

DUCGIANG CHEMICALS GROUP JSC (DGC) – UPDATE

| | | | | |
|---------------------|---------------------|-----------------------|---------------|-----------------|
| Market Price | Target Price | Dividend Yield | Rating | Sector |
| VND50,400 | VND79,200 | 5.8% | Add | BASIC MATERIALS |

25 November 2022

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

Consensus*: Add:3 Hold:2 Reduce: 0

Target price / Consensus: -19.9%

Key changes in the report

➤ Increase EPS FY22/23F 2.7%/7.4%

➤

Price performance



Source: VNDIRECT RESEARCH

Key statistics

| | |
|----------------------------|---------|
| 52w high (VND) | 134,700 |
| 52w low (VND) | 51,100 |
| 3m Avg daily value (VNDmn) | 287,197 |
| Market cap (VND bn) | 19,407 |
| Free float (%) | 47 |
| TTM P/E (x) | 3.7 |
| Current P/B (x) | 1.9 |

Ownership

| | |
|------------------|-------|
| Dao Huu Huyen | 18.5% |
| Dao Huu Kha | 6.1% |
| Ngo Thi Ngoc Lan | 6.8% |
| Others | 68.6% |

Source: VNDIRECT RESEARCH

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Better than expected profitability

- We believe DGC is the standout given its ample net cash position allows the company to enjoy the deposit rates hike and strengthening US\$.
- We lower TP to VND79,200/share due to change in project Chlor-Alkali-Vinyl but big share price swing gives an upgrade to ADD opportunity.

3Q22 performance remains intact

DGC posted strong 3Q22 results with VND3,696bn (+76% yoy) in net revenue regarding to: (1) an 50% yoy increase average selling price (ASP), (2) 52% yoy in agriculture phosphates revenue. 3Q22 gross margin (GM) widened to 44.5% (+24.1% pts yoy) mainly driven by higher ASP and cost-saving technology. 3Q22 earnings grew 195.8% yoy, making 9M22 pace to 318.4% yoy to VND4,535bn, largely in line with our forecast.

Taking advantage from supply shortage from China

Yunnan - one of 4 largest yellow phosphorus producing hub in China has implemented the "Energy Efficiency Management Plan from Sep-22 to May-23" which dragged the utilisation ratio of phosphorus enterprises in Yunnan to 41% in Oct from 69% in Sep. We expect phosphorus prices to stay at range US\$4,600-US\$5,300/tonne until 1H23F before slowing down in 2H23F as 1) China suspends policy to limit phosphorus production and 2) lower input coke prices. Overall, we revise up FY22-23F earnings by 2.7%/7.4% following the increase 6.1%/4.8% phosphorus ASP.

DGC benefits from both higher deposit rates and FX volatility

DGC is a net exporter with 80% of revenue in US\$, 40% of cost of goods sold in US\$ and no US\$ debts. Thus, the company has limited risk or even slight advantage on the strengthening US\$. Additionally, given its low D/E ratio (16%) and a net cash/share of VND17,703/share at end-3Q22, DGC likely enjoys the current deposit rates hike.

Change in chlor-alkali-vinyl (CAV) plan

DGC will crop the size of its CAV project's first phase — from operating 150,000 tonnes of caustic soda p.a. from early 2025 to only 50,000 tones from mid-24, in order to focus on investing in bauxite - aluminum projects. Thus, we lower our forecast FY25-26F NP from the chlor-alkali-vinyl (CAV) project by 30%/25%.

Upgrade to ADD rating with lower TP of VND79,200/share

We lower DCF valuation by 21.1% based on a 19.2%/23.5% FY25-26F EPS downgrade due to change in project plan CAV. The recent share price slump has dragged DGC's FY23F P/E to only 4.6x, 54% discount to its 3-year average. We believe this valuation is relatively attractive for a country leading phosphorus producer with nearly risk-free to FX volatility and rate hike. Upside potential is longer-than-expected supply shortage from China. Downside risks include higher investment cost and implementation risks of the upcoming CAV project.

