

Phuoc Hoa Rubber JSC (HSX: PHR)

Extraordinary income from rubber land compensation

- 1Q25 revenue reduced 4% yoy but net profit (NP) grew 31% yoy thanks to average rubber latex price increasing 37% yoy, fulfilling 18% of our forecast;
- We decrease FY25-26F NP by 1%/35% due to the downgraded outlook for the industrial park (IP) segment. Post-adjustment, FY25-26F NP is expected to grow +11%/-5% yoy thanks to extraordinary income from rubber land compensation offsetting the IP segment;
- We change our recommendation to ADD as PHR's stock price plummets to an attractive price, our new target price is VND 55,400/share.

1Q25 NP increased 31% yoy thanks to high rubber latex prices

In 1Q25, revenue reached VNDbn 311 (-4% yoy), gross margin reached 33%, up 10 pts. Revenue and gross profit from rubber latex and other finished goods reached VNDbn 276 (-7% yoy) and VNDbn 75 (+44% yoy) respectively thanks to a price increase of 37% yoy and an output decrease of 28% yoy. Revenue from IP leasing increased by 103% yoy thanks to the recognition of a one-time recording contract, helping gross profit reach VNDbn 25 (+90% yoy). Thereby, NP reached VNDbn 96 (+31% yoy), fulfilling 18% of our forecast.

Extraordinary income from rubber land compensation offsetting weak performance of IP segment

We increase FY25-26F rubber revenue by 9%/0.2% thanks to a price increase of 14%/3% and an output decrease of 8%/7% compared to our previous forecast, with adjusted rubber revenue down 6%/8% yoy. We reduce FY25-26F IP revenue by 70%/91% compared to our previous forecast due to the existing IP being nearly full while there is no new supply, with adjusted IP revenue down 6%/16% yoy. We increase FY25-26F other income by 107%/96% compared to our previous forecast thanks to compensation for VSIP 3 Binh Duong and the expressway through Binh Duong, with adjusted other income reaching VNDbn 241/250 (+229%/+4% yoy). In summary, we reduce FY25-26F NP by 1%/35% vs. our previous forecast, with adjusted NP growing by +11%/-5% yoy.

We recommend ADD with a new target price of VND 55,400/share

Our new target price is down 9% compared to the previous report due to the reduction in the valuation of the IP segment. PHR's stock price has plummeted to an attractive price with a potential upside of 24.3% including dividend yield. Investment thesis: (1) Extraordinary profit from associates and rubber land compensation (2) Good financial health, no long-term debt (3) High cash dividend equivalent to dividend yield of over 6.4%/year.

VNDbn	2023	2024	2025F	2026F
Revenue	1,351	1,633	1,513	1,390
NP	620	460	510	484
Revenue growth	-21%	21%	-7%	-8%
NP growth	-30%	-26%	11%	-5%
Gross margin	24%	26%	22%	19%
EBITDA margin	71%	43%	57%	62%
ROAE	18%	12%	14%	13%
ROAA	10%	8%	8%	8%
EPS (VND/share)	4,574	3,395	3,762	3,576
BVPS (VND/share)	26,908	27,604	27,573	28,221

(Source: PHR, MBS Research)

ADD

Target price

VND 55,400

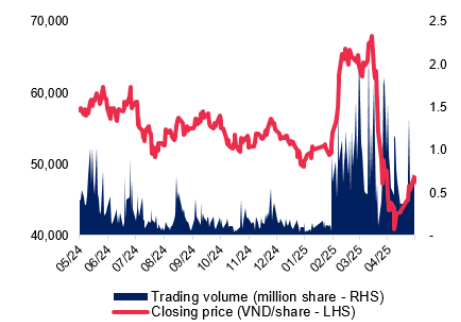
Upside

+18%

Key changes in the report

- Decreasing FY25-26F NP by 1%/35% compared to our previous report

Information



(Source: MBS Research)

Current price (VND)	47,000
52W High (VND)	68,000
52W Low (VND)	40,900
Market Cap (VNDbn)	6,368
P/E (TTM)	13.2
P/B	1.6
Dividend yield (%)	6.4%
Foreign ownership (%)	15%

Source: <https://s24.mbs.com.vn/>

Ownership

Vietnam Rubber Group	66.6%
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Nguồn: <https://s24.mbs.com.vn/>



