

Vietnam's Rubber Sector

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The outlook for Vietnam's rubber sector is very positive. Vietnam is the fifth largest rubber producer in the world, and output has grown at a 12% annual rate over the past six years. The global supply of rubber is limited, while demand is buoyant, especially from Vietnam's main export market China. As rubber prices move with oil prices, we expect an average rubber selling price of over USD3,000 per tonne this year. Our two favourite rubber stocks, Dong Phu rubber (DPR) and Tay Ninh rubber (TNC), are trading at a 2010 PER of just c. 8x and PBR of c. 2x, considerably below most regional sector peers.

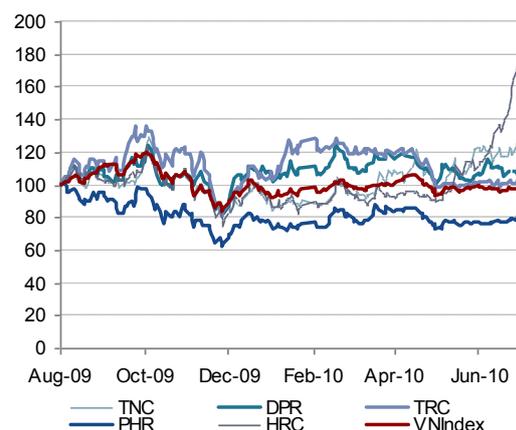
Vietnam is one of the big five. Thanks to a favourable climate, South and Southeast Asia is the world's largest natural rubber production area, with annual production of 9.5 millions tons, accounting for 94% of world supply. Vietnam's rubber industry is ranked fifth in the world, after Thailand, Indonesia, Malaysia and India. Vietnam's output is likely to reach 780,000 tons this year, and rubber is one of only 11 products exported from Vietnam with an annual value of over \$1 billion.

The supply of rubber is limited. Growth in the global supply is limited, because many of the rubber trees now producing were planted during the 1980s. These trees have now reached a phase of declining yields. Global supply is unlikely to increase beyond 6% in 2010. Furthermore, the weather could threaten production; El Nino is returning, making some areas drier and affecting both acreage and yield.

Meanwhile demand is strong, especially from China. Vietnam exports 80% of its total production of natural rubber, and the China market alone accounts for 69% of its total volume. Demand in China is buoyant given the large scale capacity additions taking place in China's auto tyre manufacturing industry.

Rubber prices are on the rise. Rubber prices have bounced back quickly after an extended period of low prices due to the global recession. Not only is demand firm, but natural rubber prices move with crude oil prices, as synthetic rubber and natural rubber are substitutable.

Listed companies are cheap and growing. Among the five listed companies that process natural rubber, we prefer Dong Phu Rubber (DPR) and Tay Ninh Rubber (TRC). DPR and TRC have large mature rubber trees and the highest rubber yields, at 2.2-2.25 tonnes per hectare. Moreover, DPR and TRC have high net profit margins of 32% and 35% respectively, and the highest ROEs. Despite this, their valuations are not significantly different from Vietnam's other rubber companies, particularly when liquidity risk is considered.



Company	Price (US\$)	Mkt cap (US\$m)	EPS (09) (US\$)	2010 P/E*	P/B
TRUBB					
TB	0.28	124	0.01	18.0	3.6
IOI MK	1.62	10,791	0.05	18.6	3.1
KLK MK	5.34	5,700	0.16	19.0	3.1
KRI MK	1.22	389	0.06	10.4	3.3
UNSP IJ	0.03	437	0.01	7.9	0.5
LSIP IJ	1.00	1,366	0.05	13.1	3.1
AALI IJ	2.16	3,408	0.10	14.5	5.0
HRM IN	2.92	54	0.08	38.8	0.9
Average		2,784		17.5x	2.8
Maximum		10,791		38.8x	5.0
Minimum		54		7.9x	0.5

*denotes Bloomberg consensus estimates

Company Code	Current price	Rating	Target price	Upside	Mkt cap (VND bn)	PER (2010, x)	EV/EBITDA (2010, x)	ROE (% 09)	DIV (VND,09)
PHR	38,500	HOLD	41,600	8%	3,130	8.5	7.9	25.77%	2,000
DPR	61,500	BUY	70,000	14%	2,645	8.3	7.9	26.92%	2,000
TRC	56,000	BUY	66,000	18%	1,680	7.5	7.4	27.07%	2,000

Please refer to important disclosures at the end of this document.

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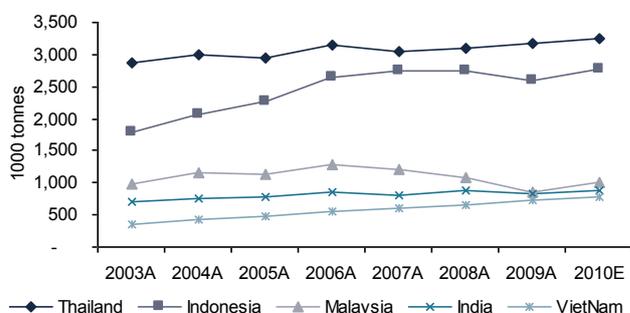
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VIETNAM IS A BIG RUBBER PRODUCER

The rubber industry is among the fastest growing industries in Vietnam’s non-discretionary consumer sector, with a CAGR of 11.5% between 2004 and 2009. We expect it to maintain high-growth momentum, and estimate the value of the industry will rise 46% in 2010, while volume should see a 6.4% increase. The Vietnam rubber industry will supply 7.6% of total world output in 2010 with 770,000 tonnes of natural rubber.

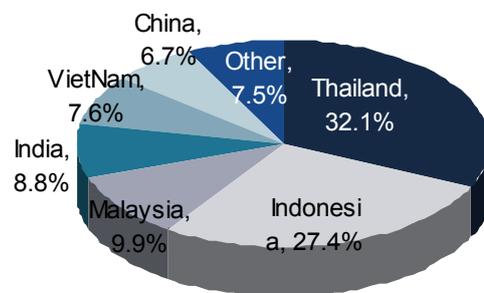
Thanks to favourable climate conditions, Southeast Asia is the world’s biggest natural rubber production area with annual production of 9.5 millions tonnes, accounting for 94% of the world’s natural rubber supply. Vietnam’s rubber industry is ranked fifth in the world in terms of export volume, trailing Thailand, Indonesia, Malaysia and India. According to the Rubber Economist, Asian production will reach 10,108,000 tonnes in 2010, up 6% YoY; while world production will be 10,556,000 tons, up 7% YoY.

Chart 1: Top 5 rubber exporters’ production



Source: ANRPC

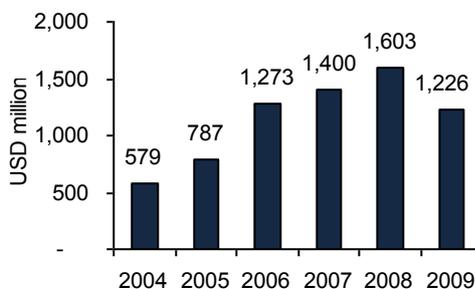
Chart 2: Share of natural supply in the world in 2010E



Source: ANRPC

The rubber industry plays an important role in Vietnam, accounting for over 2% of its total exports, or \$1.2bn in 2009. Development of the natural rubber industry is being promoted by the Ministry of Agriculture and Rural Development. As stated in the National Rubber Development Plan, the government aims to increase rubber production to 800,000 tonnes in 2010, 1.1m tonnes in 2015 and 1.2m tonnes in 2020.

Chart 3: Export turnover of Vietnam natural rubber, 2003-2009



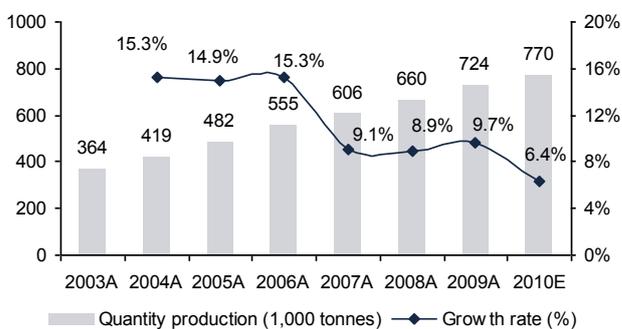
Source: GSO, Ministry of Agriculture and Rural Development

RUBBER SUPPLY IS LIMITED BUT NOT AS MUCH SO IN VIETNAM

The world's natural rubber supply will only see limited growth in the future. A large proportion of existing yielding trees in all major rubber producing countries was planted during the 1980s. The trees planted during those years have now reached the declining yields phase.

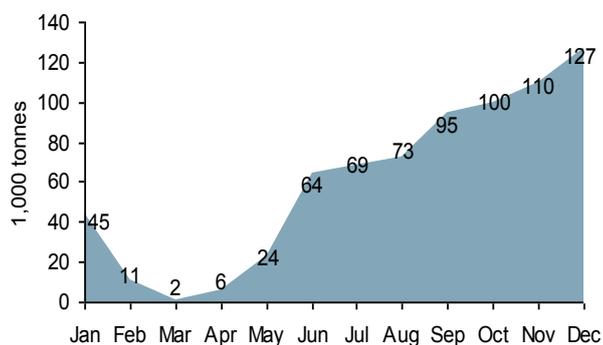
However, Vietnam's rubber industry is still in a developing stage with increasing quantity of production every year. From 2003 through 2009, the total quantity of production increased at a CAGR of 12.2%. Rubber trees are harvested only nine months out of the year, with the remaining three months left for trees to deciduate.

