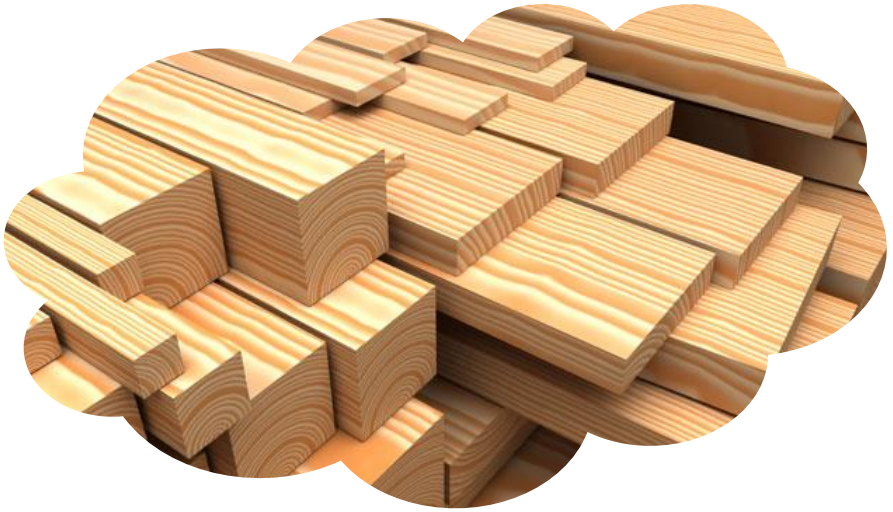
December, 2022

WOOD INDUSTRY

A tough year





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WOOD INDUSTRY

I. **Overview**

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Shinhan Securities

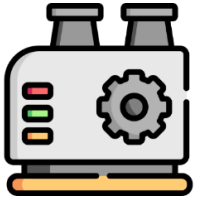
Vietnam Export Value of some typical sectors in 2021



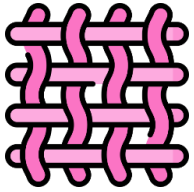
Computers, electronic goods
$50.8bn



Phones, spare parts
$57.5bn



Machinery, spare parts
$38.3bn



Textiles
$32.7bn



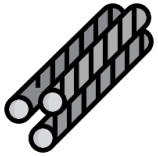
Footwear
$17.8bn



Fisheries
$8.9bn



Wood and Wood products
$14.6bn



Iron, steel
$11.8bn

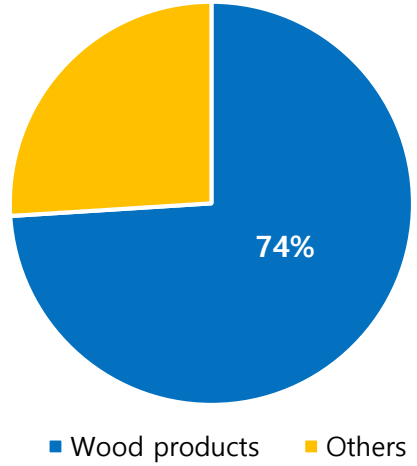


Means of transport, spare parts
$10.6bn

- In 2021, Wood and Wood products (W&WP) continued to rank 6th in export turnover of goods among export sectors of Vietnam.
- Exported to over 160 countries. Export turnover rose to the top of Southeast Asia, 2nd in Asia (after China), and 5th in the world.
- The wood products supplied from Vietnam accounts for about 6-7% of the world market share.
- The domestic consumption has been around USD 3-4 billion, and targeted to be USD 5 billion and USD 6 billion as of 2025 and 2030, respectively.

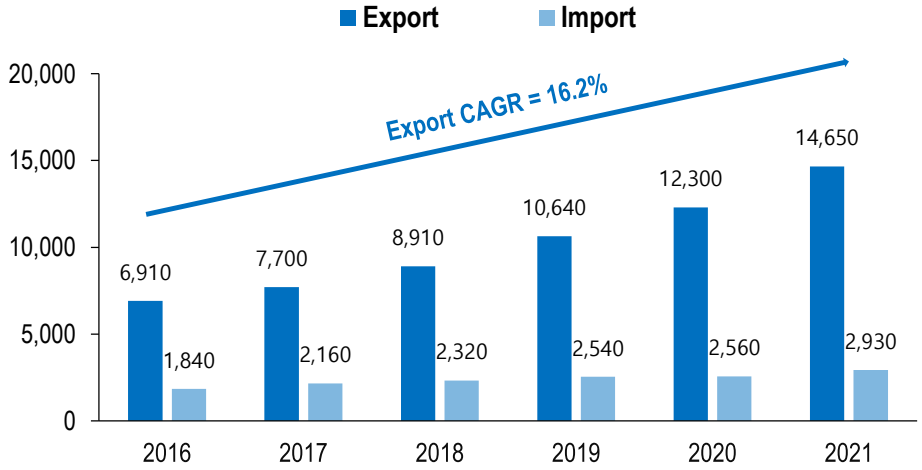
Rapid growth of W&WP in export in recent years

W&WP export contribution in 2021 (%)



Source: General Statistics Office of Vietnam, Shinhan Securities Vietnam

W&WP export and import turnover from 2018 to 2021 (USD billion)

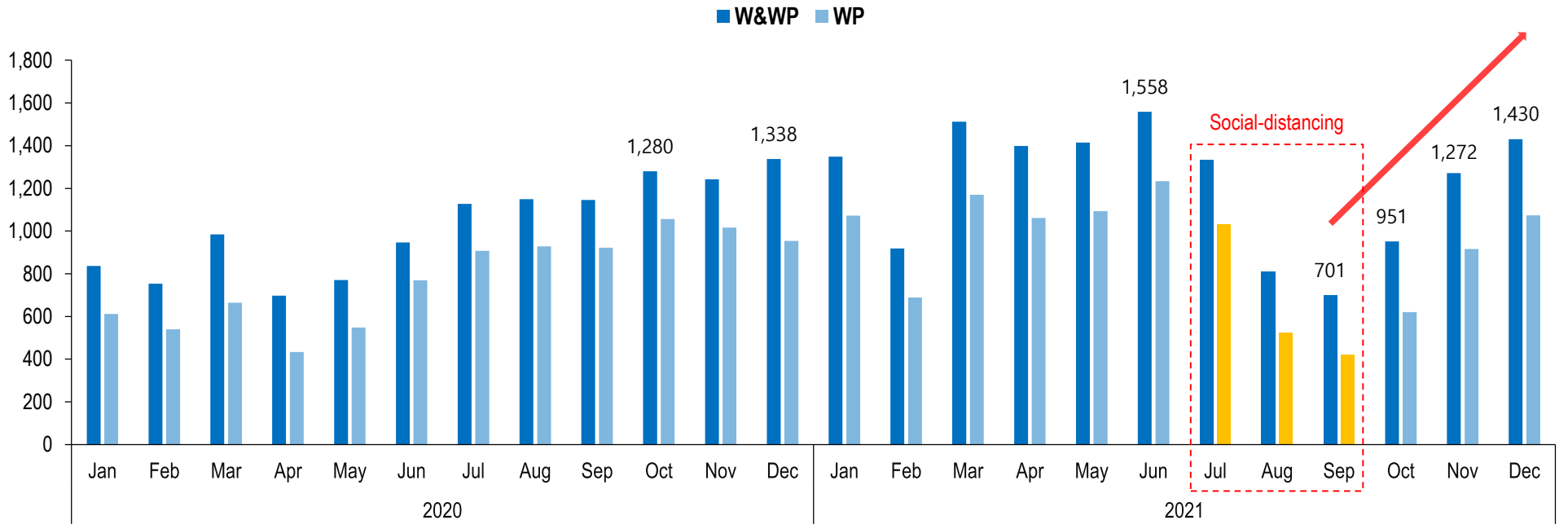


Source: General Statistics Office of Vietnam, Shinhan Securities Vietnam

- Vietnam has tried to create favourable conditions for the development of agriculture sector and its related sub-sectors, bringing advantages in accessing difficult markets and enhancing the competitiveness with other similar farm products of other countries.
- In 2021, despite experiencing a difficult year towards Vietnam's economy due to being heavily affected by the COVID-19 pandemic, the country's export of W&WP still reached USD 14.65 billion (+19% YoY), with a 6-year CAGR of 16.2%, showing a sustainable export level of this sector in recent years. Specifically, WP exports reached USD 10.9 billion (+13% YoY), accounting for 74% of the total W&WP export value (79% in 2020).
- Vietnam set target to reach USD 16.5 billion in total W&WP export value in 2022 (+12.6% YoY).
- Furthermore, the average import value of Vietnam's W&WP in recent years reached USD 2.4 billion, 6-year CAGR of 9.7%.

