

# COMPANY UPDATE

**DONG PHU RUBBER JSC - DPR**

April 20, 2009

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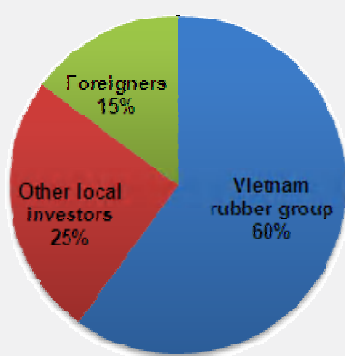


# DONG PHU RUBBER JSC (DPR) - UPDATE

## GENERAL INFORMATION

Sector	Basic Material
Listed	HOSE
Ticker	DPR
Charter Cap. (VND bn)	400
52-week highest price	68,570
52-week lowest price	23,000
Average trading vol in 10 days	114,404

## OWNERSHIP STRUCTURE



Source: DPR, as of 20/03/2009

## VALUATION MEASURES

Price (22/04/2009)	31,000
Market Capital (VND bn)	1,240
EPS (2008)	5,851
EPS (2009E)	2,530
P/E (2008)	5.30
P/E (2009E)	12.25
P/B (2008)	1.92
P/B (2009E)	1.81
ROE 2008 (%)	36.27
ROA 2008 (%)	22.43

## SHARE PRICE PERFORMANCE



Source: Reuters

## OVERVIEW

DPR is the largest listed natural rubber production company in Vietnam, with an average production of more than 18,000 tons of rubber annually. This is currently the main income stream of DPR. The company is expanding its total areas of rubber by establishing joint-ventures in Daknong province and in Cambodia, with the plans of planting more than 14,000 ha of rubbers. Furthermore, DPR is also stepping into such fields as real estates development by establishing a joint-venture managing an industrial zone and urban zones, and rubber related products by establishing a JV (Dorufoam) producing mattresses, etc. The stocks were listed on HOSE on 30/11/2007.

## 2008 RESULTS

- Though rubber prices plummeted in the last quarters of 2008, DPR still achieved results more than its 2008 targets. Revenues were more than VND 728 bn and profits reached more than VND 234 bn, up 102% and 110% respectively compared to its targets. DPR was not a different case with other rubber companies, when its 2008 harvesting areas also dropped compared to 2007 areas, from 7962.32 ha down to 7902.62 ha, and its traded volume also dropped significantly from 20,804 tons to 18,198 tons. It is clear that the gain in revenues therefore rely heavily on higher selling prices. Gross margin, however, has slid slightly, from 36.3% in 2007 down to 34.6% in 2008, mainly due to increase in fertilizer prices as well as labor costs.

## EARNINGS OUTLOOK

### 2009 Earnings

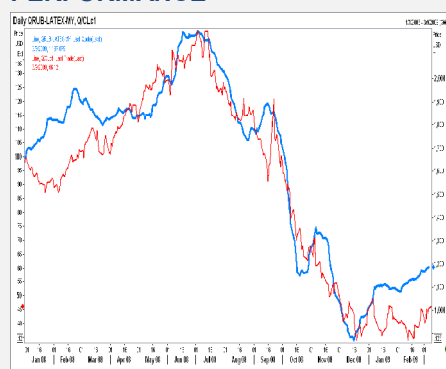
- In 2009, DPR still mostly counts on the revenues coming from its current rubber harvesting area in Binh Phuoc only, which is estimated at 7,862ha and a bit profit from its Dorufoam JV. DPR sets 2009 revenues of VND 452.4 bn and before tax profit of VND 94.3 bn. Though the harvested areas are lower in 2009 (7,862 compared with 7,907.62), and average selling prices are also lower (expected around VND 23 Mn compared to VND 40 Mn), we think this profit figure is quite conservative. The estimated selling volume is 19,200 tons, the expected selling price of just VND 23.5 Mn/Ton, with not many changes in other incomes, have led us to an estimated profit of more than VND 101 bn, equates to an EPS of VND 2,530, sufficient to pay the supposed dividend of VND 1500/share.

