November 2022

DANANG RUBBER JSC (HSX: DRC)

Strong sales growth supports profit growth

(VND bn)	Q3-FY22	Q2-FY22	+/- (qoq)	Q3-FY21	+/- (yoy)
Net revenue	1,353	1,148	+17.8%	929	+45.6%
NPAT-MI	77	84	-8.1%	34	+128.6%
EBIT	101	109	-7.3%	44	+129.5%
EBIT margin	7.5%	9.5%	-200 bps	4.6%	+290 bps

Source: DRC, RongViet Securities

Q3/2022 – Net profit grew at triple-digit rate on low base of Q3/2021

- Q3/2022 consolidated net revenue reached VND1,353 Bn (or USD 58 Mn, +45.6% YoY), driven by high double-digit growth of the export channel.
- Gross margin improved by +249 bps YoY to 16.9% thanks to rising average selling prices (ASP) and higher contribution from domestic radial sales. Compared to Q3/2021, DRC does not bear expenses related to Covid-19 pandemic, resulting in a lower SG&A/sales ratio, leading Q3/2022 NPAT-MI to arrive at VND77 bn (or USD3.3 Mn, +128.6% YoY).
- 9M 2022, DRC fulfilled 82.3% of its revenue and 88.4% of its PBT targets for 2022.

Q4/2022 and whole year outlook – Export channel is the main engine for 2022 rosy performance

In Q4 2022, we forecast net revenue and NPAT-MI to reach VND 1,395 Bn (or USD 59 Mn, +3.1% QoQ, +4.6% YoY) and VND 88 Bn (or USD 3.8 Mn, +13.6% QoQ, +0.2% YoY), respectively. We expect that DRC 's Q4 2022 top-line will continue to grow after strongly increasing in 9M2022, owing to higher year-ago level selling prices and high rubber tire demand in overseas markets. However, NPAT-MI margin will drop to 6.3% from 6.6% in Q4 2021, from the rising outside services costs and foreign exchange losses.

For the whole year, we expect net sales and NPAT-MI will be at VND 5,179 Bn (or USD 220 Mn, +18.3% YoY) and VND 314 Bn (or USD 13.6 Mn, +7.8% YoY), respectively. Sales are mainly driven by strong demand of exports, which also enhance high single-digit growth of the bottom-line.

Valuation and recommendation

We suggest that DRC is a suitable investment during a highly uncertain market period. Shareholders will enjoy not only a cash dividend stream (12% of par value on average per year) but also expected bottom-line CAGR of 11.3% in the period 2023 - 2026. We expect that DRC 's profit margin will gradually improve from 2023 due to higher contribution from the domestic market and easing raw material prices.

Combining FCFF (50%) and multiples comparison (PER) (50%), our target price for DRC is VND31,000. Adding a cash dividend of VND1,200, the 12-months expected return is 69% compared to the closing price on Nov 23rd 2022. DRC 'stock price has gone down by 46% since Apr-2022 after it posted negative growth in Q2/2022 due to rising input costs. Currently, shares are trading at a trailing P/E of 7.5x which is below the 5-year average P/E of 12.2x. Given profit margin improving to boost net earnings growth in 2023, we recommend to ***BUY*** *this stock in long-term.*

BUY +69%

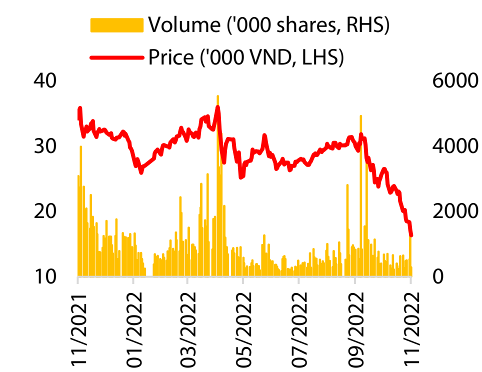
Current market price (VND)	19,100
Target price (VND)	31,000
Cash dividend (VND)	1,200

Stock Info

Sector	Consumer Discretionary
Market Cap (VND billion)	2,031
Current Shares O/S	118,792,605
Avg. Daily Volume (in 20 sessions)	435,535
Free float (%)	17.4
52 weeks High	38,900
52 weeks Low	16,100
Beta	1.15

	FY2021	Current
EPS	2,205	2,642
EPS Growth (%)	13.4%	0.3%
Diluted EPS	2,205	2,642
P/E	12.8	8.8
P/B	2.1	1.5
EV/EBITDA	6.4	7.3
Cash dividend yield (%)	4.8%	7.3%
ROE (%)	16.4%	17.6%

Price performance



Major Shareholders (%)	
Vietnam National Chemical Corp	50.5
KWE Beteiligungen AG	4.7
Foreign ownership room (%)	41.1

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Exhibit 1: Q3-2022 Results

(VND Bn)	Q3-FY22	Q2-FY22	+/- (qoq)	Q3-FY21	+/- (yoy)
Net revenue	1,353	1,148	18%	929	46%
Gross profit	229	205	12%	134	71%
SG&A	117	101	16%	91	29%
Operating income	132	124	8%	57	159%
EBITDA	170	150	13%	132	28%
EBIT	101	109	-7%	44	130%
Financial expenses	26	18	47%	9	202%
- Interest Expenses	5	4	32%	2	166%
Dep. and amortization	68	41	65%	88	-22%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	96	105	-8.1%	42	128%
NPAT-MI	77	84	-8.1%	34	129%
Adjusted NPAT-MI for (*)	77	84	-8.1%	34	129%

