

# Phu Tai JSC (PTB)

## Wooden furniture exports to bottom in 3Q23

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### Revenue across business segments all declined in 3Q23

In 3Q23, Phu Tai JSC (PTB) reported stone and wood revenue down 8% YoY and 20% YoY, resulting in a 36% YoY decrease in NPAT. In particular, wood revenue was severely impacted by the suspension of export transactions with Noble House LLC from August 2023.

### Wood exports may enjoy recovery on growing demand in 2024

We believe that the US market will create growth momentum for PTB's wood export segment in 2024 thanks to (1) mortgage rates tending to fall, stimulating future home purchases and (2) PTB's increased coverage in 2023.

### The capacity utilization rate of the quartz stone factory in Dong Nai should increase in 2024

The factory commenced operations in 3Q23 with an approximate capacity of 50%. We expect the factory will increase the utilization rate in 2024, helped by (1) rising demand and (2) PTB receiving new orders thanks to competitive prices.

### Handovers at Phu Tai Residences and Phu Tai Central Life will be pushed back to 2024–2025

9M23 real estate revenue hit VND39 billion. We estimate the remaining revenue at Phu Tai Residences at VND520 billion, and PTB will gradually deliver the remainder here and at Phu Tai Central Life, helping business results to improve in 2024–2025.

### We recommend HOLD for PTB with a target price of VND66,200/share

We recommend HOLD for PTB with a target price of VND66,200/share due to our expectation of 13% YoY earnings growth. After the construction of the quartz stone factory phase 2, we believe the capital expenditures (CAPEX) will gradually decrease, and PTB can promote dividend payments. In January 2024, PTB will conduct a 15% cash dividend payment for 2023 for the first tranche, implying a dividend yield of 2.6% (compared to the closing price on December 22, 2023).

## Hold maintain

**Target price** VND 66,200

Upside	13%
Current price (Dec 22, 2023)	VND 58,500
Consensus target price	VND 59,300
Market cap (VNDtn/USDbn)	0.39/0.16

#### Trading data

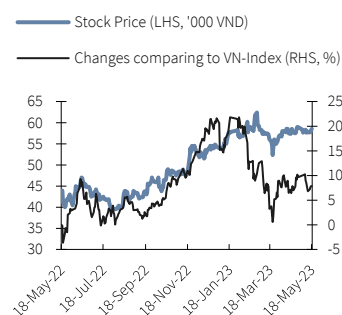
Free float	55%
3M avg trading value (VNDbn/USDmn)	16.13/0.66
Foreign ownership	19.03%
Major shareholder	Le Vy (13.25%)

#### Share price performance

(%)	1M	3M	6M	12M
<b>Absolute</b>	8%	21%	46%	-3%
<b>Relative</b>	5%	13%	31%	-2%

#### Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	6,492	6,887	5,416	6,525
Operating income/loss (VNDbn)	638	619	383	518
NPAT-MI (VNDbn)	512	487	312	414
EPS (VND)	10,532	7,162	4,665	6,190
EPS growth (%)	43%	-32%	-35%	33%
P/E (x)	6.3	5.6	12.5	9.5
P/B (x)	1.4	1.0	1.3	1.2
ROE (%)	23%	19%	11%	13%
Dividend yield (%)	21%	5%	5%	5%



