

Industry : Industrial Park Real Estate | REAL ESTATE RESEARCH

Recommendation
S

BUY

Phuoc Hoa Rubber Joint Stock Company (HSX: PHR)
Land conversion bottleneck solved, time of transformation

Current Price: **66,500**
Previous target price: -
New target price: **87,000**
Dividend yield: **6.0%**
Upside potential **30.8%**

Report writing date: 18/08/2022
Outstanding Shares (Million)Market capitalization (billion VND): 135,499,198 / 9,011 / 728,868
Average liquidity in 6 months: 13.68%
Foreign ownership

SHAREHOLDER STRUCTURE
Vietnam Rubber Industry Group 66.62%
VinaCapital 5.76%

Real Estate Research Department:

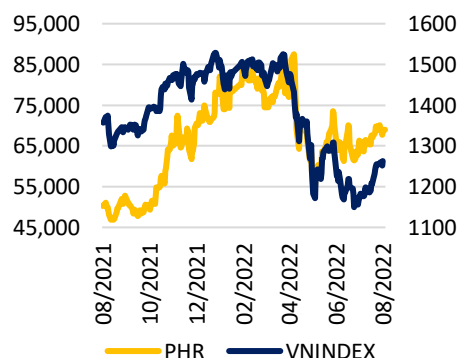
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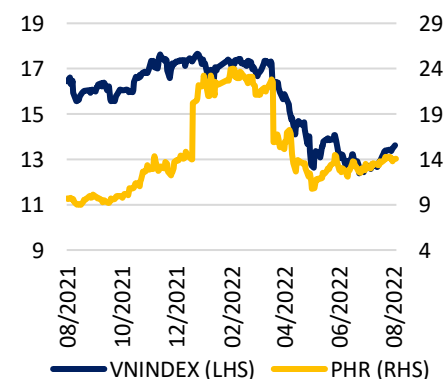
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Recommended price: VND
Stop loss price: VND

Price comparison table of STOCKS and VN-Index



P/E comparison table with VN-index



VALUATION

BSC recommends **Buy** PHR stock with a target price **87,000 VND/SHARE**, upside +30.8% from the price of 18/08/2022 according to the partial pricing method.

FORECASTING BUSINESS RESULTS

BSC forecasts that 2022 will be the beginning of the development of PHR's industrial park segment, according to which:

In 2022: Revenue and NPAT reaching VND 1,990 billion (+2% YoY) and VND 815 billion (+59% YoY), EPS fw = 5,002 VND/share, PE fw = 13.3x, P/B fw = 2.97x.

In 2023: Revenue and NPAT reached VND 2,095 billion (+5% YoY) and VND 1,309 billion (+61% YoY) respectively, EPS fw= VND 8,189/share, PE fw=8.1x, P/B fw=2.57x.

INVESTMENT THESIS

- By removing the legal difficulties in converting rubber land to industrial parks, PHR expects to benefit from the compensation from VSIP 3 Industrial Park and record high profit/dividend from the joint venture company NTC in the period 2022-2024.
- Long-term growth is ensured by IPs that are in the research phase, expected to be implemented in the period of 2023-2025.
- The main business segment is rubber, which is expected to remain positive in the short term thanks to (1) maintained selling prices when the product structure shifts to high-quality rubber and (2) higher exploitation output when the age of the tree is higher.

RISK

- Compensation progress from VSIP 3 Industrial Park is slower than expected.
- Industrial zones that are in the research phase still do not have much information and the risk of delay in project approval from management agencies.

BUSINESS UPDATE

- In 6M2022, revenue reached VND 607 billion (down -20% YoY) while NPAT reached VND 346 billion (increase 116% YoY)** thanks to the recording of VND 289 billion in compensation, supporting early liquidation losses for the implementation of VSIP 3 Industrial Park while income from rubber (down -12% YoY) and wood (down -73% YoY) witnessed a slowdown after 2 years of benefiting from high business rubber prices.

	2020	2021	2022F	Peer
PE (x)	9.0	21.6	13.3	14.3
PB (x)	2.82	3.01	2.97	2.51
P/S (x)	5.5	4.6	4.5	3.62
ROE (%)	34.0%	16.5%	25.6%	21.0%

	2019	2020	2021F	2022F
Net revenue	1,639	1,632	1,945	1,990
Gross profit	353	389	517	534
Profit after tax	488	1,125	513	815
EPS	2,558	7,430	3,081	5,002

ROA (%) 17.2% 8.5% 11.8% 5.5%

Tăng trưởng EPS -36% 190% -59% 62%

BUSINESS OVERVIEW

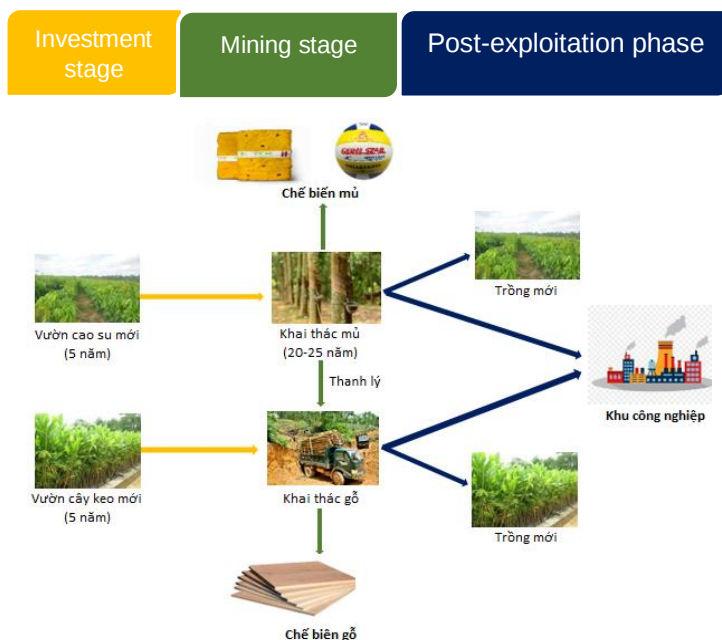
Phuoc Hoa Rubber Joint Stock Company (PHR), formerly known as Phuoc Hoa rubber plantation, was renamed Phuoc Hoa Rubber Company in 1982 under the General Department of Rubber of Vietnam, equitized in 2007 and officially listed on the Ho Chi Minh City Stock Exchange in 2009. PHR is one of the leading companies in Vietnam in the field of cultivation and rubber trading. The company owns rubber plantations mainly in Binh Duong (12,508 hectares), Dak Lak (226 hectares), Cambodia (7,664 hectares). The current processing capacity is over 33,000 tons / year with the product portfolio focusing on high quality rubber SVR L, SVR 5, SVR CV (~70% of production). In addition to natural rubber, PHR also directly owns 80% of Tan Binh Industrial Park JSC and 32.9% of Nam Tan Uyen Industrial Park JSC (NTC).

