

# Phuoc Hoa Rubber

## Fired up by industrial property outlook

### The approval of VSIP3 could end in FY21F

We expect the VSIP 3 IP operator could get the license to deploy the VSIP 3 IP in the 2H21F, allowing PHR to obtain the full land compensation of VND898bn in 4Q21F-1Q22F. In addition to the upfront payment, PHR is entitled to recognize 20% of shared gross profit from selling VSIP3 IP's land sales and associate income from 20% stake in this affiliate in FY22F.

### Upbeat on approval of self-development IP in FY22F-24F

The Tan Lap 1 (200ha) could get the biggest milestone in licensing process this year, based on our estimates. To the remainders, we think the regulatory process for approval could end in FY22F-24F, as the company are initiating some baby beginning steps. Healthy exposure to growing IP business could yield from FY23F onward.

### Rosy earnings outlook for FY21F-23F

Our deep dive earnings forecast indicates a flattish growth to VND1,126bn thanks to the VND898bn compensation income from VSIP3IP in FY21F. However, net profit could bounce strongly to VND1,360bn in FY23F, propelled by compensation income of VND1,580bn from Lai Hung IP.

### Initiate with BUY rating with TP of VND70,500

We initiate coverage with a BUY rating and TP of VND70,500, based on a 10% discount to our SOP valuation. PHR is firing on all cylinders, with a promising outlook of faster approval for VSIP3 while its rubber segment continues to expand steadily. Valuation is attractive, in our view, at 7.1X FY21F PE while providing a stable dividend yield of 6.7%.

	2019A	2020A	2021F	2022F	2023F
Sales (VND bn)	1,639	1,631	1,874	2,142	2,618
OP (VND bn)	235	275	311	303	441
EBT (VND bn)	607	1,382	1,439	1,155	1,840
NP (VND bn)	450	1,082	1,126	859	1,360
EBITDA (VND bn)	320	360	396	388	526
Net debt (VND bn)	-1,120	-2,671	-3,401	-4,504	-5,670
OP margin (%)	14.4	16.9	16.6	14.1	16.8
ROE (%)	17.5	24.2	16.3	11.1	15.8
Dividend yield (%)	5.0	4.2	6.7	6.7	6.7
EPS (VND, adj.)	2,863	7,985	5,815	4,436	7,030
chg. (% YoY)	(22.8)	178.9	(27.2)	(23.7)	58.5
BPS (VND, adj.)	18,661	23,596	27,072	28,775	33,814
DPS (VND, adj.)	3,000	2,500	4,000	4,000	4,000
PE (x)	18.0	7.5	10.1	13.3	8.4
PB (x)	3.2	2.5	2.2	2.1	1.7
EV/EBITDA (x)	24.8	22.0	18.7	17.2	10.6

Note: Net profit, EPS and ROE attributed to controlling interest

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12M rating **BUY**

12M TP **70,500**

Up/Downside **+25.2%** (incl 6.7% cash dividend)

#### Stock data

VNIndex (12 Apr, pt)	1,252
Stock price (12 Apr, VND)	59,500
Market cap (USD mn)	350
Shares outstanding (mn)	135
52-Week high/low (VND)	70,500/39,327
6M avg. daily turnover (USD mn)	2.56
Free float / Foreign ownership (%)	32.4/14.8
Major shareholders (%)	
Group of Vietnam Rubber	66.6
VOF	4.92

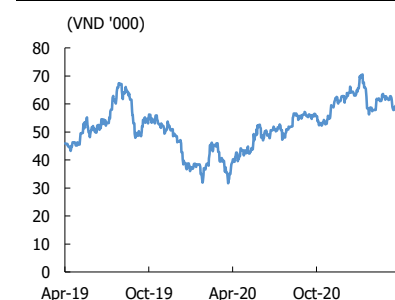
#### EPS revision (KIS estimates, VND)

	Previous	Revised	(%)
2021F	N.A	N.A	N.A
2022F	N.A	N.A	N.A

#### Performance

	1M	6M	12M
Absolute (%)	(4.0)	10.5	47.7
Relative to VNIndex (%p)	(10.0)	(25.8)	(20.5)

