

## NEUTRAL

**Target price** VND33,000  
**Current price** VND 35,600

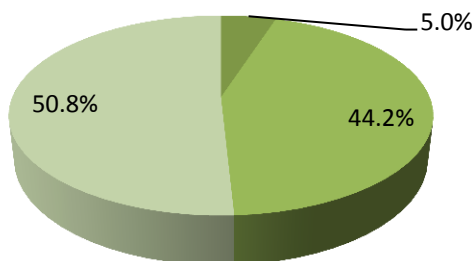
**Nguyen Hoang Bich Ngoc**  
(+84-8) 5413-5478  
[ngocnguyen@phs.vn](mailto:ngocnguyen@phs.vn)

### Co. Profile

Ticker	VPK
Charter Capital (VND bil)	80
Outstanding shares (mil)	8
Market Capital (VND bil)	244
52W range (VND)	9,100 – 33,200
Ave. trading volume 3M	93,281
Beta	0.73
Foreign Ownership	15.01%
First listing date	21 December 2006

### Major shareholders

VOCARIMEX	44.16%
Pham Trung Lam	5.00%



### Price movement

	3M	6M	12M
<b>Absolute</b>	+3.8	+12.2	+20.6
<b>Percentage (%)</b>	+14.6	+69.3	+224



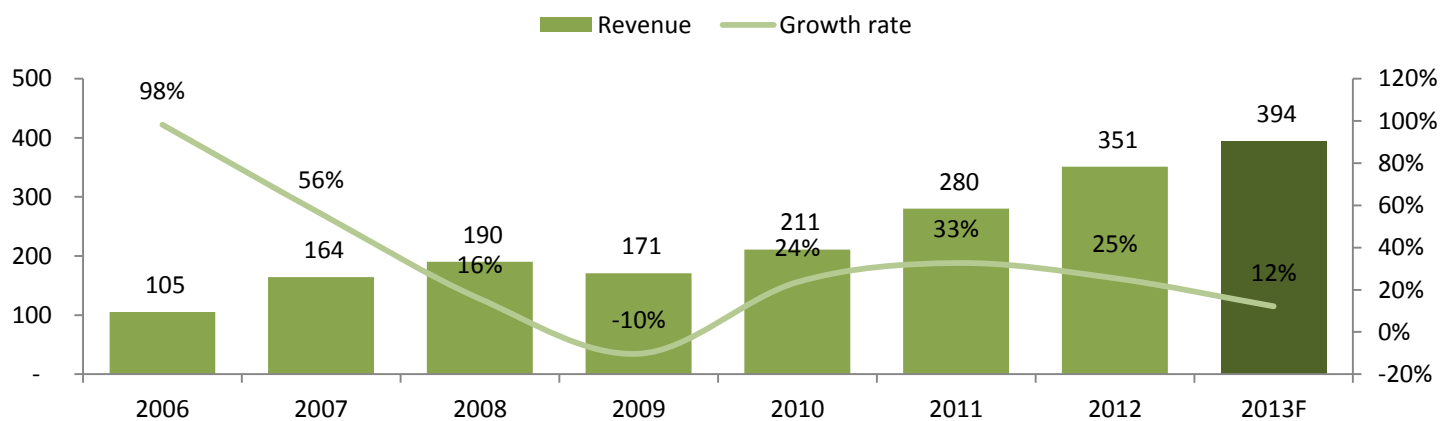
## Impressive growth in 2012

- **The strong growth in revenue and well-controlled cost propelled a impressive leap in FY12 earnings:** Revenue from selling carton, which accounts for 89% and 90% of total sales in FY11 and FY12, respectively, saw 28% increase and played a key role in having the sales grow 25% to VND351 bil in FY12 (see chart 1 & 2, page 2). Mainly driven by the *successful raise of selling price to customers, especially to the biggest one – VNM, which contributes about 70% of VPK's annual selling volume. Besides, a large amount of paper materials with lower cost were stocked continually since the end of FY11 and thus allowed VPK to just record an mild 8.8% rise in direct material cost, a cost item which contributes 71% - 77% of VPK's total production cost( see chart 3 & 4, page 2).* As a result, GPM in carton products grew 3.4 percentage points from 22.3% to 25.7% and greatly enhanced GPM from 19% to 24% (see chart 5, page 3). Moreover, thanks to a decrease of interest expenses and lower FX loss, financial costs saw a 53% down to VND4 bil that lent a hand to increase EBT to VND53 bil (+93% yoy) and net profit to VND49 bil (+88% yoy). VPK ultimately reported a 23% excess over its FY12 revenue target and earned 2.7 times higher than EAT plan.
