

1 Feb 2023

Vietnam Rubber (GVR)

Luminous in the last quarter

4Q22: Thriving in the hardship

- Vietnam Rubber Group released the 4Q22 on Jan 31, featuring a VND9,012.7bn revenue (-5.1 yoy, +54.1% qoq) and a VND1,310.9bn NPAT (-14% yoy, +31.9% qoq).
- The total revenue reduction arose from its cored poor rubber cultivation revenue of VND6,710.2bn, -9.8% yoy, +74.4% qoq and lackluster wood processing business of VND898.7bn, -9.7% yoy
- Value-added rubber product revenue gained the spotlight with a VND644.9bn, 5x yoy, +77.5% qoq. However, 4Q22 is still lower than the average revenue of VND800-886bn per quarter in 1H21 where the demand for glove rubber spiked amid the tense COVID-19 crisis.
- The industrial park operation and services grew steadily at VND294.1bn, 24.3 yoy. The utility trading segment also fared well with VND227bn, +10.4% yoy, +34.3% qoq.
- The blended gross margin (GM) contracted by 7%p yoy, -8.3%p qoq to 21.8% in 4Q22, owing to a 7.4%p yoy GM narrow of the rubber cultivation segment which was hit by the price hike of fertilizers and other material. Hence, gross profit shrank by 30.9 yoy to VND1,688bn in 4Q22.
- Higher SGA to sale expense due to costlier transportation cost squeezed the operating profit to VND912.8bn, -51.3% yoy.
- Reaping a VND432.2bn compensation from VSIP joint venture via its subsidiary Phuoc Hoa Rubber JSC (PHR VN Equity, Non-rated) pushed the net other income up by 81.2x yoy to total VND581.5bn in 4Q22.
- Healthy balance sheet sustained with a net cash of VND8tn, 10% of total asset as of end-4Q22.

12M rating **Non-rated**

12M TP

Up/Downside

Stock Data

VNIndex (01 Feb, pt)	1,106
Stock price (01 Feb, VND)	16,600
Market cap (USD mn)	2,831
Shares outstanding (mn)	4,000
52-Week high/low (VND)	36,037/10,000
6M avg. daily turnover (USD mn)	1.58
Free float / Foreign ownership (%)	3.2/6
Major shareholders (%)	
SCIC	96.77
Incontec	0.62

Performance

	1M	6M	12M
Absolute (%)	20.3	(31.1)	(45.4)
Relative to VNIndex (%)	10.4	(21.5)	(21.3)

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022P
Sales (VND bn)	19,713.3	19,804.0	21,116.3	26,189.6	25,315.2
chg. (% YoY)	(1.7)	0.5	6.6	24.0	(3.3)
Operating profit (VND bn)	2,078.7	2,564.6	2,382.2	5,386.2	3,870.1
Net profit (VND bn)	2,595.6	3,250.2	3,770.7	4,158.2	3,818.9
EPS (VND)	647.0	813.0	943.0	1,040.0	955.0
chg. (% YoY)	(49.1)	25.7	16.0	10.3	(8.2)
EBITDA (VND bn)	3,747.3	4,378.8	4,448.7	7,689.7	6,262.9
PE (x)	25.7	20.6	17.7	16.1	17.5
EV/EBITDA (x)	20.0	16.3	16.5	9.2	11.2
PB (x)	1.5	1.4	1.4	1.4	1.4
ROE (%)	5.3	6.5	7.4	8.1	7.3
Dividend yield (%)	1.5	3.6	3.6	2.5	0.0

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

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Divestment income could be a new fuel engine

