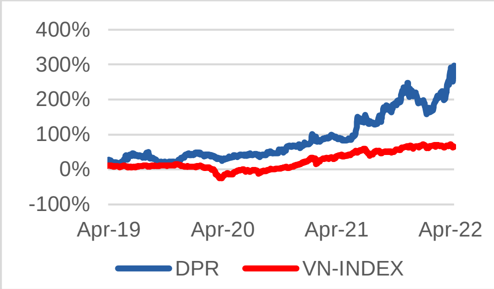
VIET CAPITAL SECURITIES

Dong Phu Rubber JSC (DPR) [NOT RATED]

Company Visit Note

			2019	2020	2021
Industry:	**Rubber**				
Report Date:	**April 15, 2022**	Rev Growth	0.3%	10.1%	7.0%
Current Price:	VND97,800	EPS YoY	-46.4%	-6.9%	266.9%
Dividend Yield:	3.0%	GPM	26.2%	28.1%	35.4%
		NPM	17.7%	15.6%	35.4%
		EV/EBITDA*	2.5x	3.2x	3.9x
		ROE	7.7%	7.7%	17.0%
		PER*	13.4x	16.2x	9.7x

* Valuations based on historical share prices — except 2021, which is based on current share price



			DPR	Peers	VNI
Market Cap:	USD183.6mn				
Foreign Room **:	USD0	PER (ttm)	9.7x	15.5x	16.9x
** Please see page 13		P/B (curr)	1.9x	2.0x	2.6x
ADTV30D:	USD1.2mn	Net D/E	-0.5x	0.0x	N/A
State Ownership:	55.8%	ROE (ttm)	21.7%	14.6%	15.4%
Outstanding Shares:	43mn	ROA (ttm)	11.0%	8.1%	2.5%

Company Overview

Dong Phu Rubber JSC (HOSE: DPR) is one of the leading natural rubber companies in Vietnam. DPR also is involved in industrial park (IP) development.

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Reaping benefits from two core businesses

- Dong Phu Rubber JSC (HOSE: DPR) is one of the leading natural rubber companies in Vietnam. DPR also is involved in industrial park (IP) development.
- While rubber production is DPR's largest segment (accounting for 74% of 2021 revenue), DPR also records revenue from liquidation activities (10%), IP development (4%) and other activities (12%).
- 2021 NPAT–MI surged 142.3% YoY, which was primarily driven by a 20.3% increase in natural rubber ASP and financial cash gains from compensation for rubber land conversion.
- In 2022F, we expect DPR's earnings to soar due to its rubber segment being bolstered by our positive outlook for the natural rubber industry. Meanwhile, DPR's two expanded IPs should benefit from increased IP investment in Binh Phuoc Province.
- DPR is currently trading at a TTM PER of 9.7x and LQ PBR of 1.9x — a discount vs our selected peer group blended median (see page 14).
- DPR announced it will pay 2021 DPS of VND3,000 in cash.
- Key risks: (1) Volatile natural rubber prices; (2) possibility of DPR losing auction for the expanded Bac Dong Phu and Nam Dong Phu IPs; (3) reduction in compensation for rubber land.

In 2022F, we expect DPR to reap the benefits from positive market outlooks for both the rubber and IP sectors. We have a positive view for the Vietnamese natural rubber market as we expect a strong recovery in rubber demand and natural rubber prices maintaining at high levels in 2022F. In addition, we believe Binh Phuoc Province is a bright spot for IP development thanks to its favorable location for industrial production, improving transportation infrastructure and business environment, sufficient land bank and competitive IP land prices compared with nearby provinces. We believe these factors should support DPR's core businesses in 2022F.

We estimate average land compensation income of VND200bn p.a. in 2022-2030F. As DPR will transfer 2,000 ha of rubber land to the Binh Phuoc People's Committee for other IP developers**,** the company will receive compensation of VND1bn per ha. Depending on the province's compensation progress, DPR expects to finish its transfers within 10 to 20 years. In 2021, DPR completed the first 260-ha land transfer. Due to improving transportation infrastructure in Binh Phuoc Province — especially the HCMC – Thu Dau Mot – Chon Thanh – Dak Lak Expressway that is expected to finish construction by 2025F — we believe DPR will complete its transfers sooner than expected. We forecast DPR to complete its transfers within 10 years, which will earn the company average income of VND200bn p.a. in 2022-2030F. This amount should drive DPR's future earnings forecast — equivalent to 30-70% of its profit before tax over the last four years.

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Company Overview

Dong Phu Rubber JSC or DORUCO (HOSE: DPR), formerly known as Thuan Loi Plantation under Michelin Company (France), was established in 1981. Over the past 40 years, the company has evolved from a 3,000-ha rubber plantation in Binh Phuoc Province to one of Vietnam's leading natural rubber companies as it manages a total land bank of over 16,000 ha in Binh Phuoc Province, Dak Nong Province and Cambodia. DPR is also an IP operator with two IPs in Binh Phuoc Province — the Bac Dong Phu and Nam Dong Phu IPs. The company was listed on HOSE in 2007.

DPR has four subsidiaries that support the company in its core businesses (Figure 1). Rubber plantations in Dak Nong and Cambodia are operated by Dong Phu – Dak Nong Rubber JSC (UPCoM: DPD) and Dong Phu – Kratie Rubber JSC, respectively. Bac Dong Phu Industrial Park JSC is in charge of IP development. Dong Phu Technical Rubber JSC manufactures rubber-based products such as rubber mattresses and pillows.

Figure 1: DPR's company structure

Vietnam Rubber Group

DORUCO

Rubber production

	Dong Phu – Dak Nong Rubber JSC (UPCoM: DPD)	Dong Phu – Kratie Rubber JSC	Dong Phu Technical Rubber JSC
DPR's ownership	88.41%	58.37%	76.83%
Business activities	Rubber production in Dak Nong	Rubber production in Cambodia	Rubber mattress & pillow production

IP development

	Bac Dong Phu Industrial Park JSC
DPR's ownership	51%
Business activities	IP development

Source: DPR, VCSC compilation

DPR is a member of Vietnam Rubber Group (HOSE: GVR). GVR is a State-owned enterprise involved in rubber, IP development and wood processing in Vietnam. As of April 2022, GVR owns a 55.8% share in DPR and is its largest shareholder. DPR's second biggest shareholder is Samarang Ucits - Samarang Asian Prosperity with approximately 5% (**Figure 2**).

Rubber production is DPR's primary revenue contributor (Figure 3). Rubber production accounted for ~74% of DPR's net revenue in 2021. As DPR treats gains from rubber tree liquidation as operating activities, this was the second-largest revenue contributor (10%), followed by revenue from IP development (4%). Other activities such as wood processing and sales from residential real estate contributed to the remaining ~12% in 2021.

