

## PHUOC HOA RUBBER JSC (PHR) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND65,600	VND78,100	6.1%	ADD	PROPERTY

22 August 2022

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

Consensus\*: Add:6 Hold:1 Reduce:0

Target price / Consensus: -0.8%

### Key changes in the report

- Revise FY22/23F NP by -15.0%/16.7%, respectively vs. previous forecast.
- Revise TP down by 11.3%.

### Price performance



Source: VNDIRECT RESEARCH

### Key statistics

52w high (VND)	87,500
52w low (VND)	50,000
3m Avg daily value (VNDmn)	35,401
Market cap (VND bn)	9,011
Free float (%)	18
TTM P/E (x)	12.8
Current P/B (x)	2.8

### Ownership

Vietnam Rubber Group	66.6%
Others	33.4%

Source: VNDIRECT RESEARCH

### Analyst(s):



**Son Le Anh**

son.leanh@vndirect.com.vn

www.vndirect.com.vn

## All eyes on land compensation in 2H22

- PHR's 1H22 revenue decreased by 19.9% yoy while net profit (NP) surged by 108.5% yoy, fulfilling 28.0% and 28.9% of our forecast, respectively.
- We expect PHR to book one-off gain about VND691bn in FY22F and VND207bn in FY23F from land compensation of VSIP III.
- Reiterate Add with a lower TP of VND78,100/share following the lower FY22F EPS forecasts.

### 2Q22 recap: no one-off gain from land compensation was recorded

PHR reported 2Q22 revenue dropped by 49.5% yoy due to the decrease of 51.4% yoy in rubber & wood segment revenue. Since China implemented "zero-Covid" and export restriction measures, PHR's rubber consumption has been negatively affected. Moreover, there was no one-off income from land compensation has been recorded in 2Q22 due to slower-than-expected land clearance, causing a decrease of 32.6% yoy in the company's 2Q22 NP. For 1H22, revenue decreased by 19.9% yoy while NP surged by 108.5% yoy, fulfilling 28.0% and 28.9% of our full-year forecast, respectively.

### Change in FY22-23F earnings forecasts

We lower FY22/23F revenue by 6.5%/6.3% vs. previous forecast as we are concerned about the downward trend in both rubber's consumption volume and average selling price (ASP) if China prolong "zero-Covid" policy. We revise down FY22F NP by 15% from previous forecast to VND1,040bn due to reducing one-off gain from land compensation of VSIP III to VND691bn. Following that, we raise FY23F NP by 16.7% vs. previous projection given the remainder of VSIP III land compensation carried over to FY23F.

### FY22-24F outlook: Tailwinds subsiding

Although natural rubber prices have peaked out in Mar 2022, we still maintain positive view for PHR's rubber business, underpinned by: 1) possible strong export recovery once China eases "zero-Covid" policy; 2) young rubber plantations in Cambodia to secure strong volume growth over FY22-24F. For IP business, we see the slowdown in land conversion to industrial process in the next couple quarters. We expect PHR to book one-off gain about VND691bn in FY22F and VND207bn in FY23F. We expect Tan Lap 1 IP will be into operation in 2024F. It leads to the growth on FY22-24F NP at 14.7% CAGR.

### Reiterate Add with a lower TP of VND78,100/share

We lower SOTP-based TP of VND78,100 following lower FY22F EPS forecasts and higher discount to RNAV valuation to reflect the legal delay on approval of IPs conversion. Downside risks include 1) China prolongs zero-Covid; 2) slower-than expected land clearance.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net revenue (bn)	1,632	1,945	2,025	2,341
Revenue growth	(0.4%)	19.2%	4.1%	15.6%
Gross margin	23.8%	26.6%	26.5%	27.2%
EBITDA margin	94.1%	37.5%	73.5%	62.9%
Net profit (bn)	1,082	478	1,040	1,013
Net profit growth	140.5%	(55.9%)	117.8%	(2.7%)
Recurring profit growth	143.4%	(72.7%)	210.8%	(11.8%)
Basic EPS	7,985	3,524	7,677	7,473
Adjusted EPS	7,280	1,989	6,182	5,453
BVPS	23,620	22,057	24,626	27,652
ROAE	37.8%	15.4%	32.9%	28.6%

Source: VNDIRECT RESEARCH

## ALL EYES ON LAND COMPENSATION IN 2H22

### Reiterate ADD with lower TP of VND78,100/share

#### Investment thesis

We like Phuoc Hoa Rubber (PHR) for long-term investment following by:

- The prospect of IP business remains intact though the process of land conversion progress will slow down in the couple of next quarters. Two industrial parks of PHR will likely be put into operation in the next three years including Tan Lap 1 IP and expanded Tan Binh IP. PHR aims to develop five IPs with a total area of more than 2,700ha over 2026-30F.
- Despite the natural rubber prices downturn and the export volume to China slowdown, we expect a recovery in rubber business once China eases the “zero-Covid” policy. We see the increasing contribution from Cambodia rubber plantation will secure sale volume growth and improve gross margin over FY22-25F.
- We expect PHR’s earnings to grow +117.8% yoy in FY22F and weaken just 2.7 % yoy in FY23F, driven by land compensation of VSIP III.
- Attractive dividend yield is a plus. PHR has announced FY21 cash dividend at a minimum of 40% of par value (VND4,000, equivalent at 6.1% of dividend yield). We expect the company to increase the cash dividend higher following the robust performance of FY22F.

