

## PHU TAI JSC (PTB) – UPDATE

Market Price	Target Price	Dividend Yield	Rating	Sector
VND102,400	VND120,000	1.82%	Add	INDUSTRIALS

15 February 2022

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

Consensus\*: Add:2 Hold:1 Reduce:0

Target price / Consensus: 5.2%

### Key changes in the report

- Lower NP FY22/23F by 5.0%/3.6%
- Lower TP by 6.9%

### Price performance



Source: VND RESEARCH

### Key statistics

52w high (VND)	119,500
52w low (VND)	66,614
3m Avg daily value (VNDmn)	21,046
Market cap (VND bn)	5,323
Free float (%)	59
TTM P/E (x)	10.4
Current P/B (x)	2.23

### Ownership

Le Vy	11.7%
Le Van Thao	7.4%
Le Van Loc	5.5%
Others	75.40%

Source: VND RESEARCH

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## Maintain double-digit earnings growth momentum

- PTB's FY21 revenue grew 15.9% yoy, to VND6,492bn, while NP soared 42.9% yoy, fulfilling 94% of our FY21 earnings forecast.
- We forecast PTB's NP to increase 21.1%/13.1% yoy in FY22/23F.
- Reiterate Add rating with lower TP of VND120,000.

### Recovery across businesses in 4Q21

PTB posted 4Q21 revenue of VND1,788bn (+10.8% yoy) and net profit of VND129bn (+5.7% yoy). Wood revenue edge up 2.3% yoy, %23.3 qoq, to VND892bn as all wood manufacturing factories have resumed full operation since Nov-21 after 3-month lockdown in 3Q21. Stone revenue soared 21.5% yoy, 15.4% qoq, following the warming-up property market. Car distribution witnessed a slight recovery with VND477bn in revenue (+1.1% yoy, +182% qoq) thanks to increasing demand following the discount registration tax policy. Overall, FY21 revenue and NP achieved VND6,492bn (+15.9% yoy) and VND512bn (+42.9% yoy), fulfilling 92% and 94% of our forecasts, respectively.

### Change to FY22-23F earnings forecasts

We lifted FY22F/FY23F stone revenue 5.1%/1.5% higher than previous forecasts thanks to strong recovery of condo market in the South and North. We lower FY22/23F wood revenue by 6.1%/6.1% versus previous forecasts due to (1) high base FY21 result and (2) the decrease in home improvement demand in US market as American workers tend to return the office. As a result, we expect PTB's FY22/23F NP to grow 21.1%/13.1% yoy to VND620bn/VND702bn, slightly lower than our previous forecasts.

### Is PTB still attractive after 82% price increase in FY21?

We revise down our TP by 6.9% following an FY22F EPS downgrade 5.0% with a SOTP- based TP of VND120,000. However, we still favor PTB for 2022-2023 investment horizon thanks to (1) positive FY22-23 revenue growth of both wood (+18.2%/+17.9%yoy) and stone segments (+31.4%/31.1% yoy), (2) the handover of remaining condo projects, and (3) core profit could maintain double digit growth of 15.7%/30.4% in FY22-23F. PTB is currently trading at FY22/23F forward P/E of 8.7x/8.0x, which is 17.6%/24.3% discount to 1-year average P/E. Thus, we reiterate Add rating.

### Re-rating catalysts and downside risks

Re-rating catalyst is sustained strong US housing market that will buoy wooden furniture export. Downside catalyst is 1) Higher than expected logistic cost may affect the PTB's gross profit margin, especially in stone segment and 2) weak domestic construction activities and car consumption due to Covid-19 pandemic.

Financial summary (VND)	12-20A	12-21A	12-22E	12-23E
Net revenue (bn)	5,601	6,490	7,981	9,006
Revenue growth	0.9%	15.9%	23.0%	12.8%
Gross margin	20.4%	22.4%	22.0%	21.8%
EBITDA margin	6.3%	8.3%	9.6%	9.0%
Net profit (bn)	359	512	620	702
Net profit growth	(17.7%)	42.9%	21.1%	13.1%
Recurring profit growth	(17.0%)	38.8%	21.1%	13.1%
Basic EPS	7,016	10,025	12,142	13,734
Adjusted EPS	6,267	9,220	11,394	12,888
BVPS	37,630	46,811	53,105	64,228
ROAE	19.3%	23.7%	24.3%	23.4%