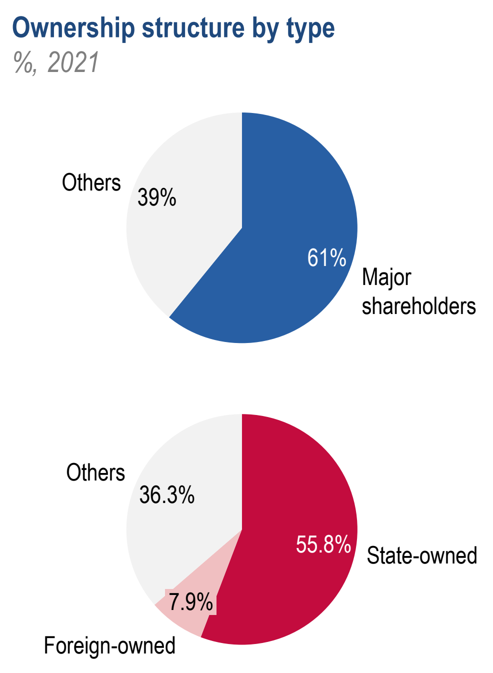
Figure 2: DPR's ownership structure

KEY MANAGEMENT (2021)

Names	Position
Mr. Mai Huynh Nhat	Chairman
Mr. Ho Cuong	General Director
Mr. Huynh Trong Thuy	Deputy General Director

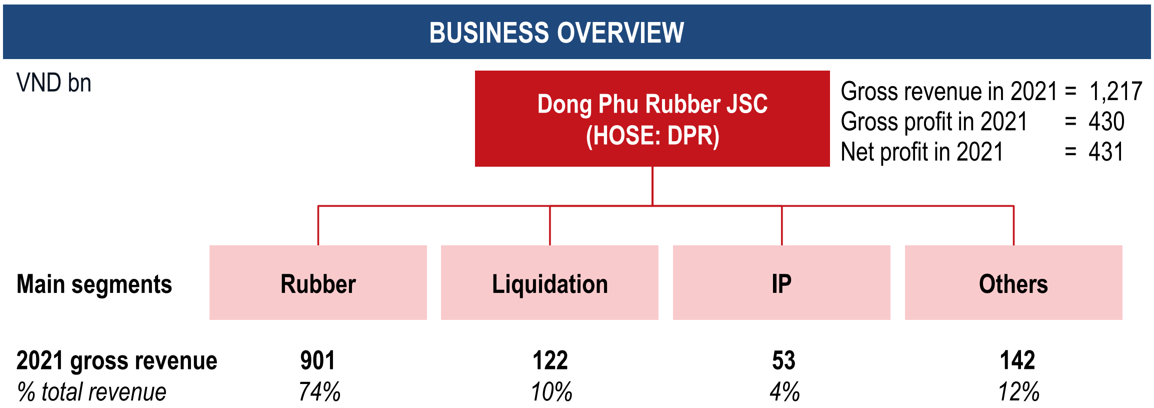
MAJOR SHAREHOLDERS (2021)

Holders	Shares, Thousands	%
Vietnam Rubber Group JSC	24,000	55.81
Samarang UCITS - Samarang Asian Prosperity	2,145	4.99
Mr. Nguyen Thanh Binh	27.6	0.06
Mr. Huynh Trong Thuy	3.5	0.01



Source: DPR, VCSC compilation

Figure 3: Business overview of DPR



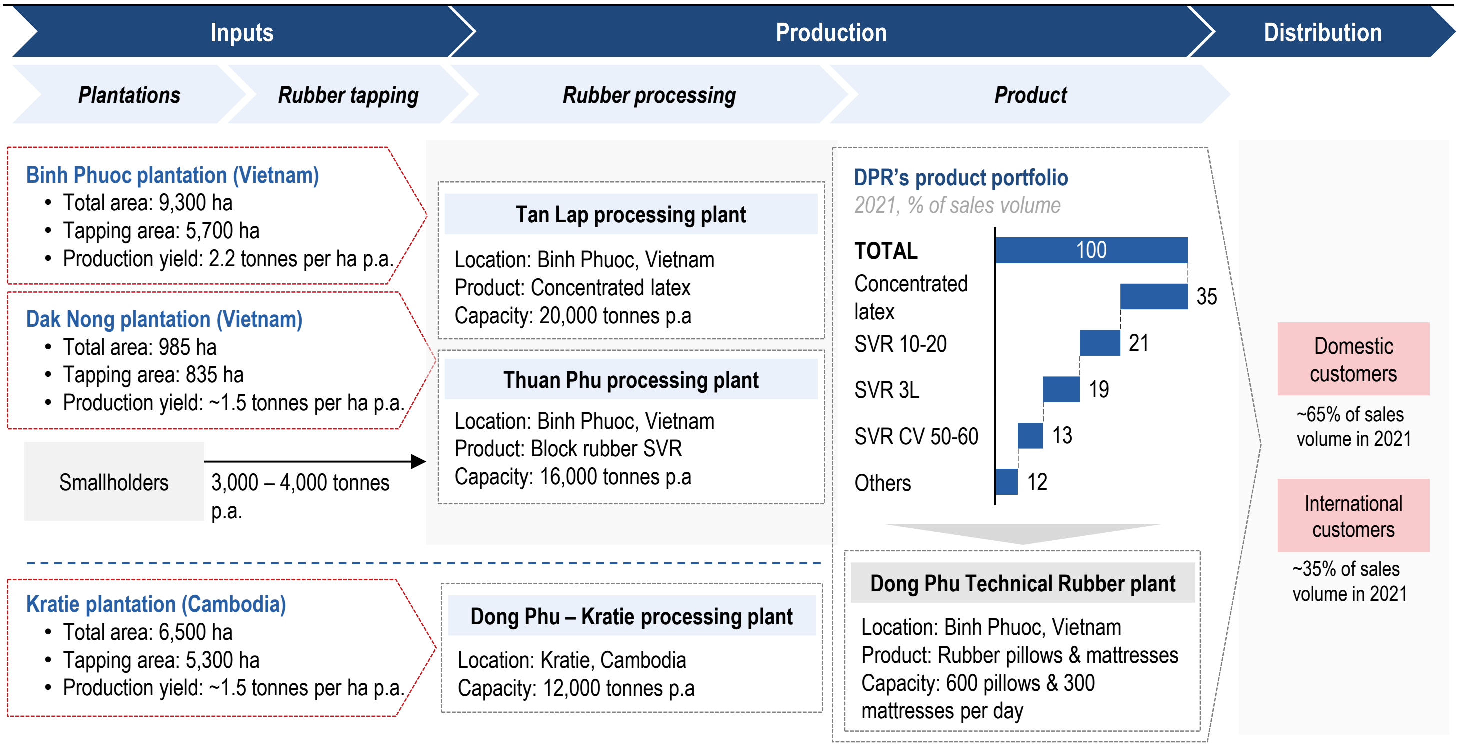
Source: DPR, VCSC compilation. Note: Rubber = Rubber growing and processing; Liquidation = Gains from tree liquidation; IP = IP development.