- **A contrasting profit forecast in FY13.** VPK is aiming to enhance the revenue to VND360 bil with a 2.5% growth in 2013. However, concerning about the hiking production cost propelled by high paper material price, VPK projects a relatively conservative profit-after-tax figure with a 55% reduction this year. *In our view, the earning forecast is quite conservative for VPK but is consistent with the company's cautious attitude on making its business targets since in the past couple years. For instance, in FY11, VPK also reported a financial result in which revenue and EAT surpassed target by 22% and over two times respectively (chart 6 & 7, page 3).*
- **Having potential to surpass targets this year:** We estimated that VPK will go beyond 9% of its FY13 revenue and exceed 83% of EAT targets. The demand from traditional big customers like VNM, TAC, and Vocarimex, has long provided a stable business growth momentum to VPK. Based on current market condition and the characteristics of VPK's business, we believe that the top line would be able to 12% to VND394 bil. Meanwhile, GPM may retreat about 20% due to the expectation of static selling price and rising production cost. Consequently, we assume a 9% decline to VND48 bil in EBT. The bottom line may approach a higher diminution of 17% to VND41 bil, owing to a double CIT rate from 7.5% to 15%.
- **Rated NEUTRAL with the target price set at VND33,000:** Our target price is anchored to a 6.5x P/E and estimated FY13 EPS. *After a significant reduction in 2008, VN-index slightly has recovered and started to move in sideways while VPK was in a P/E range of 6.5 – 6.8x from 2009 to 2010. Within the recent two years (2011 – 2012), the VN-index has decreased gradually whilst the company's P/E moved back to 2.0 – 4.3x. This year, we expect that the VN-index may embark on the same movement with that of 2009 – 2010, thus the target P/E is anticipated at 6.5x. Our target price is 7.3% lower than the current level of VND35,600. Therefore, we place our NEUTRAL call on this stock.*

(bil VND)	FY10	FY11	FY12	FY13	
				Co's plan	PHS's forecast
Net Revenue	211	280	351	360	394
% gross margin	18%	19%	24%		20%
% OP margin	6%	10%	15%		12%
EBT	12	27	53		48
EAT	11	26	49	22	41
% growth YoY	12%	133%	88%		-17%
EPS	1,388	3,236	6,091		5,083
BVPS	9,391	12,626	17,127		20,210
P/E	6.5	2.0	4.3		
P/B	1.0	0.5	1.5		

