

## Duc Thanh Wood Processing JSC (GDT - HSX)

### Long term Value in Household Goods Segment

- **Long runway – GDT's size is just a fraction of the household wooden product market**
- **Global sustainable demand for household products**
- **Alignment of interests - Owners-operators**

GDT is a traditional manufacturer of kitchenware, household utensils, home furniture and kid toys made of rubber wood, MDF and plywood. GDT business is fundamentally strong with good management who has successfully steered the company through the global financial crisis and economic recession. From 2007 to 2018, GDT's business has grown consistently with revenue and EPS CAGR of 10% and 14%, respectively.

Exposed to the sizeable global market, GDT still has growth potential. Demand from key export markets such as Japan and Korea have been sustainable, implying a high likelihood of continued steady growth in North Asia. Management was able not just to maintain but increase ROE over time, from 16% in 2007 to 35% in 2018.

The Le family founded the company in 1991 and hold 40% of the shares. The family has a proven track record and history of equally rewarding shareholders with predictable stock or cash dividends.

History shows GDT can generate FCFE of VND 70 Bn to VND 80 Bn per year. The current market cap implies a valuation of 8x FCFE or 7x trailing P/E with potential EPS growth 10%-12%/year. Despite a lack of upside catalysts, we believe GDT is a good value opportunity, especially considering the current 13% dividend yield. GDT's dividend payout ratio is around 90%.

Due to rising labor costs, GDT may report a slowdown in earnings growth in 2019. However, we believe its long-term earnings power will remain and an off-year like this could give investors an opportunity to **ACCUMULATE** the stock at more attractive prices. Otherwise, the stock provides stable income in the late cycle. We estimate the valuation range for GDT at **VND 39,500-52,300/share**, using FCFE and P/E method (7x) but recommend investors to apply a personal discount rate as the stock is very illiquid.

### Key financial ratios

Y/E Dec (VND Bn)	FY2017	FY2018	FY2019E	FY2020F
Net revenue	362	390	433	476
%change	11.9	7.6	11.0	10.0
PAT	101	90	93	102
% change	5.6	-11.4	3.3	10.5
Net margin (%)	28.0	23.0	21.4	21.5
ROA (%)	28.9	26.1	26.0	27.4
ROE (%)	39.5	34.7	34.9	36.5
EPS (VND)	5,878	5,492	5,652	6,122
Adjusted EPS (VND)	5,116	5,472	5,652	6,122
Book value (VND)	17,192	15,779	16,202	17,094
Cash dividend (VND)	6,000	5,000	5,000	6,000
P/E (x)	8.0	7.6	6.9	6.3
P/BV (x)	2.7	2.6	2.4	2.3

Source: GDT, Rong Viet Securities \* Based on the price on May 24, 2019.

## ACCUMULATE +15%

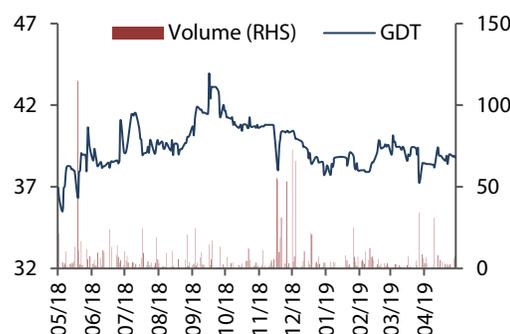
Market price (VND)	38,500
Target price (VND)	39,500

Cash Dividend (VND)*	5,000
----------------------	-------

\* Expected in the next 12 months

### Stock Info

Sector	Consumer Goods
Market Cap (VND Bn)	634
Share O/S (Mn)	16.3
Beta	0.1
Free Float (%)	28
52 weeks high	43,949
52 weeks low	35,503
Average trading volume (20 sessions)	4,825



### Performance (%)

	3M	1Y	3Y
GDT	-1	5	34
VN30 Index	-1	-5	44
VN-Index	2	1	57

### Major shareholders (%)

Ha Thi Hue (CEO mother)	28.4
Vietnam Holding Limited	4.8
Vu Tuyet Phuong	4.3
Remaining Foreign Room (%)	25.7

### Hieu Nguyen

(084) 028- 6299 2006 – Ext 1514

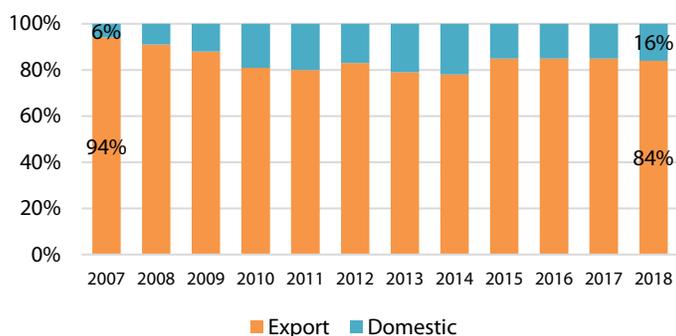
[hieu.nd@vdsc.com.vn](mailto:hieu.nd@vdsc.com.vn)

**Long runway – GDT’s size is just a fraction of the household wooden product market**

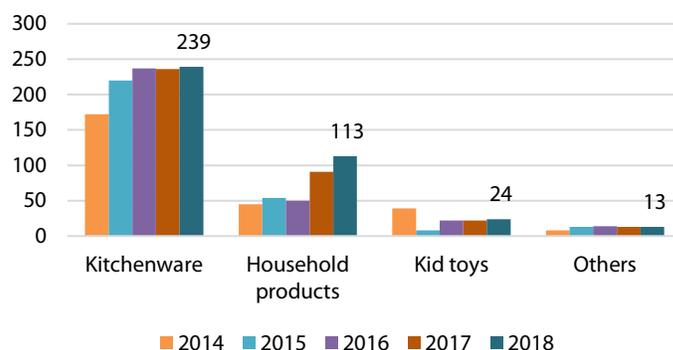
GDT is a manufacturer of kitchenware, household utensils, home furniture and kid toys made of rubber wood, MDF and plywood. The company mainly provides outsourcing service for foreign clients. Accordingly, exports account for over 80% of GDT’s revenue.