Source: Bloomberg, KB Securities Vietnam

## Business performance

**Table 1. PTB – 9M22–9M23 business results**

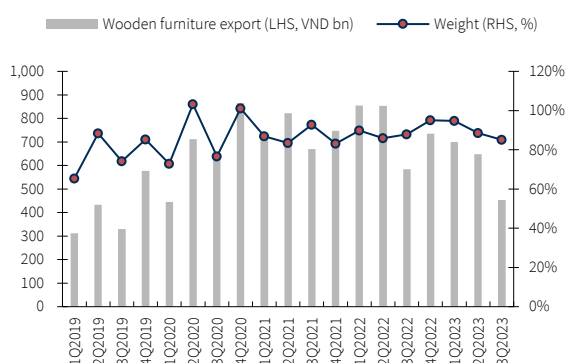
(VNDbn)	2Q2022	2Q2023	+/-%YoY	9T2022	9T2023	+/-%YoY	Comments
Revenue	1,547	1,187	-23%	5,164	4,071	-21%	
Stone	456	418	-8%	1,202	1,294	8%	Stone revenue contracted by 8% YoY due to waning demand in both domestic and export markets.
Wood	665	532	-20%	2,609	2,002	-23%	Wooden furniture revenue dropped by 29% YoY in 3Q23 following the suspension of export transactions with Noble House LLC
Toyota sales	284	201	-29%	905	645	-29%	
Auto repair services	28	25	-11%	76	84	11%	
Real estate	106	7	-94%	359	39	-89%	
Cost of goods sold	-1,208	-925	-23%	-3,957	-3,197	-19%	
Gross profit	339	262	-23%	1,207	874	-28%	
Stone	122	127	4%	355	387	9%	In 3Q23, stone margin increased 372bps YoY and decreased 121bps QoQ.
Wood	149	110	-26%	639	422	-34%	Wooden furniture margin remained stable at 21% in 3Q23.
Toyota sales	8	3	-61%	36	13	-63%	
Auto repair services	6	6	-9%	14	19	37%	
Real estate	46	2	-96%	150	15	-90%	
Gross profit margin	22%	22%	0%	23%	21%	-2%	
Financial income	11	12	9%	33	22	-34%	
Financial expenses	-42	-43	2%	-114	-112	-2%	
Borrowing costs	-34	-28	-19%	-90	-90	0%	3Q23 interest expenses decreased by 19% YoY thanks to the decline in interest rates compared to the same period last year.
Shared profits from associates	0	0		0	0		
SG&A	-180	-130	-28%	-595	-479	-19%	
SG&A margin	12%	11%	-1%	12%	12%	0%	
Operating income/loss	128	101	-21%	531	305	-43%	
Net other income	19	-6	-134%	-10	-10	-5%	
PBT	147	94	-36%	521	295	-43%	
PBT margin	10%	8%	-2%	10%	7%	-3%	
Corporate tax	-26	-17	-36%	-96	-48	-49%	
NPAT	121	78	-36%	425	246	-42%	
NPAT margin	8%	7%	-1%	8%	6%	-2%	
NPAT-MI	116	77	-34%	412	245	-40%	
NPATMI margin	7%	6%	-1%	8%	6%	-2%	

Source: Phu Tai JSC, KB Securities Vietnam

**Wood exports were severely impacted, causing earnings to decline QoQ**

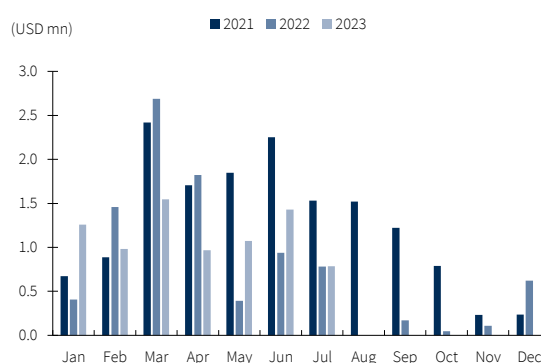
PTB temporarily halted export activities with Noble House since August 2023, resulting in a decline in 3Q23 revenue (Noble House was PTB's second largest importer by the end of July 2023). In November 2023, GigaCloud Technology successfully completed the acquisition of Noble House for USD85 million, including the transfer of existing commercial contracts. We anticipate that PTB can start providing products to GigaCloud Technology in 2024 with more stringent contract terms (higher downpayment rates, reduced credit terms, etc.). At the end of 3Q23, the remaining accounts receivable with GigaCloud hit VND61 billion (-VND18 billion compared to 2Q23).

**Fig 2. PTB – Wood export revenue (VNDbn)**



Source: Phu Tai JSC, KB Securities Vietnam

**Fig 3. PTB – Export revenue to Noble House LLC (USDmn)**

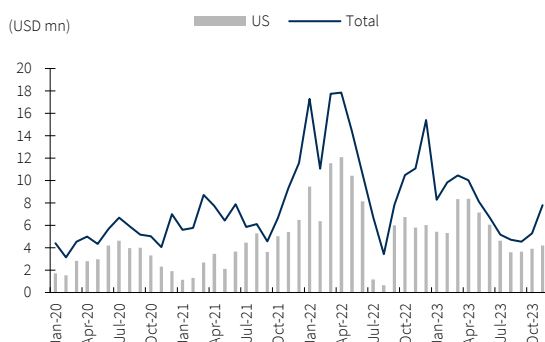


Source: KB Securities Vietnam

**Wood export revenue is expected to improve thanks to growing demand for home purchases in the US**

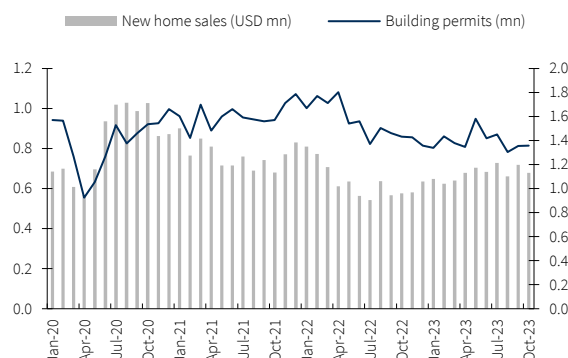
We expect PTB's wooden furniture revenue to gradually recover in 2024 thanks to (1) an increase in the number of new home sales and building permits in the US. Following a decline in mortgage rates, we believe that the demand for wooden furniture will slowly rebound in 2024 and (2) PTB's export value to the US, in our estimates, maintaining an average increase of 5% MoM during September–November 2023, indicating strong consumption and consumer confidence. PTB's advantage in supplying major distributors has contributed to an increase in market share, despite the reduction in furniture inventory in the country, which has decreased for eight consecutive months as of November 2023, and (3) PTB's wooden furniture export revenue showing signs of reaching a bottom in the period from August to September 2023.