#### Reiterate Add with a lower SOTP-based TP of VND78,100/share

We revise our TP down by 11.3% to VND78,100 (from VND88,000) as following:

- A 10.3% downward revision in valuation of rubber and wood segment
- For Tan Lap 1 IP, we factor in a 50% discount to this IP to reflect the possibility of legal delay. We expect this IP can put into operation from 2024.
- We increase the discount rate to 15% from previous 10% to reflect the legal delay on approval of PHR’s IPs conversion.

Figure 1: SOTP-based valuation

Project Name	Method	Fair value (VNDbn)	Comment
Tan Binh 1 IP	DCF	162	
Tan Lap 1 IP	DCF	411	We factor in a 50% discount to this IP to reflect the possibility of legal delay. We expect this IP can put into operation from 2024.
Tan Binh IP Expansion	DCF	2,652	
Rubber, wood segment	DCF	1,614	We lower both consumption and ASP for rubber by 1.0%/8.2% vs. previous forecast, it reflect in valuation of rubber, wood segment.
(+) Cash and cash equivalent	BV	2,114	
(+) Remain land compensation		607	
(+) Investment associates		5,284	
NTC	RNAV	2,226	
VSIP 3 IP	DCF	2,920	
Other	BV	137	
(-) Gross debt		429	
(-) Minority interest		128	
Equity value		12,535	
Discount		15%	We increase the discount rate to 15% from previous 10% to reflect the legal delay on approval of PHR’ IPs conversion.
Shares outstanding		135,499,198	
<b>Target price (VND/share)</b>		<b>78,100</b>	We revise down TP by 11.3% vs previous update.

Source: VNDIRECT RESEARCH

Re-catalyst includes the legal for land conversion of Tan Binh IP to be approved. Downside risks include 1) rubber prices slump deeper than expectation and 2) slower-than expected land clearance process.

**Figure 2: Peer comparison (data as of 19/08/2022)**

Company name	Ticker	Recom.	Share price (local)	TP (local cur)	Market cap (US\$m)	P/E (x)		3-year EPS CAGR (%)	P/B (x)		ROE (%)		ROA (%)	
						FY22F	FY23F		FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Sonadezi Chau Duc	SZC VN	ADD	52,800	81,100	225.7	19.9	10.4	71.0	3.6	2.4	23.2	30.7	4.9	9.2
Vietnam Rubber Group	GVR VN	NR	24,200	N/A	4,138.0	21.1	20.3	10.3	2.0	N/A	9.0	10.6	5.6	6.0
Investment & Industrial Development	BCM VN	NR	80,000	N/A	3,539.5	54.2	N/A	(35.5)	4.5	N/A	8.4	N/A	2.9	N/A
Kinh Bac City														
Development Holding	KBC VN	ADD	35,950	51,600	1,179.6	11.7	8.0	232.5	2.1	1.5	6.7	41.7	2.9	21.4
Viglacera Corp Jsc	VGC VN	NR	68,800	N/A	1,318.6	15.4	16.5	127.0	3.5	2.9	22.9	18.0	7.4	14.1
Sonadezi Corp	SNZ VN	NR	43,000	N/A	692.1	18.1	N/A	22.5	2.5	N/A	16.1	N/A	4.2	N/A
Idico Corp Jsc	IDC VN	NR	62,500	N/A	881.7	10.7	N/A	(47.7)	4.9	N/A	16.7	44.5	4.2	10.4
Saigon Vrg Investment Corp	SIP VN	NR	140,900	N/A	559.6	15.2	N/A	(19.9)	3.8	N/A	31.5	N/A	4.8	N/A
<b>Phuoc Hoa Rubber</b>	<b>PHR VN</b>	<b>ADD</b>	<b>65,600</b>	<b>78,100</b>	<b>380.0</b>	<b>12.8</b>	<b>11.1</b>	<b>(56.2)</b>	<b>2.8</b>	<b>2.5</b>	<b>32.9</b>	<b>28.6</b>	<b>16.1</b>	<b>14.0</b>
Nam Tan Uyen Jsc	NTC VN	NR	186,100	N/A	190.9	15.3	4.6	1.1	6.6	N/A	44.7	N/A	6.8	N/A
Long Hau Corp	LHG VN	NR	37,900	N/A	81.0	14.7	5.6	36.7	1.3	N/A	22.1	15.8	10.7	2.6
Viet Nam Rubber Industrial Zone and Urban Development	VRG VN	NR	29,100	N/A	32.2	242.6	N/A	(70.0)	2.8	N/A	1.2	N/A	0.7	N/A
<b>Average</b>						<b>37.6</b>	<b>10.9</b>	<b>22.7</b>	<b>3.4</b>	<b>2.3</b>	<b>19.6</b>	<b>27.1</b>	<b>5.9</b>	<b>11.1</b>
<b>Median</b>						<b>15.3</b>	<b>10.4</b>	<b>5.7</b>	<b>3.2</b>	<b>2.4</b>	<b>19.4</b>	<b>28.6</b>	<b>4.9</b>	<b>10.4</b>