#### Stock price



Source: Bloomberg

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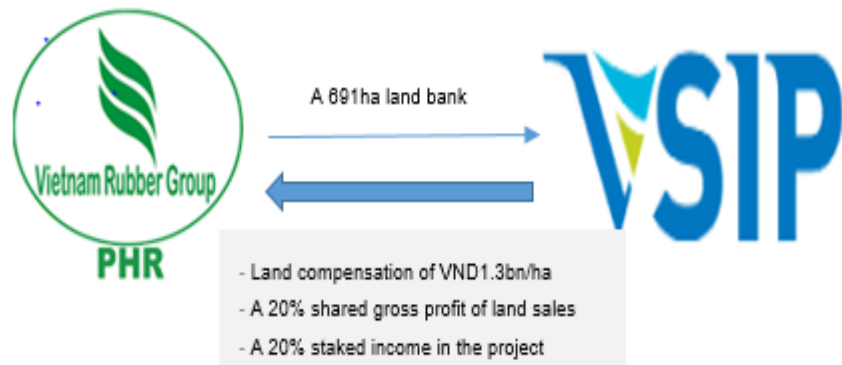
### What is the report about?

- VSIP3 IP drives net profit growth in FY21-22F while Lai Hung IP leads in FY23F.
- Healthy exposure to growing industrial park business yields sweetened fruits.
- BUY on sustained momentum growth despite cheap valuation.

## I. VSIP3 industrial park drives land compensation income in FY21F

After receiving the land compensation payment of VND860bn for rubber land conversion in NTU3 industrial park (IP) in FY20, we expect the company could get another similar payment in VSIP3 IP. The payment is expected at around VND898bn for a total 1000ha land bank, in which PHR received a VND150bn advance payment in FY19. In Feb 2021, this IP received approval from the government for a zoning adjustment. We expect the aggressiveness of the government could shorten the process of approval of VSIP 3 IP in FY21F. Hence, we expect the VSIP 3 IP operator could get the license to deploy the VSIP 3 IP in the 2H21F, allowing PHR to obtain the full land compensation of VND898bn. That abnormal other income could come into 4Q21F-1Q22F, in our view. In addition to the upfront payment when converting rubber land in FY21F, PHR is entitled to recognize 20% of shared gross profit from selling VSIP3 IP land sales and another income from a 20% stake in this IP project.

**Figure 1. Synergy of VSIP3 IP**



Source: Company report, KIS

**Table 1. VSIP3 IP's business performance forecast**

(ha, VND bn)

	FY22F	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F	FY31F	FY32F	FY33F	FY34F	FY35F
Estimated land sale area		20	36	50	54	54	54	54	60	60	60	60	70	30
20% from gross profit share		58	114	157	188	206	206	219	268	254	270	301	330	148
Associate income from 20% stake	-16	27	50	65	83	70	67	81	111	105	117	129	146	107

Source: KIS

Besides VSIP3 IP, we expect PHR to convert the rubber land to the Lai Hung IP (total 600ha) starting from FY22F. This industrial park has already been zoned in the national master plan, but the operator Becamex (BCM VN, Non-rated) has not yet obtained the investment principal approval from the

government. We project the land compensation income from Lai Hung IP could mount to at least VND2.6bn/ha in FY23F-24F in the context the operator is eager to take the needed steps to get the approval.

## II. Self-developing IPs lead FY22F-23F prospects

In addition to the Tan Binh IP, the company is operating at near full capacity of 88% as of end-FY20, PHR is anticipating being the operators of Tan Lap 1, Tan Lap expansion, Hoi Nghia and the Tan Binh phase 2 IPs. Varying by legal time frame, each of those IPs has a different point of time to get the final approval. As the regulatory process is much more relaxed recently, we expect the Tan Lap 1 could get the biggest milestone in the licensing process this year. The remainders, we think the regulatory process for approval could end in FY22F-23F, as the company is initiating some first beginning steps. We expect the monetization of those icebergs could be recorded in the business results from FY23F onward. Around VND6-7tn could add to the NAV of the industrial property when granted approval. For conservative assumptions, we will not embed the fruits in our valuation and financial forecast as well.

