



IDC Update - OUTPERFORM

November 27, 2023



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Company Update

Recommendation **OUTPERFORM**
HNX: IDC
Property
Target price (VND) **54,159**
Market price (VND) **48,900**
Expected share price return 10.7%

Expected dividend yield 8.2%

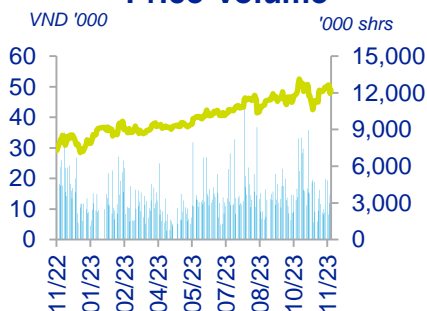
Expected total return **18.9%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	69.1	3.8	11.8	67.5
Relative	60.3	0.5	19.3	54.7

Source: Bloomberg

Price-Volume



Ownership

SSG Group JSC	22.5%
Bach Viet Manufacturing & Trading Ltd. Co.	11.9%

Stock Statistics 24-Nov-23

Bloomberg code **IDC VN**

52-week range (VND) 29,700 - 53,200

Shares O/S (m) 330

Mkt cap (VND bn) 16,137

Mkt cap (USD m) 661

Est. Foreign room left (%) 3.3

Est. free float (%) 63.2

3m avg daily vol (mn) 3.8

VND/USD 24,420

Index: VNIndex / HNX 1095.61/226.1

IDICO CORPORATION – JSC (IDC VN)

IDC posted unpleasant 9M2023 result with revenue of nearly VND5trn (-29% YoY) and PAT of over VND1trn (-56.4% YoY) which were lower than our expectation. We revise our 2023 PAT forecast by 25% and give an OUTPERFORM rating with 2024 target price of VND54,159/share.

Total revenue in 9M2023 declined by 29% YoY, to VND5trn mainly due to a 45.4% drop in industrial park (IP) revenue, to over VND2.2trn. Gross margin also decreased to 32% (-11.8 pp YoY) mainly due to a lower gross margin of the IP segment (50.6%, -13.8 pp YoY). This result was primarily driven by lower unearned revenue recorded when changing booking method from annually to one-off (i.e. ~VND400bn from Que Vo 2 IP in 9M2023 compared with ~VND2,400bn from Nhon Trach 5, Phu My 2, Phu My 2 extension and My Xuan B1 IPs in 9M2022).

Regarding the **Power segment**, revenue in 9M2023 was recorded at VND2.1trn (-3% YoY) mainly due to lower electricity volume distributed in IPs when tenants cut their production capacities given lower orders. Gross margin, however, improved to 10.7% (+3.1 pp YoY) mainly thanks to the reoperation of Dak Mi 3 hydropower plant from Oct, 2022 after a long period of maintenance after floods.

The **BOT segment** was in line with our forecast with 9M2023 revenue increasing by 4.9% YoY, to VND327bn thanks to growth of PCUs given unchanged toll fees. Segmented gross margin was stable at 44.5% (-1.3 pp YoY).

In 9M2023, financial income went sideways and was recorded at VND132bn while financial expenses rose by 42.2% YoY, to VND148bn due to higher interest rates.

IDC was in a good financial position with net debt declining by over VND100bn in 9M2023, to VND1.2 trn and Net debt/Equity staying at 21.9% (-0.4 pp YoY).

Given deliveries of IP area and electricity volume distributed in IPs were lower than our expectation as well as the transfer of 2.2ha to Aeon with revenue of VND437bn was expected to be booked in early 2024 instead of 4Q2023, we revise estimated 2023 revenue down by 14%, to over VND7trn and PAT by 25%, to nearly VND1.6trn. For 2024, we forecast revenue at nearly VND8.7 trn (+23.6% YoY) and PAT at nearly VND2.4trn (+52.7% YoY). We roll forward the valuation to 2024 with a target price of VND54,159/share and give an OUTPERFORM rating for IDC.