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Phuoc Hoa Rubber JSC

Investment thesis and Valuation

Investment thesis

- (1) We expect extraordinary profit from NTU 3 and VSIP 3 Binh Duong. NTU 3 can be recognized in the one-time recording method instead of the straight-line allocation method over the lease term. For VSIP 3 Binh Duong, PHR receives 20% of the gross profit generated from leasing the compensated land area. This IP has attracted many large projects since the beginning of 2025;
- (2) We expect PHR to receive rubber land compensation to implement the expressway through Binh Duong, total compensation of VNDbn 68/94 in 2025-26;
- (3) Good financial health, no long-term debt, high cash dividend.

Valuation

We change our recommendation to ADD as PHR's stock price plummets to an attractive price. We reduce our target price by 9% due to the reduction in the valuation of the IP segment, our new target price is VND55,400/share, with an upside potential of 24.3% (including dividend yield of 6.4%).

Figure 1: Valuation

	Ownership	Valuation (VNDbn)	Valuation for PHR	Method	Comment(s)
Rubber and timber			898	DCF	We increase our valuation of rubber segment due to higher rubber prices.
IP		4,100	1,864	DCF	We reduce our valuation of IP segment due to the reduction in leasable price growth to 0% and the extension for the new projects (Tan Lap 1 and Tan Binh ext) to generate cash flows.
Tan Binh 1	80%	833	666		
Tan Lap 1	51%	756	193		
Tan Binh ext	80%	2,511	1,005		
Total assets			2,762		
(+) Cash and cash-equivalents			190		
(+) Short-term investments			1,724		
(+) Investments in associates, joint ventures and other agreements			2,942		
NTC	33%	7,377	2,423	DCF	We reduce NTC's valuation by 2%.
VSIP 3 Binh Duong	20%		519	DCF	This is a compensation agreement between PHR and VSIP, PHR receives 20% of the gross profit generated from leasing the compensated land area. We increase our valuation of VSIP 3 Binh Duong thanks to the 2024 compensation price increasing by 21% yoy.
(+) Investments in other companies			131	BV	
(-) Debts			60		
(-) Minority interests			178		
Equity value			7,511		
Share outstanding			135,499,198		
Value per share (VND/share)			55,400		

(Source: MBS Research)

Figure 2: Peer comparison

Company name	Tick er	Market price	Target price	Recommen dation	Market Cap (VNDbn)	P/E		P/B		ROE (%)		ROA (%)	
						2024	2025	2024	2025	2024	2025	2024	2025
Vietnam Rubber Group	GVR	28,100	34,300	ADD	112,400	28.2	24.9	2.1	2.0	7.8	8.3	4.9	5.3
Phuoc Hoa Rubber	PHR	47,000	55,400	ADD	6,368	13.8	12.5	1.7	1.7	12.5	13.6	7.6	8.3
Dong Phu Rubeer	DPR	38,350	N/A	N/A	3,332	12.1	N/A	1.3	N/A	11.1	N/A	6.2	N/A
Dak Lak Rubber	DRI	11,800	N/A	N/A	864	6.0	N/A	1.3	N/A	24.9	N/A	21.2	N/A
Avearage						15.0	N/A	1.6	N/A	14.1	N/A	10.0	N/A

(Source: Fiinpro, MBS Research)

Downside risks

- (1) Risk of unstable US tariff policy causing demand for rubber and IP land to decrease;
- (2) Risk of lower rubber prices due to more favorable weather conditions for the new harvest season;
- (3) Legal issues affect the progress, costs, and efficiency of IP projects.