**Table 2. Legal status of PHR's industrial parks in the pipeline**

Industrial park name	Land area (ha)	Regulatory phase			Note
		Zoned in Vietnam master plan	Receiving Investment principle approval		
Tan Lap 1	200	Yes	Not		PHR expects to get the approval decision from the Prime Minister in 2H21F.
Tan Binh expansion phase 1	500	Not	Not		
Tan Binh expansion phase 2	400	Not	Not		
Tan Lap expansion	287	Not	Not		PHR anticipates getting approval from the Binh Duong People's committee to zone those IPs in the provincial master plan.
Hoi Nghia	715	Not	Not		
Binh My	1,002	Not	Not		
Tan Thanh	312	Not	Not		

Source: KIS

The company is going to build a complex Tan Lap 1 industrial park that offers ready-built factories/warehouses (RBFs) and raw land area. However, we think raw land sales could be optimal to maximize the value of the industrial park and RBFs are additional services. Hence, we project the business performance of land sales in Tan Lap 1 industrial park with 160ha leasable area as following:

**Table 3. Tan Lap IP's business performance forecast** (VND bn)

	FY23F	FY24F	FY25F	FY26F	FY27F	FY28F	FY29F	FY30F
Leasable sales area (ha)	10	11	12	14	17	22	31	33
Revenue (VND bn)	221.4	258.2	309.9	394.3	502.8	683.4	1,001.5	1,119.9
PBT (VND bn)	70.7	83.6	87.8	132.0	166.8	202.3	334.1	413.1
FCFF (VND bn)	118.0	196.3	-46.7	300.0	188.8	34.4	749.7	844.0

Source: KIS

### **III. Net profit moderates in FY21F-22F but rebounds in FY23F**

We project total revenue could reach VND1,873bn, 14.9% yoy in FY21F, VND2,142bn, +14.3% yoy in FY22F, and VND2,618bn, 22.2% yoy in FY23F. Despite the sustained revenue growth, net profits are fluctuating as details: the bottom line stays sustained in FY21F to VND1,126bn and plunges to VND859bn, -19.5% yoy in FY22F before rising to VND1,360bn, +58.3% yoy in FY23F. Some attributes to the swinging net profit in FY21F-23F are below:

#### **1. Resilient land compensation from VSIP3 and Lai Hung IPs**

In FY21F-FY22F PHR could record equally the VND898bn land compensation income from VSIP3 IP, based on our estimates. In FY23F-24F, we attribute the Lai Hung IP land compensation payment to a VND1,560bn other income.

#### **2. Bouncing liquidating rubber drives FY21F earnings**

The other income from liquidating rubber trees could resume in FY21F, in our view. The company reduced the liquidation business in FY20 due to the COVID-19 fallout that limited labour productivity. We forecast rubber liquidation income could contribute to VND490bn in FY21F and VND200bn in FY22F. The income from rubber liquidation is among the biggest catalyst for net profit growth in FY21F.

#### **3. Solid land sales in Tan Binh and Tan Lap 1 IPs in FY21F-23F**

Travel restriction and 14-day guarantee requirements have impeded the site visits to industrial parks from 2020. Based on our expectation, those hurdles could be removed in 2H21F, opening the door to the normalcy of commercial business trips to the company. In our projection, at least 5ha of land area in Tan Binh IP could be transferred in 4Q21F and double area of 10ha p.a from FY22F onward. We also factor in the recognition of Tan Lap 1 industrial park in FY22F with the first 10-11ha land area transferred each year. The revenue generates around VND221-224bn in the same period.

