



DHC Flash note - BUY

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Earnings Flash note

Recommendation

BUY

HOSE: DHC

Paper - Carton

Target price (VND) 50,766

Market price (VND) 39,000

Expected share price return 30.2%

Expected dividend yield 7.7%

Expected total return 37.9%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	24.4	-16.7	-4.5	-1.8
Relative	-0.9	-9.7	-14.9	4.5

Source: Bloomberg

VND '000 Price-Volume '000 shrs



Ownership

KWE Beteiligungen AG	14.8%
Nguyen Thanh Nghia	13.3
Le Ba Phuong	8.7%
Nguyen Thi Thuy	6.8%
Le Van Thanh	5.7%

Stock Statistics 30-Oct-23

Bloomberg code	DHC
52-week range (VND)	23,560 – 48,950
Shares O/S (m)	80.5
Mkt cap (VND bn)	2,730
Mkt cap (USD m)	115.2
Est. Foreign room left (%)	15.8
Est. free float (%)	28.6
3m avg daily vol (shrs)	355
VND/USD	23,700
Index: VNIndex / HNX	1,042.4/211.3

CTCP Đông Hải Bến Tre (HSX: DHC)

DHC announced its Q3/2023 results with revenue reaching VND 795bn (-18.1% YoY), gross profit reaching VND107 bn (-15.1% YoY) and NPAT reaching VND 56bn (-12.5% YoY). Accumulated 9M2023, NPAT reached VND234 bn, completing 78.0% of the company's 2023 plan and 68.8% of our initial projection.

Q3/2023's revenue decreased by 18.1% YoY and decreased by 0.7% QoQ, reaching VND795 bn. We believe that the decline in sale prices, while sale volume remains stable, is the primary cause. For more details, the average Testliner price in Q3/2023 was \$427/ton, (-10.3% YoY); and Medium price was \$340/ton, (-23.1% YoY), as reported by Vietnamese Papar Pulp Association (VPPA).

Meanwhile, the costs of goods sold also dropped by 18.6% YoY. In particular, according to VPPA, the average price of old corrugated carton OCC 11 - USA for Q3/2023 was \$181/ton, (-9.5% YoY); and OCC - Japan was \$146/ton, (-24.7% YoY). Subsequently, the gross profit margin contracted marginally from 13% in Q3/2022 to 12.5% at present. For 9M2023, the gross profit margin was 16.0%.

Financial income and expenses are managed consistently in Q3/2023. Financial expense fell by 11.9% YoY, was VND12.2 bn. In contrast, interest expense hiked 74.4% YoY to VND8.5 bn, primarily due to increase of short-term loan to fund for daily operation activities.

In addition, the board of manager operates the company more efficiently as well on the grounds of being able to reduce selling and administrative expenses in Q3/2023, -14.6% YoY to VND25.9 bn and -12.2% to VND9.4 bn, respectively.

Quick comment: Q3/2023 business performance reached 78.0% of DHC's plan and only 68.8% of our previous forecast. We lower the anticipated selling price of DHC's output compared to the previous forecast, resulting in a decrease in gross profit margin of 2023 by 0.5%, to only 16.0%. Moreover, we project 2023's NPAT will reach VND314 bn compared to VND340 bn in the last updated report. For 2024F, we reduce our profit forecast to VND353 bn for NPAT, +12.4% YoY. As a result, the valuation for DHC was revised down by 10.5%, to VND50,766 per share, representing a total expected return of 37.9% and reiterating BUY recommendation for DHC.

	2021	2022	2023F	2024F	2025F
Net Sales (VNDbn)	4,165	3,936	2,973	3,218	3,673
Growth	44%	-5%	-24%	8%	14%
EBITDA (VNDbn)	614	556	477	516	602
Growth	15%	14%	16%	16%	16%
PAT (VNDbn)	482	380	314	353	437
Growth	23%	-21%	-17%	12%	24%
EPS (bonus-adjusted, VND)	6,729	5,243	3,704	4,185	5,223
Growth	-2%	-22%	-29%	13%	25%
ROE	28%	22%	17%	18%	21%
ROA	20%	13%	11%	12%	14%
Net debt/EBITDA (times)	0.4	0.6	(0.3)	(0.5)	(0.7)
EV/EBITDA (times)	4.9	5.5	5.5	4.8	3.8
PER (times)	6.6	8.4	8.7	7.7	6.3
PBR (times)	1.6	1.6	1.5	1.4	1.3
DPS (VND)	3,500	3,000	3,000	3,000	3,000
Dividend yield	9%	8%	8%	8%	8%

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Our Recommendation System

BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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