1Q25 business results

1Q25 NP grew strongly thanks to high rubber prices

Figure 3: 1Q25 business results

VNDbn	1Q25	yoy (%)	% MBS forecast	Comment(s)
Revenue	311	-4%	20%	
Rubber latex and other finished goods	276	-7%	21%	1Q25, the average rubber latex price reached 53 million VND/ton (+37% yoy), consumption output reached 4,900 tons (-28% yoy).
Industrial property	31	103%	11%	In 1Q25, the company recognized a one-time recording contract of VNDbn 14.5.
Gross profit	102	41%	26%	
Rubber latex and other finished goods	75	44%	38%	
Industrial property	25	90%	12%	
Gross margin	33%	+10 pts	+8 pts	
Rubber latex and other finished goods	27%	+10 pts	+12 pts	In 1Q25, high rubber prices helped gross margin improve by 10 pts.
Industrial property	81%	-6 pts	6 pts	
Selling expenses	7	-21%	21%	
Administrative expenses	30	45%	32%	
SG&A	37	26%	29%	
% SG&A/revenue	12%	3 pts	4 pts	
Interest income	27	-9%	17%	Interest income decreased due to a 13% decrease of interest from deposits.
Financial expenses	2	-48%	12%	PHR has paid off all long-term debt, helping to reduce expenses.
Income from associates and joint ventures	23	6%	16%	
Pre-tax profit	114	26%	17%	
NP	96	31%	18%	1Q25, NP grew 31% yoy thanks to high rubber prices in the low harvest season, in line with our full-year forecast.

(Source: PHR, MBS Research)

FY25-26F business results

Figure 4: We reduce FY25-26F NP by 1%/35% vs. our previous forecast

VNDbn	2024	2025	yoy	% change	2026	yoy	% change	Comment(s)
Revenue	1,633	1,513	-7%	-4%	1,390	-8%	-33%	
Ruber latex and other finished goods	1,522	1,432	-6%	9%	1,321	-8%	0%	We forecast FY25-26F rubber price to decline from the 2024 peak to VND42 and VND39 million/ton, respectively, due to lower demand, which is affected by the new US tariff policy, and higher supply, which is supported by more favorable weather conditions. Post-adjustment, FY25-26F revenue from rubber latex and other finished products is expected to increase by 9%/0.2% compared to our previous report.
Industrial property	87	81	-6%	-70%	68	-16%	-91%	We reduce our revenue forecast for IP segment because the existing IP is almost full, which has the small remaining area so it is difficult to find tenants in the context of an unfavorable industry, while the new projects are delayed for a long time so we do not include it in our revenue forecast.
Gross profit	422	338	-20%	-15%	261	-23%	-62%	
Rubber latex and other finished goods	343	278	-19%	41%	210	-24%	2%	
Industrial property	68	60	-12%	-70%	51	-15%	-89%	
Gross margin	26%	22%	-4 pts	-3 pts	19%	-4 pts	-15 pts	
Rubber latex and other finished goods	23%	19%	-3 pts	4 pts	16%	-4 pts	0 pts	We forecast FY25-26F gross margin to decline by 3 pts and 4 pts yoy due to lower rubber prices.
Industrial property	78%	74%	-4 pts	-1 pts	74%	1 pts	9 pts	
% SG&A/revenue	10%	11%	1 pts	3 pts	11%	0 pts	3 pts	
Interest income	188	124	-34%	-22%	135	9%	-23%	
Financial expenses	18	10	-43%	-46%	15	46%	-23%	
Income from associates and joint ventures	48	125	162%	-15%	141	13%	-11%	We reduce FY25-26F NTC's NP by 15%/11% compared to our previous forecast due to the company increasing debt to pay NTU 3's land use fee, with adjusted NP growing 30% and 13% yoy respectively.
Other income	73	241	229%	107%	250	4%	96%	We increase FY25-26F compensation for VSIP 3 Binh Duong by 70%/26% compared to our previous report thanks to many large lease contracts signed recently. PHR can receive land compensation to construct the expressway through Binh Duong. The compensation area in 2025-26 is 34/47 ha, corresponding to compensation of VNDbn 68/94 respectively.
Pre-tax profit	543	651	20%	-3%	619	-5%	-36%	
NP	460	510	11%	-1%	484	-5%	-35%	We reduce FY25-26F NP by 1%/35%. Post-adjustment, NP is expected to grow by +11%/-5% yoy.