#### **4. Cambodia plant dominates the volume growth; rubber price remains intact from FY23F onward**

Going forward, FY21F-23F, we expect the rubber volume in the Cambodia plant could increase to compensate for the shortage volume in the Vietnam plant. The total rubber volume could steadily grow by 6-7% p.a in which the Cambodia plant generates 15-21% yoy p.a growth in FY21F-23F, in our view. In spite of the sustained increasing volume, the average price of rubber could moderate at 3-6% yoy p.a. We believe the over-supply in ANRPC (Associates of natural rubber producing countries) has not been fully solved out, which compresses the price growth of rubber in the upcoming years. However, FY21F rubber price could witness a fantastic price growth of 6% yoy due to the COVID-19 outbreak which hurts the production of countries in ANRPC.

**Table 4. Rubber output growth forecast**

(tonnes, %, VND bn)

	FY20	FY21F	FY22F	FY23F	FY24F	FY25F
Total rubber output	31,665	33,900	35,610	37,577	39,084	40,743
<i>of which Cambodian plant</i>	9,435	11,400	13,110	15,077	16,584	18,243
% total volume growth	-3.1	7.1	5.0	5.5	4.0	4.2
<i>of which Cambodian plant growth</i>	84.7	20.8	15.0	15.0	10.0	10.0
Average selling price	33	35	36	37	37	37

Source: KIS

## 5. Associates drives earnings from FY23F

PHR's associate incomes could rally sharply when NTU3 and VSIP2 IPs commence operations in FY21F and FY23F, respectively. To NTU3 which has a 255ha leasable area out of 345ha, we project that Binh Duong's People's Committee will issue the final documentation soon which will allow NTC to immediately commence operations at the NTU3 IP. PHR owns 32.8% of NTC, once operations commence, expect a sharp acceleration in earnings and possibly an increased dividend from NTC.

**Table 5: Snapshot of NTC's performance forecast**

(sqm, VND bn)

Assumptions	FY21F	FY22F	FY23F	FY24F	FY25F
Leased area in NTU3	480,000	512,500	546,125	580,931	546,978
Revenue	339.1	401.0	469.3	544.5	347.8
Net profit	284.0	353.5	451.2	569.7	330.2
Dividend to PHR	63.1	71.0	78.8	78.8	78.8
Associate income to PHR	45.9	64.7	94.4	139.8	48.3

Source: KIS

**Table 6: Snapshot of PHR's performance forecast**

(VND bn, %)

	FY20	FY21F	FY22F	FY23F Note
Revenue	1,631.4	1,873.9	2,142.1	2,618.4
Rubber	1,065.0	1,162.7	1,263.5	1,399.7
Wood	277.7	361.0	451.2	541.5
IP land sales	288.7	350.2	427.4	677.3
Gross profit	388.7	447.7	476.2	651.7
% gross margin	23.8	23.9	22.2	24.9
SG&A expenses	80.6	83.8	94.3	106.8
Operating profit	275.5	311.3	302.8	441.1
Financial income	187.8	192.9	212.9	291.7
Financial expenses	53.7	50.4	59.1	55.6
Profit shared from associates	37.3	45.9	49.1	121.2
Net other income	935.0	939.0	649.0	1,040.0
Liquidation of rubber	74.8	490.0	200.0	260.0
Land compensation	860.1	449.0	449.0	780.0
PBT	1,381.8	1,438.8	1,154.7	1,838.3
NPATMI	1,082.0	1,125.6	858.7	1,359.6

Source: KIS

## IV Valuation and recommendation

We initiate the coverage of PHR stock with BUY rating based on attractive valuation and prosperous outlook in FY21F-23F.

We view sum-of-the-part (SoTP) methodology as the most appropriate approach for valuing PHR with three tiers: self-developing industrial properties, rubber production/ wood processing/plant liquidation, and associate investment. We also apply a valuation discount of 10% to reflect the execution risk and its

conglomerate structure.

In each segment, we apply the same WACC at 11.3%, assuming: 1) a risk-free rate of 3%, 2) beta of 0.87 and 3) equity risk premium of 11%.

Our valuation of PHR's net asset value based on SoTP as followings:

## 1. Rubber production, wood processing and rubber tree liquidation

We use DCF method as these businesses mostly generate predictable cash flows. In order to arrive the present of terminal value of VND4,843.9bn as of end-FY25F, we discount all the cash flow afterward with terminal growth rate of 5% to reflect the growth prospects for the rubber industry.