	2020	2021	2022	2023F	2024F
Net Sales (VNDbn)	5,356	4,301	7,485	7,032	8,692
Growth	8.7%	-19.7%	74.0%	-6.1%	23.6%
EBITDA (VNDbn)	1,770	794	3,641	3,149	4,282
Growth	67.1%	-55.1%	358.3%	-13.5%	36.0%
PATMI (VNDbn)	874	454	1,768	1,273	1,921
Growth	153.4%	-48.0%	289.1%	-28.0%	50.9%
EPS (bonus-adjusted, VND)	2,632	1,356	5,299	3,812	5,757
Growth	171.0%	-48.5%	290.7%	-28.1%	51.0%
ROE	22.9%	11.2%	40.0%	25.8%	37.3%
ROIC	6.6%	3.3%	11.0%	7.6%	11.3%
Net debt/EBITDA (times)	0.6	1.1	0.4	0.5	0.3
EV/EBITDA (times)	9.8	21.9	4.8	5.5	4.1
PER (times)	18.6	36.1	9.2	12.8	8.5
PBR (times)	3.5	3.8	3.3	3.3	3.0
DPS (VND)	3,000	2,000	4,000	4,000	4,000
Dividend yield	6.1%	4.1%	8.2%	8.2%	8.2%

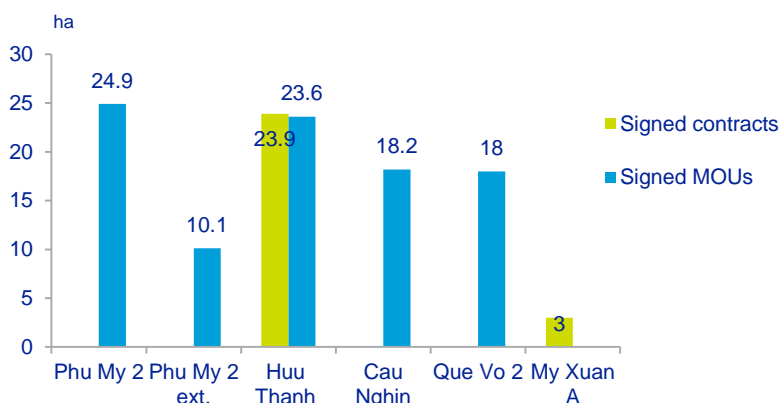
IP segment: revenue recognition was slower than expected while newly leased area nearly reached the company's target

In 9M2023, the IP segment recorded revenue of over VND2.2trn (-45.4% YoY) with segmented gross margin of 50.6% (-13.8 pp YoY). The decline was mainly due to lower unearned revenue recorded when changing booking method from annually to one-off (i.e. ~VND400bn from Que Vo 2 IP in 9M2023 compared with ~VND2,400bn from Nhon Trach 5, Phu My 2, Phu My 2 extension and My Xuan B1 IPs in 9M2022). Estimated gross margin of Que Vo 2 IP was 53%, much lower than 82-85% of Nhon Trach 5 and My Xuan B1 IPs and 71-74% of Phu My 2 and Phu My 2 extension IPs.

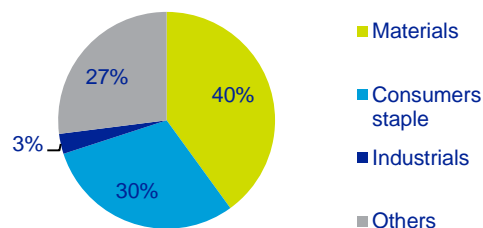
One-off revenue recognition in 9M2023 was lower than our expectation with only 49ha recorded, of which 14ha from contracts signed in 2022 and 35ha from contracts signed in 2023. Thus, we adjust 2023 IP revenue down by 7%, to nearly VND3.3trn. We expect 2024 IP revenue to jump by 32.3% YoY, to nearly VND4.3trn.

Newly leased area in 9M2023 was 121.7ha (-6.2% YoY), equivalent to 95% of the company's target. Huu Thanh is the hottest IP with 47.5ha leased, followed by Phu My 2 IP with 24.9ha leased to Hyosung's USD540mn carbon fibre plant. Most tenants in 9M2023 are operating in the materials and consumers staple sectors. We expect newly leased area of over 140ha/year in 2023-2025 period.

9M2023 area signed by IP



9M2023 tenants' sector



Source: IDC

At the end of 3Q2023, IDC had 631ha of remaining NLA. Average leasing rate remained stable QoQ at ~USD122/sqm/remaining term. According to the company, the total investment of Huu Thanh IP may be adjusted upward given higher clearance cost. On the other hand, the most potential upcoming IP – Tan Phuoc 1 – is still waiting for the final approval of investment policy.