**Figure 1: GDT revenue structure (%)**



**Figure 2: GDT revenue by products (Bn VND)**

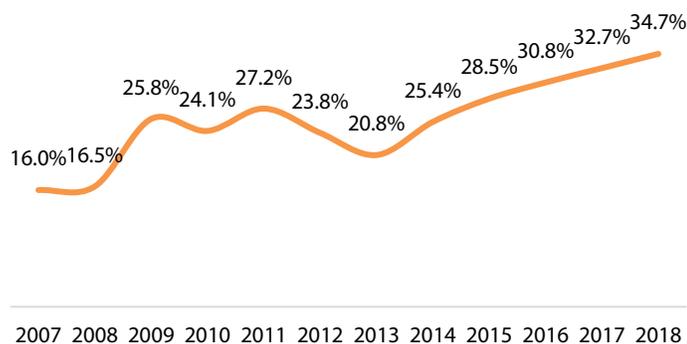


Source: GDT, Rong Viet Securities

This niche market is very fragmented. Most Vietnamese manufacturers run small facilities; whose products hardly meet export requirements. Most of GDT’s competitors come from China and Thailand, but we believe they do not compete head to head. The reason is these small item products have a wide range of form and detail that meet different taste of customers. Therefore, outsourcing demand is not restricted to just one product and competition cannot be define as ‘fierce’. This allowed GDT to maintain and increase ROE over time from 16% in 2007 to 35% in 2018 (Figure 3).

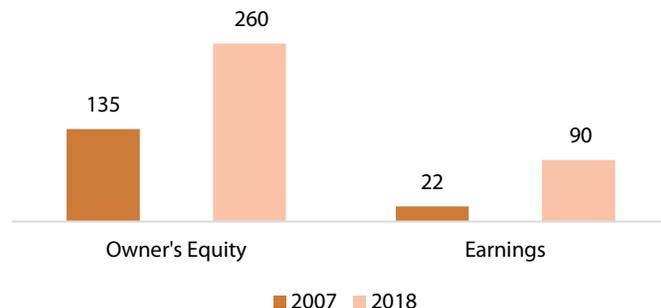
The market size is large. In 2018, Japan and Korea alone imported USD 332 Mn (VND 7,600 Bn) of wooden table- and kitchenware. GDT, a big well-known company in this segment, has a revenue of only VND 400 Bn (USD 17.2 Mn) in 2018. Thus, there is room for further growth.

**Figure 3: GDT’s ROE (adjusted for abnormal profit)**



Source: GDT, Rong Viet Securities

**Figure 4: GDT changes in Equity and Earnings (Bn VND)**

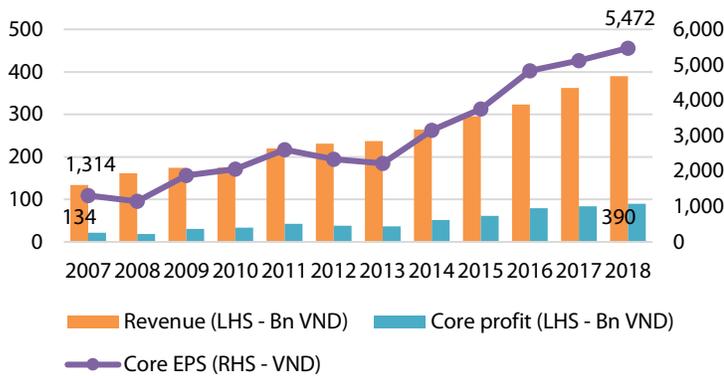


**The business also requires little capital.** In 2007, GDT had VND 135 Bn in Equity and generated earnings of VND 22 Bn. In 2018, it had VND 260 Bn in equity, generating earnings of VND 90 Bn. So, over this 12 years period, the company only needed to increase capital by VND 135 Bn to generate a total of VND 620 Bn in earnings (Figure 4). Maintenance capex is minor.

**Global sustainable demand for household products**

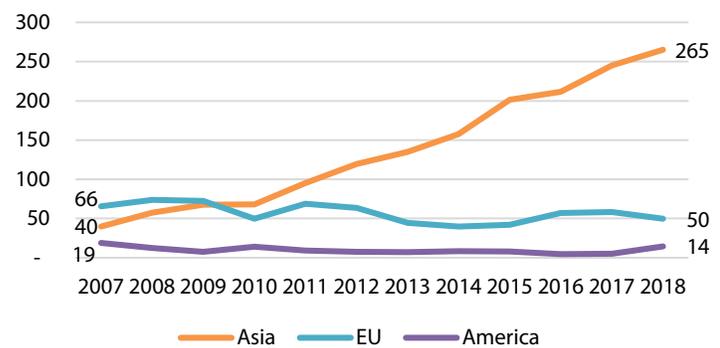
GDT’s business is fundamentally strong with good management who has successfully steered the company through the global financial crisis and economic recession. From 2007 to 2018, GDT’s business has grown consistently with revenue and EPS CAGR of 10% and 14%, respectively. The company has set up a loyal customer base, without heavily depending on one. Several biggest customers account for only 30% of total sales.

