



SIP Update - OUTPERFORM

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Company Update

Recommendation **OUTPERFORM**

HSX: SIP

Property

Current price (VND) **90,200**

Target price (VND) **102,300**

Expected share price return 13.4%

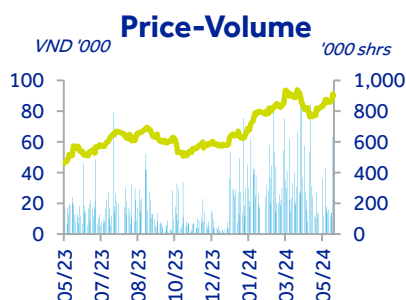
Expected dividend yield 1.8%

Expected total return **15.2%**

Stock performance (%)

	YTD	1M	3M	12M
Absolute	44.5	17.0	13.5	110.9
Relative	31.0	10.2	8.1	88.8

Source: Bloomberg



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 17-May-24

Bloomberg code **SIP VN**

52-week range (VND) 47,000 - 96,600

Shares O/S (m) 182

Mkt cap (VND bn) 16,599

Mkt cap (USD m) 652

Foreign room left (%) 47.9

Est. free float (%) 58.1

3m avg daily vol (shrs) 330,286

VND/USD 25,450

Index: VNIndex / HNX 1279.20/243.08

SAIGON VRG INVESTMENT CORPORATION (SIP VN)

1Q2024 business results were in line with ACBS's forecast. Reiterate Outperform recommendation. However, we adjusted the target price at YE2024 up by 9% to VND102,300/share, equivalent to a 13% expected share price return given an increase in net cash and accelerated leasing progress at Loc An Binh Son IP.

1Q2024 business results were positive with revenue of over VND1.8 trn (+31% YoY) and PAT of VND258 bn (+44% YoY), equivalent to 25% and 23% of our full-year forecast.

Revenue of the power and water supply segment grew by 31% YoY to nearly VND1.5 trn, accounting for over 80% of total revenue. Growth mainly came from a ~15% increase in power volume as many tenants operating in power-intensive export sectors such as textiles and garments improved production when receiving more orders. Gross margin of the electricity and water supply segment decreased slightly from 9.6% to 8.2% mainly due to an increase in revenue proportion of the power distribution activity in industrial parks (IPs) which usually has a low gross margin.

IP revenue in 1Q2024 was flat at VND94 bn (+3% YoY) given annual accounting method and some newly signed contracts in 4Q2023 have not been recorded revenues. The leasing target for 2024 is 47ha (+153% YoY), including 30ha at Phuoc Dong IP, 6ha at Dong Nam IP, 6ha at Le Minh Xuan 3 IP and 5ha at Loc An Binh Son IP. In 1Q2024, SIP did not sign any new contract as some transactions were still in the negotiation stage.

According to the company, **Loc An Binh Son IP's leasing activity was positive** when signing a lease of 16.3 ha with an investor operating in logistics. Phase 1 of the 9.8ha ready-built factory and warehouse project also signed 6 factories out of a total of 8 factories and the remaining 2 factories were in the negotiation process. Phase 2 of 9.4 ha will be implemented later. In 2024, SIP plans to lease 5 ha at this IP which is beyond our previous forecast. Thus, we increased the total new IP area signed in 2024 by 5 ha to 35 ha.

Net Cash/Equity ratio was 64%, still in the Top 3 highest in the industry.

In 1Q2024, total debts increased by VND361 bn to over VND2 trn while cash and cash equivalents increased by over VND800 bn to nearly VND4.8 trn, accounting for over 1/5 of total assets. Net Cash/Equity ratio increased from 52.9% to 64.0% in 1Q2024, much higher than the industry median of 16.5%.

Forecast and Valuation

Our 2024 forecast is almost unchanged with estimated revenue of ~VND7.3 trn (+9% YoY) and estimates PAT of ~VND1.1 trn (+8% YoY). Using the NAV method, we suggest a target price of VND102,300/share by YE2024 which is 9% higher than the previous target price mainly thanks to an increase of nearly VND500 bn in net cash and accelerating leasing progress at Loc An Binh Son IP (i.e. adjust new leasing from 2024 compared to the previous forecast of 2026 when Long Thanh Airport Phase 1 comes into operation). Reiterate our Outperform recommendation.

	2021	2022	2023	2024F	2025F
Net Sales (VNDbn)	5,578	6,035	6,677	7,308	7,989
Growth (%)	9.7%	8.2%	10.6%	9.5%	9.3%
EBITDA (VNDbn)	955	1,119	1,232	1,425	1,593
Growth (%)	2.1%	17.1%	10.1%	15.7%	11.8%
NPATMI (VNDbn)	835	977	927	1,012	1,159
Growth (%)	-18.6%	17.0%	-5.1%	9.2%	14.5%
EPS (bonus-adjusted, VND)	4,294	4,930	4,671	5,102	5,842
Growth (%)	-18.4%	14.8%	-5.3%	9.2%	14.5%
ROE (%)	31.5%	31.4%	27.2%	25.8%	24.7%
ROIC (%)	3.6%	4.0%	3.7%	4.1%	4.5%
Net debt/EBITDA (x)	-4.2	-3.1	-1.9	-1.5	-1.8
EV/EBITDA (x)	14.3	12.2	11.1	9.6	8.6
PER (x)	21.0	18.3	19.3	17.7	15.4
PBR (x)	2.8	2.5	4.6	3.8	3.2
DPS (VND)	2,800	4,500	1,600	1,600	1,800
Dividend yield (%)	3.1%	5.0%	1.8%	1.8%	2.0%

