

PHU TAI JSC (PTB) – INITIATION

Market Price	Target Price	Dividend Yield	Rating	Sector
VND115,000	VND129,700	2.73%	ADD	INDUSTRIALS

1 October 2021

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

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

Target price / Consensus: 12.4%

Key changes in the report

> N/a

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	115,000
52w low (VND)	50,302
3m Avg daily value (VNDmn)	34,195
Market cap (VNDbn)	5,702
Free float (%)	59
TTM P/E (x)	15.9
Current P/B (x)	2.96

Ownership

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

Source: VND RESEARCH

Analyst(s):


Hao Nguyen Duc

 hao.nguyenduc@vndirect.com.vn
www.vndirect.com.vn

Strong in FY21, stable in FY22

- PTB becomes one of the ten largest wood exporters in Vietnam, accounting for nearly 1% of Vietnam's furniture exports in 2020.
- We expect FY21F/22F NP to surge 51.9%/19.9% yoy thanks to strong growth from wood segment and contribution from real estate revenue.
- Initiate coverage with an Add rating and SOTP-based TP of VND129,700.

Riding on the recovery of domestic and global housing market

We like PTB for its growth potential of two core businesses including wood and wood furniture (W&WF) and stone segments, which are both taking advantage from the export and domestic market given the recovery of the domestic and international housing market post-Covid-19. We believe that PTB is well-positioned to enjoy the growth prospects of the industries. In particular, PTB plans to raise its stone/wood capacity by 25%/60% by FY22/23F compared with FY21. Thus, we expect the company to achieve wood/stone revenue CAGR of 13.0%/14.5% in FY20-26F period.

Condo project in Binh Dinh brings short-term catalyst in FY21-22F

PTB is developing a condo project - the Phu Tai Residence - in Quy Nhon, Binh Dinh Province. In Oct 2020, PTB held a topping out and sales event this project. Per company management, the project's construction progress is on track for handover in 2H21. Accordingly, we expect this project will record revenue of VND600bn and VND653bn in FY21F and FY22F, respectively.

Earnings still grow stably in FY22F after a strong surge in FY21F

We expect PTB's FY21F revenue and NP to grow respectively by 26.1% and 51.9% yoy from FY20 low-base thanks to 29.4% growth in W&WF revenue and great contribution of VND600n from Phu Tai Resident project with high GPM. For longer term, we believe PTB to maintain its earning growth trajectory in two core businesses in FY22/23F (13.2%/19.8% yoy in W&WF NP and 30.8%/28.5% yoy in stone NP). Besides, handover from residential projects will contribute VND135bn to FY22F NP. As a result, we expect PTB's NP CAGR to reach 15.6% in FY22-23F.

Initiate coverage with an Add rating and SOTP-based TP of VND129,700

We initiate coverage of PTB with an Add rating and SOTP-based TP of VND129,700. Re-rating catalyst is the strong housing demand in the US that leads to higher-than-expected demand for PTB's wooden furniture. Downside risks including 1) the prolonged Covid-19 pandemic with a more extended social distancing period may delay delivery time to PTB's customers, thus hitting PTB's performance directly and 2) weak domestic construction activities and car consumption due to adverse macro situation and sluggish new business execution (real estate and quartz).

Financial summary (VND)	12-20A	12-21E	12-22E	12-23E
Net revenue (bn)	5,601	7,064	8,419	9,375
Revenue growth	0.9%	26.1%	19.2%	11.4%
Gross margin	20.4%	22.7%	22.5%	22.5%
EBITDA margin	6.3%	8.6%	10.1%	9.5%
Net profit (bn)	359	544	651	728
Net profit growth	(17.7%)	51.6%	19.9%	11.9%
Recurring profit growth	(17.0%)	51.6%	19.9%	11.9%
Basic EPS	7,016	10,636	12,749	14,256
Adjusted EPS	6,267	9,961	11,940	13,351
BVPS	37,630	47,464	57,576	69,238
ROAE	19.3%	25.0%	24.3%	23.2%

Source: VND RESEARCH

Investment thesis

We like PTB for:

- We expect PTB's W&WF revenue to reach a CAGR of 14.8% in FY21-23F thanks to 1) strong demand from the US housing market and 2) plans to expand Phu Cat's factory capacity (increase 60% compared to capacity in 2020).
- PTB's stone segment takes advantage from 1) the warming up from Ha Noi and HCMC residential market and 2) gain the U.S market share thanks to take benefit from the U.S-China trade war
- We forecast PTB to deliver net profit CARG of 15.6% in FY21-23 mainly driven by the contribution of real estate segment. The revenue from Phu Tai Resident projects would contribute VND600bn/VND653bn in FY21/22F, accounting for 8.5%/7.0% of total revenue and 20%/15% NP in FY21/22F, in our projection.

We initiate coverage on PTB with ADD rating. Our target price for PTB is VND129,700, deriving a potential upside of 15.5% including dividend yield. We adopt sum-of-the-parts valuation for this stock:

- For the three core businesses – wood, stone and auto dealership, we apply average EPS FY21-22F VND6,513/shares, VND2,906/share and VND601/shares, respectively that is weighted by each business's NP contribution in our FY21F. 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 1: SOTP valuation (unit: VNDbn)

SOTP Valuation	Method	Average NP contribution on FY21F-22F (%)	
Wood	Target P/E of 12x	50	3932
Stone	Target P/E of 12.8x	26	2066
Auto dealers	Target P/E of 10.9x	7	451
Real estate, DCF	DCF 2 years	17	180
Equity value			6629
Share outstanding (m)			51.1
Equity value value per share (VND/share)			129.717
Target price (rounded) (VND/share)			129,700

Source: VNDIRECT RESEARCH

Downside risks and re-rating catalyst

Downside risks include:

- The longer-than-expected Covid-19 pandemic with a more extended social distancing period may delay delivery time to PTB's customers, thus hitting PTB's performance directly.
- Weak domestic construction activities and car consumption due to adverse macro developments; sluggish new business execution (real estate and quartz).
- Higher than expected logistic cost may affect the PTB's gross profit margin, especially in stone segment.

Re-rating catalyst is the strong housing demand in the US that leads to higher demand for PTB's wooden furniture than we expect.

Figure 2: Peer comparison

Company	Ticker	Recom,	TP VND	Market cap US\$m	TTM	P/E CY21F	3 year- EPS growth		P/BV (x)		EV/EBITDA		ROE (%)	
							CAGR	TTM	CY21F	TTM	CY21F	TTM	CY21F	
Stone segment														
CMC JSC	CVT VN	na	na	106	12.8	na	7.2	2	na	10.2	na	14.8	na	
Asian Granito	ASIAN IN	na	na	113	10.9	9.5	na	0.9	na	7.2	na	9.9	na	
Vicostone JSC	VCS VN	na	na	856	12.9	na	8.1	4.6	na	9.3	na	39.2	na	
Pokarna 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	37.0	na	48.5	8.3	na	25.7	na	22.4	na	
Average					18.1	na	20.6	5.57	na	17.3	na	23.2	na	
Median					12.8		8.1	4.6	na	16.9	na	22.4	na	
Phu Tai Corp	PTB VN	Add	129,700	215	13.3	7.45	0.9	2.4	na	7.8		19.5	26.0	
Wood segment														
Integra Indocabinet Tbk PT	WOOD IJ	na	na	343	12.8	11.5	19.0	1.6	1.4	8.4	8.0	12.1	14.7	
Lii Hen Industries BHD	LHI MK	na	na	123	8.0	8.6	3.6	1.2	1.1	4.2	5.0	16.8	14.2	
Evergreen Fibreboard Bhd	EVF MK	na	na	72	13.0	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	18.2	14.4	24.4	1.8	1.6	9.3	8.8	9.0	11.0	
Nam Hoa Trading & Production Corp	NHT VN	na	na	110	7.8	na	6.3	2.5	2	7.9	na	34.8	na	
Duc Thanh Wood Processing JSC	GDT VN	na	na	110	11.2	7.9	-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					12.0	9.0	8.2	1.8	1.6	8.4	7.0	14.2	14.2	
Phu Tai Corp	PTB VN	Add	129,700	215	13.3	7.5	0.9	2.4	2.2	7.8		19.5	26	
Auto dealer segment														
Hubei Yichang Transportation Group Co Ltd	002627 CH	na	na	345	39.8	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	
Hang Xanh Motors Service JSC	HAX VN	na	na	43	5.6	na	47.1	0.9	na	5.1	na	32.5	na	
Mean					16.8	na	17.9	1.2	na	10.2	na	15.0	na	
Median					10.9	na	17.2	1.2	na	8.9	na	11.4	na	
Phu Tai Corp	PTB VN	Add	129,700	215	13.3	7.5	0.9	2.4	na	7.8		19.5	26.0	