Source: DRC, RongViet Securities

Exhibit 2: Q3-2022 Performance Analysis

Particulars	Q3-FY22	Q2-FY22	+/- (qoq)	Q3-FY21	+/- (yoy)
Profitability Ratios (%)					
Gross Margin	17%	18%	-94 bps	14%	249 bps
EBITDA Margin	13%	13%	-52 bps	14%	-169 bps
EBIT Margin	8%	10%	-200 bps	5%	361 bps
Net Margin	6%	7%	-161 bps	4%	207 bps
Adjusted Net Margin	6%	7%	-161 bps	4%	207 bps
Turnover*(x)					
-Inventories	2.6	2.4	0.2	2.6	0
-Receivables	24.9	17.3	7.6	18.2	6.7
-Payables	5.5	5.1	0.4	5.2	0.3
Leverage (%)					
Total Liabilities/Equity	93%	93%	0 bps	69%	2400 bps

*Source: RongViet Securities, * Annualized*

Exhibit 3: Q4/2022 Performance Forecast

Particulars (VND Bn)	Q4-FY22	+/- qoq	+/- yoy
Revenue	1,395	3.1%	4.6%
Gross profit	250	9.4%	13.3%
EBIT	132	18.1%	14.9%
NPAT-MI	88	13.6%	0.2%

Source: RongViet Securities

Q4/2022 assumptions:

- Revenue to grow 4.6% YoY, driven by +9.2% YoY increase in overseas channels. The growth of automotive production (including trucks) in both Brazil and the US to fuel export revenue.
- Gross margin to improve to 17.9% in Q4 – the highest level in the last five quarters because DRC has locked rubber contracts until Dec-2022 at below year-ago levels.
- SG&A/revenue to be 8.5%, higher than Q4 2021 by 50 bps since the company implemented a new sales program.

Q3 2022: Net profit grows at triple-digit rate on low base of Q3/2021 result

Higher rubber tire consumption from overseas customers to drive total revenue growth

Revenue and NPAT in Q3 2022 rose by 45.6% YoY and 129% YoY to reach VND1,353 Bn (or USD 58 Mn) and VND77 bn (or USD3.3 Mn), respectively. Of which,

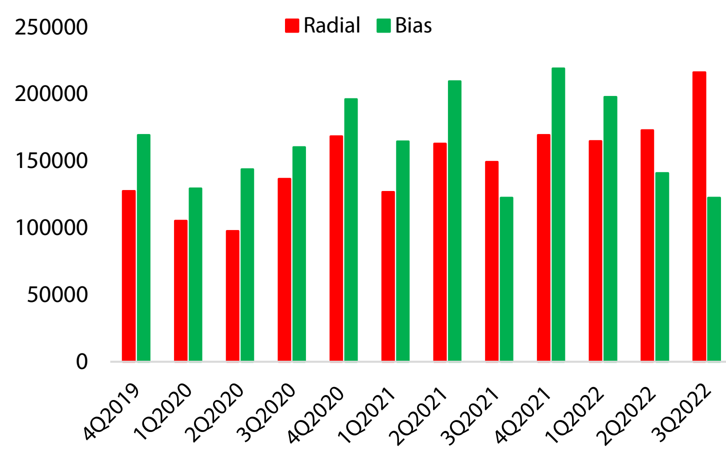
- Oversea revenue (accounted for 62% of Q3 2022 total sales) drove the high double-digit total sales growth. The ongoing rising global rubber tire demand after the Covid-19 pandemic and original equipment manufacturer (OEM) trucks are the main drivers. In addition, the tariff decisions on China rubber tyres from these two countries also create favorable condition for DRC to boost sales.
- Q3 2022 total selling volume was up by +68.3% YoY and +34.7% QoQ, mainly driven by the strong growth of radial tyres. In Q3 2022, radial selling volume were 216,275 (+44.8% YoY; +24.9% QoQ;), of which, both export and local channels had strong growth of +41.7% YoY and +70.6% YoY, respectively.
- Compared to our forecast, Q3 2022 performance is slightly lower, driven by a mix of lower-than-expected bias sales volume (-32%) and higher-than-expected radial sales volume (+11%); and lower-than-expected gross margin (-101 bps) due to unexpected high prices of synthetic rubbers and coals (accounts for c.50% of total production cost of bias tyres). In general, Q3 2022 actual net sales and net profit are -2.1% and -7.0% below our forecast, respectively.

In 9M2022, consolidated net revenue and NPAT were VND3,784 Bn (or USD 161 Mn, +24.2% YoY) and VND227 Mn (or USD 10 Mn, +11.3% YoY), respectively, fulfilling 82.3% of its revenue and 88.4% of its PBT targets for 2022.