Source: VNDIRECT RESEARCH, BLOOMBERG

### 2Q22 result: no land compensation recorded

Figure 3: 2Q22 results comparison

(VNDbn)	2Q22	2Q21	% yoy	1H22	1H21	% yoy	As our FY22 forecast	Comments
<b>Revenue</b>	<b>241.3</b>	<b>477.7</b>	<b>-49.5%</b>	<b>606.9</b>	<b>757.8</b>	<b>-19.9%</b>	<b>28.0%</b>	2Q22 revenue dropped by 49.5% yoy, mostly come from the decrease of rubber, wood segment. Since China implemented zero Covid, restricted export operations have caused a significant decline in PHR' rubber consumption. Following that, 1H22 revenue dropped by 19.9% yoy to VND606.9bn, fulfilling 28% our forecast
<i>Rubber, wood</i>	<i>224.0</i>	<i>461.1</i>	<i>-51.4%</i>	<i>574.6</i>	<i>724.6</i>	<i>-20.7%</i>	<i>32.3%</i>	
<i>IP</i>	<i>15.2</i>	<i>15.4</i>	<i>-1.0%</i>	<i>29.1</i>	<i>31.1</i>	<i>-6.4%</i>	<i>7.5%</i>	
<i>Other</i>	<i>2.1</i>	<i>1.2</i>	<i>75.9%</i>	<i>3.1</i>	<i>2.1</i>	<i>49.2%</i>	<i>314.3%</i>	
COGS	201.1	410.3	-14.3%	509.5	129.0	15.0%	31.7%	
Gross profit	40.3	67.4	-1.8%	97.4	129.0	-24.5%	17.4%	
<b>Gross margin</b>	<b>16.7%</b>	<b>14.1%</b>	<b>2.6% pts</b>	<b>16.0%</b>	<b>17.0%</b>	<b>-1% pts</b>	<b>-9.8% pts</b>	1H22 GM decreased by 1% pts yoy and lower by 9.8% pts vs our forecast due to higher-than expected buying price rubber latex
Net financial income/expense	26.4	29.8	138.1%	50.3	51.5	-2.4%	36.4%	
Selling expense	6.2	5.3	-8.5%	14.9	11.2	33.7%	53.3%	
G&A expense	20.7	19.1	40.0%	40.6	38.7	4.8%	42.3%	
SG&A expense/revenue	11.2%	5.1%	6.1% pts	9.1%	6.6%	2.6% pts	3.4% pts	
Operating profit	63.4	89.5	52.2%	142.6	184.5	-22.7%	32.8%	
<b>Net other income</b>	<b>1.2</b>	<b>8.4</b>	<b>-85.2%</b>	<b>284.0</b>	<b>10.7</b>	<b>2559.4%</b>	<b>30.5%</b>	In 2Q22, no one-off income has been recorded. 1H22 net other income surged by 2559% yoy thank to a part of land compensation from VSIP III, equivalent VND291bn. But 1H22 net other income just come in 30.5% our FY22 forecast due to slower-than expected land clearance.
Pre-tax profit	64.6	97.9	-46.9%	426.6	195.2	118.6%	27.0%	
<b>Net profit</b>	<b>54.8</b>	<b>81.3</b>	<b>-32.6%</b>	<b>353.9</b>	<b>169.7</b>	<b>108.5%</b>	<b>28.9%</b>	As the result, 1H22 NP increased by 108.5% yoy, fulfilling 28.9% of our FY22 forecast.

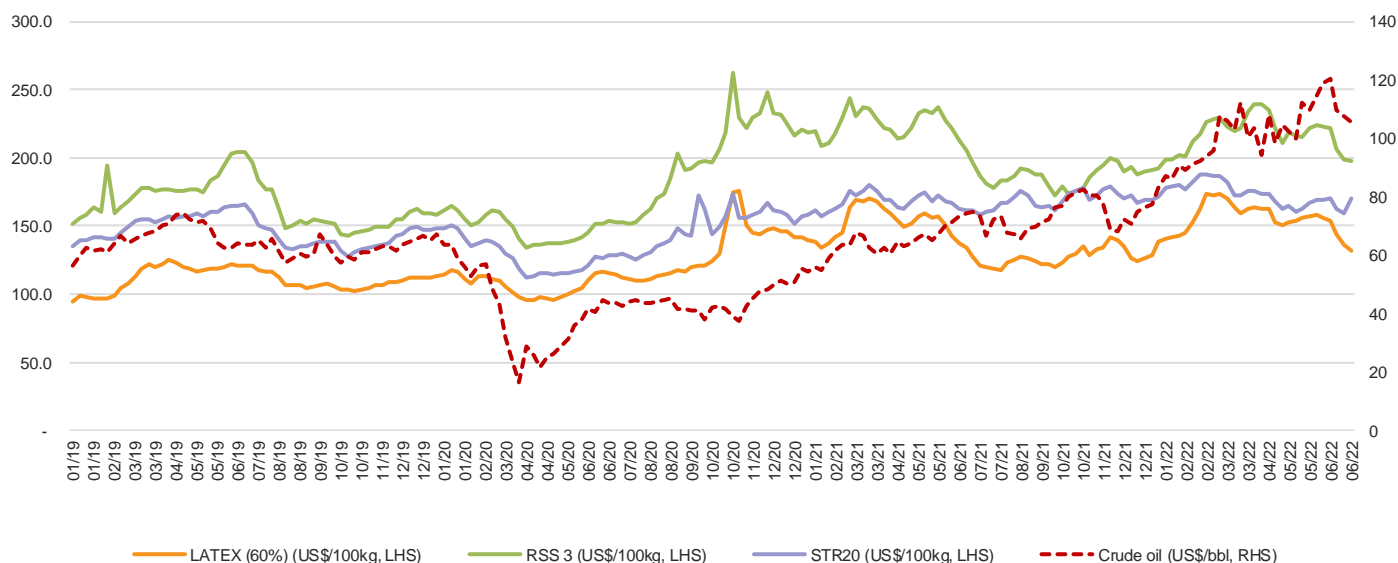
Source: VNDIRECT RESEARCH, COMPANY REPORTS