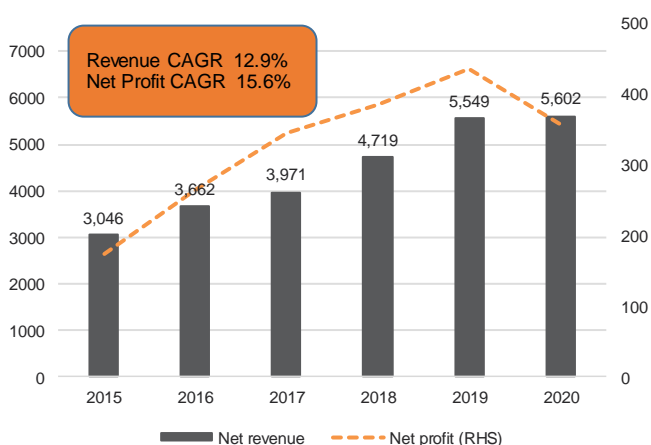
Source: Bloomberg, VNDIRECT RESEARCH

STRONG IN FY21, STABLE IN FY22

Company profile

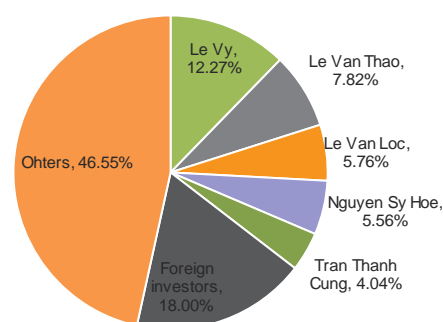
Established since 1995, PTB involves wood and wooden furniture production, stone manufacture and auto dealer. Since its inception till 2004, the company was under control of the military's 5th Region, a regional division of Vietnam's military. In 2014, PTB became a private company after the military completely divested from PTB. The management team has been with PTB over 20 years and currently holds 41.5% stake (including related people). PTB listed its shares on the Ho Chi Minh Stock Exchange (HOSE/HSX) since 2011. The company delivered 28.1% CAGR of equity expansion and 15.6% CAGR of net profit over FY15-20.

Figure 3: PTB delivered 12.9% CAGR of revenue and 15.6% CAGR of net profit over FY15-20



Source: PTB, VNDIRECT RESEARCH

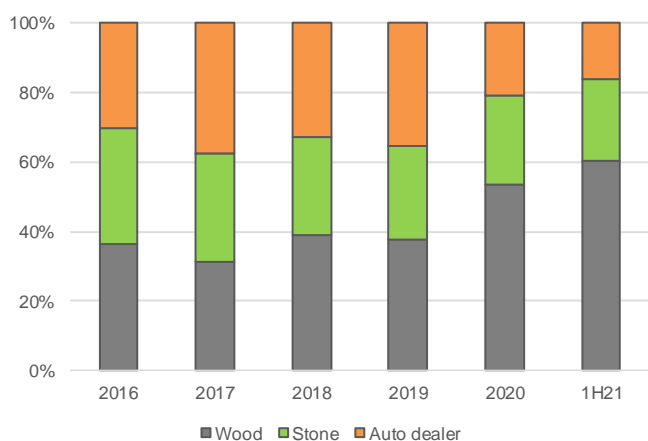
Figure 4: PTB's shareholder structure as at Sep-21



Source: PTB, VNDIRECT RESEARCH

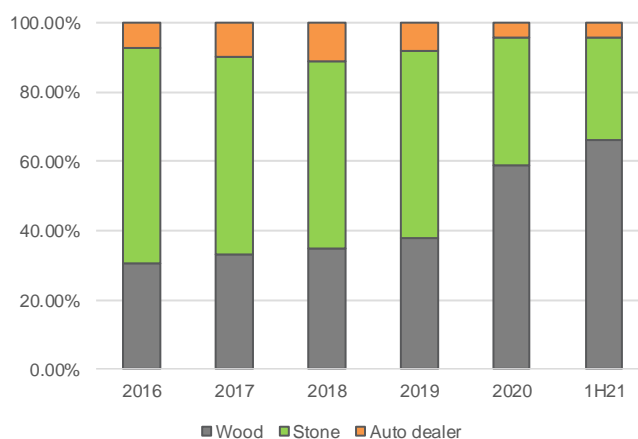
Currently, wood & wooden furniture is PTB's largest business, accounting for 60.1% of revenue and 66.3% gross profit in 1H21. Stone products, which are mainly provided for domestic market, accounts for 23.7% and 29.6% of 1H21 revenue and gross profit. PTB is also an auto dealer for Toyota, which contributed about 16.9% to 1H21 revenue and 4.1% to gross profit. PTB aimed to tap into property market with its first condo project in Quy Nhon, Binh Dinh to be launched in Jul-21.

Figure 5: PTB's revenue structure by segment during 2016-1H21



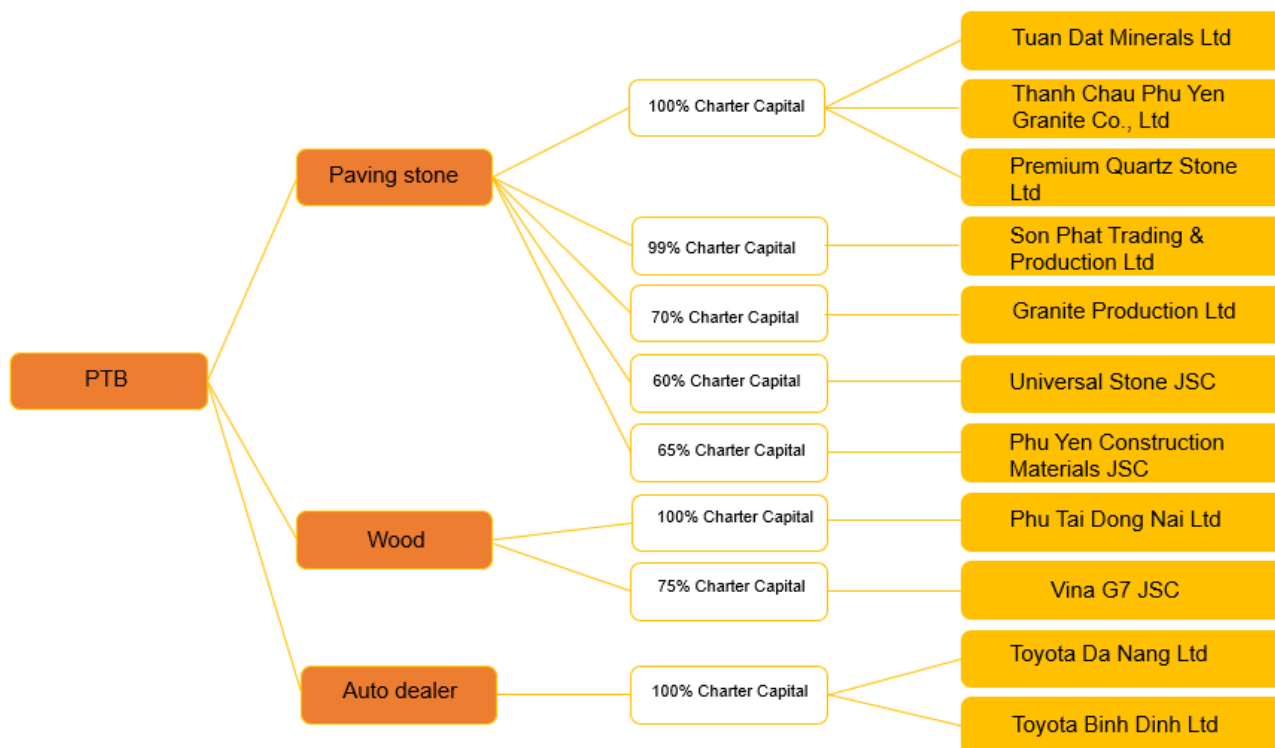
VNDIRECT RESEARCH, COMPANY REPORTS

Figure 6: Wood & wooden furniture has been increasing its weight in PTB's gross profit structure over years



Sources: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 7: Organizational structure of PTB



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Wood and wooden furniture – the key driver for FY21-25 earnings growth

Among top ten largest wood exporters in Vietnam in 2020

PTB produces refined wood and raw wood, in which refined wood accounted for 91% of wood revenue in 2020. Raw wood includes raw round wood products imported by PTB and redistributed to enterprises producing, distributing and trading imported wood. In contrast, PTB's refined wood is finished product of 6-main step process, ending as furniture products, and plywood. About 90% of wood revenue comes from export, in which the U.S (60% of export revenue), EU (27%) and Japan (8%) are key markets.

Figure 8: Some of PTB's wooden furniture

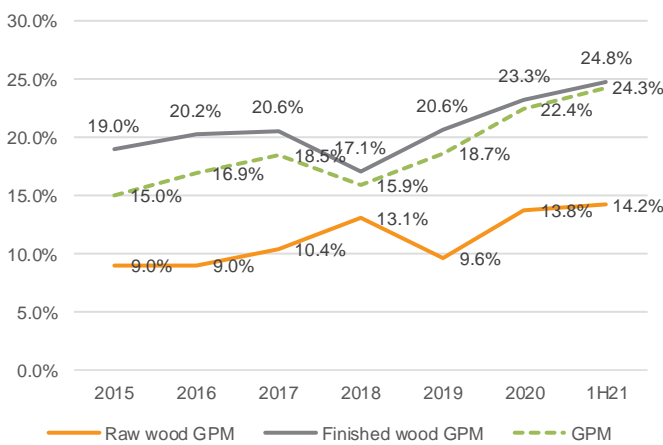


Source: PTB, VNDIRECT RESEARCH

PTB's wood and wooden furniture segment experienced strong revenue CAGR of 30.4% over FY15-20 and 40% yoy in 1H21. We estimate that PTB is among top ten largest wood and wooden furniture exporters in Vietnam (Source: General Department of Customs), accounting for nearly 1% of Vietnam's wooden furniture exports in 2020 with value of US\$130m. The surge of wood segment in 1H21 was largely driven by the strong demand bounce back of U.S market and increasing wood prices (+15% since Jan-21).

