

Sector: Agriculture (Latest report: [Link](#))

Recommendation NEUTRAL

Loc Troi Group Joint Stock Company (UPCOM: LTG) Update business performances

Current price:	41,800	Date:	8/6/2022	Shareholder Structure:	
Previous target price:	41,830	Outstanding Shares (Million):	80.59	Marina Viet Pte	25.21%
New target price:	45,300	Market Capitalization (Billion):	3,393	People's Committee of An	24.15%
Dividend yield:	5.94%	Avg. 20P Trading vol	706.286	Giang Province	
Upside:	8.4%	(Thousands)	44.25%	Augusta Viet PTE	5.7%
		Remaining Foreign Ownership:			

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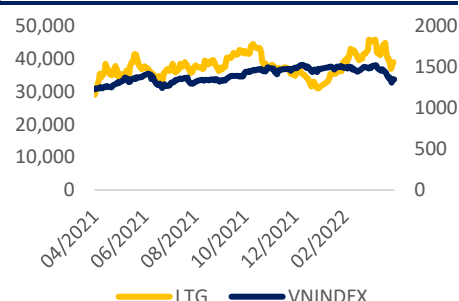
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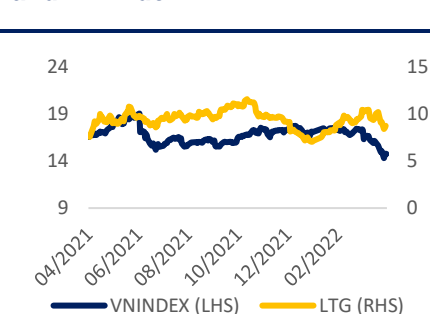
Recommended price: 46,000 VND

Stop loss price: 40,000 VND

Comparison table between stock prices and VN-Index



Comparison table between P/E and VN-Index



VALUATION

BSC recommends **NEUTRAL** for LTG at 45,300 VND per share (+8.4% upside compared to the price on June 08, 2022) with the DCF method.

BUSINESS PERFORMANCE FORECAST

BSC forecast that the Net Revenue and Net Profit After Taxes of LTG will reach 10,753 billion VND (5% YoY) and 400 billion VND (-4% YoY), equivalent to diluted EPS excluding for provisioning of 4,010 VND. Meanwhile, PE fw = 10.5x. – Lower than the P/E of companies in the same industry equals 12.88.

INVESTMENT THESIS

- The potential of the world food market, the goal of ensuring world food security, and the reopening of countries are the main reasons that help Vietnamese rice improve its export position in the world rice market. Therefore, the increase in selling price can improve the gross profit margin.
- Having a value chain and effective cooperation model with farmers.
- Optimize management activities and reduce costs effectively by applying ERP into operation. Phase 1 starts in Q1/2021 and phase 2 in 2022.
- Stable dividend yield: ~6%

CATALYST

- Expected to issue 10 million shares to strategic investors in 2022.
- The Ministry of Finance approved the draft to increase fertilizer export tax from 0% to 5%, helping increase domestic supply and maintain stable input prices for rice production.

RISKS

- Real EPS is hard to grow because the excess provision of reserves reduces the real profit of shareholders.
- The risk of crop failure affects all core businesses.

BUSINESS UPDATE:

Net revenue and Net profit after tax in Q1/2022 reached 2,345 billion VND (-2%YoY) and 184 billion VND (+0.2%YoY). In that:

(1) Sales of plant protection drugs (Pesticides) decreased by 38%YoY. [The main reason is that the supplier Syngenta stopped cooperating with LTG in the supply of pesticides because the cooperation contract expired in February 2022.](#)

(2) Revenue from agricultural products + 98% YoY, offsetting the drop in pesticide sales, mainly comes from orders in 2021. In early 2022, Loc Troi Agricultural Products Joint Stock Company - a member of LTG exported orders of more than 4,500 tons of rice with a unit price of ~15,133 million VND - higher 37% than the average export price of rice in Q1/2022.

