[FLASHNOTE]

Dong Hai Bentre JSC.

02/22/2021

Shinhan Securities

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RATING	BUY
Current price (VND)	72,800

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COMPANY INFORMATION

Industry	Forestry & Paper L3
Ticker	DHC
Stock Exchange	HOSE

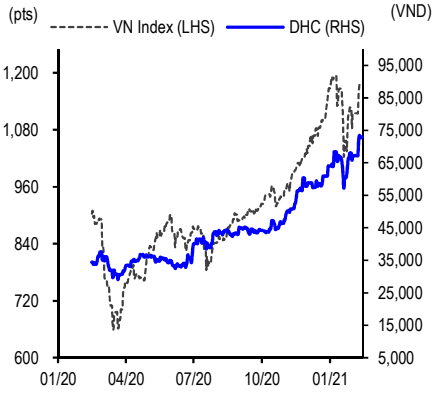
STOCK TRADING DATA

VN INDEX	1,162.6
Market Cap. (bn VND)	4,076.5
Outstanding Shares (1mn)	56.0
Free Floating Shares (1mn)	35.5
52-week High (VND)	73,800
52-week Low (VND)	30,500
Avg. Trading Volume (mn)	0.41
Avg. Reading T/O (bn VND)	24.7

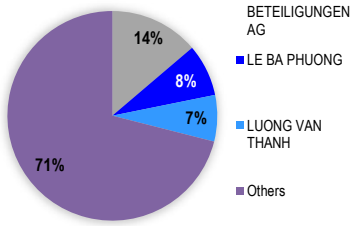
STOCK PERFORMANCE

(%)	3M	6M	12M
Absoulute	38.7	64.3	96.8
Percentage	19.2	27.0	71.5

STOCK PRICE PERFORMANCE



SHAREHOLDER STRUCTURE



INVESTMENT THESIS

1. Core Business

- Manufacturing pulp and paper with 2 main products: Kraft paper and packaging paper (carton board)
- Factories: Giao Long I & II with a total annual capacity of kraft paper at 280,000 tons; and Packaging paper factories No.2 with an annual capacity of 8 mn products.

2. Market Position

- Market share: nationwide at 6.7% - one of the top local pulp and paper manufacturers; and 30% in the South.
- Competitors: Sai Gon Paper (Ba Ria - Vung Tau), Vina Kraft (Binh Duong), Chang Yuen Paper (Binh Duong), An Binh Paper (Binh Duong), etc.
- Customers: Seafood processors, apparel and textile companies, pharmaceutical manufacturers, etc.

3. Investment Catalyst

- Vietnam has recently signed EVFTA which reduces the taxes on aquatic products exports to the EU to 0% in July 2020. Although the EU is the 3rd largest export market of Vietnam and witnesses a drop in the total consumption of seafood due to the COVID-19 pandemic, a VASEP's report indicated a lift of +10% YoY in aquatic products export to EU in 2020. Thereby, the agreement has indirectly lifted the demand for packaging thanks to the increase in seafood exports. Seafood companies account for 40% of Dohaco's revenue, so the firm is expected to gain the benefits. When COVID-19 is over, Dohaco even needs to rapidly build the Giao Long 3 factory because all current plants are running at full capacity.
- E-commerce has been a phenomenon recently. According to the Google E-commerce Report in 2019, the E-commerce sector of Vietnam is expected to have an average annual growth rate of +29% and reach the size of USD43 bn in 2025, becoming the 3rd largest amongst ASEAN. Dohaco, therefore, definitely gains benefits of this emerging trend as the number of orders for E-commerce packaging purposes shall gradually increase the contribution in their sales structure.
- Since Jan 1st, 2021, China has stopped importing old corrugated containers (OCC), the main input material of Dohaco, after the country bans all solid waste imports. In the short-run, ASEAN countries quickly absorb the excessive amount of OCC so that they can re-export packaging paper to China and lifts the OCC price which, 2 months ago, was thought to plummet after the ban. However, in the long-run, China can partly recycle their old cardboards and reduce new imports. Thus, Dohaco can have the advantage of a lower input price level in the future.

4. Risks

- Besides, the effort to increase the market share with the top pulp and paper producers, the capacity expansion of Tan Mai Paper, Miza Co., Hoang Ha Paper can be a threat to the current position of Dohaco beside other foreign manufacturers.
- In the short-run, the continuously increasing prices of seaway and container services negatively affect the revenue and volume of seafood processors. Besides, the problem also increases the price of imported OCC which is Dohaco's input material and thereby reduced the profit margin until there is an effective solution.

FINANCIAL INFORMATION

	2016	2017	2018	2019	2020
Sales (bn VND)	**668**	**810**	**927**	**1,430**	**2,888**
OP (bn VND)	95	94	164	235	436
Pre-tax (bn VND)	97	93	155	220	410
NP(1bn VND)	**86**	**80**	**134**	**182**	**392**
EPS(VND)	1,971	1,516	2,512	3,383	6,903
BPS(VND)	11,436	13,580	16,093	19,986	24,910
PER(x)	10.7	20.0	10.0	11.2	10.5
EV/EBITDA(x)	6.9	13.8	10.5	9.1	6.7
PBR(x)	1.8	2.2	1.6	1.9	2.9
ROE(%)	20.4	12.8	16.9	18.5	30.7

(*) Database information provided by Bloomberg

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