Gross margin of wood and wooden furniture segment kept expansion from 15.9% in FY18 to 22.4% in FY20 and 24.3% in 1H21, mostly attributed by 1) increasing sale volume for US market with higher selling prices, 2) increasing contribution from wooden finished products (bedroom set, sofa set,...) and 3) better economic of scale when the company lifted its capacity from 58,000m3/year in FY18 to 84,000m3/year at end-2Q21.

Figure 9: Blended gross margin of wood & wooden furniture kept uptrend since 2018



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 10: PTB is among Top ten Vietnam largest wood exporters in 2020

Export revenue	Company
Over US\$200m	Hoa Net Wood Technology Co., Ltd
	Timberland Ltd
	Hao Hung Ltd
US\$100m-US\$200m	Nitori Furniture Vietnam
	Phu Tai JSC
	Thanh Thanh Dat Ltd
	Shing Mark Vina Ltd
	Motomotion Vietnam Ltd
US\$50m-US\$100m	Glory Oceanic Ltd
	RK Resources Ltd
	Hao Hung Quang Ngai Ltd
	Kaiser 1 JSC
	Woodworth wooden

Source: GDC, VNDIRECT RESEARCH

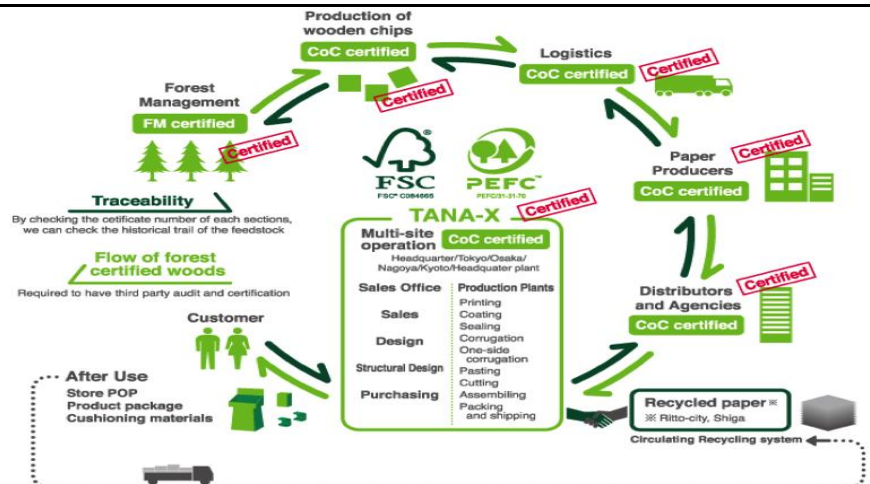
Forest Stewardship Council (FSC) is a certificate issued by the FSC organization to verify the origin, harvesting process and production of finished wood products in accordance with international laws and regulations on environmental protection. FSC has 3 types of certifications:

- (1) FSC-FM (Forest Management Certification)
- (2) FSC-CoC (Certificate of Chain of Custody);
- (3) FSC-CoC/CW (Certificate of Chain of Custody).

Owning FSC certificate is a good selling point

PTB owns both FSC-FM and FSC-CoC certificates thanks to owning the FSC-FM certified raw material area in the Tay Nguyen and Quang Nam, and the production chain meets all principles of the chain product journey. Furthermore, PTB has an underwriting contract with major suppliers of wood materials such as Sudima and Thanh Danh Ltd. Per management, PTB is self-control about 40% of input materials.

Figure 11: PTB owns both FSC-FM and FSC-CoC certificates



Source: FSC, VNDIRECT RESEARCH

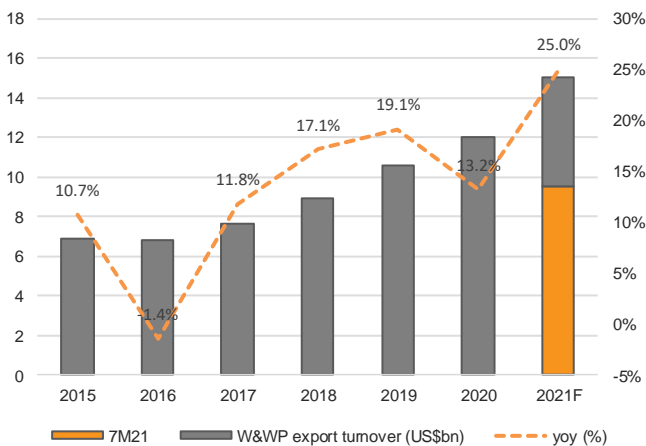
Currently, 70% of PTB's raw wood come from the domestic market with 100% FSC certified origin. In addition, PTB also imports raw wood from the U.S, Papua New Guinea (PNG), Uruguay, and Malaysia - all in the top 15 largest countries supplying wood to Vietnam.

With FSC certificate, PTB is well-equipped to expand its business in both U.S and E.U markets. According to FSC statistics, as of Mar-21, only 10% of Vietnam wooden furniture manufacture owned full FSC certificates.

Wooden furniture production is enjoying the increasing demand of U.S market

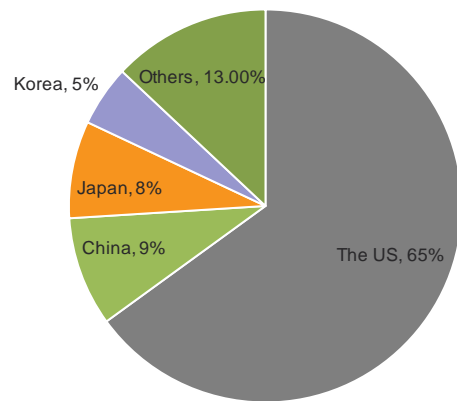
The U.S, the largest export market of Vietnam wood and wooden products (W&WP), grew at CAGR of 14% in export value over FY15-20. Notably, U.S market export turnover soared 93% yoy in 1H21 to US\$5.1bn (+93% yoy), accounting for 65% of Vietnam W&WP export turnover. We believe that the booming demand to buy houses in the U.S will increase Americans' demand for furniture shopping. Grand View Research forecasted the U.S wooden furniture market value grow at a CARG of 7.9% in 2021-27F, driven by significant growth in single-family housing constructions and 2) the trend of using wooden furniture thanks to its superior aesthetic appeal.

Figure 12: W&WP export turnover in 7M21 soared 55% yoy, to VND9.58bn



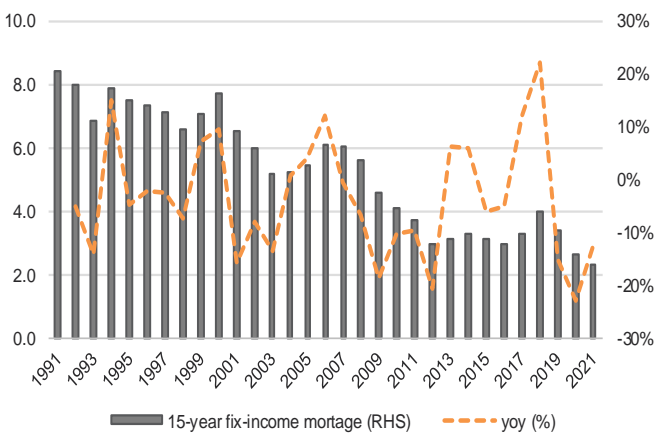
Source: MOIT, VNDIRECT RESEARCH

Figure 13: The U.S was Vietnam's the largest W&WP export market in 1H21



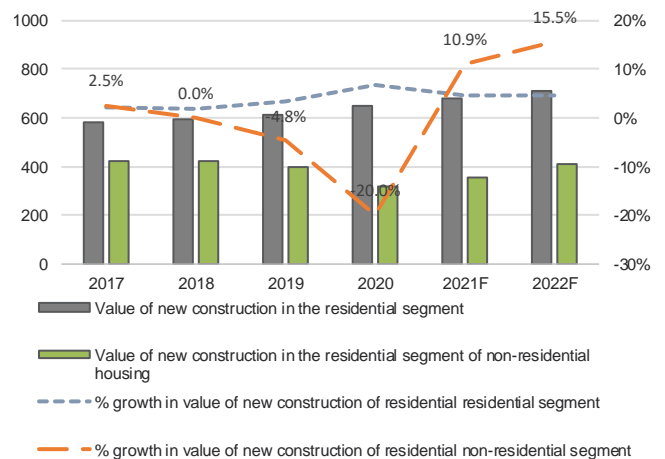
Source: MOIT, VNDIRECT RESEARCH

Figure 14: The U.S fix-income mortgages are lowest since 1991 (%)