| Financial summary (VND) | 12-21A | 12-22E | 12-23E | 12-24E |
|-------------------------|--------|--------|---------|---------|
| Net revenue (bn) | 9,567 | 15,119 | 13,461 | 13,592 |
| Revenue growth | 53.4% | 58.0% | (11.0%) | 1.0% |
| Gross margin | 33.4% | 44.7% | 37.9% | 33.4% |
| EBITDA margin | 25.7% | 40.5% | 33.8% | 27.4% |
| Net profit (bn) | 2,405 | 5,676 | 4,256 | 3,664 |
| Net profit growth | 165.3% | 136.0% | (25.0%) | (13.9%) |
| Recurring profit growth | 167.0% | 136.0% | (25.0%) | (13.9%) |
| Basic EPS | 6,480 | 15,291 | 11,465 | 9,870 |
| Adjusted EPS | 6,293 | 14,776 | 11,079 | 9,537 |
| BVPS | 16,306 | 28,321 | 36,382 | 42,912 |
| ROAE | 48.3% | 68.5% | 35.4% | 24.9% |

Source: VNDIRECT RESEARCH

BETTER THAN EXPECTED PROFITABILITY

Investment thesis

We like DGC for:

- DGC is Asia's largest exporter of yellow phosphorus - an essential material for semiconductor manufacturing and food and beverage industry.
- The company enjoys nearly risk-free to interest rates hike and VND depreciation given its ample net cash position (~VND17,703/share at end-3Q22) and net export exposure (export 80% of revenue, import 40% of COGS)
- Strengthening the position and earnings growth into FY24F with the VND7,000bn chlor-alkali-vinyl (CAV) project. The phase 1 with capacity of will come online since 3Q24F and contribute about 15% of annual revenue since FY25F.
- DGC stock price has dropped 33.2% from Aug-22, following the market correction. Currently, DGC is traded at 4.6x FY23F P/E, which is a 54% discount to its 3-year average. We believe this valuation is relatively attractive for a country leading phosphorus producer with nearly risk-free to FX volatility and rate hike.

Upgrade to ADD rating with lower TP of VND79,200/share

We lower our forecast FY25-26F EPS from the chlor-alkali-vinyl (CAV) project by 30%/25% as DGC is considering changing its long-term plan from CAV to bauxite-aluminum. Thus, we decrease DCF valuation by 21.1%. We also lower target FY23F P/E to 7.0x from previous 8.5x. Consequently, our 1-year target price is revised down to VND79,200/share

Upside potential come from the increase in yellow phosphorus price could last until 2023F as China may continue to tighten restrictions on the production of environmental pollution products. Downside risks include 1) selling price of phosphorus correcting stronger than expected, 2) higher input electricity prices and 3) execution risks of the upcoming CAV project.

Figure 1: Blended target price

| Method | Price | Weight | Weight price (VND) |
|-------------------------------|--------|--------|--------------------|
| FCFF | 79,866 | 50% | 39,933 |
| P/E | 78,625 | 50% | 39,313 |
| Average price (vnd) | | | 79,246 |
| Target price (rounded) | | | 79,200 |

SOURCE: VNDIRECT RESEARCH

Figure 2: Multiples (P/E)

| Valuation method | |
|---|-------------|
| Forecasted Net profit in 2023F (VND bn) | 4,256 |
| Number of fully diluted shares in FY22F | 378,900,000 |
| FY23F EPS (VND/ share) | 11,232 |
| Target P/E (x) | 7.0 |
| Target price (VND/ share) | 78,625 |

SOURCE: VNDIRECT RESEARCH

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

| | |
|---|---------------|
| Present value of Free Cash Flow to Firm | 21,245 |
| Present value of Terminal value (VNDbn) | 4,543 |
| Enterprise Value (VNDbn) | 25,788 |
| Net debt (VNDbn) | 4,481 |
| Equity value (VNDbn) | 30,269 |
| No. of Outstanding Share 2022 (million) | 379 |
| Equity value per share (VND/share) | 79,866 |
| | |
| Risk free rate | 4.0% |
| Beta | 1.5 |
| WACC | 16.2% |
| Cost of equity | 20.5% |
| Long term growth | 1.5% |