### FY22-24F outlook: Tailwinds subsidising

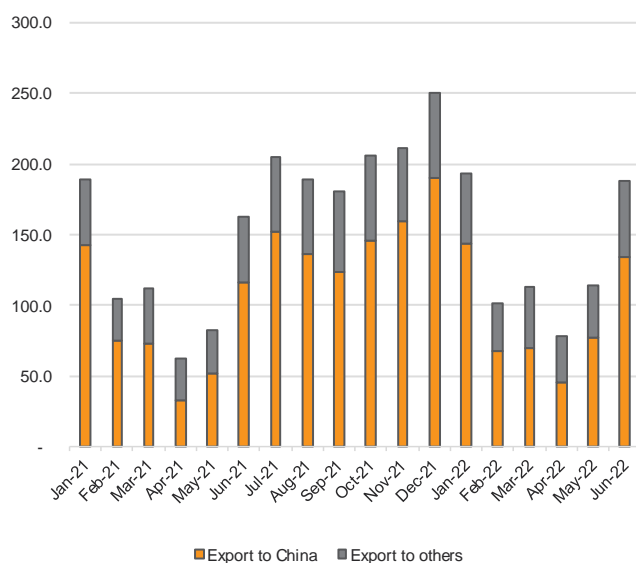
#### Natural rubber business: increasing contribution from Cambodia plantation might save the gross margin

According to ANPRC, natural rubber prices have cooled down since Mar 2022 despite the oil price hike. At the end-Jun 2022, prices of all type of natural rubber dropped sharply from their peaks: Latex (-24.1%), RSS3 (-13.5%), STR20 (-8.8%) and SMR20 (-9.1%). This could be explained by the slump in China's rubber consumption amid this country's strict Covid-19 containment. At end-Jun, Vietnam 's average rubber export prices decline 8.6 % from peak in Mar 22 and 3.9% ytd.

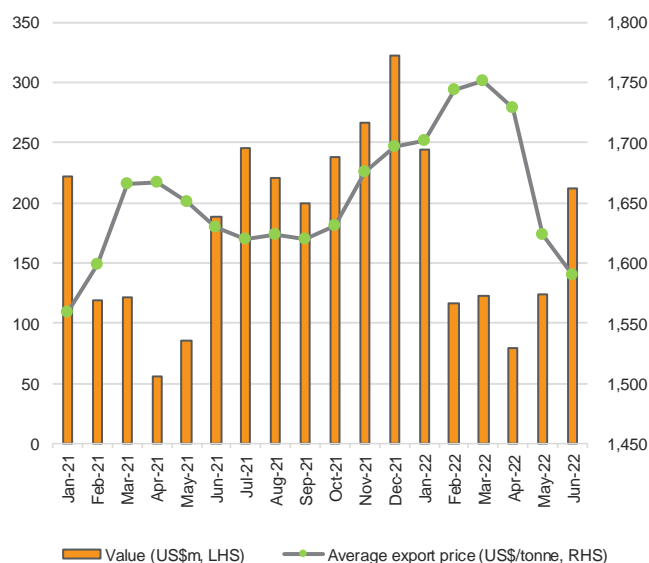
According to General Department of Vietnam Customs (GDVC), Vietnam 's export volume to China decreased by 8.6% yoy to 256.1 thousand tonnes in 2Q22, making export value to China to drop 20% yoy to US\$416m. For 1H22, rubber export value to China increased 13.5% yoy, mostly coming from the high base of rubber price in 1Q22.

