



KBC Update - OUTPERFORM

March 8, 2024



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Company Update

Recommendation **OUTPERFORM**

HSX: KBC

Property

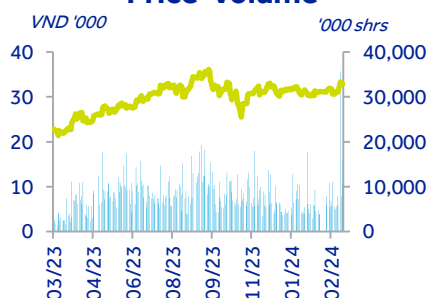
Market price (VND)	32,950
Target price (VND)	37,400
Expected share price return	13.6%
Expected dividend yield	0.0%
Expected total return	13.6%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	3.8	5.6	2.3	51.1
Relative	-8.6	-0.2	-11.1	26.8

Source: Bloomberg

Price-Volume



Ownership

Dang Thanh Tam (Chairman)	18.1%
Kinh Bac Consultancy & Investment JSC	8.1%
DC and related parties	5.1%

Stock Statistics 7-Mar-24

Bloomberg code **KBC VN**

52-week range (VND)	20,950 - 36,600
Shares O/S (m)	768
Mkt cap (VND bn)	25,293
Mkt cap (USD m)	1,017
Est. Foreign room left (%)	28.3
Est. free float (%)	50.6
3m avg daily vol (shrs)	7,108,980
VND/USD	24,870
Index: VNIIndex / HNX	1268.46/238.35

KINH BAC CITY DEVELOPMENT HOLDING CORPORATION JSC (KBC VN)

2023 business results were in line with ACBS's forecast. Reiterate our Outperform recommendation with a target price of VND37,400/share by YE2024, up by 6% compared to the previous target price.

Kinh Bac announced positive 2023 business results with net revenue of over VND5.6 trn (+494% YoY) and PAT of over VND2.2 trn (+41% YoY), equivalent to 99% of ACBS's forecast and 56% of the company's profit target. The reason for missing the target was that Nam Son Hap Linh and Quang Chau industrial parks (IPs) have not completed site clearance, thus KBC could not deliver and record revenue as planned. Therefore, delivery of around 30 ha at Nam Son Hap Linh, Quang Chau and Tan Phu Trung IPs will be rescheduled from 4Q2023 to 1Q2024.

In 2023, KBC signed nearly 150 ha of industrial land (+41% YoY) thanks to: (1) the China+1 trend continuing to be promoted, (2) the location of KBC's IPs is very favorable and (3) the company has attracted many key tenants which encourages satellite companies to expand/relocate their production bases to Vietnam.

In 2024, KBC plans to sign about 100-150 ha, of which 100 ha from existing IPs and 50 ha from Trang Due 3 IP if this IP is approved soon and the company can open for lease quickly. Currently, LG and its satellite companies plan to lease around 62-100 ha at this IP. We expect that Trang Due 3 IP will be approved soon and the company will sign a total of 126 ha in 2024.

Due to changes in Hai Phong City general planning, Trang Cat urban area project will have an additional 73 ha of NSA and KBC may pay an additional VND4 trn of land use fees. If the company arranges enough money to pay the land use fees in this year and large foreign partners buy 30-40 ha of Trang Due 3 urban area per year, this project will be the key growth driver in the coming years for KBC.

After paying off all corporate bonds in 2023, the company's financial status is quite healthy with net debt of VND954 bn at YE2023, down by over VND2.5 trn compared to the beginning of the year. Net Debt/Equity ratio also declined from 19.7% to 9.7%.

Our forecast for 2024 is almost unchanged with revenue of ~VND6.3 trn (+12% YoY) and PAT of over VND2.2 trn (+ 2% YoY). Using the NAV method, we suggest a target price of VND37,400/share by YE2024, up by 6% compared to the previous target price and reiterate our Outperform recommendation for this stock.