SOURCE: VNDIRECT RESEARCH

Figure 4: Peer comparison

| Company | Ticker | Recom. | Target price | Market cap US\$m | P/E (x) | | | 3 year EPS growth CAGR | P/B (x) | | | EV/EBITDA | | | ROE (%) | | |
|--|---------------|------------|---------------|---------------------|------------|------------|------------|---------------------------------|------------|------------|------------|-------------|------------|------------|-------------|-------------|-------------|
| | | | | | TTM | 2022F | 2023F | | Current | 2022F | 2023F | TTM | 2022F | 2023F | TTM | 2022F | 2023F |
| Hubei Xingfa Chemicals Group Co Ltd | 6000141CH | na | na | 5,929 | 5.1 | 5.5 | 5.1 | 161.8 | 1.8 | 1.4 | 1.3 | 6.2 | 4.7 | 4.8 | 48.9 | 32.6 | 27.5 |
| Yunnan Yuntianhua Co Ltd | 600096 CH | na | na | 8,392 | 6.4 | 6.2 | 6.2 | 507.2 | 2.5 | 1.8 | 1.6 | na | 5.8 | 6.2 | 47.6 | 41.0 | 28.4 |
| Hubei Yihua Chemical Industry Co Ltd | 000422 CH | na | na | 2,971 | 7.8 | 5.9 | 4.8 | 634.9 | 2.8 | 1.7 | 1.5 | na | 4.7 | 4.4 | 60.0 | 55.5 | 37.1 |
| Hongda Xingye Co Ltd | 002002 CH | na | na | 2,266 | na | na | na | 15.0 | na | na | na | na | na | na | -1.0 | na | na |
| Anhui Sierite Fertilizer Industry Ltd Co | 002538 CH | na | na | 894 | 12.7 | 11.4 | 11.0 | 33.4 | 1.3 | 1.2 | 1.2 | 8.7 | 6.1 | 5.9 | 10.9 | 11.6 | 11.2 |
| Kunming Chuan Jin Nuo Chemical Co Ltd | 300505 CH | na | na | 768 | 12.9 | 8.9 | 7.0 | 104.1 | na | na | na | na | na | na | 24.7 | na | na |
| China General Plastics Corp | 1305 TT | na | na | 3,073 | 10.9 | 19.3 | 4.9 | 42.0 | 1.4 | 1.1 | 1.0 | 15.9 | 10.4 | 5.1 | 14.2 | 7.0 | 22.5 |
| Petrovietnam Fertilizer and Chemical Cor | DPM VN | na | na | 243 | 41.8 | na | 14.2 | 152.9 | 1.0 | 0.9 | 0.8 | 0.8 | 0.8 | 1.1 | 51.6 | 40.1 | 23.5 |
| Petrovietnam Camau Fertilizer JSC | DCM VN | na | na | 263 | 3.5 | 3.4 | 4.3 | 80.0 | 1.4 | 1.3 | 1.2 | 1.0 | 1.2 | 1.8 | 49.8 | 41.5 | 22.9 |
| Average | | | | | 9.3 | 8.6 | 7.2 | 214.0 | 1.9 | 1.4 | 1.2 | 10.3 | 6.4 | 4.2 | 29.3 | 29.5 | 24.7 |
| Median | | | | | 9.4 | 6.2 | | 104.1 | 1.8 | 1.4 | 1.2 | 8.7 | 5.8 | 4.8 | 24.7 | 32.6 | 23.5 |
| Duc Giang Chemicals Group JSC | DGC VN | ADD | 79,200 | 591 | 3.4 | 3.5 | 4.6 | 141.2 | 1.9 | 1.8 | 1.6 | 2.0 | 2.5 | 2.3 | 73.8 | 68.5 | 35.4 |