Subsidiaries and affiliates create a closed value chain for PHR's operating model

Company	Business Areas	Business locations	Phr's ownership	Initial investment capital
SUBSIDIARIES				
Truong Phat Rubber Joint Stock Company	Rubber wood	Bình Dương	70%	VND 35 billion
Phuoc Hoa Dak Lak Rubber Co., Ltd.	Natural rubber	Đắk Lắk	100%	VND 154 billion
Phuoc Hoa Dak Lak Rubber and Forestry Co., Ltd.	Natural rubber	Đắk Lắk	90%	VND 41 billion
Phuoc Hoa Kampong Thom Rubber Development Co., Ltd.	Natural rubber	Campuchia	100%	VND 946 billion
Tan Binh Industrial Park Joint Stock Company	Industrial Park	Bình Dương	80%	VND 128 billion
VN Furniture City JSC	Industrial Park, real estate	Bình Dương	51%	VND 10 billion
ASSOCIATED COMPANIES				
Nam Tan Uyen Industrial Park Joint Stock Company	Industrial Park	Bình Dương	32.9%	VND 53 billion
Geru Star Sports JSC	Rubber production	TP HCM	26.8%	VND 3 billion

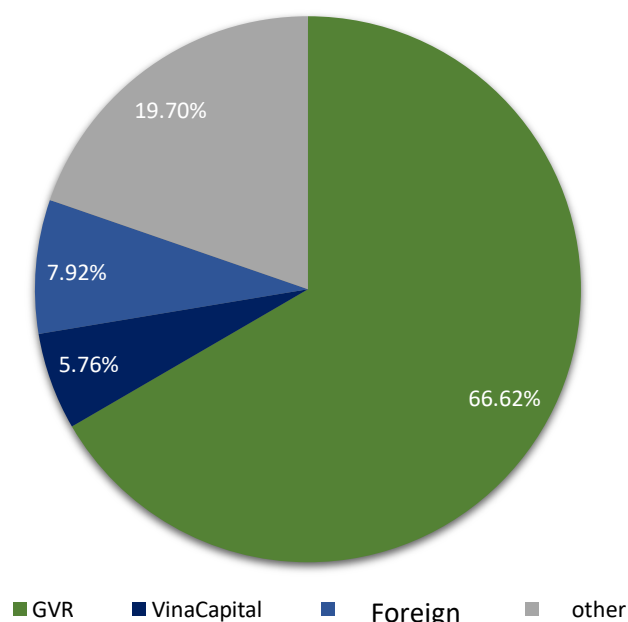
Source: PHR

Stages and business models



Source: PHR, BSC Research

Shareholder structure

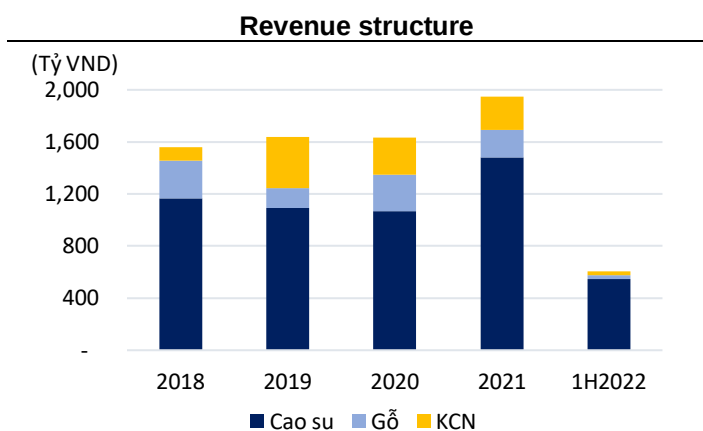


Source: PHR, BSC Research

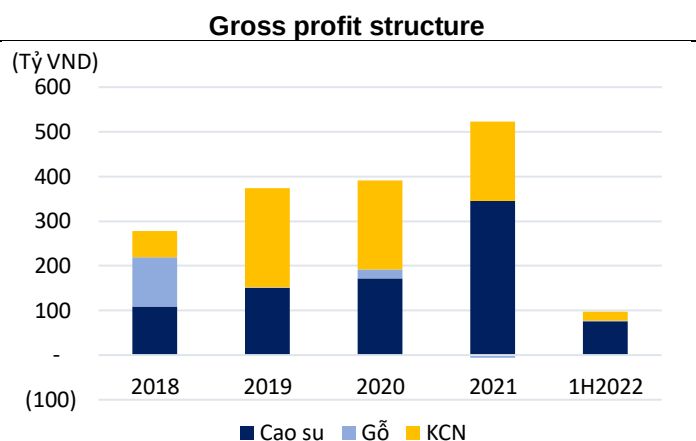
BUSINESS ACTIVITIES

1. RUBBER – WOOD ARRAY

Extraction and processing of natural rubber is the main business segment contributing to the annual revenue of Phuoc Hoa Rubber JSC because the industrial park segment is recorded evenly during the lease term and currently PHR has only deployed one Tan Binh Industrial Park (353 hectares). Accordingly, **the rubber business contributes about 70% of total revenue and 40-70% of annual gross profit due to gross profit margin fluctuations according to natural rubber prices.** Wood products contribute about 10-15% of total revenue and gross profit.