**Fig 4. PTB – Wooden furniture export value (USDmn)**



Source: KB Securities Vietnam

**Fig 5. PTB – New home sales, building permits (USDmn, million)**

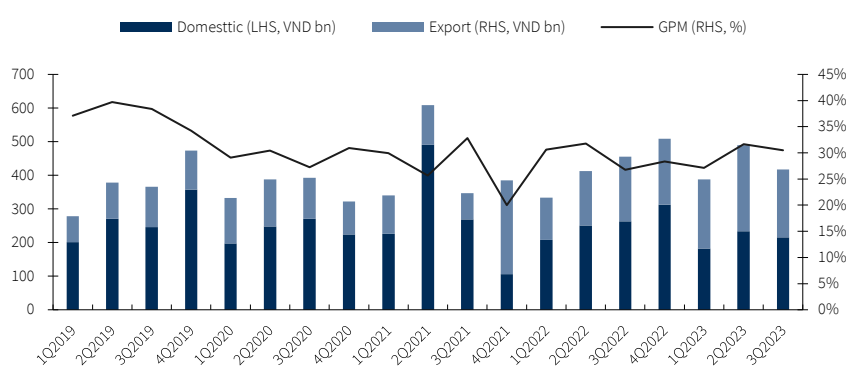


Source: Bloomberg, KB Securities Vietnam

**Stone revenue is expected to grow thanks to (1) economic rebound and (2) increased capacity utilization rate**

Phase 2 of Phu Tai quartz stone factory in Dong Nai commenced operations in 3Q23 with an approximate capacity of 40–50%. We anticipate that the high-end slab products will be a significant driver for PTB's stone segment due to (1) recovering demand in the US market. Additionally, we expect (2) the factory's capacity utilization rate to reach 70% in 2024 and 90% in 2025, assuming a more robust recovery in consumption demand in the following years. Currently, compared to Vicostone (VCS), PTB's high-end slab product line exported to the US market has a lower price (an average of USD65/m<sup>2</sup>), and we anticipate the potential for expanding market share in the future, especially in a competitive landscape facing products from China with lower prices.

**Fig 6. PTB – Stone revenue & GPM (VNDbn, %)**

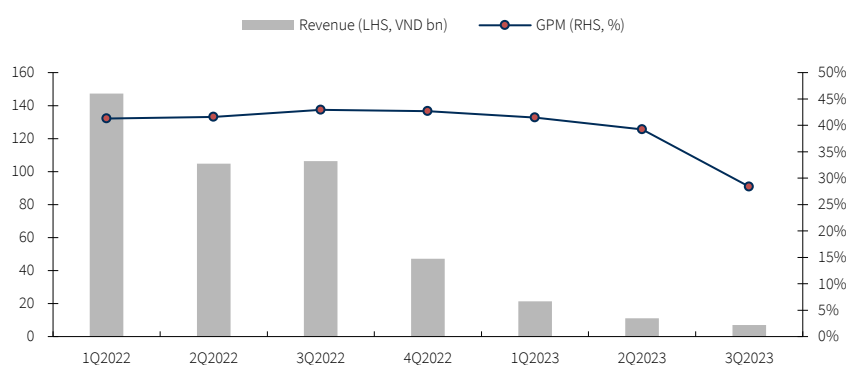


Source: Phu Tai JSC, KB Securities Vietnam

**Profit will be strengthened in the 2024–2025 period through the handover of two projects in Binh Dinh**

PTB achieved real estate revenue of VND7 billion in 3Q23 and VND39 billion in 9M23, mainly from the handover of apartments at the Phu Tai Residences project. We expect PTB to gradually hand over the remainder in 2024–2025, with estimated revenue recognition of VND520 billion. For the Phu Tai Central Life project, which was launched in October 2023 and achieved a 10% deposit rate, we expected deliveries to commence in 1Q25. Therefore, PTB's business results in the 2024–2025 period will include additional revenue from the real estate segment, contributing to an increase in NPAT.