Strongly recovered after the COVID-19 pandemic

Vietnam's W&WP export turnover in 2020 and 2021 on a monthly basis (USD million)

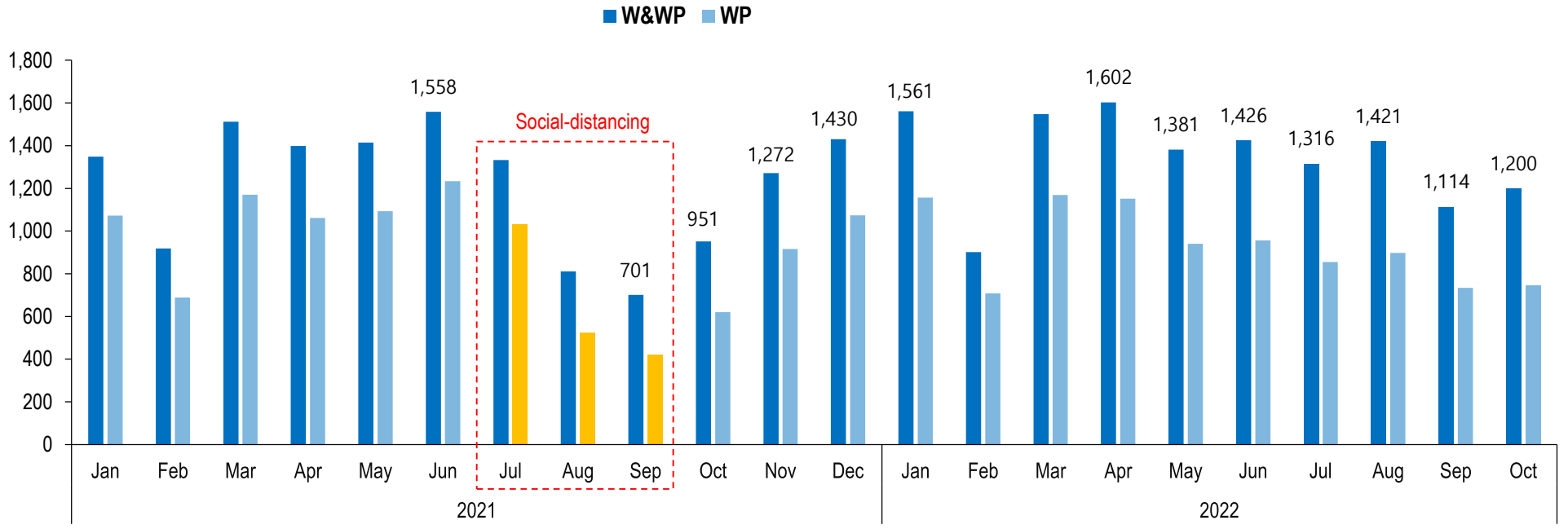


Source: General Statistics Office of Vietnam, Shinhan Securities Vietnam

- The 4th wave of the COVID-19 pandemic began in April 2021, then lasted for 6 months, resulting in severe influences towards the economy in general and forest industry of Vietnam in particular.
- Thanks to the rapid support and action from the Government (appropriate monetary policies, incentive loans, credit extension, etc.), the wood processing activities was gradually stable, strongly recovered in the last 3 months of 2021 (Q4/2021 export value +28.4% QoQ).

Growth in difficulty

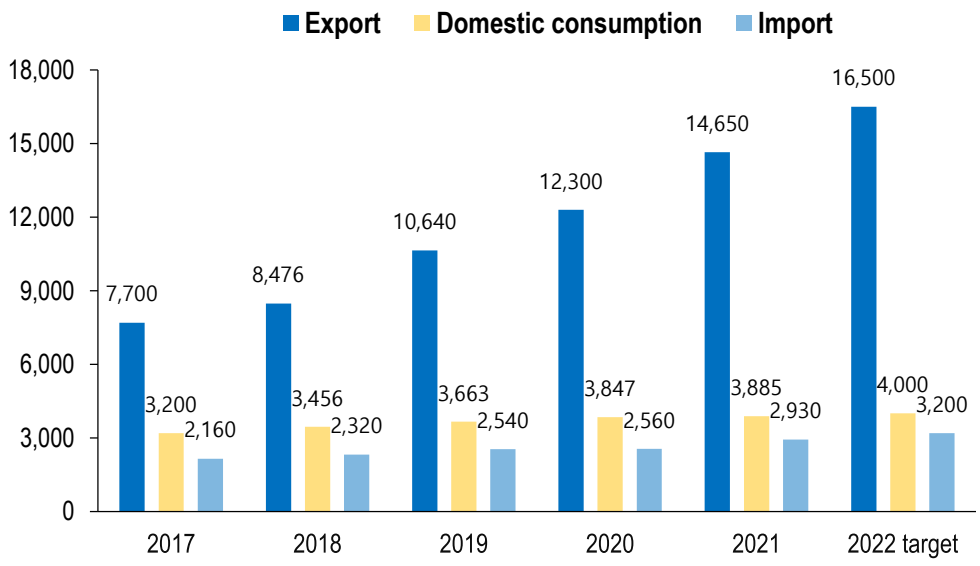
Vietnam's W&WP export turnover in 2021 and 2022 on a monthly basis (USD million)



Source: General Statistics Office of Vietnam, Ministry of Industry and Trade, Shinhan Securities Vietnam

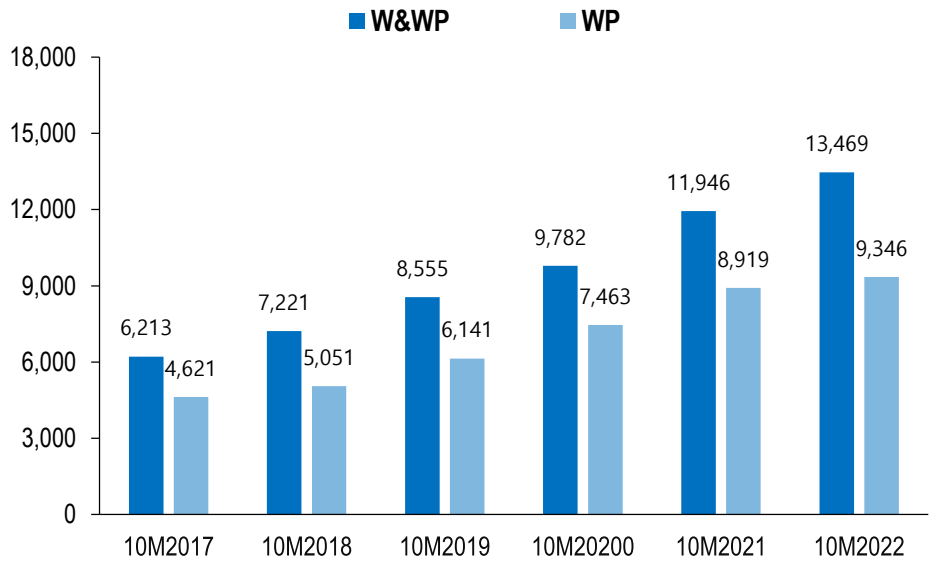
- In 2022, the export value of wood categories has shown some signs of recovery and growth of revenue and export turnover, especially from January to April.
- However, global macro difficulties (COVID-19; high inflation at crucial export market of Vietnam such as US, UK, EU; geopolitical war between Russia and Ukraine) resulted in the tendency of tightening budget of most people, prioritizing in essential needs instead of luxury items or other discretionary products.
- Therefore, foreign importers and wholdesalers could not be risky to import or confidently sign contract having high in volume order as usual, leading to a sudden drop in W&WP export turnover in recent months, especially in September.

W&WP Export, Import turnover and Domestic consumption (USD million)



Source: General Statistics Office of Vietnam, Shinhan Securities Vietnam

W&WP export turnover first 10-month over period 2017-2022 (USD million)

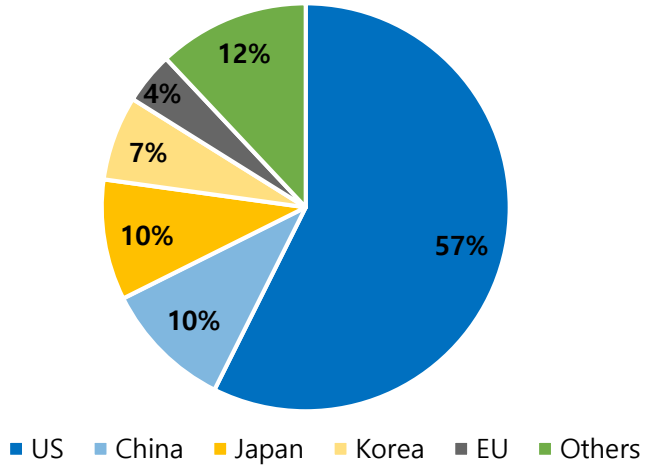


Source: General Statistics Office of Vietnam, Shinhan Securities Vietnam

- The W&WP export value slightly increased in October compared to prior month, reached nearly USD 1.2 billion (+7.6% MoM; +26.1% YoY).
- The total 10M2022 of Vietnam's W&WP export value reached USD 13.47 billion (+12.7% YoY), completed 83% the entire year target (of USD 16-16.5 billion). Therefore, the average export turnover of total W&WP over the remaining 2 months needs to be approximately USD 1.2 - 1.5 billion each month to meet the goal.
- Historically, quarter 4 was reported relatively high in export turnover, especially in November and December, compared to previous months of the year because of Christmas event, plus the demand of year-end housing decoration and interior design before New Year's Eve.. Hence, Vietnam still has a chance to complete the 2022 W&WP export goal as targeted.