SOURCE: VNDIRECT RESEARCH, BLOOMBERG

3Q22 performance remains intact

Figure 5: 3Q22 results comparison

| VND(bn) | 3Q21 | 3Q22 | yoy growth (%) | 9M21 | 9M22 | yoy growth (%) | % vs FY22F forecast | Comments |
|--------------------------------|--------------|--------------|----------------|--------------|---------------|----------------|---------------------|---|
| Revenue | 2,106 | 3,696 | 75.5% | 6,094 | 11,333 | 86.0% | 72.3% | |
| <i>Phosphorus chemicals</i> | 1,122 | 2,200 | 96.1% | 3,238 | 7,557 | 133.4% | 72.7% | The average price of yellow phosphorus reached US\$5,700/ton (+50% yoy) due to 1) shortage of Chinese apatite ore - the main input of phosphorus products, 2) Ukraine-Russia conflict and 3) Strong demand for electronics and lithium battery industries. Phosphorus sales fell 18.5% qoq as DGC conducted on P4 equipment and lower average selling prices. |
| <i>Agricultural phosphates</i> | 984 | 1,496 | 52.0% | 2,856 | 3,776 | 32.2% | 72% | Agricultural photphorate increased 52% yoy in 3Q22 mainly driven by (1) China and Russia's export restrictions — the key sources of imported fertilizer for Vietnam and India and (2) DGC ramped up its wet phosphoric acid (WPA) exports. |
| Gross profit | 640 | 1,646 | 157.2% | 1,566 | 5,480 | 249.9% | 78.7% | |
| Gross profit margin | 30.4% | 44.5% | +14.1% pts | 25.7% | 48.4% | +22.7% pts | | GM soared 22,7% pts thanks to higher selling prices and cost savings from DGC's first apatite ore mine, which were partly offset by surging input material prices, sulfur, coking coal and ammonia. |
| Selling expenses | (123) | (145) | 17.9% | (360) | (468) | 30.0% | 67.8% | |
| G&A expenses | (30) | (34) | 13.3% | (87) | (93) | 6.9% | 67.4% | G&A expense only increased 13.3% yoy as DGC cut labor costs in other businesses such as washing powder and thermal phosphoric acid (TPA) |
| Pre-tax profit | 516 | 1,596 | 209.3% | 1180 | 5,181 | 339.1% | 81.3% | |
| Net profit | 478 | 1,414 | 195.8% | 1084 | 4,535 | 318.4% | 81.3% | |

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Outlook FY23-24F: China limits phosphorus production again

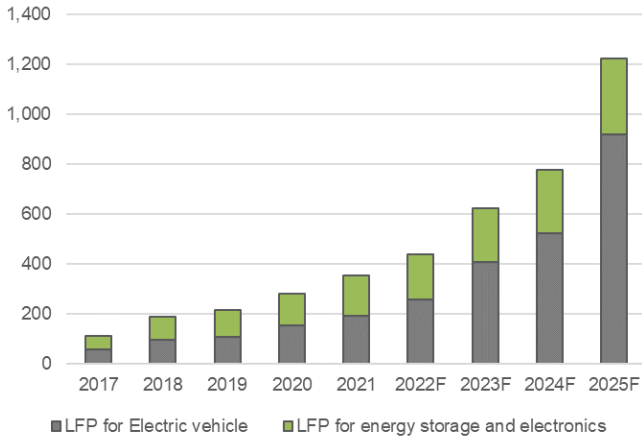
Yellow phosphorus price rebound in 4Q22 due to production restriction order from China

Since Sep-22, yellow phosphorus in China has been subject to control over energy consumption policy. Yunnan - one of the 4 largest yellow phosphorus producing provinces in China has implemented the "Energy Efficiency Management Plan from Sep-22 to May-23 for the energy consumption sector". Accordingly, the yellow phosphorus production enterprises in Yunnan province will reduce and stop production altogether. As of Oct-22, the operating ratio of yellow phosphorus enterprises in Yunnan has dropped to about 41%, down 28% compared to mid-September. While daily output was only 805 tonnes (-41.8% vs mid-Sep). Thus, phosphorus price in Sep-22 increased 15.5% mom, achieving US\$5,200/tonne. We expect phosphorus prices to maintain high prices (US\$4,600-US\$5,300/tonne) until 1H23F before slowing down in 2H23F as 1) weakened demand from the electronics sector and 2) lower input coke prices. As a result, we increase phosphorus's ASP by 6.1%/4.8% in FY22/23F vs. previous forecast.