**Figure 5: GDT revenue and earnings 2007-2018**



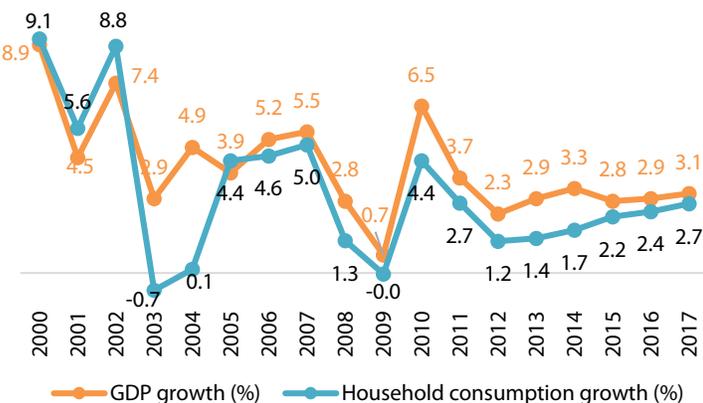
Source: GDT, Rong Viet Securities

**Figure 6: GDT export revenue by geography (Bn VND)**



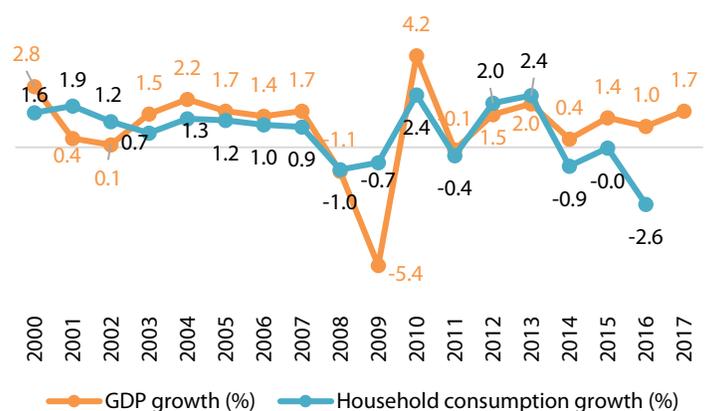
Even in 2008-2009, GDT still managed to grow thanks to demand from Asia (mainly Japan and Korea). Figure 7 to Figure 10 illustrate that even in periods of slow/negative growth in these countries (2008-2009 and 2014-2016), demand for wooden kitchenware is very stable. Vietnam is only second to China in the list of big suppliers.

**Figure 7: Growth data in Korea 2000-2017**

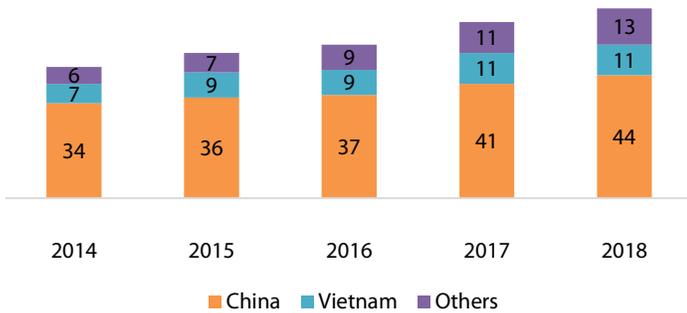


Source: ADB

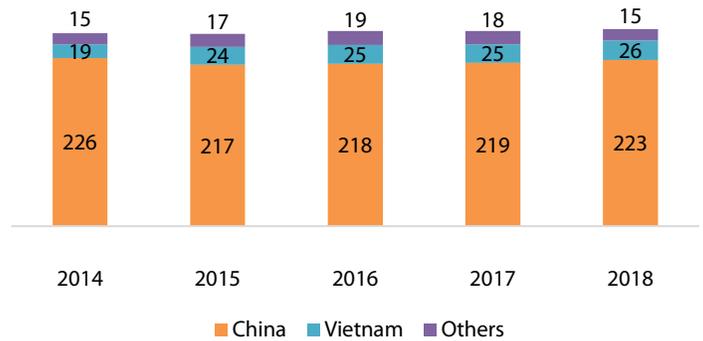
**Figure 8: Growth data in Japan 2000-2017**



**Figure 9: Korea imports of wooden tableware & kitchenware (Mn USD)**



**Figure 10: Japan imports of wooden tableware & kitchenware (Mn USD)**

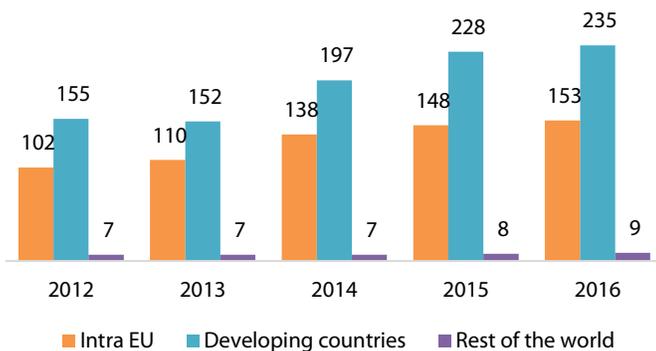


Source: Trademap

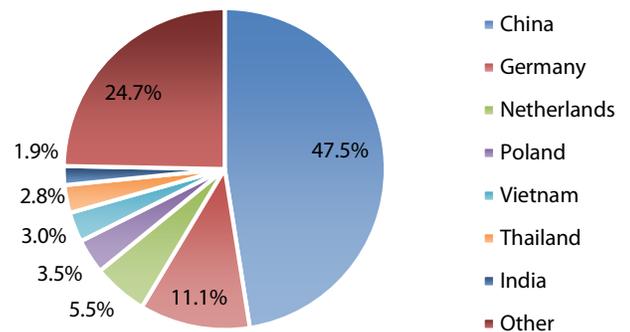
**Europe market – high potential but locked for now**

Meanwhile, demand in Europe shows a gradually increase. European imports of wooden table- and kitchenware increased from €264 million in 2012 to €398 million in 2016 (equivalent to VND 9,600 Bn), an average annual growth rate of 11%.

**Figure 11: European imports of wooden tableware and kitchenware (€ million)**



**Figure 12: Market share of suppliers of wooden tableware and kitchenware in Europe (2016)**



Source: Trademap

The figure shows that Europe is a very potential market. However, Vietnam only accounts for 3% of total imports (around 300 VND Bn) despite being one of the leading developing country suppliers. The reason is that many European customers demand FSC certification. This means that the material of the product needs to come from a forest and supply chain that is managed responsibly, certified by FSC (Forest Stewardship Council). Unfortunately, no rubber plantation in Vietnam are FSC-certified at the moment. This remains a bottleneck problem for GDT, as rubber wood is the company’s main material. GDT is working on BSCI certification, which potentially offers better chances to tap into the European market.