Source: PHR

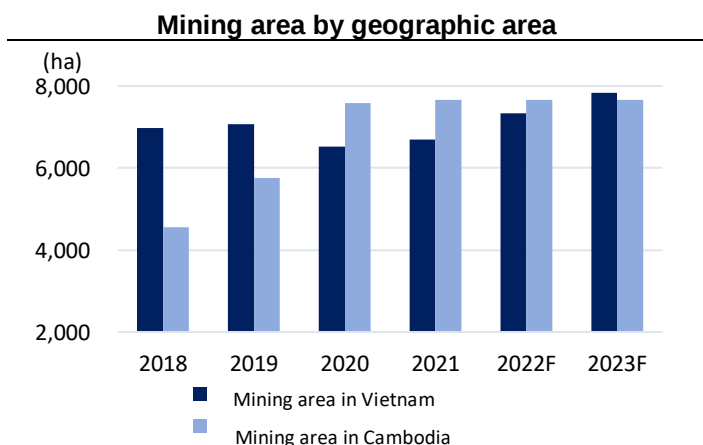


Source: PHR

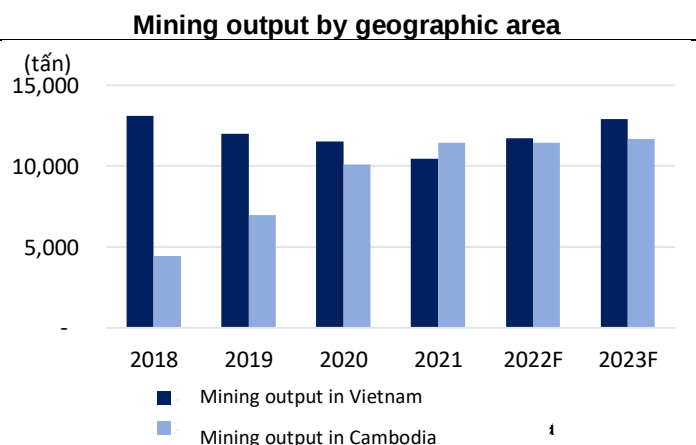
Currently, PHR owns three latex processing plants with a total designed capacity of ~33,000 tons/year, including Bo Lá processing plant (9,000 tons/year), centrifugal latex processing plant (4,000 tons/year) and Paris Crab processing plant (20,000 tons/year) as well as investing in rubber latex processing plants from SVR 10 & SVR wire. 20 into SVR CV50 & SVR CV60 processing line with higher selling price and technical quality in Cambodia (Kampong Thom).

The yield of each tree will increase as the age of the tree approaches its 20th year. **Most of the basic orchard area in Cambodia has just begun to be fully exploited from 2021, which is expected to support the total output of raw latex extraction in the coming years.**

The harvesting of latex takes place before - after the rainy season to avoid rainwater affecting the quality of latex. In addition, the output of the domestic rubber industry is limited, resulting in more than 35% of Vietnam's total rubber consumption coming from export to foreign countries. Therefore, the rubber segment is relatively seasonal, the peak season for recording profit revenue usually falls in Q3 and Q4.

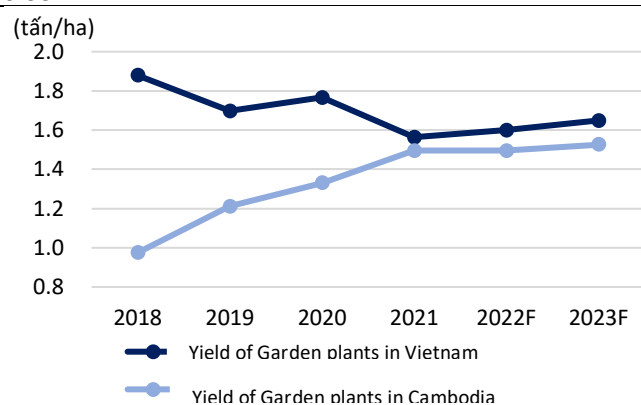


Source: PHR



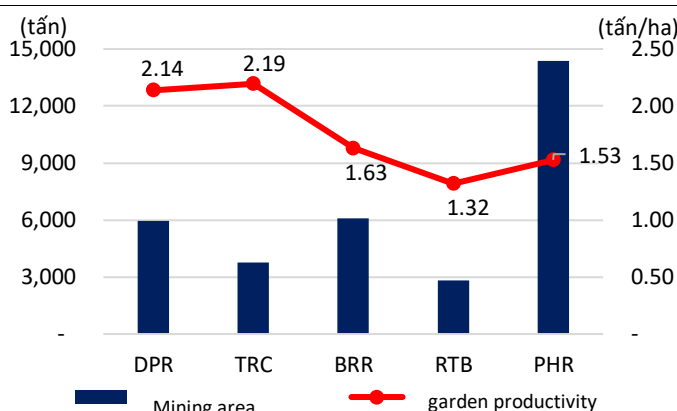
Source: PHR

The productivity of rubber plantations in Cambodia has not reached high levels due to the low age of the tree



Source: PHR

Phr's mining productivity is not high compared to other enterprises in the same industry



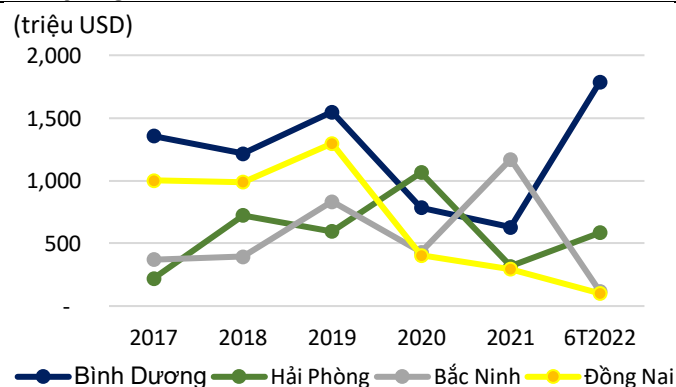
Source: BSC Research

The rubber industry is relatively labor-intensive, production and business costs also depend heavily on the purchase of high latex from small plantations. The total cost of labor and materials accounts for 72-80% of PHR's total production and business costs, of which about 45-55% comes from the cost of raw materials. The purchase price of raw rubber from smallholders is usually about 10-20% lower than the market price because this quality standard of latex is not guaranteed, but still rough seas in the same direction as the world price of natural rubber.

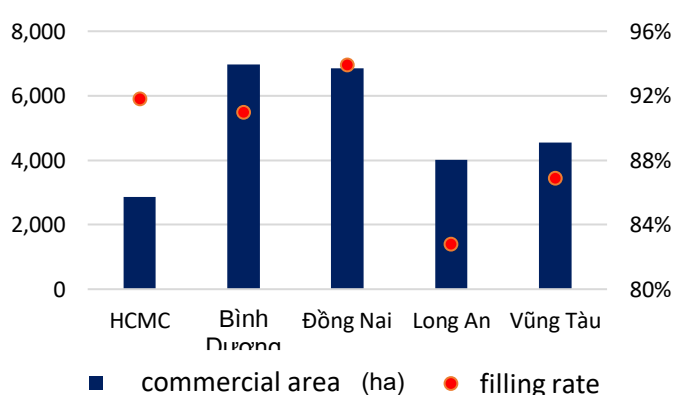
2. INDUSTRIAL PARK SEGMENT

Binh Duong is always an attractive destination in the eyes of FDI enterprises. The advantage of the geographical location of the satellite area of Ho Chi Minh City (25 km), located in the southern key economic region, synchronous infrastructure planning and the companionship of the province in supporting businesses, Binh Duong has always been in the top provinces / cities with the highest registered FDI inflows in Vietnam since 2014. The total number of industrial zones planned in the province is 33 IPs, the Management Board of Binh Duong IPs directly manages 29 industrial zones (total scale of 12,663 hectares) of which 27 are in operation and 2 industrial zones are completing the final procedures (VSIP 3 Industrial Park and Truong Tree Industrial Park). **According to the Management Board of Binh Duong Industrial Zones, including these 2 industrial zones that have not yet been put into operation, the filling rate as of the end of Q1/2022 is 89.98%, showing that the source of industrial park land supply in Binh Duong is still relatively limited, while the demand forenterprises still remains high..**

Binh Duong has always maintained its position as the leading industrial development province in attracting newly registered FDI.



