PHU TAI JSC (HSX: PTB)

Numerous supportive factors are going to boost performance

(VND bn)	Q3-FY20	Q2-FY20	+/- qoq	Q3-FY19	+/- yoy
Net revenue	1,448	1,351	7%	1,306	11%
PAT	100	81	24%	113	-12%
EBIT	145	127	15%	160	-9%
EBIT margin	10.0%	9.4%	65.5 bps	12.3%	223.9 bps

Source: PTB, Rong Viet Securities

9M2020 – Capable to reach the 2020 revenue target as the wood segment outperforms

- PTB has reached 76% of its revenue target at VND 4,014 billion, +3% YoY, modest growth because of a dip in automobile and stones.
- Wood segment becomes the main contributor in 9M2020 due to the surge in US exports in 3Q2020 and is the key-driver in the mid-term.
- The stone segment encounters domestic competition and low demand in the EU resulted in a slowdown in gross profit margin compared to previous years.
- Capacity expansion for wood and stone plants are a positive for growth in 2021.

FY2021 outlook

In terms of the wood segment, the US and EU are potential avenues for PTB to grow in 2021. The trade war with China benefit wood companies in Vietnam, thus export value to the US will gradually increases quarter by quarter. EVFTA was signed in August 2020 bringing advantages for PTB to export to that market. In preparation for high demand in next year, the company built the 1st phase Phu Cat's factory this year and will utilise at full capacity 2nd phase in 2021.

Regarding the stone segment, the company is keen to join the US market, which is considered a great strategy in order to raise the gross profit margin as in the period 2015-2019. The 1st phase quart factory comes online in 2020 and will reinforce the company's growth in 2021.

The automobile segment is expected to bounce back because of the economic recovery. Besides, several factors will support the automobile industry in 2021.

Ultimately, the real estate project of PTB will realize revenue in 3Q2021 which will contribute to the performance in 2021.

N/A

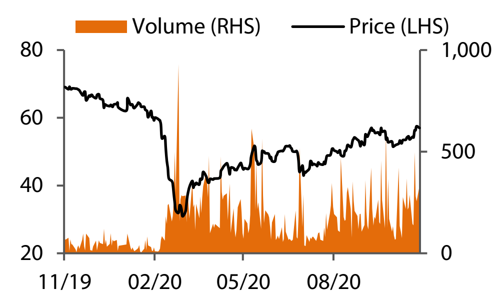
Current market price (VND)	57,300

Stock Info

Sector	Building Materials
Market Cap (USD million)	2,687
Current Shares O/S (Mn shares)	47
Free Float (%)	74.3
52 weeks high	71,500
52 weeks low	54,512
Average trading volume	218,028

	FY2018	FY2019
EPS	8,227	9,399
EPS Growth (%)	-41	14
Diluted EPS	8,227	9,399
P/E	7.4	7.4
P/B	1.8	1.8
EV/EBITDA	5.8	6.2
Cash dividend yield (%)	5.2	1.4
ROE (%)	23.9	24.4

Price performance



Major Shareholders (%)

Le Vy	12.95
Le Van Thao	8.25
Le Van Loc	6.08
Nguyen Sy Hoe	5.86
Foreign ownership room (%)	32%

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Exhibit 1: Q3/2020 Results

(VND Bn)	Q3-FY20	Q2-FY20	+/-(QoQ)	Q3-FY19	+/-(YoY)
Net revenue	1,448	1,351	7.1%	1,306	10.9%
Gross profit	309	280	10.5%	255	21.3%
SG&A	164	153	7.1%	94	73.5%
Operating income	145	127	14.6%	160	-9.3%
EBITDA	208	185	12.4%	199	4.9%
EBIT	145	127	14.6%	160	-9.3%
Financial expenses	21	26	-17.3%	24	-10.5%
- Interest expenses	21	21	0.1%	23	-10.0%
Dep. and amortization	63	58	7.7%	38	65.2%
Non-recurring items (*)					
Extraordinary items (*)					
PBT	130	108	20.7%	145	-9.9%
PAT	106	86	23.8%	120	-11.2%
(*) Adjusted PAT	106	86	23.8%	120	-11.2%

