

PHR PHUOC HOA RUBBER JOINT STOCK COMPANY

HOSE – Materials

↑ POSITIVE

Previous close **43,100**

Prediction **60,000**



General information

Stock ticker	PHR
Shares outstanding (million VND)	135.5
Market Capitalization (billion VND)	5,840
52 Week Range	16,600–8,300
Average Volume (3 months)	591,920
Book value	18,660

Major shareholders

Viet Nam Rubber Group (GVR)	66.62%
VOF Investment Limited	5.01%
Halley Sicav - Halley Asian	
Prosperity	2.85%

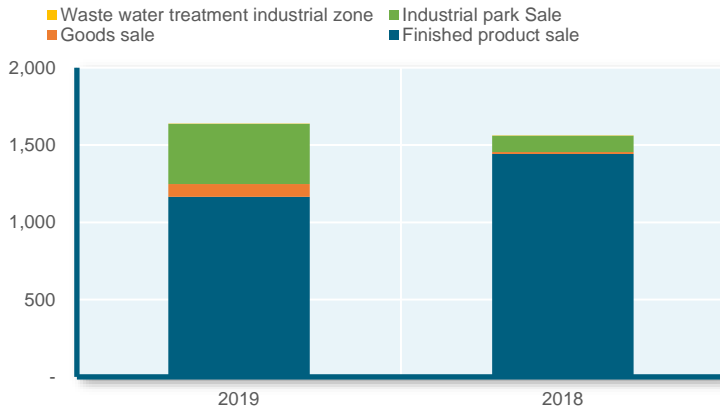
Business result Q1.2020

- PHR just released its consolidated financial statement for the first quarter of 2020 with total revenue reported of 220.9 billion VND, a 24% decrease compare to 2019. However, financial income increased by 11 billion thanks to interest earnings and earnings from joint ventures and associates. Overall, net profits from operating activities did not experience any significant change, only decreased by 2.4%.
- There was a decrease in rubber sales but PHR also earned 170 billion VND of compensation for the loss of their land from Nam Tan Uyen industrial park worth 156 billion vnd. Thanks to other income, net profit after tax soared to 211.4 billion VND, a 90% increase. Thus, completed 22% of its plan for 2020.
- Two funds managed by VinaCapital, VOF Investment Limited and VinaCapital Fund Management Joint-Stock Company have bought 110,000 shares of PHR. As a result, VinaCapital now owned 6.7 million shares of PHR (5% total).

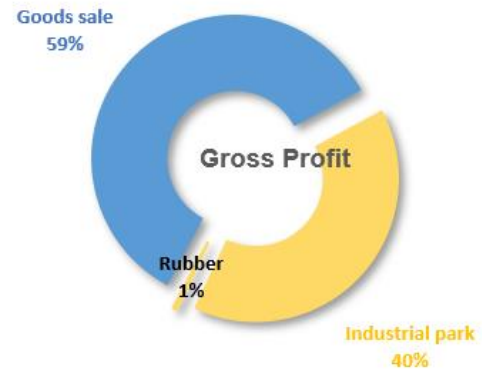
	Q1 2019	Q1 2020	%
Net Revenue	291,630	220,927	-24.2%
Cost of Goods Sold	219,715	162,988	-25.8%
Gross Profit	71,915	57,939	-19.4%
Financial Income	19,747	29,332	48.5%
Financial Expenses	3,313	7,184	116.9%
Including: Interest expense	2,896	6,823	135.6%
Earnings from affiliate companies	22,934	28,047	22.3%
Other Income	48,657	169,999	249.4%
Other Expenses	46	117	153.7%
Other Profits	48,611	169,882	249.5%
EBIT	135,951	255,208	87.7%
Net Income	111,883	211,318	88.9%

