

27 Jun 2022

Dong Phu Rubber (DPR)

AGM Briefing: A diamond in the rough

AGM Briefing:

- On Jun 17, we joined DPR's AGM presentation briefing for the upcoming business plan. The management shed some lights on 2022F guidance and its industrial park expansion plan.

2022F: Earnings slump amid the dismal one-off item

- Dong Phu Rubber is among the Vietnam Rubber Group's subsidiaries and specializes in rubber production and industrial park (IP) transformed from the unfertile rubber land.
- In a nightmare of national lockdown, DPR's 2021 business stayed resilient with a 7% yoy revenue and a 142.3% yoy net profit driven by 14% yoy rubber price hike and a VND200bn extraordinary income from land compensation.
- On a prudent hope for a normalization, DPR guides downturn earnings of VND260bn based on a -25.2% yoy revenue growth to VND910bn,
- The management blames a sluggish land compensation income of VND120bn vs VND200bn recorded in 2021 and a tepid rubber price forecast of VND38.8mn/tonne vs a VND42.7mn/tonne realized in 2021.
- The rubber production and rubber liquidation segments account for above 26.4% of total NPAT guidance, followed by an industrial park with 12%, interest income with 15.4%, and land compensation income with 46.2%.
- In 5M22, selling rubber price was VND42.3mn/tonne, -10% yoy and unconsolidated gross profit was pegged at VND55.6bn, +48% yoy, per DPR.
- Since deposit rates continue their upswing, interest income could be bullish in 2H22F, offsetting the gloomy rubber price. Hence, we estimate DPR could beat the guidance by 110-115%
- A 35% cash dividend at par could be paid, equivalent to a 4.6% yield.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

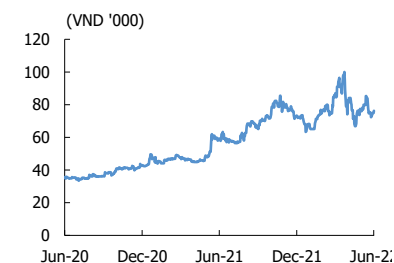
Stock Data

| | |
|------------------------------------|----------------|
| VNIndex (27 Jun, pt) | 1,203 |
| Stock price (27 Jun, VND) | 76,200 |
| Market cap (USD mn) | 141 |
| Shares outstanding (mn) | 43 |
| 52-Week high/low (VND) | 100,000/56,399 |
| 6M avg. daily turnover (USD mn) | 1.47 |
| Free float / Foreign ownership (%) | 39.2/. |
| Major shareholders (%) | |
| GVR | 55.8 |
| Samarang UCITS | 4.99 |
| PYN | 4.96 |

Performance

| | 1M | 6M | 12M |
|--------------------------|-----|------|------|
| Absolute (%) | 0.3 | 4.0 | 28.5 |
| Relative to VNIndex (%p) | 6.4 | 22.7 | 40.8 |

Stock price trend



Source: Bloomberg

| | 2017A | 2018A | 2019A | 2020A | 2021A |
|---------------------------|---------|---------|---------|---------|----------|
| Sales (VND bn) | 1,069.9 | 1,030.1 | 1,033.1 | 1,137.6 | 1,216.8 |
| chg. (% YoY) | 25.4 | (3.7) | 0.3 | 10.1 | 7.0 |
| Operating profit (VND bn) | 224.3 | 241.4 | 169.5 | 209.1 | 311.8 |
| Net profit (VND bn) | 213.1 | 235.4 | 182.9 | 177.9 | 431.1 |
| EPS (VND) | 5,312.0 | 5,865.0 | 4,558.0 | 4,435.0 | 10,335.0 |
| chg. (% YoY) | 38.9 | 10.4 | (22.3) | (2.7) | 133.0 |
| EBITDA (VND bn) | 299.8 | 326.0 | 271.6 | 325.5 | 435.9 |
| PE (x) | 15.1 | 13.7 | 17.6 | 18.1 | 7.5 |
| EV/EBITDA (x) | 9.8 | 9.8 | 11.7 | 9.4 | 6.1 |
| PB (x) | 1.6 | 1.7 | 1.8 | 1.8 | 1.5 |
| ROE (%) | 8.1 | 9.3 | 7.7 | 7.7 | 17.0 |
| Dividend yield (%) | 8.0 | 6.7 | 6.7 | 5.4 | 2.0 |

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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- DPR is trading at 7.1x TTM PE, lower than the 2-year median of 17.4x and the lowest multiple vs the rivals (12.3x)

Industrial park: Saves the best for last

- The management blames that the procedures for asking government approvals in granting IP operation license (Bac Dong Phu IP with 300ha, Nam Dong Phu IP with 500ha) is overly bureaucratic and complex.
- To Bac Dong Phu IP, they work their best to resolve the requirement of Ministry of Planning and Investment by raising the charter capital of IP segment by VND200bn in 2H22F.
- The management expect to get government approval in 2H22F also.
- In contrast, we believe, much needs to be done to bring those IPs into operation including: investment license from Prime Minister, handover approval from Binh Phuoc 's People Committee. Based on our estimates, the operation could commence at the soonest of 1H24F.
- DPR is among the scarce diamond in the rough for those investors who are seeking company's qualified earnings and solid fundamentals. Their healthy balance sheet (no debt, 30% cash balance of total assets as of end-1Q22) and stellar profitability (17% ROE in 2021) are manifesting their charms.
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