**Price of Input material is not worrisome**

30%-40% of GDT’s COGS is rubber wood. Rubber wood’s price has surged 40% in 2017-2018 period due to limited supply, caused by:

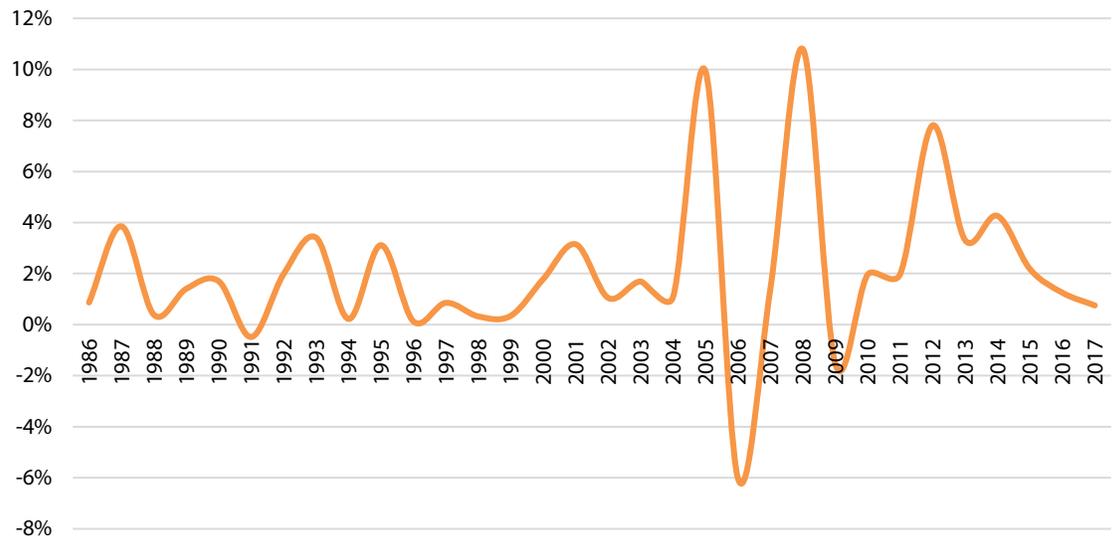
- Vietnam’s decision to shut down natural forest harvest in 2016
- China’s logging ban in natural forest in 2016
- Malaysia imposed ban on rubber wood export in 2017

As a result, Chinese traders came to Vietnam to purchase rubber wood, driving up the price. However, at the present, we do not see any similar factors that could push the rubber wood price further. The reasons are as follows.

**First, supply should be stable thanks to expanding rubber area**

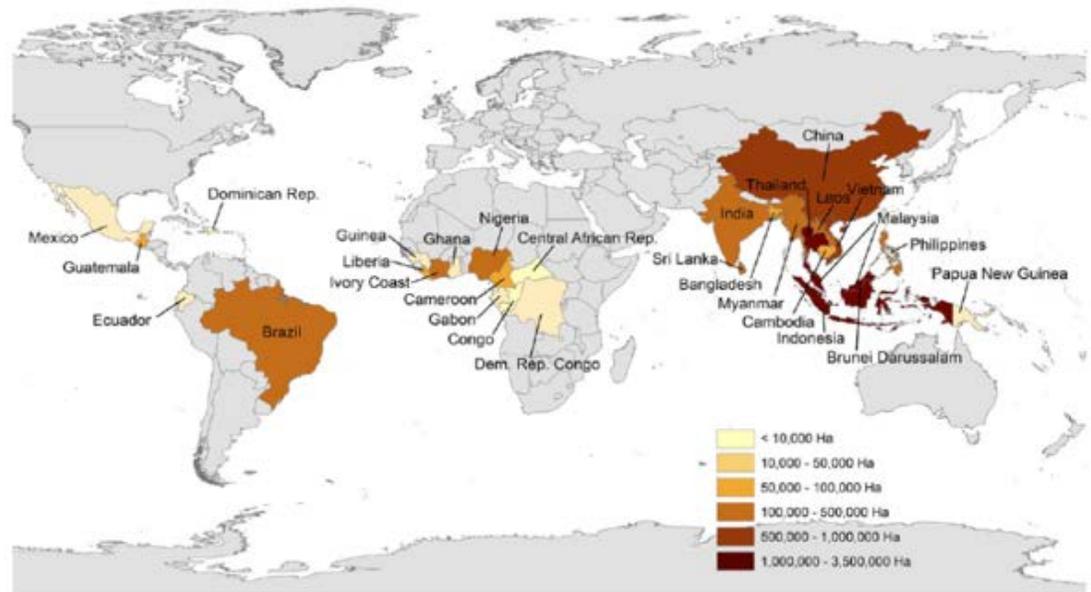
We examine seven countries with the largest rubber area in the region: Indonesia, Thailand, Malaysia, Vietnam, China, India, and the Philippines. Their total harvested area was 5.3 Mn ha in 1985, and grew gradually almost every year, reaching 9.9 Mn ha in 2017 (Figure 13). This will be a stable source of rubber wood. A rubber tree would be tapped for its latex for about 25 years, after which its productivity drops drastically and is cut down for wood.

**Figure 13: Growth YoY of rubber harvested area of seven countries (Indonesia, Thailand, Malaysia, Vietnam, China, India, and Philippines) in 1985-2017 period (%)**



