



SIP Initiation - BUY

Tuesday, June 28, 2022



Ms. Truc Pham

(+84 28) 3823 4159 - Ext: 303

trucptt@acbs.com.vn

Company Coverage

Recommendation

BUY

Upcom: SIP

Industrial Property

Current price (VND) 103,500

Target price (VND) 178,369

Expected share price return 72.3%

Expected dividend yield 2.9%

Expected total return 75.2%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-25.0	-2.7	-27.8	-33.4
Relative	-5.7	0.9	-7.3	-20.5

Source: Bloomberg

Price-Volume



Ownership

An Loc Urban Development & Investment JSC	19.5%
Mr. Tran Manh Hung (Chairman)	9.9%
Nam Tan Uyen IP JSC	8.9%
Mr. Lu Thanh Nha (CEO)	7.4%

Stock Statistics

27-Jun-22

Bloomberg code

SIP VN

52-week range (VND) 90,600 - 180,000

Shares O/S (m) 93

Mkt cap (VND bn) 9,755

Mkt cap (USD m) 417

Foreign room left (%) 48.8

Est. free float (%) 59.6

3m avg daily vol (shrs) 35,272

VND/USD 23,390

Index: VNIndex / HNX 1202.82/280.4

SAIGON VRG INVESTMENT CORPORATION (SIP VN)

A strong industrial park developer with distinct utilities income and healthy balance sheet. We issue a BUY recommendation with a target price of VND178,369/share as the company prepares to shift from the UpCOM to the main HOSE board

Saigon VRG Investment Corporation (SIP) is one of the biggest industrial park (IP) developers in the Southern Key Economic Zone (SKEZ) with a total industrial area of nearly 3,200ha. The company currently has four IPs and four adjacent urban areas which are well located in HCMC, Dong Nai and Tay Ninh provinces. SIP's unique proposition from other developers as it can distribute electricity and water directly to its tenants, which has accounted for ~80% of total revenue over the past four years. Thus, SIP has a more stable business and is less affected by fluctuations in investment inflow to industrial parks (IPs) compared to other developers. The company is preparing to shift from the UpCOM to the HOSE this year.

In 2016-2021, despite the COVID-19 pandemic, SIP recorded an impressive CAGR of 25% in net revenue, to VND5,578bn and 42% in NPATMI, to VND833bn in 2021. This stellar performance was mainly thanks to high demand of industrial land, increasing tenants' consumption of water and electricity and a 7 times increase in interest income generated from a high cash balance.

During the last five years, SIP maintained a very low debt balance and did not use long-term debts in 2019-2020. As of 31/3/2022, SIP had a debt balance of VND867bn, of which VND861bn was short-term, and a cash & cash equivalent balance of over VND5,000bn, equivalent to nearly 1/3rd of total assets, which is being maintained for upcoming investments in additional IP projects. Net debt/Equity ratio was -119.5% as of 31/3/2022. The company maintained cash dividend payment of VND1,800-2,800/share in the last four years and plans to pay at least VND2,000/share in this year.

For 2022, we forecast total revenue at VND6,519bn (+17% YoY) and PAT at VND1,033bn (+14% YoY), equivalent to 125% and 155% of targets, respectively. Our projected outperformance compared to the company's targets is bolstered by their recent results which have outperformed business plans by 45-327% of its revenue/profit targets over the last three years. **Using the NAV method, we derive a target price of VND178,369/share at YE2022 and give a BUY rating** given positive outlook of the industrial property segment, SIP's strong financial status, solid income source from electricity and water distribution, good management team and stable cash dividend. Our main concerns for this stock are low liquidity (which is one reason to move the listing to the HOSE) and cross-ownership among SIP and member companies of Vietnam Rubber Group.

	2018	2019	2020	2021	2022E
Net Sales (VNDbn)	3,239	4,340	5,083	5,578	6,519
Growth (%)	25.7%	34.0%	17.1%	9.7%	16.9%
EBITDA (VNDbn)	362	606	936	955	1,142
Growth (%)	44.0%	67.5%	54.3%	2.1%	19.5%
Net income (VNDbn)	219	595	1,026	833	1,008
Growth (%)	33.9%	172.2%	72.4%	-18.8%	21.0%
EPS (bonus-adjusted, VND)	1,937	6,516	11,232	8,992	10,666
Growth (%)	27.0%	236.3%	72.4%	-19.9%	18.6%
ROE (%)	18.1%	36.5%	43.9%	27.4%	27.5%
ROIC (%)	1.7%	3.1%	4.2%	3.5%	4.1%
Net debt/EBITDA (x)	-9.4	-7.4	-4.1	-4.2	-4.0
EV/EBITDA (x)	11.0	6.6	4.3	4.2	3.5
PER (x)	53.4	15.9	9.2	11.5	9.7
PBR (x)	5.2	3.8	3.0	3.0	2.4
DPS (VND)	1,800	1,900	2,000	2,800	3,000
Dividend yield (%)	1.7%	1.8%	1.9%	2.7%	2.9%

SECTOR OVERVIEW

Industrial real estate – the most attractive segment in the real estate sector amidst the pandemic

Despite the complicated situation surrounding COVID-19, the industrial property segment saw robust growth in 2021, with growing asking rents across the nation and high occupancy rates thanks to stable demand and infrastructure expansion and improvement. At YE2021, Vietnam had a total of 398 established Industrial Parks (IPs) with a total land area of 123,500ha (+8% YoY), of which 292 IPs are operating at an average occupancy rate of 71%, up by 80 bps YoY, according to the Ministry of Planning and Investment.

