

23 Oct 2020

12M rating **HOLD (Maintain)**

Nam Tan Uyen JSC (NTC)

Expecting another strong year

- 9M20 net profit surged 36% yoy, meeting 135.1%/84% of the company/our FY20 forecast.
- NTC's land presales could rebound in FY21F-22F thanks to granting decision to develop NTC3 industrial park in FY21F

Facts: 3Q20 NPATMI boom on one-time recognized land sales

Nam Tan Uyen's 3Q20 revenue skyrocket 90.8% yoy to VND102.8bn and the 3Q20 net profit boomed by 115.6% yoy to VND98bn mainly thanks to land transfer revenue growth of +109.4% yoy to VND90bn. The 3Q20 land transfer revenue recorded the first one-time recognition of rental payment of around 1.7ha. 3Q20 gross margin also improved by 7% pts yoy driven by 10% yoy increase in land rent. Overall, 9M20 net profit increased by 35.9% yoy, meeting 135.1%/84% company guidance/our forecast respectively.

Pros and cons: NTU 3 industrial park reschedule to FY21F

We cut our land presales to 2ha vs 3ha for lump sum payment and adjust no contribution from amortized payment for land transfer in NTU3 industrial park as granting decision from Binh Duong People Committee to develop NTU 3 IP could delay to FY21F. We also add more VND31bn financial income to reflect slower drainage of cash to build the NTU3 IP. New FY20F net profit forecast is adjusted up by 17.3% to VND285bn.

We expect new FY21F land transfer area rebound to 48ha including 3ha for lump sum payment and 45ha for amortized payment in FY21F. We change our gross margin to 72% vs 54% in FY21F as expect land rent could maintain momentum growth of 15-20% yoy in FY21 to compensate the higher COGS of NTU 3 IP. Overall, our new FY21F is revised up by 12.1% to VND283.5bn

Actions: Maintain Hold

We raise our TP to VND205,000 to factor in our new EPS increase in FY20-21F. However, NTC's market price has been exploded upon the booming 3Q20 result despite the delaying granting decision from Binh Duong People. 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 (23 Oct, pt)	961
Stock price (23 Oct, VND)	233,200
Market cap (USD mn)	161
Shares outstanding (mn)	16
52-Week high/low (VND)	233,200/130,551
6M avg. daily turnover (USD mn)	0.21
Free float / Foreign ownership (%)	24.7/2.2
Major shareholders (%)	
Vietnam Rubber Group	32.9
Phuoc Hoa Rubber	20.0
Saigon VRG JSC	19

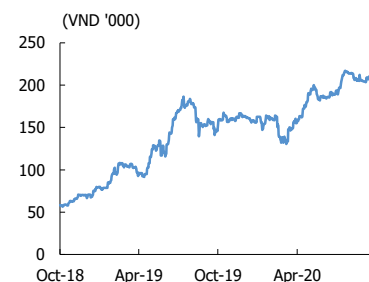
Valuation

	2019A	2020F	2021F
PE (x)	15.8	13.1	13.2
PB (x)	6.4	5.3	4.5
ROE (%)	40.4	44.5	37.1
DY (%)	6.4	3.4	3.4
EV/EBITDA (x)	18.4	11.9	13.3
EPS (VND)	14,782	17,808	17,719
BPS (VND)	36,287	43,760	51,707

Performance

	1M	6M	12M
Absolute (%)	13.8	49.8	59.6
Relative to VNIndex (%p)	8.2	24.2	60.4

Stock price



Source: Bloomberg

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Table 1. 3Q20 earnings

(VND bn, %, % p)

	3Q19	4Q19	1Q20	2Q20	3Q20	QoQ	YoY	Consensus
Sales	54	53	42	50	103	104.6	90.8	N.A
Gross profit	39	35	27	33	82	49.9	43.0	N.A
Gross margin	73	66	64	65	80	15.4	7.0	N.A
OP	29	15	18	24	74	212.9	156.4	N.A
OP margin	53	27	44	47	72	24.8	18.3	N.A
EBT	55	70	96	68	119	74.4	116.8	N.A
NP	45	59	85	56	98	75.2	115.6	N.A

Source: Company data, Otherwise, KIS

Table 2. Earnings and outlook

(VND bn, %, % p)

	2019				2020F				2019	2020F	1Q20F		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF			QoQ	YoY	Consensus (BB)
Net sales	39	47	54	53	42	50	103	90	194	283	104.6	90.8	
Property sales	32	37	43	72	31	40	90	75	184	238	123.9	109.4	
Leasing	7	8	11	-17	10	10	11	14	9	45	13.8	4.5	
Others	0	2	0	-2	0	0	1	0	0	0	N.M	N.M	
Gross profit	27	35	39	35	27	33	82	75	137	217	49.9	43.0	
Gross margin	68.6	74.7	73.2	66.3	64	65	80	83	71	77	15.4	7.0	
SG&A	10.1	10.8	10.8	20.7	8	9	9	44	51	71	(1.7)	(17.2)	
Operating profit	17	25	29	15	18	24	74	30	86	146	212.9	156.4	
Financial income	60	45	26	56	77	45	50	27	187	199	13.4	92.2	
Financial expense	0	0	0	0	0	0	5	7	0	12	N.M	N.M	
Net other income	0	0	0	0	0	0	0	0	0	0	N.M	N.M	
EBT	77	70	55	70	96	68	119	64	273	333	74.4	116.8	
Net profit	70	61	45	59	85	56	98	46	237	285	75.2	115.6	
NP of controlling interest	70	61	45	59	85	56	98	46	237	285	75.2	115.6	
EBITDA	26	34	38	24	28	33	83	40	124	184	152.0	117.7	
EBITDA margin	66.9	71.8	70.8	45.1	67	66	81	44	64	65	15.2	10.0	
OP margin	42.9	51.9	53.3	27.3	44	47	72	34	45	52	24.8	18.3	

