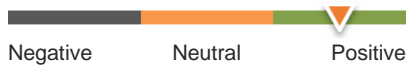


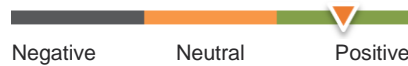
DABACO GROUP (DBC) - INITIATION

Market Price VND24,200	Target Price VND30,700	Dividend Yield 2.1%	Rating ADD	Sector CONSUMER GOODS
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Outlook – Short term



Outlook – Long term



Valuation

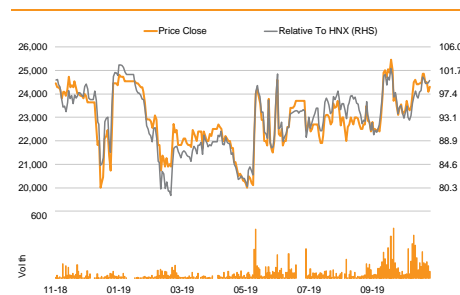


06 Decemeber 2019

Duc Nguyen Tien

duc.nguyentien2@vndirect.com.vn

Price performance



Source: VND RESEARCH

Key statistics

52w high (VND)	25,450
52w low (VND)	20,000
3m Avg daily volume (shares)	99,382
3m Avg daily value (VNDm)	2,370
Market cap (VNDbn)	2,196
Outstanding shares (m)	91.1
Free float (%)	62.0
TTM P/E (x)	7.8
Current P/B (x)	0.8

Ownership

Nguyen Nhu So (Chairman)	18.3%
SSI Securities Company	11.0%
Fraser Investment Holding	8.7%
Others	62.0%

Source: VND RESEARCH

Robust earnings growth in FY20F on pork price spike

It's the golden time for clean meat producers in Vietnam.

Untraceable meat supply from individual small-scaled farms is expected to be reduced in 2019-23F due to the outbreak of the African Swine Fever (ASF) disease and the Law of Animal Husbandry effective since 1st Jan 2020. We believe clean meat producers who adopted Feed-Farm-Food (3F) model will benefit from this opportunity and expand the market firmly over the next four years.

Pork production capacity expansion will prompt DBC's revenue to grow 23.7% yoy in FY20F.

China's pork supply is forecast to drop by 25% in 2020 due to ASF outbreak (USDA, Oct 19). Consequently, prices of pork, broilers, and chicken eggs in Vietnam are expected to rise 37%, 15% and 10% yoy, respectively, next year. Dabaco Group's (DBC) FY20F revenue will be likely to grow 23.7% yoy on surging demand of all products lines and utilisation rate of pork capacity to ~93% (+10% pts). Additionally, vegetable oil, DBC's new business, will further support revenue by adding about VND650m in FY20F.

Robust earnings growth ahead, on the back of margin expansion.

Despite the imminent pork price spike, we observe that animal feed price will likely stay flat next year due to sluggish demand. Note that farmers need time to repopulate their pig's herd after the damage of ASF. We expect DBC's FY20F gross margin to expand 5.4% pts to 18.3%, which leads to a sharp rise of 198.4% yoy in FY20F earnings.

Initiate coverage with ADD and TP of VND30,700.

Our TP is based on 10-year DCF (WACC of 7.4%; LTG of 1.0%). FY20F forward P/E is 5.3x. We believe this is a good opportunity to form a sound business model with convincing robust earnings growth ahead at appealing valuation. Re-rating catalyst includes higher-than-expected pork price increase in Vietnam in 2020. Risk includes serious animal disease outbreak and pork price falling faster than forecast.

Financial summary (VND)	12-18A	12-19A	12-20E	12-21E
Net revenue (bn)	6,674	7,039	8,706	9,655
Revenue growth	14.0%	5.5%	23.7%	10.9%
Gross margin	16.2%	12.9%	18.3%	17.3%
EBITDA margin	12.6%	8.9%	13.4%	12.6%
Net profit (bn)	360	207	616	614
Net profit growth	80.0%	(42.7%)	198.4%	(0.3%)
FD EPS	1,646	3,363	1,937	5,781
BVPS	22,878	25,555	26,403	38,047
ROAE	13.7%	7.4%	18.4%	14.5%

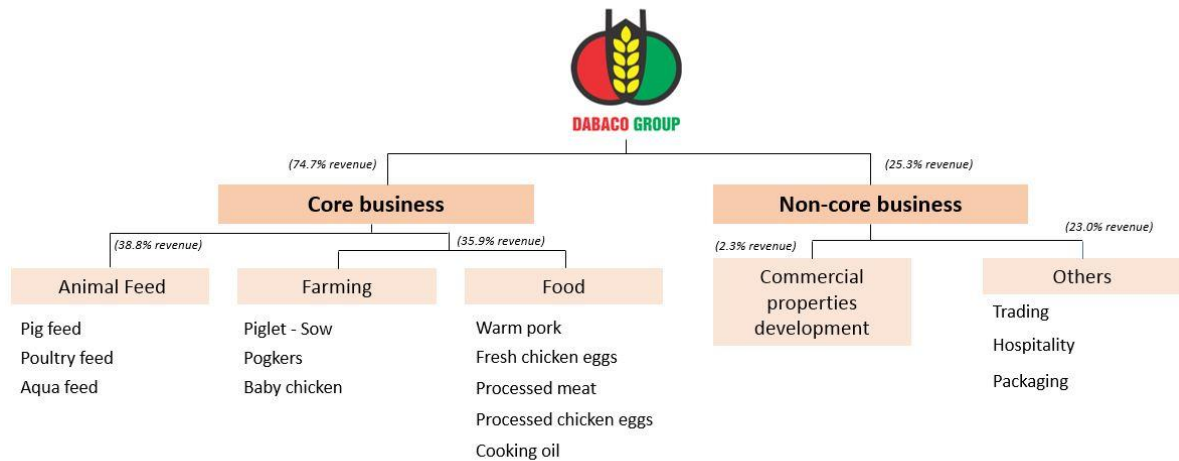
Source: VND RESEARCH

A PIONEER IN DEVELOPING FEED – FARM – FOOD (3F) MODEL IN VIETNAM

3F business now contributes about 75% to DBC’s revenue

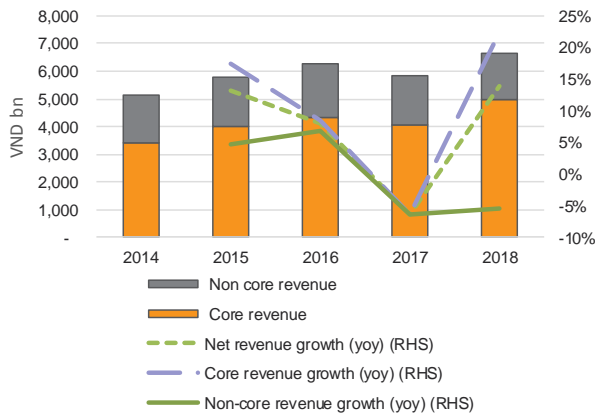
Founded in 1996, DBC was among the first industrial animal feed companies in Vietnam, with strong foothold in the northern region. The company fully developed the 3F business model since 2010 and now stands among top 10 producers in the pig and poultry meat value chain. In 2018, DBC’s revenue reached VND6,674bn (+14.0% yoy), core revenue accounted for 74.7% of net revenue, posted at VND4,990bn in 2018 with growth rate of -0.1% yoy.

