



# KBC Update - BUY

June 9, 2022

---



## Ms. Truc Pham

(+84 28) 3823 4159 - Ext: 303

[trucptt@acbs.com.vn](mailto:trucptt@acbs.com.vn)

## Company Update

Recommendation

**BUY**

HSX: KBC

Property

Market price (VND) **44,800**

Target price (VND) **69,998**

Expected share price return 57.3%

Expected dividend yield 0.0%

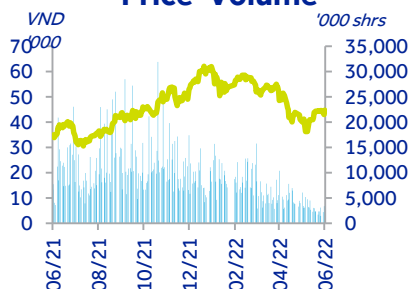
Expected total return **57.3%**

## Stock performance (%)

	YTD	1M	3M	12M
Absolute	-25.7	9.0	-13.8	30.4
Relative	-13.4	10.3	-2.9	30.0

Source: Bloomberg

## Price-Volume



## Ownership

Dang Thanh Tam (Chairman)	14.96%
Kinh Bac Consultancy & Investment Development JSC	7.94%
Vinatex-Tan Tao Investment JSC	4.47%

## Stock Statistics

8-Jun-22

Bloomberg code

KBC VN

52-week range (VND) 29,950 - 62,900

Shares O/S (m) 576

Mkt cap (VND bn) 26,022

Mkt cap (USD m) 1,115

Est. Foreign room left (%) 30.5

Est. free float (%) 64.2

3m avg daily vol (shrs) 4,629,103

VND/USD 23,330

Index: VNIndex / HNX 1308.70/312.06

## KINH BAC CITY DEVELOPMENT HOLDING CORPORATION JSC (KBC VN)

**Adjust down our 2022 forecasts given low 1Q2022 results and ongoing market challenges. Reiterate our Buy rating with a lower target price of VND69,998.**

Kinh Bac's 1Q2022 result was below our expectation with net revenue of nearly VND700bn (-65% YoY) and PAT of VND523bn (-27% YoY) due to the outbreak of COVID-19 in the first quarter, which affected project deliveries (nearly 9ha at Tan Phu Trung IP and 3.6ha at Trang Due urban area compared with 66.5ha at Nam Son Hap Linh, Quang Chau, Trang Due, Tan Phu Trung IPs and 1.3ha at Trang Due urban area delivered in 1Q2021). Gross margin declined by 16 ppts YoY, to 40% given low margin of the Tan Phu Trung IP. PAT declined at a lower rate than revenue thanks to nearly VND500bn of revaluation surplus from increasing ownership at Sai Gon Nhon Hoi IP from 10% to 35.35%. The company completed only 7% and 12% of revenue and profit targets, respectively.

	1Q2021	1Q2022	Δ YoY
<b>Net revenue</b>	<b>2,002</b>	<b>692</b>	<b>-65%</b>
Gross profit	1,123	279	-75%
Financial income	42	70	+67%
Financial expense	94	145	+53%
SGA expenses	187	144	-23%
Other income	1	499	78295%
<b>PAT</b>	<b>715</b>	<b>523</b>	<b>-27%</b>

Source: KBC's 1Q2022 FS.

Given the low 1Q2022 result and challenges in the real estate sector (i.e. more governmental control and inspection of corporate bond issuance and credit granting), which has affected project development and delivery in general, we adjust 2022 revenue down by 38% to VND8,858bn (+109% YoY) and PAT by 26% to VND3,733bn (+291% YoY), equivalent to 90% and 83% of the company's targets, respectively. We note that KBC's plan to privately issue VND2,400bn of corporate bonds may be delayed due to government's inspection of some real estate companies' issuance in the past which may affect land clearance, M&A activities, etc.

