

6 Feb 2023

IDICO (IDC)

AM Briefing: The muted sound of growth

4Q22: The earnings upturn pace decelerated

- The 4Q22 results satisfied our estimates even the earnings upturn slowed with a VND293bn NPAT (-62.3% qoq, +384.3% yoy) on the back of a VND1,208bn revenue (-41.2% qoq, +8.4% yoy).
- The utility stayed largely flattish but led the total revenue growth with VND743bn, +4% qoq, +6.3% yoy. Gross margin (GM) narrowed to 9.8% (-1.5%p qoq, +1.8%p yoy)
- The industrial park (IP) braked sharply with no lump-sum revenue recognition from the one-time payment contract, sitting at VND144.7bn (-86% qoq, -3.1% yoy). However, the reversion of COGS with VND187bn pushed the gross profit up to VND332bn in 4Q22 vs a loss of VND99bn in 4Q21. GM skyrocketed to 229% in 4Q22.

2022: The switch of accounting journal fuels the engine

- The prosperity of 2022 earnings with a 90.6% yoy revenue, and 4.3x yoy PBT largely relied on the industrial park segment.
- The industrial park saw a booming revenue of VND4,227.7bn, 6.1x yoy thanks to the new accounting policy moving from amortizing IP revenue to one-time booking. Revenue of around 90ha land bank in Nhon Trach V IP has been adjusted in 2022, per management.
- The utility remained unchanged with a 6.6% yoy revenue and a 2.4%p yoy GM expansion. Toll collection performed resiliently with 36.5% yoy revenue growth at the sacrifice of -10.3%p yoy GM reduction.

2023F: Eyeing a steady topline growth

- While seeking the approval of shareholders for its 2023F guidance, the company reassures the attendees by confirming its feasibility in achieving a higher yoy growth of both topline and bottom line. In the meeting on Jul,2022, the company guides for a VND9,226bn revenue and a VND3,224bn PBT, equaling a 11.9/0% yoy respectively.

	2018A	2019A	2020A	2021A	2022P
Sales (VND bn)	5,119.3	4,928.8	5,356.0	4,301.2	8,242.1
chg. (% YoY)	4.0	(3.7)	8.7	(19.7)	91.6
Operating profit (VND bn)	633.6	559.3	1,236.0	477.2	3,244.0
Net profit (VND bn)	349.5	344.7	873.2	454.3	2,310.2
EPS (VND)	1,115.0	1,075.0	2,900.0	1,498.0	7,001.0
chg. (% YoY)	(12.3)	(3.6)	169.8	(48.3)	367.4
EBITDA (VND bn)	1,062.1	979.8	1,745.8	865.7	4,302.0
PE (x)	34.3	34.8	13.7	26.4	5.7
EV/EBITDA (x)	13.3	14.3	8.0	17.4	3.6
PB (x)	3.5	3.5	2.9	3.1	2.5
ROE (%)	8.8	8.2	19.0	9.1	40.1
Dividend yield (%)	1.3	2.0	0.0	7.5	5.0

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

12M rating **Non-rated**

12M TP

Up/Downside

Stock Data

VNIndex (06 Feb, pt)	1,089
Stock price (06 Feb, VND)	39,500
Market cap (USD mn)	555
Shares outstanding (mn)	330
52-Week high/low (VND)	70,583/26,200
6M avg. daily turnover (USD mn)	7.12
Free float / Foreign ownership (%)	63.2/9
Major shareholders (%)	
SSG	96.77
Bach Viet Trading	11.9
Vu Thu Hang	6.3

Performance

	1M	6M	12M
Absolute (%)	14.5	(36.6)	(26.7)
Relative to VNIndex (%p)	10.9	(24.1)	(1.4)

Stock price trend



Source: Bloomberg

Research Dept

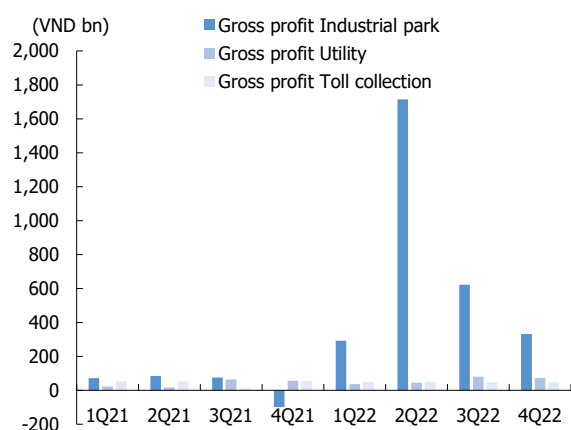
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- IDC's driver of 2023F earning growth is bolstered by IP revenue of booking 90ha land bank which was signed with MOUs in 2022. In the call, the company addresses some concerns about the slower growth of demand for rent stemming from global economic stagnant which delays the contract signing.
- IDC is trading at 5.7x TTM PE, significantly lower than 25x three-year average. We think the investors have yet gained confidence in the company's sustainable earnings growth likelihood in 2023F.

