

## DTWOOD VIETNAM CORP (GDT – HSX)

### Still being on upward trend

Particulars (bn VND)	3QFY14	2QFY14	+/- qoq	3QFY13	+/- yoy
Net Revenue	76.1	67.3	13%	65.3	16%
NPAT	16.3	13.7	19%	12.5	30%
EBIT	21.4	18.1	18%	17.2	25%
EBIT margin	28.1%	26.9%	124bps	26.3%	184bps

Source: GDT, Financial statement, RongViet Securities' compilation and estimates

- **Positive revenue growth coupled with lucrative gross margin in 9M2014**
- **High earnings potential for Binh Duong factory expansion**
- **Shifted export structure**
- **Segment-specific marketing in domestic market**

### Outlook and Valuation:

Despite its being a relatively small big player in Vietnam furniture exports, GDT's concentration on niche markets over the last 20 years has granted it a solid position as a manufacturer of household furniture and wooden items.

Hence, business performance of GDT has improved steadily with gross profit margin picking up moderately each year. In 2014, gross profit margin has been so far supported by declining rubber wood price. Revenue also recorded a jump after 2 flat years. In addition, the expansion of Binh Duong factory in late December is perceived as a highlight in GDT's business as its will ease overcapacity at the current factory while providing more room for the Company to meet increasing demand. We also expect the transfer of the plot of land at My Phuoc 2 (Binh Duong) next year to bring an additional income item outside the Company's core business.

Considering GDT's stable earning results, high growth potential and lucrative dividend yield (~20– 25%/year), we suppose the stock could be a good selection for long-term investors. Therefore, we rate GDT as **ACCUMULATE** in the **LONG TERM** at target price of **VND41,300/share**.

### Key Financials

Y/E Dec (VND bn)	FY2012	FY2013	9M2014	FY2014F	FY2015F
Net Interest Income	231.3	237.4	196.7	261.0	307.2
% chg	5.3%	2.6%	19.9%	9.9%	17.7%
PAT	38.3	36.4	39.2	49.1	58.6
% chg	-10.4%	-5.1%	41.6%	35.0%	19.5%
NIM (%)	16.6%	15.3%	19.9%	18.8%	19.1%
ROA (%)	16.5%	14.0%		17.7%	18.7%
ROE (%)	24.1%	21.7%		26.8%	28.6%
EPS (VND)	3,693	3,506		4,734	5,653
Adjusted EPS (VND)	3,693	3,506		4,734	5,653
Book value (VND)	15,494	16,849		18,460	21,022
Cash dividend (VND)	2,000	2,500		3,000	3,000
P/E (x)	4.1	6.6		8.7	9.4
P/BV (x)	1.0	1.4		2.0	2.8

Source: GDT, RongViet Securities, stock price as of 26/11/2014

## ACCUMULATE

Market Price (VND)	35,500
Target Price (VND)	41,300
Investment Period	<b>LONG TERM</b>

### Stock Info

Sector	Furnishings
Market Cap ( VND bn)	370
Current Share O/S	10,372,365
Beta	0.21
Free Float (%)	31.78
52 weeks High	36,800
52 weeks Low	19,000
Avg. Daily Volume (in 20 sessions)	12,383



### Price performance (%)

	3T	1N	3N
GDT	30.7	66.2	118.1
Furnishings	22.9	27.4	N/a
VN30 Index	-1.5	12.7	N/a
VNIndex	-0.7	18.6	55.7

### Major Shareholders (%)

Ha Thi Hue	23.72
Mutual Fund Elite	9.98
Le Hong Thang	7.81
Foreigner Investor Room (%)	49

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**Exhibit 1: 3QFY2014 and YTD Results**