Figure 1: DRC's net sales breakdown (VND bn, LHS) and proportion of export revenues (%, RHS)

Source: DRC, RongViet Securities

Figure 2: Selling volume of radial and bias tyres (unit)



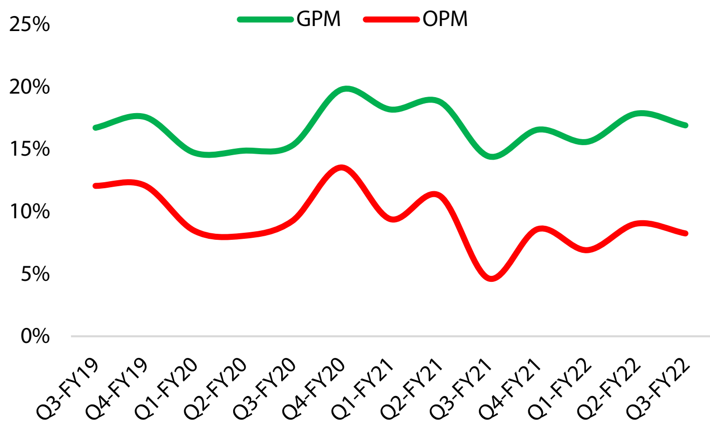
Source: DRC, RongViet Securities

In Q3 2022, production capacity of the radial plant reached over 130%. DRC is confident of further growing radial selling volume. The evidence is that DRC has signed contract with a new partner (Expresso Rio Vermelho Transports) to export radial tyres to Brazil in 2023. Since Q1 2022, radial consumption showed continuous growth. We suppose that this is a good indicator for the consumption of DRC products.

Profit results were impressive due to a lack of expenses related to the Covid-19 pandemic

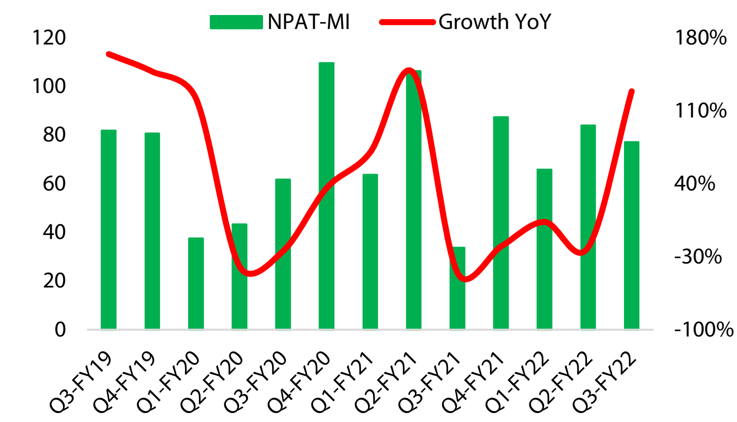
In terms of profits, although bearing significant rising input costs, thanks to the absence of the pandemic and higher selling prices, profits grew at a stronger pace than revenue growth. In Q3 2022, gross profit and operating profit were VND262 Bn (or USD11 Mn, +11.6% QoQ, +70.7% YoY) and VND112 Bn (or USD4.8 Mn, +7.6% QoQ, +159% YoY), respectively. However, NPAT-MI grew at a slower-pace with -8.1% QoQ and +128% YoY due to modest net loss from foreign exchange (VND 6.27 Bn, or USD 0.3 Mn).

Figure 3: DRC's gross margin and operating margin (%)



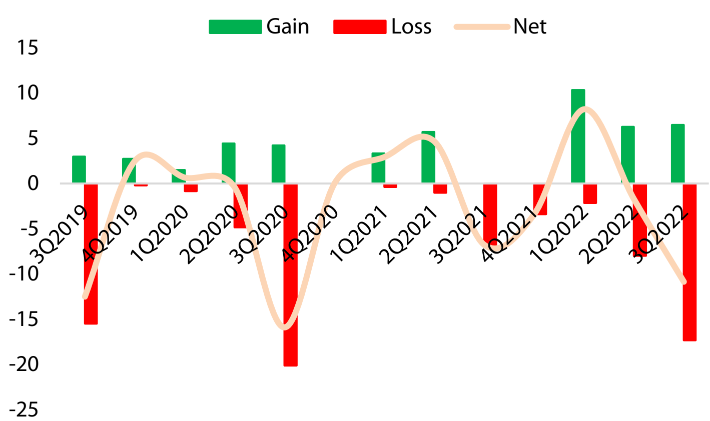
Source: DRC, RongViet Securities

Figure 4: DRC 's NPAT-MI (VND bn) and Growth (% YoY, RHS)



Source: DRC, RongViet Securities

Figure 5: DRC 's net gain/loss from foreign exchange (VND bn)



Source: DRC, RongViet Securities

Figure 6: State Bank of Vietnam average USD/VND interbank rate (VND)

Source: Bloomberg, RongViet Securities

Q4 2022 and whole year outlook – Export channel is the main engine for 2022

Q4 2022: Double-digit sales growth

On the back of rising tire demand and expected easing input prices, we forecast Q4/2022 net revenue and NPAT-MI to reach VND 1,395 Bn (or USD 59 Mn, +3.1% QoQ, +4.6% YoY) and VND 88 Bn (or USD 3.8 Mn, +13.6% QoQ, +0.2% YoY), respectively.