Source: VND RESEARCH

## MAINTAIN DOUBLE-DIGIT EARNINGS GROWTH MOMENTUM

### Investment thesis

**We have positive view on PTB's outlook for FY22-23F thanks to the following factors:**

- We expect that wood segment gain more market share from the US market thanks to the advantage of ASP over China. We forecast PTB's wood segment to grow 23.4% and 17.9% in FY22-23F.
- Stone segment takes advantages from the recovery of South condo supply. Furthermore, we expect new quartz factory to operate at 80%/100% capacity in FY22/23F thanks to strong demand from US market.
- We expect that PTB will hand over 60% of Phu Tai residence in 2022, which will have higher selling prices than those delivered in 2021.
- We forecast PTB's NP grow 21.7%/11.4% in FY22/23F

### Reiterate ADD rating with a lower TP of VND120,000/share

We revise down our TP by 6.9% following an FY22F EPS downgrade 5.0%. Our valuation is based on the sum-of-the-parts (SOTP) methodology for PTB's four main businesses including wood, stone, car distribution and real estate.

- For the three core businesses – wood, stone and car distribution, we apply average EPS FY22F VND6,588/shares, VND1,669/share and VND345/shares, respectively that is weighted by each business's NP contribution in FY22F. We base our target P/E for each of PTB's businesses on the one-year averages of median TTM P/E of our peer groups.
- For PTB's property segment, we employ the DCF method to estimate its net present value.

**Figure 9: SOTP valuation (unit: VNDbn)**

SOTP valuation	Method	NP contribution in FY22F (%)	
Wood	Target P/E 10.5x	50	3568
Stone	Target P/E 10.1x	29	1889
Car distribution	Target P/E 10.3x	5	496
Real estate	DCF 2 years	16	180
Equity value			6133
Share outstanding (m)			51.1
<b>Equity value per share (VND/share)</b>			<b>120.025</b>
<b>Target price (rounded) (VND/share)</b>			<b>120,000</b>

Source: VNDIRECT RESEARCH

### Investment risks

Re-rating catalyst is sustained strong US housing market that will buoy wooden furniture export.

Downside catalysts including:

- Higher than expected logistic cost may affect the PTB's gross profit margin, especially in stone segment.
- Weak domestic construction activities and car consumption due to Covid-19 pandemic.

**Figure 10: Peer comparison**

			TP	Market cap			3 year-EPS growth		P/BV (x)		EV/EBITDA		ROE (%)
Company	Ticker	Recom.	VND	US\$m	FY21	FY22	CAGR	FY21	FY22	FY21	FY22	FY21	FY22
Stone													
CTCP CMC	CVT VN	na	na	106	8.5	10	7.2	2	na	10.2	na	14.8	na
Asian Granito	ASIAN IN	na	na	113	8.5	8.0	na	0.9	na	7.2	na	9.9	na
Vicostone JSC	VCS VN	na	na	856	10.3	8.1	8.1	4.6	na	9.3	na	39.2	na
Pokama Ltd	POKR IN	na	na	188	11.8	na	5.1	3.8	na	16.9	na	8.0	na
Acrysil Ltd	ACRY IN	na	na	214	30.0	na	48.5	8.3	na	25.7	na	22.4	na
Average					15.2	na	20.6	5.5667	na	17.3	na	23.2	na
Median					10.5		8.1	4.6	na	16.9	na	22.4	na
Phu Tai Corp	PTB VN	Add	120,000	215	10.4	8.7	0.9	2.2	na	7.8		19.5	26.0
Wood													
Integra Indocabinet Tbk PT	WOOD IJ	na	na	343	10.5	11.1	19.0	1.6	1.4	8.4	8.0	12.1	14.7
Lii Hen Industries BHD	LHI MK	na	na	123	8.5	8.6	3.6	1.2	1.1	4.2	5.0	16.8	14.2
Evergreen Fibreboard Bhd	EVF MK	na	na	72	9.7	9.0	8.2	0.3	0.7	13.6	6.1	-5.5	1.2
S Kijchai Enterprise PCL	SKN TB	na	na	136	11.0	na	24.4	1.8	1.6	9.3	8.8	9.0	11.0
Nam Hoa Trading & Production Corp	NHT VN	na	na	110	10.5	na	6.3	2.5	2	7.9	na	34.8	na
Duc Thanh Wood Processing JSC	GDT VN	na	na	110	11.2	9.3	-7.2	3.2	2.4	8.2	na	27.7	25.9
Average					12.8	10.3	64.7	1.9	1.6	9.2	7.0	15.6	13.4
Median					10.1	9.0	8.2	1.8	1.6	8.4	7.0	14.2	14.2
Phu Tai Corp	PTB VN	Add	120,000	215	10.4	8.7	0.9	2.2	na	7.8		19.5	26.0
Car distribution													
Hubei Yichang Transportation Group Co Ltd	002627 CH	na	na	345	32.0	na	2.3	1.4	na	20.3	na	4.5	na
Saigon General Service Corp	SVC VN	na	na	103	14.6	na	32.2	1.8	na	12.7	na	16.1	na
Sunfonda Group	1771 HK	na	na	154	3.1	na	11.5	0.4	na	15.2	na	14.6	na
Hang Xanh Motors Service JSC	HAX VN	na	na	63	5.6	na	47.1	0.9	na	5.1	na	32.5	na
Average					16.8	na	17.9	1.2	na	10.2	na	15.0	na
Median					10.3	na	17.2	1.2	na	8.9	na	11.4	na
Phu Tai Corp	PTB VN	Add	120,000	215	10.4	8.7	0.9	2.2	na	7.8		19.5	26.0