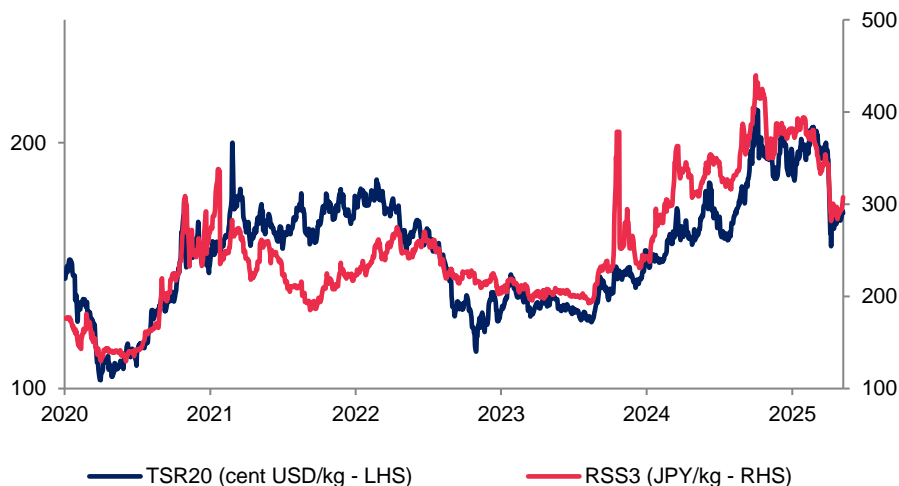
(Source: PHR, MBS Research)

Rubber segment: Rubber prices are forecast to fall from the 2024 peak but supply shortage will support prices to stay high

We revise up FY25-26F revenue from rubber latex and other finished goods by 9%/0.2% yoy as supply shortage will support rubber prices to anchor at higher levels, with adjusted revenue from rubber latex and other finished goods down 6%/8% yoy:

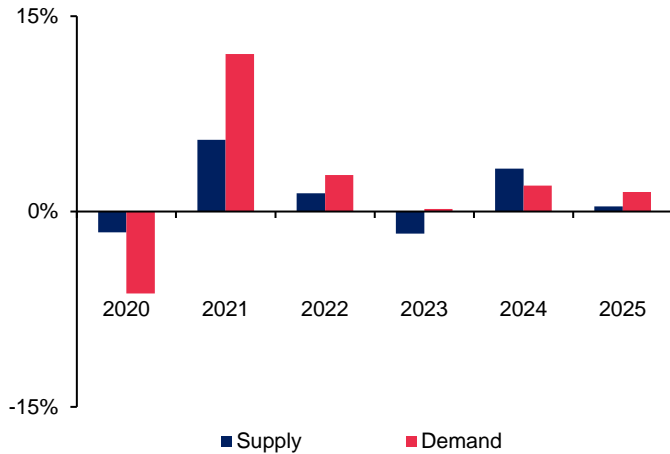
- Concerns about the new US tariff policy on rubber demand have caused natural rubber prices to decline sharply in April 25 (TSR20 and RSS3 rubber prices decreased by 20% and 18% respectively compared to the end of March 25). Since the beginning of May 25, natural rubber prices have recovered thanks to (1) the US introducing a support policy for the domestic automobile manufacturing industry after applying new tariffs on imported auto parts (2) US-China trade tensions cooling down when the two countries reach an agreement to paused tariffs for 90 days and significantly reduce import tariffs.
- Rubber supply can be improved thanks to more favorable weather conditions but still in short supply. This year's weather is forecast to be less severe than 2024's weather so natural rubber supply is expected to be higher. According to ANRPC, in 2025, global natural rubber supply and demand are forecast to grow by 0.4% and 1.5% yoy, respectively, with a shortfall of about 0.7 million tons. This supply shortage could continue until 2028, leading to a global shortfall of around 0.6-0.8 million tons of rubber annually.
- In 2024, PHR's average rubber latex price reached VND45.3 million/ton (+32% yoy), which is the highest price in the past 10 years. Gross margin up 8% pts, reaching 23%. We forecast FY25-26F average rubber latex price to decrease by about 7%/year, reaching 42/39 million VND/ton, and FY25-26F gross margin to reach 19% and 16% respectively. Accordingly, revenue from rubber latex and other finished goods is expected to reach VNDbn 1,432 (-6% yoy)/VNDbn 1,321(-8% yoy).

