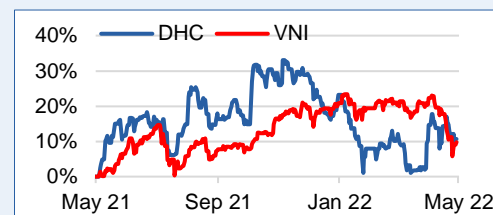


Dong Hai Ben Tre (DHC)

Earnings Flash

| | | | | | |
|---------------------|------------------------|-----------|-------------|--------------|--------------|
| Industry: | Packaging Paper | | 2021 | Q1/22 | 2022F |
| Report Date: | May 4, 2022 | | | | |
| Current Price: | VND80,600 | Rev y/y | 44.2% | 1.5% | 0.6% |
| Target Price*: | VND90,300 | EPS y/y | 23.2% | -31.8% | 13.3% |
| Upside to TP: | +12.0% | GPM | 16.2% | 18.5% | 18.4% |
| Dividend Yield: | 2.5% | NPM | 11.6% | 11.4% | 13.0% |
| TSR: | +14.5% | EV/EBITDA | 9.5x | N/A | 8.1x |
| Rating*: | OUTPERFORM | P/OCF | 36.6x | N/A | 6.9x |
| | | P/E | 12.0x | N/A | 10.6x |



| | | | | |
|-----------------------|----------|-----------|------------|------------|
| Market Cap: | USD243mn | | DHC | VNI |
| Foreign Room: | USD41mn | P/E (ttm) | 13.5x | 15.2x |
| ADTV30D: | USD1.6mn | P/B (cur) | 3.1x | 2.4x |
| State Ownership: | 0% | Net D/E | 0.1x | N/A |
| Outstanding Shares: | 70.0 mn | ROE | 26.1% | 15.8% |
| Fully Diluted Shares: | 70.0 mn | ROA | 20.6% | 2.6% |

* TP and rating last updated February 14, 2022

Company Overview

Dong Hai Ben Tre (Dohaco) is a medium-sized packaging paper company in Vietnam with a 2021 market share of ~5%, 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.

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Weak Q1 earnings due to high input costs, as expected

- DHC announced its Q1 2022 results with revenue edging up 1% YoY but NPAT-MI sinking 32% YoY. Per DHC, the YoY NPAT-MI decline was due to high input old-corrugated container (OCC) and transportation costs that more than offset its ASP increases — which we mainly attribute to lingering COVID-19 disruptions.
- Q1 2022 revenue and NPAT-MI fulfilled 25% and 22% of our respective forecasts. We see no material changes to our current forecasts, pending a fuller review.
- In terms of segmental performances, paper revenue (88% of Q1 2022 total revenue) slid 2% YoY in Q1 2022 as sales volume decreased 6% YoY while paper ASP rose 5%, based on our estimates. On the other hand, packaging revenue (12% of total revenue) surged 22%, of which sales volume climbed 10% YoY. Per DHC, the solid performance of the packaging segment was thanks to a recovery of export-oriented agribusinesses in the Mekong Delta — DHC's main packaging market.
- GPM contracted by 4.6 ppts YoY but expanded 6.9 ppts QoQ to 18.5% in Q1 2022. According to management, the QoQ improvement was backed by softer OCC costs as the economic reopening of Asia has bolstered OCC supply.
- DHC's effective tax rate surged from 5.4% in Q1 2021 to 12.9% in Q1 2022 as the Giao Long 2 factory's tax incentives subsided. We note that the Giao Long 2 factory — which commenced operation in Q3 2019 — will enjoy a 0% tax rate for the first two years of operation and 10% for the ensuing four years.

A summary of Q1 2022 financials is presented on the next page.



DHC's Q1 2022 results

| VND bn | Q1 2021 | Q1 2022 | YoY | Q1 2022/ VCSC's 2022F |
|-------------------------|--------------|--------------|-------------|--------------------------|
| Revenue | 1,017 | 1,032 | 1% | 25% |
| Gross profit | 235 | 191 | -19% | 25% |
| Operating profit | 187 | 138 | -26% | 23% |
| Non-operating items | -4 | -2 | -43% | -20% |
| PBT | 183 | 135 | -26% | 22% |
| NPAT-MI | 173 | 118 | -32% | 22% |
| GPM | 23.1% | 18.5% | | |
| OPM | 18.4% | 13.3% | | |
| NPM | 17.0% | 11.4% | | |

Source: DHC, VCSC



VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, 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. |
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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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