Chart 4: Vietnam natural rubber production 2003A-2010E



Source: ANRPC

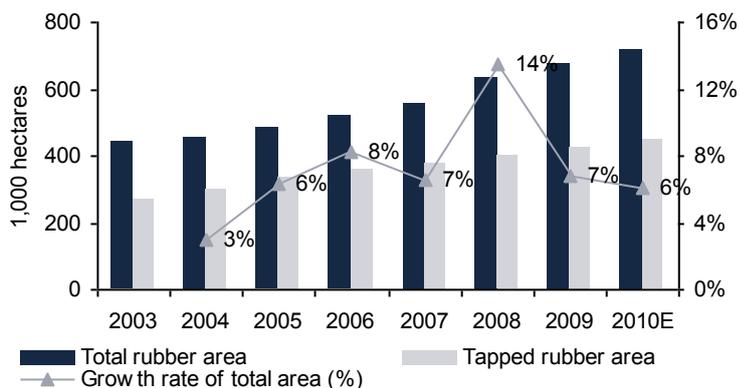
Chart 5: Production of natural rubber in 2009 by month



Source: ANRPC

Thanks to increasing tapped area, Vietnam's rubber production has steady increased. In 2009, total rubber land reached 674,000 hectares, up 53% from 440,000 hectares in 2003. In order to further expand production, Vietnamese companies have expanded to planting and exploitation in Laos and Cambodia. The Vietnam Rubber Group targets rubber area in Laos and Cambodia of 100,000 ha for each by 2015.

Chart 6: Total rubber area and tapped area of Vietnam, 2003A-2010E



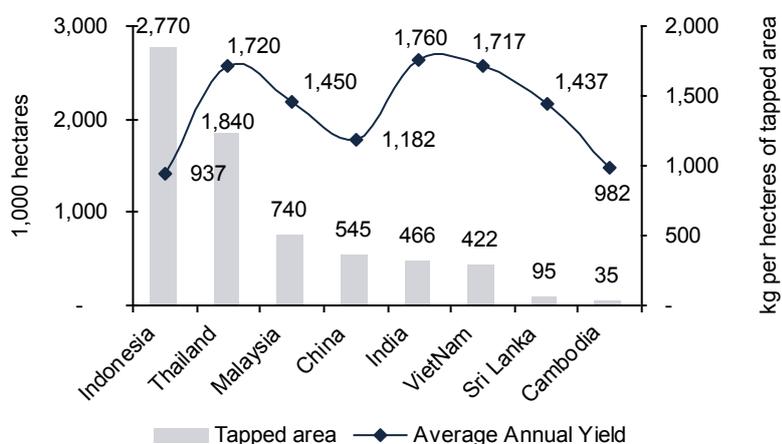
Source: ANRPC

According to the Association of Natural Rubber Producing Countries (ANRPC), the total rubber land will reach about 700,000 hectares in 2010, up 6% YoY. The tapped area will

reach 454,000 hectares in 2010. This will help to increase total rubber output to 770,000 tonnes in 2010.

The table below is about the tapped area and average yield among ANRPC members. Last year, Vietnam’s overall rubber yield was 1.7T/ha of tapped area, up 3.8% YoY (2003: 1.3T/ha; 2005: 1.5T/ha). This increasing productivity is mainly due to massive replanting of rubber trees of increasing quality. Furthermore, advances in cultivation technology have raised the density of rubber trees per hectare.

Chart 7: Average annual Yield among ANRPC members in 2009

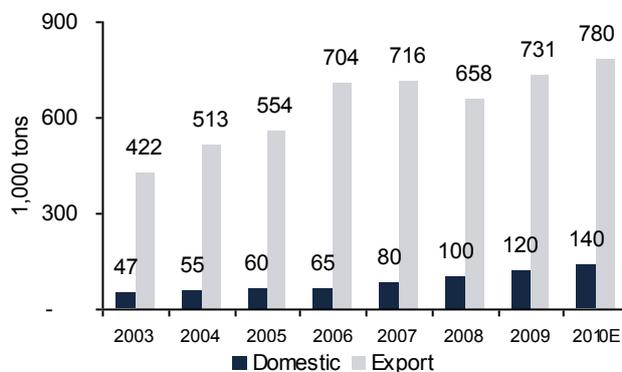


Source: ANRPC

DEMAND MOSTLY COMES FROM CHINA

Over 80% of Vietnamese natural rubber production is exported, with only c. 15% taken by the domestic market. Because the rubber processing industry has seen so little development, only about 20% of natural rubber is processed in the country. Export volumes have grown from 2003-10E at a CAGR of 9.6% and domestic sales at 16.9%.

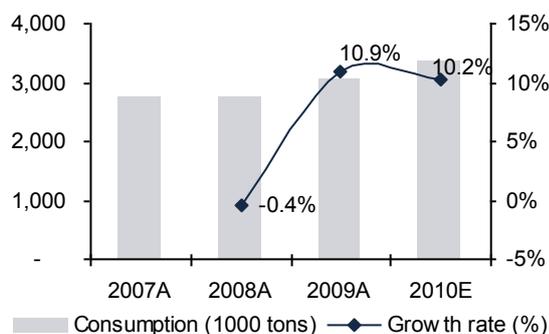
Chart 8: Consumption of domestic and export markets, 2003-2009



Source: ANRPC

According to the Vietnam Rubber Association, Vietnam exports to over 70 countries. However, China is the main export market accounting for 70% of the total (Chinese natural rubber consumption in 2010 should be c. 3.35mT, up 10% YoY. Buoyant demand for automobile tyres in China has helped expand the rubber export volume for rubber products (globally, tyre production accounts for 70% of natural rubber consumption).

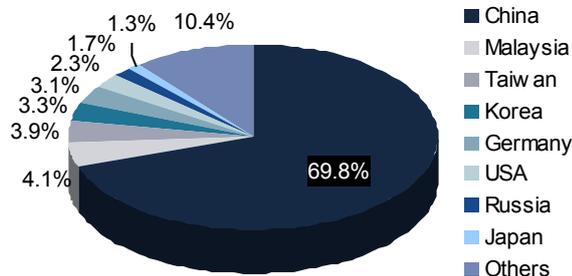
Chart 9: China consumption and growth, 2007A-2010E



Source: ANRPC

In 2009, Vietnam export quantity to China reached 510,000 tonnes, up 18% YoY, but value tumbled 19% to USD857m due to falling rubber prices.

Chart 10: Export markets for Vietnam rubber in 2009

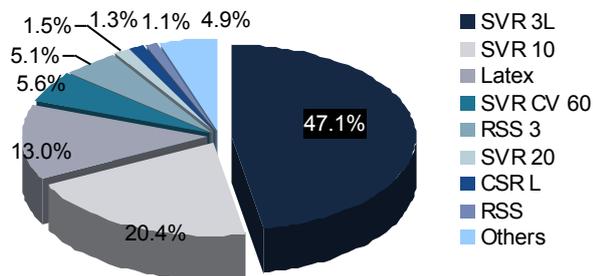


Source: ANRPC

In terms of product type, the main export products of Vietnam rubber are untreated natural rubber. This means low profitability for Vietnam rubber versus with other countries like Malaysia and Thailand. The main items include:

- Technical rubber SVR 3L: accounts largest share of export volume but low value and world demand is not high. China market imports quite a large quantity, which is mainly used in automobile tyre manufacturing.
- Rubber with stable viscosity, centrifugal latex (SRV10, SRV 20, latex, RSS3): these products have high value and great demand but Vietnam does not produce much. Two types of rubber that Japan consumes (RSS 3 and TSR 20) are produced very little in Vietnam.

Chart 11: Product types of Vietnam natural rubber in November 2008

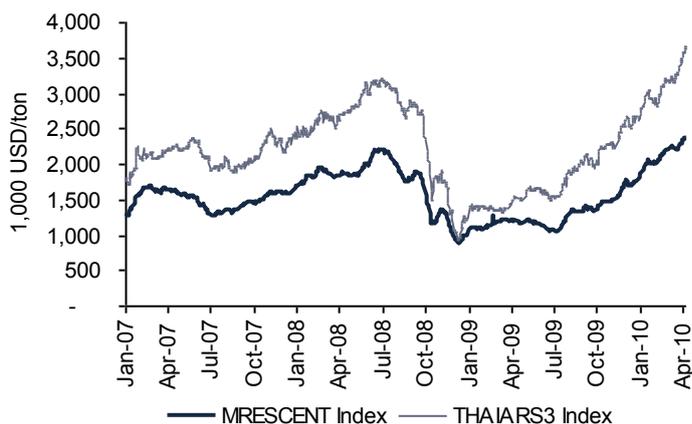


Source: VITIC

RUBBER PRICE ON THE RISE

Rubber prices have enjoyed a strong (up c. 7 times !) increase during 2002-2008 and reached a peak of USD 3,008 per tonne in July 2008 before they fell to the bottom of c. USD 1,000 per tonne in December 2008. Since then rubber prices have again resurged back to all-time highs.