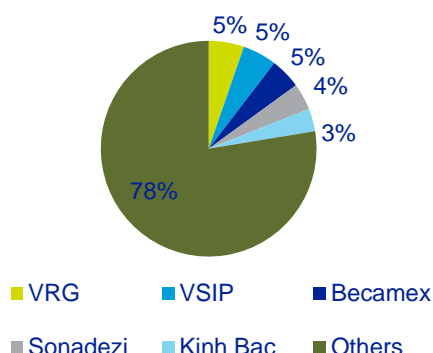
The industrial property market is quite fragmented with Vietnam Rubber Group (HSX: GVR) as the market leader with 5.3% market share, followed by VSIP with 5.1% and Becamex (HSX: BCM) with 4.6%. GVR, via its subsidiaries and associates, develops 16 IPs with a total area of 6,566ha mainly in the south of Vietnam. It plans to convert 15,000-20,000ha of rubber plantation to industrial land, of which 9 IPs with a total area of ~5,000ha will be developed in the next 5 years mainly in Binh Duong, Binh Phuoc, Dong Nai and Pleiku. SIP used to be a member of GVR and at YE2020, GVR sold 9.3m SIP shares and decreased its ownership from 13.5% to 1.8%. VSIP was established in 1996 with a charter capital of VND946bn on the basis of cooperation between two governments: Singapore led by SembCorp (Ticker: U96) with 51% and Vietnam led by Becamex IDC with 49%.

Vietnam has 4 key economic zones: northern, central, southern and the Mekong delta. The Southern Key Economic Zone (SKEZ) comprises of eight cities/provinces: HCMC, Binh Duong, Dong Nai, Ba Ria – Vung Tau, Long An, Tien Giang, Binh Phuoc and Tay Ninh, of which HCMC is the biggest city of Vietnam. The zone has the biggest port – Cat Lai and the biggest international airport – Tan Son Nhat. Although accounting for only 9% of the national area and 21% of the total population, this zone is the leading industrial development of the whole country and has been home for traditional industries such as plastics, apparel and textiles which are the backbone of Vietnam's exports.

The Northern Key Economic Zone (NKEZ) comprises of seven cities/provinces: Hanoi, Hai Phong, Bac Ninh, Hai Duong, Hung Yen, Vinh Phuc, and Quang Ninh. The zone has 27 logistics centers, accounting for 55% of the total nationwide. Thanks to its proximity to China and 27 developed 27 logistics centers, the northern zone has attracted many heavy manufacturing conglomerates such as Samsung, LG and Foxconn.

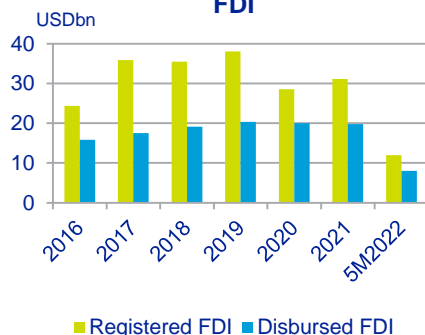
In 2021, despite the outbreak of COVID-19, Vietnam still recorded a 9% YoY growth in registered FDI, to USD31.2bn and stable disbursed FDI of USD19.7bn (~1% YoY). The processing and manufacturing industry accounted for over 58% of the total registered FDI. Singapore continued to be the leading investor in 2021 with USD10.7bn registered while Hai Phong was the No.1 FDI recipient with USD5.3bn (equivalent to nearly 17% of total registered FDI in 2021). Investment inflow in 5M2022 was affected by the strongest COVID outbreak, so registered FDI decreased by 16% YoY to USD11.7bn. However, disbursed FDI was still positive with 8% YoY growth to USD7.7bn.

2021 Market share



Source: ACBS

FDI



Source: FIA

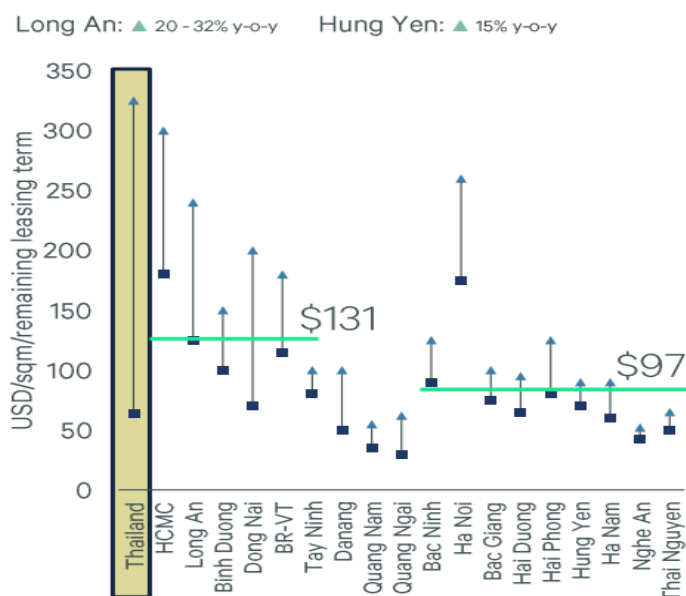
Last year, these IPs welcomed 539 FDI projects and 615 DDI projects with registered capital of USD12.8bn (+15% YoY) and VND236.2trn, nearly unchanged compared to 2020. Asking rents for industrial land increased by more than 15% YoY in some provinces and averaged at USD131/sqm in the south and USD97/sqm in the north, according to CBRE.

Supply chain disruption created increasing demand for logistics facilities, i.e. ready-built warehouses and factories (RBF) near seaports, inland ports and major air hubs and boosted new supply. Total supply in the north reached 1.3mn sqm of warehouses (+7% YoY) and 2.5mn sqm of ready-built factories (+9% YoY) while the south had 3.5mn sqm of warehouses (+10% YoY) and 3.2mn sqm of ready-built factories (+8% YoY), according to CBRE. Asking rents increased by more than 5% YoY in some provinces and averaged at USD4.7/sqm/month in the north and USD5.0/sqm/month in the south.

