

Phuoc Hoa Rubber Joint Stock Company

PHURUCO • PHR

VNĐ55,500 • US\$3.45

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Ownership

Foreign	9.1%	7,437,000
Domestic	10.5%	8,526,600
Total auctioned	19.6%	15,963,600
Employees	8.0%	6,538,400
Labor union	0.2%	140,000
Strategic	6.2%	5,000,000
State	66.0%	53,658,000
Outstanding	100.0%	81,300,000

Market statistics

Exchange	OTC Market	High	VNĐ56,500 • US\$3.51
Sector	Rubber	Low	VNĐ54,500 • US\$3.39
Market cap.	US\$0.280bn	EPS basic	VNĐ3,456 • US\$0.21
		P/E (2007 est.)	16.1x

Company profile

Phuoc Hoa Rubber JSC (PHR) was established in 1982 as a subsidiary of the powerful Vietnam Rubber Group. Currently ranking among the five largest rubber producers in Vietnam with an effective plantation area of 11-13,000 hectares yielding up to 24,000 tons annually, PHR's recently completed auction of 15.96 million shares (19.6% equity interest) at the end of 2007 was 4.5 times oversubscribed, with shares currently trading at a 54% premium over the initial offer price on the OTC market.

Located in the climatically favorable Binh Duong-Binh Phuoc provincial region, PHR produces around 4.5% of the national output with export sales to various markets accounting for more than 50% of its natural rubber and latex production. Local purchaser Casumina accounts for a significant share of the remaining domestic sales.

Highly valued latex rubber, accounting for 10% of current production, will be a major strategic focus in future years. Other major product lines include high quality constant viscosity rubber (40%) and SVR 3L (20%). Diversified investments including real estate, industrial zone developments, hydro-power plants, wood processing and sporting equipment, are all expected to be major earnings contributors in 2008. PHR has also invested in plantations in neighboring Laos and Cambodia totaling 18,000 hectares to expand production capacity and mitigate periodic production losses of up to 800 hectares per year due to seasonal rotation.

In general, the sustained demand for all types of rubber products in China, particularly within the booming automotive sector, combined with shortages and declining production from other South East Asian suppliers will sustain favorable international pricing trends in 2008, while an elevated crude oil price will ensure the competitiveness of natural rubber against synthetic substitutes.

Financial highlights

Having enjoyed a healthy average annual growth of 29% between 2003-2006, revenue growth declined to a modest 9% in 2007 as rotational production losses began to impact sales volumes. We anticipate similar rates of growth in the coming three years before extra capacity from additional plantation projects come on stream.

Summary Income Statements (US\$ mill.)	2004	2005	2006	2007e*
Revenue	39.8	44.9	62.2	67.9
Gross Profit	15.1	16.0	21.4	26.1
Operating Income	13.6	14.5	19.0	22.9
Profit Before Tax	14.5	16.1	21.1	24.2
Net Profit After Tax	10.4	11.6	15.2	17.5
Gross Margin	37.8%	35.7%	34.5%	38.4%
Operating Margin	34.2%	32.4%	30.6%	33.7%
Pre-tax Margin	36.3%	35.9%	33.9%	35.7%
Net Margin	26.2%	25.9%	24.4%	25.7%
Revenue Growth	37.9%	12.7%	38.6%	9.2%
Gross Profit Growth	33.6%	6.5%	33.6%	21.7%
Operating Income Growth	38.3%	6.7%	30.9%	20.1%
Pre-tax Profit Growth	40.2%	11.4%	30.7%	15.0%
Net Profit Growth	48.7%	11.2%	30.9%	14.9%

* e - Management guidance and Mekong Securities' estimates

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