

28 Apr 2022

# Becamex (BCM)

## AGM Briefing: Proven worth of core operation

### AGM Briefing:

- On April 28, we attended BCM's AGM presentation briefing for the upcoming business expansion plan. Owned by People's Committee of Binh Duong province with a 95.44% stake, the meeting was held selectively on a small scale. The minority shareholders raised concerns on the business feasibility but no much information was disclosed.

### Lights on for VSIP 3 and Cay Truong industrial parks

- The 2021 national isolation period dragged the net profit down by 33% yoy to VND1,404.6bn, and revenue flattish to VND6.9bn (around VND4.0tn from industrial land sales, VND1.8tn from commercial land sales), prompting to completion at 91%/63% of their full-year estimates.
- On hope for a robust revival, BCM guides net profit to be VND2,888bn, +98% yoy. The company maintains a cash dividend of 8% at par in 2022F.
- Despite not disclosing the exact figures of each revenue segments in 2022F, the company insists on launching several projects below which could secure the revenue streams in 2022F-24F
  - ✓ Receiving the approval from the Prime Minister to launch the Cay Truong industrial park (IP) with total 700ha in May.
  - ✓ Delivering the tens of ha land in VSIP3 IP (with total 1,000ha) to the tenants in 2022F.
  - ✓ Building a 20,000- unit affordable condo project to deliver in 2023F-24F
  - ✓ Ground breaking of upgrading National Highway 13 which could reap a stable cashflow from toll collection.
- To fund the land compensation and construction cost, BCM is going to offer a VND2tn corporate bond and borrow a VND6.7tn bank loan. The continuous acceleration of debt raises concerns about the BCM's interest burden since net gearing amounted to 1.3x as of end-2021.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

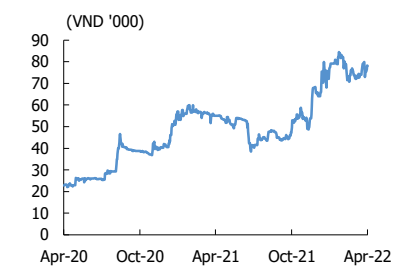
#### Stock Data

VNIndex (27 Apr, pt)	1,354
Stock price (27 Apr, VND)	78,200
Market cap (USD mn)	3,523
Shares outstanding (mn)	1,035
52-Week high/low (VND)	84,500/38,511
6M avg. daily turnover (USD mn)	1.67
Free float / Foreign ownership (%)	3.3/2.6
Major shareholders (%)	
People Committee of Binh Duong	95.44
Nguyen Hoan Vu	0.03

#### Performance

	1M	6M	12M
Absolute (%)	5.8	57.6	42.0
Relative to VNIndex (%p)	15.4	62.0	29.7

#### Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	6,803.7	6,537.6	8,213.4	6,504.7	6,989.8
chg. (% YoY)	(6.8)	(3.9)	25.6	(20.8)	7.5
Operating profit (VND bn)	889.8	2,049.0	1,811.9	1,907.6	2,000.1
Net profit (VND bn)	842.4	2,171.0	2,486.9	1,985.6	1,404.6
EPS (VND)	1,059.0	2,030.0	2,332.0	1,731.0	1,187.0
chg. (% YoY)	7.1	91.7	14.9	(25.8)	(31.4)
EBITDA (VND bn)	1,348.3	2,272.1	2,037.8	2,145.6	2,186.1
PE (x)	73.9	36.5	32.6	40.8	57.7
EV/EBITDA (x)	60.2	42.4	46.7	43.9	43.3
PB (x)	6.4	6.4	5.5	5.1	5.0
ROE (%)	7.1	17.9	17.0	12.1	8.2
Dividend yield (%)	0.0	0.8	0.5	1.0	0.0

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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### Valuation seems unjustified; investors should stay prudent

- Based on management's guidance of 2022F profit, 12MF PE is 28.8 times, nearly the same as the 1-year median of 28.8x and 12MF PB is 4.1x, slightly higher than the 1-year median of 3.5x. The valuation seems lucrative in light of a rosy trajectory.
- BCM has proven its dominant footprint in industrial park development in Binh Duong province, with an available forecasted landbank of 600-1000 ha, and combined joint venture ownership with Vietnam Singapore (49%) and Warburg Pincus (30%). Furthermore, wielding a commercial landbank spanning 500-600ha in Binh Duong New City and Bau Bang Residential Area in My Phuoc, the company could reap a fat-margin revenue of 45-60%. Despite those above competitive edges, we still stay wary of their ballooning debt, ineffective non-core businesses, and potential conflict of minority interest.

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