Source: PTB, Rong Viet Securities

Exhibit 2: Q3/2020 Performance Analysis

Particulars	Q3-FY20	Q2-FY20	+/-(QoQ)	Q3-FY19	+/-(YoY)
Profitability Ratios (%)					
Gross Margin	21.3%	20.7%	64.84	19.5%	183.94
EBITDA Margin	14.4%	13.7%	67.65	15.2%	-81.01
EBIT Margin	10.0%	9.4%	65.50	12.3%	-223.88
Net Margin	7.3%	6.4%	98.97	9.2%	-182.37
Adjusted Net Margin	7.3%	6.4%	98.97	9.2%	-182.37
Turnover *(x)					
-Inventories	3.6	3.3	0.3	3.6	(0.1)
-Receivables	8.2	7.7	0.5	7.1	1.1
-Payables	5.4	6.3	(0.9)	7.9	(2.5)
Leverage (%)					
Total Debt/ Equity	123.9%	115.5%	842.01	113.8%	169.64

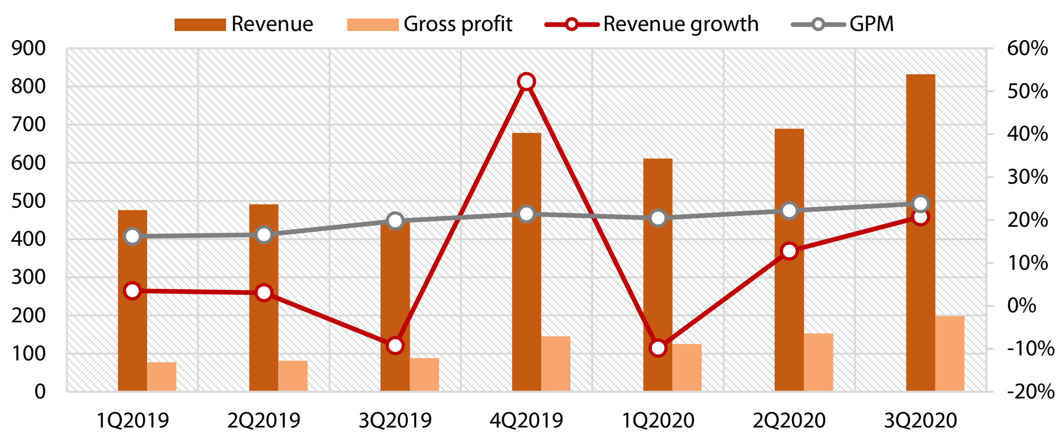
Source: Rong Viet Securities

Update

A surge in wood performance indicates a substantial role in the medium term

There is no doubt that this segment will be the main pillar for PTB in the medium term with an excellent performance in the 3rd quarter. In 3Q2020, the segment increased by 21% QoQ and 87% YoY in revenue terms to VND 832 billion. Meanwhile, gross profit increased by 30% QoQ and 125% YoY. Effective management has led to the gross profit margin rising from 15% in 2015 to 24% in 3Q2020 (Figure 1).