Natural rubber company and industrial park developer

Vertically-integrated natural rubber production

DPR possesses a vertically-integrated natural rubber value chain that covers rubber plantations, rubber tapping, rubber processing and distribution (**Figure 4**).

Figure 4: DPR's rubber production value chain



Source: DPR, VCSC compilation. Note: SVR = standard Vietnamese Rubber (technical specified rubber under Vietnamese standard).

DPR's land bank is over 16,000 ha. The parent company owns 9,300 ha in Binh Phuoc Province, while its two subsidiaries Dong Phu – Dak Nong and Dong Phu – Kratie operate 985 ha in Dak Nong Province and ~6,500 ha in Cambodia, respectively. Over 6,000 ha — equivalent to ~37% of DPR's total land bank — is tapping area where latex is harvested from rubber trees.

DPR is among GVR's top subsidiaries with the highest production yields. In 2021, DPR recorded a production yield of ~2.1 tonnes per ha, higher than the average of GVR's member companies (including DPR) of ~1.6 tonnes per ha. According to management, DPR has had a production yield of over 2 tonnes per ha for 16 straight years.

DPR also participates in rubber product processing (Figure 4). The company has two processing plants in Vietnam with a total capacity of ~22,000 tonnes p.a. As its plantations in Binh Phuoc and Dak Nong only provide ~15,000-16,000 tonnes of latex p.a., DPR purchases an additional ~3,000-4,000 tonnes from smallholders (families/small-scale enterprises) that then go to its factories for processing. In Cambodia, DPR's Dong Phu – Kratie processing plant has a total capacity of ~12,000 tonnes p.a. and is responsible for processing natural rubber from the plantations of DPR and GVR's member companies in Cambodia, including Dong Nai – Kratie Rubber JSC.

DPR has a diverse product portfolio. In 2021, concentrated latex accounted for ~35% of DPR's total sales volume, followed by SVR 10-20 (21%), SVR 3L (~19%), SVR CV 50-60 (~13%) and others (~12%) (**Figure 4**). Concentrated latex is used for producing pillows, mattresses and elastic bands, among other products, while block rubber SVR is primarily used for tire manufacturing. With a relatively high percentage of concentrated latex in its revenue, DPR does not solely depend on demand from the automobile industry. Generally, concentrated latex has a higher price and better gross profit margin than other products.

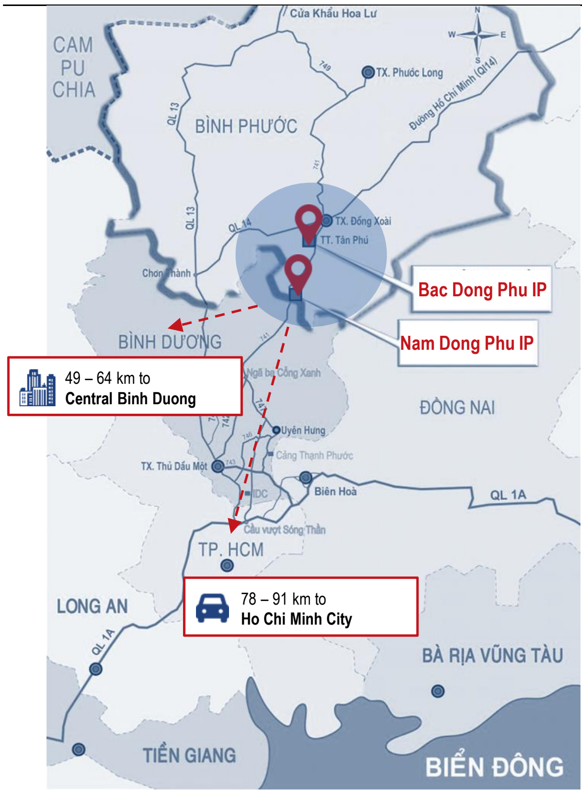
The domestic market is DPR's major sales market. According to management, the export market accounted for only ~35% of total sales volume in 2021. Among this amount, 97% is exported directly and the remaining 3% is distributed via the parent company.

DPR also is involved in wood processing and manufacturing rubber-based products. In 2008, DPR established Dong Phu Technical Rubber JSC, whose main businesses include producing mattresses, pillows and interior products. Dong Phu Technical Rubber JSC owns a manufacturing plant in Binh Phuoc Province with a total capacity of 300 mattresses and 600 pillows per day. According to DPR, this manufacturing plant annually consumes around one-third of DPR's latex volume.

Two industrial parks in Binh Phuoc Province

In 2009, DPR established Bac Dong Phu IP JSC in cooperation with Nam Tan Uyen IP JSC (UPCoM: NTC). Bac Dong Phu IP JSC is an IP developer based in Binh Phuoc Province. The company has two IPs in service — the Bac Dong Phu and Nam Dong Phu IPs — with total areas of ~189 ha and ~69 ha, respectively. As of end-2021, DPR held 51% in Bac Dong Phu IP JSC while NTC owned 40%.

Figure 5: Bac Dong Phu and Nam Dong Phu IPs



DPR's IP projects

Project	Land area (ha)	Status as of end-2021
Bac Dong Phu	189	96% occupied
Nam Dong Phu	~69	100% occupied
Expanded Bac Dong Phu	317	Waiting for approval
Expanded Nam Dong Phu	480	Waiting for approval

Source: DPR, VCSC compilation

The Bac Dong Phu and Nam Dong Phu IPs both were nearly 100% occupied as of end-2021. Located in Vietnam's southeast economic region, the Nam Dong Phu IP and Bac Dong Phu IP are 49 km and 64 km from central Binh Duong, respectively (**Figure 5**). In 2020, the rental price of the Bac Dong Phu IP was around USD55 per sqm for a lease term. As the Nam Dong Phu IP is closer to central Binh Duong than the Bac Dong Phu IP, it has a higher rental price of around USD60 per sqm for a lease term and was the first to become fully occupied. As of end-2021, the occupancy rate of the Bac Dong Phu IP was ~96%, while the Nam Dong Phu IP was fully occupied.

DPR will convert an additional ~4,000 ha of rubber land into IP and high-tech agriculture land by 2030F. 2,000 ha will be transferred to the Binh Phuoc People's Committee for other IP developers. The remaining 2,000 ha will be developed by DPR.