**Fig 7. PTB – Real estate revenue and GPM (VNDbn, %)**



Source: Phu Tai JSC, KB Securities Vietnam

## Forecast & Valuation

**Table 8. PTB – 2022A–2024F business results**

(VNDbn)	2022A	2023F	+/-%YoY	2024F	+/-%YoY	Comments
Revenue	6,887	5,416	-21%	6,525	20%	
Stone	1,711	1,686	-1%	1,772	5%	Stone revenue is expected to grow slightly in 2024 thanks to increased capacity and recovering demand in the international market.
Wood	3,383	2,634	-22%	3,482	32%	Wood revenue should recover strongly in 2024 thanks to rising demand.
Toyota sales	1,261	1,000	-21%	1,000	0%	
Auto repair services	109	100	-9%	100	0%	
Real estate	406	49	-88%	171	252%	PTB is expected to accelerate the handover of apartments at Phu Tai Residences in 2024.
Cost of goods sold	-5,346	-4,258	-20%	-5,144	21%	
Gross profit	1,540	1,157	-25%	1,381	19%	
Stone	500	496	-1%	523	5%	
Wood	790	766	-3%	833	9%	
Toyota sales	49	30	-39%	30	0%	
Auto repair services	23	20	-14%	20	0%	
Real estate	170	68	-60%	127	86%	
Gross profit margin	22%	21%	-1%	21%	0%	We assume that GPM of core businesses remains stable.
Financial income	45	34	-24%	74	118%	
Financial expenses	-171	-142	-17%	-178	25%	
Borrowing costs	-111	-120	9%	-178	48%	
Shared profits from associates	0	0		0		
SG&A	-795	-628	-21%	-752	20%	
SG&A margin	12%	12%	0%	11%	0%	
Operating income/loss	619	421	-32%	540	28%	
Net other income	-5	-10	112%	0	-100%	
PBT	614	411	-33%	540	31%	
PBT margin	9%	8%	-1%	8%	1%	
Corporate tax	-112	-72	-36%	-108	51%	
NPAT	502	339	-32%	432	27%	
NPAT margin	7%	6%	-1%	7%	0%	
NPAT-MI	487	339	-30%	432	27%	

Source: Phu Tai JSC, KB Securities Vietnam

We recommend HOLD for PTB with a target price of VND25,000/share

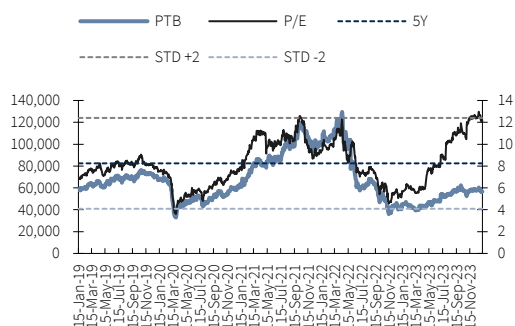
We combine two valuation methodologies discounted cash flow (DCF) and P/E to more accurately reflect the intrinsic value of PTB, considering stable cash flows from business operations and future growth potential. We estimate the fair price for PTB to be VND66,200 /share, representing an expected return of 13% compared to the closing price on December 22, 2023.

Table 9. PTB – Valuation results

Valuation method	Unit	Weighting	Value
<b>FCFF</b>			
Beta	x		0.7
Risk-free rate	%		5.0%
Risk premium	%		8.0%
WACC	%		9.0%
Enterprise value	VNDbn		7,035
Cash & equivalents, short-term investments	VNDbn		189
Short & long-term debts	VNDbn		1,633
Bad debt	VNDbn		61
Provisions	VNDbn		50%
Equity value	VNDbn		5,560
Outstanding shares	million		67
Value per share	VND/share		83,057
<b>P/E</b>			
EPS @ 2024	VND		6,190
P/E target	x		8
Value per share	VND/share		49,519
DCF	VND/share	50%	83,057
2024 forward P/E	VND/share	50%	49,519
Target price	VND/share		66,200

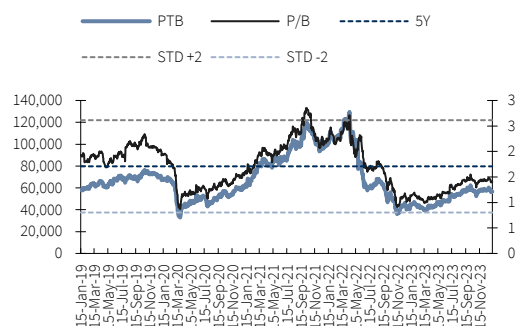
Source: KB Securities Vietnam

Fig 10. PTB – Historical P/E (x)



Source: Fiinpro, KB Securities Vietnam

Fig 11. PTB – Historical P/B (x)



Source: Fiinpro, KB Securities Vietnam



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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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