- 2022 revenue stayed flattish at VND16.3tn, -3.3% yoy while the NPAT sustained to VND2.9tn, -10.2% yoy, fulfilling 92.2/89.9% of full-year guidance. Part of earnings growth belongs to the compensation income of VND1,047bn recorded in its subsidiary Phuoc Hoa company, offsetting the blended GM contraction of 4.4%p yoy.
- The company lagged behind the guidance due to the postponement of stake divestment (guided financial gains of VND750-820bn) in its subsidiaries and associates. The steep market dip in 2Q22-4Q22 forced the company to delay and that could be a growth catalyst in 2023-24F business performance
- GVR is trading at 11.2x 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				2022P				2021	2022P	4Q22		Consensus (BB)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QP			QoQ	YoY	
Net sales	4,849.7	5,693.9	6,151.0	9,495.0	4,893.5	5,561.8	5,847.2	9,012.7	26,189.6	25,315.2	54.1	(5.1)	N.A
Rubber cultivation	2,719.0	3,225.4	4,345.9	7,442.3	2,995.4	3,699.0	3,846.7	6,710.2	17,732.6	17,732.6	74.4	(9.8)	
Value-added rubber products	800.9	886.2	537.3	123.3	475.5	(11.5)	363.4	644.9	2,347.7	2,347.7	77.7	421.1	
Wood processing	882.4	1,085.0	631.7	995.5	964.4	1,234.9	898.1	898.7	3,594.6	3,594.6	0.1	(9.7)	
Industrial park operation	141.5	121.4	294.4	209.4	138.0	174.3	264.0	240.3	766.7	766.7	(9.0)	14.4	
Industrial park service	37.5	42.0	20.8	-0.5	19.4	28.7	30.1	19.4	99.8	99.8	(35.3)	N.M	
Utility trading	129.8	102.2	121.9	205.7	134.0	197.0	169.0	227.0	559.6	559.6	34.3	10.2	
Other	138.6	231.7	199.0	519.3	166.8	239.4	275.9	272.2	1,088.6	214.2	(1.4)	(47.5)	
Gross profit	1,396.2	1,647.2	2,089.3	2,442.6	1,470.2	1,470.9	1,580.5	1,688.0	7,575.3	6,209.5	6.8	(30.9)	N.A
Gross margin	28.8	28.9	34.0	25.7	30.0	26.4	27.0	18.7	28.9	24.5	(8.3)	(7.0)	
SG&A	403.9	679.4	537.6	568.2	458.7	528.5	577.1	775.2	2,189.1	2,339.4	34.3	36.4	
Operating profit	992.3	967.8	1,551.7	1,874.4	1,011.5	942.4	1,003.4	912.8	5,386.2	3,870.1	(9.1)	(51.3)	
Associate's income	114.8	85.6	30.2	54.9	52.8	69.8	47.5	128.6	285.5	298.7	170.7	134.3	
Financial income	186.5	186.3	175.5	282.6	178.2	238.7	231.8	267.5	830.8	916.3	15.4	(5.3)	
Interest income	156.1	171.9	156.3	185.2	139.7	166.4	166.7	190.5	694.3	695.3	14.3	2.8	
Financial expense	46.9	251.5	176.0	244.7	145.3	169.1	153.5	231.0	719.2	698.9	50.5	(5.6)	
Interest expense	147.1	138.0	147.1	150.0	145.3	114.2	125.8	135.2	608.0	609.0	7.5	(9.9)	
Net other income	57.4	276.3	88.7	7.1	402.0	316.1	51.5	581.5	429.4	1,351.0	1,029.1	8,089.7	
EBT	1,304.0	1,264.5	1,670.0	1,974.4	1,499.3	1,397.8	1,180.7	1,659.5	6,212.8	5,737.2	40.6	(16.0)	
Net profit	1,216.2	1,066.0	1,533.5	1,524.3	1,315.6	1,177.6	993.9	1,310.9	5,340.1	4,797.9	31.9	(14.0)	
NP of controlling interest	817.9	759.9	1,240.5	1,339.9	1,055.1	1,017.1	835.1	911.6	4,158.2	3,818.9	9.2	(32.0)	N.A
EBITDA	1,539.5	1,515.8	2,179.9	2,416.9	1,636.6	1,511.5	1,617.0	1,511.0	7,689.7	3,870.1	(6.6)	(37.5)	
EBITDA margin	31.7	26.6	35.4	25.5	33.4	27.2	27.7	16.8	29.4	15.3	(10.9)	(8.7)	
OP margin	20.5	17.0	25.2	19.7	20.7	16.9	17.2	39.5	20.6	15.3	22.3	19.8	

Source: Company data, KIS

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