

20/08/2024

RECOMMENDATION	BUY
Fair price	14,100
Current price	10,600
Upside/downside	38% (*)

STOCK INFORMATION

Outstanding shares (mil)	73.2
Free float (mil)	37%
Market cap. (billion VND)	739
3m avg. volume (shares)	999,868
Foreign ownership (%)	0.1%
First listing date	23/05/2017

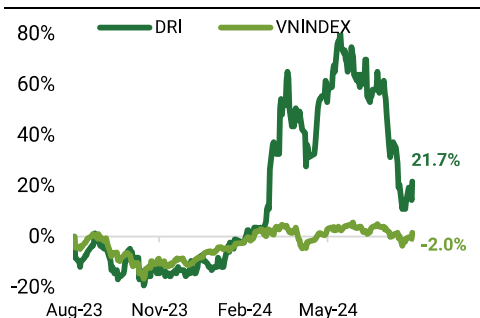
SHAREHOLDER STRUCTURE

Dak Lak Rubber JSC(HSX:DRG)	60.8%
Others	39.2%

KEY ATTRIBUTES

TTM EPS (VND)	997.3
BVPS (VND)	6,668
Nợ/VCSH (%)	8%
ROA (%)	12.02%
ROE (%)	14.46%
P/E	10.8
P/B	1.60
Dividend yield (%)	5.6%

PRICE PERFORMANCE



COMPANY PROFILE

DRI specializes in the harvesting and processing of rubber latex as well as fruit cultivation. The company manages rubber plantations across two provinces in Laos, Champasak and Salavan, through its subsidiary, covering a total area of 8,810.5 ha. DRI primarily produces SVR3L, SVR10, and SVR60 rubber products.

RESEACH DIVISION

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HIGH EXPECTATION BUILT ON A LOW-RISK FOUNDATION

- The mature plantation provides a competitive advantage amid an industry supply contraction. We anticipate favorable business outcomes driven by a high-value product portfolio, benefiting from sustained high selling prices.
- Participation in sustainability certifications enhances DRI's position in international markets, which is the company's strategic focus.
- Stable financial health and consistent cash dividends.
- We recommend **BUY** with a potential upside of 38%, including a 6.6% dividend yield based on the closing price as of August 20, 2024.

6M24 business performance update:

In 1H24, DRI reported net revenue of VND 180.2 billion (-11.0% YoY), and NPAT of VND 30.3 billion (-4.2% YoY). These results represent 40%/50% completion of DRI's 2024 targets, and 33%/24% of PHS's previous projections, respectively. Despite a positive average selling price (ASP) of USD 1.61/kg (+13% YoY) in 6M24, revenue still experienced a decline due to:

- A significant drop in sales volume, which reached only 4.48 thousand tons (-27% YoY), we attribute this to i) low inventory levels (at the end of 4Q23 and 1Q24) and ii) a sharp decline in harvested production, with a 39% YoY decrease in output during 1H24, which negatively impacted DRI's sales performance in 1H24.
- A positive point from the upward trend in selling prices and the expectation that prices will remain elevated throughout 2H24 and FY25: DRI's ASP in 2Q24 increased significantly by 19% YoY, reached USD 1.73/kg.

Investment thesis:

1. Mature rubber plantations offering competitive advantage amidst industry supply contraction: With a cautious approach, we estimate that DRI's harvested rubber volume will achieve a CAGR of 2.0% over the 24F-28F period. This figures already account for an 8% loss factor from theoretical yield due to factors such as i) weather impact, ii) labor shortages, and iii) latex loss at plantations.

Maintaining consistent harvest productivity will enable DRI to capitalize on sales opportunities as industry supply is expected to grow at a modest annual rate of just around 1%.

2. Expectation on positive business performance by high-value product portfolio and elevated rubber selling price: DRI's revenue and gross profit forecasts have been revised downward, with the CAGR for 24F-26F period projected at 5.1% and 8.2%, respectively, based on following assumptions:

- Sales volume for this period is projected at 13.8/14.1/14.4 thousand tons (-5.6%/2.0%/2.0% YoY), a 14% reduction from previous projection.
- The annual ASP is forecasted to reach USD 1.69/1.74/1.79 per kilogram (+19.3%/3%/3% YoY), up 4.72% from prior estimates.
- % GPM is expected to remain high at 39.3%/40.4%/41.7%.

3. Sustainability certifications elevating DRI's international market position. In the first half of 2024, DRI's export ratio increased to 66.7% (up 4.8% from 61.9% in 2023), highlighting the company's strategic focus on international markets.