Chart 12: Natural rubber prices on Malaysia and Thailand market from 2007-2010



Source: Bloomberg, Mekong Securities

In 2009, a tripartite rubber council founded by Thailand, Malaysia and Indonesia jointly boosted the rubber price by cutting their production and banning export contracts at below \$1,350 per tonne; though the global and especially Asian economic rebound is the prime cause of rubber price recovery.

Rubber prices also correlate with crude oil prices. A change in oil prices induces a change in synthetic rubber prices, resulting in substitution between natural and synthetic rubbers. According to the US Government’s Energy Information Administration, WTI crude oil prices will average USD 82 per barrel in 2010 and USD 85 per barrel in 2011.

Chart 13: Natural rubber prices vs crude oil price



Source: Bloomberg, Mekong securities

As ANRPC reported in June 2010, the current uptrend in rubber prices is supported by (i) tightness in supply, caused mainly by an increasing dominance of aged trees supplemented by climate related constraints in major producing countries; (ii) strong demand, especially from China, including in the short term from the beginning of June 2010; (iii) strengthening of baht, ruppiah and ringgit against the dollar; and (iv) surge in crude petroleum oil price. The dominating influence of these four factors has kept the market bullish.

INVESTMENT OPPORTUNITIES

On HCM City Stock Exchange, there are five listed companies involved in growing and processing natural rubber (out of about a dozen significant Vietnamese producers). These companies are privatized state companies with the state owning a majority share in each.

Chart 14: Five listed companies in the natural rubber sector

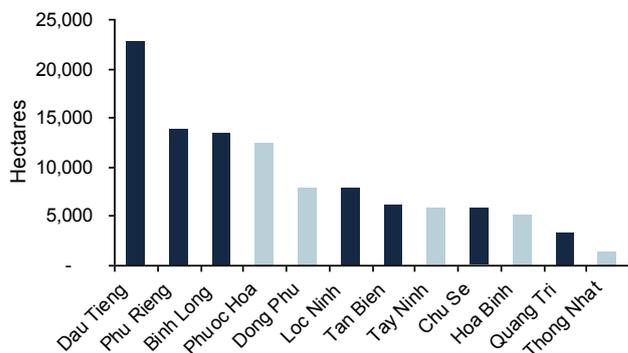
No	Name	Code	Mkt cap	3m avg daily vol	Hist PE
1	Dong Phu Rubber Joint Stock Company	DPR	2,645	20,820	11.3
2	Phuoc Hoa Rubber Joint Stock Company	PHR	3,130	105,241	12.0
3	Tay Ninh Rubber Joint Stock Company	TRC	1,680	10,894	11.0
4	Hoa Binh Rubber Joint Stock Company	HRC	1,073	143,818	16.9
5	Thong Nhat Rubber Joint Stock Company	TNC	389	327,018	13.2

Source: HOSE, Mekong Securities

Production Factors, Yields & Output

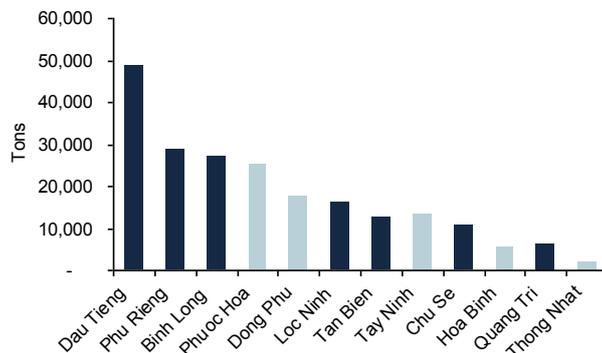
For natural rubber companies, two important factors are plantation size and tree age. Ranked by crop rubber area, the five listed rubber companies have medium and small planted area by global sector standards. PHR (12,423ha in 2008) and DPR (7,908ha) have larger planted area than TRC (5,839ha), HRC (5,072ha) and TNC (1,417ha).

Chart 15: Planted hectares



Source: VRG, 2008

Chart 16: Production of natural rubber



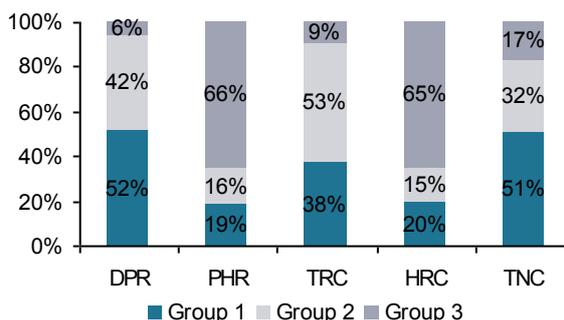
Source: VRG, 2008

Regarding tree age, the average growth cycle of rubber trees is about 27 years, out of which exploitation lasts for 20 years. Newly exploited baby trees see yield rise from a low base; middle age is the period of highest yield; old trees see declining yield. Analysing the companies by tree age, DPR (42%) and TRC (53%) have an attractively high weighting of mature middle-aged trees; whereas PHR and HRC have a high old-tree weighting of almost two-thirds for each, which limits their capacity for higher output.

Soil quality is also important. Here, DPR has a great advantage being in Binh Phuoc province with its superior soil for the development of perennial trees. In contrast, PHR and TRC are located in relatively barren land. HRC and TNC are located in normal soil (Vung Tau).

In terms of overall rubber production, PHR has the highest output among the five listed players of 25,132 tons in 2008, followed by DPR (17,562 tons), TRC (13,490 tons), HRC (5,663 tons) and TNC (2,089 tons).

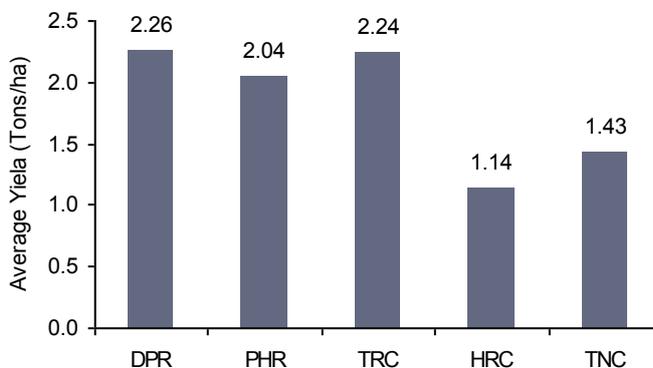
Chart 17: Planted hectares by tree age group



Source: Companies' prospectuses

In terms of efficiency, DPR and TRC have the highest rubber yield at 2.2-2.25 tonnes per hectare, followed by PHR at 2.02 tonnes/ha, HRC at 1.02 tonnes/ha, and TNC at 1.38 tonnes/ha.

Chart 18: Natural rubber average yield (tonnes/ha) of the five companies



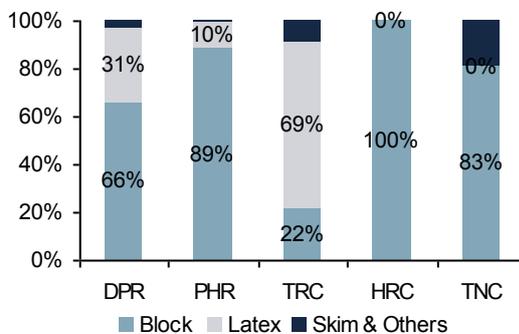
Source: Companies' annual reports, 2009

Product portfolios, sales, earnings and profitability

In the companies' product portfolios, block rubber has always occupied a high percentage of all sales volume. Going forward, this proportion is tending to decrease in favour of more profitable latex and skim rubber. Block rubber is for tyre making, while latex is used in different sectors like medical gloves and mattresses.

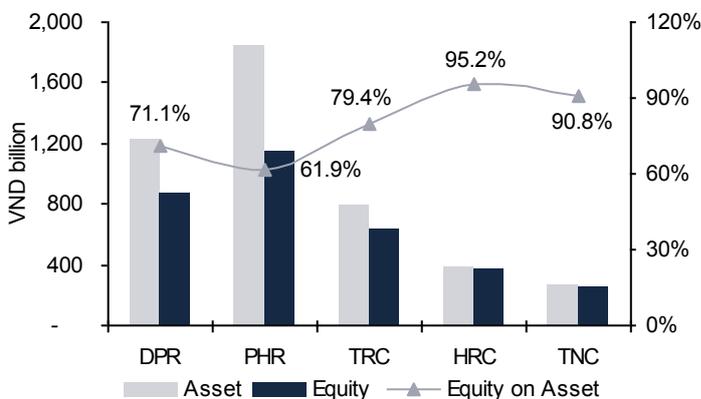
Among the five companies, only TRC has a high latex ratio in its rubber portfolio at 69%, followed by DPR of 31% and PHR of 10% (HRC, TNC – nil).