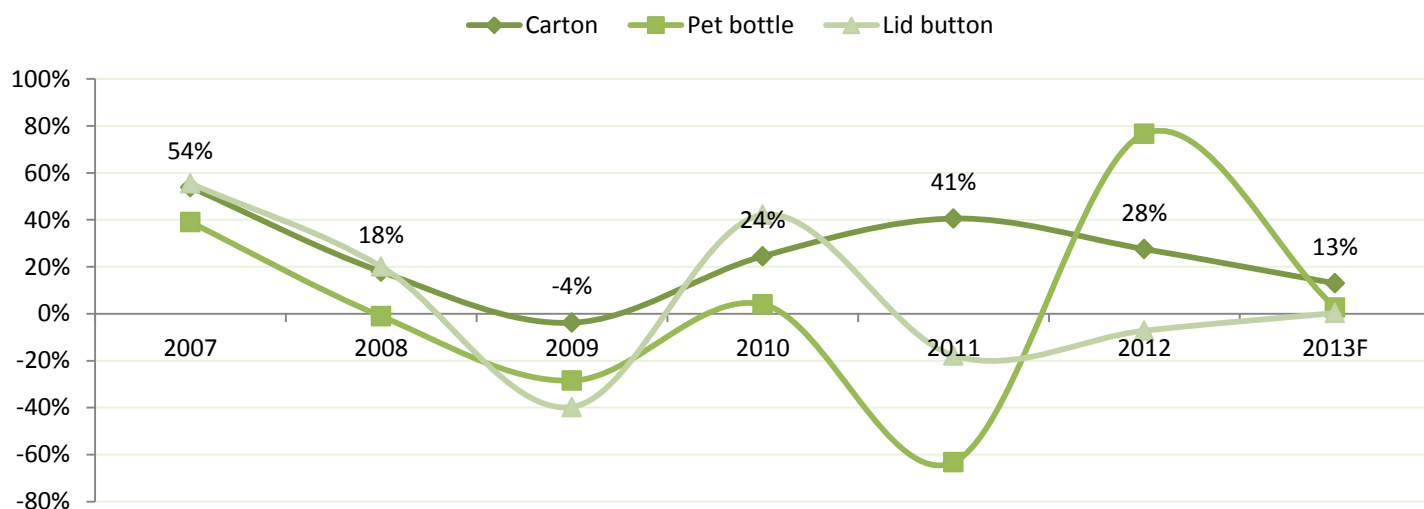
Source: VPK, PHS

CHART 1 - VPK's total sales growth



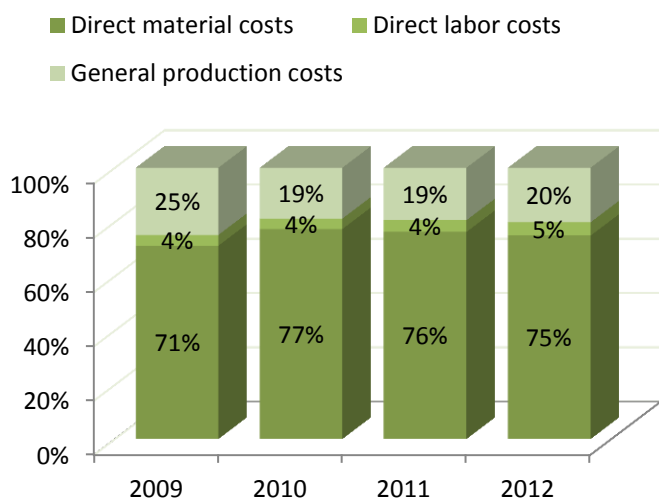
Source: VPK, PHS

CHART 2 – VPK's revenue growth (by product)



