MIRAE ASSET
Building on principles

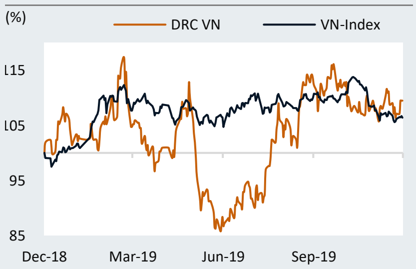
Tire

Initiation Report
February 11, 2020

(Initiate)	**BUY**
Target Price (12M, VND)	30,700
Share Price (10/02/20, VND)	23,100
Expected Return	33%

NP (19F, VNDbn)	250
Consensus NP (19F, VNDbn)	215
EPS Growth (19F, %)	80.6%
Market EPS Growth (19F, %)	10%
P/E (19F, x)	14.9
Market P/E (19F, x)	14.8
VN INDEX	935.5
Market Cap (VNDbn)	2,756
Shares Outstanding (mn)	119
Free Float (%)	46.5
Foreign Ownership (%)	23.3
Beta (12M)	0.7
52-Week Low	17,950
52-Week High	26,250

(%)	1M	6M	12M
Absolute	1.1	-2.1	7.9
Relative	2.6	1.3	0.0



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DA NANG RUBBER JOINT STOCK COMPANY

(DRC VN EQUITY)

Resilience from radial tires

Key takeaway

Da Nang Rubber Joint Stock Company (DRC) has improved the quality of its radial tires, which now have a lifespan of 80,000–100,000 km, 20,000 km higher than comparable Chinese tires, but priced around 15–25% below brand-name tires, such as Yokohama and Michelin. We believe this combination of high quality and competitive prices has helped DRC to finalize three-year export (FY20–FY22) contracts to Brazil and the US. In addition, rubber prices are forecast to remain at a low level in FY20-FY22, which should allow DRC to increase its gross profit margin to 15.9% in FY20–FY22, up from 14.8% in FY19. We forecast radial tire sales and revenue in FY20 to be 603,000 tires (+18% YoY, 101% capacity) and VND2,261bn (+18% YoY), respectively.

In addition, DRC's radial factory No. 1 will be fully depreciated from FY21, which will save the company VND266bn in depreciation expenses. Thus, NPAT is forecast to rise significantly in FY21 to VND526bn (+62.6% YoY, FY21 P/E of 6.7x).

Investment highlights

Two radial tire factories to operate at 101% capacity in FY20: With improved radial tire quality, the lifespan of DRC's radial tires has increased from 50,000 km to 80,000–100,000 km without increasing prices. Hence, we project sales of radial tires at 603,000 tires (+18% YoY; 101% capacity) in FY20 and 664,000 tires (+10% YoY, 110% capacity) in FY21. Forecast revenue for FY20 and FY21 are VND2,261bn (+18% YoY; 55.1% of total revenue) and VND2,500bn (+10.6% YoY; 61.9% of total revenue), respectively.

Radial factory No. 1 will be fully depreciated in FY21: We estimate that total depreciation expenses will increase sharply (+28% YoY) to VND340bn in FY20, due to the operation of radial factory No. 2 (total investment of VND511bn, seven years of depreciation). However, from FY21, radial factory No. 1 will be fully depreciated, saving VND262bn in depreciation expenses. Thus, we forecast depreciation expenses in FY21 at VND88.6bn (-74% YoY), raising FY21 NPAT to VND526bn (+62.6% YoY).

Decree 49/2011/TT-QDg requires bias tires to be converted to semi-radial and radial tires: From the beginning of FY18, all vehicles have been required to meet EURO 4 emissions standards. All commercial vehicles must switch from bias to semi-radial or radial tires, due to the superior fuel efficiency. Consequently, we forecast that bias tire sales will continue to decline in the FY20–FY25 period by an average of 5% per year, with projected bias tire sales of 594,000 tires (-5% YoY) in FY20 and 570,800 (-4% YoY) in FY21. We project DRC's revenue from bias tires at VND1,040bn (-4.8% YoY; 25.4% of total revenue) in FY19 and VND1,048bn (-5.6% YoY; 24.3% of total revenue) in FY20.

Valuation

We initiate coverage of Da Nang Rubber Joint Stock Company (DRC) with a Buy recommendation and target price of VND30,700 per share (upside of +33%), using the DCF valuation method, with g = 1%. Our target price assumes FY20 P/E of 14.2x, based on the following assumptions: 1) Radial tire factories running at maximum capacity from FY20; 2) the export market continues to benefit from tariffs on Chinese tires; 3) depreciation expenses of radial factory No. 1 will end in FY21.