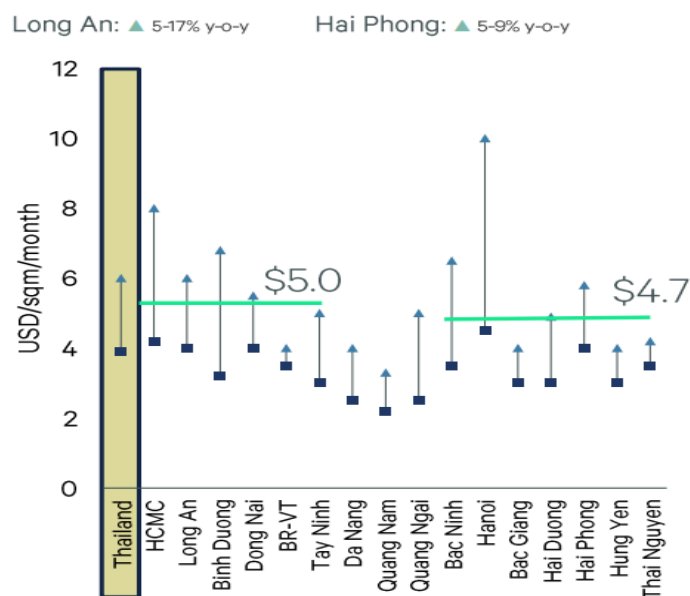
This segment continued to record impressive performance in 1Q2022. The northern market had an average industrial land leasing rate of USD109/sqm/lease term (+9.2% YoY) and average occupancy rate of 80% (+5 ppts YoY). Total supply increased to 10,024ha thanks to the adding of Thuan Thanh 1 IP in Bac Ninh province with 160ha. RBF had an average leasing rate of USD4.7/sqm/month (+3.5% YoY), average occupancy rates of 98% (unchanged YoY) and no new supply.

The southern market had an average industrial land leasing rate of USD120/sqm/lease term (+9% YoY) and average occupancy rate of 85% (-1 ppts YoY). Total supply increased to 26,724ha mainly thanks to the adding of VSIP 3 IP in Binh Duong with 1,000ha. RBF had an average leasing rate of USD4.8/sqm/month (+5.9% YoY), average occupancy rate of 89% (+7 ppts YoY) and total supply of 3.8mn sqm (+19% YoY).

Industrial land asking rents, 2021



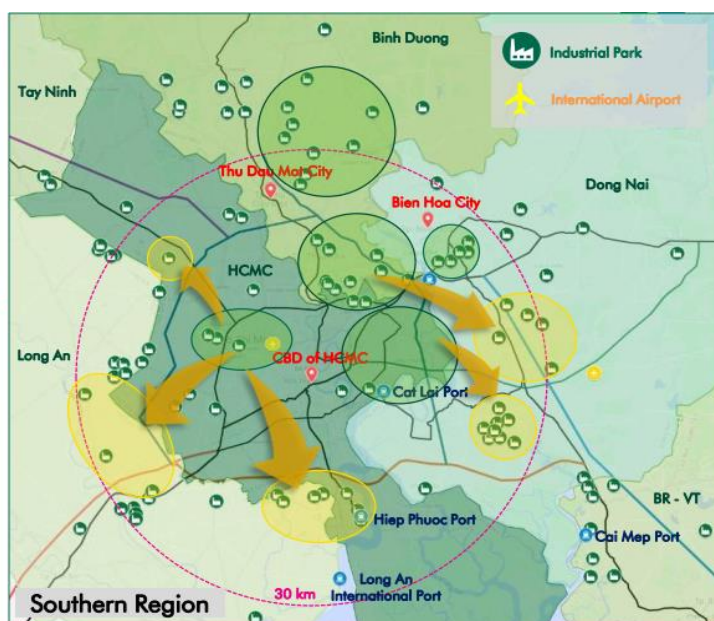
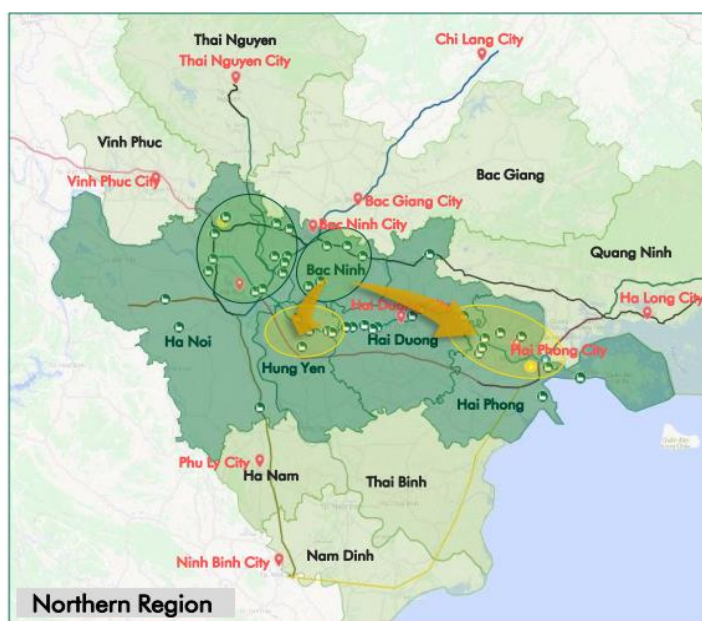
Warehouse/Ready-built factory asking rents, 2021



Source: CBRE

Opportunities & Threats: There are numerous growth drivers for the industrial real estate segment: the US-China trade war, recent signed FTAs (UKVFTA, EVFTA, CPTPP), stable macroeconomic growth, large working population, competitive wages, infrastructure development and growth of the automotive industry. On the other hand, manufacturing wage growth, land clearance and insufficient infrastructure may pose challenges to the market's development.

Outlook: We have a positive outlook for this segment given many favourable opportunities mentioned above. Due to limited land area and stable demand from foreign companies, leasing rate are expected to continue to grow, especially in the south given more new supply in the north than in the south. For longer term, new supply locations will be moved further away from traditional areas (i.e. Ba Ria – Vung Tau and Tay Ninh in the south and Quang Ninh, Bac Giang, Vinh Phuc, Ha Nam, Thai Binh, and Nam Dinh in the north) as they offer more affordable leasing rates and have lower occupancy rates. New logistics hubs will be established in major industrial regions given expansion of expressway to China's border and coastal area to the north and expansion of expressway to the west and coastal areas in the south. There will be increasing demand for large/high-quality warehouse, e.g. temperature-controlled warehouse thanks to the rapid growth of retail, e-commerce and exports. Multinational corporations will prefer eco & smart IPs which can offer more efficient logistics and better water & waste treatment systems, etc.