Particulars (VND bn)	3QFY14	2QFY14	+/- (qoq)	3QFY13	+/- (yoy)	9M/2014	+/- (yoy)
Net Revenues	76.1	67.3	13.1%	65.3	16.5%	196.7	19.9%
Gross profits	27.1	23.9	13.2%	23.9	13.5%	68.8	18.5%
SG&AC	8.1	8.5	-5.2%	8.4	-4.3%	23.7	-2.4%
Operating Income	19.0	15.4	23.4%	15.5	23.2%	45.1	22.2%
EBITDA	22.5	18.9	19.0%	18.3	23.2%	54.7	31.2%
EBIT	21.4	17.8	20.1%	17.2	24.6%	51.4	33.6%
Financial expenses	0.8	0.5	53.7%	0.4	98.5%	1.4	-19.6%
- Interest Expenses	0.2	0.2	-9.0%	0.2	-9.8%	0.7	-23.4%
Dep. and amortization	-1.1	-1.1	1.7%	-1.1	1.3%	-3.3	3.1%
Non-recurring Items (*)							
Extraordinary Items (*)							
PBT	21.2	17.6	20.4%	17.0	25.0%	50.7	34.9%
PAT	16.3	13.7	19.0%	12.5	30.4%	39.2	41.6%
(*) Adjusted PAT	16.3	13.7	19.0%	12.5	30.4%	39.2	

Source: GDT, RongViet Securities

**Exhibit 2: 3QFY2014 performance analysis**

Particulars	3QFY14	2QFY14	+/- (qoq)	3QFY13	+/- (yoy)
<b>Profitability Ratios (%)</b>					
Gross Margin	35.6%	35.6%	5bps	36.5%	-93bps
EBITDA Margin	29.6%	28.5%	108bps	28.0%	162bps
EBIT Margin	28.1%	26.9%	124bps	26.3%	184bps
Net Margin	21.4%	20.3%	106bps	19.1%	229bps
Adjusted Net Margin	21.4%	20.3%	106bps	19.1%	229bps
<b>Turnover *(x)</b>					
-Inventories	3.1	2.7	0.4	2.5	0.6
-Receivables	9.3	10.1	-0.9	12.4	-3.2
-Payables	5.1	4.9	0.2	4.5	0.6
<b>Leverage (%)</b>					
Total Debt/ Equity	0.4	0.5	-0.03	0.4	0.04

Sources: (\*) Annualized turnover

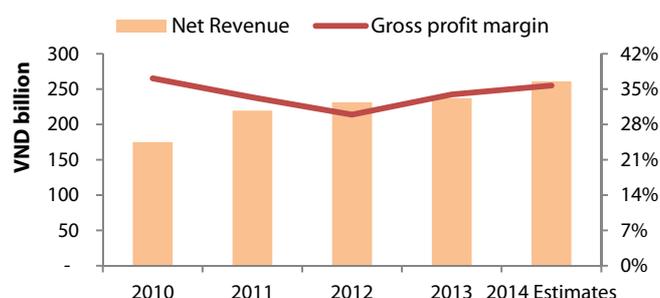
**Positive revenue growth coupled with lucrative gross margin in 9M2014**

In 9M2014, net revenue of GDT reached VND196.7 billion, up by 20% over the one-year period and fulfilling 75.6% of the annual plan. Net profit-after-tax also reached VND 39.2 billion, or 84% of the yearly guidance. Revenue of the firm increased positively thanks to the growth in the number of new customers in both domestic and foreign markets.

In term of revenue composition, kitchen utensils continued to be GDT's flagship product despite recently slowed growth resulting from difficulties in the overall market and strong competition from foreign brands. We estimate that during 2014, kitchen utensils segment would remain in some modest growth, around 5.5% as compared to last year (~ VND 158.2 billion). In contrast, children toys, though making up only a small proportion of total revenue, have recorded the fastest revenue growth rate in 2013 (54.4%) and are expected to continue in the uptrend in a foreseeable future. In 2014, revenue from toy making is estimated about VND 45 billion (+30% from the previous year). Going forward, the growth

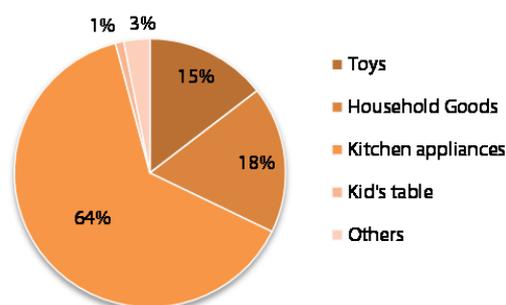
potential of this segment is positive, underpinned by the parents' growing concerns over the safety and quality of Chinese children toys. On the other hand, wooden toys in general have gradually gained popularity in the domestic market thanks to their proven safety, durability and diversified designs and features that aim to improve children's interlectual development.

