



IDC Update - OUTPERFORM

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Company Update

Recommendation **OUTPERFORM**

HNX: IDC

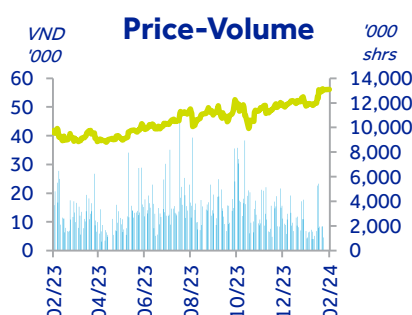
Property

Target price (VND)	62,600
Market price (VND)	56,300
Expected share price return	11.1%
Expected dividend yield	7.1%
Expected total return	18.2%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	11.3	11.5	17.9	53.7
Relative	4.4	7.3	10.4	37.0

Source: Bloomberg



Ownership

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

Stock Statistics 16-Feb-24

Bloomberg code **IDC VN**

52-week range (VND)	34,500 - 57,600
Shares O/S (m)	330
Mkt cap (VND bn)	18,579
Mkt cap (USD m)	753
Est. Foreign room left (%)	3.0
Est. free float (%)	63.7
3m avg daily vol (mn)	2,562,036
VND/USD	24,660
Index: VNIndex / HNX	1209.70/233.04

IDICO CORPORATION – JSC (IDC VN)

2023 business results are in line with ACBS's forecast. Reiterate our OUTPERFORM recommendation with a target price up by 16% from the previous target price to VND62,600/share at YE2024 mainly thanks to Tan Phuoc 1 Industrial Park added to our valuation.

IDC's 4Q2023 business results are positive with revenue of VND2,239 bn (+85% YoY) and PAT of VND623 bn (+170% YoY). Growth mainly came from industrial park rental revenue reaching nearly VND1,100 bn while 4Q2022 recorded ~VND762 bn as the company adjusted 4Q2022 rental revenue at Phu My 2 Industrial Park (IP).

For 2023, IDC recorded revenue of VND7,237 bn (-3% YoY) and PBT of VND2,056 bn (-21% YoY), equivalent to 105% of ACBS's forecast and 81% of IDC's target. The decline in profit was mainly due to gross profit margin decreasing by 7.4% to 33.5% as gross margin of the IP segment decreasing by 19.9% to 52.3%. In 2023, the unrealized revenue recorded when changing the accounting method from annual to one-off is lower than in 2022 (2023 recorded ~ VND470 bn at Que Vo 2 IP while 2022 recorded ~VND2.4 trn from Nhon Trach 5, Phu My 2, Phu My 2 expansion and My Xuan B1 IPs).

IDC exceeded its 2023 leasing plan of 127ha with nearly 170ha signed (+28.8% YoY), of which Huu Thanh IP was the leader with more than 62ha, followed by Phu My 2 with ~54ha (see Figure 1). The average occupancy rate at YE2023 was 58.3% and the average rental price was USD129/sqm/remaining term (+4.9% YoY) (see Figure 2). In 2023, IDC delivered 106ha in Phu My 2, Huu Thanh, Que Vo 2 and Cau Nghin IPs, of which 73ha from one-off revenue (including 29ha signed in 2022 and 44ha signed in 2023) and 33ha from unearned revenue when changing the accounting method from annual to one-off at Que Vo 2 IP.

For the Power segment, 2023 revenue was over VND2.9 trn VND (+1.6% YoY) mainly thanks to an increase in electricity selling prices while distributed electricity volume in IPs decreasing to 1,389 mn kWh (-7.3% YoY) when tenants cut back on production due to fewer orders. Segmented gross margin improved to 12.2% (+4 pps YoY) mainly thanks to Dak Mi 3 hydropower plant resuming operation from October 2022 after a long period of maintenance due to floods.

IDC maintained a good financial status with net debt remaining at around VND1.3 trn in 2023 and Net Debt/Equity ratio at 20.6% (-1.2 pps YoY).