FY (Dec.)	FY17	FY18	FY19	FY20	FY21
Revenue (VNDbn)	3,669	3,551	3,858	4,199	4,036
EBIT (VNDbn)	273.3	261.1	383.4	402.3	760.4
EBIT margin (%)	7.4%	7.4%	9.9%	9.6%	18.8%
NPAT (VNDbn)	166.0	138.6	250.4	264.0	561.3
EPS (VND)	1,398	1,167	2,108	2,222	4,725
ROE (%)	4.5%	3.9%	6.5%	6.3%	13.9%
P/E (x)	24.3	29.5	15	14.2	6.7
P/B (x)	1.5	1.4	1.5	1.3	1.2
Dividend yield (%)	9%	5%	5%	5%	8%

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Valuation and Recommendation

We recommend BUY for the Danang Rubber Joint Stock Company (HOSE: DRC) with a target price of VND30,700/share (upside: +33%). We used the DCF valuation method for DRC stock, due to its strong operating cash flow and improvement in profit margin in the period FY20–FY25.

The valuation model for FY20–FY25 includes the following catalysts: 1) Radial tire factories running at maximum capacity from FY20; 2) the export market continues to benefit from tariffs on Chinese tires; 3) depreciation expenses of radial factory No. 1 will end in FY21.

In the DCF valuation method, we used a permanent-growth rate (g) of 1% and the cost of capital (WACC) of 14.2% (including the risk-free rate of 4.8%, the expected return on the market field is 11% and beta corresponds to 1.1). Based on those factors, we calculated the fair value of DRC shares at VND30,700/share (upside: +35%), equivalent to FY20 P/E of 14.2x.

Table 1: DCF valuation of DRC

VND mn	FY20	FY21	FY22	FY23	FY24	Terminal
Revenue	4,097,931	4,036,325	4,104,241	4,103,302	4,111,454	
EBIT	450,249	691,015	696,361	638,182	597,154	
(-) Tax	90,050	138,203	139,272	127,636	119,431	
(+) D&A	340,159	88,607	85,095	81,604	69,483	
(-) Change in WC	(244,026)	18,915	12,071	(70,846)	(76,343)	
(-) CAPEX	(64,449)	(64,451)	(65,740)	(67,029)	(68,344)	
Free cash flow	391,883	595,883	588,515	454,275	402,519	3,043,965
Discount factor	0.92	0.84	0.77	0.70	0.64	
NPV of FCF	3,043,965				WACC	9.5%
NPV of terminal value	1,781,953				g	1%
Enterprise value	4,280,372				rf	4.8%
Total debt	(680,632)				Beta	0.70
Equity value	3,645,445				rm	8.5%
# of shares outstanding	118,792,600				Re	10.8%
Value per share (VND)	**VND 30,687**				Rd	7.6%

Table 2: Emerging-market peer valuation

Name	Ticker	Mkt cap (US$)	BF P/E	EV/EBITDA	EV/EBIT	EV/Rev	LF P/BV
Danang Rubber JSC	DRC VN	118,931,016	12.0x	5.1x	9.4x	0.8x	1.7x
Eastern Polymer Group PCL	EPG TB	584,977,602	14.4x	10.2x	15.9x	1.6x	1.7x
Sheela Foam Ltd	SFL IN	877,198,612	28.9x	18.5x	22.3x	2.3x	7.6x
TK Group Holdings Ltd	2283 HK	423,778,597	8.5x	5.7x	7.2x	1.2x	3.1x
Anhui Zhongding Sealing Parts	000887 CH	1,490,294,996	9.6x	7.2x	9.2x	1.0x	1.2x
ATA IMS Bhd	AIB MK	519,452,497	14.5x	9.7x	11.2x	0.6x	3.3x
Sri Trang Agro-Industry PCL	STA TB	514,461,934	19.8x	9.2x	24.4x	0.5x	0.6x
Zhejiang Double Arrow Rubber	002381 CH	490,065,032	10.5x	7.1x	8.1x	1.6x	2.0x
Kossan Rubber Industries	KRI MK	1,317,052,914	20.7x	13.3x	17.2x	2.2x	3.9x
SKP Resources Bhd	SKP MK	411,983,641	13.2x	7.8x	8.9x	0.7x	2.7x
Mean			**15.2**	**9.4**	**13.4**	**1.3**	**2.8**

Source: Capital IW, Bloomberg, MAS VN Research

Investment highlights

1. Radial tire segment to benefit from product quality improvements and tariffs

a. Radial tire factories forecast to run at 101% capacity by FY20

Quality of DRC's radial tires closing in on international brands: In 2018, DRC partnered with Finnish tire developer Black Donuts Engineering Inc. to improve the quality of its radial tires**.** The company's efforts have borne fruit, with the average lifespan of its radial tires improving from 50,000–60,000 km to 90,000–100,000 km, about 85%–90% of the lifespans of tires from high-end manufacturers such as Yokohama and Michelin. Notably, the selling price of DRC is 20%–25% cheaper than those of its rivals (see Table 3). We believe this combination of improved quality and competitive pricing will help DRC achieve 70% capacity (about 211,000 units) of radial factory No. 2 in its first year of operation, instead of four years, as was the case for radial factory No. 1. Therefore, we expect combined volume and sales of the two radial tire factories in FY20 to reach 603,000 units (+18% YoY, 101% capacity) and VND2,261bn (+18% YoY), respectively.

DRC tire segment expected to contribute over 50% of revenue and NPAT in FY20–FY25: The main growth catalysts for radial tires come from three factors: 1) Quality improvement; 2) growth in road freight volume (see Figure 1a); and 3) Circular 49/2011/QD-TTg, which requires bias tires to be converted to semi-radial and radial tires in order to meet EURO 4 emissions standards. Prioritizing the use of domestically-made tires to improve the localization rate.