## Growing Structure

Details	Area (ha)	Details	Area (ha)
Waiting for growing	135	Year 12 of production	633.63
Growing	2097.64	Year 13 of production	591.37
Year 4 of production	42.32	Year 14 of production	405.23
Year 5 of production	373.38	Year 15 of production	310.05
Year 6 of production	830.85	Year 16 of production	797.05
Year 7 of production	728.68	Year 17 of production	678.79
Year 8 of production	376.78	Year 18 of production	629.24
Year 9 of production	270.46	Year 19 of production	105.78
Year 10 of production	480.77		
Year 11 of production	608.28	<b>Total Area</b>	<b>10,095</b>

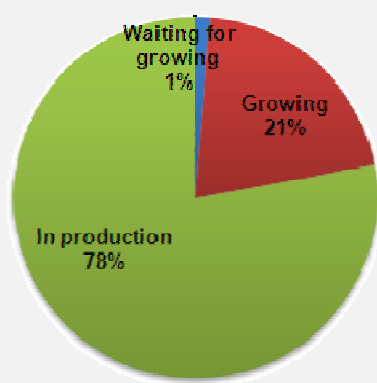
- DPR's total area can still be expanded in Binh Phuoc given if they can ask for more lands at Tan Hung farm from the government, though it's uncertain.

## RUBBER AND OIL PRICE PERFORMANCE



Source: Reuters

## 2009 AREA STRUCTURE



Source: DPR

## 2010 and later

- From 2010 to 2012, profits will mainly come from DPR's main rubber area in Binh Phuoc and its Dorufoam JV (given that this business operates effectively). From 2013 onwards, revenues from the two projects in Daknong and Kratie (Cambodia) will join the revenue stream.
- It should be noted that, harvested volume will jump to a different level from 2011 onwards, because the current growing areas of more than 1300 ha, planted in 2005 and 2006, will be put into production in 2011 and 2012.

## Estimated earnings from 2009 to 2013

	2009	2010	2011	2012	2013
Selling tons	19295.74	19575.74	20455.74	21775.74	21555.74
Harvested	17295.74	17075.74	17955.74	19275.74	19055.74
Acquired	2000	2500	2500	2500	2500
Estimated rev (Bn)	454	529	608	712	775

## PLANS AND INVESTMENTS

Plan	Chartered Cap (VND Bn)	% Holding	Details
Daknong	120	90%	Planted 100 ha in 2007, 500 ha in 2008, and expected 500 ha in 2009
Kratie	200	40%	Planted 70 ha in 2008, expected 1300 ha in 2009, and expected 1500 ha in 2010
Dorufoam	90	40%	Expected to start operating in 06/2009 with total rubber consumption of 3000 tons/year
Industrial park and Urban zone	N/A	51%	Still planning

In 2009, DPR is planning to contribute another VND 114.6 bn into these and other smaller projects. In addition, the company is also considering investing in improving its water treatment in one of its farm, which is estimated around VND 20 bn – 30 bn.

## Q1/2009 UPDATES

	Rev Q1/2009E	Net Profit Q1/2009E	2009E Revenue	% achieved	2009E Profit	% achieved
DPR	125	28	452.4	27.6	94.3	29.6
TRC	57.9	28.5	304.7	19.0	90	31.7
HRC	45	15	161.6	27.8	40.6	36.9

Up to April, DPR has signed contracts of approx 40% of its expected volume, which is lower than an average of 60% in the same period of previous years. There is thus a risk that the company might not meet its target of the year. However, according to some trusted rubber exporters, new orders for natural rubber are claiming very fast recently, and so let's wait then.

## VALUATION AND RECOMMENDATION

With the price of VND 31,000 as of 22/04/2009, DPR is trading at 8.8% discount of our estimated price of VND 34,000. EPS for 2009, is only VND 2,530, 56.8% lower than its 2008 EPS, while P/E 2009E forward is 12.2x, twice of P/E 2008, and is a bit higher than the current average market P/E of around 12.x.