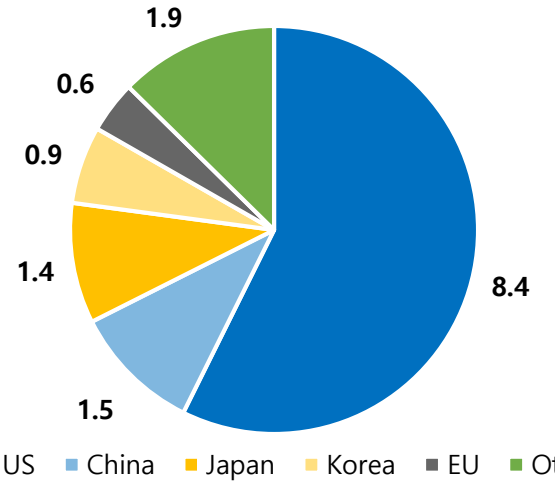
TOP EXPORT MARKETS

W&WP export in 2021 by top markets (%)



Source: General Statistics Office of Vietnam, Shinhan Securities Vietnam

W&WP export turnover in 2021 by top markets (USD billion)



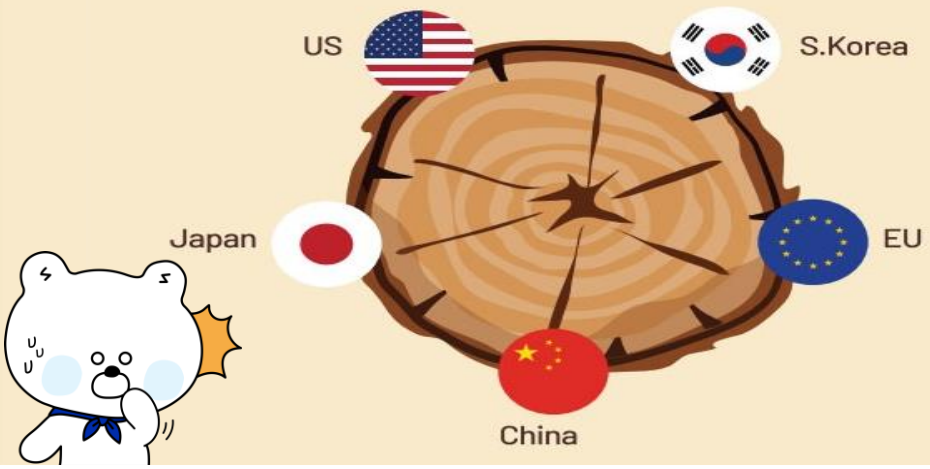
Source: General Statistics Office of Vietnam, Shinhan Securities Vietnam

- In 2021, Vietnam's timber and forest products are exported to over 160 countries and territories.
- Key markets: US, China, Japan, Korea, and EU (constituting nearly 90% of Vietnam's export value of forest products).
- The quick recovery in the last quarter of 2021 are partially driven from the effects of Free Trade Agreements (FTAs) such as EVFTA, UKVFTA, CPTPP.
- The US continued to be the largest destination, contributing USD 8.4 billion (+23 YoY; higher than the industry growth), accounting for ~60% total W&WP export value.
- Followed up are China (USD 1.5 billion; +24.7% YoY), Japan (USD1.4 billion; +10% YoY), Korea (USD 0.9 billion; +8.5% YoY), EU countries (USD 0.6 billion; +11%YoY).

I. Wood industry overview

TOP EXPORT MARKETS

TOP 5 EXPORT MARKETS OF VIETNAM IN THE FIRST 9 MONTHS 2022



POSITION OF VIETNAM'S WOOD AND WOOD PRODUCTS EXPORT IN 2021 (BY TOTAL EXPORT VALUE)



Export to **160** countries

Global market share of **6-7%**

Rank **5th** in the world



Number 2 in Asia



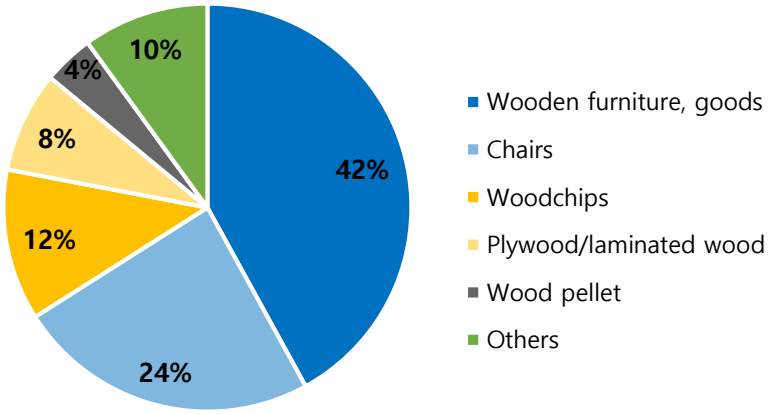
Number 1 in Southest Asia

Vietnam W&WP export by countries (USD billion)

	2018	2019	2020	2021	8M.2022	CAGR 2018-2021
Total export turnover of Vietnam W&WP	8.47	10.64	12.26	14.65	11.16	20%
US	46%	50%	58%	60%	56%	31%
China	13%	11%	10%	10%	13%	12%
Japan	14%	12%	11%	10%	11%	8%
Korea	11%	7%	7%	6%	6%	-2%
UK	3%	3%	2%	2%	2%	-3%
Canada	2%	2%	2%	2%	2%	12%
Others	11%	14%	11%	11%	11%	17%

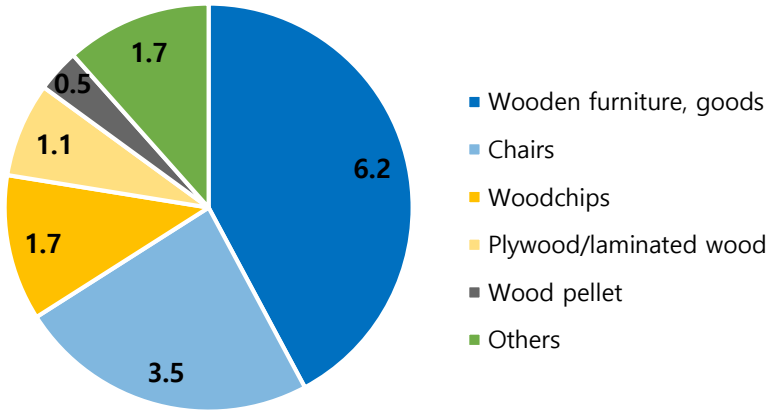
EXPORT CATEGORIES

W&WP export in 2021 by top categories (%)



Source: VIFOREST, HAWA, Forest Trends, GSO, Shinhan Securities Vietnam

W&WP export turnover in 2021 by top categories (USD billion)



Source: VIFOREST, HAWA, Forest Trends, GSO, Shinhan Securities Vietnam



WOOD INDUSTRY

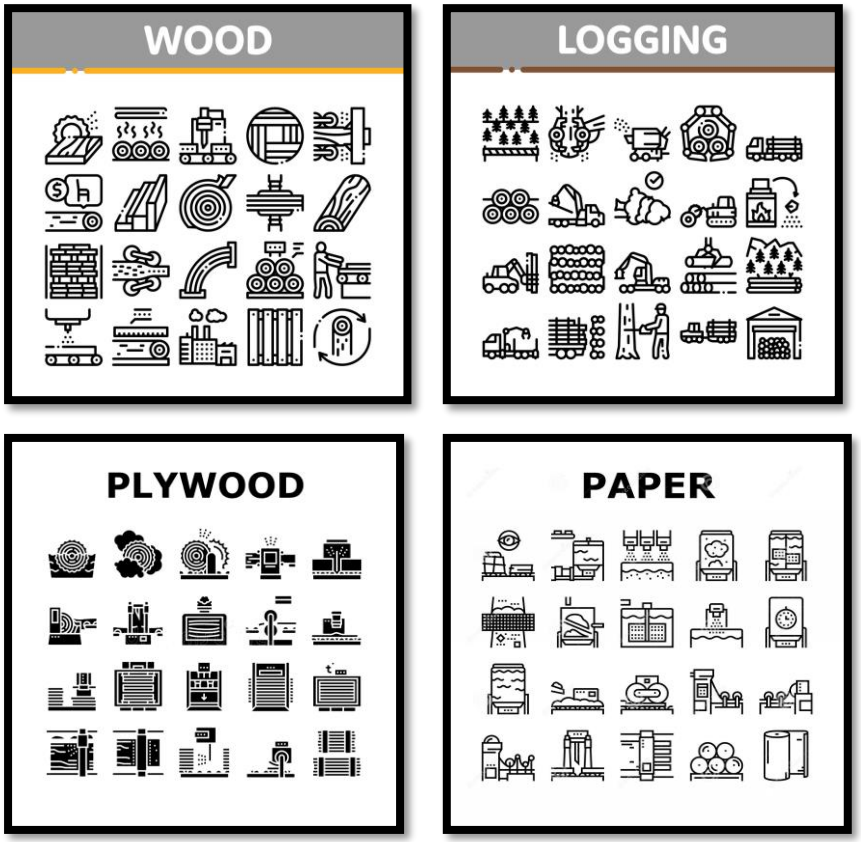
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II. Value chain

Shinhan Securities

Input Materials → **Design, production, processing** → **Distribution**

High capital required



Self-planting forest trees
(basswood, eucalyptus, acacia, rubberwood, etc.)

80%

20%



Import wood
(pine, ironwood, eucalyptus, oak, padouk, etc.)

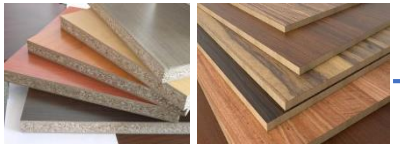


Sawing and cutting

Depending on high-skilled labour force



Produce, process wood chips



Produce, process plywood, MDF



Produce, process other wood products

Domestic distribution

~USD 3-4 billion (recent years)

Domestic wholesalers → Domestic retailers

Export

~USD 14.65 billion (2021)

Companies procure and export → Foreign retailers



Customers

Source: Shinhan Securities Vietnam summarized

II. Value chain

80%



Self-planting forest trees
(basswood, eucalyptus, acacia, rubberwood, etc.)