Source: CBRE

COMPANY OVERVIEW

Saigon VRG Investment Corporation (SIP VN) is a top industrial property developer in the south with a distinct characteristic

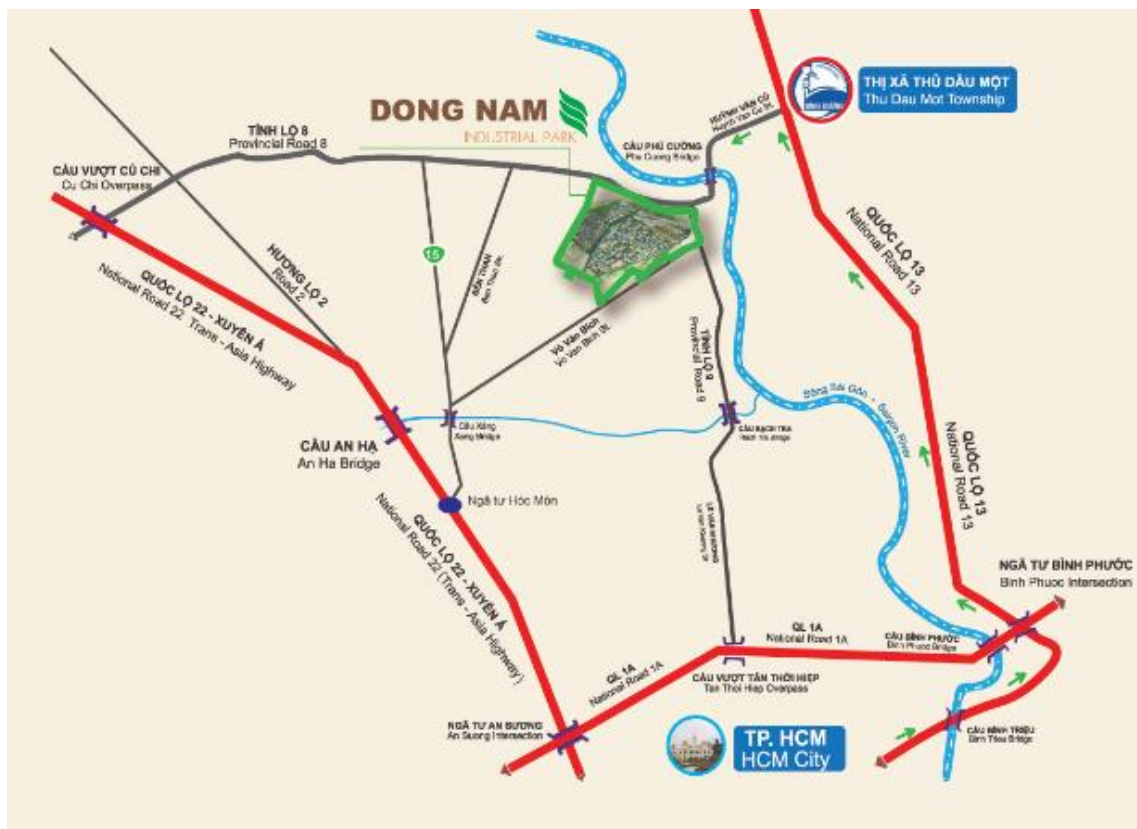
SIP was established in 2007 with an original charter capital of VND250bn. After one rights issuance and multiple stock bonus and ESOP issuances, charter capital has increased by nearly 3.7 times, to over VND929bn. SIP was listed on the UpCOM exchange since 2019 and ranked #4 in terms of market cap in the industrial real estate segment. The company plans to shift to HOSE to improve its stock liquidity and financial transparency.

SIP focuses on developing IPs and residential areas adjacent to these IPs in HCMC, Tay Ninh and Dong Nai provinces which are parts of the SKEZ. The company has a total industrial area of nearly 3,200ha, accounting for 2.6% of national market share. At YE2021, it has a total of 860ha of NLA available for lease. All of its IPs finished land clearance and land use fee payment. Last year, SIP leased 41 ha of industrial land at Phuoc Dong IP and 2.7ha of RBF at Dong Nam and Phuoc Dong IPs. The company planned to lease 40ha of industrial land at Phuoc Dong IP and 2.6ha of RBF at Phuoc Dong and Le Minh Xuan 3 IPs in 2022. It leased 20ha of industrial land in 1H2022 and is expected to outperform the lease target of 40ha in this year.

Project	Location	SIP's stake	Total area (ha)	Total NLA (ha)	Leasing rate	Occupancy rate YE2021
Industrial parks						
Dong Nam	HCMC	100%	287	194	USD5-6/sqm/month for RBF >USD70/sqm/term for land	88%
Phuoc Dong – Phase 1 & 2	Tay Ninh	100%	2,190	1,718	USD4-5/sqm/month for RBF ~USD40/sqm/term for land	62%
Le Minh Xuan 3	HCMC	100%	220	156	USD5-6/sqm/month for RBF >USD130/sqm/term for land	32%
Loc An Binh Son	Dong Nai	69%	497	323	USD5-6/sqm/month for RBF >USD65/sqm/term for land	74%
Residential areas						
Dong Nam	HCMC	100%	56	28	n/a	n/a
Phuoc Dong	Tay Ninh	100%	648	321	VND18-20/sqm for townhouse	n/a
Le Minh Xuan 3	HCMC	100%	80	40	n/a	n/a
Loc An Binh Son	Dong Nai	69%	39	20	n/a	n/a

Source: ACBS summary

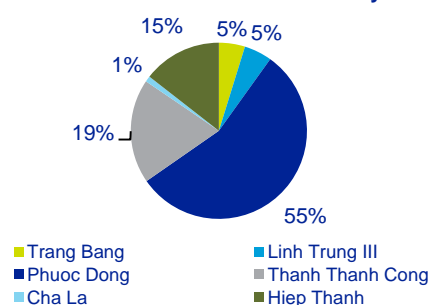
Dong Nam IP was the first project that SIP developed from the beginning of 2008. It is located in HCMC and has key tenants such as Vinamilk, First Solar and Worlton. The project has an occupancy rate of 88% at YE2021 and the remaining NLA is for RBF lease.