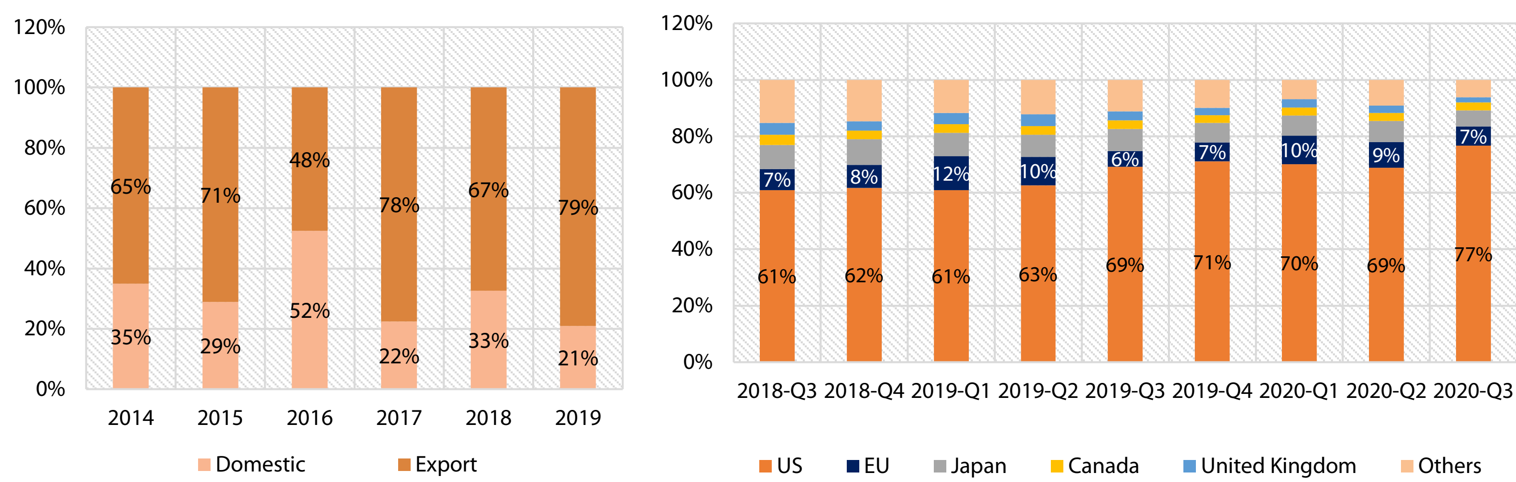
Figure 1: Wood segment performance (LHS, VND billion) and revenue growth and gross profit margin (RHS)



Sources: PTB, Rong Viet securities

The key driver for PTB's wood segment is furniture exports – an attractive area that it will focus on in the medium term. The percentage of wood export dominated compared to domestic sales and experienced an upward trend year over year (Figure 2). Exports to the three main areas include US, EU, Japan (Figure 2). Thus, PTB will benefit from: (1) Trade war between US and China; (2) EVFTA creating more advantages for VN to enter the EU.

Figure 2: PTB's import and export proportion in the wood segment (LHS) and Vietnam's export percentage by nation (RHS)

