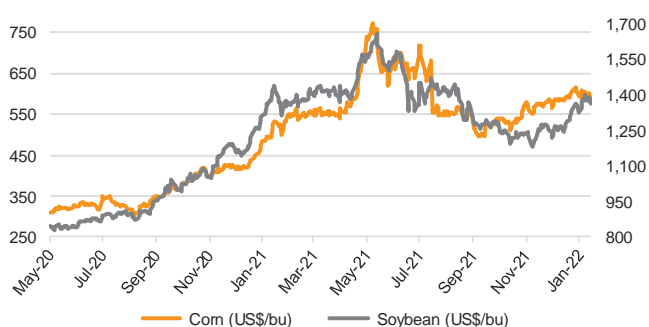
Food) with nine different animal feed brands, we expect DBC to capitalize on this trend. Therefore, we forecast animal feed revenue in 2022 to grow 6.0% yoy thanks to a 6.0% yoy increase in sales volume while average feed price nearly flat as it has risen too high in 2021 and the company need to keep the selling price stable to increase its competitiveness, in our view.

Besides, we expect global grain prices to stabilize but remain at a high level in 2022F. In which corn is projected to decline 10% yoy while soybean is forecasted to be broadly stable thanks to:

- Global cereal production is forecast to increase 2% yoy, according to the International Grains Council (IGC).
- China is expected to lower agricultural imports in 2022F. The World Grain Council (IGC) forecasts corn production for 2021/22 to increase by 6% yoy and soybean production at 368m tons (up 1m tons from 2020/21). Besides, according to the US Department of Agriculture, China's corn imports are expected to decrease to 20m tons in 2021/22 from 30m tons in 2020/21. As China is the world's largest importer of agricultural products, we believe this could put pressure on global corn prices next year.
- Recently, to support the domestic livestock industry, the government issued Decree No.101, adjusting the export tax rates and preferential import tax rates for a few commodity groups. The import tax rate of wheat is reduced from 3% to 0% and corn from 5% to 2%. We expect the new tax rate will have a positive impact that helps lower the material costs of animal feed.
- However, we believe the recent US - Ukrainian conflict will have a negative impact on the animal feed in the short term. Russia and Ukraine are the world's 1st and 3rd largest wheat exporters, respectively which account for nearly a third of total world trade in wheat. In addition, Ukraine is also the 4th largest exporter of corn, accounting for 22% of world trade. Wheat vs maize prices have increased by 17.8% and 8.4% respectively compared to before the conflict. Therefore, we believe that input material prices will remain high in the short term and gradually decrease in 2H22F.

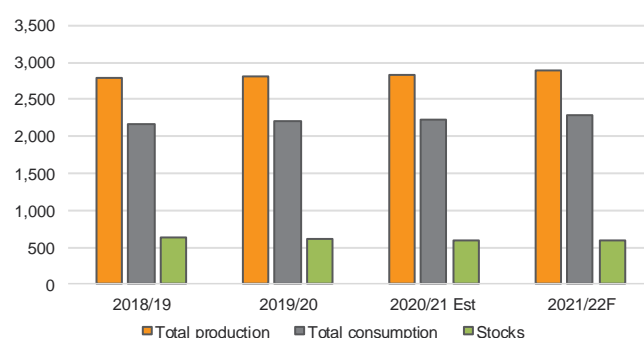
Thus, animal feed's GM is expected to improve by 1.0% pts yoy in FY22F.

Figure 6: Material input prices for animal feed decreased slightly from the peak in May 2021



Source: VNDIRECT RESEARCH, BLOOMBERG

Figure 7: Global cereal production is forecast to increase (Unit: million tons)



Source: VNDIRECT RESEARCH, IGC

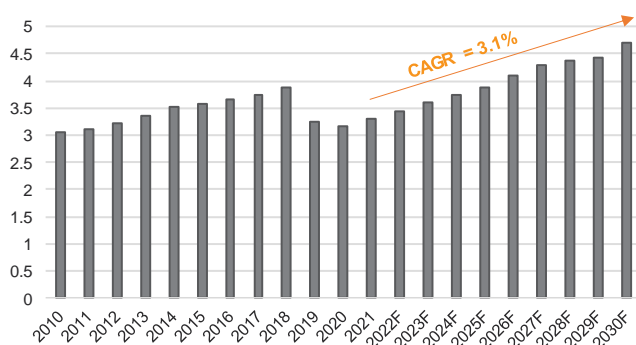
Farm & Food business: Seize opportunities from the recovering demand