- Self-supply of domestic wood material: ~80%
- 70% of which is for small to medium size wood materials to produce woodchips, wood pellet, industrial wood, MDF, laminated wood, etc.

- Planted forest wood used purposely for wooden goods manufacture: 30-40%; The remaining are mainly used for producing woodchips, wood pellet.
- Total planted wood forest area: more than 30% (~4.2 million ha); The remaining forest areas are natural wood forests and rubber wood forests.

20%



Import wood
(pine, ironwood, eucalyptus, oak, padouk, etc.)

- Over the past time, with policies to improve productivity, quality and value of production plantations, 126,175 hectares of small size timber plantations have been converted to large size timber.
- The whole country has 489,016 hectares of large timber plantations. Compared to the total planted wood forests area, this is still a very modest number (only constituting ~12% of total size), showing that Vietnam still has potential in developing this source of raw materials.

II. Value chain

80%



Self-planting forest trees
(basswood, eucalyptus, acacia, rubberwood, etc.)

20%



Import wood
(pine, ironwood, eucalyptus, oak, padouk, etc.)

➢ Imported from 117 countries in 2021.

➢ Top 5 W&WP suppliers of Vietnam in 2021:

1. China: USD 1bn; +20.2% YoY; 35% total import value

   Typical import: sliced veneer, plywood, chairs, other wooden goods.

2. US: USD 325.8mn; +1.4% YoY; 11.2% total import value

   Typical import: round timber and sawn timber.

3. Cameroon: USD 181.3mn; -16% YoY; 6.2% total import value

   Typical import: round timber and sawn timber.

4. Thailand: USD 129.6mn; +8% YoY; 4.5% total import value

   Typical import: fiberboard such as MDF, HDF; particle board.

5. Brazil: USD 122.3mn; +92% YoY; 4.2% total import value

   Typical import: round timber and sawn timber.

=> Total import value of USD 1.8 billion, accounting for 61% 2021 total W&WP import value.

WOOD INDUSTRY

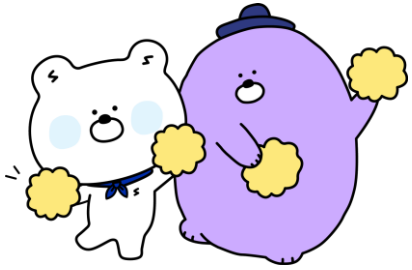
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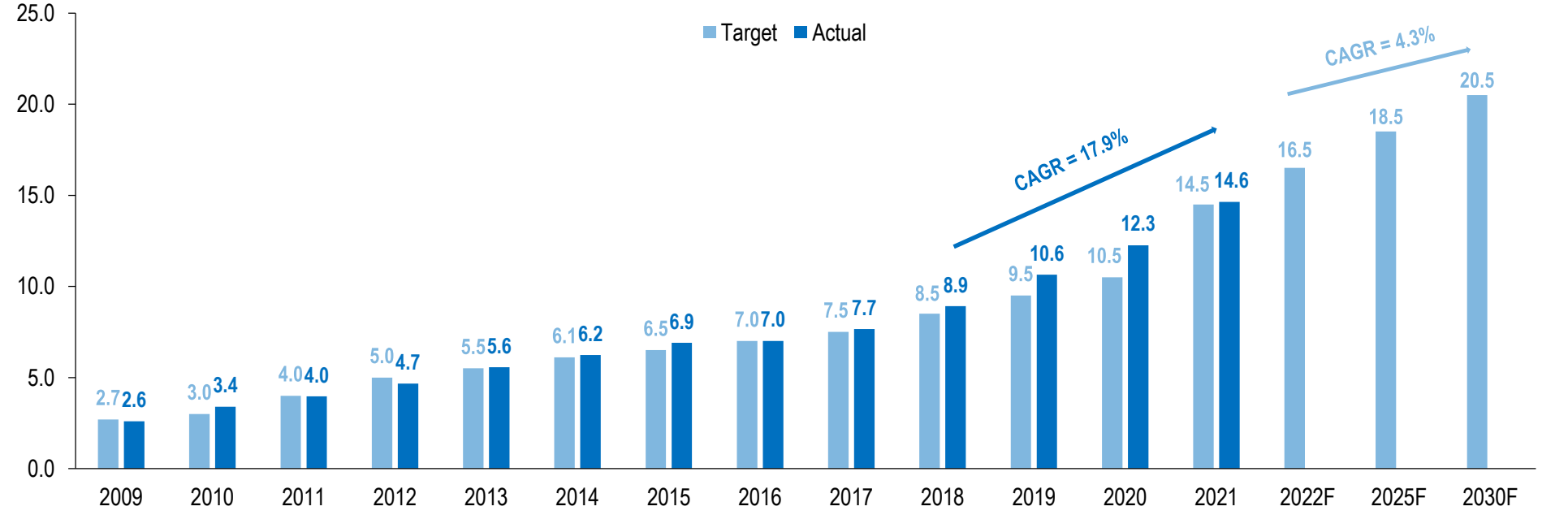
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Export turnover of Vietnam W&WP compared to initial target plan by year (USD billion)



Source: Viforest, Shinhan Securities Vietnam

- The Vietnam export value of W&WP in period 2018-2021 had a CAGR of 17.9% showing that despite being listed as discretionary products, thanks to the variety of wooden products and their multiple purposes of use, the demand of consuming these products is still high and durable, gradually growing every year.
- It is forecasted that, in a conservative scenario, the CAGR of W&WP sector would be 4.3% for the period 2022-2030F.
- The domestic consumption has been around USD 4bn, and targeted to be USD 5bn and USD 6bn as of 2025 and 2030, respectively.

Opportunities:

- Vietnam's signing of many international agreements (VPA/FLEGT, C-TPAT, CPTPP, EVFTA);
- The input sources are less dependent on import sources;
- Sustainable high demand from foreign markets;
- The China Zero-covid regulation has not yet terminated completely.



Risks:

- Risks from global macro factors (COVID-19 pandemic, trade war, geopolitical wars, rise of inflation rate and interest rate, shortage of natural gas, etc.);
- Exchange rate risks at importing markets;
- Increase in price of imported wood materials due to the COVID-19 pandemic;
- Risks from import markets' strict regulations and standards. Until end of 2022, the total forest area qualified FSC and VFCS/PEFC certification as sustainable forests were nearly 180,000 ha and 341,522 ha, respectively (total only accounting for ~8% of total planted wood forest).

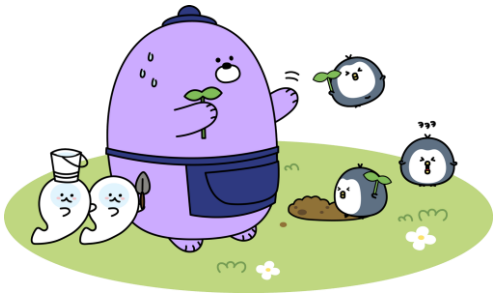


CERTIFICATIONS IN WOOD-RELATED INDUSTRY

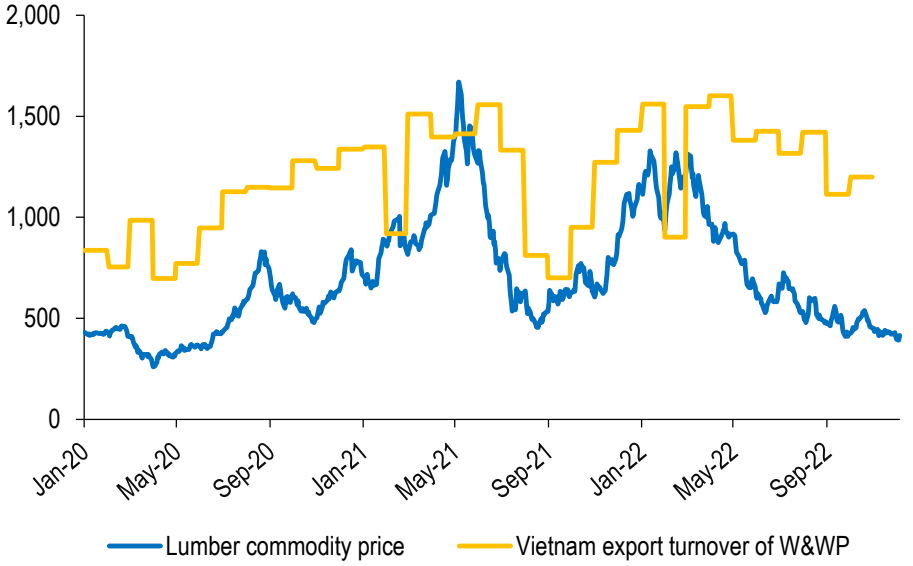
			
Name	FSC® (Forest Stewardship Council)	VFCS/PEFC	VPA/FLEGT
Description	✓ FSC® is the Forest Stewardship Council, a prestigious organization, having great influence on the protection of forests and the environment on a global scale. ✓ FSC also has close cooperation with other NGOs such as WWF, Greenpeace, Oxfam, etc. regarding environmental protection, developing and managing forests. ✓ Many countries and projects have received support from FSC to develop sustainable forests (e.g., Projects of planting acacia afforestation with high economic value – helping to green bare hills in Vietnam; Projects of protecting special-use forests in Indonesia, Mexico...).	✓ Vietnam Forest Certification Office (VFCO) is the organization implementing the National Forest Certification Scheme (VFCS), aiming to add value to forestry (e.g., applying qualified varieties, appropriate forest management measures), improving and enhancing ecosystem services, and protecting biodiversity; to ensure the legal source of wood materials to meet the certification requirements of the market. ✓ The VFCS was endorsed by the Program for Endorsement of Forest Certification (PEFC) in October 2020. Implementing sustainable forest management and forest certification is contribute to Vietnam's goal of sustainable development, efforts to mitigate and adapt to climate change, especially the goal of achieving net zero emissions in 2050. ✓ VFCS is internationally valid according to the PEFC certification system.	✓ VPA/FLEGT is a legally binding trade agreement between EU and the Vietnamese government in 2017 (Vietnam-EU Voluntary Partnership Agreement/Forest Law Enforcement, Government and Trade). ✓ The purpose is to create a legal framework for W&WP exported from Vietnam to EU verified as legal. ✓ Vietnam will only be allowed to export W&WP to EU market with FLEGT license or CITES license. ✓ Under the VPA, both parties commit to trade only legal timber products.