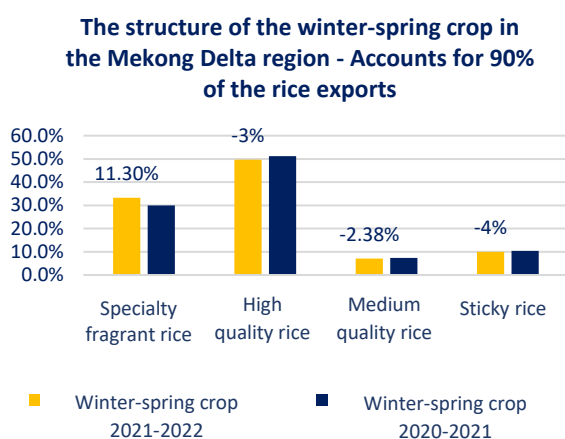
	2020	2021E	2022F	Peer		2019	2020	2021F	2022F
PE (x)	11.31	10.00	10.50	12.88	Revenue	8,310	7,506	10,224	10,753
PB (x)	1.30	1.21	1.14	1.50	Gross profit	1,701	1,660	1,963	2,023
PS (x)	0.45	0.33	0.32	0.30	Profit After Taxes	335	369	418	400
ROE (%)	13%	14%	13%	12%	EPS	4,112	3,722	4,209	4,010
ROA (%)	5%	5%	4%	4%	EPS Growth	-19%	-9%	13%	-4.7%

OUTLOOK FOR RICE EXPORT IN 2022

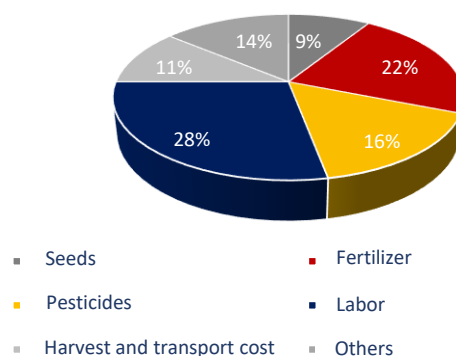
Winter-spring crop 2021-2022: The cultivated area decreased, but the quality of rice improved.

As of May 15, 2022, the winter-spring rice cultivation area reached 2,991.8 thousand hectares (-0.5% YoY) due to urbanization and the transition to the new crop structure with higher economic benefits. Besides that, productivity and output decreased by 2.6% and 3.2% compared to the previous winter-spring crop. The high price of fertilizer and the impact of widespread unseasonal rains last month are the reasons which led farmers to limit investment.

However, the rice production industry is gradually shifting to high-quality rice varieties to meet the export demand: fragrant rice and specialty rice account for more than 33% of the cultivated area and increased +11.3% compared to the winter-spring crop 2020-2021. Meanwhile, medium-quality rice and sticky rice accounted for less than 20% of the cultivated area, which decreased by -2.3% and -4% compared to the winter-spring crop 2020-2021. According to the Department of Crop Production, if this shifting trend is maintained, it will positively support the export of rice prices in the future.



Current price structure of rice production



Source: Department of Crop Production

High input costs and the complicated war led to world food security problems.

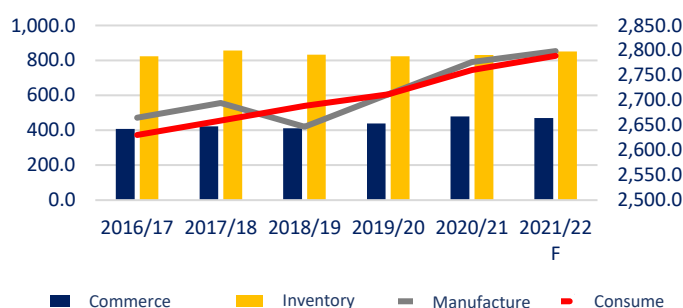
(1) Global situation: FAO has forecast a downward revision of world cereal production in 2022 to 469 million tons (-2%YoY). It is mainly due to: (1.1) Export supply was reduced due to the expectation that at least 20% of Ukraine's wheat acreage was not harvested, and wheat exports were lower than Russia due to the war. Meanwhile, the increase in cereal exports in India, Europe, and the US... only partially compensates for the loss of exports from the Black Sea region, along with the input gas price of the world fertilizer industry by +90% YoY that leading to the uptrend in Q1/2022: wheat prices (+45.9%YoY) and corn prices (+25.2%YoY) (1.2) High transportation costs lead to food security problems in prominent grain consuming countries in Europe, Middle East, Africa,...