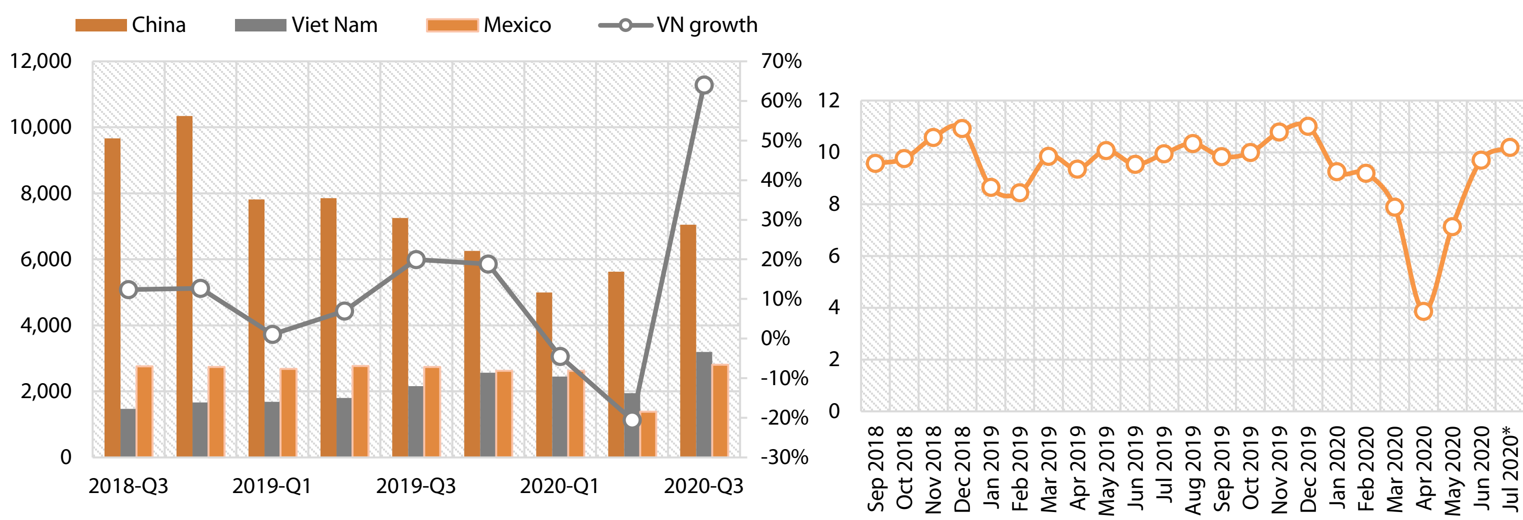


Sources: Trade Map, Rong Viet securities

In terms of the EU market, since the EVFTA is effective from August 2020, 83% of wood products will immediately see the tax rate go to 0% (basic tax rate: 0% - 6%). The 17% remaining will go down within six years (basic tax rate: 7-10%). Thus, PTB will have more potential to penetrate the EU in the following years. It is set to win more contracts in the EU and the US.

Figure 3 shows that the trade war benefits Vietnam in terms of wood exports to the US since 1Q2019. The total value of furniture imported from China by the US dipped by US2 million. Those from Vietnam grew steadily. In 3Q2020, Vietnam's total furniture exports to the US bounced by 64% QoQ, which is in line with the furniture sales the US (Figure 3). However, the US furniture market after COVID-19 19, will grow around 15% in the following quarter – same growth prior to COVID-19 19.

Figure 3: Furniture imported by US from the three largest nations (LHS, US thousand), furniture sales in US (US billion)



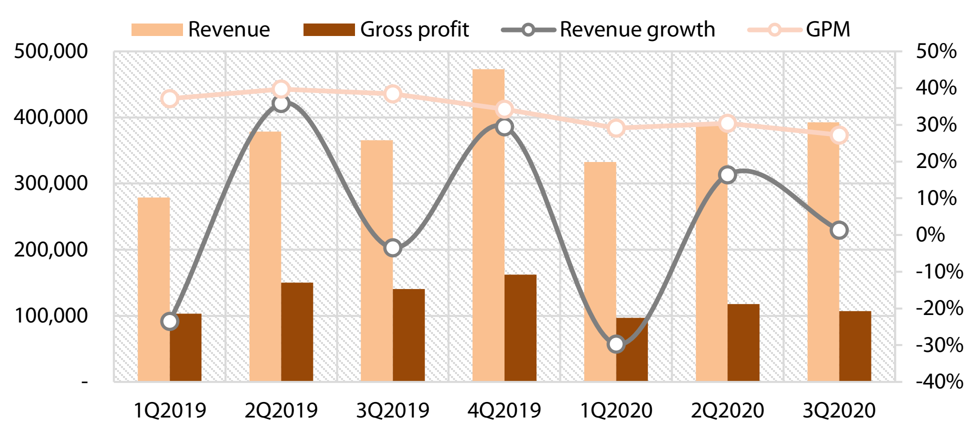
Sources: Trade Map, Rong Viet securities

In order to satisfy such high demand from the US and EU, PTB is going to run at full capacity for 1st phase of Phu Cat in 2020 (currently 80% total capacity), and upgrade 2nd phase of Phu Cat factory and estimate to be at full capacity in 2Q2021. The company also plans to upgrade the Vina G7 plant to expand capacity.

To sum up, in 4Q2020, the company expects that they can earn VND 858 billion in revenue, +3% QoQ and +27% YoY. Per company information, they have already received orders from US clients, enough to reach the targeted revenue even with the loss in a warehouse fire in September 2020. That will result in 118% revenue of the 2020 target. For the longer term, high demand from the US and EU will reinforce the company's wood segment performance which will play as key momentum for the company.

Stone is set to do well because of construction industry in 2021

Figure 4: Stone performance by quarter (LHS, VND million) and revenue growth, gross profit margin (RHS)

