

21 Sep 2021

# Dai Thien Loc (DTL)

## August 2021 – Operational updates

Vietnam Steel Association (VSA) released some worthy headlines on the Aug sales of the company. Here are some key issues worthy of note.

### August sales momentum sustained

- The August sales volume remained unchanged comparing on mom basis but went up by 85% yoy to 10,167 tonnes.
- Steel pipes sale volume made up only 337 tonnes (+0% mom, -1.5% yoy).
- Steel coat sale volume came at 9,830 tonnes (+0% mom, +90.8% yoy).
- The domestic sale market contributed a major impact to total coated steel sales volume (98.5%) with 9,683 tonnes (+0% mom, +101% yoy).

### 8M21 performance robust

- The total sale volume in 8 months came in at 68,994 tonnes, +82.7% yoy in the light of the steel coat volume growth of 86.3% yoy to 67,097 tonnes and the steel pipes growth of 9.1% yoy to 1,897 tonnes.
- The total export volume of 2,270 tonnes grew 230.4% yoy and accounted for 3.3% total sales volume. Given the export-focused trend is prevailing in Vietnam steelmakers, DTL's export share in total sales volume was extremely trivial comparing to other rivals, and that could be suffered by severe competition and protective duties in the overseas markets.
- According to the management, DTL is looking for other opportunities in Africa, Europe, and South America markets to ramp up export sale volume in the upcoming years.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N/a**

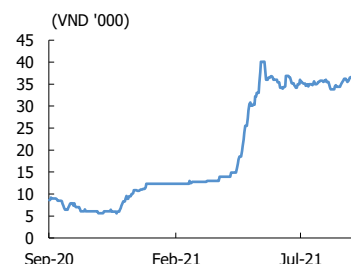
### Stock Data

VNIndex (20 Sep, pt)	1,350
Stock price (20 Sep, VND)	37,000
Market cap (USD mn)	99
Shares outstanding (mn)	61
52-Week high/low (VND)	40,100/5,590
6M avg. daily turnover (USD mn)	0.01
Free float / Foreign ownership (%)	14.3/0
Major shareholders (%)	
Nguyen Thanh Nghia	48.1
Tam Duc Steel Manufacturing Comp	19.5

### Performance

	1M	6M	12M
Absolute (%)	4.2	189.1	330.7
Relative to VNIndex (%p)	2.5	175.2	278.5

### Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	6M21A
Sales (VND bn)	3,166	3,458	2,513	1,982	649
chg. (% YoY)	9.7	9.2	-	-	-
Operating profit (VND bn)	280	65	(4)	158	36
Net profit (VND bn)	201	(17)	(140)	21	10
EPS (VND)	3,179	(281)	(2,286)	346	1,928*
chg. (% YoY)	26.1	-	-	-	-
EBITDA (VND bn)	388	176	113	281	76
PE (x)	11.3	-	-	103.5	18.6*
EV/EBITDA (x)	8.0	19.9	30.2	10.9	9.3*
PB (x)	1.9	2.0	2.2	2.2	2.1*
ROE (%)	19.5	-	-	2.1	12.1*
Dividend yield (%)	0	0	0	0	0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest  
(\* TTM)

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**Hai Nguyen**

hai.nt@kisvn.vn

### Lag behind full-year guidance

- DTL sets for a VND1,800bn revenue and a VND100bn NPAT in 2021. In 1H21, revenue and PBT posted VND648.6bn (-17% yoy) and VND10.1bn (vs. a PBT loss of VND105.6bn in 1H20), completing 36%/9.9% of the company's full-year guidance, respectively.
- In details, 2Q21 PBT was VND8.9bn (vs a PBT loss of VND13.1bn in 2Q20) while revenue rose to VND431.5bn (+13.5% yoy and +98% qoq).
- However, it's likely that DTL could fail behind the full-year guidance owing to the low fulfillment percentage of annual targets in 1H21 and the impact of covid-19 resurgence on the company's 2H21F operation. According to the management, in addition to the decline in local consumption, DTL's production in Thu Dau Mot city has been suspended since 9 July, therefore, 2H21F results could be hit.

**Table 1. Sales volume growth**

(Tonnes)

	Monthly				Accumulated		
	Aug-21	Aug-20	MoM (%)	YoY (%)	8M21	8M20	YoY (%)
<b>Steel Pipes</b>	<b>337</b>	<b>342</b>	<b>0.0</b>	<b>(1.5)</b>	<b>1,897</b>	<b>1,738</b>	<b>9.1</b>
Domestic	337	342	0.0	(1.5)	1,869	1,712	9.2
Export	-	-	-	-	28	26	7.7
<b>Steel Coat</b>	<b>9,830</b>	<b>5,153</b>	<b>0.0</b>	<b>90.8</b>	<b>67,097</b>	<b>36,025</b>	<b>86.3</b>
Domestic	9,683	4,817	0.0	101.0	64,855	35,364	83.4
Export	147	336	0.0	(56.3)	2,242	661	239.2
<b>Total Steel Volume</b>	<b>10,167</b>	<b>5,495</b>	<b>0.0</b>	<b>85.0</b>	<b>68,994</b>	<b>37,763</b>	<b>82.7</b>
Domestic	10,020	5,159	0.0	94.2	66,724	37,076	80.0
Export	147	336	0.0	(56.3)	2,270	687	230.4