Source: OLS, VNDIRECT RESEARCH

Figure 15: The value of new construction in the segment of non-residential in the U.S is expected to increase 15.5% yoy in 2022F



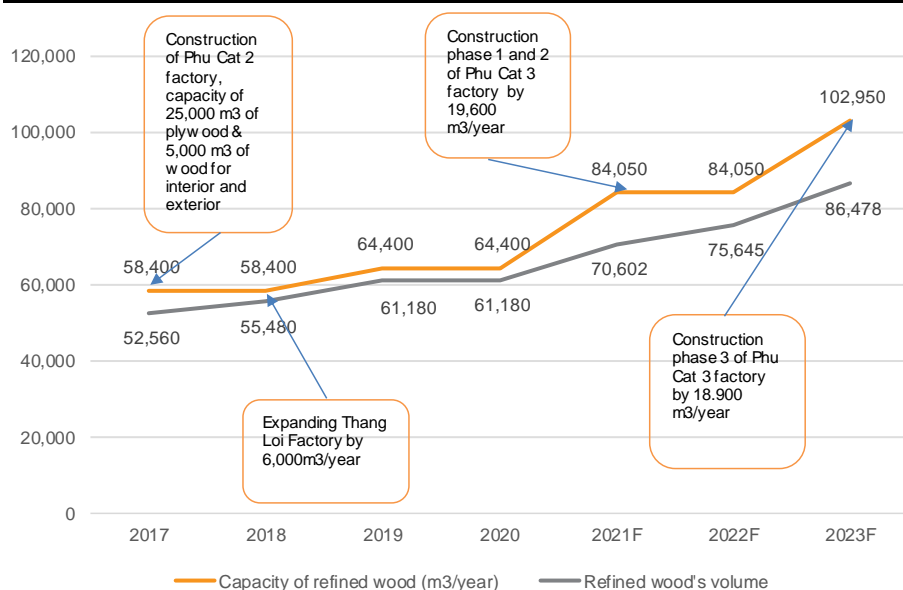
Source: Dodge Data & Analytics, VNDIRECT RESEARCH

PTB is well-equipped to capture the increasing demand from U.S market

Currently, PTB operates 4 wood processing factories including Vina G7 (Dong Nai), Phu Tai (Dong Nai), Phu Cat (Binh Dinh) and Thang Loi (Binh Dinh) factories with total capacity of 50,000 m3 of raw wood and 84,050 m3 of refined wood (of which 35,000 m3 of plywood and 49,050 m3 of interior and exterior furniture).

The Phu Cat project includes three phases as follows: phase 1 (VND201.4bn; Sep-20 – Mar-21), phase 2 (VND34.3bn in Apr-21 – Jun-21) and phase 3 (VND193.5bn; 3Q21- 4Q22). We estimate that when completing and putting into production of Phu Cat factory in 2023, PTB's wood processing capacity will reach 102,050 m3/year (+59.8% capacity vs. FY20).

Figure 16: We expect PTB's refined wood volume to grow 10.8% CAGR over 2021-23F



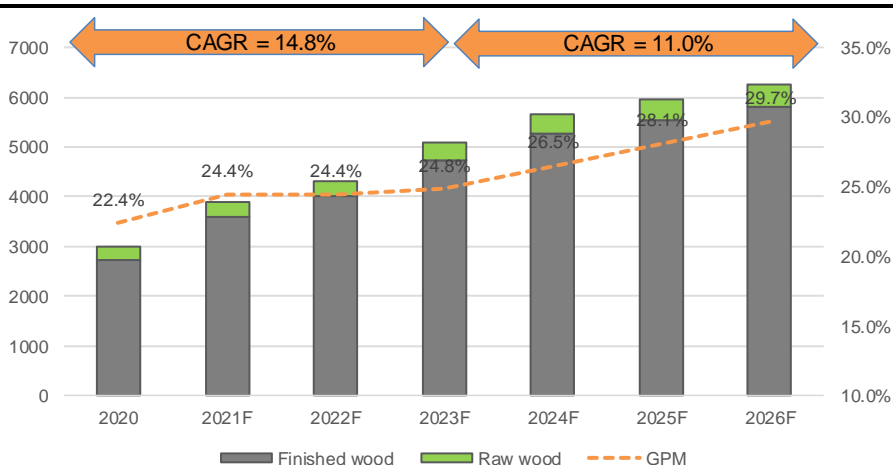
Source: PTB, VNDIRECT RESEARCH

We expect wood segment's revenue to grow at CAGR of 14.8% over FY21-23F

Taking advantage from US-China trade war, we expect that PTB's orders from the U.S market will continue to increase as major customers in the U.S will continue to shift orders from China to wood manufacturers in Vietnam that own FSC certificates. We forecast that wood revenue from the U.S market grew 30%/20%/18% yoy in FY21/22F/23F.

Overall, we expect PTB's wood revenue to reach a CAGR of 14.8% in FY21-23F thanks to 1) strong demand from the US market and 2) plans to expand Phu Cat's factory capacity (increase 60% compared to capacity in 2020). We also expect PTB's GPM to climb to 22.4% in FY21-22F due to PTB's strategy focus in high-quality product (sofa, bedroom) with higher GPM to export to the U.S market. In FY23-26F, we forecast PTB's wood revenue to achieve CAGR of 11.0% mainly driven by Phu Cat factory phase 3 coming into operate in 2Q23.

Figure 17: PTB 's wood & wooden furniture revenue in 2020-26F, based on VNDS' forecasts



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Stone production – Arising opportunities from the recovery of civil construction

PTB owns one of the largest stone reserves in Vietnam and provides a wide range of stone products

Since 2017, PTB has aggressively increased its stone reserves through M&A activities. Currently, the company's total reserves is about 53.8 m3, among the country largest stone reserve owner. Most of its stone quarries locate in Binh Dinh, Phu Yen, Dak Nong where have the best stone quality in Vietnam. Notably, PTB's largest marble quarry in Yen Bai is a great competitive advantage thanks to its long mining time (20 years) and high quality. Furthermore, the cost of transporting stone is often expensive due to the weight of a single block of solid rock weighing about 2.75 tonnes. PTB's factories are located close to quarries, supporting PTB reduce transportation costs in production costs.

PTB operates 14 processing plants with a total capacity of about 7 million m2/year, providing a wide range of stone products for local market, including paving stone, handcrafted and crushed stones. Consumption volume of PTB is about 3 million m2/year, accounting for 1/3 of its capacity and 20% of domestic market.

Figure 18: PTB's stone quarries

Quarries	Reserves (m3 mn)	Province	Types	Duration
Son Triều	6.2	Binh Dinh	Granite	2035
Ngang	1.9	Binh Dinh	Granite	2031
Hòn Chà	0.2	Binh Dinh	Granite	2031
Loi Phu My	2.9	Binh Dinh	Granite	2033
Bazal Bon Pinao	2.4	Dak Nong	Granite	2037
Son Xuan	1.8	Phu Yen	Granite	2025
My Thang	2.8	Quang Ngai	Granite	2033
Dien Tan	2.5	Khanh Hoa	Granite	2048
Hoa Quang Bac	0.4	Phu Yen	Granite	2046
Yen Bai	29.2	Yen Bai	Marble	2040
Total	50.3			

Source: PTB, VNDIRECT RESEARCH

Figure 19: PTB owned a large number of paving stone samples with 38 samples of granite and marble

Companies	Granite samples	Marble samples	Total
Hoan Cau Granite	29	29	58
Granite Tan Long	23	12	35
Phu Tai JSC	22	8	30
Granite Son Tra	24	0	24
Granite Qui Long	16	0	16
Granite Hoang Viet	16	0	16
Granite Tan Trung Nam	12	0	12

Source: VNDIRECT RESEARCH, COMPANY REPORT

PTB provides paving stones (granite and marble) for civil works such as indoor and outdoor wall stone, kitchen table, lavabo, garden path paving stone, paving stone products, walking sidewalk paving, tombstone and handmade stone. In which, granite stone accounted about 70% PTB's stone revenue. Besides, PTB also produce crushed and handcrafted stone for building infrastructure but only contribute average 5% to PTB's stone revenue. Most of PTB's stone products are consumed in Ho Chi Minh City and Hanoi markets through a number of large customers such as Hung Thinh Ltd and Viet Ha stone JSC. PTB's stone products could be classified as mid-end segment due its prices and quality.

Figure 20: PTB's stone product



Source: PTB, VNDIRECT RESEARCH

Thanks to owning many stone reserves with high quality and diversified products, the price of PTB stone is only lower than imported products from India, Brazil, and EU.

PTB's competitor consists mostly of small players that tend to own just one mine each. Notable players operating more than one mine include Everland (four mines), Hoan Cau (four mines), Khanh Thanh (three mines) and Bach Viet (two mines). Beside domestic enterprises, PTB faces with products from foreign markets. According to International Trade Center and the MoC's data, imported stone mainly from China and India account for roughly one-third of the annual paving stone consumption in Vietnam in 2020. These imported products compete in both the low-end (setts, curbstones and flagstones) and high-end segments (polished granite and marble slabs).