**Table 6: Snapshot of PHR's performance forecast**

(VND bn)

FCFF	Dec-21F	Dec-22F	Dec-23F	Dec-24F	Dec-25F
EBIT	537.1	311.0	386.6	437.3	485.9
less: tax	(107.4)	(62.2)	(77.3)	(87.5)	(97.2)
add: depreciation	85.1	85.1	85.1	85.1	85.1
less: capex	(58.1)	(63.2)	(70.0)	(75.3)	(80.3)
(increase) / decrease in NWC	(81.4)	(88.4)	(98.0)	(105.5)	(112.4)
<b>Unlevered free cash flow</b>	<b>375.3</b>	<b>182.3</b>	<b>226.5</b>	<b>254.2</b>	<b>281.1</b>
PV of FCF	375.3	162.5	180.2	180.5	178.9
<b>Cumulative sum PV of FCF</b>	<b>375.3</b>	<b>537.8</b>	<b>718.0</b>	<b>898.5</b>	<b>1,077.4</b>
					<b>1,249</b>

Source: KIS

**Table 7. Cost of equity**

Cost of equity	
Beta	0.87
Risk free rate %	3
Equity risk premium %	11
Cost of equity %	12.6

Source: KIS

**Table 8. WACC calculation**

%	
Cost of debt	10
Target debt to capital	35.3%
Tax rate	20
WACC	10.8

Source: KIS

## 2. Self-developing industrial parks segment

For the under-operation industrial parks, namely Tan Binh, we discount all the net cash flow until the company runs out of net leasable area. For IPs under regulatory process, we only factor in the embedded interest in Tan Lap 1 IP which we expect the company could commence in FY22F. The others including Tan Binh expansion IP, Tan Lap I expansion IP, Hoi Nghia IP, Binh My IP, and Tan Thanh IP would not be reflected in our valuation models.

## 3. PHR's investments in affiliates

To evaluate the interest of PHR in VSIP3 IP, we discount all the cash flows inherited from VSIP3 allocate to PHR at the cost of equity of 12.6%. To 32.8% stake in NTC, we use the NTC's market price of VND220,000 as the fair value of NTC share. Hence, we derive total fair value of PHR's associate investment to VND3.6tn.

**Table 9: Equity valuation****VND bn, %**

Commercial name	Fair value	Net Fair value	Methodology	Interest	Note
Industrial properties					
Tan Binh 1	558.1	446.5	DCF		80
Tan Lap 1	635.6	324.1	DCF		51
Rubber plantation, wood processing	2,326.3	2,326.3	DCF		
Land conversion income	1,635.2	1,635.2	DCF		We factor in the value of land compensation income from the VSIP3 IP and Lai Hung IP.
Associate investment					
VSIP3 stake	1,591.4	1,591.4	DCF		20
NTC stake	1,682.6	1,682.6	DCF		
Others investment	1,061.0	1,061.0	BV		
<b>Add:</b>					
Cash and cash equivalent	2,550.1	2,550.1	BV		
Short-term receivables	241.1	241.1	BV		
Long-term assets	120.0	120.0			
<b>Less:</b>					
Debt	645.2	645.2	BV		
Other liability	614.7	614.7			
Minority interest	110.8	110.8	BV		
<b>Total RNAV</b>	<b>11,525.4</b>	<b>10,607.6</b>			
Discount to RNAV		10			To reflect project execution risk or the risk of projects not being fully sold
No. of o/s shares (mn shares)		135.5			
Implied value per share (VND)		70,500.0			

Source: KIS

We use a scenario-based approach to better capture the broad range of potential outcomes. Our upside scenario assumes rational pricing and yields a valuation of VND118,000/share. Our downside scenario assumes lower production volumes and selling prices, yielding a valuation of VND59,900/share. Below is a summary of our assumptions across the 3 scenarios:

