

31 Jan 2023

Kinh Bac City (KBC)

Promises don't come easy

4Q22: No savior, no hope

- Kinh Bac City released extraordinary 4Q22 results on Jan 31, featuring a negative revenue of VND331.2bn due to the goods returned of VND447.2bn.
- While seeking the company's information, we guess the goods returned is derived from industrial land revenue recorded in 9M22. The tenants could have yet to receive the investment license and hence, the company could not book revenue.
- Higher SG&A to sale squeezed the operating profit to loss of VND473bn, vs VND489bn in 4Q21.
- Lacking associate's income of VND1,997bn arising from a bargain purchase in acquiring stakes of Sai Gon - Da Nang company in 3Q22, the PBT turned negative at VND532bn vs VND302bn in 4Q21.
- Net gearing remained unchanged at 30% as of end-4Q22. Nonetheless, KBC obliges to pay VND2.9tn corporate bond in 2023F, (38.1% of total debt).
- 4Q22 dragged down the 2022 performance with a VND957bn revenue, -77.5% yoy, fulfilling 9.7% of full-year guidance. NPAT fared well on the back of a VND1,997bn bargain purchase, coming in at VND1,596.3bn, +67.4% yoy, fulfilling 35.5% of full-year guidance.

2023-another year of hope

- 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 revenue and VND1,800bn gross profit. Since the promise has yet been met, we think the company will reschedule to 2023F.
- KBC's market price rebound offered a 12.8x TTM PE, and 1.2x PB, which is not cheap if compared with the 12MF PE of VNINDEX at 9-10x. The default risk and inability to roll over debt could be more visible in 1H23F if the tenants could get investment license as planned.

12M rating **Non-rated**

12M TP
Up/Downside

Stock Data

VNIndex (31 Jan, pt)	1,111
Stock price (31 Jan, VND)	25,900
Market cap (USD mn)	848
Shares outstanding (mn)	768
52-Week high/low (VND)	43,876/13,950
6M avg. daily turnover (USD mn)	7.70
Free float / Foreign ownership (%)	50.2/20.0
Major shareholders (%)	
Dang Thanh Tam	18.1
DC-related funds	7.3
Kinh Bac Consulting	8.1

Performance

	1M	6M	12M
Absolute (%)	7.0	(31.3)	(35.7)
Relative to VNIndex (%p)	(3.3)	(24.0)	(11.9)

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022P
Sales (VND bn)	2,491	3,210	2,151	4,246	957
chg. (% YoY)	97.7	28.9	(33.0)	97.4	(77.5)
Operating profit (VND bn)	1,162	1,533	366	1,849	(236.0)
Net profit (VND bn)	746	918	224	782	1,551
EPS (VND)	1,588	1,955	477	1,586	2,021
chg. (% YoY)	27.7	23.1	(75.6)	232.5	27.4
EBITDA (VND bn)	1,201	1,586	455	1,924	(168.0)
PE (x)	14.1	11.4	46.9	16.8	12.8
EV/EBITDA (x)	12.4	8.8	38.1	10.3	N.M
PB (x)	1.4	1.3	1.3	1.1	1.2
ROE (%)	7.9	9.1	2.1	5.8	9.1
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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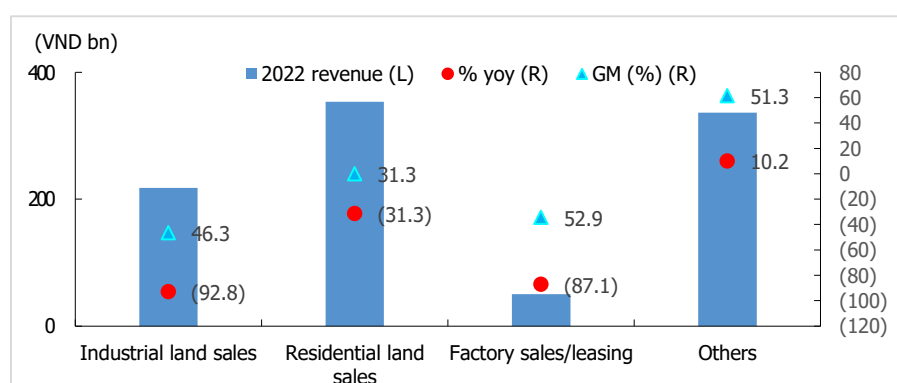
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Table 1. Earnings summary

(VND bn, %, % p)

	2021				2022F				2021	2022P	4Q22		Consensus (BB)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QF			QoQ	YoY	
Net sales	2,002	750	325	1,169	692	394	203	(331)	4,246	957	N.M	N.M	N.A
Industrial land sales	1,794	288	32	922	317	269	76	(444)	3,036	218	N.M	N.M	
Residential land sales	110	125	173	107	288	34	20	12	515	353	(39.8)	(89.0)	
Factory sales/leasing	26	267	37	61	13	13	13	13	390	50	0.5	(79.2)	
Others	71	70	83	80	74	78	95	88	305	336	(7.4)	9.8	
Gross profit	1,123	449	159	735	279	184	97	(292)	2,467	268	N.M	N.M	N.A
Gross margin	56.1	59.9	48.9	62.8	40.4	46.7	47.9	88.3	58.1	28.0	40.4	25.4	
SG&A	187	135	52	246	144	104	75	181	618	504	140.0	(26.4)	
Operating profit	936	314	107	489	135	80	22	(473)	1,849	(236)	N.M	N.M	
Associate's income	2	4	(1)	9	11	200	1,997	(11)	14	2,197	N.M	N.M	
Financial income	42	33	37	52	70	85	83	103	170	341	24.2	99.0	
Financial expense	94	131	178	132	145	155	141	151	541	592	7.4	14.7	
Net other income	(3)	(4)	1	(116)	499	(485)	(3)	(1)	(127)	10	0.0	0.0	
EBT	882	216	(35)	302	570	(276)	1,959	(532)	1,364	1,721	N.M	N.M	
Net profit	715	78	(59)	222	523	(323)	1,936	(540)	954	1,597	N.M	N.M	
NP of controlling interest	599	41	(68)	212	481	(366)	1,919	(482)	782	1,551	N.M	N.M	N.A
EBITDA	956	335	125	505	155	98	34	(455)	1,924	(168)	N.M	N.M	
EBITDA margin	48	45	38	43	22	25	17	N.M	45	N.M	120.9	94.3	
OP margin	47	42	33	42	20	20	11	N.M	44	(25)	132.2	101.1	

Source: Company data, KIS

Figure 1. Revenue by segment: Industrial land dominated 2022 growth

Source: KIS, Company report

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