(2) Domestic situation, input material prices, and transportation costs highly increased, such as fertilizer prices (+90% to +120%YoY) and pesticides (+10% to +30%YoY). The reason is that the war has pushed the input gas prices to rise along with the export restriction of China and Russia, which may cause a supply shortage. Meanwhile, farmers cannot convert the increase in raw material prices into selling prices (the purchase price of fresh paddy remains at 5,000-6,000 VND/kg, equivalent to the same period in 2020-2021).

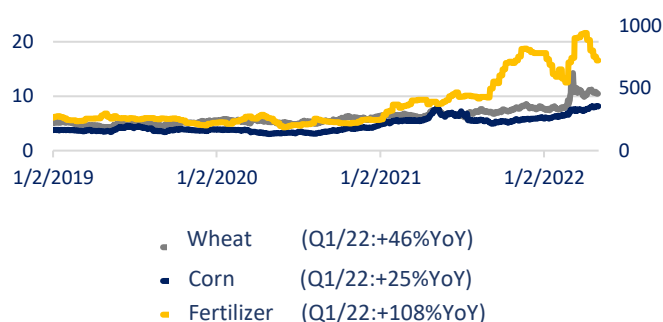
Therefore, we assess that the global trade supply may be tight while the demand is stable. It can support the export prices but rising raw material prices. Besides that, the prolonged political instability will pose the risk of (i) reducing fertilizer use rate, reducing rice yield, and (ii) changing the type of cultivation, the rice cultivation area continues to decrease and cause the food supply to decrease in both quality and quantity on a large scale.

To solve this situation, the Ministry of Agriculture and Rural Development has actively implemented guidelines for reasonable farming procedures. The Ministry of Finance has proposed a 5% export tax on fertilizers to ensure domestic supply, support people in difficult times, and ensure product quality.

World food supply and demand 2016-2022F



Prices of food and input materials in the world

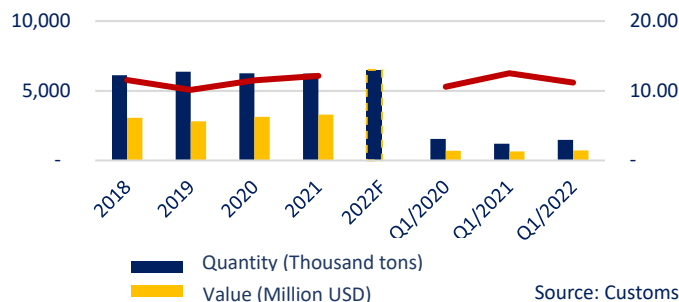


Source: FAO

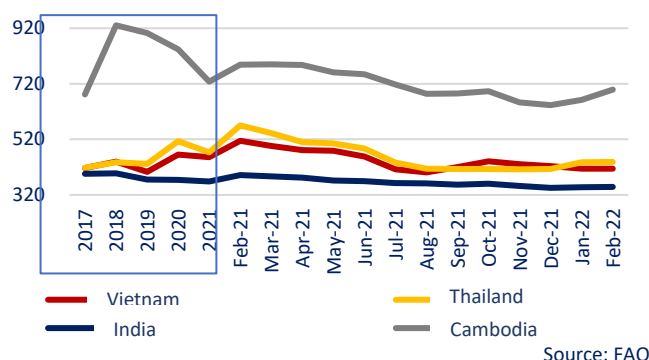
It is estimated that in 5M/2022, rice export volume has recorded a positive signal, increasing by 10.3% YoY. Particularly in May 2022, export volume increased by 27.8%YoY due to the demand for food storage and the signal of export restriction in many markets in Q2/2022. The BSC assesses that the food industry can benefit from the following factors: **(1) Traditional markets increase the demand for food stocks and substitute products** to ensure national food security in the context of global political instability; **(2) The interruption of food production (wheat, corn, ..) due to war**: Russia and Ukraine are the two leading exporters of wheat (one-third of world trade), and corn (Ukraine's corn exports account for 22% of world trade), causing prices of various foods such as bread skyrockets. Meanwhile, people's incomes suffer significantly, increasing demand for lower-priced substitutes such as rice. However, rice exports to Ukraine and Russia still account for a small proportion of ~ 1% of Vietnam's total rice exports.