Figure 21: Retail prices of some paving stone types

Stone color	Origin	Price (thousand VND/m2)
Granite		
White	India	920
	Binh Dinh (*)	700
	Phan Thiet	680
	Khanh Hoa	600
Yellow	Brazil	1400
	Binh Dinh (*)	900
Black	Phu Yen (*)	850
	Hue	650
	India	1450
	Binh Dinh	700
Grey	Binh Dinh (*)	1500
	Norway	2400
Marble		
White	Yen Bai (*)	1900
	Italia	2300
	Greek	2500

(*) The type of stone PTB owns

Source: dahoacuong.vn, VNDIRECT RESEARCH

Figure 22: Most of PTB's competitors are private company

Company	Mines	Stone color
Granite		
PTB	Son Trieu	Yellow, white
	Ngang	White
	Hon Cha	Yellow, white
	Loi Phu My	White
	Bazal Bon Pinao	Grey
	Son Xuan	Black
	My Thang	Yellow
Everland	Dien Tan	White
	Hoa Quang Bac	N/a
	Thanh Hoa	Grey
Hoan Cau	Binh Dinh	White, yellow
	Tuyen Quang	White
	An Truong, Binh Dinh	Red
Marble	Son Rai, Binh Dinh	Purple
	Phu My, Binh Dinh	White
	Hon Cha, Binh Dinh	White
Private Companies	Yen Bai	White
	Cbhitech	White
	Luc Yen	White
	Quang Phat	White

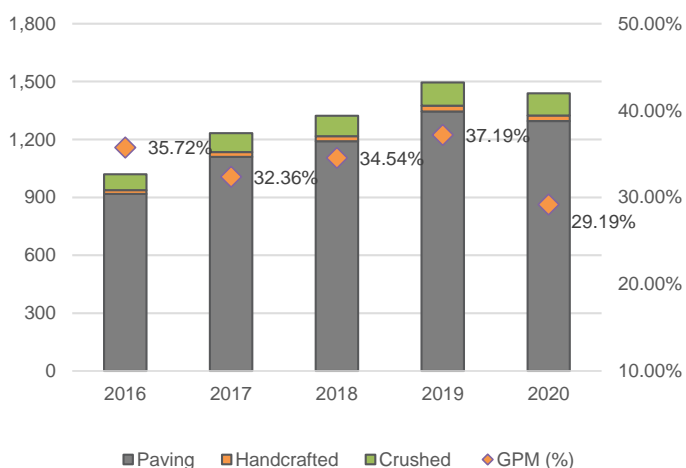
Source: VNDIRECT RESEARCH, COMPANY REPORTS

Stone volume hit hard by the Covid-19

Stone business experienced stable performance over 5 years with 9.0% FY16-20 CAGR in revenue, mostly riding on the growth of domestic residential construction. However, the Covid-19 hit hard both civil construction segment and construction material, including stone products in 1H20. Although there was a recovery in the 2H20, PTB's consumption volume in FY20 only posted 2.8m ton m2 (-2% yoy), respectively. As a result, PTB's stone revenue in 2020 slid 4% yoy, to VND1439bn.

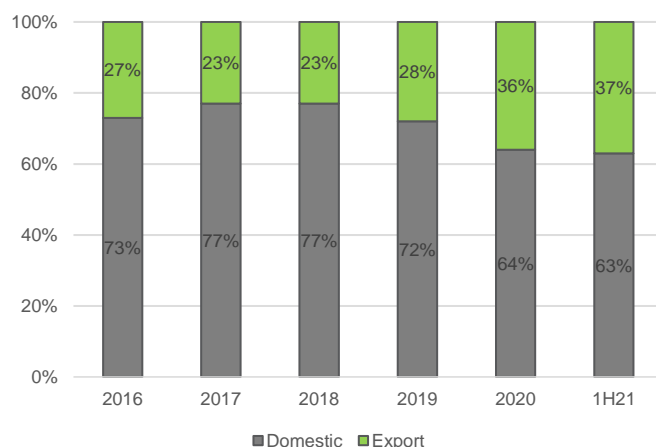
PTB's stone GPM continuously maintained at a high level, averaging 34.9% in 2016 - 19. In 2020, Stone GPM contracted by 8% pts yoy as PTB ramped up price discounts to offload inventory and beef up its cash flow amid softer domestic nature stone consumption. Then PTB's stone GPM keep on narrowing 2.4% pts yoy in 1H21 due to COVID-19-related disruptions on worldwide shipping container availability.

Figure 23: Paving stone accounted for 96% PTB's stone revenue in 2020



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 24: The majority of stone revenue comes from the domestic market

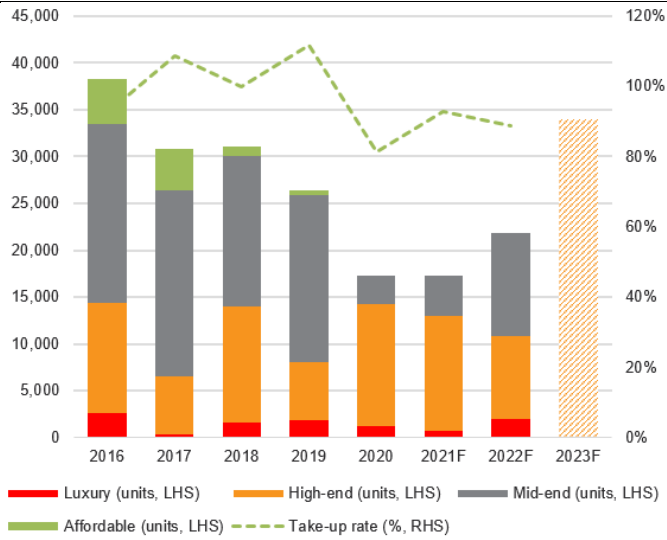


Source: VNDIRECT RESEARCH, COMPANY REPORTS

Robust demand from civil construction boost paving stone revenue growth in 2022

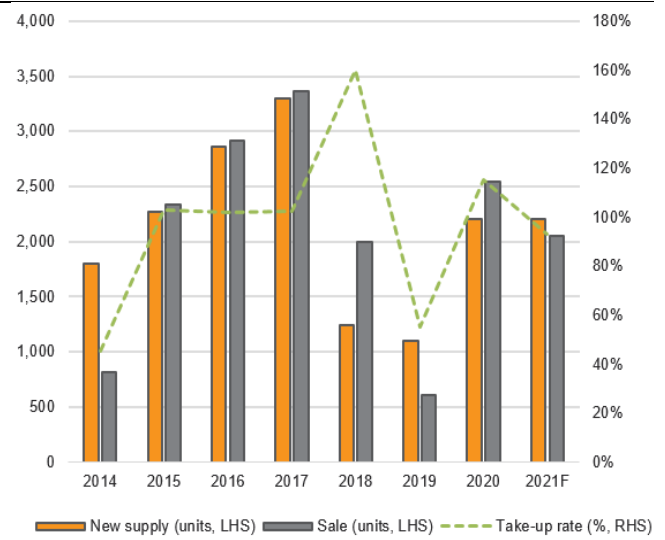
The key growth driver of PTB's stone segment comes from the real estate industry's prospects, especially from PTB's two main market (Ha Noi and HCMC). We expect Southern residential market to warm up in condo supply since 2022 onwards. After new regulatory measures such as Decree 148 and Amended Construction Law 2020 issued in 2020, we project the HCMC new condo supply will recover from 2022F, with +26.2% yoy in 2022F and +55.7% yoy 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 City will continue to do well in 2H21-2022F, driven by the infrastructure project development in these areas. Whereas, given the reinstatement of the delayed projects from 2H21 due to Covid-19 in FY22F, we project the new condo supply in Hanoi in 2022F to record a 35-50% yoy increase to 27,000-32,000 units, in our view.