Revenue breakdown

Revenue segment

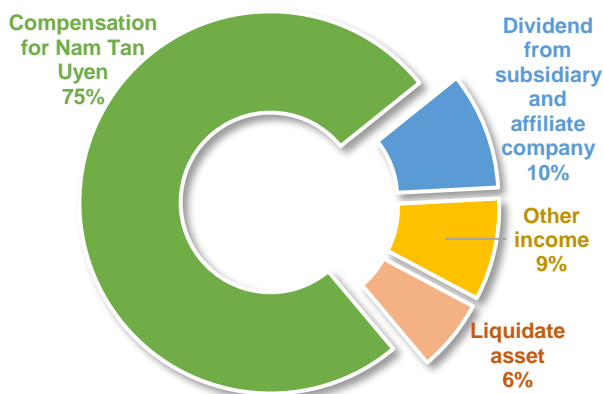


Gross Profit 2019



- Regarding rubber production, in 2020, PHR will start extracting rubber from Phuoc Hoa Kampong Thom, a rubber tree plantation that can produce 10,000 tonnes of rubber. Currently, PHR has 7,664 ha of land to grow rubber trees in Kampong Thon, Cambodia and will start working in full capacity by the end of 2020. On the other hand, total land being used to harvest rubber in Vietnam is decreasing from 7,000 ha to 6,530 hectares. Total production experienced a 4% decrease, only produced 11,500 tonnes.
- Rubber's average price is predicted to decrease 3% due to China's decrease in demand while the world's total supply increases. The Association of Natural Rubber Producing Countries (ANRPC) predicts worldwide production will reach 14,112 million tonnes, a 2.2% increase based on adjusted plan from countries with large rubber production. Growth speed decreases 0.5% compare to initial prediction made in March. This global scaleback is mainly due to a decrease in price, tariffs, decrease in global demand and COVID-19.
- PHR predicts revenue from rubber production will only be 15% of total revenue in 2020, the remaining will come from leasing plantations. This will be PHR's long term strategy due to a vast amount of land they own in Dong Nai and Binh Duong, ideal for building new industrial parks, especially when it is becoming more competitive to sell rubber. In 2019, revenue from . Trong năm 2019 revenue from industrial park is only 24% of total revenue. However, when looking at gross profit, it was responsible for 40%, the largest amount in PHR's income.

Revenue segment 2020



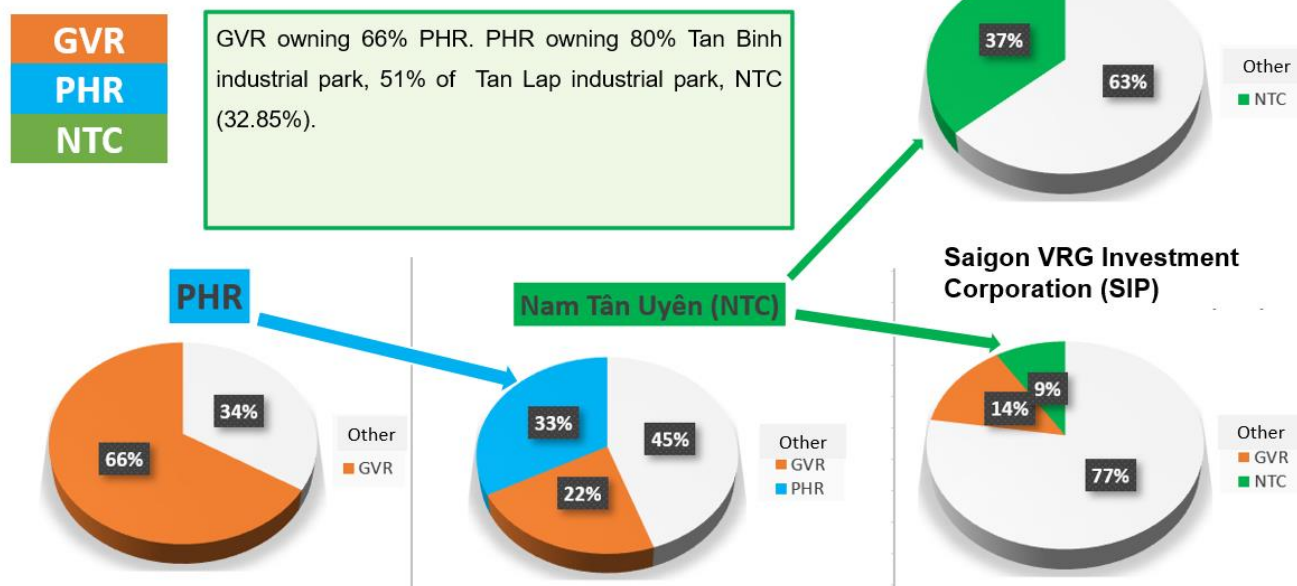
According to PHR's 2020 business plan, its revenue will mainly come from transfer of land use right, developing industrial park in Nam Tan Uyen. 10% of revenue will come from subsidiaries and affiliate companies. Out of the 10%, 42 billion of cash dividend from NTC (8.000 VND/share) and 72 billion cash dividend from Tan Binh industrial park (5.000 VND/share).