Figure 1: Dabaco’s business structure (as of Jun 2019)



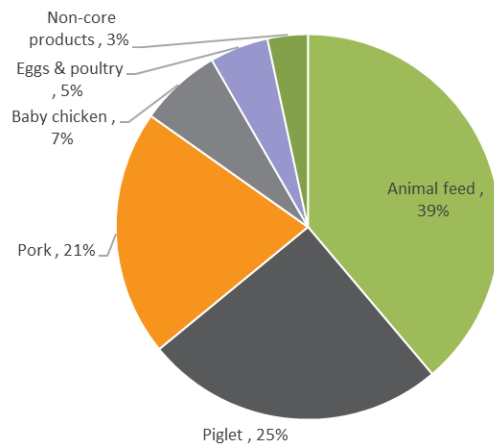
Source: VNDIRECT RESEARCH

Figure 2: DBC’s FY18 revenue grew 14.0% yoy, driven by core business



Source: DBC, VNDIRECT RESEARCH

Figure 3: Animal feed and pork are the biggest contributors to FY18 revenue



Source: DBC, VNDIRECT RESEARCH

The company has six animal feed factories in Northern Vietnam, with total capacity of 1.0m tonnes per year, producing additives for pigs, chicken, fish and others animals, of which pig feed accounts for the bulk of production (55% as at 2018). DBC owns two chicken development centers and eight pig breeding centers in the north of the country, with a total design capacity of about 38m chicken and 750,000 piglets p.a.

Figure 4: DBC's porkers are raised in high bio-security industrial scale farm



Source: VNDIRECT RESEARCH

Figure 5: DBC's chicken eggs are produced in disease-free condition

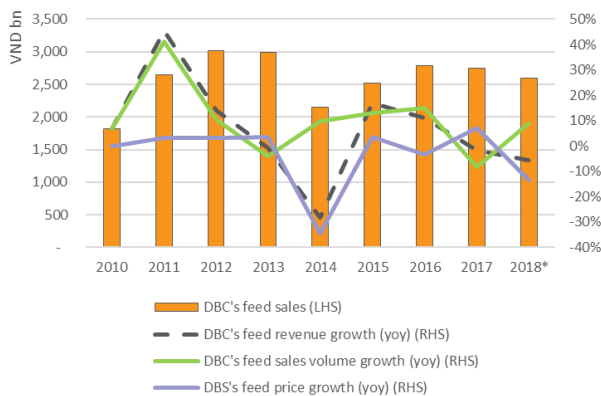


Source: VNDIRECT RESEARCH

A leading feed producer, but facing growing competition

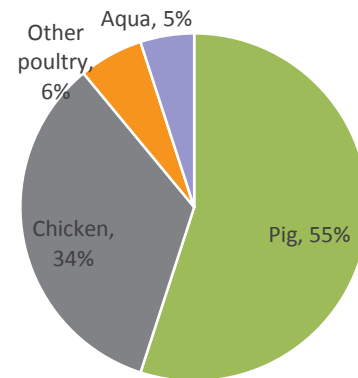
DBC is among Vietnam's top 10 animal feed producers, with total sales volume in 2018 reaching 0.5m tonnes, valued at VND2.6tr. DBC's market is in Vietnam's northern and central regions, with "DABACO" the main feed brand. DBC's animal feed has its solid position in the country thanks to competitive quality, with reasonable price compared with international brand such as CP Foods, Cargill or De Heus. However, DBC is not as strong as foreign brands in marketing, branding and financial support for farmers.

Figure 6: DBC's feed sales dropped in 2017-18 due to lower pig volume and competition



Source: DBC

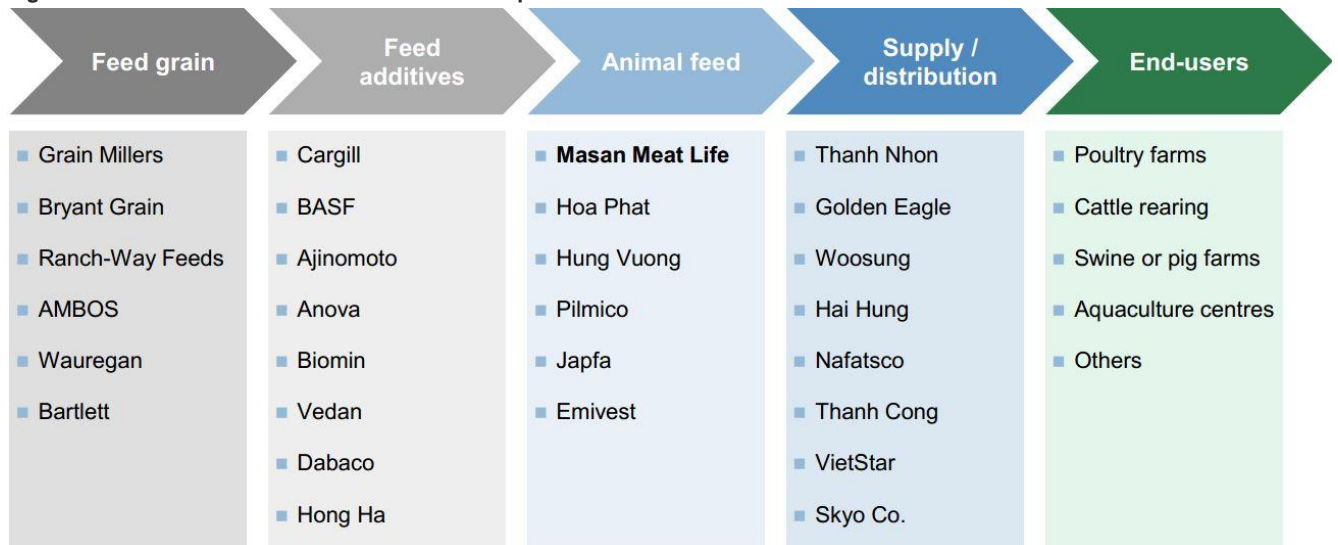
Figure 7: Pig feed and chicken feed comprised most of 2018 DBC's feed output



Source: DBC, VNDIRECT RESEARCH

DBC's feed sales have been falling in 2017-19 due to pork crisis. 2017 was a bad year of animal feed producer in Vietnam when the national porker volume dropped after an overheated period, which in turn reduced the industrial feed demand. In such context, DBC's feed sales fell 9.7% yoy, with drops in both sales volume (-8.3% yoy) and price (-1.5% yoy). In 2018, as the pork market recovered, DBC's feed sales growth accelerated to 12.4% yoy, as sales volume rose 9.1% yoy and ASP edged up 3% yoy. In FY19F, sale is expected to decrease again due to ASF outbreak, which has cut Vietnam's total pig supply by 6.0% yoy.

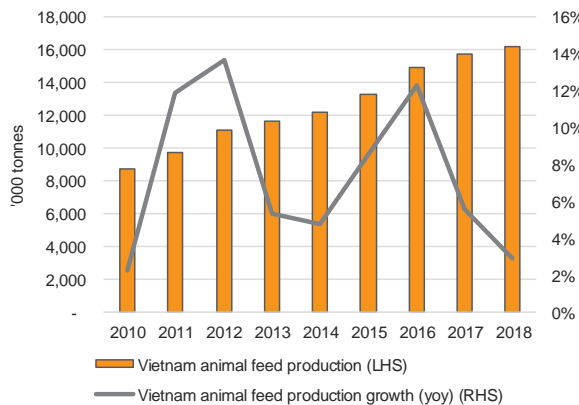
Figure 8: Vietnam animal feed value chain landscape



Source: MML

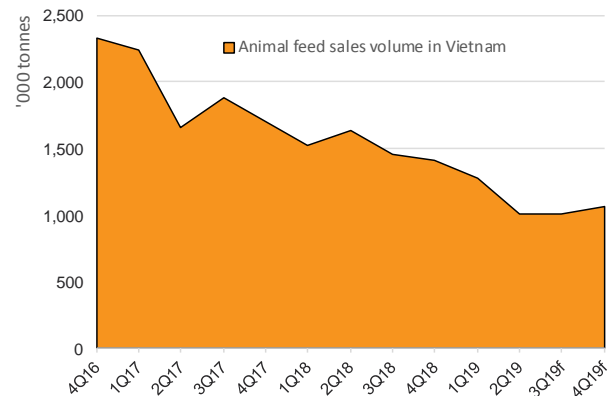
Vietnam’s animal feed production (pig, poultry and aquaculture) grew moderately at an 8.1% CAGR in FY13-18, reaching 21.4m tonnes in FY18. The market value is estimated at VND173tr. Pig feed accounted for 56% of total production. Animal feed output growth plunged sharply to 6% yoy in FY17 and to 4% yoy in FY18, from 13% yoy in FY16 due to lingering diseases on pigs and poultry, including bird flu, foot-mouth disease and ASF. In 2019, Vietnam’s animal feed growth is expected to further slow due to ASF’s extended impact since 4Q18.

Figure 9: Vietnam’s animal feed production growth eased in 2017 after oversupply ended



Source: GSO

Figure 10: Animal feed sales volume fell from 2016 due to oversupply crisis and ASF outbreak



Source: MML

Revenue from breeding accelerated in 2018

DBC owns two chicken development centers and eight pig breeding centers in the north of the country, with total design capacity of about 38m chicken and 750,000 piglets p.a. In 2018, DBC sold 25m chicken (seizing a chicken breed market share of 8.8%) and 0.7m piglets (a piglet market share of 1.1%), generating revenue of VND790bn (accounting for 33% of farming revenue and 12% of total revenue). Despite a longer breeding period and feed costs above other chicken breeds, chicken supplied by DBC are favoured by consumers thanks to the good meat quality, nice outfit, easier to sell and higher output price. On the other hand, DBC imports the highest quality pigs

such as Duroc, Pietrian, Landrace and Yorkshire from the US and Europe. DBC's piglet has low fat rate, low death rate and is disease-free, while offered at competitive price.

Figure 11: DBC's commercial piglet weighs from 20~21kg



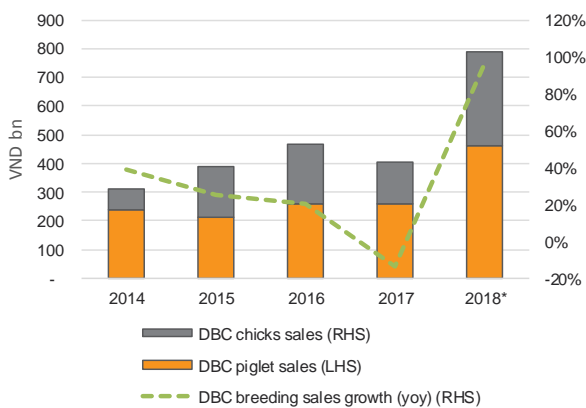
Source: Internet

Figure 12: DBC's 2-day-old commercial chicks



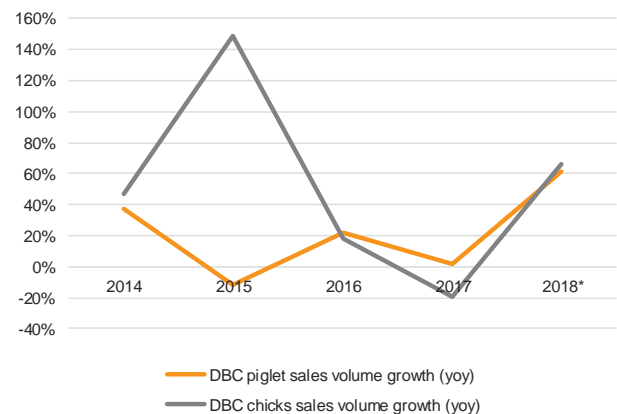
Source: Internet

Figure 13: DBC's breed revenue accelerated in 2018 ...



Source: DBC, VNDIRECT RESEARCH

Figure 14: ... driven by increased capacity as pork market recovered



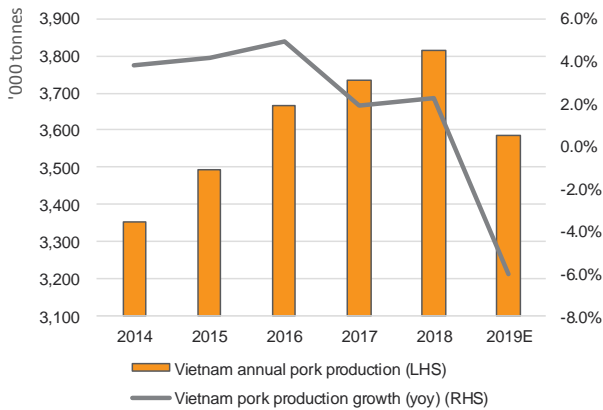
Source: DBC, VNDIRECT RESEARCH

Vietnam consumed about 40m piglets and 450m chicks annually. Most of these young animals are propagated by small farmers themselves. However, the development of medium- and large-scale breeding models in recent years has led to an increasing demand for young industrially-produced juveniles. CPFoods is a leader in supplying piglets and chicks in Vietnam. Some other piglet and chicken producing enterprises include DBC, Greenfeed, Japfa and Anco (MML).

DBC porker sales jumped in 2018 thanks to market recovery

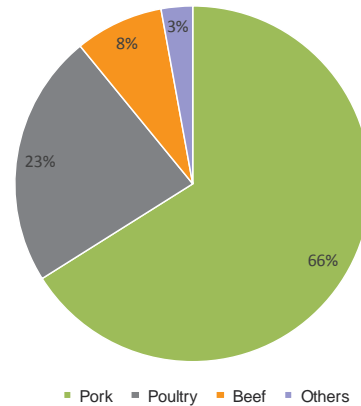
Pork is the staple meat in Vietnam, accounting for 66% of the total meat consumption, followed by poultry and beef. Vietnam's meat market value was estimated at VND272tr in 2018, 62% of which was pork. CP Vietnam, a subsidiary of Thai's CP Group, is Vietnam's largest meat producer with the pork market share estimated at 16% in 2018. Some other major pork producers include DBC, Hoa Phat Group, Green Feed, Masan Meat Life and Vissan. Most businesses focus on live hog traditional market and a small portion of distribution through modern trade channel, while only Masan Meat Life focuses on cool meat products. All businesses use cooperative farming models to increase production.

Figure 15: Pork production in 2019 is expected to dip 6% yoy due to ASF outbreak



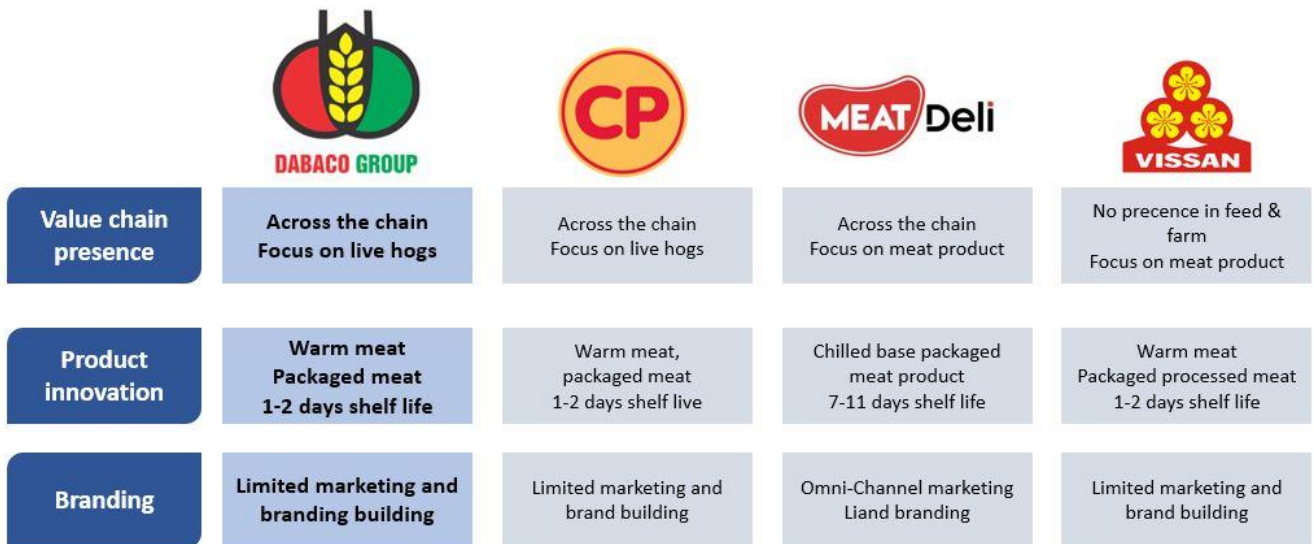
Source: DBC, VNDIRECT RESEARCH

Figure 16: Pork accounted for 66% volume, and 62% value of Vietnam's meat consumption in 2018



Source: Masan Meatlife

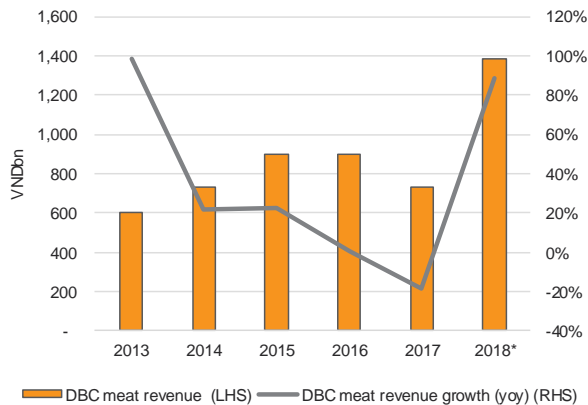
Figure 17: DBC's presence across the meat value chain, but focuses on farm (live hogs, piglet, baby chicken, eggs)



Source: VNDIRECT RESEARCH

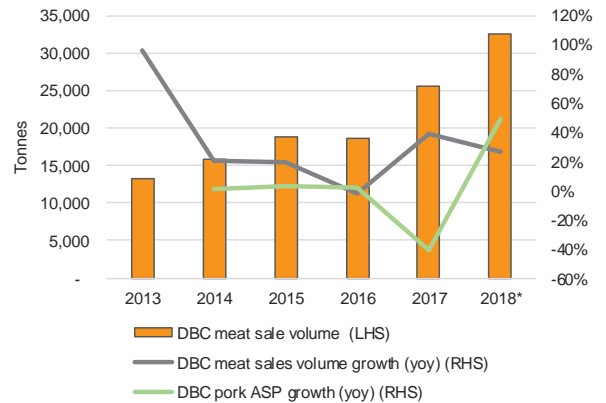
DBC produces clean pork by outsourcing. It supplies piglets, feed, veterinary medicine and buys porkers at a specified price. Contracted farms must meet DBC's requirements of bio-security standard and ensure compliance with DBC technical instructions. This business model helps DBC quickly expand production while reducing farm development costs. In 2018, DBC's contracted farm system achieved 32,500 tonnes of live pork (83% of capacity) with sales of VND1,381bn (+89% yoy).

Figure 18: DBC pork revenue accelerated in 2018 thanks to pork market recovery



Source: DBC, VNDIRECT RESEARCH

Figure 19: DBC increases its pork capacity through outsourcing farm model

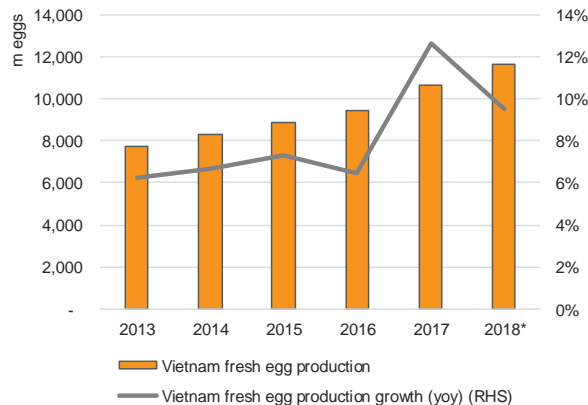


Source: DBC, VNDIRECT RESEARCH

Pioneering in producing eggs with high nutritional value

Vietnam's poultry egg output grew 9.5% yoy to 11.6bn in 2018. We estimate that about 90% of these eggs were untraceable and consumed in traditional markets. CP Vietnam, DBC, Hoa Phat Group and Ba Huan are leading large-scale clean egg enterprises in Vietnam. The businesses all focus on the production of conventional fresh eggs and consumption of products through a modern trading system.

Figure 20: Vietnam's eggs production posted a 2013-18 CAGR of 8.5%



Source: DBC, VNDIRECT RESEARCH

Figure 21: DBC is among Vietnam's top fresh egg producers

Egg producers	Capacity (m eggs/year)	Market shares 2018
CPVietnam	175	2.09%
Hoa Phat Group	165	1.97%
Dabaco (DBC)	150	1.79%
Ba Huan	92	1.10%

DBC is among Vietnam's top five egg producing enterprises in 2018, with sales of about 130m eggs (85% of its design capacity). However, DBC is the only manufacturer focusing on egg products with high economic value, such as eggs with DHA or Omega-3 content three times higher, and 80% more expensive than normal eggs. DBC's egg brand is highly reputable in the market and has presence in all supermarkets and convenience stores nationwide. In 2018, DBC earned VND266bn from egg business (+18.0% yoy) thanks to a higher sales volume (+16.1% yoy).

Figure 22: DBC has a modern egg processing factory with capacity of 45,000 eggs/hour ---



Source: DBC

Figure 23: DBC is the only one that could produce blue shield egg in Vietnam which contain extra protein but very low fat



Source: DBC

Tapping the promising soybean oil market

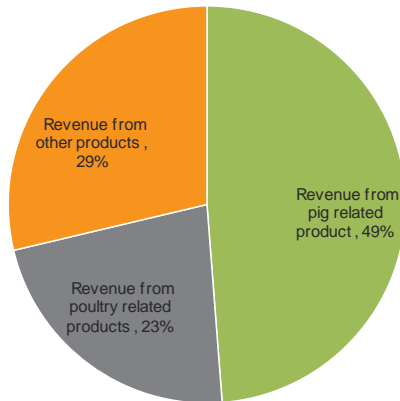
Vietnamese people used 1.3m tonnes of cooking oil in 2018, of which 24.3% was soybean oil, equivalent to 325,000 tonnes. Currently, there are about 40 enterprises doing business in cooking oil industry, with the market size estimated at VND30tr. The opportunity for industry growth is very high when cooking oil consumption per capita in Vietnam is 9.5 kg/person/year, which is still low when compared with the World Health Organization's (WHO) standard of 13.5 kg. Currently, three leading enterprises in cooking oil industry are Tuong An, Cai Lan and Nha Be. In particular, Cai Lan (Calofic) holds nearly 40% market share, with familiar brands such as Neptune, Simply, Meizan ... In the second position is Tuong An with 20%, the 3rd is Golden Hope Nha Be with 11%.

DBC inaugurated a soybean oil pressing factory with a capacity of 45m liters of soybean oil and 220,000 tonnes of soybean meal in May 2018. The plant is expected to begin commercial production under COBA brand in late 2019. This oil refinery will help DBC make the most of its product chain as soybean and soybean meal are the main inputs of the animal feed segment. We expect DBC's utilisation of soybean oil production line to be at 12% in FY19F, rising to 70-80% of capacity in FY20F, providing clean soybean oil products at low price for food producers and consumers.

Products for pig farming regularly make up the majority of DBC's revenue

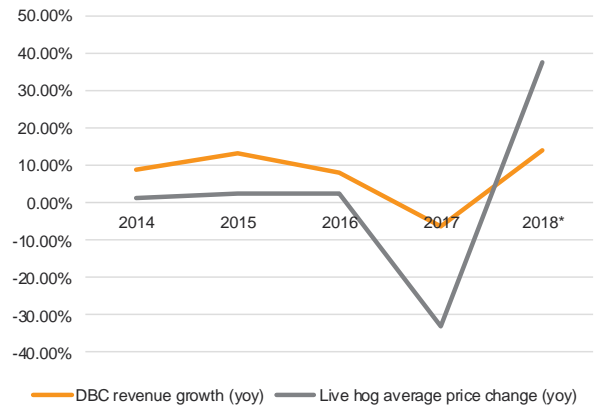
In 2018, this product group generated 49% of total revenue, while poultry-related product group brought in 23%. For that reason, fluctuations in the pork market have a huge impact on DBC's revenue. In 2017, the average pork price fell 33% yoy due to oversupply, which triggered DBC's revenue to drop 6.4% yoy. In 9M19, pork price fluctuated strongly again due to ASF disease. Hence, DBC's 9M19 revenue growth lost 10% pts to 5% yoy.

Figure 24: Half of DBC revenue comes from pig related products



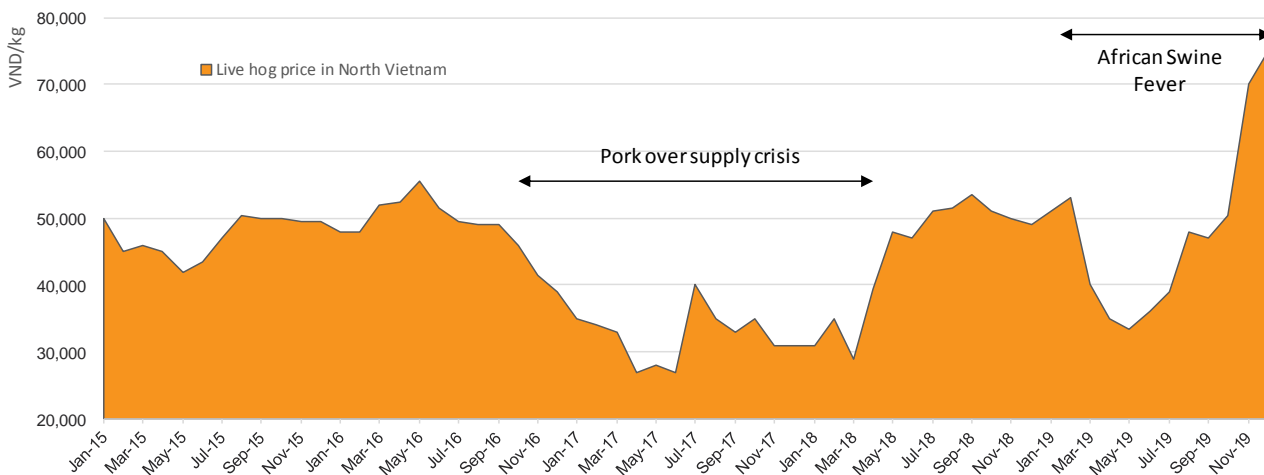
Source: DBC

Figure 25: Pork price falls led to negative revenue growth in FY16-17



Source: DBC, Agromonitor

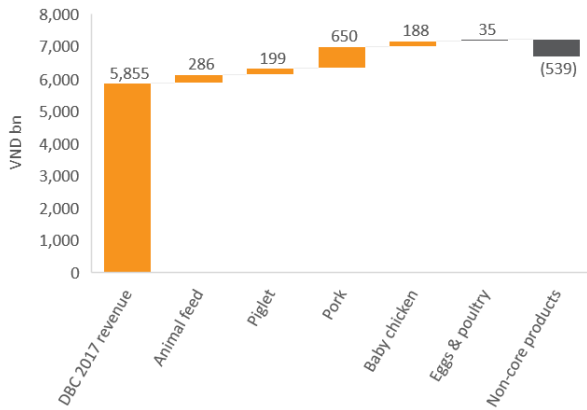
Figure 26: Live hog price in Vietnam fluctuated strongly in 2017 and 2019



Source: Agromonitor

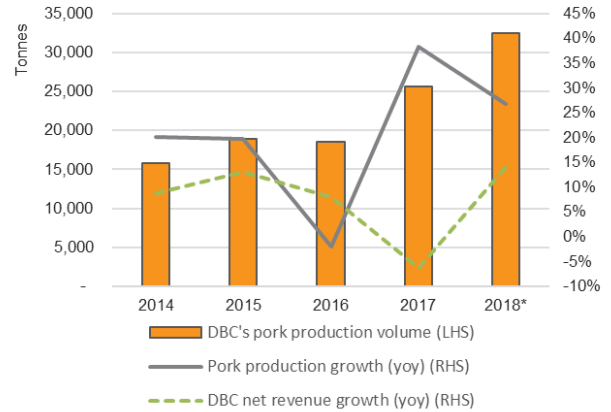
Pork was the main revenue growth driver in 2018 with increased market share. DBC initiated producing porkers since 2007 in order to catch up with the fresh meat consumption trend in Vietnam. DBC's porkers have been highly appreciated by consumers thanks to high quality and reasonable price backed by the complete 3F model. In 2014-18, the product contributed 22% to DBC's revenue, up from 14% previously, resulting in a remarkable CAGR of 18.5%, much higher than the net revenue CAGR (+6.9%) in the same period. In 2018, pork revenue turned to surge 97% yoy, from a fall of 19% a year earlier (as volume jumped 43% yoy and pork price rose 38% yoy), and accounted for 86% of DBC's total revenue. In the same year, DBC's pork market share increased from 0.60% in 2017 to 0.84% in 2018.

Figure 27: Growth of pork sales contributed 79% of DBC's growth in 2018



Source: DBC, VNDIRECT RESEARCH

Figure 28: Pork sales rose much faster than DBC's revenue growth in FY14-18



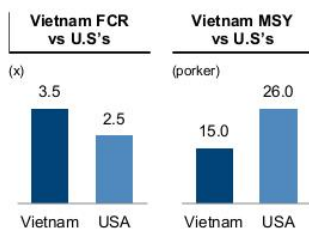
Source: DBC, VNDIRECT RESEARCH

3F MEAT IS GOING TO REPLACE UNTRACEABLE MEAT

Vietnam's meat market is potential but fragmented. Pork is the staple meat in Vietnam, accounting for 66% of the total meat consumption, followed by poultry and beef. Despite the fact that pork is the main meat, the local pork market remains at a low base as 99% of the consumed pork is warm meat and 95% is unsafe (pigs fed with anti-biotics or weight-gain stimulus; slaughtered in small scale, low-hygiene standard; the meat is transported without veterinary control; sold in wet markets which have high risk of contamination).

Figure 29: Meat in Vietnam has high risk of contamination

Farming
Low productivity



- Vietnam feed conversion ratio ("FCR") is **70%** that of the U.S
- MSY is **55%** that of the US, mainly due to backyard farmer habits of using homemade-feed and inferior genetics
- Rampant usage of **anti-biotics and weight gain stimulus**

Slaughtering
Fragmented + Rudimental



- Vietnam slaughtering industry = China in the early 2000s: **fragmented**, dominated by warm slaughtering facility with **low hygiene** standard
- **Rudimental** slaughtering facility = unsanitary pork products

Logistics
No scale + Rudimental



- Slaughtered porker is transported to wet market in small-scale operation
- Low hygiene standard, lack of veterinary control

Distribution
No scale + Not hygienic



- Wet market accounts for **95%+** of porker volume
- Deteriorate/rotten quickly under warm storage condition
- High risk of meat contaminated by salmonella and other bacteria

Source: MML

Products of 3F model satisfy the growing demand for clean meat in Vietnam. Higher income, nutritional knowledge and health awareness of Vietnamese people are increasing, leading to stronger demand for clean meat. This trend is particularly strong in urban areas, thanks to the development of a modern trade channel that has made it easier for consumers to access clean, branded and sourced meat.

Clean meat products are the outputs of the 3F model: Feed - animal feed is ensured to meet adequate nutrition balance for each stage of animal's development and minimize environmental pollution through waste; Farm - an animal farm developed on an industrial scale, animals are arranged in closed farms, meet hygiene standards, use air conditioning to cool down diseases (most important). Food – porkers, broilers, cow or fish is strictly controlled by producer to meet government's standard and fully traceable; the raising process uses clean food and is committed to absolutely no lean substances or any chemicals on the list of banned substances of the government.

Incurable swine disease and new animal husbandry law supports 3F meat. Untraceable pork now dominates the market thanks to its low prices coming from the abuse of growth stimulants and antibiotics, while clean meat producers must follow strict government regulations. However, the advantage of untraceable meat from small farmers will no longer be effective as of 1 Jan 2020 when the Law on Animal Husbandry comes into effect because this law requires small farmers to follow the same government safety standards, like those for industrial scale farms. This will prompt production cost at small households to rise above that of the companies adopting the 3F model because (1) the cost of piglet and feed is large as small farms have yet to reach the economically viable size, and (2) the higher rate of mortality due to lower barn bio-security. The advantage of the 3F model was clearly demonstrated in 2019 when ASF epidemic reduced smallholder pig production by about 15%, while 3F businesses were not affected.

CORE REVENUE EXPECTED TO JUMP 30.3% YOY IN FY20F ON PORK SHORTAGE

The shortage of pork is the main catalyst for DBC next year

USDA's October 2019 report forecast China's pork supply to further decrease by 25% in 2020 (after a fall of 14% in 2019) due to the ASF disease outbreak. Hence, the price of pork and alternative meat such as broiler meat and beef will rise strongly in 2020. In Vietnam, pork price facing the pressure of the local ASF outbreak and China's imported demand, has accelerated to a record level of VND75,000/kg of live hogs weight in late Nov 2019 (+68% from the 2018 average and a surge of 159% from 2019 low). We expect the average pork price in FY20F to stay at VND56,000/kg of live hog (+37% from 2019 average). Piglet, baby chicken and egg prices are expected to rise by 15%, 6% and 5%, respectively, under the pressure of higher live hog price.

In 2020, we expect DBC's pork sale volume to increase 14.1% yoy to 40,363 tonnes thanks to Vietnam's rising demand for clean fresh pork and DBC's pork market share in 2020 is likely to rise to 1.7% (+0.2% pts yoy). In the same period, baby chicken sales volume is forecast to increase 20%, driven by higher demand for poultry meat and the inauguration of Binh Phuoc baby chicken centre. Construction of the Binh Phuoc facility was completed in 4Q19, which will double DBC's annual baby chicken capacity to 75m from 38m now. DBC's eggs and piglet sales volume are expected to increase 10% yoy and 15% yoy, respectively, in FY20F.

Net profit surged on improved gross margin. Although the pork price is expected to be much higher in 2020, animal feed price is forecast to stay unchanged from 2019 due to smaller size of the national pig herd. Hence, porker husbandry expense is projected to increase slightly from 2019, leading to a forecast that DBC's gross margin will rise 5.4% pts to 18.3%. As the result, FY20F net margin is

projected to improve 4.1% pts to 7.1%, which drive net profit to surge 198.4% yoy.

Vegetable oil will lend further support for FY20F revenue growth

Vegetable oil, DBC's new business, will be the second growth driver in FY20F, accounting for 33% of the overall growth. DBC's vegetable oil factory is expected to reach 5.0m litres in 2019, rising to 36m litres in 2020, adding VND650bn to the total revenue.

Figure 30: VnDirect Research's forecasts of DBC's FY19-21F business results

VNDbn	2018	2019F	2020F	2021F
Net revenue	6,674	7,039	8,706	9,655
% yoy	14.0%	5.5%	23.7%	10.9%
<i>Animal feed</i>	12.4%	0.0%	0.0%	2.0%
<i>Piglet</i>	76.2%	10.1%	23.8%	26.0%
<i>Pork</i>	89.0%	5.0%	55.8%	21.4%
<i>Baby chicken</i>	132.4%	18.9%	20.0%	13.8%
<i>Eggs</i>	18.4%	15.5%	15.5%	14.5%
<i>Soybean oil</i>	<i>N/a</i>	<i>N/a</i>	599.4%	12.2%
<i>Non-core businesses</i>	-24.2%	3.5%	3.5%	3.5%
Gross profit	1,079	911	1,593	1,674
Gross margin	16.2%	12.9%	18.3%	17.3%
SG&A	(540)	(561)	(759)	(841)
SG&A as % revenue	8.1%	8.0%	8.7%	8.7%
EBIT	539	350	834	832
EBIT margin	8.1%	5.0%	9.6%	8.6%
%yoy	64.0%	-35.1%	138.3%	-0.2%
Net profit	360	207	616	614
Net margin	5.4%	2.9%	7.1%	6.4%
%yoy	80.0%	-42.7%	198.4%	-0.3%
EPS diluted	3,363	1,937	5,781	5,763
EPS growth	104.4%	-42.4%	198.4%	-0.3%

Source: VNDIRECT RESEARCH

VALUATION

Initiate with ADD and target price of VND30,700

We like DBC's solid position in the rising clean meat market and its 3F business model. Our target price for DBC is based on DCF approach. We use 10-year DCF to derive DBC's intrinsic value of VND30,700/share, applying WACC of 7.4% and a long-term growth rate of 1.0%.

Re-rating catalyst includes higher-than-expected pork price increase in Vietnam in 2020. Risk includes serious animal disease outbreak and pork price falling faster than forecast.

Figure 31: Discounted Cash Flows - Future Cash Flows to Firm (FCFF)

Present value of Future Cash Flows to Firm (VNDbn)	2,206
Present value of Terminal value (VNDbn)	4,344
Enterprise Value (VNDbn)	6,550
Net debt (VNDbn)	(3,754)
Equity Value	2,796
No. of Outstanding Share (million)	91
Equity value per share (VND)	30,697
WACC	7.4%
Cost of Equity	12.4%
Long-term growth	1.0%

Source: VND RESEARCH

Figure 32: Discounted Cash Flow

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	1	2	3	4	5	6	7	8	9	10
EBIT	350	834	832	855	930	985	1,044	1,107	1,174	1,244
Add: Depreciation	230	281	330	352	375	397	419	441	463	485
Less: Capital expenditure	(784)	(524)	(534)	(545)	(556)	(567)	(579)	(592)	(606)	(620)
Changes in Working Capital	(152)	(291)	(348)	(215)	(228)	(176)	(187)	(198)	(210)	(223)
Free Cash Flow (FCF)	(356)	300	280	447	520	638	697	758	821	887
Less: Taxes Paid	(36)	(109)	(108)	(110)	(121)	(129)	(135)	(143)	(152)	(161)
Free Cash Flows to Firm	(393)	191	172	337	399	510	562	614	669	726
Terminal Value										13,983
PV of FCFF	(366)	166	139	254	280	333	342	348	353	357
PV of Terminal Value										4,344

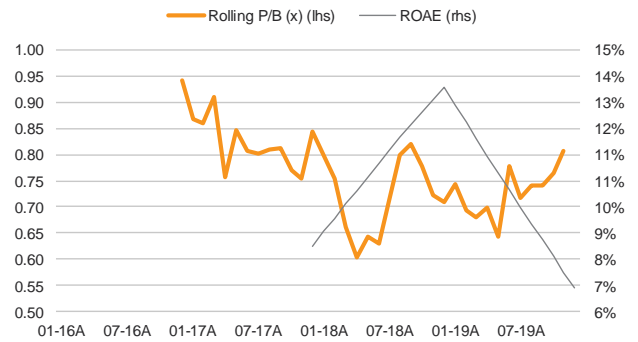
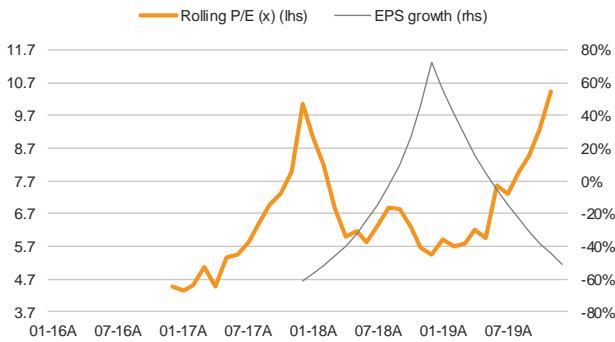
Source: VNDIRECT RESEARCH

Figure 33: Peer comparison

Dairy producer	Bloomberg code	Recom.	Target price (VND)	Market cap (US\$m)	EPS growth (%)		P/E (x)		P/B (x)		ROE (%)		ROA (%)		D/E(x)
					TTM	FY20F	TTM	FY20F	TTM	FY20F	TTM	FY20F	TTM	FY20F	
CPFoods	CPF TB	NR	N/a	7,404	24.1%	15.1%	18.5	13.4	1.3	1.2	9.6%	9.0%	2.6%	3.1%	1.5
New Hope Liuhe Co	000876 CH	NR	N/a	12,588	157.1%	122.6%	26.1	10.0	3.6	2.7	14.6%	28.0%	6.4%	13.6%	0.6
Tyson Food Group	TSN US	NR	N/a	32,367	-31.1%	18.0%	16.2	13.1	2.3	2.0	15.0%	16.5%	6.5%	7.3%	0.8
IOI Group	IOI MK	NR	N/a	6,704	174.0%	6.5%	44.7	33.6	3.0	3.0	6.6%	9.4%	3.8%	5.6%	0.5
Average				14,766	81.0%	40.5%	26.4	17.5	2.5	2.3	11.5%	15.7%	4.8%	7.4%	0.9
Median				9,996	90.6%	16.5%	22.3	13.2	2.7	2.4	12.1%	12.9%	5.1%	6.4%	0.7
Dabaco Group	DBC VN	ADD	30,700	97	5.0%	198.4%	7.8	5.3	0.8	0.8	10.2%	17.8%	3.1%	6.2%	1.7

Source: VNDIRECT RESEARCH, Bloomberg

Valuation



Income statement

(VNDbn)	12-19A	12-20E	12-21E
Net revenue	7,039	8,706	9,655
Cost of sales	(6,128)	(7,114)	(7,982)
Gen & admin expenses	(273)	(392)	(434)
Selling expenses	(289)	(367)	(407)
Operating profit	350	834	832
Operating EBITDA	580	1,115	1,162
Depreciation and amortisation	(230)	(281)	(330)
Operating EBIT	350	834	832
Interest income	41	49	56
Financial expense	(155)	(166)	(174)
Net other income	7	8	9
Income from associates & JVs	0	0	0
Pre-tax profit	243	725	723
Tax expense	(36)	(109)	(108)
Minority interest	0	0	0
Net profit	207	616	614
Adj. net profit to ordinary	207	616	614
Ordinary dividends	(46)	(50)	(55)
Retained earnings	161	566	559

Balance sheet

(VNDbn)	12-19A	12-20E	12-21E
Cash and equivalents	321	577	1,018
Short term investments	399	494	547
Accounts receivables	389	481	533
Inventories	2,903	3,369	3,850
Other current assets	206	480	530
Total current assets	4,217	5,401	6,478
Fixed assets	4,765	4,883	4,928
Total investments	87	87	87
Other long-term assets	51	63	70
Total assets	9,120	10,434	11,564
Short-term debt	3,113	3,100	3,413
Accounts payable	974	1,132	1,255
Other current liabilities	461	570	632
Total current liabilities	4,547	4,801	5,300
Total long-term debt	1,360	1,434	1,307
Other liabilities	389	314	349
Share capital	911	1,002	1,102
Retained earnings reserve	509	1,038	1,560
Shareholders' equity	2,824	3,885	4,608
Minority interest			
Total liabilities & equity	9,120	10,434	11,564

Cash flow statement

(VNDbn)	12-19A	12-20E	12-21E
Pretax profit	243	725	723
Depreciation & amortisation	230	281	330
Tax paid	(36)	(109)	(108)
Other adjustments	107	104	100
Change in working capital	(152)	(291)	(348)
Cash flow from operations	392	711	696
Capex	(784)	(524)	(534)
Proceeds from assets sales	20	12	34
Others	(21)	(95)	(54)
Other non-current assets changes	(3)	(12)	(7)
Cash flow from investing activities	(787)	(619)	(561)
New share issuance	0	0	0
Shares buyback	0	0	0
Net borrowings	476	60	186
Other financing cash flow	0	0	0
Dividends paid	91	100	110
Cash flow from financing activities	567	160	297
Cash and equivalents at beginning of period	150	321	577
Total cash generated	171	252	432
Cash and equivalents at the end of period	321	572	1,009

Key ratios

	12-19A	12-20E	12-21E
Dupont			
Net profit margin	2.9%	7.1%	6.4%
Asset turnover	0.81	0.89	0.88
ROAA	2.4%	6.3%	5.6%
Avg assets/avg equity	3.14	2.91	2.59
ROAE	7.4%	18.4%	14.5%
Efficiency			
Days account receivable	8.2	8.2	8.2
Days inventory	172.9	173.3	176.0
Days creditor	58.0	58.2	57.4
Fixed asset turnover	1.55	1.80	1.97
ROIC	2.8%	7.3%	6.6%
Liquidity			
Current ratio	0.9	1.1	1.2
Quick ratio	0.3	0.4	0.5
Cash ratio	0.2	0.2	0.3
Cash cycle	123.1	123.3	126.9
Growth rate (yoy)			
Revenue growth	5.5%	23.7%	10.9%
Operating profit growth	(35.1%)	138.3%	(0.2%)
Net profit growth	(42.7%)	198.4%	(0.3%)
EPS growth	(42.4%)	198.4%	(0.3%)

Source: VND RESEARCH

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RECOMMENDATION FRAMEWORK

Stock Ratings

Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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