Because IP's 2023 rental area was higher than our forecast, we adjusted 2024 revenue up by 11% to ~VND9.6 trn (+33% YoY) and PAT by 24% to ~VND2.9 trn (+78% YoY). Growth was mainly thanks to IP area delivered increasing by 53% to ~160 ha and a transfer transaction of 2.2 ha to Aeon with an estimated revenue of VND437 bn. **Reiterate our Outperform recommendation with a target price of VND62,600/share, an increase of 16% compared to the previous target price mainly thanks to Tan Phuoc 1 IP added to our valuation.**

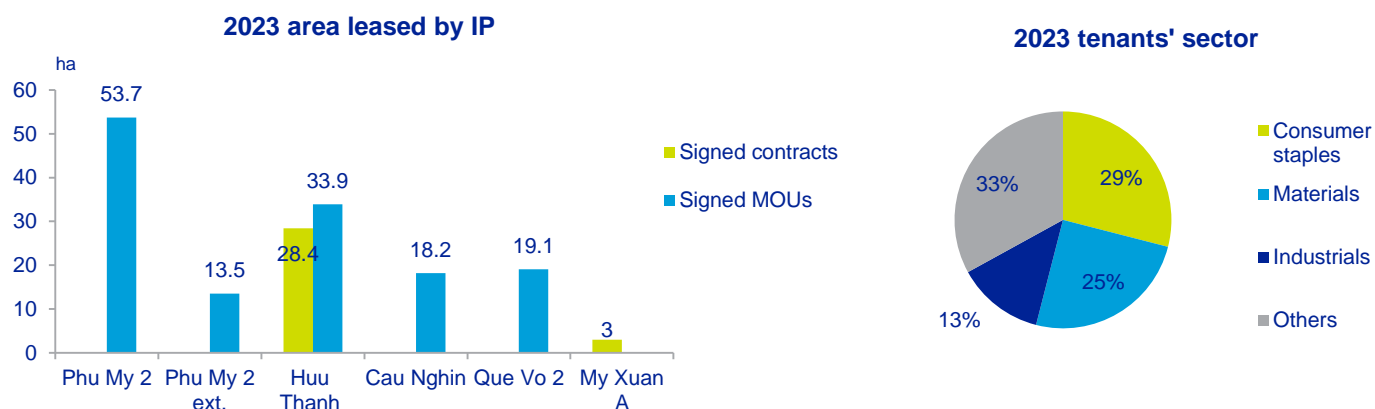
	2021	2022	2023U	2024E	2025E
Net Sales (VNDbn)	4,301	7,485	7,237	9,642	9,428
Growth	-19.7%	74.0%	-3.3%	33.2%	-2.2%
EBITDA (VNDbn)	794	3,641	2,919	4,616	4,015
Growth	-55.1%	358.3%	-19.8%	58.2%	-13.0%
PATMI (VNDbn)	454	1,768	1,394	2,415	2,097
Growth	-48.0%	289.1%	-21.2%	73.3%	-13.2%
EPS (bonus-adjusted, VND)	1,356	5,299	4,165	7,238	6,286
Growth	-48.5%	290.7%	-21.4%	73.8%	-13.2%
ROE	11.2%	40.0%	28.1%	44.6%	34.0%
ROIC	3.3%	11.0%	7.9%	13.5%	11.3%
Net debt/EBITDA (times)	1.1	0.4	0.4	0.1	0.0
EV/EBITDA (times)	25.0	5.5	6.8	4.3	4.9
PER (times)	41.5	10.6	13.5	7.8	9.0
PBR (times)	4.3	3.8	3.7	3.2	2.9
DPS (VND)	2,000	4,000	4,000	4,000	4,000
Dividend yield	3.6%	7.1%	7.1%	7.1%	7.1%

IP segment: 2023 area leased outperformed our expectation

IDC exceeded its 2023 leasing plan of 127ha with nearly 170ha signed (+28.8% YoY), of which Huu Thanh IP is the leader with more than 62ha, followed by Phu My 2 with nearly 54ha. We forecast that IDC can lease more than 150ha/year in 2024-2025 period.

