

4 Aug 2020

12M rating **HOLD (Maintain)**

Nam Tan Uyen JSC (NTC)

Well-positioned for long-term growth

- 1H20 net profit inched 7.6% yoy, meeting 79%/58 of the company/our FY20 forecast.
- NTC's land presales could rebound in FY21F-22F

Facts: Gross margin contract on the higher land using fee

Nam Tan Uyen's 2Q20 revenue grew slightly 6% yoy and the 2Q20 net profit plummeted 8% yoy to VND56bn mainly due to gross margin (GM) contraction and higher tax expense. 2Q20 GM slid by 9.8% pts yoy to 65%, dragged by higher land payment fee to the State. Higher tax expense was blamed for some bank parcels have not exempted for tax payment. Overall, 1H20 net profit increased by 7.6% yoy, meeting 79%/58% company guidance/our forecast.

Pros and cons: Earnings outlook remain promising

We cut our land presales to 3ha vs 5ha for lump sum payment and to 40ha vs 45ha for period payments as Covid-19 could likely delay buying decisions by foreign investors given the travel restrictions. We estimate 1) FY20F revenue is expected to rise by 57.7% yoy thanks to the first revenue recognition of lump sum rental payment 2) FY20F net profit grow at lower rate of 2.5% yoy to VND242.9bn due to a combination of a contraction in FY20F GM by 8% pts yoy and a surge in interest expense in FY20F.

Presales rebound in FY21F-22F

We think the NTC's land presales target miss in FY20F is temporary as certain land demand is shifted to 2021F from the expected delay in lifting of travel restrictions. Hence, we expect NTC's land presale could rebound in FY21F-22F.

Actions: Maintain Hold

NTC's market price has been exploded from year to date as the investors are waiting for land granting decision from Binh Duong People Committee to the company to develop NTU3 industrial park. We believe this event could exist soon as the Vietnam government is eager to approve the new expansion/establishment of industrial properties on the reop of supply chain relocation wave in China to Vietnam. However, we think retail investors seem overreacted to underlying land presale surge as the travel restriction could prolong, in our view. Upcoming capital increase and switch to Hose bourse could excite the trading of NTC shares.

Stock data

VNIndex (04 Aug, pt)	823
Stock price (04 Aug, VND)	201,100
Market cap (USD mn)	139
Shares outstanding (mn)	16
52-Week high/low (VND)	202,300/130,551
6M avg. daily turnover (USD mn)	0.26
Free float / Foreign ownership (%)	24.7/1.9
Major shareholders (%)	
Vietnam Rubber Group	32.9
Phuoc Hoa Rubber	20.0
Saigon VRG JSC	19

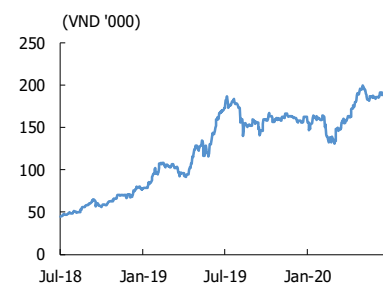
Valuation

	2019A	2020F	2021F
PE (x)	13.7	13.3	12.8
PB (x)	5.6	4.9	4.2
ROE (%)	40.4	40.1	35.6
DY (%)	7.4	4.0	4.0
EV/EBITDA (x)	14.5	15.4	12.4
EPS (VND)	14,782	15,184	15,795
BPS (VND)	36,287	41,480	47,695

Performance

	1M	6M	12M
Absolute (%)	8.0	34.1	10.2
Relative to VNIndex (%p)	10.5	44.7	25.5

Stock price



Source: Bloomberg

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Table 1. 2Q20 earnings

(VND bn, %, %p)