Figure 1a: Total volume of road freight transport (FY95-FY19)

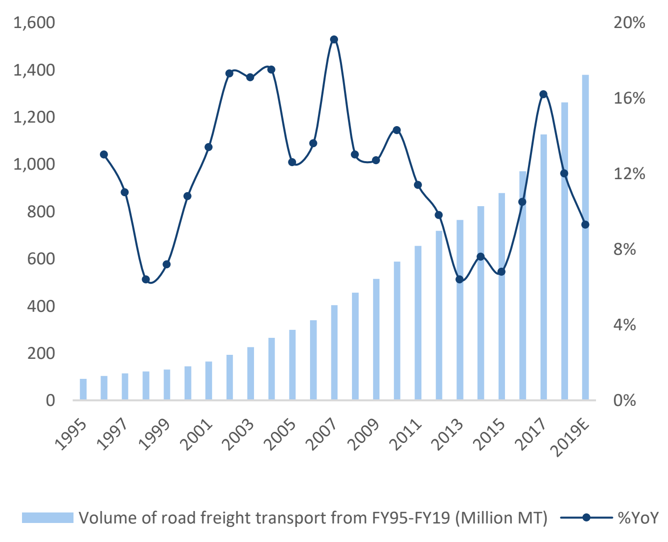
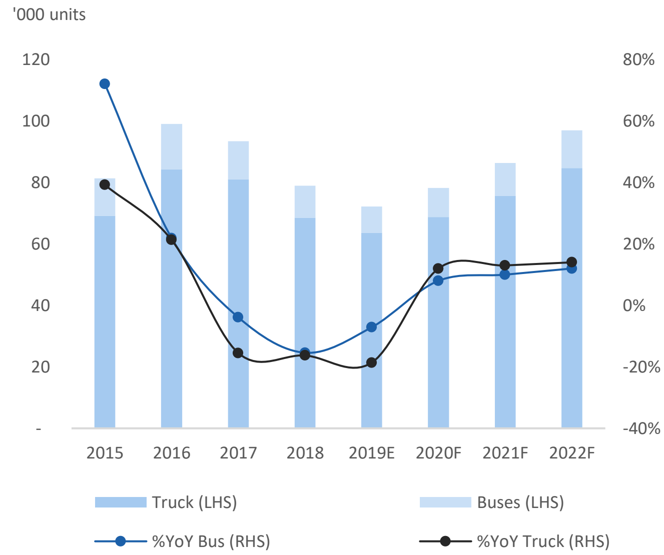


Figure 1b: Forecast truck and bus sales (FY19-FY22)

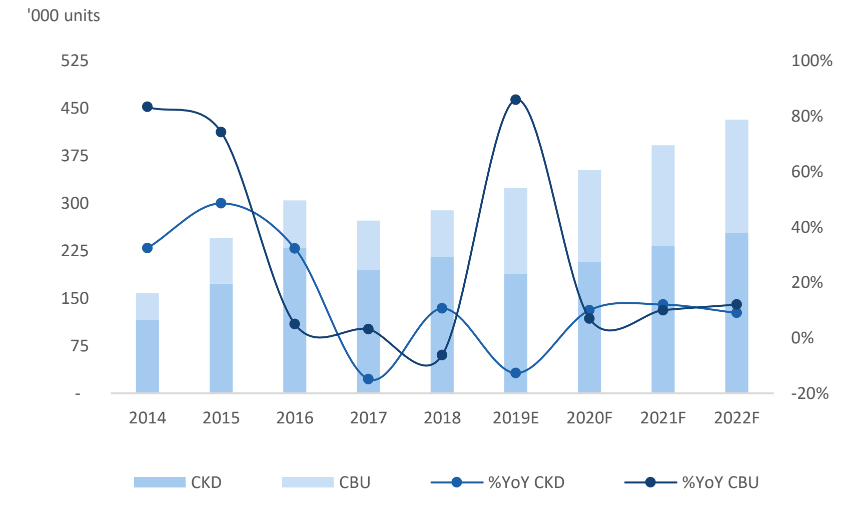


Source: GSO, Ministry of Transportation, MAS VN Research

Growth in road transport volume (CAGR 8.9% YoY during FY10–FY19E) boosts replacement tire demand: We estimate that FY10–FY19E passenger volume grew at a CAGR of 8.9% YoY, with FY19 freight volume reaching 1,379mn MT (+9.3% YoY). With continued improvement in infrastructure, including completion of the North-South expressway system, as well as provincial highways, we forecast the volume of goods in FY20–FY29 will maintain a CAGR of 8.8%, equivalent to FY29 freight volume of 3,205mn MT.