The top-line will continue to draw positive YoY growth owing to increasing demand from overseas markets. The recovery of automotive production (including trucks) and tire replacement in DRC 's key markets, including both Brazil (~60% of total export sales) and the US (~15% of total export sales). Notably, the ease of chip shortage since 2H2022 and the increasing adoption of electrical trucks – main products of DRC - for shipment[1] are anticipated to propel the OEM tire market growth. In Sept-2022, Brazilian automotive production reached 207,762 vehicles (-12.7% MoM; +19.1% YoY). Besides, import of automotive tyres & tube in the US slightly decreased month-over-month in Aug-2022, though it is still 23% higher than the same period last year (Figure 8).

We expect that Q4/2022 gross margin will improve to 17.9% - the highest level in the last five quarters, due to two reasons:

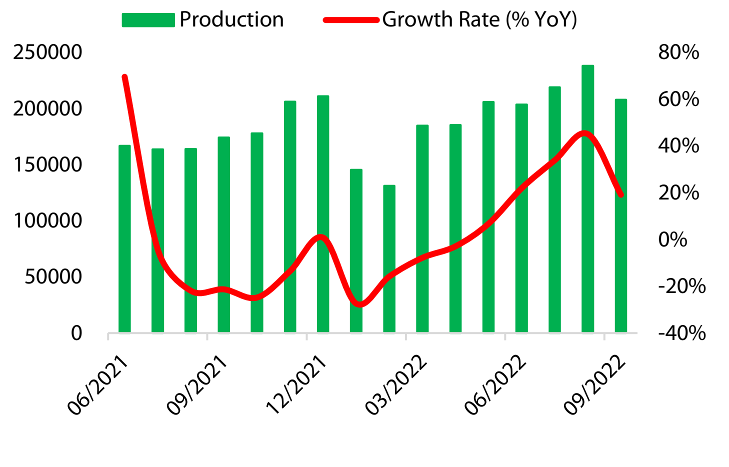
- The increase of selling prices in Apr & Aug will take full effect in Q4 2022.

[1] *References at https://www.thebuzzevnews.com/electric-truck-markets-long-range/ ;and; https://www.reuters.com/business/autos-transportation/gm-plans-six-fold-increase-2022-electric-truck-suv-production-sources-2022-02-08/*

- Lower input costs. In Sept-2022, DRC has locked raw material contracts until Dec-2022. The rubber contracts (including natural and synthetic rubbers, taking ~60% of total production cost of DRC) are closed at below year-ago levels. The other raw materials likes coal are still locked at a high price.

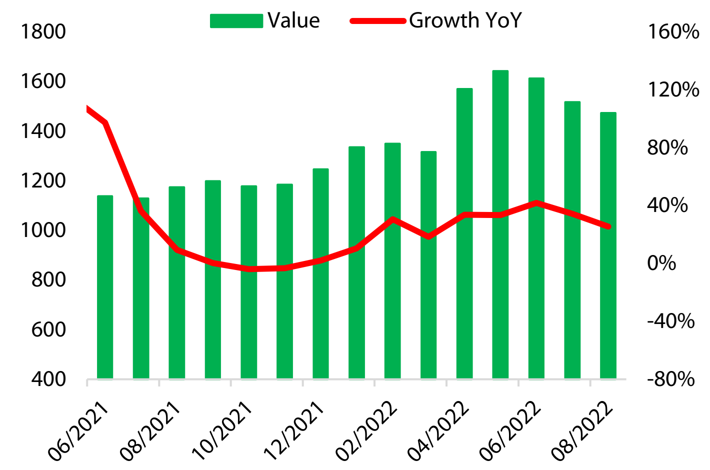
NPAT-MI margin in Q4 2022 will drop to 6.3% from 6.6% in Q4 2021 but improve from 5.7% in Q3 2022. We expect DRC 's selling expenses to rise stronger than sales, on the back of increasing outside services costs due to new sales promotion applied in Q3 2022 and onwards.

Figure 7: Brazilian automotive production (unit) and growth (% YoY, RHS)



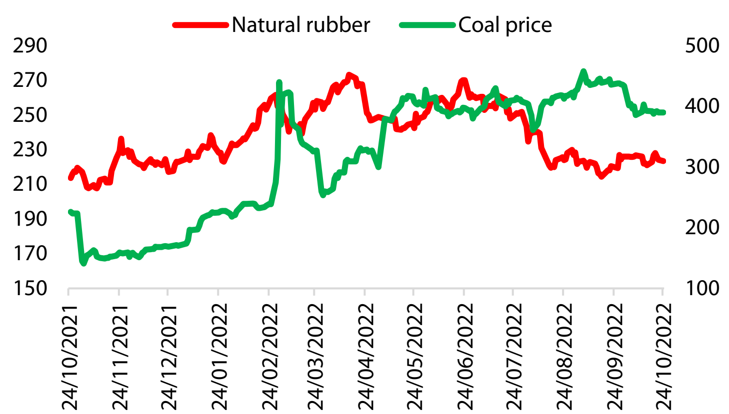
Source: www.steelorbis.com, RongViet Securities

Figure 8: Import of automotive tyres & tube in the US (USD mn) and growth (% YoY, RHS)