Chart 19: Natural rubber product portfolios



Source: Mekong securities, DPR, PHR, TRC, HRC, TNC

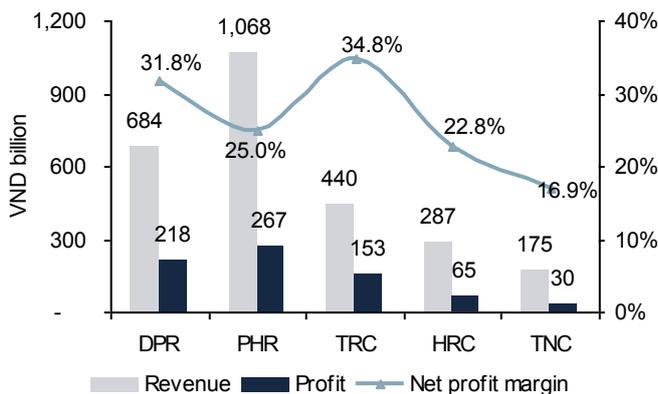
Chart 20: Assets and Equity of the five companies in 2009



Source: Mekong securities, DPR, PHR, TRC, HRC, TNC

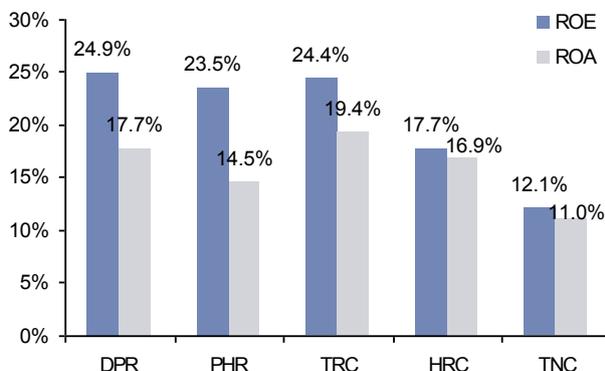
Sales and profits fell for the sector in 2009 due to lower rubber prices. DPR (32%) and TRC (35%) had highest net profit margin, followed by PHR (25%), HRC (23%) and TNC of (17%). A similar picture applies to ROE and ROA, with DPR and TRC again leading; followed by the others, and TNC at the bottom of the heap.

Chart 21: Revenue and net profit of the five companies in 2009



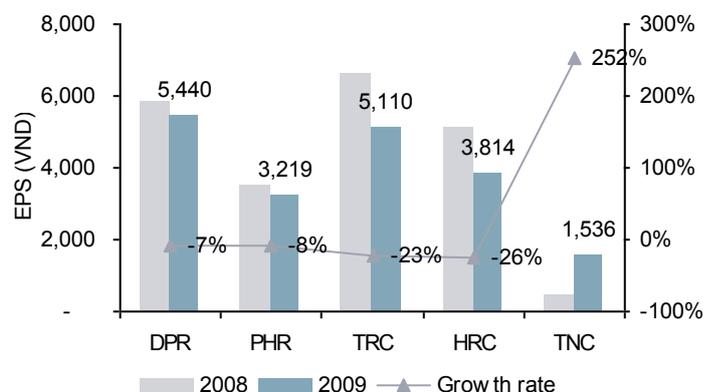
Source: Mekong securities, DPR, PHR, TRC, HRC, TNC

Chart 22: ROE and ROA of the five companies in 2009



Source: Mekong securities, DPR, PHR, TRC, HRC, TNC

Chart 23: EPS of the five companies in 2008 and 2009



Source: Mekong securities, DPR, PHR, TRC, HRC, TNC

Plantation expansion initiatives

Currently, exploitation area for these companies is too limited. All companies have to expand.

DPR has a new plantation of over 1,000 ha in Binh Duong province and has some investment projects in rubber cultivation in other regions in Vietnam (Dak Nong, 2000+ ha planned), Cambodia (51% stake in 10,000 ha of projects) and Laos.

TRC has a 10% stake in 10,000 ha in Laos (Viet Lao Rubber JSC).

PHR has an investment project in Cambodia with 8,000 ha of rubber area. Total investment capital is VND 935 billion. Until 2009, plantation area is up to 545 ha.

HRC, constrained by a small crop area in its core operations, has 15% of the above-mentioned Viet Lao Rubber JSC. It also has a 15% stake in a newly planted 900 ha rubber tress in Lai Chau province. In Cambodia, it has a 10% stake in a new rubber plantation of 5,000 ha called Binh Long-Ta Thiet Rubber.

Chart 24: Expansion projects

Company	Projects	Place	Rubber area (ha)	Total capital (VND bn)	Company share (%)	Status
DPR	By owned area Dong Phu Dak Nong	Binh Duong province Dak Nong province	1,000 2000-3000		50%	Completing procedures to create JV co. Developed 100 ha in 2007, 500 ha in 2008 and 500 ha in 2009
	Dong Phu Kratie	Cambodia	10,000	200	51%	Developed 70 ha in 2008, 1,300 ha in 2009 and 1,500 ha in 2010e. Starts exploiting latex from 2013

TRC	Viet Lao Rubber JSC	Laos	10,000	600	10%	Entered project in 2004. Due to start making profits in 2010
PHR	Phuoc Hoa Kampong Thom Ltd	Cambodia	8,000	935	40%	Until 2009, exploitation area is up to 545 ha
	Viet Lao Rubber JSC	Laos	10,000	600	15%	Entered project in 2004. Due to start making profits in 2010
HRC	Lai Chau Rubber JSC	Lai Chau province	900	200	15%	Continuing its investment of VND 24bn (80% stake) in the next 3 yrs
	Binh Long- Ta Thiet Rubber JSC	Cambodia	5,000	30	10%	Project is ongoing and capital contribution may end by 2010

Source: DPR, TRC, PHR, HRC, Mekong Securities

MARKET VALUATIONS

Currently, DPR, PHR and TRC are trading at forward PERs of 11, 8 and 10 respectively, lower than the sector average. For DPR and TRC this goes to a discount on the forward multiple, given superior growth.

TRC and DPR have high interest from foreign investors; they hold 32% and 24% of these two respectively (HRC 18%, PHR 8%, TNC 2%).

Chart 25: Five listed companies' valuation summary

Ticker	Price (VND)	Market Cap (VNDbn)	Index Weight (%)	Avg Vol 30D (shares)	Hist P/E ('09, x)	P/E ('10, x)	P/B ('09, x)	Foreign Ownership
HOSE:DPR	61,500	2,645	0.53	20,820	11.3	8.3	3.0	24.45%
HOSE:PHR	38,500	3,130	0.68	105,241	12.0	8.5	2.7	8.86%
HOSE:TRC	56,000	1,680	0.36	10,894	11.0	7.5	2.7	32.92%
HOSE:HRC	62,500	1,073	0.24	143,818	16.9	17.8	2.9	18.52%
HOSE:TNC	20,200	389	0.08	327,018	13.2	16.1	1.6	2.29%
Average	47,740	1,783	0.38	121,558	12.9	11.6	2.6	

Source: Bloomberg, Mekong Securities. 2010 P/E for HRC and TNC based on co plan, others based on Mekong forecasts

Potential growth for 2010 and beyond

DPR and TRC continue to maintain their leading position in the industry with healthy plantations and stable production, with a new tree/old tree ratio satisfactory for maintaining production when old trees are being cleared.

DPR has the most upside from expansion projects.

TRC is the most active of the five in finding new customers. The company is also known for its application of highly fertile seeding which yields high quality latex sold for high margins. But it is relatively inactive on new expansion projects.

PHR's and HRC's majority of rubber trees are old and in need of replanting, which will lead to a reduction in annual average yield.

Chart 26: Five listed companies' 2010 projections

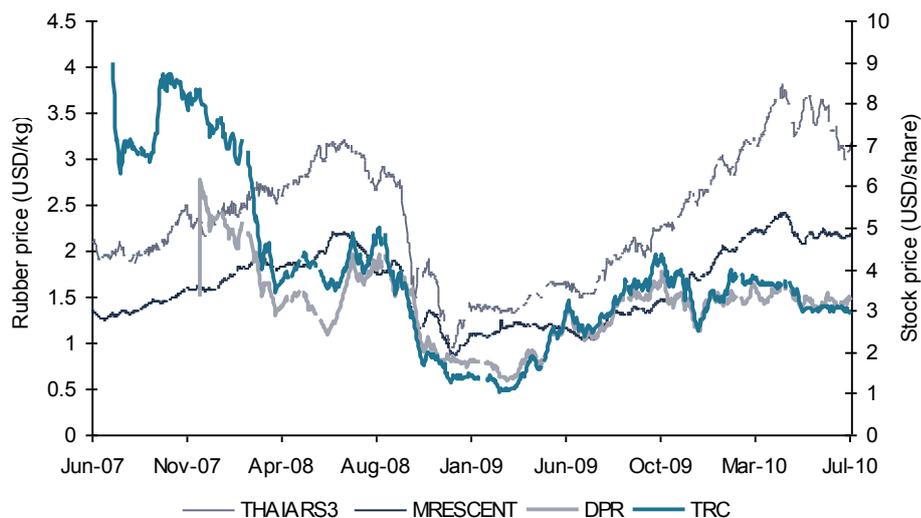
	Tapped area 2010 (ha)		Exploitation output 2010		Revenue 2010 (VND m)		Profit before tax (VND m)	
	2010E	2010E/2009	2010E	2010E/2009	2010E	2010E/2009	2010E	2010E/2009
HOSE:DPR	7,245	-4%	16,000	-6%	667,000	-2%	225,600	+4%
HOSE:PHR	11,070	-9%	21,500	-11%	1,040,000	-3%	268,000	-
HOSE:TRC	5,552	-6%	12,000	-9%	559,183	+27%	166,915	+9%
HOSE:HRC	3,380	-25%	4,260	-17%	199,879	-14%	60,400	-8%
HOSE:TNC	1,417	-32%	1,830	-10%	175,204	-3%	24,085	-19%
Average	5,733		11,118		528,253		149,000	

Source: DPR, PHR, TRC, HRC, TNC, Mekong Securities.

