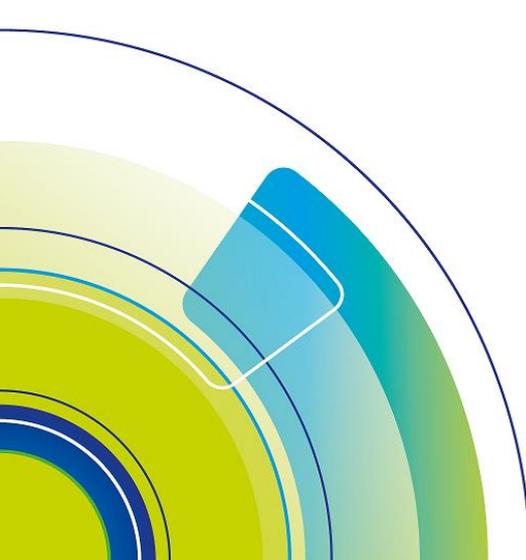




SIP Update - OUTPERFORM

Wednesday, February 28, 2024



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Company Update

Recommendation **OUTPERFORM**

HSX: SIP

Property

Current price (VND)	83,200
Target price (VND)	93,500
Expected share price return	12.4%
Expected dividend yield	1.2%
Expected total return	13.6%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	30.8	14.4	44.7	105.0
Relative	21.1	10.3	32.6	85.2

Source: Bloomberg

Price-Volume



Ownership

An Loc Urban Development & Investment JSC	19.5%
Mr. Tran Manh Hung (Chairman)	10.3%
Nam Tan Uyen IP JSC	8.9%
Mr. Lu Thanh Nha (CEO)	7.5%

Stock Statistics

27-Feb-24

Bloomberg code	SIP VN
52-week range (VND)	38,250 - 84,300
Shares O/S (m)	182
Mkt cap (VND bn)	15,126
Mkt cap (USD m)	609
Foreign room left (%)	48.5
Est. free float (%)	58.1
3m avg daily vol (shrs)	224,843
VND/USD	24,825
Index: VNIIndex / HNX	1237.46/235.38

SAIGON VRG INVESTMENT CORPORATION (SIP VN)

2023 result was in line with ACBS's forecast. Change recommendation from Buy to Outperform as stock price has increased by 40% from the updated report on December 5, 2023. Increase target price by 20% to VND93,500/share mainly thanks to removing liquidity discount rate when stock volume improved from January 2024 (up by two times compared with the average volume in 2023).

Business results in 2023 increased slightly with revenue of VND6,676 bn (+11% YoY) and PAT of VND1,037 bn (+3% YoY), equivalent to 106% of our forecast and 120% of the company's profit target. Of which, 2023 electricity and water supply revenue reached nearly VND5.6 trn (+12% YoY), accounting for 83% of total revenue. The growth of this segment was mainly driven by a 4% YoY increase in electricity volume distributed in SIP's industrial parks (IPs) and a 2.6% growth in average electricity price.

IP rental revenue was VND361 bn (+6.1% YoY) thanks to the annual booking method and an average increase of 10% YoY of rental price. Leasing activity in 2023 was modest with 20 ha leased at Phuoc Dong IP, virtually unchanged compared to last year. The company plans to lease around 50 ha in 2024, but from a conservative perspective, we expect the company to lease around 30 ha.

Net Cash/Equity ratio reached 52.9%, still in the Top 3 highest in the industry

In 2023, total debts increased by ~VND1 trn to nearly VND1.7 trn while cash and cash equivalents decreased by nearly VND400 bn to ~VND3.8 trn VND, equivalent to nearly 1/5 of total assets. Net cash/Equity ratio decreased from 96.2% to 52.9% in 2023 but remained well above the industry median of 10.2%.

Lent around VND1.3 trn to VCBS and CTS at YE2023

To take advantage of idle cash, SIP lent over VND300 bn to Vietcombank Securities Company (VCBS) with an interest rate of 4.7-7%/year and nearly VND1 trn to Vietinbank Securities Company (CTS) with an interest rate of 5-7%/year. The total balance of these two loans was around VND1.3 trn to replace for the VND1.8 trn lent to the largest shareholder, An Loc JSC, which was fully repaid in 2Q2023.

