



Duc Thanh Wood Processing (GDT)

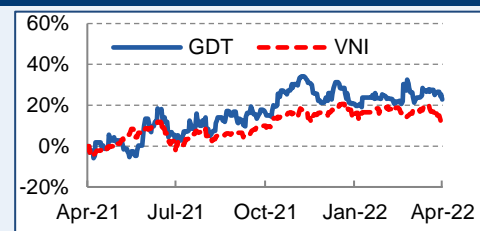
Earnings Flash

Industry:	Wood		2021	Q1/22	2022F
Report Date:	April 21, 2022	Rev growth	-15.4%	8.0%	44.8%
Current Price:	VND50,400	EPS growth**	-27.1%	7.7%	53.2%
Target Price*:	VND58,800	GPM	30.1%	32.4%	31.8%
Upside to TP:	+16.7%	NPM	18.0%	18.8%	19.8%
Dividend Yield:	8.7%	EV/EBITDA	13.6x	N/A	8.3x
TSR:	+25.4%	P/CFO	27.6x	N/A	12.4x
Rating*:	BUY	P/E	16.6x	N/A	10.8x

Market Cap:	USD42.2mn	GDT	Peers	VNI
Foreign Room:	USD31.9mn	P/E (ttm)	16.0x	10.7x
ADTV30D:	USD120,000	P/B (curr)	3.4x	1.5x
State Ownership:	0.0%	Net D/E	-11.6%	-3.0%
Outstanding Shares:	19.4 mn	ROE (ttm)	22.1%	13.5%
Fully Diluted Shares:	20.3 mn	ROA (ttm)	16.0%	7.5%
2021-2024 PEG:	0.5			

* Last updated on February 11, 2022

** Assuming dilution from ESOP and private placement



Company Overview

Duc Thanh Wood Processing JSC processes planted rubber wood into kitchenware, small housewares and toys. The company mainly exports to developed markets such as Japan, South Korea, Europe and the US.

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Business recovery, acquisition deal on track

- GDT released Q1 2022 results that are in line with our expectation. Q1 2022 revenue and NPAT increased 8% and 13%, achieving 22% and 21% of our full-year forecasts, respectively. We note that Q1 usually is GDT's low business season; additionally, GDT recognizes bonuses for employees in Q1 each year.
- Revenue growth mainly came from the EU, accounting for 25% of GDT's Q1 2022 revenue. We attribute this to the trend of global supply chain diversification away from China and GDT's obtainment of new ESG certificates in 2020, which helped it to gain new Western customers.
- As of April 21, GDT has received total customer orders worth USD10mn that are slated for shipment in 2022 — equivalent to 47% our 2022F revenue. Backed by expected softer supply-chain disruptions from COVID-19, we expect a strong business recovery in 2022.
- GDT is negotiating to acquire a smaller business that produces wooden furniture. This acquisition is set to be finalized in 2022. Per management, this factory is in Dong Nai Province (near HCMC) and could cost USD3.0mn as well as generate USD5.0mn in annual revenue (33% of GDT's 2021 sales).
- Given the potential acquisition, we foresee potential upside to our profit forecasts but also dilution risk as management shared that GDT could raise capital to fund this acquisition.

GDT's Q1 2022 results

VND bn	Q1 2021	Q4 2021	Q1 2022	Q1 2022 YoY	Q1 2022 as % of VCSC's 2022F	VCSC's 2022F
Revenue	100	91	108	8%	22%	490
Gross profit	33	27	35	6%	23%	156
Selling expenses	-5	-4	-5	-2%	21%	-22
G&A expenses	-9	-5	-8	-9%	30%	-26
EBIT	20	17	23	13%	21%	108
Financial income	3	4	4	29%	26%	17
Financial expense	-1	-1	-1	32%	40%	-4
Others	0	2	0	N.M.	N.M.	0
PBT	22	22	25	13%	21%	122
NPAT	18	18	20	13%	21%	97

Margins	Q1 2021	Q4 2021	Q1 2022	VCSC's 2022F
GPM	33.2%	29.2%	32.4%	31.8%
EBIT margin	20.0%	19.1%	21.0%	22.0%
EBITDA margin	21.8%	21.1%	22.7%	23.4%
NPAT margin	17.9%	19.6%	18.5%	19.8%

Source: GDT, VCSC

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
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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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