Although output is supported positively, the average export price of rice decreased by 10.2%YoY in 5M/2022 and has not improved in May 2022. It mainly comes from: (1) Demand in large traditional markets like China continues to maintain the "Zero Covid" policy, so there are not many positive signals yet; (2) Rice exported to the Philippines and Indonesia is mainly white rice of normal grade, broken by 20-25%, and has a competitive advantage mainly in price, in the context of high transportation costs. Therefore, we believe that current factors make it difficult for rice prices to reach the average price of 2021. Despite the substantial increase in demand due to concerns about the epidemic, further monitoring is needed for unpredictable developments due to (1) the war situation in Ukraine, (2) the operating policies in China, and (3) world food crop output and rice export structure in the coming time.

Output and value of exported rice 2018-2022F



Fluctuations in export rice prices of countries



Source: FAO, Customs, USDA

The rice exports are expected to remain positive in 2022. [According to the report of USDA in April 2022](#), the Vietnamese rice export is expected to reach 6.5 million tons (+4%YoY) due to (1) The demand of the traditional rice consumption markets and the expectation that countries, after a period of extreme anti-epidemic will reopen and increase imports to ensure national consumption and reserves; (2) Vietnam still benefits from rice exports through world trade agreements such as CPTPP (increasing exports to Australia and Singapore markets), EVFTA (The EU will grant tax exemption with a quota of 80,000 tons of rice/year, of which 30,000 tons of milled rice, 20,000 tons of unmilled rice and 30,000 tons of fragrant rice; complete free for broken rice), and WTO, by promoting the pilot construction of agricultural areas meeting export standards, issue the planting area code and link it to the consuming enterprise, such as 50,000 hectares of rice in An Giang and Kien Giang.

THE POSITION OF LTG

LTG is a manufacturer and supplier of branded products and services in the Vietnamese market in the agricultural sector, with a sustainable value chain from research, production, and sales of seeds, pesticides, and organic products to the organization of processing and branding of agricultural products. At the same time, it connects credit for production chains and export activities to supply agricultural products to meet food quality requirements and ensure traceability. With the orientation of sustainable development, LTG joined SRP in 2015 and expanded the application of this standard to all farmers in the farming area with more than 11,000 hectares and applied agricultural technology such as drones. Since then, it has effectively reduced the cost of electricity, water, labor, pesticides, and fertilizers.

In general, the Vietnamese rice export market is relatively fragmented. LTG is one of the leading rice exporters in Vietnam, with over 80,000 tons of rice per year, mainly exporting to potential markets such as Europe and Southeast Asia... In addition, the cooperation in underwriting 2 million tons of rice, which reach the sales of 12,000 billion VND with partners who have pre-ordered to organize production with cooperatives throughout the Mekong Delta, helping to improve LTG's position in terms of rice export quality and output in the medium term.

Summary table of listed companies in the same industry.

	AGM	VSF	NSC	LTG	TAR	The rest
Export turnover in 2021 (Billion VND)	1,123	4,841	242	932	586	66,930
Proportion (%)	1.5%	6.4%	0.3%	1.2%	0.8%	88.6%
Export in 2021 (thousand tons)	168	400	20	80	60	5,509
Proportion (%)	2.7%	6.4%	0.3%	1.3%	1.0%	88.3%
Revenue in 2021	3,925	16,563	1,929	10,224	3,120	

Proportion of
exported rice
revenue / Total
revenue

52%

29%

13%

9%

19%

Valuation Indicator

P/E trailing	22.91	N/A	7.59	8.07	15.08
Avg. P/E in 3 years	11	N/A	6.3	6.5	17
P/B trailing	2.12	1.60	1.40	1.13	2.35
Avg. P/B in 3 years	0.73	1.34	1.23	0.78	2.03
ROE	10%	-9%	19%	12%	15%
ROA	3%	-3%	12%	6%	5%
Free float rate	40%	24%	19%	94%	83%