On the downside risk, the ongoing economic downturn in the developed countries will cause the demand for electronics to fall more sharply than expected in 2023. Many chip and semiconductor manufacturers (Korea, Japan, the US) have planned to reduce the volume due to concerns about large inventories and risks of oversupply in 1H23F. We think that high inflation and a prolonged economic downturn could cause phosphorus prices to decrease more significant than expected in 2023F. Thus, we make a conservative forecast for

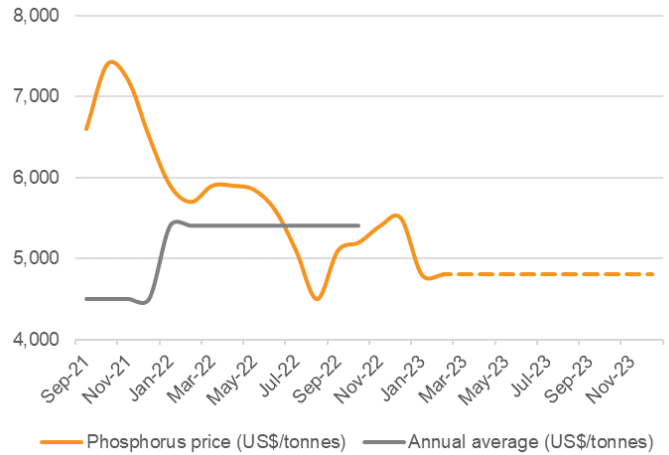
phosphorus prices in FY23-24F, reaching US\$4,800/tonne (-20.8%yoy)/ US\$3,900/tonne (-18.7% yoy), respectively

Figure 6: The demand of LFP for electric vehicle reached 10.2% CAGR in 2017-25F (unit: US\$bn)



Source: Global data, VNDIRECT RESEARCH

Figure 7: We expect phosphorus price to reach US\$4,800 in FY23F (US\$/tonne)

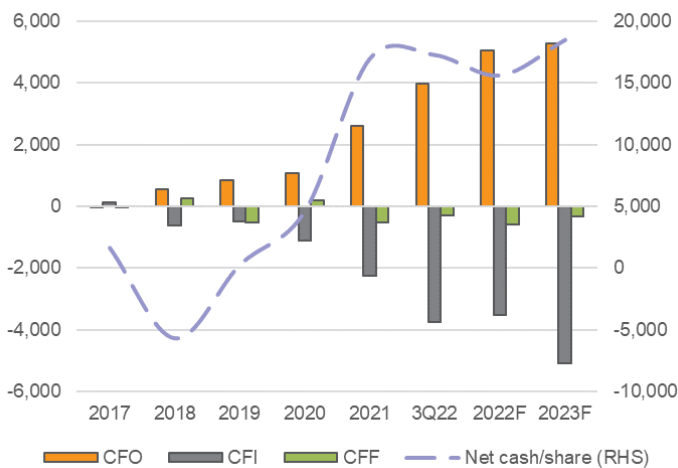


Source: Bloomberg, VNDIRECT RESEARCH

DGC benefits from both higher deposit rates and US\$/VND exchange rate

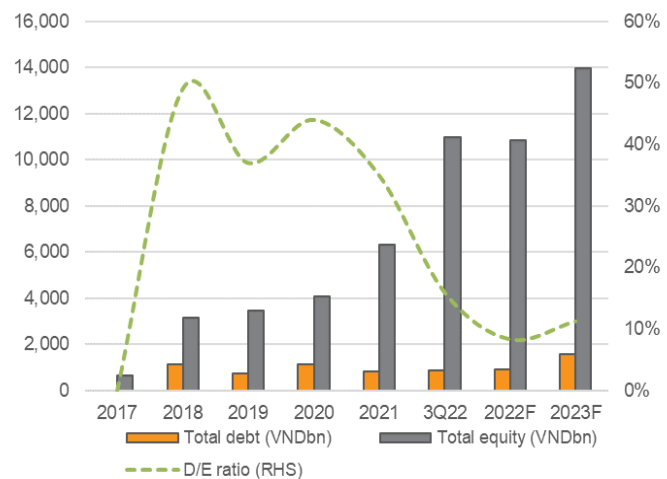
DGC is a net exporter with 80% of revenue in US\$, 40% of cost of goods sold in US\$ and no US\$ debts. Thus, the company has limited risk or even slight advantage on the strengthening US\$. Additionally, given its low D/E ratio (16%) and a net cash/share of VND17,703/share at end-3Q22, DGC likely enjoys the current deposit rates hike.