DPR will receive compensation of VND1bn per ha. The company expects to complete its land transfers in 10 to 20 years, depending on the province's compensation progress. In 2021, DPR completed the first land transfer of 260 ha.

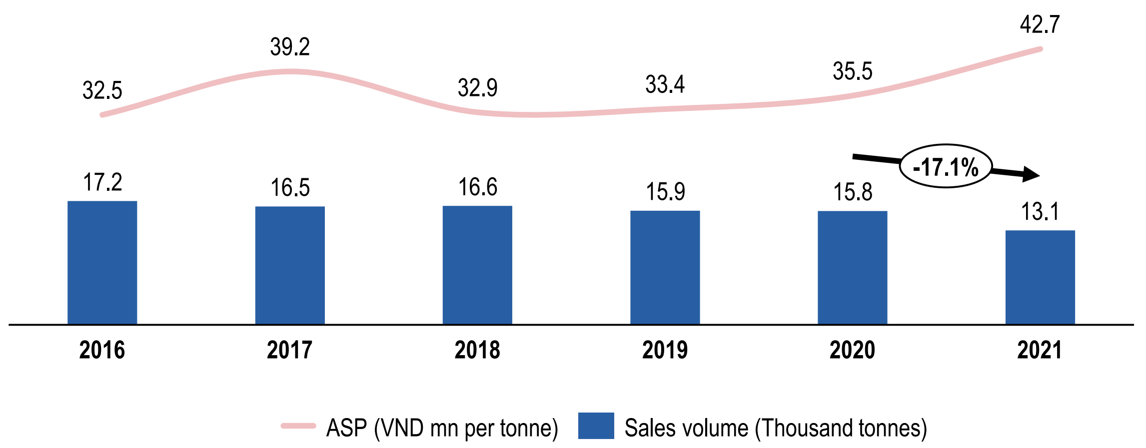
For the 2,000 ha of self-developed land, DPR has planned to use 800 ha for the expansion of the Bac Dong Phu and Nam Dong Phu IPs. The expanded Nam Dong Phu IP is located in Tan Lap Commune (Dong Phu District) and has a total area of 480 ha (~347 ha is leasable). The expanded Bac Dong Phu IP has total area of 317 ha — 132 ha in Dong Phu District and the remaining in Binh Phouc's capital of Dong Xoai. The leasable area of the expanded Bac Dong Phu IP is 235 ha. In 2020, DPR received development master plan approvals from the Prime Minister. The company is currently waiting for the investment approvals of the Prime Minister and land conversion approvals from Binh Phuoc province. If approved, the two expanded IPs will bolster DPR's revenue in the short term when its existing IPs become fully occupied.

2021 earnings surged 142% YoY

2021 NPAT–MI surged 142.3% YoY, which was primarily driven by (1) a 20.3% increase in natural rubber ASP and (2) financial cash gains from compensation for rubber land conversion.

In 2021, a prolonged rainy season in some Asian countries resulted in a global supply shortage of natural rubber supply. This situation positively affected DPR as its natural rubber ASP reached a six-year peak of ~VND42.7mn per tonne in 2021 (**Figure 6**). Despite a ~17% reduction in sales volume, the company's rubber revenue grew 12% YoY. As a result, DPR's revenue was VND901bn (+7% YoY) while its GPM expanded by ~7 ppts.

Figure 6: DPR's natural rubber sales volume and ASP in 2016-2021



Source: DPR, VCSC compilation

Other income surged to VND225bn in 2021 mainly thanks to income from land compensation. In 2021, DPR was compensated VND260bn for the transfer of 260 ha of rubber land to the Binh Phuoc People's Committee. This financial cash gain accounted for over 50% of DPR's bottom line and helped the company to achieve impressive NPAT-MI of VND431bn (+142% YoY) in 2021.

DPR exceeded its 2021 targets with its impressive earnings results. At the company's June 2021 AGM, DPR guided for 2021G net revenue and PBT of VND1.1tn and VND420bn, respectively. Thanks to favorable natural rubber prices and significant financial gains from land compensation, DPR completed 113% and 138% of its 2021 revenue and PBT targets, respectively.

Figure 7: DPR's 2020-2021 results

VND bn	2020	2021	YoY	VCSC's comments
Gross revenue	**1,138**	**1,218**	**7.0%**	
Rubber	*808*	*901*	*11.6%*	*Bolstered by a +20% YoY natural rubber ASP increase.*
Liquidation	*114*	*122*	*7.5%*	
IP	*22*	*53*	*144.1%*	
Others	*195*	*142*	*-27.3%*	
Sales discount	*-0.4*	*-1.0*	*122.5%*	
Net revenue	**1,138**	**1,217**	**7.0%**	
COGS	-818	-787	-3.8%	
Gross profit	**320**	**430**	**34.5%**	
SG&A expense	-111	-119	6.9%	
Operating profit	**209**	**312**	**49.1%**	
Net financial income (expenses)	49	41	-17.8%	
Other income (expenses)	11	225	N.M.	Thanks to financial cash gain for land compensation.
PBT	**269**	**577**	**114.4%**	
Tax expense	-58	-105	81.7%	
NPAT before MI	**212**	**473**	**123.2%**	
Minority interest	-34	-42	23.0%	
NPAT-MI	**178**	**431**	**142.3%**	
GPM	**28.1%**	**35.4%**	**+7.2 ppts**	
NPM	**15.6%**	**35.4%**	**+19.8 ppts**	

Note: Figures may not sum up due to rounding.

Source: DPR, VCSC compilation. Note: Rubber = Rubber growing and processing; Liquidation = Gains from tree liquidation; IP = IP development.

Outlook

We expect DPR's earnings to soar in 2022F as its rubber segment is bolstered by the positive outlook for the natural rubber industry. In addition, DPR's two expanded IPs should benefit from increased IP investment in Binh Phuoc Province.

Market Outlook

Bright prospects for the natural rubber industry

We have a positive outlook for Vietnam's natural rubber market in 2022F. According to the Association of Natural Rubber Producing Countries (ANRPC), world natural rubber production and consumption are expected to grow 1.9% YoY and 1.2% YoY in 2021F, respectively. The ANRPC forecasts a strong recovery of rubber demand in 2022F that will be driven by (1) easing COVID-19 restrictions, (2) the resumption of economic activities globally, (3) strong natural rubber demand from the healthcare sector, and (4) rebounding demand from the automobile industry post-COVID-19.

On the other hand, there will be an increasing global rubber supply shortage in the short term as a result of adverse weather at the end of 2021. The widening demand-supply gap and the surge in crude oil prices (**Figure 8**) should maintain natural rubber selling prices at high levels in 2022F, according to the ANRPC. Overall, we believe these effects will positively support DPR's rubber business in 2022F.