Information on some industrial parks of PHR:

- Tan Binh industrial park expansion (PHR owns 80%): Total area of the park is 352 ha with 244 of it is commercial land. PHR is leasing 83% of the land, the rest will be use once compensation is completed. PHR is planning to expand it by 1500 ha for planning and developing Binh Duong industrial park within the next 5 years.
- Tan Lap industrial park: The overall scale of the project is 400ha. In phase 1 til the end of 2020, it will be 200ha. PHR contributes capital to 51% of charter capital using owners' equity. According to plan, PHR will lease out the 200 ha in 2020, the remaining 200ha will merge into the plan of developing Binh Duong industrial park.
- Nam Tan Uyen industrial park expansion (PHR owns NTC 32.85% the project has already been approved by the People's Committee of Binh Duong province regarding land acquisition, thus PHR can transfer this asset and start collecting compensation.
- VSIP III industrial park in Binh Duong(PHR contributes 20% capital, partnered with Vietnam Singapore Industrial Park). PHR will transfer 691 ha to VSIP to implement project VSIP III as approved by the government. Under the agreement, VSIP will compensate for early liquidation of rubber trees at the price of 1.3 billion VND/ha, 898.3 billion VND overall. Both companies are waiting for the People's Committee to approve the acquisition of the land. Minimum compensation price is 2.5 billion VND/ha , the remaining will depend on the progress of the of the VSIP III industrial park but will be no less than 1.2 billion VND/ha.

With the land acquisition procedure of Nam Tan Uyen completed, PHR's business plan for 2020 seems optimistic. Project partnered VSIP expect to be completed in 2020. Compensation worth up to 900 billion VND could help PHR's cash flow.

PHR and Subsidiaries



Financial analysis and forecast

Income Statement (billion VND)	2016	2017	2018	2019	2020F	2021F
Revenue	1,178.2	1,653.7	1,557.8	1,633.1	2,470	2,700
%YoY	-4%	40%	-6%	5%	51%	9%
Cost of goods sold	1,020.1	1,370.0	1,283.4	1,244.5	1,853	2,025
Gross Margin	87%	83%	82%	76%	75%	75%
Operating Expenses	101.5	176.2	155.7	168.0	180	200
% of revenue	9%	11%	10%	10%	10%	10%
Depreciation & Ammortization	48.8	50.9	70.7	85.1	89	89
% of Net fixed assets	8%	6%	6%	6%	6%	6%
EBITDA	308.5	462.7	840.7	729.9	1,289	1,489
EBITDA Margin	26%	28%	54%	45%	52%	55%
EBIT	259.6	411.9	770.0	644.8	1,200	1,400
Corporate tax	14%	20%	16%	19%	19%	19%
Net Income	223.2	330.5	643.6	522.3	972	1,134
EPS	2,707	4,004	4,637	3,508	7,173	8,369
Capital Expenditure	137.6	352.3	359.8	308.3	154	189
Change in NWC	174.3	(137.7)	476.8	202.4	191.2	219.5



- PHR is a state-owned company, 2019 was the first year the company did not achieve its profit goal due to legal procedures. In previous years, PHR usually completed its plan from 20% to 50% higher than expected. Therefore, PHR will likely to complete its plan in 2020.
- PHR is a company that has great potential with vast amount of land own that many companies dream of and the ability to switch to real estate is still very promising. A testament to the trend of investment in this field is that Vingroup is also planning to invest in industrial real estate. PHR will become a company with many advantages in the industry, including more opportunities to choose expansion partners in the future.
- After its stock price reached its peak at 70,000 in 2019, PHR's stock price have fallen by 50% due to the company unable to reach its expected revenue. PHR's stock price is now trading at around 43,000 VND. We think this is a good price range for investors to enter and make PHR a long term holding.. Stock price target for PHR for the next year should be from 60,000 to 65,000 VND which means P/E ratio increases to 9.5



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