Tenants in 2023 mainly manufacture consumers staple, materials and industrials.

Figure 1: Leasing activities in 2023



Source: IDC

At YE2023, IDC had 580 ha of remaining NLA for lease. Average rent increased by 5.7% QoQ to ~USD129/sqm/remaining term, of which Phu My 2 and Phu My 2 expansion IPs have leasing rate of around USD125/sqm/remaining term, nearly unchanged during 2023. Cau Nghin IP had the strongest increase in rental price of 18.5% YoY to over USD77/sqm/remaining term, followed by Huu Thanh IP with over USD148/sqm/remaining term (+5.7% YoY) and Que Vo 2 with USD119/sqm/remaining term (+3.5% YoY).

Huu Thanh IP is expected to have an additional capex of VND3 trn, of which VND300-400 bn for compensation, VND100 bn for land use fee and the remainder for infrastructure construction and backfill.

Tan Phuoc 1 IP is in Tien Giang province and it is expected to be approved soon by the government and ready for lease from the end of this year. Phase 1 of 226 ha is expected to be developed in 2024-2025. Tien Giang is in the Mekong Delta - home of the largest agricultural and fishery region in Vietnam and near Trung Luong My Thuan Expressway. IDC can benefit from limited supply of industrial land in Tien Giang as this province has only 4 established IPs with a total land area of over 1,100ha, of which 2 IPs are fully occupied. The average rental price at Tien Giang is USD60-80/sqm/remaining term. We estimate the leasable commercial area of the entire project is 320 ha and is expected to be fully occupied in 12 years with a rental price from USD70/sqm/remaining term with a growth rate of 4%/year.

Figure 2: Summary of IDC's IPs

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	580	58.3%	>129	
Cau Nghin	Thai Binh	100%	1,160	184	103	76	25.9%	>77	
Huu Thanh	Long An	100%	7,300	524	395	270	31.7%	>148	
Phu My 2	Ba Ria- Vung Tau	100%	1,900	621	443	65	85.4 %	>124	
Phu My 2 ext.	Ba Ria- Vung Tau	100%	1,880	398	273	105	61.7 %	>126	
Que Vo 2	Bac Ninh	51%	1,500	270	177	64	63.7%	>119	
Upcoming IPs			2,430-2,820						
Tan Phuoc 1	Tien Giang	65%	4,000*	470	320*	320*	n/a	70*	Waiting for final approval of investment
My Xuan B1 ext.	Ba Ria- Vung Tau	n/a	n/a	110-500	n/a	n/a	n/a	n/a	Had 1/2000 Planning
Vinh Quang	Hai Phong	n/a	n/a	350	n/a	n/a	n/a	n/a	Waiting for the approval of master planning 1/2000
6 IP	2 in the north, 1 in the middle and 3 in the south	n/a	n/a	1,500	n/a	n/a	n/a	n/a	