Figure 8: Rubber prices (JN1 – USD/kg) and Brent crude prices (CO1 – USD/bbl) in 2019 - Q1 2022

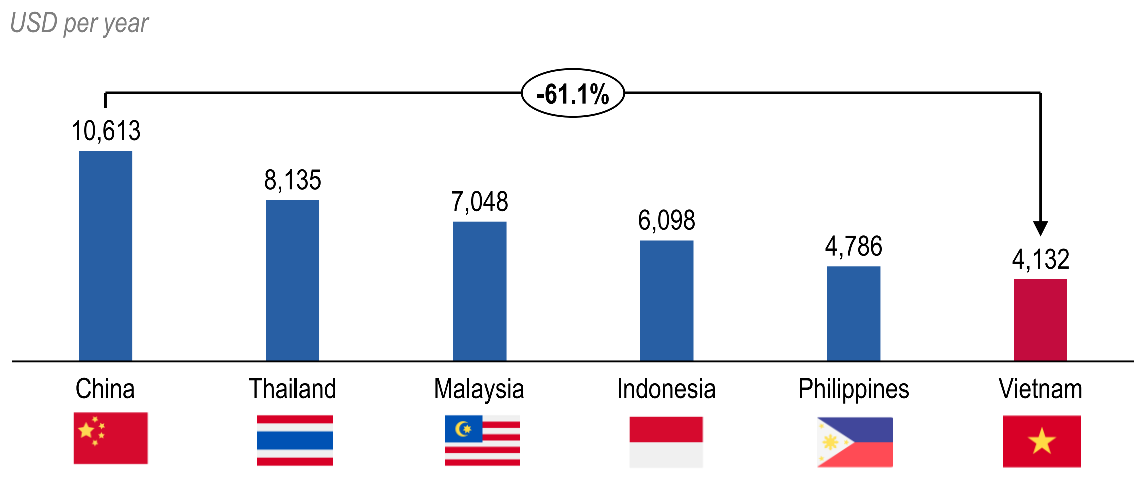
Source: Bloomberg, VCSC compilation

Vietnam to develop further as an Asian production hub

We expect Vietnam to develop further as an Asian production hub over the next five years, which is driven by (1) the country's competitive labor costs, (2) multinationals relocating from China, (3) major free trade agreements, and (4) new regulations on IP and economic zone (EZ) management.

High labor costs globally have positioned Vietnam as one of the most appealing hubs for labor-intensive businesses. According to the General Statistics Office of Vietnam (GSO), Vietnam had a labor force (individuals 15 years old and older) of ~55 million people in 2020. Furthermore, the average annual cost of a manufacturing worker (as of December 2021) in Vietnam remains competitive at USD4,132 — lower than other countries in the region such as China (USD10,613), Thailand (USD8,135), Malaysia (USD7,048), Indonesia (USD6,098) and the Philippines (USD4,786), according to the Japan External Trade Organization (JETRO) (**Figure 9**). These factors help Vietnam's position as an alternative manufacturing hub, particularly for businesses seeking to avoid high labor costs in China.

Figure 9: Total cost of a manufacturing worker in East and Southeast Asia in 2021*



Source: JETRO, VCSC compilation. * Note: Data as of December 2021. Annual cost includes annual base salary, benefits, social security, overtime allowances and bonuses — excluding severance benefits. A manufacturing worker is a regular worker with three years of work experience.

Global manufacturers are seeking alternative destinations to China, which is due to the country's rising costs and "Made in China 2025" strategy as well as the effects of COVID-19. China is gradually losing its cost advantages and competitiveness compared with neighboring countries. As wages for Chinese workers have tripled over the past decade and the country has decided to move up the value chain according to its "Made in China 2025" strategy, manufacturing companies are looking to shift production out of China. In 2020, the disruptions caused by COVID-19 revealed the vulnerability of relying on a sole base of production, which again motivated manufacturers to shift their production out of China. As a result, Vietnam — which offers more competitive costs and shares a border with China — has become an ideal alternative manufacturing destination.

Major free trade agreements support Vietnam's attractiveness as an investment destination. As discussed in our Sector Report, Industrial Parks in Vietnam, published October 23, 2020, Vietnam has signed a broad range of FTAs, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and EU-Vietnam Free Trade Agreement (EVFTA). The product quality, manufacturing and employee rights standards guaranteed in these agreements should continue to ensure Vietnam's position as an attractive destination for foreign investors.

New regulations on IP and EZ management will improve regulatory consistency. As discussed in our Industrial Real Estate Thought Piece, published June 21, 2021, we believe the draft decree on IP and EZ management with clearer and more comprehensive regulations will allow local authorities and IP developers to resolve existing obstacles. As a result, these regulations should accelerate the approval and development processes while also providing sufficient IP land banks to capture the solid demand amid high occupancy rates in key industrial cluster across the country. In addition, the detailed guidance and regulations on IP models based on international experience will add more value to tenants, creating a more attractive investment environment, in our view.

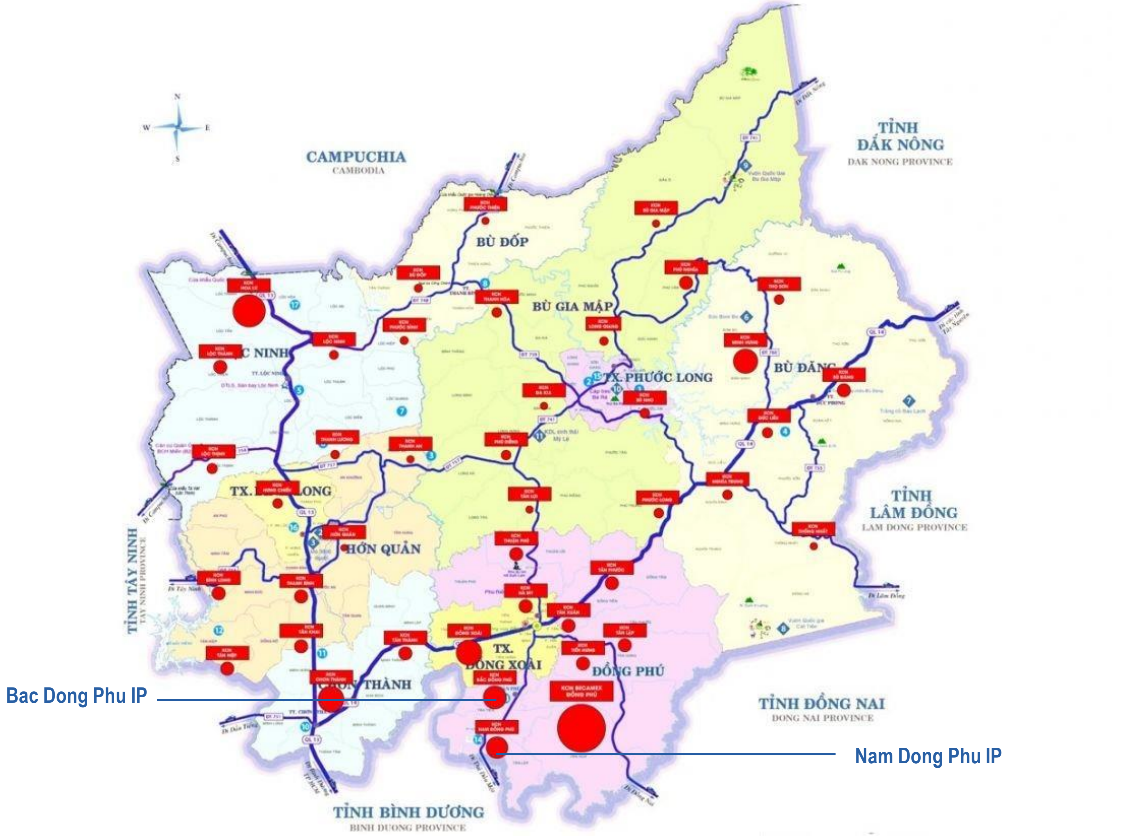
Binh Phuoc Province is a bright spot for IP development