Figure 8: DGC's CFO has remained positive since 2017



Source: Fiinpro, VNDIRECT RESEARCH

Figure 9: DGC maintains low D/E ratio (16% as Sep-22)



Source: Fiinpro, VNDIRECT RESEARCH

Change in CAV project

DGC is reducing the size of its CAV project's first phase — from operating 150,000 tonnes of caustic soda p.a. from early 2025F to only 50,000 tonnes from mid-24. In addition, DGC could begin construction on its bauxite project before the second phase of the CAV project that produces PVC plastic. The earliest the bauxite project can come online is 2026F. We have not factored this potential change into our forecast as the bauxite project has not yet been approved. We expect CAV project to operate 100% capacity in last 6 month in 2024F thanks

to high demand for caustic soda from domestic market. Thus, we lower our forecast FY25-26 NP from the chlor-alkali-vinyl (CAV) project by 30%/25% as DGC is considering changing its long-term plan from CAV to bauxite-aluminum.

FY22-23F earnings forecast revision

We change our forecasts on DGC's business as following:

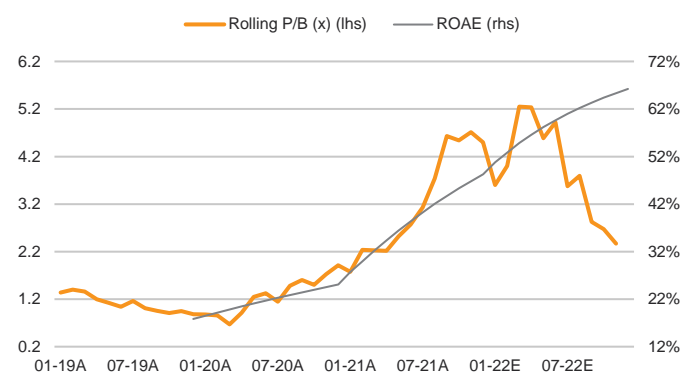
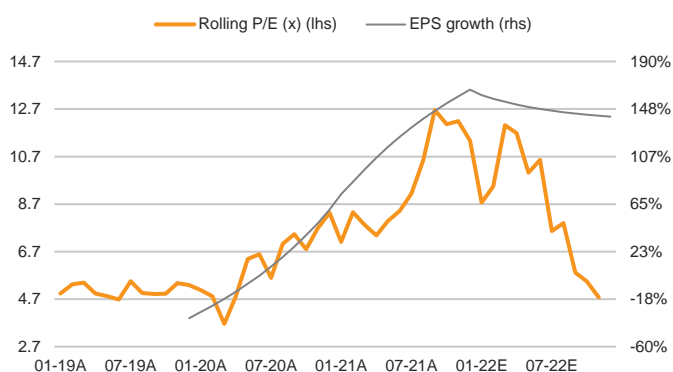
- We increase FY23F phosphorus chemicals revenue by 5.5% versus previous forecast due to higher phosphorus ASP.
- We decrease agricultural phosphate revenue 6.3%/14.5% in FY22/23F versus our previous forecast mainly driven by weak demand in the domestic market.
- We increase 0.3% pts/1.1% pts in FY22/23F GM thanks to higher-than expected phosphorus selling prices and cost savings from DGC's second apatite ore mine.
- We increase DGC's financial income in FY22-23F by 40.2%/45.3% thanks to taking advantage from FX gain.
- We forecast DGC to pay 20% cash dividend in FY23F, lower than 30% in FY22F due to investment in CAV project in 2H23F.
- We think that phosphorus price will reach equilibrium in 2024F, reaching VND90m/tonne. We forecast DGC's revenue in FY24F to increase slightly 0.8% yoy thanks to contribution from caustic soda revenue.
- We forecast DGC's NP in 2024 to decrease 13.9% yoy due to lower phosphorus ASP.