TRC expects to have the best performance in the sector in 2010, with revenue and profit up 27% and 9% respectively. Tapped area for all companies is falling in 2010, meaning output falls too.

We like DPR and TRC for their leading position in the industry with healthy plantations and stable output, and in DPR's case upside from expansion.

Chart 27: Rubber price versus share price of DPR and TRC



Source: Mekong securities, DPR, TRC

PHURUCO

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Transforming for long-term growth

HOLD – Price target: VND41,600

We initiate coverage on Phuruco (HOSE: PHR), the largest producer (area 15,000 ha) among Vietnam's five listed natural rubber companies with a 'hold' rating. Our DCF-based valuation gives us a one-year price target of VND41,600 (USD2.2), which represents an 8% premium over the closing price of VND38,500 (USD2), and provides a 12-month expected total return of 13%. Our price target implies a 9.2x FY10E PER, 21% lower than the VN sector average and 47% lower than the Southeast Asian regional sector average, and a 2.5x PBR.

Large area and exploitation capacity are a bull point; favourable production conditions in Binh Duong province emanate from superior soil quality and good rainfall. We see higher-than-expected natural rubber price growth in 2010, and PHR's ability to export 40% of its total volume, as catalysts for potential upside revisions.

PHR's main product is block rubber (89% of total output), used for auto tyres. We estimate 45% of its sales go to Germany, France, the US, Korea, and Singapore; 20% go to the Vietnam market; and 35% go to China, whose car market is likely to grow at least at a 15-20% annual growth rate over at least the next few years. Meanwhile, in Vietnam, car sales are likely to grow at about 10% pa or better, and motorcycle sales at perhaps 25% pa or better in coming years.

However, 60% of PHR's trees are over 21 years old, meaning low and declining exploitation area from now through 2014. Every year PHR has to liquidate 800-1000 ha, which generates a one-off VND78m of revenue per hectare (selling off the wood) – but this compares unfavourably with PHR's overall sales per hectare of VND92m. Only from 2015 will PHR be able to enlarge its exploitation area with more young trees having high productivity of 2.5 tonnes/ha.

We believe PHR's investments in new rubber area (8,000 ha) in Cambodia and other non-core businesses (two industrial parks and one toll road) will enable the company to strengthen its base for long-term growth underpinned by a more diversified income profile. That said, the sales and profit outlook looks tepid, unless there is a scenario of continued booming rubber prices. This is the most liquid stock in the sector, so those with strong conviction on rubber prices might want exposure to it on these grounds.

VND bn except where stated	2008	2009	2010E	2011E	2012E
Sales	1,092	1,068	1,377	1,396	1,403
EBITDA	348	270	410	424	432
Net income	284	260	369	361	365
EPS-(VND, adjusted)	3,496	3,199	4,539	4,439	4,485
EPS growth (%)	-3%	-8%	42%	-2%	1%
DPS (VND)	1,900	2,000	2,000	2,000	2,000
PER (x)	11.0	12.0	8.5	8.7	8.6
EV/sales (x)	2.9	3.0	2.3	2.3	2.3
PBR (x)	3.6	2.7	2.3	2.0	1.8
ROE (%)	28.42%	25.77%	29.70%	24.98%	22.17%
ROIC (%)	16.87%	14.24%	18.63%	16.01%	14.87%

Coverage initiation

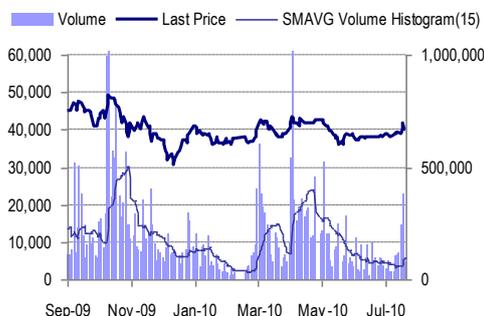
Recommendation	HOLD
HOSE:PHR	
Natural rubber sector	
Price (VND)	38,500
Price Target (VND)	41,600
Expected share price return (%)	8.05%
Expected dividend yield (%)	5.19%
Expected total return (%)	13.25%

Source: Bloomberg, Mekong Securities

Stock performance (%)

	YTD	1m	3m	12m
Abs	2%	5%	-5%	-7%
Rel	6%	7%	1%	-20%

Source: Bloomberg



Ownership structure

State (VRG)	66.62%
Foreigners	8.86%
Others	24.52%

Stock Statistics 2-Aug-10

Bloomberg code	PHR VN
Last price (VND)	38,500
52-week range (VND)	30,600 - 51,500
Shares O/S (m)	80
Mkt cap (VNDbn)	3,130
Mkt cap (USDm)	164
Est. free float (m)	27
3m avg daily vol (shrs)	105,241
VND/USD	19,100
Index: VNIndex/HNX	493 / 153

Source: Bloomberg

PHR FINANCIALS MODEL	Price (VND):	38,500	Target (VND):	41,600	Mkt cap:	3,130,050		HOLD
(Rubber sector)								
(VND mil except where stated)	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Sale Volume (tons)	30,787	31,325	29,576	26,844	25,918	24,823	23,828	22,833
Rubber price (in VND m per tons)	41.1	43.4	31.9	50.0	52.5	55.1	56.8	58.5
Total Net Sales	1,097,341	1,092,308	1,067,895	1,377,200	1,395,688	1,403,388	1,387,944	1,370,343
<i>Sales growth (%)</i>		0%	-2%	29%	1%	1%	-1%	-1%
<i>Sales growth at constant FX (%)</i>		6%	4%	36%	3%	1%	-1%	-1%
<i>VND/USD avg exchange rate</i>	16,000	17,000	18,000	19,000	19,380	19,380	19,380	19,380
<i>FX rate impact on growth rate (%pts)</i>		-6%	-6%	-7%	-2%	0%	0%	0%
CoGS	695,986	737,317	784,767	953,725	963,115	967,983	963,139	957,396
Gross profit	98,134	309,417	233,446	356,399	362,672	363,130	352,532	344,287
<i>Gross profit margin (%)</i>	8.9%	28.3%	21.9%	25.9%	26.0%	25.9%	25.4%	25.1%
SG&A	57,377	52,723	62,496	80,615	78,337	75,962	75,126	74,173
<i>SG&A as % of sales</i>	5.2%	4.8%	5.9%	5.9%	5.6%	5.4%	5.4%	5.4%
EBITDA	647,199	347,842	270,313	409,937	424,136	431,717	421,954	407,434
<i>EBITDA margin (%)</i>	59.0%	31.8%	25.3%	29.8%	30.4%	30.8%	30.4%	29.7%
<i>EBITDA growth rate (%)</i>		-46%	-22%	52%	3%	2%	-2%	-3%
Depreciation	303,221	45,574	49,682	67,077	69,901	72,274	72,274	68,660
Bad debt provs, other costs (net)	0	0	0	0	0	0	0	0
Other Income (net)	53,033	29,310	76,671	78,000	72,306	74,475	76,709	79,011
Operating profit	397,010	331,578	297,303	420,860	426,542	433,918	426,389	417,784
<i>Operating profit margin (%)</i>	36.2%	30.4%	27.8%	30.6%	30.6%	30.9%	30.7%	30.5%
Finance Income, net	10,973	58,425	47,230	81,787	67,230	65,830	62,052	57,991
Net interest expenses	1,024	334	948	10,740	12,698	13,680	13,529	13,358
<i>Interest as % of avg net debt</i>	7.8%	5.1%	0.0%	13.6%	14.1%	15.0%	14.9%	14.9%
<i>Interest cover (x)</i>	387.7	993.1	313.7	39.2	33.6	31.7	31.5	31.3
Tax	113,396	105,485	83,507	122,895	120,186	121,434	118,646	115,524
<i>Effective tax rate (%)</i>	28%	27%	24%	25%	25%	25%	25%	25%
Minorities	0	0	0	0	0	0	0	0
Net profit	293,564	284,185	260,078	369,012	360,888	364,634	356,266	346,894
Cash earnings	596,785	329,759	309,760	436,088	430,788	436,908	428,540	415,555
Number of shares (m)	7.9	81.3	81.3	81.3	81.3	81.3	81.3	81.3
EPS (VND)	36,996	3,496	3,199	4,539	4,439	4,485	4,382	4,267
<i>EPS growth (%)</i>		-91%	-8%	42%	-2%	1%	-2%	-3%
Cash EPS (VND)	75,209	4,056	3,810	5,364	5,299	5,374	5,271	5,111.38
Adjusted EPS (VND), increase capital	3,595	3,496	3,199	4,539	4,439	4,485	4,382	4,267
<i>Adjusted EPS growth (%)</i>		-3%	-8%	42%	-2%	1%	-2%	-3%
Key cashflow and balance sheet items	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Increase in working capital	-497,446	388,891	-112,560	127,035	9,272	3,719	-8,192	-9,304
Capex inc acquisitions	735,055	20,384	-52,400	267,950	147,580	147,580	0	0
Other cashflow items	0	0	0	0	0	0	0	0

