

Household Goods

Quick update

Oct, 2014

Recommendation **OUTPERFORM**

Target price (VND) **39,000**

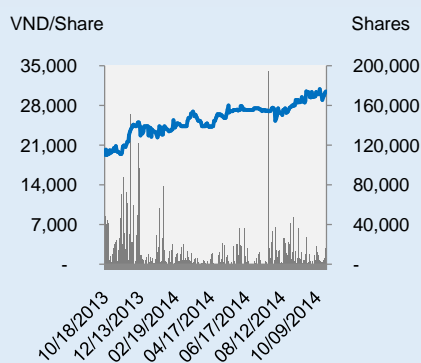
Market price (22/10/2014) **30,500**

Expected return **27.9%**

SHARES INFORMATION

Trading exchange	HSX
52-week price range	19,200-30,900 VND
Market cap	316 Bil VND
Outstanding shares	10,372,365 shares
10-day average volume	8,093 shares
% foreign owned	23.49%
Foreign room	49%
Dividend per share	2,500 VND/Share
Dividend yield	8.2%
Beta	0.32

PRICE MOVEMENTS



	YTD	1M	3M	6M
GDT	58.3%	2.0%	10.9%	15.6%
VN-Index	20.1%	-0.6%	1.6%	8.4%

Analyst

Phu Truong

(84 8) 3914 6888 ext: 122

truongsyphu@baoviet.com.vn

Duc Thanh Wood Processing JSC

Sticker: GDT

Reuters: GDT.HM

Bloomberg: GDT VN

GDT – 9M/2014 operating results had impressive growth yoy; continuing to benefit from trend of improvements in Vietnam wood export in 2015

- 9M/2014 operating results had impressive growth yoy:** Its 9M/2014's revenue reached VND197 billion, up 19.4% yoy, among which VND123 billion (+22%) came from kitchen utensils and VND33.4 billion (+31% yoy) came from toys which were mostly ordered by dairy producers such as Nestlé, Abottle and Frisland. In terms of revenue structure by market, domestic revenue only accounted for 20% while export revenue accounted upto 80%. Among export revenue, 77% was revenue from Asian markets (Japan, Korea), 18% was revenue from EU market and the remaining 5% was from North America market. Thanks to the significant improvement in revenue while profit margin and selling/administrative expenses maintained stably, the company could reach a net profit of VND39.3 billion in 9 beginning months (+39% yoy). We think this is such an impressive growth rate when GDT's core business has nearly stood still the recent 3 years. In general, only after 3 quarters, GDT can fulfill 78% of its target revenue and 87% of its target profit for 2014. Its 9M's EPS reached VND3,815/share.
- Favorable prospect in Q4, resulted in a forecasted FY profit growth of 55%:** Given positive movements in its operation in 3 beginning quarters, we think its operating prospect will be favorable in Q4: (1) "Kitchen utensils" and "household utensils" segments continue to have good growth rates because the peak delivery season of received export orders often fall within Q4; (2) the company will continue completing "toy" orders from dairy producers such as Friesland, Abbott, etc in the 3 ending months. Accordingly, we forecast its Q4's revenue at VND76 billion (+16.4% yoy) and Q4's net profit at VND16.5 billion (+30.4% yoy). Its FY revenue, therefore, is estimated at VND 272 billion (+17%) and its net profit is projected at VND56 billion (+55.5%). **Its EPS 2014 is forecasted at VND5,410/share, equivalent to a P/E of 5.7x.**
- Wood industry's prospect will likely remain positive until 2020:** In 9 beginning months of 2014, the total export turnover of our wood industry nearly reached USD4.5 billion (+14.6% yoy) while only the turnover of wood based products reached USD3.1 billion (+18.6% yoy). The main reason for this significant improvement was the shifting of orders for processing wooden products from China to nearby countries because its labour cost has become less competitive when compared with other countries in the region. Given our position as the largest wood exporter in ASEAN, ranked 2nd in the Asia and 6th in the world, Vietnam wood industry is enjoying great benefits from this trend. Moreover, with the likelihood that

free trade agreements such as TPP and VN-EU FTA will be completed in 2015, our wood industry will likely have favorable prospects in the coming years with the expectation that: (1) orders will continue to be shifted to Vietnam; (2) profit margins of domestic wood producers and wood products will be improved when the tariff barrier is removed in free trade agreement bloc because 60% of our export turnover is from the US, Japan and EU markets. In brief, given the above favorable conditions, our wood export turnover of USD6.5 billion in 2014 and USD12 billion in 2020 targeted by the Ministry of Industry and Trade are highly achievable.