Truck sales expected to grow at CAGR of 8.8%/YoY in FY20–FY29: The second factor that drives the growth of radial tire sales in Vietnam is the demand for cargo and passenger vehicles. The FY15–FY16 period witnessed a boom in demand for transport vehicles, with FY16 truck sales reaching 98,900 units (+21.7% YoY). However, during the FY16–FY18 period, passenger vehicle sales were driven by improved infrastructure that helped improve vehicle efficiency. In the FY19–FY22 period, we estimate that the demand for transport equipment will recover when the growth of road transport is maintained at a CAGR of 8.8% YoY in the FY20–FY29 period. We forecast commercial vehicle sales in FY22 to reach 97,130 units (+12% YoY).

Figure 2: Forecast sales of CKD/CBU vehicle period FY19-FY22



Source: VAMA, MAS VN Research

Decree 92/2016/TT-CP encourages businesses to increase domestic parts content by cutting 5%–20% of tariffs: In particular, Decree 92 only offers tax incentives for vehicles with a domestic parts content of over 40%, thereby providing an incentive for truck manufacturers to use domestic tires. At the same time, we forecast that the number of Completely Knocked Down (CKD) vehicles (domestically assembled) in the FY20-FY22 period will grow at a CAGR of 6.7% YoY, equivalent to FY22 CKD volume of 252,806 units (+9% YoY). thanks to the expansion of factory capacity by Thaco (from 45,000 vehicles to 150,000 cars) and Thanh Cong Auto (from 60,000 vehicles to 100,000 vehicles). We think that DRC will be the greatest beneficiary among domestic manufacturers, thanks to the improved quality of its radial truck tires, which now have a lifespan of 80,000–90,000 km, 30–40% better than those of Chinese rivals, but at prices only 15–20% higher (as shown in Table 3).

Table 3: Comparison of radial tire prices

	Country of origin	Importing country	Details	Rim size (inches)	Price without accessories (US$/two tires)
Kumho	Korea	Korea	235/60R17 Radial 798	17	241
VHEAL GINSTIN	China	China	295/75R22	22	186
Michelin	French	Thailand	265/65 R17 112H	17	319
DRC	**Vietnam**	**Vietnam**	**265/65ZR18**	**18**	**267**
CSM	**Vietnam**	**Vietnam**	**235/65M18**	**18**	**233**
Yokohama	Japan	Japan	Malaysia	17	357
Dunlop	Japan	Malaysia	225/45 R17 LM730	17	259
Continental	USA	Malaysia	225/45R17 MC5	17	259
Noble	China	China	245/70R17	17	150
Bridestone	Japan	Thailand	265/65 R17 D693	17	250
Kebek	China	China	225/45ZR17	17	148
Sangdong Linglong	China	Thailand	225/45R17	17	171
Maxxis	Taiwan	Thailand	265/60R17	17	270

Source: Alibaba, Tirexis, Taobao, MAS VN Research

Radial factories expected to run at 101% capacity from FY20: We forecast DRC radial tire sales volume to increase to 603,000 tires (+18% YoY) in FY20 and 663,000 tires (+10.6% YoY) in FY21 (see Figure 3b), with revenue of VND2,261bn (+18% YoY; 55.2% of total revenue) in FY20 and VND2,500bn (+10% YoY; 61.9% of total revenue) in FY21. Moreover, we estimate domestic radial tire revenue will account for 35% of total radial tire revenue in FY20 and 40% in FY21, equal to VND791bn and VND1,000bn, respectively (see Figure 3a).

Figure 3a: Forecast revenue of radial tires (VND bn)

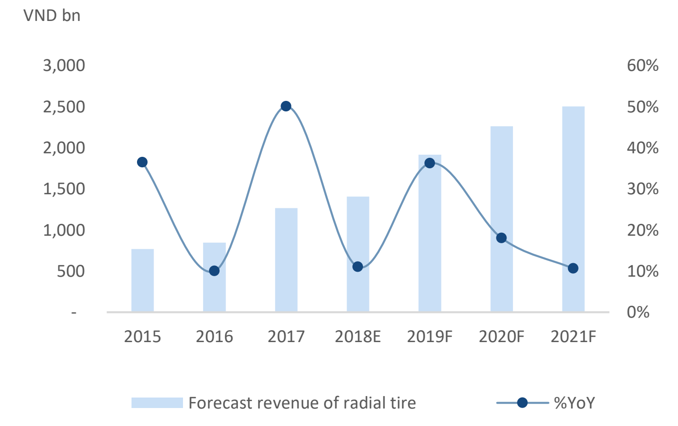
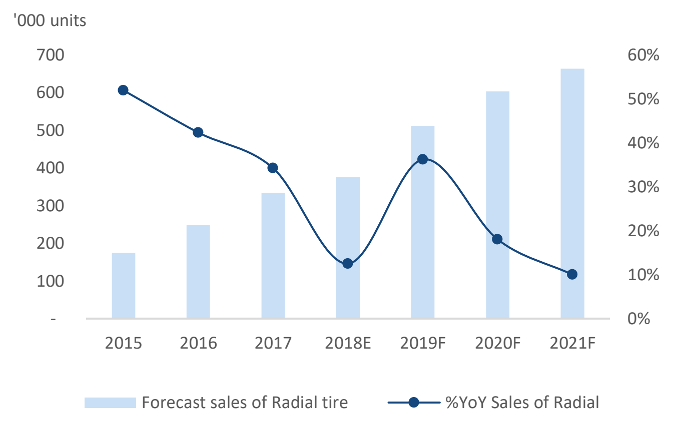


