

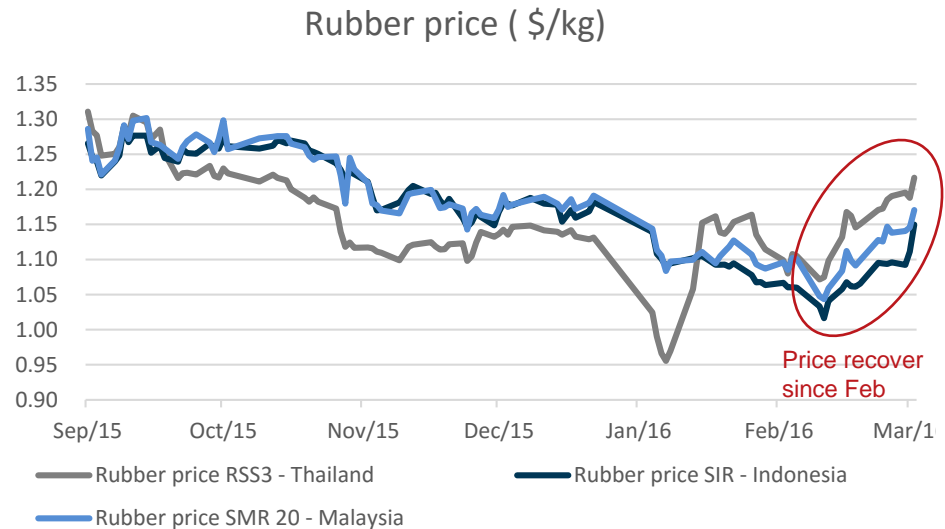
ITRC CUT DOWN ON EXPORT VOLUME

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Source: Bloomberg

Major rubber producers to cut exports: On Feb 4th /2016 , the International Tripartite Rubber Council (ITRC) including Thailand , Indonesia and Malaysia agreed to cut exports of natural rubber by total 615,000 tonnes , in the period of 6 months starting on march 1st 2016 . This move aimed to boost up rubber prices, which was already at the bottom of the last 6 years. The reduction was equivalent to approximately 6% of global natural rubber output of 2015, equal to two times the level of estimated oversupply in 2016 , and 23% of the current global rubber stock. Specifically, Thailand cuts 324 thousand tons (about 9 % of exports in 2015); Indonesia cuts 238.7 thousand tons (about 34 % of exports in 2015) , and Malaysia dropped 52.3 thousand tonnes (2% of exports in 2015) .

As the result, rubber prices has recovered quickly and reached \$ 1.22/kg, as of March 4th 2016, which is equivalent to an increase of 13 % from the day IRTC announced this policy, and less than 8.9 % compared to the average price in 2015. According to the price of the future transaction at the TOCOM, Japan, the price of rubber futures contract increases from 160.8 yen / kg in March to 174.6 yen/kg in August, an increase of 8.5 %.

BSC assessed that the natural rubber prices may recover in 2016 due to expory cuts of ITRC. However, since production cuts last only for 6 months, the impact on rubber prices are just short-term and long-term outlook for the sector remains negative due to weakening demand from China.

As of March 4th 2016, rubber stocks had gain relatively good growth since the day ITRC made the decision to cut export: DPR (+25.4%); PHR (+13.3%); TRC (+8.1%), while some stocks has not increased in price yet such as TNC (0.1%); VHG (0%). Some notable stocks are as follows:

DPR

Dong Phu Rubber owns rubber plantations with high productivity, and a large area, which gives the business the flexibility in controlling input and output quality. Owning young plantation with high productivity is the biggest strength of DPR, enables the company to enjoy the highest profit margin among listed companies in 2015 at 21.4%, compared with 11.2% margin of the industry average . DPR rubber plantation located in Cambodia with a total area of 6,300 hectares is expected to put into operation in 2017 and will double the total area of the rubber plantation of the company. As of March 4th 2016, DPR is currently being traded at 39,000 VND and P / E = 10.7

PHR

PHR focuses on high quality product segment such as CV50, CV 60, and CVR, whose selling prices are higher by 6-8% compared to SVR 3L. Compared to the industry, PHR's old rubber trees has low productivity, leads to low profit margin than average, however, PHR has gained a significant profit from the liquidation of old trees, at an average of 90 billion / year and is expected to be maintained until 2018. From 2016, the rubber projects in Cambodia will begin to be exploited, which will gradually improve the yield and productivity. PHR currently has 8,000 hectares in Cambodia, increasing the total area to 23,000 hectares. As of March 4th 2016, PHR shares were trading at 17.900 VND and a P / E = 6.7.

TRC

TRC owns young rubber plantation with the highest productivity in the industry. Besides, the main products of TRC is Latex (70% of total revenue), face less competition and does not depend on the production situation in China. TRC also have rubber tree planting projects in Cambodia with a total area of 6,150 ha, which will increase the total area of the planting rubber trees more than double when put into production in 2018. As of March 4th 2016, the TRC stock price was traded at 20,000 VND and P / E = 10.3

VHG

VHG operates in several business segments, including rubber, fertilizers, in which rubber contributes 14.4% of total revenue, and 98% profit due to significantly higher margins compared to other segments. The total rubber plantation area of VHG is 13,303 ha in Quang Nam, which includes 500 hectares of newly planted trees in 2014. According to the company plan, the rubber planting area will increase to 22,034 ha by 2016 and to 48,593 ha by 2020.

Financial Outlines

Tickers	Revenue 2015 (VND Bil)	% yoy	PAT 2015 (VND Bil)	%yoy	ROE	ROA	P/E	P/B	Dividend 2015
TNC	83.4	30.6%	10.97	-37%	4%	3%	15.8	0.6	5% cash
TRC	362.9	-28%	57.2	-59%	4%	4%	10.2	0.4	32.5% cash
DPR	853.9	-9.1%	145.8	-32%	6%	4%	10.7	0.7	30% Stock
HRC	94.5	-41.5%	30.5	-46%	6%	4%	30.1	1.7	40% stock
PHR	1,228.6	-23.9%	215	-19%	10%	6%	6.6	0.7	35% cash
VHG (*)	659.7	53%	70.7	-22%	6%	5%	7.7	0.5	
GMD (*)	3589	19%	460.5	-19%	8%	5%	11.3	0.9	20% cash

(*) VHG and GMD operates in rubber plantation segment, among with other business operations

Disclosure

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