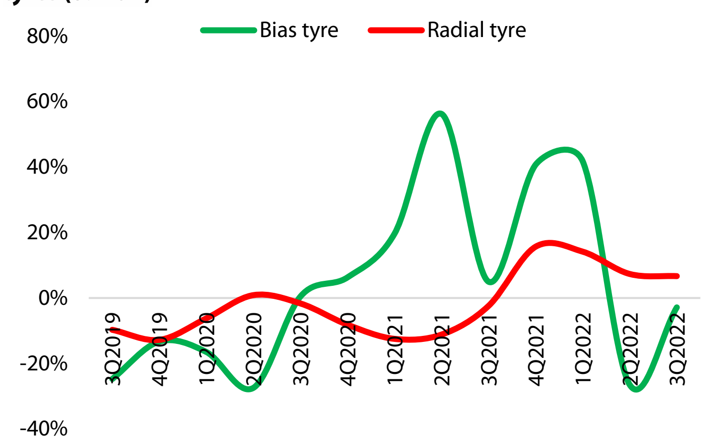
Source: U.s. Bureau of Economic Analysis (bea), RongViet Securities

Figure 9: Natural rubber prices (JPY/Kg) & coal prices (USD/Tons)



Source: Bloomberg, RongViet Securities

Figure 10: Growth of average selling prices of radial and bias tyres (% YoY)



Source: DRC, RongViet Securities

FY2022 outlook: Export channel is the main engine for 2022 growth

We forecast DRC's 2022 consolidated net revenue and NPAT-MI will be VND5,179 Bn (or USD 220 Mn, +18.3% YoY) and VND 314 Bn (or USD 13.3 Mn, +7.8% YoY), respectively. Growth of exports will be in the high double-digit rate, then supporting positive growth in net profit despite sharp rising of input costs and fluctuation of exchange rates.

DRC expects 2022 production capacity of radial plant to reach over 120%. However, based on 9M2022 actual production of 554,309 units, we forecast that 2022 production of radial tyres will reach 785,183 units (+29% YoY), equivalent to ~130% capacity rate. 2022 total production tire of DRC is predicted to be 18.6 mn units (+7.3% YoY).

2023 outlook – Profit margins enter expansion period

2023 net sales and NPAT-MI are expected to continue to increase to VND5,457 Bn (or USD 232 Mn, +5.4% YoY) and VND353 Bn (or USD 15 Mn, +12.7% YoY), explained by:

- The completion of phase three of radial tyre plant which will help the upward trend of sales volume. The modest sales growth is due to 1) 2022 high base; and 2) expected lower selling prices.
- The higher contribution from domestic radial sales in the background of increasing logistic demand.
- The expected lower raw material costs. The company has a bargaining power to negotiate with suppliers at a favorable price. They plan to close new raw material contracts for 2023 within Q4 2022. As a result, we expect the gross margin to continue to improve, hence supporting the net margin.

The completion of phase three of radial tyre plant opens huge growth potential for DRC sales

We expect that the expansion of the radial tyre plant will be the pillar of DRC sales in the next five years with 2022-26 CAGR of the radial sales of +7.4%. The design capacity of the plant will reach 750,000 tyres (+13.6% YoY) in 2023 and 1,000,000 (+33.3% YoY) in 2024. DRC believe that they can produce 840,000 radial tyres in 2023. However, from a conservative view, we forecast that the plant will produce 785,183 radial tyres in 2023, equivalent to 105% production capacity, the same level as 2022.

The recovery of domestic radial sales is expected to rise the profit margin

We predict that DRC 's domestic sales will show growth in both bias and radial tyres. Bias tyres will be driven by Off-the-Road (OTR) tyres, especially agricultural tyres. The development of agro-industrial production activities supports this trend. Radial tyres will be boost by the recovery of logistic activities and what was mentioned in "DRC – Q3 2022 Results are expected to exceed the quarterly plan" report. Domestic radial tyre sales of DRC fluctuated between 120,000 and 130,000 tyres during 2019-2022F period due to the pandemic and fierce competition from China. Therefore, we expect that it will grow in 2023. Notably, the contribution of this segment in total radial sales decreased from 26.2% in 2019 to 19.9% in 2021. However, it recovered to 22.3% in 9M2022. Because the gross margin of local radial channel is significantly higher than that of the export channel (Q3 2022: radial local/export margins were 46.5%/5.8%), thus higher proportion of local radial sales will help to rise the profit margin.

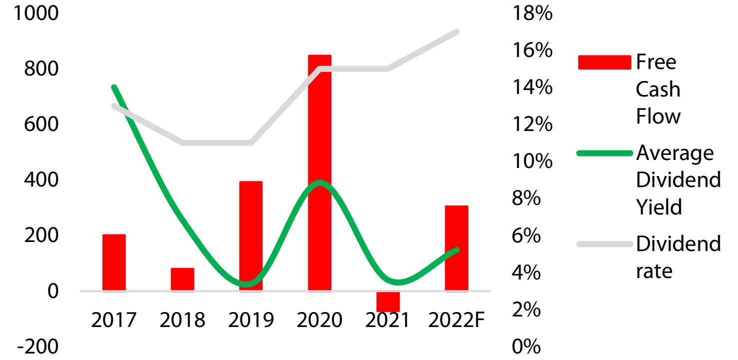
Expected decreasing in raw material costs will expand the gross margin

We expect that the gross margin will improve in the context of decreasing rubbers and coal prices, which account for 60% and 20% of DRC 's total production costs. On Oct 24th 2022, prices of natural rubbers and coal are USD Cents/Kg 223.5 (+4.6% YoY; +0.3% YTD) and USD/Ton 390 (+72.5% YoY; +129% YTD), respectively.