Source: FAO, Rong Viet Securities

**Figure 14: Rubber producing country map**



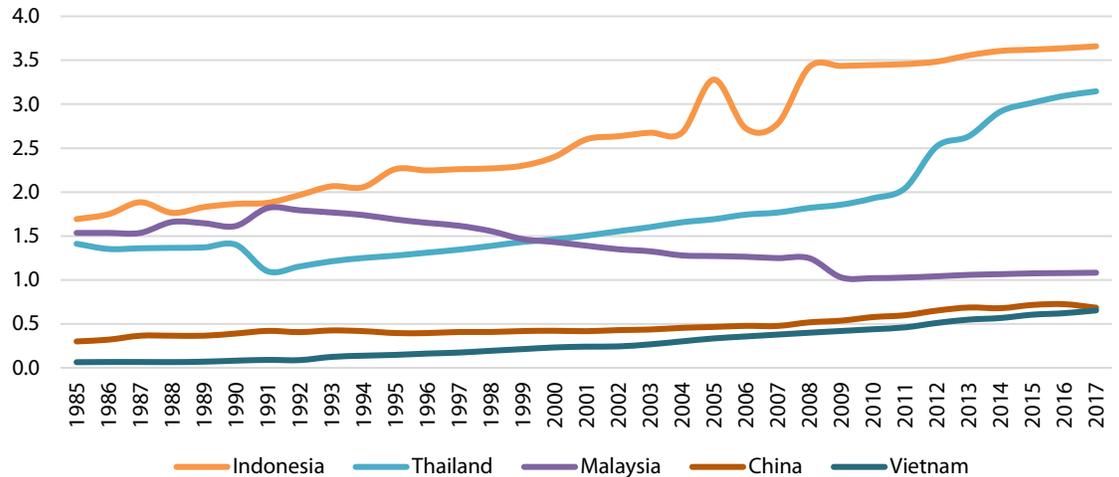
Source: Research Gate

In Vietnam, it is estimated that there are about 25,000 ha of old rubber trees to be cut down each year, providing 4.5 Mn cu. m of rubber wood. Most of them are supplied by Vietnam Rubber Group.

**Second, it is unlikely that other countries will impose a ban on rubber wood exports like Malaysia**

Of the biggest rubber producing countries, Malaysia is the only one experiencing a decline in rubber area (Figure 15). Meanwhile, its domestic demand for rubber wood has increased in recent years as the country is now the world’s eighth largest furniture exporter. As a result, Malaysia has banned the export of rubber wood to support its domestic furniture industry.

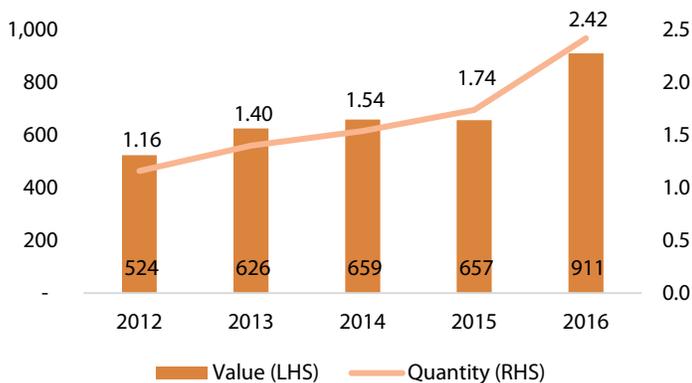
**Figure 15: Rubber harvested area of several countries in 1985-2017 period (Ha)**



Source: FAO

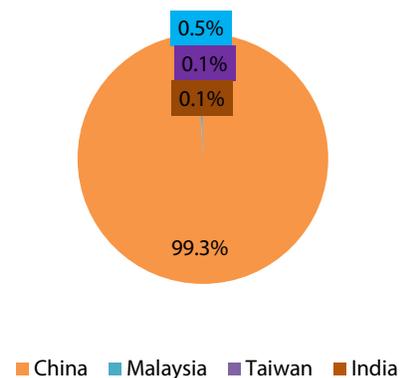
In Thailand and Indonesia, the rubber area is much larger and still increasing gradually. Thailand is a major exporter of rubber wood, shipping over 65% of its rubber wood production abroad.

**Figure 16: Value (Mn USD) and quality (Mn Ton) of Thai rubber wood export**



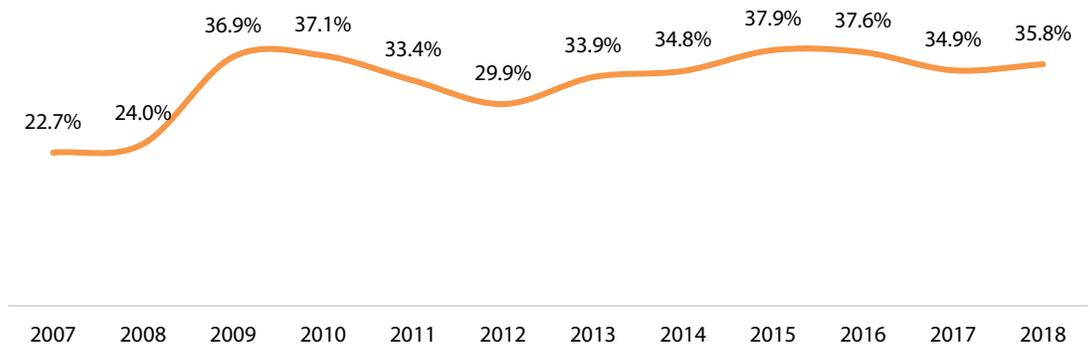
Source: EIC analysis based on Trademap data

**Figure 17: Importers of Thai rubber wood in 2016**



Even if the price of rubber wood somehow increases further, we think the impact will not be big. In fact, GDT’s gross margin only decreased slightly in 2017-2018 despite a 40% surge in its input price (Figure 18) as the company is able to pass these increases on to its customers.

**Figure 18: GDT gross margin 2007-2018**



Source: GDT, Rong Viet Securities

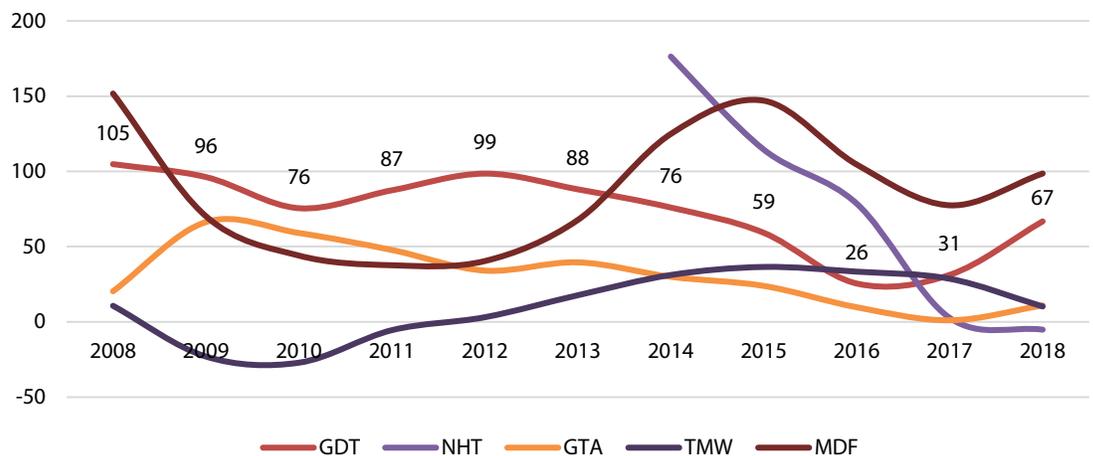
In a positive scenario, the fact that the US impose tariff on China wood products could result in lower demand of rubber wood from China. Malaysia may also lift the ban in the future, although the chance is very slim.