Major shareholder	- Louis Holdings joint stock company: 51.17% - LTG: 4.95%	- Ministry of Agriculture and Rural Development: 51.43% - T&T Group: 25%	- PAN FARM joint stock company: 34.68% - Real Estate Joint Stock Company SSI: 4.95%	- Marina Viet pte.ltd: 25.21% - People's Committee of An Giang province: 24.15%	- Pham Thai Binh: 14.04%
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Plan in 2022	Net revenue and profit after tax in 2022 reached 8,004 billion VND (+105%YoY) and 70 billion VND (+47.8%YoY)	Profit after tax reach 100 billion VND	Net revenue and profit after tax in 2022 reached 2,150 billion VND (+11%YoY) and 300 billion VND (+20.5%YoY)	Profit after tax in 2022 will reach 400 billion VND (-5%YoY)	Net revenue and profit after tax in 2022 reached 3,500 billion VND (+12%YoY) and 110 billion VND (+12%YoY)
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Events in Q1/2022	AGM has just signed a memorandum of understanding to export more than 3 million tons of rice in 3 years to Sierra Leone, estimated from 1.3 to 1.4 billion USD. We assess the risk from this event because Sierra Leone has never imported more than 0.5 million tons/year in the past, according to the statistics of USDA.			LTG exports more than 4.5 thousand tons with more than 3 million USD to EU, Middle East, and Asian markets.	TAR exported 11,000 tons of rice to Korea and nearly 1,000 tons to the EU and the Middle East.
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Business performance in Q1/2022	Net revenue and profit after tax in Q1/2022 reach 1,019.7 billion VND (+175%YoY) and 9.98 billion VND (+286%YoY) – Completed 18% Profit plan	Net revenue and profit after tax in Q1/2022 reached 2,807 billion VND (-24%YoY) and 0. billion VND (+101%YoY) – Completed 16% Profit plan	Net revenue and profit after tax in Q1/2022 reached 327 billion VND (+33%YoY) and 37 billion VND (+10%YoY)	Net revenue and profit after tax in Q1/2022 reach 2,345 billion VND (-2%YoY) and 184 billion VND (+0.2%YoY) – Completed 46% profit plan In which the rice segment achieved revenue of about 1183 billion VND (+96%YoY)	Net revenue and profit after tax in Q1/2022 reached 957.9 billion VND (-119%YoY) and 27 billion VND (+692%YoY) – Completed 25% Profit plan.
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Sources: BBG, Fiinpro

UPDATE BUSINESS PERFORMANCES OF LTG IN Q1/2022

Revenue structure	Q1/2022	Q1/2021	%YoY
Pesticides	981.3	1,576	-38%
GPM	50%	36%	
Food	1,183	605	96%
GPM	1.5%	0.4%	
	Q1/2022	Q1/2021	%YoY
Net Revenue	2,345	2,397	-2%
Gross profit	553	593	-7%
GPM	23.6%	24.7%	
Cost of goods sold	(174)	(191)	-9%
Administration expenses	(101)	(72)	41%
SG&A/Rev	12%	11%	
EBIT	277	330	-16%
EBIT Margin	12%	14%	
Financial Income	17	6	171%
Financial Expenses	(70)	(110)	-37%
Other income, net	19	4	385%
Profit before tax	243.6	230.2	6%
Profit after tax	184.0	183.6	0.2%
Profit after tax margin	7.8%	7.7%	

Source: Annual report of LTG

Net revenue and profit after tax in Q1/2022 reach 2,345 billion VND (-2%YoY) and 184 billion VND (+0.2%YoY), reaching 46% profit after tax plan. There is:

(1) Revenue of plant protection drugs (Pesticides) decreased by 38%YoY, mainly coming from [supplier Syngenta will officially stop cooperating with LTG in the supply of pesticides because the cooperation contract has expired in February 2022](#). Meanwhile, Syngenta is one of the largest pesticide companies in the world and accounts for ~30% of LTG's pesticide revenue (according to LTG's representative), causing the share of pesticide sales to decrease from 65.7 % (Q1/2021) to 41.8% (Q1/2022). We expect this event to reduce the proportion of LTG's pesticide revenue from 48% to 31% in 2022, but the gross margin will improve relatively from 35% to 40%.

(2) Sales of agricultural products +98%YoY compensate for the decrease of the pesticide fragment, mainly from the orders in 2021. In early 2022, Loc Troi Agricultural Products Joint Stock Company – members of LTG-delivered export orders of more than 4,500 tons of rice with a price of ~15,133 million VND – higher 37% than the average export price of rice in Q1/2022.

Operating margin reduced from 14% to 12%, which came from **(1) gross profit margin decreasing from 23.6% to 24.7%** as the food segment increased its revenue from 25% (Q1/21) to 50% (Q1/22). However, it had a low gross profit margin. **(2) SG&A/Revenue ratio increased by 0.8%**, mainly from transportation and export costs, which remained high compared to last year's period.

In addition, financial income increased by 171%, mainly from exchange rate differences arising once in the period. Meanwhile, financial expenses decreased by 37%, from payment discount reduced by 76%YoY and other income reached 22 billion VND (+385%YoY) from business cooperation.