Figure 25: The HCMC new condo supply is expected to recover from 2022F thanks to loosening regulatory bottleneck



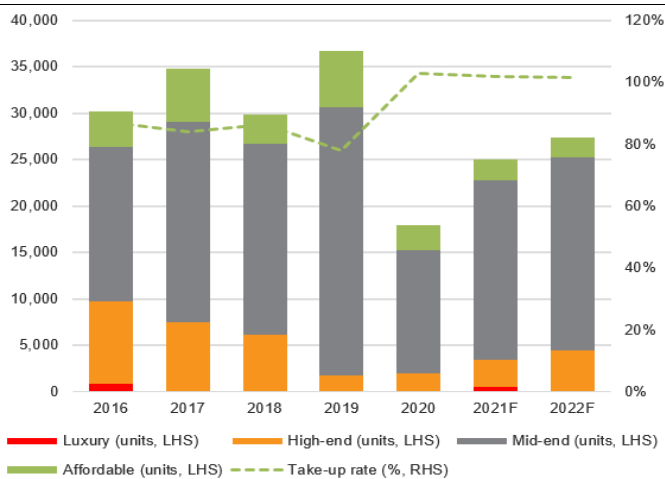
Sources: CBRE, SAVILLS, VNDIRECT RESEARCH

Figure 26: The HCMC new landed supply in 2H21F mostly comes from new phases of existing large township



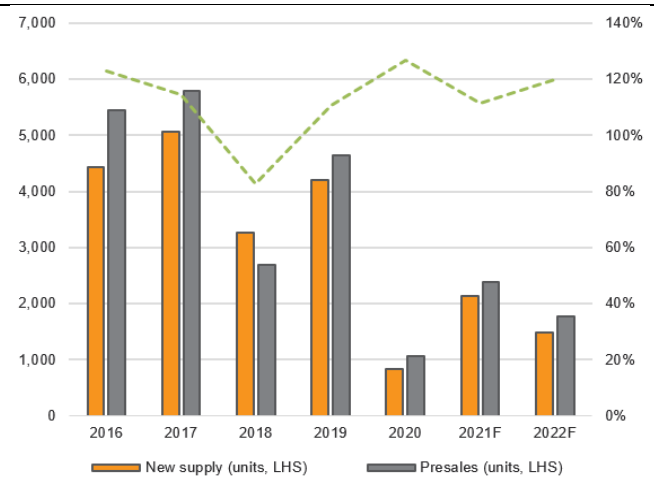
Sources: CBRE, VNDIRECT RESEARCH

Figure 27: Hanoi new condo supply recovery in 2021-22F, driven by a stable contribution from Vinhomes' massive projects



Sources: CBRE, VNDIRECT RESEARCH

Figure 28: Lacklustre new landed supply in Hanoi while spotlight in its neighbouring provinces



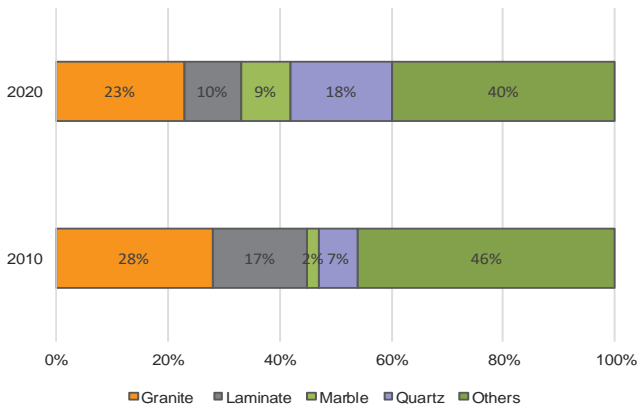
Sources: CBRE, VNDIRECT RESEARCH

Quartz stone is a new driver for PTB's stone exports in FY22-23F

We expect Vietnam's quartz to gain US market share in FY21-22F as the US has imposed anti-dumping and anti-subsidy tax on artificial stone products from China (297% - 337%), India (3.19% - 5.15%) and Turkey (up 5.17%) which are the main competitors of Vietnam in US market.

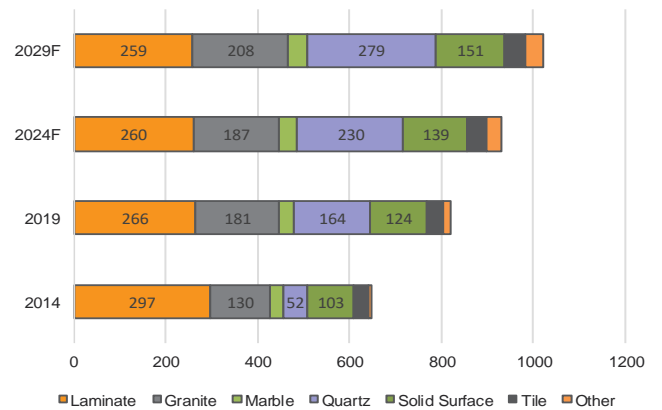
PTB invested in a new quartz factory in Dong Nai which slated to come online in 2Q20 with capacity of 450,000 sqm. The company target to export engineered quartz to U.S and Australian markets, whom accounted for 60% of global quartz surface consumption in 2020. We expect quartz's revenue to reach VND300bn/VND420bn in FY22-23F, accounting for 15.4% of 16.8% PTB's stone revenue

Figure 29: Engineered quartz accounted 18% market share in 2020



Source: The Freedonia group, VNDIRECT RESEARCH

Figure 30: Stone demand in the US market in 2014-29F

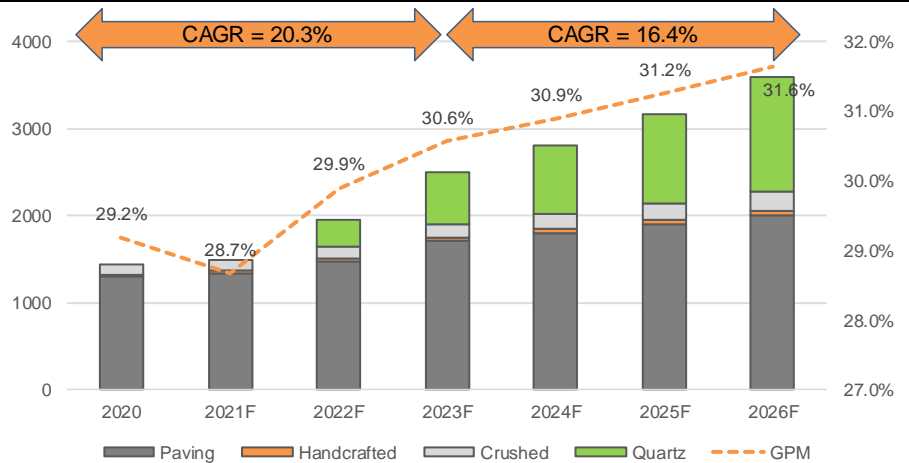


Source: The Freedonia group, VNDIRECT RESEARCH

We expect PTB's stone segment revenue to achieve CAGR of 20.3% in FY20-23F

We forecast domestic sales (65% of 2021F total stone revenue) to increase slightly 3% yoy in FY21F thanks to the improvement of construction activities in 4Q21, while export sales (35% of 2021F total stone revenue) will drop 10% yoy due to COVID-19-related disruptions on global shipping container availability. In FY22F/23F, we forecast revenue of nature stone to soar 31%/17.9% yoy, thanks to the low base in FY21F and ongoing vaccinations in FY22F. We forecast GPM's stone segment to improve to 29.9%/30.6% in 22F/23F thanks to larger contribution from higher-margin quartz segment.

Figure 31: PTB 's stone revenue in 2020-26F, based on VNDS' forecasts



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Car distribution: Rebound in 2022F following the recovery of Vietnam car industry

Covid-19 and the shortage of imported cars dented PTB's car sale volume in 2020-1H21

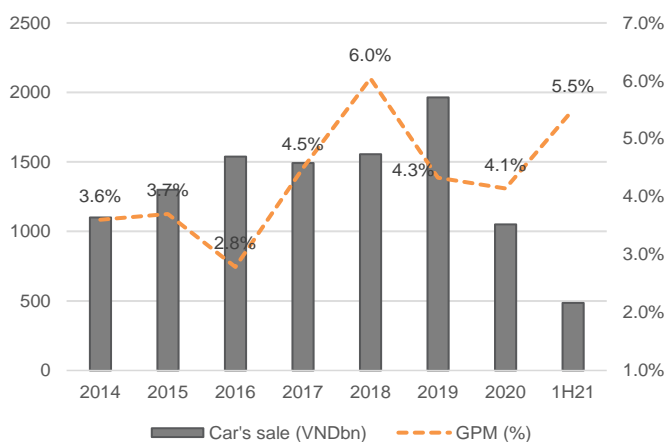
PTB is 3S dealer for Toyota Vietnam with two showrooms in Binh Dinh city and Da Nang city. PTB's car distribution was relatively bumpy in the past three years. Revenue of car distribution had a stellar performance in FY19 thanks to low base in FY18 that affect by the shortage imported car. But then car business was hit hard by the pandemic, leading to a sharp drop of 41% yoy and 11% yoy In FY20

and 1H21 revenue, respectively. Currently, car business contributed 16% to PTB's revenue and 4.1% to gross profit.

As at 2020, PTB accounted for about 2.81% of Toyota car sale volume in Vietnam. Meanwhile, Toyota owns 17.5% share of Vietnam car sale volume in 2020. Toyota's products also experienced a sluggish performance in 1H21 due to shortage of imported models and competition from more affordable brands such as Kia and Hyundai.

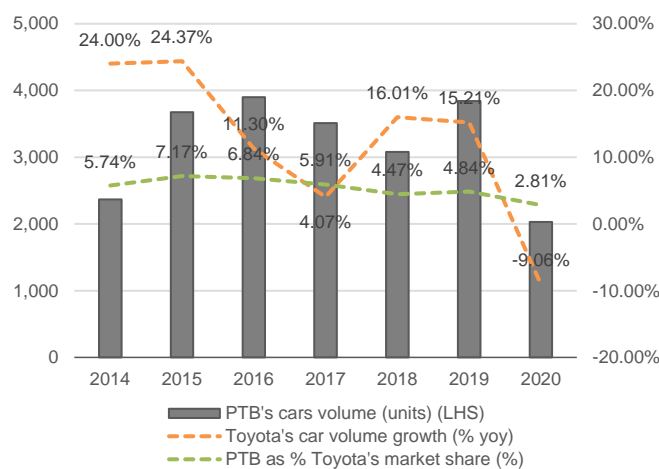
Gross margin of car distribution was about 4.8% during FY17-1H21, slightly lower than peers as Toyota's discount policy is less than other automakers such as Mercedes, Ford. In 1H21, gross margin inched up to 5.5%, higher than that of 1H20 due to lower promotion expenses and improved productivity.