Commercial area and filling rate of industrial zones in the South by the end of T6/2022



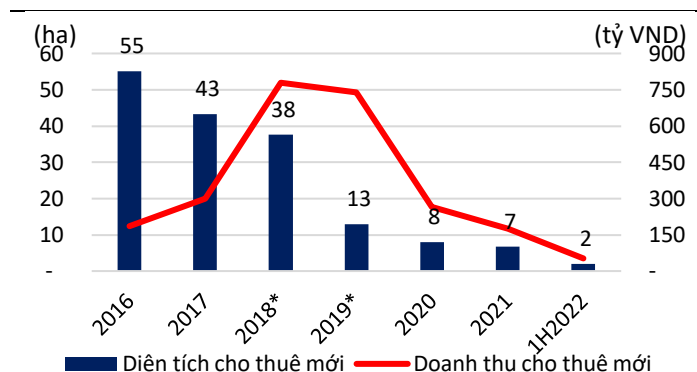
Source: GSO, MPI

Source: Cushman & Wakefield

Currently, **Industrial Development and Investment Corporation (HoSE: BCM)** is the dominant enterprise in the market share of industrial park land in Binh Duong. According to our estimates, BCM currently directly operates 4,751 hectares of industrial park land (accounting for 38% of the total industrial park area in Binh Duong) and VSIP – a joint venture between Becamex IDC and Sembcorp – operates 3,845 hectares of industrial park land (accounting for 30% of the total industrial park area in Binh Duong). In addition, almost all of the unfilled industrial park area in Binh Duong comes from Tree Truong Industrial Park (700 ha) of BCM and VSIP 3 Industrial Park (1,000 ha) of VSIP.

A huge land fund awaiting conversion of land use purpose to industrial park. PHR currently owns about 12,508 hectares of rubber plantation land in Binh Duong, and 691 hectares has been assigned to Binh Duong People's Committee to hand over to VSIP to implement VSIP 3 Industrial Park. The company's business orientation is in line with the strategy of the parent company - Vietnam Rubber Industry Group (Hose: GVR) to focus on converting low value-added rubber land to industrial park land and high-tech agriculture with higher profitability. **However, the transformation speed has been slow in the past 5 years because the province prioritizes sustainable industrial development, synchronously focuses on infrastructure and the legal process is still unclear**

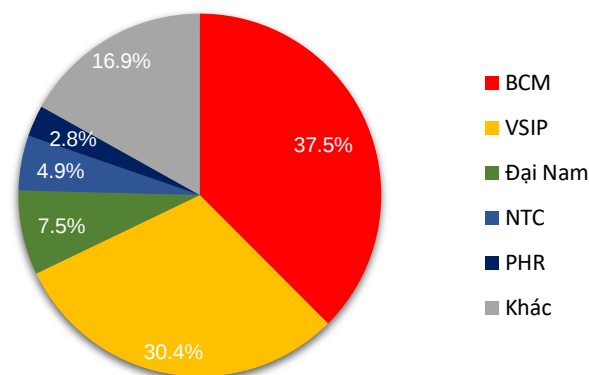
The process of leasing in Tan Binh Industrial Park



(*)New rental revenue in 2018-2019 increased because many customers started to switch from paying annual land rent to paying one-time land rent.

Source: PHR, BSC Research

Market share of industrial park area in Binh Duong province



Source: Binh Duong Industrial Park Management Board, BSC Research

PHR is present in the development of Binh Duong Industrial Park through its subsidiaries (80% of Tan Binh Industrial Park JSC) and affiliated companies (32.9% of Nam Tan Uyen Industrial Park JSC). Tan Binh Industrial Park JSC is the investor of Tan Binh Industrial Park project (353 hectares) implemented since 2012, has been filled with about 87.6% by enterprises in the field of wood, footwear and packaging paper production. The remaining unregistered area is still in the process of GPMB and rolling rental. Nam Tan Uyen Industrial Park Joint Stock Company (NTC) directly operates two 100% fully installed industrial zones including 332-hectare Nam Tan Uyen Industrial Park (NTU1 Industrial Park), 289-hectare Nam Tan Uyen Industrial Park (NTU2 Industrial Park) and a 364-hectare NTU3 Industrial Park still waiting for Binh Duong People's Committee to allocate land.

List of industrial parks under implementation and potential for development

Project	PHR ownership rate	Scale (ha)	NSA (ha)	Year of deployment	Fill rate	Condition
Tan Binh Industrial Park	80%	353	245	2012	87.63%	Under lease
NTU3 Industrial Park	33%	346	255	2023F	0%	Waiting for the provincial people's committee to allocate land
VSIP Industrial Park 3	#N/A*	1,000	650	2023F	0%	

						Negotiating to agree on compensation fee/capital contribution ratio with VSIP
Tan Lap Industrial Park	51%	200	130	2023F	0%	Applying for investment policy GD1
Tan Binh MR Industrial Park	80%	1,056	686	2023F	0%	Finalizing legal documents
Industrial Park - DT - Hoi Nghia Service	100%	715	N/A	2024F	0%	Researching
Industrial zones can be deployed in 2023-2025		3,670				
Binh My Industrial Park	100%	1,002	N/A	2026F	0%	Researching
Industrial Park - Tel – Service Tan Thanh	100%	312	N/A	2026F	0%	Researching
Tan Binh MR Industrial Park (Director 3)	80%	400	N/A	2026F	0%	Researching
Industrial zones deployed after 2025		1,714				