CERTIFICATIONS IN WOOD-RELATED INDUSTRY

			
Name	FSC® (Forest Stewardship Council)	VFCS/PEFC	VPA/FLEGT
Enterprises	All organizations and businesses exploiting and purchasing wood materials; preliminary processing, processing and distribution of wood products.		
Products	Logs, sawn timber, railway sleepers, plywood, veneer, and other timber products such as wood in chips or particles, parquet flooring, particle board and wooden furniture.		
Benefits	(1) Demonstrating the role and responsibility of enterprises in sustainable production, environmental protection and social responsibility; (2) Ensuring the W&WP meet the increasing requirements of the market and customers regarding product certification requirements; (3) Improving the image of the business to users.		

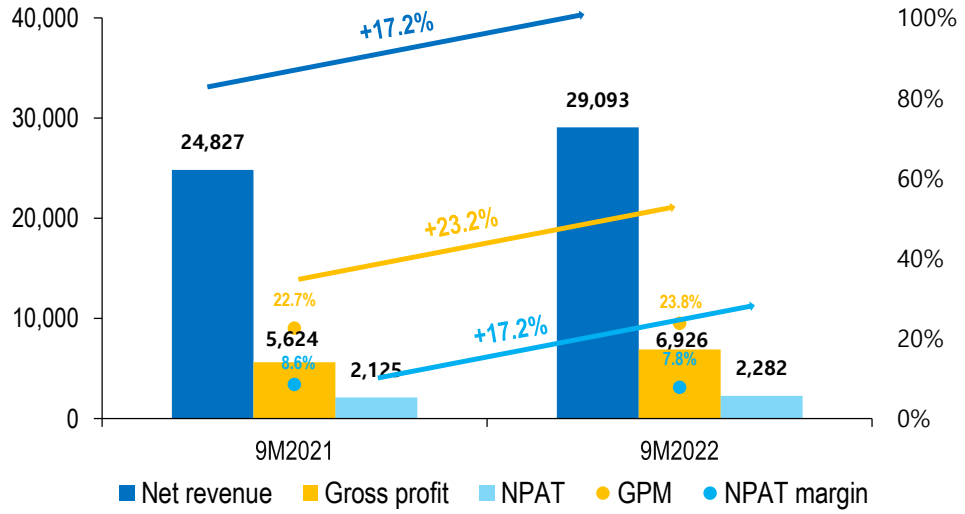


Lumber futures price and Vietnam W&WP export value



Source: Nasdaq, General Statistics Office of Vietnam, Shinhan Securities Vietnam

Revenue and profits of the wood-related industry 9M2022 (VND billion)



Comprising of 22 companies listed on HSX, HNX, UpCOM (having core business operation related to W&WP)

Source: Fiinpro, Shinhan Securities Vietnam

- In 2022, the Lumber futures price has experienced a steep downward trend from the peak in Q1.2022 because the economies of numerous countries have been damaged due to the sharp rise of inflation rate, resulting in the decrease in demand towards home building and improvement. People prioritize on essential goods, cutting spending on discretionary goods such as wood products.
- However, the revenue and GP of wood sector have been improved because of the typical nature of the wood processing industry, most enterprises mainly apply semi-automatic technology on production, adding value to the output products during the whole process. Particularly, the 9M2022 W&WP industry revenue, GP and NPAT grew by 17%, 23% and 17% YoY, respectively.
- It is expected that the Lumber futures will continue to be corrected in 2023 since the global macro economy is still unstable. High inflation rate keeps up influencing people's demand for wood products.



Typical listed key players in the wood sector of Vietnam

General information				Share price					Key financials (**)					Valuation (23F)	
No.	Ticker	Company name	Mkt. Cap. (VND bn)	CP (VND)	TP* (VND)	Upside (%)	1M (%)	YTD (%)	NPAT margin (%)	Dividend yield (%)	Debt to Equity ratio (x)	ROA (%)	ROE (%)	P/B (x)	P/E (x)
1	PTB	Phu Tai JSC	2,960	43,500	50,600	16.3	6.9	-37.6	8.2	0.8	0.64	10.4	20.1	1.0	7.6
2	GDT	Duc Thanh Wood Processing JSC	687	35,500	48,700	37.2	4.4	-36.7	18.1	8.2	0.18	17.7	24.3	1.9	10.7
3	ACG	An Cuong Wood Working JSC	4,727	34,800	55,000	58.0	-17.2	-47.1	14.4	6.5	0.17	11.4	15.4	1.1	10.5

* Target price (fair value) for the next 12 months
** Data for 12 months up to Q3/2022

Source: SSV Research, Bloomberg
Data as of Dec. 8th, 2022

- Despite the decrease of input material costs, many companies in the wood processing industry recorded a sharp decline on purchase orders because of the reduction on both domestic and export demand. In addition, the rise of interest expense is also a burden for enterprises with high debt capital structure. It is expected that in the period 2022-2025, the W&WP export value will still grow but at moderate level (forecast CAGR ~4-5%).
- Therefore, during this time, typical enterprises in the wood industry having solid financial status, low financial leverage and a variety of loyal customer base will manage to overcome. Furthermore, this is also an opportunity for firms to expand their market share by seeking for M&A opportunities, acquiring other smaller wood companies having potential growth but being affected by the COVID-19 pandemic as well as the current macro situation.
- Among typical enterprises operating in the wood processing field, Duc Thanh Wood Processing JSC (HoSE: GDT) is one of the companies possessing strong financial position, low debt structure, a team of management having years of experience, with a history of paying high and regular cash dividends. In a difficult year like 2022, GDT has been on the process of acquiring 100% ownership of another wooden furniture firm, as well as restructuring the entire company, optimizing operating costs, and applying technology to corporate management.

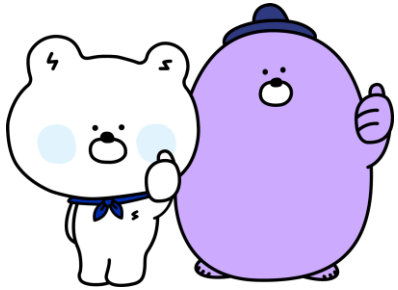
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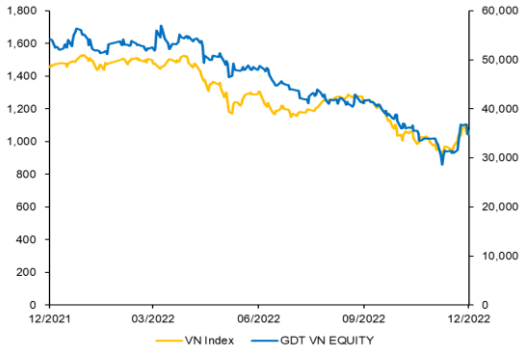


Duc Thanh Wood Processing JSC (GDT VN)

BUY

	Company Update
Target price (12 months)	**VND 48,700**
Curren price (08/12/22)	VND 35,500
Return (%)	37.2%
VNINDEX	1,051
Market P/E (x)	11.1
Market Cap (bn VND)	687
Outstanding shares (mn)	19
Free-Floating (mn)	9
52-Wk High/Low (VND)	60,000/28,500
90-day avg. trading volume (mn)	0.01
90-day avg. turnover (bn VND)	0.3
Foreign ownership (%)	10.75
Shareholders (%)	Ha Thi Hue 27.53
	Korea Investment Management 10.04

Performance	3M	6M	12M
Absolute (%)	-15.0	-26.8	-35.9
Relative to VNIndex (%)	-0.1	-7.1	-8.2



Investment thesis & Catalyst

- Duc Thanh Wood Processing Joint Stock Company (HoSE: GDT) is a leading company in manufacturing and exporting kitchenware, homeware, and children's toys made from rubberwood in Vietnam. From a small wooden workshop established in 1991, GDT has become a well-known enterprise in the domestic market and international export.

