

7 May 2021

Becamex Infrac (IJC)

AM Briefing: A hidden beauty

AM Briefing

- On May 7, IJC held a 1Q21 AM briefing for the upcoming business expansion plan. Key issues covered were the FY21F guidance feasibility, BOT (Build-Operation-Transfer) development.

Aggressive but practicable FY21F targets

- The company targets to reach a VND3tn revenue, 43.6% yoy, and a higher VND622bn net profit, 68.1% yoy in FY21F. The key attributes to an aspiring net profit growth are the deliveries of three townhouse projects including Sunflower (1ha), IJC (4.9ha) and Hoa Loi (6.9ha) with total VND2.3tn property sales. Those projects have been secured with a VND1.5tn presale value as of end-1Q21. Despite the surging net profit, FY21F EPS could post lower growth due to the equity issuance of 80 mn shares in Jan.
- IJC reported its 1Q21 net profit of VND292bn and total revenue of VND1.4tn, making up 46.2%/46.9% of the company estimates.

Real estate a key engine of the FY21-25F earnings growth

- The management sets to earn a revenue CAGR of 3.3% p.a. and a net profit CAGR of 16.8% p.a in FY21F-22F of which the real estate segment accounts for an average of 65-75% total revenue per year. IJC also believes the current 68ha could help sustain at least 5 years of development.

Shadowy destiny on BOT development

- The Vietnamese law on PPP (public-private partnership) valid from May 1 requires a bidding if any investor is keen on developing a new BOT road. IJC desires to ask for an exception to expand the 13 National road and that must be considered by the MPI (Ministry of Planning and Investment). Hence, the company could not guarantee any outcome for this segment.

	2017A	2018A	2019A	2020A	2021G
Sales (VND bn)	948	1,246	1,600	2,141	3,075
chg. (% YoY)	(51.9)	31.4	28.4	33.8	43.6
Operating profit (VND bn)	332	377	432	572	N/A
Net profit (VND bn)	184	233	284	370	622
EPS (VND)	1,104	1,528	1,868	2,543	2,866
chg. (% YoY)	154.4	38.4	22.3	36.1	12.7
EBITDA (VND bn)	370	415	471	617	N/A
PE (x)	19.9	15.8	12.9	9.9	9.4
EV/EBITDA (x)	14.7	12.3	8.8	7.0	N/A
PB (x)	2.2	2.1	2.0	1.8	1.8
ROE (%)	8.0	13.7	15.9	19.0	N/A
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 (07 May, pt)	1,242
Stock price (07 May, VND)	26,800
Market cap (USD mn)	252
Shares outstanding (mn)	217
52-Week high/low (VND)	32,850/9,114
6M avg. daily turnover (USD mn)	4.21
Free float / Foreign ownership (%)	50.2/8
Major shareholders (%)	
Becamex	49.76
Deutsche Bank Aktiengesellschaft	4.97
VanEck Vectors ETF Trust	4.06

Performance

	1M	6M	12M
Absolute (%)	(7.9)	121.6	152.0
Relative to VNIndex (%p)	(7.9)	88.4	93.4

Stock price trend



Source: Bloomberg

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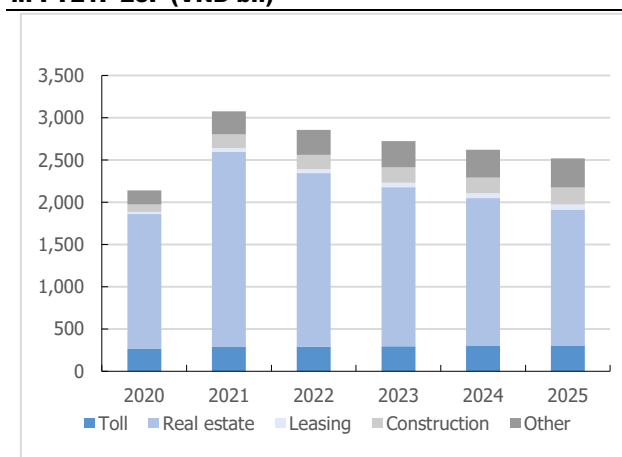
Valuation looks undemanding despite a healthy growth

- Per management guidance, FY21F earnings correspond to a forward PE of 9.4x and PB of 1.8x, which seem unwarranted with the local peer median at 14x and 2.1x, respectively. The management note that the actual FY21F earnings could be achieved at 100-130% of the company estimate. Hence, this may be a stock worth watching in the second half of the year when the surprising net profit could be recorded.

Embedded risk in lower- tier market

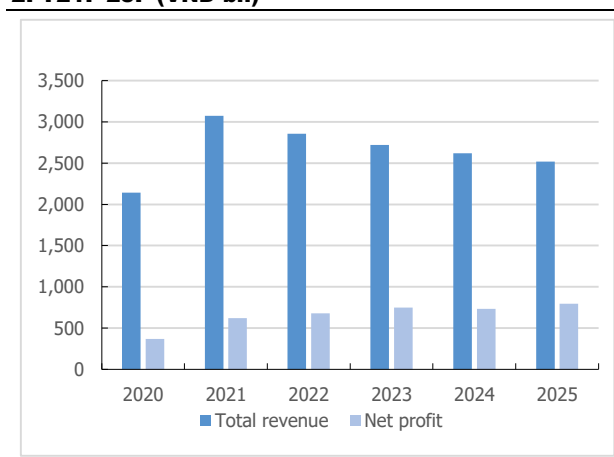
- The lower-tier market, Binh Duong province, offers a less competitive environment and a loosening regulatory process than HCMC. Moreover, IJC has the advantage of having a well-known provincial brand that enables it to easily penetrate and take the leading position. However, there is a lack of reliable track records and market data which are needed to study buyers' real demand. This could lead to the misjudgment of the absorption of each product. A number of IJC's projects in the pipeline in Binh Duong province are large-scale and require significant upfront outlay for land acquisition. We believe this could trigger large sunk cost if products show weak demand and drag down the firm's investment turnover when assets are not quickly monetised as planned.

Figure 1. Real estate leads the total revenue growth in FY21F-25F (VND bn)



Source: Company data,

Figure 2 Net profit posts the stellar growth in 2FY21F-25F (VND bn)



Source: Company data,

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