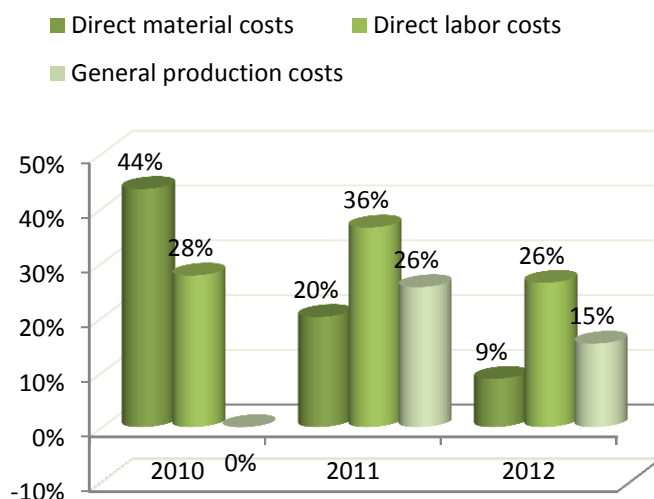
Source: VPK, PHS

CHART 3 –VPK's production cost structure



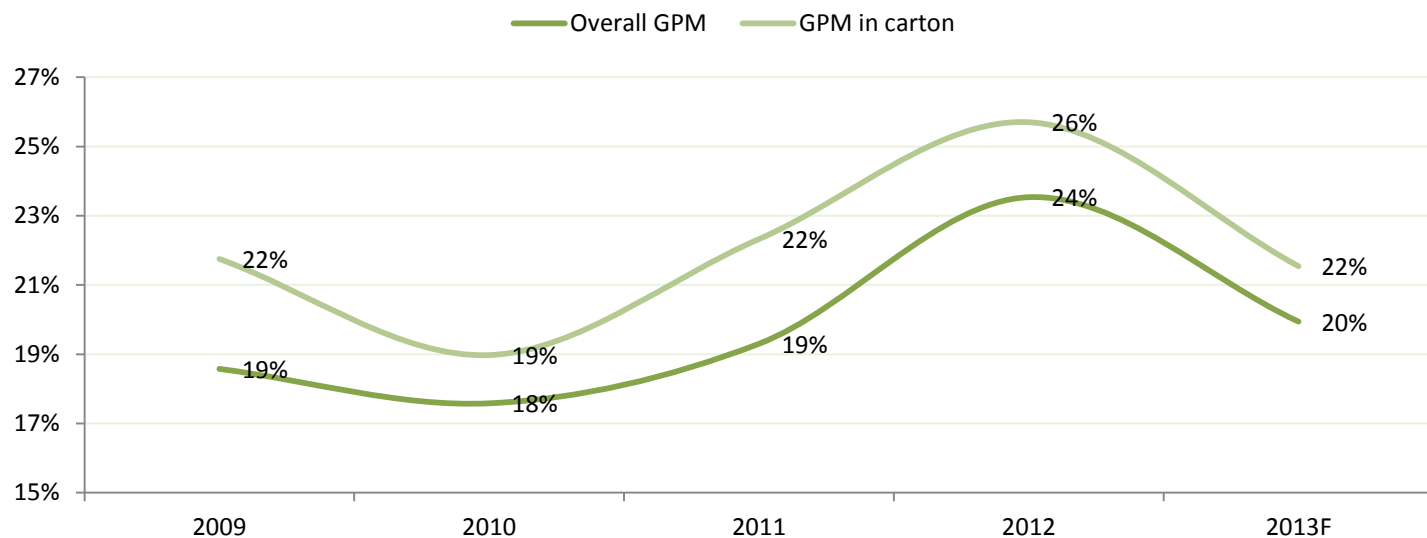
Source: VPK, PHS

CHART 4 – VPK's production cost growth



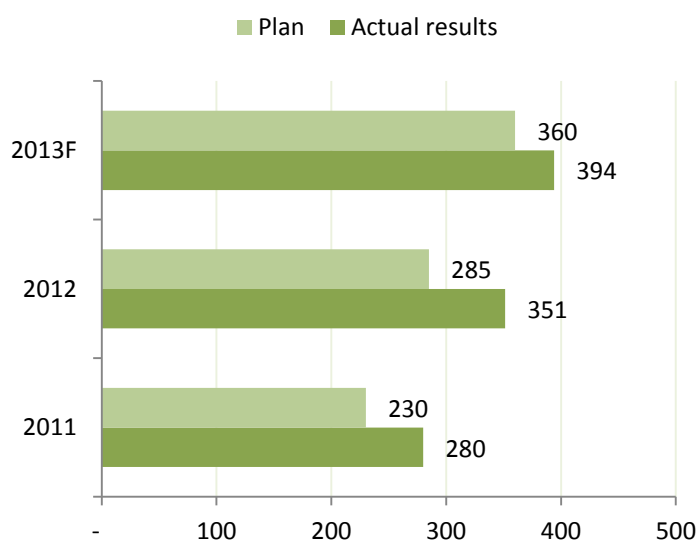
Source: VPK, PHS

CHART 5 – VPK's gross profit margin



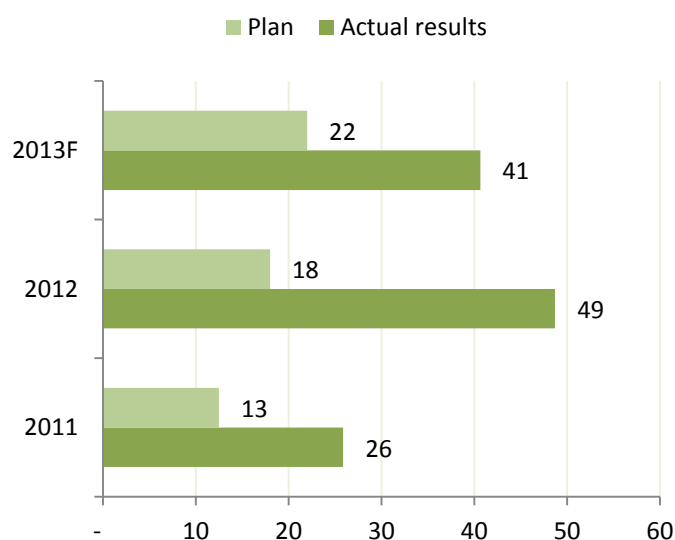
Source: VPK, PHS

CHART 6 – VPK's planning & actual revenue



Source: VPK, PHS

CHART 7 – VPK's planning & actual EAT



Source: VPK, PHS

## Company description

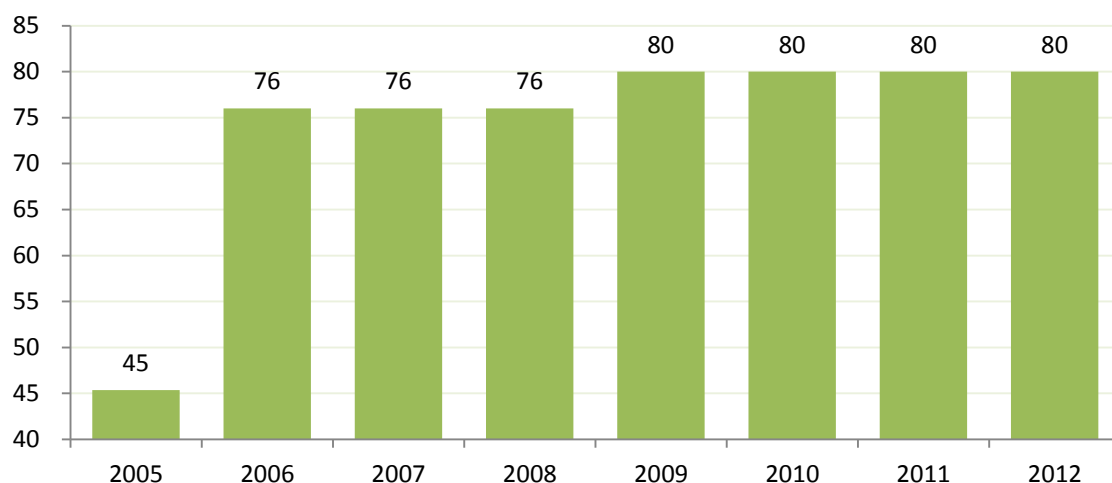