Ability to manage cash flow efficiently help DRC to pay a cash dividend despite adverse effects of economic fluctuations

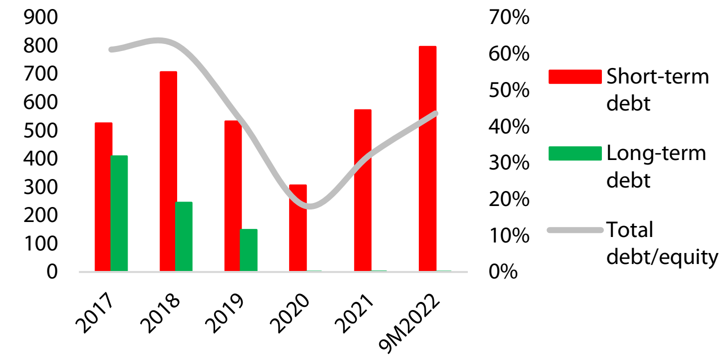
DRC manages its cash flow efficiently. In the period of 2017-2021, DRC still presented a positive free cash flow (FCF) trend despite increasingly spending on phase two of Radial plant (Figure 11). This helped DRC prove its ability in paying cash dividend despite the fluctuations in the economy cycle. In fact, it has a history of a cash dividend rate of 12% on average per year between 2017-2021, equivalent to dividend yield of ~+4.0 - +5.0%. Therefore, we believe that the company has a strong ability to manage cash flow which may help to produce a defensive return stream such as cash dividend even during a market downturn. Backed by this, together with the rosy outlook of the bottom-line in the next five years, we forecast that DRC will show an upward trend in FCF in the period of 2022-26 after recording a negative number in 2021. In addition, we predict that DRC will complete phase three of radial plant project in 2024, then will not spending on further construction projects until 2026. As a result, the company will reduce its future debt from 2024, resulting in lower interest payments, and improving the stability of future dividend payments.

Figure 11: DRC 's FCF (VND bn) and average dividend yield (%, RHS) and dividend rate (%, RHS)



Source: Bloomberg, DRC, RongViet Securities

Figure 12: DRC 's short-term debt and long -term debts (VND bn) and Total debt/equity ratio (%, RHS)



Source: DRC, RongViet Securities

2021-22F Forecast

Table 1: 2022 IS Forecast

Unit: VND Bn	2021A	2022F	% YoY change	Comments
Net revenue	**4,380**	**5,179**	**+18.2%**	
+ Export sales/ total sales	*52.5%*	*56.3%*	*+380 bps*	
Gross profit	**747**	**884**	**+18.3%**	
SG&A expenses	(368)	(448)	+21.7%	
EBIT	**379**	**435**	**+14.8%**	
Net non-operating income	(15)	(43)	+227%	We forecast financial expenses will slightly increase on the back of higher losses on foreign currency.
NPAT-MI	**291**	**314**	**+7.9%**	
GPM	17.1%	17.1%	0 bps	
SG&A/Revenue	8.4%	8.7%	+30 bps	
EBIT margin	8.7%	8.4%	-30 bps	
NPAT-MI margin	6.6%	6.1%	-50 bps	

Source: RongViet Securities

Valuation

We suggest that DRC shares is one of a suitable investment under a "dividend investing strategy" during a highly uncertain market period. DRC 'shareholders will enjoy not only a cash dividend stream but also expected double-digit bottom-line growth in the future, witnessed by a 2023-26F *CAGR of 11.3%*. Besides, this defensive return also give investors more money to reinvest in the long run.

Notably, backed by DRC 's lower than expected bias sales and higher than expected radial sales in Q3 2022, we revise down/up the estimated 2022 selling volume of bias/radial by -19%/+7%. These adjustments lead 2022 net sales and NPAT-MI to 0.6% and 2.6% higher than our latest forecast in Aug-2022, respectively.

However, due to the risk of low export demand due to rising inflation and expected re-opening of China's economy, we lower 2023 selling volumes of radial by -10.7% compared to our previous forecast, resulting in 2023 net sales and NPAT-MI of VND5,457 (or USD232 mn) and VND353 bn (or USD15 mn), respectively. These changes are 8.5% and 1.9% lower than our previous forecast for top and bottom-line respectively. In addition, due to interest rate hikes, we raise the discount rate to 15.2% from 13.8%. We also lower the P/E multiple from 13.9x to 12.2x which is approximately the 5-year average P/E because of weak sentiment on the Vietnam's stock market. Consequently, these changes lead the new target price to be lower.