FORECAST BUSINESS PERFORMANCES OF LTG IN 2022

Billion VND	2020	2021	2022
Net Revenue	7,506	10,224	10,753
	-10%	36%	5%
Pesticides	4,366	4,932	3,926
%YoY	-9%	13%	-20%
Food - Rice	2,122	4,073	5,692
%YoY	-11%	92%	40%
Gross profit	1,660	1,963	2,023
GPM	22.1%	19.2%	18.8%
Selling expenses	672	856	867
Administration expenses	360	364	535
SG&A/ Net Revenue	13.75%	11.93%	13.04%
EBIT	628	743	620
Financial Revenue	23	55	71
Financial Expenses	216	348	264
Profit Before Tax	453	527	504
%YoY	-2%	16%	-4%
Profit After Tax	369	418	400
Profit After Tax – Minority Shareholder	366	418	399
%YoY	10%	14%	-4.4%
Net profit margin	4.9%	4.1%	3.7%
Basic EPS (VND)	3,722	4,209	4,010
Adjusted diluted EPS for funds	3,722	4,209	4,010
P/E fw	11.3	10.0	10.5
ROE	13.1%	13.9%	12.5%
ROA	5.3%	5.3%	4.4%

Source: Fiinpro, BSC Research

BSC expects net sales and net profit after tax of LTG to reach 10,753 billion VND (5% YoY) and 400 billion VND (-4% YoY). Revenue increased, but NPAT did not record growth due to the plan of LTG. It is estimated that if NPAT exceeds the target by 400 billion VND, the company will make provision for (1) [Employee Assistance Fund](#) (50% of the difference between realized and planned NPAT), and (2) [Farmer Assistance Fund](#) (50% from the difference between realized and planned NPAT). Each fund is worth 360 billion VND and has a minimum of 3 years and a maximum of 10 years. We assess that the provision of the above funds will affect the real profit shareholders receive. Therefore, it makes **the EPS fw in 2022 only reach 4,010 VND, PE fw = 10.5x**, so the real EPS of LTG fluctuates around the business plan, making it challenging to grow according to the company's activities.

Based on assumptions about (1) The Pesticide revenue was affected by -20% due to the expiration of cooperation with supplier Syngenta (2) Food segment revenue continues to grow up to 40%YoY above the high base of 2021 from the expectations of (1) Export rice output is guaranteed based on the expectations when the company signed the underwriting of 2 million tons of rice with the sales of 12,000 billion VND with partners who have pre-ordered to organize production with cooperatives throughout the Mekong Delta, (2) The positive expectations of the export rice industry when transportation costs gradually stabilize and

traditional customers increase imports to ensure food security, makes LTG rice revenue continue to grow in 2022. BSC assumption that:

- (i) Gross profit will reach 2,023 billion VND (+3% YoY), equivalent to the gross profit margin of 18.8%, lower than 19.2% in 2021 due to the revenue contribution of the food segment with gross profit margin being relatively low, which increase from 40% to 53%.
- (ii) Financial profit is improved by benefiting from exchange rate differences and reducing payment discounts. At the same time, income from business cooperation has been adjusted according to business performance in Q1/2022.

VALUATION

BSC recommends **NEUTRAL** for LTG with a target price of 45,300 VND(+8.4% upside compared to June 8, 2022) according to the DCF method, *equivalent to an adjusted profit increase compared to the previous target price of 41,830 VND, based on adjustments to* (1) The positive prospects of the rice industry in the medium term, (2) The application of ERP (management system) and technology will help LTG improve business performance compared to the previous assumption, and (3) The prospect of cooperation to underwrite 2 million tons of rice with sales of 12,000 billion VND with partners who have pre-ordered to organize production with cooperatives throughout the Mekong Delta can help LTG ensure the quality of rice and the export supply in the medium and long-term.