**Table 10: Scenario analysis****(VND bn,%)**

	Downside case	Base case	Upside case
Industrial properties			
Tan Binh 1	446.5	446.5	446.5
Tan Lap 1	324.1	324.1	324.1
Tan Binh expansion phase 1 and 2			1,888.3
Tan Lap expansion			647.4
Hoi Nghia			1,580.6
Binh My			2,027.8
Tan Thanh			1,009.6
Rubber plantation, wood processing	2,326.3	2,326.3	2,326.3
Land conversion income	616.2	1,635.2	1,635.2
Associate investment	0.0	0.0	0.0
VSIP3 stake	1,352.7	1,591.4	1,591.4
NTC stake	1,346.0	1,682.6	1,682.6
Others investment	1,061.0	1,061.0	1,061.0
<b>Add:</b>			
Cash and cash equivalent	2,550.1	2,550.1	2,550.1
Short-term receivables	241.1	241.1	241.1
Long-term assets	120.0	120.0	120.0
<b>Less:</b>			
Debt	645.2	645.2	645.2
Other liability	614.7	614.7	614.7
Minority interest	110.8	110.8	110.8
<b>Total RNAV</b>	<b>9,013.4</b>	<b>10,607.6</b>	<b>17,761.2</b>
Discount to RNAV	10%	10%	10%
No. of o/s shares (mn shares)	135.5	135.5	135.5
Implied value per share (VND)	59,900.0	70,500.0	118,000.0

Source: KIS

Conventional valuation metrics like 1-year forward PB of 2.2x and PE of 7.1x



(our estimates) make the stock look attractive (10% and 30.5% discount to last 2-year average).

**Table 11: Peer comparison**

Company Name	Ticker	Share price (local cur)	TP (local cur)	Upside	Recom.	Market Cap (US\$mn)	P/E (x)			P/B (x)			EV/EBITDA			Dividend yield (%)		Net D/E (%)
							TTM	2021F	2022F	TTM	2021F	2022F	TTM	2021F	2022F	2021F	2022F	
Phuoc Hoa Rubber	PHR VN	59,500	70,500	18.5%	ADD	350	7.5	7.1	13.3	2.5	2.2	2.1	18.0	18.7	17.2	6.7	6.7	(56.0)
<b>Vietnam</b>																		
Vietnam Rubber Group	GVR VN	28,400	N/A	N/A	N/A	4,925	30.1	26.8	27.5	2.4	2.2	N/A	26.8	21.7	19.4	1.2	1.8	(8.1)
Investment & Industry	BCM VN	56,300	N/A	N/A	N/A	2,526	32.6	35.3	N/A	3.7	3.7	N/A	27.3	N/A	N/A	N/A	N/A	78.0
Kinh Bac City De	KBC VN	41,100	N/A	N/A	HOLD	837	86.0	14.9	7.4	2.0	1.8	1.5	33.5	12.9	7.0	N/A	N/A	26.1
Saigon Vrg Inves	SIP VN	175,900	N/A	N/A	N/A	606	13.6	16.4	N/A	6.0	4.2	N/A	12.0	11.6	N/A	0.9	N/A	(137.7)
Sonadezi Corp	SNZ VN	33,000	N/A	N/A	N/A	539	17.1	N/A	N/A	2.3	N/A	N/A	7.5	N/A	N/A	N/A	N/A	4.0
Idico Corp Jsc	IDC VN	39,300	N/A	N/A	N/A	511	39.1	18.1	N/A	3.3	2.5	N/A	13.2	10.2	N/A	2.5	N/A	23.1
Itaco	ITA VN	7,900	N/A	N/A	N/A	321	42.1	N/A	N/A	0.7	N/A	N/A	33.2	N/A	N/A	N/A	N/A	2.0
Average							32.6	18.1	17.5	2.4	2.5	1.5	26.8	12.2	13.2	1.2	1.8	4.0
<b>Asian</b>																		
Surya Semesta In	ITA VN	498	N/A	N/A	N/A	160	N/A	N/A	N/A	0.6	0.6	0.6	12.1	11.7	6.7	0.8	0.6	(11.7)
Puradelta Lestar	ITA VN	236	N/A	N/A	N/A	779	8.4	12.5	11.5	2.1	1.9	1.7	7.8	10.8	10.4	6.9	6.4	(24.9)
Amata Corp Pub	ITA VN	17	N/A	N/A	N/A	636	17.3	14.5	12.5	1.3	1.1	1.1	19.8	17.3	14.8	2.3	2.7	73.0
Wha Corp Pcl	ITA VN	3	N/A	N/A	N/A	1,519	18.9	15.7	13.6	1.7	1.5	1.5	27.0	22.0	19.8	3.5	3.9	117.6
Average							17.3	14.5	12.5	1.5	1.3	1.3	16.0	14.5	12.6	2.9	3.3	30.7