(*) The ownership of 20% of VSIP3 Industrial Park still has no final results

Source: BSC Research

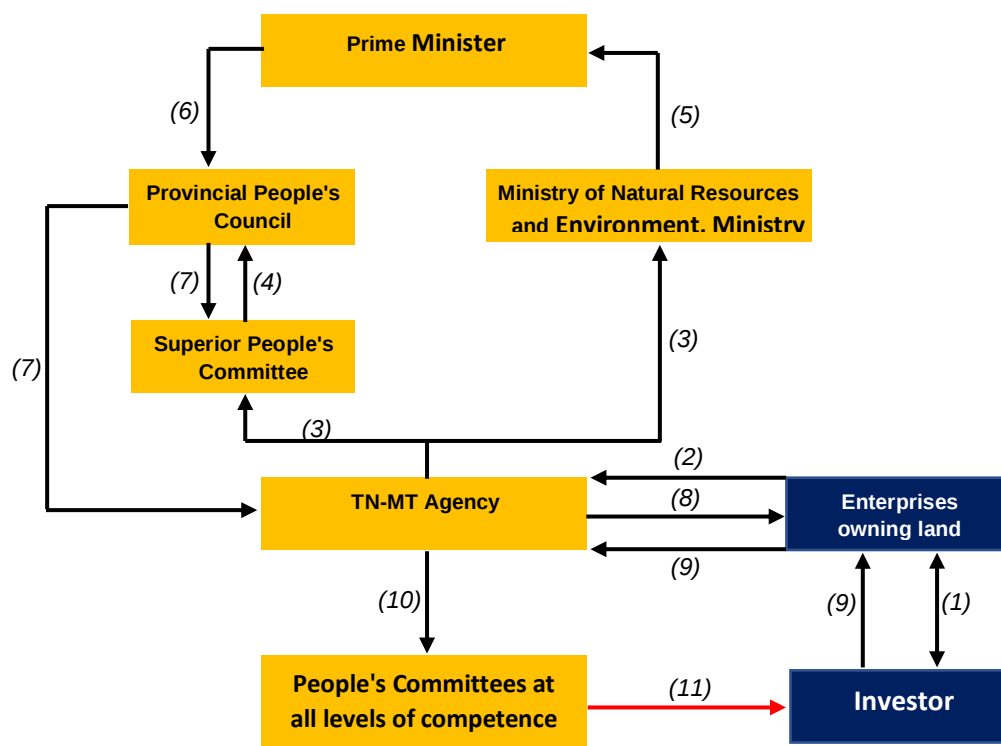
INVESTMENT THESIS

1. Legal bottlenecks related to the procedures for handing over land for the implementation of VSIP3 Industrial Park have been removed, compensation support from VSIP continues to be a factor leading to sudden profit growth in 2Y2022 - 2023

VSIP 3 Industrial Park, invested by The Vietnam - Singapore Industrial Park Joint Venture (VSIP) has been approved by the Prime Minister since 2016, with a scale of 1,000 hectares that has just been approved for the general planning for construction of 1/5,000, currently being accelerated by Binh Duong province and related units to accelerate the completion of the planning, legal as well as land arrangement for phase 1 implementation (196.45 ha). According to the plan, VSIP 3 Industrial Park has an area of 691 hectares in Hoi Nghia rubber farm managed by PHR.

Currently, PHR has liquidated the orchard and allocated land to Binh Duong People's Committee, receiving a part of compensation and damage support of VND 289 billion in Q1/2022. The process of handing over the provincial People's Committee's land to VSIP was relatively slow, largely because of the determination of whether the original source of the land was public land and whether it was necessary to go through a land auction. **BSC realize that this bottleneck has been resolved and clearly guided through Official Letter 2541/CV-TCT dated 18/04/2022 of the Prime Minister's Special Working Group on reviewing and removing difficulties, obstacles, and procedures for implementing investment projects.** Accordingly, investment projects on construction and trading of infrastructure of industrial zones and export processing zones are not subject to auction of land use rights and bidding for investor selection.

The process of converting land use purposes from agriculture to industrial parks is current , not through auction or bidding



Note: (1) Negotiation of clauses, (2) Submission of documents, (3) Verification of documents & Submission of dossiers, (4) (5) Verification, consideration/supplementation of planning, (6) Approval by the Prime Minister, (7) Promulgation of resolutions, (8) Procedural guidance, (9) Fulfillment of financial obligations, gpmb compensation, (10) Submit all dossiers and documents and (11) Land allocation, Award certificates to the investor to lease land for the implementation of the industrial park.

Source: Land Law 2013, Investment Law, BSC Research

Phuoc Hoa Rubber Joint Stock Company has submitted to Vietnam Rubber Industry Group 2 investment cooperation plans with VSIP. Accordingly, (1) PHR will carry out business cooperation and phr's capital contribution rate to VSIP 3 Industrial Park is 20% with the compensation and support amount remaining the same 1.3 billion VND/ha, (2) In case it is impossible to establish a joint venture with VSIP in VSIP 3 Industrial Park, the compensation fee will be from a minimum of 2.5 billion VND/ha. **According to our assessment, both options bring certain money and benefits to PHR to implement industrial park projects in the future.**

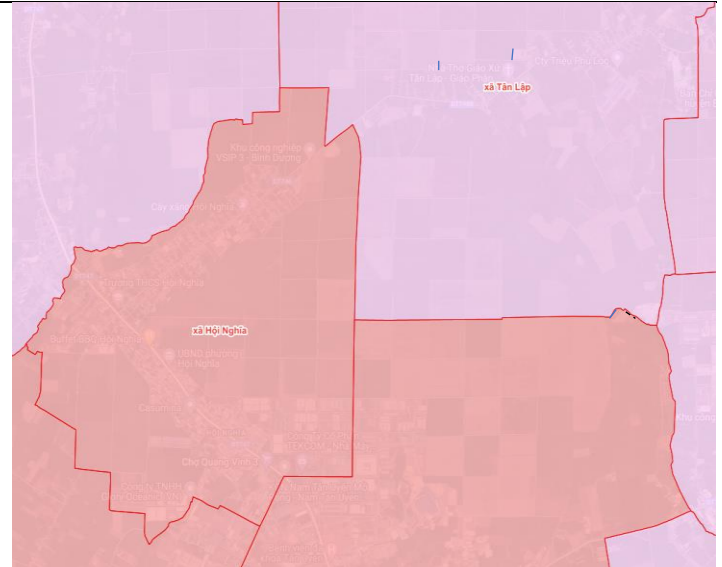
VSIP Industrial Park 3 phase 1 has officially started construction and so far has been almost fully installed by land lease registration contracts. This shows the good absorption rate and the shortage of source supply in Binh Duong province, NTU3 Industrial Park 345.86ha (belonging to NTC affiliated company) located in Tan Uyen town, Binh Duong province only about 1km from VSIP 3 Industrial Park has completed gpmb compensation payment for VND 704/860 billion, partial land use payment and currently also facing legal problems at the land allocation stage of Binh Duong People's Committee like VSIP 3 Industrial Park. **Under the positive impact of dispatch 2541/CV-TCT as well as pressure from the LEGO Group, we believe that PHR will be a double beneficiary of VSIP's compensation and high profit/dividend from NTC when there is a high probability that the enterprise will also be allocated land in the near future.**

Convenient transportation infrastructure at VSIP 3 Industrial Park



Source: VSIP, BSC Research

Location of VSIP 3 Industrial Park and NTU3 Industrial Park



Source: Binh Duong planning information lookup portal, BSC Research

In the past 5 years, PHR has liquidated the orchard relatively evenly but has only converted about 360 hectares of rubber land to industrial park including 12 hectares for Dat Cuc Industrial Park in 2019 and 346 hectares for NTU3 Industrial Park in 2020. **With the legal bottleneck gradually becoming clear and the supply of industrial park land in the region is very limited, PHR is expected to start receiving results from its business strategy.**

2. The rubber segment is stable in the short term thanks to the current selling price, improved exploitation productivity, output rubber products shifted to rubber types with higher selling prices.