**Figure 4: Natural rubber price has fallen down since 2Q22 despite oil price hike**


Source: VNDIRECT RESEARCH, BLOOMBERG, ANRPC

**Figure 5: Natural rubber export volume to China has decreased since early 2022 (thousand tonne)**


Source: VNDIRECT RESEARCH, GDVC

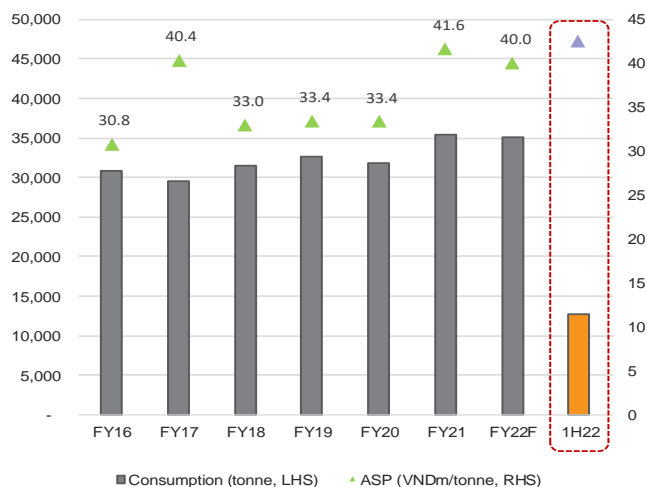
**Figure 6: 2Q22 Vietnam's rubber export value/average price decreased by 13.9%/5.8% qoq, respectively**


Source: VNDIRECT RESEARCH, GDVC

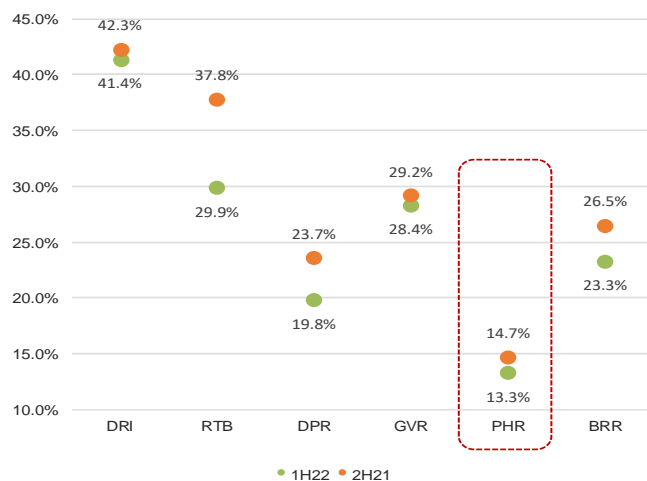
For 1H22, PHR's sales volume dropped 5.8% yoy to 12,678 tonnes, following the decrease in export value to China. Together with price downturn, PHR's revenue from 1H22 rubber revenue dropped by 20.7% yoy to VND574.6bn, fulfilling only 28% our full year forecast.

We observed that most of listed rubber producers experienced gross margin compression in 1H22 due to the surge of fertilisers and agricultural materials. PHR recorded the lowest 1H22 GM of rubber segment (13.3%, -1.4% pts qoq) due to the company heavy reliance on supply from smallholder farming. We estimate smallholder farmings account for 29% of PHR's total sales volume.



**Figure 7: 1H22 PHR's sales volume dropped 5.8% yoy**


Source: VNDIRECT RESEARCH, COMPANY REPORTS

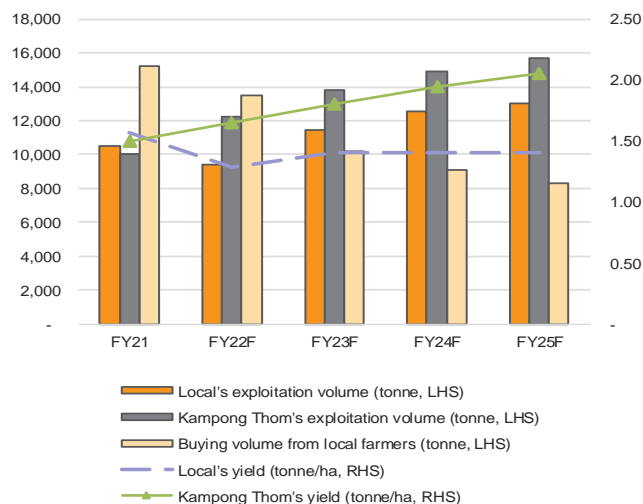
**Figure 8: GM of all listed rubber companies have declined in 1H22**


Source: VNDIRECT RESEARCH, COMPANY REPORTS

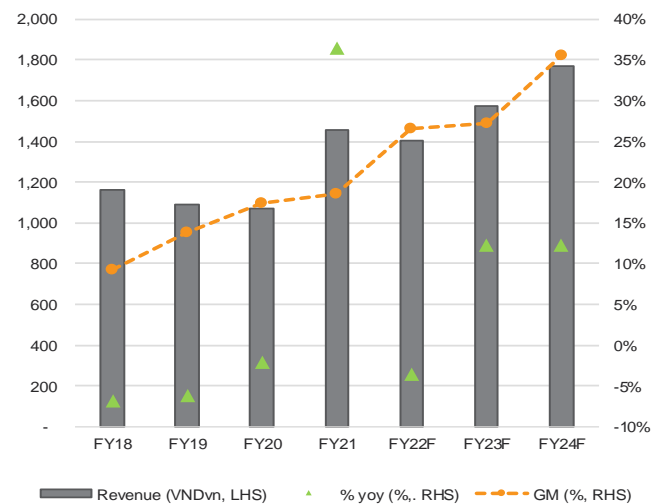
We maintain positive view for PHR's rubber business from FY22-24F following:

