SHINHAN SECURITES VIETNAM | RESEARCH CENTER

[FLASHNOTE]

# Duc Thanh Wood Processing JSC

06/20/2022

| | |
|---|---|
| **TICKER** | **GDT** |
| **RATING** | **NOT RATING** |


| | |
|---|---|
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## COMPANY INFORMATION

| | |
|---|---|
| Industry | Timber |
| Ticker: | GDT |
| Stock Exchange | HoSE |

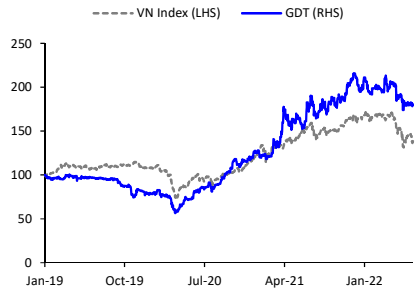
## STOCK TRADING DATA

| | |
|---|---|
| VN INDEX | 1,217.3 |
| Market Cap. (bn VND) | 910,156.7 |
| Outstanding Shares (1mn) | 19.4 |
| Free Floating Shares (1mn) | 9.0 |
| 52-week Highest (VND) | 60,000 |
| 52-week Lowest (VND) | 45,800 |
| Avg. Trading Volume (mil) | 25,603.3 |
| Avg. Reading T/O (bil VND) | 1.2 |

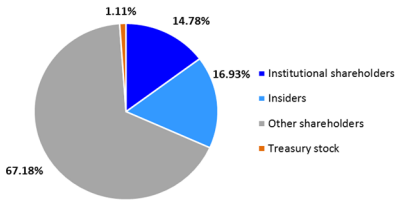
## STOCK PERFORMANCE

| (%) | 3M | 6M | 12M |
|---|---|---|---|
| Absoulute | (15.2) | (12.1) | (11.8) |
| Percentage | 0.2 | 4.4 | (2.7) |

## STOCK PRICE PERFORMANCE




## SHAREHOLDER STRUCTURE




## [FLASHNOTE]

**I. COMPANY OVERVIEW:**

Duc Thanh Wood Processing JSC is a manufacturer of traditional kitchenware, household goods, home furniture and children's toys made from rubberwood, MDF and plywood, with more than 30 years of experience. GDT's raw materials are planted trees, no natural forest wood is used, for the sake of protecting the environment.

Having a team of skillfulness and knowledgeableness, with years of experience in the wood processing industry, together with the modern technological lines, GDT always satisfies large orders, high technical requirements, and urgent delivery requests.

GDT's orders are mainly produced, processed and exported to markets such as US, Japan, Korea, EU, etc. (constituting over 80% of total revenue). For domestic market, it is currently being sold on retail systems such as Co.op Mart, Lotte Mart, E-mart, Aeon, Con Cung, Mother and Baby chains, and a wide range of online channels.

**II. 1Q2022 BUSINESS RESULT:**

GDT's 1Q22 net revenue reported at VND 108.2bil (+8% QoQ), with 32.4% GPM (1Q21 33.2%). EBT had an increase of 13.3% compared to that in the same period last year, reaching VND 25.4bil, equivalent to a margin of 23.5% (1Q21 22.4%).

**III. INVESTMENT THESIS:**

**The exciting result of profitability margins** showed a sign of sustainable recovery of GDT after the Covid-19 epidemic versus those in the last 3 quarters. Contributions came from: (i) due to the increase in input costs, GDT has raised its selling prices towards export orders since 4Q21 in markets such as Japan, Korea, USA, EU countries, and towards domestic market since the beginning of 2022; (ii) GDT has applied advanced technology to production, increasing productivity, and even reducing opex and other related costs of sale. Its 1Q22 opex margin was about 11.4% (1Q21: 13.2%; 1Q20: 11%).

**GDT targeted 2022 revenue growth by 50%** compared to that in FS2021 (VND 339bil), with the EBT of 1.5 times rises. The target goal is supported by the following elements:

+ All GDT's export orders have strictly complied with ESG regulations, which essentially secures the stability of orders from existing customers, as well as attracts and accelerates the expansion into highly demanding markets like the US and EU.

+ According to GDT, the total current value of export orders in 2022 has reached more than USD 9mil (~ VND 210bil), showing that GDT's 2022 business plan is feasible. In addition, the competitiveness with China has been mitigated because of their zero-covid regulations.

+ GDT has invested more in the machinery to enhance 20% capacity of its factory in Binh Duong province (total size of 38.000m2). GDT has actively imported sufficient input materials and is ready for the next 6-month production.

+ GDT is a big and prestigious listed manufacturing wood company, but the revenue is not at extreme level, plus having low level of leverage, so the growing opportunity is quite tremendous and potential. The company respectively completed 21.6% (of VND 500bil target revenue, in which 85% is from export) and 21.5% (of VND 117.9bil) of the target revenue and EBT in the 2022 initial business plan.

**GDT expands its business to solid wood furniture.** In 2Q2022, GDT has successfully acquired 100% stack of **Duc Tam Wood Manufacturing and Exporting Company Ltd.** (DTW), located in Vinh Cuu district, Dong Nai province. The estimated deal size was about USD 3mil (~VND 70bl). DTW has been in operation since 2001, doing business in manufacturing, trading, importing, and exporting from lumber to wooden furniture. DTW;s current capacity is around 80%, with annual estimated revenue falling about USD 5mil (~VND 116bil), 8-10% NPAT.