Forecast and Valuation

Our 2024 forecast is almost unchanged with revenue of over VND7.1 trn (+7% YoY) and PAT of ~VND1.1 trn (+8% YoY) mainly thanks to an increase in the number of tenants operating at Phuoc Dong IP and more rooftop solar panels installed. Using the NAV method, we suggest a target price of VND93,500/share at YE2024, 20% higher than the previous target price mainly due to eliminating liquidity discount when stock volume has begun to improve from January 2024. Change recommendation from Buy to Outperform because stock price has increased by 40% since the updated report on 5/12/2023.

	2021	2022	2023U	2024E	2025E
Net Sales (VNDbn)	5,578	6,035	6,673	7,169	7,870
Growth (%)	9.7%	8.2%	10.6%	7.4%	9.8%
EBITDA (VNDbn)	955	1,119	1,283	1,443	1,568
Growth (%)	2.1%	17.1%	14.7%	12.5%	8.7%
NPATMI (VNDbn)	835	977	956	1,047	1,132
Growth (%)	-18.6%	17.0%	-2.1%	9.5%	8.1%
EPS (bonus-adjusted, VND)	4,294	4,930	4,793	5,246	5,674
Growth (%)	-18.4%	14.8%	-2.8%	9.5%	8.1%
ROE (%)	31.5%	31.4%	28.0%	26.2%	23.3%
ROIC (%)	3.6%	4.0%	3.9%	3.8%	3.8%
Net debt/EBITDA (x)	-4.2	-3.1	-1.7	-0.1	-0.1
EV/EBITDA (x)	13.6	11.6	10.1	9.0	8.3
PER (x)	19.4	16.9	17.4	15.9	14.7
PBR (x)	2.6	2.3	4.2	3.4	2.8
DPS (VND)	2,800	4,500	1,000	1,000	1,000
Dividend yield (%)	3.4%	5.4%	1.2%	1.2%	1.2%

Appendix 1: SIP's industrial parks

Project name	Location	SIP's stake	Total investment (VNDbn)	Total area (ha)	Total NLA (ha)	Remaining NLA at 3Q23 (ha)	Occupancy rate at 3Q23	Average leasing rate (USD/sqm/remaining term)
			11,918	3,205	2,450	1,048		
Phuoc Dong IP	Tay Ninh	100%	5,906	2,189	1,728	787	54,5%	100
Dong Nam IP	HCMC	100%	1,963	287	207	25	88,0%	250
Le Minh Xuan 3 IP	HCMC	100%	2,065	231	155	105	32,0%	350
Loc An Binh Son IP	Dong Nai	69%	1,984	498	361	131	63,6%	230

Source: SIP, ACBS

SIP FINANCIALS MODEL	Price (VND):	83,200	Target (VND):	93,500	Mkt cap (VND bn):	15,126
(VND bn except where stated)		2021	2022	2023U	2024E	2025E
Total Net Sales		5,578	6,035	6,673	7,169	7,870
<i>Sales growth</i>		<i>9.7%</i>	<i>8.2%</i>	<i>10.6%</i>	<i>7.4%</i>	<i>9.8%</i>
CoGS ex-dep'n		4607	4893	5406	5736	6305
Gross profit		773	901	930	1,077	1,192
<i>Gross margin</i>		<i>13.9%</i>	<i>14.9%</i>	<i>13.9%</i>	<i>15.0%</i>	<i>15.1%</i>
SG&A		99	107	110	118	130
<i>SG&A as % of sales</i>		<i>1.8%</i>	<i>1.8%</i>	<i>1.7%</i>	<i>1.7%</i>	<i>1.7%</i>
EBITDA		955	1,119	1,283	1,443	1,568
<i>EBITDA margin</i>		<i>17.1%</i>	<i>18.5%</i>	<i>19.2%</i>	<i>20.1%</i>	<i>19.9%</i>
Depreciation		197	241	338	355	373
Operating profit		758	878	945	1,089	1,196
<i>Operating profit margin</i>		<i>13.6%</i>	<i>14.6%</i>	<i>14.2%</i>	<i>15.2%</i>	<i>15.2%</i>
Profit/loss from associates and JVs		84	84	126	130	133
Financial income (excl. saving interest)		78	65	145	69	69
Financial expenses (excl. interest expense)		8	3	27	4	4
Net interest expense		-277	-299	-226	-241	-248
<i>as % of avg, net debt</i>		<i>7.1%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>21.3%</i>	<i>163.2%</i>
Other profit		6	6	11	11	11
Tax		202	236	265	286	309
<i>Effective tax rate</i>		<i>18.2%</i>	<i>18.9%</i>	<i>20.3%</i>	<i>20.3%</i>	<i>20.3%</i>
PAT		909	1,010	1,037	1,120	1,211
Minority interest		73	33	80	73	79
NPATMI		835	977	956	1,047	1,132
<i>Net profit margin</i>		<i>15.0%</i>	<i>16.2%</i>	<i>14.3%</i>	<i>14.6%</i>	<i>14.4%</i>
Cash earnings		1,033	1,218	1,294	1,402	1,505
Number of shares (m)		93	91	182	182	182
EPS (VND)		8,374	9,613	4,793	5,246	5,674
Share split factor (x)		0.5	0.5	1.0	1.0	1.0
Adjusted EPS (VND)		4,294	4,930	4,793	5,246	5,674
<i>EPS growth</i>		<i>-18.4%</i>	<i>14.8%</i>	<i>-2.8%</i>	<i>9.5%</i>	<i>8.1%</i>