Source: SIP

Phuoc Dong IP is SIP's biggest project with a total area of 2,190ha and total capital investment of VND5,800bn. Phuoc Dong is also the biggest IP in Tay Ninh province which is the main connection between HCMC and Phnom Penh, two economic centers of Vietnam and Cambodia, respectively. It is located adjacent to HCMC-Moc Bai Highway, 60km to HCMC and 20km to Moc Bai International border gate to Cambodia. This IP accounted for 56% of total IP land in this province with key tenants from China and Taiwan such as Brotex and Gain Lucky. These tenants are planning for plant expansion in Phuoc Dong IP - Phase 2 in the near future. The company is planning for land clearance process of Phase 3 with a total area of 979ha and a total capex of less than VND5trn. The company expected land leasing rate of USD90-100/sqm in Phase 3 which is double the current land leasing rate for Phase 2.

2021 Market share of IPs in Tay Ninh



Source: ACBS summary



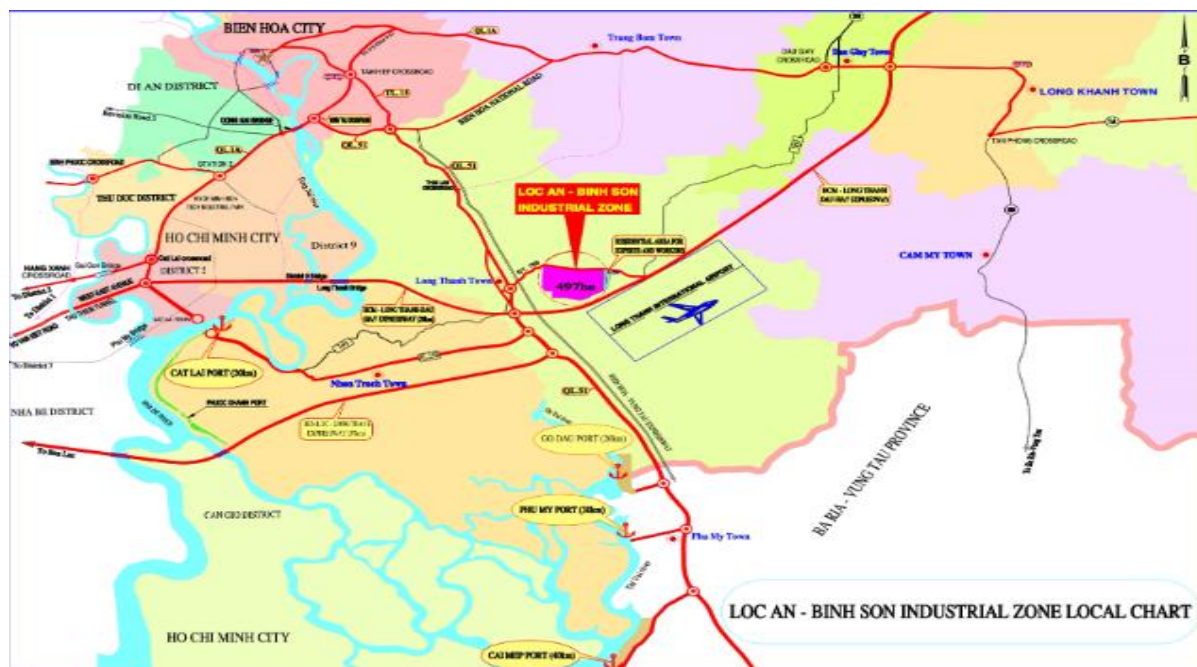
Source: SIP

Le Minh Xuan 3 IP is located in Binh Chanh Dt., HCMC which is a bridge between HCMC and the Mekong Delta, the largest agriculture and fishery production region in Vietnam. The IP is 19km to Tan Son Nhat airport, 32km to Cat Lai port and 10km to HCMC – Trung Luong Highway. Occupancy rate at this IP was 32% at YE2021, relatively low compared to other IPs given its higher leasing rate and the Department of Environment and Natural Resources has not finalized land price to calculate compensation cost for some households for resettlement.



Source: SIP

Loc An Binh Son IP is developed by a subsidiary – Long Thanh VRG JSC – which SIP is holding 69%. This is also a potential project as it is located right behind Long Thanh international airport – one of the biggest infrastructure projects in Vietnam that has a total investment capital of nearly USD4.7bn for the first phase in 2020-2025.



Source: SIP

SIP mainly leases RBF at IPs that have more favourable locations, i.e. Dong Nam, Le Minh Xuan 3 and Loc An – Binh Son at higher leasing rate and leases industrial land at Phuoc Dong IP. We think this is a good strategy given limited industrial land in HCMC and Dong Nai and high demand of large and/or high-quality warehouses to adapt to rapid growth of retail, e-commerce and exports in big cities.

Regarding residential projects, SIP currently develops only Phuoc Dong residential area. The project has completed legal papers and paid land use fees for 250ha out of 520ha. At YE2021, the company sold 147/222 townhouses and is building additional 228 units at selling price of VND1-1.2bn/unit or VND18-20mn/sqm. Other residential projects are completing legal documents and have not been planned to develop in the near future.

SIP is different from other developers as it diversifies other income sources through providing ancillary activities to tenants, including selling electricity and water, providing waste treatment services, etc. to ensure a sustainable development. SIP is one of only two IP developers in Vietnam, the other being the Linh Trung export processing zone, that have licenses to build 110kV power stations in its IPs and distribute electricity and water directly to its tenants. The company earns a gross margin of 6-8% compared with ~2% of other IP developers which are simple distributors between EVN/water companies and tenants.

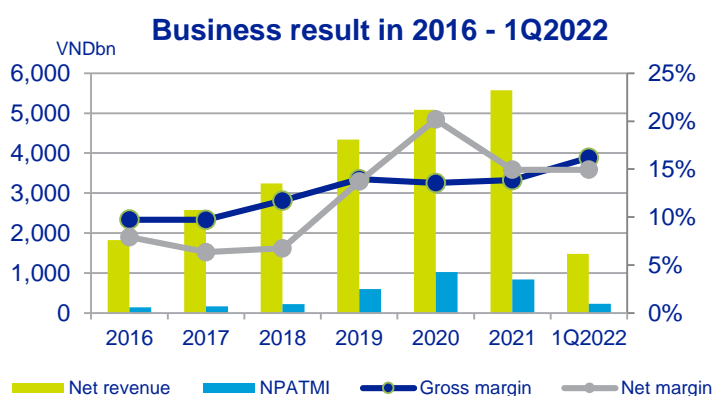
Due to speculative activities and rapid urbanization, clearing costs increased dramatically for IPs developed in the residential areas. However, for IPs that are developed mostly on rubber and other plantations, especially in Binh Duong, Binh Phuoc

provinces, for example IPs developed by SIP and Nam Tan Uyen (UpCOM: NTC), etc. the clearance costs are more affordable and the clearance process is more rapidly. This is a huge competitive advantage of SIP given limited supply of industrial land in the south of Vietnam.