VPK was established in September 2002 by some major shareholders, including: Viet Nam Vegetable Oils Industry Corporation (Vocarimex), Tuong An Vegetable Oil Joint Stock Company, Tan Binh Vegetable Oil Joint Stock Company and Vietnam Dairy Products Joint Stock Company (Vinamilk). Its core-business is producing food packaging.



## Company history

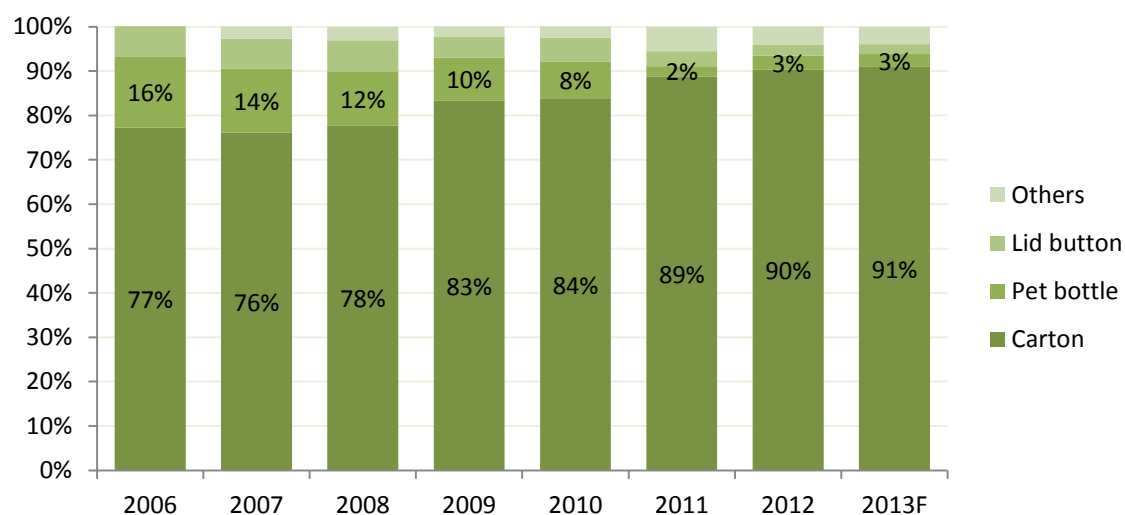
- Established in September 2002.
- October 2003, starting to construct factory.
- 1/10/2004, officially put into operation.
- 21/12/2006, listed in HOSE.
- April 2009, increasing chartered capital from VND76 bil to VND80 bil by issuing bonus shares.