Following the successful model of Binh Duong Province, Binh Phuoc Province will soon develop into a modern industrial center, primarily thanks to (1) its favorable location for industrial production, (2) improving transportation infrastructure and business environment, and (3) sufficient land bank and competitive IP land prices compared with nearby provinces.

Binh Phuoc has a favorable location for investment in industrial production. The province is among the largest provinces in southern Vietnam and connects the Central Highlands' provinces with HCMC via National Highway 13. As the province is located next to the Cambodian border, it is home to the Hoang Dieu and Loc Thinh national border gates as well as the Tan Tien auxiliary border gate. Therefore, Binh Phuoc Province is an important gateway for the East-West Economic Corridor.

Binh Phuoc is improving its transportation infrastructure and business environment. According to Decision No. 518/QD-TTG, the province is set to become an industrial locality with a GRDP ranking among the nation's top 15 provinces by 2030; furthermore, it will develop into a modern industrial center with comprehensive and sustainable development by 2030. Notably, the province will improve its transportation infrastructure with several transport infrastructure projects such as the HCMC – Thu Dau Mot – Chon Thanh – Dak Lak Expressway and National Highway 14C to Dak Nong Province. These transportation infrastructure projects will not only help offload the traffic burden on existing highways — which is one of the largest investment barriers for Binh Phuoc Province — but also shorten the distance and travel time from Binh Phuoc to HCMC, Cambodia and nearby areas. Binh Phuoc is also planning to develop an airport in Hon Quan District. Additionally, the province's efforts to simplify administrative procedures and improve its business environment have made Binh Phuoc Province a bright spot for FDI attraction. The province targets to have 35 IPs by 2030 (**Figure 10**).

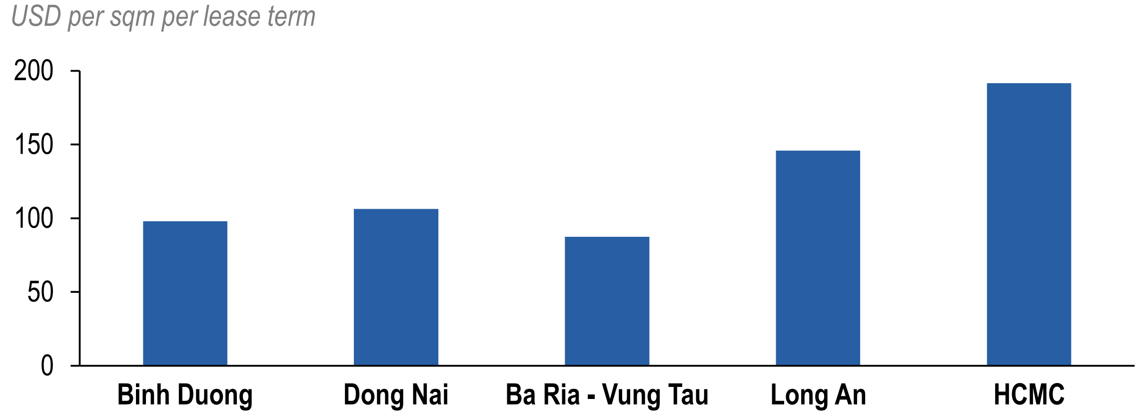
Figure 10: Zoning map of 35 IPs in Binh Phuoc



Source: VCSC compilation

Binh Phuoc Province has a sufficient land bank and competitive IP land prices compared with nearby provinces. According to global property consultancy company Jones Lang LaSalle (JLL), IP land asking prices in Q4 2021 in nearby provinces averaged ~USD117 per sqm for a lease term, which was nearly double the average asking price in Binh Phuoc Province (**Figure 11**). In addition, while the occupancy rates of these provinces were above 85%, Binh Phuoc Province should become an attractive spot due to its large land bank as well as its improving transportation infrastructure and business environment.

Figure 11: IP land asking prices of select southern Vietnamese provinces/municipalities in Q4 2021



Source: JLL, VCSC compilation

Dong Phu is among the top districts for IP development in Binh Phuoc Province. Binh Phuoc Province currently has 14 IPs and an EZ at the Hoa Lu border gate with a total area of ~4,700 ha primarily situated in Chon Thanh District, Dong Phu District and the provincial capital of Dong Xoai. Compared with other districts, Dong Phu has an important location with access to National Highway 14C and Highway DT741 that connect Central Highlands with HCMC. Dong Phu District has an area 93.4 ha — equivalent to 13.6% of Binh Phuoc Province's total area — and is currently home to two IPs and four industrial clusters. Among these, the Bac Dong Phu and Nam Dong Phu IPs are operated by Bac Dong Phu IP JSC, which is a DPR subsidiary. Tenants in Dong Phu are also offered tax incentives such as a CIT of 15% for 12 years for prioritized sectors. In addition, with its large land bank and competitive rents, Dong Phu is a desirable location for business investment and development.

Company Outlook

The rubber segment will remain a core business

Thanks to the positive outlook for the natural rubber market, we anticipate DPR's rubber segment to surge in 2022F. We expect soaring crude oil prices and a global supply shortage of natural rubber should keep DPR's natural rubber ASP at high levels in 2022F. In addition, as the majority of DPR's rubber trees were planted in 2008-2017, we forecast the company's plantations to enter the peak harvesting phase in 2022-2023F (a rubber tree usually gives its maximum yield at about 13 years after planting or seven years after the commencement of harvesting). We believe these factors should put DPR in a good position to capture a strong demand recovery in the rubber market over the short term.