If the plan sticks well with the BOD's strategy, this factory will be merged and consolidated in GDT's FS from 3Q2022, which possibly results in the VND 600bil consol total revenue of GDT for the FY2022.

**IV. Risks:**

(i) Rise of inflation, accompanied by the costs increase in labor, production, transportation, and export;

(ii) The synergy after the M&A deal might not go well as expected of GDT, influencing the profit margins in the early years;

(iii) The decision to raise interest rates from the FED causes a hot increase in house prices in the US market, affecting customer demand for GDT's new furniture business.

## FINANCIAL INFORMATION

| Profitability performance (VND bil) | 2019 | 2020 | 1Q2021 | 2021 | 1Q2022 |
|---|---|---|---|---|---|
| **Sales (% growth)** | **342 (-12.3%)** | **400 (+17%)** | **100 (+22.3%)** | **339 (-15.4%)** | **108 (+7.6%)** |
| GP (%Sales) | 112 (33%) | 125 (31%) | 33 (33%) | 101 (30%) | 35 (32.4%) |
| *SG&A (%Sales)* | *32 (9.5%)* | *38 (9.5%)* | *13 (13.2%)* | *38 (11%)* | *12 (11.4%)* |
| **OP (%Sales)** | **92 (27%)** | **100 (25%)** | **22 (22.3%)** | **77 (23%)** | **26 (23.8%)** |
| *D&A (%Sales)* | *5 (1.4%)* | *5 (1.2%)* | *2 (1.8%)* | *6 (1.9%)* | *2 (1.7%)* |
| EBITDA (%Sales) | 98 (28.7%) | 106 (26.4%) | 24.4 (24.4%) | 84 (24.7%) | 28 (25.6%) |
| EBIT (%Sales) | 93 (27.3%) | 101 (25.2%) | 22.6 (22.7%) | 77 (23%) | 26 (24%) |
| **NPAT (%Sales)** | **74 (21.7%)** | **80 (20%)** | **18 (18%)** | **61 (18%)** | **20 (19%)** |
| EPS (VND) | 4,276 | 4,584 | 1,012 | 3,340 | 1,066 |
| **CFO** | **69** | **72** | **2** | **34** | **(24)** |

# Duc Thanh Wood Processing JSC

06/20/2022

Shinhan Securities

Before you invest, ask us!

## FINANCIAL INFORMATION

| Profitability Ratios | 2019 | 2020 | 1Q2021 | 2021 | 1Q2022 |
|---|---|---|---|---|---|
| BVPS (VND) | 16,241 | 15,787 | 15,500 | 14,760 | 14,670 |
| P/E (x) | 11.5 | 10.7 | 11.6 | 14.8 | 17.5 |
| P/B (x) | 3.0 | 3.1 | 3.2 | 3.3 | 3.8 |
| ROE (%) | 26.5% | 29.4% | 25.7% | 22.6% | 29.0% |
| ROA (%) | 19.2% | 20.1% | 21.8% | 16.0% | 16.0% |

| Efficiency Ratios | 2019 | 2020 | 1Q2021 | 2021 | 1Q2022 |
|---|---|---|---|---|---|
| Trade debtor (AR days) | 29 | 25 | 19 | 28 | 19 |
| Inventory (days) | 129 | 103 | 92 | 127 | 123 |
| Trade creditor (AP days) | 22 | 27 | 20 | 28 | 15 |
| **Net trade cycle (CCC)** | **136** | **101** | **91** | **127** | **127** |

| Liquidity ratios | 2019 | 2020 | 1Q2021 | 2021 | 1Q2022 |
|---|---|---|---|---|---|
| Current ratio | 3.22 | 2.39 | 2.90 | 2.05 | 2.23 |
| Quick ratio | 0.34 | 0.34 | 1.67 | 0.31 | 1.1 |
| Cash ratio | 0.08 | 0.01 | 1.71 | 0.08 | 0.89 |
| Total debt/Total Assets | 15.6% | 15.7% | 14.7% | 16.0% | 15.9% |
| Total debt/Total Capital | 17.8% | 18.8% | 16.8% | 18.6% | 18.1% |
| EBIT/Interest expense (x) | 147.6 | 132.0 | 100.8 | 81.3 | 61.7 |

| Dupont Analysis | 2019 | 2020 | 1Q2021 | 2021 | 1Q2022 |
|---|---|---|---|---|---|
| **ROE** | **26.5%** | **29.4%** | **25.7%** | **22.6%** | **29.0%** |
| **NPAT margin** | **21.6%** | **19.8%** | **18.2%** | **17.7%** | **18.8%** |
| Tax burden (%) | 80.0% | 80.0% | 80.0% | 79.7% | 80.0% |
| Interest burden (%) | 99.3% | 99.2% | 99.0% | 98.8% | 98.0% |
| EBIT margin (%) | 27.1% | 25.0% | 23.0% | 22.5% | 24.0% |
| **Asset Turnover (x)** | **0.88** | **1.00** | **1.03** | **0.89** | **1.11** |
| **Financial Leverage (x)** | **1.39** | **1.47** | **1.37** | **1.44** | **1.39** |

*(*) Database information provided by Bloomi (*) Database information provided by Bloomberg*



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