Impressive growth in the last five year despite the COVID

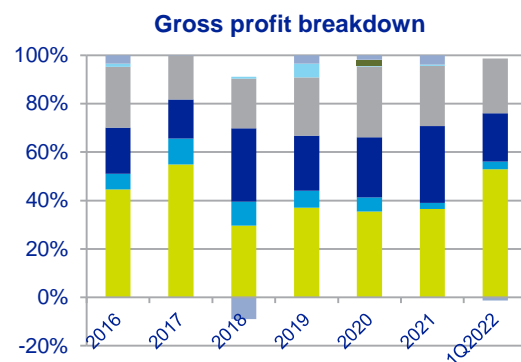
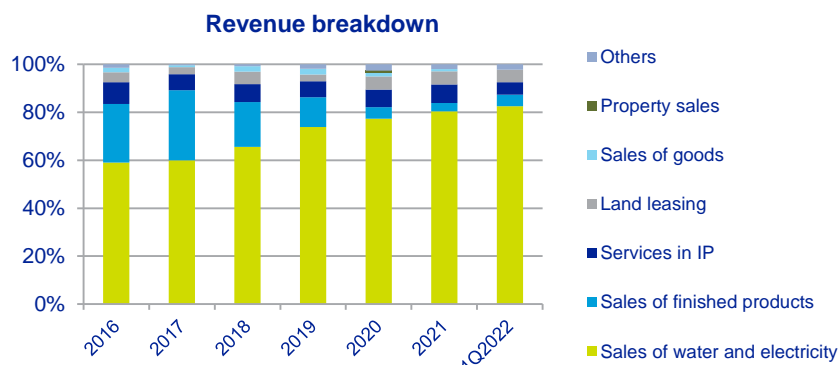
In 2016-2021, SIP recorded an impressive CAGR of 25% in net revenue, to VND5,578bn and 42% in NPATMI, to VND833bn in 2021. This great performance was mainly thanks to high demand of industrial land, increasing tenants' consumption of water and electricity and a 7 times increase in interest income generated from a high cash balance.

The company still recorded growth in 1Q2022 despite the strongest COVID outbreak with revenue of VND1,476bn (+11% YoY) and NPATMI of VND230bn (+23% YoY), equivalent to 28% and 34% of targets, respectively. Sales of electricity and water increased by 18% YoY, to over VND1,200bn and gross profit margin increased by 4.5 percentage points, to 10.7%. Land leasing revenue reached VND77bn (+52% YoY) thanks to the new lease contracts in Phuoc Dong IP.



Source: SIP, ACBS

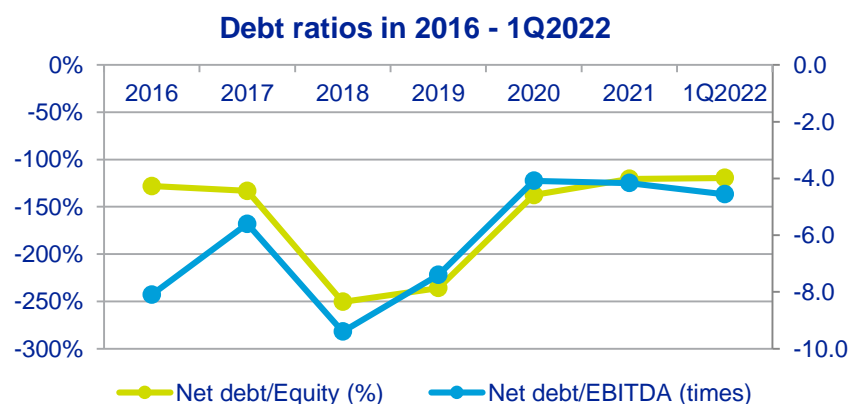
Sales of water and electricity had a 2016-2021 CAGR of 33% and accounted for ~80% of total revenue. Land leasing had a 2016-2021 CAGR of 32% in revenue and accounted for ~5% of total revenue. This revenue breakdown is a distinct characteristic of SIP as other developers have a reverse revenue breakdown with the biggest contribution from land leasing. Besides, the company chose to record land leasing revenue via annual accounting method rather than a lump-sum method. Segmented gross margin of sales of electricity and water averaged at 6-8% while that of land leasing was as high as 60-70%. Given high revenue-contribution from the lower-margin business line, SIP had a lower average gross margin compared to the industry average (14% vs 48%). However, the pro is that the company has a more stable business and is less affected by the fluctuation in investment inflow compared to other developers.



Source: SIP, ACBS

Healthy financial status

During the last five years, SIP maintained a very low debt balance and did not use long-term debts in 2019-2020 period. As of 31/3/2022, SIP had a debt balance of VND867bn, of which VND861bn was short-term but a cash & cash equivalent balance of over VND5,000bn, equivalent to 27% of total assets, which is being maintained for upcoming investments in additional IP projects. Net debt/Equity ratio was stable at -119.5% as of 31/3/2022. The company has maintained a cash dividend payment of VND1,800-2,800/share in the last four years and plans to pay at least VND2,000/share in this year.



