

1 Nov 2022

Kinh Bac City (KBC)

Hardship drags on

3Q22: Gain from a bargain purchase was a new savior

- Kinh Bac City released the mixed 3Q22 results on Oct 31, featuring a tepid revenue of VND203bn (-48.4% qoq, -37.4% yoy) vs a brisk NPATMI of VND1,919bn (3Q21 loss of VND68bn).
- The total revenue reduction is attributed to a sluggish industrial land revenue of VND76bn, -71.8% qoq, +134.8% yoy and gloomy residential land sale of VND20bn, -43.3% qoq, -88.7% yoy. On the contrary, utility trading swelled to VND95bn, +21.9% qoq, +14.4% yoy. Only 1.9ha land area was sold in 3Q22.
- Higher SG&A to sale squeezed the operating profit to VND22bn, -72.7% qoq, -79.5% yoy.
- Associate's income boomed to VND1,997bn from a bargain purchase in acquiring stakes of Sai Gon Da Nang company. We note this is non-cash income in the profit and loss statement. Without the associate's income, the 3Q22 NPAMI could turn negative.
- Net gearing remained unchanged at 29.5% as of end-3Q22. Nonetheless, KBC obliges to pay VND2.9tn corporate bond in 1H23F, (53% of total net debt).

9M22: No promise was achieved

- 9M22 revenue slightly sharply dropped to VND1,289bn, -58.1% yoy while the NPATMI remarkably prospered to VND2,034bn, +255.7% yoy, fulfilling 13.2/47.5% of full-year guidance.
- 9M22 NPATMI flourished on the back of a VND1,997bn bargain purchase, offsetting the lackluster industrial land sales (VND661bn revenue, equaling 18.7ha)

4Q22F: Forgetting 2022F, heading towards 2023F

- In AGM on June 25, the management committed that at least 80ha in Nam Son Hap Linh IP together with 52ha in Quang Chau IP could be handed to electronics/cellphone tenants, equivalent to a VND2.5tn revenue in 2022F. Another 80ha land area of the mega residential Trang Cat project could be delivered in bulk this year.

	2017A	2018A	2019A	2020A	2021A
Sales (VND bn)	1,260	2,491	3,210	2,151	4,246
chg. (% YoY)	(36.1)	97.7	28.9	(33.0)	97.4
Operating profit (VND bn)	473	1,162	1,533	366	1,849
Net profit (VND bn)	585	746	918	224	782
EPS (VND)	1,244	1,588	1,955	477	1,586
chg. (% YoY)	4.9	27.7	23.1	(75.6)	232.5
EBITDA (VND bn)	513	1,201	1,586	455	1,924
PE (x)	11.9	9.3	7.5	30.9	11.1
EV/EBITDA (x)	20.6	8.8	6.1	28.7	7.6
PB (x)	1.0	0.9	0.9	0.9	0.7
ROE (%)	6.6	7.9	9.1	2.1	5.8
Dividend yield (%)	0.0	0.1	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
Up/Downside

Stock Data

VNIndex (01 Nov, pt)	1,028
Stock price (01 Nov, VND)	17,500
Market cap (USD mn)	541
Shares outstanding (mn)	768
52-Week high/low (VND)	46,576/17,300
6M avg. daily turnover (USD mn)	7.27
Free float / Foreign ownership (%)	59.7/18.4
Major shareholders (%)	
Dang Thanh Tam	14.8
DC-related funds	8.2
Kinh Bac Consulting	8.1

Performance

	1M	6M	12M
Absolute (%)	(29.3)	(46.7)	(52.4)
Relative to VNIndex (%p)	(20.2)	(22.7)	(24.9)

Stock price trend



Source: Bloomberg

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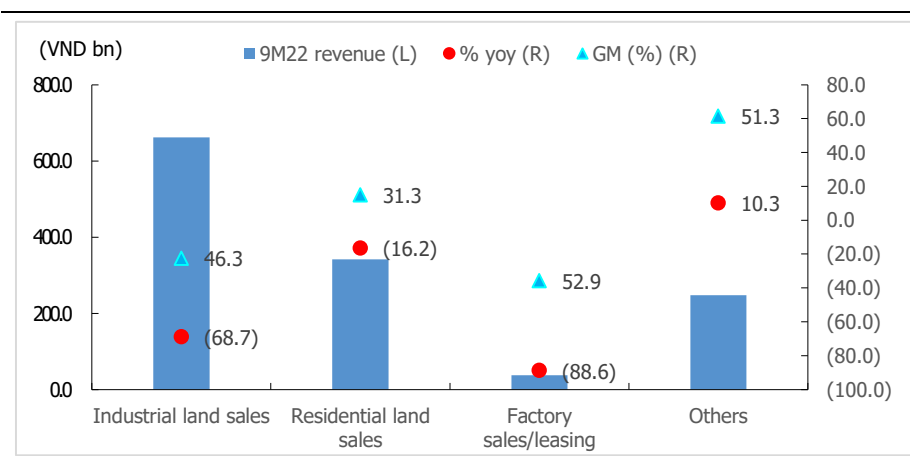
- On Nov 1, the company states that KBC could transfer a 50ha land bank in Nam Son Hap Linh IP in November, reaping around VND4,000bn cash.
- Given two months left, we are not convinced about the earnings completion.
- KBC's market price has pulled back steeply, resulting in 5.9x TTM PE, and 0.7x PB, which is cheap if compared with the 12MF PE of VNINDEX at 9-10x.

Table 1. Earnings summary

(VND bn, %, % p)

	2021				2022F				2020	2021	3Q22		Consensus (BB)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF			QoQ	YoY	
Net sales	2,002	750	325	1,169	692	394	203		2,151	4,246	(48.4)	(37.4)	N.A
Industrial land sales	1,794	288	32	922	317	269	76		1,537	3,036	(71.8)	134.8	
Residential land sales	110	125	173	107	288	34	20		196	515	(43.3)	(88.7)	
Factory sales/leasing	26	267	37	61	13	13	13		140	390	0.4	(65.8)	
Others	71	70	83	80	74	78	95		277	305	21.9	14.4	
Gross profit	1,123	449	159	735	279	184	97		689	2,467	51.9	60.2	N.A
Gross margin	56.1	59.9	48.9	62.8	40.4	46.7	47.9		32.0	58.1	1.1	(1.0)	
SG&A	187	135	52	246	144	104	75		323	618	(27.4)	44.3	
Operating profit	936	314	107	489	135	80	22		366	1,849	(72.7)	(79.5)	
Associate's income	2	4	(1)	9	11	200	1,997		3	14			
Financial income	42	33	37	52	70	85	83		314	170	(1.6)	127.5	
Financial expense	94	131	178	132	145	155	141		230	541	(9.3)	(20.8)	
Net other income	(3)	(4)	1	(116)	499	(485)	(3)		1	(127)	N.M	N.M	
EBT	882	216	(35)	302	570	(276)	1,959		453	1,364	N.M	N.M	
Net profit	715	78	(59)	222	523	(323)	1,936		320	954	N.M	N.M	
NP of controlling interest	599	41	(68)	212	481	(366)	1,919		224	782	N.M	N.M	N.A
EBITDA	956	335	125	505	155	98	34		455	1,924	(65.7)	(72.9)	
EBITDA margin	48	45	38	43	22	25	17		21	45	(8.4)	(21.8)	
OP margin	47	42	33	42	20	20	11		17	44	(9.6)	(22.1)	

Source: Company data, KIS

Figure 1. Revenue by segment: Industrial land dominated 9M22 growth

Source: KIS, Company report

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