Source: Bloomberg, VNDIRECT RESEARCH

### 4Q21 recap: Core businesses to rebound after the lockdown in 3Q21

Figure 3: 4Q21 & FY21 results comparison

VND (bn)	4Q20	4Q21	yoy (%) chag	FY20	FY21	yoy (%)	As of our FY21 forecast	Comment
<b>Revenue</b>	<b>1588</b>	<b>1760</b>	<b>10.8%</b>	<b>5,602</b>	<b>6492</b>	<b>15.9%</b>	<b>92%</b>	
<i>Wood</i>	872	892	2.3%	3004	3431	14.2%	88%	Wood revenue decreased by 13.1% yoy in 3Q21 when factories operated at 70-90% capacity during the lockdown period. Exports sales (86% of FY21 wood revenue) surged 11% yoy thanks to strong demand from US market. In which, exports sales in 4Q21 increased 2% yoy (-15% yoy in 3Q21) as wood furniture factories have resumed and run at full capacity since Nov-21.
<i>Stone</i>	326	396	21.5%	1439	1455	1.1%	98%	Domestic sales (62% of FY21 stone revenue) rose 25% yoy in 4Q21 thanks to the recovery of civil construction demand after social distancing. Exports slumped 18% yoy in FY21 due to elevated shipping costs that dampened customer demand. Quartz revenue reached about VND330bn, accounted 9% stone revenue in FY21.
<i>Car distribution</i>	472	477	1.1%	1159	1085	-6.4%	72%	Due to weak demand from Da Nang and Binh Dinh market.
<i>Real estate</i>	-	67	-	0	521	-	87%	Thanks to handovers at PTB's condo project in Binh Dinh Province (45% of total units, per our estimate)
Gross profit	317	374	18.0%	1142	1453	27.2%	91%	Due to high shipping cost in 2H21 and the revenue from exporting wooden furniture lower than our expectation.
<b>Gross profit margin</b>	<b>20.0%</b>	<b>21.3%</b>	<b>1.3% pts</b>	<b>20.4%</b>	<b>22.4%</b>	<b>1.1% pts</b>	<b>-0.3% pts</b>	Wood revenue segment which has higher GPM was lower than our forecast due to COVID-19 outbreaks and strict social distancing restrictions in Vietnam disrupted PTB's manufacturing and transportation activities in 3Q21.
Selling expense	(119)	(143)	20.2%	(422)	(550)	30.3%	90%	Selling expense increase 20% yoy in 4Q21 as PTB intensifies its overseas sales activities with quartz segment.
G&A expense	(54)	(51)	-5.6%	(196)	(205)	4.6%	79%	G&A expense decreased 5.6% yoy as PTB has cut labour number since 3Q21 due to social distancing.
Pre-tax profit	146	157	7.5%	462	650	40.7%	90%	
<b>Net profit</b>	<b>122</b>	<b>129</b>	<b>5.7%</b>	<b>359</b>	<b>512</b>	<b>42.6%</b>	<b>94%</b>	

Source: VNDIRECT RESEARCH, COMPANY REPORTS

### FY22-23F outlook: Maintain double digit earnings growth

#### Wood revenue grow stably in FY22/23F

The Ministry of Agriculture and Rural Development forecast Vietnam wood and wood product export turnover to achieve US\$18bn (+20% yoy) in 2022 as Vietnam's competitive labor costs and trends of global supply chain diversification away from China. We believe PTB will continue outgrowing the industry and gain more market shares from the US market thanks to its superior scale and proven track record in terms of product quality and wood origin.

