

Vietnam: Agribusiness / Industrial property
26 June 2020
PHR VN
Not Rated
Close 25 June 2020

 Price VND 50,600
 12M Target N/A

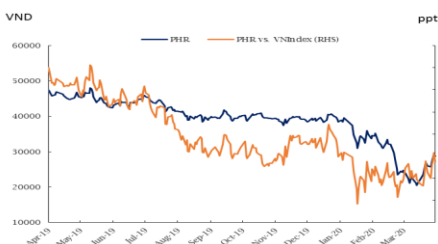
What's new?

- ▶ Strong FY2020E profit guidance mostly due to land transfer compensation.
- ▶ Short-term strategy: PHR plans to develop a 400 ha industrial park at Tan Lap in the short term.
- ▶ Long-term strategy: PHR plans to develop two service cities along with its industrial parks in 2021–2025.

Our view

- ▶ The rubber plantation business is not profitable due to unfavorable pricing.
- ▶ PHR is gradually transforming into a player in the Vietnam industrial park space.
- ▶ With its massive land bank in Binh Duong province, PHR is in a good position to benefit from the diversification of global manufacturing supply chains.

Company profile: PHR is a rubber producer with total c.16K ha of rubber plantation land in Binh Duong Province, 60km away from HCMC. The company is increasingly becoming involved in industrial parks, with an 80% stake in Tan Binh Industrial Park JSC and 33% ownership of UCom-traded industrial park developer Nam Tan Uyen (NTC VN, Not Rated).

Share price performance relative to VNI


Market cap	US\$296mn
6M avg. daily turnover	US\$1.8mn
Outstanding shares	135mn
Free float	32.8%
FINI ownership	33%
Major shareholders	59.67%
Debt/equity	19.9%
TTM P/E	11.9x
1Q20 P/B	2.6x
Trading platform	HOSE
FOL Room	38%

Financial outlook (VND bn)

Year to Dec	2016A	2017A	2018A	2019A
Sales	1,178	1,654	1,558	1,639
Op. profit	78	182	171	235
Net profit	220	326	628	450
EPS (VND)	2,804	4,147	4,674	2,863
EPS chg (%)	31.6	47.9	12.7	-38.7
P/E (x)	24.43	15.96	12.61	19.78
ROE (%)	9.8	13.8	24.7	17.0
Div. yield (%)	2.1	2.7	4.0	5.9
DPS (VND)	1,080	1,380	2,000	3,000

Source: Fiinpro

Research Analysts:
Binh Truong

+84 28 3622 6868 ext 3845

Binh.truong@yuanta.com.vn
<http://yuanta.com.vn>

Bloomberg code: YUTA

PHUOC HOA RUBBER JSC (PHR VN)
Transforming into an industrial park player

FY2020 profit guidance. PHR proposed a FY2020 PBT target of VND 1.148 bn (+115.1% YoY). Management believes that this target is achievable given 1) expected compensation from [NTC-3](#) of about VND 864bn; 2) dividends from subsidiaries of about VND120bn; and 3) the expected VND 50bn in PBT from wood sales, and 4) land transfer compensation for VSIP.

Short-term development plans. PHR plans to develop the Tan Lap Industrial Park (total area: 400ha). PHR expects Phase 1, totalling 200ha with commercial area of 140ha, to be fully occupied in two to three years. PHR will target wood and furniture companies for this project, with 50-year lease price to exceed USD100 per sqm. In addition, PHR plans to transfer 400 ha of land to BIWASE for waste processing and cemetery land, with targeted land compensation of VND2.5bn/ha.

Long-term plans: PHR plans to develop two service cities comprising industrial parks and adjacent residential developments and educational, medical, and shopping services at Hoi Nghia (785ha) and Binh My (1,002ha) in 2021–2025.

Our view -- The rubber plantation business is unattractive. PHR targets sales volume of 39.5k MT (+20.9% YoY) with ASP of VND 32.3mn/MT (-3.2%YoY). At this price, PHR hardly makes any profit as COGS should be around 30–31mn/MT, resulting in gross margin of just 5–7%.

But industrial property is highly attractive given the trend of global supply chain diversification. Vietnam's cost advantages, proximity to China's manufacturing ecosystem, and substantial array of international trade agreements make it a prime beneficiary. PHR is thus a good position to benefit from its 16k of land bank that is transformable into industrial land in Binh Duong province, which is adjacent to HCM City.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2019 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) – 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam

YUANTA SECURITIES NETWORK



YUANTA SECURITIES VIETNAM OFFICE

Head office: 4th Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

Institutional Research

Matthew Smith, CFA
Head of Research
Tel: +84 28 3622 6868 (ext. 3815)
matthew.smith@yuanta.com.vn

Binh Truong
Deputy Head of Research (O&G, Energy)
Tel: +84 28 3622 6868 (3845)
binh.truong@yuanta.com.vn

Tam Nguyen
Analyst (Property)
Tel: +84 28 3622 6868 (ext. 3874)
tam.nguyen@yuanta.com.vn

Tanh Tran
Analyst (Banks)
Tel: +84 28 3622 6868 (3874)
tanh.tran@yuanta.com.vn

Institutional Sales

Huy Nguyen
Head of Institutional sales
Tel: +84 28 3622 6868 (3808)
Huy.nguyen@yuanta.com.vn

Duyen Nguyen
Sales Trader
Tel: +84 28 3622 6868 (ext. 3890)
duyen.nguyen@yuanta.com.vn