Free cash flow	359,175	(79,517)	474,721	41,104	273,937	285,609	436,732	424,858
Share issues	0	0	0	0	0	0	0	0
Dividends paid	0	(154,470)	(162,600)	(162,600)	(162,600)	(162,600)	(162,600)	(162,600)
Increase in net debt	-137,066	-13,071	68,628	20,869	1,201	500	-1,004	-1,144
Net debt, end of year	13,071	0	68,628	89,497	90,698	91,199	90,195	89,051
Enterprise value	3,143,121	3,130,050	3,198,678	3,219,547	3,220,748	3,221,249	3,220,245	3,219,101
Shareholders' equity	1,120,854	879,129	1,139,609	1,345,695	1,543,654	1,745,356	1,938,695	2,122,666
BVPS (VND)	141,255	10,813	14,017	16,552	18,987	21,468	23,846	26,109.0
Net debt / equity (%)	1%	0%	6%	7%	6%	5%	5%	4%
Net debt / EBITDA (x)	0.0	0.0	0.3	0.2	0.2	0.2	0.2	0.2
Total assets	1,548,414	1,823,708	1,839,863	2,214,298	2,423,886	2,630,441	2,814,092	2,987,020

Key return and valuation ratios	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
ROE (%)	26.2%	28.4%	25.8%	29.7%	25.0%	22.2%	19.3%	17.1%
ROA (%)	25.6%	19.7%	16.2%	20.8%	18.4%	17.2%	15.7%	14.4%
ROIC (%)	19.0%	16.9%	14.2%	18.6%	16.0%	14.9%	13.5%	12.3%
WACC (%)	9.5%	11.0%	11.3%	14.2%	14.2%	14.3%	14.3%	14.3%
EVA (%)	9.6%	5.9%	2.9%	4.5%	1.8%	0.6%	-0.8%	-2.0%
PER (x)	10.7	11.0	12.0	8.5	8.7	8.6	8.8	9.0
EV/EBITDA (x)	4.9	9.0	11.8	7.9	7.6	7.5	7.6	7.9
EV/FCF (x)	8.8	-39.4	6.7	78.3	11.8	11.3	7.4	7.6
PBR (x)	0.3	3.6	2.7	2.3	2.0	1.8	1.6	1.5
PSR (x)	2.9	2.9	2.9	2.3	2.2	2.2	2.3	2.3
EV/sales (x)	2.9	2.9	3.0	2.3	2.3	2.3	2.3	2.3
NOPAT	286,387	241,819	225,045	315,715	319,979	325,512	319,865	313,411

DCF Financial model	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
FCF	351,998	(121,883)	439,687	(12,193)	233,028	246,487	400,331	391,375
Discount factor				1.00	1.14	1.31	1.49	1.71
Present value of given year's FCF				(12,193)	204,016	188,837	268,349	229,516
PV of FCF 2010-15				878,525				
Terminal growth rate				0.05				
PV of terminal value				2,590,222				
DCF valuation per share (VND)				41,600				

Technical view: PHR - Sideways



- In short-term, PHR is moving sideways within the trading range from the support at 36,000 to resistance at 44,000.
- In mid-term, PHR is moving sideways within the trading range from the support at 32,000 to the resistance at 48,000.

Trading strategy:

- Buy near the supports and take profit near the resistances. Place the stop loss below the support.

DORUCO

Good performance

BUY – Price target: VND70,000

We initiate coverage on Doruco (HOSE: DPR), which has the highest production yield (great soil, good tree age profile) among the five listed companies in the natural rubber sector in HOSE, with a **BUY** rating. Our DCF-based valuation gives us one-year price target of VND70,000 (USD3.66), which represents a 14% premium over the closing price of VND61,500 (USD3.22), and provides a 12-month expected total return of 17%. Our price target implies a 9.4x FY10E PER, which is 19% lower than the average of domestic natural rubber processing peers and 46% lower than the regional sector average, and a 2.7x PBR. We see higher-than-expected natural rubber price growth in 2010, and DPR's ability to export 53% of its total volume, as catalysts for potential upside revisions.

Block rubber accounts for 67% of output and latex 31%, so the company is largely but not exclusively geared to auto tyre demand.

DPR's plans for regional growth are the sector's biggest, with Dak Nong province and Cambodia featuring in this. These combined amount to roughly a doubling in planted area for the company (on an attributable basis in the case of JV companies). In addition, the company is moving downstream into higher value-added business, establishing a company called Dorufoam which will use latex for processing mattresses and pillows.

Given an underlying superior growth outlook, based on increasing planted area as well as downstream expansion, and a competent forward-looking management team, we believe that DPR is the best stock to buy in the sector. It trades at similar multiples to the rest of the sector, so the investor does not have to pay a premium for these advantages.

VND bn except where stated	2008	2009	2010E	2011E	2012E
Sales	729	648	926	949	984
EBITDA	235	227	346	356	373
Net income	234	211	320	331	348
EPS (VND, adjusted)	5,443	4,901	7,443	7,701	8,082
EPS growth (%)	2%	-10%	52%	3%	5%
DPS (VND)	4,995	2,000	2,000	2,000	2,000
PER (x)	10.5	11.7	8.3	8.0	7.6
EV/sales (x)	3.7	4.1	2.9	2.9	2.8
PBR (x)	3.6	2.8	2.4	1.9	1.6
ROE (%)	34.70%	26.92%	31.94%	26.67%	23.25%
ROIC (%)	21.85%	19.51%	22.66%	19.30%	17.51%

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Coverage initiation

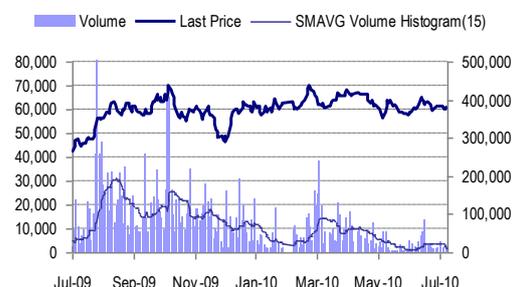
Recommendation	BUY
	HOSE:DPR
	Natural rubber sector
Price (VND)	61,500
Price Target (VND)	70,000
Expected share price return (%)	13.82%
Expected dividend yield (%)	3.25%
Expected total return (%)	17.07%

Source: Bloomberg, Mekong Securities

Stock performance (%)

	YTD	1m	3m	12m
Abs	5%	2%	-8%	41%
Rel	9%	4%	-2%	22%

Source: Bloomberg



Ownership structure

State (VRG)	60.00%
Foreigners	24.45%
Others	15.55%

Stock Statistics	2-Aug-10
Bloomberg code	DPR VN
Last price (VND)	61,500
52-week range (VND)	42,800 - 70,000
Shares O/S (m)	43
Mkt cap (VNDbn)	2,645
Mkt cap (USDm)	128
Est. free float (m)	10
3m avg daily vol (shrs)	20,820
VND/USD	19,100
Index: VNIndex/HNX	493 / 153