**Owners-operators**

GDT started as a small private wood processing company, founded by Mr. Ba Le in 1991. In 1993, his daughter, Ms. Lieu Le took over the business. She has led the company through two great recessions in 1997 and 2007, while many others went out of business.

Ms. Lieu is well known for her resourcefulness, negotiation skills, and cost control. Her conservative management style is reflected in GDT’s Inventory and receivables, which are very well-controlled over the years. Its cash conversion cycle is similar to its peers (Figure 19), but none of the peers has revenue growing at the rate of GDT.

**Figure 19: Cash conversion cycle of GDT and peers (days)**



Source: Rong Viet Securities

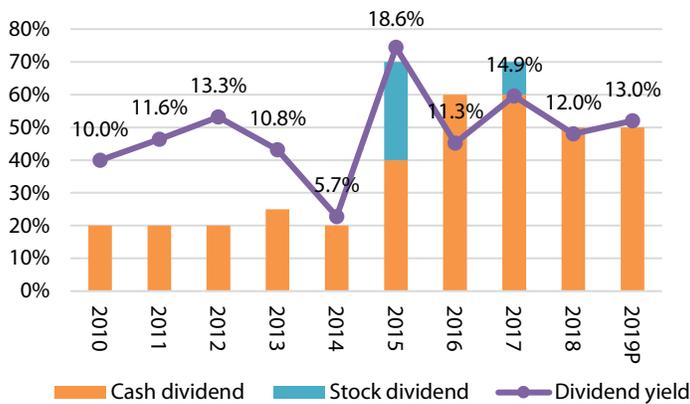
Although conservative management has its merit, we would still like to see management a little more aggressive on expanding the business and pursuing growth in the future. GDT still operates two factories in Ho Chi Minh and Binh Duong (Table 1), running at 80% capacity. Fixed asset investments are negligible (Figure 20). Since 2015, as the company does not need new capital, it paid almost all of its earnings back to shareholders (Figure 21 and 22).

**Table 1: List of GDT factories**

Factory	Area	Capacity	Year of operation
Phan Huy Ich, HCM	7,800 m2	2,500 m3/year	2003
Tan Uyen, Binh Duong	30,000 m2. Upgrade to 38,000 m2	6,000 m3/year	2005. Upgrade in 2014

Source: GDT

**Figure 21: GDT dividend payment history**

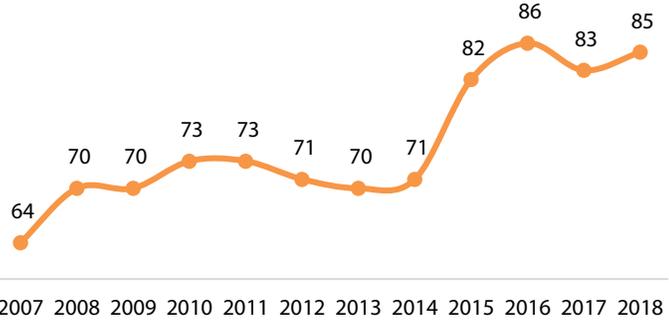


Source: GDT, Rong Viet Securities

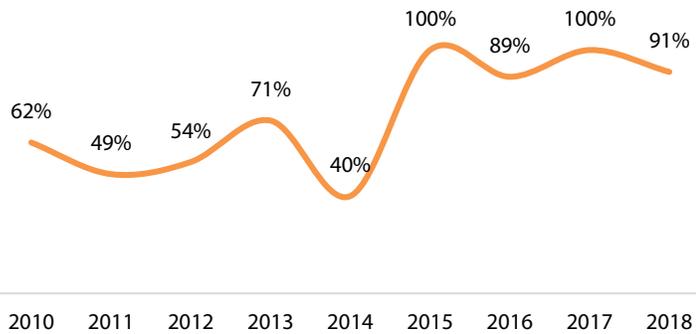
Currently, the Le family is still the largest shareholder, holding around 40% of the shares. They have a clear incentive to increase the value of the business. Outside shareholders are treated well. Information is communicated openly with shareholders and with high transparency. Investors should see it when contacting the IR department or attending the AGM.

To motivate employees, GDT will increase wages in 2019. These costs will be attributed to expenses instead of withdrawn from the bonus & welfare fund to enjoy tax benefits, affecting 2019 earnings. The management cares little for the short-term and is concerned with the business' longevity. We could not ask for more.

**Figure 20: GDT's tangible fix assets at cost (VND Bn)**



**Figure 22: GDT dividend payout ratio**



**Earnings forecast and Valuation**

Due to rising labor costs, GDT could report a slowdown in earnings growth in 2019. However, as discussed above, we believe its long-term earnings power will remain. The company can generate a free cash flow of VND 70Bn to VND 80Bn per year. A drop in earnings in 1Q 2019 is not a major issue as GDT customers just decided to shift the delivery schedule from 1Q to 2Q and 3Q 2019.

We acknowledge that GDT’s business is labor intensive. To motivate employees, GDT had ESOP of 5% outstanding share at par value in 2015, 2016, and 2018. Despite the ESOP, GDT has grown its EPS at CAGR of 14% for 11-year-period. We expect it can grow EPS at least 10%-12% in years to come.

While EPS grew at 14% per year, GDT’s stock price quadrupled since listing (CAGR: 21%). The P/E has rallied quite a bit and we do not expect any further multiple expansion.

