

25 Jun 2022

Kinh Bac City (KBC)

AGM Briefing: How far could KBC go

AGM Briefing:

- On Jun 25, we tuned in to KBC's AGM presentation briefing for the upcoming business plan. The management took the audience through some highlights on 2022F guidance and expansion strategy.

2022F: Promise again

- Kinh Bac is among the largest industrial park (IP) operators in Vietnam with thousands of hectares covered nationwide.
- The fallout weighed on the KBC's 2021 business performance with a VND4.2tn revenue (97.4% yoy), and a VND782bn net profit (249.2% yoy), falling shy of full-year guidance at 64.3%/39.2%.
- Demand for land rental starts picking up thanks to the resumption of international flights and revival of economic activities. Hence, the management reaffirms its previously-noticed extravagant guidance with a VND9.8tn revenue and a VND4.5tn net profit, 2.2x/4.7x yoy.
- While seeking further information, we are convinced about the earnings turnaround of industrial park division thanks to the management's accompanying Vietnamese Prime Minister to visit to US in May which could bring several global tenants to KBC's IP.
- At least 80ha in Nam Son Hap Linh IP together with 52ha in Quang Chau IP could be handed to electronics/cellphone tenants, translating a VND2.5tn revenue in 2022F.
- The company managed to sign MoUs for more than 100 ha in Trang Due phase 3 IP. After the Hai Phong authority gets their overall city masterplan approved, which is expected in 2022F, the company expects to start booking revenue in 2023F
- The key 2022F revenue growth engine lies on mega residential area Trang Cat which the company has finished the ground filling work for 80 ha and could delivery under bulk sales this year.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

Stock Data

VNIndex (24 Jun, pt)	1,185
Stock price (24 Jun, VND)	30,100
Market cap (USD mn)	994
Shares outstanding (mn)	767.6
52-Week high/low (VND)	46,576/22,876
6M avg. daily turnover (USD mn)	13.96
Free float / Foreign ownership (%)	64.2/18.8
Major shareholders (%)	
Chairman	14.96
DC-related asset management funds	8.09
Kinh Bac Consulting	7.94

Performance

	1M	6M	12M
Absolute (%)	(4.0)	(34.2)	2.9
Relative to VNIndex (%p)	(0.4)	(14.3)	16.5

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,260.2	2,491.2	3,209.9	2,151.0	4,246.0
chg. (% YoY)	(36.1)	97.7	28.9	(33.0)	97.4
Operating profit (VND bn)	472.8	1,162.0	1,533.0	366.1	1,848.5
Net profit (VND bn)	584.5	746.2	918.4	224.0	782.3
EPS (VND)	1,244.0	1,588.0	1,955.0	477.0	1,586.0
chg. (% YoY)	4.9	27.7	23.1	(75.6)	232.5
EBITDA (VND bn)	512.6	1,201.4	1,586.1	455.1	1,924.2
PE (x)	20.1	15.8	12.8	52.5	18.8
EV/EBITDA (x)	31.9	13.6	9.7	41.4	11.2
PB (x)	1.7	1.6	1.5	1.5	1.2
ROE (%)	6.6	7.9	9.1	2.1	5.8
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

Nhan Lai

Nhan.lit@kisvn.vn

- KBC is trading at 31.8x TTM PE, higher than 2-year median of 23.9x. Imaging KBC's 2022F net profit estimate of VND4.5tn could materialize, the 12MF PE is translated at 5.1x which seems undemanding given the KBC's firm foot print in the IP operation map. Despite a number of falling shy of annual guidance in 2020-21, the management is upbeat about the signing land rental contracts with global giants in the next two weeks and that symbols a new era of earnings turnaround.

Relentlessly acquiring land bank

- Over the last few months, KBC received approvals for many new industrial park projects such as Tan Tap (654 ha), Loc Giang (466 ha), Nam Tan Tap, Phuoc Vinh Dong 2, Phuoc Vinh Dong 3 in Long An, and industrial clusters in Hung Yen province (225 ha). Many other industrial park projects that the company is going to acquire include additional industrial clusters in Hung Yen (150 ha), Binh Giang industrial park in Hai Duong (860 ha), and projects in the southern provinces such as Tien Giang (300 ha), Hau Giang (400 ha), and Tay Ninh (300 ha).
- Moreover, two IP projects that KBC acquired last year are Saigon-Nhon Hoi in Binh Dinh (35%-owned, 630 ha) and Le Minh Xuan 2 in Ho Chi Minh City (22%-owned, 339 ha). The company will conduct land clearance at these projects first and then consider whether to develop them as industrial parks or convert them into residential areas.
- At the moment, KBC is trying to get approvals for many new industrial parks in Hai Duong, Hung Yen, Long An and Ba Ria – Vung Tau (total site area could reach 2,000ha).
- Since the operational timeline remains very uncertain, we stay wary of their earnings contribution.

Dilution risk is inevitable

- To buttress the land acquisition, KBC offers a private placement of 150mn new shares (equivalent to 26.3% of outstanding shares) in 2022F with a maximum discount of 20% to the average of the last 30 closing prices. Specific timing remains unspecified.

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Prepared by: Nhan Lai

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