However, this is the same situation for all companies in this industry since global demands for rubber slump. Moreover, as key exporters of natural rubber like Thailand, and Malaysia have agreed to cut export of rubber, and they, as well as other exporters, are trying to support their rubber industries, we believe the rubber industry will not be severely affected as expected. DPR has stopped falling, and so, if your investment horizon is short-term, it would be a good buy-in advice for the time being, while if your horizon is long-term, a hold would be more appropriate.

COMPARABLE	DPR	TRC	HRC	TNC
Chartered Cap (VND Mn) - 2008	400,000	300,000	172,610	192,500
Price (VND) 22/04/2009	31,000	28,500	25,000	9,500
Market Cap (VND Mn)	1,240,000	855,000	429,024	182,875
Total areas (2007)	9,346	7,217	5,040	2,065
PERFORMANCE				
Revenues 2008 (VND Mn)	726,358	548,834	289,976	181,765
Revenue growth	3.21%	11.58%	(2.04%)	9.69%
Net profit 2008 (VND Mn)	236,252	200,680	88,024	8,202
Profit growth	1.81%	13.09%	(33.77%)	(75.44%)
Net profit margin 2008	32.53%	36.56%	30.36%	4.51%
ROE 2008	36.48%	40.30%	27.94%	3.85%
ROA 2008	22.64%	30.24%	22.71%	3.08%
D/E 2008	3.09%	7.89%	0.06%	0.56%
VALUATION MEASURES				
P/E 2007	5.34	4.82	3.25	5.48
P/E 2008	5.30	4.26	4.87	22.30
P/B 2008	1.92	1.72	1.36	0.86
EPS 2008 (VND)	5,851	6,689	5,129	426
EPS 2008 growth	0.86%	13.09%	(33.39%)	(75.44%)

## SUMMARY OF HISTORICAL FINANCIAL STATEMENTS

INCOME STATEMENT (VND Mn)	2007A	2008A	2009E	2010F
Revenue	703,796	728,795	453,527	529,124
Cost of goods sold	448,004	476,771	316,450	355,887
Gross profit	255,792	252,024	137,077	173,237
Operating Profit	217,189	211,104	101,702	138,844
Profit before tax	232,713	234,044	101,224	141,853
<b>Profit after tax</b>	<b>232,040</b>	<b>234,044</b>	<b>101,224</b>	<b>131,214</b>

BALANCE SHEET (VND Mn)	2007A	2008A	2009E	2010F
Cash and cash equivalents	219,300	38,825	45,353	52,912
Short-term investment	122,632	140,207	77,653	104,159
Receivables	69,664	26,119	31,063	36,241
Inventory	34,378	59,950	43,349	48,752
Other current assets	1,315	8,093	1,424	1,601
Fixed assets	517,995	507,337	502,448	507,099
Long-term investment	128,275	223,736	290,857	349,028
Other non-current assets	40,047	36,869	33,182	29,864
<b>Total assets</b>	<b>1,133,608</b>	<b>1,041,136</b>	<b>1,025,330</b>	<b>1,129,657</b>
Short-term debt	28,448	72,855	80,141	84,148
Long-term debt	40,111	38,063	41869.3	43962.765
Chartered capital	400,000	400,000	400,000	400,000
Paid-in surplus	0	0	0	0
Retained earning	230,245	119,112	160,336	231,550
<b>Total capital</b>	<b>1,133,608</b>	<b>1,041,136</b>	<b>1,025,330</b>	<b>1,129,657</b>

FINANCIAL RATIO	2007A	2008A	2009E	2010F
Revenue growth (%)	16.89%	3.55%	-37.77%	16.67%
Net profit growth (%)	55.30%	0.86%	-56.75%	29.63%
Gross profit margin (%)	36.34%	34.58%	30.22%	32.74%
Operating profit margin (%)	30.86%	28.97%	22.42%	26.24%
ROA (%)	20.47%	22.48%	9.87%	11.62%
ROE (%)	34.73%	34.38%	14.74%	17.32%
EPS (VND)	5,801	5,851	2,531	3,280
EPS growth (%)	55.27%	0.86%	-56.75%	29.63%

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