However, we think that US housing and furniture demand could decelerate in 2022 due to substantial price increases in these sectors, which in turn could put pressure on PTB's selling prices. We revise down ASP assumption by 3%/2% for FY22/23F, thus, we decreased FY22F and FY23F wood revenue forecast by 6.1%/6.1%, reaching VND4,056bn (+18% yoy) and VND4,783bn (+14% yoy), respectively.

#### We expect stone segment to grow robustly in FY22F thanks to the recovery from the South and North condo supply

The key growth driver of PTB's stone segment comes from the real estate industry's prospects. We expect the residential market will bounce back in 2022F, supported by: 1) a board-based recovery of macro fundamentals propelling the property market in 2022F; 2) housing purchasing decisions underpinned by affordable mortgage interest rates; and 3) a surge in new supply

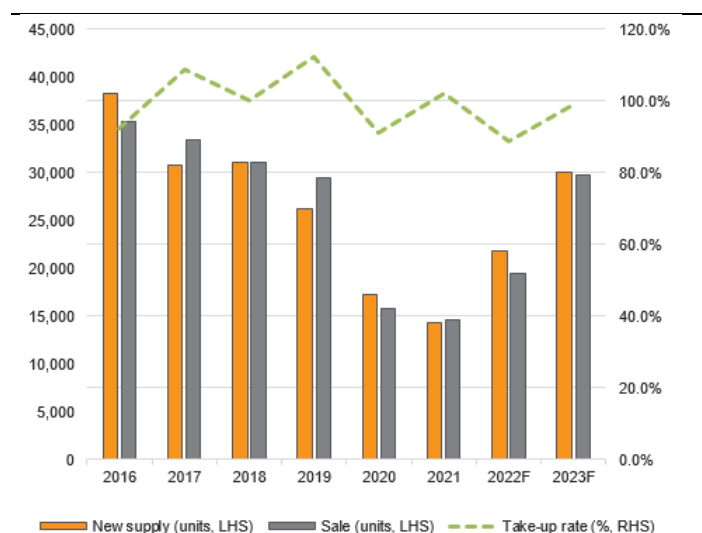
thanks to the loosening of regulatory bottlenecks. And hospitality property will recover quickly in the future on the back of Covid-19 vaccines presence along with recovery of the Vietnam tourism.

Specially, we expect HCMC new condo supply to bottom out in 2021F and recover strongly by 60-70% in 2022-23F, on the back of loosening regulatory measures such as Decree 148 and Amended Construction Law 2020. According to CBRE, the HCMC new condo supply will recover by 69.5% yoy in 2022F to c.22,000 units and +55.7% yoy to c.34,000 units in 2023F, of which mid-end segment bounces with a 30-50% contribution of total condo supply. We believe suburb housing market in HCMC namely Binh Chanh, Can Gio, Nha Be, Thu Duc will be in spotlight in 2022F, driven by the infrastructure development in these areas. Thus, we forecast stone revenue from the South market to grow 30%/26% y/y in FY22/23F, accounting for 60% of domestic stone sales.

Whereas, we expect to see a c.40% yoy increase in Hanoi new condo supply in 2022F to c.25,600 units, then recovery to 2018-19 levels in 2023F with c.36,100 units (+41% yoy), dominated mostly by units in the west and the east of Hanoi. Takeup rate is likely to improve by 90%-110% in FY22-23F, higher than the rate of 75%-90% seen in FY18-19F, equivalent to 27,000-32,000 sold units per year.

