

Phu Tai JSC (PTB)

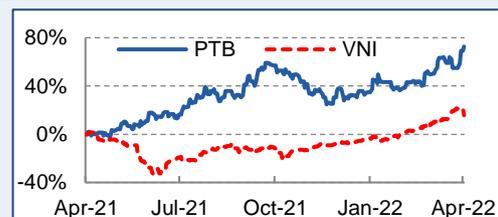
AGM Note & Earnings Flash

Industry:	Diversified		2021	Q1/22	2022F
Report Date:	April 18, 2022	Rev growth	15.9%	24.0%	20.5%
Current Price:	VND129,500	EPS growth	42.7%	N/A	20.9%
Target Price**:	VND98,300	EPS growth*	11.6%	N/A	26.8%
Upside to TP:	-24.1%	GPM	22.4%	N/A	22.5%
Dividend Yield:	2.2%	NPM	7.9%	N/A	7.9%
TSR:	-21.9%	EV/EBITDA	9.7x	N/A	6.5x
Rating**:	MARKET PERFORM	P/E*	16.3x	N/A	12.8x

Market Cap:	USD273.4mn	PTB	VNI
Foreign Room:	USD12.5mn	P/E (ttm)	13.1x 16.6x
ADTV30D:	USD1.3mn	P/B (curr)	2.6x 2.5x
State Ownership:	0.0%	Net D/E	74.4% N/A
Outstanding Shares:	48.6 mn	ROE (ttm)	23.4% 15.4%
Fully Diluted Shares:	48.6 mn	ROA (ttm)	10.0% 2.5%

** Last updated on February 8, 2022.

*Core EPS, excluding property earnings, not adjusted for the equity issuance approved in this AGM



Company Overview

Originating as an SOE in Binh Dinh Province in central Vietnam, PTB currently operates three main businesses: quarrying and producing stone, exporting wooden furniture to the US and EU, and operating a Toyota dealership in central Vietnam. PTB forayed into real estate development in 2019.

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Strong growth momentum, raising equity to deleverage

We attended PTB's 2022 AGM in Binh Dinh Province on April 16. Our key takeaways are as follows:

- 2022 business guidance: PTB guides for 2022 NPAT of VND632bn (USD27mn; +20% YoY — 104% of our 2022F). Relative to our forecasts, PTB's more aggressive expectations for the wooden furniture and real estate segments offset a more sluggish view on the stone business.
- Per management, preliminary Q1 2022 core profit before tax (excluding real estate) was ~VND150bn, (USD6.5mn; +20% YoY — 23% of our 2022F). PTB's overall business is trending in line with our expectation, but the performance of business segments varies.
- Customer demand remains strong in the wooden furniture segment. Based on management's comments, we estimate that Q1 2022 wood sales grew 18% YoY, beating our expectation.
- PTB's stone business is trailing our expectation due to weaker-than-expected domestic demand and export market penetration as well as COVID-19 delaying PTB's capacity expansion.
- PTB will continue to pursue real estate development. The company's upcoming project is a condo project that has smaller scale compared to PTB's Phu Tai Residence, per management.
- PTB will issue rights to buy shares equivalent to 20% of existing shares at a ~70% discount to the current market price. This rights issue serves to fund capex and deleverage, per PTB.
- We have not incorporated PTB's second property project and rights issue into our forecasts.

Figure 1: PTB's 2022 business guidance and preliminary Q1 2022 business results

VND bn	2021	2022G	YoY	2022F	2022G as % of VCSC's 2022F	Q1 2022**	YoY	as % of VCSC's 2022F	H1 2022G	YoY	as % of VCSC's 2022F
Revenue	6,490	7,250	12%	7,804	93%	1,736	24%	22%	3,713	23%	48%
Wood	3,436	3,990	16%	4,020	99%	983	18%	24%	N/A	N/A	N/A
Stone	1,444	1,670	16%	1,739	96%	401	18%	23%	N/A	N/A	N/A
Auto dealership	1,085	1,065	-2%	1,302	82%	230	0%	18%	N/A	N/A	N/A
Real estate	512	510	0%	743	69%	122	N.M.	16%	N/A	N/A	N/A
Other	100	15	-85%	0	N.M.	0	N.M.	N.M.	N/A	N/A	N/A
PBT	651	790	21%	752	105%	180	44%	23%	393	38%	50%
Wood	296	377	27%	330	114%	88	39%	27%	N/A	N/A	N/A
Stone	202	245	21%	291	84%	59	11%	20%	N/A	N/A	N/A
Auto dealership	14	17	16%	26	64%	4	-47%	14%	N/A	N/A	N/A
Real estate	120	133	11%	140	95%	30	N.M.	21%	N/A	N/A	N/A
Other	18	18	0%	0	N.M.	0	N.M.	N.M.	N/A	N/A	N/A
Core PBT*	531	657	24%	613	107%	150	20%	23%	N/A	N/A	N/A
NPAT	526	632	20%	608	104%	N/A	N/A	N/A	N/A	N/A	N/A

Source: PTB, VCSC; * excluding real estate, **revenue and PBT breakdown is VCSC's estimate

PTB is raising equity to deleverage given the company's current high gearing. PTB will raise USD12mn at VND25,000/share after stock dividends (VND35,000/share before stock dividends). 22% of its existing shares will be issued with 20% via a rights issue and another 2% via ESOP — the latter with a lock-up period of three years.

Wooden furniture segment maintains its growth momentum. Despite the risk of a downturn in demand driven by an anticipated slowdown in the housing sector in developed markets — especially the US — PTB's customer demand has remained strong YTD, per management. PTB has received customer orders for delivery through September 2022. Management has also signaled potential upside to its guidance in this segment. In addition, profit margins improved YoY in Q1 2022 thanks to economies of scale and were partly offset by PTB's selling price support for customers amid high shipping costs.

Stone business is progressing slower than expected. Apart from slowly recovering domestic demand, PTB has dealt with COVID-19-related disruptions on the approval and construction of its second quartz factory. In terms of stone reserve, PTB's Yen Bai stone mine has resumed mining, but it will take one to two years for PTB to physically reach the most commercially valuable reserve of this mine.

PTB continues to pursue real estate development. The company aims to expand its land bank in Binh Dinh Province. Its second condo project is located in central Quy Nhon and could begin sales in early 2023, per management. For its first project — the Phu Tai Residence — PTB expects to recognize approximately VND30bn in profit before tax in Q1 2022 — equivalent to 22% of our 2022 full-year forecast.

PTB will work to lift its foreign ownership limit to 49%. The company's registered industries currently include printing, which is subject to a foreign ownership limit of 25%. Management plans to remove this category going forward.

FY 2021 dividends (timeline for both the following cash dividend and stock dividend is not yet available):

- Cash dividend: VND500/share (0.4% yield)
- Stock dividend: 10 existing shares will receive four additional shares

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.

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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%
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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.

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