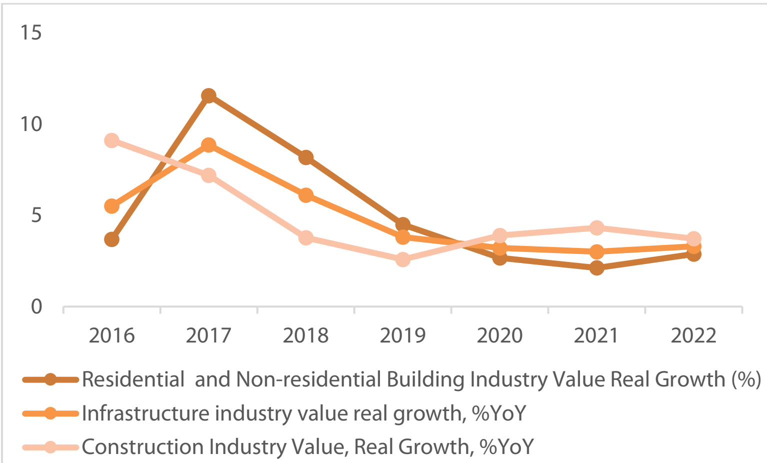


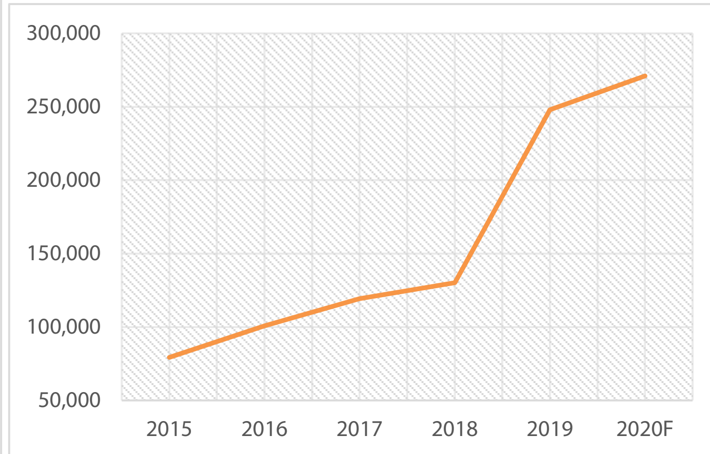
Sources: PTB, Rong Viet securities

Revenue in the 3rd quarter increased by 1% QoQ, 7% YoY, while gross profit dipped by 9% QoQ, 24% YoY. Such a decrease in gross profit was due to a higher price discount to compete with its rivals. As a result, the margin from this segment decreased to around 27% in 3Q2020. PTB maintained a GPM in the range of 32% - 39% from 2015 to 2019 but dropped to 29% in 9T2020 due to unsupportive output market (Figure

4). It is explained by: (1) Higher competition in domestic stone when most of the stone companies had difficulty to export their products and off-peak season from residual construction (2) Stagnation of Turkey and EU construction markets in early 2020. Turkey accounts for 10% of revenue.

Figure 5: Construction market growth in Turkey (LHS, %) and stone export value from VN to US (RHS, US dollar thousand)





Sources: Trade Map, PTB, Rong Viet securities

The company's strategy is to diversify its products and orientate exports to improve its profit margin. PTB has built a man-made quartz factory with 450,000 m3 pa in capacity (CAPEX: VND 300 billion, 1st phase came online in 2020 and 2nd phase will come online at the end of 2021, full capacity utilization within 2 – 3 years). It will orientate it to the US and Australia for quartz and exported several containers to the US for the first trial. US is a potential market for PTB in the trade war and growth in export (Figure 5). PTB joins in the quartz with the lower price compared to VSC – promising land in the stone market, the company also boost selling tiles and crush product in off-peak residual real estate circumstance and upcoming public construction.

In 4Q2020, PTB targets they will earn VND 421 billion in the stone segment, to VND 1,520 billion for 2020, +2% YoY. Brighter outlook in 2021 will boost this segment growth by roughly 20% YoY based on: (1) More contracts in the US; (2) Residual construction in Vietnam starts to turnaround alongside with the real estate market; (3) Public construction will boom in 2021. Therefore, we estimate that the company will improve both revenue and GPM.