**Exhibit 3: Revenue & Gross profit margin in recent years**



Source: GDT, RongViet Securities

**Exhibit 4: Revenue structure divided by kinds of products**



Source: GDT, RongViet Securities

In 2014, gross profit margin is expected to expand slightly to 35.7% as the price of rubber wood has fallen 2-5% from last year. Raw materials hold the highest proportion in the firm's cost of goods sold (~40%) and the downturn of wood price has been of great support for GDT's earning for far this year. Besides, the Company has also been reviewing its manufacturing process, making use of spare materials to minimize material expenses in order to compensate for other growing costs such as those for transportation, payrolls and supplementary materials.

For the upcoming years, we still have a positive view about GDT's gross profit margin now that the downtrend of rubber wood price is still in place and it is unlikely wood price would recover any time soon given ample supply.

**Exhibit 5: 4QFY2014 Actual vs. Estimates**

Particulars (VND bn)	4Q2014	+/- qoq	+/- yoy
Net Revenues	64.3	-16%	-12%
Gross profits	20.6	-24%	-10%
EBIT	13	-41%	-13%
PAT	10	-39%	-6%

Source: GDT, RongViet Securities

**Expected profit growth came from expansion of Binh Duong factory**

According to the Company's plan, the expansion of the Binh Duong factory will be finished in late December 2014, helping GDT to shore up its manufacturing capabilities (now running at 90% of designed capacity). Upon the expansion, the Binh Duong factory will gain 8,000 m<sup>2</sup> in land area and 10,000 m<sup>3</sup> of additional per-year capacity (to a total 25,000 m<sup>3</sup>/year). The investment can help increase GDT's annual revenue by 20% from the current level. At present, Company has already had enough orders to produce until March 2015.

Regarding the investment of VND14-16 billion for the Binh Duong factory expansion, GDT made known that no debt financing was needed as the firm has abundant cash at the time of investment. As compared to its peers, GDT has a relatively low Debt/Equity ratio at 0.3x, also much lower than the

industry average of 1.7x. This should enable Company to more rely on outside funds in its future investment plan.

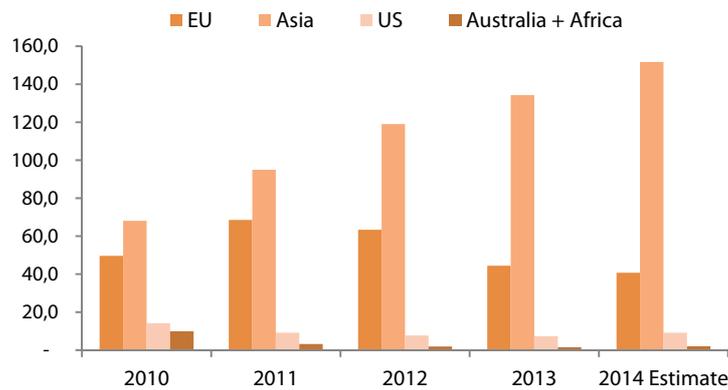
We expect GDT revenue and NPAT in 2015 to be about VND307.2 billion (+17.7% yoy) and VND 58.6 billion (+19.5% yoy) or VND5,653/share.

Besides, the transfer of the plot of land at My Phuoc 2 – Binh Duong will be put forward to 2015. Given a large size of the land area (~10 ha), the transfer should not be easy or straightforward. According to Company's plan, GDT project to get VND 25 billion of PAT from this deal, falling from VND 30 billion in 2013, indicating that discount still be unuseful.

**Shifted Export structure**

Specializing in wood product exports, GDT makes most of its revenue come from selling to overseas markets where EU & Asia, whose percentage in GDT's export revenue in past 4 years stood at a combined 80%, have been the two primary markets. By our estimation, 2014 export revenue could reach USD9.8 million, which Asian markets will constitute the largest proportion of 70-75% and followed by EU & US. Furthermore, we notice a slight movement in GDT's revenue structure in recent years where the contribution of the EU & US market has been trending downward, partly due to the weakening of the EU economy as well as the emergence of strict woodland and wood trading control laws such as the LACEY in the US and the FLEGT in the EU.