Project	Location	IDC's stake	Total investment (VNDbn)	Total area (ha)	NLA (ha)	Remaining NLA (ha)	Occupancy rate 3Q2023	Avg. leasing rate (USD/sqm/term)	Note
Fully occupied IPs			1,925	1,271	949	0	100%	n/a	
Kim Hoa	Vinh Phuc	100%	252	50	46	0	100%	n/a	
My Xuan B1	Ba Ria- Vung Tau	51%	544	227	160	0	100%	n/a	
My Xuan A	Ba Ria- Vung Tau	100%	342	302	229	0	100%	n/a	
Nhon Trach 1	Dong Nai	100%	458	382	284	0	100%	n/a	
Nhon Trach 5	Dong Nai	100%	329	309	229	0	100%	n/a	
Ongoing IPs			13,740	1,996	1,392	631	51.1%	-122	
Cau Nghin	Thai Binh	100%	1,160	184	103	76	25.9%	>74	
Huu Thanh	Long An	100%	7,300	524	395	285	27.9%	>144	
Phu My 2	Ba Ria- Vung Tau	100%	1,900	621	443	94	78.9%	>125	
Phu My 2 ext.	Ba Ria- Vung Tau	100%	1,880	398	273	108	60.5%	>125	
Que Vo 2	Bac Ninh	51%	1,500	270	177	68	61.6%	>125	
Upcoming IPs			1,893-2,283						
Tan Phuoc 1	Tien Giang	n/a	n/a	470	n/a	n/a	n/a	n/a	Waiting for final approval of investment policy
My Xuan B1 ext.	Ba Ria- Vung Tau	n/a	n/a	110-500	n/a	n/a	n/a	n/a	
2 IPs	North Vietnam	n/a	n/a	835	n/a	n/a	n/a	n/a	Waiting for the approval of master planning 1/2000
1 IP	Middle South Vietnam	n/a	n/a	478	n/a	n/a	n/a	n/a	

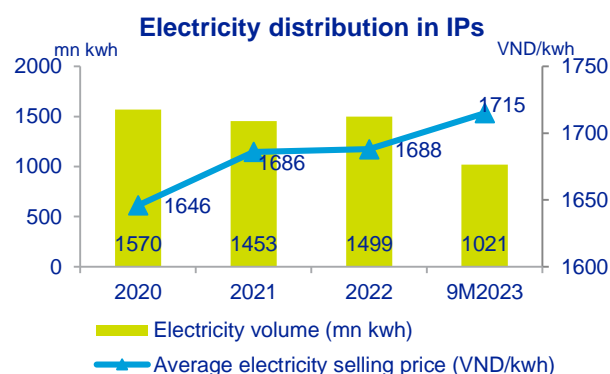
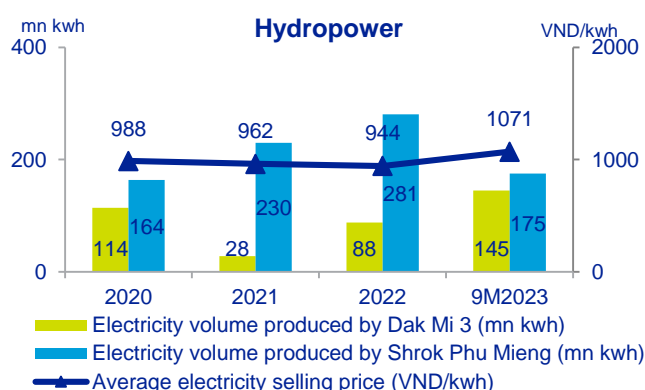
Source: IDC

Power segment: electricity volume produced by two hydropower plants was in line with our forecast but electricity volume distributed in IPs was lower than our expectation

Power revenue in 9M2023 was recorded at VND2.1trn (~3% YoY) mainly due to lower electricity volume distributed in IPs when tenants cut their production capacities given lower orders. Gross margin, however, improved to 10.7% (+3.1 pp) mainly thanks to the reoperation of Dak Mi 3 hydropower plant from October 2022 after a long period of maintenance after floods. IDC also booked VND45bn of maintenance expenses related to this plant in 'Other expenses' account in 3Q2023.