Figure 3b: Forecast sales of radial tires ('000 units)



Source: DRC, MAS VN Research

b. Bias tire segment expected to continue to decline sharply, due to impact of Decree 49/2011/QD-TTg

Decree 49/2011/QD-TTg has sharply reduced bias tire revenue from FY18: From the beginning of FY18, all bias tires for passenger cars and truck were to switch to radial or semi-radial tires to meet EURO 4 emissions standards. Bias tire volume in FY19 plummeted to 625,900 tires (-5.7% YoY), with revenue of VND1,092bn (-8.6% YoY). We believe that the downward trend of bias tire sales will continue, at a rate of -5% YoY in the period of FY20–FY25, as new trucks gradually replace old bias tires. We forecast bias tire revenue at VND1,040bn (-4.8% YoY; 25.4% of total revenue) in FY20 and VND981bn (-5.6% YoY; 24.3% of total revenue) in FY21. In particular, we forecast that bias tires' gross profit margin will decrease to 23%–24% (versus gross profit margin of 10% in FY17), due to competition from low-quality imported bias tires. We forecast a gross profit of bias tires of VND249bn (-8% YoY) in FY20 and VND232bn (-7% YoY) in FY21.

Figure 4a: Forecast revenue of bias tires (VND bn)

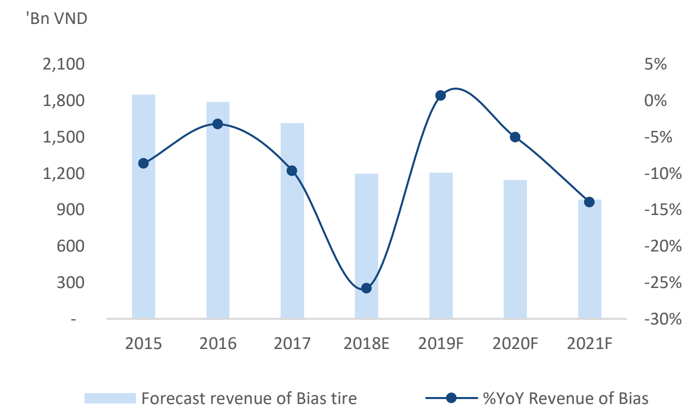
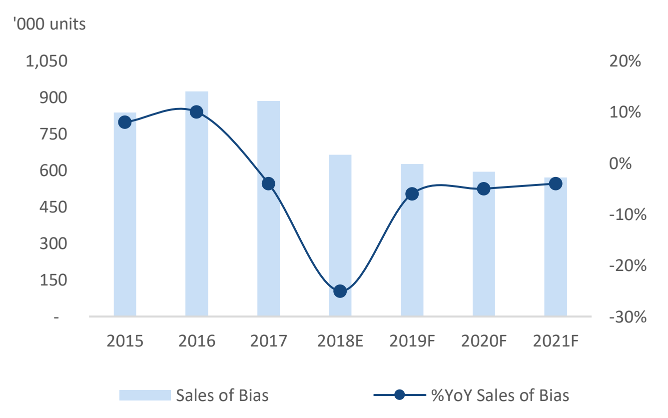


Figure 4b: Forecast sales of bias tires ('000 units)



Source: DRC, MAS VN Research

c. Decree 49/2011/QD-TTg requires passenger tires to meet EURO 4 emissions standards

Decree 49/2011/QD-TTg requires passenger cars to commit to EURO 4 environmental standards from the beginning of 2018: Currently, only radial tires can meet environmental standards and trends. We expect the movement from bias to radial tires on passenger cars to continue in the period FY20–FY25.

We believe the lack of transitional phase when raising environmental standards from EURO 2 to EURO 4 will have both negative and positive impacts on Vietnam's tire industry in FY20–FY25. In our view, the most significant negative is that tire manufacturers with significant proportions of bias tire revenue, such as Casumina (HSX: CSM VN Equity), Da Nang Rubber (HSX: DRC VN Equity), and Sao Vang Rubber (HSX: SRC VN Equity) will see their bias tire revenue decrease by 15-30% over the next five years.

However, we believe that Decree 49/2011/QD-TTg also motivates domestic car manufacturers—such as Thaco, Vinfast, Huyndai Thanh Cong, Mitsubishi Vietnam, etc.—to consume domestic radial tires, as it, along with 92/2016/QD-TTg reduced import tax on components for vehicles with localization rate above 40% by 5–10%.

Therefore, we are positive on DRC, especially when considering that its radial tires have gradually moved closer to foreign tires in terms of quality while maintaining prices that are 10-20% cheaper than those of Michelin or Bridgestone (see Table 3).