Note: all prices are based on the closing prices on 12 April 2021. All estimates for Non-rated (NR) stocks are based on Bloomberg consensus estimates.

SOURCES: VND RESEARCH, BLOOMBERG, COMPANY REPORTS

# V RISKS AND CATALYSTS

## 1. Downside risks

The later-than-expected resumption of business trips to company: The rising competition between local industrial park operators: Located in the Southeastern, among the most buoyant economic regions in Vietnam, PHR is not only fighting against the biggest operators of Vietnam, namely Becamex company but also competing with other peers in Dong Nai, Long An, Ba Ria-Vung Tau. These provinces are enjoying the remarkable infrastructure spending from the government and their geological strategic advantages including deep sea port Cai Mep- Thi Vai cluster.

The slower-than-expected worldwide economic recovery may dampen the demand for commodities including rubber: since rubber is among the input commodities to various industrial production, especially automobile and healthcare, the demand for rubber could be negatively influenced by the slow economic growth in the key regions. Definitely, demand from China was and continues to be the dominant catalyst for rubber in the last year and in upcoming years. However, in case those remainders are significantly weak, demand from China could not save the picture.

## 2. Potential re-rating catalysts

Faster-than-expected regulatory process to approve self-developing IPs: As mentioned in our sector in-depth report, we expect the granting process could be fastened to help increase the supply. Hence, PHR and VSIP3 could be among the beneficiary operators, and we anticipate VSIP3 IP could be granted in late 4Q21 while other self-developing IPs of PHR are allowed in FY22F-23F.

**Table 8: SWOT analysis**

Strengths:	Opportunities:
1. Picked as a manufacturing hub by major wood industrial players	1 China continues to move away from labour-intensive industries and up the value chain, which has prompted companies' relocation to Southeast Asian countries.
2. Location just outside HCMC city, a key transportation hub on the Southern economic zone, with established road transport and a deep-sea port in the area.	2 The US-China trade war could expedite the corporate shift from China to Vietnam.
3 Its close proximity to HCMC helps attract large manufacturing enterprises to set up new factories/warehouses/logistics space in the region.	
Weaknesses:	Threats:
1 Cross holding in Vietnam Rubber Group could result in detriment to PHR's minority interest	1 The normalcy of business trips to Vietnam may be prolonged than estimated
	2 Competition is rising as manufacturing hubs such as Laos and Cambodia have cheaper operating costs, while some Vietnamese IP operators offer lower land lease prices.

Source: KIS

**Balance sheet**

(VND bn)