Source: Company, VSA, KIS

**Table 2. Production volume growth**

(Tonnes)

	Monthly				Accumulated		
	Aug-21	Aug-20	MoM (%)	YoY (%)	8M21	8M20	YoY (%)
<b>Steel Pipes</b>							
Production	26	282	0.0	(90.8)	1,185	1,273	(6.9)
<b>Steel Coat</b>							
Production	4,666	6,710	0.0	(30.5)	21,890	55,842	(60.8)
<b>Steel Roll Coil</b>							
Production	392	3,692	0.0	(89.4)	4,231	35,948	(88.2)

Source: Company, VSA, KIS

### Company overview & Glossary

Founded in 2001, Dai Thien Loc Corporation operates in iron and steel industry, particularly specializing in manufacturing and trading of zinc-coated sheet and pre-painted galvanized steel sheet.

**Balance sheet**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
Current assets	1,597	1,945	1,975	1,700	1,460
Cash & cash equivalent	28	46	47	8	5
Accounts & other receivables	94	298	213	200	185
Inventory	1,475	1,601	1,715	1,492	1,270
Non-current assets	753	808	732	679	669
Fixed assets	646	562	546	464	439
Investment assets	107	246	186	215	230
Others	79	73	87	50	52
Total assets	2,429	2,826	2,794	2,429	2,181
Accounts & other payables	357	370	534	539	485
ST debt & bond	865	1,276	1,223	858	635
LT debt & financial liabilities	49	50	47	21	41
Total liabilities	1,271	1,696	1,804	1,418	1,161
Controlling interest	1,156	1,129	989	1,010	1,020
Capital stock	614	614	614	614	614
Capital surplus	167	167	167	167	167
Others	23	33	33	33	34
Retained earnings	352	315	175	196	205
Minority interest	0	0	0	0	0
Shareholders' equity	1,156	1,129	989	1,010	1,020

**Income statement**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
Sales	3,166	3,458	2,513	1,982	649
COGS	2,803	3,289	2,424	1,789	599
Gross profit	363	170	89	193	50
SG&A expense	83	105	93	35	14
Operating profit	280	65	(4)	158	36
Financial income	5	4	4	3	0
Interest income	2	2	2	1	-
Financial expense	59	79	89	76	7
Interest expense	58	68	86	74	7
Other non-operating profit	(2)	(3)	(49)	(61)	(19)
Gains (Losses) in associates, subsidiaries, and JV	0	0	0	0	0
Earnings before tax	224	(14)	(137)	25	10
Income taxes	23	3	3	4	0
Net profit	201	(17)	(140)	21	10
Net profit of controlling interest	201	(17)	(140)	21	10
EBITDA	388	176	113	281	76

**Cash flow**

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
C/F from operating	(34)	(245)	79	418	215
Net profit	201	(17)	(140)	21	10
Depreciation & Amortization	108	111	117	123	40
Net incr. in W/C	(353)	(322)	83	300	189
Others	10	(17)	19	(26)	(24)
C/F from investing	4	(138)	(15)	(43)	(35)
CAPEX	(17)	(138)	(21)	(44)	(35)
Net loan granted & purchases of debt instruments	19	(2)	4	0	0
Net purchases of investment in affiliates	0	0	0	0	0
Other	2	2	2	1	0
C/F from financing	(11)	401	(59)	(414)	(183)
Incr. in equity	50	0	0	0	0
Incr. in debts	(56)	410	(23)	(368)	(183)
Dividends	0	0	0	0	0
Others	(5)	(9)	(36)	(46)	0
C/F from others	0	0	0	0	0
Increase in cash	(40)	17	4	(39)	(3)

**Key financial data**

FY-ending Dec.	2017A	2018A	2019A	2020A	6M21A
per share data (VND)					
EPS	3,179	(281)	(2,286)	346	1,928*
BPS	18,655	18,223	15,942	16,334	16,488*
DPS	595.2	0	0	250	0
Growth (%)					
Sales growth	9.7	9.2	-	-	-
OP growth	6.1	(76.8)	-	-	-
NP growth	25.6	-	-	-	-
EPS growth	26.1	-	-	-	-
EBITDA growth	39.6	(39.7)	(37.8)	75.5	-
Profitability (%)					
OP margin	8.8	1.9	-	8.0	5.5
NP margin	6.3	-	-	1.1	1.5
EBITDA margin	12.3	5.1	4.5	14.2	11.7
ROA	8.2	-	-	0.8	5.1*
ROE	19.5	-	-	2.1	12.1*
Dividend yield	0	0	0	0	0
Dividend payout ratio	0	0	0	0	0
Stability					
Net debt (VND bn)	891	1,285	1,222	868	670
Int.-bearing debt/equity (%)	79.0	117.2	127.9	86.3	66.2
Valuation (X)					
PE	11.3	-	-	103.5	18.6*
PB	1.9	2.0	2.2	2.2	2.1*
EV/EBITDA	8.0	19.9	30.2	10.9	9.3*

(\*): Trailing Twelve Month

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Prepared by: Hai Nguyen

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