	2019	2020	2021	2022E	2023E
Net Sales (VNDbn)	3,210	2,151	4,246	8,858	11,060
Growth	28.8%	-33.0%	97.4%	108.6%	24.9%
EBITDA (VNDbn)	1,586	455	1,924	5,002	6,819
Growth	32.0%	-71.3%	322.8%	160.0%	36.3%
NPATMI (VNDbn)	898	224	782	3,428	4,237
Growth	19.1%	-75.1%	249.1%	338.3%	23.6%
EPS (bonus-adjusted, VND)	1,955	477	1,586	4,189	4,617
Growth	23.1%	-75.6%	232.5%	164.1%	10.2%
ROE	9.7%	2.3%	6.6%	18.4%	16.7%
ROIC	6.1%	1.7%	3.8%	10.8%	11.3%
Net debt/EBITDA (times)	0.8	6.1	1.3	0.0	0.2
EV/EBITDA (times)	27.1	94.4	22.3	8.6	6.3
PER (times)	22.8	93.3	28.1	10.6	9.6
PBR (times)	2.2	2.2	1.8	1.7	1.5
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

We emphasize that growth in 2022 primarily depends on handover of Trang Cat urban area which is forecast to account for 45% of total revenue and 53% of gross profit. This project has received interests for bulk sales or cooperation from foreign investors, however, no transaction has been finalized at the moment. According to the company, this project has completed land filling of 100ha and is expected to double to 200ha by the end of this year. KBC is adjusting 1/500 Plan to increase the total area of this project from 585ha to 900ha.

Using the NAV method, we adjust pre-issued target price down by 7% to nearly 70k but reiterate our Buy rating for this stock as we still have a positive outlook for the industrial real estate segment thanks to stable demand, the China+1 trend and more government's investment in infrastructure development. KBC will pay stock dividend at the ratio of 3:1 or 191.9mn shares near the end of this month. Then the company plans for a private placement of 150mn shares or 26% of current outstanding shares at undisclosed offering price which may put pressure on the stock price. Taking the most recent share offering as an approximation, where KBC issued shares at a 15% discount to market price in 2021, we assume the offering price at VND40k/share, which translates to a post-issued target price of VND50,455/share.

#### Appendix 1: KBC's industrial projects summary

No.	IP name	Location	Ownership	NLA (ha)	Occupancy rate
<b>Industrial projects that are consolidated in KBC's result</b>					
1	Que Vo 1	Bac Ninh	100.0%	191.6	100.0%
2	Que Vo 2	Bac Ninh	100.0%	173.1	100.0%
3	Nam Son Hap Linh	Bac Ninh	100.0%	200.0	26.6%
4	Quang Chau	Bac Giang	77.9%	275.7	100.0%
	Quang Chau expansion	Bac Giang	77.9%	58.5	n/a
5	Trang Due 1	Hai Phong	86.5%	129.4	100.0%
6	Trang Due 2	Hai Phong	86.5%	133.0	100.0%
7	Trang Due 3	Hai Phong	86.5%	456.0	n/a
8	Trang Cat	Hai Phong	100.0%	126.3	n/a
9	Tan Phu Trung	HCMC	72.4%	314.4	67.3%
10	Phuoc Vinh Dong 2	Long An	88.1%	32*	n/a
11	Phuoc Vinh Dong 4	Long An	72.4%	32*	n/a
12	Tan Tap	Long An	86.5%	46*	n/a
13	Binh Giang	Hai Duong	100.0%	303.7*	n/a
14	Thanh Ha	Hai Duong	100.0%	268.0*	n/a
15	Industrial clusters	Hung Yen	68.0%	251.3*	n/a
<b>Industrial projects that are not consolidated in KBC's result</b>					
16	Dai Dong Hoan Son - Phase 1	Bac Ninh	21.5%	81.0	n/a
17	Dai Dong Hoan Son - Phase 2	Bac Ninh	21.5%	62.4	n/a
18	Sai Gon Nhon Hoi	Quy Nhon	35.4%	445.0	n/a
19	Sai Gon Chan May	Hue	28.1%	586.1	n/a
20	Hoa Khanh Expansion	Da Nang	19.5%	107.8	n/a
21	Lien Chieu	Da Nang	19.5%	174.7	n/a
22	Nam Tan Tap	Long An	25.0%	169.4	n/a