As a result, we revise up FY22/23F net profit forecast by 2.7%/7.4%.

Figure 10: Changes in FY22-23F forecasts (VNDbn)

| VNDbn | | Old | New | %yoy | %change | Old | New | %yoy | %change | |
|------------------------------------|--------------|---------------|---------------|------------------|-----------------|---------------|---------------|---------------|-----------------|-----------------|
| Phosphorus ASP (VNDm/tonne) | 84 | 132 | 140 | 66.7% | 6.1% | 105 | 110 | -21.4% | 4.8% | 90 |
| Net revenue | 9,567 | 15,669 | 15,119 | 58.0% | -3.5% | 13,799 | 13,461 | -11.0% | -2.4% | 13,592 |
| <i>Phosphorus chemicals</i> | 5,190 | 10,398 | 10,180 | 96.1% | -2.1% | 8,302 | 8,760 | -13.9% | 5.5% | 8,407 |
| <i>Agricultural phosphates</i> | 4,377 | 5,271 | 4,939 | 12.8% | -6.3% | 5,497 | 4,701 | -4.8% | -14.5% | 4,185 |
| <i>Caustic soda</i> | | | | | | | | | | 1,000 |
| Gross profit | 3,198 | 6,964 | 6,755 | 111.2% | -3.0% | 5,076 | 5,098 | -24.5% | 0.4% | 4,540 |
| Gross margin (%) | 33.4% | 44.4% | 44.7% | +11.3%pts | +0.3%pts | 36.8% | 37.9% | -15.2% | +1.1%pts | -4.5%pts |
| Selling expense | (503) | (783) | (680) | 35.2% | -13.1% | (690) | (606) | -11.0% | -12.2% | (612) |
| G&A expense | (137) | (157) | (121) | -11.4% | -23.0% | (138) | (108) | -11.0% | -22.0% | (109) |
| EBT | 2,654 | 6,138 | 6,307 | 137.7% | 2.7% | 4,403 | 4,729 | -25.0% | 7.4% | 4,071 |
| Net profit | 2,531 | 5,525 | 5,676 | 124.3% | 2.7% | 3,962 | 4,256 | -25.0% | 7.4% | 3,664 |
| EPS (VND) | 6,822 | 14,892 | 15,299 | 124.3% | 2.7% | 10,679 | 11,471 | -25.0% | 7.4% | 9,875 |

Source: VNDIRECT RESEARCH, Company report

Valuation

Income statement

| (VNDbn) | 12-21A | 12-22E | 12-23E |
|--------------------------------------|--------------|--------------|--------------|
| Net revenue | 9,567 | 15,119 | 13,461 |
| Cost of sales | (6,369) | (8,364) | (8,363) |
| Gen & admin expenses | (137) | (121) | (108) |
| Selling expenses | (503) | (680) | (606) |
| Operating profit | 2,559 | 5,954 | 4,384 |
| Operating EBITDA | 2,345 | 5,752 | 4,173 |
| Depreciation and amortisation | 213 | 202 | 212 |
| Operating EBIT | 2,559 | 5,954 | 4,384 |
| Interest income | 171 | 410 | 414 |
| Financial expense | (68) | (87) | (96) |
| Net other income | (7) | 30 | 27 |
| Income from associates & JVs | 0 | 0 | 0 |
| Pre-tax profit | 2,654 | 6,307 | 4,729 |
| Tax expense | (123) | (334) | (251) |
| Minority interest | (126) | (296) | (222) |
| Net profit | 2,405 | 5,676 | 4,256 |
| Adj. net profit to ordinary | 2,405 | 5,676 | 4,256 |
| Ordinary dividends | (237) | (1,139) | (759) |
| Retained earnings | 2,169 | 4,537 | 3,496 |