Table 4: Comparison between bias and radial tires

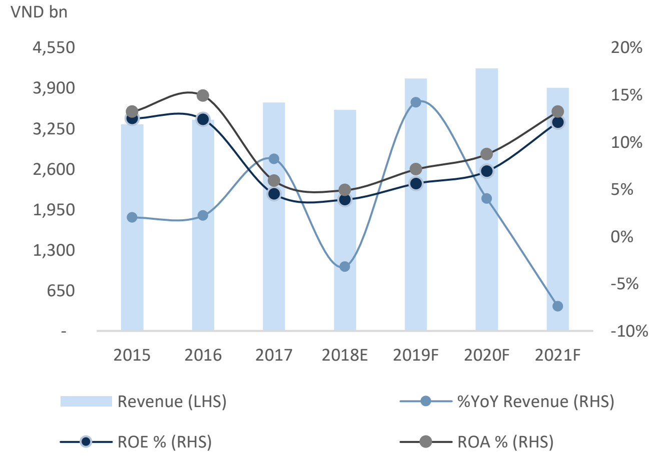
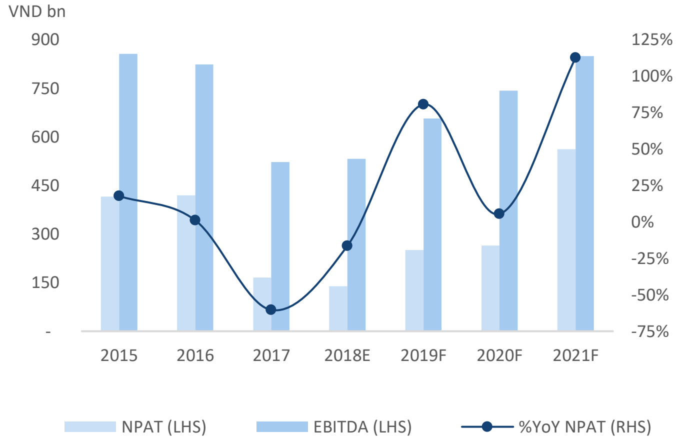
Feature	Bias	Radial
Lifespan	24,000–45,000 km	50,000–100,000 km
Tire attrition	-	30–50% slower
Car-load capacity	Light–Medium	Heavy
Fuel consumption	-	Savings of 10–20%
Stability	Less stable	Highly stable
Need inner tube	Yes	No
Emissions standard	EURO 1 & 2	EURO 4 & 5
Average price	Under US$$100	US$150–US$300

Source: Casumina, GlobalTire, MAS VN Research

d. From FY21, radial factory No. 1 will be fully depreciated, reducing depreciation expenses by VND266bn (78% of FY20 depreciation expense)

We calculate the total investment cost for the two radial factories at VND1,900 bn, with investment for radial factory No. 1 at VND1,388bn and radial factory No. 2 at VND 512bn. Both periods use an accelerated depreciation method within seven years. We project that depreciation expenses in FY19 and FY20 will increase sharply to VND340bn (+28% YoY) when radial factory No. 2 starts to operated commercially from 1Q19, adding VND70bn in depreciation expenses (28% of FY19 NPAT).

In FY21, radial factory No. 1 will be free of depreciation expense, saving VND266bn (50% of FY21 NPAT). Therefore, we project NPAT of VND526bn (+62.3% YoY) and P/E of 6.4x for FY21. Compared with the average P/E of regional tire companies, which are trading at P/E 15.x, we view the earnings and valuation of DRC as very attractive, with a 35% potential upside.

Figure 5a: Forecast revenue of DRC (FY19–FY21)	Figure 5b: Forecast NPAT of DRC (FY19–FY21)
	

Source: DRC, MAS VN Research

e. Brazil's tariff barriers on Chinese-made rubber products

The portion of radial tires in DRC's exports to Brazil and the US is 40% (US$34mn) and 16% (US$13.7mn), respectively. DRC's high-quality radial tires had a 15%–30% price advantage over Chinese-made tires, as they were not subject to Brazil's anti-dumping tax (see Table 5). However, the anti-dumping duties of Amendment 25, issued on May 28, 2014, expired on 24 November 2019. Nevertheless, the Brazilian government has continued to investigate the extension of anti-dumping duties. Despite the relocation of factories to Thailand by Chinese manufacturers, Vietnamese-origin tires still have an advantage in terms of quality and price (see Table 3), as Brazil still imposes a tariff of US$550.5/MT on tires from Thailand. We believe that the exposure risk over the next six months for DRC radial tires in the Brazilian market is not significant. Even in a worst-case scenario, should Brazil decline to maintain the tariffs imposed on Chinese tires, we would maintain our revenue forecast, due to the expected high domestic demand for radial tires as replacements for bias tires.

Table 5: Brazil tire tariffs

Start date	Rim size (inch)	Type of tire	Taxable countries	Expiry date	Tariff (US$/MT)
28-05-2014	20, 22, and 22.5	Bias and radial	**Taiwan**	24-11-19	**723.62**
			China		
			Russia		2,934
			South Africa		1,752
			Japan		4,059
			Thailand		**550.5**
			Korea		371–1,794

Source: Tyrepress, Global Trade Alert, MAS VN Research

2. Motorcycle and bicycle tire segment: Market saturation

Sales of two-wheelers expected to slow

In the two-wheeler segment, DRC has two main product lines: bicycles and motorcycles. We forecast the revenue and volume of both segments to fall by 7–8% in FY20 and FY21, for two main reasons:

1) These products are simple and easy to produce. In DRC's product portfolio, scooter tires, as well as other new products, do not contribute much to revenue and are subject to stiff competition from both Chinese and domestic manufacturers.