**Exhibit 6: Revenue structure from mainly export market (VND bn)**



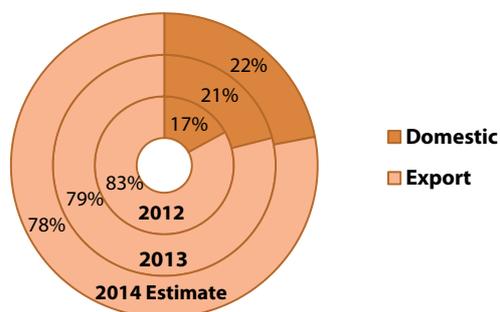
Source: GDT, RongViet Securities

In Asia, Japan has remained the largest export market of GDT. In the upcoming time, exports should continue to drive the Company's earnings result. GDT has been actively seeking trade opportunities in other export markets to compensate for decline of demand from the EU where the Middle East and Russia are seen as very potential destinations.

**Segment-specific marketing in domestic market**

The domestic market constituted approximately 20% of GDT's total revenue in recent years. This percentage has been on a steady increase in the past 2 years (about 21% in 2013 and expectedly 22% in 2014), effectively making up for the decline of the exports to the EU and US. With a population of nearly 90 million of people, Vietnam is very potential market that consumed an average USD1.98 billion of wood product value each year in the past 4 years (from HAWA's statistic). Besides, by strategically focusing on niche markets where bigger firms generally do not have the advantage, Company can avoid direct competition with larger players.

**Exhibit 7: Revenue structure in recent years**



Source: GDT, RongViet Securities

In its development plan, GDT also pays attention to segregate its sales team into smaller groups that cater to particular segments with diversified client bases and distributing channels. In the nine months to September, project customers or large companies who order future as gifts made up nearly 30-38% of GDT's domestic revenue (especially children toys). The Company has also been seeking new customers in other segments to stabilize overall revenue, for instance, introducing new products and selling at trade fairs and exhibitions in events near year-end.

For children toys, which are generally marketed as high-end products, GDT has turned to in-house design, diversifying patterns and adding new, innovative features to toys instead of only catering client's orders as in previous years to enhance its competitive position against imported products.

**Exhibit 8: Key Assumption**

Particular	Earlier Estimates		Revised Estimates	
	FY2014E	FY2015F	FY2014E	FY2015F
Revenue growth (%)	5.7	6.4	9.9	8.8
Gross margin (%)	23.9	21.8	24.5	22
EBIT margin (%)	5.7	6.4	9.9	8.8

Source: GDT, RongViet Securities

**Exhibit 9: Changes in Estimates**

Particular (VND bn)	FY2014F			FY2015F		
	Earlier Estimates	Revised Estimates	Var (%)	Earlier Estimates	Revised Estimates	Var (%)
Net Revenues	249.2	261.0	4.7%	265.1	307.2	15.9%
Gross profits	34.5%	35.7%	-123bps	33.0%	35.0%	-201bps
SG&AC	33.1	35.8	8.1%	36.9	39.9	8.1%
Operating Income	52.8	57.4	8.7%	50.6	67.7	33.7%
Financial expenses	2.7	2.5	-7.7%	2.9	2.0	-31.0%
PBT	58.3	63.0	8.0%	56.4	75.2	33.2%
PAT	43.7	49.1	12.3%	42.3	58.6	38.5%
EBITDA	64.6	71.0	9.9	62.8	84.1	34.0%
EBIT	59.7	63.8	7.0	57.9	76.2	31.6%
EPS (VND)	4,217	4,734	12,3	4,080	5,653	38.5%

Source: GDT, RongViet Securities

**Outlook and Valuation:**

Despite its being a relatively small big player in Vietnam furniture exports, GDT's concentration on niche markets over the last 20 years has granted it a solid position as a manufacturer of household furniture and wooden items.