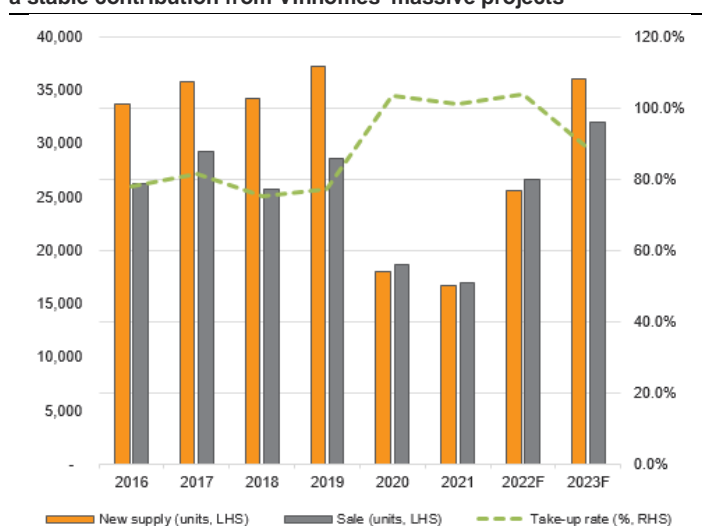
As a result, we increase FY22/23F stone revenue forecast 5.1%/1.5%, achieving VND1,912bn (+31.4% yoy) and VND2,517bn (+31.1% yoy), respectively.

**Figure 4: The HCMC new condo supply is expected to recover from 2022F thanks to loosening regulatory bottleneck**



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

**Figure 5: Hanoi new condo supply recovery in 2022-23F, driven by a stable contribution from Vinhomes' massive projects**



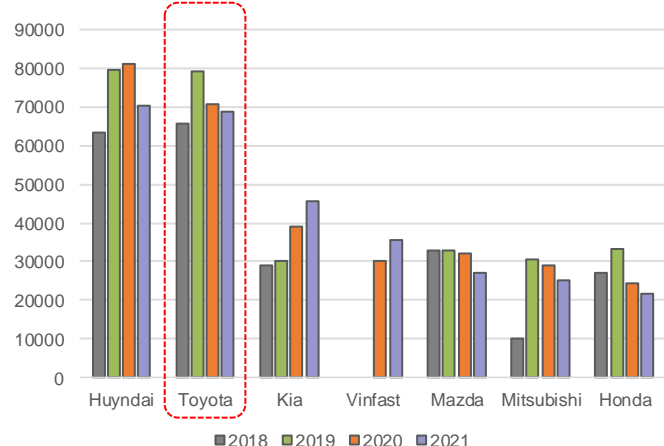
Sources: VNDIRECT RESEARCH, COMPANY REPORTS

### Preferential policy from the Government is the key driver for the recovery of automobile segment in 2022

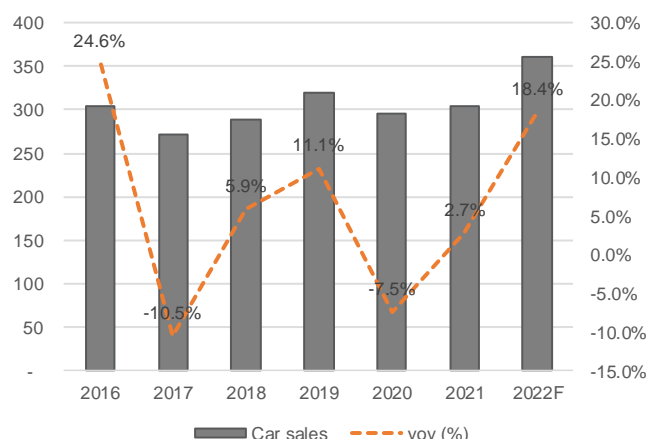
On 15-Oct-21, the Ministry of Finance (MOF) consulted relevant ministries and agencies to reduce registration tax for domestically manufactured and assembled automobiles. According to the draft, the automobile registration tax will reduce by 50% from 15-Nov-2021 to the end of 15-May-22. According to VAMA, in 1H20 (when the registration fee reduction has not been implemented yet), car sales were only about 107,183 units. However, after being applied to reduce the registration fee, the total car sales volume of the whole market reached 189,451 units, soaring 76% vs. 1H20 and 33.1% yoy. We expect that preferential policy from the Government is the key driver for the recovery of the automobile industry in 2022. Furthermore, we expect that Toyota Vios is the best-selling cars of PTB in FY22-23F thanks to outstanding design and taking advantage from preferential policy. While we expect Toyota Cross and Raize to have promotional policies to compete with Completely Knocked Down (CKD)

competitors. We forecast PTB's car sales to increase 38.0%/21.8% yoy in FY22/23F.