- **Forecast of GDT's operating results in 2015:** On prudent perspective, we assume that GDT's export turnover will continue to grow by 10%, nearly equal to the general growth rate of the industry in 2015. Accordingly, its 2015's revenue is forecast at VND273 billion (+9%) and net profit is projected at VND62 billion (+11.3%). **Its EPS 2015 is forecast at VND6,000/share, equivalent to a P/E of 5.1x.**
- **Investment perspective:** GDT is one listed company having good management system, high transparency and constant cash dividends at 20-25% on charter capital/year, equivalent to a rather attractive dividend yield of 8%. Moreover, with good growth potentials in the coming years thanks to the improving prospect of Vietnam wood industry, we think its forward P/E 2014 of 5.7x and forward P/E 2015 of 5.1x are rather attractive. Using two different valuation methods of P/E comparison and dividend discount model (DDM), we rate **OUTPERFORM** on GDT's share with a target price of **VND39,000/share**, equivalent to an expected profit of 28% based on the close price as at 22/10/2014.

Quick update
OWNERSHIP INFORMATION

State owned	0%
Foreign owned	23.49%
Others	76.51%

MAJOR SHAREHOLDERS

Ha Thi Hue	23.72%
Mutual Fund Elite (Non-Ucits)	9.98%
Le Hong Thang	7.81%
Le Hong Thanh	7.58%

FINANCIAL RATIOS
Profit and loss statement

Unit (VND billion)	2010	2011	2012	2013
Revenues	175.02	219.69	231.28	237.37
Cost of goods sold	110.03	146.36	162.02	156.79
Gross profit	64.98	73.33	69.26	80.57
Financial income	4.38	7.64	7.07	6.73
Financial expenses	4.65	2.84	1.88	2.21
Net income	33.66	42.76	38.30	36.36

Balance sheet

Unit (VND billion)	2010	2011	2012	2013
Cash and cash equivalents	46.39	39.61	34.98	3.50
Accounts receivable – short-term	15.57	18.15	22.59	25.93
Inventories	34.05	58.95	61.74	64.38
Tangible fixed assets	69.05	64.41	55.89	48.62
Long-term investments	-	-	-	-
Total assets	192.72	206.25	257.10	263.77
Short-term loans	22.43	11.63	53.73	37.21
Long-term debt	-	-	-	-
Owners' equity	139.61	157.35	160.71	174.77
Total resources	192.72	206.25	257.10	263.77

Financial ratios

Items	2010	2011	2012	2013
Growth				
Revenue growth (%)	0%	26%	5%	3%
Net profit growth (%)	9%	27%	-10%	-5%
Yield				
Gross profit margin (%)	37%	33%	30%	34%
Net profit margin (%)	19%	19%	17%	15%
ROA (%)	17%	21%	17%	14%
ROE (%)	26%	29%	24%	22%
Capital structure				
Total liabilities to total asset (%)	0.3	0.2	0.4	0.3
Total liabilities to Owners' equity (%)	0.4	0.3	0.6	0.5
Per shares				
EPS (VND/share)	3,245	4,123	3,693	3,506
Book value (VND/share)	13,460	15,171	15,494	16,849

Report's notes

Target price is the price set by specialists based on analysis of company's operating activities, development potentials and potential risks, The methods used for identifying expected value are the generally accepted ones such as: discounted cash flow methods (FCFE, FCFF, DDM); net asset value method NAV; equal comparison method based on ratios (P/E, P/B, EV/EBIT, EV/EBITDA,...), The application of these methods is different in each sector, each enterprise and each share, Moreover, market sentiment can have influence on the specification of share's target price,

RECOMMENDER SYSTEM OF BVSC

The recommender system of BVSC, built based on the absolute increase/decrease of share price to reach the target price, has 5 level based on the difference ranked from the lowest to the highest, Investors should note that these investment recommendations can change every quarter-end after BVSC performs corporate revaluation.

Levels of recommendations	
Recommendation	Define
OUTPERFORM	Market price is lower than target price 15%
NEUTRAL	Market price is lower than target price 0% - 15%
UNDERPERFORM	Target price is lower than market price



GENERAL DISCLAIMER

All information mentioned in this report has been verified carefully and confirmed to be trustworthy, However, Bao Viet Securities Company (BVSC) takes no responsibility with regard to the accuracy or completeness of any information contained here, Viewpoint and analysis in the report are personal opinions of analysis at the issuance time which can be changed any time without notice, Therefore, we have no obligation to send notifications to investors,

The report is for the purpose of providing information and does not intend to advice readers to buy, sell or hold any securities, Investors should use information, analysis, comment in the report as a reference source,

BVSC can have cooperation activities, investments or perform investment banking operation with the entity mentioned in this report, Readers should note that BVSC can have benefit conflict with investors when performing this report,

RESEARCH AND CONSULTANT DEPARTMENT

Bao Viet Securities Company

Head office: 8 Le Thai To, Hoan Kiem Dist., Hanoi

Tel: (84 4) 3 928 8080 Fax: (8 44) 3 928 9888

Branch: 233 Dong Khoi, Dist,1, Ho Chi Minh City

Tel: (84 8) 3 914 6888 Fax: (84 8) 3 914 7999