Source: Bloomberg

DPR FINANCIALS MODEL	Price (VND):	61,500	Target (VND):	70,000	Mkt cap:	2,644,500		BUY
(Rubber sector)								
(VND mil except where stated)	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Sale Volume (tons)	20,703	20,022	19,603	18,500	18,058	17,838	18,058	18,279
Rubber price (in VND m per tons)	39.6	41.5	32.2	50.0	52.5	55.2	56.8	58.0
Total Net Sales	703,796	728,795	648,310	925,654	948,733	983,987	1,026,054	1,059,374
<i>Sales growth (%)</i>		4%	-11%	43%	2%	4%	4%	3%
<i>Sales growth at constant FX (%)</i>		10%	-6%	51%	5%	4%	4%	3%
<i>VND/USD avg exchange rate</i>	16,000	17,000	18,000	19,000	19,400	19,400	19,400	19,400
<i>FX rate impact on growth rate (%pts)</i>		-6%	-5%	-8%	-2%	0%	0%	0%
CoGS	448,004	476,771	414,850	579,450	592,231	609,949	630,459	647,537
Gross profit	255,792	252,024	233,460	346,204	356,501	374,038	395,596	411,836
<i>Gross profit margin (%)</i>	36.3%	34.6%	36.0%	37.4%	37.6%	38.0%	38.6%	38.9%
SG&A	38,603	40,926	34,560	49,345	50,003	50,877	53,052	54,774
<i>SG&A as % of sales</i>	5.5%	5.6%	5.3%	5.3%	5.3%	5.2%	5.2%	5.2%
EBITDA	244,862	234,870	226,789	346,463	356,458	373,396	395,636	410,295
<i>EBITDA margin (%)</i>	34.8%	32.2%	35.0%	37.4%	37.6%	37.9%	38.6%	38.7%
<i>EBITDA growth rate (%)</i>		-4%	-3%	53%	3%	5%	6%	4%
Depreciation	27,673	23,773	27,889	49,605	49,959	50,235	53,092	53,233
Bad debt provs, other costs (net)	0	0	0	0	0	0	0	0
Other Income (net)	7,319	25,133	3,452	23,581	24,288	25,017	25,767	26,540
Operating profit	224,509	236,231	202,351	320,439	330,787	348,178	368,311	357,062
<i>Operating profit margin (%)</i>	31.9%	32.4%	31.2%	34.6%	34.9%	35.4%	35.9%	33.7%
Finance Income, net	16,961	2,206	33,691	29,451	32,912	34,309	36,095	37,331
Net interest expenses	8,756	4,392	15,319	3,892	5,724	6,774	7,873	9,022
<i>Interest as % of avg net debt</i>	21.2%	10.8%	42.7%	6.6%	6.1%	6.2%	6.2%	6.2%
<i>Interest cover (x)</i>	25.6	53.8	13.2	82.3	57.8	51.4	46.8	39.6
Tax	673	-	9,964	25,950	26,848	28,179	29,740	30,893
<i>Effective tax rate (%)</i>	0%	0%	5%	8%	8%	8%	8%	14%
Minorities	1795	0	3	0	0	0	0	0
Net profit	230,245	234,044	210,756	320,049	331,127	347,536	366,794	354,477
Cash earnings	257,918	257,817	238,646	369,654	381,086	397,771	419,885	407,710
Number of shares (m)	40	40	40	43	43	43	43	43
EPS (VND)	5,756	5,851	5,269	7,443	7,701	8,082	8,530	8,244
<i>EPS growth (%)</i>		2%	-10%	41%	3%	5%	6%	-3%
Cash EPS (VND)	6,448	6,445	5,966	8,597	8,862	9,250	9,765	9,482
Adjusted EPS (VND), increase capital	5,355	5,443	4,901	7,443	7,701	8,082	8,530	8,244
<i>Adjusted EPS growth (%)</i>		2%	-10%	52%	3%	5%	6%	-3%
Key cashflow and balance sheet items	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Increase in working capital	1,210,705	-93,223	1,209	56,182	7,352	11,378	13,629	10,726
Capex inc acquisitions	49,416	13,116	87,471	337,315	67,463	69,487	71,571	73,719
Other cashflow items	0	0	0	0	0	0	0	0

Free cash flow	(1,002,202)	337,925	149,966	(23,843)	306,271	316,906	334,685	323,265
Share issues	0	0	0	30,000	0	0	0	0
Dividends paid	(60,000)	(200,000)	(80,000)	(86,000)	(86,000)	(86,000)	(86,000)	(86,000)
Increase in net debt	-56,344	43,249	79,771	54,200	14,616	17,051	18,413	16,664
Net debt, end of year	41,216	40,059	31,754	85,954	100,570	117,621	136,034	152,698
Enterprise value	2,685,716	2,684,559	2,676,254	2,730,454	2,745,070	2,762,121	2,780,534	2,797,198
Shareholders' equity	668,134	680,846	885,009	1,119,057	1,364,185	1,625,720	1,906,514	2,201,532
BVPS (VND)	16,703	17,021	22,125	26,025	31,725	37,807	44,338	51,198.4
Net debt / equity (%)	6%	6%	4%	8%	7%	7%	7%	7%
Net debt / EBITDA (x)	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.4
Total assets	1,133,608	1,041,137	1,246,311	1,606,553	1,872,277	2,159,980	2,470,058	2,790,359

Key return and valuation ratios	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
ROE (%)	34.5%	34.7%	26.9%	31.9%	26.7%	23.2%	20.8%	17.3%
ROA (%)	19.8%	21.7%	17.7%	22.5%	19.0%	17.3%	15.9%	13.6%
ROIC (%)	20.9%	21.9%	19.5%	22.7%	19.3%	17.5%	16.1%	13.8%
WACC (%)	11.6%	11.0%	13.1%	13.8%	13.8%	13.8%	13.8%	13.8%
EVA (%)	9.3%	10.9%	6.5%	8.9%	5.5%	3.7%	2.3%	-0.1%
PER (x)	10.7	10.5	11.7	8.3	8.0	7.6	7.2	7.5
EV/EBITDA (x)	11.0	11.4	11.8	7.9	7.7	7.4	7.0	6.8
EV/FCF (x)	-2.7	7.9	17.8	-114.5	9.0	8.7	8.3	8.7
PBR (x)	3.7	3.6	2.8	2.4	1.9	1.6	1.4	1.2
PSR (x)	3.8	3.6	4.1	2.9	2.8	2.7	2.6	2.5
EV/sales (x)	3.8	3.7	4.1	2.9	2.9	2.8	2.7	2.6
NOPAT	223,859	236,231	193,217	296,406	305,978	322,065	340,688	307,073

DCF Financial model	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
FCF	(1,008,588)	340,111	132,427	(47,485)	281,122	291,435	308,580	275,861
Discount factor				1.00	1.14	1.30	1.47	1.68
Present value of given year's FCF				(47,485)	247,050	225,042	209,360	164,419
PV of FCF 2010-14				633,966				
Terminal growth rate				0.05				
PV of terminal value				2,489,078				
DCF valuation per share (VND)				70,000				

DPR: Accumulating to break out of the resistance at VND70,000



- Since Feb 2008, DPR has established a bullish “inverted head & shoulders” pattern with the neckline of this pattern at the resistance point of 70,000.
- In short-term, the right shoulder of the head & shoulders pattern is forming as an ascending triangle pattern, which is bullish.

Trading strategy:

- Buy once DPR breaks above the resistance at 70,000 with the target placed at 90,000; the stop loss is set at 64,000.
- Buy once DPR tests the lower edge of the ascending triangles pattern at 60,000 with the short-term target at 70,000; the stop loss is at 57,000. Once DPR continues to break the resistance at 70,000, turn back to the first strategy.

TANIRUCO

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Young and productive, but not a big expander

BUY – Price target: VND66,000

We initiate coverage on Taniruco (HOSE: TRC), the second highest-yielding rubber producer among the listed sector, with a **BUY** rating. Our DCF-based valuation gives us one-year price target of VND66,000 (USD3.5), which represents a 15% premium over the closing price of VND56,000 (USD2.9), and provides a 12-month expected total return of 21%. Our price target implies an 8.9x FY10E PER, which is 23% lower than the average of domestic natural rubber processing peers and 49% lower than the regional sector average, and a 2.5x PBR. We see higher-than-expected natural rubber price growth in 2010, and TRC's ability to export 48% of its volume, as catalysts for potential upside revisions.

With a small rubber area of 6,993 ha located in Tay Ninh province, TRC benefits from a good location for rubber trees and is not affected by strong wind. The main product of TRC is latex which accounts for 69% of total output (block rubber 22%, skim 9%). This marks TRC out as unique in the listed sector, in that it specialises on a higher-margin product category that is not dependent on auto tyre demand.

TRC is the most active of the five listed sector companies in finding new customers. The company is also known for its application of highly fertile seeding which yields high quality latex sold for high margins.

The company's expansion plans (an attributable 1000ha in Laos) are not large, and we know of no management plans for related or unrelated diversifications.

Coverage initiation

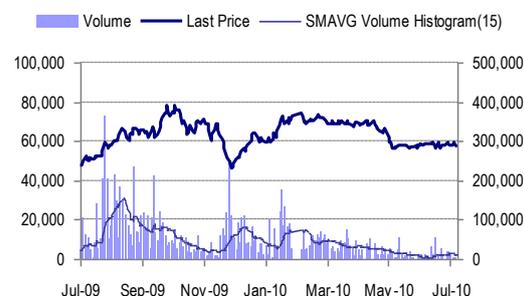
Recommendation	BUY
	HOSE:TRC
	Natural rubber sector
Price (VND)	56,000
Price Target (VND)	66,000
Expected share price return (%)	17.86%
Expected dividend yield (%)	3.57%
Expected total return (%)	21.43%

Source: Bloomberg, Mekong Securities

Stock performance (%)

	YTD	1m	3m	6m
Abs	-2%	-3%	-17%	19%
Rel	2%	0%	-13%	3%

Source: Bloomberg



Ownership structure

State (VRG)	60.00%
Foreigners	32.92%
Others	7.08%

VND bn except where stated	2008	2009	2010E	2011E	2012E
Sales	549	440	619	639	659
EBITDA	189	145	233	239	246
Net income	198	153	223	229	236
EPS (VND, adjusted)	6,607	5,110	7,445	7,627	7,858
EPS growth (%)	12%	-23%	46%	2%	3%
DPS (VND)	3,000	2,000	2,000	2,000	2,000
PER (x)	8.5	11.0	7.5	7.3	7.1
EV/sales (x)	3.1	3.9	2.8	2.7	2.6
PBR (x)	3.3	2.7	2.1	1.7	1.5
ROE (%)	40.67%	27.07%	31.46%	26.12%	22.49%
ROIC (%)	27.30%	21.38%	25.16%	21.21%	18.79%

Stock Statistics	2-Aug-10
Bloomberg code	TRC VN
Last price (VND)	56,000
52-week range (VND)	45,000 - 80,000
Shares O/S (m)	30
Mkt cap (VNDbn)	1,680
Mkt cap (USDm)	88
Est. free float (m)	12
3m avg daily vol (shrs)	18,288
VND/USD	19,100
Index: VNIndex/HNX	493 / 153