**Figure 6: Toyota' sales reached 67,000 units in 2021 (-4.1% yoy)**


Source: VNDIRECT RESEARCH, Company reports

**Figure 7: Car sales is expected to reach 360,000 units in 2022F**


Source: VNDIRECT RESEARCH, Company report

### FY22-23F earnings forecast revision

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

- We lower FY22/23F wood revenue by 6.1%/6.1% versus previous forecasts due to (1) high base FY21 result and (2) the decrease in home improvement demand in US market as American workers tend to return the office.
- We increase FY22/23F stone revenue forecast 5.1%/1.5% thanks to the recovery from the South condo supply.
- We increased FY22F real estate revenue 15.3% as we forecast PTB will hand over the remaining 50% of its condo units in 2022, which will have higher selling prices than those delivered in FY21.
- We decreased GPM in FY22/23F 0.5% pts/0.7% pts mainly driven by the decline of GPM's wood segment.

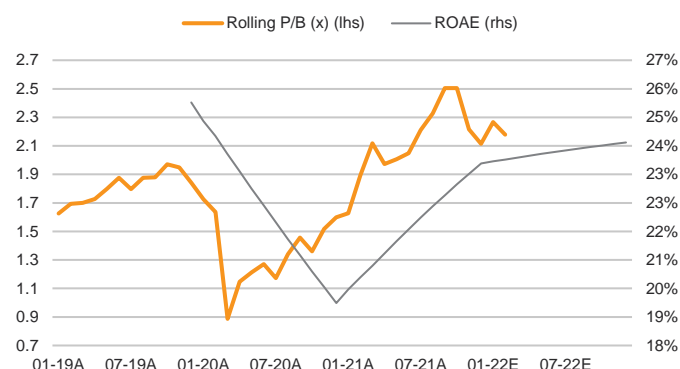
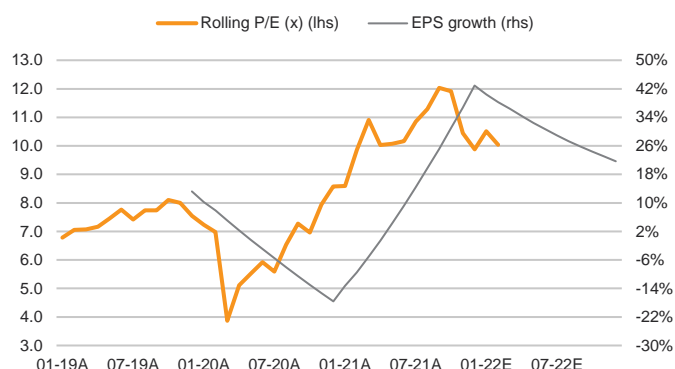
As a results, we revise down FY22F/23F net profit forecast by 5.0%/4.9%.

**Figure 8: Changes in FY22-23F forecasts (VNDbn)**

(VND bn)	FY21	FY22F			FY23F		
		Old	New	% change	Old	New	% change
Revenue	6490	8,419	7,981	-5.2%	9,375	9,006	-3.9%
Wood	3431	4,318	4,056	-6.1%	5,093	4,783	-6.1%
Stone	1,455	1,950	1,912	-1.9%	2,507	2,517	0.4%
Car distribution	1,085	1,498	1,498	0.0%	1,775	1,775	0.0%
Real estate	521	653	753	15.3%	-	-	-
Gross profit	1,159	1,897	1,453	-23.4%	2,105	1,964	-6.7%
Gross profit margin	22.4%	22.5%	22.0%	-0.5% pts	22.5%	21.8%	-0.7% pts
SG&A expense	(756)	(901)	(850)	-5.7%	(1002)	(953)	-4.9%
Pre-tax profit	651	862	787	-8.7%	963	890	-7.6%
Net profit	512	651	620	-4.7%	728	702	-3.6%
EPS (VND)	9148	11,662	11,080	-5.0%	13,040	12,532	-4.9%