- Rubber demand will recover once China ease their "zero-Covid" policy.
- The young rubber plantation in Cambodia will secure for strong volume growth over FY22-24F. Kampong Thom rubber plantation in Cambodia, which was built from 2009, has been put into exploitation 7,664ha (100% of Cambodia plantations) in FY21. We expect Kampong Thom rubber plantation is in the best stage for tapping with volumes to grow at 11.8% CAGR over FY21-25F. Average harvest yield is expected at 1.65 tonne/ha; higher than local's current yield.

We forecast PHR's rubber sales volume will grow at 8.3% CAGR in FY23-25F thank to the increase of supply from Cambodia's plantation. We revise down FY22F rubber revenue by 8.2% from previous forecast as we are concerned about the downward trend in both consumption volume and ASP if China prolongs "zero-Covid". We expect rubber revenue can bounce back from FY23F, on the back of the increase supply from Cambodia's plantation. We forecast FY22F GM will increase by 8.0% pts yoy and FY24F GM will reach 35.6% (+8.4% pts yoy).

**Figure 9: We expect Kampong Thom's exploitation volume to grow at 11.8% CAGR in FY21-25F**


Source: VNDIRECT RESEARCH, COMPANY REPORT

**Figure 10: But we expect rubber revenue can bounce back from FY23F**


Source: VNDIRECT RESEARCH, COMPANY REPORTS

### Industrial Park business: long-term potential intact despite short-term headwind

For 1H22, PHR just recorded a part of land compensation from VSIP III, equivalent VND291bn, accounting for 32.4% total value of land compensation. According to plan, PHR would report VND220bn from land compensation. However, progress of land clearance is slower-than-expected and no one-off gain was recorded in 2Q22.

We concern that PHR will not complete the site clearance schedule to hand over all the land to Binh Duong province. We forecast that PHR will split the land compensation from VSIP III and will book FY22/23F one-off gain at VND691bn and 207bn, respectively.

**Figure 11: VSIP III Industrial Park**



- Location: Tan Uyen, Binh Duong
- Total land area: 1,000ha
- Total investment: VND6,407bn
- Rental price: 130-150 USD/Sqm
- Status: Completed, transfer to others investor
- Land compensation: FY22F: VND691bn  
FY23F: VND201bn

Source: VNDIRECT RESEARCH, COMPANY REPORTS

For long term, we see two potential IPs could put into operation in the next three year: Tan Lap 1 IP (202ha, PHR owns 51%) and Tan Binh IP expansion (1,055ha, PHR owns 80%). For prospect of FY26-30F, PHR plans to develop five IPs with a total area of more than 2,700ha. We expect Tan Lap 1 IP will be put into operation in 2024F.

**Figure 12: Pipeline of PHR's industrial parks**

Project	PHR's ownership	Total land area (ha)	Leasable area (ha)	Expected launching time	Status
Tan Lap 1	51%	202	136	2024F	Completing legal process
Tan Binh expansion (phase 2)	80%	1,055	791	2025F	Completing legal process
Tan Thanh urban and industrial park	100%	312	218	2026-30F	Completing legal process
Binh My urban and industrial park	100%	1,002	701	2026-30F	In the feasibility study phase
Hoi Nghia urban and industrial park	100%	716	501	2026-30F	In the feasibility study phase
Tan Binh expansion (phase 3)	80%	400	280	2026-30F	In the feasibility study phase
Tan Lap I expansion	51%	287	201	2026-30F	In the feasibility study phase

Source: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 13: Tan Lap 1 Industrial Park**

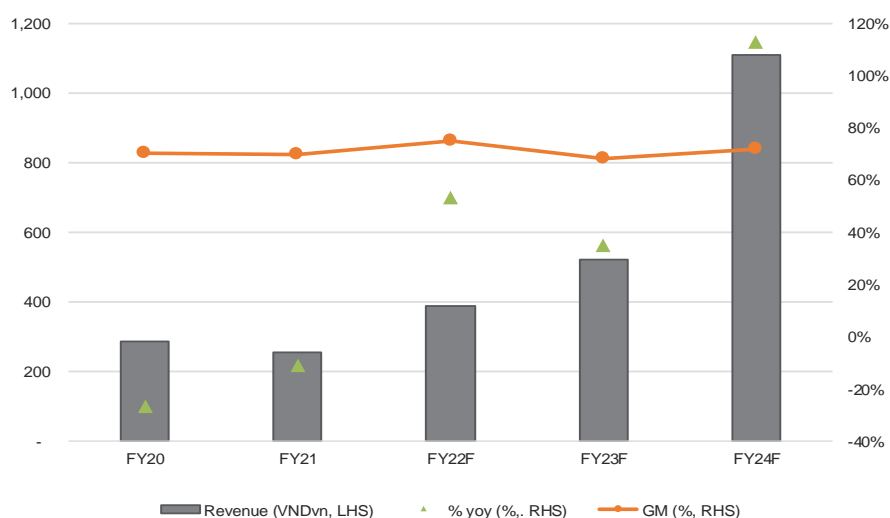


- Location: Tan Lap, Binh Duong
- Total land area: 202ha
- Leasable area: 136ha
- Rental price: 130-150 USD/Sqm
- Status: Completing legal process
- Expected launching time: 2024F