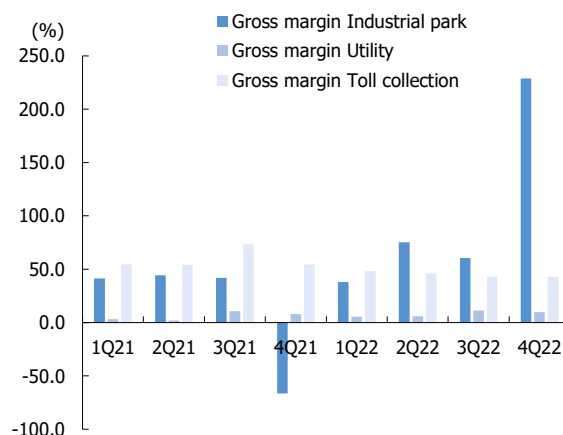
Table 1. 4Q22 earnings

(VND bn, %, %p)

	2021				2022P				2021	2022P	4Q22	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			QoQ	YoY
Net sales	1,046.2	1,263.2	901.0	1,114.2	1,673.5	3,307.8	2,052.8	1,208.0	4,301.2	8,242.1	(41.2)	8.4
Industrial park	172.4	188.9	179.4	149.4	769.3	2,282.6	1,031.1	144.7	690.1	4,227.7	(86.0)	(3.1)
Utility	658.2	753.1	587.5	698.9	668.4	750.9	713.8	742.6	2,697.7	2,875.7	4.0	6.3
Toll collection	97.0	95.8	14.6	101.2	100.7	104.0	106.9	109.6	308.6	421.2	2.5	8.3
Residential property	21.1	62.9	19.6	2.0	38.6	12.7	33.1	21.2	105.6	105.6	(36.0)	960.0
Other	97.5	162.5	99.9	162.7	96.5	157.6	167.9	189.9	522.6	611.9	13.1	16.7
Gross profit	176.6	189.7	183.3	187.9	415.6	1,861.8	804.3	498.5	737.4	3,580.1	(38.0)	165.3
Gross margin	16.9	15.0	20.3	16.9	24.8	56.3	39.2	41.3	17.1	43.4	2.1	24.4
SG&A	57.0	74.6	46.1	83.4	54.1	73.1	90.1	118.8	260.3	336.1	31.9	42.4
Operating profit	119.6	115.1	137.2	104.5	361.5	1,788.7	714.2	379.7	477.1	3,244.0	(46.8)	263.3
Associate's income	0.0	3.0	(9.0)	(52.6)	0.0	14.4	0.0	1.2	(71.3)	15.6	N.M	(102.3)
Financial income	18.7	278.8	123.9	171.9	72.1	2.1	58.0	12.5	605.2	144.6	(78.4)	(92.7)
Interest income	16.2	18.6	30.5	41.1	17.1	48.1	23.4	190.5	694.3	695.3	714.1	363.5
Financial expense	31.4	56.4	39.3	168.7	88.2	(16.0)	31.5	98.7	294.4	202.4	213.3	(41.5)
Interest expense	31.4	56.4	38.9	46.8	41.5	30.2	26.1	135.2	608.0	609.0	418.0	188.9
Net other income	(0.1)	(3.5)	36.2	6.5	10.5	10.4	20.4	3.6	39.5	44.9	(82.4)	(44.6)
EBT	106.8	337.1	249.1	61.6	355.9	1,831.5	761.1	298.3	756.2	3,246.7	(60.8)	384.3
Net profit	80.2	262.5	198.2	35.8	283.7	1,467.3	614.0	231.3	578.0	2,596.3	(62.3)	546.1
NP of controlling interest	53.1	232.1	168.6	(1.0)	255.3	1,426.5	422.3	206.1	454.3	2,310.2	(51.2)	N.M
EBITDA	223.2	219.1	221.8	200.9	856.7	1,994.0	986.3	977.9	2,780.6	3,244.0	(0.9)	386.8
EBITDA margin	21.3	17.3	24.6	18.0	51.2	60.3	48.0	81.0	64.6	39.4	33.0	63.0
OP margin	11.4	9.1	15.2	9.4	21.6	54.1	34.8	39.5	11.1	39.4	4.7	30.1

Figure 1. Gross profit of industrial park led the sector

Source: Fiinpro, KIS

Figure 2. a reversion of IP COGS push the GM up to abnormal high in 4Q22

Source: Fiinpro, KIS

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- BUY: Expected total return will be 15%p or more
- Hold: Expected total return will be between -5%p and 15%p
- Sell: Expected total return will be -5%p or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

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- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
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