	2021	2022	2023U	2024E	2025E
Net Sales (VNDbn)	4,246	950	5,645	6,344	8,396
Growth	97.4%	-77.6%	494.0%	12.4%	32.3%
EBITDA (VNDbn)	1,924	(168)	2,997	3,123	3,386
Growth	322.8%	n/a	n/a	4.2%	8.4%
NPATMI (VNDbn)	782	1,526	1,996	2,032	2,210
Growth	249.1%	95.2%	30.7%	1.8%	8.8%
EPS (bonus-adjusted, VND)	1,190	1,993	2,600	2,647	2,879
Growth	232.6%	67.5%	30.5%	1.8%	8.8%
ROE	6.6%	10.2%	11.7%	10.7%	10.5%
ROIC	3.8%	5.1%	6.0%	5.9%	5.9%
Net debt/EBITDA (times)	1.3	-20.9	0.3	0.6	0.7
EV/EBITDA (times)	13.6	-155.8	8.8	8.4	7.8
PER (times)	27.7	16.5	12.7	12.4	11.4
PBR (times)	1.4	1.6	1.4	1.3	1.2
DPS (VND)	0	0	0	0	0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%

Appendix 1: KBC's industrial projects summary

No.	IP name	Location	Ownership	NLA (ha)	YE2023 Occupancy rate	Avg. leasing rate (USD/sqm/remaining term)
1	Que Vo 1	Bac Ninh	100.0%	192	100,0%	n/a
2	Que Vo 2	Bac Ninh	100.0%	173	100,0%	n/a
3	Nam Son Hap Linh	Bac Ninh	100.0%	204	65,0%	130
4	Quang Chau	Bac Giang	88.1%	294	99,1%	130
	Quang Chau expansion	Bac Giang	88.1%	77	68,1%	130
5	Trang Due 1	Hai Phong	86.5%	129	100,0%	n/a
6	Trang Due 2	Hai Phong	86.5%	133	100,0%	n/a
7	Trang Due 3	Hai Phong	86.5%	456	n/a	n/a
8	Trang Cat	Hai Phong	100.0%	126	n/a	n/a
9	Tan Phu Trung	HCMC	72.4%	314	74,1%	260
10	Phuoc Vinh Dong 1	Long An	100.0%	35	n/a	n/a
11	Phuoc Vinh Dong 2	Long An	88.1%	31	n/a	n/a
12	Phuoc Vinh Dong 4	Long An	72.4%	36	n/a	n/a
13	Tan Tap	Long An	65.4%	438*	n/a	n/a
14	Loc Giang	Long An	65.4%	312*	n/a	n/a
15	Binh Giang	Hai Duong	100.0%	304*	n/a	n/a
16	Kim Dong An Thi	Hung Yen	93.7%	251*	n/a	n/a
Total				3,505		

Source: ACBS summary. Note: *estimated by ACBS

KBC FINANCIALS MODEL	Price (VND):	32,950	Target (VND):	37,400	Mkt cap (VND bn):	25,293
(VND bn except where stated)		2021	2022	2023U	2024E	2025E
Total Net Sales		4,246	950	5,645	6,344	8,396
Of which: Land and warehouse leasing/sale		3,426	707	5,393	5,137	5,984
Sale of residential projects		515	353	105	780	1,943
Others		305	337	388	426	469
<i>Sales growth</i>		<i>97.4%</i>	<i>-77.6%</i>	<i>494.0%</i>	<i>12.4%</i>	<i>32.3%</i>
CoGS ex-dep'n		1,703	608	1,823	2,401	3,926
SG&A		618	510	825	820	1085
<i>SG&A as % of sales</i>		<i>14.6%</i>	<i>53.7%</i>	<i>14.6%</i>	<i>12.9%</i>	<i>12.9%</i>
EBITDA		1,924	-168	2,997	3,123	3,386
<i>EBITDA margin</i>		<i>45.3%</i>	<i>-17.7%</i>	<i>53.1%</i>	<i>49.2%</i>	<i>40.3%</i>
Depreciation		76	76	135	149	164
Operating profit		1,848	-245	2,861	2,974	3,222
<i>Operating profit margin</i>		<i>43.5%</i>	<i>-25.7%</i>	<i>50.7%</i>	<i>46.9%</i>	<i>38.4%</i>
Profit/loss from associates and JVs		14	2,187	(11)	-	-
Financial income (excl. saving interest)		0	0	115	0	0
Financial expenses (excl. interest expense)		61	73	44	53	63
Net interest expense		630	469	354	177	173
<i>as % of avg. net debt</i>		<i>24.0%</i>	<i>15.7%</i>	<i>15.9%</i>	<i>12.7%</i>	<i>8.2%</i>
Other profit/loss		-127	10	11	11	11
Tax		410	120	647	659	717
<i>Effective tax rate</i>		<i>30.1%</i>	<i>7.1%</i>	<i>22.6%</i>	<i>22.6%</i>	<i>22.6%</i>
PAT		954	1,577	2,218	2,259	2,457
Minorities		172	50	223	227	247
Net profit		782	1,526	1,996	2,032	2,210
<i>Net profit margin</i>		<i>18.4%</i>	<i>160.6%</i>	<i>35.4%</i>	<i>32.0%</i>	<i>26.3%</i>
Cash earnings		858	1,603	2,131	2,181	2,374
Number of shares (m)		570	768	768	768	768
EPS (VND)		1,586	1,993	2,600	2,647	2,879
Bonus factor (x)		0.8	1.0	1.0	1.0	1.0
Adjusted EPS (VND)		1,190	1,993	2,600	2,647	2,879
<i>EPS growth</i>		<i>232.6%</i>	<i>67.5%</i>	<i>30.5%</i>	<i>1.8%</i>	<i>8.8%</i>