Valuation					
Target price (VND/Share)					45,300
Close price					41,800
Upside					8.4%
Recommendation					NEUTRAL
Discount cash flow FCFF (Billion VND)	2022	2023	2024	2025	2026
EBIT	605	624	733	897	962
EBIT*(1-T)	480	495	581	712	764
(+) Depreciation	190	192	194	197	200
(+/-) Change in Working Capital	(287)	(314)	(322)	(383)	(298)
(+/-) Change in CAPEX	(185)	(195)	(208)	(223)	(238)
FCF	197	178	245	303	428
Present value of FCFF	186	156	200	229	300
Weighted Average Cost of Capital (%)			FCFF (Billion VND)		
Beta	0.96		Present value of FCF	1,072	
Risk-free rate	3.1%		Liquidation value	4,273	
Market risk premium	7.8%		Total present value of FCF	5,345	
Cost of equity	11%		(+/-) Net debt	(1,693)	
Cost of debt	5.4%		(-) Minority shareholder benefits	1	
% Debt	45.9%		EV	3,652	
% Equity	54.1%		Number of outstanding shares (Million Shares)	81	
WACC	7.7%		Share price in VND	45,300	

Source: Fiinpro, BSC Research

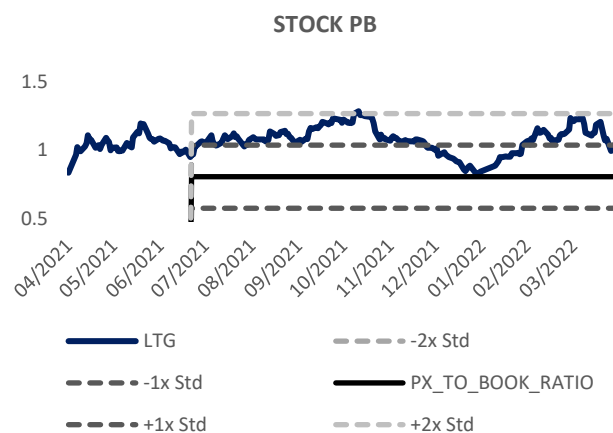
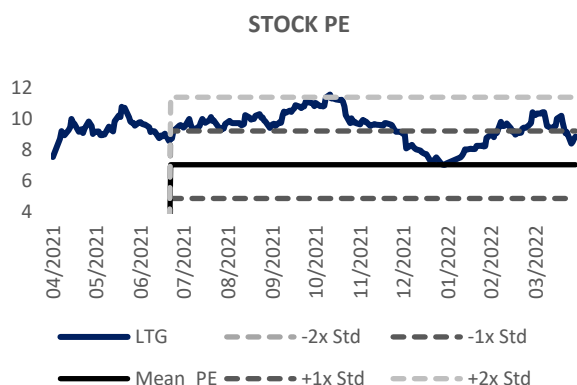


Table: Businesses in the same industry.

Ticker	P/E	P/B	P/S	ROE LF	ROA LF	EV/EBITDA trailing 12 months	Adjusted Beta	Market cap (Billion VND)
Median	12.88	1.50	0.30	12%	4%	29.24	0.72	1,764,647
LTG VN Equity	9.01	1.07	0.31	12%	6%	4.95	0.96	3,393,556
NSC VN Equity	7.62	1.35	0.85	19%	12%	4.79	0.47	1,699,456
TAR VN Equity	12.88	1.83	0.38	15%	5%	15.29	1.23	1,829,838
AGM VN Equity	14.56	1.48	0.16	10%	3%	43.19	0.87	713,440
VSF VN Equity	#N/A N/A	1.51	0.21	-14%	-5%	86.87	0.56	3,500,000
AFX VN Equity	28.45	1.50	0.78	5%	4%	#N/A N/A	0.61	598,500