In the short term, we expect meat consumption to increase by approximately 10% yoy in 1Q21 due to the high demand for food storage related to the spike in covid-19 cases after the Lunar New Year. In addition, the reopening of

restaurants, schools and factories when the Vietnam start “New normal” will also boost the demand for meat consumption. According to the Organization for Economic Co-operation and Development (OECD), Vietnam will rise to No.2 in Asia in term of pork consumption in 2022F. In which, pork consumption in Vietnam is forecast to reach 3.4m tons in 2022F and CAGR of 3.1% in 2022-2030F.

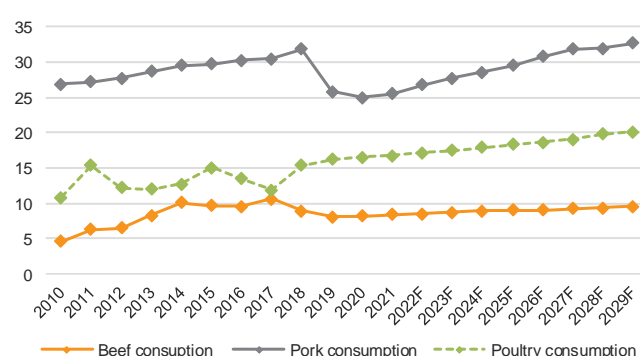
In 2021, DBC plans to expand the pig herd with 3 main projects in Binh Phuoc, Hoa Binh, and Thanh Hoa. These projects are expected to come into operation in 3Q-4Q22F and help the company achieve a total capacity of 285,000 porkers, 20,200 gilts and 247,000 weaners in 2022F. In addition, the company also approved an investment plan to build a breeding area in Gia Binh district, Bac Ninh (total investment of VND278bn) with capacity is 2,400 sows and 3,000 gilts. The project is expected to be implemented in FY22-23F. Therefore, we believe that the new projects will help DBC meet the increasing demand for meat in 2022-23F. Besides, we expect the ASF-vaccine is to be commercially produced and marketed in 4Q22F and farmers will have an incentive to re-populate and expand pig herd size. Thus, we believe the demand for piglet to increase in the upcoming year. Therefore, we expect DBC's piglet and pork sales volume to increase by 4.0% yoy and 17.2% yoy respectively in 2022F.

Figure 8: Vietnam’s pork consumption is forecast to reach CAGR of 3.1% in 2021-2030F (unit: mT)



Source: VNDIRECT RESEARCH, OECD

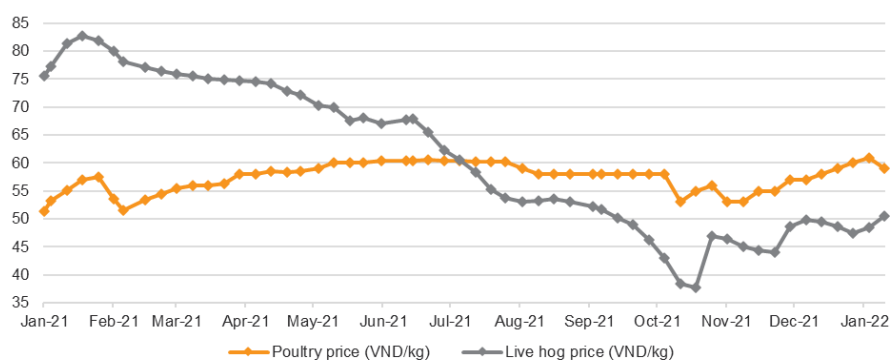
Figure 9: Vietnam’s meat consumption per capita in 2010-29F (unit: kg/capita)



