



## Company Report: Dong Phu rubber Jsc (DPR VN)

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### Q4 2021 performance update

Rating:

**Neutral**

Maintained

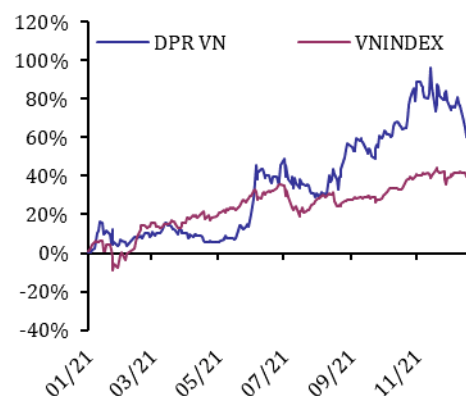
6-18m TP:

**VND73,500**

Share price:

VND65,900

#### Stock performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	3.5%	6.3%	72.0%
Rel. % to VNI index	2.4%	12.8%	16.4%
Avg. share price (VND)	67,539	74,390	63,116

Source: Bloomberg, Guotai Junan Vietnam

#### Investment thesis

- Large landbank, which is going to be converted to industrial land development.
- Stable rubber business, which enjoy benefit from higher selling price and high demand of export.
- 2000 ha estate handover for next 10 years, approximately 200 ha per year, will bring stable cash flow about 200 bil VND/year.
- Bac Dong Phu and Nam Dong Phu industrial park were already approved to be developed in master planning. We expect these projects will start in 2022 and bring cashflow in 2023.

#### Risk

- The legal process may prolong than expected.
- Industrial Park in Binh Phuoc is not attractive as in Binh Duong;
- Slow infrastructure disbursement by the government, which restrict investment in industrial park in Binh Phuoc.

#### Recommendation:

We value 3 separated cashflow streams from estate handover, rubber business and industrial park, then we estimate DPR stock at **73,500 VND/share**. We recommend **Neutral** for DPR stock.

Year End	Revenue	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
12/31	(VND Bil)	(VND Bil)	(VND)	(Δ%)	(x)	(VND)	(x)	(VND)	(%)	(%)
2018A	1,030	235	5,474	10.4%	7.4	56,871	0.9	9,000	164%	9.6
2019A	1,033	191	4,258	-22.2%	8.8	52,973	0.9	6,000	141%	8.0
2020A	1,138	212	4,148	-2.6%	11.9	54,071	1.2	2,500	60%	7.7
2021A	1,217	489	10,388	150.4%	6.9	65,326	1.1	3,000	29%	15.9
2022F	1,118	377	8,013	-22.9%	9.0	71,098	1.0	3,000	37%	11.3

Shares in issue (m)	43.0	Major shareholder	Vietnam Rubber Group	55.81%
Market cap. (VNĐ m)	2,833,700.0	Free float (%)		45.0
3 month average vol. ('000)	251.9	FY21 Net gearing (%)		44
52 Weeks high/low (VNĐ)	43,606 / 88,272			

Source : the Company, Guotai Junan Vietnam.

In Q4 2021, DPR's revenue was 488 bil VND (-3% YoY) while gross profit was 208 bil VND (+84% YoY), mostly from sale of rubber plant. NPAT was 330 bil VND (+307% YoY). In Q4 2021, average selling price was 42 million VND per ton, increase 4% YoY. DPR received compensation for the property handover in industrial cluster such as Tan Phu, Tien Hung, Tan Tien 1&2 with total of 210 ha (210 billion VND or 1 billion VND/ha). There is 2 residence land, which are Tien Hung 1&2, will be put up for auction in 2022, give DPR 130 billion VND for compensation. Tree liquidation bring 160 billion VND for 500 ha, average price of 320 million/ha.