Source: SIP, ACBS

Investment in other industrial real estate developers

Given high cash balance, SIP invests in Vietnam Rubber Group (HSX: GVR) and its member companies such as Vinaruco (UpCOM: VRG), Taniruco (HSX: TRC), Casumina (HSX: CSM) and Nam Tan Uyen (UpCOM: NTC), which are rubber plantation companies and industrial real estate developers. Total short-term and long-term investment in these companies as of 31/3/2022 was nearly VND1,500bn, of which Nam Tan Uyen is the biggest investment and accounted for over 50%. This company operates Nam Tan Uyen IP in Binh Duong with a total area of 965ha, of which Phase 3 of 346ha is expected to be developed from this year. This company also invests in many IP developers in the south of Vietnam, has the highest ROE among IP developers and always pays high cash dividend. The second biggest investment is VRG which operates Cong Hoa IP in Hai

Duong province with a total area of 350ha. This is the only IP that SIP invests in the north of Vietnam. The company plans to invest more in industrial real estate developers in the future.

Relative analysis

Compared to other listed industrial real estate developers, SIP had relatively high liquidity ratios, low profitability ratios, low debt ratios, high ROE, low P/E and P/B as shown in the table below.

Ticker	Company name	Mkt cap (VNDbn)	Current ratio	Quick ratio	3-yr avg. gross margin	3-yr avg net margin	Net debt/ Equity	Net debt/ EBITDA	ROE (%)	P/E (x)	P/B (x)
SIP	Saigon VRG Investment	9,169,639	5.8	4.3	13.8	16.3	(120.6)	(4.6)	31.5	11.0	2.02
BCM	Becamex IDC	67,068,000	1.6	0.4	45.8	29.2	65.7	4.9	8.4	54.5	1.32
D2D	Industrial Urban Dev.	1,261,831	7.8	5.5	66.3	47.4	(41.2)	(2.0)	19.0	6.3	0.56
IDC	Idico	14,070,000	2.0	1.4	20.6	8.2	16.0	0.6	16.7	21.4	2.23
IDV	Vinh Phuc	1,084,800	2.6	2.2	71.0	95.4	(41.4)	(3.0)	35.2	5.9	1.77
ITA	Itaco	8,069,566	2.8	0.2	39.0	27.6	(0.9)	(0.3)	2.0	36.5	3.19
KBC	Kinh Bac	22,260,832	4.1	1.4	49.2	36.4	12.4	1.9	5.3	33.5	10.24
LHG	Long Hau	1,632,892	2.5	1.4	44.6	34.3	(63.4)	(2.3)	22.1	5.2	4.03
MH3	Binh Long Rubber	585,600	9.8	9.4	50.5	59.0	(220.4)	(15.7)	16.4	14.1	1.80
NTC	Nam Tan Uyen	4,007,997	2.6	2.4	69.1	113.6	(180.1)	(6.2)	44.7	13.6	2.59
SZC	Sonadezi Chau Duc	4,255,000	0.2	0.2	57.0	38.7	136.3	3.5	23.2	15.4	2.29
SZL	Sonadezi Long Thanh	1,027,786	4.0	3.1	34.1	22.4	(32.7)	(1.3)	13.4	12.9	3.45
TIP	KCN Tin Nghia	1,547,187	5.5	3.5	66.3	36.5	(40.8)	(2.9)	8.7	12.6	2.54
AVERAGE		10,464,702	3.9	2.7	48.3	43.5	(39.3)	(2.1)	19.0	18.7	2.4

Source: Bloomberg

2022 Forecast

For 2022, we expect that SIP will lease 50ha of industrial land at Phuoc Dong IP and 2.6ha of RBF at Phuoc Dong and Le Minh Xuan 3 IPs. We forecast total revenue at VND6,519bn (+17% YoY) and NPATMI at VND1,033bn (+14% YoY), equivalent to 125% and 155% of targets, respectively as the company usually outperforms 45-366% of its revenue/profit targets for the last 3 years.

Valuation

We use the discounted cash flow method for projects that are being developed, book value for projects that have not completed their legal documents or have not finish land clearance and market value for listed stocks. Details of valuation are summarized in the table below. We think the key growth drivers for share price in the future are continuous growth in the utilities segment, more investment flow to the industrial real estate segment after COVID-19 and current undervaluation of the company during the recent market correction.

Using NAV method, we derive a target price of VND178,369/share at YE2022 and give a **BUY rating for this stock** given positive outlook of the industrial real estate segment and SIP's strong financial status, solid income source from electricity and water distribution, good management team and stable cash dividend payment.

	Valuation (VNDbn)	Note
Industrial parks		
Dong Nam	1,861	Discounted cash flow
Phuoc Dong – Phase 1 &2	3,476	Discounted cash flow
Le Minh Xuan 3	1,494	Discounted cash flow
Loc An Binh Son	724	Discounted cash flow
Residential areas		
Phuoc Dong	1,452	Discounted cash flow
Others	110	Book value
Investment in associates		
Nam Tan Uyen (UpCom: NTC)	1,015	Market value Market price = VND170k; SIP's ownership = 24.87%
Fico Tay Ninh Mineral JSC	37	Book value
Investment in other companies	5	Book value
Electricity and water distribution	2,458	
Total projects and investment	12,631	
Net debt	(4,230)	Book value
Minority interest	6	Book value
NAV	16,855	
Outstanding shares	94,492,253	
NAV per share	178,369	