Source: VNDIRECT RESEARCH, Company report

## Valuation



### Income statement

(VNDbn)	12-21A	12-22E	12-23E
Net revenue	6,490	7,981	9,006
Cost of sales	(5,037)	(6,226)	(7,043)
Gen & admin expenses	(205)	(223)	(252)
Selling expenses	(550)	(630)	(711)
<b>Operating profit</b>	<b>697</b>	<b>901</b>	<b>1,000</b>
Operating EBITDA	484	771	804
<b>Depreciation and amortisation</b>	<b>213</b>	<b>130</b>	<b>196</b>
<b>Operating EBIT</b>	<b>697</b>	<b>901</b>	<b>1,000</b>
Interest income	61	25	28
Financial expense	(120)	(155)	(155)
Net other income	12	16	18
Income from associates & JVs	0	0	0
<b>Pre-tax profit</b>	<b>651</b>	<b>787</b>	<b>890</b>
Tax expense	(124)	(150)	(169)
Minority interest	(14)	(17)	(19)
<b>Net profit</b>	<b>512</b>	<b>620</b>	<b>702</b>
Adj. net profit to ordinary	512	620	702
Ordinary dividends	(100)	(153)	(153)
<b>Retained earnings</b>	<b>412</b>	<b>467</b>	<b>549</b>

### Balance sheet

(VNDbn)	12-21A	12-22E	12-23E
Cash and equivalents	136	402	592
Short term investments	54	84	88
Accounts receivables	929	1,014	1,145
Inventories	1,790	2,058	2,470
Other current assets	202	214	241
<b>Total current assets</b>	<b>3,111</b>	<b>3,772</b>	<b>4,536</b>
Fixed assets	1,879	1,762	1,668
Total investments	86	90	94
Other long-term assets	342	263	296
<b>Total assets</b>	<b>5,418</b>	<b>5,886</b>	<b>6,594</b>
Short-term debt	1,609	1,836	2,071
Accounts payable	620	541	612
Other current liabilities	426	333	377
<b>Total current liabilities</b>	<b>2,655</b>	<b>2,710</b>	<b>3,061</b>
Total long-term debt	361	410	239
Other liabilities	10	53	13
Share capital	486	486	486
Retained earnings reserve	537	1,151	1,642
<b>Shareholders' equity</b>	<b>2,392</b>	<b>2,714</b>	<b>3,282</b>
Minority interest			
<b>Total liabilities &amp; equity</b>	<b>5,418</b>	<b>5,886</b>	<b>6,594</b>

### Cash flow statement

(VNDbn)	12-21A	12-22E	12-23E
<b>Pretax profit</b>	<b>651</b>	<b>787</b>	<b>890</b>
Depreciation & amortisation	130	196	222
Tax paid	(124)	(150)	(169)
Other adjustments	0	0	0
<b>Change in working capital</b>	<b>(678)</b>	<b>(283)</b>	<b>(519)</b>
<b>Cash flow from operations</b>	<b>(22)</b>	<b>550</b>	<b>424</b>
Capex	(480)	(219)	(123)
Proceeds from assets sales	52	13	14
Others	9	25	28
Other non-current assets changes			
<b>Cash flow from investing activities</b>	<b>(419)</b>	<b>(181)</b>	<b>(81)</b>
New share issuance	0	0	0
Shares buyback			
Net borrowings	265	(43)	(60)
Other financing cash flow	245	93	61
Dividends paid	(100)	(153)	(153)
<b>Cash flow from financing activities</b>	<b>409</b>	<b>(103)</b>	<b>(153)</b>
Cash and equivalents at beginning of period	168	136	402
<b>Total cash generated</b>	<b>(32)</b>	<b>266</b>	<b>191</b>
Cash and equivalents at the end of period	136	402	592

### Key ratios

	12-21A	12-22E	12-23E
<b>Dupont</b>			
Net profit margin	7.9%	7.8%	7.8%
Asset turnover	1.28	1.41	1.44
ROAA	10.1%	11.0%	11.2%
Avg assets/avg equity	2.35	2.21	2.08
ROAE	23.7%	24.3%	23.4%
<b>Efficiency</b>			
Days account receivable	42.6	42.3	42.3
Days inventory	129.7	120.7	128.0
Days creditor	44.9	31.7	31.7
Fixed asset turnover	3.61	4.38	5.25
ROIC	11.7%	12.5%	12.5%
<b>Liquidity</b>			
Current ratio	1.2	1.4	1.5
Quick ratio	0.5	0.6	0.7
Cash ratio	0.1	0.2	0.2
Cash cycle	127.4	131.2	138.6
<b>Growth rate (yoy)</b>			
Revenue growth	15.9%	23.0%	12.8%
Operating profit growth	33.5%	29.2%	11.0%
Net profit growth	42.9%	21.1%	13.1%
EPS growth	42.9%	21.1%	13.1%

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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