

Investment idea: GULF RESOURCES (NASDAQ: GURE.O)
Share price: \$1,36

Recommendation: Buy
12 April 2019



Dear Investor,

Gulf Resources manufactures and trades in bromine, crude salt, chemical products, and natural gas in the People's Republic of China.

Open Offshore Account

Eighteen months ago the Chinese Government as part of its latest environmental drive instructed the Company, as well as most bromine producers in China, to close all its bromine and chemical operations for rectification in order to comply with new environmental legislation. With no revenue the share collapsed.



Figure 1 – GURE share price

- ❖ A couple of weeks ago the Company received Government approval to reopen its bromine and crude salt operations and restarted production yesterday
- ❖ Many other bromine operators didn't have the financial resources to rectify their plants – there are today fewer suppliers in China and bromine prices are trading at elevated levels

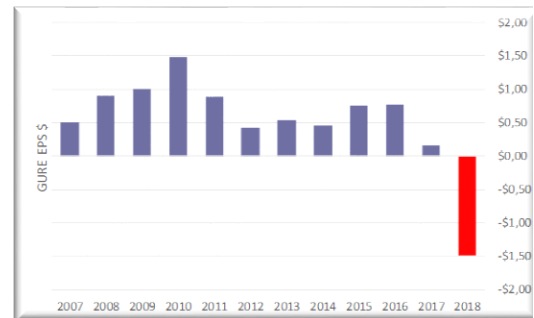


Figure 2 – GURE EPS

- ❖ The Company will restart its chemical operations in 2020
- ❖ **The balance sheet of the Company remains very strong – the most recent results indicate a net cash position of \$3,80 per share and a NAV of \$6,30 per share.**
- ❖ Pre the shutdown the Company was generating EPS of \$0,75 – it should reach these levels within the next 12 months as the operations come back on stream, putting the share on a PE ratio of 1,9x. This is most likely one of the cheapest shares globally.
- ❖ Management has indicated that EPS could reach \$2 per share as the natural gas starts contributing to profitability.

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