Table 2: Changes in 2022 IS Forecast

Unit: VND Bn	Old	New	% Change	Comments
Net revenue	**5,147**	**5,179**	**+0.6%**	Q3 2022 radial sales is higher than our expectation.
Gross profit	**872**	**884**	**+1.4%**	
Gross margin	*16.9%*	*17.1%*	*+20 bps*	In Sept-2022, DRC has locked raw material contracts until Dec-2022 at below year-ago levels which is lower than our forecast.
SG&A expense	**425**	**448**	***+7.1%***	
SG&A/Sales	*8.3%*	*8.7%*	*+40 bps*	In Q3 2022, DRC had higher-than-expected outside services cost.
EBIT	**447**	**435**	**-2.7%**	
Financial incomes	*29*	*51*	*+75.9%*	*In 9M 2022, DRC owns VND435 Bn (or USD 19 Mn) short-term investments, which is higher than our forecast.*
NPAT-MI	**306**	**314**	**+2.6%**	

Source: RongViet Securities

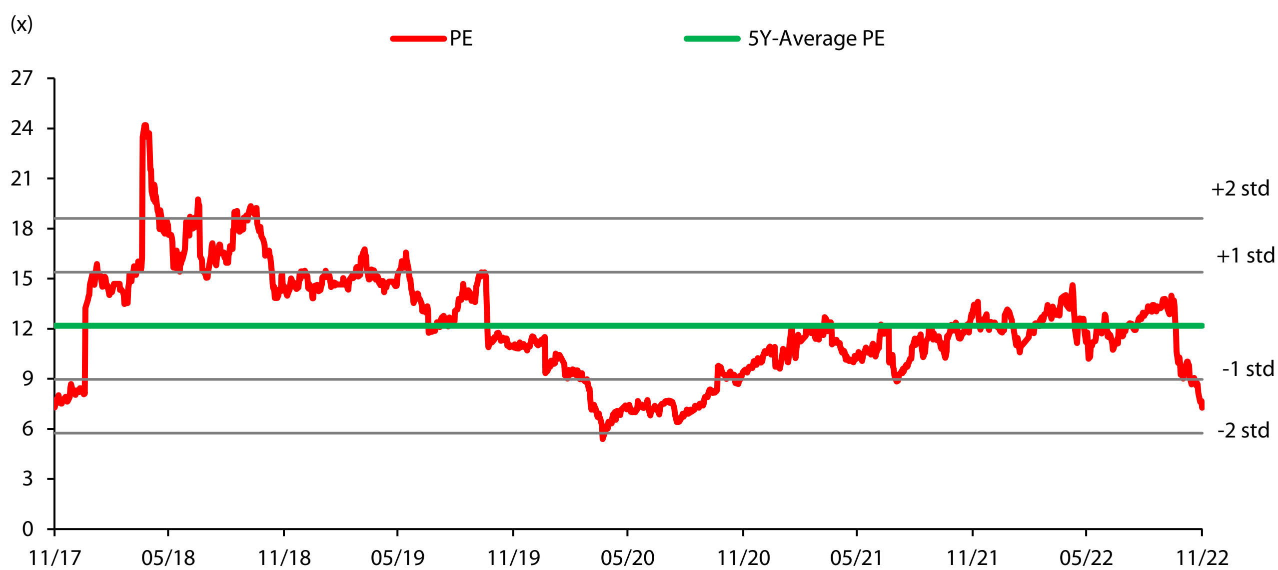
We combined FCFF valuation model (50%) and multiples comparison (50%) with an applied P/E of 12.2x. **Our new target price is VND31,000**, which is lower by 10.7% compared to the latest target price (VND34,700) on Aug-2022. Adding a cash dividend of VND1,200, the **12-months expected return is 69%** compared to the closing price on Nov 23rd 2022. We believe that the growing expectations on DRC 's business performance has not yet been reflected on its stock price. The stock price has gone down by 46% since Apr-2022 after the company posted negative growth in Q2 2022 net profit due to rising input costs. Shares are trading at a trailing P/E of 7.5x which is slightly below the 5-year average P/E of 12.2x. Given profit margin improving to boost net earnings growth in 2023, we recommend to **BUY this stock** in the long-term.

Table 3: DRC's valuation summary

Method	Weight	Valuation (VND/share)
FCFF (WACC: 15.2%, g: 2.4%, EV/EBITDA: 7.9x)	50%	32,900
P/E Multiples (12.2x)	50%	29,100
Total	**100%**	**31,000**

Source: RongViet Securities

Figure 13: DRC 's historical P/E band



Source: Bloomberg, RongViet Securities

Table 4: Industry peers

Company	Country	Market cap (USD mn)	ROE (%)	Trailing Sales Growth (% YoY)	EPS Growth (% YoY)	Gross margin (%)	Net profit margin (%)	Trailing PB Ratio (x)	Trailing PE Ratio (x)	Trailing EV/ EBITDA	5-year average P/E
DRC	**VN**	118	17.6	23.2	0.3	16.7	6.13	1.5	8.9	7.3	12.5
Domestic peers											
SRC	VN	24	9.5	-32.9	17.0	18.2	4.4	1.3	7.6	9.4	10.4
CSM	VN	66	6.6	16.2	123.3	10.9	1.5	1.3	19.1	8.7	44.3
Global peers											
Gajah Tunggal	IJ	91	-1.1	10.9	-94.8	12.5	-0.5	0.3	49.9	5.3	18.1
Dong Ah Tire & Rubber	KS	117	5.7	19.9	29.6	15.2	10.4	0.4	7.7	6.9	9.8
Hwa Fong Rubber.	TT	131	9.3	3.4	-63.5	20.1	5.1	1.3	13.8	7.9	10.8
Prinx Chengshan Holdings Ltd	HK	570	7.1	9.4	-67.7	12.1	2.4	1.0	20.5	11.2	11.7
Mean		**160**	**7.8**	**7.2**	**-8.0**	**15.1**	**4.2**	**1.0**	**18.2**	**8.1**	**16.8**
Median		**117**	**7.1**	**10.9**	**0.3**	**15.2**	**4.4**	**1.3**	**13.8**	**7.9**	**11.7**