Figure 5: TSR20 and RSS3 rubber prices



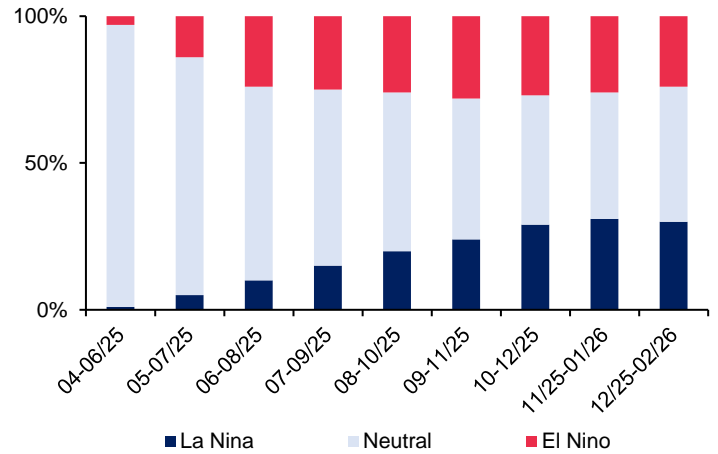
(Source: Bloomberg, MBS Research)

Figure 6: Global natural rubber supply-demand growth



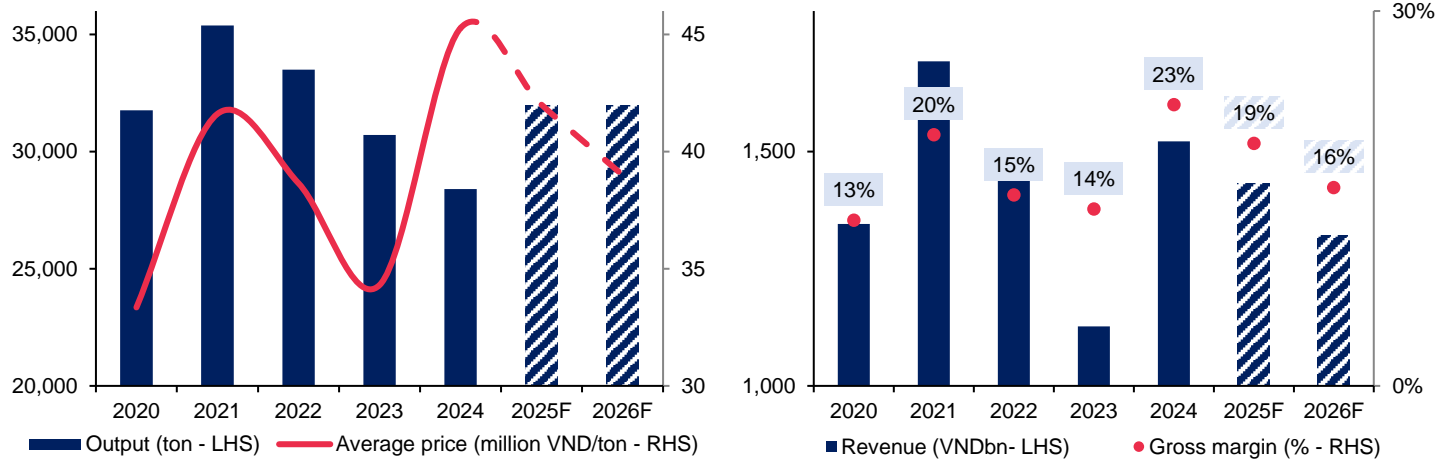
(Source: ANRPC)

Figure 7: More favorable weather conditions until the end of 2025



(Source: IRI)

Figure 8: FY25-26F revenue and price of rubber latex

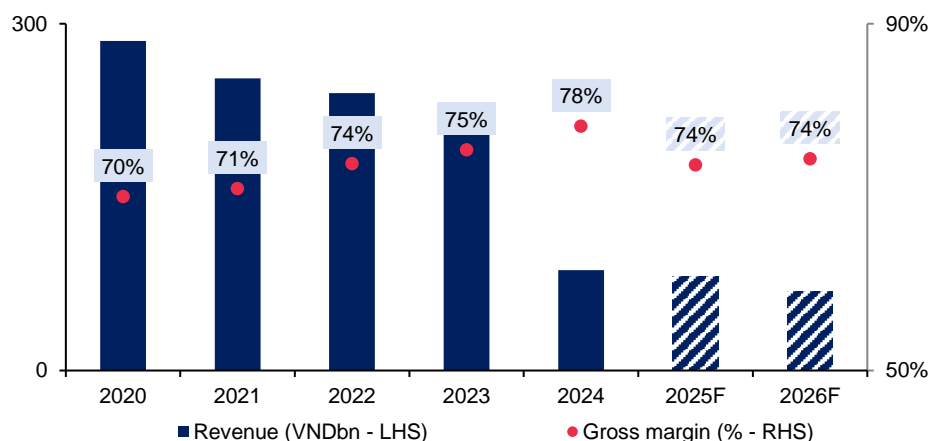


(Source: PHR, MBS Research)