Source: VNDIRECT RESEARCH, OECD

In 2021, the average live hog price decreased by 23.9% yoy and reached the lowest level of VND37,000 in Oct 2021 (-50.1% ytd). In our view, the sharp decline in was due to 1) weak consumption due to closure of restaurants and schools, and 2) disruptions in transportation during the social distancing period resulting in a higher volume of pork backlog in the barns. However, we observe that live hog price is recovering since the bottom in Oct 2021 thanks to the gradually easing of social distancing measures. Over the short term, we expect hog prices to keep increasing and reach VND55-60,000 thanks to 1) a 10% yoy increase in meat consumption demand in 1Q22 due to the high demand for food storage related to the spike in covid-19 cases after the Lunar New Year, and 2) the opening of on-site catering services adapt to the "new normal". However, over 2022F, we expect the average live hog price to decrease by 5.8% yoy compared to VND61,600 recorded in 2021 mainly due to a high base in 6M21. Overall, we expect Farm & Food revenue to grow 11.0% yoy in FY22F thanks to 1) piglet’s revenue increase 6.1% yoy and 2) pork’s revenue rise 10.3% yoy.

Figure 10: Pork and poultry prices in Vietnam from Jan 2021 to Jan 2022



Source: VNDIRECT RESEARCH, ANOVA FEED

Other business: Real estate become spotlight

DBC is currently implementing Huyen Quang project with a scale of 458 apartments, which is expected to be handover in 2Q22F. We expect Huyen Quang project to bring revenue of VND802bn for DBC in 2022F. According to our survey, DBC's residential real estate project is located in the center of Bac Ninh city, near a number of entertainment areas, hospitals, and schools such as Vincom Plaza, Bac Ninh General Hospital. Thus, we forecast Huyen Quang project to contribute nearly VND100bn to DBC's net profit in 2022F.

In addition, the company announced that it has passed the third experimentation stage of ASF vaccine. In which, 100% of the unvaccinated pigs in the trial dying while all the pigs that were vaccinated achieving an appropriate immune response to ASF. DBC has completed 95% of its experimentation progress by Dec 2021. In 2022F, the Company plans to invest in a vaccine factory in Lac Ve, Tien Du district, Bac Ninh. Thus, we expect DBC to start manufacturing and commercializing the vaccine in 4Q22F. However, the vaccine's information is still limited, and it will not be commercially produced until end-2022F. Thus, we believe vaccines will not contribute a large proportion of DBC's 2022F results and need more information to account vaccine production into our model. As the results, we haven't included vaccine catalyst in the model yet and will update in our next report.

Change in FY22-23F earnings forecasts

We change our assumptions on DBCs forecasts as follows:

- We raise our assumption of animal feed's sales volume by 2.9%/2.9% in FY22/23F due to higher-than-expected feed demand. Meanwhile, we reduce average feed price by 1.0%/3.0% in FY22-23F as we believe feed prices have peaked in 2021 and will gradually decline in line with stable input prices. Thus, FY22-23F animal feed revenue increases 8.8%/5.6% compared to the previous forecast.
- Farm and food revenue forecast in FY22/23F decline 9.7%/14.9% mainly due to 1) live hog price assumption decrease 3.3% in 2022F but increase 0.5% in 2023F compared to the previous forecast as live hog price in 2021 was 5.2% lower than our forecast and 2) sale volume assumption increase by 7.6% in 2022F and decrease by 2.6% in 2023F as faster – than – expected consumption demand recovery.
- We reduce commercial & hospitality revenue by 40.0%/39.9% in FY22/23F compared to the previous forecast as this segment was hit harder than our expected in 2021. However, we increase our oil factory utilization rate assumption by 25% in 2023F as phase 2 edible oil factory

will put into operation from the end of 4Q22. Thus, FY22-23F other revenue decline 17.2%/2.6% compared to our previous forecast.

- In addition, we lower SG&A as % revenue by 2.8%/2.3% pts compared to the previous forecast to be in line with FY21 figures.
- Therefore, net profit increase by 0.4% in FY22F but decline 8.3% in FY23F compared to our previous forecast.