Source: KBC as of 31/3/2022

Note: \*ACBS assumption

<b>KBC FINANCIALS MODEL</b>	<b>Price (VND):</b>	<b>44,800</b>	<b>Target (VND):</b>	<b>69,998</b>	<b>Mkt cap (VND bn):</b>	<b>26,022</b>
(VND bn except where stated)		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>
<b>Total Net Sales</b>		<b>3,210</b>	<b>2,151</b>	<b>4,246</b>	<b>8,858</b>	<b>11,060</b>
Of which: Land and warehouse leasing/sale		2,437	1,678	3,426	3,137	3,880
Sale of residential projects		540	196	515	5,385	6,810
Others		233	277	305	335	369
<i>Sales growth</i>		<i>28.8%</i>	<i>-33.0%</i>	<i>97.4%</i>	<i>108.6%</i>	<i>24.9%</i>
CoGS ex-dep'n		1,310	1,373	1,703	2,970	3,134
SG&A		314	323	618	886	1106
<i>SG&amp;A as % of sales</i>		<i>9.8%</i>	<i>15.0%</i>	<i>14.6%</i>	<i>10.0%</i>	<i>10.0%</i>
<b>EBITDA</b>		<b>1,586</b>	<b>455</b>	<b>1,924</b>	<b>5,002</b>	<b>6,819</b>
<i>EBITDA margin</i>		<i>49.4%</i>	<i>21.2%</i>	<i>45.3%</i>	<i>56.5%</i>	<i>61.7%</i>
Depreciation		53	89	76	83	92
<b>Operating profit</b>		<b>1,533</b>	<b>366</b>	<b>1,848</b>	<b>4,919</b>	<b>6,728</b>
<i>Operating profit margin</i>		<i>47.8%</i>	<i>17.0%</i>	<i>43.5%</i>	<i>55.5%</i>	<i>60.8%</i>
Profit/loss from associates and JVs		0	3	14	53	53
Financial income (excl. saving interest)		42	269	0	0	0
Financial expenses (excl. interest expense)		47	35	61	75	88
Net interest expense		181	204	652	749	960
<i>as % of avg. net debt</i>		<i>10.2%</i>	<i>10.1%</i>	<i>24.8%</i>	<i>55.3%</i>	<i>132.5%</i>
Other profit/loss		-27	1	-127	499	0
Tax		323	133	410	1310	1619
<i>Effective tax rate</i>		<i>24.1%</i>	<i>29.4%</i>	<i>30.1%</i>	<i>26.0%</i>	<i>26.0%</i>
<b>PAT</b>		<b>1,021</b>	<b>320</b>	<b>954</b>	<b>3,733</b>	<b>4,613</b>
Minorities		122	96	172	305	376
<b>Net profit</b>		<b>898</b>	<b>224</b>	<b>782</b>	<b>3,428</b>	<b>4,237</b>
<i>Net profit margin</i>		<i>28.0%</i>	<i>10.4%</i>	<i>18.4%</i>	<i>38.7%</i>	<i>38.3%</i>
Cash earnings		951	313	858	3,512	4,329
Number of shares (m)		470	470	570	918	918
<b>EPS (VND)</b>		<b>1,955</b>	<b>477</b>	<b>1,586</b>	<b>4,189</b>	<b>4,617</b>
Bonus factor (x)		1.0	1.0	1.0	1.0	1.0
<b>Adjusted EPS (VND)</b>		<b>1,955</b>	<b>477</b>	<b>1,586</b>	<b>4,189</b>	<b>4,617</b>
<i>EPS growth</i>		<i>23.1%</i>	<i>-75.6%</i>	<i>232.5%</i>	<i>164.1%</i>	<i>10.2%</i>

KEY CASHFLOW AND BS ITEMS	2019	2020	2021	2022E	2023E
Increase in working capital	-1,929	2,979	3,109	3,361	3,629
Capex	275	212	240	240	240
Other cashflow items	-1,161	1,436	-1,774	-4,000	-1,446
<b>Free cash flow</b>	<b>1,444</b>	<b>-1,442</b>	<b>-4,265</b>	<b>-4,090</b>	<b>-986</b>
Share issues (m)	-	-	4,583	6,335	-
Dividends paid	455	62	19	-	-
Increase in net debt	-989	1,504	-299	-2,245	986
<b>Net debt, end of year</b>	<b>1,271</b>	<b>2,775</b>	<b>2,476</b>	<b>232</b>	<b>1,218</b>
<b>Shareholders' equity</b>	<b>10,381</b>	<b>10,653</b>	<b>16,171</b>	<b>25,934</b>	<b>30,171</b>
BVPS (VND)	20,187	20,650	24,380	25,529	29,873
<i>Net debt / equity</i>	<i>12.2%</i>	<i>26.1%</i>	<i>15.3%</i>	<i>0.9%</i>	<i>4.0%</i>
<i>Net debt / EBITDA (x)</i>	<i>0.8</i>	<i>6.1</i>	<i>1.3</i>	<i>0.0</i>	<i>0.2</i>
<b>Total assets</b>	<b>16,433</b>	<b>23,786</b>	<b>30,604</b>	<b>38,122</b>	<b>43,346</b>