Source: VNDIRECT RESEARCH, COMPANY REPORTS

From 2023, PHR will additionally record an additional 20% of income from the sale of VSIP III IP land, as well as a 20% profit distribution from PHR's participation in this IP project. We keep unchanged FY22-24F forecast for IP segment.

**Figure 14: We forecast FY22-24F IP revenue will grow at 69.3% CAGR**



Source: VNDIRECT RESEARCH

### FY22-24F earnings forecast revision

#### FY22F:

- We increased SG&A expenses by 14.5% from our previous forecast as we were concerned about PHR's sales performance may face many difficulties due to China prolonged "zero-Covid" measure.
- We revise down FY22F net other income by 22.2% vs. previous forecast as we reduce one-off gain from land compensation of VSIP III to VND691bn (from VND898bn).
- As a result, we revise FY22F net profit down by 15% vs. previous forecast to VND1,040bn (+117.6% yoy).

#### FY23F:

- We higher FY23F net other income by 89.6% vs. previous forecast mostly come from PHR will recorded the rest of VSIP III's land compensation, equivalent VND207bn.
- Following that, we revise our forecast FY23F net profit up by 16.7% vs. previous forecast to VND1,013bn (-2.7% yoy).

#### FY24F:

- We increase FY24F GM by 1% pts as we expect Kampong Thom's rubber volume will grow strongly help PHR to maintain consumption volume with higher GM while reducing supply from smallholder.
- We revise FY24F net profit down 0.9% vs. our forecast to VND1,368bn (+35.1% yoy).

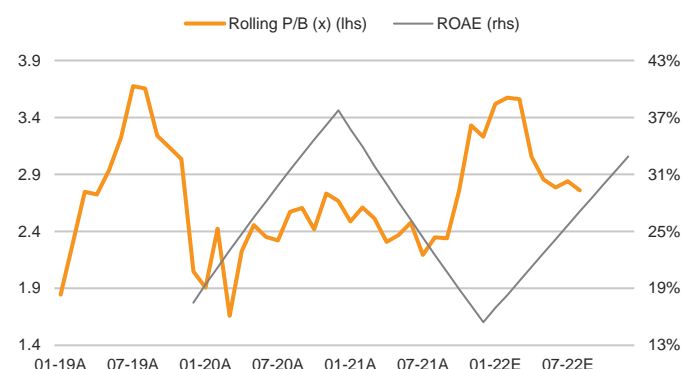
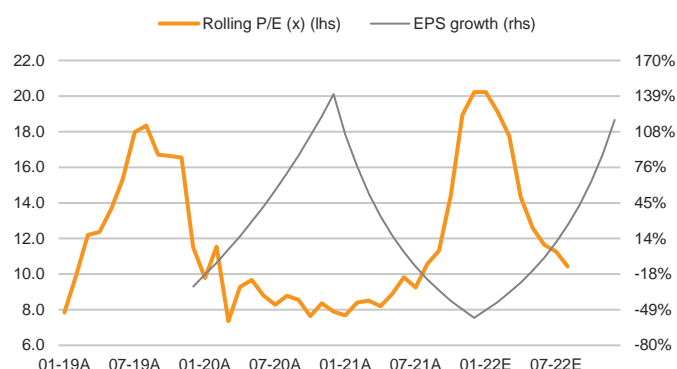


**Figure 15: Changes in FY22-24F forecasts**

VNDbn	New			Old			Change		
	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
<b>Revenue</b>	2,025	2,341	3,133	2,165	2,498	3,308	-6.5%	-6.3%	-5.3%
Rubber	1,404	1,575	1,767	1,529	1,715	1,925	-8.2%	-8.2%	-8.2%
Wood	232	243	255	248	261	274	-6.7%	-6.7%	-6.7%
Industrial park	387	521	1,109	387	521	1,109	0.0%	0.1%	0.0%
Gross profit	537	637	1,115	559	664	1,144	-3.9%	-4.0%	-2.5%
<b>Gross margin</b>	26.5%	27.2%	35.6%	25.8%	26.6%	34.6%	0.7% pts	0.7% pts	1.0% pts
SG&A expense	(142)	(130)	(137)	(124)	(130)	(137)	14.5%	0.0%	0.0%
Net other income	725	438	311	932	231	311	-22.2%	89.6%	0.0%
Pre-tax profit	1,351	1,321	1,785	1,580	1,140	1,814	-14.5%	15.8%	-1.6%
<b>Net profit</b>	1,040	1,013	1,368	1,224	868	1,381	-15.0%	16.7%	-0.9%