FY-ending Dec.	2019A	2020A	2021F	2022F	2023F
Current assets	2,302	3,111	4,003	4,780	5,944
Cash & cash equivalents	1,638	2,498	3,315	4,046	5,147
Accounts & other receivables	227	241	246	260	279
Inventory	327	294	364	397	440
Non-current assets	3,159	2,943	3,108	3,323	3,538
Fixed assets	1,427	1,781	1,796	1,811	1,826
Investment assets	1,732	1,163	1,313	1,513	1,713
Others	503	485	406	249	92
<b>Total assets</b>	<b>5,855</b>	<b>6,539</b>	<b>7,518</b>	<b>8,353</b>	<b>9,575</b>
Advances from customers	31	46	46	46	46
Unearned revenue	1,552	1,531	1,857	2,184	2,371
Trade payables	76	52	52	52	52
Others	999	1,023	1,135	1,221	1,357
ST debt & due bonds	99	116	116	116	116
LT debt & bonds	419	528	528	528	528
<b>Total liabilities</b>	<b>3,253</b>	<b>3,296</b>	<b>3,735</b>	<b>4,148</b>	<b>4,471</b>
Controlling interest	2,529	6,424	7,345	8,084	9,155
Capital stock	1,355	1,355	1,355	1,355	1,355
Capital surplus	21	21	21	21	21
Other reserves	1,034	129	129	129	129
Retained earnings	119	531	777	836	1,245
Minority interest	72	114	173	269	420
Shareholders' equity	2,601	6,538	7,518	8,353	9,575

**Cash flow**

(VND bn)

FY-ending Dec.	2019A	2020A	2021F	2022F	2023F
C/F from operations	641	784	880	1,017	1,209
Net profit	488	1,082	1,126	859	1,360
Dep'n & Amort'n	85	85	85	85	85
Net incr. in W/C	263	474	534	689	738
C/F from investing	(54)	(751)	479	162	373
Capex	(169)	89	250	300	300
Incr. in investment	115	(662)	729	462	673
C/F from financing	(280)	(275)	(542)	(449)	(480)
Incr. in equity	0	16	0	0	0
Incr. in debt	20	127	0	93	62
Dividends	(300)	(418)	(542)	(542)	(542)
C/F from others					
Increase in cash	307	(242)	817	731	1,102

**Income statement**

(VND bn)

FY-ending Dec.	2019A	2020A	2021F	2022F	2023F
Sales	1,639	1,631	1,874	2,142	2,618
COGS	1,286	1,243	1,426	1,666	1,967
Gross profit	353	389	448	476	652
SG&A expenses	118	113	136	173	211
Operating profit	235	275	311	303	441
Financial income	187	188	193	213	292
Interest income	100	122	122	134	147
Financial expenses	48	54	50	59	56
Interest expenses	30	50	50	59	56
Other non-operating profit	234	935	939	649	1,040
Gains (Losses) in associates, subsidiaries and JV	(1)	37	46	49	121
Earnings before tax	607	1,382	1,439	1,155	1,838
Income taxes	119	257	254	201	328
Net profit	488	1,125	1,185	954	1,511
Net profit of controlling interest	450	1,082	1,126	859	1,360
EBITDA	320	360	396	388	526

**Key financial data**

FY-ending Dec.	2019A	2020A	2021F	2022F	2023F
Per-share data (VND, adj.)					
EPS	2,863	7,985	5,815	4,436	7,024
BPS	18,661	23,596	27,072	28,775	33,806
DPS	3,000	2,500	4,000	4,000	4,000
Growth (%)					
Sales growth	25.1	(0.5)	14.9	14.3	22.2
OP growth	14.4	17.1	13.0	(2.8)	45.7
NP growth	(24.2)	130.7	5.3	(19.5)	58.3
EPS growth	(22.8)	178.9	(27.2)	(23.7)	58.3
EBITDA growth	15.0				
Profitability (%)					
OP margin	14.4	16.9	16.6	14.1	16.8
NP margin	29.8	69.0	63.2	44.5	57.7
EBITDA margin	19.5	22.1	21.2	18.1	20.1
ROA	8.2	17.5	16.0	10.8	15.2
ROE	17.5	24.2	16.3	11.1	15.8
Dividend yield	5.0	4.2	6.7	6.7	6.7
Dividend payout ratio	104.8	31.3	68.8	90.2	56.9
Stability					
Net debt (VND bn)	(1,120)	(2,671)	(3,401)	(4,503)	(5,666)
Net debt/equity (%)	(43.0)	(69.5)	(81.6)	(90.1)	(91.6)
Valuation (x)					
PE	18.0	7.5	10.1	13.3	8.4
PB	3.2	2.5	2.2	2.1	1.7
EV/EBITDA	24.8	22.0	18.7	17.2	10.6

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