**Table-1: DPR Financial update**

	2020	2021	Growth%
<b>Revenue</b>	1,138	1,217	7%
<b>Gross profit</b>	319	432	35%
<b>NPBT</b>	269	594	121%
<b>NPAT</b>	177	448	153%

Source: the Company, Guotai Junan (Vietnam)

**Table-2: DPR landbank**

Project	Area (ha)	Progress
Rubber plantation	<b>5,700</b>	
Total conversion	<b>4,000</b>	
Handover to other companies	2,000	Receive compensation 1 billion VND/ha (in 10-15 years)
Industrial land conversion	2,000	
<i>Bac Dong Phu industrial park</i>	317	800 ha for Bac Dong Phu and Nam Dong Phu industrial park
<i>Nam Dong Phu industrial park</i>	480	
<i>others</i>	1,203	Finished transfer procedure for Tan Phu, Tien Hung, Tan Tien 1&2, total 210ha
<b>Total land bank</b>	<b>9,700</b>	

Source: the Company, Guotai Junan (Vietnam)

According to DPR plan, 2,000 ha will be handover to other companies and receive compensation. the compensation will be about 1 bil VND/ha, and this area will transfer gradually each year for 10-15 years. We suppose the process will be completed in just 10 years, then 200 ha will be converted each year, bringing about 200 bil VND cash for DPR.

### Bac Dong Phu and Nam Dong Phu industrial park

2 industrial park projects is waiting for Prime Minster approval and we expect this will be done in Q1 2022. These 2 industrial parks which were put into the industrial master planning, will accelerate the process such as land purpose conversion, developer approval, license and launching. We expect that Binh Phuoc authority will approve for these planning in late 2022 and launching for Bac Dong Phu will start in 2023, then Nam Dong Phu in 2025. Total investment in Bac Dong Phu is about 1,360 billion VND, approximately 4.3 billion/ha. Total investment in Nam Dong Phu is 1,830 billion VND, approximately 3.8 billion/ha. As planning, DPR will contribute 250 billion VND for 50% owner equity in the projects. According to DPR, at the moment, demand for industrial land is very high, price has been increasing, the latest price quoted for customer in the memo which is signed not long ago, reach \$60/m<sup>2</sup>.

	Nam Dong Phu	Bac Dong Phu
<b>Area (ha)</b>	480	317
<b>sqm/ha</b>	10,000	10,000
<b>Selling price</b>	\$70	\$60
<b>Exchange rate</b>	23,500	23,500
<b>Gross profit</b>	60%	60%
<b>Salable area</b>	70%	70%
<b>Ownership</b>	51%	51%

Source: Guotai Junan (Vietnam)

According to DPR, before Covid-19 outbreak in Southern region, demand for industrial land in Nam Dong Phu and Bac Dong Phu and in Binh Phuoc province generally, are very high and there was no inventory left. When the pandemic outbreak, most of customer canceled their memo. Currently, demand in Binh Phuoc and Binh Duong are huge, renting price in Nam Tan Uyen and Bac Dong Phu is showing a huge gap while the distance is not far, so there is high possibility for fill in the new capacity of the projects.

### Recommendation

We forecast that DPR would remain rubber business being stable, because DPR is one of best companies which is earning good return in the industry. The rubber price would stay around 39 mil VND/tons for this year due to the tight supply and higher demand in China. We value 3 separated cashflow streams from estate handover, rubber business and industrial park, then we estimate DPR stock at **73,500 VND/share**. We recommend **Neutral** for DPR stock.

Income Statement					
Year end Dec (VND bil)	2018A	2019A	2020A	2021	2022F
Revenue	1,030	1,033	1,138	1,217	1,118
yoy(%)	-3.7%	0.3%	10.1%	6.9%	-8.1%
Cost of services	(685)	(763)	(818)	(781)	(648)
Gross profit	345	271	320	436	470
yoy(%)	8.3%	-21.5%	18.4%	36.1%	7.8%
SGA expenses	(103)	(101)	(111)	(117)	(69)
Other (losses) / gains, net	0	0	0	0	0
Financial income	65	69	64	60	90
Finance costs	(16)	(23)	(15)	(7)	(11)
Share of profits of associates and JCEs	0	0	0	0	0
Profit before income tax	302	244	270	594	470
yoy(%)	11.7%	-19.1%	10.5%	120.2%	-21.0%
Income tax expense	(67)	(53)	(58)	(105)	(92)
Profit after tax	235	191	212	489	377
yoy(%)	4.5%	-18.6%	10.9%	130.5%	-22.9%
Minority interest	0	(8)	(34)	(42)	(33)
Net profit	235	183	178	447	345
yoy(%)	10.4%	-22.2%	-2.6%	150.4%	-22.9%
EPS(VND)	5,474	4,258	4,148	10,388	8,013
yoy(%)	10.4%	-22.2%	-2.6%	150.4%	-22.9%

