

25 Jul 2023

Sai Gon VRG (SIP)

AM Briefing: One in a million

AM Briefing:

- On Jul 25, we attended SIP's 2023 Investor Day, and the presentation the company's 2Q23 results and its strategy plan

Resilient earnings growth in 2Q23

- Per management, 2Q23 prelim results came in at VND1,660.7bn revenue (, 3.1% yoy 19.1% qoq) and VND276bn net profit (7.8% yoy ,111% qoq).
- We attribute the 2Q23 group-wide revenue growth to the all-round growth of segments of which 1) industrial estate revenue of VND92.1bn (2.9% yoy, 0.5% qoq) 2) utility trading revenue of VND1,249.4bn (-6.3% yoy, 19.1% qoq)
- The blended gross margin slid to 13.4%, +0.4%p yoy, -3.3%p qoq and hence gross profit sit at VND223.2bn.
- The 2Q23 resilient results help 1H23 form a flattish revenue of VND3,058bn and steady net profit of VND442.6bn (6.3% yoy). 1H23 fulfilled 57.5/58.6% of its full-year guidance.

Optimism prospect with expansion of industrial park area

- The company will list in HSX from Aug 8 and could exercise stock split 1:1, aiming to foster the liquidity of SIP shares.
- To address the concern of ample cash balance of VND3,712bn (18.7% of total asset) as of end-1Q23, the company could expense on land compensation in Phuoc Dong Industrial park (phase 2, 560ha) and Le Minh Xuan industrial park total up to VND2,000 in next two years.
- The management also launch some solar power system with total capacity of 800MW to meet the growing demand from the tenant.
- Despite the rich unearned revenue (VND11.3tn as of end-2Q23), the company insists the amortization revenue policy to be the optimized solution.

	2018A	2019A	2020A	2021A	2022A
Sales (VND bn)	3,239	4,340	5,083	5,578	6,034
chg. (% YoY)	25.7	34.0	17.1	9.7	8.2
Operating profit (VND bn)	261	502	662	674	794
Net profit (VND bn)	219	595	1,026	835	920
EPS (VND)	2,562	8,617	12,917	8,992	9,912
chg. (% YoY)	27.0	236.3	49.9	(30.4)	10.2
EBITDA (VND bn)	353	597	880	871	1,035
PE (x)	41.1	15.1	10.1	14.5	12.1
EV/EBITDA (x)	25.2	15.2	11.2	13.5	11.7
PB (x)	7.8	5.5	4.5	4.1	3.7
ROE (%)	21.6	42.5	51.7	31.5	31.4
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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12M rating **NONRATED**

12M TP

Up/Downside

Stock Data

VNIndex (25 Jul, pt)	1,196
Stock price (25 Jul, VND)	129,000
Market cap (USD mn)	496
Shares outstanding (mn)	91
52-Week high/low (VND)	137,490/52,710
6M avg. daily turnover (USD mn)	0.30
Free float / Foreign ownership (%)	58.1/4
Major shareholders (%)	
An Loc Investment	19.15
Tran Manh Hung	10.27
Nam Tan Uyen JSC	8.86

Performance

	1M	6M	12M
Absolute (%)	20.2	64.4	16.8
Relative to VNIndex (%p)	14.3	55.7	14.8

Stock price trend



Source: Bloomberg

Liquidity risk is material despite lucrative investment deal

-SIP is among our fancy industrial park players in the South thanks to its unrivalled competitive advantages 1) healthy balance sheet 2) huge remaining net leaseable area over 1,000ha spanning from Ho Chi Minh City to Tay Ninh province and 3) integrated service system to sustain its cash inflow. The valuation deems lucrative with TTM PE of 14.1x, lower than 3-year history of 18.1x. However, the free floating (major shareholders occupy 47.91%) raises the concern over liquidity.

Table 1. 2Q23 earnings snapshot

(VND bn, %, %p)

	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY	Consensus
Sales	1,610	1,508	1,440	1,394	1,661	19.1	3.1	N.A
Gross profit	209	182	271	233	223	(4.3)	6.6	N.A
Gross margin	13	12	19	17	13	(3.3)	0.4	N.A
OP	183	156	241	208	N.A	N.A	N.A	N.A
OP margin	11	10	17	15	N.A	N.A	N.A	N.A
EBT	330	245	379	229	N.A	N.A	N/A	N.A
EAT	257	191	242	166	277	111.1	7.8	N.A

Source: Fiinpro, KIS, company data

Table 2. Industrial zone snapshot

	Phuoc Dong Industrial Zone		Le Minh Xuan Industrial Park	Loc An-Binh Son Industrial Park
	Zone A	Zone B		
% Ownership by SIP	100	100	100	69
Total area (ha)	1,014.1	1175.04	231.25	497.7
Phase 1		615		
Phase 2	-	560		
Total investment (VNDbn)	2,603.0	3303	2065	1984
Net leaseable (VND bn)	816.9	911.2	155.12	360.58
Phase 1	9	510		
Phase 2	-	400		
Occupancy rate	94.7		32.03	63.4
Phase 1		30.35		
Phase 2	-			
Remaining net leaseable area (ha)	43.3	756.3		
Phase 1		355.5		
Phase 2	-	400.8		
Rent (USD/ sq m)	80-100	80-100	290	210-230
Starting year	2008	2008	2014	2019
Remaining year of leasing	35.0	35	41	37

Source: Fiinpro, KIS, company data

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