In 9M2023, the total electricity volume produced by two hydropower plants Dak Mi 3 and Shrok Phu Mieng was 320 mn kwh which was in line with our forecast. However, electricity volume distributed in IPs was lower than our expectation. Thus, we revise 2023 Power revenue down by 7% to VND2.8trn (~2% YoY). For 2024, with an assumption of 1.5% YoY growth in average electricity selling price and recovery of electricity volume distributed in fully occupied IPs as well as an increase in electricity volume distributed in Huu Thanh IP, we expect a 5.5% YoY growth in Power revenue, to around VND3trn.

Source: IDC, ACBS.



Residential property: the transfer of 2.2ha to AEON may be rescheduled from 4Q2023 to 2024

Summary of IDC's key residential real estate projects is shown in the table below. Of note, Nhon Trach IP workers' housing project (2) is expected to begin construction in December 2023. On the other hand, revenue recognition for the transfer of 2.2ha in Long An to AEON with a value of VND437bn may be rescheduled from 4Q2023 to 2024 due to prolonged legal process. As of 30/9/2023, Aeon deposited VND153bn for this transaction.

No.	Project	Location	Project Owner	IDICO's stake	Land Area (ha)	Status
Social & Workers' housing projects						
1	Nhon Trach IP workers' housing project (1)	Dong Nai	IDICO - URBIZ	100.0%	10.0	Adjusting the construction planning.
2	Nhon Trach IP workers' housing project (2)	Dong Nai	IDICO - URBIZ	100.0%	10.0	Expected to begin construction in December 2023.
3	Huu Thanh residential area and workers' housing project	Long An	IDICO - LINCO	51.0%	47.1	Received the land handover Decision & Periodic Investment Disbursement
4	Nhon Trach 1 Resettlement Project and Hiep Phuoc apartment building	Dong Nai	IDICO-UDICO	66.9%	4.9	Phase 1: Solving the legal issue
5	Vinh Cuu social housing project	Dong Nai	IDICO - URBIZ	100.0%	60.1	Participating in the bidding process to be project contractor.
Other commercial projects						
6	Apartment complex on National Route 1K Hoa An	Dong Nai	IDICO-UDICO	66.9%	7.0	Solving issues to legal/financial receive the official land use right.
7	An Hoa	Dong Nai	IDICO - URBIZ	100.0%	3.9	Adjusting the construction planning
8	IDICO-INCO 10 head office	Can Tho	IDICO - INCO 10	97.8%	0.5	Waiting for construction permit.
9	Bac Chau Giang	Ha Nam	IDICO-CONAC	51.0%	5.7	About to complete construction & ready for sales.
10	Central residential area expansion	Long An	IDICO - LINCO	51.0%	3.1	Transfer 2.2ha to AEON

Source: IDC

2023-2024 forecast

Given deliveries of IP area and electricity volume distributed in IPs were lower than our expectation as well as the transfer of 2.2ha to Aeon was expected to be booked in early 2024 instead of 4Q2023, we revise estimated 2023 revenue down by 14%, to over VND7trn and PAT by 25%, to nearly VND1.6trn.

For 2024, we forecast revenue at nearly VND8.7 trn (+23.6% YoY) and PAT at nearly VND2.4trn (+52.7% YoY) with the following assumptions:

- IP revenue reached nearly VND4.3trn (+32.3% YoY).
- Power revenue was around VND3trn (+5.5% YoY) mainly thanks to growth of electricity volume distributed in IPs.
- Residential property reached VND538bn, up by over 5 times YoY thanks to the transfer of 2.2ha in Long An to Aeon with revenue of VND437bn.
- BOT revenue grew by 3% YoY, to VND447bn given no change in toll fee and 3% YoY growth of PCUs.

Valuation

Using the NAV method, we suggest a target price of VND54,159/share at the end of 2024 and give an OUTPERFORM rating for IDC. The stock is trading at a forward 2024 P/E of 8.5x and P/B of 3.0.