- **Some of the attractive points of GDT's business:** (i) Sustainable wood and wood products industry with huge potential for expansion of domestic and export market; (ii) maintaining highly paid cash dividends every year, average dividend yield of 15% per annum; (iii) significant profitability (stable GPM of 30-35%) with solid financing health (low leverage, high liquid assets readily for M&A plans)

Risks: (1) Risk from global macro factors; (2) Exchange rate risk; (3) Risk from investing in new business; (4) Market liquidity risk

Year	2020	2021	2022F	2023F	2024F
Revenue (bnVND)	400.4	338.6	540.4	597.9	666.4
Operating profit (bnVND)	125	76.5	93.3	105.4	123.8
Net profit (bnVND)	80	60.8	74.6	84.1	98.8
EPS (VND)	4,584	3,340	3,772	4,252	4,993
BPS (VND)	15,787	14,760	13,409	13,337	13,367
OPM (%)	22%	23%	17%	18%	19%
NPM (%)	20%	18%	14%	14%	15%
ROE (%)	29%	23%	28%	31%	37%
PER (x)	7.5	16.9	12.6	10.7	8.5
PBR (x)	2.2	3.8	3.6	3.4	3.2
EV/EBITDA (x)	4.4	10.9	10.7	9.3	7.7

IV. Outstanding company

Overview about GDT

Gỗ Đức Thành

Kitchenware and household

Đồ chơi bằng gỗ

WIN WIN TOYS

Nguồn dinh dưỡng của trí tuệ

Wooden toy products

By Products:



Kitchenware



Household products



Children's toys



Baby Furniture, other wooden products

- Duc Thanh Wood Processing JSC. (HoSX: GDT): One of the leading Vietnamese companies in manufacturing and exporting household items is known for wooden kitchenware, wooden housewares, and children's toys, a well-known enterprise in the domestic market and international export.
- **Production:** 95% of products are made from rubber wood (mainly liquidated from domestic rubber farms), plus a small part of yellow cotton Melaleuca wood, acacia wood, and a few types of industrial wood such as plywood and MDF.
- GDT has 4 factories, a total area of 71,800m2; full capacity of about 8,500m3 of finished wood/year for 2 factories in HCM and Tan Hiep factory. These 2 factories have almost reached their max production capacity. The company mainly uses semi-automatic technology.
- **4 main categories:** Kitchenware (cutting boards, racks, coasters, plates); Household appliances (hooks, shelves, small cabinets); Wooden toys; Baby furniture, and other items. GDT's leading product group is wooden kitchenware (accounting for about 60% of sales), typically cutting boards. Household furniture products are growing well and gradually accounted for more in the proportion of total revenue. Every year, GDT strives to improve its products, design, and market many new models.
- **Differentiation:** GDT's products are mainly made of rubber wood, of clear origin, resistant to mold and bacteria growth, and have higher durability than other semi-floating products widely sold on the market. In addition, GDT focuses on ensuring the safety of users' health, especially products for children.

Revenue Break-down:

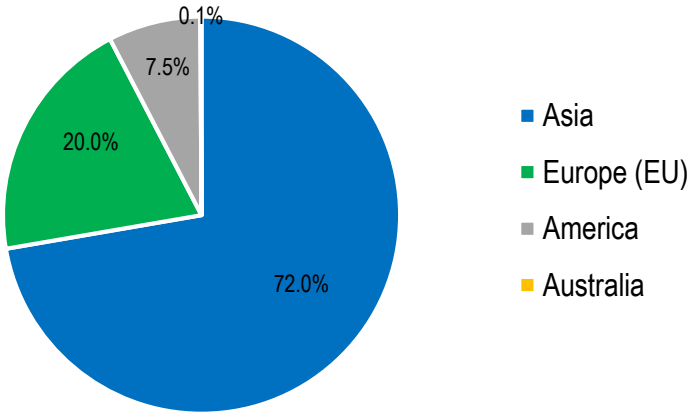
Revenue contribution by product categories					
	2017	2018	2019	2020	2021
Total net revenue (bn VND)	362.2	389.8	341.8	400.4	338.6
Kitchenware	65%	61%	67%	61%	57%
Household	25%	29%	26%	32%	34%
Toys	6%	6%	4%	4%	3%
Baby furniture and other items	4%	4%	3%	3%	6%

Revenue contribution by markets					
	2017	2018	2019	2020	2021
Total Net revenue (bn VND)	362.2	389.8	341.8	400.4	338.6
- Export (% weight)	308.9 (85%)	328.9 (84%)	276.6 (81%)	340.9 (85%)	286.5 (84%)
+ Asia	67.7%	68.0%	67.0%	70.1%	61.3%
+ Europe (EU)	16.1%	12.7%	11.9%	13.3%	16.9%
+ America	1.4%	3.7%	2.0%	1.8%	6.3%
+ Australia	0.0%	0.0%	0.0%	0.0%	0.1%
- Domestic (% weight)	50.0 (14%)	55.1 (14%)	60.2 (18%)	53.6 (13%)	42.5 (13%)
+ HCM City	9.2%	9.8%	12.5%	9.3%	9.0%
+ Ha Noi and Northern provinces	2.1%	2.5%	2.5%	2.0%	1.9%
+ Southern provinces and Mekong Delta	1.5%	1.2%	1.1%	1.0%	0.5%
+ Da Nang and Central & Highland provinces	0.9%	0.6%	1.6%	1.1%	1.2%
- Others (rental, sale of wood chips and scrap)	3.3 (1%)	5.8 (1%)	4.9 (1%)	5.8 (1%)	9.6 (3%)

Source: Company's data, Shinhan Securities Vietnam

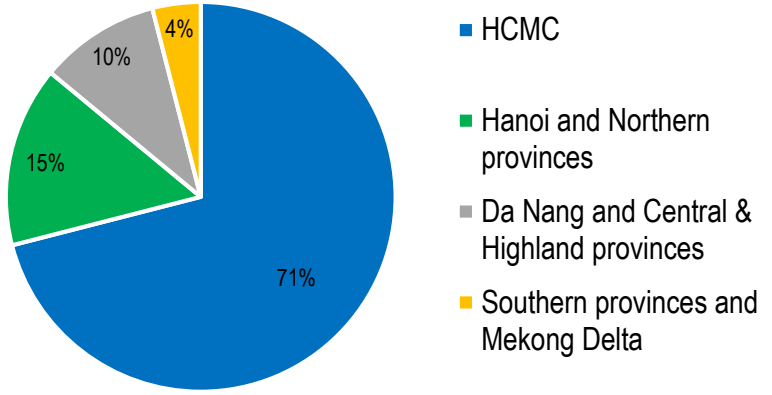
By Markets:

The proportion of revenue contribution in export markets in 2021



Source: Company's data, Shinhan Securities Vietnam

The proportion of revenue contribution in the domestic market in 2021



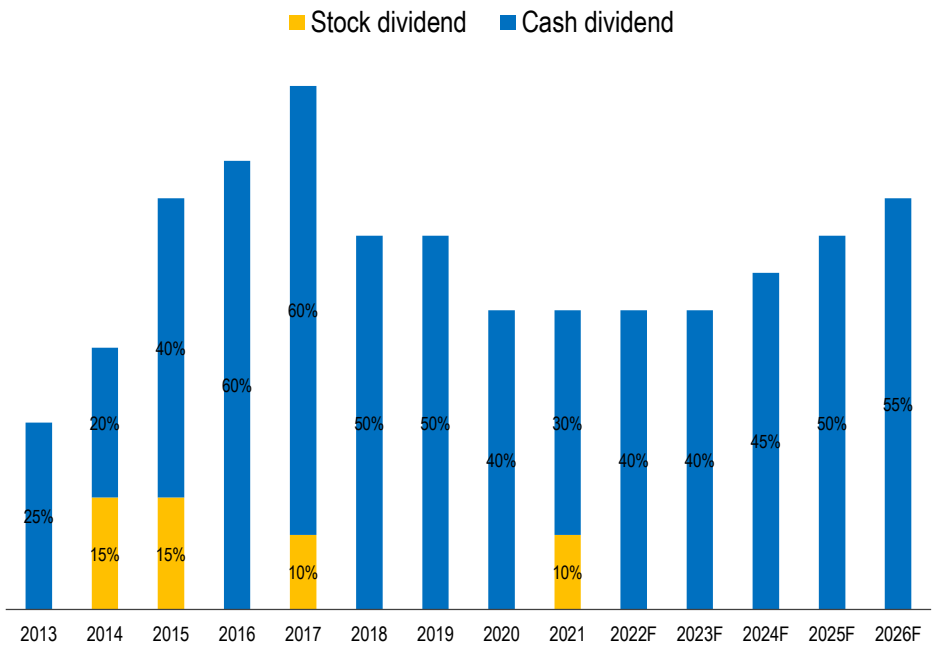
Source: Company's data, Shinhan Securities Vietnam

- **Export:** Revenue accounts for 80-85% of GDT's total revenue, exporting to more than 50 countries. GDT meets rigorous standards for product quality, safety, and ESG compliance. Asia is GDT's primary market, mainly Japanese customers (Daiso Japan, Nitori, Fuji Furniture, etc.) and Korean customers (Lotte Mart, Fair Friends, MH & Co, A-Sung, etc.).
- GDT's overseas partners are reputable importers who have maintained long-term cooperation. However, the 10 biggest customers only contribute ~40% of revenue.
- **Domestic**: GDT's products are currently being sold on retail systems across the country (Co.op Mart, Lotte Mart, E-mart, Aeon, Con Cung stores chain, Me va Be stores chain), along with several online, big e-commerce channels (Lazada, Tiki, Shopee).