Balance sheet

| (VNDbn) | 12-21A | 12-22E | 12-23E |
|---------------------------------------|--------------|---------------|---------------|
| Cash and equivalents | 124 | 369 | 240 |
| Short term investments | 3,632 | 6,124 | 5,818 |
| Accounts receivables | 781 | 1,824 | 1,477 |
| Inventories | 1,208 | 1,570 | 1,413 |
| Other current assets | 81 | 179 | 159 |
| Total current assets | 5,825 | 10,067 | 9,107 |
| Fixed assets | 2,145 | 2,173 | 6,777 |
| Total investments | 0 | 0 | 51 |
| Other long-term assets | 368 | 479 | 538 |
| Total assets | 8,339 | 12,719 | 16,474 |
| Short-term debt | 842 | 907 | 1,077 |
| Accounts payable | 505 | 167 | 167 |
| Other current liabilities | 659 | 716 | 756 |
| Total current liabilities | 2,006 | 1,790 | 2,000 |
| Total long-term debt | 0 | 0 | 500 |
| Other liabilities | | 67 | 0 |
| Share capital | 1,711 | 1,711 | 1,711 |
| Retained earnings reserve | 2,923 | 7,267 | 10,409 |
| Shareholders' equity | 6,053 | 10,513 | 13,505 |
| Minority interest | 280 | 349 | 469 |
| Total liabilities & equity | 8,339 | 12,719 | 16,474 |

Cash flow statement

| (VNDbn) | 12-21A | 12-22E | 12-23E |
|---|----------------|----------------|----------------|
| Pretax profit | 2,654 | 6,307 | 4,729 |
| Depreciation & amortisation | 202 | 212 | 386 |
| Tax paid | (123) | (334) | (251) |
| Other adjustments | 0 | 0 | 0 |
| Change in working capital | (192) | (1,063) | 432 |
| Cash flow from operations | 2,541 | 5,121 | 5,297 |
| Capex | (217) | (328) | (5,178) |
| Proceeds from assets sales | 0 | 0 | 0 |
| Others | 49 | 410 | 414 |
| Other non-current assets changes | (2,039) | (3,615) | (331) |
| Cash flow from investing activities | (2,207) | (3,533) | (5,095) |
| New share issuance | 0 | 0 | 0 |
| Shares buyback | | | |
| Net borrowings | (301) | (148) | 731 |
| Other financing cash flow | (11) | 8 | (236) |
| Dividends paid | (237) | (1,139) | (759) |
| Cash flow from financing activities | (548) | (1,279) | (264) |
| Cash and equivalents at beginning of period | 282 | 124 | 369 |
| Total cash generated | (214) | 309 | (62) |
| Cash and equivalents at the end of period | 68 | 433 | 307 |

Key ratios

| | 12-21A | 12-22E | 12-23E |
|--------------------------|--------|--------|---------|
| Dupont | | | |
| Net profit margin | 25.1% | 37.5% | 31.6% |
| Asset turnover | 1.35 | 1.44 | 0.92 |
| ROAA | 33.8% | 53.9% | 29.2% |
| Avg assets/avg equity | 1.43 | 1.27 | 1.22 |
| ROAE | 48.3% | 68.5% | 35.4% |
| Efficiency | | | |
| Days account receivable | 24.0 | 39.9 | 36.0 |
| Days inventory | 69.2 | 68.5 | 61.7 |
| Days creditor | 28.9 | 7.3 | 7.3 |
| Fixed asset turnover | 4.39 | 7.00 | 3.01 |
| ROIC | 33.5% | 48.2% | 27.4% |
| Liquidity | | | |
| Current ratio | 2.9 | 5.6 | 4.6 |
| Quick ratio | 2.3 | 4.7 | 3.8 |
| Cash ratio | 1.9 | 3.6 | 3.0 |
| Cash cycle | 64.3 | 101.2 | 90.3 |
| Growth rate (yoy) | | | |
| Revenue growth | 53.4% | 58.0% | (11.0%) |
| Operating profit growth | 159.3% | 132.7% | (26.4%) |
| Net profit growth | 165.3% | 136.0% | (25.0%) |
| EPS growth | 165.3% | 136.0% | (25.0%) |

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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