Source: Bloomberg

TRC FINANCIALS MODEL	Price (VND):	56,000	Target (VND):	66,000	Mkt cap:	1,680,000		BUY
(Rubber sector)								
(VND mil except where stated)	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Sale Volume (tons)	14,322	13,366	13,013	12,381	12,183	11,967	11,967	11,967
Rubber price (in VND m per tons)	34.3	41.1	33.8	50.0	52.5	55.1	56.7	57.9
Total Net Sales	491,894	549,115	440,353	618,617	639,150	659,203	678,979	692,559
<i>Sales growth (%)</i>		12%	-20%	40%	3%	3%	3%	2%
<i>Sales growth at constant FX (%)</i>		19%	-15%	48%	5%	3%	3%	2%
<i>VND/USD avg exchange rate</i>	16,000	17,000	18,000	19,000	19,400	19,400	19,400	19,400
<i>FX rate impact on growth rate (%pts)</i>		-7%	-5%	-8%	-2%	0%	0%	0%
CoGS	290,779	342,616	289,795	372,455	386,918	399,320	411,765	419,575
Gross profit	182,674	191,821	130,478	223,341	228,579	235,484	240,828	245,972
<i>Gross profit margin (%)</i>	37.1%	34.9%	29.6%	36.1%	35.8%	35.7%	35.5%	35.5%
SG&A	28,965	32,340	25,324	35,575	36,756	37,909	39,047	39,828
<i>SG&A as % of sales</i>	5.9%	5.9%	5.8%	5.8%	5.8%	5.8%	5.8%	5.8%
EBITDA	190,591	188,836	145,315	233,408	239,127	246,373	254,554	260,169
<i>EBITDA margin (%)</i>	38.7%	34.4%	33.0%	37.7%	37.4%	37.4%	37.5%	37.6%
<i>EBITDA growth rate (%)</i>		-1%	-23%	61%	2%	3%	3%	2%
Depreciation	18,441	14,678	20,081	22,821	23,652	24,399	26,387	27,012
Bad debt provs, other costs (net)	0	0	0	0	0	0	0	0
Other Income (net)	823	5,593	25,297	15,394	16,164	16,972	17,820	18,711
Operating profit	172,974	179,752	150,531	225,981	231,639	238,945	245,988	233,157
<i>Operating profit margin (%)</i>	35.2%	32.7%	34.2%	36.5%	36.2%	36.2%	36.2%	33.7%
Finance Income-ex interest expense	9,998	22,794	14,317	18,353	18,703	18,989	19,219	19,069
Net interest expenses	5,526	4,326	2,338	2,867	2,972	3,077	3,182	3,287
<i>Interest as % of avg net debt</i>	13.7%	12.5%	6.6%	6.5%	6.3%	6.5%	6.6%	6.8%
<i>Interest cover (x)</i>	31.3	41.5	64.4	78.8	77.9	77.7	77.3	70.9
Tax	1	-	9,220	18,110	18,553	19,114	19,652	20,074
<i>Effective tax rate (%)</i>	0%	0%	6%	8%	8%	8%	8%	8%
Minorities	0	0	0	0	0	0	0	0
Net profit	177,445	198,220	153,290	223,357	228,818	235,743	242,374	228,865
Cash earnings	195,886	212,898	173,371	246,178	252,470	260,142	268,760	255,877
Number of shares (m)	30	30	30	30	30	30	30	30
EPS (VND)	5,915	6,607	5,110	7,445	7,627	7,858	8,079	7,629
<i>EPS growth (%)</i>		12%	-23%	46%	2%	3%	3%	-6%
Cash EPS (VND)	6,530	7,097	5,779	8,206	8,416	8,671	8,959	8,529
Adjusted EPS (VND), increase capital	5915	6607	5110	7445	7627	7858	8079	7629
<i>Adjusted EPS growth (%)</i>		12%	-23%	46%	2%	3%	3%	-6%
Key cashflow and balance sheet items	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
Increase in working capital	1,271,822	-158,492	-14,318	34,222	3,309	3,453	3,377	2,413
Capex inc acquisitions	9,622	23,244	16,221	48,258	49,706	51,197	52,733	54,315
Other cashflow items	0	0	0	0	0	0	0	0

Free cash flow	(1,085,557)	348,146	171,468	163,698	199,455	205,493	212,650	199,149
Share issues	0	0	0	0	0	0	0	0
Dividends paid	(45,000)	(90,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
Increase in net debt	-13,691	-12,195	12,096	4,693	541	528	521	0
Net debt, end of year	40,381	29,112	42,003	46,696	47,237	47,765	48,285	48,285
Enterprise value	1,720,381	1,709,112	1,722,003	1,726,696	1,727,237	1,727,765	1,728,285	1,728,285
Shareholders' equity	470,357	504,468	628,209	791,566	960,383	1,136,127	1,318,500	1,506,077
BVPS (VND)	15,679	16,816	20,940	26,386	32,013	37,871	43,950	50,203
Net debt / equity (%)	9%	6%	7%	6%	5%	4%	4%	3%
Net debt / EBITDA (x)	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Total assets	817,171	660,673	790,848	1,002,828	1,177,277	1,358,509	1,546,297	1,737,587

Key return and valuation ratios	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
ROE (%)	37.7%	40.7%	27.1%	31.5%	26.1%	22.5%	19.7%	16.2%
ROA (%)	21.2%	24.3%	20.7%	25.2%	21.3%	18.8%	16.9%	14.2%
ROIC (%)	22.3%	27.3%	21.4%	25.2%	21.2%	18.8%	16.9%	14.1%
WACC (%)	11.2%	12.0%	12.6%	14.4%	14.4%	14.5%	14.6%	14.6%
EVA (%)	11.1%	15.3%	8.8%	10.8%	6.8%	4.3%	2.3%	-0.5%
PER (x)	9.5	8.5	11.0	7.5	7.3	7.1	6.9	7.3
EV/EBITDA (x)	9.0	9.1	11.9	7.4	7.2	7.0	6.8	6.6
EV/FCF (x)	-1.6	4.9	10.0	10.5	8.7	8.4	8.1	8.7
PBR (x)	3.6	3.3	2.7	2.1	1.7	1.5	1.3	1.1
PSR (x)	3.4	3.1	3.8	2.7	2.6	2.5	2.5	2.4
EV/sales (x)	3.5	3.1	3.9	2.8	2.7	2.6	2.5	2.5
NOPAT	172,973	179,752	141,991	209,032	214,266	221,024	227,539	214,355

DCF Financial model	2007	2008	2009	2010e	2011e	2012e	2013e	2014e
FCF	(1,090,030)	329,678	160,169	149,373	184,903	190,774	197,816	184,640
Discount factor				1.00	1.14	1.31	1.50	1.72
Present value of given year's FCF				149,373	161,575	145,592	131,788	107,344
PV of FCF 2010-14				588,328				
Terminal growth rate				0.05				
PV of terminal value				1,442,333				
DCF val per shr (VND)								66,000

TRC: Accumulating to break out of the resistance at VND70,000



- Since Feb 2008, TRC has established a bullish “inverted head & shoulders” pattern with the neckline of this pattern at the resistance 80,000.
- In short-term, the right shoulder of the head & shoulders pattern is forming as a symmetrical triangle pattern, which is a bullish pattern.

Trading strategy:

- Buy once TRC breaks above the higher edge of the symmetrical triangle pattern at 70,000 with the target at 80,000; the stop loss is set at 64,000.
- Buy more once TRC continues to break above the resistance at 80,000 with the target at 104,000; the stop loss should be trailed to 72,000.

Mekong Securities' Rating System

We currently use a three-tier recommendation system for the stocks in our formal coverage: BUY, HOLD, or SELL.

A **BUY** is applied when the expected total return over the next twelve months is at least 10%.

A **HOLD** is applied when the expected total return over the next twelve months ranges between -10% to 10%.

A **SELL** is applied when the expected total return over the next twelve months is -10% or worse.

These benchmarks are subject to change.

Expected Total Return (12 months) = [(Target Price - Current Price)/Current Price] + Forecast 12-month Dividend Yield.

Our Analyst's Methodology

Target price and expected total return

Initially, an analyst derives an expected 12-month target price using multiple valuation methodologies. Different valuation methods have been used, including, but not limited to, discounted free cash-flow and comparative analysis. The selection of methods depends on the industry, the company, the nature of the stock and other circumstances. Company valuations are based on a single or a combination of one of the following valuation methods: 1) **Multiple-based models** (P/E, P/cash flow, EV/sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, and historical valuation approaches; 2) **Discount models** (DCF, DVMA, DDM); 3) **Break-up value approaches** or asset-based evaluation methods; and 4) **Economic profit approaches** (Residual Income, EVA).

Valuation models are dependent on macroeconomic factors, such as GDP growth, interest rates, exchange rates, raw materials, on other assumptions about the economy, as well as risks inherent to the company under review. Furthermore, market sentiment may affect the valuation of companies. Valuations are also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries.

Once analysts derive a risk-adjusted valuation for a company under review, its current market price is then compared with the target price to calculate an expected gain or loss. The one-year projected dividend yield, if any, is then added to the expected gain or loss to calculate an expected total return.

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