Figure 32: Car's sale in 2020 plunged 46.5% yoy by Covid-19



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 33: PTB's car volume accounted for 2.8% Toyota market share

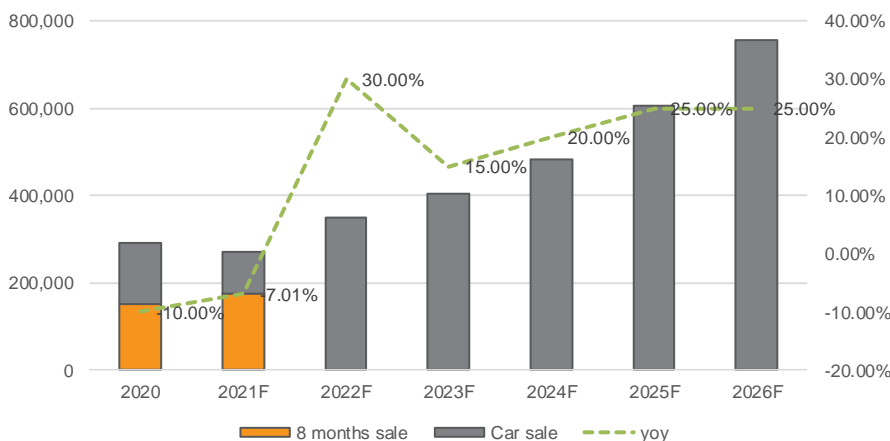


Sources: VAMA, VNDIRECT RESEARCH

We expect PTB's car sale to rebound in 2022F following the recovery of Vietnam car industry

We estimate car sales in Vietnam to decrease 10% yoy, to 269,667 unit in 2021 mainly driven by 1) a prolonged 4th Covid-19 outbreak has hit many auto dealerships across the country, 2) registration fee incentives through Decree 70/2020 / ND-CP will not apply in 2H21.

Figure 34: Car sales in Aug-21 recorded lowest level since 2015 (8,800 unit)



Source: VAMA, VNDIRECT RESEARCH

We believe that pent-up demand in 2H21 will boost the growth of car sales in 2022. Furthermore, car ownership rates in Vietnam are still low, and an increase in the number of new models could support the growth of car sales in 2022. We expect PTB's car distribution volume to rebound in 2022F as Toyota will launch new models in 1Q22, such as Corolla Altis, Raize, Hilux. We forecast PTB's auto dealer in FY21-22F to VND1,094 (-6.4% yoy) and VND1,498bn (22.5% yoy).

Tapping into residential property market of central Vietnam

PTB's first property project, Phu Tai Residence, is located in Quy Nhon's central business district and just around a kilometer away from the Quy Nhon beach. The project will provide 634 apartments to the market to meet the increased demand in Quy Nhon. The project started construction in 2019 and will be completed in 3Q21. The current take-up rate of this project is about 45% and the remaining are expected to be sold in 2022. The average price is from 25-35 million VND/m², equivalent to other projects in Quy Nhon City such as I -Tower (30.5 million VND/m²), Grand Center (38 million VND/m²). Per management, the project's construction progress was on track for handover in 2H21. Accordingly, we forecast PTB's real estate revenue reach VND600bn and VND653bn in FY21F and FY22F, respectively.

Figure 35: Phu Tai Residence



- Project type: Condo project
- Location: Quy Nhon, Binh Dinh
- Products: 622 apartments, 12 shopping malls.
- Status: It is expected to be handed over 50% apartment in 2021.
- Open for sale: 2019
- Total investment: VND876bn

Source: PTB, VND RESEARCH

Figure 36: Notable condo projects in Quy Nhon, Binh Dinh

Project	Number of unit	Scale	Land area (Sqm)	Completion year	Price (VNDm per sqm)
Quy Nhon Melody	1360	Two blocks, 35 floors	7105	2020	30-25
TMS Luxury Hotel & Residence	1040	One blocks, 42 floors	2600	2020	30
FLC Sea Tower Quy Nhon	880	Two blocks, 32 floors	8570	2019	35
Altara Residence Quy Nhon	479	One blocks, 40 floors	2664	2021	35
I Tower Quy Nhon	993	Two blocks, 36 floors	10748	2020	30.5
Phu Tai Residence	634	One blocks, 33 floors	5830	2021	28

Source: batdongsan.com, VNDIRECT RESEARCH

Healthy balance sheet

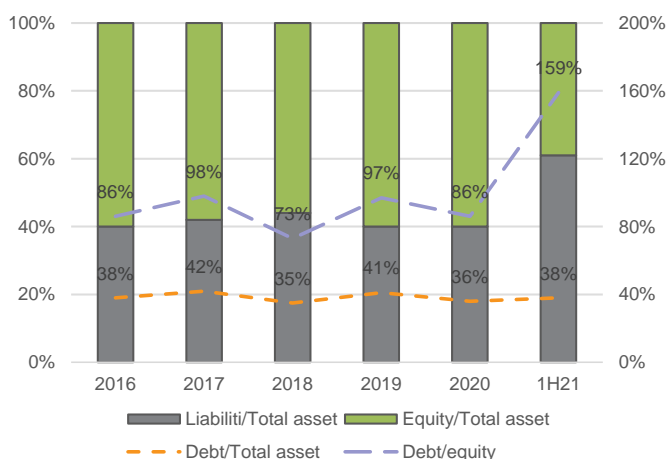
PTB's return on equity (ROE) has always been maintained above 20% in the period FY16-19. However, in FY17/FY18 it plunged 3.9% pts and 9.5% pts yoy, respectively due to higher equity growth as the result of paying stock dividend (at the rate of 20% and 50%, respectively). FY20 witnessed a decrease in ROE due to a fall of 17.7% in NP, which was impacted by Covid-19. However, the company still kept stable net margin in core business segments in FY16-20. We expect that ROE will again exceed 20%, achieving 22.4% in FY21 thanks to positive business results in 1H21.

PTB's revenue grew steadily in FY15-20 thanks to the continuous expansion of production and processing scale for the two stone and wood segments. In FY16-

20, total assets of PTB increased 3.8 times and fixed asset value increased 4.1 times. The leverage ratio is less than 1 with the average ratio of total debt to equity at 88%. We think that the low leverage ratio is an advantage of PTB in controlling its financial status, especially in the context that 3 core businesses has been severely affected by the pandemic.

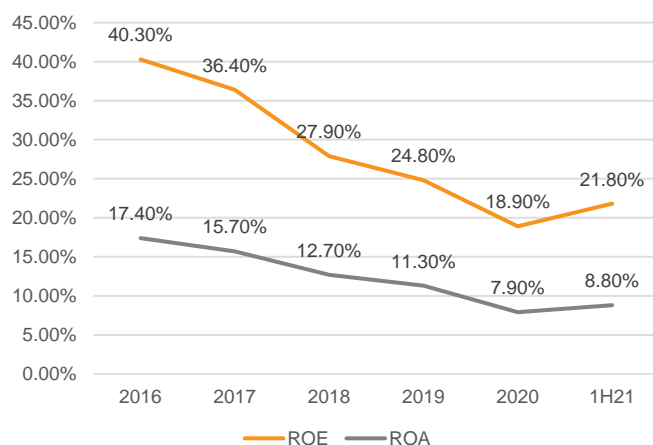
PTB's cashflow from operating activities remained positive in FY16-20. In our view, the company is operating stably, without any challenges in debt collection and inventory stagnation. Therefore, PTB can minimize financial costs in case of need to raise capital. Meanwhile, PTB's inventory days increased sharply in FY18-20 due to a strong growth in wood orders since FY18 and real estate projects since FY19.