Attractive dividends

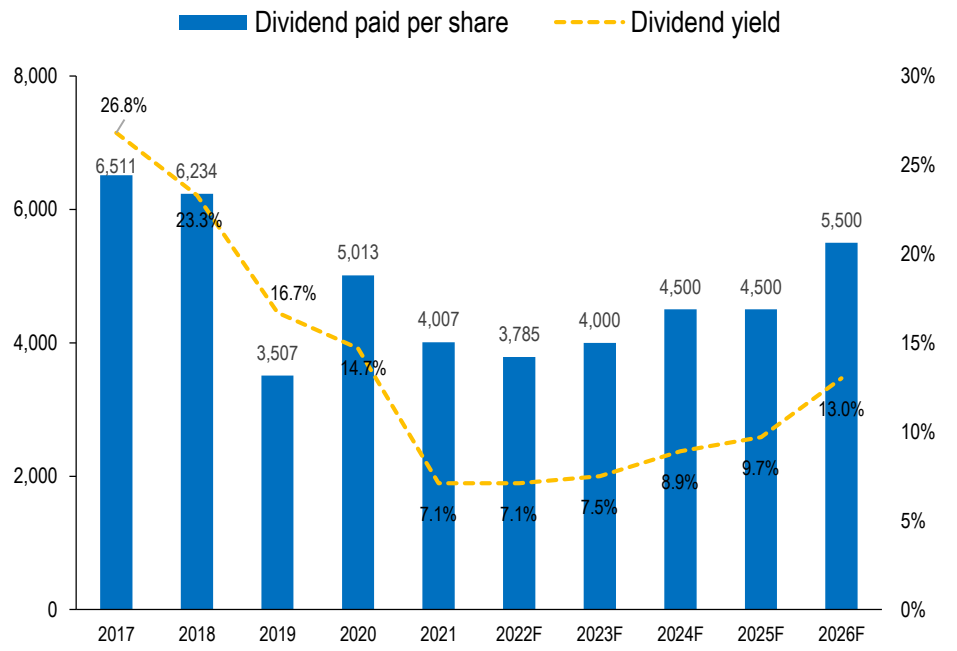
Cash dividend payout ratio in 2017-2021 period of GDT					
Unit: VND	2017	2018	2019	2020	2021
EPS (VND/share)	6,464	5,492	4,276	4,584	3,340
Cash dividend (VND/share)	6,000	5,000	5,000	4,000	3,000
Dividend payout (%)	92.8%	91.0%	116.9%	87.3%	89.8%

Historical and estimated dividend payment rate



Source: Company's data, Shinhan Securities Vietnam

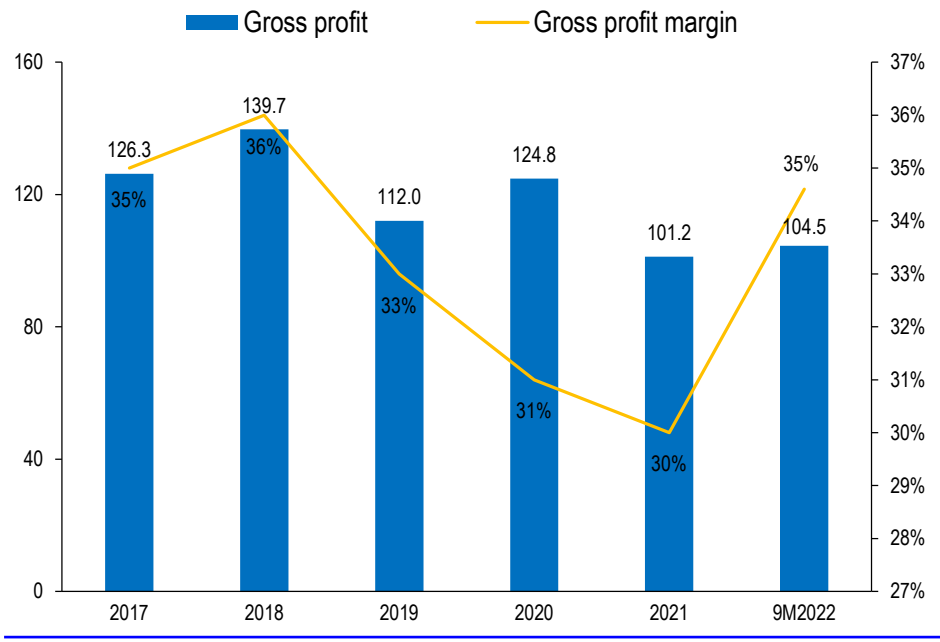
Historical and estimated dividend paid per share and yield



Source: Company's data, Shinhan Securities Vietnam

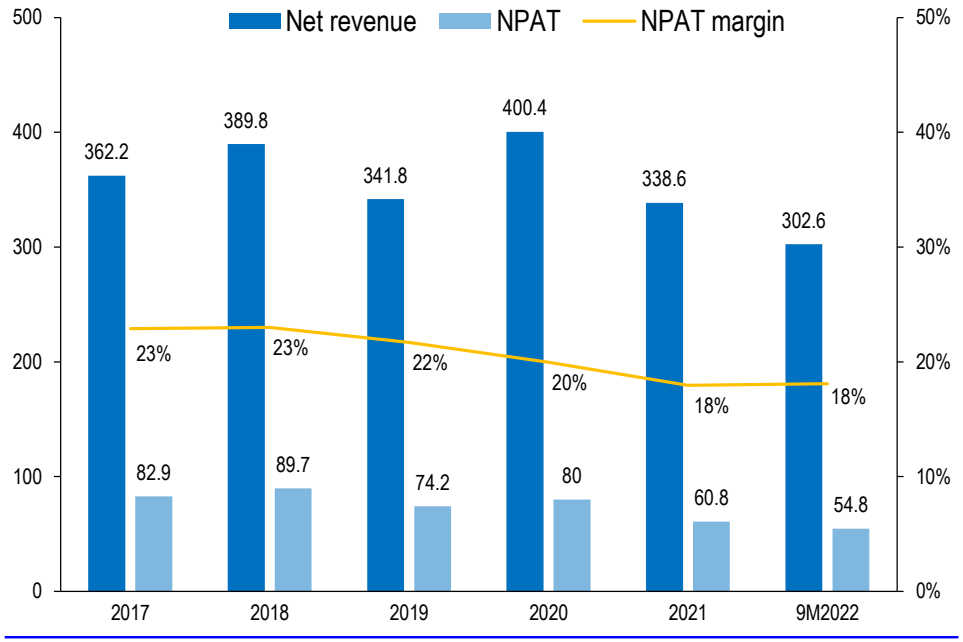
Stable Profitability

Gross profit by years of GDT (VND billion)



Source: Company's data, Shinhan Securities Vietnam

Net revenue, NPAT and NPAT margin of GDT



Source: Company's data, Shinhan Securities Vietnam

- GDT maintained stable COGS at 65-69% with a high GPM of around 30-35%. More than 80% of total revenue from export markets having great and stable demand.
- GDT uses input materials such as bamboo and pre-processed wood with 100% domestic supply, minimizing the impacts from importing materials that fluctuate like other wood companies.
- Producing products to end-use consumers helps GDT enjoy all the profits through processing. In addition, the company also focuses on using waste wood from the production of kitchen utensils and household products to make small-sized wooden toys, optimizing the raw materials and improving the GPM.

High Return on Equity

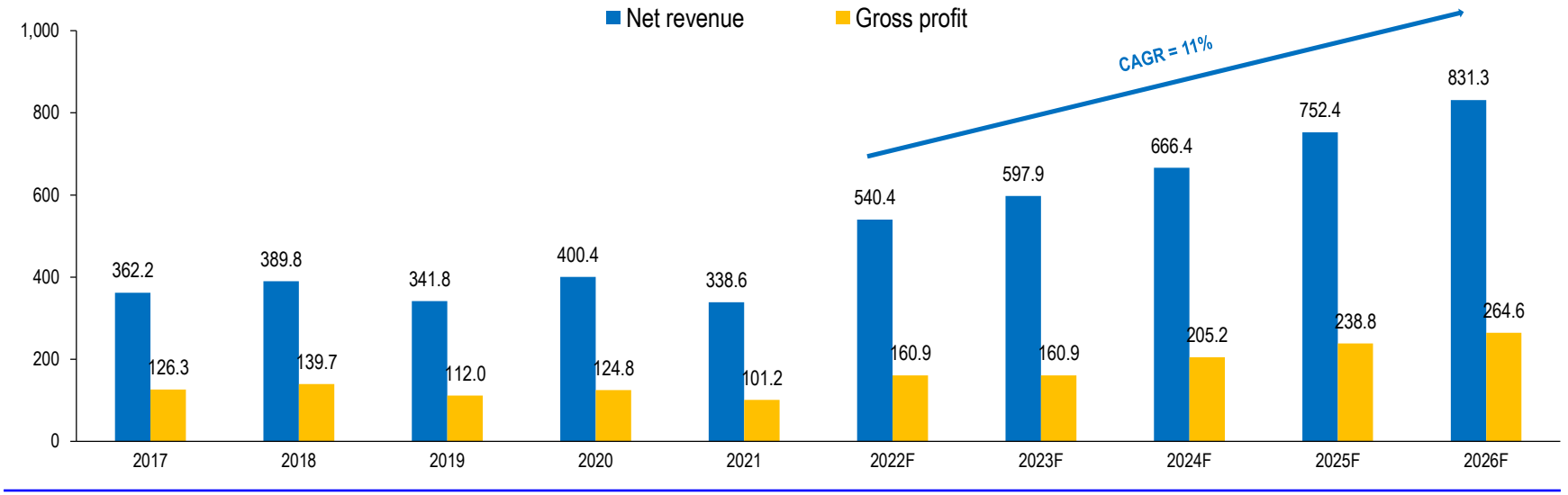
DuPont 5-factor analysis						
	2017	2018	2019	2020	2021	9M2022
ROE (=(1)*(2)*(3))	**39.4%**	**34.6%**	**26.5%**	**29.4%**	**22.6%**	**24.4%**
NPAT margin (1) (= a*b*c)	**27.9%**	**23.0%**	**21.6%**	**19.8%**	**17.7%**	**18.1%**
Tax burden (%) (a)	80.8%	79.8%	80.0%	80.0%	79.7%	79.8%
Interest burden (%) (b)	99.7%	99.8%	99.3%	99.2%	98.8%	98.1%
EBIT margin (%) (c)	34.6%	28.8%	27.1%	25.0%	22.5%	23.2%
Asset Turnover (2)	**1.03**	**1.13**	**0.88**	**1.00**	**0.89**	**0.98**
Financial leverage (3)	**1.37**	**1.33**	**1.39**	**1.47**	**1.44**	**1.37**

Source: Shinhan Securities Vietnam

- ROE generally remained at a high level (above 25%) in period 2017-2020 but tending to decrease in recent years.
- According to the 5-factor DuPont analysis model, GDT's EBIT margin has gradually reduced in recent years due to the skyrocket of input material costs, plus the influence of COVID-19 resulted in the increase of the company's operating expeditures.
- Revenue in quarter 4 recorded to be the high season of GDT. Hence, the company's revenue stream from export, as well as profit margin is expected to be improved.
- GDT's experienced management team is the Le family, holding over 40% of GDT's ownership. Currently, the GDT family team and other critical key members still stay with the firm, devote and contribute to GDT's growth.
- GDT is showing signs of recovery after COVID, together with the acquisition plan on 100% equity of Duc Tam Wood Company (company specializing in manufacturing and exporting wooden furniture), investment on factory expansion, technology, ERP system implementation, company restructuring so as to optimize management costs and enhance corporate management. ROE is promised to be improved soon.

