

26 Oct 2022

TRAPHACO (TRA)

Be careful to the next step

3Q22: SG&A eroded profit

- On Oct 25, TRA announced 3Q22 business results with a VND604bn revenue (+6.4% yoy, +2.4% qoq) and a VND77bn NPAT (+8.3% yoy, -10% qoq). Gross margin fell from the peak of 62.2% in 2Q22 to 56.5% (+4.4%p yoy) in 3Q22.
- Although we have not yet received the data of the whole sector, based on the data in 2Q22, TRA was one of top five listed companies that had the highest gross margin (DP3: 73%, TRA: 63%, DAN: 51%, DBD: 50%, and DTP: 48%).
- SG&A to sales was 41.1% in 3Q22 (-3.4%p qoq, +4.5%p yoy). On average, the SG&A to sales of last three quarters was around 14.0%, higher than the average of 11-12% in 2020-21. Selling costs accounted for 68% of total SG&A expenses in 9M22. In which, sales staff's salary was about 44% of the sales costs, followed by advertising costs (33%).
- After hitting the top in 2Q22, the net margin downed by 1.8%p to reach 12.7% in 3Q22.
- In 9M22, TRA posted revenue/NPAT of VND1,818bn (+14.4% yoy) and VND251bn (+28% yoy), respectively, fulfilling 78%/88% of full-year guidance.
- The cost of materials accounted for 51% of COGS, followed by staff salaries (19%) in 9M22. In 3Q22, we estimate the cost of material rose 51% qoq.
- Unlike other pharmaceutical manufacturers that heavily depend on imported raw materials (about 70% of material costs are imported ingredients), TRA has the advantage from internal source.
- TRA was certified by the Vietnam Ministry of Health of 5 growing areas for medicinal plants that meet GACP - WHO standards (Good practice for growing and collecting medicinal plants as recommended by the World Organization) in 2016.
- TRA is trading at 13.4x TTM PE, lower than the 3-yrs average of 14.9x, and 3.0x PB, higher than the 3-yrs average of 2.7x.

Non - rated

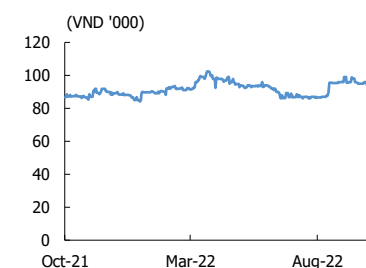
Stock Data

VNIndex (Oct 26, pt)	990
Stock price (Oct 26, VND)	98,000
Market cap (USD mn)	163
Shares outstanding (mn)	41
52-Week high/low (VND)	102,405/84,101
6M avg. daily turnover (USD mn)	0.04
Free float / Foreign ownership (%)	16.2/45.8
Major shareholders (%)	
SCIC	35.67
Magbi Fund Limited	25.00

Performance

	1M	6M	12M
Absolute (%)	2.2	(0.7)	13.3
Relative to VNIndex (%p)	17.7	24.8	41.1

Stock price trend



Source: Bloomberg

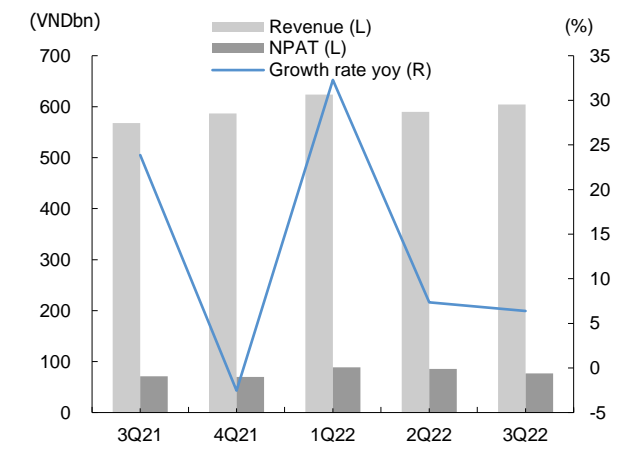
	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,870	1,798	1,710	1,909	2,161
chg. (% YoY)	(6.4)	(3.9)	(4.9)	11.6	13.2
Operating profit (VND bn)	323	227	228	269	327
Net profit (VND bn)	241	156	153	196	242
EPS (VND)	5,650	3,771	3,426	4,185	5,828
chg. (% YoY)	(7.3)	(33.3)	(9.1)	22.2	39.3
EBITDA (VND bn)	365	306	313	351	411
PE (x)	17.3	15.7	15.6	15.9	15.1
EV/EBITDA (x)	13.2	9.4	7.8	7.8	8.3
PB (x)	3.9	2.4	2.1	2.6	3.1
ROE (%)	24.6	15.2	13.8	16.4	21.5
Dividend yield (%)	4.6	1.7	5.6	4.5	3.4

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

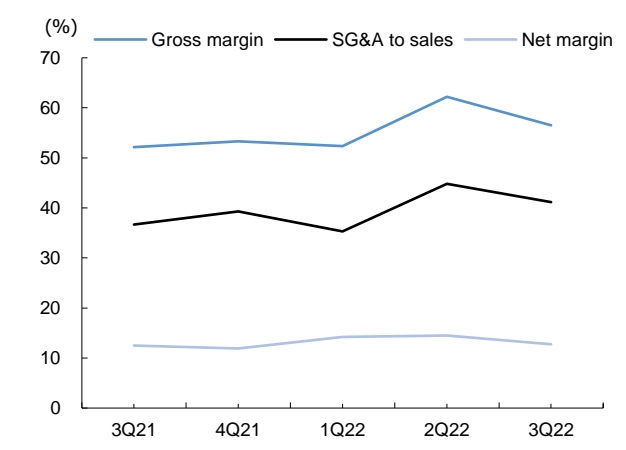
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Figure 1. Revenue and revenue growth rate yoy

Source: Company data, KIS

Figure 2. Gross margin and Net margin by quarters

Source: Company data, KIS

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