

BSC RESEARCH

Head of Research

Tran Thang Long
longtt@bsc.com.vn

Equity Analyst

Nguyen Tran Tri
Trint@bsc.com.vn

On Oct 13th 2016, a DAG stock was traded at the price of VND 15,700 per share, equivalent to P/E FW = 11.8x.

Business results update: The estimated 3rdQ revenue is about VND 365 billion (+3.3% YoY), and the PAT goes up to around 14.5 billion (+19.8% YoY). The accumulated 9-month revenue is expected to be around VND 1,046 billion (+7.6% YoY), while the accumulated PAT increases rapidly to around VND 44.1 billion (+56% YoY). The GPM rose from 8.1% (in 2015) to 8.9% as the proportion of revenue from self – produced products (GPM = 9.5%) increased significantly from 70% to 83%. Meanwhile, the proportion of revenue from commercial segment (GPM = 2.5%) decreased from 34.2% down to 14%. We estimate that the 2016 PAT of DAG could reach VND 65 bn, EPS 2016 = VND 1,325 (we took into account 9.15 million shares which are scheduled to be issued in the 4Q2016).

The strong expansion of Profile plastic tube production, which is the flagship product of DAG (occupying about 40% of total revenue). In the 4th quarter, 7/20 new Profile production lines of Stage I - Ha Nam project will go into operation, and this helps the output increase by 1,500 tons in the 4th quarter. The capacity of each production line of DAG is 1.5x higher than an existing machinery and the scrap rate will decrease from 5% to 2.5% due to the closure and high automation of new process. The remaining 13 new production lines of Stage I are in the installation process and trial run.

The expansion is expected to help DAG to acquire more market share in the northern area and make a breakthrough in the southern market. The DAG's Profile plastic tubes are highly competitive in comparison with Chinese similar products due to good quality and better price (DAG's products are not subjected to the import tax of 3% and the transportation cost of 2%). However, because the existing production lines of DAG have operated in 100% capacity so the DAG's market share in the northern area halted at 35%; the southern market is fully occupied by Chinese products with 95% of market share. We expect the incremental output from new production lines will be well consumed, so the DAG's market share will increase rapidly in both markets.

Regarding to the equity raising plan, the company schedules to issue more 9.15 million shares in 4Q2016 to fund the expansion plan. The issue price will be the average of the prices within 20-30 latest sessions. Besides, the company cancels the plan of issuing 1.2 million convertible bonds, which is projected to have the total value of VND 120 bn. It is worth mentioning that in June, the DAG's president, Mr. Nguyen Ba Hung, transferred 9.25 million DAG shares to the NBH Investment & Development Limited Company as his capital

contribution. As we discussed with DAG, the NBH company operates in financial investment sector and has no significant impact on DAG's business activities.

Disclosure

The information, statements, forecasts and projections contained herein, including any expression of opinion, are based upon sources believed to be reliable but their accuracy completeness or correctness are not guaranteed. Expressions of opinion herein were arrived at after due and careful consideration and they were based upon the best information then known to us, and in our opinion are fair and reasonable in the circumstances prevailing at the time. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. BSC and other companies in the BSC and/or their officers, directors and employees may have positions and may affect transactions in securities of companies mentioned herein and may also perform or seek to perform investment banking services for these companies. This document is for private circulation only and is not for publication in the press or elsewhere. BSC accepts no liability whatsoever for any direct or consequential loss arising from any use of this or its content. The use of any information, statements forecasts and projections contained herein shall be at the sole discretion and risk of the user. No part of this material may be (i) copied, photocopied or duplicated in any form by any mean or (ii) redistributed without the prior written consent of BIDV Securities Company (BSC).

BSC Headquarters

BIDV Tower, 10th & 11th Floor
35 Hang Voi, Hoan Kiem, Hanoi
Tel: +84 4 3935 2722
Fax: +84 4 2220 0669

BSC Ho Chi Minh City Office

146 Nguyen Cong Tru St, 9th Floor
District 1, HCMC
Tel: +84 8 3821 8885
Fax: +84 8 3821 8510

Website: <http://www.bsc.com.vn>
Facebook: www.facebook.com/BIDVSecurities
Bloomberg: BSCV <GO>

