

6 May 2022

# Bamboo Capital (BCG)

## AGM Briefing: Growing up with uncertainties

### AGM Briefing

- On May 6, we tuned in to the AGM of BCG to be covered with their 2022F guidance related to real estate development and listed plans.

### Another year of aggressive growth; property is a key engine

- In 2022F, BCG eyes a VND7.5tn revenue, 189.7% yoy and a VND1.3tn NPATMI, +116.7% yoy. A 5% stock dividend is paid in 2022F. In 2022F-26F, the company expects to earn revenue and NPATMI CAGRs with 72.9%/53%. To shore up the ambitious growth, BCG will exploit the below arm-lengths and gain goodwill income from upcoming acquisition transactions.

- **Property development:** This segment persists as a real milk cow with a VND5tn revenue and a VND1.4tn PBT assisted by the delivery of Malibu Hoi An (an estimated VND3.6tn revenue) in 2022F. The company has a lengthy pipeline of projects under development to secure the revenue streams in 2023F-26F (Casa Marina Premium in Binh Dinh province with 160 villas; Hoi An D'or in Quang Nam province; King Crown Infinity in Thu Duc district, HCMC with 724 apartments; Casa Marina Mui Ne in Binh Thuan with 35 villas, Amor Residence in Binh Chanh district, HCMC). In addition, BCG Land is going to IPO in 3Q22F, per management.
- **Construction services:** Tracodi (TCD VN, Not-rated) could generate another vital engine of growth by building infrastructure projects including deploying a VND400bn construction package to build Phan Thiet Terminal and seeking bidding to build a 30km connecting road between Tra Vinh and Soc Trang provinces. This segment will contribute a VND4.4tn revenue and a VND380bn PBT in 2022F.
- **Industrials production and agriculture:** Nguyen Hoang JSC, a member of BCG specializing in the field of wood furniture, agriculture could deliver a VND781bn revenue and a VND72bn PBT in 2022F. The group also aims to list this business line in HNX in 2Q22F.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,990.9	1,113.3	1,575.9	1,854.9	2,589.5
chg. (% YoY)	N.A	(44.1)	41.5	17.7	39.6
Operating profit (VND bn)	59	61	32	87	471
Net profit (VND bn)	13.6	(15.8)	114.4	211.3	608.9
EPS (VND)	126	(147.0)	1059.0	1,803	2,678
chg. (% YoY)	N.A	(216.7)	N.M	70.3	48.5
EBITDA (VND bn)	82	85.6	60.0	169	873
PE (x)	162.2	N.M	19.3	13.2	10.0
EV/EBITDA (x)	36.8	43.9	74.0	38.2	21.5
PB (x)	2.0	2.1	1.8	1.8	1.7
ROE (%)	1.0	(1.2)	7.6	9.2	10.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0

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

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12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

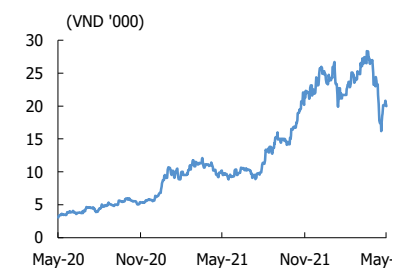
### Stock Data

VNIndex (06 May, pt)	1,329
Stock price (06 May, VND)	20,000
Market cap (USD mn)	438
Shares outstanding (mn)	503
52-Week high/low (VND)	28,350/8,835
6M avg. daily turnover (USD mn)	6.36
Free float / Foreign ownership (%)	59.3/2.9
Major shareholders (%)	
Chairman	17.63
Helios Services JSC	6.92
DOJI Jewelry JSC	3.92

### Performance

	1M	6M	12M
Absolute (%)	(24.2)	(6.0)	104.0
Relative to VNIndex (%p)	(11.5)	2.3	96.4

### Stock price trend



Source: Bloomberg

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- Financials: By expanding up to 51 branches, the newly-acquired AAA insurance company will start yielding fruits with a VND314bn revenue and a VND17bn PBT in 2022F.
- Pharmaceutical: The company is acquiring Tipharco (DTG VN, Not-rated) which is owned by the BCG's chairman with a 20% stake.
- Energy: Besides launching a 300MW solar farm, a 150MW rooftop solar project, and a 500MW wind power plant, the company aims to earn VND1,660bn revenue and VND997bn PBT in 2022F and conduct IPO in beginning 2023F.

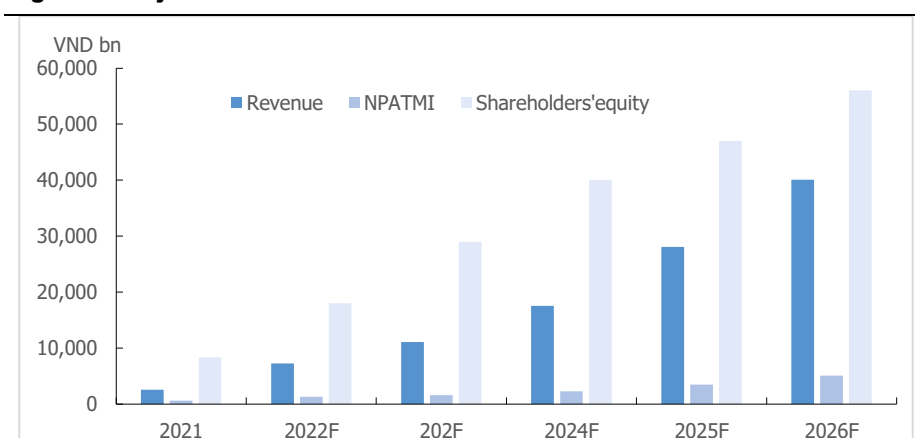
### Relentlessly increasing charter capital

- Targeting a charter capital of VND10.5tn as of end-2022F vs VND2.9tn as of end-2021, the company could exercise a series of actions:
  - Right issue of 148.7mn shares to existing shareholders at 2:1 with a selling price of VND12,000 in Jan 2022.
  - Private placement of 57mn shares in Apr 2022.
  - Stock dividend of 25.1mn shares
  - ESOP of 5mn shares
  - Right issue of 266.7mn shares at 2:1 with the selling price of VND10,000
  - Public auction of 250mn shares
- BCG commits to ensuring the debt/equity ratio must be below 2x in 2022F-26F. The net debt/equity geared to 1.56x as of end-21, raising concerns about their leverage.

### Valuation looks cheap; Put doubt to the front

- Based on management's guidance of 2022F profit, 12MF PE is 7x times, and 12MF PB is 0.9x, slightly lower than the 1-year median of 7.6x/1.9x. The valuation seems undemanding in light of a rosy trajectory.
- We see that BCG is riding on the country's stable power consumption growth thanks to its dense investment portfolio in renewable energy. We also like BCG's increasing exposure to infrastructure construction which is reaping gains from enormous investment spending of the Government to spur the economy. Despite those above tailwinds, we are skeptical of their escalating debt, potential dilution risk, and ample sensitivity to the hospitality property market where the majority of BCG's projects are tourism/resorts.

**Figure 1. Projections in 2022F-26F with a 72.9% CAGR revenue**



Source: Company report

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