The biggest strength of the natural rubber business is to bring stable cash flow in the long run. Since the initial investment costs to build and care for the orchard are incurred mainly in the first 5 years, rubber companies can exploit continuously for the next 20-25 years. The main costs incurred during this time are labor wages and the purchase of raw rubber latex from smallholders (about 1/3 of processing output) while PHR is expected to be more self-reliant in supply source thanks to low-age orchards in Cambodia with plenty of room to improve production.

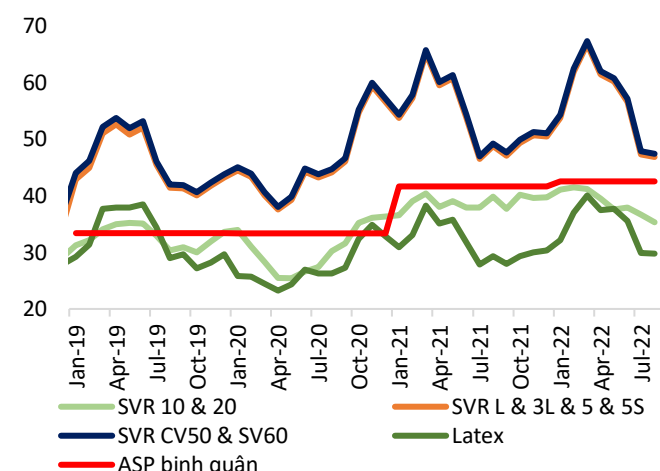
Improved mining productivity, especially in orchards in Cambodia, will help rubber mining output in the near future be improved. As mentioned in [above](#), rubber plantation area in Cambodia (accounting for 53% of the total mining area, 14% higher than the mining area in Vietnam) has only started to fully exploit from 2021, so the exploitation yield is still low. We believe that the catch per tree will be increasing in the coming years, helping PHR reduce the volume of latex purchased from smallholders as well as be more self-reliant on its material source.

Rubber prices recovered sharply from the beginning of 2021 and continued to remain high in 2022. Although there have been times when rubber prices have adjusted down deeply in April 2022 due to concerns about global economic recovery, the price trend is somewhat in sync with previous years due to seasonal factors. We expect PHR's business rubber price in 2022 to remain flat because (1) alternative products to natural rubber such as artificial rubber are also at a high level over the same period according to oil prices, (2) the product structure shifts to technical rubber with higher selling prices.

The structure of output products shifted to marine processed rubber with higher technical quality and selling price.

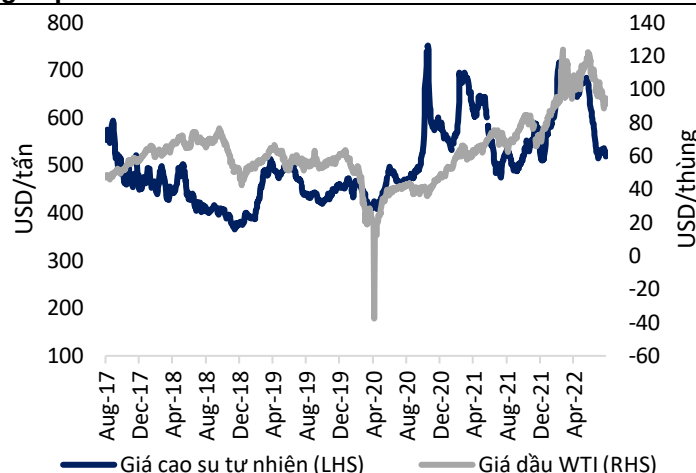
The average selling price of PHR's rubber in Cambodia is only about 35.4 million VND/ton, which is 15% lower than the average selling price of the whole company of 41.6 million VND/ton. The reason is that the products sold in Cambodia are almost raw latex or low technical quality latex. Currently, PHR has started to invest in rubber latex processing plants from SVR 10 & SVR 20 to SVR CV50 & SVR CV60 processing lines with higher selling prices and technical quality in Cambodia. We expect that the shift of product structure to high-quality rubber lines will help PHR's average selling price remain stable.

Latex price of PHR rubber is trading (billion VND/ton)