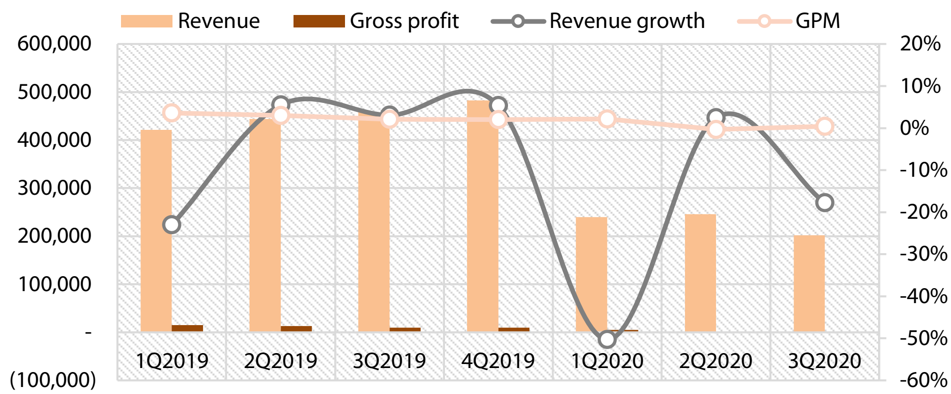
Automobile: numerous supportive policies for this segment

Automobile, a luxury product segment, was slow during 2020 because of COVID-19 19 and floods in central Vietnam particularly in 2Q2020, resulting in a gross profit for the first 9M2020 of a modest VND 5.3 billion. Revenue in 3Q2020 was roughly VND 200 billion, -18% QoQ, -56% YoY. Gross profit decreased 91% YoY, which is in line with the automobile downtrend in 2020 (Figure 6).

PTB's automobile segment is expected to grow in December 2020 due to: (1) The recovery subsequent to COVID-19 19 and floods in central Vietnam (2) Supportive decision 70 (discounted registration fee in 2H2020) which will boost purchases of more products. The company expects that it will earn VND 278 billion (+38% QoQ) in revenue. For the year that would be VND 1,032 billion (-2% compared to 2020 target) and a VND 5 billion loss in net profit for 2020.

For 2021, numerous drivers for the segment: (1) The boost in luxury products as the economy recovers, (2) The number of cars will gradually reach to 50/1000 product/citizen ratios (Vietnam 23/1000 citizen); (3) Vietnam's economy starts to recover yet the rest of the world is still in COVID-19 mode. Thus, supply is lower compared to demand, a positive impact for selling prices.

Figure 6: Automobile performance by quarter (LHS, VND million) and revenue growth, gross profit margin (RHS)

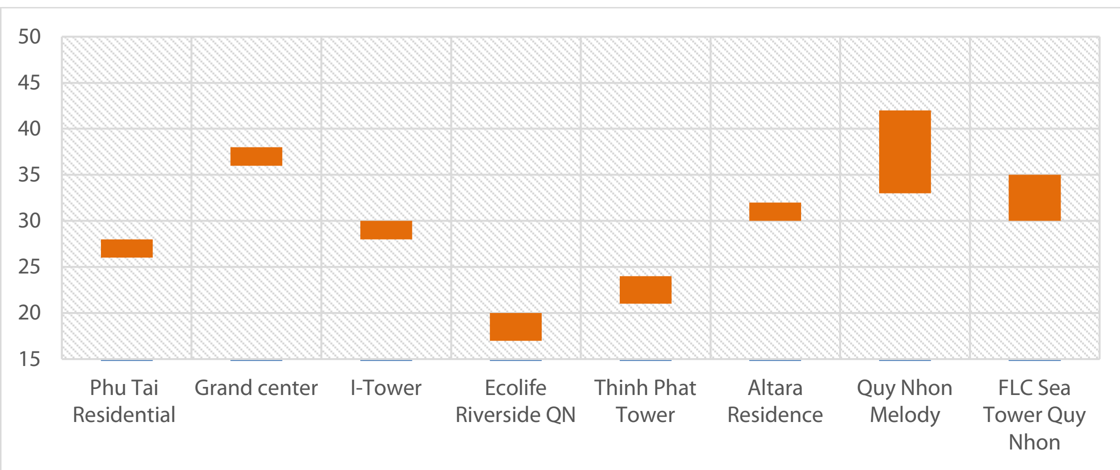


Sources: PTB, Rong Viet securities

Real estate will realize revenue in 3Q2021

The company will hand-over in 3Q2021 the Phu Tai project. It includes 622 apartments, 12 shophouses. ASP for apartment fluctuates in the range from 26 to 28 VND million/m2, which is lower compared to other projects in this area (Figure 7). We estimate the total value for this project could reach VND 1,291 billion with VND 26 million/m2. Because of lower price compared to other projects, we expect that the company is capable to sell those in 2021. Year to date, PTB has sold 35% of total apartments and expects to sell 70% in 2021, contributing roughly VND 900 billion in 2021.

Figure 7: Price range per m^2 in Quy Nhon, Binh Dinh (VND million)



Sources: PTB, Rong Viet securities

VND Billion

INCOME STATEMENT	FY2016	FY2017	FY2018	FY2019
Revenue	3,662	3,971	4,719	5,549
COGS	3,076	3,274	3,876	4,518
Gross profit	**586**	**697**	**843**	**1,031**
Selling Expenses	134	178	177	224
G&A Expenses	99	98	157	185
Finance Income	10	12	27	16
Finance Expenses	36	37	67	97
Other profits	11	29	7	8
PBT	**338**	**424**	**475**	**550**
Prov. of Tax	59	63	75	93
Minority's Interest	13	17	15	21
PAT to Equity S/H	**265**	**345**	**385**	**435**
EBIT	353	420	508	622
EBITDA	477	556	678	813

%

FINANCIAL RATIO	FY2016	FY2017	FY2018	FY2019
Growth (%)				
Revenue	20.21	8.46	18.83	17.59
Operating Income	36.06	16.64	21.80	19.96
EBITDA	38.38	19.04	20.91	22.43
PAT	52.79	30.10	11.64	13.19
Total Assets	45.84	42.58	31.68	27.34
Equity	52.11	36.99	53.44	11.03
Profitability (%)				
Gross margin	16.00	17.55	17.86	18.58
EBITDA margin	13.03	14.01	14.36	14.65
EBIT margin	9.64	10.58	10.77	11.21
Net margin	7.23	8.68	8.15	7.85
ROA	14.63	13.35	11.32	10.06
ROE	34.64	32.89	23.93	24.40
Efficiency				(times)
Receivable Turnover	8.2	7.7	6.5	7.5
Inventory Turnover	5.8	4.5	3.8	3.4
Payable Turnover	10.3	9.1	7.9	7.0
Liquidity				(times)
Current	1.1	1.1	1.3	1.1
Quick	0.6	0.5	0.7	0.5
Finance Structure (%)				
Total Debt/Equity	89.49	102.93	74.99	100.30
Current Debt/Equity	87.39	93.17	70.39	85.15
Long-term Debt/Equity	2.10	9.76	4.61	15.16

VND Billion

BALANCE SHEET	FY2016	FY2017	FY2018	FY2019
Cash and cash equivalents	34	55	67	127
Short-term investments	44	49	158	50
Accounts receivable	449	518	731	739
Inventories	531	721	1,020	1,322
Other current assets	53	72	120	203
Property, plant & equipment	605	1,030	1,145	1,608
Acquired intangible assets	27	48	46	55
Long-term investments	0	0	4	5
Other non-current assets	68	88	109	221
Total assets	**1,811**	**2,581**	**3,399**	**4,329**
Accounts payable	298	360	490	649
Short-term borrowings	668	976	1,131	1,519
Long-term borrowings	16	102	74	271
Other non-current liabilities	3	3	9	9
Bonus and Welfare fund	29	44	35	35
Technology-science, dev. fund	0	0	0	0
Total liabilities	**1,014**	**1,485**	**1,738**	**2,483**
Common stock and APIC	216	260	648	648
Treasury stock (enter as -)	0	0	0	-83
Retained earnings	261	338	387	446
Other comprehensive income	285	446	567	767
Inv. and Dev. Fund	3	4	5	6
Total equity	**765**	**1,047**	**1,607**	**1,785**
Minority Interest	**32**	**49**	**54**	**61**

KEY RATIOS	FY2016	FY2017	FY2018	FY2019
EPS (dong)	12,880	13,934	8,227	9,399
P/E (x)	9.6	9.4	7.4	7.4
BV (dong)	35,398	40,411	33,071.2	37,728
P/B (x)	3.4	3.1	1.8	1.8
DPS (dong/cp)	400	900	3,200	3,000
Dividend yield (%)	0.3	0.7	5.2	4.3

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.

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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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