Cash Flow Statement					
Year end Dec (VND bil)	2018A	2019A	2020A	2021F	2022F
Profit before income tax	235	191	212	594	377
Adjustments	112	123	132	(15)	119
Change in WC	14	57	(257)	(341)	75
Cash from operations	361	371	86	238	572
Capital expenditure	(171)	(120)	(94)	(64)	(64)
Cash from investing	(406)	(173)	249	170	(355)
Common stock (purchase) or sale	0	0	0	0	0
Other	10	43	(76)	16	251
Cash from financing	(197)	(164)	(281)	(181)	122
Cash & cash equivalents at 1st January	519	277	312	366	593
Net change in cash	(242)	35	54	227	339
Cash & cash equivalents at 31st December	277	312	366	593	932

Source: the Company, Guotai Junan (Vietnam).

Balance Sheet					
Year end Dec (VND bil)	2018A	2019A	2020A	2021A	2022F
<b>Current assets</b>	<b>1,081</b>	<b>1,411</b>	<b>1,228</b>	<b>1,626</b>	<b>2,266</b>
Cash & equivalents	277	312	366	593	932
Short term investment	563	789	496	705	996
Receivable	54	85	146	53	121
Inventory	146	128	162	214	159
<b>Non-current assets</b>	<b>2,578</b>	<b>2,326</b>	<b>2,547</b>	<b>2,408</b>	<b>2,228</b>
Property plant & equipment	1,376	1,562	1,546	1,473	1,462
Intangible assets	1	1	1	1	1
Work in progress	594	255	167	129	129
Prepayment and other receivables	128	158	473	463	456
Investment in an associated co.	-	-	-	-	-
Other investment	302	193	158	153	153
<b>Total assets</b>	<b>3,660</b>	<b>3,737</b>	<b>3,775</b>	<b>4,034</b>	<b>4,494</b>
<b>Current liabilities</b>	<b>499</b>	<b>592</b>	<b>556</b>	<b>399</b>	<b>544</b>
Account payable	19	12	6	8	13
Short-term borrowing	47	106	104	29	121
<b>Non-current liabilities</b>	<b>715</b>	<b>867</b>	<b>894</b>	<b>826</b>	<b>1,013</b>
Long-term borrowings	191	175	105	25	184
<b>Total liabilities</b>	<b>1,214</b>	<b>1,459</b>	<b>1,450</b>	<b>1,224</b>	<b>1,557</b>
Minority interest	544	506	533	544	576
Share capital	430	430	430	430	430
Other reserves and retained earnings	1,471	1,342	1,362	1,835	2,051
<b>Total Equity</b>	<b>2,445</b>	<b>2,278</b>	<b>2,325</b>	<b>2,809</b>	<b>3,057</b>
<b>Total Equity</b>	<b>2,445</b>	<b>2,278</b>	<b>2,325</b>	<b>2,809</b>	<b>3,057</b>

Financial Ratio					
	2018A	2019A	2020A	2021A	2022F
Gross margin (%)	33	26	28	36	42
Operating margin (%)	29.3	23.6	23.7	48.8	42.0
Net margin (%)	22.9	17.7	15.7	36.7	30.8
ROA (%)	6.4	4.9	4.7	11.1	7.7
ROE (%)	9.6	8.0	7.7	15.9	11.3
Net gearing ratio (%)	9.7	12.3	9.0	1.9	10.0
Current ratio(x)	2.2	2.4	2.2	4.1	4.2

**COMPANY RATING DEFINITION**

Benchmark: **VN – Index.**

Time Horizon: **6 to 18 months**

<b>Rating</b>	<b>Definition</b>
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

**SECTOR RATING DEFINITION**

Benchmark: **VN – Index**

Time Horizon: **6 to 18 months**

<b>Rating</b>	<b>Definition</b>
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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