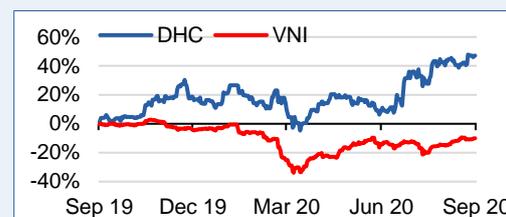


Dong Hai Ben Tre (DHC)

Analyst meeting note

Industry:	Packaging paper		2019	2020F	2021F	2022F
Report Date:	September 16, 2020	Rev Growth	54.3%	80.7%	-1.5%	15.2%
Current Price:	VND46,500	EPS Growth	30.3%	53.3%	17.2%	6.2%
Target Price:	VND53,600	GPM	21.2%	17.8%	19.3%	19.1%
Upside to TP:	+15.2%	NPM	12.7%	11.2%	13.3%	12.3%
Dividend Yield:	5.4%	EV/EBITDA	10.4x	7.0x	6.4x	5.5x
TSR:	+20.6%	P/OCF	13.5x	5.2x	6.6x	6.8x
Rating:	BUY	P/E	14.1x	9.2x	7.8x	7.4x



Market Cap:	USD112.4mn		DHC	Peers*	VNI
Foreign Room:	USD24.7mn	P/E (ttm)	8.6x	11.6x	13.9x
ADTV30D:	USD1.5mn	P/B (curr)	2.2x	1.3x	2.0x
State Ownership:	0%	Net D/E	0.4x	0.6x	N/A
Outstanding Shares:	56.0 mn	ROE	28.7%	9.3%	13.3%
Fully Diluted Shares:	56.0 mn	ROA	14.4%	4.0%	2.4%
Three-year PEG	0.4				

Company Overview

Dong Hai Ben Tre (Dohaco) is a medium-sized packaging paper company in Vietnam with a 2019 market share of ~3%, per our estimate. DHC owns two recycled paper mills and a packaging factory in Ben Tre Province in southern Vietnam. DHC's main products include packaging papers and corrugated carton boxes.

Ha Dao, CFA
Senior Analyst
ha.dao@vcsc.com.vn
+8428 3914 3588 ext. 194

Phap Dang, CFA
Associate Director
phap.dang@vcsc.com.vn
+8428 3914 3588 ext. 143

Monthly profitability trending in positive direction

We attended DHC's online analyst meeting today. The meeting covered a wide range of topics, including 8M 2020 results and the company's medium-term business outlook. Overall, our key takeaways from the meeting reinforce our optimism on DHC.

DHC completed its 2020 earnings guidance in 8M 2020; management expects NPAT-MI to surge 54% for full-year 2020 and 10% for 2021. Per management, DHC recorded revenue of VND1.8tn (USD76mn; +201% YoY) and NPAT-MI of VND201bn (USD8.7mn; +224% YoY) in 8M 2020. Management attributes this stellar growth primarily to the contribution from its Giao Long 2 paper factory that commenced commercial operation in September 2019. Per our estimate, in August 2020 alone, DHC posted NPAT-MI of VND17bn (USD0.7mn), which was higher than VND10bn (USD0.4mn) and VND15bn (USD0.6mn) in June and July, respectively. Management attributes this profit improvement mainly to a MoM strengthening in finished packaging paper prices. For the remainder of 2020, DHC expects its monthly NPAT-MI will be around VND20bn (USD860,000), translating to full-year NPAT-MI of VND280bn (USD12mn; +54% YoY). For 2021, DHC expects 10% growth for both the top and bottom lines on the back of a revenue contribution from a new paper product line (kraftliner) and potential easing of the business disruptions caused by COVID-19. Compared to our current forecasts, DHC's latest 2020 earnings guidance is in line while its 2021 guidance is more conservative.