Source: Bloomberg

APPENDIX

Business result (Billion VND)	2020	2021	2022	2023	Cash flow (Billion VND)	2020	2021	2022	2023
Net revenue	7,506	10,224	10,753	11,939	(Loss)/Profit after tax	366	418	399	399
Cost of goods sold	5,846	8,261	8,731	9,739	Depreciation and amortization	165	188	190	192
Gross profit	1,660	1,963	2,023	2,200	Working capital change	446	(441)	(287)	(314)
Selling expenses	672	856	867	963	Others	(149)	(122)	-	-
Administration expenses	360	364	535	582	Net cash flow from operating activities	828	42	302	278
Operating profit	628	743	620	655					
Financial revenue	23	55	71	55	Purchase of fixed assets	(130)	(273)	(185)	(195)
Financial expenses	216	348	264	283	Other investment	(53)	(94)	-	-
Interest expenses	90	154	178	197	Net cash flow from investment activities	(183)	(367)	(185)	(195)
Profit from joint ventures/associations	-	-	-	-					
Other profit/loss	16	77	77	77	Dividends paid	(93)	(114)	(201)	(242)
Pre-tax profit	453	527	504	504	Net borrowing fund	4,300	6,760	525	443
Tax	91	109	104	104	Other charges	(4,211)	(5,262)	-	-
Profit after tax	369	418	400	400	Net cash flow from financing activities	(4)	1,356	323	202
Non-controlling interests	3	1	1	1					
Profit after tax - Noncontrolling interests	366	418	399	399	Beginning of the year cash flow	(97)	767	1,799	2,239
EBITDA	793	931	810	847	Cash flow in the year	641	1,032	440	284
EPS*	3,722	4,209	4,010	4,010	Ending of year cash flow	767	1,799	2,239	2,524
Balance Sheet (Billion VND)	2020	2021	2022	2023	Ratio (%)	2020	2021	2022	2023
Cash and cash equivalents	767	1,799	2,239	2,524	Solvency				
Short-term investments	130	134	134	134	Short-term payment ratio	1.32	1.27	1.26	1.26
Current account receivables	1,809	1,605	1,915	2,126	Quick Payout Factor	0.22	0.41	0.41	0.41
Inventories	2,501	2,368	2,764	3,056					
Other current assets	155	108	216	240	Capital structure				
Current assets	5,361	6,013	7,268	8,079	Ratio of Debt/Total Assets	0.30	0.46	0.46	0.46
Tangible fixed assets	1,336	1,239	1,418	1,414	Ratio of Debt/Equity	2.57	4.45	5.13	5.67
Accumulated depreciation	157	165	188	190					
Long-term assets in progress	71	122	125	125	Operational capacity				
Long-term investments	45	44	112	112	Number of days Inventory	155.85	107.54	115.54	114.54
Other long-term assets	163	155	155	108	Number of days Inventory	92.9	59.6	63.6	63.6
Long-term assets	1,616	1,560	1,833	1,782	Number of days to pay CCC	92.3	43.4	33.4	33.4
Total assets	6,921	7,846	9,050	9,876		156.5	123.8	145.8	144.8
Liabilities must pay	2,055	3,570	4,118	4,558	Profit rate				
Short-term debt	1,441	490	834	917	Gross profit	22.1%	19.2%	18.8%	18.4%
Other current liabilities	570	683	820	963	Profit after tax	4.7%	4.0%	3.6%	3.3%
Total current liabilities	4,065	4,743	5,772	6,438	ROE	13.1%	13.9%	12.5%	11.9%
Long-term debt	-	56	32	36	ROA	5.3%	5.3%	4.4%	4.0%
Other long-term liabilities	19	14	14	14					
Total long-term liabilities	19	70	47	50	Valuation				
Total Liabilities	4,084	4,813	5,818	6,488	PE*	11.31	10.00	10.50	10.50
Share capita	806	806	806	806	PB	1.30	1.21	1.14	1.08
Share premium	278	278	278	278					
Undistributed earnings	911	1,141	1,339	1,496	Growth				
Other capital	804	772	772	772	Net Revenue Growth	10.4%	14.2%	-4.4%	0.0%
Non-controlling interests	-	-	-	-	EBIT Growth	-2.2%	18.4%	-16.5%	5.6%
Total Owners' equity	2,799	2,997	3,195	3,353	Earning Before Tax Growth	-2.3%	16.5%	-4.4%	0.0%
Total owners' equity	6,921	7,846	9,050	9,876	EPS* Growth	10.4%	14.2%	-4.7%	0.0%
Number of outstanding shares	81	81	81	81					

Source: BSC Research.

Technical point of view

Target price: 46.0

Cut loss price: 40.0

Technical highlights:

- Current trend: Upward
- MACD trend indicator: MACD is below the signal line
- RSI indicator: is in an uptrend

Comment: LTG is entering an uptrend after the downward correction. The price is already above MA20, MA50, and MA100, the consensus for the increase in stock price. MA20 is trending to cut above MA50 and MA100. Liquidity is still good as the trading volume is higher than the average of the last 20 sessions. The RSI and MACD are optimistic when the MACD is still above the signal line, and the RSI is in an uptrend and approaching the 70 levels.

Recommendation: BSC recommends that medium-term investors consider an opening position with the stock at 42.5, take profit at 46.0, and cut loss if the stock drops below 40.0.



Source: BSC

Disclosure

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