

31 Oct 2022

# Vietnam Rubber (GVR)

## Swirls of raw material price rally hit

### 3Q22: Heavier cost weighed the operating profit

- Vietnam Rubber Group released the 3Q22 on Oct 28, featuring a VND5,847.2bn revenue (-4.9% yoy, +5.1% qoq) and a VND835.1bn NPATMI (-32.7% yoy, -17.9% qoq).
- The total revenue reduction is attributed to a sluggish rubber cultivation revenue of VND3,847bn, -11.5% yoy, 4% qoq, gloomy value-added rubber product revenue of VND363bn, -32.4% yoy, and the lackluster industrial park of VND264bn, -10.3% yoy. On the contrary, wood processing segment swelled by 42.1% yoy to VND898bn.
- The blended gross margin (GM) contracted by 7%p yoy to 27% in 3Q22, owing to a subdued 9%p yoy GM of the rubber cultivation segment which was hit by the price hike of fertilizers and other material. Hence, gross profit shrank by 24.4 yoy to VND1,581bn in 3Q22.
- Higher SGA to sale expense squeezed the operating profit to VND1,004bn, -35.3% yoy.
- Financial income grew by 32.1% yoy to VND231.8bn thanks to a foreign exchange gain of VND55bn, 2.6x yoy.
- Healthy balance sheet sustained in 3Q22 with a net cash of VND7.8tn, 9.8% of total asset as of end-3Q22.

### 9Q22: NPATMI was flattish thanks to compensation income

- 9M22 revenue slightly fell to VND16.3tn, -4.9% yoy while the NPATMI sustained to VND2.9tn, +3.2% yoy, fulfilling 62.2/69.2% of full-year guidance.
- We attributed the positive 9M22 NPATMI to the compensation income of VND614.7tn recorded in its subsidiary Phuoc Hoa company, offsetting the blended GM contraction of 3%p yoy.

### 4Q22F: Prosperous divestment income could be suspended

- In AGM on June 17, the management could divest their subsidiaries' stake to reap VND750-850bn financial gains. Given the weak broad equity market in 3Q22, we are skeptical about the feasibility of GVR's divestment plans.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	20,047.7	19,713.3	19,804.0	21,116.3	26,189.6
chg. (% YoY)	29.0	(1.7)	0.5	6.6	24.0
Operating profit (VND bn)	3,302.5	2,078.7	2,564.6	2,382.2	5,386.2
Net profit (VND bn)	3,477.8	2,595.6	3,250.2	3,770.7	4,158.2
EPS (VND)	1,271.0	647.0	813.0	943.0	1,040.0
chg. (% YoY)	N.A	(49.1)	25.7	16.0	10.3
EBITDA (VND bn)	4,781.8	3,747.3	4,378.8	4,448.7	7,689.7
PE (x)	11.4	22.4	17.9	15.4	14.0
EV/EBITDA (x)	10.0	17.7	14.3	14.5	8.0
PB (x)	0.9	1.3	1.2	1.2	1.2
ROE (%)	7.5	5.3	6.5	7.4	8.1
Dividend yield (%)	0.0	1.7	4.1	4.1	2.8

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

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12M rating **Non-rated**

12M TP

Up/Downside

#### Stock Data

VNIndex (31 Oct, pt)	1,028
Stock price (31 Oct, VND)	14,400
Market cap (USD mn)	2,319
Shares outstanding (mn)	4,000
52-Week high/low (VND)	41,005/13,300
6M avg. daily turnover (USD mn)	1.78
Free float / Foreign ownership (%)	3.2/50
Major shareholders (%)	
SCIC	96.77
Incontec	0.62

#### Performance

	1M	6M	12M
Absolute (%)	(29.3)	(48.8)	(62.9)
Relative to VNIndex (%p)	(20.2)	(24.8)	(35.1)

#### Stock price trend



Source: Bloomberg

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- GVR is trading at 12.2x TTM PE, and 13.7x 12MF PE, which is not cheap if compared with the 12MF PE of VNINDEX at 9-10x.

**Table 1. Earnings summary**

(VND bn, %, % p)

	2021				2022F				2020	2021	3Q22		Consensus (BB)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF			QoQ	YoY	
<b>Net sales</b>	4,850	5,694	6,151	9,495	4,894	5,562	5,847		21,116.3	26,189.6	5.1	(4.9)	N.A
Rubber cultivation	2,719	3,225	4,346	7,443	2,995	3,699	3,847		12,713.9	17,732.6	4.0	(11.5)	
Value-added rubber products	801	886	537	124	475	(12)	363		2,166.0	2,347.7	(3,125.0)	(32.4)	
Wood processing	882	1,085	632	995	964	1,235	898		3,389.7	3,594.6	(27.3)	42.1	
Industrial park operation	141	121	294	210	138	174	264		890.8	766.7	51.7	(10.3)	
Industrial park service	38	42	21	(1)	19	29	30		220.4	99.8	3.4	42.9	
Utility trading	130	102	122	206	134	197	169		338.9	559.6	(14.2)	38.6	
Other	139	233	199	518	167	240	276		1,396.6	1,088.6	15.0	38.7	
<b>Gross profit</b>	<b>1,396</b>	<b>1,647</b>	<b>2,089</b>	<b>2,443</b>	<b>1,470</b>	<b>1,471</b>	<b>1,581</b>		<b>4,599.2</b>	<b>7,575.3</b>	7.5	(24.3)	N.A
Gross margin	28.8	28.9	34.0	25.7	30.0	26.4	27.0		21.8	28.9	0.6	(7.0)	
SG&A	403.9	679.4	537.6	568.2	458.7	528.5	577.1		2,217.0	2,189.1	9.2	7.4	
<b>Operating profit</b>	992	968	1,551	1,875	1,011	943	1,004		2,382.2	5,386.2	6.5	(35.3)	
Associate's income	114.8	85.6	30.2	54.9	52.8	69.8	47.5		319.4	285.5	(31.9)	57.3	
Financial income	186.5	186.30	175.46	282.56	178.21	238.72	231.81		2,968.4	830.8	(2.9)	32.1	
Interest income	156.1	171.9	156.3	185.2	139.7	166.4	166.7		806.1	694.3	0.2	6.7	
Financial expense	46.9	251.5	176.0	244.7	145.3	169.1	153.5		867.1	719.2	(9.2)	(12.8)	
Interest expense	147.1	138.0	147.1	150.0	145.3	114.2	125.8		726.1	608.0	10.2	(14.5)	
Net other income	57.4	276.3	88.7	7.1	402.0	316.1	51.5		1,108.2	429.4	(83.7)	(41.9)	
EBT	1,304.0	1,264.5	1,670.0	1,974.4	1,499.3	1,397.8	1,180.7		5,911.2	6,212.8	(15.5)	(29.3)	
Net profit	1,216.2	1,066.0	1,533.5	1,524.3	1,315.6	1,177.6	993.9		5,076.4	5,340.1	(15.6)	(35.2)	
<b>NP of controlling interest</b>	817.9	759.8	1,240.5	1,339.8	1,055.1	1,017.1	835.1		3,770.7	4,158.2	(17.9)	(32.7)	N.A
EBITDA	1,539	1,516	2,179	2,417	1,636	1,512	1,618		4,448.7	7,689.7	7.0	(25.8)	
EBITDA margin	31.7	26.6	35.4	25.5	33.4	27.2	27.7		21.1	29.4	0.5	(7.7)	
OP margin	20.5	17.0	25.2	19.7	20.7	17.0	17.2	39.5	11.3	20.6	0.2	(8.0)	

Source: Company data, KIS

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