KEY CASHFLOW AND BS ITEMS	2021	2022	2023U	2024E	2025E
Increase in working capital	3,109	629	-592	843	731
Capex	240	274	1,319	1,319	1,319
Other cash flow items	-1,774	-2,072	1,025	-893	-893
Free cash flow	-4,265	-1,372	2,429	-873	-568
Share issues	4,583	335	130	-	-
Dividends paid	19	0	-	-	-
Increase in net debt	-299	1,037	-2,560	873	568
Net debt, end of year	2,476	3,514	954	1,827	2,395
Shareholders' equity	16,171	17,846	20,194	22,226	24,436
Minority interest	2,280	1,777	2,053	2,259	2,485
BVPS (VND)	24,380	20,933	23,633	26,013	28,598
<i>Net debt / equity</i>	<i>15.3%</i>	<i>19.7%</i>	<i>4.7%</i>	<i>8.2%</i>	<i>9.8%</i>
<i>Net debt / EBITDA (x)</i>	<i>1.3</i>	<i>-20.9</i>	<i>0.3</i>	<i>0.6</i>	<i>0.7</i>
Total assets	30,604	34,907	33,420	36,326	39,104

KEY RETURN AND VALUATION RATIOS	2021	2022	2023U	2024E	2025E
<i>ROE</i>	<i>6.6%</i>	<i>10.2%</i>	<i>11.7%</i>	<i>10.7%</i>	<i>10.5%</i>
<i>ROA</i>	<i>2.9%</i>	<i>4.7%</i>	<i>5.8%</i>	<i>5.8%</i>	<i>5.9%</i>
<i>ROIC</i>	<i>3.8%</i>	<i>5.1%</i>	<i>6.0%</i>	<i>5.9%</i>	<i>5.9%</i>
<i>WACC</i>	<i>16.4%</i>	<i>15.9%</i>	<i>17.0%</i>	<i>16.6%</i>	<i>16.5%</i>
<i>EVA</i>	<i>-12.6%</i>	<i>-10.8%</i>	<i>-11.0%</i>	<i>-10.7%</i>	<i>-10.6%</i>
<i>PER (x)</i>	<i>27.7</i>	<i>16.5</i>	<i>12.7</i>	<i>12.4</i>	<i>11.4</i>
<i>EV/EBITDA (x)</i>	<i>13.6</i>	<i>-155.8</i>	<i>8.8</i>	<i>8.4</i>	<i>7.8</i>
<i>EV/FCF (x)</i>	<i>-6.2</i>	<i>-19.1</i>	<i>10.8</i>	<i>-30.1</i>	<i>-46.2</i>
<i>PBR (x)</i>	<i>1.4</i>	<i>1.6</i>	<i>1.4</i>	<i>1.3</i>	<i>1.2</i>
<i>PSR (x)</i>	<i>6.0</i>	<i>26.6</i>	<i>4.5</i>	<i>4.0</i>	<i>3.0</i>
<i>EV/sales (x)</i>	<i>6.2</i>	<i>27.6</i>	<i>4.6</i>	<i>4.1</i>	<i>3.1</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>

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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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