Figure 11: FY22-23F earning revision

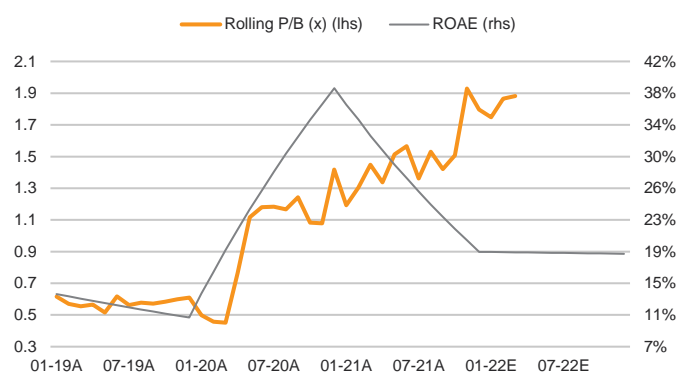
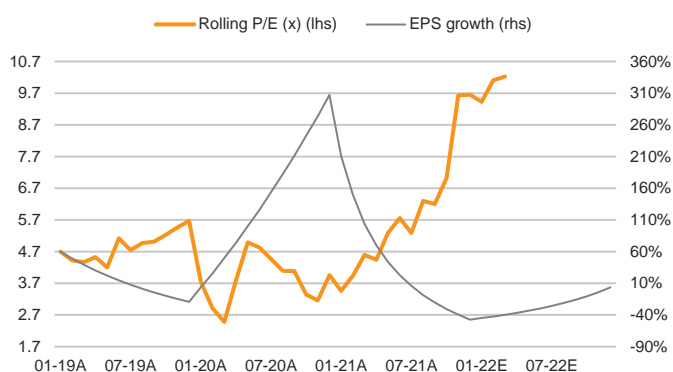
VNDbn	2021	2022F			2023F		
		Old	New	Chg	Old	New	Chg
Revenue	10,813	12,279	11,575	-5.7%	13,296	12,462	-6.3%
Animal Feed (per our estimate)	3,855	3,756	4,087	8.8%	3,907	4,125	5.6%
Farm & Food (per our estimate)	4,687	5,765	5,205	-9.7%	6,548	5,570	-14.9%
Other (per our estimate)	2,206	2,758	2,283	-17.2%	2,841	2,767	-2.6%
Gross profit	1,853	2,304	1,892	-17.9%	2,512	2,030	-19.2%
Gross margin	17.1%	18.8%	16.3%	-2.4% pts	18.9%	16.3%	-2.6% pts
SG&A	750	1,191	804	-32.5%	1,223	866	-29.2%
SG&A as % revenue	6.9%	9.7%	6.9%	-2.8% pts	9.2%	6.9%	-2.3% pts
EBIT	1,103	1,113	1,088	-2.2%	1,289	1,165	-9.6%
EBIT margin	10.2%	9.1%	9.4%	0.3% pts	9.7%	9.3%	-0.3% pts
Pre-tax profit	980	995	998	0.3%	1,214	1,112	-8.4%
Pre-tax margin	9.1%	8.1%	8.6%	0.5% pts	9.1%	8.9%	-0.2% pts
Net profit	830	896	899	0.4%	1,092	1,002	-8.3%
Net margin	7.7%	7.3%	7.8%	0.5% pts	8.2%	8.0%	-0.2% pts

Source: VNDIRECT RESEARCH

FY22-23F net profit increase slightly on demand recovery

In FY22F, DBC's revenue is estimated to rise 7.0% yoy, which is underpinned by 1) a 6.0% yoy rise in feed business as the demand for pig and poultry feed increases and 2) 11.0% yoy in Farm & Food business due to higher demand for piglet thanks to farmers' re-herding activities and widely produced vaccines. We expect the farm and food segment to contribute 44.5% to DBC's revenue in FY22F with a decrease in GPM by 2.6% pts yoy due to lower pork selling price. Meanwhile, GM of the feed segment is projected to improve 1.0% pts thanks to the new tax rate along with lower agricultural product prices. Overall, we forecast DBC's blended GM to plunge 0.8% pts yoy in FY21F to 16.3%. Overall, FY21F net profit is expected to increase 8.4% yoy to VND899bn.