SIP FINANCIALS MODEL	Price (VND):	103,500	Target (VND):	178,369	Mkt cap (VND bn):	9,755
(VND bn except where stated)		2018	2019	2020	2021	2022E
Total Net Sales		3,239	4,340	5,083	5,578	6,519
<i>Sales growth</i>		<i>25.7%</i>	<i>34.0%</i>	<i>17.1%</i>	<i>9.7%</i>	<i>16.9%</i>
CoGS ex-dep'n		2,768	3,639	4,175	4,607	5,159
Gross profit		380	606	689	773	1,152
<i>Gross margin</i>		<i>11.7%</i>	<i>14.0%</i>	<i>13.6%</i>	<i>13.9%</i>	<i>17.7%</i>
SG&A		118	104	28	99	288
<i>SG&A as % of sales</i>		<i>3.7%</i>	<i>4.4%</i>	<i>4.4%</i>	<i>4.4%</i>	<i>4.4%</i>
EBITDA		362	606	936	955	1,142
<i>EBITDA margin</i>		<i>11.2%</i>	<i>14.0%</i>	<i>18.4%</i>	<i>17.1%</i>	<i>17.5%</i>
Depreciation		92	95	218	197	207
Operating profit		270	511	718	758	935
<i>Operating profit margin</i>		<i>8.3%</i>	<i>11.8%</i>	<i>14.1%</i>	<i>13.6%</i>	<i>14.3%</i>
Profit/loss from associates and JVs		9	9	56	84	70
Financial income (excl. saving interest)		13	14	129	78	42
Financial expenses (excl. interest expense)		44	4	-15	8	21
Net interest expense		-92	-282	-499	-277	-336
<i>as % of avg, net debt</i>		<i>3.8%</i>	<i>7.2%</i>	<i>12.0%</i>	<i>7.1%</i>	<i>7.9%</i>
Other profit		-11	6	9	6	0
Tax		73	164	252	205	258
<i>Effective tax rate</i>		<i>22.8%</i>	<i>20.2%</i>	<i>18.4%</i>	<i>18.4%</i>	<i>20.0%</i>
PAT		249	645	1,118	906	1,033
Minority interest		30	51	92	73	26
NPATMI		219	595	1,026	833	1,008
<i>Net profit margin</i>		<i>6.7%</i>	<i>13.7%</i>	<i>20.2%</i>	<i>14.9%</i>	<i>15.5%</i>
Cash earnings		310	690	1,244	1,031	1,215
Number of shares (m)		69,048,195	69,048,195	79,405,357	94,492,253	94,492,253
EPS (VND)		2,562	8,617	12,917	8,992	10,666
Bonus factor (x)		0.8	0.8	0.9	1.0	1.0
Adjusted EPS (VND)		1,937	6,516	11,232	8,992	10,666
<i>EPS growth</i>		<i>27.0%</i>	<i>236.3%</i>	<i>72.4%</i>	<i>-19.9%</i>	<i>18.6%</i>

KEY CASHFLOW AND BS ITEMS	2018	2019	2020	2021	2022E
Increase in working capital	-718	-1,041	4,612	853	543
Capex	1,607	1,048	2,241	756	800
Other cash flow items	2,527	467	5,091	974	974
Free cash flow	1,948	1,150	-517	394	846
Share issues (m)	167	1	84	15	0
Dividends paid	103	91	219	258	283
Increase in net debt	-2,012	-1,060	652	-152	-563
Net debt, end of year	-3,416	-4,476	-3,824	-3,976	-4,539
Shareholders' equity	1,364	1,897	2,778	3,298	4,022
BVPS (VND)	19,753	27,479	34,984	34,901	42,567
<i>Net debt / equity (%)</i>	<i>-250.5%</i>	<i>-235.9%</i>	<i>-137.7%</i>	<i>-120.6%</i>	<i>-112.8%</i>
<i>Net debt / EBITDA (x)</i>	<i>-9.4</i>	<i>-7.4</i>	<i>-4.1</i>	<i>-4.2</i>	<i>-4.0</i>
Total assets	10,739	13,466	16,700	17,817	17,979

KEY RETURN AND VALUATION RATIOS	2018	2019	2020	2021	2022E
<i>ROE</i>	<i>18.1%</i>	<i>36.5%</i>	<i>43.9%</i>	<i>27.4%</i>	<i>27.5%</i>
<i>ROA</i>	<i>2.5%</i>	<i>4.9%</i>	<i>6.8%</i>	<i>4.8%</i>	<i>5.6%</i>
<i>ROIC</i>	<i>1.7%</i>	<i>3.1%</i>	<i>4.2%</i>	<i>3.5%</i>	<i>4.1%</i>
<i>EVA</i>	<i>15.0%</i>	<i>15.0%</i>	<i>12.4%</i>	<i>12.4%</i>	<i>12.4%</i>
<i>PER (x)</i>	<i>-13.3%</i>	<i>-11.9%</i>	<i>-8.3%</i>	<i>-8.9%</i>	<i>-8.3%</i>
<i>EV/EBITDA (x)</i>	<i>53.4</i>	<i>15.9</i>	<i>9.2</i>	<i>11.5</i>	<i>9.7</i>
<i>EV/FCF (x)</i>	<i>11.0</i>	<i>6.6</i>	<i>4.3</i>	<i>4.2</i>	<i>3.5</i>
<i>PBR (x)</i>	<i>2.0</i>	<i>3.5</i>	<i>-7.7</i>	<i>10.1</i>	<i>4.7</i>
<i>PSR (x)</i>	<i>5.2</i>	<i>3.8</i>	<i>3.0</i>	<i>3.0</i>	<i>2.4</i>
<i>EV/sales (x)</i>	<i>2.5</i>	<i>1.9</i>	<i>1.6</i>	<i>1.5</i>	<i>1.3</i>
<i>Dividend yield</i>	<i>1.2</i>	<i>0.9</i>	<i>0.8</i>	<i>0.7</i>	<i>0.6</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

Associate Director

Gigi Nguyen Binh

(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

Manager – Property

Truc Pham

(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

Manager – Financials

Hung Cao, CFA

(+84 28) 3823 4159 (x326)
hungcv@acbs.com.vn

Associate – Consumer-related, Technology

Chi Luong

(+84 28) 3823 4159 (x327)
chiltk@acbs.com.vn

Associate – Consumer-related, Media

Trung Tran

(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

Associate– Oil & Gas

Hung Phan

(+84 28) 38234159 (x354)
hungpv@acbs.com.vn

Associate – Construction materials

Huy Huynh

(+84 28) 3823 4159 (x325)
huyha@acbs.com.vn

Associate – Derivatives, Macro

Minh Trinh

(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

Associate – Macro

Hoa Nguyen

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

Analyst – Technical

Phuoc Luong

(+84 28) 3823 4159 (x354)
phuocld@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Associate Director

Huong Chu

(+84 28) 3824 6679
huongctk@acbs.com.vn

Trader

Thanh Tran

(+84 28) 3824 7677
thanhtt@acbs.com.vn

Trader

Phuong Chu

(+84 28) 3823 4159 (x357)
phuongctm@acbs.com.vn

Trader

Dung Ly

(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

Trader

Nhi Nguyen

(+84 28) 3823 4159 (x315)
nhinp@acbs.com.vn

Customer Support

Institutional Client

Thanh Le

(+84 28) 3823 4798
thanhlt@acbs.com.vn

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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%.

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