**Figure 23: GDT’s historical P/E trailing**



Source: Bloomberg

For our one-year target price, we estimate the valuation range around VND 39,500 – 52,300 per share. We use FCFE method (WACC 12.5%, terminal growth 0.5%) and P/E method (7x)

**Table 2: Valuation result (VND per share)**

Method	Value
FCFE	52,300
P/E (7x)	39,500

*Unit: VND billion*

<b>PROFIT &amp; LOSS STATEMENT</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019E</b>	<b>FY2020F</b>
Revenue	362	390	433	476
COGS	236	250	286	314
<b>Gross profit</b>	126	140	147	162
Selling expenses	17	17	19	21
G&A expenses	19	21	22	23
Financial income	14	12	12	12
Financial expense	1	3	2	2
Other income/loss	22	1	1	1
Gain/(loss) from JV	0	0	0	0
<b>Profit Before Tax</b>	125	112	116	128
Tax expense	24	23	23	26
Minority interests	0	0	0	0
<b>Profit After Tax</b>	101	90	93	102
EBIT	90	102	105	117
EBITDA	95	106	109	120

*Unit: %*

<b>FINANCIAL RATIO</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019E</b>	<b>FY2020F</b>
<b>Growth</b>				
Revenue	11.9	7.6	11.0	10.0
EBITDA	4.9	11.9	1.9	10.8
EBIT	6.9	12.9	3.3	11.1
PAT	5.6	-11.4	3.3	10.5
Total assets	2.2	-1.9	3.5	5.3
Total equity	-0.4	0.9	2.7	5.5
<b>Profitability</b>				
Gross margin	34.9	35.8	34.0	34.0
EBITDA margin	26.3	27.3	25.1	25.3
EBIT margin	25.0	26.2	24.4	24.6
Net margin	28.0	23.0	21.4	21.5
ROA	28.9	26.1	26.0	27.4
ROCE	33.6	37.8	38.1	39.9
ROE	39.5	34.7	34.9	36.5
<b>Efficiency</b>				
Receivables turnover	11.4	9.5	10.5	10.5
Inventories turnover	4.0	3.2	3.7	3.6
Payables turnover	5.2	5.4	5.6	5.9
<b>Liquidity</b>				
Current	3.8	4.0	3.9	4.1
Quick	3.0	3.0	3.0	3.0
<b>Finance Structure</b>				
Total debt/equity	13.9	10.6	10.4	9.8
ST debt/equity	13.9	10.6	10.4	9.8
LT debt/equity	0.0	0.0	0.0	0.0

*Unit: VND billion*

<b>BALANCE SHEET</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019E</b>	<b>FY2020F</b>
Cash and cash equivalents	1	17	8	13
Short-term investments	206	158	180	180
Accounts receivable	32	41	41	45
Inventories	59	78	77	88
Other current assets (inc. non-trade receivables)	7	4	4	4
Property, plant & equipment	31	32	31	30
Acquired intangible assets (Inc. Goodwill)	12	11	11	11
Long term investments	0	0	0	0
Other non-current assets	3	3	3	3
<b>Total assets</b>	<b>351</b>	<b>344</b>	<b>356</b>	<b>374</b>
Accounts payable	46	46	51	53
Short-term borrowings	36	28	28	28
Long-term borrowings	0	0	0	0
Other non-current liabilities	3	4	4	4
Bonus and Welfare fund	9	8	8	10
Technology-science development fund	0	0	0	0
<b>Total liabilities</b>	<b>94</b>	<b>85</b>	<b>90</b>	<b>94</b>
Common stock and APIC	155	170	170	170
Treasury stock	-1	-1	-1	-1
Retained earnings	83	71	78	93
Other comprehensive income	0	0	0	0
Investment & Development Fund	19	19	19	19
<b>Total equity</b>	<b>256</b>	<b>259</b>	<b>266</b>	<b>280</b>
<b>Minority Interest</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CASH FLOW STATEMENT</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019E</b>	<b>FY2020F</b>
<b>Profit before tax</b>	125	112	116	128
Depreciation	0	1	3	3
<b>Adjustments</b>	(32)	(8)	0	0
Change in Working capital	(49)	(59)	(18)	(39)
<b>Net Operating CFs</b>	<b>44</b>	<b>47</b>	<b>101</b>	<b>92</b>
Change in Fixed Asset	4	(2)	(2)	(2)
Change in Deposit, equity investment	29	58	(22)	0
Interest, dividend, cash profit	0	0	0	0
<b>Net Investing CFs</b>	<b>32</b>	<b>56</b>	<b>(24)</b>	<b>(2)</b>
Change in Capital	(1)	14	0	0
Change in Debt	14	(8)	0	0
Dividend paid & other	(96)	(93)	(86)	(86)
<b>Net Financing CFs</b>	<b>(82)</b>	<b>(87)</b>	<b>(86)</b>	<b>(86)</b>
<b>Beginning cash &amp; equivalents</b>	<b>4</b>	<b>1</b>	<b>17</b>	<b>8</b>
Change in cash & equivalents	(6)	16	(9)	5
<b>Ending cash &amp; equivalents</b>	<b>1</b>	<b>17</b>	<b>8</b>	<b>13</b>

**Company Report**

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 that 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	BUY	ACCUMULATE	REDUCE	SELL
Total Return including Dividends in 12-month horizon	>20%	5% to 20%	-20% to -5%	<-20%

**ABOUT US**

**RongViet Securities Corporation (RongViet)** was established in 2007, licensed to perform the complete range of securities services including brokerage, financial investment, underwriting, financial and investment advisory and securities depository. RongViet now has an operating network that spreads across the country. Our major shareholders, also our strategic partners, are reputable institutions, i.e. Eximbank, Viet Dragon Fund Management, etc... Along with a team of the professional and dynamic staffs, RongViet has the man power as well as the financial capacity to bring our clients the most suitable and efficient products and services. Especially, RongViet was one of the very first securities firms to pay the adequate attention to the development of a team of analysts and the provision of useful research report to investors.