Appendix 1: SIP's industrial parks

Project name	Location	SIP's stake	Total investment (VNDbn)	Total area (ha)	Total NLA (ha)	Remaining NLA at 1Q2024 (ha)	Occupancy rate at 1Q2024	Average leasing rate (USD/sqm/remaining term)
			11,918	3,205	2,450	1,036		
Phuoc Dong IP	Tay Ninh	100%	5,906	2,189	1,728	772	55.0%	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	106	31.9%	350
Loc An Binh Son IP	Dong Nai	69%	1,984	498	361	133	63.1%	230

Source: SIP, ACBS

SIP FINANCIALS MODEL	Price (VND):	90,200	Target (VND):	102,300	Mkt cap (VND bn):	16,599
(VND bn except where stated)		2021	2022	2023	2024F	2025F
Total Net Sales		5,578	6,035	6,677	7,308	7,989
<i>Sales growth</i>		9.7%	8.2%	10.6%	9.5%	9.3%
CoGS ex-dep'n		4607	4893	5407	5892	6398
Gross profit		773	901	930	1,060	1,217
<i>Gross margin</i>		13.9%	14.9%	13.9%	14.5%	15.2%
SG&A		99	107	109	119	130
<i>SG&A as % of sales</i>		1.8%	1.8%	1.6%	1.6%	1.6%
EBITDA		955	1,119	1,232	1,425	1,593
<i>EBITDA margin</i>		17.1%	18.5%	18.4%	19.5%	19.9%
Depreciation		197	241	339	356	374
Operating profit		758	878	893	1,069	1,219
<i>Operating profit margin</i>		13.6%	14.6%	13.4%	14.6%	15.3%
Profit/loss from associates and JVs		84	84	71	128	132
Financial income (excl. saving interest)		78	65	145	108	108
Financial expenses (excl. interest expense)		8	3	5	6	6
Net interest expense		-277	-299	-230	-171	-217
<i>as % of avg, net debt</i>		7.1%	8.0%	7.9%	6.4%	8.7%
Other profit		6	6	11	11	11
Tax		202	236	271	271	310
<i>Effective tax rate</i>		18.2%	18.9%	21.2%	20.0%	20.0%
PAT		909	1,010	1,004	1,083	1,240
Minority interest		73	33	77	71	81
NPATMI		835	977	927	1,012	1,159
<i>Net profit margin</i>		15.0%	16.2%	13.9%	13.9%	14.5%
Cash earnings		1,033	1,218	1,266	1,368	1,533
Number of shares (m)		93	91	182	182	182
EPS (VND)		8,374	9,613	4,671	5,102	5,842
Share split factor (x)		0.5	0.5	1.0	1.0	1.0
Adjusted EPS (VND)		4,294	4,930	4,671	5,102	5,842
<i>EPS growth</i>		-18.4%	14.8%	-5.3%	9.2%	14.5%

KEY CASHFLOW AND BS ITEMS	2021	2022	2023	2024F	2025F
Increase in working capital	853	-32	-487	1,055	7
Capex	756	1,063	-2,014	1,225	1,389
Other cash flow items	971	-229	-5,478	1,000	1,000
Free cash flow	394	-42	-1,712	88	1,137
Share issues (m)	15	-210	471	0	0
Dividends paid	258	201	0	291	291
Increase in net debt	-152	453	1,241	203	-846
Net debt, end of year	-3,976	-3,523	-2,282	-2,079	-2,925
Shareholders' equity	3,298	3,661	4,028	4,750	5,618
BVPS (VND)	32,046	35,695	19,618	23,476	28,249
Net debt / equity (%)	-120.6%	-96.2%	-56.7%	-43.8%	-52.1%
Net debt / EBITDA (x)	-4.2	-3.1	-1.9	-1.5	-1.8
Total assets	17,817	19,003	21,060	21,985	22,008

KEY RETURN AND VALUATION RATIOS	2021	2022	2023	2024F	2025F
ROE	31.5%	31.4%	27.2%	25.8%	24.7%
ROA	4.8%	5.3%	4.6%	4.7%	5.3%
ROIC	3.6%	4.0%	3.7%	4.1%	4.5%
WACC	14.4%	14.4%	14.4%	14.4%	14.4%
EVA	-10.8%	-10.4%	-10.7%	-10.3%	-9.9%
PER (x)	21.0	18.3	19.3	17.7	15.4
EV/EBITDA (x)	14.3	12.2	11.1	9.6	8.6
EV/FCF (x)	34.6	-323.2	-8.0	155.9	12.0
PBR (x)	2.8	2.5	4.6	3.8	3.2
PSR (x)	2.9	2.7	2.5	2.2	2.1
EV/sales (x)	2.4	2.3	2.0	1.9	1.7
Dividend yield	3.1%	5.0%	1.8%	1.8%	2.0%

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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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