Source: IDC

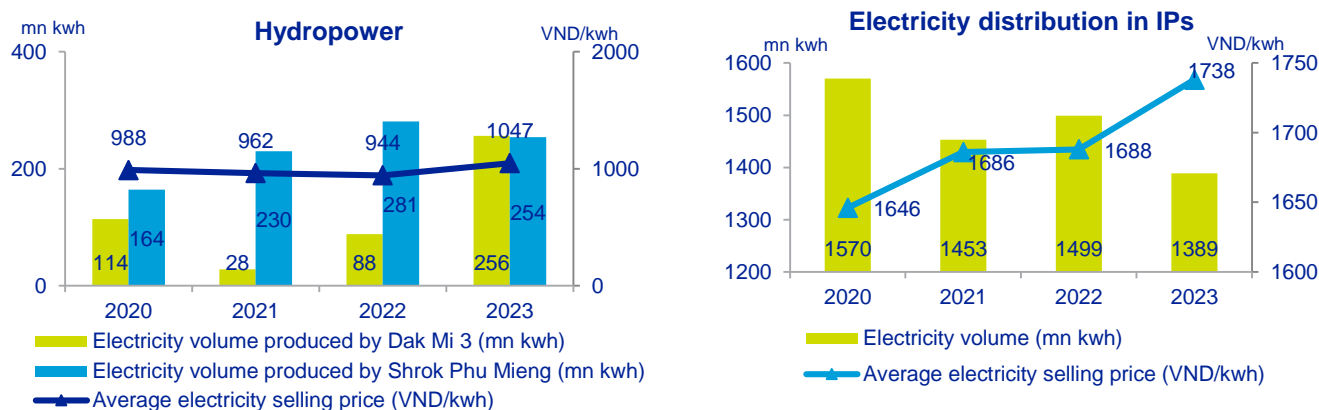
Note: *ACBS estimation

The power segment was in line with our forecast

2023 revenue was over VND2.9 trn VND (+1.6% YoY) mainly thanks to an increase in electricity selling prices while distributed electricity volume in IPs decreasing to 1,389 mn kWh (-7.3% YoY) when tenants cut back on production due to fewer orders. Gross profit of this segment improved to 12.2% (+4% YoY) mainly thanks to Dak Mi 3 hydropower plant resuming operation from October 2022 after a long period of maintenance due to floods.

In 2023, the total electricity volume produced by the two hydropower plants Dak Mi 3 and Shrok Phu Mieng was more than 500 mn kwh and the electricity output distributed in IPs was nearly 1,400 mn kwh (-7.3% YoY) which were in line with our forecast.

Figure 3: Power segment



Source: IDC, ACBS.

Residential property: the transfer of 2.2ha to AEON will be recorded in early 2024

Summary of IDC' key residential real estate projects is shown in the table below. The transfer of 2.2ha in Long An to AEON with a value of VND437bn will be recorded in early 2024.

Figure 4: Residential real estate projects

No.	Project	Location	Developer	IDC'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 for 2-9 floors condominium blocks.
2	Nhon Trach IP workers' housing project (2)	Dong Nai	IDICO - URBIZ	100.0%	10.0	
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 for Phase 1 of 3.8ha
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 a project developer.
Other commercial projects						
6	Apartment complex on National Route 1K Hoa An	Dong Nai	IDICO-UDICO	66.9%	7.0	Completed clearance process. Urbiz and Udico established a JV to develop this project
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 the 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. Remaining land is for education.

Source: IDC

2023-2024 forecast

Because 2023 IP rental area was higher than our forecast, we adjust 2024 revenue up by 11% to over VND9.6 trn (+33% YoY) and PAT by 24% to over VND2.9 trn (+78% YoY). Of which:

- IP revenue is forecast at VND5.1 trn (+56% YoY) thanks to the delivery of ~160 ha.
- Power revenue is estimated at over VND3 trn (+4% YoY) mainly thanks to the growth of distributed electricity volume in IPs, especially in Huu Thanh IP.
- Residential real estate revenue is forecast at over VND500 bn, up by over 5 times YoY thanks to the transfer transaction of 2.2 ha in Long An to Aeon with expected revenue of VND437 bn.
- BOT revenue is estimated to increase by 3% YoY to VND447 bn assuming unchange in toll fees and a 3% growth in PCUs.

Valuation

Using the NAV method, we suggest a target price of VND62,600/share by YE2024, an increase of 16% compared to the previous target price in the updated report in November 2023 mainly thanks to Tan Phuoc IP added to our valuation. Reiterate OUTPERFORM recommendation for IDC. The stock is trading at 2024 forward P/E of 7.8x and P/B of 3.2x.