	2Q19	3Q19	4Q19	1Q20	2Q20P	QoQ	YoY	Consensus
Sales	47	54	53	42	50	20	6	N.A
Gross profit	35	39	35	27	33	22	(8)	N.A
Gross margin	75	73	66	64	65	0.8	(9.8)	N.A
OP	25	29	15	18	24	28	(4)	N.A
OP margin	52	53	27	44	47	263	(511)	N.A
EBT	70	55	70	96	68	(29)	(3)	N.A
NP	61	45	59	85	56	(35)	(8)	N.A

Source: Company data, Otherwise, KIS

Table 2. Earnings and outlook

(VNDbn, %, %p)

	2019				2020F				2019	2020F	1Q20F		
	1Q	2Q	3Q	4Q	1Q	2QP	3QF	4QF			QoQ	YoY	Consensus (BB)
Net sales	39	47	54	53	42	50	50	164	194	306	20.3	6.0	
Property sales	32	37	43	72	31	40	40	152	184	264	28.7	9.0	
Leasing	7	8	11	-17	10	10	10	12	9	42	(1.7)	21.2	
Others	0	2	0	-2	0	0	0	0	0	0	(93.1)	(98.9)	
Gross profit	27	35	39	35	27	33	32	101	137	193	5.8	(2.8)	
Gross margin	68.6	74.7	73.2	66.3	64	65	64	62	71	63	0.8	(9.8)	
SG&A	10.1	10.8	10.8	20.7	8	9	11	51	51	79	9.2	(15.9)	
Operating profit	17	25	29	15	18	24	21	51	86	113	27.5	(4.5)	
Associate's income													
Financial income	60	45	26	56	77	45	33	22	187	177	(42.4)	(1.8)	
Financial expense	0	0	0	0	0	0	(3)	(3)	0	(6)	54.1	24.6	
Net other income	0	0	0	0	0	0	0	0	0	0	0.0	0.0	
EBT	77	70	55	70	96	68	51	69	273	284	(29.0)	(2.5)	
Net profit	70	61	45	59	85	56	40	62	237	243	(34.5)	(8.0)	
NP of controlling interest	70	61	45	59	85	56	40	62	237	243	(34.5)	(8.0)	
EBITDA	26	34	38	24	28	33	30	60	124	151	18.2	(3.2)	
EBITDA margin	66.9	71.8	70.8	45.1	67	66	61	37	64	49	(1.2)	(6.2)	
OP margin	42.9	51.9	53.3	27.3	44	47	42	31	45	37	2.6	(5.1)	

Table 3. RNAV method, key inputs, based on our estimates

(VND bn)

Product	Commercial Name	Project name	BV as of 2Q20	Premium	Fair value	Method
Industrial park	NTU 3	Nam Tan Uyen expansion, phase 2	4	2,077	2,081	DCF
	Add:					
		Cash and cash equivalent	93.1		93	BV
		Short-term investment	1,440.0		1,440	BV
	Less:					
		Net debt	301.6		301.6	BV
		Other liabilities	100.0		100	BV
		RNAV			3,213	BV
		No. of o/s shares (mn shares)	16.0		16	BV
		Discount to RNAV			10%	
		Implied value per share (VND)			180,712	

Table 4. PE method, key inputs, based on our estimates

(VND)

	FY20F	FY201F	Avg.CY20-21F
EPS	15,184	15,795	15,489
Industry median multiple	13.0	12.6	12.8
Target multiple			10.9
Implied value per share			169,143

Table 5. Blended target price, based on our estimates

(VND, x)

Method	Implied value per share	Weight	Weighted price
RNAV	180,712	50%	90,356
PE	169,143	50%	84,571
Target price (round)			175,000

Note: Separate NP excluding dividend

Source: Company data, KIS

■ Company overview

Nam Tan Uyen (NTC) owns a low leverage, high interest income, a secured revenue stream from Nam Tan Uyen 1, 2 industrial parks. Launching Nam Tan Uyen 3 industrial park (IP) brings an expected big cash flow of total VND6tn during FY20F-25F. Revenue and net profit growth is lower than cash rental payment growth due to the amortised revenue policy. We project a revenue CAGR of 8.7% and net profit CAGR of 13% over FY19-25F.

Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	1,179	1,452	1,484	1,167	1,542
Cash & cash equivalents	1,122	1,393	1,275	939	1,293
Accounts & other receivables	49	59	191	210	231
Inventory	0	0	0	0	0
Non-current assets	1,020	910	1,022	1,748	1,705
Fixed assets	40	36	33	46	65
Investment assets	981	874	989	1,702	1,640
Others	620	1,038	1,032	1,032	1,436
Total assets	2,820	3,401	3,538	3,947	4,683
Advances from customers	2,130	2,475	2,834	2,932	3,544
Unearned revenue	2,131	2,477	2,835	2,933	3,545
Trade payables	127	302	186	218	243
Others	105	7	2	2	2
ST debt & bonds	6	4	3	199	199
LT debt & financial liabilities	6	4	3	199	199
Total liabilities	2,440	2,812	2,957	3,283	3,920
Controlling interest	160	160	160	160	160
Capital stock	6	6	6	6	6
Capital surplus					
Other reserves	44	73	166	166	166
Retained earnings	170	351	248	331	431
Minority interest	0	0	0	0	0
Shareholders' equity	380	589	581	664	763

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	146	532	194	306	417
COGS	45	45	57	113	190
Gross profit	101	487	137	193	226
Operating profit	63	438	86	113	122
Financial income	70	97	110	100	100
Interest income	70	97	110	100	100
Financial expenses	(8)	(12)	(0)	(6)	(12)
Interest expenses	(8)	(12)	(0)	(6)	(12)
Other non-operating profit	(2)	(0)	0	0	0
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0	0
Earnings before tax	167	556	273	284	296
Income taxes	(25)	(100)	(37)	(42)	(43)
Net profit	142	456	237	243	253
Net profit of controlling interest	142	456	237	243	253
EBITDA	102	476	124	151	160

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	494	701	378	(472)	827
Net profit	142	456	237	243	253
Dep'n & Amort'n	0	0	0	0	0
Net incr. in W/C	(98)	(160)	(190)	(209)	(243)
C/F from investing	(523)	(393)	476	68	(345)
Capex	(28)	(404)	(155)	(109)	(531)
Incr. in investment	(495)	119	209	177	186
C/F from financing	(49)	(195)	(405)	68	(128)
Incr. in equity	0	0	0	0	0
Incr. in net debt	0	(99)	(7)	196	0
Dividends	(49)	(96)	(398)	(128)	(128)
C/F from others	0	0	0	0	0

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	8,905	28,476	14,782	15,184	15,795
BPS	23,720	36,810	36,287	41,480	47,695
DPS	1,500	5,976	15,000	8,000	8,000
Growth (%)					
Sales growth	(2.1)	277.4	(64.8)	57.6	36.3
OP growth	(23.0)	596.1	(80.3)	31.2	7.7
NP growth	15.2	219.8	(48.1)	2.7	4.0
EPS growth	15.2	219.8	(48.1)	2.7	4.0
EBITDA growth	(13.7)	367.7	(73.9)	21.7	5.7
Profitability (%)					
OP margin	43.1	82.3	44.5	37.1	29.3
NP margin	97.5	85.6	122.0	79.5	60.7
EBITDA margin	69.7	89.4	64.0	49.4	38.3
ROA	1.5	10.9	1.4	2.0	1.9
ROE	42.6	94.1	40.4	39.7	35.4
Dividend yield	0.7	3.0	7.4	4.0	4.0
Dividend payout ratio	16.8	21.0	101.5	51.6	50.3
Stability					
Net debt (VND bn)	(1,011)	(1,381)	(1,271)	(743)	(1,046)
Net debt/equity (%)	(266)	(235)	(219)	(111)	(136)
Valuation (x)					
PE	22.7	7.1	13.7	13.3	12.8
PB	8.5	5.5	5.6	4.9	4.2
EV/EBITDA	20.2	3.5	14.5	15.4	12.4

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