KEY RETURN AND VALUATION RATIOS	2019	2020	2021	2022E	2023E
<i>ROE</i>	<i>9.7%</i>	<i>2.3%</i>	<i>6.6%</i>	<i>18.4%</i>	<i>16.7%</i>
<i>ROA</i>	<i>5.4%</i>	<i>1.1%</i>	<i>2.9%</i>	<i>10.0%</i>	<i>10.4%</i>
<i>ROIC</i>	<i>6.1%</i>	<i>1.7%</i>	<i>3.8%</i>	<i>10.8%</i>	<i>11.3%</i>
<i>WACC</i>	<i>14.3%</i>	<i>11.3%</i>	<i>12.3%</i>	<i>12.5%</i>	<i>12.4%</i>
<i>EVA</i>	<i>-8.1%</i>	<i>-9.6%</i>	<i>-8.5%</i>	<i>-1.7%</i>	<i>-1.1%</i>
<i>PER (x)</i>	<i>22.8</i>	<i>93.3</i>	<i>28.1</i>	<i>10.6</i>	<i>9.6</i>
<i>EV/EBITDA (x)</i>	<i>27.1</i>	<i>94.4</i>	<i>22.3</i>	<i>8.6</i>	<i>6.3</i>
<i>EV/FCF (x)</i>	<i>29.7</i>	<i>-29.8</i>	<i>-10.1</i>	<i>-10.5</i>	<i>-43.5</i>
<i>PBR (x)</i>	<i>2.2</i>	<i>2.2</i>	<i>1.8</i>	<i>1.7</i>	<i>1.5</i>
<i>PSR (x)</i>	<i>12.7</i>	<i>19.0</i>	<i>9.6</i>	<i>4.6</i>	<i>3.7</i>
<i>EV/sales (x)</i>	<i>13.4</i>	<i>20.0</i>	<i>10.1</i>	<i>4.8</i>	<i>3.9</i>
<i>Dividend yield</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>

### CONTACTS

#### Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City  
Tel: (+84 28) 3823 4159  
Fax: (+84 28) 3823 5060

#### Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi  
Tel: (+84 24) 3942 9395  
Fax: (+84 24) 3942 9407

### RESEARCH DEPARTMENT

#### Director - Head of Research

##### Tyler Cheung, CFA

(+84 28) 38 234 876  
[tyler@acbs.com.vn](mailto:tyler@acbs.com.vn)

#### Associate Director

##### Gigi Nguyen Binh

(+84 28) 3823 4159 (x250)  
[giaonbt@acbs.com.vn](mailto:giaonbt@acbs.com.vn)

#### Manager – Property Truc Pham

(+84 28) 3823 4159 (x303)  
[trucptt@acbs.com.vn](mailto:trucptt@acbs.com.vn)

#### Manager – Financials Hung Cao, CFA

(+84 28) 3823 4159 (x326)  
[hungcv@acbs.com.vn](mailto:hungcv@acbs.com.vn)

#### Associate – Consumer-related, Technology Chi Luong

(+84 28) 3823 4159 (x327)  
[chiitk@acbs.com.vn](mailto:chiitk@acbs.com.vn)

#### Associate – Consumer- related, Media Trung Tran

(+84 28) 3823 4159 (x351)  
[trungtn@acbs.com.vn](mailto:trungtn@acbs.com.vn)

#### Associate– Oil & Gas Hung Phan

(+84 28) 3823 4159 (x354)  
[hungpv@acbs.com.vn](mailto:hungpv@acbs.com.vn)

#### Associate – Construction materials Huy Huynh

(+84 28) 3823 4159 (x325)  
[huyha@acbs.com.vn](mailto:huyha@acbs.com.vn)

#### Associate – Derivatives, Macro Minh Trinh

(+84 28) 3823 4159 (x352)  
[minhtvh@acbs.com.vn](mailto:minhtvh@acbs.com.vn)

#### Associate – Macro Hoa Nguyen

(+84 28) 3823 4159 (ext: 352)  
[hoant@acbs.com.vn](mailto:hoant@acbs.com.vn)

