

PHUOC HOA RUBBER: AGM Takeaways

13 March 2020

PHR VN

Not Rated

Close 12 March 2020

Price VND41,400

12M target N/A

What's new?

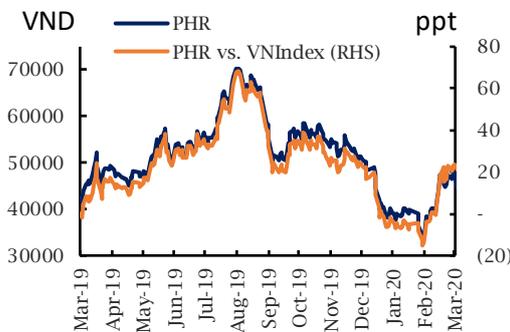
- ▶ We attended PHR's AGM on 11 March
- ▶ PHR discussed plans for its three main businesses: rubber and related products, residential & industrial property, and high-tech agriculture.
- ▶ Accelerating land conversion procedures and implementing projects.
- ▶ Cash dividend set at ≥VND4K, equivalent to 9.7% dividend yield.

Our view

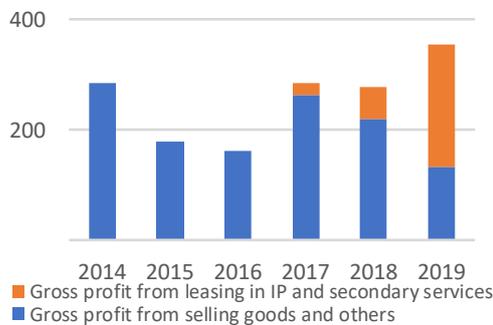
- ▶ We don't cover the stock and have no investment recommendation.
- ▶ Industrial park development could offer huge longer-term potential. Vietnam is a winner from the diversification of the world's manufacturing base from China.
- ▶ Assuming PHR can maintain its earnings, the 9.7% dividend yield could be attractive for investors.

Company profile: PHR's core business are rubber and related products, residential & industrial property, and high-tech agriculture.

Share price performance relative to VNI



PHR's gross profit (VNDbn)



Market cap	USD 244 mn
6M avg. daily turnover	USD 1.06 mn
Outstanding shares	135 mn
Free float	32.75%
FINI ownership	7.00%
Major shareholders	72.36%
Net cash	US\$6.5mn
2019P P/E (x)	14.4x
FOL Room	42%

Source: Bloomberg, Yuanta Vietnam

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Bloomberg code: YUTA

Transforming the business model

Expanding into industrial property. Given that the economic efficiency of agricultural land (land for planting rubber) is low, PHR has been expanding into industrial property since 2012. However, industrial property segment results have been strong since 2017 and PHR expects this to continue in years ahead. In FY20, PHR will aim at maintaining rubber sap profitability at over VND2mn per ton due to the sector's various difficulties.

PHR plans to convert c. 9.5K ha of agricultural land into residential & industrial park land (c.6K ha) and high-tech agricultural land (c. 3.5K ha) in the next few years. This plan has been approved by Binh Duong's Provincial People's Committee and other relevant authorities. Thus, the conversion process now depends on the company's ability to execute and the broader environment for industrial property development in Binh Duong province.

Accelerating agricultural land conversion and developing property projects.

Phase 1 of PHR's Tan Lap industrial park (200 ha) has been approved by the provincial authorities. Additionally, PHR plans to develop the Hoa Nghia Industrial Park and Thach My Industry Urban Service Complex in the future. In total, these two projects comprise c.1,500 ha of land area.

PHR stated that their joint venture investee, Nam Tan Uyen (NTC VN, Not Rated) will fully pay VND864bn as compensation for acquiring 345ha of agricultural land from PHR in 2020 (PHR received VND150bn of advance compensation for this in FY19). This was approved by Binh Duong People's Committee on Feb 24. PHR also expects the final approval from the Government for transferring 691 ha of agricultural land to Vietnam Singapore Industrial Park (VSIP), which will add another VND898bn in earnings (PHR received VND150bn as advance compensation in FY19). PHR will also establish a joint-venture enterprise with VSIP to redevelop 691ha of agricultural land into industrial property.

Cash dividend of ≥VND4K per share, equivalent to 9.7% dividend yield, was approved at the AGM. PHR's FY19 EPS was just VND2.8K

Our view: We don't cover PHR and have no investment view on the stock. However, the move into industrial park development appears to be wise given the huge multiyear potential for industrial investment in Vietnam. The company's cashflow/profits from land compensation could be boosted as a result of this strategic shift.

PHR's income stream should be strong over the next two years given their expected land compensation fees, while the rubber business continues to contribute a small proportion of its earnings. The 9.7% dividend yield could be attractive for some investors. Maintaining such a high cash dividend may be possible, but it will require the business transformation to continue.

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