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

**ANALYSIS & INVESTMENT ADVISORY DEPARTMENT**
**Lam Nguyen**
**Deputy Manager**

lam.ntp@vdsc.com.vn  
 + 84 28 6299 2006 (1313)

- Banking
- Market Strategy

**Hieu Nguyen**
**Senior Analyst**

hieu.nd@vdsc.com.vn  
 + 84 28 6299 2006 (1514)

- Market Strategy
- Pharmaceuticals
- Aviation

**Duong Lai**
**Senior Analyst**

duong.ld@vdsc.com.vn  
 + 84 28 6299 2006 (1522)

- Real Estate
- Building Materials

**Vu Tran**
**Senior Analyst**

vu.thx@vdsc.com.vn  
 + 84 28 6299 2006 (1518)

- Oil & Gas
- Fertilizer

**Trinh Nguyen**
**Senior Analyst**

trinh.nh@vdsc.com.vn  
 + 84 28 6299 2006 (1551)

- Steel
- Construction

**Son Phan**
**Senior Analyst**

son.pnt@vdsc.com.vn  
 + 84 28 6299 2006 (1519)

- Utilities
- Natural Rubber

**Tu Vu**
**Analyst**

tu.va@vdsc.com.vn  
 + 84 28 6299 2006 (1511)

- Macroeconomics

**Son Tran**
**Analyst**

son.tt@vdsc.com.vn  
 + 84 28 6299 2006 (1527)

- Market Strategy
- Retail

**Tung Do**
**Analyst**

tung.dt@vdsc.com.vn  
 + 84 28 6299 2006 (1521)

- Logistics
- Aviation

**Thu Pham**
**Analyst**

thu.pa@vdsc.com.vn  
 + 84 28 6299 2006 (1520)

- Industrial Real Estate
- Infrastructure & BOT

**Thao Dang**
**Analyst**

thao.dtp@vdsc.com.vn  
 + 84 28 6299 2006 (1529)

- Food & Beverage
- Textiles

**Tam Pham**
**Analyst**

tam.ptt@vdsc.com.vn  
 + 84 28 6299 2006 (1530)

- Insurance
- Fishery

**Anh Nguyen**
**Analyst**

anh2.ntt@vdsc.com.vn  
 + 84 28 6299 2006 (1531)

- Banking

**Vy Nguyen**
**Analyst**

vy.ntk@vdsc.com.vn  
 + 84 28 6299 2006 (1528)

- Automobile & Parts

**Trinh Le**
**Analyst**

trinh.lx@vdsc.com.vn  
 + 84 28 6299 2006 (1536)

- Industrials
- Agricultural Medicine

**Hoang Nguyen**
**Analyst**

hoang.nt@vdsc.com.vn  
 + 84 28 6299 2006 (1538)

- Macroeconomic

**Ha Tran**
**Assistant**

ha.ttn@vdsc.com.vn  
 + 84 28 6299 2006 (1526)

**Vi Truong**
**Assistant**

vi.ttt@vdsc.com.vn  
 + 84 28 6299 2006 (1517)

## DISCLAIMERS

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

This research report is copyrighted by Rong Viet Securities. All rights reserved. Therefore, copy, reproduction, republish or redistribution by any person or party for any purpose is strictly prohibited without the written permission of VDSC. Copyright 2016 Viet Dragon Securities Corporation.

## IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

### Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.

## RESEARCH DISCLOSURES

### Third Party Research

This is third party research. It was prepared by Rong Viet Securities Corporation (Rong Viet), with headquarters in Ho Chi Minh City, Vietnam. Rong Viet is authorized to engage in securities activities according to its domestic legislation. This research is not a product of Tellimer Markets, Inc., a U.S. registered broker-dealer. Rong Viet has sole control over the contents of this research report. Tellimer Markets, Inc. does not exercise any control over the contents of, or the views expressed in, research reports prepared by Rong Viet.

Rong Viet is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and other "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Tellimer Markets, Inc., located at Floor 36, 444 Madison Avenue, Floor 36, New York, NY 10022. A representative of

Tellimer Markets, Inc. is contactable on +1 (212) 551 3480. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Rong Viet. Tellimer Markets, Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

None of the materials provided in this report may be used, reproduced, or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission from.

Rong Viet is the employer of the research analyst(s) responsible for the content of this report and research analysts preparing this report are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer. The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Tellimer Markets, Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Tellimer Markets, Inc. or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, and does not expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Tellimer Markets, Inc. has never owned any class of equity securities of the subject company. There are no other actual, or potential, material conflicts of interest of Tellimer Markets, Inc. at the time of the publication of this report. As of the publication of this report, Tellimer Markets, Inc. does not make a market in the subject securities.

**About Tellimer**

Tellimer is a registered trade mark of Exotix Partners LLP. Exotix Partners LLP and its subsidiaries ("Tellimer") provide specialist investment banking services to trading professionals in the wholesale markets. Tellimer draws together liquidity and matches buyers and sellers so that deals can be executed by its customers. Tellimer may at any time, hold a trading position in the securities and financial instruments discussed in this report. Tellimer has procedures in place to identify and manage any potential conflicts of interests that arise in connection with its research. A copy of Tellimer's conflict of interest policy is available at [www.tellimer.com/regulatory-information](http://www.tellimer.com/regulatory-information).

**Distribution**

This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Tellimer. Tellimer shall accept no liability whatsoever for the actions of third parties in this respect. This report is for distribution only under such circumstances as may be permitted by applicable law.

This report may not be used to create any financial instruments or products or any indices. Neither Tellimer, nor its members, directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

**United Kingdom:** Distributed by Exotix Partners LLP only to Eligible Counterparties or Professional Clients (as defined in the FCA Handbook). The information herein does not apply to, and should not be relied upon by, Retail Clients (as defined in the FCA Handbook); neither the FCA's protection rules nor compensation scheme may be applied.

**UAE:** Distributed in the Dubai International Financial Centre by Exotix Partners LLP (Dubai) which is regulated by the Dubai Financial Services Authority ("DFSA"). Material is intended only for persons who meet the criteria for Professional Clients under the Rules of the DFSA and no other person should act upon it.

**Other distribution:** The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

**Disclaimers**

Tellimer and/or its members, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Tellimer may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups of Tellimer.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Frontier and Emerging Market laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Frontier and Emerging Market securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Frontier and Emerging Market securities may also be affected by fluctuations in available currency rates and exchange control regulations. Not all of these or other risks associated with the relevant company, market or instrument which are the subject matter of the report are necessarily considered.