2) The current percentage of people using motorcycles is 51.8%, equivalent to 50mn units. We project that in the short-term (FY19–FY23), the number of motorcycles will still increase by 3.2mn units a year, equivalent to a FY19–FY23 CAGR of 1.8% YoY, down 6% YoY compared with FY14–FY18. We project that Vietnam's motorcycle output in FY22 will reach 57mn units (+1.8% YoY; see Figure 6a), corresponding to the need for 79.8mn replacement motorcycle tires annually, with the portion of tires for scooters at 27.93mn (35% of total demand).

We believe that the market for motorcycle tires has little room for expansion, so revenue from two-wheelers is unlikely to see significant growth in the FY20–FY25 period. We project sales of two-wheelers in FY19, FY20, and FY21 at VND488.9bn (-16.1% YoY, 12.1% of total revenue), VND456bn (-6.7% YoY, 10.8% of total revenue), and VND427bn (-6.5% YoY; 10.9% of total revenue).

Figure 6a: Forecast motorbikes/total population in Vietnam (FY19-FY22)

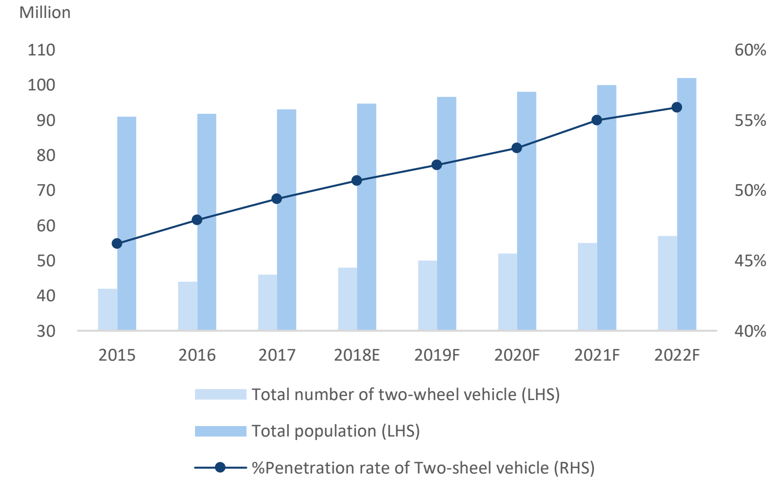
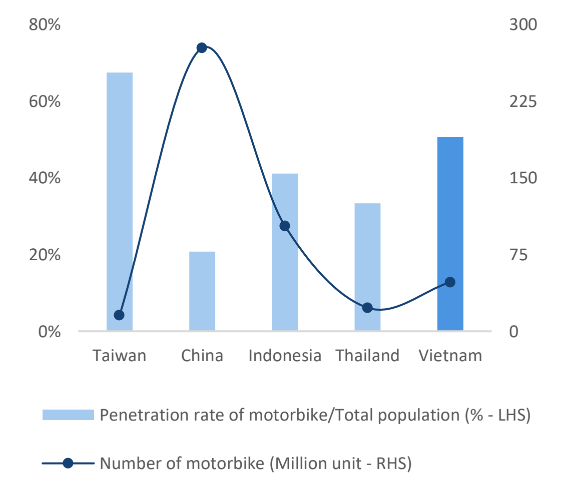


Figure 6b: Penetration rate of motorbikes/total population in Asia



Source: MoT, MAS VN Research

3. Key risks

Exchange rate and raw material risks: Currently, domestic tire manufacturers depend on imported raw materials, including artificial rubber, black coal, steel hammers, and accessories. Therefore, the twin risks of fluctuations in exchange rates and global raw material prices are major factors for domestic producers.

Competitive risks and imported goods: The US has imposed tariffs on Chinese rubber products at a tariff of 10–25%. Brazil, which is the largest export market of DRC, has ended tariffs on Chinese tires from end-FY19. The fact that 65% of DRC's radial tire production is dependent on the export market means revenue from radial tires is sensitive to any adjustments in tariffs on Chinese tires.

Risks on trade agreements: The CTTPP Agreement will eliminate most tire tariff lines from FY25. In addition, the Hong Kong-ASEAN 6 or EVFTA agreements also commit to eliminating tariffs on tire products entirely. In the long term, we believe that removing tariff barriers will put enormous pressure on domestic producers.