Old rubber tree liquidation continues to support earnings. Revenue from liquidation activities has been a major revenue contributor at an annual average of VND145bn over the last five years. In 2022G, DPR expects to liquidate ~650 ha of rubber trees. We anticipate liquidation will continue to be one of DPR's major earning drivers this year.

IP expansion projects to start generating revenue in 2023F

Management expects to receive approval from the Binh Phuoc People's Committee for the expansion plans of Bac Dong Phu and Nam Dong Phu IPs in Q3 2022. If approved, DPR will start leasing the Bac Dong Phu and Nam Dong Phu IPs in 2023 and 2026, respectively. As Binh Phuoc Province is being developed into a modern industrial center, the Bac Dong Phu and Nam Dong Phu IPs should be beneficiaries. We expect increased IP investment in Binh Phuoc Province will help these IPs to become quickly occupied and increase their IP land prices.

Land compensation to drive earnings in 2022-2030F

We forecast DPR to receive an average land compensation income of VND200bn p.a. in 2022-2030F. Management anticipates it will complete its land transfers within 10 to 20 years, depending on the province's compensation progress. Due to the improving transportation infrastructure in Binh Phuoc Province — especially the HCMC – Thu Dau Mot – Chon Thanh – Dak Lak Expressway that is expected to finish construction by 2025F — we believe DPR will complete its land transfers sooner than expected. We forecast DPR to complete its transfers within 10 years, which will earn the company average income of VND200bn p.a. in 2022-2030F. This amount should drive DPR's earnings forecast and be equivalent to 30%-70% of the company's profit before tax over the last four years.

Management expects to transfer ~130 ha in 2022F. DPR planned to transfer 317 ha of a total of 2,000 ha to the Binh Phuoc People's Committee in 2021. However, COVID-19 delayed the compensation progress as only 260 ha of land was transferred in 2021. In 2022F, management expects to transfer ~130 ha — ~60 ha of which was delayed from 2021G. We estimate this should bring VND130bn of income in 2022F.

DPR and DPD to merge via a share swap

DPR will increase its ownership in DPD to 100% via a share swap. At DPR's June 2021 AGM, the company was approved to increase its ownership in DPD from 88.4% to 100% via a share swap. According to the plan, DPR will issue 443,025 shares — equivalent to ~1% of its outstanding shares — to swap with a ratio of 3.14:1. Management expects to complete the share swap in H1 2022.

As DPD is involved in wood growing & processing, which is a forbidden segment for foreign investors, DPR temporarily reduced its foreign room to 0% on November 2021 in order to ensure the correct share swap ratio for DPD's shareholders and to not exceed DPR's foreign ownership limits. The company will request shareholder approval for the amendment of its business license at its AGM held in 2022. DPR currently plans to change DPD into Dak Nong Rubber Plantation, which will be a member of DPD. DPR's foreign room will also return to 49% after DPR completes the deal.

After the share swap, DPR will issue bonus shares at a 1:1 ratio. We believe this will support the company's liquidity as a lower price per share may appear more attractive to retail investors.

Valuation

For peer references, we select Vietnamese natural rubber and IP developers that have similar size and operation markets with DPR for comparison. While DPR's earnings mainly come from rubber production, we expect IP development to drive the company's future earnings in the short to medium term.

DPR is currently trading at a discount in terms of both TTM PER and LQ PBR compared with its peer group blended median. DPR's TTM PER and LQ PBR are 9.7x and 1.9x, respectively — lower than 15.5x and 2.0x of its peer group blended median. In terms of comparing DPR to its peers in the IP sector, we believe the most widely used method at an IP company is RNAV. However, we do not have sufficient information to conduct RNAV for all DPR's peers.

Figure 12: Peer comparison

Company	Mkt cap (USD mn)	TTM Sales Growth (%)	TTM EPS Growth (%)	ROE (%)	ROA (%)	Net D/E (x)	NPM (%)	LQ PBR (x)	TTM PER (x)
Rubber manufacturers									
PHR VN Equity	510.6	19.2%	-55.9%	15.4%	7.6%	-0.5x	24.5%	3.9x	24.5x
DRC VN Equity	183.1	20.1%	13.5%	16.8%	10.4%	0.1x	6.6%	2.4x	14.4x
BRR VN Equity	115.4	27.1%	34.2%	11.1%	9.3%	-0.1x	29.3%	2.0x	18.1x
RTB VN Equity	122.9	32.8%	49.9%	18.4%	8.9%	0.0x	28.3%	2.0x	11.1x
TRC VN Equity	64.9	15.5%	5.4%	6.2%	4.9%	0.1x	23.3%	1.0x	15.3x
DRI VN Equity	57.9	32.7%	248.8%	11.4%	7.5%	0.2x	14.4%	1.9x	15.8x
Median	**119.2**	**23.6%**	**23.8%**	**13.4%**	**8.3%**	**0.0x**	**23.9%**	**2.0x**	**15.5x**
IP developers									
SZC VN Equity	307.9	64.7%	74.0%	23.7%	6.5%	1.3x	45.4%	4.8x	23.4x
NTC VN Equity	216.9	2.9%	1.1%	44.7%	6.8%	-1.8x	108.5%	7.9x	16.9x
SZL VN Equity	54.7	7.9%	-0.9%	14.1%	6.1%	-0.3x	26.1%	2.1x	15.5x
D2D VN Equity	79.2	32.2%	-9.5%	23.5%	12.8%	-0.5x	51.4%	1.7x	7.5x
TIP VN Equity	50.5	-5.2%	-33.2%	14.6%	9.1%	-0.3x	36.5%	1.8x	12.8x
Median	**79.2**	**7.9%**	**-0.9%**	**23.5%**	**6.8%**	**-0.3x**	**45.4%**	**2.1x**	**15.5x**
Blended*	**114.4**	**21.7%**	**20.9%**	**14.6%**	**8.1%**	**0.0x**	**26.5%**	**2.0x**	**15.5x**
DPR VN Equity	**183.6**	**7.0%**	**142.3%**	**21.7%**	**11.0%**	**-0.5x**	**35.4%**	**1.9x**	**9.7x**

Source: Bloomberg, VCSC. Data as of April 15, 2022. Note: * Weighted average by each segment's contribution to DPR's total 2021 gross revenue.

DPR has maintained a high DPS/EPS ratio over the last five years (Figure 13). In 2016-2020, DPR's average DPS/EPS ratio was around ~115%. In 2021, the company planned to pay DPS of VND3,000 in cash and paid VND1,500 per share in late 2021. DPR expects to pay the remaining 2021 DPS in H1 2022 after the 1:1 bonus issuance post share swap.