Source: Bloomberg, as of Oct 26th, 2022

VND Billion

INCOME STATEMENT	FY2020	FY2021	FY2022E	FY2023F
Revenue	3,647	4,380	5,179	5,457
COGS	3,047	3,632	4,295	4,474
Gross profit	599	747	884	983
Selling Expense	165	305	366	385
G&A Expense	62	63	82	98
Finance Income	18	37	51	42
Finance Expense	68	51	93	98
Other profits	-2	-1	-1	-1
PBT	**321**	**364**	**393**	**443**
Prov. of Tax	64	73	79	89
Minority's Interest	-	-	-	-
PAT to Equity S/H	**257**	**291**	**314**	**354**
EBIT	372	379	435	500
EBITDA	582	483	538	600

%

FINANCIAL RATIO	FY2020	FY2021	FY2022E	FY2023F
Growth (%)				
Revenue	-5.5%	20.1%	18.3%	5.4%
Operating Income	-2.8%	1.9%	14.9%	14.7%
EBITDA	-11.3%	-17.1%	11.4%	11.6%
PAT	2.5%	13.4%	8.0%	12.8%
Total Assets	-10.3%	29.2%	0.4%	8.7%
Equity	3.4%	5.1%	7.6%	8.9%
Profitability (%)				
Gross margin	16.4%	17.1%	17.1%	18.0%
EBITDA margin	16.0%	11.0%	10.4%	11.0%
EBIT margin	10.2%	8.7%	8.4%	9.2%
Net margin	7.0%	6.6%	6.1%	6.5%
ROA	10.0%	10.4%	10.0%	10.8%
ROE	15.2%	16.8%	17.1%	17.8%
Efficiency				
Receivable Turnover	26.6	25.8	24.3	22.4
Inventory Turnover	3.1	3.3	3.1	3.8
Payable Turnover	7.6	6.1	5.9	6.4
Liquidity				
Current	1.8	1.6	1.7	1.5
Quick	0.7	0.5	0.3	0.3
Finance Structure (%)				
Total Debt/Equity	44%	77%	65%	65%
Current Debt/Equity	44%	77%	28%	30%
Long-term Debt/Equity	0%	0%	0%	0%

VND Billion

BALANCE SHEET	FY2020	FY2021	FY2022E	FY2023F
Cash and cash equivalents	189	90	84	145
Short-term investments	150	320	416	416
Accounts receivable	131	208	217	269
Inventories	788	1,432	1,339	1,034
Other current assets	54	67	60	60
Property, plant & equipment	1,060	973	986	1,451
Acquired intangible assets	3	3	0	0
Long-term investments	4	4	4	4
Other non-current assets	52	42	43	44
Total assets	**2,430**	**3,139**	**3,150**	**3,423**
Accounts payable	418	775	685	705
Short-term borrowings	306	572	538	619
Long-term borrowings	1	2	1	0
Other non-current liabilities	0	0	0	0
Bonus and Welfare fund	18	16	17	20
Technology-science, dev. fund	0	0	0	0
Total liabilities	**743**	**1,365**	**1,241**	**1,345**
Common stock and APIC	1,188	1,188	1,188	1,188
Treasury stock (enter as -)	0	0	0	0
Retained earnings	206	242	319	442
Other comprehensive income	21	21	21	21
Inv. and Dev. Fund	273	324	381	428
Total equity	**1,688**	**1,774**	**1,909**	**2,079**
Minority Interest	**0**	**0**	**0**	**0**

VALUATION RATIO (*)	FY2020	FY2021	FY2022E	FY2023F
EPS (VND)	1,944	2,205	2,380	2,685
P/E (x)	9.7	12.8	8.4	7.5
BV (dong)	14,206	14,934	16,070	17,500
P/B (x)	1.5	2.1	1.3	1.1
DPS (dong/cp)	1,000	1,500	1,200	1,200
Dividend yield (%)	8.8	3.6	6.0	6.0

VALUATION MODEL	*Price*	*Weight*	*Average*
FCFF	32,900	50%	16,500
P/E	29,100	50%	14,500
Target price (VND)			**31,000**

VALUATION HISTORY	*Price*	*Recommendation*	*Period*
Dec 2021	37,000	ACCUMULATE	Long-term
Aug 2022	34,700	BUY	Long-term
Nov 2022	31,000	BUY	Long-term

RESULT UPDATE

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective that is to determine the reasonable value of the stock at the time such analyses are performed. Through this report. we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information. investors may contact the assigned analyst or our client support department.

RATING GUIDANCE

Ratings	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

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