IP segment: New supply shortage

We reduce FY25-26F revenue from IP leasing by 70%/91% compared to our previous forecast because the existing IP is almost full while the new IPs are delayed and we do not include them in our revenue forecast. Post-adjustment, FY25-26F revenue from IP leasing is expected to reach VNDbn 81 (-6% yoy)/VNDbn 68 (-16% yoy).

Figure 9: FY25-26F revenue from IP leasing



(Source: PHR, MBS Research)

We reduce FY25-26F profit from associates by 15%/11% compared to our previous forecast because NTC (PHR holds a 32.85% stake) increases debt to pay NTU 3's land use fee, so FY25-26F profit from associates is expected to grow by 162% and 13% yoy, respectively. NTU 3 has total land area of 346 ha, is being constructed and leased. The MOU area is about 90 ha, accounting for 35% of the industrial land area. Unlike NTU 1&2, NTU 3 can be recognized in the one-time recording method, so we expect NTU 3 to bring extraordinary profit in the coming time.

An increase in other income thanks to compensation of VSIP 3 Binh Duong and rubber land conversion

We revise up FY25-26F other income by 107%/96% yoy thanks to:

- VSIP 3 Binh Duong has total land area of 1,000 ha, of which the compensated land area for PHR is 691 ha. Up to now, this IP has attracted many large FDI projects such as the LEGO factory project, the Pandora project and most recently the SAM DigitalHub project to build a data center on an area of 50 ha. We forecast FY25-26F leased area to reach 60/50 ha, thereby the profit distributed to PHR is VNDbn 136/113, equivalent to an increase of 70%/26% compared to our previous forecast, respectively.
- The Ho Chi Minh City - Thu Dau Mot - Chon Thanh expressway passes through Phu Giao District, Binh Duong, with about 10 km passing through PHR's rubber land. The area to be reclaimed for project construction is 81 ha, with pre-tax compensation reaching VNDbn 203. In 1Q25, PHR received the first notice of land reclamation, about 34 ha. We forecast FY25-26F compensation to reach VNDbn 68/94, respectively.
- In addition, PHR can receive compensation for rubber land area converted to THACO's industrial land to implement Bac Tan Uyen 1 IP. Currently, Bac Tan Uyen 1 IP has been approved for the 1/5000 master plan. We estimate the compensation for PHR of about VNDbn 2,000 assuming the compensation price is equivalent to the previous agreements. But we do not include it in our forecast model because the time PHR receives compensation is too far.