Figure 37: Stable capital structure with debt/total assets ratio at 39.0%



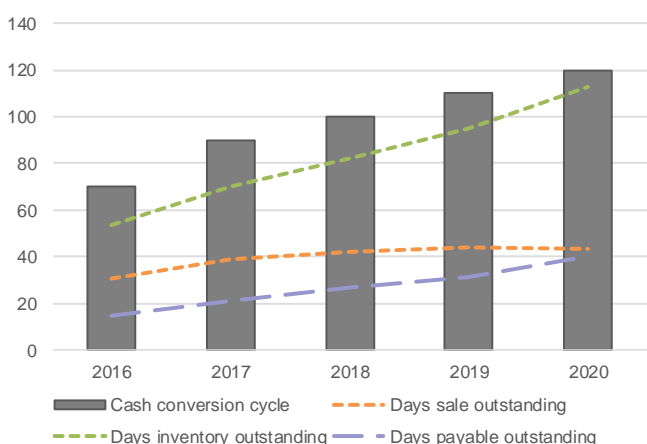
Source: PTB, VNDIRECT RESEARCH

Figure 38: Profitability ratio plunged in 2020 due to effect by Covid-19



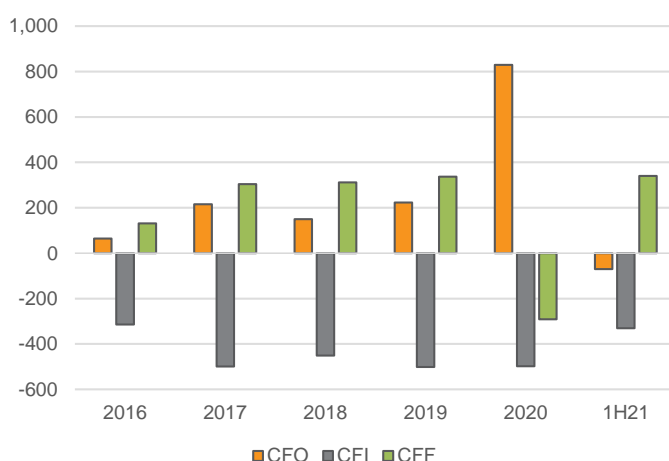
Source: VNDIRECT RESEARCH

Figure 39: PTB's cash conversion cycle (days)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

Figure 40: PTB's cash flow in FY16-20 (VNDbn)



Source: VNDIRECT RESEARCH, COMPANY REPORTS

FY21- 23F earnings forecast

We expect PTB's FY21F revenue and net profit to grow 26.11% and 51.9% yoy, respectively, thanks to:

- Revenue of wood segment grows 29.4% yoy due to strong demand from U.S market. We expect wooden furniture exports to continue to gain the

U.S market share in FY21F, underpinned by competitive labour costs and US-China trade tensions.

- We assume PTB will hand over 48% of its condo units in FY21F and 52% in FY22F.

For FY22F, we expect PTB's revenue to grow 19.2% yoy and net profit to grow 20% yoy thanks to:

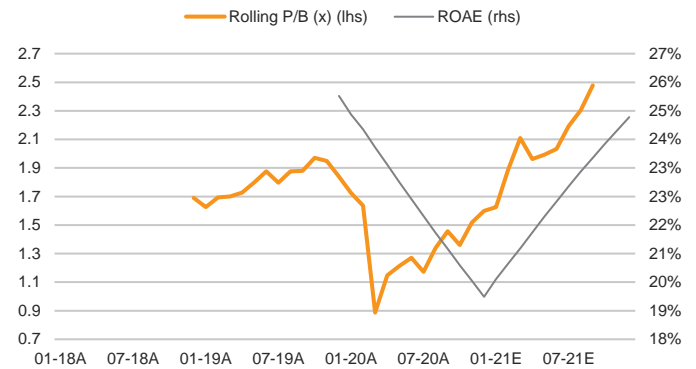
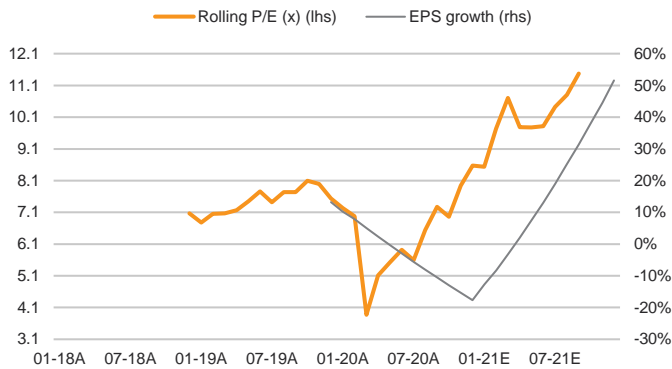
- Revenue of wood segment grows 11.7% yoy after strong growth of 29.4% in FY21F.
- The revenue of the auto dealer segment grows 38.0% yoy following the recovery of the Vietnam car industry.
- GPM edge down 0.2% pts, to 22.5% due to a higher contribution of low-margin segment in product mix.

Figure 41: VNDirect's forecast on PTB's business performance over FY20-23F

Unit VNDbn	2020	2021	2022	2023
Net revenue	5601	7064	8419	9375
% yoy	1%	26.11%	19.19%	11.35%
Wood	3,004	3,889	4,318	5,093
Stone	1,439	1,491	1,950	2,507
Auto dealer	1,159	1,084	1,498	1,775
Real Estate	-	600	653	0
% in revenue				
Wood	53.6%	55.1%	51.3%	54.3%
Stone	25.7%	21.1%	23.2%	26.7%
Auto dealer	21.7%	15.3%	17.8%	18.9%
Real Estate	0.0%	8.5%	7.8%	0.0%
Gross profit	1141	1603	1897	2105
Gross profit margin	20.4%	22.7%	22.5%	22.5%
GM Wood	22.4%	24.4%	24.4%	24.8%
GM Stone	29.2%	28.7%	29.9%	30.6%
GM Auto dealers	4.1%	4.2%	4.2%	4.2%
GM Real estate	0	30%	30%	
SG&A	(756)	(901)	(1003)	(1130)
SG&A as % revenue	13.5%	12.8%	11.9%	12.1%
Pretax profit	462	719	862	963
Tax	(83)	(144)	(172)	(193)
Earning after tax	379	575	689	771
Net profit	359	544	651	728
EPS	7,377	11,183	13,405	14,989
% yoy	-30%	52%	20%	12%

Source: VNDIRECT RESEARCH, COMPANY REPORTS

Valuation



Income statement

(VNDbn)	12-20A	12-21E	12-22E
Net revenue	5,601	7,064	8,419
Cost of sales	(4,460)	(5,461)	(6,522)
Gen & admin expenses	(197)	(261)	(312)
Selling expenses	(422)	(494)	(589)
Operating profit	522	847	996
Operating EBITDA	321	634	867
Depreciation and amortisation	201	213	130
Operating EBIT	522	847	996
Interest income	24	16	18
Financial expense	(106)	(158)	(169)
Net other income	23	14	17
Income from associates & JVs	0	0	0
Pre-tax profit	462	719	862
Tax expense	(83)	(144)	(172)
Minority interest	(21)	(32)	(38)
Net profit	359	544	651
Adj. net profit to ordinary	359	544	651
Ordinary dividends	(151)	(153)	(153)
Retained earnings	208	390	498

Balance sheet

(VNDbn)	12-20A	12-21E	12-22E
Cash and equivalents	168	268	443
Short term investments	113	84	84
Accounts receivables	824	898	1,070
Inventories	1,440	1,560	1,794
Other current assets	159	377	616
Total current assets	2,704	3,187	4,008
Fixed assets	1,712	1,920	1,920
Total investments	10	10	10
Other long-term assets	279	232	277
Total assets	4,706	5,350	6,216
Short-term debt	1,397	1,625	1,936
Accounts payable	529	475	567
Other current liabilities	536	295	351
Total current liabilities	2,462	2,395	2,854
Total long-term debt	307	521	410
Other liabilities	13	9	9
Share capital	486	511	511
Retained earnings reserve	380	751	1,212
Shareholders' equity	1,923	2,425	2,942
Minority interest			
Total liabilities & equity	4,706	5,350	6,216

Cash flow statement

(VNDbn)	12-20A	12-21E	12-22E
Pretax profit	462	719	862
Depreciation & amortisation	213	130	196
Tax paid	(83)	(144)	(172)
Other adjustments	0	0	0
Change in working capital	114	108	(444)
Cash flow from operations	706	813	442
Capex	(480)	(470)	(219)
Proceeds from assets sales	33	15	13
Others	5	16	18
Other non-current assets changes			
Cash flow from investing activities	(442)	(438)	(189)
New share issuance	0	30	0
Shares buyback			
Net borrowings	(85)	100	180
Other financing cash flow	12	(251)	(105)
Dividends paid	(151)	(153)	(153)
Cash flow from financing activities	(223)	(274)	(78)
Cash and equivalents at beginning of period	127	168	268
Total cash generated	41	100	175
Cash and equivalents at the end of period	168	268	443

Key ratios

	12-20A	12-21E	12-22E
Dupont			
Net profit margin	6.4%	7.7%	7.7%
Asset turnover	1.25	1.40	1.46
ROAA	8.0%	10.8%	11.3%
Avg assets/avg equity	2.42	2.31	2.15
ROAE	19.3%	25.0%	24.3%
Efficiency			
Days account receivable	40.7	42.3	42.3
Days inventory	118.2	104.3	100.4
Days creditor	43.4	31.7	31.7
Fixed asset turnover	3.34	3.89	4.38
ROIC	9.9%	11.9%	12.3%
Liquidity			
Current ratio	1.1	1.3	1.4
Quick ratio	0.5	0.7	0.8
Cash ratio	0.1	0.1	0.2
Cash cycle	115.6	114.8	111.0
Growth rate (yoy)			
Revenue growth	0.9%	26.1%	19.2%
Operating profit growth	(16.1%)	62.2%	17.7%
Net profit growth	(17.7%)	51.6%	19.9%
EPS growth	(17.7%)	51.6%	19.9%

Source: VND RESEARCH

DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

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

Hao Nguyen Duc – Analyst

Email: hao.nguyenduc@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

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