Source: PHR, GVR, BSC Research

Natural rubber prices are highly correlated with oil and gas prices

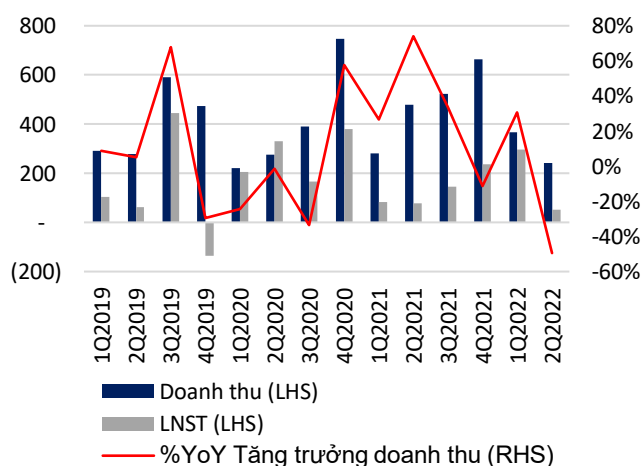


Source: Bloomberg

BUSINESS UPDATE RESULTS 1H2022

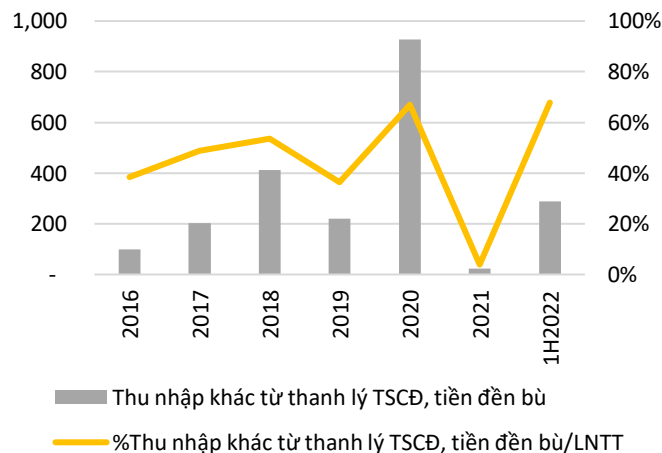
Business results 1H2022: revenue reached VND 607 billion (down -20% YoY) while NPAT reached VND 346 billion (up +116% YoY) thanks to the recognition of VND 289 billion in compensation and early liquidation damage support for the implementation of VSIP 3 Industrial Park. In 1H2022, income from rubber (down -12% YoY) and wood (down -73% YoY) saw a slowdown after 2 years of benefiting from high trading rubber prices. The output of exploited latex and the output of processed latex decreased by -3.72% and -46.62%, respectively. According to the Board of Directors, the reason for the decline of the rubber segment is the lack of latex mining labor affecting the exploitation output and the selling price of rubber decreased by 2.6%.

Business activities with seasonal elements, falling points to record revenue in the last 6 months of the year



Source: PHR

Other income from the liquidation of the rubber garden and compensation for the implementation of the project



Source: PHR

BUSINESS OUTLOOK 2022

BSC forecasts that in 2022, PHR's Revenue will reach 1,990 billion VND (+2% YoY) and NPAT-CĐTS will reach 775 billion VND (+62% YoY) based on the following views:

- Rubber array:** (1) Rubber consumption increased by 2.8% in 2022 and increased by 3.8% in 2023 mainly thanks to improved garden productivity in Cambodia, (2) rubber processing plants in Cambodia started operating in 2023, so the product structure has not changed much and (3) the average rubber selling price is equivalent to 2022 (42 million VND/ton)
- Industrial Park segment:** PHR continues to record sales of industrial park land leases for the old area. We expect that in 2022, Tan Binh Industrial Park will record 8 hectares for lease (compared to ~7ha in 2022).

- **Other income from damage support compensation for the implementation of VSIP 3 Industrial Park:** The negotiation process of contributing 20% of capital to the VSIP 3 industrial park project has not made much positive progress in the past 3 years and it is difficult to establish a joint venture in VSIP 3 Industrial Park. We expect PHR to carry out a plan to receive compensation of at least VND 2.5 billion/ha, receive money in installments according to the project's implementation schedule, in 2022 will record VND 346 billion (equivalent to the progress of VSIP3 Industrial Park phase 1 project), record VND 864 billion in 2023 and VND 518 billion in 2024.

Unit: Billion VND	2018A	2019A	2020A	2021	2022F	2023F
Turnover	1,558	1,639	1,632	1,945	1,990	2,095
% YoY	-6%	5%	0%	19%	2%	5%
Cost of goods sold	(1,283)	(1,286)	(1,243)	(1,429)	(1,456)	(1,525)
Gross profit	274	353	389	517	534	570
Cost of sales	(25)	(28)	(29)	(32)	(31)	(32)
Management costs	(79)	(90)	(84)	(115)	(113)	(115)
EBIT	171	235	275	370	390	423
Financial revenue	163	187	188	237	169	217
Financial costs	(41)	(48)	(54)	(26)	(41)	(50)
Profit/Loss from affiliates	69	(1)	38	(13)	85	70
Profit before tax	770	607	1,382	597	949	1,524
Corporate income tax	(126)	(119)	(257)	(84)	(134)	(214)
Profit after tax	644	488	1,125	513	815	1,309
Minority shareholder benefits	15	38	43	36	40	40
Profit after tax of parent company	628	450	1,082	478	775	1,269
% YoY	93%	-28%	140%	-56%	62%	64%
Basic EPS (VND)	4,014	2,558	7,430	3,081	5,002	8,189
Gross profit margin	18%	22%	24%	27%	27%	27%
Net profit margin	41%	30%	69%	26%	41%	62%
ROE	24%	19%	34%	17%	26%	35%

Nguồn: BSC Research

RISKS

1. Slow implementation of industrial parks. Currently, we do not have much updated information about the industrial zones that PHR is surveying and researching. The risk from these IPs is that the implementation speed is still slow although the industrial park infrastructure investment process has been gradually completed because the legal progress has not been announced, the project implementation history is slow and the leadership positions of Binh Duong province have only just stabilized.

2. The progress of land compensation in VSIP 3 Industrial Park is slower than expected. VSIP 3 Industrial Park phase 1 with a scale of nearly 200 hectares (commercial area of 127 hectares) is under construction, there has been a volume of MOU booked for all 127 hectares. Although according to the planning, VSIP3 Industrial Park phase 2 will be implemented in case phase 1 is 60% full, the possibility of delaying the implementation of phase 2 compared to our expectations may still occur in the context of the macro economy is facing difficulties.

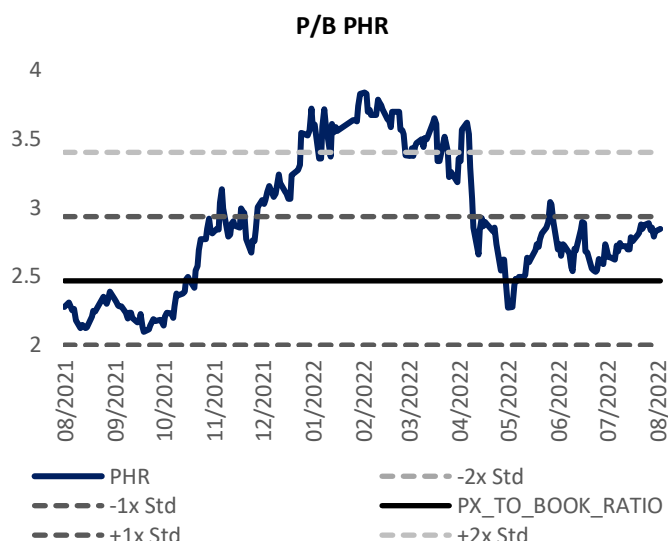
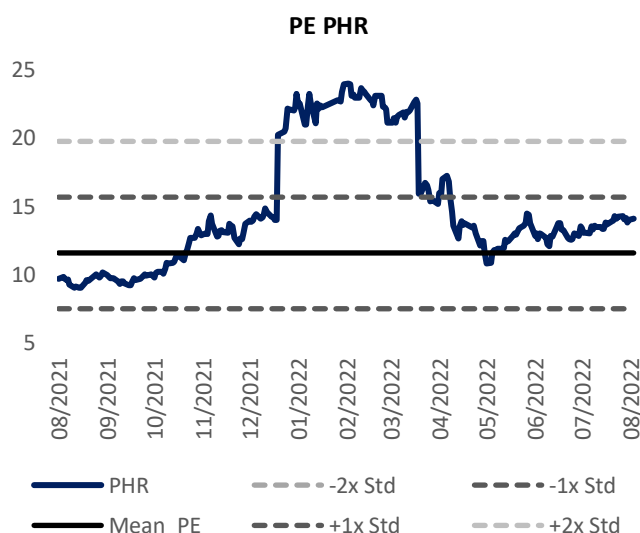
VALUATION