KEY CASHFLOW AND BS ITEMS	2021	2022	2023U	2024E	2025E
Increase in working capital	853	-32	321	2,106	150
Capex	756	1,063	834	1,128	1,116
Other cash flow items	971	-229	-1,000	-	-
Free cash flow	394	-42	-860	-1,833	239
Share issues (m)	15	-210	0	0	0
Dividends paid	258	201	526	182	182
Increase in net debt	-152	453	1,385	2,014	-57
Net debt, end of year	-3,976	-3,523	-2,138	-124	-181
Shareholders' equity	3,298	3,661	4,039	4,904	5,854
BVPS (VND)	32,046	35,695	19,780	24,205	29,328
<i>Net debt / equity (%)</i>	<i>-120.6%</i>	<i>-96.2%</i>	<i>-52.9%</i>	<i>-2.5%</i>	<i>-3.1%</i>
<i>Net debt / EBITDA (x)</i>	<i>-4.2</i>	<i>-3.1</i>	<i>-1.7</i>	<i>-0.1</i>	<i>-0.1</i>
Total assets	17,817	19,003	21,084	23,963	24,856

KEY RETURN AND VALUATION RATIOS	2021	2022	2023U	2024E	2025E
<i>ROE</i>	<i>31.5%</i>	<i>31.4%</i>	<i>28.0%</i>	<i>26.2%</i>	<i>23.3%</i>
<i>ROA</i>	<i>4.8%</i>	<i>5.3%</i>	<i>4.8%</i>	<i>4.6%</i>	<i>4.6%</i>
<i>ROIC</i>	<i>3.6%</i>	<i>4.0%</i>	<i>3.9%</i>	<i>3.8%</i>	<i>3.8%</i>
<i>WACC</i>	<i>14.4%</i>	<i>14.4%</i>	<i>14.4%</i>	<i>14.4%</i>	<i>14.4%</i>
<i>EVA</i>	<i>-10.8%</i>	<i>-10.4%</i>	<i>-10.5%</i>	<i>-10.6%</i>	<i>-10.6%</i>
<i>PER (x)</i>	<i>19.4</i>	<i>16.9</i>	<i>17.4</i>	<i>15.9</i>	<i>14.7</i>
<i>EV/EBITDA (x)</i>	<i>13.6</i>	<i>11.6</i>	<i>10.1</i>	<i>9.0</i>	<i>8.3</i>
<i>EV/FCF (x)</i>	<i>32.9</i>	<i>-307.4</i>	<i>-15.1</i>	<i>-7.1</i>	<i>54.4</i>
<i>PBR (x)</i>	<i>2.6</i>	<i>2.3</i>	<i>4.2</i>	<i>3.4</i>	<i>2.8</i>
<i>PSR (x)</i>	<i>2.7</i>	<i>2.5</i>	<i>2.3</i>	<i>2.1</i>	<i>1.9</i>
<i>EV/sales (x)</i>	<i>2.3</i>	<i>2.2</i>	<i>1.9</i>	<i>1.8</i>	<i>1.7</i>
<i>Dividend yield</i>	<i>3.4%</i>	<i>5.4%</i>	<i>1.2%</i>	<i>1.2%</i>	<i>1.2%</i>

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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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