## Capital increase process (VND'mil)



Source: VPK

## Revenue structure



Source: VPK, PHS

## Financial ratio (bil VND)

Income statement	2010	2011	2012	2013F	Financial ratios	2010	2011	2012	2013F
Net sales	211	280	351	394	Growth rate				
Cost of goods sold	174	226	269	315	Revenue growth rate	24%	33%	25%	12%
Gross profit	37	54	83	79	Gross profit growth rate	17%	46%	53%	-5%
Operating expenses	16	19	26	28	Net profit growth rate	12%	133%	88%	-17%
Operating profit	12	27	53	48	Total asset growth rate	4%	0%	20%	19%
Profit before tax	12	27	53	48	Equity growth rate	17%	34%	36%	18%
Net profit	11	26	49	41	Profitability ratios				
Balance sheet	2010	2011	2012	2013E	Gross profit margin	18%	19%	24%	20%
<b>Total assets</b>	<b>155</b>	<b>156</b>	<b>187</b>	<b>223</b>	EBT margin	6%	10%	15%	12%
<b>Current assets</b>	<b>62</b>	<b>70</b>	<b>108</b>	<b>149</b>	Net profit margin	5%	9%	14%	10%
Cash & equivalent	7	11	39	63	ROA	7%	17%	28%	20%
Receivables	20	25	36	41	ROE	16%	29%	41%	27%
Inventories	34	34	33	42	DuPont Analysis				
<b>Long-term assets</b>	<b>94</b>	<b>86</b>	<b>79</b>	<b>74</b>	Net profit margin(1)	5%	9%	14%	10%
Tangible fixed assets	86	79	72	67	Asset turnover (2)	1.4	1.8	2.0	1.9
Costs	126	127	128	131	Equity multiplier (3)	2.2	1.8	1.5	1.4
Accumulated depreciation	(40)	(48)	(56)	(65)	ROE = (1)x(2)x(3)	16%	29%	41%	27%
<b>Resources</b>	<b>155</b>	<b>156</b>	<b>187</b>	<b>223</b>	Management ratios				
<b>Liabilities</b>	<b>80</b>	<b>55</b>	<b>50</b>	<b>61</b>	Receivable outstanding days	34	29	31	38
Short-term loans	40	32	20	29	Inventory outstanding days	62	55	46	48
Short-term account payables	37	23	30	32	Payable outstanding days	59	49	36	38
<b>Equities</b>	<b>75</b>	<b>101</b>	<b>137</b>	<b>162</b>	Asset turnover	1.4	1.8	2.0	1.9
Chartered capital	80	80	80	80	Long-term asset turnover	2.2	3.1	4.3	5.2
Retained profit	(5)	21	53	78	Fixed asset turnover	2.2	3.1	4.3	5.2
Cash flow	2010	2011	2012	2013F	Liquidity ratios				
<b>Cash Flow from Operations (before Working Capital)</b>	<b>27</b>	<b>43</b>	<b>66</b>	<b>59</b>	Current ratio	0.8	1.3	2.2	2.4
Changes in accounts receivable	(1)	(4)	(11)	(5)	Quick ratio	0.4	0.7	1.5	1.7
Changes in inventories	(8)	(2)	1	(9)	Cash ratio	0.1	0.2	0.8	1.0
Changes in accounts payable	18	(15)	8	2	Capital Structure				
<b>Net operating cash flow</b>	<b>28</b>	<b>17</b>	<b>54</b>	<b>34</b>	Total debt/Total Equity	1.1	0.5	0.4	0.4
<b>Net investing cash flow</b>	<b>(2)</b>	<b>(1)</b>	<b>(2)</b>	<b>(4)</b>	Total debt/Total Asset	0.5	0.4	0.3	0.3
<b>Net financing cash flow</b>	<b>(23)</b>	<b>(12)</b>	<b>(24)</b>	<b>(7)</b>	Total asset/Total Equity	2.1	1.5	1.4	1.4
Net cash flows	3	4	28	23	Index per share				
Cash at the beginning	4	7	11	39	PE	6.5	2.0	4.3	6.0
Cash at the end	7	11	39	63	PBV	1.0	0.5	1.5	1.5
					PS	0.3	0.2	0.6	0.6
					EPS	1,388	3,236	6,091	5,083
					Cash earning/share	873	1,356	4,905	7,834
					Book value	9,391	12,626	17,127	20,210

Source: VPK and PHS's expectation

## Analyst Certification

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## Ratings Definition

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**Overweight (OW)** = Expected to outperform the current market by >10%

**Neutral (N)** = Expected to in line with the current market by +10%~ -10%

**Underweight (UW)** = Expected to underperform the current market by >10%.

Performance is defined as 12-month total return (including dividends).

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5th Fl., Lawrence S. Ting Bldg.,

801 Nguyen Van Linh St, Tan Phu Ward, Dist 7, HCMC

Tel: (+84-8) 5413-5479 – Fax: +84 8 54135472

Web: [www.phs.vn](http://www.phs.vn)