For FY23F, we forecast DBC's revenue to increase 8.0% yoy mainly thanks to 1) 7.8% surge in Farm & food revenue as the company has expanded the scale of porkers to take advantage of the higher pork consumption demand, and 2) 53.0% yoy increase in vegetable oil's revenue as DBC put the phase 2 factory in operation. Therefore, its net profit is projected to rise 15.1% yoy to VND1,035bn in FY23F.

Valuation

Income statement

(VNDbn)	12-21A	12-22E	12-23E
Net revenue	10,813	11,575	12,503
Cost of sales	(8,960)	(9,683)	(10,432)
Gen & admin expenses	(405)	(434)	(468)
Selling expenses	(344)	(370)	(400)
Operating profit	1,103	1,088	1,202
Operating EBITDA	1,595	1,604	1,757
Depreciation and amortisation	(492)	(516)	(555)
Operating EBIT	1,103	1,088	1,202
Interest income	27	24	26
Financial expense	(199)	(125)	(91)
Net other income	46	10	11
Income from associates & JVs	3	1	1
Pre-tax profit	980	998	1,149
Tax expense	(150)	(99)	(114)
Minority interest	0	0	0
Net profit	830	899	1,035
Adj. net profit to ordinary	830	899	1,035
Ordinary dividends	(230)	(115)	(115)
Retained earnings	599	784	920

Balance sheet

(VNDbn)	12-21A	12-22E	12-23E
Cash and equivalents	200	326	378
Short term investments	577	618	667
Accounts receivables	547	639	691
Inventories	4,202	3,530	4,251
Other current assets	89	338	365
Total current assets	5,615	5,452	6,352
Fixed assets	5,051	5,073	5,063
Total investments	105	113	122
Other long-term assets	54	84	91
Total assets	10,825	10,722	11,628
Short-term debt	2,599	1,573	1,300
Accounts payable	1,392	1,491	1,610
Other current liabilities	1,132	1,143	1,234
Total current liabilities	5,124	4,207	4,145
Total long-term debt	687	579	625
Other liabilities	318	858	748
Share capital	1,152	1,152	1,152
Retained earnings reserve	606	1,336	2,194
Shareholders' equity	4,696	5,079	6,111
Minority interest			
Total liabilities & equity	10,825	10,722	11,628

Cash flow statement

(VNDbn)	12-21A	12-22E	12-23E
Pretax profit	980	998	1,149
Depreciation & amortisation	492	516	555
Tax paid	(201)	(99)	(114)
Other adjustments	174	90	53
Change in working capital	(802)	511	(634)
Cash flow from operations	643	2,017	1,009
Capex	(319)	(564)	(552)
Proceeds from assets sales	4	0	0
Others	(54)	(48)	(59)
Other non-current assets changes	29	(30)	(5)
Cash flow from investing activities	(340)	(641)	(615)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	7	(1,135)	(227)
Other financing cash flow	(121)	0	0
Dividends paid	(220)	(115)	(115)
Cash flow from financing activities	(335)	(1,250)	(342)
Cash and equivalents at beginning of period	233	200	326
Total cash generated	(32)	126	52
Cash and equivalents at the end of period	200	326	378

Key ratios

	12-21A	12-22E	12-23E
Dupont			
Net profit margin	7.7%	7.8%	8.3%
Asset turnover	1.03	1.07	1.12
ROAA	7.9%	8.3%	9.3%
Avg assets/avg equity	2.35	2.20	2.00
ROAE	18.6%	18.4%	18.5%
Efficiency			
Days account receivable	9.5	9.5	9.5
Days inventory	171.2	133.1	148.7
Days creditor	56.7	56.2	56.3
Fixed asset turnover	2.10	2.29	2.47
ROIC	10.4%	12.4%	12.9%
Liquidity			
Current ratio	1.1	1.3	1.5
Quick ratio	0.3	0.5	0.5
Cash ratio	0.2	0.2	0.3
Cash cycle	124.0	86.4	101.9
Growth rate (yoy)			
Revenue growth	7.9%	7.0%	8.0%
Operating profit growth	(40.0%)	(1.4%)	10.5%
Net profit growth	(40.8%)	8.4%	15.1%
EPS growth	(47.3%)	3.5%	15.1%

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

- Add The stock's total return is expected to reach 15% or higher over the next 12 months.
- Hold The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
- Reduce The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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