

29 Jun 2023

Becamex (BCM)

AGM Briefing: The giant has not awakened

AGM Briefing:

- On Jun 29, BCM held AGM presentation briefing for the upcoming business expansion plan. We view the meeting was held bureaucracy with less information and subjective vote. As BCM is owned by People's Committee of Binh Duong province with a 95.44% stake, most of the questions of the minority shareholders were wiped out.

Land transfer to Capital Land gains the spotlight in 2023F

- The giant housing developer did not bear the fruit of the new normalization in 2022 due to the pending licensing process and tightening credit quota to developers/homebuyers. Hence, 2022 performance fell shy of guidance with a revenue of VND6,504bn, -6.8% yoy, and an NPAT of VND1,714bn, +16.1 yoy, prompting to completion at 82/59% of their full-year estimates.
- BCM guides NPAT to be VND2,263bn, +32% yoy on the back of a revenue of VND9,460bn, +19% yoy in 2023. The land transfer deal to Capital Land worth of USD240mn (18.9ha) could attribute to the earnings turnaround in 2023F. The company maintains a cash dividend of 8% at par in 2022F.
- Nullify the VND2,000bn private bond placement, the company clings to the bank loan from Vietcombank (VCB, Non-rated) and BIDV (BID, Non-rated) as a buttress against the corporate bond market crisis
- The management also eyes a market capitalization of USD7-10bn and charter capital of VND20,000-30,000bn in 2023-2028
- To steer the company through treacherous and fulfill the strategy, the company aims to
 - ✓ Tape into the infrastructure construction segment
 - ✓ Develop the modern industrial park estates
 - ✓ Expand to multi neighboring provinces and head to North
 - ✓ Penetrating the social housing segment

12M rating **Non-rated**

12M TP
Up/Downside

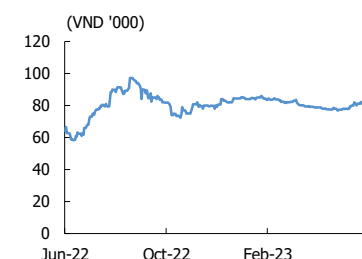
Stock Data

VNIndex (29 Jun, pt)	1,125
Stock price (29 Jun, VND)	79,200
Market cap (USD mn)	3,478
Shares outstanding (mn)	1,035
52-Week high/low (VND)	97,230/58,437
6M avg. daily turnover (USD mn)	0.41
Free float / Foreign ownership (%)	3.3/2.7
Major shareholders (%)	
People Committee of Binh Duong	95.44
Nguyen Hoan Vu	0.03

Performance

	1M	6M	12M
Absolute (%)	1.8	0.0	23.8
Relative to VNIndex (%)	(3.2)	(12.3)	29.9

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
Sales (VND bn)	6,537.6	8,213.4	6,504.7	6,981.8	6,506.4
chg. (% YoY)	(3.9)	25.6	(20.8)	7.3	(6.8)
Operating profit (VND bn)	2,049.0	1,811.9	1,907.6	2,001.8	0.0
Net profit (VND bn)	2,171.0	2,486.9	1,985.6	1,451.0	1,685.0
EPS (VND)	2,030.0	2,332.0	1,731.0	1,232.0	1,482.0
chg. (% YoY)	91.7	14.9	(25.8)	(28.8)	0.0
EBITDA (VND bn)	2,272.1	2,037.8	2,145.6	2,187.8	1,626.4
PE (x)	37.3	33.3	41.7	57.1	49.1
EV/EBITDA (x)	43.2	47.6	44.7	44.1	60.0
PB (x)	6.6	5.7	5.2	5.1	4.9
ROE (%)	19.7	18.5	13.0	9.0	10.2
Dividend yield (%)	1.0	1.0	1.0	3.0	0.0

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

Research Dept

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Valuation seems unjustified despite a huge player

- Based on management's guidance of 2023F profit, 2023F PE is 40.7 times, lower than the TTM PE of 63.1x. The valuation seems lucrative in light of a rosy trajectory but we see the market price is biased in the backdrop of tiny free float ratio.
- We fancy BCM thanks to its unrivaled footprint in industrial park development in Southern Vietnam, 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 land bank 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%.
- Those moats do not relieve us from the worrisome of their ballooning debt, ineffective non-core businesses, and potential conflict of minority interest which has been prolonged from several years ago. Overall, we view BCM as suitable for long-term horizon investors who seek organic growth in 5 years.

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Prepared by: Research Dept

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