

29 Mar 2022

Sonadezi Chau Duc (SZC)

AGM Briefing: Awaiting more catalysts

AGM Briefing

- On Mar 29, SZC made an AGM presentation briefing for the upcoming business expansion plan. Key issues covered were the 2022F guidance and their long-term targets.

Unsurprisingly conservative 2022F guidance

- In 2022F, SZC's earnings guidance retreats by 43.2% yoy despite a flattish revenue growth forecast of 7.3% yoy, per management.
- Particularly, the 2022F revenue estimate is comprising of some key contributors: 1) a VND381bn (-46.3% yoy) industrial land sales on the back of 25-30ha land area transferred 2) a VND277.4bn residential land sales driven by a handover of 94 shop houses in Huu Phuoc Sonadezi project whose revenue were push backed from 2021 to 2022F.
- The company attributes a bigger cash drain to construction of the new industrial land (USD42/ sqm), and that will lead to decline in gross profit margin.
- We view this earning plan conservative as the company always beats the guidance in 2017-2021 by an average of 20-86%
- A cash dividend of 10% at par could be paid in 2022F.
- A max of 20% of 2021 earnings is reserved for welfare and bonus funds.

Stella earnings growth in 2023F-26F

- 2022F serves a springboard for SZC to pursuit a sustained trajectory of growth. They aim to record CAGRs in revenue and net profit with 22.2%/36.7% in 2023F-26F. The cash dividend could be 10% at par in 2022F-24F and 25% at par in 2025F-26F.
- Despite charming prospects, the management have yet supplied the engines of growth in details.

	2017A	2018A	2019A	2020A	2021P
Sales (VND bn)	220	290	329	433	713
chg. (% YoY)	116.7	32.1	13.5	31.4	64.7
Operating profit (VND bn)	78	111	139	199	386
Net profit (VND bn)	73	97	134	186	324
EPS (VND)	657	779	1,140	1,681	2,874
chg. (% YoY)	64.7	18.6	46.3	47.5	71
EBITDA (VND bn)	88	223	249	348	618
PE (x)	104.1	77.8	56.4	40.7	23.4
EV/EBITDA (x)	93.0	37.0	33.1	26.3	15.5
PB (x)	6.8	6.6	6.3	6.0	5.2
ROE (%)	6.6	8.6	11.4	15.1	23.7
Dividend yield (%)	0.7	1.1	1.3	1.0	0.0

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

12M rating **Non-rated**

12M TP **N.A**

Up/Downside **N.A**

Stock Data

VNIndex (29 Mar, pt)	1,498
Stock price (29 Mar, VND)	77,800
Market cap (USD mn)	340
Shares outstanding (mn)	100
52-Week high/low (VND)	83,400/31,521
6M avg. daily turnover (USD mn)	3.59
Free float / Foreign ownership (%)	89.2/2.1
Major shareholders (%)	
Sonadezi	46.84
Sonadezi Long Thanh	10.08
Dong Nai Port	0.7

Performance

	1M	6M	12M
Absolute (%)	(5.0)	65.2	107.3
Relative to VNIndex (%p)	(4.8)	53.1	78.7

Stock price trend



Source: Bloomberg

Expensive valuation as growth outlook is over manifested

- Based on management's guidance of 2022F profit, 12MF PE is 42.3 times and 12MF PB is 4.7 times, remarkably higher than the 2-year median of 17.2x and 2.7x, respectively.

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