Revenue Forecasts

Duc Thanh Wood's Consolidated Business result Estimates in 2022-2026 period (VND billion)





Source: Shinhan Securities Vietnam

We expect Duc Thanh Wood's revenue in 2022 will recover and grow 60% compared to its low base in 2021 due to social distancing effect.,The projected CAGR is 11% over the period 2022-2026 thanks to 2 main factors:

1. Quick recovery of post-COVID: Due to COVID-19 in 2021, GDT has to close from July 15 to November 4 because of the social distancing regulation. GDT then quickly recovered and increased its production in the last 2 months of the year and completed target revenue of the year.

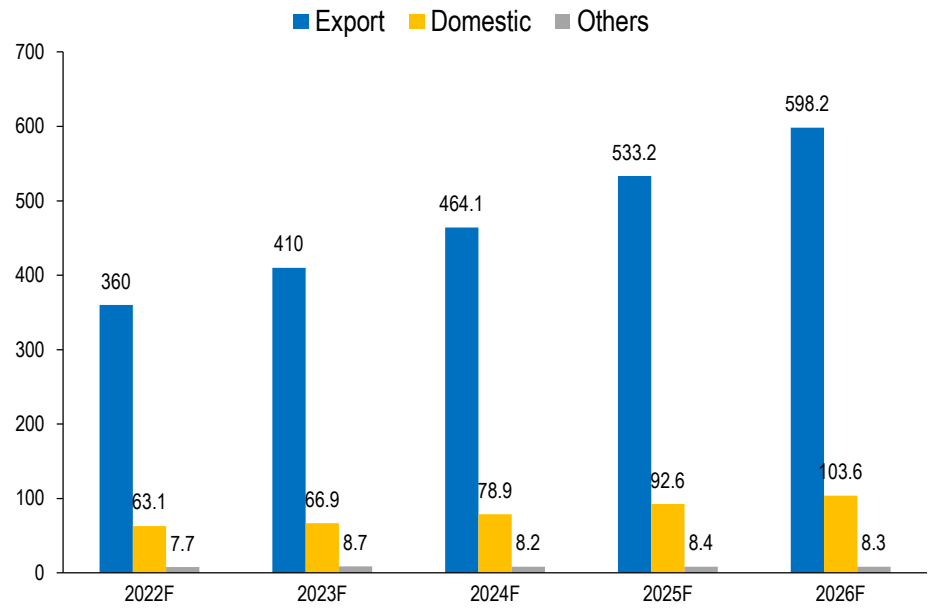
2. Motivation from Duc Tam wood: GDT will have new source of revenue after expanding into the wood furnishing business. Specifically, since 2Q2022, GDT has been carrying out procedures to acquire 100% ownership of Duc Tam Wood Company.

The estimated deal size is about USD 3 million (~VND 70 billion), including all factories, machinery, assets, product designs, and existing customer and supplier relationships. The factory capacity is currently at ~80%. The annual revenue is ~USD 5 million (~VND 116 billion), with a reported NPAT margin of ~8-10%.

In a conservative scenario, the estimated revenue contribution from Duc Tam Wood over the 2022-2026 period will reach VND 100-120 billion per annum (approximately CAGR of 3%), with estimated earning after tax margin of 8-11%.

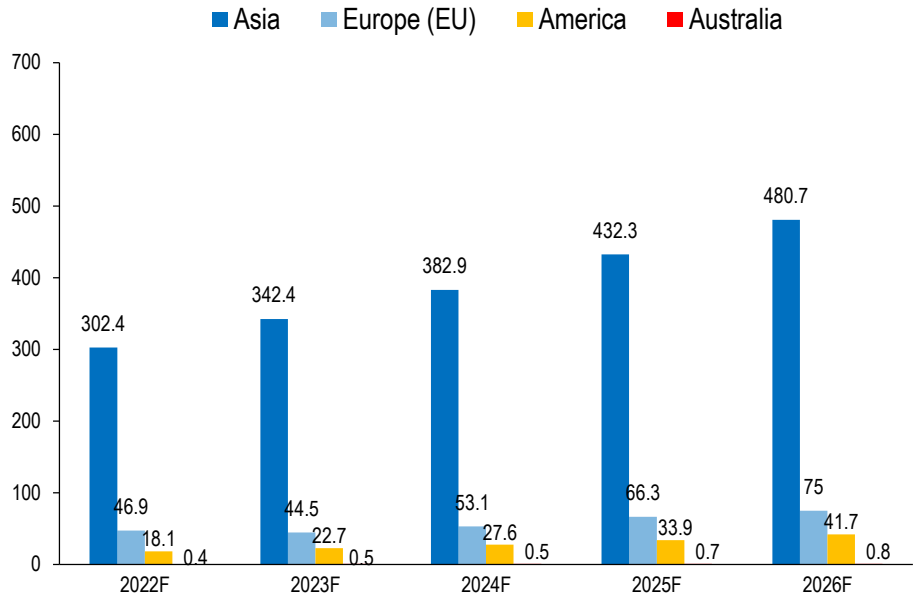
Revenue Forecasts

Estimated domestic revenue, export of GDT (VND billion)



Source: Shinhan Securities Vietnam

Estimated export revenue by markets of GDT (VND billion)



Source: Shinhan Securities Vietnam

- Approximately 83-84% revenue of GDT generated from exports. In addition to Japan and Korea be the 2 main markets, GDT is expanding export market to countries having higher requirements and product standards (equivalent to higher sales) such as the US, Canada, Australia and countries in Europe.
- Vietnam has joined many international agreements (C-TPAT, CPTPP, EVFTA) as well as be evaluated on certificate criteria related to afforestation, wood products and environmental protection (VPA/FLEGT, FSC, VFCS/PEFC), which are bright spots for Vietnam's timber industry in the upcoming years.
- Besides, GDT is certified BSCI (Standard for Social Responsibility) at the highest result on its 5-level standard. This demonstrates that in addition to improving product quality, completing production plans, GDT also aims to enhance working conditions, take care of employees' health, and create a good and safe working environment.
- The forecast export revenue over the period 2022-2026 is based on the export market share of GDT by markets to which GDT exports and the forecast growth of Vietnam's W&WP exports to these countries.

IV. Outstanding company

Valuation combination of GDT		
	Weight	Target Price
DDM	70%	45,700
FCFF	30%	55,700
Total	**100%**	**48,700**

Weighted Average Cost of Capital (WACC)	
WACC (%)	**11.0%**
Risk-free rate (%)	5.0%
Equity risk premium (%)	7.8%
Beta	0.6
Debt cost (%)	2.0%
The cost of equity(%)	11.8%
Debt-to-equity ratio	8.5%
Total debt (bn VND)	53.2

Source: Company data, Shinhan Securities Vietnam

DDM method

Unit: billion VND	2022F	2023F	2024F	2025F	2026F
Dividend paid	74.2	78.4	88.2	88.2	107.8
PV of dividend paid	66.4	68.2	68.7	61.5	67.2
Dividend terminal growth	0%				
PV of terminal growth	572.6				
NPV of dividend flows	**904.6**				
Number of shares outstanding (billion units)	0.198				
Target price (VND)	**45,700**				

Source: Company data, Shinhan Securities Vietnam

FCFF method of GDT

Unit: billion VND	2H2022F	2023F	2024F	2025F	2026F
Net profit	19.8	84.2	98.8	119.5	134.5
Plus: After-tax interest expense	0.4	1.5	1.4	1.4	1.4
Plus: Depreciation & Amortization	3.0	10.1	10.3	10.3	10.4
Minus: Change in working capital	-58.3	37.1	13.1	15.5	15.4
Minus: CapEx	63.1	0.7	0.7	4.9	3.1
Free Cash Flow (FCF)	**18.5**	**57.9**	**96.7**	**110.8**	**127.8**
PV of FCF	18.0	50.8	76.4	78.8	81.9
Growth rate	1%				
Present value of long-term value	824.8				
Enterprise value	**1,130.8**				
Debt	53.2				
Cash and cash equivalents	2.9				
Short-term investments	22.6				
Number of shares outstanding (billion units)	0.198				
Target price (VND)	**55,700**				

Source: Company data, Shinhan Securities Vietnam



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