DA NANG RUBBER JSC (DRC VN/BUY/TP: VND 30,700/Upside: +33%)

Comprehensive Income Statement (Summarized)

(VNDbn)	2019F	2020F	2021F	2022F
Revenue	**3,858.1**	**4,097.9**	**4,036.3**	**4,104.2**
Cost of Sales	(3,287.1)	(3,446.9)	(3,143.5)	(3,198.6)
Gross Profit	**571.0**	**651.0**	**892.8**	**905.6**
SG&A Expenses	(187.6)	(200.8)	(201.8)	(209.3)
Operating Profit	**383.4**	**450.2**	**691.0**	**696.3**
Non-Operating Profit	0	0	0	0
Net Financial Income	(70.4)	(44.9)	(33.2)	(10.8)
Pretax Profit	**313.0**	**405.3**	**657.8**	**685.5**
Income Tax	(62.6)	(81.1)	(131.6)	(137.1)
Net Profit	**250.4**	**324.2**	**526.2**	**548.4**
EPS (VND)	2,108.0	2,730.0	4,430.0	4,616.0

Growth & margins (%)

Revenue growth	8.6%	6.2%	-1.5%	1.7%
Gross profit growth	33.8%	14.0%	37.1%	1.4%
EBIT growth	46.8%	17.4%	53.5%	0.8%
Net profit growth	80.6%	29.5%	62.3%	4.2%
EPS growth	80.6%	29.5%	62.3%	4.2%
Gross margin	14.8%	15.9%	22.1%	22.1%
EBIT margin	9.9%	11.0%	17.1%	17.0%
Net profit margin	6.5%	7.9%	13.0%	13.4%

Statement of Financial Condition (Summarized)

(VNDbn)	2019F	2020F	2021F	2022F
Current Assets	**1,377**	**2,173**	**2,501**	**2,821**
Cash and Cash Equivalents	46	299	705	1,077
AR & Other Receivables	143	439	449	449
Inventories	1,153	1,395	1,304	1,238
Other Current Assets	35	40	43	57
Non-Current Assets	**1,332**	**1,062**	**1,046**	**1,034**
Net fixed assets	1,261	985	961	941
Investments	6	6	6	6
Other long-term assets	65	71	79	87
Total Assets	**2,709**	**3,235**	**3,547**	**3,855**
Current Liabilities	**928**	**1,313**	**1,319**	**1,306**
AP & Other Payables	223	372	334	307
Short-Term Financial Liabilities	532	612	670	689
Other Current Liabilities	173	329	315	310
Non-Current Liabilities	**149**	**85**	**42**	**53**
Total Liabilities	**1,077**	**1,398**	**1,361**	**1,359**
Controlling Interests	**2,709**	**3,235**	**3,547**	**3,855**
Capital Stock	1,188	1,188	1,188	1,188
Treasury Shares	-	-	-	-
Funds	222	222	222	222
Retained Earnings	1299	1825	2137	2445
Non-Controlling Interests	**-**	**-**	**-**	**-**
Stockholders' Equity	**2,709**	**3,235**	**3,547**	**3,855**
BVPS (VND)	22,764	27,206	29,833	32,442

Cash Flows (Summarized)

Cash Flows from Op Activities	**493.1**	**465.3**	**667.0**	**656.4**
Net Profit	250.4	324.2	526.2	548.4
Depr. & amortization	273.6	340.2	88.6	85.1
Others	110.9	83.2	66.5	36.3
Chg in Working Capital	(0.1)	(0.3)	0	0
Cash Flows from Inv Activities	**(86.8)**	**(109.3)**	**(97.6)**	**(76.6)**
Capital expenditures	(17.3)	(64.4)	(64.5)	(65.7)
Others	(69.5)	(44.9)	(33.1)	(10.9)
Cash Flows from Fin Activities	**(197.2)**	**(102.7)**	**(163.6)**	**(208.0)**
Dividends	(118.8)	(118.8)	(178.2)	(237.6)
Increase in equity	0	0	0	0
Increase in debt	(78.4)	16.1	14.6	29.6
Beginning Balance	50.9	45.7	299.0	704.7
Ending Balance	209.2	253.3	406.1	372.6

Forecasts/Valuations (Summarized)

P/E (x)	14.6	11.2	6.9	6.6
P/CF (x)	7.4	7.8	5.5	5.6
P/B (x)	1.5	1.2	1.1	1.0
EV/EBITDA (x)	7.10	5.90	6.00	6.00
EPS (VND)	2,108	2,730	4,430	4,616
CFPS (VND)	3,917	5,614	5,525	4,374
BPS (VND)	22,764	27,206	29,833	32,442
DPS (VND)	1,717	1,717	2,575	3,433
Payout ratio (%)	6%	6%	8%	11%
Dividend Yield (%)	6%	6%	8%	11%
Accounts Receivable Turnover (x)	35.00	36.00	37.00	36.00
Inventory Turnover (x)	97.00	92.00	89.00	94.00
Accounts Payable Turnover (x)	22.00	22.00	22.00	22.00
ROA (%)	9.2%	10.0%	14.8%	14.2%
ROE (%)	6.5%	7.9%	13.0%	13.4%
Liability to Equity Ratio (%)	66.0%	76.1%	62.3%	54.4%
Current Ratio (%)	150.0%	170.0%	190.0%	220.0%
Net Debt to Equity Ratio (%)	-40.0%	-20.0%	0.0%	10.0%
Interest Coverage Ratio (x)	9.50	11.70	20.70	27.30

APPENDIX 1

Important Disclosures & Disclaimers

Disclosures

Stock Ratings	
Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings	
Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (─), Target price (▬), Not covered (■), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))
* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.
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* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.
* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

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APPENDIX 2

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