

25 Apr 2022

Sacomreal (SCR)

AGM Briefing: Transforming in progress

AGM Briefing

- On April 25, we attended SCR's AGM presentation briefing for the upcoming business expansion plan. The management addressed some attendees' concerns about the strategy development with the below key issues.

Brisk growth momentum persists

- The NPATMI stayed flattish at VND187bn even though revenue grew splendidly by 83.3% yoy in 2021, helping the company to fulfill 112%/105.2% their full-year guidance.
- A 8% stock dividend at 100:8 ratio could be paid in 2Q22 from the 2021 undistributed earnings.
- SCR sustains the growth momentum in 2022F by targeting a VND2.1tn revenue, +26.8% yoy and a VND300tn profit before tax, +23.9% yoy.
- Without disclosing in details the feasibility, the company still stays confident on sales, and handover of Panomax project (Dist 7), Carillon 7 project (Tan Phu Dist), and Selavia (Phu Quoc Island, Kien Giang province), which lead the growth engine of revenue in 2022F.
- In 1Q22, the company achieved a VND390bn revenue and a VND70bn profit before tax, fulfilling annual targets at 18.6%/23.3%.
- The management claims on owning 320ha land bank of which 4ha is in center area of HCMC, 180ha in Dong Nai province, 13ha in Cu Chi District, HCMC, 40ha in Long An province, 90ha in Phu Quoc Island, Kien Giang province.

12M rating **Non-rated**

12M TP **N.A**

Up/Downside *N.A*

Stock Data

VNIndex (25 Apr, pt)	1,311
Stock price (25 Apr, VND)	16,450
Market cap (USD mn)	262
Shares outstanding (mn)	366
52-Week high/low (VND)	26,200/7,140
6M avg. daily turnover (USD mn)	9.66
Free float / Foreign ownership (%)	71.6/7
Major shareholders (%)	
Thanh Thanh Cong Invest	17.39
Global Mind	8.9
Thanh Thanh Cong Trading	4.8

Performance

	1M	6M	12M
Absolute (%)	(28.8)	16.7	109.8
Relative to VNIndex (%p)	(16.3)	21.6	103.5

Stock price trend



Source: Bloomberg

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,824.9	2,928.7	1,030.5	918.2	1,683.2
chg. (% YoY)	135.6	60.5	(64.8)	(10.9)	83.3
Operating profit (VND bn)	329.2	307.9	208.7	(486.0)	108.8
Net profit (VND bn)	228.7	202.0	274.3	188.7	187.1
EPS (VND)	913.0	555.0	749.0	515.0	511.0
chg. (% YoY)	27.0	(39.2)	35.0	(31.2)	(0.8)
EBITDA (VND bn)	338.9	329.5	244.3	(441.4)	156.1
PE (x)	17.0	26.7	19.7	30.9	31.1
EV/EBITDA (x)	16.8	23.3	31.0	(19.0)	47.1
PB (x)	1.2	1.3	1.2	1.3	1.2
ROE (%)	6.8	5.1	6.0	3.9	3.8
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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2022F fund demand is huge

- To shore up the payment of land use right fee, clearance compensation of the Tamashi Da Nang project, the management is going to issue 1) 18.3mn ESOP shares at a selling price of VND11,000 and 2) 51.2mn shares to existing shareholders at 100:14 with a selling price of VND14,000.

Rich valuation as investors' optimism looks excessive

- Based on management's guidance of 2022F profit, 12MF PE is 25.1 times and 12MF PB is 1.2x times, slightly higher than the 1-year median of 24.1x and 1.1, respectively. Even though the share price has been pulled back steeply recently, we do not think the stock is worth accumulation. We view that SCR's strong rally has been over manifested since the market sentiment of individual investors is betting on the positive changes in the licensing landscape in which SCR's key land bank, idle for years will reap the rewards. Given the lengthy projects, abundant exposure to hospitality projects, and concerning corporate governance, SCR is not lucrative to put in the watchlist.

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