Hence, business performance of GDT has improved steadily with gross profit margin picking up moderately each year. In 2014, gross profit margin has been so far supported by declining rubber wood price. Revenue also recorded a jump after 2 flat years. In addition, the expansion of Binh Duong factory in late December is perceived as a highlight in GDT's business as its will ease overcapacity at the current factory while providing more room for the Company to meet increasing demand. We also expect the transfer of the plot of land at My Phuoc 2 (Binh Duong) next year to bring an additional income item outside the Company's core business.

Considering GDT's stable earning results, high growth potential and lucrative dividend yield (~20–25%/year), we suppose the stock could be a good selection for long-term investors. Therefore, we rate GDT as ACCUMMULATE in the LONG TERM at target price of VND41,300/share.

VND billion

<b>INCOME STATEMENT</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
Revenue	231.3	237.4	261.0	307.2
COGS	162.0	156.8	167.8	199.6
<b>Gross profit</b>	<b>69.3</b>	<b>80.6</b>	<b>93.2</b>	<b>107.5</b>
Selling Expense	13.5	13.8	14.2	15.0
G&A Expense	15.0	20.5	21.6	24.9
Finance Income	7.1	6.7	6.7	6.9
Finance Expense	1.9	2.2	2.5	2.0
Other profits	1.1	0.9	1.4	2.5
<b>PBT</b>	<b>47.1</b>	<b>51.7</b>	<b>63.0</b>	<b>75.2</b>
Prov. of Tax	8.8	15.3	13.8	16.5
Minority's Interest	0.0	0.0	0.0	0.0
<b>PAT to Equity Shareholder</b>	<b>38.3</b>	<b>36.4</b>	<b>49.1</b>	<b>58.6</b>
EBIT	48.6	52.8	63.8	76.2
EBITDA	53.2	58.5	71.0	84.1

%

<b>FINANCIAL RATIO</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
<b>Growth</b>				
Revenue	5.3%	2.6%	9.9%	17.7%
Operating Income	-3.9%	13.5%	24.0%	18.0%
EBITDA	-4.4%	10.0%	21.3%	18.5%
EBIT	-4.8%	8.6%	20.8%	19.4%
PAT	-10.4%	-5.1%	35.0%	19.5%
Total Assets	24.7%	2.6%	10.5%	15.1%
Equity	2.1%	8.7%	9.6%	13.9%
Internal growth rate	4.5%	10.5%	9.8%	13.4%
<b>Profitability</b>				
Gross profit/Revenue	29.9%	33.9%	35.7%	35.0%
Operating profit/ Revenue	17.6%	19.5%	22.0%	22.0%
EBITDA/ Revenue	23.0%	24.7%	27.2%	27.4%
EBITDA/ Revenue	21.0%	22.2%	24.5%	24.8%
Net margin	16.6%	15.3%	18.8%	19.1%
ROAA	16.5%	14.0%	17.7%	18.7%
ROIC or RONA	29.6%	30.9%	34.3%	36.7%
ROAE	24.1%	21.7%	26.8%	28.6%
<b>Efficiency</b>				
Receivable Turnover	11.4	9.8	9.1	9.0
Inventory Turnover	2.7	2.5	2.6	2.7
Payable Turnover	4.7	3.6	3.2	3.3
<b>Liquidity</b>				
Current	1.8	2.2	2.1	2.1
Quick	1.2	1.4	1.4	1.4
<b>Solvency</b>				
Total Debt/Equity	60.0%	50.9%	52.2%	53.9%
Current Debt/Equity	33.4%	21.3%	21.8%	22.5%
Long-term Debt/ Equity	0.0%	0.0%	0.0%	0.0%