#### Analyst – Technical Phuoc Luong

(+84 28) 3823 4159 (x354)  
[phuocld@acbs.com.vn](mailto:phuocld@acbs.com.vn)

### INSTITUTIONAL CLIENT DIVISION

#### Associate Director of Institutional Client

##### Huong Chu

(+84 28) 3824 6679  
[huongctk@acbs.com.vn](mailto:huongctk@acbs.com.vn)

#### Trader Thanh Tran

(+84 28) 3824 7677  
[thanhtt@acbs.com.vn](mailto:thanhtt@acbs.com.vn)

#### Trader Dung Ly

(+84 28) 3823 4159 (x313)  
[dungln.hso@acbs.com.vn](mailto:dungln.hso@acbs.com.vn)

#### Trader Nhi Nguyen

(+84 28) 3823 4159 (x315)  
[nhinp@acbs.com.vn](mailto:nhinp@acbs.com.vn)

#### Customer Support Institutional Client

##### Thanh Le

(+84 28) 3823 4798  
[thanhInt@acbs.com.vn](mailto:thanhInt@acbs.com.vn)



## DISCLAIMER

### Our Recommendation System

**BUY:** where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

**HOLD:** where we believe it will be -15% to 15%.

**SELL:** where we believe it will be lower than -15%.

### Analyst Certification(s)

We, the author(s) of this report, hereby certify (1) that the views expressed in this research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

### Important Disclosures

ACBS and/or an affiliate thereof (hereby collectively called ACBS) did or may seek to do business with companies covered in this report as its routine business. ACBS's proprietary trading accounts may have a position in such companies' securities. As a result, the investor should be aware that ACBS may have a conflict of interest from time to time.

ACBS produces a variety of research products including, but not limited to, fundamental analysis, equity-linked analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research products, whether as a result of differing time horizons, methodologies, or otherwise.

### Disclaimer

This report is provided for information purposes only. ACBS makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any data included in this report. ACBS will not treat unauthorized recipients of this report as its clients. Prices shown (if any) are indicative and ACBS is not offering to buy or sell or soliciting offers to buy or sell any financial instrument. **Without limiting any of the foregoing and to the extent permitted by law, in no event shall ACBS, nor any affiliate, nor any of their respective officers, directors, partners, or employees have any liability for (a) any special, punitive, indirect, or consequential damages; or (b) any lost profits, lost revenue, loss of anticipated savings or loss of opportunity or other financial loss, even if notified of the possibility of such damages, arising from any use of this report or its contents.** Other than disclosures relating to ACBS, the information contained in this report has been obtained from sources that ACBS believes to be reliable, but ACBS does not represent or warrant that it is accurate or complete. The views in this report are subject to change, and ACBS has no obligation to update its opinions or the information in this report.

**Some parts of this report reflect the assumptions, views and analytical methods of the analysts who prepared them, and ACBS is not responsible for any error of their works and assumptions. ACBS may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report.**

The analyst recommendations in this report reflect solely and exclusively those of the author(s), and such opinions were prepared independently of any other interests, including those of ACBS. This report does not constitute personal investment advice or take into account the individual financial circumstances or objectives of the investors who receive it. The securities discussed herein may not be suitable for all investors. ACBS recommends that investors independently evaluate each issuer, securities or instrument discussed herein and consult any independent advisors they believe necessary. The value of and income from any investment may fluctuate from day to day as a result of changes in relevant economic markets (including changes in market liquidity). The information herein is not intended to predict actual results, which may differ substantially from those reflected. Past performance is not necessarily indicative of future results.

**This report may not be distributed to the public media or used by the public media without prior written consent of ACBS. Otherwise it will be considered as illegal. The breacher shall compensate fully to ACBS any loss or damage which arises from such breach (if any).**

In the event that the distribution and/or receipt of this report is prohibited by the investor's jurisdiction, the investor shall dismiss this report immediately otherwise it will be at his/her own risks.

ACBS does not provide tax advice and nothing contained herein should be construed to be tax advice. Accordingly, the investors should seek advice based on their particular circumstances from an independent tax advisor. This report may contain links to third-party websites. ACBS is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by ACBS. Access to any third-party website is at the investor's own risks, and the investor should always review the terms and privacy policies at third-party websites before submitting any personal information to them. ACBS is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

© Copyright ACBS (2022). All rights reserved. No part of this report may be reproduced in any manner without the prior written permission of ACBS.