IDC FINANCIALS MODEL	Price (VND):	48,900	Target (VND):	54,159	Mkt cap (VND bn):	16,137
(VND bn except where stated)	2020	2021	2022	2023E	2024E	
Total Net Sales	5,356	4,301	7,485	7,032	8,692	
<i>Sales growth</i>	8.7%	-19.7%	74.0%	-6.1%	23.6%	
CoGS ex-dep'n	3,360	3,175	3,387	3,527	3,970	
Gross profit	1,486	737	3,060	2,363	3,466	
<i>Gross margin</i>	27.7%	17.1%	40.9%	33.6%	39.9%	
SG&A	250	260	334	356	440	
<i>SG&A as % of sales</i>	4.7%	6.1%	4.5%	5.1%	5.1%	
EBITDA	1,770	794	3,641	3,149	4,282	
<i>EBITDA margin</i>	33.0%	18.5%	48.6%	44.8%	49.3%	
Depreciation	510	389	1,038	1,142	1,256	
Operating profit	1,260	406	2,603	2,007	3,026	
<i>Operating profit margin</i>	23.5%	9.4%	34.8%	28.5%	34.8%	
Profit/loss from associates and JVs	24	(71)	(123)	-	-	
Financial income (excl. saving interest)	21	499	22	4	4	
Financial expenses (excl. interest expense)	-2	121	7	1	1	
Net interest expense	103	67	57	31	53	
<i>as % of avg, net debt</i>	11.6%	7.1%	5.1%	2.2%	3.9%	
Other profit	54	40	57	-30	0	
Tax	234	178	563	390	595	
<i>Effective tax rate</i>	19.0%	23.6%	21.5%	20.0%	20.0%	
PAT	999	578	2,055	1,560	2,381	
Minority interest	125	124	287	287	460	
NPATMI	874	454	1,768	1,273	1,921	
<i>Net profit margin</i>	16.3%	10.6%	23.6%	18.1%	22.1%	
Cash earnings	1383	843	2,806	2,415	3,178	
Number of shares (m)	300	300	330	330	330	
EPS (VND)	2,895	1,492	5,299	3,812	5,757	
Bonus factor (x)	0.9	0.9	1.0	1.0	1.0	
Adjusted EPS (VND)	2,632	1,356	5,299	3,812	5,757	
<i>EPS growth</i>	171.0%	-48.5%	290.7%	-28.1%	51.0%	

KEY CASHFLOW AND BS ITEMS	2020	2021	2022	2023E	2024E
Increase in working capital	-134	85	89	509	321
Capex	955	862	1,059	1,201	1,381
Other cash flow items	-606	973	-1,142	500	-
Free cash flow	-43	869	516	1,205	1,476
Share issues (m)	0	0	0	0	0
Dividends paid	204	724	986	1,320	1,320
Increase in net debt	247	-145	470	115	-156
Net debt, end of year	1,014	869	1,338	1,454	1,298
Shareholders' equity	4,958	5,028	6,128	6,081	6,682
BVPS (VND)	13,927	12,999	14,988	14,872	16,343
Net debt / equity (%)	20.4%	17.3%	21.8%	23.9%	19.4%
Net debt / EBITDA (x)	0.6	1.1	0.4	0.5	0.3
Total assets	14,529	16,076	17,013	17,082	17,527

KEY RETURN AND VALUATION RATIOS	2020	2021	2022	2023E	2024E
ROE	22.9%	11.2%	40.0%	25.8%	37.3%
ROA	6.1%	3.0%	10.7%	7.5%	11.1%
ROIC	6.6%	3.3%	11.0%	7.6%	11.3%
WACC	15.0%	13.7%	13.1%	12.5%	13.1%
EVA	-8.4%	-10.4%	-2.1%	-4.9%	-1.8%
PER (x)	18.6	36.1	9.2	12.8	8.5
EV/EBITDA (x)	9.8	21.9	4.8	5.5	4.1
EV/FCF (x)	-400.6	20.0	33.6	14.4	11.8
PBR (x)	3.5	3.8	3.3	3.3	3.0
PSR (x)	3.0	3.8	2.2	2.3	1.9
EV/sales (x)	3.2	4.0	2.3	2.5	2.0
Dividend yield	6.1%	4.1%	8.2%	8.2%	8.2%

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BUY: Expected prospective total return (including dividends) in VND will be 20% or more within 12 months

OUTPERFORM: Expected prospective total return (including dividends) in VND will be from 10% to 20% within 12 months

NEUTRAL: Expected prospective total return (including dividends) in VND will be from -10% to 10% within 12 months

UNDERPERFORM: Expected prospective total return (including dividends) in VND will be from -20% to -10% within 12 months

SELL: Expected prospective total return (including dividends) in VND will be less than -20% within 12 months

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