Source: VNDIRECT RESEARCH

## Valuation



## Income statement

(VNDbn)	12-21A	12-22E	12-23E
Net revenue	1,945	2,025	2,341
Cost of sales	(1,429)	(1,488)	(1,704)
Gen & admin expenses	(115)	(96)	(100)
Selling expenses	(32)	(28)	(29)
<b>Operating profit</b>	<b>370</b>	<b>413</b>	<b>508</b>
Operating EBITDA	482	501	597
<b>Depreciation and amortisation</b>	<b>(113)</b>	<b>(88)</b>	<b>(89)</b>
<b>Operating EBIT</b>	<b>370</b>	<b>413</b>	<b>508</b>
Interest income	237	198	238
Financial expense	(26)	(60)	(72)
Net other income	31	725	438
Income from associates & JVs	(13)	75	208
<b>Pre-tax profit</b>	<b>597</b>	<b>1,351</b>	<b>1,321</b>
Tax expense	(84)	(270)	(264)
Minority interest	(36)	(40)	(44)
<b>Net profit</b>	<b>478</b>	<b>1,040</b>	<b>1,013</b>
Adj. net profit to ordinary	478	1,040	1,013
Ordinary dividends	(610)	(400)	(400)
<b>Retained earnings</b>	<b>(132)</b>	<b>640</b>	<b>613</b>

## Balance sheet

(VNDbn)	12-21A	12-22E	12-23E
Cash and equivalents	139	564	834
Short term investments	1,898	1,896	1,897
Accounts receivables	273	265	299
Inventories	336	372	409
Other current assets	92	99	107
<b>Total current assets</b>	<b>2,738</b>	<b>3,197</b>	<b>3,547</b>
Fixed assets	2,275	2,612	2,780
Total investments	376	451	659
Other long-term assets	637	629	615
<b>Total assets</b>	<b>6,027</b>	<b>6,889</b>	<b>7,601</b>
Short-term debt	176	214	214
Accounts payable	50	52	60
Other current liabilities	966	1,161	1,189
<b>Total current liabilities</b>	<b>1,192</b>	<b>1,427</b>	<b>1,463</b>
Total long-term debt	242	551	840
Other liabilities	1,484	1,413	1,347
Share capital	1,355	1,355	1,355
Retained earnings reserve	291	431	639
<b>Shareholders' equity</b>	<b>2,989</b>	<b>3,337</b>	<b>3,747</b>
Minority interest	120	161	205
<b>Total liabilities &amp; equity</b>	<b>6,027</b>	<b>6,889</b>	<b>7,601</b>

## Cash flow statement

(VNDbn)	12-21A	12-22E	12-23E
<b>Pretax profit</b>	<b>597</b>	<b>1,351</b>	<b>1,321</b>
Depreciation & amortisation	113	88	89
Tax paid	(159)	(271)	(264)
Other adjustments	(285)	(503)	(797)
<b>Change in working capital</b>	<b>(33)</b>	<b>(50)</b>	<b>(98)</b>
<b>Cash flow from operations</b>	<b>234</b>	<b>614</b>	<b>251</b>
Capex	(115)	(413)	(245)
Proceeds from assets sales	32	0	0
Others	398	198	238
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>315</b>	<b>(215)</b>	<b>(7)</b>
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	225	347	289
Other financing cash flow	(447)	0	0
Dividends paid	(636)	(400)	(400)
<b>Cash flow from financing activities</b>	<b>(858)</b>	<b>(53)</b>	<b>(111)</b>
Cash and equivalents at beginning of period	428	139	564
<b>Total cash generated</b>	<b>(309)</b>	<b>346</b>	<b>134</b>
Cash and equivalents at the end of period	119	485	698

## Key ratios

	12-21A	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	24.5%	51.4%	43.2%
Asset turnover	0.31	0.31	0.32
ROAA	7.6%	16.1%	14.0%
Avg assets/avg equity	2.03	2.04	2.05
ROAE	15.4%	32.9%	28.6%
<b>Efficiency</b>			
Days account receivable	12.6	15.2	14.5
Days inventory	85.9	91.3	87.7
Days creditor	12.8	12.8	12.8
Fixed asset turnover	0.84	0.83	0.87
ROIC	13.5%	24.4%	20.2%
<b>Liquidity</b>			
Current ratio	2.3	2.2	2.4
Quick ratio	2.0	2.0	2.1
Cash ratio	1.7	1.7	1.9
Cash cycle	85.7	93.7	89.4
<b>Growth rate (yoy)</b>			
Revenue growth	19.2%	4.1%	15.6%
Operating profit growth	34.2%	11.8%	22.9%
Net profit growth	(55.9%)	117.8%	(2.7%)
EPS growth	(55.9%)	117.8%	(2.7%)

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.

**Hien Tran Khanh – Research Director**

Email: [hien.trankhanh@vndirect.com.vn](mailto:hien.trankhanh@vndirect.com.vn)

**Son Le Anh – Analyst**

Email: [son.leanh@vndirect.com.vn](mailto:son.leanh@vndirect.com.vn)

**VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 2439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>