Input old corrugated container (OCC) prices rebounded in Q3; however, management expects OCC prices to plunge in 2021 given China's plans to stop importing OCC. Per DHC, European OCC prices advanced from USD130 per tonne in July to USD160 per tonne in September — though they are still lower than USD200 per tonne in April during the peak disruptions of COVID-19 (Q4 2019: ~USD90-USD100 per tonne). DHC expects OCC prices will stabilize in Q4 2020 before plunging in 2021 due to China's plans to ban imports of OCC from the beginning of 2021. In management's view, this ban — if implemented — would be a boon for DHC's profit margins as it could cause a surplus in the global OCC market while simultaneously increasing paper production costs and thus packaging paper prices in China and Vietnam.

Thanks to robust demand, packaging paper prices are recovering from trough in June. Per management, DHC's contracted paper ASP for July–October shipments rose 2%-3% MoM per month. Per our estimate, DHC's testliner paper ASP (main product) in August 2020 advanced 14% vs its trough in June 2020 and edged up 2% vs August 2019. Management expects paper ASP will either stabilize at the current levels or climb further as packaging paper demand from consumer

goods industries in both Vietnam and China has recovered. We note that Vietnam's packaging paper prices typically correlate with paper prices in China due to the fact that Vietnam-based paper companies also export to China while also selling domestically. DHC's management also shared that DHC is typically able to pass increases in OCC costs to its customers with a one-to-two-month lag.

New packaging capacity and new product development are well on track to contribute revenue in 2021. Per management, DHC has ordered machinery and equipment for its new packaging factory (P2) and expects this factory will commence operation in early 2021. We note that the P2 factory will widen DHC's annual packaging capacity by 130% from 47 million units to ~130 million units. On the other hand, management plans to conduct test runs of its new kraftliner product line in Q4 2020. We note that DHC plans to allocate 10% of its Giao Long 2 paper factory's capacity to produce kraftliner from 2021. In addition, kraftliner's selling prices are 30%-40% higher than DHC's current paper products. Per management, SCG (Thailand) and Nine Dragons (China) are the current key suppliers of kraftliners in Vietnam.

Management reaffirms its new paper factory — Giao Long 3 — will have a larger capacity than Giao Long 2 and be capable of producing more premium paper grades. Per our estimate, this comment by management implies that the Giao Long 3 factory would broaden DHC's total paper capacity by at least 80%. DHC is conducting feasibility study and seeking an investment license from the Government for Giao Long 3. The company plans to disclose more details about its investment plan for Giao Long 3 at its 2021 AGM.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

Disclaimer

Analyst Certification of Independence

We, Ha Dao and Phap Dang, hereby certify that the views expressed in this report accurately reflect our personal views about the subject securities or issuers. We also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

UK and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the UK and the EEA by VCSC issued by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the UK only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

Contacts

Corporate

www.vcsc.com.vn

Head Office

Bitexco Financial Tower, 2 Hai Trieu Street
District 1, HCMC
+84 28 3914 3588

Transaction Office

10 Nguyen Hue Street
District 1, HCMC
+84 28 3914 3588

Research

Research Team: +84 28 3914 3588
research@vcsc.com.vn

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Nghia Dien, Senior Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

Consumer and Pharma

Phap Dang, Associate Director, ext 143

- Ha Dao, Senior Analyst, ext 194
- Vinh Bui, Analyst, ext 191
- Son Tran, Analyst, ext 185

Real Estate, Construction and Materials

Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Manager, ext 147
- Duc Pham, Analyst, ext 174

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Analyst, ext 129
- Anh Tong, Analyst, ext 363

Institutional Sales and Brokerage

& Foreign Individuals

Dung Nguyen

+84 28 3914 3588, ext 136
dung.nguyen@vcsc.com.vn

Hanoi Branch

109 Tran Hung Dao
Hoan Kiem District, Hanoi
+84 24 6262 6999

Transaction Office

236-238 Nguyen Cong Tru Street
District 1, HCMC
+84 28 3914 3588

Alastair Macdonald, Head of Research, ext 105

alastair.macdonald@vcsc.com.vn

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Analyst, ext 132

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Nghia Le, Analyst, ext 181
- Duc Le, Analyst, ext 196

Industrials and Transportation

Nam Hoang, Manager, ext 124

- Dang Thai, Analyst, ext 149

Retail & Corporate Brokerage

Ho Chi Minh & Hanoi

Quynh Chau

+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn