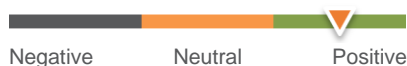


## DAKLAK RUBBER INVESTMENT JSC (DRI)

<b>Current Price</b> VND12,300	<b>Target Price</b> VND21,300	<b>Dividend Yield</b> 14.8%	<b>Recommendation</b> Add	<b>Sector</b> BASIC MATERIALS
-----------------------------------	----------------------------------	--------------------------------	------------------------------	----------------------------------

### Outlook – Short term



### Outlook – Long term



### Valuation

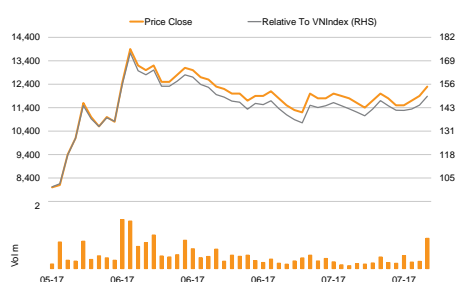


25 July 2017

Thọ Diên Hồng

tho.dienhong@vndirect.com.vn

### Price performance

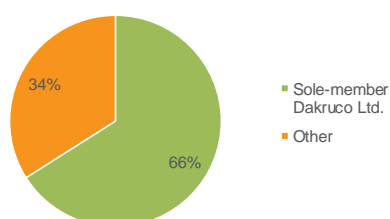


Source: VNDIRECT

### Key statistics

52w high (VND)	13,900
52w low (VND)	8,000
Average daily turnover (3m)	N.a
Market cap (VND) billion	841.8
Outstanding shares (m)	73.2
Free float (%)	35
Beta	N.a

### Ownership



Source: VNDIRECT

**We expect FY17 EAT will be improved by the outperformed tapped volume in 2Q17.**

**Strong harvested volume growth in Q2/17** – In 1H/17, DRI harvested 7,243 tons of rubber (+36% yoy) which surpassed its target by 55% upon this year tapping schedule. Therefore, the total harvested volume in FY17 is expected to reach 17,200 tons (+17% yoy)

**1H17 net profit recorded VND82bn** – Total volume sold was 7,571 tons (+46% yoy) with 1H17 ASP of VND36.5mn/ton (+35% yoy) resulting net revenue and gross profit surge of 97% yoy and 400% yoy respectively.

**Revenue growth in 2H17 is expected to be slower** – For prudent, we expect production volume growth in the 2H17 to be slower in the light of less surprising ASP surge and flat volume growth. We expected 2H17 revenue growth may slow down to 11% yoy driven mainly by rubber price estimated at VND30.5mm/ton (+11% yoy). Revenue surge might be stronger if DRI could maintain production volume growth as in Q2/17.

**We rise target price for 2017** – we rise FY17 EAT projection to VND154bn (+610% yoy) and FY17 EPS to VND2,098/share, up by 30% compared to the previous projection.

We maintain **BUY** recommendation for DRI with increased target price of VND21,300/share, equivalent to **P/E 2017 10.4x**. In addition, we expect that cash dividend could be VND1,700/share based on assumption about its working capital and capex investment. We would like to reiterate that the risks for any call still stay with the rubber and crude oil price in the future.

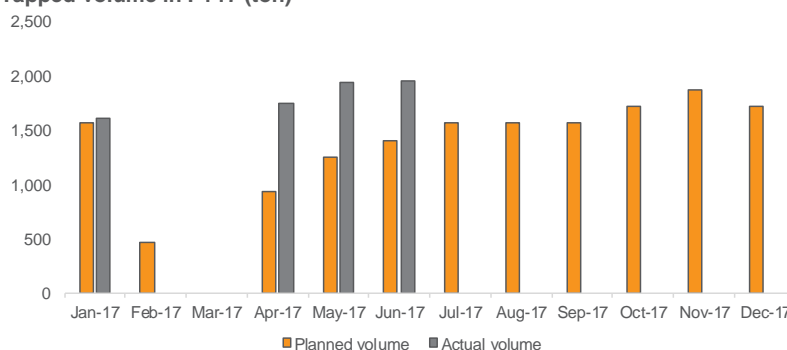
Financial summary (VND)	12-15A	12-16A	12-17E	12-18E
Revenue (bn)	413	401	567	595
Revenue growth	41%	(3%)	42%	5%
Gross margin	21%	34%	42%	41%
Operating EBITDA (bn)	68	112	262	274
Net profit (bn)	(1)	22	154	125
Net profit growth	(144%)		610%	(19%)
EPS	(20)	296	2,098	1,704
BVPS	10,555	10,147	10,544	10,549
ROAE	(0%)	3%	20%	16%

Source: VNDIRECT

### Production volume sharply increased in Q2/17

Usually, Mar and Apr are the months of nourishment for most rubber tree fields. However, due to good weather condition and new high productivity breed, DRI could start harvesting in the beginning of Apr-17 with an increase production volume of 57% compared to production target. We decided to be conservative on 2H17 because of unsure impacts from the early harvest, as well as the weather condition, on the next period tapped volume. Therefore, our 2H17 volume estimate might reach 10,000 tons and the total annual volume would be 17,200 tons (+17% yoy).

Tapped volume in FY17 (ton)



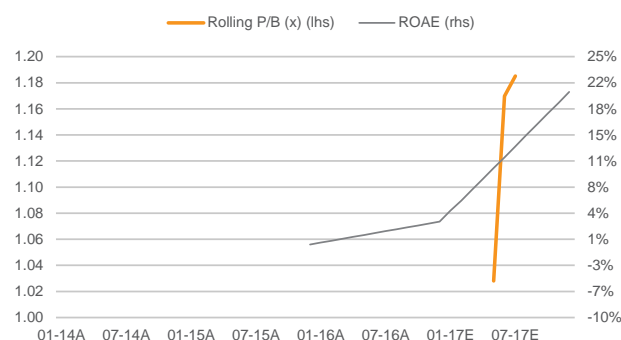
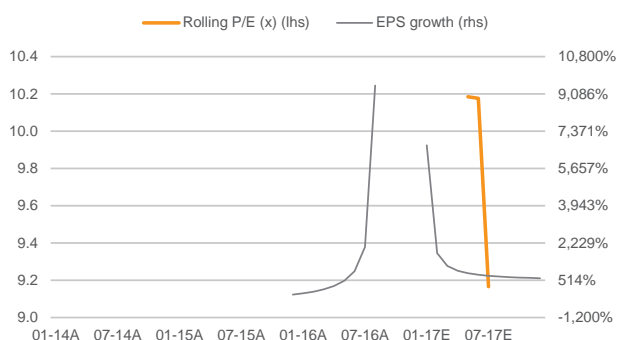
Source: DRI, VNDIRECT

### Revised Forecast figures

VND bn	2017F			2018F			2019F		
	Old	New	%Δ	Old	New	%Δ	Old	New	%Δ
ASP (VNDmn/ton)	32	33	4%	33	34	3%	37	38	3%
Tapped volume (ton)	15,480	17,232	11%	16,887	17,186	2%	19,147	19,265	1%
Revenue	497	567	14%	565	595	5%	702	727	4%
Gross profit	199	240	20%	222	247	11%	283	306	8%
Operating EBIT	170	207	21%	189	212	12%	242	264	9%
EAT	118	154	30%	103	125	22%	190	211	11%
Adjusted EPS (VND)	1,616	2,098	30%	1,402	1,704	22%	2,599	2,888	11%
Dividend ratio	12%	17%	42%	14%	17%	21%	25%	28%	12%

Source: VNDIRECT

Valuation



Income statements

(VNDbn)	12-16A	12-17E	12-18E
Revenue	400.7	567.2	594.9
Cost of sales	(266.5)	(327.2)	(348.3)
Gen & admin expenses	(13.4)	(22.2)	(23.3)
Selling expenses	(8.9)	(10.8)	(11.3)
<b>Operating profit</b>	<b>111.9</b>	<b>207.0</b>	<b>211.9</b>
Operating EBITDA	111.9	261.6	274.4
<b>Depreciation and amortisation</b>	<b>0.0</b>	<b>(54.7)</b>	<b>(62.4)</b>
<b>Operating EBIT</b>	<b>111.9</b>	<b>207.0</b>	<b>211.9</b>
Interest income	4.7	0.0	0.0
Financial expense	(57.5)	(44.3)	(42.7)
Net other income	(31.1)	0.0	(35.0)
Income from associates & JVs	0.0	0.0	0.0
<b>Pre-tax profit</b>	<b>28.1</b>	<b>162.6</b>	<b>134.3</b>
Taxation	(6.4)	(9.1)	(9.5)
Minority interests	0.0	0.0	0.0
<b>Net profit</b>	<b>21.6</b>	<b>153.6</b>	<b>124.8</b>
Adj. net profit to ordinary	21.6	153.6	124.8
Ordinary dividends	0.0	(124.4)	(124.4)
<b>Retained earnings</b>	<b>21.6</b>	<b>29.1</b>	<b>0.3</b>

Cash flow statement

(VNDbn)	12-16A	12-17E	12-18E
<b>Pretax profit</b>	<b>28.1</b>	<b>162.6</b>	<b>134.3</b>
Depreciation & amortisation	50.7	54.1	62.4
Other non cash gains/(losses)	(16.6)	0.0	0.0
Other non operating gains/(losses)	47.9	0.0	0.0
Tax paid	(7.5)	(9.1)	(9.5)
Other operating cash flow	0.0	0.0	0.0
<b>Change in working capital</b>	<b>4.8</b>	<b>(12.0)</b>	<b>(0.3)</b>
<b>Cash flow from operations</b>	<b>107.4</b>	<b>195.7</b>	<b>186.8</b>
Capex	(19.3)	(19.8)	(10.1)
Proceeds from assets sales	21.4	0.0	0.0
Others	0.0	0.0	0.0
Other non-current assets changes	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>2.1</b>	<b>(19.8)</b>	<b>(10.1)</b>
New share issuance	0.0	0.0	0.0
Shares buyback	0.0	0.0	0.0
Net borrowings	(88.8)	(52.4)	(49.7)
Other financing cash flow	0.0	0.0	0.0
Dividends paid	0.0	(124.4)	(124.4)
<b>Cash flow from financing activities</b>	<b>(88.8)</b>	<b>(176.9)</b>	<b>(174.1)</b>
Cash and equivalents at beginning of period	12.8	33.5	32.6
<b>Total cash generated</b>	<b>20.7</b>	<b>(1.0)</b>	<b>2.6</b>
Cash and equivalents at the end of period	33.5	32.6	35.2

Balance sheets

(VNDbn)	12-16A	12-17E	12-18E
Cash and equivalents	34	33	35
Short term investments	0	0	0
Accounts receivables	13	21	22
Inventories	26	32	34
Other current assets	11	11	11
<b>Total current assets</b>	<b>84</b>	<b>97</b>	<b>102</b>
Fixed assets	1,321	1,286	1,234
Total investments	0	0	0
Other long-term assets	14	14	14
<b>Total assets</b>	<b>1,418</b>	<b>1,396</b>	<b>1,350</b>
Short-term debt	206	204	204
Accounts payable	3	3	4
Other current liabilities	47	49	51
<b>Total current liabilities</b>	<b>256</b>	<b>256</b>	<b>259</b>
Total long-term debt	419	369	319
Other liabilities	0	0	0
<b>Shareholders' equity</b>	<b>743</b>	<b>772</b>	<b>772</b>
Minority interests	0	0	0
<b>Total liabilities &amp; equity</b>	<b>1,418</b>	<b>1,396</b>	<b>1,350</b>

Key ratios

	12-16A	12-17E	12-18E
<b>Dupont</b>			
Net profit margin	5.4%	27.1%	21.0%
Asset turnover	0	0	0
ROAA	1.4%	10.9%	9.1%
Avg assets/avg equity	2	2	2
ROAE	2.9%	20.3%	16.2%
<b>Efficiency</b>			
Days account receivable	6	6	6
Days inventory	35	35	35
Days creditor	4	4	4
Fixed asset turnover	0	0	0
ROIC	1.6%	11.4%	9.6%
<b>Liquidity</b>			
Current ratio	0	0	0
Quick ratio	0	0	0
Cash ratio	0	0	0
Cash cycle	37	37	37
<b>Growth rate (yoy)</b>			
Revenue growth	(2.9%)	41.5%	4.9%
Operating profit growth	64.2%	84.9%	2.4%
Net profit growth		609.6%	(18.8%)
EPS growth		609.6%	(18.8%)
<b>Share value</b>			
EPS (VND)	296	2,098	1,704
BVPS (VND)	10,147	10,544	10,549
DPS (VND)	0	1,700	1,700

Source: VNDIRECT

### DISCLAIMER

This report has been written and distributed by Research Department, VNDIRECT Securities Corporation. The information contained in this report is prepared from data believed to be correct and reliable at the time of issuance of this report. Unless otherwise stated, this report is based upon sources that VNDIRECT considers to be reliable. These sources may include but are not limited to data from the stock exchange or market where the subject security is listed, or, where appropriate, any other market. Information on the company(ies) are based on published statements, information disclosure and announcements of the company(ies), and information resulting from our research. VNDIRECT has no responsibility for the accuracy, adequacy or completeness of such information.

All estimates, projections, forecasts and expression of opinions contained in this report reflect the personal views and opinions of the analyst(s) responsible for the production of this report. These opinions may not represent the views and position of VNDIRECT and may change without notice.

This report has been prepared for information purposes only. The information and opinions in this report should not be considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments. VNDIRECT takes no responsibility for any consequences arising from using the content of this report in any form.

This report and all of its content belongs to VNDIRECT. No part of this report may be copied or reproduced in any form or redistributed in whole or in part, for any purpose without the prior written consent of VNDIRECT.

---

#### **Phường Nguyễn Mai, CFA – Director**

Email: [phuong.nguyenmai@vndirect.com.vn](mailto:phuong.nguyenmai@vndirect.com.vn)

#### **Thọ Diên Hồng – Analyst**

Email: [tho.dienhong@vndirect.com.vn](mailto:tho.dienhong@vndirect.com.vn)

#### **VNDIRECT Securities Corporation**

1 Nguyen Thuong Hien Str – Hai Ba Trung Dist – Ha Noi

Tel: +84 439724568

Email: [research@vndirect.com.vn](mailto:research@vndirect.com.vn)

Website: <https://vndirect.com.vn>