

Dong Phu Rubber JSC [DPR VN]
22 June 2020
Not Rated
TP upside (downside) N/A
Close 19 June 2020
Price VND 38,000
12 M Target N/A
Share price performance relative to VNINDEX


| | |
|--------------------------------|---------------|
| Market cap (USD mn) | 66 |
| 6M ADT (USD) | 50,000 |
| Outstanding shares (mn) | 40.1 |
| Free float (%) | 40.2 |
| FINI ownership (%) | 14.0 |
| FOL Room (%) | 35.0 |
| Major shareholders (%) | 59.8 |
| 1Q20E Net debt/equity | -29.1 |
| 1Q20E BVPS (VND) | 44,754 |
| 1Q20E P/B (x) | 0.84 |
| TTM P/E (x) | 10.2 |

Financial outlook

| Year to Dec | 2016A | 2017A | 2018A | 2019A |
|----------------|-------|---------|---------|---------|
| Sales (VND bn) | 853.2 | 1,069.9 | 1,030.1 | 1,033.1 |
| EPS (VND) | 3,824 | 5,312 | 5,865 | 4,558 |
| ROE (%) | 5.4% | 5.4% | 5.4% | 5.4% |
| Div. yield (%) | 13.3% | 13.3% | 13.3% | 13.3% |

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Dividend yield remains attractive
Event

We attended DPR's AGM on June 18. The company proposed conservative FY2020 profit guidance amid concerns over ASPs and a downturn in sales volume.

Key highlights

Conservative guidance. DPR is targeting 2020 revenue of VND 721bn (-10.9% YoY), with rubber sales volume to decline by 5.2% YoY to 15K MT and ASP to fall by 7.2% YoY to VND 31.5 mn. As such, the company's PBT target is VND 177bn (-28.4% YoY).

ASP trending down. Although rubber prices in 2020 are likely to remain weak due to global oversupply, management believes that its target ASP (VND 31.5 mn/MT) is conservative and achievable given that its YTD ASP has been VND 34mn/MT.

Attractive dividend yield. The company proposed a cash dividend of 40% of par value (VND4,000) for 2020, implying a 10.5% dividend yield. The 2019 cash dividend was 50% par value (VND 5,000) and this was fully paid in March.

Wood sales. DPR plans to cut 300-400ha of rubber trees per year over the next 3 years. The company sold 492ha of rubber wood in 2019, generating VND 177bn in revenue. This is equivalent to an average VND 360 mn/ha and gross margin of 89%.

Industrial park expansion. DPR owns 51% of North Dong Phu Industrial Park Corporation, which manages two industrial parks. Occupation is 76.5% at one industrial park's total commercial area of 104 ha, and the other is fully occupied. The company plans to expand its IPs by 500 ha with the support of the provincial government, and the company has already carried out the required documentation procedures for this expansion.

Our view

Profit is largely dependent on wood trading. In 2019, wood sales accounted for 17.2% of revenue but 58.8% of gross profit. Meanwhile, the rubber business accounted for 75% of revenue but only 30.9% of gross profit, equivalent to a gross profit margin of 10.8%. Given weak rubber pricing, it is unlikely that the profit margin of rubber business will improve in the foreseeable future.

DPR's valuations represent a discount to the sector. At the current price, the stock is trading at 10.2x trailing PE and 0.84x PB vs the sector's 14.9x PE and 1.1x PB.

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