VND billion

<b>BALANCE SHEET</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
Cash and equivalents	35.0	3.5	10.9	18.5
Short-term investment	47.9	91.0	90.0	100.0
Receivables	22.6	25.9	31.3	36.9
Inventories	61.7	64.4	67.1	81.8
Other current assets	4.2	2.8	3.3	3.5
<b>Total Current Asset</b>	<b>171.4</b>	<b>187.6</b>	<b>202.7</b>	<b>240.7</b>
Tangible Fixed Assets	33.7	30.2	40.0	48.2
Intangible Fixed Assets	12.7	12.5	17.3	17.1
Construction in Progress	9.4	5.9	5.3	4.8
Investment Property	0.0	0.0	0.0	0.0
Long-term Invest ment	0.0	0.0	0.0	0.0
Other long-term assets	29.8	27.6	26.2	24.9
<b>Long-term Asset</b>	<b>85.7</b>	<b>76.2</b>	<b>88.8</b>	<b>94.9</b>
<b>Total Asset</b>	<b>257.1</b>	<b>263.8</b>	<b>291.5</b>	<b>335.6</b>
Payables	12.5	13.5	14.4	17.2
Other current liabilities	26.7	35.6	41.0	48.2
Current Debt	53.7	37.2	41.8	49.1
Long-term Debt	0.0	0.0	0.0	0.0
Other long-term liabilities	3.4	2.7	2.9	3.0
<b>Total Liability</b>	<b>96.4</b>	<b>89.0</b>	<b>100.0</b>	<b>117.5</b>
<b>Owner's Equity</b>	<b>160.7</b>	<b>174.8</b>	<b>191.5</b>	<b>218.0</b>
Capital	103.7	103.7	103.7	103.7
Retained Earnings	35.5	49.5	62.6	84.2
Funds & Reverses	18.7	18.7	22.3	27.2
<b>Others</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Equity</b>	<b>160.7</b>	<b>174.8</b>	<b>191.5</b>	<b>218.0</b>
Minority's Interest	0.0	0.0	0.0	0.0
<b>TOTAL RESOURCES</b>	<b>257.1</b>	<b>263.8</b>	<b>291.5</b>	<b>335.6</b>
<b>CASH FLOW STATEMENT</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015F</b>
<b>Profit before tax</b>	<b>47.1</b>	<b>51.7</b>	<b>63.0</b>	<b>75.2</b>
-Depreciation	4.6	5.7	7.2	8.0
-Adjustments	-8.2	-3.3	-5.8	-5.7
+/- Working capital	-12.8	-10.8	-19.4	-30.2
<b>Net Operating CFs</b>	<b>30.7</b>	<b>43.2</b>	<b>44.9</b>	<b>47.2</b>
+/- Fixed Asset	-4.5	-1.1	-20.6	-14.8
+/- Deposit, equity investment	-47.9	-43.1	-25.0	-25.3
Interest, dividend, cash profit received	5.9	4.6	5.4	3.9
<b>Net Investing CFs</b>	<b>-46.4</b>	<b>-39.6</b>	<b>-40.2</b>	<b>-36.1</b>
+/- Capital	0.0	0.0	0.0	0.0
+/- Debt	42.2	-16.5	4.7	7.5
Dividend paid & other	-31.1	-18.7	-30.1	-31.1
<b>Net Financing CFs</b>	<b>11.1</b>	<b>-35.2</b>	<b>-25.4</b>	<b>-23.6</b>
+/- cash & equivalents	-4.6	-31.5	-20.6	-12.5
<b>Beginning cash &amp; equivalents</b>	<b>39.6</b>	<b>35.0</b>	<b>3.5</b>	<b>10.9</b>
Impact of exchange rate	0.0	0.1	0.0	0.0
<b>Ending cash &amp; equivalents</b>	<b>35.0</b>	<b>3.5</b>	<b>10.9</b>	<b>18.5</b>

**RESULT UPDATE**

This report is created for the purpose of providing investors with an insight into the discussed company that may assist them in the decision-making process. The report comprises analyses and projections that are based on the most up-to-date information with the objective which is to determine the reasonable value of the stock at the time such analyses are performed. Through this report, we strive to convey the complete assessment and opinions of the analyst relevant to the discussed company. To send us feedbacks and/or receive more information, investors may contact the assigned analyst or our client support department.

**RATING GUIDANCE**

Ratings \ Return Potential	BUY	ACCUMULATE	NEUTRAL	REDUCE	SELL
Intermediate- term (up to 6 months)	>20%	10% to 20%	-5% to 10%	-15% to -5%	<-15%
Long-term (over 6 months)	>30%	15% to 30%	-10% to 15%	-15% to -10%	<-15%

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The **Analysis and Investment Advisory Department** of RongViet Securities provides research reports on the macro-economy, securities market and investment strategy along with industry and company reports and daily and weekly market reviews

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