We recommend **Buy** for PHR stock code with a target price of VND 87,000/share, upside 30.8% compared to the closing price on August 18, 2022, according to the partial valuation method based on expectations when the bottleneck at VSIP3 Industrial Park is removed, Phuoc Hoa Rubber JSC will record compensation at VSIP 3 Industrial Park in 2022-2024 and maintain the rubber segment to continue to be stable in the short term. We only include in the valuation those IPs that have relatively clear

information and expect to deploy leasing in the period of 2023-2025. However, due to unspecified risks such as lack of information on the progress of the implementation of the IPs and the ownership rate in VSIP 3, we proceeded to discount 10% of the total value of PHR.

Valuation		
VND Billion	Method	Owned PHR value
Industrial Park		8,191
Tan Binh Industrial Park	RNAV	343
Tan Lap Industrial Park	RNAV	771
Tan Binh Industrial Park expanded	RNAV	3,122
Industrial Park - DT - Hoi Nghia Service	RNAV	2,227
VSIP Land Compensation 3		1,728
Rubber + Wood	DCF	1,170
NTC Affiliates	RNAV	1,927
Total reassessment value		11,288
(+) Money + Short-Term Investment		2,282
(-) Loan debt		(477)
Total enterprise value		13,096
Discount on price	10%	(1,310)
Total business value after discount		11,786
Number of shares (million)		135.5
Current price		66,500
Target price		87,000
Upside potential		30.8%
Dividend yield		6.0%
WACC		12.2%

Source: BSC Research



Source: Bloomberg, BSC Research

APPENDIX

Business performances (Bil VND)	2020	2021	2022F	2023F
Turnover	1,632	1,945	1,990	2,095
Cost of goods sold	(1,243)	(1,429)	(1,456)	(1,525)
Gross profit	389	517	534	570
Cost of sales	(29)	(32)	(31)	(32)

Cashflow Statement (bil VND)	2020	2021	2022F	2023F
(Loss) / PAT	1,382	597	949	1,524
Depreciation and	103	113	122	105
Changes in working capital	(172)	(36)	152	7
Other adjustments	(530)	(420)	(134)	(214)

Management costs	(84)	(115)	(113)	(115)
Operating profit/loss	2,988	3,521	3,590	3,767
Financial revenue	188	237	169	217
Financial costs	(3)	(6)	(5)	(5)
Interest expense	(50)	(20)	(37)	(45)
Profit from joint ventures/associations	38	(13)	85	70
Other profit/loss	935	31	346	864
Profit before taxes	1,382	597	949	1,524
Corporate income tax	(257)	(84)	(134)	(214)
Profit after tax	1,125	513	815	1,309
Non-controlling interests	43	36	40	40
Profit after tax – Noncontrolling interests	1,082	478	775	1,269
EBITDA	3,091	3,634	3,712	3,872
EPS	7,430	3,081	5,002	8,189

Net cash flow from operating activities	784	255	1,090	1,421
Cash for purchase of fixed assets	(89)	(115)	(627)	(911)
Other investments	(662)	430	56	888
Net cash flow from investment activities	(751)	315	(571)	(23)
Dividend payouts	(418)	(636)	(418)	(418)
Cash from net borrowing	127	(222)	59	106
Other revenues	16	-	(0)	0
Net cash flow from	(275)	(858)	(359)	(312)
Beginning of year cash flow	670	428	139	298
Cash flow in the year	(243)	(289)	159	1,086
Ending of year cash flow	428	139	298	1,384

Balance Sheet (bil VND)	2020	2021	2022F	2023F
Short-term assets	3,111	2,738	2,968	3,394
Cash and cash equivalents	428	139	298	1,384
Short-term investment	2,071	1,898	1,984	1,300
Short-term receivables	241	273	245	258
Inventory	294	336	349	359
Other current assets	77	92	92	92
Long-term assets	3,428	3,289	3,927	4,937
Tangible assets	1,781	1,744	1,773	1,818
Long-term unfinished assets	574	531	1,129	1,995
Long-term investment	175	202	202	202
Other long-term assets	899	812	823	923
Total Assets	6,539	6,027	6,896	8,331
Total current liabilities	1,137	1,192	1,921	1,964
Liabilities must pay	52	50	187	218
Short-term loans	116	176	201	250
Other short-term debt	968	966	1,533	1,496
Total long-term debt	2,091	1,726	1,784	2,664
Long-term loans	528	242	276	333
Long-term unrealized revenue	1,485	1,404	1,430	2,252
Other long-term debt	78	80	78	78
Total liabilities	3,228	2,918	3,705	4,627
Capital contribution	1,355	1,355	1,355	1,355
Bonus for equity capital	21	21	21	21
Undelivered profit	531	291	255	602
Other equity	1,294	1,323	1,398	1,525
Minority shareholders	111	120	160	200
Total equity	3,311	3,111	3,190	3,704
Total Capital	6,539	6,029	6,896	8,331
Number of outstanding shares (million)	135	135	135	135

Ratio (%)	2020	2021	2022F	2023F
Liquidity				
Current ratio	2.7	2.3	1.5	1.7
Quick ratio	2.5	2.0	1.4	1.5
Capital structure				
Debt/Total Asset	10%	7%	7%	7%
Debt/Equity	20%	14%	16%	17%
Efficiency				
Days Sales of Inventory	88	86	87	86
Days Sales Outstanding	54	51	45	45
Days Payable	174	149	160	160
CCC	(32)	(11)	(115)	(115)
Profit margin				
Gross margin	24%	27%	27%	27%
Profit after tax margin	69%	26%	41%	62%
ROE	34.0%	16.5%	25.6%	35.3%
ROA	17.2%	8.5%	11.8%	15.7%
Valuation				
PE	9.0	21.6	13.3	8.1
PB	2.82	3.01	2.97	2.57
Growth				
Net revenue growth	0%	19%	2%	5%
EBIT growth	17%	34%	6%	8%
Pre-tax growth	131%	-54%	59%	61%
EPS Growth	190%	-59%	62%	64%

Source: BSC Research

DISCLOSURE

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