IDC FINANCIALS MODEL	Price (VND):	56,300	Target (VND):	62,600	Mkt cap (VND bn):	18,579
(VND bn except where stated)	2021	2022	2023U	2024E	2025E	
Total Net Sales	4,301	7,485	7,237	9,642	9,428	
<i>Sales growth</i>	-19.7%	74.0%	-3.3%	33.2%	-2.2%	
CoGS ex-dep'n	3,175	3,387	3,957	4,543	4,942	
Gross profit	737	3,060	2,422	4,156	3,449	
<i>Gross margin</i>	17.1%	40.9%	33.5%	43.1%	36.6%	
SG&A	260	334	362	483	472	
<i>SG&A as % of sales</i>	6.1%	4.5%	5.0%	5.0%	5.0%	
EBITDA	794	3,641	2,919	4,616	4,015	
<i>EBITDA margin</i>	18.5%	48.6%	40.3%	47.9%	42.6%	
Depreciation	389	1038	857	943	1037	
Operating profit	406	2,603	2,061	3,673	2,977	
<i>Operating profit margin</i>	9.4%	34.8%	28.5%	38.1%	31.6%	
Profit/loss from associates and JVs	(71)	(123)	2	-	-	
Financial income (excl. saving interest)	499	22	7	1	1	
Financial expenses (excl. interest expense)	121	7	3	0	0	
Net interest expense	67	57	-29	-21	-70	
<i>as % of avg, net debt</i>	7.1%	5.1%	-2.2%	-2.5%	-33.6%	
Other profit	40	57	-38	0	0	
Tax	178	563	401	739	609	
<i>Effective tax rate</i>	23.6%	21.5%	19.5%	20.0%	20.0%	
PAT	578	2,055	1,656	2,955	2,438	
Minority interest	124	287	262	540	341	
NPATMI	454	1,768	1,394	2,415	2,097	
<i>Net profit margin</i>	10.6%	23.6%	19.3%	25.0%	22.2%	
Cash earnings	843	2,806	2,251	3,358	3,135	
Number of shares (m)	300	330	330	330	330	
EPS (VND)	1,492	5,299	4,165	7,238	6,286	
Bonus factor (x)	0.9	1.0	1.0	1.0	1.0	
Adjusted EPS (VND)	1,356	5,299	4,165	7,238	6,286	
<i>EPS growth</i>	-48.5%	290.7%	-21.4%	73.8%	-13.2%	

KEY CASHFLOW AND BS ITEMS	2021	2022	2023U	2024E	2025E
Increase in working capital	85	89	240	-533	-215
Capex	862	1,059	1,442	1,205	1,223
Other cash flow items	973	-1,142	1,023	-465	-465
Free cash flow	869	516	1,591	2,221	1,661
Share issues (m)	0	0	0	0	0
Dividends paid	724	986	1,532	1,320	1,320
Increase in net debt	-145	470	-59	-901	-341
Net debt, end of year	869	1,338	1,279	379	37
Shareholders' equity	5,028	6,128	6,204	7,299	8,076
BVPS (VND)	12,999	14,988	15,067	17,725	19,613
Net debt / equity (%)	17.3%	21.8%	20.6%	5.2%	0.5%
Net debt / EBITDA (x)	1.1	0.4	0.4	0.1	0.0
Total assets	16,076	17,013	17,732	17,926	18,362

KEY RETURN AND VALUATION RATIOS	2021	2022	2023U	2024E	2025E
ROE	11.2%	40.0%	28.1%	44.6%	34.0%
ROA	3.0%	10.7%	8.0%	13.5%	11.6%
ROIC	3.3%	11.0%	7.9%	13.5%	11.3%
WACC	13.3%	12.7%	11.8%	13.8%	14.4%
EVA	-10.0%	-1.7%	-3.9%	-0.3%	-3.1%
PER (x)	41.5	10.6	13.5	7.8	9.0
EV/EBITDA (x)	25.0	5.5	6.8	4.3	4.9
EV/FCF (x)	22.8	38.5	12.5	8.9	12.0
PBR (x)	4.3	3.8	3.7	3.2	2.9
PSR (x)	4.3	2.5	2.6	1.9	2.0
EV/sales (x)	4.6	2.7	2.7	2.1	2.1
Dividend yield	3.6%	7.1%	7.1%	7.1%	7.1%

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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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