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

(VND bn)

Product	Commercial Name	Project name	BV as of 3Q20	Premium	Fair value	Method
Industrial park	NTU 3	Nam Tan Uyen expansion, phase 2	4	2,077	2,925	DCF
	Add:					
		Cash and cash equivalent	93.1		93	BV
		Short-term investment	1,440.0		1,440	BV
	Less:					
		Net debt	501.6		501.6	BV
		Other liabilities	100.0		100	BV
		RNAV			3,857	BV
		No. of o/s shares (mn shares)	16.0		16	BV
		Discount to RNAV			10%	
		Implied value per share (VND)			216,982	

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

(VND)

	FY20F	FY201F	Avg.CY20-21F
EPS	17,808	17,719	17,763
Industry median multiple	13.0	12.6	12.8
Target multiple			10.9
Implied value per share			193,977

Table 5. Blended target price, based on our estimates

(VND, x)

Method	Implied value per share	Weight	Weighted price
RNAV	216,982	50%	108,491
PE	193,977	50%	96,988
Target price (round)			205,000

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	1,996	1,526
Cash & cash equivalents	1,122	1,393	1,275	1,768	1,277
Accounts & other receivables	49	59	191	210	231
Inventory	0	0	0	0	0
Non-current assets	1,020	910	1,022	990	1,757
Fixed assets	40	36	33	45	60
Investment assets	981	874	989	945	1,698
Others	620	1,038	1,032	1,032	1,032
Total assets	2,820	3,401	3,538	4,018	4,315
Advances from customers	2,130	2,475	2,834	2,763	2,905
Unearned revenue	2,131	2,477	2,835	2,765	2,906
Trade payables	127	302	186	223	252
Others	105	7	2	2	2
ST debt & bonds	6	4	3	397	397
LT debt & financial liabilities	6	4	3	397	397
Total liabilities	2,440	2,812	2,957	3,318	3,488
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	368	495
Minority interest	0	0	0	0	0
Shareholders' equity	380	589	581	700	827

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	494	701	378	40	(438)
Net profit	142	456	237	285	284
Dep'n & Amort'n	0	0	0	0	0
Net incr. in W/C	(98)	(160)	(190)	(232)	(268)
C/F from investing	(523)	(393)	476	187	74
Capex	(28)	(404)	(155)	(12)	(123)
Incr. in investment	(495)	119	209	199	196
C/F from financing	(49)	(195)	(405)	266	(128)
Incr. in equity	0	0	0	0	0
Incr. in net debt	0	(99)	(7)	394	0
Dividends	(49)	(96)	(398)	(128)	(128)
C/F from others	0	0	0	0	0

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	146	532	194	283	339
COGS	45	45	57	66	87
Gross profit	101	487	137	217	253
Operating profit	63	438	86	146	164
Financial income	70	97	110	122	111
Interest income	70	97	110	122	111
Financial expenses	(8)	(12)	(0)	(12)	(30)
Interest expenses	(8)	(12)	(0)	(12)	(30)
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	333	331
Income taxes	(25)	(100)	(37)	(48)	(48)
Net profit	142	456	237	285	284
Net profit of controlling interest	142	456	237	285	284
EBITDA	102	476	124	184	202

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	8,905	28,476	14,782	17,808	17,719
BPS	23,720	36,810	36,287	43,760	51,707
DPS	1,500	5,976	15,000	8,000	8,000
Growth (%)					
Sales growth	(2.1)	277.4	(64.8)	28.9	23.6
OP growth	(23.0)	596.1	(80.3)	68.9	12.7
NP growth	15.2	219.8	(48.1)	20.5	(0.5)
EPS growth	15.2	219.8	(48.1)	20.5	(0.5)
EBITDA growth	(13.7)	367.7	(73.9)	48.0	10.1
Profitability (%)					
OP margin	43.1	82.3	44.5	51.6	48.5
NP margin	97.5	85.6	122.0	100.7	83.6
EBITDA margin	69.7	89.4	64.0	64.9	59.6
ROA	1.5	10.9	1.4	2.6	2.8
ROE	42.6	94.1	40.4	44.5	37.1
Dividend yield	0.7	3.0	7.4	3.4	3.4
Dividend payout ratio	16.8	21.0	101.5	44.9	45.1
Stability					
Net debt (VND bn)	(1,011)	(1,381)	(1,271)	(1,370)	(878)
Net debt/equity (%)	(266)	(235)	(219)	(196)	(106)
Valuation (x)					
PE	22.7	7.1	13.7	13.1	13.2
PB	8.5	5.5	5.6	5.3	4.5
EV/EBITDA	20.2	3.5	14.5	11.9	13.3

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