Figure 13: DPR's EPS and DPS

	2016	2017	2018	2019	2020	2021
EPS (VND/share)	3,569	4,957	5,473	2,934	2,732	10,025
DPS (VND/share)	4,666	5,599	4,666	4,666	2,333	2,910
DPS/EPS (%)	130.7%	113.0%	85.2%	159.0%	85.4%	29.0%

Source: DPR, VCSC compilation

Investment Risks

Volatility in natural rubber prices could hurt DPR's rubber business. As crude oil prices and natural rubber prices are relatively correlated, strong fluctuations in crude oil prices could cause difficulties in the operations and efficiency of DPR' rubber business.

DPR could lose the auctions for the expanded Bac Dong Phu and Nam Dong Phu IPs. As Binh Phuoc Province is putting industrial land up for auction, there is a chance that DPR — despite being a project developer — could lose these auctions. However, this situation unlikely in our view given the company's experience in developing IPs in Binh Phuoc Province and its strong financial capacity. As of end-2021, DPR's total gross debt was VND54bn, while its cash and cash equivalents were VND593bn in total.

The compensation rate for DPR's rubber land is not guaranteed. Currently, the compensation rate for DPR's rubber land is VND1bn per ha. This rate could vary depending on the market situation, and there is a risk that the compensation rate could fall in the future. In such a case, this would negatively affect the company's future earnings.

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Financial Statements

P&L (VND bn)	2018	2019	2020	2021
Revenue	**1,030**	**1,033**	**1,138**	**1,217**
COGS	-685	-763	-818	-787
Gross Profit	**345**	**270**	**320**	**430**
Sales & Marketing exp	-16	-19	-19	-33
General & Admin exp	-87	-82	-92	-86
Operating Profit	**241**	**169**	**209**	**312**
Financial income	65	69	64	47
Financial expenses	-16	-23	-15	-7
- o/w interest expense	-10	-18	-14	-5
Associates	0	0	0	0
Net other income/(loss)	11	29	11	225
Profit before Tax	**302**	**244**	**269**	**577**
Income Tax	-67	-53	-58	-105
NPAT before MI	**235**	**191**	**212**	**473**
Minority Interest	0	-8	-34	-42
NPAT less MI, reported	**235**	**183**	**178**	**431**
NPAT less MI, adjusted[1]	**235**	**126**	**117**	**431**
EBITDA	337	300	336	661
EPS reported, VND	5,473	2,934	2,732	10,025
DPS, VND	4,666	4,666	2,333	2,910
DPS/EPS (%)	85.2%	159.0%	85.4%	29.0%

[1] Adjusted for bonus & welfare

RATIOS	2018	2019	2020	2021
Growth				
Revenue growth	-3.7%	0.3%	10.1%	7.0%
Op profit (EBIT) growth	7.6%	-29.8%	23.4%	49.1%
PBT growth	11.7%	-19.2%	10.4%	114.4%
EPS growth, adjusted	10.4%	-46.4%	-6.9%	266.9%
Profitability				
Gross Profit Margin	33.5%	26.2%	28.1%	35.4%
Op Profit, (EBIT) Margin	23.4%	16.4%	18.4%	25.6%
EBITDA Margin	32.7%	29.1%	29.6%	54.3%
NPAT-MI Margin	22.8%	17.7%	15.6%	35.4%
ROE	9.3%	7.7%	7.7%	17.0%
ROA	6.6%	4.9%	4.7%	11.0%
Efficiency				
Days Inventory On Hand	49.6	48.5	46.6	56.4
Days Accts, Receivable	23.6	24.5	37.1	30.1
Days Accts, Payable	4.6	5.4	2.9	2.1
Cash Conversion Days	68.6	67.7	80.9	84.4
Liquidity				
Current Ratio x	2.2	2.4	2.2	3.5
Quick Ratio x	1.9	2.2	1.9	3.0
Cash Ratio x	0.6	0.5	0.7	1.3
Debt / Assets	6.5%	7.5%	5.5%	1.3%
Debt / Capital	8.9%	11.0%	8.3%	1.9%
Net Debt / Equity	-24.6%	-36.0%	-28.1%	-45.1%
Interest Coverage x	25.0	9.3	14.6	62.5

B/S (VND bn)	2018	2019	2020	2021
Cash & equivalents	277	312	366	593
ST investments	563	789	496	698
Accounts receivable	54	85	146	54
Inventories	146	128	162	214
Other current assets	40	97	57	59
Total Current assets	**1,081**	**1,411**	**1,228**	**1,618**
Fixed assets, gross	1,956	2,210	2,280	2,296
- Depreciation	-579	-647	-732	-822
Fixed assets, net	1,377	1,564	1,547	1,475
LT investments	282	173	140	141
LT assets other	920	589	860	798
Total LT assets	**2,578**	**2,326**	**2,547**	**2,414**
Total Assets	**3,660**	**3,737**	**3,775**	**4,032**
Accounts payable	19	12	6	8
Short-term debt	47	106	104	29
Other ST liabilities	432	474	446	429
Total current liabilities	**499**	**592**	**556**	**465**
Long-term debt	191	175	105	25
Other LT liabilities	525	692	789	800
Total Liabilities	**1,214**	**1,459**	**1,450**	**1,290**
Preferred equity	0	0	0	0
Paid-in capital	430	430	430	430
Share premium	147	147	147	192
Retained earnings	307	161	154	373
Other equity	1,017	1,033	1,061	1,197
Minority interest	544	506	533	551
Total equity	**2,445**	**2,278**	**2,325**	**2,743**
Liabilities & equity	**3,660**	**3,737**	**3,775**	**4,032**
Avg shares out, mn	40.1	40.1	40.1	41.7

CASH FLOW (VND bn)	2018	2019	2020	2021
Beginning Cash Balance	**519**	**277**	**312**	**366**
Net Income	235	183	178	431
Dep, & amortization	85	102	116	124
Change in Working Cap	72	210	-164	138
Other adjustments	-31	-123	-43	14
Cash from Operations	**361**	**371**	**86**	**707**
Capital Expenditures, net	-171	-120	-94	-54
Investments, net	-235	-52	344	-259
Cash from Investments	**-406**	**-173**	**249**	**-313**
Dividends Paid	-207	-208	-206	-182
∆ in Share Capital	0	0	0	171
∆ in ST debt	25	58	-2	-75
∆ in LT debt	-12	-16	-70	-80
Other financing C/F	-3	0	-4	1
Cash from Financing	**-197**	**-164**	**-281**	**-165**
Net Change in Cash	**-242**	**35**	**54**	**229**
Ending Cash Balance	**277**	**312**	**366**	**593**

(Figures may not sum up due to rounding)

Source: Company data, VCSC

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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
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