Financial Statements

Income Statement					Cash Flow Statement				
	2023	2024	2025F	2026F		2023	2024	2025F	2026F
Revenue	1,351	1,633	1,513	1,390	Pre-tax profit	792	543	651	619
Cost of goods	(1,024)	(1,211)	(1,175)	(1,129)	Depreciation & amortization	138	140	198	225
Gross profit	327	422	338	261	Tax paid	-	-	-	-
Gen & admin expenses	(100)	(132)	(121)	(111)	Other adjustments	(310)	(203)	(127)	(79)
Selling expenses	(34)	(38)	(45)	(42)	Changes in working capital	(317)	(255)	107	(197)
Operating profit	193	253	171	108	CF from operations	303	225	828	568
Operating EBITDA	331	393	369	333	Capex	(74)	(65)	(224)	(172)
EBIT	193	253	171	108	Proceeds from assests sales	76	0	-	-
Interest income	180	188	124	135	CF from investing activities	342	521	(496)	(20)
Financial expense	(24)	(18)	(10)	(15)	New share issuance	-	-	-	-
Net other income	360	73	241	250	Net borrowings	51	(258)	90	7
Income from associates&JV	82	48	125	141	Other financial cash flow	-	-	-	-
Pre-tax profit	792	543	651	619	Dividend paid	(714)	(443)	(406)	(406)
Tax expense	(131)	(60)	(104)	(99)	CF from financing activities	(663)	(702)	(317)	(400)
NPAT	661	483	547	520	Beginning cash & equivalents	166	146	190	205
Minority interests	(42)	(23)	(37)	(35)	Total cash generated	(19)	44	15	148
NP	620	460	510	484	Ending cash and equivalents	147	190	205	353
Ordinary dividends	(406)	(406)	(406)	(406)					
Retained earnings	213	54	103	78					
Balance Sheet					Key Financial Ratios				
	2023	2024	2025F	2026F		2023	2024	2025F	2026F
Cash and cash-equivalents	147	190	205	353	Revenue growth	-21%	21%	-7%	-8%
Short term investments	1,997	1,683	1,971	1,884	EBITDA growth	-10%	19%	-6%	-10%
Account receivables	193	208	231	229	EBIT growth	-21%	31%	-32%	-37%
Inventories	326	406	338	346	Pre-tax profit growth	-30%	-31%	20%	-5%
Total current assets	2,762	2,570	2,836	2,905	NP growth	-30%	-26%	11%	-5%
Fixed assests	1,779	1,809	1,773	1,717	EPS growth	-30%	-26%	11%	-5%
Construction in progress	-	-	-	-					
Investment property	185	171	183	198	Gross margin	24%	26%	22%	19%
Investments in subsidiaries	-	-	-	-	EBITDA margin	71%	43%	57%	62%
Investments in associates	323	371	427	491	NP margin	46%	28%	34%	35%
Other long-term investments	1,111	1,010	1,111	1,085	ROAE	18%	12%	14%	13%
Total non-current assets	3,399	3,361	3,494	3,491	ROAA	10%	8%	8%	8%
Total assets	6,161	5,932	6,330	6,396	ROIC	15%	12%	12%	11%
Short-term borrowings	277	60	150	156	Asset turnover	0.22	0.27	0.25	0.22
Accounts payable	47	46	55	55	Dividend payout ratio	66%	88%	80%	84%
Other short-term payables	559	498	818	788	D/E	8%	2%	4%	4%
Total current liabilities	883	604	1,022	999	Net debt to total equity	5%	-3%	-1%	-5%
Long-term borrowings	42	-	-	-	Net debt to asset	3%	-2%	-1%	-3%
Other long-term payables	1,422	1,408	1,357	1,323	Interest coverage ratio	8	14	16	7
Total long-term liabilities	1,463	1,408	1,357	1,323					
Total liabilities	2,346	2,013	2,379	2,322	Days account receivable	16	18	16	18
					Days inventory	116	122	105	112
Common share	1,355	1,355	1,355	1,355	Days account payable	17	14	17	18
Share premium	21	21	21	21					
Treasury shares	-	-	-	-	Current ratio	3.1	4.3	2.8	2.9
Undistributed earnings	768	707	810	888	Quick ratio	2.8	3.6	2.4	2.6
Investment and development funds	1,502	1,657	1,550	1,560	Cash ratio	2.4	3.1	2.1	2.2
Shareholders' equity	3,646	3,740	3,736	3,824	Valuation				
Minority interests	168	178	215	250	EPS (VND/share)	4,574	3,395	3,762	3,576
Total shareholders' equity	3,814	3,918	3,951	4,074	BVPS (VND/share)	26,908	27,604	27,573	28,221
Total liabilities & equity	6,161	5,932	6,330	6,396	P/E	10.3	13.8	12.5	13.1
					P/B	1.7	1.7	1.7	1.7

(Source: PHR's financial statements, MBS Research)

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MBS RECOMMENDATION FRAMEWORK

Stock Ratings

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

ADD	The stock's total return is expected to reach 15% or higher over the next 12 months
HOLD	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months
REDUCE	The stock's total return is expected to fall below negative 10% over the next 12 months

Sector Ratings

POSITIVE	Stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
NEUTRAL	Stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
NEGATIVE	Stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

ABOUT MBS

Founded in May 2000 by the Military Commercial Joint Stock Bank (MB), MB Securities Joint Stock Company (MBS) is one of the first six securities companies in Vietnam. After years of development, MBS has grown into one of the premier brokerage houses in the country. In two consecutive years between 2009 and 2010, MBS leads the brokerage house in terms of market share on both Hanoi Stock Exchange (HNX) and HCMC Stock Exchange (HOSE) and continuously ranked among the Top 5 of market share at both stock exchanges.

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